

## Romania: consumption shows signs of fatigue

Retail sales contracted by 2.1% in June versus the previous month, though they remain 4.2% higher than in June 2021. It is not all that dramatic, but it does darken the outlook for the second half of the year

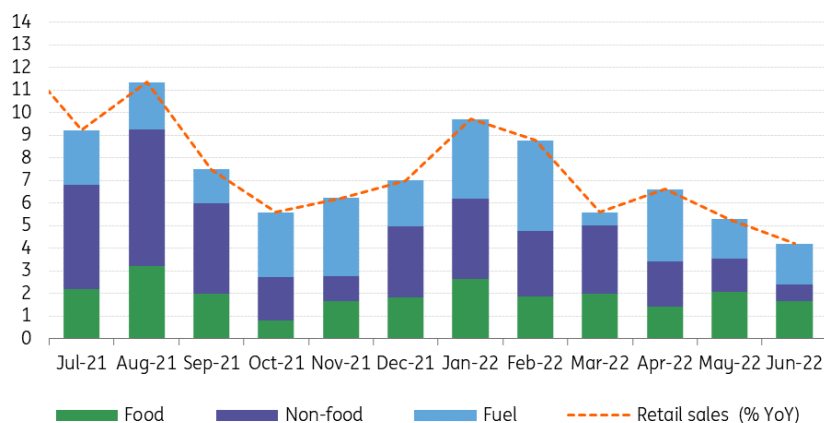


Retail sales fell from May to June

High inflation seems to be slowly hitting consumers' pockets. Inflation-adjusted retail sales surprised to the downside in June as they contracted by 2.1% versus May 2022. The main driver was non-food items which have declined by 3.5% (though they still increased by 1.6% annually), with all subgroups experiencing a monthly contraction.

Somewhat surprising given the higher prices, but probably explained by the fact it's tourist season, fuel sales saw a monthly increase of 0.4% in June (6.7% in annual terms). Sales for food items, on the other hand, contracted by 0.8% versus May, while in annual terms they remain relatively robust at +4.2%.

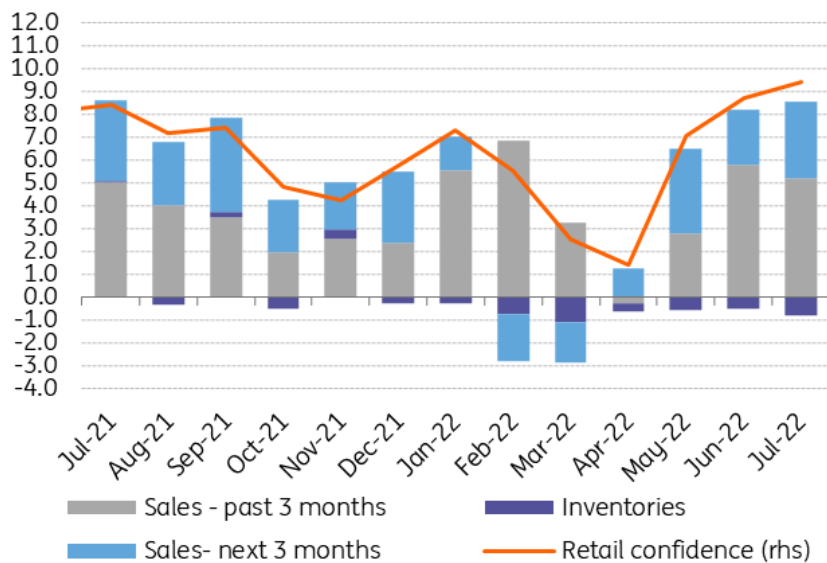
## Retail sales (YoY%) and components (ppt)



Source: NIS, ING

July confidence numbers for the retail sector have shown resilience, somewhat diverging from today's numbers. Sales for the upcoming period are estimated to be on the rise, with no signs of rising inventories. Employment expectations are strong as well, close to historic highs.

## Retail confidence



Source: NSI, EC, ING

Today's weaker data close an otherwise pretty strong second quarter for retail sales which expanded by 2.9% versus 1Q22 and by 5.4% versus 2Q21. Combined with other high-frequency data available (trade balance, industrial production etc.) it points to positive quarterly GDP dynamics, which we currently estimate at around +0.4% versus 1Q22. Assuming no historical data revisions, we maintain our estimate for a 5.0% GDP expansion in 2022.

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