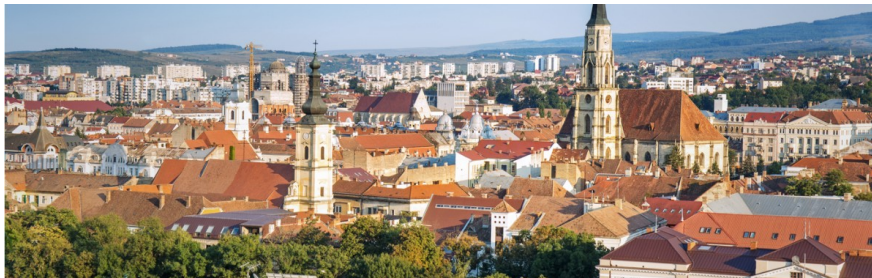


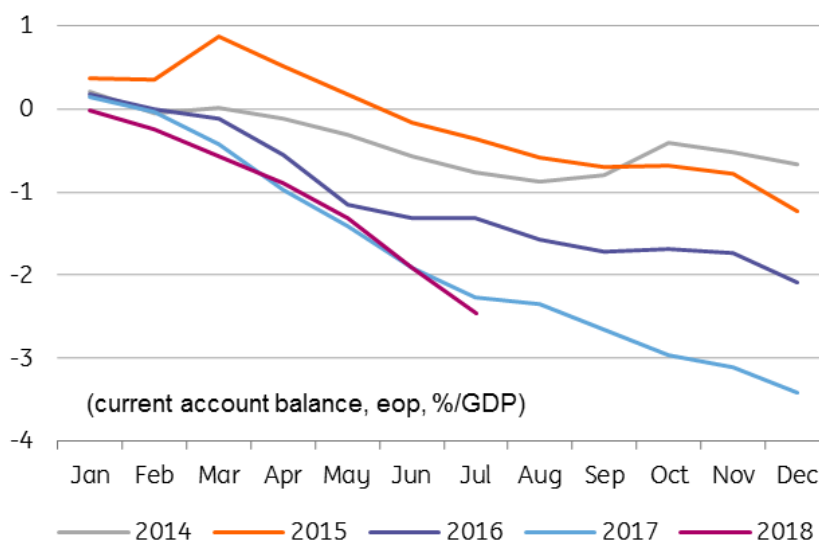
Romania: Current account widens further in July

The current account (C/A) widened by 16% to €4.81 billion in January-July 2018 compared to the same period of 2017. Our 2018 forecast for a C/A deficit at 3.7% of GDP looks slightly optimistic now



Following a sharp deterioration in the trade balance, which has widened by 11.3% year-on-year in the first seven months of 2018, to €7.58 billion, the current account deficit continued to deteriorate in July reaching 2.5% of GDP, the highest in six years.

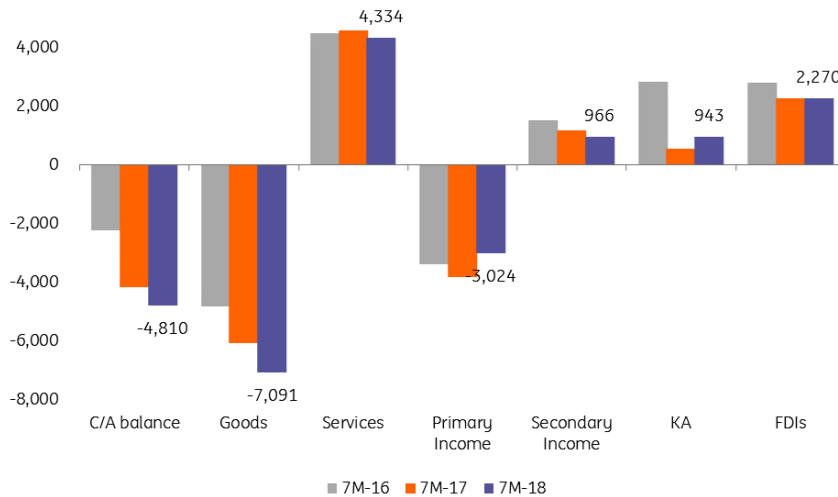
C/A deficit (% of GDP)



Source: NBR, ING

At €0.2 billion, the total external position barely remains in positive territory. Foreign direct investment in the first seven months of this year is flat compared to last year and now covers only 47% of the C/A shortfall. Primary and secondary income is also lower on the year by 21% and 18%, respectively, while the surplus on services is lower by 6%, dashing hopes that these could offset the trade gap to a larger extent.

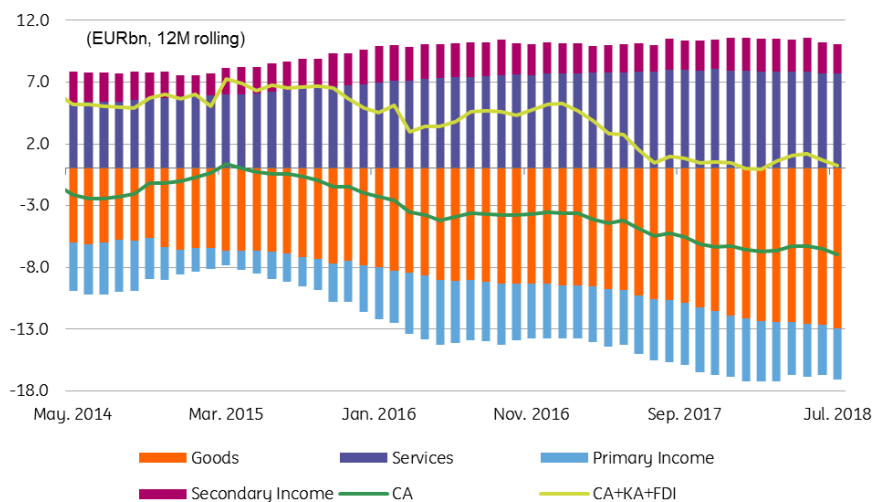
January-July C/A (euro bn)



Source: NBR, ING

We have forecast a current account deficit at 3.7% of GDP for 2018, which embeds our conviction for a gradual correction in external imbalances. So far, there are no convincing signs of this happening. Despite weaker fundamentals, the National Bank of Romania is unlikely to allow a large depreciation in the Romanian leu due to high exchange rate pass-through.

C/A breakdown



Author

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

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