

Romania: Current account gap widens further in May

The current account (C/A) gap widened by 16% to €3.02 billion in January-May 2018 compared to the same period a year ago, driven by the trade deficit

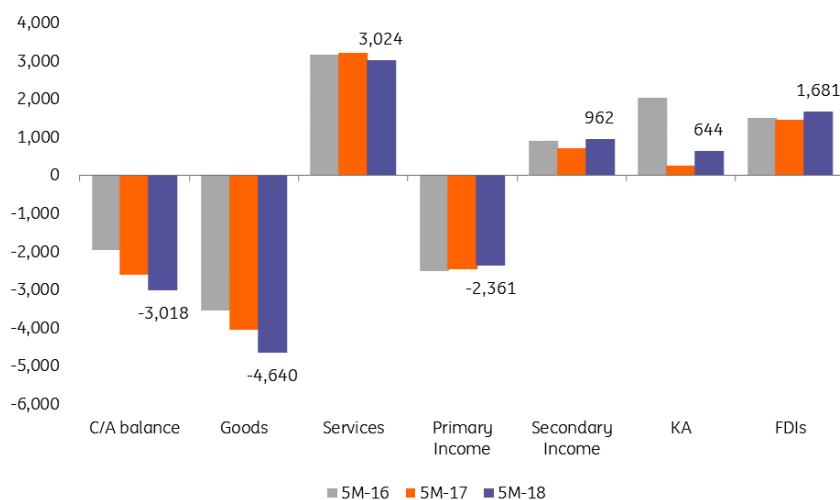


Source: Shutterstock

Competitiveness issues in food industry

Despite signs of a slowdown in consumption, the trade balance on items such as food remains stubbornly negative suggesting that competitiveness issues prevail. Overall, the trade gap widened by 14.9% year on year in May, as export growth in the auto sector is levelling off while the food deficit has failed to correct.

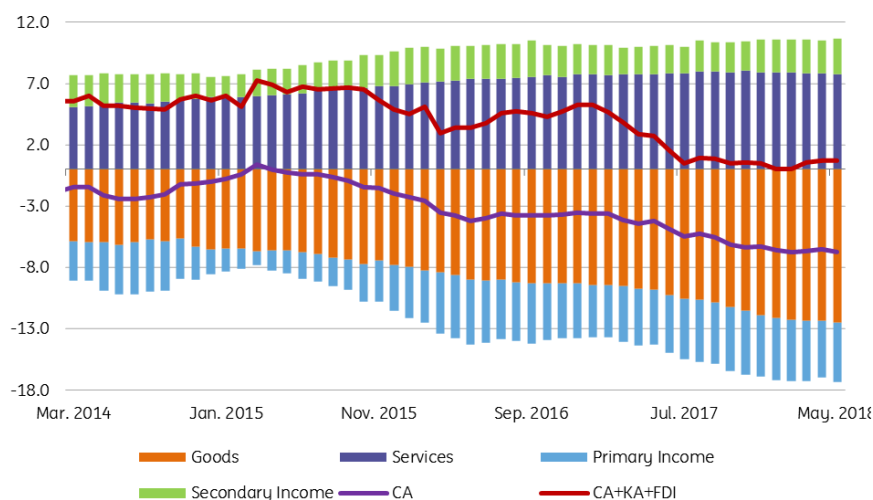
January-May C/A balance (€m)



Source: NBR, ING

At €0.7 billion, the total external position still remains in positive territory. Foreign direct investments (FDI's) picked up a bit in May but are still covering only 56% of the C/A shortfall.

C/A structure and external position



Source: NBR, ING

RON seems still protected

So far, there are no convincing signs of a correction in the external imbalance. We see the C/A reaching -3.7% of GDP in 2018, versus -3.4% in 2017. Despite these weaker fundamentals, the Romanian leu (RON) is somewhat protected by higher carry. Also, the central bank is unlikely to allow meaningful RON depreciation due to a high exchange rate pass-through in inflation.

Author

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.