

BNR: Increased uncertainties and risks arise from perspective of fiscal and revenue policy conduct

Increased uncertainties and risks arise from the perspective of the fiscal and revenue policy conduct, especially in the absence of the draft budget for 2021 and in the electoral context, a more pronounced increase in budget expenditures in 2020 being possible, maintain the representatives of the National Bank of Romania (BNR), after the meeting of the Board of Directors on monetary policy issues.

According to the BNR, the uncertainties associated with the new macroeconomic forecasts continue to be extremely high in the current context, inducing two-way risks as to the inflation outlook on the forecast horizon. Their major source remains, at least in the short term, the coronavirus pandemic and the associated restrictive measures - in the context of the new wave that is growing strongly in intensity - and the impact they have on the domestic and European/global economy.

"Increased uncertainties and risks arise from the perspective of fiscal and revenue policy conduct, especially in the absence of the draft budget for 2021 and in the electoral context, given the potential for a more pronounced increase in budget expenditures in 2020 - with repercussions on future budget executions, implicitly on the sovereign risk premium - but also the necessary commencement in the near future of the budgetary consolidation; the consolidation impact could be partially counterbalanced by the attraction of the European funds allocated to Romania through the economic recovery package and the multiannual budget recently agreed at EU level. Significant uncertainties and risks also arise from the external environment, given the relatively stronger recovery of European economies in the third quarter, which could, however, be interrupted or even slightly reversed by the new pandemic wave and the associated restrictive measures," reads the release.