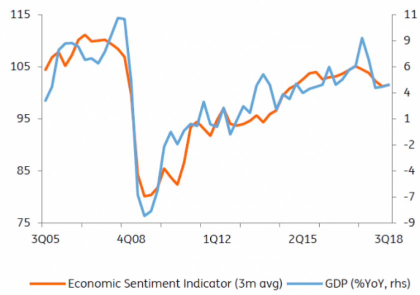
Romania: 3Q GDP accelerates, surprisingly

The flash estimate of 3Q18 GDP showed a 1.9% quarter-on-quarter increase, translating into a 4.3% year-on-year expansion. This compares to our estimate and the Bloomberg consensus of 3% YoY

Source: Shutterstock

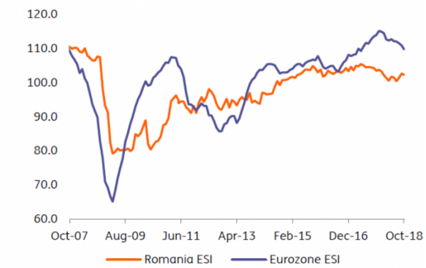
The breakdown of GDP data on 7 December will help to explain what was behind the acceleration, as both high-frequency data (retail sales, construction and industrial production) and GDP readings for the main trading partners, the eurozone as a whole and Germany in particular, posted quite a sharp deceleration and even a contraction. It is possible that inventories were a key factor behind the faster growth rate, as in the second quarter. Given the small open economy status, well integrated into the single market, we expect to see a lagged effect from the eurozone slowdown in the coming quarters. We saw a slight upward revision to GDP data for the first couple of quarters of the year and as a result, January-September GDP growth came in at 4.2% versus the same period last year.

Fig 1 Improving sentiment, but no bullish outlook



Source: EC, NIS, ING

Fig 2 Deceleration abroad should have a lag effect



Source: EC, ING

Given the upside surprise, ceteris paribus, GDP growth for the whole year is coming in at 4.3%, but we are waiting for details before officially updating our 3.8% growth forecast for 2018. In terms of monetary policy implications, the National Bank of Romania was expecting “a significant deceleration in economic expansion, in annual terms”, but details, which are coming out ahead of the next central bank meeting scheduled for 8 January, should offer more hints about the policy outlook.

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