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Daily Report – Romania

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STOCK EXCHANGE

	Close	Daily chg. (%)	Weekly chg. (%)
BET	7,857.52	↓ -0.61	↓ -0.76
BET-TR	11,594.12	↓ -0.60	↓ -0.75
BET-FI	35,786.32	↑ 0.04	↑ 0.64
BET-XT	721.37	↓ -0.49	↓ -0.60
TLV	2.0500	↓ -1.44	↓ -1.20
BRD	12.5000	↓ -1.57	↓ -1.11
FP	0.8880	↓ -0.34	↑ 0.34
SNP	0.3490	↓ -0.29	↓ -1.27
TGN	341.5000	↑ 0.59	↓ -0.73

GOV'T BOND MARKET

Maturity	Yield (%)	Daily chg. (bp)	Weekly chg. (bp)
6 month	2.87	↑ 1.0	↓ -9.0
12 month	2.98	↑ 1.5	↓ -11.0
3 year	3.66	↓ -1.0	↓ -9.5
5 year	4.13	↓ -0.5	↑ 4.5
10 year	4.77	↓ -0.5	↑ 10.5

GOV'T BOND AUCTIONS

	Maturity	Auctions	Sold
Monday	7.1Y	RON 300 mn	RON 357 mn
Thursday	5.3M	RON 300 mn	

MONEY MARKET

	Rate (%/bp)	Daily chg (bp)	Weekly chg (bp)
ON ROBOR	1.70	↑ 3	↓ -84
3M ROBOR	3.06	↑ 1	↓ -12
6M ROBOR	3.26	↑ 1	↓ -6
1Y ROBOR	3.46	→ 0	↓ -4
5Y CDS	93.98	→ 0	↓ -1

FX MARKET

	Rate	Daily chg. (%)	Weekly chg. (%)
EUR/RON	4.7758	↓ -0.02	↑ 0.66
USD/RON	4.2163	↓ -0.37	↑ 0.47
CHF/RON	4.1995	↑ 0.23	↑ 0.58
HUF/RON	0.0152	↑ 0.18	↑ 0.94

Sources: Reuters, OTP Research

Summary

- In January 2019, average net wages increased at a stellar 18.2% YoY growth pace, up from December's 12.5% advance; construction and public sector wages led the growth; vulnerabilities are building up.
- The EUR/RON remained close to 4.78.

Average net wages started the year on a very strong note, reaching RON 2,936 in January. This corresponds to an 18.2% rally compared to the same month of the previous year. In December 2018, net wages added 12.5% YoY. The largest contribution from January's uptick came from skyrocketing wages in the construction sector: 45.0% YoY up from December's 17.2% YoY gain. This extraordinary advance came on the back of new fiscal measures, such as the introduction of a new special minimum wage for the sector, coupled with tax exemptions. Gross wages which, in this case, show better the evolution of labour costs in the sector, rose by 21.8% YoY, much more slowly than net wages (45.0% YoY). We also think that reducing the tax burden, to some extent, contributed to reducing the size of the shadow economy in the construction sector.

The public sector was another key driver of January's stellar growth figure, with average net wages growing by 26.7% YoY, up from 22.1% YoY in December, owing to a new round of salary hikes. It is worth mentioning that, in the past few years, public sector wages have increased much faster than in the private economy. Hence, at this moment, public salaries are 37% higher than in the private sector (around RON 3,700 vs. RON 2,700).

The third important factor behind January's data was another increase in the universal minimum wage. Excluding the impacts coming from the public and construction sectors, average net wages grew by 13.5% YoY in January, up from 9.2% YoY, still a very strong gain.

For February, we expect a slight moderation in the annual dynamics (around -1 pp) but, in any case, double-digit growth paces together with the high and rapidly increasing current account deficit, pro-cyclical fiscal policy, higher-than-expected [inflation](#) and the rather weak structure of [GDP](#) growth, signal that vulnerabilities are building up.

Yesterday the EUR/RON remained at a relatively high level, flirting with the 4.78 threshold. Romania's leu has come again under pressure starting from Tuesday morning, when a NIS report had revealed that annual [inflation](#) broke above the NBR's target range (2.5% +/- 1%). The BET closed in negative territory (-0.6%) yesterday.

Date	PERIOD	INDICATOR	FACT	CONSENSUS	PREVIOUS
13-Mar	Wednesday	January	Net wage growth rate (YoY%)	18.2	12.5
		January	Industrial production (YoY%)	0.7	-0.8
14-Mar	Thursday	January	Industrial trade turnover index (YoY%)	4.3	2.8
		January	Index value of new orders in manufacturing (YoY%)	7.9	4.7
15-Mar	Friday	January	Construction works (YoY%)		-6.5
		January	Turnover of market serv. provided to the population (YoY%)		5.6

Sources: NIS, NBR, Reuters, OTP Research

OTP AM – Investment Funds		12-Mar-19					
Investment funds	ccy	last NAV/U	1m%	Ytd%	52W%		
OTP AvantisRO	RON	10.8002	↑ 2.54	↑ 5.68	↓ -7.42		
OTP Obligatiuni	RON	15.4001	↑ 0.52	↑ 1.19	↑ 2.48		
OTP ComodisRO	RON	17.8850	↑ 0.27	↑ 0.58	↑ 2.75		
OTP Euro Bond	EUR	12.7769	↑ 0.29	↑ 0.70	↓ -0.23		
OTP Dollar Bond	USD	11.1600	↑ 0.32	↑ 0.92	↑ 1.19		
OTP Premium Return	RON	11.4545	↑ 0.50	↑ 2.45	↓ -3.62		
OTP Euro Premium Return	EUR	8.3677	↓ -0.71	↓ -1.58	↓ -14.11		
OTP Global Mix	RON	11.0455	↑ 1.06	↑ 3.36	↓ -6.73		

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