

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

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Note

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Sources of data are mentioned when institutions other than the National Bank of Romania supplied data.

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Statistical section

MAIN DEVELOPMENTS IN 2005

I. External environment¹

In 2005, world economy stayed on a robust growth path thanks to favourable financing conditions, i.e. low interest rates and consistent profits of the corporate sector. The oil price kept rising throughout the year under review, as a direct effect of the expanding world economy and scarcer crude oil reserves. However, the effect of the escalating oil price on global economic growth and inflation was contained by the step-up in competition worldwide, once the People's Republic of China and other emerging economies were allowed to enter the global markets.

In the **United States of America**, gross domestic product increased by 3.5 percent on the back of growth of private consumption and investment. The former rose for most of the year, due to favourable financing conditions, higher residential property prices and the increase in employment rate. The latter was fostered by the surge in corporate profits. Net exports dampened somewhat economic growth amid a sharper rise in imports than in exports. Annual inflation rate, as measured by the consumer price index, reached 3.4 percent. Despite the effects of hurricanes and the spiralling oil price, the nominal effective appreciation of the US dollar and the alleviation of wage hikes put a dent on inflationary pressures. Against the backdrop of larger tax revenues, the federal budget deficit narrowed to 2.6 percent of GDP. The US balance of payments further deteriorated, with the current account deficit hitting an all-time high of 6.4 percent of GDP.

Southeast Asia² continued to post strong economic growth – nevertheless, the pace of increase decelerated slightly year on year in the context of flagging external and domestic demand, as well as because of the spike-up in the oil price. The region's largest economies, save the People's Republic of China, reported high inflation rates as a result of steeper world prices of energy resources. The Chinese economy still enjoyed the robust underpinning of external and domestic demand, and therefore exhibited an annual pace of increase of 9.9 percent. Tighter macroeconomic policies adopted in this country cushioned real-estate investments and helped stabilise inflation.

The economy of Japan stuck to the upward course and posted, for the second successive year, an above-potential GDP growth rate (2.8 percent in 2005 against 2.3 percent in 2004). This performance was driven by the advance in private consumption and investment and, over the final months of 2005, by the rebound in exports, to the People's Republic of China in particular.

The chief drivers of steady growth of the economies in **Latin America** remained external demand, domestic consumption and investment. Even though the economic growth was lower than a year earlier, the region benefited from a favourable external environment, due largely to the hike in international prices. The economy of Argentina showed a considerable upturn, whereas Mexico and Brazil reported moderate rates of economic growth.

¹ Sources: ECB, Annual Report, 2005; websites of central banks.

² Except for Japan.

In the **euro area**, economic growth decelerated to 1.4 percent in 2005 compared with 1.8 percent a year earlier, due to the increase in the oil price and to the lagged effects of a stronger euro. The slowdown in economic growth was due to the weaker-than-expected contribution of domestic demand and exports to growth. Unemployment rate dropped steadily in the considered year, touching 8.3 percent at year-end. Budget deficit of the euro area accounted for 2.5 percent of GDP, as Germany, Greece, Italy and Portugal reported the overshooting of the target of 3 percent of GDP³.

Aggregate current account of the euro area ended 2005 on a deficit of EUR 29 billion, or 0.4 percent of GDP, compared to a surplus of EUR 43.5 billion in the previous year, amid the abrupt fall in trade surplus. The geographical breakdown of the current account shows that the worsening originated in the wider trade deficits with oil exporting countries. The trade surplus of the euro area declined by EUR 47.6 billion year on year, as imports rose faster than exports due largely to the increase in prices of imported energy products. Exports climbed in terms of both external prices and volume; exports to Asia (China) and to the new Member States saw the highest growth rates, with capital goods constituting the bulk of exports. The incomes deficit displayed a significant widening towards the end of the year owing to the rise in payments.

Direct and portfolio investments recorded net outflows worth EUR 13 billion, compared to net inflows in amount of EUR 24 billion a year earlier. The explanation for this state of affairs lies with the fact that portfolio investment inflows comprising debt instruments saw a decrease, while the inflows of shares were offset by residents' direct investment abroad. In 2005, the shortfall under direct investment was ascribed to the rise in residents' investment abroad, chiefly participations in the capital of British companies and in enterprises operating in the new Member States. Conversely, non-residents' direct investment in the euro area stayed flat year on year amid expectations of slower economic expansion in the region. The surge in net portfolio investment inflows derived from the speed-up in net purchases of shares by non-residents, especially due to their low price.

The economies of **non-participating Member States** grew in 2005 at a pace of 2.5 percent, down from 3.5 percent in the year before, yet higher than the rate of increase recorded in the euro area, i.e. 1.4 percent. The same as in the preceding years, the Baltic States were the fastest-expanding economies, all posting growth rates above 7 percent, ahead of the Czech Republic and Slovakia (6 percent). Domestic demand in most countries hinged on private consumption, which was spurred by the rise in disposable income, the implementation of expansionary fiscal policies and the increase in consumer credits. On the other hand, consumption was limited by the performance of gross disposable national income in Malta, by the cut in wages and the propensity to save in Poland, and by interest rate hikes in the United Kingdom. Investment provided an underpinning to domestic demand in the Baltic States, Hungary, Malta, Slovakia and Sweden, against the background of low interest rates and, save Sweden, small financial resources provided by the EU. The key driving force behind economic growth was represented by exports in most of the new Member States, basically the Baltic States, the Czech Republic, Hungary and Poland.

³ According to data in the stability programme.

Conditions on the labour market continued to improve throughout 2005, particularly in the countries that registered high unemployment rates. This improvement notwithstanding, jobless rates in Poland and Slovakia were still twice as high as those reported by euro area Member States. Inflation rates in Sweden, the Czech Republic, Denmark and the United Kingdom were below the euro area level. Inflation rates in most other countries exceeded slightly the level recorded in the euro area, i.e. 2.2 percent, except for Hungary, Estonia and Latvia, their inflation rates ranging from 3.5 percent to 6.9 percent. The performance of inflation in non-participating Member States was partly generated by common factors. The first half of 2005 saw deflation in several new Member States, as a reflection of the new price levels after the previous increases relating to EU accession. Adding to deflation was the impact of competition on price alleviation, especially in case of industrial goods and foodstuffs. The escalating oil price put upward pressures on prices, yet such pressures varied depending on the structure of consumption, output, markets, being limited by the administered prices of energy products.

Fiscal developments were mixed during 2005. Three of the non-participating Member States, namely Denmark, Estonia and Sweden, ended the year on a surplus, whilst the other ten Member States ended fiscal 2005 on a deficit. The budget outturns of the countries in the region were in line with the provisions of convergence programmes for 2005, except those recorded by the Czech Republic, Hungary, Malta and Slovakia. In the non-participating Member States, public debt as a proportion of GDP remained below the euro area average (71 percent), with Cyprus and Malta surpassing the ceiling of 60 percent of GDP.

The current account and capital account stock posted diverging developments in the non-participating Member States. In 2005, Denmark and Sweden posted large surpluses, whereas the United Kingdom and the new Member States showed deficits. The magnitude of the deficits went beyond 10 percent of GDP in Estonia, Latvia and Malta and beyond 5 percent of GDP in Cyprus, Lithuania, Hungary and Slovakia; however, analysts consider such deficits as being in line with expectations given the catching-up process. The deficits were largely caused by the performance of the trade balance and of the income balance, specifically repatriated or reinvested profits from direct investment.

In most new Member States, foreign direct investment continued to stand out as a major source for external financing, rising slightly in year-on-year comparison, from 3.9 percent of GDP to 4.2 percent of GDP. All new Member States, except Slovenia, reported net positive flows of foreign direct investment. Out of the other non-participating Member States, Sweden and Denmark witnessed net outflows of foreign direct investment, while the United Kingdom recorded net inflows. Overall, even though direct investment was seen as a significant financing source for the non-participating Member States, it could not cover the cumulated current account and capital account deficits. For the second year in succession, net flows of portfolio investments also had a strong contribution to current account deficit financing in Cyprus, Hungary and Poland. Portfolio investments consisted of both debt instruments, which caused the weight of external debt in GDP to widen, and shares.

II. Romanian economy in 2005

The year 2005 was marked by a slowdown in the pace of economic expansion and disinflation. Gross domestic product moved 4.1 percent higher year on year. Specifically, GDP by expenditure points to the substantial increase in domestic demand (8.3 percent), far higher than the GDP growth, and in final household consumption and gross fixed capital formation, which rose against 2004 by 9 percent and 13 percent respectively.

Table No. 1. GDP by expenditure

	previous year = 100	
	2004*	2005**
Real GDP	108.4	104.1
Actual final consumption of households	112.9	109.0
Actual final consumption of general government	104.6	104.9
Gross fixed capital formation	110.8	113.0
Exports of goods and services	113.9	107.6
Imports of goods and services	122.1	117.2

Source: National Institute of Statistics (NIS)

* Semifinal data

** Provisional data

GDP formation was propelled by two major sectors of the economy, i.e. services and construction, both accounting for 54.8 percent of GDP. Gross value added in the former sector surged 8.1 percent and the volume of activity in the latter sector shot up 9.9 percent over the year before.

Inflation rate (December versus December) stood at 8.6 percent, down 0.7 percentage points from end-2004, only half of a percentage point above the short-term forecast⁴. During 2005, the developments in inflation rate were uneven as a result of the dampening impact of pressures exerted by administered prices and volatile food prices. Cheaper food and non-food products were supportive of the continuation of disinflation, while prices for services stymied this process.

Registered unemployment rate contracted 0.4 percentage points from end-2004 to 5.9 percent of civilian labour force.

The share of consolidated general government deficit in gross domestic product equalled 0.8 percent in 2005, dropping below the projected figure and the year-ago figure, as a result of capping budget expenditures.

⁴ National Bank of Romania, Inflation Report, November 2005.

III. Romania's balance of payments and international investment position in 2005

A. Balance of payments

In 2005, Romania's balance-of-payments current account deteriorated, amid the widening trade deficit, due to the still fast annual growth rate of imports and the slowdown in the annual increase of exports, especially in the euro area. Households continued to show a propensity for consumption, which was accommodated by imports, as the demand for goods was larger and more diversified than domestic supply. Nevertheless, current account deficit financing posed no threat, as foreign direct investment and capital transfers covered almost 85 percent of the gap.

Table No. 2. GDP¹⁾ and external sector

	2004	2005
	- EUR million -	
1. Final consumption (FC)	52,724	69,492
2. Investment ²⁾ (I)	13,596	17,922
3. Exports of goods and services, net (E)	-5,536	-8,155
4. Income from abroad, net (AI)	-2,535	-2,326
5. Current transfers, net (CT)	2,972	3,593
GROSS DOMESTIC PRODUCT (GDP=FC+I+E)	60,784	79,259
Gross national disposable income (GNDI=FC+I+E+AI+CT)	61,221	80,526
CURRENT ACCOUNT BALANCE (CAB=E+AI+CT)	-5,099	-6,888
GROSS SAVING (GS=I+CAB)	8,497	11,034
	- percent -	
Saving rate (GS/GDP)	14.0	13.9
Investment rate (I/GDP)	22.4	22.6
Share of current account balance in GDP (CAB/GDP=GS/GDP-I/GDP) ³⁾	-8.4	-8.7

¹⁾ Calculations based on average RON/EUR exchange rate, according to NIS data.

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".

Final consumption and investment amounted to EUR 87.4 billion, up 31.8 percent over a year earlier. Behind this stood the brisk advance in imports of technology, energy resources and durables, whereas the investment/final consumption ratio stayed flat at about 26 percent.

In the year under review, the saving, investment and current account balance equilibrium relationship witnessed a record high of the current account deficit for the past few years, i.e. 8.7 percent. The explanation for this trend lies with the further poor performance of saving rate (13.9 percent).

1. Current account

In 2005, the balance-of-payments current account deficit widened to EUR 6,888 million, up 35.1 percent year on year, accounting for 8.7 percent of GDP against 8.4 percent in 2004.

Table No. 3. Balance of payments

	2004			2005		
	Credit	Debit	Net	Credit	Debit	Net
	- EUR mill. -					
1. CURRENT ACCOUNT	25,533	30,632	-5,099	31,680	38,568	-6,888
Goods and services	21,838	27,374	-5,536	26,357	34,512	-8,155
- Goods	18,935	24,258	-5,323	22,255	30,061	-7,806
- Services	2,903	3,116	-213	4,102	4,451	-349
Incomes	329	2,864	-2,535	1,241	3,567	-2,326
Current transfers	3,366	394	2,972	4,082	489	3,593
2. CAPITAL AND FINANCIAL ACCOUNT	15,885	11,670	4,215	37,187	30,704	6,483
Capital transfers	532	20	512	661	65	596
Purchase-sale of non-produced/ non-financial assets	...	...	...	14	15	-1
Direct investment	6,595	1,468	5,127	8,313	3,076	5,237
Portfolio investment	431	847	-416	4,322	3,544	778
Financial derivatives	...	...	...	29	50	-21
Other capital investment	8,327	4,496	3,831	23,848	18,520	5,328
Reserve assets ("-" increase, "+" decrease)	-	4,839	-4,839	-	5,434	-5,434
3. ERRORS AND OMISSIONS (NET)	884	-	884	405	-	405

Trade balance had a major impact on the current account, reaching 9.8 percent deficit-to-GDP, 1 percentage point above the previous year's figure, amid the faster-paced imports. The current account deficit widening was also fuelled by the larger imbalance under "goods transport". The dampening effect of the two components on the current account was partly offset by the good performance of current transfers and the narrower income deficit.

1.1. Trade balance (goods and services)

In 2005, goods and services balance ran a deficit of EUR 8,155 million, up 47.3 percent on the year, on the back of the increase in imports of goods and services.

1.1.1. Goods

Trade deficit came to EUR 7,806 million, rising year on year both in absolute terms and as a share of GDP (by EUR 2,483 million and 1 percentage point respectively), given the slower growth of exports to the euro zone and the still fast pace of increase in imports. Import growth was driven by the rise in household demand for durables, the streamlining of the economy and the costlier crude oil and natural gas on international markets. However, Romania's foreign trade flows expanded in 2005, amid the strengthening of global trade. Overall, imports and exports of goods advanced 23.9 percent and 17.5 percent respectively. Although lagging behind imports, exports saw high growth rates for sales of processed petroleum products and chemicals. In addition, coverage of imports

through exports and economy openness diminished considerably from 2004, by 4.1 percentage points and 5.1 percentage points respectively (down to 74 percent and 66 percent respectively).

Table No. 4. Trade balance (goods)

	2004	2005	Difference (+/-)
		- EUR mill. -	
Exports (fob)	18,935	22,255	3,320
Imports (fob)	24,258	30,061	5,803
Trade balance (fob/fob)	-5,323	-7,806	-2,483
		- percent -	
Share of exports in GDP	31.2	28.1	-3.1
Share of imports in GDP	39.9	37.9	-2.0
Share of trade balance in GDP	-8.8	-9.8	-1.0
Share of trade balance in current account balance	104.4	113.3	8.9
Coverage of imports through exports (fob/fob)	78.1	74.0	-4.1
Economy openness: (exports+imports)/GDP	71.1	66.0	-5.1

Data source: National Institute of Statistics

Trade balance developments of the eight commodity groups point to surpluses under: textiles, wearing apparel and footwear (EUR 2,100 million), base metals (EUR 642 million) and paper and wood products (EUR 75 million) and deficits under: machinery, equipment and transport means (EUR 4,408 million), mineral products (EUR 2,218 million), chemicals and plastic products (EUR 2,181 million), agrifoodstuffs (EUR 1,193 million) and other (EUR 623 million).

The geographical spread shows that the deficit stemmed from the trade with developed countries (49.6 percent, of which trade with the EU accounted for 46.7 percent), ahead of transition countries and developing countries (34.8 percent and 15 percent respectively). Trade deficit with the European Union widened 87.7 percent against 2004, mainly on account of trade with Germany, Poland, the Czech Republic, Austria, Italy and France. Roughly 76 percent of the trade deficit recorded in 2005 were ascribable to trade relations with the Russian Federation (29.4 percent), Germany (13.8 percent), the People's Republic of China (13.5 percent), Kazakhstan (12.2 percent) and Poland (6.9 percent).

Exports of goods grew at a slower rate (17.5 percent), coming in at EUR 22,255 million in 2005 as a result of weaker demand from the euro zone (except for exports of mineral products) and the shift in the structure of exports in favour of intermediate and capital goods. The increase in export value was comparable to that of 2004, i.e. EUR 3,320 million, with two thirds of the growth being propelled by the higher external prices (petroleum products, chemicals, pig iron, iron and steel) and one third by the larger volume (motorcars, petroleum products, machinery, electrical machinery and apparatus). In the considered year, the monthly average of exports stood at EUR 1.8 billion, up EUR 0.2 billion year over year. The table below depicts the increases in goods holding significant shares in total exports.

Table No. 5. Goods with significant shares in total exports in 2005

	Share of goods in total exports	- EUR mill. -	Increase/ decrease against 2004
	%		%
Machinery, mechanic devices, electrical apparatus and equipment	17.7	3,941	18.6
Knitted or crocheted wearing apparel	17.4	3,864	2.9
Cast, laminated metal products, made of iron, steel, pig iron, aluminium and copper (excluding scrap metal)	13.4	2,982	18.7
Petroleum products	9.6	2,416	87.6
Chemicals, plastics, rubber and articles thereof	8.4	1,859	25.5
Transport means and materials	7.9	1,767	47.5
Footwear	6.3	1,405	4.7
Furniture (including components)	4.1	902	10.1
Wood and wood items	3.7	833	0.4

Data source: Customs General Department

The products whose share in total exports rose were: petroleum products (9.6 percent in 2005 from 6 percent in 2004, up 87.6 percent year on year), transport means and materials (7.9 percent in 2005 from 6.3 percent in 2004, up 47.5 percent year on year) and chemicals and plastic products (8.4 percent in 2005 from 7.8 percent in 2004, up 25.5 percent year on year). The share of two commodity groups in total exports remained broadly unchanged, namely machinery, mechanic devices, electrical apparatus and equipment (17.7 percent, up 18.6 percent year over year) and furniture (4.1 percent, up 10.1 percent year over year). The share of the following groups in total exports witnessed a steady downtrend: knitted or crocheted wearing apparel (17.4 percent in 2005 from 19.8 percent a year earlier, up 2.9 percent year on year), footwear (6.3 percent in 2005 from 7.1 percent in 2004, up 4.7 percent year on year), wood and wood items (3.7 percent in 2005 from 4.4 percent in 2004, up 0.4 percent year on year).

Imports of goods reached EUR 30,061 million, at a 23.9 percent growth rate similar to that recorded in 2004, amid steeper international prices (crude oil, natural gas, petroleum products, ores, metal products, fur and leather) and stronger domestic demand (motorcars, tractors and other road vehicles, boilers, turbines, engines, apparatus and mechanical devices, cotton, cotton threads and fabrics, electrical machinery, appliances and equipment, apparatus for recording and reproducing sound and image). The year-on-year increase in import value stood at EUR 5,803 million, driven by the higher external prices, changes in the structure of imports and stronger domestic demand for durables. The monthly average of imports equalled EUR 2.5 billion, up EUR 0.5 billion over the year before. Table 6 below sets out the increases in goods holding significant shares in total imports.

Table No. 6. Goods with significant shares in total imports in 2005

	Share of goods in total imports %	- EUR mill.-	Increase/decrease against 2004 %
Energy products (crude oil, natural gas, petroleum products, coal, coke)	13.7	4,132	47.4
Machinery, engines, apparatus and mechanical devices (including components)	12.5	3,765	22.6
Electrical machinery, appliances and equipment, apparatus for recording and reproducing sound and image	10.9	3,277	21.4
Motorcars, tractors and other road vehicles	9.0	2,709	47.6
Fabrics made of wool, cotton and man-made fibres; man-made fibres, textile products	8.4	2,513	-1.9
Products made of pig iron, iron, steel and non-ferrous metals	8.1	2,438	31.7
Plastics and plastic items	4.5	1,356	27.6
Pharmaceutical products	2.7	808	20.6
Wearing apparel and footwear	2.7	801	10.0
Food, beverages and tobacco	2.3	706	17.9
Optical, medical, surgery and similar apparatus and tools	1.7	502	17.5

Data source: Customs General Department

The products whose share in total imports widened were: energy products (13.7 percent in 2005 from 11.6 percent in 2004, i.e. an increase of 47.4 percent year over year), motorcars, tractors and other road vehicles (9 percent in 2005 from 7.6 percent in 2004, up 47.6 percent year on year), products made of pig iron, iron, steel and non-ferrous metals (8.1 percent in 2005 from 7.6 percent in 2004, i.e. an annual increase of 31.7 percent). The share of the following commodity groups in total imports remained virtually unaltered: machinery, engines, apparatus and mechanical devices, including components (12.5 percent, up 22.6 percent year on year), electrical machinery, appliances and equipment, apparatus for recording and reproducing sound and image (10.9 percent, up 21.4 percent year on year), plastics and plastic items (4.5 percent, up 27.6 percent year on year), pharmaceutical products (2.7 percent, up 20.6 percent year on year), food, beverages and tobacco (2.3 percent, up 17.9 percent year on year), optical, medical, surgery and similar apparatus and tools (1.7 percent, up 17.5 percent year on year). The share of the following groups in total imports witnessed a steady downtrend: fabrics made of wool, cotton and man-made fibres; man-made fibres, textile products (8.4 percent in 2005 from 10.6 percent in 2004, down 1.9 percent year on year), wearing apparel and footwear (2.7 percent in 2005 from 3 percent in 2004, up 10 percent year on year).

1.1.1.1. Exports by commodity and group of countries

a) Structure of exports

The deceleration of economic growth in 2005, as shown by the declining animal and vegetal agricultural production because of adverse weather conditions, and the slacker pace of increase of industrial output failed to bring about any significant changes in the contribution of economic activities to exports. Manufacturing was the main driver of Romanian exports, with a share of 97.1 percent in total exports, as the value of exports of manufactured goods reached EUR 21,619 million.

Table No. 7. Exports by main economic activity

	- EUR mill. -		Indices (%) 2005/2004	Structure (%)	
	2004	2005		2004	2005
TOTAL	18,935	22,255	117.5	100.0	100.0
Agriculture, forestry and fishery	362	414	114.4	1.9	1.9
Mining	49	56	114.3	0.3	0.3
Manufacturing	18,432	21,619	117.3	97.3	97.1
Electricity, heating, gas and water	78	140	179.5	0.4	0.6
Other	14	26	185.7	0.1	0.1

Data source: National Institute of Statistics (NIS)

Exports of manufactured goods stood 17.3 percent higher than in 2004, except for radio, television and communication equipment (down 22.6 percent), pulp, paper and paper products (which dropped 20.9 percent), textile, fur and leather apparel (down 2.2 percent) and other non-metallic products (dropping 0.8 percent).

Table No. 8. Exports by main manufacturing activity

	- EUR mill. -		Indices (%) 2005/2004	Structure (%)	
	2004	2005		2004	2005
TOTAL, of which:	18,432	21,619	117.3	100.0	100.0
Food and beverages	266	290	109.0	1.4	1.3
Textiles and textile products	845	909	107.6	4.6	4.2
Textile, fur and leather apparel	3,409	3,334	97.8	18.5	15.4
Leather goods and footwear	1,369	1,427	104.2	7.4	6.6
Woodworking	847	858	101.3	4.6	4.0
Pulp, paper and cardboard	129	102	79.1	0.7	0.5
Petroleum processing and coal coking	1,196	2,231	186.5	6.5	10.3
Chemicals and man-made fibres	1,031	1,262	122.4	5.6	5.8
Rubber and plastic products	435	559	128.5	2.4	2.6
Other non-metallic mineral products	253	251	99.2	1.4	1.2
Metallurgy	2,647	2,922	110.4	14.4	13.5
Metallic construction and metal products	356	478	134.3	1.9	2.2
Machinery and equipment	1,355	1,602	118.2	7.4	7.4
Electrical machinery and apparatus	1,366	1,765	129.2	7.4	8.2
Radio, television and communication equipment	514	398	77.4	2.8	1.8
Medical instruments and apparatus, watches and clocks	93	127	136.6	0.5	0.6
Road transport means	644	1,131	175.6	3.5	5.2
Other transport means	603	735	121.9	3.3	3.4
Furniture and other activities	1,005	1,106	110.0	5.5	5.1

Data source: National Institute of Statistics (NIS)

Substantial increases in exports – in terms of both share and dynamics – were recorded by the following sub-sectors: petroleum processing and coal coking (10.3 percent in 2005 against 6.5 percent in 2004, soaring 86.5 percent year on year), road transport means (5.2 percent in 2005 versus 3.5 percent in 2004, surging 75.6 percent year on year), electrical machinery and apparatus (8.2 percent in 2005 from 7.4 percent in 2004, up 29.2 percent year over year). Other industrial activities recorded smaller shares and slow growth rates, as follows: textile products (15.4 percent in 2005 against 18.5 percent in 2004, down 2.2 percent year on year), leather goods and footwear

(6.6 percent in 2005 from 7.4 percent in 2004, up 4.2 percent year on year), metallurgy (13.5 percent in 2005 versus 14.4 percent in 2004, advancing 10.4 percent year over year), radio, television and communication equipment (1.8 percent in 2005 from 2.8 percent in 2004, falling 22.6 percent year on year).

Table No. 9. Exports by output stage¹⁾

	- EUR mill. -		Indices (%)	Structure (%)	
	2004	2005	2005/2004	2004	2005
TOTAL	18,935	22,255	117.5	100.0	100.0
Raw materials	945	949	100.4	5.0	4.2
Intermediate goods	9,488	12,264	129.3	50.1	55.1
Capital goods	1,480	1,909	129.0	7.8	8.6
Consumer goods	7,022	7,133	101.6	37.1	32.1

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

Compared with 2004, the commodity structure of exports by output stage indicated an expansion in the share of exports of intermediate goods (up 5 percentage points to 55.1 percent) and capital goods (up 0.8 percentage points to 8.6 percent), along with a decline in the share of exports of consumer goods (down 5 percentage points to 32.1 percent) and raw materials (down 0.8 percentage points to 4.2 percent).

Table No. 10. Exports by group of commodities

	- EUR mill. -		Indices (%)	Structure (%)	
	2004	2005	2005/2004	2004	2005
TOTAL	18,935	22,255	117.5	100.0	100.0
Agrifoodstuffs	587	673	114.7	3.1	3.0
Mineral products	1,362	2,465	181.0	7.2	11.1
Chemical and plastic products	1,481	1,859	125.5	7.8	8.4
Paper and wood products	986	966	98.0	5.2	4.3
Textiles, wearing apparel and footwear	5,461	5,508	100.9	28.8	24.8
Base metals	2,923	3,297	112.8	15.4	14.8
Machinery, equipment and transport means	4,522	5,708	126.2	23.9	25.6
Other	1,613	1,779	110.3	8.6	8.0

Data source: National Institute of Statistics (NIS)

In year-on-year comparison, the following commodities increased their contribution to export growth: mineral products (by 3.9 percentage points), machinery, equipment and transport means (by 1.7 percentage points), and chemicals and plastic products (by 0.6 percentage points).

b) Geographical distribution of exports

In 2005, geographical spread of exports changed against 2004, with shares of exports to developing countries and transition countries increasing.

Table No. 11. Exports by group of countries

	- EUR mill. -		Indices (%) 2005/2004	Structure (%)	
	2004	2005		2004	2005
TOTAL	18,935	22,255	117.5	100.0	100.0
1. Developed countries	16,135	18,286	113.3	85.2	82.2
of which:					
- European Union	13,807	15,043	109.0	72.9	67.6
- Turkey	1,324	1,762	133.1	7.0	7.9
- USA	539	906	168.1	2.8	4.1
- Switzerland	114	150	131.6	0.6	0.7
2. Transition countries	1,266	1,980	156.4	6.7	8.9
of which:					
- Bulgaria	363	593	163.4	1.9	2.7
- Republic of Moldova	165	264	160.0	0.9	1.2
- Russian Federation	98	187	190.8	0.5	0.8
- Ukraine	63	136	215.9	0.3	0.6
3. Developing countries	1,514	1,963	129.7	8.0	8.8
4. Countries not specified¹⁾	20	26	130.0	0.1	0.1

Data 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 18,286 million, up 13.3 percent versus 2004, as a result of stronger trade ties with the European Union (9 percent), Turkey (33.1 percent)⁵ and the United States of America (68.1 percent)⁶. Exports to the EU Member States accounted for 67.6 percent of total exports (down 5.3 percentage points from 2004 due to decline in exports to Italy, Germany, France, the United Kingdom, Greece and the Netherlands) and went mostly – over 85 percent – to Italy, Germany, France, the United Kingdom, Hungary, Austria, the Netherlands and Spain.

Table No. 12. Exports to EU by group of commodities

	- EUR mill. -		Indices (%) 2005/2004	Structure (%)	
	2004	2005		2004	2005
TOTAL	13,807	15,043	109.0	100.0	100.0
Agrifoodstuffs	391	438	112.0	2.8	2.9
Mineral products	483	724	149.9	3.5	4.8
Chemical and plastic products	701	823	117.4	5.1	5.4
Paper and wood products	511	510	99.8	3.7	3.4
Textiles, wearing apparel and footwear	5,229	5,261	100.6	37.9	35.0
Base metals	1,328	1,334	100.5	9.6	8.9
Machinery, equipment, and transport means	3,801	4,496	118.3	27.5	29.9
Other	1,363	1,457	106.9	9.9	9.7

Data source: National Institute of Statistics (NIS)

⁵ Following the surge in exports of base metals and base metal products, mineral and chemical products; it should be noted that base metals and base metal products account for over 45 percent of exports to Turkey.

⁶ Given the rise in exports of mineral and chemical products, electrical machinery, apparatus and equipment, base metals and base metal products.

Exports to the EU rose for most commodity groups⁷, special mention deserving mineral products (49.9 percent), machinery, equipment and transport means (18.3 percent), chemicals and plastic products (17.4 percent) and agrifoodstuffs (12 percent). The following commodity groups increased their contribution to export growth: machinery, equipment and transport means (by 2.4 percentage points), mineral products (by 1.3 percentage points), chemicals and plastic products (by 0.3 percentage points) and agrifoodstuffs (by 0.1 percentage points).

Romania's exports to **transition countries** added 56.4 percent year on year to EUR 1,980 million, their share in total exports increasing by 2.2 percentage points. Behind this development stood mainly exports to Bulgaria, the Ukraine and Republic of Moldova (pick-up in exports of mineral products) and the Russian Federation (soaring exports of machinery, equipment and transport means, base metals, textiles and textile products).

Exports to **developing countries** went up in terms of both value and share in total exports (by 29.7 percent and 0.8 percentage points respectively), reaching EUR 1,963 million.

The **first ten export destinations** in 2005 were the following: Italy (19.2 percent of total exports), Germany (14 percent), Turkey (7.9 percent), France (7.4 percent), United Kingdom (5.5 percent), Hungary (4.2 percent), United States of America (4.1 percent), Austria (3.1 percent), the Netherlands (2.7 percent) and Bulgaria (2.7 percent).

1.1.1.2. Imports by commodity and group of countries

a) Structure of imports

Structure of imports by output stage in 2005 shows an increase in the share of raw materials (by 2.3 percentage points to 15.7 percent), capital goods (by 0.6 percentage points to 21.1 percent) and consumer goods (by 0.2 percentage points to 15.8 percent), along with the decline in the share of intermediate goods (by 3.1 percentage points to 47.4 percent), as depicted in the table below.

Table No. 13. Imports (fob) by output stage¹⁾

	- EUR mill. -		Indices (%)	Structure (%)	
	2004	2005	2005/2004	2004	2005
TOTAL	24,258	30,061	123.9	100.0	100.0
Raw materials	3,241	4,731	146.0	13.4	15.7
Intermediate goods	12,261	14,246	116.2	50.5	47.4
Capital goods	4,963	6,342	127.8	20.5	21.1
Consumer goods	3,793	4,742	125.0	15.6	15.8

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

In 2005, import demand was upheld in a proportion of 74 percent by the same four commodity groups as in the previous years (machinery, equipment and transport means, textiles, mineral products, chemical and plastic products, and textiles, wearing apparel and footwear).

In year-on-year comparison, the shares of the following three commodity groups in total imports declined: textiles, wearing apparel and footwear (by 2.6 percentage points), chemicals and plastic products (by 0.4 percentage points), and agrifoodstuffs (by 0.3 percentage points).

⁷ Except for paper and wood products.

Table No. 14. Imports (fob) by group of commodities

	- EUR mill. -		Indices (%) 2005/2004	Structure (%)	
	2004	2005		2004	2005
TOTAL	24,258	30,061	123.9	100.0	100.0
Agrifoodstuffs	1,582	1,866	118.0	6.5	6.2
Mineral products	3,255	4,682	143.8	13.4	15.6
Chemical and plastic products	3,341	4,040	120.9	13.8	13.4
Paper and wood products	736	891	121.1	3.0	3.0
Textiles, wearing apparel and footwear	3,361	3,408	101.4	13.9	11.3
Base metals	2,030	2,655	130.8	8.4	8.8
Machinery, equipment and transport means	8,010	10,116	126.3	33.0	33.7
Other	1,943	2,403	123.7	8.0	8.0

Source: National Institute of Statistics (NIS)

Imports of **consumer goods** (non-durables and durables) totalled EUR 5,398.3 million, up 34 percent from 2004 (with imports of non-durables and durables going up 26.4 percent and 46.8 percent respectively).

The structure of imports by **customs regime**⁸ shows that the share of temporary imports contracted by 2.9 percentage points from 2004, to 23 percent of total, while the share of definitive imports expanded to 76.2 percent of total imports.

b) Geographical distribution of imports

Romania's imports came mainly from **developed countries** (73.7 percent of total imports), **transition countries** (15.6 percent) and **developing countries** (10.4 percent).

Table No. 15. Imports (fob) by group of countries

	- EUR mill. -		Indices (%) 2005/2004	Structure (%)	
	2004	2005		2004	2005
TOTAL	24,258	30,061	123.9	100.0	100.0
1. Developed countries	18,415	22,156	120.3	75.9	73.7
<i>of which:</i>					
- European Union	15,751	18,692	118.7	64.9	62.2
- Turkey	1,013	1,461	144.2	4.2	4.9
- USA	695	828	119.1	2.9	2.8
- Japan	326	433	132.8	1.3	1.4
2. Transition countries	3,524	4,693	133.2	14.5	15.6
<i>of which:</i>					
- Russian Federation	1,654	2,483	150.1	6.8	8.3
- Ukraine	661	386	58.4	2.7	1.3
- Bulgaria	261	292	111.9	1.1	1.0
3. Developing countries	2,248	3,137	139.5	9.3	10.4
4. Countries not specified¹⁾	71	75	105.6	0.3	0.3

Source: National Institute of Statistics (NIS)

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

⁸ Data source: National Institute of Statistics and Customs General Department.

Imports from **developed countries** increased by 20.3 percent from 2004 to EUR 22,156 million, due to the rise of imports from the European Union (18.7 percent), Turkey (44.2 percent), USA (19.1 percent) and Japan (32.8 percent).

Table No. 16. Imports (fob) from EU by group of commodities

	- EUR mill. -		Indices (%) 2005/2004	Structure (%)	
	2004	2005		2004	2005
TOTAL	15,751	18,692	118.7	100.0	100.0
Agrifoodstuffs	816	986	120.8	5.2	5.3
Mineral products	237	381	160.8	1.5	2.0
Chemical and plastic products	2,604	3,109	119.4	16.5	16.6
Paper and wood products	624	758	121.5	4.0	4.1
Textiles, wearing apparel, and footwear	2,775	2,638	95.1	17.6	14.1
Base metals	1,368	1,789	130.8	8.7	9.6
Machinery, equipment, and transport means	5,785	7,212	124.7	36.7	38.6
Other	1,542	1,819	118.0	9.8	9.7

Source: National Institute of Statistics

Imports from Member States of European Union accounted for 62.2 percent of total imports in 2005 (down 2.7 percentage points versus 2004 as a result of decline in imports from Italy, Germany, France, the United Kingdom), with imports from Italy, Germany, France, Austria, Hungary, Poland, the United Kingdom, the Czech Republic and Spain accounting for more than 85 percent of total.

Imports from the European Union posted increases for all commodity groups⁹, with imports of mineral products, base metals, machinery, equipment and transport means recording a sharper increase (60.8 percent, 30.8 percent and 24.7 percent respectively).

Imports from **transition countries** rose 33.2 percent versus 2004, totalling EUR 4,693 million. The share of imports from transition countries expanded by 1.1 percentage points in total imports to 15.6 percent, on account of the increase in imports of mineral products from Russian Federation and Kazakhstan.

Imports from **developing countries** equalled EUR 3,137 million, increasing in terms of both value and share from 2004 (by 39.5 percent and 1.1 percentage points respectively).

The following **ten countries** were Romania's largest source of imports: Italy (15.5 percent of total), Germany (14 percent), Russian Federation (8.3 percent), France (6.7 percent), Turkey (4.9 percent), China (4.1 percent), Austria (3.7 percent), Hungary (3.3 percent), Kazakhstan (3.3 percent), and Poland (2.9 percent).

1.1.1.3. Currency structure and efficiency of foreign trade

By currency, the weight of exports denominated in US dollars rose by 3 percentage points while the weight of exports denominated in euros and in other currencies dropped. The weight of EUR- and USD-denominated imports rose by 0.3 percentage points and 0.1 percentage points respectively, to the detriment of imports in other currencies.

⁹ Except for textiles, wearing apparel and footwear.

Table No. 17. Foreign trade by currency

	- percent -			
	Exports		Imports	
	2004	2005	2004	2005
TOTAL	100.0	100.0	100.0	100.0
EUR	66.3	64.3	70.8	71.1
USD	28.5	31.5	25.6	25.7
Other	5.2	4.2	3.6	3.2

Source: Customs General Department

Net terms of trade index¹⁰ rose to 104 percent amid higher prices for exports (9.5 percent) than prices for imports (5.3 percent). **Gross terms of trade index**¹⁰ stood at 91.2 percent, showing that import volume increased faster than that of exports (17.7 percent compared with 7.3 percent).

Table No. 18. Foreign trade efficiency

	- percent -	
	2004	2005
Value indices	previous year = 100	
Exports	121.3	117.5
Imports	124.0	123.9
Unit value indices ¹⁾		
Exports	105.1	109.5
Imports	100.7	105.3
Volume indices		
Exports	115.4	107.3
Imports	123.1	117.7
Terms of trade index		
net (unit value)	104.3	104.0
gross (volume)	93.8	91.2
Export purchasing power index	120.4	111.6

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 16,066 million), 23.4 percent higher than in 2004. Imports by the private sector amounted to EUR 23,686 million, up 30.7 percent, accounting for 78.8 percent of total imports (74.7 percent in 2004). Coverage of imports through exports in the private sector dropped by 4 percentage points from 2004, reaching 67.8 percent.

Table No. 19. Private sector foreign trade

	M.U.	2004	2005	Indices (%) 2005/2004
Exports (fob)	EUR mill.	13,018	16,066	123.4
as a share of total exports	%	68.8	72.2	x
Imports (fob)	EUR mill.	18,119	23,686	130.7
as a share of total imports	%	74.7	78.8	x
Trade balance	EUR mill.	-5,101	-7,620	149.4
Coverage of imports through exports	%	71.8	67.8	x

Data source: Customs General Department

¹⁰ Data source: National Institute of Statistics.

1.1.1.5. Balance on energy resources

Balance on energy resources posted a deficit of EUR 1,820 million¹¹, up 14.3 percent year on year, while coverage of imports of energy products through exports of such products rose by 12 percentage points to 56.6 percent. The deficit of balance on energy resources rose by EUR 228 million, due mainly to the rise in imports of natural gas, while the twofold increase in exports of petroleum products offset about 90 percent of imports of crude oil.

Exports of energy products amounted to EUR 2,378 million¹², up 85.5 percent from 2004. Export value of energy resources increased by EUR 1,096 million from 2004, of which the increase in external prices and in volume accounted for 59.2 percent and 40.8 percent respectively of the rise in export value.

Imports of energy products amounted to EUR 4,198 million¹³, up 46.1 percent from 2004. Import value of energy resources increased by EUR 1,324 million from 2004, with the rise in external prices and in volume contributing 87 percent and 13 percent respectively to the expansion in import value.

Table No. 20. Net imports (fob) of energy products

	- EUR mill. -	
	2004	2005
TOTAL	-1,592	-1,820
Natural gas	-557	-838
Electricity	9	74
Crude oil	-1,418	-2,456
Petroleum products	875	1,874
Mineral fuels	-501	-474

Data source: Customs General Department

1.1.2. Services balance

The services balance posted a deficit of EUR 349 million¹⁴, up 63.8 percent from 2004, triggered by the drop to about 50 percent of the ratio between receipts and payments of “goods transport”. “Tourism-travel” was the only component of services balance which displayed a surplus.

Table No. 21. Services balance

	- EUR mill. -		Indices (%) 2005/2004	Structure (%)	
	2004	2005		2004	2005
Receipts	2,903	4,102	141.3	100.0	100.0
transport	1,252	1,188	94.9	43.1	29.0
tourism-travel	406	852	209.9	14.0	20.8
other	1,245	2,062	165.6	42.9	50.2
Payments	3,116	4,451	142.8	100.0	100.0
transport	1,206	1,583	131.3	38.7	35.6
tourism-travel	434	750	172.8	13.9	16.9
other	1,476	2,118	143.5	47.4	47.5
Net	-213	-349	163.8		
transport	46	-395	x		
tourism-travel	-28	102	x		
other	-231	-56	24.2		

¹¹ Dropped as a share of trade deficit from 29.9 percent in 2004 to 23.3 percent in 2005.

¹² Increased as a share of total exports from 6.8 percent in 2004 to 10.7 percent in 2005.

¹³ Increased as a share of total imports from 11.8 percent in 2004 to 14 percent in 2005.

¹⁴ Accounting for 5.1 percent of current account deficit compared with 4.2 percent in 2004.

Receipts from services amounted to EUR 4,102 million, up 41.3 percent from 2004 due to tourism-travel and other services, while **transport receipts** dropped by 5.1 percent. **Services payments** equalled EUR 4,451 million, up 42.8 percent due to the rise in all components.

1.1.2.1. Transport services

The analysis of main developments of transport services shows that receipts declined by 5.1 percent and payments stood 31.3 percent higher, the balance posting a deficit of EUR 395 million compared with EUR 46 million in 2004. The deficit recorded by goods transport was offset by the surplus of passenger transport and of other transport services.

Table No. 22. Transport services

	- EUR mill. -		Indices (%) 2005/2004	Structure (%)	
	2004	2005		2004	2005
Receipts	1,252	1,188	94.9	100.0	100.0
freight (goods transport)	864	670	77.5	69.0	56.4
passenger transport	84	221	263.1	6.7	18.6
other transport services	304	297	97.7	24.3	25.0
Payments	1,206	1,583	131.3	100.0	100.0
freight (goods transport)	1,026	1,355	132.1	85.1	85.6
passenger transport	107	120	112.1	8.9	7.6
other transport services	73	108	147.9	6.0	6.8
Net	46	-395	x		
freight (goods transport)	-162	-685	422.8		
passenger transport	-23	101	x		
other transport services	231	189	81.8		

“Goods transport” posted a deficit of EUR 685 million, 4.2 times higher from 2004, amid the drop in receipts of motor transport and faster rise in payments of sea and motor transport, while other “transport services” posted a surplus of EUR 189 million, down 18.2 percent, as a result of air transport services.

“Passenger transport” recorded a surplus of EUR 101 million, compared with a deficit of EUR 23 million in 2004, due to the three time increase in receipts of air transport.

1.1.2.2. Tourism-travel services

The deficit under “Tourism-travel” of EUR 28 million in 2004 reverted to a surplus of EUR 102 million in 2005, given that receipts doubled.

Table No. 23. Tourism-travel services

	- EUR mill. -		Indices (%) 2005/2004	Structure (%)	
	2004	2005		2004	2005
Receipts	406	852	209.9	100.0	100.0
business travel	40	418	1,045.0	9.9	49.1
personal travel	366	434	118.6	90.1	50.9
Payments	434	750	172.8	100.0	100.0
business travel	258	520	201.6	59.4	69.3
personal travel	176	230	130.7	40.6	30.7
Net	-28	102	x		
business travel	-218	-102	46.8		
personal travel	190	204	107.4		

1.1.2.3. Other services

In 2005, "Other services" posted a deficit of EUR 56 million, down more than 75 percent from 2004, due to faster increase in receipts than in payments. The deficit narrowed due to communication, merchanting, advertising, marketing, opinion polls and inter-agency services.

Table No. 24. Other services

	- EUR mill. -		Indices (%)	Structure (%)	
	2004	2005	2005/2004	2004	2005
Receipts, of which:	1,245	2,062	165.6	100.0	100.0
inter-subsidiaries services	276	260	94.2	22.2	12.6
communication services	237	541	228.3	19.0	26.2
personal, culture and leisure services	135	22	16.3	10.8	1.1
IT services	114	268	235.1	9.2	13.0
construction services	97	157	161.9	7.8	7.6
legal, accounting consulting, management services	83	193	232.5	6.7	9.4
architecture, engineering and other technical services	75	104	138.7	6.0	5.0
insurance services	21	23	109.5	1.7	1.1
advertising, marketing and opinion polls	45	118	262.2	3.6	5.7
Payments, of which:	1,476	2,118	143.5	100.0	100.0
inter-subsidiaries services	362	109	30.1	24.5	5.1
communication services	162	289	178.4	11.0	13.6
personal, culture and leisure services	82	17	20.7	5.6	0.8
IT services	65	283	435.4	4.4	13.4
construction services	69	158	229.0	4.7	7.5
legal, accounting consulting, management services	184	400	217.4	12.5	18.9
architecture, engineering and other technical services	129	127	98.4	8.7	6.0
insurance services	89	105	118.0	6.0	5.0
advertising, marketing and opinion polls	35	79	225.7	2.4	3.7
Net, of which:	-231	-56	24.2		
inter-subsidiaries services	-86	151	x		
communication services	75	252	336.0		
personal, culture and leisure services	53	5	9.4		
IT services	49	-15	x		
construction services	28	-1	x		
legal, accounting consulting, management services	-101	-207	205.0		
architecture, engineering and other technical services	-54	-23	42.6		
insurance services	-68	-82	120.6		
advertising, marketing and opinion polls	10	39	390.0		

1.2. Income balance

The income balance posted a deficit of EUR 2,326 million (one third the current account deficit), 8.2 percent lower than that recorded in 2004, due to increase in compensation of employees.

Table No. 25. Income balance

	- EUR mill. -		Indices (%) 2005/2004	Structure (%)	
	2004	2005		2004	2005
Receipts	329	1,241	377.2	100.0	100.0
compensation of employees	91	771	847.3	27.7	62.2
direct investment	8	-61	x	2.4	-4.9
portfolio investment	167	394	235.9	50.8	31.7
other capital investment (interest)	63	137	217.5	19.1	11.0
Payments	2,864	3,567	124.5	100.0	100.0
compensation of employees	5	19	380.0	0.2	0.5
direct investment	2,086	2,353	112.8	72.8	66.0
portfolio investment	258	464	179.8	9.0	13.0
other capital investment (interest)	515	731	141.9	18.0	20.5
Net	-2,535	-2,326	91.8		
compensation of employees	86	752	874.4		
direct investment	-2,078	-2,414	116.2		
portfolio investment	-91	-70	76.9		
other capital investment (interest)	-452	-594	131.4		

1.3. Current transfers balance

The balance of current transfers posted a surplus of EUR 3,593 million, about 21 percent higher than in 2004, due to private transfers whose share in total transfers increased by 2.3 percentage points, as a result of the acceleration of money flows to residents.

Table No. 26. Current transfers balance

	- EUR mill. -		Indices (%) 2005/2004	Structure (%)	
	2004	2005		2004	2005
Receipts	3,366	4,082	121.3	100.0	100.0
Government sector	171	156	91.2	5.1	3.8
Private transfers	3,195	3,926	122.9	94.9	96.2
Payments	394	489	124.1	100.0	100.0
Government sector	45	86	191.1	11.4	17.6
Private transfers	349	403	115.5	88.6	82.4
Net	2,972	3,593	120.9	100.0	100.0
Government sector	126	70	55.6	4.2	1.9
Private transfers	2,846	3,523	123.8	95.8	98.1

The funds received by Romania under PHARE technical assistance amounted to EUR 489 million¹⁵, of which non-redeemable technical assistance in the form of consulting services and training courses (current transfers) equalled EUR 98 million and equipment purchase (capital transfers) amounted to EUR 391 million.

¹⁵ Data source: Ministry of Public Finance.

2. Capital and financial account

The balance on capital and financial account equalled EUR 6,483 million, 53.8 percent higher than in 2004, due to the following developments recorded by capital and financial account components:

- the increase in direct investment although privatization receipts declined to EUR 0.8 billion from EUR 1.7 billion;
- the significant growth of portfolio investment following the Eurobonds launched by the Mayorality of Bucharest Municipality (EUR 500 million, on Luxembourg market) and by Banca Comercială Română (EUR 500 million, on London market);
- 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;
- the increase in the NBR's reserve assets following foreign exchange purchases off the interbank market, credit institutions' minimum reserves in foreign currency, loans from the IBRD (under the PSAL and SAPARD programmes), privatisation receipts and other net inflows;
- lower absorption capacity of funds intended for purchase of equipment under PHARE programme of non-redeemable technical assistance.

Table No. 27. Capital and financial account

	- EUR mill. -		Indices (%) 2005/2004	Structure (%)	
	2004	2005		2004	2005
Credit	15,885	37,187	234.1	100.0	100.0
capital transfers	532	661	124.2	3.3	1.8
aquisition-disposal of non-produced/ non-financial assets	...	14	x	x	0.0
direct investment	6,595	8,313	126.1	41.5	22.4
portfolio investment	431	4,322	1002.8	2.7	11.6
financial derivatives	...	29	x	x	0.1
other investment	8,327	23,848	286.4	52.5	64.1
Debit	11,670	30,704	263.1	100.0	100.0
capital transfers	20	65	325.0	0.2	0.2
aquisition-disposal of non-produced/ non-financial assets	...	15	x	x	0.0
direct investment	1,468	3,076	209.5	12.6	10.0
portfolio investment	847	3,544	418.4	7.3	11.5
financial derivatives	...	50	x	x	0.2
other investment	4,496	18,520	411.9	38.4	60.4
NBR reserve assets	4,839	5,434	112.3	41.5	17.7
Net	4,215	6,483	153.8		
capital transfers	512	596	116.4		
aquisition-disposal of non-produced/ non-financial assets	...	-1	x		
direct investment	5,127	5,237	102.1		
portfolio investment	-416	778	x		
financial derivatives	...	-21	x		
other investment	3,831	5,328	139.1		
NBR reserve assets	-4,839	-5,434	112.3		

Financial account assets point out the changes recorded by residents' investment abroad, purchases of foreign securities, financial derivatives, deposits with banks abroad, loans and official reserves. In 2005, foreign assets increased by EUR 6,505 million, compared with EUR 5,486 million in 2004, as a result of the surge in foreign exchange reserve managed by the central bank and the expansion in deposits of residents abroad.

Table No. 28. Foreign assets and liabilities

- EUR mill. -

	2004			2005		
	Credit	Debit	Net	Credit	Debit	Net
Foreign assets	594	6,080	-5,486	9,076	15,581	-6,505
direct investment	9	65	-56	8	-16	24
portfolio investment	2	433	-431	2,513	2,638	-125
financial derivatives	...	...	...	29	0	29
other investment	583	743	-160	6,526	7,525	-999
NBR reserve assets	-	4,839	-4,839	-	5,434	-5,434
Foreign liabilities	14,759	5,570	9,189	27,436	15,043	12,393
direct investment	6,586	1,403	5,183	8,305	3,092	5,213
portfolio investment	429	414	15	1,809	906	903
financial derivatives	...	...	...	0	50	-50
other investment	7,744	3,753	3,991	17,322	10,995	6,327

Financial account liabilities show investment by non-residents in Romania, deposits of non-residents, financial derivatives and loans and borrowings. Foreign liabilities rose by EUR 12,393 million, compared with EUR 9,189 million in 2004, due to the increase in portfolio investment and other investment (credits and deposits of non-residents in Romania).

2.1. Direct investment

Net direct investment¹⁶ totalled EUR 5,237 million, 2.1 percent higher than in 2004, amid the rise in non-residents' direct investment in Romania and repatriation of investment abroad by residents. **Non-residents' net direct investment in Romania** amounted to EUR 5,213 million, up 0.6 percent from 2004, of which share capital and intra-group loans¹⁷ accounted for about 80 percent, the remainder representing the reinvested profits and in-kind contributions to share capital. Privatisation receipts triggered the rise in share capital by EUR 0.8 billion compared with EUR 1.7 billion in 2004. Privatisation deals concluded in 2005 were the following: Distrigaz Sud (Gaz de France), Distrigaz Nord (the German company E.ON Ruhrgas), Electrica S.A. (the Italian Company Enel), Electrica Oltenia (CEZ AS Prague), Electrica Moldova (the German Company E.ON Energie). The net value of intra-group loans amounted to EUR 1,361 million, nearly twice as high as the value recorded in 2004¹⁸.

¹⁶ Non-residents' investment in Romania and residents' investment abroad.

¹⁷ Credits between foreign investors and resident firms.

¹⁸ Most of such loans came from the Netherlands, Austria, Italy, France, Germany.

Table No. 29. Direct investment

	- EUR mill. -		Indices (%) 2005/2004	Structure (%)	
	2004	2005		2004	2005
Credit	6,595	8,313	126.1	100.0	100.0
- investment by non-residents in Romania	6,586	8,305	126.1	99.9	99.9
- investment by residents abroad	9	8	88.9	0.1	0.1
Debit	1,468	3,076	209.5	100.0	100.0
- investment by non-residents in Romania	1,403	3,092	220.4	95.6	100.5
- investment by residents abroad	65	-16	x	4.4	-0.5
Net	5,127	5,237	102.1		
- investment by non-residents in Romania	5,183	5,213	100.6		
- investment by residents abroad	-56	24	x		

The balance of FDI in Romania equalled EUR 21,885 million at end-2005. FDI were channelled mostly to industry (48.8 percent), trade (15 percent), financial intermediation and insurance (14.5 percent), post and telecommunication (10.9 percent), services to companies¹⁹ (7.7 percent), transport (1.3 percent) and construction (0.8 percent). The main investors were: the Netherlands (19.5 percent), Austria (15.4 percent), Germany (10.7 percent), Greece (8.5 percent), France (8.4 percent), Switzerland (7.1 percent), Italy (6.9 percent), Cyprus (3.7 percent), and the USA (2.6 percent).

2.2. Portfolio investment

Net inflows from portfolio investment equalled EUR 778 million, compared with net outflows worth EUR 416 million in 2004.

Net portfolio investment by non-residents in Romania amounted to EUR 903 million, compared with EUR 15 million in 2004, as a result of Eurobonds issued by Mayorality of Bucharest Municipality (EUR 500 million on Luxembourg market) and by BCR (EUR 500 million on London market). In November 2005, the Ministry of Public Finance redeemed Eurobonds worth EUR 300 million, which had been issued in 2000 and 2001.

Table No. 30. Portfolio investment

	- EUR mill. -					
	2004			2005		
	Credit	Debit	Net	Credit	Debit	Net
Assets	2	433	-431	2,513	2,638	-125
Banks	0	422	-422	2,261	1,991	270
Non-banks	2	11	-9	252	647	-395
Liabilities	429	414	15	1,809	906	903
Banks	33	0	33	650	139	511
Government sector	18	0	18	494	301	193
Other sectors	378	414	-36	665	466	199

¹⁹ Real estate transactions, renting, services delivered to companies in particular.

2.3. Financing of the current account deficit

In 2005, about 85 percent of the current account deficit was covered by direct investment and capital transfers, while the remainder was covered by portfolio investment and medium- and long-term loans.

Table No. 31. Financing of the current account deficit

	- EUR mill. -	
	2004	2005
Financing sources	5,099	6,888
a. capital transfers, net	512	596
b. direct investment, net	5,127	5,237
c. portfolio investment, net	-416	778
d. other capital investments:	4,715	5,711
- medium- and long-term loans	2,226	3,122
inflows	4,918	6,653
repayments	2,692	3,531
- medium- and long-term loans, net	-28	13
- short-term loans, net	1,035	903
- other investments ¹⁾	1,482	1,673
e. NBR's reserve assets ("-" shows an increase)	-4,839	-5,434

¹⁾ Net value of the items non-produced/non-financial assets, financial derivatives, cash and deposits, other assets, other liabilities, errors and omissions is included.

Net capital transfers increased 16.4 percent from 2004, equalling EUR 596 million, of which purchases of equipment with PHARE funds totalled EUR 391 million²⁰.

Net inflows from **medium- and long-term loans** ran at EUR 3,122 million, up 40.3 percent than in 2004, due to the larger volume of loans to banks and non-banks. In 2005, inflows from medium- and long-term loans and credits stood at EUR 6,653 million, while repayments totalled EUR 3,531 million, both on the rise from the previous year, by 35.3 percent and 31.2 percent respectively. Net inflows from **short-term loans and credits** dropped by about 13 percent from 2004, reaching EUR 903 million.

²⁰ Data source: Ministry of Public Finance.

B. Romania's international investment position

1. General features

The debit balance of Romania's international investment position kept worsening, amounting to EUR 23.4 billion at end-2005, up EUR 6.9 billion from a year earlier. Behind this development stood net external transactions (EUR 5,889 million), alongside exchange rate gains (EUR 1,174 million), revaluation of prices of financial instruments (EUR 159 million), and other transactions (EUR -309 million).

Keeping the main macroeconomic indicators at normal levels and further strengthening the domestic economic environment helped improve the perception of foreign investors and creditors, entailing the increase in capital inflows of foreign loans and investment. At end-2005, Romania's gross external debt stood at EUR 31.1 billion, while the amount of foreign capital in the Romanian companies reached EUR 17.5 billion, as compared with EUR 12 billion a year earlier.

The National Bank of Romania continued to strengthen its official reserve, amid substantial capital inflows. At end-2005, Romania's international reserve ran at EUR 18.3 billion. The main drivers of the increase in forex reserves were the purchases by the monetary authority, inflows to the minimum reserves, privatisation proceeds, and foreign borrowings.

At end-2005, foreign assets (gold excluded) came in at EUR 17.9 billion, EUR 5.8 billion higher year on year, amid the increase by EUR 5.9 billion in the NBR's forex reserves and the drop by EUR 0.1 billion in the banks' forex reserves. Thus, the official reserve (gold included) covered 6.3 months of imports against 5.2 months in 2004.

Table No. 32. Foreign reserve assets

	31.12.2004	31.12.2005
		- EUR mill. -
1. National Bank of Romania	11,933	18,259
gold	1,085	1,461
convertible currencies	10,848	16,798
2. Banks	1,220	1,103
convertible currencies	1,220	1,103
3. Foreign reserve assets	13,153	19,362
<i>of which:</i>		
3.1. convertible currencies	12,068	17,901
4. Foreign liabilities	1,398	2,633
Net international reserves	11,755	16,729
<i>(item 3-item 4)</i>		
<i>of which:</i>		
Net foreign exchange reserves	10,670	15,268
<i>(item 3.1-item 4)</i>		

During 2005, Romania's short-term external debt doubled, so that at year-end it amounted to EUR 6.5 billion, or 20.9 percent of gross external debt. The increase in short-term debt also boosted debt repayments, which totalled EUR 13.6 billion in 2005. Out of this amount, EUR 8.3 billion represented repayments on short-term debt, while medium- and long-term external debt servicing ran at EUR 5.3 billion. In 2005, external debt service ratio reached 51.5 percent, due mainly to the rise in principal repayments on short-term debt, while the ratio between external debt service and

official reserve stood at 74.4 percent at year-end. The share of gross external debt in GDP remained within normal limits (39.2 percent), up 3.8 percentage points from end-2004, while the ratio between gross external debt and exports of goods and services accounted for 117.9 percent. Better borrowing conditions in recent years led to a rise of only 0.5 percentage points in the share of interest in total exports, from 3.9 percent to 4.4 percent year over year.

Table No. 33. Medium- and long-term external debt by creditor

	31.12.2004	%	31.12.2005	%
	- EUR mill. -			
TOTAL	18,298	100.0	24,593	100.0
<i>International financial institutions</i>	5,181	28.3	5,706	23.2
IMF	325	1.8	221	0.9
IBRD	1,819	9.9	2,088	8.5
EIB	1,530	8.4	1,647	6.7
EBRD	881	4.8	815	3.3
<i>Bilateral relations</i>	533	2.9	486	2.0
Canada	62	0.3	22	0.1
Germany	131	0.7	137	0.6
Italy	44	0.2	21	0.1
Austria	85	0.5	75	0.3
<i>Portfolio investment</i>	2,844	15.5	3,476	14.1
CS First Boston Switzerland	600	3.3	600	2.4
Deutsche Bank	1,400	7.7	1,400	5.7
Ing Bank Barings	300	1.6	0	0.0
JP Morgan	0	0.0	500	2.0
<i>Private banks</i>	5,302	29.0	9,204	37.4
Germany	686	3.7	854	3.5
France	723	4.0	1,168	4.7
USA	158	0.9	208	0.8
United Kingdom	530	2.9	788	3.2
Netherlands	873	4.8	1,229	5.0
<i>Supplier credit</i>	287	1.6	211	0.9
Greece	72	0.4	4	0.0
Switzerland	116	0.6	115	0.5
Other	4,151	22.7	5,510	22.4

External debt service amounted to EUR 13,578 million, of which principal repayments were worth EUR 12,415 million, and interest and commissions came to EUR 1,163 million. By term structure, the share of short-term external debt service grew from 19 percent in 2004 to 60.9 percent in 2005, against the background of the dwindling share of medium- and long-term external debt service from 81 percent to 39.1 percent.

Medium- and long-term external debt added 34.4 percent to EUR 24,593 million year over year, due to net inflows tantamount to EUR 5,467 million, the EUR/USD exchange rate gains (EUR 989 million) and some debt-to-equity swaps (EUR -161 million).

At end-2005, **medium- and long-term external debt by creditor** shows that private creditors made up 74.8 percent (up 6 percentage points year on year) and international financial institutions accounted for 25.2 percent. As concerns private creditors, banks accounted for 50 percent, foreign companies for 31.1 percent, and portfolio investment for 18.9 percent.

Medium- and long-term external debt by currency indicates that the euro was in the lead (63.4 percent, up 1.9 percentage points from end-2004), followed by the US dollar (27.7 percent, down 4.3 percentage points), and other currencies (8.9 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. 34. Forex reserves and medium- and long-term external debt by currency

	- EUR mill. -							
	Forex reserves				Medium- and long-term external debt			
	31.12.2004	%	31.12.2005	%	31.12.2004	%	31.12.2005	%
TOTAL	12,066	100.0	17,900	100.0	18,298	100.0	24,593	100.0
EUR	7,306	60.6	11,580	64.7	11,247	61.5	15,583	63.4
USD	3,983	33.0	5,397	30.2	5,864	32.0	6,822	27.7
Other	771	6.4	923	5.2	1,187	6.5	2,188	8.9

Medium- and long-term external debt by debtor shows that private debt held the largest share, i.e. 54.1 percent (up 9 percentage points against the previous year), followed by public debt (28.2 percent) and publicly guaranteed debt (17.7 percent).

Table No. 35. Medium- and long-term external debt by debtor

	- EUR mill. -			
	31.12.2004	%	31.12.2005	%
TOTAL	18,298	100.0	24,593	100.0
Public debt	6,370	34.8	6,935	28.2
Publicly guaranteed debt	3,678	20.1	4,348	17.7
Private debt	8,250	45.1	13,310	54.1

At end-2005, external private debt equalled EUR 13,310 million, up 61.3 percent from the prior year. This was the result of net capital inflows to the tune of EUR 4,794 million and losses due to the depreciation of the euro against the US dollar (EUR 427 million). Moreover, some debt-to-equity swaps contained the rise in external private debt (EUR -161 million).

Analysis of the **national economy by sector** shows the following distribution of external private debt: financial, banking and insurance activities (23 percent), manufacturing (10.6 percent), transport and warehousing (9.2 percent), electricity, heating, gas and water sector (9 percent), government sector (6 percent), real estate transactions, rentals and services rendered mainly to companies (6 percent). Most foreign borrowings were channelled to the following sub-sectors: chemicals and man-made fibres (12.7 percent), food, beverages and tobacco (12.2 percent), furniture (11.5 percent), processing of rubber and plastics (9.6 percent) and metallurgy (8.8 percent).

Table No. 36. Medium- and long-term external debt by maturity

- EUR mill. -

	31.12.2004	%	31.12.2005	%
TOTAL	18,298	100.0	24,593	100.0
1-5 years	5,445	29.8	8,311	33.8
Public debt	307	1.7	3	0.0
Publicly guaranteed debt	1,118	6.1	1,052	4.3
Private debt	4,020	22.0	7,256	29.5
more than 5 years	12,853	70.2	16,282	66.2
Public debt	6,064	33.1	6,931	28.2
Publicly guaranteed debt	2,559	14.0	3,296	13.4
Private debt	4,230	23.1	6,055	24.6

Medium- and long-term external debt by maturity at end-2005 points out that long-term debt held the largest share (66.2 percent) and derived chiefly from borrowings considered as public and publicly guaranteed debt, whereas medium-term debt accounted for 33.8 percent.

Table No. 37. External debt by type of interest

- EUR mill. -

	31.12.2004	%	31.12.2005	%
TOTAL	18,298	100.0	24,593	100.0
Floating interest	10,209	55.8	14,562	59.2
IBRD STANDARD INTEREST	591	3.2	563	2.3
IMF STANDARD INTEREST	325	1.8	221	0.9
1-month LIBOR USD	124	0.7	129	0.5
3-month LIBOR USD	1,167	6.4	1,318	5.4
6-month LIBOR USD	3,092	16.9	3,833	15.6
12-month LIBOR USD	230	1.3	207	0.8
6-month LIBOR EUR	190	1.0	653	2.7
3-month EURIBOR	1,013	5.5	2,038	8.3
6-month EURIBOR	2,484	13.6	3,969	16.1
Fixed interest	8,089	44.2	10,031	40.8
0.0-4.99%	2,705	14.8	4,336	17.6
5.0-9.99%	3,579	19.6	4,208	17.1
over 10.0%	1,805	9.9	1,487	6.0

Medium- and long-term external debt by type of interest shows that floating-rate borrowings accounted for 59.2 percent of total, up 3.4 percentage points from end-2004. The most frequently resorted-to floating rates were 6-month EURIBOR (16.1 percent), 6-month LIBOR USD (15.6 percent) and 3-month EURIBOR (8.3 percent). Fixed-rate foreign borrowings made up 40.8 percent of total. The share of foreign borrowings with fixed interest of more than 5 percent narrowed after the upgrading of the country rating.

2. International investment position

The monetary authority was still the sole institutional sector posting a net creditor position at end-2005 (EUR 18,026 million, up 56.5 percent year over year), owing mainly to the accelerated rise in official forex reserves. The net debtor position of the banking sector widened (EUR -8,769 million, 2.4 times higher from end-2004), as a result of the twofold increase in the external debt of credit institutions. Government sector and non-banks further posted net debtor positions (EUR -6,211 million and EUR -26,413 million respectively), following the rise in public external debt and in foreign direct investment in the real sector.

2.1. Direct investment

At end-2005, the stock of direct investment came in at EUR 21,704 million²¹, up 46.3 percent year on year, due to the 45.5 percent surge in non-residents' direct investment in Romania to as much as EUR 21,885 million.

2.1.1. Foreign assets

As at year-end 2005, direct investment by residents abroad totalled EUR 181 million, 9.5 percent lower than at end-2004, due largely to losses incurred by Romanian companies operating abroad. The share of banks' equity stakes and reinvested profits in total direct investment by residents abroad widened 33.4 percentage points, amid the 85.7 percent decrease in those by resident companies as a result of losses.

2.1.2. Foreign liabilities

At end-2005, the stock of direct investment in Romania amounted to EUR 21,885 million, up 45.5 percent over the year before, as a result of net capital inflows worth EUR 5,212 million. Movements in stock prices, in the exchange rate (3 percent and 6.8 percent respectively), and other changes (1 percent) helped boost direct investment in Romania. The major foreign investors as of 31 December 2005 came from the Netherlands (19.5 percent), Austria (15.4 percent), Germany (10.7 percent), Greece (8.5 percent), France (8.4 percent), Switzerland (7.1 percent) and Italy (6.9 percent)²².

Table No. 38. Medium- and long-term loans from foreign investors by country

	- EUR mill. -			
	31.12.2004	%	31.12.2005	%
TOTAL	2,648	100.0	4,002	100.0
Banking sector	100	3.8	367	9.2
France	0	0.0	100	2.5
Ireland	0	0.0	30	0.7
Greece	12	0.5	127	3.2
Austria	88	3.3	108	2.7
Other sectors	2,548	96.2	3,635	90.8
Austria	262	9.9	403	10.1
Cyprus	92	3.5	133	3.3
France	149	5.6	193	4.8
Germany	209	7.9	275	6.9
Switzerland	131	4.9	186	4.6
Italy	244	9.2	328	8.2
Israel	16	0.6	39	1.0
Ireland	11	0.4	10	0.2
British Virgin Islands	96	3.6	102	2.5
Channel Islands	79	3.0	99	2.5
Luxembourg	60	2.3	91	2.3
United Kingdom	116	4.4	209	5.2
Norway	17	0.6	37	0.9
Netherlands	755	28.5	1,081	27.0
USA	36	1.4	46	1.1
Spain	59	2.2	90	2.2
Hungary	19	0.7	14	0.3
Other	216	8.2	313	7.8

²¹ The stock of direct investment is calculated as the difference between assets – investment by residents abroad (EUR 181 million) and liabilities – investment by non-residents in Romania (EUR 21,885 million).

²² Survey on direct foreign investment in Romania as of 31 December 2005.

In 2005, equity stakes and reinvested profits contributed to the 69.3 percent rise in foreign direct investment in the banking sector against 2004. From a territorial point of view, foreign direct investment went mainly to Bucharest-Ilfov region (60.6 percent), followed by the South-East region (8.4 percent), Centre (7.4 percent), West (6.8 percent), South (6.3 percent), North-West (5.8 percent), South-West (3.4 percent), and North-East (1.3 percent).

2.2. Portfolio investment

The debit balance of portfolio investment at end-2005 was EUR 3,751 million, up 21.2 percent year on year. Behind this development stood the purchase of foreign securities by non-banks, redemptions by banks, and the growing interest of foreign investors in financial instruments issued by Romanian entities.

2.2.1. Foreign assets

Portfolio investment by type of investment shows that the value of bonds purchased by banks fell 61.8 percent, due widely to redemptions by non-residents. Non-banks reported a significant increase of investments in debt securities; the share of these investments in total portfolio investment rose from 0.9 percent at end-2004 to 49.9 percent as of 31 December 2005, on the back of bond purchases. The weight of shares in total portfolio investment widened by 19 percentage points over the year before as a result of a larger stock held by non-banks.

Table No. 39. Portfolio investment (foreign assets)

	- EUR mill. -			
	12.31.2004	%	12.31.2005	%
TOTAL	445	100.0	613	100.0
<i>Shares</i>	22	4.9	147	24.0
banking sector	7	1.6	14	2.3
other sectors	15	3.4	133	21.7
<i>Money market instruments and bonds</i>	423	95.1	466	76.0
banking sector	419	94.2	160	26.1
other sectors	4	0.9	306	49.9

2.2.2. Foreign liabilities

Foreign liabilities associated with portfolio investment moved ahead EUR 823 million as compared with end-2004, as a result of bond issues launched on the private capital markets and the purchase by non-residents of shares in resident companies. In the banking sector, bonds worth EUR 500 million were launched by Banca Comercială Română, in an issue led-managed by ABN-AMRO (Luxembourg). The government sector, through the Bucharest Mayorality issued Eurobonds worth EUR 500 million, with JP Morgan (United Kingdom) as lead manager. Redemption by the Ministry of Public Finance of Eurobonds worth EUR 300 million issued in 2000 and 2001 contained the increase in the stock of portfolio investment.

Table No. 40. Portfolio investment (foreign liabilities)

	- EUR mill. -			
	12.31.2004	%	12.31.2005	%
TOTAL	3,541	100.0	4,364	100.0
<i>Shares</i>	643	18.2	832	19.1
banking sector	14	0.4	15	0.3
other sectors	629	17.8	817	18.7
<i>Money market instruments and bonds</i>	2,898	81.8	3,532	80.9
government sectors	2,439	68.9	2,640	60.5
banking sector	94	2.7	576	13.2
other sectors	365	10.3	316	7.2

Portfolio investment by type of placement shows that shares purchased by non-residents accounted for 19.1 percent of total at end-2005, up 0.9 percentage points from the previous year, with bonds further making up the largest weight, i.e. 80.9 percent. By institutional sector, the government sector held the bulk of portfolio investment (more than 60 percent), ahead of other sectors and banks (26 percent and 13.5 percent respectively).

2.3. Other investments

The debit balance of “other investments” stood at EUR 16,192 million at end-2005, EUR 5,741 million higher than at end-2004, due to the rise in foreign borrowings and deposits of non-residents with domestic credit institutions.

Table No. 41. Other investments (foreign assets)

	- EUR mill. -			
	31.12.2004	%	31.12.2005	%
TOTAL	5,114	100.0	6,619	100.0
<i>Monetary authority</i>	11	0.2	20	0.3
- other assets	11	0.2	20	0.3
<i>Government sector</i>	3,235	63.3	3,753	56.7
- trade credits	2,493	48.7	2,913	44.0
- loans/deposits	4	0.1	4	0.1
- other assets	738	14.4	836	12.6
<i>Banks</i>	888	17.4	1,024	15.5
- loans/deposits	886	17.3	1,004	15.2
- other assets	2	0.0	20	0.3
<i>Non-banks</i>	980	19.2	1,822	27.5
- trade credits	281	5.5	342	5.2
- loans/deposits	665	13.0	1,471	22.2
- other assets	34	0.7	9	0.1

2.3.1. Foreign assets

Foreign assets under “other investments” include financial and trade credits granted by residents to foreign natural and legal entities, Romanian government’s subscription quotas in international financial institutions and equity stakes in foreign companies, active clearing accounts, residents’ deposits abroad, allotted and uncollected dividends, collected insurance premiums, a.s.o. By financial instruments, trade credits held 49.2 percent of total, followed by residents’ deposits abroad (26.6 percent) and other assets (13.4 percent).

The structure by institutional sector illustrates that the government sector was the main holder of foreign claims (56.7 percent of total), ahead of other sectors (27.5 percent) and banks (15.5 percent).

About 80 percent of external claims of the government sector came from exports to developing countries in the Middle East, Africa, Latin America and former CMEA members prior to 1990. In 2005, the balance of external claims increased by more than EUR 300 million, due to capitalised interest.

Table No. 42. Medium- and long-term government claims

Country	- EUR mill. -	
	31.12.2004	31.12.2005
TOTAL	2,493	2,913
Democratic Republic of the Congo	1	1
Central African Republic	8	9
Congo	4	5
Cuba	860	1,024
Guinea	15	18
Iraq	1,265	1,459
Lybia	41	52
Mongolian People's Republic	3	3
Mozambique	117	145
Nigeria	9	11
Sudan	126	145
Somali Republic	2	2
Syrian Arab Republic	42	39

“Other assets of the government sector” includes clearing accounts in convertible currencies and transferable roubles, as well as Romanian government’s subscription quotas in international financial institutions and equity stakes in foreign companies such as the Krivoi-Rog enterprise. In 2005, the payment of Romania’s membership quotas to the share capital of international non-monetary institutions worth EUR 11 million influenced the balance of this heading. The balance on clearing accounts stood at EUR 173 million at end-2005, up EUR 14 million year on year, due to the strengthening of the euro against the main convertible currencies. Syria and Cuba were further Romania’s main debtor countries.

Table No. 43. Other investments of banks (foreign assets)

	- EUR mill. -	
	31.12.2004	31.12.2005
TOTAL	888	1,024
cash and cheques	161	200
deposits and current accounts abroad	626	721
other	101	103
- foreign exchange loans to non-residents	99	83
- other	2	20

The balance on “other investments” of banks increased by EUR 136 million, amid the growth of residents’ deposits and current accounts abroad (EUR 95 million), as well as the rise in cash and

cheques (EUR 39 million). Throughout 2005, the Romanian banking system continued to take external loans, net foreign capital inflows being channelled mainly to financing of the domestic private sector rather than to the increase in foreign reserve assets. Thus, in 2005, foreign currency-denominated non-government domestic credit expanded by 39.5 percent, whereas reserve foreign assets by only 15.3 percent.

The analysis by bank investments as of 31 December 2005 shows that the weights of the main financial instruments in total foreign assets remained broadly unchanged year on year. Deposits and accounts with banks abroad further held the largest share of bank investments (70.4 percent), followed by cash and cheques (19.5 percent), and other assets (10.1 percent).

In year-on year comparison, the balance on “other investments” of other sectors doubled in 2005, its share in total investment growing from 19.2 percent to 27.5 percent year over year. Against the background of liberalisation of capital transactions, many residents, both natural and legal persons, chose to open accounts with banks abroad; at year-end 2005, such deposits totalled EUR 836 million. Furthermore, many Romanian companies became foreign creditors, the balance of credits granted by other sectors posting an increase by more than EUR 500 million at end-2005.

The balance on “other investments” of other sectors shows that deposits with banks abroad held the largest share (45.9 percent) in total investment, followed by financial credits (34.9 percent) and trade credits (18.8 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, passive clearing accounts, non-residents’ deposits, allotted but unpaid dividends, past-due debts, paid insurance premiums, a.s.o. In 2005, foreign liabilities under “other investment” rose by EUR 7,246 million against end-2004, following the performance of net transactions worth EUR 6,327 million consisting mainly in inflows from foreign loans and exchange rate gains (EUR 919 million).

Table No. 44. Other investments (foreign liabilities)

	- EUR mill. -			
	31.12.2004	%	31.12.2005	%
TOTAL	15,565	100.0	22,811	100.0
<i>Monetary authority</i>	426	2.7	253	1.1
- loans/deposits	398	2.6	221	1.0
- other	28	0.2	32	0.1
<i>Government sector</i>	6,534	42.0	7,324	32.1
- trade credits	41	0.3	20	0.1
- loans/deposits	6,493	41.7	7,304	32.0
- other	0	0.0	0	0.0
<i>Banks</i>	3,383	21.7	6,838	30.0
- loans/deposits	3,378	21.7	6,776	29.7
- other	5	0.0	62	0.3
<i>Non-banks</i>	5,222	33.5	8,396	36.8
- trade credits	753	4.8	1,635	7.2
- loans/deposits	4,469	28.7	6,380	28.0
- other	0	0.0	381	1.7

The structure of foreign liabilities by type of investment shows that financial credits accounted for 77.3 percent of total, followed by non-residents' deposits (13.4 percent), trade credits (7.3 percent) and other liabilities (2.0 percent). At end-2005, the share of financial and trade credits with maturity below one year in total foreign loans stood at 16.1 percent, amid the increase in short-term external debt of other sectors.

Table No. 45. Medium- and long-term external debt of government sector by main creditor

	- EUR mill. -	
	31.12.2004	31.12.2005
TOTAL	6,534	7,324
<i>International institutions</i>	<i>3,742</i>	<i>4,228</i>
EBRD	167	168
IBRD	1,757	2,004
EU	150	150
EIB	1,388	1,530
IFAD	4	8
SDF EC	186	235
OECF	90	133
<i>Bilateral relations</i>	<i>230</i>	<i>242</i>
Netherlands	2	9
Bahrein	8	3
Canada	1	0
Japan	75	104
USA	38	40
Germany	13	12
Italy	41	21
Korea	27	32
France	25	21
<i>Private banks</i>	<i>2,004</i>	<i>2,427</i>
Austria	256	315
Germany	408	441
France	320	547
Netherlands	198	194
Italy	12	23
Luxembourg	23	26
USA	128	118
Switzerland	110	150
Israel	81	86
United Kingdom	298	458
Sweden	45	39
Other	125	30
<i>Supplier credits</i>	<i>41</i>	<i>20</i>
<i>Other creditors</i>	<i>517</i>	<i>407</i>

Source: Ministry of Public Finance

The analysis by institutional sector as of 31 December 2005 shows a further decline in the weight of government sector (down 9.9 percentage points to 32.1 percent), in favour of the banking sector and non-banks (up 8.2 percentage points and 3.3 percentage points respectively). The twofold increase in foreign liabilities of banks was due to net capital inflows worth EUR 3,035 million, meant to accommodate resident banks' demand for liquidity and exchange rate influences (EUR 420 million). Foreign liabilities of other sectors further held the major share (36.8 percent) in total, on account of net inflows worth EUR 3,051 million, representing financial credits granted by non-residents to Romanian companies. Foreign liabilities of government sector totalled EUR 7,324

million, with net inflows worth EUR 446 million being channelled to finance investment projects and to ensure budget deficit financing.

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 (57.7 percent), ahead of private banks (33.1 percent), and bilateral sources (3.3 percent). Among international financial institutions, the World Bank remained the biggest creditor to the government of Romania, with a share of 27.4 percent in total external loans. In 2005, loans from the World Bank totalled EUR 205 million, of which EUR 123 million were drawings under the Program Adjustment Loan, EUR 51 million were intended for the development of agriculture and rural sector and EUR 8 million for financing the mine closure plan. Principal repayments on IBRD loans equalled EUR 161 million, of which EUR 59 million in repayments under structural adjustment loans (SAL, ASAL, FESAL), EUR 14 million were destined to road rehabilitation, EUR 11 million to health sector reform, and EUR 5 million to railway rehabilitation.

The loans extended by the EIB made up 20.9 percent of external debt of the government sector. In the period under review, drawings ran at EUR 201 million, of which EUR 93 million were earmarked for road and motorway rehabilitation, EUR 34 million for school building and rehabilitation and EUR 26 million for urban transport rehabilitation and Bucharest underground modernisation.

At end-2005, loans granted by private banks to the government sector added 21.1 percent year on year to EUR 2,427 million. External debt of government sector rose markedly in the year under review, especially to French and British banks, whose shares widened by 2.6 percentage points and 1.7 percentage points respectively.

Foreign liabilities of banks doubled from a year earlier and totalled EUR 6,838 million, on the back of the expansion in long-term loans and short-term deposits.

Table No. 46. Other investments of banks (foreign liabilities)

	- EUR mill. -	
	31.12.2004	31.12.2005
TOTAL	3,383	6,838
<i>short-term foreign liabilities</i>	<i>1,326</i>	<i>2,633</i>
short-term credits	155	461
short-term deposits	1,166	2,110
other	5	62
<i>medium- and long-term foreign liabilities</i>	<i>2,057</i>	<i>4,205</i>
medium- and long-term borrowings	1,681	3,256
medium- and long-term deposits of non-residents	376	949
<i>of which:</i>	<i>2,057</i>	<i>4,205</i>
bilateral relations	41	49
international financial institutions	402	564
private banks	1,587	3,469
other private sources	27	123

By maturity, the structure of foreign liabilities under “other investments” of the banking sector shows long-term commitments continued to hold the largest share of total foreign liabilities, with 61.5 percent, following the twofold increase in medium- and long-term loans. In the period under

review, short-term deposits related to foreign liabilities of banks surged by 81 percent. Thus, more than 60 percent of short-term foreign liabilities were held by seven banks: ING Bank, Alpha Bank, Raiffeisen Bank, HVB Bank, Banca Română pentru Dezvoltare, Banca Comercială Română and United Credit. More than 80 percent of long-term foreign liabilities were held by BCR, HVB Bank, BRD, Raiffeisen Bank and Volksbank.

The structure of medium- and long-term foreign liabilities of the banking sector reveals that loans granted by foreign private banks accounted for 82.5 percent of total loans (5.3 percentage points higher than at end-2004), ahead of loans extended by international financial institutions (13.4 percent), and other private creditors (2.9 percent). In 2005, net inflows from international financial institutions to local banks amounted to EUR 147 million and those from foreign banks equalled EUR 1,323 million. The International Finance Corporation was the main creditor with 42.9 percent, followed by the European Bank for Reconstruction and Development with 38.6 percent and the European Investment Bank with 17.3 percent.

Foreign liabilities of other sectors advanced 60.8 percent, their share in total foreign liabilities under “other investment” moving 3.3 percentage points higher to 36.8 percent at end-2005.

Table No. 47. Other investments of non-banks (foreign liabilities)

	- EUR mill. -	
	31.12.2004	31.12.2005
TOTAL	5,222	8,396
<i>short-term foreign liabilities</i>	<i>1,335</i>	<i>3,031</i>
short-term borrowings	828	1,208
short-term trade credits	507	1,443
other	0	380
<i>medium- and long-term liabilities</i>	<i>3,887</i>	<i>5,365</i>
medium- and long-term borrowings	3,641	5,173
medium- and long-term trade credits	246	192
<i>of which:</i>	<i>3,887</i>	<i>5,365</i>
bilateral relations	264	196
international financial institutions	711	693
private banks	1,569	2,962
other private sources	1,343	1,514

Medium- and long-term borrowings ran at EUR 5,365 million, up EUR 1,478 million in absolute terms, but down 10.5 percentage points as a share in other sectors’ foreign liabilities.

By creditor, the structure of medium- and long-term external debt of non-banks shows that the Romanian economy was financed mainly from private sources (83.4 percent, up 8.5 percentage points as compared with end-2004), the remainder coming from international financial institutions (12.9 percent), and government agencies (3.7 percent). Among international financial institutions, the European Bank for Reconstruction and Development was still the main creditor (61.9 percent), followed by the International Finance Corporation (14.5 percent) and the World Bank (12.1 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.

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 18,259 million, as a result of transactions worth EUR 5,434 million, developments in prices of securities and the price of gold on international markets of precious metals (EUR 297 million), as well as of exchange rate movements (EUR 596 million). Thus, official reserve grew by 53 percent from end-2004 and covered 6.3 months of imports of goods and services.

The value of monetary gold increased by EUR 376 million, owing to the rise in the price of gold on international markets of precious metals (from EUR 321.1 per ounce at end-2004 to EUR 433.3 per ounce at end-2005).

At end-2005, the NBR's forex reserve amounted to EUR 16,798 million, up 54.8 percent year over year, owing to net inflows worth EUR 5,433 million. The same as in previous years, forex reserves were largely boosted by the NBR's purchases off the foreign exchange market. Throughout 2005, the central bank posted an almost steady net buyer position, with net purchases amounting to EUR 3,808 million. Behind the expansion in the NBR's forex reserve stood also the minimum reserves (EUR 1,920 million), as well as the incomes from forex reserve management, foreign borrowings, privatisation proceeds and EU funds transferred under SAPARD programme.

Over the reference period, payments from the official reserve to cover external debt service equalled EUR 1,205 million, while redemption of foreign currency-denominated securities and Treasury certificates issued by the Ministry of Public Finance on the domestic market stood at EUR 65 million.

Table No. 48. Official reserve by type of investment

	- EUR mill. -	
	31.12.2004	31.12.2005
Convertible currencies	10,848	16,798
deposits with banks and international financial institutions	2,564	7,262
Treasury bonds	8,284	9,536
Gold	1,085	1,461

By type of investment, the structure of the NBR's forex reserve is indicative of a drop in the share of securities, from 76.4 percent to 56.8 percent year on year, along with the increase in the share of deposits with banks abroad.

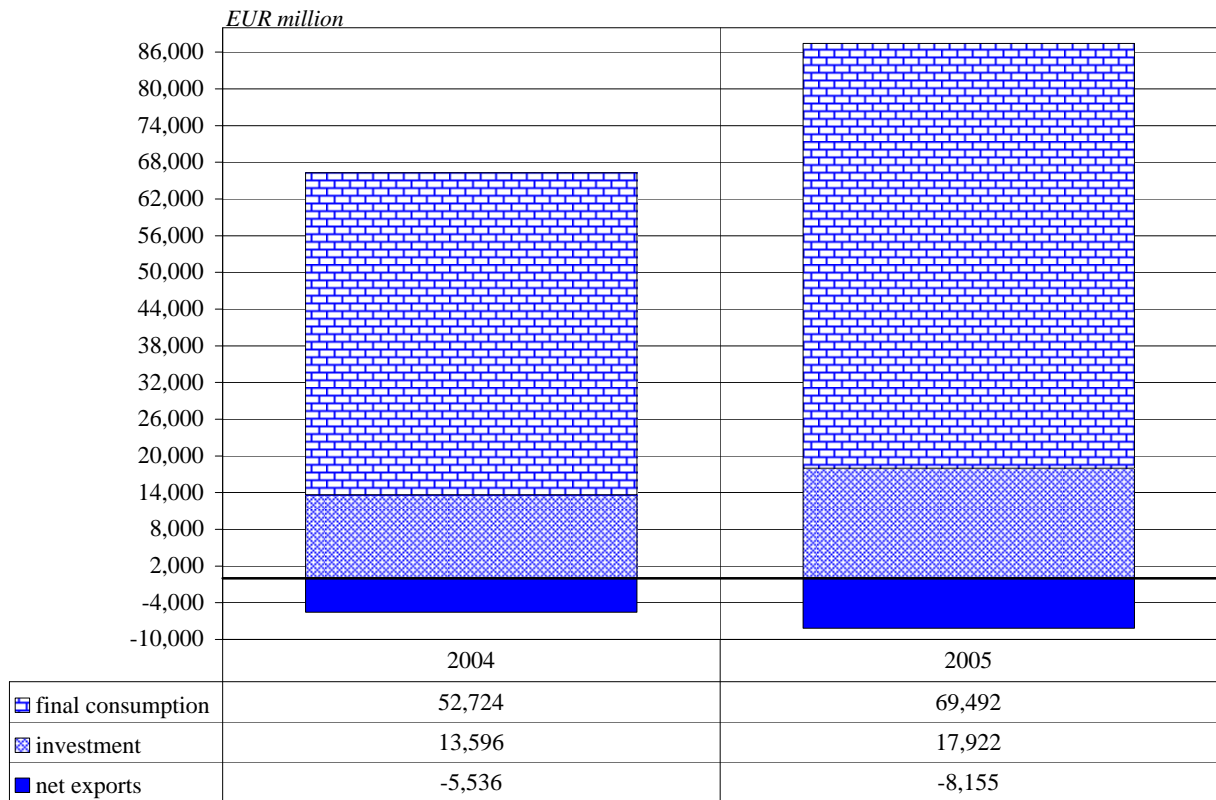
By currency, the structure of the central bank's forex reserve illustrates that the euro held the largest share (64.7 percent, up 4.1 percentage points from end-2004), ahead of the US dollar (30.2 percent, down 2.9 percentage points), and other currencies (5.1 percent).

Charts

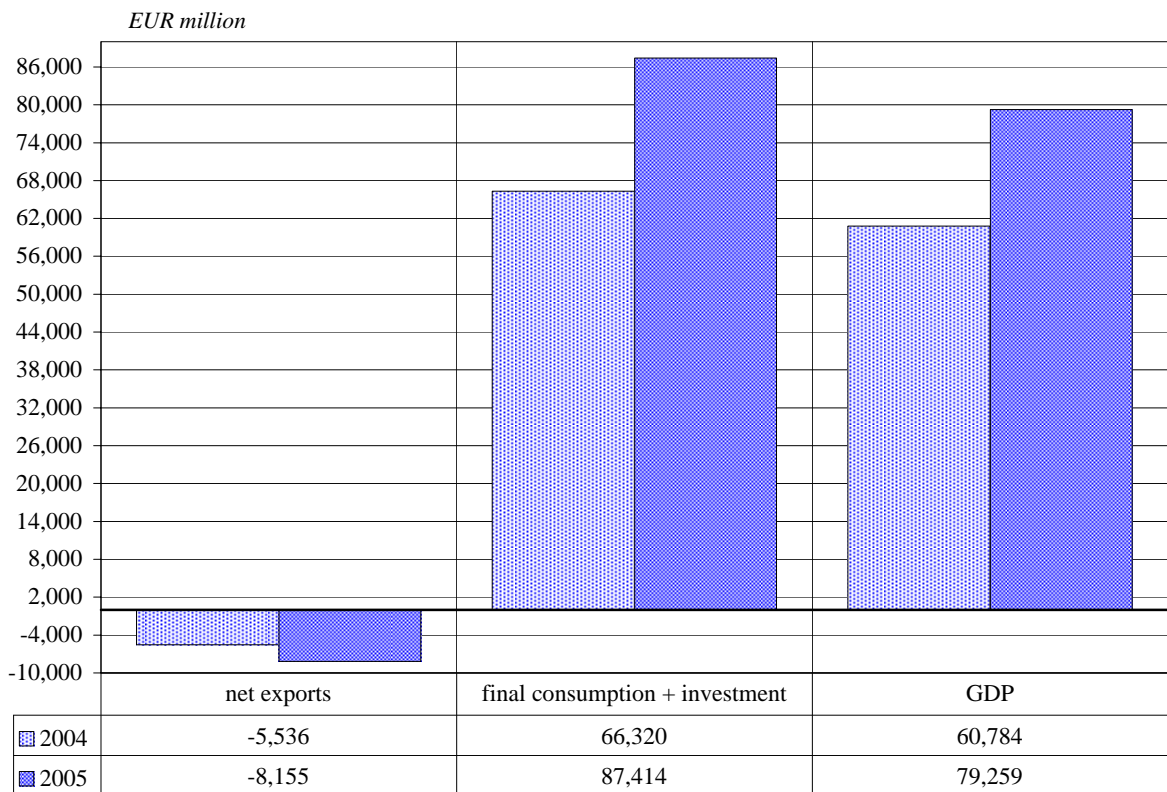
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GDP Components

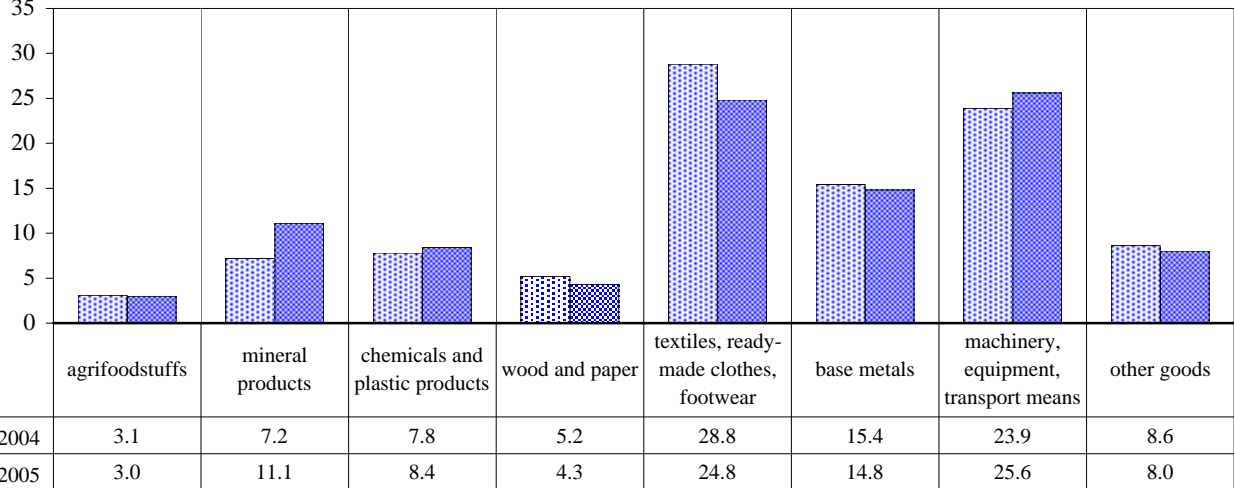


GDP Components



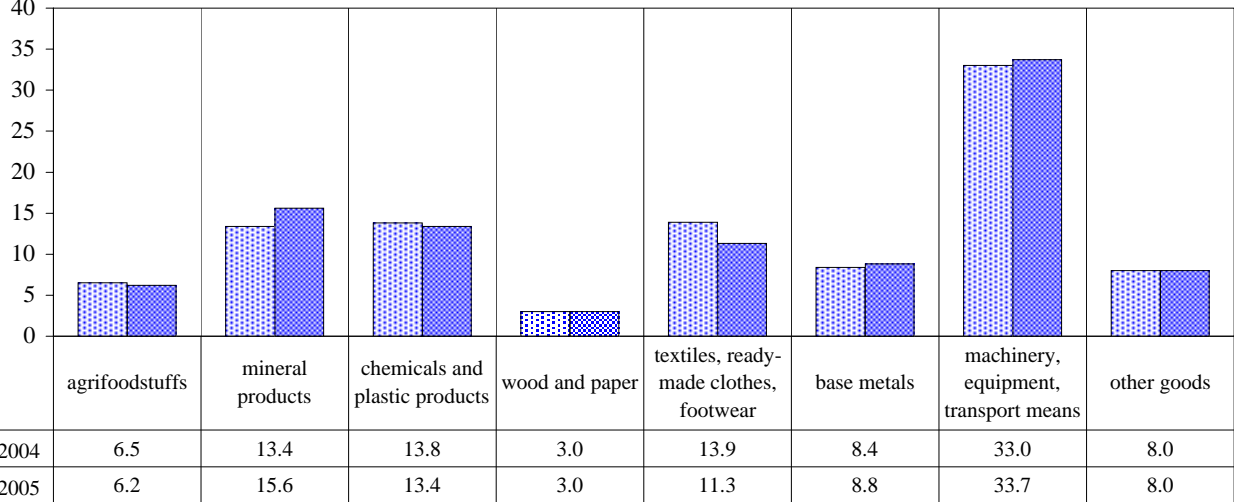
Exports by Group of Commodities

percent



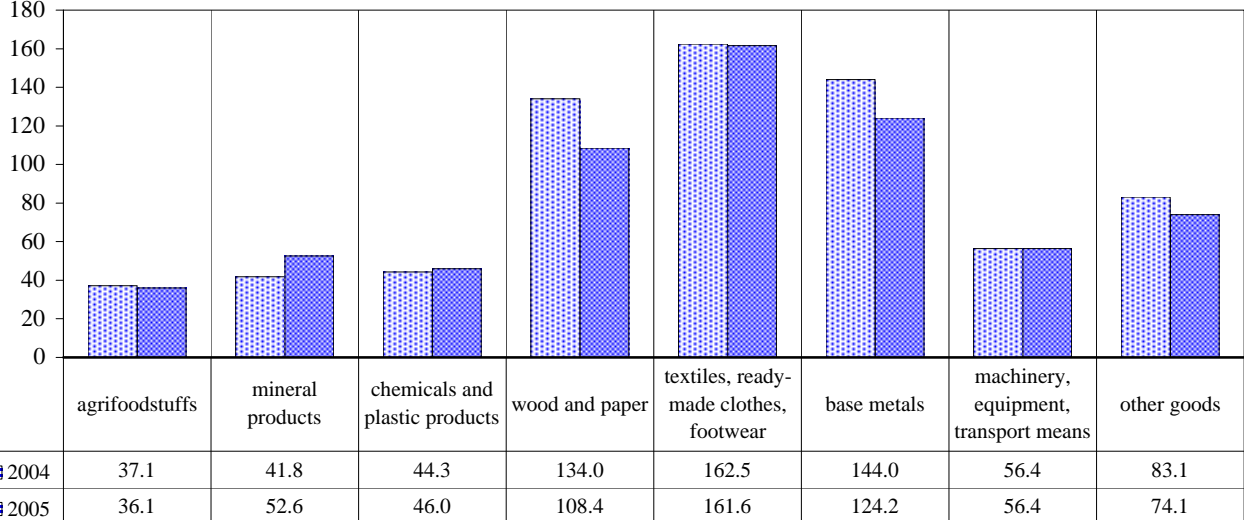
Imports by Group of Commodities

percent

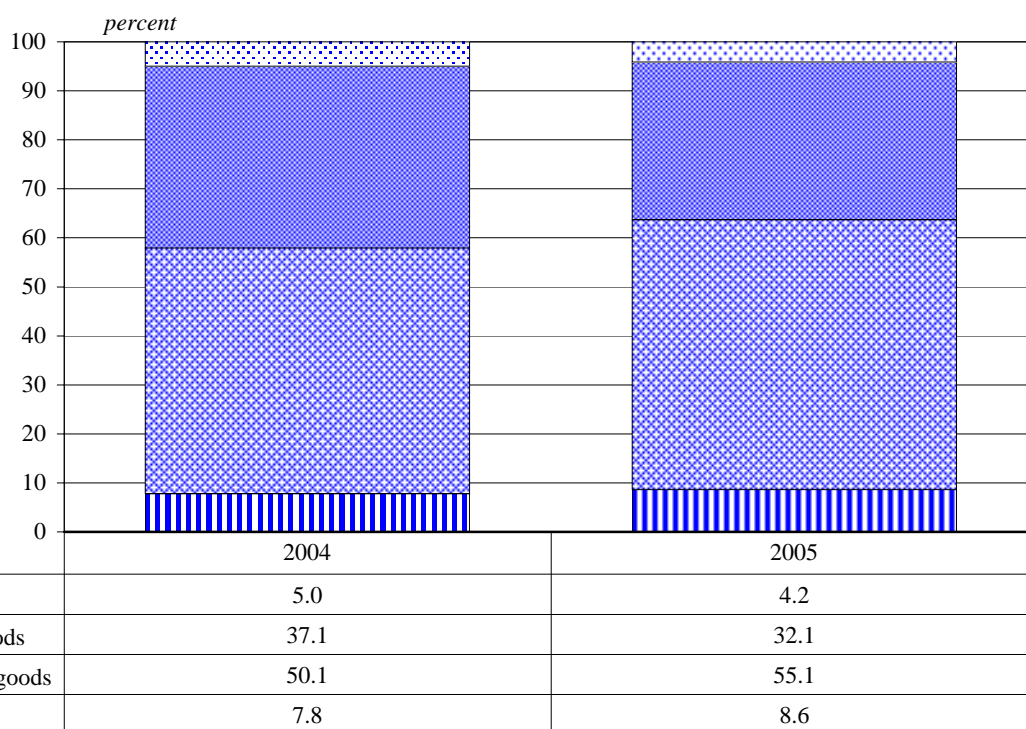


Coverage of Imports through Exports by Group of Commodities

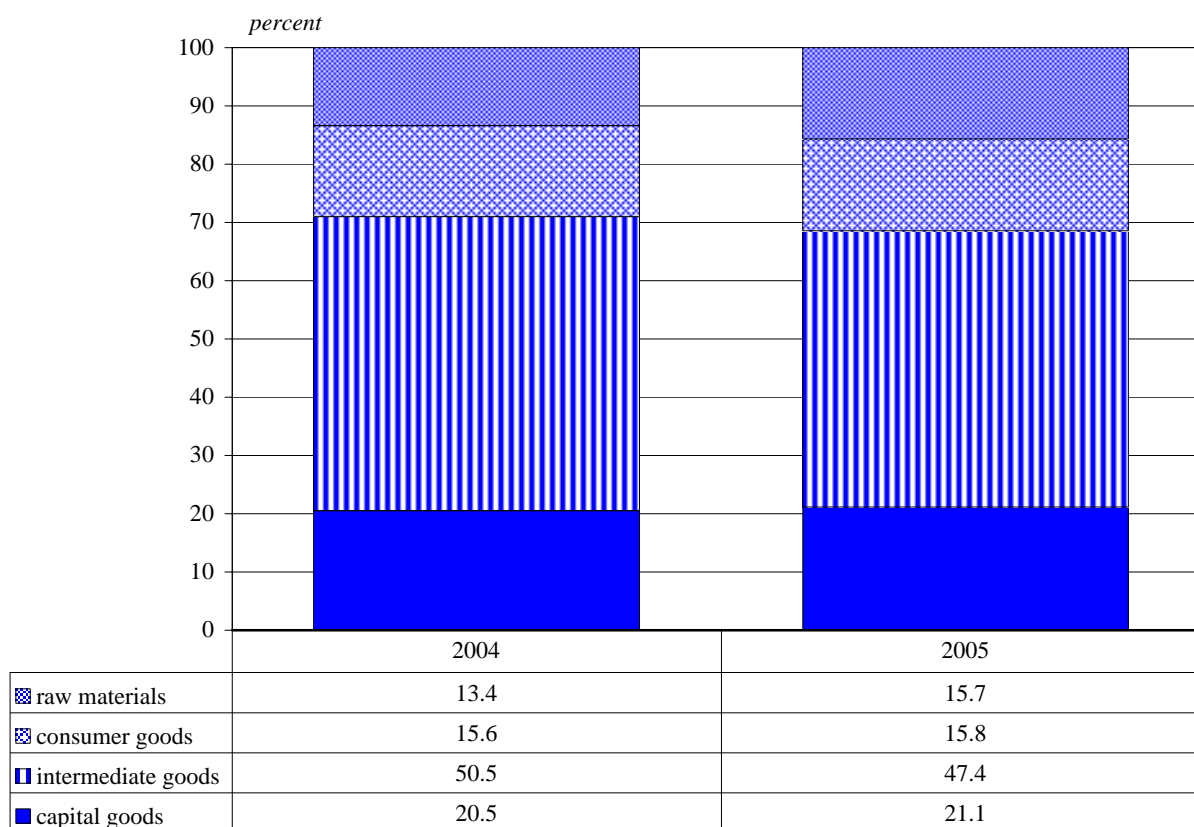
percent



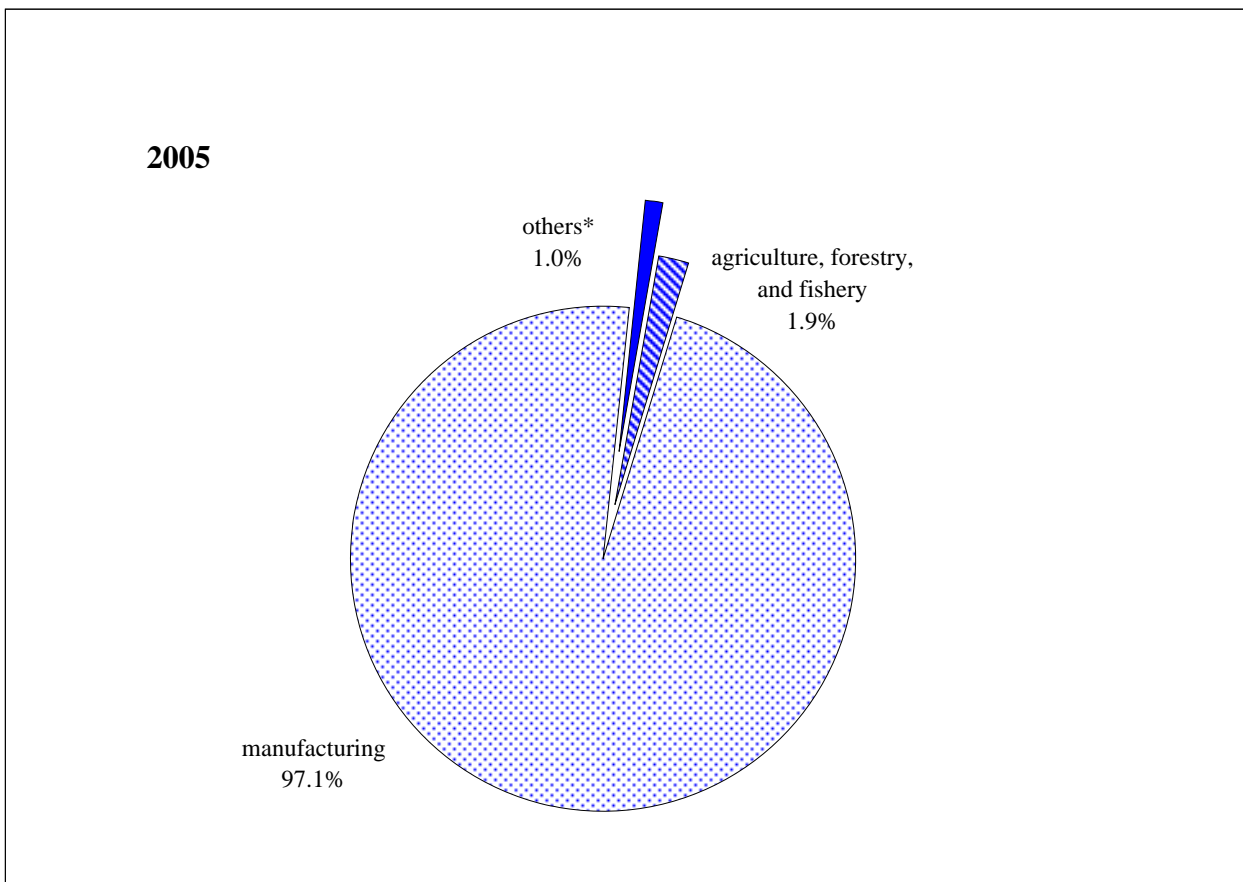
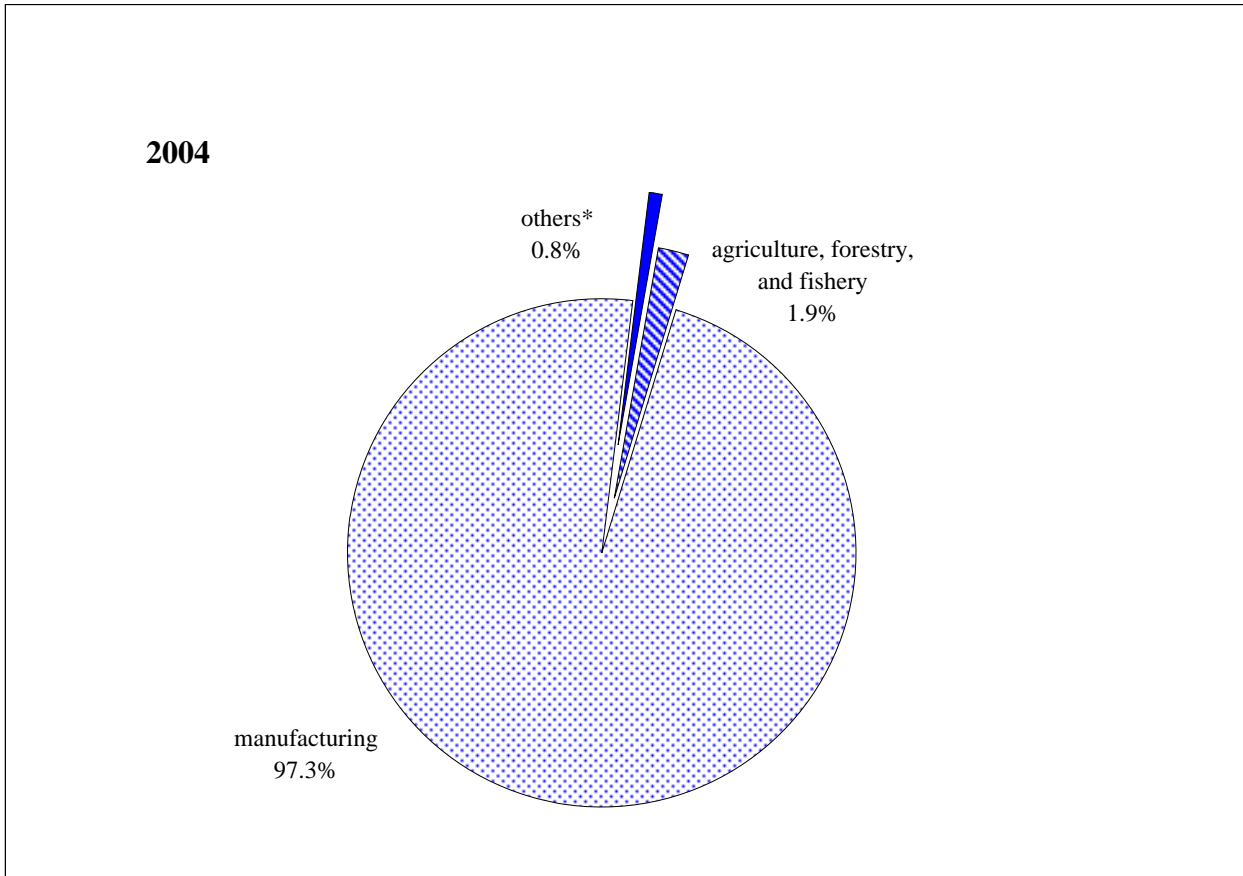
Exports by Output Stage



Imports by Output Stage

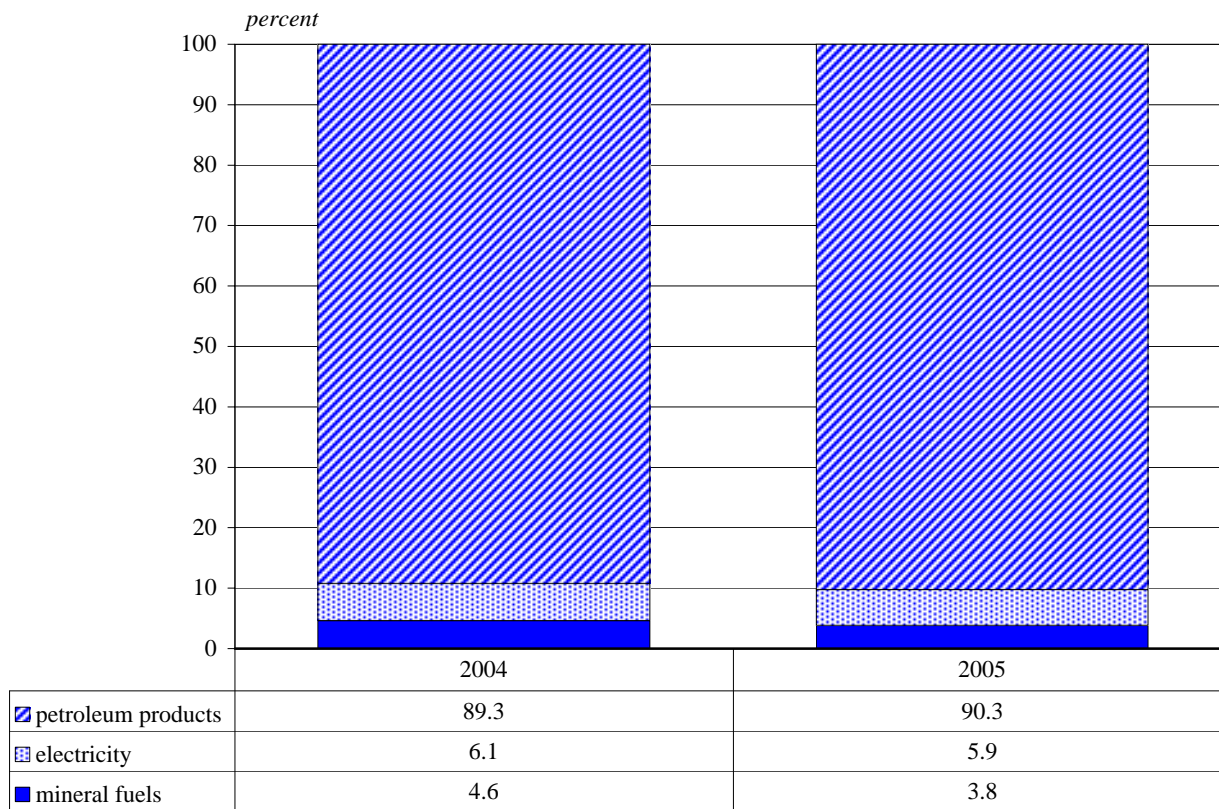


Exports by Economic Sector

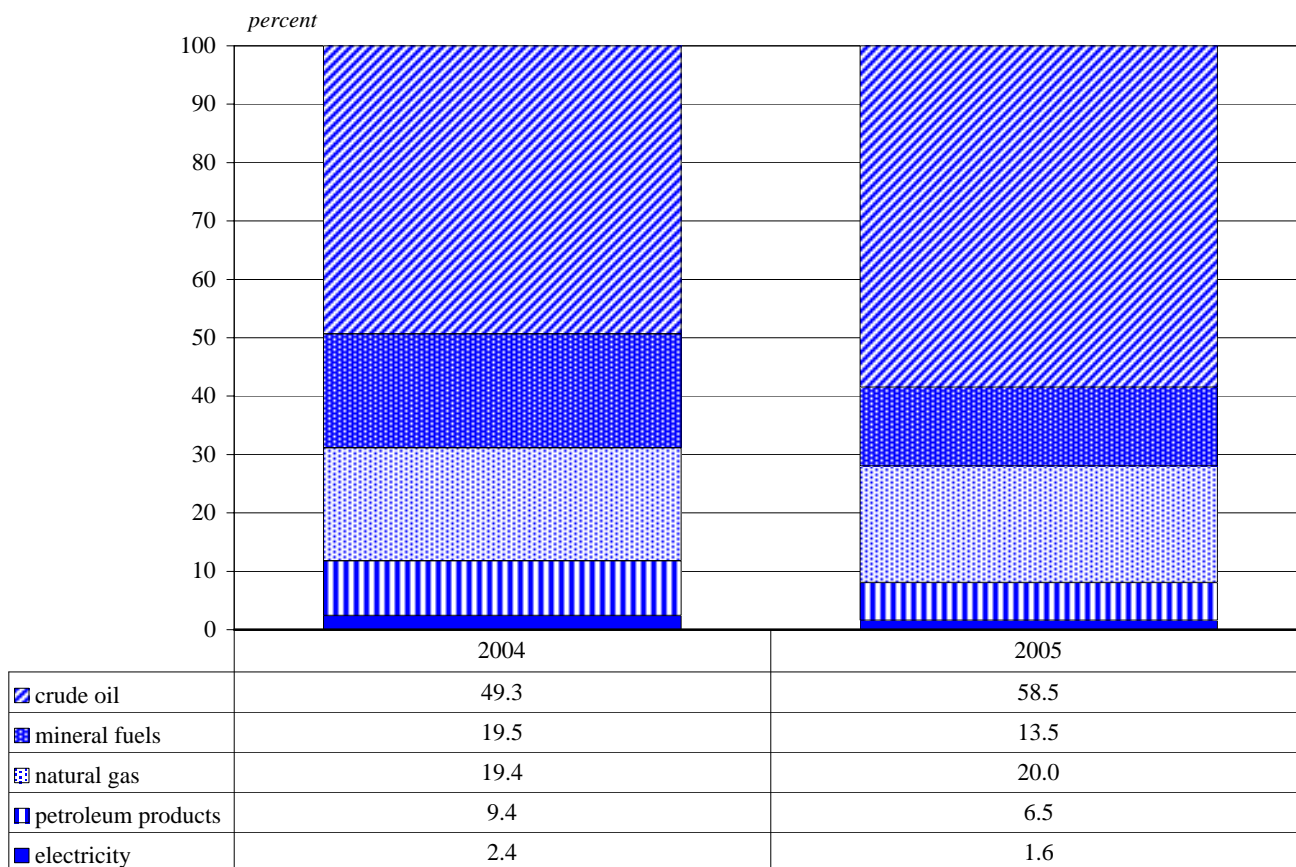


*) including mining, electricity, heating, gas, water and unclassified activities

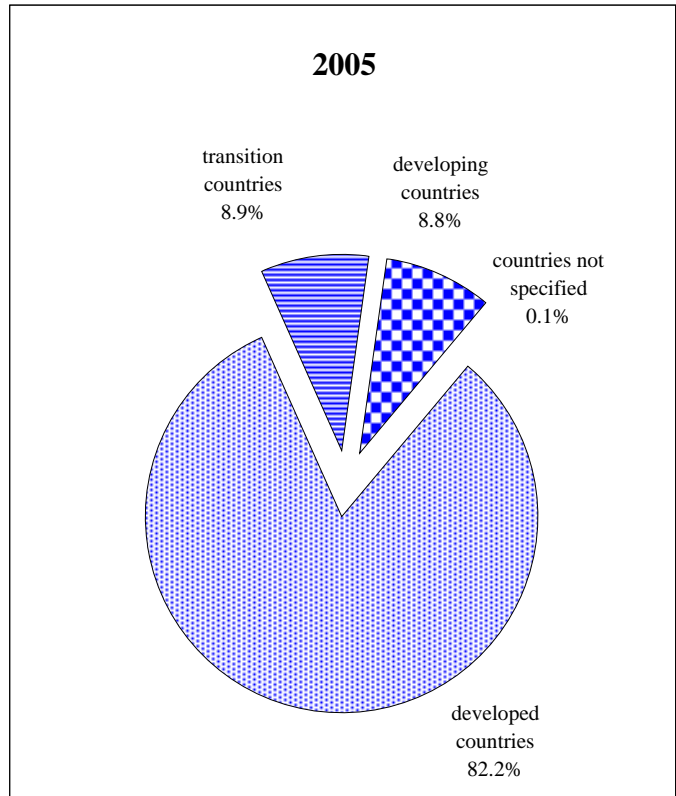
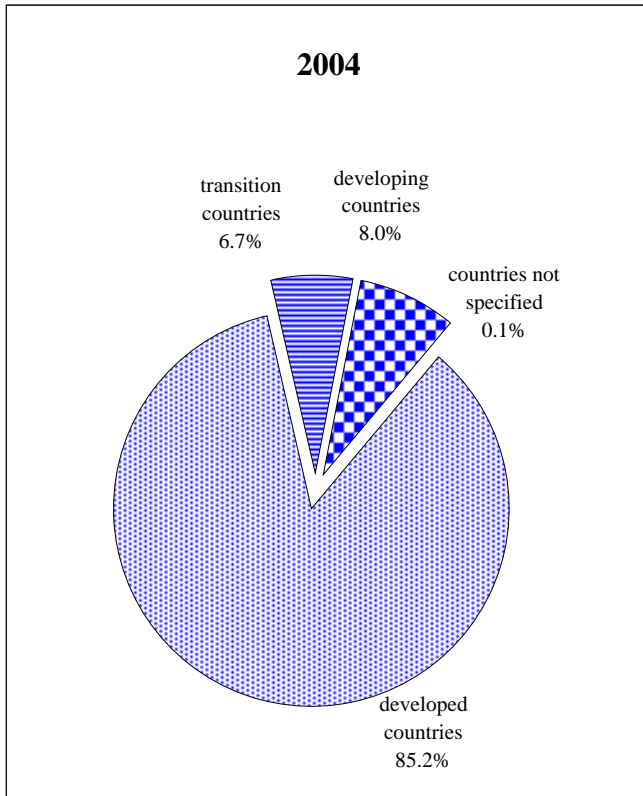
Export Value of Energy Products



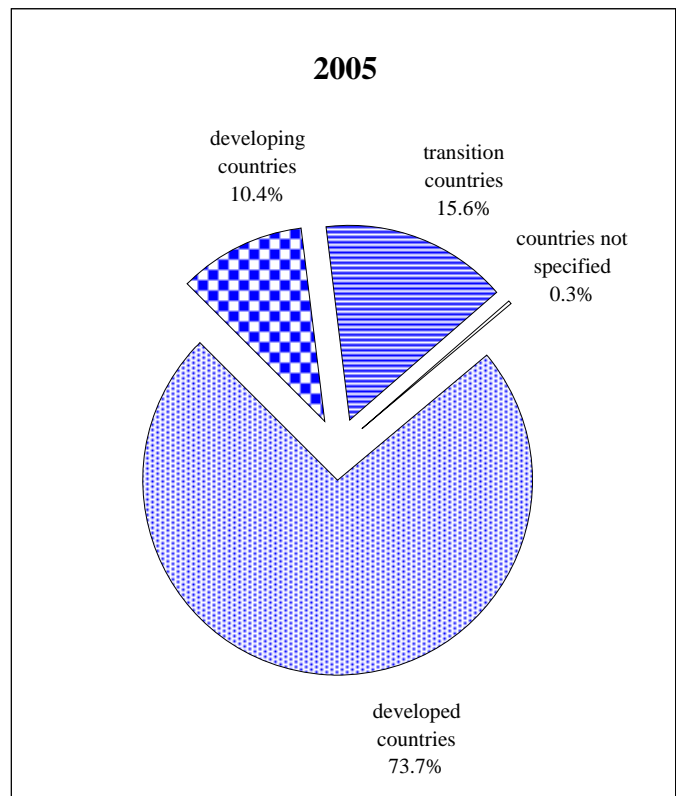
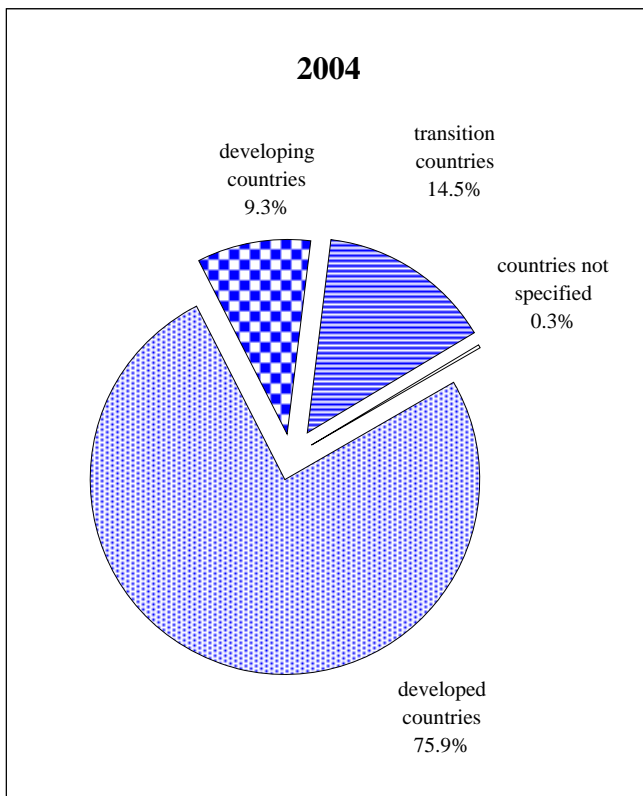
Import Value of Energy Products



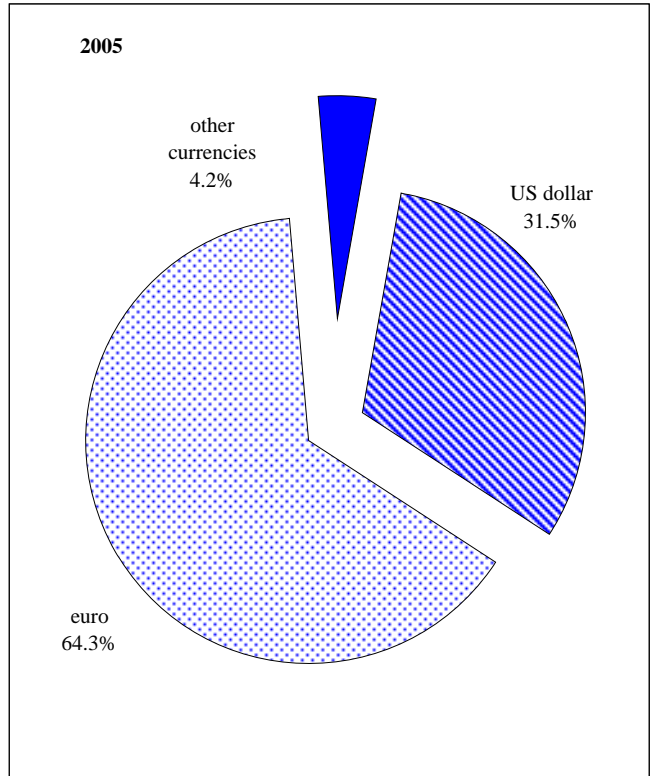
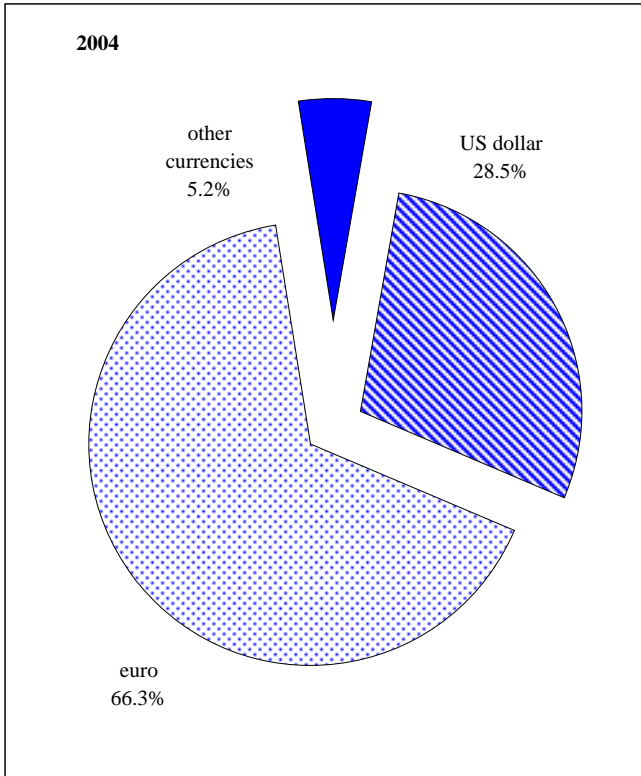
Geographical Distribution of Exports



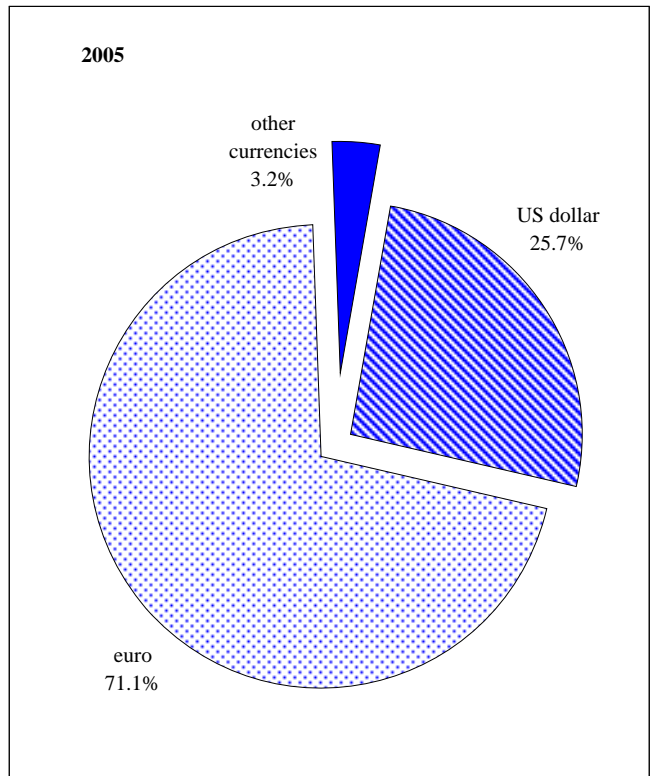
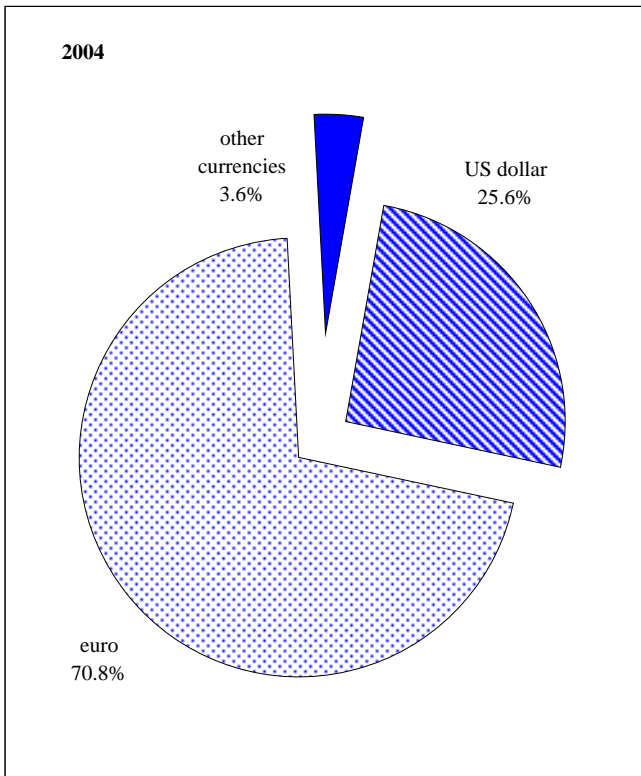
Geographical Distribution of Imports



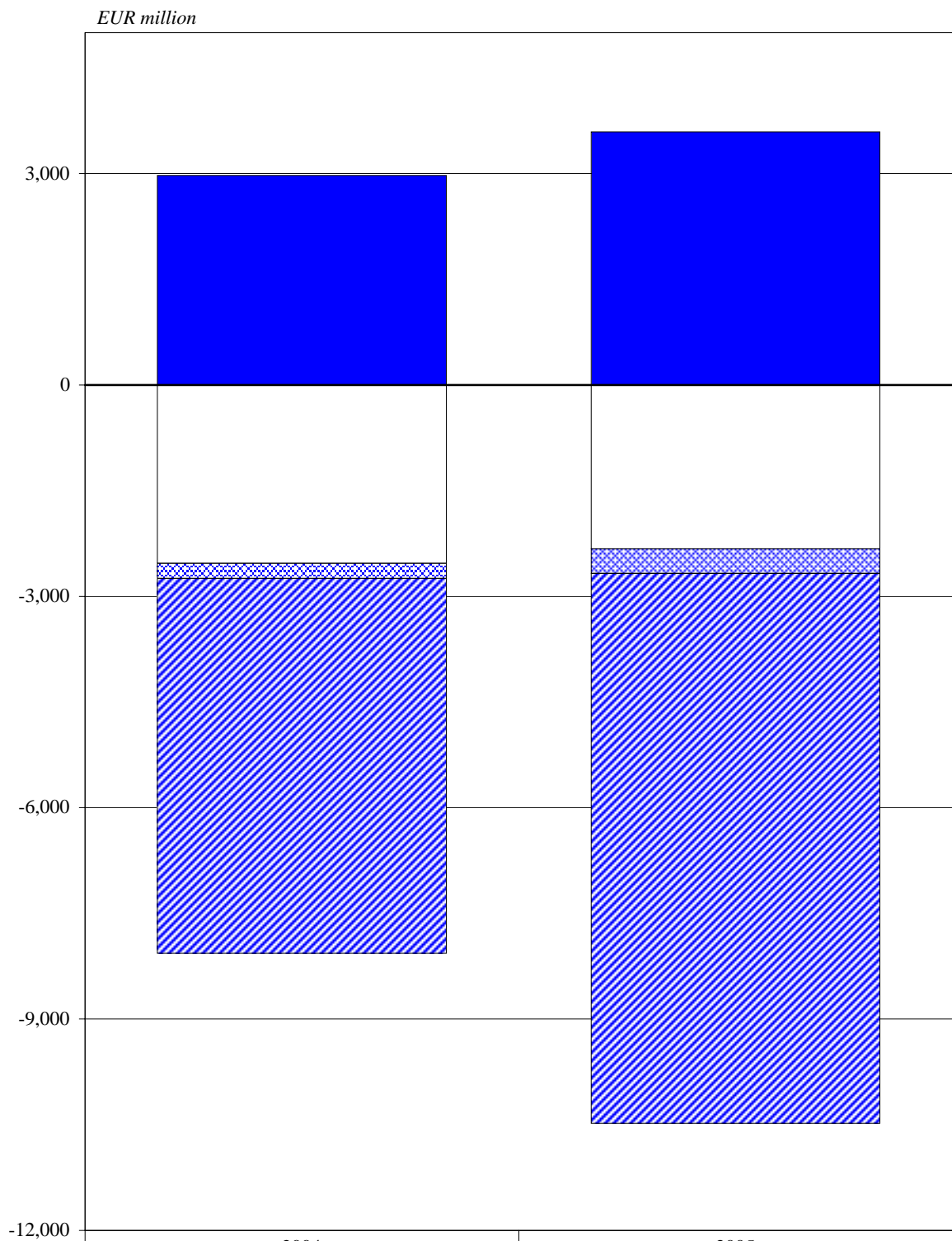
Exports by Currency



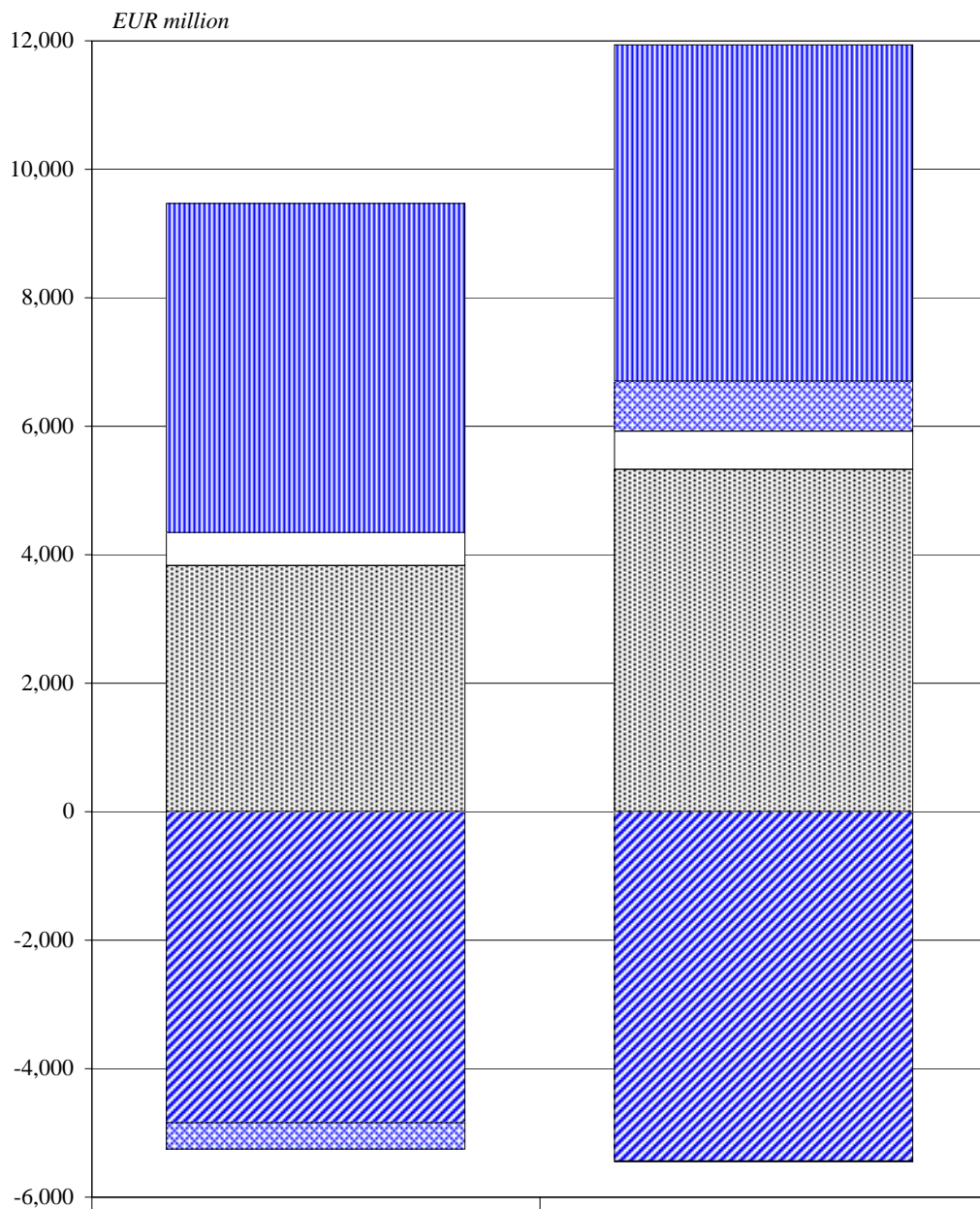
Imports by Currency



Current Account Components



Capital and Financial Account Components



	2004	2005
direct investment	5,127	5,237
portfolio investments	-416	778
capital account	512	595
other investments	3,831	5,328
financial derivatives	0	-21
reserve assets	-4,839	-5,434

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BALANCE OF PAYMENTS, 2004-2005

EUR mill.

Item	2004			2005			Item
	credit	debit	net	credit	debit	net	
1. Current account	25,533	30,632	-5,099	31,680	38,568	-6,888	1. Current account
A. Goods and services	21,838	27,374	-5,536	26,357	34,512	-8,155	A. Goods and services
a. Goods	18,935	24,258	-5,323	22,255	30,061	-7,806	a. Goods
b. Services	2,903	3,116	-213	4,102	4,451	-349	b. Services
- transport	1,252	1,206	46	1,188	1,583	-395	- transport
- travel	406	434	-28	852	750	102	- travel
- other	1,245	1,476	-231	2,062	2,118	-56	- other
B. Incomes	329	2,864	-2,535	1,241	3,567	-2,326	B. Incomes
- compensation of employees	91	5	86	771	19	752	- compensation of employees
- direct investment	8	2,086	-2,078	-61	2,353	-2,414	- direct investment
- portfolio investment	167	258	-91	394	464	-70	- portfolio investment
- other capital investment	63	515	-452	137	731	-594	- other capital investment
C. Current transfers	3,366	394	2,972	4,082	489	3,593	C. Current transfers
- government sector	171	45	126	156	86	70	- government sector
- other sectors	3,195	349	2,846	3,926	403	3,523	- other sectors
2. Capital and financial account	15,885	11,670	4,215	37,187	30,704	6,483	2. Capital and financial account
A. Capital account	532	20	512	675	80	595	A. Capital account
a. Capital transfers	532	20	512	661	65	596	a. Capital transfers
- government sector	436	0	436	391	0	391	- government sector
- other sectors	96	20	76	270	65	205	- other sectors
b. Purchase-sale of non-produced/ non-financial assets	...	...	...	14	15	-1	b. Purchase-sale of non-produced/ non-financial assets
B. Financial account	15,353	11,650	3,703	36,512	30,624	5,888	B. Financial account
a. Direct investment	6,595	1,468	5,127	8,313	3,076	5,237	a. Direct investment
- of residents abroad	9	65	-56	8	-16	24	- of residents abroad
- of non-residents in Romania	6,586	1,403	5,183	8,305	3,092	5,213	- of non-residents in Romania
b. Portfolio investment	431	847	-416	4,322	3,544	778	b. Portfolio investment
- assets	2	433	-431	2,513	2,638	-125	- assets
- liabilities	429	414	15	1,809	906	903	- liabilities
c. Financial derivatives	...	...	...	29	50	-21	c. Financial derivatives
d. Other capital investment	8,327	4,496	3,831	23,848	18,520	5,328	d. Other capital investment
- assets:	583	743	-160	6,526	7,525	-999	- assets:
1. medium- and long-term loans and credits	67	95	-28	121	108	13	1. medium- and long-term loans and credits
1.1. trade credits	23	54	-31	28	33	-5	1.1. trade credits
1.2. financial credits	44	41	3	93	75	18	1.2. financial credits
2. short-term loans and credits	218	245	-27	1,153	1,794	-641	2. short-term loans and credits
2.1. trade credits	156	202	-46	923	982	-59	2.1. trade credits
2.2. financial credits	62	43	19	230	812	-582	2.2. financial credits
3. cash and cheques	269	376	-107	5,077	5,437	-360	3. cash and cheques
4. other assets	29	27	2	175	186	-11	4. other assets
- long-term assets	0	0	0	104	143	-39	- long-term assets
- short-term assets	29	27	2	71	43	28	- short-term assets
- liabilities:	7,744	3,753	3,991	17,322	10,995	6,327	- liabilities:
1. IMF loans and credits	0	138	-138	0	122	-122	1. IMF loans and credits
2. medium- and long-term loans and credits	4,918	2,554	2,364	6,653	3,409	3,244	2. medium- and long-term loans and credits
2.1. trade credits	136	185	-49	193	340	-147	2.1. trade credits
2.2. financial credits	4,782	2,369	2,413	6,460	3,069	3,391	2.2. financial credits
3. short-term loans and credits	1,987	925	1,062	4,101	2,557	1,544	3. short-term loans and credits
3.1. trade credits	347	251	96	1,579	643	936	3.1. trade credits
3.2. financial credits	1,640	674	966	2,522	1,914	608	3.2. financial credits
4. cash and deposits	500	0	500	4,598	3,856	742	4. cash and deposits
5. other liabilities	339	136	203	1,970	1,051	919	5. other liabilities
- long-term	230	17	213	955	472	483	- long-term
- short-term	109	119	-10	1,015	579	436	- short-term
e. NBR reserve assets (net) (increase "-" / decrease "+")	...	4,839	-4,839	...	5,434	-5,434	e. NBR reserve assets (net) (increase "-" / decrease "+")
3. Errors and omissions (net)	884	-	884	405	-	405	3. Errors and omissions (net)

QUARTERLY BALANCE OF PAYMENTS, 2005

EUR mill.

Item	Q1			Q2		
	credit	debit	net	credit	debit	net
1. Current account	6,901	7,922	-1,021	7,671	9,643	-1,972
<i>A. Goods and services</i>	5,897	7,081	-1,184	6,412	8,506	-2,094
a. Goods	5,095	6,156	-1,061	5,432	7,449	-2,017
b. Services	802	925	-123	980	1,057	-77
- transport	245	321	-76	289	398	-109
- travel	128	120	8	191	158	33
- other	429	484	-55	500	501	-1
<i>B. Incomes</i>	218	726	-508	269	1,021	-752
- compensation of employees	136	3	133	198	6	192
- direct investment	-16	474	-490	-15	638	-653
- portfolio investment	79	47	32	60	215	-155
- other capital investment (interests)	19	202	-183	26	162	-136
<i>C. Current transfers</i>	786	115	671	990	116	874
- government sector	17	26	-9	17	25	-8
- other sectors	769	89	680	973	91	882
2. Capital and financial account	6,446	5,823	623	9,438	7,273	2,165
<i>A. Capital account</i>	88	16	72	178	16	162
Capital transfers	86	14	72	170	15	155
- government sector	37	0	37	116	0	116
- other sectors	49	14	35	54	15	39
Purchase-sale of non-produced/ non-financial assets	2	2	0	8	1	7
<i>B. Financial account</i>	6,358	5,807	551	9,260	7,257	2,003
a. Direct investment	874	302	572	2,230	799	1,431
- of residents abroad	3	-7	10	2	-10	12
- of non-residents in Romania	871	309	562	2,228	809	1,419
b. Portfolio investment	601	711	-110	1,584	1,380	204
- assets	375	501	-126	985	1,300	-315
- liabilities	226	210	16	599	80	519
c. Financial derivatives	3	10	-7	11	34	-23
d. Other capital investment	4,880	3,250	1,630	5,435	4,181	1,254
- assets:	1,107	1,416	-309	1,752	2,005	-253
1. medium- and long-term loans and credits	9	33	-24	11	10	1
1.1. trade credits	4	20	-16	8	7	1
1.2. financial credits	5	13	-8	3	3	0
2. short-term loans and credits	97	194	-97	347	481	-134
2.1. trade credits	32	72	-40	254	257	-3
2.2. financial credits	65	122	-57	93	224	-131
3. cash and deposits	972	1,153	-181	1,347	1,474	-127
4. other assets	29	36	-7	47	40	7
- long-term	23	21	2	8	27	-19
- short-term	6	15	-9	39	13	26
- liabilities:	3,773	1,834	1,939	3,683	2,176	1,507
1. IMF loans and credits	0	32	-32	0	33	-33
2. medium- and long-term loans and credits	1,984	556	1,428	1,299	828	471
2.1. trade credits	39	79	-40	76	72	4
2.2. financial credits	1,945	477	1,468	1,223	756	467
3. short-term loans and credits	652	355	297	1,189	599	590
3.1. trade credits	93	23	70	488	143	345
3.2. financial credits	559	332	227	701	456	245
4. cash and deposits	422	801	-379	794	505	289
5. other liabilities	715	90	625	401	211	190
- long-term	641	47	594	147	193	-46
- short-term	74	43	31	254	18	236
e. NBR reserve assets (net) (increase "-" / decrease "+")	-	1,534	-1,534	-	863	-863
3. Errors and omissions (net)	398	-	398	-	193	-193

QUARTERLY BALANCE OF PAYMENTS, 2005

EUR mill.

Q3			Q4			Item
credit	debit	net	credit	debit	net	
8,499	10,072	-1,573	8,609	10,931	-2,322	1. Current account
7,130	8,846	-1,716	6,918	10,079	-3,161	A. Goods and services
5,939	7,685	-1,746	5,789	8,771	-2,982	a. Goods
1,191	1,161	30	1,129	1,308	-179	b. Services
324	414	-90	330	450	-120	- transport
291	228	63	242	244	-2	- travel
576	519	57	557	614	-57	- other
333	1,110	-777	421	710	-289	B. Incomes
205	4	201	232	6	226	- compensation of employees
-15	787	-802	-15	454	-469	- direct investment
101	132	-31	154	70	84	- portfolio investment
42	187	-145	50	180	-130	- other capital investment (interests)
1,036	116	920	1,270	142	1,128	C. Current transfers
26	10	16	96	25	71	- government sector
1,010	106	904	1,174	117	1,057	- other sectors
10,432	8,819	1,613	10,871	8,789	2,082	2. Capital and financial account
131	19	112	278	29	249	A. Capital account
130	16	114	275	20	255	Capital transfers
21	0	21	217	0	217	- government sector
109	16	93	58	20	38	- other sectors
						Purchase-sale of non-produced/ non-financial assets
1	3	-2	3	9	-6	B. Financial account
10,301	8,800	1,501	10,593	8,760	1,833	a. Direct investment
2,229	508	1,721	2,980	1,467	1,513	- of residents abroad
2	8	-6	1	-7	8	- of non-residents in Romania
2,227	500	1,727	2,979	1,474	1,505	b. Portfolio investment
1,188	462	726	949	991	-42	- assets
965	318	647	188	519	-331	- liabilities
223	144	79	761	472	289	c. Financial derivatives
3	3	0	12	3	9	d. Other capital investment
6,881	4,916	1,965	6,652	6,173	479	- assets:
1,613	1,726	-113	2,054	2,378	-324	1. medium- and long-term loans and credits
46	3	43	55	62	-7	1.1. trade credits
5	1	4	11	5	6	1.2. financial credits
41	2	39	44	57	-13	2. short-term loans and credits
286	500	-214	423	619	-196	2.1. trade credits
277	405	-128	360	248	112	2.2. financial credits
9	95	-86	63	371	-308	3. cash and deposits
1,239	1,178	61	1,519	1,632	-113	4. other assets
42	45	-3	57	65	-8	- long-term
28	37	-9	45	58	-13	- short-term
14	8	6	12	7	5	- liabilities:
5,268	3,190	2,078	4,598	3,795	803	1. IMF loans and credits
0	28	-28	0	29	-29	2. medium- and long-term loans and credits
1,874	1,084	790	1,496	941	555	2.1. trade credits
46	71	-25	32	118	-86	2.2. financial credits
1,828	1,013	815	1,464	823	641	3. short-term loans and credits
1,090	857	233	1,170	746	424	3.1. trade credits
375	245	130	623	232	391	3.2. financial credits
715	612	103	547	514	33	4. cash and deposits
1,730	995	735	1,652	1,555	97	5. other liabilities
574	226	348	280	524	-244	- long-term
86	141	-55	81	91	-10	- short-term
488	85	403	199	433	-234	e. NBR reserve assets (net)
-	2,911	-2,911	-	126	-126	(increase "-" / decrease "+")
-	40	-40	240	-	240	3. Errors and omissions (net)

ROMANIA'S INTERNATIONAL INVESTMENT POSITION AS OF YEAR-END 2005

EUR mill.

Institutional sector	Outstanding at start of period	Transactions	Adjustments due to price changes	Other adjustments	Adjustments due to exchange rate changes	Outstanding at end of period
I. Government sector	-5,738	-626	0	298	-145	-6,211
<i>foreign assets</i>	<i>3,235</i>	<i>13</i>	<i>0</i>	<i>382</i>	<i>123</i>	<i>3,753</i>
other investments	3,235	13	0	382	123	3,753
trade credits	2,493	3	0	382	35	2,913
medium- and long-term trade credits	2,493	3	0	382	35	2,913
deposits	4	0	0	0	0	4
other assets	738	10	0	0	88	836
other long-term assets	579	11	0	0	73	663
other short-term assets	159	-1	0	0	15	173
<i>foreign liabilities</i>	<i>8,973</i>	<i>639</i>	<i>0</i>	<i>84</i>	<i>268</i>	<i>9,964</i>
portfolio investment	2,439	193	0	0	8	2,640
bonds	2,421	191	0	0	8	2,620
money market instruments	18	2	0	0	0	20
other investments	6,534	446	0	84	260	7,324
trade credits	41	-3	0	0	-18	20
medium- and long-term trade credits	41	-3	0	0	-18	20
financial credits	6,493	449	0	84	278	7,304
medium- and long-term financial credits	6,493	449	0	84	-6,296	730
other liabilities	0	0	0	0	0	0
other long-term liabilities	0	0	0	0	0	0
other short-term liabilities	0	0	0	0	0	0
II. Monetary authority	11,518	5,646	297	0	565	18,026
<i>foreign assets</i>	<i>11,944</i>	<i>5,441</i>	<i>297</i>	<i>0</i>	<i>597</i>	<i>18,279</i>
other investments	11	8	0	0	1	20
other assets	11	8	0	0	1	20
other long-term assets	11	8	0	0	1	20
reserves	11,933	5,433	297	0	596	18,259
gold	1,085	0	376	0	0	1,461
forex reserves	10,848	5,433	-79	0	596	16,798
<i>foreign liabilities</i>	<i>426</i>	<i>-205</i>	<i>0</i>	<i>0</i>	<i>32</i>	<i>253</i>
other investments	426	-205	0	0	32	253
financial credits	325	-122	0	0	18	221
medium- and long-term financial credits (IMF)	325	-122	0	0	18	221
deposits	73	-83	0	0	10	0
other liabilities	28	0	0	0	4	32
other long-term liabilities	28	0	0	0	4	32
III. Banking sector	-3,662	-4,593	1	-3	-512	-8,769
<i>other assets</i>	<i>1,418</i>	<i>-147</i>	<i>0</i>	<i>0</i>	<i>29</i>	<i>1,300</i>
direct investment	104	12	0	0	9	125
equity holdings and reinvested profits	104	4	0	0	9	117
others	0	8	0	0	0	8
portfolio investment	426	-270	0	0	18	174
bonds	7	9	0	0	-2	14
shares	419	-279	0	0	20	160
financial derivatives	0	-23	0	0	0	-23
other investments	888	134	0	0	2	1,024
financial credits	99	-24	0	0	8	83
medium- and long-term financial credits	87	-24	0	0	0	63
short-term financial credits	12	0	0	0	8	20
deposits	787	140	0	0	-6	921
other assets	2	18	0	0	0	20
other short-term assets	2	18	0	0	0	20
<i>foreign liabilities</i>	<i>5,080</i>	<i>4,446</i>	<i>-1</i>	<i>3</i>	<i>541</i>	<i>10,069</i>
direct investment	1,589	950	-1	3	149	2,690
equity holdings and reinvested profits	1,489	685	-1	2	128	2,303
others	100	265	0	1	21	387
portfolio investment	108	511	0	0	-28	591
bonds	14	2	0	0	-1	15
shares	94	509	0	0	-27	576
financial derivatives	0	-50	0	0	0	-50
other investments	3,383	3,035	0	0	420	6,838
financial credits	1,836	1,754	0	0	127	3,717
medium- and long-term financial credits	1,681	1,443	0	0	132	3,256
short-term financial credits	155	311	0	0	-5	461
deposits	1,542	1,225	0	0	292	3,059
other liabilities	5	56	0	0	1	62
other short-term liabilities	5	56	0	0	1	62

ROMANIA'S INTERNATIONAL INVESTMENT POSITION AS OF YEAR-END 2005

continued

EUR mill.

Institutional sector	Outstanding at start of period	Transactions	Adjustments due to price changes	Other adjustments	Adjustments due to exchange rate changes	Outstanding at end of period
IV. Other sectors	-18,572	-6,316	-457	14	-1,082	-26,413
<i>foreign assets</i>	1,095	1,196	0	0	20	2,311
direct investment	96	-36	0	0	-4	56
equity holdings and reinvested profits	74	-59	0	0	-4	11
others	22	23	0	0	0	45
portfolio investment	19	395	0	0	25	439
shares	15	110	0	0	8	133
bonds	1	285	0	0	16	302
money market instruments	3	0	0	0	1	4
financial derivatives	0	-6	0	0	0	-6
other investments	980	843	0	0	-1	1,822
trade credits	281	61	0	0	0	342
medium- and long-term trade credits	37	2	0	0	0	39
short-term trade credits	244	59	0	0	0	303
financial credits	48	588	0	0	-1	635
medium- and long-term financial credits	34	6	0	0	-1	39
short-term financial credits	14	582	0	0	0	596
deposits	617	219	0	0	0	836
other assets	34	-25	0	0	0	9
other short-term assets	5	2	0	0	0	7
other long-term assets	29	-27	0	0	0	2
<i>foreign liabilities</i>	19,667	7,512	457	-14	1,102	28,724
direct investment	13,451	4,262	457	146	879	19,195
equity holdings and reinvested profits	10,518	3,167	457	274	771	15,187
others	2,933	1,095	0	-128	108	4,008
portfolio investment	994	199	0	-76	16	1,133
bonds	629	187	0	0	1	817
shares	329	12	0	-76	15	280
money market instruments	36	0	0	0	0	36
financial derivatives	0	0	0	0	0	0
other investments	5,222	3,051	0	-84	207	8,396
trade credits	753	792	0	0	90	1,635
medium- and long-term trade credits	246	-144	0	0	90	192
short-term trade credits	507	936	0	0	0	1,443
financial credits	4,469	1,879	0	-84	117	6,381
medium- and long-term financial credits	3,641	1,499	0	-84	117	5,173
short-term financial credits	828	380	0	0	0	1,208
deposits	0	0	0	0	0	0
other liabilities	0	380	0	0	0	380
other short-term liabilities	0	380	0	0	0	380
TOTAL	-16,454	-5,889	-159	309	-1,174	-23,367

ROMANIA'S INTERNATIONAL INVESTMENT POSITION AS OF YEAR-END 2005

EUR mill.

Item	Outstanding at start of period	Transactions	Adjustments due to price changes	Other adjustments	Adjustments due to exchange rate changes	Outstanding at end of period
Total	-16,454	-5,889	-159	309	-1,174	-23,367
<i>of which:</i>						
Foreign assets	17,692	6,503	297	382	769	25,643
direct investment	200	-24	0	0	5	181
portfolio investment	445	125	0	0	43	613
financial derivatives	0	-29	0	0	0	-29
other investments	5,114	998	0	382	125	6,619
reserves	11,933	5,433	297	0	596	18,259
Foreign liabilities	34,146	12,392	456	73	1,943	49,010
direct investment	15,040	5,212	456	149	1,028	21,885
portfolio investment	3,541	903	0	-76	-4	4,364
financial derivatives	0	-50	0	0	0	-50
other investments	15,565	6,327	0	0	919	22,811
Net position	-16,454	-5,889	-159	309	-1,174	-23,367
direct investment	-14,840	-5,236	-456	-149	-1,023	-21,704
portfolio investment	-3,096	-778	0	76	47	-3,751
financial derivatives	0	21	0	0	0	21
other investments	-10,451	-5,329	0	382	-794	-16,192
reserves	11,933	5,433	297	0	596	18,259
Foreign assets	17,692	6,503	297	382	769	25,643
A. Direct investment of residents abroad	200	-24	0	0	5	181
- equity holdings	178	-55	0	0	5	128
- other	22	31	0	0	0	53
B. Portfolio investment	445	125	0	0	43	613
- bonds	420	6	0	0	36	462
- shares	22	119	0	0	6	147
- money market instruments	3	0	0	0	1	4
C. Financial derivatives	0	-29	0	0	0	-29
D. Other investments	5,114	998	0	382	125	6,619
- loans and credits	2,921	628	0	382	42	3,973
- long-term loans and credits	2,651	-13	0	382	34	3,054
- short-term loans and credits	270	641	0	0	8	919
- cash and deposits	1,408	359	0	0	-6	1,761
- other assets	785	11	0	0	89	885
- medium- and long-term	595	39	0	0	74	708
- short-term	190	-28	0	0	15	177
E. NBR reserve assets	11,933	5,433	297	0	596	18,259
- monetary gold	1,085	0	376	0	0	1,461
- forex reserves	10,848	5,433	-79	0	596	16,798
Foreign liabilities	34,146	12,392	456	73	1,943	49,010
A. Direct investment of non-residents in Romania	15,040	5,212	456	149	1,028	21,885
- equity holdings	12,007	3,852	456	276	899	17,490
- other	3,033	1,360	0	-127	129	4,395
B. Portfolio investment	3,541	903	0	-76	-4	4,364
- shares	643	189	0	0	0	832
- bonds	2,844	712	0	-76	-4	3,476
- money market instruments	54	2	0	0	0	56
C. Financial derivatives	0	-50	0	0	0	-50
D. Other investments	15,565	6,327	0	0	919	22,811
- loans and credits	13,917	4,749	0	0	612	19,278
- long-term loans and credits	12,427	3,122	0	0	617	16,166
- short-term loans and credits	1,490	1,627	0	0	-5	3,112
- cash and deposits	1,615	1,142	0	0	302	3,059
- other liabilities	33	436	0	0	5	474
- medium- and long-term	28	0	0	0	4	32
- short-term	5	436	0	0	1	442

ROMANIA: INTERNATIONAL INVESTMENT POSITION, 2000-2005

	EUR mill., end of period					
Institutional sector	2000	2001	2002	2003	2004	2005
I. Monetary authority	2,713	4,928	6,574	6,999	11,518	18,026
- assets	3,654	5,520	7,018	7,503	11,944	18,279
- liabilities	941	592	444	504	426	253
II. Government sector	-1,538	-2,590	-3,432	-4,842	-5,738	-6,211
- assets	4,092	4,389	3,762	3,148	3,235	3,753
- liabilities	5,630	6,979	7,194	7,990	8,973	9,964
III. Banks	1,002	871	-430	-1,587	-3,662	-8,769
- assets	1,791	1,966	1,256	975	1,418	1,300
- liabilities	789	1,095	1,686	2,562	5,080	10,069
IV. Non-banks	-11,197	-13,786	-11,964	-13,583	-18,572	-26,413
- assets	815	1,214	865	864	1,095	2,311
- liabilities	12,012	15,000	12,829	14,447	19,667	28,724
Net position	-9,020	-10,577	-9,252	-13,013	-16,454	-23,367
- assets	10,352	13,089	12,901	12,490	17,692	25,643
- liabilities	19,372	23,666	22,153	25,503	34,146	49,010

ROMANIA: GROSS INTERNATIONAL RESERVES, 2000-2005

	EUR mill., end of period					
	2000	2001	2002	2003	2004	2005
<i>National Bank of Romania</i>	3,644	5,509	7,009	7,492	11,933	18,259
- gold	989	1,064	1,132	1,118	1,085	1,461
- SDRs	1	8	2	0	0	0
- convertible currencies	2,654	4,437	5,875	6,374	10,848	16,798
<i>Commercial banks</i>	1,561	1,722	1,042	756	1,220	1,103
- convertible currencies	1,561	1,722	1,042	756	1,220	1,103
Gross international reserves	5,205	7,231	8,051	8,248	13,153	19,362
of which:						
Gross foreign exchange reserves	4,216	6,167	6,919	7,130	12,068	17,901

ROMANIA: EXTERNAL DEBT INDICATORS, 2000-2005

	2000	2001	2002	2003	2004	2005	
External debt (ED) - EUR mill.	12,098	14,787	16,200	17,835	21,504	31,081	
- medium- and long-term (MLT)	11,291	13,677	14,969	15,859	18,298	24,593	
- short-term (ST)	807	1,110	1,231	1,976	3,206	6,488	
GDP							
- RON million - current prices -	80,377	116,769	151,475	197,565	246,372	287,186	
- RON/EUR average annual rate	1.9956	2.6027	3.1255	3.7556	4.0532	3.6234	
- EUR million ^{*)}	40,278	44,865	48,464	52,605	60,784	79,259	
Exports of goods and services - EUR mill. (EXP)	13,183	14,995	17,143	18,285	21,838	26,357	
Imports of goods and services - EUR mill. (IMP)	15,310	18,447	19,890	22,178	27,374	34,512	
External debt service - EUR mill. (EDS)	2,778	3,648	4,249	3,808	4,972	13,578	
- principal repayment	2,138	2,916	3,502	3,033	4,117	12,415	
- interest payment (INT)	640	732	747	775	855	1,163	
Official reserves (EUR mill.)	3,644	5,509	7,009	7,492	11,933	18,259	
Indicators			<i>percent (%)</i>				
ED/GDP	30.0	33.0	33.4	33.9	35.4	39.2	
MLT/GDP	28.0	30.5	30.9	30.1	30.1	31.0	
ED/EXP	91.8	98.6	94.5	97.5	98.5	117.9	
MLT/EXP	85.6	91.2	87.3	86.7	83.8	93.3	
EDS/EXP	21.1	24.3	24.8	20.8	22.8	51.5	
EDS/GDP	6.9	8.1	8.8	7.2	8.2	17.1	
EDS/OR	76.2	66.2	60.6	50.8	41.7	74.4	
INT/EXP	4.9	4.9	4.4	4.2	3.9	4.4	
ST/ED	6.7	7.5	7.6	11.1	14.9	20.9	
Multilateral/ED	38.5	34.8	31.9	28.9	24.1	18.4	
OR/IMP (months)	2.9	3.6	4.2	4.1	5.2	6.3	

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