

Romania: Economic sentiment recovers in May

Confidence in the economy bounced back in May, led by the service sector, amid better expectations for demand. But consumers remain cautious

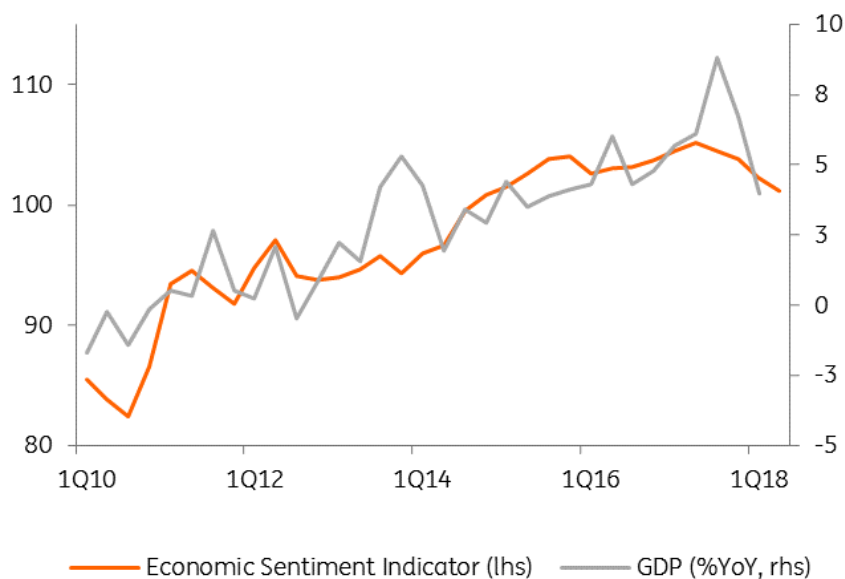


Today's readings could bring some slight relief about Romania's economic prospects after the economic sentiment index dropped in nine out of the previous ten readings, interrupted only by the Christmas spending spree.

Consumer confidence fell as most people seem to expect a deterioration in their financial situation going forward, though the tight labour market is still making them feel secure about their job prospects.

Construction confidence bounced back, however, with better weather boosting order books and employment expectations. Solid order books seem to have helped industry confidence as well, which posted a mild improvement after declining for five consecutive months. Still, the shining star of today's data is definitely the services sector, with all its components showing a solid increase after the worst month in almost five years.

Growth moderation lies ahead



Source: EC, ING

A flash GDP reading showed growth was flat in 1Q18 and it looks as though the economic data has been catching up with weaker soft data this year. Still, a stabilisation in Eurozone confidence in the second quarter offers some backstop to the Romanian economy. That said, the latest data does not account for the political turmoil in Italy and the stabilisation story could become one of the optimistic scenarios for the Romanian economy.

Author

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

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