# Romania: Trade balance stubbornly negative

The trade deficit widened by EUR1.57 billion in November 2018, up 39.4% from November 2017. The deficit after 11 months of 2018 reached EUR13.4 billion and it's not over yet

Source: Shutterstock

Romania's trade balance widened 18.1% in the first 11 months of 2018 compared to the same period of 2017. That is EUR13.4 billion (or 6.6% of GDP), the highest since 2009. Among the very few positives, we emphasise the levelling off in the deterioration of food items, a trend which started in the second part of 2018 and seems to be slowly consolidating. This comes in the context of – still-decent retail sales and consumer confidence numbers, hence we could attribute the developments to actual structural improvements in the sector. But with a share of only around 8% in both imports and exports, the food sector will not improve the overall picture anytime soon.

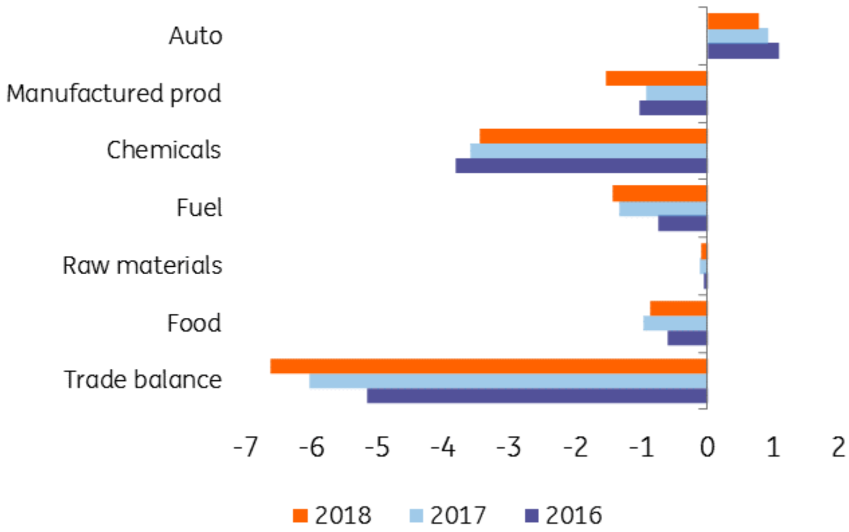
## Auto sector continues to drive exports

With year-on-year growth of just 2.7%, exports expanded at the slowest pace since June 2017. The auto sector, whose share of total exports is almost 48%, continues to perform well, contributing 2.4 percentage points to the total 2.7% increase, painting quite a monochromatic picture for the export drivers.

## Imports accelerate faster than exports

The auto sector also leads on the imports side, as well, contributing 4.0 percentage points to the total 8.7% year-on-year expansion. November 2018 was the second consecutive month when the auto sector posted a negative –albeit small- trade balance. Last time this happened was in October 2012. This is quite worrying as this segment was the only one where Romania still had a predominantly positive trade balance.

## January-November trade balance as % of GDP




Source: NIS, ING

## Negative outlook

As previously mentioned, the Romanian economy seems to be bracing for its highest post-crisis trade imbalance. This is the main driver behind the current account deficit. While in the past, these imbalances were offset by a rather sound financing structure of the current account, this was less the case in 2018. Hence, we maintain our call for a shift higher in the comfort range of the EUR/RON as the National Bank of Romania's flexibility to defend the Romanian leu through its main policy tool has been limited by the government's fiscal plans.

NBR review

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