



The value of the assets of the non-bank financial sector reached 166.30 billion lei in the first quarter of 2022, representing 13.56% of GDP.

## MONTHLY MARKET REPORT

- At the end of May 2022, Romania Credit Default Swaps quotations remained at about the same level as at the end of April (219 bp), but CDS quotations increased significantly during June, reaching 253 bp (June 20<sup>th</sup>).
- The market capitalization registered a decrease of 11% at the end of May 2022 compared to the end of 2021 and an increase of 32% compared to the end of 2020.
- The value of the total assets of the privately managed pension funds reached EUR 17.81 billion at the end of May 2022, registering an annual rate of growth of 6%, in terms of EUR.

## World Macroeconomic Outlook

According to the Spring 2022 Economic Forecast, real GDP growth in the EU and the Euro Area is expected at 2.7% in 2022, a downward revision (-1.3 pp) from the previous forecast. According to the European Commission, Romania's gross domestic product will grow by 2.6% in 2022, a downward revision (compared to 4.2%: Winter 2022 Economic Forecast).

According to the data published by Eurostat, in the first quarter of 2022, **seasonally adjusted GDP** increased by 0.6% in the euro area and by 0.7% in the EU compared to the previous quarter. Compared to the same period of the previous year, seasonally adjusted GDP increased by 5.4% in the euro area and by 5.6% in the EU in the first quarter of 2022.

According to the data published by NIS, **the gross domestic product** increased by 5.2% in **Romania** in the first quarter of 2022 compared to the previous quarter. Compared to the similar period of the previous year, in the first quarter of 2022, Romania's gross domestic product increased by 6.5% on both the gross and seasonally adjusted series.

**The National Commission for Strategy and Prognosis (NCSP)** revised downward the economic forecast regarding Romania's GDP growth rate for 2022 at 2.9% (from 4.3% according to the NCSP winter 2022 forecast).

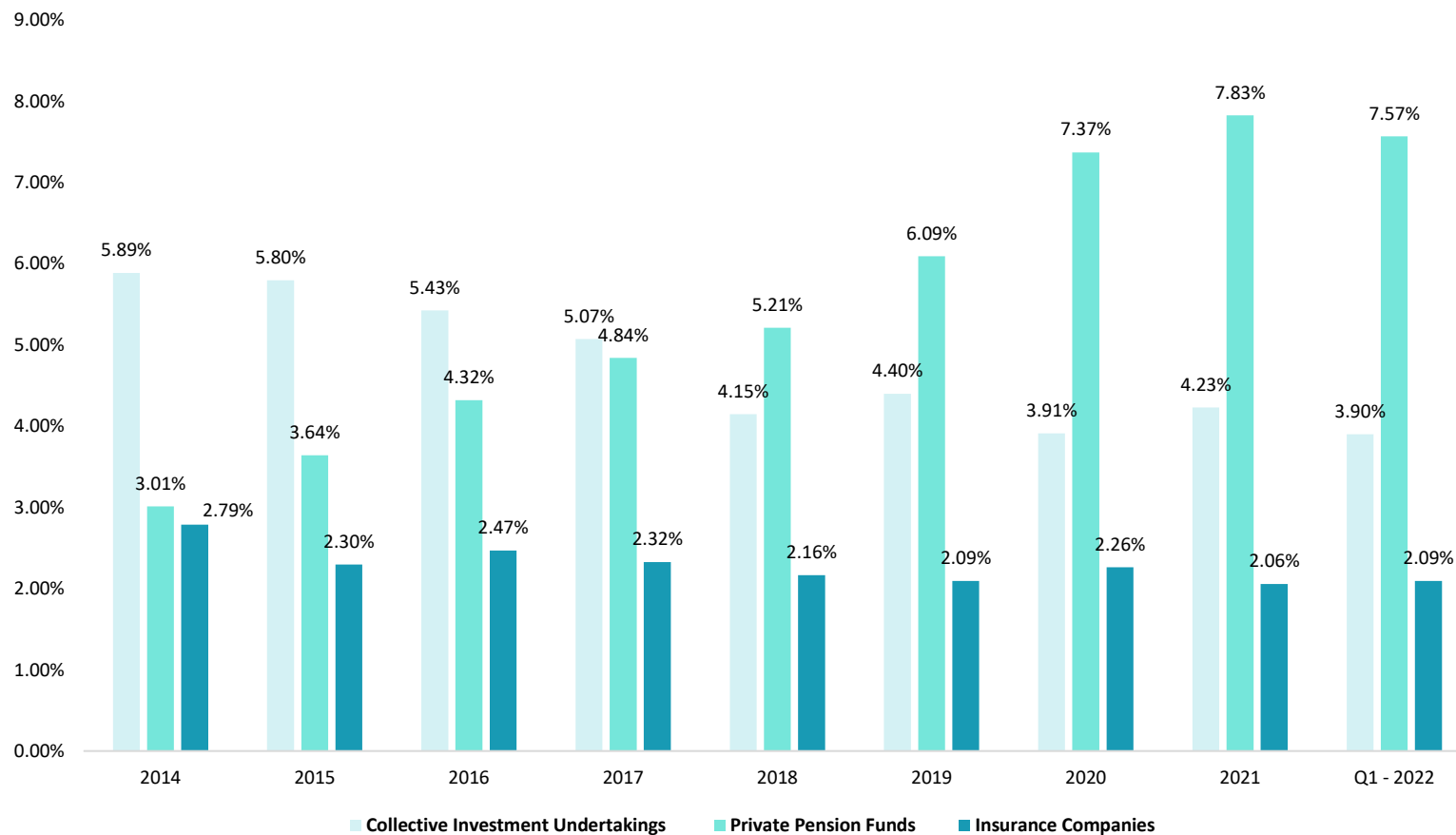
Evolution of GDP (%) and GDP forecast (%)

Country	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2021	Q1 2022	European Commission		IMF*	
												2022f	2023f	2022f	2023f
Euro area	-3.1	-14.7	-3.9	-4.2	-6.3	-0.9	14.7	4.0	4.7	5.4	5.4	2.7	2.3	2.8	2.3
Germany	-1.9	-11.3	-3.7	-2.9	-4.6	-2.8	10.4	2.9	1.8	2.9	3.8	1.6	2.4	2.1	2.7
Bulgaria	0.5	-8.0	-4.5	-3.8	-4.4	-1.5	7.8	5.1	5.0	4.2	4.0	2.1	3.1	3.2	4.5
Hungary	1.8	-13.0	-4.2	-3.2	-4.5	-1.4	17.6	6.5	7.1	7.1	8.0	3.6	2.6	3.7	3.6
Poland	2.6	-7.5	-1.6	-2.1	-2.2	-1.1	11.0	6.1	8.0	5.9	9.2	3.7	3.0	3.7	2.9
Romania	2.6	-9.8	-5.4	-1.5	-3.7	-0.1	15.4	6.9	2.4	5.9	6.5	2.6	3.6	2.2	3.4

Source: Eurostat, percentage change compared with the same quarter of the previous year - seasonally adjusted data, European Commission, Spring 2022 Economic Forecast, World Economic Outlook – April 2022, IMF.

## World Macroeconomic Outlook

Evolution of nonbanking system's assets (% of GDP)



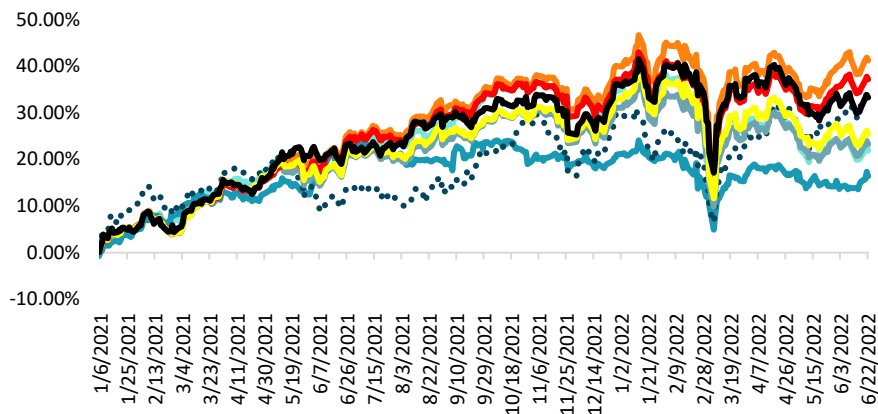
Source: NBR, NIS, ASF

## Current trends and headlights on Romanian markets

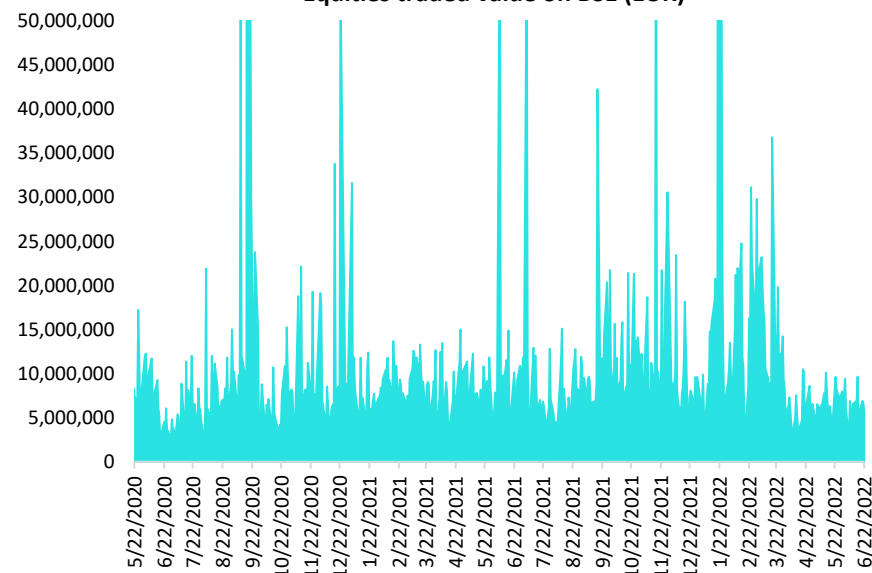
Romanian stock indices evolution in 2022 (30.12.2021 = 100)

Date	BET	BET-BK	BET-FI	BET-NG	BET-TR
06/22/2022	-5,82%	-9,52%	-3,85%	3,45%	0,88%
Date	BET-XT	BET-XT-TR	BETPlus	ROTX	BETAeRO
06/22/2022	-5,99%	0,06%	-5,73%	-2,15%	-12,16%

Evolution of local stock indices

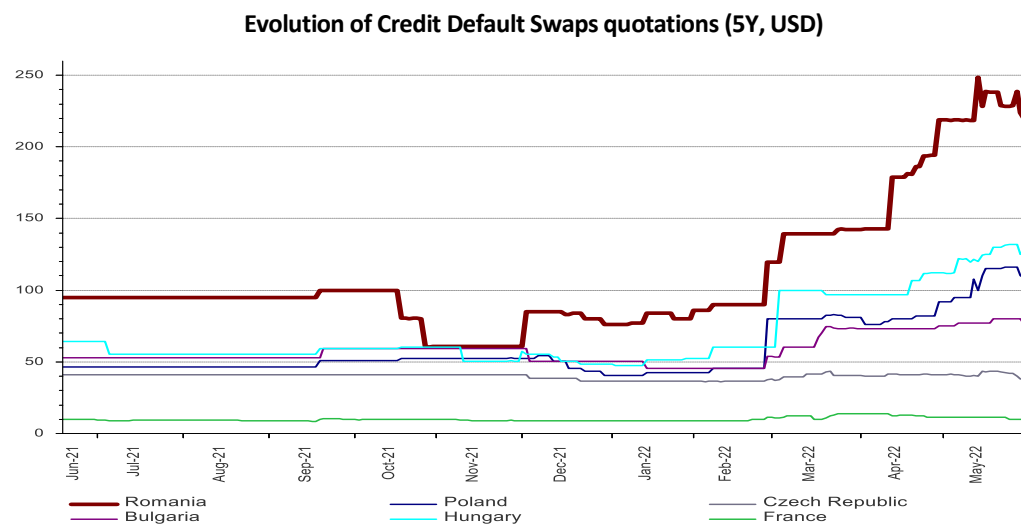
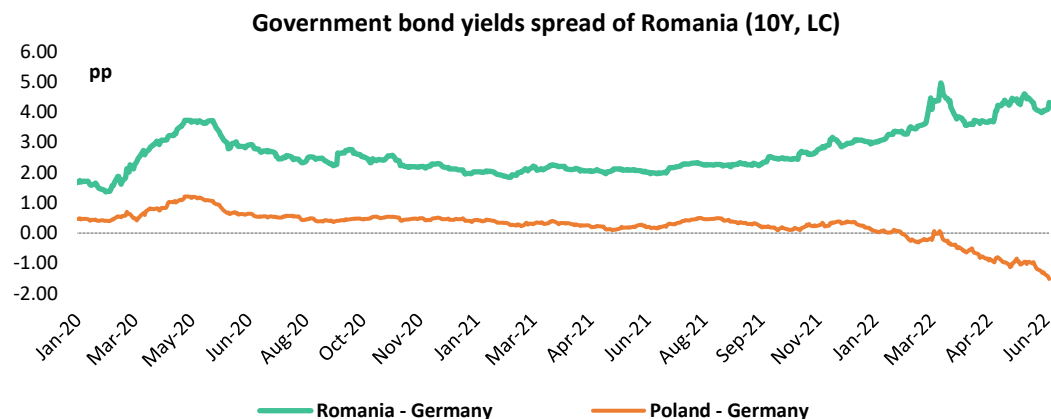


Equities traded value on BSE (EUR)



Source: BSE; ASF calculations

## Macroeconomic risk in Romania: external position and market perception of sovereign risk



Source: Refinitiv

Source: Refinitiv Datastream

Romania 5 - year bond yields continued to increase during May 2022, reaching 7.89% at the end of month, up by 16% compared to the end of April (6.82%), while Germany 5 – year bond yields remained in positive territory in May 2022 (0.84% - end of May).

At the end of May 2022, Romania Credit Default Swaps quotations remained at about the same level as at the end of April (219 bp), but CDS quotations increased significantly during June, reaching 253 bp (June 20<sup>th</sup>).

The spread between Romanian and German government bonds (10Y) increased in June 2022, which can be interpreted as a deterioration in investor confidence in Romania's country rating.

## Market risk: evolution of local and international stock indices at the end of May 2022

### International and local stock indices yields

International indices	1 M	3 M	6 M
EA (EUROSTOXX)	-0.65%	-3.14%	-7.39%
FR (CAC 40)	-0.99%	-2.85%	-3.75%
DE (DAX)	2.06%	-0.50%	-4.71%
IT (FTSE MIB)	1.04%	-3.58%	-5.07%
GR (ASE)	-3.44%	-0.10%	2.65%
IE (ISEQ)	-0.23%	-7.00%	-6.85%
ES (IBEX)	3.11%	4.39%	6.58%
UK (FTSE 100)	0.84%	2.00%	7.77%
US (DJIA)	0.04%	-2.66%	-4.33%
IN (NIFTY 50)	-3.03%	-1.25%	-2.35%
SHG (SSEA)	4.56%	-7.98%	-10.61%
JPN (N225)	1.61%	2.84%	-1.95%

BSE indices	1 M	3 M	6 M
BET	-1.68%	-1.63%	2.58%
BET-BK	-2.24%	-2.03%	-4.34%
BET-FI	-1.09%	1.01%	-3.04%
BET-NG	-1.44%	7.30%	10.24%
BET-TR	0.45%	1.87%	6.91%
BET-XT	-2.06%	-1.81%	0.67%
BET-XT-TR	0.15%	1.77%	4.85%
BETPlus	-1.48%	-1.33%	2.61%
ROTX	-2.07%	-0.19%	6.81%
BETAeRO	-4.79%	-3.98%	-3.15%

The european indices have recorded mixed developments (1M). The most significant increase was recorded by IBEX index (ES: +3.11%), while the most significant decrease was recorded by ASE index (GR: -3.44%).

The main American and Asian indices showed positive developments, except for the NIFTY 50 index (IN: -3.03%). Therefore, the most significant increase was registered by SSEA index (SHG: +4.56%), followed by N255 index (JPN: +1.61%).

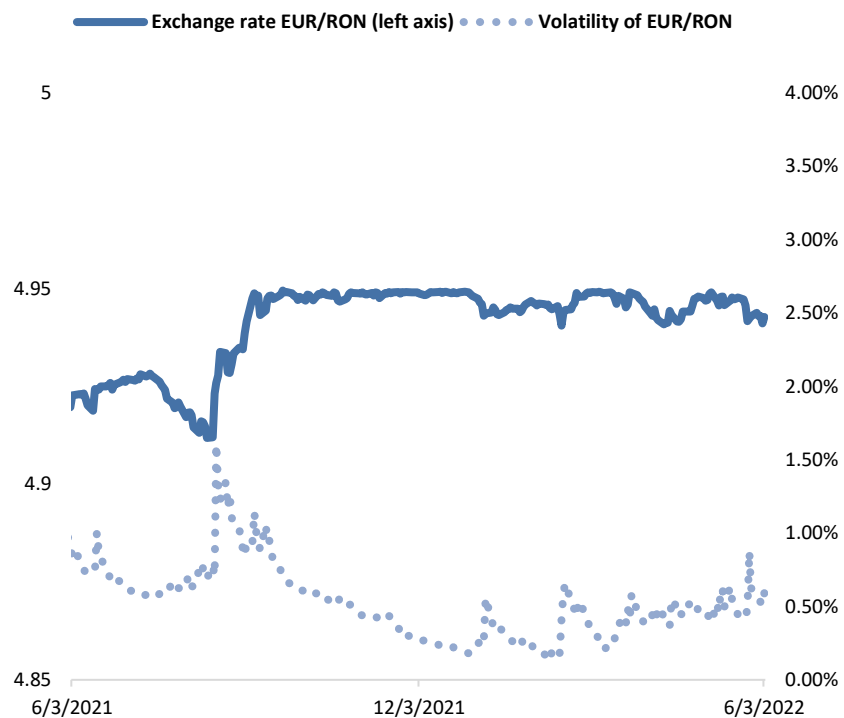
The BSE stock indices have recorded mixed developments (1M). Therefore, the most important increase was registered by the BET-TR index (+0.45%), while the most significant decrease was observed at BETAeRO index (-4.79%).

Source: Refinitiv, ASF calculations

Note: 1M=05/31/2022 vs. 04/29/2022; 3M=05/31/2022 vs. 02/28/2022; 6M=05/31/2022 vs. 11/30/2021

## Market Risk: exchange rate volatility

EUR/RON Exchange Rate vs Volatility



Source: Refinitiv, ASF model for volatility

Long memory in time series is defined at long-term autocorrelation. The analysis of exchange rate EUR/RON shows that the series is fractionary integrated. Therefore the volatility model fitted for exchange rate is FIAPARCH(1,0.4,1).

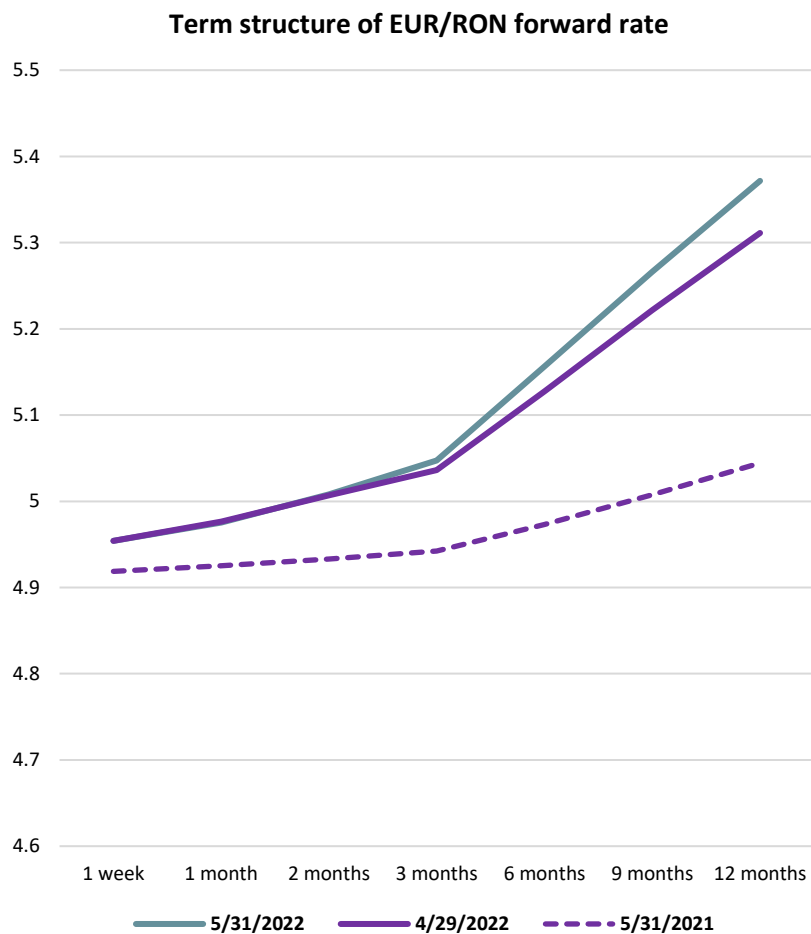
Against the background of the accelerated increase of inflation, the exchange rate stabilized in the 4.94-4.95 range.

The evolution of the exchange rate has been stable since the beginning of the year and has registered the slightest depreciation against the currencies of the neighboring economies.

For the moment, **the increase in the monetary policy rate, as well as the expectations for its increase**, have temporarily tempered the depreciation of Romanian leu.

Although the Romanian economy experienced an increase in the degree of financial stress, the rating agencies did not lower the country rating for Romania, which received from the European Union an anchor of financial stability in the form of the PNRR program.

## Market Risk: exchange rate volatility

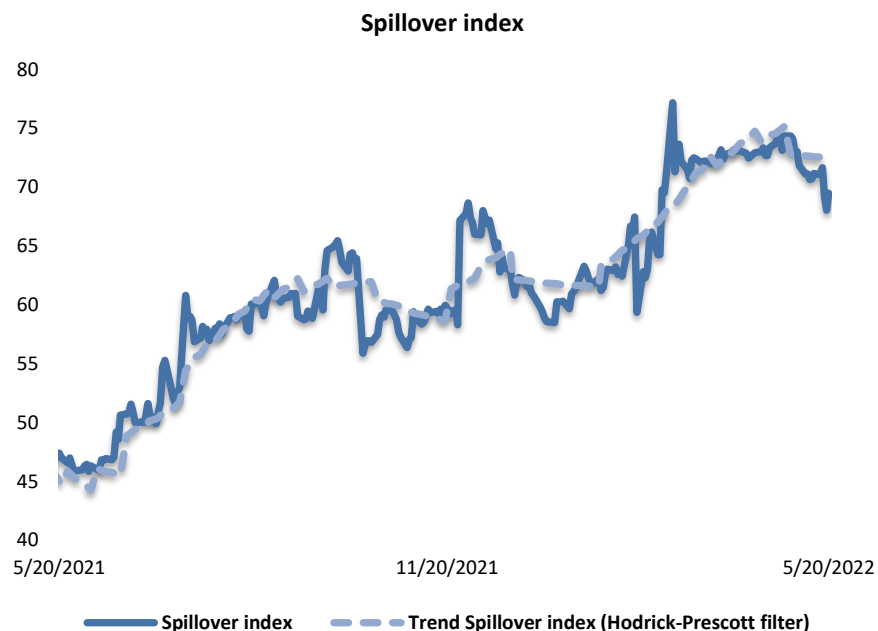


The term structure of the forward rate for the EURRON exchange rate with maturities between one week and twelve months shows the market expectations. There are expectations of EURRON appreciation for maturities between 3 months and 12 months with respect to the previous month (RON depreciation).

Source: Refinitiv, ASF calculations



## MARKET Risk: Spillover Index



Source: Refinitiv, ASF model

The model used is a Vector Autoregressive Model which follows similar specifications to "Measuring Financial Asset Return and Volatility Spillovers with Application to Global Equity Markets" (Diebold, F.X și Yilmaz, K., 2009). The data necessary for the calculation of the spillover index are 9 capital market indexes: United States of America, United Kingdom, Germany, Austria, Romania, Hungary, Czech Republic, Poland and Bulgaria. The sample used contains daily market close data from January 2009-January 2022.

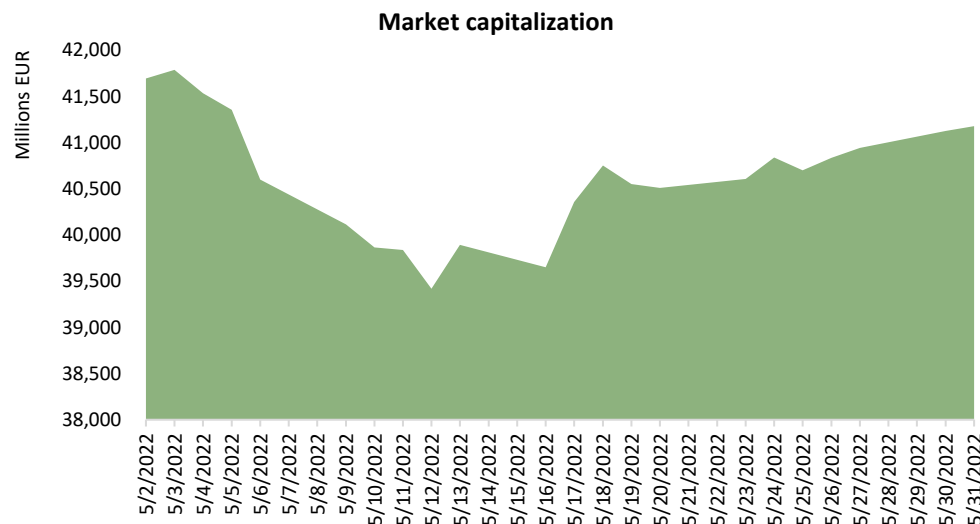
The Spillover index measures the marginal contribution of the external capital markets on the Romanian stock exchange. The Romanian capital market is sensitive to the same regional risk factors that influence the Austrian, Polish, Hungarian, and Bulgarian stock market returns. There is a strong link between the spillover effect and the companies' returns, since the increase in the spillover tends to diminish the returns of the companies listed on the Bucharest Stock Exchange.

**The contagion began to grow rapidly in April and May amid the war in Ukraine and the turbulence accompanied by declines of most international stock markets. The contagion trend inversed in mid-May.**

## Liquidity indicators on Romanian Stock Exchanges

The **market capitalization** registered a decrease of 11% at the end of May 2022 compared to the end of 2021 and an increase of 32% compared to the end of 2020.

In May 2022, the first 3 companies traded on BVB were Banca Transilvania SA with a share of 20.45% of the total value traded in that period, OMV Petrom SA (SNP: 16.16%) and BRD - Groupe Societe Generale SA (BRD: 13.68%).



**The BSE's Most Traded Companies during May 2022 (Only the Main Segment)**

Symbol	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%
TLV	28,334,694	20.86%	0	0.00%	28,334,694	20.45%
SNP	22,392,244	16.49%	0	0.00%	22,392,244	16.16%
BRD	16,472,109	12.13%	2,486,231	89.71%	18,958,340	13.68%
FP	18,836,794	13.87%	0	0.00%	18,836,794	13.59%
SNG	7,303,107	5.38%	0	0.00%	7,303,107	5.27%
SNN	6,107,685	4.50%	0	0.00%	6,107,685	4.41%
ONE	5,064,625	3.73%	0	0.00%	5,064,625	3.65%
M	3,873,821	2.85%	0	0.00%	3,873,821	2.80%
TRP	2,988,798	2.20%	0	0.00%	2,988,798	2.16%
WINE	2,851,756	2.10%	0	0.00%	2,851,756	2.06%
COTE	2,428,225	1.79%	0	0.00%	2,428,225	1.75%
EBS	2,417,136	1.78%	0	0.00%	2,417,136	1.74%
AQ	1,552,650	1.14%	285,067	10.29%	1,837,717	1.33%
BRK	1,648,916	1.21%	0	0.00%	1,648,916	1.19%
EL	1,455,328	1.07%	0	0.00%	1,455,328	1.05%
<b>Top 15 Total</b>						<b>91.28%</b>

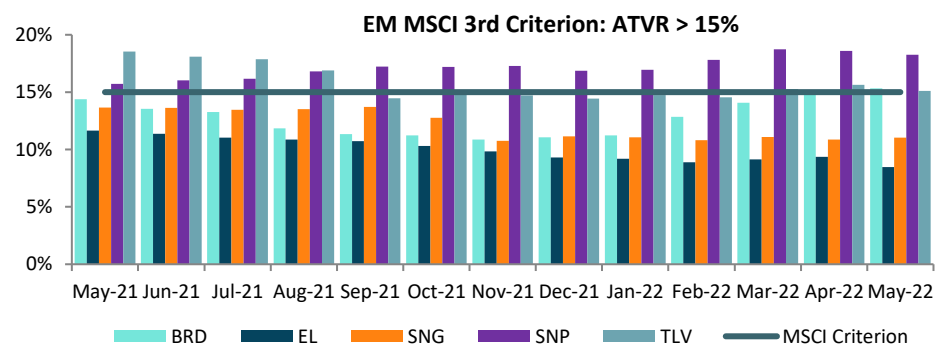
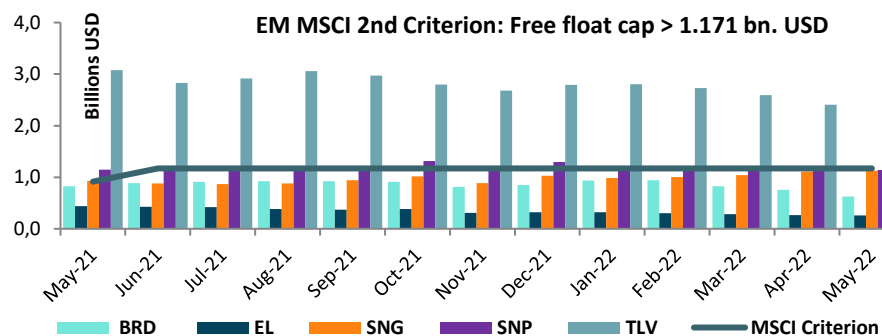
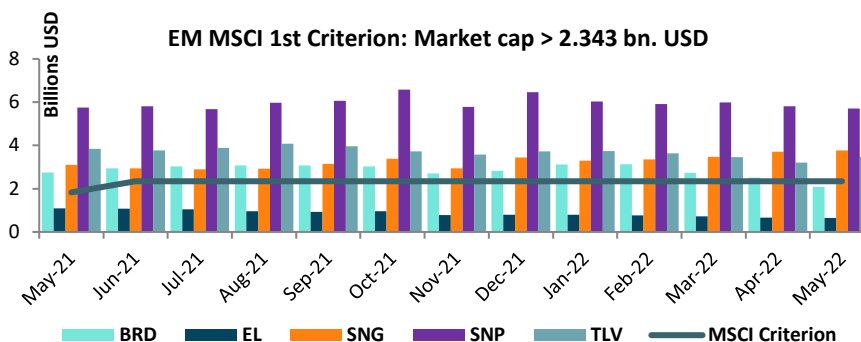
Source: NBR, BSE data, ASF calculations

## MSCI: Quantitative Indicators for Emerging Market Status

Indicators' variation to MSCI criterion (May 2022)

Company	Cap. bln. USD	Free float bln. USD	ATVR %
BRD	(0.26)	(0.55)	0.33%
EL	(1.70)	(0.91)	-6.54%
SNG	1.42	(0.04)	-3.95%
SNP	3.37	(0.03)	3.25%
TLV	1.13	1.43	0.12%

In May 2022, only one company met the three quantitative criteria according to the MSCI methodology. Starting with May 2021, the MSCI criteria were modified according to the MSCI Market Classification Framework.

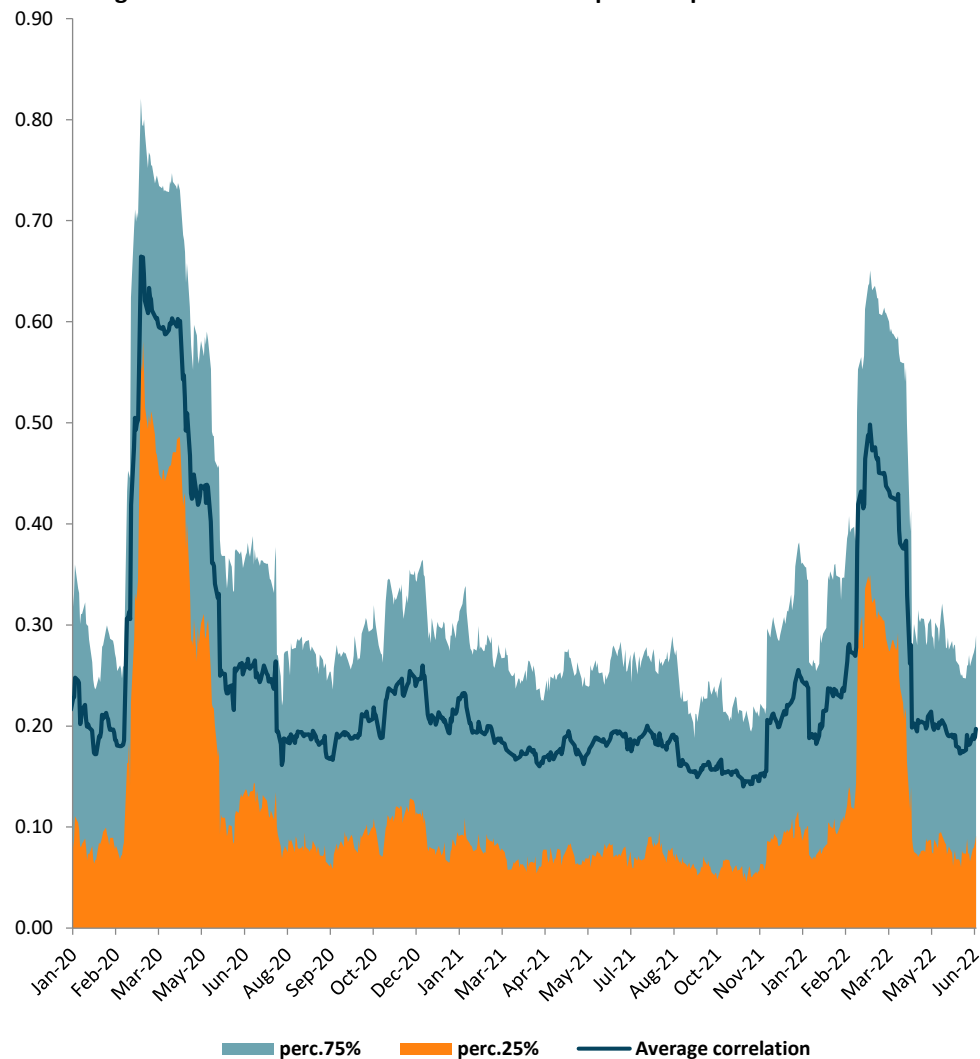


Source: ASF

## Risk assessment and the benefit of diversification

At the beginning of June 2022, the correlations between the daily yields of the 25 most liquid companies on the Bucharest Stock Exchange increased slightly.

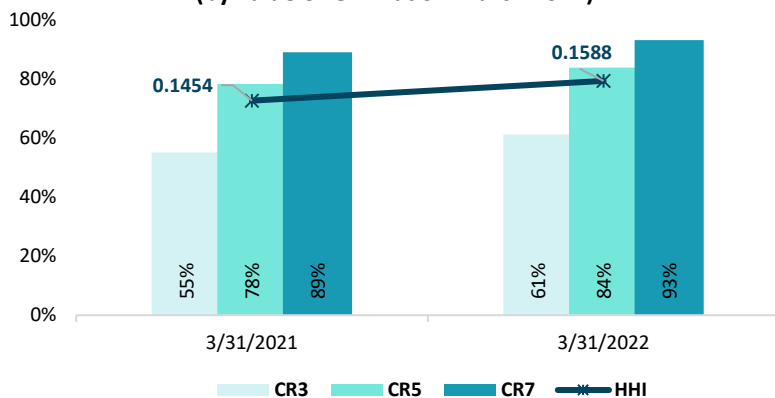
The average correlation coefficient for the 25 most liquid companies traded on BSE



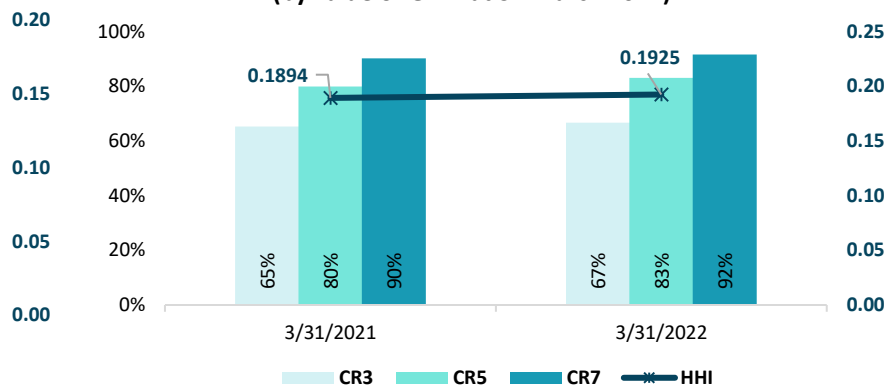
Source: Bloomberg, ASF

## Concentration risk

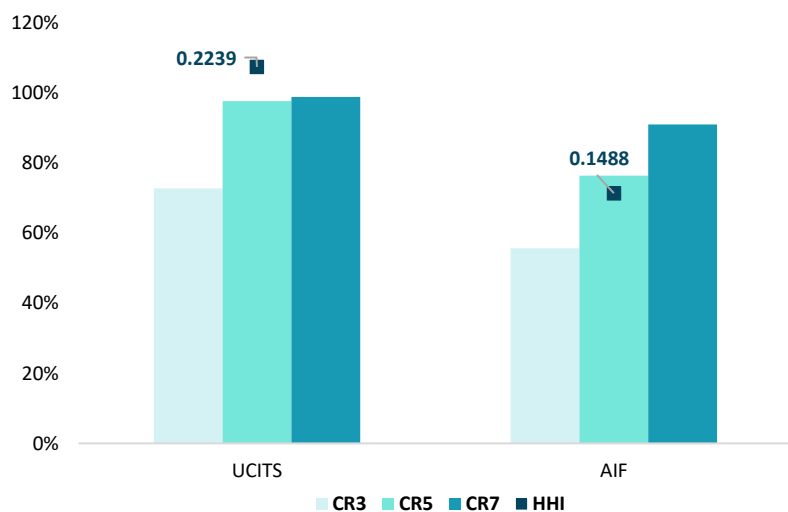
**Concentration risk of non-life insurance undertakings  
(by value of GWP at 31 March 2022)**



**Concentration risk of life insurance undertakings  
(by value of GWP at 31 March 2022)**

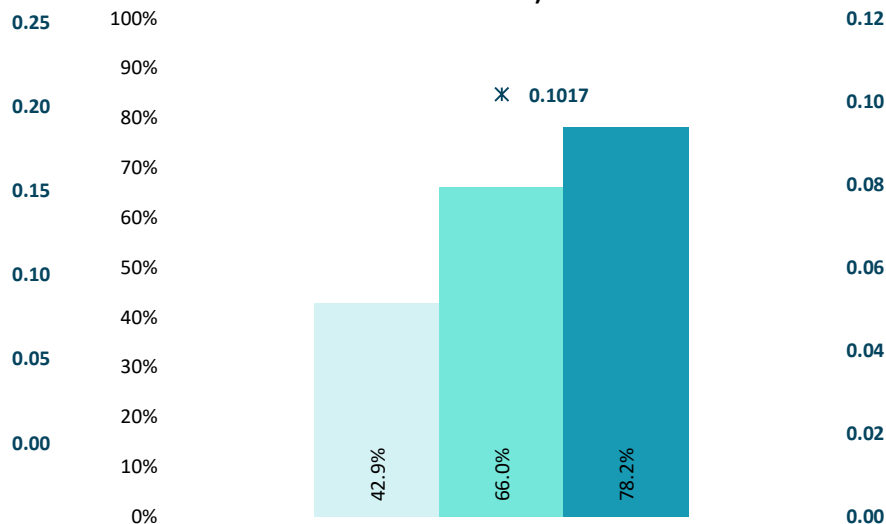


**Concentration risk of investment funds in Romania  
(by net assets – 31 March 2022)**



Source: ASF

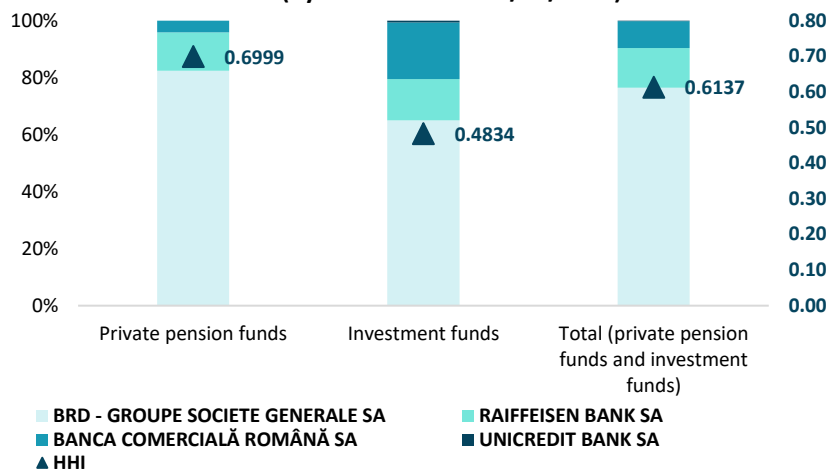
**Concentration risk of intermediaries on the BSE (by value of  
transactions in May 2022 – Main segment & MTS, all spot  
instruments)**



Source: ASF

## Concentration risk

**Concentration risk of depositaries of private pension funds and investment funds (by total assets at 03/31/2022)**

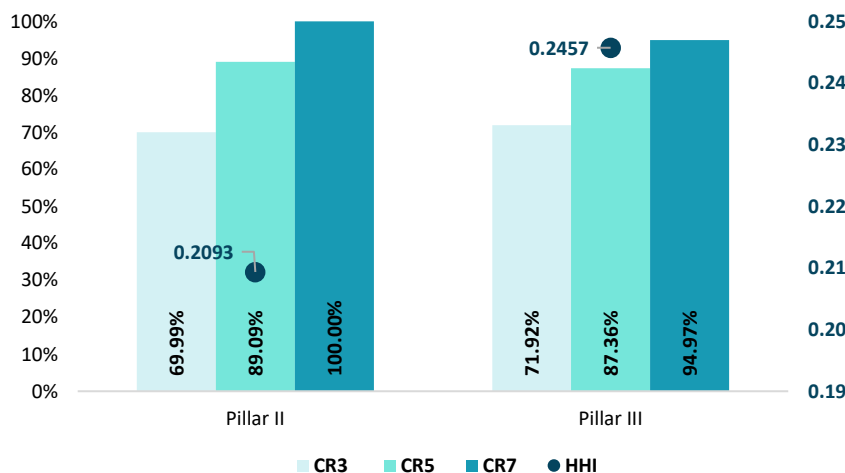


According to the main indicators used by the Competition Council, the concentration risk in the non-life insurance market is medium to high, while the life insurance market concentration degree is still high.

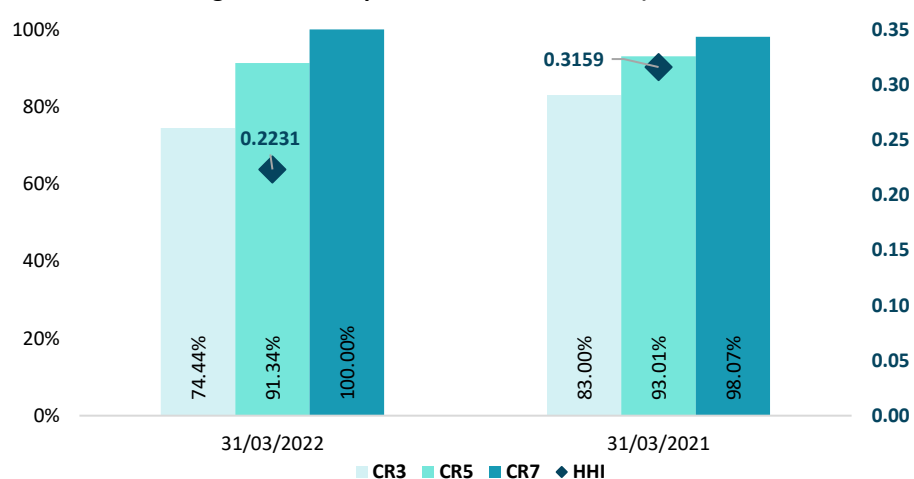
The situation is similar in the case of private pension funds market (Pillar II and Pillar III), but explainable by objective reasons related to their operating mechanism and the current state of the market.

Also on the capital market, the concentration degree is medium to high for OEIFs (although the number of investment funds is high) and for the intermediaries on the BSE due to the fact that top market participants sum up a significant share of the total assets.

**Concentration risk of private pension funds (by total assets at 05/31/2022)**

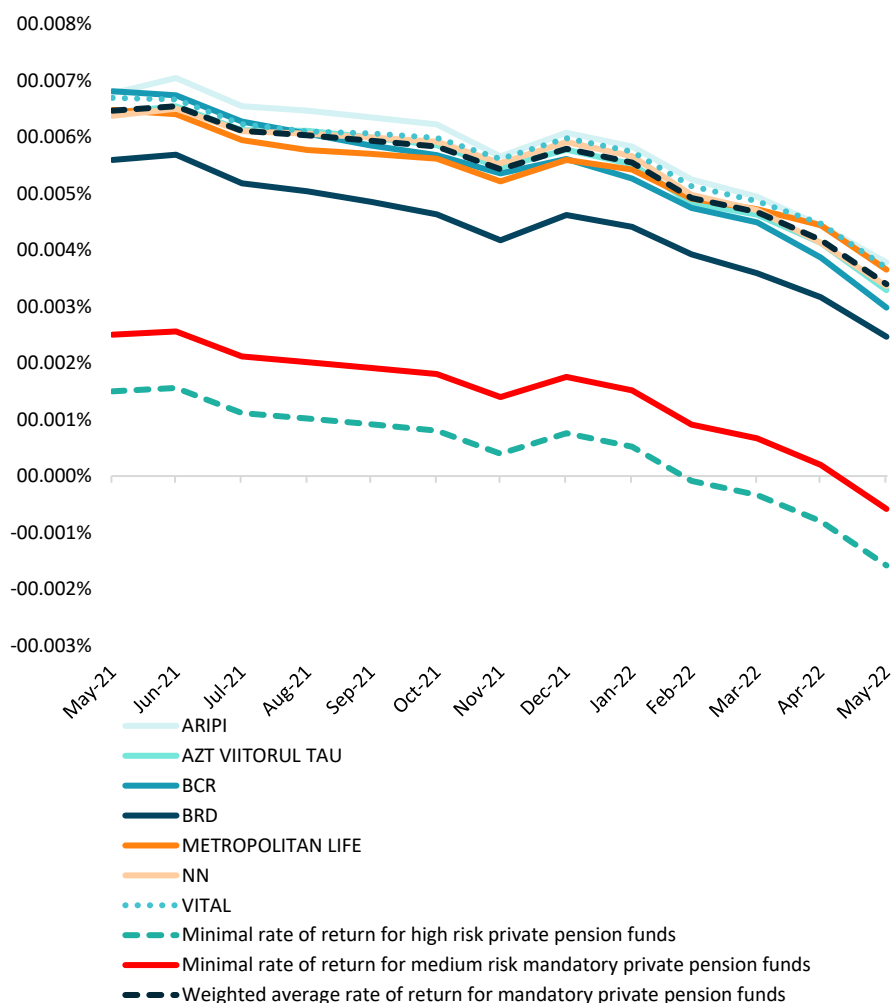


**The degree of concentration of insurance companies in the MTPL market (by gross written premiums at 03/31/2022)**



## Specific developments in the private pension funds sector: Mandatory pension funds (2nd Pillar)

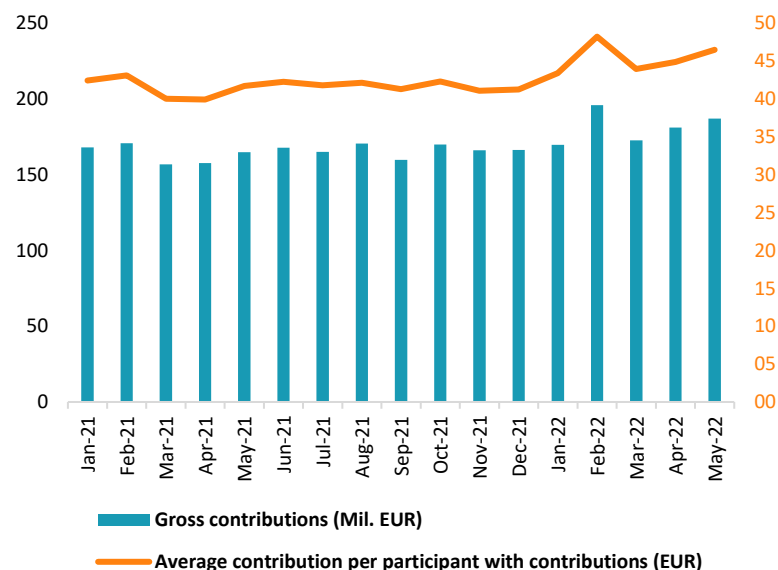
Rate of return for mandatory pension funds



Total assets (EUR), number of participants and return rates

Mandatory pension fund	Total Assets 31 May 2022 (EUR)	Participants (persons) May 2022	Rate of return May 2022
ARIPI*	1,598,130,862	823,816	3.78%
AZT VIITORUL TAU	3,791,120,419	1,643,331	3.29%
BCR	1,223,016,066	727,586	2.98%
BRD	719,481,638	514,002	2.47%
METROPOLITAN LIFE	2,522,288,225	1,099,215	3.65%
NN	6,151,693,717	2,070,159	3.36%
VITAL	1,803,665,372	989,397	3.69%
<b>Total</b>	<b>17,809,396,298</b>	<b>7,867,506</b>	<b>n/a</b>

Evolution of gross contributions



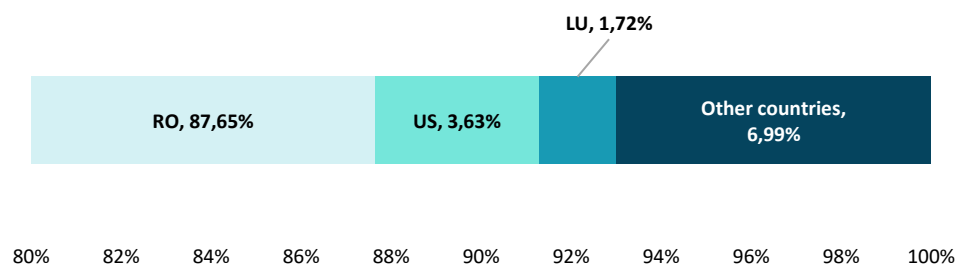
Source: ASF

## Specific developments in the private pension funds sector: Mandatory pension funds (2nd Pillar)

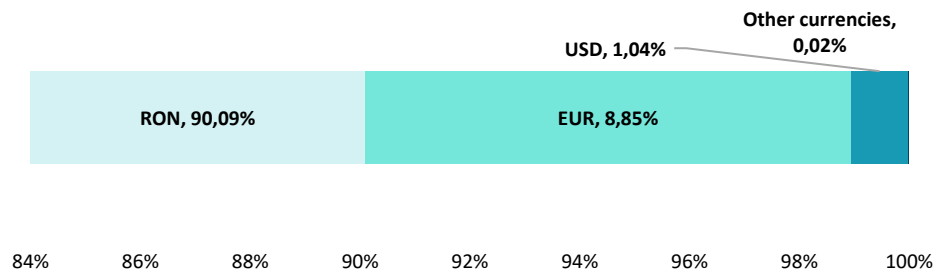
**Mandatory pension fund's portfolio at 31 May 2022 (EUR)**

Assets category	Assets value (EUR)	% Total assets
<b>Government bonds</b>	10,668,698,175	59.90%
<b>Equity</b>	4,432,873,371	24.89%
<b>Corporate bonds</b>	1,511,707,855	8.49%
<b>Investment funds</b>	544,254,573	3.06%
<b>Supranational bonds</b>	288,209,495	1.62%
<b>Bank deposits</b>	257,198,164	1.44%
<b>Other assets</b>	53,609,045	0.30%
<b>Municipal bonds</b>	48,912,652	0.27%
<b>Commodities and precious metals funds</b>	3,514,056	0.02%
<b>Derivatives</b>	418,911	0.00%

**Country exposure of mandatory pension fund's assets**



**Currency exposure of mandatory pension fund's assets**



Source: ASF

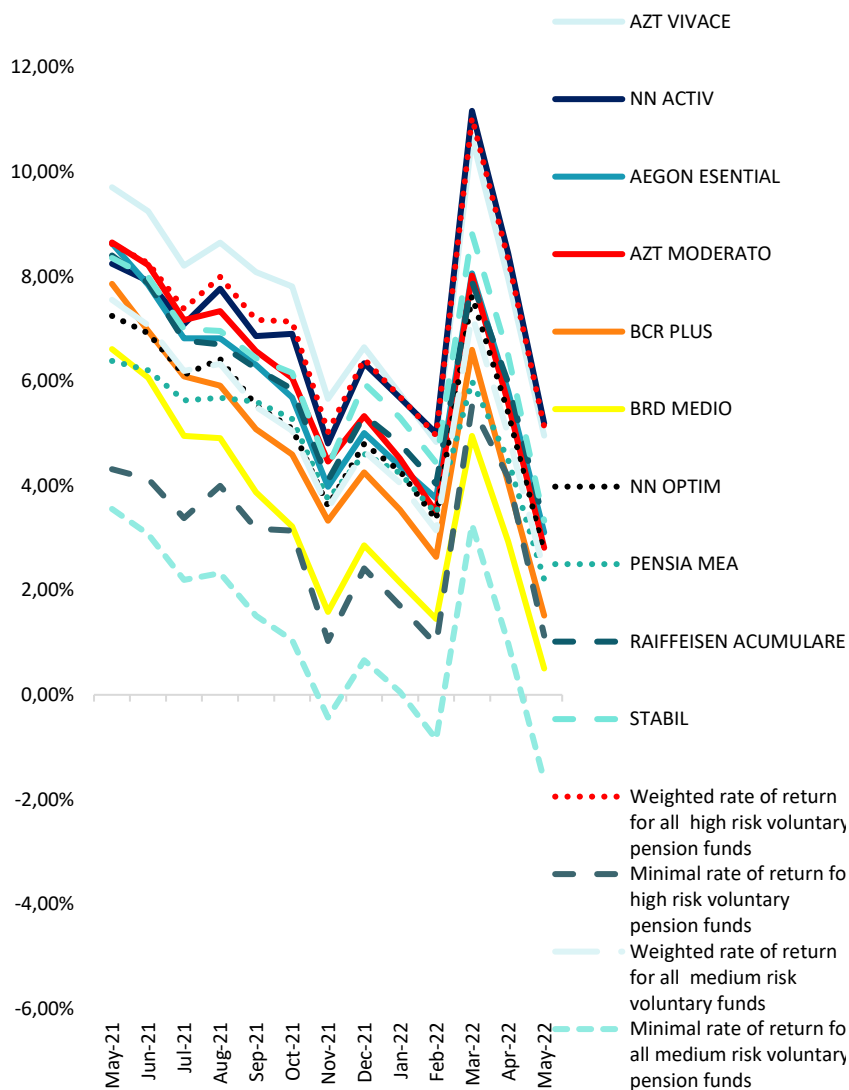
The value of the total assets of the privately managed pension funds reached EUR 17.81 billion at the end of May 2022, registering an annual rate of growth of 6%, in terms of EUR.

At the end of May 2022, the privately managed pension funds' investments were generally made locally, in a percentage of 88%, a large majority being denominated in lei. Most Romanian instruments are represented by government securities and shares listed on the Bucharest Stock Exchange.



## Current evolutions in optional private pension funds (3rd Pillar)

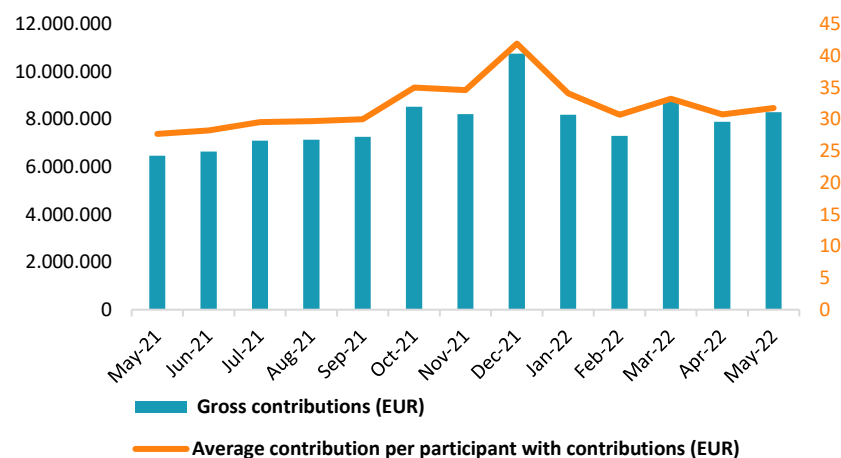
Rate of return for optional pension funds



Total assets (EUR), number of participants and return rates

Voluntary pension fund	Total assets (EUR), 31 May 2022	Participants (persons) May 2022	Rate of return May 2022
AEGON ESENTIAL	2,213,714	4,002	3.1063%
AZT MODERATO	68,862,573	46,776	2.8131%
AZT VIVACE	25,100,929	21,289	4.9595%
BCR PLUS	113,690,075	143,246	1.5161%
BRD MEDIO	35,103,308	37,422	0.5034%
GENERALI STABIL	6,580,124	5,560	3.3294%
NN ACTIV	80,737,925	62,731	5.1895%
NN OPTIM	289,778,513	219,220	2.7335%
PENSIA MEA	25,997,424	26,510	2.2062%
RAIFFEISEN ACUMULARE	25,195,505	18,379	3.2725%
<b>Total</b>	<b>673,260,091</b>	<b>585,135</b>	<b>n/a</b>

Evolution of gross contributions



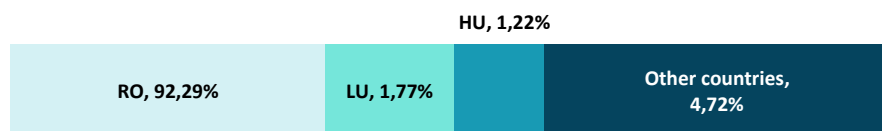
Source: ASF

## Current evolutions in optional private pension funds (3rd Pillar)

### Optional pension fund's portfolio at 31 May 2022 (EUR)

Assets category	Assets value (EUR)	% Total assets
<b>Government Bonds</b>	409,080,013	60.76%
<b>Equity</b>	184,706,089	27.43%
<b>Corporate Bonds</b>	30,233,106	4.49%
<b>Investment Funds</b>	16,902,562	2.51%
<b>Bank Deposits</b>	15,833,014	2.35%
<b>Supranational Bonds</b>	9,045,562	1.34%
<b>Municipal Bonds</b>	4,348,739	0.65%
<b>Other assets</b>	2,829,062	0.42%
<b>Metal funds</b>	236,303	0.04%
<b>Derivatives</b>	45,640	0.007%

### Country exposure of optional pension fund's assets



88% 90% 92% 94% 96% 98% 100%

### Currency exposure of optional pension fund's assets



86% 88% 90% 92% 94% 96% 98% 100%

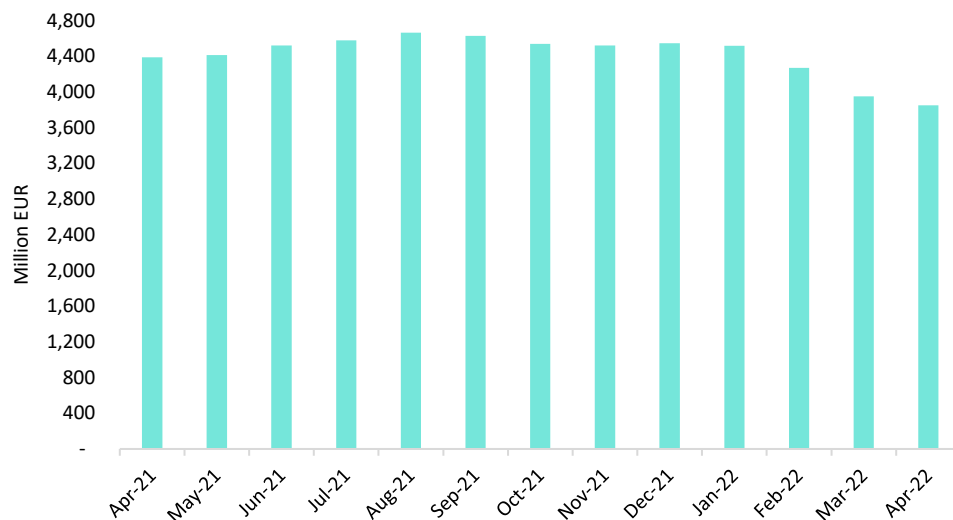
Source: ASF

The value of the total assets of the voluntary pension funds, at the end of May 2022, was EUR 673 million, registering an annual rate of growth of 5%, in terms of RON.

At the end of May 2022, the voluntary pension funds' investments were generally made locally, in a percentage of 92%, a large majority being denominated in lei.

## Specific developments in the investment funds sector

**Evolution of net assets of open-end investment funds  
(April 2021 – April 2022)**

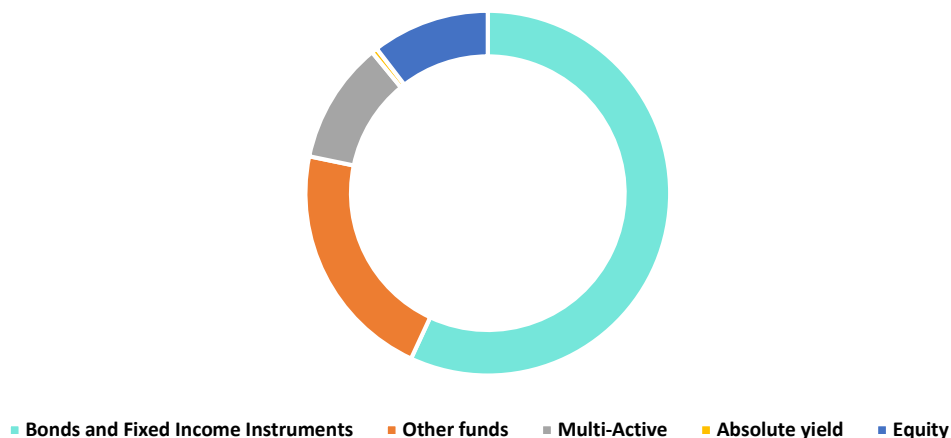


According to data published by AAF, net assets of open-end investment funds (OeIF) reached a value of EUR 3.85 billion in April 2022, down by aprox. 3% compared to the previous month (EUR 3.95 billion).

At the end of April 2022, net assets of local open-end investment funds decreased compared to the previous month, except for equity investment funds.

In April 2022, open-end bond and fixed income instruments funds hold the largest share in total net assets of OeIF (around 57%), while the "other funds" category has a market share of approximately 21%.

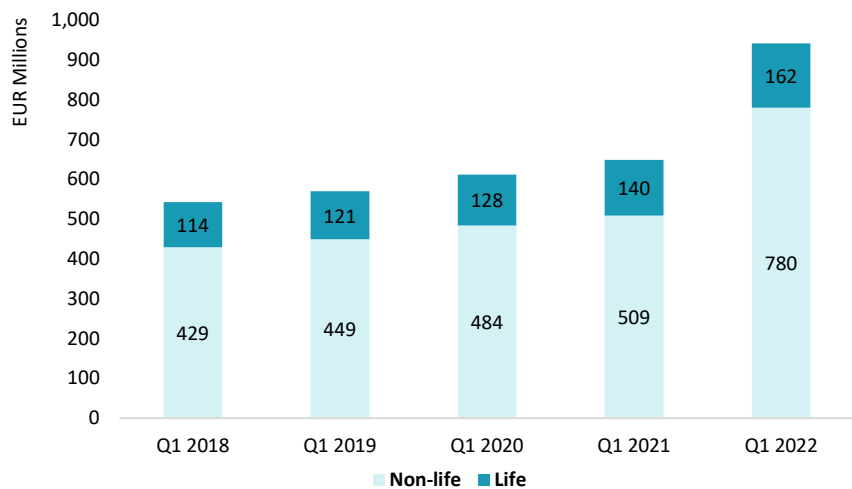
**Open-end investment funds' market share by Fund Type and Net Asset (April 2022)**



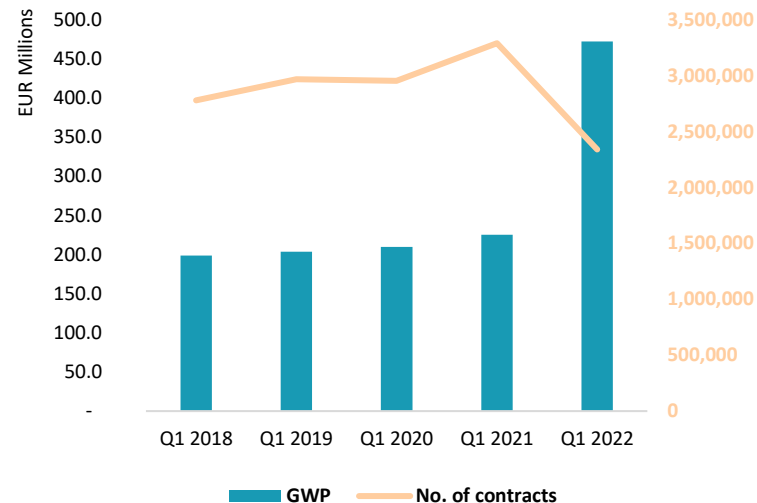
Source: AAF

## Specific developments in the insurance market in Romania

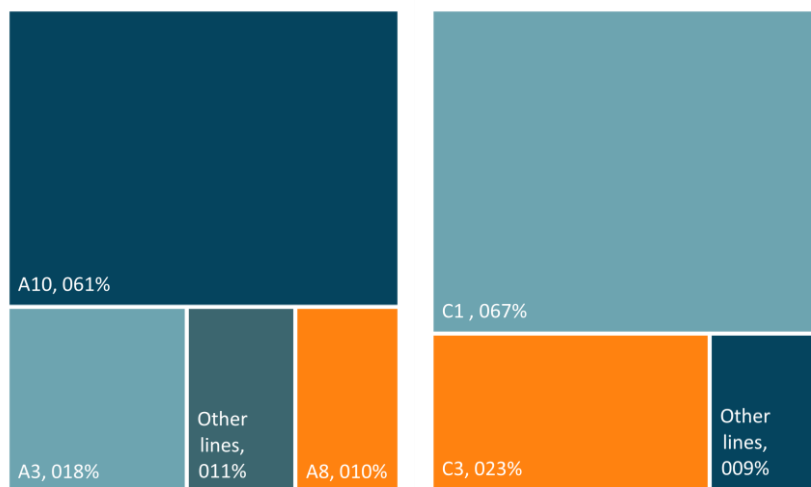
Gross written premiums (total)



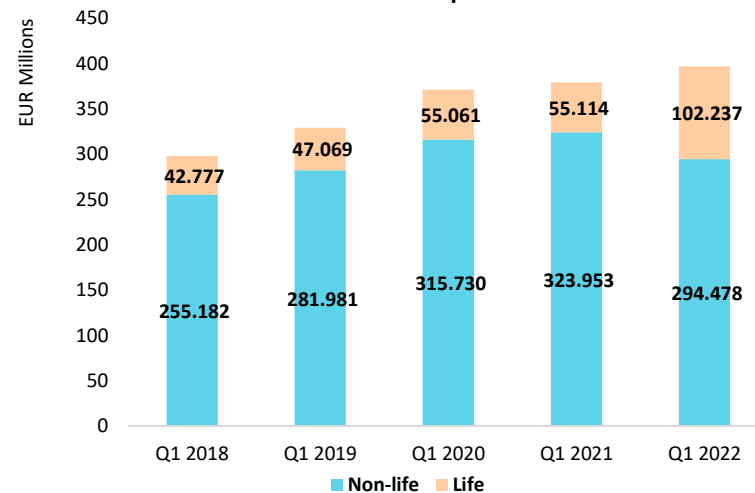
MTPL gross written premiums



Share of main insurance classes by GWP



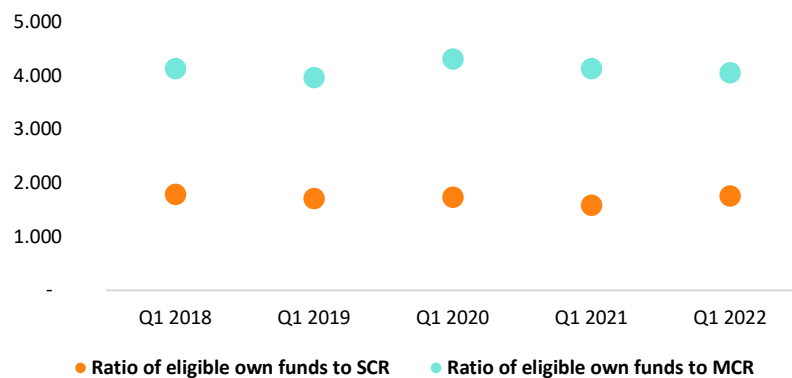
Gross claims paid



Source: ASF

## Specific developments in the insurance market in Romania

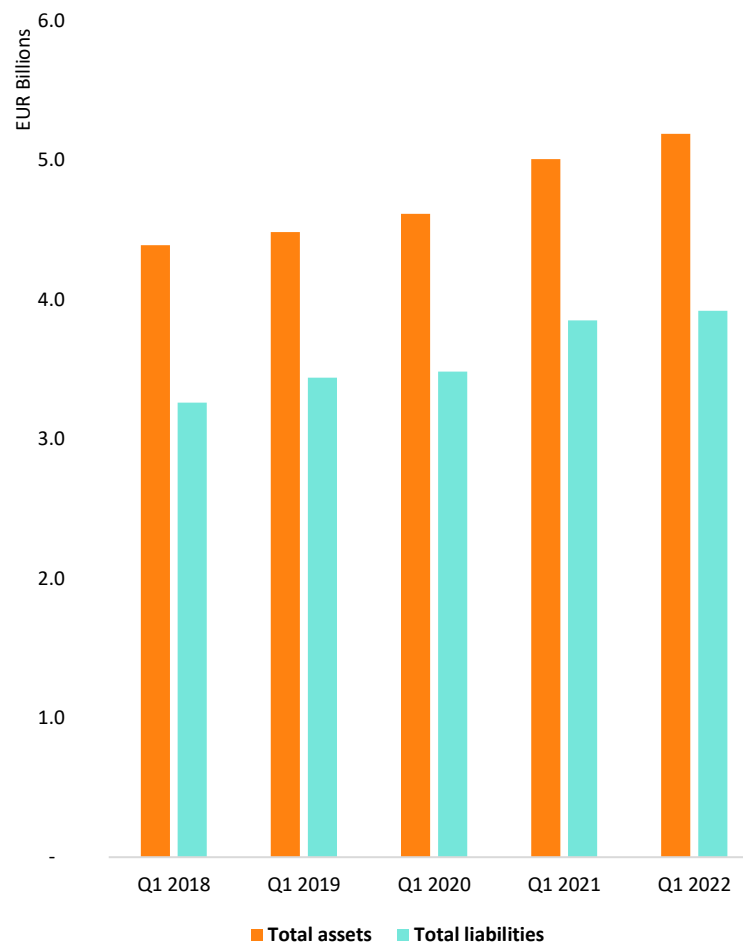
**Ratio of eligible own funds to SCR and Ratio of eligible own funds to MCR**



**Total eligible own funds to meet the SCR and total eligible own funds to meet the MCR**



**Total assets and total liabilities**



Source: ASF, provisional data

## Press releases and publications of European and international financial institutions in May 2022

<b>EUROPEAN UNION</b>	<p><b>11 May:</b> <a href="#">European Commission proposes tax incentive for equity to help companies grow, become stronger and more resilient.</a></p> <p><b>11 May:</b> <a href="#">European Commission adopts a reform of the current EU rules on Distance Marketing of Consumer Financial Services.</a></p> <p><b>11 May:</b> <a href="#">European Council and the European Parliament reaches a provisional agreement on the Digital Operational Resilience Act (DORA).</a></p> <p><b>13 May:</b> <a href="#">European Council and the European Parliament agrees on measures for a high common level of cybersecurity across the Union (NIS 2 Directive).</a></p> <p><b>16 May:</b> <a href="#">European Commission publishes Spring 2022 Economic Forecast.</a></p> <p><b>23 May:</b> <a href="#">European Commissions presents 2022 European Semester Spring Package.</a></p> <p><b>24 May:</b> <a href="#">European Council adopts its position to improve the European long-term investment funds (ELTIFs) regulation to facilitate long-term investment in the real economy.</a></p>
<b>ESMA</b>	<p><b>13 May:</b> <a href="#">ESMA reminds issuers of the main IFRS requirements amid the war in Ukraine.</a></p> <p><b>13 May:</b> <a href="#">ESMA makes recommendations for disclosures of expected impacts of IFRS 17 application.</a></p> <p><b>16 May:</b> <a href="#">ESMA reminds fund managers of their obligation to investors amid the war in Ukraine.</a></p> <p><b>16 May:</b> <a href="#">ESMA publishes final reports on CCP resolution regime.</a></p> <p><b>17 May:</b> <a href="#">ESMA consults on the notifications for cross-border marketing and management of funds.</a></p> <p><b>18 May:</b> <a href="#">ESMA publishes ex-post analysis of derivatives risks in Archegos.</a></p> <p><b>19 May:</b> <a href="#">ESMA publishes report on highly liquid instruments.</a></p> <p><b>19 May:</b> <a href="#">ESMA launches four consultations on CCP resolution regime.</a></p> <p><b>23 May:</b> <a href="#">ESMA presents a study related to the reasons for lower costs in ESG funds.</a></p>
<b>EIOPA</b>	<p><b>2 May:</b> <a href="#">EIOPA publishes its Risk Dashboard based on Solvency II data from the fourth quarter of 2021.</a></p> <p><b>6 May:</b> <a href="#">EIOPA reacts to stakeholders' views on blockchain in insurance.</a></p> <p><b>20 May:</b> <a href="#">EIOPA assesses European insurers' exposure to physical climate change risks.</a></p>
<b>ESA</b>	<p><b>2 May:</b> <a href="#">ESAs recommend changes to make the PRIIPs key information document more consumer-friendly.</a></p> <p><b>2 May:</b> <a href="#">ESAs consult on sustainability disclosures for Simple, Transparent and Standardised securitisations.</a></p> <p><b>10 May:</b> <a href="#">ESAs call for improvements in product descriptions intended for retail investors.</a></p>
<b>ECB</b>	<p><b>25 May:</b> <a href="#">ECB publishes the May 2022 Financial Stability Review.</a></p>