

Snap | 14 November 2024

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.

Authors

Stefan Posea

Economist, Romania

tiberiu-stefan.posea@ing.com

Valentin Tataru

Chief Economist, Romania

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>.