Romania: Trade balance improves in June

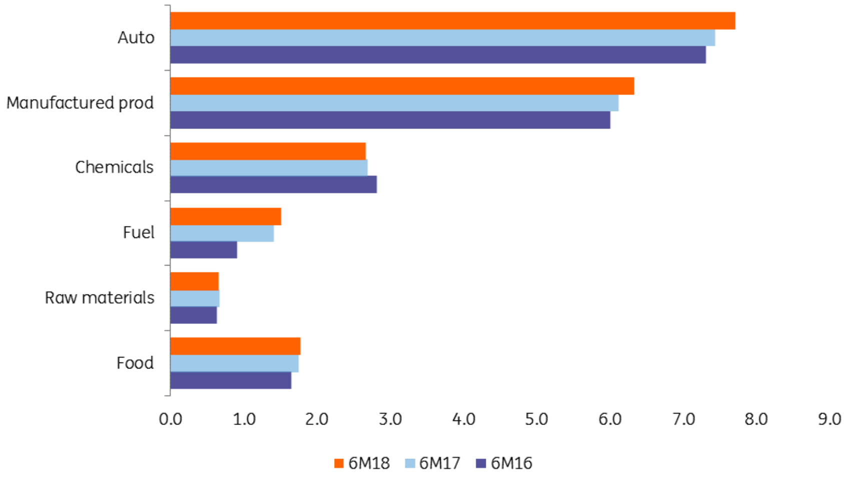
The Romanian trade deficit narrowed 4.8% in Jun-18 compared with Jun-17, coming in at €1.3bn. Even better, this comes amid an acceleration of both imports and exports

Source: Shutterstock

We anticipated the improvement in the trade balance given the wider context of a slowing economy and lower private consumption. But today's data paints a slightly more optimistic picture as it comes on the back of an 11.7% year-on-year acceleration in imports and a 16.2% in exports. The acceleration is broad-based across all components.

On the imports side, the auto sector continues to be the main driver, accelerating by 13.2%YoY and thus contributing 4.9ppt to the total 11.7% import growth, followed by other manufactured products (3.6ppt) and fuel (1.8ppt). More notably, the import growth of food items seems to stabilise in the single digit area, as it posted a mild 6.6%YoY acceleration after four consecutive months of slowdown. In its August 2018 Inflation Report, the National Bank of Romania (NBR) Governor Mugur Isarescu pointed again to the trade deficit and in particular to the food items, saying that the current trend is not sustainable in the long run.

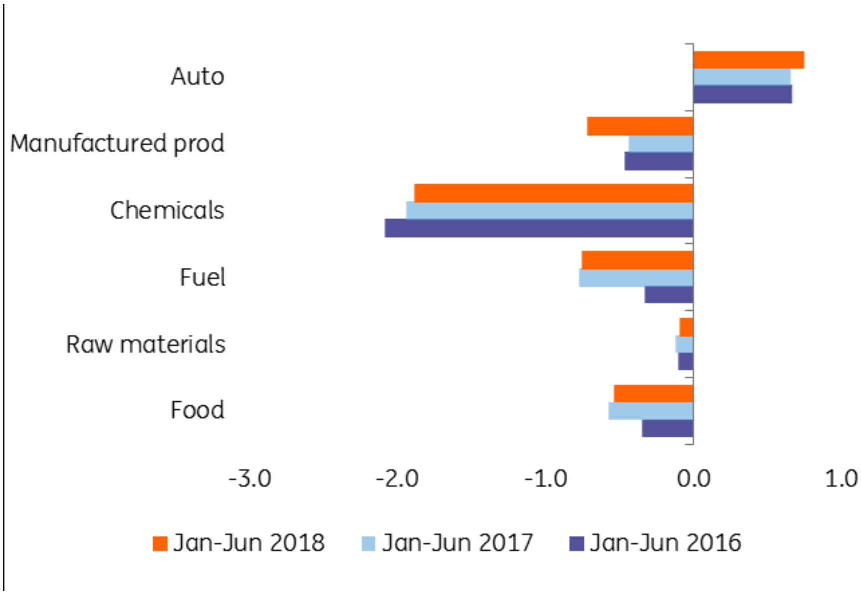
Imports breakdown (% of GDP)



Source: NIS, ING

The auto sector continued to be the man driver in exports, accelerating by 17.9% year-on-year and thus contributing 8.5ppt to the total 16.2%YoY export growth. After a few months of meagre growth, the raw materials exports accelerated 12.5% in June.

Trade balance breakdown (% of GDP)



Source: NIS, ING

While is still too early to talk about a clear trend of an improving trade balance, the recent hard and soft data suggest the economic slowdown has likely bottomed out and a mild and likely more balanced recovery has started in 2Q18.

Author

Valentin Tataru
Chief Economist, Romania
valentin.tataru@ing.com

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