

## Romanian GDP comes in at 1.3% QoQ in 1Q19

Given the surprise to our initial forecast, we've revised our GDP growth forecast for the whole year to 3.5% YoY from 2.7%



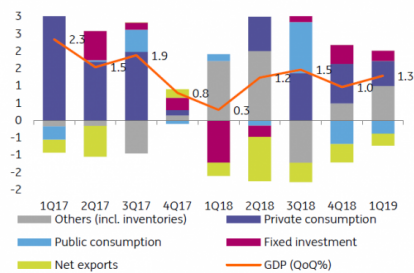
Source: Shutterstock

The growth picture looks a bit more balanced, though net exports remain a key weakness. The breakdown of the data didn't show an improvement in the weak underlying picture, but neither a deterioration.

Household demand added 0.7 percentage points to the 1.3% sequential expansion and investments added 0.3ppt, while net exports took away 0.3ppt.

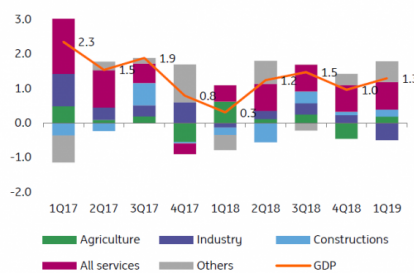
On the supply side, services remained the main contributor to economic expansion, with construction and agriculture making positive contributions, while industry took away half percentage point from the sequential growth due to weak external demand.

Fig 1 Weaker consumption, higher inventories



Source: NIS, ING

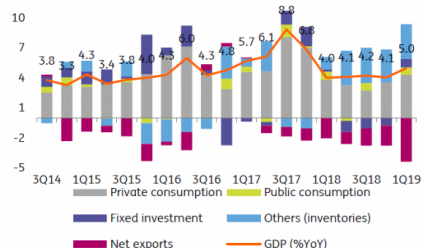
Fig 2 Not a quarter to remember for industry



Source: NIS, ING

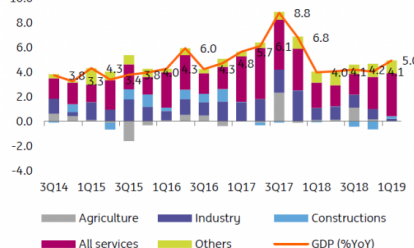
On the demand side, consumption and inventories remain the main drivers and net export negative contribution widened. On the supply side, construction posted a positive contribution, while industry contribution halved.

Fig 3 Building up inventories signals slower growth ahead



Source: NIS, ING

Fig 4 Services holding up well on domestic demand



Source: NIS, ING

Given the positive surprise from the flash GDP reading and taking into account data revisions, we upgrade our GDP forecast for the whole year to 3.5% YoY from 2.7% previously. The risks are balanced as confidence data is showing signs of improvement abroad, though domestic sentiment was rather weak in the first two months of the second quarter.