

## Romania: Smallest budget surplus in 7 years

January is traditionally a month of budget surpluses, but 2019's is the smallest in seven years. Not having an approved budget bill likely distorted the pattern and actually helped keeping spending in check

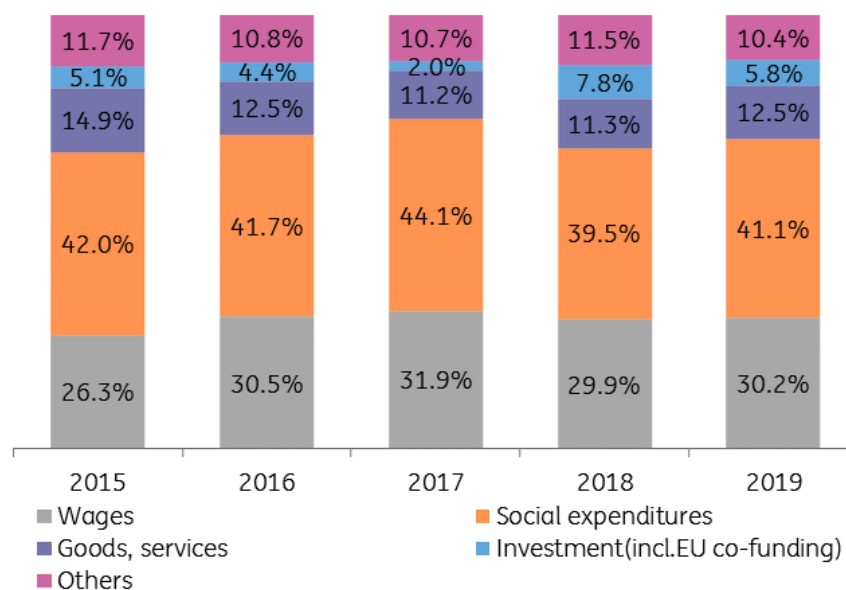


Source: Shutterstock

In January 2019, the general budget recorded a RON0.7 billion budget surplus, equal to +0.07% of GDP, compared to +0.21% of GDP in 2018. Total revenues are 15% higher than in January last year while expenditures advanced by 22.7%.

The wage envelope represented 30.2% of spending in January. Adding the social expenditures, we get a share of rigid spending out of total expenditures of 71.3%, slightly more than in January 2018.

## January expenditure composition



Source: Ministry of Finance, ING

The 2019 budget approved by parliament (currently being challenged in Constitutional Court by the Presidency, hence not yet enforceable) envisages a fiscal deficit of 2.76% of GDP. For now, it's definitely too early to judge the likelihood of meeting the budget target. Nevertheless, as we assumed last year, the government could meet the 3.0% budget deficit threshold if the commitment to avoiding the excessive deficit procedure (EDP) does not imply a high political cost.

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