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

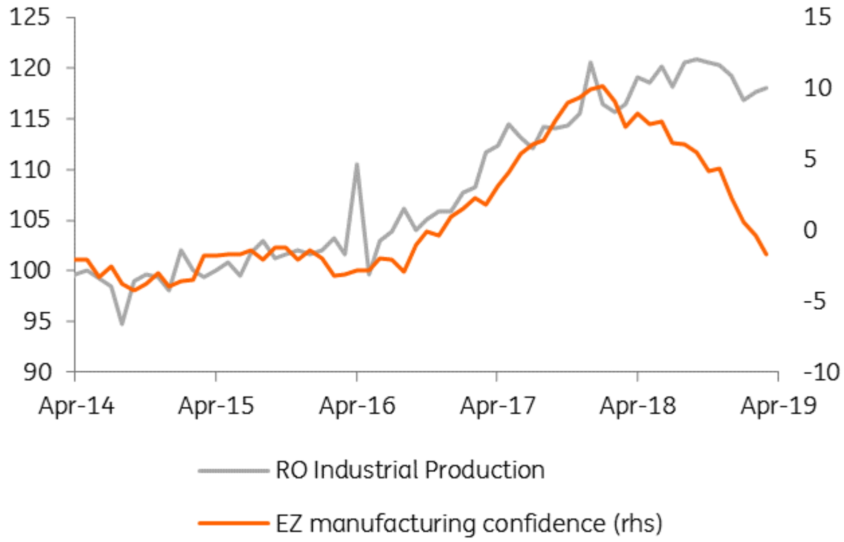
Source: shutterstock

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.

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