

## Romania: Weak retail sales in December

Romanian retail sales decelerated to 2.7% YoY in the last month of 2018 from 5.5% previously on a -1.0% MoM drop after strong Black Friday sales

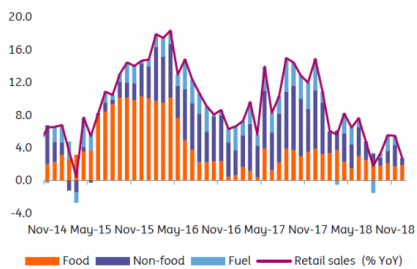


People on Calea Victoriei, Bucharest

Retail sales still ended the last quarter in a relatively strong position, posting a 3.1% QoQ advance from a -0.2% sequential contraction in 3Q. The latter was not reflected by household consumption data from national accounts suggesting that 3Q18 GDP was inflated by self-sufficient consumption.

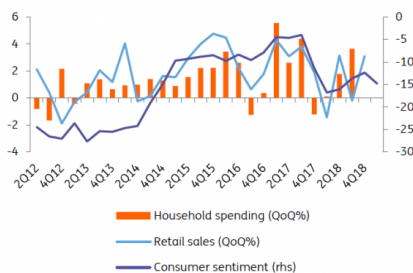
For the whole 2018, retail sales posted a 5.6% YoY growth, about half the advance seen in 2017 which stood at 10.9% YoY. Data breakdown for December looks particularly soft, with non-food turnover posting a -1.4% MoM contraction as people likely bought Christmas presents during Black Friday discounts. This, combined with a pretty large statistical base effect, has led to a slowdown for non-food sales to 2.1% YoY in December from 6.8% previously.

Fig 1 Consumption switching into a lower gear



Source: NIS, ING

Fig 2 Better 4Q, but weaker outlook for consumers



Source: EC, NIS, ING

With consumers running out of confidence over the last three months and recent fiscal changes yet to feed through into the economy, including potential downside risks to assets prices which could worsen consumers' morale via the wealth effect, the economy looks set for a further slowdown in 2019.