

Over half of December inflation, attributed to direct effects of energy prices (BNR's Popa)

More than half of the inflation registered in December 2021 is attributed to the direct effects of energy prices, says Cristian Popa, Board Member of BNR (National Bank of Romania), in an article which will be published on the BNR's Opinion blog.

"Romania cannot afford to remain out of global tendencies without being penalized by financial markets with pressure on the exchange rate and in general by higher inflation pressures. It must be said that there are prices that cannot be controlled by BNR: such as gas prices, electricity or those administered (ticket fare or cigarettes' prices, for example), and the central bank cannot lead a war, because its instruments have very little influence, towards none, upon these prices. But it also cannot abstract from them," Cristian Popa showed, in an article "Fight against continuous inflation".

He said that the bill for inflation will be paid by increasing prices for goods and services, it is mainly paid by those with fixed income which does not quickly adjust upwards, but also by those who have savings or monetary holdings, "under the mattress" or in fixed income instruments.

Cristian Popa says that inflation can become destructive, if allowed to get out of control or to reach high levels, but says that the good news is that the central banks have a treatment for inflation, which is increasing interest rate, meaning making money more expensive.

In his opinion, the wages-prices spiral represents a clear example of not being in touch: if the public no longer believes that the central bank will handle inflation, they will ask for salary adjustments which will include their expectations, higher, for inflation, and added that relaxed or too relaxed fiscal policies can have an inflationary character.