

Between June and August 2023, the contagion between the analyzed stock markets (Romanian, Austrian, Polish, Hungarian, and Bulgarian) decreased and the spillover index showed a downward trend and returned to the long-term average as heightened concerns about further interest rate hikes globally affected the risk appetite.

MONTHLY MARKET REPORT

- At the end of July 2023, Romania's CDS quotations stood at a value of 149 bp, decreasing as compared to the end of June 2023 (182 bp).
- The value of the total assets of the privately managed pension funds reached EUR 23.07 billion at the end of July 2023, with an annual increase of 26%, compared to July 2022.

World Macroeconomic Outlook

The International Monetary Fund (World Economic Outlook, July 2023) has revised upwards its estimate of **global economic growth for 2023** to 3% (from 2.8% in the forecast published in April 2023). **For the US, the GDP growth forecast** for 2023 has been revised upwards by 0.2 percentage points: from 1.6% in the April 2023 estimate to 1.8% (in the July 2023 projection). **For the euro area, the GDP growth forecast** for 2023 has been revised upwards by 0.1 percentage points: from 0.8% in the April 2023 forecast to 0.9% (in the July 2023 projection). **For Romania, the GDP growth forecast** for 2023 has been revised upwards by 0.7 percentage points: from 2.4% according to the April 2023 estimates to 3.1% (according to the July 2023 projections).

According to the data published by Eurostat, in the second quarter of 2023, **the seasonally adjusted GDP** increased by 0.3% in the euro area and remained stable in the EU, compared to the previous quarter. Compared to the same quarter of the previous year, in the second quarter of 2023, the seasonally adjusted GDP grew by 0.6% in the euro area and by 0.5% in the EU, after growing by 1.1% in both the euro area and the EU in the previous quarter.

According to the data published by the NIS, locally, **the gross domestic product** grew by 0.9% (in real terms) in Q2 2023 compared to Q1 2023. Compared to Q2 2022, in Q2 2023, Romania's gross domestic product increased by 1.1% on the gross series and by 2.7% on the seasonally adjusted series.

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 Summer 2023 Forecast.

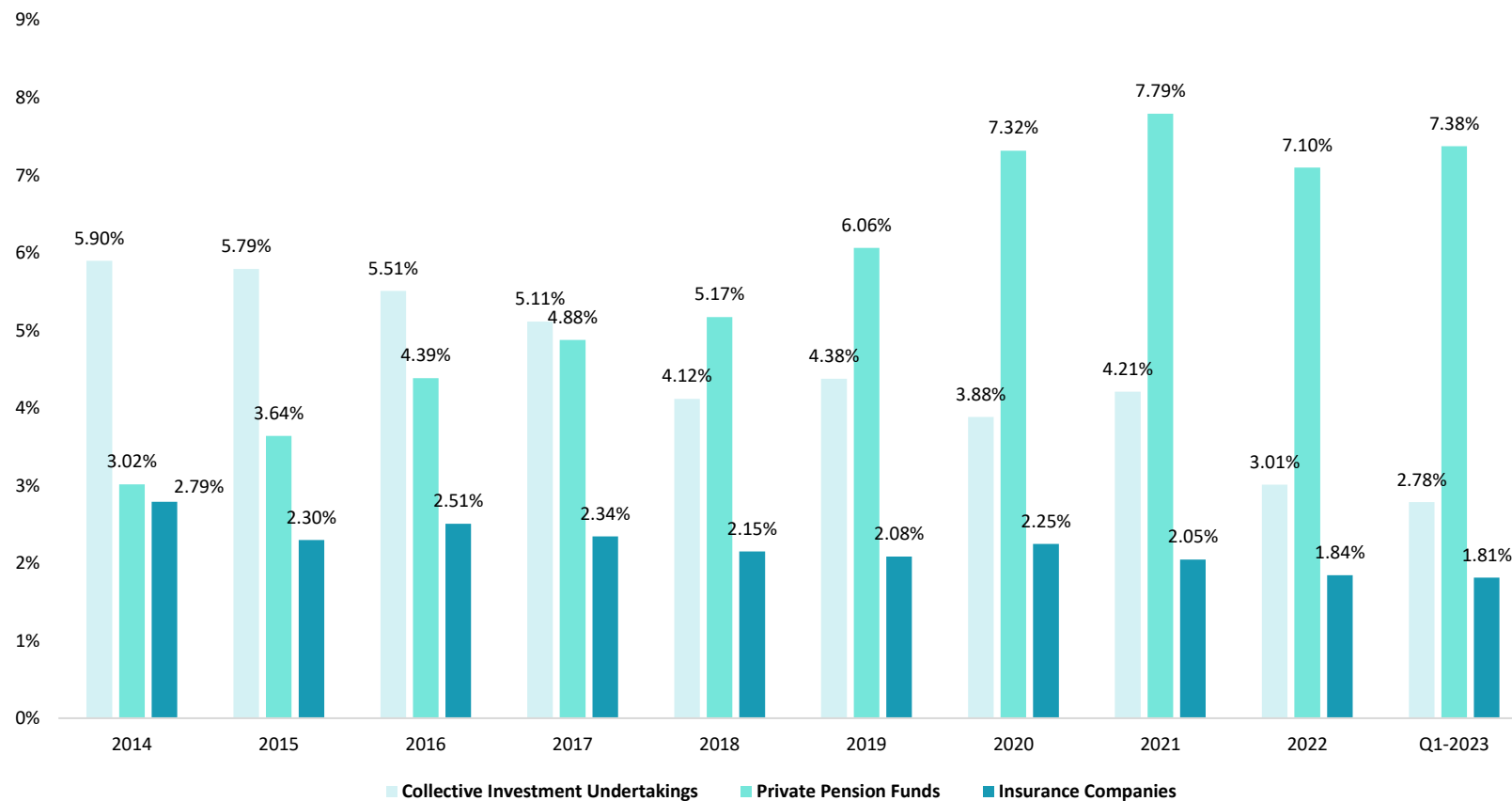
Evolution of GDP (%) and GDP forecast (%)

Country	2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2022	Q1 2023	Q2 2023	European Commission		IMF	
									2023f	2024f	2023f	2024f
Euro area	5.5	5.4	4.2	2.4	1.8	3.4	1.1	0.6	1.1	1.6	0.9	1.5
Germany	3.2	4.0	1.6	1.2	0.8	1.8	-0.3	-0.1	0.2	1.4	-0.3	1.3
Bulgaria	7.6	5.2	4.6	3.2	2.2	3.4	2.3		1.5	2.4	3.0	4.1
Hungary	7.2	8.0	6.2	3.7	0.7	4.6	-1.1		0.5	2.8	1.8	2.8
Poland	6.9	10.9	5.9	4.7	0.6	5.1	0.0		0.7	2.7	0.5	3.1
Romania	5.8	4.9	4.1	3.7	4.0	4.7	2.9	2.7	3.2	3.5	3.1	3.8

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

Dimension of the non-bank financial sector

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



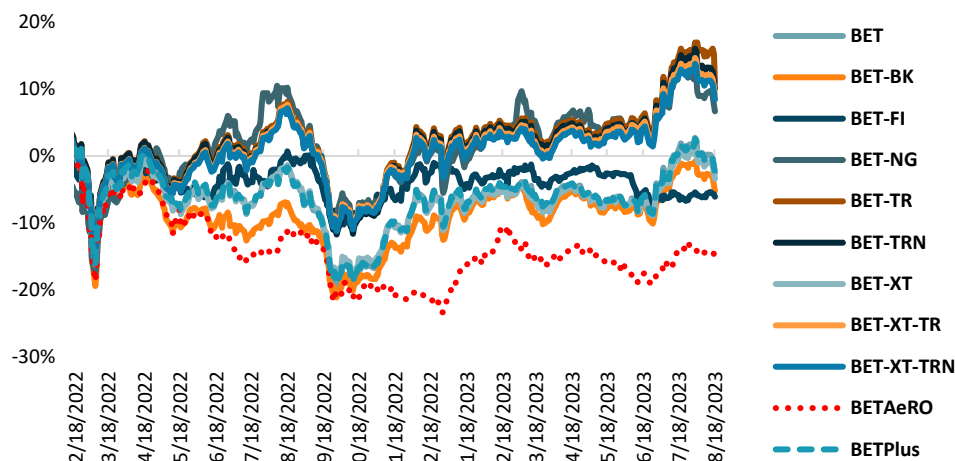
Source: NBR, NIS, ASF

Current trends in Romanian capital markets

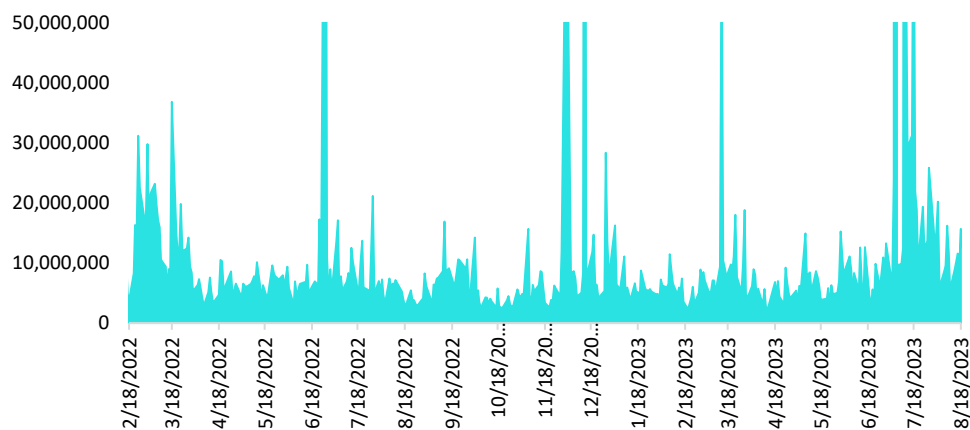
Romanian stock indices evolution in 2023
(30.12.2022 = 100; EUR)

Date	BET	BET-BK	BET-FI	BET-NG
	9.10%	8.18%	-2.59%	12.23%
08/18/2023	BET-TR	BET-TRN	BET-XT	BET-XT-TR
	13.00%	12.67%	8.31%	12.16%
	BET-XT-TRN	BETAeRO	BETPlus	
	11.82%	9.20%	8.39%	

Evolution of local stock indices (EUR)



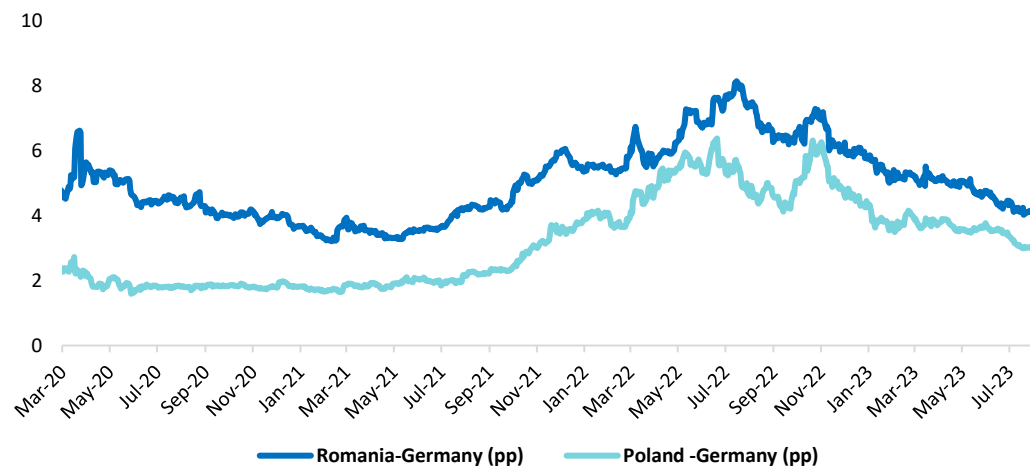
Equities traded value on BSE (EUR)



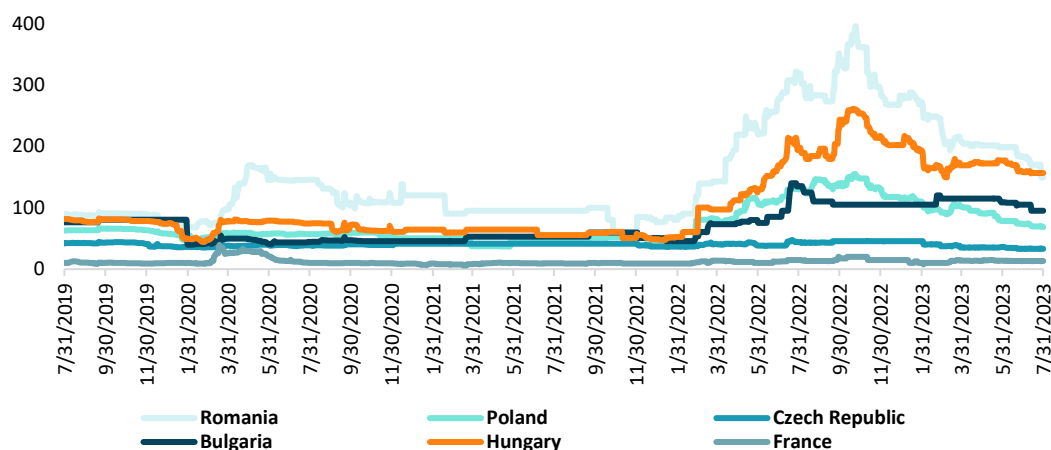
Source: BSE; ASF calculations

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 10-year euro-denominated sovereign bonds and similar German bonds continued to decrease in July, remaining 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 July 2023, Romania's CDS quotations stood at a value of 149 bp, decreasing as compared to the end of June 2023 (182 bp).

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

International and local stock indices yields

International indices	1 M	3 M	6 M
EA (EUROSTOXX)	1.92%	1.95%	5.02%
FR (CAC 40)	1.32%	0.08%	5.86%
DE (DAX)	1.85%	3.29%	8.72%
IT (FTSE MIB)	5.01%	9.48%	11.45%
GR (ASE)	4.45%	23.07%	30.57%
IE (ISEQ)	3.93%	7.52%	14.65%
ES (IBEX)	0.51%	4.33%	6.72%
UK (FTSE 100)	2.23%	-2.17%	-0.93%
US (DJIA)	3.35%	4.29%	4.32%
IN (NIFTY 50)	2.94%	9.35%	11.84%
SHG (SSEA)	2.78%	-0.96%	1.10%
JPN (N225)	-0.05%	14.96%	21.39%

BSE indices	1 M	3 M	6 M
BET	5.96%	7.82%	8.96%
BET-BK	5.48%	5.52%	6.92%
BET-FI	0.27%	-3.73%	-1.41%
BET-NG	3.97%	6.07%	10.32%
BET-TR	6.81%	11.66%	12.86%
BET-TRN	6.73%	11.33%	12.52%
BET-XT	5.45%	6.79%	8.04%
BET-XT-TR	6.34%	10.57%	11.88%
BET-XT-TRN	6.26%	10.24%	11.55%
BETAeRO	4.55%	0.63%	3.72%
BETPlus	5.91%	7.67%	8.56%
ROTX	5.95%	6.91%	8.78%

Source: Refinitiv, BSE, ASF calculations

Note: 1M=07/31/2023 vs. 06/30/2023; 3M=07/31/2023 vs. 04/28/2023; 6M=07/31/2023 vs. 01/31/2023

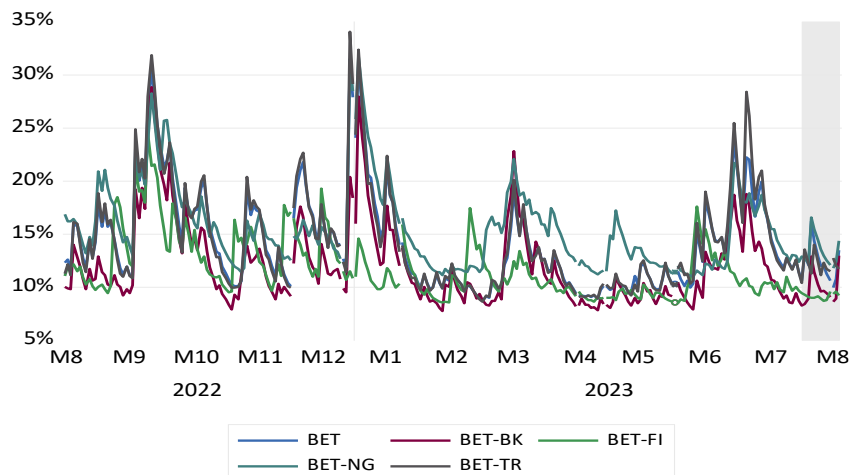
The European indices recorded positive developments (1M). The strongest increase was recorded by the FTSE MIB index (IT: +5.01%), followed by the ASE index (GR: +4.45%).

The main American and Asian indices displayed positive developments, except for the N225 index (JPN: -0.05%). Therefore, the DJIA index manifested the most significant increase (US: +3.35%), followed by the NIFTY 50 index (IN: +2.94%).

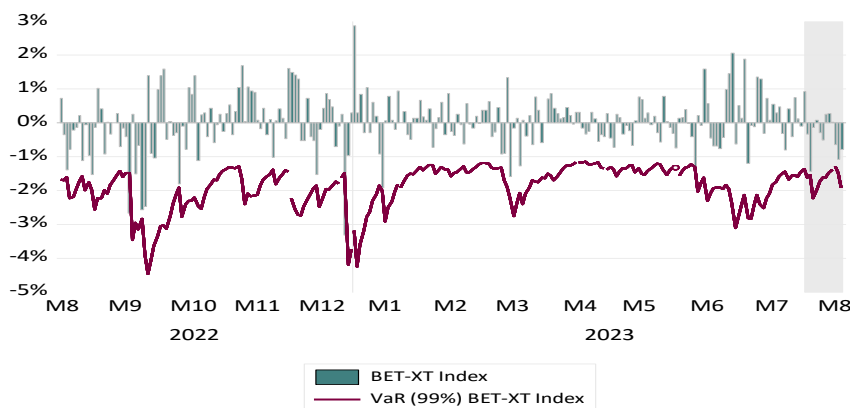
The BSE stock indices have recorded positive evolutions. As a result, increases ranged from +0.27% (BET-FI index) to +6.81% (BET-TR index).

Market risk: evolution of stock indices

The volatility of local stock market indices - GARCH (1,1)



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



Source: BSE, ASF calculations

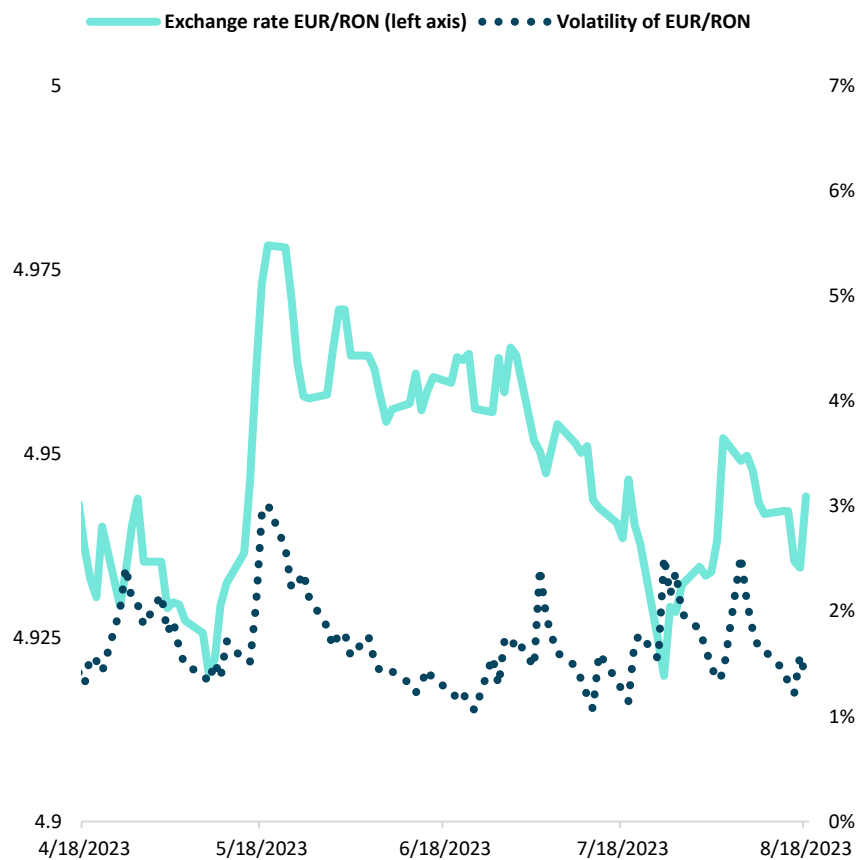
Similarly to July, the volatilities of a selection of five indices belonging to the Bucharest Stock Exchange generated with the GARCH (1,1) model exhibited a vivacious trend during August.

We notice an episode of growth towards the end of the first week, followed by a return to values that are comparable to those of July. Near the end of our investigation period a new moment of expansion is noticed.

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 conducted for August indicate that the VaR statistic gravitates in the range of 1.3 – 2.2%.

Market Risk: exchange rate volatility

EUR/RON Exchange Rate vs. Volatility

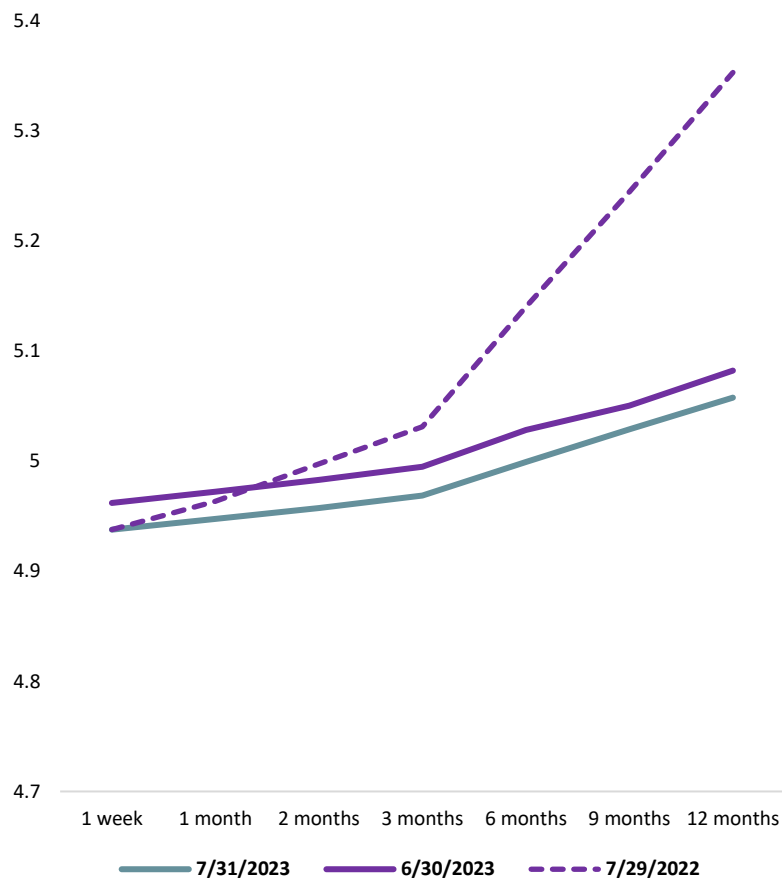


Between June and August, the volatility of the EUR/RON exchange rate fluctuated between 1-2% and the exchange rate level decreased to a level of 4.93 EUR/RON. The exchange rate appreciated amid the inflation differential between Romania and the euro area and reached a level of 4.93.

Source: Refinitiv, ASF calculations

Market Risk: term structure of EUR-RON forward rate

The term structure of the EUR-RON forward rate

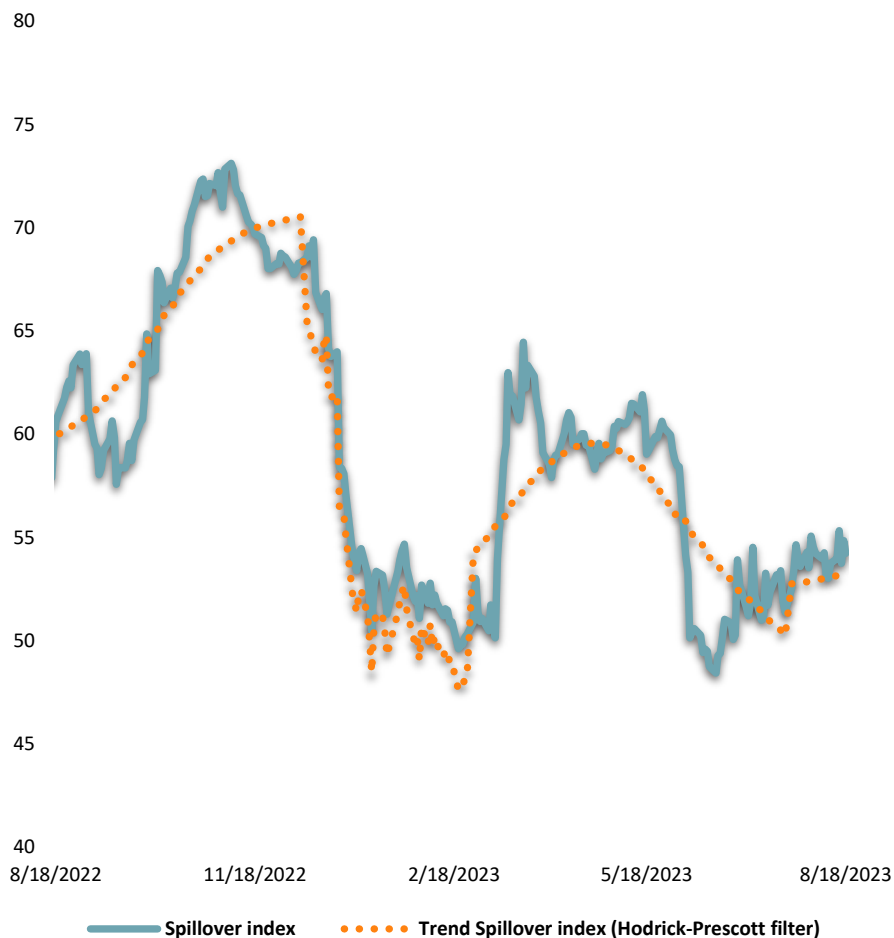


The term structure of the forward rate for the EURRON exchange rate with maturities between one week and twelve months shows the market expectations. There are expectations of EURRON depreciation for all maturities concerning the previous month (RON appreciation).

Source: Refinitiv, ASF calculations

Market Risk: Spillover Index

Spillover index



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 recorded increases in August.

Between June and August 2023, the contagion between the analyzed stock markets decreased and the spillover index showed a downward trend and returned to the long-term average as heightened concerns about further interest rate hikes globally affected the risk appetite.

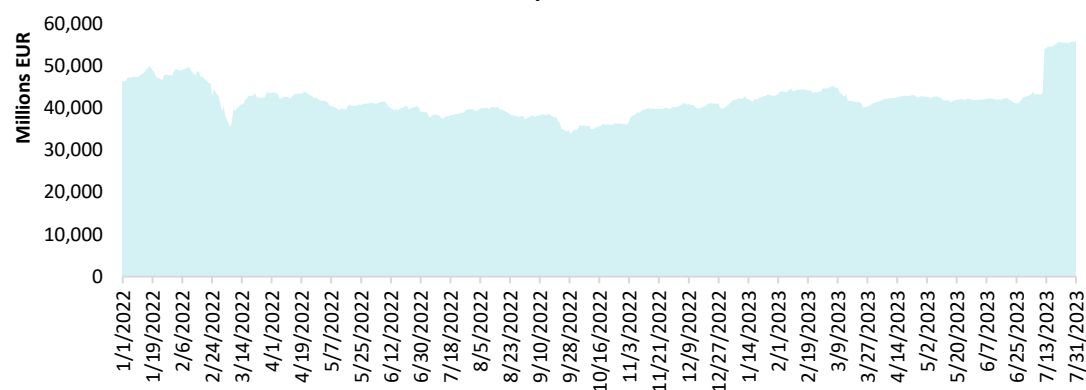
Source: Refinitiv, ASF calculations

Liquidity indicators on Romanian Stock Exchanges

The market capitalization recorded a 40% increase at the end of July 2023 compared to the end of 2022 because Hidroelectrica debuted trading following a jumbo IPO, the largest ever from the Bucharest Stock Exchange.

During July 2023, the 3 most traded companies on BSE were S.P.E.E.H. Hidroelectrica with a share of 89.88% of the total value traded in that period, Fondul Proprietatea (FP: 2.33%) and Banca Transilvania (TLV: 2.11%).

Market capitalization



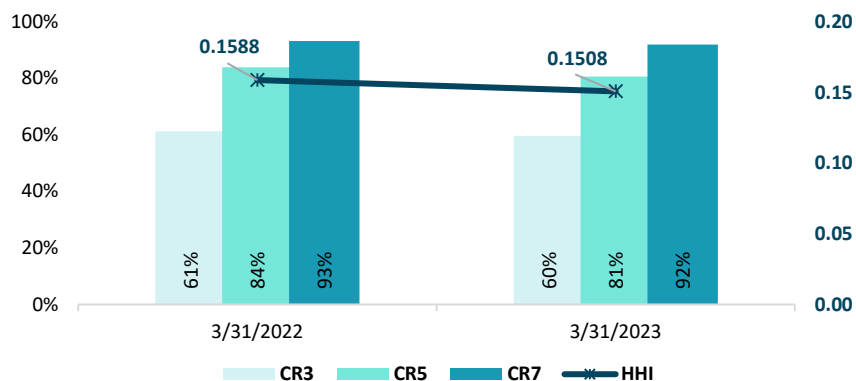
The BSE's Most Traded Companies during July 2023 (Only the Main Segment)

Symbol	Main Market		Deal		Offers		Total	
	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%
H2O	340,571,816	59.14%	3,529,184	39.62%	1,878,331,587	99.49%	2,222,432,587	89.88%
FP	57,623,785	10.01%	0	0.00%	0	0.00%	57,623,785	2.33%
TLV	52,095,077	9.05%	0	0.00%	0	0.00%	52,095,077	2.11%
SNP	43,006,139	7.47%	0	0.00%	0	0.00%	43,006,139	1.74%
TTS	7,098,197	1.23%	0	0.00%	9,625,885	0.51%	16,724,082	0.68%
SNG	16,533,233	2.87%	0	0.00%	0	0.00%	16,533,233	0.67%
SNN	10,356,424	1.80%	233,263	2.62%	0	0.00%	10,589,688	0.43%
BRD	8,393,925	1.46%	0	0.00%	0	0.00%	8,393,925	0.34%
DIGI	2,677,378	0.46%	3,633,131	40.78%	0	0.00%	6,310,509	0.26%
M	6,051,510	1.05%	112,321	1.26%	0	0.00%	6,163,830	0.25%
ONE	3,457,500	0.60%	0	0.00%	0	0.00%	3,457,500	0.14%
TGN	3,318,292	0.58%	0	0.00%	0	0.00%	3,318,292	0.13%
EL	2,994,092	0.52%	0	0.00%	0	0.00%	2,994,092	0.12%
TRP	2,532,821	0.44%	0	0.00%	0	0.00%	2,532,821	0.10%
TEL	2,005,523	0.35%	0	0.00%	0	0.00%	2,005,523	0.08%
Top 15 total							99.25%	

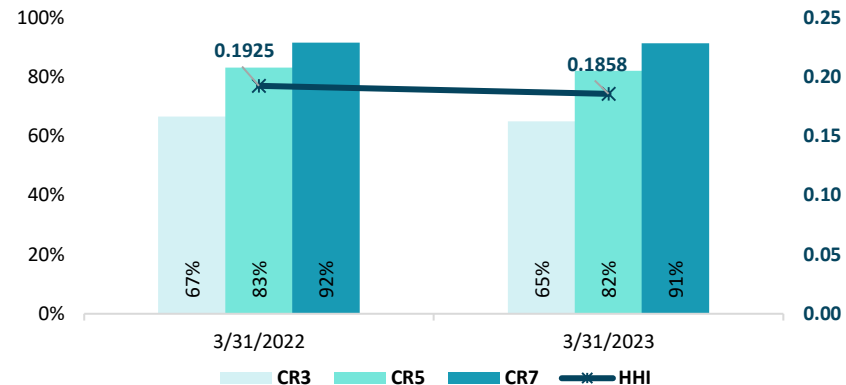
Source: BSE data, ASF calculations

Concentration risk

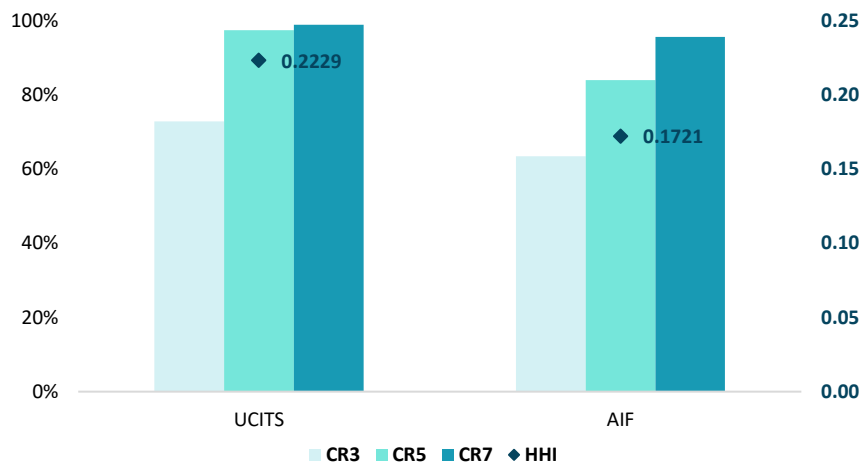
**Concentration risk of non-life insurance undertakings
(by the value of GWP on 31 March 2023)**



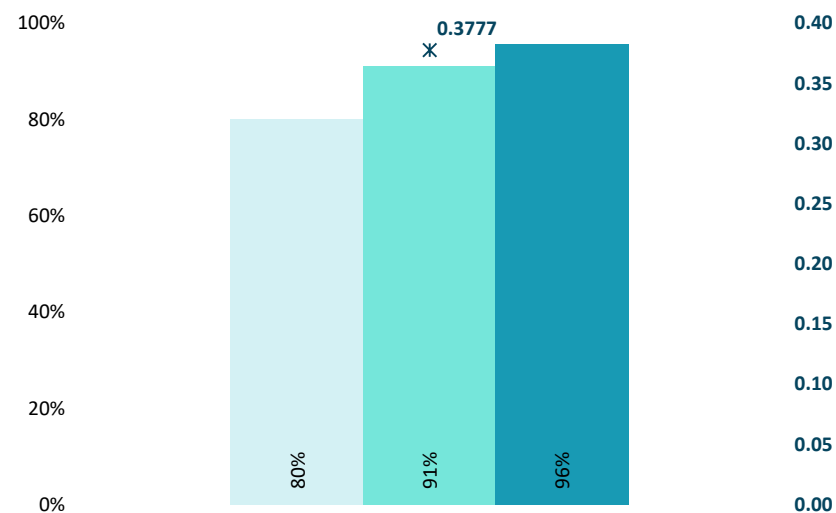
**Concentration risk of life insurance undertakings
(by the value of GWP on 31 March 2023)**



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



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

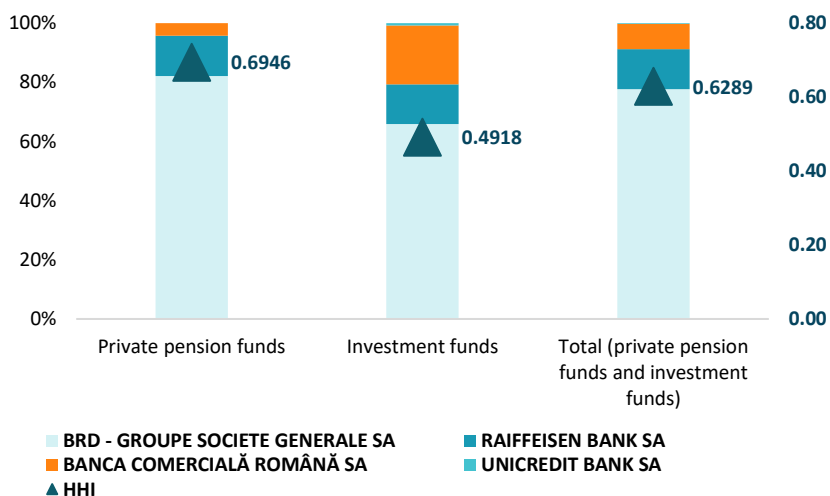


Source: ASF

Source: ASF

Concentration risk

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

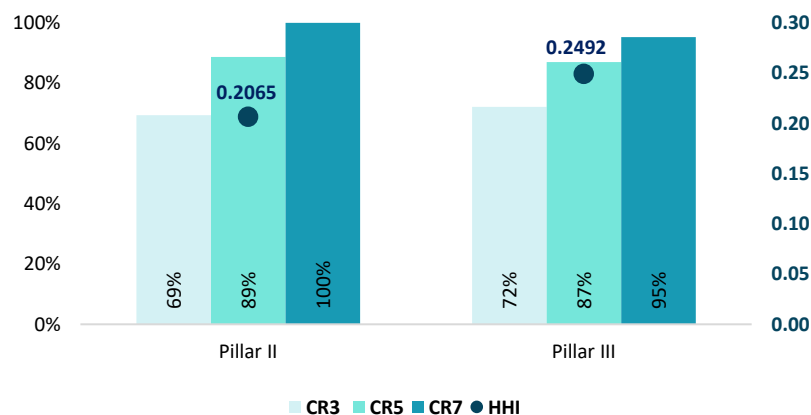


According to the main indicators used by the Competition Council, the concentration risk in the non-life insurance market is medium to high, while the life insurance market concentration degree is still high.

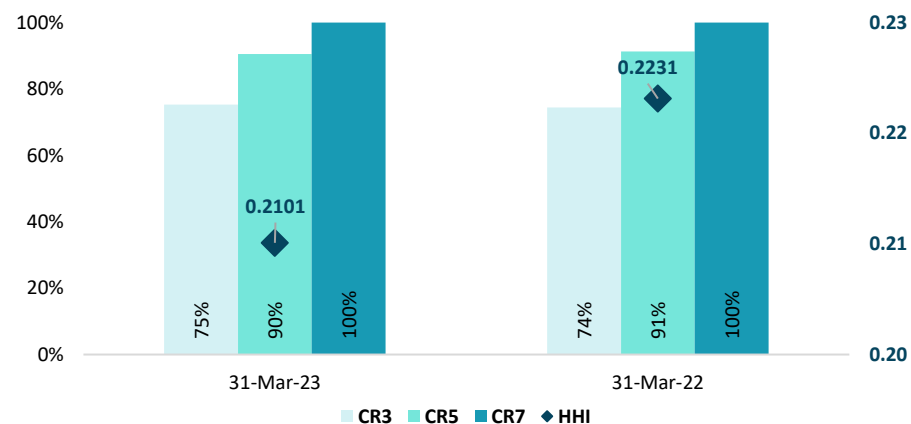
The situation is similar in the case of the private pension funds market (Pillar II and Pillar III) but explainable by objective reasons related to their operating mechanism and the current state of the market.

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 07/31/2023)

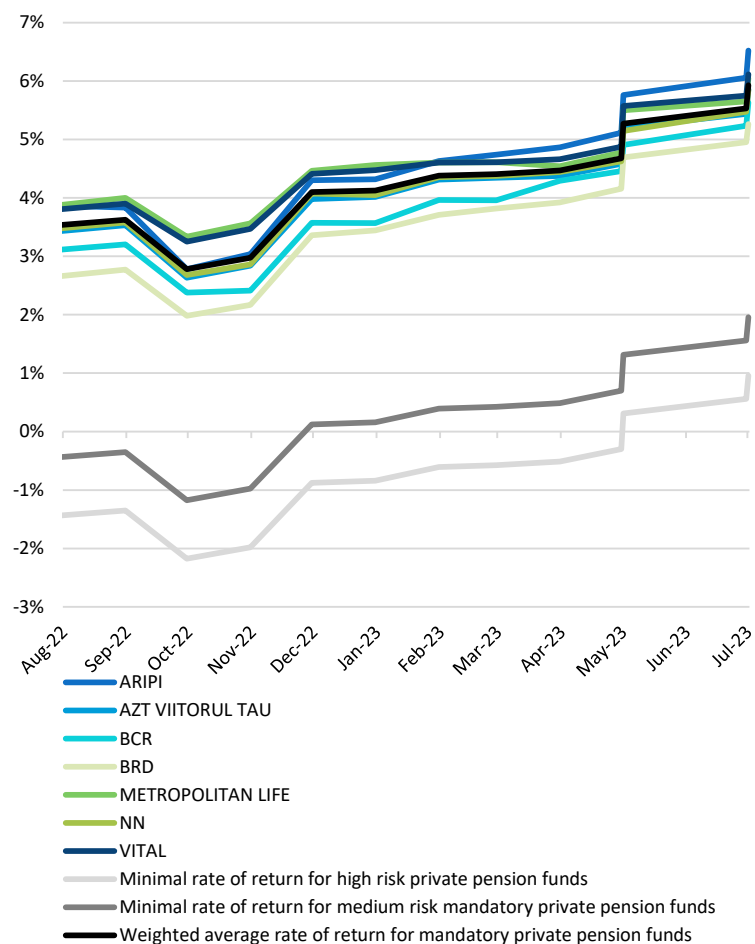


The concentration risk of insurance companies in the MTPL market (by gross written premiums on 03/31/2023)



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

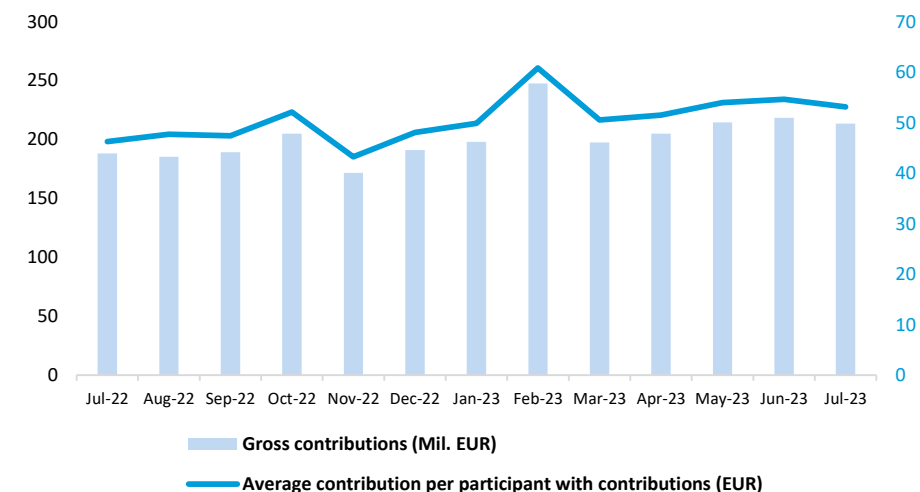
Rate of return for mandatory pension funds



Total assets (EUR), number of participants and return rates **31 July 2023**

Mandatory pension fund	Total Assets (EUR)	Participants (persons)	Annualized 24 months return rate
ARIP	2,102,260,488	857,699	6.5227%
AZT VIITORUL TAU	4,862,094,073	1,673,721	5.8647%
BCR	1,634,483,075	762,598	5.6335%
BRD	983,802,576	549,274	5.2643%
METROPOLITAN LIFE	3,261,144,094	1,113,456	6.0490%
NN	7,876,464,059	2,100,179	5.8500%
VITAL	2,344,912,991	1,022,523	6.1157%
Total	23,065,161,355	8,079,450	

Evolution of gross contributions (EUR)



Source: ASF

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

Mandatory pensions funds' aggregate portfolio

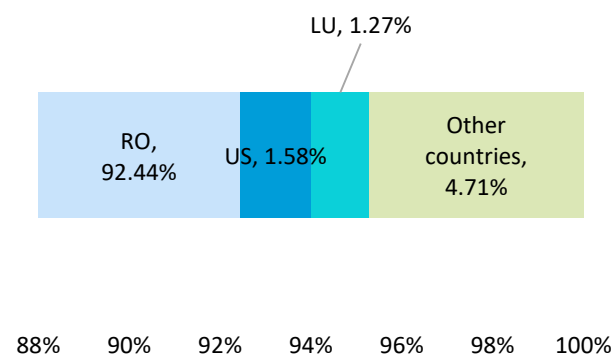
31 July 2023

Assets categories	Assets value (EUR)	% of Total assets
Government bonds	14,762,064,871	64.0%
Equity	5,766,116,704	25.0%
Corporate bonds	1,198,773,756	5.2%
Investment funds	633,117,541	2.7%
Deposits	447,795,133	1.9%
Supranational bonds	160,847,227	0.7%
Municipal bonds	72,155,894	0.3%
Exchange traded commodities	18,757,984	0.1%
Private equity	14,517,845	0.1%
Derivatives	(1,140,633)	0.0%
Other assets	(7,844,967)	0.0%
Total	23,065,161,355	100.0%

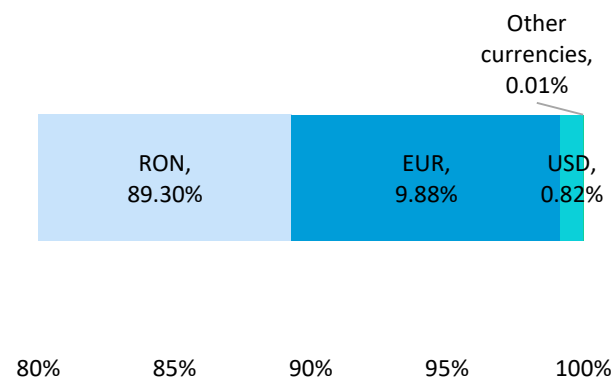
The value of the total assets of the privately managed pension funds reached EUR 23.07 billion at the end of July 2023, with an annual increase of 26%, compared to July 2022.

Approximately 92% 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.

Country exposure

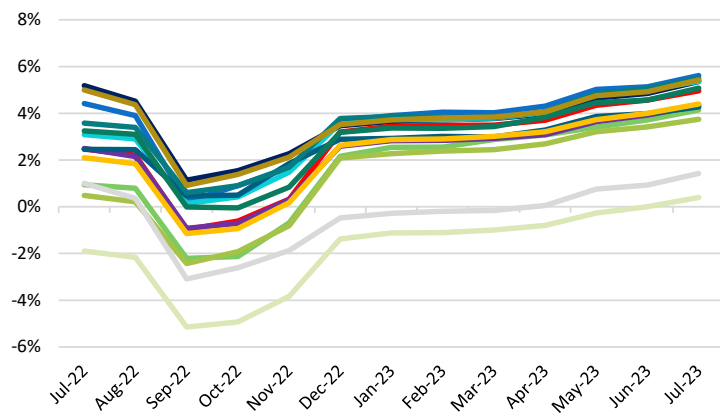


Currency exposure



Specific developments in the voluntary private pension funds sector (3rd Pillar):

Rate of return for voluntary pension funds

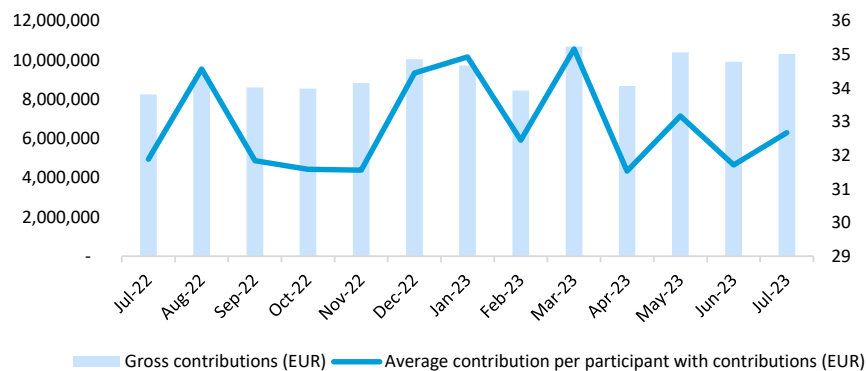


Total assets (EUR), number of participants and return rates

31 July 2023

Voluntary pension fund	Total assets (EUR)	Participants (persons)	Annualized 24 months return rate
AEGON ESENTIAL	2,800,161	4,037	5.3662%
AZT MODERATO	85,229,907	48,867	4.9586%
AZT VIVACE	29,760,423	21,724	5.6137%
BCR PLUS	138,958,359	147,630	4.1396%
BRD MEDIO	43,226,409	37,821	3.7418%
GENERALI STABIL	8,203,688	5,636	5.0759%
NN ACTIV	105,479,471	69,489	5.3598%
NN OPTIM	377,078,233	244,832	4.3289%
PENSIA MEA	37,930,922	43,906	4.2698%
RAIFFEISEN ACUMULARE	33,626,413	49,056	5.4812%
Total	862,293,985	672,998	

Evolution of gross contributions (EUR)



Source: ASF

Specific developments in the voluntary private pension funds sector (3rd Pillar):

Voluntary pensions funds' aggregate portfolio

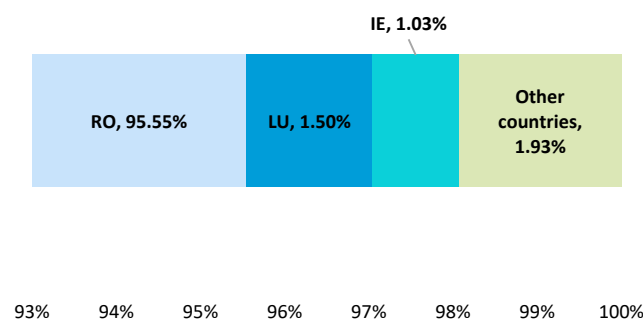
31 July 2023

Assets categories	Assets value (EUR)	% of Total assets
Government bonds	559,979,128	64.9%
Equity	230,835,048	26.8%
Corporate bonds	31,668,141	3.7%
Investment funds	18,458,782	2.1%
Deposits	13,657,227	1.6%
Municipal bonds	6,285,882	0.7%
Exchange traded commodities	1,701,083	0.2%
Private equity	1,395,458	0.2%
Supranational bonds	820,335	0.1%
Derivatives	202,849	0.0%
Other assets	(2,709,948)	-0.3%
Total	862,293,985	100.0%

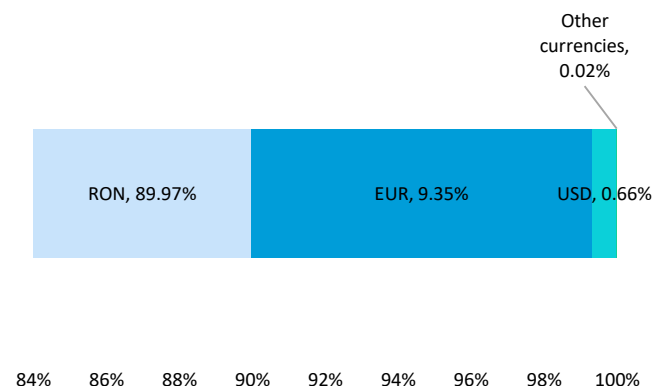
At the end of July 2023, the voluntary pension funds' total assets value was EUR 862 million, with an annual increase of 25%, compared to July 2022.

The fund portfolios were generally invested in local assets, in a percentage of 96%, the majority being denominated in RON (90%).

Country exposure



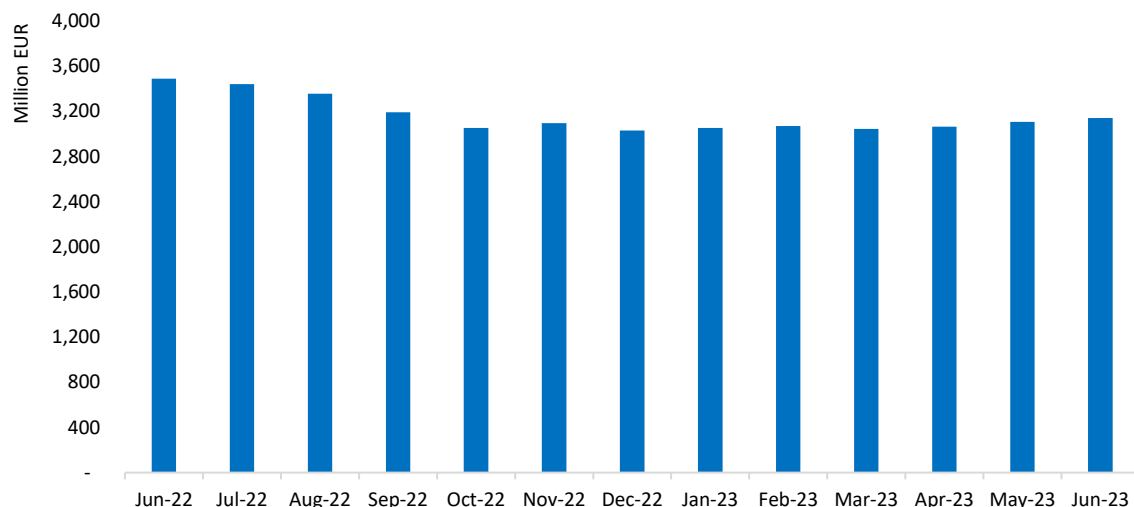
Currency exposure



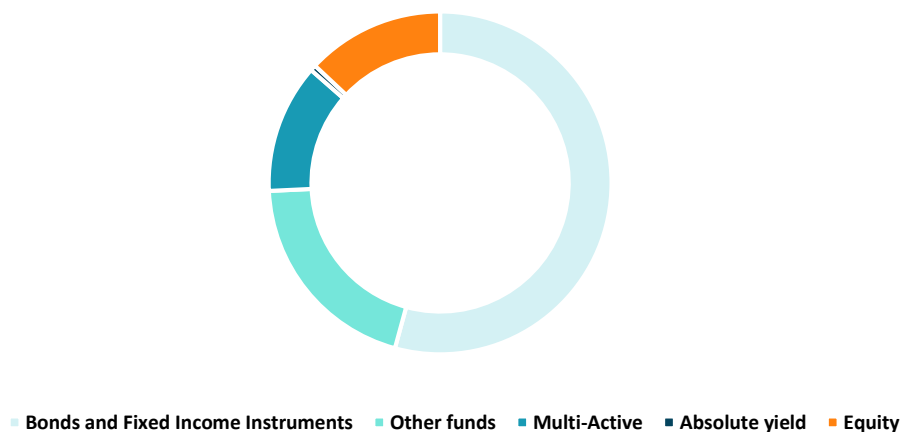
Source: ASF

Specific developments in the investment funds sector

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



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



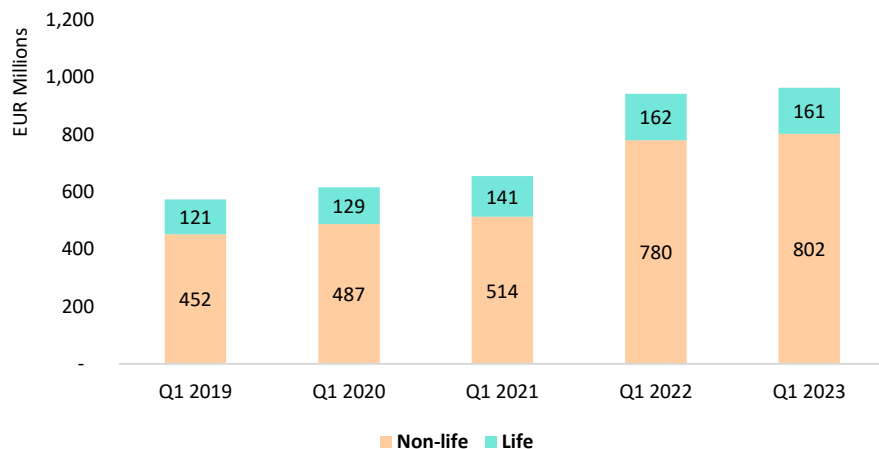
Source: AAF

According to data published by AAF, the net assets of open-end investment funds (OeIF) stood at a value of approx. EUR 3.14 billion in June 2023 compared to the previous month (EUR 3.11 billion).

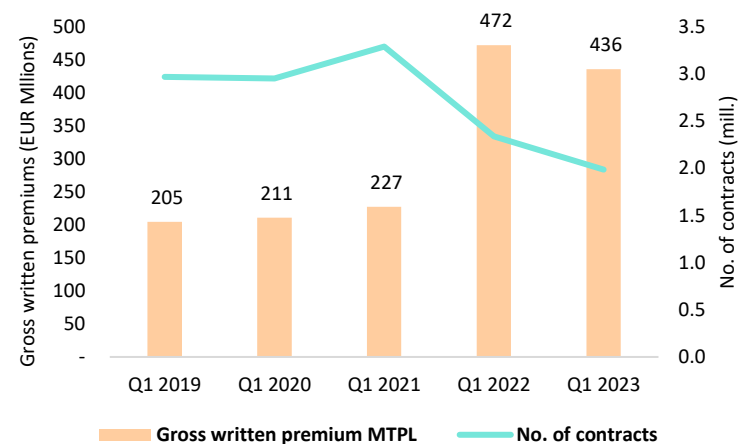
In June 2023, the open-end bond and fixed-income instruments funds hold the largest share in total net assets of OeIF (around 54%), while the "other funds" category has a market share of approximately 20%.

Specific developments in the insurance market in Romania

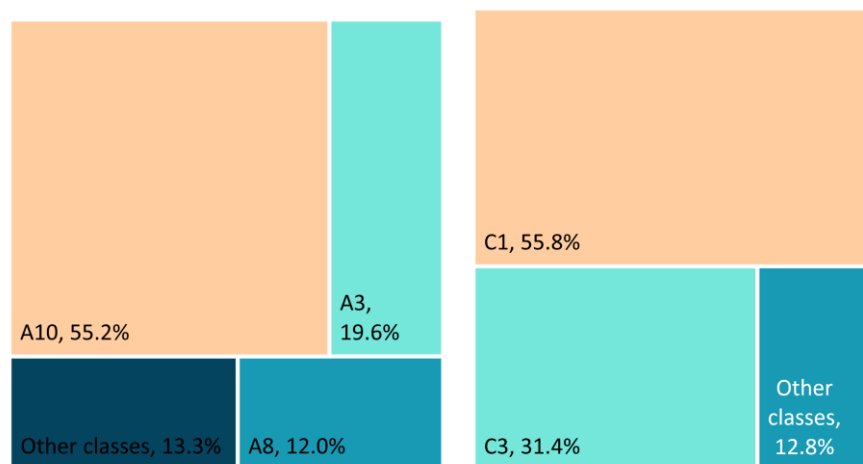
Gross written premiums (total)



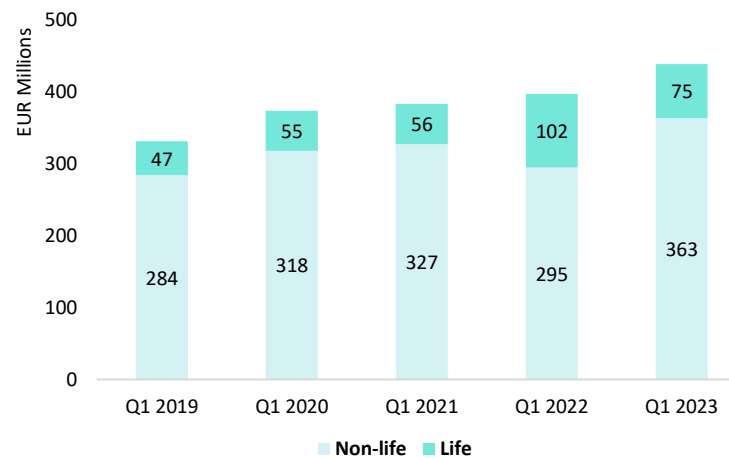
MTPL gross written premiums



Share of main insurance classes by GWP



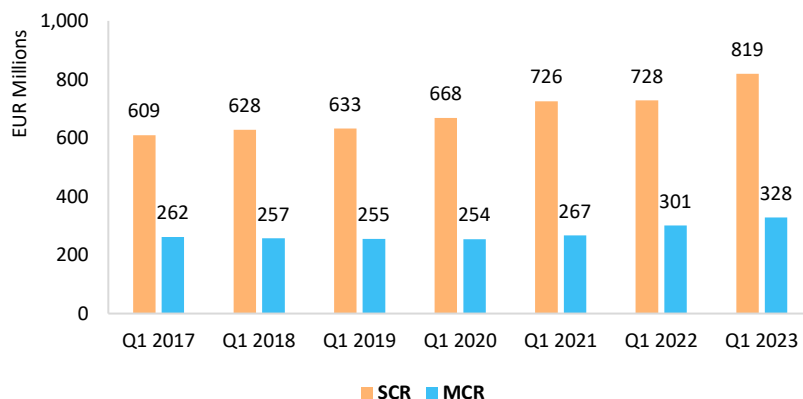
Gross claims paid



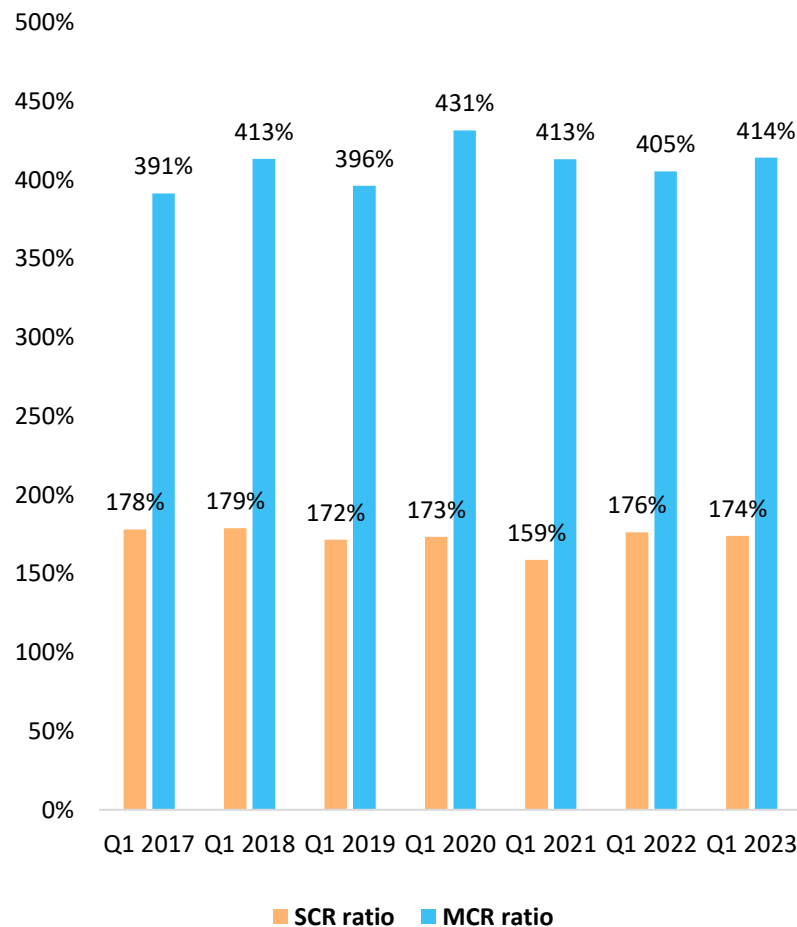
Source: ASF, excl. branches of foreign companies that operate on Freedom of Establishment (FoE).

Specific developments in the insurance market in Romania

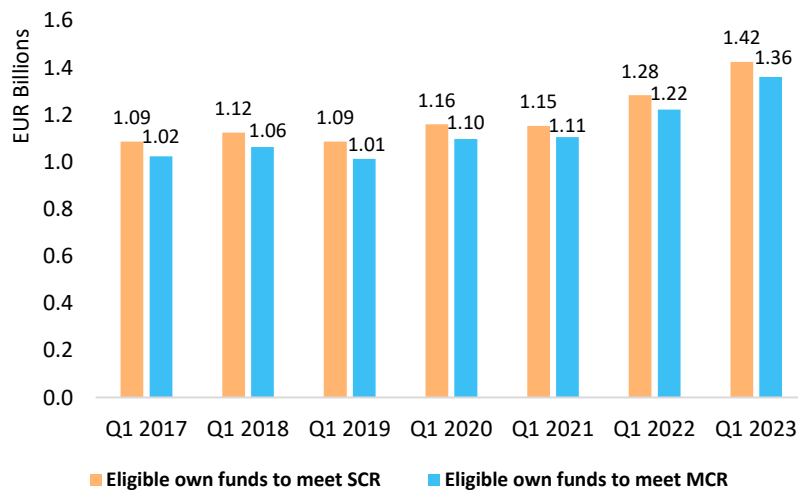
Evolution of capital requirements (SCR and MCR)



SCR and MCR ratio



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



Source: ASF; For Q1 2023, Euroins Romania data are not included

Press releases and publications of European financial institutions in July 2023

ESMA

- [ESMA publishes second overview of national rules governing fund marketing.](#)
- [ESMA published its latest edition of the Spotlight on Markets Newsletter.](#)
- [ESMA launched a Common Supervisory Action \(CSA\) with National Competent Authorities \(NCAs\) on sustainability-related disclosures and the integration of sustainability risks.](#)
- [ESMA published a Statement on its 2022 Common Supervisory Action \(CSA\) and on the mystery shopping exercise regarding compliance with disclosure requirements for costs and charges under MIFID II.](#)
- [ESMA revamped its Central Repository of Ratings \(CEREP\) and made available the latest set of semi-annual statistical data on the performance of credit ratings, including transition matrices and default rates.](#)
- [ESMA published its Manual on post-trade transparency.](#)
- [ESMA published a supervisory briefing on understanding the definition of advice under MiFID II.](#)
- [ESMA issued a Public Statement on the sustainability disclosure expected to be included in prospectuses.](#)
- [ESMA published its first consultation package under the Markets in Crypto-Assets Regulation and invites comments from stakeholders by 20 September 2023.](#)
- [ESMA highlighted risks arising from securities lending to retail investors.](#)
- [ESMA and national competent authorities \(NCAs\) completed an analysis of the cross-border provision of investment services during 2022.](#)
- [ESMA jointly with the European Banking Authority \(EBA\) published a Report assessing the implementation of the Shareholder Rights Directive 2 \(SRD2\).](#)

EIOPA

- [EIOPA published the technical information on the symmetric adjustment of the equity capital charge for Solvency II with reference to the end of June 2023.](#)
- [EIOPA published technical information on the relevant risk-free interest rate term structures \(RFR\) with reference to the end of June 2023.](#)
- [EIOPA published its fourth paper in a series of papers on methodological principles of insurance stress testing.](#)
- [EIOPA published a peer review report on product oversight and governance \(POG\).](#)
- [EIOPA published its Insurance Risk Dashboard, which shows that insurers' exposures to macro risks are currently the main concern for the sector.](#)

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.