

ROMANIA ECONOMY REPORT

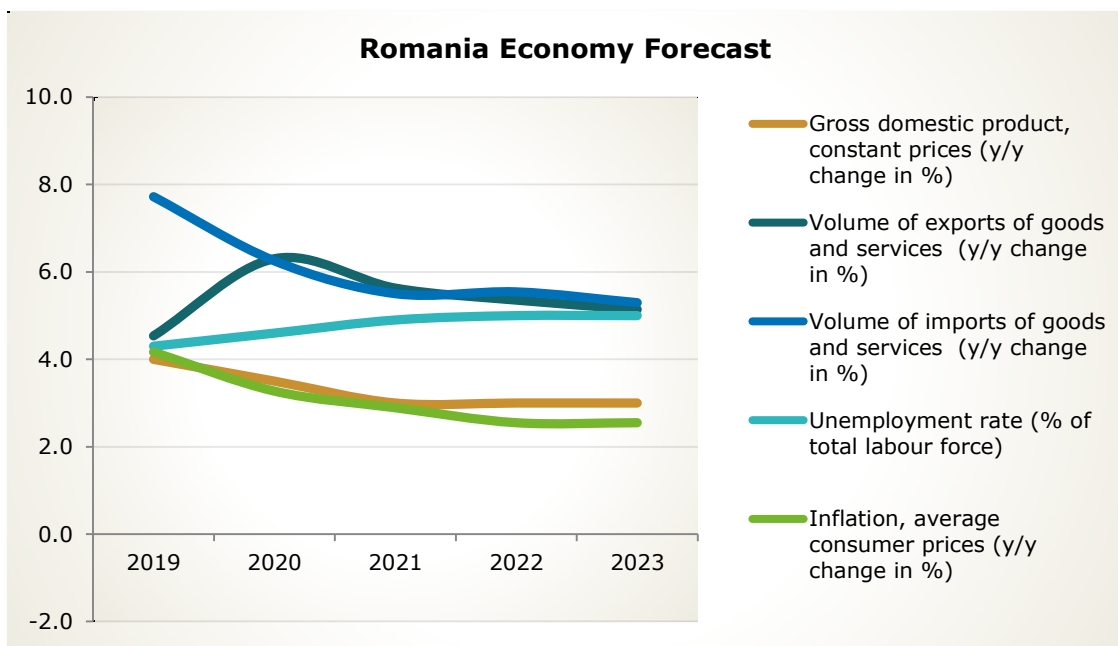
Q3 2019

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1. MACROECONOMIC SNAPSHOT AND FORECAST

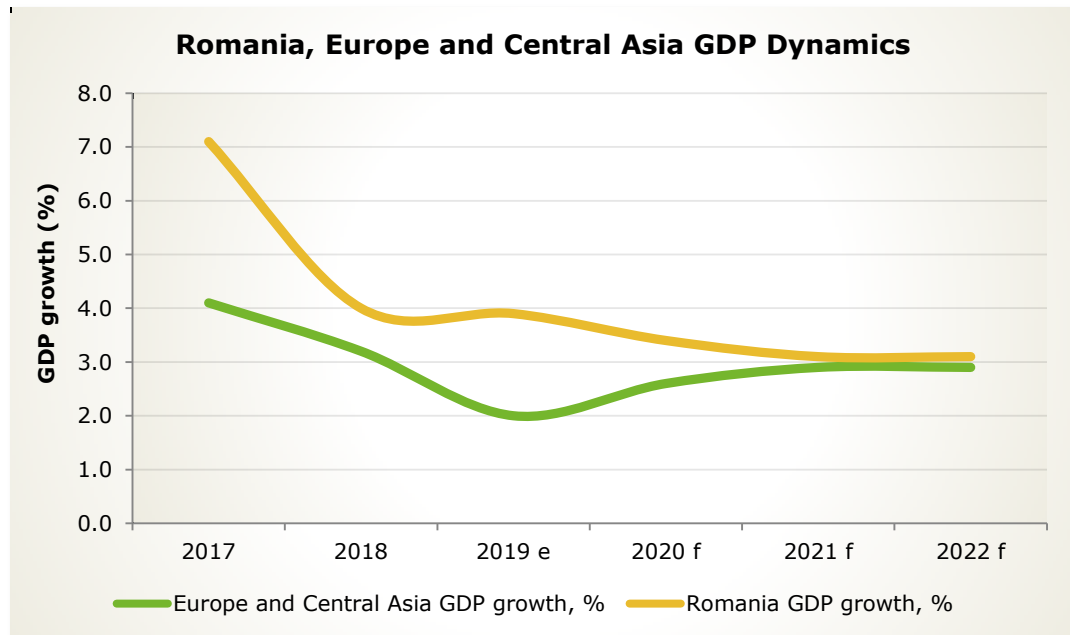
ROMANIA – MACROECONOMIC SNAPSHOT AS OF Q3 2019	
GDP Growth	3.0% y/y
Industrial output	-1.5% y/y
Industrial sales	5.7% y/y
Wholesale	5.4% y/y
Retail	7.1% y/y
Average annual inflation	3.8%
Unemployment rate	3.8%
Number of building permits	-3.9% y/y
Money supply growth	9.3% y/y
Household loans	7.4% y/y
BET blue-chip index	9.0% q/q
Gross external debt	EUR 107.6 bln
Current account deficit	EUR 3.6 bln
Net FDI inflow	EUR 1.9 bln
Foreign trade deficit	EUR 4.5 bln
Number of foreign tourist overnights	-3.5% y/y



Source: International Monetary Fund (IMF) World Economic Outlook Database - October 2019

The International Monetary Fund (IMF) expects the economic growth in Romania to slow down to 4.0% in 2019 from 4.1% in 2018. GDP expansion will once again continue to be fuelled by private consumption stimulated by fiscal relaxation and solid wage growth, while current account and fiscal deficit will both persist. Growth is expected to further decelerate and

stabilise at about 3.0% in the medium term, hampered by inadequate investment and lack of sustainability in structural reforms.



Source: World Bank, Europe and Central Asia Economic Update, January 2020

According to the World Bank estimates from January 2020, GDP growth is likely to come in at 3.9% in 2019, down from 4.0% in 2018. This will be higher than the projected growth for Europe and Central Asia, of 2.0% in 2019.

Romania – GDP, Inflation, Current Account Balance and FDI Dynamics (y/y change in %)						
	2016	2017	2018	2019 e	2020 f	2021 f
Real GDP growth, at constant market prices, y/y cha	4.8	7.0	4.1	4.2	3.6	3.2
Private Consumption	8.0	9.6	4.7	6.0	5.8	5.6
Government Consumption	4.6	4.6	9.9	2.6	2.5	2.4
Gross Fixed Capital Investment	0.0	3.3	-3.1	8.1	6.2	4.1
Exports, Goods and Services	16.1	9.7	5.4	2.9	3.7	3.7
Imports, Goods and Services	16.5	11.3	9.1	7.5	6.1	5.7
Real GDP growth, at constant factor prices (by sectors)						
Agriculture	4.2	14.6	10.0	2.0	2.0	2.0
Industry	6.6	6.2	2.1	1.4	2.1	2.4
Services	4.0	6.8	3.5	6.1	4.6	3.8
Inflation (Consumer Price Index)	-1.5	1.3	4.6	4.1	3.6	3.1
Current Account Balance (% of GDP)	-2.1	-3.2	-4.4	-5.2	-5.4	-5.6
Net Foreign Direct Investment (% of GDP)	2.7	2.6	2.3	2.4	2.3	2.2

Source: World Bank, Europe and Central Asia Economic Update, October 2019

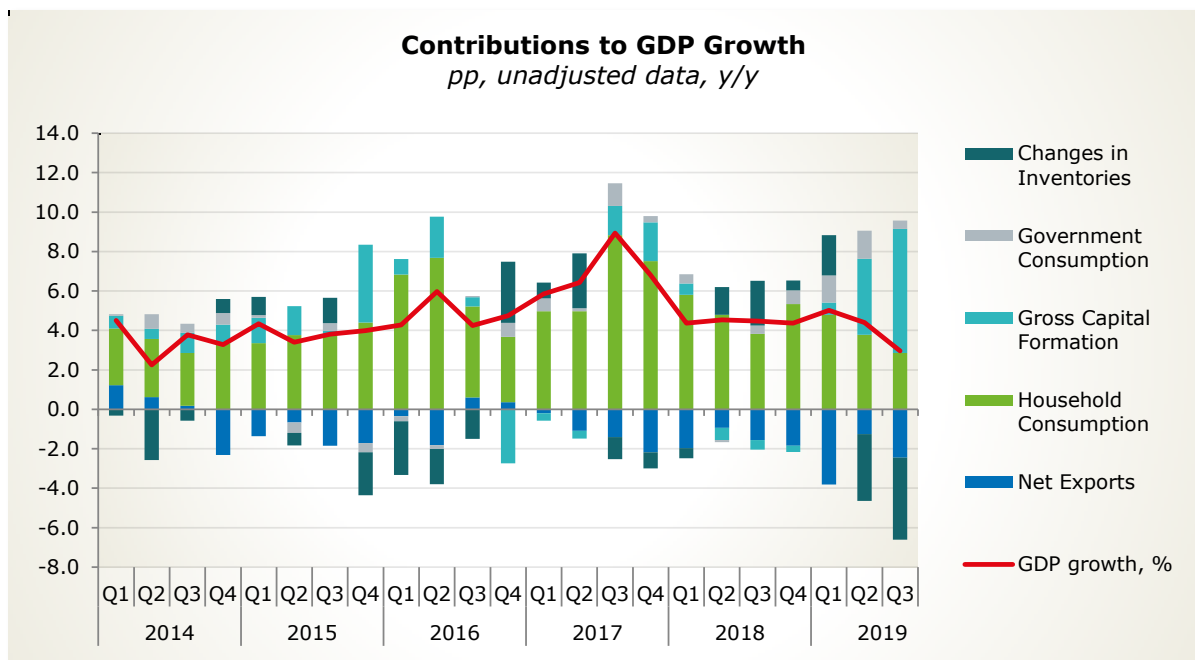
2. REAL SECTOR

2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP annual growth slowed down to 3.0% in Q3 2019 from 4.4% in Q2 2019

The country's GDP increased by a real 3.0% y/y and totalled RON 49.0 bln in Q3 2019, according to data from the National Institute of Statistics (INSSE). This is down compared to an annual growth of 4.4% in Q2 2019 and 5.0% in the first quarter.

Final consumption grew by 4.2% y/y in real terms in Q3 2019. Household consumption also went up by 4.2% y/y, while government consumption increased by 4.8% y/y. As a result, household consumption contributed with 2.9 pp to the overall y/y GDP expansion and government consumption added 0.4 pp in Q3 2019.

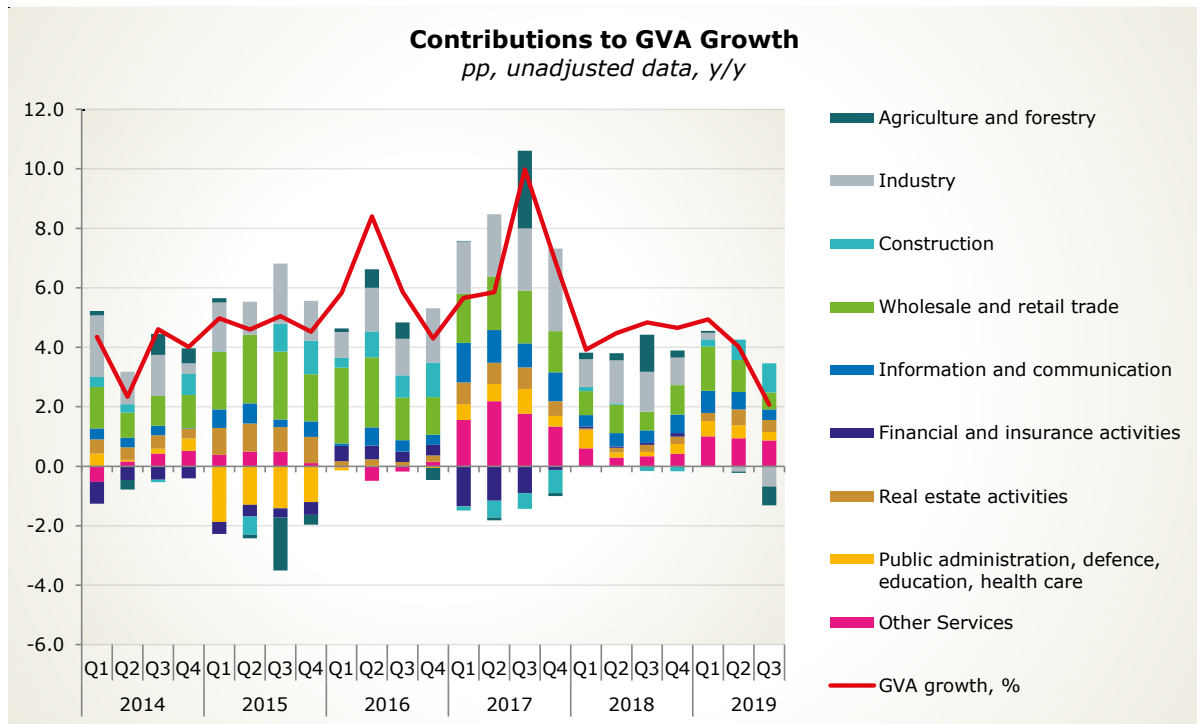


Source: INSSE; SeeNews calculations

Note: Non-additive data due to direct chain-linking of GDP and its components. Contribution of changes in inventories has been derived as a residual.

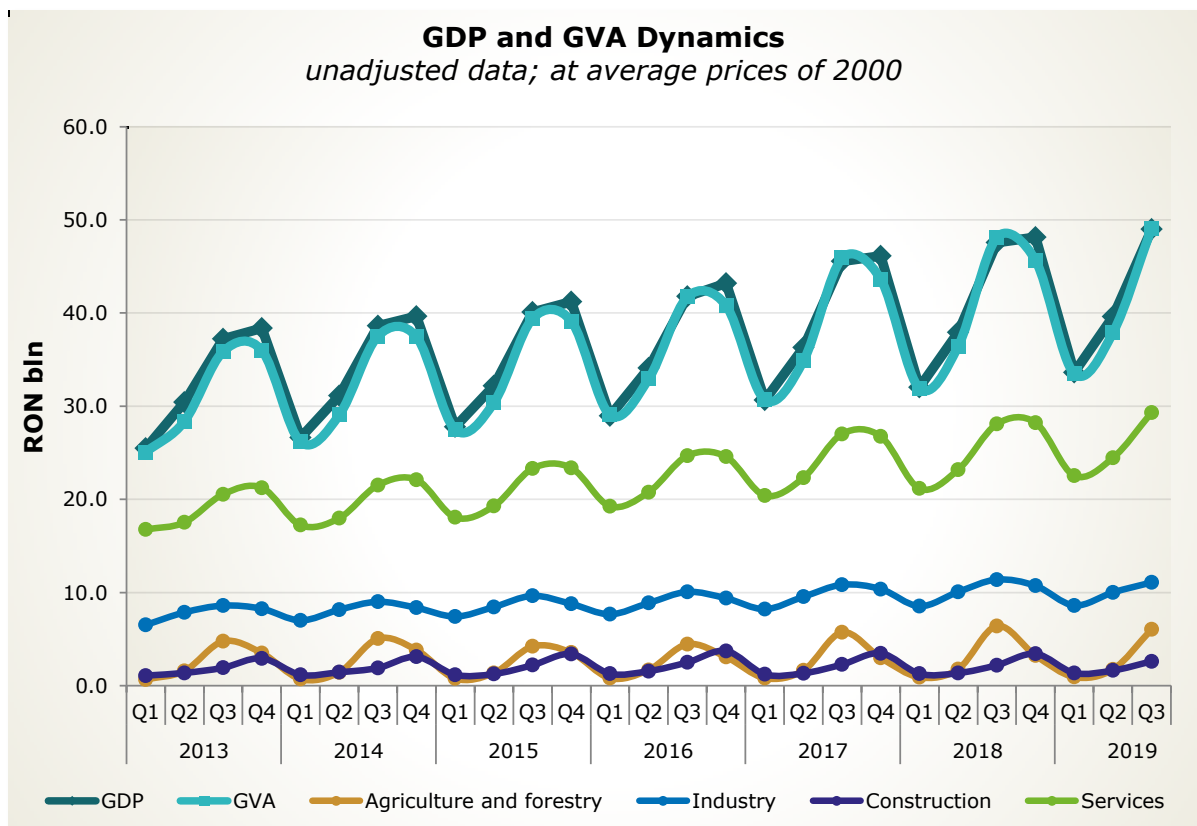
The gross value added (GVA) generated by the national economy went up by 2.1% y/y in the third quarter of 2019 and totalled RON 49.1 bln. Construction expanded by 18.7% y/y, while the services sector recorded a 4.4% annual increase. Agriculture and forestry registered an annual drop of 5.5%, while the industrial sector went down by 2.7%.

The construction sector contributed the most, with 1.0 pp, to the annual GVA growth in Q3 2019. Other services were the second major contributor with 0.9 pp, followed by wholesale and retail with 0.6 pp.



Source: INSSE; SeeNews calculations

Note: Non-additive data due to direct chain-linking of GDP and its components.

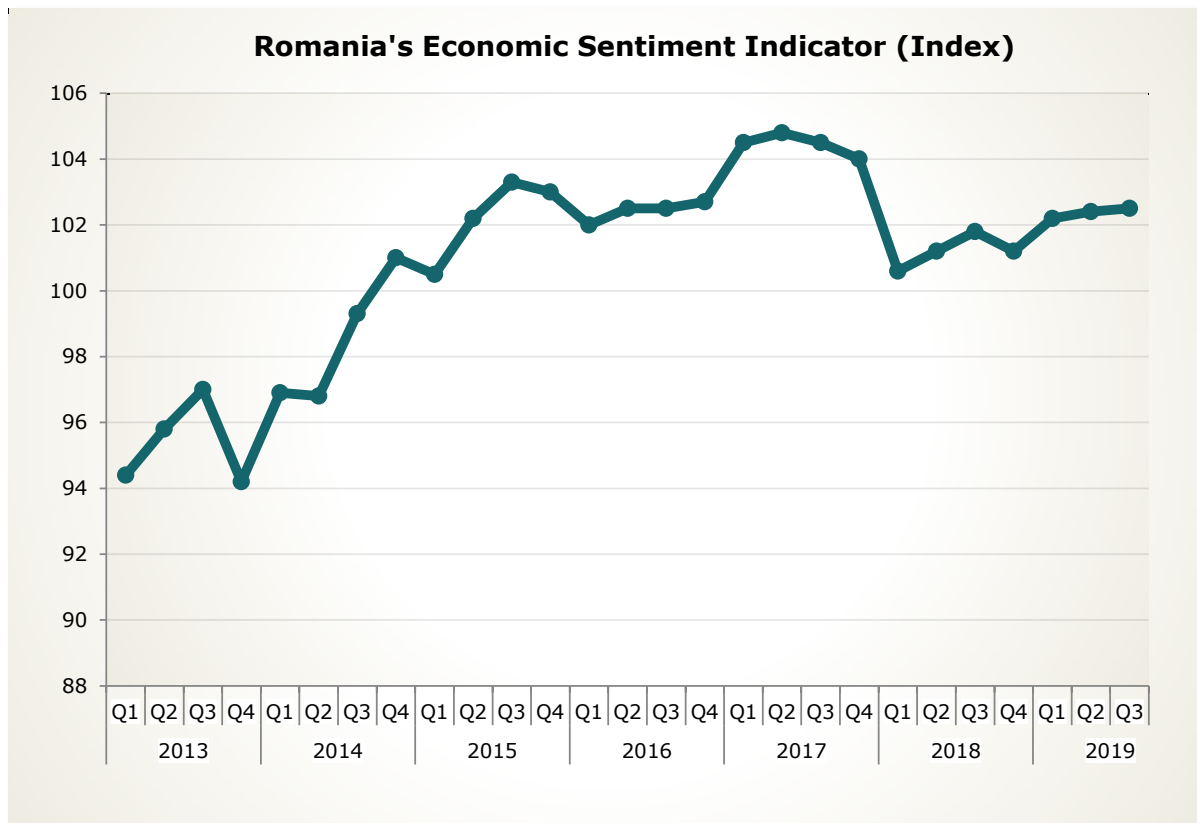


Source: INSSE

2.2. BUSINESS CLIMATE

Economic Sentiment Indicator at 102.5 points in September 2019

In September 2019, the economic sentiment indicator came in at 102.5 points, according to ECFIN. This is an increase compared with the 102.4 points in June 2019 and the 101.8 points a year earlier.



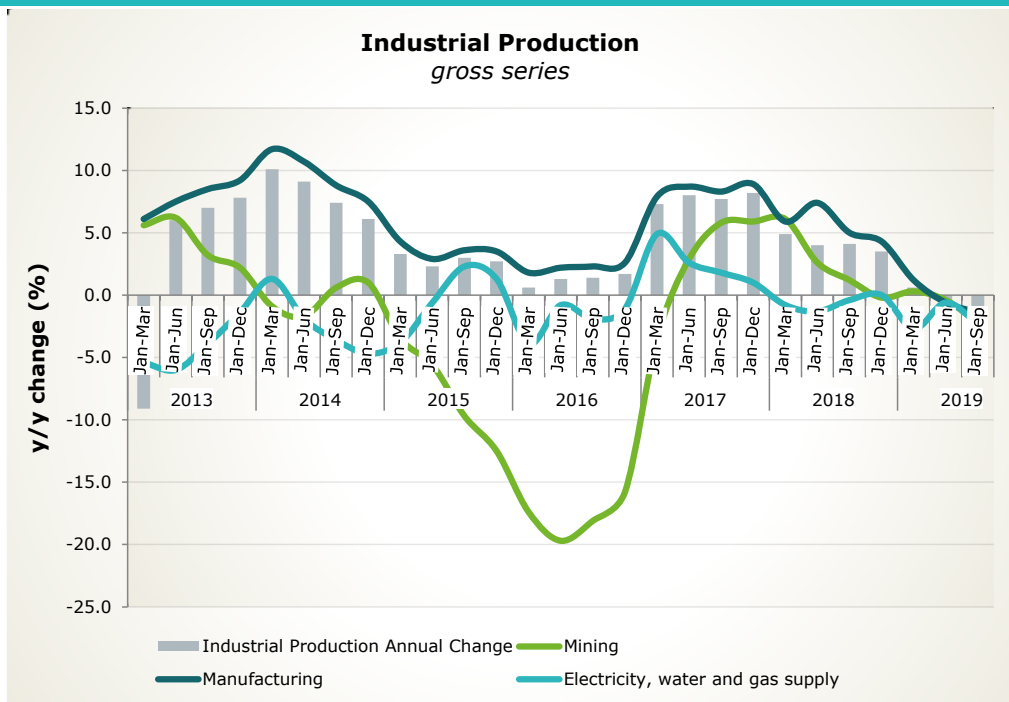
Source: Economic and Financial Affairs, European Commission

2.3. INDUSTRIAL OUTPUT

Industrial production declines by 1.5% y/y in Jan-Sept 2019

Industrial output kept declining, registering a 1.5% annual decrease in the first nine months of 2019, according to INSSE. The negative trend started in the first half of the year when the industrial production lost 0.6% y/y.

Industry-wise, the sharpest annual drop, of 2.3% was registered by electricity, water and gas supply. Mining followed with a decline of 2.2%. Manufacturing posted a smoother decrease, of 1.4%.

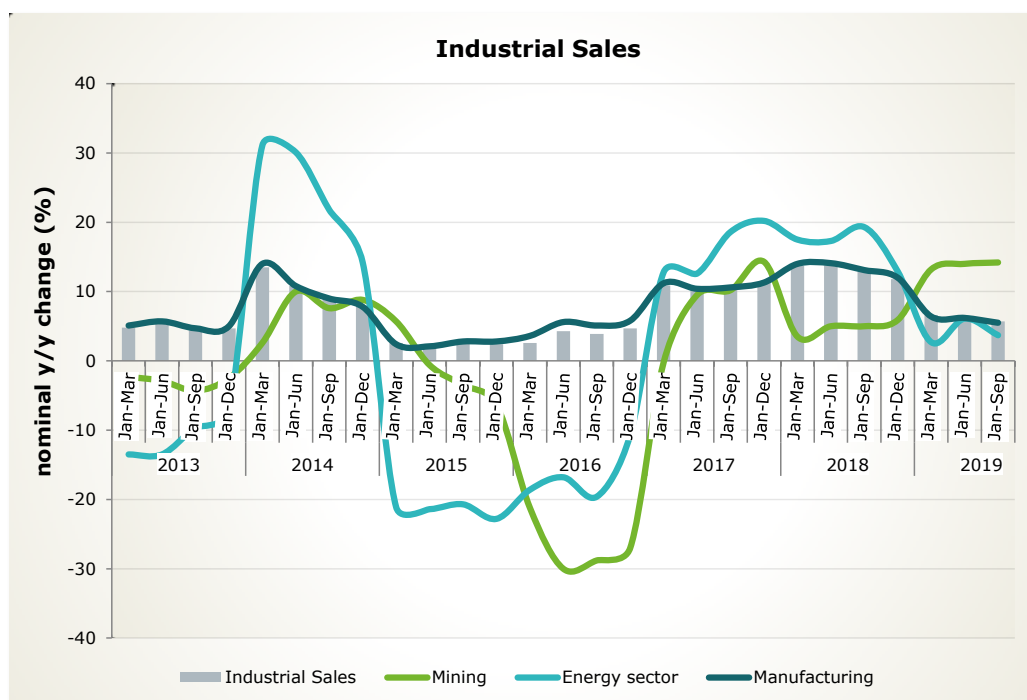


Source: INSSE

2.4. INDUSTRIAL SALES

Industrial sales went up by 5.7% y/y in Jan-September 2019

Industrial sales increased by 5.7% y/y in nominal terms in the first nine months of 2019, according to INSSE data. The overall growth was supported mostly by the rise in sales of the mining industry, which jumped by 14.2%. Manufacturing sales expanded by 5.5% on the year, while the energy industry enjoyed a 3.7% y/y rise in sales.

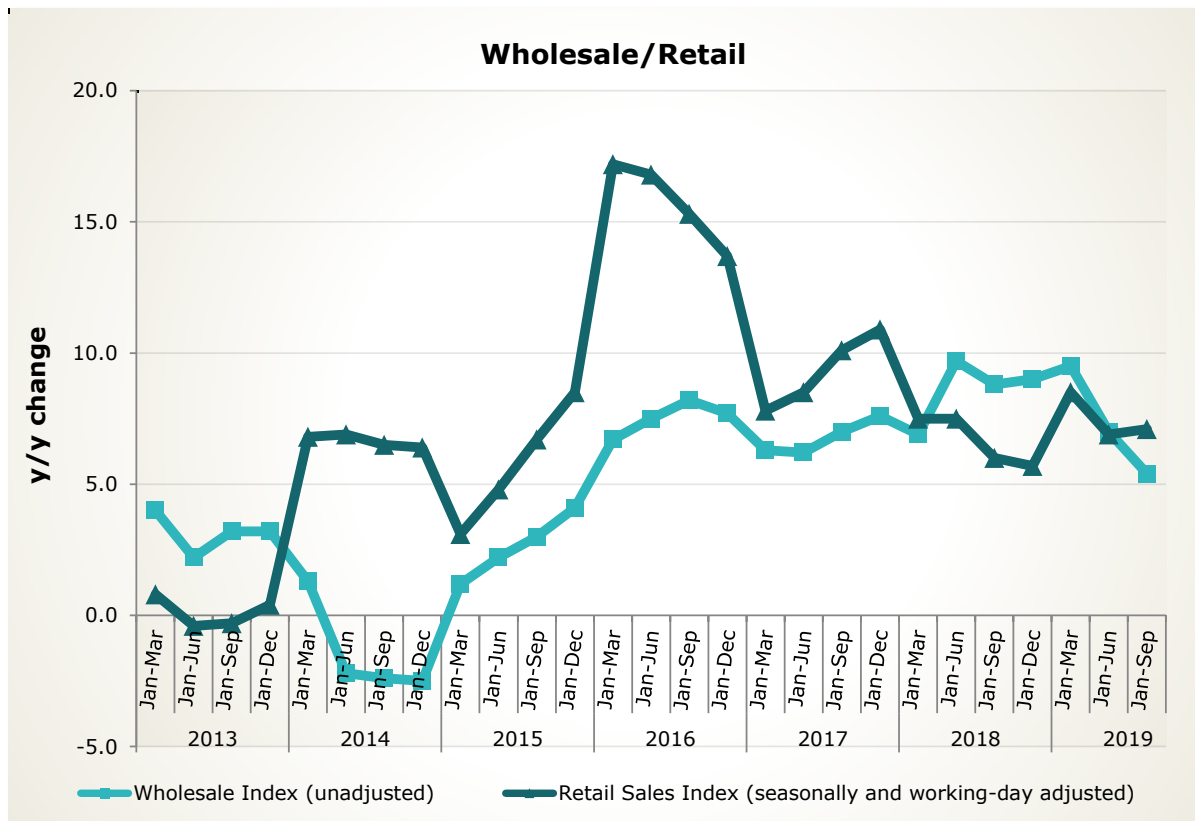


Source: INSSE

2.5. WHOLESALE/RETAIL

Wholesale trade grew by 5.4% y/y in Jan-Sep 2019, retail sector growth at 7.1% y/y

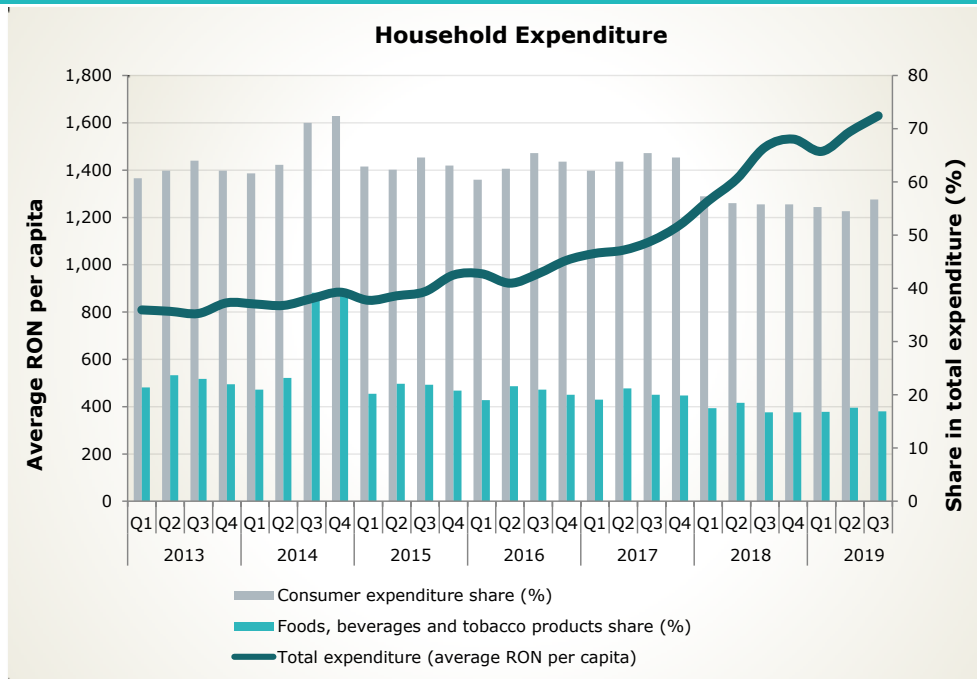
The annual growth of the wholesale and retail sectors remained solid in the first nine months of 2019, according to INSSE data. Wholesale expanded by 5.4% y/y, while retail sales went up sharper, by 7.1% y/y in January-September 2019.



Source: INSSE

Retail sales of non-food products increased by 9.1% y/y in January-September 2019, retail sales of food, beverages and tobacco went up by 4.9% y/y, while the turnover in volume terms of automotive fuel in specialised stores climbed by 7.3%.

Among the wholesale segments, wholesale of household goods, other than food occupied the top position in terms of annual growth with 12.5%, while wholesale intermediation activities registered the sharpest annual decrease, of 10.2%.



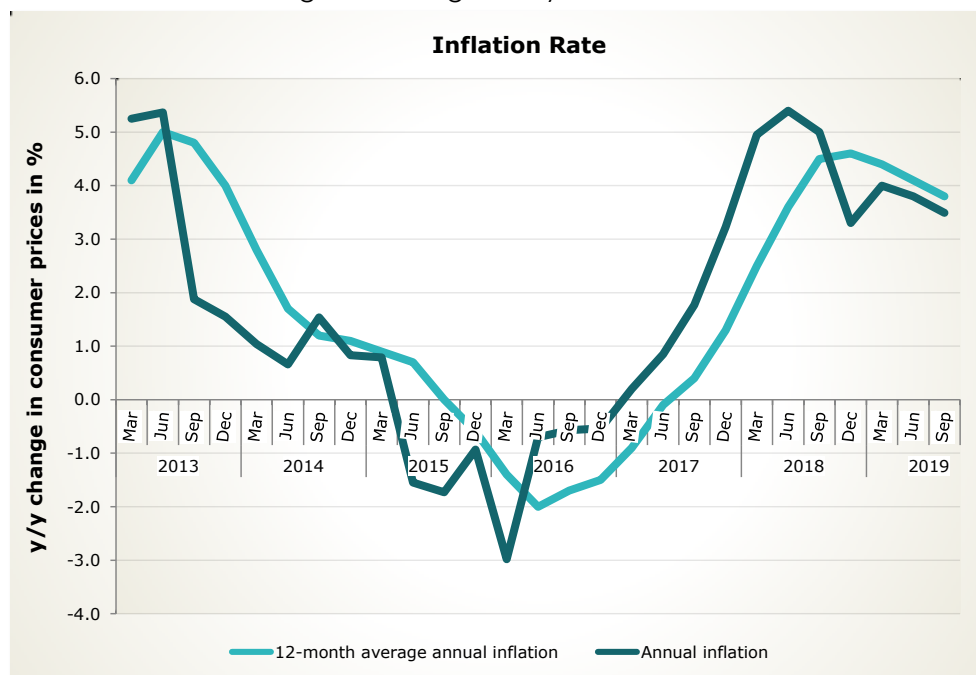
Source: INSSE

2.6. INFLATION

Average annual inflation at 3.8% in September 2019

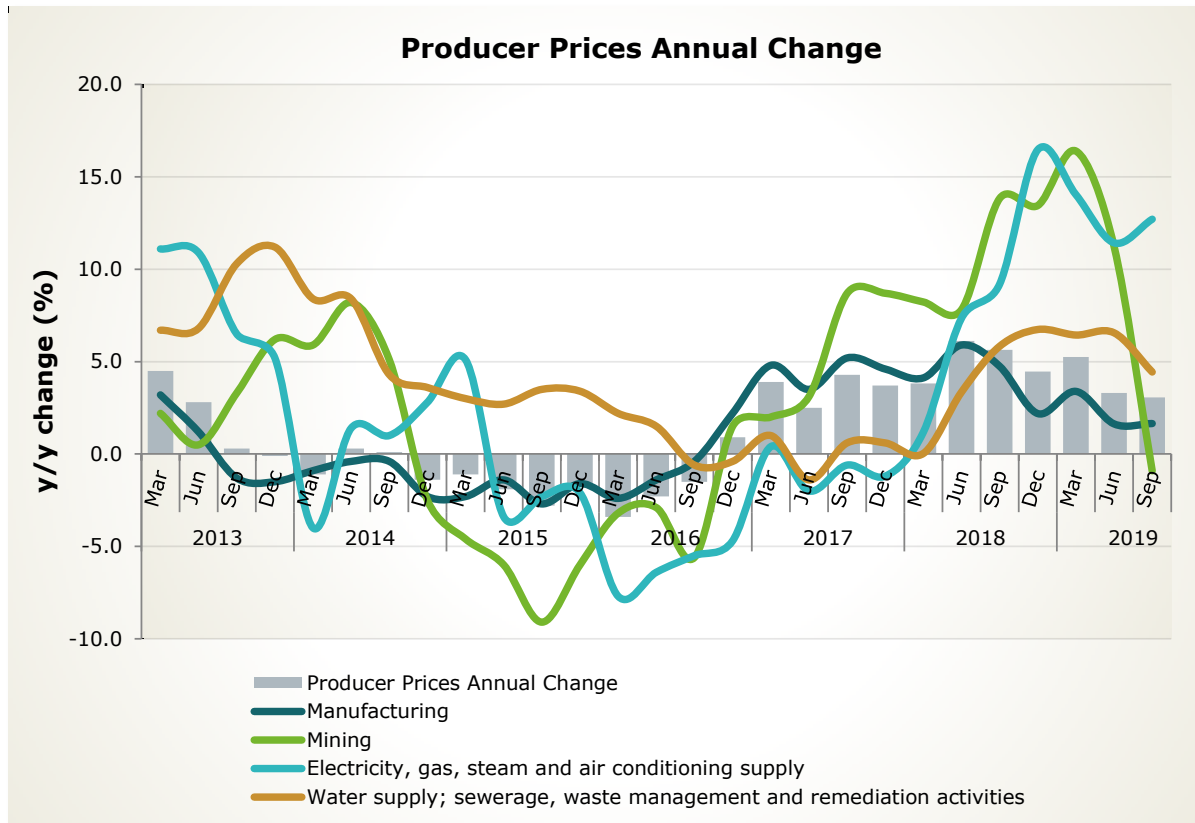
According to INSSE data, the 12-month average annual inflation rate as of September 2019 eased to 3.8%, slightly lower than the 4.5% recorded a year earlier.

The annual rise in consumer prices compared to the corresponding month of the previous year amounted to 3.5%, driven by the 4.2% increase in service prices and the 4.1% increase in food prices. Prices of non-food goods also grew, by 2.8%.



Source: INSSE

In September 2019, producer prices in Romania grew by 3.1% y/y, driven to a large extent by producer inflation pressure on the domestic market. Mining was the only industry to report an annual decline in prices, of 0.9%. Electricity, gas, steam and air conditioning supply continued to be the sole leader in terms of highest annual rise with 12.7%, far ahead of the second in the ranking - Water supply; sewerage, waste management and remediation activities with 4.4%.



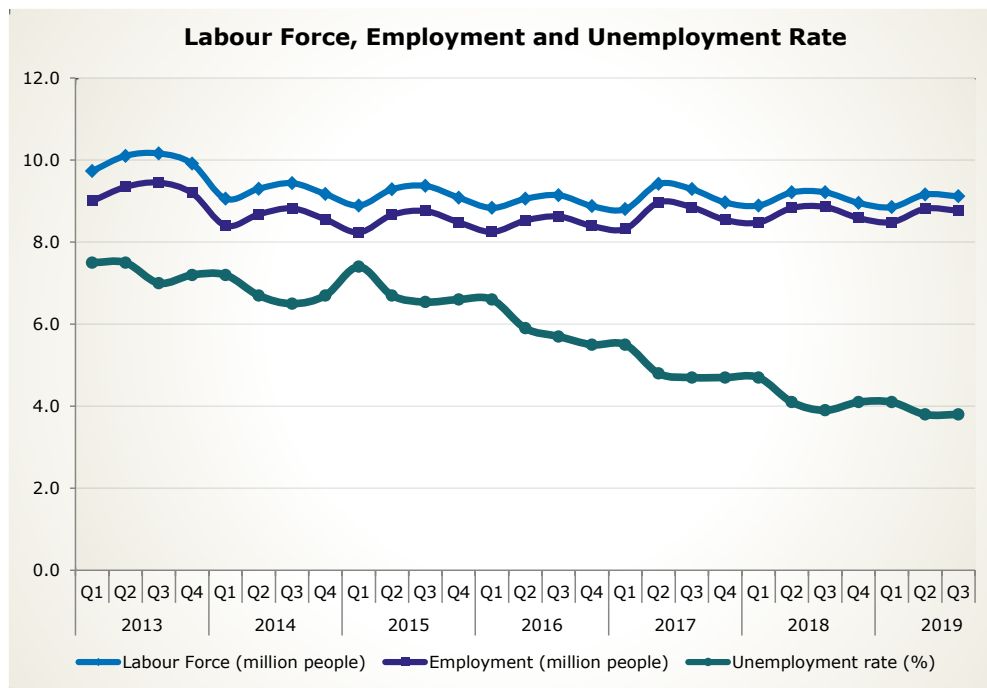
Source: INSSE

3. LABOUR MARKET

Unemployment rate remained unchanged in Q3 2019

In Q3 2019, the unemployment rate in Romania stood at 3.8%, equal to the rate in the previous quarter and lower than the 3.9% in the year-ago quarter, according to data of INSSE. The employed population aged 15 years and older was 8.8 million, down by 1.0% y/y. The youth (population aged 15-24) unemployment rate stood at 17.9%, up from 16.4% in Q3 2018.

The tightening labour market pushed up net earnings in Q3 2019, when the average monthly net nominal wage came in at RON 3,082 – up by 14.6% y/y.



Source: INSSE

4. CONSTRUCTION AND REAL ESTATE

Number of building permits went down by 3.9% y/y in Q3 2019

The number of building permits issued in Romania in the third quarter of 2019 went down by 3.9% y/y, totalling 13,922, according to INSSE data. Permits for administrative buildings reported a 26.6% y/y rise to 81, but could not offset the 5.1% y/y drop in permits for housing projects, which totalled 11,855 in Q3 2019.

The total developed built-up area of residential projects was by 3.5% lower than in the same quarter of the previous year, reaching 2.961 million sq m. The total developed built-up area covered by the permits for administrative buildings came in at 138,000 sq m, compared to 43,000 sq m in Q3 2018.

5. MONETARY POLICY, MONEY SUPPLY, AND BANKING SYSTEM

5.1. RON EXCHANGE RATE

The average exchange rate of the EUR against the RON advanced to RON 4.7317 in Q3 2019 from RON 4.6468 in the same quarter of the previous year, according to National Bank of Romania (NBR).

RON Average Exchange Rate			
Foreign Currency	Q3 2019	Q2 2019	Q3 2018
EUR	4.7317	4.7477	4.6468
USD	4.2560	4.2229	3.9949
GBP	5.2448	5.4291	5.2068
CHF	4.3173	4.2150	4.0619

5.2. MONETARY POLICY

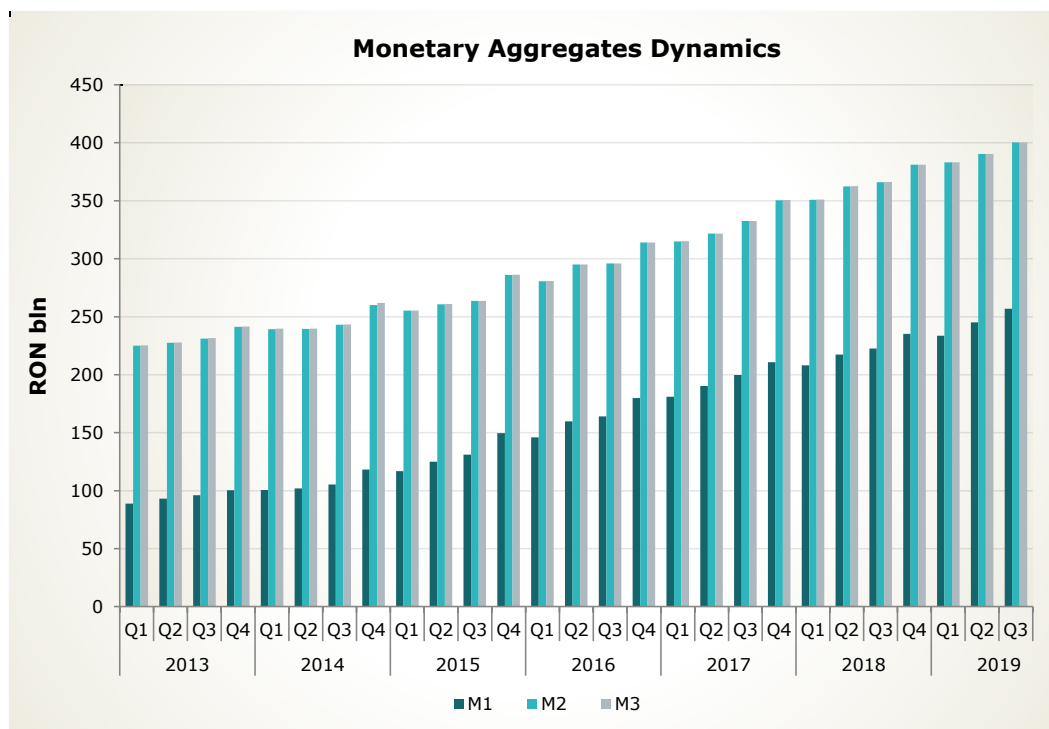
The national bank kept the policy rate at 2.50%

The NBR did not adjust the monetary policy stance, keeping the policy at 2.50% as of end September 2019. The central bank kept the minimum reserve requirement ratios on both RON and foreign currency-denominated liabilities of credit institutions at 8.0% as of September 2019.

5.3. MONETARY AGGREGATES

Money supply growth at 9.3% y/y in Q3 2019

Broad money (money aggregate M3) increased by 9.3% y/y and reached RON 400.4 bln in Q3 2019, according to data provided by NBR. The M2 money supply also stood at RON 400.4 bln, growing by 9.4% y/y. Money aggregate M1, or narrow money, jumped by 15.4% y/y, to RON 256.9 bln.

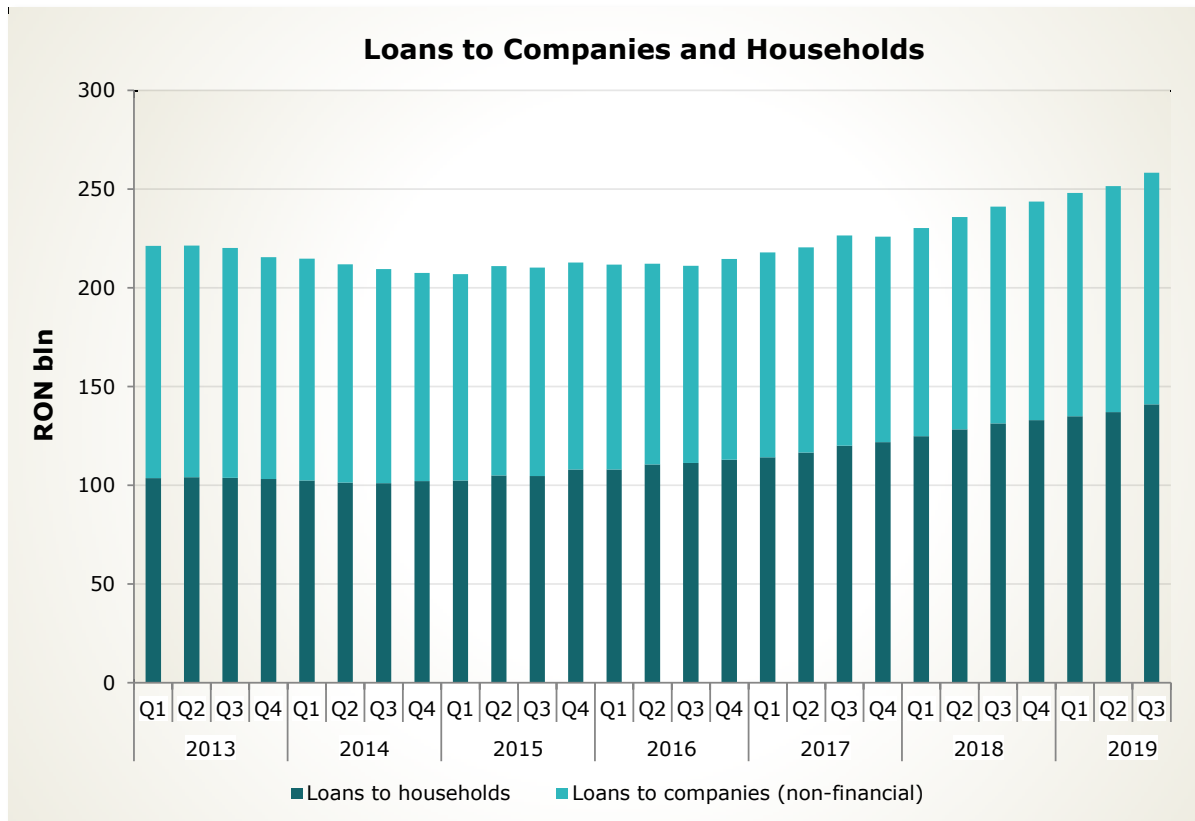


Source: NBR

5.4. BANKING AND INSURANCE

Household loans went up by 7.4% y/y in Q3 2019 on strong house purchase credits

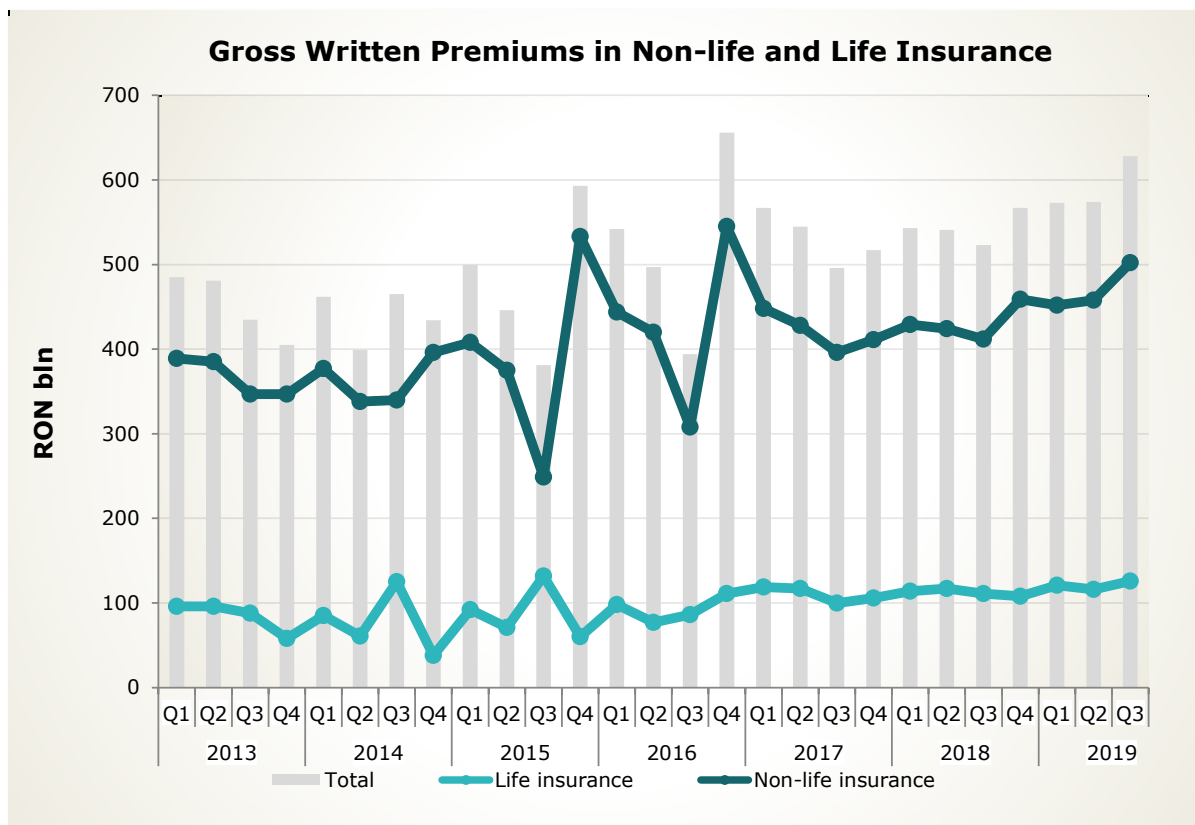
Loans to the non-government sector totalled RON 258.3 bln in Q3 2019, up by 7.2% y/y, according to NBR data. The bulk of the credit growth revival was a result of the 9.7% jump in house purchase loans to RON 78.6 bln. Loans to households went up by 7.4% to RON 141.0 bln, while consumer loans rose by 4.2% y/y to RON 60.2 bln.



Source: NBR

Insurance premium income up by 20.1% y/y in Q3 2019

The gross written premiums (GWP) of the non-life and life insurance companies totalled EUR 628.0 mln in Q3 2019, up by 20.1% y/y, according to the Financial Supervisory Authority (ASF). Non-life insurance enjoyed an annual GWP growth of 21.8%, while life insurance GWP grew less sharp, by 13.5% on the year to EUR 126.0 mln.

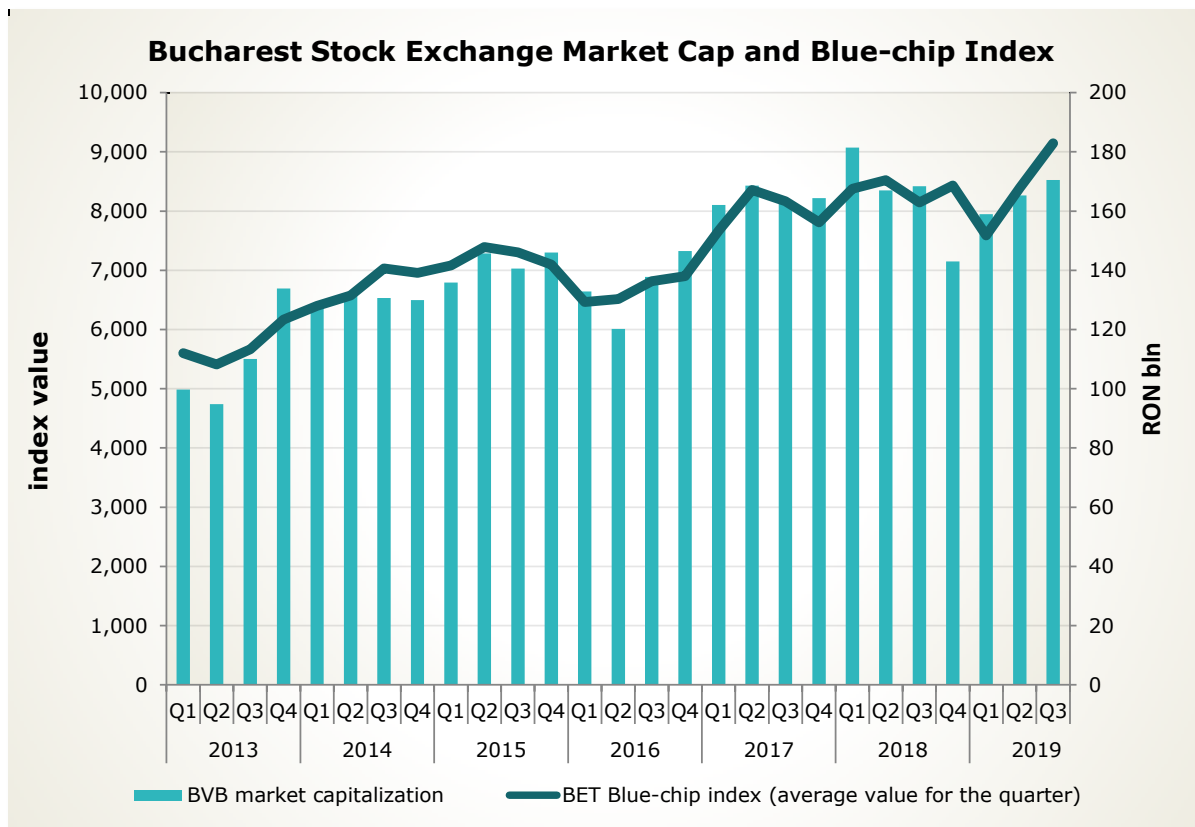


Source: ASF

6. CAPITAL MARKETS

Blue-chip BET went up by 9.0% q/q in Q3 2019

The average value of the blue-chip index of the Bucharest Stock Exchange (BVB) increased by 9.0% q/q to 9,146 points in Q3 2019. BVB's total market capitalisation came in at RON 170.5 bln, up 3.2% q/q. The total turnover on BVB went down to RON 2.419 bln in Q3 2019 from RON 2.694 bln in the previous quarter.



Source: BVB

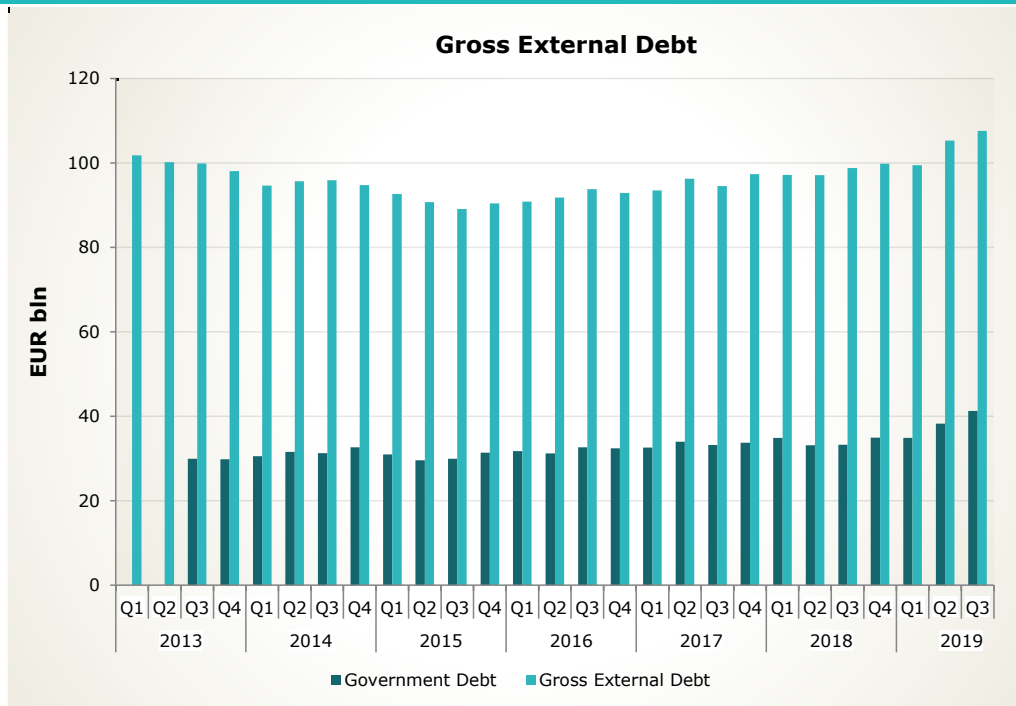
7. EXTERNAL SECTOR

7.1. FOREIGN DEBT

Gross external debt expanded by 8.9% y/y to EUR 107.6 bln in Q3 2019

Romania's gross external debt amounted to EUR 107.6 bln in Q3 2019, up by 8.9% compared to Q3 2018, according to NBR. In comparison to the second quarter of 2019, the gross external debt increased by EUR 2.3 bln.

The long-term liabilities amounted to EUR 59.6 bln, or 55.4% of the total debt, and short-term liabilities totalled EUR 15.0 bln, equal to 13.9% of the total debt.



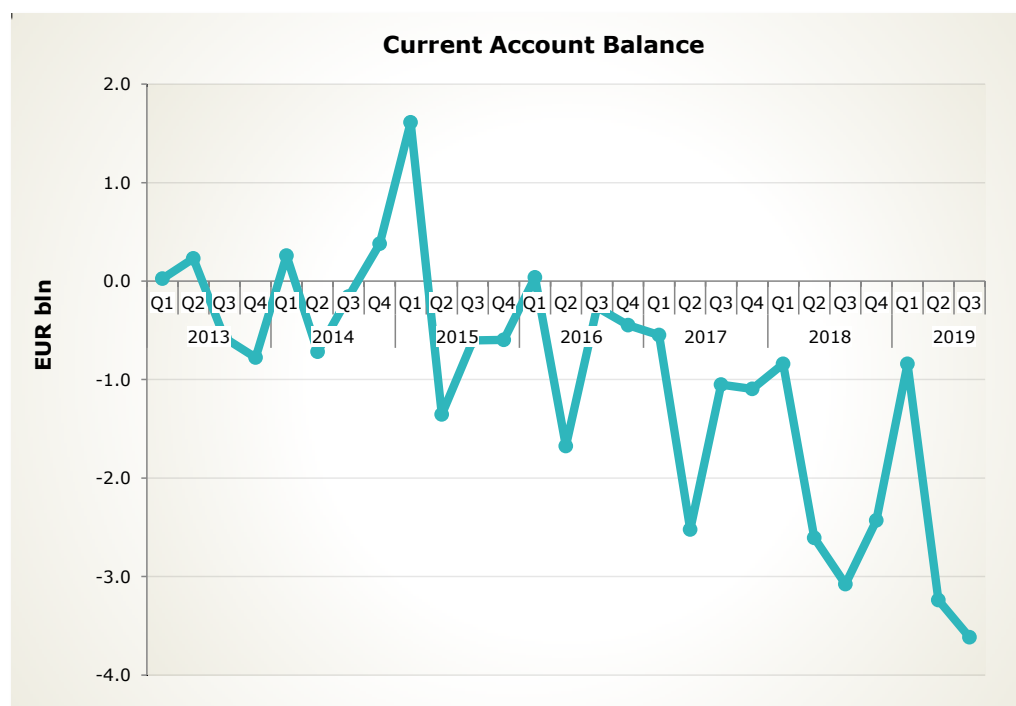
Source: NBR

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

7.2. BALANCE OF PAYMENTS

Current account gap expanded by 17.5% y/y as of September 2019

As of September 2019, the current account deficit jumped by 17.5% y/y to EUR 3.6 bln, according to central bank statistics data.

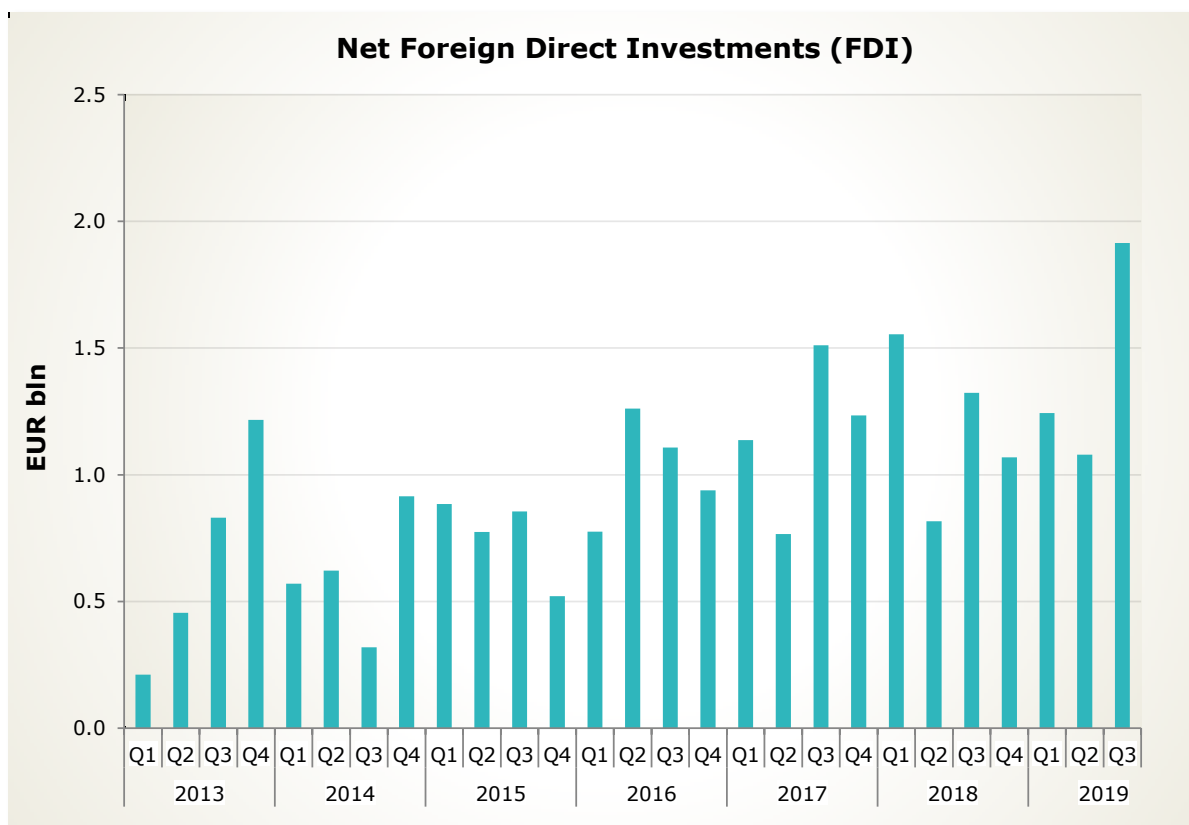


Source: NBR

7.3. FDI

Net FDI increased by 44.7% y/y in Q3 2019

Foreign direct investments (FDIs) in Romania totalled EUR 1.9 bln in Q3 2019, the record highest value in the period Q1 2013 – Q3 2019, according to NBR. The FDIs jumped by 77.5% compared with Q2 2019 and by 44.7% over Q3 2018.



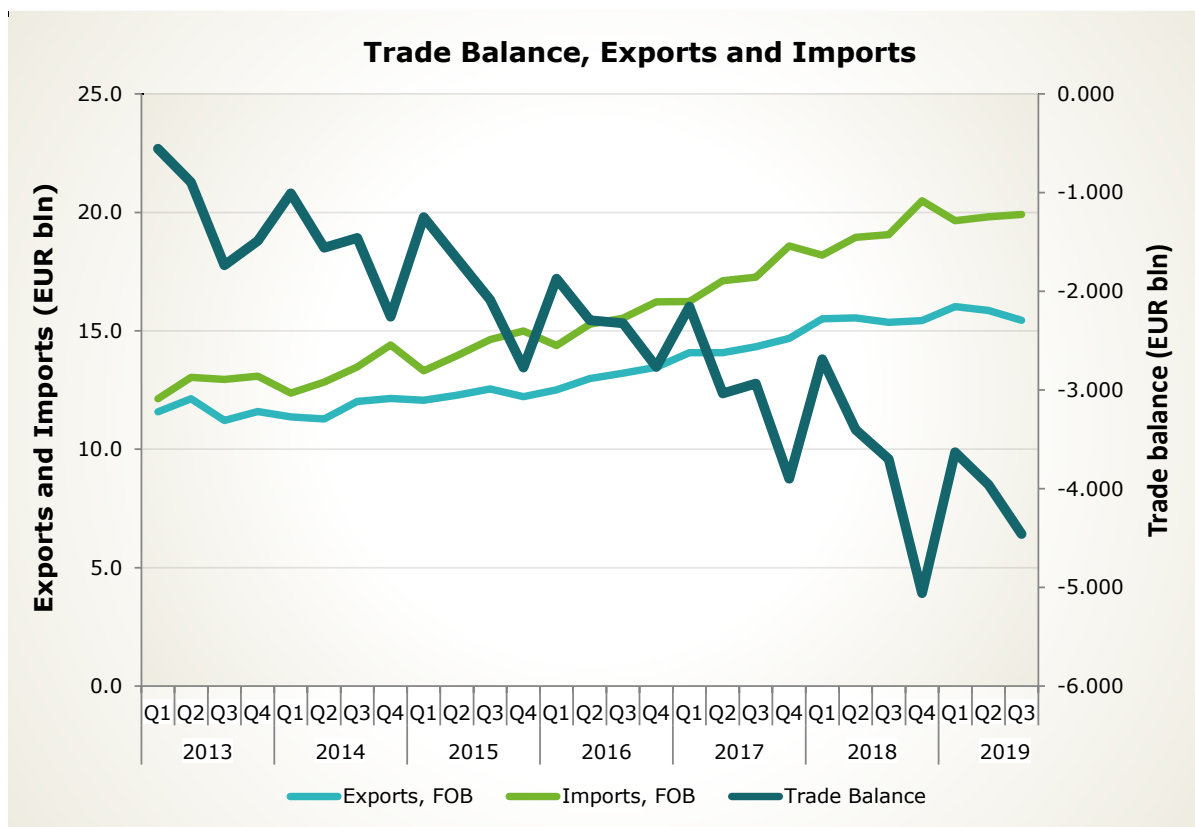
Source: NBR

7.4. FOREIGN TRADE

Foreign trade deficit widened by 20.5% y/y in Q3 2019

The trade deficit expanded to EUR 4.5 bln in Q3 2019, compared to EUR 3.7 bln in Q3 2018, according to NBR.

Imports grew by 4.5%, totalling EUR 19.9 bln, while exports grew much slower, by 0.6%, amounting to EUR 15.4 bln.



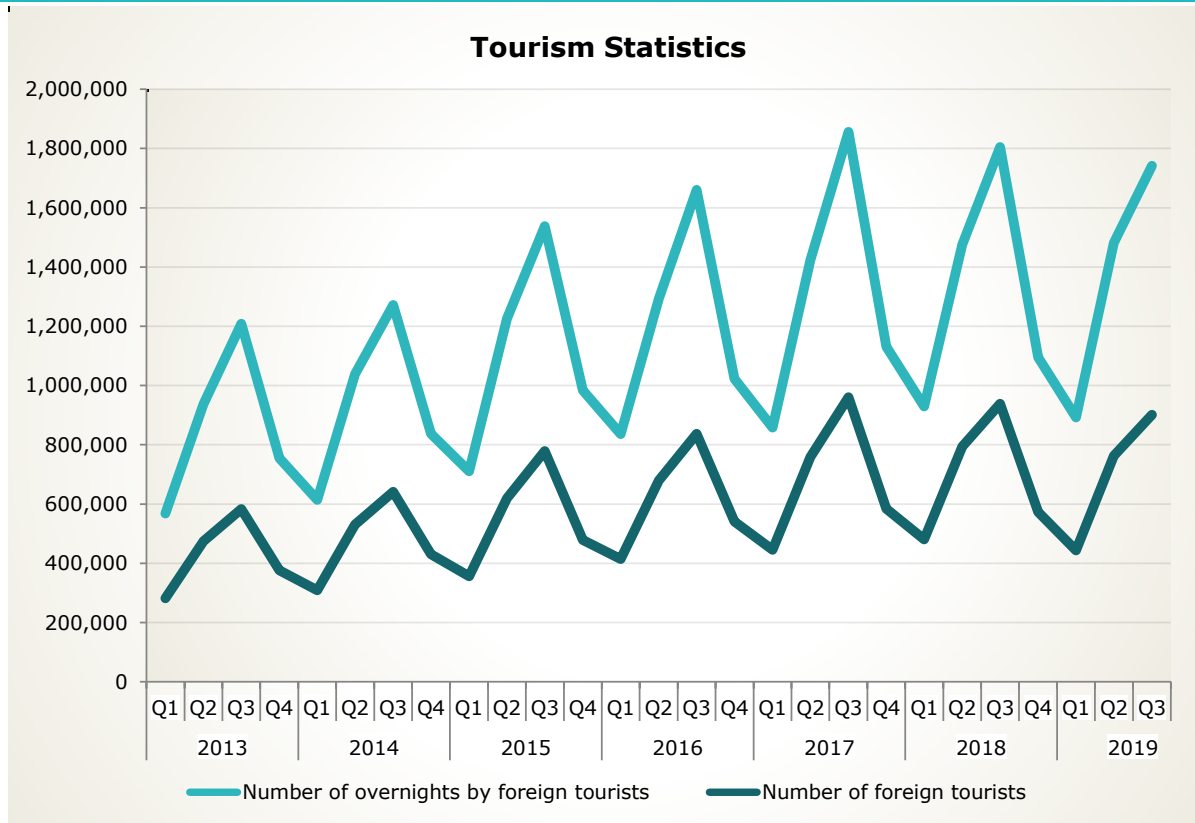
Source: NBR

7.5. TOURSIM

Number of foreign tourist overnights narrowed by 3.5% y/y in Q3 2019

Tourist overnights of foreigners decreased by an annual 3.5% to 1.7 million in Q3 2019, according to INSSE data. The number of foreign tourists followed the trend, going down by 4.0% to 901,200.

The share of foreign tourist overnights in the total number of overnights was 13.9% in Q3 2019, or by 0.9 pp less than a year ago.



Source: INSSE

8. MAJOR DEVELOPMENTS

World Bank to lend Romania EUR 500 mln for better access to medical services

Sep 24, 2019

Romania has signed a EUR 500 mln loan agreement with the World Bank to improve access to medical services, the government said.

[Read the full story here](#)

Romania's c-bank launches platform to better support, control FinTech cos

Sep 23, 2019

Romania's central bank BNR said on Monday it has launched a platform in order to support, advice, and also to better control companies active in FinTech. Through the FinTech Innovation Hub platform, BNR aims to support the market developments in payment and financial services, as well as to bring innovation monitoring into line with European trends in the area of payment services and payment instruments, in order to ensure their security and safety, it said in a press release.

[Read the full story here](#)

Romania, Albania lead SEE countries in economic freedom ranking - Fraser Institute

Sep 12, 2019

Romania and Albania have the greatest degree of economic freedom among 11 countries of Southeast Europe (SEE), the Fraser Institute said in its 2019 annual report on economic freedom in the world.

[Read the full story here](#)

Romania to open EUR 700 mln tender for new terminal at Bucharest's main airport - transport min

Sep 6, 2019

Romania will launch a tender for a EUR 700 mln contract for the construction of a new terminal at Bucharest's Henri Coanda International Airport, transport minister Razvan Cuc said.

[Read the full story here](#)

EU provides EUR 275.7 mln to Romania for water supply network upgrades

Sep 3, 2019

The European Commission said it has approved the allocation of EUR 275.7 mln to Romania to improve the supply of drinking water as well as wastewater collection and treatment services in Cluj and Salaj counties.

[Read the full story here](#)

EU providing Romania with EUR 363 mln for bridge over Danube

Sep 2, 2019

The European Commission said on Monday it is investing EUR 363.3 mln to build a bridge over the Danube in the city of Braila. The project should be completed by the end of 2023 and the amount which is to be invested comes from the European Regional Development Fund (ERDF), the EC said in a press release.

[Read the full story here](#)

Romania's Transgaz, BSOG agree to proceed with MGD gas delivery project

Aug 30, 2019

Romanian gas transmission company Transgaz and Black Sea Oil & Gas have signed an agreement to build a 24.37 km pipeline that will feed gas from Black Sea wells into the system, the economy ministry said.

[Read the full story here](#)

Property investment in Romania seen over EUR 1.2 bln in 2019 - JLL

Aug 19, 2019

The volume of property investments in Romania rose 64% on the year to EUR 338 mln in the first half of 2019 and is expected to exceed EUR 1.2 bln for the full-year period, property and investment management services provider Jones Lang LaSalle (JLL) said.

[Read the full story here](#)

Romania leads SEE countries in direct air connectivity – ACI

Jul 29, 2019

Romania ranks highest in terms of direct air transport connectivity among countries in Southeast Europe, the Airport Council International (ACI) Europe said in a new report. With a score of 1,688 points, Romania is leader among SEE countries, followed by Croatia with 1,401,

according to the Airport Industry Connectivity Report 2019 published on the website of ACI Europe. The direct connectivity score covers the direct air services available from airports, measured not just in terms of destinations, but also in terms of frequency.

[Read the full story here](#)

EC urges Romania to remove barriers to natural gas exports

Jul 26, 2019

The European Commission said that it has decided to send a reasoned opinion to Romania for failing to eliminate restrictions on trade in natural gas between EU member states. The Commission considers that the obligation for producers in Romania to give priority to sales on the domestic market is in breach of the EU rules for the internal market in natural gas.

[Read the full story here](#)

Romania makes very little progress on measures to combat corruption - GRECO

Jul 9, 2019

Romania has made very little progress to put in place measures to prevent corruption among lawmakers, judges and prosecutors and to address the concerns raised by its controversial judicial reform, the Council of Europe's anti-corruption body GRECO said. Consequently, GRECO calls on the Romanian authorities to take determined action to achieve tangible progress as soon as possible, it said in a press release.

[Read the full story here](#)

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