

**Macroeconomic and  
Strategic Analysis**

**UniCredit Weekly Report**



---

**State budget in force starting with January 6<sup>th</sup>**

---

January 6<sup>th</sup>, 2020

---

**Florin ANDREI, PhD**  
Senior Macroeconomic Economist  
+40 21 200-1377  
[florin.andrei@unicredit.ro](mailto:florin.andrei@unicredit.ro)

**Catalina-Mara MIHAILESCU**  
Macroeconomic Economist  
+40 21 200-1355  
[Catalina-Mara.Mihailescu@unicredit.ro](mailto:Catalina-Mara.Mihailescu@unicredit.ro)

---

## Weekly briefing

We have a calm start of the year in Romania as EURRON closed the year slight below 4.78 and did not deviated significantly up to now. ROBOR rates increased in the second half of the year due to significant payments made before the year-end but are expected to recover as the available liquidity will overcome the money market.

The government assumed responsibility on the state budget being already in force starting January 6<sup>th</sup> after it was ratified by the President. On the other side, the Ordinance enclosing the fiscal changes, including repealing the provisions of the Ordinance 114/2018, was contested by the socialists at the Constitutional Court and could delay or influence the budget execution.

The most important event of the week ahead is the monetary policy meeting, including the interest rate decision. We do not see ease of the monetary policy in 2020 as the inflation is still elevated and will be influenced by the re-liberalization of the energy prices, natural gas in July 2020 and electricity starting with December 31<sup>st</sup>, 2020.

The MinFin is starting the regular auctions for Romanian bonds as the current week comprise three debt sales, for 1Y, 4Y and 15Y in total amount of RON 1.4bn.

Is that time of the year when economists make predictions for the new year. We also keep the line and present **the most important issues/topics/expectations for 2020:**

- Romania will face an economic slowdown, smaller growth rate but not a recession, considering the decreasing external demand and the negative fiscal impulse.
- Economic growth will be sustained by EU-funded investment, constructions/real estate as well the private consumption.
- If the pensions will increase in line with the calendar, 40% in September, is likely that the budget deficit to exceed 4%/GDP in 2020-21 increasing the risk of a rating downgrade.
- EU-funded investment are likely to increase as the current EU budget (2014-2020) is finishing and approval/allocation of funds will speed-up. We estimate EUR 3.4bn for the year end in form of EU structural and cohesion funds.
- Auction for 5G licenses is expected, contributing to the telecom industry development.
- We do not expect any changes regarding the NBR key interest rate, as the inflation remains elevate.
- EURRON will make a move in Q1 2020 to an upper lane, 4.8-4.9, due to the widening of the current account deficit.
- Inflation rate is expected to rose close to 4% due to re-liberalization of the energy prices.
- Early parliamentary elections are still in the loop as the government could assume responsibility on changing the first-past-the-post (FPP) system used in local elections which will be held in June. Other trigger for early parliamentary elections is represented by the increase in pensions (40% starting with September) which will pose additional pressure on the budget.
- National football team could qualify (in the 13th hour) for the EURO 2020 championship.

## Data spotlight: 23 Dec. 2019 – 03 January 2020

### CURRENCIES - MAJORS

Currencies	Last	1D ch (%)	1M ch (%)
EURUSD	1.1196	0.35%	1.04%
EURCHF	1.0858	0.00%	-1.16%
USDJPY	108.10	-0.02%	-0.51%
GBPUSD	1.3146	0.54%	0.32%

### CURRENCIES - CEE

Currencies	Last	1D ch (%)	1M ch (%)
EURPLN	4.2440	0.04%	-0.91%
EURHUF	329.50	-0.06%	-0.78%
EURCZK	25.30	-0.15%	-0.95%

### CURRENCIES - NBR REFERENCE

Currencies	EUR	USD	SDR	XAU (1g)
6-Jan	4.7760	4.2658	216.29	0.1415

### CURRENCIES - RON

	EURRON	USD RON
6-Jan	4.775	4.267
3-Jan	4.773	4.276
2-Jan	4.783	4.279

### FIXED INCOME MARKET YIELDS - LOCAL

Mid-rate	1Y	3Y	5Y	10Y
6-Jan	3.4	3.7	3.9	4.4
2-Jan	-	-	-	-

### MONEY MARKET RATES - LOCAL

ROBOR	ON	1M	3M
6-Jan	2.60	3.05	3.15
3-Jan	2.40	3.21	3.19
2-Jan	2.35	3.10	3.15

### MONEY MARKET RATES - MAJORS

Euribor	1M	3M	6M
3-Jan	-0.44	-0.38	-0.32
2-Jan	-0.44	-0.38	-0.32
1-Jan	#N/A	#N/A	#N/A
USD Libor	1M	3M	6M
3-Jan	1.71	1.87	1.89
2-Jan	1.73	1.90	1.91
1-Jan	-	-	-

### STOCK MARKETS

Index	Last	1D ch (%)	1M ch (%)
S&P 500	3,234.9	-0.71%	3.89%
Dow Jones	28,465.0	-0.59%	3.50%
FTSE	7,558.2	-0.84%	5.58%
DAX	13,053.4	-1.25%	-1.45%
Hang Seng	28,226.2	-0.79%	6.95%
Bucharest BET	9,875.0	-0.47%	0.06%

## Romanian Economy

### ■ The Government formally assumed the new budget in the Parliament

The Government led by Ludovic Orban assumed the 2020 budget in the Parliament with some provisions changed compared to the draft. The impossibility to receive both pension, salary or other incomes from the public sector was accepted, but with exceptions for teachers from the pre-university education, disabled persons' supervisors and employees from Romanian Railways for freight. Furthermore, the special pensions for mayors was postponed until 2021.

The final budget include further increases compared with the previous year in education, investments and infrastructure. Also, next year will be allocated 2% of GDP for defense. For infrastructure, especially transports, PM Orban estimated that will be necessary RON 40bn in the next ten years, while for 2020, the investments will be above RON 50 bn.

Regarding the EU funds, the allocation for infrastructure between 2021-2027 will reach EUR 4.6bn, but PM Orban highlighted that a substantial part of them will go to the old projects. Mr. Ludovic Orban also added that the European support for large infrastructure project will be deteriorated in the next years.

On the topic of the GEO 114, the following provisions were repealed:

- The 2% tax on the turnover for the companies from energy field
- The special taxation of telecom and banking sectors
- Transfers from private companies to public institutions through detachment
- The increase of the share capital for funds administrator from the Pillar II.

The government assumed responsibility on the state budget being already in force starting January 6th after it was ratified by the President. On the other side, the Ordinance enclosing the fiscal changes, including repealing the provisions of the Ordinance 114/2018, was contested by the socialists at the Constitutional Court and could delay or influence the budget execution.

**Data spotlight: 23 Dec. 2019 – 03 January 2020****Romanian Economy (continued)****■ Non-governmental loans increased by 0.1%MoM in November**

The loan production intensified by 0.1%MoM in November, having an increase by 0.6%MoM of RON loans which has a percentage of 67.2% in the total of credits, while the EUR loans decreased by 0.8%MoM, mainly due to the significant fluctuation of EURRON. On yearly basis, the non-governmental loans increased by 7.2%, on the back of a significant growth by 9.7% of RON loans.

Deposits of non-governmental clients increased by 1.8%MoM, boosted by 2% rise of credits from corporate banking and 1.4% progress from retail sector. Also, the deposits in foreign currencies increased by 3.4% on the back of the further depreciation of RON against EUR. The deposits continued to grow faster than credits, as the political and economic environments from both external and internal sides create uncertainties and population seems to be pushed to save more money.

**■ Budget deficit reached 3.6%/GDP for 11 months**

MinFin published the budget execution as of November 2019 posting a consolidated budget deficit of 3.6% from 2.8% a month earlier. The revenues reached RON 289.3 mio while the spending was RON 326.4 bn, significant increases for expenses being noted for personnel (+19.1% YoY) and goods & services (+18.2% YoY). The Government revised its deficit target to 4.4%, significantly higher compared to the 3% cap levied by the EU as a result of higher social spending and (still) underperforming revenues.

**■ The MinFin's financial need reached RON 9bn due to the higher deficit on December**

MinFin was forced to request new support from commercial banks, as its financial need reached RON 9bn until the year ends. The call for short-term loans was the only way to obtain the needed amount, as the NBR's governor said that the using of foreign exchange reserve can lead to an increase of the excess liquidity from the market. The situation is expected to be revised in January, when MinFin is more probably to organize new Eurobonds auction on the external market, thus being able to refund the short-term loans.

**■ VAT split payment mechanism officially repealed**

Starting with February 2020, the VAT split payment mechanism will be removed, according to the Official Gazette. The European Commissions warned about this measure, as Romania was very close to an infringement procedure with the possibility to receive financial sanctions due to the fact that this mechanism was considered a violation of EU law related to the VAT and freedom to provide services.

***Data spotlight: 23 Dec. 2019 – 03 January 2020*****European Economy****■ Euro Area PMI was slightly revised to 46.3 points from the preliminary estimation**

The manufacturing PMI showed a decrease to 45.9 in the preliminary estimation, but was slightly revised higher to 46.3 points in December, remaining below the previous month. It is the eleventh month of contraction as the new orders dropped further and the input prices declined for the seventh consecutive month.

**■ Germany inflation rate estimated at 1.5%YoY in December**

The Germany's prices are estimated to increase by 1.5% in December, above the expectations of 1.4% growth. It is the highest improvement since July when the prices increased by 1.7% due to the acceleration of goods prices by 1.2% from 0.1% in November, as a result of an improve of energy prices (-0.1% from -3.7%) and rise of food costs.

**Data spotlight: 23 Dec. 2019 – 03 January 2020****US Economy****■ US' goods trade deficit tightened by approx. USD 3bn in November**

The US' goods trade deficit narrowed by approx. USD 3bn in November, being on a progressive trend starting August, last year. It was the smallest gap since December 2016, as the increase of exports by 0.7% was boosted by sales of vehicles, consumer goods and foods, feeds, & beverages, while the industrial supplies decreased at a softer pace. On the imports side, the decline was led by the decrease from consumer goods, capital goods and industrial supplies sectors, while the imports of vehicles significantly increased by 3.7%.

**■ US durable goods orders missed the market expectation on November**

New orders for US durable goods fell by 2%MoM in November, from an increase by 0.2%MoM a month earlier. It was an unexpected decrease, as the market expectations were to increase by 1.5%MoM. The demand for transportation equipment was the main factor which drove to this result, but the orders for machinery and primary metals also affected it.

**■ US manufacturing sector kept the expansion trend on December**

US manufacturing PMI decreased at a softer pace to 52.4 points, from 52.5 points in December. Even if the results showed a softer decline, the manufacturing sectors continued its expansions compared to the previous months. The output and new business advanced modestly, but the perspective is optimistic, being expected new products development and investments in new facilities.

**Data spotlight: 23 Dec. 2019 – 03 January 2020****International and Romanian Markets****■ EURRON reached 4.7910 , while ROBOR 3M decreased below 3.20%**

Local currency closed the year at 4.7793, official NBR rate, very close to our estimation of 4.78. ROBOR 3M started a downward trend, decreasing from 3.21% to 3.18% in the last two days of December. We see further decrease in the first half of January as the liquidity is increasing in the market after the payments period from December.

**■ NBR depo operation recovering as the liquidity increase**

Last depo operation organized in December 2019, on 30<sup>th</sup>, was successful as NBR managed to attract RON 2.85bn from 7 banks for one-week maturity at par with the key interest rate of 2.5% per annum. Is the first successful depo operation after three fails due to the shortage of liquidity in the market. The similar tender organized on December, 23<sup>rd</sup> market failed to attract the money from commercial banks as MinFin continued to cover its deficit by organizing new auctions with a higher oversubscription from commercial banks, reflecting their interest for Romanian bonds as a better instrument to place the liquidity.

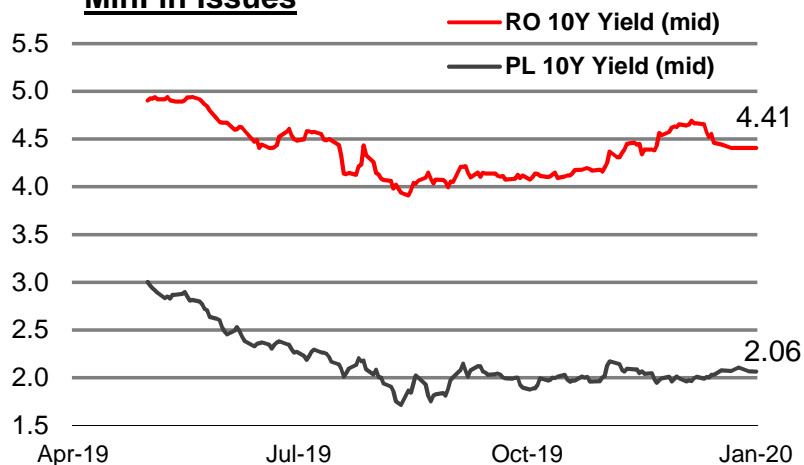
**■ MinFin borrowed a total amount of RON 1.045bn on December, 23<sup>rd</sup>**

MinFin organized an auction in order to borrow RON 800mio by selling 6Y bonds. The auction was oversubscribed 2.10 times and MinFin decided to borrow a total amount of RON 1.045bn at an average yield of 4.1%. It was the last auction planned by MinFin last year and the average yield slightly increased by 0.1% compared to the same 6Y maturity bonds sold in the last month.

In January 2020, Romania's MinFin plans to sell RON 5bn in national currency bills and bonds in 7 auctions with tenors from 2.6 to 14.7 years plus one tender for 364-days treasury bills. During 2019 Minfin borrowed about RON 60bn and EUR 1.6bn on the local market while in the external markets the total amount borrowed was EUR 5bn.

## Focus Ahead: 06 – 10 January

### MinFin Issues



Data Source: Thomson Reuters

- MinFin borrowed a total amount of RON 1.045bn on December, 23<sup>rd</sup> at an average yield of 4.1%, being the last auction from December.
- 10Y ROMGB's bond yields decreased by 5bp compared to the previous analysis, being quoted around 4.41%.
- Polish 10Y average yields were quoted with a small increase below 2.06%.

### BOND ISSUES - JANUARY

ISIN Code	Settlement Date	Maturity Date	Months	Planned Amount	Currency	Total Applications	Total Allocated	Yield (avg)
ROD9TE7MEES0	6-Jan-20	25-Sep-23	45	500				
RO1631DBN055	9-Jan-20	24-Sep-31	143	600				
ROMBLF6H8VZ7	9-Jan-20	11-Jan-21	12	300				
ROGV3LGNPCW9	13-Jan-20	17-Jun-24	54	800				
ROGRXAE5BEO2	16-Jan-20	8-Aug-22	31	800				
ROHRVN7NLNO2	20-Jan-20	22-Apr-26	76	600				
RO4KELYFLVK4	23-Jan-20	11-Oct-34	179	300				
ROD9TE7MEES0	27-Jan-20	25-Sep-23	45	500				

## Data Calendar

Local Start Date	Local Time	Country	Relevance	Indicator Name	Period	Reuters Poll	Prior
6 Jan 2020	09:00	Romania	Low	Producer Price Index YY	Nov		2.30%
8 Jan 2020	15:00	Romania	High	Monetary Policy Rate	8 Jan	2.50%	2.50%
9 Jan 2020	09:00	Romania	Low	Trade Balance	Nov		-1.969B
10 Jan 2020	15:30	United States	High	Non-Farm Payrolls	Dec	160k	266k
7 Jan 2020	12:00	Euro Zone	High	HICP Flash YY	Dec	1.3%	1.0%
7 Jan 2020	12:00	Euro Zone	Medium	Retail Sales MM	Nov	0.6%	-0.6%
7 Jan 2020	12:00	Italy	High	CPI (EU Norm) Prelim YY	Dec	0.5%	0.2%
8 Jan 2020	12:00	Euro Zone	Medium	Economic Sentiment	Dec	101.4	101.3
8 Jan 2020	09:00	Germany	High	Industrial Orders MM	Nov	0.3%	-0.4%
9 Jan 2020	12:00	Euro Zone	High	Unemployment Rate	Nov	7.5%	7.5%
9 Jan 2020	09:00	Germany	High	Industrial Output MM	Nov	0.7%	-1.7%

Data Source: Thomson Reuters



## Economic Forecasts

### MACROECONOMIC DATA AND FORECASTS

	2016	2017	2018	2019F	2020F
GDP (EUR bn)	170.4	187.5	202.1	217.3	235.0
Population (mn)	19.8	19.6	19.5	19.5	19.5
GDP per capita (EUR)	8,622	9,547	10,352	11,163	12,076
Real economy, change (%)					
GDP	4.8	7.0	4.1	4.2	2.6
Private Consumption	7.9	10.0	5.2	5.1	3.2
Fixed Investment	-0.2	3.5	-3.2	10.6	3.0
Public Consumption	2.2	2.6	3.8	1.7	1.5
Exports	16.0	10.0	4.7	2.6	2.0
Imports	16.5	11.3	8.6	5.9	4.2
Monthly wage, nominal (EUR)	643	724	965	1084	1,132
Real wage, change (%)	14.6	13.0	29.7	9.9	2.8
Unemployment rate (%)	5.9	4.9	4.2	3.9	4.4
Fiscal accounts (% of GDP)					
Budget balance	-2.9	-2.9	-3.0	-3.7	-4.3
Primary balance	-1.6	-1.7	-1.6	-2.4	-2.9
Public debt	37.3	35.2	35.1	36.0	36.8
External accounts					
Current account balance (EUR bn)	-3.6	-6.0	-9.4	-9.6	-9.4
Current account balance/GDP (%)	-2.1	-3.2	-4.7	-4.4	-4.0
Extended basic balance/GDP (%)	3.0	0.5	-1.3	-1.0	-1.9
Net FDI (% of GDP)	2.6	2.6	2.4	2.3	1.3
Gross foreign debt (% of GDP)	54.5	51.9	48.7	46.2	47.7
FX reserves (EUR bn)	34.2	33.5	33.1	35.6	36.9
Months of imports, goods & services	5.7	4.9	4.4	4.5	4.5
Inflation/Monetary/FX					
CPI (pavg)	-1.5	1.3	4.6	4.1	3.6
CPI (eop)	-0.5	3.3	3.3	4.8	3.4
Central bank target	2.50	2.50	2.50	2.50	2.50
Central bank reference rate (eop)	1.75	1.75	2.50	2.50	2.50
3M money market rate (Dec avg)	0.83	2.13	3.05	3.33	3.13
USD RON (eop)	4.30	3.89	4.07	4.19	3.98
EUR RON (eop)	4.54	4.66	4.66	4.78	4.85
USD RON (pavg)	4.06	4.05	3.94	4.20	4.01
EUR RON (pavg)	4.49	4.57	4.65	4.74	4.81
Real effective exchange rate, 2000=100	121.3	120.6			
Change (%)	-2.1	-0.6			
<b>UniCredit Forecast, eop</b>	<b>Current</b>	<b>Mar-20</b>	<b>Jun-20</b>	<b>Sep-20</b>	<b>Dec-20</b>
EUR RON	4.775	4.830	4.840	4.820	4.850
EUR USD	1.120	1.130	1.140	1.150	1.160
EUR CHF	1.155	1.100	1.110	1.110	1.120
USD RON	4.249	4.274	4.246	4.191	4.181
CHF RON	4.487	4.391	4.360	4.342	4.330
EURIBOR 3M	-0.384	-0.40	-0.40	-0.40	-0.40
ROBOR 3M	3.150	3.23	3.18	3.18	3.13

## **Disclaimer**

Our analyses are based on information obtained from, or are based upon public information sources that we consider to be reliable but for the completeness and accuracy of which we assume no liability. All estimates and opinions and projections and forecasts included in the report represent the independent judgment of the analysts as of the date of the issue unless stated otherwise. This report may contain links to websites of third parties, the content of which is not controlled by UniCredit Bank. No liability is assumed for the content of these third-party websites. We reserve the right to modify the views expressed herein at any time without notice. Moreover, we reserve the right not to update this information or to discontinue it altogether without notice.

This analysis is for information purposes only, does not represent an investment recommendation and (i) does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for any financial, money market or investment instrument or any security, (ii) is neither intended as such an offer for sale or subscription of or solicitation of an offer to buy or subscribe for any financial, money market or investment instrument or any security nor (iii) as an advertisement thereof. The investment possibilities which may be considered based on this report bear certain risks and may not be appropriate for certain investors depending on their specific investment objectives and time horizon or in the context of their overall financial situation. Among these risks there are, without being limited to, the following: fluctuations in the price or value of an investment, modification of the exchange rates, interest rates or the yields, that may have a negative impact on the value of investments. Furthermore, past performance is not necessarily indicative of future results. Our analysis and conclusions are general and do not address investors' individual objectives.

This information is given as "information only", without any warranty on an "as is" basis and should not be regarded as a substitute for individual advice. Investors must make their own determination of the appropriateness of an investment in any instruments referred to herein, based on the merits and risks involved, their own investment strategy and their legal, fiscal and financial position. As this document does not qualify as an investment recommendation or as a direct investment recommendation, neither this document nor any part of it shall form the basis of, or be relied on in connection with or act as an inducement to enter into, any contract or commitment whatsoever. Investors are urged to contact their own investment advisors for individual explanations and advice.

Neither UniCredit Bank AG, UniCredit Bank AG London Branch, UniCredit Bank AG Milan Branch, UniCredit Bank Austria AG, UniCredit Bulbank, Zagrebačka banka d.d., UniCredit Bank Czech Republic and Slovakia, ZAO UniCredit Bank Russia, UniCredit Bank Czech Republic and Slovakia Slovakia Branch, UniCredit Bank Romania, UniCredit Bank AG New York Branch nor any of their respective directors, officers or employees nor any other person accepts any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith.

This analysis is being distributed by electronic and ordinary mail to investors who are expected to make their own investment decisions without undue reliance on this publication, and may not be redistributed, reproduced or published in whole or in part for any purpose.

### **Responsibility for the content of this publication lies with:**

#### **UniCredit Group and its subsidiaries are subject to regulation by the European Central Bank**

a) UniCredit Bank AG (UniCredit Bank), Arabellastraße 12, 81925 Munich, Germany, (also responsible for the distribution pursuant to §34b WpHG). The company belongs to UniCredit Group. Regulatory authority: "BaFin" – Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany.

b) UniCredit Bank AG London Branch (UniCredit Bank London), Moor House, 120 London Wall, London EC2Y 5ET, United Kingdom.

Regulatory authority: "BaFin" – Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany and subject to limited regulation by the Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS, United Kingdom and Prudential Regulation Authority 20 Moorgate, London, EC2R 6DA, United Kingdom. Further details regarding our regulatory status are available on request.

c) UniCredit Bank AG Milan Branch (UniCredit Bank Milan), Piazza Gae Aulenti, 4 – Torre C, 20154 Milan, Italy, duly authorized by the Bank of Italy to provide investment services.

Regulatory authority: "Bank of Italy", Via Nazionale 91, 00184 Roma, Italy and Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany.

d) UniCredit Bank AG Vienna Branch (UniCredit Bank, Vienna), Julius-Tandler-Platz 3, 1090 Vienna, Austria

Regulatory authority: Finanzmarktaufsichtsbehörde (FMA), Otto-Wagner-Platz 5, 1090 Vienna, Austria and subject to limited regulation by the “BaFin” – Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany. Details about the extent of our regulation by the Bundesanstalt für Finanzdienstleistungsaufsicht are available from us on request.

e) UniCredit Bank Austria AG (Bank Austria), Schottengasse 6-8, 1010 Vienna, Austria Regulatory authority: Finanzmarktaufsichtsbehörde (FMA), Otto-Wagner-Platz 5, 1090 Vienna, Austria

f) UniCredit Bulbank, Sveta Nedelya Sq. 7, BG-1000 Sofia, Bulgaria

Regulatory authority: Financial Supervision Commission (FSC), 16 Budapeshta str., 1000 Sofia, Bulgaria

g) Zagrebačka banka d.d., Trg bana Jelačića 10, HR-10000 Zagreb, Croatia

Regulatory authority: Croatian Agency for Supervision of Financial Services, Miramarska 24B, 10000 Zagreb, Croatia

h) UniCredit Bank Czech Republic and Slovakia, Želetavská 1525/1, 140 92 Praga 4, Czech Republic

Regulatory authority: CNB Czech National Bank, Na Příkopě 28, 115 03 Praha 1, Czech Republic

i) ZAO UniCredit Bank Russia (UniCredit Russia), Prechistenskaya emb. 9, RF-19034 Moscow, Russia

Regulatory authority: Federal Service on Financial Markets, 9 Leninsky prospekt, Moscow 119991, Russia

j) UniCredit Bank Czech Republic and Slovakia, Slovakia Branch, Šancova 1/A, SK-813 33 Bratislava, Slovakia

Regulatory authority: CNB Czech National Bank, Na Příkopě 28, 115 03 Praha 1, Czech Republic and subject to limited regulation by the National Bank of Slovakia, Imricha Karvaša 1, 813 25 Bratislava, Slovakia. Regulatory authority: National Bank of Slovakia, Imricha Karvaša 1, 813 25 Bratislava, Slovakia

k) UniCredit Bank Romania (UniCredit Bank S.A.), Bucharest 1F Expozitiei Boulevard, RO-012101 Bucharest 1, Romania

Regulatory authority: National Bank of Romania, 25 Lipscani street, RO-030031, 3rd District, Bucharest, Romania

l) UniCredit Bank AG New York Branch (UniCredit Bank, New York), 150 East 42nd Street, New York, NY 10017

Regulatory authority: “BaFin” – Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany and New York State Department of Financial Services, One State Street, New York, NY 10004-1511

#### **POTENTIAL CONFLICTS OF INTEREST**

UniCredit S.p.A. acts as a Specialist or a Primary Dealer in government bonds issued by the Italian or Greek Treasury, and as market maker in government bonds issued by the Spain or Portuguese Treasury. Main tasks of the Specialist are to participate with continuity and efficiency to the governments' securities auctions, to contribute to the efficiency of the secondary market through market making activity and quoting requirements and to contribute to the management of public debt and to the debt issuance policy choices, also through research activities. In Romania, UniCredit Bank S.A. acts as primary dealer and market maker specialist for certain government bonds and T-bills issued by the Ministry of Finance. In its role as a primary dealer, UniCredit Bank S.A. can participate in auctions on the primary market organised by the Ministry of Finance, contributes to the management of public debt ran by the Ministry of Finance and can also issue research and analysis reports, including regarding the macroeconomic conditions. As a market maker for various bonds and bills issued by the Ministry of Finance, UniCredit Bank S.A. contributes to the efficiency of the secondary market through its market making activity and through fulfilling its obligation of firm pricing.

#### **ANALYST DECLARATION**

The author's remuneration has not been, and will not be, geared to the views expressed in this study, neither directly nor indirectly.

#### **ORGANIZATIONAL AND ADMINISTRATIVE ARRANGEMENTS TO AVOID AND PREVENT CONFLICTS OF INTEREST**

To prevent or remedy conflicts of interest, UniCredit Bank AG, UniCredit Bank AG London Branch, UniCredit Bank AG Milan Branch, UniCredit Bank Austria AG, UniCredit Bulbank, Zagrebačka banka d.d., UniCredit Bank Czech Republic and Slovakia, ZAO UniCredit Bank Russia, UniCredit Bank Czech Republic and Slovakia Slovakia Branch, UniCredit Bank Romania, UniCredit Bank AG New York Branch have established the organizational arrangements required from a legal and supervisory aspect, adherence to which is monitored by its Compliance Department. Conflicts of interest arising are managed through establishment of information barriers designed to restrict the flow of information between one area/department of UniCredit Bank AG, UniCredit Bank AG London Branch, UniCredit Bank AG Milan Branch, UniCredit Bank Austria AG, UniCredit Bulbank, Zagrebačka banka d.d., UniCredit Bank Czech Republic and Slovakia, ZAO UniCredit Bank Russia, UniCredit Bank Czech Republic and Slovakia Slovakia Branch, UniCredit Bank Romania, UniCredit Bank AG New York Branch, and another. In particular, the Macroeconomic Research Unit has its own informational barrier to prevent the disclosure or inappropriate circulation

of confidential or privileged information. The research reports include public information pertaining to conflicts of interest and other material interests. Analysts are supervised and managed on a day-to-day basis by line managers who do not have responsibilities or activities related to investment and finance activities or other activities related to the sale of securities to clients.

#### **ADDITIONAL REQUIRED DISCLOSURES UNDER THE LAWS AND REGULATIONS OF JURISDICTIONS INDICATED**

You will find a list of further additional required disclosures under the laws and regulations of the jurisdictions indicated on our website [www.cib-unicredit.com/research-disclaimer](http://www.cib-unicredit.com/research-disclaimer).

**Notice to Austrian investors:** This analysis is only for distribution to professional clients (Professionelle Kunden) as defined in article 58 of the Securities Supervision Act.

**Notice to investors in Bosnia and Herzegovina:** This report is intended only for clients of UniCredit in Bosnia and Herzegovina who are institutional investors (Institucionalni investitori) in accordance with Article 2 of the Law on Securities Market of the Federation of Bosnia and Herzegovina and Article 2 of the Law on Securities Markets of the Republic of Srpska, respectively, and may not be used by or distributed to any other person. This document does not constitute or form part of any offer for sale or subscription for or solicitation of any offer to buy or subscribe for any securities and neither this document nor any part of it shall form the basis of, or be relied on in connection with or act as an inducement to enter into, any contract or commitment whatsoever.

**Notice to Brazilian investors:** The individual analyst(s) responsible for issuing this report represent(s) that: (a) the recommendations herein reflect exclusively the personal views of the analysts and have been prepared in an independent manner, including in relation to UniCredit Group; and (b) except for the potential conflicts of interest listed under the heading "Potential Conflicts of Interest" above, the analysts are not in a position that may impact on the impartiality of this report or that may constitute a conflict of interest, including but not limited to the following: (i) the analysts do not have a relationship of any nature with any person who works for any of the companies that are the object of this report; (ii) the analysts and their respective spouses or partners do not hold, either directly or indirectly, on their behalf or for the account of third parties, securities issued by any of the companies that are the object of this report; (iii) the analysts and their respective spouses or partners are not involved, directly or indirectly, in the acquisition, sale and/or trading in the market of the securities issued by any of the companies that are the object of this report; (iv) the analysts and their respective spouses or partners do not have any financial interest in the companies that are the object of this report; and (v) the compensation of the analysts is not, directly or indirectly, affected by UniCredit's revenues arising out of its businesses and financial transactions. UniCredit represents that: except for the potential conflicts of interest listed under the heading "Potential Conflicts of Interest" above, UniCredit, its controlled companies, controlling companies or companies under common control (the "UniCredit Group") are not in a condition that may impact on the impartiality of this report or that may constitute a conflict of interest, including but not limited to the following: (i) the UniCredit Group does not hold material equity interests in the companies that are the object of this report; (ii) the companies that are the object of this report do not hold material equity interests in the UniCredit Group; (iii) the UniCredit Group does not have material financial or commercial interests in the companies or the securities that are the object of this report; (iv) the UniCredit Group is not involved in the acquisition, sale and/or trading of the securities that are the object of this report; and (v) the UniCredit Group does not receive compensation for services rendered to the companies that are the object of this report or to any related parties of such companies..

**Notice to Canadian investors:** This communication has been prepared by UniCredit Bank AG, which does not have a registered business presence in Canada. This communication is a general discussion of the merits and risks of a security or securities only, and is not in any way meant to be tailored to the needs and circumstances of any recipient. The contents of this communication are for information purposes only, therefore should not be construed as advice and do not constitute an offer to sell, nor a solicitation to buy any securities.

**Notice to Cyprus investors:** This document is directed only at clients of UniCredit Bank who are persons falling within the Second Appendix (Section 2, Professional Clients) of the law for the Provision of Investment Services, the Exercise of Investment Activities, the Operation of Regulated Markets and other Related Matters, Law 144(I)/2007 and persons to whom it may otherwise lawfully be communicated who possess the experience, knowledge and expertise to make their own investment decisions and properly assess the risks that they incur (all such persons together being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons or relevant persons who have requested to be treated as retail clients. Any investment or investment activity to which this communication related is available only to relevant persons and will be engaged in only with relevant persons. This document does not constitute an offer or solicitation to any person to whom it is unlawful to make such an offer or solicitation.

**Notice to Hong Kong investors:** This report is for distribution only to “professional investors” within the meaning of Schedule 1 to the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) and any rules made thereunder, and may not be reproduced, or used by or further distributed to any other person, in whole or in part, for any purpose. This report does not constitute or form part of an offer or solicitation of any offer to buy or sell any securities, nor should it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever. By accepting this report, the recipient represents and warrants that it is entitled to receive such report in accordance with, and on the basis of, the restrictions set out in this “Disclaimer” section, and agrees to be bound by those restrictions.

**Notice to investors in Ivory Coast:** The information contained in the present report have been obtained by Unicredit Bank AG from sources believed to be reliable, however, no express or implied representation or warranty is made by Unicredit Bank AG or any other person as to the completeness or accuracy of such information. All opinions and estimates contained in the present report constitute a judgement of Unicredit Bank AG as of the date of the present report and are subject to change without notice. They are provided in good faith but without assuming legal responsibility. This report is not an offer to sell or solicitation of an offer to buy or invest in securities. Past performance is not an indicator of future performance and future returns cannot be guaranteed, and there is a risk of loss of the initial capital invested. No matter contained in this document may be reproduced or copied by any means without the prior consent of Unicredit Bank AG.

**Notice to New Zealand investors:** This report is intended for distribution only to persons who are “wholesale clients” within the meaning of the Financial Advisers Act 2008 (“FAA”) and by receiving this report you represent and agree that (i) you are a “wholesale client” under the FAA (ii) you will not distribute this report to any other person, including (in particular) any person who is not a “wholesale client” under the FAA. This report does not constitute or form part of, in relation to any of the securities or products covered by this report, either (i) an offer of securities for subscription or sale under the Securities Act 1978 or (ii) an offer of financial products for issue or sale under the Financial Markets Conduct Act 2013.

**Notice to Omani investors:** This communication has been prepared by UniCredit Bank AG. UniCredit Bank AG does not have a registered business presence in Oman and does not undertake banking business or provide financial services in Oman and no advice in relation to, or subscription for, any securities, products or financial services may or will be consummated within Oman. The contents of this communication are for the information purposes of sophisticated clients, who are aware of the risks associated with investments in foreign securities and neither constitutes an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued vide CMA Decision 1/2009). This communication has not been approved by and UniCredit Bank AG is not regulated by either the Central Bank of Oman or Oman’s Capital Market Authority.

**Notice to Pakistani investors:** Investment information, comments and recommendations stated herein are not within the scope of investment advisory activities as defined in sub-section 1, Section 2 of the Securities and Exchange Ordinance, 1969 of Pakistan. Investment advisory services are provided in accordance with a contract of engagement on investment advisory services concluded with brokerage houses, portfolio management companies, non-deposit banks and the clients. The distribution of this report is intended only for informational purposes for the use of professional investors and the information and opinions contained herein, or any part of it shall not form the basis of, or be relied on in connection with or act as an inducement to enter into, any contract or commitment whatsoever.

**Notice to Polish Investors:** This document is intended solely for professional clients as defined in Art. 3.39b of the Trading in Financial Instruments Act of 29 July 2005 (as amended). The publisher and distributor of the document certifies that it has acted with due care and diligence in preparing it, however, assumes no liability for its completeness and accuracy. This document is not an advertisement. It should not be used in substitution for the exercise of independent judgment.

**Notice to Serbian investors:** This analysis is only for distribution to professional clients (profesionalni klijenti) as defined in article 172 of the Law on Capital Markets.

**Notice to UK investors:** This communication is directed only at clients of UniCredit Bank who (i) have professional experience in matters relating to investments or (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the United Kingdom Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or (iii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”). This communication must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this communication relates is available only to relevant persons and will be engaged in only with relevant persons.



## UniCredit Research\*

## CEE Macro & Strategy Research



**Erik F. Nielsen**  
Group Chief Economist  
Global Head of CIB Research  
+44 207 826-1765  
erik.nielsen@unicredit.eu



**Dr. Ingo Heimig**  
Head of Research Operations  
& Regulatory Controls  
+49 89 378-13952  
Ingo.heimig@unicredit.de

### Head of Macro Research

### Head of Strategy Research



**Marco Valli**  
Head of Macro Research  
Chief European Economist  
+39 02 8862-0537  
marco.valli@unicredit.eu



**Dr. Philip Gisdakis**  
Head of Strategy Research  
Head of Credit Strategy Research  
+49 89 378-13228  
philip.gisdakis@unicredit.de

### EEMEA Economics Research



**Dan Bucsa**  
Chief CEE Economist  
+44 207 826-7954  
dan.bucsa@unicredit.eu



**Gökçe Çelik**  
Senior CEE Economist  
+44 207 826-6077  
gokce.celik@unicredit.eu



**Mauro Giorgio Marrano**  
Senior CEE Economist  
+43 50505-82712  
mauro.giorgiomarrano@unicredit.de



**Florin Andrei, Ph.D.**  
Senior Economist, Romania  
+40 21 200-1377  
florin.andrei@unicredit.ro



**Artem Arkhipov**  
Head, Macroeconomic Analysis  
and Research, Russia  
+7 495 258-7258  
artem.arkhipov@unicredit.ru



**Hrvoje Dolenc**  
Chief Economist, Croatia  
+385 1 6006-678  
hrvoje.dolenc@unicreditgroup.zaba.hr



**Dr. Ágnes Halász**  
Chief Economist, Head, Economics and  
Strategic Analysis, Hungary  
+36 1 301-1907  
agnes.halasz@unicreditgroup.hu



**Ľubomír Koršňák**  
Chief Economist, Slovakia  
+421 2 4950 2427  
lubomir.korsnak@unicreditgroup.sk



**Kristofor Pavlov**  
Chief Economist, Bulgaria  
+359 2 923-2192  
kristofor.pavlov@unicreditgroup.bg



**Pavel Sobísek**  
Chief Economist, Czech Republic  
+420 955 960-716  
pavel.sobisek@unicreditgroup.cz

### Cross Asset Strategy Research



**Elia Lattuga**  
Deputy Head of Strategy Research  
Cross Asset Strategist  
+44 207 826-1642  
elia.lattuga@unicredit.eu

UniCredit Research, Corporate & Investment Banking, UniCredit Bank AG, Am Eisbach 4, D-80538 Munich, [globalresearch@unicredit.de](mailto:globalresearch@unicredit.de)  
Bloomberg: UCCR, Internet: [www.unicreditresearch.eu](http://www.unicreditresearch.eu)

CEE 19

\*UniCredit Research is the joint research department of UniCredit Bank AG (UniCredit Bank, Munich or Frankfurt), UniCredit Bank AG London Branch (UniCredit Bank, London), UniCredit Bank AG Milan Branch (UniCredit Bank, Milan), UniCredit Bank AG Vienna Branch (UniCredit Bank, Vienna), UniCredit Bank Austria AG (Bank Austria), UniCredit Bulbank, Zagrebačka banka d.d., UniCredit Bank Czech Republic and Slovakia, ZAO UniCredit Bank Russia (UniCredit Russia), UniCredit Bank Romania.