

Main Economic & Financial Indicators: Romania

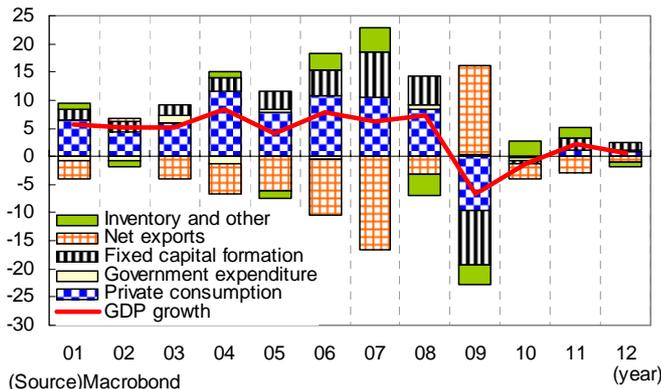
Economic Research Office
(Akiko Darvell akiko.darvell@uk.mufg.jp)

Overview

The Romanian economy remains weak. While economies in neighbouring countries such as the Czech Republic, Poland and Slovenia contracted during 2012, Romania narrowly avoided recession growing 0.7% y/y, but this was significantly lower than the 2.2% y/y growth seen in 2011. Weak external demand from Europe in particular dragged the economy downward. Private consumption grew only modestly by 1.1% y/y reflecting a rise in inflation, the effects of government's austerity measures and the worsening labour market conditions. Growth in gross fixed capital formation slowed down from 7.3% y/y in 2011 to 4.9% y/y.

Meanwhile, there have been some positive signs at the beginning of 2013. Growth in industrial production picked up a pace in January while exports recorded their first positive growth in the last 13 months. The latest business confidence survey showed that managers in the manufacturing, retail and service sectors are anticipating an expansion in business activity for the next three months. However, external demand is expected to remain sluggish given the delay in economic recovery in Europe, the country's main trade partner. Domestic consumer demand is also likely to be under pressure as inflation is expected to remain at an elevated level. In light of these circumstances, the Romanian economy is unlikely to see a strong recovery for sometime yet.

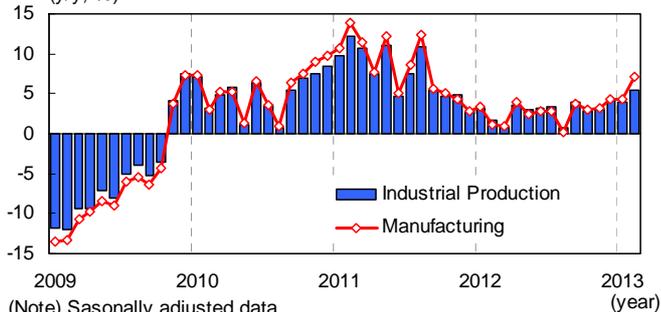
(y/y, %) Real GDP and contributions



Output

Industrial production in February grew by 5.4% y/y, picking up pace from the 3.9% y/y growth seen in January. The mining sector rose by 7.0% y/y, following growth of 5.9% y/y seen during the previous month. The manufacturing sector also grew by 7.1% y/y, picking up pace from the 3.6% y/y growth in January. The manufacturing sector's confidence indicator in March surveyed by the National Institute of Statistics of Romania showed that the managers predicts a modest increase in output in the next three months on the back of signs of recovery in output in Germany, its biggest trade partner. However, as the overall picture of the European economy remains depressed, it is too early to say that the country's production is on a sustainable recovery path.

(y/y, %) Industrial Production



(Note) Seasonally adjusted data

(Source) Macrobond

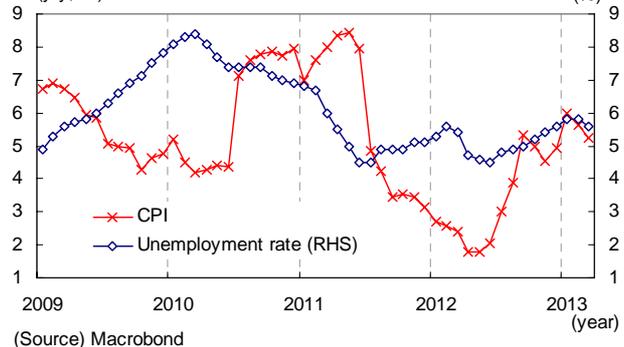
Consumption

Retails sales in February grew by 1.5% y/y, slowing down from the 2.3% y/y growth seen in January. The unemployment rate in March stood at 5.6%, down from 5.8% in February, remaining at a high level nevertheless. The lei depreciation has eased somewhat since the latter half of 2012 reflecting easing tensions from the euro debt crisis as well as domestic politics. However, lei started to slide down again affected by the Cyprus bailout. Romanians hold high volume of foreign currency denominated loans, thus the lei depreciation will put further pressures on household budgets which already has been eroded by higher inflation. In light of these circumstances, private consumption is unlikely to see a strong recovery for a while.

Prices

Consumer price index in March rose by 5.3% y/y, slowing down from 5.7% y/y inflation seen in February reflecting a slowdown in prices of both food and non-food items. However, it remained significantly above the Central Bank of Romania's inflation target of 2.5% ($\pm 1\%$). Food price inflation which had been elevated because of last year's poor harvest is likely to come down in the latter half of this year if there is a normal harvest. However, inflation is likely to exceed the Central Bank's target for a while given the energy price increases that were enforced at the beginning of this year as well as increases in imported prices reflecting the lei's depreciation.

(y/y, %) CPI, Unemployment

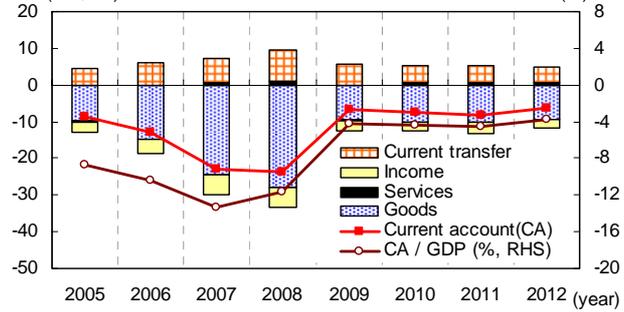


(Source) Macrobond

Balance of Payments

The current account deficit in 2012 narrowed to US\$6.47bn (-3.8% of GDP) from US\$8.26bn (-4.5% of GDP) in 2011. Reflecting the deteriorating economy in the EU countries, its main trader partners, growth in exports was negative at 8.1% y/y, while imports also declined by 8.2% on the back of sluggish domestic demand. In terms of the financial account, foreign direct investment in Romania decreased from US\$2.52bn in 2011 to US\$2.07bn while net inflow of portfolio investment increased significantly from US\$2.33bn in 2011 to US\$4.27bn.

(US\$ bn) Current Account



(Source) Macrobond

Main Economic & Financial Indicators: Romania

1. Annual and quarterly data

| | | 2010 | 2011 | 2012 | 12/Q1 | 12/Q2 | 12/Q3 | 12/Q4 | 13/Q1 |
|---|-----------|---------|---------|---------|---------|---------|---------|---------|---------|
| GDP (at current prices) | (US\$ bn) | 164.6 | 182.6 | 168.7 | 34.0 | 39.9 | 45.5 | 49.3 | - |
| Real GDP growth | (%, y/y) | -1.1 | 2.2 | 0.7 | 0.4 | 1.9 | -0.5 | 1.1 | - |
| (Private consumption) | (%, y/y) | -0.3 | 1.1 | 1.1 | 1.3 | 2.5 | -1.0 | 1.5 | - |
| (Gross fixed capital formation) | (%, y/y) | -1.8 | 7.3 | 4.9 | 11.3 | 5.4 | 7.4 | -0.6 | - |
| Industrial production (excl.construction)* | (%, y/y) | 5.1 | 7.6 | 2.8 | 2.0 | 3.2 | 2.7 | 3.3 | - |
| Retail sales* | (%, y/y) | -7.4 | -1.3 | 4.4 | 5.6 | 5.2 | 6.0 | 0.8 | - |
| Consumer price index | (%, y/y) | 6.1 | 5.8 | 3.3 | 2.6 | 1.9 | 4.1 | 4.8 | 5.6 |
| Unemployment rate | (%) | 7.6 | 5.3 | 5.1 | 5.4 | 4.6 | 4.9 | 5.4 | 5.7 |
| Net average monthly earnings growth | (%, y/y) | 1.8 | 4.9 | 4.9 | 3.5 | 4.7 | 5.4 | 6.0 | - |
| Bank credits to the private sector | (%, y/y) | 4.7 | 6.6 | 1.3 | 10.0 | 6.3 | 4.2 | 1.3 | - |
| Trade balance | (US\$ mn) | -10,030 | -10,302 | -9,395 | -1,565 | -2,907 | -2,525 | -2,377 | - |
| Exports | (US\$ mn) | 49,457 | 62,959 | 57,867 | 14,503 | 14,504 | 13,919 | 14,959 | - |
| Export growth | (%, y/y) | 22.3 | 27.3 | -8.1 | -4.3 | -9.1 | -14.4 | -4.2 | - |
| Imports | (US\$ mn) | 59,487 | 73,261 | 67,261 | 16,068 | 17,411 | 16,443 | 17,336 | - |
| Import growth | (%, y/y) | 19.0 | 23.2 | -8.2 | -2.4 | -10.7 | -12.6 | -6.6 | - |
| Current account | (US\$ mn) | -7,271 | -8,256 | -6,474 | -710 | -2,450 | -2,023 | -1,258 | - |
| Capital and financial balances | (US\$ mn) | 2,965 | 6,397 | 6,977 | -2,351 | 5,175 | 2,073 | 1,985 | - |
| Foreign direct investment | (US\$ mn) | 2,939 | 2,523 | 2,073 | 150 | 575 | 1,133 | 187 | - |
| Foreign reserves | (US\$ mn) | 43,361 | 42,939 | 41,162 | 46,193 | 41,473 | 41,964 | 41,162 | - |
| External debt | (US\$ mn) | 122,396 | 137,286 | 127,453 | 130,688 | 127,921 | 123,864 | 127,453 | - |
| Stock price index | | 5,232.1 | 5,178.6 | 4,857.0 | 4,934.0 | 4,880.6 | 4,757.2 | 4,856.4 | 5,586.1 |
| Policy rate (two-weeks deposit taking rate) | | 6.25 | 6.00 | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 |
| Short-term int. rates (interbank 3m) | (avge.) | 6.76 | 5.83 | 5.35 | 5.03 | 4.88 | 5.61 | 5.88 | 5.73 |
| Leu/USD | | 3.18 | 3.05 | 3.47 | 3.32 | 3.45 | 3.62 | 3.49 | 3.32 |
| Leu/Euro | | 4.21 | 4.24 | 4.46 | 4.35 | 4.43 | 4.53 | 4.53 | 4.39 |
| Leu/GBP | | 4.91 | 4.89 | 5.50 | 5.22 | 5.46 | 5.72 | 5.60 | 5.16 |

2. Monthly data

| | | 12/08 | 9 | 10 | 11 | 12 | 13/01 | 2 | 3 |
|---|-----------|---------|---------|---------|---------|---------|---------|---------|---------|
| Industrial production (excl.construction)* | (%, y/y) | 0.8 | 3.9 | 2.8 | 2.9 | 4.3 | 3.9 | 5.4 | - |
| Retail sales* | (%, y/y) | 6.4 | 7.4 | 1.5 | 3.2 | -2.2 | 2.3 | 1.5 | - |
| Consumer price index | (%, y/y) | 3.9 | 5.3 | 5.0 | 4.6 | 5.0 | 6.0 | 5.7 | 5.3 |
| Unemployment rate | (%) | 4.9 | 5.0 | 5.2 | 5.4 | 5.6 | 5.8 | 5.8 | 5.6 |
| Net average monthly earnings growth | (%, y/y) | 5.4 | 5.1 | 6.5 | 5.6 | 5.8 | 5.5 | 5.5 | - |
| Bank credits to the private sector | (%, y/y) | 5.7 | 4.2 | 4.1 | 2.3 | 1.3 | 0.3 | 0.1 | - |
| Trade balance | (US\$ mn) | -1,021 | -822 | -1,157 | -282 | -945 | -181 | - | - |
| Exports | (US\$ mn) | 4,346 | 4,935 | 5,445 | 5,390 | 4,113 | 4,918 | - | - |
| Export growth | (%, y/y) | -12.7 | -14.9 | -4.1 | -4.5 | -5.1 | 9.5 | - | - |
| Imports | (US\$ mn) | 5,366 | 5,756 | 6,601 | 5,672 | 5,059 | 5,099 | - | - |
| Import growth | (%, y/y) | -10.4 | -13.5 | 2.1 | -14.3 | -8.1 | 4.5 | - | - |
| Stock price index | | 4,780.3 | 4,873.3 | 4,847.4 | 4,819.7 | 4,904.6 | 5,523.4 | 5,553.8 | 5,685.4 |
| Policy rate (two-weeks deposit taking rate) | | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 | 5.25 |
| Short-term int. rates (interbank 3m) | (avge.) | 5.77 | 5.72 | 5.71 | 5.91 | 6.04 | 5.97 | 5.85 | 5.35 |
| Leu/USD | | 3.64 | 3.50 | 3.52 | 3.53 | 3.41 | 3.29 | 3.28 | 3.39 |
| Leu/Euro | | 4.52 | 4.50 | 4.56 | 4.53 | 4.48 | 4.39 | 4.38 | 4.39 |
| Leu/GBP | | 5.72 | 5.64 | 5.65 | 5.63 | 5.51 | 5.26 | 5.08 | 5.11 |

*Note: Industrial production and retail sales figures are seasonally adjusted.

Source: Romania National Bank, Eurostat, IMF etc.

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