

Romania: Industry posts 5.0% growth in 2018

The full year performance looks decent, but developments from the second half of 2018 are not inducing optimism. We look for quasi-stagnation in 2019

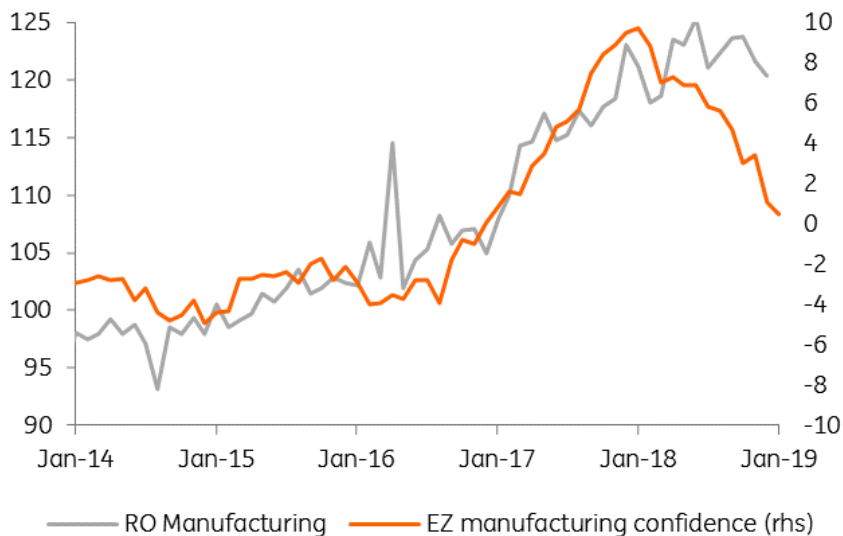


Source: shutterstock

The 5.0% advance in 2018, down from 8.6% in 2017, came almost entirely from the manufacturing sector, which expanded by 5.5% in 2018, decelerating from 9.2% year-on-year in 2017. Industrial activity in December 2018 actually contracted by 1.0% YoY, the first such contraction since May 2016.

5.0% Industrial production growth in 2018 vs 2017

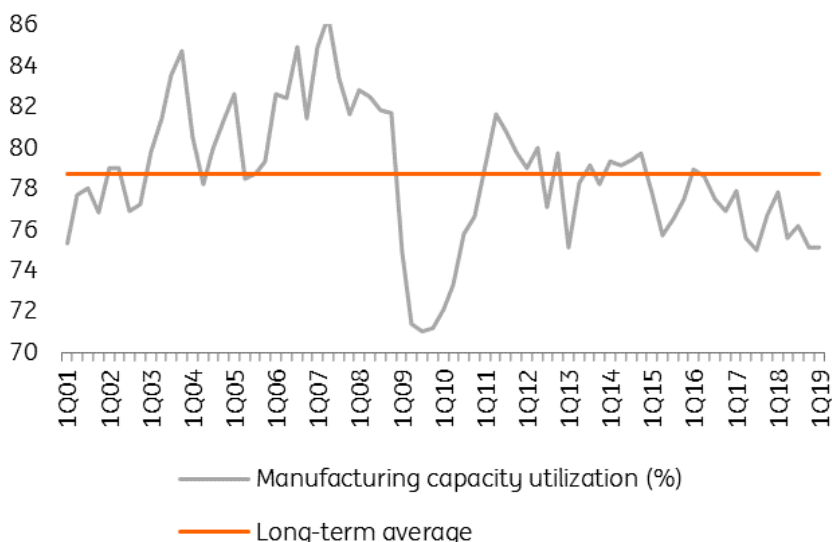
An ampler correction in sight



Source: EC, NIS, ING

The slowdown in manufacturing from the second half of the year was quite obvious, with December 2018 posting the first contraction since May 2013 and the biggest since December 2010. Quarterly sequential growth doesn't look much better either. Manufacturing posted a second straight quarter of contraction in 4Q2019 amid contagion from the main export markets. Reported capacity utilisation for 1Q2019 stands at 75.1% in manufacturing, still below its long term average, suggesting limited scope for new investments in the sector.

Capacity utilisation below average



Source: EC, NIS, ING

We have been [warning for some time](#) that a deterioration in the external environment will

start to bite. Domestic factors are expected to negatively weigh on competitiveness as the fixed cost base is expected to rise further due to higher utilities, IT&C and labour costs. Hence, we consider that it will be difficult for industrial activity to remain in expansionary mode in 2019 and quasi-stagnation looks to be an optimistic scenario.

Author

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.