Romanian inflation climbs visibly in August

Price pressures picked up significantly in August, as inflation reached 9.9% (July: 7.8%), inching above our forecast of 9.8% (market consensus: 9.4%). The VAT passthrough has been quite visible in the data, and the widespread pressure on services inflation stood out in particular. We are forecasting a year-end CPI of 9.6%

Components - services inflation stands out

Today's data brought a largely expected inflation reading close to double digits. Both food and non-food inflation came in relatively close to our expectations, with the former slightly above and the latter below. The impact of VAT and excise duties in these categories looks broadly aligned with what we had expected.

On the food front, fresh fruit and vegetables delivered a pleasant surprise, with lower-than-expected prices, reflecting strong agricultural output. However, items like eggs, coffee, and sugar offset this with stronger price pressures.

In the non-food sector, household products remained generally well-behaved, with lower price pressures compared to what we had expected. Fuel prices, on the other hand, compensated with a

3.3% monthly pickup in the context of higher excise duties. On the energy bills front, electricity prices climbed by 2.6% in monthly terms, following July's whopping 61% increase.

That said, services inflation is particularly concerning, as broad-based price pressures remain the norm in almost every sub-component here. Through August, air fares, cosmetics, confectionery and repair services stood out with the largest monthly increases, followed by the hospitality industry.

Outlook

In the near term, we see a good chance for inflation to edge slightly into double-digit territory before moderating towards 9.6% by December 2025. We continue to see an elevated profile ahead until the summer of 2026, when the current inflationary shocks will fall out of the base and help inflation to stabilise at around 4.5% by the end of 2026.

However, the pace of disinflation will depend on broader factors such as economic growth, wage dynamics, and inflation expectations, which the National Bank of Romania will likely continue to factor in carefully. At this stage, the case for a more temporary inflationary episode - compared to the previous one - rests on the fact that it coincides with visibly slowing consumption and wage growth, alongside persistently low consumer confidence. On top of this, our team expects global oil prices to continue moderating, while a strong agricultural season should help contain food price pressures. Together, these factors are likely to exert downward pressure on inflation, with the effects becoming more apparent through 2026.

Policy implications

We maintain our view that, in the absence of new unforeseen shocks, we don't expect the NBR to raise rates through this inflationary episode, with policymakers keeping the key rate at 6.50% until the second quarter of 2026, after which a gradual easing cycle may begin. By the end of 2026, we expect the policy rate to be around 5.5%.

> Overall, the August inflation print brings a significant but largely expected increase in price pressures, which keeps our previous near-term outlook in place. We see inflation ending 2025 at 9.6% and 2026 at 4.5%, while the NBR should largely look through these price shocks as growth pressures and consumer behaviour remain key to watch ahead.

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