

Romania economic sentiment: no news is good news

The March 2019 Economic Sentiment Index (ESI) confirms the cautious optimism stance that business and consumers still have on the economy

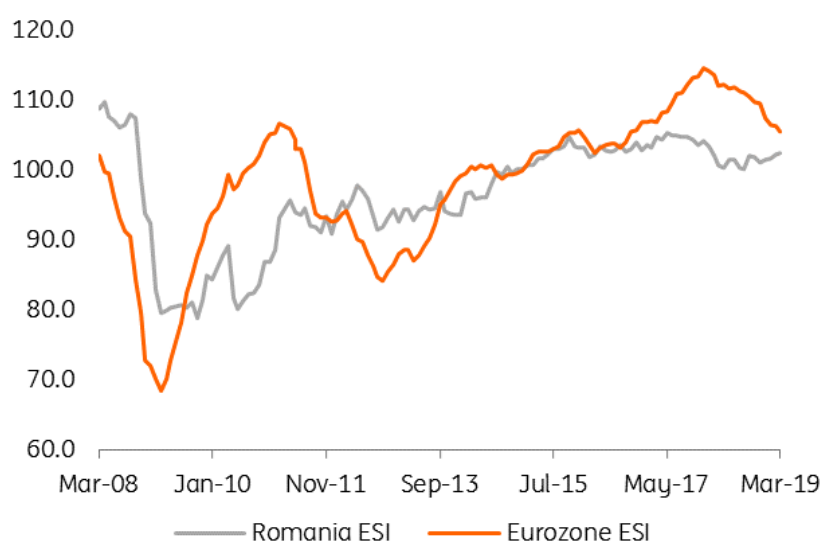


Source: Shutterstock

The broad ESI index continued its small-steps advance in March, the fourth consecutive month of incremental growth. Seen in isolation, not much stands out in the March data, except for the construction sector morale which is at its highest in more than 10 years. This is due to the fiscal measures adopted in December 2018 aimed at exempting employees from income tax as of January 2019 and the adoption of a minimum wage for the sector.

But then we have a wider perspective of an [interminable decline in Eurozone economic sentiment](#) which makes the Romanian developments appear a lot better. With the exception of the rather volatile service sector confidence, all other sectors posted mild improvements from the previous month. Confidence in the manufacturing sector improved marginally on better order books and a decline in inventories, despite lower expected production.

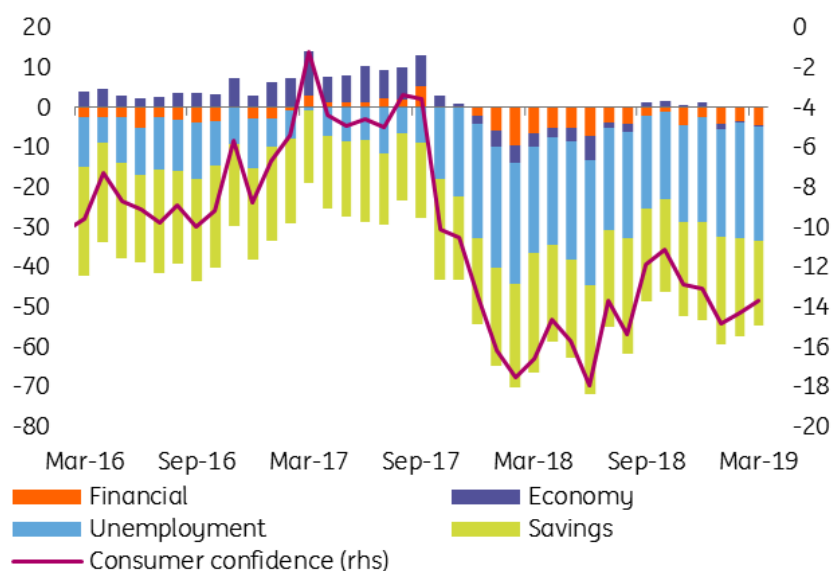
Romania and the Eurozone: meeting in the middle?



Source: EC, ING

The fiscal changes adopted in December 2018 impacted consumer confidence but this seems to be fading away now. We are still a bit worried about consumers behaviour though, as most of the improvement actually comes from better prospects for future savings. This could indicate both higher earnings expectations but lower spending intentions as well.

Consumer confidence recovering



Source: EC, ING

Economic growth outlook remains challenging for the Romanian economy. External demand is not helping as much, the fiscal impulse is fading while monetary policy shouldn't turn growth supportive too soon. On the other hand, wage growth is still impressive, lending

activity continues to expand and confidence seems to be stickier to the downside than to the upside. We maintain our call for a 2.7% GDP growth this year and a flat key rate from the National Bank of Romania.

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 www.ing.com.