

Inflation at end of 2021 to be 3.4 pct, central bank says

The annual rate of CPI inflation is expected to maintain its upward trend until the end of the year, when it will reach the level of 3.4 pct, and will fall to 2.8 pct at the end of 2022, the Report on Inflation of the National Bank of Romania (BNR) reads.

"After a large increase in January 2021, against the background of the increase in electricity tariffs and fuel prices, the annual rate of CPI inflation is expected to maintain its upward trend until the end of the year, when it will reach the level of 3.4 pct. This evolution is associated exclusively with the dynamics of the exogenous components of the basket of consumer. With the dissipation of their unfavorable temporary influences at the beginning of next year, the annual CPI inflation rate is expected to slow down, reaching the level of 2.8 pct at the end of 2022," the report says.

BNR says that the annual rate of the base inflation is expected to continue its decrease in the first part of the projection range and then to stabilize at the level of 2.7 pct by the end of the forecast interval. The contribution to the annual CPI inflation rate from indirect tax changes is estimated at 0.3 percentage points at the end of 2021 and 0.4 percentage points at the end of 2022.

According to the source, the average annual rate of CPI inflation will also have an upward trend during the current year, reaching 3.2 pct in December 2021, after which it is projected in reduction to 2.6 pct at the end of 2022.

"Compared to the November Report, the annual CPI inflation rate was revised upward by 0.9 percentage points for the end of 2021, on account of all components of the market of consumer, less volatile food prices. Over the next year, the upward revision comes from a higher contribution from the adjusted CORE2 index, only partially offset by lower fuel price intake," the report concludes.