
ROMANIA PICKED A BAD TIME TO TAKE ITS EYE OFF THE ECONOMY

-

08.03.2018

Bloomberg (7 March 2018)

The Balkan nation is prioritizing a controversial revamp of the court system just as its growth rate sags from the European Unions fastest. The proposals, which include efforts to rein in a clampdown on corruption, are denting business sentiment. They risk further alienating companies whose already angry about a confusing tax overhaul last year.

The reform risks weakening the countrys business and operational environment over a multi-year time horizon, Tiziana Papa, an analyst at BMI Research, a unit of Fitch Group, said by email. It poses significant headwinds to investor sentiment and more broadly to the countrys economic outlook.

The downturn in sentiment comes just as Romania needs corporate spending to compensate for a fading consumer boom that helped power economic growth of 7 percent last year. With the ruling Social Democrats channeling government spending into tax cuts and salary hikes for state employees, the private sector is becoming less willing to invest.

Its unlikely that public investments will offset the expected slowdown in consumption, said ING Bank NV economist Ciprian Dascalu, who considers this years official 5 percent forecast for growth in gross domestic product as optimistic. The opposite is more likely.

With the budget deficit pushing up against the EU limit of 3 percent of GDP, Romania is among the most vulnerable countries should new economic difficulties arise, according to the central banks chief economist, Valentin Lazea.

Government Distracted

Judicial reform would give the Social Democrats greater control over graft probes after prosecutors locked up hundreds of officials, convicting and continuing to investigate party boss Liviu Dragnea, Romanias de facto leader. EU Vice President Frans Timmermans appealed to Dragnea last week as a social democrat to focus more on education and health-care rather than the judiciary.

Dragnea, whos replaced two prime ministers since his party won elections in late 2016, promises a long-term development plan at a congress this weekend. That could include an update on creating a sovereign investment fund to help build roads and hospitals, which has become bogged down.

Repeated bouts of political volatility have distracted the governments attention from reforms that

could boost the economy's long-term growth potential, S&P Global Ratings said Friday as it reaffirmed Romania's investment-grade assessment. It said it was concerned by frequent attempts to implement legislative changes that could diminish checks and balances.

<https://www.bloomberg.com/news/articles/2018-03-07/romania-has-picked-a-bad-time-to-take-its-eye-off-the-economy>

Kaynak/Source: