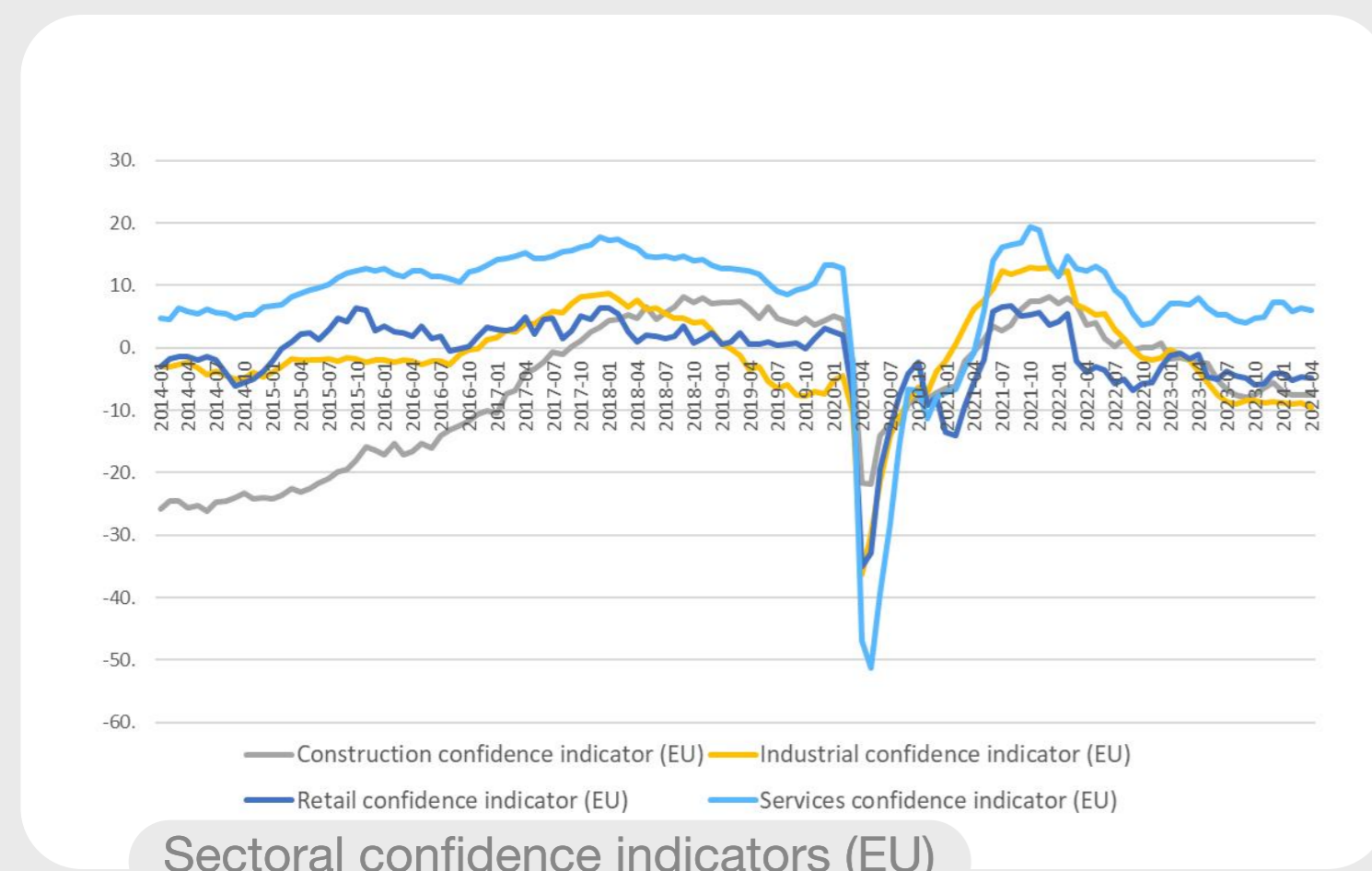
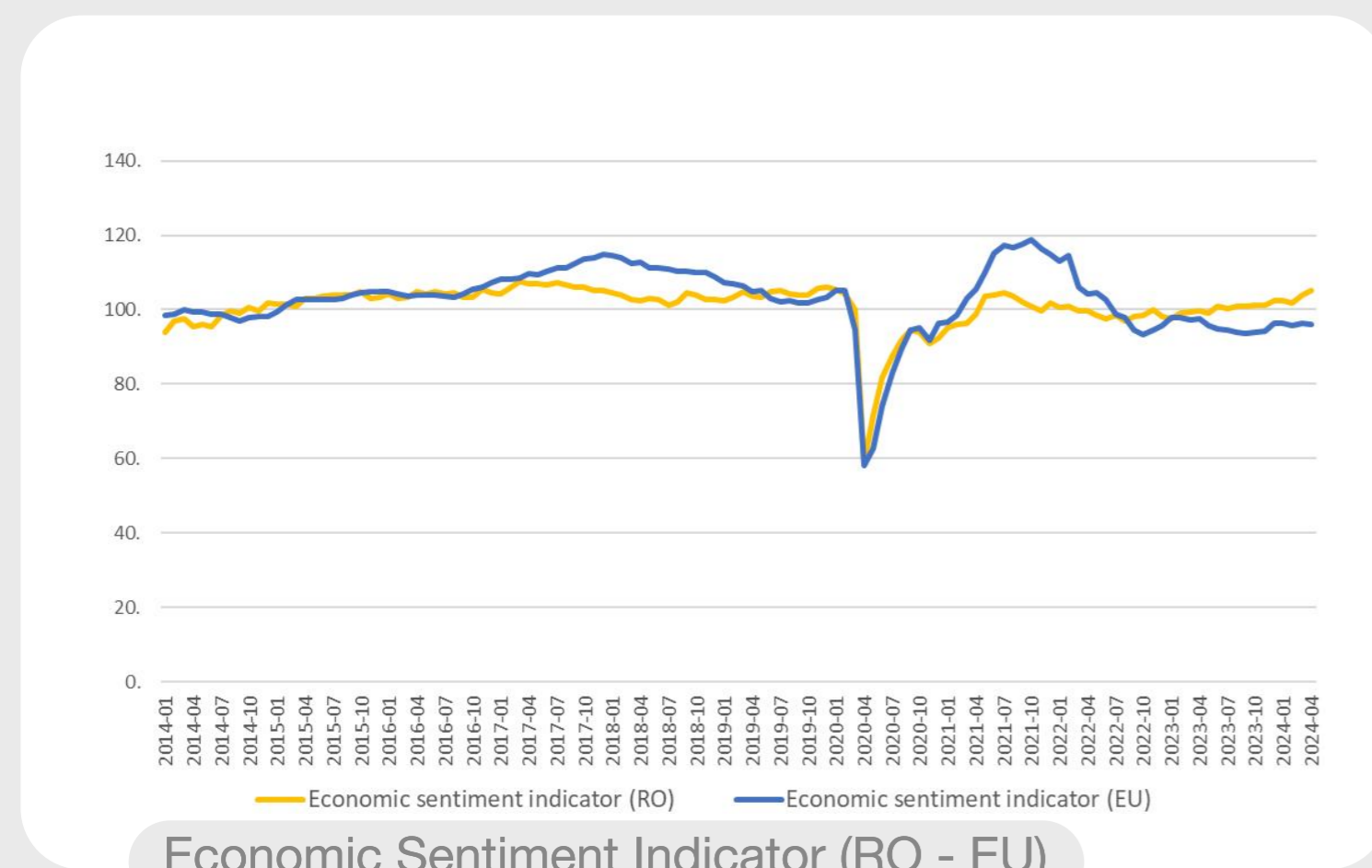


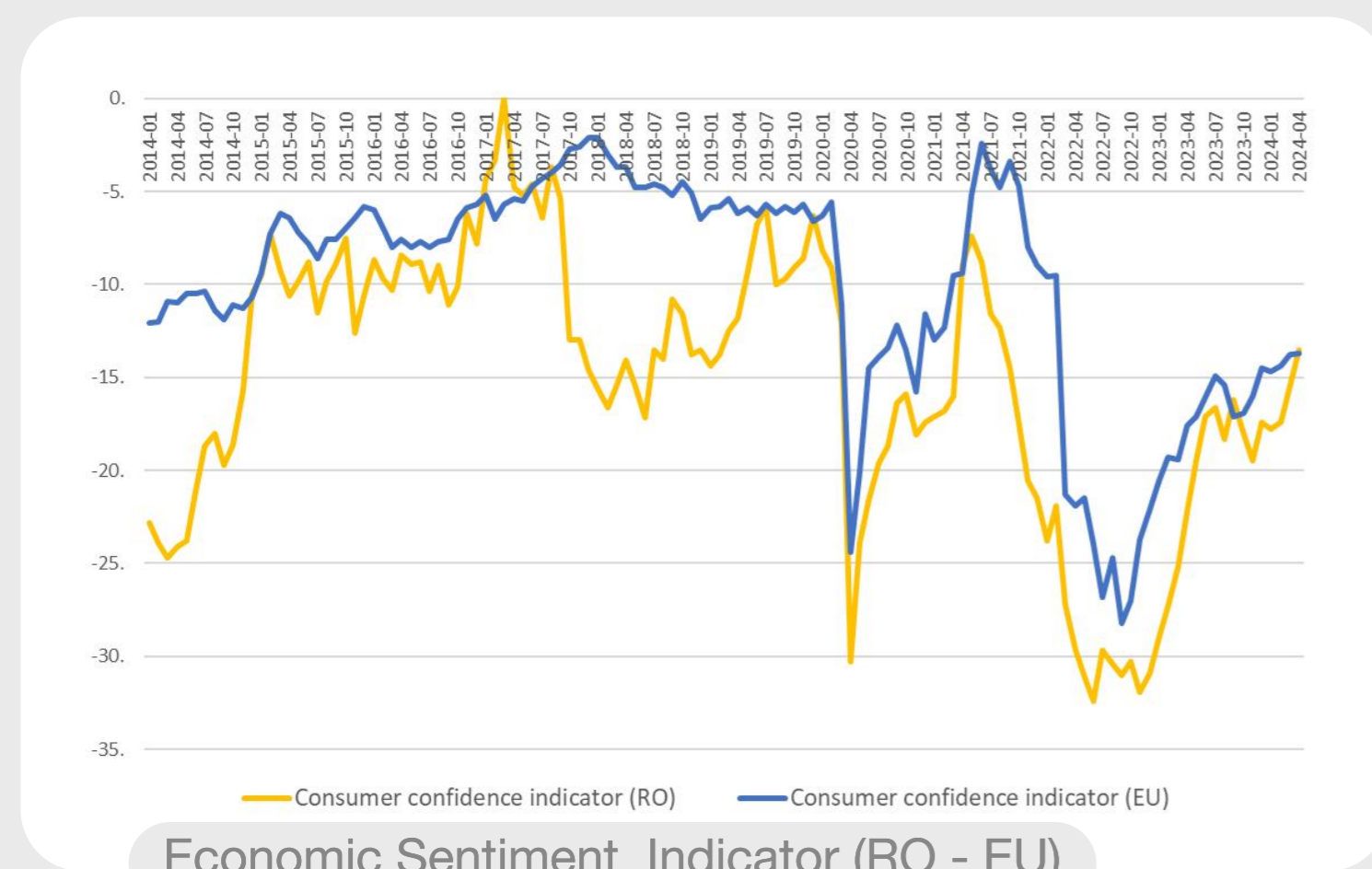
Sectoral confidence indicators (RO)



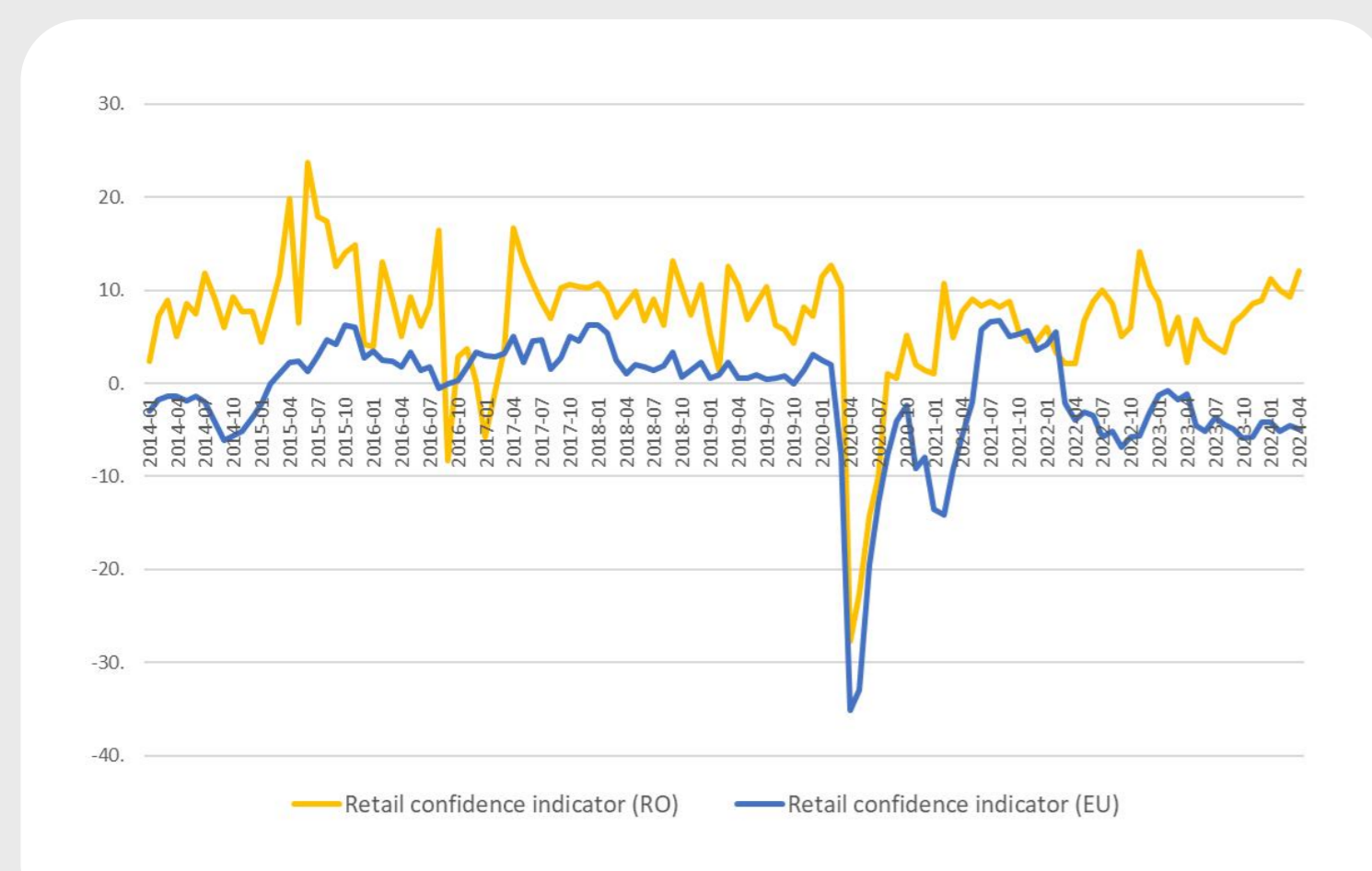
Sectoral confidence indicators (EU)



Economic Sentiment Indicator (RO - EU)



Economic Sentiment Indicator (RO - EU)



Retail Confidence Indicator (RO - EU)

FEELING THE PULSE: ROMANIA AND THE EU'S ECONOMIC CONFIDENCE

Over the last year, both Romania and the EU have shown varying levels of economic sentiment, as reflected in their ESI value. Romania has displayed a generally upward trend in its ESI values, starting from a low 97.5 at the beginning of 2023 and progressively increasing to 105.1 by April 2024. This positive trajectory suggests increasing optimism about economic conditions, driven by improvements in domestic demand, consumer confidence and some stabilization in economic policies. The EU shows a more moderate improvement in its ESI figures. The index rose from 93.6 to 96.2 by April 2024, indicating a slight increase in economic sentiment across the EU. This modest rise might reflect broader regional challenges, geopolitical concerns, and the diverse economic recovery rates among member states.

The relative strong increase in the ESI in Romania suggests that businesses and consumers are becoming more confident in the economic recovery. Strengths in this outlook might include a rebound in industrial and service sector activities. However, weaknesses may still exist, particularly in sectors sensitive to external shocks. The EU marginal increase in sentiment could indicate persistent cautiousness among businesses and consumers, which may be due to persisting uncertainties about the global economic environment and internal challenges within the EU.

The Consumer Confidence Indicator (CCI) reflects households' financial confidence, measuring the outlook on their economic situation, personal financial status, and intentions regarding major purchases. It includes consumer perceptions on wider economic conditions, including unemployment and savings, making it a key predictive tool for household spending.

Over the last year, Romania's CCI has shown a trend of gradual improvement, moving from -29.0 in January 2023 to -13.5 by April 2024. This indicates a steady increase in consumer confidence, suggesting that consumers are becoming more optimistic about their financial stability and the country's economic outlook.

The strengthening confidence could be indicative of effective economic policies, improvements in the labor market, or positive developments in domestic economic conditions. A rising CCI points towards an increase in potential consumer spending which could stimulate further economic growth.

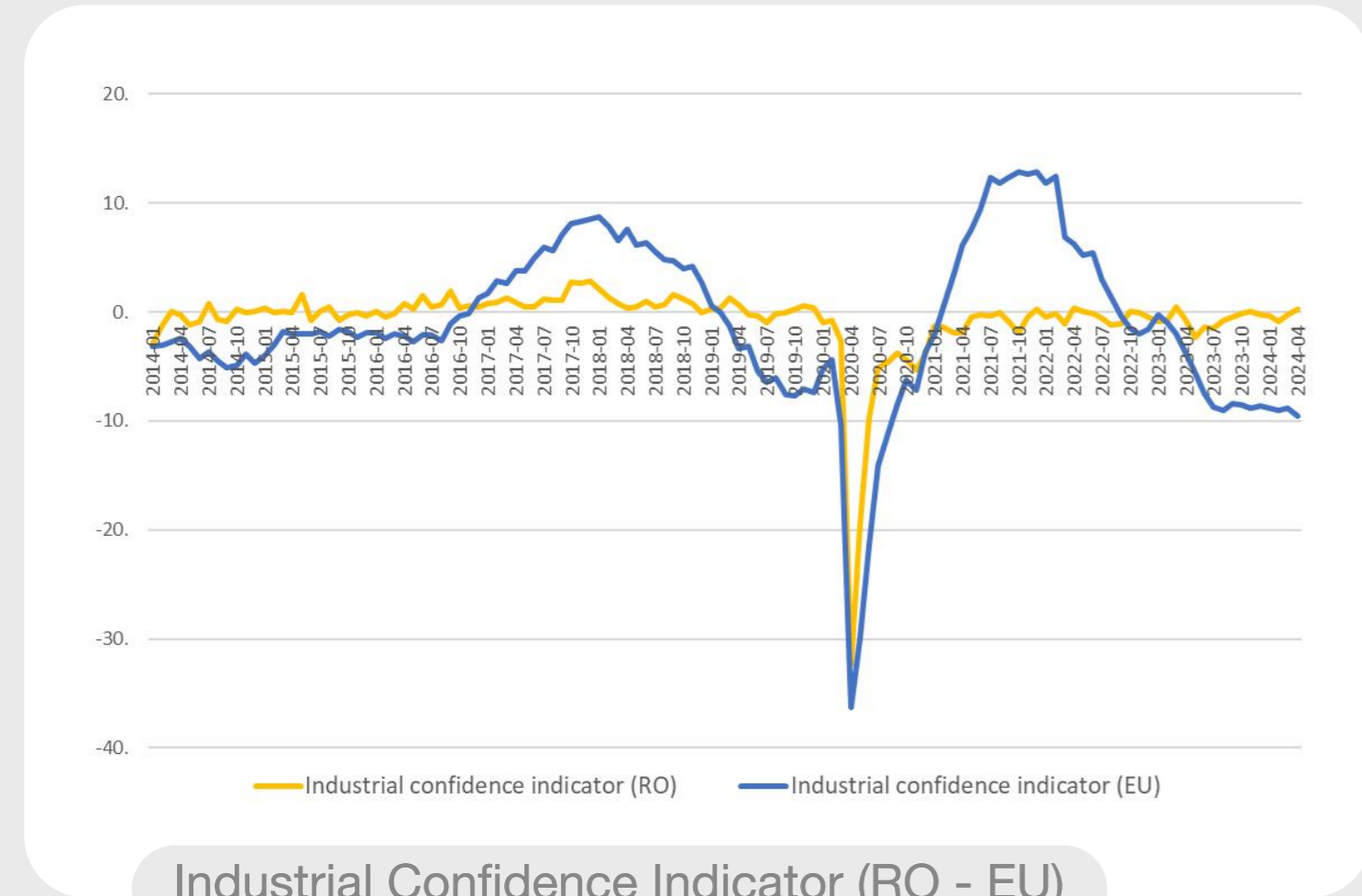
Despite the positive trend, the CCI remains in the negative territory, highlighting that there is still a prevalent sense of caution and uncertainty among consumers. This could be due to residual effects of economic shocks, inflation concerns, or geopolitical tensions impacting consumer sentiment.

The EU's CCI has also improved over the past year, however at a slower pace compared to Romania. Starting from -20.6 in January 2023, it moved to -13.7 by April 2024. This shows a general improvement in sentiment across the member states, but it reflects cautious optimism.

The gradual increase in consumer confidence across the EU can be seen as a sign of recovery and resilience. The relatively slow pace of improvement suggests that there are ongoing challenges such as uneven economic recovery among member states, inflationary pressures, or external economic uncertainties affecting consumer confidence. The persistence of negative values indicates that, overall, consumers are still concerned about the future economic situation.

Focusing on the last 12 months, both regions have shown improvements which are crucial for economic recovery. However, the ongoing negative values highlight the need for continued support and policies to boost consumer spending and economic activities.

In conclusion, while both Romania and the EU are on a path to recovery in terms of ESI and CCI, the pace and the extent of recovery vary. Romania shows a more rapid improvement which speaks to potentially more dynamic domestic factors at play, while the EU's steady progress underscores its cautious but consistent approach to dealing with economic uncertainties. For both, maintaining and building consumer confidence is crucial as it directly impacts economic growth through consumer spending.



Economic and sectoral confidence indicators are important tools used to help determine the sentiment of various stakeholders in an economy, from consumers and businesses to retailers and construction companies. These indicators provide insights into current and future economic activities and help anticipate potential shifts in economic performance.

The Economic Sentiment Indicator (ESI) integrates the confidence across five key sectors: industry, services, consumer, retail trade, and construction. Calculated by the European Commission, the ESI combines business and consumer survey results where each sector contributes a weighted average reflecting its share in the total gross value added of the economy. This indicator not only assesses the overall economic climate but also aids in identifying potential turning points in the business cycle.

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Next week on Wednesday, we expect the release from the National Institute of Statistics of the GDP growth rates for the first quarter of this year. We expect the data to confirm the increase stated in the previous reports as well but also based on the behavioral indicators discussed here.

On Monday, the NBR has the board meeting on monetary policy issues, when we see the policy rate with high changes to be maintained at the current level.



Ioan Nistor

Chief Economist

” Rising Economic Sentiment. Exploring the increasing levels of the economic confidence across Romania and the European Union. The gradual increase in consumer confidence can be seen as a sign of recovery and resilience.

✉ CONTACT