

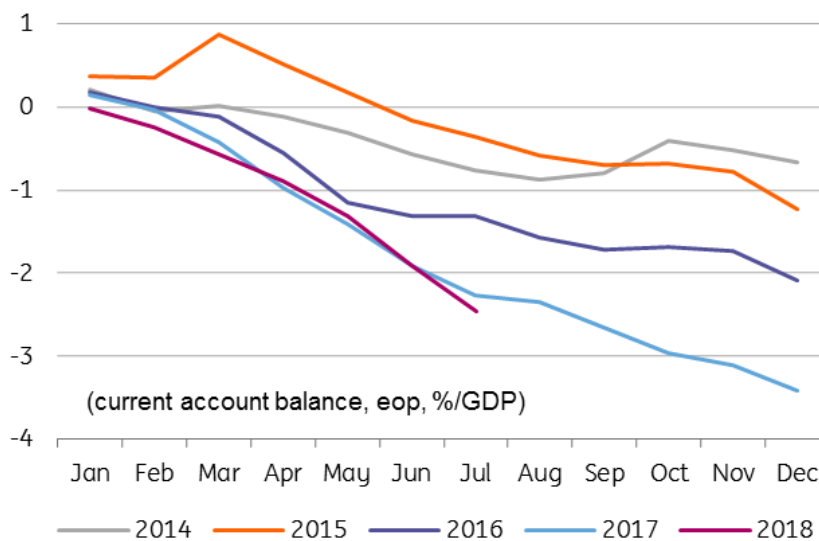
Romania: Current account widens further in July

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.

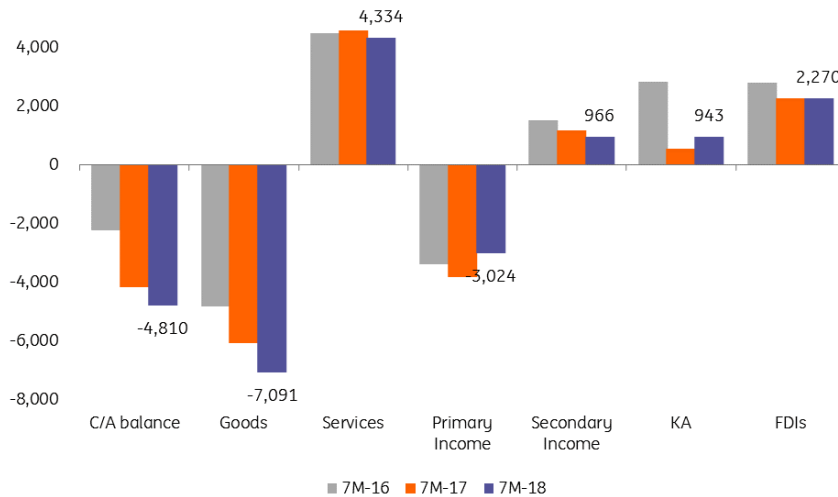
C/A deficit (% of GDP)



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.

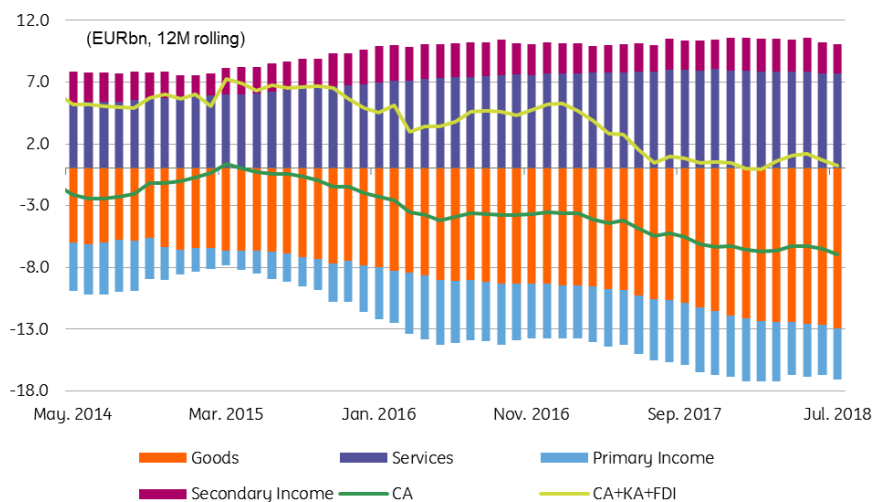
January-July C/A (euro bn)



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

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>.