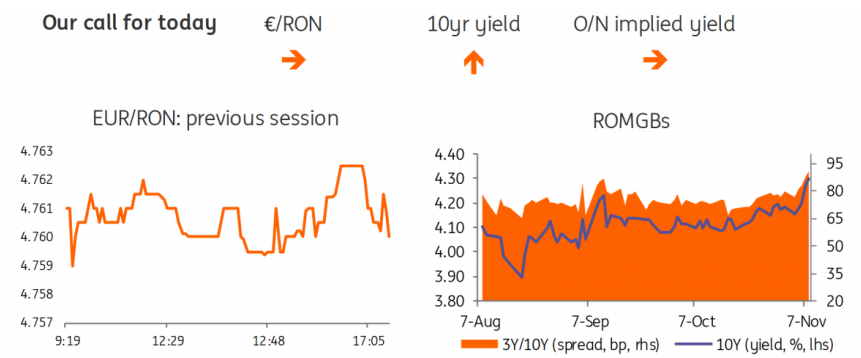
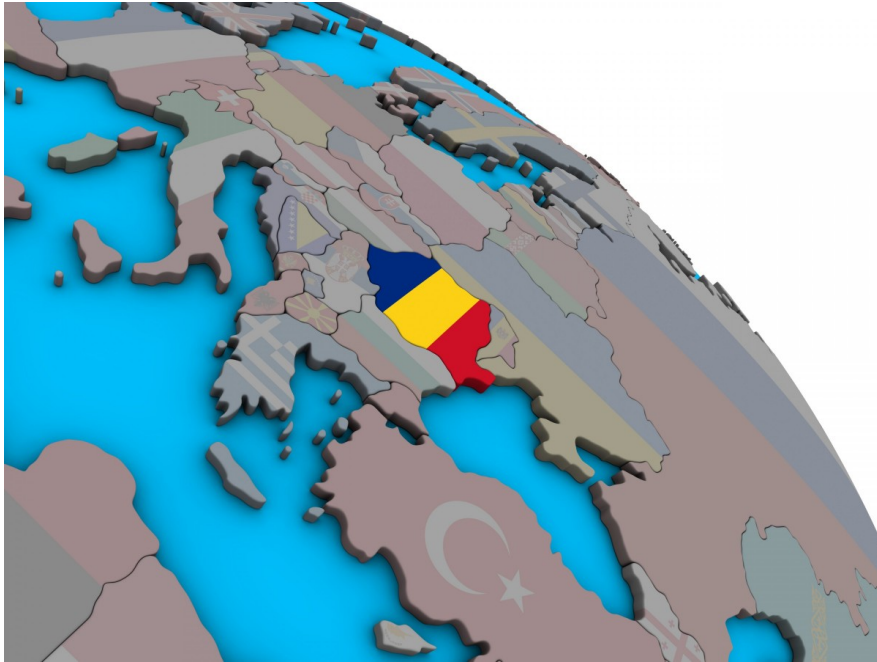


Briefing Romania

2.80% budget deficit at end-October



Source: Refinitiv Datastream

EUR/RON

Recent interest in the FX market cooled down a bit yesterday, with daily turnover still reasonably high but lower than on Wednesday. The EUR/RON traded sideways around 4.7600, where it should remain for today as well. Presidential elections on Sunday are unlikely to bring any excitement to the currency market.

Government bonds

In sync with the regional trend, Romanian government bonds followed a bear steepening pattern yesterday, losing up to 10 basis points at the long end. In this context, the primary auction results might look a touch positive, even though total demand stood at 1.3x for the Aug-2022 and slightly better at 2.0x for Oct-2034. MinFin upsized again to RON529 million (versus the RON500 million target) the Aug-2022 auction, paying an average of 3.55% for it, and to RON227 million for Oct-2034 (versus RON200 million target) for which it paid an average of 4.75%. Again, some pretty aggressive buyer(s) showed up at the long end of the curve.

Romanian President Klaus Iohannis mentioned yesterday that the end-October budget deficit stood at RON29 billion, or around 2.80% of GDP. This is slightly worse than we expected, as October is normally a month with above-average budget revenues, hence the budget deficit should have remained roughly at the same level of 2.60% of GDP as in September. Considering this, our 3.4% budget deficit forecast for 2019 looks realistic enough, though risks are skewed to the upside as November and December are usually months when government spending accelerates. All considered, this deficit offers a good explanation for MinFin's recent predisposition to upsize the allocation at the primary auctions.

Money market

In contrast to the aforementioned developments, the money market remains very stable these days, with rates well anchored around 2.50%. It will probably be so for the rest of this reserve period.

EUR/RON forecasts (eop)

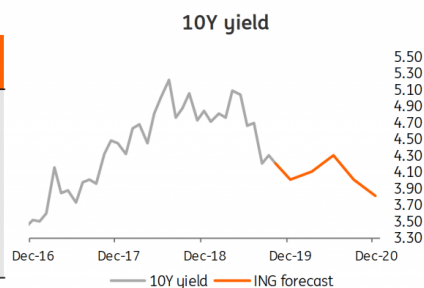
	4Q19	1Q20	2Q20	3Q20	4Q20
ING forecast	4.80	4.82	4.82	4.84	4.85
FX Forward	4.77	4.81	4.85	4.89	4.94

Market radar

	Spot	1D	%Ch 1W	1M
EUR/RON	4.7600	0.0	0.1	0.3
EUR/PLN	4.2604	-0.2	0.0	-1.4
EUR/HUF	332.80	0.2	1.3	-0.4
EUR/CZK	25.530	0.0	0.1	-1.1
RO 5Y CDS*	90.2	0.0	0.0	-0.8
ROBOR O/N*	2.48	-1	-21	-1
ROBOR 3M*	2.96	-2	-3	-11

*change in basis points; **US\$ (data as at 06:25 GMT)

Source: Refinitiv Datastream, ING estimates



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