

## Strong but not 'wow': Romania's growth rate misses our estimate

The 1.8% second-quarter GDP growth came close to our 2.0% estimate, but the downward data revision lowered Romania's 2Q's yearly growth rate to 13.0%. We were expecting 14.5% and the consensus was even higher at 15.7%. We maintain our GDP growth forecast of 7.5% for 2021 and 5.0% for 2022



People enjoying the sunshine, and higher growth rates, in Bucharest

# 13.0%

Romania GDP growth

2Q21, year-on-year

Lower than expected

As usual, there is little to get your teeth into with this flash data as the growth details will only be available on 7 September. It is sensible however to assume that the bulk of the growth was carried out by private consumption boosted by the pent-up demand that still exists. Investments (public ones in particular) have probably continued to contribute positively, while the negative

contribution of the net exports might have slowed down a tad.

After a very relaxed summer from the coronavirus point of view, marked by a very low number of daily infections but also by a very low vaccination rate, Romania is currently at the beginning of the fourth wave of Covid-19 infections, with the peak estimated to materialise in mid-September. Authorities have already made it clear that imposing restrictions that come even close to the ones which occurred during the previous waves is out of the question. However, uncertainties remain and have been building, including some sporadic quarrels in the coalition government, Romania is still awaiting EU approval on its Recovery and Resilience plan, and there are still unknowns regarding the budgetary consolidation strategy due to be published in a couple of months or the upward trending inflation expectations.

All considered we maintain our GDP growth forecast at 7.5% for 2021 and 5.0% for 2022. Risks for this year growth remain mildly skewed to the upside, but to a lesser extent than before today's flash data. Although not materially changing the macro picture, this should help the central bank to remain on hold at its 5 October 2021 meeting and begin its hiking cycle in November. By then we will have a better picture of the impact of the fourth wave of infections, the budget execution path and maybe clearer waters on the political scene.

## 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>.