

Bucharest, 29<sup>th</sup> January 2015

**Romania's economy maintains its upward trend in 2015, with the real GDP estimated at 2.7% (taking into consideration the possibility to vary between 2.5% - 2.7%) in a basic scenario**

In its basic scenario of the **2014** in Romania, Coface estimates that the annual increase of the **GDP shall be 2.5%**, with a possibility to vary between 2.2% - 2.5%, as the final value depends on the spending level of December (including the governmental one). In 2015, economic activity is expected to maintain an upward trend, with a superior margin increase versus 2014. This trend shall be supported by: private spending, more significant contribution of the gross capital formation, both private and institutional, no contribution to economic growth from agriculture, negative contribution from foreign trade. Therefore, in the basic scenario, **the increase of the real GDP in 2015 is estimated at 2.7%**, taking into consideration the possibility to vary between 2.5% - 2.7%, if agriculture sees a dynamics close to the long-term trend.

- **Monetary policy - is it on the right path?**

**The current account deficit registered in 2014 shall not exceed 1% of the GDP**, and it may rise as high as -1.5% of the GDP this year, due to a faster growth in imports. The financing of the current account deficit is currently covered by the level of direct foreign investments, as well as by the prospects of growth in the intake of European funds, as 2015 is the last year when the amounts allocated for the 2007 - 2013 programs are to be received.

2015 shall begin **with an annual inflation rate below 1%**, which shall then see an upward trend towards NBR's 2.5% target, in the second half of the year. Thus, according to the basic scenario, the annual average inflation rate in 2015 shall not exceed 2%, but there may be surprises from the supply side inflation or as a result of the agricultural production, both with high degrees of incertitude.

The monetary policy over the last year (the decrease of the reference interest rate and of the mandatory minimal reserves for deposits) should have a favorable effect on the prospects to revive financing and supporting economic growth. This is already noticeable, at least from the perspective of new loans oriented towards the local currency, with their weight rising in the banks' portfolios. However, the private sector's appetite for crediting continues to be low, both in the corporate, and in the household segments.

- **Significant decrease of the insolvency cases, but the number remains among the highest in the Region**

As for the number of newly initiated insolvency procedures in 2014, it significantly dwindled last year: -28%, according to Coface estimates, down to approximately 21,815 initiated procedures. Coface estimates that the significant decrease in insolvencies registered in 2014 year-over-year is relevant strictly from the statistical perspective, with this trend occurring due to a basic effect, as well as to the decrease in the number of insolvencies among very small companies. Moreover, by the estimated number of insolvencies, Romania, alongside Serbia, remains among the countries with the highest incidence compared to the average number of insolvencies per 1,000 active companies in the region.



## P R E S S   R E L E A S E

*"Although the economic activity shall maintain its upward trend in 2015 too, Romania's economy continues to lack average-term sustainable growth engines. Therefore, consumption and industrial production, the main pillars that supported economic growth in 2014, shall slow down this year, the former due to the low crediting appetite and to continuing the debt repayment process, and the latter due to the slowdown in exports, which shall be outrun by imports for the first time in the last four years. The highest expectations for 2015 come from the area of gross capital formation, to be financed by public spending and upward intake of European funds. The microeconomic environment remains unstable, marked by very long receivable collection terms that fuel the high interdependency between companies. Therefore, the decrease in the number of insolvencies and rejected payment instruments remain relevant only from a statistical perspective, as they are prevalently seen among small companies due to the contraction of payment instruments used within the economy", stated Constantin Coman, Country Manager, Coface Romania.*

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### **About Coface**

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