

VALDIS DOMBROVSKIS
Vice-President of the European Commission

PIERRE MOSCOVICI
Member of the European Commission

Brussels, 22 February 2017

Dear Minister,

The Commission has recently published its 2017 Winter Forecast, which includes budgetary projections for Romania. The Commission estimates Romania's general government deficit for 2016 to have sharply increased, compared to the previous year, to 2.8% of GDP. It also forecasts the deficit at 3.6% of GDP in 2017 and, on a no-policy-change principle, at 3.9% of GDP in 2018.

On this basis, there is a clear risk, based on the Commission forecast for 2017 and 2018, that the deficit criterion in the sense of the Treaty and Council Regulation (EC) No 1467/97 of 7 July 1997 will not be fulfilled. Furthermore, Romania is estimated to have significantly deviated from its medium-term budgetary objective (MTO) in 2016, while the Commission forecast points to further deterioration of the structural balance in 2017 and 2018. These adverse fiscal developments mainly stem from fiscal easing that includes a number of tax cuts combined with increases in wages and pensions.

The Commission will reassess Romania's compliance with its obligations under the Stability and Growth Pact on the basis of the Commission 2017 Spring Forecast, including the budgetary data for 2016, as validated by Eurostat in April, and Romania's forthcoming Convergence Programme, which is expected before mid-April. It will be important that the necessary measures to ensure compliance with the deficit criterion and with the adjustment path towards the MTO are credibly announced by that time.

Yours sincerely,



Valdis Dombrovskis



Pierre Moscovici

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