

## Romanian GDP falls below expectations in the second quarter

Looking at today's data, one thing is clear: the Romanian economy is slowing more than expected. Therefore, we are revising our 2023 GDP forecast lower from 2.5% to 1.5%



As this is a flash release, we don't have other data except for the overall growth numbers. Details are to be published on 7 September. The gross numbers show a marked slowdown in economic growth in the second quarter of the year to 1.1% compared to the same quarter of 2022. This takes the overall GDP growth after six months of 2023 to 1.7%, while our estimate – which was already at the lower end of the consensus – was 2.3%.

Some information on growth drivers has been revealed in the high-frequency data available for the second quarter. It shows that it's been a pretty weak time for consumption, as retail sales have contracted by 0.5% versus the previous quarter. Industrial activity has been contracting as well, by 2.8%, one of the largest quarterly contractions in a while. Construction is also losing speed as the available data point to quasi-stagnant activity, while some marginally better numbers can be seen in the services sector where there could be a 2-3% quarterly expansion. Investments and net exports are likely to have contributed positively to second-quarter growth.

We've had a long-standing GDP growth forecast of 2.5% for 2023. While the detailed data due on 7 September might shed a different light on the growth dynamic, we are already

revising our 2023 GDP growth forecast to 1.5%, while maintaining 2024 at 3.7%. Depending on the specifics of the budget revision due later this month, risks might be skewed slightly to the downside.

Today's data confirm the National Bank of Romania's (NBR's) latest assessment of an accelerated narrowing of the output gap. From a monetary policy perspective, the lower growth is likely to offset the marginal higher inflation forecast and lead to a stable interest rate environment for the rest of the year. We believe that the NBR is not yet contemplating the timing for a dovish pivot, despite the more frequent dovish statements coming from other central banks in the region. We maintain our view of a first rate cut in the first quarter of 2024 with a key rate of 5.5% by the end of 2024.

## Author

### Valentin Tataru

Chief Economist, Romania

[valentin.tataru@ing.com](mailto:valentin.tataru@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>.