**ACROSS**
*Journal of Interdisciplinary Cross-Border Studies*
*Vol. 10, No. 7, 2026*

Economy and Business

# Real Convergence of Romania in the Euro Area. Progress, Sustainability and Accession Prospects

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**Abstract**
Many experts believe that changes in major economic indicators matter because they reflect the health of a nation's financial system. Differences across the country, along with support from European funds, are weighed to support the country's growth. Structural factors are also examined because these factors have the power to help or block Romania's real convergence. The paper highlights risks of joining the euro area, as inflation and government budget deficits create problems for the nation. Findings show that Romania's real convergence has helped to close the gap between the nation and the European Union average. Because this movement is still happening, Romania's real convergence remains a journey that is not finished yet. Faster progress and more investment in business are needed to sustain growth. Observers argue that the progress already achieved must be protected so the country does not slip back into old patterns.

**Keywords:** real convergence, euro area, economic growth, productivity, European funds, regional disparities, euro adoption.

## Introduction

Romania's real convergence toward the European Union and the euro area is a difficult journey. This convergence requires examining how economic distance shrinks, because the foundation for this change must be strong. Because a country's wealth is often measured by GDP per capita, productivity, and citizens' earnings, these numbers show that Romania is moving to a better place in the global market (Barro & Sala-i-Martin, 2004; Mankiw, 2021). These statistics show a clear improvement in Romania's relative economic position. Real convergence shows that the country is changing its structure to align with its European neighbours.

An investigation into the links between the macroeconomy and the system's weak points remains necessary. While researchers study regional differences and support from European funding, these factors help sustain progress. Many people believe that the sustainability of real convergence depends on how the government manages these specific resources. This study examines whether Romania is ready to enter the euro area and the current level of progress. This text also evaluates the risks and constraints facing the country because the timeline for joining the currency group is highly important.

## Materials and method

This study uses descriptive and comparative macroeconomic analysis to examine Romania's real convergence process, the sustainability of convergence and the country's readiness for euro area accession.

Data sources

- Eurostat; National Institute of Statistics (INS); National Bank of Romania (NBR); European Commission; Ministry of Investments and European Projects; European Central Bank convergence reports.

Indicators used

- GDP per capita (PPS, EU average = 100); Labour productivity (% of EU average); Real GDP growth rate; Average wage dynamics.

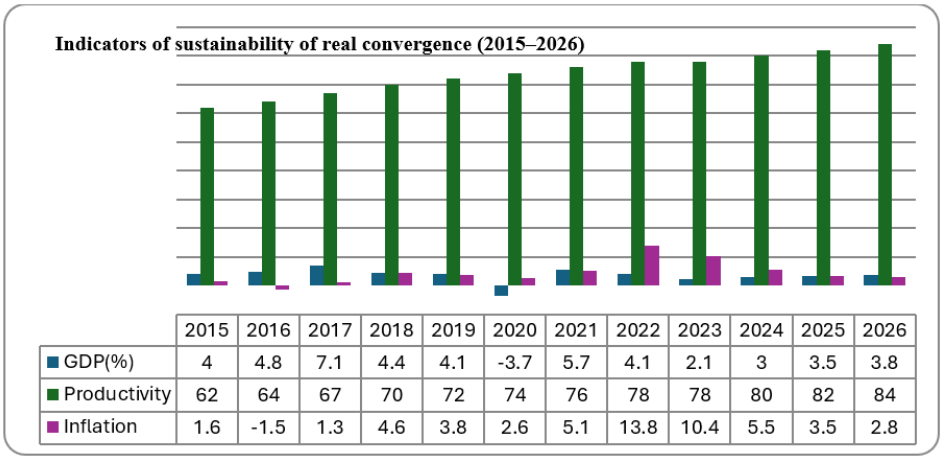
Macroeconomic stability indicators

- Inflation rate (HICP); Current account balance; Fiscal deficit; Public debt.

## Analysis and Results

### Assessment of the Sustainability of Real Convergence

Real convergence requires rapid financial expansion, and this progress needs state stability alongside equilibrium among indicators because the system must maintain its pace without creating heavy debt (De Grauwe, 2022).




| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GDP(%) | 4 | 4.8 | 7.1 | 4.4 | 4.1 | -3.7 | 5.7 | 4.1 | 2.1 | 3 | 3.5 | 3.8 |
| Productivity | 62 | 64 | 67 | 70 | 72 | 74 | 76 | 78 | 78 | 80 | 82 | 84 |
| Inflation | 1.6 | -1.5 | 1.3 | 4.6 | 3.8 | 2.6 | 5.1 | 13.8 | 10.4 | 5.5 | 3.5 | 2.8 |

**Figure 1.** Indicators of the Sustainability of Real Convergence in Romania (2015–2026). Source: Authors' processing based on Eurostat, National Institute of Statistics (INS), and National Bank of Romania (NBR) data. Units of measurement: GDP growth rate (%), labour productivity (% of EU average), inflation rate (%).

The analysis indicates that during 2015–2019, Romania's real convergence was supported by strong financial expansion, though this movement relied on increased consumption. As earned income rose, rising local demand supported real convergence in GDP per capita. The link between economic growth and labour productivity is vital for assessing whether progress can continue. Real convergence needs backing from output effectiveness, showing wise usage of assets. In certain years, financial expansion outpaced labour productivity, so production factors were used suboptimally.

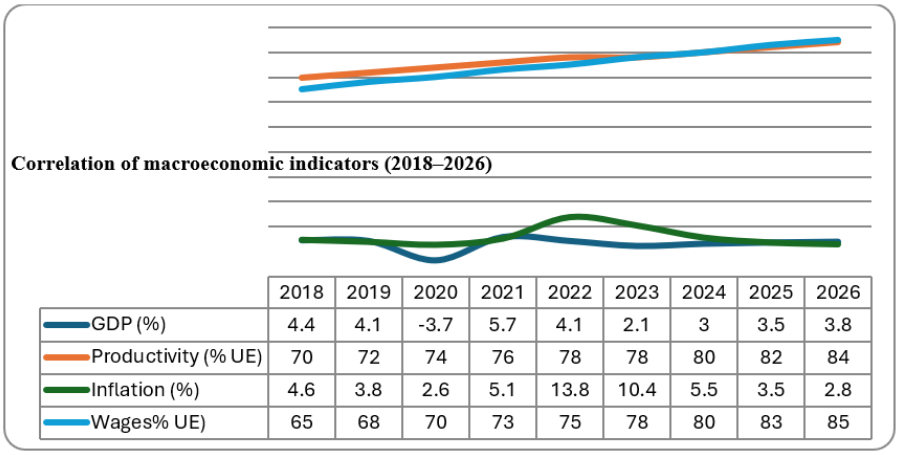
The 2020–2022 period makes the weakness of real convergence visible when external troubles occur. Because of the health crisis and power supply difficulties, income-generating activities changed significantly.

A change in how the economy grows is being seen currently. While financial expansion remains moderate, the balance is improving. Worker productivity continues to rise, showing that basic economic systems are improving. Investing in future projects like infrastructure and skills helps sustain progress. These activities increase worker productivity. The National Recovery and Resilience Plan (NRRP) can have a major effect when the government uses resources wisely. The ability of real convergence to continue is also affected by the money the government owes. Shortages in government funds might stop the nation from maintaining high growth.

Overall, Romania's real convergence is strengthening but is not yet fully sustained. Although the country has made big steps, the study shows that temporary spending helped this progress. Recent trends suggest that progress is becoming more durable as economic growth and labour productivity converge. Keeping this equilibrium is needed so that real convergence can stay safe.

## Correlation of Macroeconomic Indicators

Determining whether real convergence is sustainable requires checking separate macroeconomic indicators and how they connect. Because economic growth, labour productivity, inflation, and wage incomes are linked, they provide a complete picture of economic balance. The quality of the real convergence process is revealed by these indicators. Experts argue that evaluating these relationships is necessary to understand economic balance.




| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|
| GDP (%) | 4.4 | 4.1 | -3.7 | 5.7 | 4.1 | 2.1 | 3 | 3.5 | 3.8 |
| Productivity (% UE) | 70 | 72 | 74 | 76 | 78 | 78 | 80 | 82 | 84 |
| Inflation (%) | 4.6 | 3.8 | 2.6 | 5.1 | 13.8 | 10.4 | 5.5 | 3.5 | 2.8 |
| Wages% UE) | 65 | 68 | 70 | 73 | 75 | 78 | 80 | 83 | 85 |

**Figure 2.** Correlation of Macroeconomic Indicators in Romania (2018–2026).
Source: Authors' processing based on Eurostat, National Institute of Statistics (INS), and National Bank of Romania (NBR) data. Units of measurement: GDP growth rate (%).

The graphical representation shows meaningful links between the numbers, though the chart sizes require careful interpretation. Qualitative interpretation is required because of these scale differences.

Productivity improvements usually support economic growth that lasts a long time (Barro & Sala-i-Martin, 2004; Krugman, Obstfeld & Melitz, 2018). Within Romania, this link was evident in 2018–2019 and after 2021, when the two series moved closely together. Lower resource efficiency occurs when growth happens without higher productivity. Some growth periods depend on temporary factors like consumption.

The productivity of the working position should pay wages that follow a balanced model. Wage incomes grew faster than productivity in some years because of policies that increased pay. This situation may reduce external competitiveness.

Price changes can help correct these economic relationships. Because wages and domestic demand rose at the same time, prices were high during 2021–2023. High prices during these years hurt the purchasing power of low-income individuals.

Macroeconomic stability and the strength of real convergence are closely connected. Because external crises create volatility, many indicators change at the same time. The balance between growth and price stability was disrupted during the 2020–2022 period.

**Structural Imbalances and Vulnerabilities**

While the real convergence process has made significant progress in narrowing financial gaps with the European Union, it also faces structural flaws and weaknesses. Because these weaknesses stem from internal and external causes, they reflect how the financial system functions and its structural nature.

The economic growth model is a primary concern because it relies heavily on people buying things at specific times. Domestic demand increased as labour compensation rose and lending expanded, helping Romania's real convergence in GDP per person accelerate. This model creates problems when output and project financing do not increase in tandem.

External imbalances are closely linked to this situation, as shown by the current account deficit (De Grauwe, 2022). This deficit shows that the Romanian economy cannot meet domestic needs through its own production, leading the country to rely on foreign products. Resilience to outside difficulties is reduced by these persistent gaps.

Different levels of output between separate commercial areas represent another factor. Significant progress has been made in manufacturing and technology, yet the agriculture sector and traditional services remain characterised by low productivity. This dual structure limits expansion because Romania's real convergence is negatively affected at the aggregate level.

Regional differences are another structural concern. Romania is defined by major gaps between locations in wealth creation, physical infrastructure like roads, and job opportunities. More advanced places, like Bucharest–Ilfov, hold a large portion of financial backing and commercial work, while other areas stay behind. An uneven Romania real convergence process is produced by these differences.

Human capital remains a vital piece in helping Romania's real convergence. The education system has flaws, and workers' skills do not match labour market needs.

**Regional Disparities**

Romania's real convergence process should not be assessed only against the European Union average because internal economic development must also be considered. Regional disparities are a significant component when people evaluate the quality and sustainability of Romania's real convergence process.

Although the economy has achieved great success overall, these improvements have not been shared equally across regions. Large gaps remain in GDP per capita, labour productivity, income from employment, and infrastructure development.

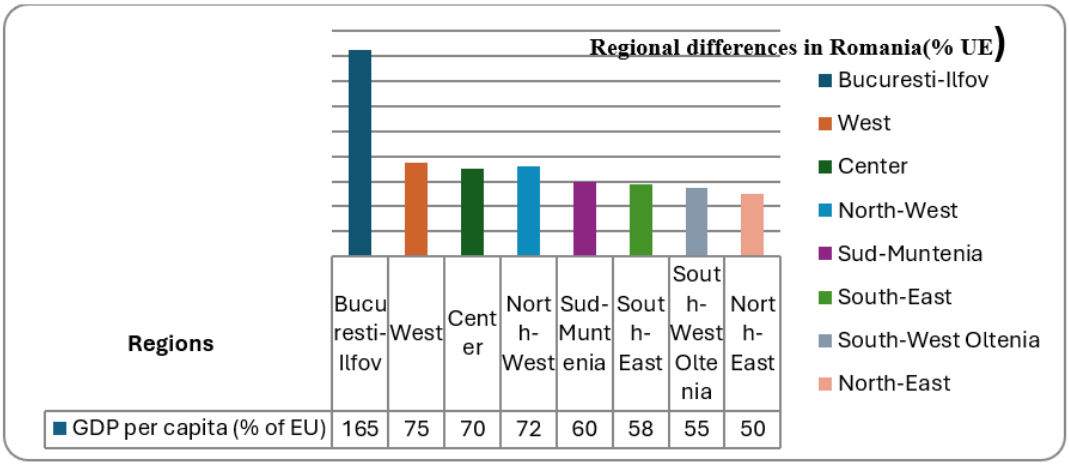



**Figure 3.** Regional Disparities in Romania (GDP per capita as % of the EU average). Source: Authors' processing based on Eurostat data. Units of measurement: GDP per capita expressed as a percentage of the EU average (%).

The representation shows wide gaps between different parts of the country. The Bucharest–Ilfov region stays ahead of the national average and even the European Union average because economic activities and foreign investment are concentrated in this area. This specific area acts as a centre for economic growth that helps the overall performance of the Romanian economy.

On the other hand, locations like North-East or South-West Oltenia show very different results. These areas face many challenges because they record much lower levels of GDP per capita and productivity. These regions show lower economic development when compared with the capital city.

Overall, regional disparities show that Romania's path toward integration is marked by uneven growth. Although the whole country is moving closer to the European Union, large differences within the country show that the process is not finished. The evidence suggests that internal divides still exist between rich and poor regions.

Reducing these regional disparities is necessary for economic integration to last over time. Economic policies must focus on increasing overall wealth while also promoting balanced regional development.

## The Role of European Funds in the Real Convergence Process

Romania experienced better economic growth because European funds provided significant help (OECD, 2025). These financial resources narrowed the gap between Romania and wealthier EU nations. Projects in physical infrastructure and the updating of systems have been financed through these resources.

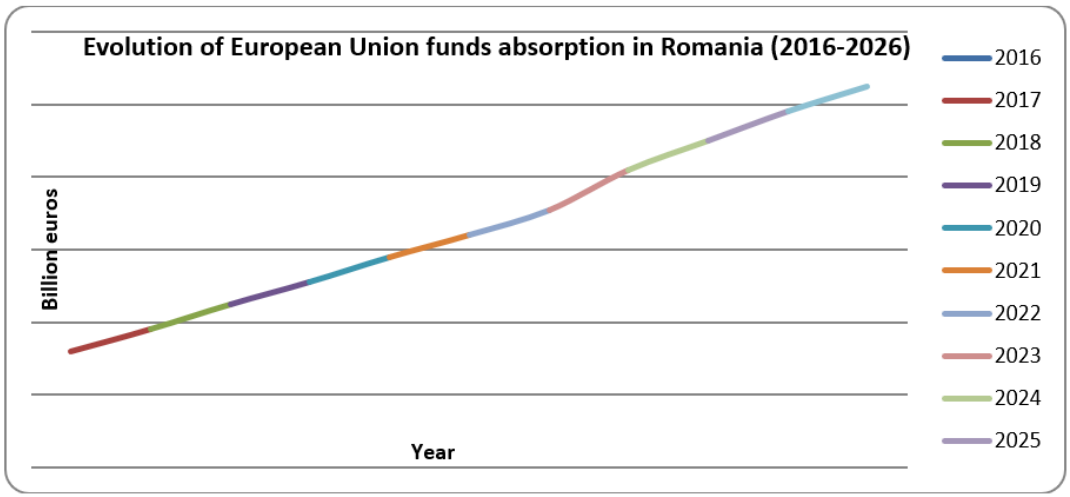



**Figure 4.** Evolution of European Funds Absorbed by Romania (2016–2025).
Source: Authors' processing based on data from the Ministry of Investments and European Projects and the European Commission. Units of measurement: absorbed European funds (EUR billion).

The chart shows a rising trend over the period examined. While European funds reached around EUR 3.2 billion in 2016, the amount rose steadily to exceed EUR 8 billion in 2023. An improvement in institutional capacity was shown by this progression. This change was driven by the growing use of financial tools provided by the European Union.

Money from European funds increased after 2020, when new programs began. Actions meant to help the economy recover were implemented during this period. The upward curve in Figure 4 matches this trend because the flow of resources remained steady. Romania attracted larger amounts because the flow of European funds never stopped increasing.

The total amount of money taken from European funds became three times larger during the years studied. Public and private financial commitments were impacted by this growth in a direct way. European funds supported projects for electronic conversion and human development. These investments are needed because they help Romania's economy move faster toward European levels, even though the process takes time.

Significant effects from European funds are visible in different regions of the country. Resources were directed to less wealthy areas to help them grow. Economic experts claim that European funds reduced regional differences while making regions more attractive for business. These resources helped build social unity because they provided a way to access money.

Romania reached a real state of coming together because European funds were a major driver of progress. National systems were brought closer to European Union standards through this continuous support. European funds encouraged more financial commitments. Growth happened because the matching of the national economy with the union became a priority.

**Romania's Degree of Readiness for Accession to the Euro Area**

Exchange-rate stability is a vital component of the entry process (Mundell, 1961). Participation in the ERM II mechanism demands that fluctuations are kept within a small

boundary. Although Romania's exchange rate remained relatively stable, observers say this stability was achieved through indirect actions and careful policy choices.

Romania achieved significant reductions in the gaps between itself and the European Union average in terms of real convergence. Large differences between Romania and euro-area economies are still visible today. The economy has not attained the full level of growth needed to manage the rules of a monetary union.

**Progress Achieved**

Romania's economic convergence process changed significantly after the country joined the European Union. These changes are seen in the way that large-scale financial signals improved over a long time. These steps forward create a strong basis for assessing whether Romania's economy is ready to join the euro area. Romania's economic convergence process shows that the nation can get closer to wealthier countries. As the gaps shrink, the potential for success grows each year.

Growth in the financial measurement of people's wealth is one of the most useful indicators because this number has stayed higher than the European Union average. This movement shows Romania's economy is growing fast and producing more value for the market. Because the growth rate stayed above the European average, Romania's economic convergence process closed much of the previous gap. This growth means that people are producing more value every year than they did in past years.

Workers' output improved steadily by modern tools and by joining Europe's production lines.

Money earned by individuals in their working positions also rose significantly in both nominal and real terms (Mankiw, 2021; OECD 2025). It is often said that these higher wages helped improve life for low-income individuals so they could live like other Europeans. While wages grew for social reasons, the changes also show that Romania's economy is building high-value production capacity. These structural shifts support Romania's economic convergence by changing how wealth is distributed among workers.

Great steps were taken to join the single market of Europe more closely. As exports to other countries grow and diversify, Romania's ability to trade with other countries strengthens. Foreign investment helped build new factories and share new knowledge with local workers. Romania's economic convergence process has moved faster because of this outside support and the technology that came with it from abroad.

European Union money funded major infrastructure projects and helped people learn new skills in their jobs. Although this money was not always used well, the results are visible in the country's physical infrastructure, such as roads and bridges. Many experts suggest that the impact of these funds is strongest in areas that help other parts of Romania's economy grow. Romania's economic convergence process relies on these investments to ensure the country stays connected to the rest of the world.

Rules and public institutions were strengthened to match European standards. Romania created better economic laws to create a better environment for growth and new business. These policy changes have been shown to attract more investment. Romania's economic convergence process benefits from these institutional improvements, which make the market more stable. Every new regulation helps the country follow the path of the most developed nations.

Romania's ability to bounce back after global problems is another important point to consider. Recent years have shown that the country can recover quickly when times are

hard. Many people argue that this shows the system is becoming more resilient to shocks from the outside. Romania's economic convergence remains strong even when global markets face turmoil. The economy shows it can stand up again after falling during difficult times.

The steps the nation has taken show a clear path toward fully joining the European system. Better numbers and higher worker output suggest a strong foundation for adopting the euro. It is believed that Romania's economy is now in a better position than it was ten years ago. Romania's economic convergence process is the main driver of these improvements. The whole country is moving toward a future where it is on par with its neighbours.

These gains must be studied to see if they will last for a very long time without failing. Maintaining the pace of Romania's economic convergence process is necessary for a successful move to the new currency. Experts claim that turning these changes into permanent benefits is the most important task for the leaders. Romania's economy will succeed when these developments stay stable over many years and when the foundation is solid.

## Conclusions of the Case Study

Efficiency in working positions shows that things are getting better, even though the level is still lower than the euro area. Romania's full convergence is seen as dependent on changes in its economic structure. The gap persists because of how the economy is organised and how technology is used.

Ordinary people have felt the benefits, as their pay and quality of life have improved in recent years. This increase in purchasing power has brought living standards closer to the rest of the continent, even though people in some places are still waiting for change. Huge gaps still exist between different areas of the country and compared to other Member States.

Vulnerabilities exist in the system because growth, productivity, and pay do not always match perfectly. High inflation occurred during several periods, which made the situation difficult for markets.

Inequality between regions and different output levels across sectors creates a fragmented picture within the borders. Economic growth is mostly driven by people buying things, which is a specific kind of dependence that people worry about. Development has not reached all parts of the country equally because of how the industry is structured.

Preparation for joining the common currency is incomplete despite the steps the government has taken. A careful strategy is required because structural problems still exist within the national framework.

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