

Romania: Import buying spree means weaker leu

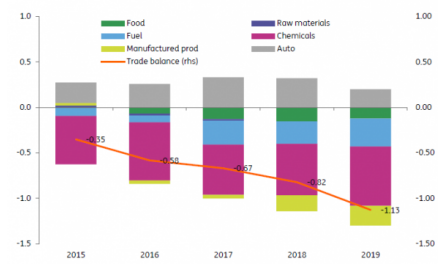
The trade deficit widened further. The Romanian leu is stable but on borrowed time. The cost of borrowing is turning relatively excessive



Source: shutterstock

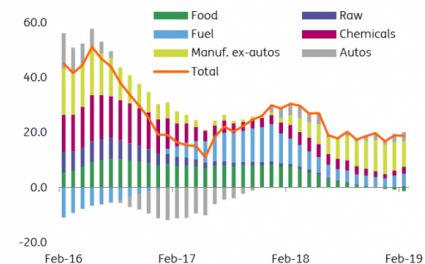
Our expectation that the acceleration in non-food retail sales would translate into a widening of the trade deficit has been confirmed: 45.2% year-on-year after two months. Exports increase by 4.8% in January-February from a year ago, while imports jumped by 10.1%. The trade balanced widened to over 1.1% of GDP after just two months. On a 12-month rolling basis, the pace of widening in the trade balance remained flat at 18.9% YoY, with manufactured products ex-autos responsible for almost half of it.

Fig 1 Jan-Feb trade balance breakdown as % of GDP



Source: NIS, ING

Fig 2 Trade gap drivers



Source: NIS, ING

The Romanian leu is stable but on borrowed time. The cost of borrowing is relatively excessive. Needless to say, the more time that's borrowed, the sharper the future correction. A sensitive electoral period is likely to delay the rebalancing.