**Note**

**regarding the forecast at territorial profile**

**The economic developments in 2021 confirm the recovery of economic activity during the peak of the COVID-19 pandemic, but at the County level some vulnerabilities persist.**

In the first nine months of 2021, Romania recorded a GDP growth in real terms of 7.1%, compared to the corresponding period of the previous year, with positive dynamics in all main sectors, excepting for the construction sector (-0.1%). Gross value added in industry increased by 7.1% and in the services sector by 6.3%. In the conditions of an outstanding agricultural year, the gross value added in agriculture increased by 23.2%.

In territorial terms, the data available at the end of September 2021 point out that the recovery of activity at the aggregate level (GDP) featured accross all counties. Moreover, in the most counties, at the sectoral level, the loss from the previous year was recovered.

Given the importance of industrial activity both in terms of the engaging of other sectors of the economy and its feature as a main exporter, its territorial relevance is essential. Thus, in the first nine months of 2021, the industrial production increased its volume by 10.5% as compared to the corresponding period of the previous year, while, in similar terms, in 2020 the industrial activity reduced by 12.1%.

**Chart 1 Real growth in Industrial production**

The negative gap of industrial recovery is located at the level of six counties (Chart 1), as follows: Teleorman, Botoşani, Constanţa, Covasna and Dolj, which continued their negative evolution in 2021, although to an alleviated extent as compared to last year. In Ialomiţa County, the slight decrease in the volume of industrial production can be explained in terms of the base effect (+ 28.3% in the first nine months of 2020).

Regarding the evolution of the industry turnover, which is statistically reported in nominal value expressed in current prices, in comparison with the volume of production, it is observed, first of all, the fact that a significantly higher number of counties benefited from this year's price increases. However it is also possible that some limited influences may come from other components of turnover.

At the national level, in the first nine months of 2021, the dynamics of the value of industry turnover was 20.8% compared to the same period of the previous year, while in 2020, in the same period, the value of turnover decreased by 9,7%. In 2021, only two counties (Prahova through the extractive and processing industry and Teleorman) continued their negative evolution from 2020 in terms of the nominal value of industry turnover. Dolj County was located on the border with approximately zero dynamics in 2021, given that in 2020 it was one of the counties with growth supported mainly by the car industry.

We underline that in real terms, the turnover had a dynamic close to the industrial production, respectively 10.2%, since in the first nine months of 2021 the rate of increase in industrial production prices was of 9.6% compared to the first nine months from 2020.

In the first eight months of 2021, Romania's **exports of goods** (FOB) increased by 24.4% compared to the corresponding period of 2020. This significant increase generate the value of Romanian exports in the analyzed period to be 5.3% above the value recorded in the same period in 2019. The recovery above expectations at the level of total exports of goods, given that global external demand has not fully recovered in 2021, demonstrates the high competitiveness of Romanian products. This dynamic also includes an important price component, which is mainly visible in 2021.

However, there were several counties (Botoşani, Vaslui, Vrancea and to a lesser extent Prahova) where the decline in exports of goods continued in 2021. The main cause is the decline in the *lohn market* (textile and footwear industry), which, in addition to the pandemic-induced transformations, has also been affected by the reduction in external demand for light industry products.

**Table 1.** **Export of goods - FOB**

(dynamics -% - calculated on the basis of values in Euro, current prices)

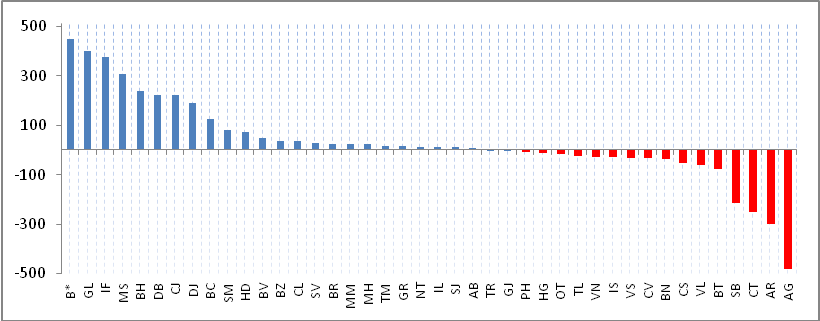
|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2021/2020** | **2021/2019** |  | **2021/2020** | **2021/2019** |
| **TOTAL** | **24.4** | **5.3** |  |  |  |
| Alba | 17.8 | 0.4 | Hunedoara | 26.8 | 13.4 |
| Arad | 22.8 | -12.9 | Ialomiţa | 36.5 | 9.8 |
| Argeş | 36.7 | -11.5 | Iaşi | 30.9 | -3.6 |
| Bacău | 43.7 | 24.2 | Ilfov | 26.7 | 20.4 |
| Bihor | 22.7 | 17.7 | Maramureş | 16.6 | 2.7 |
| Bistriţa-Năsăud | 27.7 | -6.9 | Mehedinţi | 43.3 | 26.9 |
| Botoşani | -10 | -34.5 | Mureş | 31.2 | 46.3 |
| Braşov | 21 | 2.1 | Neamţ | 33.2 | 4.8 |
| Brăila | 54.6 | 17.7 | Olt | 24 | -1.2 |
| Buzău | 31.1 | 8.1 | Prahova | -0.9 | -0.2 |
| Caraş-Severin | 2.3 | -20.5 | Satu Mare | 28.6 | 12.6 |
| Călăraşi | 40.1 | 17.3 | Sălaj | 23.2 | 2.3 |
| Cluj | 31.7 | 18.8 | Sibiu | 10.4 | -10.1 |
| Constanţa | 21 | -21.6 | Suceava | 28.7 | 8.3 |
| Covasna | 3.5 | -14.3 | Teleorman | 25.9 | -2.1 |
| Dâmboviţa | 67.3 | 49.4 | Timiş | 17.8 | 0.3 |
| Dolj | 7.9 | 11.3 | Tulcea | 6.7 | -5.1 |
| Galaţi | 53.6 | 55 | Vaslui | -5.5 | -24 |
| Giurgiu | 67.9 | 30.4 | Vâlcea | 9.1 | -24.8 |
| Gorj | 10.1 | -8.1 | Vrancea | -8.8 | -14.5 |
| Harghita | 17.8 | -3.8 | Municipiul Bucureşti | 23.4 | 9 |

Although the vast majority of counties withnessed increases in 2021, in a large number of cases they were not enough to cover the losses from 2020, so the number of counties with exports in the first eight months of 2021 below the corresponding period of 2019 is significantly higher.

In addition to the causes mentioned above in the counties with exports in *lohn* come on top the problems generated by the pandemic that acted in 2021: (i) the semiconductor crisis and other electronic inputs that mainly affected the counties in which the automotive components industry is located (mainly Arad, Argeş, Sibiu), (ii) disruptions of international transport and the increase in transport tariffs as a result of the container crisis, and (iii) other causes such as lack of labor but also the increases in energy and other commodity prices.

**Chart 2 Export of goods- FOB**

(the difference of 8 months 2021 compared to 8 months 2019, million euros)

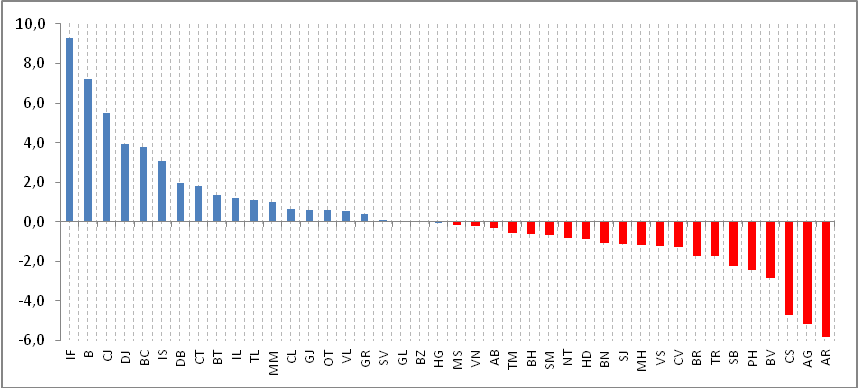


\* The value for Bucharest booked +697 millions euro. It was truncated for graphical illustration purposes.

In order to better illustrate the export situation compared to the pre-pandemic period was graphically represented the absolute increase (in millions of euros, current prices) of the indicator.

From the point of view of the **labor market** for the first nine months of 2021, the average number of employees come closer, at national level, to the situation in the pre-pandemic period. However, for a significant number of counties, the labor market has not fully recovered (Chart 3). From these, the biggest challenges are in Arad, Argeş, Caraş-Severin, Braşov, Prahova and Sibiu counties.

**Chart 3 Average number of employees**

(the difference of 9 months 2021 compared to 9 months 2019, thousand people)

In the case of all the above mentioned counties, the industry and construction sectors were in terms of the average number of employees below the comparative level of 2019. In addition, in Argeş and Caraş-Severin counties the average number of employees was lower than the first nine months of 2019 also in the agriculture, forestry and fishing sector, most likely due to the reduction of timber exploitation in the context of the rising raw material prices in 2021.

In the case of Braşov County, in addition to industry and construction, the services sector (available infra-annually in territorial profile only at the aggregate level) was below the similar level in 2019, due to the tourism sector which failed to fully recover his integral decline in the debut of the pandemic period.

**The influence of GDP/capita growth at the regional level on poverty reduction**

After joining the EU, Romania has embarked on an accelerated development trajectory, benefiting from: considerable non-reimbursable financial transfers, a free export market, improved access to reimbursable financing, as well as the possibility of placing the excess labor within the EU witch generated a sustainable inflow of remittances with a positive impact on the external balance of payments.

All these favorable factors have caused Romania to quickly reduce its development gap compared to the EU average, reaching that in 2020 GDP/capita expressed in PPS to represent 72% of the EU-27 average. While all development regions of the country have recorded significant increases in GDP/capita (both in the PPS and in the national currency), the progress recorded in reducing poverty still depends on the initial conditions, respectively, the less developed regions remained poor despite the general development of the national economy.

If we analyze the evolution of the risk rate of poverty or social exclusion (AROPE)**1**, one of the most complex and comprehensive indicators in the field of living standards analysis in correlation with the share of GDP/capita in the EU-27 average, it is observed that in 2010-2019 interval (at regional level GDP/capita in PPS is available only at the level of 2019) the West region, whose GDP / capita represents 71% of the EU average, reduced its poverty rate by 14.3 percentage points over time, while the North-East region (44 % of the EU average in 2019) has improved its -risk-of-poverty rate by just 5.3 percentage points.

In the period 2010-2019, the GDP per capita in the PPS increased by 29.1% in the West region, while in the North-East region the progress was significantly faster, respectively an increase of 46.7%.

A more comprehensive analysis of economic convergence and living standards will be the subject of a separate paper.

1 A person is at risk of poverty or social exclusion if he or she is in at least one of the following situations: (i) is below the poverty line (60% of median disposable income per adult-equivalent); (ii) is in a state of severe material deprivation; (iii) lives in a very labor-intensive household.

**Economic perspectives**

The forecast of the main macroeconomic indicators in the medium-term territorial profile was made taking into account the following hypotheses:

1. Forecast of the main national macroeconomic indicators 2021-2025 (Autumn edition 2021);
2. Macroeconomic developments at national and territorial level in 2021 characterized by the continuation of the COVID-19 pandemic, but at a significantly attenuated level compared to the 2020 peaks, as well as by the economic recovery;
3. Implementation of the investments provided in the National Recovery and Resilience Plan;
4. Investments and other interventions within the Multiannual Financial Framework 2021-2027 which contribute to reducing the regional disparities, mainly in terms of GDP/capita;
5. Short and medium term risks.

Within **the macroeconomic forecast at national level**, for the year 2022 an economic growth of 4.6% was estimated, which is fuelled on the supply side mainly by the construction sector.

In the period 2022 - 2025, the gross domestic product will advance annually on average by 4.9%, the economic model being based on an acceleration of investments in the conditions of a better absorption of funds from PNRR and from the multi-annual financial framework 2021-2027. On the supply side, the most dynamic sector will be construction, for which is expected an average annual increase in gross value added of 9.2%. For the tertiary sector it is estimated an average annual increase of 4.5%, the focus being put on the development of modern services (IT, business services, etc.), and, in this field, the attraction of PNRR funds contributing to a sustained evolution. Regarding the industrial sector, the annual average growth rate is estimated at 4.7%, with mainly the development of the branches with advanced technologies and increased contribution of gross added value.

The main identified **risks** are related, first of all, to the evolution of the health situation both at national and international level. Thus, the possibility of new strains of SARS COV 2 virus is an element of uncertainty for both 2022 and beyond. Secondly, the maintenance of a low vaccination rate among to the population has the potential effect of a vulnerability to the economic activity, especially during the periods of time when pandemic waves are aggressive. The materialization of these risks will significantly more affect the economic results in the counties with an important activity in tourism and adjacent services.

The unfavorable evolution of energy and raw material prices could significantly affect the counties with a significant share of industry, especially those with energy-intensive production capacities (metallurgy, chemical industry), as well as those where the construction sector occupies an important place in the economic structure.

To a lesser extent in terms of the impact on GDP, starting with 2023, the probability of materializing the risk of unfavorable weather conditions in agriculture increases, taking into account the multi-annual alternation pattern of agricultural years. The most exposed counties to this risk are mainly those with a developed vegetable agricultural sector in the south and west of Romania.

From the perspective of regional GDP per capita convergence, this process continues for most less developed regions (South-East and South Muntenia), while in the case of the North-East and South-West Oltenia regions are still needed measures to stimulate the economic activity. In the case of the North-East region, GDP/capita will reaches 62.1% of the national average in 2025, from 62.9% as estimated for 2021, and in the South-West-Oltenia region the GDP/capita is forecast to reach 77.4% of the national average compared to 78.2% in 2021. The main cause of these evolutions, according to the data from the balance sheets for 2020, analyzed within NCSP, is given by the structure of the industry and services, in the sense that in these counties the activities with low added value predominate. The recovery of these gaps can only be achieved through significant investments in this two branches, as well as in infrastructure, which would later allow dynamics of economic growth higher than the national average.

**Regional level forecasts**

For **the North-East region**, it is projected over the entire forecast horizon, an average annual real GDP growth of 4.4%, based mainly on constructions (8.9%). Agriculture (3.1%), industry (4.5%) and services (4.0%) will record moderate dynamics, in line with historical trends. The activity in services could benefit from the relaunch of tourism, as well as from the amplification of the activity in the sector of the market services provided to the enterprises in new development poles of the region (mainly in County of Iaşi). The constructions will benefit from the investments in infrastructure and public utilities that will be made in order to reduce the development gap of the region.

For the economy of **Bacău** County, the construction materials and interior design trade sector will continue to make its mark not only at regional but also at national level. For the chemical industry and the road and motorway construction sector, significant increases are expected due to investments in the production and infrastructure sector. The aircraft and food industries will also contribute to sustainable economic development.

Regarding the economy of **Botoșani** County, the future development directions will be supported by: wholesale and retail trade, food industry, textile industry and the manufacture of electricity control and distribution devices.

The sectoral economic arguments of **Iași** County for the time horizon 2025 are represented by:

* Manufacture of other parts and accessories for motor vehicles and their engines: In the next period a series of investments in this field are expected to be made in the industrial parks in Iași metropolitan area.
* The pharmaceutical industry and the IT sector are expected to benefit from investments that will result in an increase in the production of high value-added goods and services.

The priority development sectors of **Neamț** County are: chemical industry, textile industry, trade, technology and chemistry branch of textiles and constructions. A number of investments are in progress in the chemical and petrochemical equipment and machinery industry and in the textile industry (construction of production halls, acquisition of industrial equipment). The main challenges facing the economic agets are the restrictions imposed by the pandemic and the evolution of commodity prices.

**Suceava** County's economy is mainly focused on trade, industry (food, wood processing, clothing manufacturing, tanning and finishing of leather, textile manufacturing, furniture manufacturing) and construction. Also, the tourism has an important role in the County's economy. The Bucovina tourism brand continues to develop its tourism infrastructure, contributing to the rapid development of this sector.

The economic sectors with a representative economic development for **Vaslui** County are: cereal cultivation, poultry and herbivore breeding, poultry processing and preservation, manufacture of bearings, gears, gearboxes and mechanical transmission elements and manufacture of meat products. Investments in the bearing and food industries will ensure the premises for a sustained development for the coming years.

The employment will continue its upward trajectory after the resumption of economic growth starting with 2021. Thus, the civilian employed population will reach in 2025 the value of 1128.5 thousand people, by 2.4% above the level of 2021, with a significant component of qualitative improvement of the structure, as the average number of employees is forecasted at 626.6 thousand people in 2025 compared to 577.1 thousand people as recorded in 2021, so a cumulative increase of 8.6%. At the end of 2025 the unemployment rate will reach 3.8% compared to 4.3% in 2021, the region remaining, however, among those with the highest unemployment. The average net wage earning will increase at paces around the national average one, reaching 4256 lei in 2025.

For **the South-East region**, is expected a real annual GDP growth by 0.3 percentage points below the national average in all years of the forecast horizon, respectively 4.5% on average, based mainly on constructions (10.8%).The dynamic relatively higher than the national average of GVA in agriculture (3.9% compared to 2.7% at national level) reflects the favorable situation in terms of weather dependence of the activity (especially in Brăila County, witch have the largest share of land irrigated from the total arable land) but also lower transport costs for the exported production. The forecast for the services sector (+3.9%) took into account on the one hand the sufficiently untapped tourist potential in the Danube Delta but also from the counties with mountainous regions. The growth resources in the services sector come from provided services in particular from transport. As for the industry sector, it is expected to record an average annual dynamic of 3.5% of gross value added.

Due to the fact that in 2021 the economic activity continued to take place in pandemic conditions, including quarantine intervals at the local level, the recovery process of the regional economy will continue during the year 2022. It should also be noted that an important factor limiting the competitiveness of the South East region is the low innovation capacity of the economy "Regional Innovation Scoreboard 2021", ranking the South East region as a modest innovator, the innovation performance decreasing by 2.7% in the period 2014-2021, on the background of underfunding of the RDI sector but also of the insufficiently structured regional innovation ecosystem. Given that the South-East region is the only one open to the sea, this aspect offers the opportunity to develop maritime and river transport, but also related activities. Investments are also needed to stimulate both the RDI field and the business environment, including by capitalizing the results of the market research.

So far as we can talk about a gap in the economic development, it can be noticed that Constanța County has the highest level of economic and social development with a value of GDP estimated at around 65 billion lei in 2025 (GDP 5 times higher than Tulcea, the County ranked at last). Despite the rising commodity prices and the lack of qualified staff at the national level, major investment projects will lead to a high growth of the construction sector in the South-East region.

The labor market will record a positive evolution as in the case of the North-East region, the structure improving in favor of employment in the form of wages, especially due to lower quality forms such as employment in agriculture. The employed civilian population will have positive dynamics, but slightly below the national average. However, the average number of employees is forecasted at 592.3 thousand people in 2025 compared to 547.9 thousand people in 2021 (+ 8.1%). The unemployment rate will reach 3.5% by the end of 2025 compared to 4.0% in 2021. The net earnings will have positive dynamics in line with changes in the gross value added.

For **the South-Muntenia region**, is forecasted a growth of the GDP in the next period slightly below the national average (4.5% on average every year compared to 4.9% at national level). The growth is supported by construction (7.6%) while industry (5.3%) is affected by the extractive component of structural changes in the Green-Deal instrument as well as by higher prices, and by the manufacturing component of the automotive industry and his components. In terms of services, in 2022-2025 they will record an average annual rate of gross value added of 3.8%. In the agricultural sector is expected to record an average annual growth rate of 1.5% of gross value added.

The contribution of the seven counties to the formation of regional GDP highlights the gap between the economic performance of the counties in the north of the region, specialized in industry, compared to those in the south of the region, whose economy is significantly influenced by the evolution of the agricultural sector. Thus, the three counties in the north of the region (Prahova, Argeș and Dâmbovița) have a major contribution to the total achievement of regional GDP, while the rest of the four counties in the south of the region (Teleorman, Ialomița, Giurgiu and Călărași), have a reduced contribution to regional GDP.

The analysis of the sectoral structure of regional GVA illustrates that the weights of the main sectors of activity will have, in the period 2022-2025, different evolutions and highlights the gradual transition of the region. Thus, the agriculture sector will register a decrease in the share of regional GVA in 2022 and will remain approximately on the same forecast line in the next period. Also, the industry sector will register a slight increase in the share of regional GVA in 2023 and 2024. The construction sector will have an upward trend over the entire forecasted period. The contribution of some of the sectors, such as industry and construction, to the formation of GVA will help to shape the economic profile of the region, emphasizing the importance of these sectors in the regional economy.

The economic structure of the seven counties is complex, and the weights of the branches of activity are different. Thus, in Prahova and Argeș counties, the industry predominates, while in Călărași and Ialomița the most developed branch is agriculture.

The location of the region on the route of important transport corridors, the diversified profile of the industry, the existence of natural resources, as well as a well-defined tourist offer have attracted to the South Muntenia region an important percentage of the total investments.

The region is at the top of the performances registered at national level in the manufacturing industry, and this is mainly due to the counties of Argeş and Prahova. The most relevant manufacturing industries in these two counties, but also at regional level, are: The automotive industry, represented by the Dacia-Renault plants, located in Mioveni, Argeș County; Machine building industry; The petrochemical industry, represented by the existing refineries in Prahova County, The metal construction industry and metal products; Textile industry; Food industry.

After the big decrease in 2021, the civilian employed population will register annual increases but smaller than those registered at national level, so that in 2025 it will be 1104.3 thousand people, 3.7% above the level of 2020, and the average number of employees is forecasted to increase by 9.9% cumulated over the entire forecasted horizon. The number of unemployed will have a downward trajectory, so that the unemployment rate will reach 3.1% at the end of 2025, the lowest rate of the regions in the eastern part of Romania. As in all regions, the earnings will have positive dynamics, but slightly below the dynamics forecasted at the national level, due to the relatively high share in this region of some counties with low value-added production.

For **the South-West Oltenia region** it is projected over the entire forecast horizon, an average real annual GDP growth of 4.2%, based on industry, construction and services. The regional GVA in industry will increase by 4.3% while in construction the increase will be 7.4% as an annual average. With an average annual GVA dynamic of 3.8%, the services sector will have a more moderate contribution to economic growth, while for the agricultural sector the dynamics of 2.8% is around the national average (2.7%).

**Gorj County (once among the top counties in the region), with a GDP growth of 3.8% at the beginning of the forecast period and 3.3% at the end of it, is going through a transition period.** **The restructuring of the energy sector will continue, adapting to the transition to green energy, so that the implementation of photovoltaic projects and the development of electricity generation units based on natural gas will begin.**

**Mehedinți County, with a GDP growth of 3.9% anticipated for 2022, will register modest results in the interval of the forecasted period.** **Despite the potential that still exists, at the end of the forecast horizon, the evolution of GDP will be only 3.4%.**

In **Dolj** County, the GDP growth is 4.2% for 2022 and 4.5% for the end of the estimated period. In the industrial sector, an important role will be played by the car manufacturing industry, by attracting new suppliers on the local market, in addition to the existing ones, for a future commercial car with conventional engine that will be produced starting with 2023, and with an electric motor after 2024. Also worth mentioning is the area of the electric locomotive manufacturing industry, Dolj County being the only manufacturer of new locomotives in Eastern Europe, the year 2022 bringing the continuation of deliveries to operators in Romania, but also deliveries on the foreign market.

**Olt** County, with a GDP growth of 4.5% in 2022, but decreasing towards the end of the forecasted period (3.3% in 2025), is one of the strongest counties in the region, with an economy based largely on the metallurgical industry, being one of the largest manufacturers of automotive components. Not least, it is worth mentioning that Olt County also has a remarkable tradition in the agricultural sector.

In **Vâlcea** County, in line with the national forecast, the GDP is estimated to increase by 4.3% for the beginning of the period and to slow down to 3.8% by the end of the forecasted period. The chemical industry is the main economic sustainer of the County. The chemical industry sector of Vâlcea County plays a strategic role for Romania, having the largest chemical plant with two platforms, developing quality products for a better life and a sustainable future. At the same time, is being considered the construction of a district heating plant in Râmnicu Vâlcea.

The employed civilian population in South-West region will evolve with an annual growth rates below the national average, reaching 778.8 thousand people in 2025, and the average number of employees is forecasted at 435.7 thousand people. The unemployment rate will reach 4.1% by the end of 2025, being the highest rate among all regions. The net earnings will increase with annual rates located in the area of the national ones, reaching at the end of the forecasted interval at 4223 lei per month.

For **the West region**, is projected over the entire forecast horizon an average real annual GDP growth of 4.8%, slightly below the national average of 4.9%. And in the case of the West region, the fastest dynamics is found in the construction sector (7.1%). The industry and the services will have the average annual dynamics relatively close to 5.0% and 4.6%, respectively.

Timiş and Arad counties, the most developed counties in the region, account together for about 70% of regional GDP. In the period 2022-2025 ,for Timiş County is estimated a real increase in annual average GDP of 5.2% and for Arad County an average GDP growth of 4.5%. For Hunedoara and Caraş-Severin counties, real growth is forecasted as an average annual GDP of 4.3% and 4.4%, respectively, both counties having a modest contribution to the creation of regional GDP.

**Timiş** County, the main pole of economic development of the West region (realizes 50% of the regional GDP), registered in 2021 a substantial economic growth (7.8%) managing to compensate the economic contraction from 2020, although it was the most affected by the health crisis. The machine building industry remains the main industrial branch that will support the County's economic growth, announcing that major investments will be made in the next period as well. For Timiş County, is projected for the period 2022-2025 an average annual increase in GVA in industry of 5.8%. The construction branch had a downward trend in 2021, registering a decrease in GVA of 0.4%. For the period 2022-2025 we estimate increases both in the field of residential construction and in the field of engineering construction, in the context of announcing major projects, supported by the Government and the European Union. The services had an important contribution to the positive evolution of the economy (54% of the County's GDP), noting the field of information and communications as well as the revival of the Horeca branch.

**Arad** County, with a share of 22% in the formation of the regional gross domestic product, is the second most important County in the region. The economic evolution of Arad County is very close to the evolution of Timiş County. In 2021, the economy of Arad County overcame the bad period due to the pandemic, registering a GDP growth of 5.8%. The industry of Arad County, represented by the manufacture of electrical and electronic equipment for cars and motor vehicles, registered in 2021 an increase of 0.6% (Arad County participates with over 23% in the creation of gross value added from industry at regional level). It is noteworthy that for the period 2022-2025 are expected significant increases in industry (an annual average of about 6%).

**Hunedoara** County is the third most important County in the region, with a low contribution, of only 17%, to the realization of the regional gross domestic product. In 2021, it registered a GDP growth of 7.5%. The industry in Hunedoara County does not know the development of the neighboring counties, Arad and Timis, having a small contribution, of about 15%, to the creation of the gross added value from the regional industry. In the period 2022-2025, after starting the main infrastructure projects, Hunedoara County has the chance to become attractive for the main investors in the industry. These projects will strongly stimulate the construction branch in the coming years, so the cities of Deva and Hunedoara will be directly connected to the major European road corridors.

**Caraş-Severin** County participates with only 11% in the creation of the regional gross domestic product, wit a GDP growth of 7.3% in 2021 is the least developed County in the region. The local availability of the labor force will determine the reorientation of foreign investors towards this County in the next period, the counties of Timiş and Arad facing an accentuated lack of labor force. The industry, with an increase in GVA of 6.4% in 2021, still remains far from the extent of this branch in the counties of Timiş and Arad. Disadvantaged by the geographical position as well as by the lack of infrastructure, Caraş-Severin County has the chance to reduce the gap registred against the counties in the region in the period 2022-2025, benefiting from major projects, both in infrastructure and in tourism.

In this context, we forecast a favorable evolution on the labor market for the West Region, the civilian employed population registering positive dynamics. In the coming years is expected a slight but steady increase in the average number of employees at regional level. Thus, if in 2021 a number of 512.2 thousand people was registered, the average number of employees estimated for 2025 is 547.9 thousand people at the regional level.

The region has the second lowest unemployment rate (at the end of the year) after Bucharest-Ilfov, and it is estimated that it will decrease to 1.5 percent by 2025, from 2.0% in 2021.

The earnings will have positive dynamics in line with the developments in sectoral gross value added. For the year 2025, the average monthly net salary, at the level of the region, is estimated at 4564 lei/employee, as in the case of unemployment, the West region being on the second place after Bucharest-Ilfov.

The real GDP growth projected in the **Center region** is about 5% on average in the period 2022-2025. This trend is mainly supported by the construction sector (7.1%) and industry (5.0%), while the services sector will record an average annual growth of 4.3%.

The industrial branches who are the most represented, mainly export-oriented and underlying the region's advancement, are: the manufacture of subassemblies, parts and accessories for motor vehicles, the manufacture of electrical and electronic equipment for motor vehicles and motor vehicles, the manufacture of veneer and wood panels, manufacture of fertilizers and nitrogenous products.

**Brașov and Sibiu** counties are the main pillars of the economy of the Central Region, with projected GDP growth of 5.3% and 4.7% respectively at the end of the forecast period.

The economy of Brașov County is supported mainly by the service and industrial sectors through trade, transport, tourism, IT services or other services for enterprises, the automotive components industry, construction materials, household appliances, IT&C equipment.

In the economy of **Sibiu** County, the most well-represented branches are also services and industry, through trade, transport and storage, hotels and restaurants, real estate transactions, information and communications, automotive components, electrical equipment, optical instruments and devices, textiles products.

The Central Region is already facing a significant deficit of labor force, and the announced price increases for energy and raw materials could affect for the most part the economic sectors.

The average civilian employed population in the Center Region was 1008.2 thousand people in 2021 and the forecast for this one in 2025 is 1036.7 thousand people (+28.5 thousand people). The average number of employees will experience a significantly faster evolution compared to the total employment, in the Center region the employment in salary regime increasing in absolute terms by 65.6 thousand people. Thus, if in 2021 there were an average of 646.4 thousand employees, it is expected that by 2025 the number will reach 712 thousand people.

During the period considered the unemployment rate will improve. If in 2021 the unemployment rate was 2.9%, it is estimated that in 2025 the unemployment rate will be 2.4%, among the smallest accross the regions. The gross average wage earning had steadily increased. If we refer to the average net earnings, it was 3175 lei in 2021, and in the forecast for 2025 will be 4405 lei.

For **the North-West region** is estimated, over the entire forecast horizon, an average annual real GDP growth of 4.8%, supported mainly by industry and construction. The dynamics of GVA in services is on an upward trend, reaching 4.5% by the end of 2025.

The emergence of new strains of COVID-19 and the low level of vaccination have maintained the restrictions during 2021, so that the recovery process of the regional economy will continue during 2022. In the first part of 2022, rising commodity prices, rising transport costs and supply chain delays will the most affect the economic activity. The most affected sectors will be the manufacture of road transport vehicles, trailers and semi-trailers, the manufacture of other means of transport, the manufacture of electrical equipment, the metal construction industry and metal products, excluding machinery, machinery and installations, as well as the metallurgical industry, which are mainly present in Bistrița Năsăud and Sălaj counties.

Furthermore, Cluj and Bihor counties will be the main drivers of the region, with an average annual GDP growth rate in the analyzed range of 5.4% and 4.4%, respectively.

The economy of **Cluj** County continues to be supported by the performances obtained in the construction sector, but also in the IT&C sector, where Cluj occupies the second place in the country, after Bucharest, as a service provider in this field. The trend of companies to outsource the services, accelerated the digitization and increase the investment in online platforms will continue the upward trend of the service sector, supported by the involvement of the private sector in the education system which will lead to the creation of new lines of specialization in IT&C and to specialized workforce training.

The economy of **Bihor** County, the second largest economic engine in the region, is currently based on the manufacturing industry, represented by the manufacture of components for electronic equipment, components for the automotive industry, the manufacture of footwear and leather products, and the manufacture of furniture. export, so that the economic activity may be affected in the medium term by the closure of the borders of the main partners (Germany, the Netherlands, France) amid tightening health rules.

The rising commodity prices and the lack of qualified staff will contribute to a slowdown in the construction sector in the North-West region, with an increase of up to 6% by the end of 2025.

After a year 2020 with many restrictions and uncertainty, in which the unemployment rate in the North-West region had a moderate increase, up to 2.6%, in 2021 it registered a decreasing trend, reaching 2.3%. In perspective, the reducing unemployment will continue to 1.9% in 2025.

In 2025 the average number of employees is forecasted at 758 thousand people, compared to 692.1 thousand people in 2021 (+65.9 thousand people). The earnings will have positive dynamics following the trend of the evolution of the sectoral gross value added.

For **the Bucharest-Ilfov region**, where is realized almost a third of the national GDP (27.4% according to the estimates for 2021), it is expected an evolution slightly above the national average, due, in large part, to the fact that the economic recovery after the pandemic was very fast. The average annual economic growth is estimated at 5.6%, for the period 2022-2025, with a construction sector witch has a rapidly increasing GVA of 12.0% (all components - engineering, especially transport infrastructure, residential and non-residential buildings having very good prospects) and services with a dynamics of 5.3%.

A significant increase in gross value added is also expected for the agriculture branch (+ 5.0%), but the share of this sector is insignificant in the total economic activity of the region. The average annual growth rate of GVA in industry is 3.4%, below the other components of the region, but close to the national average of the sector. The main causes are the lack of labor required by the industry in the area, as well the incipient polycentric industrial model, the companies starting to expand in other areas of the country.

Regarding the labor market, the rapid recovery after the pandemic is reflected in growth rates of both the civilian employed population and the average number of employees, which, despite the problems on the labor market, are above the national average: the Bucharest-Ilfov region registers the lowest unemployment rates (Ilfov County tending to zero unemployment) but also the highest levels of gross average wage earning.