

## Romania: Budget deficit widens in May

The budget deficit widened to -0.88% of GDP in May, the biggest gap since 2013, as revenues failed to match ballooning expenditures. As a result, the mid-year budget review could be quite substantial



Source: Shutterstock

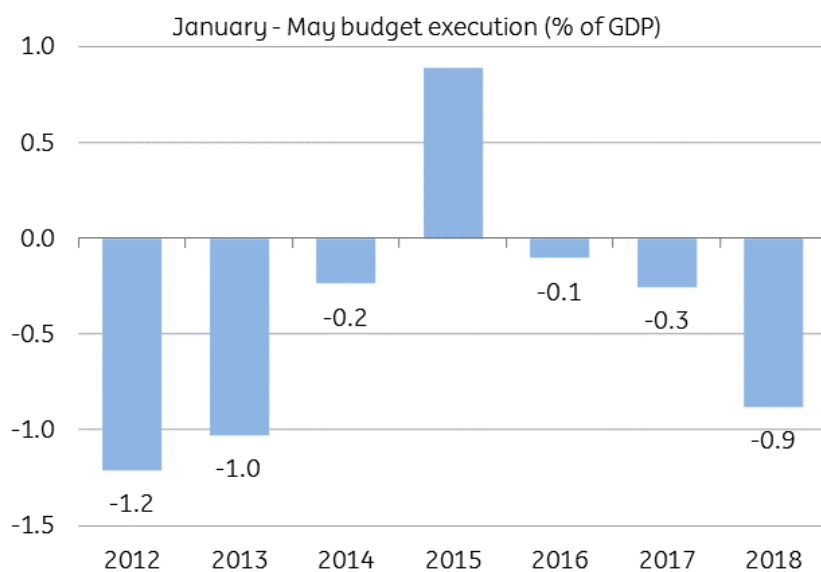
### Higher revenues...

The budget deficit from January to May widened to -0.88% of GDP, from -0.65% in the January to April period. Revenues are up by 12.7% year on year on VAT collection (+16.8% in May-18 vs May-17) and higher social security contributions (+35.5%YoY).

### ...but even higher spending

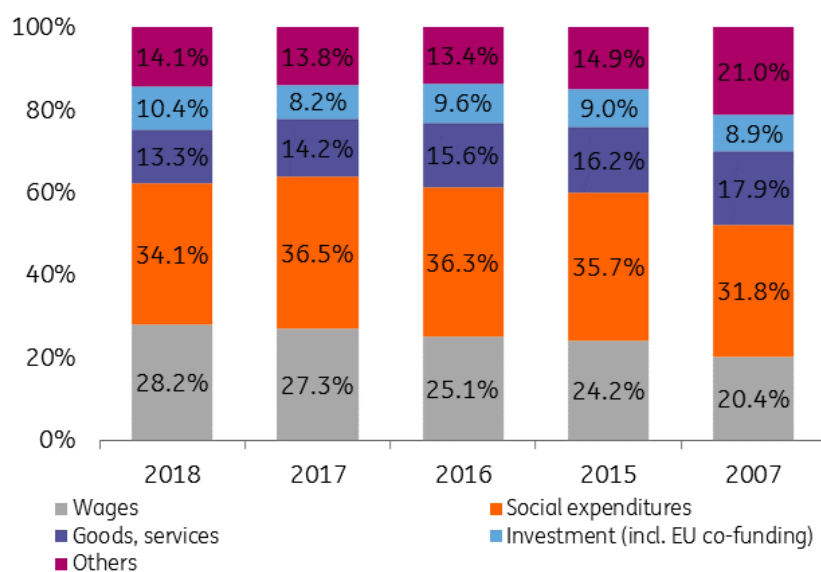
Expenditures grew 18.4% YoY, with spending on wages up 22.3% YoY, further increasing the share of quasi-permanent spending. Social assistance also increased 10.5% YoY, thus bringing the share of public sector wages and social assistance to 62.2% of GDP from 61.4% in April 2018.

## Budget execution



Source: MinFin, ING

## Expenditure composition



Source: MinFin, ING

We expect the mid-year budget revision to be quite substantial if the government is to remain committed to the -3.0% of GDP deficit, as economic growth is well below what the government expected while salaries and social security spending keep increasing their share in the total GDP.

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