

12 June 2020

Snap

Romania: May inflation brings little surprise

Romania inflation might have just seen the lowest for the year, but having said that we don't see inflation rising much from current levels. Nonetheless, today's reading is unlikely to change the central bank's future monetary policy decisions

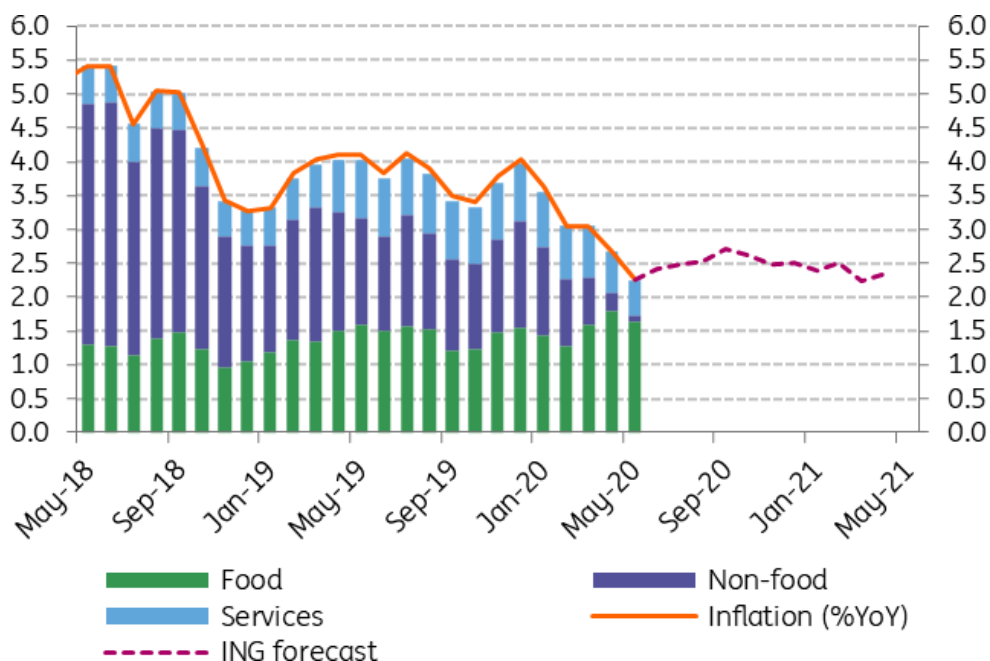


People shopping in a supermarket in Bucharest

Romanian inflation in May accelerated by just 0.05% compared to the previous month as the 0.3% monthly food inflation was the lowest in eight months. The 2.30% May inflation came in line with our view and just below Bloomberg consensus of 2.40%. Better behaved food prices should last through the summer which will help headline inflation to stay close to today's print.

Cheaper fuel (-1.75% MoM) helped non-food prices to drop for the fourth consecutive month, this time by 0.2% versus April. Unless we get another major downside surprise from oil prices, we believe prices of non-food items will start to pick-up marginally, at least getting closer to zero growth in monthly terms.

Inflation and components



Source: NIS, ING

After today’s data, we maintain our forecast of 2.8% annual inflation in 2020, with the risk balance starting to be tilted lower. Nevertheless, there are many uncertainties ranging from the depth of demand contraction (retail sales were 22% down in April versus March) to the speed of internal and external recovery.

Industrial production has plunged by a dramatic 38.6% in April, dashing hopes of seeing much economic resilience in the second quarter.

Today’s reading is unlikely to change the central bank’s future monetary policy decisions.

We still believe that the rate-cutting cycle is over and – if at all – additional easing could come through looser liquidity management. On the FX side it is business as usual, with the central bank’s firm grip on the currency offering little prospects of a more volatile leu.

[Romania: Cautious cut from the central bank](#)

Valentin Tataru

Economist, Romania

+40 31 406 89 91

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 NV 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. The producing legal entity 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 subject to limited regulation by the Financial Conduct Authority (FCA). 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.