ERSTE GROUP

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# Romania – Patter of recovery

## Economy gathering momentum

## Industry revving its engine on sustainable demand

## Construction still on treacherous ground

## Inflation came under pressure

## New precautionary stand-by arrangement with IMF and EU

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## Summary:

- **Private investment should be at the core of economic growth, while private consumption is likely to keep a lower profile in 2011. Romania is likely to advance by around 2% but do not rule out the chances of the economy growing a little more quickly, if FDIs see a faster recovery and the government presses ahead with the infrastructure project in the second half of the year.**

- **Motor vehicles and trailers, IT electronics and optics, electric equipment, machines and equipment and metallurgy were the main contributors to exports growth in 2010; although Romanian exports overtook those at pre-crisis levels by around 10%, exports penetration in Romania is by far the lowest, compared to some of the peer countries in the region.**

- **Construction is still on shaky ground; the government has cleared the decks for the long-delayed infrastructure projects that are likely to be launched in the second half of this year, but it remains to be seen how they will manage to keep these projects on track in the medium term, as long as multiannual budgeting is still in an early stage and bearing in mind that, more often than not, objectives change when a new government coalition takes office; there is a strong need for the prioritization of high impact projects on the local economy**

- **Retail sales sapped by high inflation; consumer confidence strengthened somewhat but remains way below pre-crisis levels; we are a little more cautious than local managers about retail sales trends in the next three months, as prices are likely to firm up and this, coupled with a feeble outlook for personal incomes, could weigh pretty heavily on many retail businesses**

- **After assessing the impact of recent political developments in the Middle East and North Africa on the inflation rate, we have decided to revise upwards our forecast for end-2011 to above 5%; inflation expectations reached a 3-year high in March and are likely to remain pretty much deteriorated in the months to come.**

- **The Executive Board of the IMF recently green-lighted a new 24-month precautionary stand-by arrangement with Romania worth EUR 3.5bn, which came into effect on March 31, 2011; the European Union will provide precautionary support of EUR 1.4bn, while the World Bank will offer a loan worth EUR 0.4bn; the new deal is expected to boost foreign investor confidence amid the pretty distressed international context**

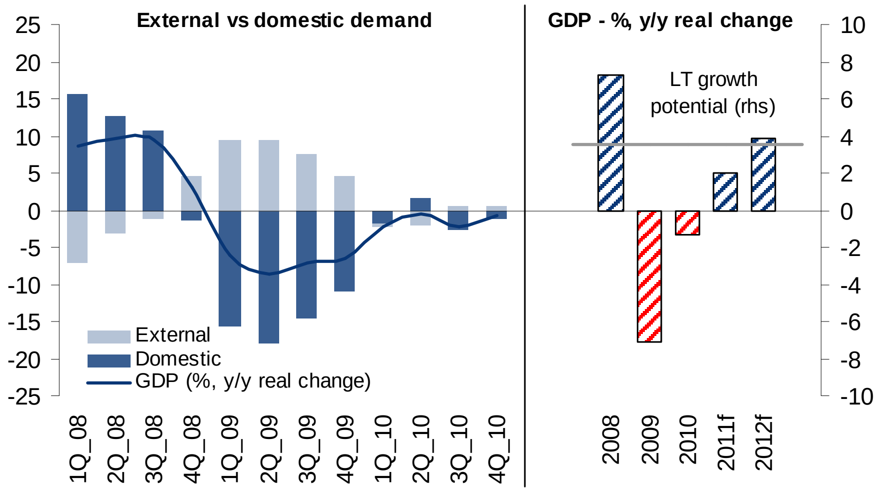
## Romania likely to ease out of recession in 2011

The economy poked its head into positive territory in 4Q10 (+0.1% q/q), helped mainly by external demand, which pushed exports up to record levels. Gross fixed capital formation nudged up 0.5% q/q, following higher investment rates in industry and construction. The severe austerity package implemented by the government last summer continued to weigh on household consumption (-0.8% q/q), while the government continued to cut expenditures, which shrank by 5.5% q/q.

On annual terms, the economy moderated its fall significantly (-0.6% y/y), and the higher contribution of the last quarter to overall GDP formation made the local economy contract by only 1.3%, compared to the market estimates of around -2%. Industry beat all expectations in 4Q10 and picked up 5.8% y/y, strongly underpinned by solid external demand, but also by the further recovery of domestic new orders. Construction as well as trade & services continued to smother the chances for an economic recovery, and it is important to mention that overall market sentiment edged higher. Agriculture has never ceased to surprise us, this time to the upside. It advanced by a pretty strong 7.4% y/y in 4Q10 and thus offset somewhat the negative trends seen in the first nine months of the year. It remains, however, the most erratic and hence difficult to forecast contributor to GDP formation which can bring either a ray of sunshine or create a cloudy outlook for the economy.

As mentioned in the previous report, Romania basically remains a consumption driven economy and net exports can only have limited positive impact on economic growth at this stage of development. Changing the economic growth pattern is not an easy task and this usually occurs gradually, as the country gains critical mass in terms of investments and productivity gains that will enable it to rely more on exports.

**GDP development**



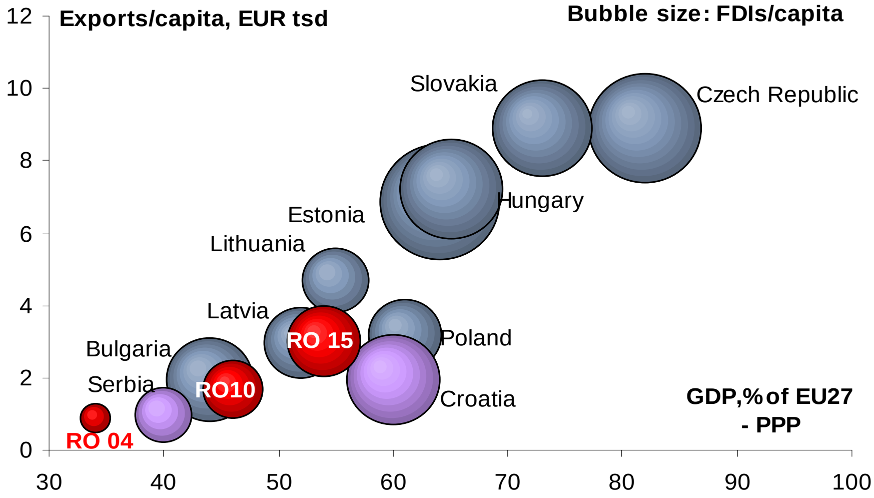

Source: BCR Research, NIS

The simple fact that consumption prevails over investments and exports when it comes to economic growth is not something to be blamed, instead the blame should be laid on the country's chronic lack of capacity to generate consumption goods locally, without having to borrow from abroad. That is why the recovery is progressing in small steps in Romania, but it will probably be much more sustainable than before. Romania will reach its long-term potential in the next two years, but meanwhile it will have to further slash its fiscal deficit to more sustainable levels, while seeking to channel as much of its public funds towards viable projects capable of generating more value added in terms of economic growth.

It is important, however, to mention that, despite the comparatively higher growth rate of exports volume over imports (+13.1% vs. 11.6%), the overall impact of net exports on GDP formation was slightly negative in 2010. To put it differently, Romanian exports lost ground compared to the export activity of its foreign partners in terms of productivity. That is why Romania should make further efforts to attract FDIs in the years to come, since this is the only way of catching up with our regional peers and getting closer to Eurozone standards.

Romania attracted only EUR 2.6bn in FDIs in 2010, which is almost three times less than Poland, a country that is 'more' comparable with us in terms of labor productivity. Except for Bulgaria, Romania indeed remains the cheapest country in EU in terms of labor costs relative to average productivity gains, but being 'relatively' cheaper is not everything. There are also other key ingredients, such as infrastructure, labor market efficiency, innovation that could stir up foreign investor interest in choosing Romania as a preferred business location, at least in this region.

**FDIs to support catching-up with peer countries in the region**




Source: BCR Research, NIS

This becomes increasingly important as the business environment is changing fast, and resources will no longer be close at hand like in the past. Under the new global context, reverting to previous high levels of external imbalance is far-fetched as is the chance of Romania to grow at similar rates as in pre-crisis. We expect the current account deficit/GDP to hover at an average of 4-5% in the medium term, and this trend should be backed by an increasing absorption of EU funds that will partially substitute the reduced foreign funding that once used to come thick and fast.

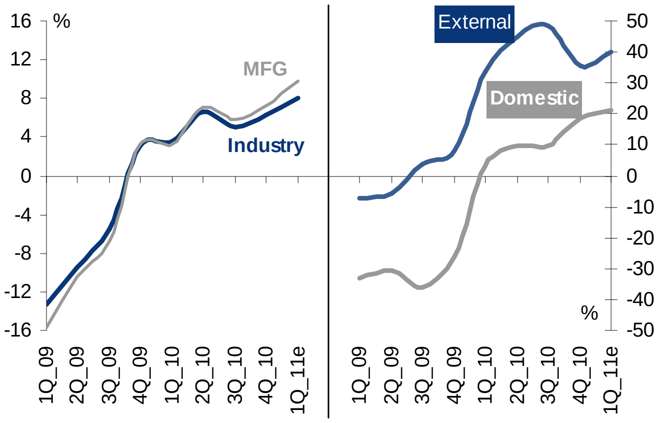
Private investment should be at the core of economic growth, while private consumption is likely to maintain a lower profile in 2011. We now see Romania advancing by around 2% this year, but do not rule out the chances of the economy growing a little quicker, if FDIs see a faster recovery and the government presses ahead with the infrastructure project in the second half of the year. After falling by an aggregate 15% in the last two years, agriculture could turn in a positive surprise, while officials from the Ministry of Agriculture look pretty confident that production will be on the rise in 2011. In a moderately optimistic scenario, this could push economic growth up by another 0.3-0.5pp, compared to our base-line GDP.

### Industry revving its engine on sustainable demand

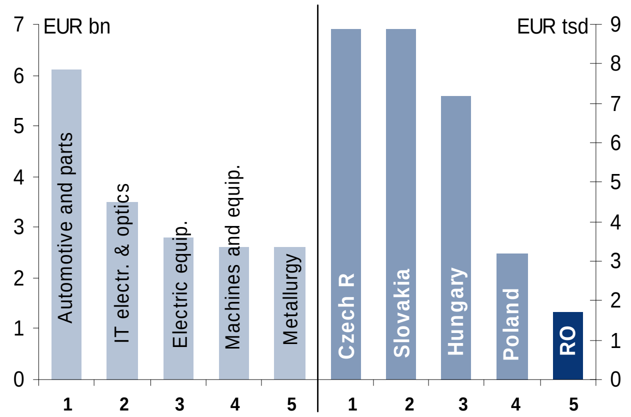
As a prominent figure once said, industry remains the soul of business and the key to prosperity. Indeed, industry has demonstrated its capacity to rebound much faster than other economic areas, thanks to external demand, both EU and non-EU. Positive trends in manufacturing pushed exports up staggering 28% y/y in 2010 and, starting with 3Q10, exports outside the EU grew faster than their European counterparts. Domestic demand continued to consolidate in positive territory, boosting some industries, such as durables and consumer goods, which usually rely more on the domestic market.

Motor vehicles and trailers, IT electronics and optics, electric equipment, machines and equipment and metallurgy were the main contributors to exports growth in 2010, as in the pre-crisis period. Actually, their combined share of total exports extended to 47% last year, from 42% in 2008 and thus overall Romanian exports managed to surpass pre-crisis levels by around 10%. Even though metallurgy has not fully recovered, the exports of this industry amounted to EUR 2.6bn (~7% of total exports). Despite the progress made in the recent years, exports penetration in Romania is by far the lowest, compared to some of the peer countries in the region. Productivity gains in industry made a nice recovery in 2010, advancing by 17%, but even so, Romania has a lot of catching up to do and additional FDIs are instrumental in achieving this objective.

**Industry / New orders – %, y/y ch.** (left/right)




**Top 5 exporting ind. / Exports per capita** (left/right)




Source: BCR Research, NIS

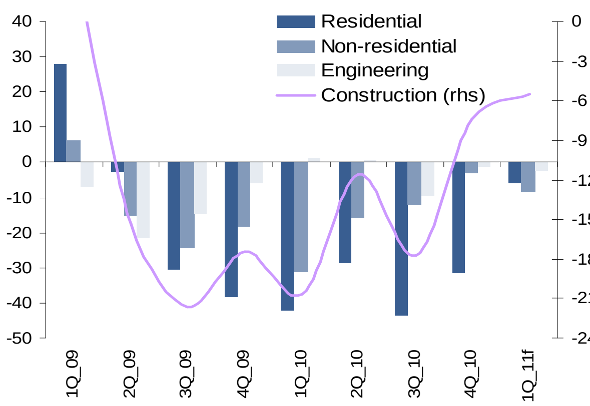
Manufacturing is expected to go up during March and May 2011, according to local managers, while payrolls will remain relatively stable. Some activities such as metallurgy, other means of transport, chemical industry may still report declines in payrolls which could be a sign that the private sector is still restructuring. On the exports side, the only cloud on the horizon is the possibility of a temporary shutdown of local car maker production (two weeks), due to some delays in receiving the necessary parts from their Japanese suppliers. This is likely to put a damper on car exports, which roughly account for 12%, including spare parts.

### Construction still on treacherous ground in 2011

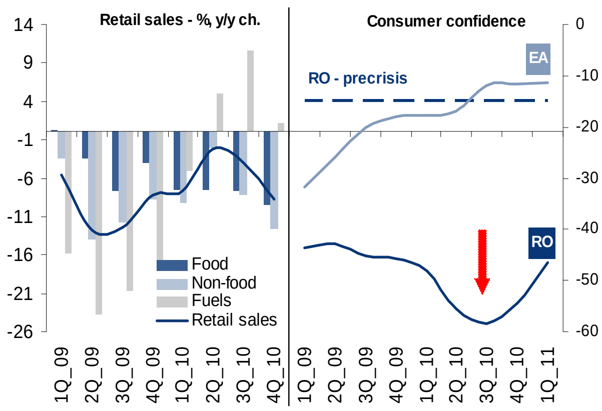
It becomes increasingly obvious that construction has bottomed out, but at the same time recovery is not quite in sight. A new government-backed mortgage scheme ‘Prima casa’ prevented – up to a point – the local economy from falling further in 2009 and 2010, while the positive impact on the economy has been estimated at 0.2-0.4pp of GDP. Although we are rather skeptical about the rebound of the residential sector in 2011, despite all good intentions, we cannot completely rule out a possible ease into the positive territory, due mainly to a positive base effect.

Local managers expect construction to increase over the next few months, against a background of stable payrolls. However, the slightly improved outlook comes with higher prices and this is not good, at least as long as this sector is still pretty much depressed. The government has cleared the decks for long-delayed infrastructure projects that are likely to be launched in the second half of this year. It remains to be seen how the government will manage to keep these projects on track in the medium term, as long as multiannual budgeting remains just a concept and bearing in mind that objectives often change when a new government coalition takes office. We still see a higher potential for recovery on the commercial side of construction once the investment process resumes.

**Construction - %, y/y change**




**Retail sales / Consumer confidence** (left/right)




Source: BCR Research, NIS

**Retail sales outlook overshadowed by the persistence of high inflation.**

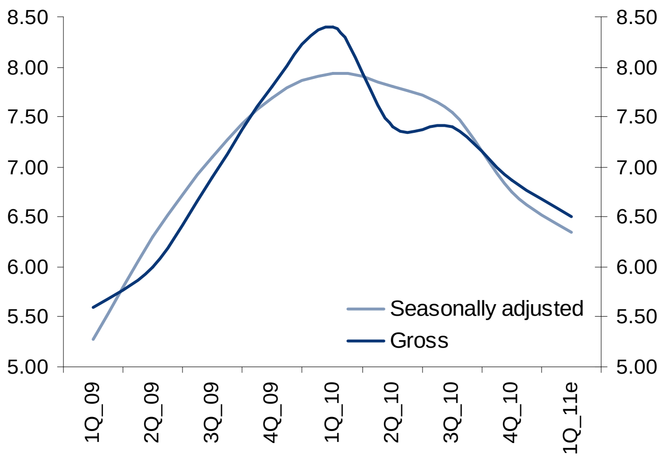
Consumer confidence strengthened somewhat, but remains way below pre-crisis levels. After the significant wage cuts foisted on public servants last year as part of the austerity program, consumers are still fazed, even though the government raised the base salary in the public sector by up to 15% as of January 2011. The retail sales trend may have not been so negative if VAT had not been hiked to 24%, from 19% in last July, and, unlike the wage cuts, this move will not be reversed, as some might have expected.

The chart above is illustrative of how retail sales continued to sink in 4Q10, despite the fact that consumer confidence was nudging up. Average inflation quickened to 7.9% in 4Q10, while food prices reported the steepest increase during October-December 2010. Unlike local managers, who expect relatively stable retail sales over the next three months, we are a little more cautious inasmuch as the price level, even that predicted by the managers in the survey, will be on the rise and this, coupled with a feeble outlook for personal income, could weigh pretty heavily on many retail businesses.

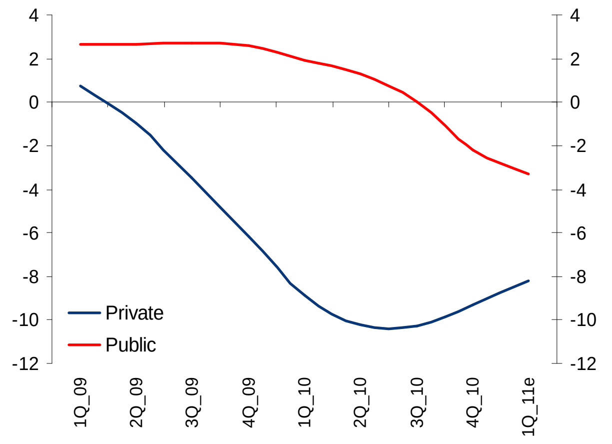
**Payrolls shrank, and so did registered unemployment.**

This has been quirky for quite some time now, but the mystery of this unnatural trend is now uncovered, although officials from the Employment Agency did not make any comments. The registered unemployment tends to become increasingly meaningless as long as it continues to decline while payrolls continue to shrink. The registered unemployment rate shed more than 2pp in the last 12 months, reaching 6.6% in February 2011. It seems, however, that the decline was the result of a section of the unemployed – no longer receiving unemployment compensation – refusing to apply for new jobs. Thus, an estimated 570tsd unemployed people were no longer registered with the local employment agencies by the end of 2010, but neither did they find a job. According to the official figures, the number of registered unemployed fell to around 600tsd as of end-February, from a high of 765tsd in March 2010.

**Registered unemployment**




**Payrolls development - %, y/y ch. 12m mov. avg.**




Source: ANOFM, NIS, BCR Research

The overall number of employees declined by almost 8% on average in 2010 as the economy, mainly the private segment, continued to restructure. Manufacturing continued to thin its payrolls (-11% compared to 2009), while most notable decreases were seen in printing & reproduction of recorded media, repair & maintenance, other means of transport, paper & paper products, beverages and oil processing. There were only two industries within manufacturing that took on new staff – automotive, trailers and parts and leather & footwear. Also, the austerity program launched by the government in mid-2010 aimed at restoring the fiscal balance and trimming public expenditures and personal expenditures, in particular, brought about a significant reduction in the number of public servants, estimated at around 76tsd according to government sources. Rightsizing is expected to continue in the public sector, as the fiscal consolidation process is not even half way through, but no official target for public employees in 2011 has so far been revealed.

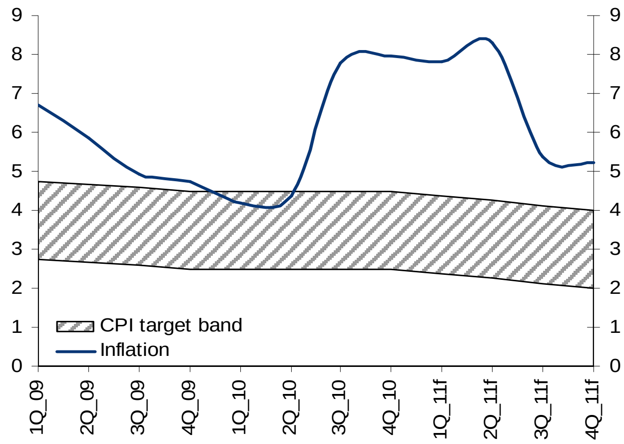
The latest survey shows that local managers expect a certain stabilization of the labor market, and that the adoption of the new labor code, which is intended to increase workforce flexibility, could create more favorable conditions for overall employment, while enlarging the contributor base to the ailing social-assistance scheme. The registered unemployment rate is likely to decline further in the next months and we expect it to stand at around 6-6.5% in December 2011.

### Inflation picked up in early 2011, likely to drop back in 2H11.

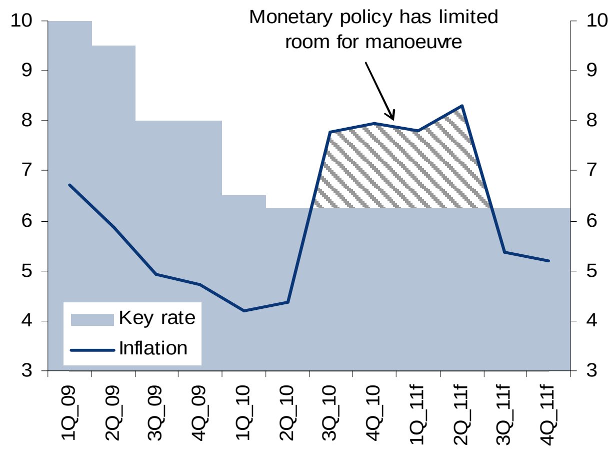
The overall outlook for inflation remains pretty uncertain, following the recent adverse developments in the international prices of food and oil. Recent unrest in Libya has brought oil prices to the highest level since 2008, reinforcing the existing upward trend. Romania is perhaps more sensitive to inflation nowadays than its CEE peers, after it faced a strong VAT hike last summer and the derived second-round effects that are still lurking around. The prices of fuels and food products grew significantly in Romania in the last nine months, by 13% and 10%, respectively. This is quite something, as they both hold more than 40% of the total CPI basket. Recently, officials from NBR announced that the central bank would revise up the 2011 inflation forecast, currently set at 3.6%, since inflation pressures do not recede, but did not unveil what the new figure would be (the new CPI forecast will most likely be released in the next inflation report scheduled for May).

We expect inflation to remain outside the central bank's targeted range throughout this year (3%±1pp), although it will slow down significantly in the second half of this year helped mainly by a positive base effect after the VAT hike in last July. It is important to mention that most risks surrounding the inflation forecast are outside the central bank's reach, which is why it is difficult to deal with them.  After assessing the impact of the recent political developments in the Middle East and North Africa on the inflation rate, we have decided to revise upwards our forecast for the end-2011 figure to more than 5%. Inflation expectations in the public sector reached a 3-year high in March and are likely to remain elevated in the months to come. Moreover, the absence of a clear and transparent administered price liberalization agenda, for energy prices in particular, as well as a chronic supply-demand gap of some agricultural products and the erratic behavior of agriculture are upside risks that most often overshadow the overall inflation outlook in Romania.

**Headline inflation**




**Key rate and inflation**




Source: NIS, BCR Research

### IMF and EU point to price liberalization in energy

Further liberalization of energy prices (i.e. natural gas and electricity) should be carefully balanced against Romania returning to a reasonable economic growth rate, which should be in the vicinity of its long-term potential, estimated at around 3.5%. The share of natural gas and electricity in the total CPI basket is by far the highest in Romania, compared to, for instance, the Eurozone (8.7% vs. 3.9%) according to Eurostat and the impact of any percentage point hike in energy prices on inflation is more than two times higher in Romania than in the Eurozone. A phased process and a clear-cut and transparent agenda of energy price liberalization for Romania should be agreed upon with the IMF in the next period, so that the process could be carried through over the next years with as little 'damage' as possible. Otherwise, Romania will continue to be perceived as a country constantly struggling to fight inflation but not in a sensible way, while the central bank will be limited in its efforts to anchor inflationary expectations and bring interest rates down further.

## Monetary policy – further easing thwarted by grim inflation outlook

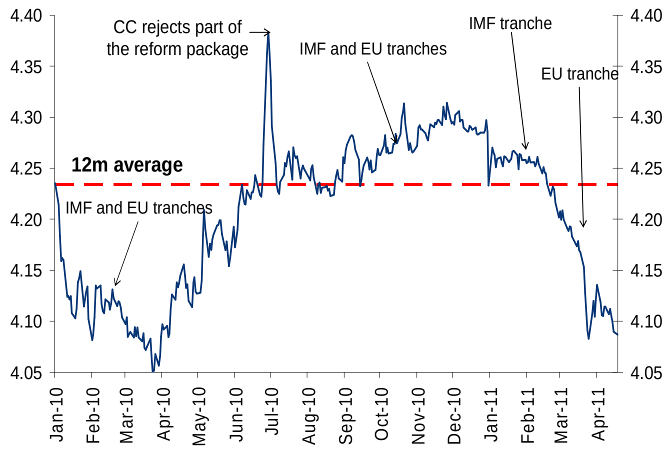
Without backtracking on our previous forecast, we have to admit that the chances of key interest rates cuts this year dwindled considerably with inflation heating up. Although we expect inflation to remain mostly supply-driven throughout this year, it seems that for the time being we have reached a point where any attempt to cut the key rate even by a slight 0.25bp could be seen as a way of disregarding inflation on the part of central bank. On the other hand, the road to recovery will be difficult as long as Romania is in the middle of a tough fiscal consolidation program, which basically means slashing further expenditures, especially personnel ones in a public sector where the number of employees accounts for almost 30% of the official payrolls. Romania must therefore weigh carefully the 'urge' to give extra-support to economic growth in a pre-election year against the scarceness of public finance and the country's capacity to put the money to the best use.

The central bank has kept the key rate on hold at 6.25% since May 2010, but decided in late March to cut the mandatory reserve ratio on FX liabilities with residual maturities of up to two years down to 20% from 25% and we saw this as an attempt to prop up economic growth. Besides the same upside risks to the inflation outlook we have already identified, the central bank reiterated that real non-government lending is in negative territory, as are other leading indicators of domestic demand. Following the recent reduction in mandatory reserves, local banks will have the opportunity to use the FX liquidity surplus for the co-financing of long-term public investments projects or for buying FX-denominated bonds issued by the Ministry of Finance. The central bank has oftentimes sent out the message that FX reserves, currently standing at EUR 32bn, are excessive and relinquished the last EUR 1bn tranche from IMF under the recently completed agreement. Having in view the recent adverse trends in inflation, the central bank could decide to keep the key rate unchanged at 6.25% in the remainder of 2011.

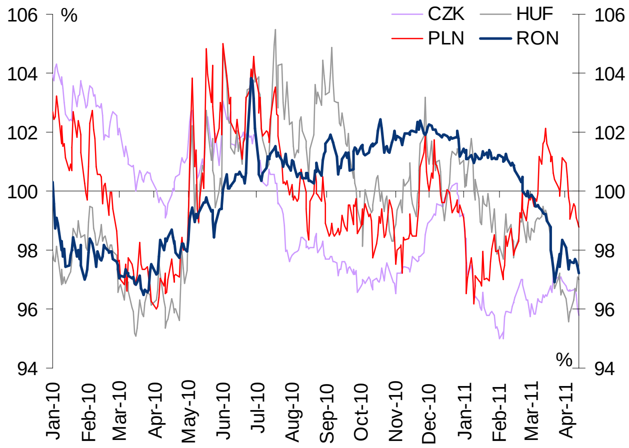
## Leu has strengthened lately despite fragile global context

The leu seems to cruise along impervious to the distressing train of events that started with social unrest in several countries in Africa and the Middle East and culminating with the tragic news from Japan. However, the very rapid appreciation of the leu below 4.1 has not been paralleled by visible improvement in the investor sentiment towards the region. What is more, Fitch has put Romania on hold for the time being and sees risk in the area of fiscal consolidation. It is true that some macro indicators for January or February, such as industry, the improved figure of the trade deficit, or perhaps the anticipations that the country is gradually getting out recession may have pulled the leu away from its regional peers, but in any case, the appreciation came in pretty fast.

**Leu development in 2010**




**Peer currencies in the region: 2010 avg.=100%**




Source: Reuters, BCR Research

The NBR deputy governor and an adviser to the NBR governor made some public statements in late March and suggested that further appreciation is possible. At that time, they said that 4.15 was very much in line with the economic fundamentals and was based on market conditions. The central bank remains preoccupied with excessive volatility of the national currency, should this emerge. The news flow from the IMF and EU side has been positive lately, while the EU disbursed the final tranche of EUR 1.2bn to the MinFin as part of the multilateral financial assistance package that ended in March. The new precautionary deal with IMF that was recently rubber stamped may create a positive outlook for the leu in the short term and we now see the 4 -4.2 range for EURRON as more realistic against a current international backdrop where emotions are sometimes running high and where sentiment could change overnight. The central bank will continue its managed floating regime to prevent high volatility in the period ahead, while developments of the local currency remain largely correlated with the way public reforms are further implemented in Romania and above all with investor perception about the progress of the fiscal consolidation program.

### New precautionary stand-by arrangement with IMF and EU

The Executive Board of the IMF recently green-lighted a new 24-month precautionary stand-by arrangement with Romania worth EUR 3.6bn, which came into effect on March 31, 2011. The European Union will provide precautionary support of EUR 1.4bn, while the World Bank will offer a loan worth EUR 0.4bn. The IMF considers that economic prospects are looking much better now and that Romania will achieve economic growth of around 1.5-2% in 2011 and 4% in 2012. Supported by continuing fiscal consolidation efforts and also by economic growth, the budget deficit will decline to 3% of GDP in 2012. The new stand-by arrangement will focus on reducing domestic arrears, reforming the public health system, improving regulation, governance and pricing at state-owned enterprises (particularly in energy and transport sectors) and reactivating the privatization program. An improvement in the absorption of EU funds will also play a central role in the future.

### Romania rating on hold for now – Fitch

Fitch Ratings has acknowledged the progress made by Romania in terms of enforcing the reforms asked for by the IMF and EU over the last year, but sees risks in the area of fiscal consolidation, which will keep its sovereign rating below investment grade for now. The main risk, according to Fitch, is that fiscal consolidation will not happen as quickly as planned, while other risks include a potential slowdown in policy reform and the status of Romania’s external finances. Regarding future actions, Fitch will look to see how things develop this year. Fitch and Standard & Poor’s rate Romania at BB+, while Moody’s rates it at Baa3 (investment grade) with a stable outlook. In our view, this implies that a rating upgrade is possible in 2012 at the earliest. Although there are some risks for populist measures in a pre-election year, the new agreement with the IMF/EU is a safety belt in this respect.

Moreover, Romania’s external financial indicators have improved significantly over the last two years. The C/A deficit adjusted to 4.2% of GDP in 2010, from as high as 11.6% in 2008. The central bank’s FX reserves increased to EUR 32bn and now cover almost nine months of imports of goods and services and short-term private external debt decreased. Fiscal consolidation efforts are bearing fruit at present and the budget deficit is expected to decline to around 5% of GDP in 2011 (Eurostat methodology), from 8.6% of GDP in 2009. A regaining of the investment grade status in 2012 would boost FDI inflows to more than EUR 5bn per year and enable a pickup of economic growth.

### Political stability – keystone of a successful reform

Romania has yet to push ahead with reform in the public sector, which currently is only half-way through. As we have repeatedly mentioned, foreign investors, analysts and rating agencies are mostly impressed by results rather the promises. Romania has lately demonstrated that it can stick to its promises and managed to see through the first IMF stand-by arrangement in the last 20 years, meeting most of the performance indicators agreed and adopting important reform packages. Political stability is a prerequisite for the reforms, and from this point of view, the fragile political environment has oftentimes made the reform come in fits and starts, frittering away the chances for a faster recovery. Closing a new deal with the IMF, a precautionary one this time, should be seen as an opportunity to capitalize on what has been achieved so far and gaining further ground, as overall sentiment continues to improve.

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Although the buds of economic recovery will sprout more visibly in time, we should keep our feet on the ground and not open the bottle of champagne too soon, especially in a pre-election year. What we have seen so far are just the patter of recovery from recession and an economy that has had difficulties in regaining its balance after two years of economic downturn. With local macro conditions pretty much restored, Romania is about to leave recession behind, but the most important thing now is that economic growth should become sustainable in the medium and long term, safe from any excesses harking back to the recent past. The focus now should be on investments and infrastructure, especially when it comes to public funds. Romania has one of the highest investment ratios, as far as public funds are concerned (6% of GDP), but the results leave much to be desired and this calls into question the effectiveness of spending public funds. It is important however to keep in mind – especially nowadays – that speed means nothing when it comes to economic growth, if it is not properly balanced against the available resources of the country. In other words, 'slow but steady wins the race'[1]

[1] Aesop, the supposed author of a collection of Greek fables, almost certainly a legendary figure

## MACRO INDICATORS

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011f | 2012f |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| **Real economy** | | | | | | | | |
| GDP - %, y/y real change | 4.2 | 7.9 | 6.3 | 7.3 | -7.1 | -1.3 | 2.0 | 3.9 |
| GDP - RON bn | 289 | 345 | 416 | 515 | 498 | 514 | 552 | 608 |
| GDP per capita - EUR tsd | 3.7 | 4.5 | 5.8 | 6.5 | 5.5 | 5.7 | 6.2 | 7.1 |
| Private consumption - %, y/y real ch. | 9.6 | 11.6 | 10.3 | 9.4 | -9.2 | -2.0 | 1.5 | 3.7 |
| GFCF - %, y/y real change | 15.3 | 19.9 | 30.3 | 16.2 | -25.3 | -13.1 | 3.6 | 5.8 |
| Industrial production - % y/y real ch. | 2.0 | 7.1 | 5.4 | 0.9 | -5.5 | 5.5 | 4.5 | 3.8 |
| Retail sales - %, y/y real ch. | 17.5 | 13.5 | 16.4 | 19.9 | -10.3 | -5.3 | 1.6 | 3.0 |
| | | | | | | | | |
| **External sector** | | | | | | | | |
| Exports (FOB) - EUR bn. | 22.3 | 25.9 | 29.5 | 33.7 | 29.1 | 37.3 | 42.5 | 46.9 |
| Imports (FOB) - EUR bn. | 30.1 | 37.6 | 47.4 | 52.8 | 36.0 | 43.2 | 48.8 | 53.8 |
| Foreign trade bal. (FOB-FOB) - EUR bn. | -7.8 | -11.8 | -17.8 | -19.1 | -6.9 | -5.9 | -6.3 | -6.9 |
| Trade balance - % of GDP | -9.8 | -12.0 | -14.3 | -13.7 | -5.8 | -4.8 | -4.7 | -4.5 |
| C/A balance - EUR bn. | -6.9 | -10.2 | -16.7 | -16.2 | -4.9 | -5.0 | -6.5 | -7.1 |
| C/A balance - % of GDP | -8.6 | -10.4 | -13.4 | -11.6 | -4.2 | -4.1 | -4.9 | -4.7 |
| FDIs (inflows) - EUR billion | 5.2 | 9.1 | 7.0 | 9.3 | 3.6 | 2.6 | 4.0 | 4.5 |
| FDIs (inflows) - % of GDP | 6.5 | 9.3 | 5.7 | 6.7 | 3.0 | 2.1 | 3.0 | 3.0 |
| | | | | | | | | |
| **Prices** | | | | | | | | |
| CPI - y/y (%) | 8.6 | 4.87 | 6.56 | 6.3 | 4.7 | 8.0 | 5.2 | 4.7 |
| CPI - average (%) | 9.0 | 6.6 | 4.8 | 7.9 | 5.6 | 6.1 | 6.6 | 4.5 |
| IPPI - y/y (%) | 9.6 | 11.6 | 10.5 | 7.9 | 1.4 | 6.3 | 6.7 | 5.0 |
| | | | | | | | | |
| **Labour market** | | | | | | | | |
| Registered unempl. rate - % (eop) | 5.9 | 5.2 | 4.1 | 4.4 | 7.8 | 6.9 | 6.2 | 5.6 |
| Gross wages - RON | 968 | 1,146 | 1,396 | 1,742 | 1,889 | 1,937 | 2,053 | 2,187 |
| Gross wages - %, real change | 8.6 | 11.1 | 16.2 | 15.6 | 2.7 | -3.4 | -0.6 | 1.9 |
| | | | | | | | | |
| **Public sector** | | | | | | | | |
| Fiscal deficit - % of GDP (local stand.) | -0.8 | -1.5 | -2.3 | -4.8 | -7.3 | -6.5 | -4.4 | -3.6 |
| Public debt - % of GDP (local stand.) | 19.3 | 19.2 | 19.8 | 21.3 | 29.7 | 35.3 | 37.2 | 37.4 |
| | | | | | | | | |
| **Interest rates** | | | | | | | | |
| Key rate | 7.50 | 8.75 | 7.50 | 10.25 | 8.00 | 6.25 | 6.25 | 6.75 |
| ROBOR 3M - % eop | 7.6 | 8.6 | 8.4 | 15.5 | 10.7 | 6.2 | 6.0 | 6.8 |
| ROBOR 3M - % average | 9.8 | 8.8 | 7.8 | 13.0 | 11.7 | 6.7 | 6.2 | 6.6 |
| | | | | | | | | |
| **FX rates** | | | | | | | | |
| EUR/RON avg. | 3.62 | 3.52 | 3.34 | 3.68 | 4.24 | 4.21 | 4.15 | 4.00 |
| USD/RON avg. | 2.19 | 2.81 | 2.44 | 2.52 | 3.05 | 3.17 | 3.09 | 3.19 |
| | | | | | | | | |

Source: BCR Research, NIS, Central Bank

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