Economic Development, Technological Change, and Growth

Factors Influencing the Evolution of the Foreign Deficit in Romania

Camelia Milea[1]

Abstract: The purpose of the article[2] is to highlight the factors influencing the evolution of the current account deficit in Romania. The analysis shows that there is a strong correlation between the current account balance and the trade balance, that our country's exports depend on imports, that the evolution of exports depends on the nominal exchange rate leu / euro and that imports evolve independently of the fluctuations in the nominal exchange rate leu /euro. In addition, it is found that there are many elements that influence negatively the evolution of the foreign deficit of our country, including: expansionary budgetary policy, evolution of the budget deficit, consumption model based on high import demand, slow pace of structural reforms, unpredictability of public policy decisions, high share of energy-intensive industries in the economy, as well as the dependence on energy imports, high level of labor emigration, low capacity of the economy to innovate. The research methods used consist in comparative analysis in time, qualitative and quantitative evaluations, interpretations and correlations.

Keywords: impact; positive and negative effects; disequilibrium

JEL Classification: F14; F32; F40

1. Introduction

The upward trend in the evolution of Romania's current account deficit since 2015 is a source of vulnerabilities for the sustainable development of the economy, but also for the prospect of joining the euro area. On the one hand, a growing foreign deficit requires sources of financing, and in the lack of domestic capital, external financing will be used, especially loans, which will increase our country's external

[1] PhD, Scientific Researcher III, Centre for Financial and Monetary Research of the Romanian Academy "Victor Slăvescu", 13 Calea 13 Septembrie, Academy House, 050711 Bucharest, Romania, Tel.: 0040213188106, int. 3510, fax: 0040213182419, Corresponding author: cami.g.milea@gmail.com.

[2] The article is based on the research project "**Foreign deficit and foreign direct investments in Romania. Trends and challenges in the perspective of Euro adoption**", elaborated in CFMR "Victor Slăvescu" in 2019, under the coordination of Camelia Milea, PhD.

debt. On the other hand, Romania's current account deficit risks exceeding the limits allowed in the procedure on macroeconomic imbalances within the alert mechanism of the European Commission, making our country not eligible for the adoption of euro.

In Romania, the external deficit is generated by the negative balance of the current account. If in 2014 it was almost balanced (-0.7% of GDP), in 2019 the current account had a deficit of 4.6% of GDP. This development is mainly the result of a growing deficit in the balance of goods, stimulated by the explosion of private consumption, in the context of faster growth of imports compared to exports. This happened despite the increase of the market share of Romanian exports.

The deterioration of the goods balance is a matter of concern, as the increase in imports was substantially higher for consumer goods than for intermediate or capital goods.

Therefore, we considered appropriate to highlight the main factors influencing the evolution of the foreign deficit of our country.

2. Factors Influencing the Evolution of Romania's Foreign Deficit

In theory, there are several causes for the problems of the balance of payments, factors that influence the evolution of imports and exports of goods and services, and of capital flows. Among these, the following are more important for the evolution of the external balance in Romania.

Romania's ***national income*** (GDP[1]) has increased from year to year in the period 2006-2019, except for 2009, amid the manifestations of the economic and financial crisis. According to the theory, the almost continuous increase of GDP should be one of the factors that favored the increase of our country's imports (through the marginal propensity to import), the decrease of net exports and the deterioration of the trade balance, as a result of stimulating domestic demand.

We calculated the correlation[2] between the average annual nominal RON/EUR exchange rate (AANER RON/EUR), GDP, the current account deficit and the trade deficit in Romania (see Table 1).

[1] It is analyzed the evolution of GDP in euro, because we considered that it is more appropriate to take into account also the evolution of the leu / euro exchange rate.

[2] The results are analyzed subject to the error caused by the fact that the sample of data used is small.

Table 1. The Correlation between Nominal RON / EUR Exchange rate, GDP, Current Account Deficit and trade Deficit in Romania

	GDP	*TRADE balance*	*AANER RON/EUR*	*Current account balance*
GDP	1			
Trade balance	-0,14024	1		
AANER RON/EUR	0,685337	0,582179	1	
Current account balance	0,213852	0,919482	0,77804	1

Source: Author's Calculation

The results show a strong correlation between the current account balance and the trade balance (confirmed by the reality, in Romania, the trade deficit being the determining factor in the evolution of the current account deficit), a weak correlation (almost non-existent) between GDP and the current account deficit, and between GDP and trade deficit. There is some correlation between the trade balance and the nominal RON/EUR exchange rate, and a slightly stronger (but still weak) correlation between the current account deficit and the nominal RON/EUR exchange rate.

A gradual depreciation of ***the nominal RON/EUR exchange rate*** almost throughout the entire period under review (except for a few years: 2007, 2010, 2013) has partially offset the effect of rising export prices and has supported the country's exports to euro area markets.

From the table below, one can see a very strong correlation[1] between the imports and exports of our country (exports depend on imports), a strong correlation between exports and the nominal RON/EUR exchange rate (the evolution of exports depends on the nominal RON/EUR exchange rate) and a weak correlation between imports and the nominal RON/EUR exchange rate (imports evolve independently of the nominal RON/EUR exchange rate fluctuations).

Table 2. The Correlation between Nominal RON / EUR Exchange Rate, Exports and Imports in Romania

	Exports (mil EUR)	*Imports (mil. EUR)*	*AANER RON/EUR*
Exports (mil EUR)	1		
Imports (mil. EUR)	0,914197053	1	
AANER RON/EUR	0,834209659	0,587609245	1

Source: Author's Calculation

[1] The results are analyzed subject to the error caused by the fact that the sample of data used is small.

The acceleration of the growth of unit labor costs has put pressure on the ***real RON/EUR exchange rate*** (based on inflation), the result being its depreciation between 2014 and 2016 and in 2019. In 2007, 2010, 2013, 2017 and 2018, however, the real exchange rate has appreciated (in the first 3 years, on the background of the appreciation of the nominal exchange rate), influencing negatively the competitiveness of prices.

The difference between the domestic interest rate and the international interest rate stimulates the entry of capital in Romania in the form of portfolio investments and external loans, despite the risks generated by the legislative and political instability, by the poorly developed infrastructure.

Table 3. Financial Market Performance Indicators

Financial market indicators	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Long-term interest rate spread versus Bund[1] (basis points)	384,4	333,1	297,8	322,9	364,1	429	478,2
Credit default swap spreads for sovereign securities (5-year) (basis points)	180,4	137,4	110	105,9	92,5	83,5	85,2

Source: European Commission

The fiscal-budgetary policy is characterized by a certain degree of unpredictability in our country. Important policy issues are regulated by government emergency ordinances, without properly assessing the impact, and with limited public consultation. The expansionary fiscal-budgetary policy aimed at increasing disposable income, has generated the increase of the public deficit, has stimulated private consumption, and has favored the growth of imports of consumer goods at a much higher rate than that of imports of intermediate and capital goods, and with a higher rate of imports, in general, compared to that of exports of goods leading to an increase in the trade deficit and the current account deficit in Romania.

Thus, the authorities have diminished taxes and have increased current expenditures[2], while reducing public investment[3]. Fiscal revenues[4] have decreased due to the reduction of consumption tax rates in the period 2016-2017 and to the

[1] Bund is a debt instrument issued by the German government in order to finance spending. Bunds are issued with a maturity of 10 or 30 years. Bunds are generally considered to be the German equivalent of US treasury bonds / treasury bills.

[2] Wages in the public sector have increased, the pension point has increased by 15% in September 2019 and by 40% in September 2020, the minimum wage has increased.

[3] In 2017, public investment have gradually decreased, registering the lowest level after the accession to the European Union.

[4] The tax structure is characterized by a low level of income and it depends largely on consumption taxes.

decrease, starting with 2018, of the flat rate of natural persons' income tax. On the other hand, the social contributions collected have increased significantly in 2018 due to the transfer of social security contributions to employees and to the reduction of the proportion transferred to the second pillar of the pension system. The law on unitary salaries, adopted in the summer of 2017, has led to an increase in gross salaries in the public sector.

The budget deficit, one of the elements whose evolution significantly affects the foreign deficit of our country, is expected to increase, mainly due to the rise in current expenditure and to tax cuts (European Commission, 2019 and 2020). In its autumn 2018 forecast, the Commission estimated that the global deficit will increase in Romania from 2.9% of GDP in 2017 to 4.7% in 2020 (3.6% in 2019). It is estimated that the structural deficit[1] will increase to 4.5% in 2020. In June 2018, a new procedure for significant deviations has been launched against Romania.

Given that fiscal cuts and spending increase are financed from public debt, it is expected that the increase in the public deficit will increase public debt from 35.1% of GDP in 2018 to 38.2% of GDP in 2020. The cost of financing the public debt has risen steadily since mid-2017 to levels well above those in countries with similar situations (European Commission, 2019) with effects on the Primary Income sub-account (Portfolio Investment Income and Other Investment Income) in the sense of increasing deficits.

Private consumption has a significant impact on Romania's current account deficit, in the direction of increase. Private consumption has risen, in real terms, by 7.9% in 2016, by 10.1% in 2017 and by 4.6% in 2018 (European Commission, 2019). The increase in consumption has been encouraged by the expansionary fiscal-budgetary policy.

Regarding the ***consumption structure / model***, in Romania there is a high demand for imports, which concurs to the existence of the external deficit. It is necessary to promote the consumption of national products both by supporting the domestic supply of quality products, with a high degree of processing, and by a campaign to raise public awareness and focus on Romanian merchandise.

With regard to ***structural reforms***, we notice that no significant progress has been made. Overall, although Romania has made some progress since 2013, and some reforms have been continued even in difficult economic times, the pace of reforms seems to have slowed in the last few years.

Since 2009, Romania has adopted measures aiming a significant fiscal-budgetary consolidation, which have led to the achievement of the medium-term objective in 2014 and 2015. But, starting with 2016, the authorities have introduced an

[1] Defined as a deficit adjusted to take into account the business cycle and exceptional operations.

expansionary fiscal-budgetary policy, which has led to a significant deviation from the objective pursued.

Romania has also made limited progress in terms of compliance with fiscal rules and the collection of taxes and duties, the fiscal-budgetary framework, training and education, prioritization of public investment and public procurement, predictability of the decision-making process.

Thus, ***public policy decisions*** remain unpredictable, leading to increased macroeconomic risks and volatility, diminished ability to cope with shocks and, ultimately, slowing down convergence towards the living standards in other European Union countries. Thus, important and sometimes complex legislative changes are adopted without proper stakeholder consultation[1] and often without an impact assessment. As a result, additional legislative changes are often needed to correct the unintended effects of emergency ordinances adopted very quickly. Contradictory public statements about the future of important reforms also contribute to the general climate of unpredictability of policy making, affecting foreign investment inflows (direct and portfolio), the business environment, but also the country rating with consequences in terms of the increase in the cost of borrowing (which causes an increase in the outflows of the sub-account of Other investment Income in the Current account).

Regarding the ***endowment with production factors***, Romania is facing a phenomenon with very negative effects on the sustainable development of the economy, namely labor migration, which, lately, has gained high proportions, affecting especially the population with higher education. For social, political, economic reasons, a significant share of our country's highly skilled workforce has emigrated generally to other European Union countries. The effects on the Romanian economy are multiple and mostly negative. In the context of the present analysis, we highlight the negative effects on the supply of highly-processed exports, which include cutting-edge technology, whose sale prices are high, phenomenon concurring to the exacerbation of the current account deficit.

Labor productivity has increased significantly in Romania in the last two decades, but from a low level. Labor productivity per person increased by 6% in 2016, by 4.6% in 2017, by 4.2% in 2018 and according to estimates, by 3.9% in 2019, well above the level of countries with a similar situation in the region . However, Romania ranks second to last in the European Union, with labor productivity accounting for almost 22% of the European Union average in 2000, and almost 60% in 2017 (European Commission, 2020).

[1] The quality of the public consultation is not satisfactory, given the short consultation periods, the late announcement of important legislative initiatives, the limited feedback from stakeholders, both during and after the consultation process.

Table 4. Product Market Performance and Policy Indicators

Labor productivity	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Growth of labor productivity per person (t/t-1) (%)							
- in industry	-6,38	3,98	0,19	8,52	2,17	5,16	3,3
- in construction	9	4,72	2,7	6,84	5,37	-10,9	4,9
- in market services	35,86	3,85	0,64	3,1	3,6	5,5	-0,04

Source: European Commission

The low level of labor productivity in Romania compared to that of the European Union countries (our country's main trading partner) shows an unfavorable situation in terms of quality and prices of Romanian exported goods and services, leading to the increase of the current account deficit.

Labor productivity is affected negatively by the high level of energy consumption.

The ***total productivity of the factors*** was on average 1.8% in the period 2007-2017 (compared to 3.7% in the period 1995-2007). In 2018, Romania had a total factor productivity of 1.1%, despite factors that prevented further progress: poor infrastructure, malfunctions in labor and product markets, weak innovation capacity and difficult business environment.

Total factor productivity is expected to slow down, but it will remain the main contributor to economic growth (European Commission, 2020).

In Romania, ***energy intensity*** remains above the EU average. While primary energy consumption is broadly stable, final energy consumption has increased in 2018 compared to 2013, by almost 10%.

As it can be seen from Table 5, Romania is a net importer of energy, given that the share of energy-intensive industries in the economy remains constant in the period 2012-2018, around 12%, recording even a slight increase towards the end of the period. Also, the dependence on energy imports increased in 2016, 2017 (reaching 23%), after decreasing in 2013 and 2014 (16.4%). This development affects negatively the current account of our country both directly through the contribution of the negative balance of the energy balance of trade and indirectly because high energy consumption represents a brake for the production of high-quality goods with high added value that can be exported at high prices.

Table 5. Green Growth Performance Indicators

Green growth performance	2012	2013	2014	2015	2016	2017	2018
Energy intensity (at macroeconomic level)[1] (Kgoe/EUR)	0,27	0,24	0,23	0,22	0,21	0,21	0,20
Industry energy intensity [2] (Kgoe/EUR)	0,16	0,15	0,14	0,14	0,13	0,12	0,12
Energy balance of trade[3] (% of GDP)	-3	-1,9	-1,4	-0,9	-0,94	-1,3	-1,6
Share of energy-intensive industries in the economy [4] (%of GDP)	11,6	11,4	12	12,3	12,4	12,4	12,3
Transport energy intensity[5] (Kgoe/EUR)	0,6	0,54	0,53	0,48	0,43	0,43	0,41
Energy import dependency[6] (%)	22,3	18,1	16,4	16,4	21,6	23,1	-
Aggregated supplier concentration index[7] (HHI)	12,4	18,8	16,2	21,8	29,9	26	-

Source: European Commission, Eurostat

Aggregated supplier concentration index (Herfindahl- Hirschmann index for net imports of oil, gas and coal) has increased in Romania in the period 2012-2016, which means reducing supplier diversification and higher risk.

The level of professional training

In 2017, the ratio of the 30-34-year-old persons with a university degree was 26.3%, much lower than the EU average of 40%.

[1] Energy intensity (at macro level) is expressed as a ratio between a physical quantity and GDP (in 2010 prices), as follows: gross domestic energy consumption (Europe 2020-2030) (in kgep) divided by GDP (in EUR).

[2] Industry energy intensity represents the final energy consumption of industry (in kgoe) divided by gross value added of industry, including constructions (in 2010 prices, in EUR).

[3] Energy balance of trade represents the balance of energy exports and imports, expressed as % of GDP.

[4] Share of energy-intensive industries in the economy represents the share of gross value added of the energy-intensive industries in GDP.

[5] Transport energy intensity represents final energy consumption of transport activity including international aviation (kgoe) divided by gross value added in transportation and storage sector (in 2010 prices, in EUR).

[6] Energy import dependency represents net energy imports divided by gross inland energy consumption including consumption of international bunker fuels.

[7] The aggregated supplier concentration index is Herfindahl- Hirschmann index for net imports of oil, gas and coal. Smaller values indicate larger diversification and hence lower risk.

The share of early leavers from education and training remains almost constant.

Table 6. Education and Training Performance Indicators

Indicator	2013	2014	2015	2016	2017	2018
Early leavers from education and training (% of population aged 18-24)	17,3	18,1	19,1	18,5	18,1	16,4

Source: European Commission, Eurostat

The unfavorable demographic developments, the high level of labor emigration and the lack of relevant skills lead to a tightening of the labor market, with effects in the sense of increasing labor costs and slowing down the development of a production of quality goods and services, which includes a high level of technology. and a high degree of processing, which could be exported at high prices, thus contributing to the improvement of our country's external deficit.

Measures have been taken to partially address these issues, namely to improve internal mobility and by supporting new types of businesses that respond to local economic opportunities.

In order to support the quality of the workforce, it is also necessary to increase access to primary health and prevention services and to improve the health services provided. Measures are also needed for improving the quality of general education in favor of inclusion, prevention of early school leaving; by adopting policies towards updating competencies.

Since 2016, wage rises (in the public sector and of the minimum wage) have far exceeded productivity growth, which has led to an acceleration of unit labor costs (8.5% in 2016, 8% in 2017, and 15% in 2018 at the level of the entire economy, the highest percentage in the European Union), with negative effects on competitiveness. This led to an appreciation of the real effective exchange rate based on unit labor costs. Both developments reduce the attractiveness of exports and stimulate imports.

However, the lower increase in wages in industry from the recent years, the main export sector of Romania (7.5% in 2016, 6.6% in 2017 and 10.7% in 2018), the gradual depreciation of the national currency, as well as the increased productivity have allowed exports to remain competitive and represent one of the reasons why cost ***competitiveness*** in the commercial sector has lower loss. Although export results are still good, rising unit labor costs can affect the country's competitiveness and external position.

Romania's competitiveness is also affected by a series of factors unrelated to costs. The poor condition of road and rail infrastructure affects the efficiency of businesses in cross-border transport of goods and services and limits labor mobility. The low innovation capacity of the economy is another important factor that limits competitiveness. The cumbersome business environment, marked by political and legislative uncertainty and unpredictability, together with excessive bureaucracy and persistent inefficiencies in public administration undermine long-term economic decision-making, affect business confidence and risk reducing our country's attractiveness to foreign investors.

Romania is still among the countries in the European Union that have the highest ***investment*** rate. In 2018, total investments accounted for 21% of GDP, exceeding the EU average of 20.3%. Despite concerns about fiscal-budgetary and legislative instability and unpredictability, private investment has grown to some extent (18.3% of GDP in 2018), accounting for about 80% of total investment.

Private investment would require a qualitative improvement, as they are mainly directed towards the need to replace and expand capacity and much less towards the development of new products or services. According to a recent survey (EIB, 2018), companies invest the most in machinery and equipment and the least in research and development. Asset quality, as measured by the share of state-of-the-art machinery and equipment, is well below the EU average (28% versus 44%).

Public investment was high immediately after joining the European Union (in 2007, around 6% of GDP), but has been declining since 2014, falling below 4% of GDP amid a slowdown in the absorption of EU funds. In 2017, public investment fell to 2.6% of GDP, the lowest level since post-EU accession, slightly above the EU average, but lower than in neighboring countries. In 2018, public investment recovered slightly reaching 2.7% of GDP.

European Union funds represent a large part of public investment in Romania. Since 2014, capital transfers from the European Union have accounted for a quarter of the public investment expenditure and 1% of GDP every year.

The persistent unpredictability of the policy-making process, creating a climate of instability, represents a major obstacle to investment.

Foreign direct investment (FDI) flows are volatile. In 2016, the net inflows of foreign direct investment increased significantly (53%) compared to the previous year, in 2017 and 2018, the increases being much smaller. At the end of 2017, 43% of the stock of foreign direct investment was concentrated in industry, about 15% in the construction sector and about 12% in the financial intermediation sector (NBR, 2018).

Two thirds of Romania's exports of goods are made by companies with foreign capital (Council of Foreign Investors, 2017), which have increased their contribution to total value added from 39% in 2008 to 44% in 2015 (Eurostat). Firms with foreign capital have a large share in the manufacturing sectors of medium and high technology, their contribution to value added in the automotive industry exceeding 90%. Labor productivity in these firms is twice higher than in national companies.

Transportation

The general condition of the road infrastructure remains inadequate. The road network is one of the least developed in the European Union[1], and the quality of road infrastructure is not very good (WEF, 2018).

In the railway sector, the reform did not take place at the pace set, and little investment was made in maintenance.

The deficient transport network is an obstacle to regional, interregional and cross-border mobility and affects connectivity, delivery dates and transport safety, with negative consequences on Romania's competitiveness.

This situation affects negatively the current account in two ways:

- by slowing down exports of goods (delivery deadlines are not met, products can degrade during transportation, with consequences in terms of decreasing external demand for Romanian goods);

- by restraining exports of transport services.

Research and innovation

Firms with foreign capital have a high share in the manufacturing sectors of medium and high technology, have higher labor productivity and are more competitive compared to domestic firms, which suggests a gap in the conduct and funding of research and innovation activities.

The innovation gap between foreign-owned firms and domestic firms indicates that technology imports have not been replaced by local innovations, and the effects of technology spread on domestic firms remain limited (ACAROM; AKH Romania, 2018). No specific policy has been developed to stimulate the propagation effects of foreign direct investment technologies and to promote research and innovation as a driving force for future competitiveness (Council of Foreign Investors, 2017; Horobeț & Popovici, 2017).

Investment in research and development (R&D) remains extremely low. The R&D intensity[2] has remained unchanged since 2000, standing at 0.5% in 2018 compared to 2.7% in the European Union as a whole (the lowest in the EU, representing only a quarter of the national target). Public funding for R&D is insufficient and declining, and the government has no clear plans to address this issue.

---

[1] With only 38 km per 1 million inhabitants, Romania has by far the lowest density of highways in the EU.

[2] R&D expenditures as a percentage of GDP.

Table 7. Research and Innovation Performance Indicators

Research and innovation	2012	2013	2014	2015	2016	2017	2018
R&D intensity	0,48	0,39	0,38	0,49	0,48	0,5	0,51
General government expenditure on education as % in GDP	3	2,8	3	3,1	3,3	2,8	-
Employed people with tertiary education and/or people employed in science and technology as % of total employment	24	24	24	26	27	27	27
Population having completed tertiary education (% in population aged 15-64)	14	14	14	15	15	15	16
Trade balance of high technology products as % of GDP	-1,79	-1,96	-1,66	-1,75	-1,6	-1,87	-1,77

Source: European Commission

In conclusion, the low capacity for innovation of the economy and the low technological achievements do not support the qualitative and quantitative increase of our country's exports, the production of high value-added and high-tech goods, and thus the reduction of the external deficit. As it can be seen from the table below, the trade balance of high-tech products is in deficit over the period 2012-2018.

3. Conclusions

The analysis shows that there are many factors in the Romanian economy that influence negatively the evolution of the current account, which accounts for the external deficit in our country.

The dependency of our country's exports on imports is one of them, as well as the structure / consumption pattern, which shows a high demand for imports, which generates the external deficit.

The increase of the budget deficit in recent years, in the context of an expansionary fiscal-budgetary policy, the slowness with which structural reforms are carried out, the legislative instability, the unpredictability of decision-making, the migration of population, the low rate of population with high level of training, the low level of labor productivity in Romania compared to other European Union countries, the high energy intensity, the increased unit labor costs, the weak innovation capacity of the economy and the low technological achievements, the insufficiently developed infrastructure and cumbersome business environment are factors that negatively influence Romania's competitiveness, and implicitly its foreign trade, with consequences in the sense of accentuating the current account deficit. These elements also generate risks for the functioning of the financial sector, for the international capital flows, as they undermine investors' confidence.

In addition, the persistence of these trends may reduce the economy's ability to adapt to shocks that may occur domestically or come from abroad and may affect the growing external financing needs of the economy, generated by the high and widening external deficit, by worsening lending conditions, and even reducing credits obtained and long-term investment.

The unfavorable demographic developments, namely the high level of labor emigration, especially of those with tertiary education and highly qualified, as well as the lack of relevant skills lead to a tightening of the labor market, with effects in the sense of increasing labor costs and slowing down the development of a production of high quality goods and services, with high value added, which could be exported at high prices, thus contributing to the improvement of our country's foreign deficit.

On the other hand, the low capacity for innovation of the economy and the low technological achievements do not support the qualitative and quantitative increase of our country's exports, the production of high value-added and high-tech goods, and thus the reduction of the external deficit.

In this context, the current account balance is expected to continue to deteriorate in the medium term.

But there are also elements with positive effects on the current account. Thus, the evolution of the nominal exchange rate leu / EUR almost throughout the entire analyzed period supported the Romanian exports, especially on the euro area markets. Also, the higher level of the interest rate in Romania compared to the international interest rate stimulated the entry of capitals in Romania, despite the risks existing in our economy. On the other hand, the appreciation of the real exchange rate from 2017 onwards may have as consequences the loss of competitiveness in terms of costs and prices.

References

ACAROM Asociația Constructorilor de Automobile din România/ Romanian Automobile Manufacturers Association. http://acarom.ro/.

Metz, Sebastian (13 February, 2018). *A German perspective on the Romanian automotive market*. AHK Romania– Camera de Comerț & Industrie Româno-Germană/ Romanian-German Chamber of Commerce and Industry Bucharest.

Coutinho, Turrini & Zeugner (2018), *Methodologies for the Assessment of Current Account Benchmarks*. *European* Commission, Directorate-General for Economic and Financial Affairs. Luxembourg: Publications Office of the European Union.

European Commission (2016). *Country Report Romania*, http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_romania_ro.pdf, 2016

European Commission (May, 2018). *Convergence Report Economic and Financial Affairs.* Institutional Paper, p. 78.

European Commission (2018). *Statistical Annex of Alert Mechanism Report 2019*. Brussels, p. 466.

European Commission (2019), *Country Report Romania 2019*, 2019 European Semester: Assessment of progress on structural reforms, prevention and correction of macroeconomic imbalances, and results of in-depth reviews under Regulation (EU) No 1176/2011, Brussels, p. 1022.

European Commission (2020), *Country Report Romania 2020*, 2020 European Semester: Assessment of progress on structural reforms, prevention and correction of macroeconomic imbalances, and results of in-depth reviews under Regulation (EU) No 1176/2011, Brussels, p. 522.

European Investment Bank (2018). *EIB investment market survey 2018– Romania overview*. http://www.eib.org/en/infocentre/publications/all/econ-eibis-2018-romania.htm.

Eurostat (2018). *Regional yearbook*. Publications Office of the European Union, Luxemburg.

Foreign Investors Council (2017). *Foreign Direct Investment: Development and Importance in Romania*. https://www.fic.ro/publications.

Horobeț, A. & Popovici, O. (2017). *Investițiile Străine Directe: evoluția &importanța lor în România.* Study realized in partnership with the Academy of Economic Studies Bucharest and the Council of Foreign Investors.

Milea Camelia (2019), *Starea financiară a României– anul 2018, Evaluarea balanței de plăți extern.* Centre for Financial and Monetary Research– Victor Slăvescu, Bucharest.

National Bank of Romania (2008-2020). *Monthly Bulletin: December 2007*, *December 2008, December 2010*, *January 2012*, *July 2012*, *January 2013*, *January 2014*, *June 2014*, *January 2016, December 2016, December 2017, January 2018, May 2019, August 2019, June 2020.* Bucharest.

National Bank of Romania (2019, 2018). *Balance of payments and the international investment position of Romania*. Annual Report 2017 & 2018. Bucharest;

National Institute of Statistics (2019). *Statistic Bulletin of Foreign Trade no.12/2018*.

World Economic Forum (2018). *Global Competitiveness Report 2018*. http://reports.weforum.org/global-competitiveness-report-2018.