

## 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.

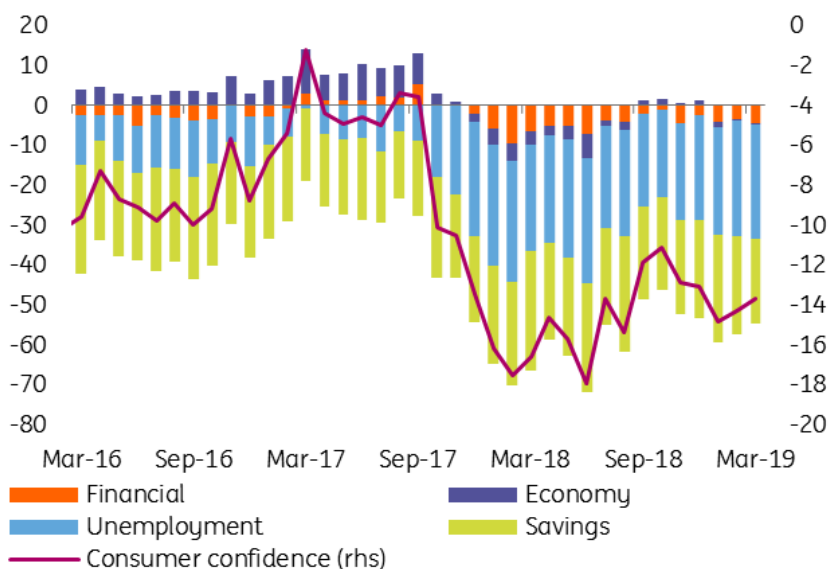
## Romania and the Eurozone: meeting in the middle?



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](mailto:valentin.tataru@ing.com)

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