

## Romanian industry is on a roll

2Q17 is possibly being the best quarter since the post-crisis period, thanks to an excellent 3.5% MoM expansion in May



Source: istock

### Positive economic growth

In addition to the optimistic outlook for 2Q17, the April figures were revised higher, now showing a 0.6% expansion versus a drop initially. This has led to the YoY pace shooting up from 6.7% in April to 15.3% in May, though base effects possibly related to an Easter effect may have had a lot to do with it.

### Main driver of expansion

---

*Manufacturing will continue to positively surprise*

---

The main driver of this growth is the manufacturing segment with several sectors standing out, notably machinery, auto (including components) and clothing. Eurozone industrial production also shifted into a higher gear in May and grew to its highest level since September 2008. It is likely that the domestic manufacturing segment will continue to positively surprise us as we had been

looking for a somewhat lukewarm expansion phase.

With industrial capacity utilisation still trailing below pre-crisis levels, there is still enough slack to cover the higher demand from existing production facilities. That said, the fast wage expansion, pushed higher by both government policies and the tighter labour market, alongside an inconsistent progress in terms of structural reforms in recent years, suggest that future investments might not come so readily.

# 16.1%

## Manufacturing growth

Main driver of expansion (YoY)

Either way, the good industrial figures also offer some comfort, as we had been a bit worried about the fairly monochromatic growth picture, with private consumption stealing the show. Also, even though 2Q17 GDP growth might cool down a bit after the excellent 1Q17 print, it is still likely to remain quite robust.