

For visible effects on economy, BNR should raise key rate to 2.5 ppa (CFA Romania)

For visible effects on the economy, the National Bank of Romania (BNR) should raise the key interest rate four more times by increments of 0.25 percentage points each to 2.5 pct per annum, vice president of Romania's chartered financial analysts association CFA Romania, Adrian Codirlasu, told a conference on Thursday.

"Regarding monetary policy, in the latest CFA Romania survey we said we expect at least two key interest increases in the next 12 months. The first one came quickly. What I think determined the BNR to proceed earlier than most of the market's anticipations was the fact that we expect second-round effects of the rising energy prices to influence inflation expectations. I think this was the main reason, fighting inflationary expectations. But this 0.25 pp is practically just a signal that the Central Bank is concerned about inflation. To really have an impact on the economy and reduce the inflation rate ... there should be at least four more increases, so go from 1.5 ppa to 2.5 ppa for a visible impact on the economy," Codirlasu told the conference "Pandemic Goes On: Romania Where to? How Does the Romanian Economy Withstand the Pandemic", an event dedicated to the entrepreneurial ecosystem, organized by Oxygen Events with the support of the Romanian Banking Association.

Adrian Codirlasu explained that BNR cannot influence all prices, energy prices included, through the measures it takes.

Earlier this month, the Board of the National Bank of Romania decided to increase the benchmark interest rate to 1.5 pct per annum, to put up the deposit facility rate to 1 pct per annum, and increase the lending facility rate (Lombard) to 2 pct per annum.