

OBJECTIVES AND CHALLENGES FOR NATIONAL BANK OF ROMANIA

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Governor

Bucharest, 9 March, 2004

NATIONAL BANK OF ROMANIA



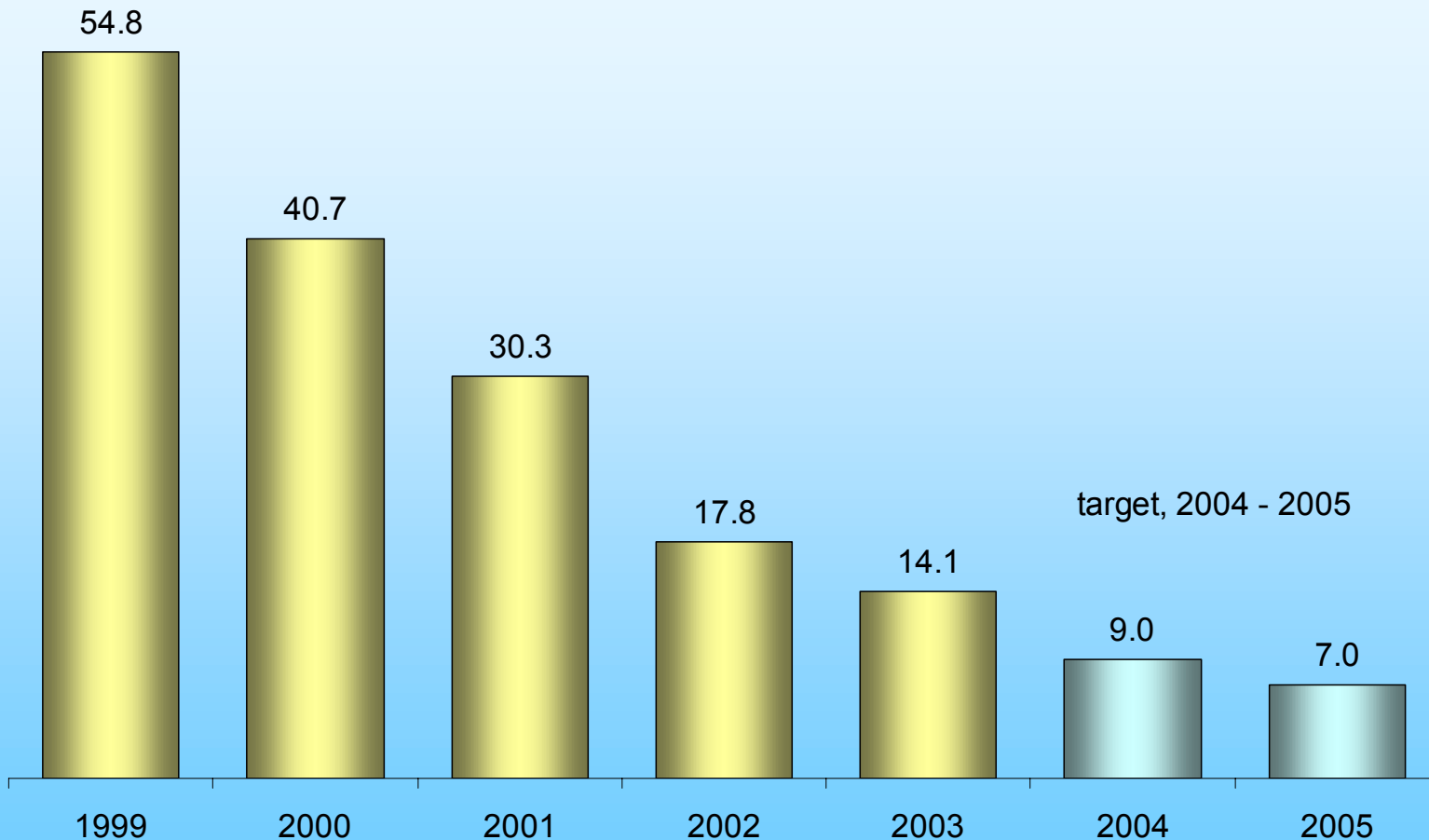
Disinflation

- Supported by a coherent policy mix
- Progressing gradually
 - concomitantly with economic growth and reduction in unemployment
- Achievements
 - are in line with the PEP and consistent with one-digit inflation target for 2004
 - have increased central bank's credibility, alleviating inflationary expectations
- Disinflation path set taking into account:
 - the ongoing structural adjustment process
 - the risk of trend reversals



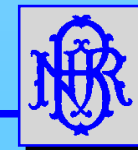
Inflation Rate

CPI; Dec./Dec.

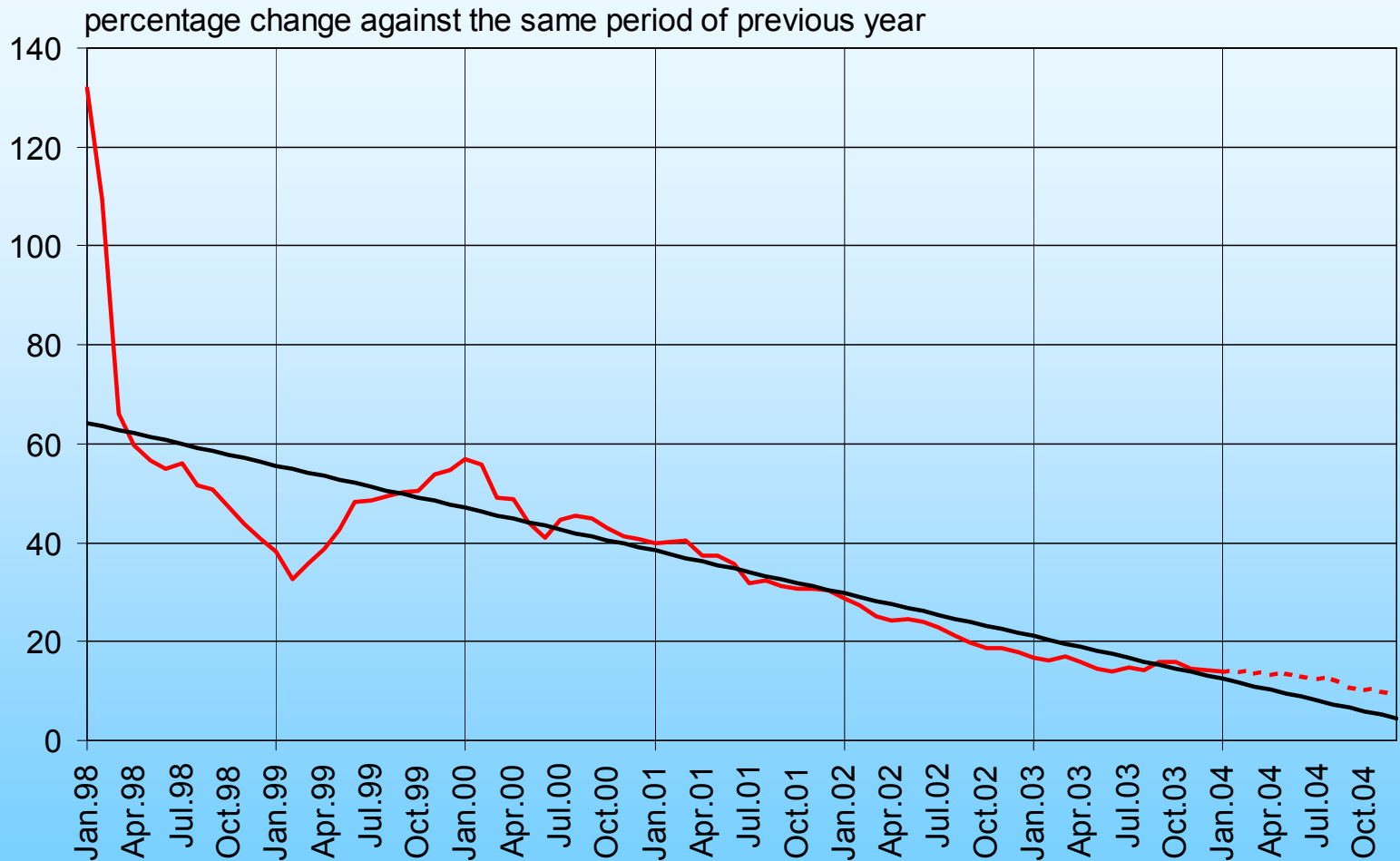


Source: National Institute of Statistics, National Commission for Forecasting

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Inflation Rate (CPI)



Source: National Institute of Statistics, NBR's projection

projection for Feb. - Dec. 2004

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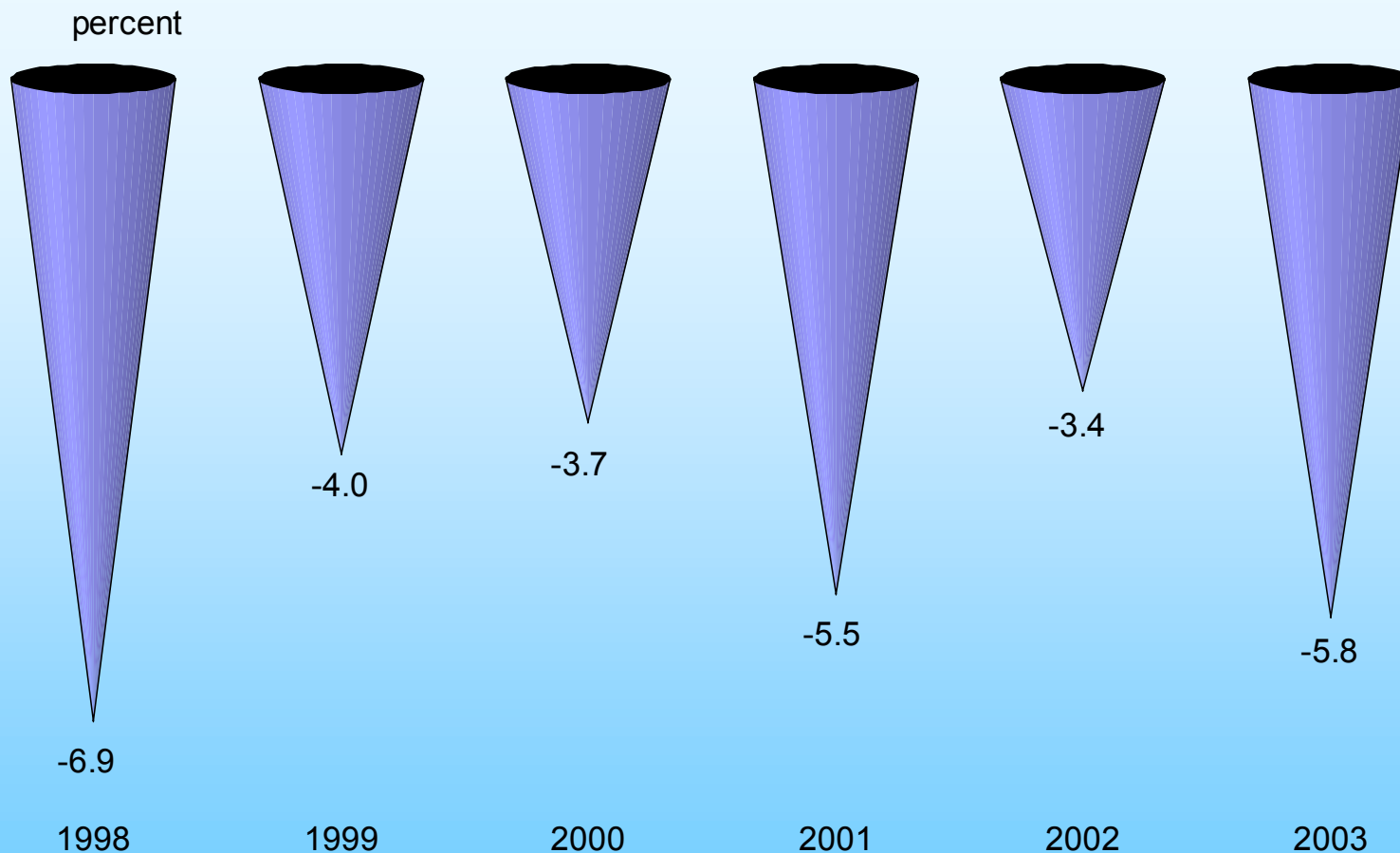


Challenges for Disinflation

- Widening current account deficit

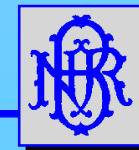


Current Account Balance as Percentage of GDP

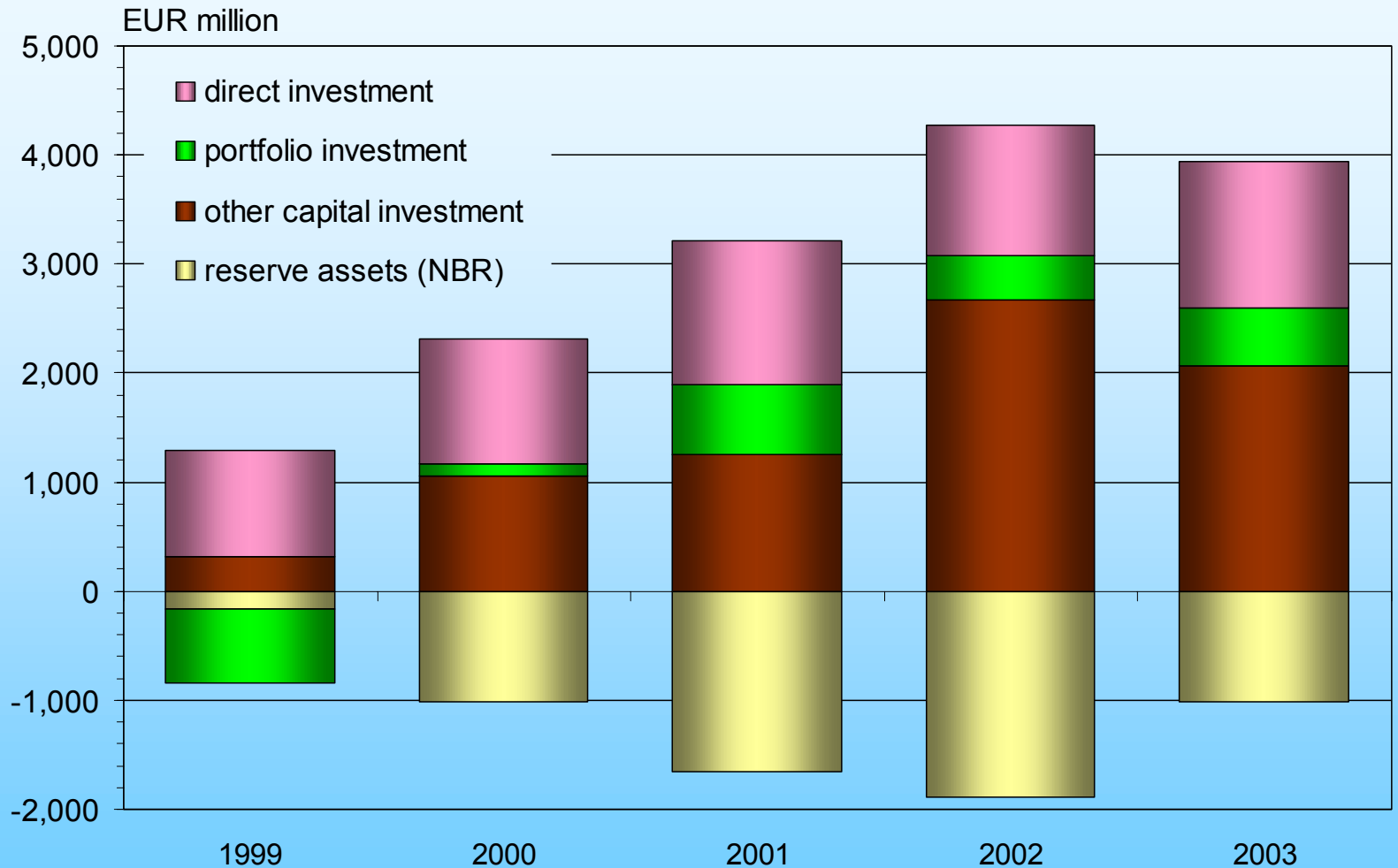


Source: National Institute of Statistics, National Bank of Romania

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Current Account Financing

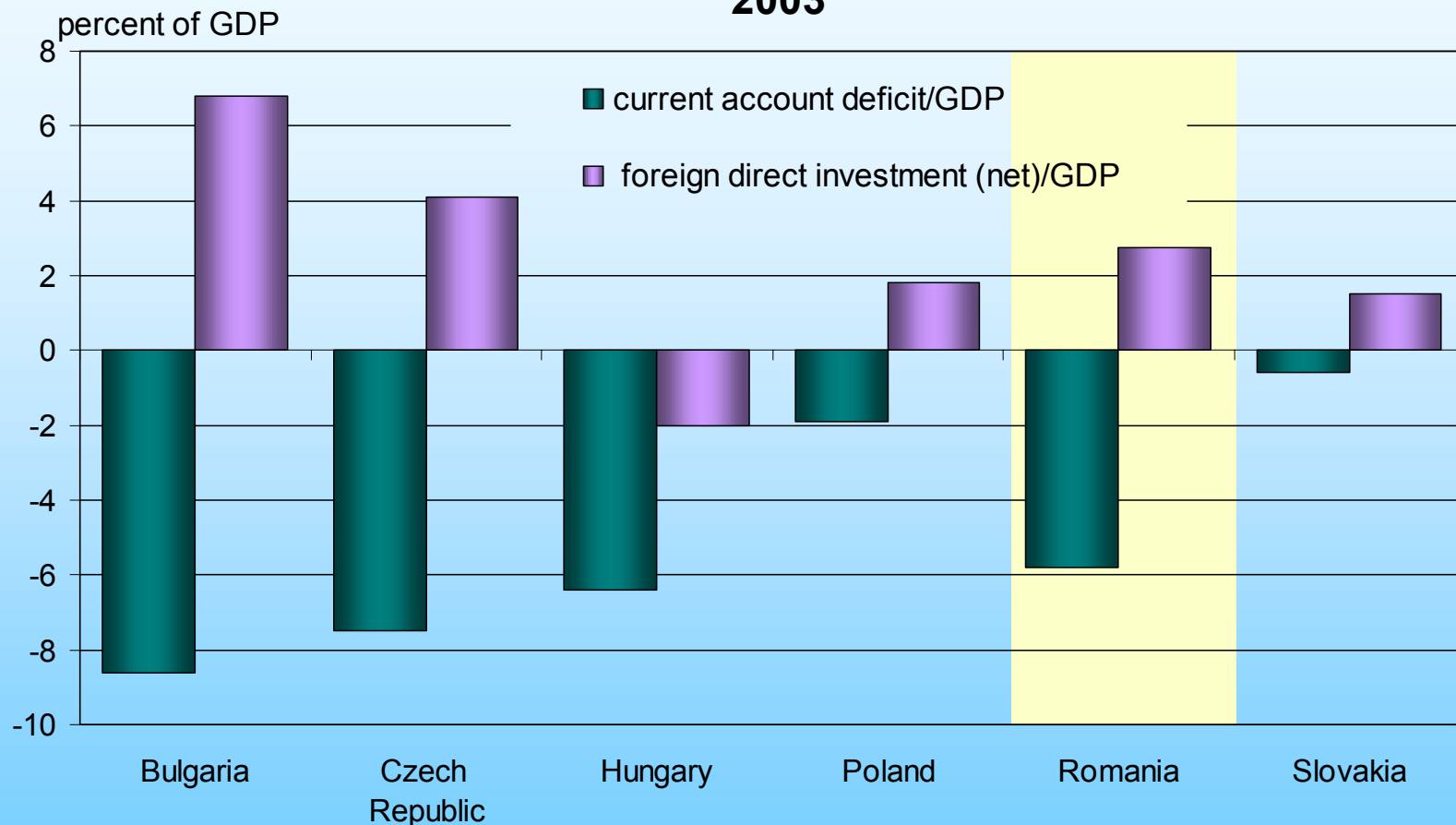


Source: National Bank of Romania

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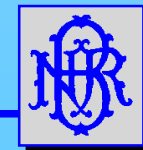
Current Account and Foreign Direct Investment 2003



Note: GDP forecast, except for Romania

Source: Websites of central banks, EBRD - Transition Report 2003

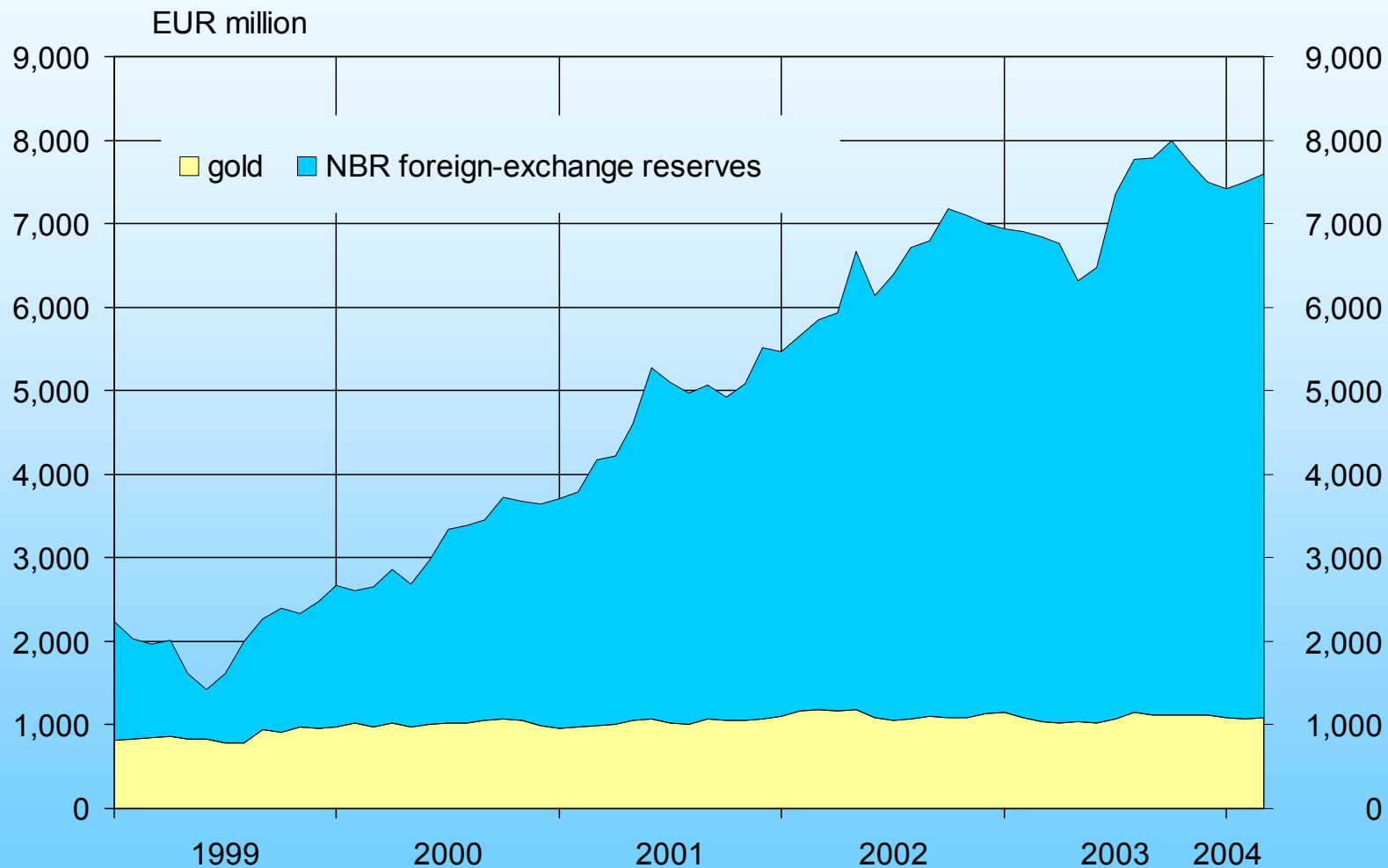
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Challenges for Disinflation

- Widening current account deficit
- Maintaining foreign exchange reserves at a safety level given the expected import growth

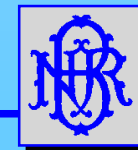
Gross Official Reserves



Source: National Bank of Romania

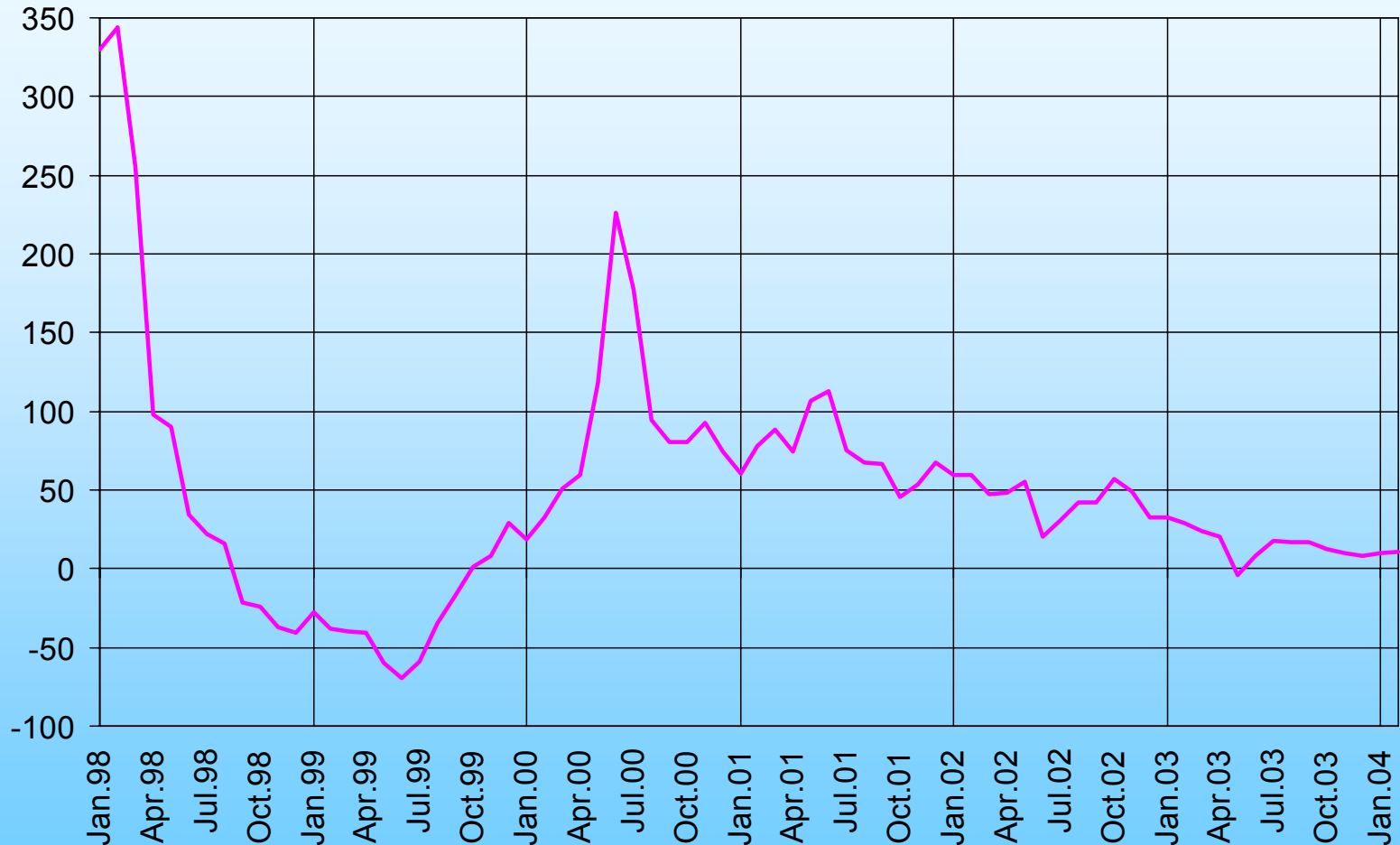
(5 Mar.)

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NBR Foreign-Exchange Reserves

percentage change against the same period of previous year



Source: National Bank of Romania

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Official Forex Reserves in Months of Imports of Goods and Services

	months					
	1998	1999	2000	2001	2002	2003
Bulgaria	5.4	5.3	4.9	4.6	5.7	6.5
Czech Rep.	4.4	4.5	4.2	4.1	6.0	5.5
Hungary	3.7	4	3.7	3.3	2.8	2.7
Poland	6.8	6.9	6.8	6.6	7.1	6.7
Romania	1.2	1.7	2.1	2.9	3.5	3.4 (4.0*)
Slovakia	2.2	3.1	3.3	3.0	5.6	5.4**
Slovenia	3.8	3.3	3.4	4.5	6.7	5.9

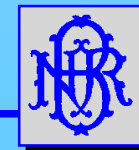
*) including gold

**) 11 months

Source: International Financial Statistics; Websites of national statistics institutions and central banks;

National Bank of Romania.

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Challenges for Disinflation

- Widening current account deficit
- Maintaining foreign exchange reserves at a safety level given the expected import growth
- Excessive domestic credit expansion

Real* Growth of Non-Government Credit

percent

	Bulgaria	Czech Rep.	Hungary	Poland	Romania	Slovakia	Slovenia
2000	5.1	-7.4	22.4	7.9	-7.6	-7.9	8.9
2001	26.1	-22.7	10.6	3.7	21.0	-22.5	11.0
2002	38.7	-7.5	16.3	3.3	28.9	-1.8	2.5
2003	40.4	7.8	27.0	5.3	49.0	4.2	8.9 ¹⁾

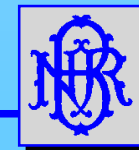
* based on CPI

1) 10 months

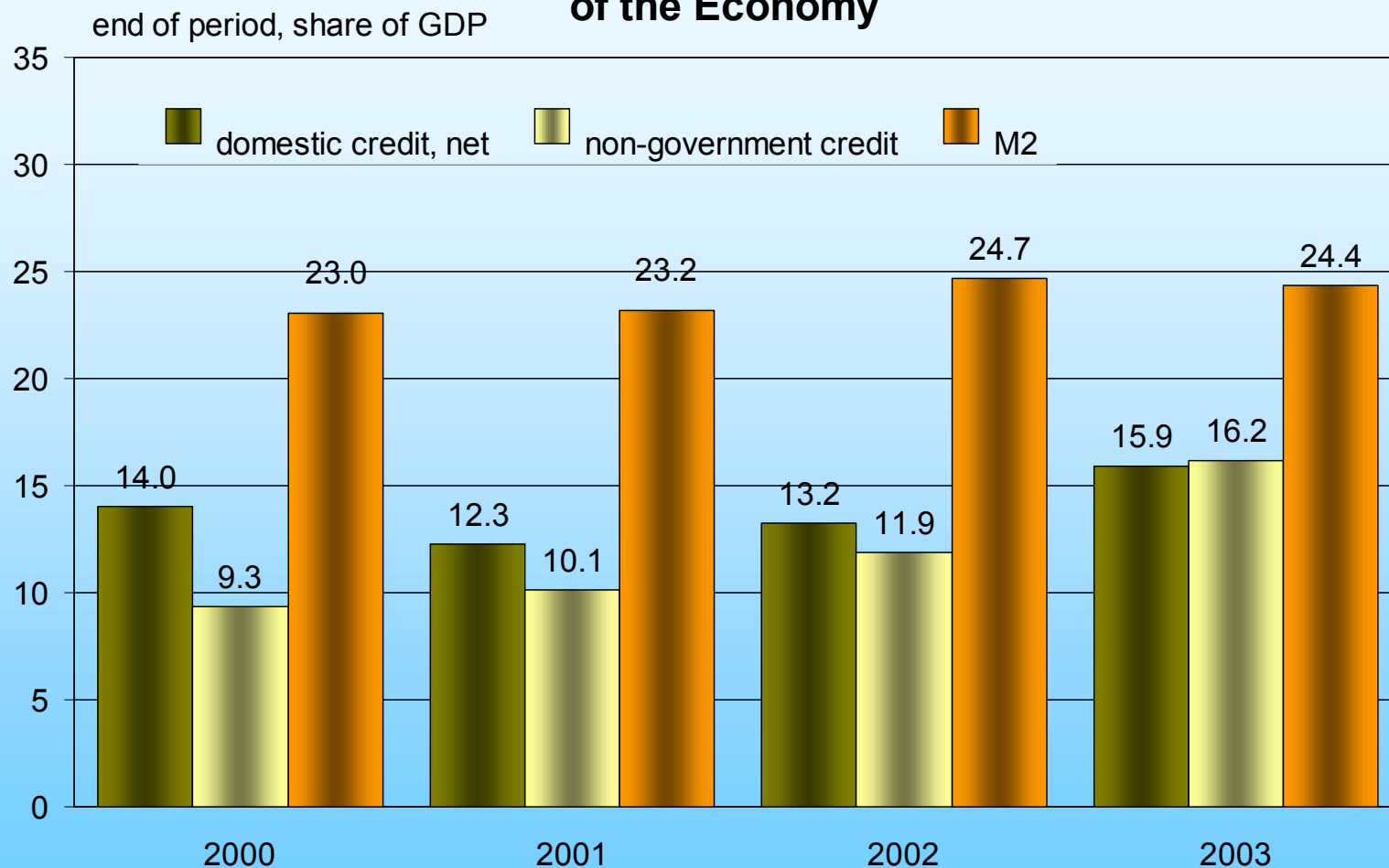
Note: GDP forecast, except for Romania

Source: websites of national statistics and central banks, EBRD - Transition Report 2003

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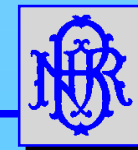


Financial Intermediation and Remonetisation of the Economy

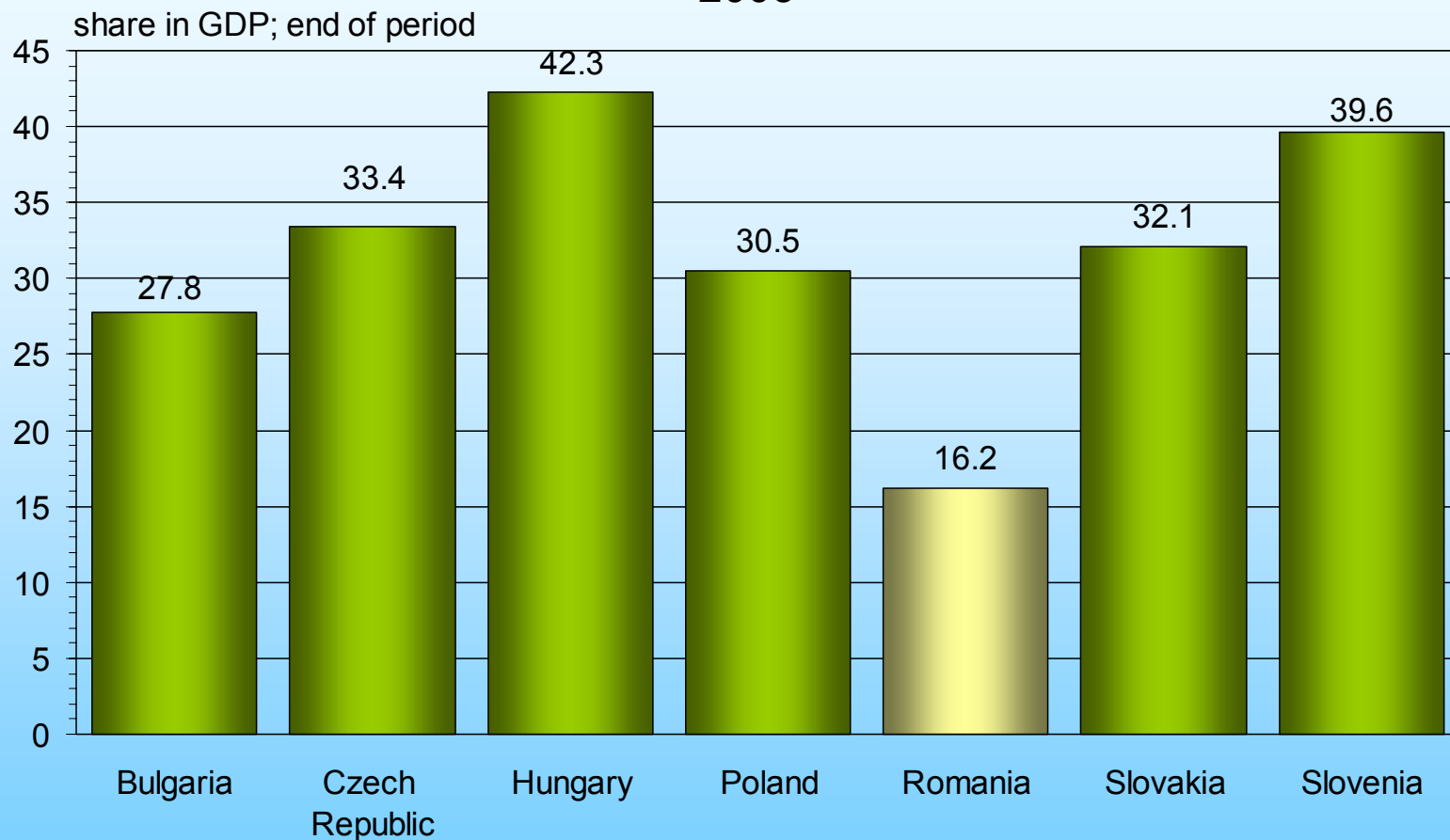


Source: National Institute of Statistics, National Bank of Romania

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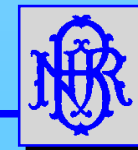
Financial Intermediation* in East and Central Europe 2003



Note: GDP forecast, except for Romania

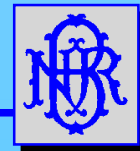
Source: Websites of central banks, EBRD - Transition Report 2003 *) non-government credit/GDP

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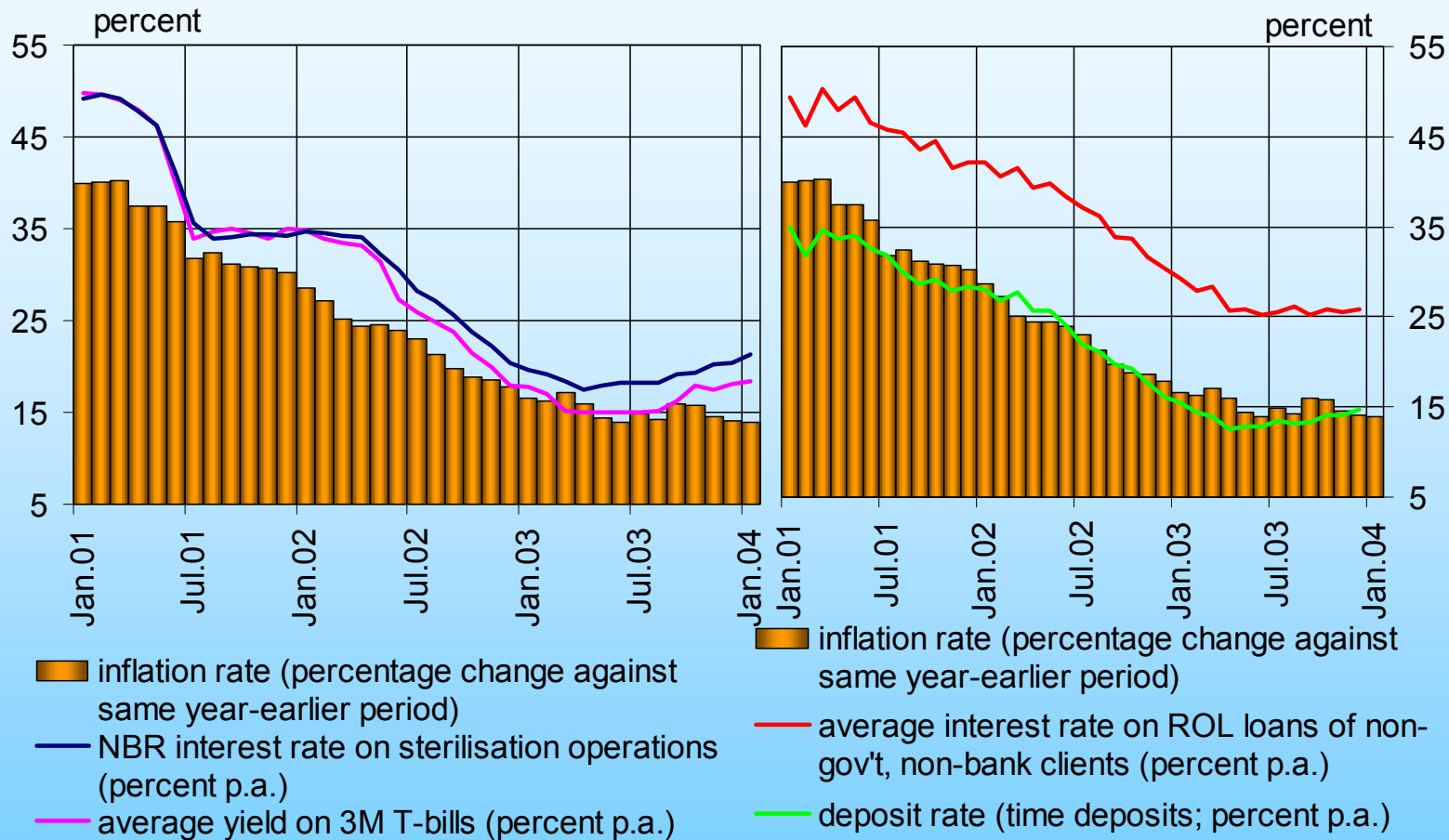


Monetary Policy Coordinates

- Prudent stance maintained
 - gradual interest rates decline once the disinflation trend has been confirmed
- New monetary strategy envisaged: inflation targeting starting in 2005
 - gains in transparency and efficacy of interest rate policy
- Gradual remonetisation of the economy through balanced credit expansion
- Policy of sustainable (2-4%) appreciation of ROL against the implicit EUR-USD basket



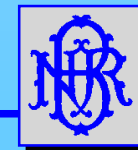
Inflation Rate and Interest Rates



NBR's policy rate increased to 21.25% on November 20, 2003.

Source: National Institute of Statistics, National Bank of Romania

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Support from Governamental Policies

The Government should:

- further reduce the fiscal deficit and identify actions for curbing quasi-fiscal deficits and maintain a prudent income policy
- speed up privatisation in order to:
 - limit the scope for quasi-fiscal deficit
 - finance the additional deficit
- front-load structural adjustment