

## Monthly Focus

### Master Manole's legend

**Chief Economist<sup>1</sup>:**

Horia Braun Erdei,

+40 3735 10424

Horia.BraunErdei@bcr.ro

For those who don't know it, the legend of master Manole recounts the story of the building of Curtea de Arges Monastery, one of the architectural gems of Romania. The story goes that 10 master builders were hired to build the monastery, but their endeavours were fruitless, as whatever they were building during the day, collapsed during the night, up until their leader, Manole had a premonitory dream. The dream suggested that the building will only progress if a sacrifice was to be made by bricking in alive the first maid that was to set foot on the constructions site. To Manole's misfortune, that first lady was none other than his wife, whom he tragically chose to sacrifice for the sake of completing the masterpiece that was to be dedicated to God. Tragic and cruel a story as it may be by today's standards, I believe there is something we can learn from it even in today's secular world, namely that you cannot aspire to build anything that would last unless you put (in our case not literally) at least a little heart into it. Why would this be important for Romania today? In my view not because we need inspiration to finish long lasting construction works of churches, highways and hospitals. In reality I believe we do not care so much about brick and mortar anymore, but we should care about building some lasting foundations for the institutions that define our democracy and our market economy.

Of course, one can argue that we already can display a wide array of such characteristic institutions, as we have a complex and supposedly independent judicial system, we have separate executive and legislative powers, we have competition council, central bank, consumer protection agency, financial supervisory authority, this is just to name a few. We however also have a legacy of what a 19<sup>th</sup> century great Romanian thinker called "form without a substance". Our institutions' organization has often been plagued by nepotism, as well as the so called Hubris of power syndrome<sup>2</sup>, whereby people assigned to manage these institutions have fallen prey to the belief that those institutions are theirs alone to run and dispose of at their whims and arbitrary wishes, as if we were talking about some property bestowed upon war lords in the Middle Ages.

---

<sup>1</sup> Since July 1<sup>st</sup> 2018, Horia Braun Erdei also fulfils the role of Adviser on ALM issues to the Financial Vicepresident of BCR and since February 2019 he was also authorized as Member of the Supervisory Board of Erste Asset Management SAI, Romania.

<sup>2</sup> A description of which can be found in Sir David Owen's lecture: "Hubris syndrome", Clin Med 2008b; 8: 428-32 to be found here: <http://www.clinmed.rcpjournal.org/content/8/4/428.full.pdf>

As a matter of fact, the sort of tension between, on the one hand, the desire for modernisation and emulation of the European elite nations and on the other hand, the traditionalistic and conservative, master-servant type of worldview have been well documented for Romania, particularly since the 19th century. Romania's accelerated accession into the European Union, which came with a swift implementation of the „*acquis communautaire*” and a forced adaptation to the EU's way of working have probably reinforced such tensions. To some extent, people still feel somewhat estranged from the EU, with large part of European regulations having been implemented formally without however internalising their necessity and meaning. The current European Parliament elections pre-campaign themes are a case in point: most of them relate to purely domestic politics or to how we imagine ourselves to relate to the other Europeans, while extremely little ink has been splashed over subjects related to how we want and how we can influence the ways of the European Union. As a side effect of such estranged feeling towards the EU, modern institutions seem often times as if they were devoid of substance, whereas we tend to attribute much more content to their leaders' views than what they are in reality entrusted and capable to deliver. As we all know, a face we can learn to like or dislike and we very rarely end up being indifferent to it, which cannot be said about abstract institutions, even if their logos are successfully branded or not. The problem with such personification of institutions is that in Romania, over the last 30 years, there was rarely a leader who could be perceived as NOT having betrayed the trust that people invested in him/her. Such people are naturally not superheros, although we tend to imagine them as such and when we discover the truth, we tend to become collectively depressed.

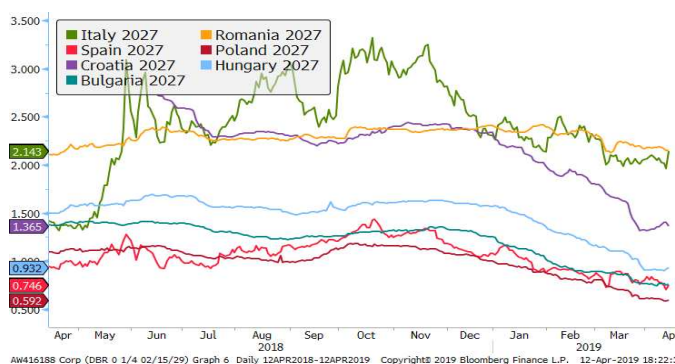
And yet the legend of **Master** Manole provides us a way out of this conundrum. If our institutions' authority cannot be built top down, perhaps we can try a bottom-up approach, The secret is the soul that is buried in the walls of the monastery, i.e. in the laws, bylaws and internal regulations of these institutions. Yes, dear readers, **professional ethics** is the name of that maid and with it I believe we can go far! The 10 years that have passed since joining the EU, on top of the almost 20 years' worth of pre-accession transition period should have been enough time for a sufficiently large class of professionals to be formed, educated and become of age and experience and for their loyalty to public service to be forged even if their leaders attitude were failing to support the cause. In the area of financial markets I have met many of such people and I am sure that they exist also in other areas.

But for the financial markets and for its institutions things are bit more delicate because, on the one hand, the stakes are measured in real money and on the other hand, because perceptions play a large role, as investments are decided often times by people who have never set a foot in our country. For example, the perceptions about the credibility and the professionalism of the Finance Ministry officials can sometimes make the difference between a low and a high financing cost of the sovereign itself. Further on, the perception about the central bank's independence and its capacity to fulfil its price stability objective can make the difference between a stable and weakening currency or between steady interest rates and rising rates that can burden economic growth. Perception about a country's capital market transparency and efficiency can also make or

break investments in the local equities.

Such considerations may feel almost superfluous to many of you, but currently feel the urge to stress them nonetheless for three reasons. Reason no.1 is that the fundamentals of the Romanian economy indicate a fast increasing vulnerability, at least in comparison with other EU peers. Based on the latest Eurostat data, we have the highest inflation rate in the Union, by far the largest current account deficit and the second largest budget deficit. Such vulnerabilities are making foreign investors increasingly prudent when approaching Romanian assets, which is often reflected in higher risk premia being requested for investing in our assets (see for instance Graph 1).

**Graph 1: Yields of 2027 maturities of selected European countries' EUR denominated Eurobonds: Romania among the highest, at least in the Investment Grade space**



Source: Bloomberg

The second reason is that the external context, which in the last 2 years was rather on the favourable side, has been giving as of late signals of increased volatility and more troubled economic outlook. A case in point is the rollercoaster of risky asset prices from the last two quarters, with Q4 of 2018 having shown a severe correction related to US recession fears on the back of suspected excessive monetary tightening and on the back of escalating US-China trade tensions, whereas Q1 of 2019 has shown a swift comeback as the Fed and the ECB stepped back into easing mode, while bets have increased for a US-China truce. Of high relevance is also the emerging slowdown of the global economy, which translated into slower Eurozone growth will also limit the growth prospects of the Romanian economy. As a matter of consequence, the above mentioned vulnerabilities will be even more highlighted by such economic slowdown, not to mention other more severe negative economic shocks.

Reason no.3 is that in the public arena there have been a number of hasty statements and accusations aired recently, which can dent the image of key institutions for the financial markets. By coincidence or not, such institutions, such as the National Bank of Romania and the Fiscal Council, will have their Boards elected later this year. Based on the above mentioned financial stakes for the entire society, one would expect however that such an important selection process will be based on candidates' reputation, experience and competence, rather than being influenced by personal disputes.

Despite such hopes, given that we are early on in a very heavy election

calendar, we shouldn't expect that the tone of arguments and the level of hostility will quiet down. In that context, when the bosses will be busy running their electoral tournaments, the heavy lifting will be on the army of masters Manole, many of which have dedicated their youths, their careers and their aspirations to the institutions which they are serving. Debates about economic changes will for sure be flying in pre-elections times and they can even lead to concrete actions with even heavy impact, as shown by the example of EGO 114. The role of professionals in this setup is to bring real content to the debates and through that content to „guard” their institutions from attacks which can weaken their founding principles. At the same time, though, public sector masters, as well as ourselves in the private sector, we should be aware that locking our gates to any criticism, as well as burying the content in loads of jargon, legislation and paperwork will not get us far, just like Manole's master builders were not getting far with building a soulless church. That is why it is our duty to search that soul hidden in the foundations of the institutions, to highlight it and if necessary to rejuvenate it. As a concrete example related to the recent EGO 114 saga, my hope is that its aftermath will bring further contentful debates as to finding the best solutions to achieve a lasting increase of financial intermediation and of real economy financing, but one which will be also compatible with the interests of the depositors, which at the end of the day are the ones financing most of the economy's borrowings.

## Macro Monitor

### Analyst

Eugen Sinca,

+40 3735 10435  
[eugen.sinca@bcr.ro](mailto:eugen.sinca@bcr.ro)

### Analyst

Dorina Ilașco,

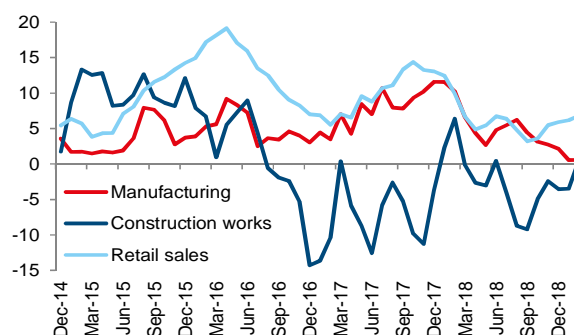
+40 3735 10436  
[dorina.ilasco@bcr.ro](mailto:dorina.ilasco@bcr.ro)

### Residential segment reverses 2018 weakness, consumption still strong

February high frequency data showed that business activities performed well. Retail sales accelerated to 9.1% y/y, the strongest growth rate in one year, on higher sales of non-food items (+12.6%). The consumer confidence indicator released by the EC has recovered to some extent in recent months, adding to evidence that people are inclined to go shopping and spend more money on non-essential goods.

Services to the population were also solid in February (+17.9% y/y) due to robust business activity in hotels and restaurants. With remarkable growth rate of 15.2% y/y in nominal terms, services to companies complemented the picture.

### Graph 2: Economic activity indicators (3-month moving average, %)



Source: NIS, BCR Research

While the positive signals received from indicators from the consumption sphere came as no surprise, an incipient recovery in construction works is worth mentioning. The construction sector advanced by 10.6% y/y in February, the fastest pace since the spring of 2016, with a key role being played by the residential segment, which managed to reverse the prolonged weakness from 2018 and expanded by 38.5% y/y. Infrastructure works were in the red (-12.3% y/y), taking part of the shine off construction works.

Industrial production went up by 1.9% y/y according to unadjusted data, which might look modest, but is nevertheless better than in the past two months. We think that industrial production will face headwinds from slower Eurozone economic growth this year, but a positive surprise in the form of some resilience to external shocks cannot be ruled out.

An increase in monthly exports of goods (+8% y/y) was matched by fast imports (+11.1% y/y), in yet another sign that local production of goods cannot keep pace with consumer demand.

All in all, the February data does not show a change in the overall economic growth, which is expected to be slightly above 4% y/y in 1Q19 based on preliminary data. Nor does it show a change in structure, as household consumption is still in the lead.

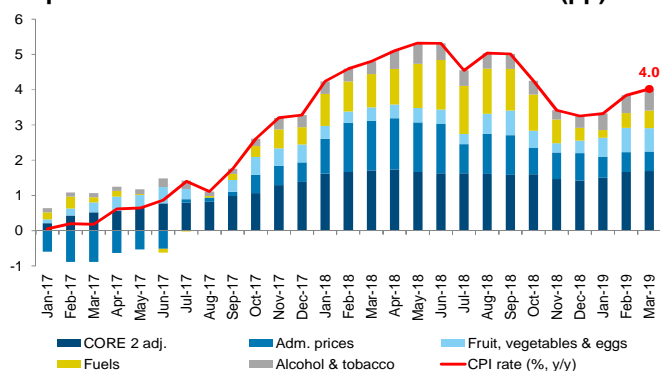
### Inflation above CB target in March

The annual inflation rate accelerated to 4% y/y in March, from 3.8% y/y in February, which corresponded to a monthly rise of 0.49% m/m.

Food prices advanced 0.5% m/m in March, due to increases in volatile prices of fruit and vegetables, on top of staple food such as bread. The prices of non-food items went up by 0.5% m/m, mainly driven by more expensive fuels and costlier tobacco products, amid the delayed pass-through of excise taxes announced in January and the hike in the administered electricity price for households. Services also saw an increase in their monthly prices of 0.4% m/m, with TV subscriptions the top inflationary factor here, once the telecom companies started to adjust their prices, as a result of the new tax on turnover.

Adjusted CORE2 inflation, which strips out administered prices, volatile prices, alcohol and tobacco, was 2.7% y/y in March, almost unchanged compared with the previous month, suggesting that the pick-up in inflation was explained mainly by temporary factors.

**Graph 3: Contributions to annual inflation rate (pp)**



Source: NIS, BCR Research

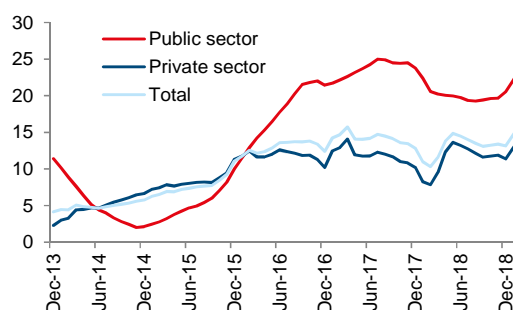
We see inflation remaining above the upper limit of the NBR's targeted band of 3.5% until autumn, whereas the adjusted CORE2 inflation should move steadily upwards above 3% by the end of this year, due to prospective higher inflationary pressures coming from basic food items and services. Inflationary pressures might, however, ease later in 2019, with some chances that headline inflation will re-enter the NBR's targeted band of 2.5%±1pp, in the absence of strong supply-side shocks. Our end-year inflation forecast is 3.5% this year, but risks remain skewed to the upside, which explains the strict control of money market liquidity recently enforced by the central bank. In our view, this move will limit the depreciation of the leu and contain part of the inflationary pressures in the short term.

We see future monetary policy decisions as mainly dependent on local inflation prints, especially given the fact that the ECB is not in a hurry to hike interest rates anytime soon and monetary conditions in other CEE countries are relatively loose. The next MPC meeting will thus shed more light on this, as the central bank will have the updated projections for the inflation rate with the release of its 2Q Inflation Report.

### Alert wage growth in February

Net nominal wages increased by 17.9% y/y in February, boosted by a new round of wage increases in the public sector in January. Besides strong growth rates in sectors with an important governmental presence (+29.4% y/y on average in public administration, education and healthcare), private wages were faster than in the past, at 15.2% y/y. This was explained by the government's decision to increase the gross minimum wage in January 2019 (+9.5%) and to introduce two differentiated minimum wages, one for persons with a university degree employed in positions where such a qualification is mandatory (+23.7%) and one for employees in the construction sector (+57.9%).

**Graph 4: Nominal wage growth (12-month moving average, %)**



Source: NIS, BCR Research

We think that there are some caveats behind these impressive numbers and disposable income is actually growing slightly less than implied by the increase in wages. The government's decision to push forward with strong increases in the minimum wage was driven, among other factors, by its attempt to limit the grey labor market and obtain more revenues for the budget. For some people employed in the private sector who previously received informal payments from their employer, the increase in the official wage will simply mean that they will receive higher wages, but smaller extra salary payments.

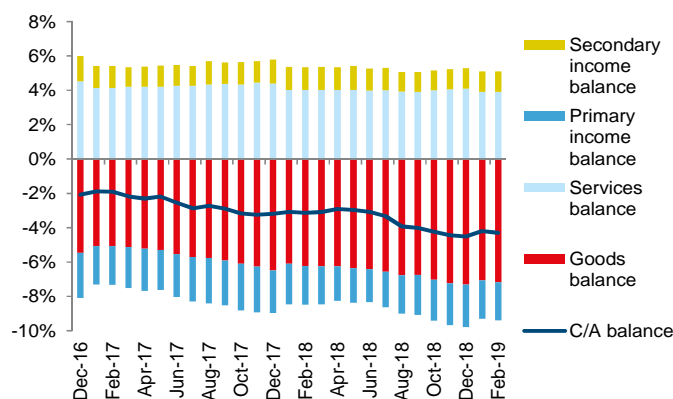
### C/A deficit little changed in first two months

The annualized C/A deficit was EUR 9.3bn at the end of February (4.3% of estimated GDP). In relative terms, the C/A deficit was almost unchanged compared with 2018 (it was 4.5% of GDP last year), a positive trend which should be confirmed in the next months before speaking about an incipient adjustment of the external imbalance. Trade deficit for goods was almost flat at beginning of 2019 (relative to GDP), while primary income balance benefitted from higher seasonal inflows of EU subsidies for agriculture.

We think that an adjustment of the external imbalance, either as a result of tighter fiscal policy or in the aftermath of an external financing shock, is likely in the next years. As a result, we see risks of a weaker leu on the medium-term horizon, although in 2019 the leu could be helped by the NBR's strategy to tighten liquidity conditions and remain close to current levels. We retain our EURRON forecast of 4.77 at the end of 2019, while for the coming years we foresee annual depreciations of close to 2% under normal market conditions and possibly larger, if an

adjustment of the C/A deficit takes place.

**Graph 5: C/A balance by structure (% of GDP)**



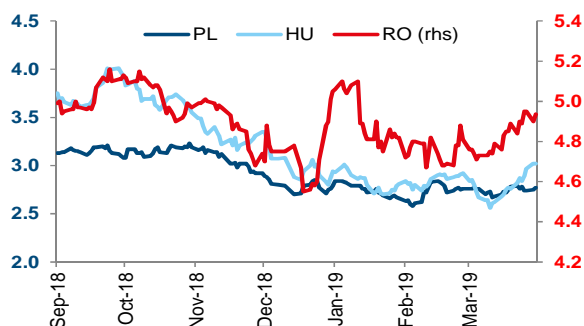
Source: NBR, NIS, BCR Research

## Bond monitor

### Higher bond yields due to both local and external factors

Long-term RON bond yields increased between mid-March and mid-April, in line with higher yields in the CEE region. On a broader scale, EM bond indices were almost flat since the end of March, which contrasted with the positive performance in previous months. An increase in German bund yields above zero explained part of this market move, while local inflationary pressures, which are likely to persist until autumn (inflation above the NBR's target), added to the overall picture.

**Graph 6: LCY bond yields in CEE (RO and PL bonds maturing in 2029, HU bonds maturing in 2028)**



Source: Reuters, BCR Research

Short-term yields were affected by the NBR's pledge to follow strict control of liquidity conditions in the market, and they also increased. The auction for 1y T-bills from April was rejected by the Ministry of Finance against the backdrop of expensive short-term RON funding. Apart from an increase in liquidity at the end of April, when a bond worth RON 8.8bn will mature, and also in June, when another bond worth RON 8.9bn will be repaid by the Ministry of Finance, liquidity conditions are

**Analyst**  
 Eugen Sinca,  
 +40 3735 10435  
[eugen.sinca@bcr.ro](mailto:eugen.sinca@bcr.ro)



**Erste Group Research**

Monthly Focus | Fixed Income | Romania  
25 April 2019

unlikely to persistently improve. The Ministry of Finance could find itself in the position of replacing T-bills issuance (which was nevertheless thin, according to its plans disclosed at the beginning of each month) with medium-term bonds.

## Macro forecasts

	2011	2012	2013	2014	2015	2016	2017	2018	2019f	2020f
<b>Real economy</b>										
GDP - %, y/y real change	2.0	2.1	3.5	3.4	3.9	4.8	7.0	4.1	3.1	3.7
GDP - RON bn	559	594	636	669	713	765	857	944	1027	1106
GDP per capita - EUR thou.	6.5	6.6	7.2	7.5	8.1	8.6	9.6	10.4	11.2	11.9
Household consumption - %, y/y	1.6	1.6	2.0	4.2	5.9	8.3	10.1	5.2	4.5	4.0
Gross fixed capital formation - %, y/y	6.1	3.1	-5.6	3.3	7.5	-0.2	3.5	-3.2	3.2	5.5
Industrial production - % y/y	7.5	2.4	7.8	6.1	2.8	3.1	7.8	3.5	2.0	3.0
Retail sales - %, y/y	-1.2	4.1	0.5	6.4	9.5	12.4	10.8	5.4	4.7	4.2
<b>External sector</b>										
Exports of goods, FOB - EUR bn.	45.3	45.1	49.6	52.5	54.6	57.4	62.6	67.7	71.5	75.5
Imports of goods, CIF - EUR bn.	55.0	54.7	55.3	58.5	63.0	67.4	75.6	82.9	88.3	93.9
Trade balance goods, FOB - CIF, % of GDP	-7.3	-7.2	-4.0	-4.0	-5.2	-5.9	-6.9	-7.5	-7.8	-8.0
C/A balance - % of GDP	-5.0	-4.8	-1.1	-0.7	-1.2	-2.1	-3.2	-4.5	-4.9	-5.3
<b>Prices</b>										
CPI - y/y (%)	3.1	5.0	1.6	0.8	-0.9	-0.5	3.3	3.3	3.5	3.2
CPI - average (%)	5.8	3.3	4.0	1.1	-0.6	-1.5	1.3	4.6	3.6	3.1
<b>Labour market</b>										
Unemployment rate - %	7.2	6.8	7.1	6.8	6.8	5.9	4.9	4.2	3.8	4.0
Net nominal wages - RON	1,475	1,547	1,622	1,706	1,848	2,088	2,384	2,696	3,011	3,270
Net wages - %, nominal	4.8	4.9	4.8	5.2	8.3	13.0	14.2	13.1	11.7	8.6
<b>Public sector</b>										
Fiscal deficit - % of GDP (Eurostat)	-5.4	-3.7	-2.2	-1.3	-0.7	-2.7	-2.7	-3.0	-3.0	-2.5
Public debt - % of GDP (Eurostat)	34.2	37.0	37.6	39.2	37.8	37.3	35.2	35.0	35.1	35.3
<b>Interest rates</b>										
Policy rate, eop	6.00	5.25	4.00	2.75	1.75	1.75	1.75	2.50	2.50	2.50
ROBOR 3M - %, avg	5.8	5.3	4.2	2.5	1.3	0.8	1.2	2.8	3.4	3.5
10y bond yields, %, avg	7.4	6.7	5.3	4.6	3.5	3.3	3.7	4.7	4.9	5.4
<b>FX rate</b>										
EUR/RON eop	4.32	4.43	4.48	4.48	4.52	4.54	4.66	4.66	4.77	4.87
USD/RON eop	3.34	3.36	3.26	3.69	4.15	4.30	3.89	4.07	4.04	4.06

Source: NBR, Eurostat, INS, Ministry of Finance, Reuters, BCR Research

### Macro and Fixed Income Team:

Horia Braun-Erdei	+4 (021) 312 67 73/10424	<a href="mailto:Horia.BraunErdei@bcr.ro">Horia.BraunErdei@bcr.ro</a>
Florin Eugen Sinca	+4 (021) 312 67 73/10435	<a href="mailto:Eugen.Sinca@bcr.ro">Eugen.Sinca@bcr.ro</a>
Dorina Ilasco	+4 (021) 312 67 73/10436	<a href="mailto:Dorina.Ilasco@bcr.ro">Dorina.Ilasco@bcr.ro</a>

**Erste Group Research**  
 Monthly Focus | Fixed Income | Romania  
 25 April 2019

**Contacts**

**Group Research**

**Head of Group Research**

Friedrich Mostböck, CEFA +43 (0)5 0100 11902

**Major Markets & Credit Research**

Head: Gudrun Egger, CEFA +43 (0)5 0100 11909  
 Ralf Burchert, CEFA (Agency Analyst) +43 (0)5 0100 16314  
 Hans Engel (Senior Analyst Global Equities) +43 (0)5 0100 19835  
 Margarita Grushanina (Economist AT, Quant Analyst) +43 (0)5 0100 11957  
 Peter Kaufmann, CFA (Corporate Bonds) +43 (0)5 0100 11183  
 Heiko Langer (Covered Bonds/Financials) +43 (0)5 0100 85509  
 Stephan Lingnau (Global Equities) +43 (0)5 0100 16574  
 Carmen Riefler-Kowarsch (Covered Bonds/Financials) +43 (0)5 0100 19632  
 Rainer Singer (Senior Economist Euro, US) +43 (0)5 0100 17331  
 Bernadett Povazsai-Römhild, CEFA (Corporate Bonds) +43 (0)5 0100 17203  
 Elena Statelov, CIIA (Corporate Bonds) +43 (0)5 0100 19641  
 Gerald Walek, CFA (Economist Euro, CHF) +43 (0)5 0100 16360

**Macro/Fixed Income Research CEE**

Head CEE: Juraj Kotian (Macro/FI) +43 (0)5 0100 17357  
 Zoltan Arokszállasi, CFA (Fixed income) +43 (0)5 0100 18781  
 Katarzyna Rzentarzewska (Fixed income) +43 (0)5 0100 17356  
 Malgorzata Krzywicka (Fixed income) +43 (0)5 0100 17338

**CEE Equity Research**

Head: Henning Eßkuchen +43 (0)5 0100 19634  
 Daniel Lion, CIIA (Technology, Ind. Goods&Services) +43 (0)5 0100 17420  
 Michael Marschallinger +43 (0)5 0100 17906  
 Christoph Schultes, MBA, CIIA (Real Estate) +43 (0)5 0100 11523  
 Vera Sutedja, CFA, MBA (Telecom, Steel) +43 (0)5 0100 11905  
 Thomas Unger, CFA (Banks, Insurance) +43 (0)5 0100 17344  
 Vladimira Urbankova, MBA (Pharma) +43 (0)5 0100 17343  
 Martina Valenta, MBA +43 (0)5 0100 11913

**Editor Research CEE**

Brett Aaronson +420 956 711 014

**Research Croatia/Serbia**

Head: Mladen Dodig (Equity) +381 11 22 09178  
 Head: Alen Kovac (Fixed income) +385 72 37 1383  
 Anto Augustinovic (Equity) +385 72 37 2833  
 Mate Jelić (Fixed income) +385 72 37 1443  
 Magdalena Dolenc (Equity) +385 72 37 1407  
 Ivana Rogic (Fixed income) +385 72 37 2419  
 Davor Spoljar, CFA (Equity) +385 72 37 2825

**Research Czech Republic**

Head: David Navratil (Fixed income) +420 956 765 439  
 Head: Petr Bartek (Equity) +420 956 765 227  
 Jiri Polansky (Fixed income) +420 956 765 192  
 Michal Skorepa (Fixed income) +420 956 765 172  
 Jan Šumbera (Equity) +420 956 765 218  
 Jan Žemlička (Fixed income) +420 956 765 456

**Research Hungary**

Head: József Miró (Equity) +361 235 5131  
 András Nagy (Equity) +361 235 5132  
 Orsolya Nyeste (Fixed income) +361 268 4428  
 Zsombor Varga (Fixed income) +361 373 2830  
 Tamás Pletser, CFA (Oil&Gas) +361 235 5135

**Research Poland**

Director of Research: Tomasz Duda (Equity) +48 22 330 6253  
 Cezary Bernatek (Equity) +48 22 538 6256  
 Konrad Grygo (Equity) +48 22 330 6254  
 Mateusz Krupa (Equity) +48 22 330 6251  
 Michal Pilch (Equity) +48 22 330 6255  
 Emil Poplawski (Equity) +48 22 330 6252

**Research Romania**

Head: Horia Braun-Erdei +40 3735 10424  
 Caius Rapanu (Equity) +40 3735 10441  
 Eugen Sinca (Fixed income) +40 3735 10435  
 Dorina Ilasco (Fixed Income) +40 3735 10436

**Research Slovakia**

Head: Maria Valachyova, (Fixed income) +421 2 4862 4185  
 Katarina Muchova (Fixed income) +421 2 4862 4762

**Research Turkey**

Umut Cebir (Equity) +90 212 371 2537  
 Lina Barokas +90 212 371 2530

**Treasury – Erste Bank Vienna**

**Group Markets Retail Sales**

Head: Christian Reiss +43 (0)5 0100 84012

**Markets Retail Sales AT**

Head: Markus Kaller +43 (0)5 0100 84239

**Group Markets Execution**

Head: Kurt Gerhold +43 (0)5 0100 84232

**Retail & Sparkassen Sales**

Head: Uwe Kolar +43 (0)5 0100 83214

**Corporate Treasury Product Distribution AT**

Head: Christian Skopek +43 (0)5 0100 84146

**Fixed Income Institutional Sales**

**Institutional Distribution non CEE**

Head: Jaromir Malak +43 (0)5 0100 84254  
 Karin Rattay +43 (0)5 0100 84118  
 Christian Kienesberger +43 (0)5 0100 84323  
 Bernd Bollhof +49 (0)30 8105800 5525  
 Rene Klasen +49 (0)30 8105800 5521  
 Christopher Lampe-Traupe +49 (0)30 8105800-5507  
 Charles-Henry La Coste de Fontenilles +43 (0)5 0100 84115  
 Bernd Thaler +43 (0)5 0100 84119

**Bank Distribution**

Head: Marc Friebertshäuser +49 (0)711 810400 5540  
 Sven Kienzle +49 (0)711 810400 5541  
 Michael Schmotz +43 (0)5 0100 85542  
 Ulrich Inhofner +43 (0)5 0100 85544  
 Klaus Vosseler +49 (0)711 810400 5560  
 Andreas Goll +49 (0)711 810400 5561  
 Mathias Gindele +49 (0)711 810400 5562

**Institutional Distribution CEE**

Head: Jaromir Malak +43 (0)5 0100 84254

**Institutional Distribution PL and CIS**

Pawel Kielek +48 22 538 6223  
 Michal Jarmakowicz +43 50100 85611

**Institutional Distribution Slovakia**

Head: Sarlota Sipulova +421 2 4862 5619  
 Monika Smelikova +421 2 4862 5629

**Institutional Distribution Czech Republic**

Head: Ondrej Cech +420 2 2499 5577  
 Milan Bartos +420 2 2499 5562  
 Barbara Suvadova +420 2 2499 5590

**Institutional Asset Management Czech Republic**

Head: Petr Holecek +420 956 765 453  
 Martin Perina +420 956 765 106  
 Petr Valenta +420 956 765 140  
 David Petracek +420 956 765 809  
 Blanca Weinerova +420 956 765 317

**Institutional Distribution Croatia**

Head: Antun Buric +385 (0)7237 2439  
 Zvonimir Tukač +385 (0)7237 1787  
 Natalija Zujic +385 (0)7237 1638

**Institutional Distribution Hungary**

Head: Peter Csizmadia +36 1 237 8211  
 Attila Hollo +36 1 237 8209  
 Gabor Balint +36 1 237 8205

**Institutional Distribution Romania and Bulgaria**

Head: Ciprian Mitu +43 (0)50100 85612  
 Crisitan Adascalita +40 373 516 531

**Group Institutional Equity Sales**

Head: Brigitte Zeitberger-Schmid +43 (0)50100 83123  
 Werner Fürst +43 (0)50100 83121  
 Josef Kerekes +43 (0)50100 83125  
 Cormac Lyden +43 (0)50100 83120

**Business Support**

Bettina Mahoric +43 (0)50100 86441

**Erste Group Research**  
Monthly Focus | Fixed Income | Romania  
25 April 2019  
**Disclaimer**

This publication was prepared by Erste Group Bank AG or any of its consolidated subsidiaries (together with consolidated subsidiaries "Erste Group") independently and objectively as general information pursuant. This publication serves interested investors as additional source of information and provides general information, information about product features or macroeconomic information without emphasizing product selling marketing statements. This publication does not constitute a marketing communication pursuant to Art. 36 (2) delegated Regulation (EU) 2017/565 as no direct buying incentives were included in this publication, which is of information character. This publication does not constitute investment research pursuant to Art. 36 (1) delegated Regulation (EU) 2017/565. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and it is not subject to the prohibition on dealing ahead of the dissemination of investment research. The information only serves as non-binding and additional information and is based on the level of knowledge of the person in charge of drawing up the information on the respective date of its preparation. The content of the publication can be changed at any time without notice. This publication does not constitute or form part of, and should not be construed as, an offer, recommendation or invitation to subscribe for or purchase any securities, and neither this publication nor anything contained herein shall form the basis of or be relied on in connection with or act as an inducement to enter into any contract or inclusion of a security or financial product in a trading strategy. Information provided in this publication are based on publicly available sources which Erste Group considers as reliable, however, without verifying any such information by independent third persons. While all reasonable care has been taken to ensure that the facts stated herein are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable, Erste Group (including its representatives and employees) neither expressly nor tacitly makes any guarantee as to or assumes any liability for the up-to-dateness, completeness and correctness of the content of this publication. Erste Group may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Erste Group endorses, recommends or approves any material on the linked page or accessible from it. Neither a company of Erste Group nor any of its respective managing directors, supervisory board members, executive board members, directors, officers or other employees shall be in any way liable for any costs, losses or damages (including subsequent damages, indirect damages and loss of profit) howsoever arising from the use of or reliance on this publication. Any opinion, estimate or projection expressed in this publication reflects the current judgment of the author(s) on the date of publication of this document and do not necessarily reflect the opinions of Erste Group. They are subject to change without prior notice. Erste Group has no obligation to update, modify or amend this publication or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. The past performance of securities or financial instruments is not indicative for future results. No assurance can be given that any financial instrument or issuer described herein would yield favorable investment results or that particular price levels may be reached. Forecasts in this publication are based on assumptions which are supported by objective data. However, the used forecasts are not indicative for future performance of securities or financial instrument. Erste Group, its affiliates, principals or employees may have a long or short position or may transact in the financial instrument(s) referred to herein or may trade in such financial instruments with other customers on a principal basis. Erste Group may act as a market maker in the financial instruments or companies discussed herein and may also perform or seek to perform investment services for those companies. Erste Group may act upon or use the information or conclusion contained in this publication before it is distributed to other persons. This publication is subject to the copyright of Erste Group and may not be copied, distributed or partially or in total provided or transmitted to unauthorized recipients. By accepting this publication, a recipient hereof agrees to be bound by the foregoing limitations. Erste Group is not registered or certified as a credit agency in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the Credit Rating Agencies Regulation). Any assessment of the issuers creditworthiness does not represent a credit rating pursuant to the Credit Rating Agencies Regulation. Interpretations and analysis of the current or future development of credit ratings are based upon existing credit rating documents only and shall not be considered as a credit rating itself.

© Erste Group Bank AG 2019. All rights reserved.

**Published by:**  
**Erste Group Bank AG**  
**Group Research**  
**1100 Vienna, Austria, Am Belvedere 1**  
**Head Office: Wien**  
**Commercial Register No: FN 33209m,**  
**Commercial Court of Vienna**

**Erste Group Homepage: [www.erstegroup.com](http://www.erstegroup.com)**