

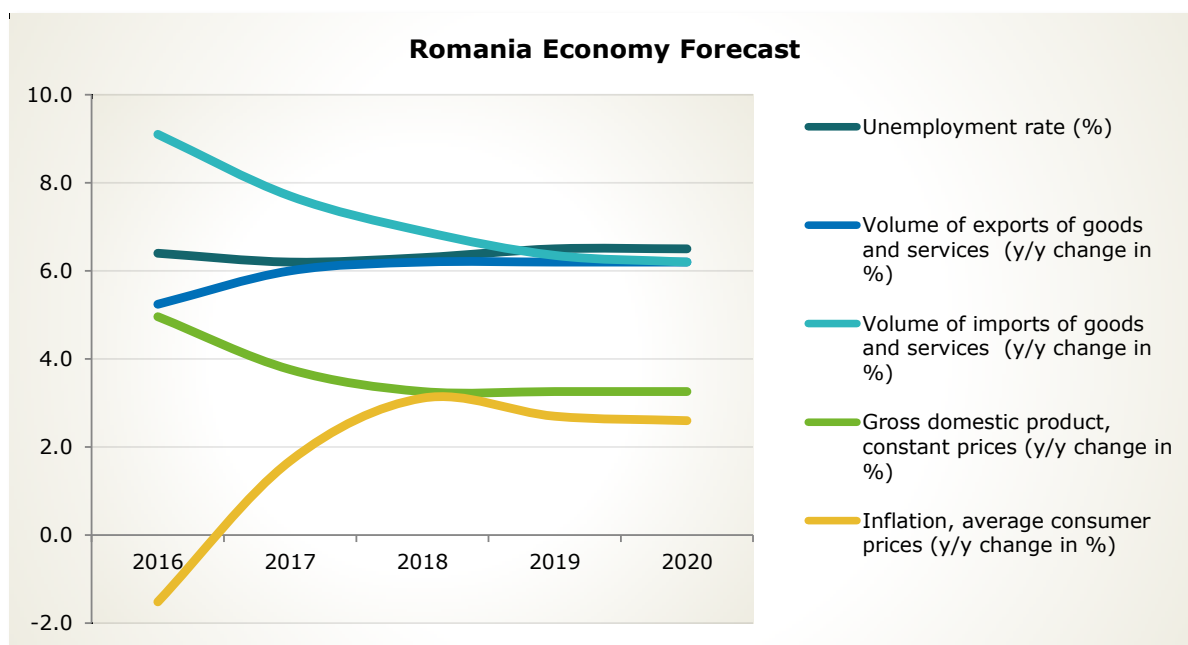
ROMANIA ECONOMY REPORT Q2 2016

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1. MACROECONOMIC SNAPSHOT AND FORECAST

ROMANIA – MACROECONOMIC SNAPSHOT AS OF Q2 2016	
GDP Growth	6.0% y/y
Industrial output	-0.1% y/y
Industrial sales	4.3% y/y
Wholesale	7.5% y/y
Retail	16.8% y/y
Average annual deflation	2.0%
Unemployment rate	5.9%
Number of building permits	-33.5% y/y
Money supply growth	13.1% y/y
Household loans	5.2% y/y
BET blue-chip index	-11.9% y/y
Gross external debt	EUR 89.691 bln
Current account deficit	EUR 1.688 bln
Net FDI inflow	EUR 1.261 bln
Foreign trade deficit	EUR 2.270 bln
Number of foreign tourist overnights	5.5% y/y



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

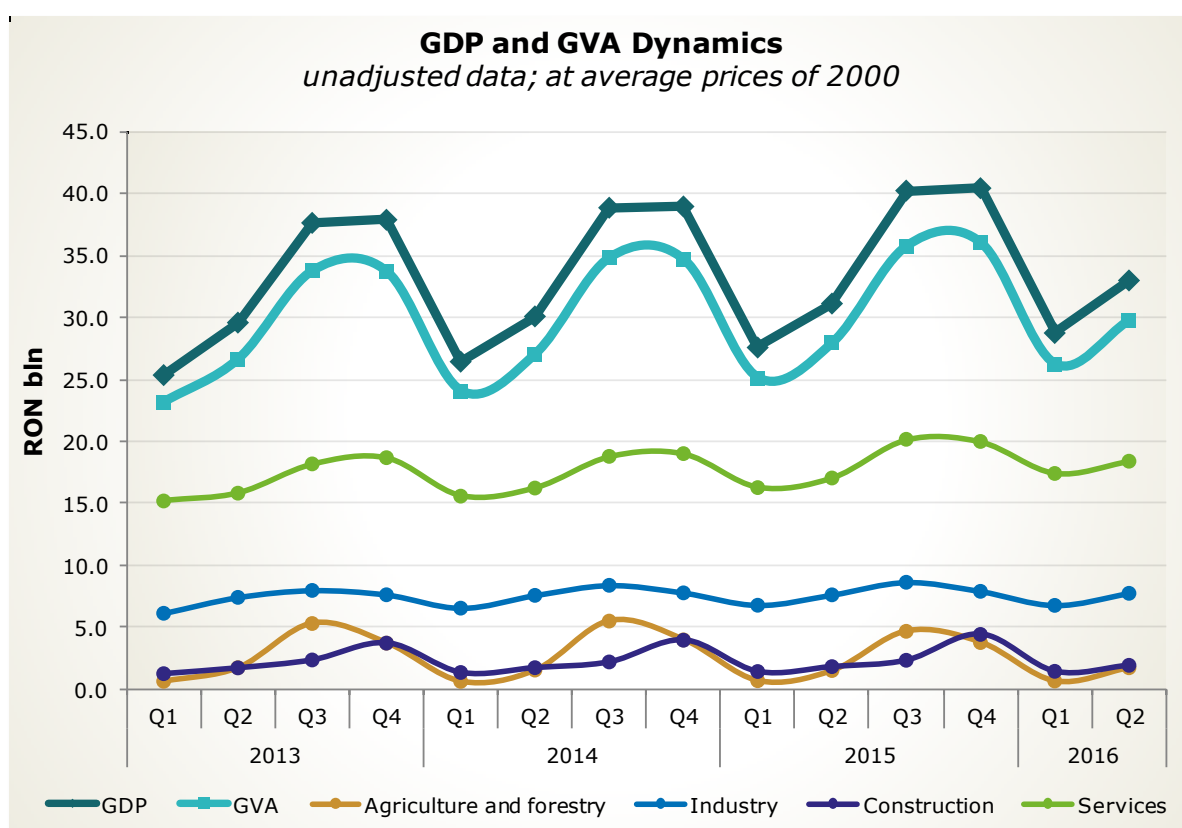
2. REAL SECTOR

2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP went up by a real 6.0% y/y in Q2 2016

The country's GDP increased by a real 6.0% y/y and totalled RON 32.994 bln in Q2 2016, according to provisional data of the National Institute of Statistics (INSSE).

Final consumption increased by 10.0% y/y to RON 36.434 bln. Gross capital formation went up by 10.7%, contributing 26.7% to the GDP. Exports increased by 8.5%, while imports rose by 13.9%.



Source: INSSE

The gross value added (GVA) generated by the national economy increased by 6.5% y/y in the second quarter of 2016 and totalled RON 29.758 bln. The industrial sector expanded by 1.6% y/y but its share in the GVA structure shrank to 26.0% from 27.2%. The services sector recorded an 8.0% annual increase, slicing a 61.8% share in the GVA, up from 61.0% in the corresponding quarter of the previous year. The agricultural sector registered an annual jump of 15.0%, thus increasing its share in the GVA to 5.8% from 5.3%. Construction went up by 5.9%, accounting for 6.4% of the GVA compared to 6.5% a year earlier.

2.2. BUSINESS CLIMATE

Business confidence indicator in June 2016 at 58.5 points

In June 2016, the business confidence indicator was 58.5 points, compared to 70.8 points a year ago, according to SURS.

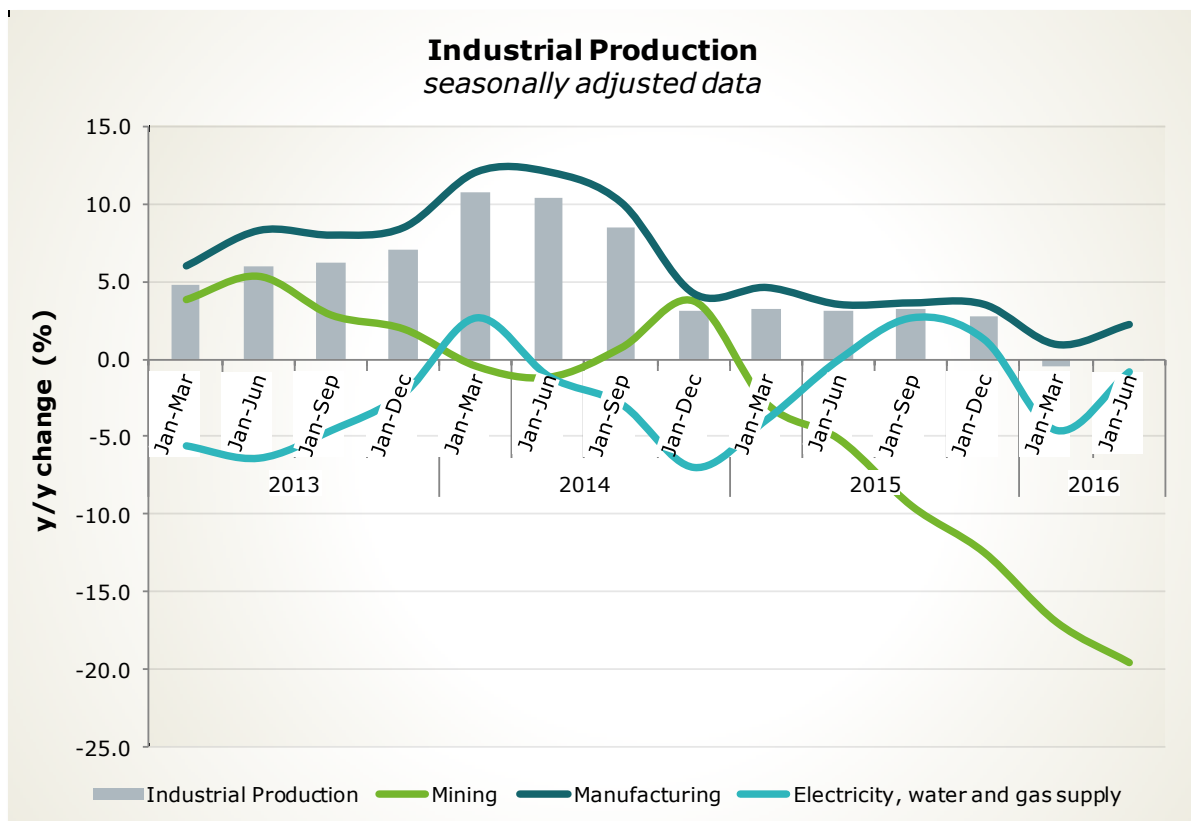
In May 2016, the indicator amounted to 65.8 points, while a month earlier it was 60.9 points.

2.3. INDUSTRIAL OUTPUT

Industrial output down 0.1% y/y in January-June 2016

Industrial output inched down by 0.1% on the year in the first half of 2016, according to INSSE. The output of the mining industry dropped the sharpest, by 19.6%. The electricity, water and gas supply sector saw its output declining by 0.8%, while the production of the manufacturing sector grew by 2.2%.

Segment wise, mining support service activities' output sank the most, by 45.8%, while manufacture of tobacco products was first in terms of annual rise in production, with 20.8%.



Source: INSSE

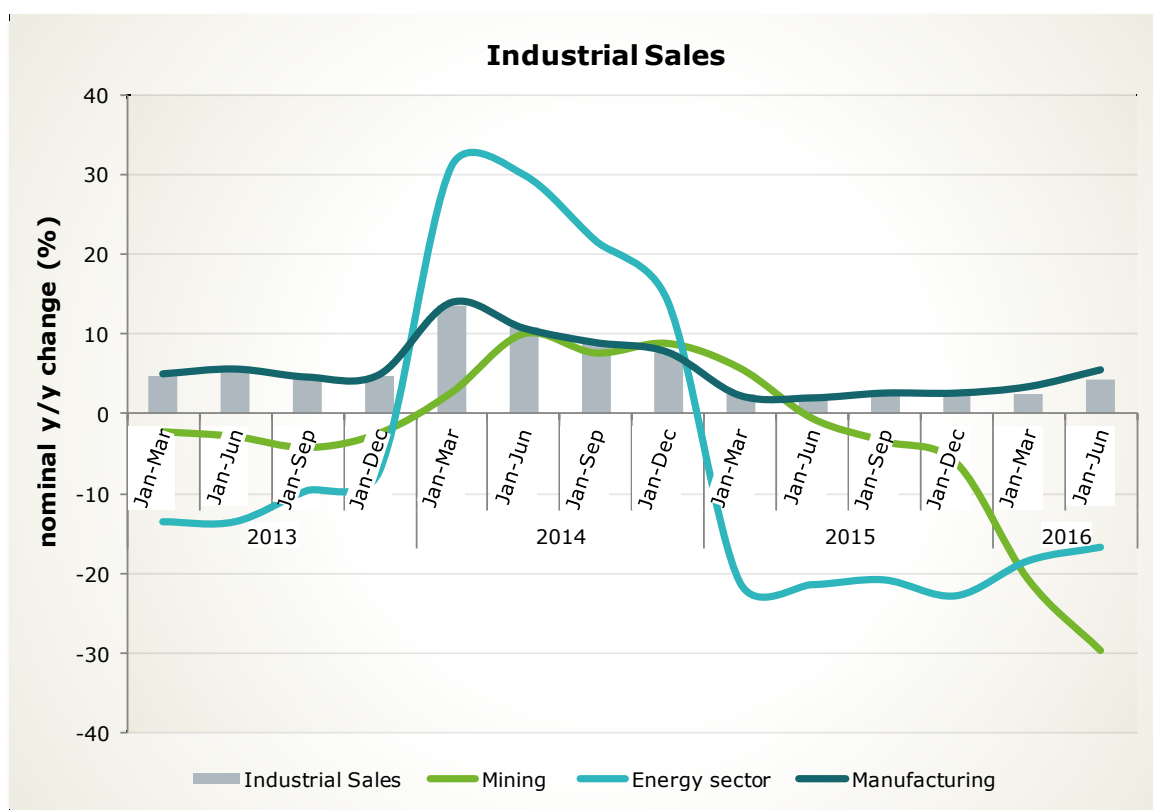
Editor's note: Data for Jan-Dec 2014 is as of December 2014 only

2.4. INDUSTRIAL SALES

Industrial sales went up by 4.3% y/y in January-June 2016

Industrial sales increased by 4.3% y/y in nominal terms in the first half of 2016, according to INSSE data. Sales in the manufacturing sector grew by 5.6% on the year, while sales in the mining industry and the energy sector slumped by 29.8% and 16.7%, respectively.

Manufacture of paper and paper products reported the highest annual growth, of 25.3%, while mining of metal ores dropped the sharpest, by 68.8%.



Source: INSSE

2.5. WHOLESALE/RETAIL

Wholesale and retail trade grew y/y in January-June 2016

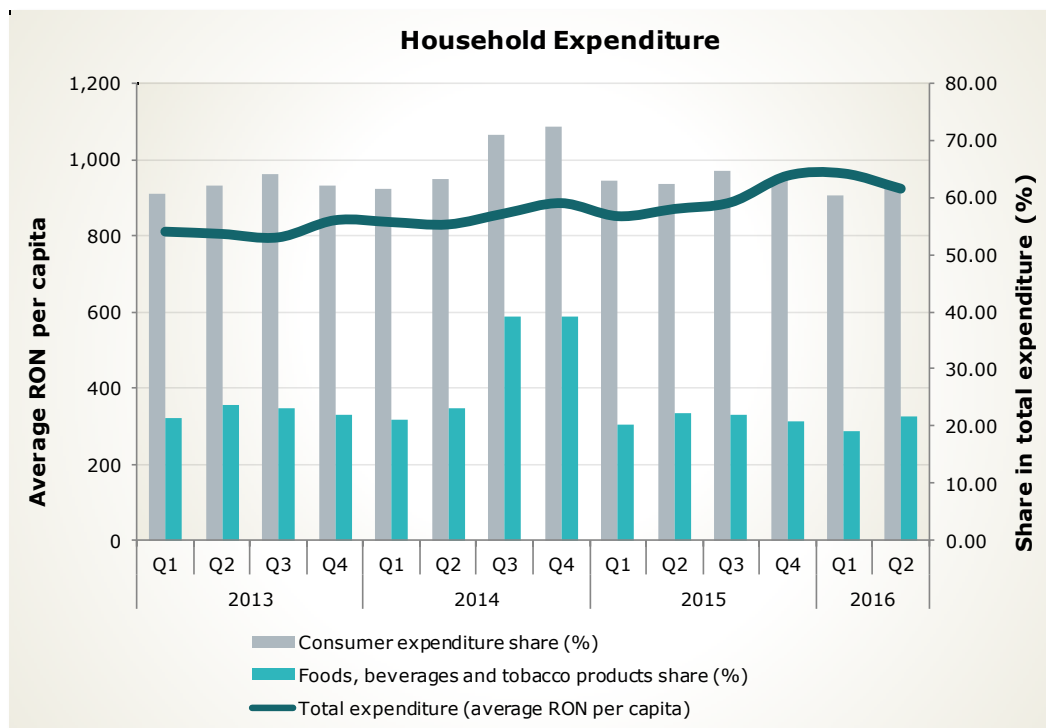
Retail sales went up by 16.8% y/y in the first six months of 2016, according to INSSE data.

Retail sales of textiles, clothing, footwear and leather articles marked the highest annual increase, of 27.8%, followed by retail trade via mail order or Internet with a 25.2% increase and retail trade of food, beverages and tobacco in non-specialised shops with 23.4%. There was no sector to report a decrease in retail sales.



Source: INSSE

The wholesale sector went up in nominal terms by 7.5% on the year in the first half of 2016. Wholesale of other machinery, equipment and supplies registered the highest rise, of 23.0%, while the sharpest drop, of 3.8%, was experienced by wholesale intermediation activities.

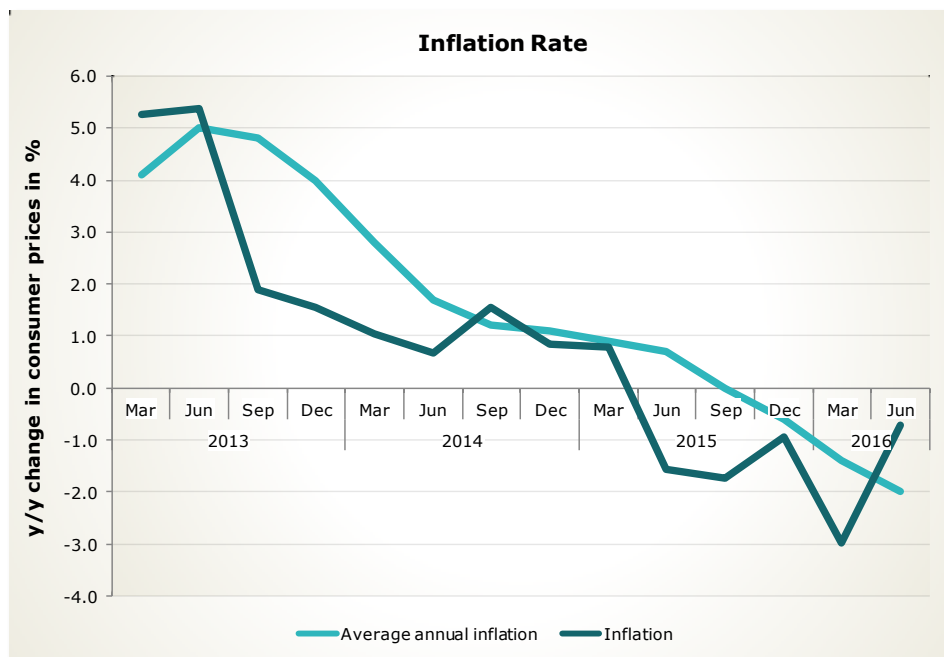


Source: INSSE

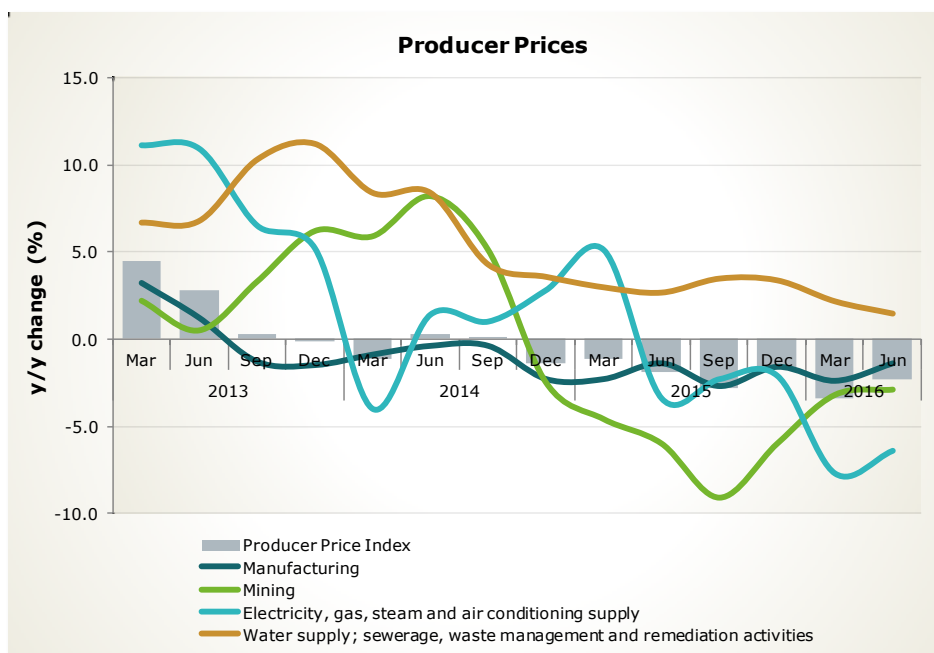
2.6. INFLATION

Average annual deflation of 2.0% as of June 2016

Romania registered an average annual deflation of 2.0% in the period July 2015 – June 2016, according to INSSE data. For comparison, there was a 1.4% average annual deflation in the period April 2015 - March 2016.



Source: INSSE



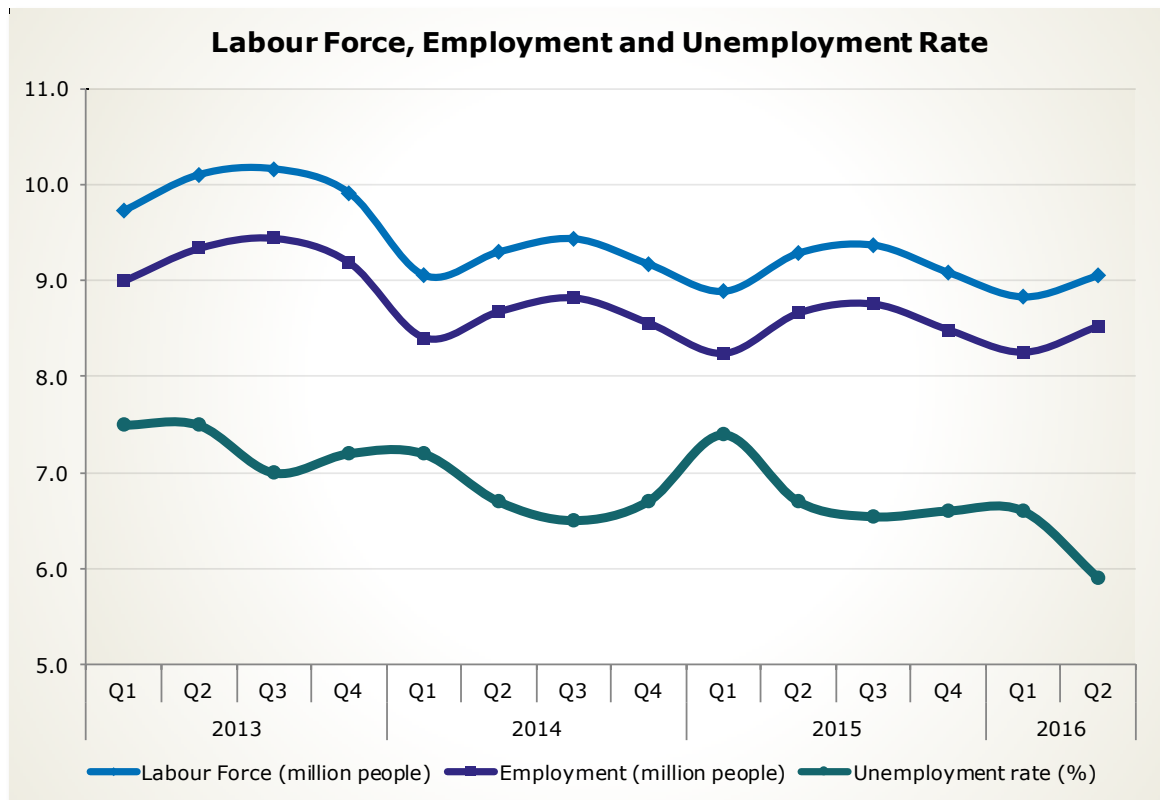
Source: INSSE

3. LABOUR MARKET

Unemployment rate shrank annually to 5.9%; wages grew 13.6% y/y in Q2 2016

Unemployment in Romania narrowed to 5.9% of the total labour force in the second quarter of 2016, compared to 6.7% a year earlier, according to data of INSSE.

The employed population aged 15 years and older was 8.526 million, down by 1.6% y/y. The youth (population aged 15-24) unemployment rate went down to 19.4%, compared to 20.4% a year ago.



Source: INSSE

The average monthly net salary in Q2 2016 went up by 13.6% in annual terms to RON 2,076. In the period under review, employees in the computer programming, consultancy and information service activities earned the highest salaries of RON 5,353, followed by extraction of crude petroleum and natural gas with RON 4,794, and financial service activities, except insurance and pension funding, with RON 4675.

4. CONSTRUCTION AND REAL ESTATE

Number of building permits fell by 33.5% y/y in Q2 2016

The number of building permits issued in Romania in the second quarter of 2016 decreased by 33.5% y/y, totalling 8,654, according to INSSE data.

The permits for housing projects went down by 33.0% to 7,447 and permits for administrative buildings fell by 9.2% to 59.

5. MONEY SUPPLY AND BANKING SYSTEM

5.1. RON EXCHANGE RATE

The average exchange rate of the RON against the EUR increased to RON 4.4980 in the second quarter of 2016 from RON 4.4912 in the previous quarter and RON 4.4439 a year earlier, according to National Bank of Romania (NBR).

RON Average Exchange Rate			
Foreign Currency	Q2 2016	Q1 2016	Q2 2015
EUR	4.4980	4.4912	4.4439
USD	3.9838	4.0734	4.0181
GBP	5.7148	5.8283	6.1578
CHF	4.1033	4.0985	4.2691

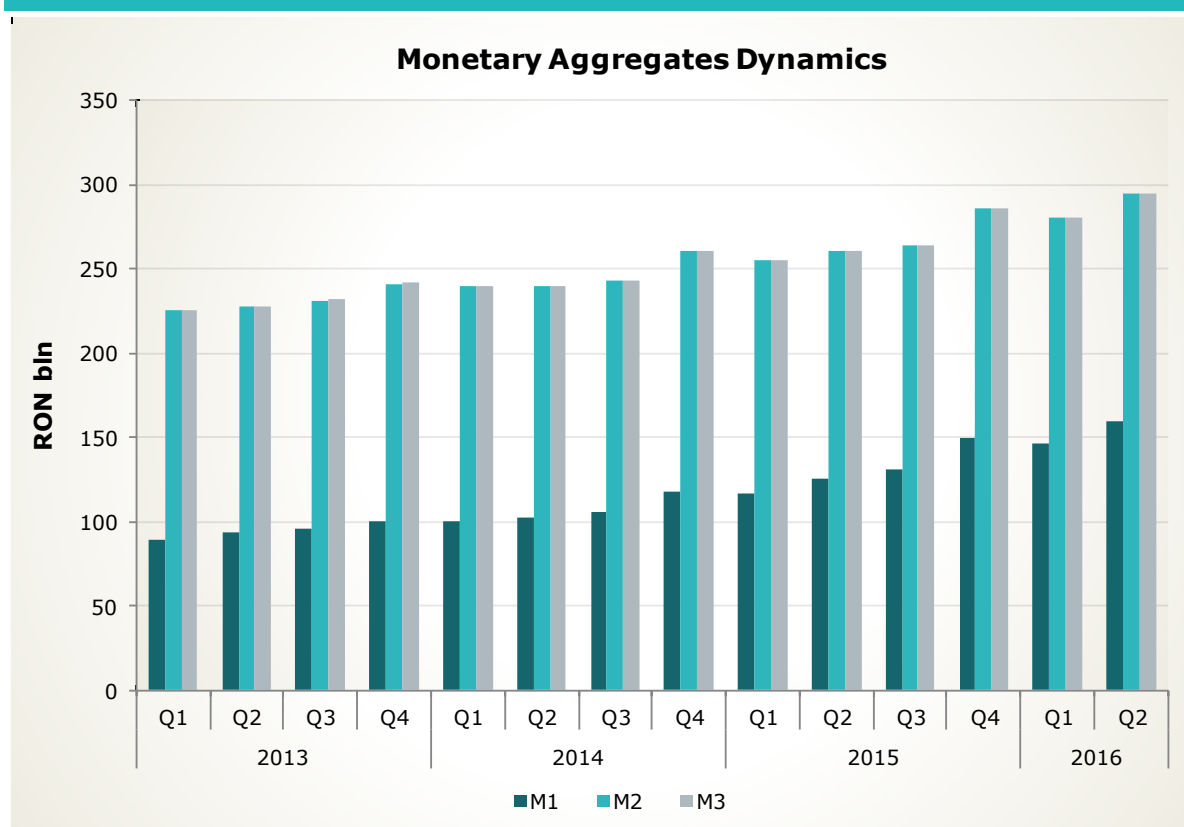
5.2. MONETARY AGGREGATES

Money supply growth was 13.1% y/y in Q2 2016

Broad money (money aggregate M3) increased by 13.1% y/y and reached RON 295.1 bln in Q2 2016, according to data provided by NBR.

The M2 money supply also grew by 13.1% y/y, to RON 295.0 bln.

Money aggregate M1, or narrow money, jumped by 27.7% y/y to RON 159.7 bln.



Source: NBR

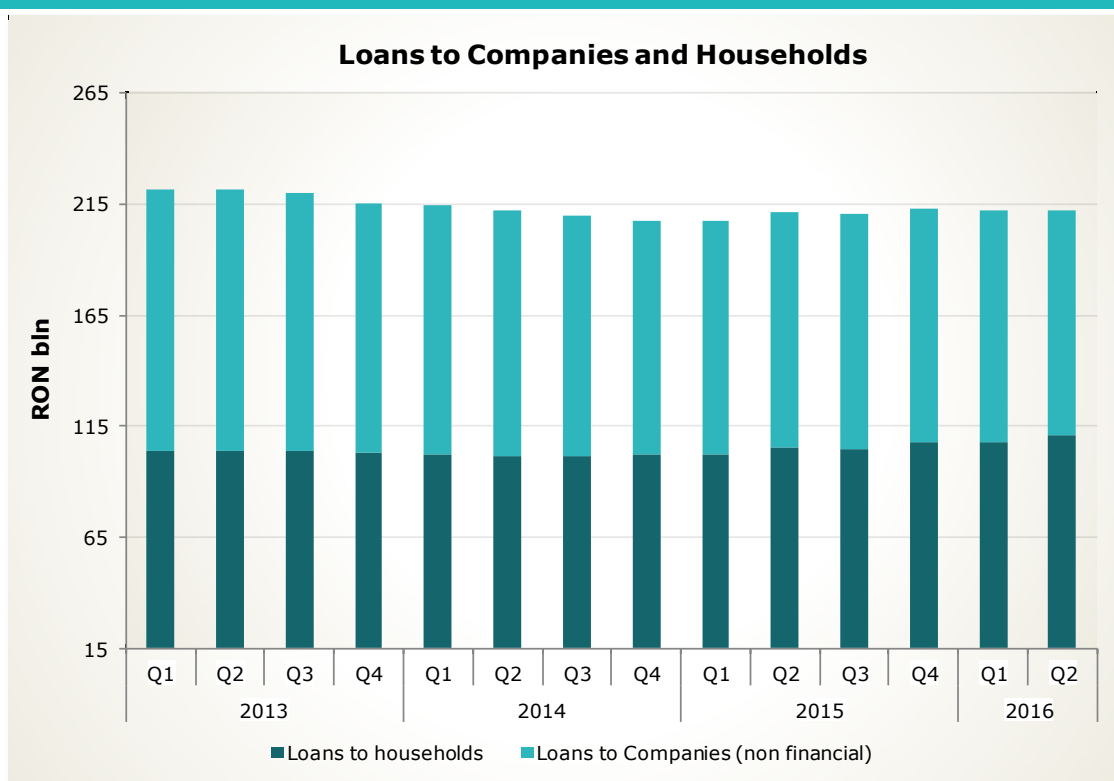
5.3. BANKING AND INSURANCE

Household loans went up by 5.2% y/y in Q2 2016

Loans to non-financial corporations and households totalled RON 212.2 bln in Q2 2016, up by 0.6% y/y, according to NBR data.

Loans to non-financial corporations declined by 4.1% y/y to RON 101.6 bln.

Household loans increased by 5.2% to RON 110.5 bln. House purchasing loans climbed by 16.3% to RON 55.654 bln, while consumer loans went down by 3.9% to RON 51.959 bln.

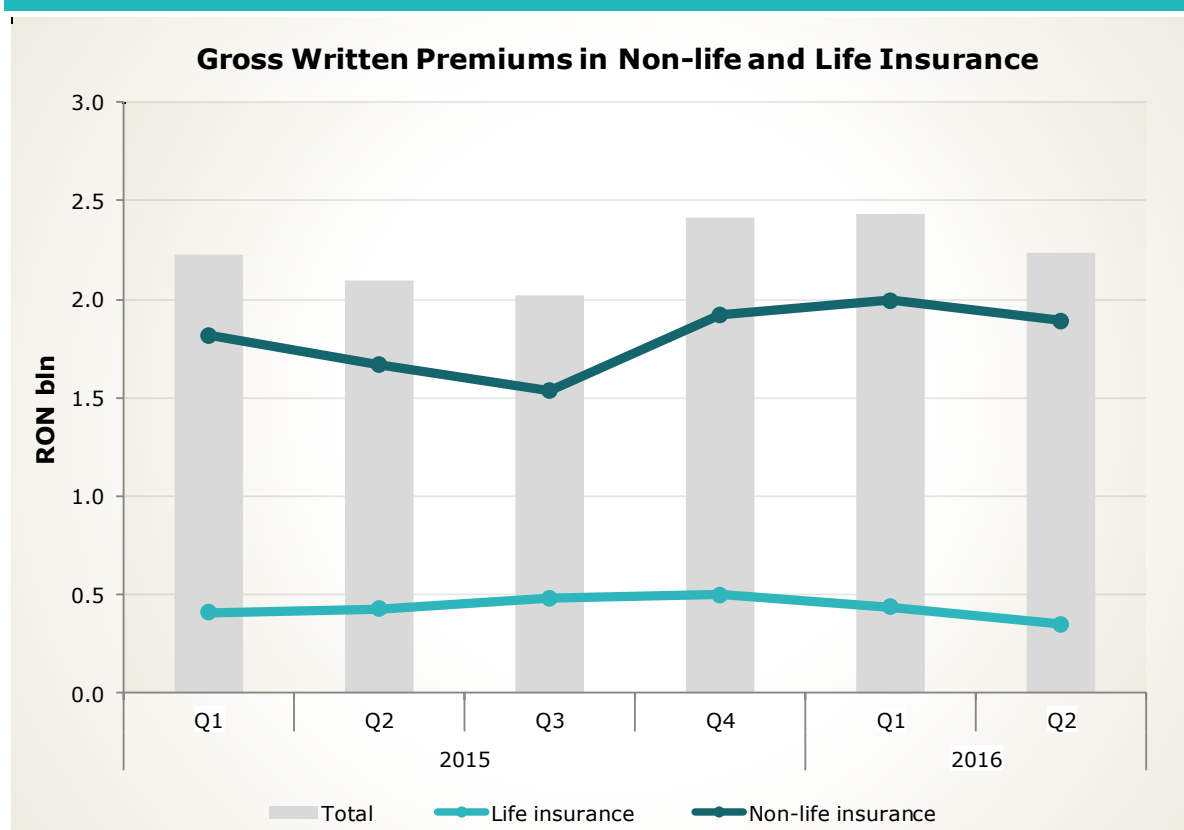


Source: NBR

Insurance premium income up 6.7% y/y in Q2 2016

The total gross written premiums (GWP) of the Romanian non-life and life insurance companies stood at RON 2.236 bln, up by 6.7% y/y in Q2 2016, according to the Financial Supervisory Authority (ASF).

The GWP of the non-life insurance market stood at RON 1.889 bln, or by 13.2% more compared to the same period a year ago, while the life insurance market slumped by 18.9% to RON 347.0 mln.



Source: ASF

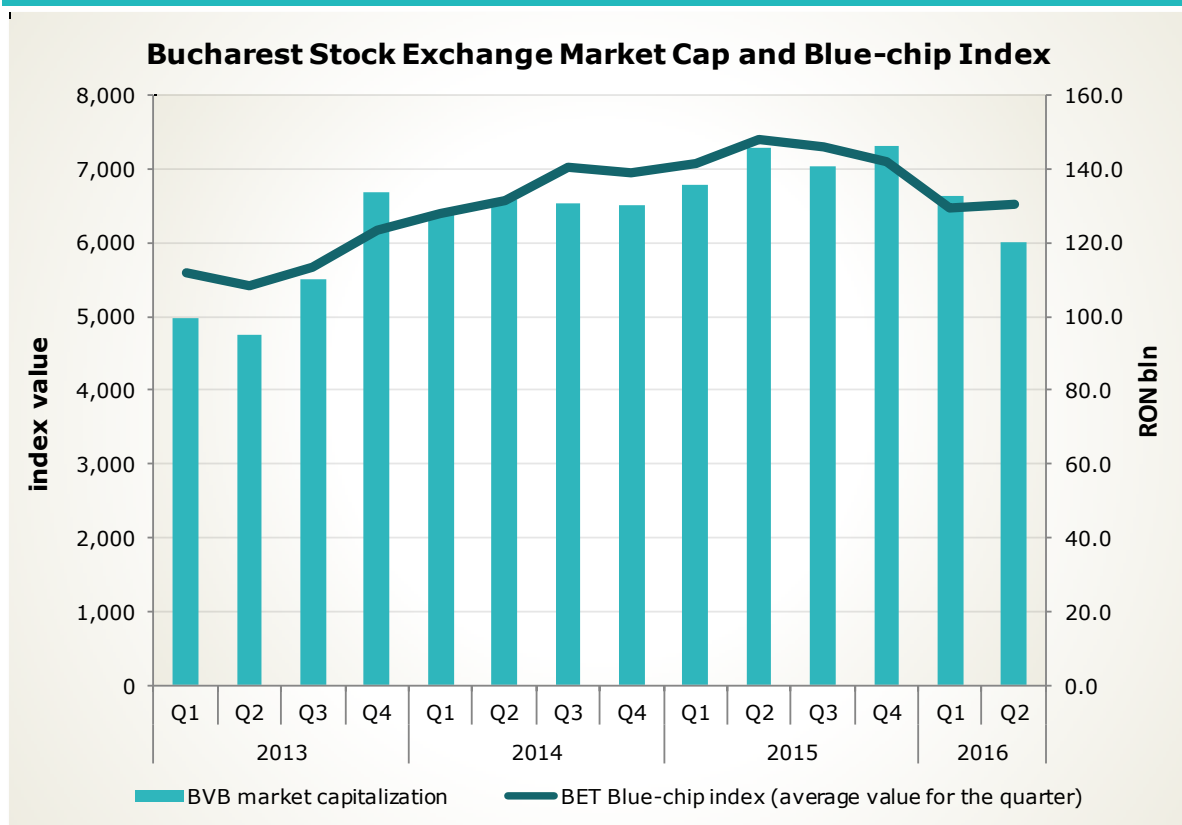
6. CAPITAL MARKETS

Blue-chip BET went down by 11.9% y/y in Q2 2016

The average value of BET, the blue-chip index of the Bucharest Stock Exchange (BVB), decreased by, 11.9% y/y to 6,515 points in the second quarter of 2016.

BVB's total market capitalisation stood at RON 120.2 bln as of end-June 2016, down by 17.5% annually.

The total turnover on BVB fell to RON 2.775 bln in Q2 2016, from RON 4.379 in the corresponding quarter of the previous year.



Source: BVB

7. EXTERNAL SECTOR

7.1. FOREIGN DEBT

Gross external debt at EUR 89.691 bln in Q2 2016

The gross external debt amounted to EUR 89.691 bln as of Q2 2016, narrowing by 1.1%, or EUR 1.042 bln, compared to the same quarter a year earlier, according to NBR. In comparison to the previous quarter, Q1 2016, the gross external debt grew by EUR 620.3 mln.

Long-term liabilities amounted to EUR 55.263 bln, or 61.6% of the total debt, and short-term liabilities totalled EUR 11.924 bln, equal to 13.1% of the total debt. The government debt expanded by 5.4% y/y to EUR 31.201 bln.



Source: NBR

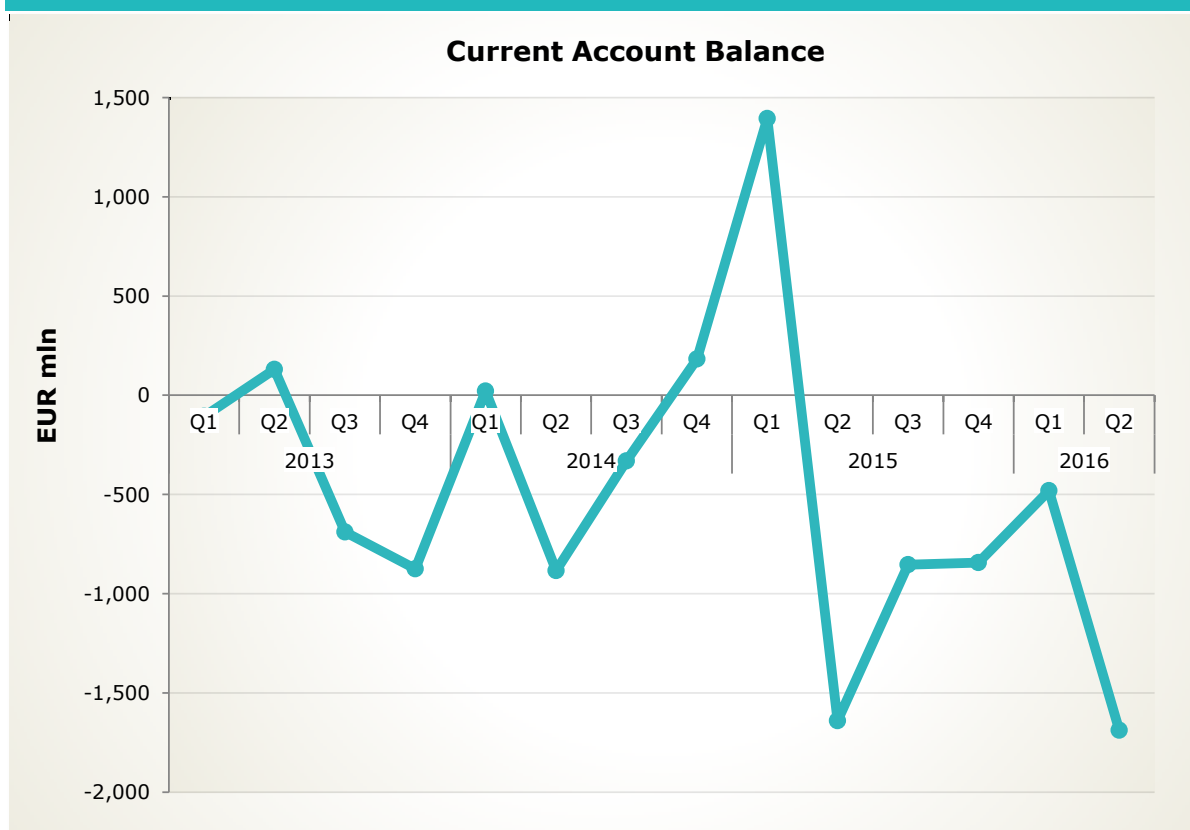
Editor's note: No data is available for Government Debt for Q1 and Q2 2013

7.2. BALANCE OF PAYMENTS

Current account deficit at EUR 1.688 bln in Q2 2016

The current account deficit widened to EUR 1.688 bln in the second quarter of 2016 from EUR 1.641 bln in the year-ago quarter, according to the central bank. In comparison to Q1 2016, the current account deficit jumped by EUR 1.207 bln.

Secondary income in Q2 2016 went down to EUR 516.0 mln, compared to EUR 556.0 mln in the corresponding quarter of the previous year, but gained EUR 62.0 mln in comparison to Q1 2016.

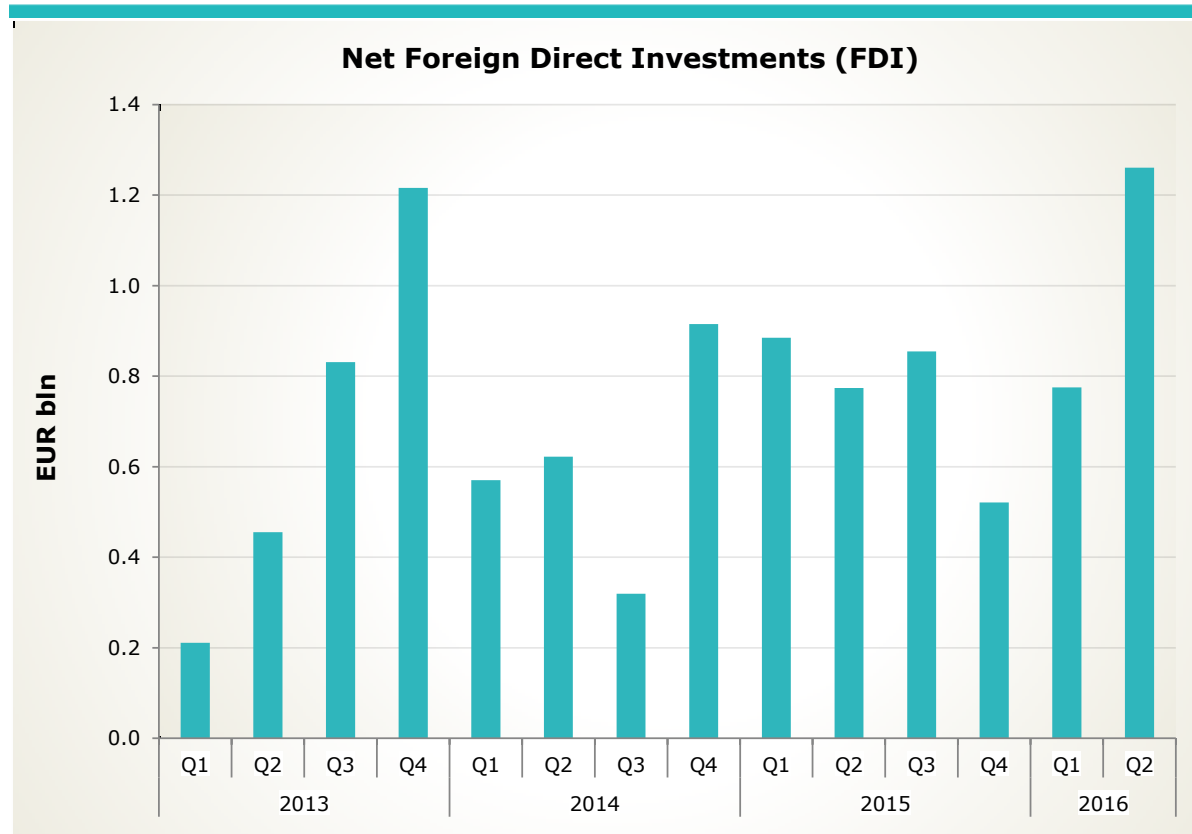


Source: NBR

7.3. FDI

Net FDI jumped by 62.9% y/y in Q2 2016

Net FDI inflow in Romania went up by 62.9% annually to EUR 1.261 bln in Q2 2016, according to NBR. Of the total, equity stakes, including estimated net reinvestment of earnings, amounted to EUR 499.0 mln and intercompany lending added EUR 762.0 mln.



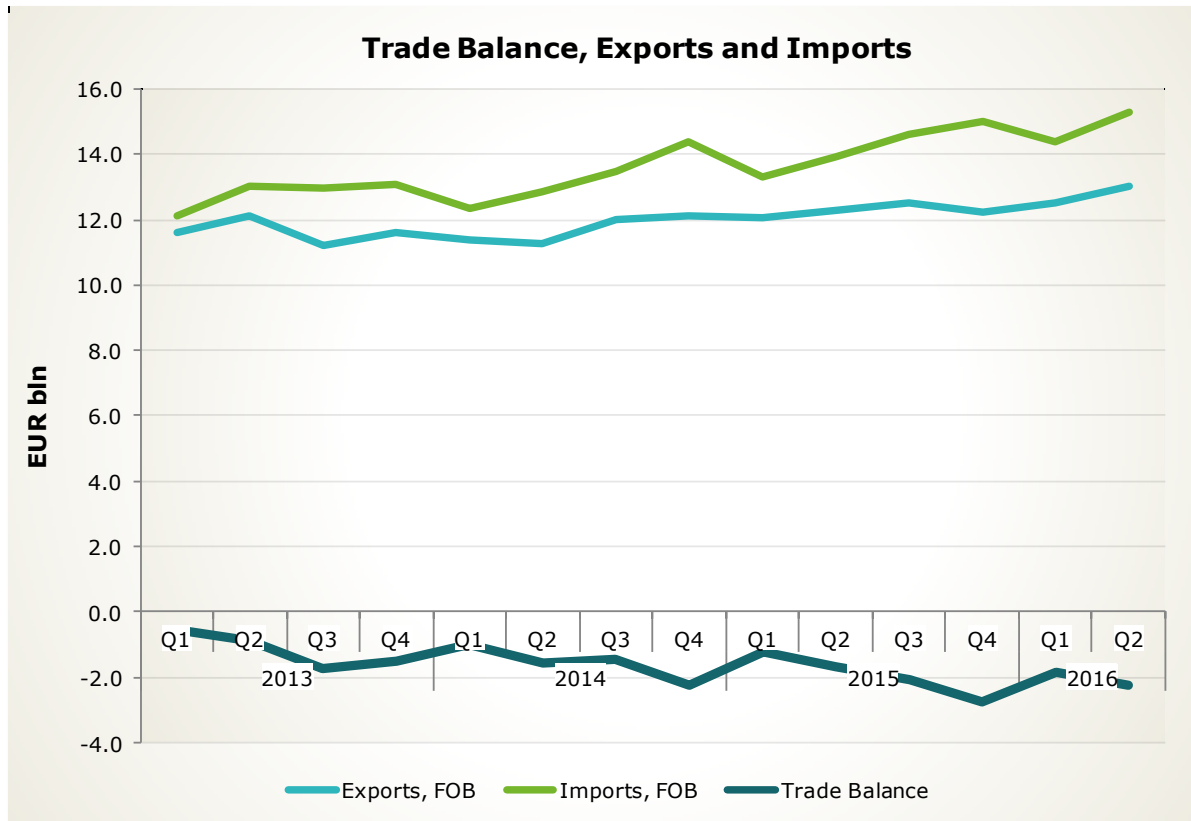
Source: NBR

7.4. FOREIGN TRADE

Foreign trade deficit widened by 35.9% y/y in Q2 2016

The trade deficit stood at EUR 2.270 bln in Q2 2016, compared to EUR 1.670 bln in Q2 2015, according to NBR.

Imports grew faster than exports – by 9.4% versus 5.8%, totalling EUR 15.272 bln, while exports came in at EUR 13.002 bln.



Source: NBR

7.5. TOURSIM

Number of foreign tourist overnights grew by 5.5% y/y in Q2 2016

Tourist overnights of foreigners rose by an annual 5.5% to 1.293 million in Q2 2016, according to INSSE data. The number of foreign tourists also went up - by 9.7% to 679,400.

The share of foreign tourist overnights in the total number of overnights stood at 22.3% or by 0.2 percentage points less than a year earlier.

German tourists led the ranking in terms of numbers – 77,504, followed by tourists from Israel – 61,097, and Italy – 60,337.



Source: INSSE

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