

## Romanian budget gap reaches a seven-year high

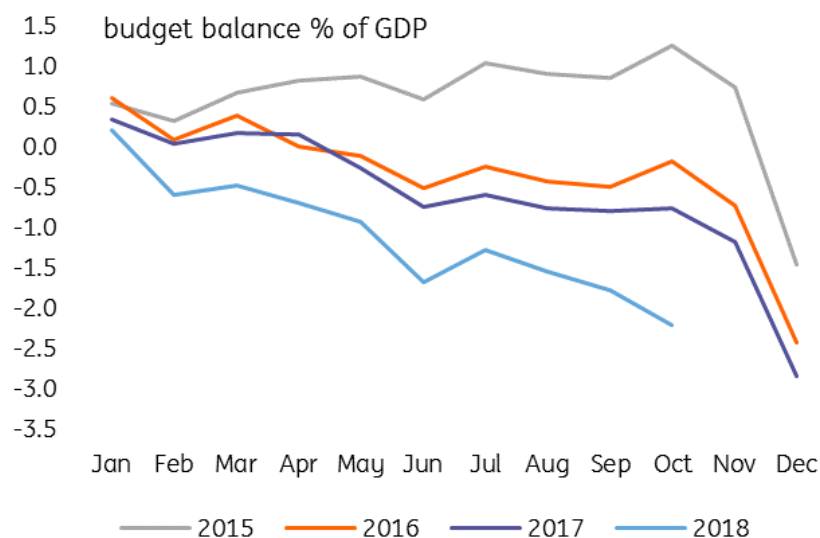
Budget execution for the January - October period follows an already known pattern: reasonable revenues accompanied by non-reasonable expenses



Source: Shutterstock

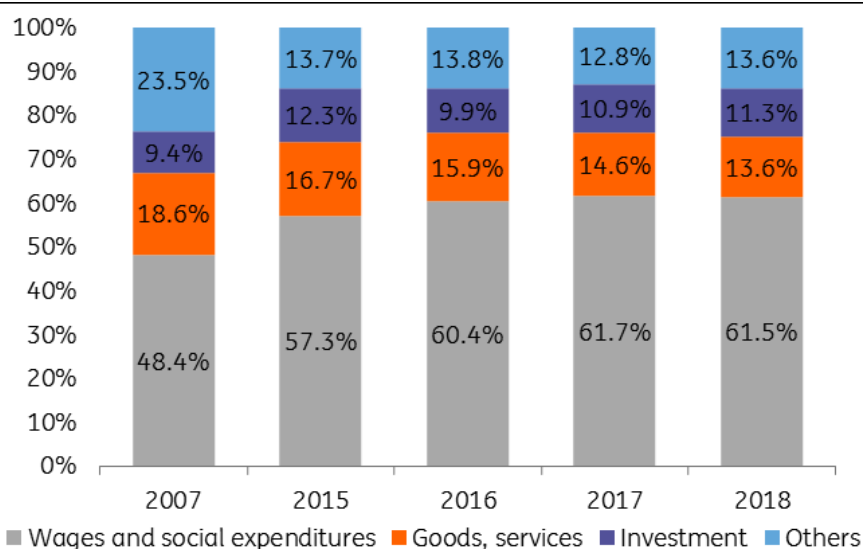
The budget shortfall for the first ten months of 2018 widened to -2.20% of GDP from -1.77% in the previous month - the widest gap for October since 2010. Total revenue is 11.8% higher than the same period of 2017 while expenses are up by 18.1%. Wage envelope represented 27.9% of total spending, up from 26.3% in October 2017. Fiscal revenues continue to be affected by the changes at the start of the year and advanced by a skimpy 0.4% YoY.

## January-October execution



Source: Ministry of Finance, ING

## Expenditure composition



Source: Ministry of Finance, ING

Remaining within the 3.0% of GDP deficit seems within reach this year, although still requires a large moderation of the usual, but not necessarily optimal, year-end spending spree. The budget flexibility remains quite limited should a fiscal impulse be needed, considering the share of rigid state spending out of stable revenues sources hovers close to 80%.

Hence for 2019, balancing the pros and cons of sticking to the 3.0% target with those arising from an eventual activation of the excessive deficit procedure will be even more challenging.

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