

2.26. ROMANIA

Romania's economy performed strongly in the first quarter of this year. Real GDP increased by 2.8% quarter-on-quarter, supported mainly by private consumption and investment. Net exports, by contrast were significantly negative, reflecting weak external demand and supply chain disruptions. On an annual basis, real GDP is forecast to grow by 7.4% in 2021 and by 4.9% in 2022. This is higher than projected in the spring thanks to the stronger-than-expected performance of the economy in the first quarter of this year.

Business and consumer sentiment has remained strong so far. Private consumption is expected to remain very robust, supported by the lifting of restrictions, particularly for sectors severely affected by the pandemic such as arts, entertainment, restaurants and hotels, as well as by the relatively strong growth of wages in the first months of the year. Investment is set to remain strong over the forecast horizon, supported by both the private and public sectors. The continued increase in order books suggests that industrial activity will expand in the coming months. Exports are set to improve in line with the ongoing recovery in Romania's main trading partners but the contribution of net exports to growth is expected to remain negative over the forecast horizon. Growth is projected to continue into 2022, albeit at a somewhat slower pace

The sharp increase in energy prices (the combined effect of the liberalisation of the domestic retail electricity market and the increase in international oil prices) as well as the recovery in aggregate demand, are set to increase inflationary pressures in 2021. Annual HICP inflation increased from 1.8% in December 2020 to around 2.7% in April 2021 and is forecast to average 3.2% over the entire year, before somewhat declining to 2.9% in 2022, as the impact of energy price increases starts to fade and the recovery in demand cools down.

Graph 2.26: Romania - Real GDP growth and contributions

