

6 May 2020
Snap

Romanian retail sales are in contraction mode

Retail sales were up by 2.7% in 1Q20 versus the previous quarter, but the good news ends here. Consumption started contracting as early as February 2020



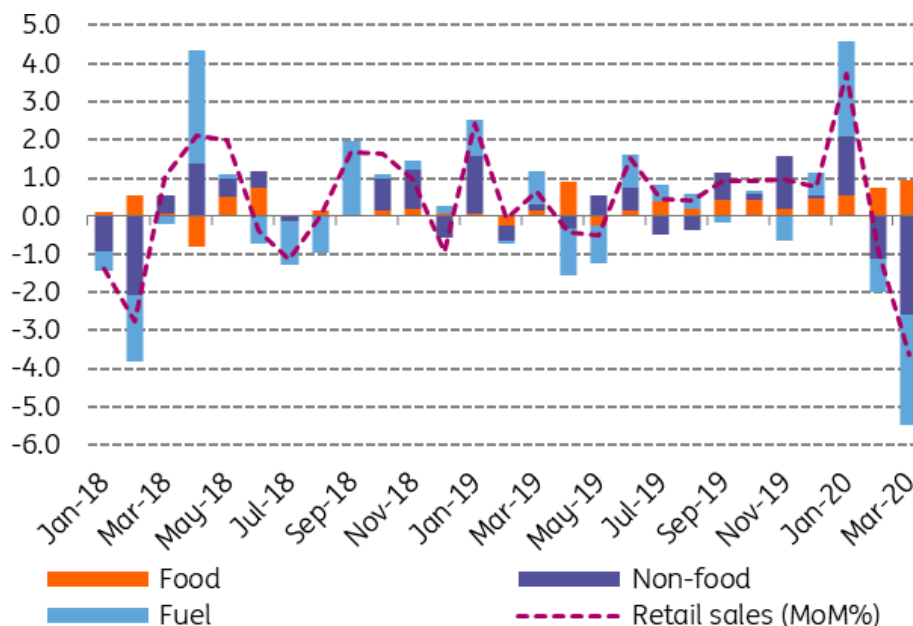
After a roaring January in Romania, when annual retail expansion got very close to double-digits (+9.7%YoY), consumption looks to have started to contract in February (-0.9% versus January). This is somewhat unexpected, as the restrictive measures related to Covid-19 were only enforced from mid-March.

The breakdown reveals that the contraction was 'authentic' in the sense that most cyclically-sensitive items, such as fuel, contracted the most (-3.3%MoM in February), followed by non-food (-2.9%). The trend understandably accelerated in March when fuel consumption dropped by 11.5% compared to the previous month, the second-largest monthly drop ever. Non-food items posted the third-ever largest drop at -6.7%.

Food sales had a totally different dynamic, but the growth rates haven't been as stellar as one might expect given the consumption rush we've been hearing about back in March. The 2.0% and 2.6% monthly advances in February and March, respectively, look good but not more than that.

In all fairness, we expected food sales to offset the consumption contraction of non-food and fuel items by a larger margin.

Monthly retail sales dynamics and contributions



Looking forward, we expect April data to show a contraction, possibly a double-digit one, on all fronts.

We will be looking for any signs of recovery in fuel sales, which could indicate that things are returning to a new normal, but this might not come before May at the earliest.

In any case, avoiding an overall contraction of consumption this year looks almost impossible. We therefore maintain our forecast for a 6.6% GDP contraction this year and look for growth in other sectors of the economy, especially public investments area.

Valentin Tataru

Economist, Romania

+40 31 406 89 91

valentin.tataru@ing.com

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