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### NEW DATA. TRENDS AND EXPECTATIONS

During the work week that is about to end, a lot of new economic data has been released by the National Institute of Statistics and the National Bank.

On Monday, the Board of the National Bank of Romania decided to keep the monetary policy rate at 7% as well as the lending facility rate (8%) and deposit facility rate (6%). This decision came in line with our expectations presented in the previous report as well, the main reason for this decision being the need of a clear confirmation that the inflation rate is on a downtrend after an increase at the beginning of the year.

On Tuesday, the National Institute of Statistics released the data for the inflation, when the confirmation came. The inflation rate decreased to 5.9% and 6.3% (HICP). The annual inflation rate is expected to remain on a downward trend, but the pace will decelerate. The result of the decrease came from the food segment and a bit less from non-food products and services. The exogenous components of the consumption basket will have a relatively constant contribution to the total inflation by the end of the current year. For the moment, we hold out estimations expressed for the year-end at around 5.1%. We will continue to monitor the market conditions.

On Wednesday, the data for the GDP growth was released. The GDP growth for Q1 increased by 0.1% compared with the same quarter of last year and by 0.5% compared with Q4 2023. This came more as a negative surprise for the market as most analysts expected a higher value. Our estimations were around 1.4% for the first quarter. During the following weeks the data that is scheduled to be released by the National Institute of Statistics will tell us what sectors had most of the influence on the result. What we know so far is that private consumption, an important driver for the growth, is still on an upward trend while the industrial sector is on a downtrend. The economic sentiment indicator points towards an increase in the trend for the months to come.

New data also came for the labour market that witnessed notable changes in average earnings, reflecting broader economic trends and sector specific developments. According to recent data released this week, the average gross earnings across the total economy amounted to RON 8,502, marking an increase of RON 512, or 6.4% compared to February 2024. This upward trajectory was mirrored in the net earnings, which rose by RON 309 or 6.3%, reaching RON 5,185. The distribution of earnings across different sectors highlighted significant disparities. The highest average net earnings were recorded in the manufacture of tobacco products (13250 Ron) while the lowest earnings were observed in the manufacture of wearing apparel (2779 Ron). The figures underscore the varying economic conditions and profitability within different sectors.

A year-over-year comparison reveals a substantial growth in average net earnings, which has increased by 13.9% from March of the previous year. This rise in earnings outpaced inflation, as evidenced by the real earnings index. The real earnings index, which adjusts nominal earnings for changes in consumer prices, stood at 106.8% in March 2024 compared to March 2023. This indicates that real wages have increased, providing employees with greater purchasing power.

Next week, new data will be released related to: Construction works, Job vacancies, Turnover of services rendered mainly to enterprises and wholesale turnover.



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” National Bank holds steady on the rates. Inflation down, Earnings Up. GDP growth rate slows down. Mixed signals in a week full of new economic data releases.