

## Romania: ESI drops at the start of the year

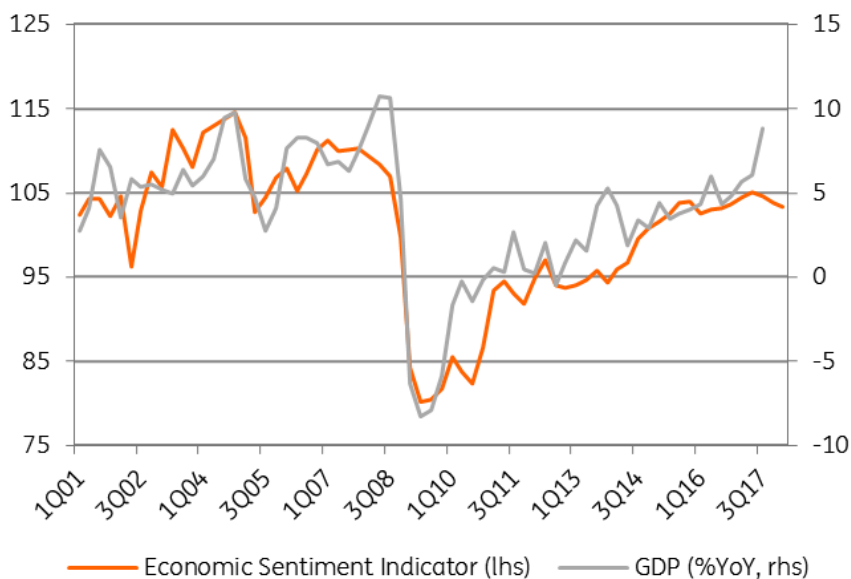
The Economic Sentiment Indicator (ESI) was weaker in January, with softer confidence for all three major components: industry, services and consumer



Source: shutterstock

The most important component, confidence for the industry eased from its highest levels post-GFC reached in December due to lower order books due to expected decline in external demand and an expected decline in production. Services sentiment saw a pullback as well. Consumers sentiment declined further, continuing its downtrend since it reached all-time high in Mar-17, with the never-ending political noise and government changes likely weighing in. The morale improved for construction and retail, sectors with low weight in the broad index.

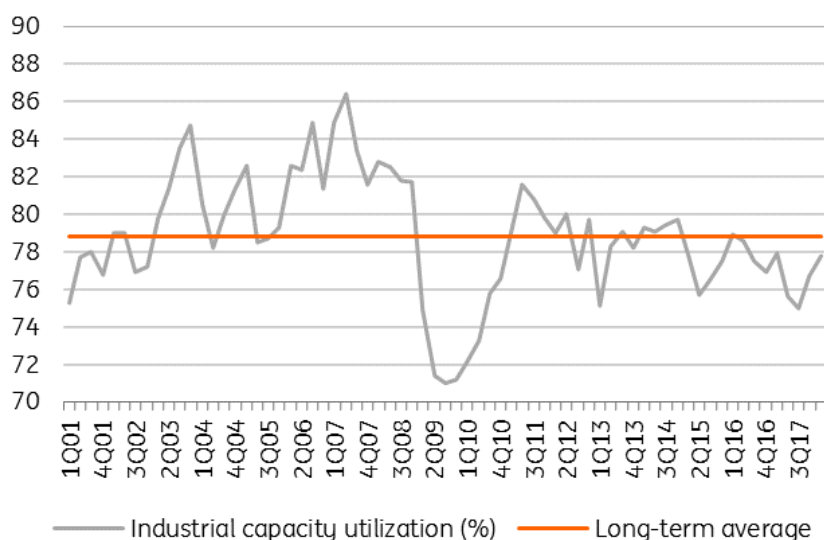
## Soft data points south for GDP growth



Source: EC, NIS, ING

The capacity utilisation for industry spiked quite significantly in 1Q18 and it is nearing its long-term average, which offers hope for private investments to pick up and offset the expected slowdown in consumption. At the same time, labour is increasingly cited as a factor limiting production, which, without structural reforms to unleash untapped labour supply, limits the potential growth.

## Capacity utilization might lead to a pick-up in investments



Source: EC, ING

With soft data pointing south, the risk balance is tilted to the downside for our above-consensus

GDP growth call of 4.7% for 2018 versus the 4.1% Bloomberg median.