Soft Budget Constraints in Romania: Measurement, Assessment, Policy*

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1. Introduction

The aims of this paper are two-fold. First, we use a comprehensive dataset of Romanian firms covering the period 1995-998 to analyze how loss-making Romanian firms finance their losses. The main questions we seek to answer are the following: What is the scale of the soft budget constraint (SBC) phenomenon in Romania? From which creditors do loss-making firms obtain financing? Are creditors willing to finance firms that are known to be performing poorly? And, if so, which creditors are participating in the bailout process and to what extent?

Measurement of the scale of financial flows when the rate of inflation has been both high and variable presents a challenging set of problems. Accounting data from balance sheets and income states are badly distorted by the presence of high inflation. To take two examples from 1997, when inflation in Romania exceeded 150%: (1) The nominal debts of loss-making Romanian firms to banks, government (unpaid taxes), and trade creditors all increased, but in real terms they all decreased. Without a closer look at the financial flows, one cannot say whether creditors were bailing out or hardening the budget constraints of these loss-makers. (2) Loss-makers in 1997 were making small losses before interest, taxes and depreciation, but very large losses after all financial and other costs. It is well-known (see, e.g, Schaffer 1993, 1998) that inflation can artificially inflate profits through the practice of historical cost accounting: purchase costs are understated relative to sales because of the increase in the price level between the time materials are purchased and the time the goods embodying these materials are sold. On the other hand, because inflation erodes the principal of a debt, nominal high interest rates can make profits looks misleadingly small because the nominal debt service burden in effect includes a component that is repayment of the principal. An additional factor is that unadjusted income statements and balance sheets do not capture the transfers to debts that occur when interest is charged at a negative real rate. Without a closer look at the financial flows, one cannot say whether the losses made by Romanian firms were larger, or smaller, than the unadjusted data suggest.

The second objective of this paper is to present a comprehensive inflation-adjustment recalculation of both the profits/losses of the Romanian enterprise sector, and of the financial flows between it and its creditors.

Our analysis uses a comprehensive dataset of Romanian firms for 1995-98 covering virtually all non-financial firms in Romania. We have data on the approximately 9,000 individual firms that are or were state-owned; in addition, we have aggregate data on the firms composing the rest of the Romanian enterprise sector. We divided these firms into three groups. The first is composed of the major Romanian utilities (Renel, Romgaz, SNCFR, Petrom). The second includes firms that existed before the Romanian economy started the transition to a market-based economy, other than the aforementioned utilities, and are or used to be state-owned. The third category is the rest of the enterprise sector, and is composed of all new private Romanian firms. Total sales and employment are divided approximately 50:50 between the two categories of state-owned and privatized firms on the one hand, and the new private sector on the other. The second group was divided into three subb-

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categories, so as that the final classification consists of six categories: “utilities”, “chronic loss-makers” (defined as firms making losses greater than 5 billion lei in 1997 prices – about US$1m – in 1996-98 inclusive), “other large loss-makers” (firms making losses greater than 5 billion lei in 1997 prices, other than the chronic loss-makers), “other firms making losses in year *t*”, “other state-owned or formerly state-owned profitable firms”, and the “rest of the economy”. Basic data by category of firms are provided in Table 1.

Table 1: Basic data by categories of firms							
	TOTAL	State-owned and formerly state-owned firms					Rest of economy
		Utilities	Chronic loss-makers (CLM)	Other large loss-makers	Other loss-makers	Profitable	
Number of firms							
1995	n.a.	4	51	155	1854	5288	n.a.
1996	n.a.	4	51	168	2299	6514	n.a.
1997	n.a.	4	51	216	2524	6291	n.a.
1998	n.a.	2	51	260	3470	4749	n.a.
Total employment							
1995	4822103	332890	175377	230878	262869	2462840	1357249
1996	5177023	320862	164403	366174	278267	2423797	1623520
1997	4879311	342488	138624	256961	272975	2123120	1745143
1998	5072048	89395	94842	435460	390310	1608931	2453110
Annual employment growth, in % (current vs. previous year employment in firms reporting data for both years)							
1995	0.3	-6.6	-7.6	-8.3	-16.4	-5.5	23.8
1996	2.0	-3.6	-6.6	-5.3	-13.5	-3.5	20.3
1997	-1.0	-2.0	-15.8	-13.6	-16.0	-7.1	15.7
1998	6.8	0.3	-31.5	-18.9	-20.3	-10.7	41.9
Total sales (ROL bn, in average 1998 prices)							
1995	800064	58992	16954	25485	14636	305487	378510
1996	927760	63650	16895	59004	17602	321501	449108
1997	759065	91533	14562	23767	15700	233014	380489
1998	604283	24696	9654	47967	19074	137422	365469
Structure by ownership in 1998							
Private	n.a.	0	3	97	1746	3222	n.a.
State owned	n.a.	2	48	160	1585	1456	n.a.

n.a. = not available

The evidence below supports the conclusion that enterprises largely impose hard budget constraints on each other. The main source of financing for loss-making firms is increased tax liabilities and increased bank credit. We do not explore the implications for enterprise restructuring in this paper. We note here, however, that restructuring in real sector depends on the existence of hard budget constraints, and the enterprise restructuring process may accelerate in response to the hardening of budget constraints. Even if a weak creditor compensates a firm for the financial resources it lost because a creditor became tougher, the restructuring process may be still accelerate due to the firm’s expectations that all creditors could become tougher. There is evidence that this was happening for at least some categories of enterprises between 1995 and 1998 in Romania. For example, in 1998 as compared to 1995, in spite of a significant increase in tax liabilities, the volume of real bank credit and real trade credit received by chronic loss-makers decreased in real terms. In response, Table 1 shows employment in this category of firm had fallen by almost 50% by 1998 as compared with 1995. This labor shedding constitutes strong evidence of “defensive” restructuring. Table 1 also shows that other loss-making state-owned/privatized firms also experienced deep declines in employment, and that profitable state-owned and privatized firms also shed labor, but at a lower rate. By contrast, employment in the new private sector has grown rapidly.

2. Accounting for inflation

Inflation in Romania during the transition period has been both high and highly variable, as shown in Table 2:

Table 2: Inflation in Romania 1994-98		
Year	CPI inflation, yearly average (%)	CPI inflation, Dec-Dec (%)
1994	136.7	61.7
1995	32.3	27.8
1996	38.8	56.9
1997	154.8	151.4
1998	59.1	40.6

Inflation can wreak havoc with firm financial accounts in a number of ways. In this section, we summarize a methodology developed in Schaffer (2000b) for analyzing and quantifying these effects, and we relate them to the identification and measurement of soft budget constraints in the Romanian context.

Romanian firms, like firms in almost all other countries, practice historical cost accruals-based accounting. Balance sheets record current assets and debts at their nominal purchase price; and income statements record revenues, costs and profits based on historical costs. The effects of inflation on the balance sheet and on profits can be summarized as follows (see Schaffer 2000 for details):

- On the assets side of the balance sheet, the increase in the price level while raw materials are being transformed into output generates an inflation-driven paper capital gain on inventories M. On the liabilities side, the effect of this is a (fictitious) increase in profits: costs C are understated since, in effect, they are the costs in prices that held at time of purchase (when the price level was lower) whereas revenues are in prices that held at the time of sale (when the price level was higher). To a first approximation, the size of this effect is $\dot{p}M$, where p is the log price level and $\dot{p}$ the rate of inflation.
- The reason $\dot{p}M$ is only an approximation of the impact of inflation on the balance sheet and on profits is that inventories appear in the enterprise accounts at historical cost, or purchase, prices. Enterprise assets are therefore undervalued relative to the current price level. Whereas nominal inventory accumulation $\dot{M}$ overstates true (real) inventory accumulation, estimating real inventory accumulation with $\dot{M}-\dot{p}M$ will understate the true value. The correct way to proceed is, in effect, to revalue inventories M at the current price level and then estimate the paper capital gain on this revalued stock. We denote the revalued stock $\hat{M}$, and real inventory accumulation is therefore $\hat{M}-\dot{p}\hat{M}$.
- Denote trade credit extended, or receivables from customers, by TCE. On the assets side of the balance sheet, growth in total assets is overstated by $\dot{p}TCE$; in the profit/loss statement, revenues and hence profits are overstated by this amount because of the gap between when the output is sold and when the customer actually pays for the output (and the trade credit is cleared).
- The impact of inflation via trade credit received, or payables to suppliers, TCR, is to overstate the growth in total debt by $\dot{p}TCR$. Profits are understated by this amount because of the gap between when materials are purchased and when the firm actually pays for the materials.
- With respect to bank debt BD, growth in total debt is overstated by $\dot{p}BD$; but profits are understated by this amount because they are net of total nominal interest charges I, rather than of just the real component of interest.
- Firms also hold financial assets, notably cash and bank deposits. Real growth, as above, is simply nominal growth minus the impact of inflation; the effect on profits depends on whether the interest earned on these assets (if any) is enough to offset the real depreciation of these assets caused by inflation. Similarly, a firm's debts to other creditors – most importantly for our purposes, to the

government in the form of taxes due – will be eroded by inflation; but this capital gain to the firm may or may not be offset by interest or late payment penalties paid on these debts.

Our recalculation of profits to correct for inflation is as follows:

1. Adjusted total revenue = revenue minus inflation losses on TCE.
2. Adjusted total operating costs = operating costs minus inflation gains on TCR plus the adjustment for undervaluation of, and inflation gains on, inventories.
3. Adjusted operating profit = (1) – (2)
4. Adjusted financial costs = financial costs (including interest payments) minus inflation erosion of bank debt BD, minus inflation erosion of tax debts, and minus inflation erosion of other debts, plus penalties on taxes due, plus inflation erosion of other current assets.
5. Adjusted net financial costs = (4) – financial revenue
6. Adjusted extraordinary profits/losses = extraordinary profits/losses minus penalties on taxes due.
7. Adjusted gross profit = adjusted operating profit (3) minus adjusted net financial costs (5) + adjusted extraordinary profits/losses (6).
8. Adjusted net profit = adjusted gross profit (7) minus profit tax

The adjustment in (4) and (6) reflects the fact that in economic terms, late penalties on taxes due are in effect the interest cost of borrowing from the government.

We turn now to the measurement of sources and uses of financing. We identify three main sources of financing: inflation-corrected profits, changes in real assets, and changes in real debts. On the asset side, an increase in real total current assets is a use of financing; a decrease is a source of financing. We distinguish between financing from three categories of current assets: real inventory changes, changes in real trade credit extended, and real changes in other current assets. On the liabilities side of the balance sheet, an increase in real debt is a source of financing; a decrease is a use of financing. We distinguish between four categories of debt financing: real changes trade credit received, in bank credit, in tax liabilities, and in other debt.

The two main items in the firm's balance sheet that generate interest costs are bank debts and overdue taxes. We consider these two items in turn.

Note that in line (4) of the inflation adjustment of profits above, nominal interest costs I are included in financial costs, but reducing these are the inflation gains to the firm deriving from the inflation erosion of the firm's nominal bank debt. Nominal interest costs I minus inflation erosion of bank debt $\dot{p}BD$ is simply the real cost of borrowing, but may in fact be negative; if so, it contributes to financing by increasing inflation-adjusted profits (or reducing inflation-adjusted losses). If we combine the real increase in bank debt with the real cost of borrowing, we obtain what we will refer to as "net bank financing", NBF (Bonin and Schaffer 1999):

$$NBF \equiv \left(\dot{BD} - \dot{p}\,BD\right) - \left(I - \dot{p}\,BD\right) \equiv \dot{BD} - I$$

If increases in nominal bank debt exceed nominal interest charges, then the bank is injecting funds into the firm and net bank financing is positive. If, on the other hand, nominal interest charges exceed increases in nominal bank debt, then cash is flowing from the firm to the bank, and NBF is negative. The NBF measure is useful because is provides a benchmark – if loss-making firms have NBF > 0, then we have evidence that banks are providing these firms with soft budget constraints.

Tax debt can be viewed in the same way as other debt with an explicit interest cost such as bank debt. Denote by TX the stock of tax liabilities due to be paid by the firm. Not all of TX may be overdue; it is standard in tax systems (including Romania) to allow the debtor a period in which to settle a tax liability, and only after the payment deadline passes does the tax debt become overdue. Denote by PEN the flow of late penalties and interest on overdue tax debt. We then have the following:

$$\text{Real growth in tax debt} \equiv \dot{TX} - \dot{p}\,TX$$

$$\text{Gross impact of inflation on tax debt} \equiv -\dot{p}\,TX$$

$$\text{Real cost to the firm of unpaid taxes} \equiv \text{PEN} - \overset{\bullet}{\text{p}}\,\text{TX}$$

$$\text{Net new taxes} \equiv \text{NNT} \equiv \left(\overset{\bullet}{\text{TX}} - \overset{\bullet}{\text{p}}\,\text{TX}\right) - \left(\text{PEN} - \overset{\bullet}{\text{p}}\,\text{TX}\right) \equiv \overset{\bullet}{\text{TX}} - \text{PEN}$$

$$\equiv \text{Taxes (excluding penalties) newly accrued} - \text{All tax payments}$$

The gross impact of inflation on tax debt is simply the well-known Oliviera-Tanzi effect: the value of fiscal revenues to the state depreciates because of inflation that takes place between the time a tax liability is incurred and the time it is paid. Depending on their magnitude, interest and penalty charges can partly or entirely offset the Oliviera-Tanzi effect. Interest and penalties minus the inflation erosion of tax debt is therefore the real cost to the firm of borrowing from the state; if negative, it is a source of financing that increases inflation-corrected profits (or reduced losses). Net new taxes are defined as the increase in nominal taxes net of penalties. It can therefore be interpreted as the difference between taxes newly accrued (excluding penalties) and all tax payments made. As in the case of NBF, NNT provides a useful benchmark – if loss-making firms have NNT > 0, then we have evidence that the state is allowing them to accumulate new tax liabilities and hence that they have soft budget constraints.

A final set of issues concern the treatment of trade credit. As we have seen, taking account of inflation and trade credit reduces the real value of both sales revenue and costs. Unlike tax debt and bank debt, trade credit does not normally include an interest component. We would argue, however, that because of the fairly rapid turnover of trade credit (more on this below) and the by-now lengthy experience of Romanian firms with inflation, it is reasonable to assume that transactions prices agreed by firms incorporate anticipated inflation. The parallel to NBF and NNT for trade credit received from suppliers is therefore, we would argue, simply the real growth in TCR. If a loss-making firm sees its real trade credit received from suppliers growing in real terms, this can be interpreted as an injection of financing by suppliers and a softening of the firm's budget constraint.

In the next sections, we present a set of inflation-adjusted accounts for Romanian firms, using the above framework. We conclude this section with a short description of how this was done in practice, and the compromises that were necessary.

1. We ignore fixed investment, injections of equity, and distribution of dividends. However, it was not possible to separate out any revenues from disposals of fixed capital. This is included under the heading of "extraordinary profits/losses". This item is likely to be small, however.
2. Inflation is measured using the CPI; the results would be little changed if the GDP deflator or the industrial price index were used. An advantage of the CPI over the GDP deflator is that monthly price indexes are available. We use the CPI to calculate the average price index for the year (for flows) and the price level at the start and end of the year (for stocks). In the figures reported below, the price base chosen is the average 1998 price level. For reference, 1998 nominal GDP was lei 368.3 trillion.
3. The analytical framework above used a continuous time framework. In fact, the data available to use are start- and end-year stocks, and annual flows. We apply the framework to the data by calculating the average price level for the year:

$$\text{p}_{\text{Average}} \equiv \frac{1}{12}\sum_{1}^{12} \text{p}_{\text{t}}$$

We use the price level in December of the current year (t=12) to deflate end-year stocks, and December of the preceding year (t=0) to deflate start-year stocks. To calculate the effect of inflation on a stock X, we use the following approximation:[1]

[1] We use this approximation because it makes the expression $\Delta\text{Real X} \equiv \Delta\text{X} - \overset{\bullet}{\text{p}}\,\text{X}$, combining discrete and continuous terms, from an approximation into an identity.

$$\dot{p}X \approx X_0\left(\frac{p_{\text{Average}}}{p_0} - 1\right) + X_{12}\left(1 - \frac{p_{\text{Average}}}{p_{12}}\right)$$

4. Nominal stocks of inventories are priced in an unknown mixture of past prices. We assume that they are a mix of recently-acquired stocks and some older stocks, and revalue the stocks into current prices using a deflator based on a weighted average of the price level one month previously, two months previously, and 12 months previously.

3. Profits, losses and balance sheet structure

Basic data on profits and losses before adjustment for inflation are presented for the entire enterprise sector for the years 1995-98 in Table 3 below. Appendix Tables A1.1-A1.4 report these data by category of firm for these years. We concentrate our remarks on the years 1995 and 1998. A number of points are worth noting.

Table 3: Profits and Losses 1995-98				
	1995	1996	1997	1998
Total employment	4822103	5177023	4879311	5072048
Total assets	1185026	991986	566970	618758
Employment growth*	0.26	1.98	-1.00	6.76
Sales growth*	16.36	15.44	-20.79	-4.28
In billion lei:				
Total revenue	882130	1019995	834016	655916
of which: sales	800064	927760	759065	604283
of which: subsidies	18873	18109	8106	8578
Total operating costs	825724	951546	770760	623026
of which: wage costs	124704	142781	101272	89190
of which: depreciation	25780	25195	19271	13619
Operating profit	56403	68448	63256	32889
EBITD	82186	93644	82527	46508
Financial revenue	15936	26516	23969	14899
Financial costs	39162	62497	56525	36877
of which: interest	24561	32218	19680	13640
Exceptional profit/loss	-1532	-5401	-12799	-10465
Gross profit	31648	27066	17900	446
Profit tax	10637	13723	15628	9831
Net profit	21010	13343	2272	-9385
In proportion of total revenue:				
Total revenue	1.000	1.000	1.000	1.000
of which: sales	0.907	0.910	0.910	0.921
of which: subsidies	0.021	0.018	0.010	0.013
Total operating costs	0.936	0.933	0.924	0.950
of which: wage costs	0.141	0.140	0.121	0.136
of which: depreciation	0.029	0.025	0.023	0.021
Operating profit	0.064	0.067	0.076	0.050
EBITD	0.093	0.092	0.099	0.071
Financial revenue	0.018	0.026	0.029	0.023
Financial costs	0.044	0.061	0.068	0.056
of which: interest	0.028	0.032	0.024	0.021
Exceptional profit/loss	-0.002	-0.005	-0.015	-0.016
Gross profit	0.036	0.027	0.021	0.001
Profit tax	0.012	0.013	0.019	0.015
Net profit	0.024	0.013	0.003	-0.014

*Growth figures calculated using comparable samples for current and preceding year.

The Romanian enterprise sector as a whole has been making operating profits throughout the 1995-1998 period. Earnings before interest, tax and depreciation amounted to the equivalent of 9.3% of total revenues in 1995 and 7.1% in 1998. Operating profits (EBITD after depreciation charges) fell from 6.4% to 5.0%. About half of this decline can be attributed to smaller budgetary subsidies. Gross profitability fell substantially more than this: from 3.6% of revenues in 1995 to 0.1% in 1998. An increase in net financial costs (mostly interest costs) contributed 0.7 percentage points, and exceptional losses and the decline in operating profits each contributed 1.4 percentage points.

The picture is more interesting when these figures are disaggregated by category of firm; see Annex Tables A1.1 through A1.4. Operating profitability remained largely unchanged for most groups of firms, with the exception of the chronic loss-makers group, where it went from operating losses of -5.5% of revenues in 1995 to –16.6% in 1998. The decline is not surprising, given the criteria for defining this group (continuous large losses in 1996-98), and is traceable in part to a cut in budgetary subsidies to these firms of about 2.5 trillion lei (1998 prices), or about 7% of total revenues.

What is most striking, however, is the large increase in "exceptional losses" between 1995 and 1998 – from 1.5 trillion lei to 10.5 trillion lei (1998 prices). The increase was concentrated entirely amongst of loss-makers. The contribution of exceptional items in 1998 was to diminish profitability by a remarkable 26 percentage points for the chronic loss-makers group, and about 7 percentage points for other loss-makers.

The explanation for this relates to how loss-makers finance their losses. "Exceptional losses" include items such as penalties for late payment of taxes. We will return to this below.

Table 4 presents basic data on the structure of assets and debts in 1995-98; data by category of firm can be found in Annex Tables A2.1-A2.4. These data are able shed only a limited amount of light on how losses are financed, for several reasons. First of all, there is a particular problem with the 1998 data relating to the valuation of fixed capital. Fixed capital assets were revalued at the end of 1995, and subsequent high inflation plus historical cost accounting means that end-98 fixed assets are understated. We estimate that the undervaluation of end-98 fixed capital is on the order of a factor of 2, i.e., were fixed assets revalued at end-98 their value would have about doubled and total assets would have increased by about 50%. The distortion of balance sheet ratios for 1998 is therefore severe.

Table 4: Structure of Assets and Liabilities at End-Year				
	1995	1996	1997	1998
In billion lei:				
Total Assets	1183454	991986	566970	618758
of which:				
Fixed Capital	817246	563474	262952	281553
Inventories	112878	122426	85688	83290
Trade credit extended	109394	118516	88736	94811
Cash and bank deposits	30274	34792	24510	19043
Other	113662	152778	105084	140061
Total Liabilities & Equity	1183454	991986	566970	618758
of which:				
Equity	840731	575426	258253	275497
Debt	342723	416560	308717	343261
of which:				
Trade credit received	114025	138807	106653	114325
of which, overdue	55866	58100	48557	50526
Bank credit	124334	148600	93235	99646
of which, overdue	9621	14453	10092	11984
Tax liabilities	30920	56571	48128	60205
of which, overdue	16748	35984	30191	38841
Other debt	73444	72582	60701	69085
In proportion of end-year total assets:				
Total Assets	1.000	1.000	1.000	1.000
of which:				
Fixed Capital	0.691	0.568	0.464	0.455
Inventories	0.095	0.123	0.151	0.135
Trade credit extended	0.092	0.119	0.157	0.153
Cash and bank deposits	0.026	0.035	0.043	0.031
Other	0.096	0.154	0.185	0.226
Total Liabilities & Equity	1.000	1.000	1.000	1.000
of which:				
Equity	0.710	0.580	0.455	0.445
Debt	0.290	0.420	0.545	0.555
of which:				
Trade credit received	0.096	0.140	0.188	0.185
of which, overdue	0.047	0.059	0.086	0.082
Bank credit	0.105	0.150	0.164	0.161
of which, overdue	0.008	0.015	0.018	0.019
Tax liabilities	0.026	0.057	0.085	0.097
of which, overdue	0.014	0.036	0.053	0.063
Other debt	0.062	0.073	0.107	0.112

Second, the stocks of assets and debts reported in Table 4 are only suggestive of how losses may be financed, and indeed they can be misleading in some cases. To see the contribution of assets and debts to financing losses, it is important to look at flows as well as (or instead of) stocks. For example, stocks of overdue trade credit received are the largest category of overdue debt of firms, but as we shall see below, their contribution to financing of losses is limited because the net flow – the change in stock, or the increase in financing provided by suppliers – is small.

Third, and as already noted above, the categories of firms include different firms in 1995 and 1998, with the exception of the 51 firms in the chronic loss-makers group.

The main points worth noting from Table 4 relate to tax debts. Total trade credit received, and overdue trade credit received (inter-enterprise arrears) were approximately constant in real terms. Bank credit to firms fell in aggregate, though overdue bank credit increased. Tax debts of firms increased dramatically, however, roughly doubling in real terms, and overdue tax debts more than doubled. The incidence of tax debts was, moreover, fairly widely spread in 1998. Profitable state-owned and former state-owned firms accounted for about one-quarter of total tax debts at the end of 1998, and the rest of the economy (new private firms) accounted for another quarter.

4. Inflation and Financing

As is evident from the preceding section, budgetary subsidies from government have played a limited and decreasing role in the financing of losses of Romanian firms. Table 3 indicates total budgetary subsidies received by our sample of firms fell by more than half in real terms between 1995 and 1998, and in 1998 amounted to 8.6 trillion lei or about 2% of GDP. Although subsidies made a noticeable contribution to the financing of loss-makers in 1998 (see above), these firms were making substantial losses even after subsidies; moreover, most subsidies in fact went to profitable firms (see Table 3). Subsidies were, moreoever, concentrated in a small number of industries: state-owned and former state-owned firms classified under railways and other land transportation (caen 601 and 602), hot water production and distribution (caen 403), coal mining (caen 101 and 102), and non-ferrous ore extraction (caen 132) together accounted for 3.7 trillion lei in subsidies out of about 5 trillion lei in total to all SOEs and former SOEs.

The alternatives to financing losses via direct subsidies is via the balance sheet. On the asset side, firms may boost their cash flow by running down current assets, i.e., inventories and trade credit extended (receivables). On the liabilities side, firms may run up debts – the main categories of interest to us are debts to suppliers (trade credit received), to banks, and to the government in the form of unpaid taxes. In our analytical framework that corrects for inflation, this financing may appear either in inflation-corrected profit (e.g., inflation eroding a firm's debt) or in financing (e.g., a real increase in debt).

Our basic results for 1995-98 for the enterprise sector as a whole can be found in Tables 5-7, and for the different groups of enterprises in Annex Tables A3 and A4. All figures are presented both in average 1998 lei and normalized by annual revenues in order to facilitate comparisons with the profit/loss data presented in Table 3.

Table 5: Inflation-Corrected Profits 1995-98				
	1995	1996	1997	1998
Billion Lei				
Total revenue	882130	1019995	834016	655916
- losses on receivables	-25057	-53129	-84919	-29212
=Adjusted total revenue	857073	966866	749097	626704
Total operating costs	825724	951546	770760	623026
- gains on payables	-25811	-60047	-95097	-34617
+ inventory adjustment	22458	67776	91586	7116
=Adjusted total operating costs	822371	959275	767249	595525
Adjusted operating profit	34702	7591	-18152	31179
Memo item: Operating profit	56403	68448	63256	32889
Adjusted EBITD	60482	32786	1119	44798
Memo item: EBITD	82186	93644	82527	46508
Financial revenue	15936	26516	23969	14899
Financial costs	39162	62497	56525	36877
- gains on bank credit	-26812	-64914	-97883	-29495
+ penalties on taxes due	1922	4594	10971	8985
- gains on tax debts	-6980	-25261	-46436	-17889
+ losses on other current assets	19131	46083	73875	23398
- gains on other debts	-15942	-31765	-50326	-21593
Adjusted financial costs	7292	-23084	-76823	-1522
Memo item:				
Nominal interest charges	24561	32218	19680	13640
- gains on bank credit	-26812	-64914	-97883	-29495
=Real interest charges	-2251	-32696	-78203	-15855
Extraordinary profits/losses	-1532	-5401	-12799	-10465
+ penalties on taxes due	1922	4594	10971	8985
Adjusted extraordinary profits/losses	390	-807	-1828	-1480
Adjusted operating profit	34702	7591	-18152	31179
- adjusted net financial costs	8644	49600	100792	16421
+ adjusted extraordinaries	390	-807	-1828	-1480
= Adjusted gross profit	43736	56384	80812	46120
Profit tax	10637	13723	15628	9831
Adjusted net profit	33099	42661	65184	36289
Memo item: Gross profit	31648	27066	17900	446
Memo item: Net profit	21010	13343	2272	-9385

Table 6: Inflation-Corrected Profits 1995-98				
	1995	1996	1997	1998
In proportion of total revenue				
Total revenue	1.000	1.000	1.000	1.000
- losses on receivables	-0.028	-0.052	-0.102	-0.045
=Adjusted total revenue	0.972	0.948	0.898	0.955
Total operating costs	0.936	0.933	0.924	0.950
- gains on payables	-0.029	-0.059	-0.114	-0.053
+ inventory adjustment	0.025	0.066	0.110	0.011
=Adjusted total operating costs	0.932	0.940	0.920	0.908
Adjusted operating profit	0.039	0.007	-0.022	0.048
Memo item: Operating profit	0.064	0.067	0.076	0.050
Adjusted EBITD	0.069	0.032	0.001	0.068
Memo item: EBITD	0.093	0.092	0.099	0.071
Financial revenue	0.018	0.026	0.029	0.023
Financial costs	0.044	0.061	0.068	0.056
- gains on bank credit	-0.030	-0.064	-0.117	-0.045
+ penalties on taxes due	0.002	0.005	0.013	0.014
- gains on tax debts	-0.008	-0.025	-0.056	-0.027
+ losses on other current assets	0.022	0.045	0.089	0.036
- gains on other debts	-0.018	-0.031	-0.060	-0.033
Adjusted financial costs	0.008	-0.023	-0.092	-0.002
Memo item:				
Nominal interest charges	0.028	0.032	0.024	0.021
- gains on bank credit	-0.030	-0.064	-0.117	-0.045
=Real interest charges	-0.003	-0.032	-0.094	-0.024
Extraordinary profits/losses	-0.002	-0.005	-0.015	-0.016
+ penalties on taxes due	0.002	0.005	0.013	0.014
Adjusted extraordinary profits/losses	0.000	-0.001	-0.002	-0.002
Adjusted operating profit	0.039	0.007	-0.022	0.048
- adjusted net financial costs	0.010	0.049	0.121	0.025
+ adjusted extraordinaries	0.000	-0.001	-0.002	-0.002
= Adjusted gross profit	0.050	0.055	0.097	0.070
Profit tax	0.012	0.013	0.019	0.015
Adjusted net profit	0.038	0.042	0.078	0.055
Memo item: Gross profit	0.036	0.027	0.021	0.001
Memo item: Net profit	0.024	0.013	0.003	-0.014

The effect of correcting for inflation are quite striking. In 1998, for example, operating profit for the enterprise sector as a whole was 5.0% of annual revenues, and net profit was –1.4% of annual revenues. Corrected for inflation, operating profit shrinks slightly to 4.8% of annual revenues, but net profit becomes 5.5% of revenues. The net impact of inflation on operating profit is small because the combined effects of losses on receivables, gains on payables, and understatement of costs through paper capital gains on inventories, more or less cancel each other. The net impact of inflation on profits is positive largely because the effective interest rates on bank debt and tax debts were negative in real terms, and this subsidy more than compensates for the slight overstatement of operating profits caused by inflation.

The chronic loss-makers in 1998 are an interesting case. These firms were making operating profits of –16.6% of revenues before correcting for inflation, and –13.4% after the correction. The interest rates they were being charged on their large debts were negative, reducing their losses substantially, though not enough to compensate for the large extraordinary losses suffered. Net profit adjusted for inflation was still highly negative at –18.9% of revenues, though considerably smaller than the unadjusted –53.2%.

The figures for 1997 make an interesting contrast. In that year, inflation was very high at over 150% per annum. Tables 5-6 show that although unadjusted net profit for the enterprise sector as a whole was amost zero (0.3% of revenues), inflation-adjusted profit was in fact very high, at 7.8% of revenues! This is explained largely by the huge gains made by firms via the erosion of their bank debts, tax debts, and other debts because of inflation. The negative real interest rate subsidy to the enterprise sector as a whole amounted to a remarkable 9.4% of revenues, or lei 78 trillion in 1998 prices – the equivalent of about 20% of annual GDP! Such was the scale of the inflation subsidy that even the chronic loss-makers made, in aggregate, a positive profit of 10.3% of revenues despite an inflation-adjusted operating loss that amounted to –16.7% of annual revenues.

5. How do Romanian firms finance their losses?

We turn now to Table 7 and Annex Tables A4.1-A4.4 and the question of how Romanian firms finance their losses. We focus on the category of chronic loss-makers in particular.

Table 7: Financing 1995-98				
	1995	1996	1997	1998
In billion lei:				
From assets:				
Δ in real total current assets of which:	57958	55396	-100012	-9439
Δ in real inventories	20892	19418	-23485	-20245
Δ in real trade credit extended	21156	13977	-33948	8479
Δ in other current assets	15910	22001	-42579	2327
From debt:				
Δ in real total debt of which:	94527	76208	-106533	41661
Δ in real trade credit received	24982	28783	-26647	13295
Δ in real bank credit	39977	27225	-53257	15012
Δ in real tax liabilities	6955	7241	-19182	8778
Δ in real other debt	22613	12959	-7447	4576
Financing: Δ in debt - Δ in assets	36569	20812	-6521	51100
Net bank financing =	42229	59921	24946	30868
Real growth in bank debt	39977	27225	-53257	15012
Minus nominal interest costs	-24561	-32218	-19680	-13640
Plus inflation erosion of bank debt	26812	64914	97883	29495
Net new taxes =	12013	27908	16284	17682
Real growth in tax debt	6955	7241	-19182	8778
Minus nominal interest/penalties	-1922	-4594	-10971	-8972
Plus inflation erosion of tax debt	6980	25261	46436	17876
In proportion of total revenue:				
From assets:				
Δ in real total current assets of which:	0.066	0.054	-0.120	-0.014
Δ in real inventories	0.024	0.019	-0.028	-0.031
Δ in real trade credit extended	0.024	0.014	-0.041	0.013
Δ in other current assets	0.018	0.022	-0.051	0.004
From debt:				
Δ in real total debt of which:	0.107	0.075	-0.128	0.064
Δ in real trade credit received	0.028	0.028	-0.032	0.020
Δ in real bank credit	0.045	0.027	-0.064	0.023
Δ in real tax liabilities	0.008	0.007	-0.023	0.013
Δ in real other debt	0.026	0.013	-0.009	0.007
Financing: Δ in debt - Δ in assets	0.041	0.020	-0.008	0.078
Net bank financing =	0.048	0.059	0.030	0.047
Real growth in bank debt	0.045	0.027	-0.064	0.023
Minus nominal interest costs	-0.028	-0.032	-0.024	-0.021
Plus inflation erosion of bank debt	0.030	0.064	0.117	0.045
Net new taxes =	0.014	0.027	0.020	0.027
Real growth in tax debt	0.008	0.007	-0.023	0.013
Minus nominal interest/penalties	-0.002	-0.005	-0.013	-0.014
Plus inflation erosion of tax debt	0.008	0.025	0.056	0.027

We begin by considering net financing from real changes in current assets and debt. In 1998, for chronic loss-making firms, this amounted to the equivalent of 29.1% of annual revenues, actually exceeding the inflation-adjusted losses made by those firms in that year. For other large loss-makers, financing from current assets and debt amounted to 23.8% of revenues, more than enough to finance their inflation-adjusted losses. The picture for 1997 is quite different – total financing from current assets and current debt was much smaller (in the case of chronic loss-makers, negative) but the need for financing was much smaller because of the large inflation-driven gains on debts, as discussed in the previous section.

Turning now to which categories of assets and debts were the major sources of financing, we find that in 1995, Romanian firms in aggregate, and the two main categories of loss-making firms in particular, did not boost their cash flow by running down inventories and decreasing the amount of trade credit they offer to their customers. On the contrary, inventories and receivables both increased in real terms, meaning they absorbed cash flow. Both the real increase in inventories and the real increase in trade credit extended increased by the equivalent of 1-2% of total revenue.

By 1998 the situation had changed substantially. Loss-making firms used inventories, and to a lesser extent receivables, a source of financing. Their combined contribution to financing was the equivalent of about 12% of revenues for all three categories of loss-making firms. A positive interpretation of this would be the emergence of a kind of short-term restructuring in response to financial difficulties. The picture for 1997, a year of high inflation, was similar: total current assets, and each of its components, fell in real terms for all categories of firms, and hence provided a substantial boost to financing and cash flow.

We turn now to the first category of debt, trade credit received from suppliers. As is clear from Table 4, trade credit from suppliers is substantial and about half of it is overdue. The level of trade credit is not unusually large, however – at about 30% of GDP, it is lower than the volume of trade credit observed in France. It is also common to find a large portion of trade credit to be overdue in developed market economies as well as in transition countries (Schaffer 1998).

The important question, however, is whether trade credit from suppliers is a source of cash flow that sustains loss-making firms. This would be the case if the real stocks of these debts were not simply large but increasing, as firms would then be benefiting from additional financing. A constant or decreasing real stock of debt to suppliers, by contrast, would indicate that suppliers are imposing hard budget constraints on loss-making firms.

Annex Table A4.1 shows that in 1995 loss-making firms were benefiting from some extra financing via their suppliers. The two large loss-maker groups both saw real increases in trade credit received amounting to the equivalent of between 3% and 4% of annual revenues. By 1998, however, the position had changed – large loss-makers, in aggregate, received less trade credit from their suppliers at the end of the year than at the start of the year, the decline amounting to 2-3% of annual revenue.

This can be usefully illustrated in a scatterplot (Figure 1). The horizontal axis shows firm profitability (unadjusted for inflation); the vertical axis, the change in real trade credit received normalized by annual revenues. The size of the flow in absolute value is represented by the size of the dot for a firm. The plot shows that most loss-makers either received little additional trade credit from their suppliers (small dots) or that in fact the net financing from suppliers was negative (dots below the horizontal axis=0).

This picture of improved payments discipline can also been seen in Table 8, which presents estimates of the extent of timely payment of suppliers in Romania. A large stock of overdue payables does not in itself indicate how widespread is the practice of late payment or how late firms are actually paid. Ceteris paribus, a large stock of overdue payables can be the result of many firms paying most suppliers late, or most firms paying most suppliers moderately late or on time and some firms paying their suppliers with a very long delay, or any combination of these possibilities. Data on the term structure of overdue payables allow some light to be shed on this by allowing the calculation of minimum shares of purchases from suppliers paid for within 3 months of the due date and within 1 year of the due date.[2]

[2] For detailed explanation of the methodology used, see Schaffer (2000a). The enterprise data include figures on the volumes of payables to supplies overdue 30-90 days, 90-365 days, and more than 1 year. This information is combined with information on purchases from suppliers to estimate a maximum outflow from the stock of payables overdue 30-90 days or less into the stock overdue 91-365 days, and a maximum outflow from the stock of payables overdue 91-365 days into the stock overdue more than 1 year.

Table 8: Inter-enterprise Payment Discipline							
	TOTAL	State-owned and formerly state-owned firms					Rest of economy
		Utilities	Chronic Loss-makers	Other large loss-makers	Other loss-makers	Profitable	
1995							
Minimum share of purchases from suppliers paid for within 3 months of the due date	81.7	66.6	61.9	76.3	78.6	83.2	84.3
Minimum share of purchases from suppliers paid for within 1 year of the due date	97.2	95.4	89.8	95.4	94.6	97.6	97.8
1996							
Minimum share of purchases from suppliers paid for within 3 months of the due date	n.a.	70.0	62.7	80.1	80.7	85.5	n.a.
Minimum share of purchases from suppliers paid for within 1 year of the due date	n.a.	94.4	93.1	96.4	96.7	98.1	n.a.
1997							
Minimum share of purchases from suppliers paid for within 3 months of the due date	81.3	79.8	77.4	73.2	82.6	80.4	82.9
Minimum share of purchases from suppliers paid for within 1 year of the due date	96.8	96.8	91.9	93.1	95.5	97.7	96.9
1998							
Minimum share of purchases from suppliers paid for within 3 months of the due date	82.7	87.9	79.4	83.0	76.9	88.1	80.0
Minimum share of purchases from suppliers paid for within 1 year of the due date	97.1	98.9	91.3	95.5	94.9	98.4	96.9

Note: for details of the methodology behind the calculations, see Schaffer (2000a).

Table 8 shows that in 1995, firms making large losses paid for at least 60-odd % of their purchases within 3 months of the due date. This compares with a minimum of 80-odd % for other firms. By 1998, firms making large losses saw the minimum shares of their purchased paid for within 3 months of the due date increase to about 80%. Our conclusion from this finding is that suppliers have been imposing increasingly harder budget budget constraints on loss-making firms.

We now consider the banking sector as a source of financing. Table A4.1 shows that the banking sector was a major contributor to the financing of loss-making firms in 1995. Real bank credit held by the group of 51 chronic loss-makers increased by the equivalent of 2.6% of annual revenues, but the other large loss-makers saw a far bigger increase of over 5 trillion lei (1998 prices), the equivalent of 17.5% of annual revenues. This suggests the banking sector was a major contributor to the softening of firms' budget constraints.

In 1998, the picture was rather different and somewhat mixed. Real bank credit to the chronic loss-makers was constant in real terms, increased for the other large loss-makers but this time by the equivalent of "only" 5% of revenues, and fell in real terms to other loss-makers.

An alternative is to calculate the volume of "net bank financing" to firms, defined above as the increase in *nominal* bank credit, less interest charges. A figure greater than zero indicates that the bank is injecting more cash into the firm than it is taking out. Table A4.4 shows that in 1998 both categories of large loss-makers were receiving substantial volumes of net bank financing – the equivalent of almost 10% of total revenue. The difference between these figures and those for the (smaller) increase in real bank debt is explained by the relatively low interest charges paid by firms – negative in real terms in 1998.

Figure 2 plots net bank financing for firms in 1998 against profitability in that year; again, the size of the dot represents the absolute size of the flow. The figure shows that banks presented some loss-makers with hard budget constraints, and others with soft budget constraints; loss-making firms are found above, and below, the NBF=0 axis.

The 1998 net bank financing results make an interesting contrast with the results for 1997. In 1997, as in 1998, net bank financing of chronic and large loss-makers was substantial, at 5-11% of revenues, but the relative size of the components of this financing were quite different. Because of the very high inflation in 1997, the inflation erosion of bank debt combined with the paltry interest payments – highly negative in real terms – were enormous contributors to financing. Negative real interest charges to the chronic and large loss-makers contributed the equivalent of about 25% of revenues in financing. In effect, however, this was partly offset by a very large inflation erosion of bank debt; put another way, in 1997 firms benefited from negative real interest rates, but the banks did not inject enough new money into firms to maintain credit at the same real levels.

We turn now to the third major category of debt, taxes. Tables A4.1-A4.4 show quite clearly that non-payment of taxes is a major source of financing for loss-making firms in Romania. Whereas in 1995 the real increase in unpaid taxes of loss-making firms amounted to 1-2% of total revenues, in 1998 it was 11.6% for chronic loss-makers and 6.3% for other large loss-makers.

Indeed, these figures understate the scale of the subsidy received by loss-making firms by virtue of their non-payment of tax. Net new taxes of the 51 chronic loss-makers amounted to equivalent of 15% of revenue in 1998, and 7% of revenue for other large loss-makers.

The difference between the change in real tax debts and net new taxes is in fact the size of the net inflation subsidy on tax debts. Interest and penalties on overdue taxes are charged at an inadequate rate in Romania, and inflation erodes the volume of tax debt faster than the accrued interest and penalty charges. Table A4.4 shows that in 1998 the net inflation subsidy (accrued penalties on overdue tax debt less the erosion of the tax debt due to inflation) amounted to the equivalent of 3.4% of revenue for chronic loss-makers.

The problem of late- and non-payment of taxes goes beyond the problem of financing loss-makers, as was noted earlier. Table 4 and Annex Table A2.4 shows that at the end of 1998, Romanian firms owed 60 trillion lei, or about 16% of GDP, in taxes of all sorts. Close to half was owed by state-owned or formerly state-owned firms that were actually profitable in 1998, or by non-state (mostly new private) firms. Net new taxes incurred by these two groups of firms in 1998 amounted to about 2% of GDP, and the net inflation subsidy a similar amount (Annex Table A4.4).

Figure 3 plots net new taxes of firms in 1998 against profitability, again weighting the size of the firm by the absolute value of the size of the flow. The picture is both striking and alarming. Almost all firms are increasing their tax debts to the government by more than their tax payments. The flows are particularly large for a number of large loss-makers.

6. **Summary and conclusions**

Our findings clearly indicate that Romanian economy suffers from soft budget constraints. Extending this, however, to state that all creditors are imposing soft budget constraints on the firms sector is misleading. In the past, this view became predominant in spite of the fact that no evidence supported it. Rent-seekers and bureaucrats used this argument to indicate that enterprise reform in a formerly centrally-planned economy cannot be led by market forces and needs state interventionism. As a consequence, enterprise restructuring in Romania was conceived as a top-down process and inter-enterprise arrears were viewed as a direct reflection of soft budget constraints. The role of the government was not viewed as creating the appropriate framework to reinforce market forces but as engaging in bailout schemes or in administrative procedures for closing down state-owned enterprises.[3]

The three main creditors of a firm behave very differently with respect to their claims on the firm. Creditors behaviour is determined by the structure of economic incentives, and the contributors to the softening of firms' budget constraints can indicate the main area where the structure of economic incentives is distorted. Thus, the best policy for government is to concentrate on eliminating distortions and creating incentives for a creditor to move from its present position of contributor to softening firms budget constraints to a new one, as provider of hard budget constraints.

Our findings show that enterprises are imposing hard budget constraints on each other. They have learned to do this by not extending commercial receivables to their loss-making clients, by asking for payments in advance, or by stopping deliveries. Many enterprises accept delays in payment by their customers, but in most cases this is a case of late payment rather than non-payment. Since enterprises pay their suppliers late but they do finally pay, inter-enterprise arrears are not necessarily a result of soft budget constraints. With respect to trade credit and inter-enterprise arrears, the best policy for the government is the policy of doing nothing.

Policy should be totally different for the banking sector. Although banks reduced net financing to some loss-making firms, they remained a major contributor to the financing of loss-making firms in 1998, the most recent year for which we have figures. This suggests that the banking sector faces incentives that cause it to contribute to the softening of firms budget constraints. These incentives come from a variety of sources. One source, perhaps the most important, is the fuzziness of property rights. Because of this factor, after ten years of transition, corporate governance is weak both in the real sector and banking sector. As long as property rights are unclear, state-owned banks will face no serious constraints on extending credit to loss-makers. Hardening budget constraints via banks needs a very clear property rights structure. Privatization of banks would create a new ally for the government in its fight for restructuring the real sector.

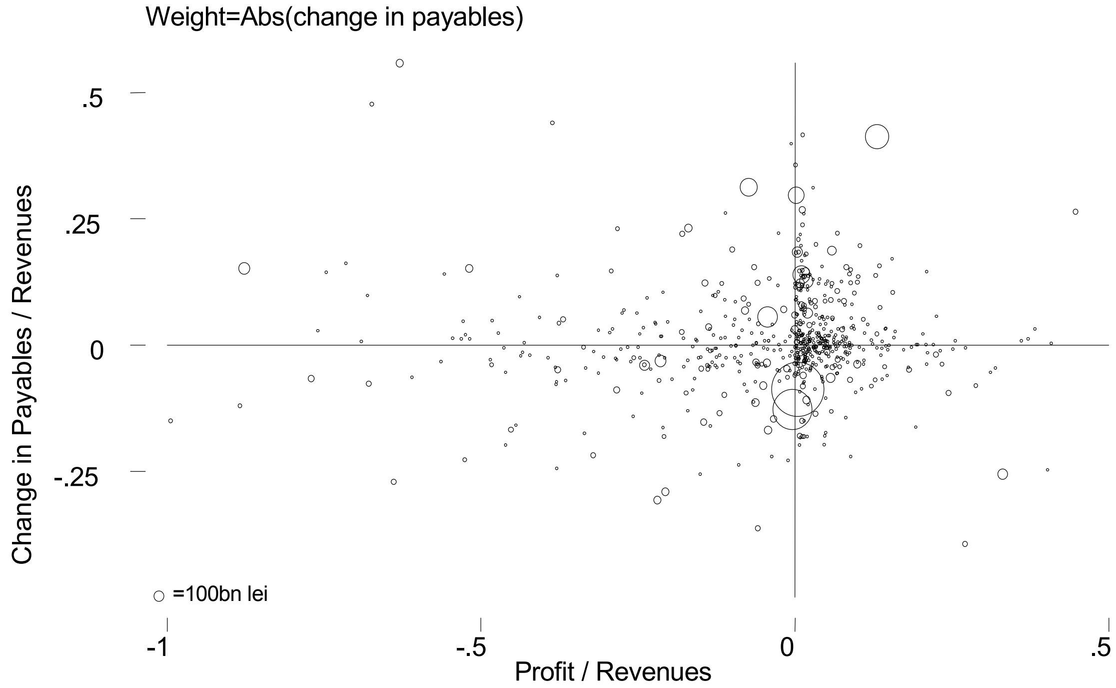
Another source of incentives for banks to finance loss-makers comes from prudential and supervision regulations. For many years, banking system was used to finance losses produced by state-owned enterprises. As a consequence, there was little interest on the part of the government for banking sector to be regulated appropriately. Presently, state-owned banks are no longer used by the government to finance loss-making enterprises, but the legacy of weak prudential and supervision regulations can not

[3] The so-called "global compensation", a generalized bail-out scheme of the enterprise sector developed in Romania in 1992 is famous. The National Bank of Romania had to inject to this end at the beginning of 1992 new money which equaled almost 11% of the broad money as of December 1991. An other experiment aimed at hardening budget constraints which finally failed was the so called "financial surveillance program" developed between 1995 and 1997. In that program the declared intention of the government was to impose hard budget constraints on initially 30 loss-makers and ended-up by softening the budget constraints for almost 200 profit or loss-makers.

stop state-owned banks from extending credit to loss-makers. Strengthening prudential and supervision regulations of the banking sector has become critical for hardening firms budget constraints. The precarious position of public finance is another source of perverse incentives for banking sector to soften firms' budget constraints. When slow reforms caused the budget deficit to be financed almost entirely from domestic sources, banks make huge profits from lending money to the government at high real interest rates. With unclear property rights, state-owned banks will transfer part of their incomes to loss-making enterprises, based on their traditional linkages with old firms.

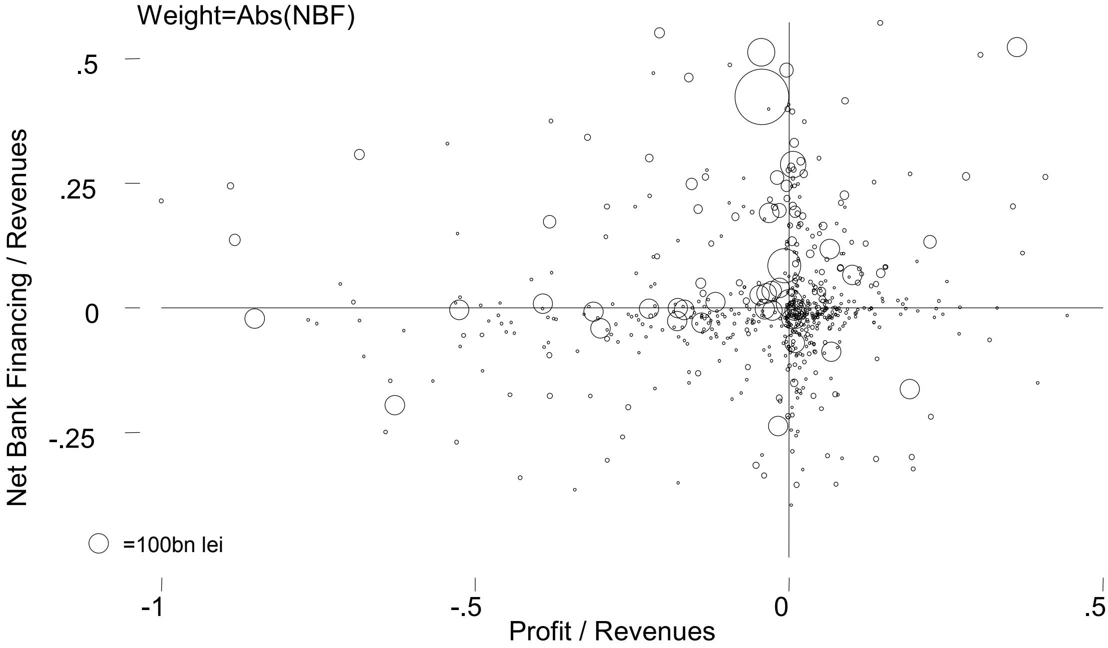
Finally, we have shown that tax arrears seem to be the main route by which firms soften budget constraints. This means that the government in itself is the main contributor to the lack of financial discipline. The main task of the government is, therefore, to learn to behave as a tough creditor. To be a tough creditor does not mean that the government should announce lists of enterprises programmed to be closed down. This happened in 1997 in Romania and the only result achieved was a strong opposition to enterprise restructuring of trade unions. The government can, however, use seizure procedures or liquidation of some big loss-makers in order to generate a demonstration effect. Still more effective could be an appropriate change in the structure of tax that would stimulate a better collection of tax revenues. Involvement of a third party in this process could be effective. For instance, adopting legislation that would include a receivership mechanism would allow the government to improve tax collection without dealing with complicated problems such as administration of seized goods, additional costs for warehousing, etc. Procedures such as capping the wage bills of all state-owned with tax arrears will not work because it will provoke trade union pressure on the government to gave up the cap scheme.

Figure 1: Contribution of Trade Credit Received to Financing, 1998



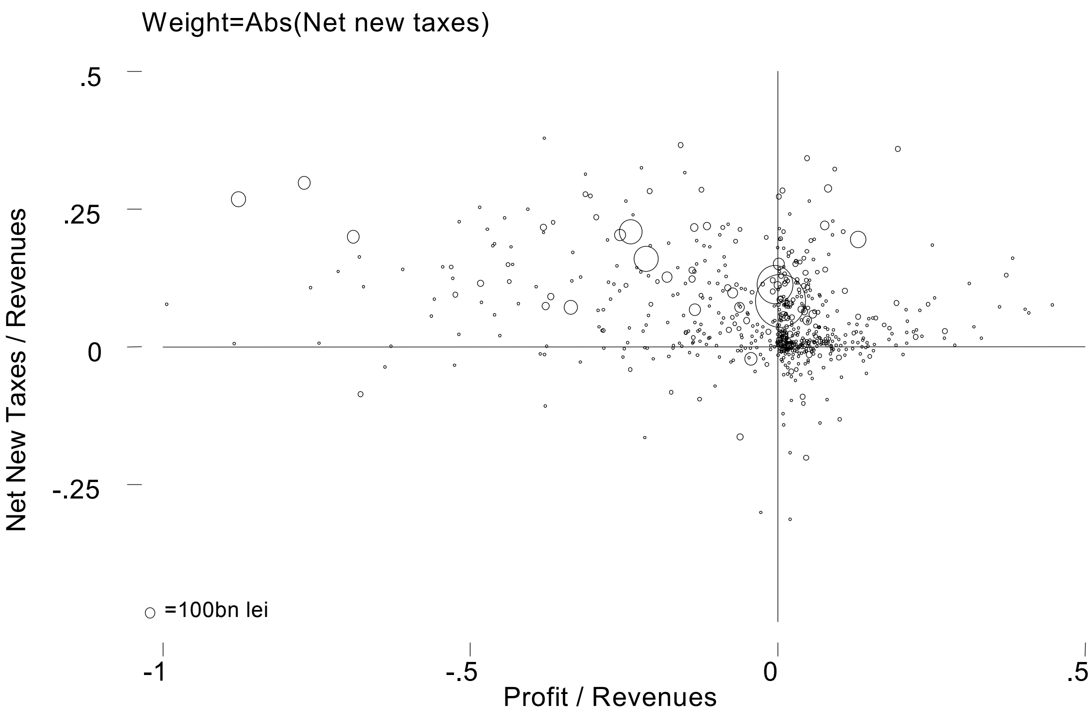
Change in Payables vs. Profitability in 1998

Figure 2: Contribution of Net Bank Financing to Financing, 1998



Net Bank Financing vs. Profitability in 1998

Figure 3: Contribution of Net New Taxes to Financing, 1998



Net New Taxes vs. Profitability in 1998

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Appendix Tables

Table A1.1: Profits and Losses in 1995							
	TOTAL	State-owned and formerly state-owned firms					Rest of economy
		Utilities	Chronic loss-makers	Other large loss-makers	Other loss-makers	Profitable	
Number of firms		4	51	155	1854	5288	
Total employment	4822103	332890	175377	230878	262869	2462840	1357249
Total assets	1185026	246654	43821	80040	47181	524857	242473
Employment growth	0.26	-6.62	-7.58	-8.3	-16.44	-5.47	23.8
(number of firms)		4	49	151	465	314	
Sales growth	16.36	-5.15	-5.82	5.13	-10.62	4.24	38.14
(number of firms)		4	51	152	1503	4457	
In billion lei:							
Total revenue	882130	62371	24260	30058	16923	351318	397200
of which: sales	800064	58992	16954	25485	14636	305487	378510
of which: subsidies	18873	1688	3186	2521	354	6918	4205
Total operating costs	825724	63410	25598	30161	17502	325205	363847
of which: wage costs	124704	13483	7419	6892	5040	63458	28412
of which: depreciation	25780	4863	967	1347	845	12618	5140
Operating profit	56403	-1039	-1339	-103	-579	26112	33353
EBITD	82186	3824	**-371**	1244	266	38730	38493
Financial revenue	15936	385	656	723	278	7272	6621
Financial costs	39162	1296	2655	4867	1511	14664	14169
of which: interest	24561	524	1590	3531	1298	10076	7543
Exceptional profit/loss	-1532	-96	-73	-192	-145	-484	-541
Gross profit	31648	-2045	-3411	-4440	-1957	18236	25265
Profit tax	10637	575	18	17	19	5811	4198
Net profit	21010	-2620	-3428	-4457	-1976	12426	21067
In proportion of total revenue:							
Total revenue	1.000	1.000	1.000	1.000	1.000	1.000	1.000
of which: sales	0.907	0.946	0.699	0.848	0.865	0.870	0.953
of which: subsidies	0.021	0.027	0.131	0.084	0.021	0.020	0.011
Total operating costs	0.936	1.017	1.055	1.003	1.034	0.926	0.916
of which: wage costs	0.141	0.216	0.306	0.229	0.298	0.181	0.072
of which: depreciation	0.029	0.078	0.040	0.045	0.050	0.036	0.013
Operating profit	0.064	-0.017	-0.055	-0.003	-0.034	0.074	0.084
EBITD	0.093	0.061	-0.015	0.041	0.016	0.110	0.097
Financial revenue	0.018	0.006	0.027	0.024	0.016	0.021	0.017
Financial costs	0.044	0.021	0.109	0.162	0.089	0.042	0.036
of which: interest	0.028	0.008	0.066	0.117	0.077	0.029	0.019
Exceptional profit/loss	-0.002	-0.002	-0.003	-0.006	-0.009	-0.001	0.00
Gross profit	0.036	-0.033	-0.141	-0.148	-0.116	0.052	0.064
Profit tax	0.012	0.009	0.001	0.001	0.001	0.017	0.011
Net profit	0.024	-0.042	-0.141	-0.148	-0.117	0.035	0.053

Table A1.2: Profits and Losses in 1996							
	TOTAL	State-owned and formerly state-owned firms					Rest of economy
		Utilities	Chronic loss-makers	Other large loss-makers	Other loss-makers	Profitable	
Number of firms	9037	4	51	168	2299	6514	
Total employment	5177023	320862	164403	366174	278267	2423797	1623520
Total assets	991986	168403	32172	89409	48774	379824	273404
Employment growth	1.98	-3.61	-6.57	-5.33	-13.54	-3.53	20.3
(number of firms)		4	51	165	1766	5562	
Sales growth	15.44	7.9	-0.35	7.06	-8.94	7.31	26.67
(number of firms)		4	51	167	1940	6130	
In billion lei:							
Total revenue	1019995	65387	23896	66846	21042	371453	471370
of which: sales	927760	63650	16895	59004	17602	321501	449108
of which: subsidies	18109	1242	3243	1412	404	6492	5316
Total operating costs	951546	69294	26705	63899	21313	337919	432417
of which: wage costs	142781	14884	7950	11356	5988	68916	33687
of which: depreciation	25195	4238	667	2787	787	9983	6733
Operating profit	68448	-3907	-2808	2947	-271	33534	38954
EBITD	93644	331	-2141	5734	516	43517	45686
Financial revenue	26516	788	813	2749	345	10974	10847
Financial costs	62497	2074	3090	13043	1862	17627	24800
of which: interest	32218	842	1709	5538	1525	11406	11198
Exceptional profit/loss	-5401	-685	-912	-1889	-460	-850	-605
Gross profit	27066	-5879	-5998	-9236	-2248	26031	24395
Profit tax	13723	9	3	77	52	7579	6004
Net profit	13343	-5888	-6000	-9312	-2299	18452	18391
In proportion of total revenue:							
Total revenue	1.000	1.000	1.000	1.000	1.000	1.000	1.000
of which: sales	0.910	0.973	0.707	0.883	0.837	0.866	0.953
of which: subsidies	0.018	0.019	0.136	0.021	0.019	0.017	0.011
Total operating costs	0.933	1.060	1.118	0.956	1.013	0.910	0.917
of which: wage costs	0.140	0.228	0.333	0.170	0.285	0.186	0.071
of which: depreciation	0.025	0.065	0.028	0.042	0.037	0.027	0.014
Operating profit	0.067	-0.060	-0.118	0.044	-0.013	0.090	0.083
EBITD	0.092	0.005	-0.090	0.086	0.025	0.117	0.097
Financial revenue	0.026	0.012	0.034	0.041	0.016	0.030	0.023
Financial costs	0.061	0.032	0.129	0.195	0.088	0.047	0.053
of which: interest	0.032	0.013	0.072	0.083	0.072	0.031	0.024
Exceptional profit/loss	-0.005	-0.010	-0.038	-0.028	-0.022	-0.002	-0.001
Gross profit	0.027	-0.090	-0.251	-0.138	-0.107	0.070	0.052
Profit tax	0.013	0.000	0.000	0.001	0.002	0.020	0.013
Net profit	0.013	-0.090	-0.251	-0.139	-0.109	0.050	0.039

Table A1.3: Profits and Losses in 1997

	TOTAL	State-owned and formerly state-owned firms					Rest of economy
		Utilities	Chronic loss-makers	Other large loss-makers	Other loss-makers	Profitable	
Number of firms	9087	4	51	216	2524	6291	
Total employment	4879311	342488	138624	256961	272975	2123120	1745143
Total assets	566970	103253	17037	36426	21498	197553	191203
Employment growth	-1.00	-1.95	-15.78	-13.55	-16.02	-7.13	15.72
(number of firms)		3	51	214	2096	5576	
Sales growth	-20.79	-47.32	-13.81	-31.46	-35.31	-20.60	-8.36
(number of firms)		4	51	214	2375	6181	
In billion lei:							
Total revenue	834016	105914	18013	27950	18224	266810	397106
of which: sales	759065	91533	14562	23767	15700	233014	380489
of which: subsidies	8106	934	1161	504	98	1686	3722
Total operating costs	770760	99700	19491	29055	18274	238535	365705
of which: wage costs	101272	13233	4701	4986	4361	46433	27559
of which: depreciation	19271	3902	756	1259	837	6873	5644
Operating profit	63256	6214	-1479	-1105	-50	28275	31401
EBITD	82527	10116	-723	154	787	35148	37044
Financial revenue	23969	1439	554	1370	343	9016	11247
Financial costs	56525	4716	3057	5563	1873	15594	25723
of which: interest	19680	798	1460	2413	1406	7155	6448
Exceptional profit/loss	-12799	-3826	-2794	-1314	-746	-2356	-1763
Gross profit	17900	-889	-6775	-6612	-2325	19340	15162
Profit tax	15628	1217	9	68	75	7875	6384
Net profit	2272	-2106	-6785	-6680	-2400	11465	8778
In proportion of total revenue:							
Total revenue	1.000	1.000	1.000	1.000	1.000	1.000	1.000
of which: sales	0.910	0.864	0.808	0.850	0.862	0.873	0.958
of which: subsidies	0.010	0.009	0.064	0.018	0.005	0.006	0.009
Total operating costs	0.924	0.941	1.082	1.040	1.003	0.894	0.921
of which: wage costs	0.121	0.125	0.261	0.178	0.239	0.174	0.069
of which: depreciation	0.023	0.037	0.042	0.045	0.046	0.026	0.014
Operating profit	0.076	0.059	-0.082	-0.040	-0.003	0.106	0.079
EBITD	0.099	0.096	-0.040	0.006	0.043	0.132	0.093
Financial revenue	0.029	0.014	0.031	0.049	0.019	0.034	0.028
Financial costs	0.068	0.045	0.170	0.199	0.103	0.058	0.065
of which: interest	0.024	0.008	0.081	0.086	0.077	0.027	0.016
Exceptional profit/loss	-0.015	-0.036	-0.155	-0.047	-0.041	-0.009	-0.004
Gross profit	0.021	-0.008	-0.376	-0.237	-0.128	0.072	0.038
Profit tax	0.019	0.011	0.000	0.002	0.004	0.030	0.016
Net profit	0.003	-0.020	-0.377	-0.239	-0.132	0.043	0.022

Table A1.4: Profits and Losses in 1998							
	TOTAL	State-owned and formerly state-owned firms					Rest of economy
		Utilities	Chronic loss-makers	Other large loss-makers	Other loss-makers	Profitable	
Number of firms		2	51	260	3470	4749	
Total employment	5072048	89395	94842	435460	390310	1608931	2453110
Total assets	618758	28236	15331	71838	29241	218188	255925
Employment growth	6.76	0.30	-31.51	-18.90	-20.27	-10.72	41.89
(number of firms)		1	50	252	2950	4189	
Sales growth	-4.28	156.05	-33.70	-26.17	-36.09	-20.52	7.26
(number of firms)		1	51	253	3231	4587	
In billion lei:							
Total revenue	655916	30587	11263	54470	21607	156603	381385
of which: sales	604283	24696	9654	47967	19074	137422	365469
of which: subsidies	8578	0	671	834	235	3483	3356
Total operating costs	623026	30652	13135	54567	22416	142450	359807
of which: wage costs	89190	3636	3355	11680	6380	33502	30636
of which: depreciation	13619	790	305	2050	562	3188	6724
Operating profit	32889	-66	-1872	-96	-809	14154	21578
EBITD	46508	724	-1567	1953	-247	17342	28302
Financial revenue	14899	538	282	1401	507	4492	7679
Financial costs	36877	479	1456	6314	1636	7603	19388
of which: interest	13640	89	596	2351	1161	3908	5536
Exceptional profit/loss	-10465	123	-2950	-3985	-1385	-553	-1716
Gross profit	446	116	-5996	-8994	-3323	10490	8153
Profit tax	9831	1	0	86	113	4472	5159
Net profit	-9385	115	-5996	-9080	-3436	6018	2994
In proportion of total revenue:							
Total revenue	1.000	1.000	1.000	1.000	1.000	1.000	1.000
of which: sales	0.921	0.807	0.857	0.881	0.883	0.878	0.958
of which: subsidies	0.013	0.000	0.060	0.015	0.011	0.022	0.009
Total operating costs	0.950	1.002	1.166	1.002	1.037	0.910	0.943
of which: wage costs	0.136	0.119	0.298	0.214	0.295	0.214	0.080
of which: depreciation	0.021	0.026	0.027	0.038	0.026	0.020	0.018
Operating profit	0.050	-0.002	-0.166	-0.002	-0.037	0.090	0.057
EBITD	0.071	0.024	-0.139	0.036	-0.011	0.111	0.074
Financial revenue	0.023	0.018	0.025	0.026	0.023	0.029	0.020
Financial costs	0.056	0.016	0.129	0.116	0.076	0.049	0.051
of which: interest	0.021	0.003	0.053	0.043	0.054	0.025	0.015
Exceptional profit/loss	-0.016	0.004	-0.262	-0.073	-0.064	-0.004	-0.004
Gross profit	0.001	0.004	-0.532	-0.165	-0.154	0.067	0.021
Profit tax	0.015	0.000	0.000	0.002	0.005	0.029	0.014
Net profit	-0.014	0.004	-0.532	-0.167	-0.159	0.038	0.008

Table A2.1: Structure of Assets and Liabilities at end-1995							
	TOTAL	State-owned and formerly state-owned firms					Rest of economy
		Utilities	Chronic loss-makers	Other large loss-makers	Other loss-makers	Profitable	
In billion lei:							
Total Assets	1183454	246654	43821	80040	46875	523591	242473
of which:							
Fixed Capital	817246	213350	31464	57816	37823	376373	100420
Inventories	112878	4377	4386	8174	3054	55226	37661
Trade credit extended	109394	16255	2869	3684	2152	48062	36372
Cash and bank deposits	30274	1505	222	1405	340	10071	16732
Other	113662	11167	4880	8961	3506	33859	51288
Total Liabilities & Equity	1183454	246654	43821	80040	46875	523591	242473
of which:							
Equity	840731	211667	24859	52685	37676	404371	109473
Debt	342723	34987	18962	27355	9199	119220	133000
of which:							
Trade credit received	114025	12782	4648	4905	2318	41177	48195
of which, overdue	55866	7089	3638	3231	1826	18436	21646
Bank credit	124334	10507	8662	17797	4178	40744	42445
of which, overdue	9621	200	820	2368	1052	1439	3742
Tax liabilities	30920	8241	2344	1535	1245	12119	5434
of which, overdue	16748	4364	1775	1088	1011	6510	2000
Other debt	73444	3457	3308	3118	1458	25180	36926
In proportion of end-year total assets:							
Total Assets	1.000	1.000	1.000	1.000	1.000	1.000	1.000
of which:							
Fixed Capital	0.691	0.865	0.718	0.722	0.807	0.719	0.414
Inventories	0.095	0.018	0.100	0.102	0.065	0.105	0.155
Trade credit extended	0.092	0.066	0.065	0.046	0.046	0.092	0.150
Cash and bank deposits	0.026	0.006	0.005	0.018	0.007	0.019	0.069
Other	0.096	0.045	0.111	0.112	0.075	0.065	0.212
Total Liabilities & Equity	1.000	1.000	1.000	1.000	1.000	1.000	1.000
of which:							
Equity	0.710	0.858	0.567	0.658	0.804	0.772	0.451
Debt	0.290	0.142	0.433	0.342	0.196	0.228	0.549
of which:							
Trade credit received	0.096	0.052	0.106	0.061	0.049	0.079	0.199
of which, overdue	0.047	0.029	0.083	0.040	0.039	0.035	0.089
Bank credit	0.105	0.043	0.198	0.222	0.089	0.078	0.175
of which, overdue	0.008	0.001	0.019	0.030	0.022	0.003	0.015
Tax liabilities	0.026	0.033	0.053	0.019	0.027	0.023	0.022
of which, overdue	0.014	0.018	0.041	0.014	0.022	0.012	0.008
Other debt	0.062	0.014	0.075	0.039	0.031	0.048	0.152

Table A2.2: Structure of Assets and Liabilities at end-1996							
	TOTAL	State-owned and formerly state-owned firms					Rest of economy
		Utilities	Chronic loss-makers	Other large loss-makers	Other loss-makers	Profitable	
In billion lei:							
Total Assets	991986	168403	32172	89409	48774	379824	273404
of which:							
Fixed Capital	563474	140709	21113	51754	38990	221255	89653
Inventories	122426	5122	3885	11783	4100	54242	43293
Trade credit extended	118516	14053	2275	9636	2672	46095	43783
Cash and bank deposits	34792	800	218	1799	365	13382	18228
Other	152778	7719	4681	14437	2647	44850	78447
Total Liabilities & Equity	991986	168403	32172	89409	48774	379824	273404
of which:							
Equity	575426	134772	12249	47027	36089	245843	99445
Debt	416560	33631	19923	42382	12685	133981	173959
of which:							
Trade credit received	138807	12327	4112	13326	2288	38440	68313
of which, overdue	58100	6480	2749	4446	1593	13938	28895
Bank credit	148600	9639	8834	18595	6019	50821	54692
of which, overdue	14453	24	1283	2254	1505	1922	7465
Tax liabilities	56571	10272	5570	5975	3479	21119	10156
of which, overdue	35984	6930	4800	4735	2668	11864	4987
Other debt	72582	1393	1407	4486	899	23601	40798
In proportion of end-year total assets:							
Total Assets	1.000	1.000	1.000	1.000	1.000	1.000	1.000
of which:							
Fixed Capital	0.568	0.836	0.656	0.579	0.799	0.583	0.328
Inventories	0.123	0.030	0.121	0.132	0.084	0.143	0.158
Trade credit extended	0.119	0.083	0.071	0.108	0.055	0.121	0.160
Cash and bank deposits	0.035	0.005	0.007	0.020	0.007	0.035	0.067
Other	0.154	0.046	0.145	0.161	0.054	0.118	0.287
Total Liabilities & Equity	1.000	1.000	1.000	1.000	1.000	1.000	1.000
of which:							
Equity	0.580	0.800	0.381	0.526	0.740	0.647	0.364
Debt	0.420	0.200	0.619	0.474	0.260	0.353	0.636
of which:							
Trade credit received	0.140	0.073	0.128	0.149	0.047	0.101	0.250
of which, overdue	0.059	0.038	0.085	0.050	0.033	0.037	0.106
Bank credit	0.150	0.057	0.275	0.208	0.123	0.134	0.200
of which, overdue	0.015	0.000	0.040	0.025	0.031	0.005	0.027
Tax liabilities	0.057	0.061	0.173	0.067	0.071	0.056	0.037
of which, overdue	0.036	0.041	0.149	0.053	0.055	0.031	0.018
Other debt	0.073	0.008	0.044	0.050	0.018	0.062	0.149

Table A2.3: Structure of Assets and Liabilities at end-1997							
	TOTAL	State-owned and formerly state-owned firms					Rest of economy
		Utilities	Chronic loss-makers	Other large loss-makers	Other loss-makers	Profitable	
In billion lei:							
Total Assets	566970	103253	17037	36426	21498	197553	191203
of which:							
Fixed Capital	262952	63405	8925	22594	13250	94008	60770
Inventories	85688	7555	2556	4854	3161	36076	31487
Trade credit extended	88736	16184	1740	2759	1891	31949	34213
Cash and bank deposits	24510	5349	223	502	356	6609	11472
Other	105084	10760	3593	5717	2840	28911	53261
Total Liabilities & Equity	566970	103253	17037	36426	21498	197553	191203
of which:							
Equity	258253	60583	1428	16167	11373	110643	58060
Debt	308717	42670	15609	20259	10125	86910	133143
of which:							
Trade credit received	106653	11380	3193	5099	2224	28289	56468
of which, overdue	48557	5886	1890	3342	1319	12381	23739
Bank credit	93235	9145	5401	9677	4221	28323	36469
of which, overdue	10092	0	858	1615	1026	1768	4824
Tax liabilities	48128	11958	4784	3160	2941	15260	10025
of which, overdue	30191	5991	4260	2286	2503	9204	5947
Other debt	60701	10187	2231	2323	739	15038	30181
In proportion of end-year total assets:							
Total Assets	1.000	1.000	1.000	1.000	1.000	1.000	1.000
of which:							
Fixed Capital	0.464	0.614	0.524	0.620	0.616	0.476	0.318
Inventories	0.151	0.073	0.150	0.133	0.147	0.183	0.165
Trade credit extended	0.157	0.157	0.102	0.076	0.088	0.162	0.179
Cash and bank deposits	0.043	0.052	0.013	0.014	0.017	0.033	0.060
Other	0.185	0.104	0.211	0.157	0.132	0.146	0.279
Total Liabilities & Equity	1.000	1.000	1.000	1.000	1.000	1.000	1.000
of which:							
Equity	0.455	0.587	0.084	0.444	0.529	0.560	0.304
Debt	0.545	0.413	0.916	0.556	0.471	0.440	0.696
of which:							
Trade credit received	0.188	0.110	0.187	0.140	0.103	0.143	0.295
of which, overdue	0.086	0.057	0.111	0.092	0.061	0.063	0.124
Bank credit	0.164	0.089	0.317	0.266	0.196	0.143	0.191
of which, overdue	0.018	0.000	0.050	0.044	0.048	0.009	0.025
Tax liabilities	0.085	0.116	0.281	0.087	0.137	0.077	0.052
of which, overdue	0.053	0.058	0.250	0.063	0.116	0.047	0.031
Other debt	0.107	0.099	0.131	0.064	0.034	0.076	0.158

Table A2.4: Structure of Assets and Liabilities at end-1998							
	TOTAL	State-owned and formerly state-owned firms					Rest of economy
		Utilities	Chronic loss-makers	Other large loss-makers	Other loss-makers	Profitable	
In billion lei:							
Total Assets	618758	28236	15331	71838	29241	218188	255924
of which:							
Fixed Capital	281553	10039	7734	35237	16871	113331	98342
Inventories	83290	2848	2027	11948	4511	23126	38829
Trade credit extended	94811	4787	1593	9712	3768	24211	50740
Cash and bank deposits	19043	476	153	692	389	5719	11614
Other	140061	10086	3824	14249	3702	51801	56399
Total Liabilities & Equity	618758	28236	15331	71838	29241	218188	255924
of which:							
Equity	275497	6766	-2300	28052	12937	140625	89418
Debt	343261	21470	17631	43786	16304	77563	166506
of which:							
Trade credit received	114325	1944	2849	12254	3168	19959	74152
of which, overdue	50526	802	1565	6453	2134	7255	32317
Bank credit	99646	2060	5331	15702	5509	31272	39772
of which, overdue	11984	38	738	1827	1535	1675	6171
Tax liabilities	60205	8623	6173	11974	5841	14242	13352
of which, overdue	38841	7040	5294	9896	4680	6065	5867
Other debt	69085	8843	3278	3856	1786	12090	39230
In proportion of end-year total assets:							
Total Assets	1.000	1.000	1.000	1.000	1.000	1.000	1.000
of which:							
Fixed Capital	0.455	0.356	0.504	0.491	0.577	0.519	0.384
Inventories	0.135	0.101	0.132	0.166	0.154	0.106	0.152
Trade credit extended	0.153	0.170	0.104	0.135	0.129	0.111	0.198
Cash and bank deposits	0.031	0.017	0.010	0.010	0.013	0.026	0.045
Other	0.226	0.357	0.249	0.198	0.127	0.237	0.220
Total Liabilities & Equity	1.000	1.000	1.000	1.000	1.000	1.000	1.000
of which:							
Equity	0.445	0.240	-0.150	0.390	0.442	0.645	0.349
Debt	0.555	0.760	1.150	0.610	0.558	0.355	0.651
of which:							
Trade credit received	0.185	0.069	0.186	0.171	0.108	0.091	0.290
of which, overdue	0.082	0.028	0.102	0.090	0.073	0.033	0.126
Bank credit	0.161	0.073	0.348	0.219	0.188	0.143	0.155
of which, overdue	0.019	0.001	0.048	0.025	0.052	0.008	0.024
Tax liabilities	0.097	0.305	0.403	0.167	0.200	0.065	0.052
of which, overdue	0.063	0.249	0.345	0.138	0.160	0.028	0.023
Other debt	0.112	0.313	0.214	0.054	0.061	0.055	0.153

Table A3.1: Inflation-Corrected Profits 1995							
	TOTAL	State-owned and formerly state-owned firms					Rest of
		Utilities	Chronic loss-makers	Other large loss-makers	Other loss-makers	Profitable	economy
Billion Lei							
Total revenue	882130	62371	24260	30058	16923	351318	397200
- losses on receivables	-25057	-3991	-692	-848	-548	-11305	-7672
=Adjusted total revenue	857073	58380	23568	29210	16375	340013	389528
Total operating costs	825724	63410	25598	30161	17502	325205	363847
- gains on payables	-25811	-3056	-1060	-1109	-561	-9858	-10168
+ inventory adjustment	22458	879	849	1573	572	10858	7726
=Adjusted total operating costs	822371	61233	25387	30625	17513	326205	361405
Adjusted operating profit	34702	-2853	-1819	-1415	-1138	13808	28123
Memo item: Operating profit	56403	-1039	-1339	-103	-579	26112	33353
Adjusted EBITD	60482	2010	-852	-68	-293	26426	33263
Memo item: EBITD	82186	3824	-371	1244	266	38730	38493
Financial revenue	15936	385	656	723	278	7272	6621
Financial costs	39162	1296	2655	4867	1511	14664	14169
- gains on bank credit	-26812	-2269	-2093	-3885	-1010	-9022	-8533
+ penalties on taxes due	1922	86	154	189	52	1064	378
- gains on tax debts	-6980	-1767	-530	-353	-272	-2815	-1244
+ losses on other current assets	19131	1337	270	1262	292	6089	9882
- gains on other debts	-15942	-776	-701	-662	-353	-5487	-7961
Adjusted financial costs	7292	-2654	186	818	281	3891	4770
Memo item:							
Nominal interest charges	24561	524	1590	3531	1298	10076	7543
- gains on bank credit	-26812	-2269	-2093	-3885	-1010	-9022	-8533
=Real interest charges	-2251	-1745	-503	-354	288	1054	-990
Extraordinary profits/losses	-1532	-96	-73	-192	-145	-484	-541
+ penalties on taxes due	1922	86	154	189	52	1064	378
Adjusted extraordinary profits/losses	390	-10	81	-3	-93	580	-163
Adjusted operating profit	34702	-2853	-1819	-1415	-1138	13808	28123
- adjusted net financial costs	8644	3039	470	-95	-3	3381	1851
+ adjusted extraordinaries	390	-10	81	-3	-93	580	-163
= Adjusted gross profit	43736	176	-1268	-1513	-1234	17769	29811
Profit tax	10637	575	18	17	19	5811	4198
Adjusted net profit	33099	-399	-1286	-1530	-1253	11958	25613
Memo item: Gross profit	31648	-2045	-3411	-4440	-1957	18236	25265
Memo item: Net profit	21010	-2620	-3428	-4457	-1976	12426	21067

Table A3.2: Inflation-Corrected Profits 1995							
	TOTAL	State-owned and formerly state-owned firms					Rest of economy
		Utilities	Chronic loss-makers	Other large loss-makers	Other loss-makers	Profitable	
In proportion of total revenue							
Total revenue	1.000	1.000	1.000	1.000	1.000	1.000	1.000
- losses on receivables	-0.028	-0.064	-0.029	-0.028	-0.032	-0.032	-0.019
=Adjusted total revenue	0.972	0.936	0.971	0.972	0.968	0.968	0.981
Total operating costs	0.936	1.017	1.055	1.003	1.034	0.926	0.916
- gains on payables	-0.029	-0.049	-0.044	-0.037	-0.033	-0.028	-0.026
+ inventory adjustment	0.025	0.014	0.035	0.052	0.034	0.031	0.019
=Adjusted total operating costs	0.932	0.982	1.046	1.019	1.035	0.929	0.910
Adjusted operating profit	0.039	-0.046	-0.075	-0.047	-0.067	0.039	0.071
Memo item: Operating profit	0.064	-0.017	-0.055	-0.003	-0.034	0.074	0.084
Adjusted EBITD	0.069	0.032	-0.035	-0.002	-0.017	0.075	0.084
Memo item: EBITD	0.093	0.061	-0.015	0.041	0.016	0.110	0.097
Financial revenue	0.018	0.006	0.027	0.024	0.016	0.021	0.017
Financial costs	0.044	0.021	0.109	0.162	0.089	0.042	0.036
- gains on bank credit	-0.030	-0.036	-0.086	-0.129	-0.060	-0.026	-0.021
+ penalties on taxes due	0.002	0.001	0.006	0.006	0.003	0.003	0.001
- gains on tax debts	-0.008	-0.028	-0.022	-0.012	-0.016	-0.008	-0.003
+ losses on other current assets	0.022	0.021	0.011	0.042	0.017	0.017	0.025
- gains on other debts	-0.018	-0.012	-0.029	-0.022	-0.021	-0.016	-0.020
Adjusted financial costs	0.008	-0.043	0.008	0.027	0.017	0.011	0.012
Memo item:							
Nominal interest charges	0.028	0.008	0.066	0.117	0.077	0.029	0.019
- gains on bank credit	-0.030	-0.036	-0.086	-0.129	-0.060	-0.026	-0.021
=Real interest charges	-0.003	-0.028	-0.021	-0.012	0.017	0.003	-0.002
Extraordinary profits/losses	-0.002	-0.002	-0.003	-0.006	-0.009	-0.001	-0.001
+ penalties on taxes due	0.002	0.001	0.006	0.006	0.003	0.003	0.001
Adjusted extraordinary profits/losses	0.000	0.000	0.003	0.000	-0.005	0.002	0.000
Adjusted operating profit	0.039	-0.046	-0.075	-0.047	-0.067	0.039	0.071
- adjusted net financial costs	0.010	0.049	0.019	-0.003	0.000	0.010	0.005
+ adjusted extraordinaries	0.000	0.000	0.003	0.000	-0.005	0.002	0.000
= Adjusted gross profit	0.050	0.003	-0.052	-0.050	-0.073	0.051	0.075
Profit tax	0.012	0.009	0.001	0.001	0.001	0.017	0.011
Adjusted net profit	0.038	-0.006	-0.053	-0.051	-0.074	0.034	0.064
Memo item: Gross profit	0.036	-0.033	-0.141	-0.148	-0.116	0.052	0.064
Memo item: Net profit	0.024	-0.042	-0.141	-0.148	-0.117	0.035	0.053

Table A3.3: Inflation-Corrected Profits 1996							
	TOTAL	State-owned and formerly state-owned firms					Rest of economy
		Utilities	Chronic loss-makers	Other large loss-makers	Other loss-makers	Profitable	
Billion Lei							
Total revenue	1019995	65387	23896	66846	21042	371453	471370
- losses on receivables	-53129	-6977	-1171	-4248	-1311	-21002	-18419
=Adjusted total revenue	966866	58410	22725	62598	19731	350451	452951
Total operating costs	951546	69294	26705	63899	21313	337919	432417
- gains on payables	-60047	-5861	-2023	-5468	-1145	-17478	-28073
+ inventory adjustment	67776	2800	2215	6749	2337	30050	23625
=Adjusted total operating costs	959275	66233	26897	65180	22505	350491	427969
Adjusted operating profit	7591	-7823	-4172	-2582	-2774	-40	24982
Memo item: Operating profit	68448	-3907	-2808	2947	-271	33534	38954
Adjusted EBITD	32786	-3585	-3505	205	-1987	9943	31715
Memo item: EBITD	93644	331	-2141	5734	516	43517	45686
Financial revenue	26516	788	813	2749	345	10974	10847
Financial costs	62497	2074	3090	13043	1862	17627	24800
- gains on bank credit	-64914	-4673	-4113	-9054	-2806	-21444	-22823
+ penalties on taxes due	4594	430	693	879	466	1404	724
- gains on tax debts	-25261	-4878	-2408	-2637	-1544	-9344	-4451
+ losses on other current assets	46083	2067	534	2813	625	15587	24458
- gains on other debts	-31765	-598	-626	-1773	-382	-10589	-17795
Adjusted financial costs	-23084	-7047	-2738	2231	-2022	-11757	-1750
Memo item:							
Nominal interest charges	32218	842	1709	5538	1525	11406	11198
- gains on bank credit	-64914	-4673	-4113	-9054	-2806	-21444	-22823
=Real interest charges	-32696	-3831	-2404	-3516	-1281	-10038	-11625
Extraordinary profits/losses	-5401	-685	-912	-1889	-460	-850	-605
+ penalties on taxes due	4594	430	693	879	466	1404	724
Adjusted extraordinary profits/losses	-807	-255	-219	-1010	6	554	119
Adjusted operating profit	7591	-7823	-4172	-2582	-2774	-40	24982
- adjusted net financial costs	49600	7835	3551	518	2367	22731	12597
+ adjusted extraordinaries	-807	-255	-219	-1010	6	554	119
= Adjusted gross profit	56384	-243	-840	-3074	-401	23245	37698
Profit tax	13723	9	3	77	52	7579	6004
Adjusted net profit	42661	-252	-843	-3151	-453	15666	31694
Memo item: Gross profit	27066	-5879	-5998	-9236	-2248	26031	24395
Memo item: Net profit	13343	-5888	-6000	-9312	-2299	18452	18391

Table A3.4: Inflation-Corrected Profits 1996							
	TOTAL	State-owned and formerly state-owned firms					Rest of economy
		Utilities	Chronic loss-makers	Other large loss-makers	Other loss-makers	Profitable	
In proportion of total revenue							
Total revenue	1.000	1.000	1.000	1.000	1.000	1.000	1.000
- losses on receivables	-0.052	-0.107	-0.049	-0.064	-0.062	-0.057	-0.039
=Adjusted total revenue	0.948	0.893	0.951	0.936	0.938	0.943	0.961
Total operating costs	0.933	1.060	1.118	0.956	1.013	0.910	0.917
- gains on payables	-0.059	-0.090	-0.085	-0.082	-0.054	-0.047	-0.060
+ inventory adjustment	0.066	0.043	0.093	0.101	0.111	0.081	0.050
=Adjusted total operating costs	0.940	1.013	1.126	0.975	1.070	0.944	0.908
Adjusted operating profit	0.007	-0.120	-0.175	-0.039	-0.132	0.000	0.053
Memo item: Operating profit	0.067	-0.060	-0.118	0.044	-0.013	0.090	0.083
Adjusted EBITD	0.032	-0.055	-0.147	0.003	-0.094	0.027	0.067
Memo item: EBITD	0.092	0.005	-0.090	0.086	0.025	0.117	0.097
Financial revenue	0.026	0.012	0.034	0.041	0.016	0.030	0.023
Financial costs	0.061	0.032	0.129	0.195	0.088	0.047	0.053
- gains on bank credit	-0.064	-0.071	-0.172	-0.135	-0.133	-0.058	-0.048
+ penalties on taxes due	0.005	0.007	0.029	0.013	0.022	0.004	0.002
- gains on tax debts	-0.025	-0.075	-0.101	-0.039	-0.073	-0.025	-0.009
+ losses on other current assets	0.045	0.032	0.022	0.042	0.030	0.042	0.052
- gains on other debts	-0.031	-0.009	-0.026	-0.027	-0.018	-0.029	-0.038
Adjusted financial costs	-0.023	-0.108	-0.115	0.033	-0.096	-0.032	-0.004
Memo item:							
Nominal interest charges	0.032	0.013	0.072	0.083	0.072	0.031	0.024
- gains on bank credit	-0.064	-0.071	-0.172	-0.135	-0.133	-0.058	-0.048
=Real interest charges	-0.032	-0.059	-0.101	-0.053	-0.061	-0.027	-0.025
Extraordinary profits/losses	-0.005	-0.010	-0.038	-0.028	-0.022	-0.002	-0.001
+ penalties on taxes due	0.005	0.007	0.029	0.013	0.022	0.004	0.002
Adjusted extraordinary profits/losses	-0.001	-0.004	-0.009	-0.015	0.000	0.001	0.000
Adjusted operating profit	0.007	-0.120	-0.175	-0.039	-0.132	0.000	0.053
- adjusted net financial costs	0.049	0.120	0.149	0.008	0.112	0.061	0.027
+ adjusted extraordinaries	-0.001	-0.004	-0.009	-0.015	0.000	0.001	0.000
= Adjusted gross profit	0.055	-0.004	-0.035	-0.046	-0.019	0.063	0.080
Profit tax	0.013	0.000	0.000	0.001	0.002	0.020	0.013
Adjusted net profit	0.042	-0.004	-0.035	-0.047	-0.022	0.042	0.067
Memo item: Gross profit	0.027	-0.090	-0.251	-0.138	-0.107	0.070	0.052
Memo item: Net profit	0.013	-0.090	-0.251	-0.139	-0.109	0.050	0.039

Table A3.5: Inflation-Corrected Profits 1997							
	TOTAL	State-owned and formerly state-owned firms					Rest of economy
		Utilities	Chronic loss-makers	Other large loss-makers	Other loss-makers	Profitable	
Billion Lei							
Total revenue	834016	105914	18013	27950	18224	266810	397106
- losses on receivables	-84919	-18398	-1601	-2912	-2195	-30335	-29478
=Adjusted total revenue	749097	87516	16412	25038	16029	236475	367628
Total operating costs	770760	99700	19491	29055	18274	238535	365705
- gains on payables	-95097	-16001	-2907	-4246	-2177	-24093	-45674
+ inventory adjustment	91586	8503	2840	5945	3752	38268	32277
=Adjusted total operating costs	767249	92202	19424	30754	19849	252710	352308
Adjusted operating profit	-18152	-4686	-3012	-5716	-3820	-16235	15320
Memo item: Operating profit	63256	6214	-1479	-1105	-50	28275	31401
Adjusted EBITD	1119	-784	-2256	-4457	-2983	-9362	20964
Memo item: EBITD	82527	10116	-723	154	787	35148	37044
Financial revenue	23969	1439	554	1370	343	9016	11247
Financial costs	56525	4716	3057	5563	1873	15594	25723
- gains on bank credit	-97883	-14133	-5841	-9382	-4642	-30290	-33595
+ penalties on taxes due	10971	3220	1346	1143	710	2356	2198
- gains on tax debts	-46436	-11438	-4332	-2797	-2844	-15439	-9587
+ losses on other current assets	73875	13612	790	2239	1277	18177	37780
- gains on other debts	-50326	-6392	-1042	-1940	-644	-14077	-26229
Adjusted financial costs	-76823	-17635	-5770	-5473	-4903	-27779	-15261
Memo item:							
Nominal interest charges	19680	798	1460	2413	1406	7155	6448
- gains on bank credit	-97883	-14133	-5841	-9382	-4642	-30290	-33595
=Real interest charges	-78203	-13335	-4381	-6969	-3236	-23135	-27147
Extraordinary profits/losses	-12799	-3826	-2794	-1314	-746	-2356	-1763
+ penalties on taxes due	10971	3220	1346	1143	710	2356	2198
Adjusted extraordinary profits/losses	-1828	-606	-1448	-171	-36	0	435
Adjusted operating profit	-18152	-4686	-3012	-5716	-3820	-16235	15320
- adjusted net financial costs	100792	19074	6324	6843	5246	36795	26508
+ adjusted extraordinaries	-1828	-606	-1448	-171	-36	0	435
= Adjusted gross profit	80812	13782	1864	956	1390	20560	42263
Profit tax	15628	1217	9	68	75	7875	6384
Adjusted net profit	65184	12565	1855	888	1315	12685	35879
Memo item: Gross profit	17900	-889	-6775	-6612	-2325	19340	15162
Memo item: Net profit	2272	-2106	-6785	-6680	-2400	11465	8778

Table A3.6: Inflation-Corrected Profits 1997							
	TOTAL	State-owned and formerly state-owned firms					Rest of economy
		Utilities	Chronic loss-makers	Other large loss-makers	Other loss-makers	Profitable	
In proportion of total revenue							
Total revenue	1.000	1.000	1.000	1.000	1.000	1.000	1.000
- losses on receivables	-0.102	-0.174	-0.089	-0.104	-0.120	-0.114	-0.074
=Adjusted total revenue	0.898	0.826	0.911	0.896	0.880	0.886	0.926
Total operating costs	0.924	0.941	1.082	1.040	1.003	0.894	0.921
- gains on payables	-0.114	-0.151	-0.161	-0.152	-0.119	-0.090	-0.115
+ inventory adjustment	0.110	0.080	0.158	0.213	0.206	0.143	0.081
=Adjusted total operating costs	0.920	0.871	1.078	1.100	1.089	0.947	0.887
Adjusted operating profit	-0.022	-0.044	-0.167	-0.205	-0.210	-0.061	0.039
Memo item: Operating profit	0.076	0.059	-0.082	-0.040	-0.003	0.106	0.079
Adjusted EBITD	0.001	-0.007	-0.125	-0.159	-0.164	-0.035	0.053
Memo item: EBITD	0.099	0.096	-0.040	0.006	0.043	0.132	0.093
Financial revenue	0.029	0.014	0.031	0.049	0.019	0.034	0.028
Financial costs	0.068	0.045	0.170	0.199	0.103	0.058	0.065
- gains on bank credit	-0.117	-0.133	-0.324	-0.336	-0.255	-0.114	-0.085
+ penalties on taxes due	0.013	0.030	0.075	0.041	0.039	0.009	0.006
- gains on tax debts	-0.056	-0.108	-0.240	-0.100	-0.156	-0.058	-0.024
+ losses on other current assets	0.089	0.129	0.044	0.080	0.070	0.068	0.095
- gains on other debts	-0.060	-0.060	-0.058	-0.069	-0.035	-0.053	-0.066
Adjusted financial costs	-0.092	-0.167	-0.320	-0.196	-0.269	-0.104	-0.038
Memo item:							
Nominal interest charges	0.024	0.008	0.081	0.086	0.077	0.027	0.016
- gains on bank credit	-0.117	-0.133	-0.324	-0.336	-0.255	-0.114	-0.085
=Real interest charges	-0.094	-0.126	-0.243	-0.249	-0.178	-0.087	-0.068
Extraordinary profits/losses	-0.015	-0.036	-0.155	-0.047	-0.041	-0.009	-0.004
+ penalties on taxes due	0.013	0.030	0.075	0.041	0.039	0.009	0.006
Adjusted extraordinary profits/losses	-0.002	-0.006	-0.080	-0.006	-0.002	0.000	0.001
Adjusted operating profit	-0.022	-0.044	-0.167	-0.205	-0.210	-0.061	0.039
- adjusted net financial costs	0.121	0.180	0.351	0.245	0.288	0.138	0.067
+ adjusted extraordinaries	-0.002	-0.006	-0.080	-0.006	-0.002	0.000	0.001
= Adjusted gross profit	0.097	0.130	0.103	0.034	0.076	0.077	0.106
Profit tax	0.019	0.011	0.000	0.002	0.004	0.030	0.016
Adjusted net profit	0.078	0.119	0.103	0.032	0.072	0.048	0.090
Memo item: Gross profit	0.021	-0.008	-0.376	-0.237	-0.128	0.072	0.038
Memo item: Net profit	0.003	-0.020	-0.377	-0.239	-0.132	0.043	0.022

Table A3.7: Inflation-Corrected Profits 1998							
	TOTAL	State-owned and formerly state-owned firms					Rest of economy
		Utilities	Chronic loss-makers	Other large loss-makers	Other loss-makers	Profitable	
Billion Lei							
Total revenue	655916	30587	11263	54470	21607	156603	381385
- losses on receivables	-29212	-2019	-548	-3413	-1255	-7619	-14358
=Adjusted total revenue	626704	28568	10715	51057	20352	148984	367027
Total operating costs	623026	30652	13135	54567	22416	142450	359807
- gains on payables	-34617	-1316	-996	-4232	-1081	-6046	-20946
+ inventory adjustment	7116	151	88	652	191	1831	4203
=Adjusted total operating costs	595525	29487	12227	50987	21526	138235	343064
Adjusted operating profit	31179	-919	-1512	70	-1174	10749	23963
Memo item: Operating profit	32889	-66	-1872	-96	-809	14154	21578
Adjusted EBITD	44798	-129	-1207	2120	-612	13937	30687
Memo item: EBITD	46508	724	-1567	1953	-247	17342	28302
Financial revenue	14899	538	282	1401	507	4492	7679
Financial costs	36877	479	1456	6314	1636	7603	19388
- gains on bank credit	-29495	-558	-1751	-4506	-2045	-9331	-11305
+ penalties on taxes due	8985	96	1367	3122	1288	1593	1518
- gains on tax debts	-17889	-2853	-1755	-3219	-1719	-4510	-3833
+ losses on other current assets	23398	2900	284	1107	590	7175	11342
- gains on other debts	-21593	-2850	-842	-953	-483	-4499	-11965
Adjusted financial costs	-1522	-2836	-683	1711	-840	-4645	5768
Memo item:							
Nominal interest charges	13640	89	596	2351	1161	3908	5536
- gains on bank credit	-29495	-558	-1751	-4506	-2045	-9331	-11305
=Real interest charges	-15855	-469	-1155	-2155	-884	-5423	-5769
Extraordinary profits/losses	-10465	123	-2950	-3985	-1385	-553	-1716
+ penalties on taxes due	8985	96	1367	3122	1288	1593	1518
Adjusted extraordinary profits/losses	-1480	219	-1583	-863	-97	1040	-198
Adjusted operating profit	31179	-919	-1512	70	-1174	10749	23963
- adjusted net financial costs	16421	3374	965	-310	1347	9137	1911
+ adjusted extraordinaries	-1480	219	-1583	-863	-97	1040	-198
= Adjusted gross profit	46120	2674	-2130	-1103	76	20926	25676
Profit tax	9831	1	0	86	113	4472	5159
Adjusted net profit	36289	2673	-2130	-1189	-37	16454	20517
Memo item: Gross profit	446	116	-5996	-8994	-3323	10490	8153
Memo item: Net profit	-9385	115	-5996	-9080	-3436	6018	2994

Table A3.8: Inflation-Corrected Profits 1998							
	TOTAL	State-owned and formerly state-owned firms					Rest of economy
		Utilities	Chronic loss-makers	Other large loss-makers	Other loss-makers	Profitable	
In proportion of total revenue							
Total revenue	1.000	1.000	1.000	1.000	1.000	1.000	1.000
- losses on receivables	-0.045	-0.066	-0.049	-0.063	-0.058	-0.049	-0.038
=Adjusted total revenue	0.955	0.934	0.951	0.937	0.942	0.951	0.962
Total operating costs	0.950	1.002	1.166	1.002	1.037	0.910	0.943
- gains on payables	-0.053	-0.043	-0.088	-0.078	-0.050	-0.039	-0.055
+ inventory adjustment	0.011	0.005	0.008	0.012	0.009	0.012	0.011
=Adjusted total operating costs	0.908	0.964	1.086	0.936	0.996	0.883	0.900
Adjusted operating profit	0.048	-0.030	-0.134	0.001	-0.054	0.069	0.063
Memo item: Operating profit	0.050	-0.002	-0.166	-0.002	-0.037	0.090	0.057
Adjusted EBITD	0.068	-0.004	-0.107	0.039	-0.028	0.089	0.080
Memo item: EBITD	0.071	0.024	-0.139	0.036	-0.011	0.111	0.074
Financial revenue	0.023	0.018	0.025	0.026	0.023	0.029	0.020
Financial costs	0.056	0.016	0.129	0.116	0.076	0.049	0.051
- gains on bank credit	-0.045	-0.018	-0.155	-0.083	-0.095	-0.060	-0.030
+ penalties on taxes due	0.014	0.003	0.121	0.057	0.060	0.010	0.004
- gains on tax debts	-0.027	-0.093	-0.156	-0.059	-0.080	-0.029	-0.010
+ losses on other current assets	0.036	0.095	0.025	0.020	0.027	0.046	0.030
- gains on other debts	-0.033	-0.093	-0.075	-0.017	-0.022	-0.029	-0.031
Adjusted financial costs	-0.002	-0.093	-0.061	0.031	-0.039	-0.030	0.015
Memo item:							
Nominal interest charges	0.021	0.003	0.053	0.043	0.054	0.025	0.015
- gains on bank credit	-0.045	-0.018	-0.155	-0.083	-0.095	-0.060	-0.030
=Real interest charges	-0.024	-0.015	-0.103	-0.040	-0.041	-0.035	-0.015
Extraordinary profits/losses	-0.016	0.004	-0.262	-0.073	-0.064	-0.004	-0.004
+ penalties on taxes due	0.014	0.003	0.121	0.057	0.060	0.010	0.004
Adjusted extraordinary profits/losses	-0.002	0.007	-0.141	-0.016	-0.004	0.007	-0.001
Adjusted operating profit	0.048	-0.030	-0.134	0.001	-0.054	0.069	0.063
- adjusted net financial costs	0.025	0.110	0.086	-0.006	0.062	0.058	0.005
+ adjusted extraordinaries	-0.002	0.007	-0.141	-0.016	-0.004	0.007	-0.001
= Adjusted gross profit	0.070	0.087	-0.189	-0.020	0.003	0.134	0.067
Profit tax	0.015	0.000	0.000	0.002	0.005	0.029	0.014
Adjusted net profit	0.055	0.087	-0.189	-0.022	-0.002	0.105	0.054
Memo item: Gross profit	0.001	0.004	-0.532	-0.165	-0.154	0.067	0.021
Memo item: Net profit	-0.014	0.004	-0.532	-0.167	-0.159	0.038	0.008

Table A4.1: Financing 1995							
	TOTAL	State-owned and formerly state-owned firms					Rest of economy
		Utilities	Chronic loss-makers	Other large loss-makers	Other loss-makers	Profitable	
In billion lei							
From assets:							
Δ in real total current assets	57958	2791	648	-136	-321	17912	37066
of which:							
Δ in real inventories	20892	1023	224	156	-335	6931	12895
Δ in real trade credit extended	21156	583	220	671	-112	6466	13329
Δ in other current assets	15910	1185	204	-963	126	4515	10842
From debt:							
Δ in real total debt	94527	8161	3280	7742	926	24260	50158
of which:							
Δ in real trade credit received	24982	1249	944	1087	164	3889	17649
Δ in real bank credit	39977	3352	637	5273	299	10846	19570
Δ in real tax liabilities	6955	2749	522	286	364	1975	1059
Δ in real other debt	22613	811	1177	1096	99	7550	11880
Memo items:							
Financing: Δ in debt - Δ in assets	36569	5370	2632	7878	1247	6348	13092
Net bank financing =	42229	5097	1141	5627	12	9792	20560
Real growth in bank debt	39977	3352	637	5273	299	10846	19570
Minus nominal interest costs	-24561	-524	-1590	-3531	-1298	-10076	-7543
Plus inflation erosion of bank debt	26812	2269	2093	3885	1010	9022	8533
Net new taxes =	12013	4431	899	450	583	3726	1924
Real growth in tax debt	6955	2749	522	286	364	1975	1059
Minus nominal interest/penalties	-1922	-86	-154	-189	-52	-1064	-378
Plus inflation erosion of tax debt	6980	1767	530	353	272	2815	1244
In proportion of total revenue							
From assets:							
Δ in real total current assets	0.066	0.045	0.027	-0.005	-0.019	0.051	0.093
of which:							
Δ in real inventories	0.024	0.016	0.009	0.005	-0.020	0.020	0.032
Δ in real trade credit extended	0.024	0.009	0.009	0.022	-0.007	0.018	0.034
Δ in other current assets	0.018	0.019	0.008	-0.032	0.007	0.013	0.027
From debt:							
Δ in real total debt	0.107	0.131	0.135	0.258	0.055	0.069	0.126
of which:							
Δ in real trade credit received	0.028	0.020	0.039	0.036	0.010	0.011	0.044
Δ in real bank credit	0.045	0.054	0.026	0.175	0.018	0.031	0.049
Δ in real tax liabilities	0.008	0.044	0.022	0.010	0.022	0.006	0.003
Δ in real other debt	0.026	0.013	0.049	0.036	0.006	0.021	0.030
Memo items:							
Financing: Δ in debt - Δ in assets	0.041	0.086	0.108	0.262	0.074	0.018	0.033
Net bank financing =	0.048	0.082	0.047	0.187	0.001	0.028	0.052
Real growth in bank debt	0.045	0.054	0.026	0.175	0.018	0.031	0.049
Minus nominal interest costs	-0.028	-0.008	-0.066	-0.117	-0.077	-0.029	-0.019
Plus inflation erosion of bank debt	0.030	0.036	0.086	0.129	0.060	0.026	0.021
Net new taxes =	0.014	0.071	0.037	0.015	0.034	0.011	0.005
Real growth in tax debt	0.008	0.044	0.022	0.010	0.022	0.006	0.003
Minus nominal interest/penalties	-0.002	-0.001	-0.006	-0.006	-0.003	-0.003	-0.001
Plus inflation erosion of tax debt	0.008	0.028	0.022	0.012	0.016	0.008	0.003

Table A4.2: Financing 1996							
	TOTAL	State-owned and formerly state-owned firms					Rest of economy
		Utilities	Chronic loss-makers	Other large loss-makers	Other loss-makers	Profitable	
In billion lei							
From assets:							
Δ in real total current assets	55396	-3251	-801	-160	-608	20765	39451
of which:							
Δ in real inventories	19418	1273	-196	-1006	-203	8326	11223
Δ in real trade credit extended	13977	-2202	-594	1545	-332	3509	12052
Δ in other current assets	22001	-2322	-11	-699	-73	8930	16176
From debt:							
Δ in real total debt	76208	-1356	989	5381	410	22679	48105
of which:							
Δ in real trade credit received	28783	-454	-536	4454	-410	3135	22595
Δ in real bank credit	27225	-868	172	-1900	96	13620	16105
Δ in real tax liabilities	7241	-345	1164	944	503	3194	1781
Δ in real other debt	12959	311	189	1883	221	2730	7624
Memo items:							
Financing: Δ in debt - Δ in assets	20812	1895	1790	5541	1018	1914	8654
Net bank financing =	59921	2963	2575	1616	1378	23658	27731
Real growth in bank debt	27225	-868	172	-1900	96	13620	16105
Minus nominal interest costs	-32218	-842	-1709	-5538	-1525	-11406	-11198
Plus inflation erosion of bank debt	64914	4673	4113	9054	2806	21444	22823
Net new taxes =	27908	4103	2879	2702	1581	11134	5508
Real growth in tax debt	7241	-345	1164	944	503	3194	1781
Minus nominal interest/penalties	-4594	-430	-693	-879	-466	-1404	-724
Plus inflation erosion of tax debt	25261	4878	2408	2637	1544	9344	4451
In proportion of total revenue							
From assets:							
Δ in real total current assets	0.054	-0.050	-0.034	-0.002	-0.029	0.056	0.084
of which:							
Δ in real inventories	0.019	0.019	-0.008	-0.015	-0.010	0.022	0.024
Δ in real trade credit extended	0.014	-0.034	-0.025	0.023	-0.016	0.009	0.026
Δ in other current assets	0.022	-0.036	0.000	-0.010	-0.003	0.024	0.034
From debt:							
Δ in real total debt	0.075	-0.021	0.041	0.080	0.019	0.061	0.102
of which:							
Δ in real trade credit received	0.028	-0.007	-0.022	0.067	-0.019	0.008	0.048
Δ in real bank credit	0.027	-0.013	0.007	-0.028	0.005	0.037	0.034
Δ in real tax liabilities	0.007	-0.005	0.049	0.014	0.024	0.009	0.004
Δ in real other debt	0.013	0.005	0.008	0.028	0.011	0.007	0.016
Memo items:							
Financing: Δ in debt - Δ in assets	0.020	0.029	0.075	0.083	0.048	0.005	0.018
Net bank financing =	0.059	0.045	0.108	0.024	0.065	0.064	0.059
Real growth in bank debt	0.027	-0.013	0.007	-0.028	0.005	0.037	0.034
Minus nominal interest costs	-0.032	-0.013	-0.072	-0.083	-0.072	-0.031	-0.024
Plus inflation erosion of bank debt	0.064	0.071	0.172	0.135	0.133	0.058	0.048
Net new taxes =	0.027	0.063	0.120	0.040	0.075	0.030	0.012
Real growth in tax debt	0.007	-0.005	0.049	0.014	0.024	0.009	0.004
Minus nominal interest/penalties	-0.005	-0.007	-0.029	-0.013	-0.022	-0.004	-0.002
Plus inflation erosion of tax debt	0.025	0.075	0.101	0.039	0.073	0.025	0.009

Table A4.3: Financing 1997							
	TOTAL	State-owned and formerly state-owned firms					Rest of economy
		Utilities	Chronic loss-makers	Other large loss-makers	Other loss-makers	Profitable	
In billion lei							
From assets:							
Δ in real total current assets	-100012	-26818	-1941	-6892	-4232	-31966	-28165
of which:							
Δ in real inventories	-23485	-3689	-1108	-4192	-2281	-8787	-3429
Δ in real trade credit extended	-33948	-12103	-536	-1607	-1505	-11737	-6460
Δ in other current assets	-42579	-11026	-297	-1093	-446	-11442	-18276
From debt:							
Δ in real total debt	-106533	-30806	-4313	-5673	-5128	-34726	-25886
of which:							
Δ in real trade credit received	-26647	-14734	-918	-663	-949	-4771	-4611
Δ in real bank credit	-53257	-14430	-3433	-3949	-2839	-17306	-11300
Δ in real tax liabilities	-19182	-4563	-1329	-748	-1184	-7535	-3821
Δ in real other debt	-7447	2921	1367	-313	-156	-5114	-6154
Memo items:							
Financing: Δ in debt - Δ in assets	-6521	-3988	-2372	1219	-896	-2760	2279
Net bank financing =	24946	-1095	948	3020	397	5829	15846
Real growth in bank debt	-53257	-14430	-3433	-3949	-2839	-17306	-11300
Minus nominal interest costs	-19680	-798	-1460	-2413	-1406	-7155	-6448
Plus inflation erosion of bank debt	97883	14133	5841	9382	4642	30290	33595
Net new taxes =	16284	3655	1657	906	950	5548	3568
Real growth in tax debt	-19182	-4563	-1329	-748	-1184	-7535	-3821
Minus nominal interest/penalties	-10971	-3220	-1346	-1143	-710	-2356	-2198
Plus inflation erosion of tax debt	46436	11438	4332	2797	2844	15439	9587
In proportion of total revenue							
From assets:							
Δ in real total current assets	-0.120	-0.253	-0.108	-0.247	-0.232	-0.120	-0.071
of which:							
Δ in real inventories	-0.028	-0.035	-0.062	-0.150	-0.125	-0.033	-0.009
Δ in real trade credit extended	-0.041	-0.114	-0.030	-0.057	-0.083	-0.044	-0.016
Δ in other current assets	-0.051	-0.104	-0.016	-0.039	-0.024	-0.043	-0.046
From debt:							
Δ in real total debt	-0.128	-0.291	-0.239	-0.203	-0.281	-0.130	-0.065
of which:							
Δ in real trade credit received	-0.032	-0.139	-0.051	-0.024	-0.052	-0.018	-0.012
Δ in real bank credit	-0.064	-0.136	-0.191	-0.141	-0.156	-0.065	-0.028
Δ in real tax liabilities	-0.023	-0.043	-0.074	-0.027	-0.065	-0.028	-0.010
Δ in real other debt	-0.009	0.028	0.076	-0.011	-0.009	-0.019	-0.015
Memo items:							
Financing: Δ in debt - Δ in assets	-0.008	-0.038	-0.132	0.044	-0.049	-0.010	0.006
Net bank financing =	0.030	-0.010	0.053	0.108	0.022	0.022	0.040
Real growth in bank debt	-0.064	-0.136	-0.191	-0.141	-0.156	-0.065	-0.028
Minus nominal interest costs	-0.024	-0.008	-0.081	-0.086	-0.077	-0.027	-0.016
Plus inflation erosion of bank debt	0.117	0.133	0.324	0.336	0.255	0.114	0.085
Net new taxes =	0.020	0.035	0.092	0.032	0.052	0.021	0.009
Real growth in tax debt	-0.023	-0.043	-0.074	-0.027	-0.065	-0.028	-0.010
Minus nominal interest/penalties	-0.013	-0.030	-0.075	-0.041	-0.039	-0.009	-0.006
Plus inflation erosion of tax debt	0.056	0.108	0.240	0.100	0.156	0.058	0.024

Table A4.4: Financing 1998							
	TOTAL	State-owned and formerly state-owned firms					Rest of economy
		Utilities	Chronic loss-makers	Other large loss-makers	Other loss-makers	Profitable	
In billion lei							
From assets:							
Δ in real total current assets	-9439	-3686	-1262	-6112	-2983	-5604	10208
of which:							
Δ in real inventories	-20245	-1467	-1206	-6002	-2726	-6833	-2013
Δ in real trade credit extended	8479	-2324	-147	-1257	-137	1360	10985
Δ in other current assets	2327	105	91	1147	-120	-131	1236
From debt:							
Δ in real total debt	41661	-2941	2021	6855	-80	4468	31337
of which:							
Δ in real trade credit received	13295	-3453	-344	-1213	-246	2311	16241
Δ in real bank credit	15012	573	-69	3085	-1264	4334	8354
Δ in real tax liabilities	8778	-209	1302	3455	935	670	2625
Δ in real other debt	4576	148	1132	1528	495	-2847	4117
Memo items:							
Financing: Δ in debt - Δ in assets	51100	745	3283	12967	2903	10072	21129
Net bank financing =	30868	1041	1086	5239	-379	9758	14123
Real growth in bank debt	15012	573	-69	3085	-1264	4334	8354
Minus nominal interest costs	-13640	-89	-596	-2351	-1161	-3908	-5536
Plus inflation erosion of bank debt	29495	558	1751	4506	2045	9331	11305
Net new taxes =	17682	2548	1690	3552	1366	3587	4940
Real growth in tax debt	8778	-209	1302	3455	935	670	2625
Minus nominal interest/penalties	-8972	-93	-1366	-3120	-1287	-1590	-1515
Plus inflation erosion of tax debt	17876	2850	1754	3217	1718	4507	3830
In proportion of total revenue							
From assets:							
Δ in real total current assets	-0.014	-0.121	-0.112	-0.112	-0.138	-0.036	0.027
of which:							
Δ in real inventories	-0.031	-0.048	-0.107	-0.110	-0.126	-0.044	-0.005
Δ in real trade credit extended	0.013	-0.076	-0.013	-0.023	-0.006	0.009	0.029
Δ in other current assets	0.004	0.003	0.008	0.021	-0.006	-0.001	0.003
From debt:							
Δ in real total debt	0.064	-0.096	0.179	0.126	-0.004	0.029	0.082
of which:							
Δ in real trade credit received	0.020	-0.113	-0.031	-0.022	-0.011	0.015	0.043
Δ in real bank credit	0.023	0.019	-0.006	0.057	-0.058	0.028	0.022
Δ in real tax liabilities	0.013	-0.007	0.116	0.063	0.043	0.004	0.007
Δ in real other debt	0.007	0.005	0.101	0.028	0.023	-0.018	0.011
Memo items:							
Financing: Δ in debt - Δ in assets	0.078	0.024	0.291	0.238	0.134	0.064	0.055
Net bank financing =	0.047	0.034	0.096	0.096	-0.018	0.062	0.037
Real growth in bank debt	0.023	0.019	-0.006	0.057	-0.058	0.028	0.022
Minus nominal interest costs	-0.021	-0.003	-0.053	-0.043	-0.054	-0.025	-0.015
Plus inflation erosion of bank debt	0.045	0.018	0.155	0.083	0.095	0.060	0.030
Net new taxes =	0.027	0.083	0.150	0.065	0.063	0.023	0.013
Real growth in tax debt	0.013	-0.007	0.116	0.063	0.043	0.004	0.007
Minus nominal interest/penalties	-0.014	-0.003	-0.121	-0.057	-0.060	-0.010	-0.004
Plus inflation erosion of tax debt	0.027	0.093	0.156	0.059	0.080	0.029	0.010