

## Romania: Industry shows weaker growth but better details

The energy & gas sector continues to distort the overall numbers due to fiscal changes affecting this sector. But we see signs that the deceleration may be bottoming



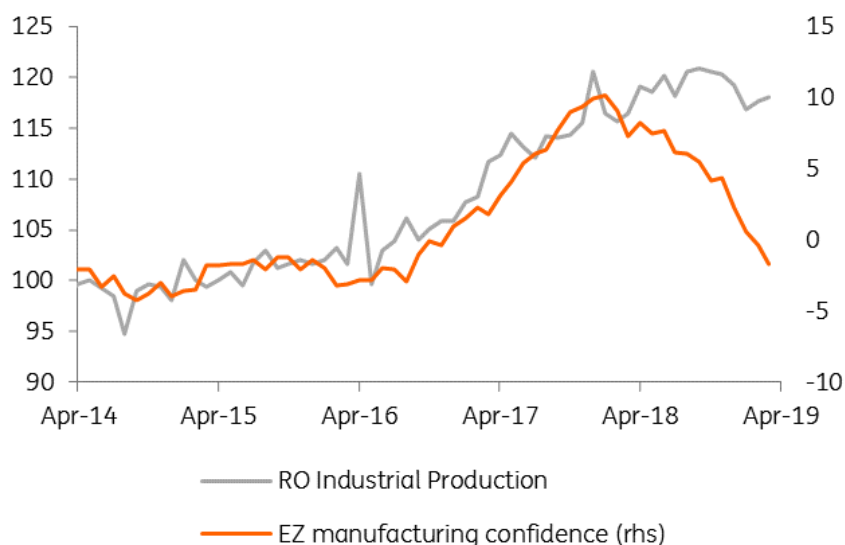
Source: shutterstock

With the March data out, Romanian industry confirmed its weakest quarter since mid-2015: +1.2% in 1Q2019 versus 1Q2018

The data, however, has been strongly influenced by the wildly swinging numbers from the energy & gas sector which, in March alone, contracted by 8.1% compared to March 2018. This followed another 3.4% year-on-year contraction in February 2019. These developments are due to the cap on gas prices enacted by the 114/2018 government emergency decree (the same one which included the bank levy) and its subsequent updates.

In this context, what interests us more is the manufacturing sector, which advanced by 3.8% in March, leading to a 2.4% advance in 1Q2019 compared to 1Q2018. We read this as a mild positive as external demand hasn't been helping much lately while on the internal front most of the stimulus has been channelled towards consumption, which has been accommodated mainly via higher imports.

## Industry resilient to a worsening context



Source: NIS, EC, ING

With the latest eurozone numbers confirming a prolonged soft patch, maintaining 2018's activity levels- where manufacturing averaged growth of 5.6%- looks a bit like wishful thinking for Romania's industry. Still, it will be an achievement for the manufacturing sector and industrial production as a whole to remain in positive territory in 2019.

### Author

**Valentin Tataru**

Chief Economist, Romania

[valentin.tataru@ing.com](mailto: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 <http://www.ing.com>.