

The Barometer of the Romanian Economy

7 THE BAROMETER OF THE ROMANIAN ECONOMY*

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Introduction

"The Barometer of the Romanian Economy" intends to be a *mirror* of the evolution of the Romanian economy and, at the same time, to be its *global indicator of state and trend*. "The Barometer of the Romanian Economy" was first published some years ago in *Microeconomia aplicată*, on the initiative and under the co-ordination of Professor Cezar Mereuță. Quarterly, during 1997-1999, eight issues were published until December 1999, when the publication ceased to exist. In 2000, "The Barometer of the Romanian Economy" reappeared as a semester topic in the *Romanian Journal of Economic Forecasting*, Nos.1-2.

1. Evolution of the Romanian Economy Developments in the fourth quarter of 2005

Elena PELINESCU

The macroeconomic performance of Romania continued to be favourable in the last quarter of 2005, the main concern being the high increase in the current account deficit as an expression of the external disequilibria (11.6% of GDP). The real GDP grew up by 4.3% as compared to the same quarter of the last year, a lower level as compared to the first two quarters, based on the actual final consumption by households and investment factors. Thus, the real GDP increased by 4.1% in 2005 as compared to 2004; the deficit in the consolidated budget represented 0.8% of GDP (by 0.2 percentage points below the projected level, not surprising if one considered the surplus in the first three quarters of 2005); the average inflation was 8.5% in the fourth quarter, so that the average inflation in 2005 registered 9.0%, exceeding the target; and the private sector continued to be preponderant in the structure of the social capital, supported by the acceleration of the privatisation process.

The real sector registered a slow growth as compared to the same period of the last year, so that the *external deficit* increased in order to cover the domestic demand.

* Parts of the articles published on the site *Barometer of the Romanian Economy*, Internet Securities Inc., ISI Emerging Markets, <http://www.securities.com>.

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The Macroeconomic Indicators

	U.M.	Q I 2005 (% as against 1st quarter 2004)	Q II 2005 (% as against 2nd quarter 2004)	Q III 2005 (% as against 3rd quarter 2004)	QIV 2005 (% as against 4th quarter 2004)	2005 (% as against 2004)
Real GDP Growth	%	+6.0	+4.5	+2.4	+4.3	+4.1
Agriculture (GVA)	%	+1.8	-10.2	-14.3	-16.4	-13.9
Industry (GVA)	%	+5.2	+2.6	+1.0	+1.7	+2.5
Constructions (GVA)	%	+3.8	+4.0	+10.4	+13.5	+9.9
Total Final Consumption, of which:	%	+11.9	+10.7	+7.2	+6.4	+8.5
- Actual Final Consumption of Households	%	+12.5	+11.1	+7.7	+6.4	+9.0
Gross Fixed Capital Formation	%	+5.2	+8.9	+10.8	+21.3	+13.0
Investment Rate	% of GDP	15.5	23.0	26.4	24.6	23.11
Export of Goods and Services	%	+8.8	+3.3	+8.4	+9.8	+7.8
Import of Goods and Services	%	+18.4	+16.1	+17.4	+17.2	+17.2
Inflation Rate (average)	%	+8.9	+9.9	+8.9	+8.5	+9.0
Unemployment Rate – eop	%	6.1	5.6	5.6	5.9	5.9
Consolidated General Budget Deficit	% of GDP Million RON	+0.75 +371	+1.0 +658.6	+1.3 +1031.6	-0.8 -2326.3
Exchange Rate (average)	Leu/EUR	3.70936	3.62045	3.53717	3.63677	3.62344
Exchange Rate (average)	Leu/USD	2.82939	2.87478	2.89227	3.0579	2.91359
Export of Goods (FOB)	Million EUR	5094.6	5432.0	5939.2	5789.3	22255.1

	U.M.	Q I 2005 (% as against 1st quarter 2004)	Q II 2005 (% as against 2nd quarter 2004)	Q III 2005 (% as against 3rd quarter 2004)	QIV 2005 (% as against 4th quarter 2004)	2005 (% as against 2004)
Import of Goods (CIF)	Million EUR	6669.2	8070.3	8326.7	9502.3	32568.5
Current Account Deficit	% of GDP Million EUR	-6.5 -899	-10.3 -1806	-5.7 -1282	-11.6 -2994	-8.7 -6891
Direct Investments (Net Flow)	Million EUR	+373	+1106	+1234	+2495	+5208
Total Medium- and Long- Term External Debt*	Million EUR	20455.5	22063.1	22981.8	24407.6	24407.6
- Public Debt	EUR	6626.6	7189.8	7204.0	6979.2	6979.2
-Public guarantee Debt	Million EUR	4022.1	4287.0	4305.6	4341.5	4341.5
	Million EUR					

Source: INS Monthly Statistical Bulletin, NBR Monthly Bulletin, Ministry of Public Finance and Author Calculus.

* Cumulated data.

GVA = Gross Value Added.

The *value added in the industrial sectors* increased by 1.7% in the fourth quarter of 2005 as compared to the same period of the last year, as a result of the acceleration of the restructuring process. Thus, in 2005 the value added in the industrial sectors increased by 2.5%, less than the other sectors (except for agriculture). In the fourth quarter of 2005, the contribution of the industrial sectors to the value added of the whole economy reached 23.8%, and 21.3% of the GDP, less than the levels registered in the same period of 2003 and 2004.

The decrease in the *value added in agriculture* was 16.4% in the last quarter of 2005 and 13.9% in 2005; considerably due to the bad weather conditions and catastrophic floods in that year in many areas of Romania.

The *value added in the constructions sector* increased by 13.5% in the fourth quarter of 2005 as compared to the same period of the last year, due to the increase in the residential buildings. This level was the highest one in the last three years. The dynamics of the value added of this sector was higher as compared to the industrial sector, as a result of the decrease in the interest rate and higher interest in new constructions, both residential and non-residential, and also in civil engineering. The contribution of the constructions sector to the value added of the whole economy reached 9.8% in 2005, by 3.9 percentage points above the level of the contribution to the GDP.

The *gross fixed capital formation* increased by 21.3% in the last quarter of 2005 as compared to the same period of the last year, the highest in the last three years, and the investment rate reached 24.6%, in response to the decrease in the interest rate and some restrictions on the credit conditions. Thus, the gross capital formation increased by 13% in 2005 as compared to 2004. In 2005, the contribution of gross fixed capital formation to the GDP reached 23.5%. In addition, the capacity of the Romanian economy to absorb direct investments grew up, so that the direct investment net inflow reached 5208 million euros at the end of December 2005, that is 81 million euros over the level reached in the same period of the previous year.

The *actual final consumption by households* increased by 6.4% in the fourth quarter of 2005, less as compared to the previous quarter, as a result of further restrictions imposed by the NBR to the credit institutions, in order to control the consumption by the households. Even so, the import of goods and services to cover the domestic demand increased by 17.2% and the current account deficit reached 2994 million euros. In 2005, the final consumption by households increased by 9.0%, so that its share in GDP reached 77.4%, 0.3% below the level of the same period of the last year.

The share of the *final consumption component* in the GDP decreased from 92.6% in the first quarter to 88.7% in the last quarter of 2005, as a result of the dynamics of household consumption.

At the same time, the *public administration consumption* increased by 6.3% in the last quarter of 2005, and by 4.9% over the whole year.

The *export of goods and services* increased by 9.8% in the last quarter of 2005 and by 7.6 % in 2005, below the level of *import of goods and services* (+ 17.2%); which accounts for the higher level of the trade balance deficit. In 2005, the *coverage degree*



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of import goods by export goods was 74%, due to the increase in the *trade deficit* up to 7806.3 million euros.

The *inflation rate* declined slowly, to a level of 8.4% reached in the last quarter of 2005. In 2005, the average monthly inflation rate was 0.7%, based on higher price increases in services (around 1.5%) and non-food goods (1.007%), which mean an average inflation rate of 9%.

The *medium and long-term external debt* increased from 18151.7 million euros in December 2004 to 20455.4 million euros at the end of the first quarter of 2005, to 22063.1 million euros at the end of June 2005, to 22981.8 million euros at the end of September and to 24407.6 million euros at the end of December, showing an acceleration of the process in the first and last quarters of 2005. The direct public debt decreased slowly in the last quarter of 2005, from 7204 million euros at the end of September to 6979.2 million euros at the end of December 2005, and represented 28.6% of the total medium and long-term external debt at the end of 2005. The public guaranteed debt represented over the same period 17.8%, decreasing by 0.95 percentage points as compared to the end of September 2005.

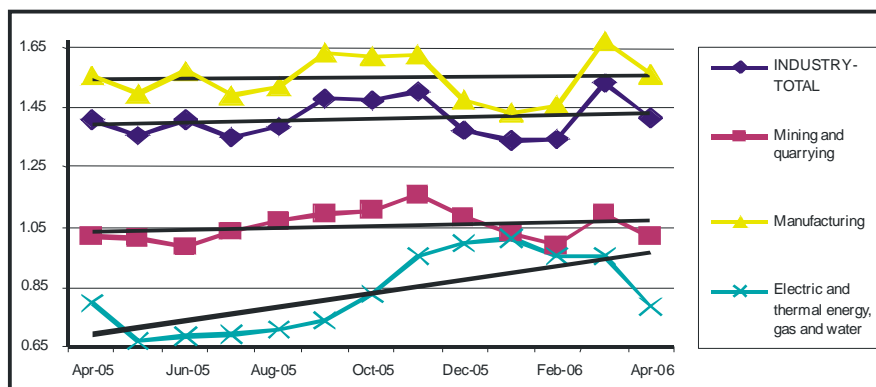
2. Industrial Production

(Source: Monthly Statistical Bulletin No. 4/2006, NIS)

Ionel FLORESCU

In the first four months of 2006, the actual increase in *Industrial Output* amounted to 1.1%, 0.7 percentage points lower than the previous increase. It is worth noticing that the actual increases in *Manufacturing* and *Electric and thermal energy, gas and water* were also 0.7 percentage points lower than the previous ones, thus determining the overall actual decrease in industrial output (see the graph presenting the monthly dynamics of the output indices). The actual increase reverted to negative as compared to the previously analyzed interval in *Mining and quarrying* (-0.1 percentage points, resulting in a -0.2 percentage points growth). However, all the trends in the main sectors and overall *Industrial Output* went upwards.

Monthly evolution of the production indices



The current dynamics was due to the change in industrial sectors as follows:



	% increase	E.f.p.a*	Trend
Industry – Total	1.1	-0.7	Upward
Manufacturing	1.3	-0.7	Upward
Mining and quarrying	-1.9	-0.7	Upward
Electric and thermal energy, gas and water	-0.1	-0.2	Upward

* *The percentage difference as against the previous interval (in percentage points).*

As compared to the corresponding period in the previous year, the Manufacturing Sector recorded the highest increases in the following industries:

	% increase	E.f.p.a*	Trend
Road transport means	25.5	-3.5	Upward
Furniture and other industrial activities – n.e.c.	13.2	-3.3	Upward
Publishing houses, polygraphy and recording on supports	13.0	-0.8	Downward
Petroleum processing, coal coking and treatment of nuclear fuels	9.3	-1.6	Stagnant 122.1%

* *The percentage difference as against the previous interval (in percentage points)..*

The most significant decreases were registered by the following industries:

	% increase	E.f.p.a*	Trend
Equipments, radio, TV sets and communications	-39.4	1.2	Downward
Textiles and textile fabrics	-14.0	-1.1	Downward
Ready-made clothes	-12.8	0.2	Downward
Medical, precision, optical and watchmaking instruments and apparatus	-11.3	-1.2	Downward

* *The percentage difference as against the previous interval (in percentage points)..*

As compared to the previous interval, a single new entrant appeared in the group of the highest increasing industries (*Petroleum processing, coal coking and treatment of nuclear fuels*). In the highly increasing industries the actual increases were 0.8-3.5 percentage points lower than the previous ones. As regards the highest decreasing industries, the decreases in output were higher 1.1 – 1.2 percentage points, except for *Ready made clothes* (0.2 percentage points), and *Equipments, radio, TV sets and communications* (by 1.2 percentage points)

During the analyzed interval, both the *Petroleum and natural gas extraction* and *Other extraction activities* recorded slightly positive growths (0.7%), while the output declined significantly, by 2.3 percentage points in *Coal mining and preparation*, and decreased slightly, by 0.3 percentage points, in *Iron ore mining*.

In the *Mining and quarrying* sector, the production evolved as follows:



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	% increase	E.f.p.a*	Trend
Increase in:			
Other extraction activities	4.4	0.7	Downward
Petroleum and natural gas extraction - excluding prospecting	4.3	0.7	Upward
Decrease in:			
Iron ore mining and preparation	-20.7	-0.3	Downward
Coal mining and preparation	-5.3	-2.3	Upward

* The percentage difference as against the previous interval (in percentage points)..

The production of *Electric and Thermal power, gas and water* recorded an overall decrease due to the evolutions of its two industries:

	% increase	E.f.p.a*	Trend
Increase in:			
Production, transport and distribution of electric and thermal power, of gas and hot water	0.1	-0.9	Upward
Decrease in:			
Water resources administration, water collection, purification and distribution	-9.3	0.2	Downward

* The percentage difference as against the previous interval (in percentage points).

The output in *Production, transport and distribution* continued to decrease, by 0.9 percentage points as compared to the previously analyzed interval (resulting in an actual increase of only 0.1%), while in *Water resources* the decrease in output continued to slow down (+0.2%, resulting in an actual decrease by 9.3%).

The changes in trends were:

- The *upward* trend during the previous period turned *downwards* in the industry:
 - Publishing houses, polygraphy and recording on supports
- The *stagnant* trend during the previous period turned *upwards* in the industry:
 - Food and beverages
- The *downward* trend during the previous period turned *upwards* in the sectors and industries:
 - Coal mining and preparation
 - Metallurgy
 - Manufacturing.

3. Foreign Trade

(Source: Monthly Statistical Bulletin No. 4/2006, NIS)

Nona CHILIAN



Foreign Trade Dynamics

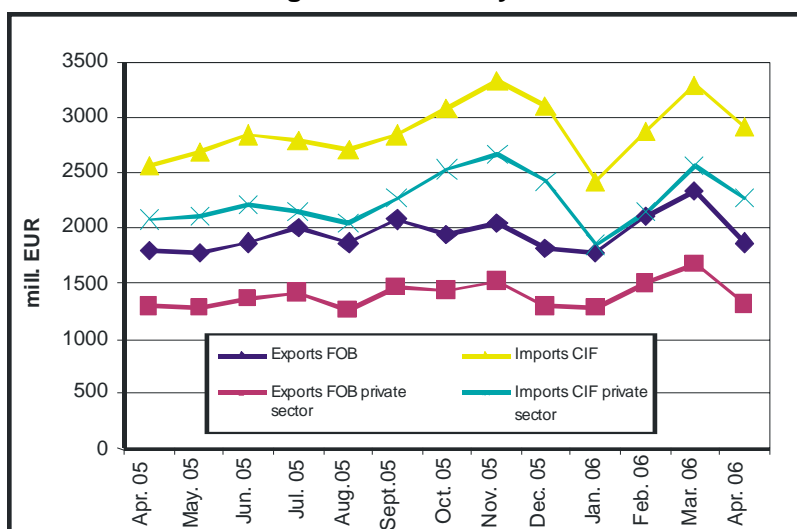
- % -

	Apr. 2006/Mar. 2006	Apr. 2006/Apr. 2005	Jan-Apr. 2006/Jan-Apr. 2005
Exports fob	79.8	103.7	117.2
- of which private sector	77.9	101.6	112.7
Imports CIF	88.6	114.1	124.6
- of which private sector	88.5	109.2	121.2

Note: Data for January-March 2006 are rectified and for April 2006 are provisional and can be subsequently rectified.

Source: National Authority of Customs (NAC).

Foreign trade flows by sector



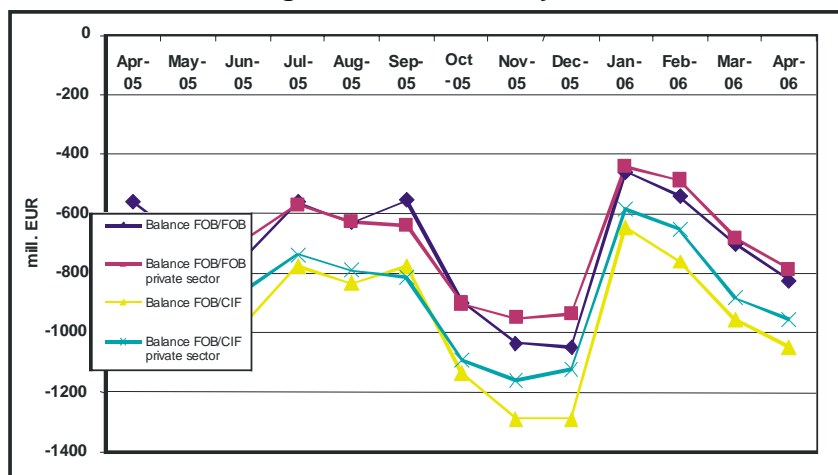
In April 2006 the *trade flows* pattern interrupted the ascending trend revealed in the past three months: the exports and the imports decreased as compared to the previous month (the exports more than the imports), while as compared to April 2005 and the cumulated interval both exports and the imports increased, but the increases in exports were much lower than those in imports. The private sector's trade flows evolutions were quite similar, but the decreases and increases in exports and imports were lower than the overall ones. The situation signals significant structural changes on the way and possible difficulties in the activity of the exporting companies, and also the pattern of one of the "usual" holiday months, a recovery of the economic activity is likely afterwards. However, the slower growth of the private sector's exports is likely to



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raise some concerns in the future, if it continues. The exchange rate fluctuations (both in favor of appreciation and depreciation of the national currency) will be able to influence to a significant extent the trade flows' dynamics also in 2006.

Foreign trade balances by sector



The overall and private sector *trade balance deficits* were quite similar in April 2006 as compared to the previous month, all the deficits increasing. As compared to April 2005, the overall dynamics and the private sector deficit dynamics were different: the overall FOB/FOB deficit was 47.1% higher than the corresponding deficit registered in April 2005 and the overall FOB/CIF deficit was 38.5% higher, while the private sector FOB/FOB deficit was 24.9% higher than the corresponding deficit in April 2005, and the private sector FOB/CIF deficit was 21.7% higher.

Following the general patterns of trade flows, the *coverage ratio of imports by exports* (FOB/FOB) decreased in April 2006 to 69.3%, 7.6 percentage points lower than in the previous month, and 6.9 percentage points lower than in April 2005.

As regards the *main trade partners* of Romania in January-April 2006, the European Union was the leading partner, but the increase in the overall exports to this area continued to be lower than the overall increase in exports. Italy and Germany were the most important trade partners, followed by France and a group of 'medium' (in terms of export and import values), but important trade partners: Hungary, the UK, Austria, Spain, Greece, the Netherlands, Poland, Belgium and the Czech Republic. The increase in the exports to the main "traditional" trade partners was generally lower (except for Germany and France) or even reverted to decrease (as in the case of the UK and the Netherlands) than the increase in exports to some of the medium and smaller ones (such as Cyprus, Slovakia, Slovenia, Hungary, the Czech Republic, Poland, Spain, Ireland, Greece, Estonia and Austria). An overall trade deficit was registered and small trade surpluses were recorded with some of the trade partners: the United Kingdom, Greece, Hungary, Cyprus and Malta.

The signals coming from the Balkans continued to be mixed: the exports to the countries in the region increased, except for FYROM and Croatia, and the imports



from these countries increased less (except for FYROM and Turkey), which might raise some concerns for the future (especially in the case of Turkey, the main trade partner in the region). The export values remained modest, except for the exports to Turkey, Bulgaria and Serbia-Montenegro. All the trade balances with the countries in this area registered surpluses, but the surplus with Turkey continued to shrink.

The situation regarding the trade with the Community of Independent States continued to improve in January-April 2006; the Romanian exports towards this area increased strongly, although the export values stayed modest. The most important market continued to be by far the Russian Federation; both the imports and the exports from/to this very large market increased significantly as against January-April 2005, and the Romanian exports were nearly two and half times in value as compared to the same interval, although reaching still modest amounts. A surplus in the trade relationships with the Republic of Moldova was recorded, and strong signs of recovery were recorded in the trade with Ukraine (the exports being more than four times in value, while the imports decreased slightly as compared to January-April 2005).

As regards the countries belonging to the European Free Trade Association, the Romanian exports to this market increased strongly in January-April 2006 as compared to the same interval of 2005, and a trade surplus was recorded in the trade balance with Norway.

In January-April 2006, the *exports* increased by 17.2% as compared to the same interval of the previous year. The highest increases were registered in the sectors *Transport means* (54.2%), *Vegetable products* (48.3%), *Mineral products* (47.2%), *Machinery and equipment* (39.7%), *Optical, photo, cinema, medical, etc. instruments, parts and accessories* (35.7%), *Plastics, rubber and articles thereof* (22.1%) and *Food products, beverages, tobacco* (18.9%). Decreases occurred in the sectors *Vegetable or animal fats and oils* (by 48.2%), *Paper, cardboard and articles thereof* (by 8.5%), *Textiles and articles thereof* (by 2.7%) and *Products not included in other sections* (by 2.3%). The highest positive structural changes were recorded by the sectors *Mineral products*, *Machinery and equipment* and *Transport means*, while the highest negative structural changes occurred in the sectors *Textiles*, *Chemicals and connected*, *Footwear*, *Common metals* and *Miscellaneous goods and products* – which clearly signals important structural developments within the industrial structure, and a loss of competitiveness of the “traditional” Romanian export products, affected by the earlier appreciation of the national currency.

The *imports* increased by 24.6% in January-April 2006 as against the same interval of the previous year, the highest increases being recorded in the sectors: V - *Mineral products* (by 41.0%), XXII – *Products not included in other sections* (by 39.9%), IV – *Food, beverages and tobacco* (by 35.0%), XVI – *Machinery and equipment* (by 30.7%), II – *Vegetable products* (by 29.3%), XX - *Miscellaneous products* (by 28.4%) and XVII – *Transport means and materials* (by 27.3%). The highest positive structural changes (decreases) were recorded by the sectors *Textiles*, and *Chemicals and connected*, while the highest negative structural changes (increases) occurred in the sectors *Mineral products* and *Mechanical and electrical machinery*.

The *balance of trade by sectors* (FOB/CIF) recorded in January-April 2006 the highest deficits in the sectors: XVI (*Electrical machinery, appliances and equipment*) –



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EUR 1101.7 million, V (*Mineral products*) – EUR 961.2 million, VI (*Chemicals and connected*) – EUR 531.6 million, XVII (*Transport means*) – EUR 428.7 million, VII (*Plastics, rubber and articles thereof*) – EUR 350.3 million and IV (*Food, beverages, tobacco*) – EUR 295.1 million, while the main *surpluses* were in the sectors: XI (*Textiles*) – EUR 308.3 million, XII (*Footwear*) – EUR 296.1 million, IX (*Wooden products, cork and wattles*) – EUR 190.8 million (the single slightly increasing surplus as compared to January-April 2005), XX (*Miscellaneous goods and products*) – EUR 185.8 million and XV (*Common metals and thereof*) – EUR 176.9 million (down to nearly half of the surplus recorded in January-April 2005). The overall trade balance (provisional data) recorded a deficit amounting to EUR 3410.6 million, 47.6% higher than in January-April 2005.

4. Exchange Rate

(Source: Monthly Statistical Bulletin Nos. 1-12/2005 and 4/2006, NIS)

Cornelia SCUTARU

Evolution of the Nominal Exchange Rate

April 2006

- as against the EUR –

	RON/ EUR*	% as against the previous month	% as against December of the previous year
Nominal exchange rate – monthly average	3.4911	99.5	95.4
Nominal exchange rate – at end of period	3.4743	98.7	94.5

Since July 1st, 2005, all the nominal values are reported in RON. 1 RON = 10,000 ROL.

Evolution of the nominal Exchange Rate

April 2006

- as against the USD –

	RON/ USD*	% as against the previous month	% as against December of the previous year
Nominal exchange rate – monthly average	2.8485	97.6	92.4
Nominal exchange rate – at end of period	2.7674	95.2	89.0

Since July 1st, 2005, all the nominal values are reported in RON. 1 RON = 10,000 ROL.

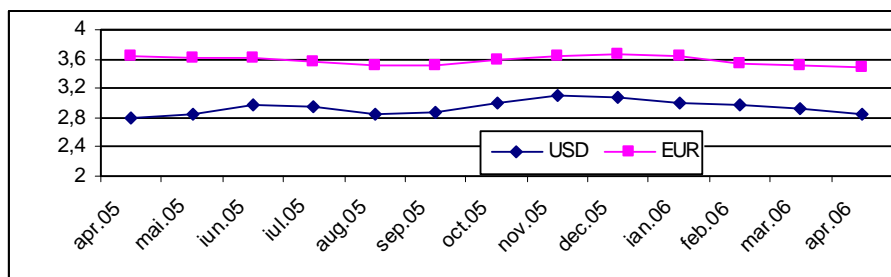
The evolution of the exchange rate as against the EUR as compared to the previous month revealed an appreciation (by 0.5 percentage points) of the national currency (monthly average).

As against USD, in April 2006 an appreciation (by 2.4 percentage points) of the national currency as against the previous month was recorded (monthly average), reflecting the USD/EUR exchange rate dynamics.



As compared to the *currency basket* proposed by the NBR (75% EUR, 25% USD), an appreciation by 0.975% of the national currency occurred in April, while inflation was 0.42%. As against the last month of the previous year, the currency basket appreciated by 4.825%, while inflation reached 1.91%.

Evolution of the Exchange Rate (Monthly Average)



As compared to the *other saving instruments* (state securities with descending trend), the foreign currencies were for a long time the alternative sources of saving mostly appreciated by population. However, the latest developments are likely to impose the re-evaluation of such options, bringing major changes in the forex markets, at the Stock Exchange and on the real estate market.

2003 revealed an *appreciation as against the USD* (by 2.7 percentage points) and *depreciation as against the EUR* (by 18.5 percentage points), while inflation reached 14.1% (December-to-December). As against the euro, the depreciating trend of the national currency was significant in 2002 and 2003.

A *change* in the trend occurred in February-March 2004: while the inflation as against December of the previous year reached 2.2%, in March the ROL appreciated as against the euro by 1.3 percentage points as compared to December 2003. The depreciation of ROL as against the euro resumed in April; nevertheless, in May-September 2004 the process stagnated. Major changes occurred over the interval October-December, when a strong appreciation of the national currency occurred as against both the US dollar and the euro (stronger as against the former). As a conclusion, 2004 was a year of *major developments* in the exchange rate.

The same trend of appreciation of the RON as against the euro continued also in 2005 until September, but in October-December the trend changed. However, an increase in the US dollar/euro exchange rate was revealed over the period June-December, reflected by the slight depreciation of the RON as against the euro.

2006 started with an appreciation of the RON as against both the EUR and the USD, higher than the latter, reflecting the international market dynamics. The appreciation continued also in February, March and April.

It is worth noticing that since December 2002 the *EUR dynamics as against the US dollar* has practically changed the power ratio between the two currencies in favour of the euro. Although the tradition maintained for a long time the US dollar as the main foreign currency for saving, the euro won its position on the domestic forex market.

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The evolution of the EUR/USD ratio in favour of the EURO eased up the transition towards saving in the single European currency.

5. Inflation

(Source: Price Statistical Bulletin Nos.1-12/2005, 4/2006, NIS)

Cornelia SCUTARU

Consumer Price Indices April 2006

	% as against the previous month	% as against December of the previous year	% as against October 1990
Total	100.42	101.91	278307.6
Food goods	100.45	101.75	222506.0
Non-food goods	100.38	102.54	286677.2
Services	100.42	100.68	481464.6

During the analysed period (April 2005–April 2006), the *consumer price indices* as against October 1990 had an upward evolution, highly dampened by the low inflation rate, and a certain decrease was recorded by the services in February and March 2006. As compared to the previous years, 2004 revealed a moderate inflation dynamics. However, the repeated energy price increases strongly impacted by propagated effects upon inflation during the winter 2003-2004. It was one of the most delicate areas as regards the impact upon inflation.

In 2005, the increase in inflation was moderate; the highest increase being recorded in the non-food goods in April and in services in February and April. The May-December interval was characterized by low inflation levels in all the three domains (food goods, non-food goods and services).

2006 started with quite a high inflation (1.03%), especially in the case of the non-food goods (1.88%). In February, March and April the inflation decreased significantly, and diminutions in the consumption prices were recorded by the services only in February and March.

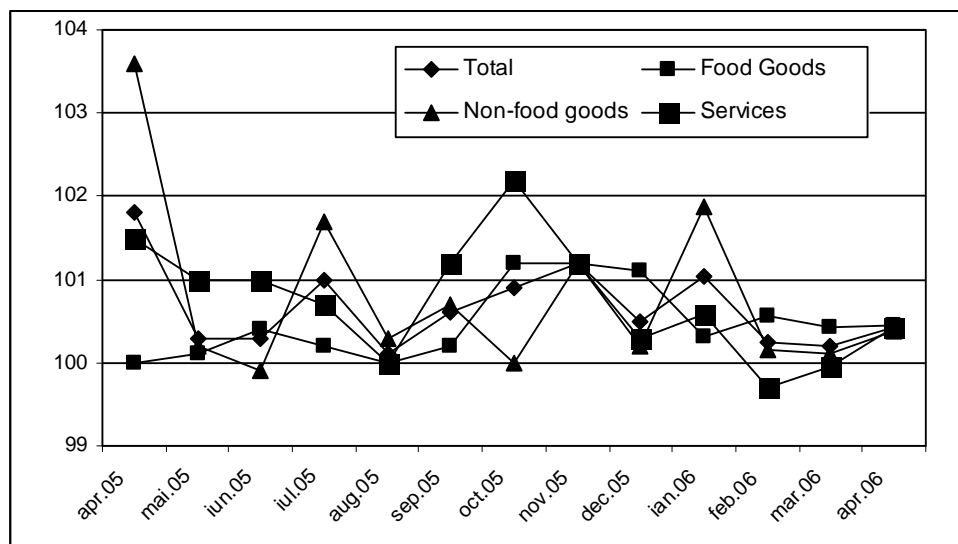
The correlation with *industrial production prices* for the domestic market is maintained.

Regarding the *inflation dynamics as against that of the exchange rate*, the appreciation of the leu occurred in the past months has completely changed the power ratio and the role of the exchange rate in the inflationary process at work within the Romanian economy. In April 2006, an appreciation by 0.975% of the RON¹ as against the currency basket occurred as compared to the previous month, while inflation reached 0.21%. As compared to December 2005, the currency basket appreciated by 4.825%, while inflation reached 1.48%.

Evolution of the Consumer Price Index as against the Previous Month

¹ Since July 1st, 2005, the nominal values are reported in RON. 1 RON = 10,000 ROL.





6. Wage Earnings of the Population

(Source: Monthly Statistical Bulletin, No. 4/2006, NIS)

Crenguța PANĂ

Evolution of the Nominal Net Average Salary Earnings April 2006

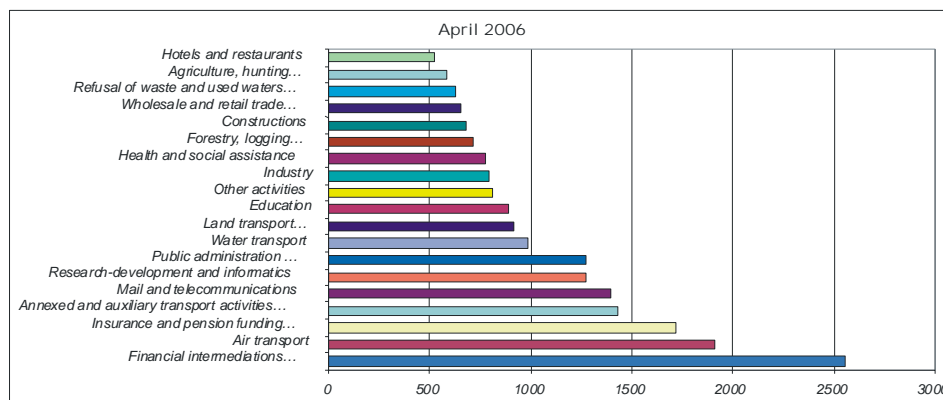
	RON/ month	% as against the previous month
Total	839	101.3
Agriculture, hunting and annex services	582	102.1
Forestry, logging and related service activities	709	114.4
Industry	797	99.0
Constructions	685	103.8
Wholesale and retail trade; repair of motor vehicles, motorcycles and repair of personal and household goods	656	99.5
Hotels and restaurants	524	101.4
Land transport; transport via pipelines	909	116.7
Water transport	991	106.8
Air transport	1905	112.1
Annexed and auxiliary transport activities; travel agencies activities	1434	131.2
Mail and telecommunications	1399	108.3



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	RON/ month	% as against the previous month
Financial intermediations (except for activities of social insurance public system)	2558	81.0
Insurance and pension funding (except for activities of social insurance public system)	1721	108.2
Research-development and informatics	1270	102.6
Public administration and defence; social insurance of public sector	1271	103.9
Education	891	98.9
Health and social assistance	774	101.0
Refusal of waste and used waters; reclamation, sanitation and similar activities	632	112.1
Other activities	806	110.9

Ranking of economic activities by descending order of the average net monthly earnings

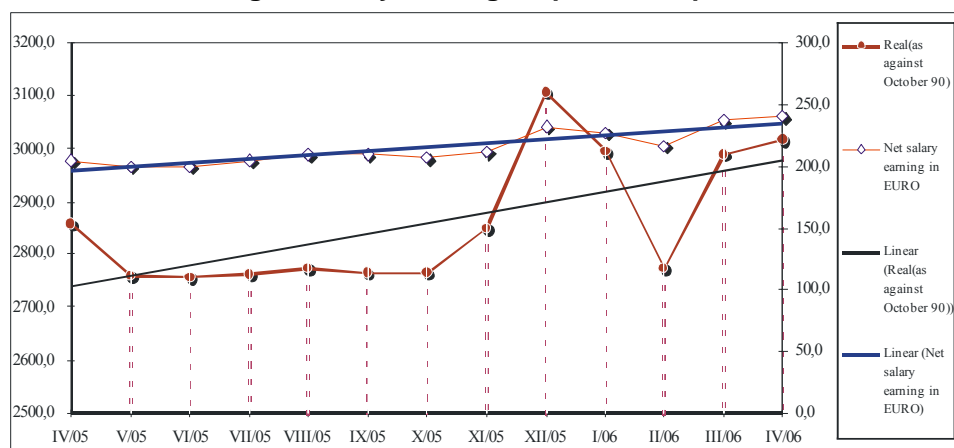


In April 2006 the breakdown by activities, in ascending order, revealed the following: in seven activities did the average net nominal wage earnings exceed RON 1000/month: *Financial intermediations, Air transport, Insurance and pension funding, Annexed and auxiliary transport activities; travel agencies activities, Mail and telecommunications, Research-development and informatics and Public administration and defence; social insurance of public.* In *Financial intermediations* a significant decrease in the average net nominal wage earnings was recorded: from 3158 RON/month to 2558 RON/month (that means a decrease by about 19.0 percentage points as compared to the previous month). The average net nominal wages in *Hotels and restaurants; Agriculture, hunting and annex service; Refusal of waste and used waters; reclamation, sanitation and similar activities; Wholesale and retail trade; Constructions; Forestry, logging and related service activities; Health and social assistance; Industry; Other activities* and *Education* are still lower than the average per economy (RON 839/month).



The *average net nominal wage* increased slightly in April 2006 over the whole economy as compared to the previous month (by 1.3 %). Increases in the *average net nominal wage* were recorded in that month in almost all the sectors: *Annexed and auxiliary transport activities; travel agencies activities* (by 31.2%); *Land transport; transport via pipelines* (by 16.7%); *Forestry, logging and related service activities* (by 14.4%); *Air transport* (by 12.1%); *Refusal of waste and used waters; reclamation, sanitation and similar activities* (by 12.1%); *Other activities* (by 10.9%); *Mail and telecommunications* (by 8.3%); *Insurance and pension funding (except activities of social insurance public system)* (by 8.2%); *Water transport* (by 6.8%); *Public administration and defence; social insurance of public sector* (by 3.9%); *Constructions* (by 3.8%); *Research-development and informatics* (by 2.6%); *Agriculture, hunting and annex services* (by 2.1%); *Hotels and restaurants* (by 1.4%) and *Health and social assistance* (by 1.0%); while decreases occurred in only four sectors: *Financial intermediations (except activities of social insurance public system)* (by 19.0%); *Education* (by 1.1%); *Industry* (by 1.0%) and *Wholesale and retail trade* (by 0.5%).

Average monthly earnings, April 2005 April 2006



The trend of the *real net wage earnings* (as against October 1990) over the interval April 2005–April 2006 showed a slight increase, while the trend of the *net wage earnings* expressed in euro showed also a slight increase as against the previous month. One may observe that these two trends get closer to each other than in the previous month. Also, it should be noted that in this month the *real net wage earnings* (as against October 1990) recorded a slight increase as against the previous month of the same year and, also, as against the same month of the previous year. A similar evolution was recorded by *the net wage earnings expressed in EUR*: an increase by 17.3 percentage points as against the same month of the previous year and an increase by 1.8 percentage points as against March 2006. In April 2006, the *real net wage earnings* increased by 5.5% as compared to April 2005. As against October



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1990, the ratio of the net average salary earnings to the consumer price index decreased in April 2006 by 8.4%.

Over the interval April 2005–April 2006, the difference between the *average gross nominal wage earnings* and the *average net wage earnings* increased gradually (with some decreases in some months) over the entire interval, with a slight increase in the current month.

7. Unemployment

(Source: Monthly Statistical Bulletin No. 3/2006, NIS)

Carmen UZLĂU

Unemployment End of January 2006

Total number of unemployed (thou. persons)	545.884
Unemployment rate ^{*)}	6.2

^{*)} The ratio of the total number of unemployed to active civilian population on 1st January, 2006.

In the country, in March 2006 the unemployment rate ranged between 12.1% (Vaslui) and 2.4% (Ilfov). *Counties with an unemployment rate lower than 10.0 %* were: Arad, Alba, Sălaj, Argeş, Buzău, Giurgiu, Iaşi, Brăila, Sibiu, Mureş, Tulcea, Bacău, Dolj, Bistriţa-Năsăud, etc.

In March 2006, the *territorial distribution* of unemployment showed concentrations of the counties within the intervals: 5.5-6.3% (9 counties), 2.4-5.0% (11 counties), 7.1-7.5% (9 counties) and 8.0-12.1% (13 counties).

The evolution of the unemployment rate over the interval December 2004–March 2006 showed that the unemployment rate recorded in March 2006 the same value as in December 2004, 6.2% respectively. However, the trend was slightly upwards in the past four months.

8. Retail Trade and Market Services Rendered to Households

(Source: Monthly Statistical Bulletin No. 4/2006, NIS)

Marioara IORDAN

Turnover without VAT of the Volume Indices of Retail Trade and Market Services Rendered to Households

Indicators	Turnover indices (%), in April 1 2006 as against:	1.I.-31.IV. 2006 as against
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	April 2005	March2 2006	1.I. – 1.IV. 2005 (%)
Turnover without VAT of the volume indices of retail trade (excepting motor vehicles and motorcycles trade) - total	101.6	116.0	122.6
Turnover without VAT of the volume indices of wholesale and retail trade maintenance and repair of motor vehicles and motorcycles ; retail trade of motor vehicles fuels - total	108.8	108.1	113.3
Turnover Without VAT of Volume Indices of Market Services for the Population - total	92.9	99.0	99.6

Note: Since 2005, the turnover volume indices have been calculated based on turnover without VAT. In order to ensure the indicator comparability, the data for 2004 were rectified. The turnover volume indices are computed under methodological conditions and comparable prices having as a reference period the average of 2004=100.

¹⁾Provisional data.

²⁾Rectified data.

- *Turnover without VAT of the volume indices of retail trade (except motor vehicles and motorcycles trade)*

The *turnover volume of the retail trade* increased by 1.6% in April 2006 as against the previous month, due to the increase in the sales of *non-food goods* by 10.5 %, while the sales of *food goods* decreased by 8.3 %. Under comparable circumstances, in April 2006 the turnover of the companies with their main activity in *retail trade* increased by 16.0% as compared to the same period of 2005, due to the increase by 24.8% in the sales of *food goods* and by 8.9% in the *non-food goods* sales.

- *Turnover without VAT of the volume indices of wholesale and retail trade, maintenance and repair of motor vehicles and motorcycles; retail trade of motor vehicle fuels*

The overall turnover increased by 8.8% in April 2006 as compared to March 2006, as a result of the increase by 22.5% in the retail trade of motor vehicles, motorcycles, afferent parts and accessories maintenance and repair of motor vehicles and the decrease by 2.6% in the retail trade of fuels for motor vehicles, motorcycles. As compared to the same month of the previous year, the turnover without VAT of volume indices of wholesale and retail trade, maintenance and repair of motor vehicles and motorcycles (including retail trade of fuels for motor vehicles) increased by 8.1%, due to the increase by 10.4% in the retail trade of motor vehicles, motorcycles, afferent parts and accessories maintenance and repair of motor vehicles and by 5.3% in the trade of motor vehicles, motorcycles, spare parts and accessories.

- *Turnover without VAT of the volume indices of market services to the population*



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The turnover volume market services to the population in April 2006 decreased by 7.1% as compared to March 2006, due to the significant decreases in the *Laundry, cleaning and dyeing textiles and furs* (by 33.1%) and in the *Gambling and other recreation activities* (by 3.2%) and by 3.7% in the *Hotels and restaurants activities*. In the *Hairdresser and other beauty activities* the turnover volume increased by 26.1% and by 16.3% in the *Activities of travel agencies and tour-operators, activities of tourist assistance*.

As against April 2005, under comparable circumstances, the market services rendered to the population decreased in April 2006 by 1.0%. The turnover volume indices of market services rendered to the population increased by 25.1% in the *Gambling and other recreation activities* and by 11.1% in the *Hairdresser and other beauty activities*. The *Activities of travel agencies and tour-operators, activities of tourist assistance* increased by 7.6%. In the *Hotels and restaurants activities* the turnover market services for population decreased by 7.1% and by 22.7% in the *Laundry, cleaning and dyeing textiles and furs*.

The linear trend of the turnover volume evolution in *retail trade for the population* over the interval April 2005–April 2006 was stagnant, while the trends in *retail trade maintenance and repair of motor vehicles and motorcycles; retail trade of motor vehicles fuels* and in *market services for the population* went downwards.

9. Monetary Evolutions*

(Source: Monthly Statistical Bulletin No. 3/2006, NBR)

Petre CARAIANI

Evolution of Credits to Non-government March 2006*

	Bill. RON***, end of period	% as against the previous month	% as against the same month of the previous year
Credit to non-government	65675.2	105.2	151.6
In RON	33004.9	106.6	192.7
In convertible currencies**	32670.4	103.8	124.8

* Provisional data.

** At the exchange rate for the end of the month.

*** Since July 1st, 2005, the nominal values have been reported in RON. 1 RON = 10,000 ROL.

In March 2006 the credit in RON increased by 6.6 percentage points as against the previous month, at a greater pace than in the previous month. During the last 12 months an increase in non-governmental credits occurred (by 51.6 percentage points as against the same month of the previous year). Similar to the previous interval, the credits in convertible currencies recorded a lower increase (by 24.8 percentage points as against the same month of the previous year) than the credits in RON (by 92.7 percentage points as against the same month of the previous year).

Evolution of Broad Money



March 2006*

	Billion RON**	% as against the previous month	% as against the same month of the previous year
Reserve money (daily average)	20807.9	93.1	138.0
Broad money (M2) of which:	87528.1	102.1	128.7
M1	23842.7	101.4	154.1
Quasi money	63685.4	102.4	121.3

*Provisional data.

** Since July 1st, 2005, the nominal values are reported in RON. 1 RON = 10,000 ROL.

Both M2 and M1 have started to grow again as against the previous month, with M2 growing faster, at a 2.1% rate. However, only M2 exceeded in March the December level. The structure of M2 in March 2006 indicates that 27.2% (at a lower level as compared to the previous month) was comprised in M1.

10. The State Budget

(Source: Monthly Statistical Bulletin Nos. 4/2005, 4/2006, NIS)

Liana PECICAN

According to the data published by the NIS, in April 2006 the *total revenues* collected by the state budget amounted to 13156.80 million RON. The *surplus* over this period reached 674.30 million RON, representing over 5.13% of the budget revenues, while the deficit of the same period of the last year stayed at -5.49 million RON, representing 0.05% of the budget revenues.

On the *revenue side*, an increase by 17.06% in revenues was recorded in April 2006 as compared to the same period of the previous year, mainly due to the major increase in the other taxes on income (by 99.9%), in the taxes on income - natural persons (by 32.18%), in the amounts broken down from VAT (by over 60%) and especially due to the major increase in the capital revenues (by over 600%).

The taxes and fares on goods and services represented 56%, the tax on income, profit and returns on capital represented 29.64%, the non-fiscal revenues represented 6.26% and the insurance contributions represented 0.82% of the total revenues during the analyzed period.

On the *expenditure side*, the payments made in April 2006 amounted to 12482.50 million RON, an increase by 11.01% as compared to the same period of the previous year.

The most important payments were the expenditures on defence, public order and social security (27.83% of the total expenditures), social assistance and social benefits (28.11% of the total expenditures). The situation was similar to that of the same period of 2005. As compared to the same period of the last year, the general public services expenditures increased by over 50%, the expenditures on public services and development and dwellings increased by 80%, the social assistance



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expenditures increased by 40%, and the expenditures on fundamental research increased by 40%. The expenditures on mining and quarrying, manufacturing and construction, health (by 15%), agriculture, sylviculture, fishery and hunting decreased.

