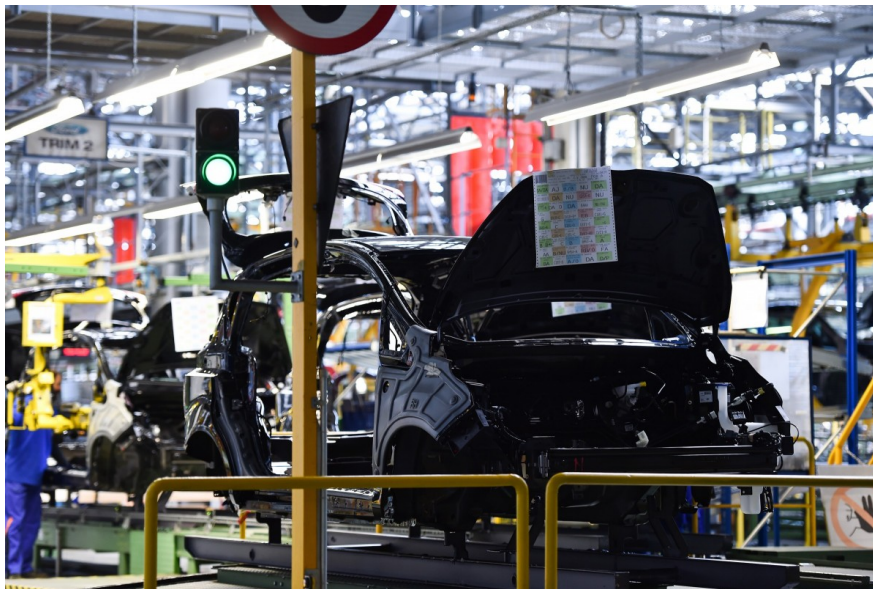


Romania: Big GDP data revisions

The flash estimate of third quarter GDP showed a 0.6% sequential advance, a deceleration from the downwardly revised (by 2ppt) 0.8% figure in the second quarter. This was below the Bloomberg median of 0.8% but above ING's forecast of 0.5% quarter-on-quarter. This translates into a 3.0% year-on-year GDP expansion



Car bodies on the production line at a Ford factory in Craiova, Romania

The 0.6% QoQ figure translates into 3.9% YoY growth based on previous data. But due to big data revisions (as often happens) the YoY GDP growth is actually 3.0% versus ING's forecast and the Bloomberg consensus of 3.8% YoY. Hence, the 0.9ppt forecast error. GDP growth for the January-September period stood at 4.0% YoY.

3.0% 3Q GDP growth (YoY)

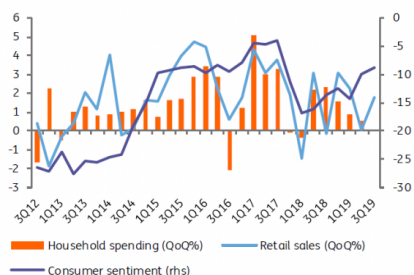
Lower than expected

A breakdown of GDP data is due on 5 December. On the demand side, we could see a strong

contribution from private consumption in sequential terms, as suggested by retail sales which accelerated by 1.8% QoQ from 0.1% in the previous quarter. Investments, net exports and inventories likely had a negative contribution.

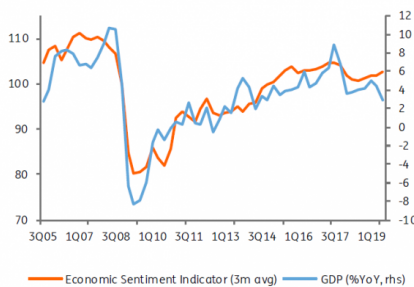
On the supply side, services are likely to remain the main contributor, while industry should remain a drag on GDP growth.

Fig 1 Strong consumption likely the main growth driver



Source: EC, NIS, ING

Fig 2 Consumers keep economic confidence robust



Source: EC, NIS, ING

Due to big data revision, we revise down our full year GDP growth for this year to 3.6% YoY from 4.0% previously. For 2020, we revise our GDP growth forecast to 2.6% from 2.8% previously with the risk balance tilted to the downside.