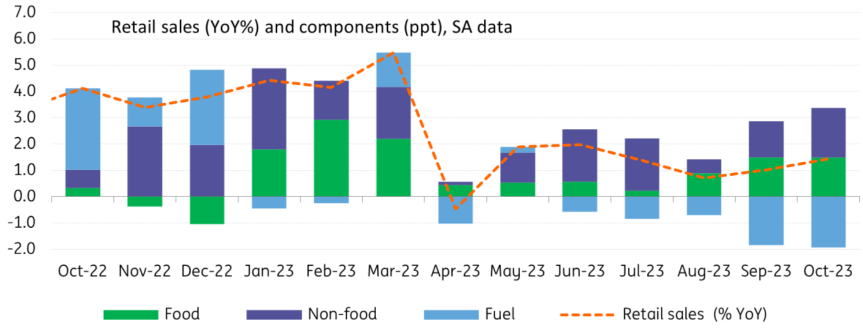
Romanian retail sales are still weak but we see signs of improvement

A 0.9% Month-on-Month increase in October following an upward revision in September's contraction led to a slightly better start to the fourth quarter for Romanian retail sales. It points to the potential arrival of positive effects of real wages on private consumption

People shopping in a supermarket in Bucharest

The breakdown shows that the improvement in non-food items had a visible positive impact on the year-on-year growth rate. On the other hand, still-weak fuel sales continued to contribute negatively despite showing some signs of improvement in monthly terms.

Annual growth is slowly picking up



At a more granular level, crunching the numbers shows that, in sequential terms, food, beverage and tobacco items rebounded 1.2% after two consecutive quarterly contractions. However, the divergence between non-specialised and specialised shops seems to be widening, as the former maintained its rebound trajectory while the latter continued to perform poorly, possibly suggesting a more permanent change in consumers' behaviour towards mainstream products.

Turning to non-food items, during the same period, the improvements were almost broad-based. Clothing and furniture performed particularly well in October. That said, online sales swung into contraction during the month, capping the gains. On this, when considering the overall positive context above, the contraction could point to a slight switch in consumers' behaviour and, in the end, could turn out as positive for services. This is something we will watch going forward.

While still too early to tell, today's data could be a sign that private consumption started to feel the positive impact of two quarters of real wage gains. However, even if that proves true going forward into 4Q24's data releases, we think that the bulk of the impulse towards stronger private spending will come next year. For the rest of the fourth quarter, we think that improvements in retail sales will remain marginal and will only reduce the gap between last year's average annual growth rate of 5.2% and this year's year-to-date average annual growth of only 2.2%.

For the fourth quarter GDP growth, this will likely translate into a slightly stronger contribution of private consumption compared to the third quarter.

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