

# GDP REPORT

11 March 2015

**Romania's GDP grew by 2.9% in 2014, practically reaching its 2008 level. Relatively good performance (+2.6%) can be expected this year too.**

- According to the latest estimate of the National Institute of Statistics, Romania's GDP growth rate reached 2.9% in 2014, in line with the preliminary data released in the middle of February. This performance was achieved in a situation where the economy showed some moderation in the first half of the year, also due to certain government measures (i.e. public investments were reduced significantly).
- Similarly to 2013, Romania's economy outperformed the EU's average (1.3%) last year, although its advantage (the gap between Romania's and the EU's growth rate) narrowed somewhat: to 1.6%, down from 3.4%.
- On the expenditure side, the advance was fuelled primarily by the consumption expenditure of households as it grew by 4.9%, and had 2.9% contribution to the annual GDP growth. Practically, households' consumption expenditures made up the entire growth, as the other segments had almost net zero contribution at cumulated level. Consumption rebounded last year due to several factors: nominal net wages showed stable increase, in addition, these were coupled by record low inflation levels. As a result, real wages went up significantly; labour market conditions improved further (the number of employees in the economy slightly advanced, the unemployment rate eased); and on the other hand, consumers' confidence also hit seven-year high. Unfortunately, gross capital formation finished 2014 in the negative territory, but its yearly fall eased to 3.6%, down from the sharp decrease of 7.9% in 2013.
- On the production side, market services and industry were the main drivers, as their contribution to the growth added up to 2.4%, but the other sectors also had slightly positive or close-to-zero contributions. Market services' and industry's value added expanded around 3.5% each. After the good harvest of 2013, the agricultural sector could keep up and even marginally improve its performance. As a result, despite the initial worries, it had almost neutral impact on growth (its contribution to GDP growth stood below 0.1%). At the same time, it helped to maintain the low inflation environment.
- In Q4 2014, the economy expanded by 2.6% YoY (gross data). Similarly to the entire year of 2014, the increase was helped first of all by households' consumption (its contribution to growth stood at 2.5%). On the production side, market services played the major role again, but the construction sector could also grow slightly after three consecutive drops.
- On QoQ basis, GDP growth stood at 0.5% (SWDA) in the last quarter of 2014; the construction sector rebounded (+4.1%), market services also advanced nicely (+0.8%), but the industry lost momentum (-0.9%).
- Regarding 2015, we are moderately optimistic, foreseeing a 2.6% increase in real GDP. Households' expenditures could grow further, but most probably at a somewhat slower rate. Consumption should continue to be supported by increasing real wages as inflation is expected to stay at record low levels (average inflation rate may slide to 0.9%, down from 1.1% in 2014). Overall, gross capital formation could end the year in the positive territory, also due to a strong base effect; but a question mark remains over public investments, even the 2015 budget plans to allocate significantly more funds for investments. Previous years' experience shows that plans can often fail. Net export may have near-zero or slightly negative contribution to GDP growth, as imports shall slightly outperform exports.

## Headquarter Treasury Sales

**Tania Fantana**

+4021 30758 17

tania.fantana@otpbank.ro

**Alexandru Tibuleac**

+4021 30758 17

alexandru.tibuleac@otpbank.ro

**Alina Gheorghita**

+4021 30758 25

alina.gheorghita@otpbank.ro

## Regional Treasury Sales

**Szilamer Kozma - Cluj**

+40755 000 400

szilamer.kozma@otpbank.ro

**Tudor Zaman – Bucuresti**

+4021 30758 76

tudor.zaman@otpbank.ro

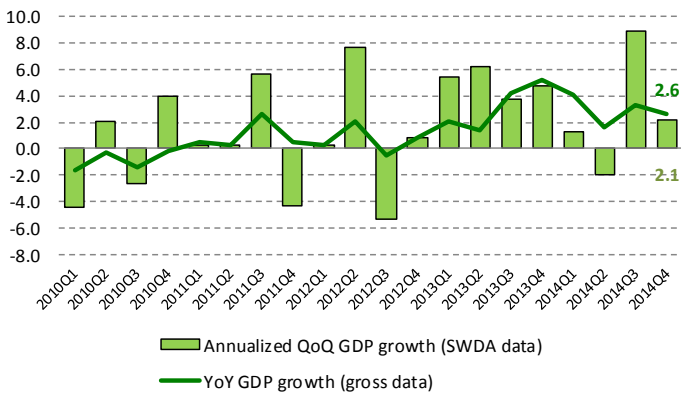
## Analyst

**Csaba Bálint**

+4021 307 58 96

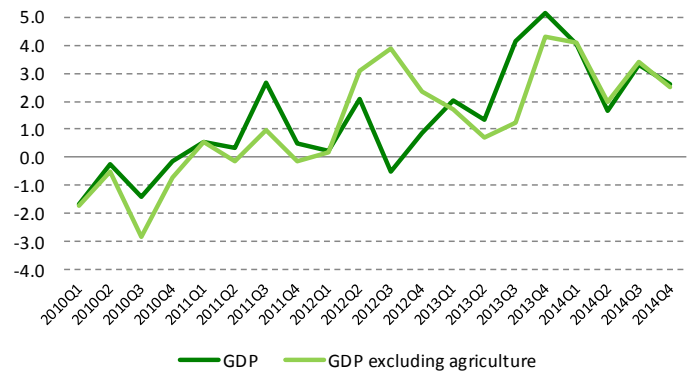
csaba.balint@otpbank.ro

**Chart 1: Summary chart of GDP growth (%)**



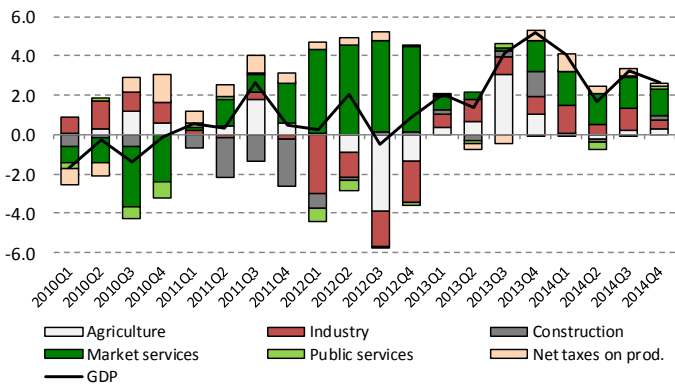
Sources: NIS, OTP Research

**Chart 2: GDP vs. non-farm GDP growth (YoY%)**



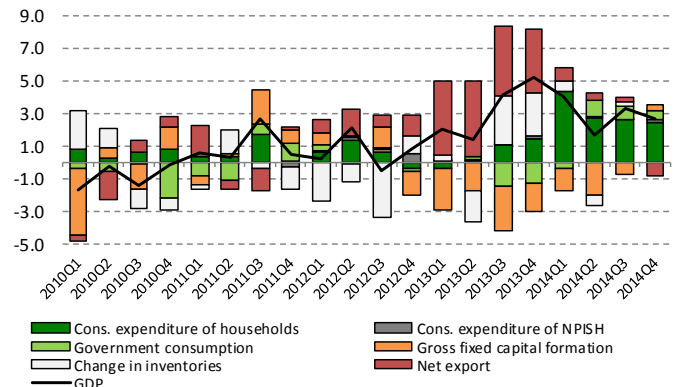
Sources: NIS, OTP Research

**Chart 3: Decomposition of GDP growth by production-side items (quarterly data)**



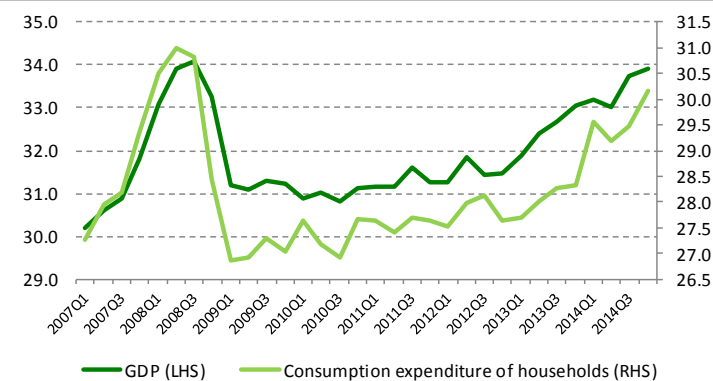
Sources: NIS, OTP Research

**Chart 4: Decomposition of GDP growth by expenditure-side items (quarterly data)**



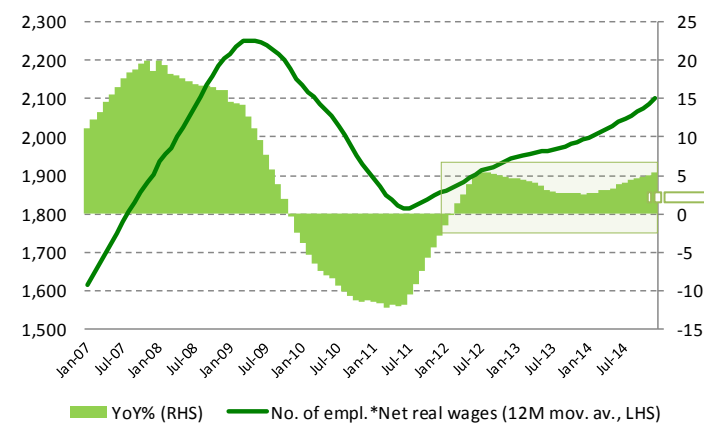
Sources: NIS, OTP Research

**Chart 5: GDP and consumption expenditure of households (2000 constant prices, RON bn, SWDA)**



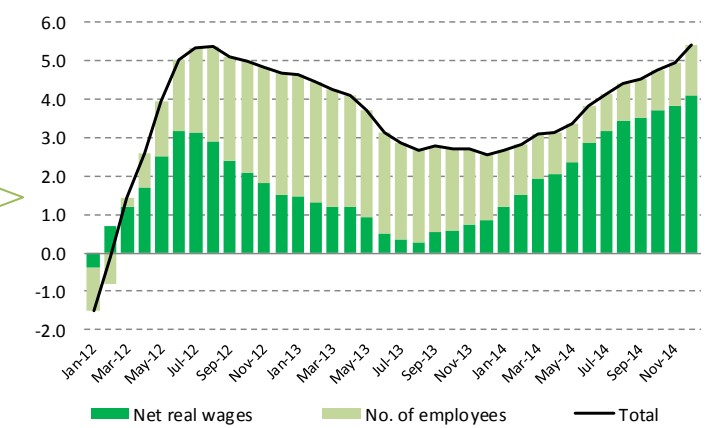
Sources: NIS, OTP Research

**Chart 6: Households' income from wages**  
(calculated as: No. of employees \* Net real wages;  
RON bn at 2000 prices, 12M mov. av.)



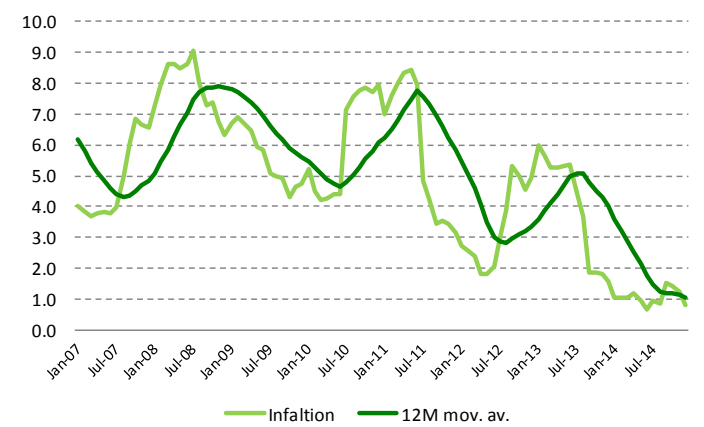
Sources: NIS, OTP Research

**Chart 7: Decomposition of YoY growth (%)**



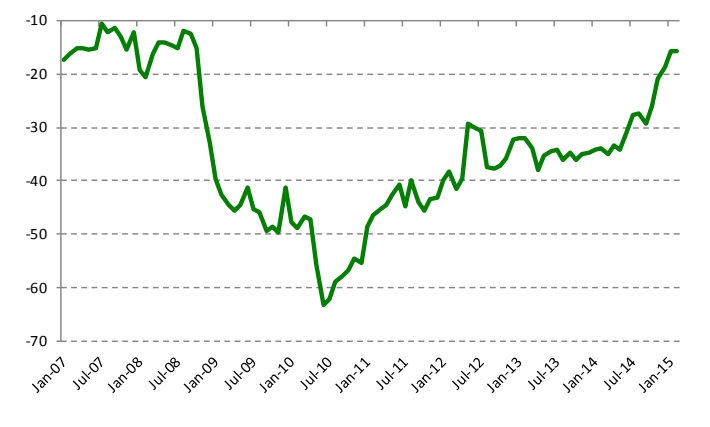
Sources: NIS, OTP Research

**Chart 8: Inflation rate (%)**



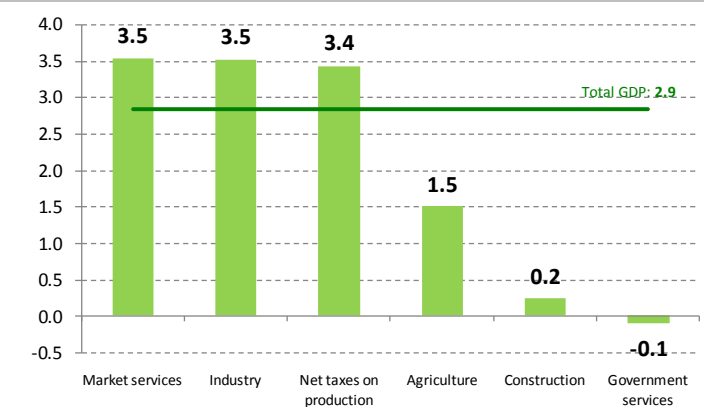
Sources: NIS, OTP Research

**Chart 9: Consumer confidence indicator**



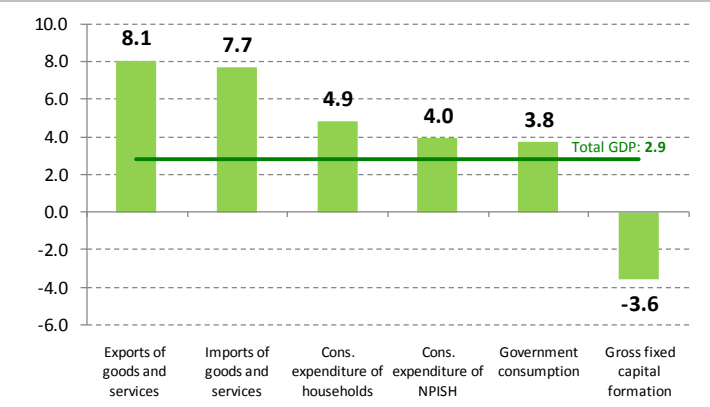
Sources: EC, OTP Research

**Chart 10: 2014 vs. 2013, production-side items' growth (%)**  
(%, gross data)



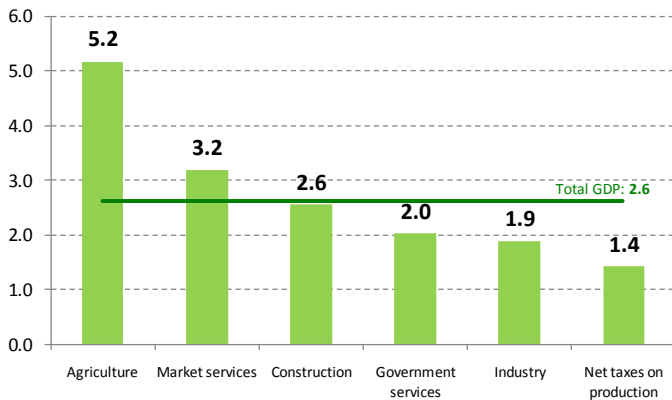
Sources: NIS, OTP Research

**Chart 11: 2014 vs. 2013, expenditure-side items' growth (%)**  
(%, gross data)



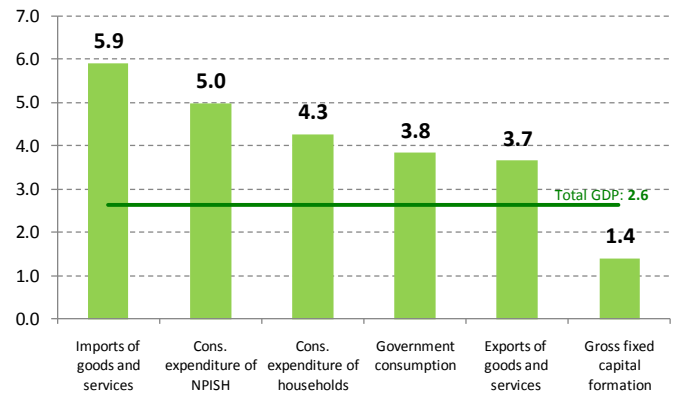
Sources: NIS, OTP Research

**Chart 12: Q4 2014 vs. Q4 2013, production-side items' growth, (% gross data)**



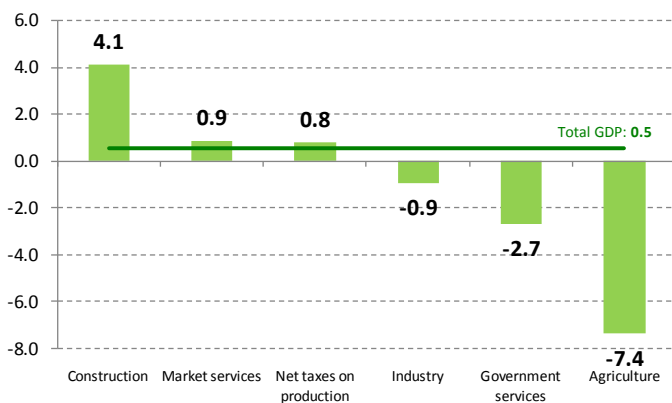
Sources: NIS, OTP Research

**Chart 13: Q4 2014 vs. Q4 2013, expenditure-side items' growth (% gross data)**



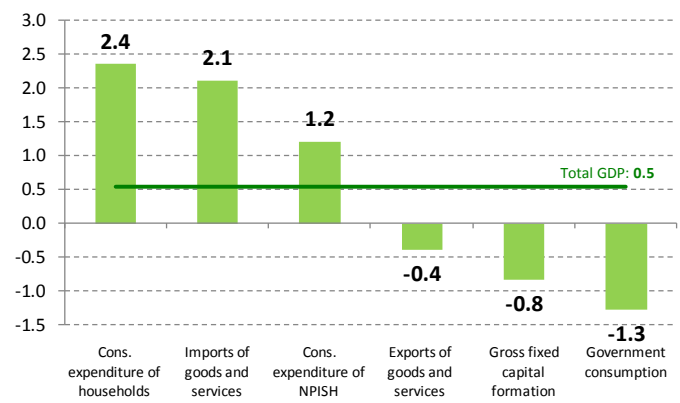
Sources: NIS, OTP Research

**Chart 14: Q4 2014 vs. Q3 2014, production-side items' growth, (% SWDA)**



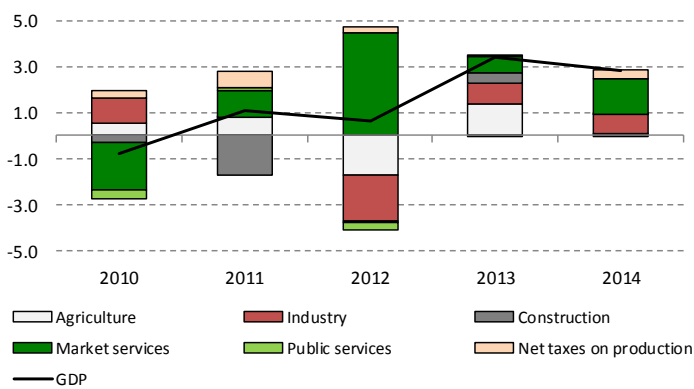
Sources: NIS, OTP Research

**Chart 15: Q4 2014 vs. Q3 2014, expenditure-side items' growth (% SWDA)**



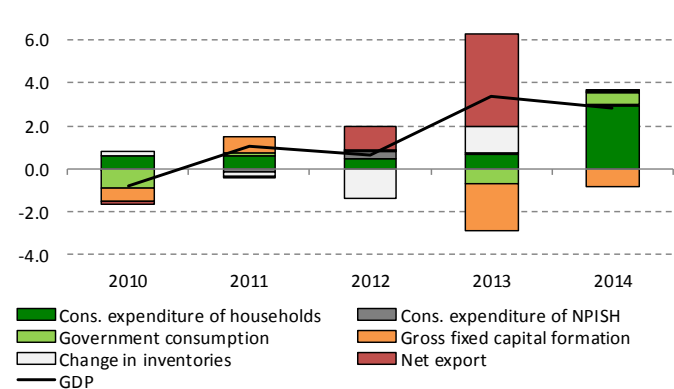
Sources: NIS, OTP Research

**Chart 16: Decomposition of GDP growth by production-side items (yearly data)**



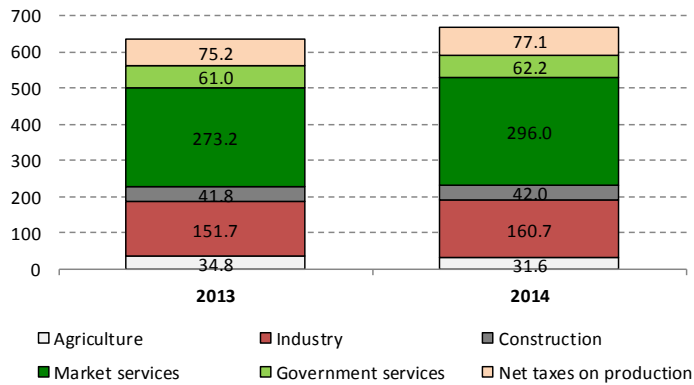
Sources: NIS, OTP Research

**Chart 17: Decomposition of GDP growth by expenditure-side items (yearly data)**



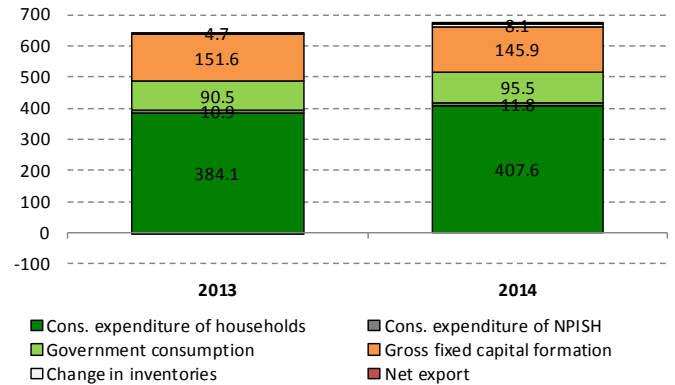
Sources: NIS, OTP Research

**Chart 18: Structure of the nominal GDP by production-side items** (current prices, RON bn)



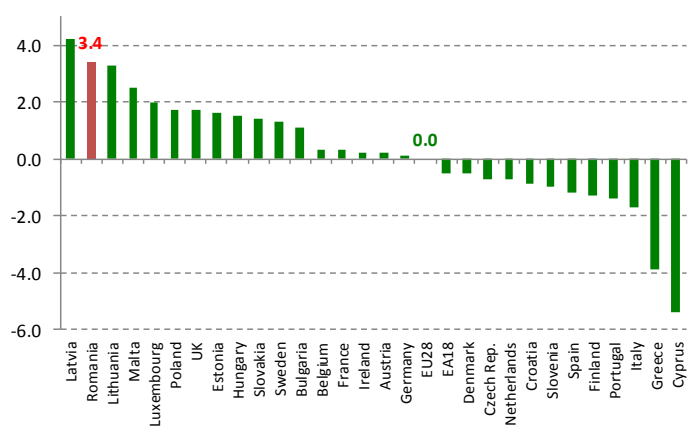
Sources: NIS, OTP Research

**Chart 19: Structure of the nominal GDP by expenditure-side items** (current prices, RON bn)



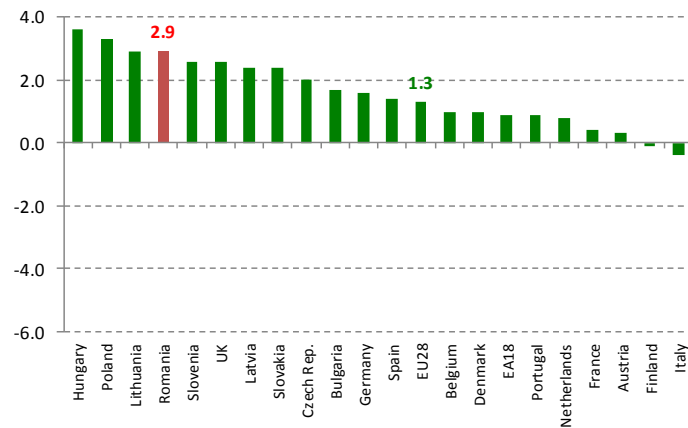
Sources: NIS, OTP Research

**Chart 20: GDP growth in 2013, EU level comparison (YoY%)**



Sources: Eurostat, OTP Research

**Chart 21: GDP growth in 2014, EU level comparison (YoY%)**



Sources: Eurostat, OTP Research

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