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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

Following robust economic growth in 2022 (+4.7%) driven by private consumption and investments, activity is estimated to have decelerated to 1.8% in 2023 as high inflation and sluggish private credit growth constrained domestic demand, while external demand remained weak (EU Commission). Supported by the outlook for stronger private credit growth and ongoing rises in real disposable incomes, real GDP is projected to expand by 2.9% in 2024. Private consumption is anticipated to accelerate, while investment will continue to be the primary driver of GDP growth this year. The relaxation of monetary and financial conditions, coupled with increased external demand, is expected to drive real GDP growth to 3.2% in 2025 (EU Commission).

According to preliminary estimates from the Finance Ministry, the general government budget in Romania amounted to RON 89.94 billion (EUR 18.1 billion, in cash terms), equivalent to 5.68% of GDP in 2023. The country's public deficit rose by 11% year-on-year in nominal terms in 2023. However, due to the slightly faster growth of nominal GDP, there was a marginal improvement in the deficit-to-GDP ratio, which stood at 5.75% in 2022. The target set for 2024 is 4.9% of GDP. However, the promised wage hikes in the public sector, pension increases, and other expected public expenditures in the electoral context pose challenges to achieving this target. Public debt-to-GDP increased to 51% in 2023 from 50.5% one year earlier, and is expected to reach 55.2% by 2025 (IMF). In 2023, overall inflation decreased to 9.7% from 12% in 2022, primarily due to a notable slowdown in private credit growth amidst tight monetary conditions and reduced energy and food prices. However, inflation excluding energy and food saw a smaller decline and remained above headline inflation by the end of 2023, driven by robust price growth in services and non-food items. Average annual HICP inflation is forecasted at 5.8% in 2024 before moderating to 3.6% in 2025 (EU Commission).

An ageing population, the emigration of skilled labor, significant tax evasion, and insufficient health care may compromise Romania’s long-term growth and economic stability and are the economy's top vulnerabilities. Despite a relatively low level of unemployment (at 5.6% in 2023), Romania remains one of the poorest countries in Europe, with 34.4% of the population at risk of poverty or social exclusion (the highest ratio in the EU - data by Eurostat). The World Bank estimated the country’s GDP per capita (PPP) at USD 41,888 in 2022, still 22.7% below the EU average. A resilient labor market, coupled with two increases in minimum wages, helped mitigate the slowdown in real disposable incomes in 2023.

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP <i>(billions USD)</i>	301.27	350.41	382.93	408.35	436.36
GDP <i>(Constant Prices, Annual % Change)</i>	4.7	2.2	3.8	3.8	3.8
GDP per Capita <i>(USD)</i>	15,821	18,413	20,214	21,684	23,316
General Government Balance <i>(in % of GDP)</i>	-5.9	-5.9	-5.9	-5.8	-5.6
General Government Gross Debt <i>(in % of GDP)</i>	50.5	51.0	52.7	55.2	57.1
Inflation Rate <i>(%)</i>	n/a	10.7	5.8	3.6	3.6

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
Unemployment Rate (% of the Labour Force)	5.6	5.6	5.4	5.3	5.2
Current Account (billions USD)	-28.13	-25.55	-27.24	-28.56	-28.77
Current Account (in % of GDP)	-9.3	-7.3	-7.1	-7.0	-6.6

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

Romania has a labor force of 8.29 million people out of its 19.1 million population, though this number has been decreasing over the last decade due to the massive migration of Romanian workers to Western European countries. Agriculture represents around 4.5% of Romania's GDP and employs 18% of the country's active population (World Bank, latest data available). The main resources and agricultural production in Romania are cereals, sugar beets, and potatoes. However, production remains very low compared to the country's potential capacity (more than one-third of the land is arable). About 25% of the country is covered by forests (especially around Transylvania), and the logging industry is developing very fast. Romania has limited energy dependence thanks to coal, oil, gas, and uranium reserves. According to data from Eurostat, Romania is the seventh-biggest agricultural producer in the European Union. The turnover of Romanian agricultural companies was estimated close to RON 80 billion in 2023, based on the persistence of inflationary pressures and the estimated increase in annual crop production of 24% (KeysFin).

The industrial sector contributes 28.9% of the country's GDP and employs 33% of the active population. Thanks to inexpensive labor, its industry is diversified and competitive. Historically, manufacturing companies and the industrial sector represent the backbone of Romania's economy. For this reason, foreign direct investors are involved in heavy industry (metallurgy, steel), the manufacturing of vehicle parts, building and construction, petroleum refining, and textiles. According to figures from the World Bank, the manufacturing sector alone contributes 16% of GDP. Data from the national statistical office show that, in 2023, Romania witnessed a year-on-year decline of 4.9% in its unadjusted industrial production. Manufacturing output went down by 4.6%, that of electricity by 9.2%, while the mining sector recorded an increase of 1.9%.

Romania's economy is mainly centered on the services sector, which represents 57.6% of GDP and employs around 49% of the nation's workforce. Tourism, in particular, has been booming in recent years: the number of tourists visiting the country in 2023 rose 10.5% on the year, reaching 13.65 million, a level above those recorded before the pandemic (data INSEE). The technology sector has also seen consistent growth in recent years, due to the emergence of a high-qualified workforce whose cost is lower than the European average. Romania's ITC sector accounts for around 6.2% of GDP (Romanian Software Industry Association). The Romanian banking sector comprises 34 credit institutions: three banks with full or majority Romanian state-owned capital, four credit institutions with majority domestic, private capital, 19 banks with majority foreign capital and eight branches of foreign banks. About 68.2% of the Romanian banking sector's assets are held by institutions with foreign capital (European Banking Federation). In 2023, Romania experienced a year-on-year increase of 1.9% in its retail sales on a seasonally and working-day unadjusted basis (INSEE).

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (in % of Total Employment)	18.6	30.4	51.0
Value Added (in % of GDP)	4.5	28.8	57.5
Value Added (Annual % Change)	-11.6	0.5	7.7

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
Romanian New Leu (RON) - Average Annual Exchange Rate For 1 USD	4.06	4.05	3.94	4.20	4.24

Source: World Bank - Latest available data.

FOREIGN TRADE

Romania is open to foreign trade, which represents 93% of its GDP (World Bank, latest data available). The country mainly exports machinery and transport equipment (44.8% of total exports in 2023, mostly cars), manufactured goods classified mainly by raw materials (15.9%), miscellaneous manufactured articles (13.9%), and food and live animals (8.2%). Imports are led by machinery (36.8%); mineral products; chemical products; and base metals (data INSEE 2023).

The European Union is the main trading partner, accounting for 72.6% of total exports and 73.3% of imports in 2023. The leading countries for exports are Germany (19.8%), Italy (10.1%), Hungary (7.3%), France (6.0%), Bulgaria (3.9%); whereas imports are led by Germany (17.8%), Italy (8.2%), Bulgaria (7.1%), Hungary (6.5%), Poland (5.9% - data Comtrade 2022).

Romania's foreign trade figures for 2022 published by WTO show that merchandise exports amounted to USD 96.7 billion (+10.6% year-on-year), while imports increased at a faster pace (+14%), to USD 132.5 billion. On the other hand, the country is a net exporter of commercial services, with exports totaling USD 38.9 billion against USD 25.5 billion in imports (+17.9% and +16.9%, respectively). Overall, Romania has a structurally negative trade balance, which has been widening in recent years: for 2022, it stood at around 6.9% of the country's GDP (from 5.7% one year earlier - World Bank). According to preliminary figures from the national statistical office INSEE, in 2023, exports reached EUR 93.098 billion, indicating a modest increase of 1.3%, while imports totaled EUR 122.045 billion, showing a decline of 3.2% compared to the previous year, resulting in a decrease of 15.1% in the trade deficit compared to the previous year.

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods (million USD)	97,747	96,544	92,132	116,203	132,491
Exports of Goods (million USD)	79,660	76,871	70,718	87,388	96,707
Imports of Services (million USD)	18,220	20,614	16,324	21,851	25,548
Exports of Services (million USD)	28,091	30,302	27,092	32,998	38,918

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
Foreign Trade (in % of GDP)	86.5	84.5	78.1	87.0	92.0
Trade Balance (million USD)	-18,019	-19,960	-21,676	-27,291	-33,923
Trade Balance (Including Service) (million USD)	-8,157	-10,282	-10,875	-16,177	-20,618
Imports of Goods and Services (Annual % Change)	8.6	8.6	-5.2	14.9	9.2
Exports of Goods and Services (Annual % Change)	5.3	5.4	-9.5	12.6	8.6
Imports of Goods and Services (in % of GDP)	44.9	44.3	41.2	46.3	49.4

Foreign Trade Indicators	2018	2019	2020	2021	2022
Exports of Goods and Services <i>(in % of GDP)</i>	41.5	40.2	36.9	40.6	42.5

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	2.3	8.0	6.5	6.1	5.6
Volume of imports of goods and services (Annual % change)	3.0	7.7	6.0	5.9	5.1

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

Member of the [European Union](#)

Member of the [European Economic Area](#) which has guaranteed, since 1 January 1993, the free movement of most goods between European countries.

[Multilateral agreements](#) and [bilateral agreements](#) with many countries.

Member of the [ASEM](#) (Asia-Europe Meeting).

Main Partner Countries

Main Customers <i>(% of Exports)</i>	2022
Germany	19.8%
Italy	10.1%
Hungary	7.3%
France	6.0%
Bulgaria	3.9%
See More Countries	52.9%

Main Suppliers <i>(% of Imports)</i>	2022
Germany	17.8%
Italy	8.2%
Bulgaria	7.1%
Hungary	6.5%
Poland	5.9%
See More Countries	54.5%

Source: Comtrade, Latest Available Data

POLITICAL OUTLINE

Current Political Leaders

President: Klaus IOHANNIS (since 21 December 2014 ; re-elected in the 2019 presidential election)

Prime Minister: Marcel CIOLACU (since 15 June 2023)

Next Election Dates

Presidential: November 2024

Chamber of Deputies and Senate: 2024

Main Political Parties

The main political parties in the country are:

- [Social Democratic Party \(PSD\)](#): centre-left
- [National Liberal Party \(PNL\)](#): centre-right, conservative, pro-European
- [Hungarian Democratic Union of Romania \(UDMR\)](#): supports minority Hungarian interests, liberal conservatism
- [Alliance for the Unity of Romanians \(AUR\)](#): right-wing, conservative, nationalist
- [Save Romania Union \(USR\)](#): syncretic, liberal
- [Popular Movement Party \(PMP\)](#): centre-right

Executive Power

The [President](#) is the Head of State and is elected by universal suffrage for a term of five years renewable once. The President is also the Commander in Chief of the army and is responsible for protecting the Constitution. Under the Romanian Constitution, the President acts as a mediator between the various centres of power in the country. The [Prime Minister](#) is appointed by the President (and is usually the leader of the majority party) for a term of four years. The Prime Minister is the Head of Government and holds executive power, including law enforcement and management of the affairs of the country. The [Council of Ministers](#) is appointed by the Prime Minister.

Legislative Power

The legislature in Romania is bicameral. The Parliament consists of: the Senate (the upper house) having 136 seats and the Chamber of Deputies (the lower house) having 330 seats. The members of both houses are elected by direct, popular vote on a proportional representation basis to serve four-year terms. The executive branch of the Government is directly or indirectly dependent on the support of the Parliament, often expressed through a vote of confidence. The Prime Minister does not have the power to dissolve the Parliament directly, but the President can do so after consultation with the political parties represented in the two houses. The people of Romania have considerable political rights.

COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

The summary of the EU's economic response to the COVID-19 pandemic is available on the website of the [European Council](#).

For the general overview of the key economic policy responses to the COVID-19 outbreak (fiscal, monetary and macroeconomic) in Romania, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).