

September 21, 2022

**The Acting Chair's Summing Up  
Romania—2022 Article IV Consultation  
Executive Board Meeting 22/79  
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Executive Directors agreed with the thrust of the staff appraisal. They welcomed Romania's strong economic recovery from the pandemic but noted that the spillovers from Russia's war in Ukraine—mainly through indirect channels—and tighter financial conditions have clouded the outlook with downside risks and higher uncertainty. Against this backdrop, Directors underscored the importance of implementing prudent macroeconomic policies that safeguard macroeconomic stability and of reenergizing structural reforms to boost economic growth.

Directors stressed the need to pursue medium-term fiscal consolidation to rebuild buffers, safeguard fiscal sustainability, and reduce external imbalances. They generally agreed that the current energy price caps should be temporary and encouraged the authorities to gradually phase them out and replace them with measures targeting the most vulnerable. To help improve medium-term budgeting and ensure predictability, Directors recommended reforms to pensions and public sector wages. While welcoming the recent tax measures, they encouraged the authorities to consider a more ambitious reform of the personal income tax and improvements to the efficiency of the value added tax.

Directors stressed that monetary policy needs to stay nimble to firmly guide inflation and inflation expectations back toward the central bank's target. They agreed that policy rates will need to rise further to prevent the entrenching of inflationary pressures and the emergence of a wage-price spiral. Noting the weakening of external competitiveness and the rising current account deficit, Directors encouraged gradually moving toward a more flexible exchange rate that—together with fiscal consolidation—would help address external imbalances and absorb potential future external shocks. Directors agreed that the banking sector remains resilient and that the macroprudential stance is appropriate. They called for continued vigilance of financial stability risks and for further strengthening the AML/CFT framework.

Directors stressed the need to reenergize structural reforms to boost economic growth and address regional inequalities. In this context, they emphasized the importance of implementing Romania's National Recovery and Resilience Plan while further strengthening public investment management to make the most out of the funds available under the European Recovery and Resilience Facility. They underscored that reforms in the areas of

green transition and energy security, digitalization, health and education, as well as governance and anticorruption are especially critical.

It is expected that the next Article IV consultation with Romania will be held on the standard 12-month cycle.