



**The non-bank financial sector assets represented 12% of the GDP at the end of 2022.**

## MONTHLY MARKET REPORT

- At the end of March 2023, Romania's CDS quotations stood at a value of 208 bp, decreasing as compared to the end of February 2023 (238 bp).
- The market capitalization recorded a 3.4% increase at the end of March 2023 compared to the end of 2022.

## World Macroeconomic Outlook

The International Monetary Fund (World Economic Outlook, April 2023) has revised downwards its estimate of **global economic growth for 2023** to 2.8% (from 2.9% in the forecast published in January 2023). **For the US, the GDP growth forecast** for 2023 has been revised upwards by 0.2 percentage points: from 1.4% in the January 2023 estimate to 1.6% (in the April 2023 projection). **For the euro area, the GDP growth forecast** for 2023 has been revised upwards by 0.1 percentage points: from 0.7% in the January 2023 forecast to 0.8% (in the April 2023 projection). **For Romania, the GDP growth forecast** for 2023 has been revised downwards by 0.7 percentage points: from 3.1% according to the October 2022 estimates to 2.4% (according to the April 2023 projections).

According to the flash estimate published by Eurostat, in the first quarter of 2023, **the seasonally adjusted GDP** increased by 0.1% in the euro area and by 0.3% in the EU, compared to the previous quarter. Compared to the same quarter of the previous year, in the first quarter of 2023, the seasonally adjusted GDP grew by 1.3% in both the euro area and the EU, after displaying an increase of 1.8% in the euro area and 1.7% in the EU in the previous quarter.

According to data published by the NIS, locally, **the gross domestic product** grew by 1% (in real terms) in Q4 2022 compared to Q3 2022. Compared to Q4 2021, in Q4 2022, Romania's gross domestic product increased by 4.5% on the gross series and by 4.8% on the seasonally adjusted series. In 2022, the gross domestic product increased by 4.7% compared to 2021.

**The National Commission for Strategy and Prognosis (NCSP)** has maintained the economic forecast for the gross domestic product growth for 2023 at 2.8% according to the NCSP winter 2023 forecast.

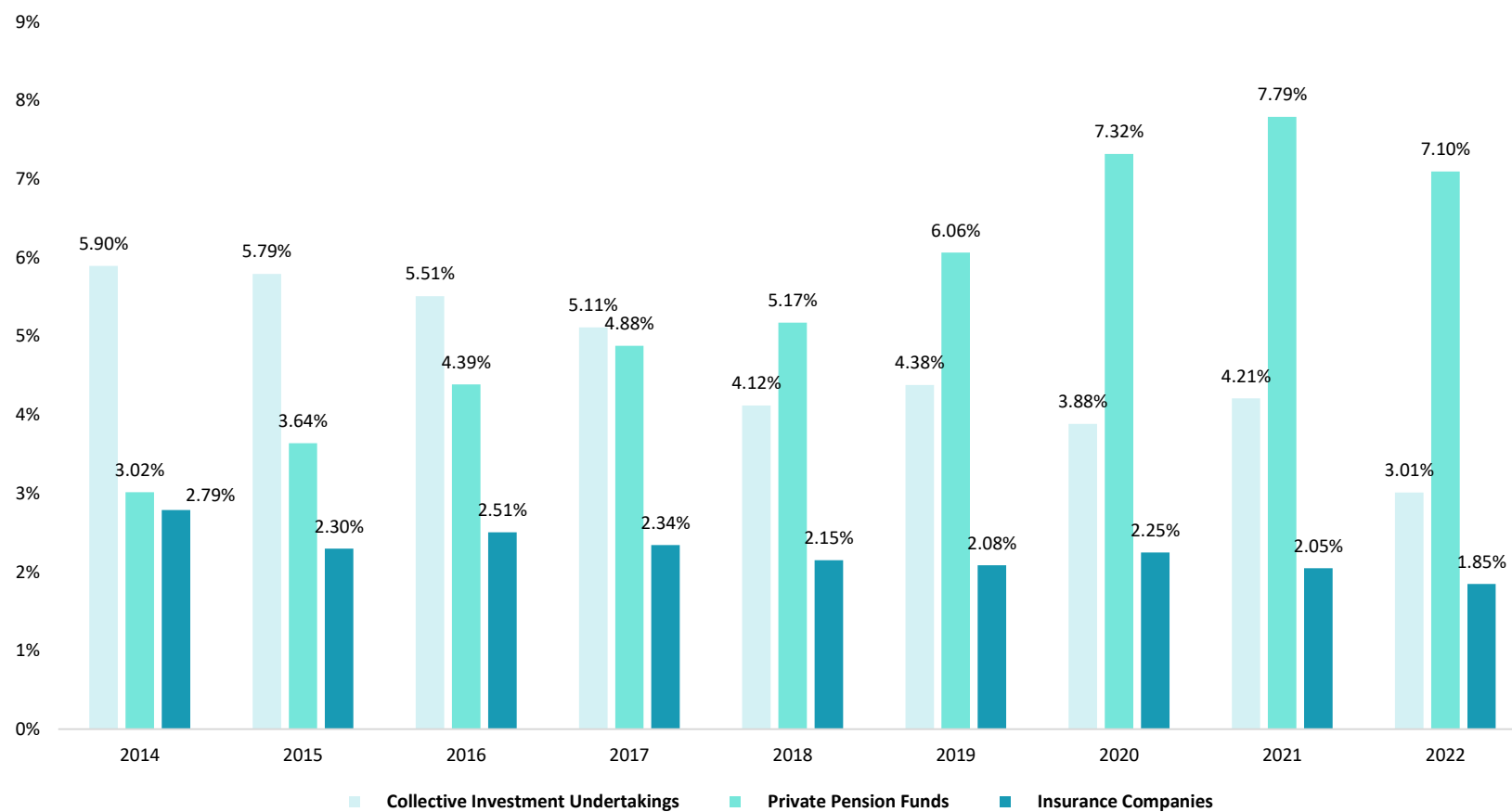
Evolution of GDP (%) and GDP forecast (%)

Country	2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2022	Q1 2023	European Commission		IMF	
								2023f	2024f	2023f	2024f
<b>Euro area</b>	5.4	5.5	4.4	2.5	1.8	3.5	1.3	0.9	1.5	0.8	1.4
<b>Germany</b>	2.6	3.8	1.7	1.4	0.8	1.8	-0.1	0.2	1.3	-0.1	1.1
<b>Bulgaria</b>	7.6	5.1	4.6	3.2	2.3	3.4		1.4	2.5	1.4	3.5
<b>Hungary</b>	7.2	7.9	6.1	3.8	0.9	4.6		0.6	2.6	0.5	3.2
<b>Poland</b>	6.9	10.7	5.9	4.8	0.6	5.1		0.4	2.5	0.3	2.4
<b>Romania</b>	<b>5.8</b>	<b>4.6</b>	<b>4.0</b>	<b>4.4</b>	<b>4.8</b>	<b>4.7</b>		<b>2.5</b>	<b>3.0</b>	<b>2.4</b>	<b>3.7</b>

Source: Eurostat, percentage change compared with the same quarter of the previous year - seasonally adjusted data, European Commission, Winter 2023 Economic Forecast, World Economic Outlook – April 2023, IMF

## Dimension of the non-bank financial sector

Evolution of non-banking system's assets (% of GDP)



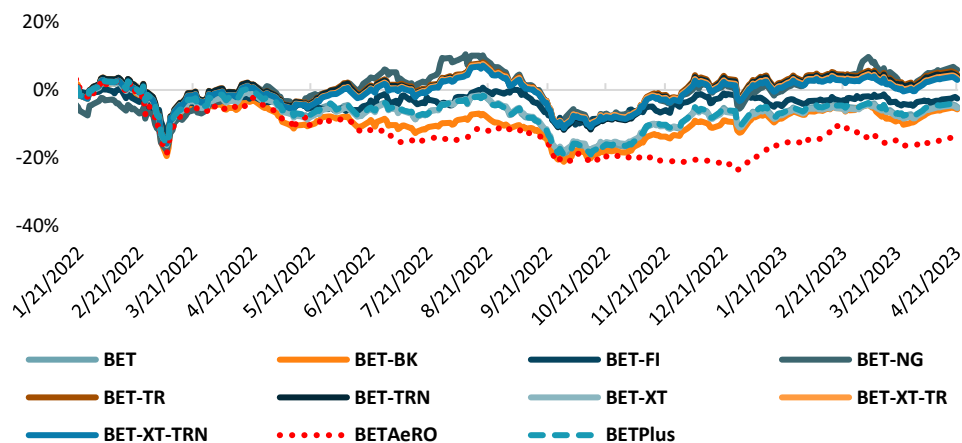
Source: NBR, NIS, FSA

## Current trends in Romanian capital markets

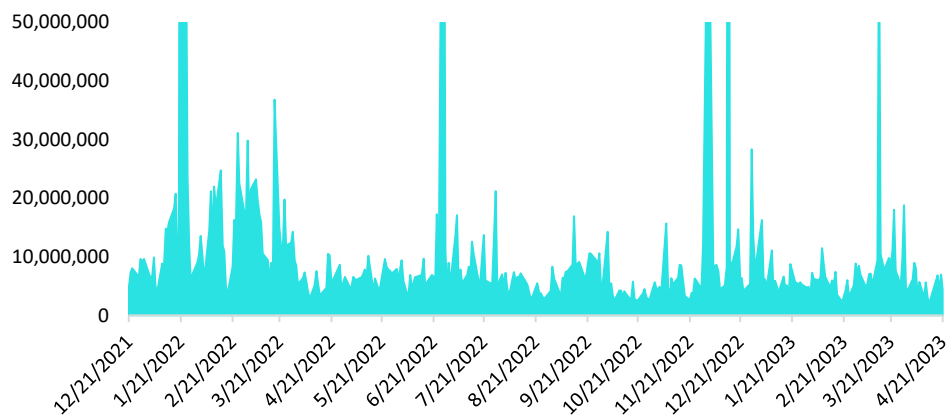
**Romanian stock indices evolution in 2023  
(30.12.2022 = 100; EUR)**

Date	BET	BET-BK	BET-FI	BET-NG
	6.44%	7.61%	1.13%	11.43%
04/21/2023	BET-TR	BET-TRN	BET-XT	BET-XT-TR
	6.46%	6.46%	6.16%	6.18%
	BET-XT-TRN	BETAeRO	BETPlus	
	6.18%	11.07%	5.92%	

**Evolution of local stock indices (EUR)**



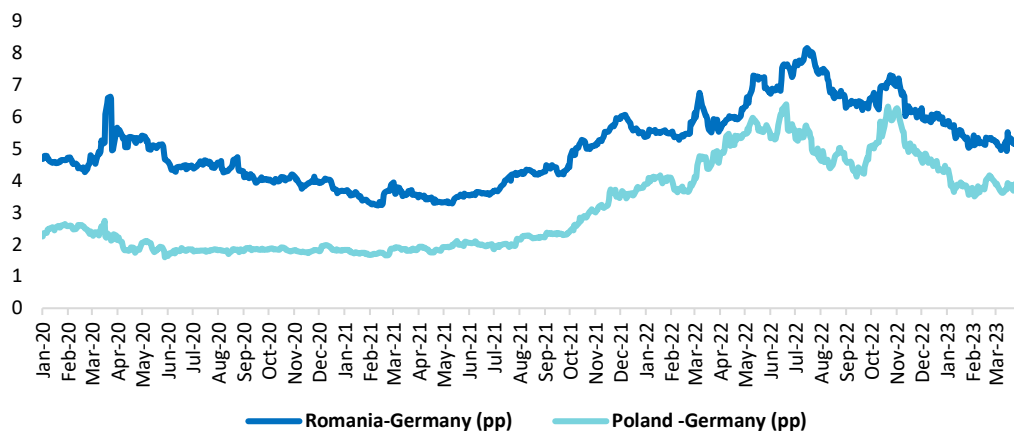
**Equities traded value on BSE (EUR)**



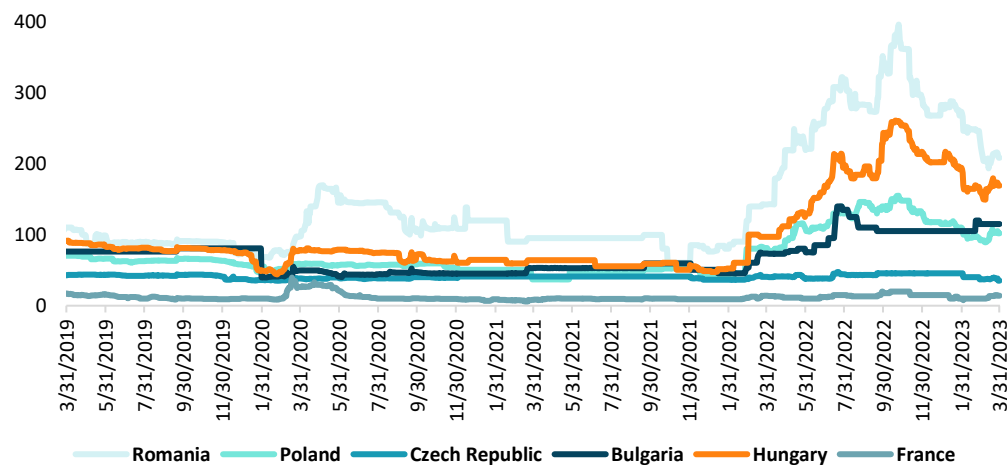
Source: BSE; FSA calculations

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

Government bond yields spread of Romania (10Y, LC)



Evolution of Credit Default Swaps quotations (5Y, USD)



Source: Refinitiv

The spread between Romania's euro-denominated 10-year sovereign bonds and Germany's similar ones decreased slightly in March compared to February, below the values recorded during 2022. The decrease in the spread can be interpreted as a recovery of investors' confidence in Romania's country rating.

At the end of March 2023, Romania's CDS quotations stood at a value of 208 bp, decreasing as compared to the end of February 2023 (238 bp).

## Market risk: evolution of local and international stock indices at the end of March 2023

### International and local stock indices yields

International indices	1 M	3 M	6 M
EA (EUROSTOXX)	0.25%	11.51%	25.38%
FR (CAC 40)	0.75%	13.11%	27.07%
DE (DAX)	1.72%	12.25%	29.01%
IT (FTSE MIB)	-1.33%	14.37%	31.31%
GR (ASE)	-6.61%	13.42%	33.00%
IE (ISEQ)	1.54%	17.34%	32.16%
ES (IBEX)	-1.73%	12.19%	25.33%
UK (FTSE 100)	-3.10%	2.42%	10.70%
US (DJIA)	1.89%	0.38%	15.83%
IN (NIFTY 50)	0.32%	-4.12%	1.55%
SHG (SSEA)	-0.21%	5.94%	8.23%
JPN (N225)	2.17%	7.46%	8.11%

BSE indices	1 M	3 M	6 M
BET	-1.62%	3.84%	13.84%
BET-BK	-3.08%	4.10%	14.41%
BET-FI	-1.26%	0.04%	6.55%
BET-NG	-1.42%	7.85%	11.35%
BET-TR	-1.60%	3.86%	13.90%
BET-TRN	-1.60%	3.86%	13.89%
BET-XT	-1.71%	3.53%	11.86%
BET-XT-TR	-1.70%	3.55%	11.95%
BET-XT-TRN	-1.70%	3.54%	11.95%
BETAeRO	-3.70%	7.88%	6.42%
BETPlus	-1.74%	3.49%	13.90%
ROTX	-0.88%	3.69%	11.70%

Source: Refinitiv, BSE, FSA calculations

Note: 1M=03/31/2023 vs. 02/28/2023; 3M=03/31/2023 vs. 12/31/2022; 6M=03/31/2023 vs. 09/30/2022

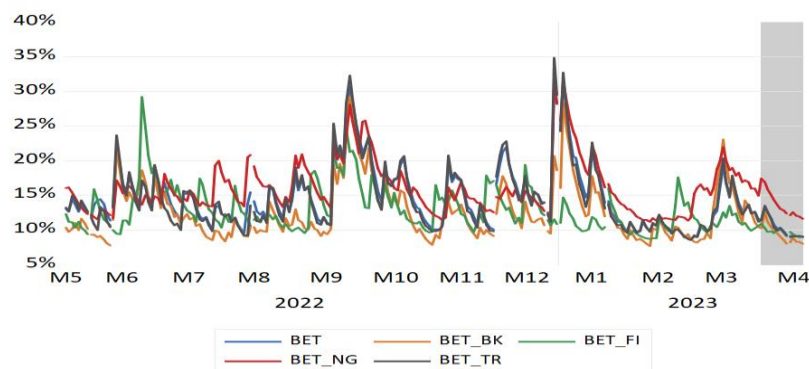
The European indices recorded mixed developments (1M). The strongest increase was recorded by the DAX index (DE: +1.72%), while the most significant decrease was registered by the ASE index (GR: -6,61%).

The main American and Asian indices displayed mixed developments. Therefore, the SSEA index manifested the most significant decrease (SHG: -0.21%), while the most important increase was observed in the case of the N225 index (JPN: +2.17%).

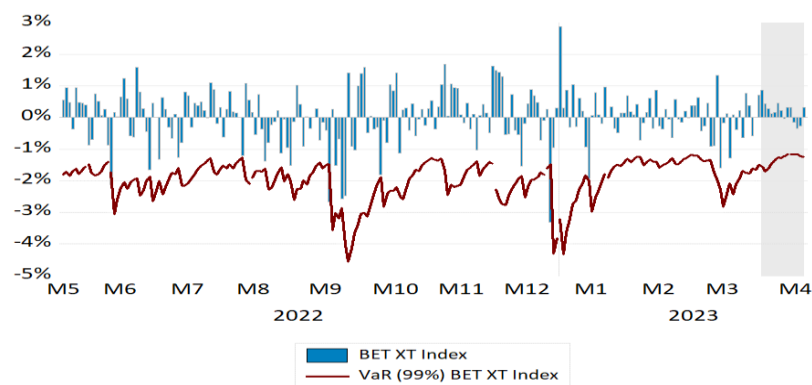
The BSE stock indices have recorded negative evolutions. The decreases ranged from -0.88% (ROTX index) to -3.70% (BETAeRO index).

## Market risk: evolution of stock indices

**Volatility of local stock market indices - GARCH (1,1)**



**BET-XT Index vs VaR (99%) BET-XT Index**



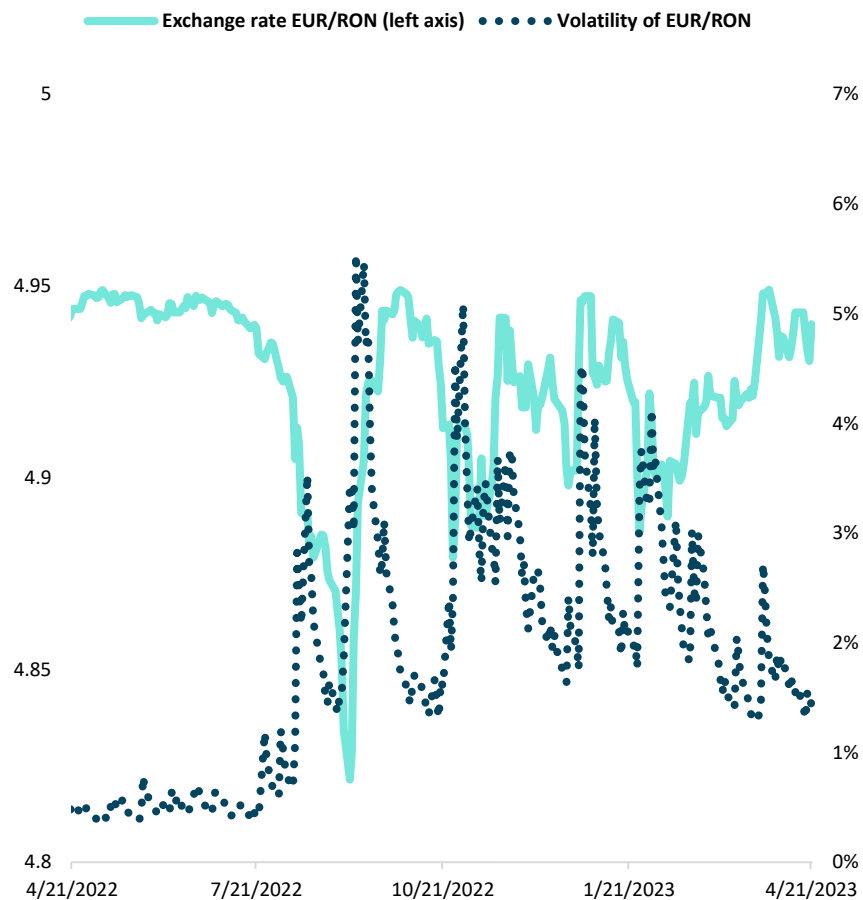
Source: BSE, FSA calculations

The volatilities of a selection of indices belonging to the Bucharest Stock Exchange generated with the help of the GARCH (1,1) model showed a downward trend during April, despite a slight increase in its first week.

The adjacent graph shows the dynamics of the BET-XT index together with the evolution of the value at risk for a significance level of 1% (VaR at 99%), calculated under the assumption of normal distribution. The estimates made for April indicate that the VaR statistic gravitates in the range of 1.1 - 1.7%.

## Market Risk: exchange rate volatility

### EUR/RON Exchange Rate vs Volatility



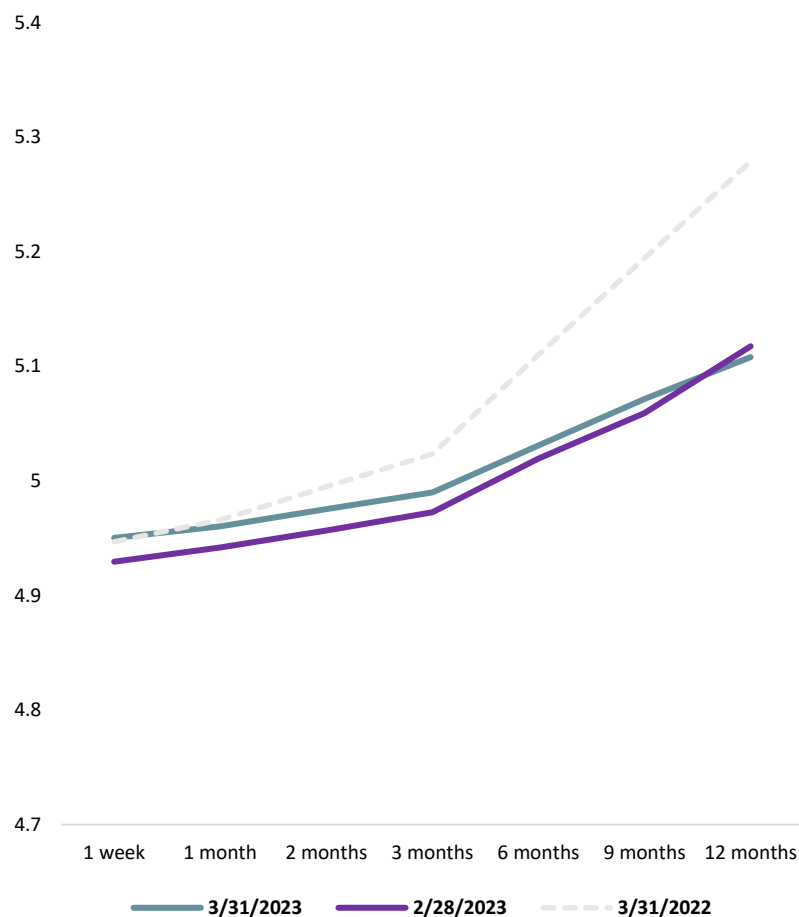
In March and April 2023, the volatility of the EUR/RON exchange rate fluctuated between 2-3% and the exchange rate level hovered close to the level of 4.94 EUR/RON. We estimate that exchange rate volatility will remain low (around <2%) for the next four weeks.

Source: Refinitiv, FSA model for volatility



## Market Risk: term structure of EUR-RON forward rate

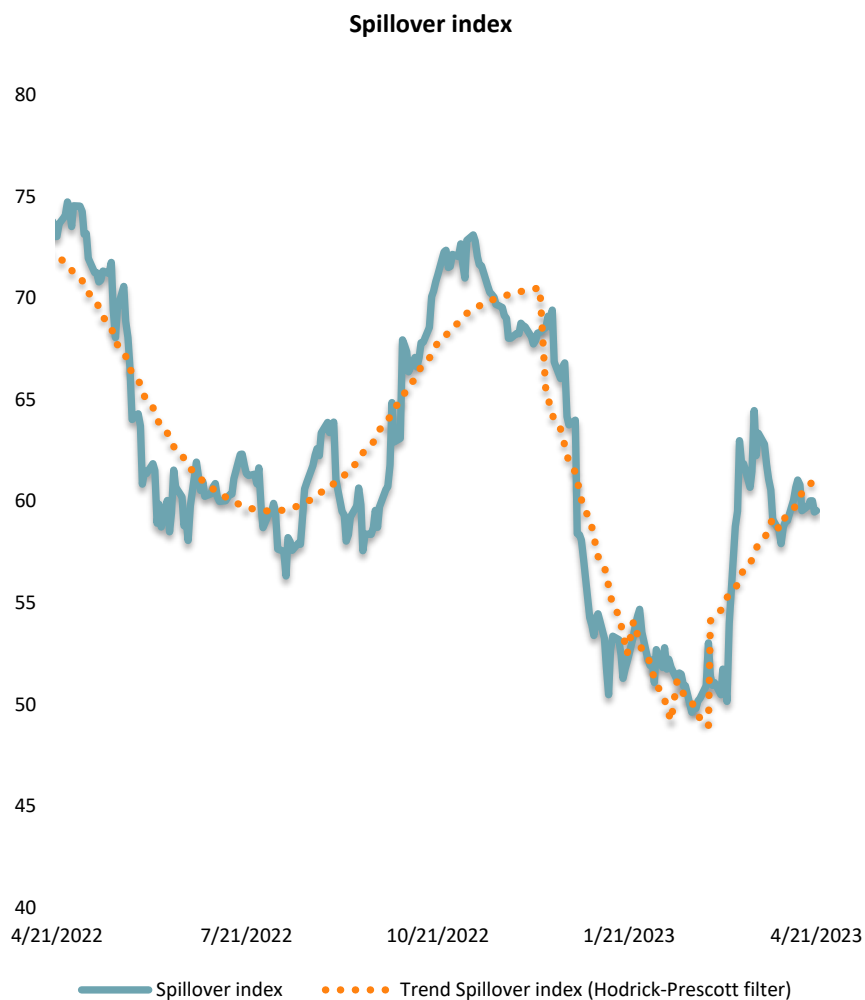
**The term structure of EUR-RON forward rate**



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 1 week and 9 months concerning the previous month (RON depreciation).

Source: Refinitiv, FSA calculations

## Market Risk: Spillover Index



Source: Refinitiv, FSA model

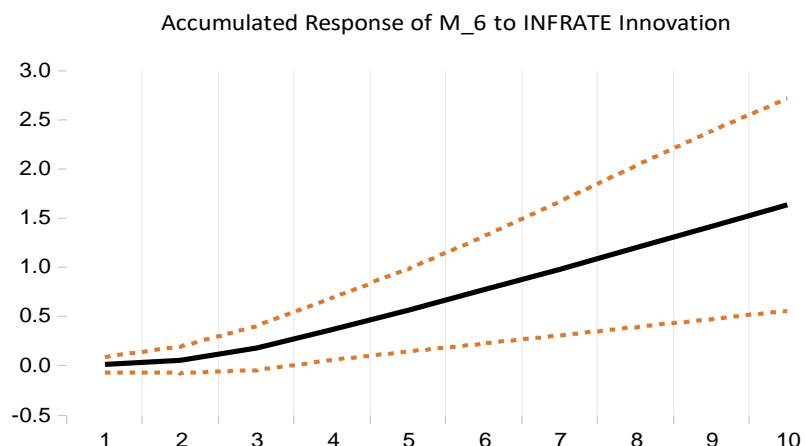
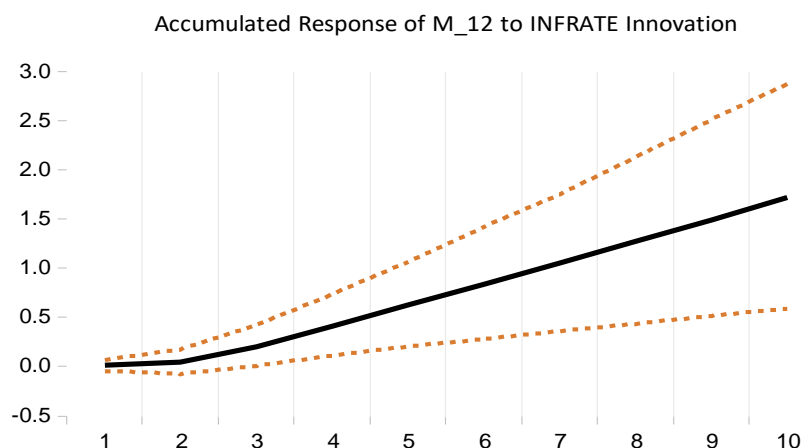
The Spillover index measures the marginal contribution of the external capital markets on the Romanian stock exchange. The Romanian capital market is sensitive to the same regional risk factors that influence the Austrian, Polish, Hungarian, and Bulgarian stock market returns. There is a strong link 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 Bucharest Stock Exchange as well as the main European stock markets have recorded increases in the first two weeks of 2023.

During March and April 2023, the contagion between the stock markets increased due to the increase in the financial stability risks mainly in the banking sector.

## Market Risk: Scenario for Romanian treasury yields for a shock in inflation

### Scenario for inflation increase

Accumulated Response to Generalized One S.D. Innovations  
95% CI using Standard percentile bootstrap with 999 bootstrap repetitions



Understanding the mechanism and relationship between interest rates and inflation is of crucial importance for effective and timely economic decisions for monetary policymakers. Irving Fisher tested this relationship for the UK and the US in his 1930 study and found strong correlations between inflation rate changes and nominal interest rate changes. Empirically, there is a robust relationship between nominal interest rates and inflation: high rates of inflation are accompanied by high nominal interest rates (Williamson, 2019). The conventional interpretation of this relationship is that high inflation leads to high nominal interest rates because both borrowers and lenders care about real interest rates. To quantify the relationship between inflation and government bond yields, a VEC model was used to analyze the long-run relationship between the variables of interest.

A VEC model with two lags and a cointegrating relationship was estimated. Restrictions were introduced for the inflation rate set in the long-run cointegration vector. The model was estimated on monthly data for Romanian government bond yields with maturities of 6 months, 1 year and 5 years for the period 2010-February 2023.

To quantify the effect of rising inflation on government bond yields, a 1 standard deviation shock in the inflation rate was applied.

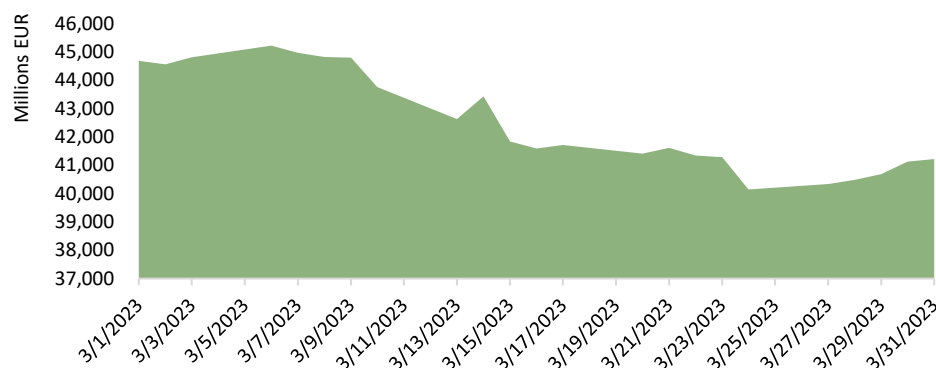
The results showed that a 0.7% (1 standard deviation) increase in inflation leads to an increase in Treasury yields (6-month maturity) of 1.7% over the next 10 months and 1.83% for 1-year maturity government bonds. A confidence interval has been constructed for the forecast at 95% confidence.

## Liquidity indicators on Romanian Stock Exchanges

The market capitalization recorded a 3.4% increase at the end of March 2023 compared to the end of 2022.

In March 2023, the 3 most traded companies on BSE were Fondul Proprietatea with a share of 34.34% of the total value traded in that period, OMV Petrom (SNP: 14.77%) and Banca Transilvania (TLV: 10.79%).

Market capitalization



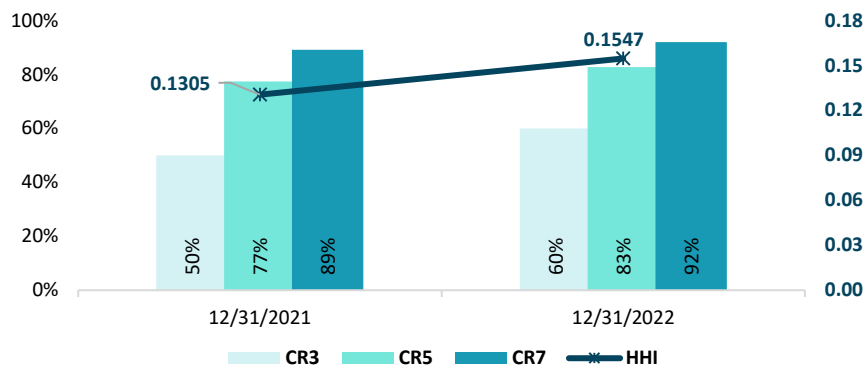
The BSE's Most Traded Companies during March 2023 (Only the Main Segment)

Symbol	Main Market		Deal		Total	
	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%
FP	20,561,451	13.42%	4,086,359	29.28%	83,717,818	34.34%
SNP	35,044,583	22.87%	963,705	6.90%	36,008,288	14.77%
TLV	23,794,761	15.53%	2,518,340	18.04%	26,313,101	10.79%
EBS	12,694,531	8.28%	0	0.00%	12,694,531	5.21%
SNN	12,616,585	8.23%	0	0.00%	12,616,585	5.17%
SNG	10,728,339	7.00%	1,664,535	11.93%	12,392,874	5.08%
BRD	9,108,522	5.94%	0	0.00%	9,108,522	3.74%
TUFE	6,530	0.00%	0	0.00%	9,052,518	3.71%
ONE	2,108,699	1.38%	0	0.00%	7,079,976	2.90%
EL	4,410,153	2.88%	0	0.00%	4,410,153	1.81%
DIGI	885,740	0.58%	3,471,361	24.87%	4,357,101	1.79%
TGN	3,615,952	2.36%	0	0.00%	3,615,952	1.48%
M	2,845,451	1.86%	0	0.00%	2,845,451	1.17%
TEL	2,613,335	1.71%	0	0.00%	2,613,335	1.07%
CEON	308,931	0.20%	0	0.00%	2,463,362	1.01%
Top 15 Total						94.04%

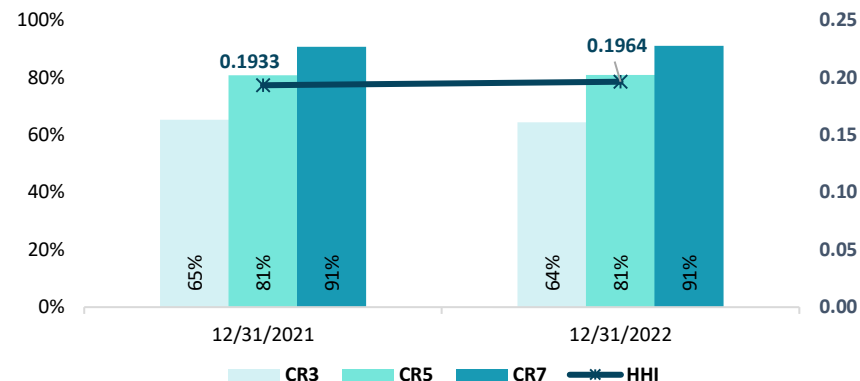
Source: BSE data, FSA calculations

## Concentration risk

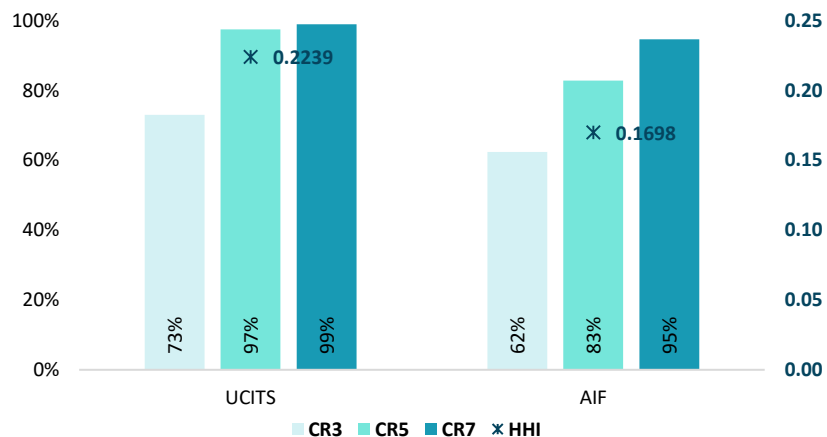
**Concentration risk of non-life insurance undertakings  
(by the value of GWP at 31 December 2022)**



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

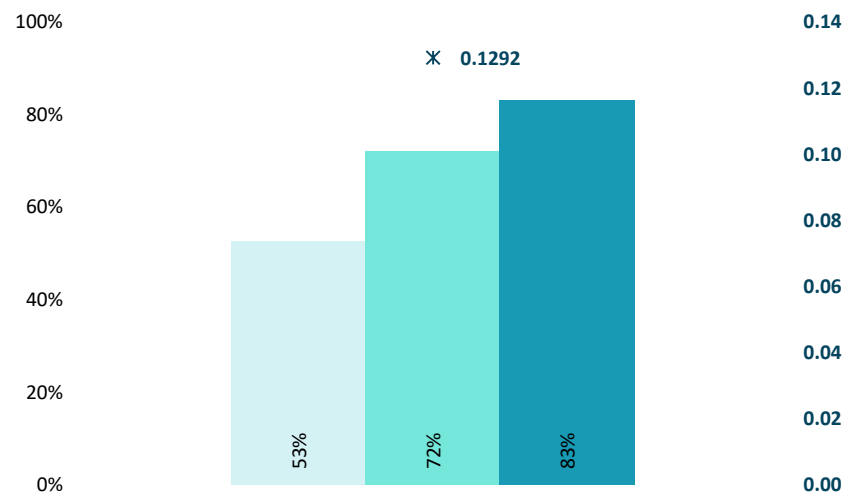


**Concentration risk of investment funds in Romania  
(by net assets – 31 December 2022)**



Source: FSA

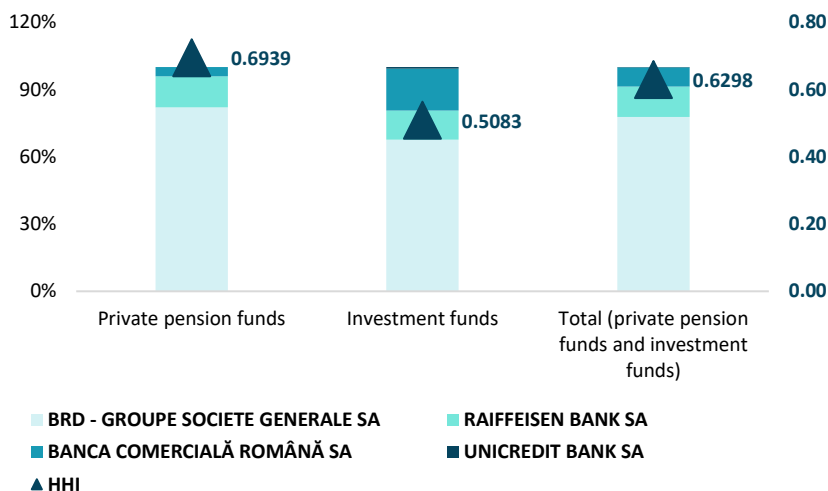
**Concentration risk of intermediaries on the BSE (by the value of transactions in March 2023 – Main segment & MTS, all spot and future instruments)**



Source: FSA

## Concentration risk

**Concentration risk of depositaries of private pension funds and investment funds (by total assets on 12/31/2022)**

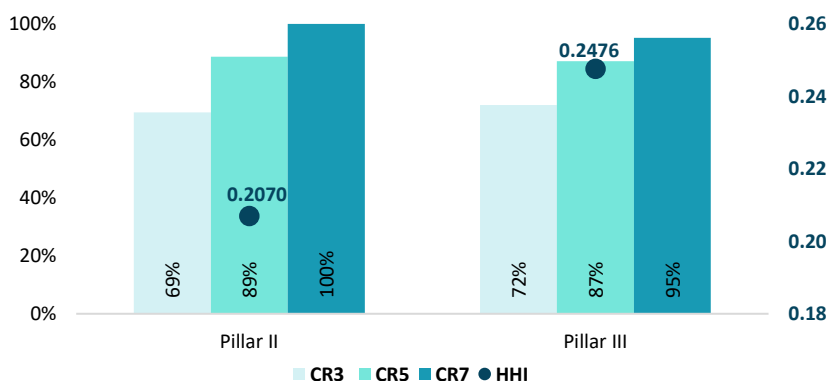


According to the main indicators used by the Competition Council, the concentration risk in the non-life insurance market is medium to high, while the life insurance market concentration degree is still high.

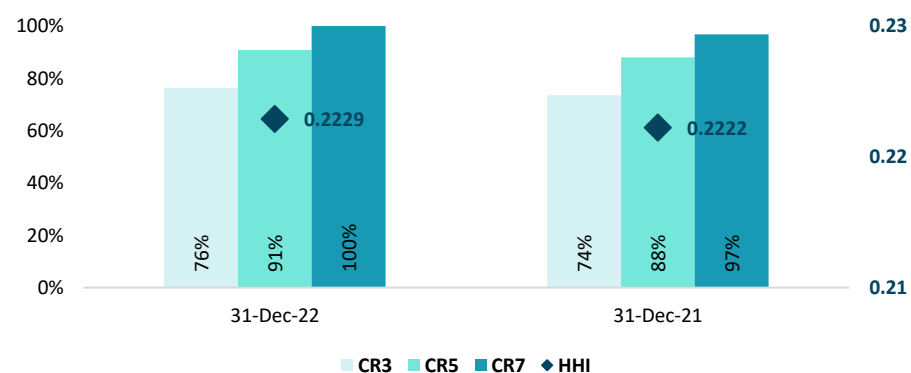
The situation is similar in the case of the private pension funds market (Pillar II and Pillar III) but explainable by objective reasons related to their operating mechanism and the current state of the market.

Regarding the capital market, the concentration risk is also medium to high for both the OEIFs (although the number of investment funds is high) and for the intermediaries on the BSE because top market participants sum up a significant share of the total assets.

**Concentration risk of private pension funds (by total assets on 03/31/2023)**

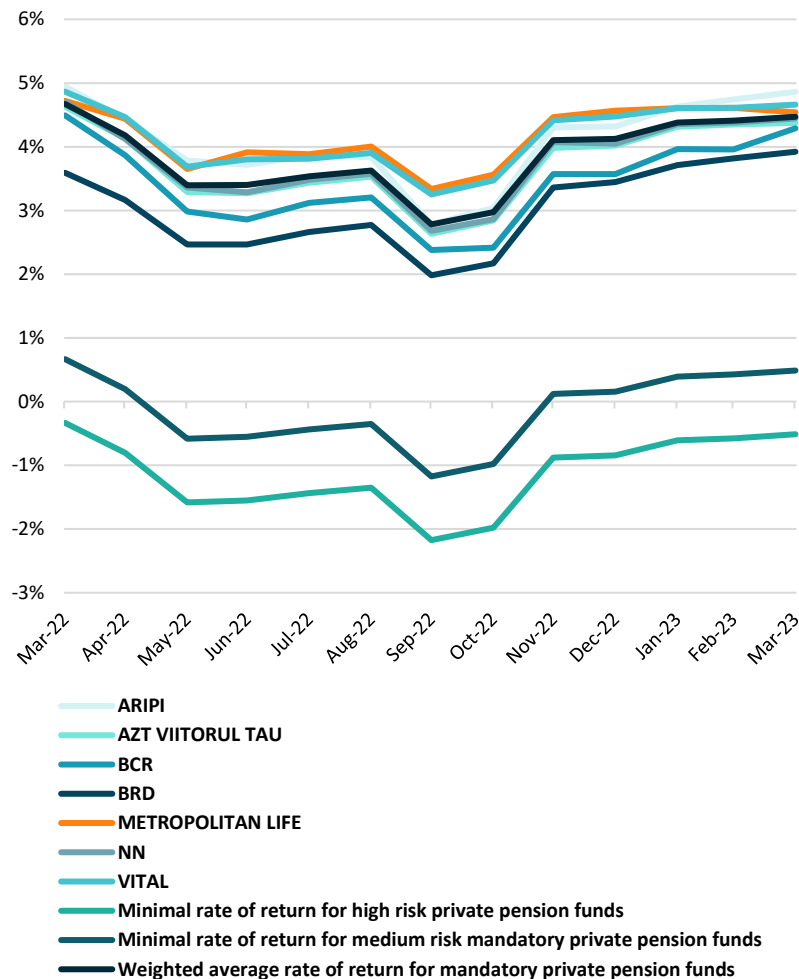


**The concentration risk of insurance companies in the MTPL market (by gross written premiums on 12/31/2022)**



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

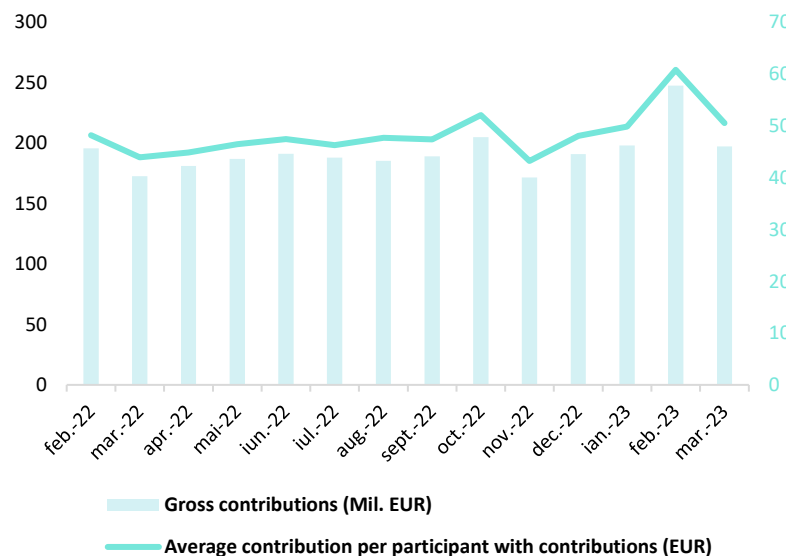
Rate of return for mandatory pension funds



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

Mandatory pension fund	Total Assets Mar. 2023 (EUR)	Participants (persons) Mar. 2023	Rate of return Mar. 2023
ARIPI	1,885,980,930	852,007	4.86%
AZT VIITORUL TAU	4,401,978,736	1,669,495	4.37%
BCR	1,479,216,305	756,577	4.29%
BRD	884,006,301	543,197	3.92%
METROPOLITAN LIFE	2,946,687,745	1,107,921	4.54%
NN	7,138,385,904	2,095,967	4.44%
VITAL	2,120,009,484	1,017,097	4.66%
<b>Total</b>	<b>20,856,265,405</b>	<b>8,042,261</b>	<b>n/a</b>

Evolution of gross contributions



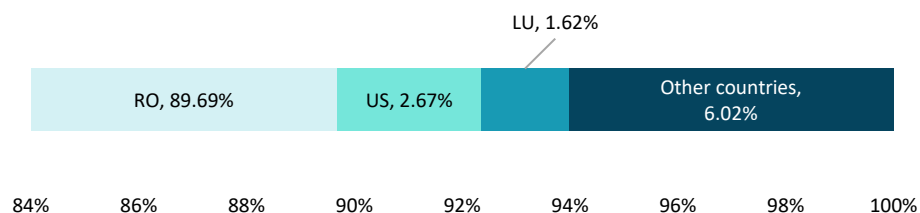
Source: FSA

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

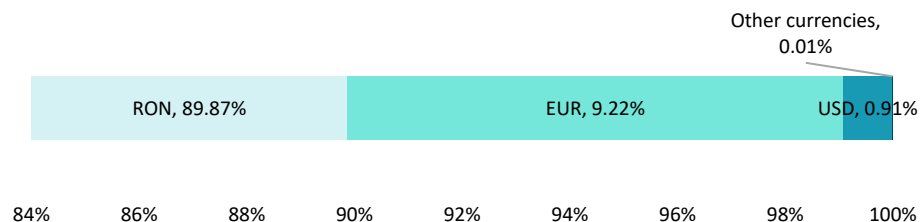
**Mandatory pension fund's portfolio on 31 Mar. 2023 (EUR)**

Assets category	Assets value (EUR)	% Total assets
Government bonds	13,401,551,917	64.26%
Equity	4,436,678,736	21.27%
Corporate bonds	1,398,552,978	6.71%
Investment funds	587,777,319	2.82%
Deposits	707,604,848	3.39%
Supranational bonds	248,132,825	1.19%
Municipal bonds	48,953,056	0.23%
Commodities and precious metals funds	19,122,692	0.09%
Derivatives	900,523	0.00%
Other assets	(5,621,249)	-0.03%
Private equity funds	12,611,759	0.06%
<b>Total</b>	<b>20,856,265,405</b>	<b>100.00%</b>

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



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



Source: FSA

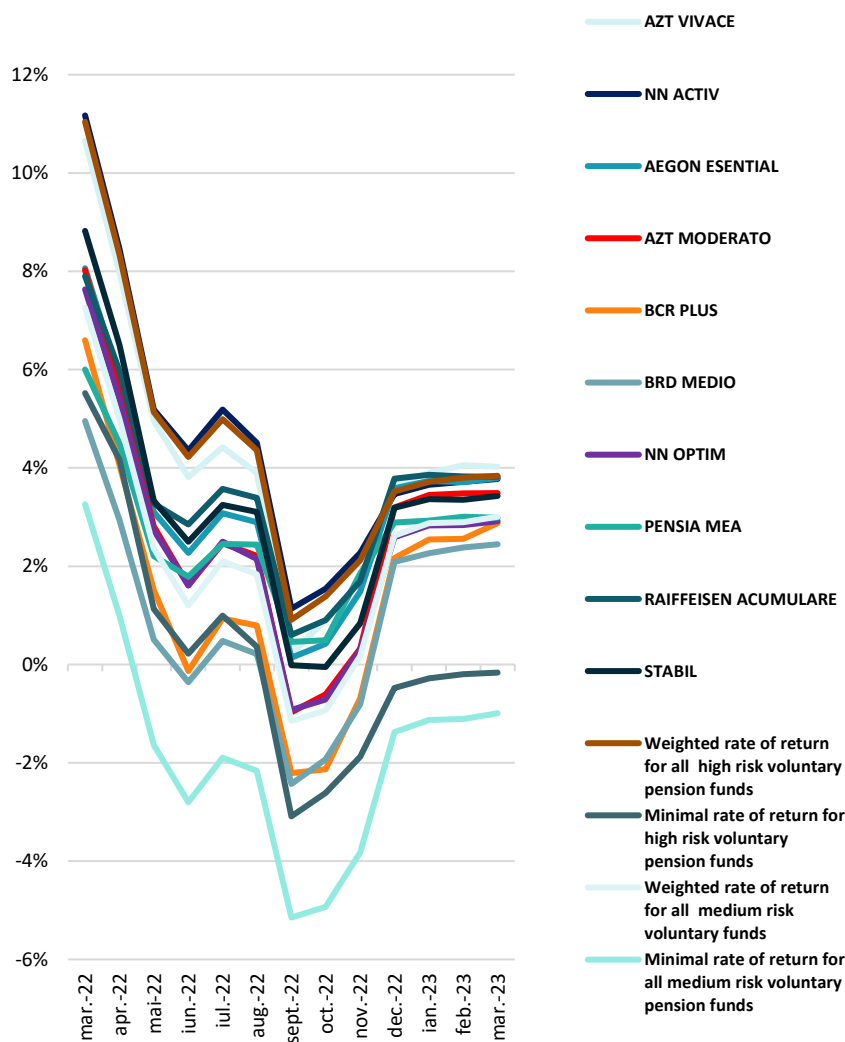
The value of the total assets of the privately managed pension funds reached EUR 20.9 billion at the end of March 2023, with an annual increase of 15.4%.

Approximately 90% of the assets were invested locally, the majority being denominated in RON. Most Romanian instruments are represented by government bonds and equities listed on the Bucharest Stock Exchange.



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

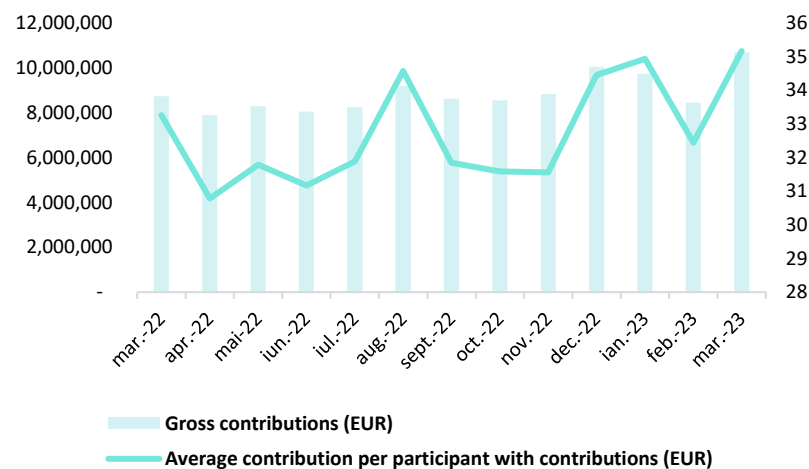
Rate of return for optional pension funds



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

Voluntary pension fund	Total assets (EUR), Mar. 2023	Participants (persons) Mar. 2023	Rate of return Mar. 2023
AEGON ESENTIAL	2,540,131	4,034	4.0239%
AZT MODERATO	78,002,668	48,375	3.7711%
AZT VIVACE	27,478,738	21,667	3.7928%
BCR PLUS	129,134,449	146,412	3.4898%
BRD MEDIO	40,280,385	38,046	2.8765%
GENERALI STABIL	7,512,747	67,494	2.4479%
NN ACTIV	94,255,930	239,951	2.9179%
NN OPTIM	339,459,602	39,886	2.9886%
PENSIA MEA	33,533,085	34,608	3.8168%
RAIFFEISEN ACUMULARE	29,591,200	5,597	3.4264%
<b>Total</b>	<b>781,788,936</b>	<b>646,070</b>	<b>n/a</b>

Evolution of gross contributions



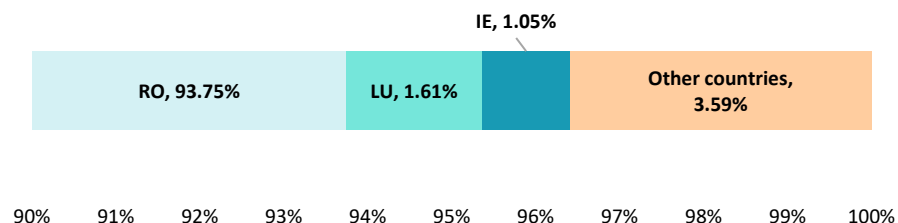
Source: FSA

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

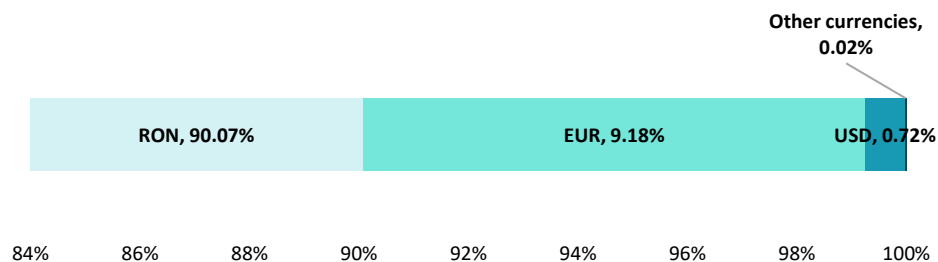
Optional pension fund's portfolio on 31 March 2023 (EUR)

Assets category	Assets value (EUR)	% Total assets
Government bonds	515,869,155	65.63%
Equity	183,313,245	23.32%
Corporate bonds	30,747,015	3.91%
Investment funds	17,559,702	2.23%
Deposits	26,399,709	3.36%
Supranational bonds	4,646,911	0.59%
Municipal bonds	4,413,468	0.56%
Commodities and precious metals funds	1,743,457	0.22%
Derivatives	53,287	0.01%
Other assets	19,992	0.00%
Private equity funds	1,215,659	0.15%
<b>Total</b>	<b>785,981,600</b>	<b>100.00%</b>

Country exposure of optional pension fund's assets



Currency exposure of optional pension fund's assets



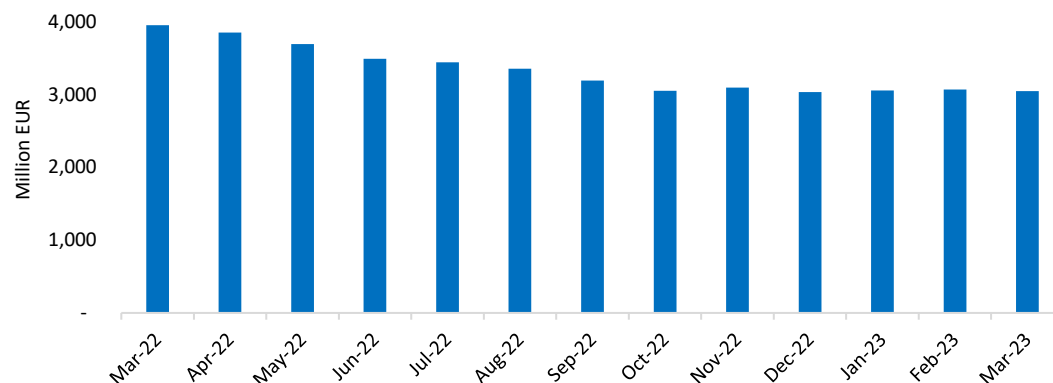
Source: FSA

At the end of March 2023, the voluntary pension funds' total assets value was EUR 786 million, with an annual increase of 13.68%.

The fund portfolios were generally invested in local assets, in a percentage of 93%, the majority being denominated in RON (90%).

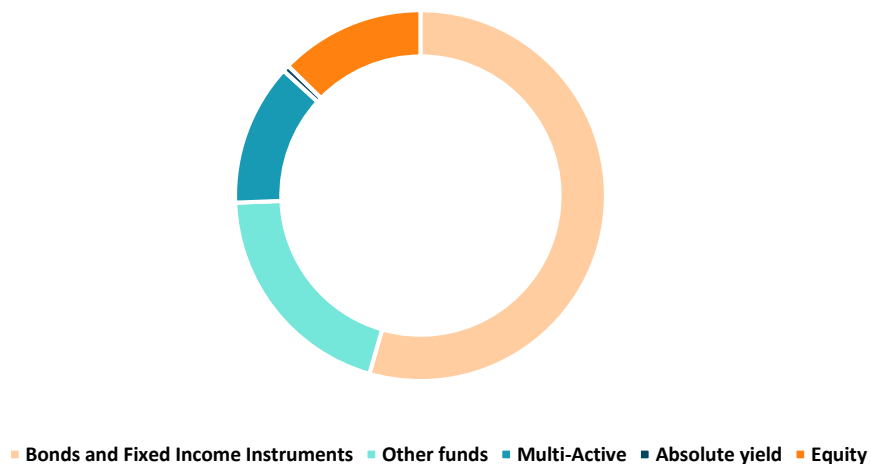
## Specific developments in the investment funds sector

**Evolution of net assets of open-end investment funds  
(March 2022 – March 2023)**



According to data published by AAF, the net assets of open-end investment funds (OeIF) stood at a value of approx. EUR 3.04 billion in March 2023, a decrease compared to the previous month (EUR 3.07 billion).

**Open-end investment funds' market share by Fund Type and Net Asset (March 2023)**

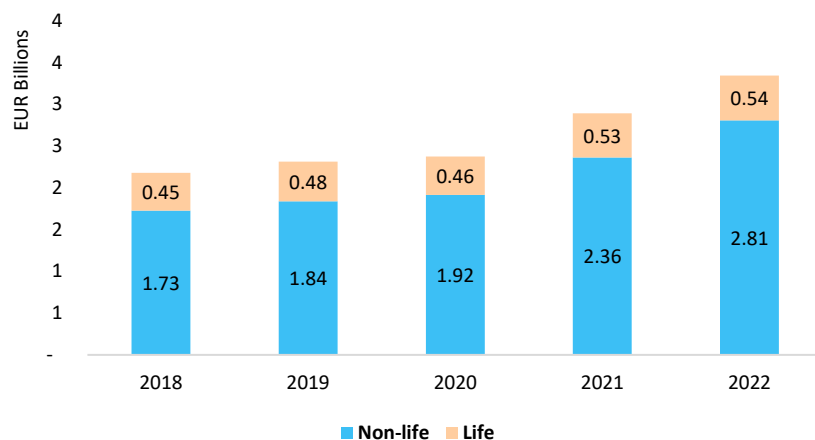


In March 2023, the open-end bond and fixed-income instruments funds held the largest share in total net assets of OeIF (around 54%), while the "other funds" category had a market share of approximately 20%.

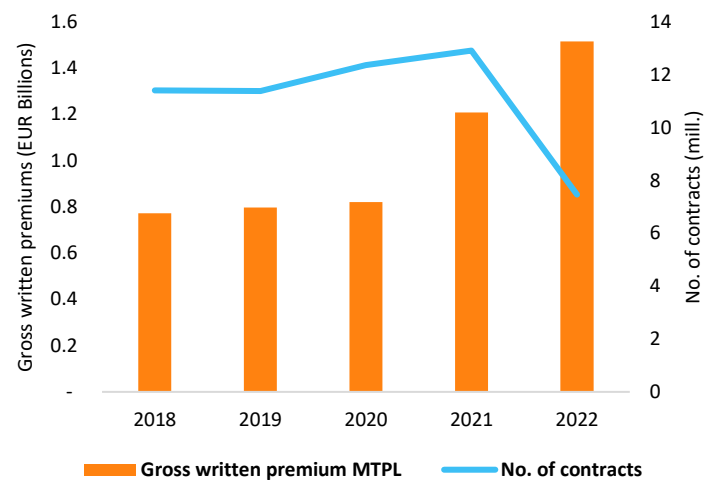
Source: AAF

## Specific developments in the insurance market in Romania

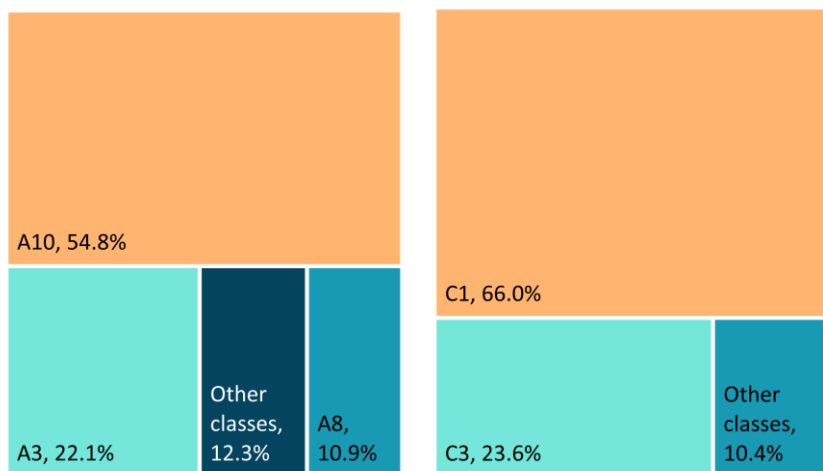
Gross written premiums (total)



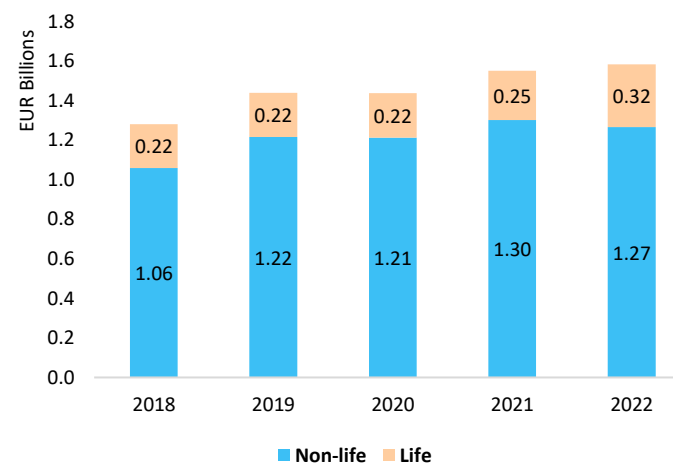
MTPL gross written premiums



Share of main insurance classes by GWP



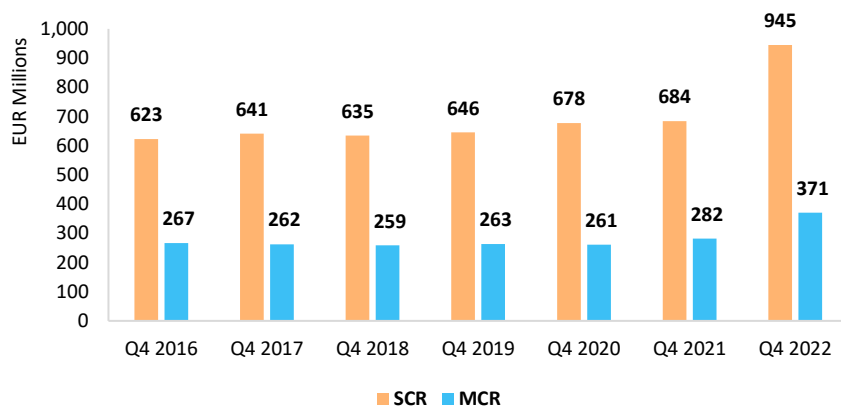
Gross claims paid



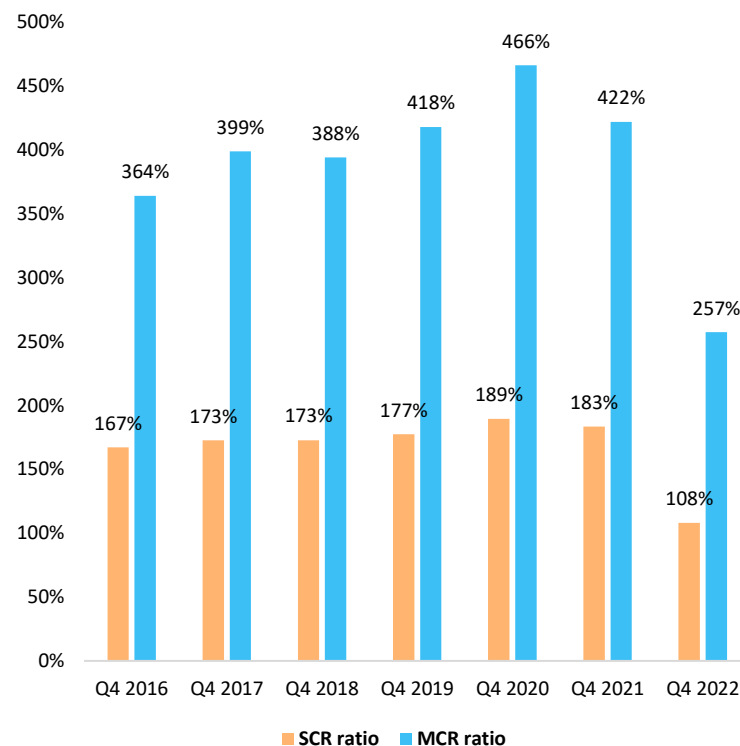
Source: FSA

## Specific developments in the insurance market in Romania

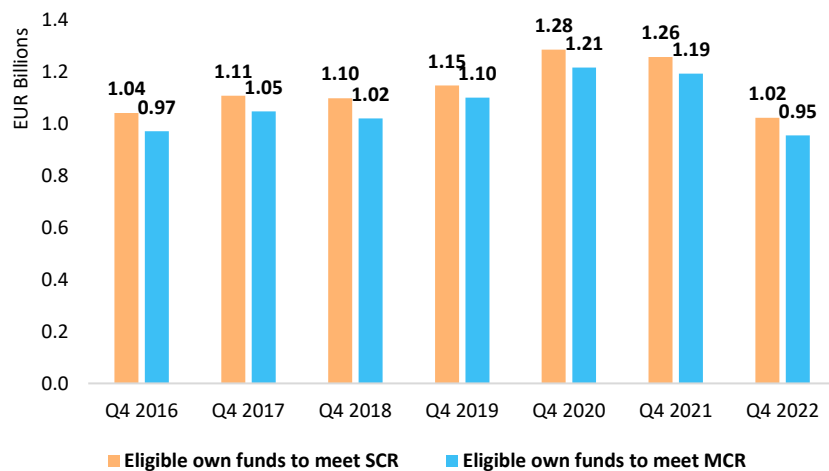
Evolution of capital requirements (SCR and MCR)



SCR and MCR ratio



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



**Q4 2022 - Excl. Euroins Romania**  
**SCR ratio** 165%  
**MCR ratio** 395%

Source: FSA; For Q4 2022, Euroins Romania data are included according to FSA adjustments as of 09/30/2022

## Press releases and publications of European financial institutions in March 2023

ESMA	<ul style="list-style-type: none"> <li>• <a href="#"><u>ESMA published its Effects Assessment of the introduction of the market correction mechanism (MCM) on gas derivative markets.</u></a></li> <li>• <a href="#"><u>ESMA and the EU Agency for the Cooperation of Energy Regulators (ACER) have signed an updated Memorandum of Understanding (MoU) which strengthens collaboration between the two institutions.</u></a></li> <li>• <a href="#"><u>The European Supervisory Authorities (ESAs) and the European Central Bank (ECB) published a Joint Statement on climate-related disclosure for structured finance products.</u></a></li> <li>• <a href="#"><u>ESMA fined S&amp;P Global Ratings Europe Limited (S&amp;P) a total of EUR 1,110,000 and issued a public notice for breaches of the Credit Rating Agencies Regulation (CRA Regulation).</u></a></li> <li>• <a href="#"><u>ESMA published its Final Report on Guidelines on MiFID II product governance guidelines.</u></a></li> <li>• <a href="#"><u>ESMA issued a Public Statement addressing investor protection concerns raised by derivatives on fractions of shares.</u></a></li> <li>• <a href="#"><u>ESMA issued its 2022 Corporate Reporting Enforcement and Regulatory Activities Report.</u></a></li> </ul>
EIOPA	<ul style="list-style-type: none"> <li>• <a href="#"><u>EIOPA published technical information on the relevant risk-free interest rate term structures (RFR) concerning the end of February 2023.</u></a></li> <li>• <a href="#"><u>EIOPA published the technical information on the symmetric adjustment of the equity capital charge for Solvency II at the end of February 2023.</u></a></li> <li>• <a href="#"><u>EIOPA published corrected updated representative portfolios that will be used for the calculation of the volatility adjustments (VA) to the relevant risk-free interest rate term structures for Solvency II.</u></a></li> <li>• <a href="#"><u>EIOPA published a supervisory statement on differential pricing practices to eliminate price-setting strategies which lead to the unfair treatment of customers.</u></a></li> <li>• <a href="#"><u>EIOPA published a staff paper on nature-related risks – such as biodiversity loss and damage to ecosystems – and their relevance to insurance.</u></a></li> </ul>

The report reflects the latest available statistical data, some of which are provisional and will be revised in future editions.

The frequency with which information in tables and graphs is updated is highest for stock market indicators, macroeconomic indicators and investment and pension fund indicators, with most updates occurring monthly, while insurance market indicators are usually updated quarterly.