

## Romania: Growth saves the day

The first quarter of 2021 came with a wow factor: GDP advanced by 2.8% versus the previous quarter (-0.2% year-on-year), taking the economy to pre-pandemic levels. The risks to our already optimistic GDP forecasts of +5.5% in 2021 look clearly skewed to the upside



Source: Shutterstock

There is not much to chew on in today's data as the growth details will only be available on 8 June. Regardless of the details however, one thing is certain: as we speak, the economy is above pre-pandemic levels! This is about one quarter earlier than we had envisaged and paves the way for a GDP growth rate in 2021 that could dwarf even our optimistic 5.5% forecast.

As the retail, construction and industrial sectors have not necessarily posted impressive numbers in the first quarter, we suspect that the main growth drivers have been related to the public sector and possibly agriculture. The latter could benefit from positive base effects in 2021 after a very weak 2020. We will, however, wait for the growth details before redoing the maths and consider revising our forecast.

It goes without saying that a lot depends on the epidemiological developments and the vaccination pace where -lately- the authorities had to find more and more innovative ways to

maintain vaccinations at a decent pace. Despite this, Romania still finds itself very low in the EU rankings on the number of Covid-10 vaccination doses per 100 population. The number of daily infections on the other hand has been kept well in check during the third wave and everything points towards a relaxed summer.

Again and again, Romania's economy is proving that it has built in a remarkable level of resilience to shocks. While the higher-than-expected growth rate could -to some extent- induce complacency, especially in regard to the tougher structural reforms surrounding the budget deficit issue, it will also help to dilute the large share of rigid spending and provide some breathing space for policy makers to better plan future policy steps.

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