

Investment in Romania

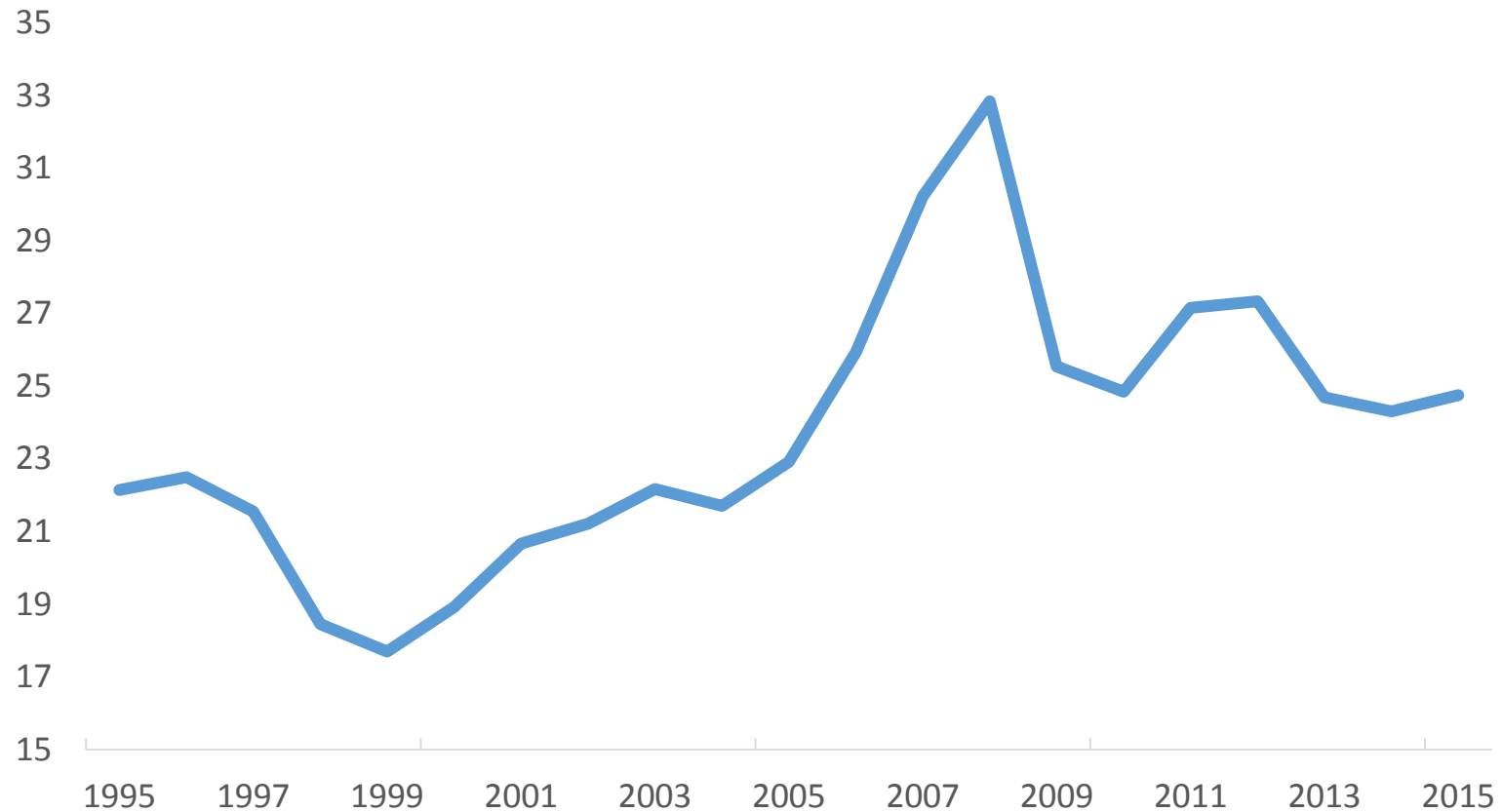


Presentation of EIB report
Bucharest, June 21, 2017
Alejandro Hajdenberg
Regional Resident Representative
for Romania and Bulgaria

Investment in Romania has been volatile



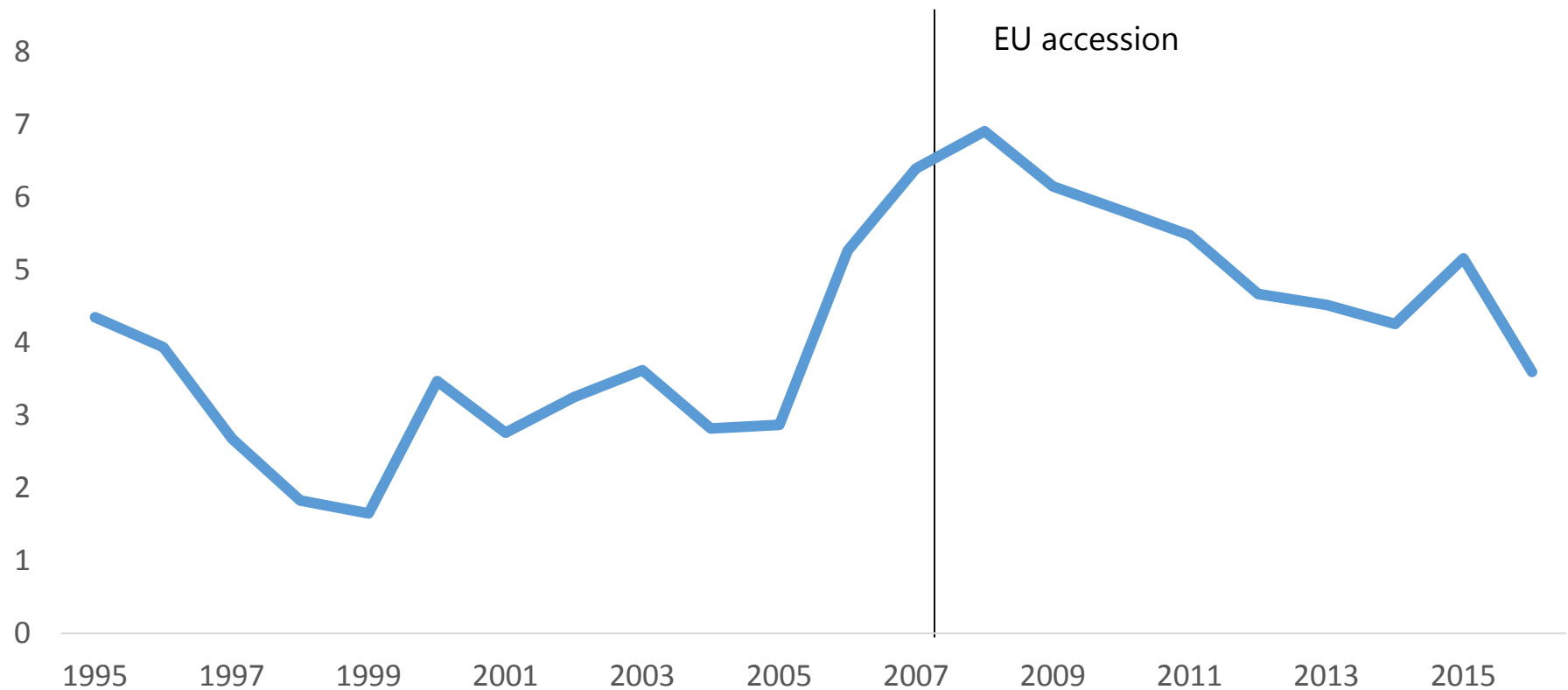
Investment
(Percent of GDP)



Government investment has been on a declining path...



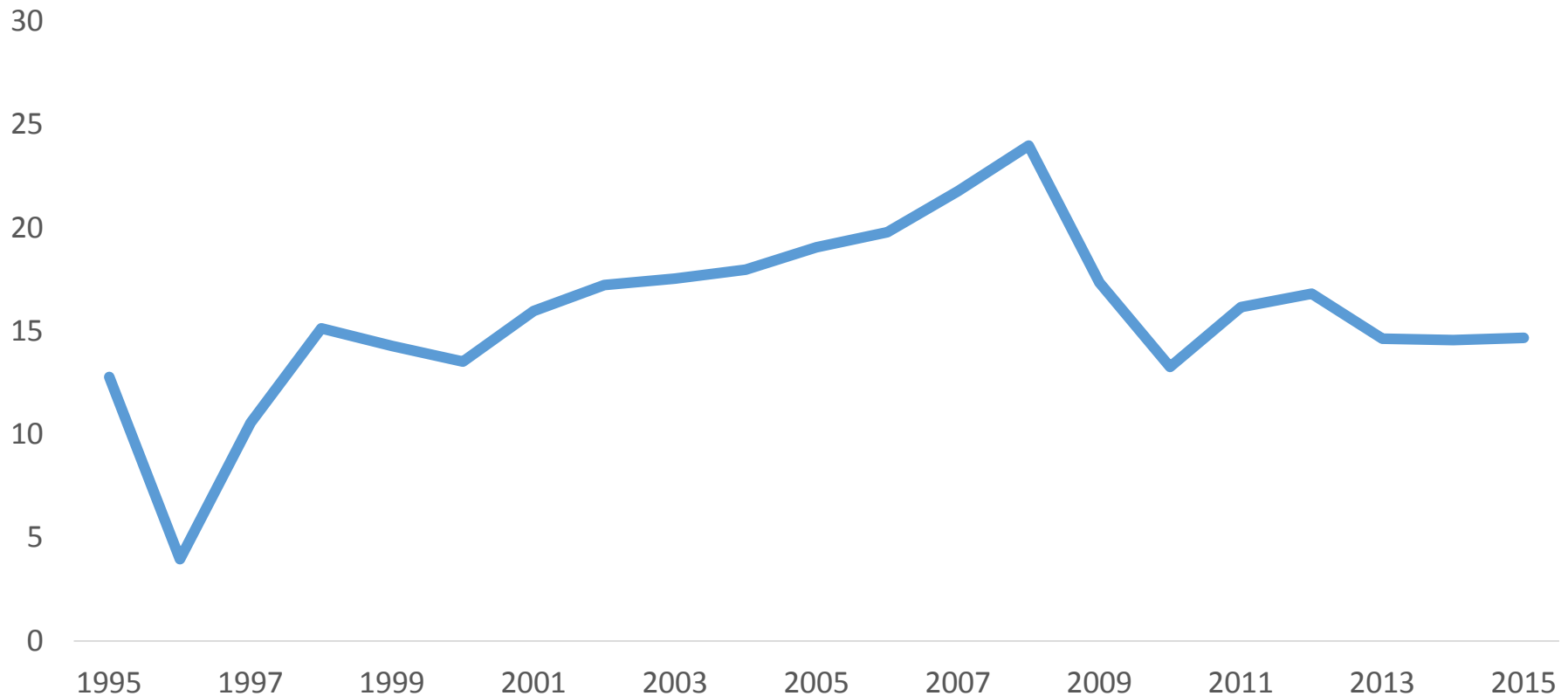
Government investment
(Percent of GDP)



...business investment has stabilized after a large fall from the pre-crisis peak...



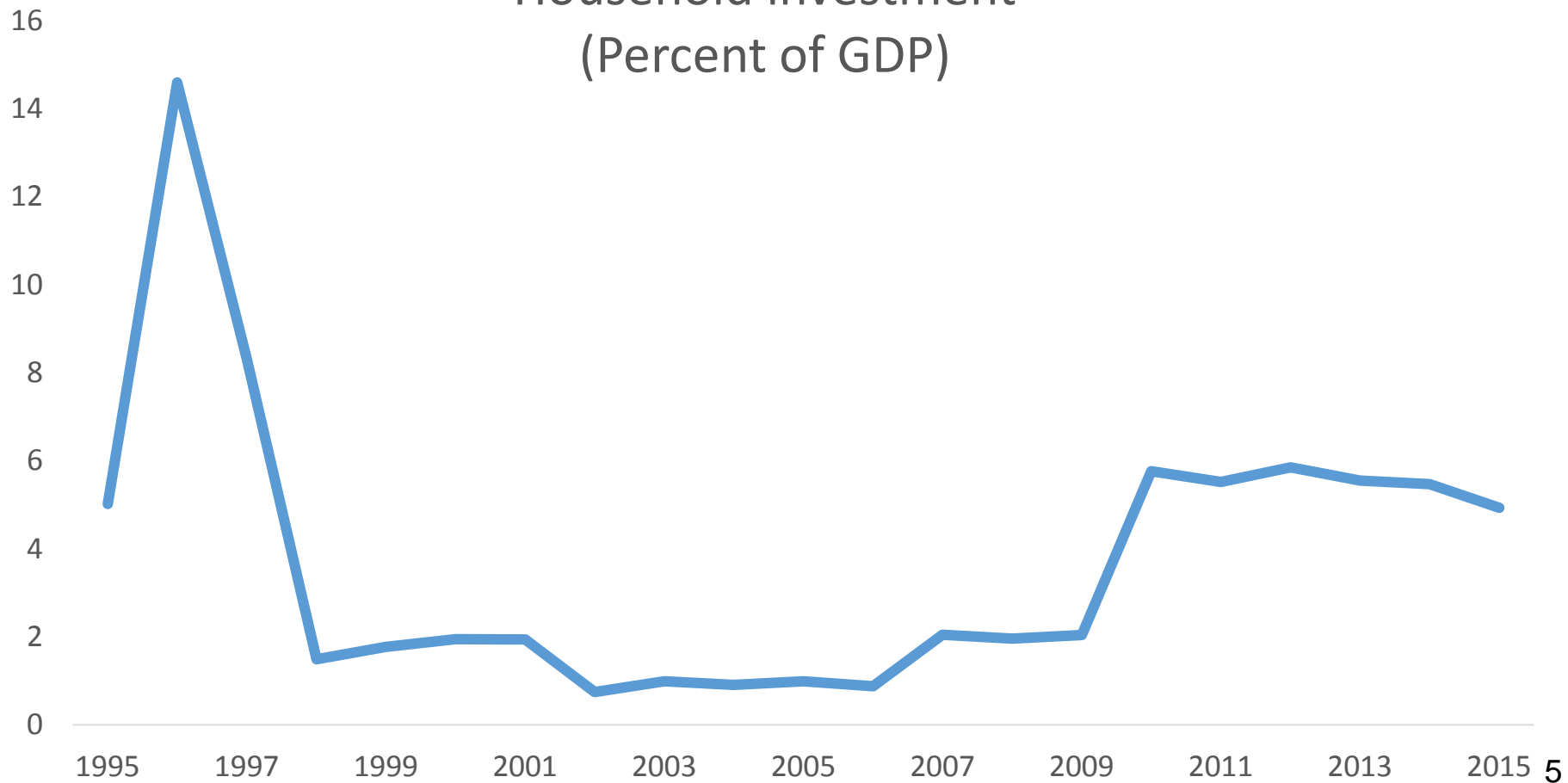
Business investment
(Percent of GDP)



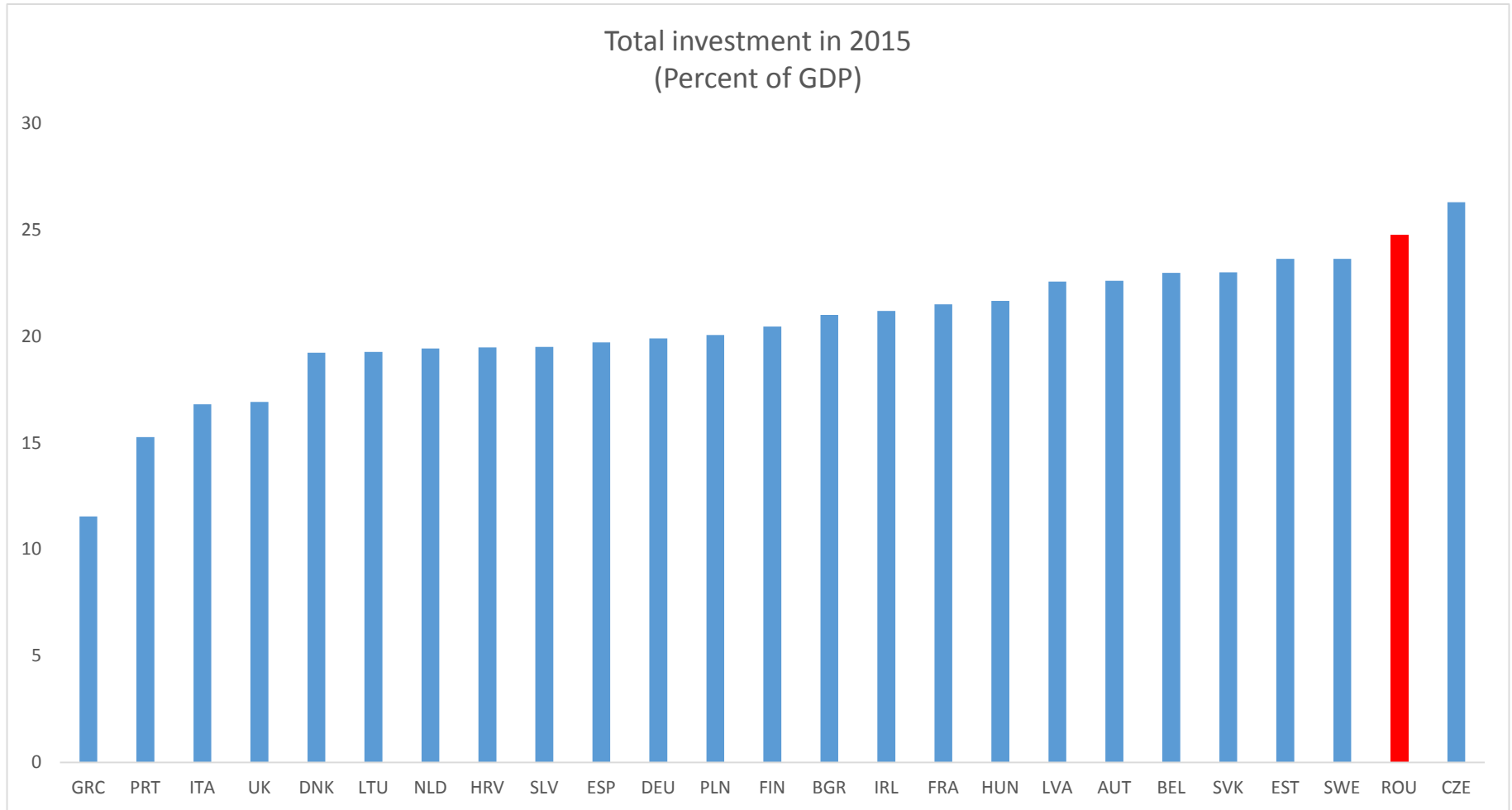
...while household investment has held well



Household investment
(Percent of GDP)



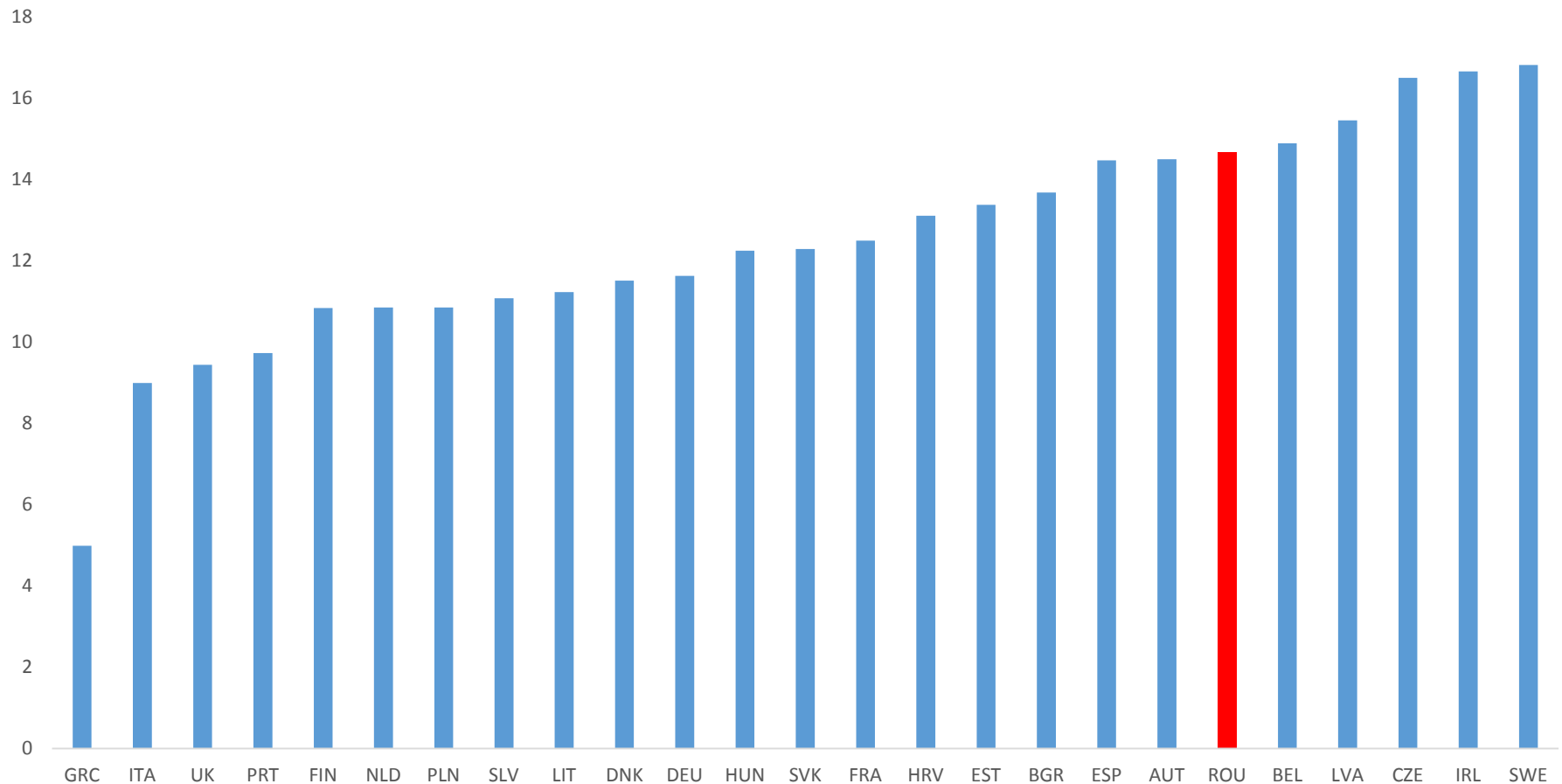
Investment in Romania is among the highest in the EU



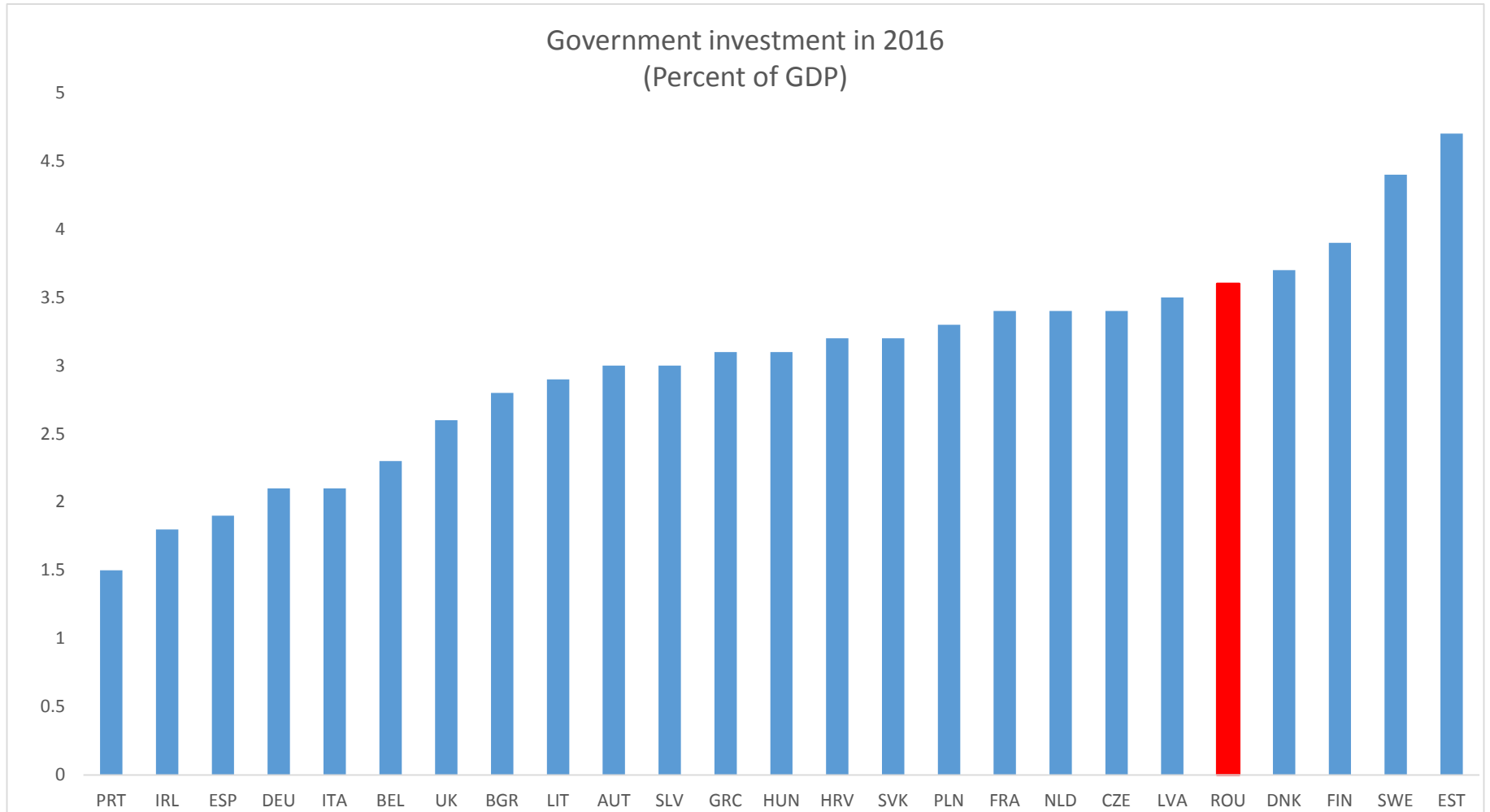
Reflecting relatively high business investment...



Business investment in 2015
(Percent of GDP)



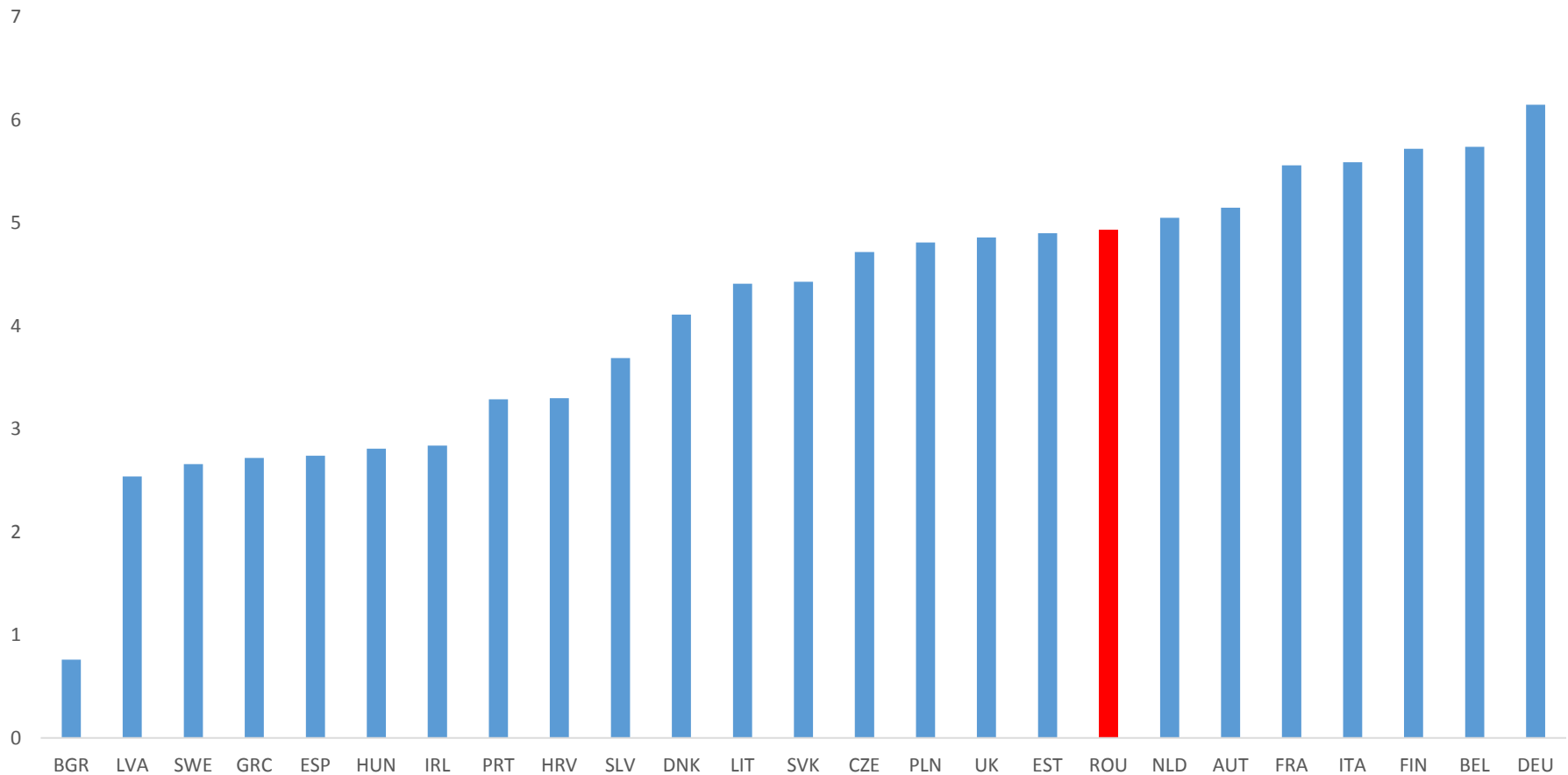
...government investment...



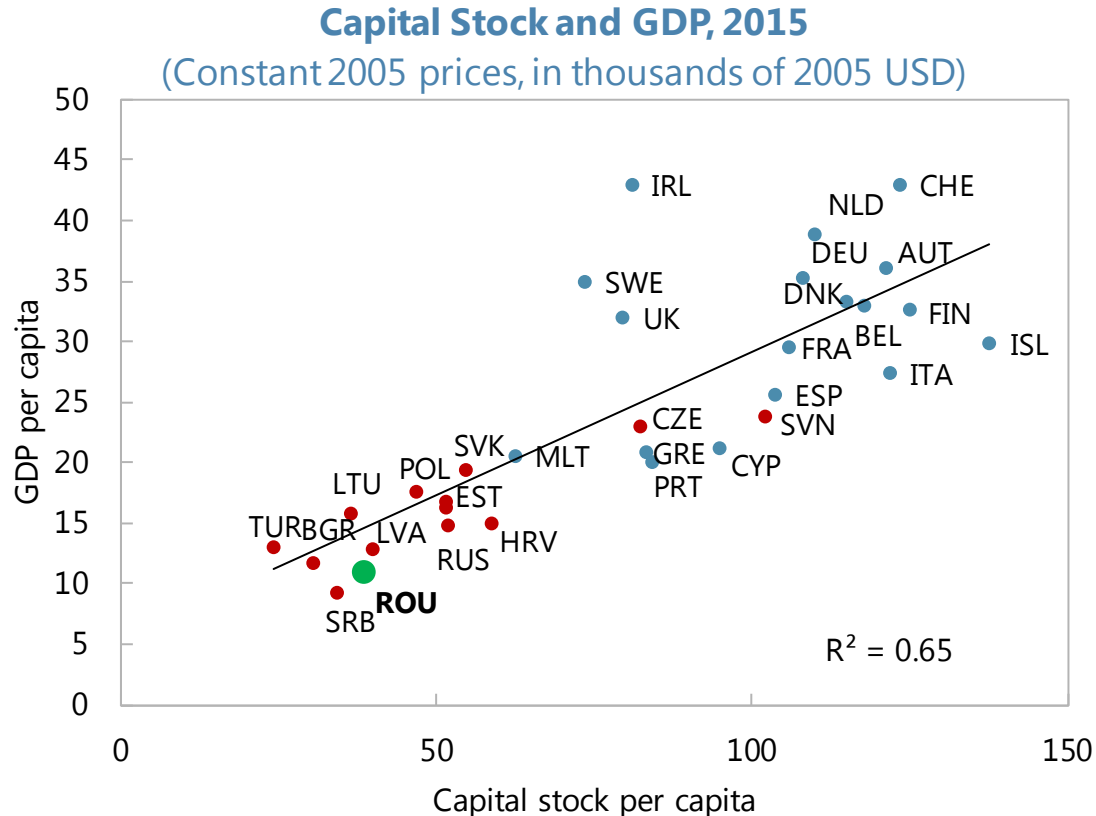
...as well as household investment



Household investment in 2015
(Percent of GDP)



Capital stock per capita in Romania is low



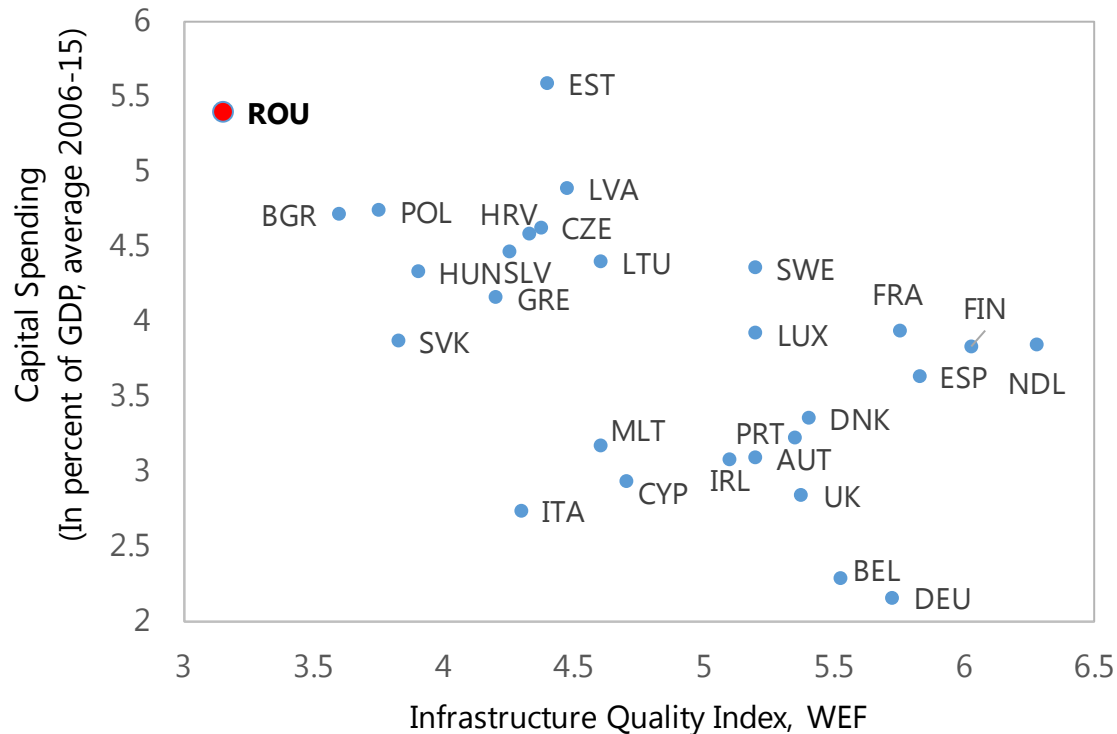
Source: Penn World Tables, Version 8.1.

Note: Red dots = central, eastern, and south-eastern countries; blue dots = other advanced European economies.

As is the quality of infrastructure (despite the relatively high level of spending)



Efficiency of Public Capital Spending



Sources: Eurostat; and World Economic Forum quality of infrastructure index (2015) on roads, railroads, seaports and air transport (average).

Investment was one of the themes of the recent IMF Article IV Consultation



- Key messages:
 - Reorient policies from favoring consumption to improving investment
 - Essential to make growth sustainable and achieve faster convergence

- Fiscal policy has been pro-cyclical:
 - Tax cuts and higher wages and pensions implemented at the expense of investment
 - Gradually reduce deficits under a medium-term anchor
 - Consolidation should be supported by structural reforms (spending efficiency, ANAF, spending controls)

Structural reforms are important for both public and private investment



- Structural reforms:
 - Strong push needed for reforms aimed at supporting efficient investment
 - Strengthen public investment institutions
 - Accelerate absorption of EU funds
 - Improve performance of SOEs

Strong institutions are also important



- Labor market:
 - Low unemployment and skills mismatches
 - Addressing aging and migration
 - Large wage increases could undermine competitiveness
- Fight against corruption
 - Considerable gains made in this area
 - Continued progress important to raise revenue collections, improve allocation of public resources, and attract investment





Thank you!