

## Romanian inflation settling above 3.0%

Inflation came in at 3.1% in March, in line with our forecast and a touch below consensus. We expect inflation to remain around current levels for the next couple of quarters, with the central bank's 3.5% upper bound likely to be tested in the last quarter of 2021. We maintain our 3.3% year-end forecast, with risks skewed to the upside



People shopping in a supermarket in Bucharest

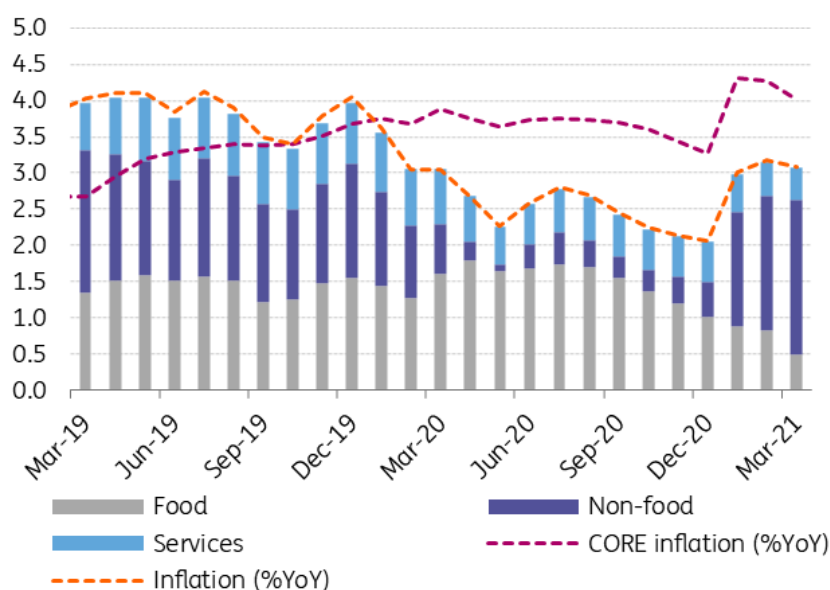
# 3.1%

 March inflation

Lower than expected

After three months of 2021, the Romanian inflation profile looks to be consolidating gently above 3.0%. The main takeaway from today's reading is -in our view- the stickiness of the core inflation rate which came in at 4.0%, well above the National Bank of Romania's 2.8% estimate for quarter-end. We see core inflation coming down in the next few months, towards the 3.5% area, but not below 3.0% as in the NBR's projections.

## Inflation (YoY%) and main components (ppt)



Source: NIS, ING

As mentioned in [our previous note](#), the risk balance looks to be pointing towards marginally higher inflation versus our current forecasts. However, to the many “ifs” influencing the inflation forecast we can now add a potential downside factor. This relates to possibly lower-than-expected economic activity in the first quarter of 2021, marked by a resurgence of coronavirus infections and a new set of restrictive measures. We are therefore maintaining our 3.3% year-end inflation forecast.

Policy-wise, today’s data shouldn’t change anything in the central bank’s stance. We expect the key rate to stay unchanged at 1.25% for the rest of the year. After last month’s long-expected upward adjustment in the EUR/RON, stability should prevail in the FX space as well. In the bond space, the central bank’s approach will likely stay unchanged, aimed at containing excessive volatility during sell-offs. Hence, secondary market purchases should remain limited and used more as a signalling function to preserve market functionality.

### Author

**Valentin Tataru**

Chief Economist, Romania

[valentin.tataru@ing.com](mailto:valentin.tataru@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an

investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.