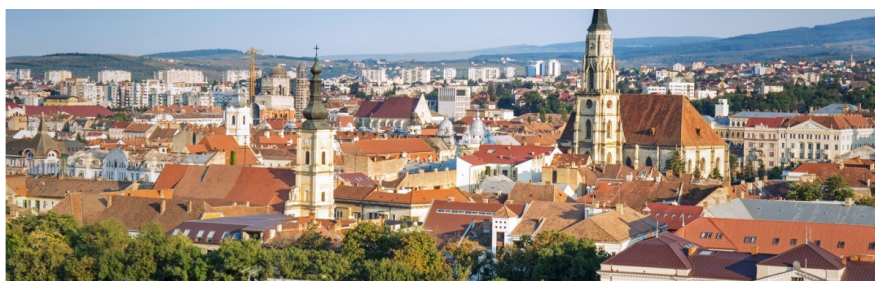


## Romania: Economic sentiment recovers but will it last?

Services are leading a broad-based recovery in confidence indicators but the details are not particularly encouraging for the months to come

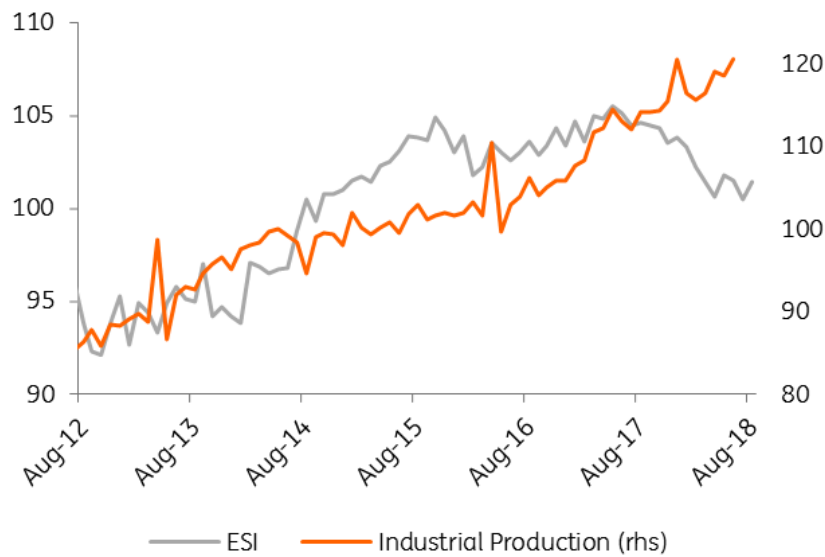


### Good headlines, weak details

After marking a three-year low in July, confidence in the service sector recovered somewhat in August driven by positive business developments and better demand. Going forward however, expectations for demand are at the lowest point since December 2014, which casts a shade of doubt about the sustainability of today's confidence rebound.

The most important sector by weight in the index- confidence for industry- increased marginally in August but only due to a significant decrease in inventories, while the order-book levels and production expectations for the months to come deteriorated. Again, a mildly positive headline is overshadowed by weak details.

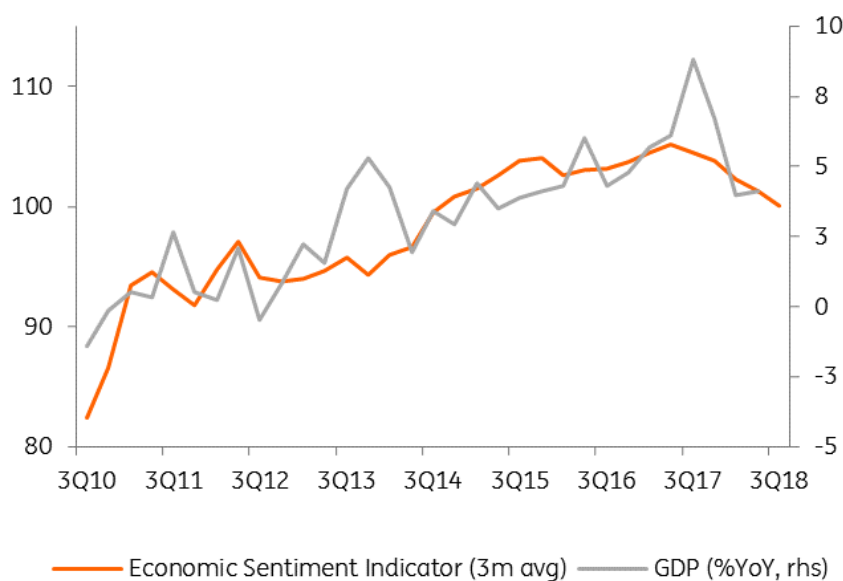
## Industrial production prospects look grim



Source: EC, ING

The consumer confidence index also expanded in August, marking a high for the year so far. However, instead of celebrating the second consecutive monthly rebound, we are rather worried about the details, as the only improvement comes from higher savings prospects. All other items (financial, economy and unemployment prospects) have deteriorated in August, which casts some doubt about consumer morale in the months to come.

## Not very optimistic growth prospects



Source: EC, ING

The least important sectors by index weighting- retail and construction- almost offset each other in August. The continued expansion of the construction sector is still well supported by order books and employment expectations, while the decline in the retail trade index is mainly driven by sharply lower sales over the previous period.

Today's data should look like a decent reading, particularly in the context of weaker eurozone confidence. However, after digging into the details, it may look more like a temporary tick up from quite depressed levels rather than a positive trend inversion. If anything, anaemic growth numbers are to be expected for the months to come.

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