

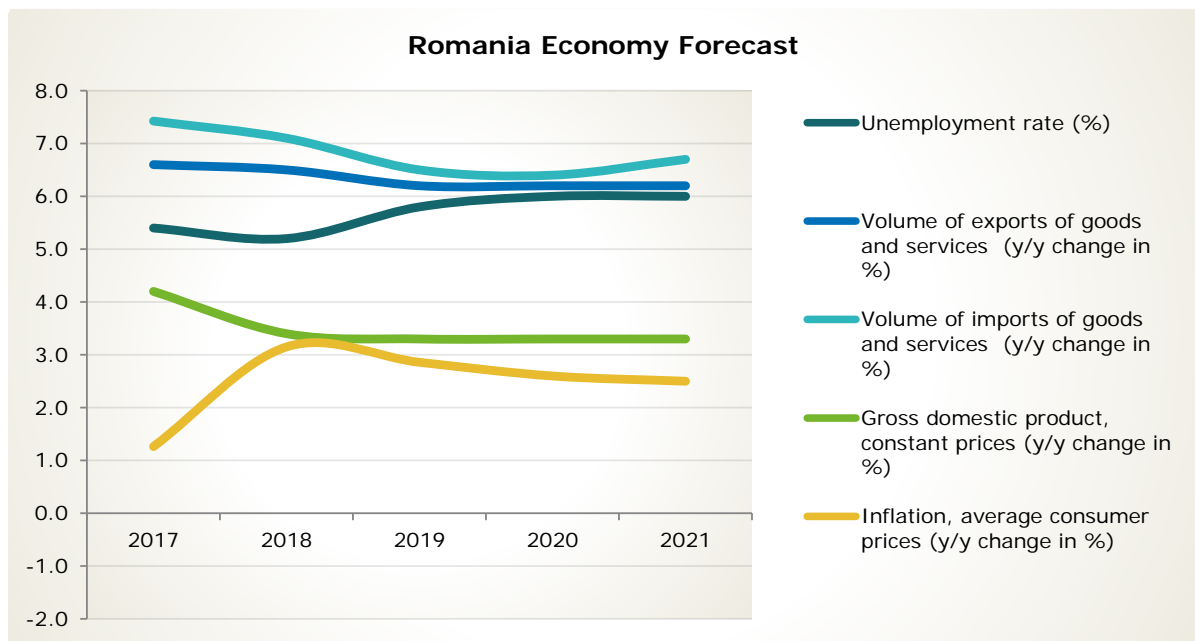
ROMANIA ECONOMY REPORT 2016

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1. MACROECONOMIC SNAPSHOT AND FORECAST

ROMANIA - MACROECONOMIC SNAPSHOT AS OF END-2016	
GDP Growth	4.8% y/y
Industrial output	1.7% y/y
Industrial sales	4.7% y/y
Wholesale	7.7% y/y
Retail	13.7% y/y
Average annual deflation	1.6%
Unemployment rate	5.9%
Number of building permits	-12.5% y/y
Money supply growth	9.7% y/y
Household loans	4.7% y/y
BET blue-chip index	-7.6% y/y
Gross external debt	EUR 92.377 bln
Current account deficit	EUR 3.966 bln
Net FDI inflow	EUR 4.081 bln
Foreign trade deficit	EUR 9.300 bln
Number of foreign tourist overnights	7.9% y/y



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2017

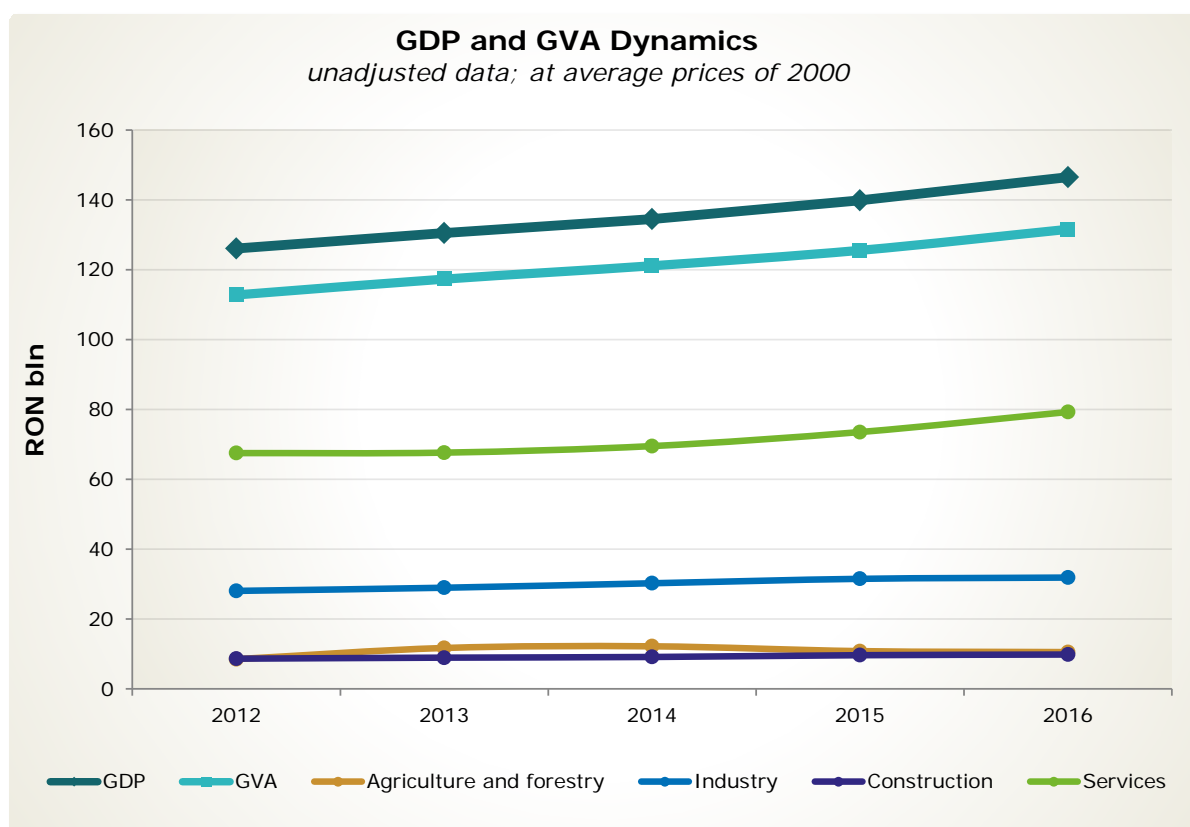
2. REAL SECTOR

2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP went up by a real 4.8% y/y in 2016

The country's GDP increased by a real 4.8% y/y and totalled RON 146.490 bln in 2016, according to provisional data of the National Institute of Statistics (INSSE).

Final consumption increased by 7.0% y/y to RON 149.8 bln. Gross capital formation inched up by 0.8%, contributing 23.3% to the GDP. Exports increased by 7.6%, while imports rose by 9.7%.



Source: INSSE

The gross value added (GVA) generated by the national economy increased by 4.8% y/y in 2016 and totalled RON 131.5 bln. The industrial sector expanded by 1.1% y/y, but its share in the GVA structure shrank to 24.2% from 25.1%. The services sector recorded a 7.8% annual increase, slicing a 60.3% share in the GVA, up from 58.6% in 2015. The agricultural sector registered an annual decrease of 2.6%, thus narrowing its share in the GVA to 8.0% from 8.6%. Construction went up by 2.0%, accounting for 7.5% of the GVA compared to 7.7% a year earlier.

2.2. BUSINESS CLIMATE

Business confidence indicator in December 2016 at 61.3 points

In December 2016, the business confidence indicator was 61.3 points, down from 69.8 points a year ago, according to SURS.

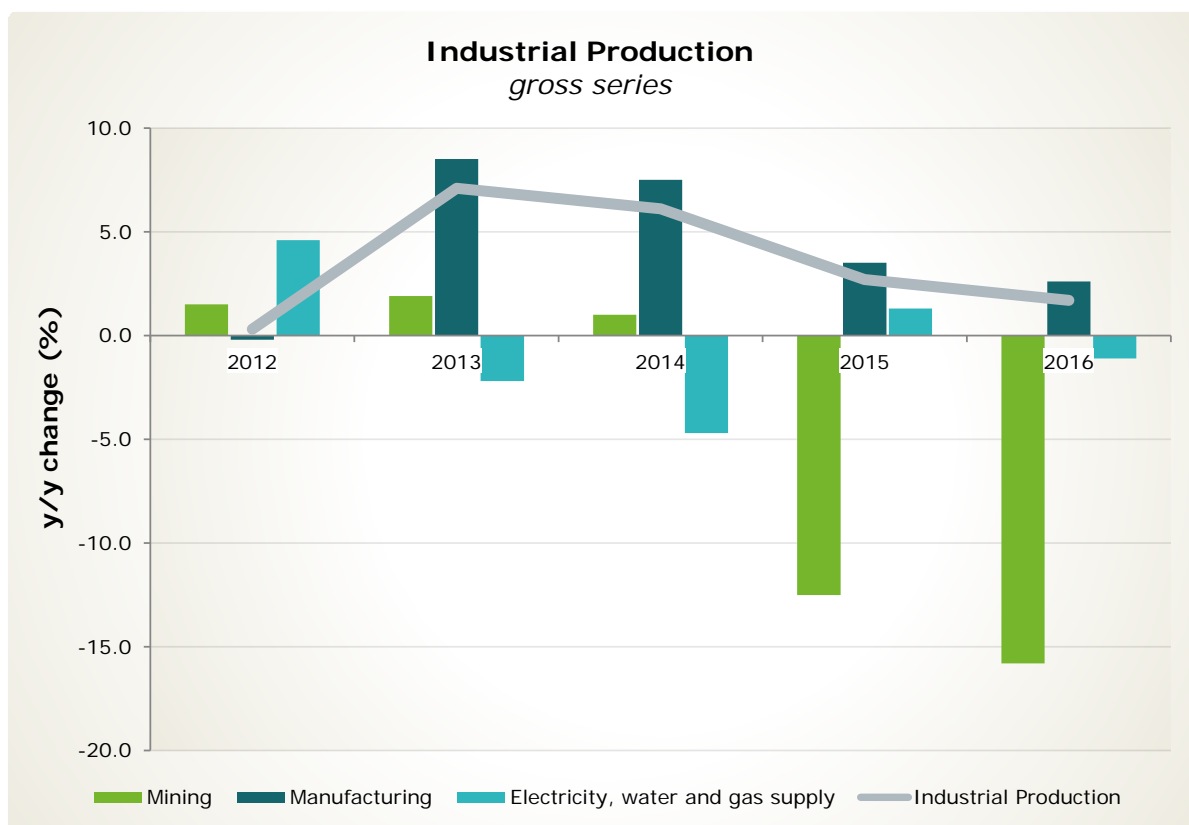
In November 2016, the indicator amounted to 65.6 points, while a month earlier it was 65.3 points.

2.3. INDUSTRIAL OUTPUT

Industrial output up 1.7% y/y in 2016

Industrial output went up by 1.7% on the year in 2016, according to INSSE. Manufacturing grew by 2.6%, while mining industry and electricity, water and gas supply sector saw their output declining by 15.8% and 1.1%, respectively.

Segment wise, mining support service activities' output sank the most, by 42.7%, while manufacture of electrical equipment was first in terms of annual rise in production, with 13.7%.



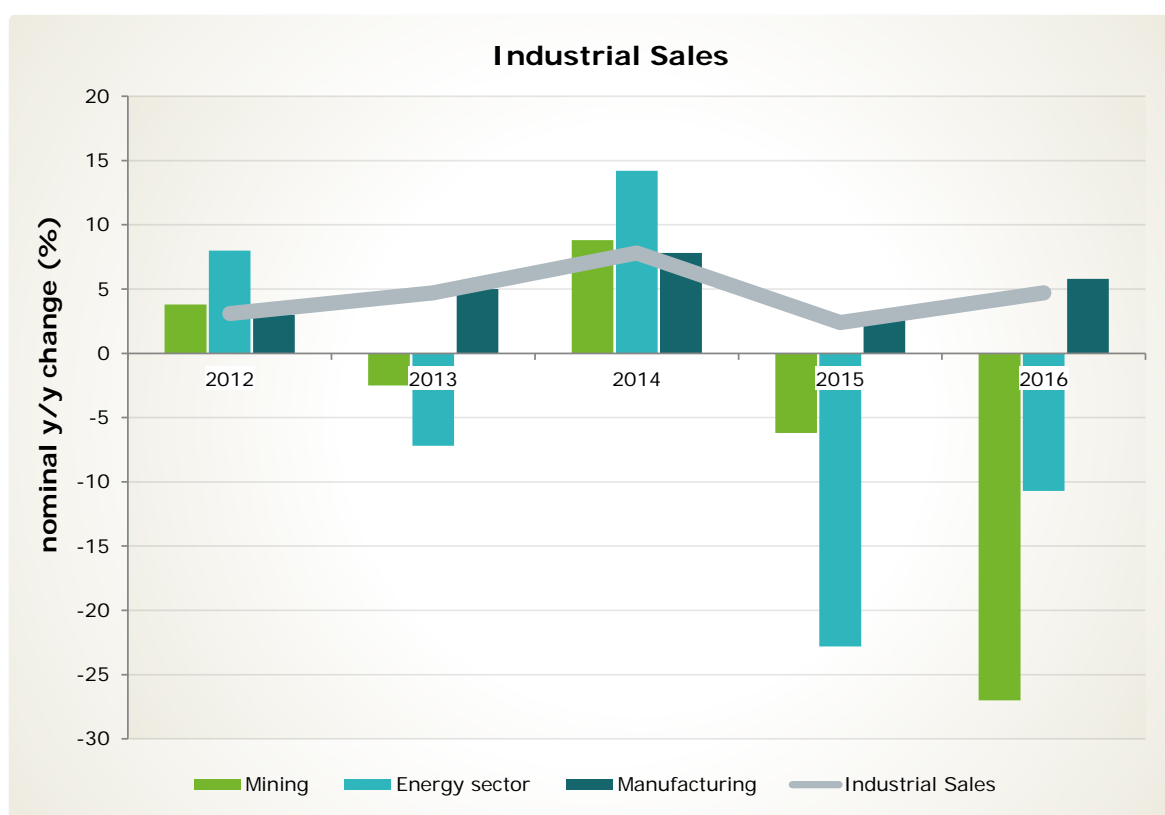
Source: INSSE

2.4. INDUSTRIAL SALES

Industrial sales went up by 4.7% y/y in 2016

Industrial sales increased by 4.7% y/y in nominal terms in 2016, according to INSSE data. Sales in the manufacturing sector grew by 5.8% on the year, while sales in the mining industry and the energy sector slumped by 27.0% and 10.7%, respectively.

Manufacture of paper and paper products was the fastest growing segment, by 23.7% y/y, while mining support service activities recorded a slump of 58.9%.



Source: INSSE

2.5. WHOLESALE/RETAIL

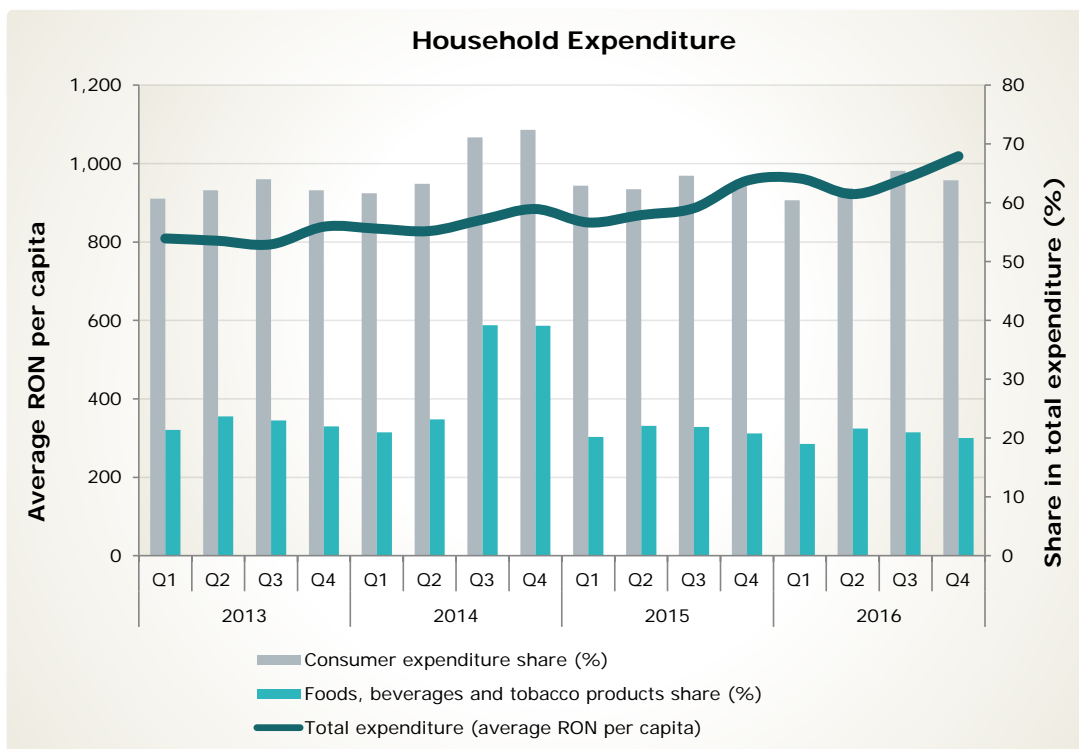
Wholesale and retail trade grew y/y in 2016

Retail sales went up by 13.7% y/y in 2016, according to INSSE data. Retail trade via mail order or Internet marked the highest annual increase, of 33.4%, followed by retail sales of textiles, clothing, footwear and leather articles with a 27.8% increase and retail trade with furniture, lighting articles, electric appliances in specialised shops with 18.9%. There was no sector to report a decrease in retail sales.



Source: INSSE

The wholesale sector went up in nominal terms by 7.7% on the year in 2016. Wholesale of other machinery, equipment and supplies registered the highest rise, of 25.5%, while the sharpest drop, of 4.1%, was experienced by wholesale intermediation activities.

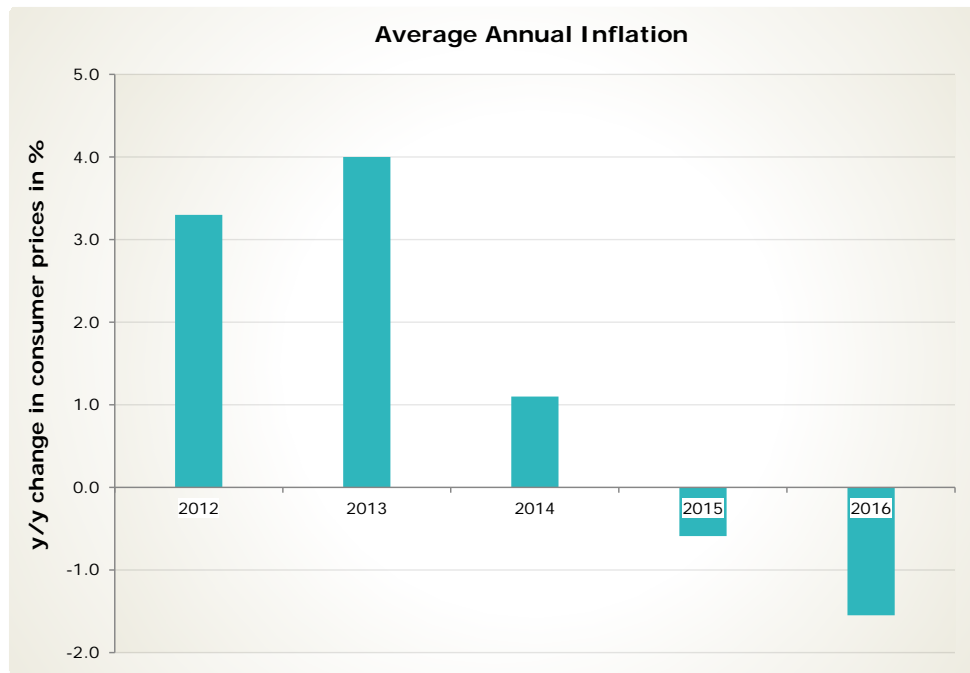


Source: INSSE

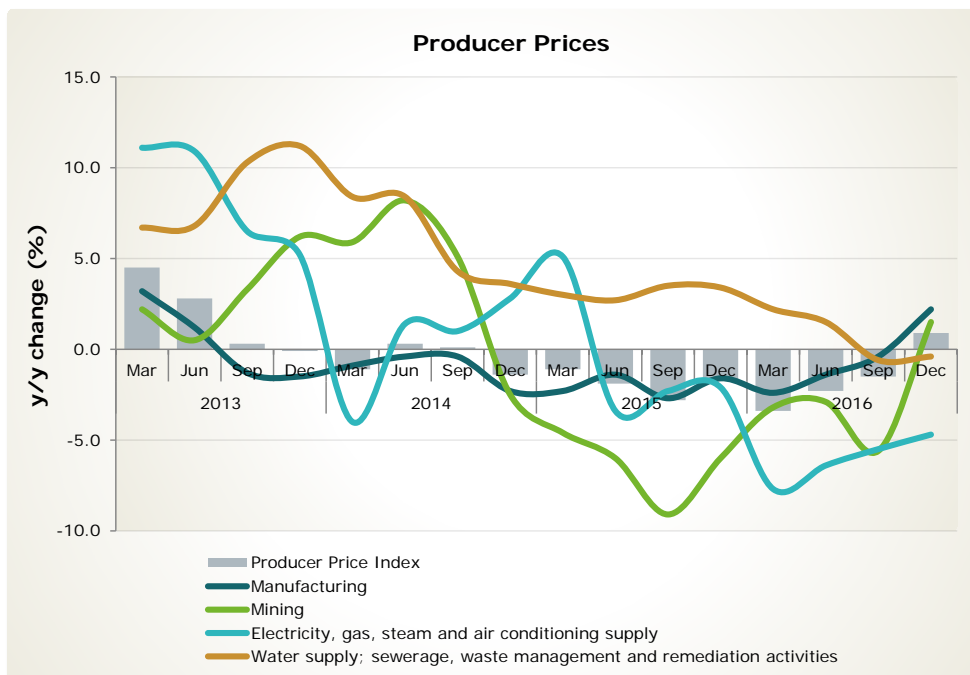
2.6. INFLATION

Average annual deflation of 1.6% in 2016

Romania registered an average annual deflation of 1.6% in 2016, according to INSSE data. For comparison, in the previous year average annual deflation stood at 0.6%. The sharpest deflation, of 2.6% y/y was registered in food goods.



Source: INSSE



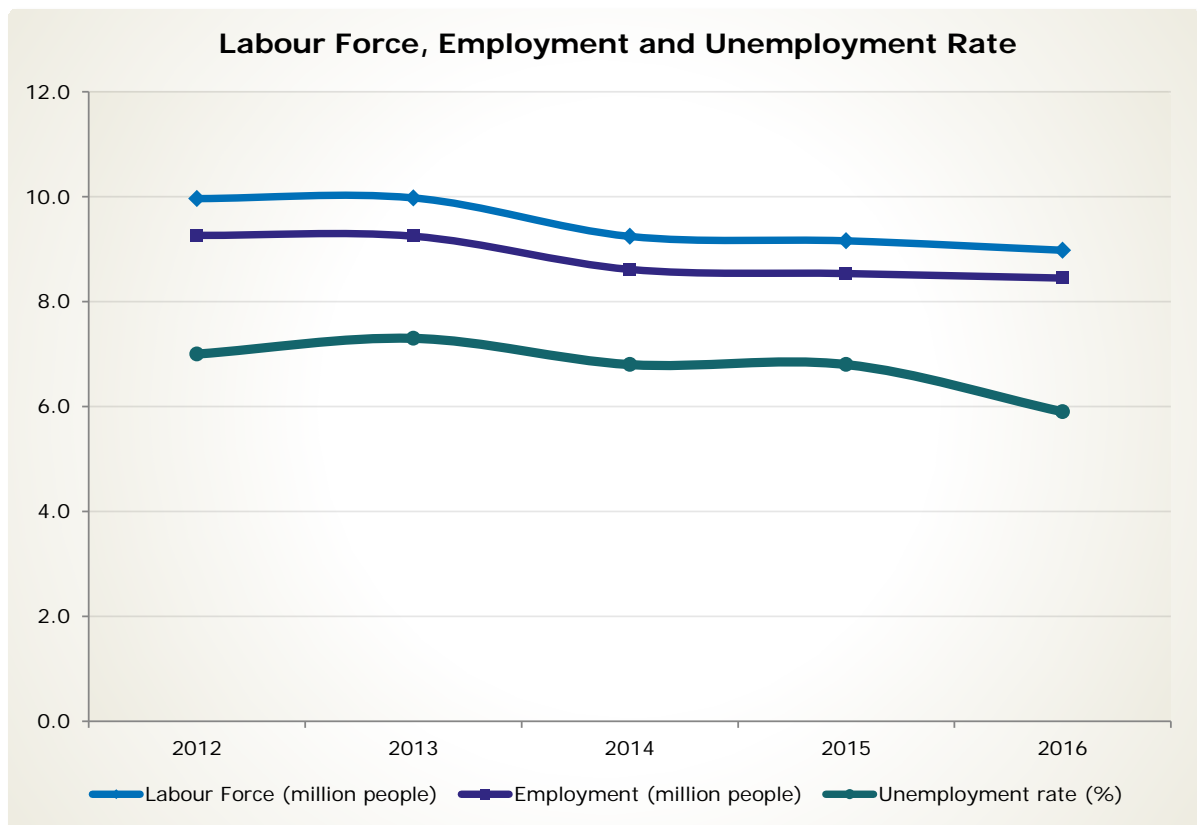
Source: INSSE

3. LABOUR MARKET

Unemployment rate shrank annually to 5.9% in 2016, wages grew 13.0%

Unemployment in Romania narrowed to 5.9% of the total labour force in 2016, compared to 6.8% a year earlier, according to data of INSSE.

The employed population aged 15 years and older was 8.979 million, down by 2.0% y/y. The youth (population aged 15-24) unemployment rate went down to 20.6% from 21.7% a year ago.



Source: INSSE

The average monthly net salary in 2016 went up by 13.0% in annual terms to RON 2,088. In the period under review, employees in the computer programming, consultancy and information service activities earned the highest salaries of RON 5,475, followed by extraction of crude petroleum and natural gas with RON 4,853, and manufacture of coke and refined petroleum products with RON 4,630.

4. CONSTRUCTION AND REAL ESTATE

Number of building permits fell by 12.5% y/y in 2016

The number of building permits issued in Romania in 2016 decreased by 12.5% y/y, totalling 40,697, according to INSSE data. The permits for housing projects went down by 10.7% to 34,930 and permits for administrative buildings slumped by 17.3% to 196.

The total built-up area of the administrative units, covered by the permits, climbed by 53.3% y/y to 218,600 sq m. The total built-up area of the residential units grew by 13.1% to 8,909,700 sq m.

5. MONEY SUPPLY AND BANKING SYSTEM

5.1. RON EXCHANGE RATE

The average exchange rate of the RON against the EUR stood at RON 4.4908 in 2016, up from RON 4.4450 a year earlier, according to National Bank of Romania (NBR).

RON Average Exchange Rate			
Foreign Currency	2016	2015	2014
EUR	4.4908	4.4450	4.4446
USD	4.0592	4.0057	3.3492
GBP	5.4982	6.1241	5.5130
CHF	4.1195	4.1684	3.6592

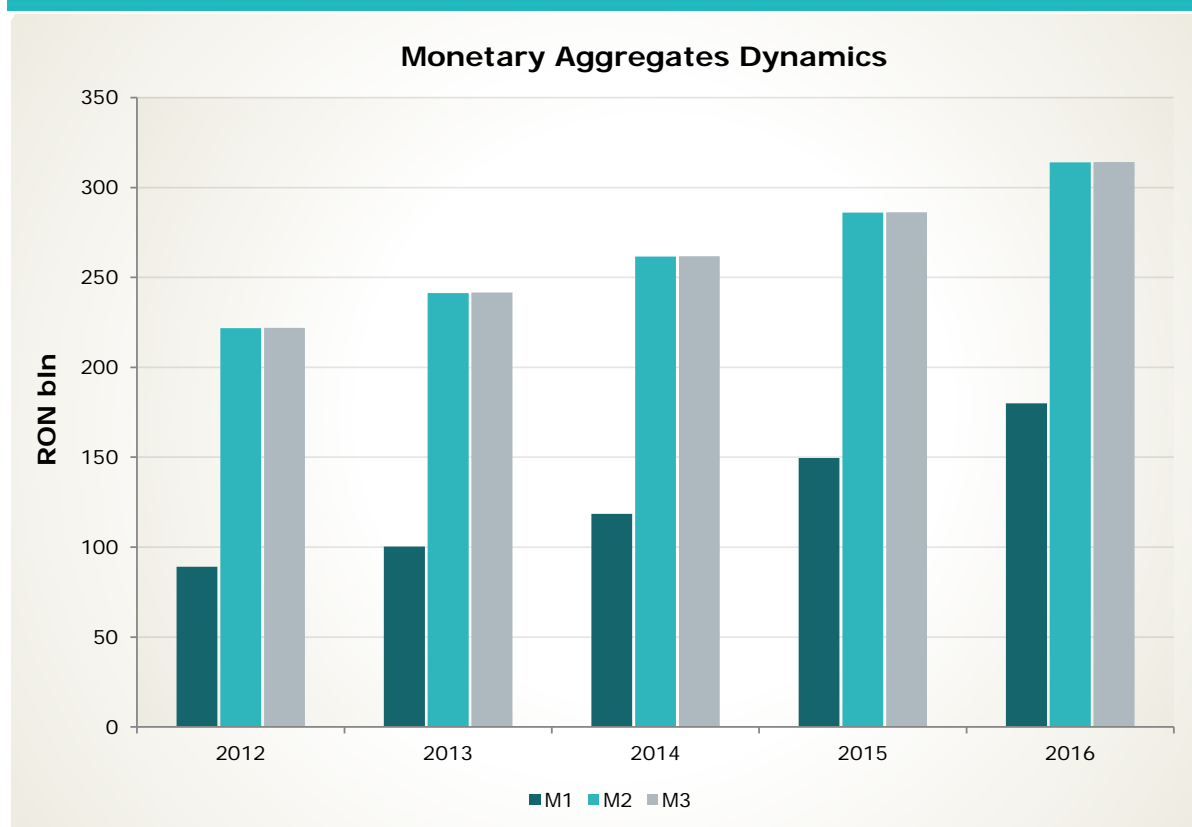
5.2. MONETARY AGGREGATES

Money supply growth was 9.7% y/y in 2016

Broad money (money aggregate M3) increased by 9.7% y/y and reached RON 314.2 bln as of end-2016, according to data provided by NBR.

The M2 money supply also grew, by 9.8% y/y, to RON 314.1 bln.

Money aggregate M1, or narrow money, jumped by 20.4% y/y to RON 180.0 bln.



Source: NBR

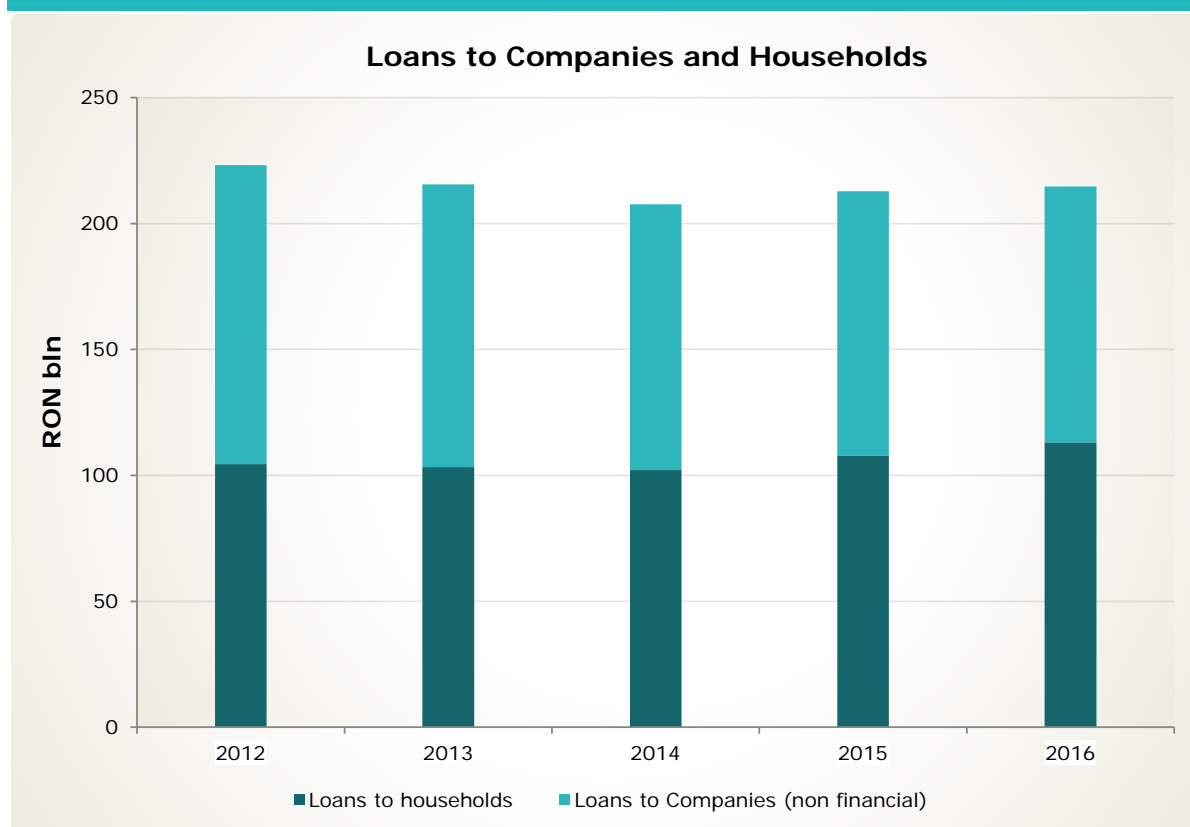
5.3. BANKING AND INSURANCE

Household loans went up by 4.7% y/y in 2016

Loans to non-financial corporations and households totalled RON 214.7 bln in 2016, up by 0.9% y/y, according to NBR data.

Loans to non-financial corporations declined by 3.1% y/y to RON 101.6 bln.

Household loans increased by 4.7% to RON 113.0 bln. House purchasing loans climbed by 12.5% to RON 58.446 bln, while consumer loans went down by 1.9% to RON 51.911 bln.

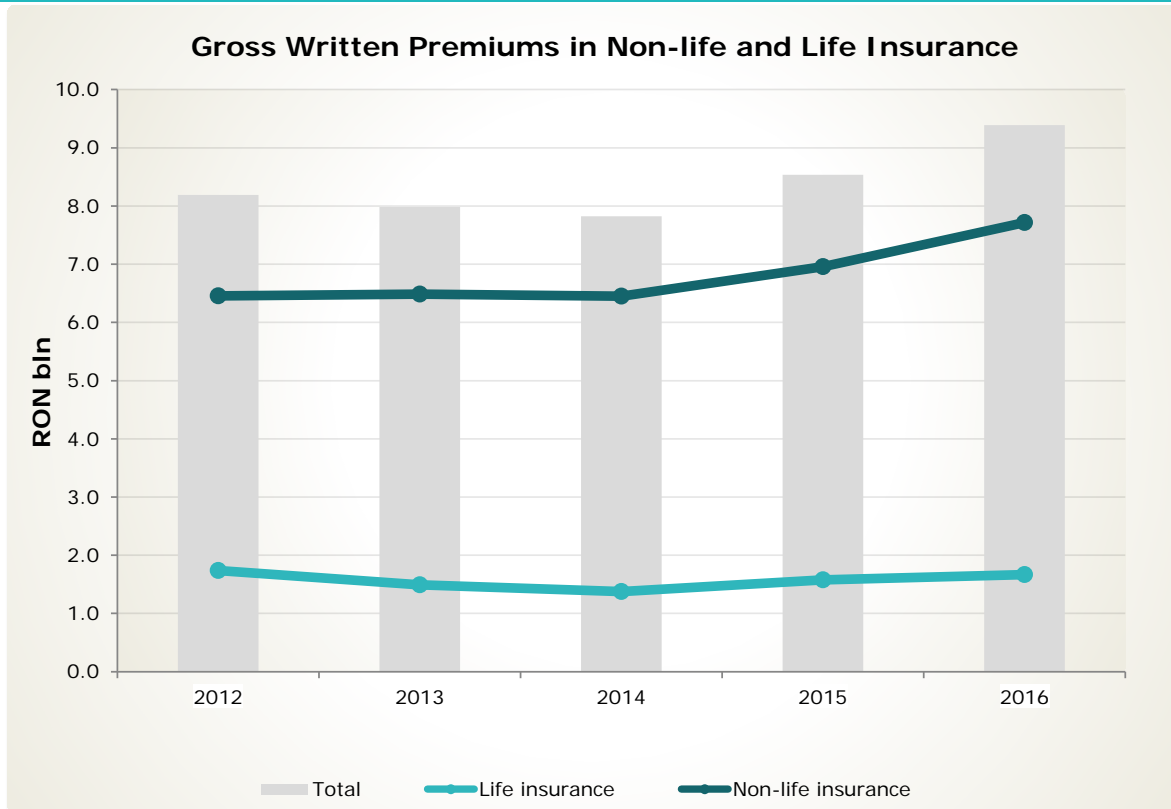


Source: NBR

Insurance premium income up 10.0% y/y in 2016

The total gross written premiums (GWP) of the Romanian non-life and life insurance companies stood at RON 9.387 bln, up by 10.0% y/y in 2016, according to the Financial Supervisory Authority (ASF).

The GWP of the non-life insurance market stood at RON 7.718 bln, or by 10.9% more compared to the previous year, while the life insurance market increased by 5.9% to RON 1.670 bln.



Source: ASF

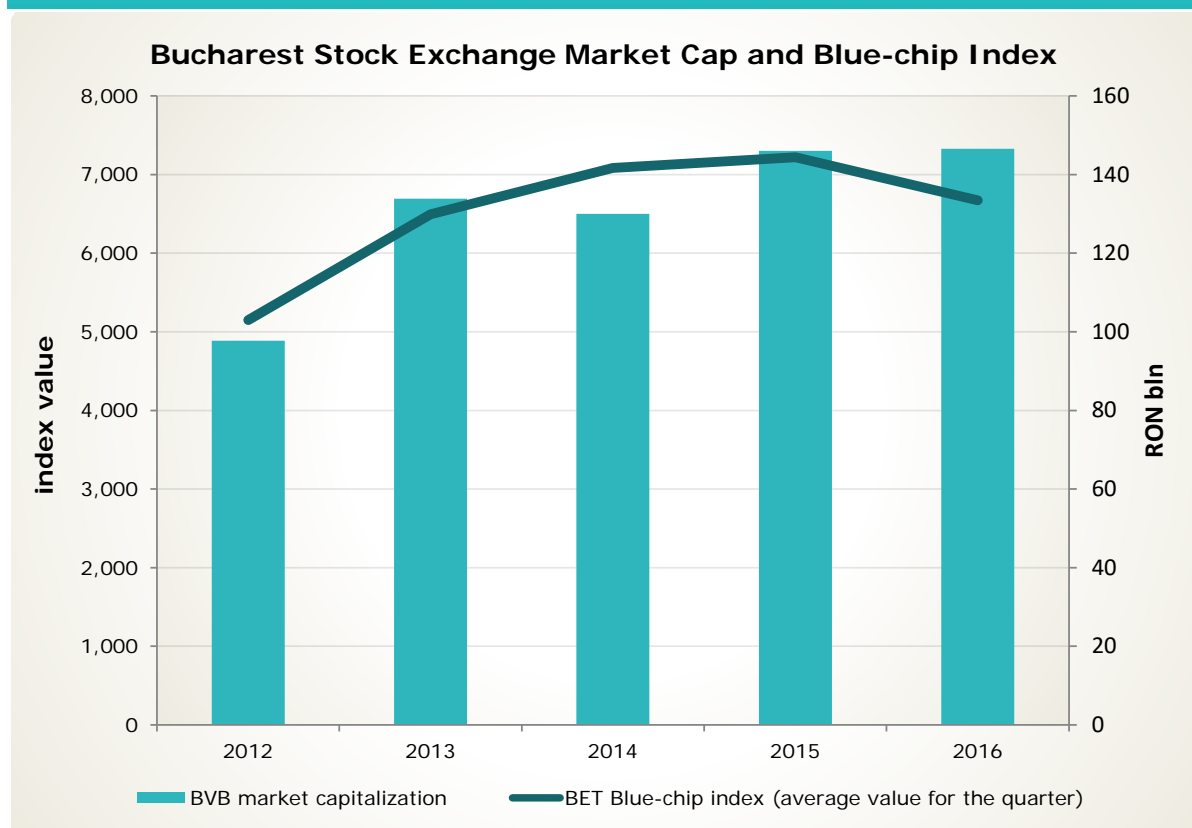
6. CAPITAL MARKETS

Blue-chip BET went down by 7.6% y/y in 2016

The average value of BET, the blue-chip index of the Bucharest Stock Exchange (BVB), decreased by 7.6% y/y to 6,673 points in 2016.

BVB's total market capitalisation stood at RON 146.5 bln as of end-December 2016, up by 0.4% annually.

The total turnover on BVB fell to RON 11.032 bln in 2016, from RON 12.058 in the previous year.



Source: BVB

7. EXTERNAL SECTOR

7.1. FOREIGN DEBT

Gross external debt at EUR 92.377 bln in 2016

The gross external debt amounted to EUR 92.377 bln in the end of 2016, expanding by 2.1%, or EUR 1.943 bln, compared to a year earlier, according to NBR. In comparison to end-September 2016, the gross external debt fell by EUR 1.299 bln.

Long-term liabilities amounted to EUR 55.795 bln, or 60.4% of the total debt, and short-term liabilities totalled EUR 12.211 bln, equal to 13.2% of the total debt. Government debt expanded by 3.2% y/y to EUR 32.379 bln.



Source: NBR

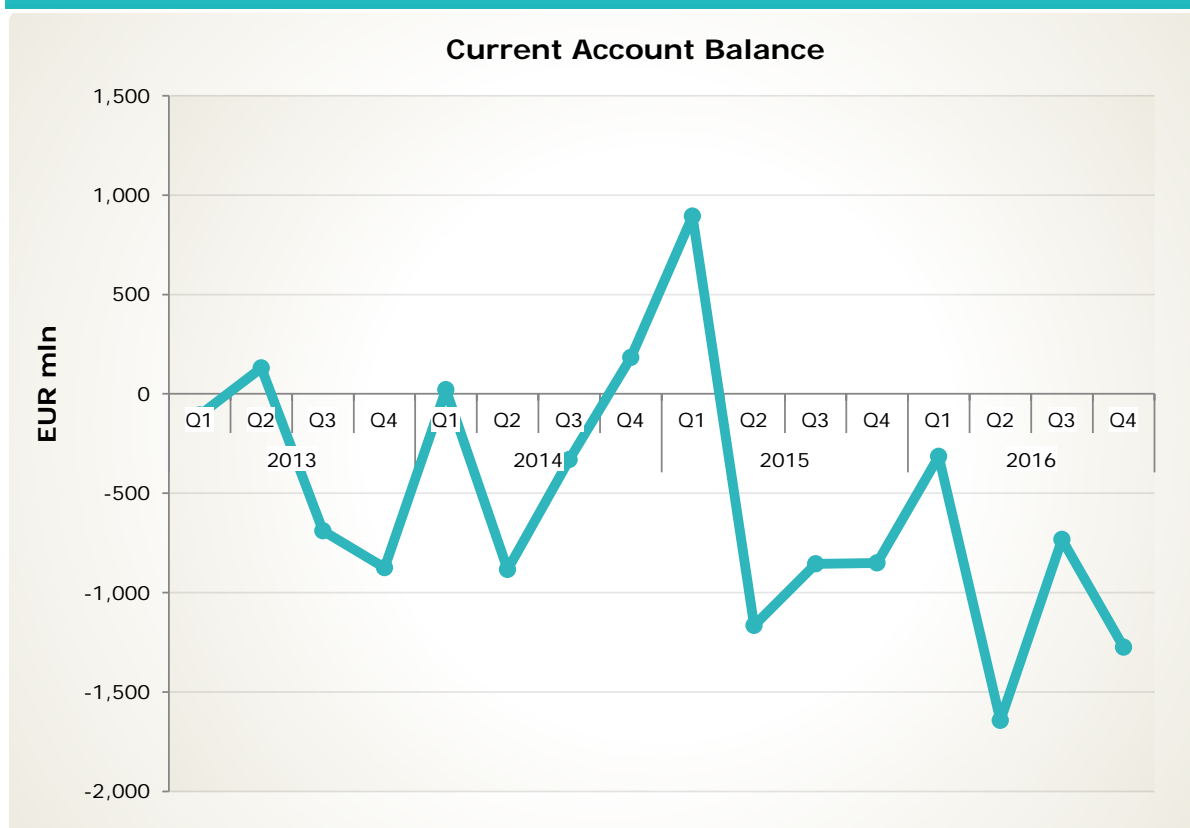
Editor's note: No data is available for Government Debt for Q1 and Q2 2013

7.2. BALANCE OF PAYMENTS

Current account deficit at EUR 3.966 bln in 2016

The current account deficit doubled to EUR 3.966 bln in 2016 from EUR 1.978 bln in 2015, according to the central bank. In 2014, the current account deficit amounted to EUR 1.012 bln.

Secondary income in 2016 went down to EUR 2.460 bln from EUR 2.795 bln in the previous year. In 2014 the secondary income stood at EUR 1.685 bln.

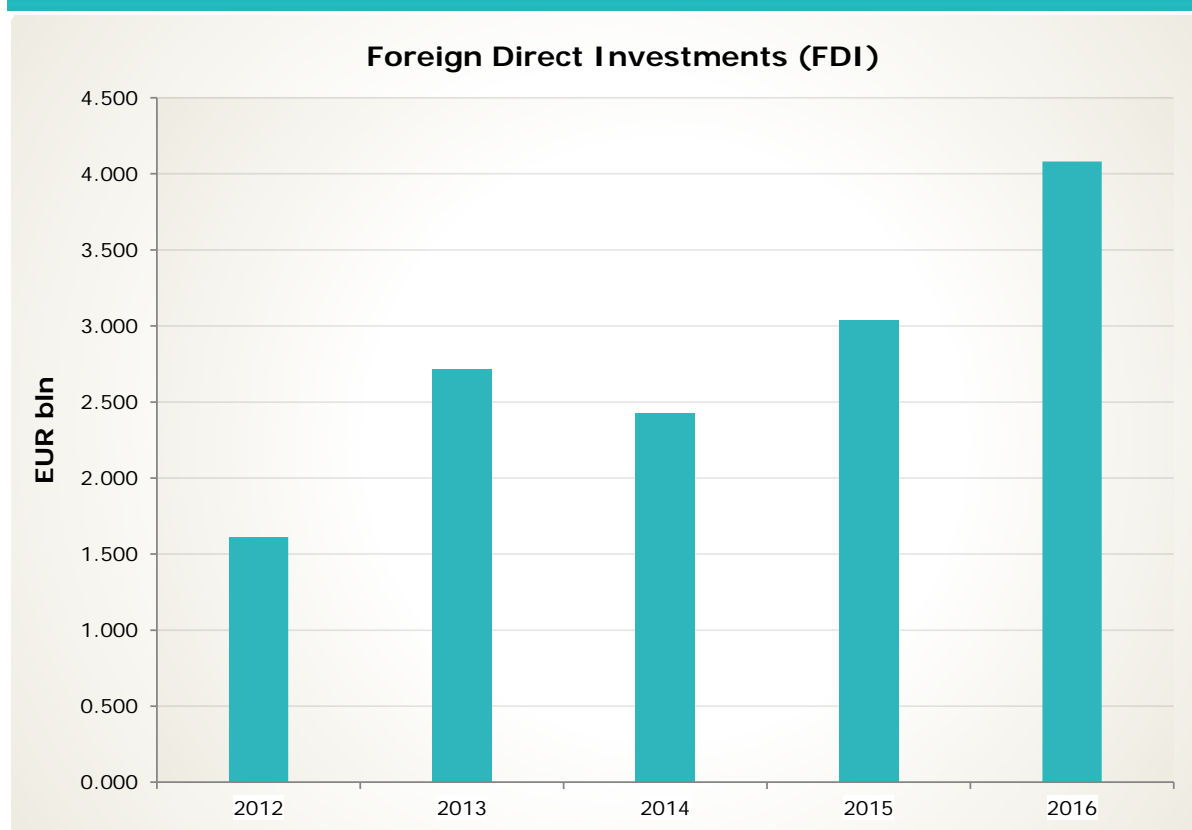


Source: NBR

7.3. FDI

Net FDI jumped by 34.5% y/y in 2016

Net FDI inflow in Romania went up by 34.5% annually to EUR 4.081 bln in 2016, according to NBR. Of the total, equity stakes, including estimated net reinvestment of earnings, amounted to EUR 3.899 bln, while intercompany lending stood at EUR 82.0 mln.



Source: NBR

7.4. FOREIGN TRADE

Foreign trade deficit jumped by 19.6% y/y in 2016

The trade deficit stood at EUR 9.300 bln in 2016, compared to EUR 7.775 bln in 2015, according to NBR. In the fourth quarter of 2016 alone, the trade deficit increased to EUR 2.817 bln versus EUR 2.771 bln a year earlier.

Imports grew faster than exports – by 7.9% versus 6.1%, totalling EUR 61.401 bln, while exports came in at EUR 52.101 bln.



Source: NBR

7.5. TOURSIM

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

Tourist overnights of foreigners rose by an annual 7.9% to 4.812 million in 2016, according to INSSE data. The number of foreign tourists also went up - by 10.6% to 2,471,400.

The share of foreign tourist overnights in the total number of overnights stood at 19.04% or by 0.02 percentage points more than a year earlier.

German tourists led the ranking in terms of numbers – 281,704, followed by tourists from Israel – 251,908, and Italy – 233,787.



Source: INSSE

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