



NATIONAL BANK OF ROMANIA

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

ANNUAL REPORT

2008

Note

*The drafting of **Annual Report 2008 – Balance of Payments and International Investment Position of Romania** was completed on 5 December 2009 based on the data available in November 2009.*

Some of the data are provisional and will be updated as appropriate in the subsequent issues.

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

The drafting was carried out by the Statistics Department while English version and technical co-ordination by the Economics Department.

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MAIN DEVELOPMENTS IN 2008

I. External environment¹

In 2008, the growth rate of world economy slowed down, given that the financial crisis intensified and turned into an economic crisis. World output stood 2.0 percent higher than in 2007, when it was 3.8 percent. Starting with mid-September, global economic conditions have deteriorated rapidly against the background of faltering consumer and corporate sector confidence, tighter lending conditions worldwide and declining house prices and equity valuations. The impact of the financial turmoil on real sector activity also resulted in slacker dynamics of world trade, which expanded at a pace of 4.4 percent in 2008, compared with 6.3 percent in 2007². International financial market evolution bore the hallmark of volatility and sharp declines in share prices. In 2008 H1 the oil price remained on an upward trend, peaking at USD 147.5 per barrel in July, owing to the demand from emerging economies and the fall in crude oil production in non-OPEC countries. Subsequently, the crude oil price dropped to as low as USD 39.5 per barrel at year-end 2008, as a direct effect of increased crude oil inventories in the USA and the fallout from the financial crisis on the global economic outlook. Overall in 2008, the average price of crude oil was USD 98.3 per barrel, up 35.0 percent from a year earlier. Prices of commodities³ were extremely volatile throughout the year, rising steeply in the first quarter, on the back of surging agricultural commodity prices, but decreasing⁴ in the latter part of the year amid lower energy prices. Overall, the prices of non-energy commodities increased by an average of 14.0 percent year on year. Global inflation was strongly affected by the abrupt movements in commodity prices and world economic developments. Thus, inflationary pressures were higher in the first part of 2008, with the average annual inflation rate reaching a high of 4.8 percent in July⁵, due to the impact of increases in food and energy prices. Thereafter, inflationary pressures eased, the average annual inflation rate in OECD countries declining to 1.5 percent in December.

Euro area⁶ economy saw a noticeable slowdown, from 2.7 percent in 2007 to 0.8 percent in 2008. This occurred against the backdrop of worsening economic conditions starting September, once financial market tensions intensified. The decline in economic growth was attributed to most components of the gross domestic product (GDP). Domestic demand dynamics slackened noticeably as a result of the compression in households' real incomes in the context of higher commodity prices worldwide in 2008 H1. Adding to these were the drop in housing investment (depressed by the plunging real-estate prices) and investment in productive capacities (because of tighter financing conditions). External demand was contained by the slack

¹ Sources: ECB, Annual Report 2008 – April 2009, Statistics Pocket Book – August 2009; IMF, World Economic Outlook – July 2009.

² According to the Report by the Economic Commission for Latin America and the Caribbean (July 2009).

³ Excluding energy resources.

⁴ Faster in the case of metals.

⁵ It covers the countries that joined the Organisation for Economic Co-operation and Development (OECD).

⁶ The countries referred to herein are the fifteen EU Member States making up the currency union at end-2008: Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Spain and Slovenia.

economic expansion in both advanced and emerging economies. Euro area exports of goods and services saw their dynamics slowing to 1.0 percent in 2008 from 5.9 percent a year earlier, whereas imports of goods and services contracted to 1.0 percent in 2008 from 5.8 percent in 2007, in response to the developments in domestic demand. Overall, net exports had a neutral contribution to the advance in GDP. From a sectoral perspective, the slowdown in economic activity had an impact on all sectors, most notably in manufacturing, following the decline in external demand, the rapid reduction in the order portfolio and the downturn in the car industry. The construction sector reported a tepid performance, amid the persistent deterioration in the residential sector. Services witnessed the slowest rate of increase since 2004, being depressed by the retrenchment in private consumption and production activities. The average annual inflation rate, as measured by the Harmonised Index of Consumer Prices, rose from 2.1 percent in 2007 to 3.3 percent in 2008, a record high after the changeover to the euro and above the level defining price stability in the euro zone. This development was attributed to the hikes in world prices of commodities, energy and food in particular.

Labour market conditions worsened in the euro area during 2008, after two years of significant improvement. Unemployment rate, which has followed a downward path since 2005, started rising in 2008 Q2, reaching 8.2 percent at end-2008, from 7.3 percent at the end of 2007. The budget deficit of the euro zone widened to 1.9 percent of GDP, from 0.7 percent of GDP in the previous year, given the broadening of the financial crisis and the deterioration of the macroeconomic climate. In 2008, the public deficits of Ireland, Greece, Malta, Finland, Spain and France exceeded the 3 percent-of-GDP reference value. The euro area public debt ratio added 3.3 percentage points in 2008 year over year to 69.3 percent of GDP as a result of government measures aimed at financial sector stabilisation.

The aggregate current account of the euro area ended 2008 on a deficit of EUR 100.3 billion (1.1 percent of GDP), compared with a surplus of EUR 13.5 billion a year earlier, largely as a result of trade balance and income balance turning to deficits. The euro zone trade balance also rang up a deficit of EUR 4.9 billion, from a EUR 46.4 billion surplus in 2007, given the steep increase in imports in Q1-Q3 (following higher world prices) and the fall in exports in Q4, against the background of global demand compression and tighter financing conditions. The downtrend in euro area competitiveness, which became manifest in 2001, reversed somewhat in 2008 H2 owing to the weaker euro. The surplus of services dropped over the period by EUR 5.8 billion to EUR 43.4 billion.

Portfolio and direct investments posted net inflows amounting to about EUR 200 billion, from EUR 67.2 billion in 2007. Behind the expansion stood larger net inflows in the nature of debt⁷ and equity participations⁸. This development was partly contained by the increase in net outflows of direct investment (disinvestment by non-residents outran that made by residents). Reserve assets of the euro area edged up marginally in 2008, due primarily to asset revaluation and exchange rate movements.

Non-euro area Member States⁹ saw their economic growth rates decelerating in 2008, down to 1.3 percent versus 3.6 percent in 2007. In general, these countries' domestic demand was hit by the deterioration in the external climate and the intensification of the financial crisis, which eroded the confidence of consumers and

⁷ In the context of increased risk aversion to highly risky instruments, liquidity needs, and short-term interest rate differentials.

⁸ As global investors made attempts at changing investment portfolios in favour of their home countries.

⁹ The countries referred to herein are the 12 Member States outside the euro area at end-2008: Bulgaria, the Czech Republic, Denmark, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Sweden and the United Kingdom.

businesspeople alike. The highest growth rates (above 6.0 percent) were recorded in Romania, Bulgaria and Slovakia, while Latvia, Estonia, Denmark and Sweden registered negative rates. The average annual inflation rate went up during 2008 across the majority of countries in the region, except for Hungary, amid the uptrend in prices over the first half of 2008 in most economies. Inflation rates of non-euro area countries stood, on average, at 4.7 percent in 2008 from 2.9 percent in 2007. The highest inflation rates were reported by the Baltic States and Bulgaria (ranging from 10.6 percent to 15.3 percent), followed by the Czech Republic, Hungary and Romania (between 6.0 percent and 7.9 percent), and Denmark, Poland, Slovakia, Sweden and the United Kingdom (between 3.3 percent and 4.2 percent). Apart from the main determinant of the increase in inflation, i.e. costlier energy and foodstuffs worldwide, there were also country-specific factors that pushed up the general level of prices, such as currency depreciation, and rises in administered prices and indirect taxes.

Fiscal developments remained heterogeneous in 2008. Overall, the budget deficit stood, on average, at 3.3 percent of GDP as against 1.5 percent of GDP in 2007. Three of the non-euro area Member States, namely Bulgaria, Denmark and Sweden, posted budget surpluses, while the other nine countries ended the year on a deficit. The budget deficit was more than 3.0 percent of GDP in Latvia, Romania and the United Kingdom. The government debt ratio was substantially below 60.0 percent of GDP in most non-euro area Member States¹⁰, averaging 44.0 percent, a tad higher than in the prior year. In 2008, government debt widened its share in GDP in Denmark, Estonia, Latvia, Hungary, Poland, Romania and the United Kingdom, reflecting the economic slowdown and the wider budget deficit alike, whereas in the other countries this indicator declined or remained at the previous year's level. The combined current and capital account balance improved in all non-euro area Member States over the previous year, but the performance by country was mixed. Unlike Denmark and Sweden, which ended 2008 on a surplus, the remaining countries recorded deficits. Compared with 2007, these shortfalls narrowed as a percentage of GDP following the weaker domestic demand¹¹. The combined current and capital account deficit overstepped 20 percent of GDP in Bulgaria and 10 percent of GDP in Romania and Latvia. In most countries, the external imbalance was generated by the trade deficit, excepting the Czech Republic, Hungary and Slovakia, where the major culprit was the deficit of the incomes balance, most often relating to foreign companies' reinvested earnings.

Compared with 2007, in 2008 net inflows from foreign direct investment as a percentage of GDP decreased for most EU-12 countries, except Romania. Most of the non-euro area countries posted deficits of the base balance¹², of which special mention deserve Bulgaria, Latvia, Lithuania, Romania and Hungary, where those deficits exceeded 4.0 percent of GDP. Net portfolio investment inflows remained negative or neutral in many non-euro area Member States, except the United Kingdom, Estonia, Slovakia and Denmark.

In the **United States of America**, the annual growth rate of GDP equalled 1.1 percent in 2008 versus 2.0 percent in the previous year. Private consumption was adversely affected by the deterioration in consumer perception and labour market conditions, as well as by the decline in household wealth as a direct effect of the plunge on the real estate market. Private sector investment displayed a setback amid the worsening of both lending conditions and demand outlook. Foreign trade was the major driver of economic growth for most of 2008 – its favourable performance, along with the rising surplus under services and

¹⁰ Except Hungary.

¹¹ Except in Poland, Hungary and Slovakia.

¹² Base balance = current and capital account balance plus net direct investment inflows.

incomes, caused the share of the current account deficit in GDP to fall to 4.9 percent, from 5.2 percent in 2007. The average annual inflation rate for 2008 came in at 3.8 percent¹³, with inflationary pressures surfacing especially at mid-year, against the background of increases in energy prices, but receding towards year-end, as raw material prices entered a downward path.

The federal budget deficit widened year on year to 5.9 percent of GDP, compared with 2.9 percent in fiscal 2007. Against the backdrop of a flat performance of the economy, fiscal revenues shrank sizeably, whereas public expenditures moved higher following the implementation of stimulus packages.

Japan's economy saw a trend reversal in 2008, dropping by 0.7 percent, after expanding by 2.3 percent in 2007. This performance owed much to the weak picture in net exports of goods and services, investment and consumption. The average annual inflation rate, as measured by the consumer price index, was 1.4 percent from 0.1 percent in 2007, topping out at 2.3 percent in July, but falling thereafter to 0.4 percent in December.

Emerging Asia saw a gradual deceleration in economic activity. This was primarily the result of the setback in exports of the region's small economies such as Singapore, Taiwan and Hong Kong in 2008 H2. To this added the flagging domestic demand induced by the lower confidence of both consumers and businesspeople as well as by the subdued real-estate investment. Inflation rate followed the uptrend manifest all around the world in the first half of 2008, but receded thereafter, amid the decreases in crude oil and food prices. Financial market volatility affected countries in the region to varying degrees. Thus, the impact was lower in China, where the financial system is relatively closed, but stronger in South Korea, due to the country's high domestic debt, and Indonesia, as a result of the decline in commodity prices. The Chinese economy continued to expand in 2008, albeit at a slower pace than in the previous year (9.0 percent over 13.0 percent), due both to domestic and external factors. The trade surplus and the massive capital inflows prompted by expectations of a stronger yuan and a positive interest rate differential caused China's foreign exchange reserves to reach USD 1,900 billion at the end of 2008.

The economies in **Latin America**¹⁴ reported a 4.2 percent advance in GDP in 2008, from 5.8 percent in 2007, rising for the sixth year in succession. The first half of the year saw robust growth, given the improved macroeconomic conditions, the rise in commodity prices and the consolidation of domestic demand. Half of the countries in the region exhibited above-average expansion, most notably in Argentina, Brazil, Bolivia, Peru, Panama and Ecuador. Nevertheless, the global environment fuelled inflationary pressures, taking the inflation rate to 8.7 percent in 2008 from 6.1 percent a year earlier. Starting mid-September, external financing conditions worsened, leading to the deterioration in public debt, the depreciation of local currencies versus the US dollar and sharp declines in share prices. The aggregate current account of Latin America ran a moderate deficit, thanks to the upturn in exports (of energy in particular) on the back of elevated world prices and stronger export volumes. Moreover, for the first time ever, economic growth and current account surpluses went hand in hand in a number of countries such as Venezuela, Bolivia, Ecuador and Argentina.

¹³ From 2.9 percent a year earlier.

¹⁴ Additional source: Economic Commission's Report for Latin America and the Caribbean (July 2009).

II. Romanian economy in 2008

In 2008, the Romanian economy grew at a faster pace than a year earlier, adding 0.9 percentage points from 2007. The pick-up in investment and the easing of domestic demand boosted the economic growth. The rate of increase of the gross domestic product was 7.1 percent in 2008, i.e. 6.2 percentage points above the 0.9 percent¹⁵ average growth pace in the European Union. Developments in GDP by expenditure highlight a significant year-on-year expansion in domestic demand (8.0 percent), propelled by actual final household consumption and gross fixed capital formation, up 8.4 percent and 19.3 percent respectively. Net exports had a negative contribution to GDP growth.

Behind the good performance of GDP formation stood the positive contribution of four sectors of the economy, i.e. industry, services, agriculture and construction, which jointly accounted for 89.3 percent of GDP. Gross value added in these sectors increased over the year before by 1.3 percent, 5.1 percent, 21.4 percent and 26.1 percent respectively.

Inflation rate at end-2008 stood at 6.3 percent, down 0.3 percentage points from end-2007. This represents an overshooting of the upper limit of the inflation target set by the central bank (3.8 percent \pm 1 percentage point). Inflation slowed down towards the end of the year following the favourable trend in prices of fuels¹⁶, agri-foodstuffs¹⁷, as well as administered prices.

At end-2008, registered unemployment rate was 4.4 percent of civilian labour force, up 0.4 percentage points from December 2007. The explanation lies mainly with the retrenchment in workforce, manifest in the final months of the year, due to the decline in domestic demand and external demand, the delay in some investment projects and higher uncertainties regarding the fallout from the financial crisis on the domestic economy and foreign partners.

The share of consolidated general government deficit¹⁸ in gross domestic product ran at 5.5 percent¹⁹ in 2008, exceeding the 3.0 percent ceiling owing to the oversized budget projections in terms of both revenues and expenditures. Compared with 2007, the share in GDP of public revenues narrowed by 0.7 percentage points to 32.8 percent, whereas that of public expenditure widened by 2.3 percentage points²⁰ to 38.3 percent.

III. Romania's balance of payments and international investment position in 2008

A. Balance of payments

In 2008, Romania's current account deficit accounted for 11.8 percent of GDP. Behind this performance stood the strong domestic demand, favourable financing conditions and the strong increase in lending. The adverse effects of the global financial crisis became manifest in Romania during 2008 Q4, hitting both domestic demand and external demand.

¹⁵ Eurostat website.

¹⁶ The oil price dropped sharply starting 2008 H2 and hovered around USD 40 per barrel until year-end.

¹⁷ In 2008, vegetal output rose 39.6 percent over the year before, holding the largest share in total agricultural output (67.7 percent).

¹⁸ Source: Ministry of Public Finance. Measured according to the European System of Accounts (ESA 1995).

¹⁹ From 2002 to 2007, Romania's deficit-to-GDP ratio was below the reference value of 3.0 percent.

²⁰ Following the relative increase in transfers, expenses on goods and services and staff costs.

1. Current account

In 2008, the balance-of-payments current account deficit amounted to EUR 16,157 million, down 3.3 percent year on year, with a share of 11.8 percent of GDP from 13.4 percent in 2007.

Table No. 1. Balance of payments

	2007			2008		
	Credit	Debit	Net	Credit	Debit	Net
	- EUR mill. -					
1. CURRENT ACCOUNT	46,051	62,765	-16,714	53,582	69,739	-16,157
Goods and services	36,434	53,847	-17,413	42,479	60,929	-18,450
- Goods	29,549	47,371	-17,822	33,725	52,834	-19,109
- Services	6,885	6,476	409	8,754	8,095	659
Incomes	2,429	6,556	-4,127	2,268	5,951	-3,683
Current transfers	7,188	2,362	4,826	8,835	2,859	5,976
2. CAPITAL AND FINANCIAL ACCOUNT	68,784	51,317	17,467	80,025	62,195	17,830
Capital transfers	990	283	707	880	264	616
Purchase-sale of non-produced/ non-financial assets	239	129	110	112	107	5
Direct investment	14,267	7,220	7,047	18,728	9,420	9,308
Portfolio investment	3,347	2,865	482	2,551	3,114	-563
Financial derivatives	248	546	-298	600	890	-290
Other capital investment	49,693	35,769	13,924	57,116	48,400	8,716
Reserve assets ("- increase, "+" decrease)	-	4,505	-4,505	38	-	38
ERRORS AND OMISSIONS (NET)	-	753	-753	-	1,673	-1,673

Trade balance (goods) had the strongest impact on the current account, reaching 14.0 percent deficit-to-GDP in 2008. The dampening effect of the goods flows on the current account was only partly offset by the larger surpluses under services and current transfers and the narrower income deficit

1.1. Trade balance (goods and services)

In 2008, goods and services balance ran a deficit of EUR 18,450 million, up 6.0 percent on the year, exclusively on account of the goods balance

1.1.1. Goods

Trade deficit came in at EUR 19,109 million in 2008, rising 7.2 percent year on year and posting mixed developments throughout the period under review. Thus, January through September, trade deficit widened 19.4 percent on the back of the steeper increase in imports, whereas in 2008 Q4 it narrowed by about 20.0 percent, as a result of the deepening global financial crisis and its knock-on effects on international trade. Nonetheless, export growth outpaced import dynamics by 2.6 percentage points, while the deficit-to-GDP ratio shrank 0.3 percentage points to 14.0 percent.

Table No. 2. Trade balance (goods)

	2007	2008	Difference (+/-)
		- EUR mill. -	
Exports (FOB)	29,549	33,725	4,176
Imports (FOB)	47,371	52,834	5,463
Trade balance (FOB/FOB)	-17,822	-19,109	-1,287
		- percent -	
Share of exports in GDP	23.7	24.6	0.9
Share of imports in GDP	38.0	38.6	0.6
Share of trade balance in GDP	-14.3	-14.0	0.3
Share of trade balance in current account balance	106.6	118.3	11.7
Coverage of imports through exports (FOB/FOB)	62.4	63.8	1.4
Economy openness: (exports+imports)/GDP	61.7	63.3	1.6

Source: National Institute of Statistics

The highest trade deficit, i.e. EUR 2.1 billion, was recorded in September 2008. During the period under review, the trade deficit monthly average held steady at EUR 1.6 billion, around the previous year's reading.

Trade balance developments of the eight commodity groups point to a surplus under textiles, wearing apparel and footwear (EUR 1,065 million) and deficits under machinery, equipment and transport means (EUR 7,042 million), chemicals and plastic products (EUR 4,282 million), mineral products (EUR 4,104 million), agrifoodstuffs (EUR 1,847 million), base metals (EUR 1,060 million), paper and wood products and other (EUR 1,839 million).

The analysis by major output stage reveals the deficits posted by capital goods (EUR 7,502 million), intermediate goods (EUR 5,294 million), raw materials (EUR 4,896 million) and consumer goods (EUR 1,417 million).

The **geographical spread** shows that the deficit stemmed primarily from intra-EU trade (68.1 percent, of which trade with the euro area accounted for 45.5 percent), ahead of trade with countries outside the EU (31.9 percent). More than 90.0 percent of the trade deficit recorded in 2008 owed to trade relations with Germany (16.5 percent), the Russian Federation (12.9 percent), Kazakhstan (12.1 percent), Hungary (11.7 percent), the People's Republic of China (10.8 percent), Austria (9.6 percent), Poland (5.8 percent), the Netherlands (5.2 percent), Italy (4.7 percent), and the Czech Republic (4.1 percent). Furthermore, both import cover and economy openness added 1.4 percentage points and 1.6 percentage points respectively year on year to 63.8 percent and 63.3 percent respectively.

Exports of goods amounted to EUR 33,725 million²¹, up 14.1 percent from 2007, as a result of higher external prices, the larger volume, the change in the structure of exports in favour of capital goods, as well as the depreciation of the domestic currency versus the euro in real terms. Over 60.0 percent of the increase in export value (EUR 4,176 million against EUR 3,699 million in 2007) resulted from the larger volume (machinery, electrical machinery and apparatus; cereals; motorcars, tractors; petroleum products; pharmaceuticals; seeds, fruit; boilers, turbines, engines, apparatus and mechanical devices; electricity), with

²¹ The share of exports of goods in GDP edged up from 23.7 percent in 2007 to 24.6 percent in 2008.

the remaining 40.0 percent representing the contribution of higher external prices (products made of pig iron, iron, steel; petroleum products; boilers, turbines, engines, apparatus and mechanical devices; fertilisers; seeds, fruit; rubber and articles thereof; furniture and lighting fittings). October saw the highest level of exports in 2008, i.e. EUR 3.3 billion, while the monthly average of exports stood at EUR 2.8 billion, up EUR 0.3 billion from a year earlier.

The table below depicts the increases in goods holding significant shares in total exports.

Table No. 3. Goods with significant shares in total exports in 2008

	Share of goods in total exports %	- EUR mill. -	Increase/decrease against 2007 %
Machinery, mechanic devices, electrical apparatus and equipment	23.9	8,061	23.0
Cast, laminated metal products, made of iron, steel, pig iron, aluminium and copper (excluding scrap metal)	12.6	4,264	-
Transport means and materials	12.3	4,139	15.7
Chemicals, plastics, rubber and articles thereof	9.3	3,139	21.5
Knitted or crocheted wearing apparel	8.8	2,975	-11.4
Petroleum products	7.8	2,622	33.0
Footwear and leather goods	4.0	1,362	-8.0
Furniture (including components)	3.3	1,128	-0.6
Wood and wood items	2.8	949	-4.3

Source: National Institute of Statistics

The products whose share in total exports widened were: machinery, mechanic devices, electrical apparatus and equipment (23.9 percent in 2008 from 22.2 percent in 2007, up 23.0 percent year on year), transport means and materials (12.3 percent in 2008 from 12.1 percent in 2007, i.e. an advance of 15.7 percent year on year), chemicals, plastics, rubber and articles thereof (9.3 percent in 2008 from 8.7 percent in 2007, up 21.5 percent year on year), and petroleum products (7.8 percent in 2008 from 6.7 percent in 2007, up 33.0 percent year on year). The share of cast and laminated metal products, made of iron, steel, pig iron, aluminium and copper²² remained broadly unchanged at 12.6 percent. The share of the following groups in total exports witnessed a downtrend: knitted or crocheted wearing apparel (8.8 percent in 2008 from 11.4 percent a year earlier, down 11.4 percent year on year), footwear and leather goods (4.0 percent in 2008 against 5.0 percent in 2007, down 8.0 percent year on year), furniture (3.3 percent in 2008 from 3.8 percent a year earlier, down 0.6 percent year on year), and wood and articles thereof (2.8 percent in 2008 versus 3.4 percent in 2007, down 4.3 percent year on year).

Imports of goods amounted to EUR 52,834 million²³, up 11.5 percent versus 2007. Some 54.0 percent of the increase in import value (EUR 5,463 million against EUR 9,762 million in 2007) were ascribed to the larger volume (electrical machinery, appliances and equipment; boilers, turbines, engines, apparatus and mechanical devices; pharmaceutical products; plastics and plastic articles; optical instruments and apparatus; petroleum products; miscellaneous chemicals), with the remaining 46.0 percent being ascribed for by higher external prices (crude oil; products made of pig iron, iron, steel; mineral fuels; motorcars, tractors; natural

²² Excluding scrap metal.

²³ The share of imports of goods in GDP advanced to 38.6 percent in 2008 against 38.0 percent a year earlier.

gas; petroleum products). Imports peaked at EUR 5.1 billion in September 2008, while their monthly average was EUR 4.4 billion, up EUR 0.5 billion from a year earlier. The table below depicts the increases in goods holding significant shares in total imports.

Table No. 4. Goods with significant shares in total imports in 2008

	Share of goods in total exports %	- EUR mill. -	Increase/decrease against 2007 %
Machinery, engines, apparatus and mechanical devices (including components)	12.8	6,753	2.1
Energy products (crude oil, natural gas, petroleum products, coal, coke)	12.4	6,542	29.9
Electrical machinery, appliances and equipment, apparatus for recording and reproducing sound and image	11.2	5,906	12.5
Motorcars, tractors and other road vehicles	10.8	5,731	-1.1
Products made of pig iron, iron, steel and non-ferrous metals	10.6	5,620	15.2
Fabrics made of wool, cotton and man-made fibres; man-made fibres, textile products	4.3	2,288	-11.2
Plastics and plastic items	4.3	2,268	8.1
Pharmaceutical products	3.2	1,668	23.9
Food, beverages and tobacco	2.4	1,269	28.4
Wearing apparel and footwear	2.3	1,238	15.6

Source: National Institute of Statistics

The products whose share in total imports widened were: energy products (12.4 percent in 2008 from 10.6 percent in 2007, up 29.9 percent year on year), products made of pig iron, iron, steel and non-ferrous metals (10.6 percent in 2008 from 10.3 percent in 2007, i.e. an annual increase of 15.2 percent), pharmaceutical products (3.2 percent versus 2.8 percent a year earlier, up 23.9 percent year on year), food, beverages and tobacco (2.4 percent in 2008 from 2.1 percent in 2007, up 28.4 percent year on year). The share of the following commodity groups in total imports remained virtually unchanged: electrical machinery, appliances and equipment, sound and image recorders and reproducers (11.2 percent, up 12.5 percent year over year), plastics and articles thereof (4.3 percent, up 8.1 percent year on year), wearing apparel and footwear (2.3 percent, up 15.6 percent versus 2007). The share of the following groups in total imports witnessed a downtrend: machinery, engines, apparatus and mechanical devices, including components (12.8 percent in 2008 from 14.0 percent in 2007, up 2.1 percent year on year), vehicles, tractors and other road vehicles (10.8 percent in 2008 from 12.2 percent in 2007, down 1.1 percent year on year), fabrics made of wool, cotton and man-made fibres; man-made fibres and textile products (4.3 percent in 2008 from 5.4 percent in 2007, down 11.2 percent year on year).

1.1.1.1. Exports by commodity and group of countries

a) Structure of exports

Manufacturing was the main driver of Romanian exports, with a share of 94.8 percent²⁴ in total exports. The value of exports of manufactured goods reached EUR 31,981 million in 2008.

²⁴ The share of exports of manufactured goods in total exports shrank 2.4 percentage points against 2007, while the share of agriculture and electricity rose during the year under review.

Table No. 5. Exports by main economic activity

	- EUR mill. -		Indices (%) 2008/2007	Structure (%)	
	2007	2008		2007	2008
TOTAL	29,549	33,725	114.1	100.0	100.0
Agriculture, forestry and fishery	638	1,399	219.3	2.2	4.1
Mining and quarrying	46	57	123.9	0.2	0.2
Manufacturing	28,710	31,981	111.4	97.2	94.8
Electricity, heating, gas and water	144	275	191.0	0.5	0.8
Other	11	13	118.2	0.0	0.0

Source: National Institute of Statistics

Exports of manufactured goods stood 11.4 percent higher than in 2007 for most activities, except for wearing apparel (down 12.0 percent), pulp, paper and paper products (down 10.4 percent), construction materials (down 9.4 percent), leather goods and footwear (down 7.6 percent), woodworking (down 4.2 percent), textiles and textile products (down 4.1 percent), furniture (down 0.2 percent). Above-average increases in exports were recorded by the following sub-sectors: radio, television and communication equipment (136.8 percent), computer technology and office equipment (98.9 percent), tobacco products (94.1 percent), food and beverages (38.6 percent), medical instruments and apparatus, watches and clocks (36.5 percent), petroleum processing (33.6 percent), publishing houses, polygraphy and recording reproducible registrations (27.5 percent), rubber and plastic products (22.8 percent), chemicals (22.1 percent), other road transport means (19.5 percent), machinery and equipment, except electrical and optical devices (15.3 percent).

Table No. 6. Exports by main manufacturing activity

	- EUR mill. -		Indices (%) 2008/2007	Structure (%)	
	2007	2008		2007	2008
TOTAL	28,710	31,981	111.4	100.0	100.0
Food and beverages	407	564	138.6	1.4	1.8
Tobacco products	135	262	194.1	0.5	0.8
Textiles and textile products	1,052	1,009	95.9	3.7	3.2
Wearing apparel	2,880	2,533	88.0	10.0	7.9
Leather goods and footwear	1,502	1,388	92.4	5.2	4.3
Woodworking (excluding furniture)	1,003	961	95.8	3.5	3.0
Pulp, paper, cardboard and paper products	144	129	89.6	0.5	0.4
Publishing houses, polygraphy and recording reproducible registrations	40	51	127.5	0.1	0.2
Petroleum processing and coal coking	2,078	2,777	133.6	7.2	8.7
Chemicals and man-made fibres	1,666	2,034	122.1	5.8	6.4
Rubber and plastic products	976	1,199	122.8	3.4	3.7
Other non-metallic mineral products	278	252	90.6	1.0	0.8
Metallurgy	3,984	4,017	100.8	13.9	12.6
Metallic construction and metal products	890	994	111.7	3.1	3.1
Machinery and equipment (except electrical and optical devices)	2,535	2,922	115.3	8.8	9.1
Computer technology and office equipment	283	563	198.9	1.0	1.8
Electrical machinery and apparatus	3,017	3,308	109.6	10.5	10.3
Radio, television and communication equipment	427	1,011	236.8	1.5	3.2
Medical instruments and apparatus, optical and photography devices, watches and clocks	222	303	136.5	0.8	0.9
Road transport means	2,650	2,929	110.5	9.2	9.2
Other transport means	1,214	1,451	119.5	4.2	4.5
Furniture and other activities	1,327	1,324	99.8	4.6	4.1

Source: National Institute of Statistics

In year-on-year comparison, the commodity structure of exports by output stage indicated an expansion in the share of exports of capital goods (up 2.8 percentage points to 15.3 percent) and raw materials (up 1.8 percentage points to 7.0 percent), along with a decline in the share of intermediate goods (down 1 percentage point to 57.0 percent) and consumer goods (down 3.6 percentage points to 20.7 percent).

Table No. 7. Exports by output stage¹⁾

	- EUR mill.-		Indices (%) 2008/2007	Structure (%)	
	2007	2008		2007	2008
TOTAL	29,549	33,725	114.1	100.0	100.0
Raw materials	1,545	2,373	153.6	5.2	7.0
Intermediate goods	17,125	19,217	112.2	58.0	57.0
Capital goods	3,687	5,144	139.5	12.5	15.3
Consumer goods	7,192	6,991	97.2	24.3	20.7

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

In 2008, the following four groups of commodities made a larger contribution to exports than in 2007: agrifoodstuffs (by 2.6 percentage points), machinery, equipment and transport means (by 1.9 percentage points), mineral products (by 1.5 percentage points) and chemical and plastic products (by 0.6 percentage points).

Table No. 8. Exports by group of commodities

	- EUR mill.-		Indices (%) 2008/2007	Structure (%)	
	2007	2008		2007	2008
TOTAL	29,549	33,725	114.1	100.0	100.0
Agrifoodstuffs	1,122	2,165	193.0	3.8	6.4
Mineral products	2,295	3,142	136.9	7.8	9.3
Chemical and plastic products	2,583	3,139	121.5	8.7	9.3
Paper and wood products	1,170	1,112	95.0	4.0	3.3
Textiles, wearing apparel and footwear	5,291	4,782	90.4	17.9	14.2
Metal products	4,815	4,941	102.6	16.3	14.7
Machinery, equipment and transport means	10,128	12,200	120.5	34.3	36.2
Other	2,145	2,244	104.6	7.3	6.7

Source: National Institute of Statistics

b) Geographical distribution of exports

In 2008, the geographical distribution of exports shows an 11.7 percent year-on-year increase in **intra-EU exports** to **EUR 23,765 million**, mainly owing to exports to Germany, France, the Netherlands, Spain, Greece, the Czech Republic and Belgium. The share of intra-EU exports in total exports came in at 70.5 percent, down 1.5 percentage points versus 2007.

Table No. 9. Exports by group of countries

	- EUR mill. -		Indices (%) 2008/2007	Structure (%)	
	2007	2008		2007	2008
TOTAL	29,549	33,725	114.1	100.0	100.0
1. Intra-EU exports	21,269	23,765	111.7	72.0	70.5
of which:					
Italy	5,033	5,219	103.7	17.0	15.5
Germany	5,009	5,535	110.5	17.0	16.4
France	2,272	2,491	109.6	7.7	7.4
Hungary	1,691	1,726	102.1	5.7	5.1
United Kingdom	1,221	1,105	90.5	4.1	3.3
Bulgaria	941	1,397	148.5	3.2	4.1
Austria	760	778	102.4	2.6	2.3
Spain	679	774	114.0	2.3	2.3
Poland	637	668	104.9	2.2	2.0
The Netherlands	608	980	161.2	2.1	2.9
2. Extra-EU exports	8,280	9,960	120.3	28.0	29.5
of which:					
Turkey	2,072	2,205	106.4	7.0	6.5
USA	598	579	96.8	2.0	1.7
Ukraine	543	825	151.9	1.8	2.4
The Republic of Moldova	463	562	121.4	1.6	1.7
The Russian Federation	428	613	143.2	1.4	1.8

Sursa datelor: Institutul Național de Statistică

Exports to the European Union rose for most commodity groups²⁵, special mention deserving agrifoodstuffs (80.6 percent), mineral products (34.5 percent), chemical and plastic products (25.0 percent), machinery, equipment and transport means (19.2 percent). In 2008, the following groups of commodities increased their contribution to export growth: machinery, equipment and transport means (by 2.4 percentage points), agrifoodstuffs (by 2.3 percentage points), chemical and plastic products (by 0.9 percentage points) and mineral products (by 0.8 percentage points).

Table No. 10. Exports to the European Union by group of commodities

	- EUR mill. -		Indices (%) 2008/2007	Structure (%)	
	2007	2008		2007	2008
TOTAL	21,269	23,765	111.7	100.0	100.0
Agrifoodstuffs	792	1,430	180.6	3.7	6.0
Mineral products	830	1,116	134.5	3.9	4.7
Chemical and plastic products	1,591	1,988	125.0	7.5	8.4
Paper and wood products	641	596	93.0	3.0	2.5
Textiles, wearing apparel and footwear	5,039	4,528	89.9	23.7	19.1
Metal products	2,844	3,027	106.4	13.4	12.7
Machinery, equipment and transport means	7,669	9,138	119.2	36.1	38.5
Other	1,863	1,942	104.2	8.8	8.2

Source: National Institute of Statistics

²⁵ Except for the "textiles, wearing apparel and footwear" group (-10.1 percent) and the "paper and wood products" group (-7.0 percent).

Extra-EU exports amounted to **EUR 9,960 million**, up 20.3 percent versus 2007, accounting for 29.5 percent of total exports²⁶.

The **first ten export destinations** in 2008²⁷ were the following: Germany (16.4 percent of total exports), Italy (15.5 percent), France (7.4 percent), Turkey (6.5 percent), Hungary (5.1 percent), Bulgaria (4.1 percent), the United Kingdom (3.3 percent), the Netherlands (2.9 percent), Ukraine (2.4 percent) and Spain (2.3 percent).

1.1.1.2. Structure and geographical distribution of imports

a) Structure of imports

The structure of imports by output stage in 2008 illustrates an increase in the share of raw materials (by 0.9 percentage points to 13.8 percent) and consumer goods (by 0.7 percentage points to 15.9 percent), alongside a decrease in the share of capital goods (by 1.4 percentage points to 23.9 percent) and intermediate goods (by 0.2 percentage points to 46.4 percent), as shown in Table No. 11.

Table No. 11. Imports (fob) by output stage¹⁾

	- EUR mill. -		Indices (%) 2008/2007	Structure (%)	
	2007	2008		2007	2008
TOTAL	47,371	52,834	111.5	100.0	100.0
Raw materials	6,114	7,269	118.9	12.9	13.8
Intermediate goods	22,028	24,511	111.3	46.5	46.4
Capital goods	12,008	12,646	105.3	25.3	23.9
Consumer goods	7,221	8,408	116.4	15.2	15.9

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

In 2008, the demand for imports was upheld in a proportion of 83.0 percent by five commodity groups, as follows machinery, equipment and transport means; chemical and plastic products; mineral products; metal products and agrifoodstuffs.

In year-on-year comparison, the shares of the following two commodity groups in total imports narrowed: machinery, equipment and transport means (by 2.5 percentage points) and textiles, wearing apparel and footwear (by 1.1 percentage points).

Table No. 12. Imports (fob) by group of commodities

	- EUR mill. -		Indices (%) 2008/2007	Structure (%)	
	2007	2008		2007	2008
TOTAL	47,371	52,834	111.5	100.0	100.0
Agrifoodstuffs	3,082	4,012	130.2	6.5	7.6
Mineral products	5,667	7,246	127.9	12.0	13.7
Chemical and plastic products	6,423	7,421	115.5	13.6	14.0
Paper and wood products	1,334	1,445	108.3	2.8	2.7
Textiles, wearing apparel and footwear	3,822	3,717	97.3	8.1	7.0
Metal products	5,238	6,001	114.6	11.1	11.4
Machinery, equipment and transport means	18,418	19,242	104.5	38.9	36.4
Other	3,387	3,750	110.7	7.1	7.1

Source: National Institute of Statistics

²⁶ Up 1.5 percentage points versus 2007.

²⁷ Holding 65.9 percent of total exports.

One third of the goods imported in 2008 witnessed an increase of 25.6 percent versus the previous year: crude oil; medicines; well gas; electrical telephone and telegraph wire apparatus; freight transport vehicles; tractor parts and accessories; insulated wires, cables and conductors; petroleum products; pork; flat laminated products; integrated circuits; mineral and anthracite coal; iron ore; semi-manufactured products made of iron or unalloyed steel; furniture.

b) Geographical distribution of imports

Intra-EU imports amounted to **EUR 36,771 million** in 2008, up 8.9 percent year on year, mainly owing to imports from Hungary, Austria, the Netherlands, Poland, the Czech Republic, Belgium, the United Kingdom. The share of intra-EU imports in total imports decreased by 1.7 percentage points versus 2007 to 69.6 percent.

Table No. 13. Imports (fob) by group of countries

	- EUR mill. -		Indices (%) 2008/2007	Structure (%)	
	2007	2008		2007	2008
TOTAL	47,371	52,834	111.5	100.0	100.0
1. Intra-EU imports	33,770	36,771	108.9	71.3	69.6
of which:					
Germany	8,165	8,685	106.4	17.2	16.4
Italy	6,027	6,111	101.4	12.7	11.6
Hungary	3,292	3,964	120.4	6.9	7.5
France	3,009	2,963	98.5	6.4	5.6
Austria	2,292	2,606	113.7	4.8	4.9
The Netherlands	1,715	1,970	114.9	3.6	3.7
Poland	1,599	1,785	111.6	3.4	3.4
Spain	955	1,027	107.5	2.0	1.9
The United Kingdom	908	1,024	112.8	1.9	1.9
2. Extra-EU imports	13,601	16,063	118.1	28.7	30.4
of which:					
The Russian Federation	2,986	3,080	103.1	6.3	5.8
Turkey	2,551	2,562	100.4	5.4	4.8
China	1,541	2,228	144.6	3.3	4.2
Kazakhstan	911	2,370	260.2	1.9	4.5
USA	636	766	120.4	1.3	1.4

Source: National Institute of Statistics

Imports from the European Union posted increases for most groups of commodities²⁸, particularly for agrifoodstuffs (42.3 percent), mineral products (26.0 percent) and chemical and plastic products (13.9 percent).

²⁸ Except for the "textiles, wearing apparel and footwear" group (-3.3 percent).

Table No. 14. Imports (fob) from the European Union by group of commodities

	- EUR mill. -		Indices (%) 2008/2007	Structure (%)	
	2007	2008		2007	2008
TOTAL	33,770	36,771	108.9	100.0	100.0
Agrifoodstuffs	2,253	3,206	142.3	6.7	8.7
Mineral products	653	823	126.0	1.9	2.2
Chemical and plastic products	5,188	5,909	113.9	15.4	16.1
Paper and wood products	1,107	1,170	105.7	3.3	3.2
Textiles, wearing apparel and footwear	3,127	3,023	96.7	9.3	8.2
Metal products	3,556	3,925	110.4	10.5	10.7
Machinery, equipment and transport means	15,209	15,823	104.0	45.0	43.0
Other	2,677	2,892	108.0	7.9	7.9

Source: National Institute of Statistics

Extra-EU imports equalled **EUR 16,063 million**, up 18.1 percent versus 2007, accounting for 30.4 percent of total imports²⁹.

In 2008, Romania's **imports** came mainly from the following **ten countries**: Germany (16.4 percent of total imports), Italy (11.6 percent), Hungary (7.5 percent), the Russian Federation (5.8 percent), France (5.6 percent), Austria (4.9 percent), Turkey (4.8 percent), Kazakhstan (4.5 percent), China (4.2 percent) and the Netherlands (3.7 percent). Imports from these countries accounted for 69.0 percent of total imports.

1.1.1.3. Foreign trade efficiency

Table No. 15 shows the influence exerted by the volume and external prices on the rise in the value of exports and imports in 2008.

Table No. 15. Foreign trade efficiency

	- percent -	
	2007	2008
Value indices	- previous year = 100	
Exports	114.3	114.1
Imports	126.0	111.5
Unit value indices		
Exports	106.0	103.8
Imports	98.2	103.4
Physical volume indices		
Exports	107.8	109.9
Imports	128.3	107.9
Terms of trade index		
net (unit values)	108.0	100.4
gross (physical volume)	84.1	101.9
Export purchasing power index	116.5	110.4

Source: National Institute of Statistics

The analysis of foreign trade in goods by volume and prices shows a significant slowdown in the dynamics recorded by imports of goods (from 26.0 percent in 2007 to 11.5 percent in 2008, on account of the decrease

²⁹ Up 1.7 percentage points versus 2007.

in the physical volume) and a modest slackening in the growth rate posted by exports of goods (from 14.3 percent in 2007 to 14.1 percent in 2008, owing to the drop in external prices).

The export unit value advanced 3.8 percent³⁰ in 2008 (against 6.0 percent in 2007), with the following products posting above-average increases: fertilizers (52.5 percent), seeds, fruit and industrial technical plants (44.3 percent), inorganic chemicals (36.8 percent), fuels and petroleum products (21.9 percent), pig-iron, iron and steel (20.3 percent), products made of pig-iron, iron or steel (11.0 percent), foodstuffs, beverages and tobacco (10.3 percent).

The import unit value rose by 3.4 percent year on year owing mainly to: animal fats and vegetal oils (26.7 percent), fuels and petroleum products (24.3 percent), inorganic chemicals (23.0 percent), pig-iron, iron and steel (16.5 percent), edible fruit (15.2 percent), meat and edible entrails (12.5 percent), coffee, tea, mate and spices (8.4 percent), pharmaceuticals (6.0 percent), ores (5.8 percent), organic chemicals (4.5 percent), footwear (4.5 percent), wearing apparel and accessories (4.5 percent).

In 2008, **the physical volume of exports** expanded by 9.9 percent³¹, outpacing over the past three years the industrial output growth, i.e. the main source of exports. This trend was upheld by the following commodities³²: electrical machinery and apparatus (39.9 percent), vehicles, tractors and other ground vehicles (24.8 percent), cereals (5.1 times larger), foodstuffs, beverages and tobacco (45.9 percent), seeds, fruit and industrial technical plants (66.8 percent).

In 2008, the dynamics of **the physical volume of imports** slowed down strongly from 28.3 percent in 2007 to 7.9 percent in 2008, on account of the following commodities³³: vehicles, tractors and other ground vehicles (-2.5 percent), raw hides and skins (-13.4 percent), cotton and cotton yarn and fabrics (-20.4 percent), ores (-4.1 percent), synthetic or man-made filaments (-10.1 percent), synthetic or man-made fibres (-12.3 percent) and edible fruit (-13.5 percent).

Net terms of trade index came in at 100.4 percent in 2008, amid comparable growth rates posted by the prices of exported and imported goods (3.8 percent and 3.4 percent respectively). **Gross terms of trade index** stood at 101.9 percent, showing a sharper rise in the physical volume of exports (9.9 percent) than in that of imports (7.9 percent).

1.1.1.4. Balance on energy resources

In 2008, the energy balance on resources posted **a deficit of EUR 3,515 million**³⁴, up 23.0 percent year on year, while the coverage of imports of energy products through exports thereof increased by 2.7 percentage points to 46.6 percent. The deficit reported by the balance on energy resources widened by EUR 657 million versus 2007, given that the exports of petroleum products offset in a proportion of about 71.0 percent the imports of crude oil (EUR 3,714 million in 2008).

³⁰ Except for five groups of products accounting for 29.5 percent of total exports: "cereals" (-17.6 percent), "vehicles, tractors and other ground vehicles" (-8.7 percent), "electrical machinery and apparatus" (-6.6 percent), "aluminium and products thereof" (-6.1 percent) and "wood, coal and wood products" (-1.9 percent).

³¹ Compared to 7.8 percent in 2007.

³² In a descending order, according to the share of commodities in the value of exports in 2008.

³³ In a descending order, according to the share of commodities in the value of imports in 2008.

³⁴ Increasing as a share of trade deficit from 16.0 percent in 2007 to 18.4 percent in 2008.

Exports of energy products totalled EUR 3,068 million³⁵, up 37.1 percent from 2007. The value of the exports of energy resources posted a EUR 831 million increase year on year, being accounted for in a proportion of 60.0 percent by the higher external prices and in a proportion of 40,0 percent by the larger volume. Imports of energy products amounted to EUR 6,583 million³⁶, up 29.2 percent versus 2007. The value of the imports of energy resources posted a EUR 1,487 million increase, being wholly accounted for by higher external prices.

Table No. 16. Net imports (fob) of energy products

	- EUR mill. -	
	2007	2008
TOTAL	-2,858	-3,515
Natural gas	-976	-1,224
Electricity	85	233
Crude oil	-2,985	-3,714
Petroleum products	1,552	1,913
Mineral fuels	-534	-723

Source: National Institute of Statistics

1.1.2. Services balance

The services balance posted a surplus of EUR 659 million in 2008, up 61.1 percent versus the previous year, due to the significantly lower deficit under “transport”. “Other services” was the only component of the services balance which displayed a surplus.

Table No. 17. Services balance

	- EUR mill. -		Indices (%) 2008/2007	Structure (%)	
	2007	2008		2007	2008
Receipts	6,885	8,754	127.1	100.0	100.0
transport	1,814	2,684	148.0	26.3	30.7
tourism-travel	1,173	1,358	115.8	17.0	15.5
other	3,898	4,712	120.9	56.6	53.8
Payments	6,476	8,095	125.0	100.0	100.0
transport	2,390	2,697	112.8	36.9	33.3
tourism-travel	1,120	1,477	131.9	17.3	18.2
other	2,966	3,921	132.2	45.8	48.4
Net	409	659	161.1		
transport	-576	-13	2.3		
tourism-travel	53	-119	x		
other	932	791	84.9		

Receipts from services totalled EUR 8,754 million (27.1 percent higher than in 2007), while services-related payments stood at EUR 8,095 million (up 25.0 percent), with all components contributing to such surpluses. It should be noted that receipts under “transport” and payments under “tourism-travel” and “other services” posted above-average increases.

³⁵ Rising as a share of total exports from 7.6 percent in 2007 to 9.1 percent in 2008.

³⁶ Increasing as a share of total imports from 10.8 percent in 2007 to 12.5 percent in 2008.

1.1.2.1. Transport services

“Transport” recorded a EUR 13 million deficit in 2008 compared to EUR 576 million in the previous year, as a result of the stronger increase in receipts than in payments under all three components: “goods transport”, “passenger transport” and “other transport services”. The deficit under “goods transport” was covered in a proportion of 98.0 percent by surpluses under “passenger transport” and “other transport services”.

Table No. 18. Transport services

	- EUR mill. -		Indices (%) 2008/2007	Structure (%)	
	2007	2008		2007	2008
Receipts	1,814	2,684	148.0	100.0	100.0
freight (goods transport)	1,195	1,711	143.2	65.9	63.7
passenger transport	338	428	126.6	18.6	15.9
other transport services	281	545	194.0	15.5	20.3
Payments	2,390	2,697	112.8	100.0	100.0
freight (goods transport)	2,127	2,373	111.6	89.0	88.0
passenger transport	134	157	117.2	5.6	5.8
other transport services	129	167	129.5	5.4	6.2
Net	-576	-13	2.3		
freight (goods transport)	-932	-662	71.0		
passenger transport	204	271	132.8		
other transport services	152	378	248.7		

“Goods transport” displayed a deficit of EUR 662 million in 2008, down 29.0 percent year on year, owing to the pick-up in receipts under river, railway and road transport services, whilst “other transport services” recorded a surplus of EUR 378 million, i.e. 2.5 times higher than in 2007, owing to the rise in receipts from maritime, river and road transport services.

“Passenger transport” posted a surplus of EUR 271 million in 2008, up 32.8 percent year on year, on account of the pick-up in receipts from air and road transport services.

1.1.2.2. Tourism-travel services

In 2008, the rise in payments and the decline in receipts from “private tourism” caused the 2007 surplus under “tourism-travel” to turn into deficit.

Table No. 19. Tourism-travel services

	- EUR mill. -		Indices (%) 2008/2007	Structure (%)	
	2007	2008		2007	2008
Receipts	1,173	1,358	115.8	100.0	100.0
business travel	842	1,077	127.9	71.8	79.3
private tourism	331	281	84.9	28.2	20.7
Payments	1,120	1,477	131.9	100.0	100.0
business travel	579	752	129.9	51.7	50.9
private tourism	541	725	134.0	48.3	49.1
Net	53	-119	x		
business travel	263	325	123.6		
private tourism	-210	-444	211.4		

1.1.2.3. Other services

“Other services” posted a EUR 791 million surplus in 2008, down 15.1 percent year on year. The main services contributing to the narrowing of the surplus were legal, communication, construction, IT, financial, inter-subsidiaries, and accounting and managerial consulting services.

Table No. 20. Other services

	- EUR mill. -		Indices (%)	Structure (%)	
	2007	2008	2008/2007	2007	2008
Receipts	3,898	4,712	120.9	100	100
<i>of which:</i>					
communication services	792	784	99.0	20.3	16.6
inter-subsidiaries services	591	652	110.3	15.2	13.8
IT services	367	319	86.9	9.4	6.8
legal, accounting consulting, management services	374	453	121.1	9.6	9.6
financial services	367	319	86.9	62.1	48.9
advertising, marketing and opinion polls	296	423	142.9	7.6	9.0
construction services	157	316	201.3	4.0	6.7
architecture, engineering and other technical services	134	298	222.4	3.4	6.3
Payments	2,966	3,921	132.2	100	100
<i>of which:</i>					
communication services	424	573	135.1	14.3	14.6
inter-subsidiaries services	241	330	136.9	8.1	8.4
IT services	339	503	148.4	11.4	12.8
legal, accounting consulting, management services	543	692	127.4	18.3	17.6
financial services	188	190	101.1	6.3	4.8
advertising, marketing and opinion polls	78	130	166.7	2.6	3.3
construction services	380	405	106.6	12.8	10.3
architecture, engineering and other technical services	160	248	155.0	5.4	6.3
Net	932	791	84.9		
<i>of which:</i>					
communication services	368	211	57.3		
inter-subsidiaries services	350	322	92.0		
IT services	28	-184	x		
legal, accounting consulting, management services	-169	-239	141.4		
financial services	179	129	72.1		
advertising, marketing and opinion polls	218	293	134.4		
construction services	-223	-89	39.9		
architecture, engineering and other technical services	-26	50	x		

1.2. Income balance

The income balance ended year 2008 on a EUR 3,683 million deficit (22.8 percent of the current account deficit), down 10.8 percent from 2007, owing to the decrease in non-residents’ receipts from direct investment³⁷.

³⁷ Survey on foreign direct investment in Romania as of 31 December 2008 (National Bank of Romania and National Institute of Statistics).

Table No. 21. Income balance

	- EUR mill. -		Indices (%) 2008/2007	Structure (%)	
	2007	2008		2007	2008
Receipts	2,429	2,268	93.4	100.0	100.0
compensation of employees	1,186	1,156	97.5	48.8	51.0
direct investment	43	13	30.2	1.8	0.6
portfolio investment	829	838	101.1	34.1	36.9
other capital investment (interest)	371	261	70.4	15.3	11.5
Payments	6,556	5,951	90.8	100.0	100.0
compensation of employees	40	115	287.5	0.6	1.9
direct investment	4,376	2,983	68.2	66.7	50.1
portfolio investment	647	675	104.3	9.9	11.3
other capital investment (interest)	1,493	2,178	145.9	22.8	36.6
Net	-4,127	-3,683	89.2		
compensation of employees	1,146	1,041	90.8		
direct investment	-4,333	-2,970	68.5		
portfolio investment	182	163	89.6		
other capital investment (interest)	-1,122	-1,917	170.9		

1.3. Current transfers balance

The balance on current transfers posted a surplus of EUR 5,976 million in 2008, up 23.8 percent from 2007, on the back of EU structural funds (channelled mostly to agriculture). The private transfers balance displayed a surplus of EUR 5,051 million, down 1.4 percent versus 2007, from “other private transfers”. Out of total net private transfers, the remittances from abroad ran at 95.4 percent, out of which Italy held 42.7 percent, followed by Spain (30.6 percent), Greece (7.0 percent), USA (5.3 percent), Germany (3.7 percent), Hungary (2.8 percent) and United Kingdom (1.6 percent).

Table No. 22. Current transfers balance

	- EUR mill. -		Indices (%) 2008/2007	Structure (%)	
	2007	2008		2007	2008
Receipts	7,188	8,835	122.9	100.0	100.0
Government sector	932	2,227	238.9	13.0	25.2
Private transfers	6,256	6,608	105.6	87.0	74.8
Payments	2,362	2,859	121.0	100.0	100.0
Government sector	1,229	1,302	105.9	52.0	45.5
Private transfers	1,133	1,557	137.4	48.0	54.5
Net	4,826	5,976	123.8		
Government sector	-297	925	x		
Private transfers	5,123	5,051	98.6		

The funds allocated to Romania from the EU budget in 2008 totalled EUR 2,573 million³⁸, out of which EUR 2,093 million represented current transfers of the government sector and EUR 480 million stood for other capital transfers of the government sector (non-redeemable funds for equipment purchase). The European funds granted to Romania in 2008 include pre-accession funds³⁹ (29.1 percent of total EU funds), structural funds and cohesion funds⁴⁰ (25.2 percent), funds for agriculture and rural development⁴¹

³⁸ Source: Ministry of Public Finance

³⁹ PHARE, ISPA and SAPARD

⁴⁰ European Regional Development Fund (ERDF), Cohesion Fund (CF), European Social Fund (ESF).

⁴¹ European Fund for Agriculture and Rural Development (EFARD), European Fund for Fishing (FEP), European Fund for Agricultural Guarantee (EFAG).

(39.8 percent) and other funds⁴² (5.9 percent). Payments to the European Union amounted to EUR 1,246 million, out of which 98.3 percent represented Romania's contribution to the EU budget and 1.7 percent were other contributions.

2. Capital and financial account

In 2008, the balance on capital and financial account equalled EUR 17,830 million, 2.1 percent higher than in 2007, owing to direct investment by non-residents in Romania.

Table No. 23. Capital and financial account

	- EUR mill. -		Indices (%) 2008/2007	Structure (%)	
	2007	2008		2007	2008
Credit	68,784	80,025	116.3	100.0	100.0
capital transfers	990	880	88.9	1.4	1.1
purchase/sale of non-produced/ non-financial assets	239	112	46.9	0.3	0.1
direct investment	14,267	18,728	131.3	20.7	23.4
portfolio investment	3,347	2,551	76.2	4.9	3.2
financial derivatives	248	600	241.9	0.4	0.7
other investment	49,693	57,116	114.9	72.2	71.4
NBR reserve assets	x	38	x	x	0.0
Debit	51,317	62,195	121.2	100.0	100.0
capital transfers	283	264	93.3	0.6	0.4
purchase/sale of non-produced/ non-financial assets	129	107	82.9	0.3	0.2
direct investment	7,220	9,420	130.5	14.1	15.1
portfolio investment	2,865	3,114	108.7	5.6	5.0
financial derivatives	546	890	163.0	1.1	1.4
other investment	35,769	48,400	135.3	69.7	77.8
NBR reserve assets	4,505	x	x	8.8	x
Net	17,467	17,830	102.1		
capital transfers	707	616	87.1		
purchase/sale of non-produced/ non-financial assets	110	5	4.5		
direct investment	7,047	9,308	132.1		
portfolio investment	482	-563	x		
financial derivatives	-298	-290	97.3		
other investment	13,924	8,716	62.6		
NBR reserve assets	-4,505	38	x		

Financial account assets show the changes in residents' investment abroad, purchases of foreign securities, financial derivatives, deposits with banks abroad, loans and official reserves. In 2008, foreign assets posted a slower increase than in 2007 (EUR 418 million, compared with EUR 4,955 million).

⁴² Schengen facility also for cash flows, European Fund for Refugees.

Table No. 24. Foreign assets and liabilities

- EUR mill. -

	2007			2008		
	Credit	Debit	Net	Credit	Debit	Net
Foreign assets	12,121	17,076	-4,955	13,548	13,966	-418
direct investment	18	222	-204	55	243	-188
portfolio investment	739	635	104	455	668	-213
financial derivatives	248	0	248	600	0	600
other investment	11,116	11,714	-598	12,400	13,055	-655
NBR reserve assets	0	4,505	-4,505	38	0	38
Foreign liabilities	55,434	33,829	21,605	65,486	47,859	17,627
direct investment	14,249	6,998	7,251	18,673	9,177	9,496
portfolio investment	2,608	2,230	378	2,096	2,446	-350
financial derivatives	0	546	-546	0	890	-890
other investment	38,577	24,055	14,522	44,717	35,346	9,371

Financial account liabilities reflect investment by non-residents in Romania, deposits of non-residents, financial derivatives and loans and borrowings. In 2008, foreign liabilities increased by EUR 17,627 million, compared with EUR 21,605 million in 2007, owing to the increase in “direct investment”.

2.1. Direct investment

In 2008, direct investment raised by EU Member States totalled EUR 321 billion for intra-EU funds (down 42.0 percent from 2007) and EUR 173 billion for extra-EU funds (down 57.0 percent). The first places were taken by France (total inflows of EUR 80.2 billion), United Kingdom (EUR 66.7 billion), Luxembourg (EUR 55.0 billion), Spain (EUR 44.8 billion), Belgium (EUR 40.8 billion), Hungary (EUR 32.9 billion), Sweden (EUR 28 billion), Germany (EUR 17.1 billion), Poland (EUR 11.0 billion), Austria and Romania (EUR 9.5 billion each)⁴³. According to the annual survey on the attractiveness of the European economic space released by Ernst & Young⁴⁴, Western Europe and Central and Eastern Europe were further deemed as safe regions, where investors would make new investment and develop the already existing ones. Furthermore, the survey reveals the decline in investors’ interest in BRIC (Brazil, Russia, India and China) emerging markets.

Net direct investment⁴⁵ in Romania totalled EUR 9,308 million, up 32.1 percent versus 2007. **Non-residents’ net direct investment in Romania** amounted to EUR 9,496 million, of which EUR 4,873 million were equity stakes (including reinvested earnings) and EUR 4,623 million stood for intra-group loans⁴⁶. In 2008, privatisation receipts pushed up equity stakes by EUR 873 million, the two privatisation deals being the takeover by Ford Motor Company of 72.4 percent (EUR 57 million) in Automobile Craiova joint-stock company and the takeover by Italian group ENEL of 64.4 percent (EUR 816 million) in Electrica Muntenia Sud joint-stock company.

⁴³ Source: Eurostat, Press release on EU27 Foreign Direct Investment, 14 May 2009.

⁴⁴ Article published on www.bursa.ro/on-line on 22 June 2009.

⁴⁵ Non-residents’ net investment in Romania and residents’ investment abroad.

⁴⁶ Loans between the foreign investor and the resident company.

Table No. 25. Direct investment

	- EUR mill. -		Indices (%) 2008/2007	Structure (%)	
	2007	2008		2007	2008
Credit	14,267	18,728	131.3	100.0	100.0
- investment by non-residents in Romania	14,249	18,673	131.0	99.9	99.7
- investment by residents abroad	18	55	305.6	0.1	0.3
Debit	7,220	9,420	130.5	100.0	100.0
- investment by non-residents in Romania	6,998	9,177	131.1	96.9	97.4
- investment by residents abroad	222	243	109.5	3.1	2.6
Net	7,047	9,308	132.1		
- investment by non-residents in Romania	7,251	9,496	131.0		
- investment by residents abroad	-204	-188	92.2		

The balance on foreign direct investment in Romania totalled EUR 48,798 million at end-2008, up 14.0 percent from end-2007. Foreign direct investment was channelled mostly to industry (41.3 percent), financial intermediation and insurance (20.5 percent), construction and real-estate transactions (12.6 percent), trade (12.4 percent), information technology and communications (6.7 percent). The main investors were Austria (18.8 percent), the Netherlands (17.2 percent), Germany (15.4 percent), France (8.8 percent), Italy (7.3 percent), Greece (6.5 percent), Switzerland (4.7 percent), Cyprus (3.9 percent), Luxembourg (2.3 percent) and Hungary (1.8 percent).

2.2. Portfolio investment

Net outflows from portfolio investment amounted to EUR 563 million in 2008, compared with net inflows worth EUR 482 million in 2007. This was the result of the securities transactions conducted by the real sector and repurchase transactions in matured bonds of the banking sector.

Table No. 26. Portfolio investment

	- EUR mill. -					
	2007			2008		
	Credit	Debit	Net	Credit	Debit	Net
Assets	739	635	104	455	668	-213
Banks	118	204	-86	106	100	6
Government sector	-	-	-	0	0	0
Other sectors	621	431	190	349	568	-219
Liabilities	2,608	2,230	378	2,096	2,446	-350
Banks	389	429	-40	125	634	-509
Government sector	234	328	-94	1,254	1,088	166
Other sectors	1,985	1,473	512	717	724	-7

2.3. Financing of the current account deficit

In 2008, about 61.4 percent of the current account deficit was covered from direct investment and capital transfers, while the remainder was covered from other capital investment.

Table No. 27. Financing of the current account deficit

	-EUR mill.-	
	2007	2008
Financing sources	16,714	16,157
a. capital transfers, net	707	616
b. direct investment, net	7,047	9,308
of which:		
▪ direct investment by non-residents in Romania	7,251	9,496
- equity stake (including reinvested earnings)	3,547	4,873
- intra-group loans	3,704	4,623
c. portfolio investment, net	482	-563
d. other capital investment:	12,983	6,758
- medium- and long-term loans	5,195	5,723
inflows	11,172	12,499
repayments	5,977	6,776
- medium- and long-term loans, net	123	59
- short-term loans, net	864	-1,680
- other investment ¹	6,801	2,656
e. NBR reserve assets ("-" shows an increase)	-4,505	38

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 ended the year on a EUR 616 million surplus, down 12.9 percent against 2007, once the pre-accession stage was completed.

Net inflows from **medium- and long-term borrowings** stood at EUR 5,723 million, 10.2 times higher than in 2007, as a result of the rise in the volume of loans taken by the real economy, general government and banking sector. In 2008, inflows from medium- and long-term loans and credits were 11.9 percent higher from a year earlier, while repayments moved up 13.4 percent. Net outflows from **short-term loans and credits** totalled EUR 1,680 million, as compared with net inflows worth EUR 864 million in 2007.

B. Romania's international investment position

1. General features

The debit balance of Romania's international investment position kept widening, amounting to EUR 68.7 billion at end-2008, up EUR 14.5 billion from a year earlier. Behind this development stood net external transactions (EUR -17.2 billion), exchange rate movements (EUR 4.4 billion), the revaluation of prices of financial instruments (EUR -0.5 billion) and other transactions (EUR -1.2 billion).

Year 2008 saw an increase in foreign investment in Romania and debt-creating capital inflows, other than foreign investment. Thus, at end-2008, gross external debt⁴⁷ totalled EUR 72 billion and foreign participating interests in the share capital of Romanian companies amounted to EUR 34.9 billion.

On the background of capital inflows, at end-2008, Romania's international reserves rose by EUR 1.1 billion, reaching EUR 28.3 billion. At end-2008, foreign assets (excluding gold) came in at EUR 27.6 billion, up EUR 0.8 billion against end-2007, against the background of the EUR 0.9 billion increase in the NBR's official foreign exchange reserve and the EUR 0.1 billion drop in commercial banks' foreign exchange reserves. Therefore, at end-2008, the NBR's official reserve (including gold) covered 5.6 months of imports of goods and services compared to 6.1 months at end-2007.

Table No. 28. Foreign reserve assets

	31.12.2007	- EUR mill. - 31.12.2008
1. National Bank of Romania	27,187	28,270
gold	1,880	2,049
convertible currencies	25,307	26,221
2. Banks	1,445	1,344
convertible currencies	1,445	1,344
3. Foreign reserve assets	28,632	29,614
<i>of which:</i>		
3.1. convertible currencies	26,752	27,565
4. Foreign liabilities	8,854	10,547
Net international reserves	19,778	19,067
(item 3-item 4)		
<i>of which:</i>		
Net foreign exchange reserves	17,898	17,018
(item 3.1-item 4)		

In 2008, short-term external debt grew at a moderate pace (3.4 percent) compared with the prior year, totalling EUR 20.6 billion and accounting for 28.6 percent of gross external debt at end-2008. The growth of short-term external debt entailed the rise in external debt servicing, which ran at EUR 45.6 billion in 2008. Out of the total figure, short-term external debt payments stood at EUR 32.5 billion, and medium- and long-

⁴⁷ Medium- and long-term external debt + short-term external debt. External debt balance is cash-based, net of accrued unmatured interest.

term external debt payments came in at EUR 13.1 billion. Against the background of higher short-term external debt principal repayments, external debt service ratio⁴⁸ reached 107.3 percent at end-2008, while external debt to official reserve ratio stood at 165.0 percent at end-2008. Gross external debt service as a share of GDP remained within limits that are deemed normal (52.6 percent), up 5.6 percentage points from end-2007, while the ratio of gross external debt to exports of goods and services ran at 169.6 percent. The share of interest payments in total exports of goods and services stepped up from 6.3 percent at end-2007 to 7.6 percent at end-2008.

Table No. 29. Forex reserves and medium- and long-term external debt by currency

	31.12.2007		31.12.2008	
	EUR mill.	%	EUR mill.	%
TOTAL	38,711	100.0	51,440	100.0
EUR	27,887	72.0	35,840	69.7
USD	4,703	12.1	4,244	8.2
RON	4,308	11.1	8,371	16.3
Other	1,813	4.7	2,985	5.8

Medium- and long-term external debt by currency points out that the euro was in the lead (69.7 percent, down 2.3 percentage points from end-2007), followed by the RON (16.3 percent), the US dollar (8.2 percent, down 3.9 percentage points) and other currencies (5.8 percent). The composition of the foreign exchange reserve at end-2008 was the following: the euro (63 percent), the US dollar (32.6 percent) and other currencies (4.4 percent).

External debt service (short, medium and long term) amounted to EUR 45,575 million in 2008, of which principal repayments came in at EUR 42,338 million and payments of interest and commissions totalled EUR 3.237 million. By maturity, the share of short-term external debt service fell from 71.7 percent in 2007 to 71.4 percent in 2008, whereas the share of medium- and long-term external debt service rose from 28.3 percent to 28.6 percent.

Medium- and long-term external debt expanded by 32.9 percent to EUR 51,440 million year over year, due to net inflows from foreign borrowings tantamount to EUR 13,483 million, the EUR/USD exchange rate change (EUR -240 million) and debt-to-equity swaps (EUR 514 million).

At end-2008, **medium- and long-term external debt by creditor** shows that private creditors held 86.8 percent (up 1.7 percentage points year on year), international financial institutions accounted for 12.6 percent and bilateral loans took 0.6 percent. Out of private creditors, banks held 74.6 percent, foreign companies and other financial institutions accounted for 19 percent and portfolio investment represented 6.4 percent.

⁴⁸ Calculated as a ratio of external debt service to exports of goods and services.

Table No. 30. Medium- and long-term external debt by creditor

	31.12.2007		31.12.2008	
	EUR mill.	%	EUR mill.	%
TOTAL	38,711	100.0	51,440	100.0
<i>International financial institutions</i>	<i>5,463</i>	<i>14.1</i>	<i>6,492</i>	<i>12.6</i>
IBRD	1,754	4.5	1,762	3.4
EIB	1,693	4.4	2,181	4.2
EBRD	725	1.9	1,060	2.1
<i>Bilateral relations</i>	<i>300</i>	<i>0.8</i>	<i>286</i>	<i>0.6</i>
Korea	66	0.2	52	0.1
Germany	176	0.5	182	0.4
Japan	32	0.1	27	0.1
<i>Portfolio investment</i>	<i>3,197</i>	<i>8.3</i>	<i>2,872</i>	<i>5.6</i>
CS First Boston Switzerland	580	1.5	750	1.5
Deutsche Bank	1,312	3.4	1,398	2.7
JP Morgan	492	1.3	492	1.0
<i>Private banks</i>	<i>22,789</i>	<i>58.9</i>	<i>33,322</i>	<i>64.8</i>
Austria	9,561	24.7	1,792	3.5
Germany	1,440	3.7	1,831	3.6
France	1,925	5.0	2,138	4.2
Greece	2,481	6.4	2,594	5.0
Ireland	820	2.1	967	1.9
The Netherlands	1,921	5.0	2,475	4.8
United Kingdom	1,475	3.8	2,848	5.5
<i>Other</i>	<i>6,962</i>	<i>18.0</i>	<i>8,468</i>	<i>16.5</i>

Medium- and long-term external debt by debtor shows that non-publicly guaranteed external debt held 79.1 percent of total at end-2008, up 5.5 percentage points against the previous year, followed by public debt (17.6 percent) and publicly guaranteed debt (3.3 percent).

Table No. 31. Medium- and long-term external debt by debtor

	31.12.2007		31.12.2008	
	EUR mill.	%	EUR mill.	%
TOTAL	38,711	100.0	51,440	100.0
Public debt	8,181	21.1	9,010	17.6
Publicly guaranteed debt	2,020	5.2	1,720	3.3
Non-publicly guaranteed debt	28,510	73.6	40,710	79.1

At end-2008, non-publicly guaranteed external debt equalled EUR 40.710 million⁴⁹, up 42.8 percent from the prior year. This was the result of net capital inflows to the tune of EUR 13,138 million and losses due to the depreciation of the RON against the main currencies (EUR -425 million) and debt-to-equity swaps (EUR -514 million).

⁴⁹ Out of which EUR 5,476 million represented non-residents' medium- and long-term deposits with Romanian banks.

Medium- and long-term external debt by maturity at end-2008 shows that the share of long-term debt remained unchanged from the prior year, further holding the largest share (67.3 percent), while medium-term debt accounted for 32.7 percent and derived mainly from non-publicly guaranteed borrowings.

Table No. 32. Medium- and long-term external debt by maturity

	31.12.2007		31.12.2008	
	EUR mill.	%	EUR mill.	%
TOTAL	38,711	100.0	51,440	100.0
1-5 years	12,652	32.7	16,835	32.7
<i>Public debt</i>	167	0.4	129	0.3
<i>Publicly guaranteed debt</i>	202	0.5	69	0.1
<i>Non-publicly guaranteed debt</i>	12,283	31.7	16,637	32.3
more than 5 years	26,059	67.3	34,605	67.3
<i>Public debt</i>	8,014	20.7	8,881	17.3
<i>Publicly guaranteed debt</i>	1,818	4.7	1,651	3.2
<i>Non-publicly guaranteed debt</i>	16,227	41.9	24,073	46.8

Medium- and long-term external debt by type of interest shows that floating-rate borrowings took the largest share, i.e. 70.4 percent. The most frequently used floating rates were 3-month EURIBOR (19.3 percent), 6-month EURIBOR (13.1 percent) and 3-month LIBOR USD (7.2 percent). Fixed-rate foreign borrowings made up 29.6 percent of total, down 5.8 percentage points from end-2007.

2. International investment position

The monetary authority was still the sole institutional sector posting a net creditor position at end-2008 (EUR 27,971 million, up 3.4 percent year over year), owing mainly to the rise in official forex reserves. The net debtor position of the banking sector widened (EUR -31,358 million, up 26.4 percent from end-2007), as a result of the increase in its external debt. The government sector further posted a net debtor position (EUR -7,844 million), up 6.4 percent from end-2007, given the rise in Romania's foreign borrowings. The same as in the prior years, real economy further showed a net debtor position (EUR -57,454 million, up 17.1 percent from end-2007), following the rise in external debt and in foreign direct investment.

2.1. Direct investment

At end-2008, the stock of direct investment came in at EUR 47,746 million⁵⁰, up 13.9 percent year on year, due to the 14.1 percent surge in non-residents' direct investment in Romania.

2.1.1. Foreign assets

As at year-end 2008, residents' foreign direct investment abroad totalled EUR 1,052 million, up 24.8 percent from end-2007, due largely to the increase in the stock of intra-group loans, the volume of which expanded by EUR 153 million in the period under review. Structural analysis shows that, at end-2008, the non-bank

⁵⁰ The stock of direct investment is calculated as the difference between assets-investment by residents abroad (EUR 1,052 million) and liabilities-investment by non-residents in Romania (EUR 48,798 million).

financial sector further held the largest share in total direct investment (84.6 percent), almost unchanged compared to end-2007.

2.1.2. Foreign liabilities

At end-2008, the stock of foreign investment amounted to EUR 48,798 million, up 14.1 percent over the year before, as a result of net capital inflows in 2008, worth EUR 9,496 million. Moreover, movements in stock prices (EUR 1,104 million) helped boost foreign direct investment in Romania. Reclassifications under “other transactions” and the weakening of the *leu* against the major foreign currencies had a negative impact on direct investment in Romania, exchange rate gains running at EUR -3,891 million and other changes totalling EUR -682 million. The major foreign investors as of 31 December 2008⁵¹ came from Austria (18.8 percent), the Netherlands (17.2 percent), Germany (15.4 percent), France (8.8 percent), Italy (7.3 percent), Greece (6.5 percent) and Switzerland (4.7 percent).

The stock of foreign direct investment in the banking sector increased by 12.5 percent from end-2007, mainly as a result of net inflows worth EUR 1,512 million. The stock of foreign direct investment in the real sector stepped up 14.4 percent in 2008 due to intra-group loans (EUR 4.2 billion) and share capital (EUR 4.2 billion). The geographic spread shows that foreign direct investment went mainly to Bucharest-Ilfov region (62.7 percent), Centre (8.5 percent), South-East (7.3 percent), South (7 percent), West (5.4 percent), North-West (4.3 percent), South-West (2.5 percent) and North-East (2.3 percent).

2.2. Portfolio investment

The debit balance of portfolio investment at end-2008 was EUR 3,335 million, down 11.6 percent year on year. Behind this development stood the repurchase of bonds issued by Romanian banks and the depreciation of the *leu* against the major foreign currencies.

2.2.1. Foreign assets

Portfolio investment by type of investment shows that shares continued to hold the largest weight in portfolio investment (51.3 percent), down 2.5 percentage points against end-2007 due to the lower prices of debt instruments purchased from foreign markets since the outbreak of the financial crisis. Furthermore, investment by institutional sector shows that real economy further accounted for the largest share in total portfolio investment (86.5 percent), up 8.1 percentage points.

Table No. 33. Portfolio investment (foreign assets)

	31.12.2007		31.12.2008	
	EUR mill.	%	EUR mill.	%
TOTAL	1,160	100.0	1,081	100.0
<i>Shares</i>	624	53.8	555	51.3
-banking sector	99	8.5	2	0.2
-other sectors	525	45.3	553	51.2
<i>Money market instruments and bonds</i>	536	46.2	526	48.7
-banking sector	151	13.0	144	13.3
-other sectors	385	33.2	382	35.3

⁵¹ Statistical survey on foreign direct investment in Romania in 2008 (National Bank of Romania and National Institute of Statistics).

2.2.2. Foreign liabilities

In the period under review, foreign liabilities associated with portfolio investment moved down 10.4 percent, coming in at EUR 4,416 million at end-2008. By type of placement, as of 31 December 2008, shares purchased by non-residents made up 33.2 percent of total portfolio investment, up 0.8 percentage points against end-2007, as a result of the increase in the stock of shares issued by Romanian companies and acquired by non-residents. Debt securities further held the largest weight (66.8 percent) in foreign liabilities. By institutional sector, the government sector held the bulk of portfolio investment (61.3 percent), ahead of “other sectors” (32 percent) and banks (6.7 percent). In year-on-year comparison, the stock of debt securities issued by the government sector expanded by EUR 157 million from the previous year, due to the roll-over of the Eurobond issue led-managed by CS First Boston Switzerland. Therefore, in June 2009, the Government of Romania repurchased Eurobonds worth EUR 600 million and launched another Eurobond issue tantamount to EUR 750 million on the international markets. In addition, in December 2009, the securities issued by *Banca Comercială Română* reached maturity.

Table No. 34. Portfolio investment (foreign liabilities)

	31.12.2007		31.12.2008	
	EUR mill.	%	EUR mill.	%
TOTAL	4,931	100.0	4,416	100.0
<i>Shares</i>	1,599	32.4	1,465	33.2
-banking sector	61	1.2	67	1.5
-other sectors	1,538	31.2	1,398	31.7
<i>Money market instruments and bonds</i>	3,332	67.6	2,951	66.8
-government sector	2,549	51.7	2,706	61.3
-banking sector	758	15.4	231	5.2
-other sectors	25	0.5	14	0.3

2.3. Other investment

In year-on-year comparison, the debit balance on “other investments” stood EUR 10,164 million higher at EUR 45,874 million, due to the increase in external loans and non-residents’ deposits with resident credit institutions.

2.3.1. Foreign assets

Foreign assets under “other investments” include financial and trade credits granted by residents to foreign natural and legal entities, Romanian government’s subscription quotas in international financial institutions and its equity participations in foreign companies, active clearing accounts, residents’ deposits abroad, distributed and uncollected dividends, collected insurance premiums, a.s.o. At end-2008, the analysis by key instrument shows that residents’ financial credits and deposits abroad held 57.9 percent of total foreign assets, followed by trade credits on 32.1 percent and other assets on 10 percent.

Table No. 35. Other investments (foreign assets)

	31.12.2007		31.12.2008	
	EUR mill.	%	EUR mill.	%
TOTAL	7,678	100.0	8,635	100.0
<i>Monetary authority</i>	<i>29</i>	<i>0.4</i>	<i>29</i>	<i>0.3</i>
- other assets	29	0.4	29	0.3
Government sector	2,255	29.4	2,391	27.7
- trade credits	1,558	20.3	1,655	19.2
- loans/deposits	14	0.2	7	0.1
- other assets	683	8.9	729	8.4
Banks	1,448	18.9	1,339	15.5
- loans/deposits	1,358	17.7	1,318	15.3
- other assets	90	1.2	21	0.2
Non-banks	3,946	51.4	4,876	56.5
- trade credits	700	9.1	1,114	12.9
- loans/deposits	3,182	41.4	3,674	42.5
- other assets	64	0.8	88	1.0

The structure by institutional sector illustrates that the item “other sectors” was the major holder of foreign claims, accounting for 56.5 percent of total, ahead of government sector and banking sector, with 27.71 percent and 15.5 percent respectively.

Some 69.3 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. The balance outstanding of external claims went up 6.2 percent, as a result of accrued interest on loans granted to Iraq and Cuba.

Table No. 36. Medium- and long-term government claims

Country	-equivalent to EUR mill.-	
	31.12.2007	31.12.2008
TOTAL	1,558	1,654
Central African Republic	7	8
Congo	4	0
Cuba	665	726
Guinea	2	2
Iraq	665	695
Lybia	44	45
Mongolian People's Republic	2	2
Mozambique	10	10
Nigeria	9	9
Sudan	117	122
Somali Republic	2	2
Syrian Arab Republic	31	33

The item “Other assets of 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 combined works at Krivoi-Rog.

The balance on “other investments” of banks decreased by EUR 109 million, due mainly to the rise in holdings on current accounts abroad (EUR 103 million) and other assets (EUR 69 million). Throughout 2008, the Romanian banking sector continued to take external loans, with capital inflows being channelled mainly to financing domestic private sector rather than the increase in reserve foreign assets. Thus, in the period under review, foreign currency-denominated non-government domestic credit expanded by 28.8 percent, whereas reserve foreign assets by merely 7.9 percent.

Table No. 37. Other investments of banks (foreign assets)

	-EUR mill.-	
	31.12.2007	31.12.2008
TOTAL	1,448	1,339
cash and cheques	431	465
deposits and current accounts abroad	755	652
other assets	262	222
- foreign exchange loans to non-residents	172	201
- other	90	21

The analysis by banks’ investments at year-end 2008 shows that the weights of the key financial instruments in total foreign assets remained broadly unchanged from the previous year. Deposits and current accounts with banks abroad further held the largest share of bank investments (48.7 percent), followed by cash and cheques (34.7 percent) and loans (15 percent).

In year-on-year comparison, the balance outstanding on “other investments” of other sectors advanced 23.6 percent during 2008, its share in total growing from 51.4 at end-2007 percent to 56.5 percent at end-2008. Following the liberalisation of capital transactions, many residents, both natural and legal persons, chose to open accounts with banks abroad; at year-end 2008, residents’ deposits abroad totalled EUR 1,349 million. Furthermore, many Romanian companies became foreign creditors, the balance of loans granted by other sectors increasing by EUR 486 million against end-2007.

At end-2008, the balance outstanding on “other investments” of other sectors shows that financial credits granted to non-residents rose by 1 percentage points, accounting for 47.6 percent of the item’s total, followed by deposits with banks abroad (27.7 percent) and trade credits (22.8 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, distributed but unpaid dividends, past-due debts, paid insurance premiums, a.s.o. In 2008, foreign liabilities under “other investments” rose by EUR 11,121 million against end-2007, due to net capital inflows worth EUR 9,373 million and other adjustments in amount of EUR 1,739 million. The structure of foreign liabilities by type of investment at end-2008 shows that financial credits’ balance accounted for 66.8 percent of total, followed by non-residents’ deposits (17.4 percent), trade credits (5.1 percent) and other liabilities (10.7 percent). At end-2008, the share of financial and trade credits with maturity of up to one year in total foreign loans stood at 21.6 percent, down 7.4 percentage points versus the same year-earlier period.

Table No. 38. Other investments (foreign liabilities)

	31/12/2007		31/12/2008	
	EUR mill.	%	EUR mill.	%
TOTAL	43,388	100.0	54,509	100.0
<i>Monetary authority</i>	<i>169</i>	<i>0.4</i>	<i>328</i>	<i>0.6</i>
- loans/deposits	145	0.3	303	0.6
- other	24	0.1	25	0.0
<i>Government sector</i>	<i>7,081</i>	<i>16.3</i>	<i>7,529</i>	<i>13.8</i>
- trade credits	11	0.0	5	0.0
- loans/deposits	7,070	16.3	7,524	13.8
- other	0	0.0	0	0.0
<i>Banks</i>	<i>18,701</i>	<i>43.1</i>	<i>24,681</i>	<i>45.3</i>
- loans/deposits	15,456	35.6	18,850	34.6
- other	3,245	7.5	5,831	10.7
<i>Non-banks</i>	<i>17,437</i>	<i>40.2</i>	<i>21,971</i>	<i>40.3</i>
- trade credits	3,792	8.7	2,769	5.1
- loans/deposits	13,620	31.4	19,198	35.2
- other	25	0.1	4	0.0

The analysis by institutional sector as of 31 December 2008 reveals a further decline in the weight of government sector (down 2.5 percentage points) to 13.8 percent, in favour of the banking sector and other sectors (up 2.2 percentage points and 0.1 percentage points respectively). The 32 percent increase in foreign liabilities of banks led to a widening of the sector's share to 45.3 percent of total. Foreign liabilities of other sectors held a share of 40.3 percent in total, as a result of net inflows worth EUR 2,136 million, consisting in drawings from financial credits granted by non-residents to Romanian companies. Foreign liabilities of government sector stood at EUR 7,529 million, up 6.3 percent year over year, due to net capital inflows (EUR 245 million).

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 (67 percent), ahead of private banks (31.6 percent) and bilateral sources (0.9 percent). Among the main international creditors, the European Investment Bank held a share of 27.5 percent of external debt of the government sector. Drawings for 2008 totalled EUR 574 million and were earmarked mainly for financing investment projects for road rehabilitation (EUR 130 million), school infrastructure (EUR 56 million), reversal of the effects of the floods (EUR 40 million) and rehabilitation of water supply system (EUR 27 million).

Over the period under review, loans extended by the International Bank for Reconstruction and Development (IBRD) made up EUR 135 million, of which EUR 35 million for streamlining of transport, EUR 23 million for the development of infrastructure, EUR 20 million for environmental protection, and EUR 9 million for financing the mine closure plan. Principal repayments on IBRD loans equalled EUR 183 million, of which EUR 83 million in payments under structural adjustment loans (SAL, ASAL, FESAL), EUR 13 million were destined to road rehabilitation, EUR 10 million for financing the development of agriculture and rural sector, and EUR 9 million to healthcare sector reform.

Loans granted by private banks to the government sector dropped 7.5 percent year on year to EUR 2,366 million. Austrian, German and French banks were the main creditors of the government sector.

Table No. 39. Medium- and long-term external debt of government sector by creditor

	- EUR mill. -	
	31.12.2007	31.12.2008
TOTAL	7,040	7,487
<i>International institutions</i>	<i>4,320</i>	<i>5,017</i>
<i>of which:</i>		
EBRD	176	229
IBRD	1,635	1,625
EIB	1,604	2,058
<i>Bilateral relations</i>	<i>78</i>	<i>71</i>
<i>Private banks</i>	<i>2,558</i>	<i>2,366</i>
<i>Other</i>	<i>84</i>	<i>33</i>

Source: Ministry of Public Finance

Foreign liabilities of banks stood 32 percent higher than at end-2007, on the back of new foreign borrowings and the increase in deposits of non-residents.

Table No. 40. Other investments of banks (foreign liabilities)

	-EUR mill.-	
	31.12.2007	31.12.2008
TOTAL	18,701	24,681
<i>short-term foreign liabilities</i>	<i>8,854</i>	<i>10,547</i>
short-term borrowings	904	1,057
short-term trade deposits	7,924	9,126
other short-term liabilities	26	364
<i>medium- and long-term foreign liabilities</i>	<i>9,847</i>	<i>14,134</i>
medium- and long-term borrowings	6,628	8,667
other long-term liabilities	3,219	5,467
<i>of which creditors:</i>	<i>9,847</i>	<i>14,134</i>
bilateral relations	81	103
international institutions	553	852
private banks	9,213	13,170
other private sources	0	9

By **maturity**, the structure of foreign liabilities under “other investments” of banks shows a larger share of medium- and long-term commitments than short-term commitments, accounting for 57.3 percent of total, up 4.6 percentage points from end-2007. Thus, in the period under review, the stock of short-term liabilities advanced 19.1 percent, whereas that of medium- and long-term commitments moved up 43.5 percent. The structure of foreign liabilities by banks indicates that more than 74 percent of total liabilities as of end-2008 were held by six banks, namely Banca Comercială Română, Volksbank, Alpha Bank, Banca Română pentru Dezvoltare, UniCredit and Bancpost.

By **creditor**, the structure of medium- and long-term foreign liabilities of the banking sector reveals that foreign private banks were the main creditor, with 93.2 percent of total loans (0.4 percentage points lower than at end-2007), ahead of international financial institutions (6 percent), bilateral and other private sources (0.8 percent). Among multilateral sources, the European Bank for Reconstruction and Development was the main creditor, with 56.5 percent, followed by the International Finance Corporation, with 24 percent.

Over the period under review, foreign liabilities of “other sectors” advanced 26 percent, their share in total foreign liabilities under “other investments” remaining almost unchanged at 40.3 percent at end-2008.

Table No. 41. Other investments of non-banks (foreign liabilities)

	31.12.2007	-EUR mill.- 31.12.2008
TOTAL	17,437	21,971
<i>short-term foreign liabilities</i>	<i>8,401</i>	<i>7,408</i>
short-term borrowings	4,943	4,933
short-term trade credits	3,432	2,471
other	26	4
<i>medium- and long-term foreign liabilities</i>	<i>9,036</i>	<i>14,563</i>
medium- and long-term borrowings	8,677	14,265
medium- and long-term trade credits	359	298
<i>of which creditors:</i>	<i>9,036</i>	<i>14,563</i>
bilateral relations	141	112
international institutions	582	615
private banks	6,106	12,075
other private sources	2,207	1,761

Medium- and long-term borrowings at end-2008 ran at EUR 14,563 million, up EUR 5,527 million in absolute terms. Their share in other sectors’ foreign liabilities reached 66.3 percent of total foreign liabilities.

By creditor, the structure of medium- and long-term external commitments of other sectors shows that the Romanian economy benefited from financing mainly from private sources (95.0 percent, up 3 percentage points compared with end-2007), the remainder coming from international financial institutions (4.2 percent) and government agencies (0.8 percent). Among international financial institutions, the European Bank for Reconstruction and Development was further the main creditor (60 percent), followed by the International Bank for Reconstruction and Development (22.3 percent) and the International Finance Corporation (17.7 percent). Loans from international financial institutions were earmarked for development of infrastructure, revamping of some local companies, financing of leasing companies, and expansion of the mobile telephony network.

2.4. NBR reserve assets

At end-2008, the NBR’s foreign exchange reserve amounted to EUR 28,270 million against EUR 27,187 million at end-2007. Romania’s official reserve (foreign exchange and gold) went up 4.0 percent versus the end of 2007 and covered 5.6 months of imports of goods and services.

The value of monetary gold increased by EUR 169 million, owing to the rise in the price of gold on international markets of precious metals, from EUR 563.7 per ounce at end-2007 to EUR 614.7 per ounce at end-2008.

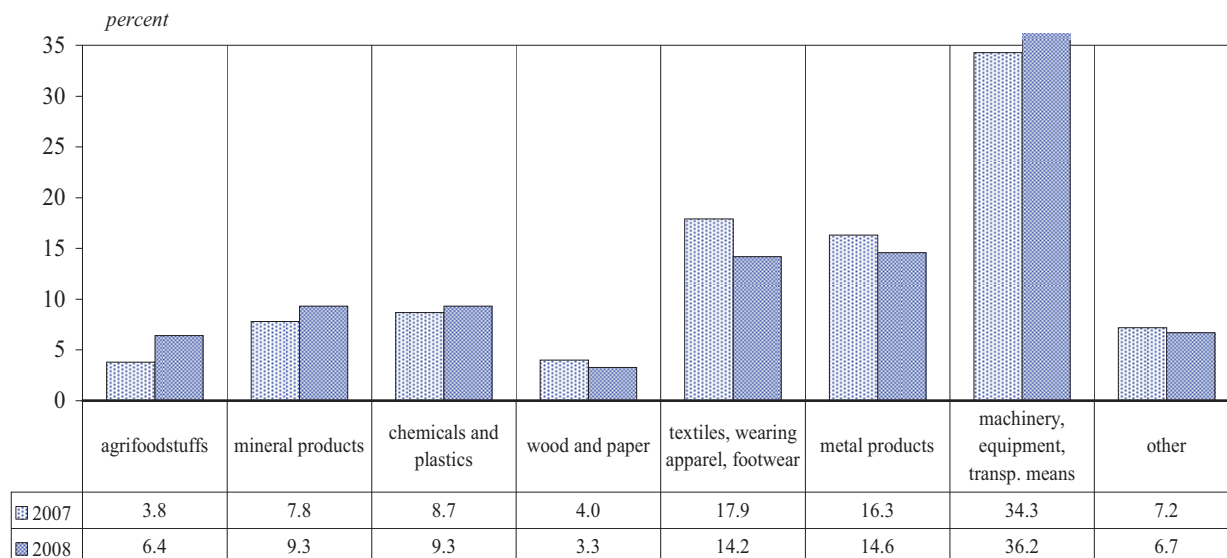
At end-2008, the foreign exchange reserve stood at EUR 26,221 million, 3.6 percent higher than in 2007.

Charts

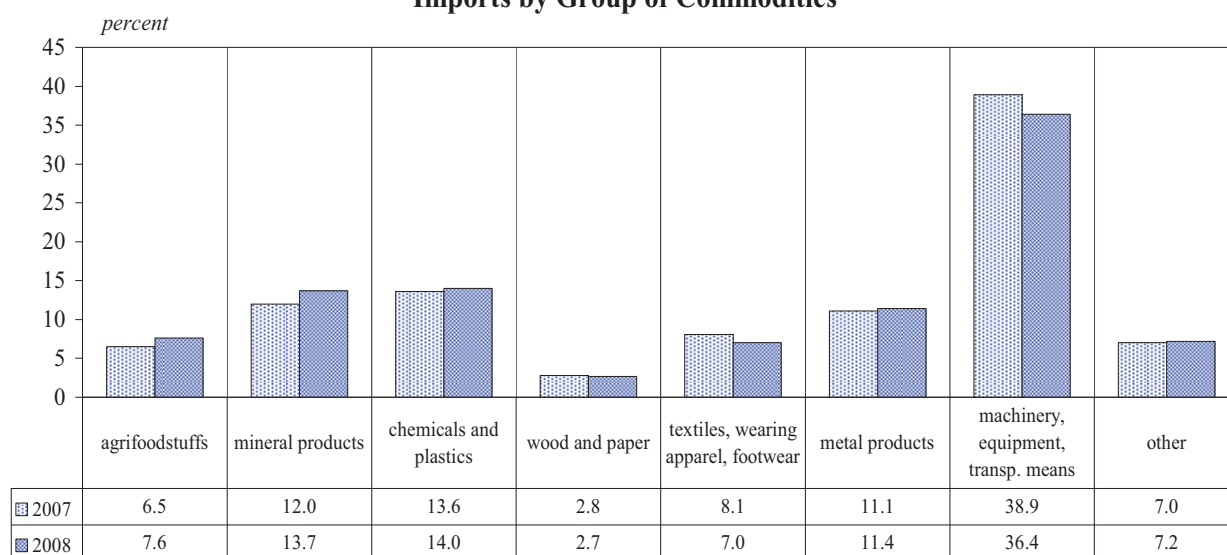
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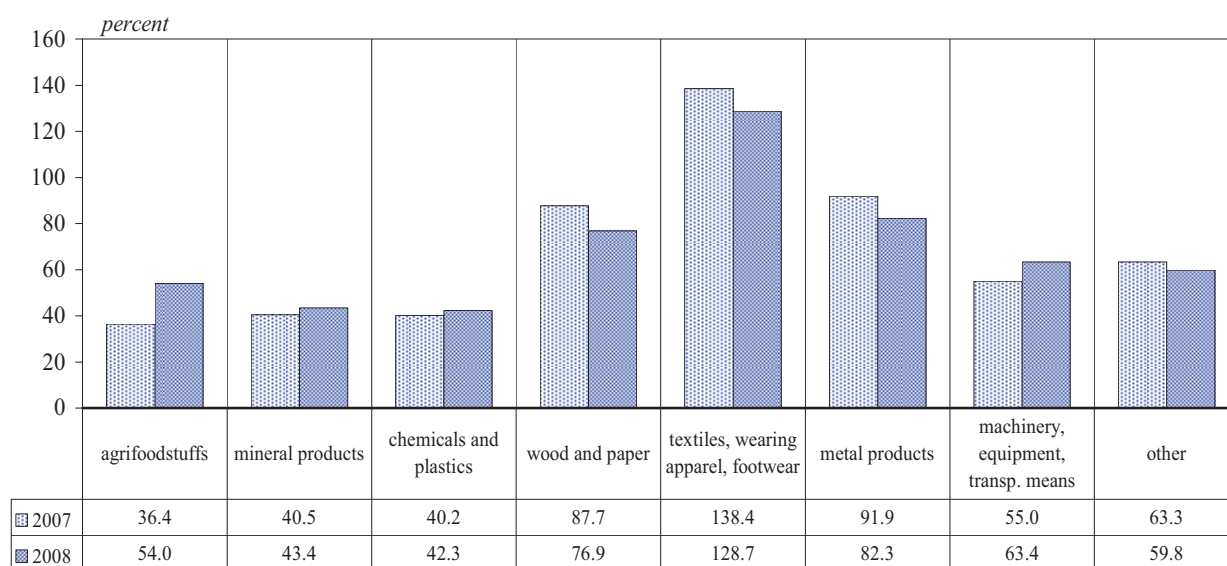
Exports by Group of Commodities



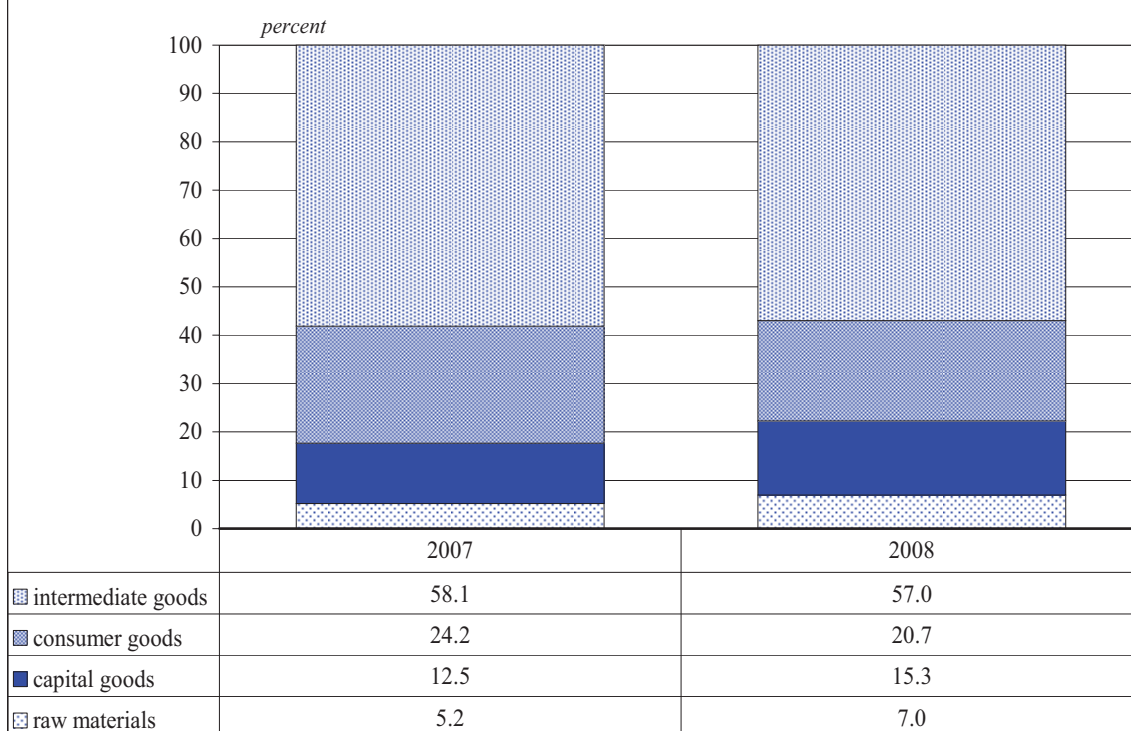
Imports by Group of Commodities



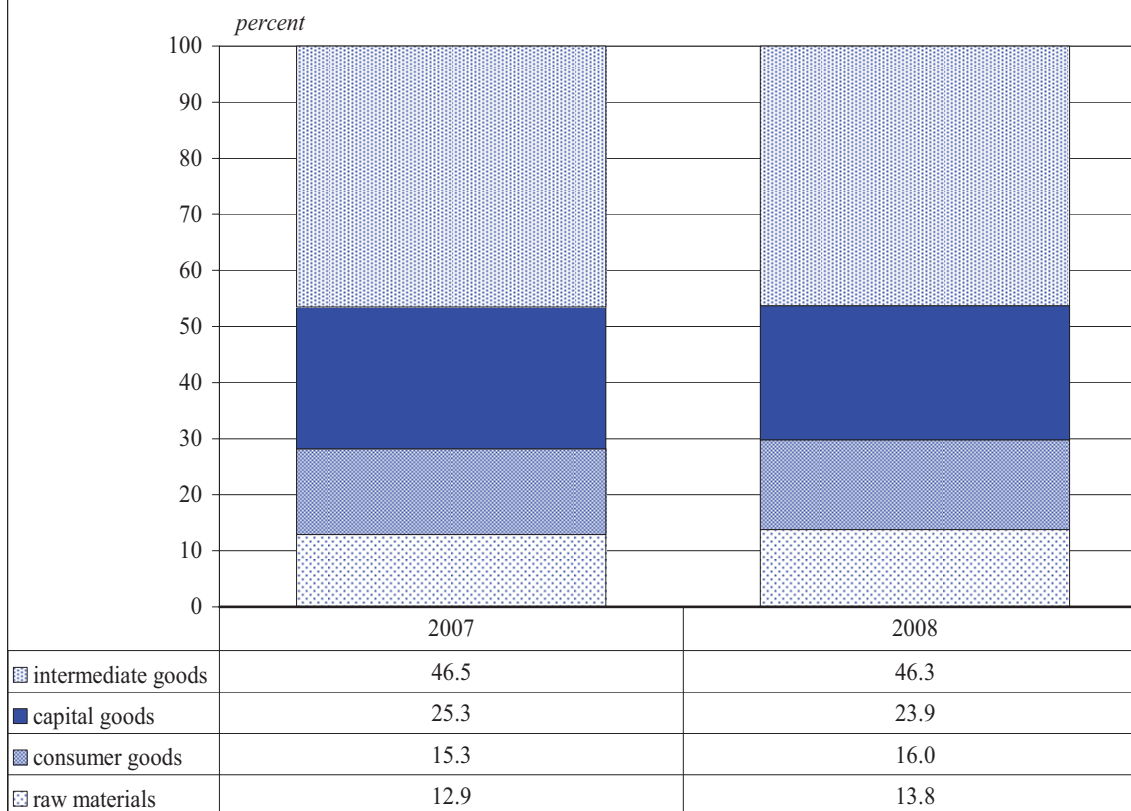
Coverage of Imports through Exports by Group of Commodities



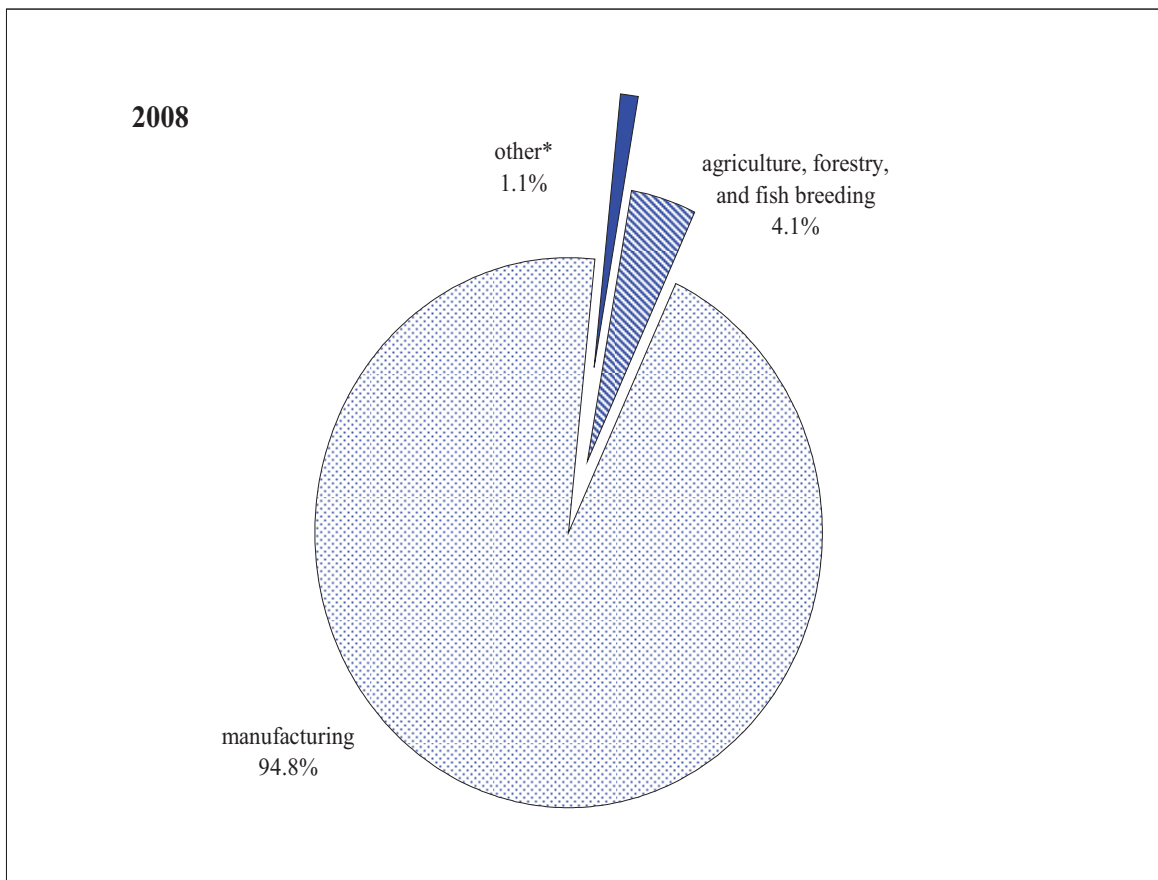
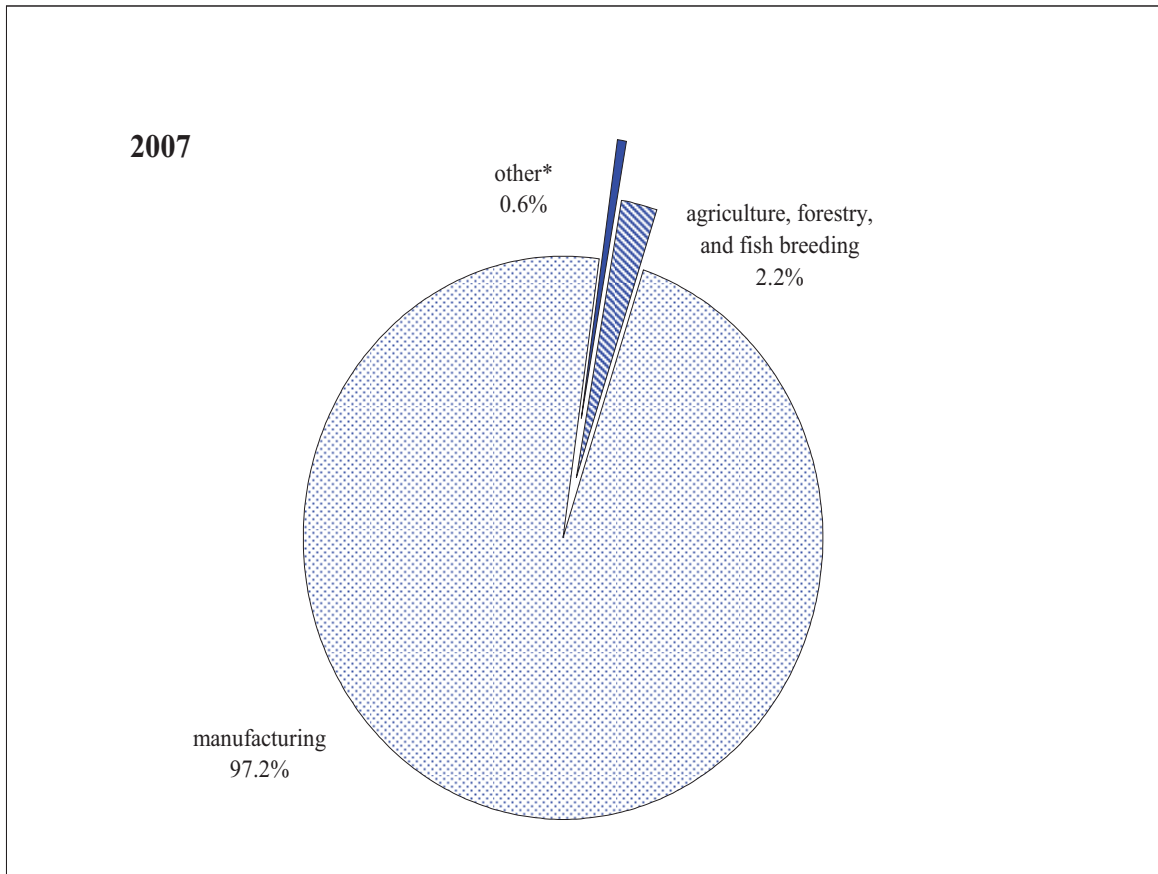
Exports by Production Stage



Imports by Production Stage

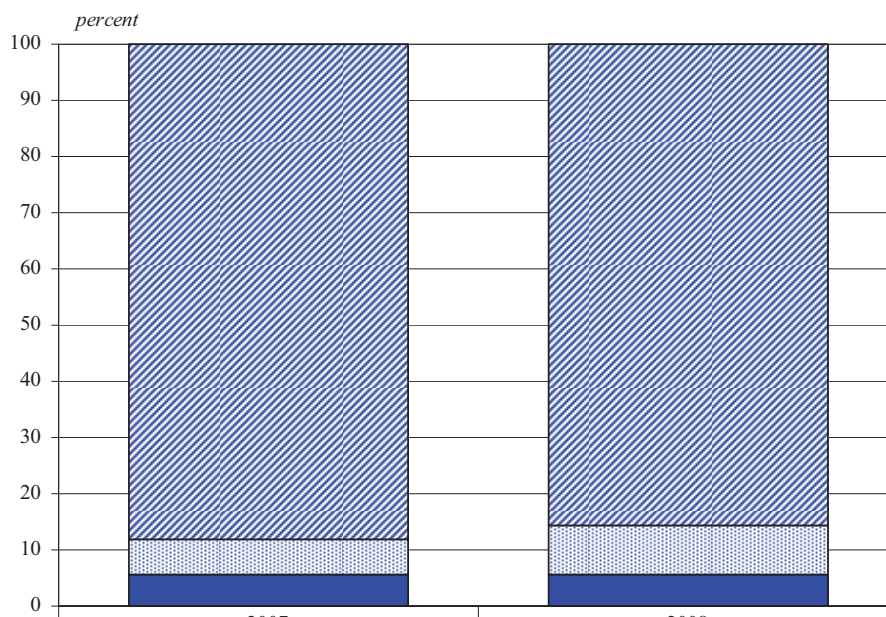


Exports by Economic Sector



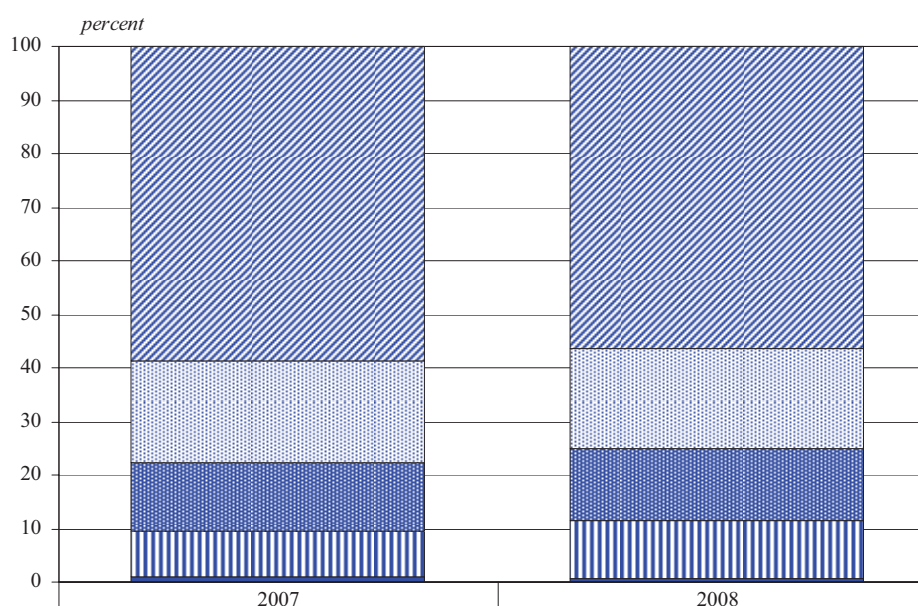
*) including mining, electricity, thermal energy, gas, water and unclassified activities.

Export Value of Energy Products



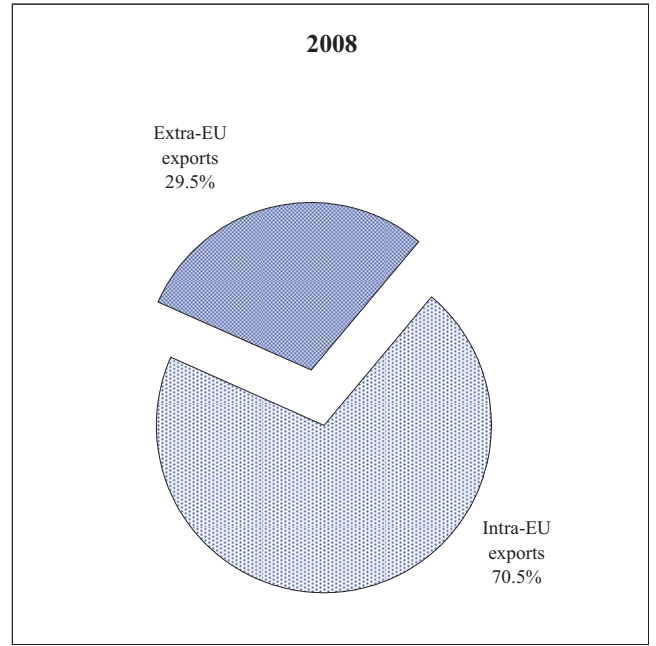
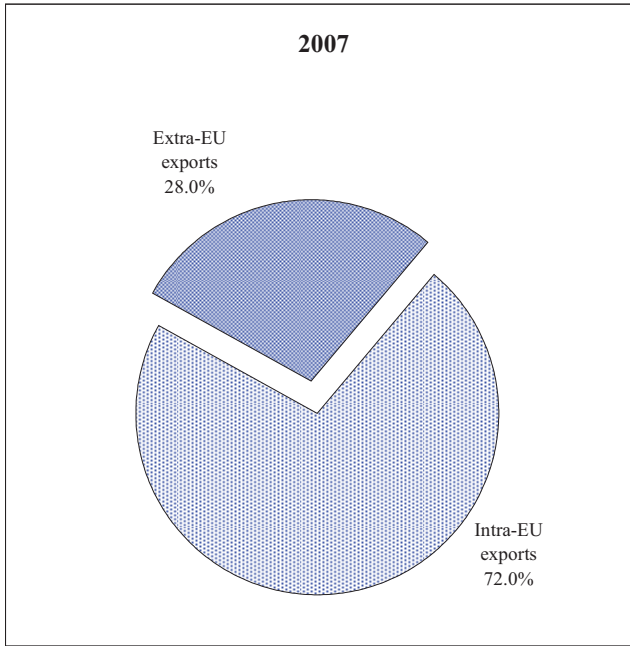
petroleum products	88.0	85.5
electricity	6.4	8.9
mineral fuels	5.6	5.6

Import Value of Energy Products

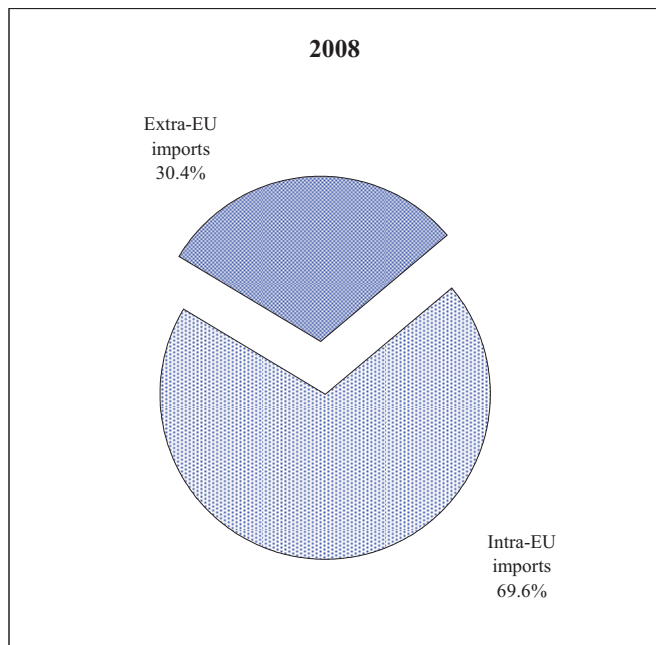
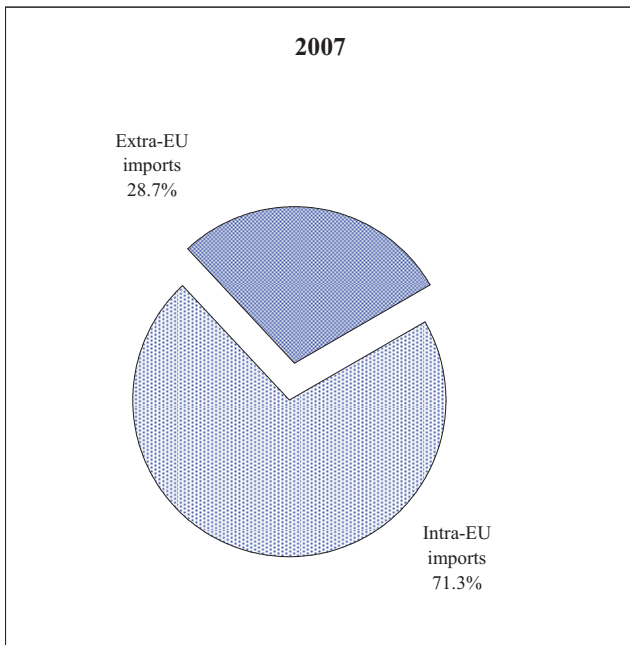


crude oil	58.6	56.4
natural gas	19.1	18.6
mineral fuels	12.9	13.6
petroleum products	8.2	10.8
electricity	1.1	0.6

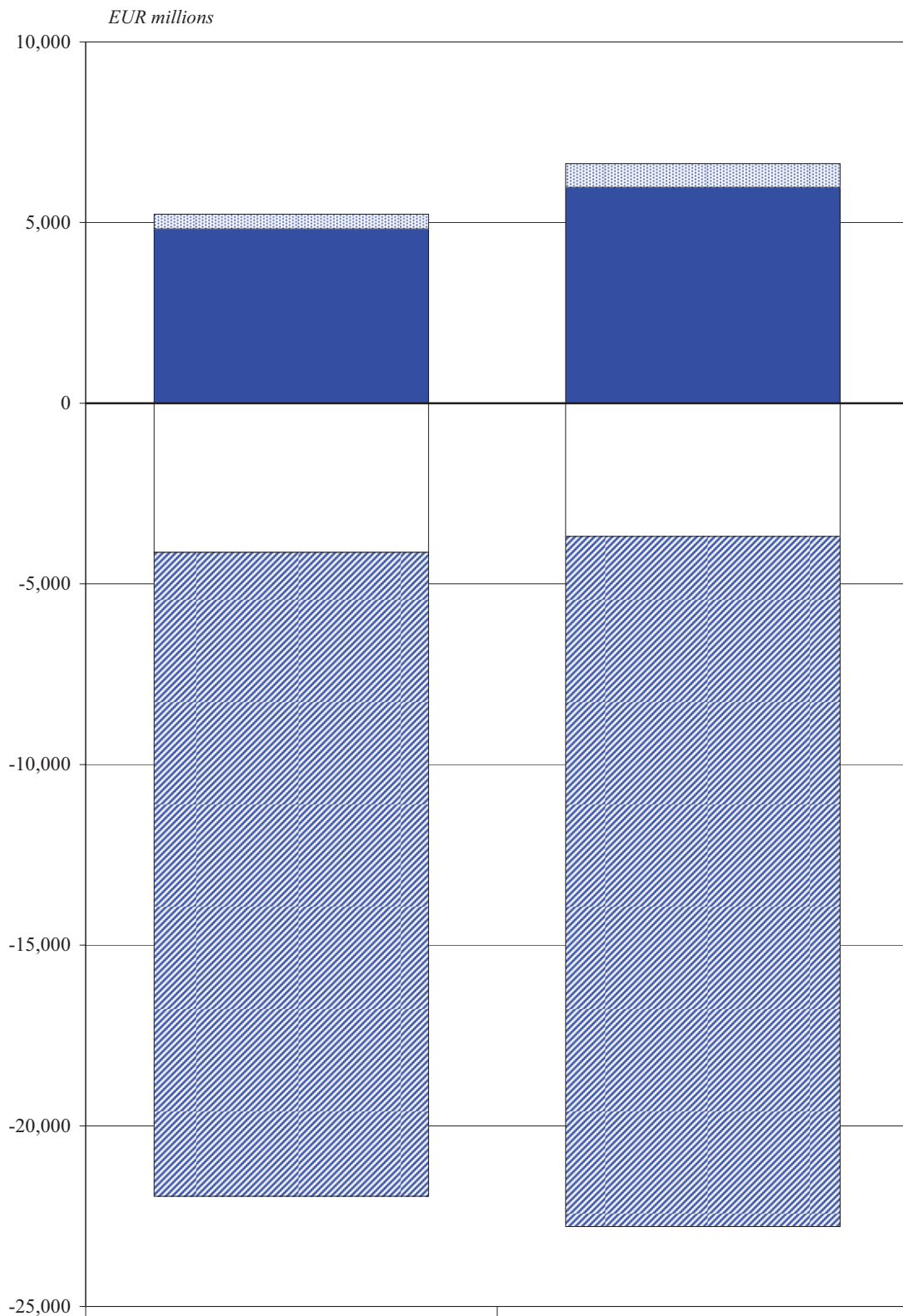
Geographical Distribution of Exports



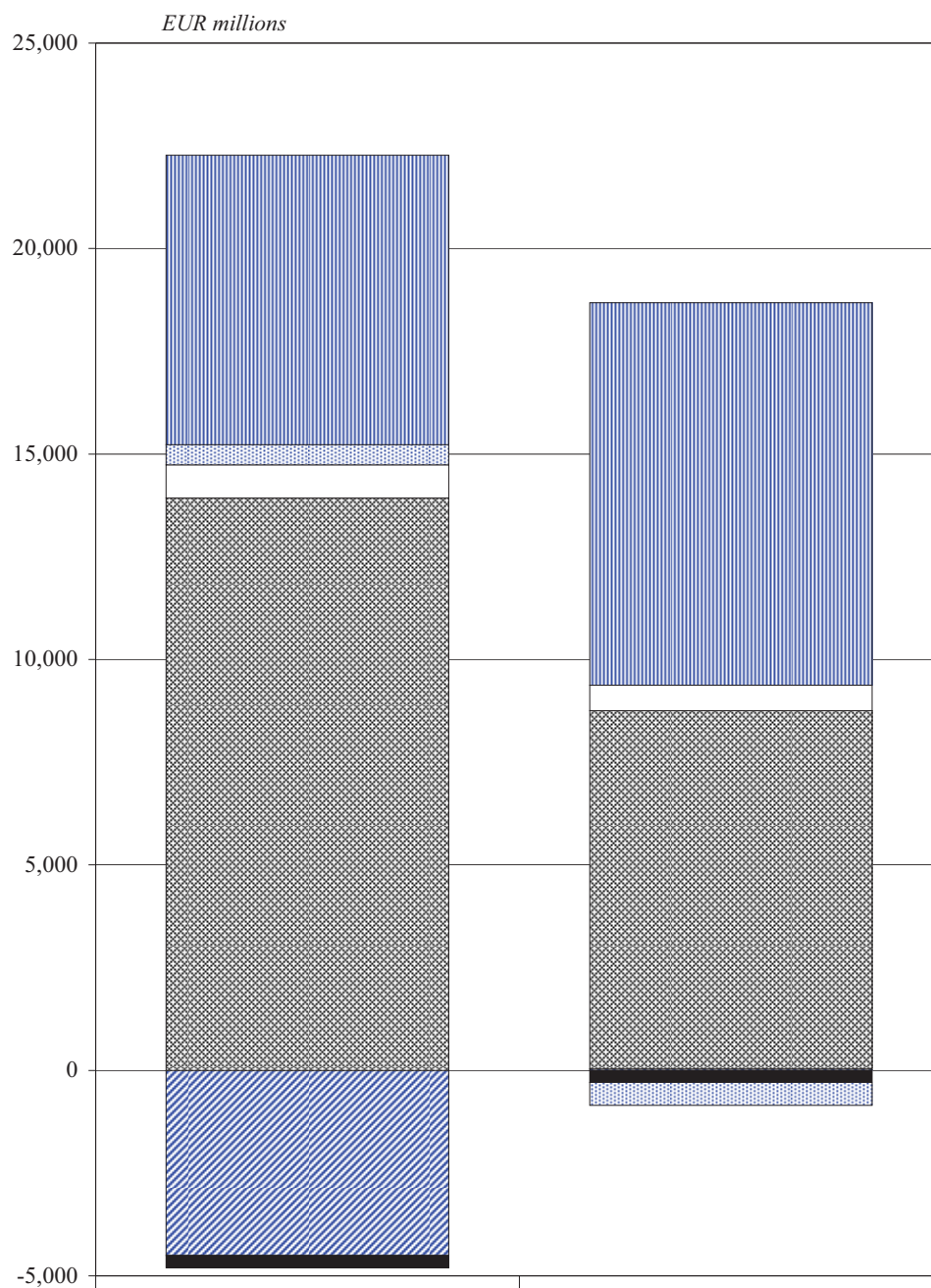
Geographical Distribution of Imports









Current Account Components



Capital and Financial Account Components



	2007	2008
 direct investment	7,047	9,308
 portfolio investments	482	-563
 capital account	817	621
 other investments	13,924	8,716
 financial derivatives	-298	-290
 reserve assets	-4,505	38

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BALANCE OF PAYMENTS, 2007 - 2008

EUR mill.

Item	2007			2008			Item
	credit	debit	net	credit	debit	net	
1. Current account	46,051	62,765	-16,714	53,582	69,739	-16,157	1. Current account
<i>A. Goods and services</i>	<i>36,434</i>	<i>53,847</i>	<i>-17,413</i>	<i>42,479</i>	<i>60,929</i>	<i>-18,450</i>	<i>A. Goods and services</i>
a. Goods	29,549	47,371	-17,822	33,725	52,834	-19,109	a. Goods
b. Services	6,885	6,476	409	8,754	8,095	659	b. Services
- transport	1,814	2,390	-576	2,684	2,697	-13	- transport
- travel	1,173	1,120	53	1,358	1,477	-119	- travel
- other	3,898	2,966	932	4,712	3,921	791	- other
<i>B. Incomes</i>	<i>2,429</i>	<i>6,556</i>	<i>-4,127</i>	<i>2,268</i>	<i>5,951</i>	<i>-3,683</i>	<i>B. Incomes</i>
- compensation of employees	1,186	40	1,146	1,156	115	1,041	- compensation of employees
- direct investment	43	4,376	-4,333	13	2,983	-2,970	- direct investment
- portfolio investment	829	647	182	838	675	163	- portfolio investment
- other capital investment	371	1,493	-1,122	261	2,178	-1,917	- other capital investment
<i>C. Current transfers</i>	<i>7,188</i>	<i>2,362</i>	<i>4,826</i>	<i>8,835</i>	<i>2,859</i>	<i>5,976</i>	<i>C. Current transfers</i>
- government sector	932	1,229	-297	2,227	1,302	925	- government sector
- other sectors	6,256	1,133	5,123	6,608	1,557	5,051	- other sectors
2. Capital and financial account	68,784	51,317	17,467	80,024	62,194	17,830	2. Capital and financial account
<i>A. Capital account</i>	<i>1,229</i>	<i>412</i>	<i>817</i>	<i>991</i>	<i>371</i>	<i>620</i>	<i>A. Capital account</i>
a. Capital transfers	990	283	707	879	264	615	a. Capital transfers
- government sector	677	70	607	480	1	479	- government sector
- other sectors	313	213	100	399	263	136	- other sectors
b. Purchase/sale of non-produced/ non-financial assets	239	129	110	112	107	5	b. Purchase/sale of non-produced/ non-financial assets
<i>B. Financial account</i>	<i>67,555</i>	<i>50,905</i>	<i>16,650</i>	<i>79,033</i>	<i>61,823</i>	<i>17,210</i>	<i>B. Financial account</i>
a. Direct investment	14,267	7,220	7,047	18,728	9,420	9,308	a. Direct investment
- of residents abroad	18	222	-204	55	243	-188	- of residents abroad
- of non-residents in Romania	14,249	6,998	7,251	18,673	9,177	9,496	- of non-residents in Romania
b. Portfolio investment	3,347	2,865	482	2,550	3,114	-564	b. Portfolio investment
- assets	739	635	104	455	668	-213	- assets
- liabilities	2,608	2,230	378	2,095	2,446	-351	- liabilities
c. Financial derivatives	248	546	-298	600	890	-290	c. Financial derivatives
d. Other capital investment	49,693	35,769	13,924	57,117	48,399	8,718	d. Other capital investment
- assets:	11,115	11,714	-599	12,400	13,054	-654	- assets:
1. medium- and long-term loans and credits	294	172	122	268	209	59	1. medium- and long-term loans and credits
1.1. trade credits	234	31	203	132	43	89	1.1. trade credits
1.2. financial credits	60	141	-81	136	166	-30	1.2. financial credits
2. short-term loans and credits	1,803	2,466	-663	2,241	3,074	-833	2. short-term loans and credits
2.1. trade credits	1,497	1,771	-274	1,876	2,266	-390	2.1. trade credits
2.2. financial credits	306	695	-389	365	808	-443	2.2. financial credits
3. cash and deposits	8,538	8,564	-26	9,375	9,317	58	3. cash and deposits
4. other assets	480	512	-32	516	454	62	4. other assets
- long-term	225	225	0	294	262	32	- long-term
- short-term	255	287	-32	222	192	30	- short-term
- liabilities:	38,578	24,055	14,523	44,717	35,345	9,372	- liabilities:
1. IMF loans and credits	0	78	-78	0	0	0	1. IMF loans and credits
2. medium- and long-term loans and credits	11,173	5,899	5,274	12,499	6,776	5,723	2. medium- and long-term loans and credits
2.1. trade credits	358	382	-24	129	459	-330	2.1. trade credits
2.2. financial credits	10,815	5,517	5,298	12,370	6,317	6,053	2.2. financial credits
3. short-term loans and credits	7,907	6,382	1,525	8,244	9,091	-847	3. short-term loans and credits
3.1. trade credits	2,913	2,054	859	2,431	3,438	-1,007	3.1. trade credits
3.2. financial credits	4,994	4,328	666	5,813	5,653	160	3.2. financial credits
4. cash and deposits	15,833	10,348	5,485	18,359	17,587	772	4. cash and deposits
5. other liabilities	3,665	1,348	2,317	5,615	1,891	3,724	5. other liabilities
- long-term	2,506	196	2,310	4,853	1,297	3,556	- long-term
- short-term	1,159	1,152	7	762	594	168	- short-term
e. NBR reserve assets (net) (increase "-" / decrease "+")	-	4,505	-4,505	38	-	38	e. NBR reserve assets (net) (increase "-" / decrease "+")
3. Errors and omissions (net)	-	753	-753	-	1,673	1,673	3. Errors and omissions (net)

QUARTERLY BALANCE OF PAYMENTS, 2008

EUR mill.

Item	Q 1			Q 2		
	credit	debit	net	credit	debit	net
1. Current account	12,668	16,039	-3,371	13,587	19,229	-5,642
<i>A. Goods and services</i>	10,075	14,099	-4,024	11,129	16,051	-4,922
a. Goods	8,154	12,321	-4,167	8,892	14,036	-5,144
b. Services	1,921	1,778	143	2,237	2,015	222
- transport	567	626	-59	678	712	-34
- travel	286	284	2	332	333	-1
- other	1,068	868	200	1,227	970	257
<i>B. Incomes</i>	522	1,091	-569	527	2,576	-2,049
- compensation of employees	279	20	259	308	28	280
- direct investment	-7	590	-597	-2	1,784	-1,786
- portfolio investment	180	26	154	171	212	-41
- other capital investment (interests)	70	455	-385	50	552	-502
<i>C. Current transfers</i>	2,071	849	1,222	1,931	602	1,329
- government sector	592	466	126	223	272	-49
- other sectors	1,479	383	1,096	1,708	330	1,378
2. Capital and financial account	17,056	13,700	3,114	20,604	14,445	6,173
<i>A. Capital account</i>	233	93	140	254	82	172
Capital transfers	196	71	125	214	51	163
- government sector	115	0	115	115	0	115
- other sectors	81	71	10	99	51	48
b. Purchase/sale of non-produced/ non-financial assets	37	22	15	40	31	9
<i>B. Financial account</i>	16,823	13,607	2,974	20,350	14,363	6,001
a. Direct investment	3,654	2,564	1,090	5,746	2,293	3,453
- of residents abroad	14	12	2	7	39	-32
- of non-residents in Romania	3,640	2,552	1,088	5,739	2,254	3,485
b. Portfolio investment	704	384	320	1,087	1,085	2
- assets	113	166	-53	114	167	-53
- liabilities	591	218	373	973	918	55
c. Financial derivatives	50	116	-66	107	47	60
d. Other capital investment	12,415	10,543	1,872	13,410	10,938	2,472
- assets:	2,629	2,798	-169	2,842	3,488	-646
1. medium- and long-term loans and credits	29	26	3	78	41	37
1.1. trade credits	17	2	15	40	3	37
1.2. financial credits	12	24	-12	38	38	0
2. short-term loans and credits	309	740	-431	304	797	-493
2.1. trade credits	260	590	-330	257	568	-311
2.2. financial credits	49	150	-101	47	229	-182
3. cash and deposits	2,203	1,937	266	2,358	2,560	-202
4. other assets	88	95	-7	102	90	12
- long-term	46	36	10	20	42	-22
- short-term	42	59	-17	82	48	34
- liabilities:	9,786	7,745	2,041	10,568	7,450	3,118
1. IMF loans and credits	0	0	0	0	0	0
2. medium- and long-term loans and credits	2,788	1,365	1,423	2,838	1,254	1,584
2.1. trade credits	51	128	-77	51	111	-60
2.2. financial credits	2,737	1,237	1,500	2,787	1,143	1,644
3. short-term loans and credits	2,036	1,606	430	2,177	1,996	181
3.1. trade credits	587	706	-119	716	321	395
3.2. financial credits	1,449	900	549	1,461	1,675	-214
4. cash and deposits	3,966	4,599	-633	3,598	4,075	-477
5. other liabilities	996	175	821	1,955	125	1,830
- long-term	924	129	795	1,866	10	1,856
- short-term	72	46	26	89	115	-26
e. NBR reserve assets (net) (increase "-" / decrease "+")	-	242	-242	14	-	14
3. Errors and omissions (net)	257	-	257	-	531	-531

QUARTERLY BALANCE OF PAYMENTS, 2008

EUR mill.

Q 3			Q 4			Item
credit	debit	net	credit	debit	net	
14,511	18,540	-4,029	12,816	15,931	-3,115	1. Current account
<i>11,159</i>	<i>16,440</i>	<i>-5,281</i>	<i>10,116</i>	<i>14,339</i>	<i>-4,223</i>	<i>A. Goods and services</i>
8,889	14,176	-5,287	7,790	12,301	-4,511	a. Goods
2,270	2,264	6	2,326	2,038	288	b. Services
733	732	1	706	627	79	- transport
383	519	-136	357	341	16	- travel
1,154	1,013	141	1,263	1,070	193	- other
629	1,455	-826	590	829	-239	<i>B. Incomes</i>
285	33	252	284	34	250	- compensation of employees
10	716	-706	12	-107	119	- direct investment
279	197	82	208	240	-32	- portfolio investment
55	509	-454	86	662	-576	- other capital investment (interests)
2,723	645	2,078	2,110	763	1,347	<i>C. Current transfers</i>
999	233	766	413	331	82	- government sector
1,724	412	1,312	1,697	432	1,265	- other sectors
21,355	16,652	4,706	20,971	17,397	3,837	2. Capital and financial account
<i>177</i>	<i>121</i>	<i>56</i>	<i>327</i>	<i>75</i>	<i>252</i>	<i>A. Capital account</i>
153	88	65	316	54	262	Capital transfers
41	1	40	209	0	209	- government sector
112	87	25	107	54	53	- other sectors
		0			0	Purchase/sale of non-produced/ non-financial assets
24	33	-9	11	21	-10	
21,178	16,531	4,650	20,644	17,322	3,585	<i>B. Financial account</i>
4,559	2,190	2,369	4,769	2,373	2,396	a. Direct investment
18	69	-51	16	123	-107	- of residents abroad
4,541	2,121	2,420	4,753	2,250	2,503	- of non-residents in Romania
445	504	-59	314	1,141	-827	b. Portfolio investment
115	169	-54	113	166	-53	- assets
330	335	-5	201	975	-774	- liabilities
315	419	-104	128	308	-180	c. Financial derivatives
15,859	13,418	2,441	15,433	13,500	1,933	d. Other capital investment
3,132	2,967	165	3,797	3,801	-4	- assets:
96	64	32	65	78	-13	1. medium- and long-term loans and credits
57	5	52	18	33	-15	1.1. trade credits
39	59	-20	47	45	2	1.2. financial credits
644	889	-245	984	648	336	2. short-term loans and credits
529	657	-128	830	451	379	2.1. trade credits
115	232	-117	154	197	-43	2.2. financial credits
2,271	1,939	332	2,543	2,881	-338	3. cash and deposits
121	75	46	205	194	11	4. other assets
75	31	44	153	153	0	- long-term
46	44	2	52	41	11	- short-term
12,727	10,451	2,276	11,636	9,699	1,937	- liabilities:
0	0	0	0	0	0	1. IMF loans and credits
3,499	2,123	1,376	3,374	2,034	1,340	2. medium- and long-term loans and credits
14	108	-94	13	112	-99	2.1. trade credits
3,485	2,015	1,470	3,361	1,922	1,439	2.2. financial credits
2,408	2,541	-133	1,623	2,948	-1,325	3. short-term loans and credits
783	672	111	345	1,739	-1,394	3.1. trade credits
1,625	1,869	-244	1,278	1,209	69	3.2. financial credits
5,478	4,849	629	5,317	4,064	1,253	4. cash and deposits
1,342	938	404	1,322	653	669	5. other liabilities
947	684	263	1,116	474	642	- long-term
395	254	141	206	179	27	- short-term
3	-	3	263	-	263	e. NBR reserve assets (net) (increase "-" / decrease "+")
-	677	-677	-	722	-722	3. Errors and omissions (net)

ROMANIA'S INTERNATIONAL INVESTMENT POSITION AS OF YEAR-END 2008

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	-7,375	-365	0	-63	-41	-7,844
<i>foreign assets</i>	<i>2,255</i>	<i>46</i>	<i>0</i>	<i>1</i>	<i>89</i>	<i>2,391</i>
financial derivatives	0	-1	0	1	0	0
other investment	2,255	47	0	0	89	2,391
trade credits	1,558	28	0	0	69	1,655
medium- and long-term trade credits	1,558	28	0	0	69	1,655
deposits	14	0	0	0	-7	7
other assets	683	19	0	0	27	729
other long-term assets	580	20	0	0	22	622
other short-term assets	103	-1	0	0	5	107
<i>foreign liabilities</i>	<i>9,630</i>	<i>411</i>	<i>0</i>	<i>64</i>	<i>130</i>	<i>10,235</i>
portfolio investment	2,549	166	0	0	-9	2,706
- bonds	2,439	140	0	0	61	2,640
- money market instruments	110	26	0	0	-70	66
other investments	7,081	245	0	64	139	7,529
trade credits	11	-6	0	0	0	5
medium- and long-term trade credits	11	-6	0	0	0	5
financial credits	7,040	262	0	64	121	7,487
medium- and long-term financial credits	7,040	252	0	74	121	7,487
short-term financial credits	0	10	0	-10	0	0
deposits	30	-11	0	0	18	37
II. Monetary authority	27,047	-197	837	0	284	27,971
<i>foreign assets</i>	<i>27,216</i>	<i>-38</i>	<i>837</i>	<i>0</i>	<i>284</i>	<i>28,299</i>
other investments	29	0	0	0	0	29
other assets	29	0	0	0	0	29
other long-term assets	29	0	0	0	0	29
reserves	27,187	-38	837	0	284	28,270
gold	1,880	0	170	0	-1	2,049
forex reserves	25,307	-38	667	0	285	26,221
<i>foreign liabilities</i>	<i>169</i>	<i>159</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>328</i>
other investments	169	159	0	0	0	328
financial credits	0	0	0	0	0	0
medium- and long-term financial credits (IMF)	0	0	0	0	0	0
deposits	145	159	0	0	-1	303
other liabilities	24	0	0	0	1	25
other long-term liabilities	24	0	0	0	1	25
III. Banks	-24,809	-7,566	-88	-426	1,531	-31,358
<i>foreign assets</i>	<i>1,841</i>	<i>-554</i>	<i>-84</i>	<i>499</i>	<i>-56</i>	<i>1,646</i>
direct investment	143	18	0	8	-7	162
equity holdings and reinvested earnings	135	18	0	8	-7	154
others	8	0	0	0	0	8
portfolio investment	250	-6	-84	0	-15	145
shares	99	-13	-84	0	0	2
bonds	148	9	0	0	-14	143
money market instruments	3	-2	0	0	-1	0
financial derivatives	0	-488	0	488	0	0
other investments	1,448	-78	0	3	-34	1,339
financial credits	172	30	0	0	-1	201
medium- and long-term financial credits	118	3	0	0	-4	117
short-term financial credits	54	27	0	0	3	84
deposits	1,186	-39	0	0	-30	1,117
other assets	90	-69	0	3	-3	21
other long-term assets	37	-16	0	0	0	21
other short-term assets	53	-53	0	3	-3	0
<i>foreign liabilities</i>	<i>26,650</i>	<i>7,012</i>	<i>4</i>	<i>924</i>	<i>-1,586</i>	<i>33,004</i>
direct investment	7,130	1,512	4	100	-721	8,025
equity holdings and reinvested earnings	6,211	1,147	4	148	-683	6,827
others	919	365	0	-48	-38	1,198
portfolio investment	819	-509	0	0	-12	298
shares	61	13	0	0	-7	67
bonds	758	-522	0	0	-5	231
financial derivatives	0	-824	0	824	0	0
other investments	18,701	6,833	0	0	-853	24,681
financial credits	7,532	2,293	0	0	-101	9,724
medium- and long-term financial credits	6,628	2,126	0	0	-87	8,667
short-term financial credits	904	167	0	0	-14	1,057
deposits	7,924	625	0	0	577	9,126
other liabilities	3,245	3,915	0	0	-1,329	5,831
other long-term liabilities	3,219	3,587	0	0	-1,339	5,467
other short-term liabilities	26	328	0	0	10	364

ROMANIA'S INTERNATIONAL INVESTMENT POSITION AS OF YEAR-END 2008

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	-49,085	-9,081	-1,267	-668	2,647	-57,454
<i>foreign assets</i>	<i>5,556</i>	<i>964</i>	<i>-167</i>	<i>294</i>	<i>55</i>	<i>6,702</i>
direct investment	700	170	0	9	11	890
equity holdings and reinvested earnings	267	13	0	23	1	304
others	433	157	0	-14	10	586
portfolio investment	910	219	-167	0	-26	936
shares	525	199	-167	0	-3	554
bonds	353	38	0	0	-22	369
money market instruments	32	-18	0	0	-1	13
financial derivatives	0	-111	0	111	0	0
other investments	3,946	686	0	174	70	4,876
trade credits	700	273	0	117	24	1,114
medium- and long-term trade credits	0	-117	0	117	0	0
short-term trade credits	700	390	0	0	24	1,114
financial credits	1,839	444	0	17	25	2,325
medium- and long-term financial credits	195	27	0	17	2	241
short-term financial credits	1,644	417	0	0	23	2,084
deposits	1,343	-19	0	0	25	1,349
other assets	64	-12	0	40	-4	88
other short-term assets	63	23	0	5	-3	88
other long-term assets	1	-35	0	35	-1	0
<i>foreign liabilities</i>	<i>54,641</i>	<i>10,045</i>	<i>1,100</i>	<i>962</i>	<i>-2,592</i>	<i>64,156</i>
direct investment	35,641	7,984	1,100	-782	-3,170	40,773
equity holdings and reinvested earnings	25,290	3,726	1,100	639	-2,690	28,065
others	10,351	4,258	0	-1,421	-480	12,708
portfolio investment	1,563	-8	0	2	-145	1,412
shares	1,538	4	0	0	-144	1,398
bonds	0	-1	0	2	-1	0
money market instruments	25	-11	0	0	0	14
financial derivatives	0	-67	0	67	0	0
other investments	17,437	2,136	0	1,675	723	21,971
trade credits	3,792	-1,330	0	260	47	2,769
medium- and long-term trade credits	360	-323	0	260	1	298
short-term trade credits	3,432	-1,007	0	0	46	2,471
financial credits	13,620	3,657	0	1,257	664	19,198
medium- and long-term financial credits	8,677	3,674	0	1,257	657	14,265
short-term financial credits	4,943	-17	0	0	7	4,933
deposits	0	0	0	0	0	0
other liabilities	25	-191	0	158	12	4
other short-term liabilities	1	-31	0	31	3	4
other long-term liabilities	24	-160	0	127	9	0
TOTAL	-54,222	-17,209	-518	-1,157	4,421	-68,685

ROMANIA'S INTERNATIONAL INVESTMENT POSITION AS OF YEAR-END 2008

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	-54,222	-17,209	-518	-1,156	4,420	-68,685
<i>of which:</i>						
Foreign assets	36,868	418	586	794	372	39,038
direct investment	843	188	0	17	4	1,052
portfolio investment	1,160	213	-251	0	-41	1,081
financial derivatives	0	-600	0	600	0	0
other investments	7,678	655	0	177	125	8,635
reserves	27,187	-38	837	0	284	28,270
Foreign liabilities	91,090	17,627	1,104	1,950	-4,048	107,723
direct investment	42,771	9,496	1,104	-682	-3,891	48,798
portfolio investment	4,931	-351	0	2	-166	4,416
financial derivatives	0	-891	0	891	0	0
other investments	43,388	9,373	0	1,739	9	54,509
Net position	-54,222	-17,209	-518	-1,156	4,420	-68,685
direct investment	-41,928	-9,308	-1,104	699	3,895	-47,746
portfolio investment	-3,771	564	-251	-2	125	-3,335
financial derivatives	0	291	0	-291	0	0
other investments	-35,710	-8,718	0	-1,562	116	-45,874
reserves	27,187	-38	837	0	284	28,270
Foreign assets	36,868	418	586	794	372	39,038
A. Direct investment of residents abroad	843	188	0	17	4	1,052
- equity holdings	402	31	0	31	-6	458
- other	441	157	0	-14	10	594
B. Portfolio investment	1,160	213	-251	0	-41	1,081
- bonds	501	47	0	0	-36	512
- shares	624	186	-251	0	-3	556
- money market instruments	35	-20	0	0	-2	13
C. Financial derivatives	0	-600	0	600	0	0
D. Other investments	7,678	655	0	177	125	8,635
- loans and credits	4,269	775	0	134	117	5,295
- long-term loans and credits	1,871	-59	0	134	67	2,013
- short-term loans and credits	2,398	834	0	0	50	3,282
- cash and deposits	2,543	-58	0	0	-12	2,473
- other assets	866	-62	0	43	20	867
- medium- and long-term	647	-31	0	35	21	672
- short-term	219	-31	0	8	-1	195
E. NBR reserve assets	27,187	-38	837	0	284	28,270
- monetary gold	1,880	0	170	0	-1	2,049
- forex reserves	25,307	-38	667	0	285	26,221
Foreign liabilities	91,090	17,627	1,104	1,950	-4,048	107,723
A. Direct investment of non-residents in Romania	42,771	9,496	1,104	-682	-3,891	48,798
- equity holdings	31,501	4,873	1,104	787	-3,373	34,892
- other	11,270	4,623	0	-1,469	-518	13,906
B. Portfolio investment	4,931	-351	0	2	-166	4,416
- shares	1,599	17	0	0	-151	1,465
- bonds	3,197	-383	0	2	55	2,871
- money market instruments	135	15	0	0	-70	80
C. Financial derivatives	0	-891	0	891	0	0
D. Other investments	43,388	9,373	0	1,739	9	54,509
- loans and credits	31,995	4,876	0	1,581	731	39,183
- long-term loans and credits	22,716	5,723	0	1,591	692	30,722
- short-term loans and credits	9,279	-847	0	-10	39	8,461
- cash and deposits	8,099	773	0	0	594	9,466
- other liabilities	3,294	3,724	0	158	-1,316	5,860
- medium- and long-term	3,244	3,556	0	31	-1,335	5,496
- short-term	50	168	0	127	19	364

ROMANIA: INTERNATIONAL INVESTMENT POSITION, 2004 - 2008

EUR mill., end of period

Institutional sector	2004	2005	2006	2007	2008
I. Monetary authority	11,518	18,027	22,850	27,047	27,971
- assets	11,944	18,279	22,956	27,216	28,299
- liabilities	426	252	106	169	328
II. Government sector	-5,738	-6,374	-6,996	-7,375	-7,844
- assets	3,235	3,753	2,848	2,255	2,391
- liabilities	8,973	10,127	9,844	9,630	10,235
III. Banks	-3,662	-8,563	-16,296	-24,809	-31,358
- assets	1,418	1,324	1,594	1,841	1,646
- liabilities	5,080	9,887	17,890	26,650	33,004
IV. Non-banks	-18,572	-26,237	-36,449	-49,085	-57,454
- assets	1,095	2,385	4,664	5,556	6,702
- liabilities	19,667	28,622	41,113	54,641	64,156
Net position	-16,454	-23,147	-36,891	-54,222	-68,685
- assets	17,692	25,741	32,062	36,868	39,038
- liabilities	34,146	48,888	68,953	91,090	107,723

ROMANIA: GROSS INTERNATIONAL RESERVES, 2004 - 2008

EUR mill., end of period

	2004	2005	2006	2007	2008
<i>National Bank of Romania</i>	11,933	18,259	22,935	27,187	28,270
- gold	1,085	1,461	1,625	1,880	2,049
- SDRs	0	0	0	0	87
- convertible currencies	10,848	16,798	21,310	25,307	26,134
<i>Commercial banks</i>	1,220	1,103	1,302	1,445	1,344
- convertible currencies	1,220	1,103	1,302	1,445	1,344
Gross international reserves	13,153	19,362	24,237	28,632	29,614
of which:					
Gross foreign exchange reserves	12,068	17,901	22,612	26,752	27,565

ROMANIA: EXTERNAL DEBT INDICATORS, 2004 - 2008

	-EUR mill.-				
	2004	2005	2006	2007	2008
External debt (ED) - EUR mill.	21,504	30,914	41,196	58,628	72,032
- medium- and long-term (MLT)	18,298	24,642	28,622	38,711	51,440
- short-term (ST)	3,206	6,272	12,574	19,917	20,592
GDP	61,030	79,747	97,787	124,654	136,845
Exports of goods and services - EUR mill. (EXP)	21,838	26,359	31,438	36,434	42,479
Imports of goods and services - EUR mill. (IMP)	27,374	34,510	43,192	53,847	60,929
External debt service - EUR mill. (EDS)	4,972	13,578	19,801	29,925	45,576
- principal repayment	4,117	12,415	18,191	27,626	42,338
- interest payment (INT)	855	1,163	1,610	2,298	3,237
Official reserves (EUR mill.)	11,933	18,259	22,935	27,187	28,270
Indicators	-percent-				
ED/GDP	35.2	38.8	42.1	47.0	52.6
MLT/GDP	30.0	30.9	29.3	31.1	37.6
ED/EXP	98.5	117.3	131.0	160.9	169.6
MLT/EXP	83.8	93.5	91.0	106.2	121.1
EDS/EXP	22.8	51.5	63.0	82.1	107.3
EDS/GDP	8.1	17.0	20.2	24.0	33.3
EDS/OR	41.7	74.4	86.3	110.1	161.2
INT/EXP	3.9	4.4	5.1	6.3	7.6
ST/ED	14.9	20.3	30.5	34.0	28.6
Multilateral/ED	24.1	18.4	13.8	9.3	9.0
OR/IMP (months)	5.2	6.3	6.4	6.1	5.6