Economic and Financial Analysis
Global Economics

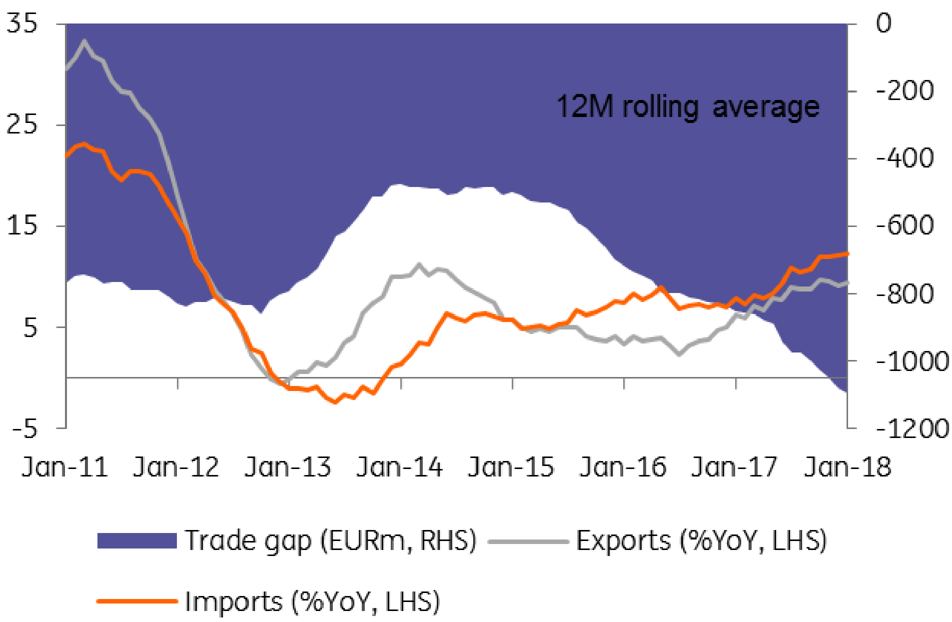
12 March 2018
Snap

Romania: Trade balance widens further

Romania's overall trade gap widened by c.28% in January versus the same month last year, though exports show signs of recovery

Exports rebounded quite nicely in January, posting 15.9% YoY growth (versus a more modest 4.2% growth in Dec-2017), helped mainly by the auto sector which grew by 16.6% YoY and contributed 8ppt to overall export growth. In contrast, imports jumped by 17.3% YoY (versus 10.8% YoY growth in Dec-2017), with strong auto imports contributing 6.5ppt to the overall growth, while 5.8ppt came from other manufactured products.

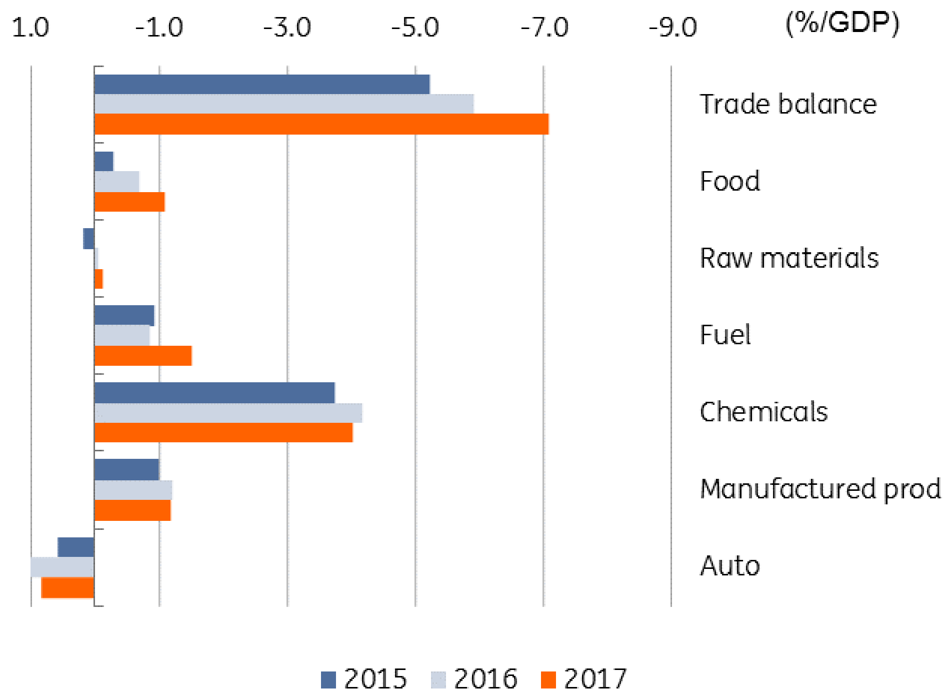
Trade gap still widening



Source: NIS, ING

Food imports, which we follow more closely due to the high FX pass-through in the inflation rate, have accelerated to 15.9% YoY. This will probably be closely scrutinised by the central bank as well, given that its latest inflation report mentioned the "dominant contribution of the food component" in the "notable acceleration" of the CORE2 inflation.

Auto exports alone cannot embellish the picture



Source: NIS, ING

Today's data might offer some relief regarding the continued deterioration of the trade balance. We have reasons to believe that what worked well in 2017 will work even better in 2018 for the auto sector, while the expected reduction in private consumption for 2018 should slow down the deterioration of the trade balance.

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