

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?

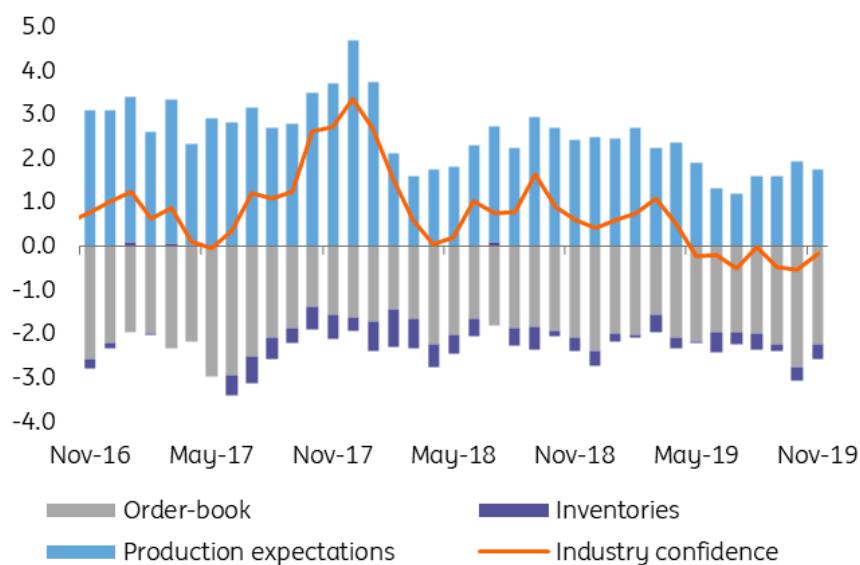


Source: Shutterstock

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

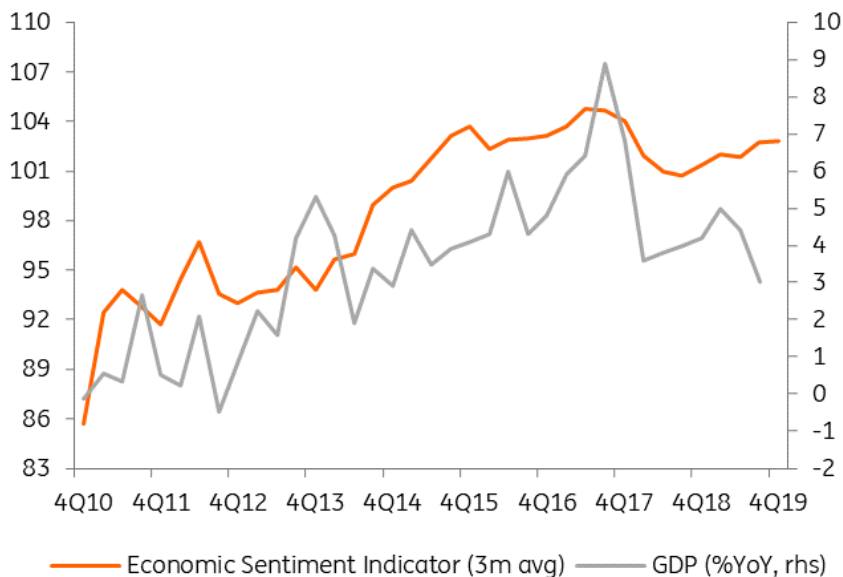


Source: EC, ING

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.

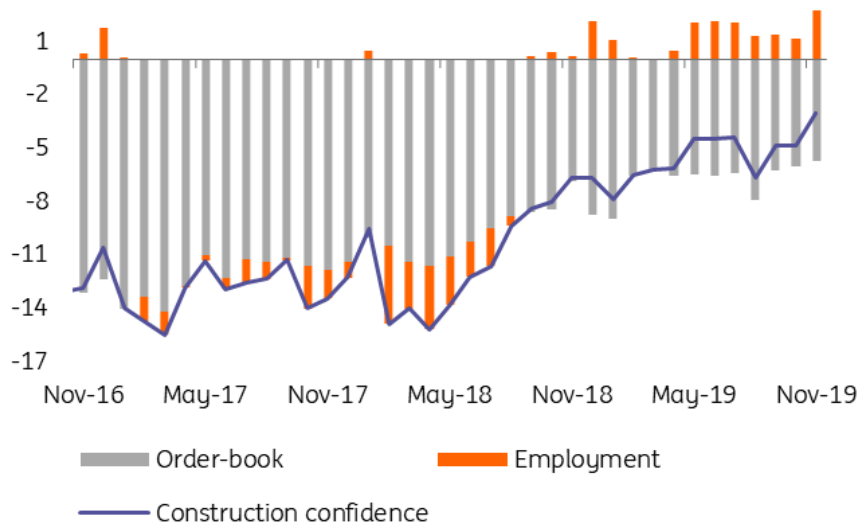
Growth and confidence: separate ways?



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.

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>.