

## **The trend of the economic evolution in Romania in the context of crises**

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**Abstract.** *Today, the world economy is facing a series of crises that are constantly acting, producing special negative effects. More recently, the energy crisis has appeared on this general background of crisis that I mentioned but also as a result of reduced resources, control over the exploitation of these resources but especially due to the Russian-Ukrainian war (Russian-Ukrainian armed conflict). In this generally unfavorable context, the world economy is facing major problems. Inflation has reached unsuspected levels, unemployment is rising, the employment rate is declining, incomes are declining, the incomes of the population are falling sharply, causing a general reduction in the standard of living, of the living standard of the population. All these are analysed, constituting the main objective of this article in which we propose to identify the evolution trend of the Romanian economy in the general context, of the European Union and more globally, in the next period. We cannot talk about a forecast that would consist in determining the evolution parameters, so that we can foreshadow, with a high probability, the perspective of the evolution of the Romanian economy in a general, European and world context.*

**Keywords:** pandemic crisis, parameters, forecast, inflation rate, unemployment.

**JEL Classification:** C72, C73, D21, D43, L13.

## **1. Introduction**

In this article we started from the study of the effects that the current crises have in terms of the future evolution of the world economy, of the European Union and of each state, dealing with Romania. One by one, we investigated the effects that these crises (health, financial-economic, energy, food) have on the capacity of each Member State to ensure an evolution in macrostability, able to ensure the increase of the living standard. Of course, the issues analyzed were also combined with the effect of the war in Ukraine on the degenerative framework, on the macrostability of the Member States of the European Union, the United States and Russia, as well as other states.

Explaining on the basis of a survey conducted and then analyzed by the European Parliament, we tried to give answers to each of these issues. Thus, for example, most states of the Union and Romania consider that the war in Ukraine has devastating consequences on maintaining macrostability and the evolution of the economy in the next period. Also, the standard of living has been analyzed in extenso, resulting in the danger that this standard of living will become increasingly precarious. The resources, consisting of wage income, of the population are affected by the effect of crises that triggered an unprecedented inflation. In May, in Romania, it was around 15% and is expected to increase by the end of the year. In this context, facing the effect of the crisis on nominal incomes and the inability to increase nominal incomes, we find that the standard of living, the standard of living will be reduced by 15 to 20% by the end of the year. Furthermore, the individual opinions of the interviewees from Romania and the European Union were expressed regarding a series of aspects regarding the standard of living, the course of the national economies in the next period and, especially, the way the various categories of people think about with the personal standard of living in the European Union and in Romania.

The study was comparative, to highlight that the concern is not only in Romania but also in other Member States of the European Union. Furthermore, we have sought to ascertain whether European values, such as freedom and democracy, must be defended as a matter of priority, even if there is this danger of rising prices affecting the living standards of the population of the European Union and, consequently, from Romania. Then, we expressed my views on a number of countries outside the European Union on how they are evolving, positively or negatively. In the study, the member states of the European Union, as well as Romania, pronounced themselves somewhat differently. In any case, the lowest level of the effect of this Ukrainian crisis is recorded in Russia. Data on the situation concerning the United Kingdom of Great Britain and Northern Ireland, the USA, India, Turkey, China and Russia were investigated and obtained.

In this article we have made full use of graphical representations, the questionnaire used in this attempt to clarify the situation imposed by this multiple crisis, which came under the disastrous effect of the war in Ukraine. We also used the graphical representations underlying the interpreted analysis, resulting in a series of conclusions that will be presented separately.

## **2. Literature review**

The issues addressed in this paper have been studied by a significant number of researchers. Thus, Becker (2021) is concerned about the European Union budget on the multiannual financial framework 2021-2027. Benigno et al. (2021) presents research on the financial problems facing the European economy following the crises that have hit all Member States. Buti and Messori (2022) were concerned about the fiscal measures adopted by the European Union in order to overcome these crises. D'Alfonso (2021) is concerned about the effect of the decision on own resources at national level. D'Alfonso and Sapala (2015) are concerned about payments made from budgets adopted by the European Union. Darvas (2020) is concerned about the ability of EU member states to absorb and spend funding well for recovery and resilience. Källqvist (2021) is concerned about the European Union's goals of raising living standards in the Member States. Dobrita (2019) is concerned with strengthening the market competitiveness by developing the customs union of the European Union. Lagarde (2022) raises the issue of monetary policy in this period of uncertainty. Margaras (2020) is concerned about specific flexibility measures regarding ESI funds in response to the coronavirus outbreak. Mazur (2019) is concerned about the steps being taken by the European Parliament in adopting the annual budgets of the European Union. See also Pelkmans (2019) focused on identifying those solutions that can increase the competitiveness of services in the market.

## **3. Methodology, data, results and discussions**

### **3.1. Research methodology**

The world economy is currently facing a series of crises (health crisis, economic and financial crisis, energy crisis, food crisis, security crisis, etc.), as has rarely happened in the last half century.

The energy crisis has erupted as a result of reciprocal restrictions imposed by the United States and other countries on the Russian Federation as a sanction for military intervention in Ukraine, but also restrictions by the Russian Federation on exports of natural gas and oil to countries with which it has firm contracts which were the basis for the imposition of sanctions in waves on the Russian Federation.

We appreciate that in reality these restrictions have turned like a boomerang against the countries that triggered them. Thus, the other countries of the European Union, but also Romania, ended up in the situation of no longer being able to import natural gas and oil to supplement the consumption needs in the country, from the Russian Federation, there is a certain deficit. The other countries, including Germany, France, Italy, Spain, countries with strong economies that had gas supply contracts with the Russian Federation, have come to import liquefied natural gas from the United States to cover their domestic consumption needs of each of them.

This energy crisis has led to an increase in prices throughout the chain from producers (crude oil) and other countries that have crude oil refining capacity and to delivery to the last consumer who pays in full.

This energy crisis is correlated with an inability of the world's states to increase the incomes of their citizens by increasing incomes, especially those of a wage nature. In this context, there is a huge gap between the price level and the supply possibilities of the population.

The energy crisis has led to a spiraling rise in all prices in any country's economy. This is evidenced by inflation, the average annual inflation rate (over 12 months) that reached more than 15% in May and still anticipates another increase, or successive month-to-month increases in both the CPI, as well as the HICP (consumer price index and harmonized consumer price index).

The crisis triggered by the war in Ukraine has triggered, in addition to the energy crisis, a food crisis. Studies conducted internationally, but also in Romania nationally, show that Romania and all other countries will have to endure a food crisis. This food crisis will be manifested by the particularly large increase in domestic or imported food prices, as well as by the reduction of the quantitative supply.

The inflation rate is a phenomenon that affects, first of all, the income of the population as well as the parity of purchasing power. Inflation certainly shows that with the same amount of money, less agri-food products can be purchased and, in some circumstances, lower quality agri-food products can be purchased.

As far as the food processing industry is concerned, we find that it has reduced its production as the domestic raw material has also decreased.

Thus, the livestock of Romania decreased in a very special way. The agricultural census of 2020 has unequivocally highlighted the decrease of livestock to more than half in cattle, sheep, goats and poultry. Some decreases occurred in cattle and birds due to pandemics that affected, in several waves, Romania and other countries around us.

Under these conditions, the manufacturing industry did not develop, the processing units of agricultural, animal and other raw materials did not expand. On the contrary, they reduced their activity and moved to much higher imports which led to an increase in the balance, negative balance of external trade payments. This situation led to an increase in the net export statistical indicator only that it, having a deficit, is algebraically symbolized by minus. In other words, we have a balance of payments deficit in trade of almost 2 billion euros per month.

Of course, this indicator has a very special effect on the growth of the Gross Domestic Product. In reality, importation is an expense made by the whole economy (society) to procure those goods, of any kind, which are missing and necessary for the continuation of production in all branches of the national economy. We can give the example of the factory, or the company that produces DACIA and RENAULT cars, which has to import from France a series of assemblies necessary for the finished product. These, of course, each year require a transfer of results obtained domestically, in national currency, by foreign exchange, in the currency necessary to pay for these imports. With these imports, the Gross Domestic Product decreases every day, every week, month and year.

We can show that the budget deficit is 60 million euros every day. In other words, what is achieved in the national economy, state or private, must go to the payment of imports.

Exports have also increased, but Romania's national economy does not have a range of products that, in terms of quality and prices, are competitive on the foreign market. So, the net export calculated as the difference between export and import suggests a rather high indicator called deficit, which must be borne by the results obtained by the national economy and thus affecting the level of Gross Domestic Product which, logically, is easily understood, decreases.

The crises that we mentioned are determined and exacerbated by the war in Ukraine. This armed conflict, caused by the occupation of important regions by the Russian Federation, is a lasting one that will create other new difficulties for the Russian Federation, Ukraine and other countries in terms of living standards.

The aim of the Russian Federation, and this can be seen from the occupied and militarized areas, is to stop Ukrainian exports through the ports on the Black Sea. Of course, at a much slower pace, exports of cereals and other Ukrainian agri-food products still manage to export to other areas transiting the port of Constanta. But even in this situation, exports are very difficult to achieve because the Black Sea has become a front of the Russian-Ukrainian disputes and attention for the other riparian countries in the area.

These crises imposed by the Russian Federation and by the restrictions imposed on the Russian Federation by most countries of the world cause a prospect of a crisis so deep that hunger can become the current slogan of the large share of the population in European countries and beyond.

Following this perspective of the extension of the danger of deepening energy and food crises due to the conflict, we will present in the following sequences some aspects related to the consequences of the war in Ukraine on the economies of all states, including Romania. We will resort to a comparative study of Romania's situation compared to similar indicators of the European Union average regarding the danger of war in Ukraine.

### **3.2. Data analysis and results**

A first issue is to think about how the war in Ukraine and its potential will affect life in general, and how convinced the states of the world are that this state will continue for a much longer period.

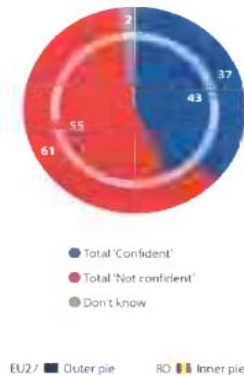
On this subject it results that the states of the world have totally different opinions. Thus, the answer to this problem is as follows:

- Total confidence that the war in Ukraine affects, through its consequences, the economy of the world's states as a standard of living represents 61% in Romania and 55% in the European Union.
- Also, 43% of the population of the member states of the European Union consider that this danger will be taken into account and will continue to play a negative but important role on the potential for economic growth, in other words of the evolutionary trend of Romania.

It is interesting that in this survey conducted in Romania and in the European Union, it turns out that 2% of respondents said they do not know at this time whether the effects will be greater or less. This element, of a share of only 2% of the European population, similar

to the population of Romania, who do not know or can not express themselves, which means that the remaining 98% of the population in Europe, the European Union and Romania, are very concerned about the prospect of this development in the economy of the Member States and the European Union in the coming period due to the effects of the war in Ukraine.

**Figure 1.** *The outlook for the future of the economy of the Member States and the European Union due to the effects of the war in Ukraine*



**Source:** European Commission.

Another question that arises regarding the evolution trend of the Romanian economy and of the other states of the world refers to the fact if the European Union took serious and concrete actions regarding the sanctioning of Russia in response to the invasion of this country in Ukraine.

Actions have also been taken which may have consequences for European states and the population. The European Parliament poll asked the question: how prepared are we to deal with the high potential of the consequences of the Russian invasion of Ukraine?

Two aspects were the main object of this issue under discussion, namely:

- Do you feel the increase in energy prices?
- How do you appreciate the increase in agri-food prices?

Again, we will use comparatively the data obtained on the total of the European Union as well as the data obtained by interviewing a sample from Romania.

Thus, 40% of the Member States of the European Union say that energy prices will rise, create great difficulties for Member States and will affect even the most developed countries in the world, but also the sample states (great powers), but especially the United States and the Russian Federation, on the one hand, but also Germany, France, Italy, Spain and other EU countries, on the other.

Romania, in a percentage of 26%, appreciates that this increase in energy prices will totally affect the economic evolution but, thinking with a certain feeling of relaxation, this percentage is lower than the European average because we can still regenerate the development of agriculture as a whole (plant and animal sector), we can reconsider on the National Recovery and Resilience Program the development of companies processing

SMEs in the food industry, by extracting oil from the Black Sea platform, which has already been put into operation, can be mitigated some of the effects of the energy crisis.

The second answer to this energy problem is that 58% of the EU surveyed population believes that the effects of this armed conflict (the war in Ukraine) are still not fully known. In the case of Romania, this percentage is slightly higher, 69%, and we previously argued why the respondents in Romania look a little more relaxed about the problem of rising prices due to the energy and food crisis, which has an increasing trend not only in Romania but also in all states of the world.

And at this point of the data recorded through an interview, only 2% said they are not sure of the effects that the war in Ukraine will continue to have on the economy of European states, primarily the European Union, but also Romania. Coincidentally or not, at this point 2% was that percentage both in the European Union and in Romania.

This means that the population of the European Union, but larger worldwide, is horrified by the prospect of deepening the energy gap in the context of the armed conflict (the war in Ukraine) will continue and with it will continue the mutual restrictions taken by the two sides: the rest of the world and the Russian Federation.

We have not yet taken into account the point of view of a new great power that is on the rise, namely China. China, against this background of the effects of the crisis triggered by the war in Ukraine, may become the safest power in the world, in the sense that it can invest, on the one hand, in European states that do not have sufficient resources for recovery, but At the same time, it can help the Russian Federation by importing more oil and gas at affordable prices for both sides so as to ensure the stability of the Russian economy, which will not be weakened too much by the total consumption it makes in the war in Ukraine.

Recently, Chinese leaders have spoken out in favor of positive relations with the Russian Federation, which will create new difficulties for the European Union, the United States and other states, in the sense that we will only feel the restrictions on the cessation of oil and gas imports from Russia, and Russia is somewhat resolving the balance of its economy through exports of these two products, but also others, to China.

We must remember that at present, including between the Western European states, members or non-members of the European Union, we have in mind here the United Kingdom of Great Britain and Northern Ireland that came out through Brexit, there are differences in terms of continuing relations with the Russian Federation.

Germany and France are the most important countries in the current European Union. Important in terms of the capacity of their national economies, overcoming crises, their position in the European Union, but they are also very concerned not to stray too far from severing relations with the Russian Federation, which at one time given could be sacrificed.

After all, Germany still has the most convenient long-term gas supply contract with the Russian Federation. From the researched data it results that a certain, more weighted position of Germany, is due to this fact, that it wants that when the effects of the conflict will be flattened, to return to the full contract that refers to the supply of energy in the form of oil and gas, natural resources in the Russian Federation.

There is a second question to this problem: How do the states of the European Union, including Romania, think that the increases in food products will evolve?

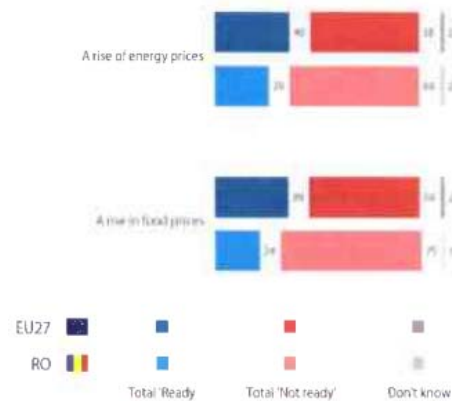
In this situation too, the European Union, 39%, considers that these prices are sure to increase and will increase in the next period. In Romania, only 24% of Romanian citizens surveyed on the issue of rising food prices spoke in this direction.

59% of the members of the European Union and 75% of the interviewed Romanian citizens are not entirely precise on the perspective of the price increase.

Here that, in total, 99% of Romania is under the particularly serious effect of the food crisis and 98% of the European Union is in the same position.

Only 2% in the European Union and 1% in Romania of the interviewees answered that we do not think it will go that far.

**Figure 2.** *The position of the European Union states towards the evolution of energy and food prices*



**Source:** European Commission.

Another issue, question, which has aroused interest in research conducted by the European Union and research institutes in Romania, refers to how the standard of living is felt (it is good, services are OK and can be a convenient situation in future, which of these are most closely related to the standard of living of the investigated population?).

Likewise, the European Parliament, in a summary on this topic, made known the options of the population of the European Union. Similarly, in Romania, the interviewees had views on the three aspects regarding this issue.

Thus, when asked about the consequences of the war in Ukraine, whether they have reduced their standard of living and whether there is a prospect that this standard of living will be affected next year, 40% of the population of the European Union answered YES, and in Romania 46% of those interviewed gave an affirmative answer.

The second point on this topic concerns the extent to which the consequences of this war in Ukraine have already led to a reduction in living standards and whether this influence will increase in the future.



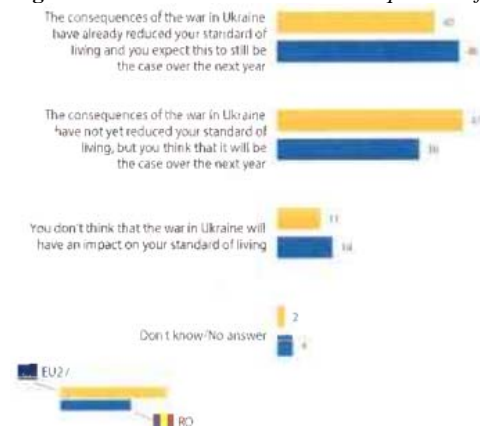
Importantly, the Member States of the European Union, on average, appreciated 47% that YES. It has already produced effects and will have effects in 2023. In Romania, at this point the respondents responded in a percentage of 36%.

The third answer to this question was given by those who believe that the war in Ukraine will continue to have an impact on the standard of living of the population, 11% of EU respondents said YES, and 14% in Romania said in the same direction.

To the general issue regarding the standard of living, 2% from the European Union and 4% from Romania answered that they do not know this situation.

So, here are some conclusive answers that show that the national economy trend in Romania and the other member states of the European Union will continue to be affected, and may continue this evolution in 2023.

**Figure 3.** *The extent to which the consequences of the war in Ukraine have led to a reduction in living standards*



**Source:** European Commission.

Another question, or problem, that has sought an answer is what everyone thinks about their standard of living and what they think this situation will be in the next period.

The answer is given by those interviewed in the European Union and in Romania, respectively, the war has and will have an impact on the standard of living. In this sense, in the European Union 87% were in this direction, and in Romania 82% were in this direction.

The main socio-professional categories are affected in different ways by the effect of the war in Ukraine on the standard of living.

Thus, 87% of self-employed workers in the European Union are responsible for being affected and 83% in Romania.

The managers of the main companies in the European Union and Romania estimate in proportion of 83%, respectively 87%, that it will affect them in leading the respective companies to obtain clearly unfavorable results and the standard of living will be affected.

The white population was 88% in the European Union in the sense that it is affected in terms of personal standard of living, and in Romania 90% of this category were in the same direction.

Manual workers believe, 89% in the European Union and 80% in Romania, that their standard of living will be affected by this war, even after its end, when the issue of reconstruction arises not only in Ukraine but also in other countries. -recover their savings and bring them to a standard of stability.

Households estimate that 87% in the European Union will be affected, and in Romania 84% think the same way.

The 89% of the unemployed population in the European Union believes that this crisis, caused by the war in Ukraine, will have special effects on the individual's standard of living. In Romania, 72% spoke in this direction.

Interesting is the way the pensioners expressed themselves on this topic. Thus, in the European Union 89% and in Romania 84% of retirees consider that the standard of living, the individual standard of living is affected and will continue to be affected.

A particular category is represented by students who respond, in a percentage of 79% in the European Union and 74% in Romania, that this war will deepen the crises, with direct effects on the standard of living of the population.

This form also contains a question, namely whether there are difficulties on the part of the interviewees regarding the payment of invoices for expenses. Here are the third answers, as follows:

- In most cases YES, 92% in the European Union and 71% in Romania.
- From time to time, 91% in the European Union and 82% in Romania.
- A category that, as a rule, considers that there are no such problems is those who answer Never or Usually not, 84% in the European Union and 83% in Romania.

These aspects show that, in total, in the European Union over 90% of the population has difficulties in paying those expenses. In Romania, it is estimated that 71% are in this situation.

**Figure 4. Impact on quality of life**

Answer: War has or will impact standard of living		
	EU27	RO
TOTAL	87	82
<b>Socio-professional category</b>		
Self-employed	86	93
Managers	83	77
Other white collars	88	90
Manual workers	89	80
House persons	87	74
Unemployed	89	72
Retired	89	84
Students	79	74
<b>Difficulties paying bills</b>		
Most of the time	92	71
From time to time	91	82
Almost never/ Never	84	83

**Source:** European Commission.

Furthermore, in the study that was the basis for writing this article in connection with the future trend of the Romanian economy under the empire of crises, there are two other aspects that we consider interesting enough.

Thus, a first issue is to consider whether the war in Ukraine and its consequences will continue, what is the position of the population in relation to this issue.

There is a scale from 1 to 6, in which 1 means that defending the interests of the European Union, such as freedom, democracy, are priorities and they will be the most positive, while with 6 we measured what it means that maintaining the price and cost life must be a priority even if the efforts to defend the interests of the European Union are equally important. Also, a number of members indicated something between the two points of view, namely to be in one position or another.

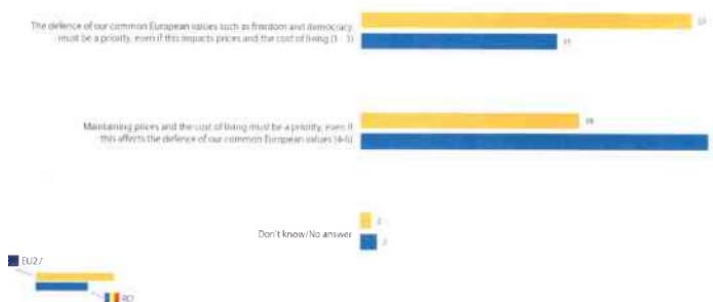
The result of this question was that defending the values of the European Union, such as freedom and democracy, must be priorities, even if the cost of living will also increase and affect. With an answer from 1 to 3, i.e. positive, 59% of the interviewed European Union people and 35% of the interviewed Romanian people answered.

The second question to this issue was whether maintaining prices on the cost of living should be a priority, even if it affects the defense of some values of the European Union and European Union members surveyed answered 39% with YES and from Romania 62% said YES.

And another categorical question was Specify whether or not you know this situation of the consequences of the war in Ukraine on the European Union and Romania of course. In the European Union they answered 2% NO and in Romania only 3%.

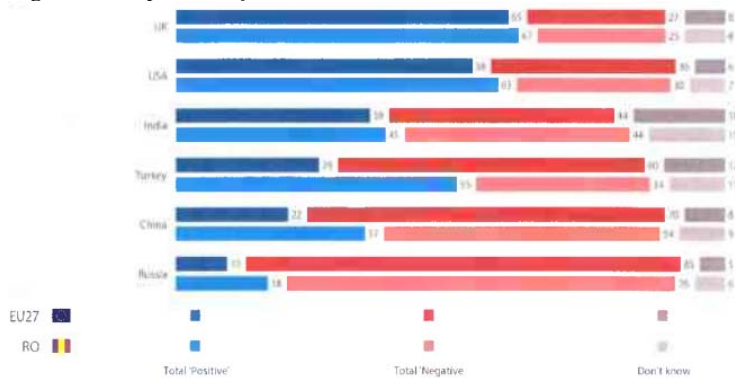
So, the population of the European Union and Romania, as a whole, has a fairly clear position on what will happen in Romania in the near future, which is quite gloomy for the population of the European Union and Romania in particular.

**Figure 5.** *The interests of the European Union and maintaining the cost of living*



**Source:** European Commission.

This study concludes with the answer to a question that refers to the fact that it must be expressed in connection with the presentation of the position of each country, Positive or Negative, in relation to the concrete situation today. In the graph that includes only a number of 6 countries, from Figure 6, are the data on the answer to this question given by Great Britain, USA, India, Turkey, China and Russia.

**Figure 6.** The position of the countries in relation to the concrete situation of today

**Source:** European Commission.

The questions of the European Union and Romania are expressed in this question. Romania's point of view is totally positive in the case of Great Britain – 67%, USA – 63%, India – 41%, Turkey – 55%, China – 37% and Russia – 18%.

The respondent population of Great Britain answered in different percentages, respectively 65% in the case of the European Union, 58% in the USA, India – 38%, Turkey – only 38%, China – only 22% and Russia – 10%.

The fact that what is happening is totally Negative in the vision of Romania and the European Union, of the 27 member states, is the following: Romania considers that 25% in the case of the UK is totally negative, 30% in the case of the USA, 44% in the case of India, 34% in the case of Turkey, 54% in the case of China and 76% in the case of Russia.

The answers given by the interviewees in the European Union are to this problem. Total negative: 27% for Great Britain, 36% for USA, 44% for India, 60% for Turkey, 70% for China and 85% for Russia.

Those who do not know referred in percentages of 5 to 18%, differently. I do not know the situation, 18% answered in the European Union for India and in Romania 15%. And 5% answered from the European Union, and from Romania 6% in the case of the situation regarding the Russian Federation.

### 3.3. Discussion

The study conducted in this article immediately shows that a number of issues are affected by crises as a whole, and as a negative corollary, is that these crises are radically influenced by the war in Ukraine, which put all these crises in negative movement, which offers a difficult trend for most European countries.

In the case of Romania, this trend becomes and remains negative, in the sense that these crises (energy, food, financial-economic and even pandemic) are difficult to feel on the population of Romania, which is negative in terms of future evolution of the economy.

The comparative study shows that in the European Union there are the same issues that are difficult to hang in the population of these countries.

If we expand further, we will find that the trend of the world economy in general is negative, affected by this accumulation of crises concentrated under the effect of the war in Ukraine.

The issue of resources, population and capacity of each state to recover these losses is particularly delicate. Therefore, we consider that the evolutionary trend is a sensitive one, with a major effect on the standard of living in most countries of the world.

Harmonization programs are required in the European Union, of which Romania is also a member, in order for those recovery and resilience plans to be used as efficiently as possible.

The Community funds allocated to each State should also be used efficiently and, last but not least, each Member State should make the best use of its own potential, in order to be able to overcome these burdens imposed by the crisis and which determines an oscillating trend for the next period.

#### **4. Conclusions**

This article aims to highlight the trend of the evolution of the Romanian economy, a member of the European Union in the context of the crises facing humanity.

A first conclusion is that the trend of Romania's economic evolution for 2022 and maybe 2023 is uncertain, oscillating, and may have negative developments that further aggravate the standard of living of the Romanian population.

The situation of the other Member States of the European Union is evolving in a similar direction, regardless of whether they are more developed or less developed.

The cumulative crisis facing the world economy, the economy of the European Union and each Member State reveals that the danger of deteriorating living standards is even greater for the next period.

Another conclusion is that there is a conceptual level of the member states of the European Union similar to that in Romania. This means that this accumulation of crises on the national economy requires vigorous economic recovery measures and, last but not least, requires greater cooperation, at least in the European Union, to initiate major projects to improve industry, develop agriculture, introducing the latest achievements of science and research in the development of national economies.

Only in this way can the negative trend of the economy be stopped and countries, including Romania, can reach a level of return to macro stability, which ensures compliance with the proportions and correlations established in the national economy for the effect to be positive for the next period.

The conclusion is that Romania is facing great difficulties because budgetary resources are low, public debt has risen to more than half of Gross Domestic Product, the possibility of increasing population income (wages, pensions, aid, etc.) is limited, and inflation is currently rampant of over 15%, with the prospect of reaching even 20% by the end of the year, leads to worsening living conditions.

It is not excluded that this global recession will deepen and we will be able to speak, in addition to the energy and food crises, of a famine in some countries, if not in most of them, Romania being among them, and in an inability to recover, as short a term as possible.

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