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ROMANIA

March 21, 2014

FIRST AND SECOND REVIEWS UNDER THE STAND-BY ARRANGEMENT AND REQUESTS FOR WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION, MODIFICATION OF PROGRAM CONDITIONALITY, AND REPHASING OF THE AVAILABILITY DATES OF PURCHASES—SUPPLEMENTARY INFORMATION

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- 1. This supplement updates the staff report issued on March 12, 2014, for recent economic and policy developments.** The additional information does not change the thrust of the staff appraisal.
- 2. Annual inflation remained low at 1.1 percent in February in line with staff projections.** Core inflation moved out of the deflationary territory, which it was in for three months, to zero percent. Short-term economic indicators point toward continued economic growth in first quarter of 2014. Industrial output and retail sales advanced 2.3 percent and 2.4 percent, respectively, in January compared to December, on a seasonally adjusted basis.
- 3. Recent developments in Ukraine have had a limited impact on asset prices in Romania.** The RON/EUR exchange rate and Romania's CDS and EMBIG spreads are relatively flat over the last two weeks, while the stock market has fallen about 1½ percent.
- 4. The government completed the prior action.** The prior action encompassed a number of measures to reduce state-owned enterprise (SOE) arrears. The measures were: (i) approving through general shareholders' meetings the liquidation of one SOE and the placement of two others into insolvency; (ii) approving and publishing a government decision to lease 700 km of non-interoperable railway lines; (iii) providing a budget allocation for the national road company to clear its arrears at December 31, 2013; and (iv) approving and publishing a government decision and approving a withdrawal request to provide budget resources to clear railway arrears to electricity suppliers.