

THE COMPLEXITY OF INFLATIONARY PHENOMENON IN ROMANIA AND ITS IMPLICATIONS

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Abstract:

Inflation is the main imbalance factor that Romanian economy faced during the last 16 years. Despite the positive evolution in the near past, this country is still the one with the highest inflation level among the countries in transition period. The main reasons for this delay are: the fitful and protracted price's liberalization, the slow progress in privatization, the stop-and-go stabilization efforts and the relatively late start of National Bank in the strategy of competitive disinflation. Starting from August 2005, the National Bank of Romania (NBR) introduced the strategy of inflation targeting, which implies: the public announcement of a quantitative inflation target; the price stability being set as main goal of the monetary policy; a wide set of good macroeconomic data; the technical capacity of NBR to forecast inflation and an increased level of transparency. This strategy will be applied in Romania until the ERM II, because the NBR has considered inflation targeting to be the most appropriate medium term monetary policy framework.

Keywords: *inflation, inflation targeting, monetary policy*

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