

2.26. ROMANIA

In 2021, Romania's economy is expected to have grown by 6.3%, mainly driven by strong domestic demand. Towards the end of the year, growth momentum eased due to continued supply restrictions, a new COVID-19 infection wave and a strong pickup in inflation.

Despite this loss of momentum, which is set to continue into spring 2022, latest readings of sentiment indicators point to a rather positive, albeit moderate, growth outlook, in particular in services, retail trade, construction and industry. Private consumption is expected to pick up in the second half of 2022, when restrictions are set to ease and inflation to moderate. Investment is expected to remain strong over the forecast horizon, supported by the Recovery and Resilience Facility and other EU Funds. The expected increase in interest rates however, is projected to dampen private investments. Foreign trade is forecast to benefit from easing of supply bottlenecks, but not expected to provide a growth contribution. Overall, real GDP is set to grow at 4.2% in 2022 and 4.5% in 2023.

The steep and continuous increase in energy prices pushed monthly HICP inflation to 6.7% in December, lifting average inflation to 4.1% in 2021. Prices are set to rise further in 2022 due to high energy prices, and their pass-through into the prices of other goods and services. Food prices are also expected to increase on the back of higher prices and lower supply of fertilizer. Stronger wage dynamics than currently expected are an upward risk to the inflation forecast. Average annual HICP inflation is set to rise to 5.3% in 2022. For 2023 a decrease to 2.5% is projected, as energy prices are set to moderate and base effects will kick-in.

