

Romanian inflation steadies as trade risks mount

Romanian inflation came in at 4.9% in March (February: 5.0%), boosted by service prices and some food items, but counterbalanced by lower energy prices. Today's result adds support to our above-market year-end inflation forecast of 5.0%



Today's inflation data bolsters our above-market forecast of 5% inflation this year

Romania's March data met our overall expectations. Monthly food and non-food inflation came in at 0.8% and -0.3% respectively, both slightly better than anticipated. While this is a positive development, especially given that energy prices were a main contributor, that's pretty much all the good news. Services inflation rose to 0.9%, exceeding our expectations and showing persistent price stickiness across the board.

In year-on-year terms, food inflation picked up to 5.1%, non-food inflation slowed to 3.8%, while services inflation interrupted its slow disinflation trend and rose to almost 7.0%.

Core inflation ticked up to 5.3%, reversing last month's gains. Its profile looking ahead remains sticky, in line with the somewhat still-elevated wage growth that adds fuel to services inflation. These remain some of the key domestic aspects that are likely to keep the National Bank of Romania (NBR) prudent when it comes to local inflation risks, alongside the fiscal deficit.

Fluctuating weather patterns and commodity price swings, especially oil, remain key risks to the forecast. Meanwhile, potential changes to the tax burden further down the line bring both downside risks for growth and upside risks for inflation. Mounting trade disputes add mixed risks to the equation.

Considering both internal and external risks, we think that inflation will end 2025 at 5.0% and average 5.2% throughout the year, as indicated in our latest [Directional Economics](#) update. Our base case remains for 50bp of cuts from the NBR, although we acknowledge that risks are tilted towards less easing – or none at all, given that much also depends on action taken by other central banks in the US, the eurozone and Poland.

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