Eurobank EFG

Special Issue on the Romanian Economy

Strong domestic demand fuels current account deficit

Economic growth prospects remain positive in 2008, thanks to a booming construction sector, strong capital inflows and favourable domestic demand trends

Rising headwinds to medium-term macroeconomic stability call for a more restrictive domestic policy mix, especially in view of the official target for Eurozone entry in 2014

In a move to address heightened inflation, the NBR hiked its key interest rate by a cumulative 200bps since last October. We see room for 50bps of additional rate tightening this year

At current levels, we see limited room for further significant leu depreciation in coming months as rising expectations for tighter monetary policy in the period ahead should continue to support the currency's carry appeal

We maintain a positive medium-term outlook on Romania fixed income, in view of the country's low debt levels, Eurozone-entry prospects and the NBR´s re-stated commitment to disinflation following the recent rate-tightening moves

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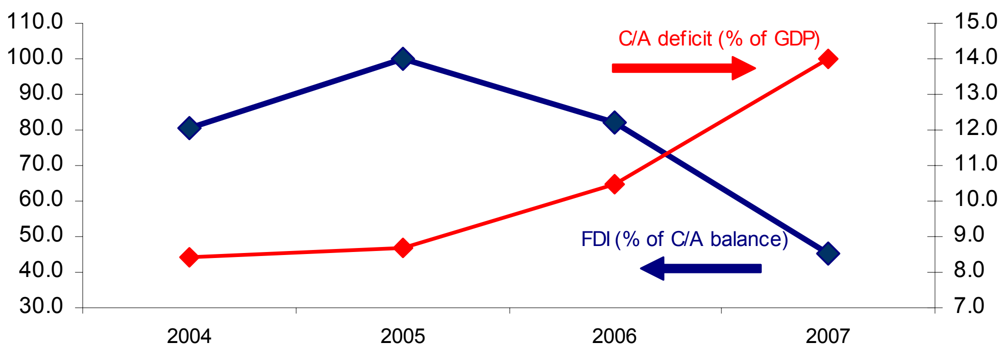
Financing of external gap increasingly dependent on private-secor FX loans



Source: NBR, EFG Eurobank Research

Overview

The Romanian economy has performed strongly in recent years, assisted by favorable domestic demand trends, surging capital inflows and institutional reforms that allowed EU membership from 1.1.2007. These favorable trends combined with capital account liberalization and privatization of state assets to induce a strong rise in foreign inward investment, with the latter providing the main source of financing of the growing current account deficit. The positive macroeconomic trajectory continued largely uninterrupted in H1 2007. Disinflation until July was helped by an appreciating currency, the postponement of administrative price increases and falling agricultural prices, allowing the NBR to deliver a further 175bps of cumulative interest rate cuts. Things have started to move backwards in the second half of last year, however, as rising risk aversion exposed Romania's increased vulnerability to sudden shifts in global investor sentiment and the confluence of adverse domestic developments brought about a misalignment between existing policies and the objective of preserving medium-term macroeconomic stability. On the former point, note that although Romania´s total outstanding credit as a percentage of GDP *(37.3% in October 2007)* remains low by EMEA standards, the sharp rise of fx borrowing by domestic households and businesses in recent years has increased private sector's susceptibility to abrupt changes in the leu's exchange rates.

Domestically, unfavorable base effects, rising energy costs and a drought-induced surge in food prices caused an abrupt end to disinflation with the end-2007 CPI rate having overshot the upper bound of the NBR's 4%-/+1% target by 1.6 percentage points. Furthermore, the current account deficit, Romania's main macroeconomic vulnerability, is estimated to have reached 14%-of-GDP at the end of 2007 with no obvious tendency to revert back to a more sustainable position in the foreseeable future. At the same time, FDI coverage of the C/A over the first 11 months of 2007 amounted to no more than 43% against 96% last year, while the overall thrust of fiscal policy is nowhere near austere enough to help correct the growing external imbalance. Finally, one of the best performers in the global FX race during the first half of the year, the leu, has fully reversed its trend, coming under persisting downside pressure in recent months amid heightened global credit worries and deteriorating sentiment towards domestic asset markets. At current levels, we see limited room for further significant leu depreciation in coming months as rising expectations for tighter NBR policy in the period ahead should continue to support the currency's carry appeal. Furthermore, the leu´s main exchange rates have already adjusted to levels reflecting a more challenging domestic and international macro environment thus, reducing the risk of ‘‘contagion'' from EMEA counterparts featuring more rigid exchange rate regimes *(e.g., Baltic countries such as Latvia).*

All in all, economic prospects remain favourable, thanks to a booming construction sector, strong capital inflows and favourable domestic demand trends. However, rising headwinds to medium-term macroeconomic stability call for a more restrictive domestic policy mix, especially in view of the official target for Eurozone entry in 2014. In this respect, it is rather comforting to have lately seen the NBR addressing heightened domestic inflation risks by hiking its key interest rate by a cumulative 200bps since last October and appearing determined to maintain a tighter policy stance to facilitate a prompt return to disinflation. On the fiscal side, strict adherence to the medium-term targets of the 2007-2010 Convergence Programme and the avoidance of fiscal slippage ahead of the 2008 and 2009 elections is crucial for facilitating a more efficient anchoring of inflation expectations and for supporting monetary policy's disinflation objectives.

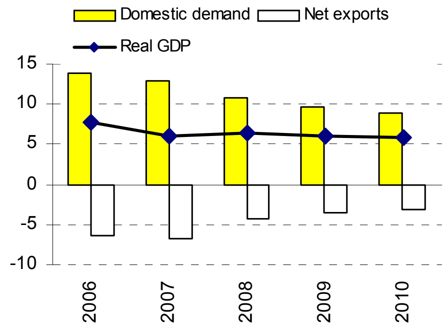
Strong economic growth in recent years, supported by booming credit and FDI

The Romanian economy has performed strongly in recent years, assisted by favorable domestic demand trends, surging capital inflows and institutional reforms that allowed EU membership from 1.1.2007. Gross domestic product is estimated to have risen by an average real rate of 6.5% in the period 2004-2007, driven by buoyant activity in the domestic industrial, services and, primarily, construction sectors. On the expenditure side, household consumption and investments were the main drivers of economic activity, with net exports exerting an increasingly negative contribution.

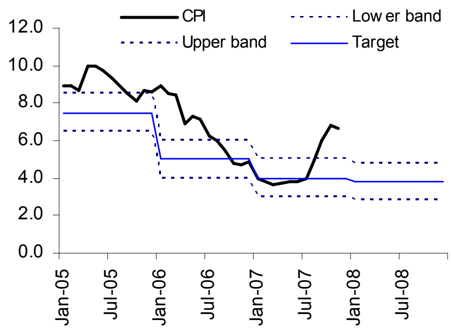
With a view to strengthening disinflation, the National Bank of Romania (NBR) moved to a formal inflation targeting regime in August 2005, coexisting with a managed floating exchange rate apparatus. It marginally missed the end-2005 upper limit of its 7.5%-/+1% target-range, but the 2006 target of 5%-/+1% was comfortably met with year-end inflation coming in at 4.9%.

On the fiscal side, the implementation of budgetary targets have generally been satisfactory in recent years, especially taking into account Romania's low flat tax rate of 16 percent, showing that recent efforts to broaden the tax base and fight tax evasion have produced tangible results. These favorable trends combined with capital account liberalization and privatization of state assets to induce a strong rise in foreign inward investment, with the latter providing the main source of financing of the country's current account deficit. Moreover, the leu was one of the world's best performing currencies in 2006, and again in the first half of 2007, stimulating incidents of direct NBR intervention aiming to contain the effects of real exchange rate appreciation on economic competitiveness. Rapid wage growth and surging private-sector borrowing as a result of increased credit availability and improving prospects of household incomes have been key factors fuelling domestic demand. The latter, in

Graph 1: Real GDP growth and contributions (per cent) - 2007-2010 Convergence Programme

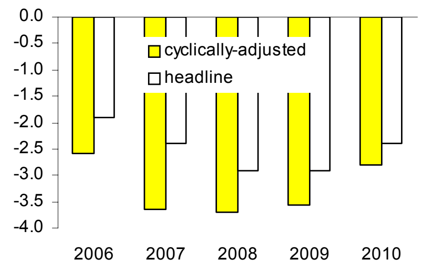


Graph 2: CPI yoy vs. year-end inflation targets



Source: Romanian statistics office

Graph 3: Headline & cyclically-adjusted budget balances (% GDP)



Source: 2007-2001 Convergence Programme

turn, prompted the central bank to resort to a number of prudential and administrative measures since 2005 aiming to tighten eligibility criteria for individual borrowers and to limit foreign credit exposure, also with a view to addressing the worsening current account problem. These measures had some temporary success in realigning the outstanding balances of non-government borrowing towards more lei-denominated/less fx-denominated credits but overall credit expansion has continued to grow strongly in recent quarters, forcing the NBR to partially cancel these measures in early 2007[1].

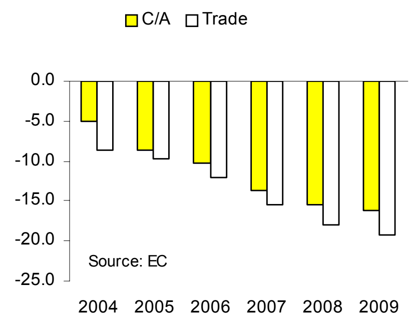
Economic growth prospects remain favourable…

Medium-term domestic growth prospects remain favourable with Romania's revised convergence program forecasting average real GDP growth rates of 6.1% annually in the period 2008-2010. Gross fixed capital formation growth is expected to continue posting double-digit rates, mainly owing to the continued expansion in the construction sector, further FDI inflows and the increased availability of EU funds. Private consumption growth is anticipated to be slower throughout the projection period but to continue exceeding the GDP growth rate on the back of high wage and continued employment growth. Overall domestic demand growth is likely to decelerate gradually from the red-hot levels recorded in the last two years but the increase of imports is projected to continue outpacing the growth of exports. This is likely to prevent any material improvement in the current account deficit, in spite of increased EU transfers and higher remittances from abroad, with the former expected to widen further to levels above 15%-of-GDP by 2010.

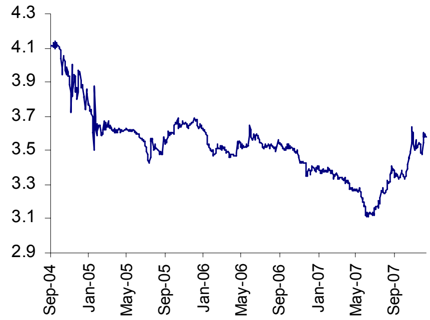
…but growing macro imbalances and a more difficult external environment raise medium-term stability concerns

Romania's positive macroeconomic trajectory continued largely uninterrupted in H1 2007. Disinflation until July was helped by an appreciating currency, the postponement of administrative price increases and falling agricultural prices, allowing the NBR to deliver a further 175bps of cumulative interest rate cuts. Despite aggressive rate easing and somewhat slower GDP growth relative to the same period a year earlier, the leu posted further gains, hitting multi-year highs beyond 3.10 against the euro in early July.

Graph 4: C/A and trade balances (% GDP)



Graph 5: EUR/RON rate



Source: Bloomberg

Things have started to move backwards in the second half of last year, however, as rising risk aversion exposed Romania's increased vulnerability to sudden shifts in global investor sentiment and the confluence of adverse domestic developments brought about a misalignment between existing policies and the objective of medium-term macroeconomic stability. On the former point, note that although Romania's total outstanding debt as a percentage of GDP remains low by EMEA standards, the sharp rise of fx borrowing by domestic households and businesses in recent years has increased private sector's susceptibility to abrupt changes in the

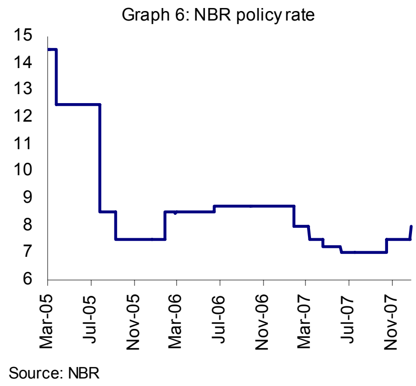
[1] In early 2007, the NBR cancelled the ceiling imposed to credit institutions' exposure to unhedged currency debtors and initiated a gradual process to remove the previously applied population indebtedness ceilings.

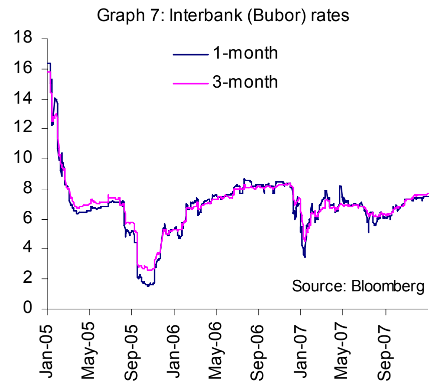
leu's main exchange rates[2]. Domestically, unfavorable base effects, rising energy costs and a drought-induced surge in food prices caused an abrupt end to disinflation with the end-2007 CPI rate overshooting the upper bound of the NBR's 4%-/+1% target by 1.6 percentage points. To further complicate the medium-term outlook of inflation and balance-of-payments dynamics, a noisy domestic political environment and the risk of budgetary slippage ahead of the 2008 and 2009 elections suggest that the current pro-cyclical fiscal policy stance is not likely to undergo any meaningful realignment in the months and quarters ahead.

Additionally, the present relatively small budget deficit is mainly the result of strong tax receipts generated by buoyant consumption and wage growth, support that could fade away under worsening economic conditions. Faced with a more challenging domestic and external environment the NBR Board has raised its key policy rate by a cumulative 200bps since last October to 9.00% currently and has pushed up the sterilized liquidity volumes in a move to bring the levels of interbank rates closer to the monetary policy interest rate. The Board also decided to maintain the present level of minimum reserve requirement ratios on both lei-denominated (20%) and fx-denominated (40%) liabilities of credit institutions and to adopt additional prudential measures, including higher provisioning for foreign exchange-denominated credits extended to unhedged borrowers, with a view to containing the growth pace of non-government credits.

Recent inflation spike driven by both demand and supply effects

The disinflation trend recorded in the first half of 2007 was reversed in the second half. After reaching a low of 3.8% yoy in July, headline inflation has returned to an upward path in recent months, hitting levels of 6.7% yoy and 6.6% yoy in November and December, respectively. For the full year 2007, headline inflation averaged 4.8% yoy, down from 6.6%yoy in the prior year, while CORE2 inflation eased to 4.4% yoy, from 4.8% yoy.





The main contributor to the sharp inflation spike in the second half of last year was the volatile fresh food and vegetables component. However, the inflationary impact of the summer drought and the worsening supply-demand dynamics in the international agricultural markets spread beyond the CPI basket's volatile price component, with bakery products and edible oil being particularly affected. These factors conspired with the pass-through effects from currency depreciation and excess demand-side pressures stemming from rapid wage growth to also propagate a sharp reversal in the

[2] Currently, around one half of non-government credit in Romania is denominated in foreign currency.

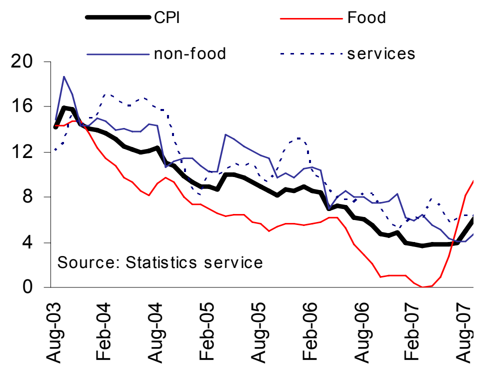
downward trend of the adjusted CORE2 inflation measure since last August[3].
In view of recent spike in domestic inflation, the NBR recently raised its end-2008 inflation projection to 4.3%, from 3.7% previously *(November Inflation Report)*[4]*.* Volatile food prices are again expected to be the main inflation-boosting factor until the end of Q3 08, when the negative effects of last year's drought would be cancelled by the 2008 harvest.

Further ahead, the NBR forecasts a further strengthening of the disinflation dynamics in 2009, with headline inflation converging to the 3.5% yoy target by the end of H1 09. The decreasing inflation projection in the later part of the forecast horizon relies on the influence exerted by restrictive monetary conditions on aggregate demand, more favourable dynamics of import prices thanks to further real appreciation of the domestic currency and the gradual fading of adverse base effects from the 2007 drought.

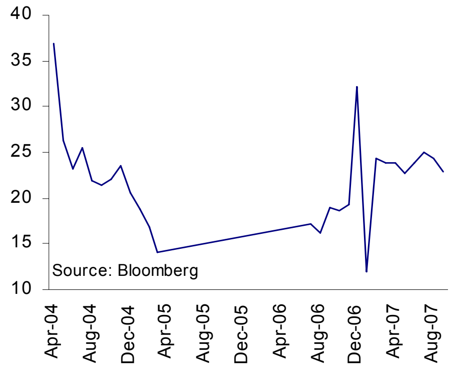
Main risks to the NBR´s baseline inflation projections include i. wages hikes exceeding productivity gains ii. worsening inflation expectations iii. changes in the structure of public spending in favour of components with a higher inflationary potential and iv. a significantly weaker leu trajectory. Furthermore, as noted in the last inflation report, the likelihood that the aforementioned risks might materialise simultaneously has increased compared the previous forecasting rounds.

Heightened wage pressures magnify inflation risks
Public wages are found (ex-post) to have been raised by around 30% in 2007, while the new budget calls for a further 12% rise in 2008. One implication of such overly generous public wage increases is that they are fuelling elevated wage demands in the private sector. Heightened wage pressures in the private sector are partially a reflection of labor shortages in such dynamic sectors of economic activity as construction and services. The resulting mismatch between pay rises and labour productivity gains risk putting pressure on corporate costs and on aggregate demand and also constraining the efficient anchoring of inflation expectations. Furthermore, a 30% rise in pensions last November and a further planned hike by 7.4% this year is likely to further exacerbate budgetary pressures.

Graph 8: CPI and sub-indices (yoy)



Graph 9: Averahe gross wage growth (yoy)



[3] The CORE2 inflation measure includes market prices and excludes volatile ones. CORE2 inflation stood at 5.51% yoy in October compared to 3.49% yoy in June and 4.5% in December 2006.
[4] The new NBR inflation projections assume that 2008 and 2009 will be normal agricultural years and incorporate excise duty adjustments to tobacco products and certain fuel types envisaged by the Tax Code to be implemented in 2008, 2009 and 2010.

Further NBR tightening ahead to address elevated inflation risks

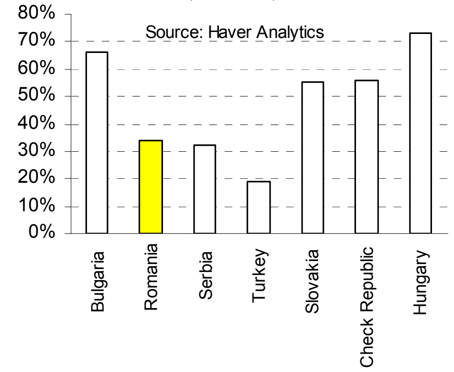
As we noted above, demand side pressures coupled with one-off supply side effects have been the main drivers of the recent inflation spike. Given the increasingly challenging inflation environment, the key question going forward is not whether the NBR will have to tighten monetary policy further to counterbalance risks stemming from an expansionary fiscal stance but what amount of additional tightening will be needed to assure a resumption of disinflation. This, in fact, represents a key policy dilemma currently facing the central bank as a further aggressive increase in nominal interest rates runs the risk of a sharp re-appreciation of the currency with adverse implications for competitiveness. On the other hand, a less aggressive stance could allow further overheating, making consumers more oblivious to their net indebtness.

In our view, the NBR´s 3.8% +/-1% CPI target for this year is rather challenging, given heightened supply-side pressures, a weaker domestic currency, further administrative price hikes and fiscal-loosening risks ahead of the 2008 elections[5]. With year-on-year inflation not expected to resume its downward trend before H2 08 at the earliest, not least because of adverse base effects from the drought-induced rally in food prices, we see room for 50bps of additional rate increases this year, following 150bps of cumulative rate hikes since the beginning of 2008. With regard to balance-of-payments dynamics, further NBR tightening ahead could help to ensure an adequate level of the interest rate margin so as to stimulate savings and improve their relationship with investments.

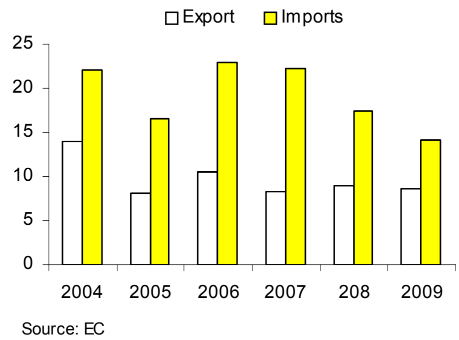
C/A deficit deteriorates despite slower GDP growth

Romania's GDP rose by 5.7%yoy in real terms in Q307, bringing the year-to-September average growth to 5.8%yoy. Growth eased considerably, however, from 8.3%yoy in Q306 and an average rate of 7.7% in January-September 2006. GDP growth in Q307 was mainly driven by a 32.2%yoy surge in investments *(mainly construction),* while imports surged by 22.4% yoy and exports decelerated sharply to 1.7% yoy during the same quarter. Slower consumer spending and a higher negative contribution from net

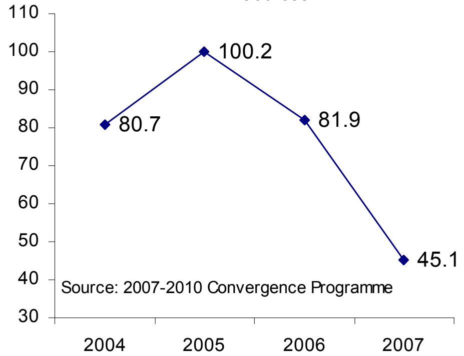
Graph 10: Stock of FDI as % of GDP (end 2006)



Graph 11: Romania´s exports/imports of goods and services (annual growth)



Graph 12: C/A coverage from autonomous sources



[5] At the time of writing, the leu was down by ca 15% against the EUR, compared to the highs recorded in July.

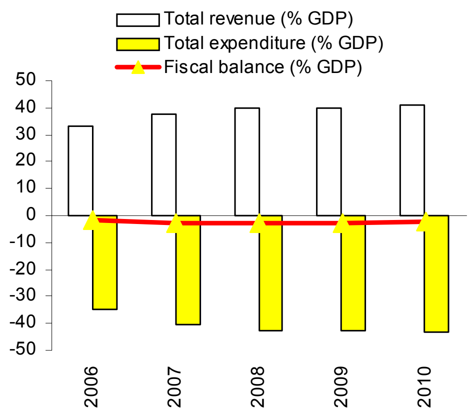
exports were the main culprits of the GDP growth slowdown in the first three quarters of this year. From the supply side, adverse base effects from the 2005 floods and the summer drought weighed on agricultural production, while the highest growth rates were again observed in construction. Meanwhile, consumption growth, a key contributor to the C/A deficit, decelerated to 7.8%yoy in Q307 from 10.6%yoy in Q207 and 12.2%yoy in Q306. In spite of this slowdown, the still robust domestic demand trends, the ongoing credit boom and the low domestic substitutability of Romanian imports continued to fuel import growth. The latter posted a cumulative rise of 26.6% to €42.9bn in January-November 2007, surpassing export growth *(+13% yoy to €27bn over the same period)* by a significant margin. We expect tighter monetary conditions and the weaker leu to weigh on domestic consumption and thus, import growth in the months to come.

Notwithstanding strong remittances and EU transfers, we expect no significant improvement in the overall C/A balance next year as the total value of imports continues to exceed exports by more than 1½ times and a more challenging external environment poses risks to Romania´s export performance. The above trends paint a rather worrisome picture for future balance-of-payments dynamics. In the absence of other large privatizations in the pipelines and with portfolio inflows remaining negligible due to the still underdeveloped nature of domestic equity and bond markets, the external financing slack will likely be increasingly taken up by the other liability component of the capital account, primarily private-sector foreign currency borrowing.

This shifting structure of C/A financing leaves Romania increasingly vulnerable to the risk of a further significant depreciation of the leu. Such depreciation could negatively impact domestic corporate and household balance sheets, cause a sudden slowdown in foreign currency borrowing and, in a worst-case scenario, propagate an economic ''hard landing''.

Fiscal policy remains pro-cyclical

The parliament's budget and finance committees recently cleared the 2008 budget draft, which envisages increased social spending along with reduced investment and administrative expenditure. The main opposition party, the leftist Social Democrats (PSD) had earlier threatened to bloc parliamentary approval of the budget if higher social spending was not included in the plan. As such, increases in pensions and financial aid to students found their way in the draft. But, other PSD-sought changes, namely further increases in monthly wages and VAT cuts, were left out. The 2008 budget envisages a deficit of 2.7%-of-GDP, against a realised deficit of 2.4-of-GDP last year. Through to October, the general government budget ran monthly surpluses, but switched to a deficit in the following two months, mainly due to a big concentration of spending by local authorities in November-December 2007.



Meanwhile, Romania's revised euro-convergence plan targets annual budget deficits of 2.9%-of-GDP according to EU standards *(~2.4% of GDP according to local accounting standards)* until 2009 and a 2.4%-of-GDP deficit in 2010. The previous plan envisaged a gradual decline in the deficit to 2%-of-GDP in 2009 but the FinMin said the adjustment was necessary for the implementation of infrastructure projects.

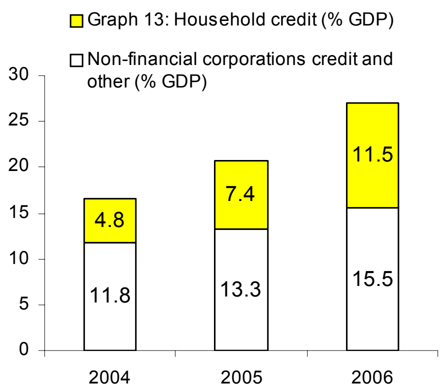
More imminently, the projected fiscal stance in 2008 remains pro-cyclical and not entirely conducive to the anti-inflation objectives of monetary policy. At the current trajectory of heightened inflation risks and growing imbalances, the government should target a lower budget deficit, or even a surplus, in our view. Indeed, as was also the case last year, the 2008 budget is directed towards consumption. Substantial increases in public wages and pensions risk fuelling further domestic demand, with adverse consequences for inflation and the current account deficit. Furthermore, the increase in consumer spending is done at the expense of containing capital expenditure on much needed infrastructural projects. The fiscal policy loosening announced for the 2008-2010 period could be exacerbated by weaker-than-projected budget revenue dynamics due the expected reductions in certain taxes and duties, the lower-than-anticipated impact of some recent income-boosting measures *(e.g., the removal of the maximum tax ceiling on social security contributions)* and lower-than-expected increases in the tax base amid slower economic growth.

In view of the above, the avoidance of fiscal slippage ahead of the 2008 and 2009 elections is crucial for supporting the monetary policy's disinflation objectives and the anchoring of inflation expectations. From a more structural perspective, Romania's fiscal policy calls for more thorough investigation and certainly deserves a closer monitoring, as there is no credible medium-term fiscal framework. The budget is customarily revised multiple times throughout the year, so that the year-end result lacks predictability. Additionally, spending is customarily skewed towards the end of the year with the budget usually at a small surplus in the January-September period turning into a deficit in the remainder of the year.

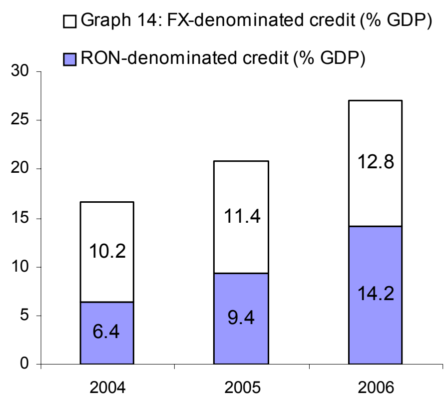
In 2006, the budget targets were revised three times so that the year end result came up to a 1.7%-of-GDP deficit. In 2007, the government targeted a budget deficit of 2.8%-of-GDP, which in ESA95 terms exceeded the 3% European Commission limit thus, running the risk of testing relations with European institutions. The target was officially revised down to 2.4%.

Treasury issuance to amount to 11bn lei in 2008

The Romanian Treasury plans to sell state treasuries worth 11bn lei (US$ 4.51bn) this year, including a 15-year bond, its longest maturity today. Total tradable debt issuance amounted to 9.5bn lei last year, coming short of initial issuance plans of 12bn lei due to downward revisions to the initial 2007 budget-deficit target.



Source: NBR



The Finance Ministry will issue 6- and 12-month T-bills, with maturities on bonds ranging from 3 to 15 years. Romania will also issue a 10-year Eurobond this year, its first since 2003, worth *at least* 500mn euros, which would primarily finance other international debt maturing in the middle of 2008.

Rapid credit growth continues, fuelling domestic demand

Total private credit, and in particular FX credit, continued to grow rapidly throughout 2007, supported by the interest rate differential with the Eurozone and fierce competition among domestic commercial banks. Total credit growth rose to 57.1%yoy in October 2007, from 58.7% yoy in the prior month, bringing the overall credit stock outstanding to 37.3%-of-GDP, from 28.0%-of-GDP in December 2006. Excessive credit growth is a key factor fuelling domestic demand. There are elements of irrationality in this situation, as domestic households currently appear to hold ultra-optimistic views on their future economic situation. The robust wage growth enables them to borrow more while the abundance of new foreign banks provides them with incentives to resort to FX borrowing. Nevertheless, the awareness of FX risk is low, which magnifies the macro and prudential risks associated with a sudden significant depreciation of the leu. Private-sector FX borrowing climbed to 51.5% of total non-government lending in October, compared to 47.5% in June and 46.4% a year earlier. It is also worth mentioning that credit to households as a percentage of GDP increased to 15.9% in Q307 against 13.6% in Q207, a rise of 2.3 percentage points quarter-on-quarter.

Strategy implications:

RON: Following a broad-based strengthening trajectory during the first seven months of 2007, the leu depreciated sharply amid worsening domestic fundamentals and global credit jitters. The EUR/RON rate hit 3-year highs beyond 3.7700/EUR on January 23, prompting verbal intervention by the NBR aiming to prevent a further significant depreciation of the currency. The EUR/RON rate stood at ca 3.6280 at the time of writing, having hit a mutiweek low of 3.6085 against the euro shortly after NBR´s surprise 100bps rate hike on February 4. In the absence of a new dramatic worsening in global investor attitude towards risk, we see limited room for further significant leu depreciation in coming months. Indeed, the leu´s main exchange rates have already adjusted to levels reflecting a more challenging domestic and international macro environment thus, reducing the risk of ‘‘contagion’’ from EMEA counterparts featuring more rigid exchange rate regimes *(e.g., Baltic countries such as Latvia).* In fact, mounting expectations for tighter NBR policy in the period ahead could even induce bouts of leu strength in periods of increased risk appetite. Last but not least, we see rising risks of NBR intervention in case of a sustained leu weakening beyond the 3.8-4.0 region against the euro[6], given that such a move would more-than-fully reverse the currency´s appreciation since the first year of inflation targeting, with adverse implications for inflation *(pass-though effects)* and private-sector balance sheets. We project a broadly neutral lue trajectory over the coming 6-12 months, and although we put our end-2008 EUR/RON forecast at 3.60, we would not be surprised to see a re-strengthening of the local currency later this year if global credit and macro worries abate. From a longer-term perspective, real convergence influences argue for an improved leu outlook in coming years, but such optimism is mitigated by current adverse balance-of-payments dynamics.

Domestic bonds: Low liquidity in the domestic secondary T-bills and bond market and pending clearing problems continue to bewilder foreign investors. In 2007, a low financing requirement and budgetary surpluses for the greater part of the year led the Ministry of Finance to cancel a great deal of scheduled debt issuance. In a move to extend the maturity spectrum of its leu-denominated

[6] NBR´s FX reserves currently amount to ca €27bn and cover around seven months of imports.

tradable debt, the Ministry is planning to issue a 15-year bond this year, its longest maturity today. We maintain a positive medium-term outlook on Romania fixed income, in view of the country's low debt levels, Eurozone-entry prospects and the NBR´s re-stated commitment to disinflation following the recent rate-tightening moves.

External Debt: Romanian external debt has underperformed strongly in recent months, affected by global credit jitters, rising domestic inflation and S&P´s move in November to downgrade its outlook on Romania's BBB- LT foreign currency rating to negative from stable. Indicatively, the spread of the Romanian 8.5%, 2012 Eurobond over German equivalent (OBL 4%, 2012) stood at ca 139bps at the time of writing *(Feb. 5)* vs. levels around 112bps in early January and 27bps in mid-July 2007. In the absence, of any further significant deterioration in the domestic and external macro environment we see relative value in Romania's external debt in view of the country's low debt levels and Eurozone-entry prospects.

ROMANIA: Table of macroecomic forecasts and market statistics

	2004	2005	2006	2007	2008
GDP at constant prices	8.5	4.1	7.7	6.0	5.9
Private consumption	14.6	9.6	13.9	11.0	9.5
Public consumption	-4.9	9.0	2.5	5.4	4.5
Gross fixed capital formation	11.1	12.6	16.1	18.5	14.2
Exports (goods and services)	13.9	8.1	10.6	8.3	8.9
Imports (goods and services)	22.1	16.6	23.0	22.3	17.4
Employment	0.4	0.2	2.8	1.2	1.0
Unemployment rate (Eurostat definition)	8.1	7.2	7.3	7.1	7.0
Compensation of employees per head	17.8	19.3	17.8	15.5	16.1
Real unit labour costs	-5.2	2.2	1.9	2.3	4.7
CPI (e.o.p.)	9.3	8.5	4.9	6.6	4.8
Trade balance (% GDP)	-8.7	-9.8	-12.1	-15.5	-18.0
Current account balance (% GDP)	-5.0	-8.7	-10.3	-14.0	-15.2
General government balance (% GDP)	-1.5	-1.4	-1.7	-2.4	-2.7
General government gross debt (% GDP)	18.8	15.8	12.4	12.5	13.0
Policy rate (e.o.p.)	17.00	7.50	8.75	7.50	9.50
EUR/RON (e.o.p.)	3.96	3.68	3.38	3.58	3.60

Source: National statistics, EC, EFG Eurobank Research

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