

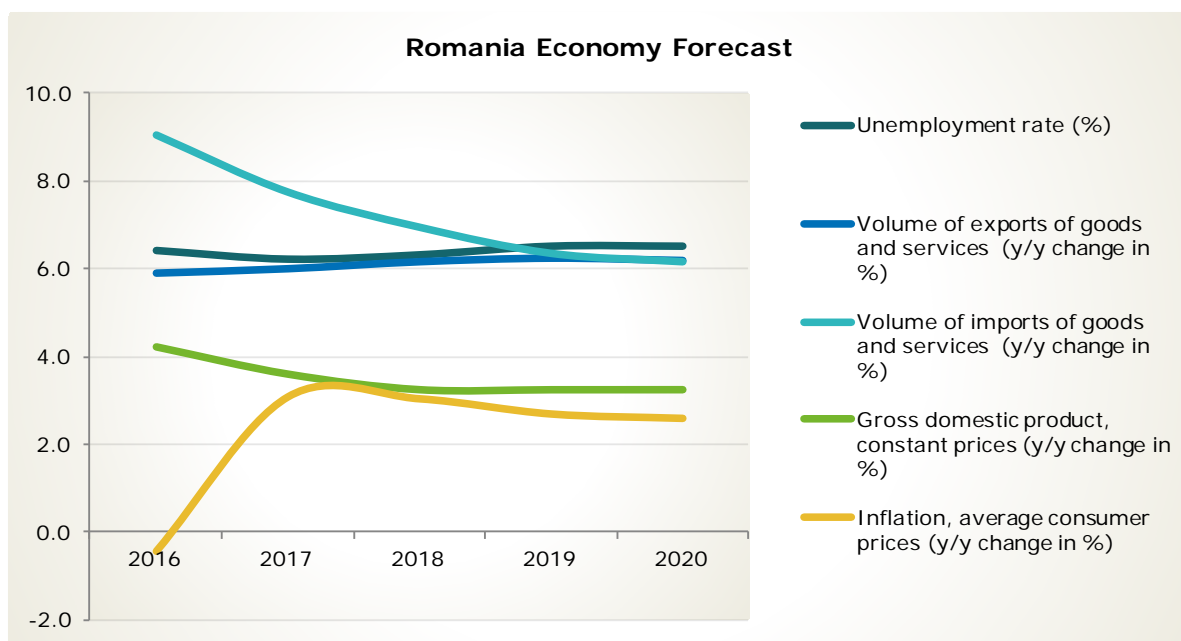
## ROMANIA ECONOMY REPORT Q1 2016

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## 1. MACROECONOMIC SNAPSHOT AND FORECAST

ROMANIA – MACROECONOMIC SNAPSHOT AS OF Q1 2016	
GDP Growth	4.3% y/y
Industrial output	-0.5% y/y
Industrial sales	2.5% y/y
Wholesale	6.9% y/y
Retail	16.9% y/y
Average annual deflation	1.4%
Unemployment rate	6.6%
Number of building permits	-5.5% y/y
Money supply growth	9.9% y/y
Household loans	5.4% y/y
BET blue-chip index	-8.7% y/y
Gross external debt	EUR 89.011 bln
Current account deficit	EUR 1.197 bln
Net FDI inflow	EUR 775.0 mln
Foreign trade deficit	EUR 1.811 bln
Number of foreign tourist overnights	17.6% y/y



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2016

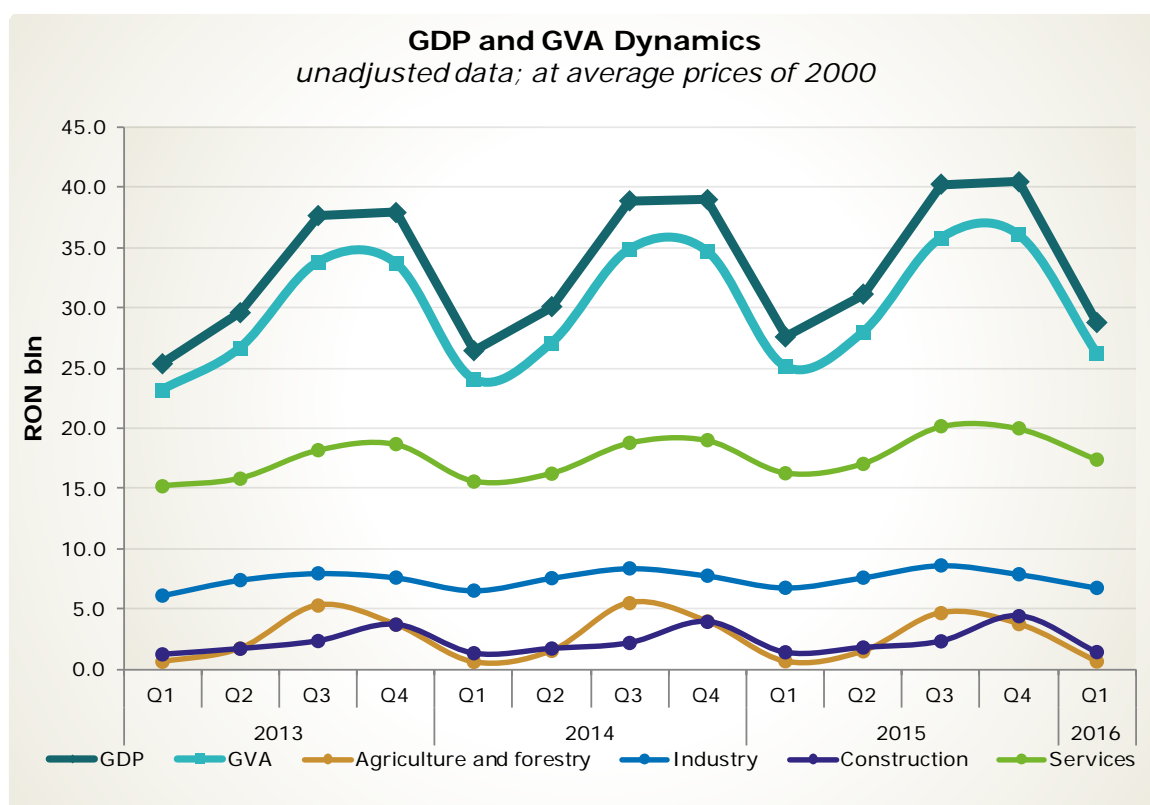
## 2. REAL SECTOR

### 2.1. GROSS DOMESTIC PRODUCT (GDP)

*GDP went up by a real 4.3% y/y in Q1 2016*

The country's GDP increased by a real 4.3% y/y and totalled RON 28.773 bln in Q1 2016, according to provisional data of the National Institute of Statistics (INSSE).

Final consumption increased by 9.3% y/y to RON 32.459 bln. Gross capital formation went up by 7.0%, contributing 19.4% to the GDP. Exports increased by 2.9%, while imports rose by 8.0%.



Source: INSSE

The gross value added (GVA) generated by the national economy increased by 4.4% y/y in the first quarter of 2016 and totalled RON 26.230 bln. The industrial sector inched down by 0.1% y/y and its share in the GVA structure shrank to 25.8% from 26.9%. The services sector recorded a 6.9% annual increase, slicing a 66.3% share in the GVA, up from 64.8% in the corresponding quarter of the previous year. The agricultural sector registered an annual drop of 3.2%, thus narrowing its share in the GVA to 2.5% from 2.7%. Construction went up by 1.1%, accounting for 5.4% of the GVA compared to 5.6% a year earlier.

## 2.2. BUSINESS CLIMATE

### *Business confidence indicator in March 2016 at 59.7 points*

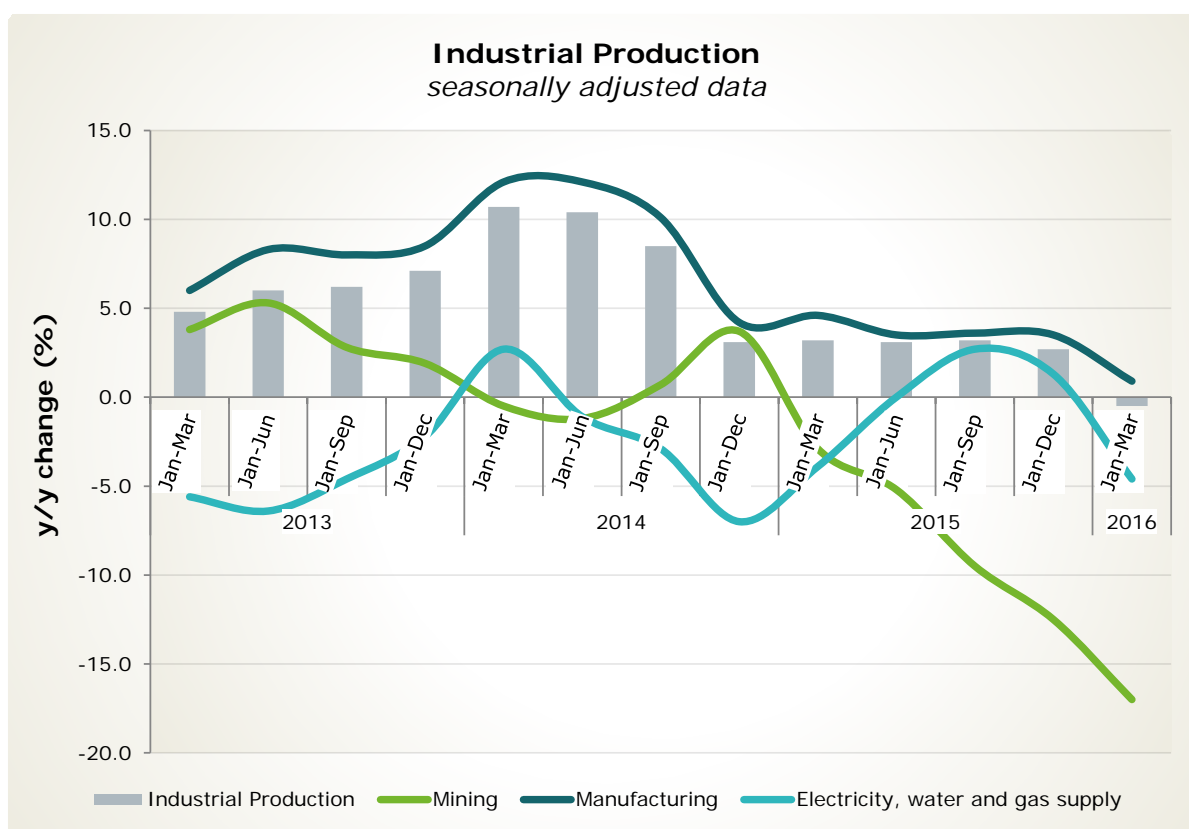
In March 2016 the business confidence indicator was 59.7 points, compared to 68.1 points a year ago, according to SURS.

In January 2016 the indicator amounted to 56.1 points, while in February 2016 it stood at 55.5 points.

## 2.3. INDUSTRIAL OUTPUT

### *Industrial output down 0.5% y/y in January - March 2016*

Industrial output inched down by 0.5% on the year in the first three months of 2016, according to INSSE. The output of the mining industry fell by 17.0%, followed by the electricity, water and gas supply sector with a 4.6% drop. The manufacturing industry grew by 0.9%.



Source: INSSE

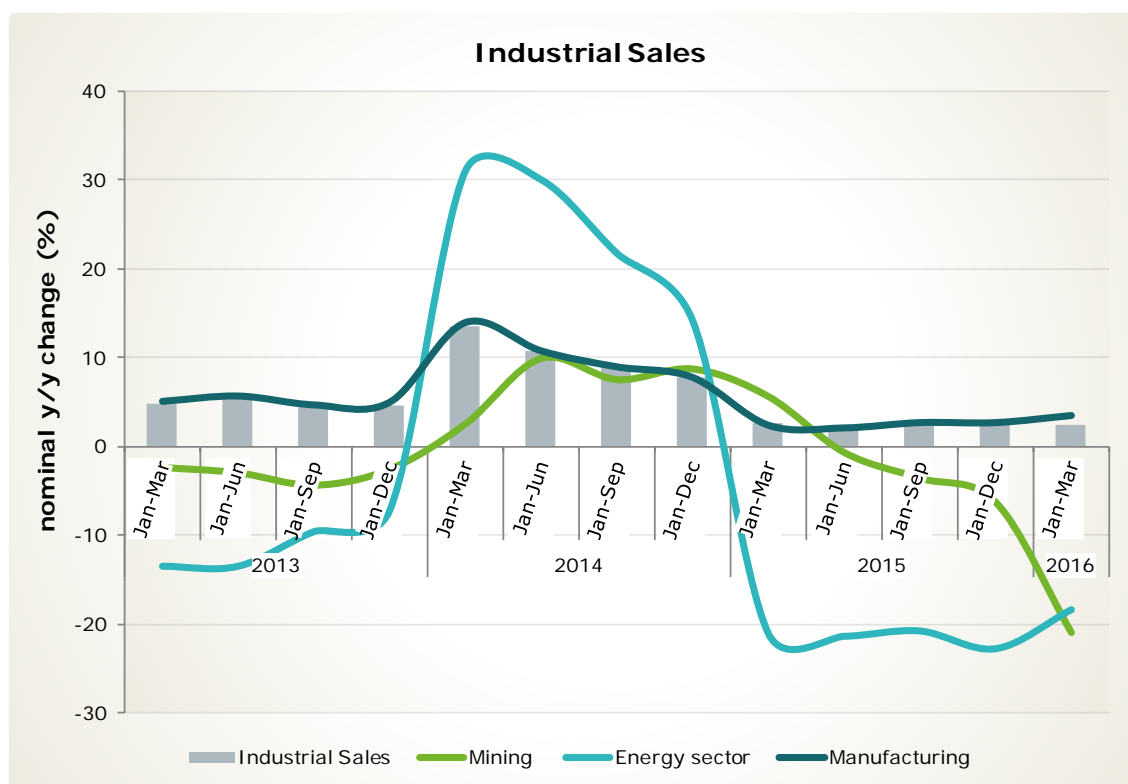
Editor's note: Data for Jan-Dec 2014 is as of December 2014 only

## 2.4. INDUSTRIAL SALES

### Industrial sales went up by 2.5% y/y in Q1 2016

Industrial sales increased by 2.5% y/y in nominal terms in the first quarter of 2016, according to INSSE data. Sales in the manufacturing industry grew by 3.5% on the year, while the mining industry and the energy sector slumped by 20.9% and 18.4%, respectively.

Manufacture of tobacco products reported the highest annual growth, of 30.1%, while mining support service activities dropped the sharpest, by 60.6%.



Source: INSSE

## 2.5. WHOLESALE/RETAIL

### Wholesale and retail trade grew y/y in Q1 2016

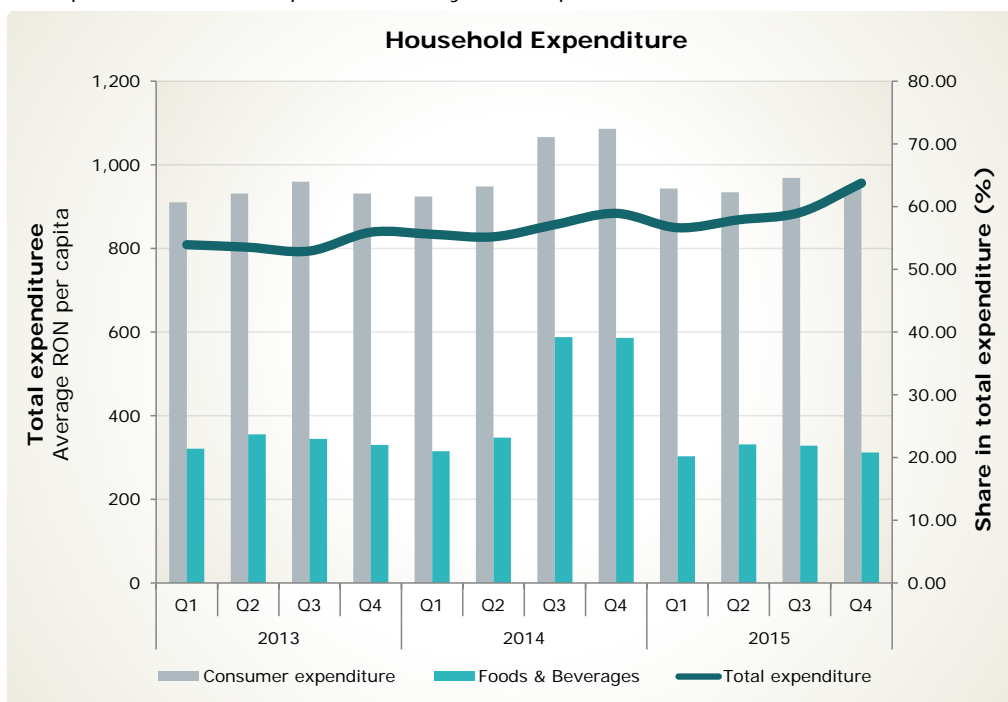
Retail sales, excluding the trade with motor vehicles and motorcycles, went up by 16.9% y/y in 2016, according to INSSE data.

Retail sales of textiles, clothing, footwear and leather articles marked the highest annual increase, of 29.6%, followed by retail trade of food, beverages and tobacco in non-specialised stores with a 26.8% increase. There was no sector to report a decrease in retail sales.



Source: INSSE

The wholesale sector went up in nominal terms by 6.9% on the year in Q1 2016. Wholesale of other machinery, equipment and supplies registered the highest rise, of 24.3%, while the sharpest drop, of 1.3% was experienced by other specialised wholesale.



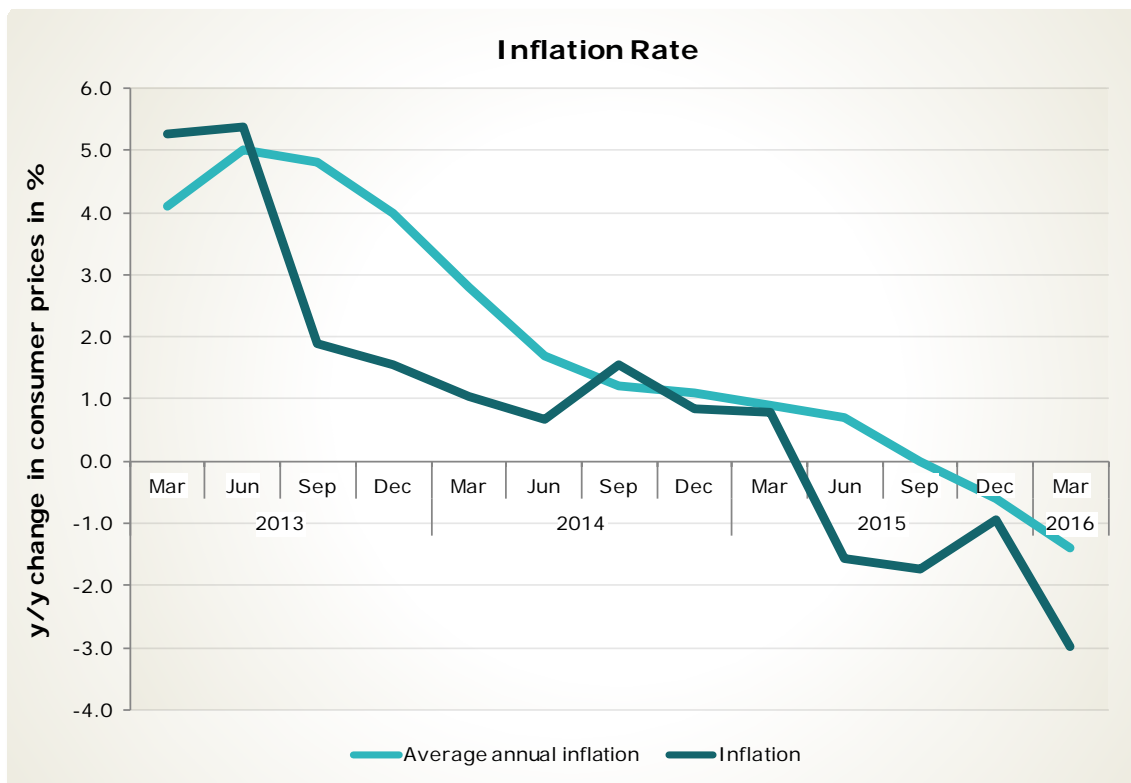
Source: INSSE

Editor's note: Data for Q1 2016 was not available

## 2.6. INFLATION

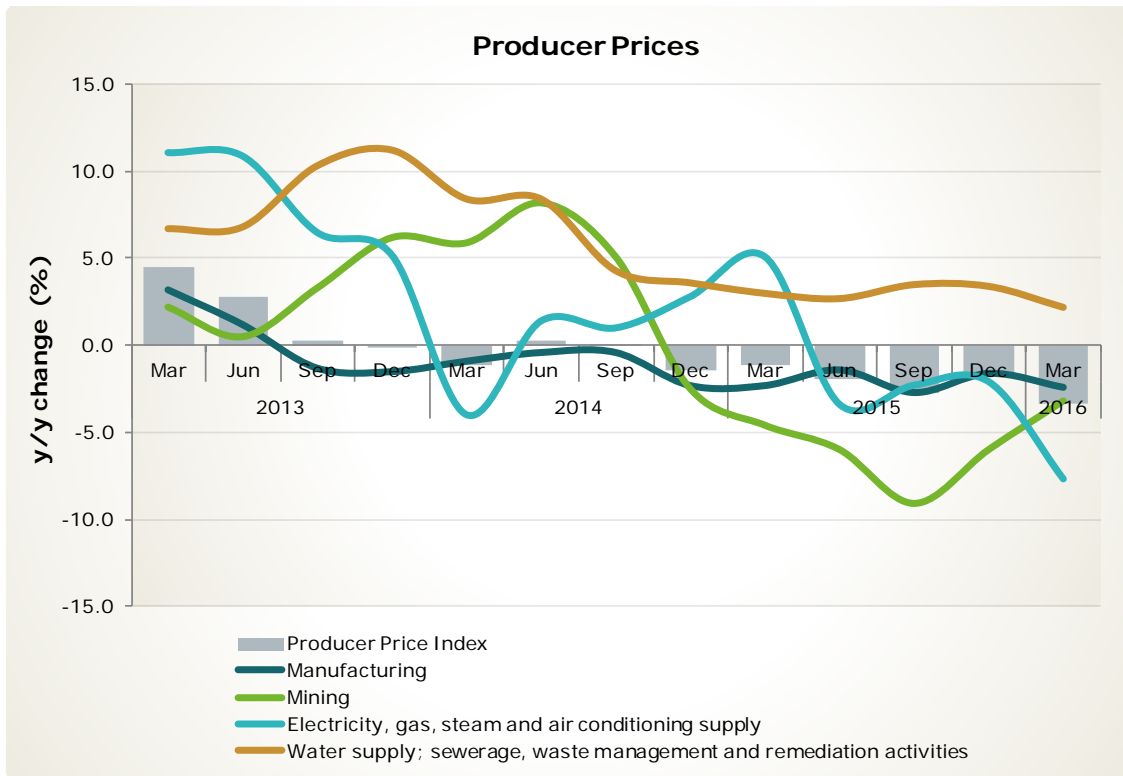
### Average annual deflation of 1.4% in Q1 2016

Romania registered an average annual deflation of 1.4% in the period April 2015 – March 2016, according to INSSE data. For comparison, there was a 1.1% average annual deflation in the period March 2015 - February 2016.



Source: INSSE





Source: INSSE

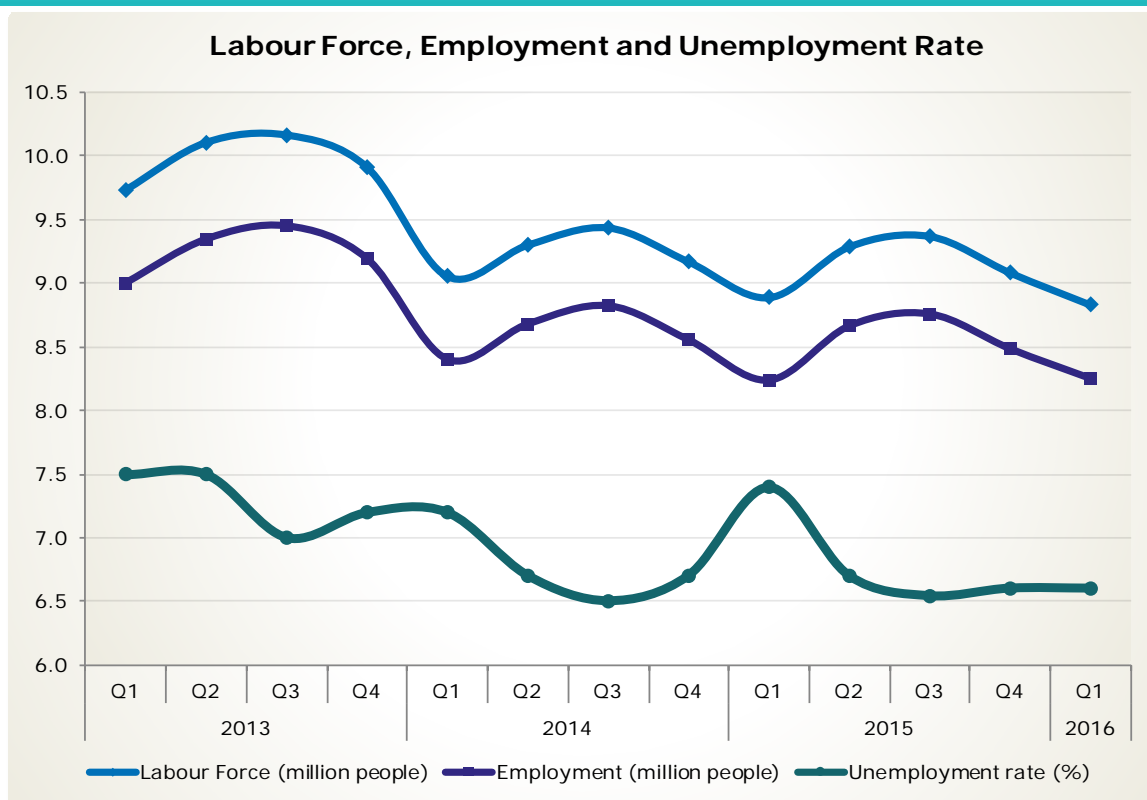
### 3. LABOUR MARKET

#### *Unemployment rate shrank y/y to 6.6%, wages grew 12.1% y/y in Q1 2016*

Unemployment in Romania narrowed to 6.6% of the total labour force in the first quarter of 2016, compared to 7.4% a year earlier, according to data of INSSE.

The employed population aged 15 years and older was 8.249 million, up by 0.1% y/y.

The youth (population aged 15-24) unemployment rate went down to 21.8%, compared to 24.7% a year ago.



Source: INSSE

The average monthly net salary in Q1 2016 went up by 12.1% in annual terms to RON 1,981.

## 4. CONSTRUCTION AND REAL ESTATE

### Number of building permits fell by 5.5% y/y in Q1 2016

The number of building permits issued in Romania in the first quarter of 2016 decreased by 5.5% y/y, totalling 8,528, according to INSSE data. The permits for housing projects went up by 1.4% to 7,277 and permits for administrative buildings slumped by 37.0% to 34.

## 5. MONEY SUPPLY AND BANKING SYSTEM

### 5.1. RON EXCHANGE RATE

The average exchange rate of the RON against the EUR increased to RON 4.4912 in the first quarter of 2016 from RON 4.4503 a year earlier, according to National Bank of Romania (NBR).

RON Average Exchange Rate			
Foreign Currency	Q1 2016	Q4 2015	Q1 2015
EUR	4.4912	4.4565	4.4503
USD	4.0734	4.0665	3.9591
GBP	5.8283	6.1725	5.9942
CHF	4.0985	4.1091	4.1663

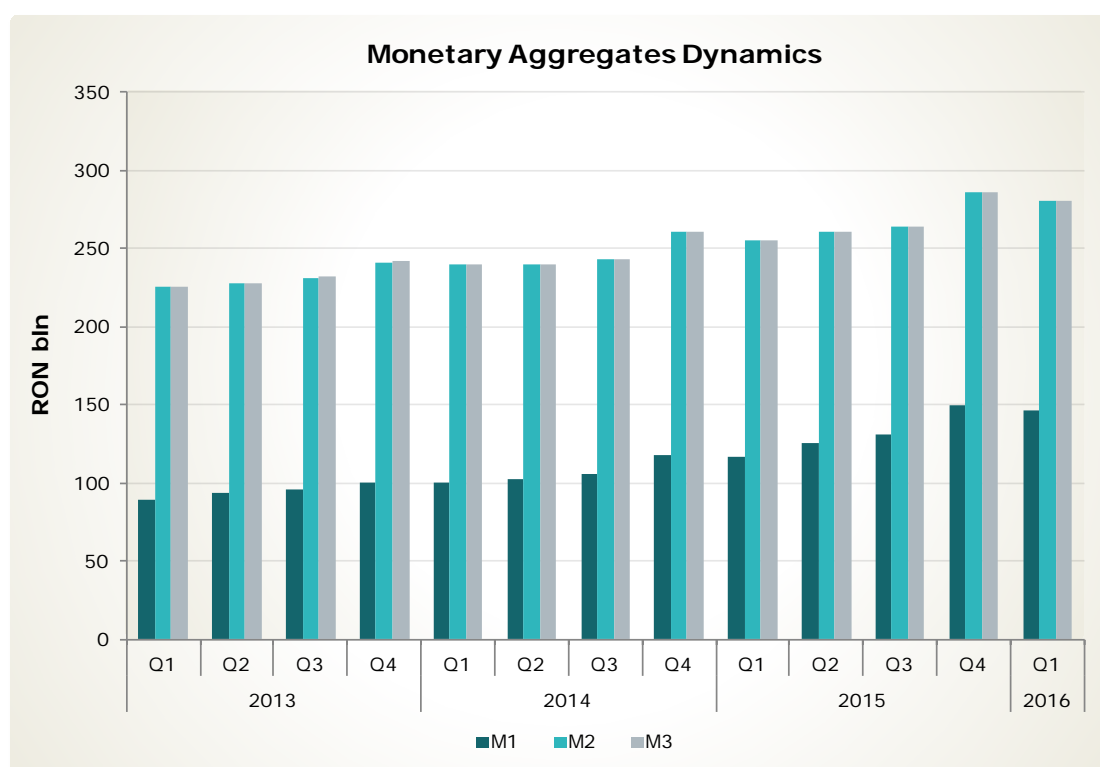
## 5.2. MONETARY AGGREGATES

*Money supply growth was 9.9% y/y in Q1 2016*

Broad money (money aggregate M3) increased by 9.9% y/y and reached RON 280.8 bln in Q1 2016, according to data provided by NBR.

The M2 money supply also grew by 9.9% y/y, to RON 280.7 bln.

Money aggregate M1, or narrow money, jumped by 25.0% y/y to RON 146.0 bln.



Source: NBR

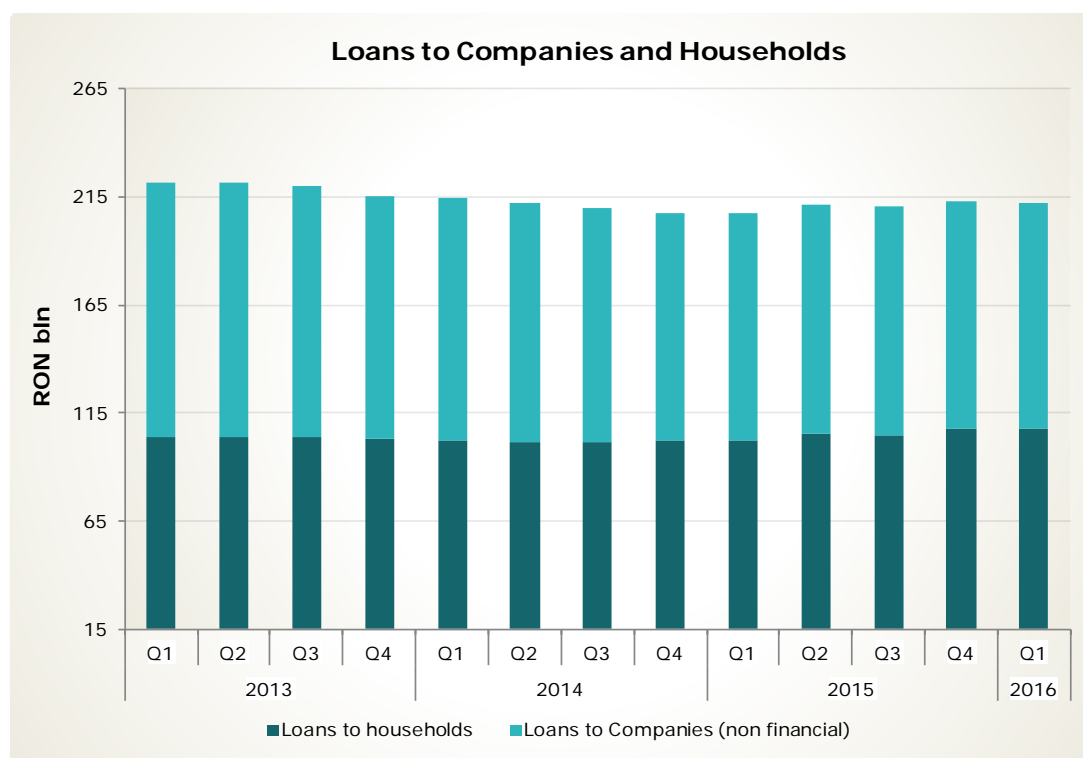
## 5.3. BANKING AND INSURANCE

### Household loans went up by 5.4% y/y in Q1 2016

Loans to the non-government sector totalled RON 211.8 bln in Q1 2016, up by 2.3% y/y, according to NBR data.

Loans to non-financial corporations inched down by 0.7% y/y to RON 103.9 bln.

Household loans increased by 5.4% to RON 107.9 bln. House purchasing loans climbed by 16.2% to RON 52.777 bln, while consumer loans went down by 3.2% to RON 52.107 bln.



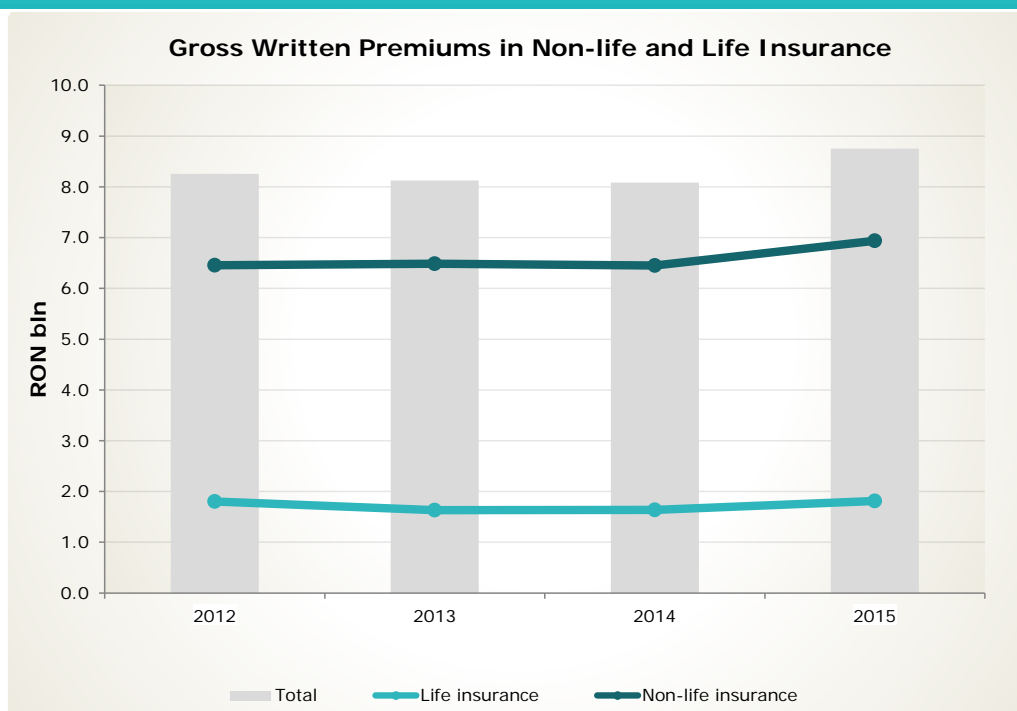
Source: NBR

### Insurance premium income up 8.2% y/y in 2015\*

*Data for Q1 2016 was not available as of the date of the preparation of this report*

The total gross written premiums (GWP) of the non-life and life insurance companies stood at RON 8.751 bln, up by 8.2% y/y in 2015, according to the Financial Supervisory Authority (ASF).

The GWP of the non-life insurance market stood at RON 6.937 bln, or by 7.6% more compared to the previous year, while the life insurance market jumped by 10.8% y/y to RON 1.814 bln.



Source: ASF

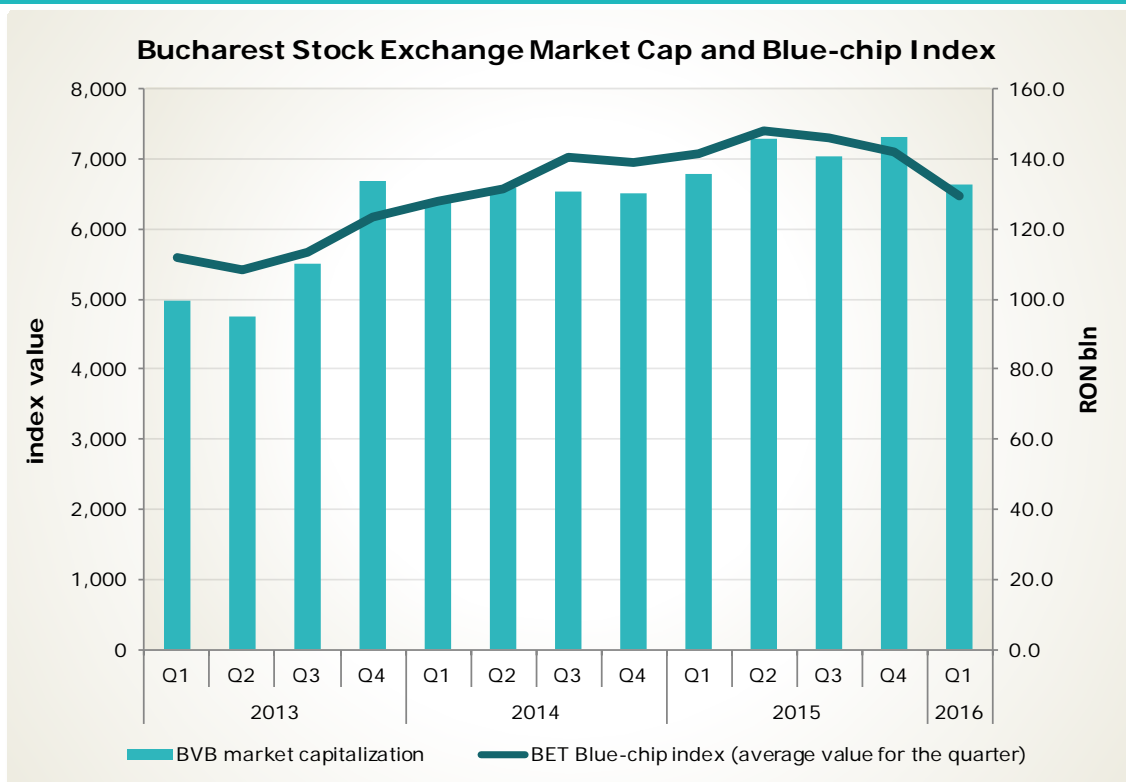
## 6. CAPITAL MARKETS

### *Blue-chip BET went down by 8.7% y/y in Q1 2016*

The average value of BET, the blue-chip index of the Bucharest Stock Exchange (BVB), decreased by, 8.7% y/y to 6,466 points in the first quarter of 2016.

BVB's total market capitalisation stood at RON 132.9 bln as of end-March 2016, down by 2.2% annually.

The total turnover on BVB fell to RON 1.986 bln in Q1 2016, from RON 2.297 in the corresponding quarter of the previous year.



Source: BVB

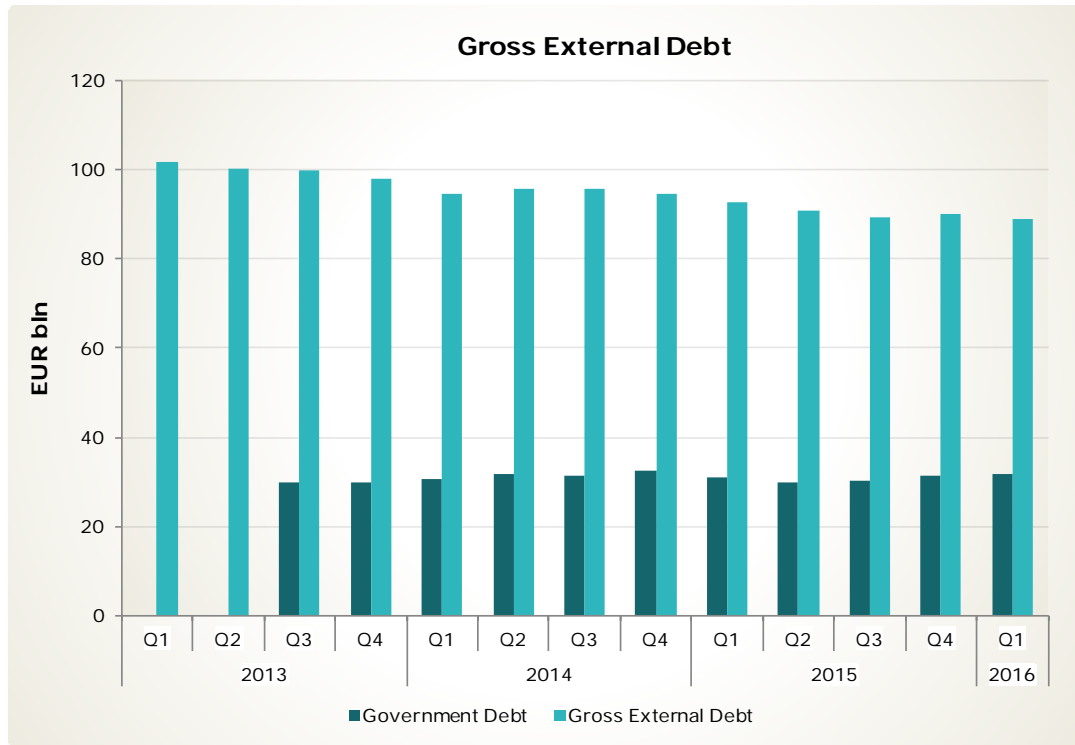
## 7. EXTERNAL SECTOR

### 7.1. FOREIGN DEBT

*The gross external debt narrowed y/y to EUR 89.011 bln in Q1 2016*

The gross external debt amounted to EUR 89.011 bln in Q1 2016, shrinking by 3.9%, or EUR 3.661 bln, compared to the same quarter a year earlier, according to NBR. In comparison to the previous quarter, Q4 2015, the gross external debt decreased by EUR 1.023 bln.

The long-term liabilities amounted to EUR 57.357 bln, or 64.4% of the total debt, and short-term liabilities totalled EUR 11.765 bln, equal to 13.2% of the total debt. The government debt expanded by 3.0% y/y to EUR 31.904 bln.



Source: NBR

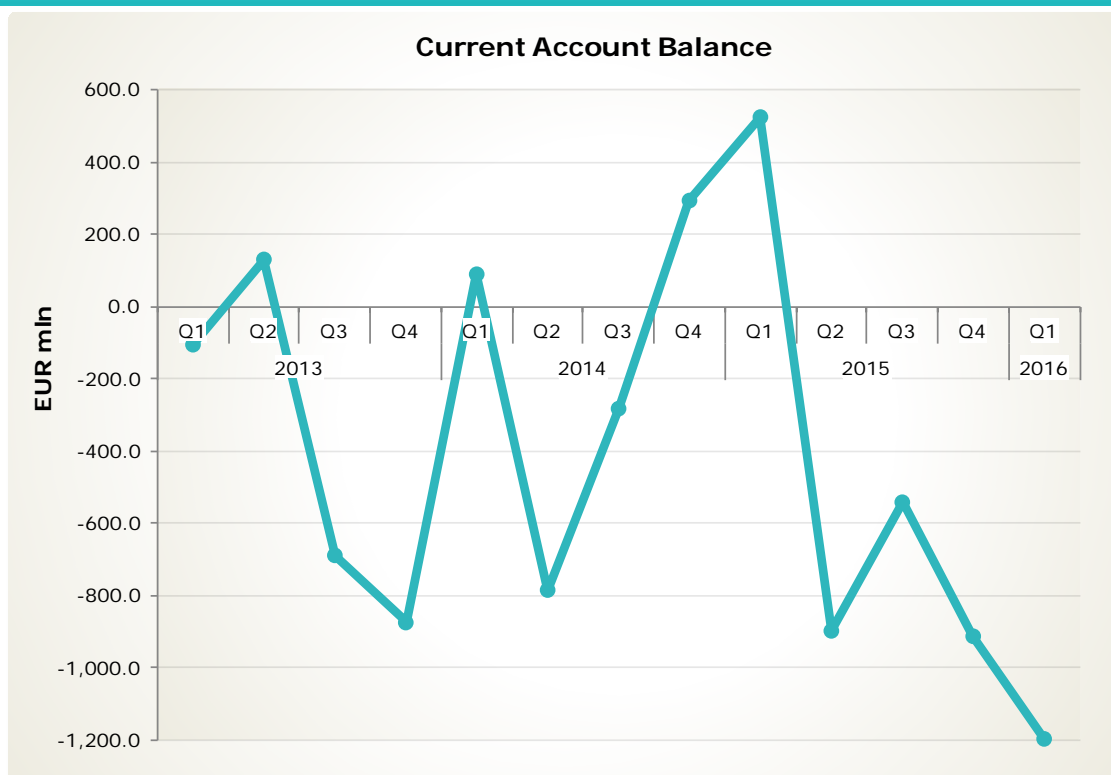
Editor's note: No data is available for Government Debt for Q1 and Q2 2013

## 7.2. BALANCE OF PAYMENTS

### Current account deficit at EUR 1.197 bln in Q1 2016

The current account swung to a deficit of EUR 1.197 bln in the first quarter of 2016 from a surplus of EUR 524.0 mln in the year-ago quarter, according to central bank statistics data. In comparison to Q4 2015, the current account deficit widened by EUR 284.0 mln.

Secondary income in Q1 2016 went up to EUR 735.0 mln, compared to EUR 702 mln in the corresponding quarter of the previous year, but lost EUR 256 mln in comparison to Q4 2015.



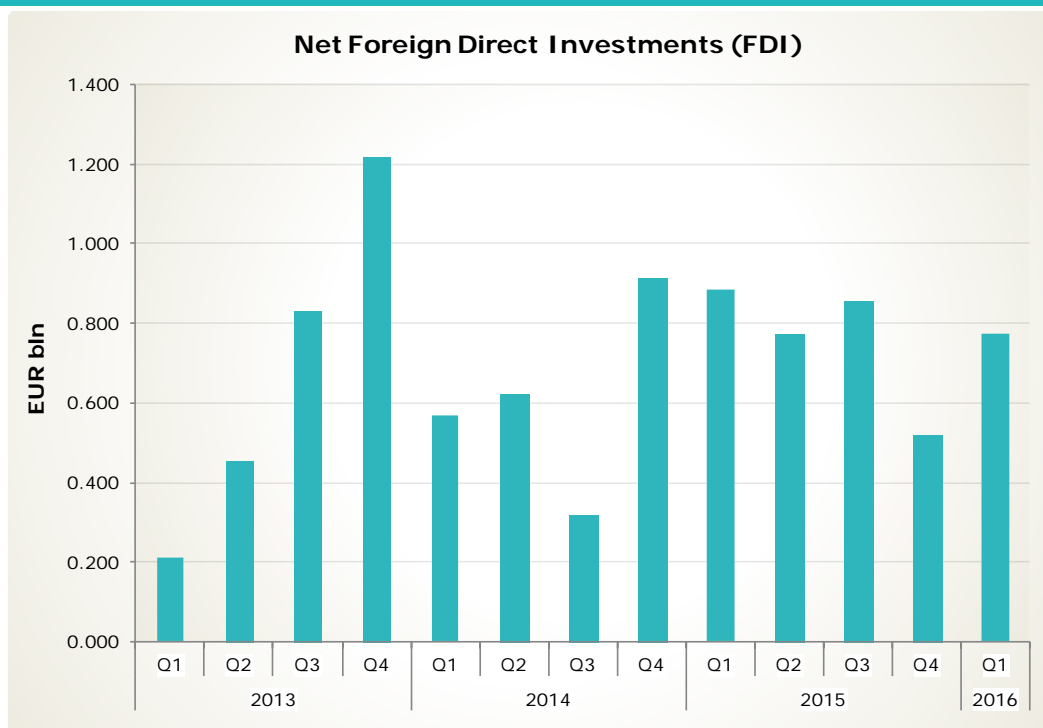
Source: NBR

### 7.3. FDI

#### Net FDI fell by 12.4% y/y in Q1 2016

Net FDI inflow in Romania went down by 12.4% annually to EUR 775 mln in Q1 2016, according to NBR. Of the total, equity stakes, including estimated net reinvestment of earnings, amounted to EUR 1.062 bln and intercompany lending recorded a negative value of EUR 287.0 mln.





Source: NBR

## 7.4. FOREIGN TRADE

### *Foreign trade deficit widened by 45.0% y/y in Q1 2016*

The trade deficit stood at EUR 1.811 bln in Q1 2016, compared to EUR 1.249 bln in Q1 2015, according to NBR.

Imports grew faster than exports – by 7.6% versus 3.7%, totalling EUR 14.332 bln, while exports came in at EUR 12.521 bln.



Source: NBR

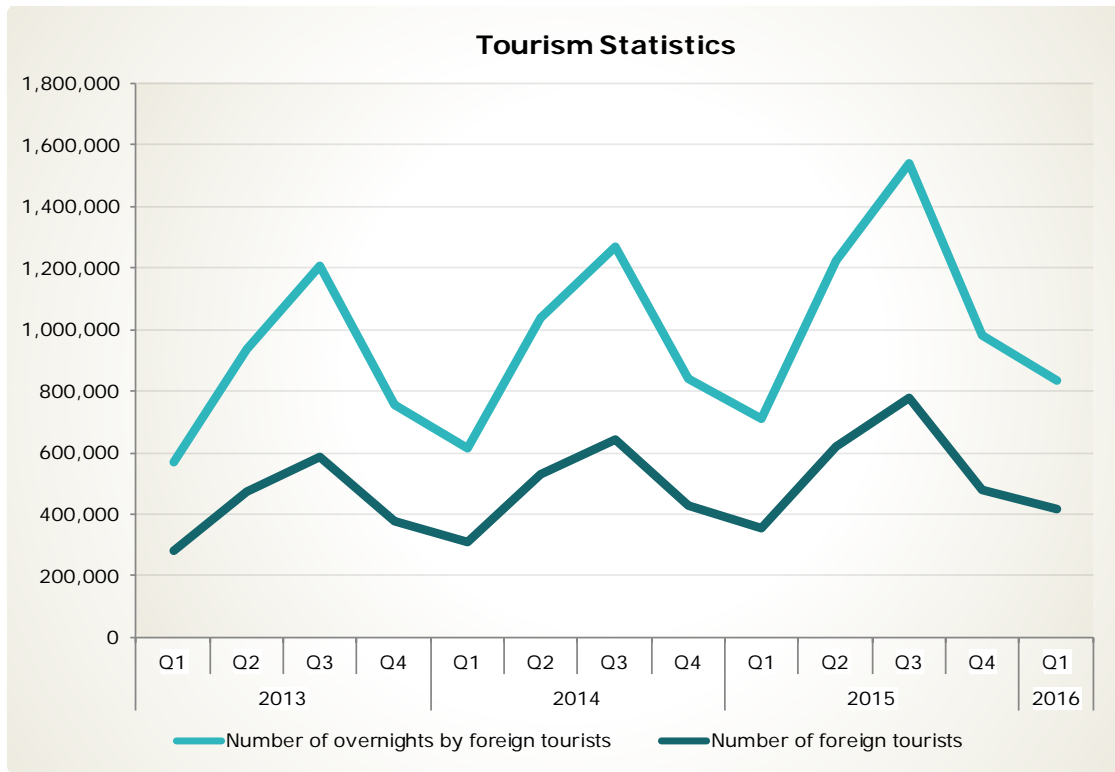
## 7.5. TOURSIM

### Number of foreign tourist overnights grew by 17.6% y/y in Q1 2016

Tourist overnights of foreigners jumped by an annual 17.6% to 836,100 in Q1 2016, according to INSSE data. The number of foreign tourists also went up - by 16.3% y/y to 414,203.

The share of foreign tourist overnights in the total number of overnights stood at 23.0% in the first quarter of 2016, or by 0.9 percentage points more than a year earlier.

Most foreign tourists visiting Romania in the first three months of 2016 came from Italy - 48,467, or 11.7% of the total number of foreign tourist arrivals, followed by tourists from Germany - 42,156, with a 10.2% share and Israel - 39,273, or 9.5% of the total.



Source: INSSE

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