# Romania: Second quarter GDP confirmed at 4.2%

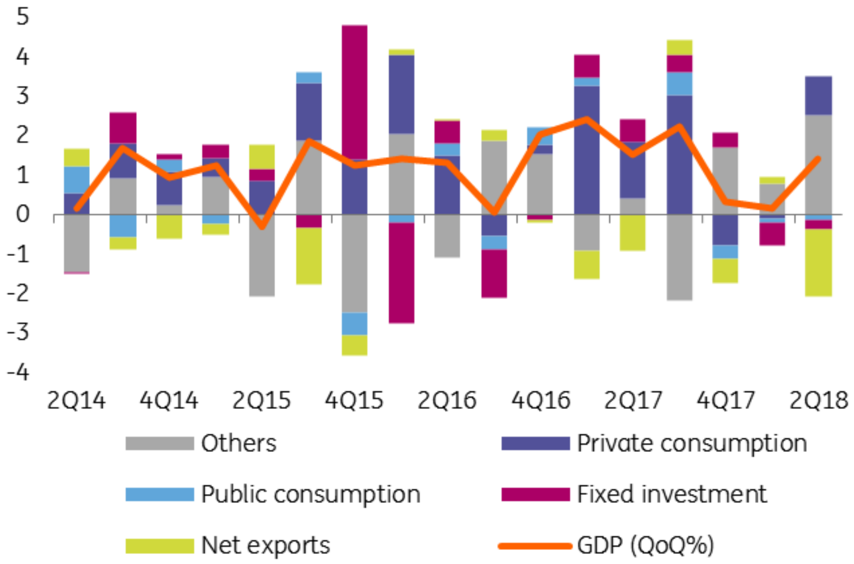
We revise upward our 2018 GDP growth forecast from 3.5% to 3.8%, with 2Q18 growth being confirmed at a bit above our expectations. Still, not a lot to cheer about as details remain mostly on the weak side


Source: shutterstock

## Private consumption leads again

The economy expanded by 1.4% QoQ in the second quarter of 2018, in line with previous flash estimates. Statistical discrepancy (including inventories) aside, the only good news is a recovery in private consumption, which expanded 1.6% QoQ and added 1ppt to quarterly growth. Fixed investments continued to disappoint - contracting by 1.1% QoQ - and thus made a negative 0.3ppt contribution. Net exports cut 1.7ppt from 1.4% total growth, their most negative quarterly contribution since 1Q14.

## Demand side driven by private consumption

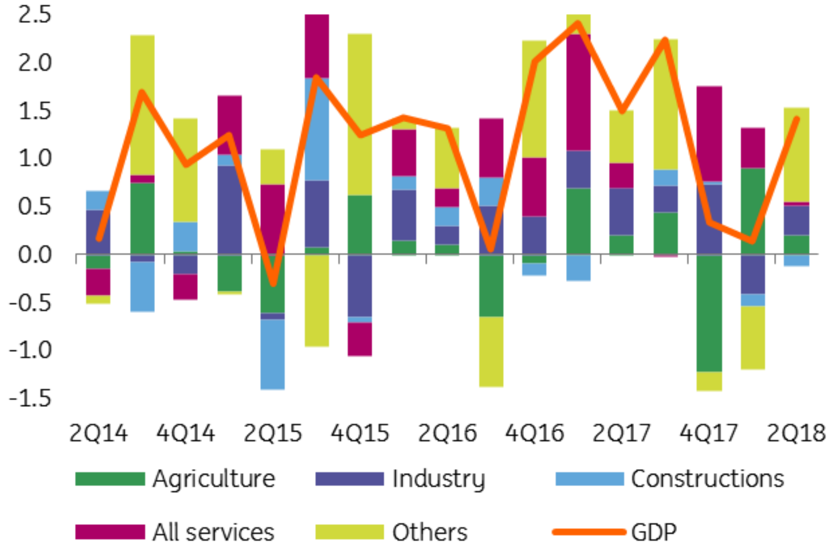



Source: NIS, ING

## Supply side: moderation across the board

Turning to the supply side and again ignoring the statistical discrepancy which, as usual, had a large input to the final number, almost all components posted mediocre contributions. Agriculture and industry added 0.2ppt and 0.3ppt respectively to the 1.4% quarterly growth, services were neutral, and the construction sector subtracted 0.1ppt.

## Supply side breakdown




Source: NIS, ING

Despite revising our growth forecast upwards we fail to identify any convincing growth catalysts for coming quarters, particularly in the light of recent sluggish soft data. Any strong and sustained growth in private consumption doesn't look likely, with the previous fiscal impulse starting to fade. The latest Economic Sentiment Index also point to further moderation ahead. Even with the economy slowing, there are still no convincing signs of any external imbalance correction, something dearly needed as net exports continue to contribute negatively to GDP. Above all investments continue to disappoint, despite the economy being in deep need of both public and private investment. Having surprised to the upside last year, agriculture could surprise again this year but this time it could just as likely be to the downside as it is hard to gauge the impact of recent unusual weather conditions (drought in late spring affecting wheat crops and heavy rains and floods in the first two months of the summer) and the recent outbreak of African swine fever.

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