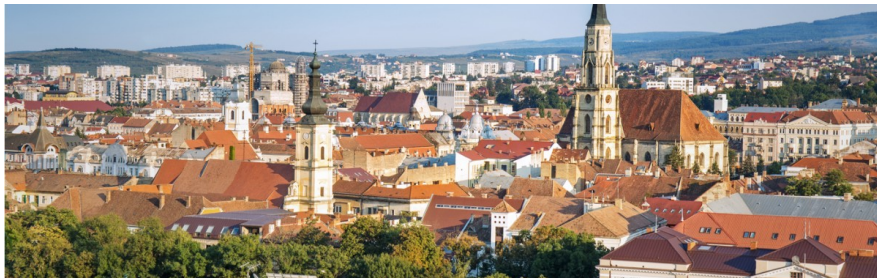


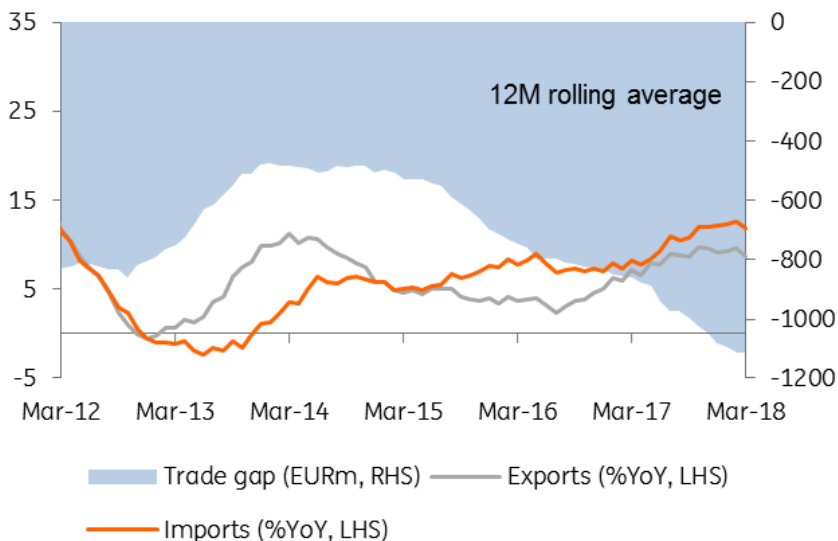
Romania: Trade balance deterioration slows

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.

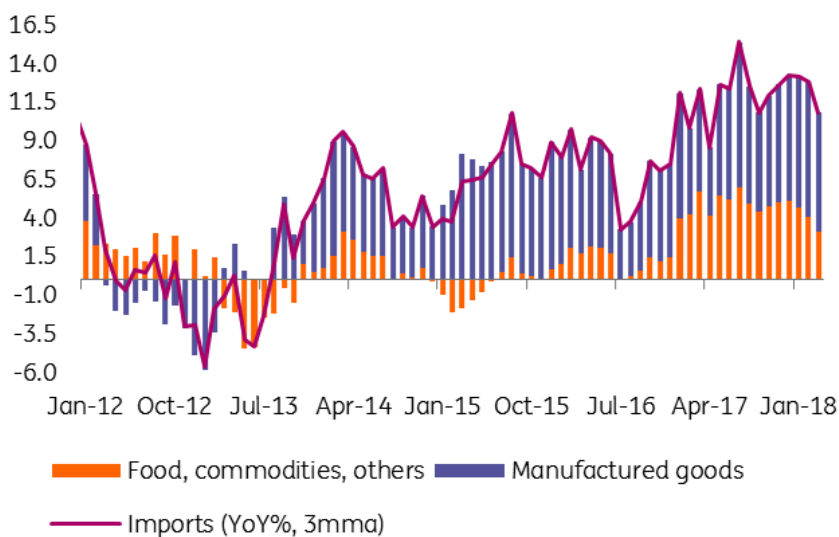
Trade gap widening at a slower pace



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.

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