

Romania: No relief from the current account

The current account (C/A) deficit widened 34% in Jan-Feb 2019 compared to the same period of 2018. The central bank is right to be worried

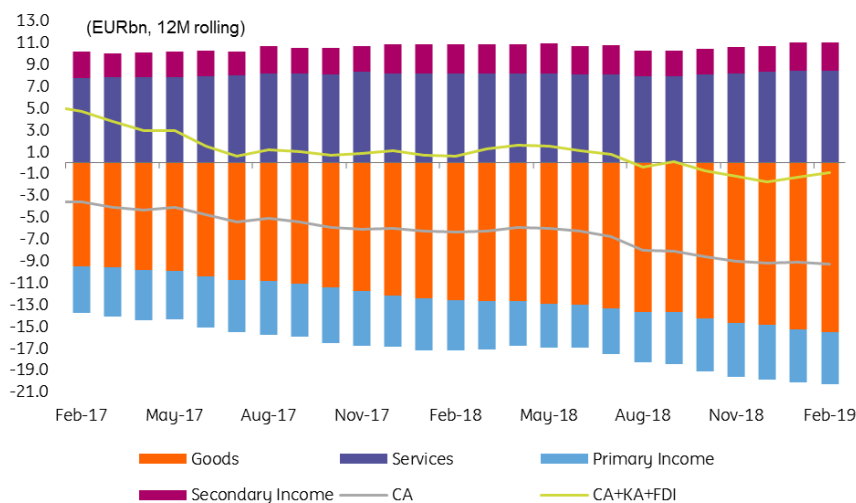


Source: Shutterstock

At the last National Bank of Romania meeting, the issue of the C/A deficit gained more attention than usual. Board members concluded that developments are “posing a concern in terms of the sustainability of economic growth and macro-stability”. From here to seeing increased pressures on the Romanian leu as “very likely”, it is of course not a long way.

[NBR minutes](#)

External position remains in negative territory

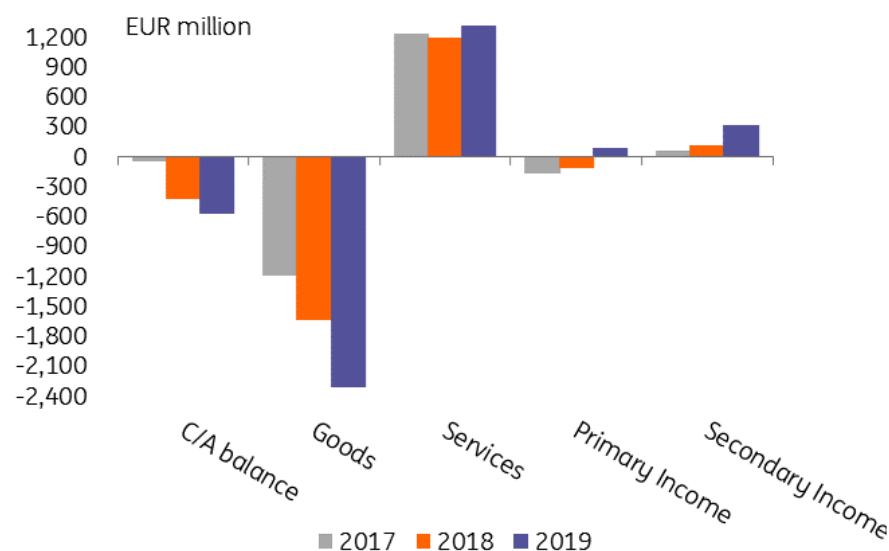


Source: NBR, ING

February 2019 data confirms the deterioration of Romania’s external position. The goods sector moved deeper into negative territory, to €2.3 billion after the first two months of 2019. That’s 41% more than in 2018. While 10% higher than in 2018, the surplus on the services side couldn’t offset much of the deterioration. Nevertheless, at €1.3 billion, it is still the largest services surplus ever recorded after the first two months.

On a 12-month rolling basis, the total external position remains quite deep in negative territory, at €0.9 billion.

January-February C/A balance



Source: NBR, ING

As [already mentioned](#), we think the leu is stable but on borrowed time. A correction is

overdue. With no compelling signs of adjustment in the external position, the more time that's borrowed, the sharper the future correction.

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