The Inflation (Consumer Prices) in the Romanian Economy

Prof. Constantin ANGHELACHE PhD.
Bucharest University of Economic Studies, "Artifex" University of Bucharest
Georgiana NIȚĂ PhD. Student
Alexandru BADIU PhD. Student
Bucharest University of Economic Studies

Abstract
This paper describes the effects that the inflation phenomenon exerted on the Romanian economy during the recent period. The valuation of the inflation magnitude is based on the characteristics of consumer price evolution, measured through appropriate indices,on the overall recordset, but also on groups of products/goods and services.
Key words: inflation, consumer prices, indices, income, evolution.

An important element to consider when evaluating the economic evolution of a country over a period of time consists of the way the consumer prices developed, both on an overall basis and by groups of goods and services, as well as of the dual comparison with the planned, forecasted target and the outcomes of the previous year.

In the context of the steady concern as regards the adjustment of the system of the income collecting, based on the unique quota of taxation, as well as bringing the Fiscal Code to the level of correlative terms, in line with the actual situation of the country, in 2010-2015 there are a number of events occurring and worth to be outlined.

First of all, the discussions between the Romanian Government and the I.M.F., have been finalized and the installments out of the granted credit were allocated. Practically, all of them, over 20 billion euro, were integrally transferred in 2011.

There have been a number of elements which the I.M.F., intransigent and willing to see a market economy in action, did not agree with. Thus, for instance, there have been many concerns in respect of how to convince the I.M.F. to agree with a higher deficit of GDP or to keep on accepting the situation of having certain subsidies at the level of the national economy.

The second essential phenomenon of the years 2010-2015 is given by the divergent evolution between the consumer price index, as an overall and in structure, in comparison with the evolution and appreciation of the

national currency, the new leu, against the two currencies which are forming the foreign exchange basket, respectively Euro and USD.

Since a couple of years, as a consequence of the policy run by the National Bank of Romania, which undertook the responsibility of targeting and fixing the inflation at certain levels, the foreign exchange evolution of the national currency followed a trajectory which, from a economic and financial point of view, proved to be a positive one but, meantime, generated a negative effect on the Romanian exports, or for those working abroad and those living in the country, being meantime non-conform with the actual economical situation of the country.

On this back-ground, during the period 2010-2015, we register also time intervals of slight appreciation of the national currency, in contradiction with the increase of the inflation rate, both on an overall basis and in structure by goods and services. We can outline two contradictory evolutions which we could identify from this point of view. On the one side, the increase of the consumption propensity of the population and, hence, the imperative requirement for steps meant to stop this tendency. Thus, at a first stage, the interests for the population deposits have been reduced after which, in order to improve the attractiveness of saving, they have been increased again aiming a sole purpose, respectively tempering the population propensity to consumption.

The austerity steps being taken have stopped, in a natural way, the population consumption with immediate effect on the economic growth and deterioration of the standard of life. The revival measures of salaries and pensions, but also other social attempts, did not succeeded to improve, upon expectations, the incomes and subsequently the quality of life. On the other hand, in its concern as to targeting the inflation, the National Bank aimed to implement and control, permanently, the evolution of the foreign exchange rate, consequently the position of the national currency against the two foreign currencies – euro and dollar. Another typical element is given by the steady concern of the Executive and, mainly, of the National Bank, to observe the goals declared as regards the inflation targeting. Despite all steps being taken targeting slipped out of an actual control, lining up outside the forecasts, from 2010 until June 2012.

Price increase in July 2015

− Percent −

Indicators	Increase of consumption prices in July 2015, as against:			Monthly average increase of consumption prices during the period	
	June 2015	December 2014	July 2014	1.I- 31.VII. 2014	1.I- 31.VII. 2015
Total	-0,2	-1.4	-1.7	0,2	-0,2
Foodstuff *)	-1.2	-7.1	-7.3	0,0	-1.0
Non-foodstuff	-0.5	2,1	1.3	0,3	0,3
Services	0,1	1,3	2.2	0,2	0,2

*) Including beverage.
Data source: National Institute of Statistics, Statistical Bulletin no. 7/2015.

After 2013, a reverse trend of inflation evolution begins, kept under control. Among the non-foodstuffs recording a high average increase there are the natural gas, the thermo energy, tobacco and cigarettes, electric energy, water – sewage – sanitation, hygiene and cosmetics, postal services, inter-urban transport.

Consumption price indexes, 2001-2015
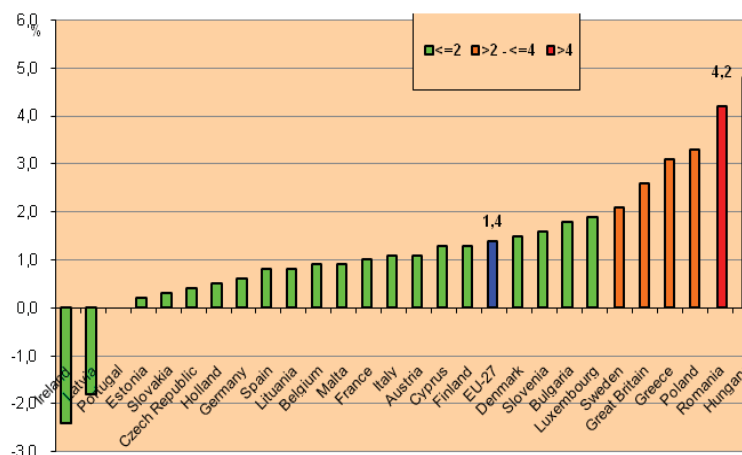**- December previous year= 100 -**
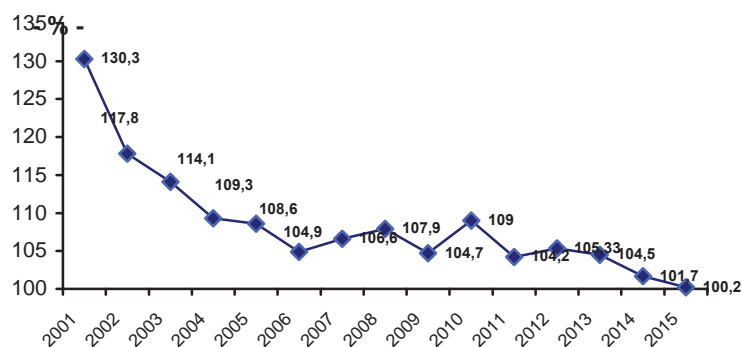
*) Provisional data.
Data source: National Institute of Statistics, Statistical Bulletin no. 7/2015.

A comparative survey on the annual average inflation in the EU member countries during the period 2010-2015 shows that, along with Hungary, Romania was recording a high level of the inflation annual average level.

The annual average rate of inflation at the EU level, in 2014* measured on the harmonized indices basis (IAPC)

At this point, there are a lot of other comments to be done but for a synthetic picture of the consumer price index we are holding present analysis only.

References

1. Anghel, M.G. (2015). *The Inflation (Consumer Price) Evolution*, Romanian Statistical Review - Supplement/No. 1, International Symposium „Programs for Romania's Economic Recovery in the Horizon 2020 Perspective", pg. 128 – 132
2. Anghel M.G. (2014). *Econometric Model Applied in the Analysis of the Correlation between Some of the Macroeconomic Variables*, Romanian Statistical Review, Supplement/No. 1
3. Anghelache C. (2015). *România 2015. Starea economică în continuă creştere,* Editura Economică
4. Anghelache, C. (2014) – „Romania 2014. Starea economică pe calea redresării", Editura Economică, Bucureşti
5. Anghelache, C.; Gheorghe, M.; Voineagu, V. (2013). *Metode şi modele de măsurare şi analiză a inflaţiei*, Editura Economică, Bucureşti
6. Karanassou, M., Snower, D. (2007). *Inflation Persistence and the Philips Curve Revisited*, Kiel Institute for the World Economy in Kiel Working Papers series
7. www.insse.ro – official site of the National Institute of Statistics of Romania