

BNR projections: Sharp economic slowdown in 2023, followed by slight rebound in 2024

This year's economic activity will probably pick up more than previously anticipated, but exclusively as an effect of the evolution beyond expectations in H1. A sharp economic slowdown will follow in 2023, with just a slight rebound in 2024, show the minutes of the monetary policy meeting of the National Bank of Romania's Board of Directors from November 8, 2022.

According to the cited source, private consumption will probably remain the major driver of GDP growth, yet amid a significant economic slowdown in H2 2022 and particularly in 2023, mainly against the background of high inflation and labor market developments, as well as under the influence of the rise in lending and deposit rates for households.

According to the BNR, net exports might make a negative contribution to the annual GDP dynamics both in 2022 overall and in 2023, albeit significantly on the wane, amid a relatively more pronounced deceleration of the advance in the volume of imports compared to the volume of exports of goods and services, correlated mainly with the evolution of domestic absorption.

The current account deficit is expected to widen as GDP share in 2022 as well, more steeply than in the previous projection, primarily under the influence of the deterioration in the terms of trade. In 2023, following a slight narrowing, it is anticipated to stay significantly above European standards - developments viewed by Board members as particularly concerning, given the risks to inflation, external financing costs and, ultimately, to economic growth sustainability.

The Board underscored the need to maintain firm control over money market liquidity and reiterated the importance of further closely monitoring domestic and global developments so as to enable the BNR to tailor its available instruments in order to achieve the overriding goal regarding medium-term price stability.