Romania: Spending bounces back

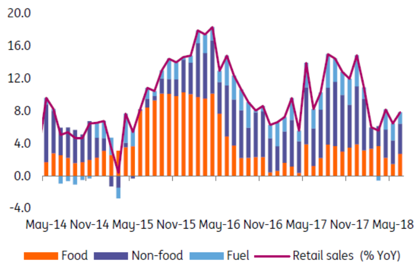
Retail sales accelerated in June to 7.9% year-on-year from 6.5% in the previous month. For the second quarter, retail sales point to a sequential rebound in household consumption

Source: shutterstock

The rebound in retail turnover was driven by non-food sales, which accelerated from 7.6% in May to 9.1% year-on-year in June. Nevertheless, the cruising speed is lower relative to the previous year. Retail sales expanded by 3.1% quarter-on-quarter in 2Q18. This is likely to mark a sequential rebound in household consumption after two consecutive months of contraction as consumers digested the fiscal changes, political noise, higher interest rates and weaker leu.

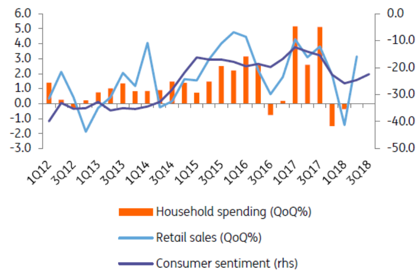
July consumer confidence points to a stronger start for consumption in the third quarter. Consumers are optimistic across the board, seeing better job prospects, higher savings, an improved economic outlook and financial situation. Better confidence translated into an increase in purchasing intentions for big-ticket items for home improvement and cars, while home buying intentions stabilised in 3Q18.

Fig 1 Retails sales growing at a new normal



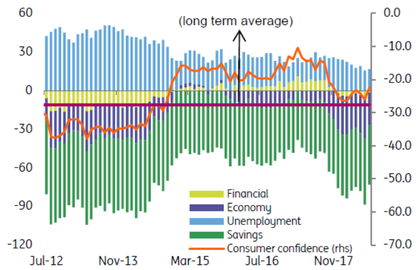
Source: NIS, ING

Fig 2 Consumption likely to bounce back in 2Q18



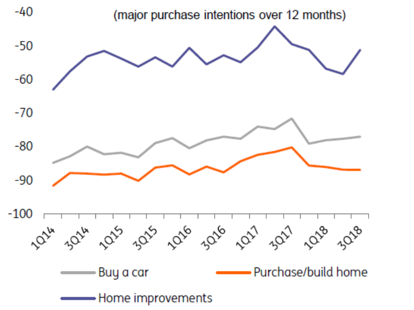
Source: EC, NIS, ING

Fig 3 Consumer sentiment improved across the board



Source: EC, ING

Fig 4 Consumers ready to dig deeper into their pockets



Source: EC, ING

Retail sales data is consistent with a sequential expansion in line with our call for 0.9% QoQ which means 3.4% YoY GDP growth for the second quarter. However, GDP data in Romania is subject to large data revisions which increases forecast uncertainty.

Author

Ciprian Dascalu
Chief Economist, Romania
+40 31 406 8990
ciprian.dascalu@ing.com