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Romania Business Forecast Report Q3 2014

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Abstracts

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Core Views

Romania's economic recovery will move onto a more sustainable footing and grow by 3.2% in 2014, as private consumption plays a bigger role driving growth. Recovering domestic demand will widen the current account to a 1.6% of GDP deficit in 2014, even as exports remain strong.

Inflation and interest rates have hit bottom. The central bank will start hiking the policy rate again in 2014. Banking sector asset quality continues to pose risks, but lending should recover towards the end of the year due to the sector's progress on deleveraging. Romania will forge closer ties with the West due to regional instability caused by Russia's increasingly aggressive foreign policy position.

Major Forecast Changes

We have revised up our forecast for real GDP to expand by 3.2% in 2014, from 3.0% previously, due to a quicker than expected pickup in domestic demand.

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The strength and quality of Romania's political institutions fall short relative to much of Europe, implying significant challenges ahead
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