

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

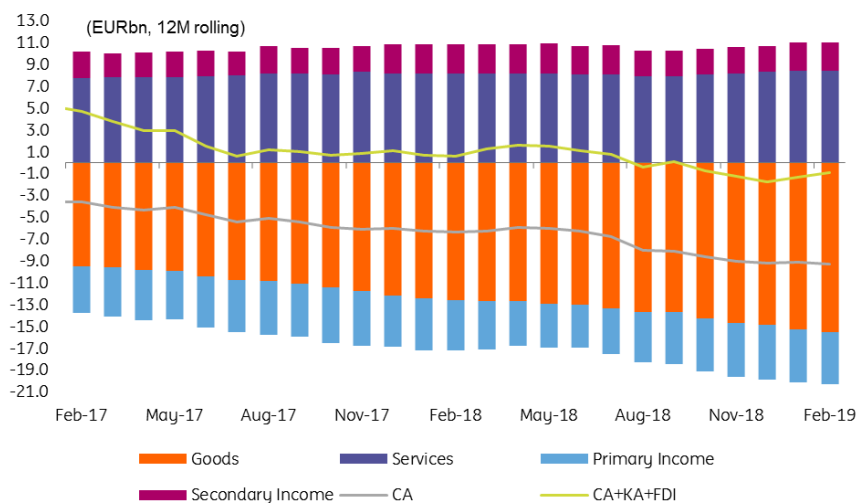


Source: Shutterstock

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

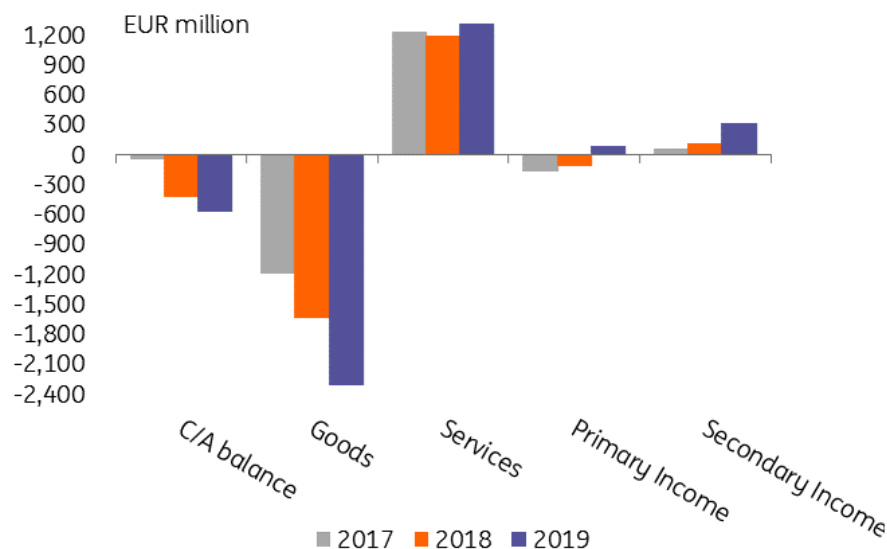


Source: NBR, ING

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.

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.