

Snap | 11 February 2019

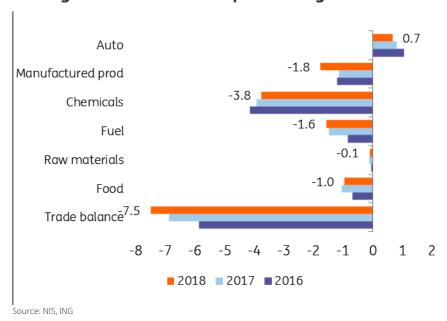
Romania's trade balance widening just doesn't seem to stop

In 2018 Romania's trade deficit widened 16.8% compared to 2017, and ended the year at -7.5% of GDP, which builds the case for further FX corrections

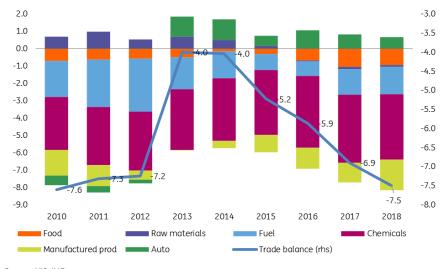


In December 2018, Romania's imports accelerated – again – faster than exports. Among the main trends in 2018, we notice food items balance has stopped deteriorating. This could be partly due to a slowdown in consumption growth, but also some structural improvements in the sector. Also, the big picture shows that the surplus of the auto sector – the only component which posted a positive trade balance for the year is on a downward trend for the third consecutive year as a share of GDP.

Yearly trade balance as percentage of GDP



The -7.5% trade deficit for 2018 is the highest since the last recession ended in 2010-2011 and so the main reason behind the balance of payments deterioration. In terms of total contributions to the trade deficit, the chemical sector contributed -3.8ppt to the total -7.5% deficit, followed by manufacturing (other than autos) with -1.8ppt and fuel -1.6ppt.

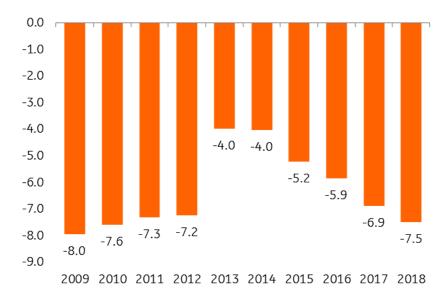


Source: NIS, ING

The continuous deterioration of the external balance has been noted by the National Bank of Romania as a source of growing risk. In its February 2019 inflation report, the central bank expects the current account deterioration to continue in 2019, while the sustainability of its financing structure to decrease. This will – in our view – continue to add to the pressures on FX.

Snap | 11 February 2019 2

Trade balance as % of GDP



Source: NIS, ING

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.

Snap | 11 February 2019 3