

Romania: Ever widening current account

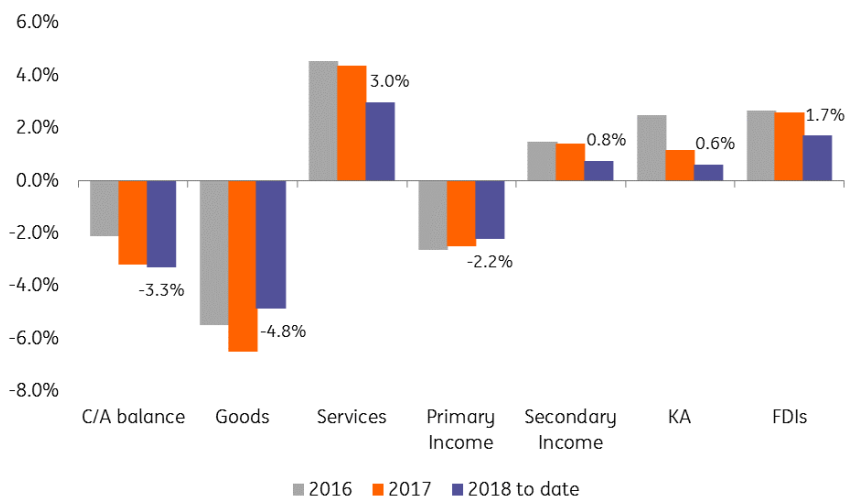
The current account (C/A) deficit reached €6.62 billion in January-September 2018. That is 3.3% of GDP, the highest since 2012



Source: Shutterstock

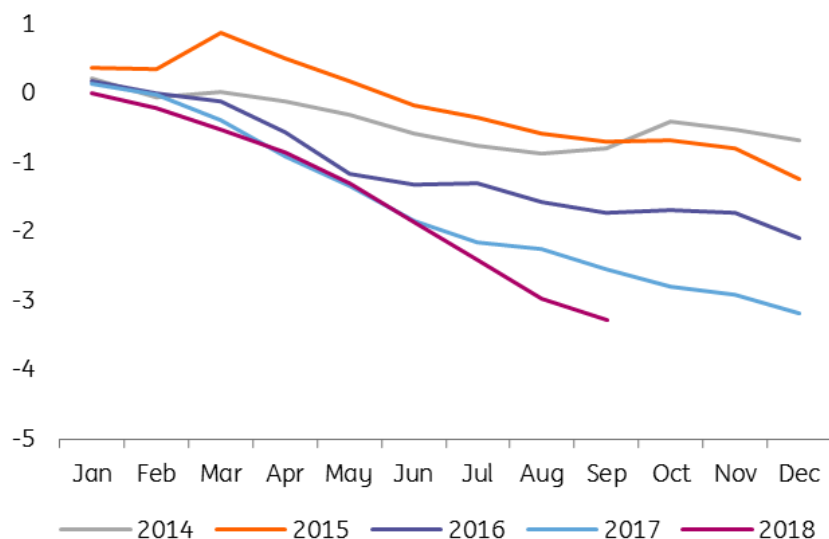
In line with the recent slowdown of the trade balance widening, the C/A gap expanded in September 2018 by a less ample €619 million, reaching €6.62 billion for the entire January-September 2018 period. This is a respectable and worrying 39% higher than the same period of 2017. The relative slowdown in the trade balance widening is certainly welcomed, though it might be too little too late to trigger a meaningful change in this year's picture.

C/A breakdown and its financing (% of GDP)



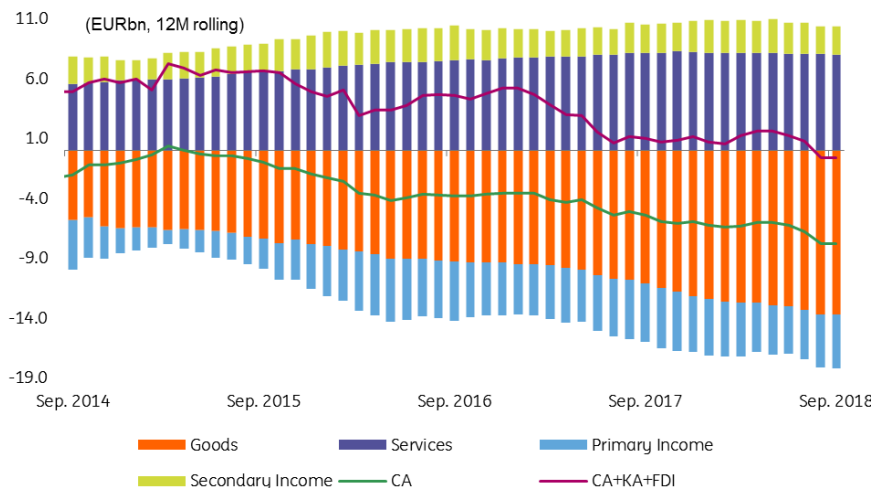
Source: NBR, ING

January-September C/A (% of GDP)



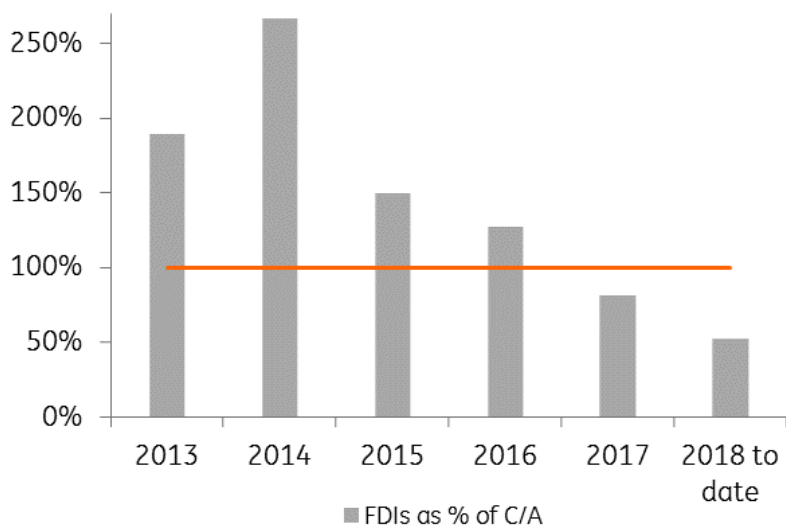
Source: NBR, ING

On a 12-month rolling basis, the total external position remained in negative territory at -€0.6 billion. Though growing for the fourth consecutive month, foreign direct investments (FDIs) cover only 52% of the C/A deficit.



Source: NBR, ING

FDI coverage



Source: NBR, ING

We have already revised our 2018 forecast for the C/A deficit to 4.2% of GDP, mentioning the persistent widening of the trade balance despite the economy slowing down this year, a levelling off of surpluses on the services balance and sluggish absorption of EU funds. Today's data confirms our view.

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