

ROMANIA - ECONOMIC OVERVIEW

During 2000 - 2005, the Romanian economy has been identified by efficient and relevant macroeconomic equilibrium between the economic growth, on one side, and dis-inflation process, and alleviation of domestic and external deficits, on the other side.

The quantitative ranges and particularly the qualitative economic changes - as a direct result of the deep structural reforms - reflect the considerable progress that has been achieved in setting up an operational and dynamic market economy. Today, the real challenge is to maintain the economic growth, to preserve and consolidate the macroeconomic equilibrium, precondition for Romania's accession to the European Union in 2007

Economic growth

Overall, 2004 was a very good year for the Romanian economy. The recovery continued at a robust rate. The economic results achieved in 2004, as the gross domestic product growth by 8.3% and the average inflation rate of 11.9% prove the sustainable development stage of the Romanian economy.

Not only that 2004 represents the fifth consecutive year with a real economic growth for Romania but the most important are the results of the last years that were continuously both above the European average and most of the other Candidate Countries (except the Baltic States). These results were achieved despite of the general critical international economic context and the important economic growth slowing down of the European countries - in fact, main Romanian commercial partners (France, Italy, and Germany).

In 2005, the economic growth is expected to register a slow down, but it should be still over 5%. The contribution of the branches to the gross domestic product formation shows an evolution towards the modern structures specific for the developed economies. In this way it is relevant the fact that due to the structural reforms, the Romanian economy has for the time being the capacity to comply rapidly with the market demands turning to good accounts the opportunities of the international economic environment in real time.

The structure of the gross domestic product, by categories of resources put in evidence the following issues: the share of the industry and agriculture in the total GDP continued to decrease (from 27.7% in 2001 to 27.0 in 2004 for industry; from 13.3% in 2001 to 13.0 in 2004 for agriculture); the share of construction sector increased (from 5.3% in 2001 to 6.1 in 2004); the service sector GDP represented over 44% of total GDP.

In 2004, the evolution of GDP per its resources reflected a faster growth - than the one of GDP - for: agriculture, forestry and fishery, on the one hand, and for financial intermediation services indirectly

measured (by 22.2% versus same year- earlier period, for each resource mentioned above); construction (by 9.0%). Also, industry and services recorded a lower growth than one of the total GDP (by 6.2% and by 6.1%).

The Romanian economic growth was supported both by the domestic and external demand. In the year 2004 the domestic demand (investment and private consumption) represented the main factors supporting the economic growth.

The **total final consumption** increased in 2004 - in real terms - by 10.3% face to 2003; its share in the gross domestic product was of 86.3% and it was focused mainly on the final consumption of the households (79.4%).

Gross domestic product growth, during the period 2001-2004

- %, previous year=100 -

	2001	2002	2003 ¹⁾	2004 ²⁾
Gross domestic product (GDP)	105.7	105.1	105.2	108.3
Actual final consumption	106.3	104.9	106.9	110.3
Households actual individual final consumption	106.8	104.8	107.2	110.8
Government's actual collective final consumption	99.8	106.0	104.6	104.6
Gross fixed capital formation	110.1	108.2	109.1	110.1

¹⁾ Semi-final data. ²⁾ Provisional data.

In 2004, **the gross fixed capital formation** increased by 10.1% compared with 2003. The gross fixed capital formation posted the highest growth rate over the last three years. The rise of the growth rate by main components show a highest growth rate for outfits - including transportation means (by 17.0% in 2004 compared with previous year) and a lower rate for constructions (by 9.2%). The share of gross fixed capital formation in the gross domestic product was of 22.3%.

The positive results registered by Romania in its general economic growth process are confirmed by the weight of the **private sector** in GDP. In 2004 the contribution of the private sector was 70.8% of total gross economic product, comparatively by 61.4% in 2001.

Gross domestic product estimated for **the first quarter of 2005** amounted to **ROL 497,251.2 billion current prices**, increasing – in real terms – by 5.9% as against the first quarter of 2004.

The growth was significantly determined by the higher activity volume and, consequently, of gross value added from services (+6.8%) and industry (+5.0%).

Final actual consumption registered a growth of 12.1% in the first quarter of 2005, as compared to the first quarter of 2004 and gross fixed capital formation increased by 5.2 %.

Gross Domestic Product estimated for the first semester of 2005 amounted to RON 110263.2 million current prices, increasing – in real terms – by 4.9% as against the first semester of 2004. The growth was mostly determined by the higher volume of activity and, consequently, of gross value added in services (+6.9%), construction (+3.9%) and industry (+3.6%).

Final actual consumption registered a growth of 11.2% in the first semester of 2005, as compared to the first semester of 2004 and gross fixed capital formation increased by 7.6 %.

INDUSTRY

During 2000-2003 the industrial output achieved by the economic agents maintained its positive trend initiated in 2000. The industrial evolution after 2000 was strongly supported by the industrial policy of the government, which pursued the improvement of the business environment, export and investment stimulation, setting up and making functional market mechanisms, as well as the acceleration of privatisation and restructuring of the industrial sector. This contributed to the stock reductions in the context of an increase in attracting investment, which permitted a better adjustment of the economic agents to the needs and exigencies of the domestic and external market.

The main aims of the economic policy, connected with these options, envisaged the following issues:

- accelerating the restructuring process of the commercial companies and autonomous bodies, by modernising and developing the high competitive economic agents, together with the reorientation and resizing the partly or total closure of the production units without certain deliveries;
- reinitiating the investment process, by a significant interest from the domestic capital, as well as through attracting of a significant volume of foreign investment;
- stimulating of the industrial output increase, by encouraging the setting up of industrial parks and promoting the investment with strong impact on economy;
- the increase in the export efficiency and volume of the industrial products and services;
- the enforcement of the restructuring programs agreed with the EU and with other financial international organisations as The World Bank and International Monetary Fund;
- designing and implementing the sectoral strategies – for development or for re-size - the main sub-sectors as metallurgy, oil industry, wood processing and furniture industry, electric machinery and devices for the domestic use and other;
- developing, modernising, privatizing the national energy system on the basis of a long-term strategy;
- continuing the closure process of the unproductive mines and quarries.

The main features of the industrial activity were reflected in the positive evolution of the industrial output. Industrial production achieved in December 2003 has increased as against similar month of 2002 by 2.6%. By sections over this level were the indices for durable goods industry (10.4%) and intermediate goods industry (3.8%).

Industrial production indices, by sections *)

Corresponding month of previous year=100

	2000	2001	2002	2003
Industrial production indices	121.6	101.6	104.9	102.6
<i>out of which:</i>				
Mining and quarrying	104.9	104.7	85.1	108.7
Manufacturing	126.9	101.0	108.6	102.4
Electricity and thermal power, gas and water	100.1	103.6	95.7	97.7

*) Adjusted series according to the working days number.

Industrial production of mining and quarrying has expanded, higher than the general index on the basis of results recorded in the sector coal mining and preparation (increased with 22.5% in December 2003 faced to the same period from 2002).

The index of main manufacturing products increased significantly, such as: for radio, TV and communication equipment and apparatus by 60.8%; for publishing house, polygraph, recording and copying by 29.5%; for rubber and plastics by 28.5%; for textile products by 26.2%; for wood and wooden products processing (by 20.3%), excluding furniture.

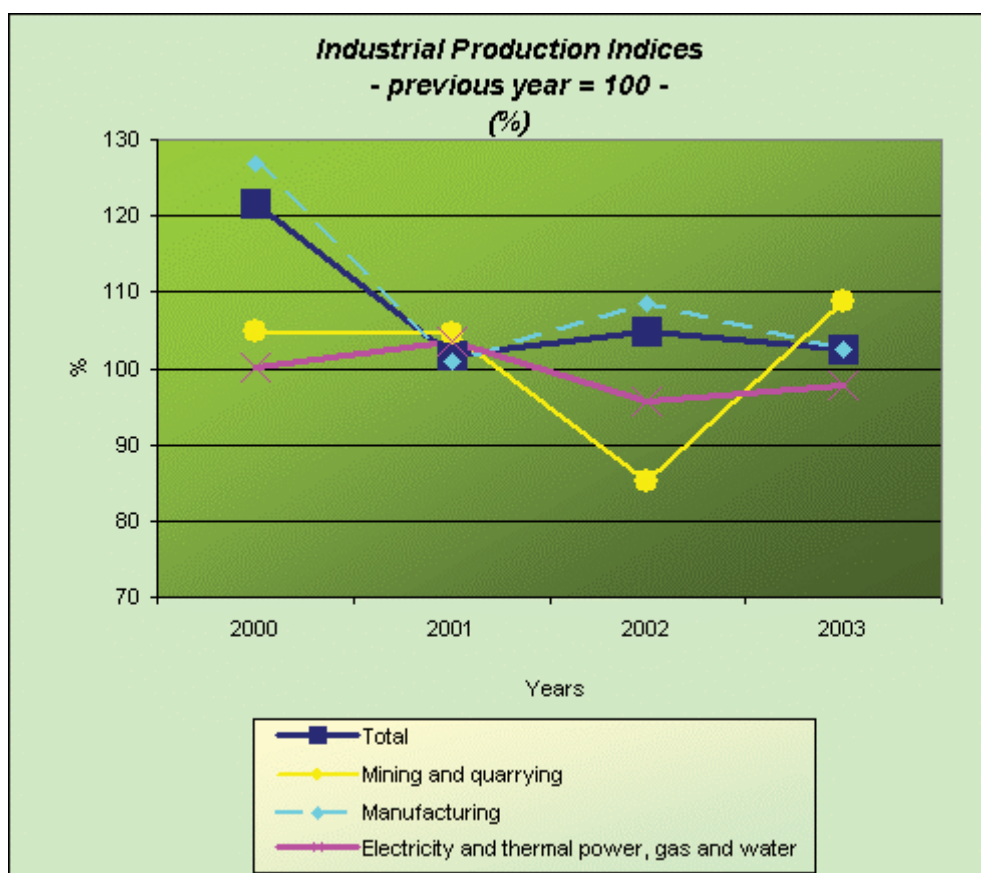
In December 2003 compared with previous period from 2002 in electricity and thermal power, gas and water the production index decreased by 2.3%.

Total turnover of enterprises having industry as their activity has increased in real terms by 4.5% in 2003 as against corresponding month from 2002.

Turnover volume indices in industry

- Previous year =100 -

	2000	2001	2002	2003
Industry	95.6	105.0	100.6	104.5
<i>out of which:</i>				
Mining and quarrying	100.0	95.8	95.3	99.2
Manufacturing	95.2	106.4	105.0	104.1
Electric and thermal energy, gas and water	93.1	102.4	86.2	108.5



The **industrial production** continued its positive trend; in 2004, the industrial production was 5.3% higher than the one of the year 2003.

In the first quarter of 2005 the industrial production increased with 5.3% as against of the corresponding period of the previous year. Manufacturing recorded the highest increase (by 6.6%), followed by the electric and thermal energy, gas and water (by 0.9%); the production of mining and quarrying recorded a regress (by -2.2%).

By main industrial groups in the first quarter of 2005 against similar period of the previous year were recorded a positive evolution for capital goods industry (by 12.1%), durable goods industry (by 23.2%), intermediate goods industry (by 7.2%) and for energy industry (by 1.8%). For the current use goods industry was recorded a slow decrease (by -0.6%).

Production of main industrial products

	M.U.	2001	2002	2003	2004 ¹⁾
Net coal	thou t	33289	30414	33063	31592
Extracted crude oil	thou t	6011	5810	5651	5465
Extracted natural gas (at 15 ⁰ C and 760 mm Hg)	mill.m ³	14090	13647	13174	13290
Fabrics	mill.m ²	213	219	228	186
Timber	thou m ³	2530	2706	2568	1492
Cement	thou t	5702	5680	5992	6209
Raw steel	thou t	4935	5490	5693	6042

	M.U.	2001	2002	2003	2004¹⁾
Solid finished hot-rolled metals of steel	thou t	3639	3951	4757	5062
Aluminium and aluminium alloys	thou t	185	191	205	224
Electric motors of 0.25 kW and over	thou kW	2110	1865	1998	1997
Transformers of 0.25 kVA and over	thou kVA	2697	1129	4164	3280
Town cars	thou pcs.	71	65	76	99
Furniture	billion ROL	15345	18883	24806	17907
Electric energy	mill. kWh	53866	54935	56645	57031
Thermal energy ²⁾	thou Gcal	66434	60068	58251	52063

¹⁾ Provisional data.

²⁾ Includes thermal energy production achieved by self producers and consumed for own industrial activity.

Gross index of industrial production registered a growth of 1.5 % during 1.I.-30.IX.2005 in comparison with the same period of 2004; in manufacturing, gross index was 102.6%. In September 2005, as against September 2004, gross index of industrial production increased by 2.2%.

Labour productivity in industry was by 4.0% higher during 1.I.-30.IX.2005, as compared to 1.I.-30.IX.2004 period.

Total turnover ¹⁾ of enterprises having industry as their main activity registered during 1.I-30.IX.2005, in real terms, a growth of 3.4% as against the same period of 2004; in September 2005, in comparison with September 2004, total turnover increased by 4.5%.

During 1.I-30.IX.2005, main resources of primary energy amounted to 30855.0 thousand tons equivalent oil ²⁾, of which 18249.1 thousand tons equivalent oil from domestic production.

Gross index of **industrial production** registered a growth of 1.3 % during 1.I.-30.XI.2005 as compared to the same period of 2004; in manufacturing, gross index was 102.2%. In November 2005, as against November 2004, gross index of industrial production increased by 0,5%.

Labour productivity in industry was higher by 4.2% during 1.I.-30.XI.2005 as against 1.I.-30.XI.2004 period.

Total turnover¹⁾ of enterprises having industry as main activity registered during 1.I-30.XI.2005, in real terms, an increase of 3.6% as against the same period of 2004; in November 2005, in comparison with November 2004, total turnover increased by 5.7%.

Main resources of primary energy, during 1.I-30.XI.2005, amounted to 37,626.2 thou tons equivalent oil²⁾, of which 22,500.0 thou tons equivalent oil from domestic production..

Gross index industrial production registered a growth of 2% in 2005 as against 2004; in manufacturing gross index was 102.5 %.

In December 2005, in comparison with December 2004 gross index of industrial production increased by 2.2%.

Labour productivity in industry was by 5,2% higher in 2005 as against 2004.

Total turnover¹⁾ of enterprises having industry as their main activity registered in 2005, in real terms, a growth of 3.5% as against the previous year; in December 2005, as compared to December 2004, total turnover increased by 1.7%. In 2005, main resources of primary energy accounted for 41,753.8 thou tons equivalent oil²⁾, of which 24,783.6 thou tons equivalent oil from domestic market.

1) Total turnover from main activity and from secondary activities of industrial enterprises.

2) Conventional fuel with calorific power of 10 000 kcal/kg.

AGRICULTURE

Agriculture still is mostly directly influenced by the climate factors; the budgetary subsidies for supporting the irrigation system didn't manage to totally compensate the influence of these factors.

The structure of agricultural goods and services production, in 2004, was: crop production 71.0% of total; animal production 28.2%; agricultural services 0.8%.

In 2004 comparatively with 2001 the *crop production* increased by 109.6% for sunflower, by 31.0% for cereal grains, by 27.9% for vegetables, by 16.5% for potatoes, by 6.7% for fruits and by 2.8% for grapes. Also, were recorded, in 2004 faced to 2001, a small decrease for the wheat and barley production (by 1.5% and by 1.7%).

Crop production

- thou tonnes -

	2001	2002	2003	2004 ¹⁾
Cereal grains	18871	14357	12964	24713
Wheat and rye	7764	4441	2496	7644
Barley and two-row barley	1580	1160	541	1553
Maize grains	9119	8400	9577	14891
Sunflower	824	1003	1506	1727
Potatoes	3997	4078	3947	4655
Vegetables	2877	2864	3358	3679
Fruit	1353	952	2089	1444
Grapes	1122	1077	1078	1153

¹⁾ Provisional data

The last data and information regarding the sowing surfaces in the spring of 2005 ¹⁾ (middle of May, 2005) tell us about the stage of the cultivated area programme for different crops, such as: sugar beet - the initial agenda is higher by +11%; wheat and rye by +10%; peas; spring barley and two-row barley by +5%; early and summer potatoes by +4% and by +2%; flax for oil by +3%. Also, due to the bad weather there are some delay compared with the outline for: field vegetables (by -33%); maize (by -31%); fodder crops (by -28%); soybean (by -23%); autumn potatoes (by -11%); oats (by -9%); sunflower (by -4%) etc.

¹⁾ The data are from the site of the Ministry of agriculture, Forestry and Rural Development, Press release from May, 16, 2005.

The **animal production** recorded a positive evolution, as a direct consequence of the subsidies received by the farmers which revival the sector and assure the basis for its development; one can mention the enhance of the number of pigs (by 9.2% in 2004 faced to 2001), sheep and goats (by 7.9%) and of cattle (by 4.2% in the year 2003). In direct correlation with the stockbreeding in 2004, comparatively with 2001, increased the production of meat (by 17.7%), eggs (by 15.4%) and of milk (by 12.5%). Also, were recorded, an increase of the extracted honey (by 54.5%).

Animal production

	M.U.	2001	2002	2003	2004 ¹⁾
Meat - total	thou t live weight	1415	1604	1699	1666
Milk - total	thou hl	53169	55146	57736	59837
Eggs	mill. pcs.	6001	6432	6641	6927
Wool	tonnes	16880	16659	16879	18049
Extracted honey	tonnes	12598	13434	17409	19464
Fish	tonnes	13417	16232	10050	10498

¹⁾ Provisional data

The positive evolution of the stockbreeding continued. After the first three months of 2005 the number of animals slaughtered was: 84 thousand heads for cattle; 224 thousand heads for pigs; 449 thousand heads for sheep and goats; 11363 thousand heads for poultries. Also, in March 2005 compared with similar month from 2004, were recorded an increase of the meat production for cattle (by 1.5%), sheep and goats (by 6.8%) and for poultries (by 32.7%); in the same period the pigs' meat production decreased (by 19.2%) - phenomena due to the traditional winter holidays when people increase there consumption.

Construction

In 2003 the value of construction works increased in each quarter. During the last quarter of the year it recorded ROL 55,890 billion, by 7.9% more than in the same period of the previous year.

In the last quarter of 2003 the construction works from the private sector represented 92.2% of the total. During 2003 faced to 2002 the construction works in the private sector were most dynamic and increased more than the state sector.

The volume indices of construction works in 2003

- The corresponding period of 2002=100 -				
	Q I	Q II	Q III	Q IV
Total	105.3	105.6	106.2	107.9
<i>Type of ownership</i>				
Majority private	106.7	106.8	107.7	108.8
Majority state	90.4	96.5	95.1	98.5
<i>In the structure</i>				
New construction	100.1	106.3	107.2	106.3
Capital repairs	108.6	103.2	107.8	105.8
Maintenance repair	117.3	105.8	102.3	116.7

In 2003 the number of new dwellings ready was 28,990, by 4.6% more than in 2002. Under construction there were 336,762 dwellings, out of which 24.4% with budgetary funds.

Number of finished dwellings, during 2000-2003

	2000	2001	2002	2003
Total	26376	27041	27722	28990
<i>out of which:</i>				
Private funds	24703	25300	24398	22364

Constructions increased in 2004 by 8.9%. In 2004 this sector represented 43.2% of the total investments, by 9.0 per cent points over the level recorded in 2001(34.2%).

In the first quarter of 2005 the total construction works increased with 3.1% against the corresponding period of the previous year. Maintenance and current repairs work recorded the highest increase (by 9.0%), followed by the capital repair works (by 2.1%) and new construction works (by 0.9%).

In the first quarter of 2005, the value of construction works accounted for ROL 33,142.1 billion, increasing by 3.1% as against the same period of the previous year.

New construction works amounting to ROL 19,263.8 billion represented 58.1% of total construction.

Capital repair works accounted for ROL 4702.4 billion (14.2% of total construction works); maintenance and current repair works for existing buildings and construction represented 27.7%.

In April 2005, the value of construction works increased by 0.6% as against the same month of the previous year and by 2.3% during 1.I-30.IV.2005 as compared to the same period of 2004.

In the first quarter of 2005, 6192 construction licenses were released for residential buildings, of which, those for one dwelling residential buildings represented 97.8% as against total.

Residential buildings, for which construction licenses were released, according to the projects, comprised 7,036 dwellings, with a useful area of 997.9 thousand sq.m.

In April 2005, 3616 licenses for residential buildings were released.

The number of finished dwellings was 4,161 in the first quarter of 2005. 634 dwellings were carried out from budgetary subsidies. The number of dwellings finished from the population funds was by 665 dwellings higher than in the first quarter of 2004, this category still holding the highest weight (83.0% of total finished dwellings).

On March 31, 2005, 82,886 dwellings were under various execution stages of construction works, of which 39.3% were under an advanced finalization stage..

In September 2005, the value of construction works increased by 11.4% as against the same month of 2004.

In September 2005, 4648 licences for residential buildings were released.

In November 2005, value of construction works increased by 16.6% as against the same month of 2004.

In November 2005, 3145 authorizations for residential buildings were released.

The value of construction works increased by 9.8% in 2005, as against 2004; in December 2005, the volume of construction works was increasing by 18.5% as compared to the same month of 2004.

In December 2005, 3,942 authorizations for residential buildings were released.

Investment

	2001	2002	2003	2004 ¹⁾
Investments indices, by main elements, %. Previous year = 100				
Total	109.6	109.7	111.2	108.2
of which:				
Construction	126.2	126.9	105.9	109.2
Outfits (including transportation means)	104.1	99.9	120.1	117.0
Investments by main structural elements, %				
Total	100.0	100.0	100.0	100.0

	2001	2002	2003	2004 ¹⁾
Construction	34.2	40.5	39.9	43.2
Outfits	57.9	51.9	54.7	51.0
Geological works and other investment expenditure	7.9	7.6	5.4	5.8
Evolution of construction works, %. Previous year = 100				
Index	109.0	110.0	109.8	108.9

¹⁾ Provisional data

In 2004 **investments** increased by 8.2% comparatively with previous year. Regarding the evolution of main sectors' components can be pointed out the following issues: construction increased by 9.2%; outfits (including transportation means) increased by 17.0%.

Civil engineering increased by 14.0% in the first quarter of 2005 against similar period of the previous year; during the reference period other types of construction recorded a negative evolution (by – 5.8% the non-residential buildings and by 14.3% residential buildings).

In the first quarter of 2005, investments amounted to ROL 50,202.6 billion, increasing in real terms by 4.8% in comparison with the first quarter of 2004.

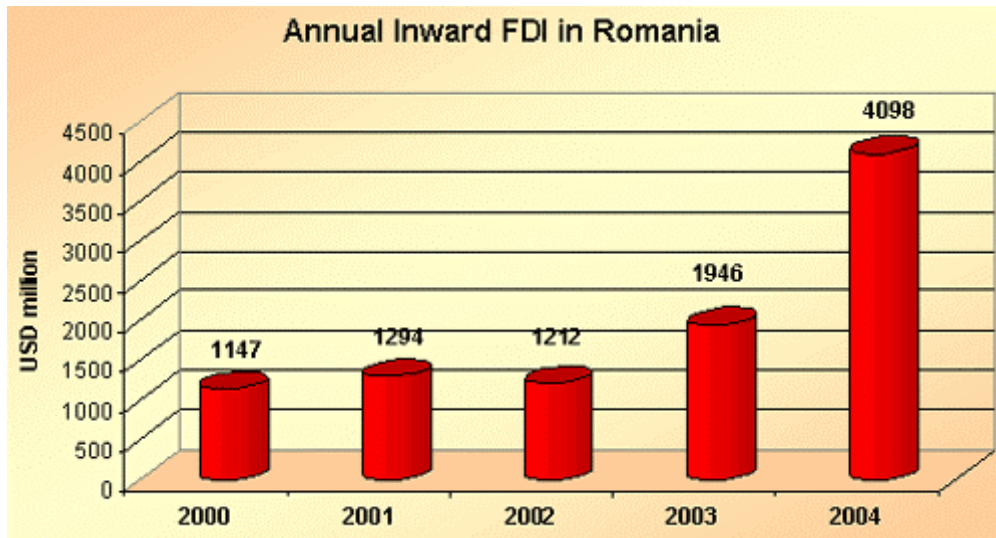
STATISTICAL DATA REGARDING FOREIGN INVESTMENT IN ROMANIA

By courtesy of the Romanian Agency for Foreign Investment (ARIS)

Over the last years Romania has made significant progress towards macro-economic stabilization and has achieved high rates of economic growth. As a result of greater political and economic stability and of the implementation of economic reforms, the investment climate has started to improve and international investors are looking at the region with a much more positive attitude, seeing Romania as a real hub for the increase of their trade on the regional market.

It is a clear signal by The Romanian Government to the world community, and especially foreign investors, that transition and reform in our country is moving forward. This event shows that Romania is increasingly a welcoming and potentially profitable destination for foreign investment. While certain challenges remain and require continuing attention, measurable progress is being made in many areas and it is internationally acknowledged.

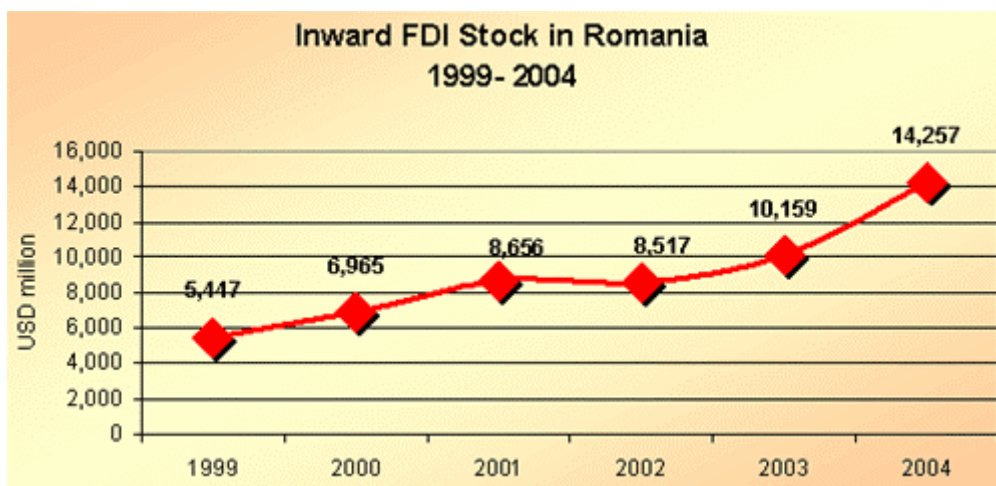
The National Bank of Romania's data from the Balance of Payments for 2004 indicate an inward FDI value of almost Euro 4.1 billion (USD 5.1 billion), higher than the FD inflows in Poland - Euro 3.9 billion, followed by Czech Republic with Euro 3.7 billion and Bulgaria with Euro 2 billion. The 111% FDI inflow increase against 2003 led to Romania close the gap and effectively compete with the high-performance country as concerns attracting foreign investment in Eastern Europe, considered to be the absolute leaders regarding the foreign investors interest.



Source: National Bank of Romania

FDI development in Romanian economy reflects the positive trend Romania is on, the improvement of Romanian business climate, as well as our country attractiveness to foreign investors. In addition, it's worth mentioning finalizing land restitution process supporting Greenfield projects development, solving utilities network legal situation, developing industrial parks, granting incentives to foreign investors, elaborating policies for local authorities aiming to attract and encouraging foreign investment, as well as developing domestic capital as a significant element in attracting new investment through economic relations development.

The annual average of FDI inflow during the last 14 years (1991-2004) amounted more than Euro 1 billion. The total amount of inward FDI exceeded Euro 14 billion, reaching USD 14,257 billion by the end of 2004. Starting 2003, FDI flows and stock are determined based on the statistical compiled by NBR and NIS. Accordingly, data on FDI stock at the end of 2002 were revised.

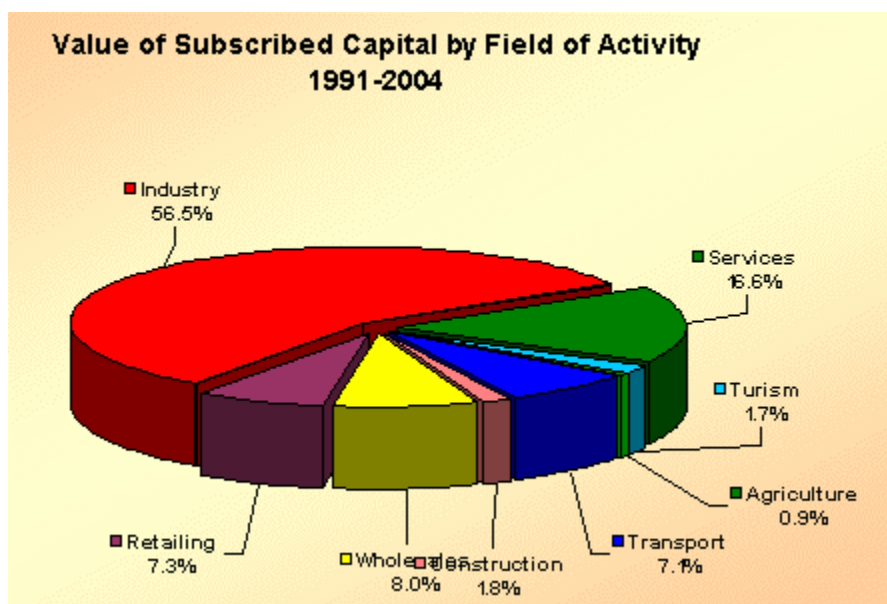


Source: National Bank of Romania

Due to all favorable shifts, the foreign investors started to change their position towards Romania, perceiving it as a more friendly business environment and becoming more confident in the Government's investment policy. The increased interest of foreign partners towards Romania as a destination for foreign investment is a clear sign of the country's growing attractiveness. (CC) You are free to share, to copy, distribute and transmit this work

investments is viewed as well in the number of commercial companies registered during 2004 (10,167), according to the data provided by the National Trade Register Office - Ministry of Justice.

The structure upon sector of activity in the amount of subscribed capital in companies with foreign participation reveals that 56.5% of the total subscribed capital was invested in industry, 16.6% in services and 15.3% in trade (wholesales and retailing).



Source: National Office of Trade Register, Ministry of Justice

As regards the ranking by investing countries in commercial companies after foreign participation to social capital, having as reference the period 1991-2004, taking into account the subscribed social capital, among the first places are: Netherlands with 2021 commercial companies and Euro 2.1 bill subscribed capital, Austria with 3,199 commercial companies and Euro 1.7 bill, France with 3,646 commercial companies and Euro 1.5 bill, Germany with 12,126 commercial companies and Euro 1.1 bill and USA with 4,205 commercial companies and Euro 0.9 bill, according to the data provided by the National Trade Register Office.

Investors' country	Number of companies	Total amount of capital subscribed in currency equivalent		
		%	Euro million	%
1. Netherlands	2021	1.88%	2,112	20.22%
2. Austria	3199	2.98%	1,663	15.92%
3. France	3646	3.39%	1,511	14.47%
4. Germany	12126	11.29%	1,090	10.44%
5. USA	4205	3.92%	888	8.50%
6. Italy	16907	15.74%	711	6.81%
7. Netherlands Antilles	9	***	650	6.22%

8.	Cyprus	1355	1.26%	590	5.65%
9.	United Kingdom	1957	1.82%	565	5.41%
10.	Turkey	9227	8.59%	454	4.35%

Source: National Office of Trade Register, Ministry of Justice

The need, and the potential, for additional investment are clear and there is progress that can be built upon. The Romania's performance can be improved, and improving competitiveness is a key factor.

Attracting Greenfield investments in the manufacturing, IT and service sectors is particularly important. Greenfield investments create new employment, and do not require the industry restructuring that accompanies most privatization investments. In addition, Greenfield investments tend to be linked to the sectors where a country enjoys its greatest comparative advantages like: energy, automotive, ITC, thereby helping to speed up the re-adjustment of the industrial structure. The development of the increase in Greenfield investments has been encouraged by the finalizing of the restitution of land process, which created the land market in Romania.

Measures directed at retaining and supporting existing investors are also crucial. Our experience has shown that investors already in the country are key to generating new capital investment whether by their own companies, or by encouraging new investors.

Foreign Investment Flow in 2005

Number of companies by foreign direct investment and the amount of the subscribed capital, balance account at 30 September 2005

Balance account by end of period	Number of companies		Amount of subscribed capital					
			Total in ROL		Total in currency		Total in currency	
	No.	%	mil RON	%	thousand USD	%	thousand EURO	%
0	1	2	3	4				
30 September 2005, out of which	108564	108,7	62068304,1	239,5	14817552,4	116,5	12318813,2	116,5
at 31 December 2004	99847	100,0	25910410,9	100,0	12720574,6	100,0	10575456,7	100,0

Note: column No. 1 shows the number of companies incorporated in the due period. The data concerning the amount of the subscribed capital include the records on the issued capital in companies incorporated in the related period plus the records of increase in capital and minus the subscribed capital in companies being struck-off from the trade register in the same period. The percentage inserted in column No. 1,2,3 and 4 shows the trend compared to the records of December 2004.

**Classification* of companies by foreign direct investment
by the investors' countries of origin,
balance account at 31 September 2005**

No. crt.	Countries	Companies by foreign investment		Amount of subscribed capital					
				Total in local currency		Total in equivalent of currency		Total in equivalent of currency	
				No.	%	mii RON	%	thousand USD	%
0	1	2		3		4		5	
	Total ROMANIA	108564	100,0	62068304,13	100,0	14817552,4	100,0	12318813,2	100,0
1	AUSTRIA	3451	3,18	4665231,6	7,52	2277622,5	15,37	1893538,5	15,37
2	NETHERLAND	2183	2,01	4797665,2	7,73	2126089,3	14,35	1767558,9	14,35
3	FRANCE	3899	3,59	3402391,0	5,48	1438829,6	9,71	1196194,4	9,71
4	GERMANY	12564	11,57	2714492,8	4,37	1283421,2	8,66	1066993,1	8,66
5	ITALY	18077	16,65	1811977,7	2,92	905928,2	6,11	753158,1	6,11
6	U.S.A.	4285	3,95	992361,9	1,60	786795,4	5,31	654115,2	5,31
7	ANTILELE OLANDEZE	10	***	2154203,3	3,47	675089,1	4,56	561246,3	4,56
8	GREAT BRITAIN	2106	1,94	1397434,9	2,25	617885,2	4,17	513689,0	4,17
9	GREECE	3049	2,81	1483524,9	2,39	615054,3	4,15	511335,4	4,15
10	CYPRUS	1590	1,46	909718,5	1,47	539264,7	3,64	448326,5	3,64
11	TURKEY	8835	8,14	589584,4	0,95	473702,3	3,20	393820,1	3,20
12	SWITZERLAND	1467	1,35	747261,7	1,20	436280,6	2,94	362709,0	2,94
13	HUNGARY	5418	4,99	668006,9	1,08	427026,9	2,88	355015,8	2,88
14	I.VIRGINE BRIT.	225	0,21	1107190,7	1,78	358654,6	2,42	298173,4	2,42
15	LUXEMBOURG	308	0,28	32096334,3	51,71	299870,7	2,02	249302,4	2,02
16	CHINA	8039	7,40	472618,5	0,76	189452,6	1,28	157504,5	1,28
17	SPAIN	1110	1,02	179879,9	0,29	185576,2	1,25	154281,8	1,25
18	SWEDEN	834	0,77	280805,9	0,45	111770,5	0,75	92922,2	0,75
19	BELGIUM	1444	1,33	115541,6	0,19	78789,3	0,53	65502,7	0,53
20	WITH OUT CITIZENSHIP	22	0,02	670,7	***	75431,9	0,51	62711,5	0,51
21	JAPAN	173	0,16	197021,9	0,32	73745,8	0,50	61309,7	0,50
22	LIECHTENSTEIN	160	0,15	96434,6	0,16	73544,5	0,50	61142,5	0,50
23	A.R. OF SYRIA	4944	4,55	69958,0	0,11	62853,1	0,42	52253,9	0,42
24	SOUTH KOREA	87	0,08	20374,5	0,03	57783,1	0,39	48039,0	0,39
25	CANADA	1077	0,99	49981,6	0,08	57148,1	0,39	47511,0	0,39
26	MARSHALL ISLANDS	7	***	154316,8	0,25	48329,1	0,33	40179,2	0,33
27	IRAQ	5046	4,65	67398,7	0,11	48030,2	0,32	39930,7	0,32
28	LEBANON	3113	2,87	74383,9	0,12	47729,8	0,32	39680,9	0,32
29	ISRAEL	3134	2,89	55749,2	0,09	34983,1	0,24	29083,7	0,24
30	DENMARK	316	0,29	50738,2	0,08	22342,6	0,15	18574,9	0,15
31	FORMER YUGOSLAVIE	723	0,67	9326,1	0,02	22272,5	0,15	18516,6	0,15
32	IRELAND	320	0,29	12795,1	0,02	22037,1	0,15	18320,9	0,15
33	IRAN	2394	2,21	26206,3	0,04	19479,1	0,13	16194,3	0,13
34	PANAMA	121	0,11	13491,9	0,02	17593,1	0,12	14626,3	0,12
35	JORDAN	2896	2,67	19201,4	0,03	16575,5	0,11	13780,3	0,11
36	MOLDAVIA	2065	1,90	22854,7	0,04	15659,4	0,11	13018,7	0,11
37	ARGENTINA	26	0,02	66725,7	0,11	13846,2	0,09	11511,3	0,09
38	GIBRALTAR	30	0,03	26090,4	0,04	13011,7	0,09	10817,5	0,09
39	ICELAND	12	0,01	13720,9	0,02	12839,0	0,09	10673,9	0,09
40	POLAND	260	0,24	26834,3	0,04	11921,8	0,08	9911,3	0,08
41	BULGARIA	600	0,55	13512,4	0,02	11204,0	0,08	9314,6	0,08
42	THAILANDA	15	0,01	17678,0	0,03	11087,5	0,07	9217,8	0,07
43	NEW ZEELAND	16	0,01	35206,8	0,06	11050,3	0,07	9195,2	0,07
44	BELIZE	14	0,01	28254,6	0,05	11057,2	0,07	9192,6	0,07
45	AUSTRALIA	465	0,43	9274,6	0,02	10814,8	0,07	8991,1	0,07
46	EGYPT	1162	1,07	15434,8	0,02	10596,9	0,07	8809,9	0,07
47	FINLAND	62	0,06	16348,1	0,03	10394,9	0,07	8641,9	0,07
48	CZECH REPUBLIC	256	0,24	9846,1	0,02	10249,5	0,07	8521,1	0,07
49	SLOVENIA	58	0,05	26547,0	0,04	10071,0	0,07	8372,7	0,07
50	PORTUGAL	139	0,13	26743,0	0,04	9521,6	0,06	7916,0	0,06

*) includes countries selected upon the amount of the foreign direct investment, in equivalent of currency USD, ranking on a descending scale (col 4)

*** Less than 0,01%

Source: NTRO's Statistical Bulletin, No 89, 2005

TRANSPORT

By Courtesy of the Ministry of Transport, Constructions and Tourism

Lying in the centre of Europe, Romania has a key position in the international economic exchanges between the West and East, North and South of the continent, between Europe and Middle East.

Romania has a infrastructure network (public roads, railways, water ways, river and maritime harbors, air passages) which connects all cities to the national transport network and to the international transportation systems.

The changes in the former Republic of Yougoslavia and in the former Soviet Union generated a total reorganization of the traditional transportation diagram in the area. As a result, Romania reinforced its position in the region.

RAILWAYS

The Carpathians are crossed by scores of railways. The building of railways started after the union of the three Romanian Principality, in the middle of the XIX-th century. Until the World War One began, 2,463 km of new railways roads were built.

The main targets were to make some supplementary junctions between the borders and connecting of all the Danubian harbours and the Constanta harbour with the railway network.

The Romanian Railroads Society made efforts to improve the national railway network especially after World War Two.

In 1960, three major lines which cross the Carpathians were finished. The most important was Bumbesti-Livezeni line, located in Transylvania, one of the most difficult railways in Europe, where you can admire plenty of art work (40 tunnels, 109 bridges and viaducts).

Practically, the public railway network covers now the entire country and ensures the junctions with the railway network belonging to neighbour countries.

The length of spread railway measures 11,380 km, among which 2,966 km (26.1%) double line and 3,866 km (34.0%) electrified line.

The exploitation lines have a density of 48km/1000kmp. The network is attendanced in teritory by 1.051 stations and small stations, 50 depots and locomotive bases, 120 wagon bases and yone workshops and 100 sections for the maintenance of lines, artworks and centralization and telecommunications equipment.

At this time, the whole railway network is in a modernisation and rehabilitate process. One of the aims is to make passangers trains reach the 160 km/h speed. In the long term, The Ministry of Transport, Constructions and Tourism intends to bring the passangers trains at the maximum speed of 200km/h and the freight trains at 120 km/h.

Almost all railways have the same destination - the Capital, which lies in the south-east and is the principal junction with eight main lines leaving from here, most of which are connected to international routes.

The main train station in Romania is the Northern Railway Station in Bucharest (Gara de Nord). The station is located next to Ministry of Transport, Constructions and Tourism and is easy to reach by any public transportation service.

In fact, Bucharest has six railway stations: Gara de Nord, Gara Basarab, Gara Baneasa, Gara Obor, Gara Progresul and Gara Titan. Baneasa Station is used mainly in summertime, when special train leaves from here to the seaside. Now, the railway station from Constanta, Timisoara, Cluj and Iasi are in a large process of modernisation. Romania manufactures all kinds of railway cars, as well as electric and Diesel-electric engines.

Bucharest METRO

Bucharest METRO has the following infrastructure: network length:62.2 km; network structure 4 branches; total number of stations:45.

PUBLIC ROADS

The public road network in Romania totals 78,487 km, among which 114 km highways, 14.697 km of national roads, 36.010 km of county roads , 27.781 km of communal roads and 119,988 km of streets in rural localities.

The national roads network includes 114 km highways and 4,680 km international European roads "E". About 70% of the total road traffic and 90% of the international traffic make use of the national roads network.

The density of public road network is 0.64/km². Since 2000, The Ministry of Transport, Constructions and Tourism has begun many projects of modernisation and rehabilitation the national roads. As a result, the technical parameters of national roads are now improved. The circulation capacity has increased as well the circulation safety.

Considering the fact that Romania is located at the junction of pan-european transport corridors IV and IX, several projects for constructing highway have begun. Therefore, in a short time, Romania will have even better conditions for road traffic.

NAVAL TRANSPORTATION

The water way network is located in south and south-east part of the country.

The network has a total length of 1,690 km. The water way network includes the international navigable Danube (1,075 km), the navigable branches of Danube (524 km) and the navigable ways - the Danube-Black Sea Canal and Poarta Alba-Navodari.

The interior water way network and The Black Sea totals 32 harbors, among which 6 maritime harbors and 26 river harbors.

Maritime navigation mostly involves big deadweight ships. Sixty percent of this country's imports and exports are made through the port of Constanta.

Constanta harbour represents a turning point for all the traffic flux from The Black sea and represents also a key point for the Black Sea - North Sea connection. By using the Constanta Harbor, the navigable ways between Suez Canal, Eastern Mediterranean Sea and Central Europe become shorter with 300 km.

At the same time, using the RO-RO and ferry-boat systems existing in Constanta Harbour the connection between the european continent and Middle East is being made. These routes are used especially for energetic resources and freight transportation.

Both river and maritime harbors have now free zones in the neighbourhood of duane. Here, the foreign investors have all the specific facilities. Constanta Sud, Basarabi, Sulina, Galati, Braila, Giurgiu, Curtici-Arad are the free zones which operates at this time.

TRANSPORTATION BY AIR

The Romanians had a decisive contribution to the development of aeronautics. Traian Vuia was the first in the world to take off, in 1906, with an aeroplane propelled exclusively by the force of its engine. In 1910, in Paris, Henri Coanda presented the world's first plane powered by a jet engine. In 1911, Aurel Vlaicu built the first airplaine with metallic elements in its structure and a two-seat cockpit. Moreover, the Romanians had notable achievements in the domain of hydroplanes and helicopters.

The Romanian airports were built between 1921 and 1972 and were rehabilitated between 1962 and 1980. At this time, other projects aiming the modernisation of airports are carried on.

The main airport in Romania is Otopeni International Airport which is located about 10 km outside of Bucharest. 75% of international traffic (both passangers and freight) make use of Otopeni Airport. On the way to Otopeni, at the northern exit from Bucharest, there is Baneasa Airport which is used for domestic flights (inside Romania).

Domestic flights connect the Capital to Craiova, Timisoara, Arad, Oradea, Sibiu, Cluj-Napoca, Satu Mare, Baia Mare, Targu-Mures, Bacau, Iasi, Suceava, Tulcea, Caransebes and Constanta. Several international lines connect Bucharest to Budapest, Prague, Berlin, Copenhagen, Vienna, Frankfurt, Brusseles, London, Moscow, New York, Rome, Sofia, Athens, Istanbul, Beirut, Tunis, Tel Aviv, Beijing, Cairo etc..

The Romanian air fleet has increased in the last ten years with two Airbus 310-325 planes and 10 Boeing 737-700 series, and another ATR 42-500 planes will be added.

MULTIMODAL TRANSPORT

Multimodal transport infrastructure consists of:78 terminals, out of which: road-railways terminals:39; road-railways terminals on temporary placement:25; border transhipment terminals:2; industrial terminals:9; domestic transhipment terminals for narrow line:3.

The **goods transport** recorded 395 million tonnes in 2004, with 8.5% higher than in 2001.

The most important sector involved in the transport of goods was the private one (67.8% of the total volume).

Regarding the evolution of the private sector it is necessary to stress that in 2004 the transport of goods was by 38.1% superior compared with the total volume recorded in 2001.

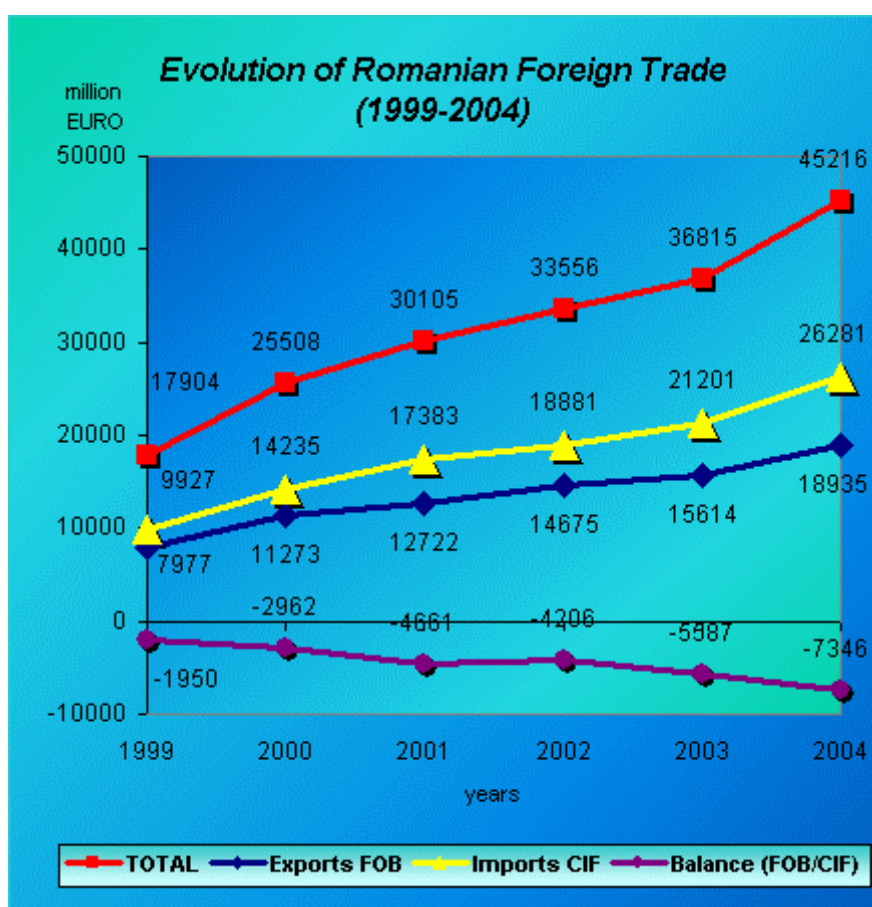
Transport of goods and passengers

	M.U.	2001	2002	2003	2004 ¹⁾
Transported goods	mill. tonnes	364	362	371	395
- private majority ownership	mill. tonnes	194	225	239	268
Transported passengers	mill. passengers	2420	2319	2359	2449
- private majority ownership	mill. passengers	142	199	338	385

The **transport of passengers** recorded 2,449 million persons in 2004, by 1.2% higher than in 2001. The private sector booked only 15.7% in total, but one can accent that in 2004 this category of transport was by 171.1% superior compared with the total volume recorded in 2001.

Approximate 8.8% of the total number of passengers transported (216.5 million persons) chosen road transport (intercity and international). In 2004 compared with 2001 this indicator recorded a low decrease (by 3.5%).

FOREIGN TRADE



Foreign Trade sector in 2004 was better, if compared with four years earlier.

During 2001-2004 the **rate of imports** slowly decreased (from 18.7% in 2001 faced to 2000 to 17.8% in 2004 compared to 2003). This is the result of the high dependency of the Romanian economy on the energy and raw material imports. In the same time the **rate of exports** increased (from 12.1% in 2001 faced to 2000 to 14.1% in 2004 compared to 2003).

**Exports and imports by main sections,
according to the Combined Nomenclature (CN)**

- EURO million -

Code CN			2001	2002	2003	2004
	Exports FOB (million euro)	E	12722	14675	15614	18935
	Imports CIF (million euro)	I	17383	18881	21201	26281
	of which:					
I	Live animals and animal products	E	146	153	189	201
		I	314	312	261	389
II	Vegetable products	E	202	186	171	207
		I	375	294	596	543
IV	Prepared foodstuff, beverages and tobacco	E	108	112	111	116
		I	624	569	623	730
V	Mineral products	E	881	1245	1098	1361
		I	2493	2401	2621	3527
VI	Chemical products	E	561	511	581	771
		I	1361	1591	1687	2084
VII	Plastics, rubber and articles thereof	E	258	379	508	710
		I	848	1037	1256	1535
XI	Textiles and textile articles	E	3330	3720	3963	4224
		I	2800	3105	3153	3316
XV	Base metals and articles of base metal	E	1693	1884	2017	2923
		I	1274	1394	1629	2199
XVI	Machinery and mechanical	E	1874	2299	2505	3324

Code CN			2001	2002	2003	2004
	mechanical appliances; electrical equipment; sound and image recorders and reproducers	I	3936	4317	5079	6250
XVII	Vehicles and associated transport equipment	E	669	826	894	1198
		I	894	1072	1311	2429

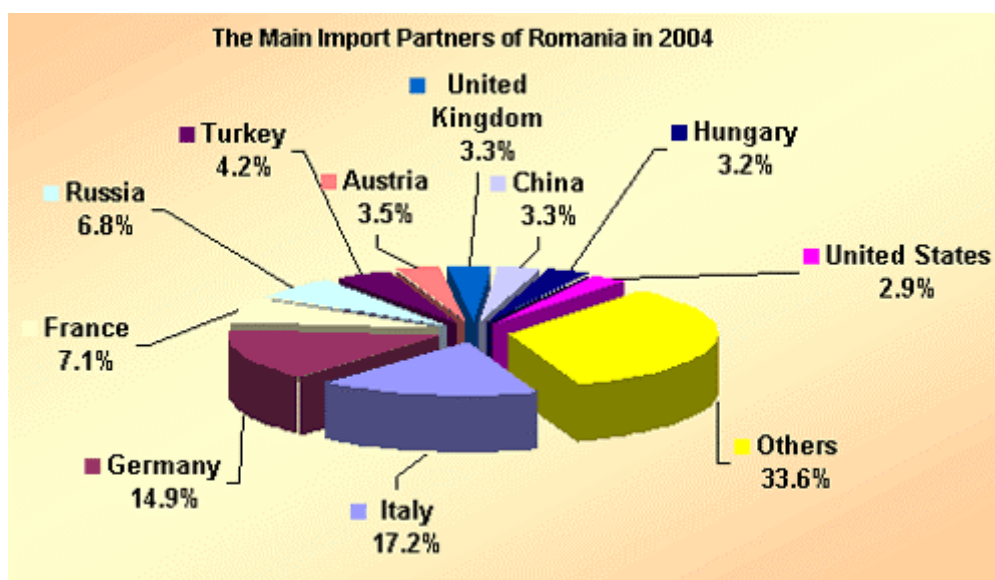
¹⁾ Provisional data.

In 2004 **the imports** (CIF) accounted for € 26,281.0 million (€ 24,257.9 million in prices FOB), by 24.0% more than in 2003; they grew due both to larger volumes and to higher oil prices in the international markets.

The factors underlying the pickup in imports can be attributed to domestic economic developments, the customs policy pursued by the central authorities and the international environment.

The bounce in the economy entailed additional imports of raw materials, machinery, equipment and transport means, as well as energy products.

The removal of customs duties on imports of industrial goods from European Union Member States was another driving force behind the upturn in imports.



Source: National Institute of Statistics

In comparison with 2003, value of imports coming from the European Union countries (EU-25) increased by 19.8%, registering a weight of 64.9% in total imports. The EU is the major supplier of imports of machinery and equipment, and also of textile materials for outward processing.

Russia, which accounted for 6.8% of Romanian imports, remained the major source of imports of energy in 2004.

The first ten partner countries for imports in 2004 (representing 66.4% of total imports) were the following: Italy (17.2% of total imports), Germany (14.9%), France (7.1%), Russian Federation (6.8%), Turkey (4.2%), Austria (3.5%), United Kingdom (3.3%), China (3.3%), Hungary (3.2%) and USA (2.9%).

In 2004 **the exports** (FOB) worth EURO 18935 million, by 21.3% more than in 2003.

In 2004 compared with 2001 the total exports increased by 48.8%.

They grew due both to domestic productivity improving and to real depreciation of the ROL versus EUR.

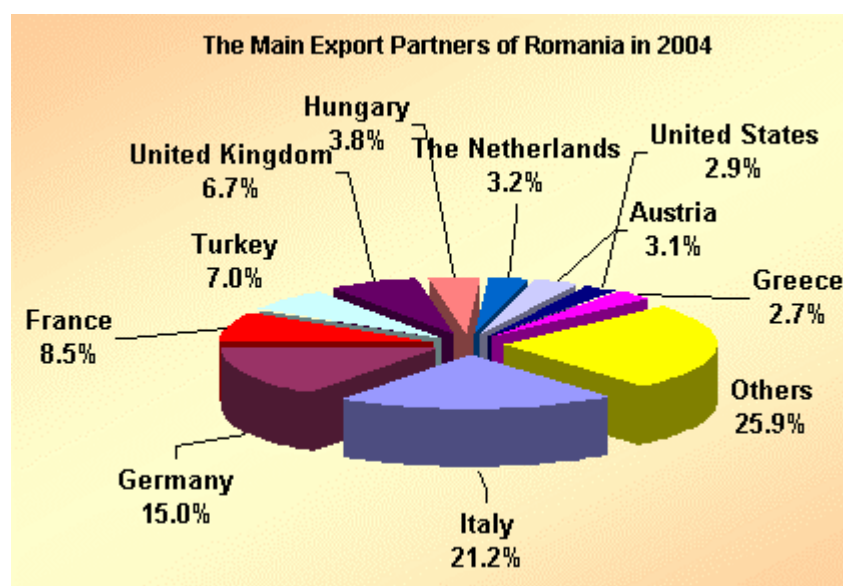
The export effort - estimated as a ratio between exports and output (GDP), moved ahead - from 36.0% in 2003 to 37.1% in 2004.

The drivers of exports were the authorities aimed at trade development and the strong demand for Romanian merchandise from the EU major partners.

In the Romanian exports were prevalent the light industry goods, mineral products, apparatus, equipment and transport means.

For Romania the most important partner was EU; in 2003 the share of the exports (FOB) to EU in the total was 67.7% (EURO 10571 million).

In comparison with 2003, value of exports to the European Union countries (EU-25) increased by 20.1%, registering a weight of 72.9% in total exports. In 2004, the top ten trading partners for exports (amounting to 74.1% of total exports) were: Italy (21.2% of total exports), Germany (15.0%), France (8.5%), Turkey (7.0%), United Kingdom (6.7%), Hungary (3.8%), Netherlands (3.2%), Austria (3.1%), USA (2.9%) and Greece (2.7%).



Source: National Institute of Statistics

Commercial deficit FOB/CIF was € 7346.3 million in 2004 and in December 2004 registered €1054.9 million. In prices FOB/FOB, the deficit was € 5323.2 million in 2004.

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FOREIGN TRADE IN 2005

EXPORTS

Exports FOB carried out in 2005 amounted to € 22,255.1 million, by 17.5% more than in 2004.

In the structure of exports by goods, six of twenty two sections of goods in the Combined Nomenclature hold together 76.3% of total exports, as follows:

Code of section in the Combined Nomenclature		Exports FOB in 2005		
		Value -million €-	Structure in % as against total exports	In % as against 2004
XI	Clothing articles made of fabrics, knitted or crocheted; textile materials	4218.6	19.0	99.9
XVI	Machinery and mechanical devices; electric machinery, appliances and equipment; sound and video recorders	3941.0	17.7	118.6
XV	Metallurgical products	3296.4	14.8	112.8
V	Mineral products (crude oil, oil products, ores, coal, cement, salt etc.)	2464.9	11.1	181.0
XVII	Transport means and materials	1767.2	7.9	147.5
XII	Footwear and similar	1289.5	5.8	104.3

Exports to European Union countries (EU-25) in 2005, as against 2004, increased by 9.0%.

The weight of exports to European Union countries in total exports was 67.6%.

Partner countries holding the first places for exports in 2005 (representing 75.3% din total exports) were the following: Italy (19.2% of total exports), Germany (14.0%), Turkey (7.9%), France (7.4%), United Kingdom (5.5%), Hungary (4.2%), U.S.A. (4.1%), Austria (3,1%), Netherlands (2.7%), Bulgaria (2.7%), Spain (2.4%) and Greece (2.1%).

By customs regimes according to the customs legislation, out of total exports carried out in 2005, 51.8% represent final exports and 47.9% represent exports of goods resulted from inward processing from temporarily imported goods.

In December 2005, exports FOB amounted to € 1818.8 million, by 18.8% more than in the same month of 2004.

IMPORTS

Imports CIF in 2005 accounted for € 32,568.5 million (€ 3,0061.4 million in prices FOB), by 23.9% more than in 2004.

In the structure of imports by goods, six of twenty two sections of goods in the Combined Nomenclature hold together 75.7% of total imports, as follows:

Code of section in the Combined Nomenclature		Imports CIF in 2005		
		Value -million €-	Structure in % as against total imports	In % as against 2004
XVI	Machinery and mechanical devices; electric machinery, appliances and equipment; sound and video recorders	7629.6	23.4	122.1
V	Mineral products (crude oil, oil products, ores, coal, cement, salt etc.)	5072.9	15.6	143.8
XI	Clothing articles made of fabrics, knitted or crocheted, textile materials	3332.2	10.2	100.5
XVII	Transport means and materials	3330.2	10.2	137.1
XV	Metallurgical products	2876.3	8.8	130.8
VI	Chemicals and similar	2435.7	7.5	116.9

Imports coming from European Union countries (EU-25) in 2005, as compared to 2004, increased by 18.7%.

The weight of imports from European Union countries in total imports was 62.2 %.

Partner countries holding the first places for imports in 2005 (representing 72.4% of total imports) were the following: Italy (15.5% of total imports), Germany (14.0%), Russian Federation (8.3%), France (6.7%), Turkey (4.9%), China (4.1%), Austria (3.7%), Hungary (3.3%), Kazakhstan (3.3%), Poland (2.9%), United Kingdom (2.9%) and USA (2.8%).

By customs regimes according to the customs legislation, out of total imports carried out in 2005, 76.2% represent final imports and 23.0% temporary imports of goods of outward processing.

In December 2005, imports CIF amounted to € 3,106.9 million (€ 2,867.8 million imports FOB), by 20.1% more than in December 2004.

Commercial deficit in 2005 accounted for € 10,313.4 million in prices FOB/CIF (€ 7,345.7 million in 2004) and **7,806.3 million in prices FOB/FOB** (€ 5,322.6 million in 2004).

The monthly average inflation rate in 2004 was 0.7% as compared to 1.1% in the year 2003, 1.4% in the year 2002, and 2.2% in the year 2001.

Inflation rate during the period 2001-2004 - December/ December previous year -

	2001	2002	2003	2004
Total	30.3	17.8	14.1	9.3
Food goods	27.0	15.8	13.7	7.4
Non-food goods	31.4	18.8	14.3	11.4
Services	36.2	21.0	15.0	8.7

In December 2004 compared with previous year, the prices' raise was due to the increase by 11.4% for non-food goods, and by 8.7% for service tariffs. Regarding the growth of service prices one can mention that beginning with August 2003 increased the tax for public radio broadcasting (+66.7%); the tariffs for natural gas (+22.5%) and electric energy (+17.5%) increased beginning with September 1st 2003. This point was entailing a certain growth of the inflation rate during the last months of the year, without generating inflationary expectations that could jeopardise the goal of reaching the target of one digit inflation for the year 2004. Also, the evolution of the food goods prices was under the inflation rate.

Disinflation process continued in first months of 2005; in spite of pressures coming from the adjustment of administered prices (up 9.3 percent), the annual growth rate of consumer prices slowed down to 8.9 percent, amid strong appreciation of the ROL against the EUR and the US dollar, which had a direct effect on the dynamics of both market and administered prices.

Industrial producer prices (for the domestic and international market) in 2004 growth by 19.1% compared with 2003, only 0.4 of a percentage point lower than a year earlier. Over this level was the producer prices recorded in manufacturing industry (by 0.2 percentage point) and in the energy and heating, natural gas and water sector (by 2.0 percentage point). Also, in the mining and quarrying sector the increase of the producer prices was under the total range (by 6.0 percentage point).

In March 2005 faced to same month previous year the producer prices rise by 0.8%. By components the evolution of the indicator recorded the following features: for mining and quarrying sector the price index growth by 0.5%; in manufacturing sector the prices increased by 0.9% (for some producer prices across manufacturing grew faster than one of the sector for e.g. means of transport – 2.0%, petroleum, coal coking and treatment of nuclear fuels – by 2.0%, rubber – by 2.2%, medical instruments – by 4.5%, etc.); in energy sector industrial production prices grew by 0.2%, because does not made correction of electricity and heating prices.

**Consumer price index (CPI) in May 2005,
per total and by groups of goods and
monthly average inflation rate during 1 I – 31 V 2005**

- percentages -

	May 2005 as against:			Monthly average inflation rate, during 1 I – 31 V	
	April 2005	December 2004	May 2004	2005	2004
TOTAL	100.3	103.8	110.0	0.8	0.6
Food goods	100.1	101.3	106.5	0.3	0.4
Non-food goods	100.2	105.5	113.2	1.1	0.8
Services	101.0	105.9	110.9	1.2	0.8

**Consumer price index (CPI) in December 2005,
per total and by groups of goods and
monthly average inflation rate during 1 I – 31 XII 2005**

- percentages -

	December 2005 as against:		Monthly average rate of inflation during 1 I – 31 XII	
	November 2005	December 2004	2005	2004
TOTAL	100.5	108.6	0.7	0.7
Food goods	101.1	105.7	0.5	0.6
Non-food goods	100.2	109.8	0.8	0.9
Services	100.3	113.1	1.0	0.7

**Consumer price index (CPI), per total and
by groups of goods and services and monthly rate of
inflation during 1 I – 31 I 2006**

- percentages -

	January 2006 as against:		Monthly rate of inflation during 1 I – 31 I	
	December 2005	January 2005	2006	2005
TOTAL	101.03	108.89	1.0	0.8
Food goods	100.32	105.57	0.3	0.4
Non-food goods	101.88	110.48	1.9	1.3
Services	100.59	113.10	0.6	0.6

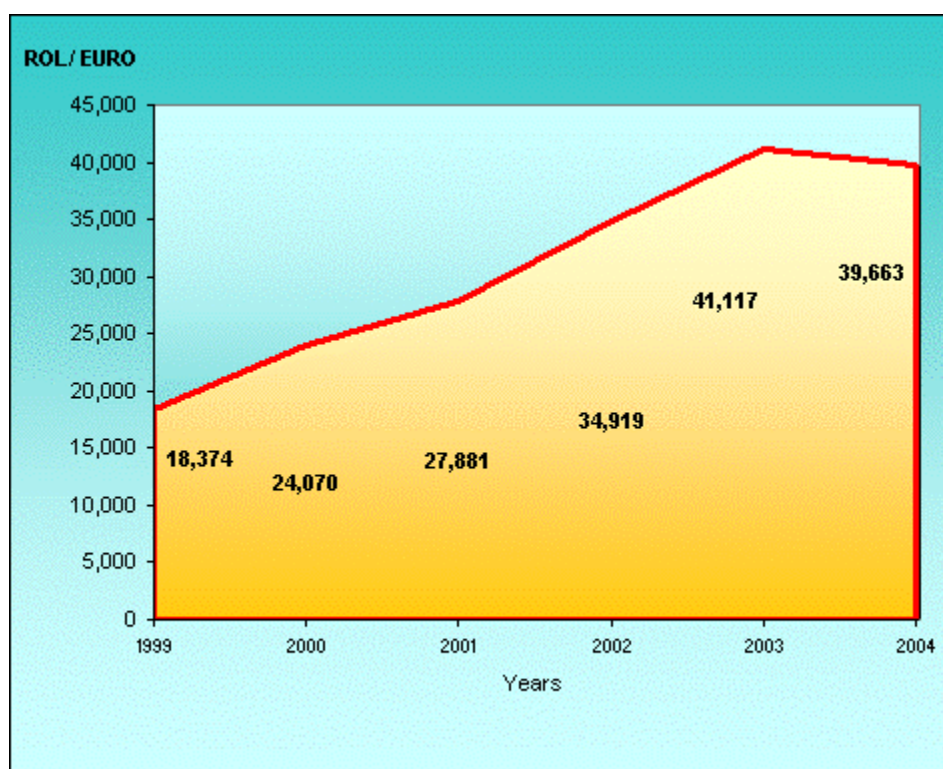
EXCHANGE RATE OF NATIONAL CURRENCY

According to the data provided by the National Bank of Romania, the exchange rate of national currency at the end of December 2002, was ROL 33,500 in relation with the USD (+6.0% as against the end of December 2001) and ROL 34,919 in relation with the EUR (+25.2% as compared to the end of December 2001).

At the end of 2003, the exchange rate of national currency was ROL 41,117 in relation with the EURO (+17.7% as against the end of 2002) and ROL 32,595 in relation with the USD (-2.7% as against the end of 2002).

The exchange rate of national currency at the **end of December 2004** was **ROL 39,663 in relation to the EURO** (-3.5% as against the end of 2003) and **ROL 29,067 in relation to the USD** (-10.8% as against the end of 2003).

Reference Exchange Rate (ROL/EURO)
- December each year -



Source: National Institute of Statistics

Exchange rate of national currency at the end of May 2005 was ROL 36,217 in relation to the EURO (-8.7% as against the end of 2004) and ROL 29,278 in relation to the USD (+0.7% as compared to the end of 2004).

Exchange rate of national currency at the end of October 2005 was RON 3.6503 in relation to the EURO (-8.0% as against the end of 2004) and RON 3.0259 in relation to the USD (+4.1% as against the end of 2004).

Exchange rate of national currency at the end of November 2005 was RON 3.6549 in relation to the EURO (-7.9% as against the end of 2004) and RON 3.1024 in relation to the USD (+6.7% as against the end of 2004).

Exchange rate of national currency at the end of December 2005 was RON 3.6771 in relation to the EURO (-7.3% as against the end of 2004) and RON 3.1078 in relation to the USD (+6.9% as against the end of 2004).

WAGES

By main activities the net nominal monthly earnings were over the average in education (ROL 6,075 thou. monthly per employee), transports, distribution and communications (ROL 8,007 thou.), public administration and defence (ROL 8,173 thou.), and in financial intermediation (ROL 15,345 thou.).

Average net nominal monthly earnings, by main activity of national economy

- ROL thou. /employee -

	2001	2002	2003	2004 ¹⁾
Total	3019	3789	4840	5965
of which:				
Agriculture, hunting and sylviculture	2279	2860	3785	4450
Industry ²⁾	3116	3835	4867	5902
Construction	2621	3258	4237	5041
Trade	2219	2706	3640	4995
Hotels and restaurants	2110	2434	3260	3627
Transport, storage and communications	4094	5353	6732	8007
Financial intermediations	7419	9951	12465	15345
Public administration and defence	4195	5116	6923	8173
Education	2882	3801	4769	6075
Health and social assistance	2624	3195	4127	5070

¹⁾ Quick data of monthly survey, excluding units with up to 4 employees.

²⁾ Including electric and thermal energy, gas and water.

In the first months of 2005 the evolution of the gross salary earnings recorded the following tendencies:

- in February compared with January gross salary earnings decreased by 6.8%, due to the slowdown across the economy, with industrial production rising at an annual rate of 3.2 percent, 5.4 percentage points lower than in January, amid flagging external demand and significant stock levels;

- in March compared with February gross salary earnings recorded an increase by 5.1% and it was ROL 9,203.5 thou. per employee.
- in April 2005, gross average earning was ROL 9,729,767. Net average earning was ROL 7,434,792, by 5.0% more than in the previous month.

The growth of net average earning was registered in most of economic activities and was determined by the following:

- Payment of monthly bonuses and incentives granted on the occasion of Easter holidays in the following activities: forestry, mining, tobacco products, pulp, paper and paper products, publishing, printing and reproduction of recorded media, metallurgy, metallic construction and metal products, radio, TV and communications equipment, medical, optical and photo instruments and apparatus, road transport means, other transport means, electric and thermal energy, gas and water, water collection, purification and treatment;
- Negotiations of salary in the following activities: food and beverages, chemical substances and products, construction, land transport;
- Payment of bonuses from net profit in the following activities: financial intermediation, post and telecommunications, insurance;
- Achievement of a higher production as against the previous month in the following activities: crude oil processing, coal coking and nuclear fuels treatment, rubber and plastic products, electric machinery and equipment, annexed and ancillary transport activities, refusal of waste and used waters.

The decrease of net average earning was determined by the following causes:

- Granting bonuses in the previous month in air transport activity;
- Achievement of a lower production as compared to the previous month and lack of orders in the following activities: hydrocarbons extraction and related services, clothing articles, hide tanning and finishing, wood and wood and cork products processing, research development and informatics.

Behind the rise in real wage stood the continued disinflation and economic growth, on the one hand, and the implementation of wage and new fiscal policy measures, on the other.

Gross average earning was RON 965 in September. Net average earning was RON 736, by 0.3% higher than in the previous month.

Higher growths of net average earning in some activities were mainly determined by the following:

- Granting bonuses and incentives in the current month in the following activities: forestry, extraction of hydrocarbons and related service activities, crude oil processing, coal coking and treatment of nuclear fuel, chemical substances and products, metallic construction and metal products, electric machinery and appliances, radio, TV and communication equipment, road transport means, furniture and other industrial activities, trade, hotels and restaurants;

- Achieving a higher production as compared to the previous month in the following activities: pulp, paper and paper products, publishing, printing and reproduction of recorded media, computers and office machinery, medical, precision, optical and photo apparatus and instruments.

The decrease of net average earning in some activities of national economy was determined by the following causes:

- Granting bonuses and overtime payment in the previous month in the following activities: mining, metallurgy, water transport, air transport, related and ancillary transport activities, post and telecommunications, insurance;
- Achieving a lower production as against the previous month in the following activities: tobacco products, textiles, clothing articles, rubber and plastic products, other products of non-metallic minerals, other transport means, water collection, purification and distribution;
- Granting bonuses from net profit in the previous month in the activity of financial intermediation..

Gross average earning was RON 1,017 in November.

Net average earning was RON 774, by 4.3% higher than in October.

The growth of net average earning was registered in most of activities and was mainly determined by:

- Payment of bonuses and incentives in the following activities: forestry, logging and related services, mining, trade, hotels and restaurants, financial intermediation, informatics and research-development;
- Achieving an upper production in comparison with October in the following activities: clothing articles, wood and wood and cork products processing, electric machinery and appliances, radio, TV and communications equipment, road transport means, water collection, purification and distribution, land transport, water transport, air transport;
- Payment of salary rights for previous periods in general government.

The decrease of net average earning in some activities of national economy was determined by the following causes:

- Granting in October the bonuses and amounts for the overtime in the following activities: tobacco products, metallurgy;
- Granting in October the bonuses from net profit in the activity of refuse and used waters disposal.

Gross average earning was RON 1,121 in December.

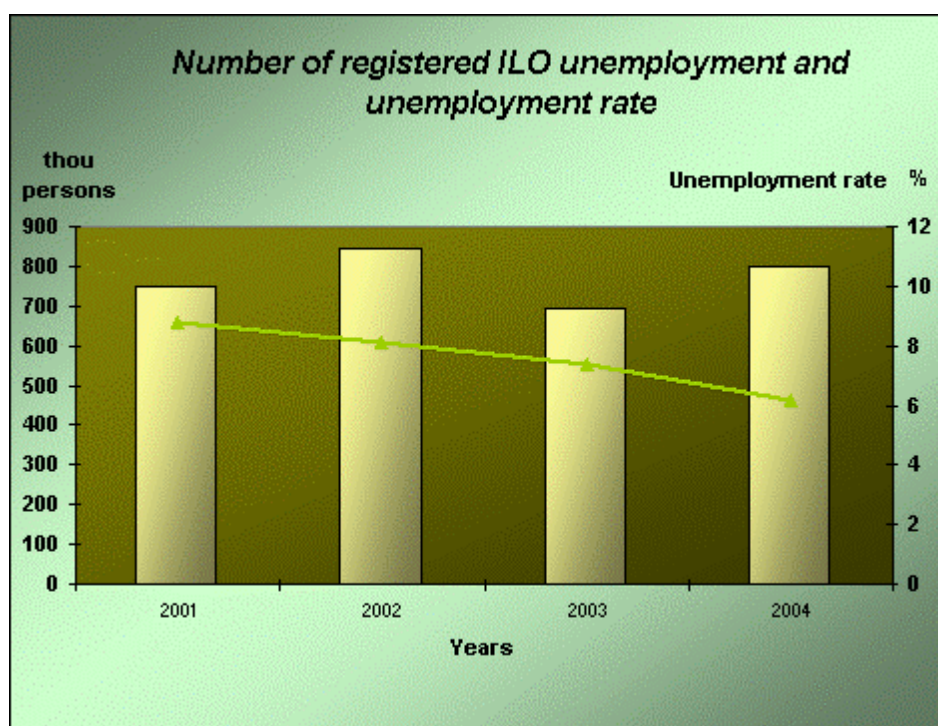
Net average earning was RON 848, by 9.6% more than in the previous month.

Growths of net average earning were registered in most of economic activities, being determined by payment of monthly bonuses and incentives.

Most of net average earning growths were registered :

- over 20% in activities: forestry, logging and related services, tobacco products, fabrication of other products of non-metallic minerals, radio, TV and communications equipment, electric and thermal energy, gas and water production and supply, ancillary and related transport activities, insurance, informatics and R&D;
- between 10%-20% in activities: food and beverages, pulp, paper and paper products, publishing, printing and reproduction of recorded media, chemical substances and products, metallurgy, machinery and equipment, medical, precision, optical and photo apparatus and instruments, watches and clocks, other transport means, water collection, purification and distribution, construction, hotels and restaurants, land transport, post and telecommunications, financial intermediation;
- under 10% in activities: agriculture, hunting and related services, hydrocarbons extraction and related services, textiles, clothing articles, hide tanning and finishing, wood and wood and cork products processing (excluding furniture), crude oil processing, coal coking and nuclear fuel treatment, rubber and plastic products, metallic construction and metal products, electric machinery and appliances, road transport means, furniture production and other industrial activities n.e.c., wholesale and retail trade, water transport, education, health and social assistance, refuse and used waters disposal. The decrease of net average earning was registered in mining, computing and office machinery, air transport, mail and courier, general government and was determined by bonuses granted in November 2005.

UNEMPLOYMENT



Source: National Institute of Statistics

In 2004, economically active population was 9,957 thou. persons out of which 45.1% of total economically active population was represented by women and 54.5% was in living in urban area. The total employment represents 92.0% of total economically active population.

Economically active population, employment and ILO¹⁾ unemployed - thou. persons -

	2001	2002 ²⁾	2003 ²⁾	2004 ^{2), 3)}
Economically active population - total	11447	10079	9915	9957
Female	5292	4554	4450	4486
Urban	5603	5188	5151	5423
Employment - total	10697	9234	9223	9158
Female	4978	4203	4166	4178
Urban	5019	4607	4662	4906
ILO¹⁾ unemployed - total	750	845	692	799
Female	314	351	284	308
Urban	584	581	489	517

¹⁾ According to the International Labour Office (ILO) methodology.

²⁾ Because of revised definitions and coverage, data are not comparable with data series of previous years. Beginning with 2002, data have been weighted based on the results of the Population and Housing Census, March 18, 2002.

³⁾ Provisional data.

The positive evolution of the whole economy recorded during 2001-2004 can be found also, in the positive evolution of the ratio between number of the private sector employees and the total one. Thus, in reference period the mentioned ratio increased from 34.6% to 54.4%. The number of employees in 2004 was 4,155 thou. persons, of which 2,259 thou. persons were in the private sector. In the first month of 2005 the number of employees recorded a positive evolution, and in March was accounted 4,535.7 thou. persons.

This certain contribution was due to the development of whole economy, evolution which was correlated with the decreasing of unemployment which was one of the key factors in improving the general social problem.

During 2001-2004 unemployment rate decreased from 8.8% in 2001 to 7.4% in 2003 and to 6.2% in 2004. Data for January 2005 suggest that economic activity will continue at a fast pace given that (i) annual growth rate of industrial output remained high (8.5 percent) and the surveys conducted by the National Institute of Statistics and the National Bank of Romania for January-March 2005 show that enterprise managers expect industrial output to increase; (ii) registered unemployment rate crept up marginally (0.1 percentage points to 6.3 percent) despite the effects of strong seasonal factors ¹⁾.

According to the date provided by the National Agency for Employment, at the end of April 2005, the number of registered unemployed was 511.3 thousands. In comparison with April 2004, the number of unemployed registered at the agencies for employment was by 150.6 thousands lower.

Of total registered unemployed, women represented 40.4 %.

In April 2005, unemployment rate was 5.7% in relation to total active civil population (7.4% in April 2004). Female unemployment rate was 4.9% (6.4% in April 2004) and male unemployment rate was 6.4% (8.2% in April 2004).

Higher unemployment rates were registered in the following counties: Hunedoara (10.7%), Mehedinti (10.2%), Brasov and Galati (9.4% each), Ialomita (9.0%).

The lowest unemployment rates were registered in the following counties: Bihor (2.1%), Timis (2.2%), Satu Mare (3.0%), as well as in Bucharest Municipality (2.6%).

The continuous decrease of the unemployment rate is due to the authorities, also who promoted different package of measures to assist peoples in hiring a job or in creating jobs. Such measures envisage subsidisation of staff costs attached to hiring job seekers or college graduates, extending soft loans for creating jobs destined, in a proportion of 50 percent at least, to hiring the unemployed in industry, services, or the tourist sector. Also, external migration further affected workforce, pushing the jobless rate lower ²⁾.

¹⁾ Monthly Bulletin no.1/2005, National Bank of Romania.

²⁾ Data released by the Office for Labour Force Migration indicate that in 2003 the number of people who

left the country to work abroad doubled year on year to some 40 thousand. Unemployment rate lowered year on year by 1.2 percentage points to 7.2 percent in December 2003, with the number of people out of work standing at 658.9 thou.

According to the data provided by the National Agency for Employment, number of registered unemployed at the end of September 2005 was 493.8 thousands. In comparison with September 2004, the number of unemployed registered at the agencies for employment was by 54 thousands lower. Women represented 43.0% of total number of registered unemployed.

Unemployment rate registered in September 2005 was 5.5% in relation to total civil active population (6.1% in September 2004). Female unemployment rate was 5.0% (5.5% in September 2004) and male unemployment rate was 5.9% (6.6% in September 2004).

Higher unemployment rates were registered in the counties: Hunedoara (9.6%), Mehedinti (9.4%), Ialomița (9.2%), Galati (8.6%), Calarasi (8.3%) and Brasov (8.2 %). The lowest unemployment rates were registered in the counties: Bihor (2.2%), Timiș (2.3%), Satu Mare (2.5%), Ilfov (2.8%), Arad (3.1%) as well as in Bucharest Municipality (2.8%).

Number of unemployed registered at the end of November 2005 was 504.8 thousands.

As against November 2004, number of unemployed registered at the agencies for employment was lower by 46.6 thousands.

Out of total registered unemployed, women represented 43.0 %.

Unemployment rate registered in November 2005 was 5.7% in relation to total civil active population (6.2% in November 2004).

Female unemployment rate was 5.2% (5.6% in November 2004) and male unemployment rate was 6.2% (6.6% in November 2004).

Higher unemployment rates were registered in the counties: Ialomita (11.6%), Vaslui (9.7%), Hunedoara and Mehedinti (9.2% each), Gorj (9.1%), Teleorman (8.7%) and Calarasi (8.5%).

The lowest unemployment rates were registered in the counties: Ilfov and Timis (2.2 % each), Bihor (2.5 %), Satu Mare (3.0%), Arad (3.4 %) as well as in Bucharest Municipality (2.6%).

Number of registered unemployed at the end of December 2005 was 523.0 thousand persons.

In comparison with December 2004, number of unemployed registered at the agencies for employment was lower by 4.9 thousands.

Out of total registered unemployed, women represented 41.9 %. Unemployment rate registered in December 2005 was 5.9% in relation to total active civil population (6.3% in December 2004).

Female unemployment rate was 5.3% (5.6% in December 2004) and male unemployment rate was 6.5% (7.0% in December 2004). Higher unemployment rates were registered in the counties: Ialomita (12.3%), Vaslui (10.3%), Mehedinti (9.6%), Hunedoara (9.4%), Gorj (9.2%), Calarasi (9.1%), Teleorman (9.0%), Harghita (8.9%) and Covasna (8.8%). The lowest unemployment rates were registered in the counties: Ilfov and Timis (2.3 % each), Bihor (2.7 %), Satu Mare (3.5%), as well as in Bucharest Municipality (2.6%).

SME's SECTOR¹⁾

The SME sector has had a crucial role to the recent Romanian macro-stabilisation recovery. Currently, about 60% of GDP in Romania is provided by SMEs.

During 1997-2002 the share of SMEs over the total of industry, construction, trade and other services almost doubled- from 30.9 to 55.9%, in terms of the turnover of sales, and quadrupled from 12.3 to 50.7%, in terms of employment²⁾.

In addition, in 2003 the sector reported the following main economic and financial indicators: 46.0% of total turnover; 42.7% of gross investments; 29.3% of total direct exports; 49.1% of overall gross value added³⁾.

Likewise, one can announce that SMEs sector is the key responsible for the economic growth in the years 2001, 2002, and 2003. Also, it generated at worst stability in the household incomes.

Services and commerce developed by the SME sector represent the most dynamic activities.

This phenomena are revealed by the share of staff from active small and medium enterprises in total staff from different activities, in 2003, such as: 5.7% in mining and quarrying; 32.2% in transport and communications; 43.9% in manufacturing; 61.5% other activities of collective, social and personal services; 66.6% in construction; 86.0% hotels and restaurants; 73.3% real estate transactions, renting and service mainly rendered to enterprises; 91.0% in wholesale and retail, repair and maintenance of motor-vehicles and motorcycles and individual and household appliances; 97.9% health and social assistance⁴⁾; 100% education.

The chances of Romanian SMEs sector to stay competitive in the long run are its using of modern and innovative technologies. In this respect, Romanian small companies are much undeveloped: only some 9.2% invested in R&D, compared to a more impressive 48% of large firms.

The main differences comes the very modest investments in equipment made by small enterprises, which might be attribute in part to the poor access of those enterprises to financing.

FDI in the SME sector improved more rapidly contributing to boost employment share growth across the counties. The spread of FDI in all the regions contributes also to the implementation of the market mentality at the level of local employment. Foreign capital flowed as preference to manufacturing, both to the large enterprises and to the SMEs.

¹⁾ Based on the main conclusions from the study “Small and medium enterprises in the recovery and stabilization of Romania. Their crucial role and the remaining constraints to boost their potential”. Editor: Twinning Project RO 2001/IB/ST-01, October, 2004, Bucharest, Romania.

²⁾ Business Register, NIS.

³⁾ At factors cost.

⁴⁾ Only include the enterprises with activities related to education or health and social assistance, organized as companies.