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## **BALKAN EU STATES 'NEED REFORMS TO SUSTAIN ECONOMIC GROWTH'**

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Balkan Insight (8 March 2018)

The economies of Croatia, Bulgaria and Romania showed some improvements last year, but all three countries face challenges to boost growth further in 2018, said the latest European Commission country report, published on Wednesday.

### **Bulgaria: Growth to slow but remain strong**

Bulgaria's GDP growth in 2017 is estimated to have been 3.8 percent. In 2018 and 2019, GDP is expected to slow down but remain strong.

Despite the robust growth that is driven mainly by domestic demand, the country is catching up with the rest of the EU slowly, says the European Commission report.

In 2017, the unemployment rate decreased substantially to 6.3 per cent, while employment rates increased.

With a balanced government budget and decreased public debt, the fiscal outlook remains positive with a room to address economic and social challenges, according to the report.

The report says that Bulgaria has made some progress in tax collection, in stepping up enforcement measures to reduce the informal economy and undeclared work, in taking follow up measures on the financial sector reviews, in facilitating the reduction of non-performing corporate loans, in improving the targeting of active labour market policies and the integration between employment and social services.

The government however made limited progress in increasing the quality of education and health insurance coverage, reducing out-of-pocket payments and establishing a transparent mechanism for setting the minimum wage.

The Commission also warns of vulnerability in the financial sector, high private debt, and persisting challenges in the labour market.

### **Croatia: Growth to depend on reforms**

Croatia requires structural reforms and its economic growth will increasingly depend on the

capacity to implement them, the report says.

So far, the government has been unsuccessful in the implementation of the much-needed reforms, it warns.

The country has made limited progress in fiscal policy, social benefits are too large and a pension system reform has been postponed, it argues.

Major public administration reforms are largely at a standstill while educational reform is still pending, the report notes.

Some progress has been made in the sale of shares in state-owned enterprises and backlogs in the judicial system have been marginally reduced.

GDP growth rate in 2017 is projected to have remained at 3.2 percent, and the countrys recovery is expected to continue in the next two years but with lower growth rates.

Croatia faces challenges related to equal opportunities, access to the labour market and fair working condition, the Commission says.

Although unemployment has been reduced to 11.1 percent, the employment rate remains comparatively low, and a serious problem is migration outflows.

### **Romania: Buoyant growth could be unsustainable**

The European Commission warns in its report that Romanias buoyant economic growth risks setting the stage for a hard landing.

There is an absence of structural reforms and fiscal consolidation, the report says.

GDP growth of 6.7 percent in 2017 has been driven mainly by consumption, and it will not be sustainable in the absence of reforms to increase the economys potential, the Commission also warns.

Progress made in the fight against corruption has been put at risk but there are some good signs, such as the unemployment rate that in 2017 dropped to 4.9 percent, the lowest in the past 20 years.

The report says that Romanias unfavourable demographic trends are expected to continue, and labour and skills supplies are not keeping up with the fast-changing needs of the economy.

Poverty has increased while income inequality remains high, there are no tangible results on public administration reforms and the business environment shows weakness, it adds.

Ongoing reforms of the justice laws also risk harming judicial independence and undoing progress that has been achieved so far, according to the report.

<http://www.balkaninsight.com/en/article/balkan-eu-states-need-reforms-to-sustain-economic-growth--03-08-2018>

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