

## Romania trade deficit: beating record after record

At EUR-3.6 billion, this is the highest first quarter trade deficit since 2008. With no correction in sight, the RON looks condemned to depreciate

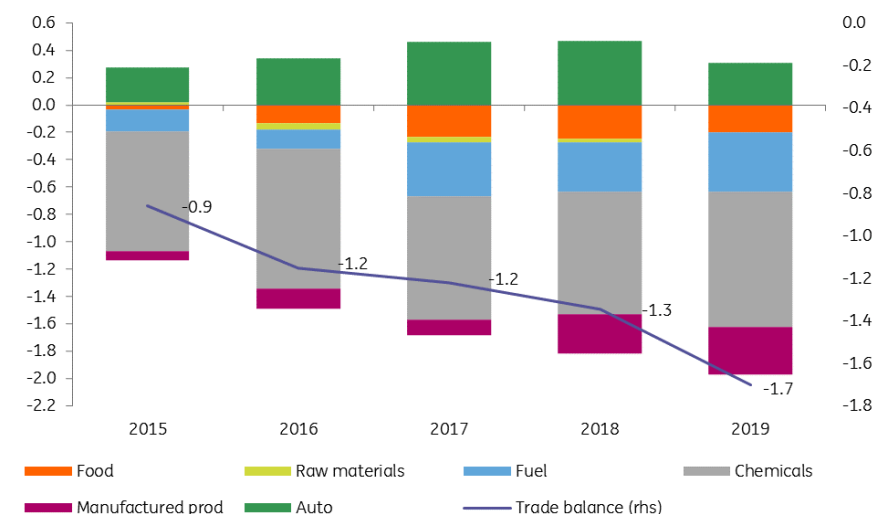


People on Calea Victoriei, Bucharest

As [we anticipated](#), the consumption boost from the first quarter has been mainly accommodated by a widening trade balance. Today's trade data show that imports expanded by 7.4% YoY in the first quarter, with exports up only 3.2%. This led to a rather spectacular, in a negative way, 33.9% widening of the trade deficit in the first quarter.

March itself brought a distinct negative surprise, recording the first contraction in auto exports since December 2014. Although only down 0.3% (versus March 2018) this is of course worrying as the auto sector is the only one still posting a trade surplus.

## January-March trade balance as % of GDP



There is very little good news. The relative levelling off in the food trade deficit was easily countered by other items with higher weight in the trade balance.

We reiterate our view that the stable RON is on borrowed time. It appears that the central bank is trying to repeat last year's (relatively unsuccessful) exercise of balancing external competitiveness with achieving its CPI target. Although practice might make perfect, conventional wisdom gives little chance to the one trying to chase two rabbits at the same time.

### Author

**Valentin Tataru**

Chief Economist, Romania

[valentin.tataru@ing.com](mailto:valentin.tataru@ing.com)

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