

Snap | 3 April 2019

## Romania: Consumption surges

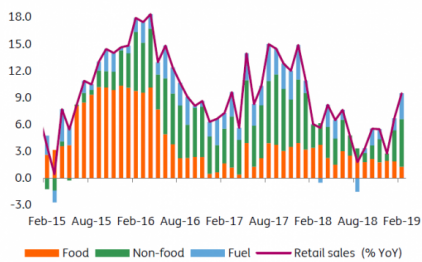
Does this mean GDP growth will accelerate? Probably not, as it is likely accommodated by imports of non-food and fuel. Net exports should offset most of the household consumption boost to GDP growth



Source: shutterstock

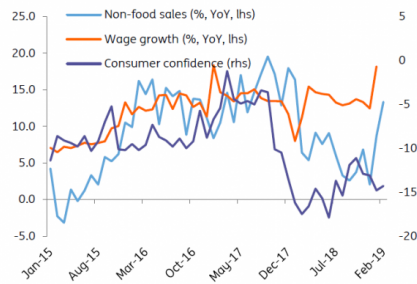
Retail sales growth accelerated to 9.5% in February from 6.7% in January, posting 8.2% year-on-year growth in the first two months of the year. This compares to a 5.6% YoY expansion for the whole of 2018. It seems that the acceleration in wage growth at +18.2% YoY in January, driven by a 26.7% rise in public sector wages, is feeding through to consumption. Non-food turnover up by 13.3% and fuel sales up by 13.2% YoY are the drivers for consumption growth, suggesting that a big chunk of this comes from imports. Hence, we see limited net growth impact.

Fig 1 Retail sales surge driven by non-food...



Source: NIS, ING

Fig 2 ... on wage steroids, as confidence lags behind



Source: EC, NIS, ING

All in all, the retail sales data is great news for retailers and to some extent for state budget revenues, but not so good news for the growth backdrop and quite a bad sign for the RON. We could see the effect from wage hikes dissipating over the next few months as higher prices start to bite in real incomes. Asymmetric risks are building for the RON as higher carry only buys time. We are starting to see material chances of NBR rate hikes ahead, against the global backdrop.