

Romanian construction sees green shoots

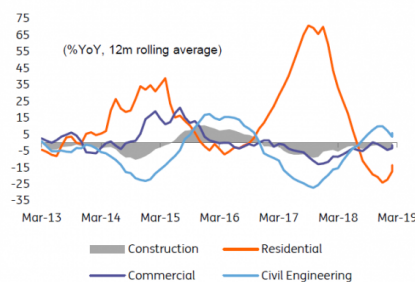
The Romanian construction sector posted an 18.2% increase in 1Q19 versus 4Q18 with commercial and residential construction leading the way



The relatively warm weather in the first quarter, fiscal changes implemented at the start of the year and some sequential advance in civil engineering propped up the construction sector in 1Q19. Comparatively, the construction sector only grew by 5.7% in the first quarter of 2018.

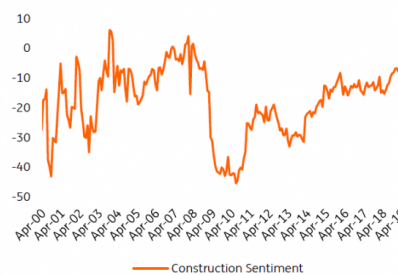
The growth comes on the back of the residential segment, which shrugged-off worries about the higher interest rate environment jumping by 23.5% YoY in 1Q19. Commercial construction rose by 11.2% YoY, while civil engineering which is related to public investment contracted by 2.1% in 1Q19 versus 1Q18.

Fig 1 Residential market rebounding



Source: NIS, ING

Fig 2 Construction sentiment reaching post-GFC highs



Source: EC, ING

The construction data suggests a positive contribution from the sector to 1Q19 GDP growth. There is more room for upside to the sector as incoming EU funds should be supportive for construction activity. The rebound in the residential market could give some comfort to the central bank to tighten policy.