

## Romania | Instant Comment

# Industrial production held up well before COVID-19 shock

### Industrial Output (y/y)

Actual, Feb:	-2.6%	Previous:	-2.6%	Erste:	-2.7%	Consensus:	n.a.
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**Similar to January, industrial production moderated its fall in y/y terms in February to -2.6%. March and April data will reveal the extent of the damage from the COVID-19 lockdown. One third of the employees in manufacturing are either in temporary or full unemployment at present.**

**First signs of a gradual resumption of production in local manufacturing emerged last week. Dacia, the local subsidiary of Renault announced a partial restart of activity on April 21st. Other companies made similar announcements and it seems that the focus will gradually change from the timing of restarting the production to the rebound in both domestic and external demand and its strength.**

Industrial production continued to improve in February when it came at +0.7% m/m and -2.6% y/y. The data for January was revised upwards to -2.6% y/y from -3.1% y/y.

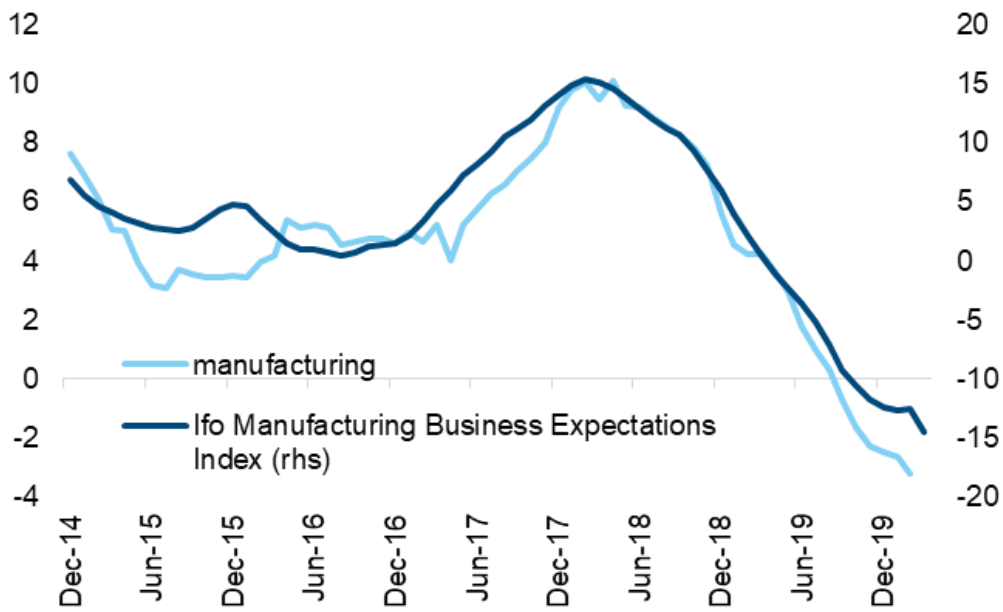
Mining put up a strong performance in February (+4.4% m/m and +1.8% y/y). Export-oriented manufacturing sector was almost flat in m/m terms (+0.1%) and shrank by -3.2% y/y. Energy was weak at -3.8% m/m and -9.1% y/y. National Institute of Statistics mentioned that there was no impact from COVID-19 crisis on February data.

Suspended and ceased employment contracts in local manufacturing represent 32% of the number of employees in this sector. Recent days brought a relative stabilization in the number of requests for temporary unemployment, but it is still too early to call the peak.

Industrial confidence deteriorated in March mainly due to lower production expectations of local managers. This was probably only the beginning, since 95% of the responses were collected from managers before the lockdown to fight the spread of COVID-19 was enacted in March.

Looking at the external environment, Markit Eurozone Manufacturing PMI fell sharply in March and the concern was that the peak in manufacturing decline was not fully seen at that moment. In March, Ifo Manufacturing Expectations Index, which tracks sentiment among German managers and shows a good correlation with the Romanian manufacturing sector, saw the steepest fall ever recorded.

### Romanian manufacturing and German Ifo Manufacturing Expectations Index (12-month moving average, %)



Source: NIS, Ifo Institute, BCR Research

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#### **Published by:**

**Erste Group Bank AG**  
**Group Research**  
**1100 Vienna, Austria, Am Belvedere 1**  
**Head Office: Wien**  
**Commercial Register No: FN 33209m**  
**Commercial Court of Vienna**

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