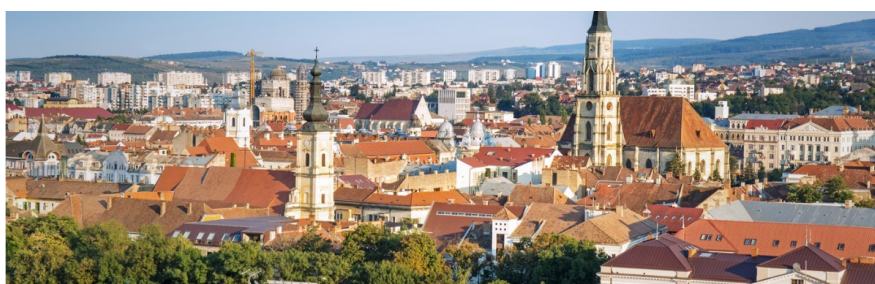


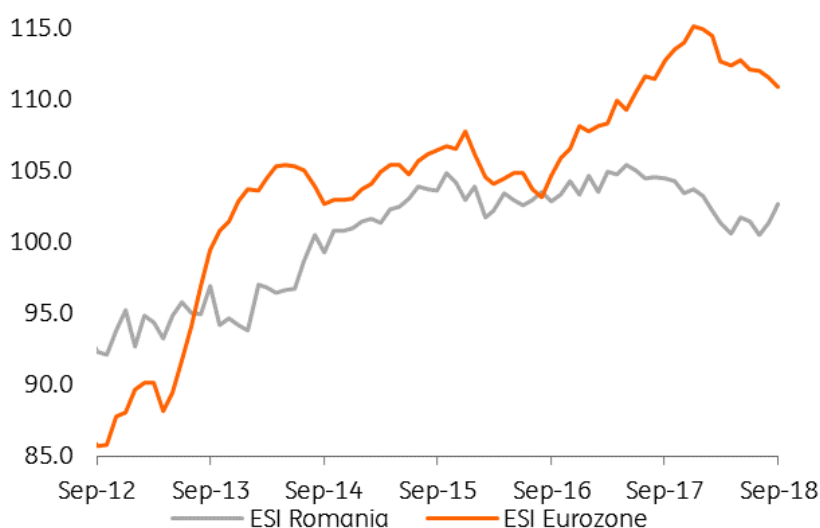
Romania: Economic confidence rebounds

Decoupling from the declining confidence in the eurozone, the Romanian Economic Sentiment Index (ESI) regained most of this year's losses in the last couple of months



The Economic Sentiment Indicator reached its highest point since January 2018 as confidence increased across the board, with only a small hiccup for the services sector.

Closing the gap?

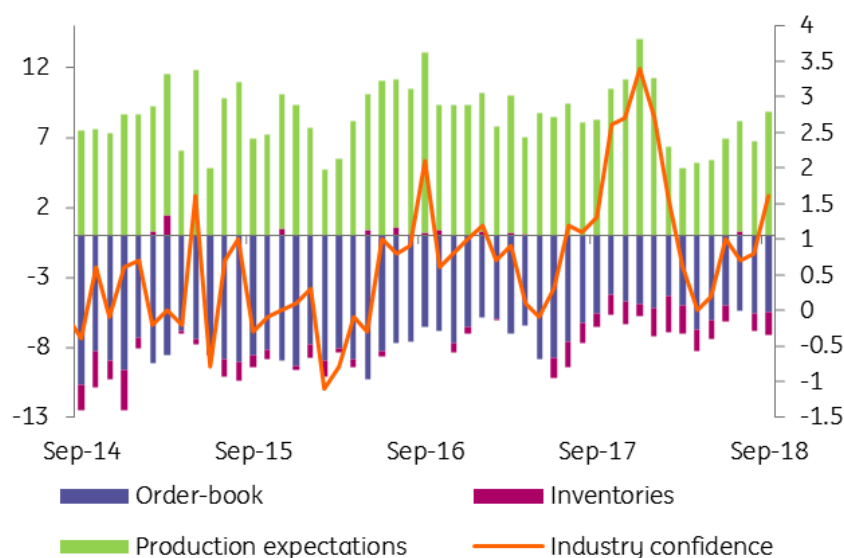


Source: EC, ING

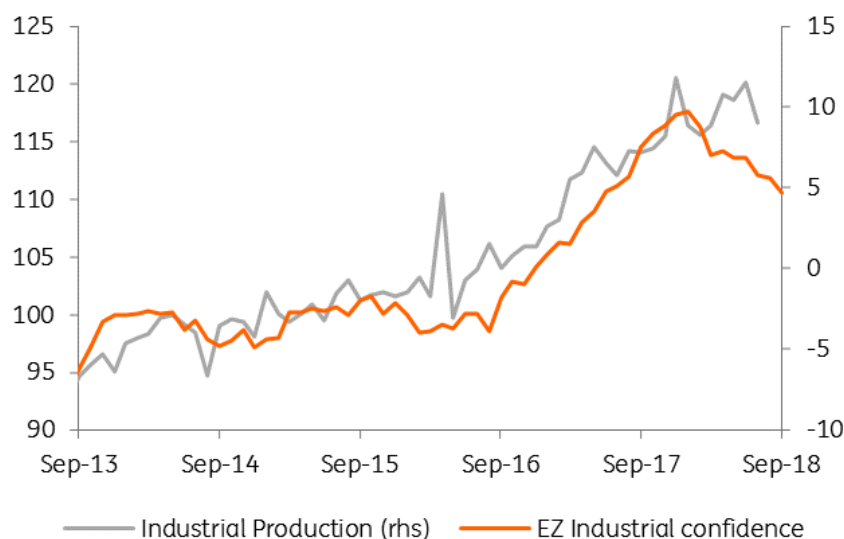
The most important sector by weight in the index - confidence for industry - rebounded for the second month in a row, driven by more optimistic expectations on export order book levels and the

reduction of inventories. This is a good sign, with the latest data showing that the economic slowdown has likely bottomed. However, the outlook is not encouraging as the external picture points to a further moderation of demand.

Industrial confidence

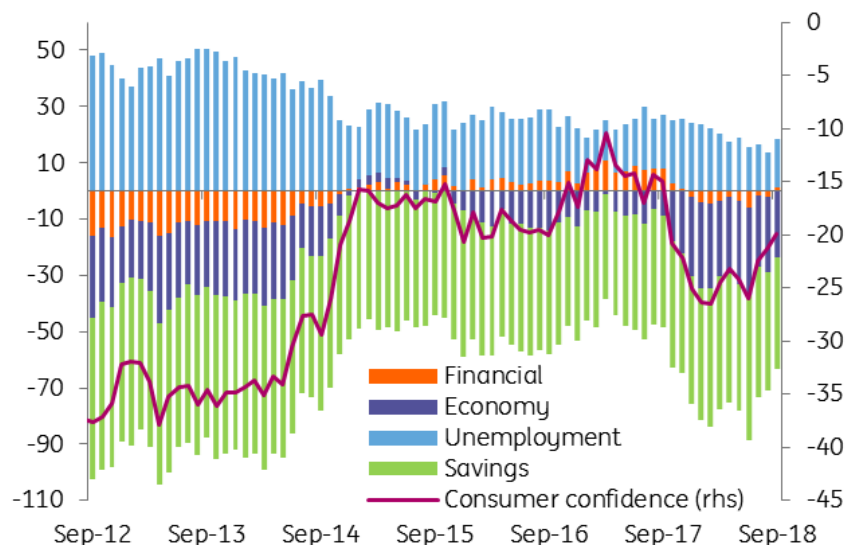


External demand likely a drag ahead



After falling quite sharply in the first part of the year, consumer confidence recovered nicely and is now at its highest since September 2017. Moreover, the improvement is broad-based with all subcomponents posting decent gains. This could be a relief for the supporters of Romania's demand-driven economic growth model and shows that consumers might have cast aside worries about inflation, interest rates, fiscal uncertainties and political tensions.

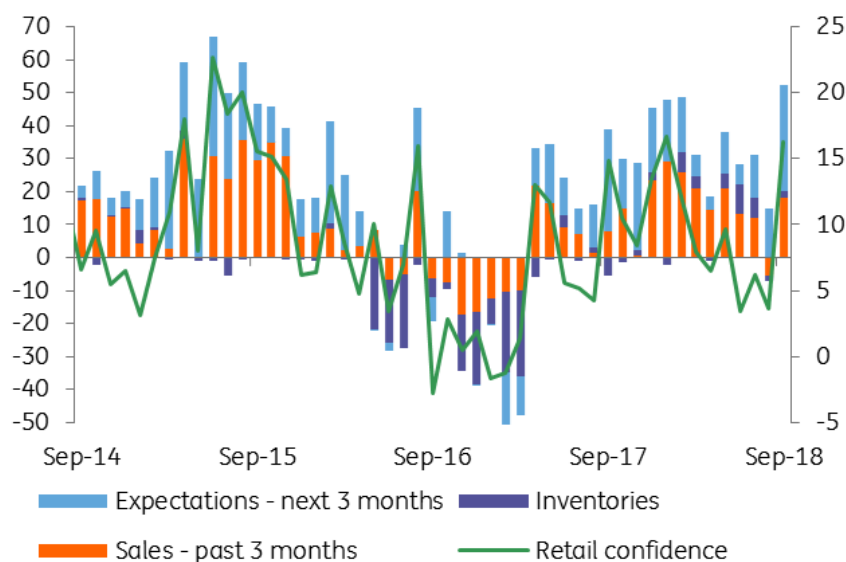
Consumer confidence



Source: EC, ING

The star of the day however - despite its low weight in the overall index - is the retail sector, which made its sharpest comeback in the last two years, with retailers pointing to very strong business activity over the past three months and high hopes for business to perform well in the upcoming period. The positive effect could also have been boosted by the popular back-to-school buying spree.

Retail trade confidence

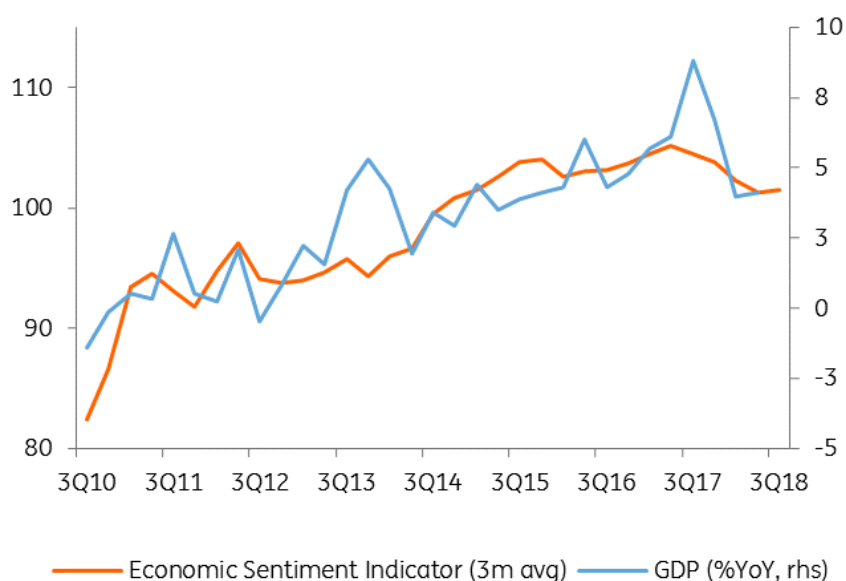


Source: EC, ING

A touch on the negative side was confidence in services, which still struggled to recover after marking a three year low in July 2018. While expectations are improving, actual demand is still

lacking.

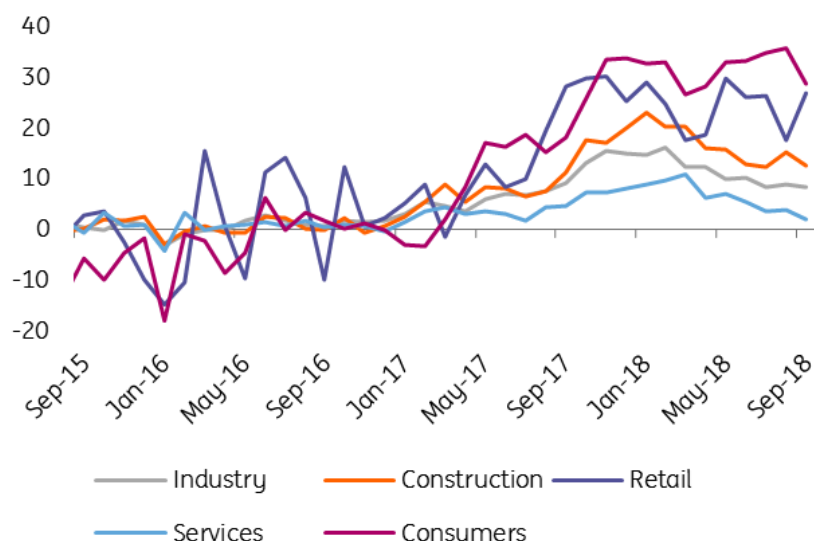
GDP growth picking up?



Source: EC, ING

Price expectations data trending lower in most industries and a greater conviction among consumers about the declining inflation trend should offer some comfort to the National Bank of Romania to keep rates on hold for the remainder of this year.

Price expectations trending lower



Source: EC, ING

Today's data confirms the mild positive numbers of the previous month and could be a sign that economic activity accelerated in sequential terms in 3Q18 albeit at a modest pace. We particularly highlight the improvement in the level of consumer confidence, which should keep afloat Romania's demand-dependant economic growth.

Author

Ciprian Dascalu

Chief Economist, Romania

+40 31 406 8990

ciprian.dascalu@ing.com

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 www.ing.com.