

Romania: Economic sentiment dips further in July

Despite a rebound in consumer morale, confidence in the service sector marked a three year low and dragged overall sentiment to its lowest since September 2014



Source: shutterstock

Consumers turn more optimistic

After falling in five out of six readings in the first half of the year- triggering alarm bells over Romania's demand-driven economic growth- consumer confidence made a sharp U-turn in July, marking its highest level this year. Consumer expectations about the future economic situation and prospects for higher savings were particularly supportive. Intentions to buy big-ticket items like a car or performing home improvements also came in higher, while intentions to buy houses stabilised for the third quarter, suggesting that the economic slowdown has likely bottomed out.

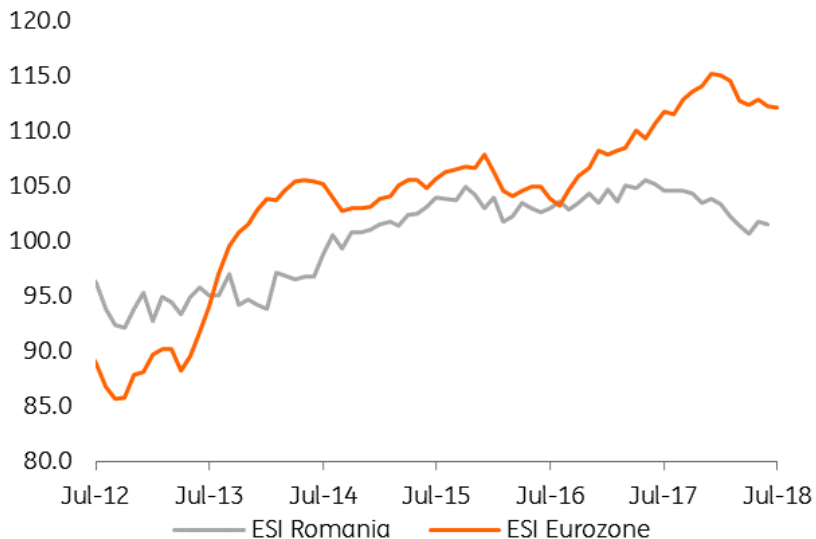
Confidence in the construction and retail sectors was also positive. In construction, higher order-books and a longer backlog managed to offset the expected difficulties in finding workers while on the retail side, the improvement came almost entirely from more optimistic assumptions for the

next period.

Not everyone is happy

The most important sector by its weight in the index - confidence for industry, eased in July on higher inventories and lower order-book levels. This shows that without a significant pick-up in eurozone economic activity, Romanian industry is heading for mediocre growth rates.

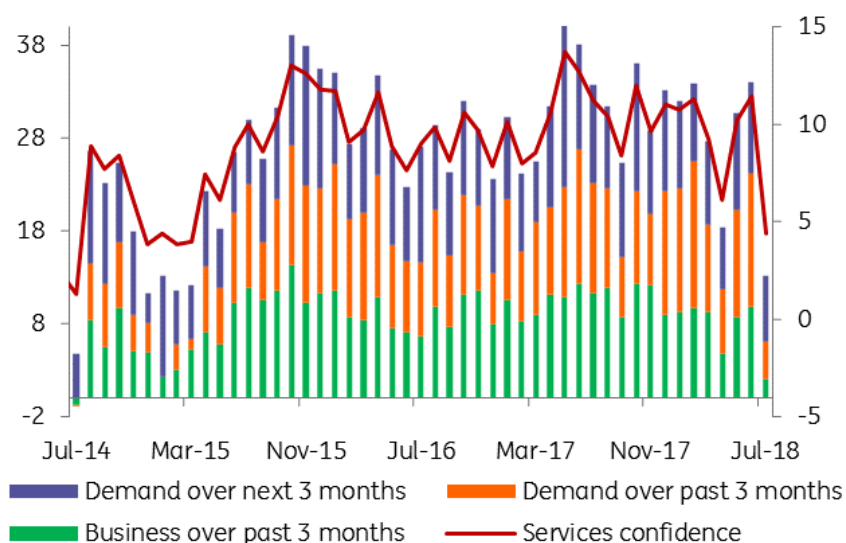
Mind the gap..



Source: EC, ING

The most striking element of the report, however, was the deterioration in service sector confidence, which fell to the lowest level since March 2015. The downturn is visible across all its components, with lower demand estimated in the near future while business development over the past three months has been the weakest in four years.

Services confidence breakdown



Source: EC, ING

It's not all that bad

Despite a stabilisation in the pace of growth in the eurozone, Romania continues to post disappointing confidence numbers. However, we don't consider today's data to be as negative as it seems. The industry is somewhat safeguarded for now by the eurozone's economic activity, while our main concern – falling consumer confidence – came out much better in July. With Parliament on holiday, a month or two of political silence could help to alleviate depressed consumer sentiment.

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