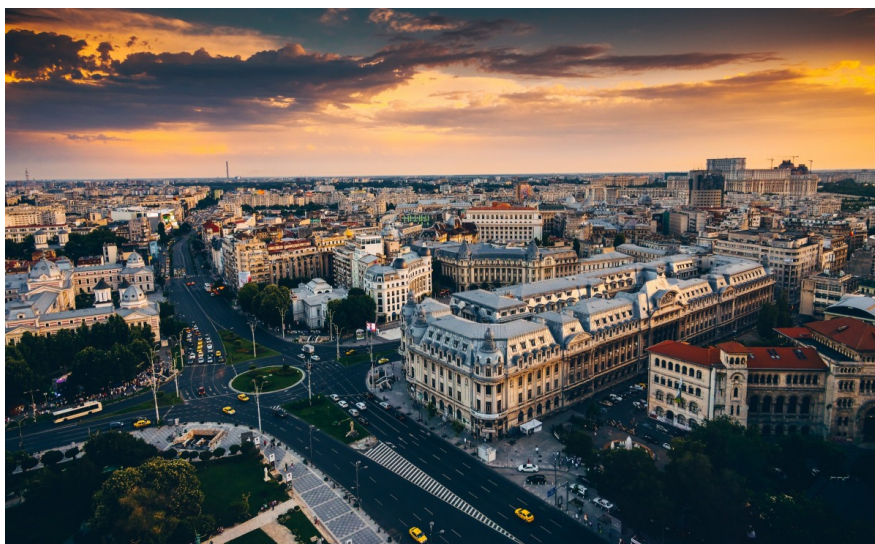


Romanian growth figures reinforce signs of resilience

The release of detailed data for third-quarter GDP growth, alongside a rather hefty upward adjustment of the flash print, points to a pretty resilient growth picture in Romania. We marginally raise our full-year growth forecast from 1.5% to 1.7%, with the risk balance still tilting upwards

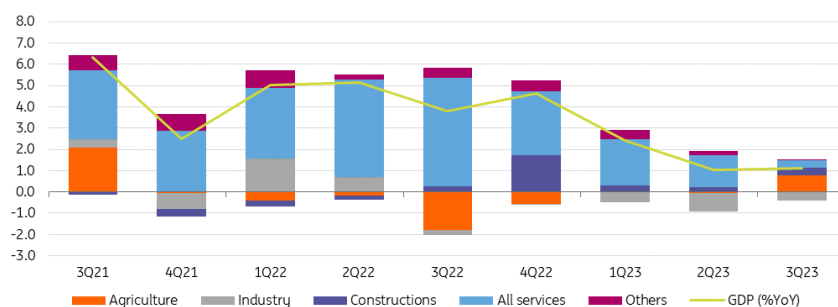


Bucharest, Romania

As the initial 0.2% annual growth in the third quarter has now been revised to 1.1%, the overall picture of Romania's economy certainly looks brighter for the full year. The quarterly growth has also been revised from 0.4% to 0.9%. Assuming no further data revisions (a difficult assumption to make), it would now take only a meagre 0.1% quarterly expansion in the fourth quarter to reach our initial 1.5% annual growth forecast.

On the supply side, our assumption that agriculture can offer a positive surprise in the third quarter materialised, as the sector added 0.8pp to the 1.1% overall annual expansion. Boosted by the strong momentum in public infrastructure investments, the construction sector added 0.4pp. Industry remains a laggard, subtracting 0.4pp and marking the fifth consecutive quarter of negative contribution to the GDP growth.

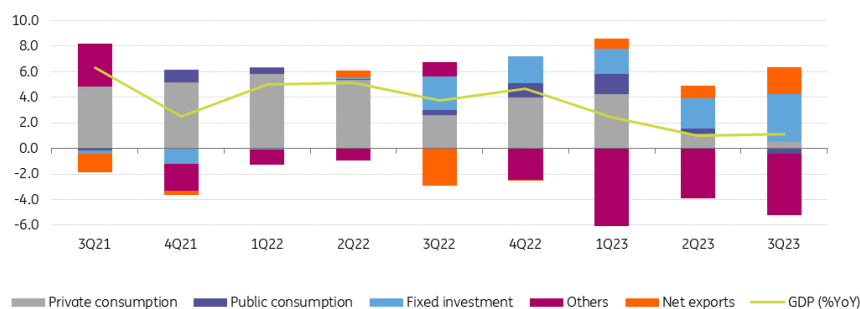
Real GDP (YoY%) and contributions (ppt) - supply side



Source: NSI, ING

Demand side, there was a rather large negative contribution coming from inventories (included in “others” in the chart below) which subtracted 4.8pp from the 1.1% growth rate. Otherwise, the main engine of the economy right now remains fixed investments, which contributed with 3.7pp – the highest contribution since the third quarter of 2019. Net exports have also contributed positively again by 2.1pp. This is the third consecutive quarter of positive contribution from net exports, a rather unusual situation for the Romanian economy over the last 10 years or so.

Real GDP (YoY%) and contributions (ppt) - demand side



Source: NSI, ING

The few pieces of high-frequency data that we got for the fourth quarter so far are pointing towards a robust expansion, with [retail sales starting the quarter](#) on a rather strong footing and confidence data marginally improving as well. For 2024, we are likely to see a rebalancing of the growth drivers from investments towards consumption, though the former should still hold on close to double-digit growth. However, with public wages likely to stay well within double-digit growth and pensions due to be increased by 13.8% starting January 2024 and approximately 22.0% starting September 2024, the private consumption story is likely to show marked improvement.

The above picture could complicate the National Bank of Romania's decision-making process, as the rising demand could slow the descent of an already sticky inflation profile, with many other uncertainties on the horizon. Again, this increases the likelihood of the rate-cutting cycle starting later and/or being shorter than our current 150bp estimate.

Authors

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.