

At mid-year, Romanian retail sales suggest a flatter V

At 1H20, Romanian retail sales are 0.3% above the same period in 2019. The second quarter has nevertheless contracted by 6.9% versus 2Q19. Food and non-food items are back to pre-crisis levels in June but fuel sales remain noticeably below



Source: shutterstock

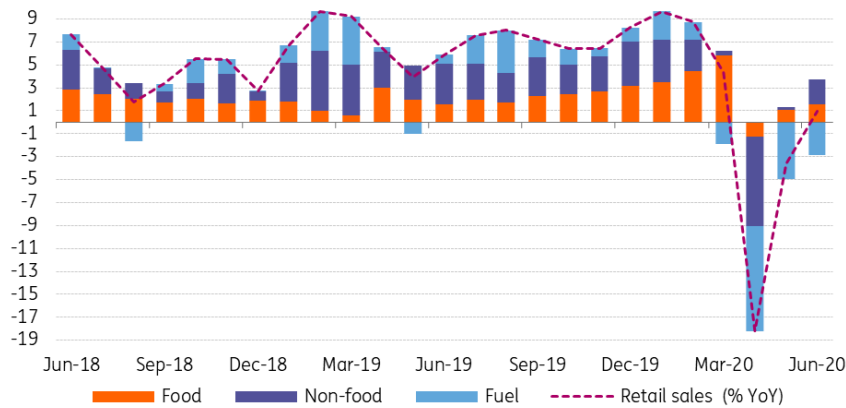
The worst quarter of the past decade has now passed and the data that describes it is beginning to unveil.

With June retail sales now out, we can say that overall it wasn't as bad as feared, but not that great either. Compared with the previous quarter retail sales contracted by 13.4%, which will probably act as a drag on second quarter GDP growth.

There are a few reasons for optimism given that growth in June was mainly driven by non-food items, which expanded by 6.4% versus June 2019, although on the quarter non-food still contracted by 9.5%. The last-minute acceleration seen in June was particularly strong in items such as clothing and DIY articles (eg, furniture, electrical equipment, lighting devices, etc), suggesting that consumers are not overly worried about the long term prospects.

Fuel sales, on the other hand, contracted by almost 28% in the second quarter and a recovery to pre-crisis levels seems a longer term process.

Retail sales (YoY%) and contributions

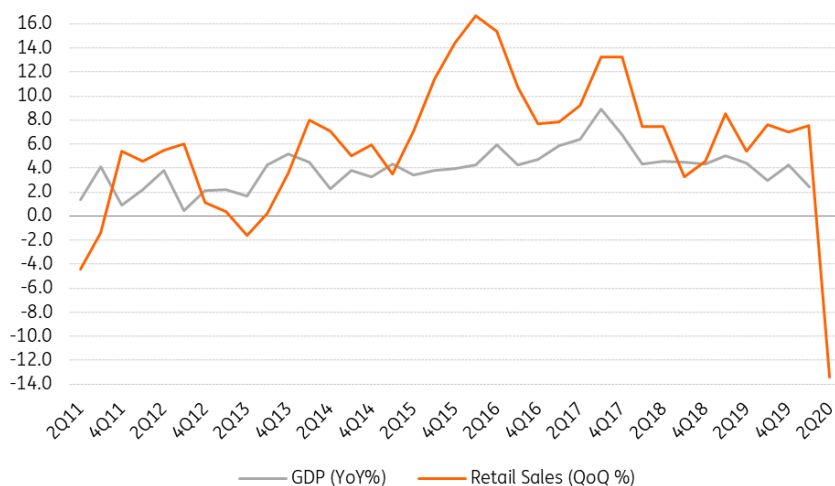


Source: NIS, ING

Today's numbers paint a slightly more optimistic picture of what we can expect from next week's 2Q20 flash GDP. There is still some important data to be released before that (industrial output, trade balance, current account, etc) that will complete the second quarter puzzle, but so far it looks as though the flash GDP on 14 August has a good chance of being better than our initially pencilled contraction of 18%, at maybe around 14%.

On the negative side, however, we feel that a better-than-expected second quarter will just lead to a flatter 'V'-shaped growth this year, meaning that the subsequent recovery from the third and fourth quarters will be less pronounced. Reasons to believe that come from the pandemic evolution, which has intensified in the third quarter, the electoral context that will dampen sentiment to some extent as it blurs policy visibility, and the general flattening of most confidence surveys in July.

Retail sales and GDP (QoQ%)



Source: NIS, ING

Unless we will have a shockingly positive surprise from second quarter GDP numbers, we are still comfortable with our forecast for a 5.5% contraction for the full year.

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 <http://www.ing.com>.