

## BNR: Annual inflation rate expected to pick up gradually during 2021

**The annual inflation rate is expected to pick up gradually during 2021 until nearing the upper bound of the target band, under the impact of supply-side shocks, the National Bank of Romania (BNR) said in a release today after the meeting of the monetary authority's Board.**

"In today's meeting, the BNR Board examined and approved the March 2021 Inflation Report, which incorporates the latest available data and information. The new scenario shows a change in the inflation outlook versus the previous projection, as the updated path of the forecasted annual inflation rate is revised significantly upwards in the short term and to a smaller extent over the latter part of the projection horizon. Specifically, the annual inflation rate is anticipated to pick up gradually during 2021 until nearing the upper bound of the target band, under the impact of supply-side shocks, and - after a sizeable downward correction at the beginning of next year - to climb again and remain slightly above the mid-point of the target, amid the earlier reopening of the positive output gap and its subsequent slow widening," the central bank said.

The annual CPI inflation rate rose to 2.99 percent in January 2021 from 2.06 percent in December 2020, and to 3.16 percent in February, i.e. well above the previously-expected level, under the transitory impact of the liberalisation of the electricity market for household consumers and following the rise in fuel prices driven by higher oil prices. These developments were only to a small extent counterbalanced by the opposite influences from the VFE segments and tobacco products, as well as from core inflation deceleration, BNR explains.

The annual adjusted CORE2 inflation rate continued to decrease slowly over this period, falling to 3.1 percent in January and staying at this level in February, from 3.3 percent in December 2020, mainly due to the disinflationary base effects associated with the developments in some processed food prices, to which added the modest influences of the aggregate demand deficit.

The new quarterly Inflation Report will be published on March 16.