



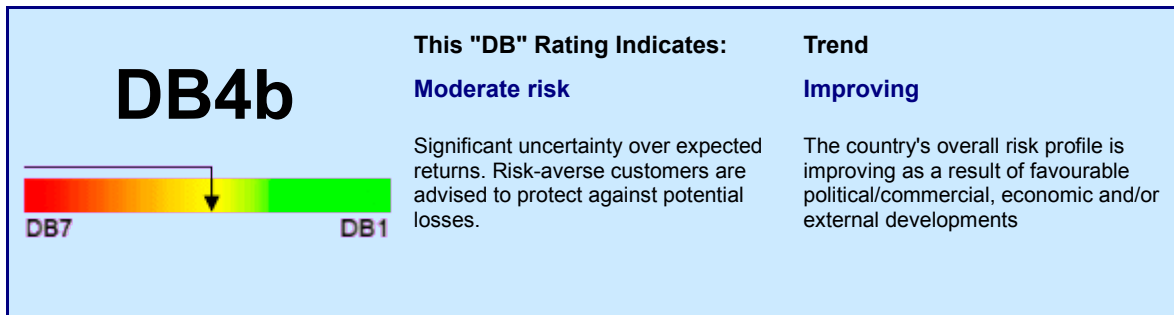
Decide with Confidence

ROMANIA

Region : Eastern Europe

Edition : August 2013

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

| | |
|------------------------------------|-----------------------------|
| Population: | 21.4m |
| Surface area (sq km): | 238,390 |
| Capital: | Bucharest |
| Timezone: | GMT +02:00 |
| Official language: | Romanian |
| Head of government: | Prime Minister Victor PONTA |
| GDP (USD): | 170.2bn |
| GDP per capita (USD): | 7,225 |
| Life expectancy (years): | 73 |
| Literacy (% of adult pop.): | 97.6 |

Country Overview:

Romania is located in southeastern Europe, on the western shore of the Black Sea, and borders Bulgaria to the south, Moldova and Ukraine to the northeast, and Hungary and Serbia to the west.

Romania was a kingdom until 1947, when occupation by the Soviet Union led to the formation of a communist regime. This regime lasted until 1989, when dictator Nicolae Ceausescu was overthrown and executed (making Romania the only Eastern Bloc country to experience violent regime change amid the fall of communism). Substantial progress in political and economic reform was only achieved in the run-up to the country's accession to NATO (2004) and, in particular, the EU (2007). Fighting corruption and strengthening the judiciary are among the key challenges facing the authorities.

Living standards are among the lowest in the EU. Having inherited a substantial industrial base from communism, Romania chiefly exports textiles and footwear, metal products, machinery, and minerals and fuels.

Trade & Commercial Environment

Trade Terms

| | |
|-----------------------|----|
| Minimum Terms: | LC |
|-----------------------|----|

The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

| | |
|---------------------------|----|
| Recommended Terms: | LC |
|---------------------------|----|

D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

| | |
|---------------------|------------|
| Usual Terms: | 30-90 days |
|---------------------|------------|

Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

| | |
|----------------------|------------|
| Local Delays: | 0-2 months |
|----------------------|------------|

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

| | |
|------------------------|------------|
| FX/Bank Delays: | 0-2 months |
|------------------------|------------|

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

Trade & Commercial Environment

According to the latest business sentiment survey (published in July by the National Bank of Romania), the majority of managers in industry are moderately optimistic and expect higher output and the beginning of a recovery in investment, while managers in construction have adjusted their expectations downward. Managers in both industry and construction cite insufficient demand and payment arrears as factors limiting activity. Meanwhile, according to Romania's trade registry, insolvency risks remained roughly stable in 2013, with corporate bankruptcies up by 1.0% in the January-May period compared with the same period last year. The sectors most affected by bankruptcies are trade, the processing industry and construction.

Export Credit Agencies

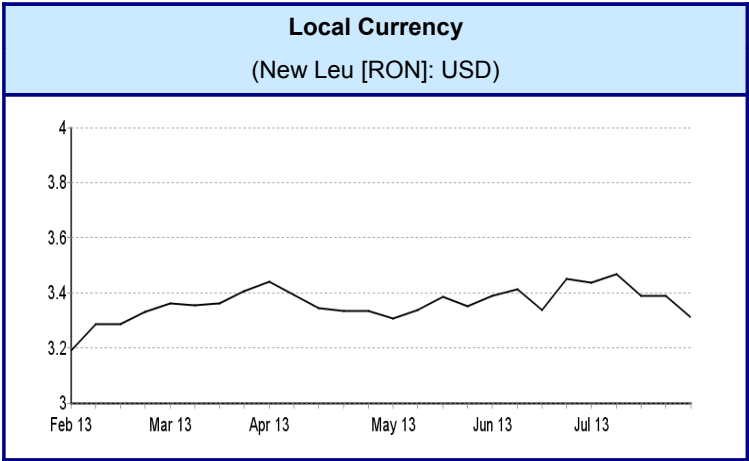
| | |
|------------------------|---|
| | |
| US Eximbank | Full cover subject to commercial bank guarantee |
| Atradius | ST cover available, no discretionary limits |
| ECGD | ST and MT cover available |
| Euler Hermes UK | Full ST cover available |

Economic Indicators

| | 2010 | 2011 | 2012 | 2013f | 2014f |
|---------------------------------|------|------|------|-------|-------|
| Real GDP growth, % | -1.1 | 2.2 | 0.7 | 2.7 | 3.0 |
| Inflation, annual ave, % | 6.1 | 5.8 | 3.4 | 3.8 | 2.7 |
| Govt balance, % GDP | -6.8 | -5.6 | -2.9 | -2.4 | -1.0 |
| Unemployment, % | 7.3 | 7.4 | 7.2 | 7.0 | 6.5 |
| C/A balance, % GDP | -4.4 | -4.7 | -2.5 | -2.5 | -1.7 |

Currency Information

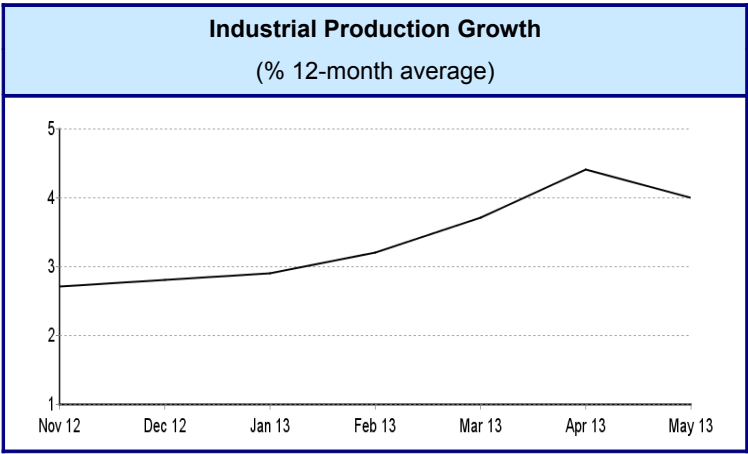
| Exchange Rates | |
|-----------------------|--------|
| (London, 29 Jul 13) | |
| EUR | 4.3891 |
| GBP | 5.0859 |
| JPY* | 3.372 |
| USD | 3.3089 |
| *(x 100) | |



Local Currency
(New Leu [RON]: USD)

| | Feb 13 | Mar 13 | Apr 13 | May 13 | Jun 13 | Jul 13 |
|---------------|--------|--------|--------|--------|--------|--------|
| Week 1 | 3.191 | 3.360 | 3.439 | 3.305 | 3.390 | 3.437 |
| Week 2 | 3.287 | 3.355 | 3.393 | 3.336 | 3.413 | 3.467 |
| Week 3 | 3.284 | 3.361 | 3.346 | 3.384 | 3.337 | 3.389 |
| Week 4 | 3.331 | 3.407 | 3.333 | 3.352 | 3.450 | 3.387 |
| Week 5 | | | 3.333 | | | 3.309 |

Industrial Production Growth



Data Table

| Nov 12 | Dec 12 | Jan 13 | Feb 13 | Mar 13 | Apr 13 | May 13 |
|--------|--------|--------|--------|--------|--------|--------|
| 2.7 | 2.8 | 2.9 | 3.2 | 3.7 | 4.4 | 4.0 |

Risk Factor

Romania's economic outlook has improved substantially over the course of 2013. At the end of June, Romania reached an agreement with the IMF over the last tranche of the 3.6bn two-year accord. This final tranche amounts to EUR521m and the credit is treated as precautionary; Romanian authorities do not intend to draw on it. The IMF cited progress in reducing the fiscal deficit (Romania's budget deficit is less than a third of what it was in 2009), low core inflation and the stabilisation of the economy as their main reasons for concluding the agreement (D&B recently upgraded Romania's risk rating on very much the same grounds.) However, the IMF also noted the persistent lack of progress on structural reforms, especially with regard to transport (the government is currently in the process of privatising part of the national railway company), energy and state-owned enterprises (SOEs). The latter is an important issue in Romania, where SOE's employ 10% of the labour force and account for almost 100% of the public sector's arrears. Romania's prime minister subsequently declared that the country will probably seek a new agreement with the IMF soon, as the Fund's seal of approval for the country's economic policies help to reassure investors about its prospects and lower borrowing costs.

With inflationary pressures abating, Romania's central bank announced an interest rate cut for the first time in more than a year. The 25 basis point reduction brings the policy rate to a record low of 5.0%, the EU's second-highest official interest rate (after Croatia). The bank board indicated that this marks the start of an easing cycle, with more cuts to follow. The headline annual inflation rate stood at 5.3% in May, well above the upper range of the bank's inflation target, but core inflation (the more adequate measure of demand-caused price increases) is lower, and the anticipated good harvest will reduce food prices in the second half of the year, bringing end-year inflation closer to the target. The central bank's rate cut is particularly welcome in an environment of weak domestic private consumption.

With industrial production up by 5.4% year on year and exports by 6.0% in the first five months of 2013, Romania appears to have embarked on an export-led recovery. Even the construction sector, which has been in a continuous decline since the real estate bubble burst in 2008, is improving. According to the National Statistics Office, while the number of residential building permits was down by 9.2% in year-on-year (y/y) terms, they had increased by 5.9% relative to the previous month. Confidence in the sector is also higher, according to the Statistics Office's latest survey (published at end-July). We maintain our cautiously optimistic outlook and expect that domestic demand will recover towards the end of the year.

Glossary & Definitions

DEFINITIONS

Minimum Terms:

The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:

D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms:

Normal period of credit associated with transactions with companies in the stated country.

Local Delays:

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

F/X Bank Delays:

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

| | |
|-----|----------------------------|
| CiA | Cash in Advance |
| CLC | Confirmed Letter of Credit |
| CWP | Claims Waiting Period |
| FX | Foreign Exchange |
| LC | Letter of Credit |
| LT | Long term |
| MT | Medium term |
| OA | Open Account |
| SD | Sight Draft |
| ST | Short term |

Customer Service & Support

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