

Snap | 3 October 2019

ROMANIA

Romania: consumption engine runs on all cylinders

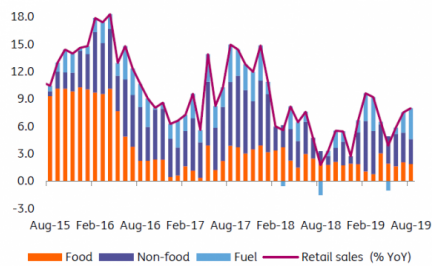
Retail sales posted a 7.1% year-on-year advance in the first eight months of the year. This is better than the 5.6% growth for 2018 which marked a slowdown from the double digit expansion of 2017 and 2016



Source: shutterstock

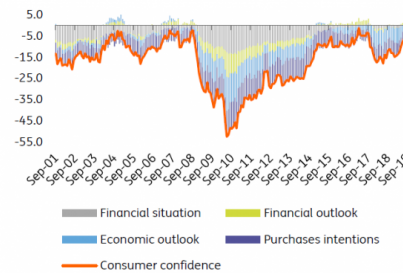
August retail sales accelerated to 8.0% YoY from 7.6% in the previous month, though the underlying is less rosy with the acceleration coming exclusively from volatile fuel sales which were driven by lower prices. Otherwise, more stable non-food sales slowed down to 6.6% YoY from 7.6% in July, in line with the sharp drop in consumer confidence in August. Though consumer morale bounced back a bit in September, consumers mention that they expect to trim future purchases and stay cautious on the economic outlook, despite the sound financial situation. We also note the deterioration for job prospects from the consumer survey.

Fig 1 Retail sales dynamics and its subcomponents



Source: NIS, ING

Fig 2 Consumers turn more cautious



Source: EC, ING

Despite weaker external demand already dragging manufacturing into contractionary mode, the lagged effects on GDP growth are likely to take a bit more time as we are witnessing more of a sectorial problem rather than a widespread crisis. Double digits wage growth are likely to support domestic demand, while investment got a boost from construction sector benefiting from fiscal facilities. Hence, GDP growth could print around 4.0% for this year.

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