



Weekly Focus

Romanian economy managed to enter positive territory; current account deficit declined significantly in 1H12

Macro developments

% y/y, unless o.s.	5M 11	6M 11	4M 12	5M 12	6M 12
Industry	8.9	7.5	-0.2	0.4	0.2
New orders	23.5	19.4	-0.8	0.3	0.7
Construction	-3.0	-5.0	9.1	10.8	7.5
Retail sales	-5.2	-5.8	3.6	4.1	4.1
Exports	32.1	28.1	0.8	1.5	1
Imports	23.7	20.8	1.2	0.5	0.7
CPI	8.41	7.93	1.80	1.79	2.04
BD/GDP (cash)	-1.3	-2.1	-0.8	-1.2	-1.1
EURRON (eop)	4.12	4.23	4.4	4.47	4.45

Source: NIS, BCR Research

Country ratings

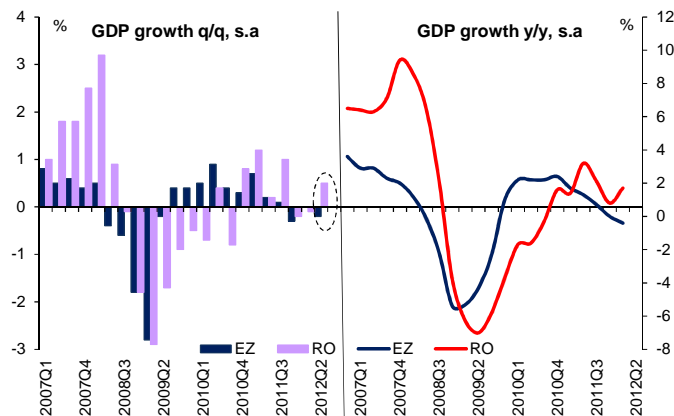
Agency	Current	Current Date	Previous	Previous Date
S&P	BB+	25-May-12	BB+	29-Nov-11
Moody's	Baa3	20-Mar-09	Baa3	6-Oct-06
Fitch	BBB-	4-Jul-11	BB+	9-Aug-10

Source: Reuters

Romanian GDP growth back to positive territory

In seasonally-adjusted terms, GDP growth inched up by 0.5% q/q in the second quarter of 2012, according to the flash estimate released by the National Institute of Statistics. Therefore, the Romanian economy managed to enter positive territory after two consecutive quarters of decline. Looking at the GDP figures for the advance and emerging economies, the GDP growth rates highlighted a mixed picture. On the one hand, Romania had one of the highest economic growth rates in Europe. On the other hand, the main downside risks continue to come from the Eurozone. According to our model, the slowdown in the euro area will be reflected in Romanian economy in the next 3-4 quarters. At the same time, the internal political turmoil, the weak development in industry, the slowdown in infrastructure investments and a weak agricultural year represent several additional risks for the Romanian growth. Our GDP growth forecast for 2012 of 1.2% will be revised downwards to below 1%. We estimate a EURRON FX rate of 4.55 in December as the BNR has gradually become more inclined to support the RON due to inflationary concerns. 5Y government bonds could stay at 6.8% in December.

GDP development



Source: BCR Research, Eurostat

C/A deficit declined considerably in first half of 2012

The current account deficit narrowed significantly in the first half of the year, compared to the same period of last year (-29.4% y/y to EUR 2.4bn). This was determined by more positive development in net current transfers, along with an increase in the surplus of the services balance. The deficit of the income balance shrank due to lower dividend outflows. On a less positive note, FDIs in Romania also declined to EUR 621mn (-29% y/y YTD), which will eventually be reflected in the economy. Furthermore, the internal political turmoil, along with the worsening situation in the euro area, could further affect FDI development in Romania at least until the end of the year. The C/A deficit could remain at 3.5-4% of GDP in 2012.

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