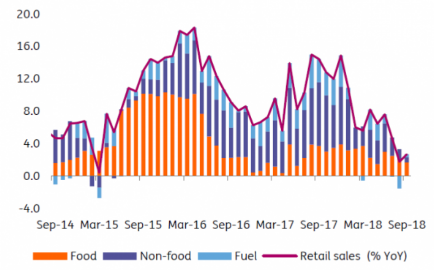
Romania: Soft household consumption in 3Q

Retail sales contracted in the third quarter by -0.4% quarter-on-quarter, despite improving consumer confidence

Source: shutterstock

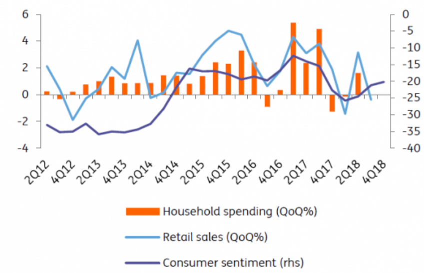
Retail sales accelerated to 2.7% year-on-year in September from 1.8% in August but household consumption in the third quarter overall was soft. Volatile fuel sales dropped for the quarter in sequential terms, as higher prices kicked in. The less volatile non-food items continued to decelerate in September (+1.9% YoY from +3.3% in August) and barely expanded in the third quarter (just 0.5% QoQ), likely reflecting some saturation after a double-digit expansion in the past couple of years and the impact of higher interest rates, which is also taking a toll on consumption.

Fig 1 Retail sales slump in the third quarter...



Source: NIS, ING

Fig 2 ...despite improving consumer confidence



Source: EC, NIS, ING

Retail sales data tends to be volatile and subject to revisions but still paints a rather weak picture for the third quarter, despite an improvement in consumer sentiment. Our 1.1% QoQ projection for GDP growth in 3Q18 could be a bit on the optimistic side. The growth picture is becoming more challenging for the fiscal outlook, especially as weaker retail sales are endangering the targeted budget revenues.

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