

## Weaker-than-expected Romanian GDP weighs on this year's growth prospects

Although activity picked up in the third quarter, the modest annual growth of just 1.1% reaffirms our view that economic growth will remain weak this year. The downside risks to our already optimistic 1.3% GDP growth forecast for 2024 have increased



Bucharest, Romania

Annual growth in Romanian GDP data came in at 1.1% on the gross series, below the market's consensus of 1.6%. Overall, the economy grew by just 0.9% year-on-year in the first nine months, a disappointing result given Romania's growth potential. Even if the fourth quarter performs better than expected, it is unlikely to significantly alter this year's growth outlook.

While the reasons for the third quarter's weaker-than-expected acceleration remain unclear until the breakdown is released on 6 December, a few observations can be made:

- Private consumption and investments probably continued to drive growth, while net exports likely remained a drag on output.
- This year's drought is set to leave its mark on agricultural output.

- The performance of the services sector likely continued to remain asymmetrically tilted towards the pockets of activity that benefit from ongoing large-scale investments.

All in all, today's data adds further downside risks to our call of 1.3% GDP growth for 2024. Should things remain as they are, this year's growth picture could become rather consistent with an advance of only 1.0%.

That said, for now, we are maintaining our 1.3% forecast, as the details from the breakdown due on 6 December are crucial for a complete understanding of the situation. Additionally, revisions are still possible.

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