

Romania: Economic sentiment deteriorates in June

A nice rebound in industry and services was not enough to offset the sharp fall in consumer confidence and retail trade



Source: shutterstock

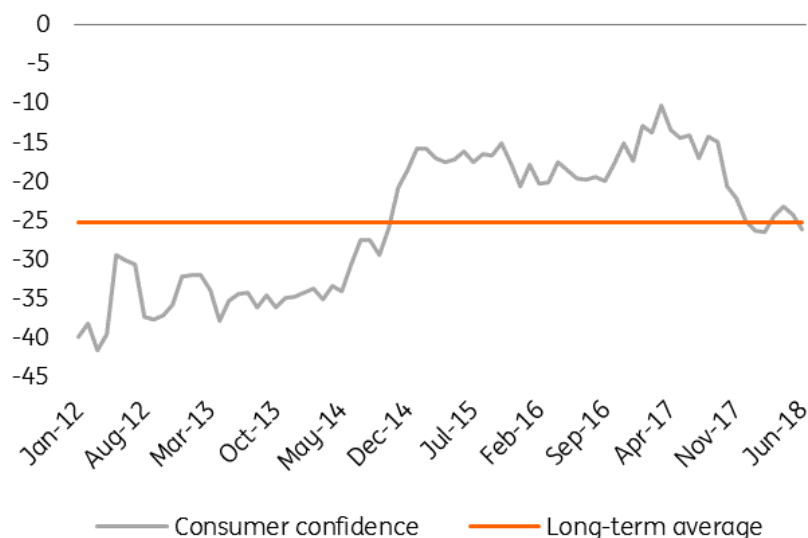
The good...

Starting with the bright side, industrial confidence rebounded for the second month in a row on satisfactory order-book levels and optimistic production expectations. The second most important segment by weight in the index- services- also inched higher, as demand remained solid. But businesses seem to anticipate a deterioration over the near future.

..the bad...

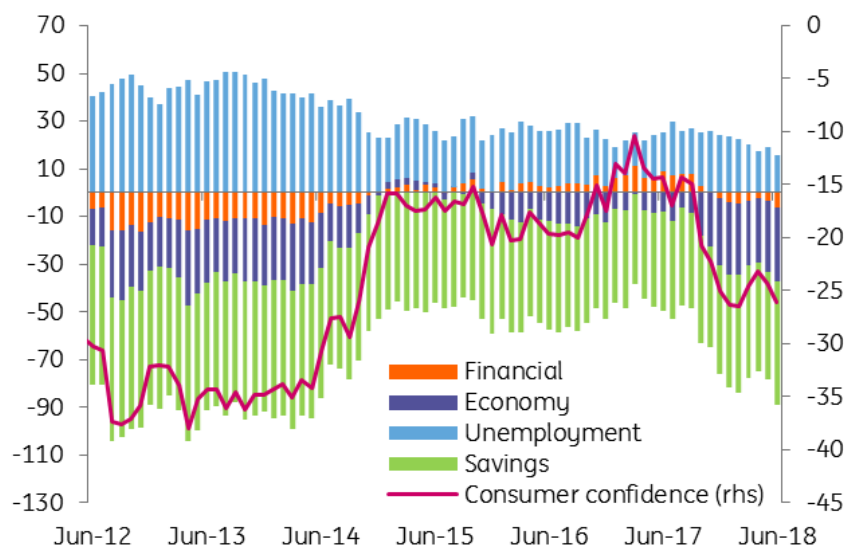
Prolonged political tensions along with higher interest rates and inflation seem to be taking a toll on consumer morale, which dipped again in June due to sharply lower expectations for job prospects and the general economic situation. Retail trade also marked an abrupt fall on lower sales and deteriorating expectations.

Consumer confidence dips



Source: EC, ING

Consumer sentiment breakdown



Source: EC, ING

..and the ugly

While the eurozone economic sentiment index (ESI) seems to have stabilised in the second quarter, Romania continues to disappoint, with the ESI falling in five out of six readings this year. This shows that the backstop offered by the eurozone can hold up only to a point, after which local issues prevail. And these offer little reason for optimism. Never-ending (and rising) political tensions, higher inflation, higher interest rates, shaky fiscal position and countless fiscal changes all add up to create a grim picture for the months ahead.

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