

Romania – real convergence on the way to euro adoption

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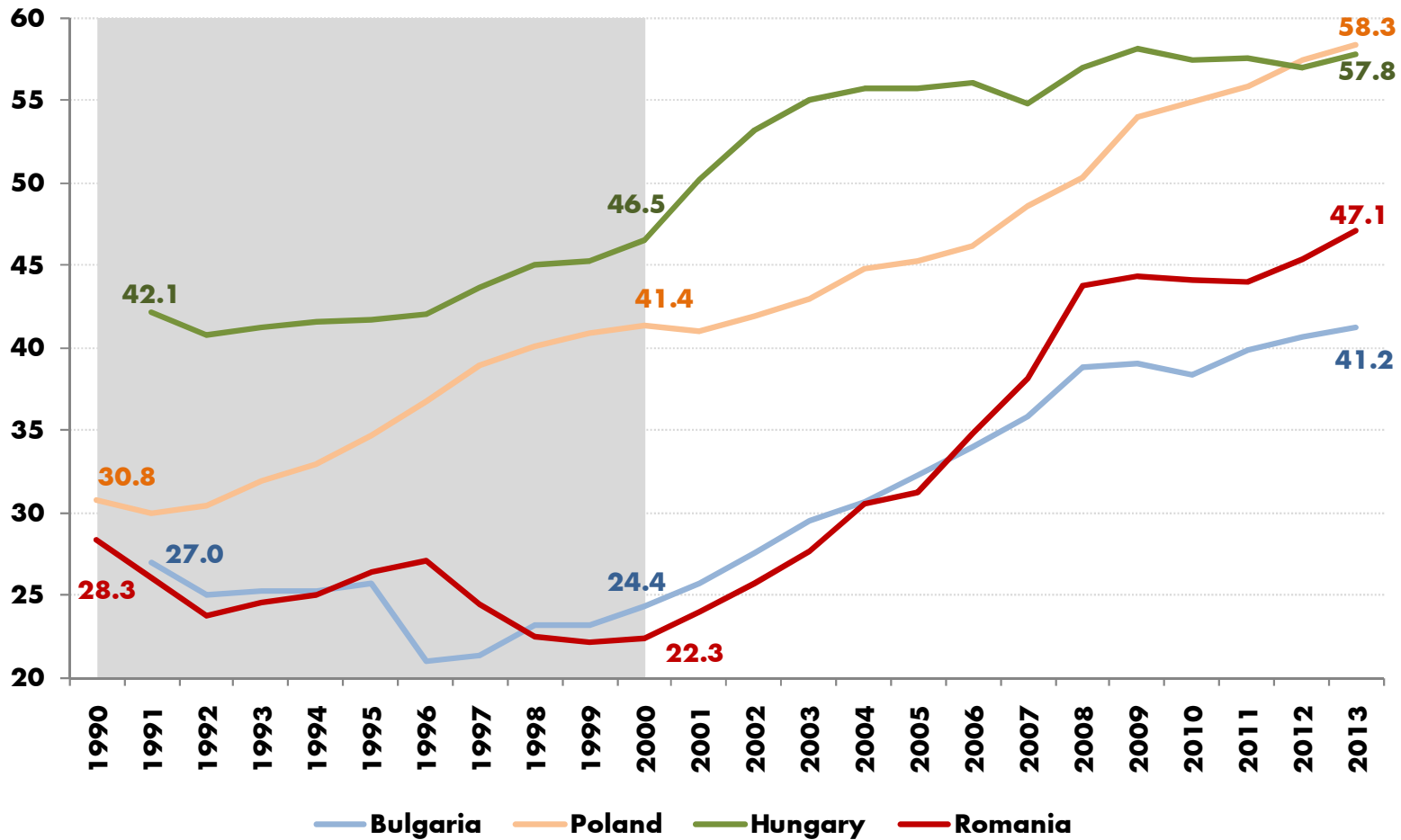
June 2014

Eurozone enlargement – current status

	Initial target	Date of setting the target	Current target
Bulgaria	2010	2004	no target date
Croatia	2019		no target date
Czech Republic	2009/2010	2003	no target date
Hungary	2008	2003	no target date
Lithuania	2007	2004	2015
Poland	2008/2009	2003	no target date
Romania	2014	2007	2019
Denmark	no target		not obliged to join
Sweden	no target		de facto opt-out
United Kingdom	no target		not obliged to join

Public policies make a difference

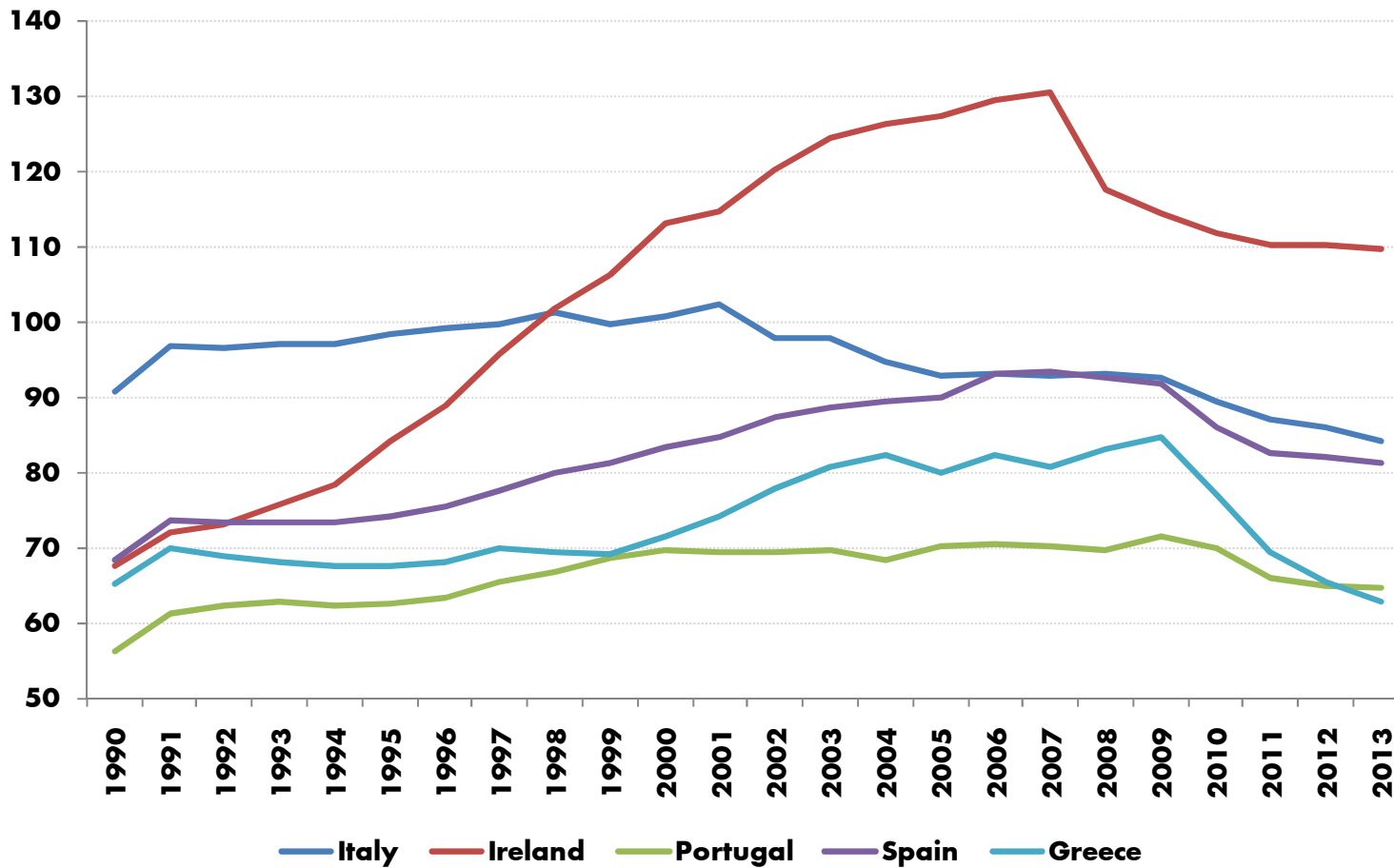
**GDP per capita in PPS
(% of average for Germany and France)**



Source: European Commission

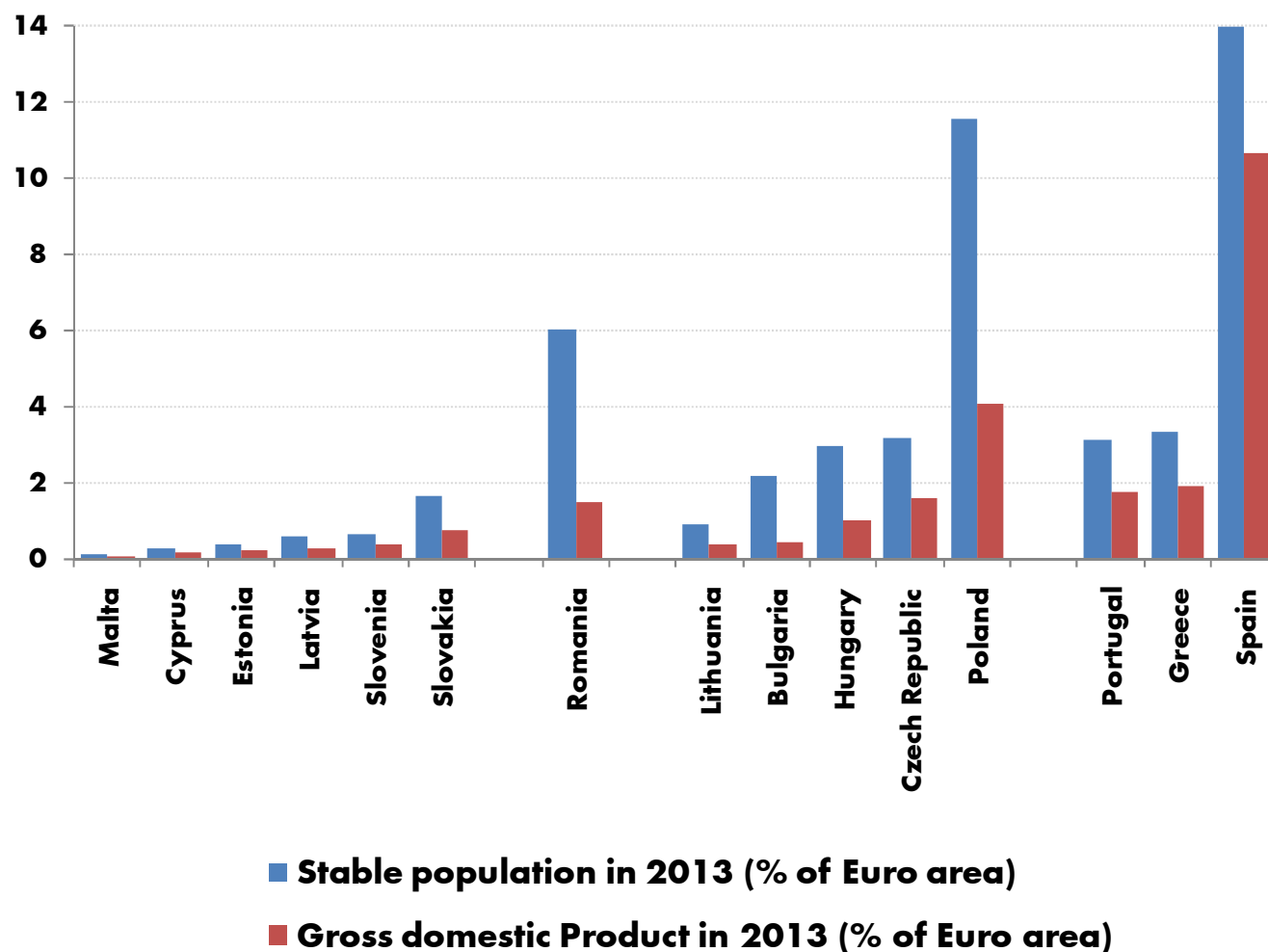
Real convergence: not a one way street

GDP per capita in PPS
(% of average for Germany and France)



Source: European Commission

Euro area enlargement: euro adopted recently only by small countries



Euro adoption years:

2007: Slovenia

2008: Malta, Cyprus

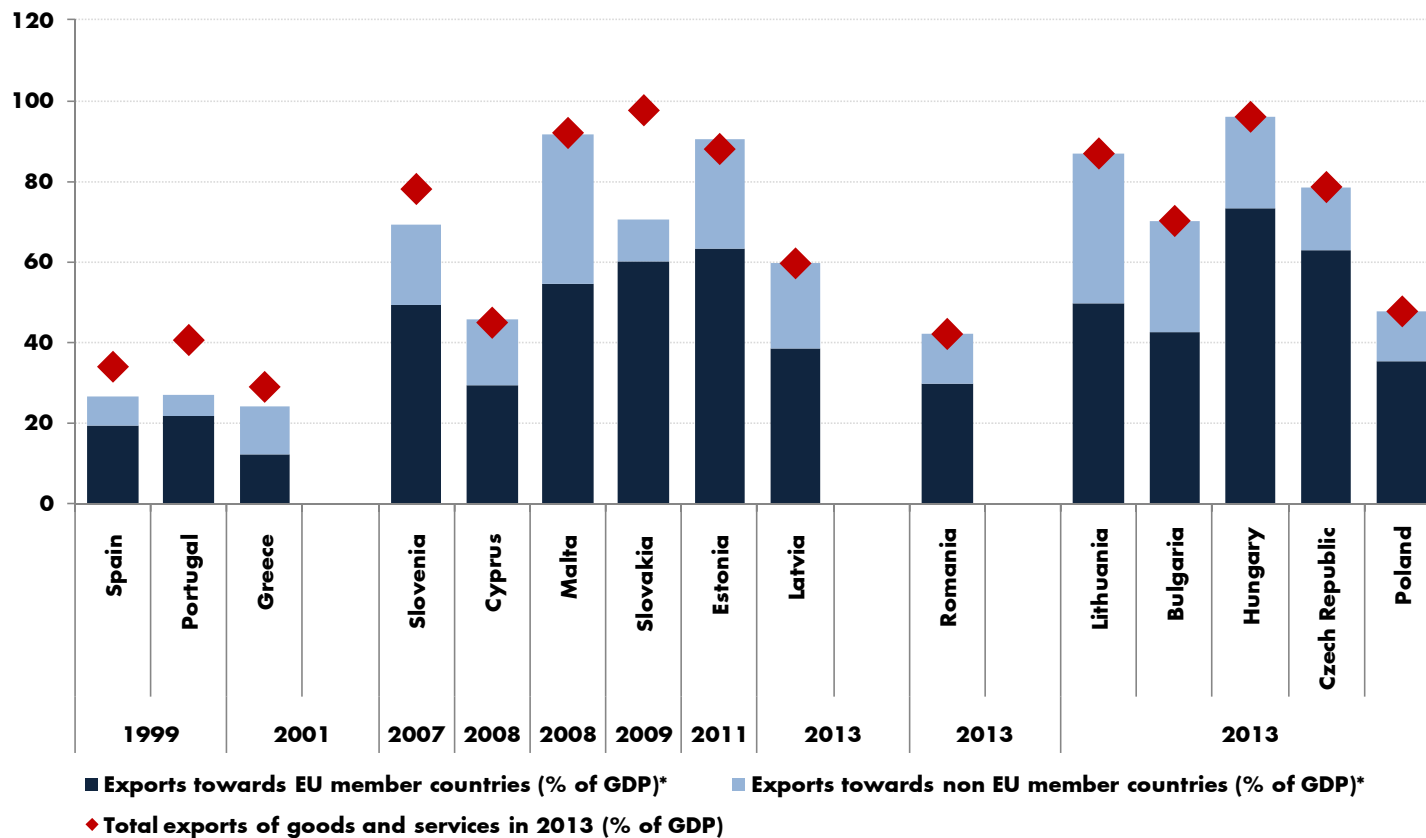
2009: Slovakia

2011: Estonia

2014: Latvia

Euro area enlargement: deep foreign trade integration for Euro area late comers

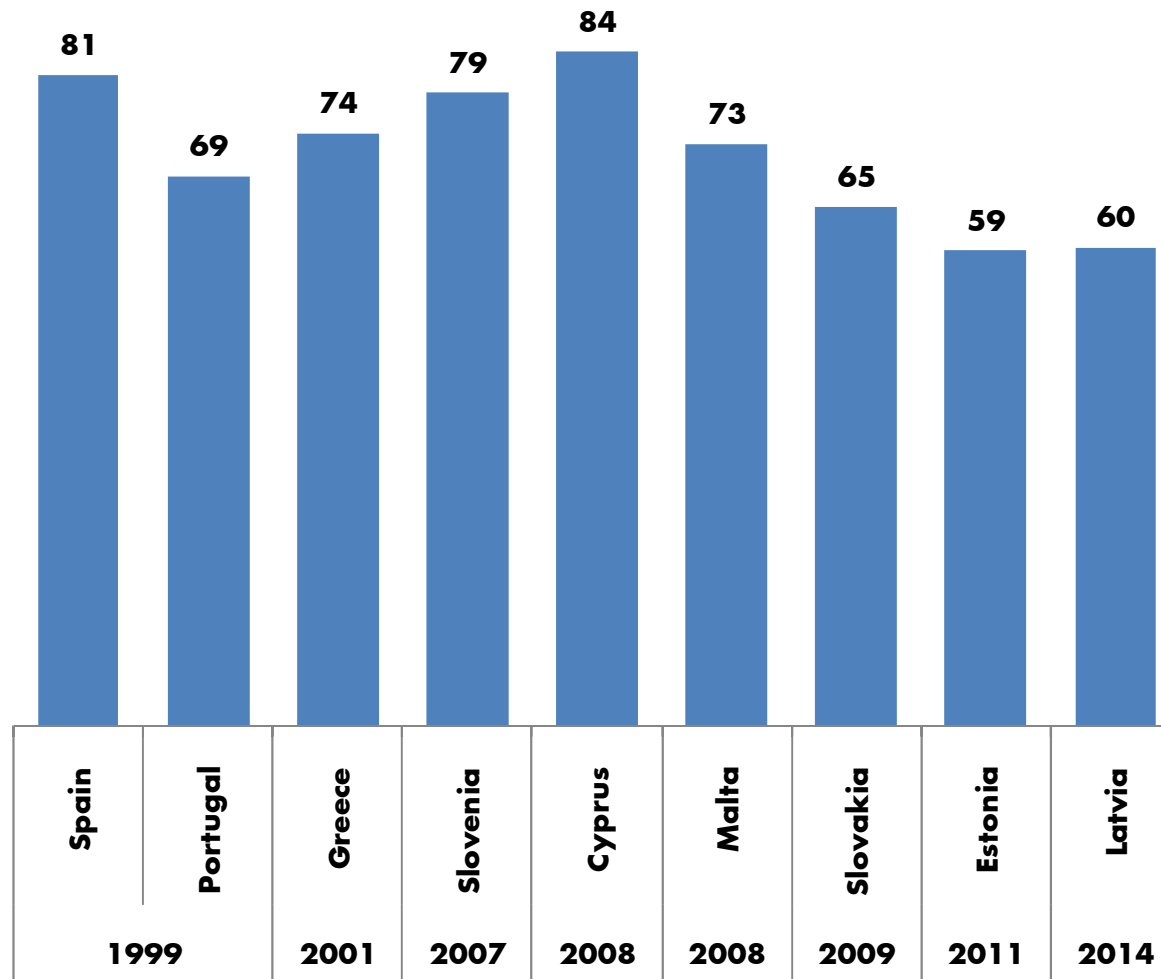
Exports of goods and services (% of GDP)



* computed in the year of Euro adoption for new Euro area member countries and in 2013 for non Euro area member countries

Euro area enlargement: high GDP per capita at the moment of euro adoption

GDP per capita in PPS as % of Germany+France in the year of accession in Euro area



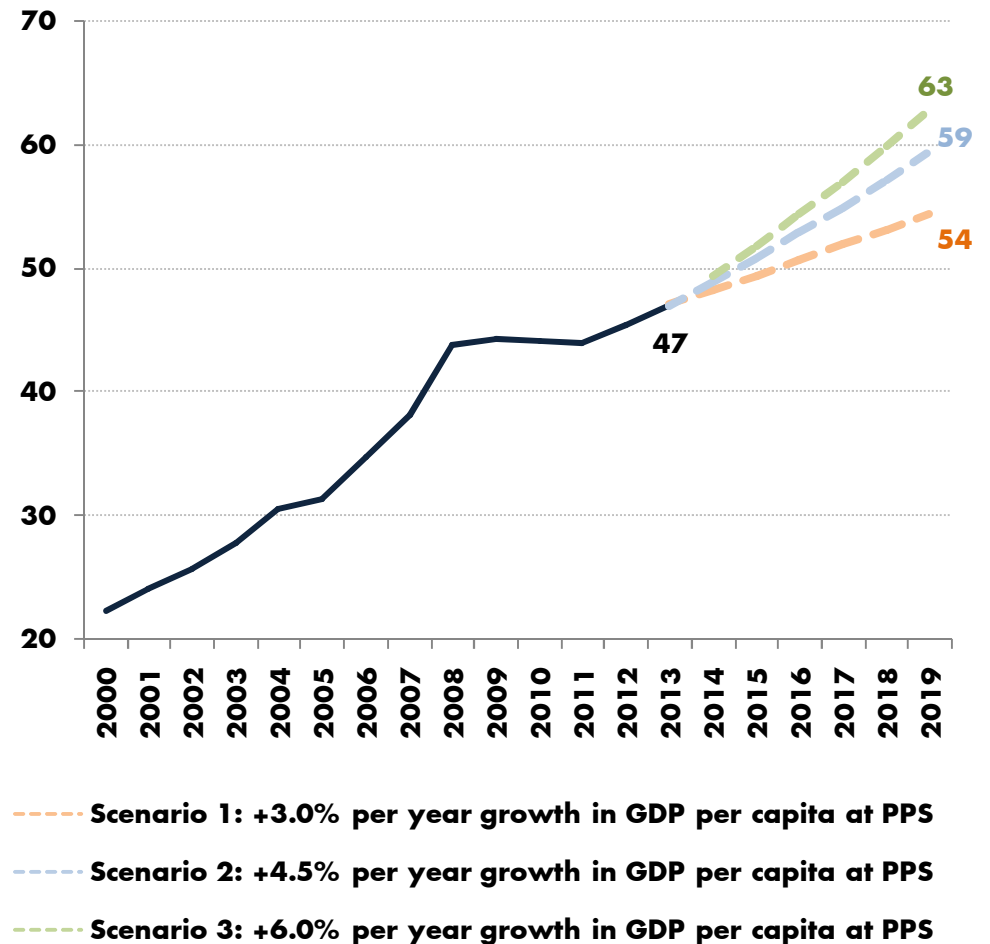
Source: Eurostat, Raiffeisen RESEARCH

Real convergence in Romania by 2019: some scenarios

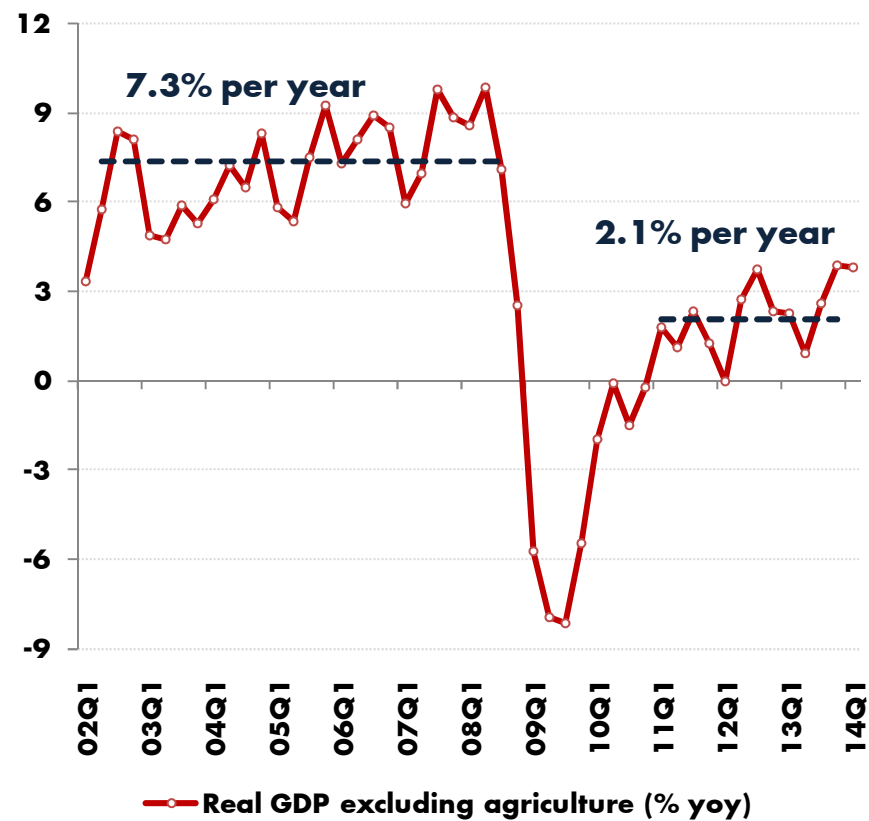
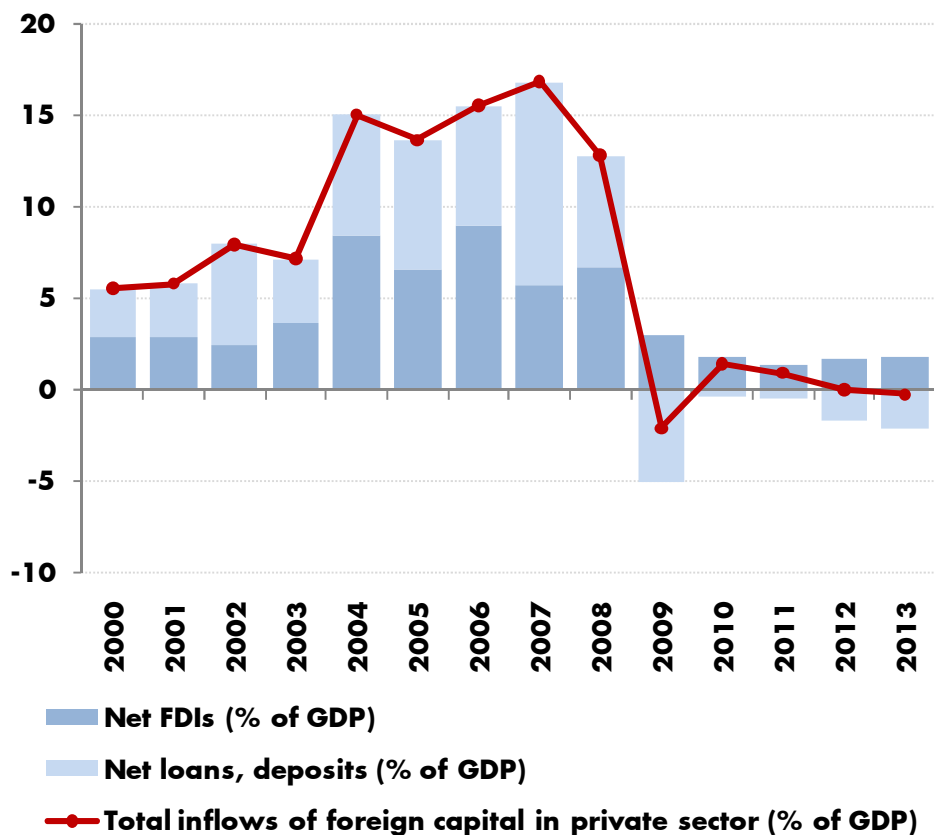
Reference period	GDP per capita at PPS (% yoy, average for period)		GDP per capita in Romania in 2019 (% of Germany and France)
	Romania	Germany+France	
2001-2008	12.0	2.9	54
2001-2013	8.4	2.4	
2006-2013	7.5	2.1	
2009-2013	2.9	1.4	
2011-2013	4.5	2.3	
Scenarios for period 2014-2019			63
Scenario 1	4.5	2.0	
Scenario 2	6.0	2.0	
Scenario 3	7.0	2.0	

Real GDP should grow by at least 4% on average per year to be in Scenario 2.

**GDP per capita at PPS in Romania
(% of Germany+France)**



Scarce net inflows of foreign capital to private sector, slow recovery pace



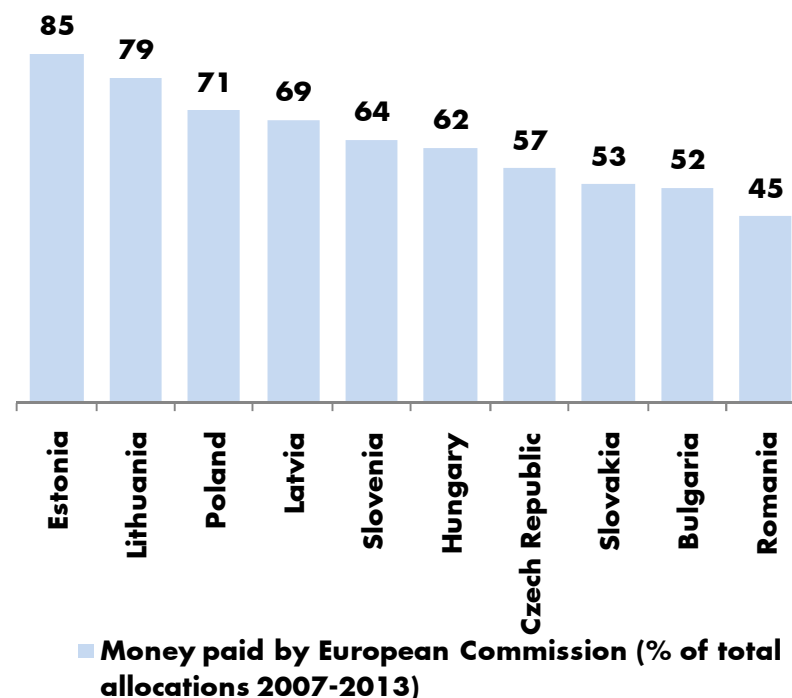
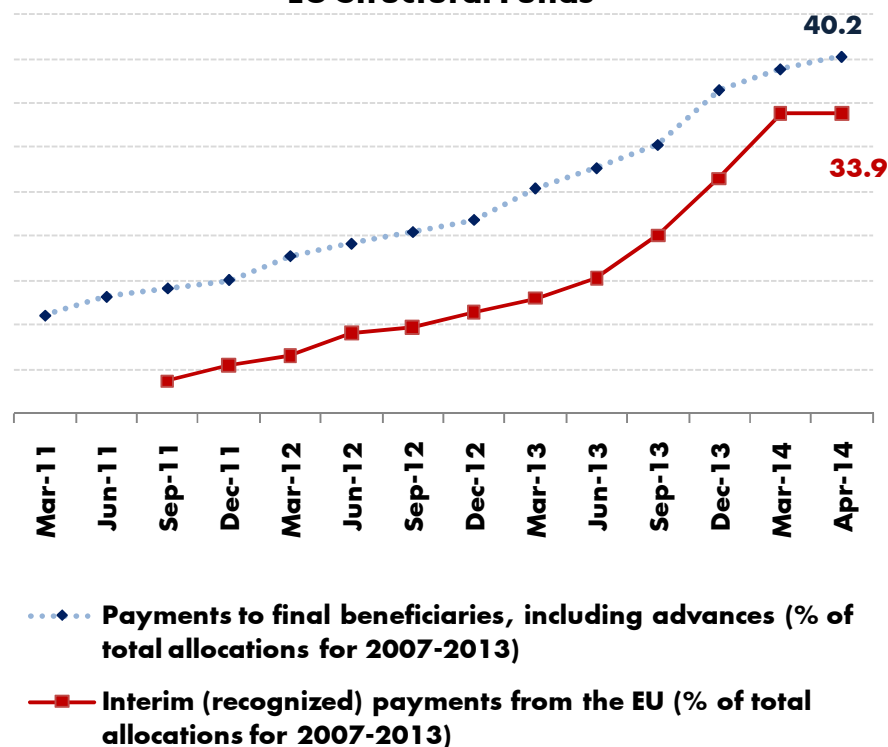
Note: net inflows of foreign capital in the private sector; portfolio inflows excluded

Source: National Bank of Romania, National Institute of Statistics

Much stronger progress in absorption of EU funds is needed

- Utilizarea Fondurilor Structurale permite (1) cresterea potentialului de crestere economica si (2) acoperirea necesarului de finantare externa al tarii

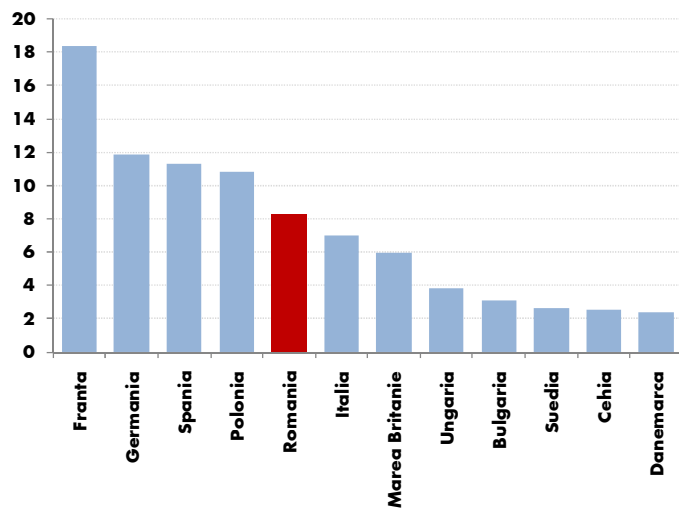
Romania: progress with absorption of EU Structural Funds



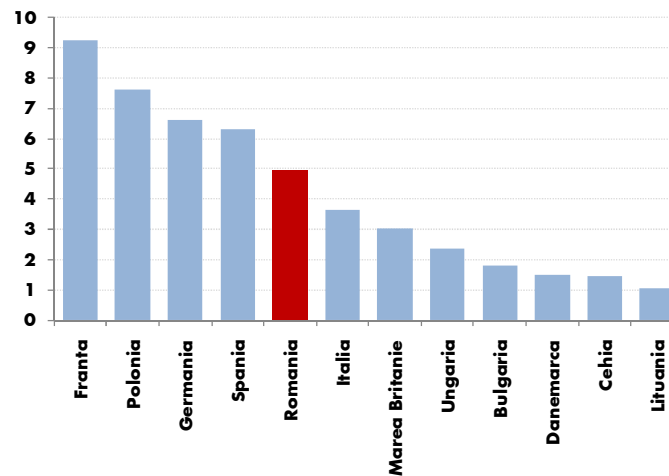
Note: Transfers refer both to interim (recognized) payments and advances; most recent data made public by the European Commission; Data refer to 15 April 2014

Potential agricol ridicat...

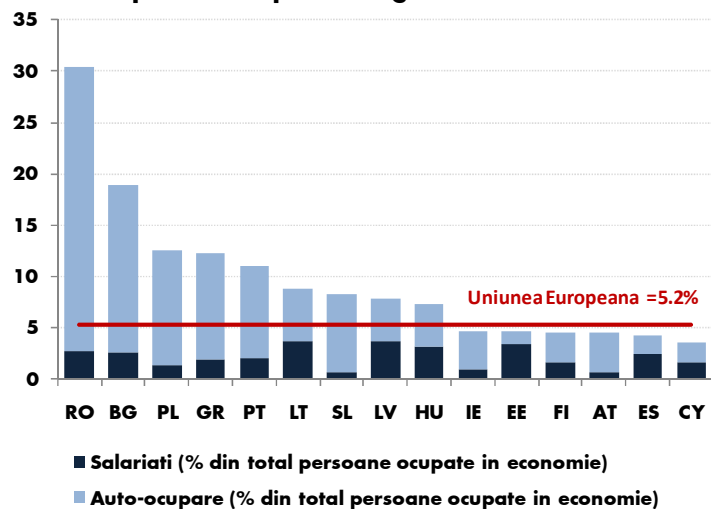
Suprafata arabila in 2010 (milioane hectare)



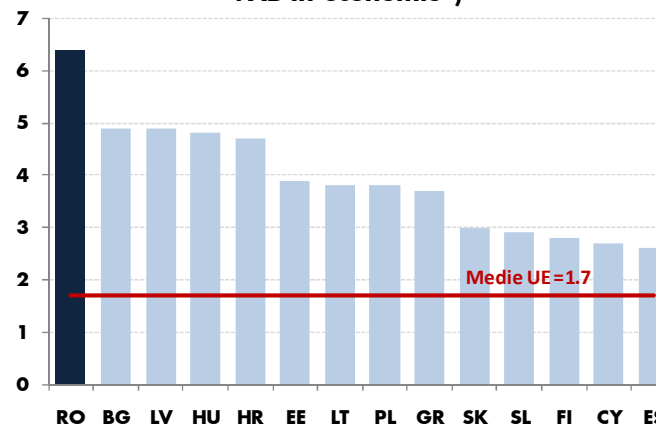
Suprafata cultivata cu cereale in 2010 (milioane hectare)



Populatia ocupata in agricultura in 2012



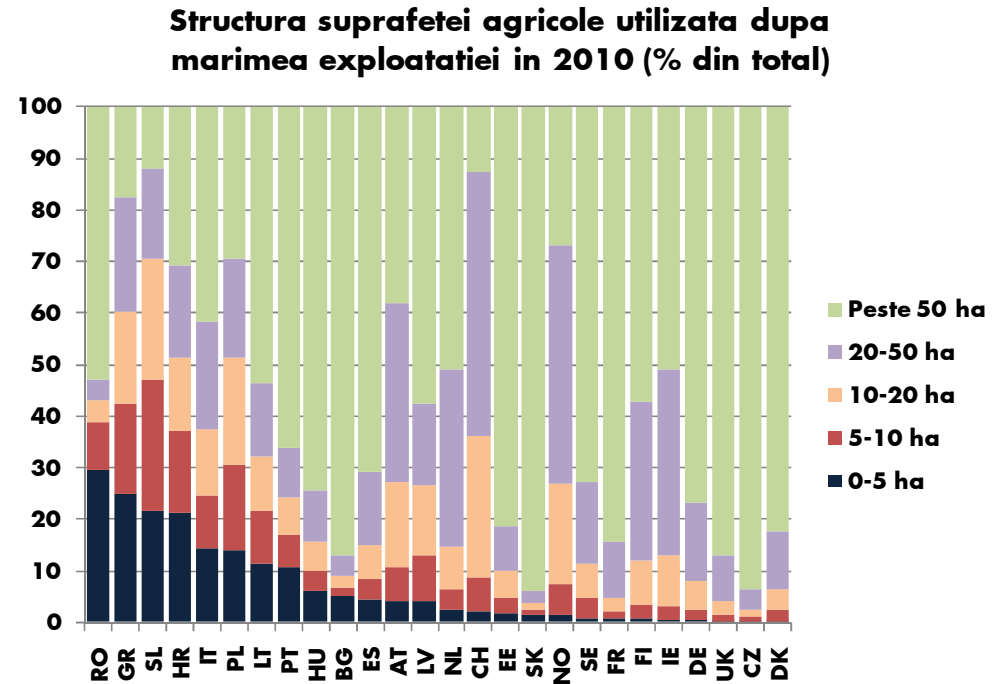
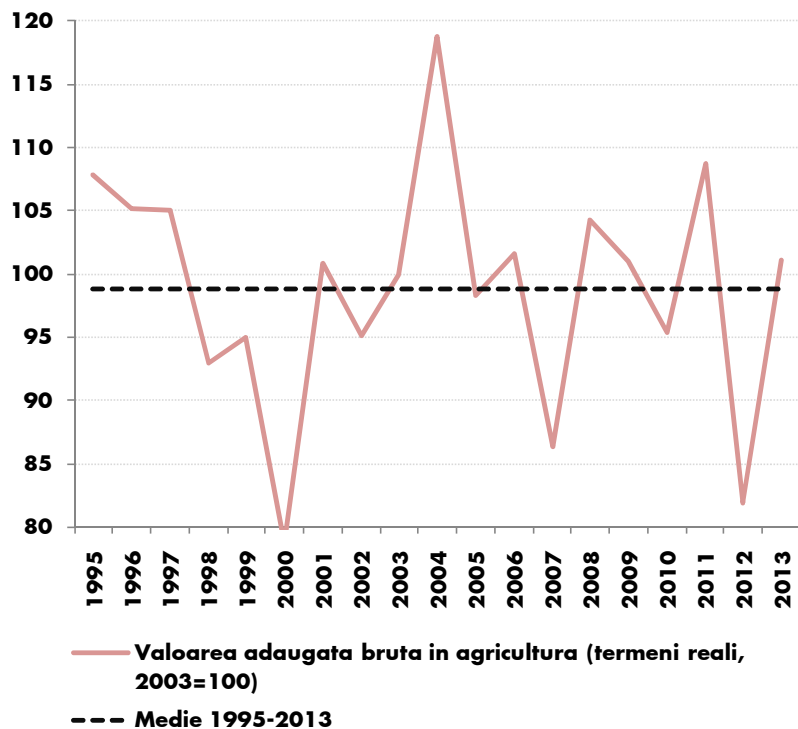
VAB in agricultura in 2013 (% din total VAB in economie)



■ Romania ocupa un loc important in Uniunea Europeana din punct de vedere al suprafetelor agricole si al ocuparii in agricultura

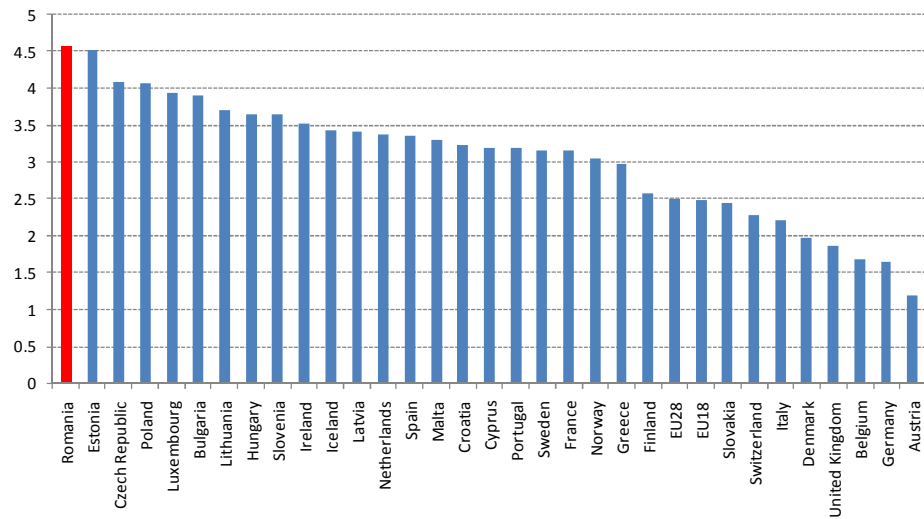
... dar insuficient valorificat - probleme structurale in agricultura

- Impact puternic al conditiilor climaterice asupra productiei agricole
- Segmentare importanta a exploatatii agricole (lipsa cadastrului)
- Agricultura de subzistenta detine o pondere importanta
- Romania este importator net de produse agroalimentare (exclusiv cereale)

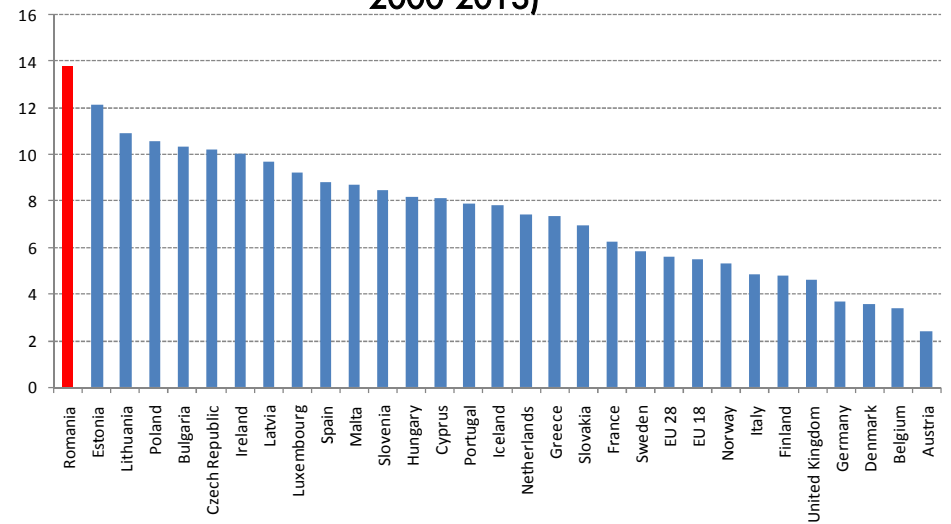


Cresterea eficientei cheltuielilor de investitii publice este absolut necesara

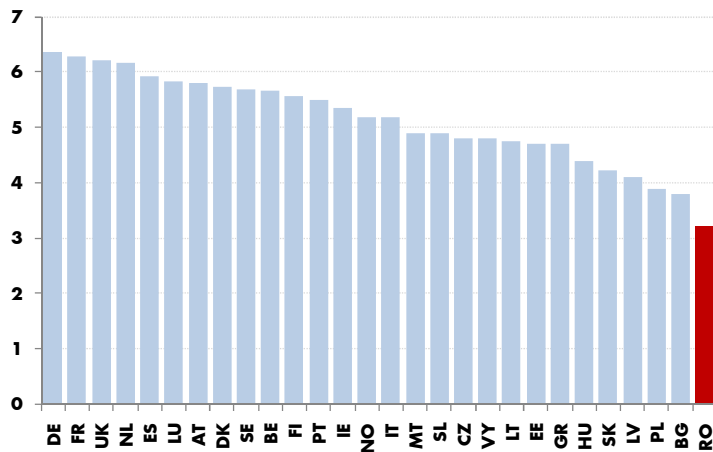
Cheltuieli publice de investitii (% din PIB, medie anuala, 2000-2013)



Cheltuieli publice de investitii (% din veniturile bugetare, medie anuala, 2000-2013)



Scor privind calitatea infrastructurii de transport (WEF, 2012-2013)



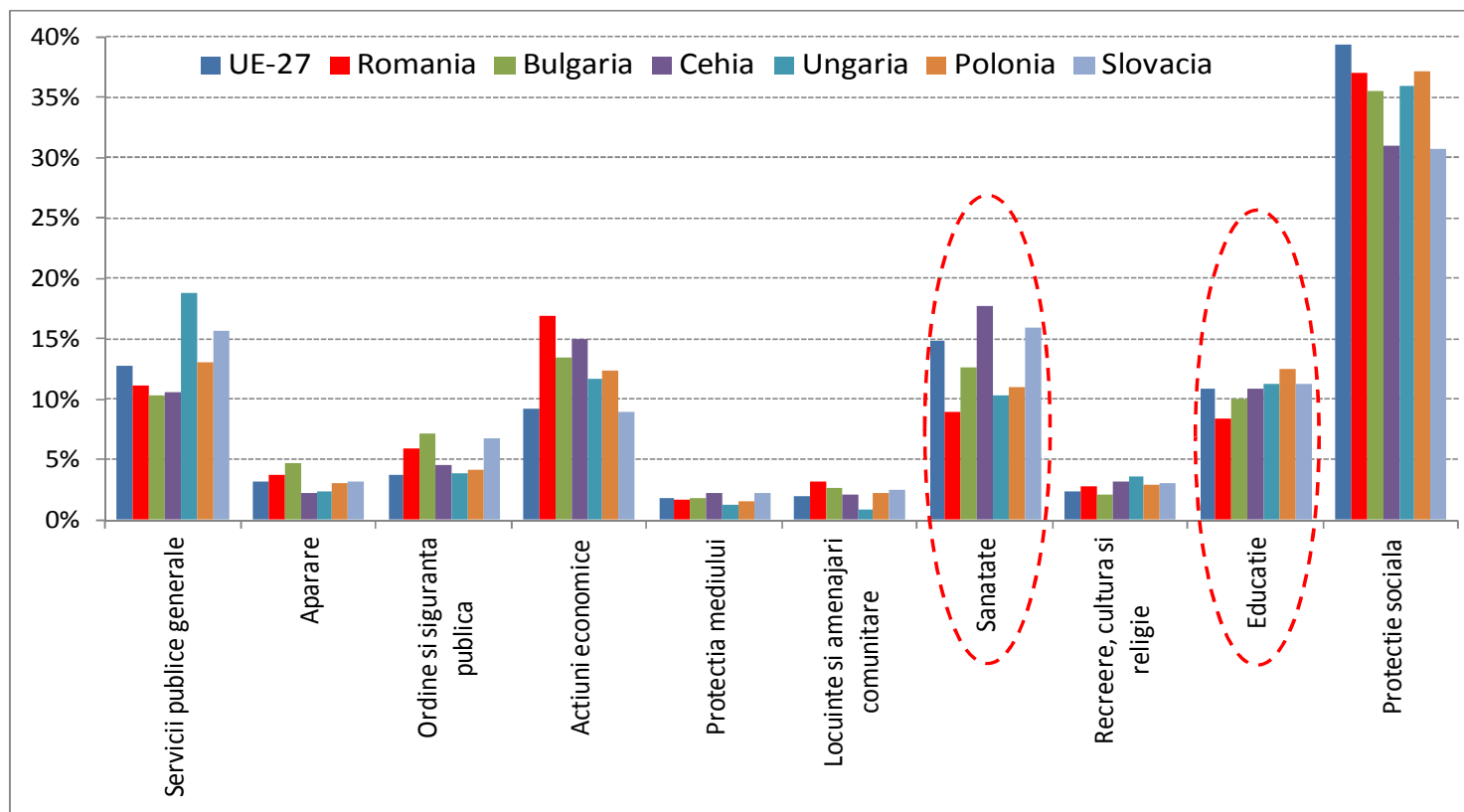
- **Resurse financiare mari alocate pentru cheltuielile publice de investitii, dar:**
 - **exista un sentiment puternic ca progresele facute in domeniul infrastructurii au fost foarte mici**
 - **infrastructura slaba ramane o problema esentiala pentru Romania**
- **Necesitatea prioritizarii investitiilor si atragerii sectorului privat (parteneriate publice-private)**

Sursa: Eurostat, World Economic Forum, The Global Competitiveness Report 2012-2013

Resurse reduse alocate sanatatii si educatiei

% din PIB, medie 2000-2012	Sanatate	Educatie
EU 27	6.94	5.27
EU 18	6.92	4.94
Bulgaria	4.38	3.94
Czech Republic	7.23	4.68
Hungary	5.26	5.50
Poland	4.62	5.78
Romania	3.38	3.75
Slovakia	5.90	3.88

Structura cheltuielilor bugetare dupa clasificatia functionala, 2012

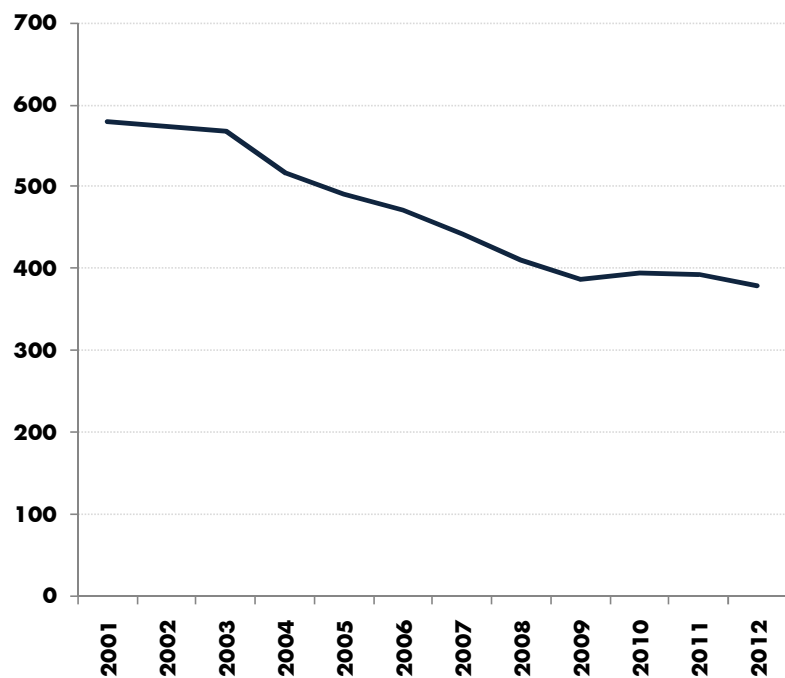


Sursa: EUROSTAT

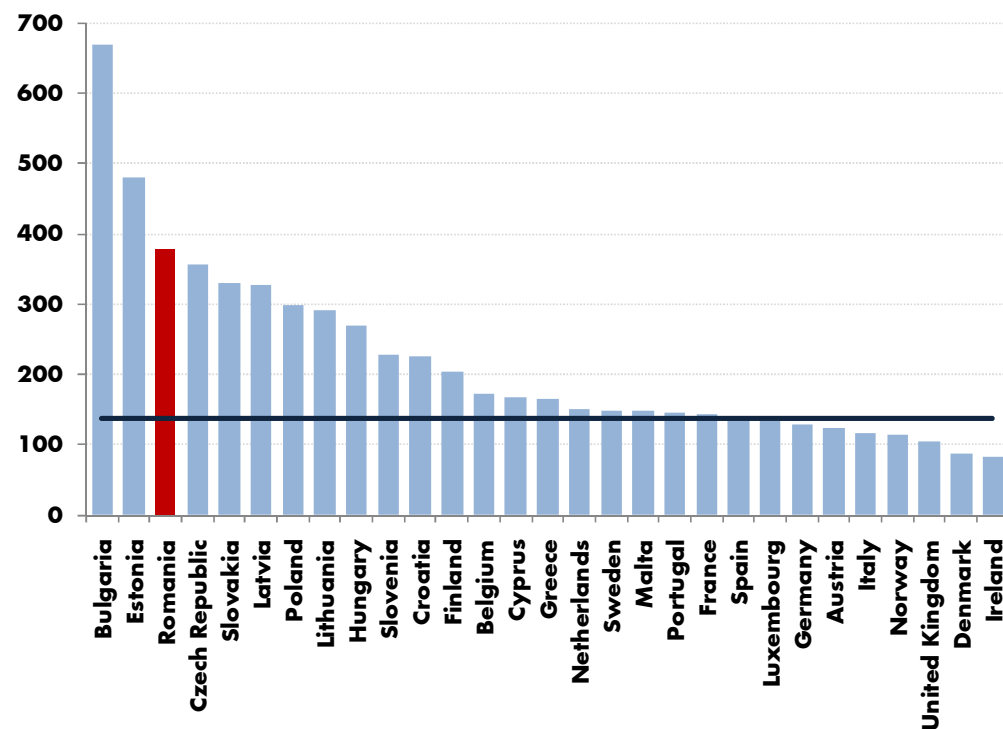
Eficiența energetică scăzută a economiei

- Eficiența energetică a economiei s-a îmbunătățit, dar rămâne redusă comparativ cu celelalte economii din Uniunea Europeană
- Creșterea eficienței energetice a economiei permite creșterea competitivității acesteia, inclusiv reducerea importurilor de produse energetice

Gross inland consumption of energy divided by GDP (kg of oil equivalent per 1 000 EUR)



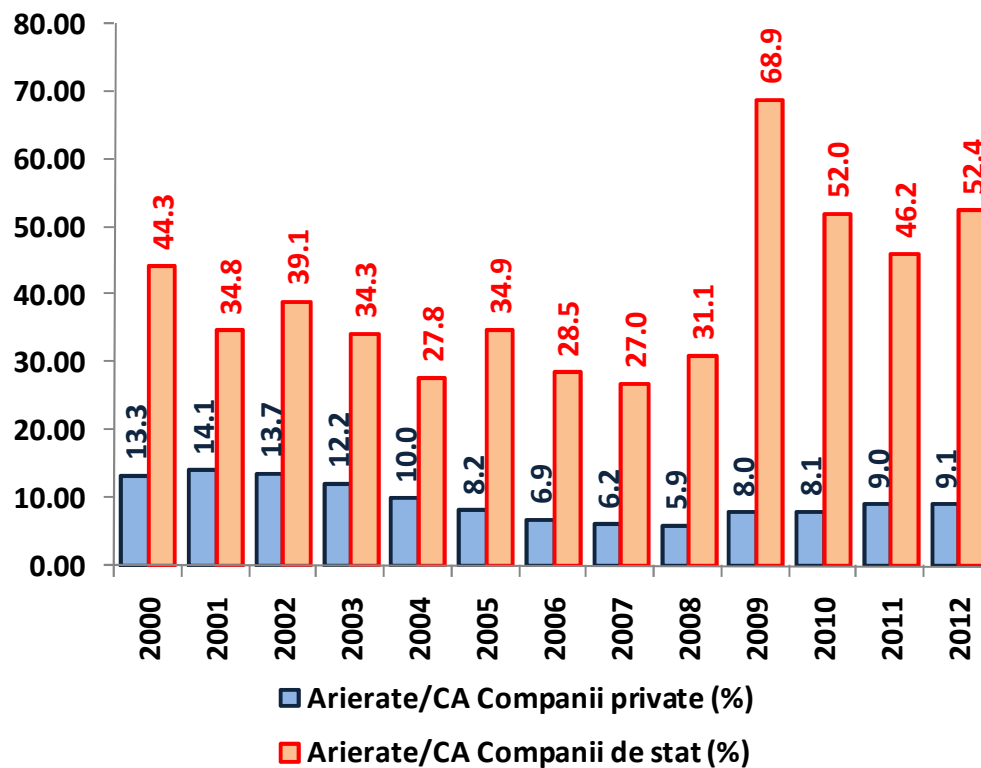
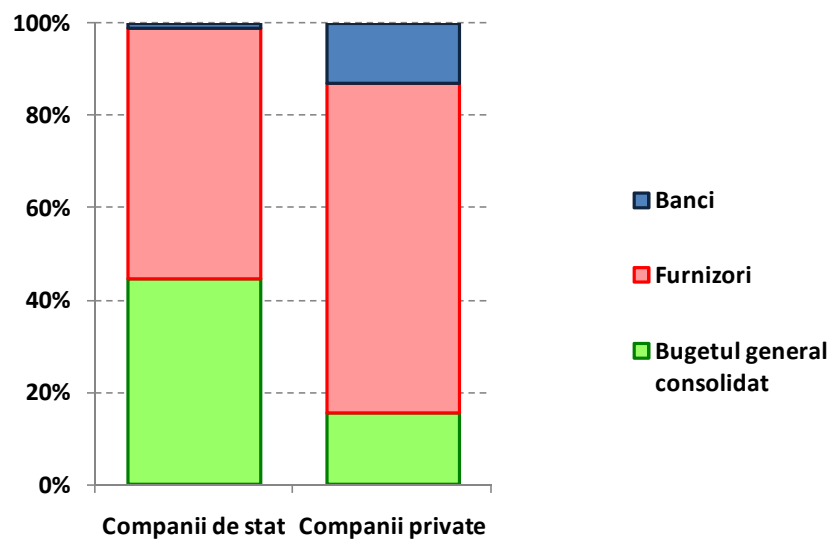
Gross inland consumption of energy divided by GDP (kg of oil equivalent per 1 000 EUR) in 2012



Ineficienta companiilor de stat reprezinta o problema serioasa

- **Deși contribuie cu doar circa 7% la valoarea adăugată din economie, companiile de stat contribuie cu circa 24% la totalul arrieratelor din economie**

Structura arieratele companiilor din Romania (% din total, decembrie 2012)



**Competitivitatea economiei este una
relativ scazuta**

World Bank Doing Business Report – Ranking (out of 189 countries)

	Ease of Doing Business	Starting a Business	Dealing with Construction Permits	Getting Electricity				Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency			
	Rank	Rank	Rank	Procedures (number)	Time (days)	Cost (% of income per capita)	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Time (years)	Cost (% of estate)	Recovery rate (cents on the dollar)	Rank
United States	4	20	34	4	60	16	13	25	3	6	64	22	11	1.5	7	81.5	17
Germany	21	111	12	3	17	47	3	81	28	98	89	14	5	1.2	8	82.9	13
Poland	45	116	88	6	161	205	137	54	3	52	113	49	55	3.0	15	54.8	37
Slovak Republic	49	108	53	5	158	11	65	11	42	115	102	108	65	4.0	18	54.1	38
Hungary	54	59	47	5	252	116	112	45	55	128	124	70	15	2.0	14.5	38.3	70
Bulgaria	58	65	118	6	130	320	135	62	28	52	81	79	79	3.3	9	32.6	92
Romania	73	60	136	7	223	534	174	70	13	52	134	76	53	3.3	10.5	30.0	99
Czech Republic	75	146	86	6	279	179	146	37	55	98	122	68	75	2.1	17	65.0	29

Source: World Bank Doing Business 2013-2014 Report

World Economic Forum World Competitiveness Report – Ranking (out of 148 countries)

	Romania	Bugaria	Czech Rep	Hungary	Poland
1.11 Efficiency of legal framework in challenging regs., 1-7 (best)	128	122	126	138	111
1.10 Efficiency of legal framework in settling disputes, 1-7 (best)	128	125	115	113	119
1.04 Public trust in politicians, 1-7 (best)	141	97	146	129	100
1.07 Favoritism in decisions of government officials, 1-7 (best)	137	117	123	116	65
1.08 Wastefulness of government spending, 1-7 (best)	134	86	53	110	93
1.09 Burden of government regulation, 1-7 (best)	127	105	135	140	133
2.02 Quality of roads, 1-7 (best)	145	112	81	73	105
2.05 Quality of air transport infrastructure, 1-7 (best)	119	83	21	101	103
6.09 Prevalence of trade barriers, 1-7 (best)	128	123	68	43	89
1.20 Protection of minority shareholders' interests, 1-7 (best)	128	99	83	80	93
7.07 Reliance on professional management, 1-7 (best)	131	112	62	114	79
1.19 Efficacy of corporate boards, 1-7 (best)	126	127	88	120	95
7.01 Cooperation in labor-employer relations, 1-7 (best)	139	99	74	83	88
5.08 Extent of staff training, 1-7 (best)	134	127	68	108	75
1.17 Ethical behavior of firms, 1-7 (best)	139	110	109	92	59
2.04 Quality of port infrastructure, 1-7 (best)	123	85	61	84	97
7.05 Effect of taxation on incentives to work, 1-7 (best)	146	109	133	132	105
6.04 Effect of taxation on incentives to invest, 1-7 (best)	136	103	132	135	116
7.08 Country capacity to retain talent, 1-7 (best)	138	142	109	126	119
7.09 Country capacity to attract talent, 1-7 (best)	132	144	87	115	121
1.B. Private institutions, 1-7 (best)	127	94	93	89	60
2.A. Transport infrastructure, 1-7 (best)	122	97	49	71	92

Source: The Global Competitiveness report, World Economic Forum, 2013-2014

World Bank Doing Business Report – Paying taxes, ranking (out of 189 countries)

	Rank	Payments (number per year)	Time (hours per year)	Profit tax (%)	Labor tax and contributions (%)	Other taxes (%)	Total tax rate (% profit)
Ireland	6	9	80	12.3	12.1	1.3	25.7
Estonia	32	7	81	8.1	39.4	2	49.4
Latvia	49	7	264	4.9	27.3	3.7	35.9
Slovenia	54	11	260	12.9	18.2	1.4	32.5
Lithuania	56	11	175	6	35.2	1.9	43.1
<i>United States</i>	<i>64</i>	<i>11</i>	<i>175</i>	<i>27.9</i>	<i>9.9</i>	<i>8.4</i>	<i>46.3</i>
Bulgaria	81	13	454	4.9	20.2	2.6	27.7
<i>Germany</i>	<i>89</i>	<i>9</i>	<i>218</i>	<i>23</i>	<i>21.8</i>	<i>4.6</i>	<i>49.4</i>
Slovak Republic	102	20	207	7	39.6	0.6	47.2
Poland	113	18	286	14.1	26	1.5	41.6
Czech Republic	122	8	413	7.7	38.4	2	48.1
Hungary	124	12	277	11.6	34.6	3.5	49.7
Kyrgyz Republic	127	51	210	6.2	19.5	7.7	33.4
Sierra Leone	128	33	353	18.2	11.3	2.9	32.4
Mozambique	129	37	230	30.9	4.5	2.1	37.5
Yemen, Rep.	129	44	248	20.1	11.3	1.4	32.7
Belarus	133	10	319	13.4	39	1.5	54
Romania	134	39	200	10.3	31.5	1.1	42.9
<i>Europe & Central Asia</i>	<i>..</i>	<i>26</i>	<i>246</i>	<i>9</i>	<i>22.6</i>	<i>7</i>	<i>38.7</i>
<i>OECD high income</i>	<i>..</i>	<i>12</i>	<i>175</i>	<i>16.1</i>	<i>23.1</i>	<i>2</i>	<i>41.3</i>

Source: World Bank Doing Business 2013-2014 Report

Bulgaria

Tax or mandatory contribution	Payments (number)	Notes on Payments	Total tax rate (% profit)
Social security contributions	1	online filing	20.2
Corporate income tax	1	online filing	4.9
Fees for municipal services (garbage collection fee) - Sofia	4		0.9
Stamp duty on property transfer	1		0.9
Vignette	1		0.4
Real estate tax on the land and building	1		0.3
Vehicle tax	1		0.1
Fuel tax	1		..
Value added tax (VAT)	1	online filing	..
Final/one-off tax on certain expenses	1	online filing	..
Totals:	13		27.7

Romania

Tax or mandatory contribution	Payments (number)	Notes on Payments	Total tax rate (% profit)
Social security contributions	12		23.5
Corporate income tax	4		10.3
Health insurance contributions	0	paid jointly	5.9
Medical leave	0	paid jointly	1
Building tax	2		1
Unemployment contribution	0	paid jointly	0.6
Accident risk fund	0	paid jointly	0.4
Guarantee fund	0	paid jointly	0.3
Vehicle tax	2		0.1
Firm tax	2		0
Urbanism tax	1		0
Land tax	2		0
Value added tax (VAT)	12		..
Environmental taxes	1		..
Fuel tax	1		..
Stamp duty on contracts	0		..
Totals:	39		42.9

Czech Republic

Tax or mandatory contribution	Payments (number)	Notes on Payments	Total tax rate (% profit)
Social security contributions	1	online filing	24.3
Health Insurance	1	online filing	10.2
Corporate income tax	1	online filing	7.7
Sickness insurance	0	paid jointly	2.6
Property transfer tax	1		1.8
Unemployment contribution	0	paid jointly	1.4
Road tax	1	online filing	0.1
Real estate tax	1		0
Value added tax (VAT)	1	online filing	..
Fuel tax	1		..
Totals:	8		48.1

Hungary

Tax or mandatory contribution	Payments (number)	Notes on Payments	Total tax rate (% profit)
Social tax	1	online filing	30.5
Local business tax	1	online filing	5.9
Corporate income tax	1	online filing	5.8
Rehabilitation contribution	1	online filing	2.4
Training contribution	0	paid jointly	1.7
Special tax	1	online filing	1.4
Property tax	1	online filing	0.9
R&D Tax	1	online filing	0.9
Land tax	1	online filing	0.2
Vehicle tax	1	online filing	0.2
Fuel tax	1		..
Value added tax (VAT)	1	online filing	..
Environmental tax	1		..
Totals:	12		49.7

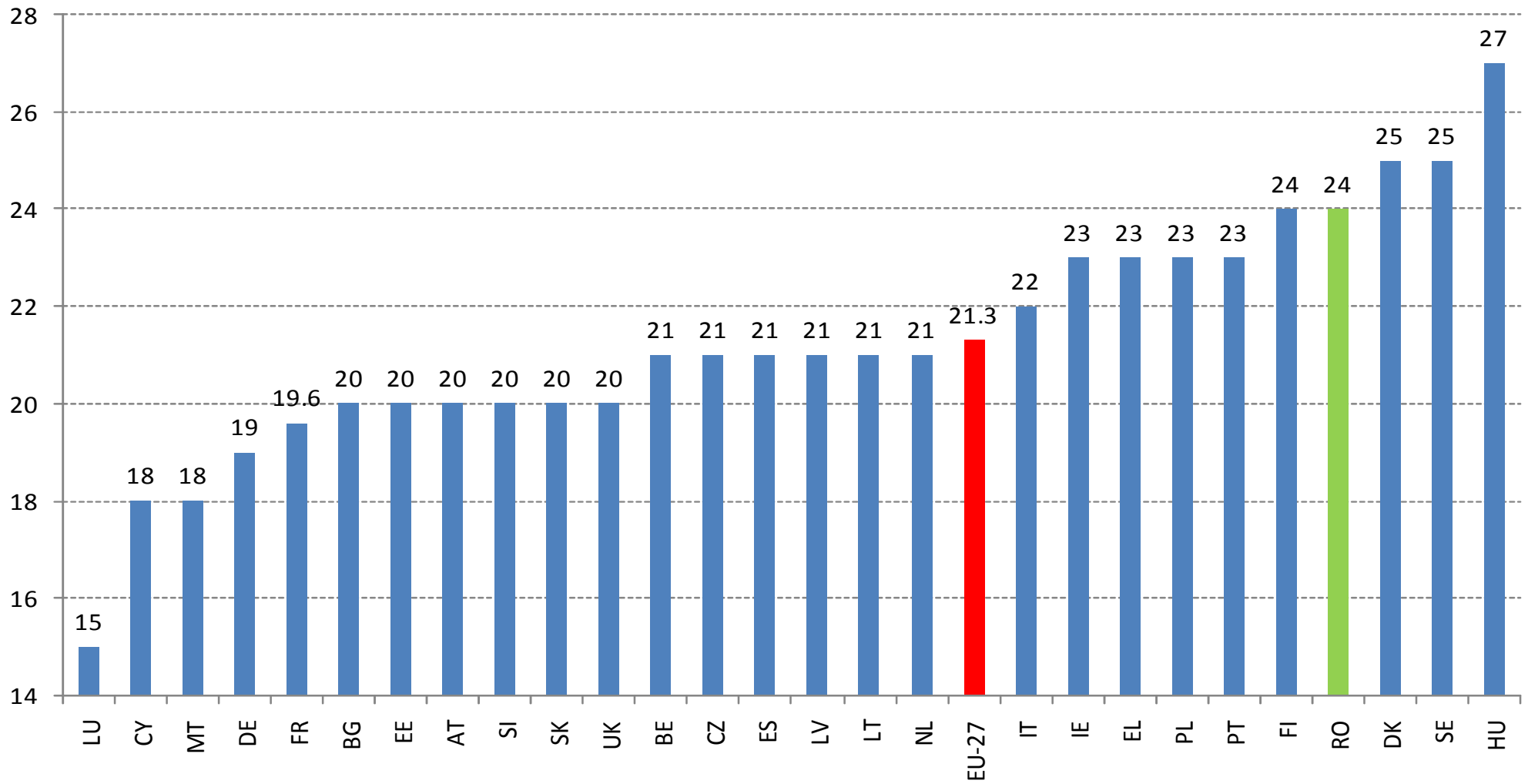
Poland

Tax or mandatory contribution	Payments (number)	Notes on Payments	Total tax rate (% profit)
Social security contributions	1	online filing	18.9
Corporate income tax	1	online filing	14.1
National disabled fund	0	paid jointly	4.2
Labor fund	0	paid jointly	2.8
Property tax	1		1.4
Guaranteed employees' fund	0	paid jointly	0.1
Transport tax	2		0.1
Fuel tax	1		..
Value added tax (VAT)	12		..
Totals:	18		41.6

Slovak Republic

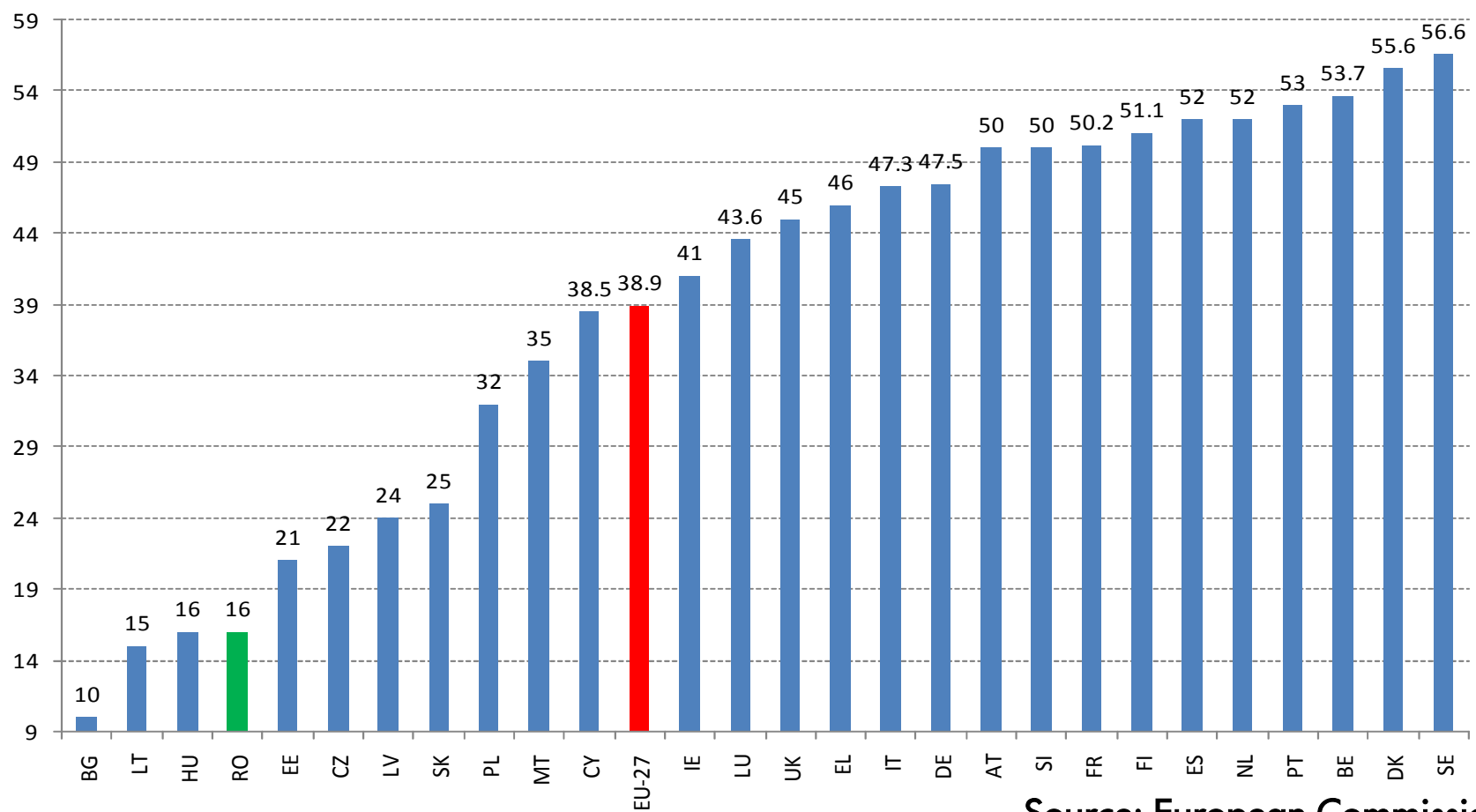
Tax or mandatory contribution	Payments (number)	Notes on Payments	Total tax rate (% profit)
Social security contributions	1	online filing	39.6
Corporate income tax	1		7
Tax on interest	0		0.5
Property tax	4		0.4
Motor vehicle tax	1		0.2
Fuel tax	1		..
Value added tax (VAT)	12		..
Totals:	20		47.2

VAT rate



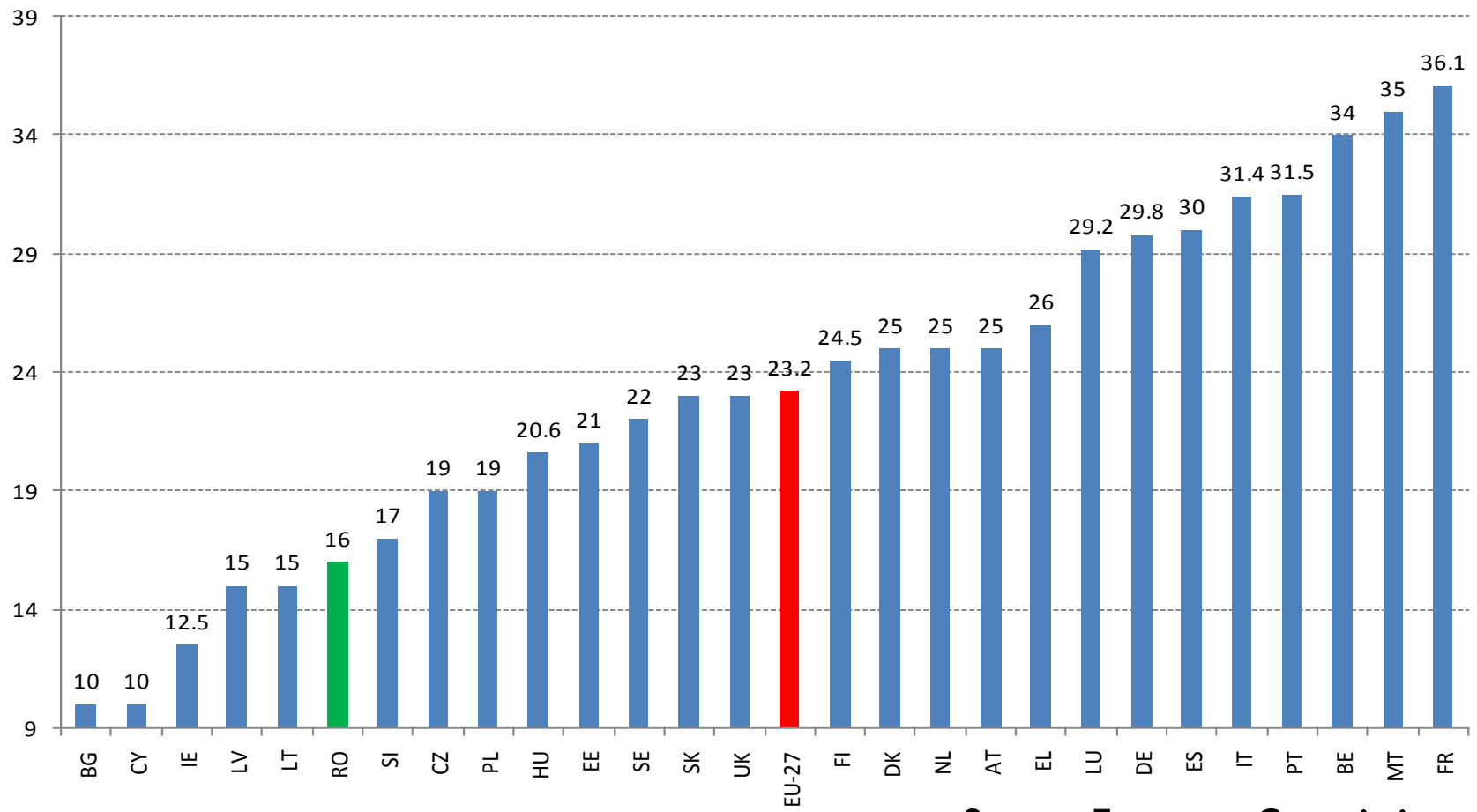
Source: European Commission

Top personal income tax rates



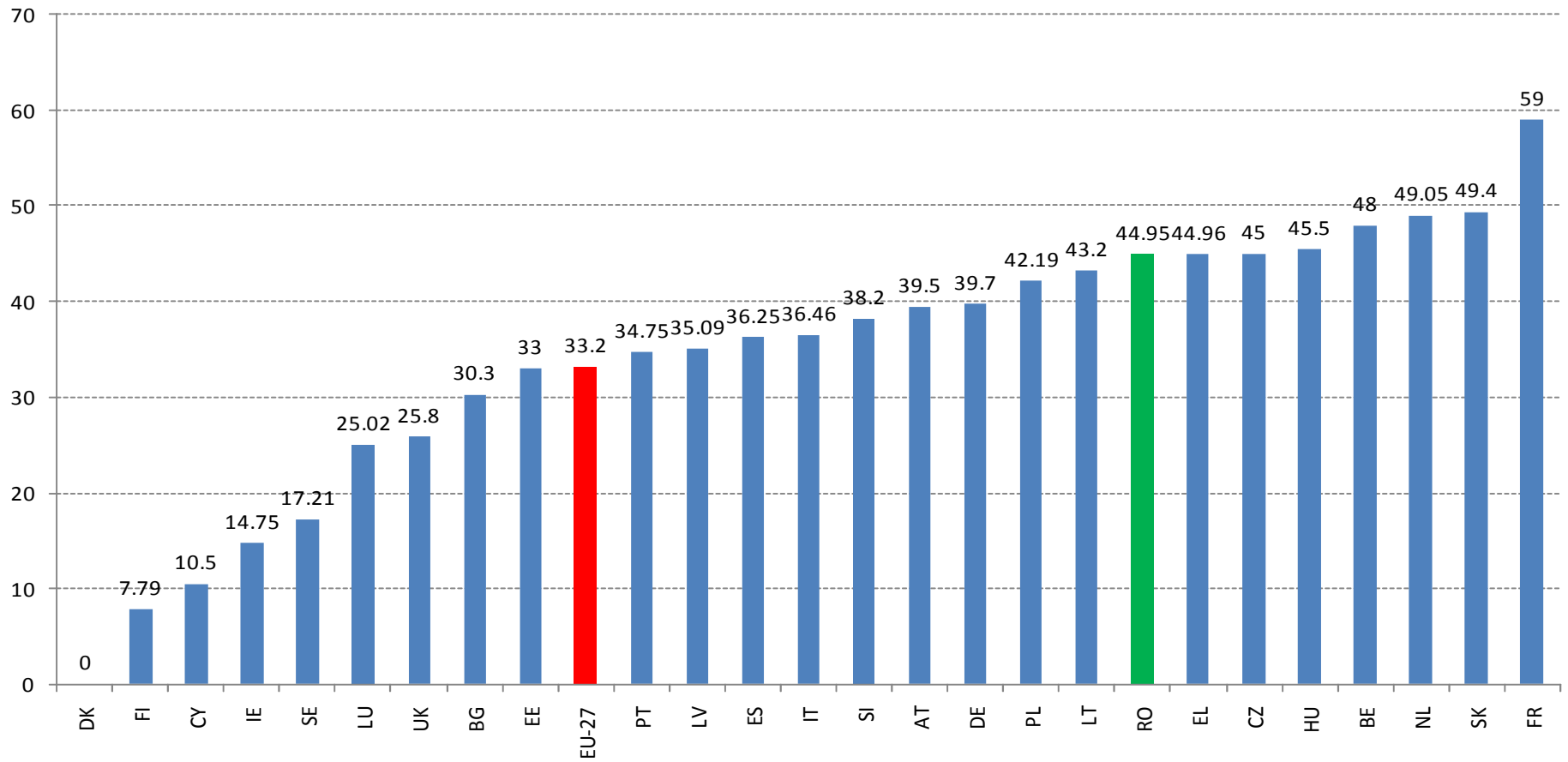
Source: European Commission

Top statutory tax rate on corporate income



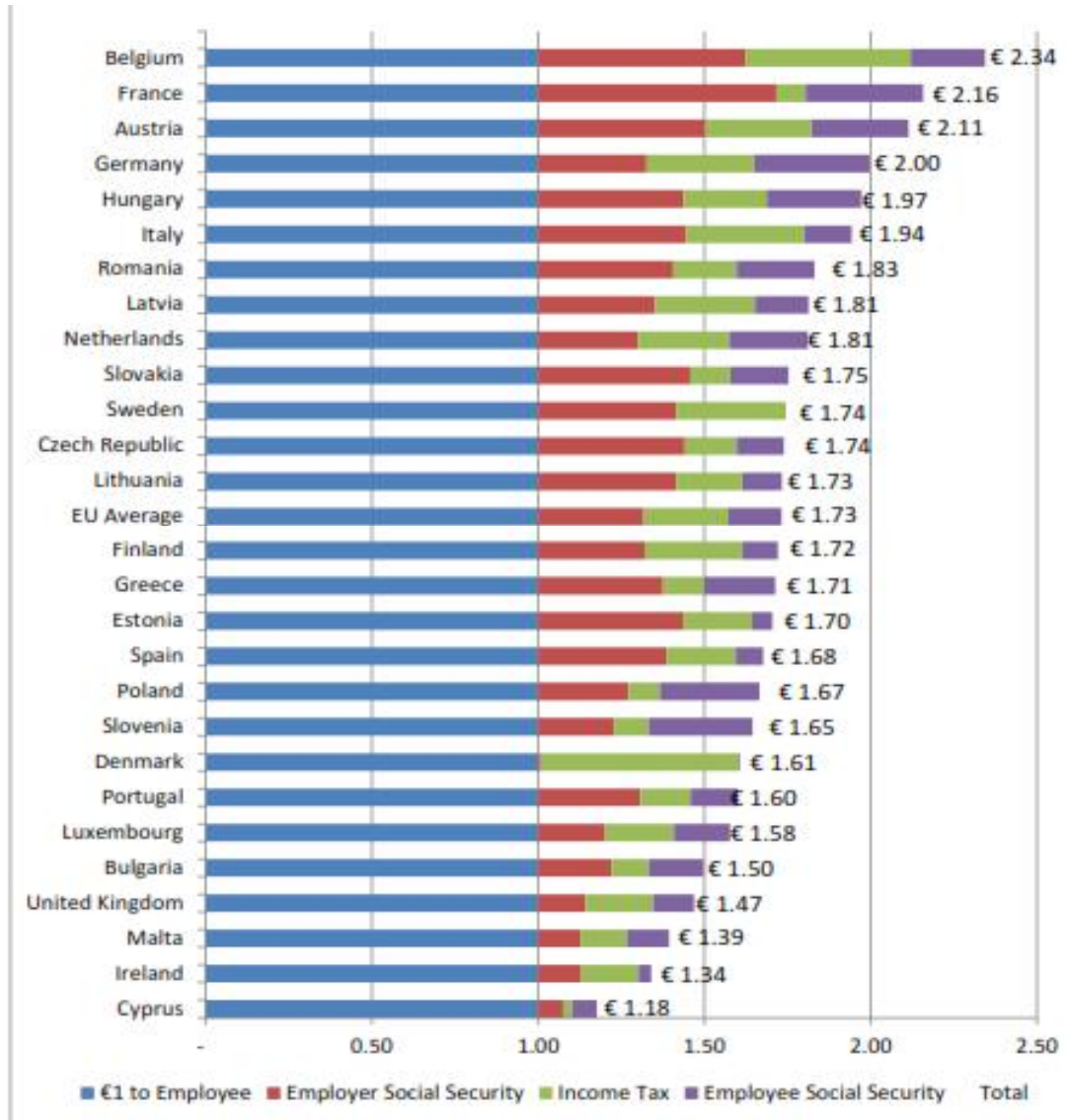
Source: European Commission

Social security contributions



Source: European Commission

What employers must spend to pay each net euro to an employee



Sursa: Molinari Economic Institute, The Tax Burden of Typical Workers in the EU 27, 2013

Disparitati regionale foarte mari

PIB nominal per capita (2011, % din media nationala)

