

WB revises downwards its projections for Romanian economy's 2021 recovery

The Romanian economy is expected to grow 3.5 percent this year, after a contraction of 5 percent in 2020, and is next seen picking up to 4.1 percent in 2022, according to the World Bank's January 2021 Global Economic Prospects, the financial organization's latest report on the outlooks for the world economy.

In October last year, the World Bank forecast that the Romanian economy will shrink 5.7 percent in 2020, but will bounce back 4.9 percent in 2021.

As concerns the region of Europe and Central Asia (ECA), which includes Romania, the pace of recovery is projected at a moderate 3.3 percent this year. The WB stresses that this outlook is predicated on the distribution of effective vaccines gathering pace in early 2021 in advanced economies and major EMDEs, including Russia, then later in the year for others, and also assumes that geopolitical tensions will not re-escalate in the region.

The WB also revised downwards its forecasts for the 2021 global economic growth to 4 percent from 4.2 percent as previously estimated, after a 4.3 percent contraction in 2020, and warned that an increase in COVID-19 infections and delays in the rollout of vaccines could limit this year's economic expansion to just 1.6 percent.

"To overcome the impacts of the pandemic and counter the investment headwind, there needs to be a major push to improve business environments, increase labor and product market flexibility, and strengthen transparency and governance," said World Bank Group President David Malpass.

The World Bank warns that the short-term outlook is very uncertain and different scenarios are possible. "A downside scenario in which infections continue to rise and the rollout of a vaccine is delayed could limit the global expansion to 1.6 percent in 2021. Meanwhile, in an upside scenario with successful pandemic control and a faster vaccination process, global growth could accelerate to nearly 5 percent," the report of the international financial institution also shows.