

## Romania: Growth rebounds but misses estimates

The flash estimate of third quarter GDP (3Q20) showed a 5.6% expansion versus the previous quarter, below the 7.2% that the market was expecting. We maintain our 2020 GDP growth forecast at -5.5% and revise next year's growth from 5.2% to 4.1%



Romanian seasonal workers wait for check-in at the Avram Iancu international airport, in central Romania.

Source: Shutterstock

Compared to the third quarter of 2019 the economic contraction stands at 6.0%, which is also worse than the -4.4% expected by the market (and our -4.0% forecast).

**-6.0%** 3Q20 GDP growth

Lower than expected

Details will be published on 8 December. As mentioned in [our previous GDP note](#), the long-awaited

“V”-shaped growth pattern will look a lot flatter than hoped for, meaning that the recovery path will be slower and longer lasting.

We have a relatively long-standing GDP forecast of -5.5% for this year which we maintain, although this means that the economy should advance by almost 1% in the fourth quarter versus the third. This looks a bit ambitious now but given the less drastic restrictive measures adopted in recent months, we believe that growth can still occur in the fourth quarter. The fiscal impulse should help as well in this respect, as we estimate that the budget deficit will be around 3% of GDP in the fourth quarter compared to the 2.1% from the third quarter.

For 2021, we revise our GDP growth forecast to 4.1% from 5.2%. This is driven by the lower than initially estimated carry over effect (lower growth in the fourth quarter) and the new wave of restrictive measures imposed throughout Europe, which will likely dent external demand as many EU economies are expecting an economic contraction in the fourth quarter.

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