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ROMANIA

Sticky inflation to keep the Romanian central bank on hold for now

Price pressures ended 2025 at 9.7%, with no major surprises across spending categories in December. While widespread pressures across the services sector seem to be moderating, the trend has yet to be confirmed. We continue to expect inflation to end 2026 at 4.5% and the National Bank of Romania to start cutting rates at the May meeting



The National Bank of Romania in Bucharest

Some improvement, offset by unexpected upside surprises

Food and services inflation came in slightly lower than we had expected at 7.75% and 11.0%, respectively, while non-food inflation was pretty much in line with our forecast, printing at 10.5%.

Positive surprises on the food side mainly came from vegetables such as beans and potatoes, while non-food items such as fuel saw a lower-than-expected outcome. On the upside, eggs, coffee, gas, and airfares were the key drivers of price pressure this time.

Inflation outlook

In the near term, we continue to expect an elevated profile of inflation (around or slightly below its current levels) until the summer months. By then, the measures implemented in 2025 (tax hikes and electricity market liberalisation) will fall out when base effects kick in. Moreover, our team continues to expect lower pressures from commodity prices, forecasting some declines in both oil and gas prices in 2026.

Along with downward demand pressures stemming from weakening consumption and a cautious consumer stance more broadly, we expect inflation to then cool down towards 4.5% by the end of 2026.

National Bank of Romania to keep rates on hold at the January meeting

With a still-elevated inflation profile in the coming months and some 'known unknowns' still to play out, we wouldn't be surprised to see a rather neutral stance from the Bank on 19 January, despite the still worrisome impact of the cautious consumer stance on domestic demand when it comes to the growth outlook.

At least at this stage, the investment cycle boosted by tight recovery and resilience plan (NRPP) deadlines is set to mitigate some of the demand pressures stemming from consumption, while the productive potential will continue to reap the benefits of ongoing infrastructure developments.

Although today's inflation number was largely in line with expectations, it gives little room for complacency at the NBR, given that the headline number is projected to stay above 9% in the first six months of the year. Two particular known unknowns remain in the picture – the gas price liberalisation and the removal of margin caps for essential food items.

Barring any unexpected shocks, we expect the NBR to keep its policy rate at 6.50% until May 2026, after which we think there will be 100bp of rate cuts by the end of the year. By that time, policymakers will be in a better position to assess the impact of the key upside drivers on inflation as well as the true extent of downside risks to domestic demand.

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