

The Barometer of the Romanian Economy

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 Mereușă. 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 of population 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.

* 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 1 st quarter 2004)	Q II 2005 (% as against 2 nd quarter 2004)	Q III 2005 (% as against 3 rd quarter 2004)	QIV 2005 (% as against 4 th 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
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	Million 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

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

* Cumulated data.

GVA = Gross Value Added.

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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.

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 as compared to 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 occurred 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, by 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 needed 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 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 means 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

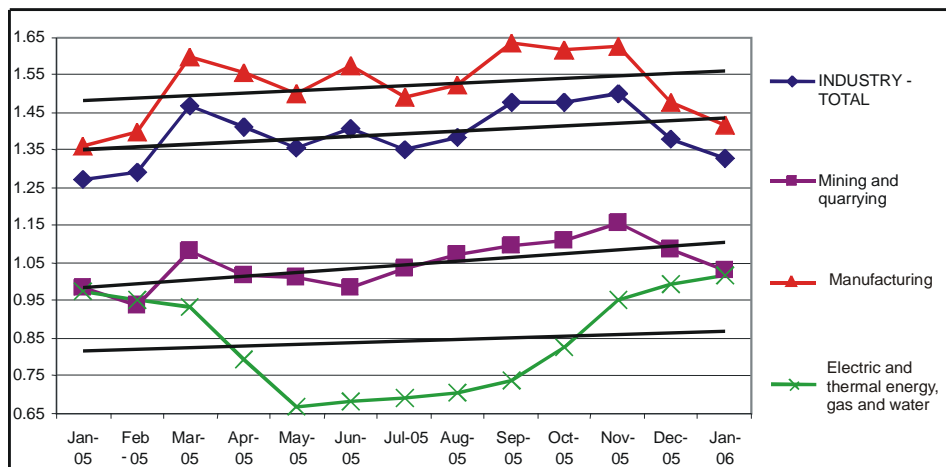
(Source: Monthly Statistical Bulletin No. 1/2006, NIS)

Ionel FLORESCU

In the first month of 2006, the actual increase in *Industrial Output* amounted to 1.6%, by 0.3 percentage points lower than the previous increase. It is worth noticing that the actual increase in *Manufacturing* was also by 0.5 percentage points lower than the previous one, thus determining the overall actual decrease in industrial output (see the graph presenting the monthly dynamics of the output indices). The actual decrease continued to slow down in *Mining and quarrying* (+0.3 percentage points as compared to the previously recorded one, resulting in a negative growth of only -0.3 percentage points – as compared to -0.6 percentage points in the previously analyzed interval) and in *Electric and thermal energy, gas and water* (increase by 0.8 percentage points resulting in a negative growth of only -0.7 percentage points – as compared to

-1.5 percentage points in the previously analyzed interval. 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	1.6	-0.3	Upward
Manufacturing	2.0	-0.5	Upward
Mining and quarrying	-0.7	0.8	Upward
Electric and thermal energy, gas and water	-0.3	0.3	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	31.1	-3.6	Downward
Wood industry – excluding furniture production	17.7	-4.8	Upward
Furniture and other industrial activities – n.e.c.	17.2	-0.1	Upward
Publishing houses, polygraphy and recording on supports	14.2	-0.9	Upward

* 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
Equipment, radio, TV sets and communications	-39.9	-2.7	Downward
Ready-made clothes	-15.6	0.2	Downward
Textiles and textile fabrics	-13.4	-2.3	Downward
Leather and footwear	-11.1	0.9	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 decreasing industries (*Textiles and textile fabrics*), and none in the group of the highest increasing industries. In the highly increasing industries the actual increases were by 0.1-4.8 percentage points lower than the previous ones. As regards the highest decreasing industries, the decrease in output continued to be more significant in *Equipment, radio, TV sets and communications* (by 2.7 percentage points, resulting in an actual increase of -39.9%) and in *Textiles and textile fabrics* (by 2.3 percentage points, resulting in an actual increase of -13.4%). Slight previous increases (by 0.2 and 0.9 percentage points, respectively) occurred in the other two industries of this group.

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

	% increase	E.f.p.a*	Trend
Increase in:			
Other extraction activities	3.8	0.5	Upward
Petroleum and natural gas extraction - excluding prospecting	2.7	1.1	Upward
Decrease in:			
Iron ore mining and preparation	-22.6	-0.2	Downward
Coal mining and preparation	-2.5	-1.4	Downward

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

During the analysed interval, the *Other extraction activities* and *Petroleum and natural gas extraction* continued to record positive growths (by 0.5% and 1.1%, respectively), while the output declined by 1.4 percentage points in *Coal mining and preparation* and by 0.2 percentage points in *Iron ore mining*.

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	2.0	1.1	Upward
Decrease in:			
Water resources administration, water collection, purification and distribution	-10.1	-0.2	Downward

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

The increase in output continued in *Production, transport and distribution* as compared to the previously analysed interval (+1.1%, resulting in an actual increase by 2.0%), while in *Water resources* the decrease in output continued (-0.2%, resulting in an actual increase by -10.1%).

The changes in trends were:

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- The *downward* trend during the previous period turned *upwards* in the sectors and industries:
 - Electric and thermal power, gas and water
 - Production, transport and distribution of electric and thermal power, of gas and hot water
- The *upward* trend during the previous period turned *downwards* in the industries:
 - Tobacco industry
 - Pulp, paper and cardboard
 - Rubber and plastics processing
 - Metallic constructions and metal products – excluding machinery, outfits and installations
 - Machinery and equipment
 - Road transport means.

3. Foreign Trade

(Source: Monthly Statistical Bulletin No. 1/2006, NIS)

Nona CHILIAN

Foreign Trade Dynamics

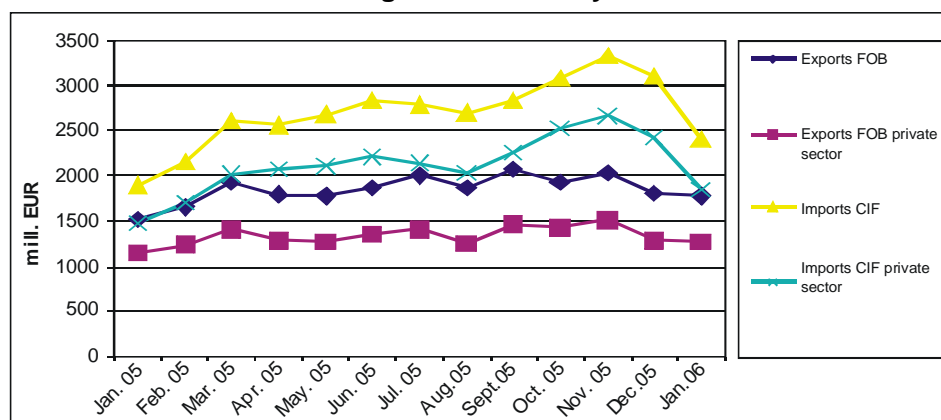
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	Jan. 2006/Dec. 2005	Jan. 2006/Jan. 2005
Exports fob	97.3	116.9
- of which private sector	97.7	109.8
Imports CIF	77.5	126.9
- of which private sector	76.4	124.2

Note: Data for 2005 and January 2006 are provisional and can be subsequently rectified.

Source: National Authority of Customs (NAC).

Foreign trade flows by sector

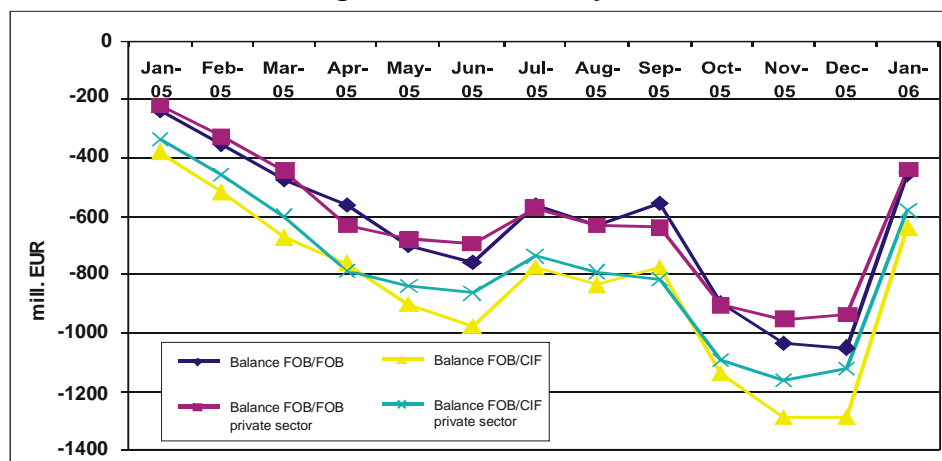


In January 2006 the *trade flows* dynamics changed once more (in accordance with the “begin-of-the-year” pattern): the exports and the imports decreased as compared to the



previous month (the imports much more than the exports), while as compared to January 2005 both the increases in exports and imports were significant. The private sector's trade flows evolutions were similar: the exports and the imports decreased as compared to the previous month (the imports more slightly than the overall imports), and also as compared to January 2005 (the exports significantly less than the overall increases in exports). The situation is signalling significant structural changes on the way, although the "usual" recovery of the economic activity in the next months is also likely. The exchange rate fluctuations (both in favor of the 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* dynamics were pretty similar in January 2006 as compared to the previous month, all the deficits diminishing sharply. The trends went still all downwards, but the decline ceased over that period. As compared to the same month of 2005, the overall dynamics and the private sector deficit dynamics were similar: the overall FOB/FOB deficit was 91.0% higher than the corresponding deficit registered in January 2005 and the overall FOB/CIF deficit 66.5% higher, while the private sector FOB/FOB deficit was 99.3% higher than the corresponding deficit in January 2005, and the private sector FOB/CIF deficit 73.6% higher.

Following the general patterns of trade flows, the *coverage ratio of imports by exports* (FOB/FOB) increased in January 2006 to 79.6%, by 16.2 percentage points higher than in the previous month, and by 6.9 percentage points lower than in January 2005.

As regards the *main destinations* of the Romanian trade flows in January 2006, the European Union was the leading partner, but the increase in exports to this area continued to be significantly 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: the UK, Hungary, Austria, the Netherlands, Spain, Greece, Belgium, Poland and the Czech Republic. The increase in the exports to the main "traditional" trade partners was generally lower (or

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even reverted to decrease, as in the case of the Netherlands, Greece and Italy – for the first time in many years) than the increase in exports to some of the medium and smaller ones (such as Slovenia – strong increase after many months of decline, Spain, the Czech Republic, Slovakia, Lithuania, Estonia, Hungary, Greece, Denmark, Poland and Austria). An overall trade deficit was registered and small trade surpluses were recorded with some of the trade partners: United Kingdom, the Netherlands, Greece, Slovenia and Hungary.

The signals coming from the Balkans were not good: the exports to the countries in the region increased, except FYROM, Croatia and especially Turkey (for the first time in many months), but the imports from these countries increased even more (except for Croatia), which might raise concerns for the future. The export values remained modest, except the exports to Turkey and Bulgaria. All the trade balances with the countries in this area registered surpluses, but the surplus with Turkey was very low this time.

The situation regarding the trade with the Community of Independent States continued to improve also in January 2006; the Romanian exports towards this area increased strongly (except for Belarus), although the export values stayed modest. The most important market continued by far to be the Russian Federation; both the imports and the exports from/to this very large market increased significantly as against January 2005, and the Romanian exports more than three 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 also more than three times in value, while the imports decreasing slightly as compared to January 2005).

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

In January 2006, the exports increased by 16.9% as compared to the same month of the previous year. The highest increases were registered in the sectors *Mineral products* (78.3%), *Transport means* (50.9%), *Plastics, rubber and articles thereof* (40.0%), *Machinery and equipment* (38.9%), *Live animals and animal products* (23.8%), *Food products, beverages, tobacco* (23.8%), *Vegetable products* (20.9%), *Optical, photo, cinema, medical, etc. instruments, parts and accessories* (20.9%), and *Products non-included in other sectors* (18.8%). Decreases occurred in the sectors *Vegetable or animal fats and oils* (by 66.9%), *Paper, cardboard and articles thereof* (by 26.8%), *Stone, plaster, cement, asbestos, mica articles and similar materials* (by 9.0%), *Chemicals and connected* (by 3.0%) and *Textiles and articles thereof* (by 1.5%). The highest positive structural changes were recorded by the sectors *Mineral products*, *Machinery and equipment*, *Transport means* and *Plastics, rubber and articles thereof*, while the highest negative structural changes occurred in the sectors *Textiles*, *Chemicals and connected*, *Wooden products*, *Footwear*, *Common metals* and *Miscellaneous goods and products* – which clearly signals important structural developments under way 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 26.9% in January 2006 as against the same month of the previous year, the highest increases being recorded in the sectors: XXII – *Products not included in other sections* (by 123.4%), I - *Live animals and animal products* (by 66.4%),



IX - *Wooden products* (by 43.2%), XX - *Miscellaneous products* (by 40.0%), IV - *Food, beverages and tobacco* (by 35.0%), V - *Mineral products* (by 34.8%), XVII - *Transport means and materials* (by 33.0%), XVI - *Machinery and equipment* (by 29.6%), X - *Paper, cardboard and articles thereof* (by 28.2%), XIII - *Stone, plaster, cement, asbestos, mica articles and similar* (by 31.3%), XV - *Common metals and articles thereof* (by 27.7%), II - *Vegetable products* (by 27.5%) and VI - *Chemicals and connected* (by 27.4%). Decreases occurred only in the imports of the sectors III - *Vegetable or animal fats and oils* (by 11.5%) and XVIII - *Optical, photo, cinema, medical, etc., appliances, parts and accessories* (by 3.3%). The highest positive structural changes (decreases) were recorded by the sectors *Textiles* and *Optical, photo, cinema, medical, etc., appliances, parts and accessories*, while the highest negative structural changes (increases) occurred in the sectors *Mineral products*, *Live animals* and *Mechanical and electrical machinery*.

The *balance of trade by sectors* (FOB/CIF) recorded in January 2006 the highest *deficits* in the sectors: XVI - *Electrical machinery, appliances and equipment*, EUR 207.4 million, V - *Mineral products*, EUR 192.8 million, VI - *Chemicals and connected*, EUR 111.2 million, XVII - *Transport means*, EUR 75.7 million, IV - *Food, beverages, tobacco*, EUR 66.4 million and VII - *Plastics, rubber and articles thereof*, EUR 65.9 million, while the main *surpluses* were registered in the sectors: XI - *Textiles*, EUR 87.3 million, XII - *Footwear*, EUR 69.7 million, XX - *Miscellaneous goods and products*, EUR 45.6 million, IX - *Wooden products, cork and wattles*, EUR 39.7 million and XV - *Common metals and thereof*, EUR 23.6 million (down to 1/3 of the surplus recorded in January 2005). The overall trade balance (provisional data) recorded a deficit amounting to EUR 637.7 million, 69.1% higher than in January 2005.

4. Exchange Rate

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

Cornelia SCUTARU

Evolution of the nominal Exchange Rate

January 2006

- as against the USD -

	RON/USD*	% as against the previous month	% as against December of the previous year
Nominal exchange rate – monthly average	3.0062	97.5	97.5
Nominal exchange rate – at end of period	2.9874	96.1	96.1

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



Evolution of the nominal Exchange Rate

January 2006

- as against the EUR -

	RON/EUR*	% as against the previous month	% as against December of the previous year
Nominal exchange rate – monthly average	3.6445	99.6	99.6
Nominal exchange rate – at end of period	3.6151	98.3	98.3

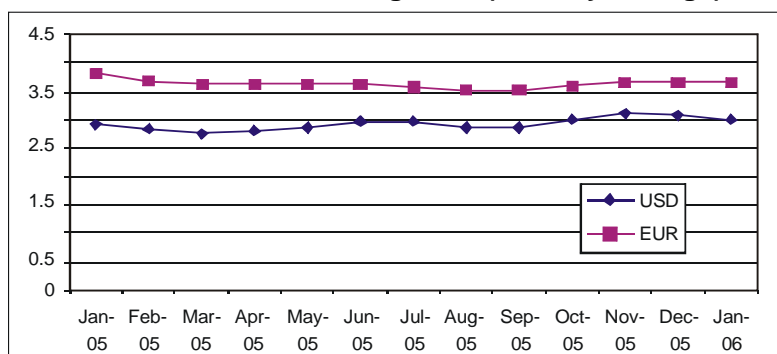
* Since July 1st, 2005, all the nominal values are reported in RON. 1 RON = 10,000 ROL.

The evolution of the exchange rate as against the USD as compared to the previous month revealed an appreciation (by 2.5 percentage points) of the national currency (monthly average).

As against the EUR, in January 2006 an appreciation (by 0.4 percentage points) of the national currency was recorded as against the previous month (monthly average), reflecting the EUR/USD exchange rate dynamics.

As compared to the currency basket proposed by the NBR (75% EUR, 25% USD), an appreciation by 0.925% of the national currency occurred in January 2006, while inflation was 1.03%.

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 RON appreciated as against the euro by 1.3 percentage points as compared to December 2003. The depreciation of RON 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 has 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 both as against the euro and as against the US dollar, stronger as against the latter, reflecting the developments on the international markets.

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

5. Inflation

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

Cornelia SCUTARU

Consumer Price Indices

January 2006

	% as against the previous month	% as against December of the previous year	% as against October 1990
Total	101.03	101.03	275900.6
Food goods	100.32	100.32	219376.2
Non-food goods	101.88	101.88	284822.5
Services	100.59	100.59	481037.8

During the analysed period (January 2005–January 2006), the *consumer price indices* as against October 1990 had an upward evolution. 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

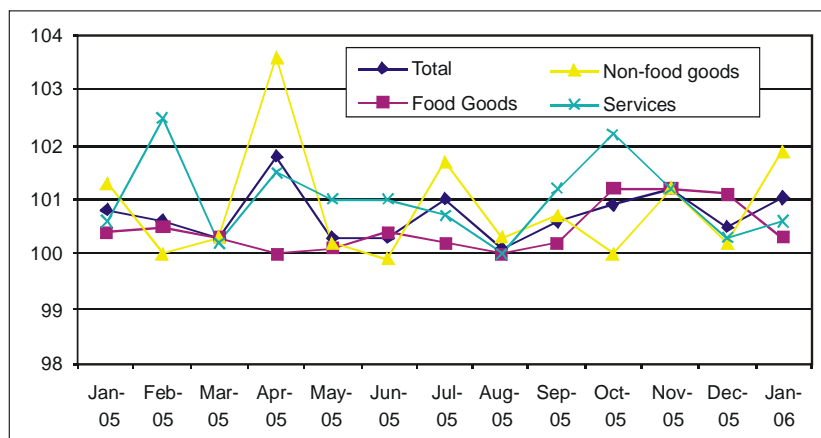


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interval was characterized by low inflation levels in all the three domains (food goods, non-food goods and services).

2006 started with quite a high inflation – 1.03% - especially in the case of the non-food goods (1.88%).

Evolution of the Consumer Price Indices as against Previous Month



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

As regards 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 January 2006, an appreciation by 0.925% of the leu occurred as against the currency basket (in its new structure, of 75% EUR and 25% USD), as compared to the previous month.

6. Wage Earnings of the Population

(Source: Monthly Statistical Bulletin, No. 1/2006, NIS)

Crenguța PANĂ

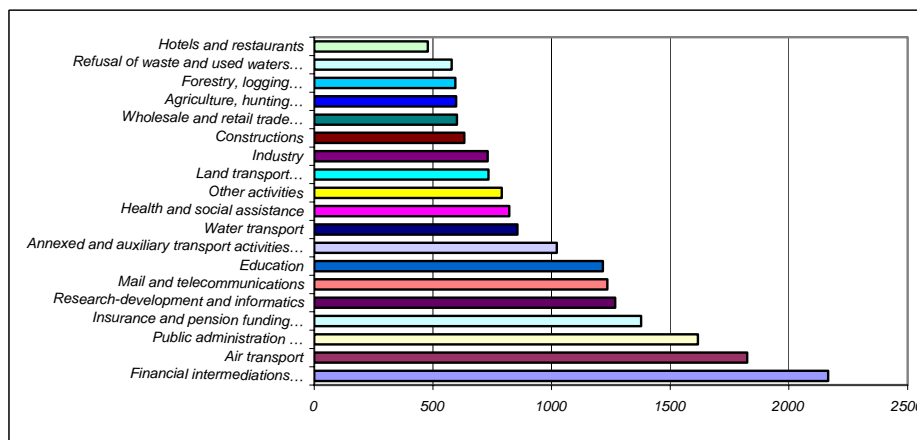
Evolution of the Nominal Net Average Salary Earnings January 2006

	RON/ month	% as against the previous month
Total	826	97.4
Agriculture, hunting and annex services	598	108.5
Forestry, logging and related service activities	595	54.4
Industry	731	88.3
Constructions	632	89.4
Wholesale and retail trade; repair of motor vehicles, motorcycles and repair of personal and household goods	602	86.4
Hotels and restaurants	479	85.7



	RON/ month	% as against the previous month
Land transport; transport via pipelines	734	83.9
Water transport	856	111.3
Air transport	1824	100.4
Annexed and auxiliary transport activities; travel agencies activities	1022	73.3
Mail and telecommunications	1235	93.4
Financial intermediations (except activities of social insurance public system)	2165	73.7
Insurance and pension funding (except activities of social insurance public system)	1377	74.9
Research-development and informatics	1268	91.6
Public administration and defence; social insurance of public sector	1617	134.6
Education	1216	144.6
Health and social assistance	822	113.1
Refusal of waste and used waters; reclamation, sanitation and similar activities	579	101.9
Other activities	790	98.3

Ranking of economic activities by descending order of the average net monthly earnings, January 2006



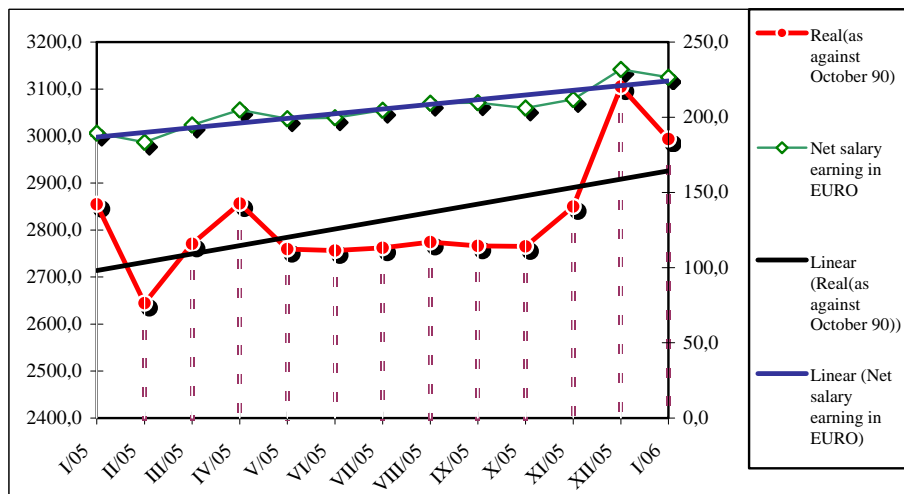
In January 2006 the breakdown by activities, in ascending order, revealed the following: in only eight activities the average net nominal wage earnings did exceed RON 1000/month: *Financial intermediations, Air transport, Insurance and pension funding, Mail and telecommunications, Research-development and informatics; Public administration and defence; Social insurance of public sector; Annexed and auxiliary transport activities and Education.* In *Financial intermediations* a significant decrease was recorded in the

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average net nominal wage earnings: from 2937 RON/month to 2165 RON/month (which means a decrease by about 26.3 percentage points as compared to the previous month). The average net nominal wages in *Hotels and restaurants; Refusal of waste and used waters; reclamation, sanitation and similar activities; Forestry, logging and related service activities; Agriculture, hunting and annex service; Wholesale and retail trade; Constructions; Industry; Land transport; Other activities and Health and social assistance* were still lower than the average per economy (RON 826/month).

The *average net nominal wage* decreased slightly in January 2006 in the whole economy as compared to the previous month (by 2.6%). Increases in the *average net nominal wage* were recorded this month in the sectors: *Education* (by 44.6%); *Public administration and defence; social insurance of public sector* (by 34.6%); *Health and social assistance* (by 13.1%); *Water transport* (11.3%); *Agriculture, hunting and annex services* (8.5%); *Refusal of waste and used waters; reclamation, sanitation and similar activities* (by 1.9%) and *Air transport* (by 0.4%); while decreases occurred in the sectors: *Forestry, logging and related service activities* (by 45.6%); *Annexed and auxiliary transport activities; travel agencies activities* (by 26.7%); *Financial intermediations (except activities of social insurance public system)* (by 26.3%); *Insurance and pension funding (except activities of social insurance public system)* (by 25.1%); *Land transport; transport via pipelines* (by 16.1%); *Hotels and restaurants* (by 14.3%); *Wholesale and retail trade* (by 13.6%); *Industry* (by 11.7%); *Constructions* (by 10.6%); *Research-development and informatics* (by 8.4%); *Mail and telecommunications* (by 6.6%) and *Other activities* (by 1.7%).

Average monthly earnings, January 2005 - January 2006



The trend of the *real net wage earnings* (as against October 1990) over the interval January 2005–January 2006 showed a slight increase, while the trend of the *net wage earnings expressed in euro* showed also an 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 decrease as against the previous month of the same year and, as against the same month of the previous year, a slight increase. A similar evolution was recorded by the *net wage earnings expressed in EUR*: an increase by 19.6 percentage points as against the same month of the previous year and a decrease by 2.3 percentage points as against December 2005. In January, 2006 the real net wage earnings increased by 4.9% as compared to January 2005. As against October 1990, the ratio of the net average salary earnings to the consumer price index decreased in January 2006 by 9.1%.

Over the interval January 2005–January 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 decrease in the current month.

7. Unemployment

(Source: Monthly Statistical Bulletin No. 1/2006, NIS)

Carmen UZLĂU

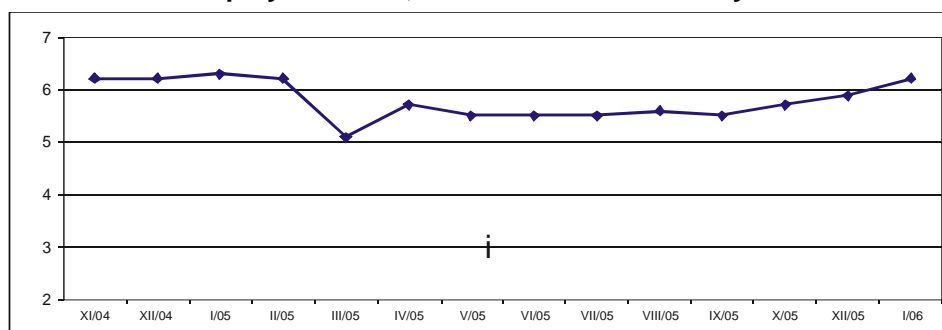
Unemployment End of January 2006

Total number of unemployed (thou. persons)	548,022
Unemployment rate*)	6.2

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

In the country, in January 2006 the unemployment rate ranged between 13.1% (Ialomița) and 2.4% (Ilfov, Timiș). Counties with an unemployment rate lower than 10.0 % were: Arad, Alba, Sălaj, Argeș, Buzău, Giurgiu, Iași, Brăila, Sibiu, Mureș, Tulcea, Harghita, Bacău, Dolj, Bistrița-Năsăud, etc.

Unemployment rate, November 2004 -January 2006



In January 2006, the *territorial distribution* of unemployment showed concentrations of the counties within the intervals: 5.2-6.6% (14 counties), 2.4-4.9% (9 counties), 7.1-8.9% (11 counties) and 9.1-13.1% (8 counties).



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The evolution of the unemployment rate over the interval November 2004–January 2006 showed that the unemployment rate recorded in January 2006 the same value as in November 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. 1/2006, NIS)

Marioara IORDAN

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

Indicators	Turnover indices (%), in January 1 2006 as against:	
	December 2005	January 2005
Turnover without VAT of the volume indices of retail trade (excepting motor vehicles and motorcycles trade) - Total	75.3	100.5
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	107.9	113.6
Turnover Without VAT of Volume Indices of Market Services for the Population - Total	102.7	92.4

Note: Since 2005, the turnover volume indices have been calculated on the basis of turnover without VAT. In order to ensure the indicators comparability, the data on 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* decreased in January 2006 as against the previous month by 24.7%, due to the decrease in the *sales of food goods* by 11.6% and by 31.5% in the *sales of non-food goods*. Under comparable circumstances, in January 2006 the turnover of the companies with their main activity in *retail trade* increased by 0.5% as compared to the same period of 2005, due to an increase by 0.3% in the *sales of food goods* and the decrease by 0.8% 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 vehicles fuels*

The overall turnover in January 2006 as compared to December 2005 decreased by 35.5%, as a result of the decrease by 36.9% in the retail trade of motor vehicles,



motorcycles, afferent parts and accessories, maintenance and repair of motor vehicles and by 33.0 % in the retail trade of motor vehicles, motorcycles, spare parts and accessories. As compared to the same month of the previous year, the turnover without VAT of the 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 13.6%, due to the increase by 12.5% in the retail trade of motor vehicles, motorcycles, afferent parts and accessories maintenance and repair of motor vehicles and by 15.3 % in the trade of motor vehicles, motorcycles, spare parts and accessories.

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

The turnover volume market services to the population in January 2006 decreased by 29.1% as compared to December 2005, due to the significant decreases in the Activities of travel agencies and tour operators, activities of tourist assistance (by 66.4%), in the Hairdresser and other beauty activities (by 44.9%), in the Hotels and restaurants by (by 34.9%), and in the Laundry, clearing and dyeing textiles and furs (by 27.5%). The activities increased by 23.4% in the Gambling and other recreation activities.

Under comparable circumstances, the *market services rendered to the population* decreased by 7.6% in January 2006 as compared to January 2005. The *turnover volume indices* of the *market services rendered* to the population increased by 15.9 % in the *Gambling and other recreation activities* and by 0.1% in the *Hairdresser and other beauty activities*. The *Activities of travel agencies and tour-operators, activities of tourist assistance* decreased by 29.8%, the *Laundry, clearing and dyeing textiles and furs* activities by 21.2% and those of the *Hotels and restaurants* by 14.5%.

The linear trend of the turnover volume evolution in *retail trade for the population* over the interval January 2005–January 2006 went upwards, 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 Bulletins Nos. 1/2006 and 1-12/2005, NBR)

Cornelia SCUTARU

In January 2006, the *credit in RON* increased by 5.3 percentage points as against the previous month. During the last months an increase in non-governmental credits occurred (by 49.1 percentage points as against the same month of the previous year).

Evolution of Credits to Non-government

January 2006*

	Bill. RON***, end of period	% as against the previous month	% as against the same month of the previous year
Credit to non-government	61627.0	101.5	149.1
In RON	29392.1	105.3	177.2
In convertible currencies**	32234.8	98.3	130.2

Provisional data.



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** 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.

Similar to the previous interval, the *credits in convertible currencies* recorded a lower increase (by 30.2 percentage points as against the same month of the previous year) than the credits in RON (by 77.2 percentage points as against the same month of the previous year). This evolution is a reaction to the evolutions in the active interest rate and to the restrictions imposed by the NBR. An increase in the capitalization of the economy occurred, with favourable impact upon the economic growth and inflation dynamics, which by feedback influences the interest rate and the macroeconomic stabilization.

Evolution of Broad Money

January 2006*

	Billion RON**	% as against the previous month	% as against the same month of the previous year
Reserve money (daily average)	19446.5	91.0	139.1
Broad money (M2) of which:	85726.5	99.2	135.8
M1	23559.7	95.9	165.4
Quasi money	62166.8	100.6	127.1

* Provisional data.

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

The *structure of M2* in January 2006 indicates that 27.4% (decrease by 1.0 percentage points as compared to the previous month) was comprised in *M1*, which represented the currency outside banks and the demand deposits of households and companies. The rest represented the *quasi money*, which comprised the demand and time deposits of the households and companies, including the residents' forex deposits.

10. The State Budget

(Source: Monthly Statistical Bulletin Nos. 1/2005, 1/2006, NIS)

Liana PECICAN

According to the data published by the NIS, in January 2006 the *total revenues* collected by the state budget amounted to 3701.40 million RON. The *surplus* over this period reached 850.90 million RON, representing over 29.85% of the budget revenues, an increase by 3.78% as compared to the same period of the previous year.

On the revenue side, an increase by 19.42% in revenues was recorded in January 2006 as compared to the same period of the previous year, mainly due to the major increases in other taxes on income, profit and returns on capital - legal persons (by over 300%), of VAT (by 52%), of the amounts broken down from VAT (by 31.72%) and in capital revenues (by 280%).



The taxes and fares on goods and services represented 57.76%, the tax on income, profit and returns on capital represented 29.93%, the non-fiscal revenues represented 7.75% and the insurance contributions represented 0.58% of the total revenues during the analyzed period.

On the expenditure side, the payments made in January 2006 amounted to 2850.50 million RON, representing a decrease by 5.5% as compared to the same period of the previous year. The most important payments were the expenditures on defence, public order and social security (35.16% of the total expenditures), social assistance and social benefits (25.39% of the total expenditures). The situation was similar to that of the same period of 2005, although one may see the large gap between the expenditures on agriculture, sylviculture, fishery and hunting in January 2006 and in the same period of the previous year. As compared to the same period of the last year, the share of social assistance expenditures in the total expenditures increased by over 5.5%, and also the share of defence and public order expenditures increased by 6.5%, while the expenditures on fundamental research and development research increased by 174%. At the same time, the expenditures on education, mining and quarrying, manufacturing and constructions, transport and communications, agriculture, sylviculture, fishery and hunting decreased significantly.