GarantiBank

QUARTERTLY MACROECONOMIC REPORT ROMANIA – Q2 2014

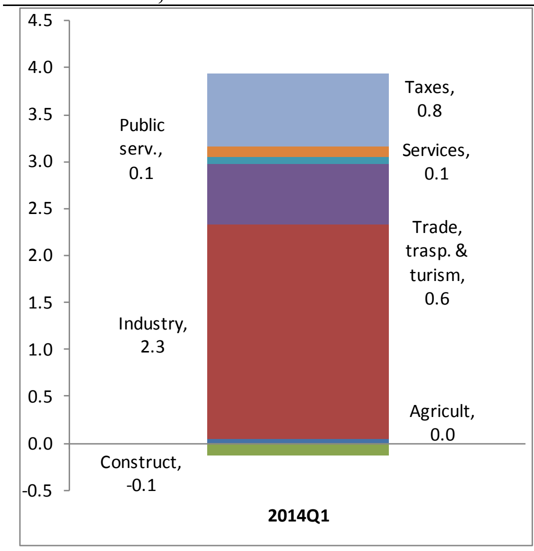
Consumption is back, investments are lagging significantly behind

KEY EVENTS

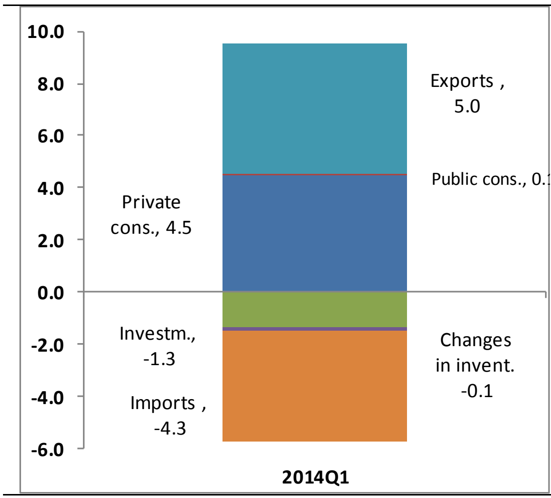
01st of July, 2014: NBR Key rate decision
04th of August, 2014: NBR Key rate decision

Moody's: Baa3 stable / S&P: BBB-stable / Fitch: BBB- stable

INDUSTRY, STILL THE MAJOR DRIVER



REBOUND OF PRIVATE CONSUMPTION



Source: NIS, GarantiBank Research

Author: RozáliaPál, Chief Economist
Contact: rozalia.pal@garantibank.ro

Outlook – We revise upward our Gross Domestic Product (GDP) growth expectations for 2014, from 2.6% to 2.9% on the back of higher than expected results in the first quarter. In 2014 we will see Romania's robust export performance registered last year feeding through into higher wages, lower unemployment and increases in disposable income. The consumer sentiment and household incomes have also been supported by some governmental measures, such as the additional hike of the gross minimum wage from RON800 to RON850 in January 2014 (after the 14% increase in 2013; additional RON 50 increase announced for July 2014), increase of pensions by 3.7% and cut of the VAT on bread and bakery products from 24% to 9%. The record low inflation and interest rate environment are also supporting the consumption.

The strongest contributor to the GDP growth in the first quarter of 2014remains the industrial sector, although with some changes on the sectorial level. Some deceleration of manufacturing is expected in the next quarters of 2014, while we still expect the recovery of the construction sector that contracted in first quarter, after registering poor performance last year as well. Public investments and EU funds absorption are lagging much behind expectations and acceleration is expected mostly in the second half of the year.

Main Topics:

- Political –2014, year of elections
- GDP –Improved outlook
- Country risk profile – S&P improved Romania's rating to investment grade, with stable outlook
- Inflation– Some downward risk to our 3.5% forecast
- Monetary policy – Good liquidity to be supported with an additional MRR reduction
- Fiscal Policy – On track, but how?
- Public financing – Strong demand for state securities
- External Accounts and Financing – Current account deficit more than 100% covered by FDI
- FX outlook – Inflow of foreign funds positively affected by ECB monetary easing
- Bank flows – When should the higher consumption be visible in the lending activity?

This year is marked by the two elections. The EU Parliamentary elections were held on the 25th of May 2014, while the Presidential election is scheduled on the 2nd and 16th of November. Although initially the referendum for changing the Constitution been scheduled together with the EU Parliamentary elections, after the split of the USL coalition they decided to postpone it, having in mind also that the reduced necessary quorum from 50% to 30% will be enforced as of 14th of December 2014.

The results of the EU Parliamentary elections give us some hints also on the upcoming Presidential elections. The new governing alliance USD formed by Social Democrat Party, National Union for the Progress of Romania and Conservative Party won the highest share with 37.6%, followed by the National Liberal Party PNL with 15%, Democrat Liberal Party PDL with 12.2%, the Ethnic Hungarian party UDMR with 6.3%, the People's Movement Party PMP(established in March 2013 by supporters of President Traian Basescu, following his break with the leadership of the PDL) with 6.2% and an independent candidate with 6.8%, while the rest did not have enough votes to receive a mandate. The strong results of the socialist alliance shows that they also have the highest probability to win the Presidential elections at the end of the year, while the opposition has chances only if all right-oriented parties agree on a common candidate.

Regarding the presidential elections, initially, the PNL leader Crin Antonescu was the official candidate of USL, based on the coalition agreement, but with the new Government reshuffle, the ruling socialist party PSD will have its own candidate. Although officially not announced, the current Prime Minister Victor Ponta is the top candidate for presidency, while the second most popular candidate would be the PNL vice-president Johannis Klaus, the mayor of Sibiu.

Economic Growth

Improved outlook

The real GDP of Romania registered growth of3.8% yoy and 0.1% qoq in the first quarter, above the market expectations (3.1%). Just as we expected, the positive surprise came from the stronger value added of industry and trade (on the supply side), while consumption has been the strongest accelerator on the demand side.

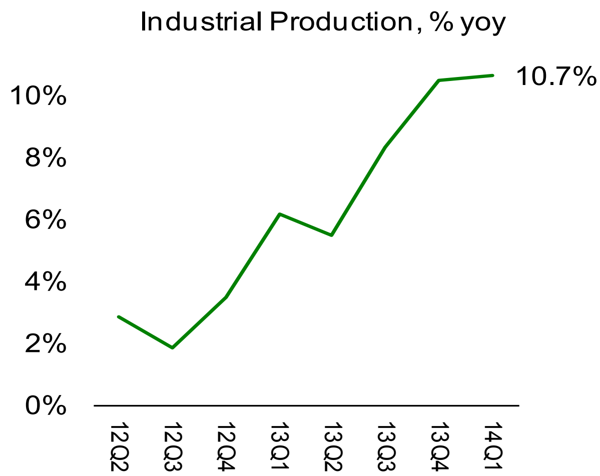
On the supply side, the major drivers of growth in Q1 2014 remained the industrial sector with 7.9% yoy and 2.3 percentage points contribution to the total GDP. While 2013 was driven by the export oriented transport equipment and the machinery industries, the driver of the growth in the first quarter of 2014 has been the coke and refined petroleum industry that basically recovered from the very low production in the first quarter of last year. Petromedia, Rompetrol’s refinery which covers around 43% of Romania’s refining capacity (5 million tonnes) increased its revenue by around EUR 350 million in Q1 2014 compared to the same period of last year by doubling its production, given that during March-April 2013 the refinery was closed due to technical maintenance works. Since this industry counts around 10% of the total industrial production in Romania, changes of such magnitude affect the output of the whole industry.

Economic Growth

The international trade was also strongly affected by this segment in the first quarter: import of fuel and lubricants (80% are crude petroleum) increased by 25% (during 2013 it had dropped by 18% yoy), while exports increased by 56% yoy (4% yoy growth in 2013), 85% of this representing petroleum products such as gasoline, diesel fuel, etc. Again, the jump in exports by 56% representing EUR 311 million can be explained by the export activity of Rompetrol, which increased by EUR 246 million in Q1 2014compared to the same period of last year. Moreover, in March the domestic sales of fuel jumped by 16%, just before the implementation of the excise duty hike on fuel by 7 Euro-cent that boosted also the import.

The auto industry and machinery maintained also the positive growth at 5.6% and 13.7% in Q1, respectively, but we do see some signs of deceleration. After the exceptionally good year of production, Dacia is still positioned in the first quarter of 2014 on the top in terms of sales in the European Union (above 50% yoy). Moreover, we can see that the domestic market is recovering, as after almost five years of decline the sales of new cars in Romania increased, especially of those produced locally, Dacia and Ford (29% yoy), helping the local car production. While the trade is improving, just in line with the rebound of the domestic demand, car production is adjusting downward after the exceptionally good year in 2013. Romania produced 176,124 vehicles in the first five months of 2014, down by 6.7% yoy. Exports decelerated also by 1.6%yoy, to 158,770 vehicles. According to the company's representatives, Dacia might slightly drop this year from the record 342,000 units produced in 2013, to 310,000-320,000 units, after the Renault facility in Morocco took over part of the Sandero model production.

STILL GOOD PERFORMANCE OF INDUSTRY



Source: NIS, Eurostat, Garanti Bank Research

REACCELERATED IMPORTS DRIVEN BY THE FUEL PRODUCTION AND REBOUND OF DOMESTIC DEMAND

	IMPORTS Q1 2014		EXPORTS Q1 2014	
	EUR mn	% yoy	EUR mn	% yoy
Total	**13,871**	**9.62%**	**12,754**	**10.14%**
Machinery and Transport Equipment	4,855	11%	5,420	10%
Raw material	485	-2%	638	-3%
Fuel, lubricants (Petroleum products)	1,387	25%	867	56%
Food, beverage, tobacco	1,040	3%	995	36%
Chemicals and similar	1,970	3%	689	-10%
Other manufactured products	4,134	10%	4,145	5%

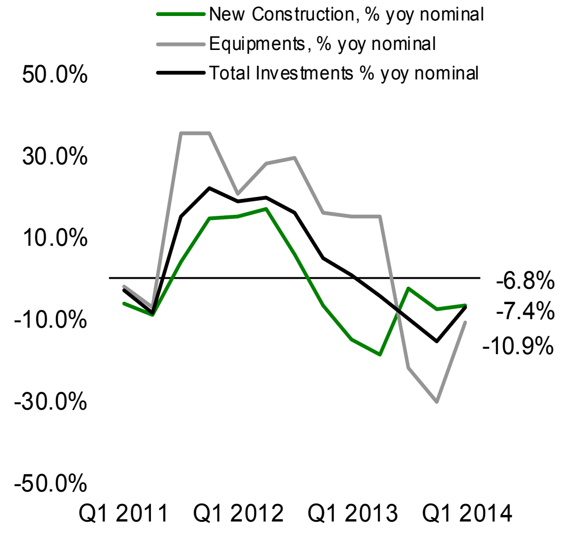
Source: NIS, Garanti Bank Research

Economic Growth

The sales of the B-Max model made in Craiova, southern Romania, decreased by 9% in the first quarter of the year, to less than 16,900 units in Europe. On the positive side, car part providers are performing well in Romania and new investments are also on the pipeline[1].Overall, we therefore can conclude that although the industry will probably remain the major contributor to the GDP growth, some cool-down will be visible in the upcoming quarters.

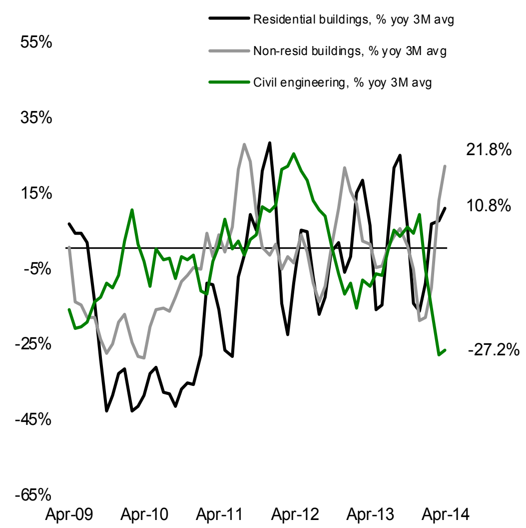
On the demand side, investments represented the worst performer in Q1 2014, with 7.8% yoy drop (-1.3 percentage point contribution) even after a 3.3%yoy drop in 2013 (-0.9 percentage point contribution). The construction sector remained the worst performer of the economy, with 3% drop in Q1 2014 and just following a weak performance of 0.4% yoy growth in 2013. This contraction was probably driven mainly by reduced public spending because of tighter fiscal policies aiming to reduce the budget deficit. Overall, investments in the economy are not yet at the expected and desired level. While the residential and non-residential buildings recorded positive evolution (+9.6% yoy and +11.8% yoy, respectively), the engineering works suffered a 26.7% yoy drop. A significantly better performance is expected in the rest of 2014, especially on the infrastructural works. The expected improvement is based on the projects financed also by the EU funds. In the Transportation operational program there are allocated EUR 4.5 billion and only 1.1 billion have been absorbed by the end of 2013, so for the 2014-2015 period more than EUR 3 billion are available for this Operational program (latest date of payments for the 2007-2013 period is Dec. 2015).

INVESTMENTS ARE CONTRACTING



Source: NIS, GarantiBank Research

PUBLIC INFRASTRUCTURAL CONSTRUCTIONS ARE THE WORST PERFORMERS



Source: NIS, GarantiBank Research

[1] Out of the top 20 international car part providers, 13 produce car parts in Romania, according to ACAROM data.

Economic Growth

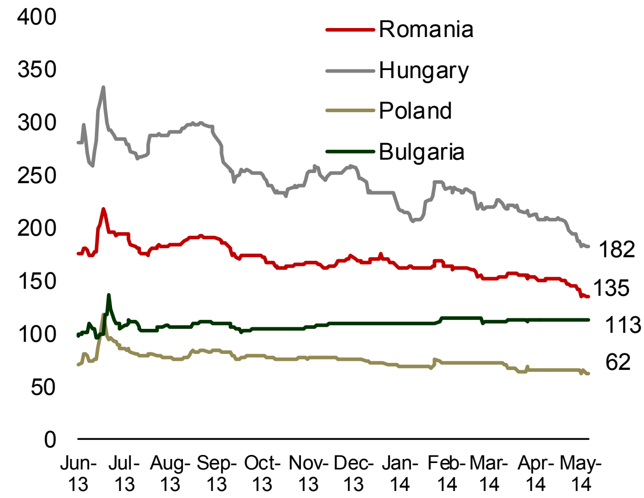
We can notice the recovery of the private consumption by an impressive 5.8% yoy in Q1 2014, with 4.5 percentage point contribution. This positive evolution can be explained first of all by the higher real wages, which accelerated to 4% yoy in Q1 2014, from 0.9% yoy in 2013. This was significantly improved by the lower CPI inflation (1.1% in Q1 compared to the 4% average CPI in 2013). Moreover, there was a 21% growth of the minimum wage since January 2013, from RON 700 to RON850, in 3 tranches (February 2013, July 2013 and January 2014), affecting around 800,000 employees. Adding to this, the VAT cut on brad from 24% to 9% might have improved the food consumption and disposable income. Another significant positive influence was represented by the good agricultural production in 2013, which increased the consumption (from own production that counts in GDP measures), but also boosted the income of farmers (EUR 1 billion increase in agricultural production in 2013 compared to 2012 for 2.4 million employment in agriculture). The pension benefits were also indexed this year by 3.76% (5.5 million pensioners), while the unemployment rate gradually improved to a 7.1% in Q1 from 7.3% in 2013; the number of employees increased by 44,000 (mainly private sector). All these factors contributed to the change in the consumer behavior of the population, reflected also by the Economic Sentiment Indicator for Romania, which improved in February by 3 points to 97.7, the best figure since May 2012, and joined the positive European trend. However, the strong acceleration in private consumption can be just partially explained by income growth and a possible correction/slowdown is expected in the next quarters.

Country risk

S&P improved Romania's rating to investment grade, with stable outlook

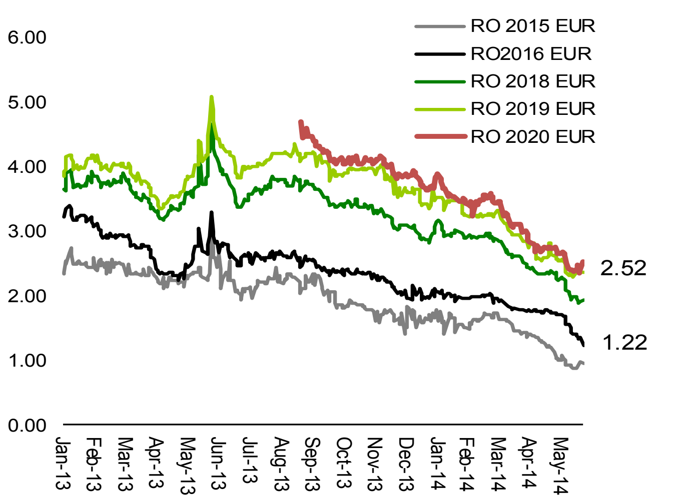
The positive evolution was also noticed by the Rating Agencies and they acted accordingly. On the 25th of April Moody's improved the outlook on Romania's credit rating to stable from negative, but confirmed the lowest level of investment grade of - Baa3.

COUNTRY RISK IMPROVED, 5Y EUR CDS



Source: Reuters, GarantiBank Research

DECLINING EUROBOND YIELDS



Source: Reuters, GarantiBank Research

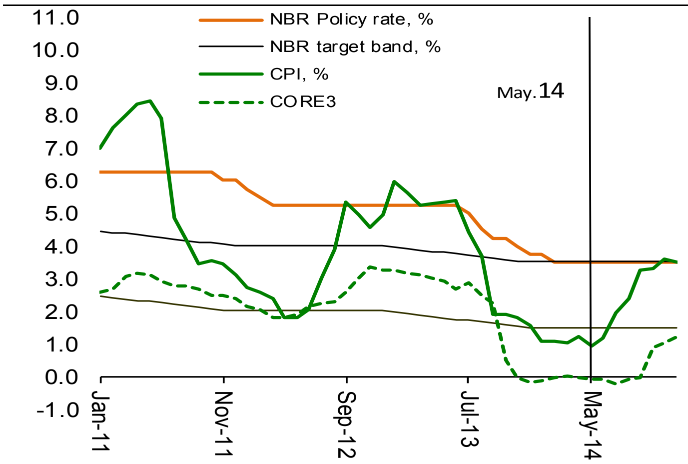
Following that, on the16th of May 2014, the rating agency S&P improved Romania's rating for long-term foreign currency sovereign debt by one notch to "BBB-" with a stable outlook. The move was strongly anticipated by the market, since it has put Romania back to "investment grade" and no action had been taken since the downgrade of Romania to non-investment grade in October 2008. Beside the acceleration of the economic growth, other macroeconomic indicators also played a substantial role, especially the strong positive adjustment of the current account deficit and of the public budget deficit. Overall, the outlook for Romania is positive, with stabalised macro environment, cheaper financing and improved business sentiment that might attract investors and result in a positive surprise to our GDP outlook.

Inflation

Some downward risk to our 3.5% forecast

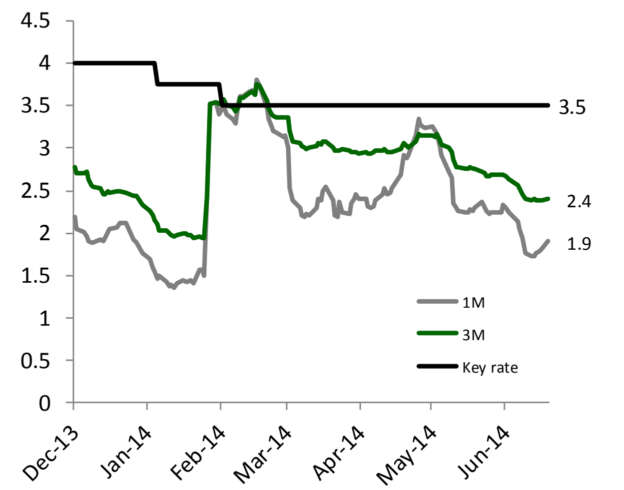
The CPI annual inflation surprised to the downside in May, at 0.94% (0.05% mom) from 1.2% during the previous month and below the market expectation of 1.2% yoy. The surprise is coming from the food products, but the RON appreciation contributed also to lower service prices (telephone bills and airline tickets). Vegetable prices dropped further (-1.3% mom) for the second straight month after a significant increase in the first quarter (+8.2% in Q1 compared to the December 2013). Moreover, the prices drop for food items in May were widespread, including in regards to the edible oil and dairy products, which indicates a sustainability of lower than expected prices and brings some downward risk to our end-of year expectation of 3.5% inflation. The Core inflation (excluding volatile food prices, fuel, administrated prices, tobacco and alcohol) stayed in negative territory (-0.1% yoy), still influenced by the VAT cut on bread in September last year. Excise duty hikes on fuel in January and April have been already implemented. Energy price liberalization will bring some additional inflationary effects, while further risk is related to the food price evolution in H2 2014 and the dispute on green energy support program.

INFLATION AT HISTORICALLY LOW LEVELS BUT IS EXPECTED TO REACCELERATE



Source: NIS, NBR, GarantiBank Research

LIQUIDITY IMPROVEMENT PUSHED MONEY MARKET RATES BELOW THE KEY RATE



Source: NBR, GarantiBank Research

Monetary Policy

Good liquidity to be supported with an additional MRR reduction

The current inflation figures and FX evolution (RON appreciation) supported the promised cut on the rate of minimum reserve requirements by the National Bank, implemented in its July meeting. The NBR decided on its 1st of July meeting to lower the minimum reserve requirement ratio on foreign currency-denominated liabilities of credit institutions to 16 percent from 18 percent starting with the July 24-August 23, 2014 maintenance period, while keeping the ratio on leu-denominated liabilities unchanged at 12 percent. This should bring additional liquidity in the money market pushing rates closer to the facility level (0.5%). We do not expect any change to the monetary policy rate (currently at 3.5%) until the end of the year. The banking system has been registering a liquidity surplus since August 2013, which pushed inter-bank rates even 2 percentage points below the key rate. At the beginning of February 2014 there was a temporary tightening in the liquidity through the selling of a substantial amount out of the Ministry of Finance's FX buffer. This action pushed the interest rates temporary higher, but they stabilized back to around 1-1.5 percentage points below the key rate

Fiscal Policy

On track, but how?

Romania ran a consolidated budget deficit of 0.2% of GDP in the first five months of the year, 76% below the deficit of the similar period last year (1% of the GDP at the end of May 2013). On the revenue side, the worst performer remained the salary income tax collection that dropped by 1%yoy, despite the increase of the minimum wage by RON 50 at the beginning of the year. On the other hand, excise duties income increased by 9.8%yoy and the profit tax registered11.3% yoy growth. The improvement in the deficit was also due to the drop in total budgetary expenditure by 2.3% yoy. Unfortunately, the lower spending is due to lower investments. Expenditures on EU funded projects and public investments are significantly below the last year's level by 15.5% and 37.9% yoy, respectively.

According to the governing program, some measures are expected to be implemented in the second part of the year. The tax exemption on the reinvested profit was announced to be enforced as of July 2014. Moreover, the decrease by5% of the social contribution quota will be implemented as of October 2014, although the alternative sources of revenue in compensation of these reductions have been not identified, bringing some risk to reaching the target budget, especially next year, or of blocking some other spending, like the infrastructural projects (both having serious negative impact on the country's outlook).

The International Monetary Fund, which visited Romania at the beginning of June, decided to delay until November its report on Romania's progress under a EUR 2 billion precautionary loan deal, after the fund's review mission and the government have failed to reach an agreement on these key fiscal measures.

Looking at the other side of the coin, the business environment is expected to receive some further boost through these measures. Based on our calculation, this would result in around RON 1 billion (EUR 230 million or around 0.1% of GDP) additional funds available for the private sector in the last quarter of the year, while for the next year it translates in around RON 6 billion (EUR 1.4 billion or around 0.8% of GDP) additional sources for companies.

Public Financing

Strong demand for state securities

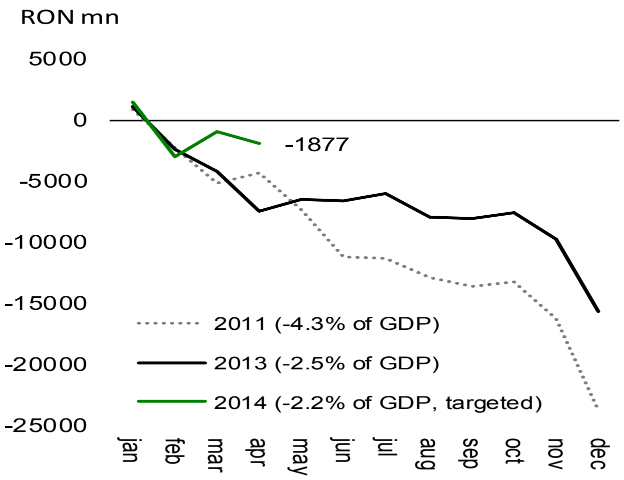
Until the end of May 2014, the country sold RON EUR 3.8 billion on the local market, including EUR 678.7 million at three euro-denominated auctions on the local market. The ministry also tapped international markets for USD 2 billion at a two-part U.S. dollar bond issue in January, and raised EUR1.25 billion in a ten-year Eurobond sale in April (2.7 billion external issuance until end of May). Romania managed to reimburse without any problem until the end of May EUR 2.6 billion to the IMF (out of total EUR 4.7 billion to be paid to the IMF during 2014), covered through this Eurobonds issuance, but also by using some part of its FX reserves (FX reserves dropped to EUR 30.68 billion in May, from EUR 32.53 billion at the end of last year).

Public governmental debt stayed at the end of February 2014 (latest available figures) at 38.4% of GDP (EUR 57.66 billion), and it is expected to stay close to this level in the upcoming period. Out of this, EUR 26.94 billion has been external and EUR 30.72 billion internal public debt.

The strong demand for state securities helped the Ministry of Finance to build good buffer (based on our estimation, FX buffer is at around EUR 6.5 billion as of end of June) and pushed the yield curve down by 80 bp in Q2 (as of 25th of June).We expect the global risk appetite for the emerging market securities to remain favorable, since the ECB announced to go forward with its monetary easing that started in June.

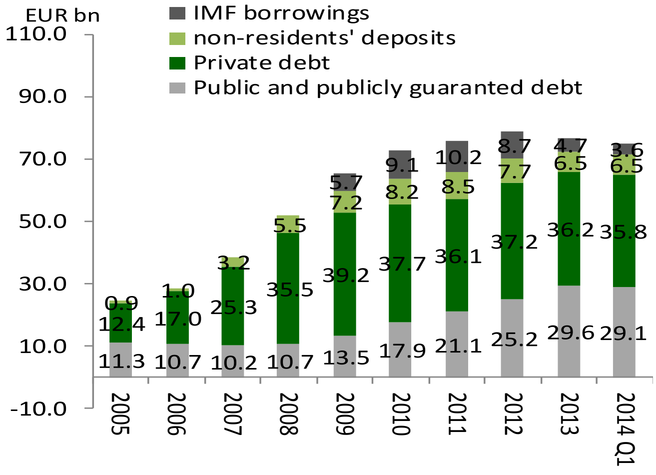
Moreover, additional financing sources in the public sector (and mainly oriented towards investments in state-owned companies to increase their efficiency, profitability and indirectly to reduce public arrears) are coming through the IPO of major state owned companies. After the successful listing of Romgaz, Nuclearelectrica (IPO) and Transgaz (SPO) in 2013, two major IPOs have been scheduled this year, Electrica and CE Oltenia. The initial public offering of state-owned Electrica has been carried out between June 16th and June 26th (actual listing is scheduled for July 3rd). A share of 51% of the company is to be put out for sale and the government raised over EUR 443 million from investors on the local market and from those investing on the London Stock Exchange.

BUDGET DEFICIT BELOW TARGET



Source: MF, GarantiBank Research

EXTERNAL DEBT IMPROVING



Source: NBR, GarantiBank Research

External Accounts and Financing

Current account deficit more than 100% covered by FDI

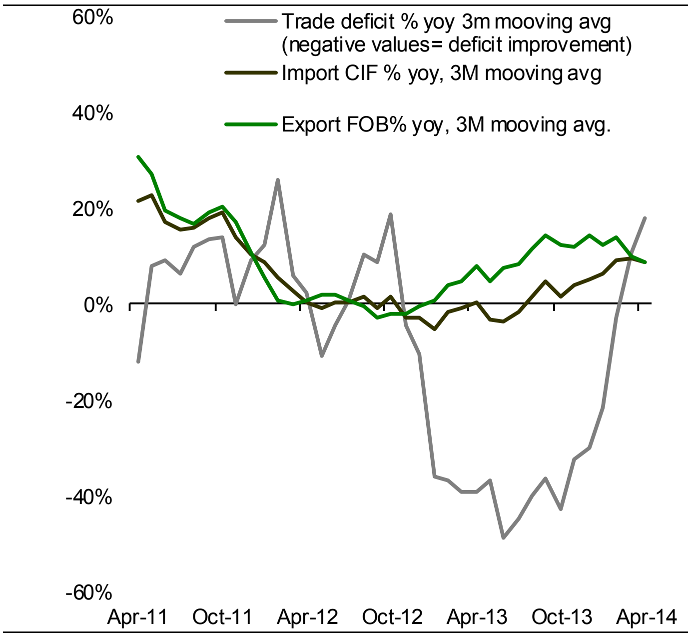
The Current Account registered a deficit of EUR 298 million for the first four months of 2014, 24% higher compared to the EUR 241 million deficit recorded in the same period of 2013. Its major component, the goods trade deficit (FOB-FOB) deepened by 1.8%, with still strong export growth (8.1%) and accelerated import growth at 7.7% yoy (just 1% growth in 2013). The service balance of the current account remained on the surplus, increasing by 27% yoy to EUR 744 million. Current transfers increased by 50% yoy to EUR 1.5 billion net inflow, mainly due to the public transfers of EU funds, while the negative income balance deepened by 80% to EUR 2 billion.

We expect some further slowdown in the export growth for this year, given that the supply shocks during 2013will actually work as a negative base effect for 2014, while some acceleration in imports can be expected on the back of the rebound of domestic demand. Overall, this should not impact significantly the current account deficit with around 1.1% of GDP in 2014, just as in 2013.

The FDI in the first quarter of 2014 came at EUR 785 million, 9% above the level of the similar period of last year. We expect FDI of around EUR 3 billion (2% of GDP) in 2014.

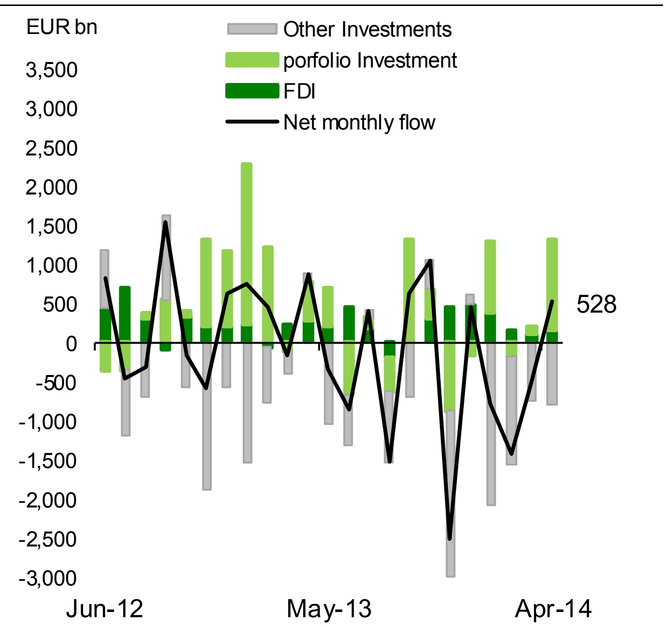
Regarding other type of external financing, Romania lost some portfolio investments in February-March 2014 (EUR 0.05 billion net outflows). Still, the balance turned positive in the first four months of 2014, with an inflow of EUR 2 billion. Net outflows consisted of the reimbursement of external loans (other investments)amounting to EUR 5 billion in the first four months of the year, out of which EUR 1.6 billion represent the IMF reimbursement. Meanwhile, the banking system decreased its external liabilities by EUR 1.7 billion.

TRADE DEFICIT DEEPENING ON THE BACK OF REACCELERATED IMPORTS



Source: NIS, GarantiBank Research

PORTFOLIO INVESTMENTS AND FDI TO COVER THE REIMBURSEMENT OF EXTERNAL LOANS



Source: NBR, GarantiBank Research

FX Outlook

Inflow of foreign funds positively affected by ECB monetary easing

Up to June, emerging markets' currencies have been less affected than initially expected by the FED's tapering. The tightening in the FED's monetary policy did not result in outflows of portfolio investments and depreciation of emerging markets' currencies. Moreover, behind the RON tightening was also the ECB monetary easing announced in June and last, but not least, the positive local news such as the stronger than expected GDP, the S&P upgrade to investment grade, fiscal and external balance on track, no major political risk despite the Government reshuffle at the beginning of the year.

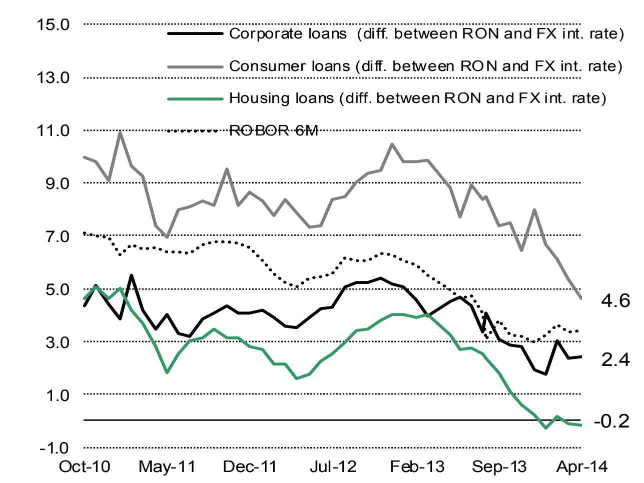
There is still potential for further inflows of both short and long term foreign capital supported by favorable liquidity dynamics of developed countries leading us to adjust our end-year outlook to 4.45 from 4.55 initially expected. Depreciation risks are still related to the regional tendencies in connection with the potential worsening of the Ukrainian-Russian conflict.

Bank flows

When should the higher consumption be visible in the lending activity?

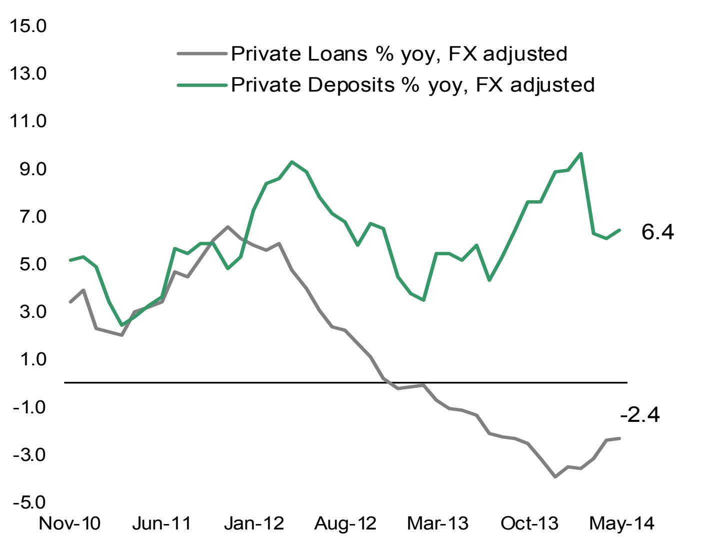
The lending activity in Romania shows some signs of improvement in the second quarter of 2014. Private loans expanded in April by 0.3% mom and by 0.1% mom in May (all figures are FX adjusted), softening their annual contraction to -2.4% yoy from -3.2% yoy at the end of Q1.

INTEREST RATE DIFFERENTIAL BETWEEN RON AND EUR DENOMINATED LOANS



Source: NBR, GarantiBank Research

BANKING VOLUMES AS OF APRIL 2014



Source: NBR, GarantiBank Research

Bank flows

The drivers of growth remained the RON denominated housing loans with around 10% monthly expansion and accelerated annual growth at 165.3% as of May 2014[2]. On the other hand, the FX denominated housing loans contracted by 0.2% yoy. The corporate loans portfolio improved also slightly during April and May by 0.1% mom and 0.2% mom, respectively, but still dropping by 3.7% on the annual basis at the end of May 2014.

Overall, we can notice the good performance of RON denominated loans (+2.2% mom) counterbalancing in April the contraction of the FX denominated loans (-1% yoy). Private deposits registered a 0.5% monthly expansion resulting in an annual growth of 6.1% yoy.

For the next period the favorable financing conditions in local currency should remain the driver of the lending recovery. On the other hand, some banks started to clean their portfolio by selling their non-performing loans[3] or writing down[4], which should improve the NPL ratio (touching 22.3% as of March 2014, but decreasing for the first month since 2008) and also reduce the overall loans portfolio of banking system.

RON interest rate for housing loans stayed in the first four months of the year at historically low levels, even below the EUR interest rate, while the RON rates for corporate loans are just 2.4 percentage points above the EUR interest rates (as of April 2014). The New First House Lending program is available this year only in local currency,while FX denominated consumer loans are restricted by the NBR regulation no. 24/2011 enforced as of February 2012. Consequently, the share of RON denominated loans in the total portfolio increased to 41% from 39% one year ago. More importantly, the rebound in domestic demand should be transferred slowly to the financing sector as well, but this happens only if the consumption proves to be sustainable through higher wages, improved labor conditions and broad-based increase of living standard (not only of 4.3 million employees but of 9.8 million employed persons) and if investments both in public and private sector enter the expected positive trend in the next quarters. But even the positive turnaround would be less than enough to compensate the cleaning up of the portfolio and most probably we will end this year as well with a contracting loan portfolio.

[2]High percentage growth is influenced also by the low absolute volumes. Mortgage loans in local currency are only RON 4.9 bn (around 12%) out of the total mortgage portfolio of RON 41.5 bn as of April 2014 but it has more than doubled from the level of RON 2 bn in April 2013.

[3]Volksbank sold in March 2014 a portfolio of non-performing loans amounting to EUR 490 million, out of its total non-performing loans portfolio of EUR 600 million.

[4] Based on the Banking Supervision's representatives until mid-August around RON 6 bn (EUR 1.3 bn) will be write down from those non-performing loans for which there are less chances to recover and they are 100% provisioned. This will result in around 2.8% drop of private loans portfolio, according to our calculations. The Banking Supervision expects NPL reduction from the current 22.3% to 13.6% in October 2014.

Main macroeconomic data and forecasts

	2010	2011	2012	2013	2014F	2015F
Economy						
Nominal GDP, (EUR billion)	124.1	131.4	131.8	142.2	150.0	160.7
GDP per Capita (EUR)	6,145	6,530	6,573	7,092	7,479	8,011
Real GDP, (% yoy)	-1.1	2.3	0.6	3.5	2.9	3.3
Agriculture, % yoy	-5.5	12.4	-21.6	23.4	-2.8	9.0
Industry (except construction), % yoy	4.0	0.1	-1.0	8.0	5.3	3.5
Construction, % yoy	-4.5	-6.4	-0.3	0.4	2.4	5.5
Wholesale and retail trade; tourism and transport, % yoy	-2.4	-2.1	1.5	-0.2	3.5	3.2
Other services, % yoy	-3.1	8.8	9.1	0.8	2.0	4.0
Public administration, % yoy	-6.3	0.6	2.4	-0.9	0.7	1.0
Population, (mn)	20.2	20.1	20.1	20.1	20.1	20.1
Avg net monthly wages (EUR, nominal)	334	348	347	367	386	410
Avg net monthly wages (% yoy, RON)	1.8	4.9	4.8	4.9	6.0	6.0
Unemployment rate, ILO, avg	7.3	7.4	7.0	7.3	7.0	6.5
External Accounts						
Current Account (EUR bn)	-5.5	-5.9	-5.8	-1.5	-1.6	-2.0
Current Account (% of GDP)	-4.4	-4.5	-4.4	-1.1	-1.1	-1.3
Export (EUR bn)	37.4	45.3	45.1	49.6	52.5	54.9
Import (EUR bn)	45.0	52.7	52.4	53.0	56.0	58.8
Export (% yoy)	28.5	21.2	-0.5	10.0	6.0	4.5
Import (% yoy)	25.1	17.2	-0.5	1.0	5.8	5.0
Trade balance FOB-FOB (EUR billion)	-7.6	-7.41	-7.37	-3.39	-3.5	-3.9
Trade balance FOB-FOB (% of GDP)	-6.1	-5.6	-5.6	-2.4	-2.3	-2.4
Net FDI (EUR billion)	2.2	1.8	2.2	2.7	3.0	3.2
Internat.reserves incl. gold (EUR billion)	36.0	37.3	35.4	35.4	34.3	34.9
Gross Foreign Debt (% of GDP)	74.5	75.1	75.6	67.8	65.6	63.6
Fiscal Accounts						
Budget Balance (% of GDP)	-6.37	-4.28	-2.51	-2.51	-2.20	-2.00
Public Governmental Debt (% of GDP)	34.93	37.79	38.61	40.11	39.50	39.00
Inflation/Monetary/FX						
Inflation (CPI) yoy, eop	8.0	3.1	5.0	1.6	3.5	3.0
Inflation (CPI) yoy, yearly average	6.1	5.9	3.3	4.0	2.0	3.2
Central bank reference rate, eop	6.25	6.00	5.25	4.00	3.50	3.00
Central bank inflation target	3.50	3.00	3.00	2.50	2.50	2.50
1M Robor, eop	4.05	5.72	6.04	2.11	3.00	2.75
1M Robor, avg	5.90	5.27	5.22	4.05	2.56	2.88
EUR/RON, eop	4.28	4.32	4.43	4.48	4.45	4.45
EUR/RON, avg	4.21	4.24	4.46	4.42	4.45	4.45

Disclaimer

This document has been drafted by GARANTI BANK SA and is intended for informative purposes only. This document should not be construed as offer, invitation or recommendation to subscribe for or to purchase or dispose of any securities or to enter in any transaction and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. Potential recipients are advised to independently review and/or obtain independent professional advice on the legal, regulatory, credit, tax and accounting aspects regarding customization of specific business. All addressees should be individually aware of the economic benefit and risks of future transactions. Distribution of this document does not oblige GARANTI BANK SA to enter into any transaction. Information contained herein is based on various sources, including but not limited to public information, annual reports and statistical data that GARANTI BANK SA considers accurate and reliable. However, GARANTI BANK SA makes no representation as to any matter or as to the accuracy or completeness of any statement made herein or made at any time in connection herewith and all liability (in negligence or otherwise), in respect of any such matter or statements, is expressly excluded. This document is being furnished to you solely for your information and may not be copied, forwarded, disclosed or otherwise used or any part of it, in any forms whatsoever or delivered to anyone else.