

Romania: April economic sentiment reading disappoints

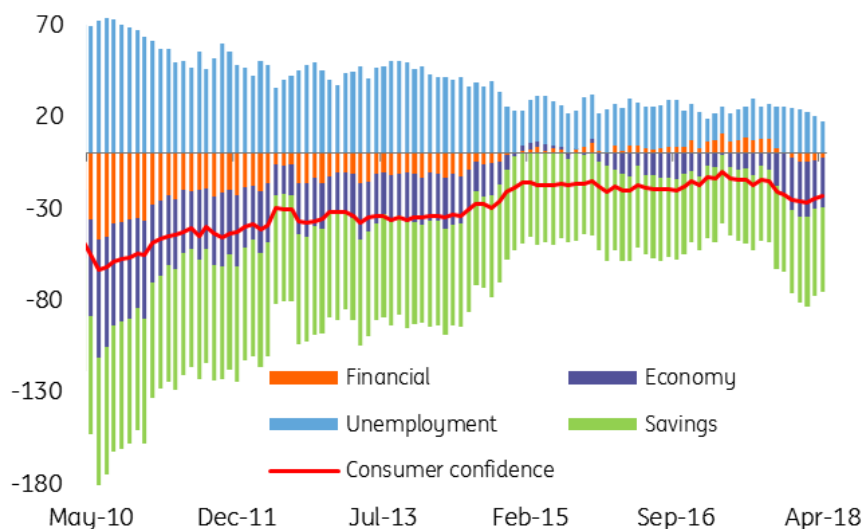
April marks the fourth consecutive monthly drop in the European Commission's economic sentiment indicator, with services leading the decline.



Source: Shutterstock

Today's readings are the weakest since Sep-2014, with most important components of the index sharply lower. Services saw their largest monthly drop since Sep-2013 due mainly to weak business development over the past three months but also on lower expected demand for the coming period. Lower order-book levels took their toll on confidence, while construction and retail followed the downtrend. The only positive in today's grim data is from consumer confidence which posted a second monthly improvement - the tight labour market making consumers feel more secure about their job prospects. Easter might have brought some cheer as well.

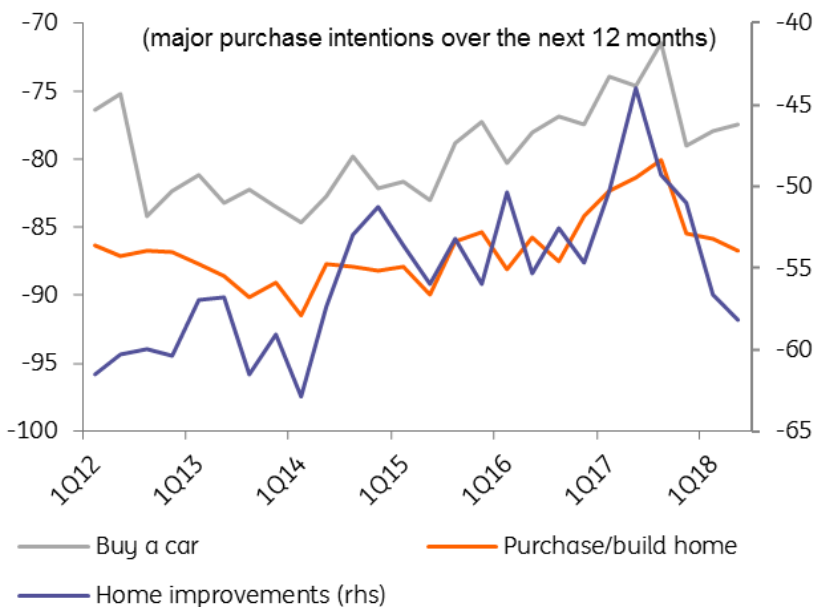
Consumers remain cautiously optimistic



Source: EC, ING

Purchase intentions related to big ticket items continue to decline for 2Q18, with the exception of for cars.

Purchase intentions for big ticket items

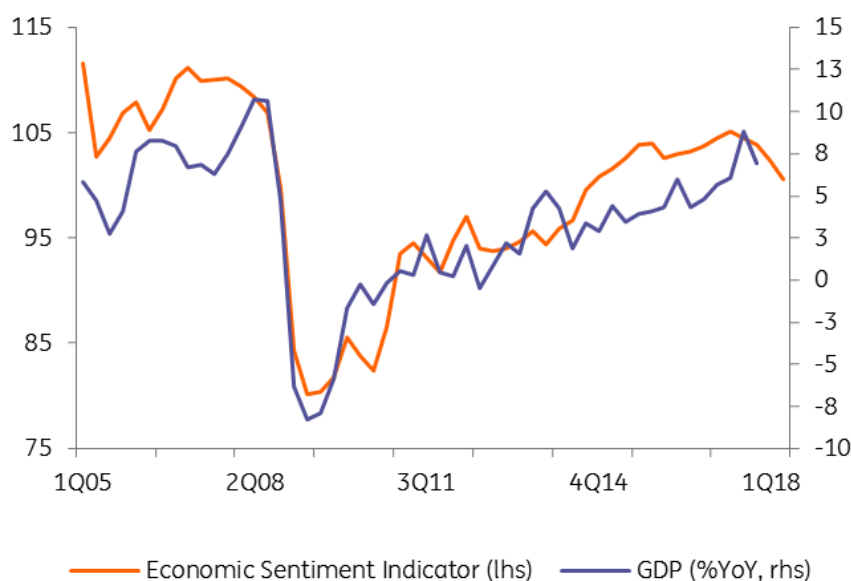


Source: EC, ING

After a weak first quarter, it looks like 2Q18 has also started on a weaker note - with external demand affecting industry and internal demand hitting services. This was despite slightly improving consumer confidence. Nevertheless, the stabilisation in Eurozone confidence at the start

of the second quarter offers a backstop, particularly for Romanian manufacturing.

ESI points to GDP growth slowdown



Source: EC, ING

Economic data has been catching up with soft data this year and does not paint a bright picture, with slower growth and higher inflation. The first quarter is likely to print a sequential contraction for industry and, absent a strong March (with Easter being in early April), even domestic consumption might decrease QoQ, with construction the only segment picking up. We expect a significant QoQ slowdown in 1Q18 and we cannot rule out a sequential contraction.

Author

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss

arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.