

7 THE BAROMETER OF THE ROMANIAN ECONOMY*

- JULY 2007 VERSION -

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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 the 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. INDUSTRIAL PRODUCTION

(Source: Monthly Statistical Bulletin No. 5/2007, NIS)

Ionel FLORESCU

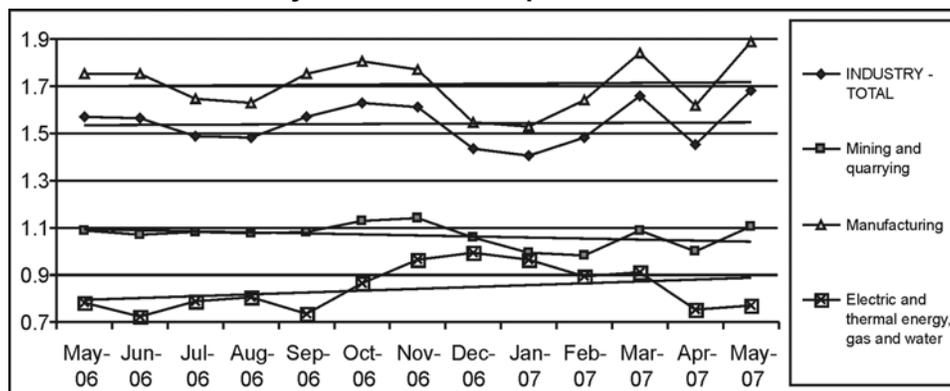
The actual increase in **Industrial Output** amounted to 7.3%, with 0.5 percentage points lesser than the previous increase. A negative growth rate of 8.4% was recorded in *Manufacturing*: by 0.7 percentage points lesser than in previous one, while in the other sectors the growth rate is also negative: 0.8% (-1.2 percentage points) in *Electric and thermal energy, gas and water*, and by 0.4% (-0.5 percentage points) in *Mining and quarrying* as one may see from the graph presenting the monthly dynamics of the output indices. It may be noticed that all the growth rates are smaller than in the previous one.

* 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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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	7.3	-0.7	Upward
Manufacturing	8.4	-0.7	Upward
Electric and thermal power, gas and water	0.8	-1.2	Upward
Mining and quarrying	0.4	-0.5	Downward

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

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

	% increase	e.f.p.a*	Trend
Other products of nonmetallic minerals	25.3	0.5	Downward
Road transport means	19.3	-0.5	Upward
Wood industry - excluding furniture production	17.4	1.3	Upward
Furniture and other industrial activities -n.e.c.	15.8	-3.0	Upward

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

The most significant decreases in the following industries:

	% increase	e.f.p.a*	Trend
Ready-made clothes	-13.5	-1.6	Downward
Petroleum processing, coal coking and treatment of nuclear fuels	-13.1	-3.4	Downward
Tobacco industry	-9.7	0.6	Upward
Publishing houses, polygraphy and recording on supports	-8.3	0.5	Downward

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



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In the actual period there are component changes and ordering in the first group, where "Wood industry" replaces "Other transport means" and in "Petroleum processing" exchanges its places with "Tobacco industry". The first group presents important fluctuations of the growth rate in "Wood industry" (+1.3 pp), "Furniture and other industrial activities" (-3% pp) the former with a growth rate of 17.4% and the latter with a growth rate of 15.8%. The growth rate of "Other products of nonmetallic minerals" is higher by +0.5 pp in this period and the growth rate of "Road transport means" was 19.3%, decreasing by -0.5 pp.

In the other group (with decreasing output) there are small growth rate improvements in "Tobacco industry" and in "Publishing houses, polygraphy", respectively (+0.6 and 0.5 pp), their growth rate becoming -9.7% and -8.3%. In other industries the output decrease is even severer: in "Ready-made clothes" it reaches -13.5% (-1.6 pp) and "Petroleum processing, coal" is of -13.1% (-3.4 pp).

In the "Mining and quarrying industry" the industry output evolved in the following way:

	% increase	e.f.p.a*	Trend
Increase in:			
Other extraction activities	25.5	-3.1	Downward
Coal mining and preparation	9.4	-1.0	Downward
And decrease in:			
Iron ore mining and preparation	-46.8	-5.9	Downward
Petroleum and natural gas extraction - excluding prospecting	-5.4	0.5	Upward

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

The growth rate is improving only in "Petroleum and natural" with a small value of -5.4% (+0.5 pp) while in other branches the growth rate decreases by -3.1 pp, -1.0 pp and -5.9 pp and their values reach 25.5%, 9.4% and -46.8% in "Other extraction activities", "Coal mining and preparation" and "Iron ore mining and preparation".

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
Increased in:			
Production, transport and distribution of electric and thermal power, of gas and hot water	1.8	-1.5	Upward
Decreased in:			
Water resources administration, water collection, purification and distribution	-3.5	-0.1	Downward

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

The output in *Production, transport and distribution* diminishes by -1.5 percentage points to +1.8%, while in *Water resources* the decrease in output continues to slow down by +0.6%, resulting in an actual decrease of -4.8%.



The changes in trends were:

- The **stagnant** trend during the previous period turned **upwards** in the industry:
 - Industry-Total
- The **downward** trend during the previous period turned **upwards** in the sector:
 - Manufacturing
- The **upward** trend during the previous period turned **downwards** in the industries:
 - Coal mining and preparation
 - Leather and footwear
 - Equipments, radio, TV sets and communications

2. FOREIGN TRADE

(Source: Monthly Statistical Bulletin No. 5/2007*, NIS)

Mihaela Nona CHILIAN

Foreign Trade Dynamics

-percent-

	April 2007/March 2007	April 2007/April 2006	Jan-Apr. 2007/Jan- Apr. 2006
Exports FOB	79.6	116.3	114.8
Intra EU	81.4	120.0	114.8
Extra EU	75.6	108.6	114.9
Imports CIF	89.6	127.7	130.0
Intra EU	90.4	139.6	141.2
Extra EU	87.4	103.3	107.6

Note: Data for January-March 2007 are revised and for April 2007 are estimated and can be subsequently rectified.

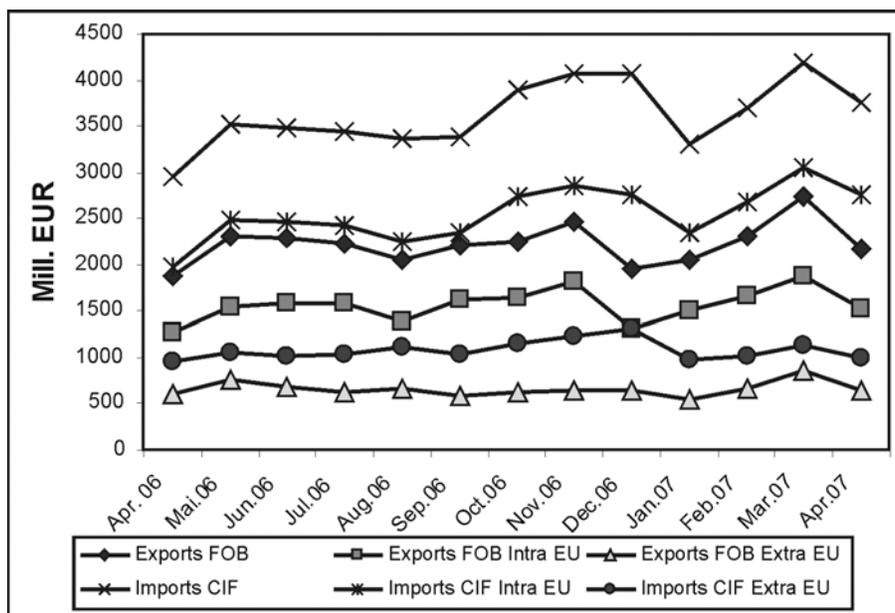
Source: National Authority of Customs (NAC).

In April 2007, the **trade flows** reversed to a lowering trend as compared to the previous month, but the decreases in exports were higher than those in imports. As compared to April 2006 and the previous year's cumulated interval, all the trade flows increased, the imports far higher than the exports, except for the Extra-EU imports. The situation reveals significant structural changes on the way and difficulties in the activity of exporting companies both on the intra-EU and the extra-EU markets. The appreciation of the exchange rate is likely to influence to a significant extent the trade flow dynamics also in 2007.

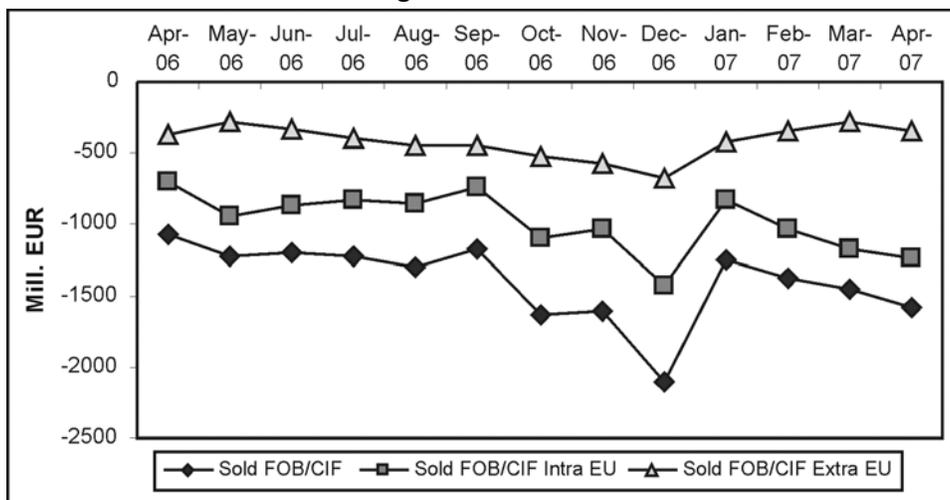
* Since the Monthly International Trade Statistics Bulletin No. 4/2007 was not published before writing this chapter, we are presenting a short version based on the data published in the Monthly Statistical Bulletin No. 5/2007.



Foreign Trade Flows



Foreign Trade Balances



All the **trade balance deficits** increased slightly again in April 2007 as compared to the previous month, while, as compared to April 2006, the dynamics were similar to

the previously analyzed interval: the overall FOB/CIF deficit was 47.4% higher than the corresponding deficit registered in April 2006, the intra-EU FOB/CIF deficit was 74.9% higher, while the extra-EU FOB/CIF deficit was 5.4% lower.

In January-April 2007, the **exports** increased by 14.8% % as compared to the same months of the previous year. The highest increases were registered in the branches *Beverages and tobacco* (by 336.9%), *Machinery and equipment, including for transport* (by 34.8%), *Manufactured products mainly classified by raw material* (by 33.9%), *Crude materials, nonedible, excluding fuel* (by 21.5%), *Chemicals and similar nonspecified elsewhere* (by 19.3%) and *Animal and vegetable oils, fats and waxes* (by 16.2%). Decreases occurred in the branches *Mineral fuels, lubricants and connected materials* (by 38.4%) and *Goods and transactions non-classified in other branches* (by 27.3%). The highest positive structural changes were recorded by the sections *Machinery and equipment*, *Manufactured products mainly classified by raw material*, *Beverages and tobacco* and *Crude materials*, while the highest negative structural changes occurred in the sections *Mineral products* and *Manufactured products* – which reveals important structural developments under way within the industrial structure, and a loss of competitiveness of the “traditional” Romanian export products, affected by the appreciation of the national currency and the outflow of the OPT industries towards cheaper labour countries.

The highest volumes of the **exports** were recorded in January-April 2007 by the branches: *Machinery and equipment, including for transport* (EUR 3118.5 mill., representing 33.6% of the total exports), *Manufactured products mainly classified by raw material* (EUR 2160.7 mill., representing 23.3% of the total exports), *Manufactured products* (EUR 2117.6 mill., representing 22.8% of the total exports), *Mineral fuels, lubricants and connected materials* (EUR 632.2 mill., representing 6.8% of the total exports), *Chemicals and similar nonspecified elsewhere* (EUR 552.0 mill., representing 5.9% of the total exports) and *Crude materials, nonedible, excluding fuel* (EUR 501.1 mill., representing 5.4% of the total exports).

The **imports** increased by 30.0% in January-April 2007 as against the same interval of the previous year, the highest increases being recorded in the sections: 7 – *Machinery and equipment, including for transport* (by 50.5%), 2 – *Crude materials, nonedible, excluding fuel* (by 46.9%), 6 – *Manufactured products mainly classified by raw material* (by 39.4%), 8 – *Manufactured products* (by 36.2%) and 0 – *Food products and live animals* (by 33.0%). Decreases occurred in the sections: 1 – *Beverages and tobacco* (by 31.3%) and 3 – *Mineral fuels, lubricants and connected materials* (by 21.1%). The highest positive structural changes (decreases) were recorded by the sections *Mineral fuels*, *Textiles*, *Chemicals* and *Beverages and tobacco*, while the highest negative structural changes (increases) occurred in the sectors *Machinery and equipment, including for transport*, *Manufactured products mainly classified by raw material*, *Manufactured products* and *Crude materials*.

As regards the import levels, the highest **imports** went towards the following sections: *Machinery and equipment, including for transport* (EUR 5732.4 mill., representing 38.3% of the total imports), *Manufactured products mainly classified by raw material* (EUR 3600.9 mill., representing 24.1% of the total imports), *Chemicals and similar nonspecified elsewhere* (EUR 1519.2 mill., 10.1% of the total imports), *Manufactured*



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products (EUR 1311.8 mill., 8.8% of the total imports) and *Food products and live animals* (EUR 742.3 mill, 5.0% of the total imports).

The **balance of trade by sections** (FOB/CIF) recorded in January-April 2007 the highest **deficits** in the sections: 7 (*Machinery and equipment, including for transport*) – EUR 2613.9 million (increasing by 74.9% as compared to January-April 2006), 6 (*Manufactured products, mainly classified by raw material*) – EUR 1440.2 million (increasing by 48.5% as compared to January-April 2006), 5 (*Chemicals and similar nonspecified elsewhere*) – EUR 967.2 million (increasing by 23.4% as compared to January-April 2006) and 3 (*Mineral fuels, lubricants and connected materials*) – EUR 870.9 million (decreasing by 0.8% as compared to January-April 2006), while the single main **surplus** was recorded by the section 8 (*Manufactured products*) – EUR 805.8 million (decreasing by nearly 30 per cent as compared to January-April 2006). If such a trend continues, there is a potential risk of running trade deficits in all the sections, despite the significant increases in exports. The overall trade balance (provisional data) recorded a deficit of EUR 5675.6 million (historical record for this interval of the year), by 65.8% higher than in January-April 2006.

3. EXCHANGE RATE

(Source: Monthly Statistical Bulletins Nos. 1-12/2006 and 1-5/2007, NIS)

Cornelia SCUTARU

Evolution of the Nominal Exchange Rate

May 2007

- as against the EUR -

	RON/EUR	% as against the previous month	% as against December of the previous year
Nominal exchange rate – monthly average	3.2850	98.5	96.2
Nominal exchange rate – at end of period	3.2724	98.4	96.8

Since July 2005, all the nominal values have been expressed in RON: 1RON=10 000 ROL.

Evolution of the Nominal Exchange Rate

May 2007

- as against the USD -

	RON/USD	% as against the previous month	% as against December of the previous year
Nominal exchange rate – monthly average	2.4314	98.5	94.1
Nominal exchange rate – at end of period	2.4347	99.6	94.8

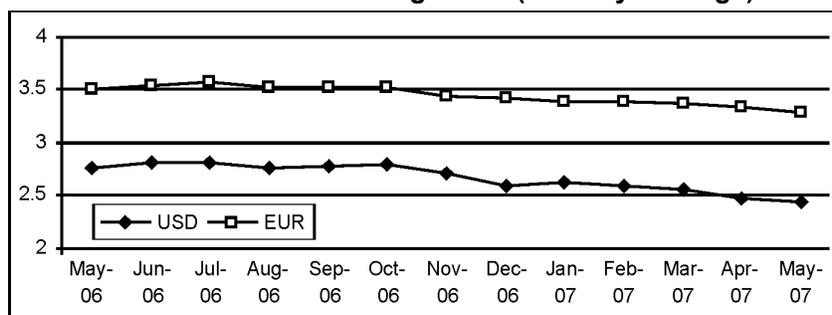
Since July 2005, all the nominal values have been expressed in RON: 1RON=10 000 ROL.



The evolution of the exchange rate against the EUR *as compared to the previous month* has shown an appreciation (by 1.5 percentage points) of the national currency (monthly average).

The monthly average RON/USD exchange rate for the month of May 2007 recorded a 1.5 percentage point appreciation as *compared to the previous month* reflecting the USD/EUR exchange rate dynamics.

Evolution of the Exchange Rate (Monthly Average)



As compared to the *other saving instruments* (state securities with a 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 on 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 a *depreciation as against the EUR (by 18.5 percentage points)*, while inflation reached 14.1% (December-to-December). Against the EUR, the depreciating trend of the national currency was significant during 2002 and 2003.

A change in the trend occurred in February-March **2004**: while the inflation against December of the previous year reached 2.2%, in March the RON appreciated against the EUR by 1.3 percentage points as compared to December 2003. The depreciation of RON against the EUR occurred in April; nevertheless, in May-September 2004 such a process stagnated. Major changes occurred in the October-December period, when a strong appreciation of the national currency occurred against both the US dollar and the euro (stronger 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 against the EUR continued also in **2005** until September, but in October-December the trend changed. An increase in the US dollar against the euro was shown over June-November 2005, reflected by the slight depreciation of the RON against the EUR.

2006 started with an appreciation of the RON both against the EUR and the USD, higher as against the latter, reflecting the international market dynamics. The appreciation continued also in the period February-May. In June there was a depreciation trend of RON against both EUR and USD; it was stronger against the

former, given the global trends. This trend continued up in July. The August–October period is characterized by relatively constant trends of the exchange rate while in November and December the RON appreciates mostly against USD, given its descending trend. For the January–May 2007 the appreciation trend of RON against EUR and USD continued up.

4. INFLATION

(Source: Price Statistical Bulletin Nos.1-12/2006, 1-5/2007, NIS)

Cornelia SCUTARU

Consumer Price Indices

May 2007

	% as against the previous month	% as against December of the previous year	% as against October 1990
Total	100.64	101.48	290639.1
Food goods	100.23	100.92	223056.0
Non-food goods	100.33	101.07	306119.6
Services	102.31	103.72	521462.3

During the analyzed period (May 2006-May 2007), the consumer price indices against October 1990 had an upward evolution, highly dampened by the low inflation rate. The services price increase in May led to a significant increase of the indices.

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 of 2003-2004. It was one of the most delicate areas as regards the impact upon inflation.

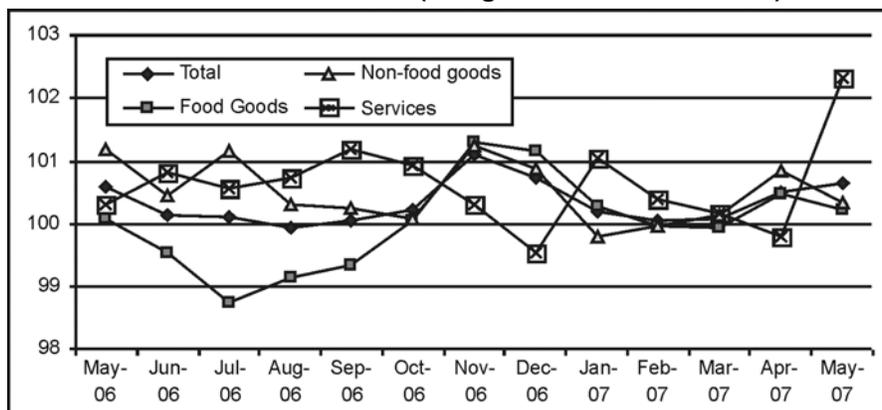
In **2005**, the increase in inflation was moderate; the highest increase was recorded for non-food goods in April and for services in February and April. The interval May-December was characterized by moderate inflation levels in all the three domains (food goods, non-food goods and services).

2006 started with quite a high inflation (1.03%), especially for the non-food goods (1.88%). In February, March, April, the inflation decreased significantly, and reductions of the consumption prices were recorded by the services only in February and March. The inflation grew in May due to non-food prices increase. The June–October period is characterized by reduced inflation due to diminishing prices of food goods and diminishing prices for non-food goods in August. We may notice an increase in food goods prices in November and December, while in December 2006 the services prices diminished.

2007 starts with a low inflation level, recording a price reduction for food goods in February and March, non-food goods for January and February and services in April, and although in May there is a sudden price increase for services, the total inflation level remains low.



Consumer Price Index (as against Previous Month)



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

5. WAGE EARNINGS OF THE POPULATION

(Source: Monthly Statistical Bulletin, No. 5/2007, NIS)

Brîndușă Mihaela RADU

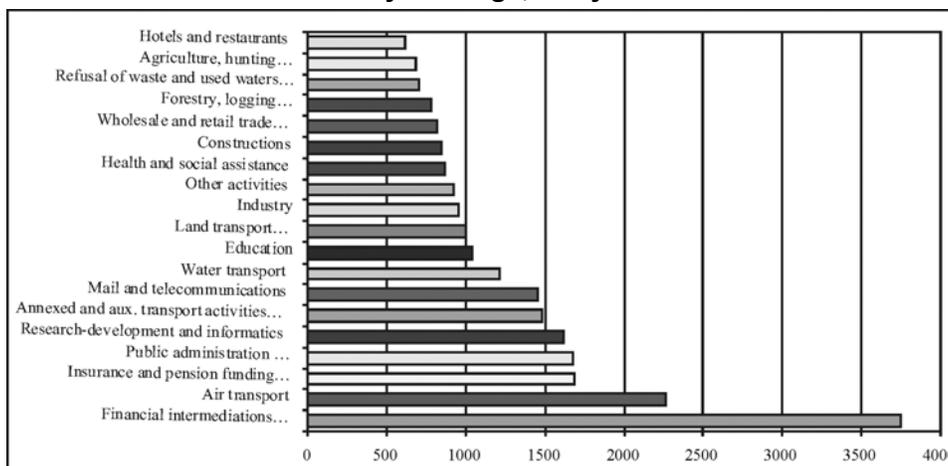
**Evolution of the Nominal Net Average Wage Earnings,
May 2007**

	RON/ month	% as against the previous month
Total	1012	98.5
Agriculture, hunting and annex services	687	98.6
Forestry, logging and related service activities	780	91.2
Industry	956	98.6
Constructions	848	98.0
Wholesale and retail trade; repair of motor vehicles, motorcycles and repair of personal and household goods	824	96.3
Hotels and restaurants	620	97.0
Land transport; transport via pipelines	101	92.4
Water transport	1214	74.4
Air transport	2268	100.6
Annexed and auxiliary transport activities; travel agencies activities	1484	92.0
Mail and telecommunications	1460	92.2
Financial intermediations (except activities of social insurance public system)	3746	124.8



	RON/ month	% as against the previous month
Insurance and pension funding (except activities of social insurance public system)	1684	97.2
Research-development and informatics	1615	90.8
Public administration and defence; social insurance of public sector	1680	99.2
Education	1045	101.7
Health and social assistance	869	98.5
Removal of waste and used waters; reclamation, sanitation and similar activities	704	97.9
Other activities	921	94.1

Ranking of economic activities by descending order of the average net monthly earnings, May 2007

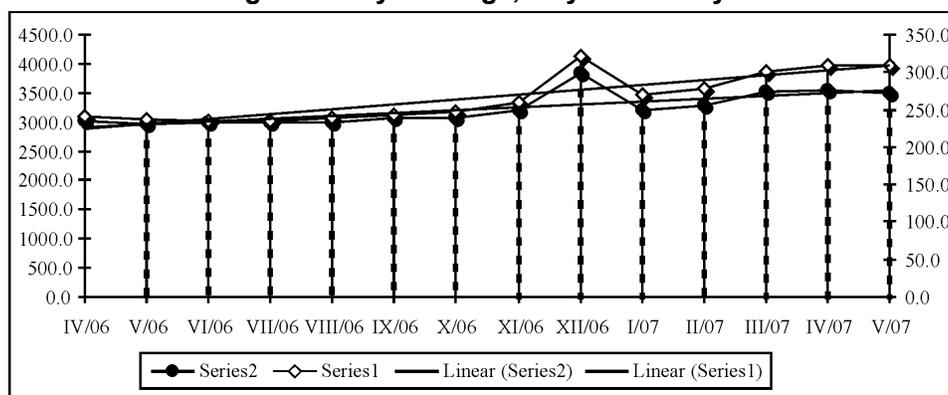


In **May 2007** the breakdown by activities, in ascending order, revealed the following: in ten activities the average net nominal wage earnings exceeded **RON 1000/month**: *Financial intermediations; Air transport; Insurance and pension funding; Public administration and defence; Research-development and informatics; Annexed and auxiliary transport activities; Mail and telecommunications; Water transport; Education and Land transport; transport via pipelines*. In *Financial intermediations* the highest increase in the average net nominal wage earnings was recorded: from **3002 RON/month to 3746 RON/month** (that means an increase by about 24.8 percentage points as compared to the previous month). The average net nominal wages in *Hotels and restaurants; Agriculture, Refusal of waste and used waters; Forestry, logging and related service activities; Wholesale and retail trade; Constructions; Health and social assistance; Other activities Industry and Land transport; transport via pipelines* are still lower than the average per economy (**RON 1012/month**).



The average net nominal wage decreased slightly in **May 2007** over the whole economy as compared to the previous month (by 1.5 %). Decreases in the average net nominal wage were recorded in this month in *Water transport* (by -25.6%); *Research-development and informatics* (-9.2%); *Forestry, logging and related service activities* (by -8.8%); *Annexed and auxiliary transport activities; travel agencies activities* (by -8.0%); *Mail and telecommunications* (-7.8%); *Land transport; transport via pipelines* (-7.6%); *Other activities* (-5.9%); *Wholesale and retail trade* (-3.7%); *Hotels and restaurants* (-3.0%); *Insurance and pension funding (except activities of social insurance public system)* (-2.8%); *Refusal of waste and used waters; reclamation, sanitation and similar activities* (-2.1%); *Constructions* (-2.0%); *Health and social assistance* (-1.5%); *Agriculture, hunting and annex services* (-1.4%); *Industry* (-1.4%); *Public administration and defence; social insurance of public sector* (-0.8%), while increases occurred in the sectors: *Financial intermediations (except activities of social insurance public system)* (by 24.8%); *Education* (1.7%) and *Air transport* (0.6%).

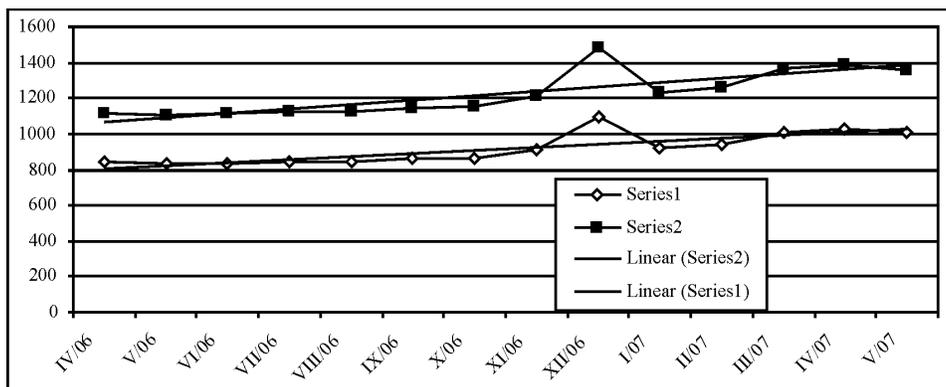
Average monthly earnings, May 2006 - May 2007



The trend of the *real net wage earnings* (as against October 1990) during **May 2006–May 2007** revealed a slight increase, while the trend of the *net wage earnings expressed in EUR* showed a slight increase as against the previous month. One may see a tendency of these two trends to get closer to each other than in the previous month. Also, it may be noticed that in this month the *real net wage earnings* (as against October 1990) had a slight decrease as against the previous month and a significant increase as against the same month of the previous year. As regards the evolution of the *net wage earnings expressed in EUR*, it revealed an increase by **29.7** percentage points as against the same month of the previous year and an increase by **0.03** percentage points as against **April 2007**. In **May 2007** the real net wage earnings increased by **17.0%** as compared to **May 2006**. As against **October 1990**, the ratio of the net average salary earnings to the consumer price index increased in **May 2007** by **5.8%**.

During **May 2006–May 2007**, the difference between the average gross nominal wage earnings and the average net wage earnings has gradually increased (with some

decreases in some months) over the entire period, with a slight increase in the current month.



6. UNEMPLOYMENT

(Source: Monthly Statistic Bulletin No. 05/2007, NIS)

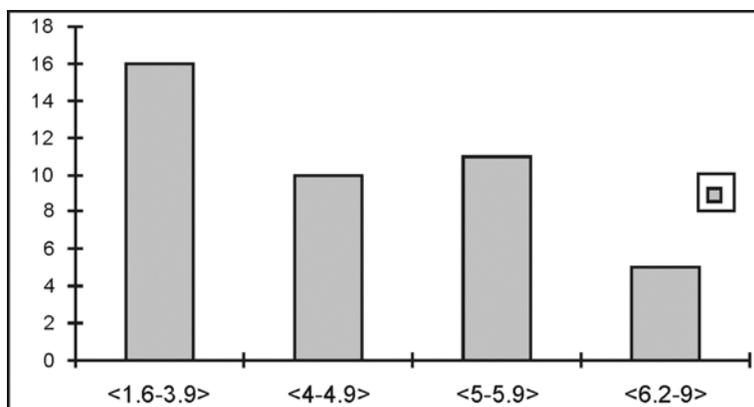
Carmen UZLAU

Unemployment

End of May 2007

Total number of unemployed (thou. persons)	369.832
Unemployment rate ¹⁾	4.1

¹⁾ The ratio of the total number of unemployed is reported to active civil population on January 1st 2007.



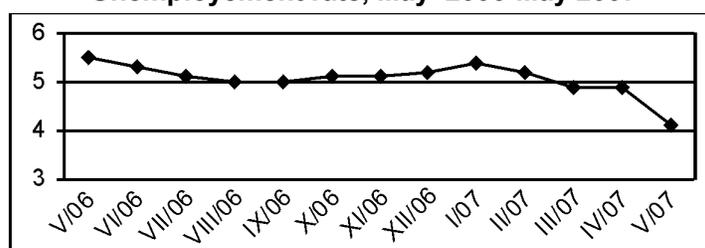
Within the country, in May 2007, the unemployment rate ranged between 9% (Mehedinți) and 1.6% (Timiș). Counties with an unemployment rate lower than 9.0 %

were: Arad, Alba, Sălaj, Argeş, Buzău, Giurgiu, Iaşi, Brăila, Sibiu, Mureş, Tulcea, Bacău, Dolj, Bistriţa-Năsăud, etc.

In May 2007 the territorial distribution of unemployment showed a massive concentration of the counties within the 5% - 5.9% range (11 counties), 1.6 %-3.9% range (16 counties), 6.3%-9% (5 counties) and within the range 4% - 4.9% (10 counties).

The evolution of the unemployment during May 2006–May 2007 is presented in the following graph:

Unemployment rate, May 2006-May 2007



The unemployment rate recorded in May 2007, 4.1%, is lower than the one in May 2006, 5.5% respectively.

7. RETAIL TRADE AND MARKET SERVICES RENDERED TO HOUSEHOLDS

(Source: Monthly Statistical Bulletin No. 5/2007, NIS)

Marioara IORDAN

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

Indicators	Turnover indices (%), in May ¹ 2007 as against:		1.1.-31. V.2007 as against 1.1. – 31. V.2006 (%)
	May 2006	April ² 2007	
Turnover without VAT of the volume indices of retail trade ³ (excepting motor vehicles and motorcycles trade) - Total	109.8	100.3	107.6
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	139.2	105.0	152.2
Turnover without VAT of Volume Indices of Market Services to the Population - Total	94.3	132.4	101.3

Note: Since 2005, the turnover volume indices are calculated based on turnover without VAT. In order to ensure the comparability of indicators, 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.

¹Provisional data.

² Rectified data.

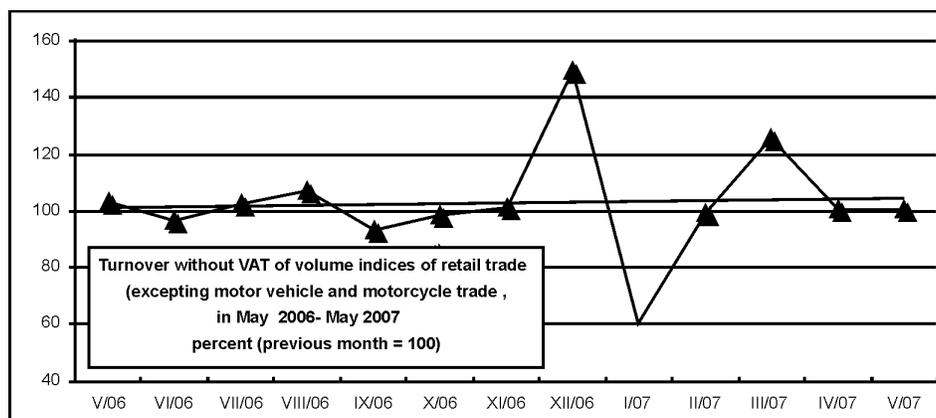
³Ajusted according to the working days number and seasonality.

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

The turnover volume of the retail trade increased in **May 2007** as against the previous month by **0.3%**, due to the increase in the sales of the *non-food goods* by **9.1%** and the decrease by **10.8%** in the sales of *food goods*.

Under comparable circumstances, in **May 2007** the turnover of the companies with their main activity in *retail trade* increased by **9.8 %** as compared to the same period of 2006, due to the increase by **8.9%** in the sales of *food goods* and by **12.7 %** in the *non-food goods* sales.

The turnover volume of the retail trade increased by **7.6 %** during **1.I. – 31.V.2007** as against **1.I. – 31. V.2006**. The sales of *food-goods* increased by **4.7 %** and the sales of *non-food goods* increased by **10.6 %**.

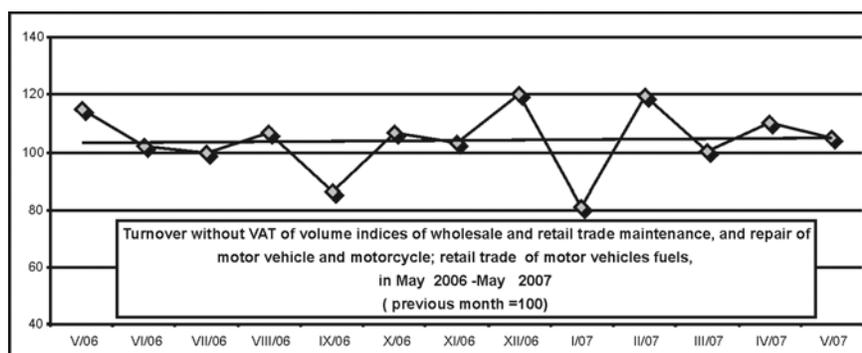


- **Turnover without VAT of volume indices of wholesale and retail trade maintenance and repair of motor vehicles and motorcycles; retail trade of motor vehicles fuels**

The overall turnover increased by **5.0 %** in **May 2007** as compared to **April 2007**, as a result of the increase by **0.2 %** in the *retail trade of fuels for motor vehicles, motorcycles and accessories* and increase in the *retail trade of fuels for motor vehicles, motorcycles and accessories* by **11.2%**.

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 **39.2 %**, due to the increase by **30.2 %** in the *retail trade of motor vehicles, motorcycles, afferent parts and accessories, maintenance and repair of motor vehicles* and by **58.7 %** in the *retail trade of fuels for motor vehicles, motorcycles and accessories*.

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 **52.2 %** in **January–May 2007** as against the same interval of the previous year, due to the increase in the turnover volume of the trade of motor vehicles, motorcycles, spare parts and accessories (**+45.9 %**) and in the retail trade of fuels for motor vehicles (**+65.5 %**).



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

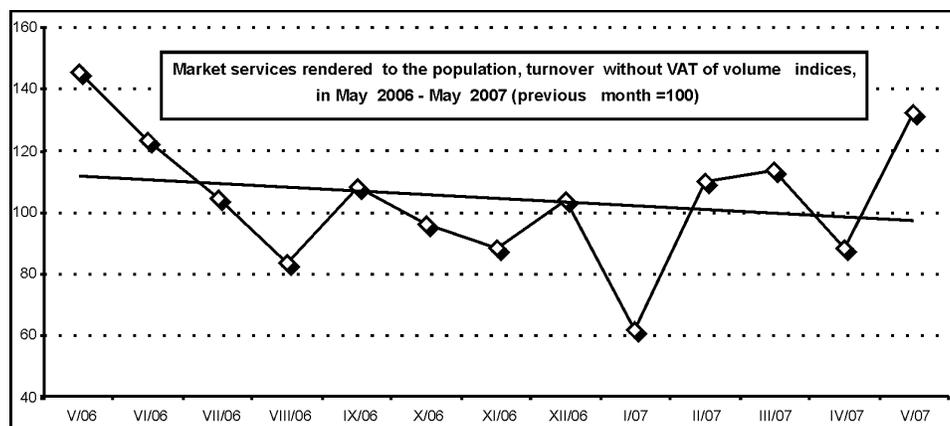
The turnover volume market services to the population in **May 2007** increased by **32.4%** as compared to **April 2007**, due to the **increases** by **40.9%** in *Hotels and restaurant*, by **24.2 %** in *Laundry, cleaning and dyeing of textiles and furs* and by **13.9 %** in *Hairdresser and other beauty activities* by **10.4%** and the **decreased** by **14.4%** in *Gambling and other recreation activities* and by **1.3%** in *Activities of travel agencies and touroperators, activities of tourist assistance*.

As against **May 2006**, under comparable circumstances, *the market services rendered to the population* decreased in **May 2007** by **5.7 %** due to the increases by **22.6%** in *Hotels and restaurant*, by **10.5%** in *Hairdresser and other beauty activities*. by **4.0%**, in the *Laundry, cleaning and dyeing of textiles and furs* and decreased the turnover volume market services for the population by **28.9%** in *Gambling and other recreation activities* and by **18.6%** in *Activities of travel agencies and tour-operators, activities of tourist assistance*.

As regards the interval **1.I.-31. V.2007** as against **1.I.-31. V.2006**, an increase by **1.3 %** in the *turnover volume indices of the market services to the population* occurred. The service activities increased during this period, especially the *Hotels and*

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restaurants (+29.8%), Laundry, cleaning and dyeing of textiles and furs (+21.5 %), Activities of travel agencies and touroperators, activities of tourist assistance (+0.2%) and in Hairdresser and other beauty activities (+1.3%). The activities decreased in Gambling and other recreation activities (-22.2 %).



Trends of the Turnover Volume Dynamics in Retail Trade and Market Services to the Population

Indicators	Trend over the period May 2006 – May 2007
Turnover without VAT of volume indices of retail trade (excepting motor vehicle and motorcycle trade) - Total	Upward
Turnover without VAT of volume indices of wholesale and retail trade maintenance and repair of motor vehicles and motorcycles; retail trade of motor vehicle fuels - Total	Stagnant
Turnover Without VAT of Volume Indices of Market Services for the Population - Total	Downward

Note: Since 2005, the turnover volume indices are calculated based on turnover without VAT. In order to ensure the comparability of indicators, 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.

The linear trends of the turnover volume evolution of the **retail trade for the population** over the period **May 2006 – May 2007** went **upwards**.

The linear trends of the turnover volume evolution of the retail trade maintenance and repair of motor vehicles and motorcycles; retail trade of motor vehicles fuels over the period May 2006 – May 2007 was stagnant.

The linear trends of the turnover volume evolution in **market services for the population** over the period **May 2006 – May 2007** went **downwards**.



8. MONETARY EVOLUTIONS

(Source: Monthly Statistical Bulletin No. 5/2007 NBR)

Petre CARAIANI

Evolution of Credits to Non-Government

May 2007*

	Mill. RON, end of period	% as against the previous month	% as against the same month of the previous year
Credit to non-government	106500	103.8	149.1
In RON	55337	104.4	150.3
In convertible currencies**	51163	103.2	147.6

Provisional data.

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

In May 2007 the credit in RON increased by 4.4 percentage points as against the previous month. During the last 12 months an increase in non-governmental credits took place (49.1 percentage points as against the same month of the previous year). Similarly to the previous period, the credits in convertible currencies increased (by 47.6 percentage points as against the same month of the previous year) less than that of the credits in RON (an increase by 50.3 percentage points as against the same month of the previous year).

Evolution of Broad Money

May 2007*

	Mil. RON	% as against the previous month	% as against December
Reserve Money (daily average)	35481	116.2	118.52
M3, of which:	112827	99.7	101.85
M2	112664	99.8	102.03
M1	56715	102.7	115.81

Provisional data.

M3 and M2 slightly decreased as against the previous month, while M1 continued to grow. Its growth rate increased this month to 2.7%. The structure of M2 in May 2007 indicates that 50.3% (at a higher level as compared to the previous months) was comprised in M1.

9. THE STATE BUDGET

(Source: National Institute of Statistics, Monthly Statistical Bulletin Nos. 05/2007, 05/2006)

Liana PECICAN

According to the data published by NIS, during January–May 2007 the total revenues collected by the state budget were 18221.70 million RON. The deficit over this period



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stayed at -3287.4 million RON, representing 18.04% of the budget revenues, the surplus of the same period of the last year stayed at 831.00 million RON, representing 5.19% of the budget revenues.

The following tables present the revenues and the expenditures of the state budget in the period January–May 2006, 2007.

	Mill. RON 1.01.- 31.05.2007	Mill. RON 1.01.- 31.05.2006	% of total 2006	% of total 2007	% as against the same period of the previous year
1. Revenues	18221.70	16837.10	100.00%	100.00%	108.22%
1.1 Current revenues	18168.10	16728.40	99.35%	99.71%	108.61%
1.1.1 Fiscal revenues	16369.10	15545.70	92.33%	89.83%	105.30%
1.1.1.1 Tax on income, profit and capital earnings	6139.50	4752.10	28.22%	33.69%	129.20%
1.1.1.1.1 Tax on profit - legal persons	4946.80	3694.80	21.94%	27.15%	133.89%
1.1.1.1.2 Tax on income - natural persons	5083.10	3550.90	21.09%	27.90%	143.15%
1.1.1.1.3 Shares and amounts broken down from tax on income - natural persons	-4445.20	-2994.70	-17.79%	-24.40%	148.44%
1.1.1.2 Taxes and fares on goods and services	9851.00	9808.40	58.25%	54.06%	100.43%
1.1.1.2.1 VAT	10187.20	10448.40	62.06%	55.91%	97.50%
1.1.1.2.2 Amounts broken down from VAT	-4766.50	-4795.30	-28.48%	-26.16%	99.40%
1.1.1.2.3 Excise duties	3983.20	3866.40	22.96%	21.86%	103.02%
1.1.1.2.4 Duties on using goods, authorization on using goods or on carrying out activities	391.20	105.70	0.63%	2.15%	370.10%
1.1.1.3 Tax on foreign trade and international transactions	327.40	950.50	5.65%	1.80%	34.45%
1.1.3 Non-fiscal revenues	1641.90	1048.80	6.23%	9.01%	156.55%
1.1.4 Insurance contributions	157.10	133.90	0.80%	0.86%	117.33%
1.2 Capital revenues	49.80	108.30	0.64%	0.27%	45.98%

Source: NIS Monthly Statistical Bulletins No. 05/2007; No. 05/2006.



On the revenue side, there was an increase of 8.22% in revenues in January–May 2007 as compared to the same period of the previous year, mainly due to the increases of shares and amounts broken down from tax on income - natural persons (by 48.44%), of the tax on income - natural persons (by 43.15%), of the tax on profit - legal persons (by 33.89%), of the duties on using goods, authorization on using goods or on carrying out activities (by 270.1%) and of the non-fiscal revenues (by 56.55%).

During the analysed period the taxes and fares on goods and services represented 54.06% of the total revenues (and 58.25% in the same period of 2006), the tax on income, profit and capital earnings represented 33.69% of the total revenues (and 28.22% in the same period of 2006), the non-fiscal revenues represented 9.01% of the total revenues (and 6.23% in the same period of 2006), the insurance contributions represented 0.86% of the total revenues (and 0.80% in the same period of 2006) and the capital revenues represented 0.27% of the total revenues (and 0.64% in the same period of 2006).

On the expenditure side, the payments made between January–May 2007 amounted to 21509.1 million RON, an increase by 34.38% as compared to the same period of the previous year.

	Mill. RON 1.01.- 31.05.2007	Mill. RON 1.01.- 31.05.2006	% of total 2006	% of total 2007	% as against the same per of the previous year
2. Expenditures	21509.1	16006.20	100.00%	100.00%	134.38%
2.1 General public services	3905.4	1799.80	11.24%	18.16%	216.99%
2.2 Defense, public order and national security	5181.3	4337.40	27.10%	24.09%	119.46%
2.3 Education	1404.7	1066.30	6.66%	6.53%	131.74%
2.4 Health	532.7	440.90	2.75%	2.48%	120.82%
2.5 Social assistance, allowances, pensions, aids and indemnities	5837.9	4348.30	27.17%	27.14%	134.26%
2.6 Public services and development and dwellings	559.5	343.50	2.15%	2.60%	162.88%
2.7 Mining and quarrying, manufacturing and construction	96.8	269.60	1.68%	0.45%	35.91%
2.8 Agriculture, sylviculture, pisciculture and hunting	1158.2	1062.70	6.64%	5.38%	108.99%
2.9 Transport and communications	1682.6	1459.80	9.12%	7.82%	115.26%



	Mill. RON 1.01.- 31.05.2007	Mill. RON 1.01.- 31.05.2006	% of total 2006	% of total 2007	% as against the same per of the previous year
2.10 Fundamental research	440.7	277.40	1.73%	2.05%	158.87%
2. Expenditures	21509.1	16006.20	100.00%	100.00%	134.38%
2.1 Current expenditures	19680.50	14256.10	89.07%	91.50%	138.05%
2.2 Capital expenditures	862.90	716.70	4.48%	4.01%	120.40%
2.3 Financial operations	965.70	1033.40	6.46%	4.49%	93.45%
2.3.1 Loans	1.90	2.00	0.01%	0.01%	95.00%
2.3.2 Credit returns	963.70	1031.40	6.44%	4.48%	93.44%
Surplus/Deficit	-3287.4	831.00	5.19%	18.04%	395.60%

Source: NIS Monthly Statistical Bulletin No. 5/2007; No. 5/2006.

The most important payments were the expenditures on defence, public order and social security (24.09% of the total expenditures), social assistance and social benefits (27.14% of the total expenditures) and general public services (by 18.16%). The situation was similar to that of the same period of 2006.

As compared to the same period of the last year, the expenditures increased by 34.38%, the general public services expenditures increased by 116.99%, also the expenditures on public services and development and dwellings increased by 62.88%, the social assistance expenditures increased by 34.26%, fundamental research expenditures increased by 58.87% and also the education expenditures increased by 31.74%. As compared to the same period of the previous year, the expenditures on mining and quarrying, manufacturing and construction decreased by 64% while all other types of expenditures increased.

By another classification of expenditures current expenditures increased by 38.05% as compared to the same period of the previous year; also capital expenditures increased by 20.40% while financial operation expenditures (loans and credit returns) slightly decreased.