



Between August and October 2023, contagion between the stock markets analyzed (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

Summary

- The indicator shows that in the first 3 quarters of 2023, the dynamics of the BET index reflected ample liquidity as a result of the interest of retail and investment investors in the companies from the BET index structure.
- Contrary to the previous month, the volatilities of the BET, BET-NG, BET-BK, BET-TR, and BET-FI indices exhibited a predominant downward trend throughout the month of October. For all indices, the average volatilities decreased compared to the previous month. The volatilities of these indices were estimated using a GARCH (1,1) model.
- In H1 2023, the volume of gross premiums written by insurance companies supervised by ASF amounted to EUR 1.83 billion (+4% compared to H1 2022), with premiums recorded by non-life insurers accounting for 83%.
- Gross claims paid increased by 2.3% to EUR 781 million.
- The value of gross contributions of privately managed pension funds was EUR 216 millions, at the end of September 2023, while the average contribution was EUR 53.6.
- The value of gross contributions of the voluntary pension funds was EUR 10.15 millions at the end of September, while the average contribution was EUR 31.7.

World Macroeconomic Outlook

The International Monetary Fund (World Economic Outlook, October 2023) has maintained its estimate of **global economic growth for 2023** at 3% (compared to the forecast published in July 2023). **For the US, the GDP growth forecast for 2023** has been revised up by 0.3 percentage points: from 1.8% in the July 2023 estimate to 2.1% (in the October 2023 projections). **For the euro area, the GDP growth forecast for 2023** has been revised downwards by 0.2 percentage points: from 0.9% in the July 2023 forecast to 0.7% (in the October 2023 projections). **For Romania, the GDP growth forecast for 2023** has been revised down by 0.2 percentage points: from 2.4% according to the April 2023 estimates to 2.2% (according to the October 2023 projections).

According to the data published by Eurostat, in the second quarter of 2023, **the seasonally adjusted GDP** increased by 0.1% in the euro area and it 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 0.5% in the euro area and by 0.4% in the EU, after growing by 1.1% in both the euro area and the EU in the previous quarter.

Based on the data from the National Institute of Statistics (NIS), the domestic economy exhibited an expansion of 1.7% in real terms during the second quarter of 2023 when juxtaposed with the first quarter of 2023. Compared to Q2 2022, in Q2 2023, Romania's gross domestic product increased by 1% on the gross series and by 2.6% on the seasonally adjusted series. In H1 2023, gross domestic product increased by 1.7% on a gross basis and by 1.9% on a seasonally adjusted basis compared to H1 2022.

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*	5.9	5.5	4.1	2.4	1.8	3.4	1.2	0.5	0.8	1.3	0.7	1.2
Germany*	3.2	4.0	1.6	1.2	0.8	1.8	-0.3	-0.1	-0.4	1.1	-0.5	0.9
Bulgaria	7.7	5.6	5.0	3.6	2.7	3.9	2.5	2.1	1.5	2.4	1.7	3.2
Hungary	7.1	7.7	6.4	4.0	0.5	4.6	-1.2	-2.3	0.5	2.8	-0.3	3.1
Poland*	6.9	10.1	6.0	5.0	1.0	5.3	-0.6	-1.4	0.5	2.7	0.6	2.3
Romania	5.7	4.6	4.5	4.2	5.0	4.6	1.2	2.6	3.2	3.5	2.2	3.8

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

World Macroeconomic Outlook

Monetary policy interest rates

Romania	Euro area	USA	United Kingdom
7%	4,50%	5,25% - 5,5%	5,25%

Following the monetary policy meeting of 5 October 2023, the **National Bank of Romania** decided: to maintain the **monetary policy interest rate at 7% per annum**; to maintain the interest rate on the lending facility (Lombard) at 8% per annum and the interest rate on the deposit facility at 6% per annum; and to maintain the current levels of the required minimum reserve rates for credit institutions' liabilities in RON and foreign currency.

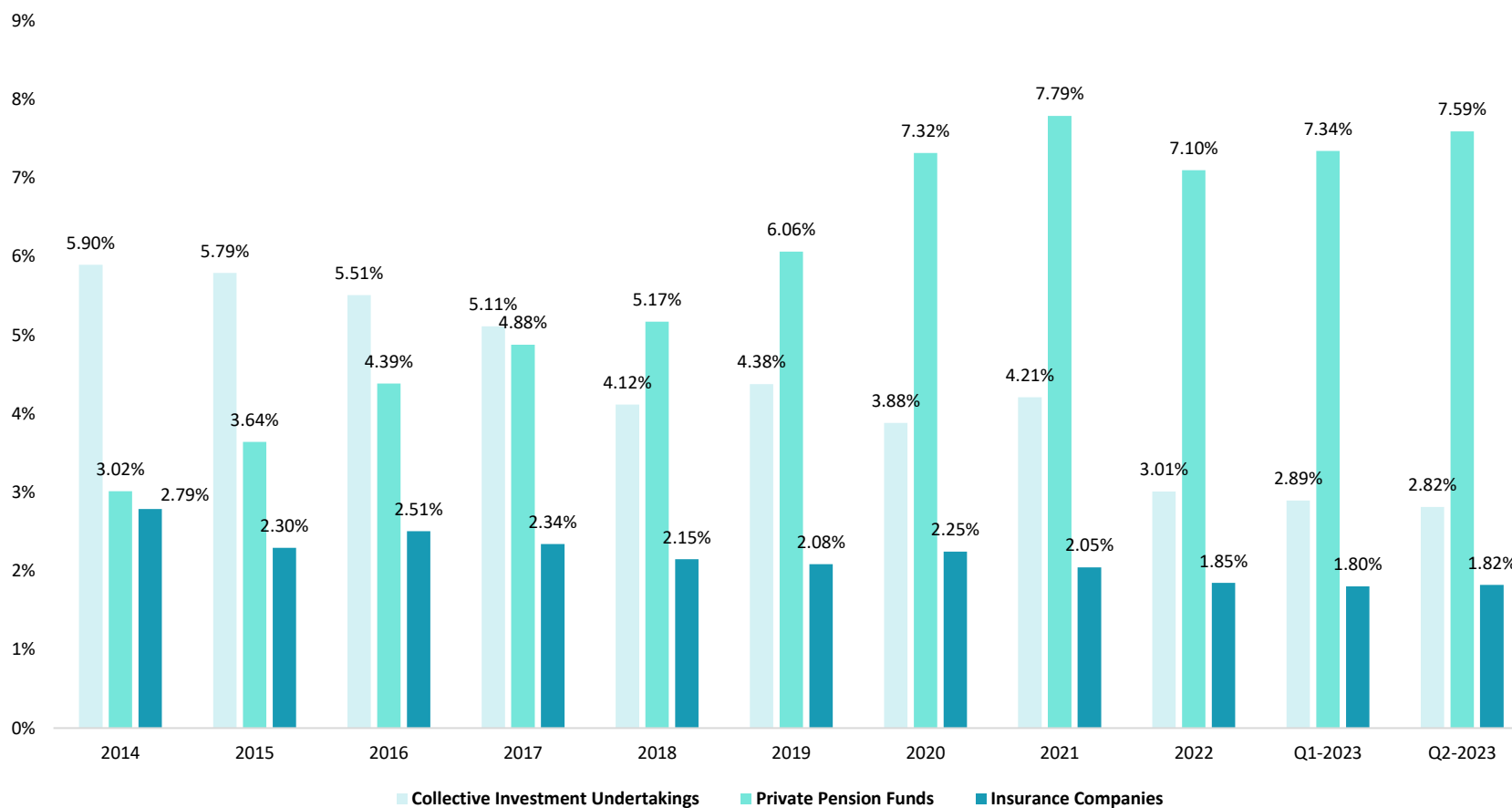
The Economic Sentiment Indicator (ESI) registered a value of 92.8 points in the European Union in September 2023. In September 2023, consumer confidence recorded a decrease of 1.6 points compared to the previous month's value, and industrial confidence recorded an increase of 0.3 points compared to the level recorded in August 2023. In Romania, the economic sentiment indicator is higher than the EU average, standing at 100.2 points in September 2023, down from 101.1 points in August. In Romania, confidence in the services sector decreased by 1.9 points from the previous month and confidence in the retail trade sector increased by 3 points from the previous month.

The annual inflation rate in the euro area stood at 4.3% in September 2023, according to data published by Eurostat, down from 5.2% the previous month. In September, the largest contribution to the euro area annual inflation rate came from services (+2.05 percentage points, pp), followed by food, alcohol and tobacco (+1.78 pp), non-energy industrial goods (+1.06 pp) and energy (-0.55 pp).

Locally, the annual CPI inflation rate stood at 8.83% in September 2023 compared to September 2022. Significant contributions to the annual inflation rate were made by increases in food prices (+10.36%), non-food prices (+6.68%) and services prices (+12.10%), according to data published by the National Institute of Statistics.

Dimension of the non-bank financial sector

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

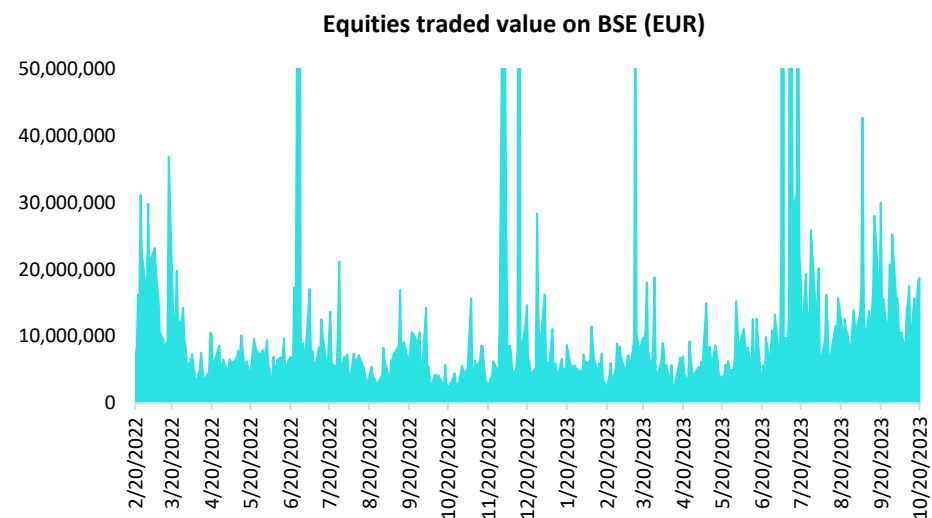
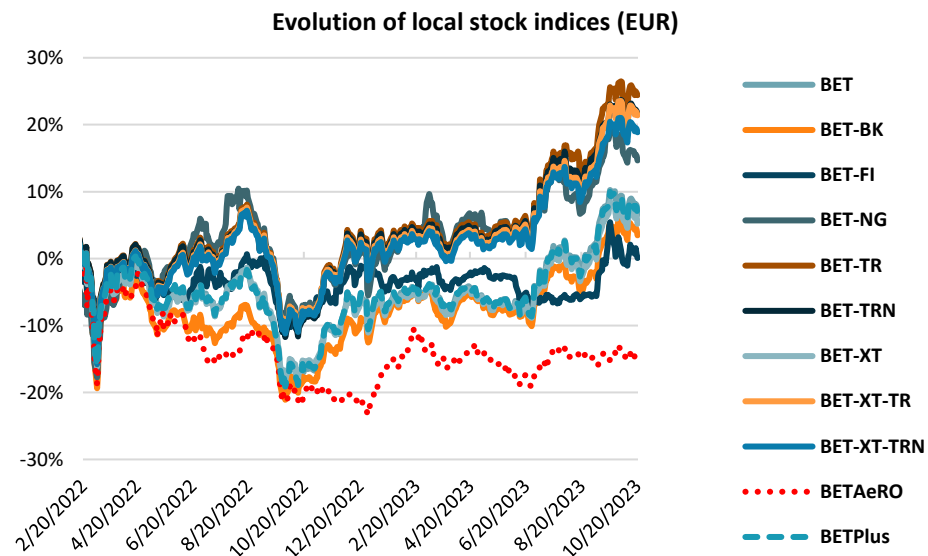


Source: NBR, NIS, ASF

Current trends in Romanian capital markets

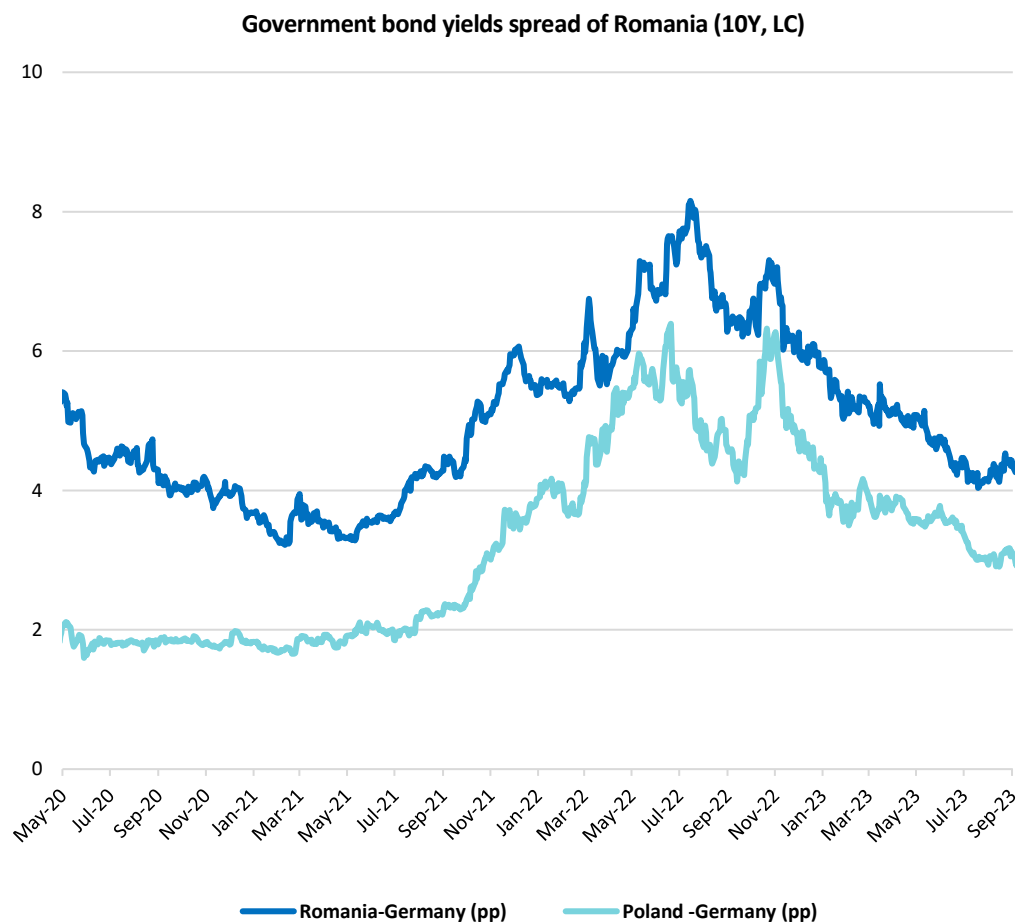
**Romanian stock indices evolution in 2023
(30.12.2022 = 100; EUR)**

Date	BET	BET-BK	BET-FI	BET-NG
	19.36%	18.10%	3.77%	20.64%
10/20/2023	BET-TR	BET-TRN	BET-XT	BET-XT-TR
	26.76%	24.51%	17.97%	24.62%
	BET-XT-TRN	BETAeRO	BETPlus	
	22.57%	9.32%	18.43%	



Source: BSE; ASF calculations

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



Source: Refinitiv

The spread between Romania's 10-year euro-denominated sovereign bonds and similar German bonds decreased slightly in September 2023, 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.

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

International and local stock indices yields

International indices	1 M	3 M	6 M
EA (EUROSTOXX)	-3.17%	-4.43%	-3.55%
FR (CAC 40)	-2.48%	-3.58%	-2.56%
DE (DAX)	-3.51%	-4.71%	-1.55%
IT (FTSE MIB)	-2.04%	0.04%	4.17%
GR (ASE)	-7.86%	-5.42%	14.67%
IE (ISEQ)	-5.92%	-3.51%	0.90%
ES (IBEX)	-0.82%	-1.72%	2.12%
UK (FTSE 100)	2.27%	1.02%	-0.31%
US (DJIA)	-3.50%	-2.62%	0.70%
IN (NIFTY 50)	2.00%	2.34%	13.13%
SHG (SSEA)	-0.30%	-2.85%	-4.94%
JPN (N225)	-2.34%	-4.01%	13.61%

BSE indices	1 M	3 M	6 M
BET	8.16%	14.85%	18.38%
BET-BK	8.90%	13.89%	16.69%
BET-FI	10.14%	10.61%	7.55%
BET-NG	7.63%	11.45%	16.22%
BET-TR	9.75%	17.55%	24.48%
BET-TRN	8.21%	15.82%	22.37%
BET-XT	8.27%	14.20%	17.39%
BET-XT-TR	9.58%	16.62%	23.08%
BET-XT-TRN	8.16%	15.03%	21.13%
BETAeRO	2.67%	5.53%	4.08%
BETPlus	8.15%	14.71%	17.90%
ROTX	7.65%	13.75%	17.32%

Source: Refinitiv, BSE, ASF calculations

Note: 1M=09/29/2023 vs. 08/31/2023; 3M=09/29/2023 vs. 06/30/2023; 6M=09/29/2023 vs. 03/31/2023

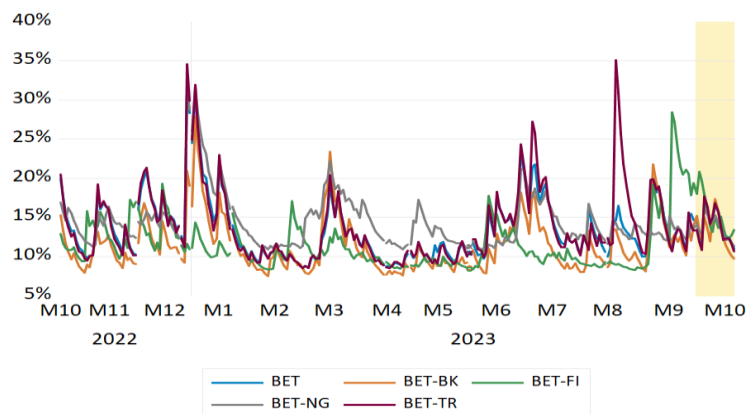
The European indices analysed recorded negative developments (1 M), amid uncertainty generated by the latest inflation data in the euro area and the US and their implications for the outlook for further policy rate hikes. The most significant decline was recorded by the ASE index (GR: -7.86%), followed by the ISEQ index (IE: -5.92%).

The main American and Asian indices displayed mixed developments. Stocks in the US were mixed on the last trading day of the September quarter, as the prospect of a government shutdown and interest rates remaining elevated at decades high weighed on sentiments. Therefore, the DJIA index manifested the most significant decrease (US: -3.50%), while the NIFTY 50 index (IN: +2.00%) recorded the most important increase.

The BSE stock indices have recorded positive evolutions as a result of the historical dividends distributed by Fondul Proprietatea, over nine billion lei due to the exit from Hidroelectrica. Therefore, increases were recorded ranging from 2.67% (BETAeRO index) to 10.14% (BET-FI index).

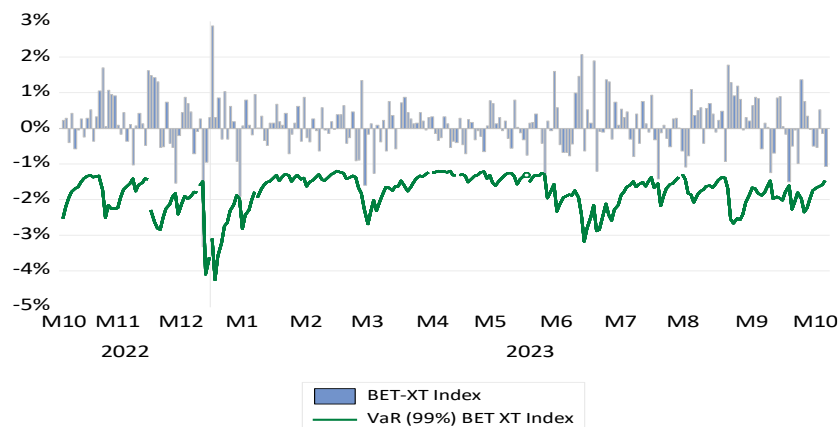
Market risk: evolution of stock indices

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



Contrary to the previous month, the volatilities of the BET, BET-NG, BET-BK, BET-TR, and BET-FI indices exhibited a predominant downward trend throughout the month of October. For all indices, the average volatilities decreased compared to the previous month. The volatilities of these indices were estimated using a GARCH (1,1) model.

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

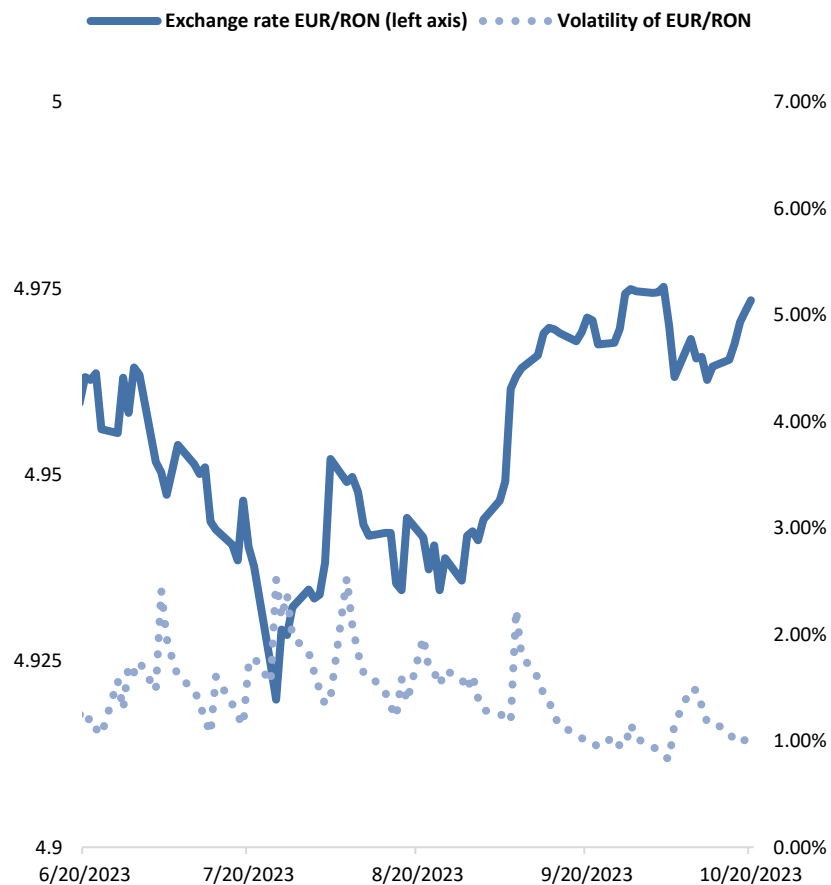


Source: BSE, ASF calculations

The accompanying figure illustrates the dynamics of the BET-XT index together with the evolution of Value-at-Risk for a 1% significance level (VaR at 99%) for the next day, calculated under the assumption of normal distribution. The VaR of the BET-XT index fluctuated in the range -1.4% - 2.3%.

Market Risk: exchange rate volatility

EUR/RON Exchange Rate vs Volatility

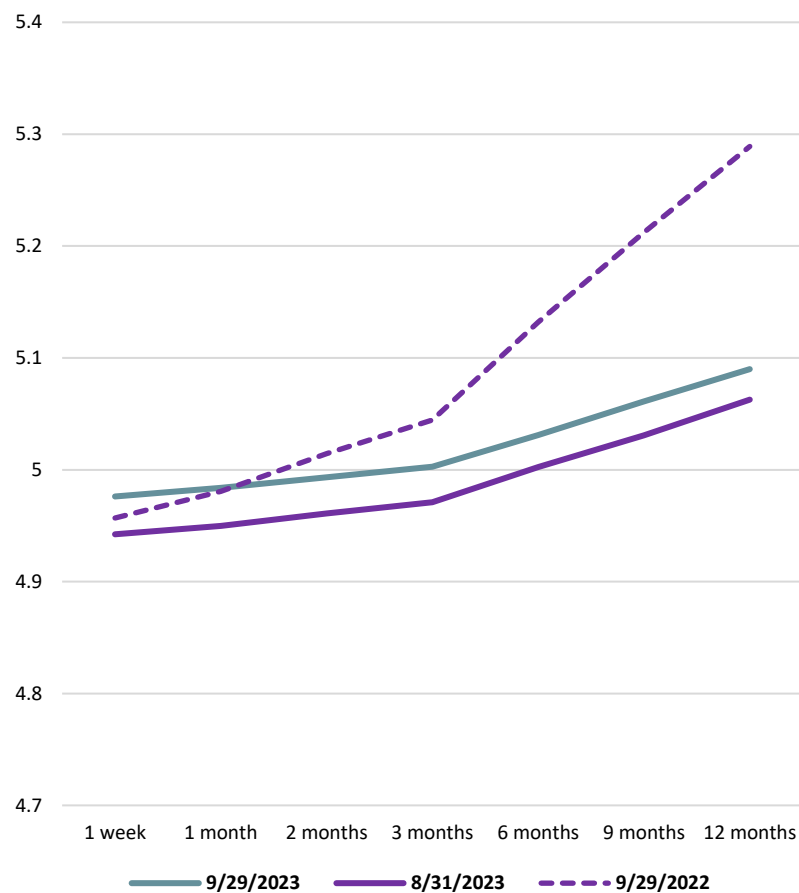


Between August and October, the volatility of the EUR/RON exchange rate fluctuated between 1-2.5 % and the exchange rate level oscillated between 4.93-4.97 EUR/RON. The exchange rate has depreciated amid the inflation differential between Romania and the euro area.

Source: Refinitiv, ASF calculations

Market Risk: term structure of EUR-RON forward rate

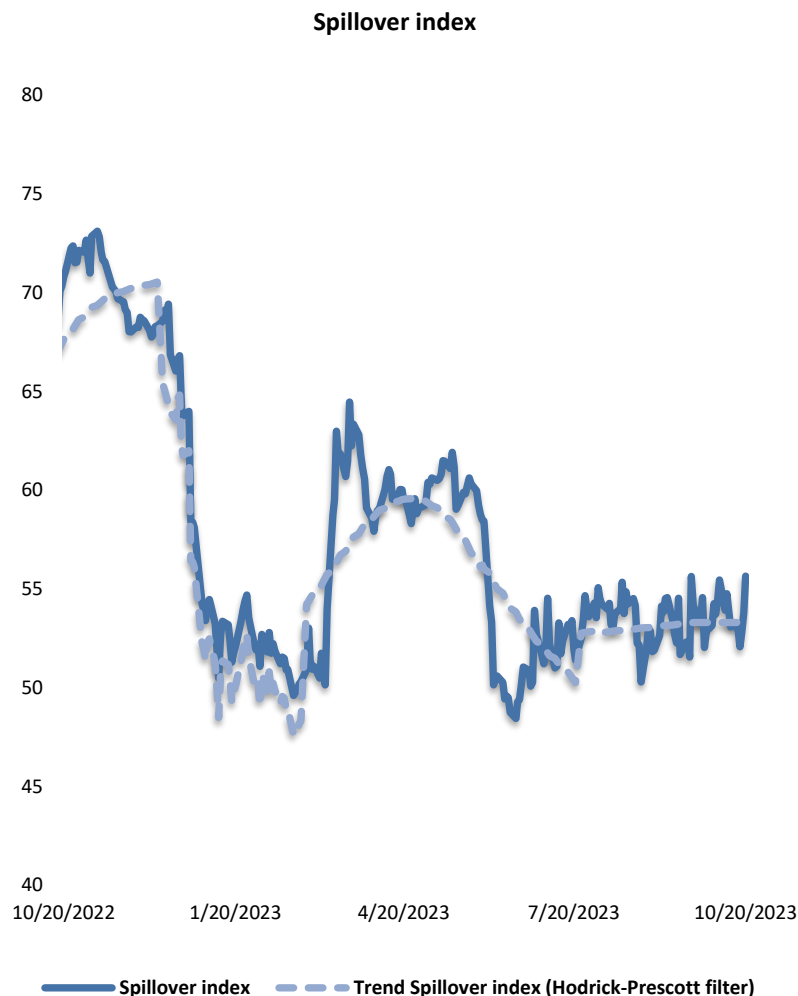
The term structure of the EUR-RON forward rate



Source: Refinitiv, ASF calculations

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 all maturities with respect to the previous month (RON depreciation).

Market Risk: Spillover Index



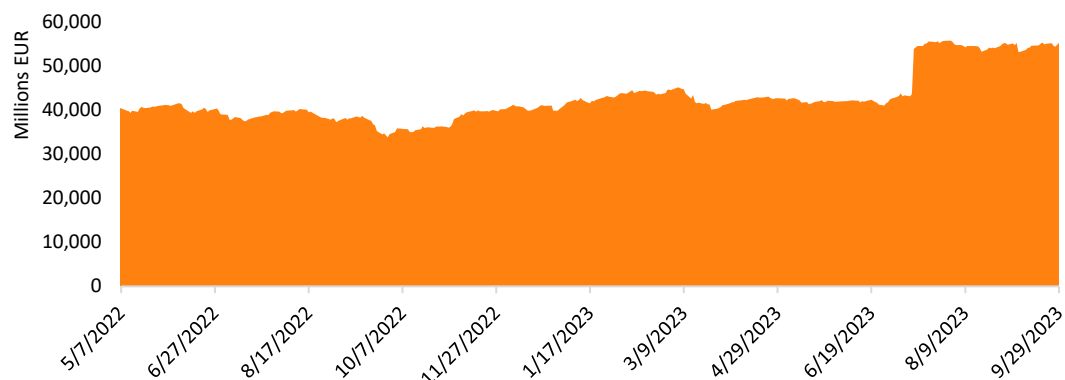
Source: Refinitiv, ASF calculations

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 August and September.

Between August and October 2023, contagion between the stock markets analyzed 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.

Liquidity indicators on Romanian Stock Exchanges

Market capitalization



The market capitalization recorded a 39% increase at the end of September 2023 compared to the end of 2022.

During September 2023, the 3 most traded companies on BSE were Fondul Proprietatea (FP) with a share of 22.80%, S.P.E.E.H. Hidroelectrica SA (H2O: 20.79%) and Banca Transilvania (TLV: 15.21%).

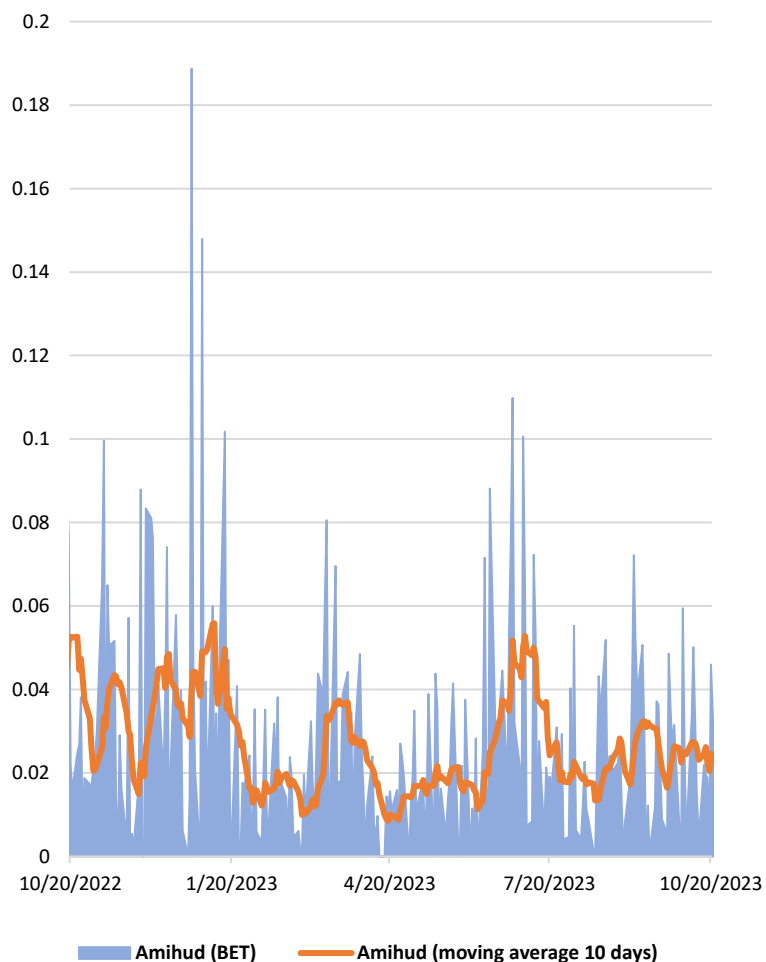
The BSE's Most Traded Companies during September 2023 (Only the Main Segment)

Symbol	Main Market		Deal		Offers		Total	
	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%
FP	80,514,640	23.63%	0	0.00%	0	0.00%	80,514,640	22.80%
H2O	67,943,263	19.94%	5,496,729	61.41%	0	0.00%	73,439,992	20.79%
TLV	53,726,339	15.77%	0	0.00%	0	0.00%	53,726,339	15.21%
SNP	43,589,000	12.79%	0	0.00%	0	0.00%	43,589,000	12.34%
SNG	26,479,539	7.77%	0	0.00%	0	0.00%	26,479,539	7.50%
BRD	10,784,662	3.16%	0	0.00%	0	0.00%	10,784,662	3.05%
TTS	7,087,478	2.08%	274,886	3.07%	0	0.00%	7,362,364	2.08%
SNN	6,969,263	2.05%	0	0.00%	0	0.00%	6,969,263	1.97%
SAFE	1,203,299	0.35%	0	0.00%	3,455,908	100.00%	4,659,206	1.32%
ONE	3,271,994	0.96%	922,327	10.30%	0	0.00%	4,194,322	1.19%
DIGI	3,777,116	1.11%	0	0.00%	0	0.00%	3,777,116	1.07%
EL	3,673,943	1.08%	0	0.00%	0	0.00%	3,673,943	1.04%
TGN	3,436,049	1.01%	0	0.00%	0	0.00%	3,436,049	0.97%
M	3,336,417	0.98%	0	0.00%	0	0.00%	3,336,417	0.94%
EVER	3,073,212	0.90%	0	0.00%	0	0.00%	3,073,212	0.87%
Top 15 Total								93.16%

Source: BSE data, ASF calculations

Liquidity indicators on Romanian Stock Exchanges

Amihud liquidity indicator for the BET index



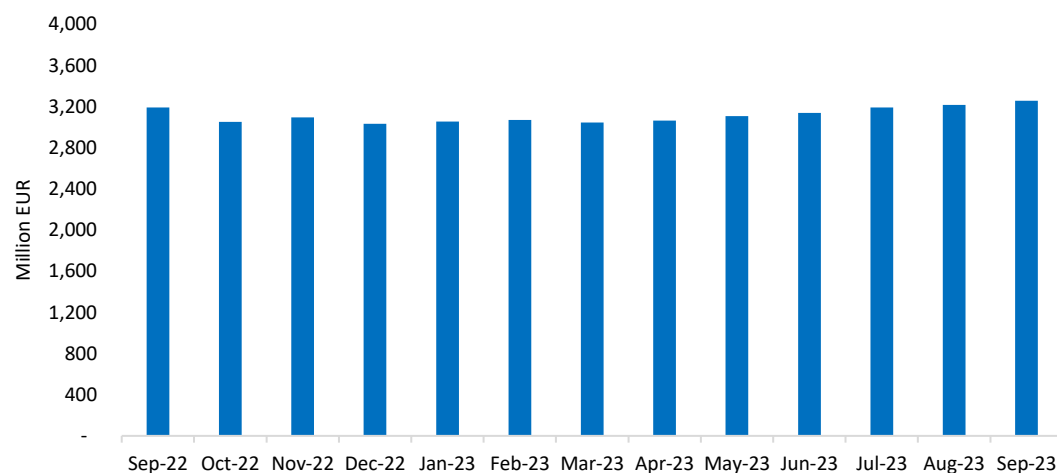
Source: ASF calculations, BSE data

The Amihud indicator is calculated as the ratio of absolute returns and trading volume. The Amihud indicator is used as a measure of liquidity in both the empirical financial literature and financial market microstructure studies. A high indicator value indicates a reduction in market liquidity and/or significant fluctuations in asset prices for a decreasing volume. A low indicator value indicates a liquid market with high trading volumes.

The indicator shows that in the first 3 quarters of 2023, the dynamics of the BET index reflected ample liquidity as a result of the interest of retail and investment investors in the companies from the BET index structure.

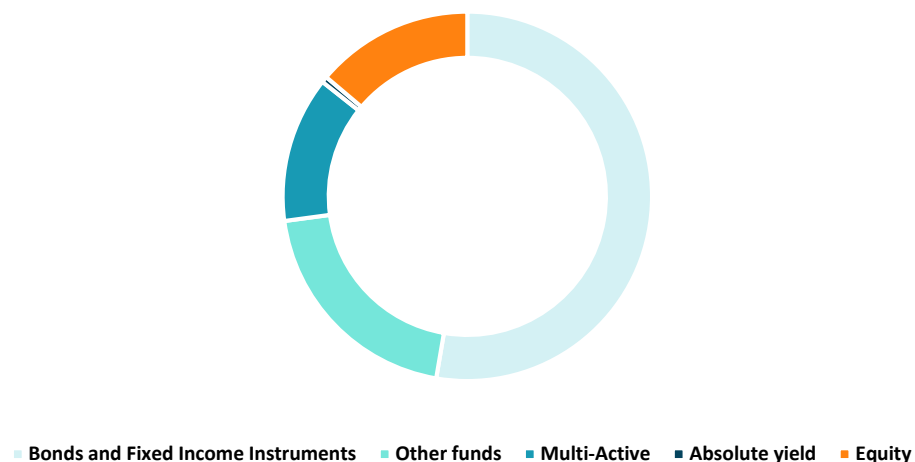
Specific developments in the investment funds sector

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



According to data published by AAF, net assets of open-end investment funds (OeIF) stood at a value of aprox. EUR 3.26 billion in September 2023, up compared to the previous month (EUR 3.21 billion).

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

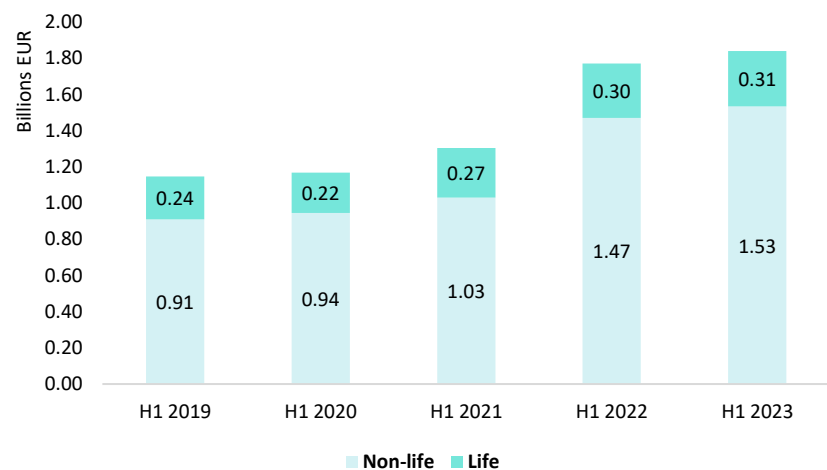


In September 2023, open-end bond and fixed income instruments funds hold the largest share in total net assets of OeIF (around 53%), while the "other funds" category has a market share of approximately 20%.

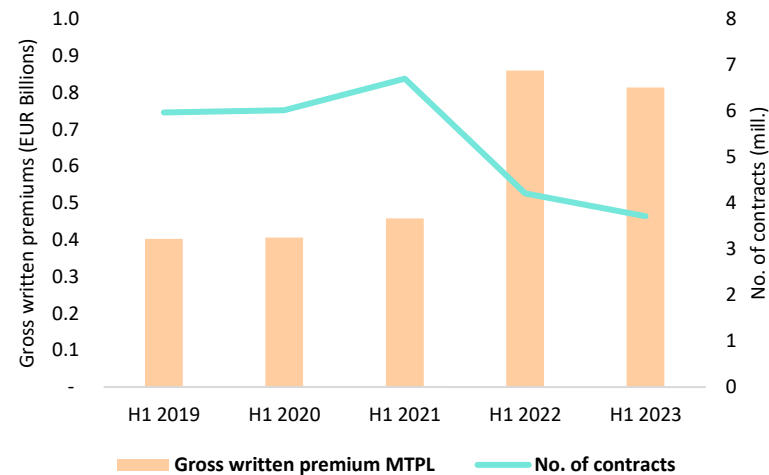
Source: AAF

Specific developments in the insurance market in Romania

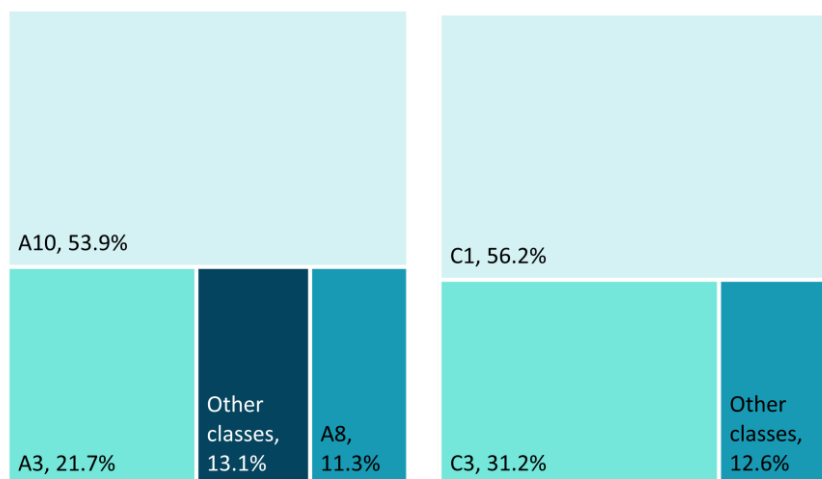
Gross written premiums (total)



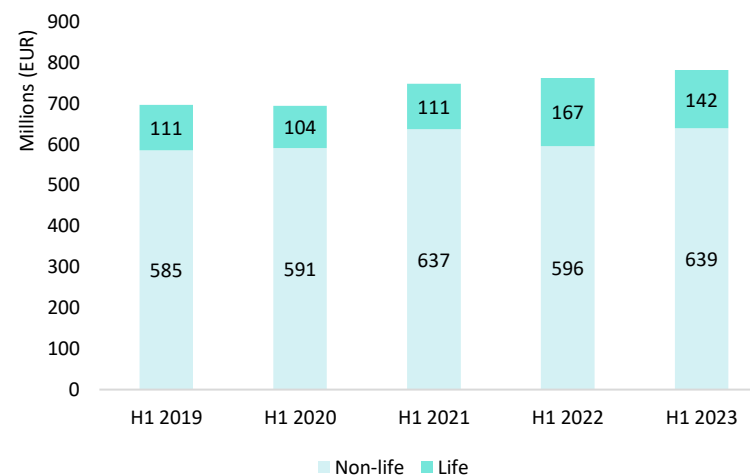
MTPL gross written premiums



Share of main insurance classes by GWP



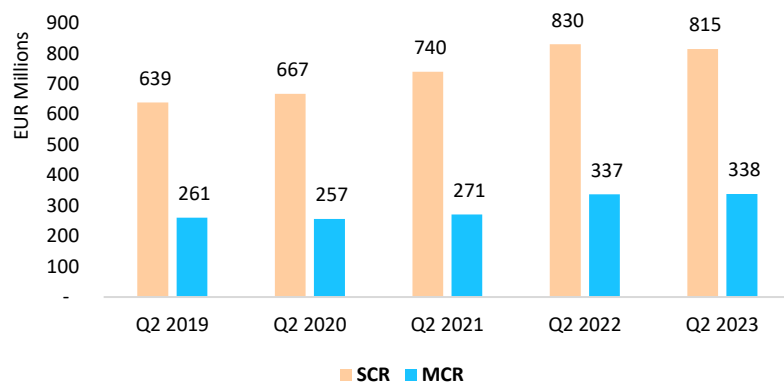
Gross claims paid



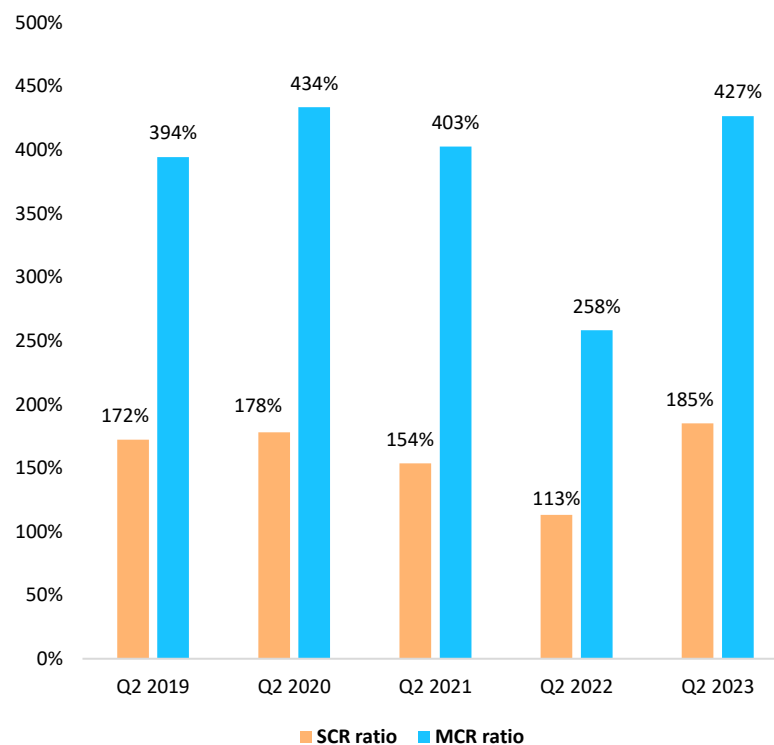
Source: ASF. Incl. Euroins Romania data (Q1 2023)

Specific developments in the insurance market in Romania

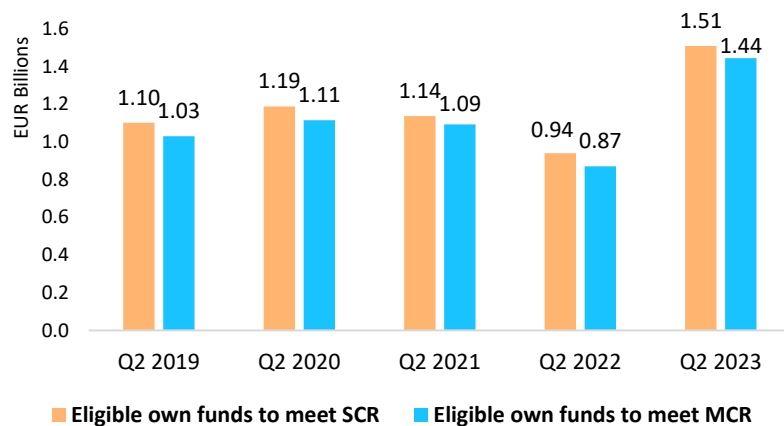
Evolution of capital requirements (SCR and MCR)



SCR and MCR ratio



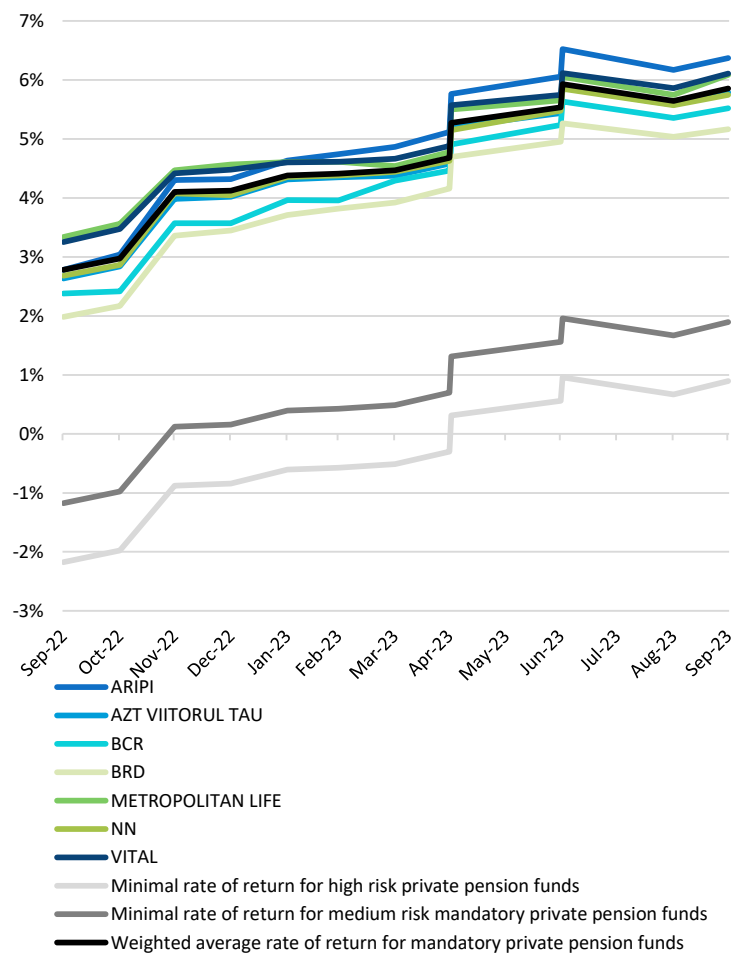
Total eligible own funds to meet the SCR and total eligible own funds to meet the MCR



Source: ASF; Q2 2022: incl. Euroins Romania data, according to ASF's adjustments; Q2 2023: excl. Euroins Romania data

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

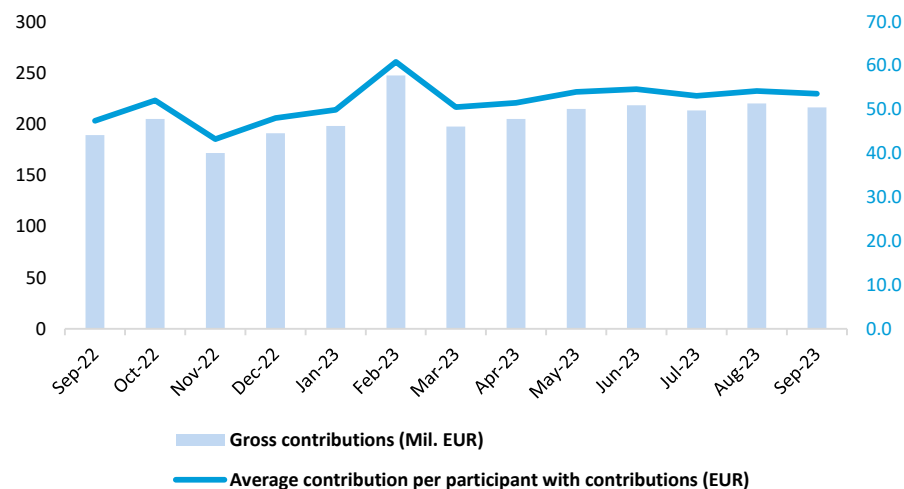
Rate of return for mandatory pension funds



Total assets (EUR), number of participants and return rates 30 September 2023

Mandatory pension fund	Total Assets (EUR)	Participants (persons)	Annualized 60 months return rate
ARIPI	2,142,743,429	860,152	6.3708%
AZT VIITORUL TAU	4,957,983,099	1,672,413	5.7896%
BCR	1,667,459,681	764,569	5.5177%
BRD	1,010,111,542	552,053	5.1625%
METROPOLITAN LIFE	3,354,840,325	1,115,778	6.0850%
NN	8,013,862,429	2,100,318	5.7457%
VITAL	2,409,374,935	1,024,077	6.1079%
Total	23,556,375,440	8,089,360	

Evolution of gross contributions (EUR)



Source: ASF

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

Mandatory pensions funds' aggregate portfolio

30 September 2023

Assets categories	Assets value (EUR)	% of Total assets
Government bonds	15,178,525,693	64.4%
Equity	5,481,584,966	23.3%
Corporate bonds	1,199,011,550	5.1%
Deposits	893,313,956	3.8%
Investment funds	603,265,030	2.6%
Supranational bonds	139,957,297	0.6%
Municipal bonds	72,390,780	0.3%
Exchange traded commodities	15,827,577	0.1%
Private equity	15,331,849	0.1%
Derivatives	838,926	0.0%
Other assets	(43,672,184)	-0.2%
Total	23,556,375,440	100.0%

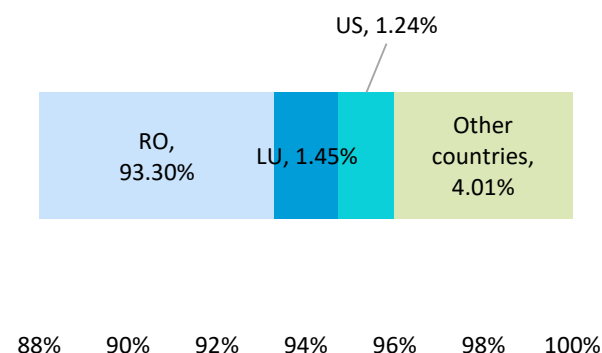
The value of the total assets of the privately managed pension funds reached EUR 23.56 billion at the end of September 2023, with an annual increase of 31.4%, compared to September 2022.

Approximately 93% 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.

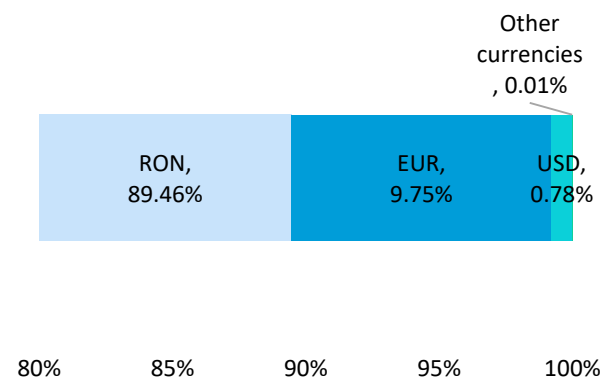
The value of gross contributions was EUR 216 millions, at the end of September 2023, while the average contribution was EUR 53.6.

Source: ASF

Country exposure

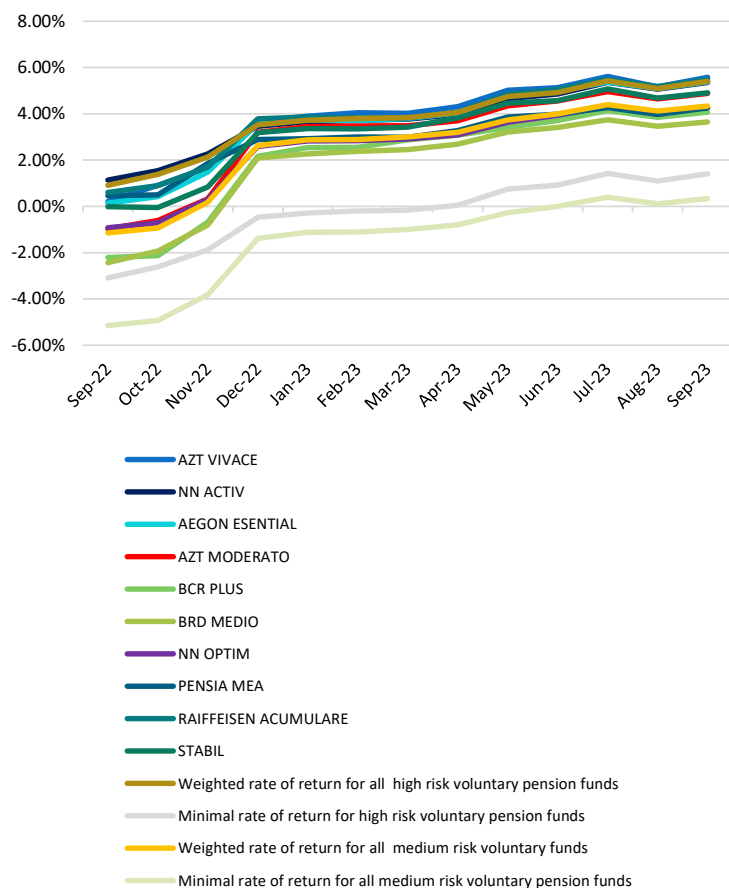


Currency exposure



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

Rate of return for voluntary pension funds

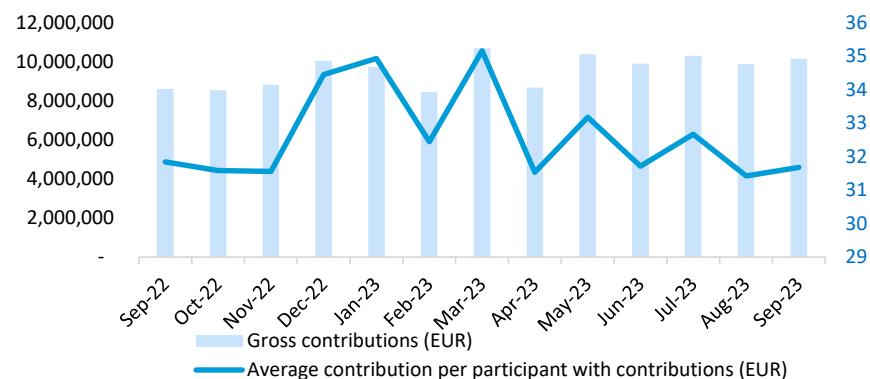


Total assets (EUR), number of participants and return rates

30-Sep-23

Voluntary pension fund	Total assets (EUR)	Participants (persons)	Annualized 60 months return rate
AEGON ESENTIAL	2,841,330	4,036	5.3764%
AZT MODERATO	86,604,337	48,932	4.8757%
AZT VIVACE	30,244,906	21,783	5.5735%
BCR PLUS	140,834,015	148,046	4.0747%
BRD MEDIO	43,852,380	37,723	3.6445%
GENERALI STABIL	8,365,505	5,651	4.9007%
NN ACTIV	108,387,722	70,423	5.3528%
NN OPTIM	385,487,875	247,933	4.2723%
PENSIA MEA	39,428,749	47,011	4.2530%
RAIFFEISEN ACUMULARE	35,166,580	55,902	5.4787%
Total	881,213,400	687,440	

Evolution of gross contributions (EUR)



Source: ASF

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

Voluntary pensions funds' aggregate portfolio

30 September 2023

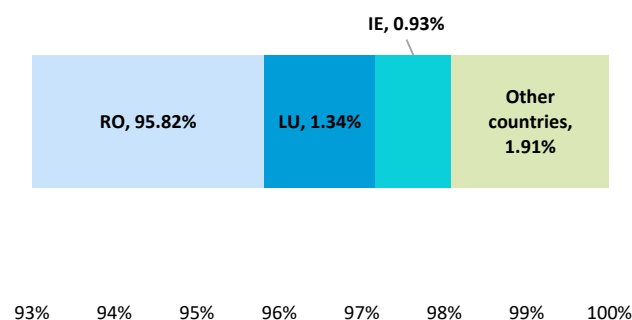
Assets categories	Assets value (EUR)	% of Total assets
Government bonds	568,577,162	64.5%
Equity	222,197,968	25.2%
Deposits	32,281,830	3.7%
Corporate bonds	31,681,318	3.6%
Investment funds	17,257,025	2.0%
Municipal bonds	6,299,032	0.7%
Private equity	1,404,990	0.2%
Exchange traded commodities	1,330,306	0.2%
Supranational bonds	813,051	0.1%
Derivatives	109,982	0.0%
Other assets	(739,264)	-0.1%
Total	881,213,400	100.0%

At the end of September 2023, the voluntary pension funds' total assets value was EUR 881 million, with an annual increase of 30.6%, compared to September 2022.

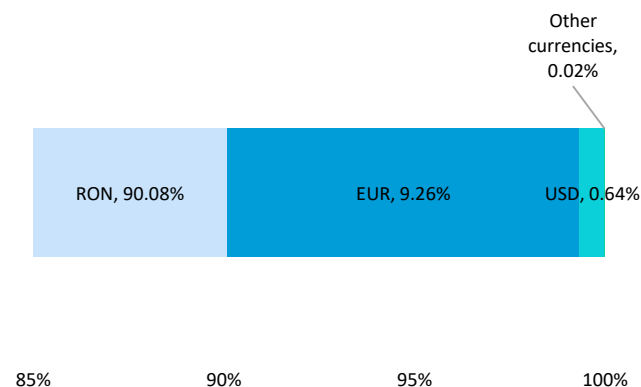
The fund portfolios were generally invested in local assets, in a percentage of 96%, the majority being denominated in RON (90%).

The value of gross contributions was EUR 10.15 millions at the end of September, while the average contribution was EUR 31.7.

Country exposure



Currency exposure



Source: ASF

Press releases and publications of European financial institutions in September 2023

<p>ESMA</p>	<ul style="list-style-type: none"> • <u>ESMA published the annual update of its Reporting Manual on the European Single Electronic Format (ESEF).</u> • <u>The three European Supervisory Authorities (EBA, EIOPA and ESMA - ESAs) issued their Autumn 2023 Joint Committee Report on risks and vulnerabilities in the EU financial system.</u> • <u>ESMA published a study setting out the details of the EU securitisation market.</u> • <u>The three European Supervisory Authorities (EBA, EIOPA and ESMA – the ESAs) published an indicative overview of information and communication technology (ICT) third-party providers (TTP) as part of their preparations for the Digital Operational Resilience Act (DORA).</u> • <u>The Joint Committee of the three European Supervisory Authorities (EBA, EIOPA and ESMA – the ESAs) published their second annual Report on the extent of voluntary disclosure of principal adverse impacts under the Article 18 of the Sustainable Finance Disclosure Regulation (SFDR).</u> • <u>ESMA withdrawn as required by EMIR the recognition decision of JSE Clear, a central counterparty (“CCP”) established in South Africa.</u>
<p>EIOPA</p>	<ul style="list-style-type: none"> • <u>EIOPA published technical information on the relevant risk-free interest rate term structures (RFR) with reference to the end of August 2023.</u> • <u>EIOPA published the technical information on the symmetric adjustment of the equity capital charge for Solvency II with reference to the end of August 2023.</u> • <u>EIOPA launched a survey on access to cyber insurance by Small and Medium Enterprises (SMEs) to gain deeper insights into the challenges small businesses face in protecting themselves from cyber risks and to evaluate the level of access to cyber insurance.</u>

ECB	<ul style="list-style-type: none"> • The European Central Bank (ECB) published the results of its second economy-wide climate stress test. • Monetary policy decisions.
IMF	<ul style="list-style-type: none"> • Romania: Staff Concluding Statement of the 2023 Article IV Mission. • Global Debt Is Returning to its Rising Trend.
ESRB	<ul style="list-style-type: none"> • The European Systemic Risk Board (ESRB) published an issues note describing how the EU regulatory framework for investment funds, which is currently being revised, could enhance the prevention and mitigation of systemic risks.

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.