

**BALANCE OF PAYMENTS
AND INTERNATIONAL INVESTMENT
POSITION OF ROMANIA**

**ANNUAL REPORT
2004**

Note

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Some of the data are provisional and will be updated as appropriate in the subsequent issues. Sources of data are mentioned when institutions other than the National Bank of Romania supplied data.

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*National Bank of Romania, 25 Lipscani St, 030031, Bucharest – Romania
Phone: 40 21/312 43 75; Fax: 40 21/314 97 52*

www.bnro.ro

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MAIN DEVELOPMENTS IN 2004

I. External environment*

In 2004, world economy posted the sharpest growth rate over the past three decades amid favourable financing conditions and stimulative macroeconomic policies. World production rose by 5.1 percent, compared with 4 percent a year earlier. Moreover, world trade in goods and services saw a doubling of its growth rate as against 2003, reaching a 5-year high of 9 percent. The main drivers of global growth were the United States of America and China, whose demand fostered particularly Japanese and euro area exports.

The US economy expanded at an annual rate of 4.4 percent. The expansion was driven by private consumption and investment (most notably in equipment and software), sending unemployment rate lower. The rebound in economic activity notwithstanding, the federal budget deficit widened to 3.7 percent of GDP in fiscal 2004. Annual inflation rate, as measured by the consumer price index, stood at 2.7 percent, being strongly affected by the surging prices of energy resources. The current account further deteriorated (accounting for 5.7 percent of GDP compared with 4.8 percent of GDP in 2003) against the backdrop of faster increase in imports than in exports, despite the persistent softening of the US dollar. Adding to the pressures on the current account was the income balance affected by dividend and interest payments to foreign investors.

Southeast Asian economies saw fast-paced growth, as reflected especially by high rates of increase in China and India (9.5 percent and 7.3 percent respectively), as well as by progress in regional integration. In Japan, the economy grew by 2.6 percent, the best performance since 1996. The hefty expansion of the Nipponese economy in 2004 Q1 (6 percent) was followed by significant slowdown during the remainder of the year amid the public expenditure restraint, flagging private demand and weaker exports. The other Southeast Asian economies witnessed robust growth, spurred by foreign demand, the recovery of domestic demand and the upswing of investment in China.

Annual growth rate of Latin American economies accelerated to a 25-year high of 5.5 percent, as a result of mounting demand from the USA and China, increase in tourism receipts and higher international commodity prices. The upward trend of the region's economies was underpinned by the expansion of exports and investment in Brazil, Argentina, and Mexico. Average inflation rate plunged to 6.5 percent from 10.5 percent a year earlier, whereas the aggregate current account surplus consolidated.

* *Sources:* ECB, Annual Report, 2004; Economic Survey of Europe No. 1, 2/2005; websites of central banks; World Bank EU-8 Quarterly Economic Report, April 2005.

In the euro area, economic growth recorded in the latter half of 2003 continued into 2004. Gross domestic product went up 2 percent compared with 0.7 percent a year earlier. The economic upturn was ascribed to exports – amid the advance of world economy and investment –, fostered by favourable financing conditions in the euro area. The region's economy expanded at a faster pace in 2004 H1, thereafter posting a relative slackening, partly as a result of the surge in the oil price. Inflationary pressures arising from the increase in administered prices, indirect taxes, and the oil price were kept under control via alleviation of pay rises and nominal appreciation of the euro. Under the circumstances, inflation measured by the Harmonised Index of Consumer Prices – HICP – stuck at 2.1 percent. Aggregate budget deficit of the euro area accounted for 2.7 percent of GDP, with France, Germany, and Greece reporting the largest imbalances. Current account surplus of the euro area amounted to EUR 46.8 billion, or 0.6 percent of GDP, more than double the previous year's figure.

The economic picture in the euro area was mixed in 2004. After having stayed flat for three successive years, Germany's GDP edged forward 1.6 percent, propelled by the favourable external environment as regards capital goods exports¹. In France, economic growth gathered steam, reaching 2.3 percent against 0.5 percent in 2003, as domestic demand offset the negative contribution of net exports. Italy recorded the lowest rate of increase among Europe's largest economies, i.e. 1.2 percent, as a result of slow response to the incentives from the external environment, weaker competitiveness, and losses of some foreign market shares. Buoyed by domestic demand and exports, the other euro area economies grew at a faster pace.

As far as the new Member States were concerned, the rate of increase of their economies was much quicker than that of old Member States (5 percent² versus 2.2 percent). This development was underpinned by private consumption, investment, and external demand. While in the Czech Republic and Hungary economic expansion was driven by investment, in Slovenia it was due to private consumption and investment, and in Poland and Slovakia it relied on consumption and stock-building. However, unemployment rate was broadly unchanged, due to insufficient flexibility of labour market, sizeable social contributions paid by employers and substantial redundancy payments as a result of restructuring. Inflation rate moved higher in most of the new Member States, due to costlier food and energy, and the hike in indirect taxes after joining the EU. Fiscal deficit of the Czech Republic, Hungary and Slovakia narrowed, while in Slovenia it stayed flat against the backdrop of improved revenue collection and curtailment of structural spending. The budgets of all new Member States were afflicted by the rise in contributions and transfers to the EU budget. Public debt augmented in Hungary (nearing the ceiling of 60 percent of GDP) and Slovakia, but fell in Poland, owing to the stronger zloty, and in the Czech Republic, as a result of significant decline in public sector deficit.

¹ Increase in German exports caused the country's current account surplus to double to EUR 85 billion year over year, accounting for 3.9 percent of GDP.

² 4.8 percent in Central Europe and 6.9 percent in the Baltic States.

Table No. 1. Main macroeconomic indicators of Central and Eastern European countries

	- percent -							
	GDP (growth rate)		Industrial output (growth rate)		Inflation (annual average)		Unemployment rate (end of period)	
	2003	2004	2003	2004	2003	2004	2003	2004
Bulgaria	4.5	5.6	13.8	18.0	2.4	6.1	13.5	12.2
Czech Republic	3.7	4.0	5.8	9.9	0.1	2.8	10.3	10.3
Hungary	3.0	4.0	6.4	8.3	4.7	6.8	5.5	6.3
Poland	3.8	5.3	8.8	12.7	0.8	3.5	18.0	19.1
Romania¹⁾	5.2	8.3	3.1	5.3	15.3	11.9	7.4	6.2
Slovakia	4.5	5.5	5.0	4.2	8.5	7.5	15.6	13.1
Slovenia	2.5	4.6	1.4	4.8	5.6	3.6	11.0	10.4

Sources: Monthly bulletins and annual reports of central banks, EBRD, IMF and BIS publications

1) For Romania, data were updated according to the latest NIS publications.

In Southeast European countries, economic growth stepped up noticeably, boosted by domestic demand and exports. The sub-region's aggregate GDP advanced by roughly 8 percent, led by the good performances of Romania and Turkey. As for systemic changes and economic performances, the sub-region has been divided into two different parts in recent years. The fastest-growing economies have been those of the four acceding or candidate countries to EU membership (Bulgaria, Romania, Croatia, and Turkey), where the reform programmes and the policies under implementation have been driven by this process. The other economies in the sub-region have witnessed relatively incoherent reforms and lacklustre performances.

II. The external sector of Central and Eastern European economies

In 2004, the aggregate current account deficits of the ten new Member States accounted for 4.5 percent of GDP, a level comparable with those recorded in the past three years. Aggregate external deficit of the countries in the region stabilised against the background of the narrowing aggregate trade gap (4 percent of GDP) and the slight rise in services surplus (1.5 percent of GDP). Funding of current account deficits came mainly from direct investment, as well as from significant inflows of portfolio investments and borrowings. Current account deficits of Central and Eastern European economies experienced divergent developments. Specifically, current account deficits contracted both in absolute terms and as a share of GDP in the Czech Republic (as a result of trade gap reduction), Poland (due to the decline of the trade gap and the larger surpluses under “services” and “current transfers”) and Bulgaria (lowering of the deficit under “incomes”). Current account deficits of Slovakia and Slovenia increased, due largely to wider trade gaps.

Further expansion of world economy was seen as a big boost to foreign trade of Central and Eastern European economies, during the first half of 2004 in particular. In addition, the economies of the new Member States benefited from the effects of full trade liberalisation after joining the union, as well as from the advantage of the EU’s traditional commercial ties with third countries. Both exports and imports of new Member States picked up in terms of volume by 16-17 percent, above world and EU25 trade figures. A major driver of the rise in exports was the demand for intermediate goods of large European economies, especially the German economy, hinting at the integration of the new Member States’ industrial sectors with the production networks of multinational corporations. Moreover, the upsurge in intra-company trade cushioned the impact of real appreciation of local currencies, particularly in the Czech Republic and Hungary. Exports of small- and medium-sized enterprises to the EU25 market, as well as those of capital goods manufactured by joint ventures in the Czech Republic, Hungary, Slovakia and Slovenia to outlets outside the EU moved ahead. In Romania and Bulgaria, in spite of their stronger currencies, export growth rates gathered momentum, fuelled by external demand.

Table No. 2. Foreign trade and current account of Central and Eastern European countries

	Exports		Imports		Trade balance		Current account balance	
	- growth rate -				- share of GDP -		-percent-	
	2003	2004	2003	2004	2003	2004	2003	2004
Bulgaria	10.0	19.9	14.4	20.8	-12.4	-14.0	-9.2	-7.4
Czech Republic	5.8	24.8	5.2	20.3	-2.7	-0.8	-6.3	-5.2
Hungary	4.2	16.0	5.8	13.6	-4.0	-3.0	-8.9	-8.9
Poland	9.1	21.9	3.3	19.1	-2.7	-2.3	-2.2	-1.5
Romania¹⁾	6.4	21.3	12.3	24.0	-7.8	-9.0	-6.0	-8.7
Slovakia	26.8	15.5	13.7	18.1	-2.0	-3.5	-0.8	-3.5
Slovenia	3.0	11.6	5.4	13.5	-2.2	-3.2	-0.4	-0.9

Sources: Monthly bulletins and annual reports of central banks, EBRD, IMF and BIS publications

1) For Romania, data were updated as of November 2005.

Import growth in Central and Eastern Europe was driven by domestic demand (including the demand for raw materials and capital goods for exportation) and the world oil price. Intra-EU imports advanced at a faster tempo subsequent to accession, due to the demand for capital goods and consumer goods from the Czech Republic, Hungary, Poland and Slovakia.

In 2004, Central and Eastern European economies, whose external deficits widened, attracted net capital inflows larger than in the preceding year. Financial flows decreased year on year in Poland and Bulgaria against the backdrop of weaker reliance on foreign borrowings. In the Czech Republic, Hungary, Slovakia, and Slovenia, the volume of financial flows outstripped that of current account deficits.

Table No. 3. Net financial flows in Central and Eastern European countries

	Net financial flows				Change in official reserves ¹⁾	
	- EUR bill.-		- share of GDP, % -		- EUR bill.-	
	2003	2004	2003	2004	2003	2004
Bulgaria	1.7	1.3	9.6	6.7	0.8	1.5
Czech Republic	4.9	5.7	6.2	6.6	0.4	0.2
Hungary	6.7	8.4	9.2	10.3	0.5	1.5
Poland	3.2	0.5	1.7	0.2	1.1	0.7
Romania²⁾	3.3	3.7	6.5	6.3	1.0	4.8
Slovakia	1.5	2.5	5.1	7.5	1.3	1.4
Slovenia	0.2	0.5	0.8	2.1	0.3	-0.3

Sources: Monthly bulletins and annual reports of central banks, EBRD, IMF and BIS publications

1) Gold included; "+" indicates increase in reserves

2) For Romania, data were updated as of November 2005.

In the ten new Member States, direct investment accounted for 3.4 percent of GDP compared with 2.4 percent of GDP a year earlier, with reinvested earnings holding a large weight in total investment. The major source of direct investment was the European Union. Despite government backing and various types of guarantees provided to investors, the new Member States, except Hungary, reported a meagre volume of direct investment abroad.

Table No. 4. Net foreign direct investment in Central and Eastern European countries

	- EUR bill. -		Share of GDP (%)	
	2003	2004	2003	2004
Bulgaria	1.8	1.6	10.3	8.4
Czech Republic	1.7	3.2	2.1	3.7
Hungary	0.8	3.0	1.1	3.7
Poland	3.5	4.3	1.9	2.2
Romania¹⁾	1.9	5.1	3.8	8.7
Slovakia	0.6	1.1	2.1	3.1
Slovenia	-0.1	0.0	-0.5	0.0

Sources: Monthly bulletins and annual reports of central banks, EBRD, IMF and BIS publications

1) For Romania, data were updated as of November 2005.

Net direct investment was on the rise in all Central European countries, in spite of the increase in their direct investment abroad (as was the case of Poland, the Czech Republic and Slovakia) as a result of EU accession. Bulgaria and Romania were the principal recipients of investment in Southeast Europe³, with the share of privatisation revenues in direct investment prevailing.

Portfolio investments picked up in most countries under review, except Slovenia. This development was attributed to the upturn in share prices, increased transparency of investments on these markets and their greater openness to new participants, such as foreign pension funds.

In 2004, current account deficit financing of the countries in the region hinged, to a greater extent than a year earlier, on foreign direct investment. Direct investment ensured complete cover of current account deficits of Poland, Bulgaria and Romania, covering more than 70 percent of current account deficits of the Czech Republic and Slovakia.

All reviewed countries reported rises in medium- and long-term external debt in both absolute terms and as a share of GDP. The only exception was Romania, where sharper GDP growth entailed the relative drop in external debt (half of one percentage point over 2003).

Table No. 5. Medium- and long-term external debt and foreign exchange reserves of Central and Eastern European countries

	External debt		External debt/ exports (%) ¹		External debt/ GDP (%)		Official reserve ² - EUR bill. - mths. of imports ¹		
	- EUR bill. -		2003	2004	2003	2004	2003	2004	2004
	2003	2004							
Bulgaria	10.6	12.2	112.5	107.8	60.0	62.9	5.0	6.4	5.8
Czech Republic	27.6	33.3	55.3	54.1	34.5	38.6	21.2	20.7	4.0
Hungary	47.6	56.8	103.4	107.9	65.6	70.3	10.1	11.7	2.5
Poland	84.6	93.4	157.2	142.3	45.7	47.8	26.1	25.9	3.9
Romania³	15.9	18.2	86.7	83.3	31.3	30.8	6.4	10.8	4.7
Slovakia	14.2	21.1	63.8	83.2	49.1	63.6	9.3	10.6	4.8
Slovenia	13.3	15.4	95.8	99.2	54.1	59.5	6.8	6.5	4.9

Sources: Monthly bulletins and annual reports of central banks, EBRD, IMF and BIS publications

1) Exports of goods and services; imports of goods and services

2) Excluding gold

3) For Romania, data were updated as of November 2005

The share of medium- and long-term external debt in exports of goods and services further surpassed the critical threshold of 100 percent in Poland, Bulgaria and Hungary.

³ Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Romania, Serbia and Montenegro, Former Yugoslav Republic of Macedonia.

III. Romanian economy in 2004

The reported year saw improved performance in terms of economic expansion, strengthening disinflation, reduction in budget deficit and unemployment. GDP rose 8.3 percent year on year as a result of stronger domestic demand prompted by its fastest-growing components, namely household consumption and gross fixed capital formation, whose performance was attributed to larger real incomes and foreign direct investment flows.

Table No. 6. GDP by expenditure

	previous year = 100	
	2003*	2004**
Real GDP	105.2	108.3
Actual final consumption of households	107.2	110.8
Actual final consumption of general government	104.6	104.6
Gross fixed capital formation	109.1	110.1
Exports of goods and services	111.4	114.1
Imports of goods and services	116.4	117.8

Source: National Institute of Statistics (NIS)

* Semifinal data

** Provisional data

The acceleration in GDP growth was propelled by all four major sectors of the economy. Thus, annual growth rates ranged from 6.1 percent and 6.2 percent in services and industry respectively to 9 percent and 22.2 percent in construction and agriculture respectively.

Inflation rate (increase in consumer prices in December 2004 against December 2003) stayed on a downward trend, reaching for the first time ever a single-digit level (9.3 percent, down 4.8 percentage points). Disinflation was more pronounced in respect of food and services (down by 6.3 percentage points each from a year earlier) thanks to favourable developments in prices of imported goods and exchange rate movements. As for non-food prices, the disinflation performance was dull (2.9 percentage points below the year-earlier level) because of administered price adjustment following higher oil prices on international markets.

Registered unemployment rate shed 1.2 percentage points from end-2004 to 6.2 percent, the lowest reading in Central and Eastern Europe.

The share of consolidated general government deficit in gross domestic product shrank 1.2 percentage points over the year before to 1.1 percent, largely as a result of capping budget expenditures.

IV. Romania's balance of payments and international investment position in 2004

A. Balance of payments

In 2004, Romania's current account balance deteriorated, amid the burgeoning trade gap, due to the twofold increase in the annual growth rate of imports and their rising faster than exports. The advance in domestic demand was driven by the rise in wages and the expansion of non-government credit. Nonetheless, direct investment ensured complete cover of the current account deficit.

Table No. 7. GDP¹⁾ and external sector

	2003	2004
	- EUR million -	
1. Absorption (A=FC+I)	54,573.4	64,450.3
Final consumption (FC)	43,003.0	50,841.7
Investment ²⁾ (I)	11,570.4	13,608.6
2. Exports of goods and services, net (E)	-3,893.0	-5,536.0
3. Income from abroad, net (AI)	-1,195.0	-2,535.0
4. Current transfers, net (CT)	2,028.0	2,972.0
GDP (A+E)	50,680.4	58,914.3
Gross national disposable income (GNDI=A+E+AI+CT)	51,513.4	59,351.3
CURRENT ACCOUNT BALANCE (CABoP=E+AI+CT)	-3,060.0	-5,099.0
GROSS SAVING (GS=I+CABoP)	8,510.4	8,509.6
	- percent -	
Saving rate (GS/GDP)	16.8	14.4
Investment rate (I/GDP)	22.8	23.1
Share of current account balance in GDP (CABoP/GDP=GS/GDP-I/GDP) ³⁾	-6.0	-8.7

¹⁾ Calculations based on NIS data and average ROL/EUR exchange rate.

²⁾ Investment includes: gross fixed capital formation, change in stocks and statistical differences.

³⁾ Known in economic literature as "saving, investment and current account balance equilibrium relationship".

Domestic absorption grew at an annual rate of 18.1 percent over the previous year as a result of rapid increase in imports of technology and energy resources, whereas the investment/final consumption ratio stayed flat at around 27 percent.

In the year under review, the saving, investment and current account balance equilibrium relationship posted the highest level of the current account deficit over the last decade, i.e. 8.7 percent. The explanation for this trend could lie with the poor performance of saving rate, which fell 2.4 percentage points below the year-earlier reading.

1. Current account

In 2004, the balance-of-payments current account deficit ran at EUR 5,099 million, two-thirds higher than in 2003. As a result, current account deficit as a share of GDP increased markedly, from 6 percent to 8.7 percent.

Table No. 8. Balance of payments

	- EUR million -					
	2003			2004		
	Credit	Debit	Net	Credit	Debit	Net
1. CURRENT ACCOUNT	20,940	24,000	-3,060	25,533	30,632	-5,099
Goods and services	18,285	22,178	-3,893	21,838	27,374	-5,536
- Goods	15,614	19,569	-3,955	18,935	24,258	-5,323
- Services	2,671	2,609	62	2,903	3,116	-213
Incomes	327	1,522	-1,195	329	2,864	-2,535
Current transfers	2,328	300	2,028	3,366	394	2,972
2. CAPITAL AND FINANCIAL ACCOUNT	9,462	5,991	3,471	15,885	11,670	4,215
Capital transfers	197	9	188	532	20	512
Direct investment	2,782	872	1,910	6,595	1,468	5,127
Portfolio investment	899	370	529	431	847	-416
Other investment (including in-transit and clearing accounts)	5,247	3,383	1,864	8,327	4,496	3,831
Reserve assets ("-" increase, "+" decrease)	337	1,357	-1,020	-	4,839	-4,839
3. ERRORS AND OMISSIONS (NET)	-	411	-411	884	-	884

Trade balance had a major impact on the current account, reaching 9 percent share-to-GDP, 1.2 percentage points above the previous year's figure, amid the faster-paced imports in Q2 and Q4. The current account deficit widening was also fuelled by the larger imbalance under "incomes" and by the deficit under "services" (which was previously on surplus). The dampening effects of the three components on the current account were partly offset by the good performance of current transfers.

1.1. Trade balance (goods and services)

In 2004, goods and services balance ran a deficit of EUR 5,536 million, up 42.2 percent on the year, on the back of the increase in imports of goods and services.

1.1.1. Goods

Trade deficit widened to EUR 5,323 million, rising year on year both in absolute terms and as a share of GDP (by EUR 1,368 million and 1.2 percentage points respectively), given the larger imports. The import performance was driven basically by economic expansion, which pushed up the demand for capital goods and primary energy resources, and by the upturn in non-government credit granted for consumer durable purchases (including financial leasing for motorcars).

Table No. 9. Trade balance (goods)

	M.U.	2003	2004	Difference (+/-)
Exports (fob)	EUR million	15,614.0	18,935.0	3,321.0
Imports (fob)	EUR million	19,569.0	24,258.0	4,689.0
Trade balance	EUR million	-3,955.0	-5,323.0	-1,368.0
Share of exports in GDP	%	30.8	32.1	1.3
Share of imports in GDP	%	38.6	41.2	2.6
Share of trade balance in GDP	%	-7.8	-9.0	-1.2
Share of trade balance in current account balance	%	129.2	104.4	-24.8
Economy openness: (exports+imports)/GDP	%	69.4	73.3	3.9

Source: National Institute of Statistics (NIS)

The geographical spread shows that the deficit stemmed from the trade with developed countries (48.7 percent, of which trade with the EU accounted for 36.5 percent), ahead of transition countries (42.4 percent, of which trade with the Russian Federation and Ukraine made up 29.2 percent and 11.2 percent respectively) and developing countries (8 percent).

Economy openness soared to 73.3 percent amid removal of protectionist tariffs and Romania's faster integration into world trade.

Exports of goods came in at EUR 18,935 million, up by a solid 21.3 percent year on year. This owed much to higher external prices (for metal goods, petroleum products, machinery) and to changes in the structure of goods exports (the share of intermediate goods in total exports expanded while that of consumer goods narrowed). The value of exports increased year on year by EUR 3,321 million, of which 57.4 percent were accounted for by the pick-up in export volume and 42.6 percent by the favourable movements in external prices. In the considered year, the monthly average of exports approached EUR 1.6 billion; this made the export contribution to GDP formation gain 1.3 percentage points year over year to 32.1 percent. The table below depicts the increases in goods holding significant shares in total exports.

Table No. 10. Goods with significant shares in total exports in 2004

	Share of goods in total exports	- EUR mill. -	Increase/ decrease against 2003
	%		%
Knitted or crocheted wearing apparel	19.8	3,757	5.6
Machinery, mechanic devices, electrical apparatus and equipment	17.6	3,324	32.7
Cast, laminated metal products, made of iron, steel, pig iron, aluminium and copper (excluding scrap metal)	13.3	2,512	45.5
Chemicals, plastics, rubber and articles thereof	7.8	1,481	36.0
Footwear	7.1	1,342	-2.4
Transport means and materials	6.3	1,198	34.0
Petroleum products	6.0	1,144	24.9
Wood and wood items	4.4	830	17.7
Furniture (including components)	4.3	819	18.9

Source: Customs General Department

Imports of goods (fob) added 24 percent on the previous year to EUR 24,258 million, prompted by the booming domestic demand. In year-on-year comparison, the value of imports reached EUR 4,689 million, of which 84.2 percent represented the growth in terms of volume and 15.8 percent the increase in external prices. The monthly average of imports equalled EUR 2 billion, causing the share of imports in GDP to advance by 2.6 percentage points to 41.2 percent. The table below sets out the increases in goods holding significant shares in total imports.

Table No. 11. Goods with significant shares in total imports in 2004

	Share of goods in total imports %	- EUR mill.-	Increase/decrease against 2003 %
Machinery, engines, apparatus and mechanical devices (including components)	12.7	3,070	21.0
Energy products (crude oil, natural gas, petroleum products, coal, coke)	11.6	2,804	32.8
Electrical machinery, appliances and equipment, apparatus for recording and reproducing sound and image	11.1	2,699	25.4
Fabrics made of wool, cotton and man-made fibres; man-made fibres, textile products	10.6	2,560	5.8
Products made of pig iron, iron, steel and non-ferrous metals	7.6	1,851	37.6
Motorcars, tractors and other road vehicles	7.6	1,835	101.2
Plastics and plastic items	4.4	1,062	22.7
Wearing apparel and footwear	3.0	728	1.2
Pharmaceutical products	2.8	670	37.2
Food, beverages and tobacco	2.5	599	17.4
Vegetal products	2.0	482	-10.0
Optical, medical, surgery and similar apparatus and tools	1.8	427	0.4

Source: Customs General Department

1.1.1.1. Exports by commodity and group of countries

a) Structure of exports

Structure of exports by economic sector shows that manufacturing is the main source of Romanian exports, its contribution changing insignificantly from the previous year.

Table No. 12. Exports by main economic activity

	- EUR mill. -		Indices (%) 2004/2003	Structure (%)	
	2003	2004		2003	2004
TOTAL	15,614.0	18,935.0	121.3	100.0	100.0
Agriculture, forestry and fishery	334.1	361.5	108.2	2.1	1.9
Mining and quarrying	45.5	49.3	108.4	0.3	0.3
Manufacturing	15,135.5	18,432.1	121.8	96.9	97.3
Electricity, heating, gas and water	69.7	78.4	112.5	0.4	0.4
Other ¹	29.2	13.7	46.9	0.3	0.1

¹⁾ Including non-classified activities

Source: National Institute of Statistics (NIS)

Exports of manufactured goods rose 21.8 percent from 2003, except for leather goods and footwear industry, where exports dropped by 1.7 percent.

Table No. 13. Exports by main manufacturing activity

	- EUR mill. -		Indices (%) 2004/2003	Structure (%)	
	2003	2004		2003	2004
TOTAL, of which:	15,135.5	18,432.1	121.8	100.0	100.0
Food and beverages	200.5	266.0	132.7	1.3	1.4
Textiles and textile products	767.0	845.1	110.2	5.1	4.6
Textile, fur and leather apparel	3,224.9	3,409.1	105.7	21.3	18.5
Leather goods and footwear	1,391.8	1,368.5	98.3	9.2	7.4
Woodworking	719.9	846.6	117.6	4.8	4.6
Pulp, paper and cardboard	119.8	128.8	107.5	0.8	0.7
Petroleum processing and coal coking	947.9	1,196.0	126.2	6.3	6.5
Chemicals and man-made fibres	744.9	1,030.8	138.4	4.9	5.6
Rubber and plastic products	340.9	434.6	127.5	2.3	2.4
Other non-metallic mineral products	250.1	253.0	101.2	1.7	1.4
Metallurgy	1,818.0	2,647.2	145.6	12.0	14.4
Metallic construction and metal products	266.6	355.5	133.3	1.8	1.9
Machinery and equipment	939.7	1,354.8	144.2	6.2	7.4
Electrical machinery and apparatus	1,029.4	1,366.2	132.7	6.8	7.4
Radio, television and communication equipment	465.8	513.5	110.2	3.1	2.8
Medical instruments and apparatus, watches and clocks	63.6	92.8	145.9	0.4	0.5
Road transport means	434.8	644.3	148.2	2.9	3.5
Other transport means	488.0	602.9	123.5	3.2	3.3
Furniture and other activities	841.7	1,005.1	119.4	5.6	5.5

Source: National Institute of Statistics (NIS)

Above-average increases in exports were recorded by the following sub-sectors: road transport means (48.2 percent), medical instruments and apparatus, watches and clocks (45.9 percent), metallurgy (45.6 percent), machinery and equipment (44.2 percent), chemicals and man-made fibers (38.4 percent), metallic construction and metal products (33.3 percent), food and beverages (32.7 percent), electrical machinery and apparatus (32.7 percent), rubber and plastic products (27.5 percent), petroleum processing and coal coking (26.2 percent), other transport means (23.5 percent).

Table No. 14. Exports by output stage ¹⁾

	- EUR mill. -		Indices (%) 2004/2003	Structure (%)	
	2003	2004		2003	2004
TOTAL	15,614.0	18,935.0	121.3	100.0	100.0
Raw materials	781.7	945.0	120.9	5.0	5.0
Intermediate goods	7,024.0	9,458.0	134.7	45.0	49.9
Capital goods	1,173.7	1,479.5	126.1	7.5	7.8
Consumer goods	6,594.2	7,022.1	106.5	42.2	37.1
Goods not specified elsewhere	40.4	30.4	75.2	0.3	0.2

¹⁾ UN Classification (based on foreign trade classification by Main Economic Category – National Institute of Statistics)

Compared with 2003, the commodity structure of exports by output stage changed, posting a decline in the share of exports of consumer goods⁴ (5.2 percentage points) and an expansion in the share of exports of intermediate goods (4.9 percentage points) and capital goods (0.3 percentage points).

Table No. 15. Exports by group of commodities

	- EUR mill. -		Indices (%) 2004/2003	Structure (%)	
	2003	2004		2003	2004
TOTAL	15,614.0	18,935.0	121.3	100.0	100.0
Agrifoodstuffs	498.0	587.3	117.9	3.2	3.1
Mineral products	1,098.0	1,361.5	124.0	7.0	7.2
Chemical and plastic products	1,089.0	1,481.0	136.0	7.0	7.8
Paper and wood products	843.1	986.1	117.0	5.4	5.2
Textiles, wearing apparel and footwear	5,234.9	5,461.0	104.3	33.5	28.8
Base metals	2,016.9	2,922.6	144.9	12.9	15.4
Machinery, equipment and transport means	3,398.2	4,521.7	133.1	21.8	23.9
Other goods	1,435.9	1,613.8	112.4	9.2	8.6

Source: National Institute of Statistics (NIS)

Compared with 2003, in 2004 the following commodities increased their contribution to the expansion in exports: base metals (by 2.5 percentage points), machinery, equipment and transport means (by 2.1 percentage points), chemical and plastic products (by 0.8 percentage points) and mineral products (by 0.2 percentage points).

The structure of exports by **customs regime** shows that the share of definitive exports reached 48.1 percent in 2004, up 3 percentage points year on year, while the share of exports of commodities after domestic processing declined to 51.7 percent.

b) Geographical distribution of exports

In 2004, geographical spread of exports changed from 2003, with exports to developing countries and transition countries increasing

⁴ Including goods not specified elsewhere.

Table No. 16. Exports by group of countries

	- EUR mill. -		Indices (%) 2004/2003	Structure (%)	
	2003	2004		2003	2004
TOTAL	15,614.0	18,935.0	121.3	100.0	100.0
1. Developed countries	12,462.8	14,811.3	118.8	79.8	78.2
of which:					
- European Union	11,498.2	13,806.8	120.1	73.6	72.9
- EFTA	194.8	194.6	99.9	1.2	1.0
- USA	551.5	539.1	97.8	3.5	2.8
- Japan	13.8	38.4	278.3	0.1	0.2
2. Transition countries	868.1	1,266.0	145.8	5.6	6.7
of which:					
- Bulgaria	254.3	363.1	142.8	1.6	1.9
- Serbia and Montenegro	134.9	31.9	23.6	0.9	0.2
- Russian Federation	46.1	97.8	212.1	0.3	0.5
- Ukraine	57.9	63.1	109.0	0.4	0.3
- Republic of Moldova	120.6	164.9	136.7	0.8	0.9
3. Developing countries	2,260.2	2,837.6	125.5	14.5	15.0
4. Countries not specified¹⁾	22.9	20.1	87.8	0.1	0.1

Source: National Institute of Statistics (NIS)

¹⁾ Includes the goods for which export destination was not specified in the customs declaration.

Exports to **developed countries** amounted to EUR 14,811.3 million, up 18.8 percent versus 2003, as a result of expansion of trade with the European Union (by 20.1 percent). Exports to the EU countries accounted for 72.9 percent of total exports (down 0.7 percentage points from 2003 due to decline in exports to Italy, Germany, and the Netherlands) and went mostly (84.2 percent) to Italy, Germany, France, the United Kingdom, Hungary, the Netherlands and Austria.

Table No. 17. Exports to EU by group of commodities

	- EUR mill. -		Indices (%) 2004/2003	Structure (%)	
	2003	2004		2003	2004
TOTAL	11,498.2	13,806.8	120.1	100.0	100.0
Agrifoodstuffs	342.4	390.8	114.1	3.0	2.8
Mineral products	361.7	483.4	133.6	3.1	3.5
Chemical and plastic products	551.3	700.5	127.1	4.8	5.1
Paper and wood products	463.8	511.1	110.2	4.0	3.7
Textiles, wearing apparel and footwear	5,010.9	5,229.1	104.4	43.6	37.9
Base metals	845.8	1,328.0	157.0	7.4	9.6
Machinery, equipment, and transport means	2,740.3	3,801.4	138.7	23.8	27.5
Other	1,182.0	1,362.5	115.3	10.3	9.9

Source: National Institute of Statistics (NIS)

Exports to the EU rose for all commodity groups, special mention deserving base metals (57 percent), machinery, equipment and transport means (38.7 percent), mineral products (33.6 percent), chemical and plastic products (27.1 percent). The following commodity groups increased their contribution to expansion in exports: machinery, equipment and transport means (by 3.7 percentage points), base metals (by 2.2 percentage points), mineral products (by 0.4 percentage points) and chemical and plastic products (by 0.3 percentage points).

Romania's exports to **transition countries** rose by 45.8 percent year on year to EUR 1,266 million, their share increasing by 1.1 percentage points in total exports.

Exports to **developing countries** went up in terms of both value and share (by 25.5 percent and 0.5 percentage points respectively) reaching EUR 2,837.6 million.

1.1.1.2. Imports by commodity and group of countries

a) Structure of imports

Structure of imports by output stage shows the 2.2 percentage point increase in the share of imported capital goods and the decline in the share of intermediate goods, consumer goods and raw materials, as shown in the table below:

Table No. 18. Imports (fob) by output stage¹⁾

	- EUR mill. -		Indices (%) 2004/2003	Structure (%)	
	2003	2004		2003	2004
TOTAL	19,569.0	24,258.0	124.0	100.0	100.0
Raw materials	2,634.3	3,240.8	123.0	13.5	13.4
Intermediate goods	10,184.1	12,251.6	120.3	52.0	50.5
Capital goods	3,574.5	4,962.6	138.8	18.3	20.5
Consumer goods	3,148.7	3,793.5	120.5	16.1	15.6
Goods not specified elsewhere	27.4	9.5	34.7	0.1	0.0

¹⁾ UN classification (based on foreign trade classification by Main Economic Category – National Institute of Statistics)

In 2004, import demand was upheld in a proportion of 74.1 percent by the same four commodity groups as in the previous years (machinery, equipment and transport means, textiles, wearing apparel and footwear, chemical and plastic products, and mineral products).

In year-on-year comparison, the shares of the following five commodity groups in total imports declined: textiles, wearing apparel and footwear (by 2.5 percentage points), agrifoodstuffs (by 0.7 percentage points), paper and wood products (by 0.2 percentage points), chemical and plastic products (by 0.1 percentage points), other goods (by 1.1 percentage points).

Table No. 19. Imports (fob) by group of commodities

	- EUR mill. -		Indices (%) 2004/2003	Structure (%)	
	2003	2004		2003	2004
TOTAL	19,569.0	24,258.0	124.0	100.0	100.0
Agrifoodstuffs	1,417.2	1,581.9	111.6	7.2	6.5
Mineral products	2,419.4	3,255.3	134.5	12.4	13.4
Chemical and plastic products	2,715.7	3,340.5	123.0	13.9	13.8
Paper and wood products	627.7	735.9	117.2	3.2	3.0
Textiles, wearing apparel and footwear	3,202.1	3,361.2	105.0	16.4	13.9
Base metals	1,504.0	2,029.7	135.0	7.7	8.4
Machinery, equipment and transport means	5,898.2	8,010.4	135.8	30.1	33.0
Other	1,784.7	1,943.1	108.9	9.1	8.0

Source: National Institute of Statistics (NIS)

Imports of **consumer goods** (non-durables and durables) totalled EUR 4,036.9 million, up 35.1 percent from 2003 (with imports of non-durables and durables going up 18.3 percent and 76.8 percent respectively).

The structure of imports by **customs regime** shows that the share of definitive imports expanded by 4.8 percentage points to 73.2 percent of total imports, while the share of temporary imports contracted (textiles, wearing apparel and footwear under OPT arrangements).

b) Geographical distribution of imports

Romania's imports came mainly from **developed countries** (71.7 percent of total imports), **transition countries** (14.5 percent) and **developing countries** (13.4 percent).

Table No. 20. Imports (fob) by group of countries

	- EUR mill. -		Indices (%) 2004/2003	Structure (%)	
	2003	2004		2003	2004
TOTAL	19,569.0	24,258.0	124.0	100.0	100.0
1. Developed countries	14,335.8	17,401.3	121.4	73.3	71.7
<i>of which:</i>					
- European Union	13,153.3	15,751.2	119.8	67.2	64.9
- EFTA	221.2	304.4	137.6	1.1	1.3
- USA	455.0	694.5	152.6	2.3	2.9
- Japan	244.3	326.2	133.5	1.2	1.3
2. Transition countries	2,701.8	3,524.1	130.4	13.8	14.5
<i>of which:</i>					
- Bulgaria	186.8	260.5	139.5	1.0	1.1
- Serbia and Montenegro	24.1	4.4	18.3	0.1	0.0
- Russian Federation	1,616.2	1,653.8	102.3	8.3	6.8
- Ukraine	449.3	660.5	147.0	2.3	2.7
- Republic of Moldova	68.3	57.3	83.9	0.3	0.2
3. Developing countries	2,450.4	3,261.1	133.1	12.5	13.4
4. Countries not specified¹⁾	81.0	71.5	88.3	0.4	0.4

Source: National Institute of Statistics (NIS)

¹⁾ Includes the goods for which the import origin was not specified in the customs declaration.

Imports from **developed countries** increased by 21.4 percent from 2003 to EUR 17,401.3 million, due to the rise of imports from the European Union (19.8 percent), EFTA (37.6 percent) and Japan (33.5 percent).

Table No. 21. Imports (fob) from EU by group of commodities

	- EUR mill. -		Indices (%) 2004/2003	Structure (%)	
	2003	2004		2003	2004
TOTAL	13,153.3	15,751.2	119.8	100.0	100.0
Agrifoodstuffs	794.7	816.3	102.7	6.1	5.2
Mineral products	145.3	237.2	163.2	1.1	1.5
Chemical and plastic products	2,187.0	2,603.4	119.0	16.6	16.5
Paper and wood products	541.2	624.2	115.3	4.1	4.0
Textiles, wearing apparel, and footwear	2,710.9	2,775.0	102.4	20.6	17.6
Base metals	1,072.5	1,368.3	127.6	8.2	8.7
Machinery, equipment, and transport means	4,252.0	5,784.8	136.0	32.3	36.7
Other	1,449.7	1,542.0	106.4	11.0	9.8

Source: National Institute of Statistics

Imports from the European Union accounted for 64.9 percent of total imports in 2004 (down 2.3 percentage points versus 2003 as a result of decline in imports from Italy, Hungary, France), with imports from Italy, Germany, France, Austria, the United Kingdom, Hungary, Poland, Spain and the Czech Republic accounting for more than 85 percent of total.

Imports from the European Union posted increases for all commodity groups, with imports of mineral products, machinery, equipment and transport means, and base metals recording a sharper increase (63.2 percent, 36 percent and 27.6 percent respectively).

Imports from **transition countries** rose 30.4 percent versus 2003, totalling EUR 3,524.1 million. The share of imports from transition countries expanded by 0.7 percentage points in total imports, on account of the increase in imports from Ukraine.

Imports from **developing countries** equalled EUR 3,261.1 million, increasing in terms of both value and share from 2003 (by 33.1 percent and 0.9 percentage points respectively).

1.1.1.3. Currency structure and efficiency of foreign trade

By currency, the weight of the euro as the currency of settlement of exports rose by 2.5 percentage points to 66.3 percent in total exports and by 2.9 percentage points to 70.8 percent as the currency of settlement of imports while the weight of the US dollar and of other currencies dropped.

Table No. 22. Foreign trade by currency

	- percent -			
	Exports		Imports	
	2003	2004	2003	2004
TOTAL	100.0	100.0	100.0	100.0
EUR	63.8	66.3	67.9	70.8
USD	30.6	28.5	28.3	25.6
Other	5.6	5.2	3.8	3.6

Source: Customs General Department

Net terms of trade⁵ rose to 104.3 percent (102.9 percent for the trade with the European Union), due to lower prices for imports from developing countries. **Gross terms of trade**⁶ stood at 93.8 percent, showing that import volume increased faster than export volume (123.1 percent compared with 115.4 percent).

⁵ Ratio of unit value index of exports to unit value index of imports.

⁶ Ratio of volume index of exports to volume index of imports.

Table No. 23. Foreign trade efficiency

	- percent -	
	2003	2004
Value indices	previous year = 100	
Exports	106.4	121.3
Imports	112.3	124.0
Unit value indices ¹⁾		
Exports	98.2	105.1
Imports	96.7	100.7
Volume indices		
Exports	108.4	115.4
Imports	116.1	123.1
Terms of trade index		
net (unit value)	101.5	104.3
gross (volume)	93.3	93.8
Export purchasing power index	110.0	120.4

¹⁾ Calculated by the National Institute of Statistics

1.1.1.4. Private sector contribution

Privately owned companies (commission agents and producers) carrying out foreign trade operations accounted for more than two thirds of total exports (EUR 13,017.9 million), 20.5 percent higher than in 2003. Imports by the private sector amounted to EUR 18,118.7 million, up 14.7 percent, accounting for 74.7 percent of total imports (80.7 percent in 2003). Coverage of imports through exports in the private sector rose by 3.4 percentage points.

Table No. 24. Private sector foreign trade

	MU.	2003	2004	Indices (%) 2004/2003
Exports (fob)	EUR mill.	10,802.2	13,017.9	120.5
as a share of total exports	%	69.2	68.8	x
Imports (fob)	EUR mill.	15,799.3	18,118.7	114.7
as a share of total imports	%	80.7	74.7	x
Trade balance	EUR mill.	-4,997.1	-5,100.8	102.1
Coverage of imports through exports	%	68.4	71.8	x

Source : Customs General Department

1.1.1.5. Net imports of energy products

Net imports of energy products equalled EUR 1,591.8 million (29.9 percent of trade deficit), up 43.2 percent year on year, due to the increase in imports of crude oil, mineral fuels and electricity. **Exports** of primary energy resources totalled EUR 1,282.1 million (6.8 percent of total exports), up 25.4 percent from 2003, mainly due to the increase in export volume of petroleum products, mineral fuels and electricity. **Imports (fob)** of primary energy resources amounted to EUR 2,873.9 million (11.8 percent of total imports), 34.7 percent higher than in 2003 as a result of expansion in imports of crude oil, mineral fuels and electricity.

Table No. 25. Net imports (fob) of energy products

	- EUR mill. -	
	2003	2004
TOTAL	-1,111.4	-1,591.8
Natural gas	-648.9	-556.7
Electricity	46.4	8.5
Crude oil	-886.6	-1,418.0
Petroleum products	630.1	875.3
Mineral fuels	-252.4	-500.9

Source: Customs General Department

1.1.2. Services balance

The services balance posted a **deficit of EUR 213 million**, compared with a surplus of EUR 62 million in 2003, triggered by the increase in payments on goods transport and passenger transport, financial services, legal services and other trade, professional and technical services. “Transport” was the only component of services balance which displayed a surplus.

Table No. 26. Services balance

	- EUR mill. -		Indices (%) 2004/2003	Structure (%)	
	2003	2004		2003	2004
Receipts	2,671	2,903	108.7	100.0	100.0
transport	1,063	1,252	117.8	39.8	43.1
travel	396	406	102.5	14.8	14.0
other	1,212	1,245	102.7	45.4	42.9
Payments	2,609	3,116	119.4	100.0	100.0
transport	997	1,206	121.0	38.2	38.7
travel	423	434	102.6	16.2	13.9
other	1,189	1,476	124.1	45.6	47.4
Balance	62	-213	x		
transport	66	46	69.7		
travel	-27	-28	103.7		
other	23	-231	x		

Receipts from services amounted to EUR 2,903 million (up 8.7 percent from 2003) while **services payments** totalled EUR 3,116 million (up 19.4 percent). The increases surpluses came from the rise recorded by all components.

1.1.2.1. Transport services

“Transport” posted a EUR 46 million surplus, accounting for more than two thirds of that recorded in 2003, as a result of faster increase in payments (by 3.2 percentage points) than in receipts. The only component under “Transport” which showed a surplus was “Other transport services”.

Table No. 27. Transport services

	- EUR mill. -		Indices (%) 2004/2003	Structure (%)	
	2003	2004		2003	2004
Receipts	1,063	1,252	117.8	100.0	100.0
freight (goods transport)	745	864	116.0	70.1	69.0
passenger transport	65	84	129.2	6.1	6.7
other transport services	253	304	120.2	23.8	24.3
Payments	997	1,206	121.0	100.0	100.0
freight (goods transport)	828	1,026	123.9	83.0	85.1
passenger transport	81	107	132.1	8.1	8.9
other transport services	88	73	83.0	8.9	6.0
Balance	66	46	69.7		
freight (goods transport)	-83	-162	195.2		
passenger transport	-16	-23	143.8		
other transport services	165	231	140.0		

“Goods transport” posted a deficit of EUR 162 million, twice as high as that recorded in 2003, amid the correlation between receipts and the evolution of exports and between payments and the evolution of imports (while “Other transport services” displayed a surplus 40 percent higher than in 2003).

“Passenger transport” recorded a deficit of EUR 23 million, compared with a surplus of EUR 16 million in 2003, due to the 32.1 percent increase in payments.

1.1.2.2. Travel services

The deficit under “Travel” amounted to EUR 28 million, almost similar to that recorded in 2003, given that the ratio of receipts to payments remained unchanged at more than 93 percent.

Table No. 28. Travel services

	- EUR mill. -		Indices (%) 2004/2003	Structure (%)	
	2003	2004		2003	2004
Receipts	396	406	102.5	100.0	100.0
business travel	30	40	133.3	7.6	9.9
personal travel	348	363	104.3	87.9	89.4
other	18	3	16.7	4.5	0.7
Payments	423	434	102.6	100.0	100.0
business travel	250	258	103.2	59.1	59.4
personal travel	172	175	101.7	40.7	40.3
other	1	1	100.0	0.2	0.3
Balance	-27	-28	103.7		
business travel	-220	-218	99.1		
personal travel	176	188	106.8		
other	17	2	11.8		

1.1.2.3. Other services

After registering a surplus of EUR 23 million in 2003, "Other services" posted a deficit of EUR 231 million in 2004, due to faster increase in payments than in receipts. The deficit was attributed mainly to financial, legal, trade and professional services and to licence taxes.

	- EUR mill. -		Indices (%)	Structure (%)	
	2003	2004	2004/2003	2003	2004
Receipts, of which:	1,212	1,245	102.7	100.0	100.0
insurance services	42	21	50.0	3.5	1.7
trade, professional etc. services	359	276	76.9	29.6	22.2
financial services	45	59	131.1	3.7	4.7
operational leasing	10	7	70.0	0.8	0.6
communication services	210	237	112.9	17.3	19.0
construction services	94	97	103.2	7.8	7.8
culture and leisure services	85	135	158.8	7.0	10.8
Payments, of which:	1,189	1,476	124.1	100.0	100.0
insurance services	108	89	82.4	9.1	6.0
trade, professional etc. services	290	361	124.5	24.4	24.5
financial services	74	94	127.0	6.2	6.4
operational leasing	38	31	81.6	3.2	2.1
communication services	75	162	216.0	6.3	11.0
construction services	28	69	246.4	2.4	4.7
culture and leisure services	67	83	123.9	5.6	5.6
Balance, of which:	23	-231	x		
insurance services	-66	-68	103.0		
trade, professional etc. services	69	-85	x		
financial services	-29	-35	120.7		
operational leasing	-28	-24	85.7		
communication services	135	75	55.6		
construction services	66	28	42.4		
culture and leisure services	18	52	288.9		

1.2. Income balance

The income balance posted a deficit of EUR 2,535 million (49.7 percent of the current account deficit), 2.1 times higher than that recorded in 2003, due mainly to the large volume of non-residents' incomes from direct investment (reinvested profit and dividends)⁷.

⁷ Survey on foreign direct investment in Romania in 2004.

Table No. 30. Incomes balance

	- EUR mill. -		Indices (%) 2004/2003	Structure (%)	
	2003	2004		2003	2004
Receipts	327	329	100.6	100.0	100.0
compensation of employees	98	91	92.9	30.0	27.7
direct investment	10	8	80.0	3.1	2.4
portfolio investment	153	167	109.2	46.8	50.8
other capital investment (interest)	66	63	95.5	20.1	19.1
Payments	1,522	2,864	188.2	100.0	100.0
compensation of employees	6	5	83.3	0.4	0.2
direct investment	796	2,086	262.1	52.3	72.8
portfolio investment	228	258	113.2	15.0	9.0
other capital investment (interest)	492	515	104.7	32.3	18.0
Balance	-1,195	-2,535	212.1		
compensation of employees	92	86	93.5		
direct investment	-786	-2,078	264.4		
portfolio investment	-75	-91	121.3		
other capital investment (interest)	-426	-452	106.1		

1.3. Current transfers balance

The balance of current transfers posted a surplus of EUR 2,972 million, 46.5 percent higher than in 2003. Net private transfers rose by 55.6 percent from 2003, their share in total transfers expanding by 5.6 percentage points, owing mainly to the acceleration of money flows to residents.

Table No. 31. Current transfers balance

	- EUR mill. -		Indices (%) 2004/2003	Structure (%)	
	2003	2004		2003	2004
Receipts	2,328	3,366	144.6	100.0	100.0
Public administration	235	171	72.8	10.1	5.1
Private transfers	2,093	3,195	152.7	89.9	94.9
Payments	300	394	131.3	100.0	100.0
Public administration	36	45	125.0	12.0	11.4
Private transfers	264	349	132.2	88.0	88.6
Balance	2,028	2,972	146.5	100.0	100.0
Public administration	199	126	63.3	9.8	4.2
Private transfers	1,829	2,846	155.6	90.2	95.8

The funds received by Romania under PHARE technical assistance amounted to EUR 557 million⁸, twice as high as the amount received in 2003, of which non-redeemable technical assistance in the form of consulting services and training courses (current transfers) equalled EUR 126 million and equipment purchase (capital transfers) amounted to EUR 431 million.

⁸ Source: Ministry of Public Finance.

2. Capital and financial account

The balance on capital and financial account equalled EUR 4,215 million, 21.4 percent higher than in 2003, due to the following developments recorded by capital and financial account components:

- the increase in net capital transfers, triggered by the rise in amounts received under PHARE programme of non-redeemable technical assistance to finance purchase of equipments;
- the significant growth of direct investment by acquisition of 25 percent of stakes of Banca Comerciala Română (EUR 180.7 million) by EBRD and IFC and of 51 percent of SNP Petrom's stakes by the Austrian oil and gas group OMV (EUR 1,499 million);
- the decline in portfolio investment following the redemption of maturing bonds issued by Termoelectrica (EUR 150 million) and the lack of new issues;
- the rise in the value of medium- and long-term credits and loans due mainly to the higher volume of credits acquired by bank and non-bank sectors, and public administration;
- the increase in the NBR's reserve assets following foreign exchange purchases off the interbank market, loans from the IBRD (under the PSAL and SAPARD programmes), privatisation receipts (SNP Petrom and BCR) and other net inflows.

Table No. 32. Capital and financial account

	- EUR mill. -		Indices (%) 2004/2003	Structure (%)	
	2003	2004		2003	2004
Credit	9,462	15,885	167.9	100.0	100.0
capital transfers	197	532	270.1	2.1	3.3
direct investment	2,782	6,595	237.1	29.4	41.5
portfolio investment	899	431	47.9	9.5	2.7
other capital investment	5,193	8,205	158.0	54.9	51.7
in-transit accounts, clearing/barter accounts	54	122	225.9	0.5	0.8
NBR reserve assets	337	-	x	3.6	x
Debit	5,991	11,670	194.8	100.0	100.0
capital transfers	9	20	222.2	0.2	0.2
direct investment	872	1,468	168.3	14.6	12.6
portfolio investment	370	847	228.9	6.2	7.3
other capital investment	3,329	4,375	131.4	55.5	37.4
in-transit accounts, clearing/barter accounts	54	121	224.1	0.8	1.0
NBR reserve assets	1,357	4,839	356.6	22.7	41.5
Net	3,471	4,215	121.4		
capital transfers	188	512	272.3		
direct investment	1,910	5,127	268.4		
portfolio investment	529	-416	x		
other capital investment	1,864	3,830	205.5		
in-transit accounts, clearing/barter accounts	0	1	x		
NBR reserve assets	-1,020	-4,839	474.4		

Financial account assets point out the changes recorded by residents' investment abroad, purchases of foreign securities, deposits with banks abroad, loans and official reserves. In 2004, foreign assets increased by EUR 5,486 million, compared with EUR 955 million in 2003, as a result of the surge in foreign exchange reserve managed by the central bank and the expansion in deposits of bank and non-bank residents abroad.

Table No. 33. Foreign assets and liabilities

	2003			2004		
	Credit	Debit	Net	Credit	Debit	Net
Foreign assets	1,078	2,033	-955	594	6,080	-5,486
direct investment	7	43	-36	9	65	-56
portfolio investment	21	7	14	2	433	-431
other capital investment	703	625	78	570	741	-171
clearing accounts	10	1	9	13	2	11
NBR reserve assets	337	1,357	-1,020	-	4,839	-4,839
Foreign liabilities	8,187	3,949	4,238	14,759	5,570	9,189
direct investment	2,775	829	1,946	6,586	1,403	5,183
portfolio investment	878	363	515	429	414	15
other capital investment	4,490	2,704	1,786	7,635	3,634	4,001
in-transit accounts	44	53	-9	109	119	-10

Financial account liabilities show investment by non-residents in Romania, deposits of non-residents, and loans and borrowings. Foreign liabilities rose by EUR 9,189 million, compared with EUR 4,238 million in 2003, due to the increase in direct investment and in deposits of non-residents in Romania.

2.1. Direct investment

Net direct investment⁹ totalled EUR 5,127 million, 2.7 times higher than in 2003, amid the rise in share capital and reinvested profit in bank and non-bank sectors. **Non-residents' net direct investment in Romania** amounted to EUR 5,183 million¹⁰, 2.7 times higher than in 2003, of which share capital and loans from foreign direct investor accounted for 70.5 percent, the remainder representing the reinvested profit and in-kind contributions to share capital. Direct investment rose substantially in 2004 due to purchase of 25 percent of the BCR stakes (EUR 180.7 million) by the EBRD and IFC and of 51 percent of SNP Petrom stakes by OMV (EUR 1,499 million). Loans granted by parent undertakings to subordinate units accounted for about 14 percent of direct investment inflows, which rose by 2.3 percent from 2003¹¹.

Table No. 34. Direct investment

	- EUR mill. -		Indices (%) 2004/2003	Structure (%)	
	2003	2004		2003	2004
Credit	2,782	6,595	237.1	100.0	100.0
- of non-residents in Romania	2,775	6,586	237.3	99.7	99.9
- of residents abroad	7	9	128.6	0.3	0.1
Debit	872	1,468	168.3	100.0	100.0
- of non-residents in Romania	829	1,403	169.2	95.1	95.6
- of residents abroad	43	65	151.2	4.9	4.4
Net	1,910	5,127	268.4		
- of non-residents in Romania	1,946	5,183	266.3		
- of residents abroad	-36	-56	155.6		

As of end-2004, the stock of direct investment in Romania reached EUR 15 billion, the highest level recorded by South-Eastern European countries.

⁹ Non-residents' investment in Romania and residents' investment abroad.

¹⁰ Survey on foreign direct investment in Romania in 2004.

¹¹ More than 75 percent of such loans came from the Netherlands, France, the United Kingdom, Italy, Germany, Austria.

2.2. Portfolio investment

Net outflows from portfolio investment equalled EUR 416 million (as a result of purchase of foreign securities by banks), compared with net inflows worth EUR 529 million in 2003 (following the issue of bonds by the Ministry of Public Finance led-managed by Credit Deutsche Bank AG worth EUR 700 million in July 2003).

Net portfolio investment by non-residents in Romania amounted to EUR 15 million, compared with EUR 515 million in 2003, as a result of redemption of maturing bonds issued by Termoelectrica (EUR 150 million) and the lack of new issues.

Table No. 35. Portfolio investment

	- EUR mill. -					
	2003			2004		
	Credit	Debit	Net	Credit	Debit	Net
Assets	21	7	14	2	433	-431
Banks	8	6	2	0	422	-422
Non-banks	13	1	12	2	11	-9
Liabilities	878	363	515	429	414	15
Monetary authority	0	0	0	0	0	0
Banks	0	5	-5	33	0	33
Government sector	701	150	551	18	0	18
<i>of which:</i>						
Ministry of Public Finance	700	150	550	0	0	0
Other sectors	177	208	-31	378	414	-36
<i>of which:</i>						
- debt securities	6	97	-91	119	243	-124
- equity securities*	171	111	60	259	171	88

* Source: National Securities Commission

2.3. Financing of the current account deficit

Although the current account deficit for 2004 reached EUR 5.1 billion, foreign direct investment was sufficient to cover this deficit. Other financing sources, such as capital transfers, loans, also fared well.

Table No. 36. Financing of the current account deficit

	- EUR mill. -	
	2003	2004
Financing sources	3,060	5,099
a. capital transfers, net	188	512
b. direct investment, net	1,910	5,127
c. portfolio investment, net	529	-416
d. other capital investments:	1,453	4,715
- medium- and long-term borrowings, net	1,034	2,439
inflows	3,211	5,148
repayments	2,177	2,709
- medium- and long-term loans, net	-52	-28
- short-term loans, net	343	1,026
- other investments ¹	128	1,278
e. NBR's reserve assets ("-" shows an increase)	-1,020	-4,839

¹⁾ Net value of the items cash and cheques, deposits, in-transit documents, clearing and barter accounts, errors and omissions is included.

Net capital transfers were 2.7 times higher, equalling EUR 512 million, due to the increase in the funds received under the PHARE programme of non-redeemable technical assistance to finance equipment purchase, which totalled EUR 431 million¹² in 2004, compared with EUR 102 million in the prior year.

Net inflows from medium- and long-term borrowings ran at EUR 2,439 million, 2.4 times higher than in 2003, due to the larger volume of loans to banks, non-banks and public administration. In 2004, inflows from medium- and long-term loans and credits stood at EUR 5,148 million, while repayments totalled EUR 2,709 million, both on the rise from the previous year, by 60.3 percent and 24.4 percent respectively. Net inflows from **short-term loans and credits** trebled to EUR 1,026 million compared with 2003.

B. Romania's international investment position

1. General features

The debit balance of Romania's international investment position kept worsening, amounting to EUR 17.2 billion at end-2004, up EUR 4 billion from a year earlier. Behind this development stood net external transactions (EUR -3,703 million), alongside exchange rate losses (EUR -162.3 million) and the drop in gold price on the international market of precious metals (EUR -143.5 million).

The strengthening of the domestic economic environment improved the perception of foreign investors and creditors, entailing the increase in capital inflows of foreign loans and investment. At end-2004, Romania's external debt stood at EUR 21.7 billion, while the balance of equity capital in Romanian companies reached EUR 12 billion, as compared with EUR 7.1 billion a year earlier.

The year-on-year increase in external debt brought about the rise in payments on foreign debt service, which amounted to EUR 5 billion, up EUR 1.2 billion against the prior year. Amid the expansion of exports of

¹² Source: Ministry of Public Finance.

goods and services, as well as GDP growth, the main external indebtedness indicators remained within normal limits as illustrated by economic analysts. At end-2004, gross external debt represented 36.8 percent share to GDP, up 1.6 percentage points year on year, while gross external debt relative to the exports of goods and services accounted for 99.4 percent. External debt service ratio moved up to 22.8 percent at end-2004 from 20.8 percent at end-2003, whilst external debt service as a share to GDP stepped up from 7.5 percent to 8.4 percent during the same period. The share of interest in total exports narrowed to 3.9 percent at end-2004, from 4.2 percent at end-2003, following the improvement in lending conditions over the past few years. Short-term external debt followed the prior years' trend; its share in gross external debt widened by 78.9 percent in the period under review, accounting for 16.3 percent at end-2004.

The official reserves of the National Bank of Romania continued to rise, reaching EUR 11.9 billion at end-2004. The main sources spurring the rise in forex reserves were the NBR's purchases on the forex market, inflows from foreign borrowings, privatisation proceeds and inflows to the minimum reserves.

At end-2004, foreign reserve assets came in at EUR 13.1 billion, EUR 4.9 billion higher than at the end of the previous year, amid the increase in official reserves and banks' forex reserves (by EUR 4.4 billion and the EUR 0.5 billion respectively). Foreign exchange reserves of the banking system (including the NBR) covered 5.3 months of imports at end-2004, as compared with 3.9 months of imports at end-2003, while official reserves (including gold) rose to 5.2 months of imports, from 4.1 months of imports at end-2003. The ratio between external debt service and forex reserves improved markedly, declining by 12.2 percentage points year on year to 41.2 percent at end-2004.

Table No. 37. Foreign reserve assets

	- EUR mill. -				
	12.31.2003	3.31.2004	6.30.2004	9.30.2004	12.31.2004
1. National Bank of Romania	7,491.6	7,893.1	8,843.4	10,789.8	11,932.7
gold	1,118.0	1,168.0	1,096.9	1,130.0	1,084.5
SDR	0.2	0.3	0.5	0.3	0.0
foreign exchange	6,373.4	6,724.8	7,746.0	9,659.5	10,848.2
2. Banks	755.6	937.3	772.2	677.3	1,211.5
foreign exchange	755.6	937.3	772.2	677.3	1,211.5
3. Foreign reserve assets	8,247.2	8,830.4	9,615.6	11,467.1	13,144.2
<i>of which:</i>					
3.1. foreign exchange + SDR	7,129.2	7,662.4	8,518.7	10,337.1	12,059.7
4. Foreign liabilities	919.8	989.9	1,309.2	1,417.4	1,559.5
Net international reserves (item 3-item 4)	7,327.4	7,840.5	8,306.4	10,049.7	11,584.7
<i>of which:</i>					
Net foreign exchange reserves (item 3.1-item 4)	6,209.4	6,672.5	7,209.5	8,919.7	10,500.2

In 2004, behind the increase in Romania's external debt to EUR 21.7 billion stood economic growth, external financing of budget deficit and banks' higher demand for resources. Medium- and long-term external debt accounted for 83.7 percent, while short-term external debt made up 16.3 percent of total external debt.

External debt service amounted to EUR 4,972.2 million, of which principal repayments came in at EUR 4,116.8 million, and interest and commissions paid came to EUR 855.4 million. By maturity, medium- and long-term external debt service accounted for 81 percent of total external debt service.

Medium- and long-term external debt widened by 14.6 percent to EUR 18,173.4 million year over year, due to net inflows from foreign borrowings tantamount to EUR 3,195.7 million. The EUR/USD exchange rate gains (EUR -543.5 million) and some debt-to-equity swaps (EUR -337.8 million) contained the increase in external debt.

At end-2004, **medium- and long-term external debt by creditor** shows that private creditors made up 68.7 percent (up 5.1 percentage points year on year), international financial institutions accounted for 28.4 percent (down 4.1 percentage points), and bilateral sources represented 2.9 percent (down 1 percentage point).

Table No. 38. Medium- and long-term external debt by creditor

	- EUR mill. -			
	12.31.2003	%	12.31.2004	%
TOTAL	15,859.1	100.0	18,173.4	100.0
International financial institutions	5,158.9	32.5	5,165.4	28.4
IMF	474.5	3.0	324.8	1.8
IBRD	1,828.7	11.5	1,819.4	10.0
EIB	1,410.7	8.9	1,529.9	8.4
EBRD	798.3	5.0	873.5	4.8
Bilateral relations	617.5	3.9	534.2	2.9
Canada	91.5	0.6	61.7	0.3
Germany	148.5	0.9	132.2	0.7
Italy	77.1	0.5	43.7	0.2
Austria	85.7	0.5	84.5	0.5
Portfolio investment	3,002.3	18.9	2,844.5	15.7
CS First Boston Switzerland	600.0	3.8	600.0	3.3
Deutsche Bank	1,400.0	8.8	1,400.0	7.7
Ing Bank Barings	300.0	1.9	300.0	1.7
Private banks	2,998.3	18.9	5,298.2	29.2
Germany	438.2	2.8	682.3	3.8
France	401.6	2.5	725.5	4.0
USA	231.4	1.5	171.7	0.9
United Kingdom	394.5	2.5	528.5	2.9
Netherlands	426.8	2.7	874.5	4.8
Supplier credit	348.3	2.2	285.3	1.6
Greece	131.8	0.8	116.0	0.6
Other	3,733.8	23.5	4,045.8	22.3

Medium- and long-term external debt by currency points out that the euro was in the lead (60.9 percent, up 6 percentage points from end-2003), followed by the US dollar (31.9 percent, down 6.1 percentage points), and other currencies (7.2 percent). Moreover, it is noteworthy that the structure of foreign assets by currency has been coming into line with the structure of medium- and long-term external debt.

Table No. 39. Forex reserves and medium- and long-term external debt by currency

	- EUR mill. -							
	Forex reserves				Medium- and long-term external debt			
	12.31.2003	%	12.31.2004	%	12.31.2003	%	12.31.2004	%
TOTAL	7,129.2	100.0	12,059.7	100.0	15,859.1	100.0	18,173.4	100.0
EUR	4,205.4	59.0	7,305.6	60.6	8,700.3	54.9	11,061.9	60.9
USD	2,540.9	35.6	3,983.2	33.0	6,024.9	38.0	5,801.2	31.9
Other	382.9	5.4	770.9	6.4	1,133.9	7.1	1,310.3	7.2

Medium- and long-term external debt by debtor shows that, for the first time, private debt held the largest share, i.e. 44.7 percent, followed by public debt (35.1 percent) and publicly guaranteed debt (20.2 percent). In year-on-year comparison, the share of private debt edged up 5.7 percentage points, concurrently with the decline in public debt.

Table No. 40. Medium- and long-term external debt by debtor

	- EUR mill. -			
	12.31.2003	%	12.31.2004	%
TOTAL	15,859.1	100.0	18,173.4	100.0
Public debt	6,470.0	40.8	6,369.2	35.0
Publicly guaranteed debt	3,204.7	20.2	3,677.5	20.2
Private debt	6,184.4	39.0	8,126.7	44.7

At end-2004, external private debt equalled EUR 8,126.7 million, up 31.4 percent, as a result of net capital inflows to the tune of EUR 2,509.3 million. The appreciation of the euro against the US dollar (EUR -229.3 million) and some debt-to-equity swaps (EUR -337.8 million) contained the rise in external private debt.

Analysis of the **national economy by sector** shows the following distribution of external private debt: financial, banking and insurance activities (12.5 percent), manufacturing (11.8 percent), transport and warehousing (10.9 percent), electricity, heating, gas and water sector (9.1 percent), public administration (7.7 percent). Most foreign borrowings were channelled into the following manufacturing sub-sectors: food, beverages and tobacco (16.5 percent), furniture (14.7 percent), chemicals and man-made fibres (11.1 percent), textiles and textile products (9.1 percent), and processing of rubber and plastics (7.7 percent).

Table No. 41. Medium- and long-term external debt by maturity

	- EUR mill. -			
	12.31.2003	%	12.31.2004	%
TOTAL	15,859.0	100.0	18,173.4	100.0
1-5 years	4,568.3	28.8	5,741.9	31.6
Public debt	311.0	2.0	306.9	1.7
Publicly guaranteed debt	958.6	6.0	1,163.0	6.4
Private debt	3,298.7	20.8	4,272.0	23.5
more than 5 years	11,290.7	71.2	12,431.5	68.4
Public debt	6,158.9	38.8	6,062.3	33.4
Publicly guaranteed debt	2,246.1	14.2	2,514.5	13.8
Private debt	2,885.7	18.2	3,854.7	21.2

Medium- and long-term external debt by maturity at end-2004 points out that long-term external debt held the largest share in public and private debt (68.4 percent), whereas medium-term external debt accounted for 31.6 percent.

Table No. 42. Medium- and long-term external debt by type of interest

	- EUR mill. -			
	12.31.2003	%	12.31.2004	%
TOTAL	15,859.1	100.0	18,173.4	100.0
Floating interest	8,188.6	51.6	10,229.4	56.3
IBRD STANDARD INTEREST	722.1	4.6	591.3	3.3
IMF STANDARD INTEREST	474.5	3.0	324.8	1.8
1-month LIBOR USD	129.6	0.8	125.2	0.7
3-month LIBOR USD	686.9	4.3	1,165.0	6.4
6-month LIBOR USD	2,947.2	18.6	2,784.6	15.3
12-month LIBOR USD	256.9	1.6	261.6	1.4
3-month LIBOR EUR	348.1	2.2	553.1	3.0
3-month EURIBOR	460.3	2.9	1,000.9	5.5
6-month EURIBOR	1,435.0	9.0	2,403.7	13.2
Fixed interest	7,670.5	48.4	7,944.0	43.7
0.0-4.99%	2,298.3	14.5	2,655.3	14.6
5.0-9.99%	3,382.1	21.3	3,528.9	19.4
over 10.0%	1,990.1	12.5	1,759.8	9.7

Medium- and long-term external debt by type of interest paints the following picture: floating-rate loans accounted for 56.3 percent, while fixed-rate loans made up 43.7 percent. The share of foreign borrowings with fixed-rate interest of more than 5 percent narrowed as a result of upgrading of country rating.

2. International investment position

The monetary authority was still the sole institutional sector posting a net creditor position at end-2004 (EUR 11,545.9 million, up 64.3 percent year over year), owing to the accelerated rise in official forex reserves and the decline in external debt. The net debtor position of the banking sector widened by EUR -3,917.1 million, up 132.2 percent from end-2003, as a result of the twofold increase in the external debt of credit institutions. Public administration and non-banks further posted net debtor positions (EUR -5,176.8 million and EUR -19,622.1 million respectively), following the rise in medium- and long-term external debt and foreign direct investment.

2.1. Direct investment

At end-2004, the stock of direct investment came in at EUR 14,823.7 million¹³, up 56.1 percent year on year, due to the surge in non-residents' direct investment in Romania.

¹³ The stock of direct investment is calculated as difference between assets (EUR 216.2 million) and liabilities (EUR 15,039.9 million).

2.1.1. Foreign assets

As at year-end 2004, direct investment by residents abroad (equity stakes) totalled EUR 216.2 million (31 percent higher than at end-2003); in the period under review, the share of banks' equity capital in total direct investment dropped by 10.5 percentage points in favour of equity capital of Romanian companies abroad.

2.1.2. Foreign liabilities

Non-residents' direct investment in Romania amounted to EUR 15,039.9 million¹⁴, up 55.7 percent from end-2003, as a result of net capital inflows to the tune of EUR 5,183 million. Romania, along with Bulgaria, was one of the Eastern European countries that further posted a significant rise in foreign investment in 2004. It came in second, after Poland, in terms of foreign investment in Central and South Eastern Europe, outpacing Hungary, the Czech Republic and Slovakia.

Foreign direct investment¹⁴ was channelled mainly towards the following main economic sub-sectors: manufacturing¹⁵ (45.7 percent of total), trade (14.5 percent), financial intermediation and insurance services (11.4 percent), post and telecommunications (10.6 percent), mining (8.1 percent), services (5.6 percent), construction (1.1 percent), transport (1.1 percent), hotels and restaurants (0.2 percent), and other (1.7 percent).

The main foreign investors¹⁴ in Romania came from the Netherlands (16.3 percent of total foreign direct investment), Austria (15.7 percent), France (10.3 percent), the Netherlands Antilles (8.8 percent), Germany (8.6 percent), Greece (8.2 percent), Italy (4.8 percent), the USA (4.3 percent), Cyprus (4 percent), Switzerland (3 percent).

In December 2004, Petrom Oil Company was privatised and taken over by Austria-based OMV Oil and Gas Group, and in June the EBRD together with the IFC bought 25 percent of the stake in Banca Comerciala Română. Non-banks were the main recipient of foreign direct investment in amount of EUR 13.4 billion at end-2004 (up 52.4 percent year over year), of which equity capital held 78.2 percent and loans from parent undertakings to subordinated units made up the remainder.

Foreign direct investment in the banking sector rose both in absolute terms and as a share in total foreign liabilities (by EUR 769.4 million and 1.9 percentage points respectively).

2.2. Portfolio investment

The debit balance of portfolio investment at end-2004 was EUR 3,097.7 million, down 12.9 percent year on year, owing to the purchase of foreign securities by banks and redemptions by the Romanian companies in the period under consideration.

¹⁴ Survey on foreign direct investment in Romania in 2004.

¹⁵ Of which: metallurgy (13.2 percent); food, beverages and tobacco (7.4 percent); transport means (5.7 percent); cement, glass, ceramics (4 percent); wood items – including furniture (3.4 percent); textile, wearing apparel, leather goods (3.3 percent); computers, electrical apparatus, radio and TV sets, communications (2.9 percent); crude oil processing, chemicals, rubber and plastic products (2.6 percent); machinery and equipment (1.8 percent); other (1.4 percent).

2.2.1. Foreign assets

Portfolio investment by type of investment shows that the value of bonds purchased by banks increased markedly in 2004, exceeding EUR 400 million. Amid the capital inflows in the form of loans granted by parent undertakings, some resident banks opted for purchasing foreign bonds.

The balance of shares expanded by more than EUR 13.8 million from end-2003, on the back of the rise in investment made by residents other than banks.

Table No. 43. Portfolio investment (foreign assets)

	- EUR mill. -			
	12.31.2003	%	12.31.2004	%
TOTAL	10.8	100.0	443.9	100.0
<i>Shares</i>	7.9	73.2	21.6	4.9
- banking sector	2.5	23.2	6.8	1.5
- other sectors	5.4	50.0	14.8	3.4
<i>Money market instruments and securities</i>	2.9	26.8	422.3	95.1
- banking sector	0.3	2.8	418.6	94.3
- other sectors	2.6	24.0	3.7	0.8

2.2.2. Foreign liabilities

Foreign liabilities associated with portfolio investment went down EUR 27.8 million as compared with end-2003, on account of the redemption of bonds by resident companies and the fewer bond issues on the private capital markets. Capital inflows totalled EUR 429 million and came mainly from shares purchased by non-residents on the capital market, whereas capital outflows consisted in redemption of bonds and promissory notes worth EUR 414 million.

Table No. 44. Portfolio investment (foreign liabilities)

	- EUR mill. -			
	12.31.2003	%	12.31.2004	%
TOTAL	3,569.4	100.0	3,541.6	100.0
<i>Shares</i>	555.0	15.5	643.0	18.2
- other sectors	555.0	15.5	643.0	18.2
<i>Money market instruments and securities</i>	3,014.4	84.5	2,898.6	81.8
- government sector	2,448.9	68.6	2,438.9	68.9
- banks	3.3	0.1	94.1	2.7
- non-banks	562.2	15.8	365.6	10.3

Investment portfolio by type of investment shows that shares purchased by non-residents accounted for 18.2 percent of total at end-2004, up 2.6 percentage points on the year, with bonds further making up the largest share, i.e. 81.8 percent. The government sector held the bulk of bonds (84.1 percent), ahead of non-banks and banks (12.6 percent and 3.3 percent respectively).

2.3. Other investments

The debit balance of "other investments" equalled EUR 11,181.4 million at end-2004, EUR 3,583.8 million higher than at end-2003, as a result of the rise in borrowings from non-residents and deposits of non-residents with Romanian credit institutions.

2.3.1. Foreign assets

Foreign assets under “other investments” include financial and trade credits granted by residents to foreign natural and legal entities, export documents, Romania’s subscription quotas in international financial institutions, active clearing accounts, residents’ deposits abroad. At end-2004, loans held 65.1 percent of total, followed by residents’ deposits abroad (28.6 percent) and other assets (6.3 percent).

Table No. 45. Other investments (foreign assets)

	- EUR mill. -			
	12.31.2003	%	12.31.2004	%
TOTAL	4,674.7	100.0	4,593.5	100.0
<i>Monetary authority</i>	11.8	0.3	11.4	0.2
- other assets	11.8	0.3	11.4	0.2
<i>Government sector</i>	3,147.4	67.3	2,936.6	63.9
- trade credits	2,842.5	60.8	2,656.1	57.8
- loans/deposits	4.2	0.1	4.2	0.1
- other assets	300.7	6.4	276.3	6.0
<i>Banks</i>	775.5	16.6	791.5	17.2
- loans/deposits	775.5	16.6	791.5	17.2
<i>Non-banks</i>	740.0	15.8	854.0	18.6
- trade credits	287.9	6.2	333.7	7.3
- loans/deposits	452.1	9.7	520.3	11.3

The structure of “other investments” by institutional sector illustrates that the government sector was the main holder of foreign claims (63.9 percent of total), ahead of banks (17.2 percent) and non-banks (18.6 percent).

More than 90 percent of medium- and long-term external claims of the government sector came from exports to developing countries in the Middle East, Africa, Latin America and former CMEA countries prior to 1990.

Table No. 46. Medium- and long-term government claims as at 31 December 2004

Country	- equivalent EUR thou. -	
	Total claims	Past-due claims
TOTAL	1,516,088	1,516,088
<i>of which:</i>		
Iraq	1,262,710	1,262,710
Mozambique	110,245	110,245
Sudan	90,199	90,199
Lybia	40,453	40,453

Source: Ministry of Public Finance

Out of total government claims, 42.1 percent are expressed in transferable roubles and stem from exports and co-operation activities with former CMEA countries. The collection of claims is still slow and cumbersome as they are entirely past due. In 2004, People’s Democratic Republic of Korea was the only country that paid off its long-term debt in transferable roubles to Romania.

**Table No. 47. Medium- and long-term government claims (transferable roubles)
as at 31 December 2004**

Country	Total claims	- TR thou. -
		Past-due claims
TOTAL	1,770,767	1,770,767
<i>of which:</i>		
Cuba	1,052,552	1,052,552
Russia	590,670	590,670
Ukraine	127,545	127,545

Source: Ministry of Public Finance

“Other assets of the government sector” includes clearing accounts in convertible currencies and transferable roubles, as well as Romania’s subscription quotas in international financial institutions. In 2004, the payment of the seventh instalment worth EUR 1.4 million of Romania’s membership quota to the EBRD’s share capital influenced the balance of this heading. The balance on clearing accounts stood at EUR 158.7 million at end-2004, down EUR 23.1 million year on year, as a result of the strengthening of the euro against the main convertible currencies. Syria and Cuba were further Romania’s main debtor countries. Deposits held by diplomatic missions abroad amounted to EUR 4.2 million at end-2004.

The balance on “other investments” of banks increased by EUR 16 million, amid the growth of residents’ deposits and current accounts abroad. Net foreign capital inflows to the banking sector were channelled to lending to the domestic private sector rather than to the increase in foreign reserve assets. Thus, in 2004, foreign exchange-denominated non-government domestic credit expanded by 56.7 percent.

Table No. 48. Other investments of banks (foreign assets)

	- EUR mill. -	
	12.31.2003	12.31.2004
TOTAL	775.5	791.5
cash and cheques	134.6	151.5
deposits and current accounts abroad	580.9	592.1
other	60.0	47.9
- payment orders, claims, bank operations	11.5	26.5
- foreign exchange loans to non-residents	20.0	0.0
- other	28.5	21.4

Under “other investments” of banks, deposits and accounts with banks abroad accounted for the largest share of bank investments (74.8 percent), followed by cash and cheques (19.1 percent), and other assets (6.1 percent).

The structure of banks’ liquid assets by currency shows the further increase in EUR-denominated assets (80.3 percent) to the detriment of USD-denominated assets (12.2 percent), due to the prevalence of commercial ties with the EU.

The share of “other investments” of non-banks in total investments went up 2.8 percentage points as against end-2003, due to the increase in the balance on short-term export documents.

The structure of “other investments” by type of investment made by non-banks indicates that, at end-2004, the balance on deposits abroad further held the largest share in total (60.9 percent), followed by short-term export documents (28.6 percent) and long-term commercial claims (10.5 percent).

2.3.2. Foreign liabilities

Foreign liabilities under “other investments” consist of financial and trade credits granted by non-residents to natural and legal entities in Romania, import documents, passive clearing accounts and non-residents’ deposits. In 2004, foreign liabilities under “other investment” rose by EUR 3,502.6 million against end-2003, following the performance of net transactions worth EUR 3,991 million consisting mainly in inflows from foreign loans, the impact of which was contained by the stronger euro against the US dollar (EUR -488.5 million).

Table No. 49. Other investments (foreign liabilities)

	- EUR mill. -			
	12.31.2003	%	12.31.2004	%
TOTAL	12,272.3	100.0	15,774.8	100.0
<i>Monetary authority</i>	474.5	3.9	398.1	2.5
- loans/deposits	474.5	3.9	398.1	2.5
<i>Government sector</i>	5,080.5	41.4	5,674.5	36.0
- trade credits	62.8	0.5	41.4	0.3
- loans/deposits	4,987.4	40.6	5,604.8	35.5
- other liabilities	30.3	0.2	28.3	0.2
<i>Banks</i>	1,697.0	13.8	3,512.8	22.3
- loans/deposits	1,697.0	13.8	3,512.8	22.3
<i>Non-banks</i>	5,020.3	40.9	6,189.4	39.2
- trade credits	700.2	5.7	758.7	4.8
- loans/deposits	4,281.8	34.9	5,430.7	34.4
- other liabilities	38.3	0.3	0.0	0.0

The structure of foreign liabilities by type of investment shows that foreign loans accounted for 88.4 percent of total foreign liabilities, followed by non-residents’ deposits (11.4 percent) and other liabilities (0.2 percent). At end-2004, the share of short-term foreign loans in total foreign loans stood at 10.5 percent, due to the step-up in the short-term external debt of non-banks.

The share of banks’ foreign liabilities gained 8.5 percentage points versus end-2003 to the detriment of the government sector. The 107 percent rise in banks’ external debt in the reviewed period can be traced to the net capital inflows worth EUR 1,870 million destined to meet resident banks’ demand for resources. The debt of non-banks further held the largest share (39.2 percent) as a result of net inflows tantamount to EUR 1,358 million, consisting in loans granted by non-residents to Romanian companies. At end-2004, foreign debt of the government sector equalled EUR 5,674.5 million, with net inflows worth EUR 820 million being destined to finance investment projects and cover budget deficit.

Table No. 50. Medium- and long-term external debt of government sector by main creditor

	- EUR mill. -	
	12.31.2003	12.31.2004
TOTAL	5,050.2	5,646.2
International financial institutions	3,191.4	3,292.0
<i>of which:</i>		
EBRD	97.7	83.9
IBRD	1,655.3	1,659.1
EU	220.0	150.0
EIB	1,042.8	1,125.2
Bilateral relations	246.9	192.3
<i>of which:</i>		
Japan	69.5	74.7
USA	43.9	37.8
Germany	41.3	4.1
Italy	60.6	40.7
France	29.9	25.2
Private banks	1,481.9	1,945.4
Austria	76.5	255.5
Germany	269.2	404.5
France	319.9	421.8
Netherlands	198.8	197.7
Italy	6.5	11.8
Luxembourg	13.2	22.7
USA	181.9	127.8
Switzerland	82.4	109.6
Israel	85.8	80.6
United Kingdom	162.8	240.9
Sweden	49.7	44.5
Other	35.2	28.0
Supplier credits	62.8	41.4
Other creditors	67.2	175.1

Source: Ministry of Public Finance

By creditor, the structure of foreign liabilities under “other investments” illustrates that international financial institutions continued to be the main creditor to the government sector (58.3 percent, down 4.9 percentage points against end-2003), followed by private banks (34.4 percent, up 5.1 percentage points), and bilateral sources (3.4 percent, down 1.5 percentage points). Among international financial institutions, the World Bank remained the leading creditor to the government of Romania, in spite of the year-on-year drop in the share of loans, from 32.8 percent to 29.4 percent. Loans from the World Bank totalled EUR 232.5 million, of which EUR 169.9 million were disbursements under the Private Sector Adjustment Loan, EUR 15.6 million for the development of the agricultural and rural sectors, EUR 9.1 million for social security, and EUR 6.5 million for the reform of the health sector. Principal repayments on IBRD loans equalled EUR 116.4 million, of which EUR 52.5 million repayments under SAL, ASAL, FESAL, EUR 13.8 million for road rehabilitation, EUR 10 million for health sector reform, and EUR 5 million for railway rehabilitation.

The share of loans extended by the EIB made up 19.9 percent of external debt of the government sector. In the period under review, disbursements ran at EUR 137.8 million, of which EUR 55 million for city transport restructuring and Bucharest underground modernisation, EUR 50 million for road and motorway building and rehabilitation, EUR 19.8 million for removal of flood effects.

In 2004, the loans extended by private banks to the government sector equalled EUR 1,945.4 million, up 31.3 percent year over year. Government sector external debt rose markedly in the year under review, especially to banks in France, Germany, Austria, and United Kingdom.

At end-2004, foreign liabilities of banks posted a twofold increase from a year earlier, totalling EUR 3,512.8 million, of which EUR 1,782.7 million worth of foreign loans and EUR 1,730.1 million in deposits of non-residents.

Table No. 51. Other investments of banks (foreign liabilities)

	- EUR mill. -	
	12.31.2003	12.31.2004
TOTAL	1,697.0	3,512.8
<i>Foreign borrowings</i>	<i>671.4</i>	<i>1,782.7</i>
short-term borrowings	64.7	132.2
medium- and long-term borrowings	606.7	1,650.5
<i>Deposits of non-residents</i>	<i>1,025.6</i>	<i>1,730.1</i>
short-term deposits of non-resident banks	606.2	991.5
short-term deposits of other non-residents	248.8	362.5
long-term deposits of non-resident banks	170.6	376.1

By maturity, the structure of foreign liabilities under “other investments” of the banking sector shows a change in terms of short- and long-term liabilities. The share of long-term liabilities edged up year on year by 11.9 percentage points, following the twofold increase in long-term loans and deposits of non-residents. More than 60 percent of short-term foreign liabilities were held by six banks: ING Bank, Alpha Bank, Raiffeisen Bank, HVB Bank, Piraeus Bank, and National Bank of Greece. More than 80 percent of long-term foreign liabilities were held by BCR, HVB Bank, BRD, Raiffeisen Bank, Volksbank, Alpha Bank, and Bancpost.

By creditor, the structure of medium- and long-term external debt of the banking sector reveals that loans granted by foreign private banks accounted for 77.9 percent of total loans (20.4 percentage points higher than at end-2003), followed by loans extended by international financial institutions (19.3 percent), and bilateral loans (2.8 percent). In 2004, net inflows from international financial institutions to banks amounted to EUR 111.9 million and those from foreign banks equalled EUR 959.3 million. The EBRD was further the main creditor, followed by the European Investment Bank and the International Finance Corporation.

Table No. 52. Medium- and long-term external debt of banks by creditor

	- EUR mill. -	
	12.31.2003	12.31.2004
TOTAL	777.3	2,026.6
Bilateral relations	22.7	57.8
International financial institutions	306.6	390.6
Private banks	447.3	1,578.2
Other private sources	0.7	0.0

At end-2004, foreign liabilities of non-banks were 23.3 percent higher on the year, their share in total foreign liabilities under “other investments” posting almost the same level as at end-2003, i.e. 39.2 percent.

Table No. 53. Other investments of non-banks (foreign liabilities)

	- EUR mill. -	
	12.31.2003	12.31.2004
TOTAL	5,020.3	6,189.4
<i>Foreign borrowings</i>	4,567.3	5,674.6
short-term borrowings	240.0	827.7
medium- and long-term borrowings	4,327.3	4,846.9
<i>Import documents</i>	414.7	514.8
long-term import documents	4.0	8.0
short-term import documents	410.7	506.8
<i>In-transit accounts</i>	38.3	0.0

Medium- and long-term borrowings came in at EUR 4,846.9 million, up EUR 519.6 million from end-2003, but down 7.9 percentage points as a share in non-banks' liabilities.

Table No. 54. Medium- and long-term external debt of non-banks

	- EUR mill. -	
	12.31.2003	12.31.2004
TOTAL by debtor	4,327.3	4,846.9
publicly guaranteed debt	1,430.5	1,702.9
private debt	2,896.8	3,144.0
TOTAL by creditor	4,327.3	4,846.9
bilateral relations	347.9	284.1
international financial institutions	1,185.1	1,156.7
private banks	1,051.7	1,755.7
other private sources	1,742.6	1,650.4

By creditor, the structure of medium- and long-term external debt of non-banks illustrates that the Romanian economy was financed mainly from private capital sources (70.2 percent), the remainder coming from international financial institutions (23.9 percent), and government agencies (5.9 percent). Among international financial institutions, the EBRD was still the main creditor (53.6 percent), followed by the European Investment Bank (25.3 percent) and the World Bank (13.7 percent). Loans from international financial institutions were earmarked for development of infrastructure, revamping of some companies, financing of leasing companies, and expansion of the mobile telephony network.

By debtor, medium- and long-term external debt of non-banks shows that private debt accounted for 64.9 percent, while publicly guaranteed debt held 35.1 percent.

At end-2004, the monetary authority's foreign liabilities equalled EUR 398.1 million, their share in foreign liabilities under "other investments" narrowing by 1.4 percentage points against end-2003. Borrowings from the IMF totalled EUR 324.8 million, down 31.5 percent from end-2003, following the payments made under the concluded arrangements.

2.4. NBR reserve assets

The international investment position of the monetary authority further witnessed the favourable performance that was manifest over the past years. Foreign assets came in at EUR 11,932.7 million, up 59.3 percent against end-2003, and covered 5.2 months of imports of goods and services.

The monetary gold stock remained unchanged at 105.2 tonnes, whereas its value declined by EUR 33.5 million owing to the fall in the gold price on the international market of precious metals (from EUR 330.9 per ounce at end-2003 to EUR 321.1 per ounce at end-2004).

At end-2004, the NBR's forex reserve amounted to EUR 10,848.2 million, up 70.2 percent year over year, owing to net inflows worth EUR 4,701 million. The same as in the previous years, forex reserves were largely boosted by the NBR's purchases off the foreign exchange market. Throughout 2004, the central bank posted an almost steady net buyer position, with net purchases amounting to EUR 3,219.2 million. Behind the expansion in the NBR's forex reserve stood also foreign borrowings (EUR 251.1 million), privatisation proceeds (EUR 791.8 million), EU funds transferred to the SAPARD account (EUR 160.8 million), and minimum reserves (EUR 1,140.6 million).

Over the reference period, payments from the official reserve for external debt service equalled EUR 906.3 million, and redemption of forex-denominated securities issued by the Ministry of Public Finance on the domestic market stood at EUR 97.2 million.

Table No. 55. Official reserve by type of investment

	- EUR mill. -		
	12.31.2003	6.30.2004	12.31.2004
TOTAL	7,491.6	8,843.4	11,932.7
Convertible currencies	6,373.6	7,746.5	10,848.2
cash and cheques	0.0	0.0	0.0
deposits with banks and international financial institutions	595.3	1,578.6	2,564.3
Treasury bonds	5,778.3	6,167.9	8,283.9
Gold	1,118.0	1,096.9	1,084.5

By type of investment, the structure of the NBR's forex reserve is indicative of a drop in the share of securities, from 90.7 percent to 76.4 percent year on year, along with the increase in the share of deposits with banks abroad.

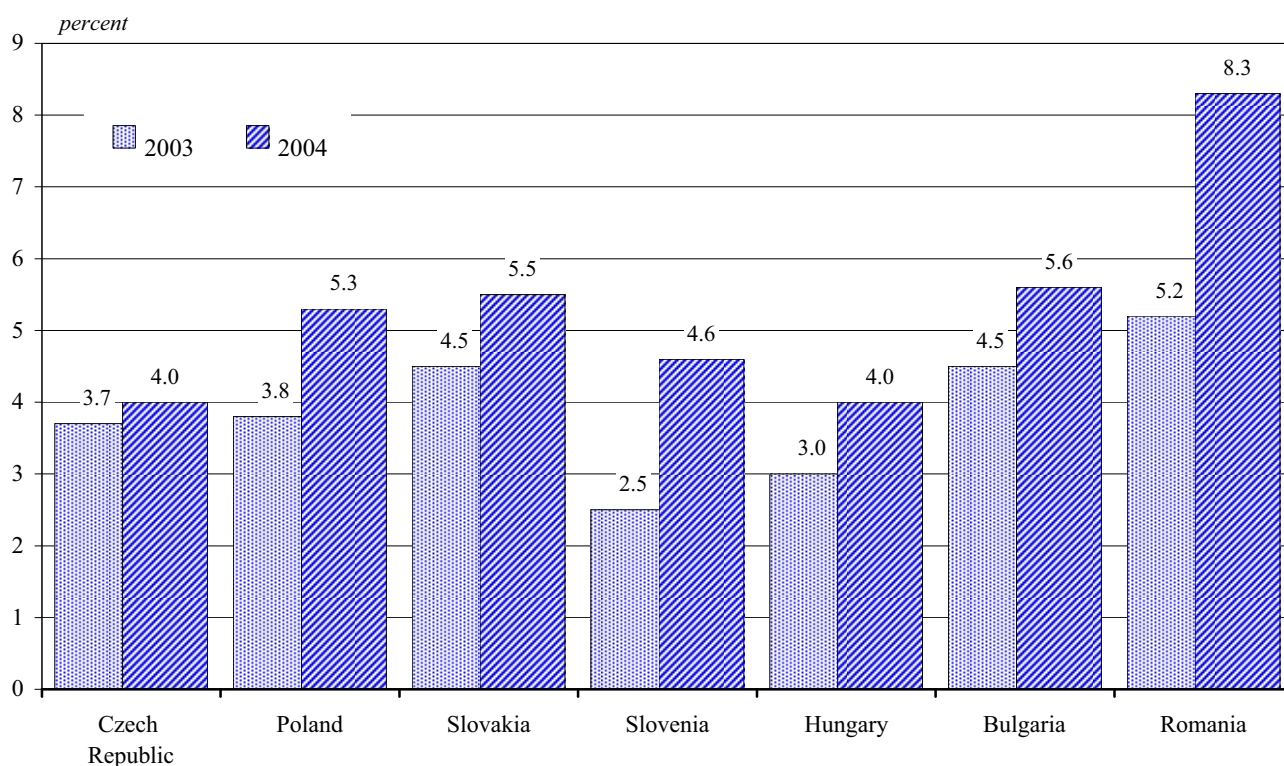
By currency, the structure of the central bank's forex reserve illustrates that the euro held the largest share (59.5 percent, up 1.3 percentage points from end-2003), ahead of the US dollar (35.5 percent, down 1.4 percentage points), and other currencies (5 percent).

Charts

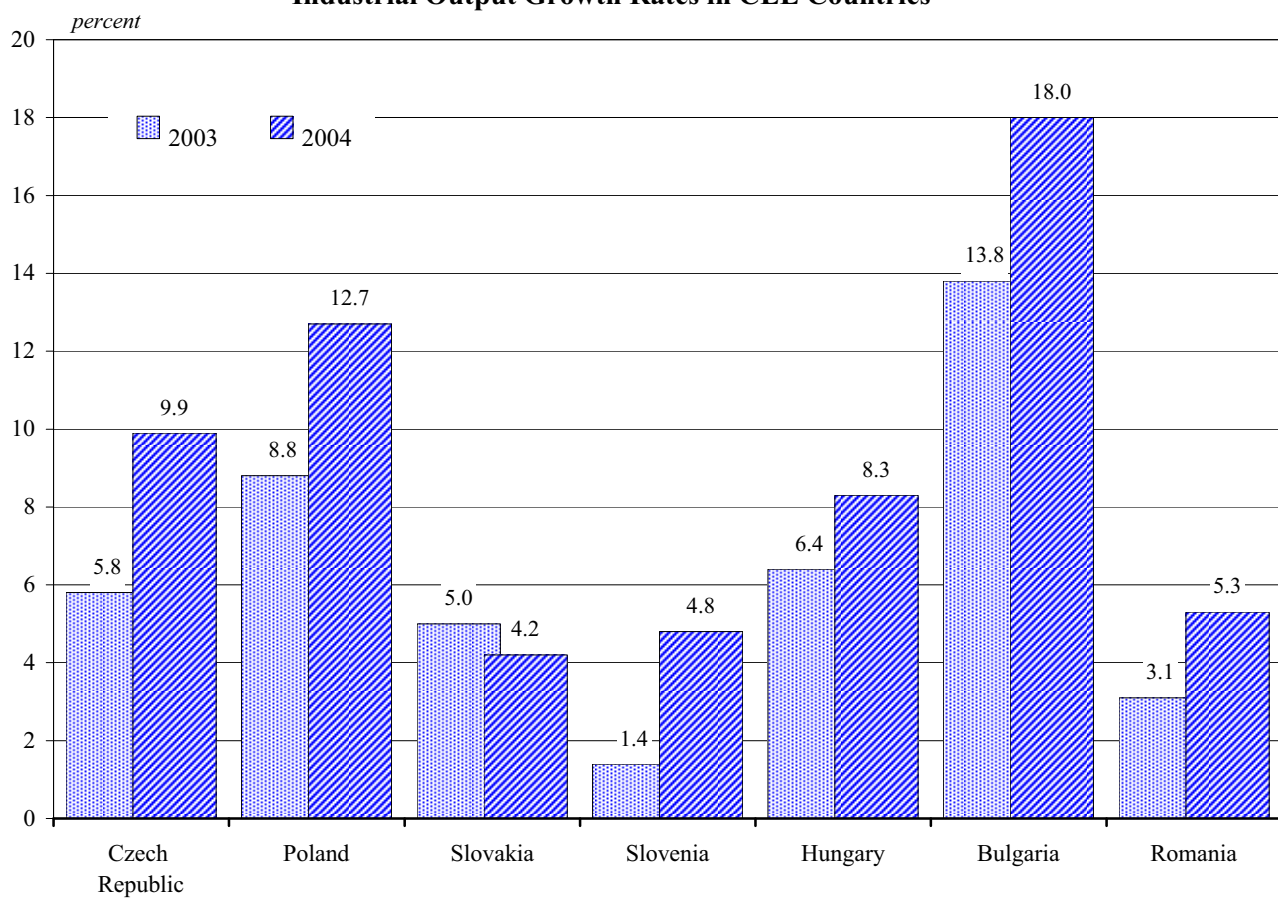
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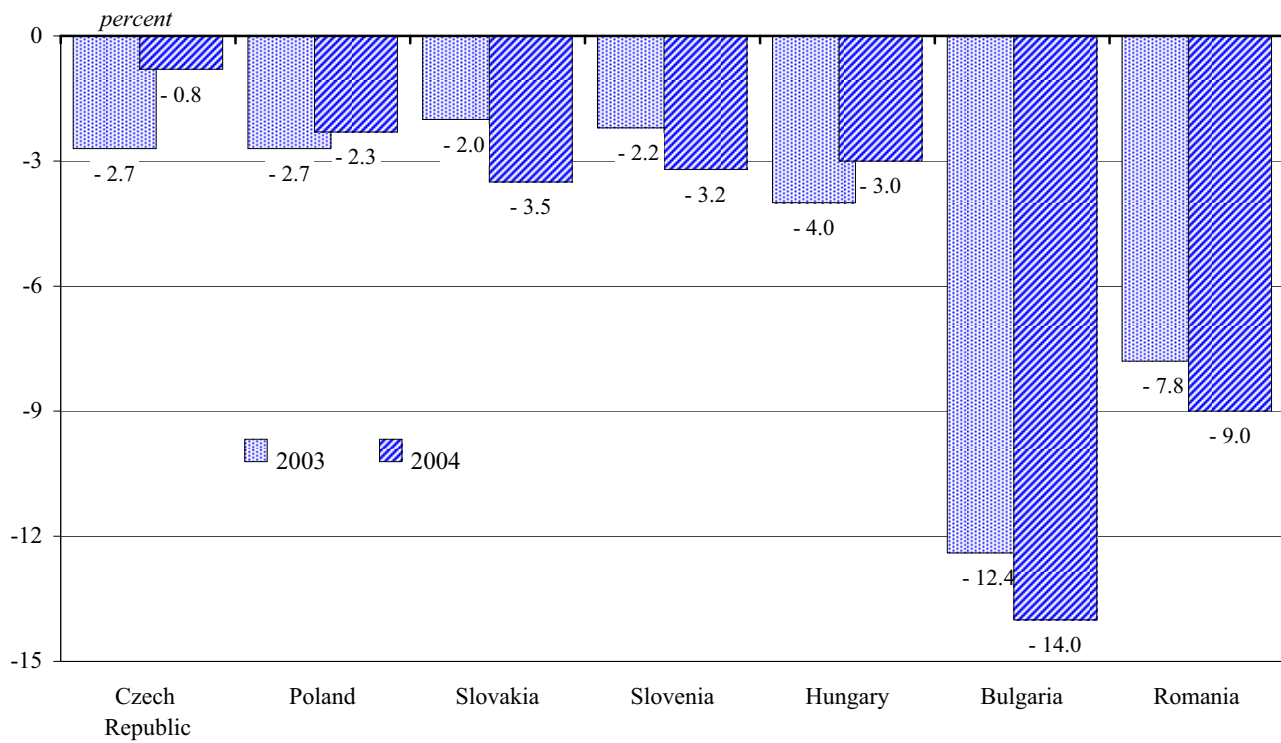
Economic Growth Rates in CEE Countries



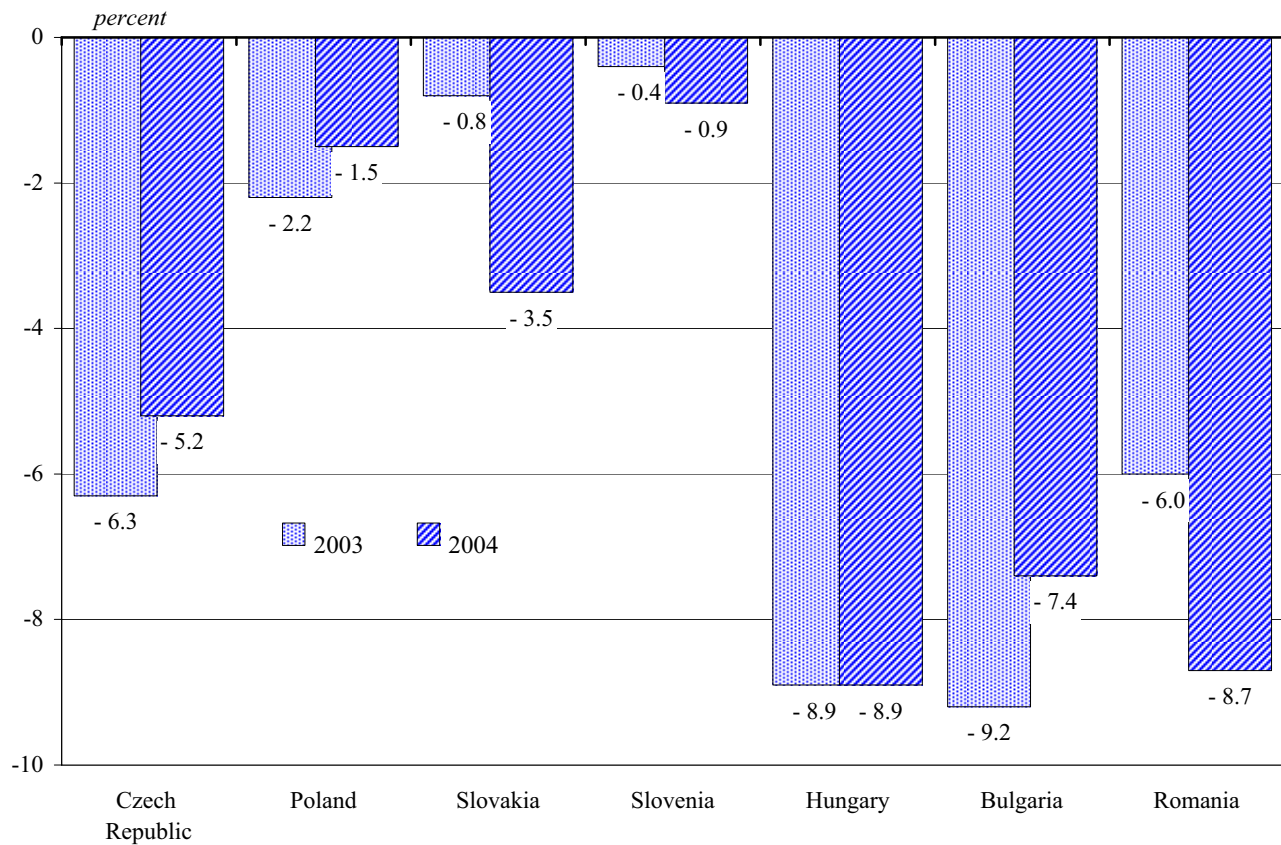
Industrial Output Growth Rates in CEE Countries



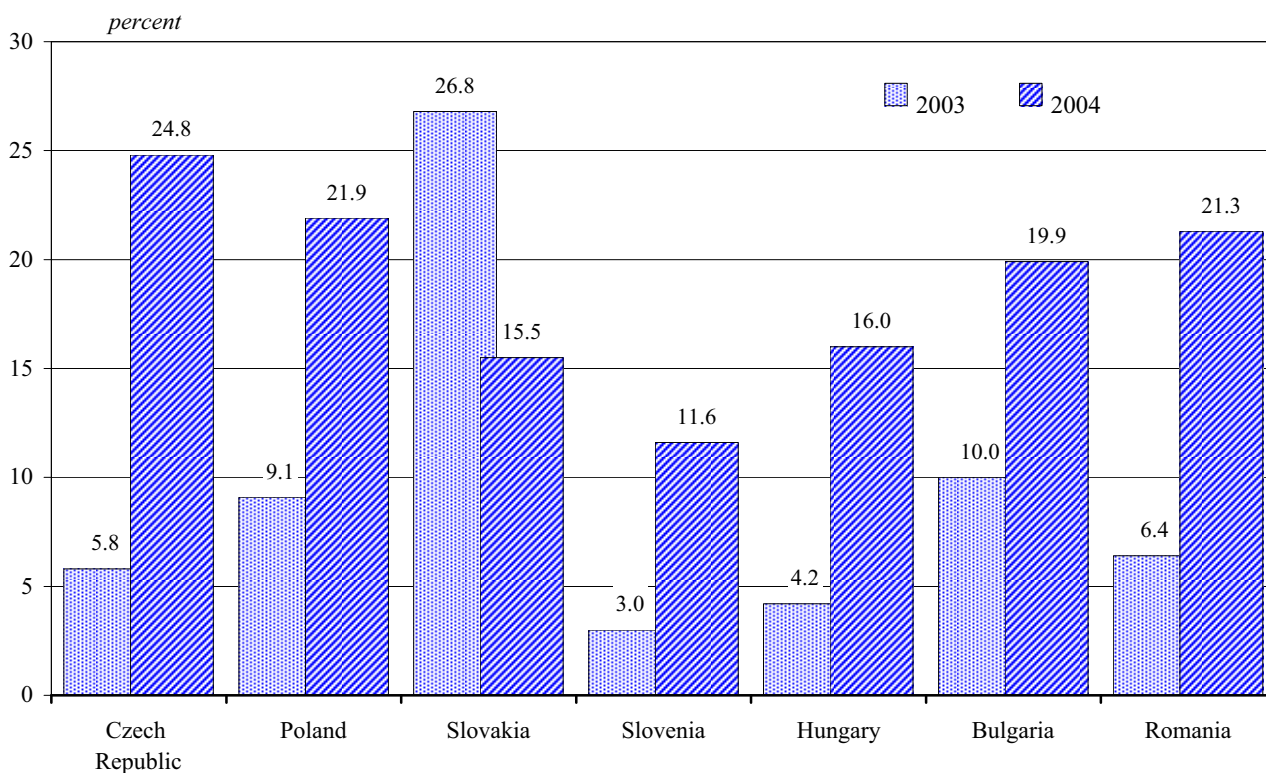
Trade Balance in CEE Countries (share of GDP)



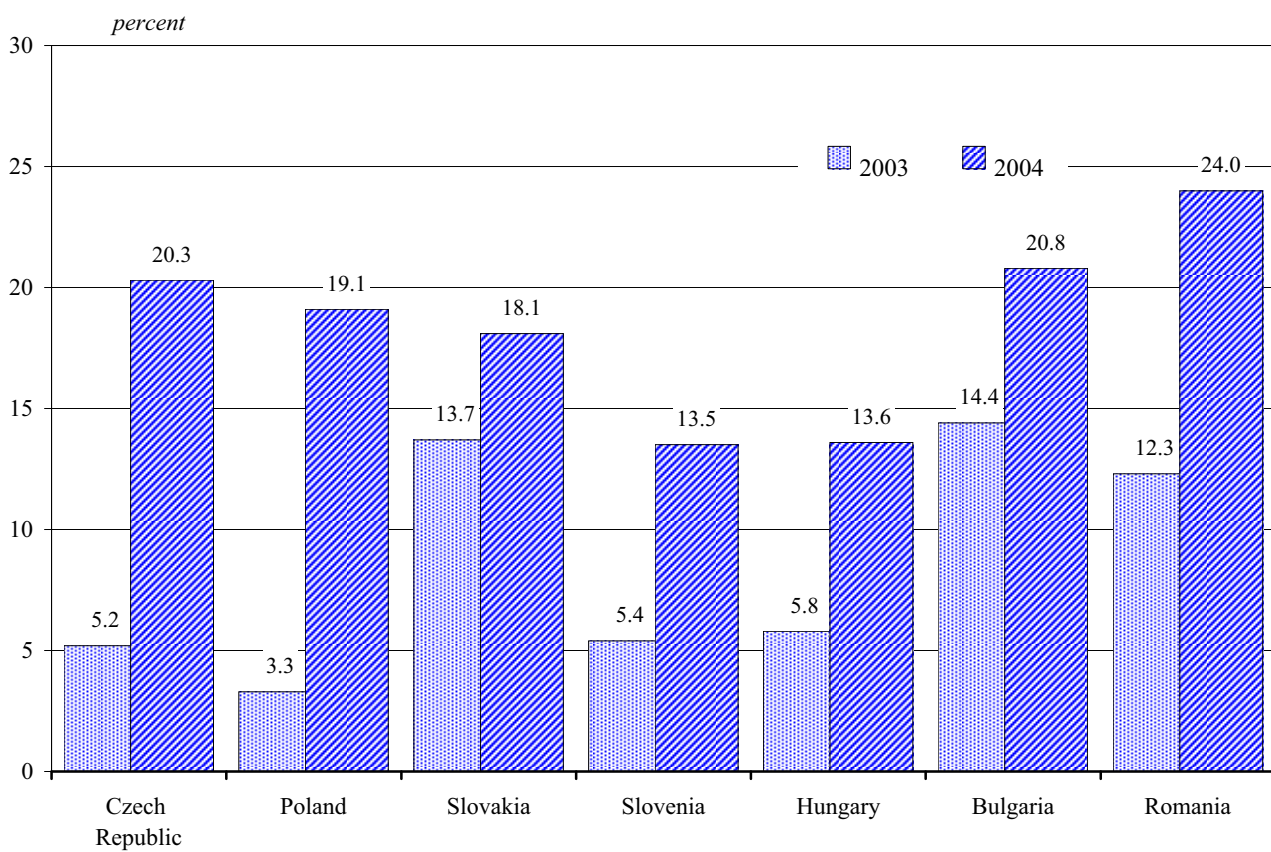
Current Account Balance in CEE Countries (share of GDP)



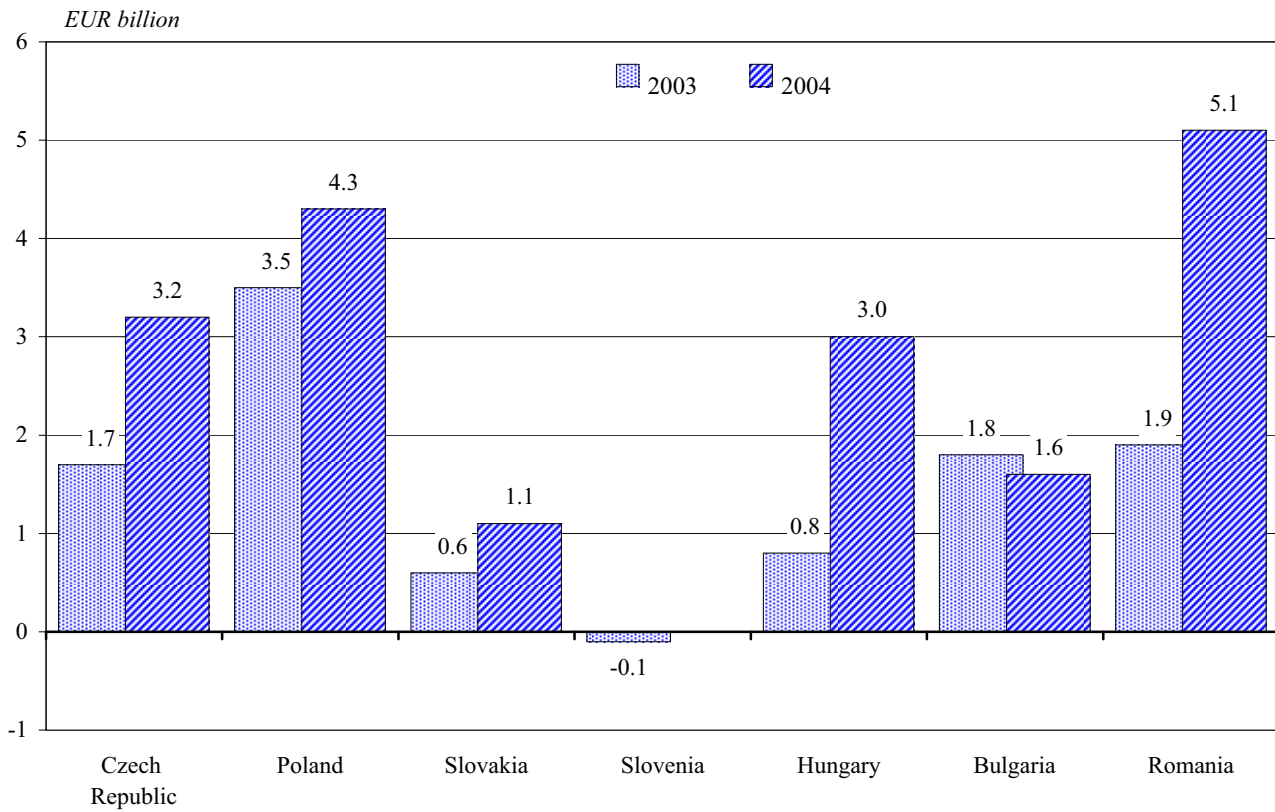
Export Growth Rates in CEE Countries



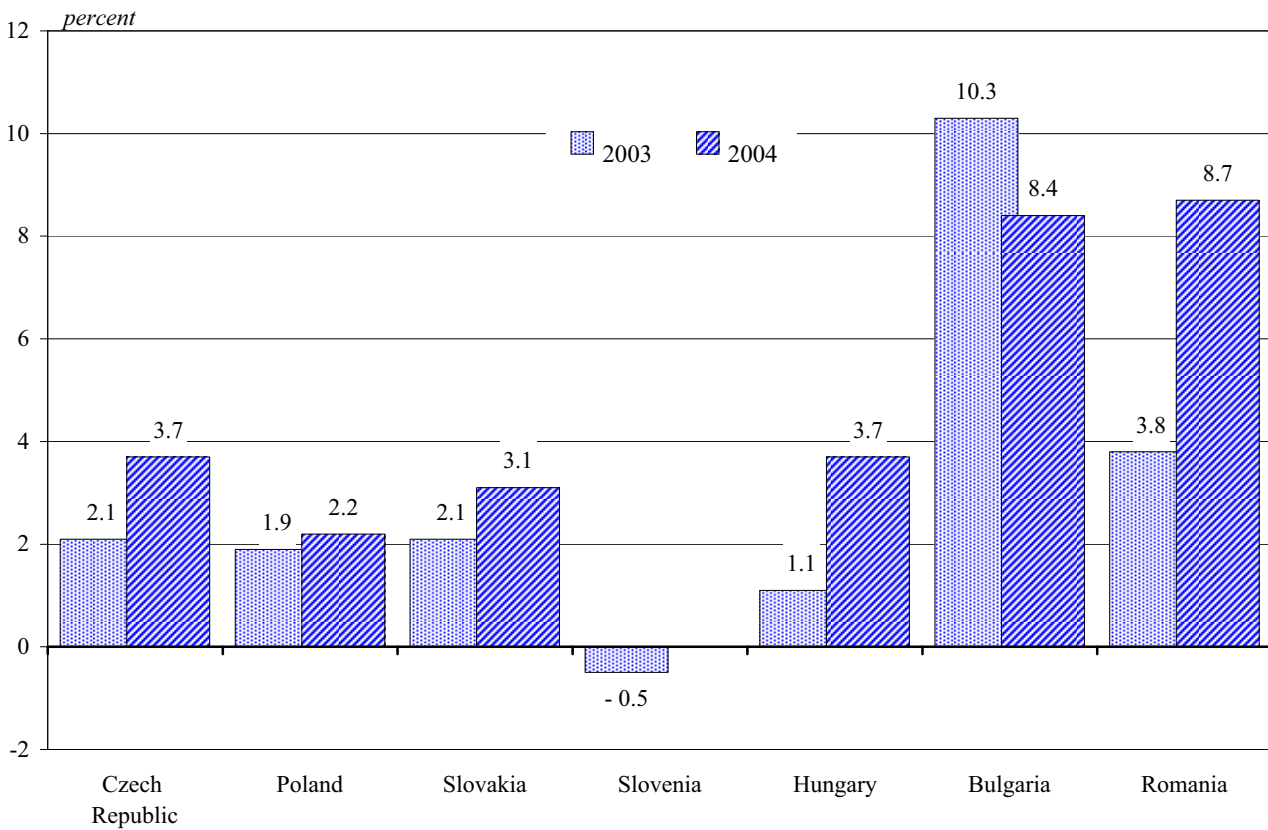
Import Growth Rates in CEE Countries



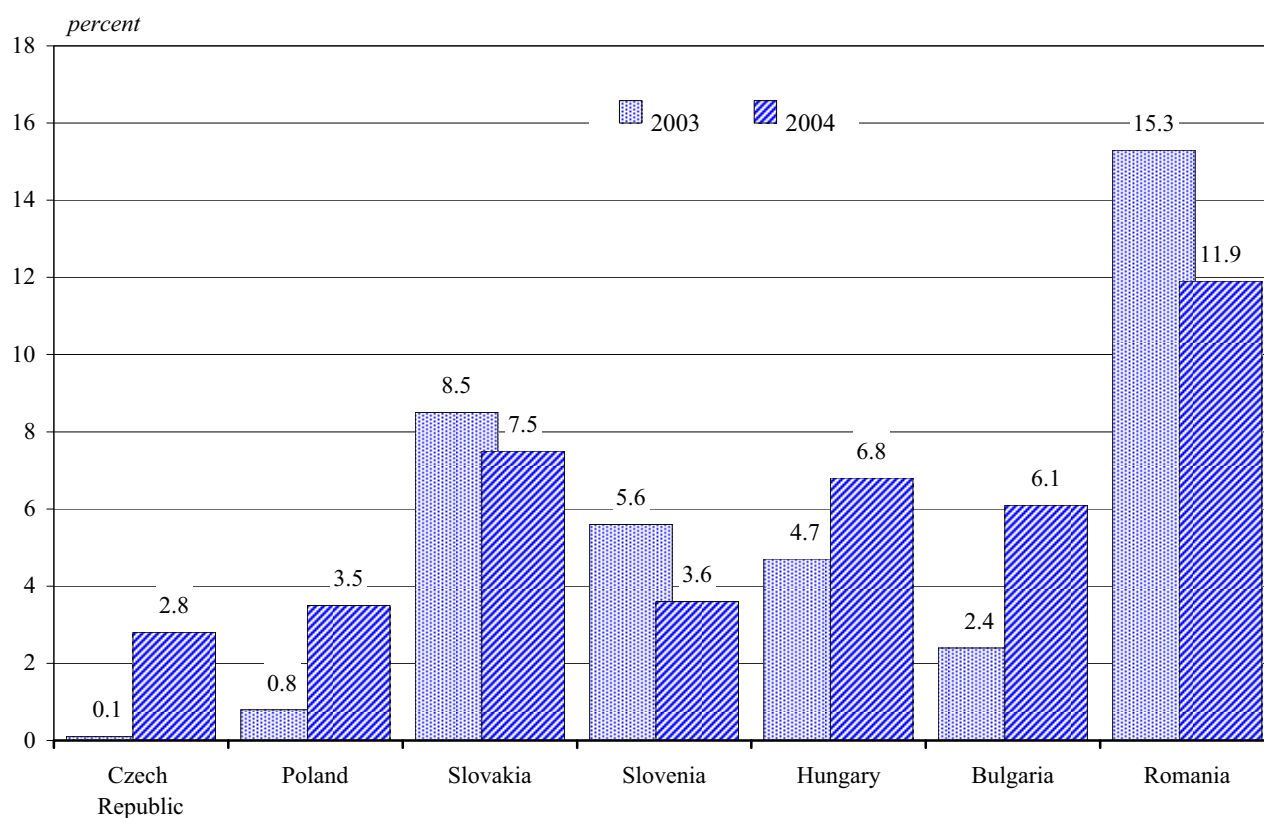
Net Foreign Direct Investment in CEE Countries



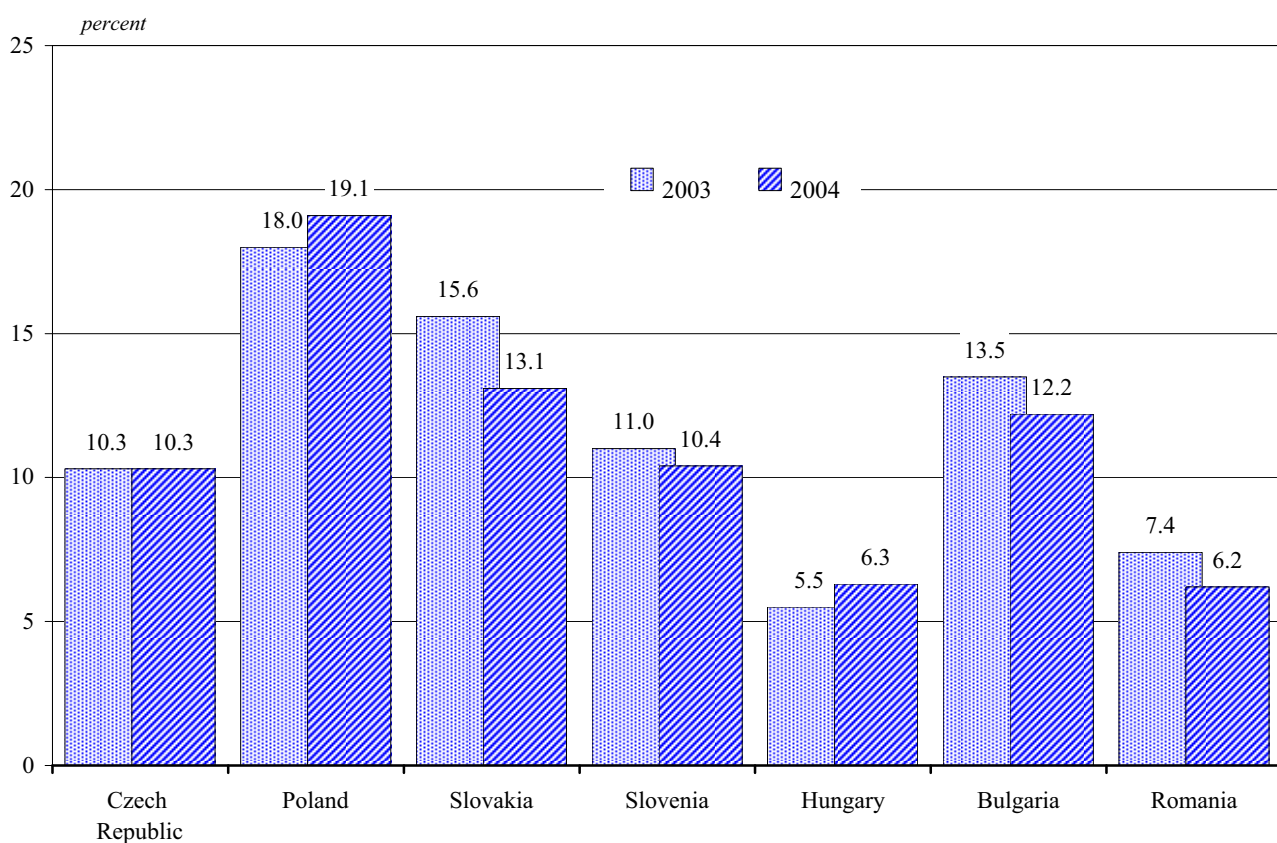
Net Foreign Direct Investment in CEE Countries (share of GDP)



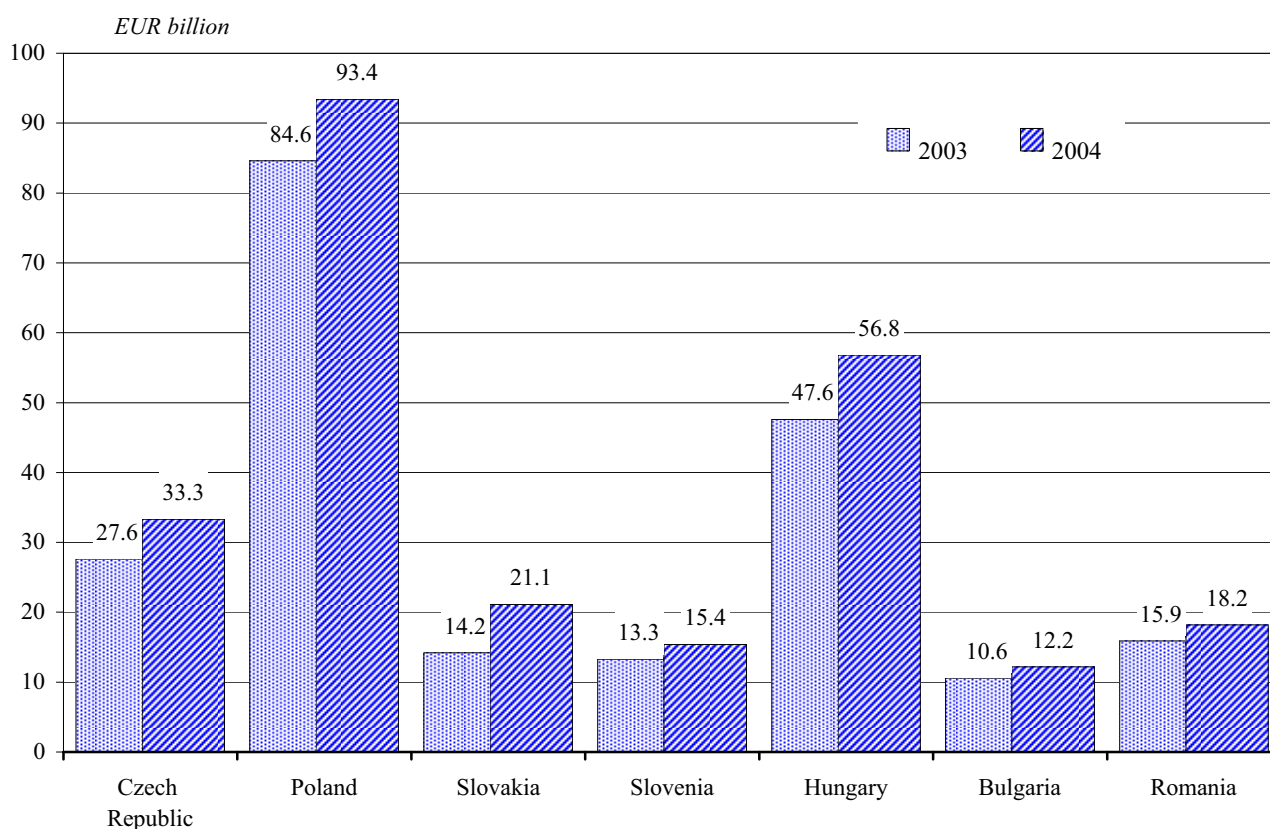
Inflation Rate in CEE Countries (annual average)



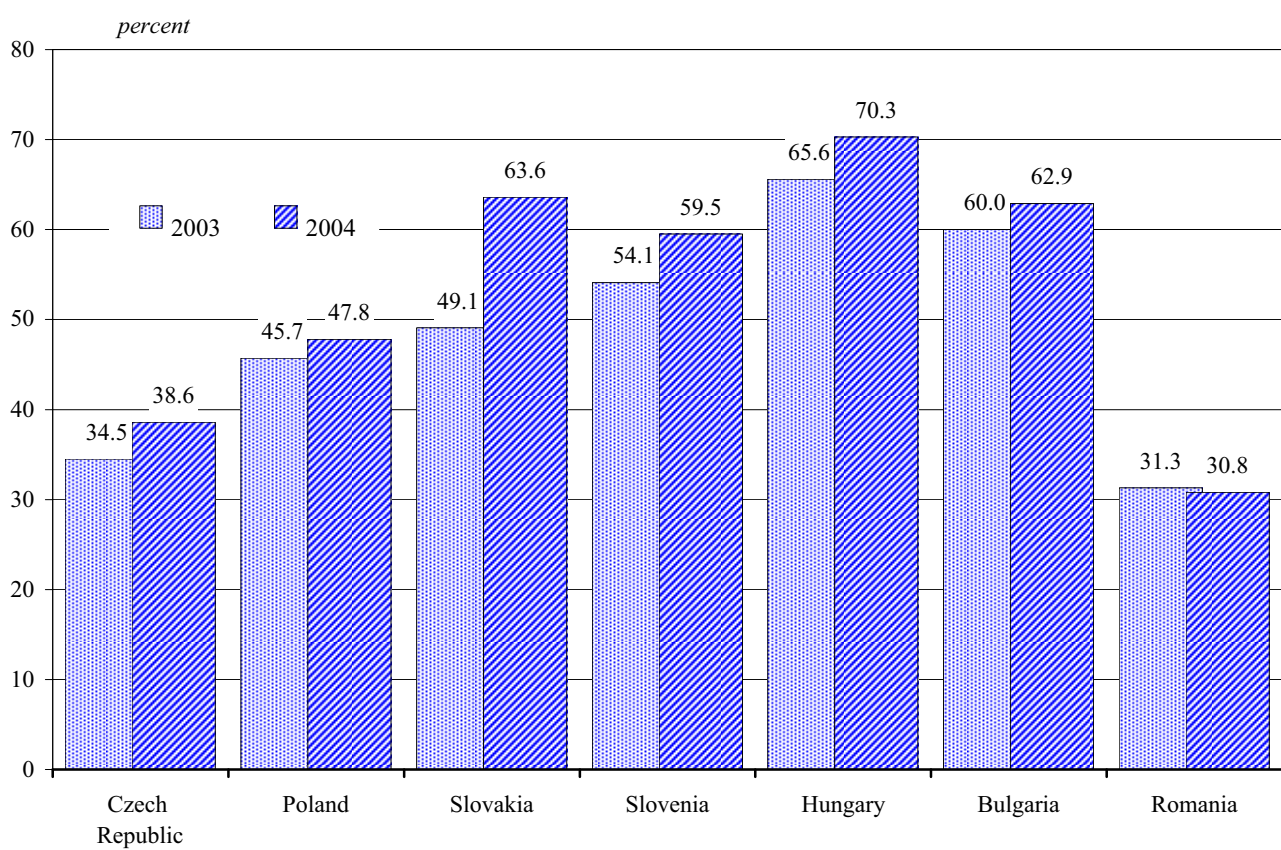
Unemployment Rate in CEE Countries



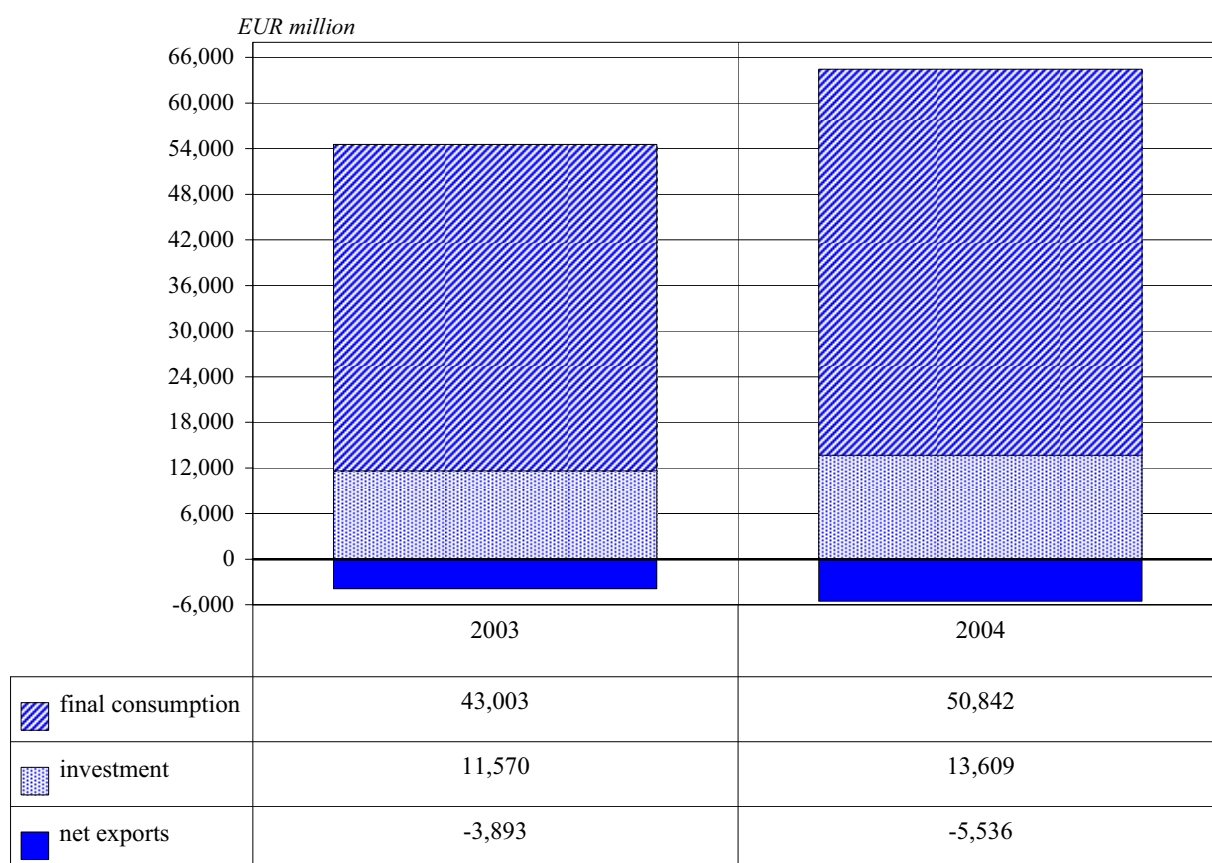
MLT External Debt in CEE Countries



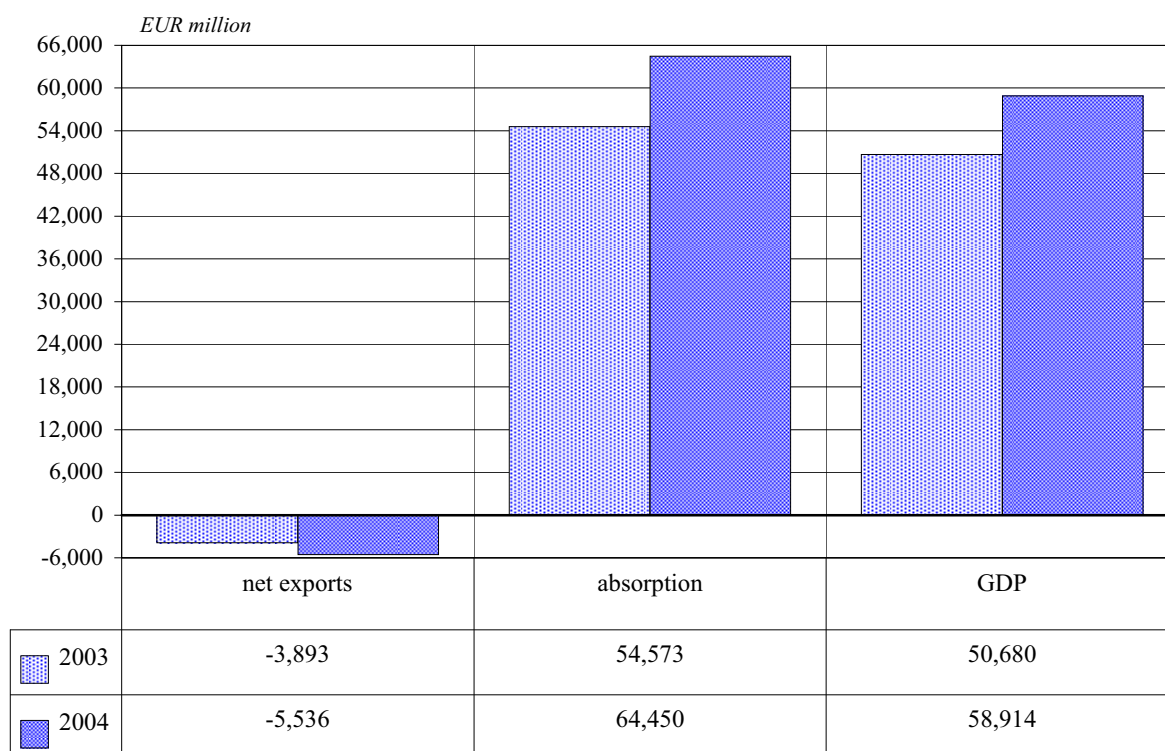
MLT External Debt in CEE Countries (share of GDP)



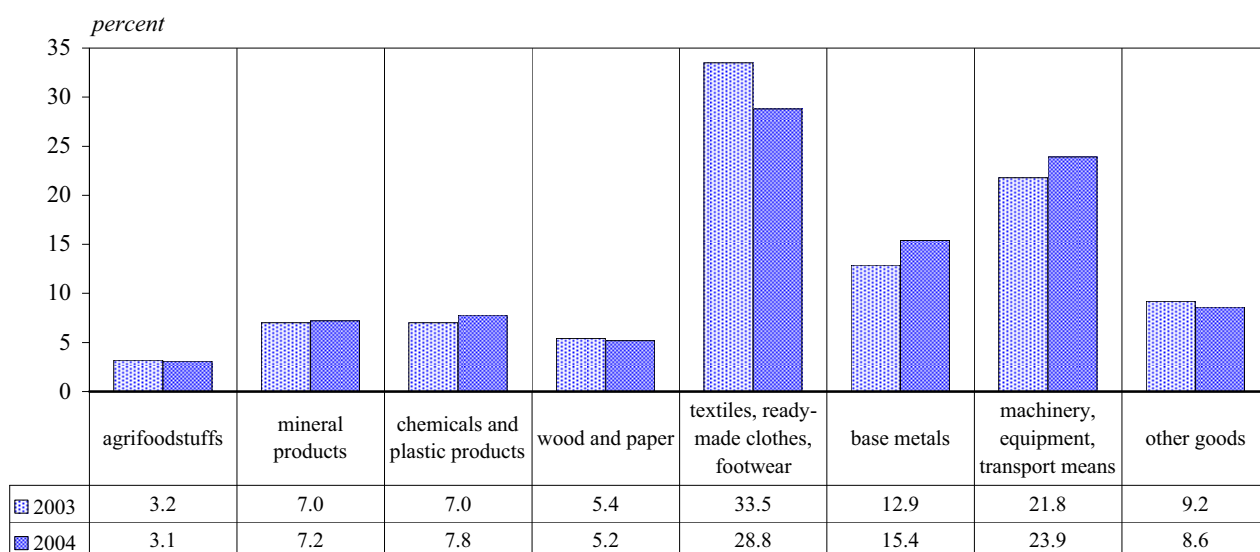
GDP Components



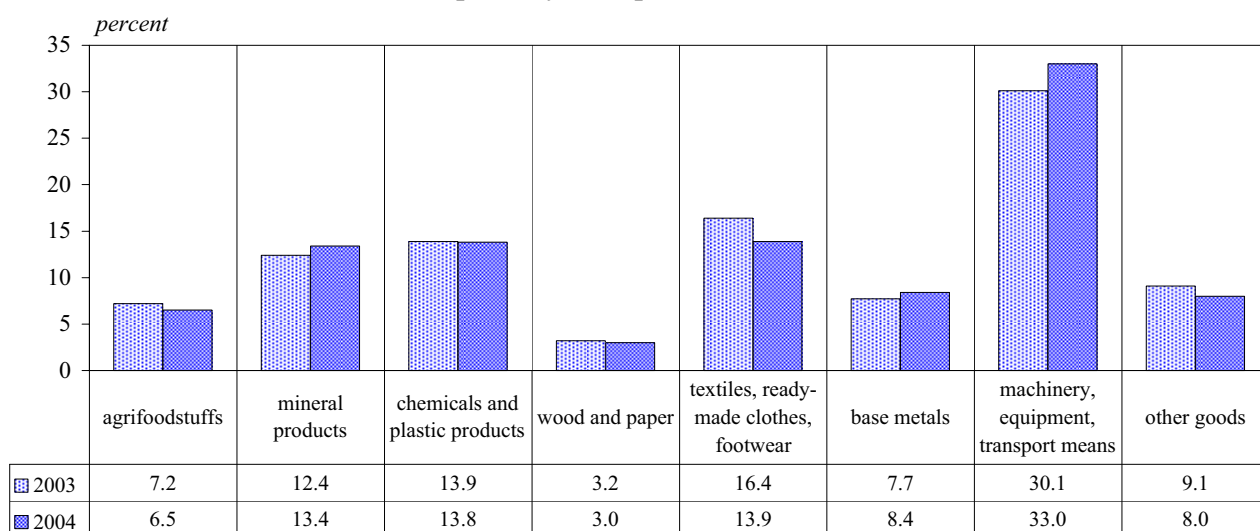
GDP Components



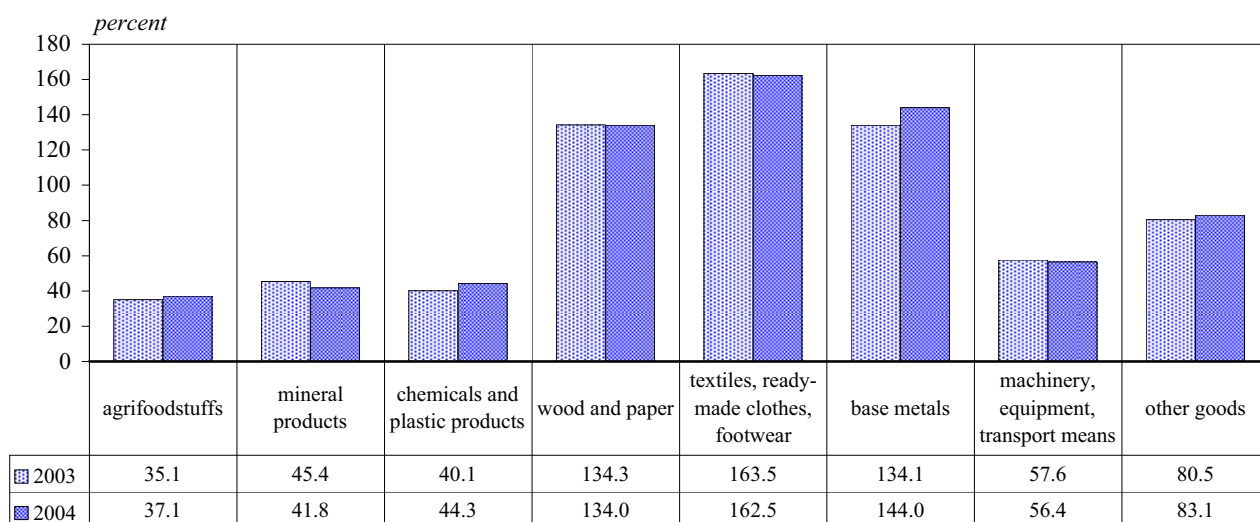
Exports by Group of Commodities



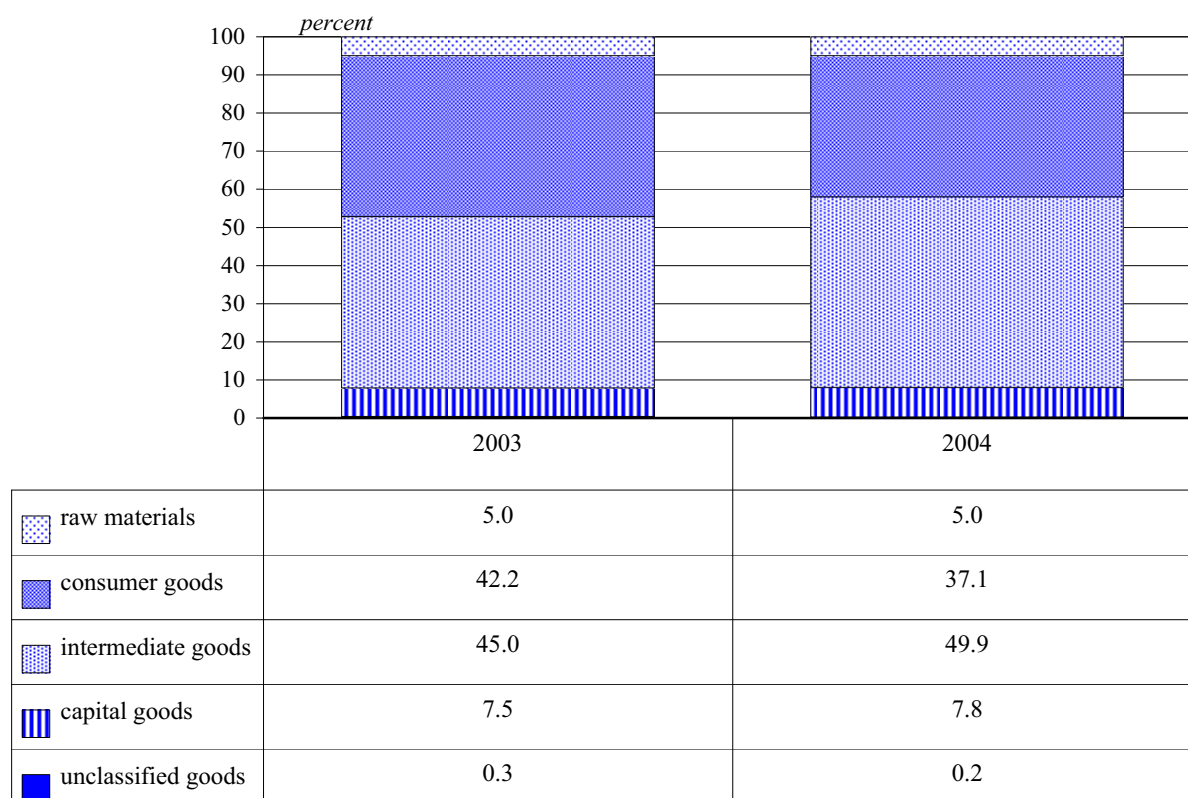
Imports by Group of Commodities



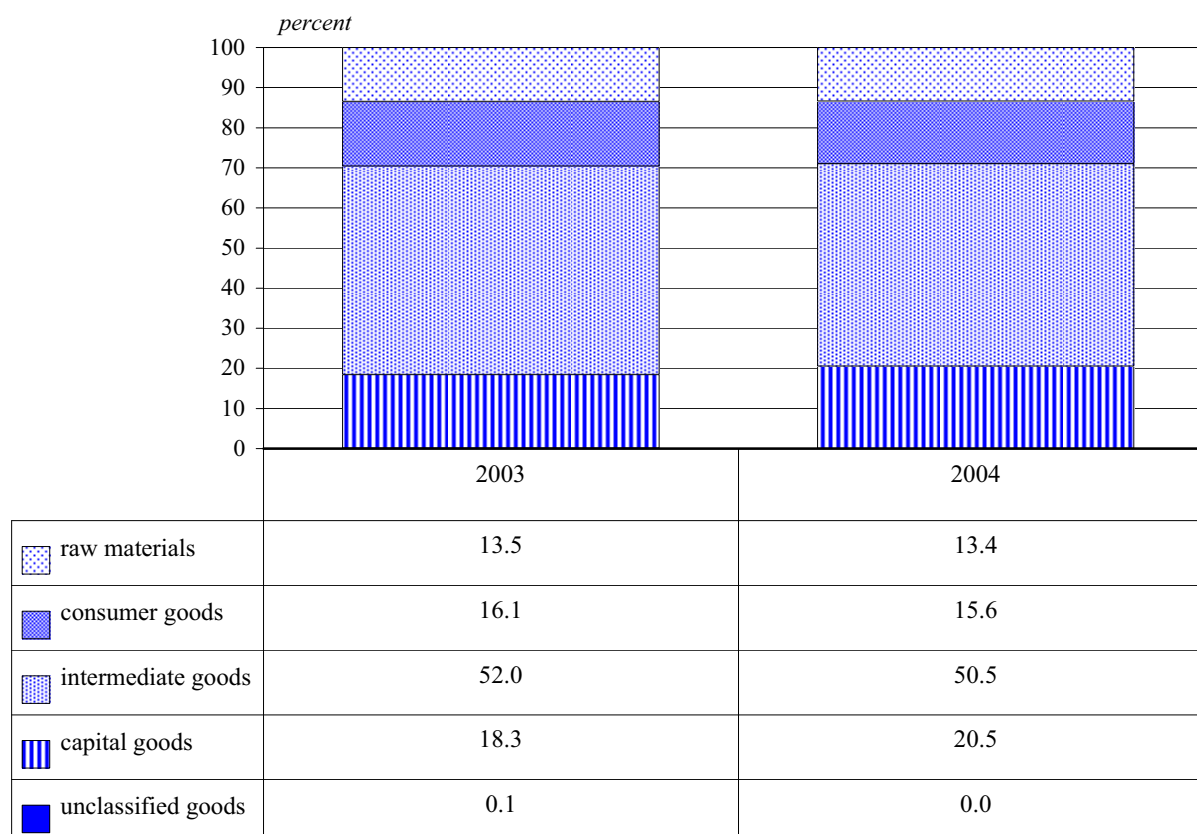
Coverage of Imports through Exports by Group of Commodities



Exports by Output Stage

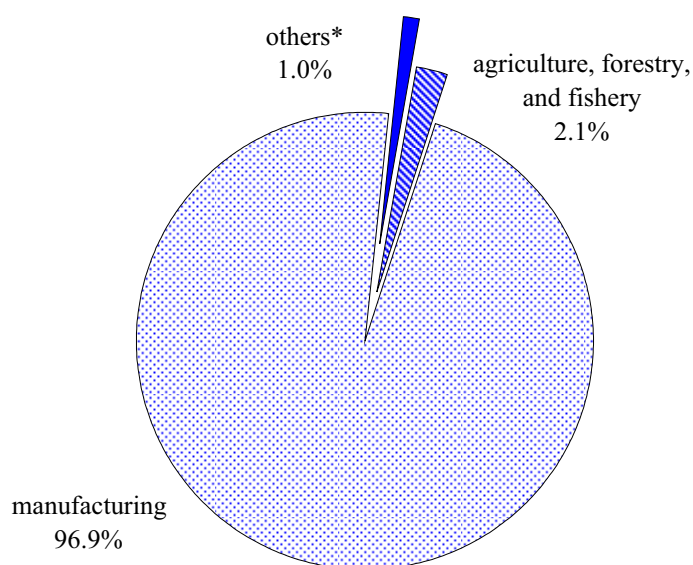


Imports by Output Stage

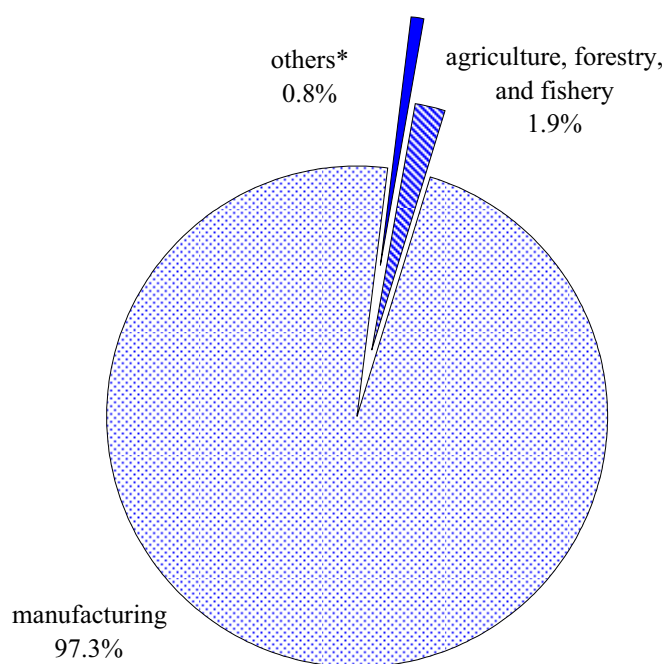


Exports by Economic Sector

2003

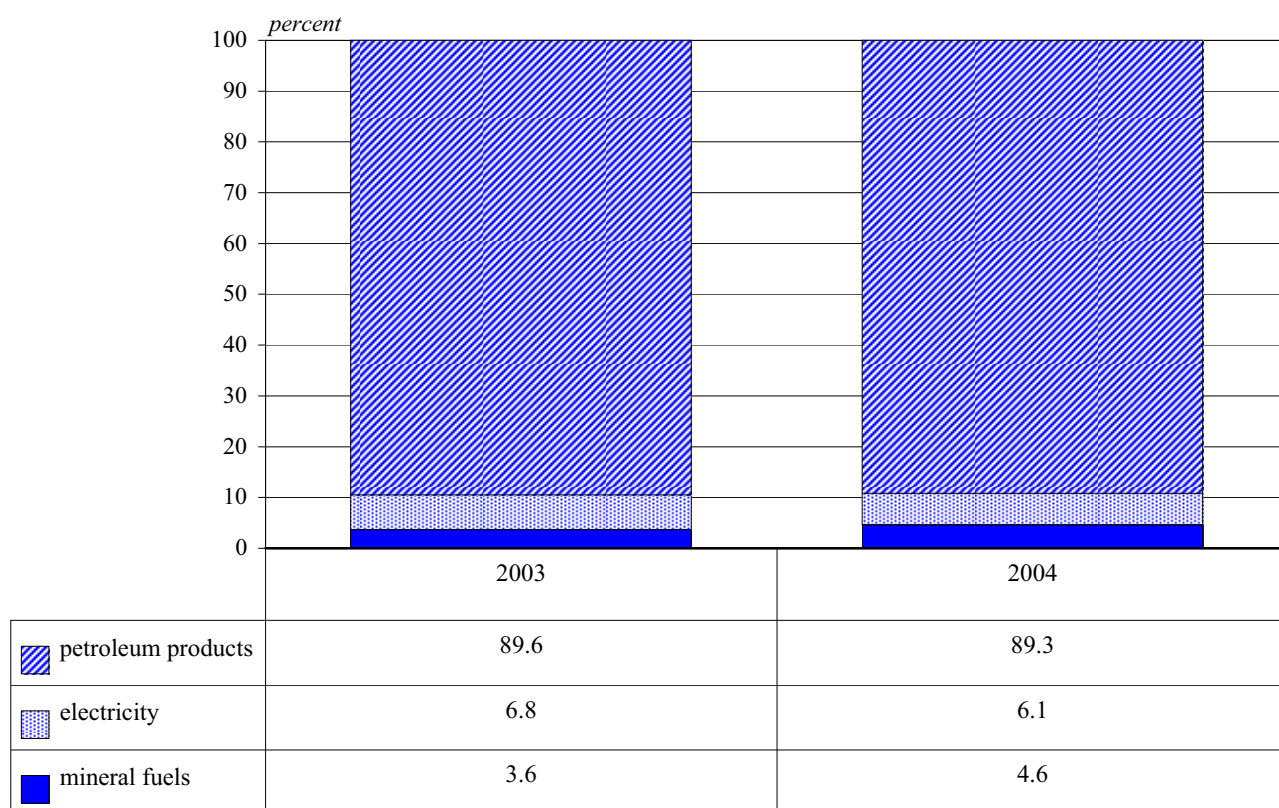


2004

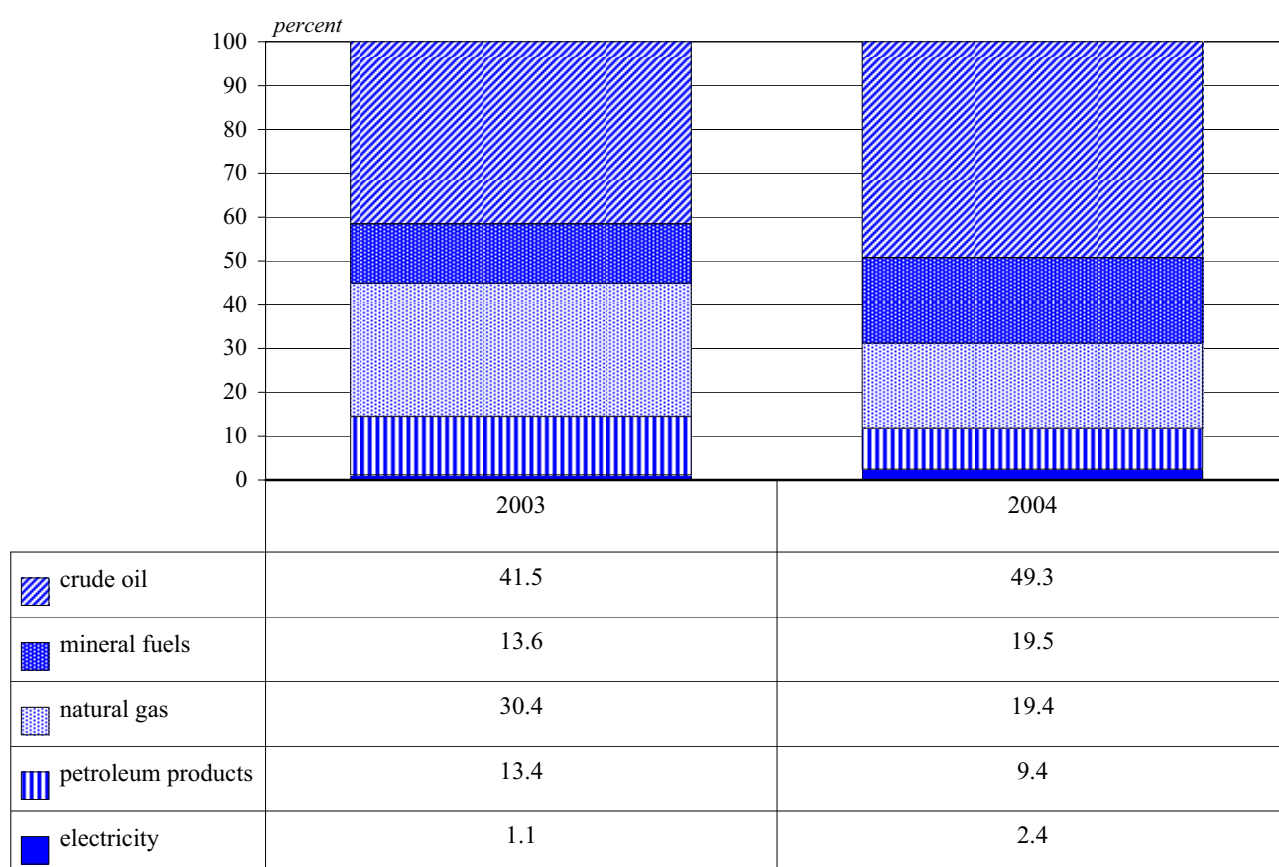


*) including mining, electricity, heating, gas, water and unclassified activities

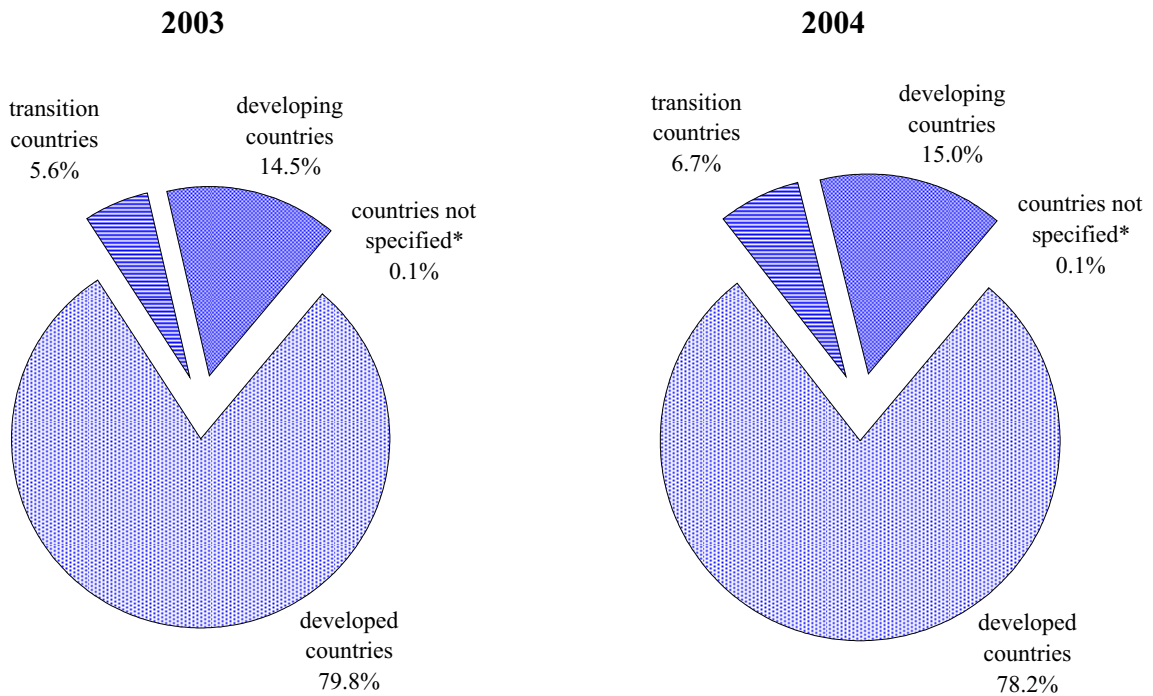
Export Value of Energy Products



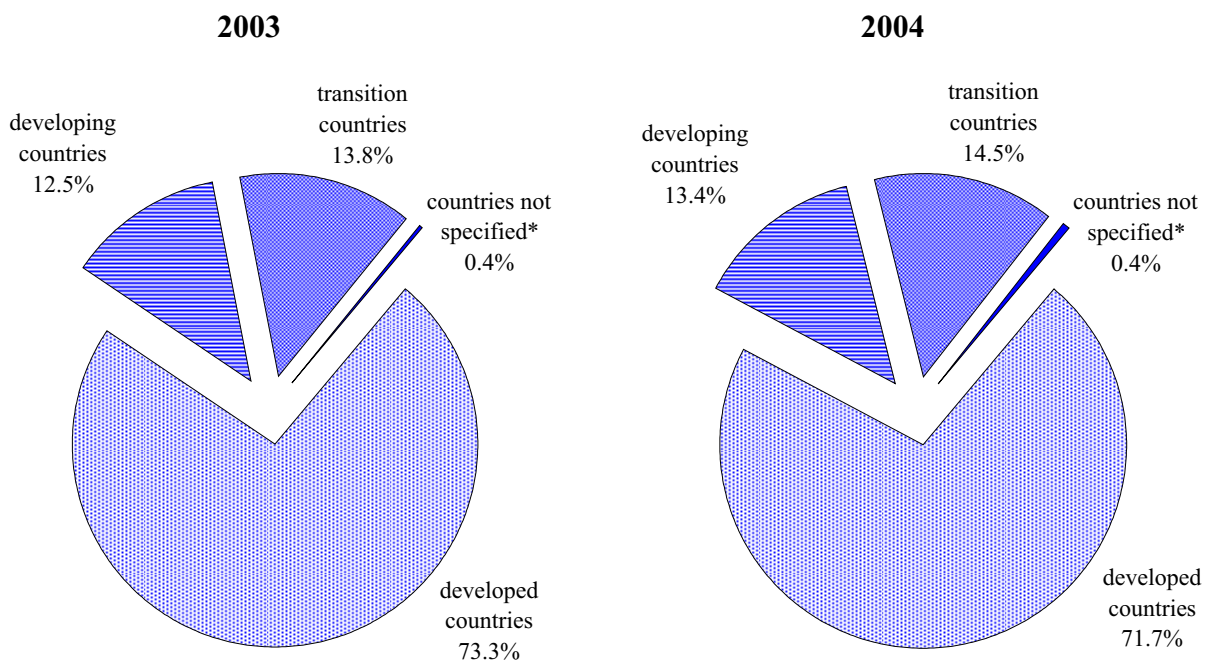
Import Value of Energy Products



Geographical Distribution of Exports

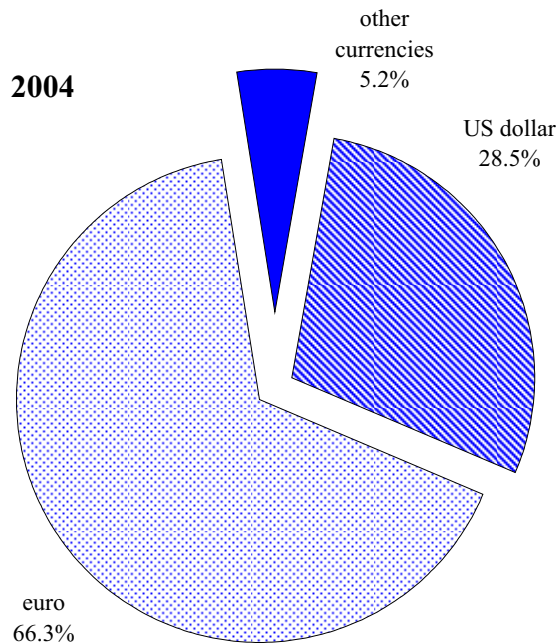
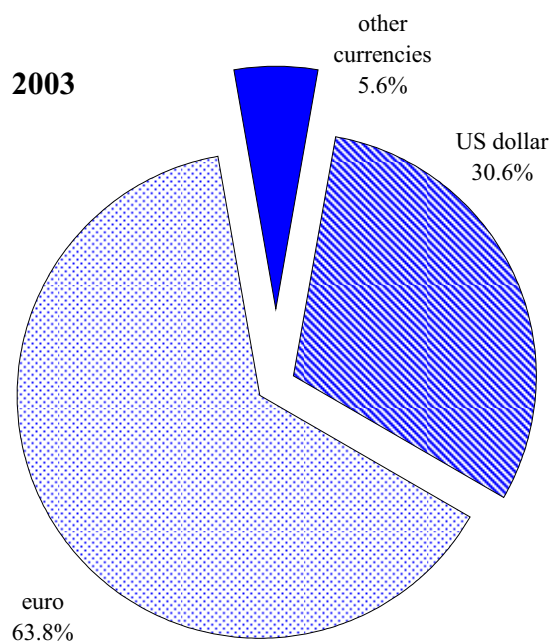


Geographical Distribution of Imports

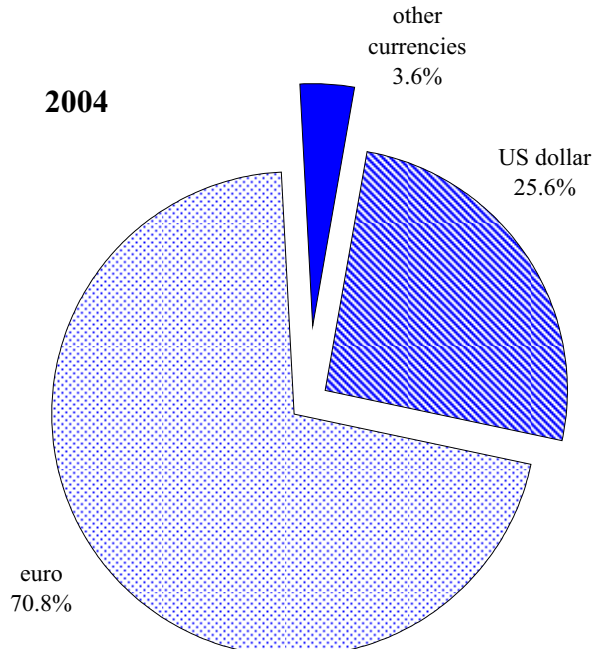
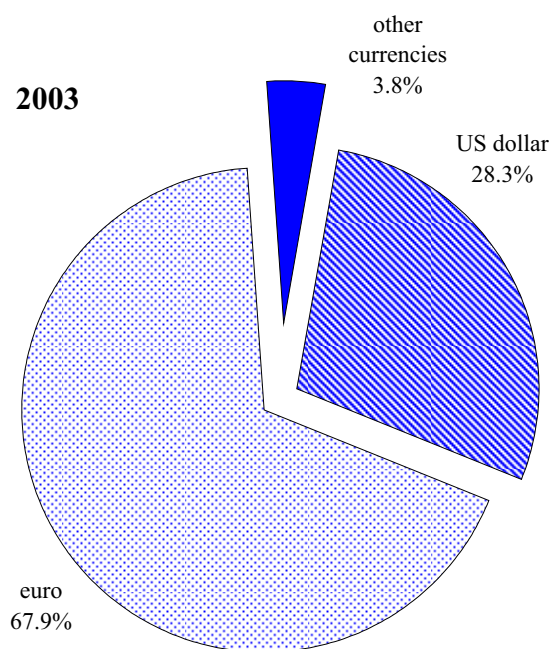


*) Includes the goods for which the export destination/import origin was not specified in the customs declaration.

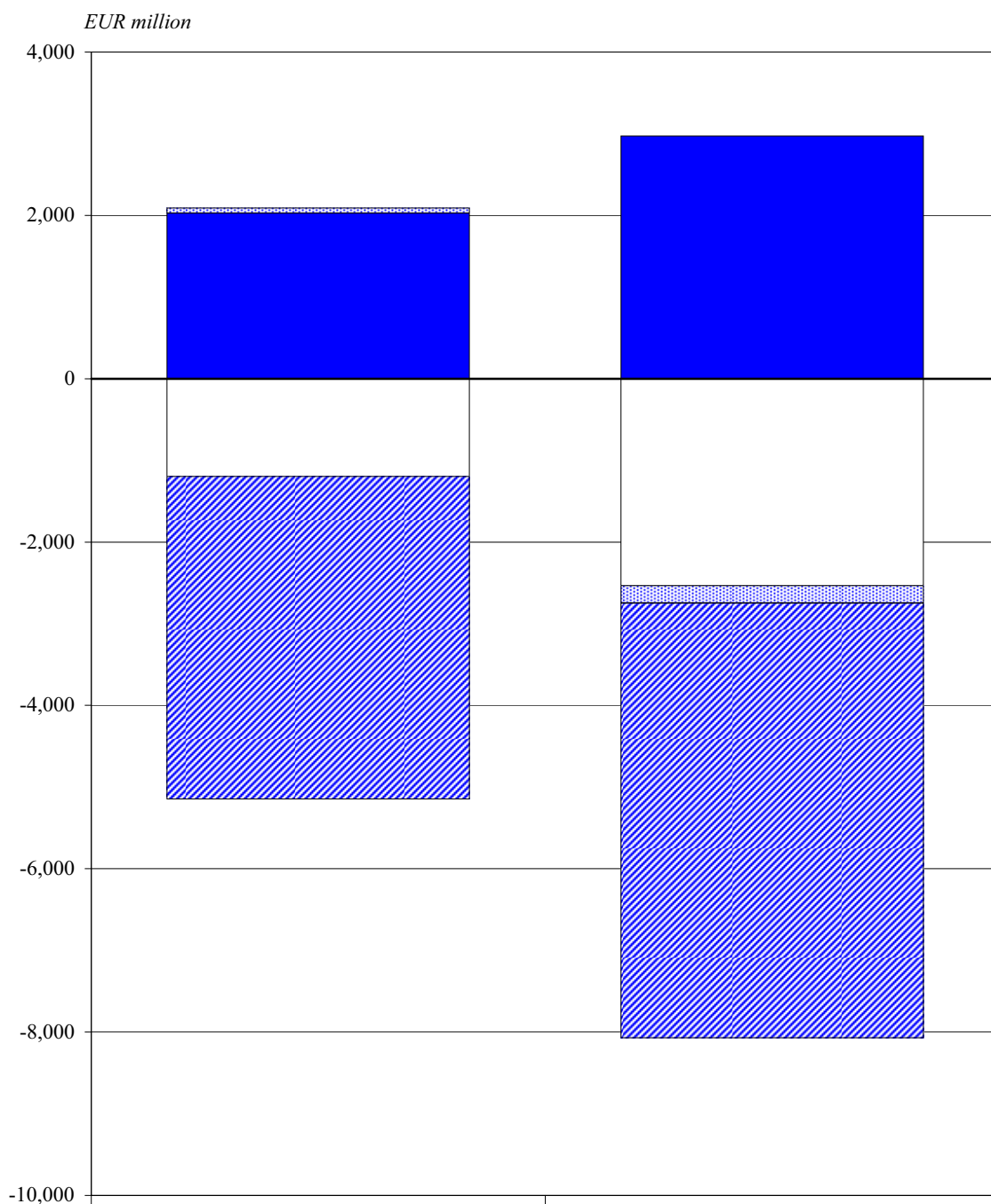
Exports by Currency



Imports by Currency

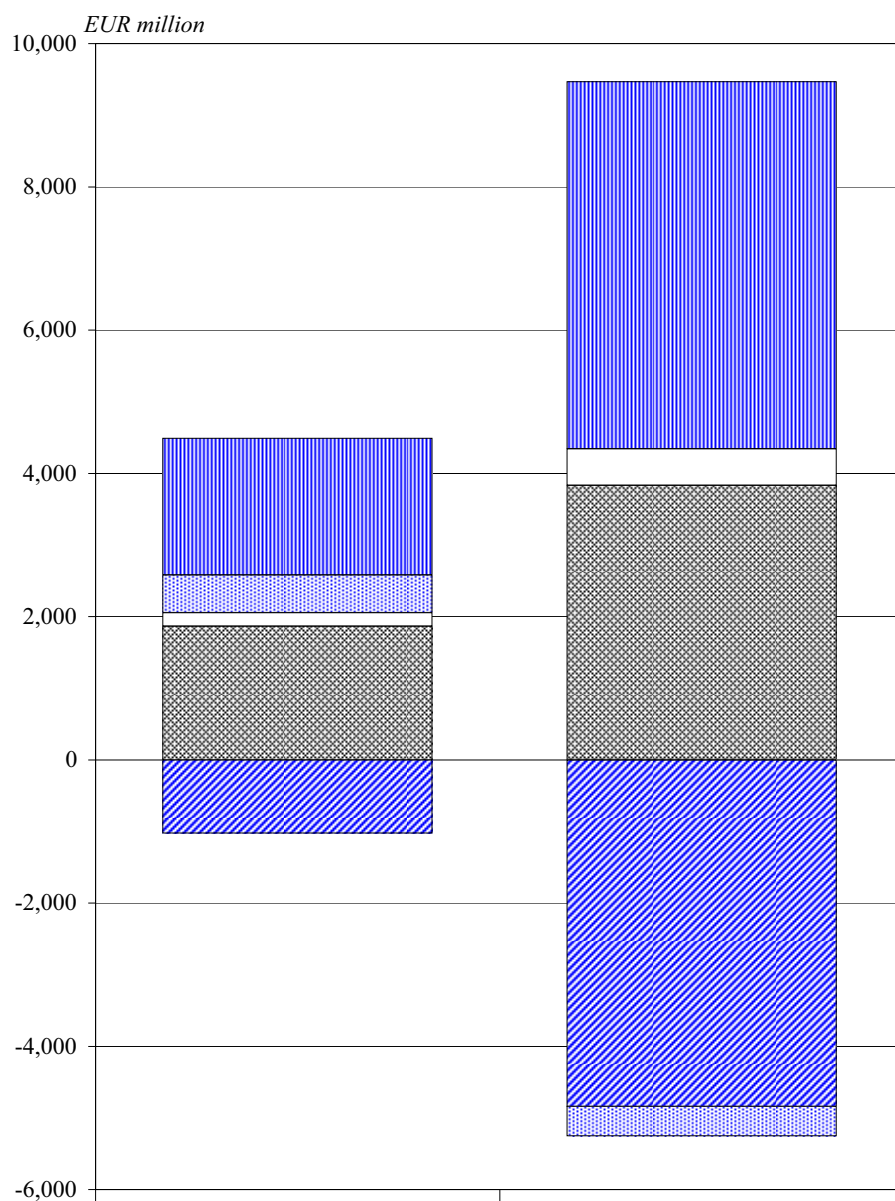


Current Account Components



	2003	2004
goods	-3,955	-5,323
services	62	-213
incomes	-1,195	-2,535
current transfers	2,028	2,972

Capital and Financial Account Components



	2003	2004
direct investment	1,910	5,127
portfolio investments	529	-416
capital transfers	188	512
other capital investments	1,864	3,830
in transit and clearing accounts	0	1
reserve assets	-1,020	-4,839

Statistical Section

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BALANCE OF PAYMENTS, 2003 - 2004

EUR million

Item	2003			2004		
	credit	debit	net	credit	debit	net
1. Current account	20,940	24,000	-3,060	25,533	30,632	-5,099
<i>A. Goods and services</i>	18,285	22,178	-3,893	21,838	27,374	-5,536
a. Goods	15,614	19,569	-3,955	18,935	24,258	-5,323
b. Services	2,671	2,609	62	2,903	3,116	-213
- transport	1,063	997	66	1,252	1,206	46
- travel	396	423	-27	406	434	-28
- other	1,212	1,189	23	1,245	1,476	-231
<i>B. Incomes</i>	327	1,522	-1,195	329	2,864	-2,535
- compensation of employees	98	6	92	91	5	86
- direct investment	10	796	-786	8	2,086	-2,078
- portfolio investments	153	228	-75	167	258	-91
- other capital investments	66	492	-426	63	515	-452
<i>C. Current transfers</i>	2,328	300	2,028	3,366	394	2,972
- general government	235	36	199	171	45	126
- other sectors	2,093	264	1,829	3,195	349	2,846
2. Capital and financial account	9,462	5,991	3,471	15,885	11,670	4,215
<i>A. Capital account</i>	197	9	188	532	20	512
Capital transfers	197	9	188	532	20	512
- general government	102	0	102	436	0	436
- other sectors	95	9	86	96	20	76
<i>B. Financial account</i>	9,265	5,982	3,283	15,353	11,650	3,703
a. Direct investment	2,782	872	1,910	6,595	1,468	5,127
- of residents abroad	7	43	-36	9	65	-56
- of non-residents in Romania	2,775	829	1,946	6,586	1,403	5,183
b. Portfolio investments	899	370	529	431	847	-416
- assets	21	7	14	2	433	-431
- liabilities	878	363	515	429	414	15
c. Other capital investments	5,193	3,329	1,864	8,205	4,375	3,830
1. assets:	703	625	78	570	741	-171
- medium- and long-term loans and credits	25	77	-52	44	69	-25
- short-term loans and credits	21	19	2	62	43	19
- long-term export documents	14	13	1	23	26	-3
- short-term export documents	231	243	-12	156	202	-46
- cash and cheques	23	30	-7	17	34	-17
- residents' deposits abroad	362	218	144	252	342	-90
- other	27	25	2	16	25	-9
- long-term assets	0	1	-1	0	0	0
- short-term assets	27	24	3	16	25	-9
2. liabilities:	4,490	2,704	1,786	7,635	3,634	4,001
- IMF loans and credits	205	98	107	0	138	-138
- medium- and long-term loans and credits	2,964	2,016	948	4,875	2,515	2,360
- short-term loans and credits	679	302	377	1,640	674	966
- long-term import documents	32	38	-6	43	39	4
- short-term import documents	198	225	-27	347	251	96
- cash and cheques	0	0	0	0	0	0
- non-residents' deposits in Romania	402	0	402	500	0	500
- other	10	25	-15	230	17	213
- long-term liabilities	10	25	-15	230	17	213
- short-term liabilities	0	0	0	0	0	0
d. In-transit accounts	44	53	-9	109	119	-10
e. Barter/clearing accounts	10	1	9	13	2	11
f. Reserve assets (NBR):	337	1,357	-1,020	0	4,839	-4,839
- monetary gold	0	0	0	0	0	0
- SDRs	5	3	2	0	0	0
- reserve position in the IMF	0	0	0	0	0	0
- foreign exchange	332	1,354	-1,022	0	4,839	-4,839
- other	0	0	0	0	0	0
3. Errors and omissions (net)	-	411	-411	884	-	884

QUARTERLY BALANCE OF PAYMENTS, 2004

EUR million

Item	Q 1			Q 2		
	credit	debit	net	credit	debit	net
1. Current account	5,722	6,410	-688	6,264	7,627	-1,363
<i>A. Goods and services</i>	4,953	5,673	-720	5,370	6,746	-1,376
a. Goods	4,336	5,061	-725	4,696	6,008	-1,312
b. Services	617	612	5	674	738	-64
- transport	286	254	32	301	295	6
- travel	85	95	-10	94	110	-16
- other	246	263	-17	279	333	-54
<i>B. Incomes</i>	70	645	-575	67	791	-724
- compensation of employees	20	1	19	23	1	22
- direct investment	1	521	-520	1	522	-521
- portfolio investments	43	4	39	35	148	-113
- other capital investments	6	119	-113	8	120	-112
<i>C. Current transfers</i>	699	92	607	827	90	737
- general government	26	11	15	21	4	17
- other sectors	673	81	592	806	86	720
2. Capital and financial account	3,200	1,651	1,549	3,744	2,379	1,365
<i>A. Capital account</i>	104	2	102	19	9	10
Capital transfers	104	2	102	19	9	10
- general government	63	0	63	8	0	8
- other sectors	41	2	39	11	9	2
<i>B. Financial account</i>	3,096	1,649	1,447	3,725	2,370	1,355
a. Direct investment	1,646	358	1,288	1,650	356	1,294
- of residents abroad	1	8	-7	5	6	-1
- of non-residents in Romania	1,645	350	1,295	1,645	350	1,295
b. Portfolio investments	57	54	3	74	199	-125
- assets	0	2	-2	0	3	-3
- liabilities	57	52	5	74	196	-122
c. Other capital investments	1,334	979	355	1,951	809	1,142
1. assets:	51	254	-203	219	135	84
- medium- and long-term loans and credits	16	3	13	6	19	-13
- short-term loans and credits	3	5	-2	16	12	4
- long-term export documents	10	4	6	5	5	0
- short-term export documents	19	55	-36	19	73	-54
- cash and cheques	3	0	3	0	6	-6
- residents' deposits abroad	0	179	-179	165	20	145
- other	0	8	-8	8	0	8
- long-term assets	0	0	0	0	0	0
- short-term assets	0	8	-8	8	0	8
2. liabilities:	1,283	725	558	1,732	674	1,058
- IMF loans and credits	0	29	-29	0	48	-48
- medium- and long-term loans and credits	804	527	277	920	436	484
- short-term loans and credits	249	89	160	358	129	229
- long-term import documents	10	14	-4	10	8	2
- short-term import documents	144	62	82	98	42	56
- cash and cheques	0	0	0	0	0	0
- non-residents' deposits in Romania	62	0	62	321	0	321
- other	14	4	10	25	11	14
- long-term liabilities	14	4	10	25	11	14
- short-term liabilities	0	0	0	0	0	0
d. In-transit accounts	59	0	59	50	0	50
e. Barter/clearing accounts	0	0	0	0	0	0
f. NBR reserve assets (net) (increase "-"/decrease "+")	-	258	-258	-	1,006	-1,006
3. Errors and omissions (net)	-	861	-861	-	2	-2

QUARTERLY BALANCE OF PAYMENTS, 2004

EUR million

Q 3			Q 4			Item
credit	debit	net	credit	debit	net	
6,715	7,773	-1,058	6,832	8,822	-1,990	1. Current account
5,742	6,982	-1,240	5,773	7,973	-2,200	<i>A. Goods and services</i>
4,963	6,140	-1,177	4,940	7,049	-2,109	a. Goods
779	842	-63	833	924	-91	b. Services
314	312	2	351	345	6	- transport
134	129	5	93	100	-7	- travel
331	401	-70	389	479	-90	- other
86	690	-604	106	738	-632	<i>B. Incomes</i>
24	2	22	24	1	23	- compensation of employees
2	521	-519	4	522	-518	- direct investment
50	55	-5	39	51	-12	- portfolio investments
10	112	-102	39	164	-125	- other capital investments
887	101	786	953	111	842	<i>C. Current transfers</i>
73	20	53	51	10	41	- general government
814	81	733	902	101	801	- other sectors
4,293	3,547	746	4,648	4,093	555	2. Capital and financial account
200	3	197	209	6	203	<i>A. Capital account</i>
200	3	197	209	6	203	Capital transfers
179	0	179	186	0	186	- general government
21	3	18	23	6	17	- other sectors
4,093	3,544	549	4,439	4,087	352	<i>B. Financial account</i>
1,645	384	1,261	1,654	370	1,284	a. Direct investment
0	34	-34	3	17	-14	- of residents abroad
1,645	350	1,295	1,651	353	1,298	- of non-residents in Romania
71	47	24	229	547	-318	b. Portfolio investments
1	3	-2	1	425	-424	- assets
70	44	26	228	122	106	- liabilities
2,364	1,092	1,272	2,556	1,495	1,061	c. Other capital investments
195	83	112	105	269	-164	1. assets:
7	10	-3	15	37	-22	- medium- and long-term loans and credits
19	8	11	24	18	6	- short-term loans and credits
7	5	2	1	12	-11	- long-term export documents
61	31	30	57	43	14	- short-term export documents
14	0	14	0	28	-28	- cash and cheques
87	20	67	0	123	-123	- residents' deposits abroad
0	9	-9	8	8	0	- other
0	0	0	0	0	0	- long-term assets
0	9	-9	8	8	0	- short-term assets
2,169	1,009	1,160	2,451	1,226	1,225	2. liabilities:
0	29	-29	0	32	-32	- IMF loans and credits
1,558	741	817	1,593	811	782	- medium- and long-term loans and credits
460	162	298	573	294	279	- short-term loans and credits
10	13	-3	13	4	9	- long-term import documents
39	63	-24	66	84	-18	- short-term import documents
0	0	0	0	0	0	- cash and cheques
7	0	7	110	0	110	- non-residents' deposits in Romania
95	1	94	96	1	95	- other
95	1	94	96	1	95	- long-term liabilities
0	0	0	0	0	0	- short-term liabilities
0	32	-32	0	87	-87	d. In-transit accounts
13	1	12	0	1	-1	e. Barter/clearing accounts
-	1,988	-1,988	-	1,587	-1,587	f. NBR reserve assets (net)
312	-	312	1,435	-	1,435	3. Errors and omissions (net)

BALANCE OF SERVICES, 2003-2004

EUR million

Item	2003			2004		
	credit	debit	net	credit	debit	net
TOTAL	2,671	2,609	62	2,903	3,116	-213
TRANSPORT	1,063	997	66	1,252	1,206	46
Freight	745	828	-83	864	1,026	-162
- sea	35	186	-151	41	231	-190
- river	4	7	-3	4	8	-4
- air	4	32	-28	4	39	-35
- railway	46	109	-63	53	135	-82
- road	656	442	214	760	548	212
- other	0	52	-52	2	65	-63
Passenger transport	65	81	-16	84	107	-23
Other	253	88	165	304	73	231
TRAVEL	396	423	-27	406	434	-28
Business	30	250	-220	40	258	-218
Personal	348	172	176	363	175	188
Other	18	1	17	3	1	2
OTHER SERVICES	1,212	1,189	23	1,245	1,476	-231
Communications services	210	75	135	237	162	75
Construction services	94	28	66	97	69	28
Insurance services	42	108	-66	21	89	-68
Financial services	45	74	-29	59	94	-35
Computer and information services	95	39	56	114	65	49
Licensing, merchanting, operational leasing fees	38	116	-78	28	131	-103
Audio-visual and related services	20	22	-2	38	31	7
Other leisure and cultural services	85	67	18	135	83	52
Government services n.s.e.	25	40	-15	20	40	-20
Other	558	620	-62	496	712	-216

BALANCE OF CURRENT TRANSFERS, 2003-2004

EUR million

	2003			2004		
	credit	debit	net	credit	debit	net
TOTAL	2,328	300	2,028	3,366	394	2,972
General government, <i>of which</i> :	235	36	199	171	45	126
Subsidies granted/received*	217	9	208	157	11	146
Collection of taxes, charges, fines	18	0	18	14	0	14
Private transfers, <i>of which</i> :	2,093	264	1,829	3,195	349	2,846
Grants and aids, subsidies, etc.	202	4	198	210	9	201
Other current transfers	1,808	240	1,568	2,896	315	2,581

*) Non-redeemable technical assistance included

FINANCIAL ACCOUNT, 2003-2004

EUR million

Item	2003			2004		
	credit	debit	net	credit	debit	net
TOTAL	9,265	5,982	3,283	15,353	11,650	3,703
1. Monetary authority	542	1,455	-913	81	4,977	-4,896
Assets	337	1,357	-1,020	0	4,839	-4,839
- Deposits abroad	332	1,354	-1,022	0	4,839	-4,839
- SDRs	5	3	2	0	0	0
Liabilities	205	98	107	81	138	-57
- Long-term loans and credits:						
- IMF loans and credits	205	98	107	0	138	-138
- Short-term loans and credits	0	0	0	81	0	81
2. General government	2,086	777	1,309	1,529	708	821
Assets	10	40	-30	13	30	-17
- Long-term loans and credits	0	39	-39	0	0	0
- Medium- and long-term trade credits	0	0	0	0	28	-28
- Other:	10	1	9	13	2	11
- short-term assets	10	1	9	13	2	11
Liabilities	2,076	737	1,339	1,516	678	838
- Portfolio investments:						
- bonds	701	150	551	18	0	18
- Long-term loans and credits	701	150	551	18	0	18
- Medium- and long-term trade credits	1,375	587	788	1,485	645	840
- Other:	0	0	0	13	33	-20
3. Banks	1,584	374	1,210	3,078	947	2,131
Assets	420	212	208	310	768	-458
- Portfolio investments:						
- bonds	8	6	2	0	422	-422
- Direct investment:						
- of residents abroad	0	4	-4	2	14	-12
- equity holdings	0	4	-4	2	14	-12
- Long-term loans and credits	4	13	-9	23	2	21
- Short-term loans and credits	4	1	3	0	0	0
- Cash and cheques	23	30	-7	17	34	-17
- Resident bank deposits abroad	354	133	221	252	271	-19
- Other:	27	25	2	16	25	-9
- long-term assets	0	1	-1	0	0	0
- short-term assets	27	24	3	16	25	-9
Liabilities	1,164	162	1,002	2,768	179	2,589
- Portfolio investments:						
- bonds	0	5	-5	33	0	33
- Direct investment:						
- non-residents' investments in Romania:						
- equity holdings	246	44	202	723	37	686
- reinvested profit	246	44	202	723	37	686
- other	92	44	48	457	37	420
- Long-term loans and credits	85	0	85	194	0	194
- Short-term loans and credits	69	0	69	72	0	72
- Non-residents' deposits in Romania	396	63	333	1,207	117	1,090
- Other:	110	25	85	75	8	67
- long-term liabilities	402	0	402	500	0	500
- short-term liabilities	10	25	-15	230	17	213
4. Other sectors	5,053	3,376	1,677	10,665	5,018	5,647
Assets	311	424	-113	271	443	-172
- Portfolio investments:						
- bonds	13	1	12	2	11	-9
- shares	13	1	12	0	0	0
- Direct investment:						
- non-residents' investments in Romania:						
- equity holdings	0	0	0	2	11	-9
- other	7	39	-32	7	51	-44
- Long-term loans and credits	7	39	-32	7	51	-44
- Short-term loans and credits	7	39	-32	7	51	-44
- Medium- and long-term trade credits	7	39	-32	1	7	-6
- Short-term trade credits	0	0	0	6	44	-38
- Deposits abroad	21	25	-4	21	39	-18
- Other:	17	18	-1	62	43	19
- long-term liabilities	14	13	1	23	26	-3
- short-term liabilities	231	243	-12	156	202	-46
- Long-term loans and credits	8	85	0	0	71	-71
- Short-term loans and credits						
- Medium- and long-term trade credits						
- Short-term trade credits						
- Deposits abroad						
- Other:						
- long-term liabilities						
- short-term liabilities						
Liabilities	4,742	2,952	1,790	10,394	4,575	5,819
- Direct investment:						
- non-residents' investments in Romania:						
- equity holdings	2,529	785	1,744	5,863	1,366	4,497
- reinvested profit	2,529	785	1,744	5,863	1,366	4,497
- other	825	182	643	2,881	269	2,612
- Portfolio investments:						
- bonds	487	0	487	1,258	0	1,258
- shares	1,217	603	614	1,724	1,097	627
- Long-term loans and credits	177	208	-31	378	414	-36
- Short-term loans and credits	6	97	-91	119	243	-124
- Medium- and long-term trade credits	171	111	60	259	171	88
- Short-term trade credits	1,193	1,366	-173	2,090	1,607	483
- Deposits abroad	569	277	292	1,484	666	818
- Other:	32	38	-6	123	152	-29
- long-term liabilities	198	225	-27	347	251	96
- short-term liabilities	44	53	-9	109	119	-10
- long-term liabilities	44	53	-9	109	119	-10
- short-term liabilities						

ROMANIA'S INTERNATIONAL INVESTMENT POSITION AS OF YEAR-END 2004

Item	EUR million				
	Outstanding at start of period	Transactions	Adjustments due to price changes	Adjustments due to exchange rate changes	Outstanding at end of period
Net position	-13,161.3	-3,703.0	-143.5	-162.3	-17,170.1
Assets	12,342.0	5,486.0	-33.5	-608.2	17,186.3
Liabilities	25,503.3	9,189.0	110.0	-445.9	34,356.4
FOREIGN ASSETS	12,342.0	5,486.0	-33.5	-608.2	17,186.3
A. Direct investment of residents abroad	165.0	56.0	0.0	-4.8	216.2
- equity holdings	165.0	18.0	0.0	-4.8	178.2
- other	0.0	38.0	0.0	0.0	38.0
B. Portfolio investments	10.7	431.0	0.0	2.2	443.9
- bonds	2.9	418.0	0.0	-1.8	419.1
- shares	7.8	13.0	0.0	0.8	21.6
- money market instruments	0.0	0.0	0.0	3.2	3.2
C. Other investments	4,674.7	160.0	0.0	-241.2	4,593.5
- loans and credits	3,153.0	55.0	0.0	-218.2	2,989.8
- long-term loans and credits	2,953.3	28.0	0.0	-235.9	2,745.4
- short-term loans and credits	199.7	27.0	0.0	17.7	244.4
- cash and deposits	1,209.2	107.0	0.0	-0.2	1,316.0
- other assets	312.5	-2.0	0.0	-22.8	287.7
- medium- and long-term assets	130.8	0.0	0.0	-1.8	129.0
- short-term assets	181.7	-2.0	0.0	-21.0	158.7
D. NBR reserve assets	7,491.6	4,839.0	-33.5	-364.4	11,932.7
- monetary gold	1,118.0	0.0	-33.5	0.0	1,084.5
- forex reserve	6,373.6	4,839.0	0.0	-364.4	10,848.2
- cash and deposits	595.3	2,010.0	0.0	-41.0	2,564.3
with other monetary authorities	449.0	1,068.0	0.0	-34.0	1,483.0
with other foreign banks	146.3	942.0	0.0	-7.0	1,081.3
- bonds	5,778.3	2,829.0	0.0	-323.4	8,283.9
FOREIGN LIABILITIES	25,503.3	9,189.0	110.0	-445.9	34,356.4
A. Direct investment of non-residents in Romania	9,661.5	5,183.0	110.0	85.4	15,039.9
- equity holdings	7,092.0	4,484.0	110.0	321.0	12,007.0
- other	2,569.5	699.0	0.0	-235.6	3,032.9
B. Portfolio investments	3,569.4	15.0	0.0	-42.8	3,541.6
- shares	555.0	88.0	0.0	0.0	643.0
- bonds	3,002.3	-115.0	0.0	-42.8	2,844.5
- money market instruments	12.1	42.0	0.0	0.0	54.1
C. Other investments	12,272.4	3,991.0	0.0	-488.5	15,774.9
- loans and credits	11,178.1	3,207.0	0.0	-442.0	13,943.1
- long-term loans and credits	10,462.7	2,226.0	0.0	-212.3	12,476.4
- short-term loans and credits	715.4	981.0	0.0	-229.7	1,466.7
- cash and deposits	1,025.6	794.0	0.0	-16.2	1,803.4
- other liabilities	68.7	-10.0	0.0	-30.3	28.4
- medium- and long-term liabilities	30.0	0.0	0.0	-2.0	28.0
- short-term liabilities	38.7	-10.0	0.0	-28.3	0.4

ROMANIA: INTERNATIONAL INVESTMENT POSITION, 1999-2004

	EUR million					
Institutional sector	1999	2000	2001	2002	2003	2004
I. Monetary authority	1,609	2,752	4,969	6,610	7,028	11,546
- assets	2,492	3,654	5,520	7,018	7,503	11,944
- liabilities	883	902	551	408	475	398
II. Government sector	66	-1,024	-2,042	-2,931	-4,381	-5,177
- assets	3,712	4,092	4,389	3,762	3,148	2,936
- liabilities	3,646	5,116	6,431	6,693	7,529	8,113
III. Banks	425	911	769	-531	-1,687	-3,917
- assets	1,267	1,700	1,864	1,155	875	1,321
- liabilities	842	789	1,095	1,686	2,562	5,238
IV. Non-banks	-9,193	-11,806	-14,422	-12,538	-14,121	-19,622
- assets	712	760	1,166	827	816	985
- liabilities	9,905	12,566	15,588	13,365	14,937	20,607
Net position	-7,093	-9,167	-10,726	-9,390	-13,161	-17,170
- assets	8,183	10,206	12,939	12,762	12,342	17,186
- liabilities	15,276	19,373	23,665	22,152	25,503	34,356

ROMANIA: MEDIUM- AND LONG-TERM EXTERNAL CLAIMS, 1999-2004

	EUR thou.					
	1999	2000	2001	2002	2003	2004
Non-convertible foreign currencies	2,120,727	2,296,417	2,450,039	2,044,797	1,688,123	1,568,369
<i>of which:</i>						
Iraq	1,682,302	1,815,944	1,953,636	1,653,813	1,368,458	1,262,710
Sudan	169,912	184,003	193,945	164,309	135,898	125,727
Mozambique	108,642	129,791	146,626	133,056	117,643	116,933
Libya	45,312	47,049	49,602	50,078	41,381	40,453
Sirya	51,432	55,518	30,312	25,401	20,990	19,158
Transferable roubles (thousands)	1,538,994	1,621,046	1,671,128	1,708,110	1,742,191	1,773,817
Cuba	840,181	916,839	950,725	984,653	1,018,581	1,052,552
Russian Federation	580,159	580,158	590,572	590,670	590,670	590,670
Ukraine	107,400	112,795	118,577	121,533	121,686	127,545
Mongolia	3,050	3,050	3,050	3,050	3,050	3,050
Korea, PDR	8,204	8,204	8,204	8,204	8,204	0

ROMANIA: GROSS INTERNATIONAL RESERVES, 1999-2004

(stocks; end of period)

EUR million

	1999	2000	2001	2002	2003	2004
<i>National Bank of Romania</i>	2,482.6	3,643.8	5,509.1	7,009.0	7,491.6	11,932.7
- Gold	962.6	989.0	1,063.8	1,132.2	1,118.0	1,084.5
(tonnes)	103.4	105.0	105.2	105.3	105.1	105.1
- SDRs	10.1	1.1	7.7	2.2	0.2	0.0
- foreign exchange	1,509.9	2,653.8	4,437.6	5,874.6	6,373.4	10,848.2
<i>Commercial banks</i>	1,155.9	1,561.4	1,721.9	1,042.3	755.6	1,211.5
- foreign exchange	1,155.9	1,561.4	1,721.9	1,042.3	755.6	1,211.5
Gross international reserves	3,638.5	5,205.2	7,231.0	8,051.2	8,247.2	13,144.2
<i>of which :</i>						
Gross foreign exchange reserves	2,675.9	4,216.2	6,167.2	6,919.0	7,129.2	12,059.7

ROMANIA: EXTERNAL DEBT INDICATORS, 1999-2004

	1999	2000	2001	2002	2003	2004
External debt (ED) - EUR million	9,511	11,969	14,685	16,200	17,835	21,708
- medium- and long-term (MLT)	8,756	11,162	13,575	14,969	15,859	18,173
- short-term (ST)	755	807	1,110	1,231	1,976	3,535
GDP - current prices						
- ROL billion	545,730	803,773	1,167,687	1,514,751	1,903,354	2,387,925
- ROL/EUR average annual rate	16,296	19,956	26,027	31,255	37,556	40,532
- EUR million ^{*)}	33,489	40,278	44,865	48,464	50,681	58,914
Exports of goods and services (EXP) - EUR million	9,270	13,186	15,002	17,143	18,285	21,838
Imports of goods and services (IMP) - EUR million	10,838	15,319	18,458	19,890	22,178	27,374
External debt service (EDS) - EUR million	3,426	2,778	3,615	4,150	3,808	4,972
- principal repayment	2,908	2,138	2,883	3,404	3,033	4,117
- interest payment (INT)	519	640	732	747	775	855
Foreign exchange reserves of the banks including SDR (FRBS) - EUR million	2,676	4,216	6,167	6,919	7,129	12,060
Indicator						
ED/GDP (%)	28.4	29.7	32.7	33.4	35.2	36.8
MLT/GDP (%)	26.1	27.7	30.3	30.9	31.3	30.8
ED/EXP (%)	102.6	90.8	97.9	94.5	97.5	99.4
MLT/EXP (%)	94.5	84.7	90.5	87.3	86.7	83.2
EDS/EXP (%)	37.0	21.1	24.1	24.2	20.8	22.8
EDS/GDP (%)	10.2	6.9	8.1	8.6	7.5	8.4
EDS/FRBS (%)	128.0	65.9	58.6	60.0	53.4	41.2
INT/EXP (%)	5.6	4.9	4.9	4.4	4.2	3.9
FRBS/IMP (months)	3.0	3.3	4.0	4.2	3.9	5.3
ST/ED (%)	7.9	6.7	7.6	7.6	11.1	16.3
Multilateral debt/ED (%)	40.3	38.9	35.0	31.9	28.9	23.8

^{*)} Based on the ROL/EUR annual average rate