Snap | 12 June 2025 ROMANIA

Romanian inflation accelerates more than expected in May

Romanian inflation ticked up to 5.5% in May (April: 4.9%), fuelled by some food and services items. We have recently lifted our 2025 year-end inflation forecast to 6.0%, and we now see chances of a maximum one 25bp rate cut at the last National Bank of Romania meeting of the year

Today's data came in higher than our above-consensus expectations (actual: 5.5%, our call: 5.4%, consensus: 5.3%). Both food and services inflation came in slightly above what we had expected, printing 0.9% and 0.6% monthly advances respectively. Fresh fruits remained the main culprit, followed by smaller upside pressures seen in sugar and coffee products. Potato prices rose by almost 10% through the month. On the services front, some exchange rate-exposed items like phone contracts picked up more visibly, while the widespread pressures across the whole category remained the norm.

There were no major surprises in the non-food items category, although on the energy front, there was a cancelling-out effect between lower electricity prices and stronger gas price pressures.

In year-on-year terms, food inflation accelerated to an eye-catching 6.5% (April: 5.6%), non-food inflation ticked up to 4.0%, while services inflation also went up to 7.0%.

Today's above-expectations print, the upside expected impact stemming from electricity bills, the still-uncertain fiscal package and the recent FX depreciation are all complicating the outlook ahead. At this stage, all things considered, we brought up our year-end inflation forecast to 6.0% from 5.0% previously. From there onwards, we see inflation gradually declining to 4.3% until December 2026.

On the risks to the forecast, the various measures expected in the fiscal package could bring both inflationary and disinflationary forces ahead, with a net mildly inflationary effect in the short run. Meanwhile, a pick-up in geopolitical risks from the latest events in the Middle East could cancel out some of the downside risks for inflation stemming from the rather low oil prices recorded so far this year.

> All told, our base case is now for only one 25bp rate cut from the National Bank of Romania in its last meeting of the year in November, with risks for delays towards 2026. A credible fiscal path, no rating downgrade, no further upside surprises in inflation and continued monetary easing from the Federal Reserve, European Central Bank, and the National Bank of Poland are the key factors at play that could allow further policy easing in Romania.

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