



National Bank of Romania

Emerging Funding for the Real Economy

Romania: Macroeconomic Trends

Bogdan Olteanu
Deputy Governor

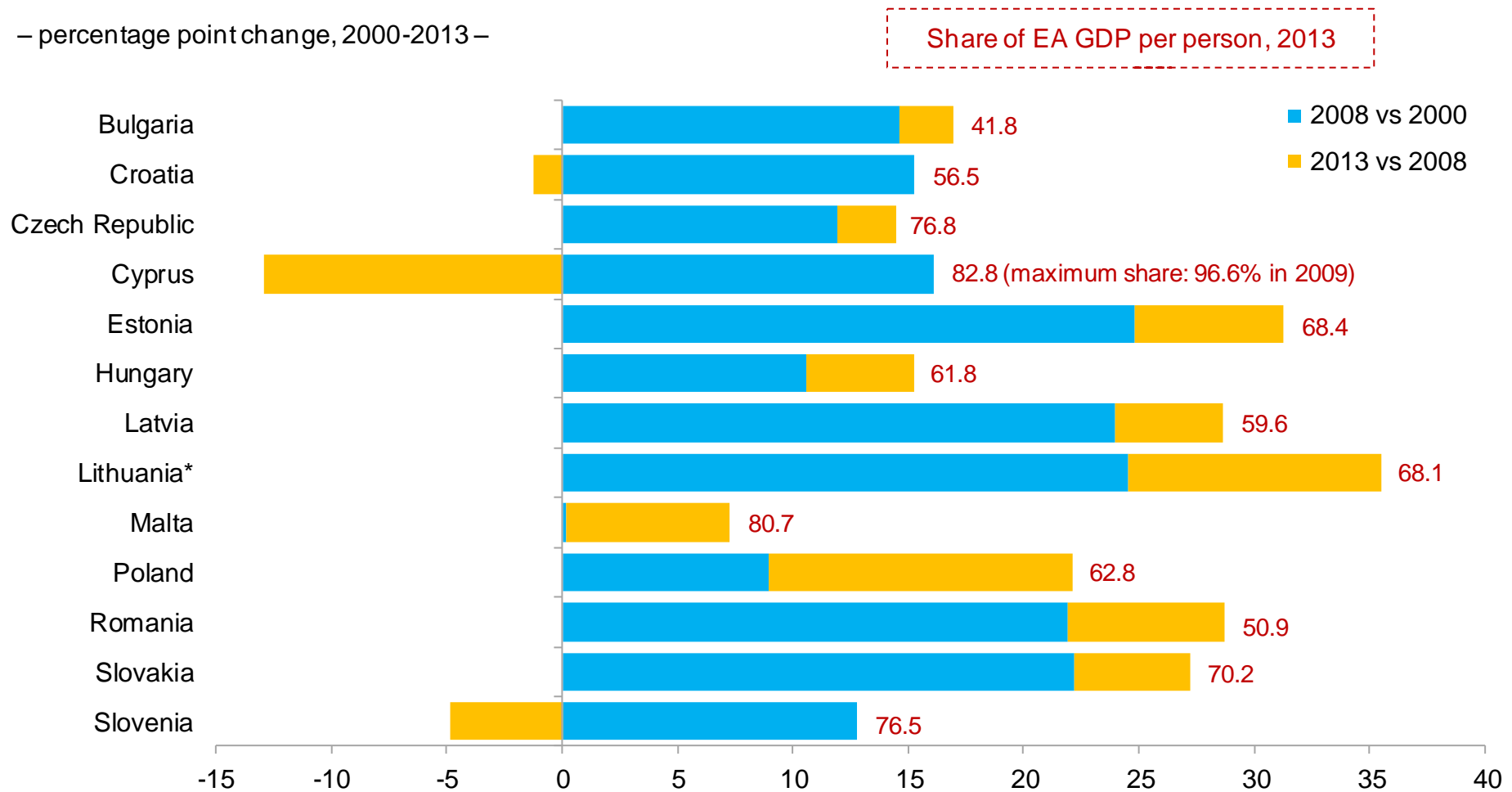
Bucharest,
2 April 2015



Ebb and flow in real convergence: post vs. pre-crisis relative growth outcomes

GDP per person at PPS as a share of EA

– percentage point change, 2000-2013 –

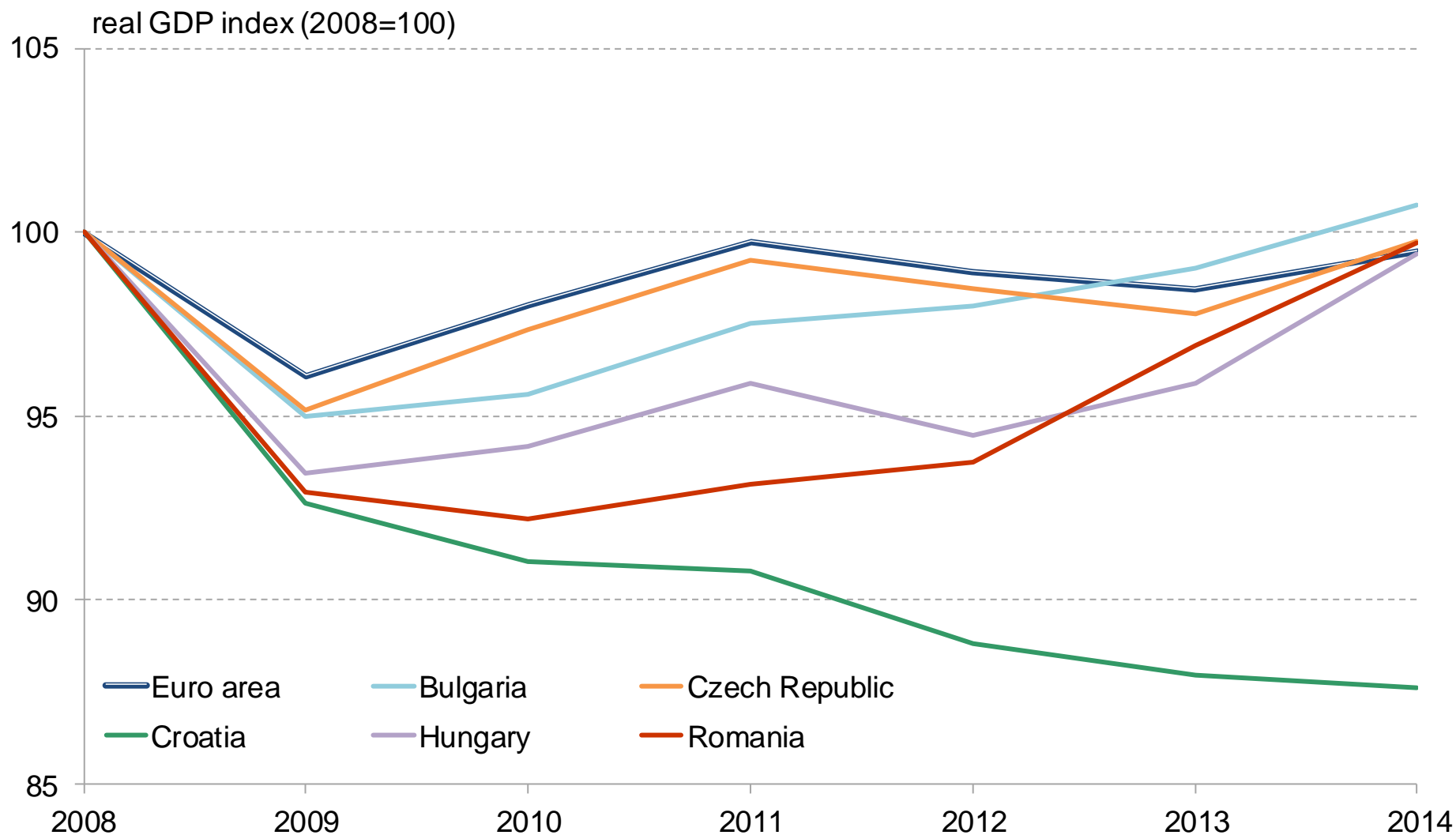


Source: Eurostat

* ESA95 data for 2008 vs 2000

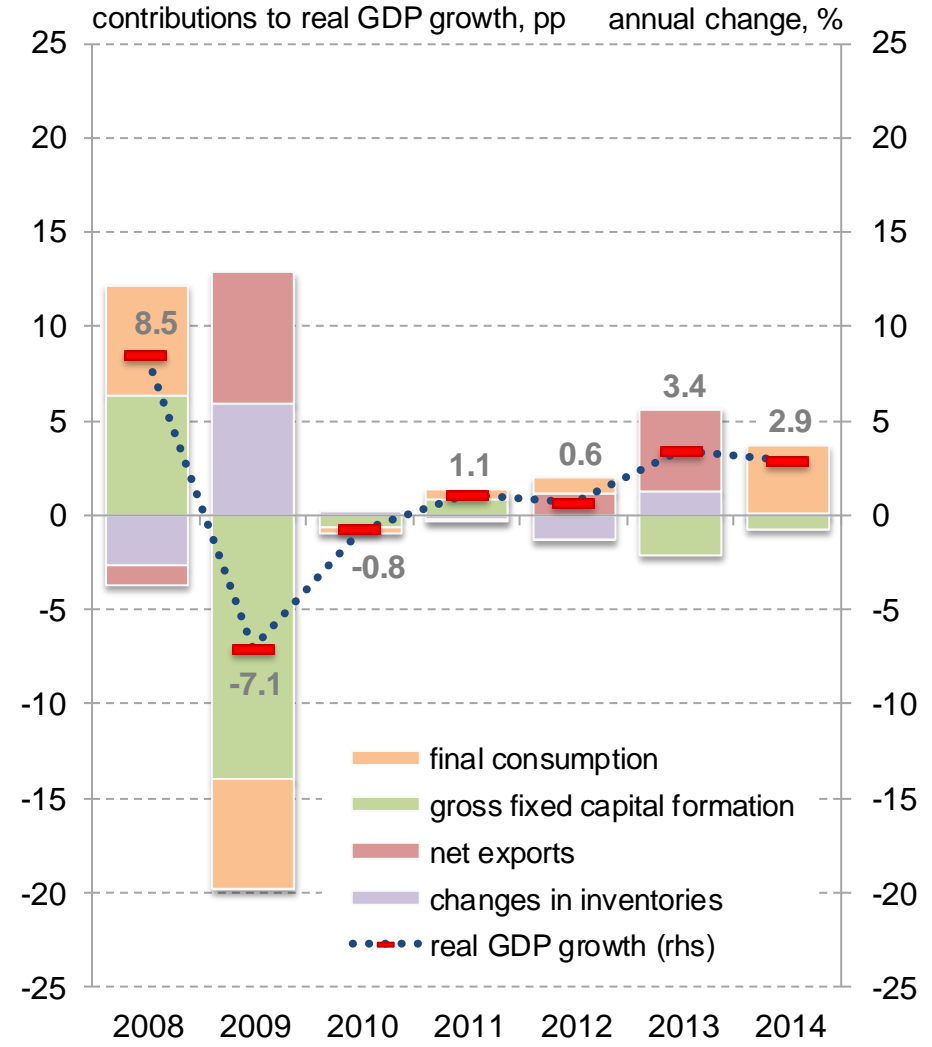
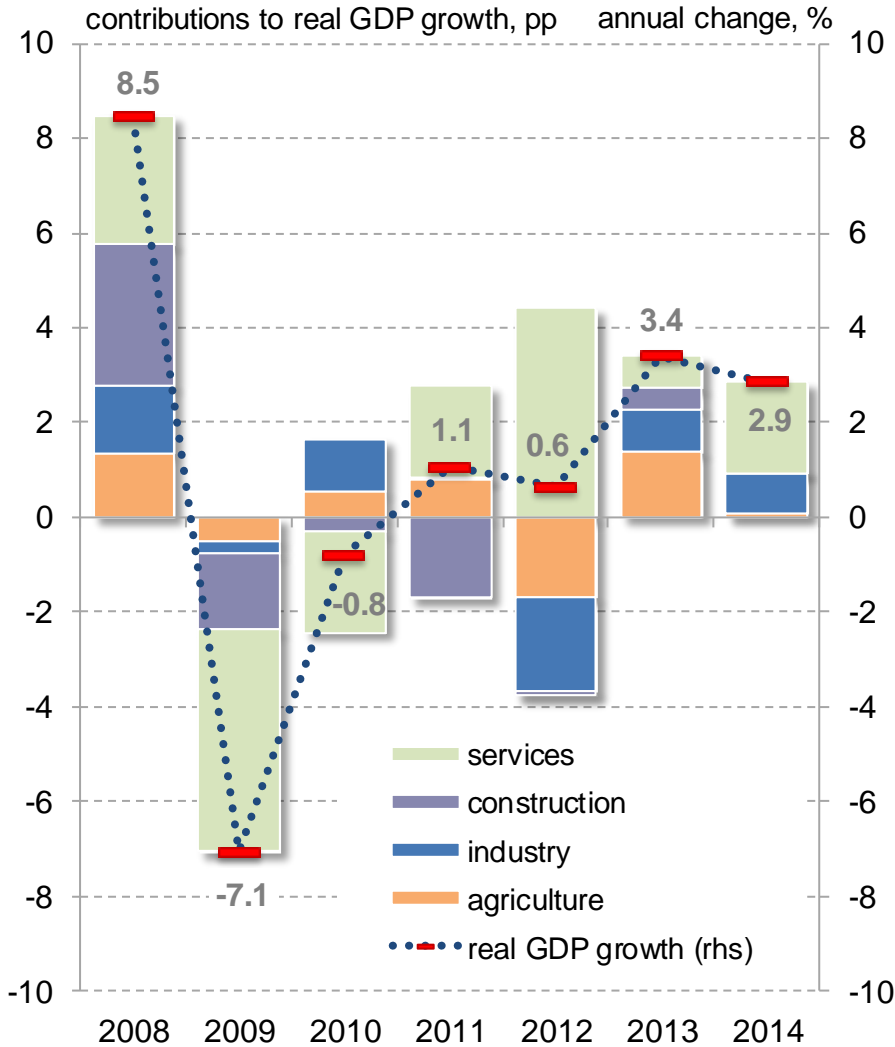


The economic decline witnessed in Romania during the crisis was almost offset in 2014, similarly to other countries in the region



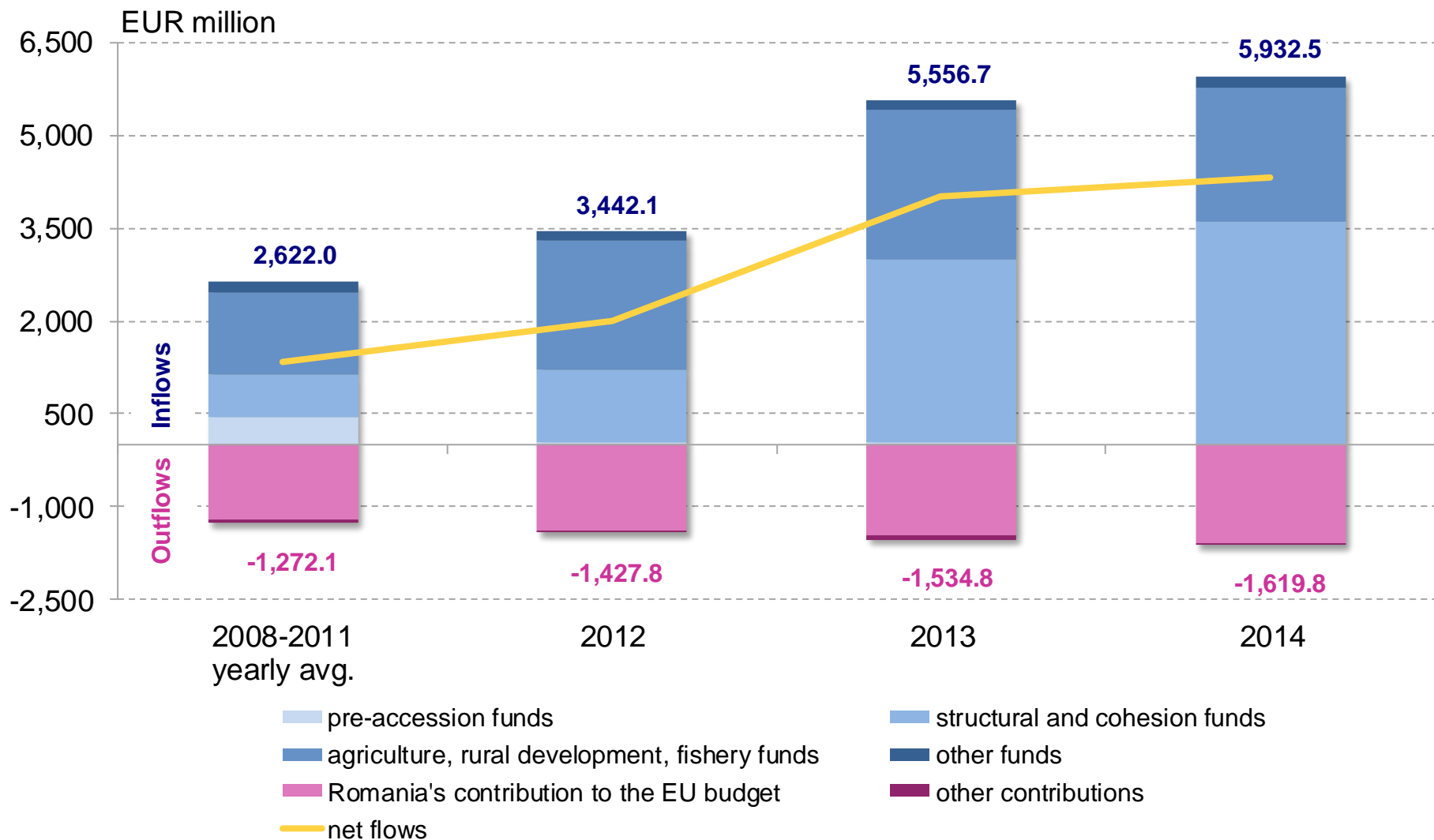
Source: Eurostat

Romania: Gradual economic recovery after the crisis outbreak, supported by all sectors during the last two years and accompanied by the recent upturn of the private consumption



Source: NIS, Eurostat, NBR calculations

Economic growth benefited from the support of an increased absorption of European funds in recent years

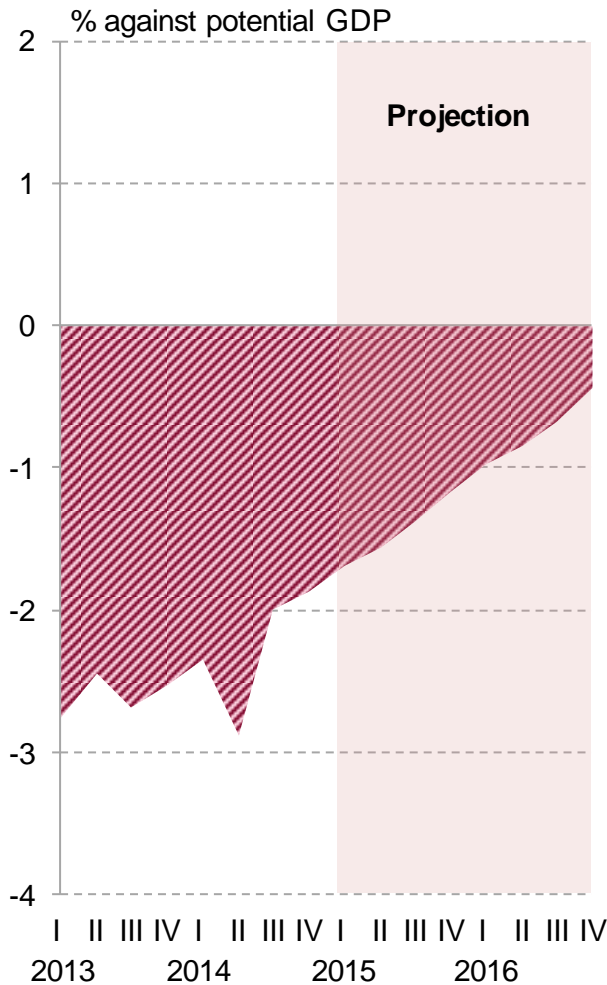


Source: MPF; NBR calculations

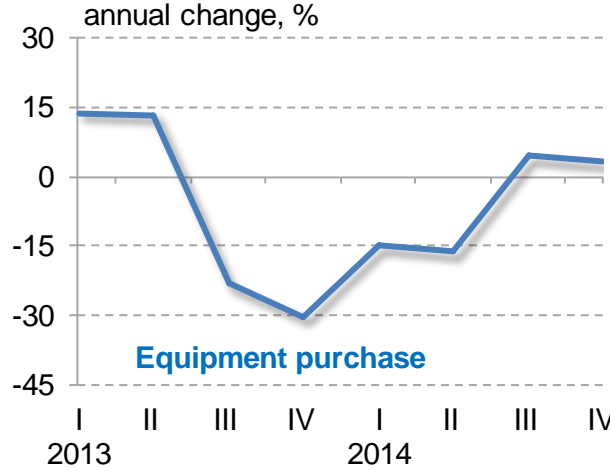


Signs of a strengthening economic recovery trend in 2015

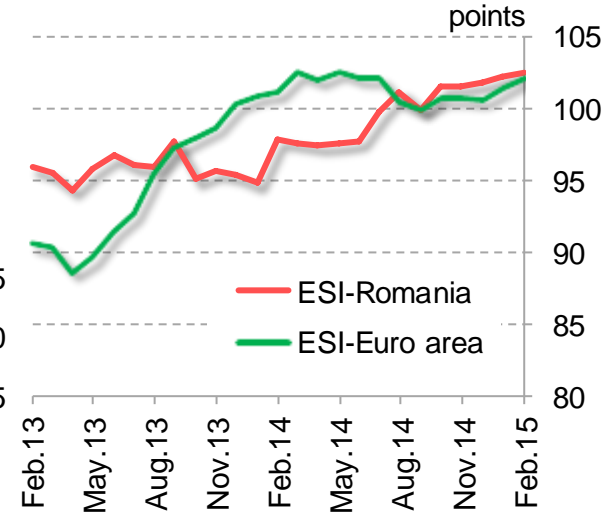
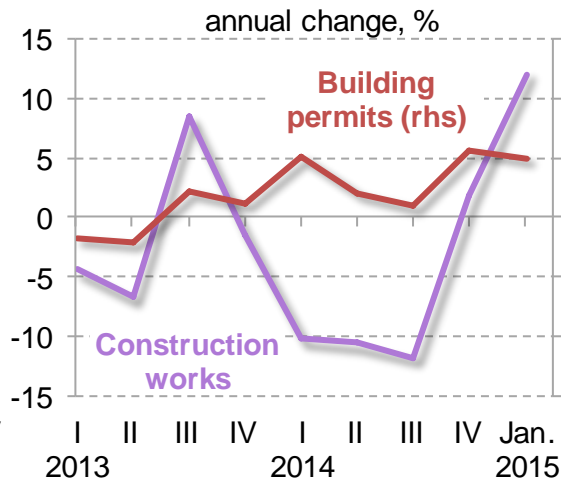
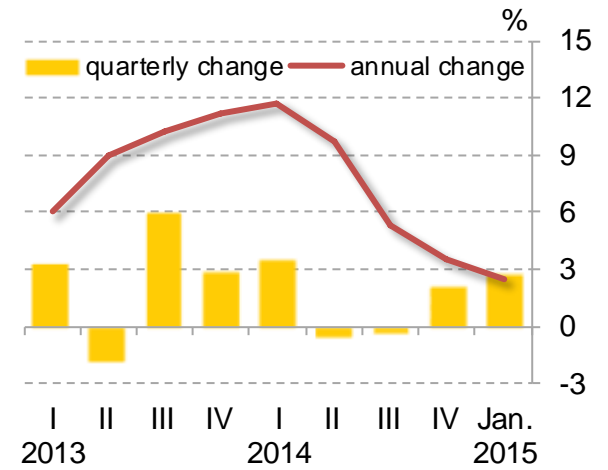
GDP deviation



Investment



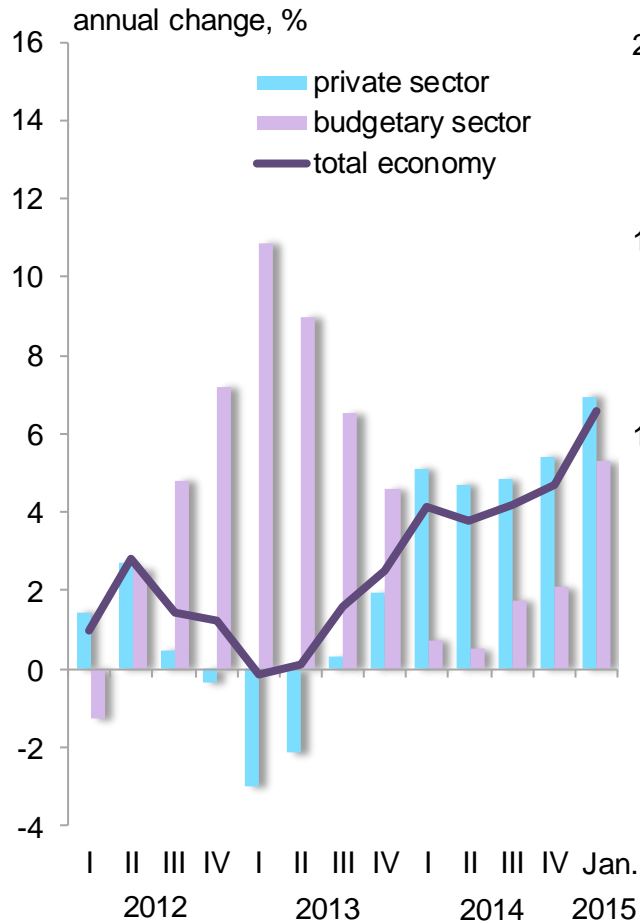
Manufacturing output and confidence in the economy



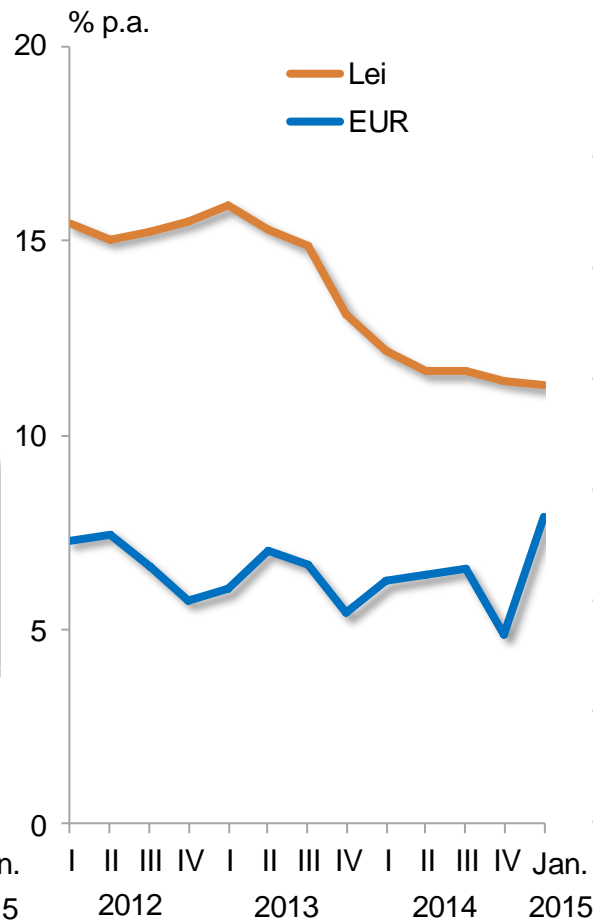
Source: NIS, Eurostat, EC, DG ECFIN, NBR estimates

Private consumption is expected to support real GDP growth to a larger extent in 2015

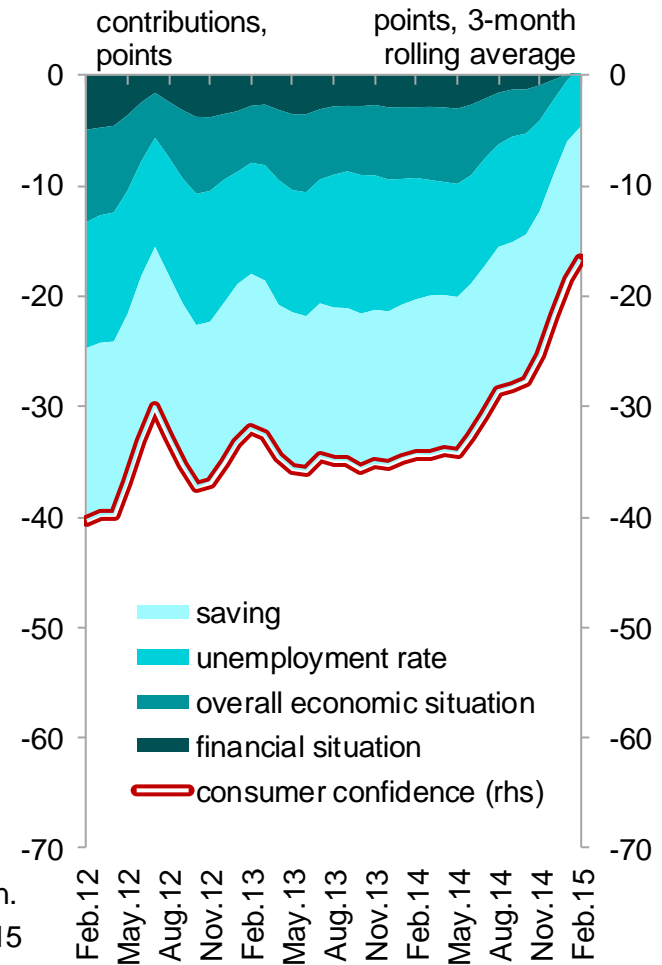
Average gross wage earnings, real terms



Annual percentage rate of charge on new consumer loans



Consumer confidence

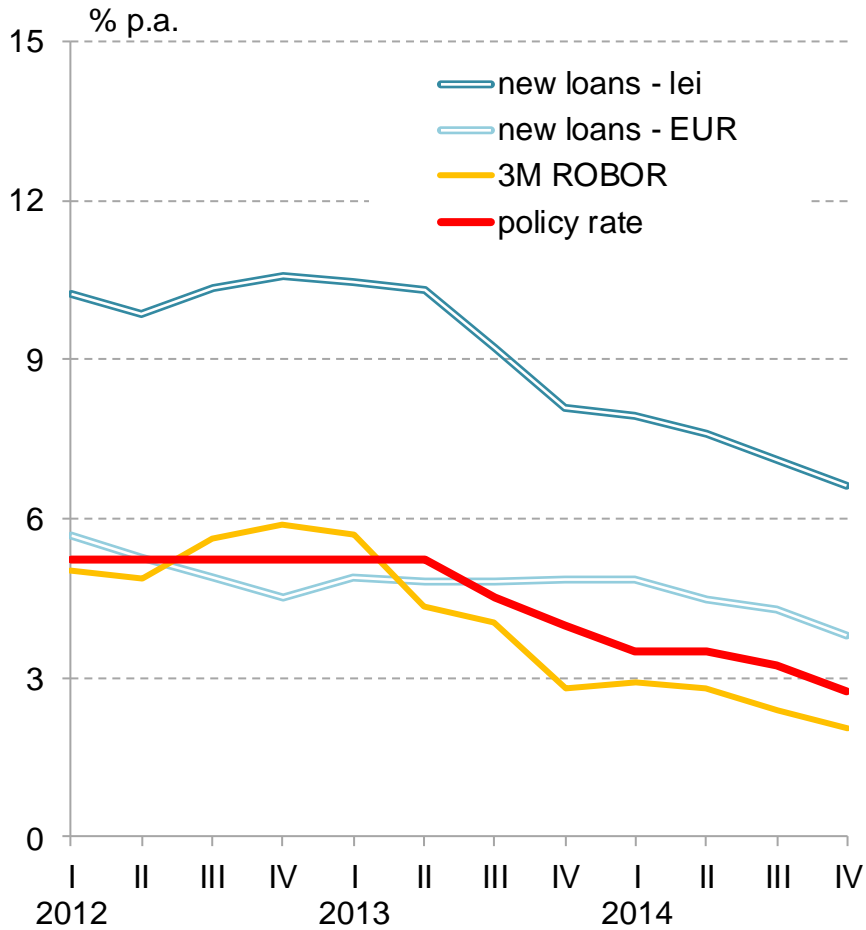


Source: NIS, DG ECFIN, NBR

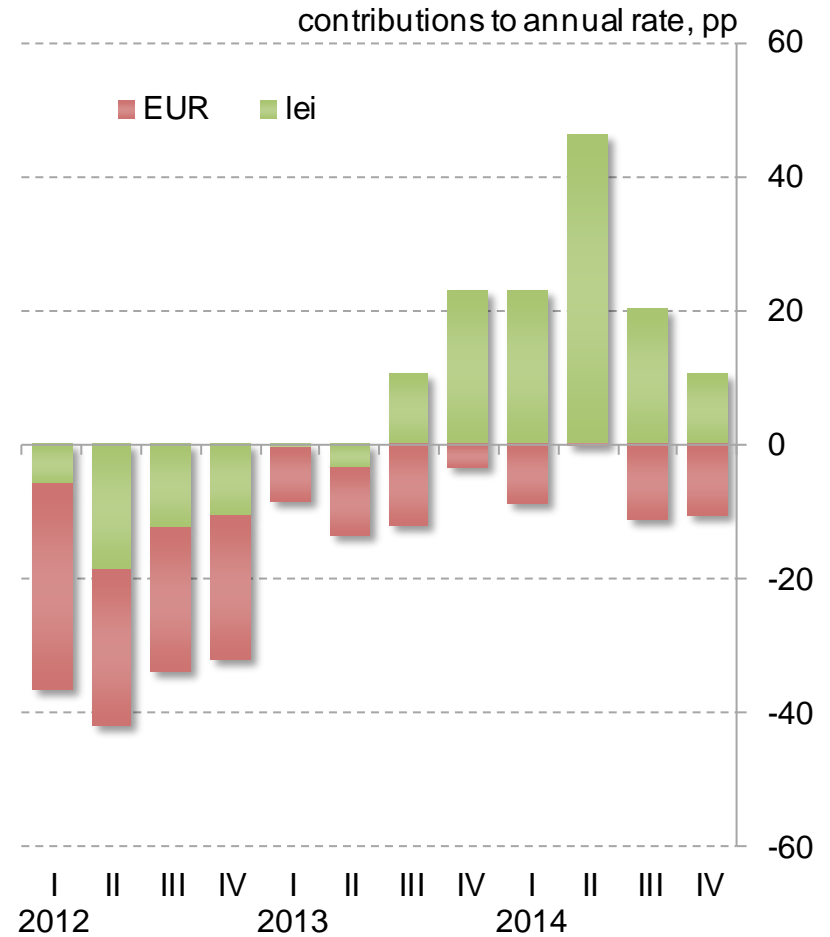


Lower financing costs spurred lending in domestic currency

Interest rates on new loans and on the money market



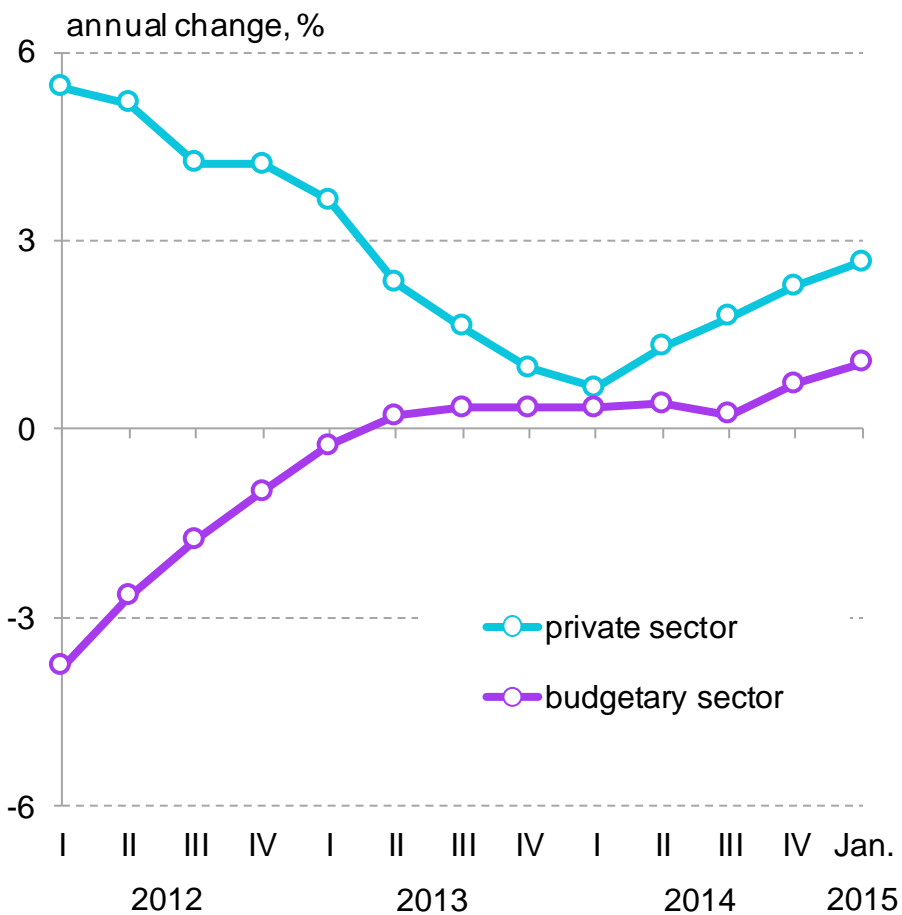
New loans to private sector



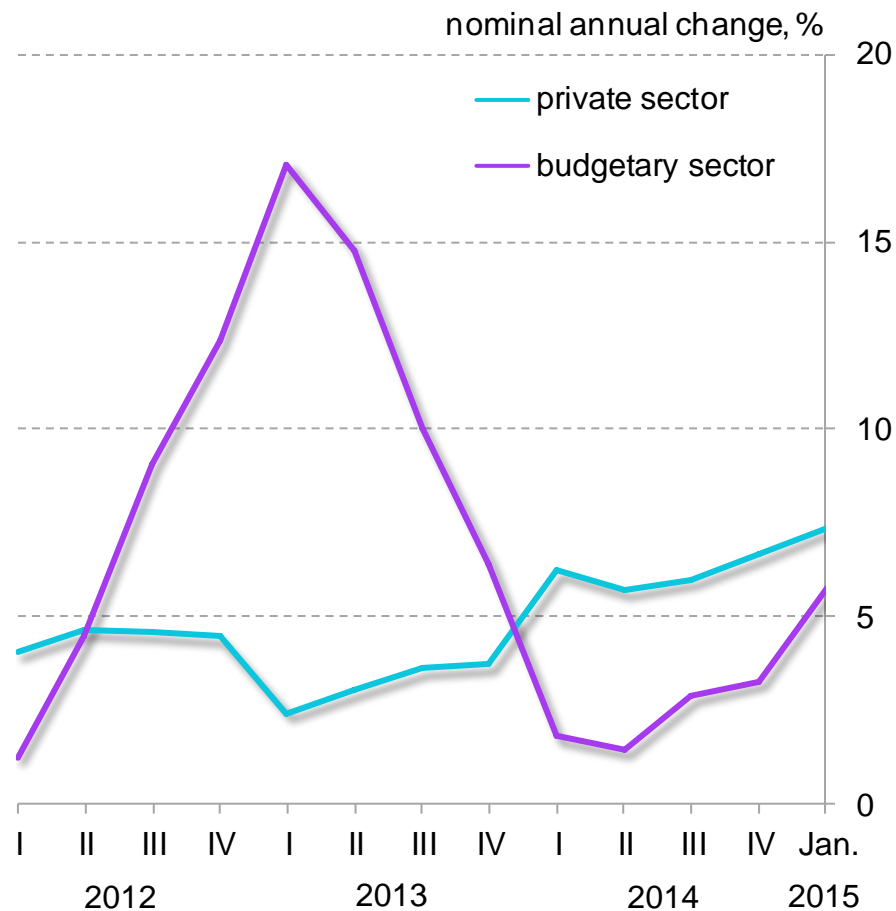
Source: NIS

Labour market developments are mirrored by a rebound in demand

No. of employees reported by employers

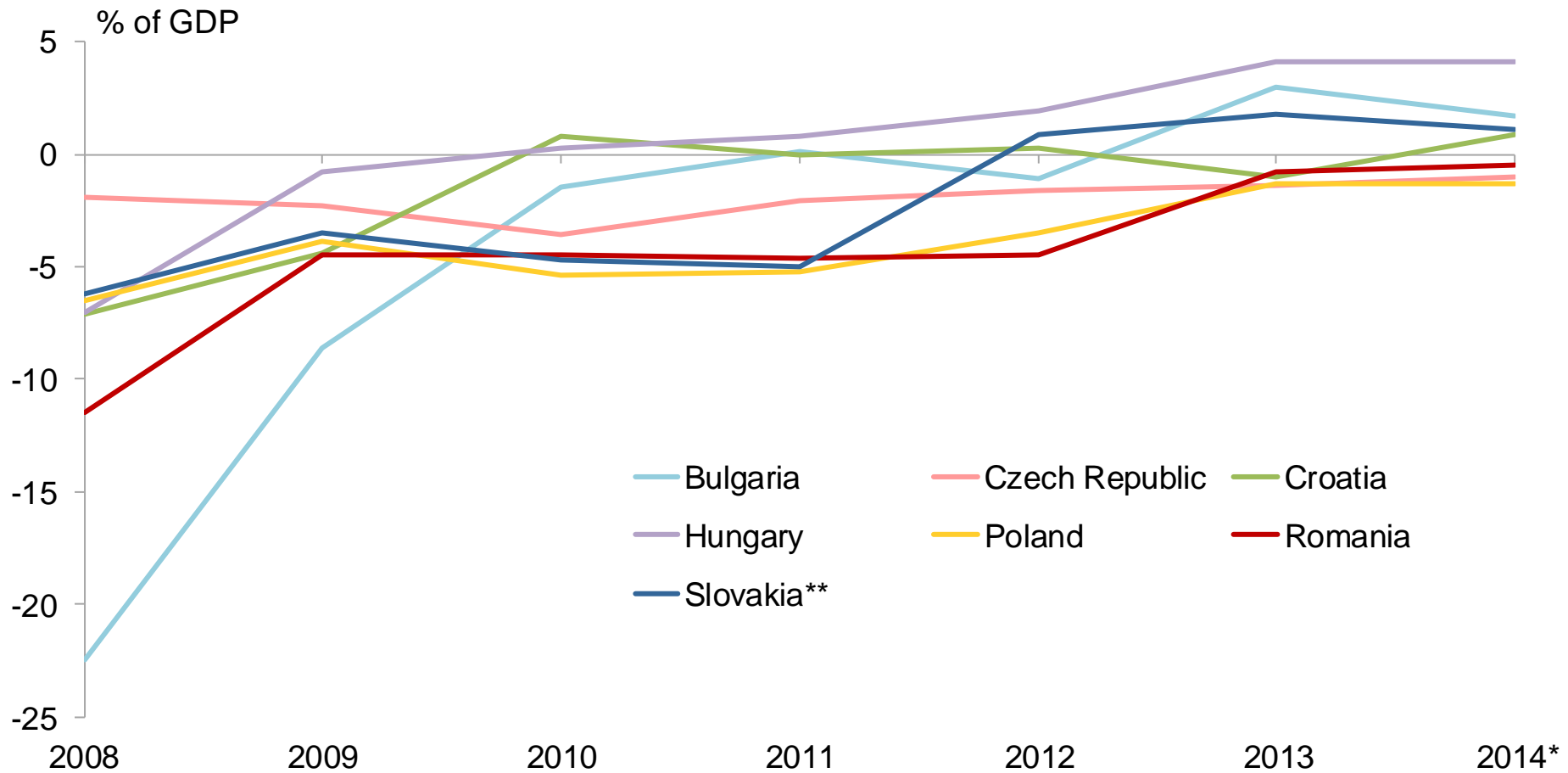


Average gross wage earnings



Source: NIS, NBR calculations

After the crisis, most CEE countries recorded current account adjustments



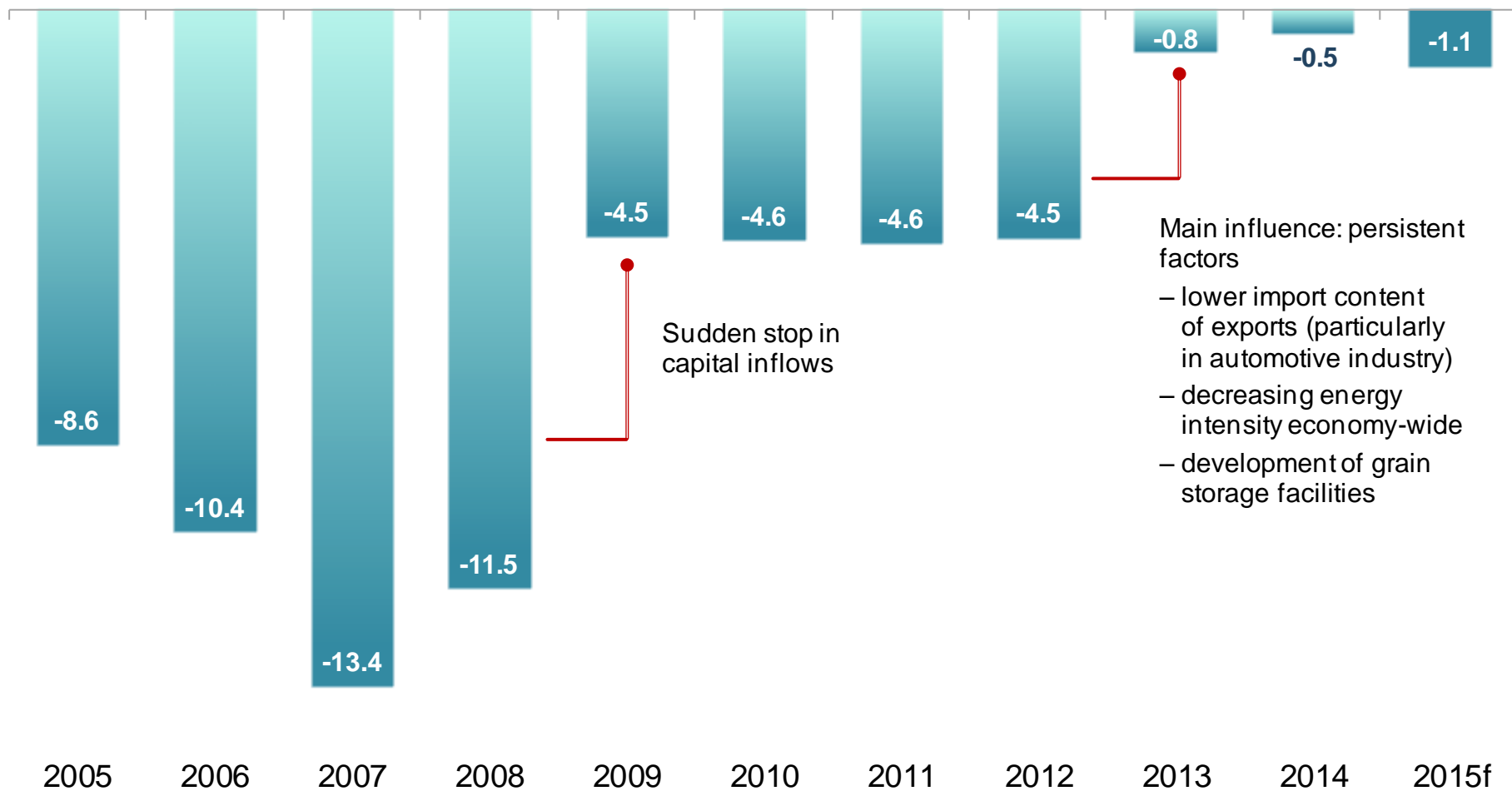
*) Actual data for Romania. For the other countries, figures are estimates of the European Commission (Winter Forecast, 2015).

***) For 2008, the ratio is calculated based on BPM5 and ESA95 methodologies for BoP and GDP, respectively.

Source: NIS, NBR, Eurostat, EC Winter Forecast (2015), Bulgarian National Bank

Romania: Two current account deficit adjustments (2009 and 2013), driven by different factors

percent of GDP

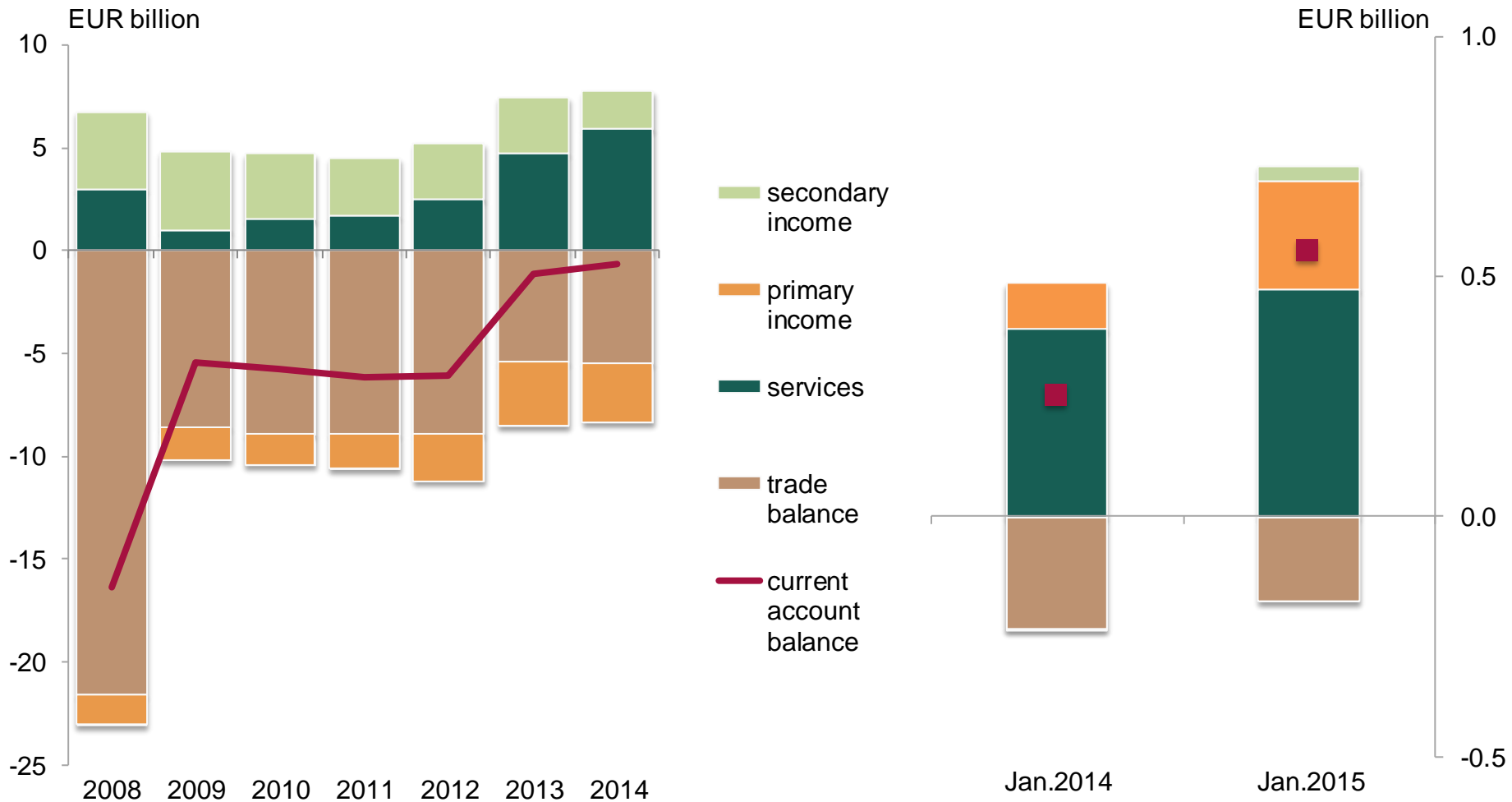


Source: NIS, NBR, NCP

f) forecast



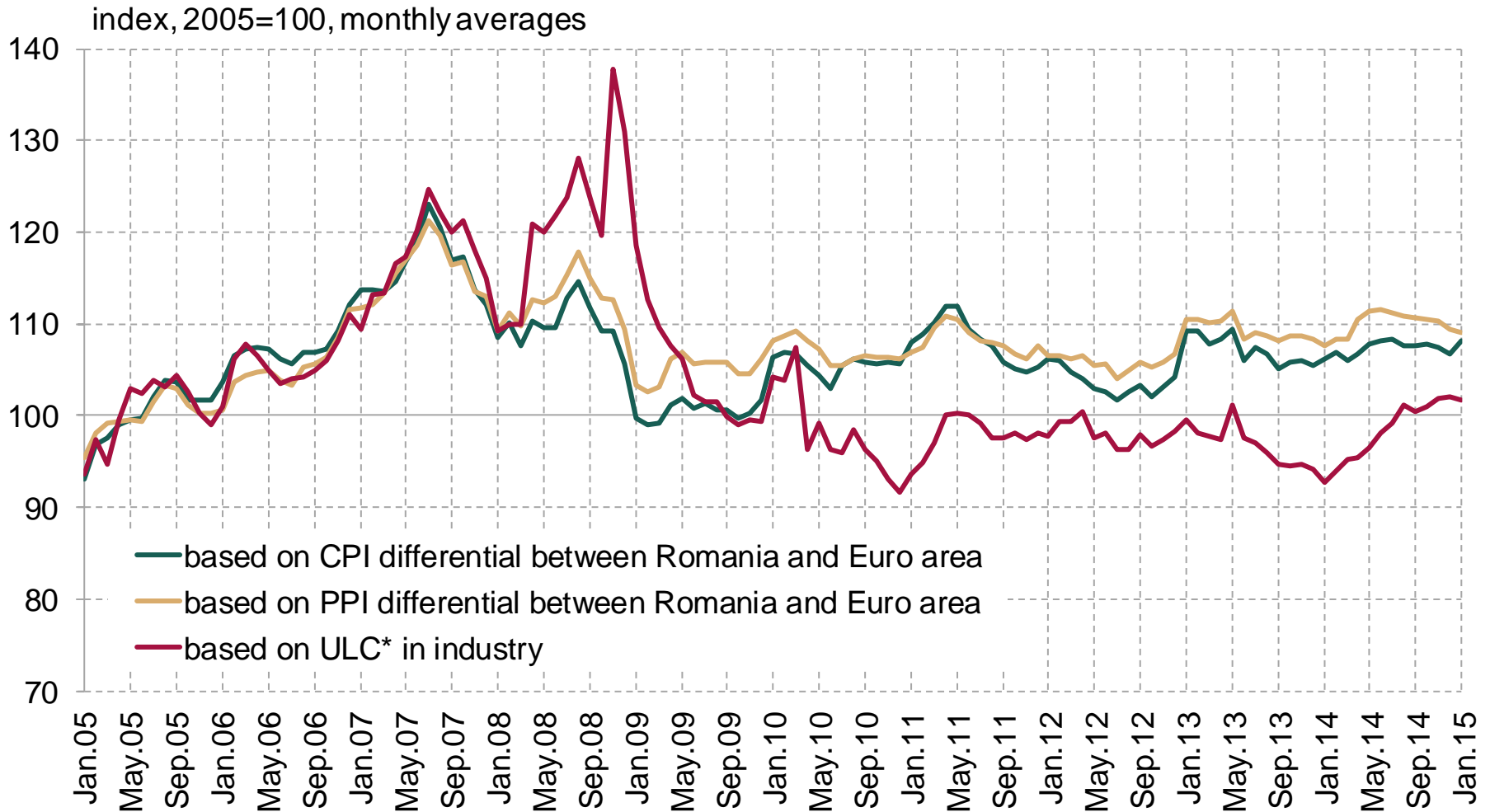
The external position improvement was mainly driven by the trade deficit narrowing and the steady increase in services surplus



Note: Current account posted a surplus of EUR 554 mn in January 2015 as compared with EUR 252 mn in January 2014.

Source: NIS, NBR

Real Exchange Rate of the RON against the EUR

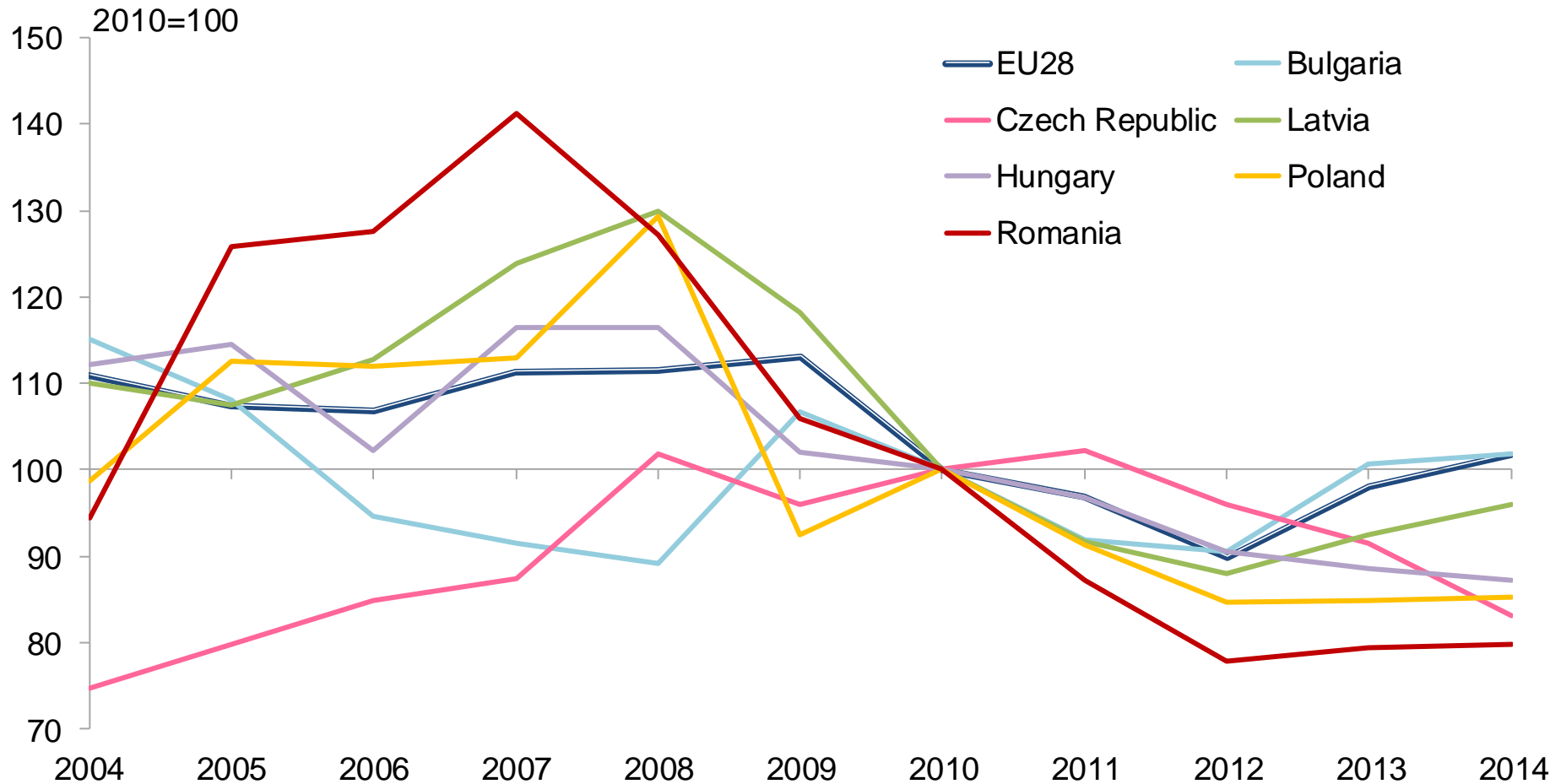


* seasonally adjusted series

Source: Eurostat, National Institute of Statistics, National Bank of Romania calculations



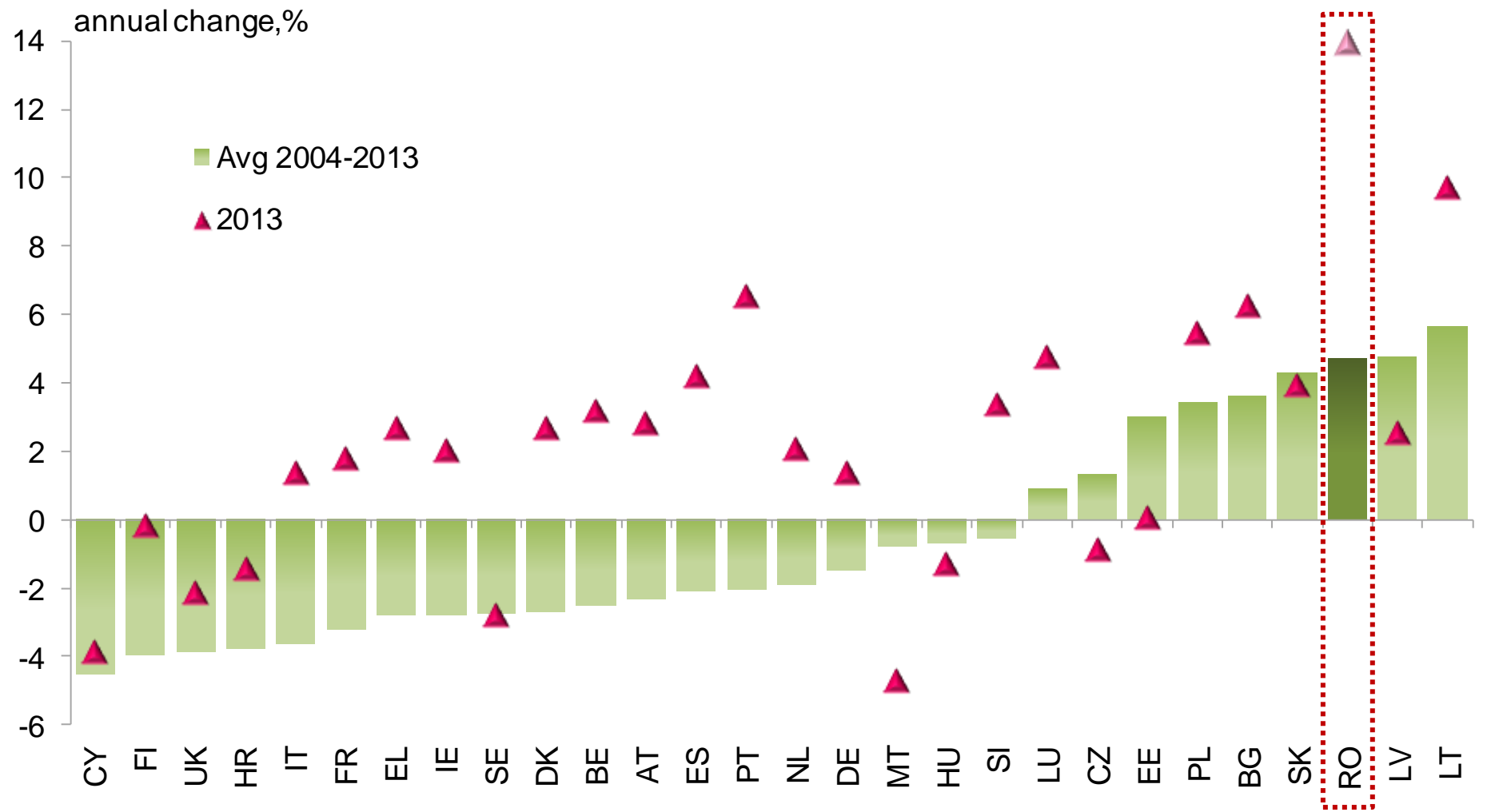
Romania: Competitiveness gains in the post-crisis period as indicated by the export price-adjusted REER*



*) Calculated as ratio of unit labour cost-based real effective exchange rate to export prices.

Source: EC, Eurostat

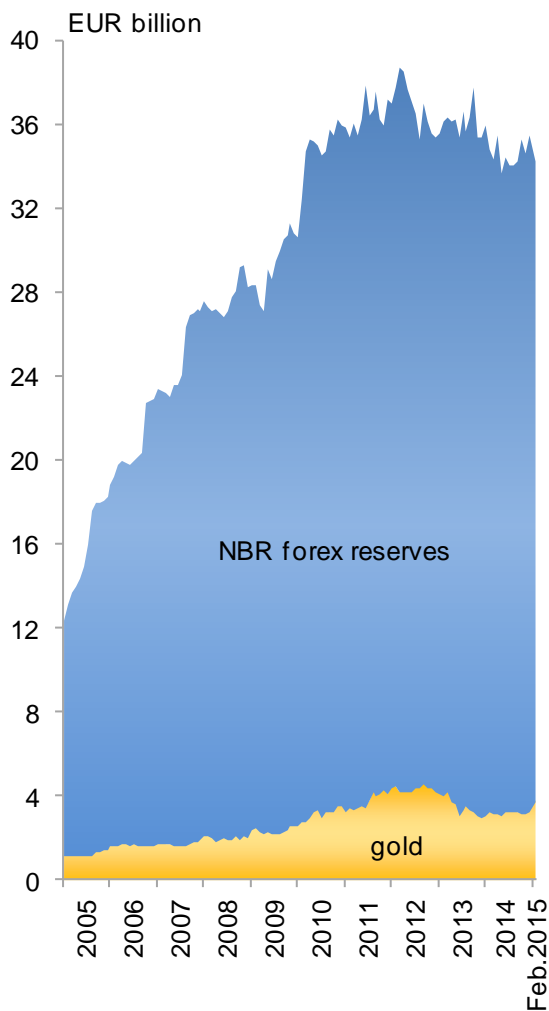
In 2013, Romania recorded the strongest growth in export market share among EU Member States



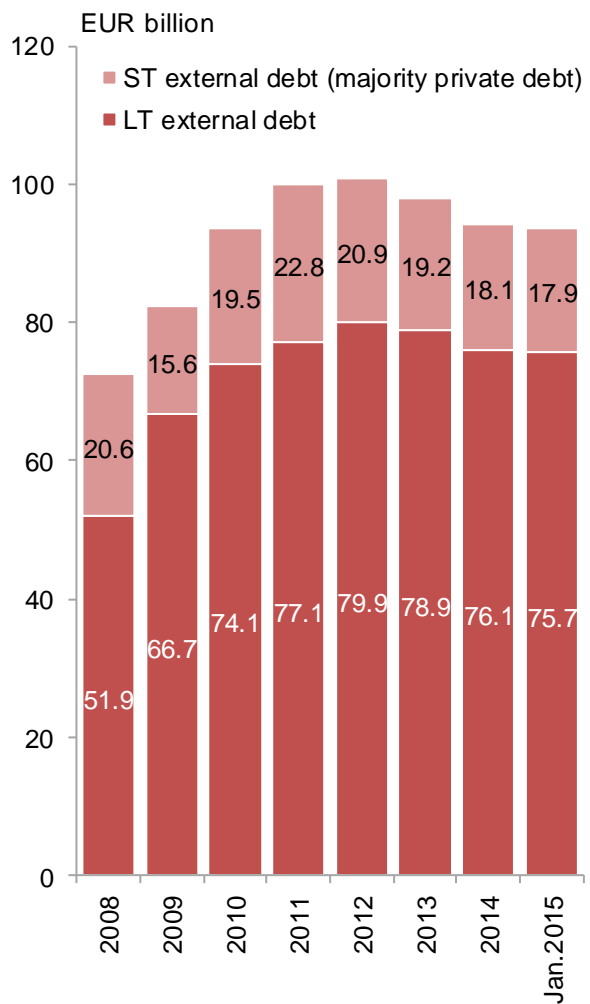
Source: EC, Eurostat

Available metrics indicate adequate level of official reserves

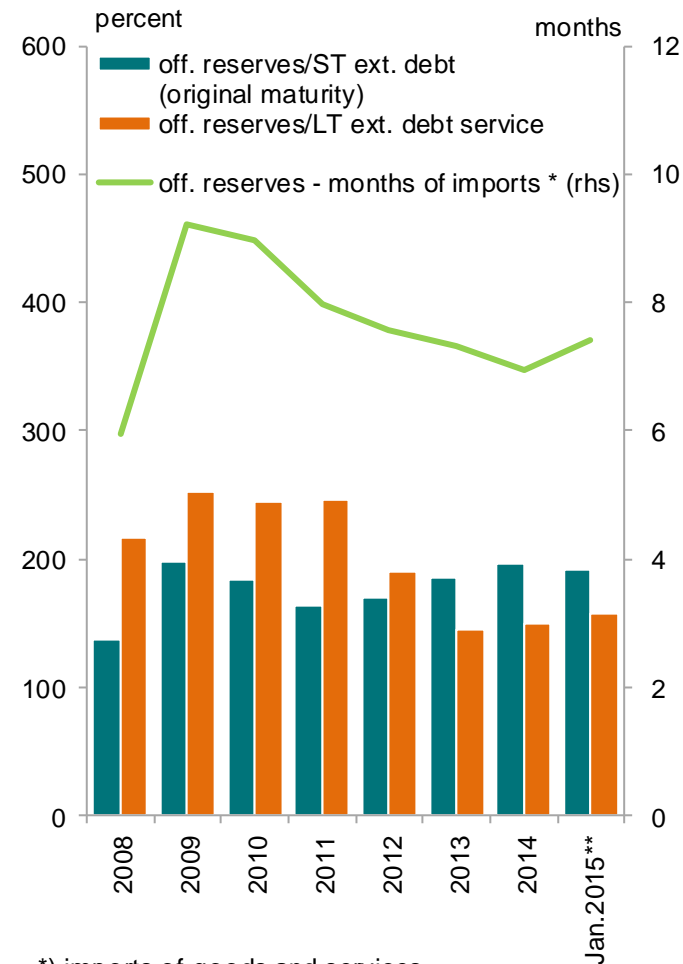
International reserves



Total external debt



Reserve adequacy



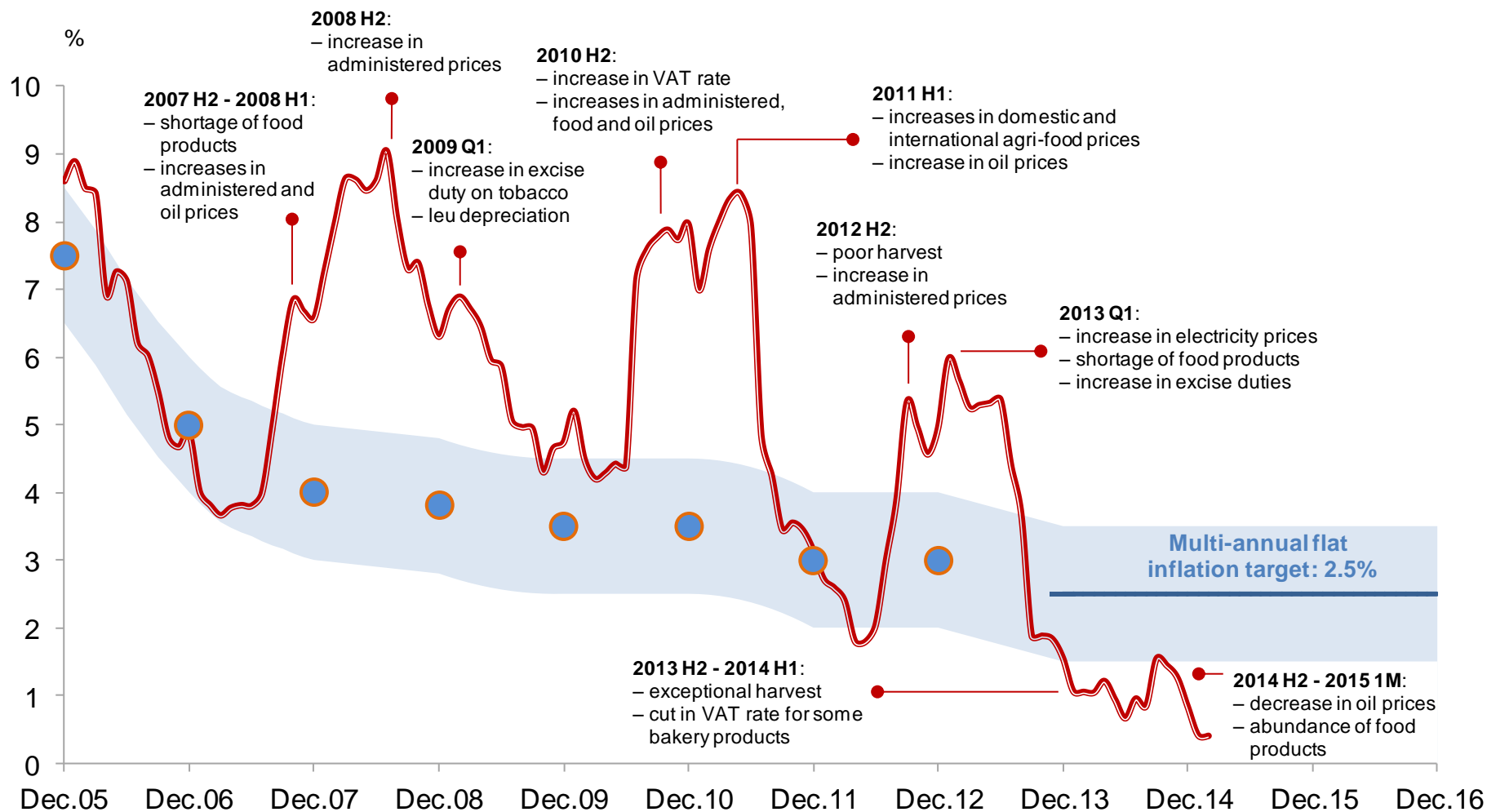
*) imports of goods and services

***) Jan. 2015: projection of LT external debt service for 2015.

Source: NBR



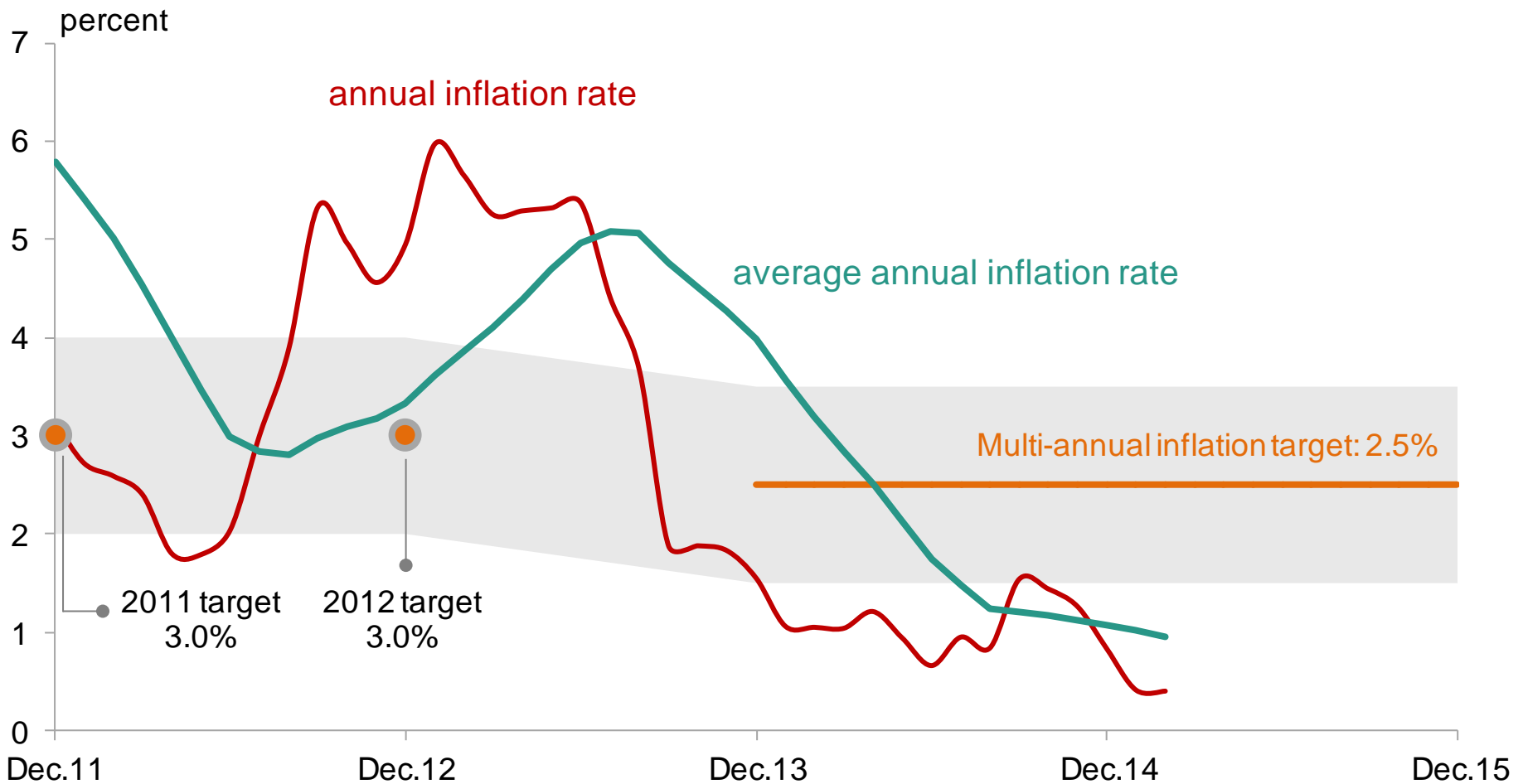
Historically, inflation developments were marked by multiple supply-side shocks



Note: Variation band of the target is ± 1 percentage point.

Source: NIS, NBR

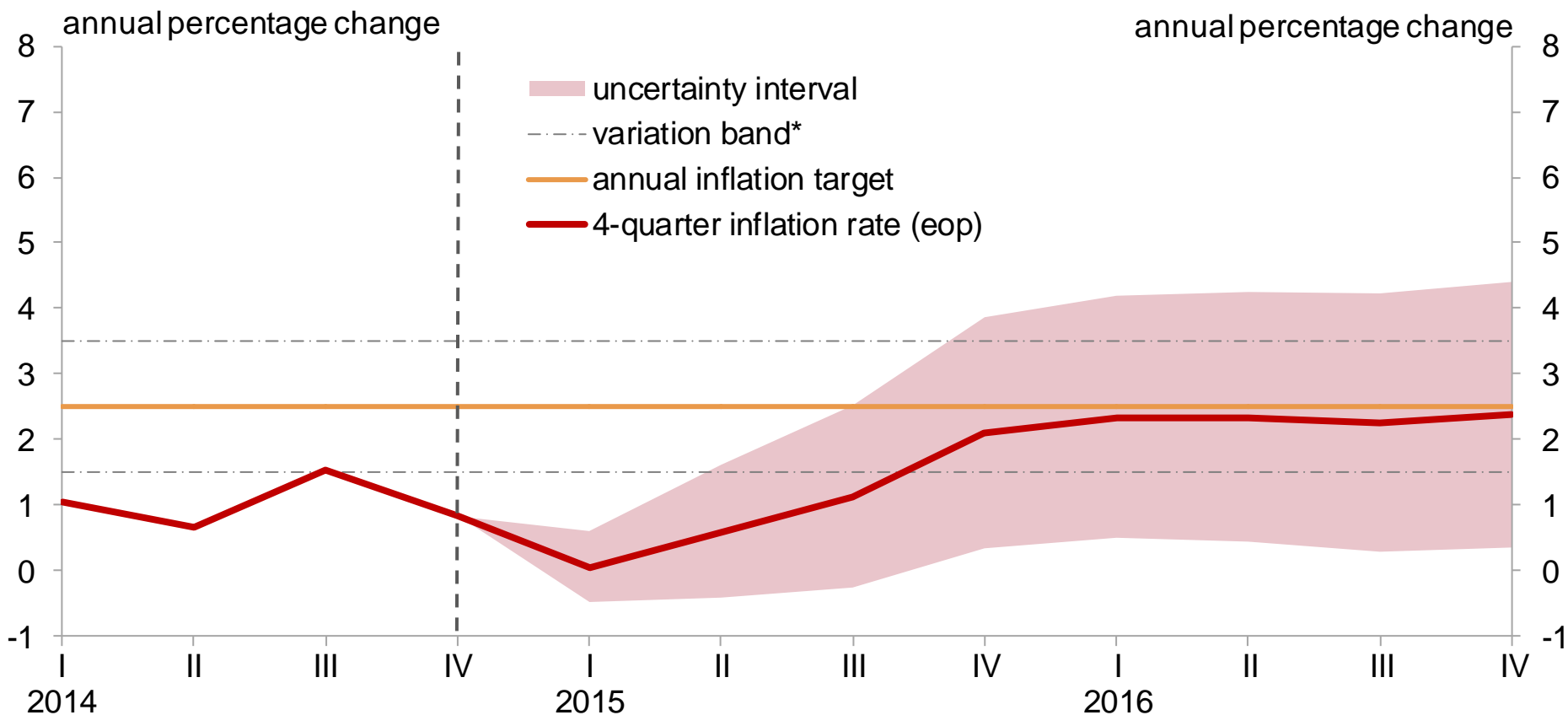
Annual inflation rate stands currently under the lower bound of the variation band of the target, ...



Note: Variation band of the target is ± 1 percentage point.

Source: National Institute of Statistics, National Bank of Romania

... yet it is projected to reenter the band by end-2015



*) ± 1 percentage point

Note: According to the February 2015 Inflation Report. The uncertainty interval was calculated based on the forecast errors in the NBR projections during 2005-2014. The magnitude of the forecast errors is positively correlated with the time horizon they refer to.

Source: National Institute of Statistics, National Bank of Romania projections and calculations



Romania currently meets all the nominal convergence criteria, ...

Maastricht Criteria (Nominal Convergence Indicators)

Nominal Convergence Indicators	Maastricht Criteria	Romania	Bulgaria	Croatia	Poland	Hungary	Czech Republic
Inflation rate (HICP) (percent, annual average)	≤1.5 pp above -0.3% (average of the three best performing Member States*)	1.2	-1.7	0.1	-0.2	-0.3	0.4
Long-term interest rates (percent per annum)	≤2 pp above 3.3% (average of the three best performing Member States in terms of price stability*)	4.1	3.2	3.8	3.1	4.4	1.3
Exchange rate (vs. euro)** (percentage change)	±15 percent	+1.9/-3.7	-	+1.9/-1.8	+1.7/-4.1	+2.4/-9.2	+0.1/-10.3
General government deficit*** (percent of GDP)	below 3 percent	1.8	3.4	5.0	3.6	2.6	1.3
Government debt*** (percent of GDP)	below 60 percent	39.6	27.0	81.4	48.6	77.7	44.1

*) February 2015: Poland, Spain, Hungary.

**) Maximum percentage deviations of the bilateral exchange rate against the euro from its February 2013 average level in March 2013 to February 2015 based on daily data at business frequency. An upward/downward deviation implies that the currency was stronger/weaker than the average exchange rate in February 2013.

***) 2014; ESA2010 methodology; Winter Economic Forecast of the European Commission (February 2015), except Romania's government debt (effective data).

Source: Eurostat, National Institute of Statistics, Ministry of Public Finance, European Commission.

... as well as 10 out of 11 criteria
of the Macroeconomic Imbalance Procedure scoreboard*

		Current account balance	Net international investment position	Real effective exchange rate (based on HICP)	Share of world exports of goods and services	Nominal unit labour cost index	House price index	Private debt	Private credit flow	Public sector debt	Unemployment rate	Financial sector liabilities (non-consolidated)
		% of GDP 3 year average	% of GDP	3 years % change	5 years % change	3 years % change	1 year % change	% of GDP	% of GDP	% of GDP	% 3 years average	1 year % change
		-4%/+6%	-35%	±5% (EA) ±11% (non-EA)	-6%	+9% (EA) +12% (non-EA)	6%	133%	14%	60%	10%	16.5%
Bulgaria	2012	-4.0	...	12.4	-5.3	128.1	3.1	18.0	11.3	10.2
	2013	...	-77.9	-1.0	...	14.8	-0.1	134.8	6.4	18.4	12.2	3.3
Croatia	2012	0.4	...	-8.3	-22.8	-0.6	-2.2	121.9	-3.2	55.6	13.8	0.8
	2013	-0.2	...	-4.0	-21.0	-1.3	-18.1	119.8	-0.3	66.7	15.7	3.4
Czech Republic	2012	-2.4	-46.1	0.4	-3.2	3.1	-3.9	70.7	2.7	43.9	7.0	5.9
	2013	-1.7	-40.7	-3.1	-7.7	3.7	-1.2	73.7	3.1	43.8	6.9	9.8
Hungary	2012	1.0	-94.1	-1.0	-19.9	4.7	-9.3	101.8	-6.3	78.4	11.1	-5.9
	2013	2.2	-84.4	-4.0	-19.2	6.1	-5.0	95.5	-1.0	77.3	10.7	-0.3
Poland	2012	-4.7	-65.4	1.2	2.8	5.1	-5.5	74.0	3.6	54.9	9.8	10.4
	2013	-3.3	-68.0	-4.3	2.1	3.8	-4.4	74.9	2.9	56.1	10.0	7.6
Romania	2012	-4.6	-67.7	-1.9	13.8	-0.2	-10.5	71.7	0.3	37.3	7.0	4.9
	2013	-3.3	-61.7	0.3	16.4	-3.8	-3.8	66.6	-1.5	38.0	7.0	3.1

*) last update: 20 March 2015

... not available

Source: Eurostat, NIS, NBR