

## Romania: Cautious optimism

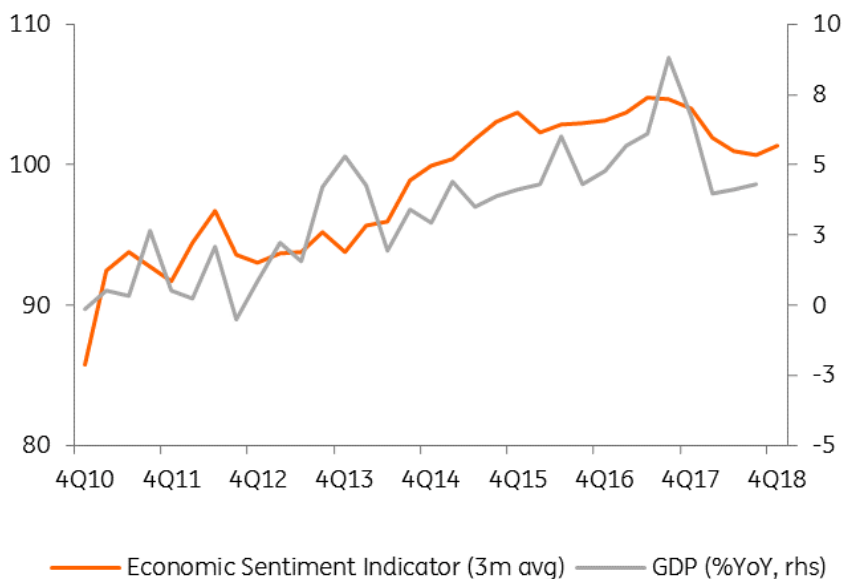
The January 2019 Economic Sentiment Index (ESI) paints a mixed picture of the economy. Consumer confidence is what worries us the most



Source: Shutterstock

The broad ESI index witnessed another incremental increase in January. The data behind it doesn't warrant much enthusiasm but seen in the broader context of an apparent endless [decline in eurozone confidence](#), Romania's ups and downs still send a glimmer of hope that the economy is not yet ready to surrender.

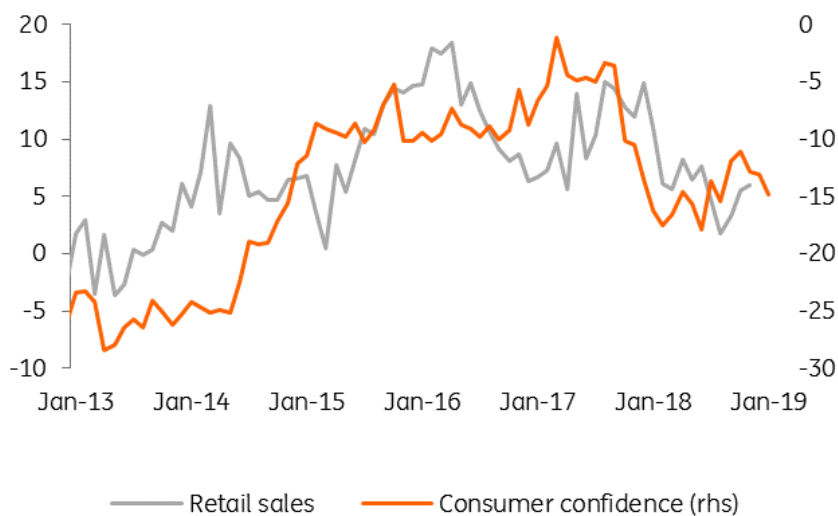
## Economy not yet ready to surrender



Source: EC, NIS, ING

Certainly the most worrying signal comes from consumer confidence. It fell for the third consecutive month and it's now slightly below the 2018 average. Besides better prospects for future savings (which actually could very well mean trouble for retail sales looking forward) nothing seems to please consumers: they report a deteriorating financial situation, worsening economic conditions and weaker employment prospects. This is not good news for the consumption-driven growth model of the Romanian economy.

## Weak prospects for retail sales



Source: EC, NIS, ING

But not everything is so bad. Services are at a six-month high on improvements across all the components. Manufacturing is stubbornly posting modest but still positive improvements while retail, despite inching lower a bit, is still well above the 2018 average. Construction inched lower as well, but this comes after eight straight months of advances, so it could be seen as a bump in the road.

External demand remains a drag for Romania's 2019 economic growth. Romania's main economic partner – Germany- is still [fighting its way back](#) to recovery. On the internal front, the fiscal changes adopted in December 2018 will likely have negative effects on private investment and job creation while the upcoming elections will most likely keep uncertainty at elevated levels. In this context, the Romanian economy seems to have a rather surprising propensity for resilience, though we are still expecting economic growth to continue its slowdown this year.

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