

Romania: the government is consistent in introducing socially unpopular reforms

On 18 April the Romanian parliament confirmed the freezing of salaries for teachers until the end of 2011 and limited the possibility of concluding multilateral contracts of employment (the 'law on social dialogue'). This is another solution from the series of austerity measures introduced by the centre-right government of Emil Boc which are a consequence of the difficult economic situation and Bucharest's close co-operation with the international financial institutions. The actions undertaken by the government are still not bringing about the expected results – although the situation of public finances has improved, the process of coming out of recession is slow and the high inflation rate is becoming an increasingly serious problem.

Romania has been one of the EU countries most affected by the economic crisis (a fall by 7.1% in GDP in 2009). Unlike other countries in the region the recession continued in 2010 (a decrease in GDP by 1.3%). In 2009 Romania was granted a loan of EUR 20 billion from the International Monetary Fund, the EU and the World Bank and by the end of March this year it received another EUR 5 billion from these institutions. Obtaining the funds was conditional on a series of structural reforms and budget cuts. Among other measures, from the middle of 2010 the government of Boc drastically limited salaries in the public sector (by 25%), increased VAT (from 19% to 24%), scrapped pension privileges for uniformed services and introduced new flexible labour code. With regard to accepting the loan in March 2011 the government also committed itself to liberalising prices on the energy market and to restructuring state-owned energy companies.

The government's actions have led to the stabilisation of public finances but in parallel they had a negative impact on the pace of lifting the country out of recession. Romania has seen two consecutive quarters of economic growth only now. The highest inflation rate in the EU remains a serious issue (in March inflation reached 8%, compared to the same period a year ago). However, the risk of one of the most dangerous economic phenomena, stagflation (a high inflation rate combined with economic stagnation) seems quite low now due to dynamically growing exports (in 2010 the value of exported goods reached a record EUR 37 billion). Exports are currently becoming an important driving force of Romania's economic growth. <dab>