

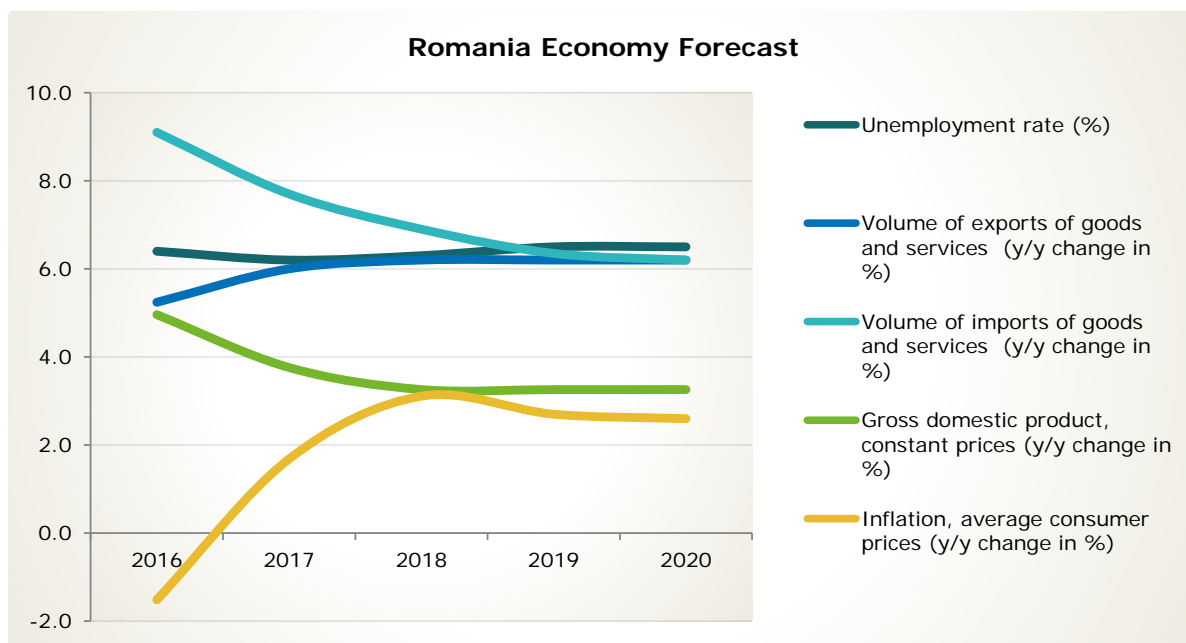
ROMANIA ECONOMY REPORT Q3 2016

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1. MACROECONOMIC SNAPSHOT AND FORECAST

ROMANIA – MACROECONOMIC SNAPSHOT AS OF Q3 2016	
GDP Growth	4.3% y/y
Industrial output	0.3% y/y
Industrial sales	3.9% y/y
Wholesale	8.2% y/y
Retail	15.3% y/y
Average annual deflation	1.7%
Unemployment rate	5.7%
Number of building permits	-5.9% y/y
Money supply growth	12.2% y/y
Household loans	6.3% y/y
BET blue-chip index	-6.6% y/y
Gross external debt	EUR 90.677 bln
Current account deficit	EUR 706.0 mln
Net FDI inflow	EUR 1.107 bln
Foreign trade deficit	EUR 2.259 bln
Number of foreign tourist overnights	7.9% y/y



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

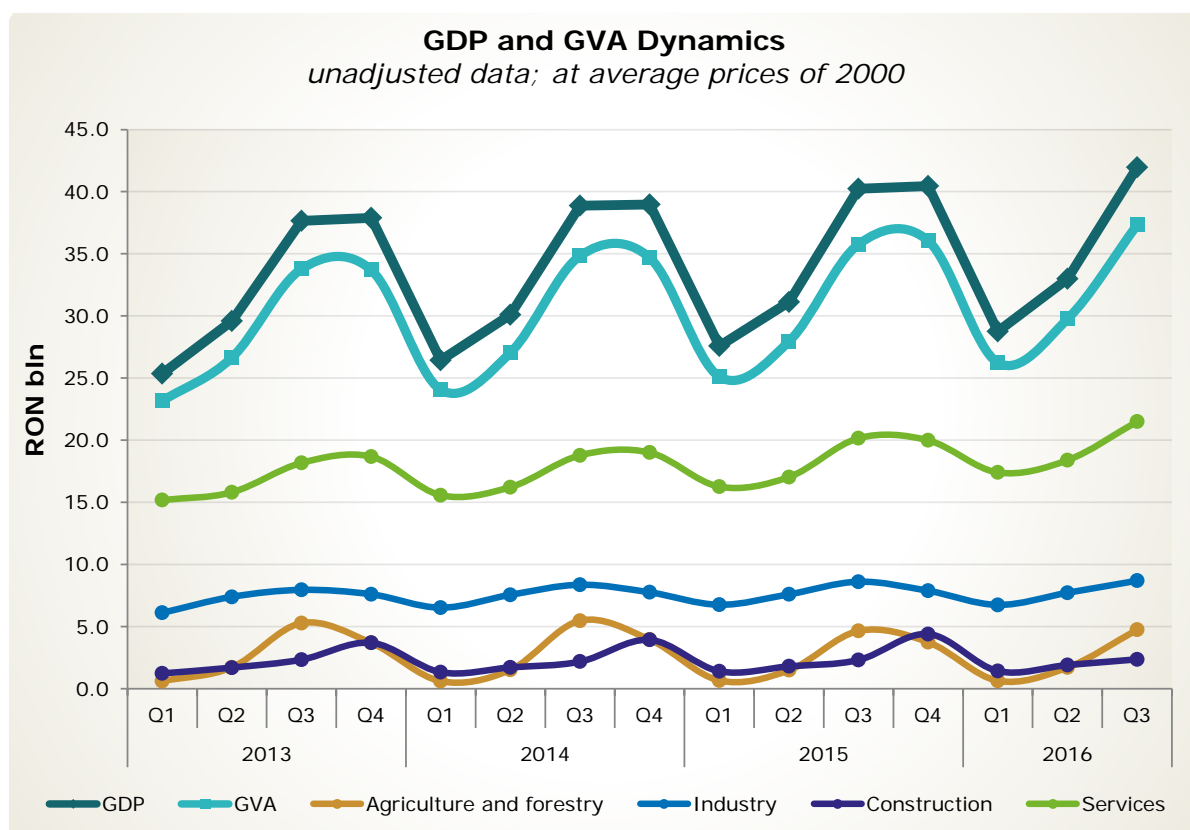
2. REAL SECTOR

2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP went up by a real 4.3% y/y in Q3 2016

The country's GDP increased by a real 4.3% y/y and totalled RON 41.966 bln in Q3 2016, according to provisional data of the National Institute of Statistics (INSSE).

Final consumption increased by 6.6% y/y to RON 42.042 bln. Gross capital formation inched up by 0.5%, contributing 30.1% to the GDP. Exports increased by 7.1%, while imports rose by 7.6%.



Source: INSSE

The gross value added (GVA) generated by the national economy increased by 4.3% y/y in the third quarter of 2016 and totalled RON 37.325 bln. The industrial sector expanded by 0.9% y/y but its share in the GVA structure shrank to 23.3% from 24.1%. The services sector recorded a 6.6% annual increase, slicing a 57.6% share in the GVA, up from 56.4% in the corresponding quarter of the previous year. The agricultural sector registered an annual rise of 1.9%, but decreased its share in the GVA to 12.7% from 13.0%. Construction went up by 2.2%, accounting for 6.4% of the GVA compared to 6.5% a year earlier.

2.2. BUSINESS CLIMATE

Business confidence indicator in September 2016 at 53.3 points

In September 2016, the business confidence indicator was 53.3 points, down from 64.9 points a year ago, according to SURS.

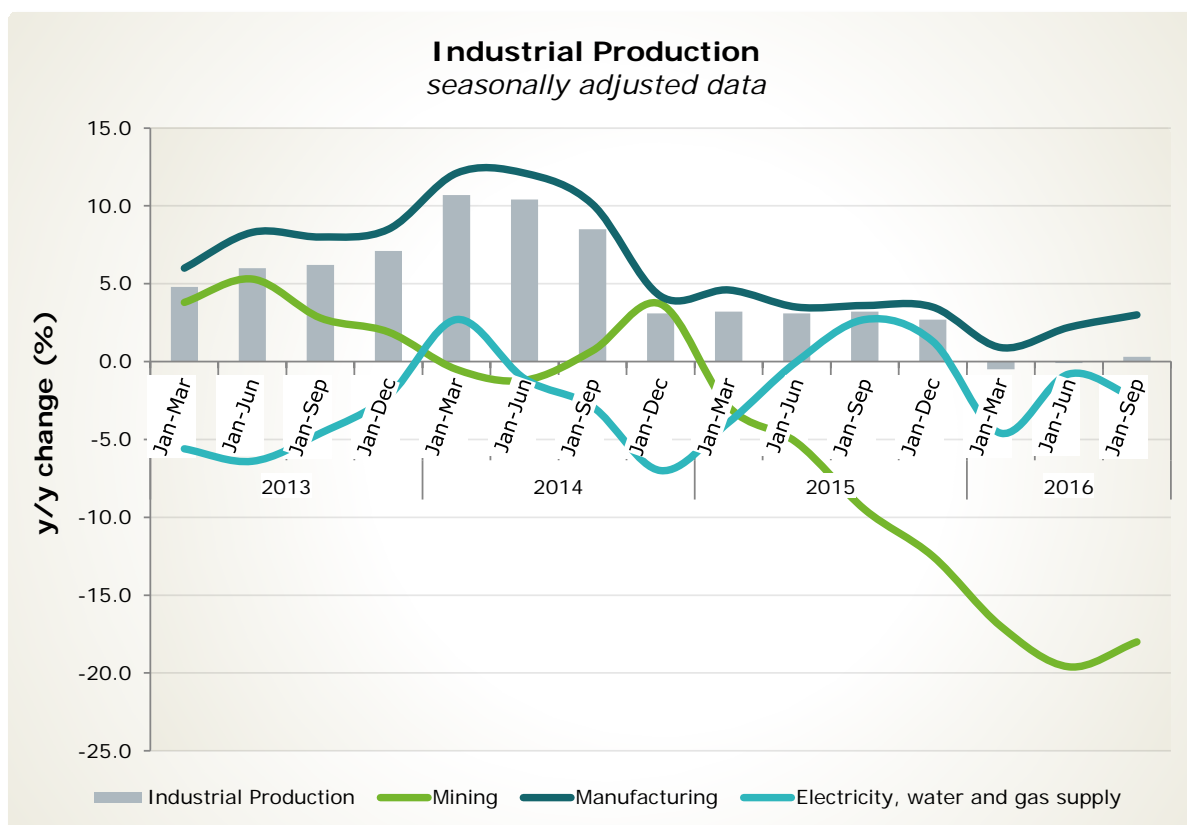
In August 2016, the indicator amounted to 64.8 points, while a month earlier it was 50.8 points.

2.3. INDUSTRIAL OUTPUT

Industrial output up 0.3% y/y in January-September 2016

Industrial output inched up by 0.3% on the year in the first nine months of 2016, according to INSSE. The output of the mining industry dropped the sharpest, by 18.0%. The electricity, water and gas supply sector saw its output declining by 2.4%, while the production of the manufacturing sector grew by 3.0%.

Segment wise, mining support service activities' output sank the most, by 43.0%, while manufacture of electrical equipment was first in terms of annual rise in production, with 15.0%.



Source: INSSE

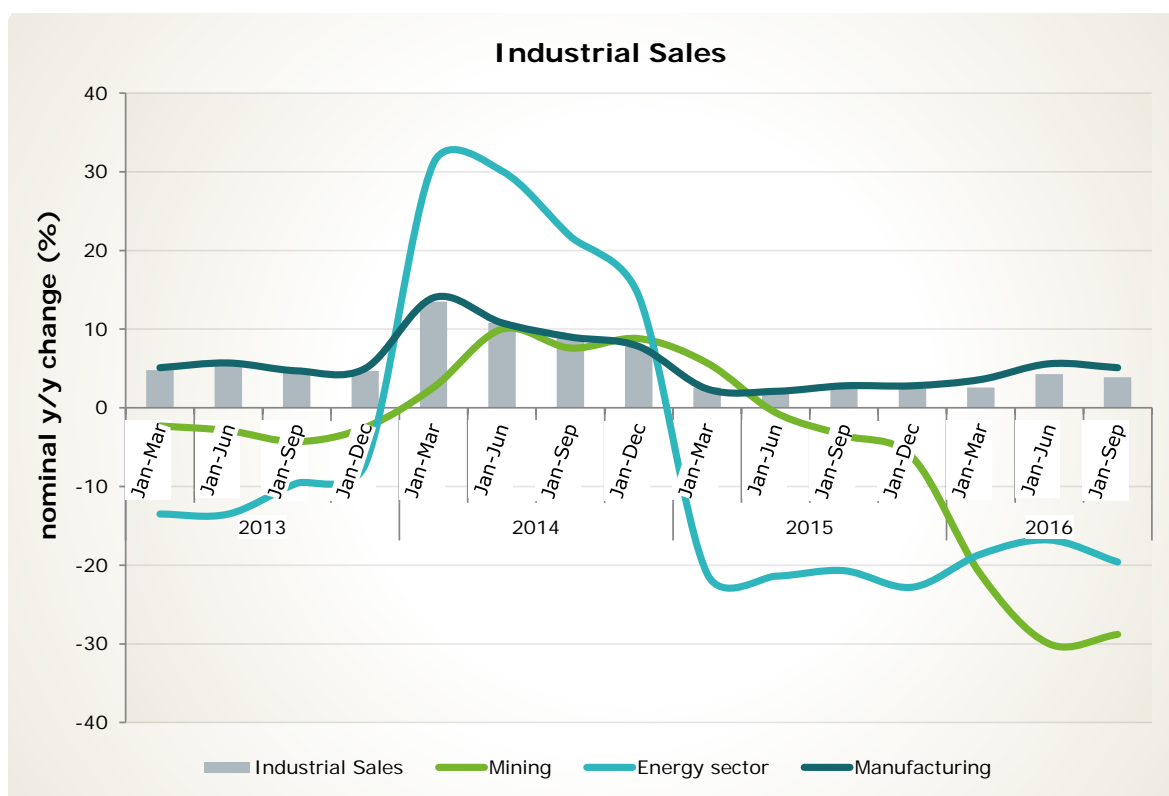
Editor's note: Data for Jan-Dec 2014 is as of December 2014 only

2.4. INDUSTRIAL SALES

Industrial sales went up by 3.9% y/y in January-September 2016

Industrial sales increased by 3.9% y/y in nominal terms in the first nine months of 2016, according to INSSE data. Sales in the manufacturing sector grew by 5.1% on the year, while sales in the mining industry and the energy sector slumped by 28.8% and 19.6%, respectively.

Manufacture of paper and paper products was the fastest growing segment, by 25.1% y/y, while mining of metal ores recorded a slump of 62.3%.



Source: INSSE

2.5. WHOLESALE/RETAIL

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

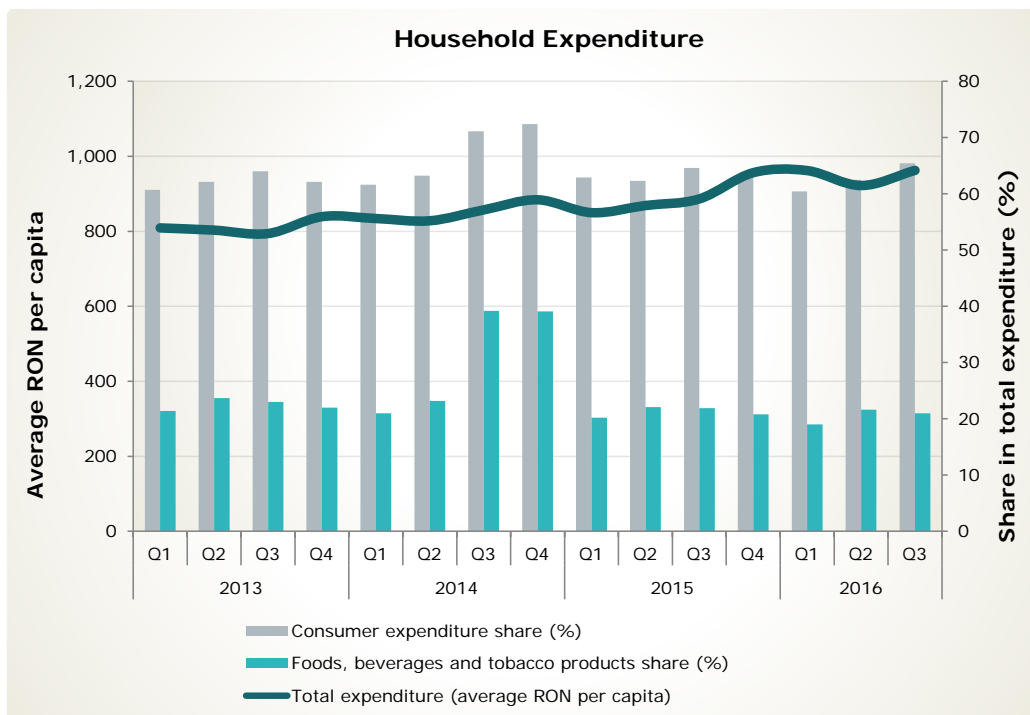
Retail sales went up by 15.3% y/y in the first nine months of 2016, according to INSSE data.

Retail trade via mail order or Internet marked the highest annual increase, of 28.5%, followed by retail sales of textiles, clothing, footwear and leather articles with a 27.5% increase and retail trade with furniture, lighting articles, electric appliances in specialised shops with 19.3%. There was no sector to report a decrease in retail sales.



Source: INSSE

The wholesale sector went up in nominal terms by 8.2% on the year in the first three quarters of 2016. Wholesale of other machinery, equipment and supplies registered the highest rise, of 26.5%, while the sharpest drop, of 3.7%, was experienced by wholesale intermediation activities.

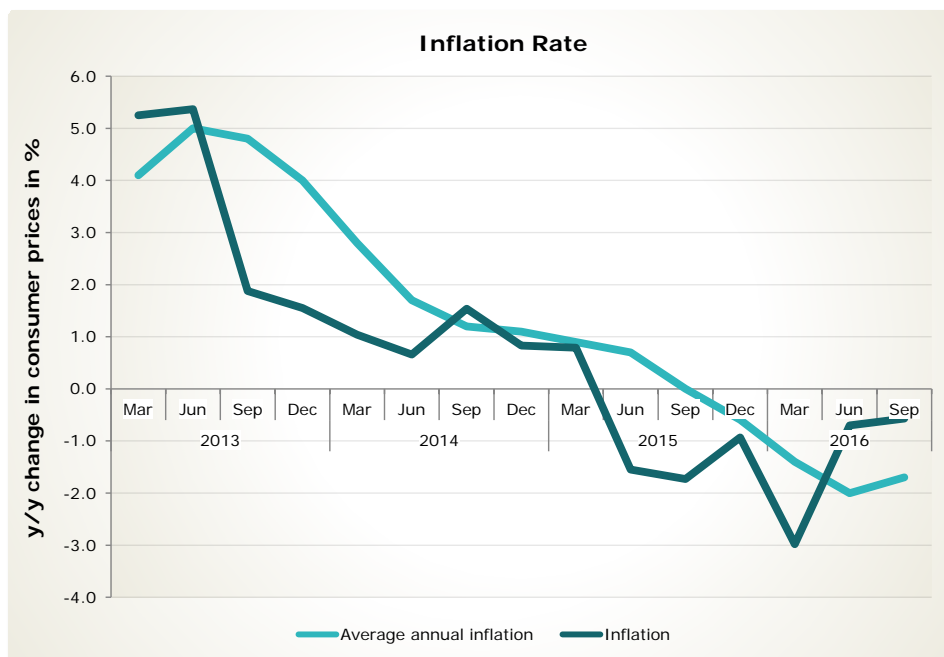


Source: INSSE

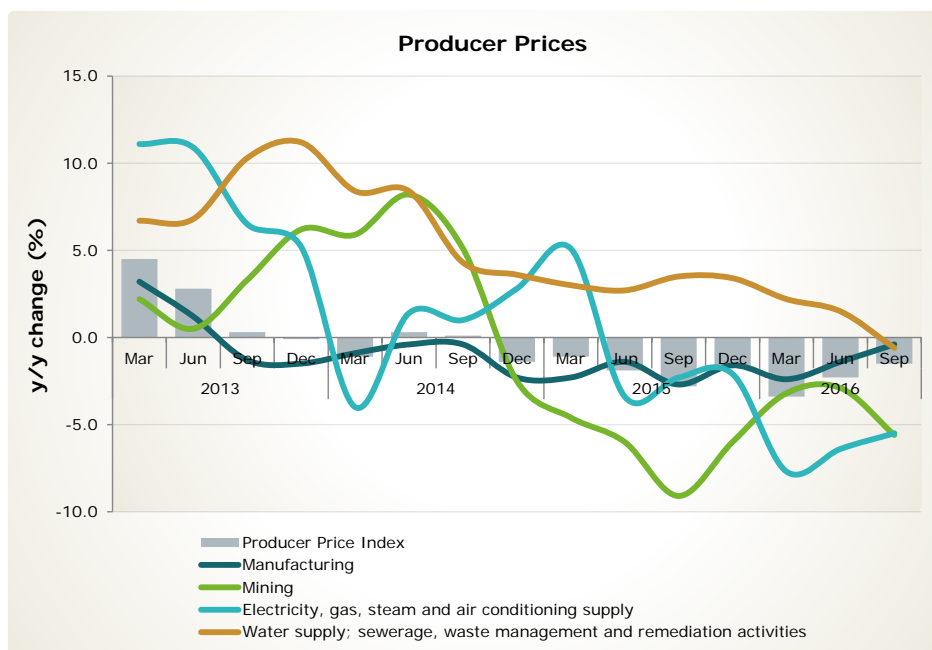
2.6. INFLATION

Average annual deflation of 1.7% as of September 2016

Romania registered an average annual deflation of 1.7% in the period October 2015 – September 2016, according to INSSE data. For comparison, there was a 2.0% average annual deflation in the period July 2015 - June 2016.



Source: INSSE



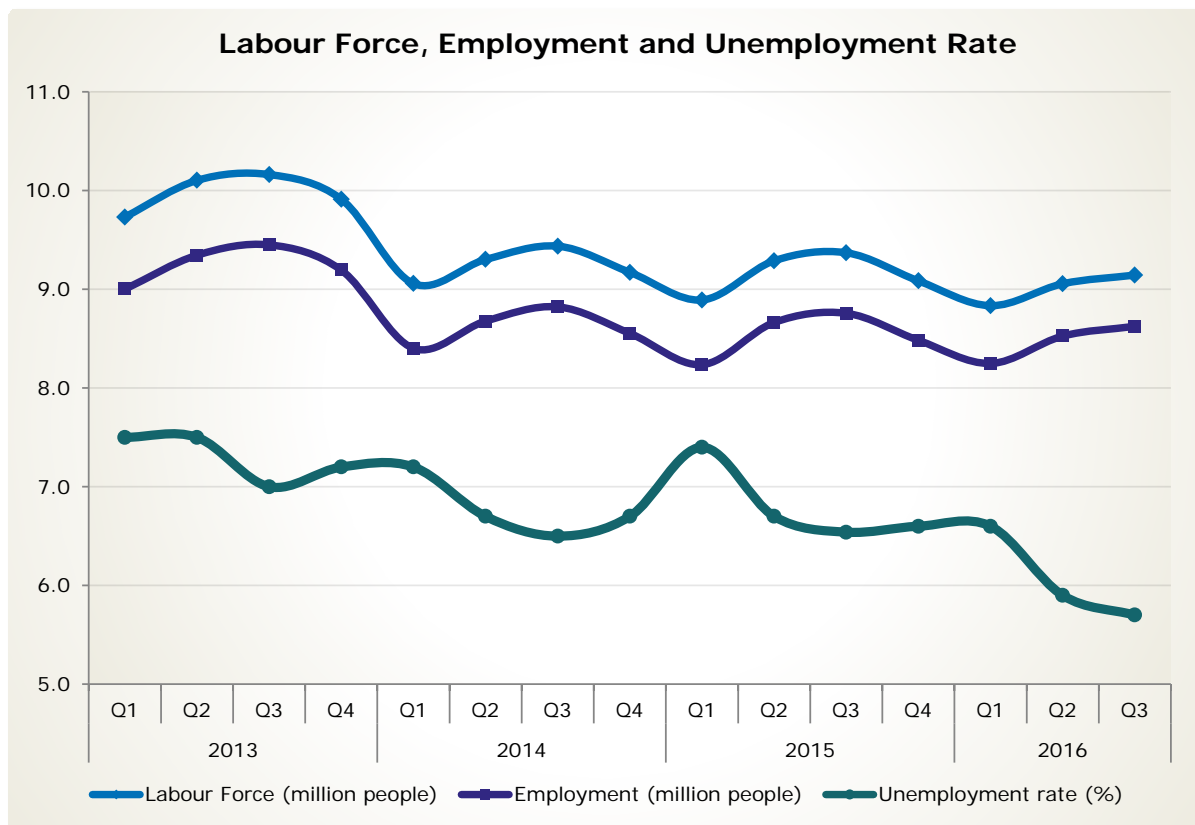
Source: INSSE

3. LABOUR MARKET

Unemployment rate shrank annually to 5.7%; wages grew 13.7% y/y in Q3 2016

Unemployment in Romania narrowed to 5.7% of the total labour force in the third quarter of 2016, compared to 6.5% a year earlier, according to data of INSSE.

The employed population aged 15 years and older was 8.625 million, down by 1.5% y/y. The youth (population aged 15-24) unemployment rate went up to 20.5%, compared to 19.9% a year ago.



Source: INSSE

The average monthly net salary in Q3 2016 went up by 13.7% in annual terms to RON 2,083. In the period under review, employees in the computer programming, consultancy and information service activities earned the highest salaries of RON 5,499, followed by extraction of crude petroleum and natural gas with RON 5,005, and manufacture of coke and refined petroleum products with RON 4,746.

4. CONSTRUCTION AND REAL ESTATE

Number of building permits fell by 5.9% y/y in Q3 2016

The number of building permits issued in Romania in the third quarter of 2016 decreased by 5.9% y/y, totalling 13,374, according to INSSE data.

The permits for housing projects went down by 5.2% to 11,600 and permits for administrative buildings slumped by 23.2% to 53.

5. MONEY SUPPLY AND BANKING SYSTEM

5.1. RON EXCHANGE RATE

The average exchange rate of the RON against the EUR stood at RON 4.4649 in the third quarter of 2016, down from RON 4.4980 in the previous quarter and up from RON 4.4285 a year earlier, according to National Bank of Romania (NBR).

RON Average Exchange Rate			
Foreign Currency	Q3 2016	Q2 2016	Q3 2015
EUR	4.4649	4.4980	4.4285
USD	3.9993	3.9838	3.9816
GBP	5.2564	5.7148	6.1738
CHF	4.1007	4.1033	4.1307

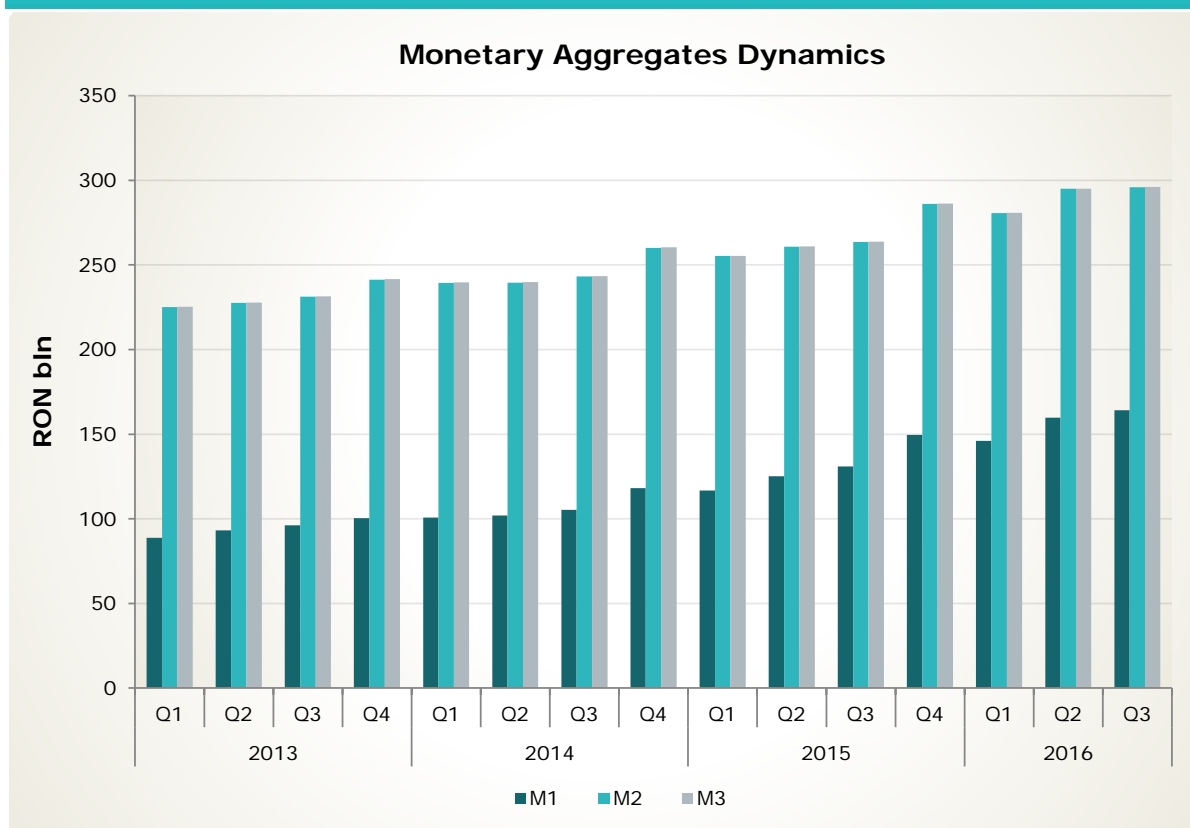
5.2. MONETARY AGGREGATES

Money supply growth was 12.2% y/y in Q3 2016

Broad money (money aggregate M3) increased by 12.2% y/y and reached RON 296.0 bln in Q3 2016, according to data provided by NBR.

The M2 money supply also grew by 12.2% y/y, to RON 295.9 bln.

Money aggregate M1, or narrow money, jumped by 25.3% y/y to RON 164.1 bln.



Source: NBR

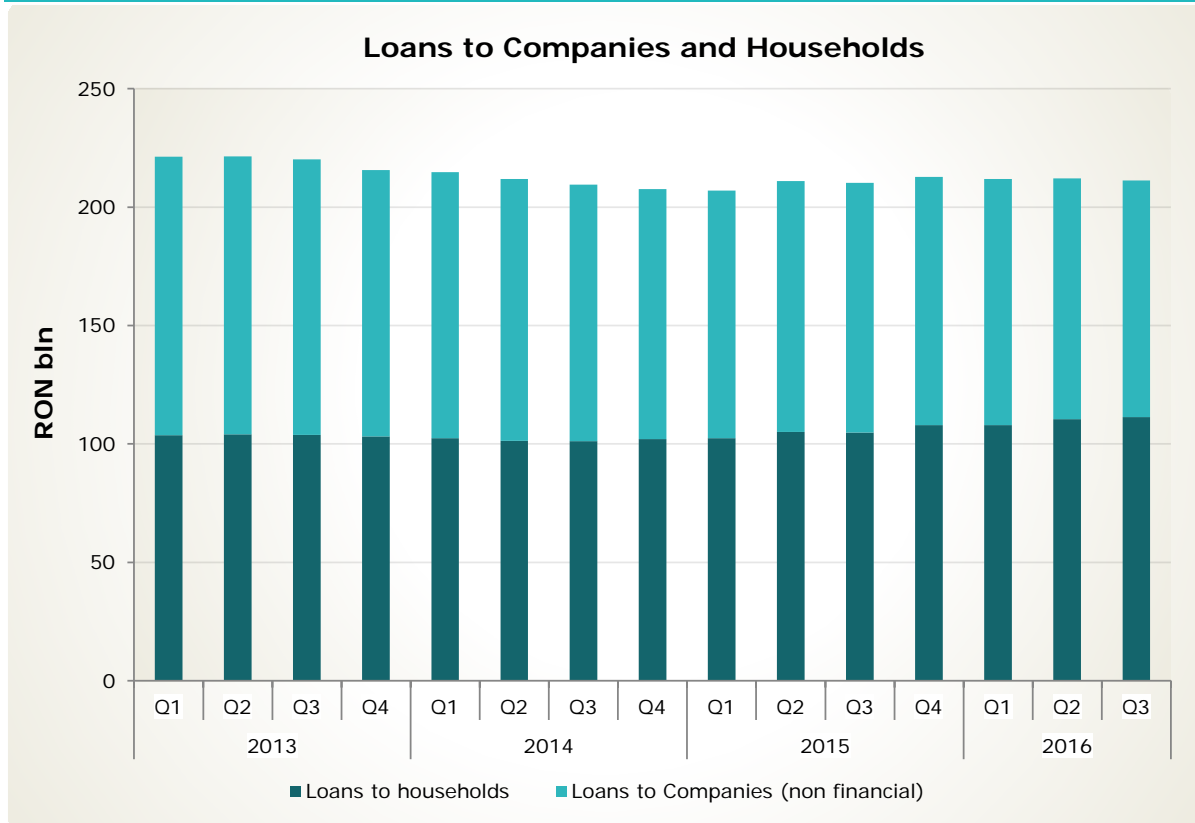
5.3. BANKING AND INSURANCE

Household loans went up by 6.3% y/y in Q3 2016

Loans to non-financial corporations and households totalled RON 211.2 bln in Q3 2016, up by 0.5% y/y, according to NBR data.

Loans to non-financial corporations declined by 5.3% y/y to RON 99.9 bln.

Household loans increased by 6.3% to RON 111.4 bln. House purchasing loans climbed by 16.2% to RON 56.671 bln, while consumer loans went down by 1.8% to RON 52.002 bln.

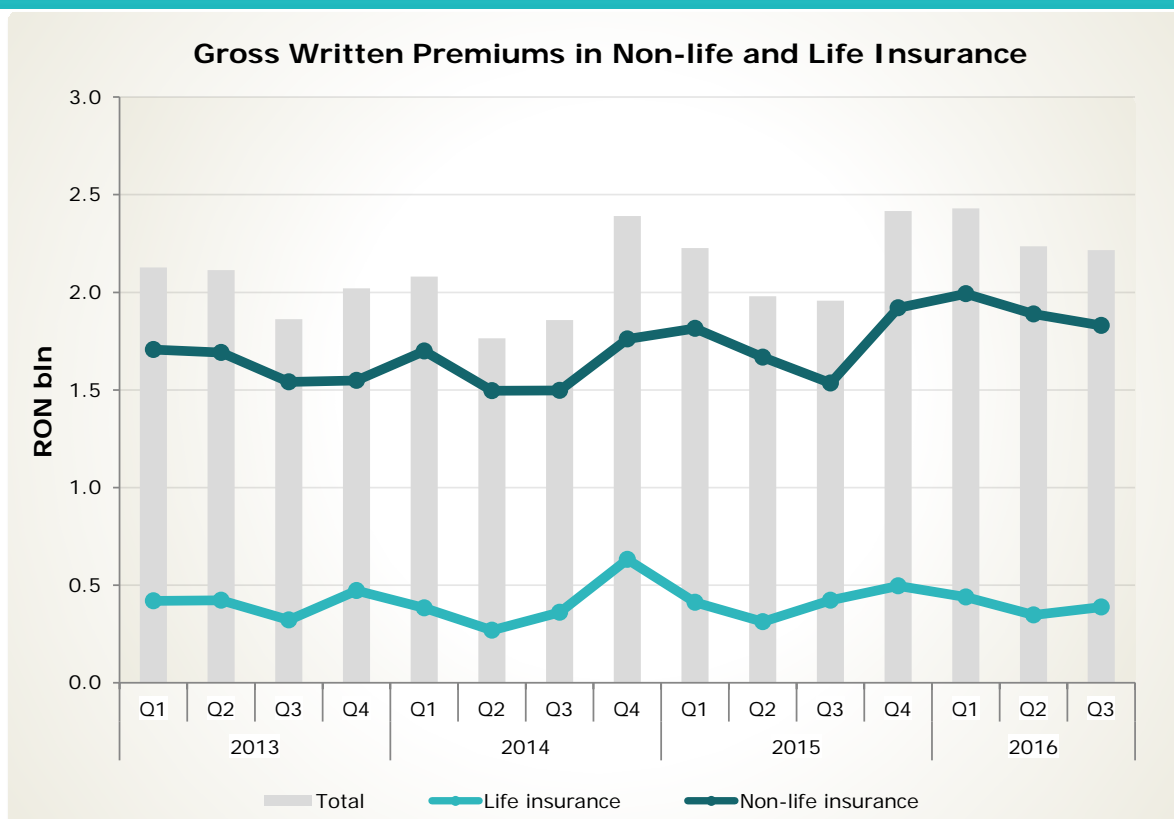


Source: NBR

Insurance premium income up 13.3% y/y in Q3 2016

The total gross written premiums (GWP) of the Romanian non-life and life insurance companies stood at RON 2.217 bln, up by 13.3% y/y in Q3 2016, according to the Financial Supervisory Authority (ASF).

The GWP of the non-life insurance market stood at RON 1.830 bln, or by 19.2% more compared to the same period a year ago, while the life insurance market slumped by 8.3% to RON 387.3 mln.



Source: ASF

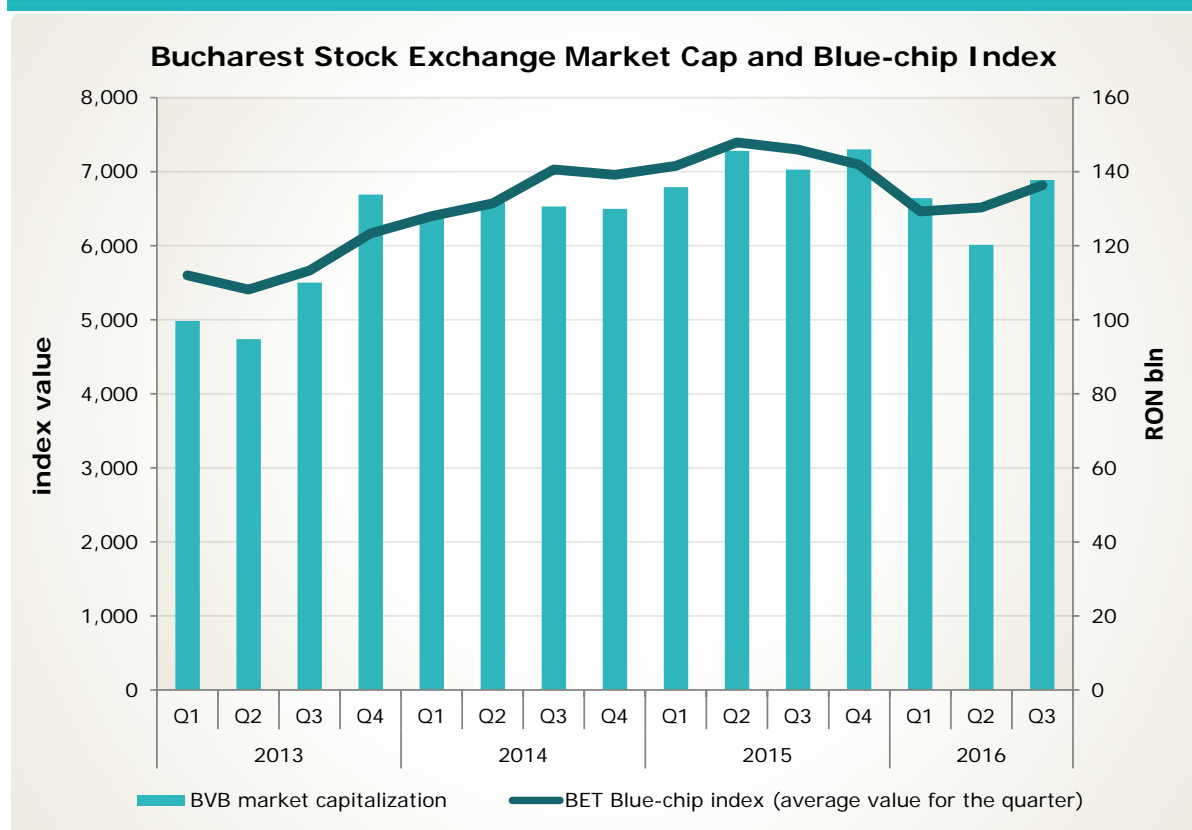
6. CAPITAL MARKETS

Blue-chip BET went down by 6.6% y/y in Q3 2016

The average value of BET, the blue-chip index of the Bucharest Stock Exchange (BVB), decreased by 6.6% y/y to 6,816 points in the third quarter of 2016.

BVB's total market capitalisation stood at RON 137.8 bln as of end-September 2016, down by 2.0% annually.

The total turnover on BVB fell to RON 3.242 bln in Q3 2016, from RON 2.369 in the corresponding quarter of the previous year.



Source: BVB

7. EXTERNAL SECTOR

7.1. FOREIGN DEBT

Gross external debt at EUR 90.677 bln in Q3 2016

The gross external debt amounted to EUR 90.677 bln as of Q3 2016, expanding by 1.8%, or EUR 1.561 bln, compared to the same quarter a year earlier, according to NBR. In comparison to the previous quarter, Q2 2016, the gross external debt grew by EUR 985.8 mln.

Long-term liabilities amounted to EUR 56.243 bln, or 62.0% of the total debt, and short-term liabilities totalled EUR 12.335 bln, equal to 13.6% of the total debt. Government debt expanded by 8.8% y/y to EUR 32.609 bln.



Source: NBR

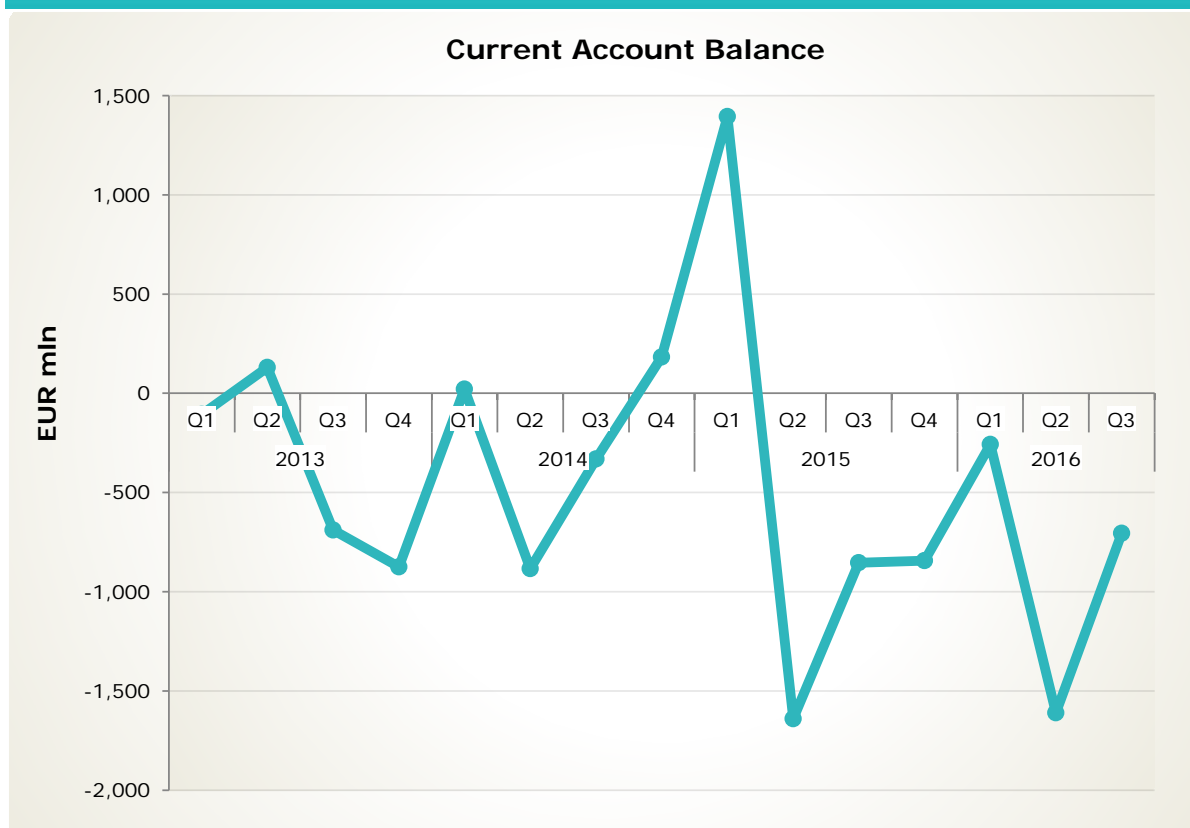
Editor's note: No data is available for Government Debt for Q1 and Q2 2013

7.2. BALANCE OF PAYMENTS

Current account deficit at EUR 706.0 mln in Q3 2016

The current account deficit narrowed to EUR 706.0 mln in the third quarter of 2016 from EUR 854.0 mln in the year-ago quarter, according to the central bank. In comparison to Q2 2016, the current account deficit more than halved - by EUR 904.0 mln.

Secondary income in Q3 2016 soared to EUR 789.0 mln from EUR 599.0 mln in the corresponding quarter of the previous year and gained EUR 202.0 mln in comparison to Q2 2016.

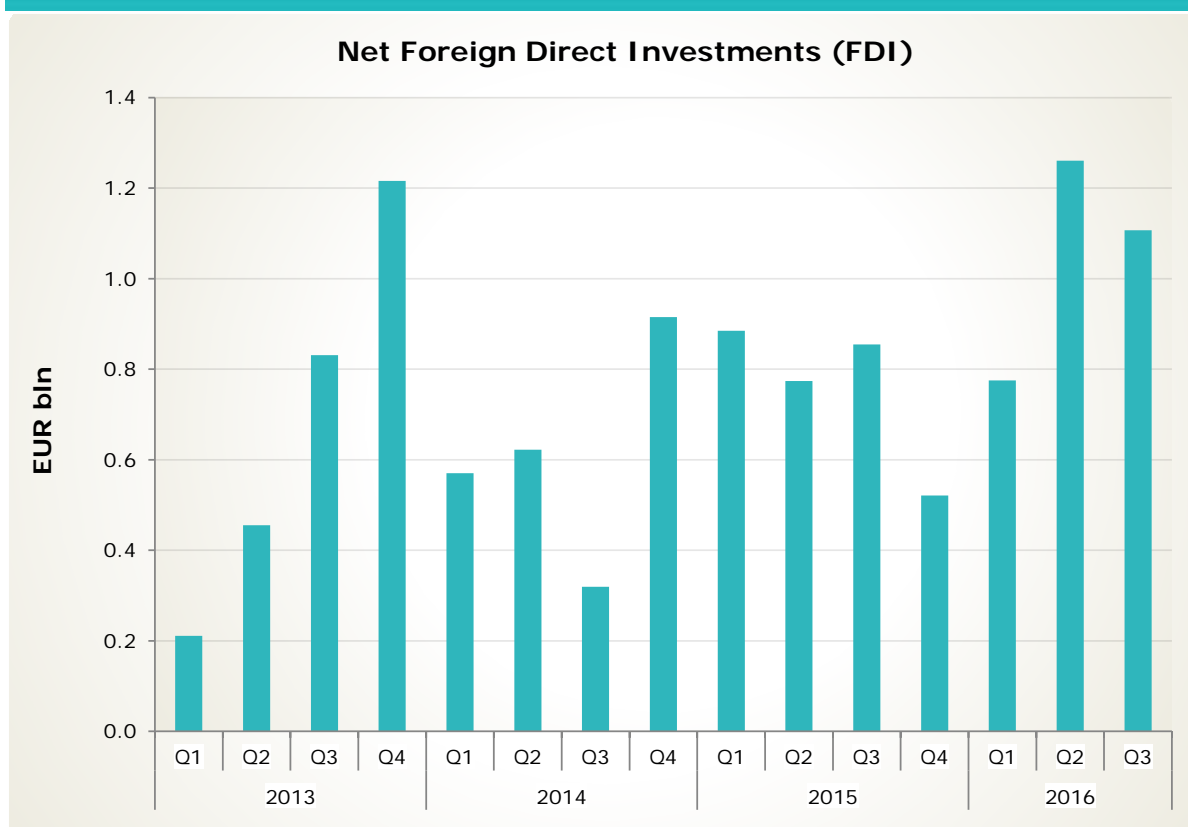


Source: NBR

7.3. FDI

Net FDI jumped by 29.5% y/y in Q3 2016

Net FDI inflow in Romania went up by 29.5% annually to EUR 1.107 bln in Q3 2016, according to NBR. Of the total, equity stakes, including estimated net reinvestment of earnings, amounted to EUR 1.189 bln, while intercompany lending deducted EUR 82.0 mln.



Source: NBR

7.4. FOREIGN TRADE

Foreign trade deficit widened by 8.3% y/y in Q3 2016

The trade deficit stood at EUR 2.259 bln in Q3 2016, compared to EUR 2.085 bln in Q3 2015, according to NBR.

Imports grew faster than exports – by 5.8% versus 5.4%, totalling EUR 15.481 bln, while exports came in at EUR 13.222 bln.



Source: NBR

7.5. TOURSIM

Number of foreign tourist overnights grew by 7.9% y/y in Q3 2016

Tourist overnights of foreigners rose by an annual 7.9% to 1.660 million in Q3 2016, according to INSE data. The number of foreign tourists also went up - by 7.5% to 836,700.

The share of foreign tourist overnights in the total number of overnights stood at 15.3% or by 0.2 percentage points less than a year earlier.

German tourists led the ranking in terms of numbers - 102,803, followed by tourists from Israel - 93,577, and Italy - 67,994.



Source: INSSE

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