Romania’s headline inflation still elevated but the underlying picture is more benign

Romania s inflation rose to 9.6% in January, slightly above expectations, driven almost entirely by a 9% monthly increase in water supply and sanitation prices. Exclude that, and the overall inflation picture is broadly as expected, with signs of easing in services. We maintain our year end inflation forecast at 4.5%

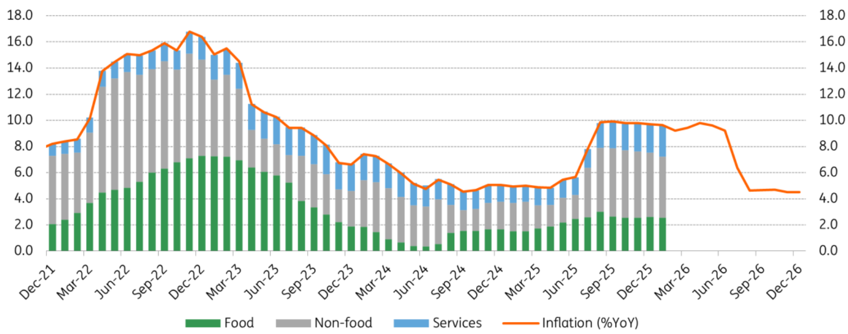
Shoppers in Bucharest

The situation in a nutshell

- Food inflation was mildly higher than anticipated, at 0.91% monthly, while the 0.51% non-food inflation aligned well with our projections
- Within services, the broad-based pressures seen last year continue to fade, consistent with softening wage dynamics and the increasingly contractionary economic environment (see our latest GDP note on this here)
- The main deviation from our forecast - and most of the headline surprise - comes from the water supply and sanitation category. This increased 9.1% versus the previous month, and

its inflationary impact was amplified as well by its weight in the CPI basket, which rose meaningfully (from 2.2% in 2025 to 2.8% in 2026)
- A new item, gambling services, enters the basket this year, but with a negligible 0.04% weight
- Core inflation was flat at 8.5%
- Electricity and gas now carry lower weights, meaning future price changes will have a smaller impact on headline inflation - important given their past role as a key source of volatility

Inflation profile and contributions



Source: NSI, ING

What do we make out of today's data

Despite the elevated headline, the underlying details show a more contained inflation backdrop. Given last week's weaker-than-expected GDP release, the economy is already experiencing a notable contraction, a development that should exert a powerful disinflationary force over the coming quarters.

Base effects will keep inflation somewhat sticky in the near term, but we expect prints to hover closer to 9.0% rather than 10.0% in the months ahead, before decelerating more markedly around July–August. Our year-end forecast remains 4.5%, with an average of 7.3% for the whole year.

Monetary policy implications

We expect the National Bank of Romania to adopt a more dovish tone as of this week. While we don't anticipate an immediate rate cut, the NBR s communication accompanying the February Inflation Report could lay the groundwork for an upcoming easing cycle. Our baseline remains a first 25bp rate cut in May and a total of 100bp of rate cuts in 2026.

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