

# 9 THE BAROMETER OF THE ROMANIAN ECONOMY\* MAY 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. Developments in the Fourth Quarter of 2006

Elena PELINESCU

Romania's macroeconomic performances continued to be favourable in the fourth quarter of 2006, showing a continuation of the good start of the year: the real GDP grew up by 7.7% as compared to the same quarter of the last year, on the basis of services and constructions; annualised inflation was below the 2006 target (5.0%) and the private sector continued to be preponderant in the structure of the social capital, supported by the acceleration of the privatisation process.

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\* 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 Main Macroeconomic Indicators

	U.M.	Q I 2006 (% as against 1 <sup>st</sup> quarter of 2005)	Q II 2006* (% as against 2 <sup>nd</sup> quarter of 2005)	Q III 2006 (% as against 3 <sup>rd</sup> quarter of 2005)	Q IV 2006 (% as against 4 <sup>th</sup> quarter of 2005)
Real GDP growth	%	+6.9	+7.8	+8.3	+7.7
Industry (Gross value added)	%	+4.8	+7.8	+7.9	+6.6
Constructions (Gross value added)	%	+20.4	+14.3	+19.2	+21.6
Total final consumption, of which:	%	+10.5	+11.5	+12.2	+11.5
- Households actual individual final consumption	%	+11.1	+12.8	+13.3	+12.7
Gross fixed capital formation	%	+11.3	+14.4	+17.3	+18.0
Investment rate	% of GDP	+15.6	+23.8	+28.3	+26.9
Export of goods and services	%	+13.0	+10.5	+11.0	+8.6
Import of goods and services	%	+18.7	+18.0	+21.2	+25.3
Inflation rate	%	8.41	7.8	5.9	4.78
Unemployment rate – eop	%	+6.2	5.3	4.9	5.2
Consolidated general budget deficit	% of GDP Mill. RON	+0.68 +2189.2	+1.12 +3608.3	+0.12 +307.07	-1.68 -5651
Industrial production dynamics	%	+4.5	+6.7	+7.4**	+7.1***
Export of goods (FOB)	Mill. EUR	6212.6*	12668*	19096*	25850.5
Import of goods (FOB)	Mill. EUR	7907*	17053*	26497*	298480.3
Current account deficit	% of GDP Mill. EUR	-9.13 -1564	-10.78 -4170	-10.3 -6699	-9.8 -9973**
Direct investments (net flow)	Mill. EUR	+1749	+3243	+4859	+9052**
Total medium and long term external debt	Mill. EUR	24716.5	25226.1	25991.5	27717.7
- Public debt	Mill. EUR	6938.3	6866.7	6883.4	6971.7
Public guarantee debt	Mill. EUR	4249.5	4149.5	3969	3721.8

Source: NIS Monthly Statistical Bulletin, NBR Monthly Bulletin, Ministry of Public Finance and author's computation.

\*For GDP and components, semi-defined data; Provisional data for 2006.

\*\*Period 1.1-31.10 2006 as against 1.1-31.10.2005.

\*\*\* Period 1.1-31.12 2006 as against 1.1-31.12.2005.

On the *production side*, we mention in the fourth quarter of 2006 the very high overall increase in constructions as compared to the same periods of 2005 and 2004. The *value added in constructions sector* increased by 21.6% in the fourth quarter of 2006 as compared to the same period of the last year. The dynamics of the value added of this sector was higher as compared to the industrial sector (more than three times) or other sectors, as a result of the increasing interest in new constructions, especially residential ones. The nongovernmental credits continued to increase, by 9.4% in nominal terms, even if the reference interest rate was maintained at 8.75% in August,



as compared to in 8.5 % in July and 7.5% in January 2006. The constructions sector contribution to GDP reached 6.8% in the third quarter of 2006 and 9.2% in the fourth quarter, as compared to 7% in 2006.

The *value added in the industry sector* increased by 7.9% in the third quarter of 2006 and by 6.6% in the fourth quarter as compared to the same periods of the last year, as a result of the decrease in the activity in December. In the fourth quarter of 2006, the contribution of the industry sector to the value added of the whole economy continued to decrease, from 24.2% in the third quarter to 20.8% in the last quarter of 2006.

The *value added in agriculture* decreased by 3.7%, lower as compared to the previous quarter of 2006, but higher as compared to the fourth quarter of 2005, and the share of this sector in the GDP reached 9.7% in the last quarter of 2006, as compared to 8.0% in 2006.

The *gross fixed capital formation* increased by 18% in the last quarter of 2006 as compared to the same period of the last year, higher as compared to the same quarter of 2005, and the investment rate reached 27%, as a result of direct investments. In the fourth quarter of 2006, the contribution of gross capital formation to the GDP reached 26.8%, due to decrease in inventories. In addition, the capacities of the Romanian economy to absorb direct investments continued to grow up fast, so that the direct investment net inflow reached 9052 million euros at the end of December 2006, by 3815 million euros over the level reached in the same period of the previous year.

The *actual final consumption expenditure of households* increased by 12.7% in the fourth quarter of 2006, slightly decreasing as compared to the third quarter, on the basis of the restrictions imposed on the new credits. Thus, the *import of goods and services* needed to cover domestic demand increased by 25.3% and the *current account deficit* reached 9973 million euros, 2131 million euros more as compared to the same period of the previous year.

The share of *final consumption component* in the GDP decreased from 94.37% in the first quarter of 2006 to 87.7%, as a result of higher dynamics of the gross fixed capital formation.

At the same time, the *government's actual collective final consumption* increased by 5.2% and the *export of goods and services* increased by 8.6%, below the level of import of goods and services, which registered 25.3%, as compared to the same period of 2005. The *trade deficit* increased up to 11753 million euros at the end of December 2006, as compared to 8155 million euros at the end of December 2005.

The *inflation rate* declined faster, to 4.87%, reached at the end of December 2006 (as compared to December 2005), below the target. In the fourth quarter of 2006, the average monthly inflation rate was 0.67%, higher as compared to the average monthly inflation rate in 2006. The annualised monthly inflation rate was around 4.87% and the average inflation rate in 2006 was 6.6%, as a result of the restrictive monetary and fiscal policy, of the positive impact of appreciation of the national currency and of a slight increase in the administered prices.

The *medium and long-term external debt* increased from 24550.7 million euros in December 2005 to 25991.5 million euros at the end of the third quarter of 2006, and to 27717.7 million euros at the end of 2006, well below the Maastricht criteria. The public

debt reached 18% of GDP in 2006 and the internal public debt reached 7.4% of DGP. The *direct public debt* decreased slowly, from 28.1% of the *total medium and long-term external debt* in the first quarter of 2006 to 27.2% at the end of June 2006, to 26.5% at the end of September and to 25.15 % at the end of 2006. The *public guarantee debt* represented 13.4% of the total medium and long-term external debt at the end of December 2006, decreasing by 1.77 percentage points as compared to the end of September 2006.

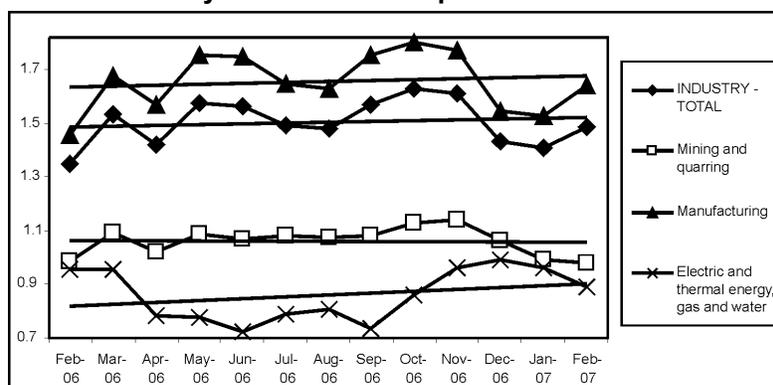
## 2. Industrial Production

(Source: Monthly Statistical Bulletin No. 2/2007, NIS)

Ionel FLORESCU

In February 2007, the actual increase in *Industrial Output* amounted to 7.6% (by 0.4 percentage points higher than the previous increase). A slightly higher growth rate was recorded only in *Manufacturing*: by 0.6 percentage points higher than the previous one (resulting in 8.5% actual increase), while in the other sectors the growth rates remained negative: by -0.6 percentage points in *Electric and thermal energy, gas and water* (resulting in 2.9% actual increase), and by -0.4 percentage points in *Mining and quarrying* (resulting in 1.1 % actual increase) as one may see from the graph presenting the monthly dynamics of the output indices. Except for *Mining and quarrying*, all the trends 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	7.6	0.4	Upward
Manufacturing	8.5	0.6	Upward
Electric and thermal energy, gas and water	2.9	-0.6	Upward
Mining and quarrying	1.1	-0.4	Downward

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



## The Barometer of the Romanian Economy

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
Other products of nonmetallic minerals	20.8	4.1	Upward
Furniture and other industrial activities – n.e.s.	19.2	-0.8	Upward
Other transport means	17.5	-0.8	Upward
Road transport means	17.5	-1.3	Stagnant 210.2%

\* 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
Tobacco industry	-11.4	-2.0	Downward
Ready-made clothes	-10.7	-1.2	Downward
Textiles and textile fabrics	-8.0	2.6	Upward
Petroleum processing, coal coking and treatment of nuclear fuels	-7.0	-2.0	Downward

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

As compared to the previous interval, no new entrants appeared both in the group of the fastest increasing and highest decreasing industries, only changes in ordering. In the highly increasing industries the actual increases were lower than in the previously analyzed interval (by 0.8-1.3 percentage points), except for *Other products of nonmetallic minerals*, where the growth rate was higher (by 4.1 percentage points, resulting in 20.8% actual increase). As regards the highest decreasing industries, the decrease in output continued to slow down significantly in *Textiles and textile fabrics* (increase by 2.6 percentage points), while in the other industries the decline in output continued to accelerate (decreases by 1.2-2.0 percentage points).

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

	% increase	E.f.p.a*	Trend
Increase in:			
Other extraction activities	24.4	0.7	Upward
Coal mining and preparation	10.1	-0.1	Upward
Decrease in:			
Iron ore mining and preparation	-30.3	-5.7	Downward
Petroleum and natural gas extraction - excluding prospecting	-5.1	-0.3	Downward

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

During the analyzed interval, only *Other extraction activities* recorded a positive growth (by 0.7%), while in *Coal mining and preparation* the output decreased (by 0.1%, resulting in 10.1% actual increase). The decrease continued to accelerate in *Petroleum and natural gas extraction* (by 0.3%, resulting in a negative actual increase of -5.1%) and especially in *Iron ore mining* (by 5.7%, resulting in a negative actual increase of -30.3%).



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

	% increase	E.f.p.a*	Trend
Increase in:			
Production, transport and distribution of electric and thermal power, of gas and hot water	4.5	-0.8	Upward
Decrease in:			
Water resources administration, water collection, purification and distribution	-3.4	0.1	Downward

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

As compared to the previously analyzed period, the output of *Production, transport and distribution* decreased by 0.8 percentage points (resulting in an actual increase by 4.5%), while in *Water resources* the decrease in output continued to slow down (+0.1%, resulting in an actual decrease of -3.4%).

The changes in trend were:

- The *downward* trend during the previous period turned *upwards* in the industry:
  - Petroleum and natural gas extraction - excluding prospecting
- The *stagnant* trend during the previous period turned *downwards* in the industry:
  - Water resources administration, water collection, purification and distribution
- The *upward* trend during the previous period turned *downwards* in the following sectors and industries:
  - Mining and quarrying
  - Publishing, printing and recording on magnetic supports
  - Metallic constructions and metal products - excluding machinery, outfits and installations
- The *upward* trend during the previous period turned *stagnant* in the sector:
  - Road transport means.

### 3. Foreign Trade

(Source: Monthly International Trade Statistics Bulletin No. 1/2007, NIS)

Nona CHILIAN

#### Foreign Trade Dynamics

*percent*

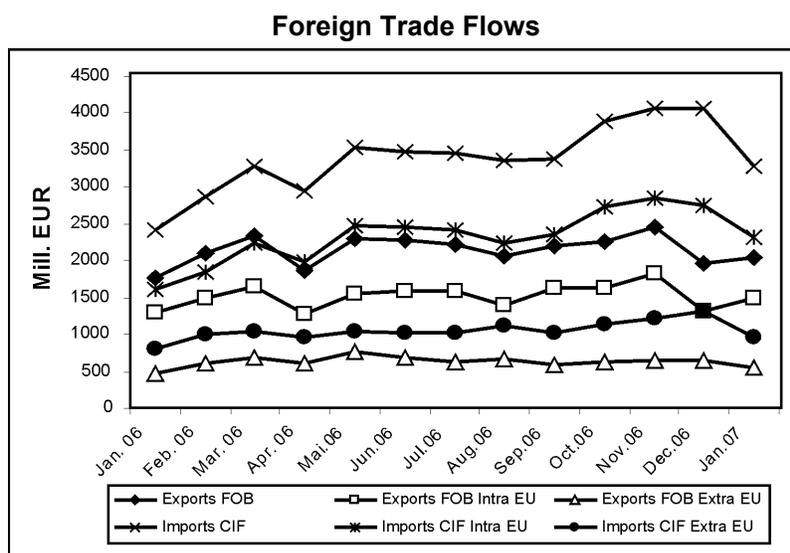
	January 2007/December 2006	January 2007/ January 2006
<b>Exports FOB</b>	<b>104.6</b>	<b>110.7</b>
Intra EU	113.9	111.2
Extra EU	85.5	109.4



	January 2007/December 2006	January 2007/ January 2006
<b>Imports CIF</b>	<b>80.7</b>	<b>125.4</b>
Intra EU	84.2	133.8
Extra EU	73.4	106.7

Note: Data on 2006 and on January 2007 are provisional and can be subsequently rectified.

Source: National Authority of Customs (NAC).



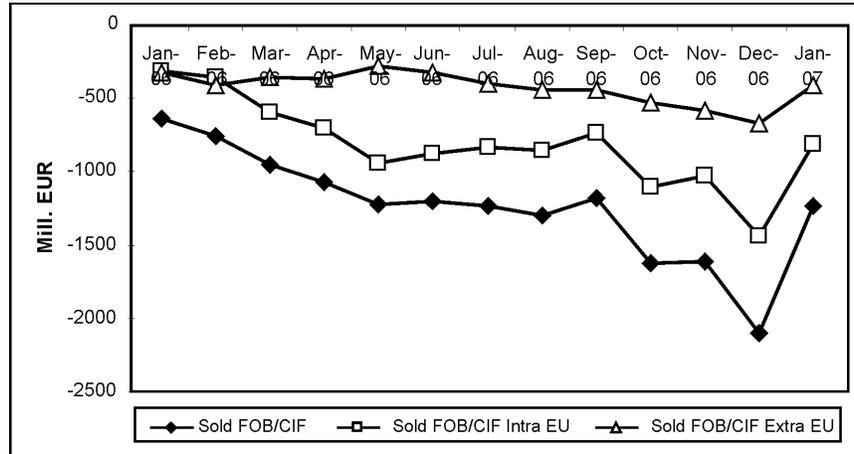
In January 2007<sup>1</sup>, the *trade flows* were still on an ascending trend: the overall and the intra-EU exports increased as against the previous month and also as compared to the imports, while as compared to January 2006 both the overall exports and the imports increased (but the exports far less than the imports). The intra-EU trade flows evolutions were similar; and the imports increased significantly as compared to the exports as against January 2006. The situation might reveal significant structural changes on the way and difficulties in the activity of the exporting companies both on the intra-EU and, especially, 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.

Following the usual beginning-of-the-year pattern, all the *trade balance deficits* decreased significantly in January 2007 as compared to the previous month. As compared to January 2006, the dynamics were different: the overall FOB/CIF deficit was 55.2% higher than the corresponding deficit registered in January 2006, the intra-EU FOB/CIF deficit was 112.5% higher, while the extra-EU FOB/CIF deficit was only 0.8% higher.

<sup>1</sup> New statistical reporting structure.



Foreign Trade Balances



As regards the *main trade partners* of Romania in January 2007, the European Union was the leading partner, and the increase in the overall exports to this area was similar to the overall increase in exports. Italy and Germany were the most important trade partners, followed by France and a group of ‘medium’ (in terms of export and import values), but important trade partners: Hungary, the UK, Austria, Spain, the Netherlands, Poland, Belgium and the Czech Republic. In the case of the EU-15 countries, below average increases were recorded in the case of some larger partners (Italy - the most important “traditional” partner, UK, Belgium), and even decreases (Austria, Greece and Spain). One may notice the significant increases in the exports towards some of the NME-12 countries: Hungary, Slovakia, Czech Republic, Poland, Malta, Estonia, Latvia and Lithuania, while in other cases decreases were recorded (Slovenia and Bulgaria). An overall trade deficit was registered and small trade surpluses were recorded with a small number of trade partners: the United Kingdom, Bulgaria, Estonia and Malta.

The situation regarding the Balkans stagnated, at least: the exports to the countries in the region increased, except for Croatia and Bosnia-Herzegovina, but the imports from these countries also increased (except for Albania), which might raise some concerns in the future (especially in the case of Turkey, the main trade partner in the region). The export values remained modest, except for the exports to Turkey and Serbia-Montenegro. Except for Croatia, all the trade balances with the countries in this area registered surpluses.

The evolution of the trade with the Community of Independent States also showed signs of stagnation in January 2007; the Romanian exports towards this area increased strongly, although the export values stayed modest. The most important market continued to be the Russian Federation (followed closely by Ukraine); the imports decreased, while the exports to this very large market increased as against January 2006, but the growth rate of the Romanian exports to this market continued to

slow down. A surplus in the trade relationships with the Republic of Moldova was recorded, and signs of recovery continued to be recorded in the trade with Ukraine and even Belarus (more than double export value, but from a very low base).

As regards the countries belonging to the European Free Trade Association, the Romanian exports to this market increased significantly in January 2007 as compared to the same month of the previous year, and a trade surplus was recorded in the trade balance with Norway.

In the case of the trade partners from other continents, the most significant was the trade with other Asian countries (as regards imports and exports and imports dynamics) and USA (but the exports decreased as compared to January 2006).

In January 2007, the exports increased by 15.3% as compared to the same month of the previous year. The highest increases were registered in the sectors *Food products, beverages and tobacco* (by 70.4%), *Transport means* (by 69.6%), *Pulp, paper, paperboard and articles thereof* (by 61.2%), *Common metals and articles thereof* (by 59.1%), *Animal or vegetable fats and oils* (by 58.6%), *Plastics, rubber and articles thereof* (by 48.4%), *Articles of stone, plaster, cement, ceramic, glass and similar materials* (by 24.0%), *Machinery and equipment* (by 23.3%) and *Wood and articles of wood* (by 16.8%). Decreases occurred in the sectors *Mineral products* (by 40.4%), *Products not included in other sections* (by 34.9%), *Textiles and articles thereof* (by 12.4%) and *Raw hides and skins, leather, fur skins and articles thereof* (by 9.9%). The highest positive structural changes were recorded by the sectors *Common metals, Machinery and equipment* and *Transport means*, while the highest negative structural changes occurred in the sectors *Textiles, Footwear* and *Mineral 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 labor cheaper countries.

The imports increased by 35.8% in January 2007 as against the same month of the previous year, the highest increases being recorded by the sectors: XV – *Common metals* (by 72.0%), IX – *Wood and articles of wood* (by 69.8%), II – *Vegetable products* (by 65.1%), XVII – *Transport means and materials* (by 63.0%), XVI – *Machinery and equipment* (by 54.6%), VII – *Plastics, rubber and articles thereof* (by 38.9%), XII – *Footwear* (by 39.8%) and XIII – *Articles of stone, plaster, cement, etc.* (by 37.4%). The highest positive structural changes (decreases) were recorded by the sectors *Textiles, Mineral products, Crude hides and skins, Chemicals, Mineral products, Food, beverages and tobacco* and *Live animals and animal products*, while the highest negative structural changes (increases) occurred in the sectors *Mechanical and electrical machinery, Transport means* and *Common metals*.

The balance of trade by sectors (FOB/CIF) recorded in January 2007 the highest deficits in the sectors: XVI (*Electrical machinery, appliances and equipment*) – EUR 430.2 million, V (*Mineral products*) – EUR 349.9 million, VI (*Chemicals and connected*) – EUR 127.0 million, XVII (*Transport means*) – EUR 114.1 million, VII (*Plastics, rubber and articles thereof*) – EUR 84.6 million and IV (*Food, beverages, tobacco*) – EUR 60.4 million, while the surpluses were in the sectors: XII (*Footwear*) – EUR 65.7 million, XX (*Miscellaneous goods and products*) – EUR 45.1 million, IX



(*Wooden products, cork and wattles*) – EUR 35.2 million, XI (*Textiles*) – EUR 15.2 million and XV (*Common metals and thereof*) – EUR 10.3 million. All the surpluses decreased as compared to January 2006, some of them dramatically: by 82.6% in XI (*Textiles*) and by 56.4% in XV (*Common metals and thereof*). The overall trade balance (provisional data) recorded a deficit amounting to EUR 1231.4 million (historical record for this month of the year), by 93.1% higher than in January 2006.

#### 4. Exchange Rate

(Source: Monthly Statistical Bulletins Nos. 1-12/2006 and 1-2/2007 NIS)

**Cornelia SCUTARU**

#### Evolution of the Nominal Exchange Rate

February 2007

– as against the EUR –

	RON/EUR*	% as against the previous month	% as against December of the previous year
Nominal exchange rate – monthly average	3.3824	99.7	99.1
Nominal exchange rate – at end of period	3.3961	99.6	100.4

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

#### Evolution of the Nominal Exchange Rate

February 2007

– as against the USD –

	RON/USD*	% as against the previous month	% as against December of the previous year
Nominal exchange rate – monthly average	2.5881	99.0	100.2
Nominal exchange rate – at end of period	2.5191	95.6	98.1

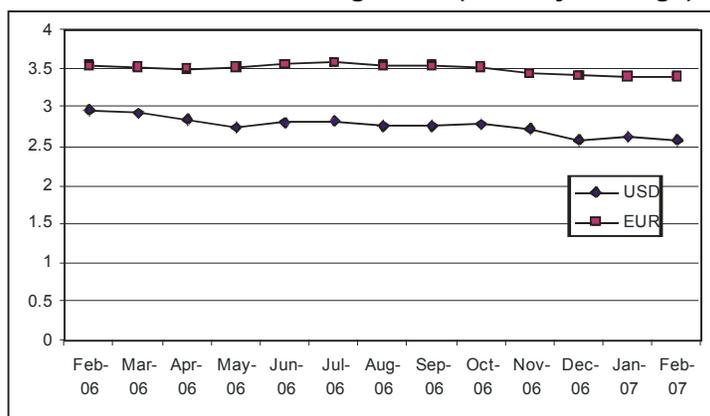
\* Since July 1<sup>st</sup>, 2005, all the nominal values are reported in RON. 1 RON = 10,000 ROL.

The evolution of the exchange rate as against the EUR as compared to the previous month revealed an appreciation (by 0.3 percentage points) of the national currency (monthly average).

As against USD, in February 2007 a depreciation (by 1.0 percentage points) of the national currency as against previous month was recorded (monthly average), reflecting the USD/EUR exchange rate dynamics.



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 a 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 occurred again in April; nevertheless, in May-September 2004 the process stagnated. Major changes occurred over the period October-December, when a strong appreciation of the national currency occurred as against both the US dollar and the euro (stronger as against the former). As a conclusion, 2004 was a year of *major developments* in the exchange rate.

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

2006 started with an appreciation of the RON as against both the EUR and the USD, higher as against the latter, reflecting the international markets dynamics. The appreciation continued also in the period February-May. However, since June the national currency started to depreciate against EUR and USD, more against USD, due to the international evolutions. The trend maintained almost unchanged also in July,

while the interval August-October was characterized by a relatively constant dynamics of the exchange rate. In November and December, an appreciation of the RON occurred, especially as against the USD, due to the latter's downward dynamics.

In January and February 2007 the appreciation of the RON as against the EUR continued, but a slight depreciation as against the USD occurred.

## 5. Inflation

(Source: Price Statistical Bulletin Nos.1-12/2006 and 1-2/2007 NIS)

**Cornelia SCUTARU**

### Consumer Price Indices

February 2006

	% as against the previous month	% as against December of the previous year	% as against October 1990
Total	100.04	100.24	287095.9
Food goods	99.97	100.25	221569.8
Non-food goods	99.97	99.77	302178.3
Services	100.28	101.42	509894.1

During the analyzed period (February 2006-February 2007), the consumer price indices as against October 1990 had an upward evolution, highly dampened by the low inflation rate; in February 2007 a slight decrease occurred in the case of the food and non-food goods.

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 sensitive areas as regards the impact upon inflation.

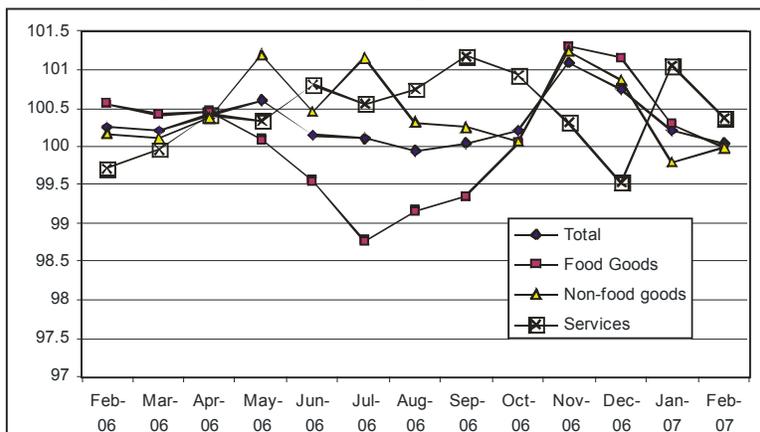
In 2005, the increase in inflation was moderate; the highest increase being recorded in the non-food goods in April and in services in February and April. The May-December period was characterized by low inflation levels in all the three domains (food goods, non-food goods and services).

2006 started with quite a high inflation (1.03%), especially for the non-food goods (1.88%). In February, March, April the inflation decreased significantly, and diminutions of the consumption prices were recorded by the services only in February and March). The price increases for non-food goods determined an inflation surge in May. The inflation decreased over the period June-October, mainly due to the reduction in food goods prices and in August also to the reduction in the non-food goods prices. November and December brought an increase in the food goods prices; at the same time the services prices decreased in December 2006.

2007 started with a low inflation; a decrease in the prices of the food and non-food goods occurred and a slight increase in the services prices, but the inflation level remained low.



**Consumer prices indices (as against the previous month)**



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

**6. Wage Earnings of the Population**

(Source: Monthly Statistical Bulletin No. 2/2007, NIS)

**Crenguța OSMANOVICI**

**Evolution of the Nominal Net Average Salary Earnings**

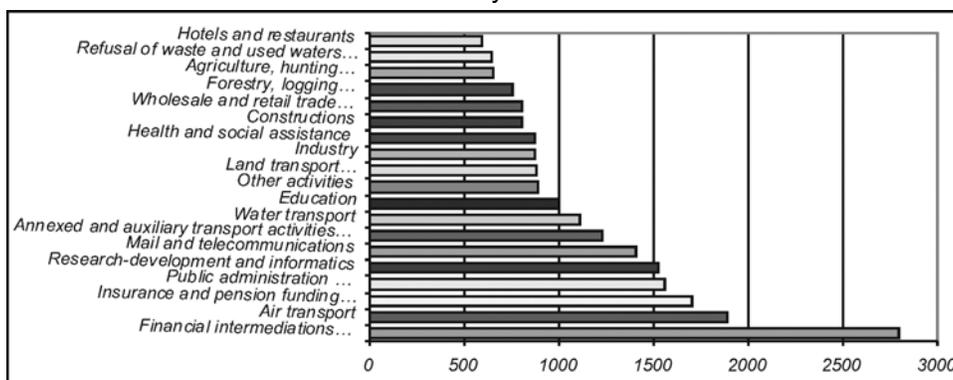
February 2006

	RON/ month	% as against the previous month
<b>Total</b>	941	102.5
Agriculture, hunting and annex services	650	86.8
Forestry, logging and related service activities	756	104.6
Industry	874	102.1
Constructions	804	106.9
Wholesale and retail trade; repair of motor vehicles, motorcycles and repair of personal and household goods	803	105.8
Hotels and restaurants	593	94.1
Land transport; transport via pipelines	884	99.2
Water transport	1108	100.3
Air transport	1887	98.1
Annex and auxiliary transport activities; travel agencies activities	1231	99.2
Mail and telecommunications	1406	103.9
Financial intermediations (except activities of social insurance public system)	2800	114.1



	RON/ month	% as against the previous month
Insurance and pension funding (except activities of social insurance public system)	1703	107.2
Research-development and informatics	1526	103.2
Public administration and defence; social insurance of public sector	1559	101.7
Education	1002	97.6
Health and social assistance	871	100.5
Refusal of waste and used waters; reclamation, sanitation and similar activities	644	92.9
Other activities	890	106.6

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

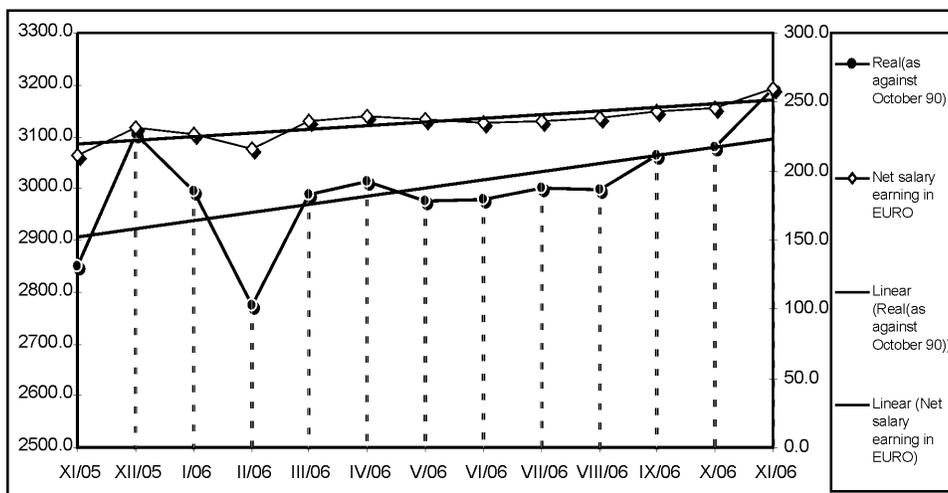


In February 2007 the breakdown by activities, in ascending order, revealed the following: in nine activities the average net nominal wage earnings exceeded RON 1000/month: *Financial intermediations, Air transport; Insurance and pension funding; Public administration and defence; Social insurance of public sector; Research-development and informatics; Mail and telecommunications; Water transport; Annexed and auxiliary transport activities; and Education*. In *Financial intermediations* a significant increase in the average net nominal wage earnings was recorded: from 2454 RON/month to 2800 RON/month (an increase of about 14.1 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* are still lower than the average per economy (RON 941/month).



The average net nominal wage increased slightly in February 2007 over the whole economy, as compared to the previous month (by 2.5 %). Increases in the average net nominal wage were recorded in the same month by *Financial intermediations (except activities of social insurance public system)* (by 14.1%); *Insurance and pension funding (except activities of social insurance public system)* (by 7.2%); *Constructions* (by 6.9%); *Other activities* (by 6.6%); *Wholesale and retail trade* (by 5.8%); *Forestry, logging and related service activities* (by 4.6%); *Mail and telecommunications* (by 3.9%); *Research-development and informatics* (by 3.2%); *Industry* (by 2.1%); *Public administration and defence; social insurance of public sector* (by 1.7%); *Health and social assistance* (by 0.5%) and *Water transport* (by 0.3%); while decreases occurred in the sectors: *Agriculture, hunting and annex services* (by 13.2%); *Refusal of waste and used waters; reclamation, sanitation and similar activities* (by 7.1%); *Hotels and restaurants* (by 5.9%); *Education* (by 2.4%); *Air transport* (by 1.9%); *Land transport; Transport via pipelines* (by 0.8%) and *Annex and auxiliary transport activities; Travel agencies activities* (by 0.8%).

**Average monthly earnings, November 2005 - November 2006**



The trend of the *real net wage earnings* (as against October 1990) during February 2006–February 2007 showed a slight increase, while the trend of the *net wage earnings expressed* in EUR showed also a slight increase as against the previous month. One may observe a tendency of these two trends to get closer to each other than in the previous month. Also, it should be noticed that in the same month the *real net wage earnings* (as against October 1990) recorded a slight increase as against the previous month and a significant increase as against the same month of the previous year. A similar evolution was recorded by the *net wage earnings expressed* in EUR: an increase by 28.4 percentage points as against the same month of the

previous year and an increase by only 2.8 percentage points as against January 2007. In February 2007 the real net wage earnings increased by 18.2% as compared to February 2006. As against October 1990, the ratio of the net average salary earnings to the consumer price index decreased in February 2007 by 0.4%.

Beyween February 2006–February 2007, the *difference* between the average gross nominal wage earnings and the average net wage earnings increased gradually (with some decreases in some months), with a slight increase in the current month.

## 7. Unemployment

(Source: Monthly Statistical Bulletin No. 2/2007, NIS)

**Carmen UZLĂU**

### Unemployment End of February 2007

Total number of unemployed (thou. persons)	459,013
Unemployment rate <sup>)</sup>	5.2

<sup>)</sup> The ratio of the total number of the unemployed to active civilian population on 1<sup>st</sup> January, 2007.

In the country, in February 2007 the unemployment rate ranged between 10.5% (Vaslui) and 1.9% (Ilfov). *Counties with an unemployment rate below 10.0 %* were: Arad, Alba, Sălaj, Argeş, Buzău, Giurgiu, Iaşi, Brăila, Sibiu, Mureş, Tulcea, Bacău, Dolj, Bistriţa-Năsăud, etc.

In February 2007, the *territorial distribution* of unemployment showed concentrations of the counties within the intervals: 5-5.9% (11 counties), 1.9-4.9% (15 counties), 6-7% (8 counties) and 7.3-10.5% (8 counties).

The evolution of the unemployment rate over the interval February 2006–February 2007 showed that the 5.2% unemployment rate recorded in February 2007 was lower than in February 2006, 6.3%, respectively. The trend was very slightly downwards in the past two months.

## 8. Retail Trade and Market Services Rendered to Households

(Source: Monthly Statistical Bulletin No. 2/2007, NIS)

**Marioara IORDAN**

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

*The turnover volume of the retail trade* decreased in **February 2007** as against the previous month by **1.9%**, due to the decrease in the sales of *non-food goods* by 9.7%.

Under comparable circumstances, in **February 2007** the turnover of the companies with their main activity in *retail trade* decreased by **4.8 %** as compared to the same period of 2006, due to the decrease by **8.9 %** in the sales of the *food goods* and by **0.6%** in the *non-food goods* sales.



The turnover volume of the retail trade decreased by 2.2 % during 1.I. – 28.II.2007 as against 1.I. – 28.II.2006. The sales of food-goods decreased by 6.0 % and the sales of non- food goods increased by 1.7 %.

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

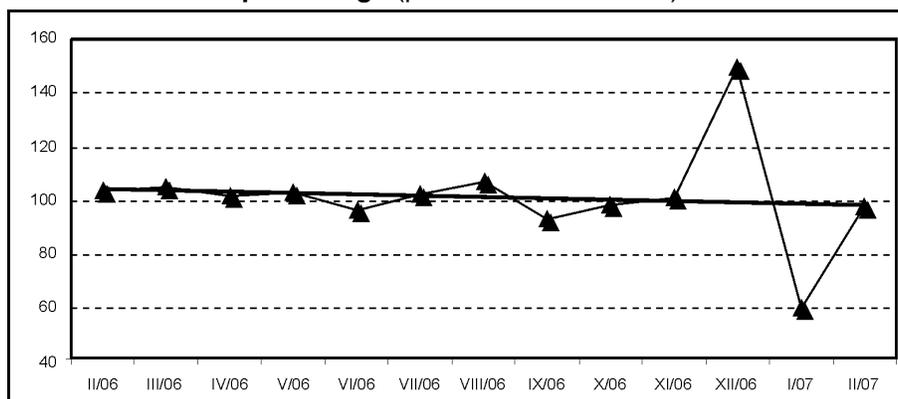
Indicators	Turnover indices (%), in February <sup>1</sup> 2007 as against:		1.I. – 28.II.2007 as against 1.I. – 28.II.2006 (%)
	February 2006	January 2007 <sup>2</sup>	
Turnover without VAT of the volume indices of retail trade (excepting motor vehicles and motorcycles trade) - Total	95.2	101.5	97.8
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	166.1	118.3	159.8
Turnover without VAT of Volume Indices of Market Services to the Population - Total	98.7	110.1	99.4

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

<sup>1)</sup> Provisional data.

<sup>2)</sup> Rectified data.

**Turnover without VAT of volume indices of retail trade (excepting motor vehicles and motorcycles trad , in February 2006 - February 2007 in percentage (previous month = 100)**



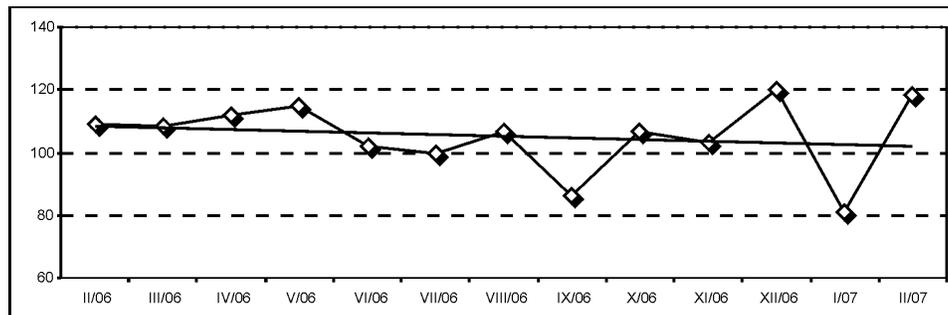
- **Turnover without VAT of volume indices of wholesale and retail trade maintenance and repair of motor vehicles and motorcycles; retail trade of motor vehicles fuels**

The *overall turnover* increased by **18.3 %** in **February 2007** as compared to **January 2007**, as a result of the increase by **30.6 %** in the *retail trade of fuels for motor vehicles, motorcycle and accessories* and decrease in the *retail trade of fuels for motor vehicles, motorcycle and accessories* by **3.7%**.

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 **66.1%**, due to the increase by **64.4 %** in the *retail trade of motor vehicles, motorcycles, parts and accessories maintenance and repair of motor vehicles* and by **69.8 %** in the *retail trade of fuels for motor vehicles, motorcycle 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 **59.8%** in **January - February 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 (**+54.1 %**) and in the retail trade of fuels for motor vehicles (**+72.4 %**).

**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, in February 2006-February 2007**  
(previous month =100)



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

The turnover volume market services for the population in **February 2007** increased by **10,1%** as compared to **January 2007**, due to the increases by 67.6% in the *Activities of travel agencies and touroperators, activities of tourist assistance*, by

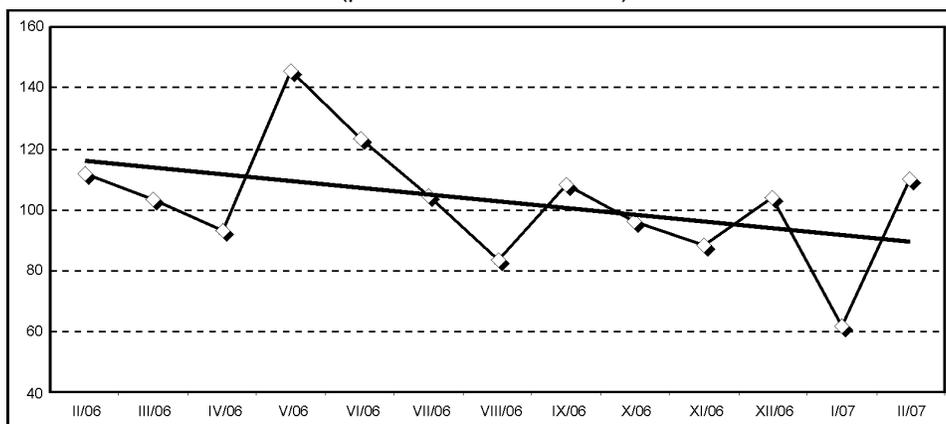


40.9% in the *Laundry, cleaning and dyeing of textiles and furs*, 33.6% in the *Hotels and restaurants* and by 27.6 % in the *Hairdresser and other beauty activities*.

As against **February 2006**, under comparable circumstances, *the market services rendered to the population* decreased in **February 2007** by **1.3 %** due to the increases in the all activities (excepting the *Gambling and other recreation activities*, by  $- 28,0\%$  ) : 35.5 % in the *Laundry, cleaning and dyeing of textiles and furs*, 6.9 % in the *Hairdresser and other beauty activities*, **11.6 %** in the *Activities of travel agencies and touroperators, activities of tourist assistance* and **34.7 %** in the *Hotels and restaurants*.

As regards the interval **1.I.-28.II.2007** as against **1.I.-28.II.2006**, a decrease by **0.6 %** in the *turnover volume indices of the market services to the population* occurred. The other service activities increased during this interval, especially the *Laundry, cleaning and dyeing of textiles and furs (+31.7 %)*, *Hotels and restaurants (+29.3%)* and in the *Activities of travel agencies and tour-operators, activities of tourist assistance (+11.5%)*. The activities decreased in the *Gambling and other recreation activities (-23.5 %)*.

**Market services rendered to the population, turnover without VAT of volume indices, in February 2006- February 2007**  
(previous month =100)



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

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 February 2006 – February 2007 went downward.

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

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

Indicators	Trend over the period February 2006 – February 2007
Turnover without VAT of volume indices of retail trade (excepting motor vehicles and motorcycles trade) - Total	Downward
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 - Total	Downward
Turnover without VAT of Volume Indices of Market Services to the Population - Total	Downward

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

**9. Monetary Evolution**

(Source: Monthly Statistical Bulletin No. 2/2007, NBR)

**Petre CARAIANI**

**Evolution of Credits to Non-government**

February 2007\*

	Mill. RON, end of period	% as against the previous month	% as against the same month of the previous year
Credit to non-government	95482	103.2	155.2
In RON	49466	103.9	164.2
In convertible currencies**	46016	102.5	146.3

\* Provisional data.

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

In February 2007 the *credit* in RON increased by 3.9 percentage points as against the previous month. During the last 12 months, an increase in non-governmental credits took place (55.2 percentage points as against the same month of the previous year). Similarly to the previous period, the credits in convertible currencies had an increase (by 46.3 percentage points as against the same month of the previous year) lower than that of the credits in RON (an increase by 64.2 percentage points as against the same month of the previous year).



### Evolution of Broad Money

February 2006\*

	Mil. RON	% as against the previous month	% as against December
Reserve Money (daily average)	30095	101.8	100.5
M3 of which	109966	102.7	99.2
M2	109936	103.1	99.5
M1	52282	101.1	106.7

\*Provisional data.

M3 and M2 grew as against the previous month, but their level is still lower than their level in December. M1 continued its growth, but the growth rate decreased this month to only 1.1%. The structure of M2 in February 2007 indicates that 48.4% (at a higher level as compared to December) was comprised in M1.

### 10. The State Budget

(Source: Monthly Statistical Bulletin Nos. 2/2006, 2/2007, NIS)

**Liana PECICAN**

According to the data published by NIS, in February 2007 the total revenues collected by the state budget amounted to 5865.50 million RON. The *deficit* over this period reached 2458.9 million RON, representing 41.92% of the budget revenues, the deficit of the same period of the last year stayed at 521.87 million RON, representing 9.34% of the budget revenues.

*On the revenue side*, an increase by 15.78% in revenues was recorded February 2006 as compared to the same period of the previous year, mainly due to the major increases in the non-fiscal revenues (by 65.56%), in the tax on income (natural persons by 58.65%), in the amounts broken down from the tax on income (by 47.42%), and in the tax on profit (legal persons, by 26.93%). The taxes and fares on goods and services represented 52.36%, the tax on income, profit and capital earnings represented 34.33%, the non-fiscal revenues represented 9.50% and the insurance contributions represented 0.93% of the total revenues during the analyzed period.

*On the expenditure side*, the payments made in February 2006 amounted to 8324.4 million RON, an increase by 48.97% as compared to the same period of the previous year. The most important payments were the expenditures on defence, public order and social security (26.11% of the total expenditures), social assistance and social benefits (28.28% of the total expenditures). The situation was similar to that of the same period of 2006; as compared to it the general public services expenditures increased four times, also the expenditures on public services and development and dwellings increased by 70.58%, and the social assistance expenditures increased by 95.43%. As compared to the same period of the previous year, the expenditures on fundamental research decreased by almost 70%, and the expenditures on transport and communications increased by 68.64%; the expenditures on mining and quarrying, manufacturing and construction decreased (by 17%), while the expenditures on health increased (by 20.96%).

