Romania's trade deficit remained high in 2024

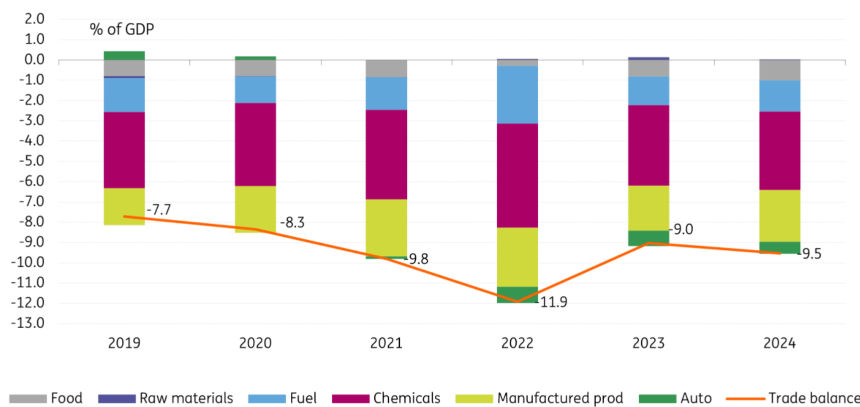
After ending 2024 with a trade deficit of EUR33bn, the Romanian trade balance is set to continue to remain under pressure this year. We expect minimal and only contextual improvements in 2025, rather than structural ones

Source: NIS, Bloomberg, ING

The Romanian trade deficit more than reversed in 2024 the gains made in 2023, on the back of visibly stronger internal demand which stimulated imports. This happened mostly because the supply side of the economy likely did not have the firepower, the technology or the time to adapt to the simultaneous growth of both private consumption and public investments. As such, the benefits of last year's strong activity largely dissipated externally through imports, while the struggles of the European industrial sector weighed on exports. Putting some numbers to it, the trade deficit worsened from EUR29bn in 2023 to EUR33bn in 2024, a 15.3% increase, which more than reversed the 15% gain made over 2023. This leaves the trade deficit at 9.5% of GDP, noticeably weighing on the current account.

Looking at the breakdown, the largest deficit remains in the chemicals sector (EUR13.5bn), followed by manufactured products other than cars (EUR8.9bn). Apart from the negligible surplus in raw materials, the balance in every other category was deep in negative territory.

Romanian trade balance

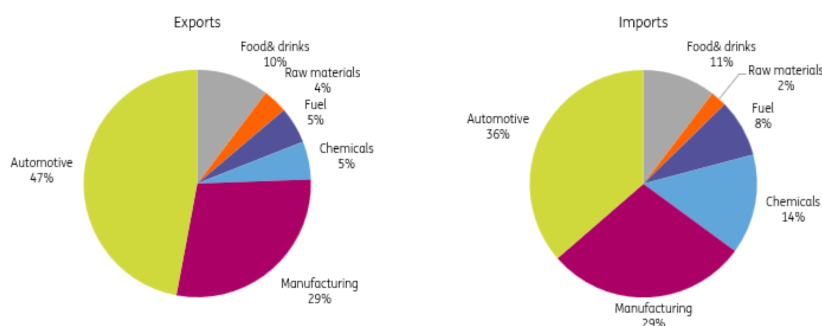


Source: NSI, ING

Turning to the composition of exports and imports, some facts stand out:

- The automotive sector continues to dominate the export structure (47% of total), followed by the rest of the manufacturing sector (29% of total), leading to a total of 76% of total exports
- Compared to last year, the share of automotive of total exports has grown 2.2 percentage points, while the other manufactured products' share shrunk by 1.3pp
- This is in line with the sales performances of the two local big automotive producers (Dacia and Ford), as well as with the struggling demand for other products, driven by the weak performance of the European economy
- On imports, automotives (36% of the total) and other manufactured products (29%) dominate the dynamics as well.
- Nominally, Romania still posts a trade deficit in automotives, with exports summing up to EUR43bn and imports at EUR45bn

Exports and imports structure



Source: NSI, ING

Looking ahead, there is no easy way to solve the persistent trade deficit. We expect private consumption growth to moderate but still remain at healthy levels in 2025, which should continue to keep import demand elevated in the short run.

To fix the deficit in either automotive or manufacturing, the economy would need what

economists call a "taste shock", meaning that, for example, Romanian consumers would suddenly prefer domestically produced cars more than their foreign counterparts. Or that the day-to-day electronics like TVs and mobile phones would be produced locally as well and actively chosen by local consumers. Both are unlikely.

Moreover, with another year of large-scale public investments foreseen ahead, the largest of this investment cycle if it will go according to the plan, it is also unlikely that in just one year the local supply side will be able to fulfill the specific needs of such investments (mostly engineering inputs/machines or some raw materials).

Instead, there could probably be more scope to rebalance the chemicals deficit in the short-to-medium term, especially if it fits into the context of a broader industrial strategy. The food trade balance is also key to watch.

On the external front, we don't expect any major boosts to external demand. Our team continues to expect the eurozone economy to remain at a modest growth rate of 0.7%, meaning that that Romanian exports are unlikely to face a sudden increase in demand from its main trading partners.

> All told, we think that this year's trade deficit will largely follow the same dynamics as last year and only marginally improve due to a moderating but still healthy private consumption growth. Should the ambitious investments plans laid out in the 2025 budget materialise, trade balance gains could even be non-existent.

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