Fiscal Council's opinion on the State Budget Law, Social Insurance Budget Law for 2014 and the updated version of the 2014-2016 Fiscal Strategy

On November 7th, 2013, the Fiscal Council received from the Ministry of Finance the letter no. 82615, requesting, under art. 40, paragraph (2) of Law no. 69/2010, the opinions on the draft Budget Law for 2014, the Report on the macroeconomic situation for 2014 and the projections for the years 2015-2017, the draft of the Social Insurance Budget Law for 2014 and the corresponding explanatory note, and also the Revised Fiscal Strategy for 2014-2016, the explanatory note and the associated ceilings law of certain indicators specified in the fiscal framework. However, some of the necessary documents for the elaboration of the Fiscal Council's opinion (especially the report on the macroeconomic situation for 2014 and the projections for the 2015-2017 period and the latest version of the general consolidated budget projection for 2015-2017) were sent on November 12th, 2013, and the updated text of the fiscal strategy was received only during the day of 11/13/2013.

Given the Government's intention to approve the above documents on the meeting of 11/14/2014 (which implies an insufficient time to develop a rigorous analysis), the Fiscal Council is unable to issue an opinion on the updated Fiscal Strategy (FS) 2014-2016 and it reserves its right to issue a more detailed opinion afterwards.

The Fiscal Council is obliged to reiterate its previously stated recommendation to ensure a period of at least one week between the submission of the documentation by the Ministry of Finance and the adoption of the relevant legislation on the Government meeting, this interval being an absolute minimum required to elaborate an accurate analysis. In addition, ensuring such an interval would be consistent with the principle of transparency stated in the Law no. 69/2010, according to which "in setting the budgetary targets and objectives and in carrying out its fiscal and budgetary policies, the Government and the local authorities have the obligation to make public and maintain in public debate, for a reasonable period of time, all information necessary to allow the assessment of the implementation of fiscal and budgetary policies, the respective outcomes and the stance of central and local public finances."

Under the article 40, paragraph (2), letter d) of the Fiscal Responsibility Law (FRL) no. 69/2010, the Fiscal Council has the task "to analyse and issue opinions and recommendations on the annual budget laws before approval by the Government and before submission to Parliament, on the supplementary budgets and others legislative initiatives that may have an impact on the rules specified in this Law." Thus, considering its mandate, in accordance with Law no. 69/2010, the Fiscal Council issues the following opinions and recommendations on the draft budget for 2014 and its extension to the period 2015-2016:

The Fiscal Responsibility Law no. 69/2010 allows the revision of the fiscal strategy if occurs "a significant deterioration of the macroeconomic indicators and of the other assumptions that were used in developing the FS". However, the economic growth trajectory that underlies the budget projection in 2014-2016 does not record significant revisions – the forecast for 2.2% growth in 2014, 2.5% in 2015, and 3% in 2016 does not differ from those considered in the latest version of 2014-2016 FS (May 2013), only in 2015, when the previous forecast indicated 2.4%. Hence, the reason behind the revision of the budget prognosis is the large drop in the aggregate budgetary revenues, given the significantly below expectations performance corresponding to the starting point of the projection (year 2013): despite the revised forecast of a higher than initial GDP advance for 2013 (2.2% compared to 1.6%), revenues significantly lower than those projected were obtained given that the economic growth had a different composition compared to that originally envisaged (net exports instead of domestic demand, with a negative impact on revenues) and that the efficiency of collection has deteriorated. The evolutions mentioned above have been partially accommodated through the upward revision of the deficit target for 2013 (from 2.1% of GDP to 2.5% of GDP according to the cash methodology, and from 2.4% of GDP to 2.6% of GDP according to ESA95), revision over which the Fiscal Council has already issued an opinion at the budget amendments. The current update of the FS is therefore only a way to accommodate the fiscal rules violations already produced during the current year with the terms of the Law no. 69/2010 and it does not serve to the desideratum of anchoring the economic agents' expectations by providing a predictable stance of the fiscal policy.

The review of the deficit target for 2013 occurred concurrently with the revaluation of the potential GDP trajectory by the European Commission (if in the spring forecast and in the latest update of the Convergence Programme the growth pace of the potential GDP was estimated at 2.1% in 2013 and 2.6% in 2014, the revaluation indicates values of 1.6% in 2013 and 1.8% in 2014), which implies a downward revision of the absolute values of the cyclical component (negative) of the budget balance (by 0.3 pp. of GDP in 2013, respectively 0.5 pp. of GDP in 2014). Thus, the size of the structural fiscal consolidation for 2013 is lower by 0.4 pp. of GDP compared to the original plan (0.7 pp. of GDP compared to 1.1 pp. of GDP), the difference being explained in roughly equal proportions by the actual deficit target revision and by the reassessment of its cyclical component. The current structural budget deficit (2% of GDP) implies a consolidation effort of about 1% of GDP in the next two years to comply with the commitment to achieve the medium-term objective (MTO) in 2015, described by a level of the structural deficit of 1% of GDP.

The Fiscal Council has no significant objections regarding the macroeconomic scenario that substantiates the budgetary projection. Any macroeconomic forecast involves risks, but we consider that their next year balance is relatively balanced.

The draft budget for 2014 aims a deficit target of 14.49 billion lei, respectively 2.2% of GDP. According to ESA95 the budget deficit is also assessed at a level of 2.2%, given that the budgeted wage bill includes a 25% tranche of the amount related to final court rulings regarding the historical wage obligations of the state (2.06 billion lei, respectively 0.3% of GDP), their total being already included in the budget execution according to ESA95 in 2011 (according to accrual accounting principles), which is likely to lead to a significant approximation of the cash and ESA95 deficit values. From the perspective of the fiscal rules, their evaluation is irrelevant, given that the budget law comes bundled with the updated version of the FS and of the associated ceilings law of certain indicators specified in fiscal framework.

In the Convergence Programme elaborated by the Government, the possibility to achieve the MTO in 2014 was specified with an adjustment effort measured at 0.6 pp. of GDP. Given the equivalent reduction of the actual deficit (0.4 pp. of GDP, from 2.4% of GDP to 2% of GDP in the Convergence Programme, respectively from 2.6% to 2.2% of GDP in the current budget projection), the downward revision of the potential GDP trajectory involves a smaller size in absolute value of the budget balance cyclical component (negative) and, consequently, a downward revaluation of the associated structural adjustment effort, from 0.6 pp. to 0.3 pp. of GDP, the achieving of MTO being postponed for 2015.

The total general government revenues for 2014 are estimated to reach a level of 216.81 billion lei (32.92% of GDP), of which 850 million lei represent a swap scheme designed to clear outstanding obligations to the state budget with equivalent impact both on revenues and on expenditures. Excluding the impact of swaps in 2013-2014, the revenues are forecasted to increase by 12.11 billion lei, or 5.94%, compared to the level estimated for the end of 2013, a level that includes a temporary income of 2.1 billion lei from the mobile operators for renting frequency bands. Beyond the impact of the known fiscal measures (the increase of tobacco excise from April 1st and the additional transfer of 0.5 pp. to the second pension pillar from the contribution paid by employee, both according to the calendar), the draft budget includes a discretionary package of measures amounting 4.27 billion lei, which includes:

- additional excise duty of 0.07 euro / liter for energy products used as motor fuel (impact assessed by the Government to +2.28 billion lei, of which 1.84 billion lei on excises and 0.44 billion lei on VAT);
- Abandoning the practice of using the reference rate from October 1st EUR/RON announced by the European Central Bank and indexing the excises with the average inflation rate in October 2012 - September 2013 (+4.77%) (impact assessed by the

Government to 1.1 billion lei, of which 0.89 billion lei on excises and 0.21 billion lei on VAT);

- broadening the tax base for property taxes for companies by including special structures (impact assessed by the Government to 0.49 billion lei);
- indexation in two tranches of the minimum monthly wage to 900 lei (impact assessed by the Government at 344 million lei, of which 300 million lei on social contributions and 44 million lei on personal income tax);
- The increase of royalties for mineral resources others than oil and natural gas with 25% (impact assessed by the Government at 50 million lei at the level of non-tax revenues).

The Fiscal Council considers as realistic the estimates for the additional income, excluding the impact of broadening the tax base for the property tax in the companies' case, where it is unable to decide because the measure's parameters are not clear yet. Based on the available data from the balance sheets of companies from Romania, the broadening of the tax base for the property taxes by including special structures and therefore taxation of all buildings present in the companies' balance sheets seems to have a much greater impact than that considered by the Government in the budget construction.

The Fiscal Council deplores the fact that once again a significant set of amendments to the Tax Code will entry into force without being subjected to a minimal public debate for a reasonable period of time, contrary to the spirit of the provisions of article 4, paragraph (1) of the Tax Code, which states that „the present code can be modified and supplemented only by law, after being typically promoted for 6 months before the date of its entry into force", and without an impact assessment of those measures. Also, the Fiscal Council draws attention to the interpretation difficulties regarding the new rules for conversion of the excise duties (defined in euro) in national currency, especially in terms of excise revenue projection in the coming years. By default, the exchange rate EUR/RON used for transformation in 2014 is 4.5223 x 1.0477 = 4.7380 EUR /RON. It is easy to imagine a situation in which the exchange rate published by the European Central Bank for 1 October 2014 would have a value of, for example, 4.47 EUR/RON, more appreciated than the level from 1 October 2012 (4.5223 used in the calculation of excise duty in 2013), but depreciated than that from 1 October 2013 (4.4585, inferior to the anterior one, that entails under the new rules the inflation indexing) and perfectly consistent with the average exchange rate hypothesis used in the budget foundation for 2014 (4.45). If for 2015 the excise calculation had been done at this rate, it would imply, *ceteris paribus*, a decrease in revenues from excises with 4.47/4.7380 X 100-100 = -5.65% compared with their level projected for 2014, with losses of income taking place for any exchange rate in the range (4.4585, 4.7370), and hence also for values of the exchange rate even more depreciated compared to the October 1st 2012 level, used for transformation in 2013. The Fiscal Council calls on the Ministry of Finance to clarify the assumptions used in the construction of the excise projection for 2015, given that their level is projected to rise by 5.9% in that year.

In conclusion, the Fiscal Council considers as realistic the revenue projections for 2014, appreciating that they are consistent with the dynamics of the relevant macroeconomic bases and with the assessed impact of discretionary measures (see, in this line Annex III), with reservations about the lack of precision on taxation parameters for special structures. Also, given the stated intention of the Government to reduce social security contributions during the year 2014, the Fiscal Council finds that the impact of such measure is not in the current budget projection for 2014 and even in that on the long term (*ceteris paribus*, the annualized net impact of a 5 pp. reduction for SSC at the employer would imply a higher deficit by about 0.5 - 0.6% of GDP). The Fiscal Council considers that the adoption of such a measure, although clearly desirable from the perspective of the business environment, it is not possible while respecting the commitment to assumed fiscal consolidation (which come out from the European Treaties) without identifying equivalent compensatory measures (therefore large), represented either by increasing/broadening of the tax base for other taxes or by reducing some expenses. In the opinion of the Fiscal Council, a large reduction in the statutory levels of SSC, required in terms of reducing the tax burden on labour, can be achieved to the extent that it reduces/eliminates the current high differences in tax treatment between different forms of income (wages, copyright, freelancers, microenterprises, etc.). Alternatively, the Government may consider a strong commitment to a path of gradual implementation of multi-annual reductions in social contributions (e.g. 0.5 to 1 pp. per year), which could be easily compensated by equivalent discretionary measures or possibly covered ex-ante by an improvement in the efficiency of collection, reflected in higher budget revenues (and hence smaller deficits) than those scheduled, identified with the occasion of the mid-year assessment of the fiscal policy (particularly in the context of the analysis associated to the Half-year report on economic and budgetary situation). Such a multi-year plan would have the advantage of anchoring the expectations of economic agents and, if accumulation of credibility, could produce favourable effects in the economy even before the effective implementation.

Regarding expenditure, the draft budget considers a level of 231.298 billion lei (of which 850 million lei represents a new compensation (swap) scheme designed to clear outstanding obligations to the state budget), higher by 4.87% compared to the previous year (adjusting the amount of expenditure for swaps included in 2013 and 2014), mainly due to expenses related to projects funded by external pro-accession grants (+3.7 billion lei, respectively 22.3%, while the Government expects a growth of annual inflows of EU funds by about 2.4 billion lei). The projected growth rate of spending in 2014, and also 2015 and 2016 (4.25% in 2014, 3.85% in 2015 and 5.18% in 2016, without adjusting the aggregates with the amount of swaps in the years 2013 and 2014), respects the rule stated in article 6, letter d) of the Fiscal Responsibility Law no. 69/2010, that states "*for each of the three years covered by the FS, the annual growth rate of total expenditure of the consolidated general budget will be kept under the annual rate of nominal GDP growth projected for that budget year, until the consolidated general budget balance is in surplus in the previous year for which the draft budget is elaborated* ", given that the evolution of nominal GDP is described by growth rates of 5.27% in 2014, 5.09% in 2015 and 5.5 % in 2016. In the context of clarifying the assumptions about wage and pension indexation, the Fiscal Council has no reservations about the projected trajectory of expenses, however, a slight overestimation being identified at the level of interest expense (their level involves a buffer stock that can be used in case of failures of scheduled income or occurrence of unexpected expenses). The Fiscal Council notes the recent inclusion in the text of the Report on the macroeconomic situation for 2014 and its projection for the 2015-2017 period of certain graphs representing the time evolution of the share of different spending aggregates in the budget deficit (see page 10 , pages 57-60) and appreciates the plus of transparency, but also warns that those weights have no relevance for assessing the government's priorities in allocation of resources, all the more so as, as fiscal consolidation will progress and the budget balance will inevitably approach the equilibrium, they inherently tend to increase for any budgetary expenses aggregate, without any economic significance for this phenomenon. Highlighting the weight of the expenses aggregates in total expenditure or total revenues, possibly comparing them with the other European countries in the same stage of development (peer- countries) would be more relevant.

Regarding the medium term developments, fulfilment of the medium-term objective (structural deficit 1% of GDP) according to the schedule agreed with the European Commission involves a significant structural adjustment in 2015 (by 0.7 pp. of GDP), equivalent to a reduction by 0.8% of GDP of the effective deficit, to a level of 1.4% of GDP (cash and ESA95). However, it is difficult to identify the effective measures leading to a structural adjustment of this size in 2015 starting from the current budget projection, especially that adjustments of the same size could be implemented in the past only through introducing packages of discretionary measures on the revenue side (tax increases or the introduction of new ones, widening the tax base) or by significantly reducing spending, especially in the area of public investment. Therefore, the structural adjustments come in most from the components:

- "other transfers" (-0.16% of GDP); the reduction comes from smaller allocation by 474 million lei compared to the budgeted level for 2014, and 2015 level appears inexplicably small, considering that these allocations are projected to grow before this time (eliminating the impact of swaps in 2012 and 2013 on this component, increases would be 842.3 million lei in 2012, or respectively 636.1 million lei in 2013) and after (in 2016 and 2017 increases are 241.5 million lei, respectively 700.7 million lei);

- "social assistance" (-0.17% of GDP, while the nominal advance of the aggregate, by 3.5%, is lower than envisaged for nominal GDP, 5.1%): if the projected decrease in the amount of unemployment benefit expenditure is in line with the hypothesis of an accelerating growth, it is difficult to explain why the expected growth rate of pension expenditure is only 4.1%, while under the application of current indexing algorithm (as in the pension Law, amended in January 2013) would generate an indexation of the pension point with 5%, derived from the amount of average inflation projected for 2013, 4.1%, to which is added half of real wage growth projected for 2013, namely 1.8%);
- "Projects financed by external post-accession grants", whose nominal advance, only 996.1 million lei, is substantially lower than projected additional inflows for post-accession funds (+2.2 billion lei), which lowers the projected deficit with the difference between them. Moreover, such a phenomenon (additional inflows of post-accession funds, accompanied by a lower advance of costs with projects funded by post-accession grants) is not scheduled before 2015, or in the projection of future developments after this year.

The above opinions and recommendations of the Fiscal Council were approved by the Chairman of the Fiscal Council, according to article 43, paragraph (2), letter d) of Law no. 69/2010, after being adopted by the members of the Council through vote, on November 14th, 2013.

November 14th, 2013

Chairman of the Fiscal Council

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ANNEX I	Budgetary impact	Revenue category - million lei
Discretional fiscal policy measures:	4268,7	
Excise duty indexation with the inflation rate (4.75%)	1106,8	**Total impact on revenue, out of which:**
	892,6	**Excises**
	214,2	**VAT**
The increase of the excise duty on fuel with 0.07 euro / liter.	2279,9	**Total impact on revenue, out of which:**
	1838,6	**Excises**
	441,3	**VAT**
The tax base for the property taxes that will be broadened by the inclusion of special structures.	488,0	**Property tax**
The increase by 25% of royalties for mineral resources other than oil and natural gas	50,0	**Non-tax revenue**
The increase of the minimum gross salary from 800 lei/month to 850 lei/month starting with January 2014 and to 900 lei/month starting with July 2014	344	**Total impact on revenue, out of which:**
	300	**Social security contributions**
	44	**Personal income tax**

ANNEX II

	2014 Budget projection (from 2014-2016 Fiscal Strategy)	2013 Budget projection (2013 Budget after the second rectification)	2014 Budget draft	2014 Budget draft / FS 2014	2014 Budget draft / 2013 Budget after the second rectification	FS 2014	2013 Budget after the second rectification	2014 Budget draft	2014 Budget draft - FS 2014	2014 Budget draft - 2013 Budget after the second rectification
GDP	660600	625617	658683							
	without swaps			without swaps, percentage change		without swaps, % of GDP			without swaps, difference, pp. of GDP	
	1	2	3	8=7-1	9=7-4	10	11	12	13=12-10	14=12-11
TOTAL REVENUE	223769,3	203846,3	215958,3	-3,49%	5,94%	33,87%	32,58%	32,79%	-1,09%	0,20%
Current revenue	208299,0	190166,0	200481,2	-3,75%	5,42%	31,53%	30,40%	30,44%	-1,10%	0,04%
Tax revenue	128468,0	118451,9	125312,2	-2,46%	5,79%	19,45%	18,93%	19,02%	-0,42%	0,09%
Corporate income tax	13879,0	12070,0	12710,0	-8,42%	5,30%	2,10%	1,93%	1,93%	-0,17%	0,00%
Profit	12343,8	10805,0	11378,0	-7,82%	5,30%	1,87%	1,73%	1,73%	-0,14%	0,00%
Capital gains and other taxes	1535,2	1265,0	1332,0	-13,24%	5,30%	0,23%	0,20%	0,20%	-0,03%	0,00%
Personal income tax	24662,9	22851,0	24014,9	-2,63%	5,09%	3,73%	3,65%	3,65%	-0,09%	-0,01%
Wages, dividends, capital gains, rent	24649,3	22838,1	24000,9	-2,63%	5,09%	3,73%	3,65%	3,64%	-0,09%	-0,01%
Other (local) taxes	13,6	12,9	14,0	3,24%	8,50%	0,00%	0,00%	0,00%	0,00%	0,00%
Property tax	4665,7	4452,8	5040,7	8,04%	13,20%	0,71%	0,71%	0,77%	0,06%	0,05%
Taxes on goods and services	84069,4	78096,1	82512,6	-1,85%	5,66%	12,73%	12,48%	12,53%	-0,20%	0,04%
VAT	55864,0	50692,0	53771,6	-3,75%	6,08%	8,46%	8,10%	8,16%	-0,29%	0,06%
Excises	23644,7	20942,1	24102,0	1,93%	15,09%	3,58%	3,35%	3,66%	0,08%	0,31%
Other taxes on goods and services	1940,9	1622,9	1807,1	-6,90%	11,35%	0,29%	0,26%	0,27%	-0,02%	0,01%
Taxes on using goods, authorizing the use of goods or on carrying activities	2619,8	4839,1	2831,9	8,10%	-41,48%	0,40%	0,77%	0,43%	0,03%	-0,34%
Tax on foreign trade and international transactions	785,5	591,8	623,0	-20,69%	5,27%	0,12%	0,09%	0,09%	-0,02%	0,00%
Other tax revenue	405,5	390,1	411,0	1,36%	5,35%	0,06%	0,06%	0,06%	0,00%	0,00%
Social security contributions	58199,6	54325,2	57779,0	-0,72%	6,36%	8,81%	8,68%	8,77%	-0,04%	0,09%
Non-tax revenue	21631,4	17389,0	17390,0	-19,61%	0,01%	3,27%	2,78%	2,64%	-0,63%	-0,14%
Capital revenues	731,4	607,1	621,0	-15,09%	2,29%	0,11%	0,10%	0,09%	-0,02%	0,00%
Subsidies	0,0	0,0	0,0	-	-	0,00%	0,00%	0,00%	0,00%	0,00%
Grants	337,7	631,9	14,6	-95,68%	-97,69%	0,05%	0,10%	0,00%	-0,05%	-0,10%
Amounts received from the EU	14401,2	12441,4	14841,5	3,06%	19,29%	2,18%	1,99%	2,25%	0,07%	0,26%

ANNEX II

	2014 Budget projection (from 2014-2016 Fiscal Strategy)	2013 Budget projection (2013 Budget after the second rectification)	2014 Budget draft	2014 Budget draft / FS 2014	2014 Budget draft / 2013 Budget after the second rectification	FS 2014	2013 Budget after the second rectification	2014 Budget draft	2014 Budget draft - FS 2014	2014 Budget draft - 2013 Budget after the second rectification
GDP	660600	625617	658683							
	without swaps			without swaps, percentage change		without swaps, % of GDP			without swaps, difference, pp. of GDP	
	1	2	3	8=7-1	9=7-4	10	11	12	13=12-10	14=12-11
TOTAL EXPENDITURE	235957,4	219746,4	230448,4	-2,33%	4,87%	35,72%	35,12%	34,99%	-0,73%	-0,14%
Current expenditure	217087,8	202508,8	212652,8	-2,04%	5,01%	32,86%	32,37%	32,28%	-0,58%	-0,08%
Personnel	48663,0	46152,0	47786,1	-1,80%	3,54%	7,37%	7,38%	7,25%	-0,11%	-0,12%
Goods and services	36971,2	38522,6	39361,5	6,47%	2,18%	5,60%	6,16%	5,98%	0,38%	-0,18%
Interest	12218,4	10885,3	11223,5	-8,14%	3,11%	1,85%	1,74%	1,70%	-0,15%	-0,04%
Subsidies	5801,0	5213,8	5742,3	-1,01%	10,14%	0,88%	0,83%	0,87%	-0,01%	0,04%
Total Transfers	112594,8	100473,2	107262,3	-4,74%	6,76%	17,04%	16,06%	16,28%	-0,76%	0,22%
Transfers for public entities	2211,1	998,7	549,1	-75,17%	-45,02%	0,33%	0,16%	0,08%	-0,25%	-0,08%
Other transfers	10815,5	11188,7	11817,1	9,26%	5,62%	1,64%	1,79%	1,79%	0,16%	0,01%
Projects funded by external post-accession grants	22879,7	16558,3	20250,9	-11,49%	22,30%	3,46%	2,65%	3,07%	-0,39%	0,43%
Social assistance	73927,3	68819,4	71512,7	-3,27%	3,91%	11,19%	11,00%	10,86%	-0,33%	-0,14%
Other expenditure	2761,2	2908,1	3132,5	13,45%	7,72%	0,42%	0,46%	0,48%	0,06%	0,01%
Reserve fund	107,0	365,7	197,0	84,11%	-46,13%	0,02%	0,06%	0,03%	0,01%	-0,03%
Expenditure funded from reimbursable funds	732,4	896,3	1080,1	47,47%	20,51%	0,11%	0,14%	0,16%	0,05%	0,02%
Capital expenditure	18869,5	17237,6	17795,6	-5,69%	3,24%	2,86%	2,76%	2,70%	-0,15%	-0,05%
Overall Balance	-12188,1	-15900,0	-14490,0	18,89%	-8,87%	-1,85%	-2,54%	-2,20%	-0,35%	0,34%

ANNEX III	2013			2014						
	2013 Budget after the second rectification	The influence of the two compensation schemes	2013 Budget after the second rectification exluding schemes effect	The influence of the compensation schemes in 2013	Discretional fiscal policy measures in 2014	Explanations	Relevant macroeconomic basis	Revenue projection 2014 Fiscal Council	CGB revenues according to the 2014 budget draft	Differences
	1	2	3 = 1-2	4	5	6	7	8=3*7+4+5	9	10=9-8
TOTAL REVENUE	205964,3	2118,0	203846,3	850,0	4268,7			217177,6	216808,3	369,2
Current revenue	192284,0	2118,0	190166,0	850,0	4268,7			201699,8	201331,2	368,6
Tax revenue	120569,9	2118,0	118451,9	850,0	3918,7			126290,2	126162,2	128,0
Corporate income tax	12070,0		12070,0					12707,3	12710,0	-2,7
Profit	10805,0		10805,0				Nominal GDP (+5,28%)	11375,5	11378,0	-2,5
Capital gains and other taxes	1265,0		1265,0				Nominal GDP (+5,28%)	1331,8	1332,0	-0,2
Personal income tax	22851,0		22851,0		44,0			24352,3	24014,9	337,4
Wages, dividends, capital gains, rent	22838,1		22838,1		44,0	The increase of the minimum wage should be included in the projection for the dynamics of earnings and therefore will not be considered separately in our forecast.	The average number of employees(+1,33%) Average gross earnings (+5,17%)	24338,7	24000,9	337,8
Other (local) taxes	12,9		12,9				Nominal GDP (+5,27%)	13,6	14,0	-0,4
Property tax	4452,8		4452,8		488,0	The local taxes are supposed to remain at the current level to which is added the impact of the tax base broadening.		4940,8	5040,7	-99,9
Taxes on goods and services	80214,1	2118,0	78096,1	850,0	3386,7			83248,2	83362,6	-114,4
VAT	52810,0	2118,0	50692,0	850,0	655,5	Although the excise increases (which implies price increases) generate additional revenue from VAT, their impact should be included in the deflator's projection for the relevant macroeconomic base considered. However, considering the information available at this moment, the excise increases were not included in consumption deflator and the calculation reported here will include both the variation of the nominal consumption and the additional revenues resulted from these measures.	Household's final consumption expenditure excluding self consumption and the related market (+4,74%)	54602,1	54621,6	-19,5
Excises	20942,1		20942,1		2731,2	The indexation of excises with the average inflation rate from the October 2012 - September 2013 period (+4.77%) and the extra excises of 0.07 euro / liter for energy products used as motor fuel.	Household's final consumption expenditure excluding self consumption and the related market, in real terms (+1,75%)	24039,6	24102,0	-62,4
Other taxes on goods and services	1622,9		1622,9			This amount includes the revenues from the clawback tax. According to the projection of the Ministry of Public Finance.		1807,1	1807,1	0,0
Taxes on using goods, authorizing the use of goods or on carrying activities	4839,1		4839,1			The starting point of the extrapolation (the projected revenues for 2013 from the second budget rectification) is adjusted excluding the extraordinary income from renting the frequency bands to mobile operators during 2013 (2100 million lei).	Real GDP (+2,2%)	2799,4	2831,9	-32,6
Tax on foreign trade and international transactions	591,8		591,8				Imports of goods and services (+6,6%)	630,9	623,0	7,9
Other tax revenue	390,1		390,1				Nominal GDP (+5,28%)	410,7	411,0	-0,3
Social security contributions	54325,2		54325,2		300,0	The starting point of the extrapolation (the projected revenues for 2013 from the second budget rectification) is adjusted by adding the compensatory transfers to affected persons regarding the amounts collected under a provision declared unconstitutional. These transfers were recorded as negative revenue, negatively affecting the execution of the first 9 months of 2013 (by 796 million lei). Also, the increase of the minimum wage should be included in the projection for the dynamics of earnings and therefore will not be considered separately in our forecast.	The average number of employees(+1,33%) Average gross earnings (+5,17%)	58019,7	57779,0	240,6
Nontax revenue	17389,0		17389,0		50,0	According to the projection of the Ministry of Public Finance. Revenues are projected to increase slower than the average inflation forecasted for the next year.		17390,0	17390,0	0,0
Capital revenues	607,1		607,1				The average rate of inflation forecasted for 2014 (2,4%)	621,7	621,0	0,7
Subsidies	0,0		0,0					0,0	0,0	0,0
Grants	631,9		631,9			According to the projection of the Ministry of Public Finance		2,8	14,6	-11,8
Amounts received from the EU	12441,4		12441,4			According to the projection of the Ministry of Public Finance		14853,3	14841,5	11,8