

**According to the Autumn 2023 Economic Forecast, the European Commission projects that Romania's gross domestic product will grow by 2.2% in 2023, a downward revision (from 3.2%: Spring 2023 Economic Forecast).**

## **MONTHLY MARKET REPORT**

## Summary

- The Amihud indicator for the BET index indicates a high level of liquidity for the domestic equity market.
- 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 November. 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 the total assets of the privately managed pension funds reached EUR 23.81 billion at the end of October 2023 with an annual increase of 30.4% compared to October 2022.
- At the end of October 2023 the voluntary pension funds' total assets value was EUR 891 million, with an annual increase of 30.5% compared to October 2022.

## World Macroeconomic Outlook

**According to the Autumn 2023 Economic Forecast, the European Commission** projects economic growth of 0.6% in both the euro area and the EU in 2023, a downward revision (-0.2 pp) from the previous forecast (Summer 2023 Economic Forecast). According to the European Commission, Romania's gross domestic product will grow by 2.2% in 2023, a downward revision (from 3.2%: Spring 2023 Economic Forecast).

According to the flash estimates published by Eurostat, in the third quarter of 2023, **the seasonally adjusted GDP** decreased by 0.1% in the euro area and it remained stable in the EU, compared to the previous quarter. Compared with the same quarter of the previous year, seasonally adjusted GDP grew by 0.1% in both the euro area and the EU in Q3 2023, after 0.5% in the euro area and 0.4% in the EU in the previous quarter.

Based on the data from the National Institute of Statistics (NIS), the domestic economy grew by 0.4% (in real terms) in Q3 2023 compared to Q2 2023. Compared to the third quarter of 2022, in the third quarter of 2023, Romania's gross domestic product increased by 0.2% on the gross series and by 2.1% on the seasonally adjusted series.

**The National Commission for Strategy and Prognosis (NCSP)** revised downwards its economic forecast for gross domestic product growth for 2023, to 2% according to the NCSP Autumn 2023 Forecast (from 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	Q3 2023	European Commission		IMF	
										2023f	2024f	2023f	2024f
<b>Euro area</b>	5.9	5.5	4.1	2.4	1.8	3.4	1.2	0.5	0.1	0.6	1.2	0.7	1.2
<b>Germany</b>	3.2	4.0	1.6	1.2	0.8	1.8	-0.2	0.1	-0.4	-0.3	0.8	-0.5	0.9
<b>Bulgaria</b>	7.7	5.6	5.0	3.7	2.7	3.9	2.4	2.0	1.7	2.0	1.8	1.7	3.2
<b>Hungary</b>	7.1	7.7	6.4	4.0	0.5	4.6	-1.2	-2.3		-0.7	2.4	-0.3	3.1
<b>Poland</b>	6.9	10.1	6.5	5.0	0.8	5.3	-1.4	-0.3	0.5	0.4	2.7	0.6	2.3
<b>Romania</b>	<b>5.7</b>	<b>4.6</b>	<b>4.4</b>	<b>4.2</b>	<b>5.0</b>	<b>4.6</b>	<b>1.1</b>	<b>2.6</b>	<b>2.1</b>	<b>2.2</b>	<b>3.1</b>	<b>2.2</b>	<b>3.8</b>

Source: Eurostat, percentage change compared with the same quarter of the previous year - seasonally adjusted data, European Commission, Autumn 2023 Economic 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 8<sup>th</sup> November 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.

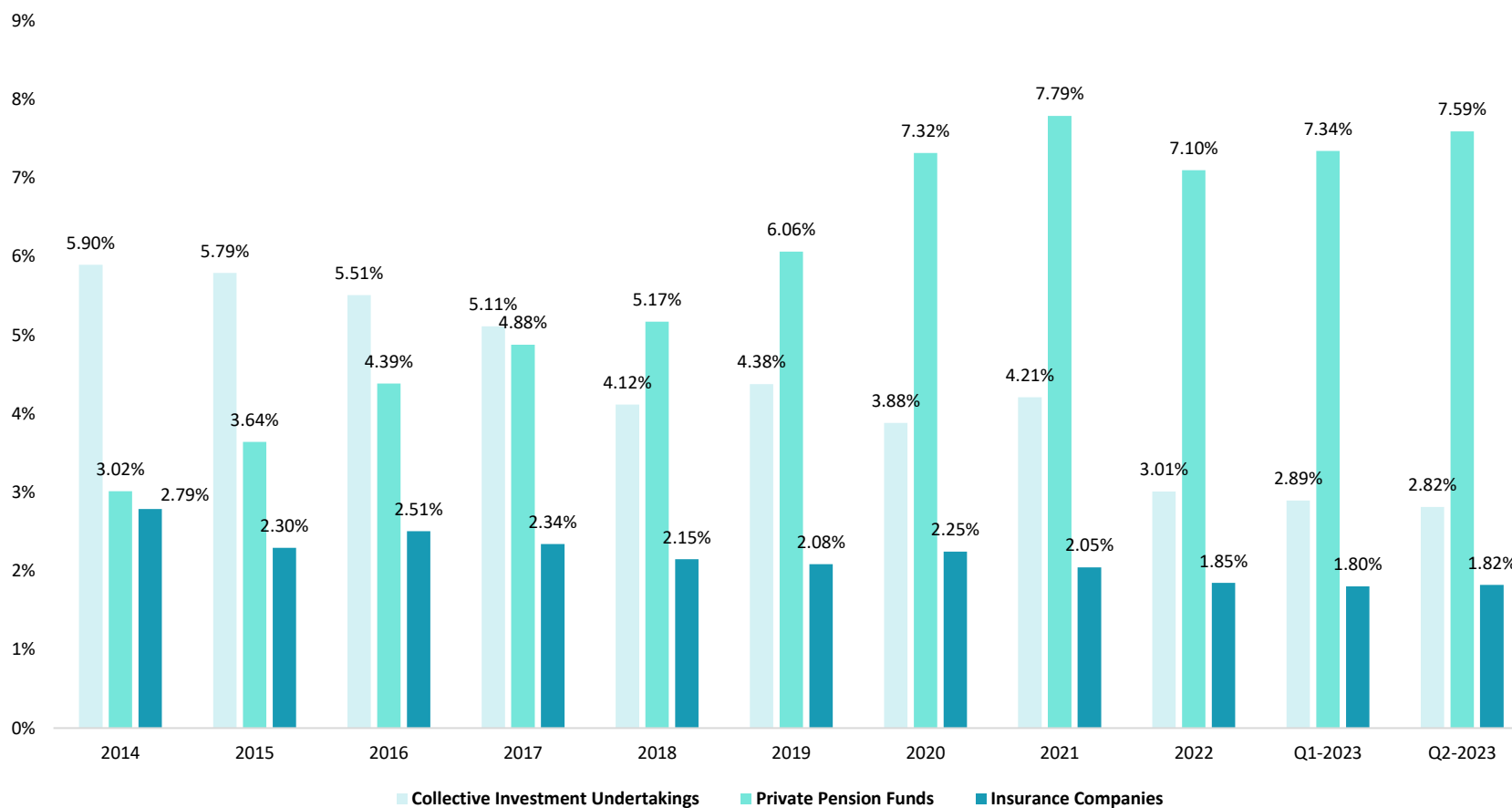
**The Economic Sentiment Indicator (ESI)** registered a value of 93.1 points in the European Union in October 2023. In October 2023, confidence in the retail sector decreased by 1.4 points from the previous month's value and confidence in the services sector increased by 0.4 points from the level recorded in September 2023. In Romania, the economic sentiment indicator is higher than the EU average, standing at 101.4 points in October 2023, up from 100.4 points in September. In Romania, confidence in the services sector increased by 1.7 points compared with the previous month.

**The annual inflation rate in the euro area** is expected to be 2.9% in October 2023, down from 4.3% in the previous month, according to flash estimates published by Eurostat. In terms of the main components of euro area inflation, food, alcohol and tobacco are expected to have the highest annual rate in October (7.5%, compared with 8.8% in September), followed by services (4.6%, compared with 4.7% in September), non-energy industrial goods (3.5%, compared with 4.1% in September) and energy (-11.1%, compared with -4.6% in September).

**Locally, the annual CPI inflation rate** stood at 8.07% in October 2023 compared to October 2022. Significant contributions to the annual inflation rate were made by increases in food prices (+8.66%), non-food prices (+6.24%) and services (+12.20%), 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)



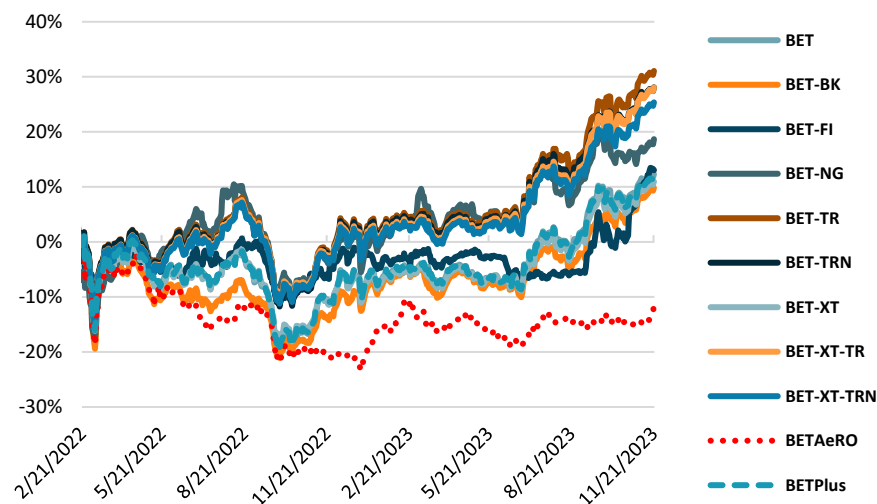
Source: NBR, NIS, ASF

## Current trends in Romanian capital markets

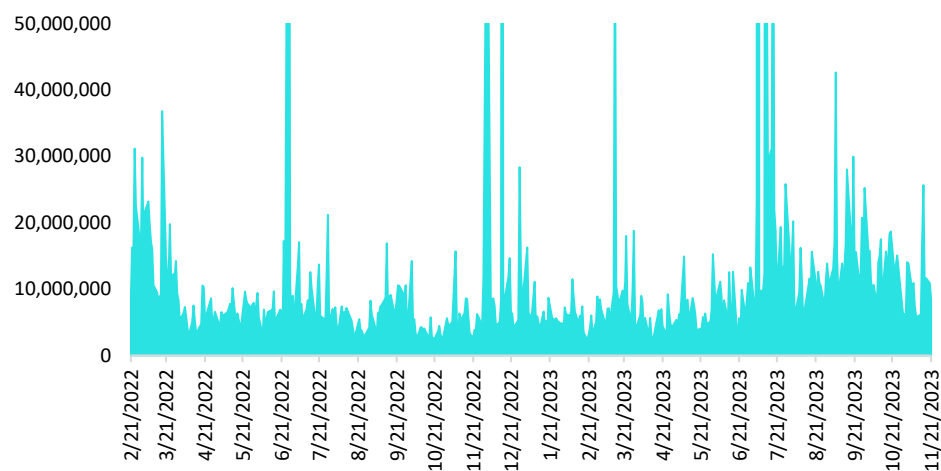
**Romanian stock indices evolution in 2023  
(30.12.2022 = 100; EUR)**

Date	BET	BET-BK	BET-FI	BET-NG
	25.76%	25.37%	17.25%	24.89%
11/21/2023	BET-TR	BET-TRN	BET-XT	BET-XT-TR
	33.51%	31.14%	24.45%	31.42%
	BET-XT-TRN	BETAeRO	BETPlus	
	29.27%	14.24%	24.63%	

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

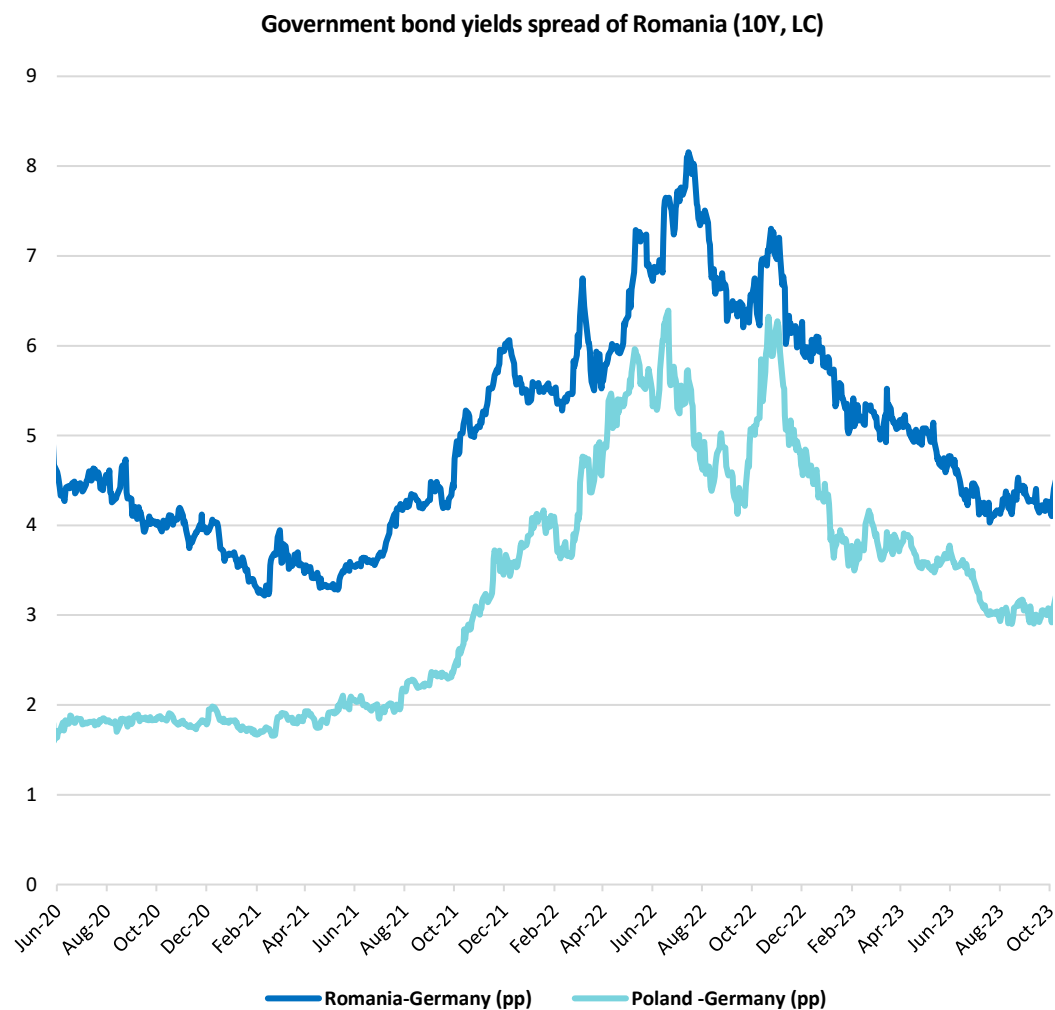


**Equities traded value on BSE (EUR)**



Source: BSE; ASF calculations

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



Source: Refinitiv

The spread between Romania's 10-year euro-denominated sovereign bonds and similar German bonds increased slightly in October 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 October 2023

### International and local stock indices yields

International indices	1 M	3 M	6 M
EA (EUROSTOXX)	-3.40%	-9.42%	-7.66%
FR (CAC 40)	-3.50%	-8.16%	-8.09%
DE (DAX)	-3.75%	-9.95%	-6.98%
IT (FTSE MIB)	-1.78%	-6.42%	2.45%
GR (ASE)	-1.34%	-10.66%	9.95%
IE (ISEQ)	-6.91%	-13.58%	-7.08%
ES (IBEX)	-4.36%	-6.47%	-2.42%
UK (FTSE 100)	-3.76%	-4.91%	-6.97%
US (DJIA)	-1.36%	-7.05%	-3.07%
IN (NIFTY 50)	-2.84%	-3.41%	5.62%
SHG (SSEA)	-2.95%	-8.26%	-9.15%
JPN (N225)	-3.14%	-6.97%	6.94%

BSE indices	1 M	3 M	6 M
BET	-0.83%	7.49%	15.90%
BET-BK	-0.15%	7.81%	13.76%
BET-FI	3.10%	13.72%	9.48%
BET-NG	-3.38%	3.57%	9.86%
BET-TR	0.12%	10.19%	23.04%
BET-TRN	0.04%	8.55%	20.86%
BET-XT	-0.83%	7.39%	14.68%
BET-XT-TR	-0.13%	9.53%	21.10%
BET-XT-TRN	-0.19%	8.05%	19.11%
BETAeRO	-1.97%	-1.06%	-0.43%
BETPlus	-0.91%	7.32%	15.55%
ROTX	-0.04%	7.32%	14.73%

Source: Refinitiv, BSE, ASF calculations

Note: 1M=10/31/2023 vs. 09/29/2023; 3M=10/31/2023 vs. 07/31/2023; 6M=10/31/2023 vs. 04/28/2023

The European indices analysed recorded negative developments (1 month), entering correction territory. The most significant fall was recorded by the ISEQ index (IE: -6.91%), followed by the IBEX index (ES: -4.36%).

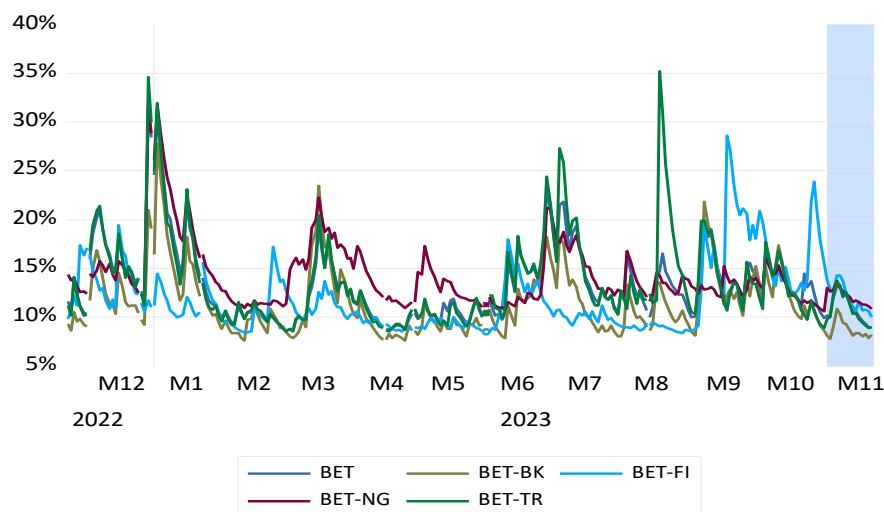
The main US and Asian indices showed negative developments (1 month). The N225 index (JPN: -3.14%) had the most significant decline, followed by the SSEA index (SHG: -2.95%).

The BSE indices showed mixed developments (1 month). The BET-NG index, which reflects the evolution of companies listed on the regulated market of the BSE whose main activity is energy and related utilities, showed a decrease of -3.38%, while the BET-FI index, which shows the evolution of financial investment companies (SIFs) and other similar entities, showed an advance of +3.10%.



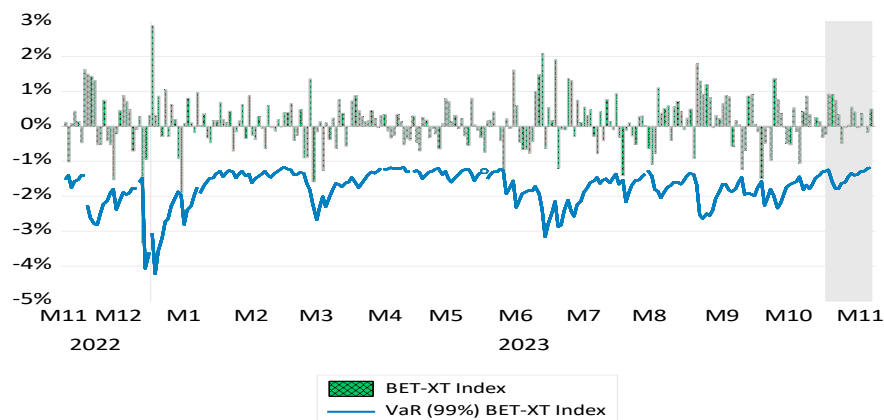
## Market risk: evolution of stock indices

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 November. 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

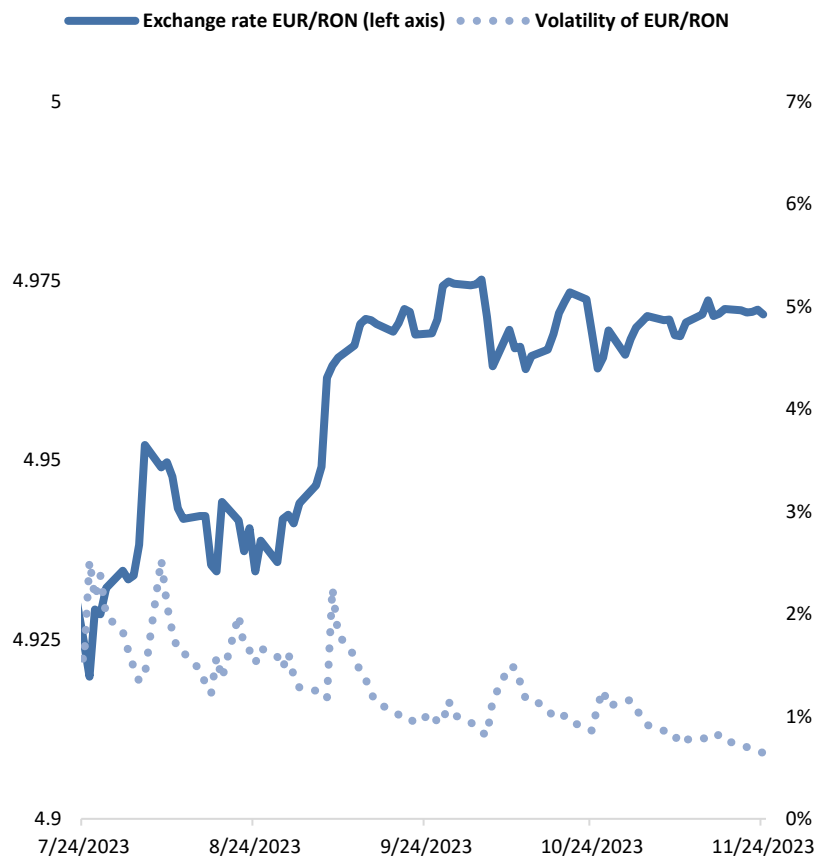


Source: BSE, ASF calculations

The accompanying figure illustrates the temporal patterns of the BET-XT index, juxtaposed with the progression of the daily Value at Risk (VaR) at a 1% significance level (VaR at 99%), calculated under the assumption of a normal distribution. The estimations conducted for the month of November reveal that the VaR statistic resides within the interval of 1.2% to 1.8%.

## Market Risk: exchange rate volatility

### EUR/RON Exchange Rate vs Volatility

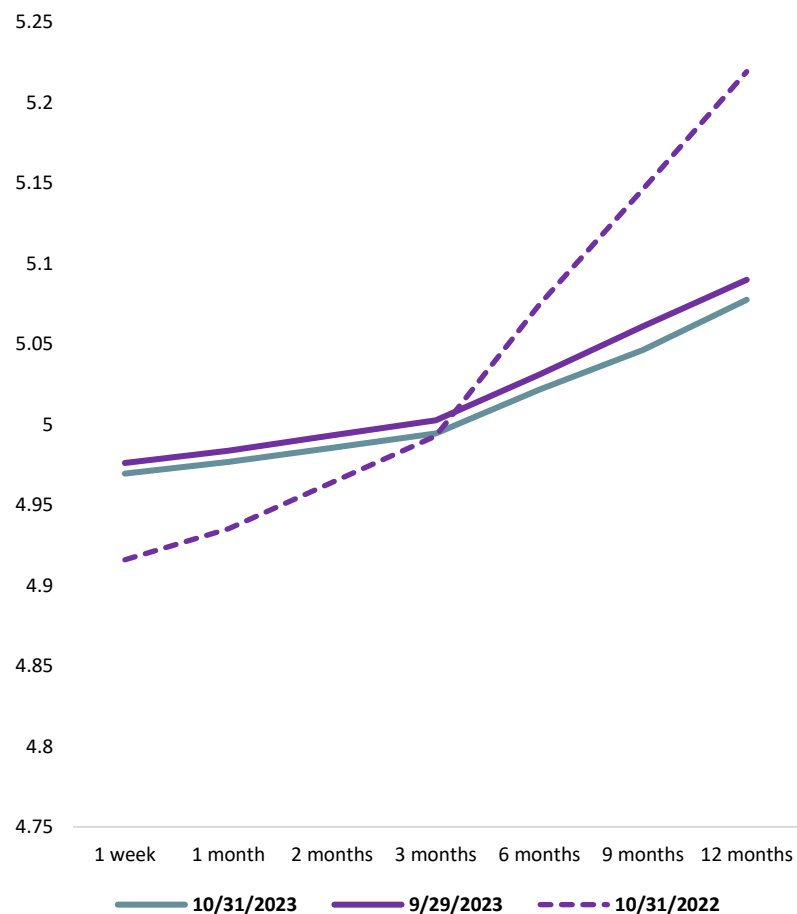


Between August and November, the volatility of the EUR/RON exchange rate fluctuated between 1-2.5 % and the exchange rate level oscillated between 4.93-4.97 EUR/RON. The exchange rate has depreciated amid the inflation differential between Romania and the euro area.

Source: Refinitiv, ASF calculations

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

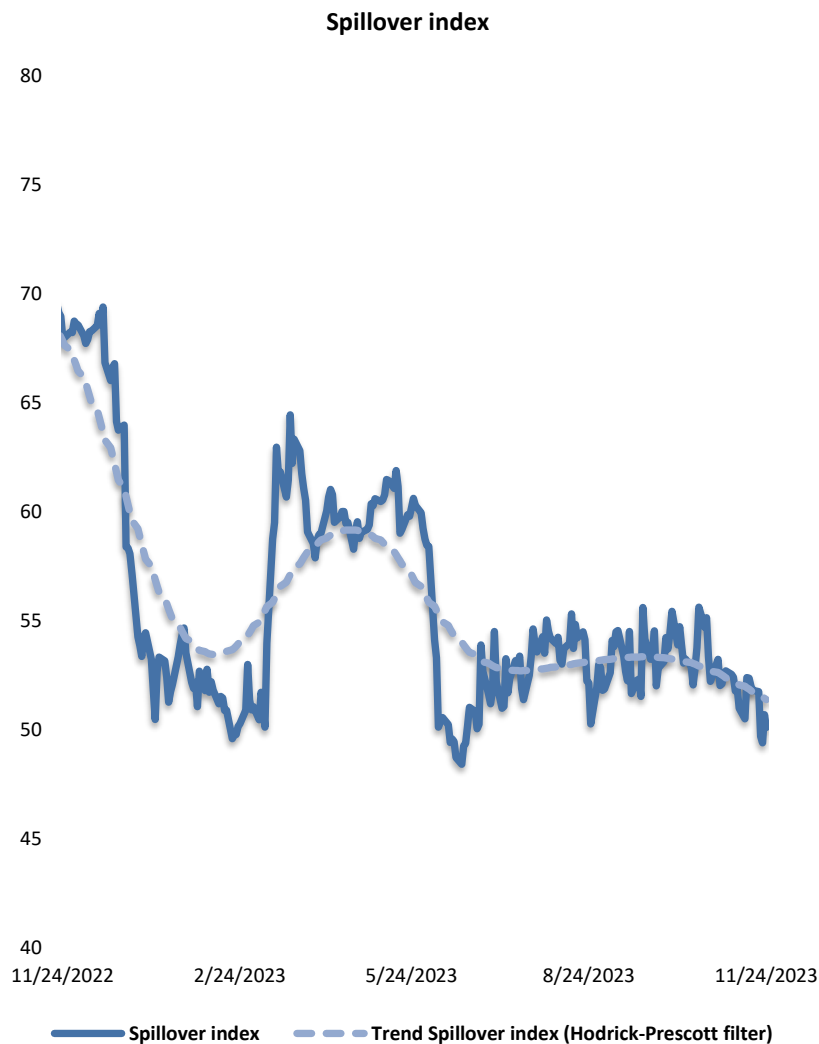
The term structure of the EUR-RON forward rate



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 with respect to the previous month (RON appreciation).

Source: Refinitiv, ASF calculations

## Market Risk: Spillover Index



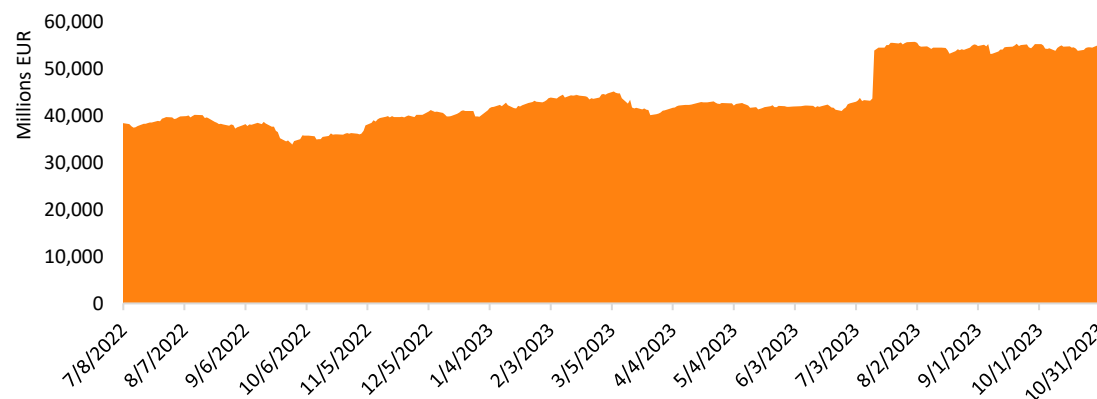
Source: Refinitiv, ASF calculations

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 November 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 38% increase at the end of October 2023 compared to the end of 2022.

During October 2023, the 3 most traded companies on BSE were S.P.E.E.H. Hidroelectrica SA with a share of 27.27%, Banca Transilvania (TLV: 16.44%) and Fondul Proprietatea (FP: 12.10%)

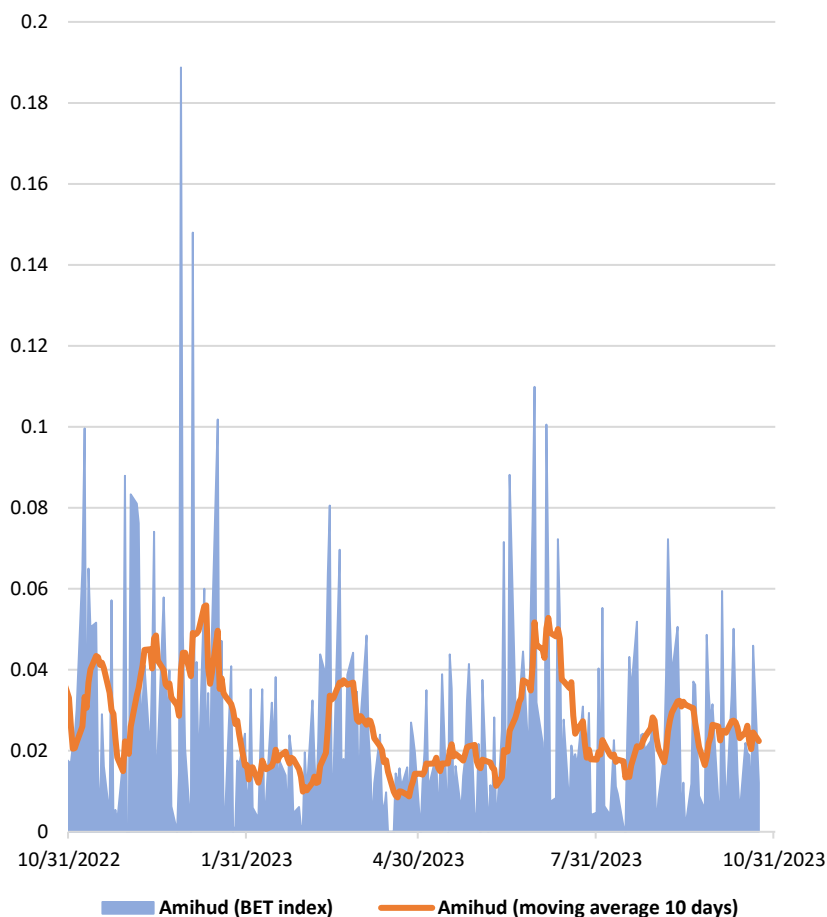
The BSE's Most Traded Companies during October 2023 (Only the Main Segment)

Symbol	Main Market		Deal		Total	
	Value (EUR)	%	Value (EUR)	%	Value (EUR)	%
H2O	61,759,579	23.86%	13,065,698	84.79%	74,825,277	27.27%
TLV	45,119,091	17.43%	0	0.00%	45,119,091	16.44%
FP	33,196,056	12.82%	0	0.00%	33,196,056	12.10%
SNP	22,368,542	8.64%	427,641	2.78%	22,796,182	8.31%
SNG	21,610,343	8.35%	0	0.00%	21,610,343	7.87%
BRD	18,538,676	7.16%	0	0.00%	18,538,676	6.76%
DIGI	13,978,826	5.40%	0	0.00%	13,978,826	5.09%
SNN	9,968,821	3.85%	0	0.00%	9,968,821	3.63%
TTS	4,189,773	1.62%	0	0.00%	4,189,773	1.53%
M	3,340,777	1.29%	0	0.00%	3,340,777	1.22%
BVB	2,816,029	1.09%	68,838	0.45%	2,884,867	1.05%
ONE	2,753,835	1.06%	0	0.00%	2,753,835	1.00%
BRK	128,160	0.05%	1,846,922	11.99%	1,975,083	0.72%
AROBS	1,835,707	0.71%	0	0.00%	1,835,707	0.67%
EL	1,619,408	0.63%	0	0.00%	1,619,408	0.59%
Top 15 Total						94.24%

Source: BSE data, ASF calculations

## Liquidity indicators on Romanian Stock Exchanges

**Amihud liquidity indicator for the BET index**



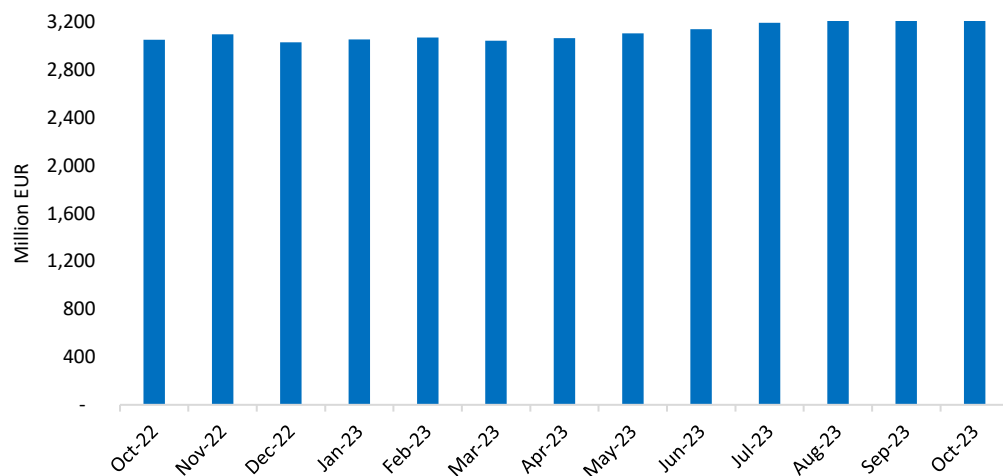
The Amihud indicator is calculated as the ratio of absolute returns and trading volume. The Amihud indicator is used as a measure of liquidity in both the empirical financial literature and financial market microstructure studies. A high indicator value indicates a reduction in market liquidity and/or 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.

Source: ASF calculations, BSE data

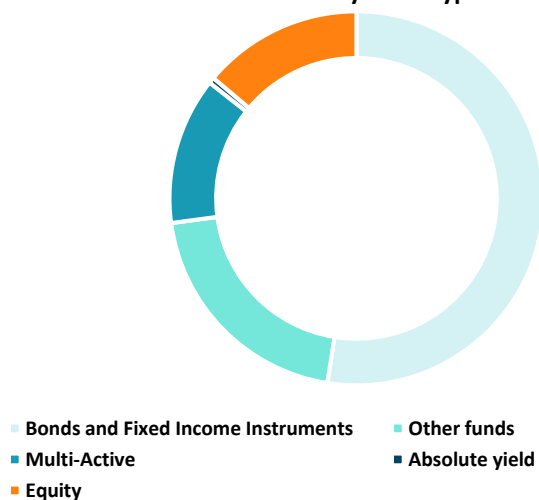
## Specific developments in the investment funds sector

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



According to data published by AAF, net assets of open-end investment funds (OeIF) stood at a value of aprox. EUR 3.3 billion in October 2023, up compared to the previous month (EUR 3.26 billion).

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

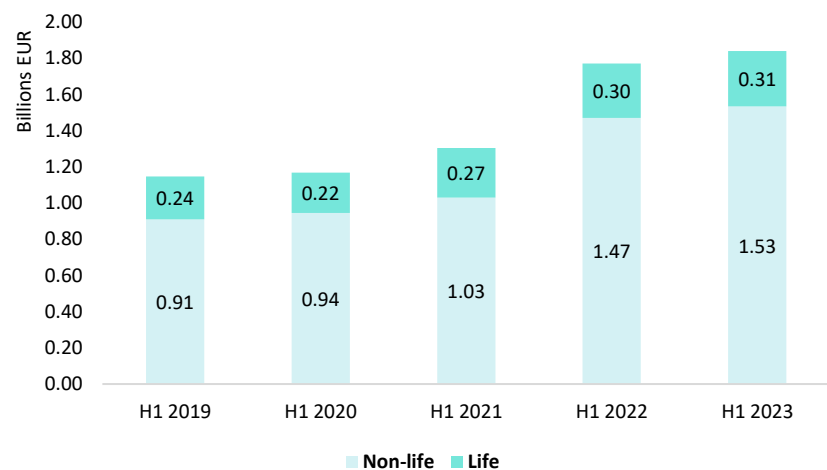


In October 2023, open-end bond and fixed income instruments funds hold the largest share in total net assets of OeIF (around 52%), while the "other funds" category has a market share of approximately 20%.

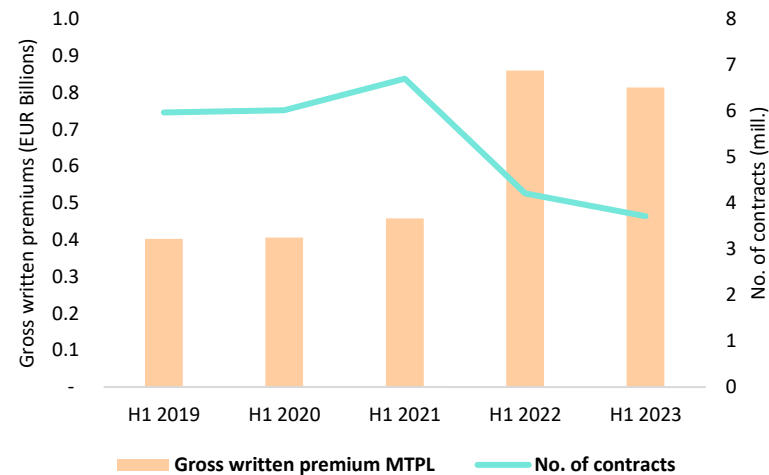
Source: AAF

## Specific developments in the insurance market in Romania

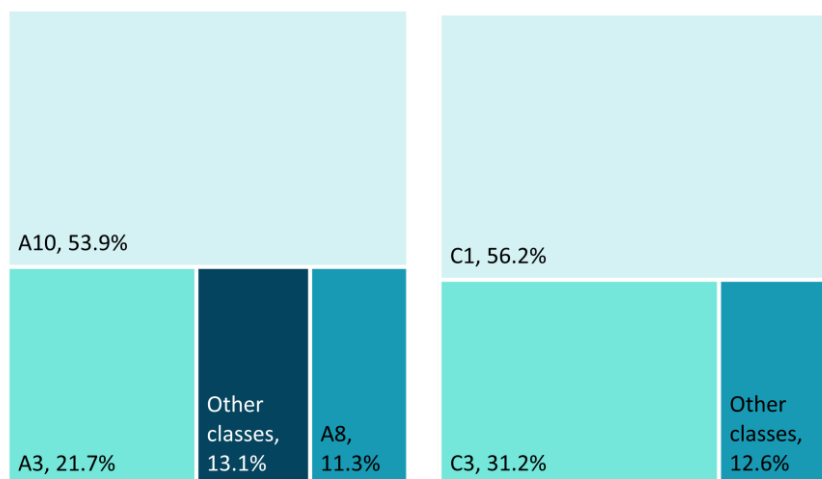
**Gross written premiums (total)**



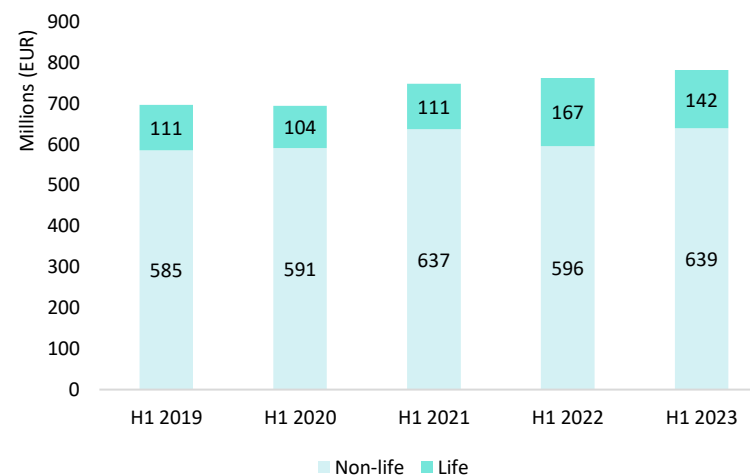
**MTPL gross written premiums**



**Share of main insurance classes by GWP**



**Gross claims paid**

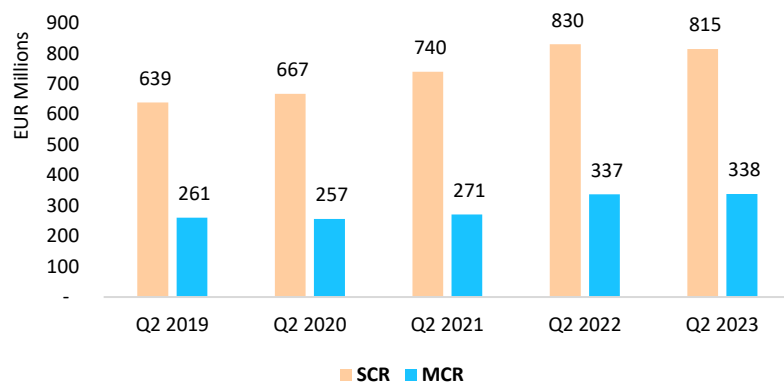


Source: ASF. Incl. Euroins Romania data (Q1 2023)

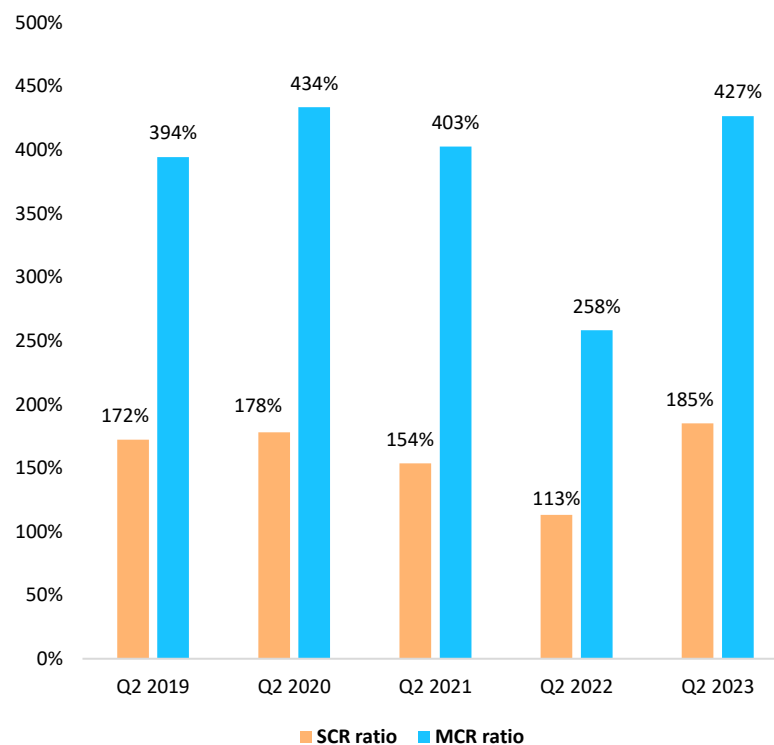


## Specific developments in the insurance market in Romania

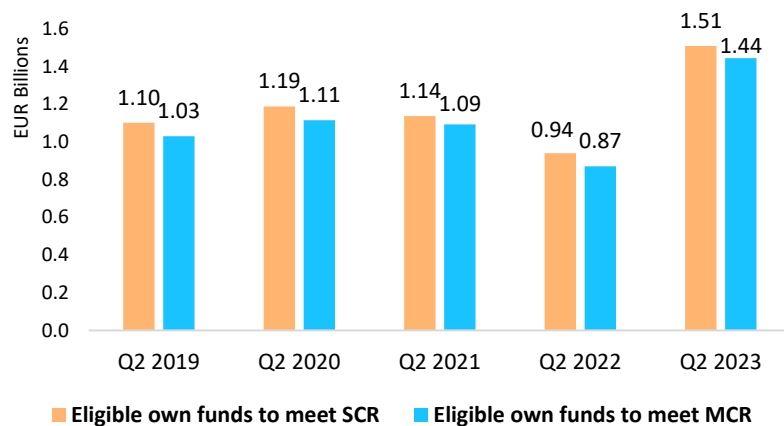
**Evolution of capital requirements (SCR and MCR)**



**SCR and MCR ratio**



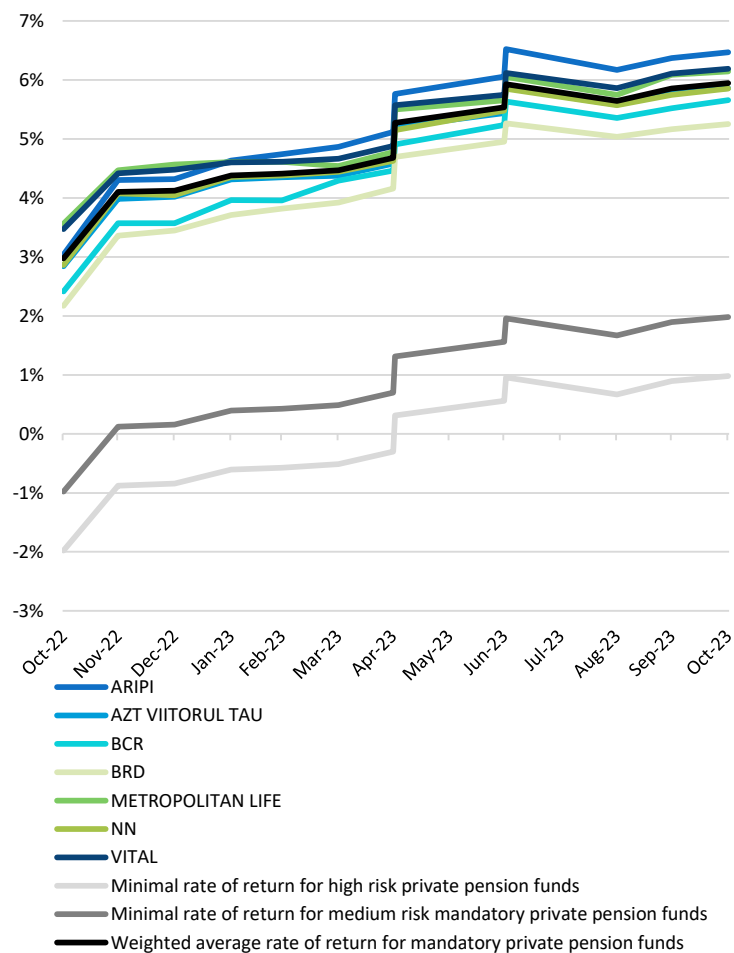
**Total eligible own funds to meet the SCR and total eligible own funds to meet the MCR**



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):

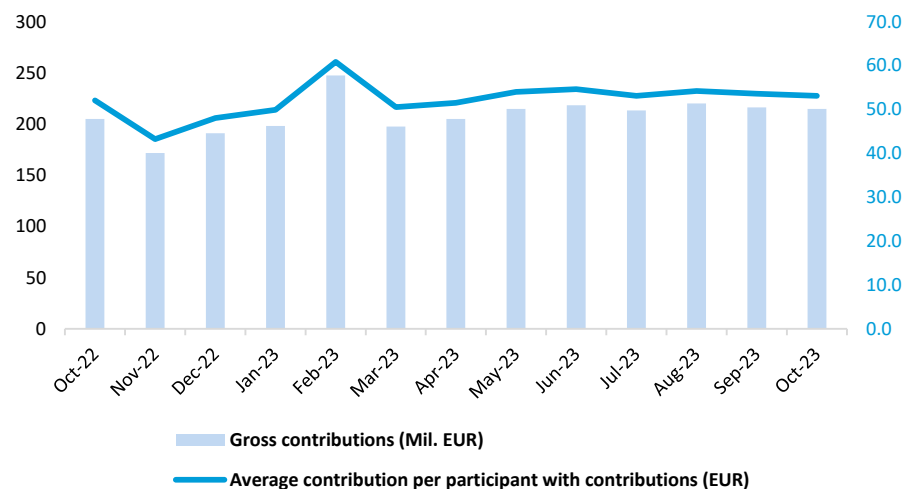
Rate of return for mandatory pension funds



Total assets (EUR), number of participants and return rates **31-Oct-23**

Mandatory pension fund	Total Assets (EUR)	Participants (persons)	Annualized 60 months return rate
ARIP	2,161,156,715	861,641	6.4670%
AZT VIITORUL TAU	5,013,690,162	1,672,646	5.8590%
BCR	1,690,184,354	766,051	5.6572%
BRD	1,025,486,475	553,741	5.2505%
METROPOLITAN LIFE	3,395,853,235	1,117,138	6.1441%
NN	8,092,012,465	2,100,386	5.8536%
VITAL	2,436,576,544	1,025,479	6.1885%
<b>Total</b>	<b>23,814,959,952</b>	<b>8,097,082</b>	

Evolution of gross contributions (EUR)



Source: ASF

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

### Mandatory pensions funds' aggregate portfolio

31 October 2023

Assets categories	Assets value (EUR)	% of Total assets
Government bonds	15,576,925,193	65.4%
Equity	5,496,219,618	23.1%
Corporate bonds	1,255,562,425	5.3%
Deposits	634,717,148	2.7%
Investment funds	600,319,948	2.5%
Supranational bonds	140,867,362	0.6%
Municipal bonds	72,940,962	0.3%
Exchange traded commodities	17,028,871	0.1%
Private equity	15,331,849	0.1%
Derivatives	3,899,187	0.0%
Other assets	1,147,388	0.0%
<b>Total</b>	<b>23,814,959,952</b>	<b>100.0%</b>

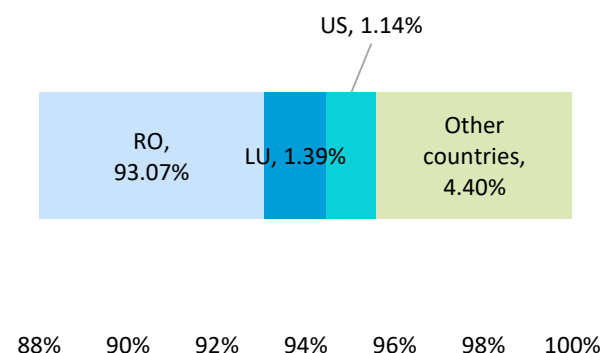
The value of the total assets of the privately managed pension funds reached EUR 23.81 billion at the end of October 2023, with an annual increase of 30.4%, compared to October 2022.

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.

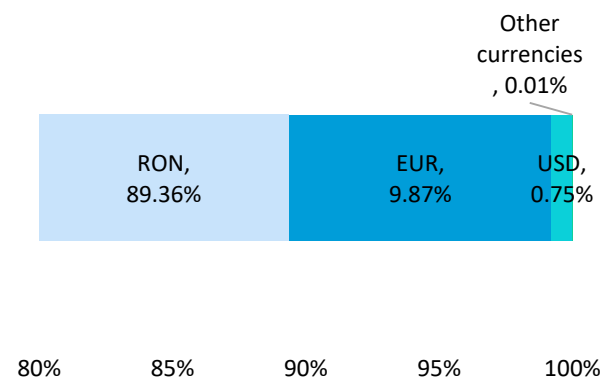
The value of gross contributions was EUR 215 millions, at the end of October 2023, while the average contribution was EUR 53.1.

Source: ASF

### Country exposure

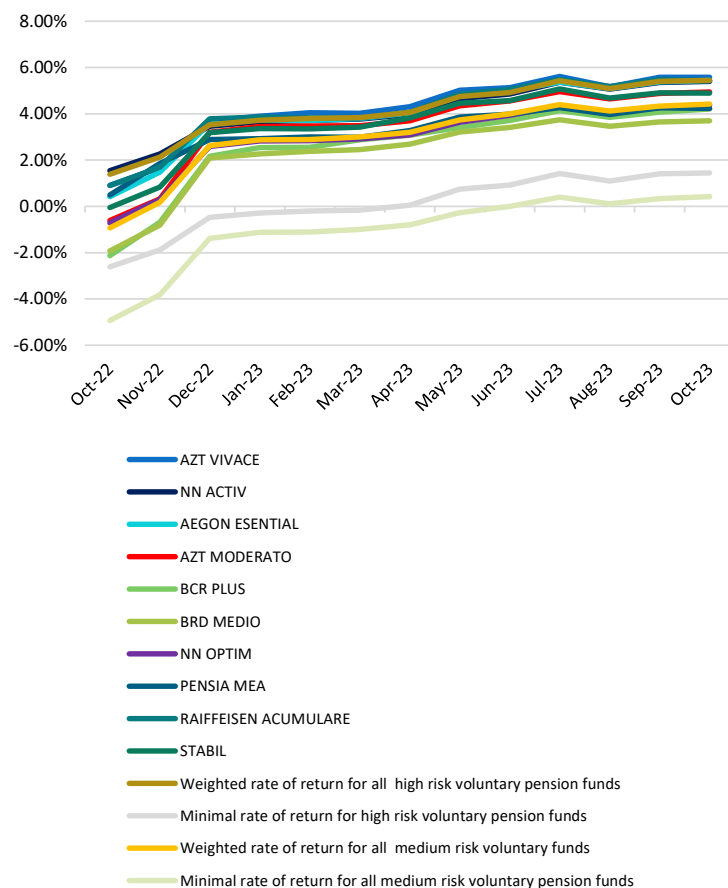


### Currency exposure



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

Rate of return for voluntary pension funds

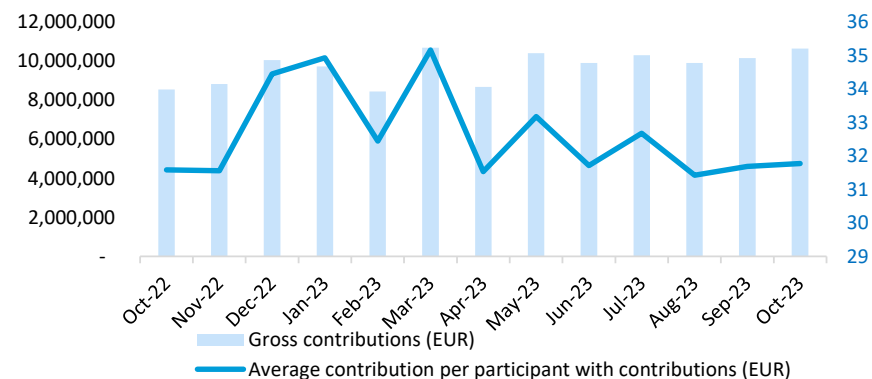


Total assets (EUR), number of participants and return rates

31-Oct-23

Voluntary pension fund	Total assets (EUR)	Participants (persons)	Annualized 60 months return rate
AEGON ESENTIAL	2,863,587	4,040	5.4417%
AZT MODERATO	87,444,422	49,032	4.9417%
AZT VIVACE	30,365,700	21,805	5.5759%
BCR PLUS	142,148,067	148,422	4.2072%
BRD MEDIO	44,101,121	37,615	3.6961%
GENERALI STABIL	8,430,045	5,669	4.8884%
NN ACTIV	109,335,726	70,884	5.4009%
NN OPTIM	390,031,152	250,793	4.3759%
PENSIA MEA	40,247,603	48,139	4.2284%
RAIFFEISEN ACUMULARE	35,832,420	59,155	5.4305%
<b>Total</b>	<b>890,799,845</b>	<b>695,554</b>	

Evolution of gross contributions (EUR)



Source: ASF

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

### Voluntary pensions funds' aggregate portfolio

31 October 2023

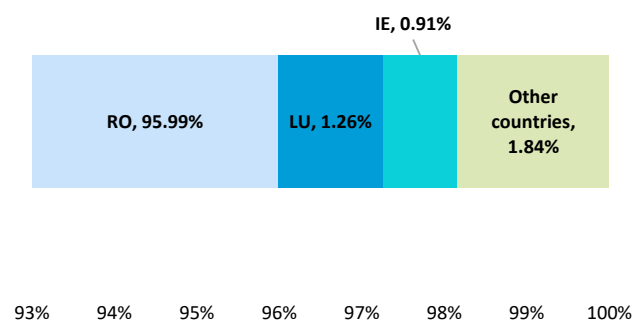
Assets categories	Assets value (EUR)	% of Total assets
Government bonds	586,883,308	65.9%
Equity	221,834,708	24.9%
Corporate bonds	32,440,485	3.6%
Deposits	23,716,096	2.7%
Investment funds	16,639,669	1.9%
Municipal bonds	6,344,210	0.7%
Exchange traded commodities	1,431,275	0.2%
Private equity	1,404,990	0.2%
Supranational bonds	817,945	0.1%
Derivatives	(168,439)	0.0%
Other assets	(544,401)	-0.1%
<b>Total</b>	<b>890,799,845</b>	<b>100.0%</b>

At the end of October 2023, the voluntary pension funds' total assets value was EUR 891 million, with an annual increase of 30.5%, compared to October 2022.

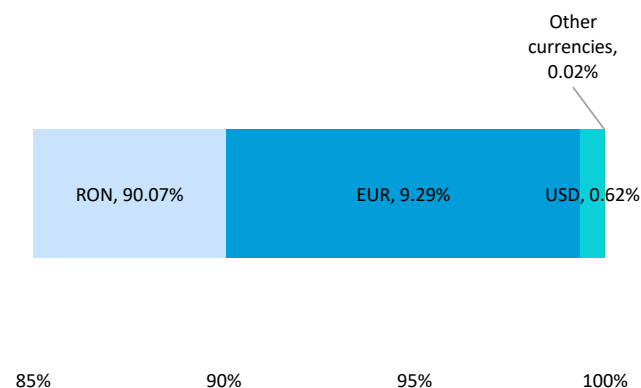
The funds' portfolios were generally invested in local assets, in a percentage of 96%, the majority being denominated in RON (90%).

The value of gross contributions was EUR 10.6 millions at the end of October, while the average contribution was EUR 32.

### Country exposure



### Currency exposure



Source: ASF

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

### ESMA

- [ESMA published an article exploring the use of language related to environmental, social and governance \(ESG\) factors in EU investment fund names and documentation.](#)
- [ESMA published a second consultation package under the Markets in Crypto-Assets Regulation \(MiCA\).](#)
- [ESMA launched a Call for Evidence \(CfE\) on the shortening of the settlement cycle.](#)
- [ESMA published an article on the European sustainable debt market, analysing the existence of an ESG pricing effect \('the Greenium'\) across different types of sustainable-labelled debt instruments.](#)
- [ESMA published two articles on decentralised finance \(DeFi\), one on developments and risks in the EU market and another on a methodology for the categorisation of smart contracts.](#)
- [ESMA published a supervisory briefing on circuit breakers, which provides a comprehensive overview of supervisory expectations regarding the calibration of circuit breakers implemented by trading venues \(TVs\).](#)
- [ESMA performed the first annual assessment based on data collected in 2022.](#)
- [EBA and ESMA published a Consultation Paper on two draft Joint Guidelines covering suitability assessment of members of the management body, and suitability of shareholders and members with qualifying holdings of issuers of asset referenced tokens \(ARTs\) and of crypto-asset service provider \(CASPs\).](#)
- [ESMA published a study on the record surge in prices in European natural gas futures markets in August 2022.](#)
- [The Joint Board of Appeal \("the Board"\) of the European Supervisory Authorities \("ESAs"\) decided that the application for suspension brought by Dubai Commodities Clearing Corporation \("DCCC"\) against the European Securities and Markets Authority \("ESMA"\) is admissible and suspends the ESMA Decision.](#)

	<ul style="list-style-type: none"> <li>• <a href="#">The three European Supervisory Authorities– the European Banking Authority (EBA), European Insurance and Occupational Pensions Authority (EIOPA) and European Securities and Markets Authority (ESMA) (EBA, EIOPA and ESMA – the ESAs) – published their joint criteria on the independence of supervisory authorities.</a></li> <li>• <a href="#">ESMA published an article on the evolution of the European share market structure from 2019 to 2022, following the implementation of the markets in financial instruments directive (MiFID II).</a></li> <li>• <a href="#">ESMA published the new quarterly liquidity assessment of bonds, the data for the quarterly systematic internaliser calculations for equity, equity-like instruments, bonds and for other non-equity instruments under MiFID II and MiFIR.</a></li> </ul>
EIOPA	<ul style="list-style-type: none"> <li>• <a href="#">EIOPA published an updated technical documentation for calculating the risk-free interest rate term structures (RFR).</a></li> <li>• <a href="#">EIOPA published a report on how the current inflationary environment impacts insurers in Europe.</a></li> <li>• <a href="#">EIOPA published technical information on the relevant risk-free interest rate term structures (RFR) with reference to the end of September 2023.</a></li> <li>• <a href="#">EIOPA published the technical information on the symmetric adjustment of the equity capital charge for Solvency II with reference to the end of September 2023.</a></li> <li>• <a href="#">EIOPA launched a public consultation on its Opinion regarding the supervision of captive (re)insurance undertakings, with a particular view on intra-group transactions, the prudent person principle and governance.</a></li> <li>• <a href="#">EIOPA has outlined its strategic priorities for the period 2024 – 2026.</a></li> <li>• <a href="#">EIOPA published its digital strategy further defining its approach to digital transformation as identified in the overall 2023-2026 strategy.</a></li> </ul>
ECB	<ul style="list-style-type: none"> <li>• <a href="#">Eurosysteem proceeds to next phase of digital euro project.</a></li> <li>• <a href="#">Monetary policy decisions.</a></li> </ul>

IMF	<ul style="list-style-type: none"><li>• <a href="#"><u>WEO: Global recovery remains slow, with growing regional divergences and little margin for policy error.</u></a></li></ul>
ESRB	<ul style="list-style-type: none"><li>• <a href="#"><u>At its meeting on 28 September 2023, the General Board of the European Systemic Risk Board (ESRB) concluded that financial stability risks in the EU have remained broadly unchanged since its last meeting in June 2023.</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.