

Romania: Trade balance widens sharply in July

In recent months, hopes were raised for a sustained correction in external imbalances. After today's data, it seems that more time is needed



Source: Shutterstock

Romania's trade balance widened 28.7% in July compared to the same month last year. That is €7.58 billion (or 3.9% of GDP) for the entire January to July 2018 period.

Some good signs..

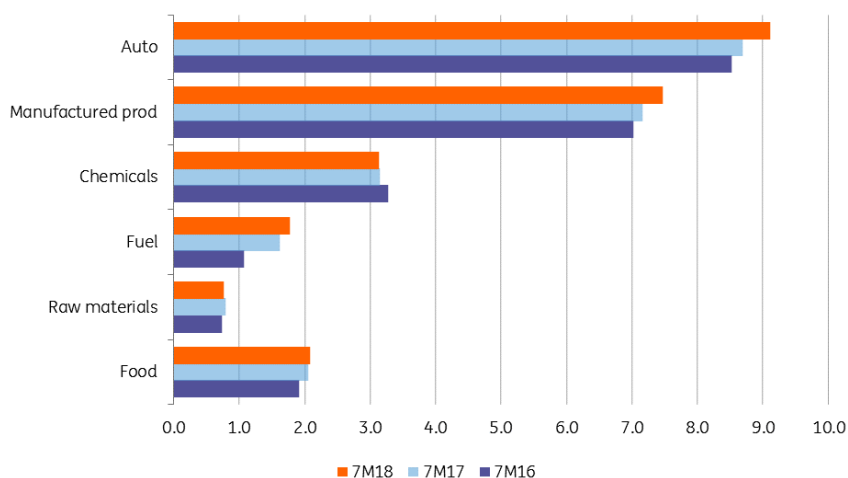
It's not all bad news though, as a prolonged weakness in the Romanian economy – namely in food items – is finally showing signs of stabilisation. July marked the fifth consecutive month of a narrowing in the food items balance, albeit a modest one of 3.3% year-on-year.

...and some bad ones

On the imports side, the auto sector is in the lead again, contributing 6.7 percentage points to the total 15.4% year-on-year expansion of imports. This is the fourth consecutive month of acceleration for the auto sector. We read it as a rather worrying sign since autos are the only

segment where Romania still has a positive trade balance.

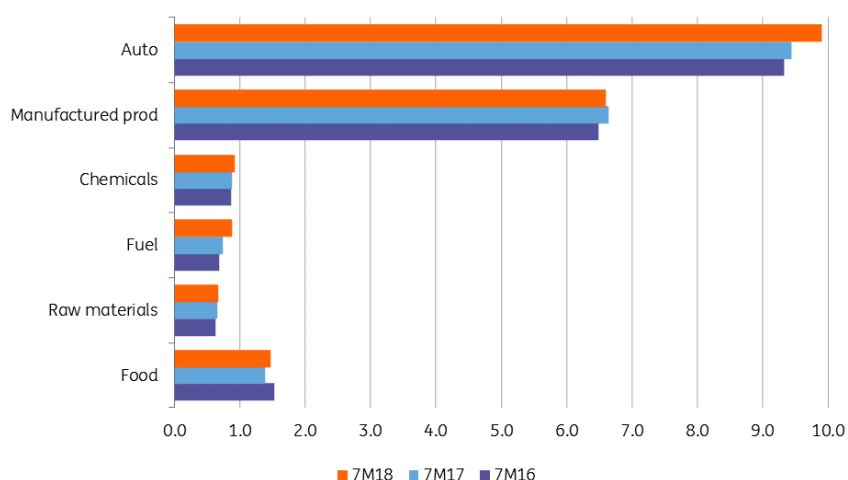
Imports (% of GDP)



Source: NIS, ING

The auto sector also continued to be the main driver for exports, accelerating by 15.1% year-on-year and thus contributing 7.1 percentage points to the total 12.9% YoY export growth. Food items posted the second largest contribution in the last three years at 1.2 percentage points and, as already mentioned, continues the monthly improvement started in the first part of the year. The recent outbreak of African swine fever could hit the sector but the total extent of the damage has yet to be assessed.

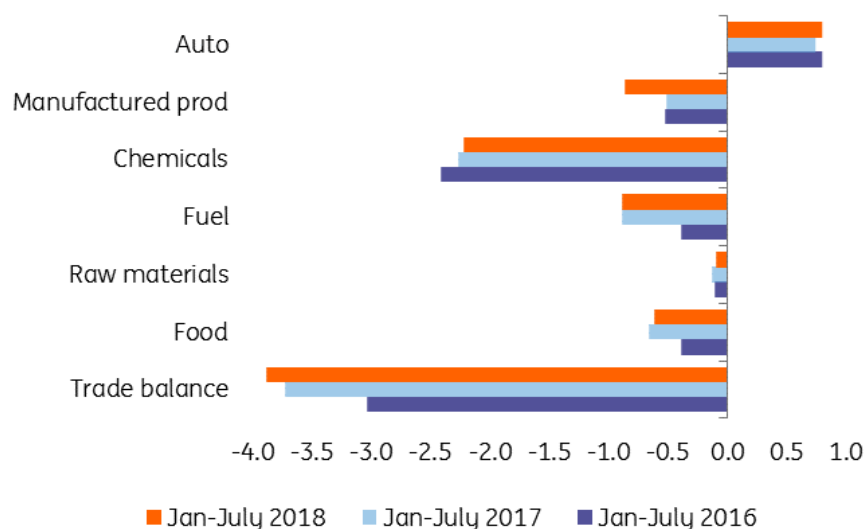
Exports (% of GDP)



Source: NIS, ING

We still believe that a rebalancing process is underway, although it could happen at a slower pace than initially thought. Second quarter GDP data revealed an economy which has been slowing down but at a softer pace than previously predicted.

Trade balance (% 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>.