

## UniCredit: Romania's economy could return to level before pandemic at half of 2022

**Romania's economy could return to the level from before the pandemic until the half of year 2022, following a growth of the Gross Domestic Product (GDP) by approximately 3.7%, in 2021 and 5% in 2022, after a shrinkage of roughly 5,5% in 2020, according to a trimestrial report of macro-economic and strategic analysis of UniCredit Bank.**

According to the quoted source, private consumption could return in the second trimester of 2021, after unemployment rate will reach the maximum number in the first trimester of 2021. Investments will be dominated by infrastructure spending, supported by several large entries of European funds, which could cover the current account deficit.

The report anticipates a drop in budget deficit to up to 7% of the GDP in 2021, namely 4% of the GDP in 2022, maintaining the public debt under the 50% GDP threshold until 2022 and the country's rating in the category recommended to investments. This year, the EUR-RON exchange rate could move in the transactions interval of 4.90 - 5.00.

"The biggest problem of the Romanian companies is the reduced competition, in both the external plan, as well as internally, in comparison with importing companies. The overrated RON is just partially responsible for this thing. The lack of investments within the last 4 years is determined by the fiscal changes (especially for foreign investors), lead to the drop in productivity, of margins and number of employees in the industry, even before the COVID-19 crisis. The reduced competition determined a growth of commercial deficit in 2020. This differentiates Romania from other Central and Eastern European countries that are members of the European Union, where exports have dropped less than imports. We are anticipating a limited revival of the industrial production in 2021-2022 and this is only in the event that the demand for cars and ships will bounce back," the report shows.

"In 2021, the biggest inflation risk comes from liberalizing the electric energy market", the report also says.