

Romania | Instant Comment

Below expectations GDP growth, weaker outlook

GDP (y/y)

Actual, 3Q21:	7.2%	Previous:	13.9%	Erste:	10.3%	Consensus:	9.7%
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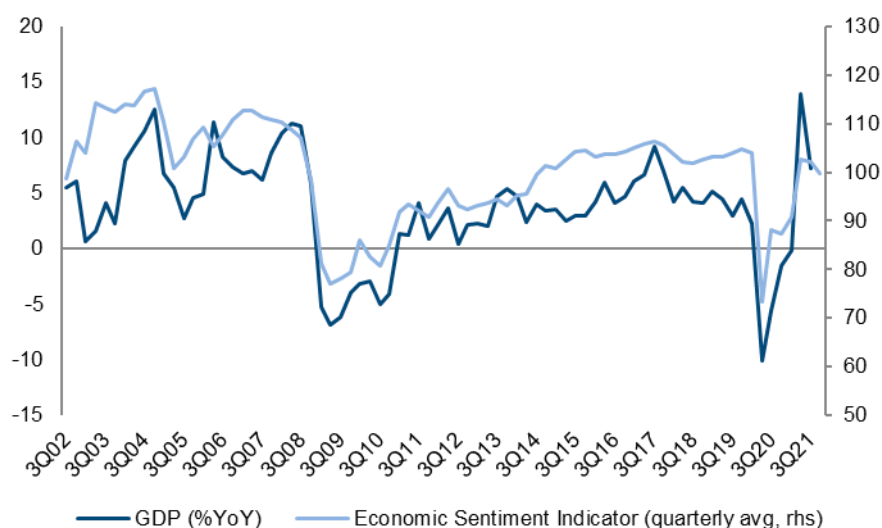
We revise down 2021 GDP growth forecast to 6.4% y/y from 7.4% with 0.8pp of forecast change due to historical data revisions. We also downgrade our 2022 GDP outlook to 4.0% y/y from 4.5% with downside risk as carry-over effect from the fourth quarter of this year is likely to weigh in as the economy seems to be in a soft patch.

Real GDP increased by 0.3 q/q and 7.2% y/y in 3Q21, well below market expectations of 9.7% y/y and our estimates of 10.3%, though 2pp of the forecast error was due to historical data revisions. 3Q21 GDP breakdown is due 7 December.

Supply side, we suspect that a strong positive contribution from agriculture barely offset the large negative contribution from industry and construction which posted large sequential contractions versus the previous quarter based on monthly data. Industrial production was down 4.6% q/q in 3Q21, while construction plunged by 10.2% q/q. Retail sales growth decelerated sharply to 1.3% q/q in the third quarter vs 5.5% q/q in 2Q21.

Confidence indicators softened in the third quarter to 102.0 from 102.7 in 2Q21 and ESI dropped further below its long-term average at the start of the fourth quarter. Large fiscal impulse in the last quarter with 3.36pp of GDP net spending left to reach the budget deficit target for the whole year of 7.13% of GDP could save the day for the economy into the year-end and support economic growth into the first half of the next year. Nevertheless, carry over effect is likely to weigh down 2022 GDP growth. Moreover, inflation is biting into nominal incomes and we expect real wage growth to remain barely positive.

Real GDP growth vs ESI



Source: EC, NIS, BCR Research

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