Romanian retail sales are weakening

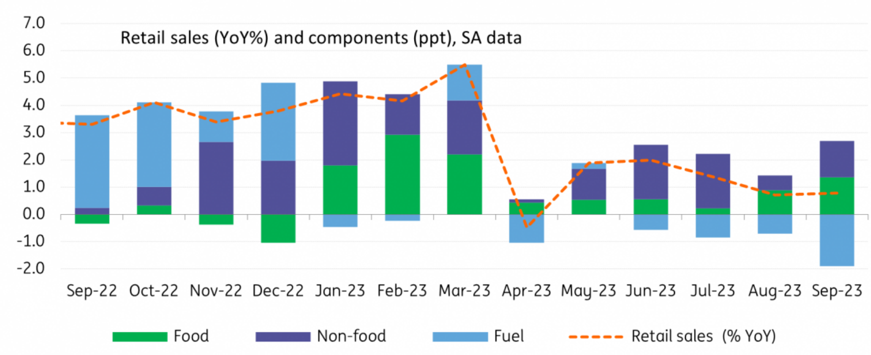
Weak Romanian retail sales in September (0.7% drop versus August) led to a second consecutive quarter-on-quarter contraction, confirming that private consumption could be a drag on third-quarter GDP

People shopping in a supermarket in Bucharest

Admittedly, the largest year-on-year contraction in fuel sales since October 2020 was the main culprit for September's weak retail sales reading. While part of the 8.1% annual contraction in fuel sales is certainly due to base effects, it could point to stronger prudence on the side of consumers, too, as recent fuel prices in the local market explain the contraction to a limited extent. This pushed the fuel category towards its third sequential contraction this year.

However, while still rather weak, food and non-food items showed some pockets of resilience and even sequential accelerations - as online sales, food sales of non-specialised shops, and clothing sales rebounded. As such, while the reading confirms that private consumption will continue to weigh on output, it also shows that we could be witnessing some slight adjustment in consumer behaviour amid an unquestionable slowdown. The persistence of services inflation (the only major category still in double digits) could at least partly explain why some goods categories have performed better in the third quarter.

Retail sales flattening at low levels



Bottom line, we think that the real positive wage growth which began in April will only start to translate into stronger retail sales later this year, though it might be too little too late to see a major improvement in fourth-quarter private consumption. Momentum is more likely to build into next year as inflation continues to descend and GDP re-accelerates. Today's data also chimes with our below-consensus call for the third quarter GDP, which we expect to have expanded by 1.9% in annual terms, though risks remain tilted to the upside due to a possible positive surprise from agriculture.

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