

Romanian consumption: levelling off already?

August retail sales contracted by 1.6% compared to the previous month. On the year, sales are still 1.1% higher than in 2019, but the potential for further acceleration looks limited

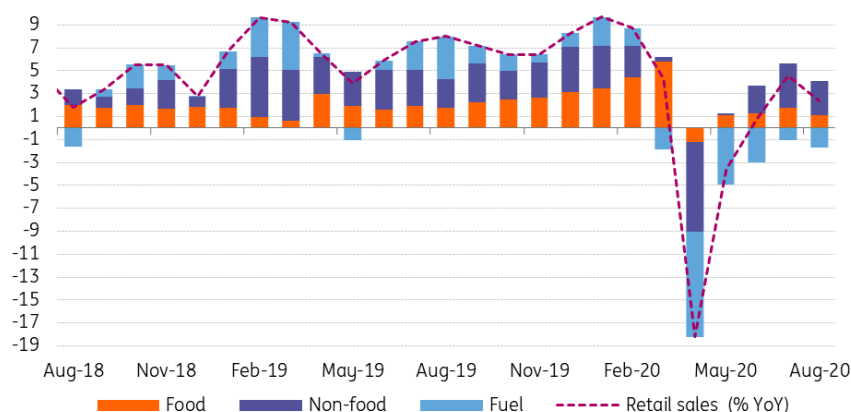


People shopping in a supermarket in Bucharest

The initial reaction of consumers to the post-lockdown period offered some hope that the rebound in consumption would be more than just a mechanical one driven by pent-up demand. At mid-year, food and non-food items were already above pre-crisis levels, with only fuel sales lagging behind.

The picture hasn't changed much after eight months of 2020. And this is not necessarily positive as it indicates that the strong post lockdown recovery has been largely mechanical.

Retail sales and components



Source: NIS, ING

In August, it was only fuel sales which accelerated but only by a mere 0.6% versus July. On the year, they remain almost 9.0% below the same period of 2019, which is still quite a gap to recover. Otherwise, food and non-food have contracted by 1.6% and 0.4% respectively, pointing – together with the latest confidence indicators – towards a period of quasi-stagnation ahead.

While it is only for one month and not even overly negative, today's data did manage to soften our optimism for a strong consumption-driven recovery. We have likely entered a phase when not only companies but also individuals are increasingly aware that social distancing and possible lockdowns are everyday realities. Growth-wise, this has already been incorporated into our forecast for a 5.5% GDP contraction this year, but -admittedly- the 5.2% GDP growth that we see for 2021 might need some more good news than we currently have. A cheap, effective and widely available vaccine would probably be the best. A [“through the roof”](#) performance of consumption in the eurozone is the second-best.

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 www.ing.com.