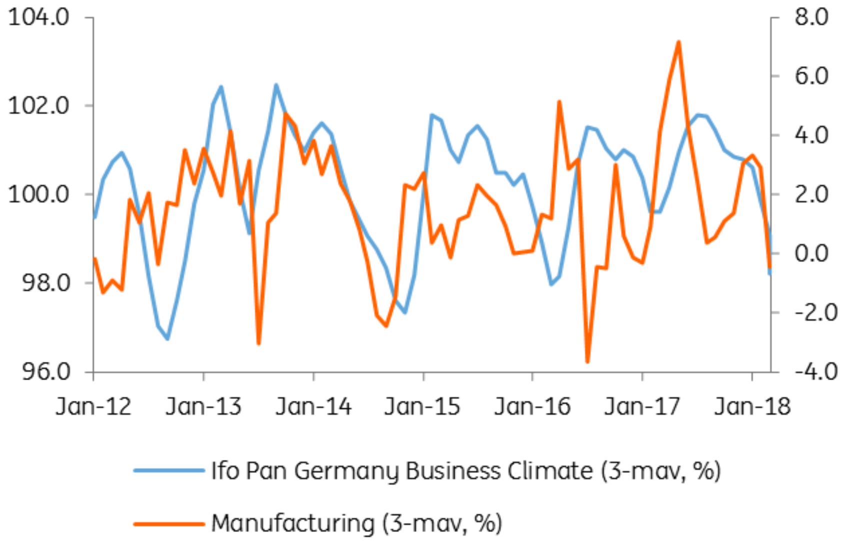
Romania: Weak industrial production

Industrial production slowed further to 4.1% year-on-year in March from 6.7% in February. Industry contracted in sequential terms by -0.6% quarter-on-quarter

Source: shutterstock

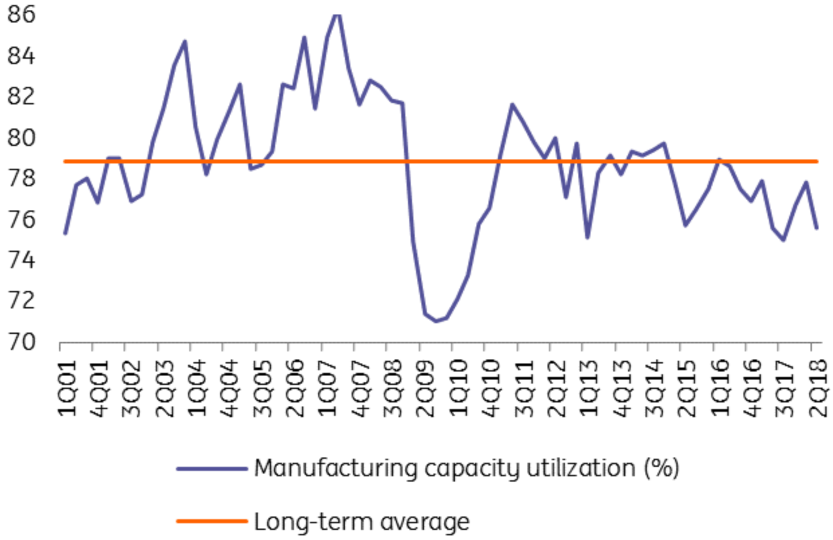
Romania's manufacturing sector softened from 7.4% YoY in February to 3.5% YoY in March due to weak external demand, posting a -0.4% quarter-on-quarter contraction. April confidence indicators for industry continue to point south due to lower export orders, but there is positive news from Germany, the largest trading partner, which posted a rebound in industrial production in March. Capacity utilisation also fell at the start of 2Q18, which might be a sign of more prolonged weakness.

External driven weakness for manufacturing



Source: NIS, Bloomberg, ING

Capacity utilisation drops in 2Q18



After retail sales posted a contraction in sequential terms, a quarterly decline for industrial production increases the likelihood for a negative QoQ GDP reading for 1Q18. A first reading of 1Q18 GDP is due on 15 May and we look for a below-consensus reading of 5.0% YoY, though the risks are clearly tilted to the downside. This is likely to lead the central bank to narrow further its output gap forecast. Slower growth further increases the pressures on the public finances.

Author

Ciprian Dascalu
Chief Economist, Romania
+40 31 406 8990
ciprian.dascalu@ing.com