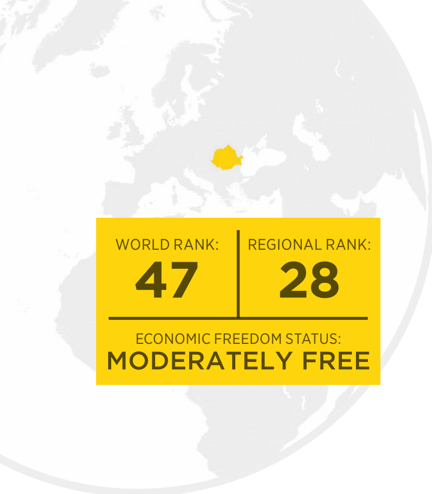


WORLD RANK: **47**

REGIONAL RANK: **28**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

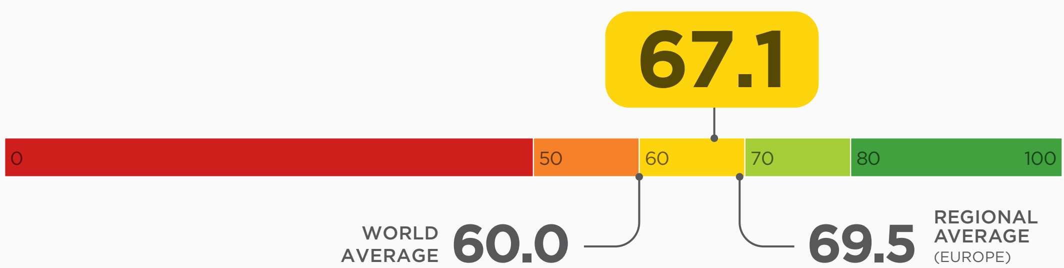
ROMANIA

Romania's economic freedom score is 67.1, making its economy the 47th freest in the 2022 *Index*. Romania is ranked 28th among 45 countries in the Europe region, and its overall score is below the regional average but above the world average.

The Romanian economy slowed from 2017 through 2019 before contracting in 2020. Growth recovered in 2021. During the same five years, the expansion of economic freedom stalled and then stumbled. With increases in scores for **property rights** and **business freedom** unable to overcome a sharp drop in its **fiscal health** score, Romania has recorded a 2.6-point overall loss of economic freedom since 2017 and remains in the upper half of the "Moderately Free" category. Trade freedom and **monetary freedom** are relatively high, but **government integrity** is far too weak for a member of the European Union.

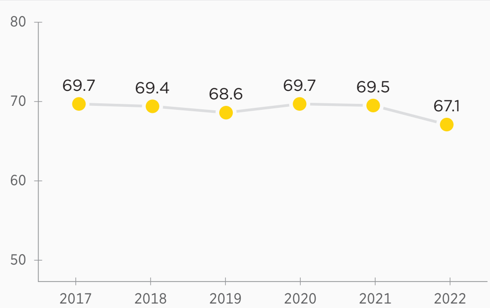
IMPACT OF COVID-19: As of December 1, 2021, 56,618 deaths had been attributed to the pandemic in Romania, and the government's response to the crisis ranked 52nd among the countries included in this *Index* in terms of its stringency. The economy contracted by 3.9 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +24.2

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
19.3 million

GDP (PPP):
$589.7 billion
–3.9% growth in 2020
5-year compound annual growth 3.3%
$30,526 per capita

UNEMPLOYMENT:
4.8%

INFLATION (CPI):
2.6%

FDI INFLOW:
$2.3 billion

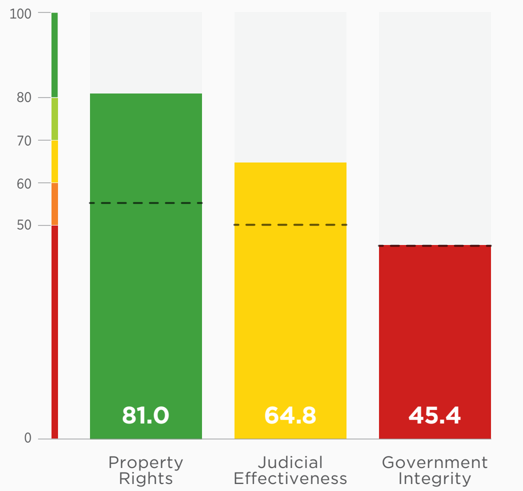
PUBLIC DEBT:
50.1% of GDP

2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Romania's transition to a free-market economy began with its new constitution in 1991 and was followed by membership in NATO in 2004 and the European Union in 2007. In December 2020, Florin Cîțu of the center-right National Liberal Party formed a coalition with the centrist USR PLUS alliance and the Democratic Union of Hungarians in Romania after former Prime Minister Ludovic Orban resigned when he placed second in the election. The center-left Social Democratic Party (PSD) won the most seats in 2020 but failed to secure an absolute parliamentary majority. A prior PSD government was ousted in 2019 over attempts to weaken anticorruption laws and judicial independence. With a strategic position on the Black Sea, Romania has extensive natural resources and a productive agriculture sector.

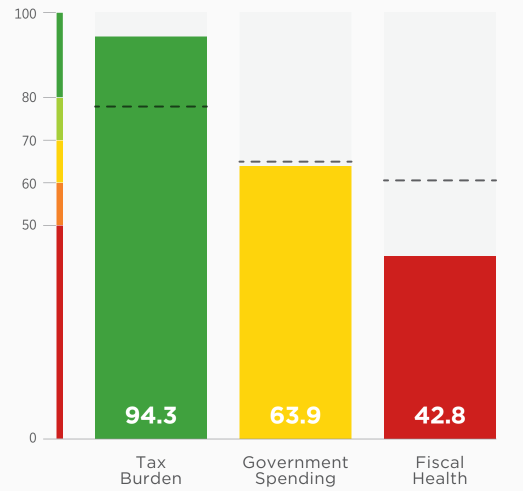
12 ECONOMIC FREEDOMS | ROMANIA

RULE OF LAW



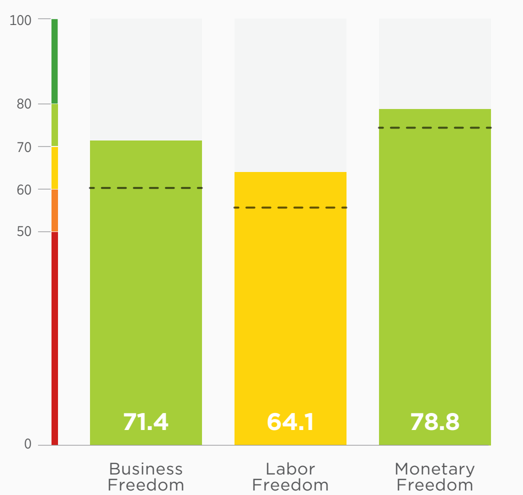
The law guarantees both the right to ownership of private property and contractual rights, but enforcement through the judicial process can be lengthy, costly, and difficult. The judiciary is independent, but courts lack expertise and are vulnerable to political influence. Corruption remains widespread. The current government is still trying to repair the weakening of anticorruption efforts by its predecessor.

GOVERNMENT SIZE



The individual income tax rate is a flat 10 percent, and the corporate tax rate is a flat 16 percent. Other taxes include value-added and environmental taxes. The overall tax burden equals 14.6 percent of total domestic income. Government spending has amounted to 34.7 percent of total output (GDP) over the past three years, and budget deficits have averaged 5.7 percent of GDP. Public debt is equivalent to 50.1 percent of GDP.

REGULATORY EFFICIENCY



Regulatory instability detracts from business freedom. Major laws have been enacted without stakeholders being consulted. A two-year ban on the sale of state ownership in state-owned enterprises (SOEs) was enacted in 2020. High payroll taxes cause 25 percent to 30 percent of the labor force to work in the underground economy. The government's plan to sell off minority stakes in some of its 1,200 SOEs in such sectors as energy production and generation has stalled.

OPEN MARKETS

As a member of the EU, Romania has 46 preferential trade agreements in force. The trade-weighted average tariff rate (common among EU members) is 2.9 percent with 640 EU-mandated nontariff measures in force. Romania has an additional 20 country-specific nontariff barriers. Despite progress, foreign investment is undercut by regulatory inefficiency. The level of financial intermediation has been growing, and the banking sector has expanded.