
Some Aspects Regarding the Inflation Evolution During the Last Period

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Abstract

This paper develops on the evolution of the consumer prices, that give the measure of inflation. The case study is based on the situation of the Romanian economy. One of the main phenomena that affects a national economy is the inflation, therefore the authors considered that a thorough analysis of the situation in Romania, based on official data, is useful both from the theoretical and practical viewpoints.

In this paper, the authors started from the old definition of the inflation, considered a process to multiply additional money without any correlation of the increase in output (production).

On the other hand, the economists considered that we get nominal and real prices. That means that from one period to another, the price for the same good is different. Starting from that theoretical aspect, we used the data published by the National Institute of Statistics in order to show how the modification of the prices changed the nominal prices in real prices. Normally, the increase of prices leads to the need for more money for persons in order to satisfy their need for consumption.

Key words: *inflation, prices, manufacture, goods, industry, agriculture, services*

Introduction

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.

Literature review

Davis (2002), Anghelache, Isaic-Maniu, Mitruț and Voineagu (2007) and Anghelache (2008, 2009) are reference work in the field of statistics, they have thoroughly described the mechanics of inflation. Anghelache (2013, 2014, 2015) analyzes the evolution of this phenomenon in Romania. Alves and Silva (2007) develop on the variance estimation. Diebold, Kilian and Nerlove (2006) focus on time series analysis. Dobrescu (2006) describes a macromodel for the national economy of Romania. Karanassou and Snower (2007) analyze the inflation from the Philips curve perspective.

Evolutions during the period 2010-2015

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.

Status of inflation during the first semester of 2016

In June 2016, the weight of goods and services that have recorded decreases of prices compared to June 2015, is 49,8%, the ones that have recorded increases by 0 - 2,5% hold a share of 34,7%. The goods and services for which the prices grew by more than 2,5% have a weight of 15,5%.

Price increase in June 2016

Table 1
– Percent –

Indicators	June 2016			Monthly average inflation rate	
	May 2016	December 2015	June 2015	1.I- 30.VI. 2014	1.I- 30.VI. 2015
Total	99,83	99,01	99,30	-0,2	-0,2
Foodstuff ^{*)}	99,32	100,29	100,03	0,0	-1,0
Non-foodstuff	100,09	98,48	98,78	-0,3	0,3
Services	100,10	98,06	99,26	-0,3	0,2

Data source: National Institute of Statistics, Press release no. 175/11 June 2016

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.

Partial IPC calculated by the exclusion of some components

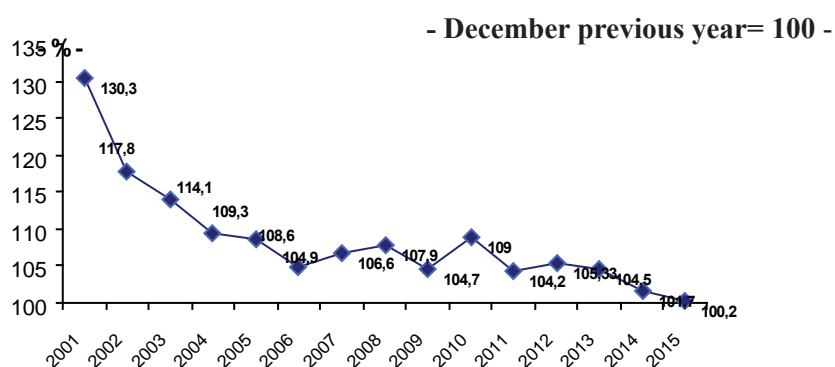
Table 2

	June 2016
Total IPC w/o alcoholic beverages and tobacco	99,81
Total IPC w/o fuel	99,77
Total IPC w/o products whose prices are regulated	99,79
Total IPC w/o vegetables, fruits, eggs, fuels and products whose prices are regulated	100,07
Total IPC w/o vegetables, fruits, eggs, fuels and products whose prices are regulated, alcohol and tobacco	100,08
TOTAL	99,83

Data source: National Institute of Statistics, Press release no. 175/11 June 2016

Consumption price indexes, 2001-2015

Graphic 1a



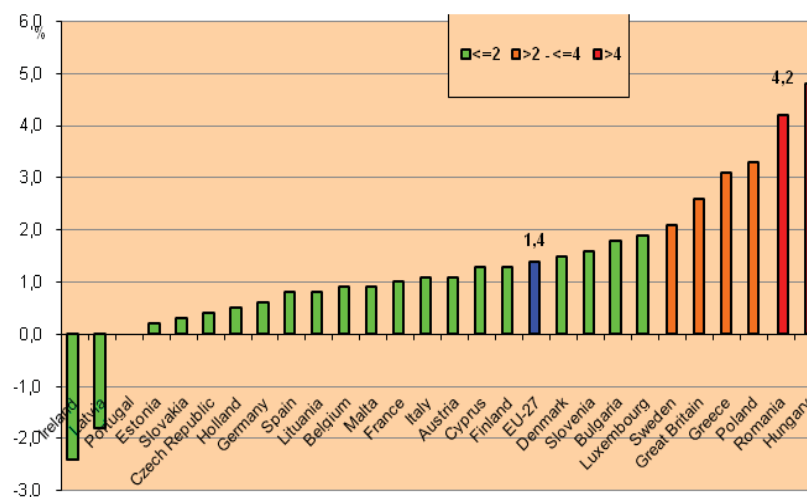
*) Provisional data.

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)**

Graphic 1b

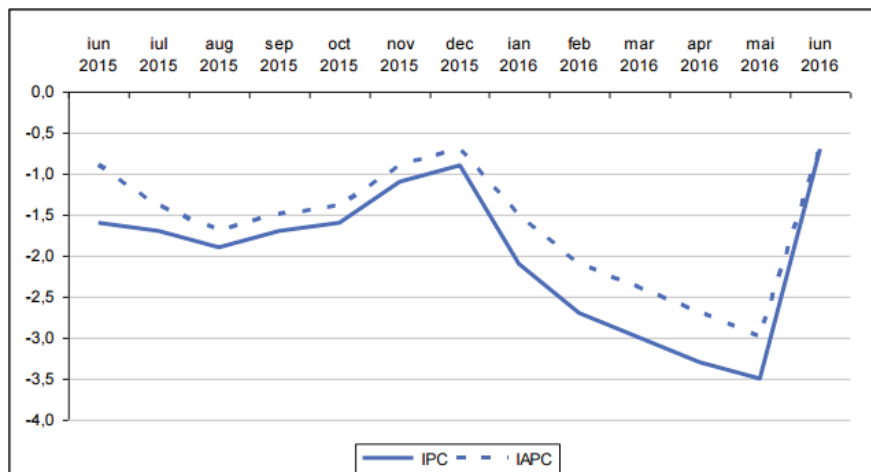


*) Provisional data

Data source Eurostat.

Annual consumption price modification

Graphic 2



Data source: National Institute of Statistics, Press release no. 175/11 June 2016

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.

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