

Romanian consumers shrug off pessimism into year-end

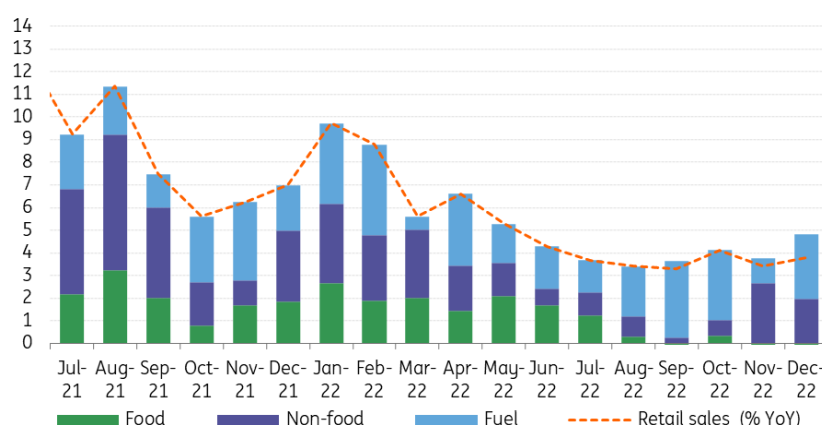
Retail sales accelerated by 3.8% in December, taking the quarterly advance to 3.8% and full-year 2022 to 5.1%. The data supports our call for a robust fourth quarter GDP reading, but also for a visible slowdown in the first quarter



After a somewhat weak third quarter, retail sales accelerated in the fourth quarter of 2022, expanding by 0.8% versus the previous three months. In the third quarter, retail sales contracted by 0.8% from the second. In annual terms, December 2022 was only the third month of 2022 to witness an acceleration, as sales increased by 3.8% compared to December 2021.

The robust headline number for December is supported by a relatively good structure as well, with non-food sales increasing by 6.6% and fuel by an impressive 13.6%, likely on the back of somewhat lower car fuel prices. Food sales remain less cycle-sensitive and dropped by 1.3% in December.

Retail sales (YoY%) and components (ppt)

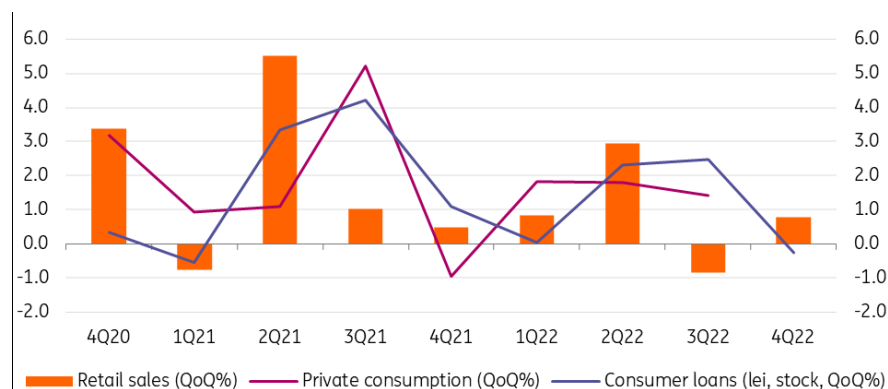


Source: NSI, ING

With the picture for 2022 now complete, we can safely state the obvious, namely that consumer spending was remarkably resilient throughout the year. The very gradual slowdown compared to 2021 looks more like a return to a normal cruising speed than something that might raise an eyebrow.

As resilient as it might be, however, most signs point towards a slower start to the year for consumption. Facing sharply higher interest rates and deteriorating risk sentiment, the stock of consumer loans advanced by only 4.1% in 2022 with the actual new production of loans being mostly negative throughout the year. Moreover, while in 2022 retail sales might have still benefited from post-pandemic pent-up demand, it looks highly unlikely that there is any more of that into 2023.

Consumer lending turning less supportive

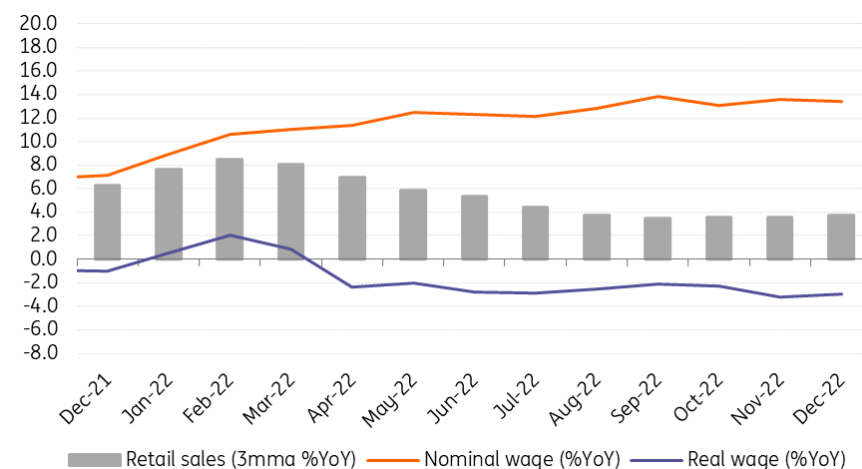


Source: NSI, NBR, ING

Somewhat balancing the consumption story, wage dynamics remained reasonably sound in 2022, with the average nominal net wage advancing by around 12.0% (December data is not out yet). This is below, but dare we say not that far from the 13.8% average inflation rate. Looking forward to 2023, there is a reasonable chance for the wage advances to recover the lost ground and exceed the average inflation rate. Overall, it is obvious that the destruction of purchasing power

has not been of a great magnitude, and this should act as a backstop for private consumption in the short- to medium-term.

Retail sales following real wages



All considered, the consumption story will likely remain in positive territory in 2023, though a growth slowdown to very low single digits looks most probable.

With the fourth quarter sales picture complete, we remain of the opinion that the GDP advance has probably been quite robust in the fourth quarter. We maintain our estimate for a 1.0% quarterly expansion. This should take full 2022 GDP growth to around 5.0% and provide a strong carryover effect into 2023 which we maintain at 2.5%.

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>.