

# Romania: Economic sentiment weakens again

While sentiment in the construction sector reached the highest level in 10 years, everything else points to weakness



Source: NIS, Bloomberg, ING

## What's good

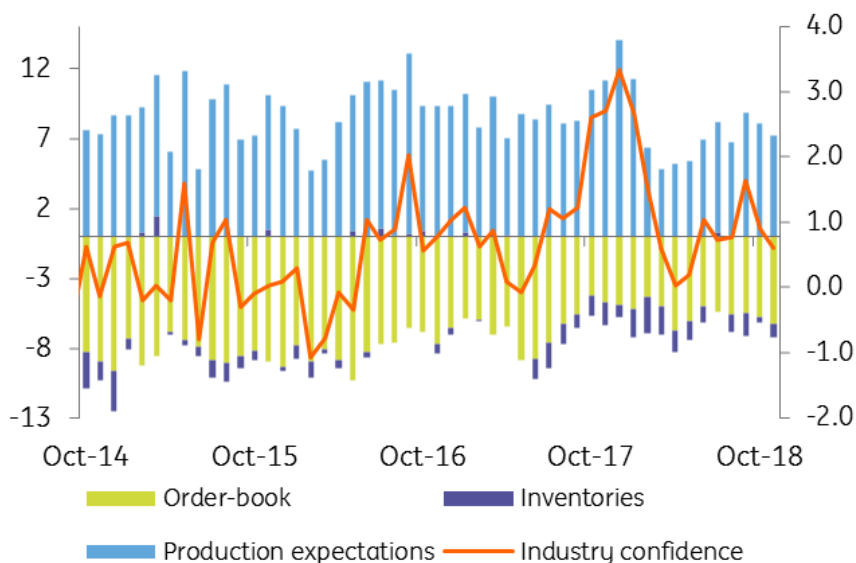
Not many positives to highlight in today's data, except for the construction sector, where businesses estimated their current order books to be at the highest since August 2008. Impressive indeed, but the 'wow factor' pretty much ends there. The construction sector alone is not enough to compensate for the deteriorating economic sentiment overall.

## Where are the problems

Well...pretty much everywhere else. The sector with the highest weight in the index, industry, dropped the least as higher inventories partially compensated for the lower order-book and production expectations.

The second most important sector by weight in the index, services, dropped exclusively on lower expected demand. Consumer confidence also dipped- to a four month low- as consumers seemed to brace for worse economic conditions over the next year and – surprisingly – a deterioration in employment conditions.

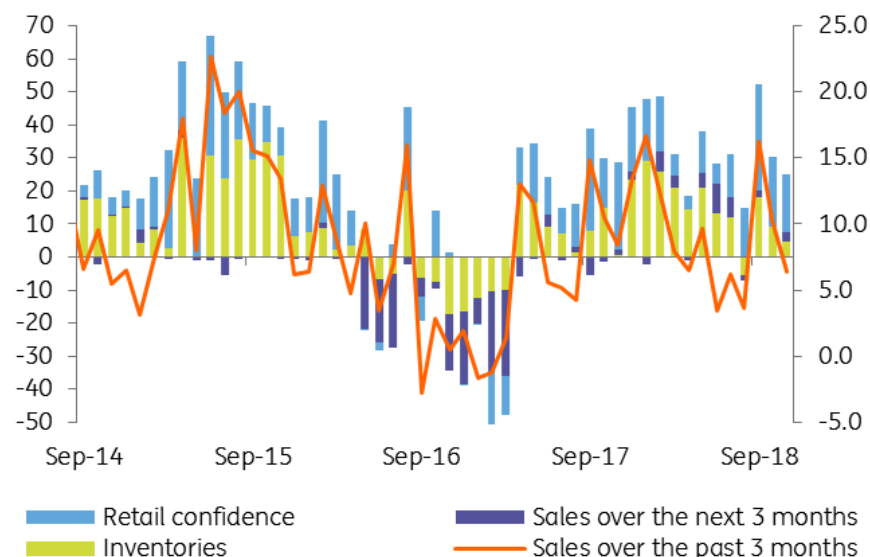
## Industry confidence



Source: EC, ING

The most negative surprise came from the retail sector which marked a decline across all of its subcomponents. It seems that sales over the last three months were particularly disappointing, while inventories piled up on the back of lower sales expectations for the near future.

## Retail confidence



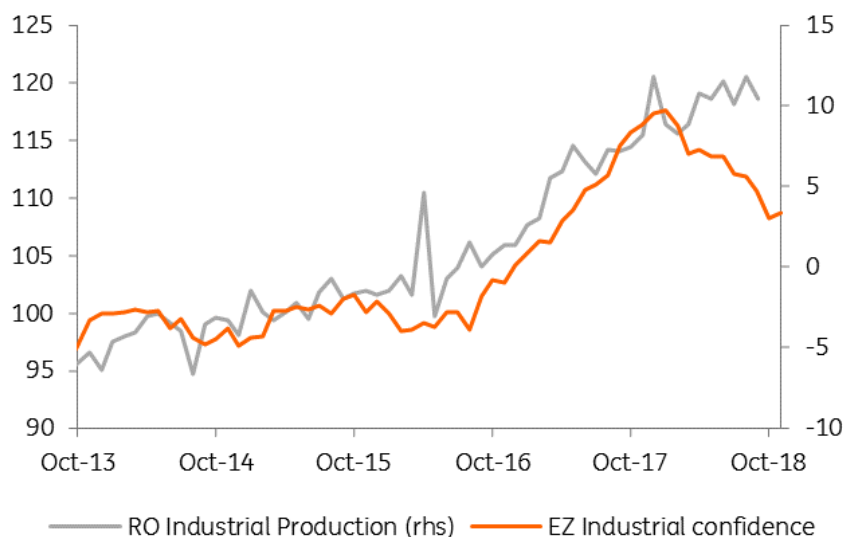
Source: EC, ING

## Recoupling with the West?

The soft high-frequency data has diverged from third quarter GDP, which was above expectations. We will have the GDP details on 7 December and we suspect that agriculture was the main growth driver, with corresponding higher inventories on the demand side. We think that a prolonged

weakness in confidence indicators will eventually translate into economic growth as well. In addition, eurozone economic sentiment has fallen for **11 straight months**, signalling that external demand will also be a drag on growth. On the internal front, the consumption-driven growth model of the Romanian economy is very much dependant on consumer morale – and that doesn't look particularly good either.

## Recoupling lower?



Source: EC, ING

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