Romania can avoid a recession next year (Fiscal Council’s head Daianu)

Romania can avoid a recession next year, but GDP growth will be much lower - probably between 1.5-2.5%, compared to approximately 5% in 2022, says the chairman of the Fiscal Council, Daniel Daianu.

"The government has a very difficult equation to solve: to avoid going into recession while at the same time reducing the budget deficit towards the extremely ambitious target of 4.4% of GDP (in 2023) and directing resources towards defense and assistance for vulnerable citizens and companies. European resources stand out here as well, being the only countercyclical piston in a hostile environment. Respect and compassion for the citizens hit by these times. Respect for honest entrepreneurs, companies that, with agility and creativity, seek to adapt to extremely strange conditions," said Daniel Daianu, regarding the perspective for next year.

He argues that we need to better define and pursue our interests in the European Union, to learn from failures, because "the Union is a project that has done a lot of good, it has contributed to peace on the continent and it is a great thing that Romania is a member state. But in the EU there are also divergent interests, power relations that create asymmetries, unfair decisions, see Schengen, even de facto double standards, etc. And it also depends on us to mitigate our status as an economic periphery, to make the EU function better."

According to the president of the Fiscal Council, there is a lot of discussion here about European funds, the multiannual financial framework 2021-27 and Romania's National Recovery and Resilience Plan (PNRR), which means many tens of billions of euros spread over several years.

"If the budget for 2023 foresees public investments of about 7.2% of GDP (capital expenditures and investments financed with European money, these may be 6-7% of GDP in the following years), the capital expenditures in 2023, of about 3.5% of GDP, including the increase in defense spending by 7.5 billion RON. This level of investment is particularly important if we consider the needs of the economy and the very low level of tax revenues, about 27% of GDP, while the neighbors in Central and Eastern Europe have an average of 33-34% of GDP. The future challenges call for increasing tax revenues. It is also necessary to absorb as much as possible of European resources, through good projects," explained Daniel Daianu.

"The external balance remains an Achilles' heel and makes the national currency vulnerable; only with IT and transport services, with remittances from abroad, a major competitiveness deficit cannot be compensated," said Daniel Daianu.

In his opinion, the economic policy, the medium and long-term strategic plan, must consistently pursue the reduction of this deficit.