

## Romanian consumption: levelling off already?

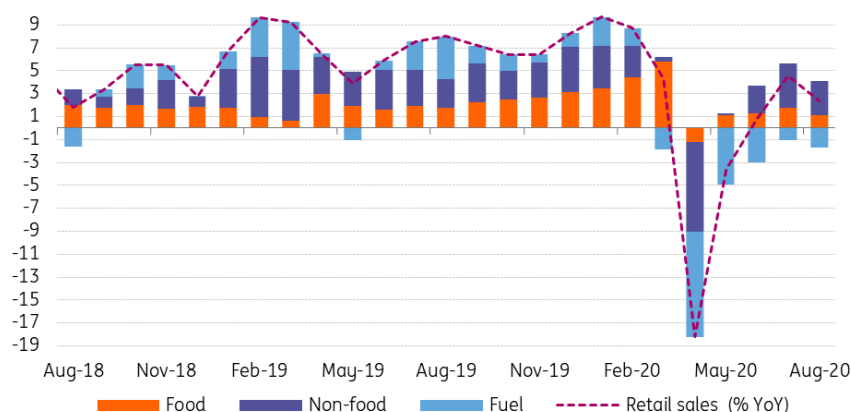
August retail sales contracted by 1.6% compared to the previous month. On the year, sales are still 1.1% higher than in 2019, but the potential for further acceleration looks limited



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

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