

## 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..

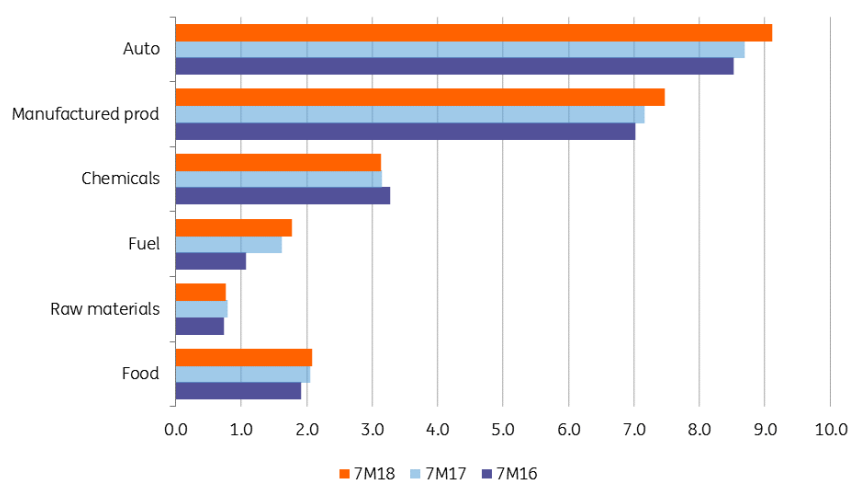
It's not all bad news though, as a prolonged weakness in the Romanian economy – namely in food items – is finally showing signs of stabilisation. July marked the fifth consecutive month of a narrowing in the food items balance, albeit a modest one of 3.3% year-on-year.

### ...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.

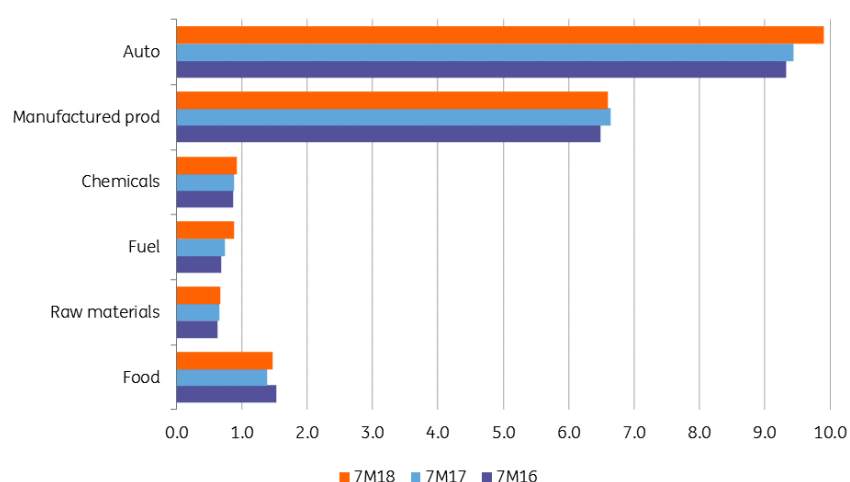
## Imports (% of GDP)



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.

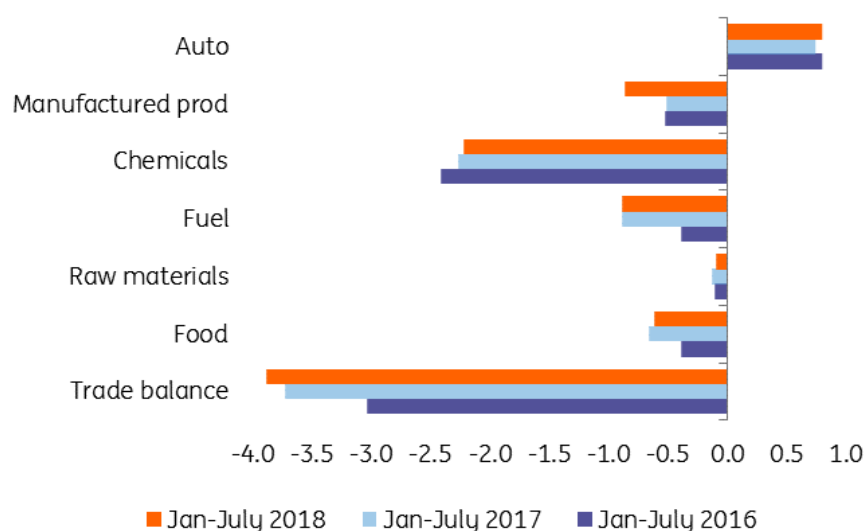
## Exports (% of GDP)



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

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