

Romania: Current account deficit at -4.0% of GDP in October

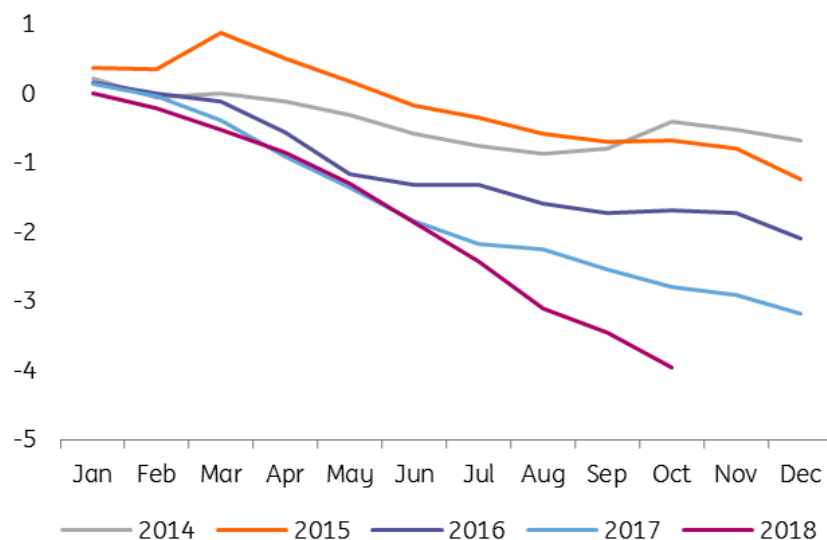
The current account (C/A) deficit reached EUR8.0 billion for January-October 2018. That's 52% higher than the same period of 2017



Source: Shutterstock

The persistent deterioration in Romania's C/A continued into October when another EUR1.0 billion was added to the total deficit. The main driver is the trade balance, which widened by 42.5% year-on-year in October, the fastest pace this year, offsetting by large the improvement in primary income

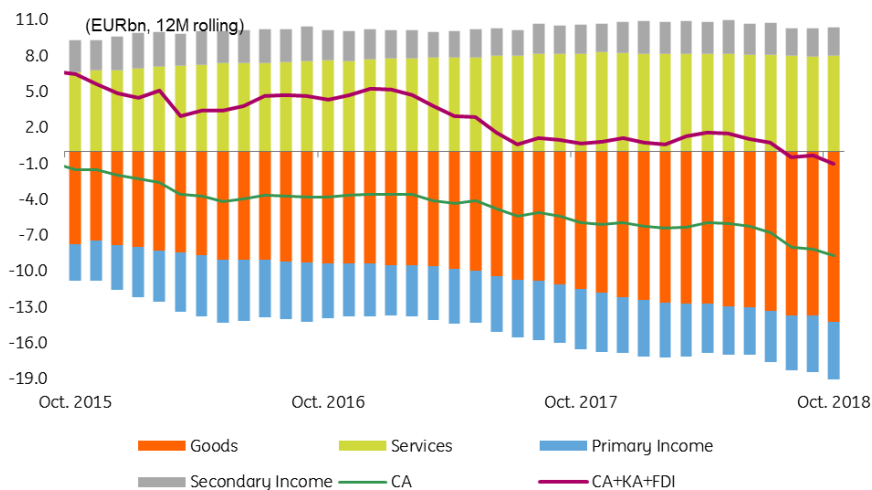
January-October C/A (% of GDP)



Source: NBR, ING

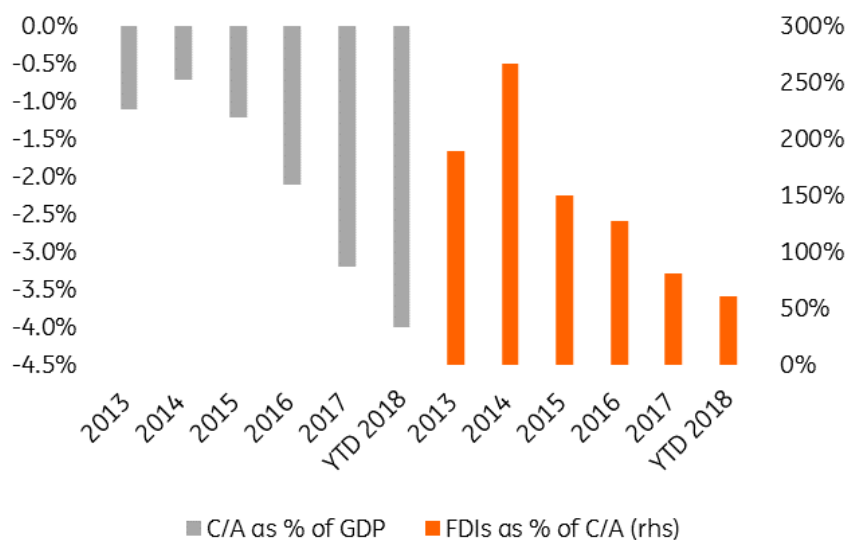
On a 12-month rolling basis, the total external position dipped into negative territory, coming in at EUR-1.05 billion, the lowest in more than five years. Among the very few positives, we notice an improvement in foreign direct investments (mainly due to data revisions), which now cover 61% of this year's C/A deficit.

C/A breakdown



Source: NBR, ING

Deteriorating metrics



Source: NBR, ING

Hopes for a correction in the C/A deficit this year seem late as even our slightly pessimistic -4.2% of GDP deficit forecast for 2018 would seem a success if achieved. With no obvious signs of a fiscal consolidation in the near future, modest EU funds absorption and sluggish FDIs, RON relative strength could be questioned rather sooner than later.

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