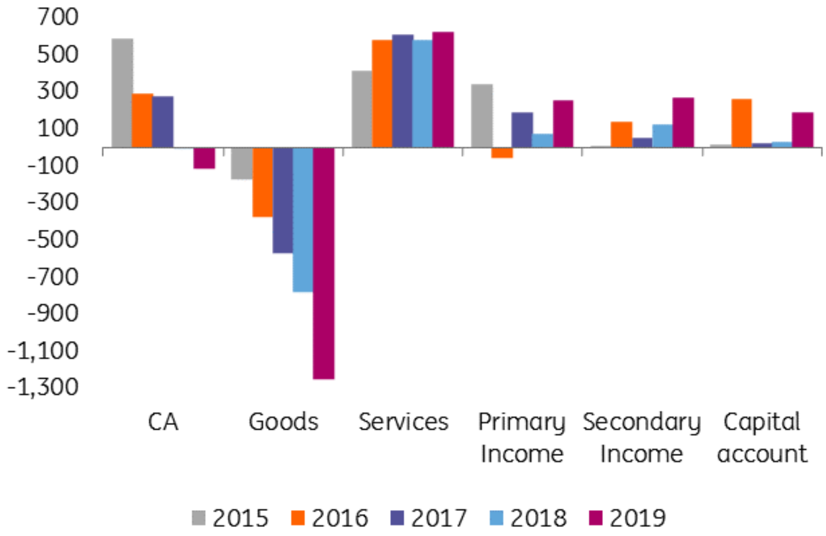
Romania: Still unfavourable current account developments

The current account (C/A) started the year with a EUR114 million deficit. At EUR-1.26 billion, the goods sector posted its biggest January gap since 2008

Source: Shutterstock

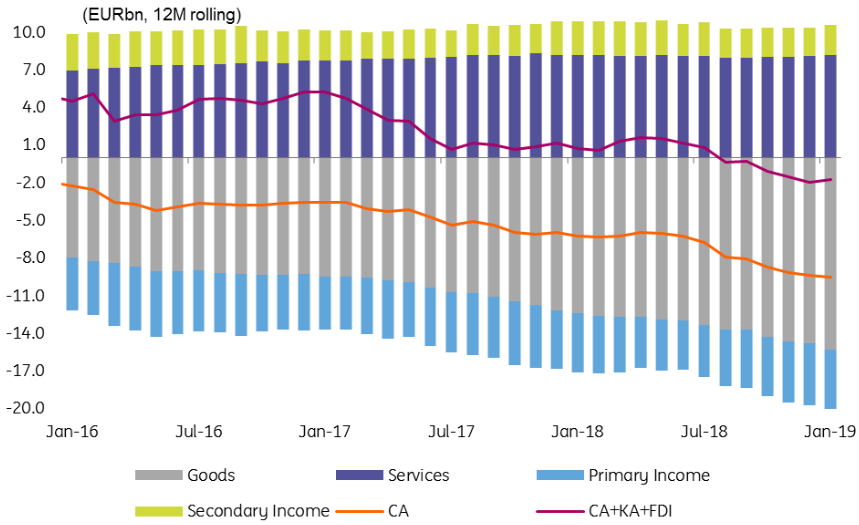
In fact, not only the goods sector exhibited a predisposition for beating records. At EUR+623 million, the services posted its biggest surplus since…well, since forever really, considering that forever starts in 2005 when the oldest central bank data are available. The secondary income also registered a positive EUR268 million inflow, the largest since 2007, while the capital account came only second largest ever, at EUR+185 million. Hence, it's not all on the dark side, but the sharp deterioration in the goods sector continues to dominate the bigger picture. On a 12-month rolling basis, the total external position remains quite deep into negative territory, at EUR-1.74 billion.

January C/A balance (EUR bn)



Source: NBR, ING

C/A structure and external position



Source: NBR, ING

Despite the still decent external demand, the domestic consumption boost continues to pressurise the trade gap, widening the external imbalances. Overall, we estimate for a widening of the C/A deficit from -4.7% of GDP in 2018 to -5.4% of GDP in 2019 well above the medium-term equilibrium level seen at 4% of GDP. With inflationary pressures persisting, the NBR is likely to accept a weaker RON and short-term inflation overshooting the target as currency vulnerabilities are on the rise.

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