

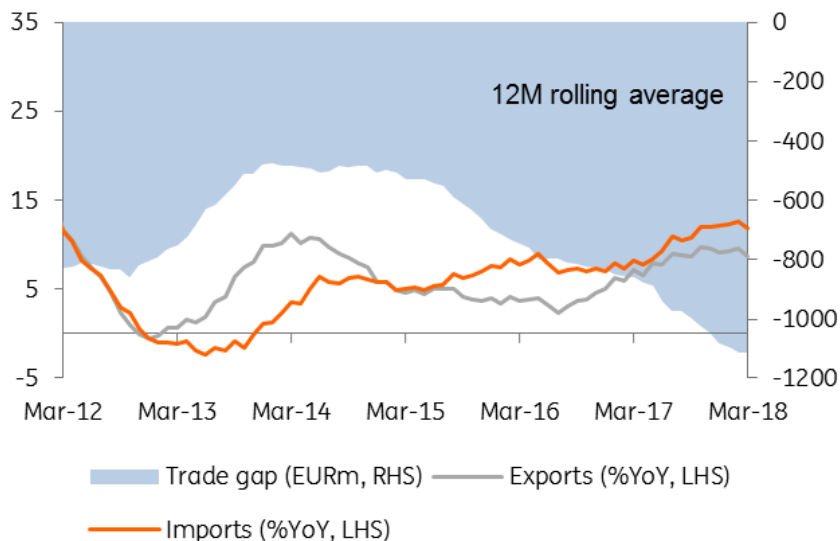
Romania: Trade balance deterioration slows

The trade gap widened by 1.6% year-on-year, the slowest pace in almost two years. This is due to a slowdown in consumption, but a new wave of wage hikes might turn it around



Exports expanded by 6.6% year-on-year helped mainly by the acceleration of food items and fuels, which grew 11.2% and 33.3%, respectively, compared to March 2017. Noticeable on the exports side is the sharp slowdown of raw materials, which posted meagre growth of 0.1%YoY, down from 17.4% in February and 26.4% in January. This result could be seen in conjunction with the soft patch for the Eurozone economy early in the year.

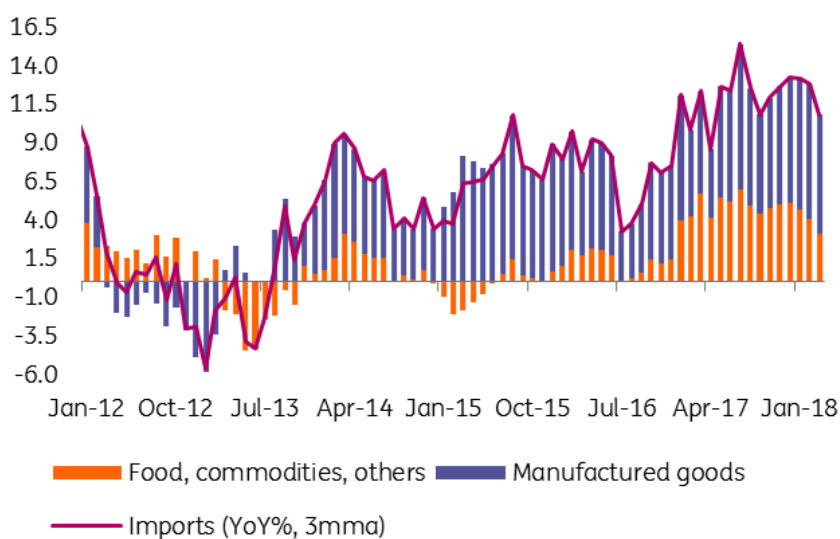
Trade gap widening at a slower pace



Source: NIS, ING

On the imports side, the growth rate of food items slowed to 5.8%YoY, from 13.4% in February and 15.9% in January. This should alleviate some of the worries mentioned by the central bank in the February Inflation Report, which underlined prices of agri-food items among risks stemming from the external environment. The deceleration of other categories is also significant, with transport equipment (which has the largest share in imports) posting a 6.1%YoY growth, down from 11.0% in February, while chemicals are up by 6.2% but still lower than 11.8% in February and 19.3% in January.

Import growth levelling off



Source: NIS, ING

All in all, the deterioration of the trade balance seems to have ended, which is more a sign of the economy slowing down (private consumption in particular) and less of a structural improvement in the economy. We still expect the rebalancing to continue, supported mainly by the auto sector and a slowdown in private consumption.

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>.