

## Romanian mid-year retail sales bode well for a strong GDP reading

Despite the fall in comparison to last month, Romanian retail sales increased by 5.8% versus the previous quarter. We think this bodes well for the 2Q21 GDP reading on 17 August



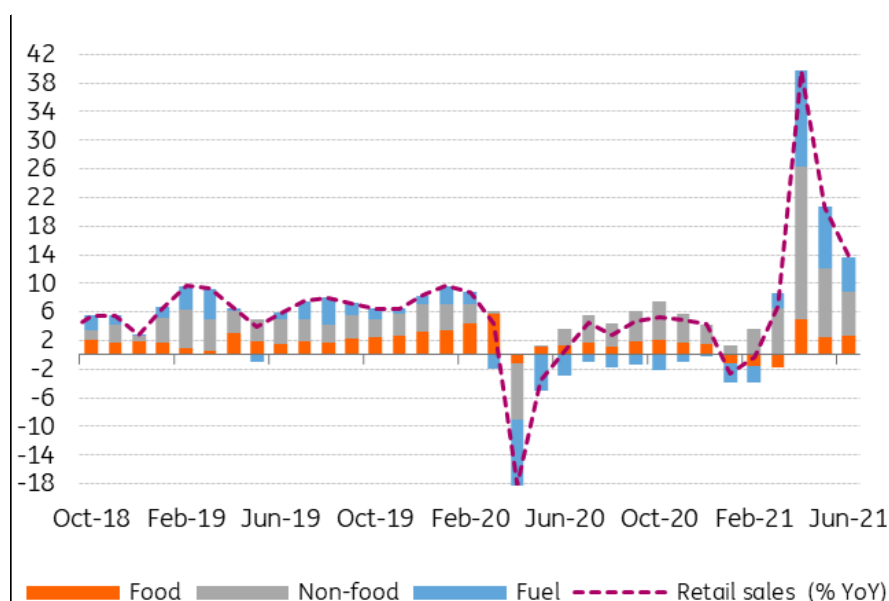
People shopping in a supermarket in Bucharest

Although posting a 0.1% drop versus the previous month, Romanian retail sales in June depict an overall strong second quarter as sales increased by 5.8% versus the previous quarter. We expect another positive surprise from the 2Q21 GDP reading on 17 August.

As the yearly growth rates are still heavily distorted by the height of the pandemic in 2020 and the subsequent re-opening, we prefer to focus on the monthly and quarterly growth rates. From this perspective, retail sales have maintained good momentum in June too, as the tiny 0.1% drop versus May does not concern our view.

The 0.9% monthly contraction for non-food items - the only subcategory contracted in June comes after a couple of months of solid advances, particularly in the DIY area. Overall, the sales of non-food items advanced by 6.0% in 2Q21 compared to the previous quarter, which constituted the main growth driver of total sales. Food sales advanced by 3.1% over the same period while fuel sales continue to lag, contracting by 1.4%.

## Retail sales (YoY%) and main components (ppt)



Source: NIS, ING

Looking forward, the outlook for Romanian retail sales remain positive, though the momentum might slow down a bit.

On one hand, the labour market continues to perform better than expectations both in terms of employment dynamics and wage growth rates and this should keep the consumption levels afloat. On the other hand, given that there is not much left to be reopened in Romania where the intensity of Covid-related restrictions is already among the lowest in Europe, the potential for further upside surprises is relatively low.

The above picture lays the ground for a solid 2Q21 GDP print. While we are still missing some high-frequency data to have a complete picture of the second quarter activity, it does seem that our initial estimation for a 1.0% quarterly expansion is looking on the conservative side now.

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