

Romania: Economic confidence builds

With little fanfare, the November Economic Sentiment Index (ESI) has quietly reached its highest level in almost two years. Who would have thought?

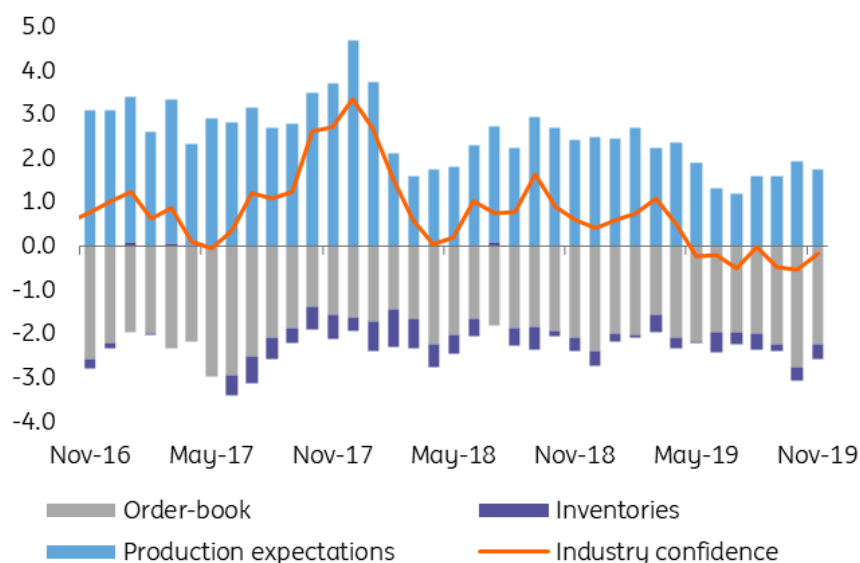


Source: Shutterstock

Since we don't get to say this too often, it's worth emphasising from the very beginning: Romanian sentiment indicators have improved across the board this month. And – as captious as we might appear sometimes – it's relatively hard to be picky on the details, as most of them are positive.

The most important component in the survey– manufacturing confidence – is nevertheless the weakest link in the chain this month as it continues to move in a zigzag pattern. The good news comes from a relatively robust order-book recovery, on the back of higher demand for exports. This is broadly in line with the external developments which point to some [bottoming out of the economic slowdown](#). Production expectations on the other hand have inched slightly lower and – together with expectations for a lower selling price in the months to come – contributed just enough to spoil the optimistic mood induced by the headline figures.

Industrial confidence bottoming out

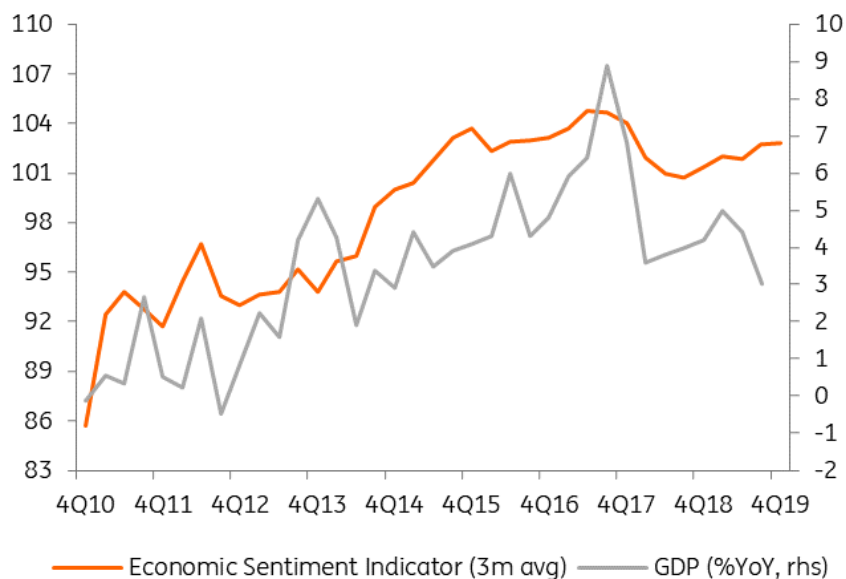


Source: EC, ING

Another important component of the index, consumer confidence, continued to advance nicely in November and remains well above this year's average. Drivers relate to strong wage gains which, although expected to slow down over the next 12 months, are still good enough to support better purchase intentions.

The most impressive dynamics however came from the services sector, which has the second largest weighting in the ESI and posted the fastest monthly advance in more than a year. This is very good news for Romania's services-based economy, but worth keeping in mind that this sector tends to exhibit higher volatility in confidence.

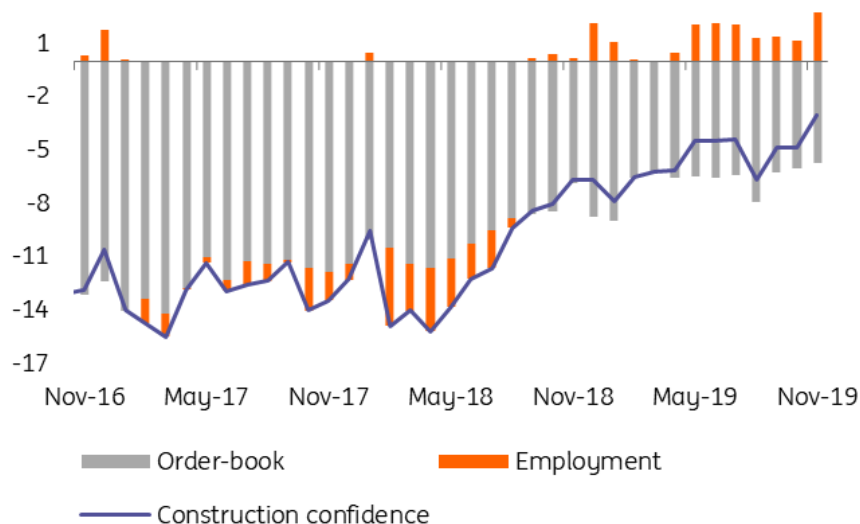
Growth and confidence: separate ways?



Source: EC, ING

As usual lately, the construction sector surprised to the upside, posting the best confidence figure in over a decade. This is after fiscal support enacted at the start of the year.

Constructions making history



Source: EC, ING

To date, confidence indicators point to a bottoming out of the economic slowdown. However, the impact of the most recent developments (overshooting fiscal deficit and weaker Romanian leu) has yet to be reflected in confidence indicators. We believe that the

relatively good economic sentiment will not necessarily lead to a rebound of GDP in the fourth quarter, but rather prevent a more pronounced slowdown.

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