

Romania: growth to save the day again

4Q20 flash GDP printed a whopping +5.3% expansion versus the third quarter and a 1.5% contraction compared to 4Q19. For the entire 2020 the contraction was 3.9%. The carryover effect will strongly influence 2021 growth, dwarfing our previous +3.7% estimate



Source: Shutterstock

-1.5% 4Q20 GDP vs 4Q19

Despite not benefiting from the same marginal fiscal impulse as most of its Central and Eastern European peers, the Romanian economy confirmed its much-improved resilience to shocks. And while we were the most optimistic among the consensus, fourth quarter growth came way above our expectations. The flash release doesn't say anything on growth drivers (we need to wait until 9 March for that), but we should see some larger than usual one-offs. That aside, it is likely that most sectors contributed positively to fourth quarter growth.

Lately we've seen good numbers in the consumer sector, as retail sales expanded by 3.4% in the

fourth quarter versus the previous, but also in industry (+4.6%), good resilience in construction and a likely acceleration of public investment and consumption, given the 3.3% of GDP budget deficit created in the last quarter.

Improved growth prospects

Due to the significant carryover effect created by this fourth quarter growth, the outlook for 2021 GDP is definitely shaping up to be much better than before. Looking beyond statistical effects, we believe that there are good prospects to see the economy back to pre-crisis levels as early as the third quarter of 2021. Of course, a lot depends on the epidemiological developments and the vaccination pace which, of late, seems to be going in the right direction. The final form of state budget law published as draft last week will also be of great importance to set the tone in the economy and give a signal to rating agencies that the fiscal consolidation is on track.

For now, the strong carryover is enough to make us revise our 3.7% estimate for 2021 growth to 5.5% while maintaining 2022 at 5.0%.

[Romania's 2021 budget plans](#)

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