

Is Romania Flirting with Conditions that Lead to the Middle Income Trap?

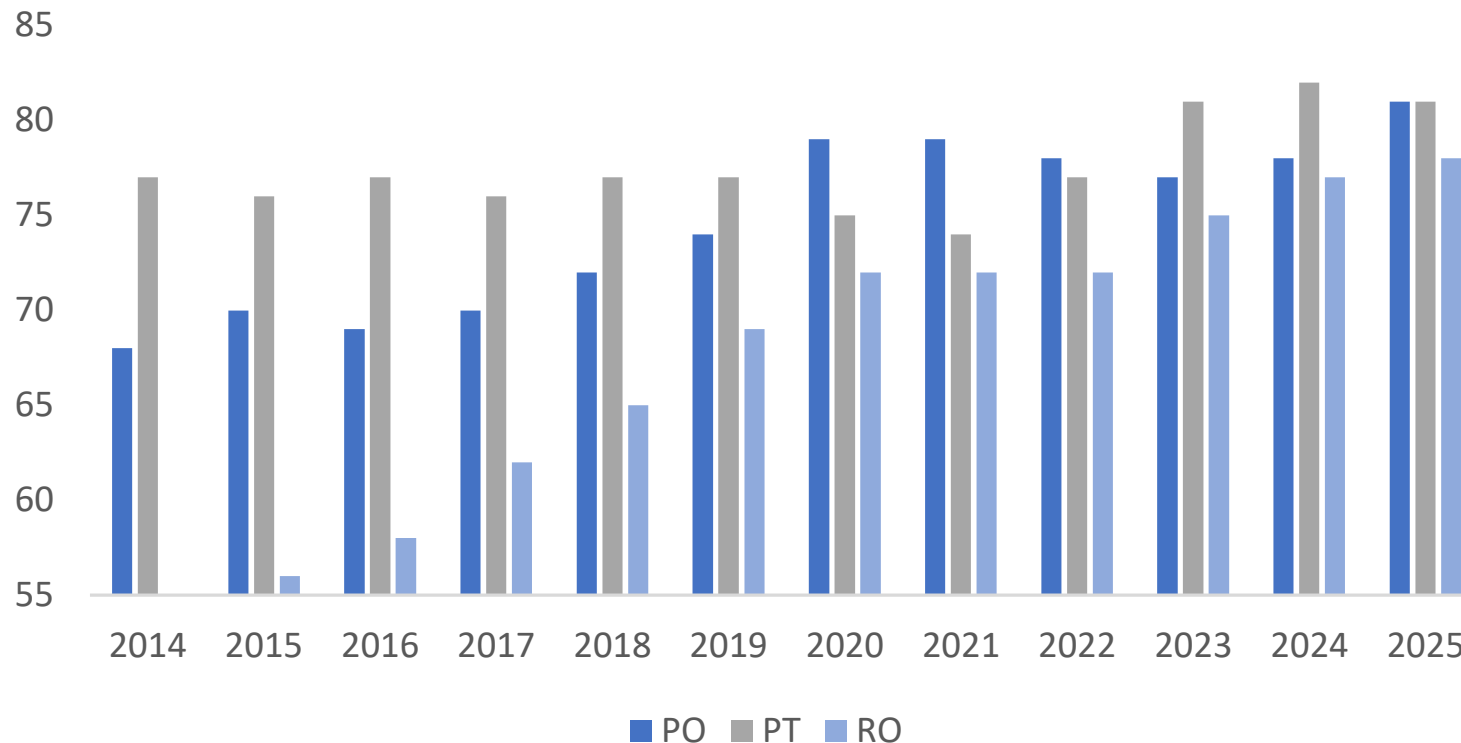
LAURIAN LUNGU

16 May 2026

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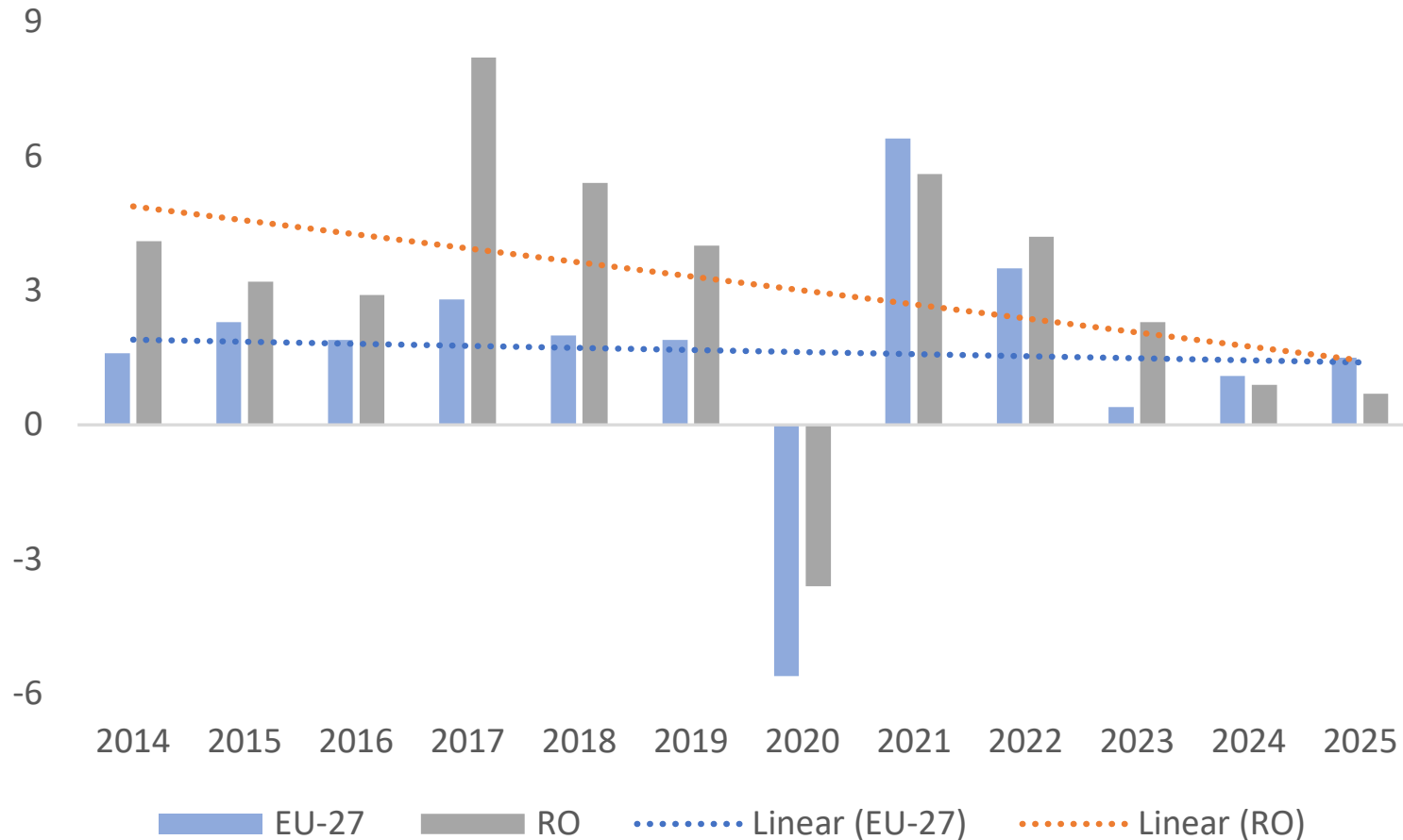
Structural Reforms Needed for Romania to Break the MIT Barrier

GDP/Capita in PPS



- Rapid convergence followed by stagnation or even regression
- Falling population shows a brighter picture
- Growth model that got RO here — wage-led consumption, remittance flows, EU transfers, cheap labour attracting FDI in auto and light manufacturing — is running out of road
- A structural change in the way economic policies are implemented is needed — institutional change & structural development

GDP Growth, EU-27 and Romania – Is the Gap Closing?



- RO's GDP growth trending downwards. This has occurred in a period where EU-related funds have been plentiful
- Partially it reinforces a trend observed across other Eastern European countries after the pandemic
- Structural reforms that enables growth are required. A change in the mindset (RRF funds for policies that should have been enacted domestically vs funds for capital formation)

Trends May Be Regional but Domestically Designed Solutions Make a Difference

EU's Past and Present Productivity: The Stalled Convergence

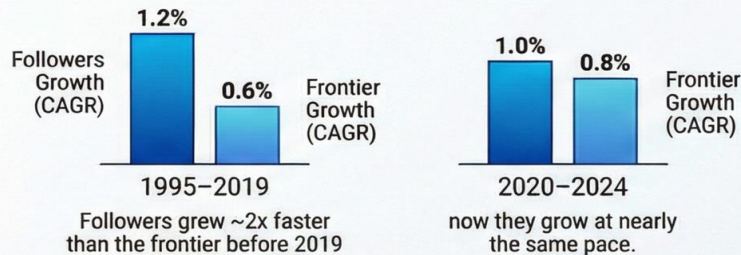


**Followers' productivity
= 52% of EU frontier**

The productivity gap remained unchanged between 2019 and 2024.

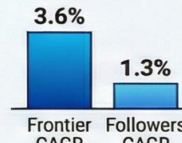
Convergence Stalled

Diffusion slowed after 2019



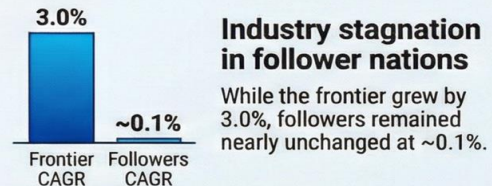
Sectoral Gaps (Industry & Agriculture)

Agriculture



**Industry & Agriculture
drove the follower slowdown**

Industry



Tech Signals & Services



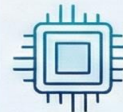
Commercial services remain a bright spot

Follower productivity in services reached **53%** of the frontier in 2024.



43% R&D Productivity Gap

Frontier R&D productivity accelerated to 2.8% (2020-2022) while followers stayed at 0.8%.



Signal: Slower tech diffusion in followers

Capital-labour patterns suggest followers are slower to adopt labour-substituting technologies.



Frontier = 3 highest-productivity EU economies | Followers = the rest

Reflection Points

- Warning signs for MIT on several fronts:
 - Wage growth has outpaced productivity for years, eroding the cost advantage
 - R&D spending is among the lowest in the EU (under 0.5% of GDP, 4x lower than target)
 - Education system is losing quality (PISA scores, brain drain of young graduates)
 - The state's administrative capacity to design and implement sound, long-term growth enhancing policies is weak
- Lasting economic growth is an outcome of sound economic policies
- Encourage a proper debate on Romania's future potential development path
- Globally there are turbulent times – change in the world order. This offers an opportunity - with a good strategy the economy could emerge as a winner. Enabled by a change in the policymakers' mindset