

Brief Profile: Romania

March 2009

Domestic Economy

- Real GDP growth of Romania increased to an estimated 7.7% in 2008 from 6.0% in 2007, primarily due to strong growth in agriculture and household consumption.
- GDP in absolute terms stood at US\$ 196.3 bn in 2008 and the per capita GDP amounted to US\$ 9,130.2.
- The consumer price inflation increased to an estimated 7.8% in 2008 compared to 6.0% in 2007, due to higher international food and oil prices.
- Services sector is the major sector of the economy with a share of 54.9% of GDP in 2007 (as per latest data available), followed by industry with a share of 35.0% of GDP and agriculture and allied activities, with a share of 10.1%.

Trade and External Sector

- Exports from Romania increased to an estimated US\$ 49.5 bn in 2008 from US\$ 40.3 bn in 2007, an increase of 22.8%. This rise is due to an increase of exports of machinery & equipment, textile products and mineral fuels.
- Imports also increased from US\$ 64.5 bn in 2007 to an estimated US\$ 76.2 bn in 2008, an increase of 18.1%. This can be attributed to increased imports of machinery & equipment, and minerals & fuels.
- Accordingly, trade deficit rose to US\$ 26.7 bn, compared to US\$ 24.2 bn in the previous year.
- In 2006 (as per latest data available), principal exports from Romania are machinery and transport equipment with a share of 20.3% of total

exports, followed by textiles & products (16.1% of total exports), base metals and products (15.0%), and minerals and fuels (10.4%).

- The principal imports by Romania in 2006 (as per latest data available) were machinery and transport equipment with a share of 24.3% of total imports, followed by minerals, fuels & lubricants (14.8% of total imports), textile & products (8.3%) and chemicals, plastics and rubber (7.7%).
- The major destinations of exports were Italy and Germany with shares in total exports of 17.9% and 15.7%, respectively, in 2006 (as per latest data available). Exports to Turkey were 7.7% and the total share of EU was 67.7%.
- Romania imported 62.6% of its import requirement from EU in 2006 (as per latest data available). Within the EU, imports from Germany and Italy constituted 15.2% and 14.6%, respectively, of total imports. The share of imports from Russia was 7.9% of total Romanian imports.
- The current account deficit was higher at US\$ 24.8 bn (or 12.6% of GDP) in 2008 compared to US\$ 23.0 bn (or 13.8% of GDP) in 2007, due to higher deficit in trade and income account.

Currency, Foreign Exchange Reserves & External Debt

- Foreign exchange reserves of Romania decreased from US\$ 40 bn in 2007 to US\$ 39.5 bn in 2008, equivalent to 6.2 months of import cover.
- Total external debt of Romania amounted to US\$ 96.2 bn in 2008, increasing from US\$ 76.3 bn during the previous year.
- The local currency is *Romanian leu*. The *Romanian leu* was re-denominated on July 1st 2005, where one new leu = 10,000 old lei. The average exchange rate in 2008 was estimated at Lei 2.52: US\$ 1, depreciating from Lei 2.44: US\$ 1 in 2007.

Country Risk Ratings

- *Euromoney*, in its September 2008 rating of 186 countries, placed Romania at 58th position, which is a rise of two places from its earlier rank in March 2008. India was placed at the 56th position.
- According to *Institutional Investor's* ranking of 177 countries in September 2008, it placed Romania at 63rd position, which is a fall of one place from its previous ranking in March 2008. India was placed at the 54th position.
- The *Export Credit Guarantee Corporation of India Ltd. (ECGC)*, which ranks countries according to an increasing order of risk in seven groups, A1, A2, A3, B1, B2, C1, C2 and D placed Romania in Group B1 of countries in December 2008.

Bilateral Trade Relations with India

- India's exports to Romania increased from US\$ 169.3 mn in 2006-07 to US\$ 262.9 mn in 2007-08, mainly due to increase in exports of primary and semi-finished iron and steel.
- India's import from Romania also increased from US\$ 291.6 mn in 2006-07 to US\$ 417.8 mn in 2007-08, recording a growth of 43.3%, reflecting substantial increase in imports of iron & steel.
- India's trade deficit with Romania, thus, increased to US\$ 154.9 mn in 2007-08 from US\$ 122.3 mn in the previous year.
- The principal export items to Romania during 2007-08 included primary and semi-finished iron and steel (28%), processed minerals (15%), pharmaceutical products (14%), machinery and instruments (8% of total exports), machinery and instruments (8%), and plastic and linoleum products (4%).
- The main items of import from Romania during 2007-08 were iron and steel (57% of the total), transport equipment (12%), non-electrical machinery (8%), metaliferrous ores and metal scrap (4%), inorganic

chemicals (4%), electronic goods (3%), project goods (3%) and manufactures of metals (2%).

Macroeconomic Outlook

- Following estimated real GDP growth of 7.7% in 2008, the effects of the global economic crisis and policy tightening are expected result in negative growth, of -1.8%, in 2009. However, the GDP is expected to grow by 3.1% in 2010.
- Average consumer price inflation is expected to fall gradually, from 7.8% in 2008 to 6% in 2009 and further to 4.1% in 2010.
- *Romanian leu* is expected to depreciate to Lei 3.40: US\$ 1 in 2009 and to stand at Lei 3.32: US\$ 1 in 2010.
- After reaching an estimated 12.6% of GDP in 2008, the current-account deficit is expected to contract sharply in 2009-10.

Romania: Economic Structure

Economic Indicators	2004	2005	2006	2007	2008^b
GDP at market prices (US\$ bn)	75.5	98.9	122.7	166.0	196.3
GDP at market prices (Lei bn)	246	288	345	405	495
Real GDP growth (%)	8.5	4.2	7.9	6.0	7.7
Consumer price inflation (av; %)	11.9	9.0	6.6	4.8	7.8
Population (mn.)	21.7	21.6	21.5	21.5	21.5
Exports (f.o.b. US\$ mn.)	23,485	27,730	32,336	40,318	49,533
Imports (f.o.b. US\$ mn)	27,637	37,348	47,172	64,541	76,153
Current-account balance (US\$ mn)	-3,869	-8,621	-12,785	-23,017	24,776
Foreign exchange reserves (US\$ mn)	16,096	21,595	30,211	39,956	39,468
Total external debt (US\$ bn)	29.6	39.1	55.1	76.3	96.2
Average exchange rate (Lei: US\$) <i>The local currency of Romania is Romanian Leu (Plural- Lei)</i>	3.26	2.91	2.81	2.44	2.52

^b - estimates

Source: EIU Country Report.