

## NBR review: Non-event confirmed

The National Bank of Romania kept interest rates on hold at 2.50% in line with consensus and pledged to maintain strict liquidity control. The overall tone remained neutral



Mugur Isarescu, the Governor of the National Bank of Romania

The CPI outlook was revised lower “to end this year slightly above the variation band of the target, before returning and staying in the upper half of the band until the end of the forecast horizon”. This was already known from the previous NBR meeting. The press release notes that the recent decline in CPI was due to non-core components such as “vegetable prices, administered prices and fuel prices”, while core inflation inched up to 3.4% year-on-year at the end of September due to “international agri-food prices” and “significant demand-pull and wage cost-push inflationary pressures”. The NBR Board remains concerned about developments in the current account but notes some signs of moderation in the trade balance widening.

The Q&A section of the press briefing was really brief. NBR Governor Mugur Isarescu suggested that there is no need for rate hikes ahead, in line with the market consensus. He reiterated the call for containing fiscal slippages followed by a gradual adjustment, with no negative impact on economic growth.

We expect rates to stay flat until after the general election due in late 2020. Initial easing will come from loosening liquidity controls and maybe cuts in reserve requirement ratios

before key rate cuts. The pace of future monetary policy easing is likely to be a function of the pace and credibility of the fiscal consolidation.