

## Romania: Current account widens further

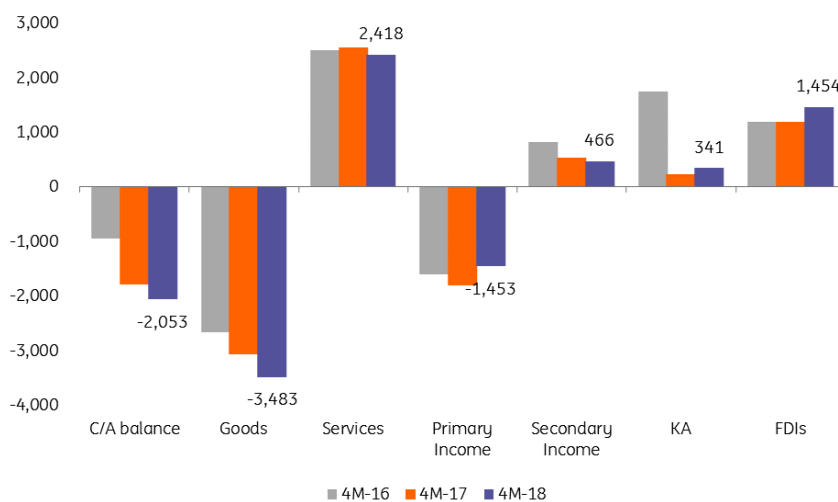
After the first four months of the year, the current account widened by 14.9% year on year. It looks set to reach -3.7% of GDP for the whole year, versus -3.4% in 2017



Source: NIS, Bloomberg, ING

Apart from data revisions, the deterioration in April came mainly from primary income suggesting dividend outflows from multinational companies. There is some cooling off in the widening trade deficit but it still remains well above the surplus posted on the balance for services.

## External balance



Source: NBR, ING

Foreign direct investments increased 22.1% YoY in January-April but are covering only 70.8% of the current account shortfall. Despite the sharp slowdown in household spending in 1Q18, there are no convincing signs of a correction in the external imbalance.

Despite weaker fundamentals, the central bank (NBR) is unlikely to allow a large depreciation in the Romania leu due to high exchange rate pass-through, with inflation already way above the target interval.