

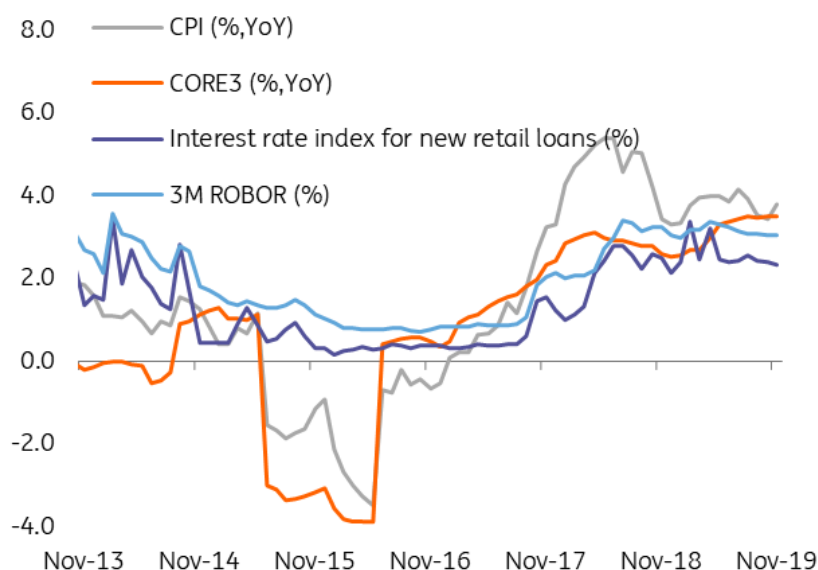
Romania: November CPI coming a touch above expectations

At 3.8%, November CPI came in line with our forecast but 0.1ppt higher than the Bloomberg median. We maintain our long-standing 3.8% forecast for the year-end



Romanian inflation inched 0.2% higher in November 2019 compared to the previous month, pushing the annual rate to 3.8% from 3.4% in October. This was almost exclusively driven by base effects, as November 2018 was a month with negative inflation due to the steep fall in oil prices. Maybe more important than the headline figure is that core inflation reached 3.6% and it doesn't look to be returning to lower levels earlier than mid-2020.

Core inflation sticky to the upside



Source: NIS, ING

We maintain our long-standing year-end inflation forecast of 3.8%, similar to the recently revised central bank forecast. We expect no change in the key rate until early 2021.

This is needed to keep inflation expectations in check while also leaving room for the central bank to react to the recently intensifying depreciation pressure for the leu. If a fiscal consolidation occurs in 2020, we believe the central bank has plenty of room to ease monetary conditions.

Nevertheless, this is more likely in 2021 after a new government comes in after late 2020 general elections.

Author

Valentin Tataru

Chief Economist, Romania

valentin.tataru@ing.com

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