

## Romania: Inflation, GDP and NBR minutes in view

We expect Romanian CPI to rise 4.2% year-on-year in January, above the median estimate of 3.9%, but below the central bank's forecast. We are also at the upper end of consensus for 4Q17 GDP



The economic calendar in Romania is heavy on Wednesday, with January CPI and 4Q17 GDP due for release followed by the National Bank of Romania minutes later in the day.

### Inflation outlook

We expect consumer prices to rise by 0.7% month-on-month (4.2% year-on-year) in January with 0.3ppt coming from the increase in regulated prices for gas and energy. For the first time, the NBR published its monthly forecast in the governor's presentation for the Inflation Report to explain to a broader audience the impact that large statistic base effects (coming from changes in taxes and administrated prices) have on the inflation outlook. The NBR sees January CPI at 0.9% MoM, which means 4.4% year-on-year. We cannot rule out asymmetric information in favour of the central bank. Our call for January is significantly above the market consensus. The NBR sees end-2018 inflation at 3.5% vs ING's forecast of 3.3% and Reuters' median estimate at 3.2%.

## Growth forecast

At the same time, 4Q17 GDP data will be out. We expect a 1.2% quarter-on-quarter expansion. This figure is important due to carry-over effects on the forecast for the 2018 growth profile. In annual terms, we look for an 8.1% print versus the 7.3% median estimate. GDP data is subject to substantial revisions but we still expect the Romanian economy to grow by 7.1% over the whole of 2017 versus 2016, which is similar to the National Prognosis Commission (NPC). We also hold an above-consensus view for 2018 GDP at 4.7% YoY vs the 4.1% Bloomberg median and the 6.1% NPC forecast.

## NBR minutes

In the afternoon, the NBR will release the minutes of its latest meeting. While the previous decision on rates was likely unanimous again, we look for clues on the strength of the 'quasi-general' consensus on loose liquidity management. With inflation climbing higher, the NBR will be forced into a decision on either hiking the key rate or tightening liquidity controls at the next meeting on 4 April. Doing both of them could be viewed by a dovish Board as wasting bullets, with the next three meetings being held in the context of rising inflation, according to central bank's forecast. Hence, we are inclined to think that the NBR Board would prefer increasing rates without absorbing the liquidity via open market operations.