



Decide with Confidence

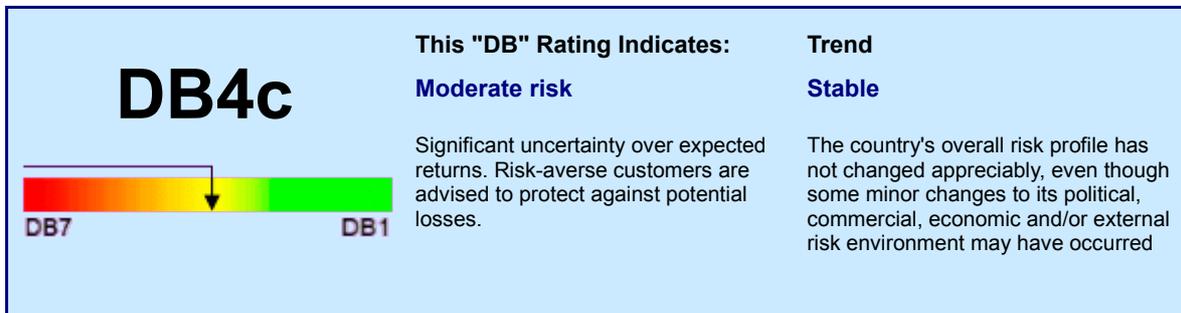
D&B Country RiskLine Report

ROMANIA

Region : Eastern Europe

Edition : August 2012

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 Emil BOC
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 business survey conducted in June by the National Bank of Romania (NBR), industrial production will remain roughly stable. The sub-index tracking industrial output shows a negative balance of -1, while the sub-index tracking the construction sector shows a positive balance (+14). Meanwhile, according to the NBR's banking survey, credit institutions expect a continued tightening of credit standards in the second half of 2012 as the banking sector in Romania struggles with low profitability and a high and growing rate of non-performing loans (15.9% in May). One of the large local institutions, Italy's Unicredit, is scaling down in the country, while Austria's Erste, the largest local lender, has recently been downgraded, due in part to its exposure to Romania.

Export Credit Agencies

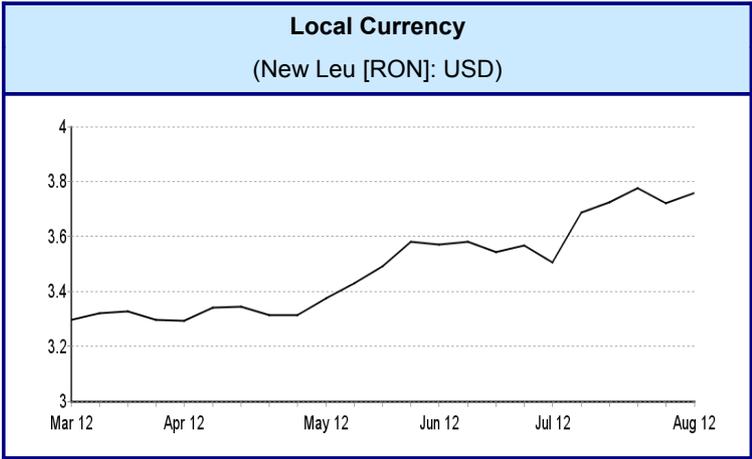
US Eximbank	Full cover subject to commercial bank guarantee
Atradius	ST cover available, no discretionary limits
ECGD	ST and MT cover available
Euler Hermes UK	Full ST cover available

Economic Indicators

	2009	2010	2011	2012f	2013f
Real GDP growth, %	-6.6	-1.7	2.5	1.5	2.5
Inflation, annual ave, %	5.6	6.1	3.3	3.1	2.9
Govt balance, % GDP	-9.0	-6.4	-4.4	-3.2	-2.8
Unemployment, %	6.9	7.3	7.2	6.8	6.5
C/A balance, % GDP	-4.2	-4.4	-4.2	-4.9	-5.0

Currency Information

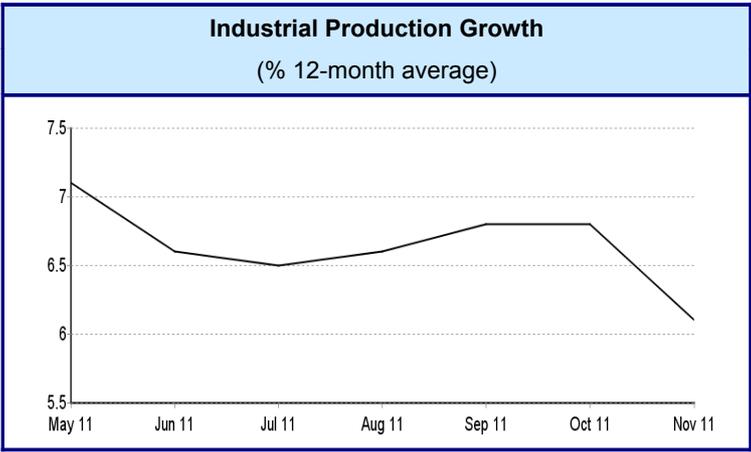
Exchange Rates	
(London, 06 Aug 12)	
EUR	4.636
GBP	5.8606
JPY*	4.7801
USD	3.7569
*(x 100)	



Local Currency
(New Leu [RON]: USD)

	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12
Week 1	3.295	3.294	3.375	3.571	3.506	3.757
Week 2	3.320	3.341	3.430	3.581	3.687	
Week 3	3.328	3.345	3.492	3.541	3.726	
Week 4	3.296	3.314	3.580	3.568	3.776	
Week 5		3.312			3.720	

Industrial Production Growth



Data Table

May 11	Jun 11	Jul 11	Aug 11	Sep 11	Oct 11	Nov 11
7.1	6.6	6.5	6.6	6.8	6.8	6.1

Risk Factor

Last month D&B downgraded Romania's country risk rating to DB4c due to heightened political risk. The situation has not improved, as the result of the July 29th referendum on President Basescu's suspension is being challenged by the government coalition USL (Social Liberal Union) at the Constitutional Court. The referendum was initially invalidated due to a too-low attendance rate of around 46% (the constitution requires minimum 50% attendance for the referendum to be validated); however the USL are arguing that the country's population has shrunk by almost three million relative to the census data used for the referendum, and that accordingly the turnout is larger than 50%. The Constitutional Court will announce its verdict on August 31st, meanwhile, the President remains suspended. D&B is concerned about the effects of the crisis on the country's economic management, as well as social stability. In recent weeks USL have tried to stoke ethnic strife by claiming that the suspended President has struck a deal with Romania's Hungarian minority which would see them obtain autonomy in parts of Romania in return for support in the referendum (based on the fact that turnout in mainly Hungarian-populated parts of Romania was particularly low).

As a consequence of the prolonged political stand-off, in August the Leu dropped to its lowest-ever level against the Euro, and Romania's borrowing costs increased. According to the Romanian National Bank, capital outflows have increased markedly in recent weeks. However, the country's public finances are solid in the short term. In June, Romania secured another tranche of an IMF standby loan (taking the total amount to USD3.4bn) after the new government pledged to respect the initial parameters of the agreement (with some marginal adjustments). Romania can also draw on a EUR1.0bn precautionary loan from the World Bank. Importantly, the country has already borrowed a large share of this year's financing shortfall as it front-loaded bond emissions to profit from the low borrowing costs.

Meanwhile, the latest data on real economic activity has been largely positive (although it refers to the months prior to the escalation of the political crisis). The unemployment rate decreased to 7.6% in June (from 7.7% in May, and 7.8% in June 2011) and retail sales volumes increased by 4.0% year on year, also in June. Industrial production was more or less stagnant (-0.2) in May relative to a year ago. We continue to expect a modest positive GDP growth rate in Q2 2012; however, the long periods of drought this summer have negatively affected Romania's agricultural output and will likely detract from GDP growth in coming quarters. We expect political uncertainty to remain elevated in the months ahead. In addition to the ongoing referendum conflict, the country will also hold general elections in November.

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

© Copyright 2011 Dun & Bradstreet - Provided subject to the terms and conditions of your contract.

D&B Country Risk Services

For information relating to D&B's Country Risk Services.

UK

Telephone: 01628 492700

Fax: 01628 492929

Email: CountryRisk@dnb.com

USA Inquiry

Telephone: 1-800 234-3867 option 1, 1 and then 2

Email: CountryRiskServices@dnb.com

Rest of World

Telephone: +44 1628 492700

Email: CountryRisk@dnb.com

D&B Customer Services

For all other information or queries relating to D&B products and services.

UK

Telephone: 0870 243 2344 (UK) / 1 890 923296 (IR)

Email: CustomerHelp@dnb.com

USA

Telephone: 1-800 234-3867 option 1, 1 and then 2

Email: CustomerService@dnb.com

Rest of World

You can contact your local D&B Customer Services departments by clicking [here](#).

Whilst D&B attempts to ensure that the information provided is accurate and complete, by reason of the immense quantity of

detailed matter dealt with in compiling the information and the fact that some of the data are supplied from sources not controlled by D&B which cannot always be verified, including information provided direct from the subject of enquiry as well as the possibility of negligence and mistake, D&B does not guarantee the correctness or the effective delivery of the information and will not be held responsible for any errors therein or omissions therefrom.

© Dun & Bradstreet Inc., 2011.



Decide with Confidence