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The Energy Crisis and Its Real Impact on the Inflation Rate

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Abstract. In the year 2022, inflation has become a global phenomenon. According to the World Bank, inflation affected developed countries (100%) and emerging markets/developing economies (87%). About two-thirds of advanced economies and just over half of emerging markets exceeded forecast inflation for 2021. This drove interest rates higher and helped tighten monetary conditions. As a result of the increasing costs of loans, this fact can lead to financial crises. The main causes on account of which the political factor justifies the increase in inflation refer to the war in Ukraine and the energy crisis. However, the direct effect of energy prices on inflation is low, as the share of energy costs in the consumption basket is low, according to the calculation formula used at the European level. Moreover, the population's perception reinforces this aspect, considering the fact that the prices of the most common food products in the daily basket have doubled or even tripled. Even in these conditions, energy companies continued to make high profits, which is why the need to overtax them at the European level arose. Although the energy crisis is recognized as one of the main causes of inflation, despite the importance of this topic, academic studies have neglected to analyze the real impact on inflation of energy shocks resulting from price increases. In such a context, the present study starts from the premise that the current energy crisis cannot be considered to be the only determining cause of the growth of the inflationary phenomenon. This could be the result of macroeconomic policies perpetuated over several decades, without a positive echo in the economy.

Keywords: resilience, sustainable development, energy crisis, inflation

Introduction

In the year 2022, as a result of the general increase in prices, inflation has become a global phenomenon, in a way too simplified being justified by the war in Ukraine and the global energy crisis. For these reasons, many macroeconomists have become concerned with energy shocks based on the premise that an increase in energy prices has an impact on the prices of other goods and services, the costs being transferred to the final consumer with a certain delay compared to the trigger moment.

In response to this phenomenon, according to the theories, the final consumer is able to initiate the negotiation of a higher salary gain and governments are able to meet the needs of the consumer with various subsidies and aids designed to help cross the shock wave. Thus, "a wage-price spiral can set in, causing further increases in general prices that may reappear periodically as wages catch up with consumer prices or may occur gradually if wage renegotiations are extended over time" (Blanchard 1986).

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However, when calculating the average increase in prices, the weight allocated to the products in the consumption basket is different, both according to the categories of products consumed and according to the consumption pattern of the households.

At the European level, approximately 700 daily/durable goods and services are taken into account that together make up the "basket". The monthly inflation calculation is carried out by Eurostat, by comparing the full price of the basket to the same month of the previous year. The dynamic is being measured by the HICP (harmonized index of consumer prices), ensuring comparability between the countries of the EU zone.

The empirical methods of calculating the HIPC by collecting prices, calculating the weight of product groups and the share of each country in the total consumption expenditure have led to obtaining some statistical values that are contradicted by the perception of the population. Real inflation appears to be much higher than statistically calculated, especially as it is perceived differently from one household to another, depending on the predominant products in the basket and household incomes. Moreover, the state's intervention in maintaining price stability wants to reduce the inflationary phenomenon, as the officially declared value for the inflation rate. But, these efforts did not improve the perception of the population. Without clarifying the main generating causes, the profit of the companies in the energy field registered increasing evolutionary trends, the cause of the general overtaxation at the European level. Looking from this perspective, the developments recorded in terms of the measures with which states intervene in the inflationary phenomenon, compared to those adopted a few decades ago, are laudable, but there is room for more.

If in the 70s, when inflation recorded high values, both in Europe and in the USA, non-monetary measures aimed at the concerted reduction of aggregate demand were considered in its control, after four decades the approach was changed. Thus, "a non-monetary perspective on inflation is no longer prevalent in policy circles giving reason to believe that monetary policy in the modern era is well positioned to prevent the recurrence of high rates of inflation" (Nelson, E,2022). The non-monetary approach has been shown to be both ineffective and useless for controlling inflation, while the use of monetary policy (interest rate, exchange rate and money supply), fiscal policy, price controls and chain streamlining tools of supply can control inflation, being the levers with which the state can intervene in maintaining price stability. Many results converge on the idea that monetary policy could play a decisive role in cyclical stabilization. With utmost caution, monetary policy could influence economic activity, at the aggregate level, in the medium and short term and could have a stabilizing role only if it takes into account the type and nature of shocks (Angeloni et al., 2003), all circumstances specific factors that lead to the triggering of crises and the exact cyclical position of the economy.

Starting from the premise that the current inflationary phenomenon has among its main causes the energy crisis, according to a study undertaken by Kilian, L, and X Zhou it appears that "an unexpected increase in the level of energy prices, by itself, does not create persistent inflation", considering that the share of energy expenses in the consumption basket is low.

Starting from these few elements, the current study advances the idea that a strict cause-and-effect relationship between the energy crisis and current inflation is more difficult to determine and that, in fact, there are many more elements worthy of consideration. Thus, the present document is focused on carrying out several analyzes from which some relevant theories-conclusions can be formulated regarding the validation/invalidation of these intensively circulated theories.

Premises and findings

As previously mentioned, the increase in the inflation rate in recent years has been attributed to the increase in the prices of energy products and the increase in the price of food, as a consequence. But, as can be seen from Table 1, the biggest contribution to the annual inflation of the EU zone is held by food products and non-alcoholic beverages, and the evolutionary trend is increasing. Contributions to electricity and gas were selected, as most households use them, unlike the contribution of fuels for which the share in the consumption basket of households is variable and depends on many other elements. Moreover, electricity prices vary widely, even between EU states, unlike the price of fossil fuels, which have uniform prices as they are traded on global markets.

Table 1. Contributions to annual inflation – HICP – January 2023

Reporting period	2022-04	2022-05	2022-06	2022-07	2022-08	2022-09	2022-10	2022-11	2022-12	2023-01
Food and non-alcoholic beverages	1,25	1,47	1,74	1,93	2,08	2,3	2,56	2,65	2,66	2,7
Electricity	0,91	0,91	0,94	1,01	1,14	1,15	1,35	1,2	1,01	0,64
Gas	0,98	1,	0,98	1,05	1,26	1,45	1,64	1,46	1,08	0,75

Source: Own processing based on Eurostat data [PRC_HICP_CTRB]
https://ec.europa.eu/eurostat/databrowser/view/PRC_HICP_CTRB/bookmark/table?lang=en&bookmarkId=bac11816-2418-49ca-8966-654723b72928

What exactly has generated this growth and why?

It is more difficult to determine with maximum accuracy, given the fears generated by increased consumption and food waste. But, it is certain that the price of food will start to rise from the year 2020. This was initially attributed to the COVID-19 pandemic, by decreasing the supply, when many businesses closed or were restricted to work normally. Subsequently, rising energy prices continued to amplify the upward trend in food, and Russia's invasion of Ukraine dramatically worsened this. Moreover, according to the World Bank "trade policies are a major source of risk to global food price stability […] trade policy actions on food and fertilizers have increased since the start of the Ukraine war". It should be noted that, according to global statistics, Russia and Ukraine account for almost one-third of the world's wheat and barley production and two-thirds of the world's export of sunflower oil used for cooking. Ukraine ranks 4th in the world in the export of corn. Moreover, Russia is one of the largest exporters of fertilizers (nitrogen, phosphorus and potassium), and the war in Ukraine is disrupting supplies, putting future harvests at risk. According to the World Bank, "domestic food price inflation continues to remain high in almost all countries."

In such a context, how can states intervene in countering the inflationary phenomenon, given the ineffectiveness of the non-monetary measures of the 1970s and the disruptive external factors that are on the rise?

First, inflation can be controlled by an appropriate *monetary policy* that aims to reduce the money supply by lowering bond prices and raising interest rates. In this way there is a decrease in consumption, a reduction in prices and a slowdown in inflation. At the European level, the task of maintaining price stability rests with the European Central Bank. As a result of its monetary policy, the inflation rate was significantly lower after the 1990s than in the 1970s and 1980s when inflation was at a high level in the EU countries.

At the local level, in Romania, the development and application of monetary policy and exchange rate policy fall under the attributions of the National Bank of Romania (NBR), according

to art. 2 of Law no. 312/2004. It sets its monetary policy strategy and decides on the instruments and procedures to achieve its objectives. The decisions of the Board of Directors of the NBR adopt the monetary policy interest rates, for the lending/deposit facility, the levels of the mandatory minimum reserve rates of the credit institutions etc. Moreover, according to Law 312/2004 (on the Statute of the NBR), the fundamental objective of the NBR is to ensure and maintain price stability.

Also, high inflation rates can still be combated by an appropriate *fiscal policy* that aims to maintain government spending and increase taxes. These measures lead to a decrease in personal disposable income, a decrease in consumption, implicitly a decrease in demand and prices and, finally, a decrease in the inflation rate. The same effect can be achieved by reducing government spending without raising taxes. There are also other government fiscal policy measures through which import taxes can be reduced, exports limited as well as a number of other elements or a combination of measures that lead, as a whole, to lower inflation. At the European level, an attempt was made to build a solid framework to prevent unsustainable public finances. Thus, several reforms were carried out which gradually entered into force, starting in 2011, including the Fiscal Pact and a regulation on the evaluation of draft national budget plans, which entered into force in 2013.

In Romania, in the current context, "policy fiscal must remain firmly committed to the programmed slope of reducing budget deficits and public expenditures" (Government of Romania, 2023), and the main measures are aimed at improving the level of tax and fee collection, increasing some taxes (on dividends, on property) and taxes (VAT), the repeal of the provisions on the tax on the additional income made by electricity producers, a series of tax facilities and other measures.

Last but not least, inflation can be reduced through *a series of measures leading to the stimulation of the increase in the production of goods and services*, through tax reductions, subsidies, institutional support, price caps and a series of other non-limiting measures. From this perspective, a series of measures have been taken, both at the European and local level, to lead to the flattening of the population's perception of the inflationary phenomenon (energy aid, various funding programs in the energy field etc.) measures on which this study does not wish to insist much, except by way of example. The most significant measure that was adopted in this regard took place last year overseas, when the United States of America passed the Inflation Reduction Act, through which more than 500 billion dollars (both spending and tax exemptions taxes) will help boost clean energy, reduce health care costs and increase tax revenues. Many European investments are expected to migrate across the Atlantic.

With all these levers and financial, fiscal and other instruments that were created to reduce the inflationary phenomenon, the following was found:

1. The contribution of food to annual EU inflation continued to rise, although the contribution of electricity and gas fell (Figure 1);

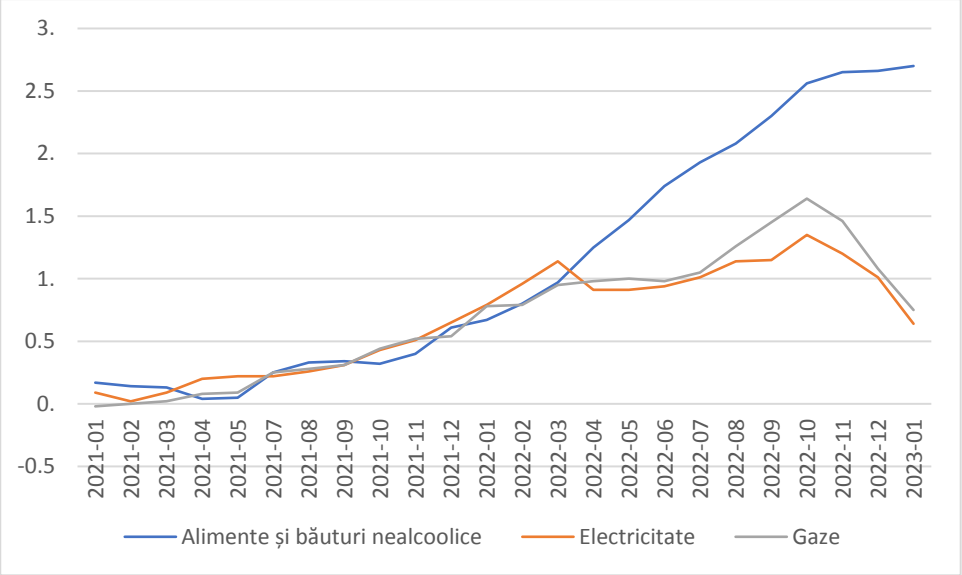


Figure 1. The evolution of the contribution of food products, electricity and natural gas to the annual inflation of the euro area (01.01.2021-31.12.2022).

Source: Own processing based on Eurostat data [PRC_HICP_CTRB] (https://ec.europa.eu/eurostat/databrowser/view/PRC_HICP_CTRB/bookmark/table?lang=en&bookmarkId=bac11816-2418-49ca-8966-654723b72928)

2. Inflation does not show the same evolution as the price of electricity - increased inflation at a reduced price of electricity and vice versa (Figure 2).

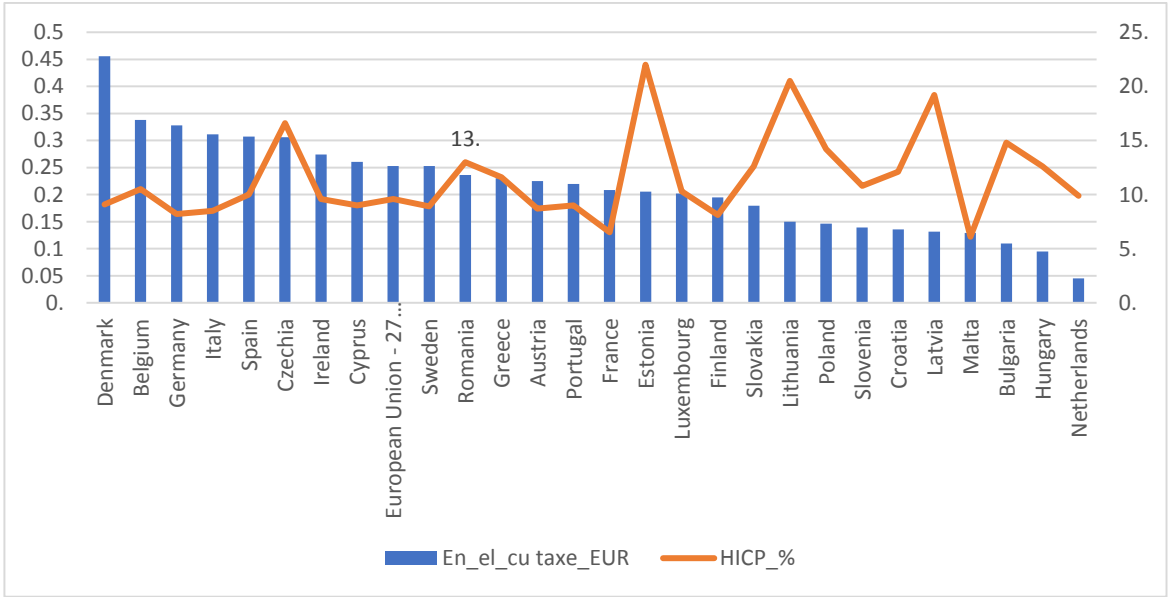


Figure 2. The average inflation rate at 12 months and the price of electricity for household consumers at the level of the euro area countries (la 30.06.2022).

Source: Own processing based on Eurostat data [NRG_PC_204; PRC_HICP_CTRB] (https://ec.europa.eu/eurostat/databrowser/view/NRG_PC_204__custom_5202008/default/table?lang=en; https://ec.europa.eu/eurostat/databrowser/view/PRC_HICP_CTRB/bookmark/table?lang=en& bookmarkId=bac11816-2418-49ca-8966-654723b72928)

As can be noted, for electricity, price schemes vary from one country to another, caused by different prices charged by suppliers, being negotiated contracts for non-household consumers. For household consumers, the price of electricity is pre-set, depending on the amount of electricity consumed, in general. The governments of EU countries have taken different measures to help consumers cope with price increases: allowances included in electricity and gas bills, VAT reductions, maximum ceilings beyond which the state bears the difference, vouchers to offset electricity costs etc. From November 1, 2021, the support scheme created by the Government of Romania, for electricity consumers, provides for a cap on the price component of electricity in the final bills paid by electricity consumers. The price ceiling is differentiated according to the type of consumer (household, non-household) and the level of energy consumption. As a note, from September 2022, the price cap for non-household consumers is no longer applicable.

In such a context, where different measures are applied from one EU country to another, it is not surprising that the inflationary impact is different, both in size and in the direction of evolution. Moreover, the identification of causal relationships becomes more and more difficult, given that the cost of distribution is also different from one country to another, depending on the density of households as well as a number of other criteria.

With regard to the monetary policy adopted at the European level, the Governing Council of the European Central Bank periodically sets the key interest rates for the euro area, the monetary policy interest rates, for the lending/deposit facility (Figure 3) etc.

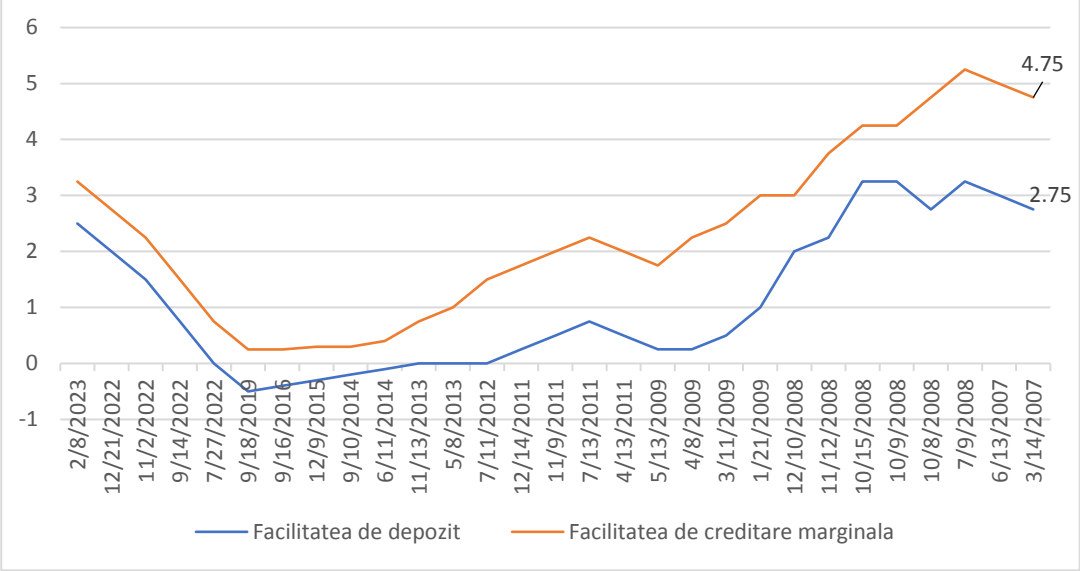


Figure 3. Evolution of key rates at ECB level – 2007-2023

Source: Own processing based on ECB data (https://www.ecb.europa.eu/stats/policy_and_exchange_rates/key_ecb_interest_rates/html/index.en.html)

For example, in February 2023, the marginal lending facility was 3.25%, and the deposit facility was 2.5%, compared to those established by the BNR, at a level more than double. In the meeting of February 9, 2023, the Board of Directors of the NBR decided to maintain the monetary policy interest rate at 7%, the interest rate for the credit facility (Lombard) at 8% and the deposit facility at 6%. EU member states apply different rates, higher or lower than the ECB's reference rates. No complete data is available in this respect.

3. Regarding the fiscal policy adopted at the European level, it can be stated that it revolves around the key aspects regarding the discipline on the composition of government expenditures and revenues, budget deficits and public debt, considering the fact that national monetary and exchange rate policies do not they can still respond so well to country-specific shocks. Member States must avoid excessive public deficits, with the reference value for the general government deficit being 3% and the gross debt of 60% in relation to GDP, in order to ensure sound budgetary policies on an ongoing basis. But even with these European provisions, each country continues to organize its own tax policy as it sees fit. Regarding Romania, as long as it does not manage to recover economically in the periods between crises, without a control over how the attracted resources are spent (by streamlining processes and restructuring state institutions), the effects of the crises will be permanent, regardless of their nature (sanitary, energy, attracting financing sources), contrary to the principles of sustainable development and resilience and the intensively publicized economic recovery, all the more so since the pandemic crisis that has just ended has also affected the informal sector, being affected by family workers and those people who had activities organized on their own account or without formal and taxed contracts (Chivu and Georgescu, 2020).
4. At the end of 2022, Romania was in 9th place (Figure 4), in the ranking of countries in the EU area with an inflation of 14.1%, but the population's perception was different.

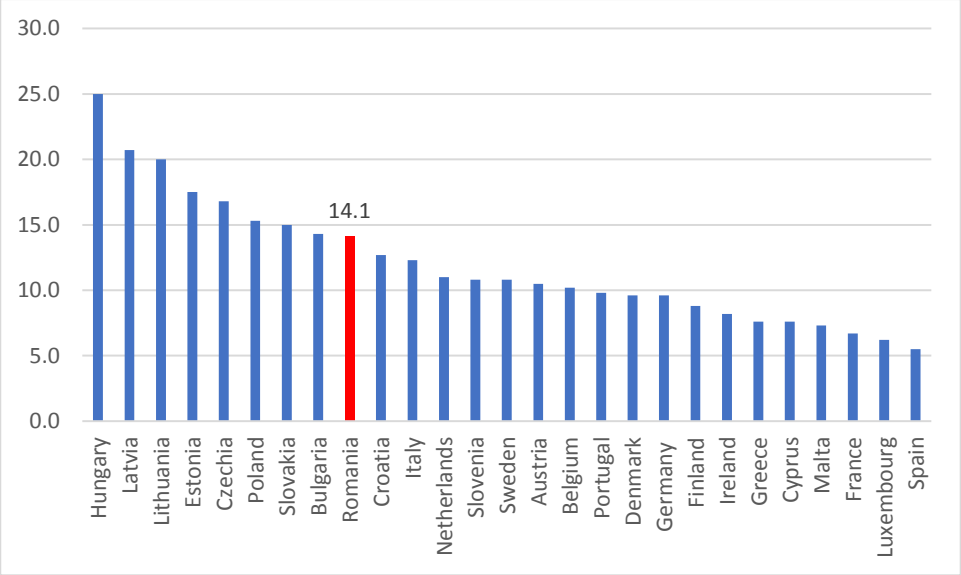


Figure 4. HICP – monthly data (annual rate of change) – 31 decembre 2022

Source: Own processing based on Eurostat data [PRC_HICP_MANR] (https://ec.europa.eu/eurostat/databrowser/view/PRC_HICP_MANR__custom_120601/bookmark/table?lang=en&bookmarkId=952bcf60-22e8-433b-ab93-fe85e2ab2367)

From year to year, even if the inflation rate seems to have remained within certain limits much lower than those recorded in the last period of time (Figure 6), over the years, cumulatively, the real inflation rate perceived by population is given by the sum of annual values.

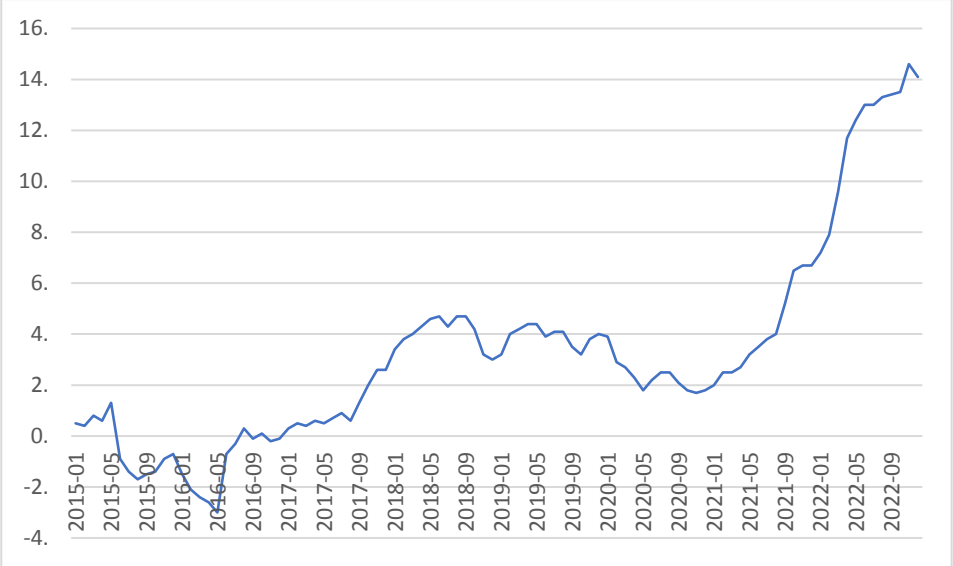


Figure 5. HICP – monthly data (annual rate of change) – December 31, 2022

Source: Own processing based on Eurostat data [PRC_HICP_MANR] (https://ec.europa.eu/eurostat/databrowser/view/PRC_HICP_MANR__custom_120601/bookmark/table?lang=en&bookmarkId=952bcf60-22e8-433b-ab93-fe85e2ab2367)

With regard to the evolution of the price of electricity, in Figure 6 we can note the shock that appeared in our country, especially the peak in July of last year.

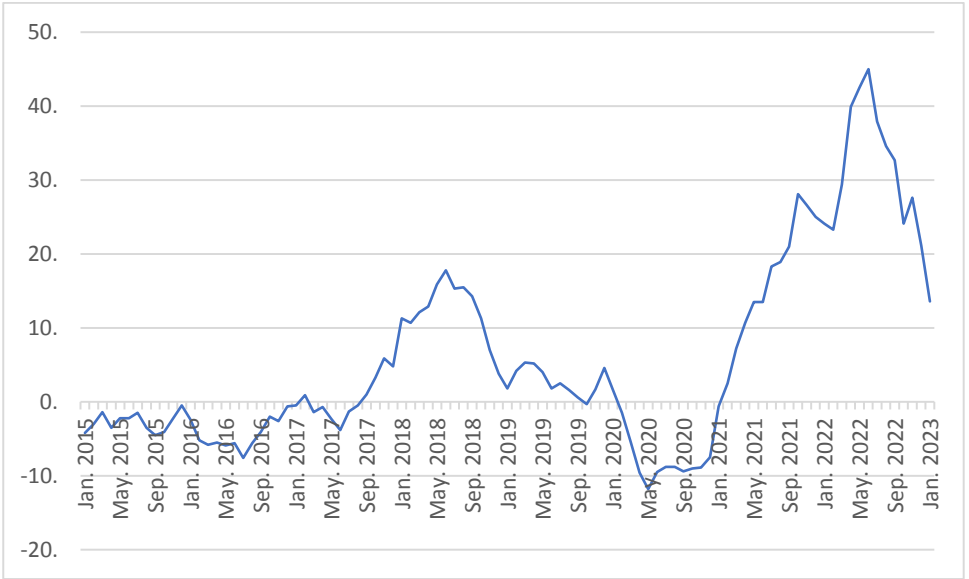


Figure 6. The evolution of electricity inflation

Source: Own processing based on Eurostat data [PRC_HICP_MANR] (https://ec.europa.eu/eurostat/databrowser/view/PRC_HICP_MANR__custom_2136461/bookmark/table?lang=en&bookmarkId=607f92b2-cc56-44eb-a60c-fa76cb3d42c3)

Romania's external debt already had an upward evolutionary trend (Figure 7), before the shock wave produced by the increase in energy prices.

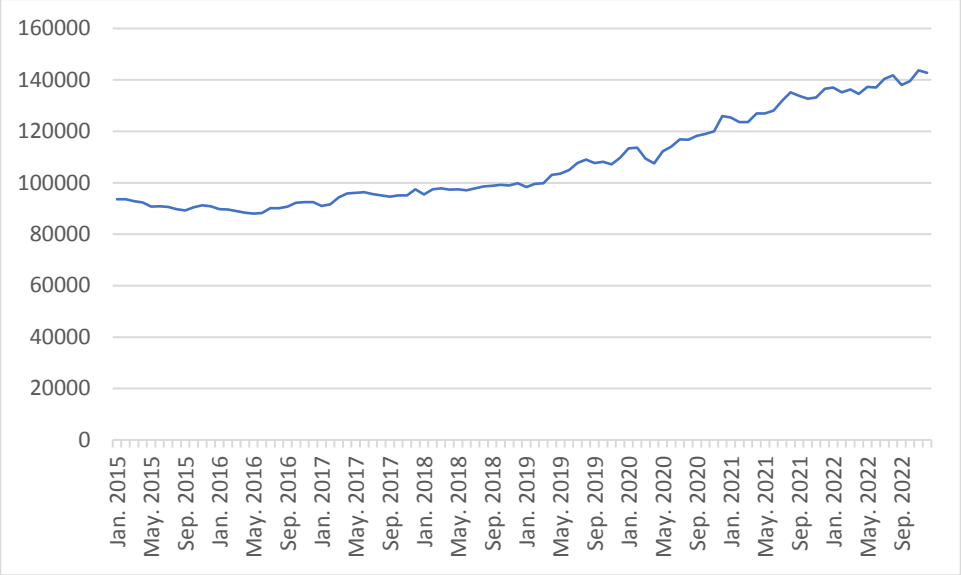


Figure 7. Evolution of the total external debt 2015-2022

Source: Own processing based on NBR data (https://www.bnr.ro/Raport-statistic-606.aspx)

The permanent solutions that Romania had at hand for the population's exit from the crises targeted the informal environment of exploitation of natural resources, with repercussions on the environmental factor and on sustainable development, the shortcomings being solved by increasing the external debt. If we refer only to the last two decades and to the long-awaited resilience, it can be stated that during the period in which Romania had an acute need for financing, in order to face the effects of the crisis, the reinvested profit of FDI companies decreased from year to year. Only starting in 2015, the profit of FDI companies started to be reinvested in Romania. Thus, during the crisis period, between 2008-2014, when the country needed financing sources, it had to turn to IMF loans. Only five years away from the end of the last crisis, for the year 2020 a decrease of direct investments by 40% was predicted (UNCTAD, 2020), an aspect that has materialized in our country. However, the increasingly obvious volatility of foreign direct investments is exceeded by that of portfolio investments, because the latter only aim to achieve objectives of a strictly financial nature, otherwise they migrate very quickly to other destinations with much more profitable. How can the rate of inflation be reduced, other than resorting again to increasing foreign debt?

Methodology

Starting from the premises and findings mentioned above, in order to draw conclusions through the econometric analysis of correlation and causality, several series of data were analyzed, over periods of time for which complete statistics were found.

From the analysis of the monthly series from 01.01.2015-31.12.2022, according to the results in Table 2, between the evolution of the external debt balance and the dynamics of the electricity price and the inflation rate, the existence of strong direct links can be observed. In the same way, it is observed that the dynamics of the electricity price is directly correlated with the evolution of the inflation rate.

Table 2. Correlations between the balance of the Gross External Debt, the evolution of the electricity price and the inflation rate

Covariance Analysis: Ordinary
Date: 03/10/23 Time: 12:31
Sample: 2015M01 2022M12
Included observations: 96

Correlation t-Statistic Probability	DATORIA ...	EN_EL	HICP
DATORIA EXTE...	1.000000 ----- -----		
EN_EL	0.692958 9.318562 0.0000	1.000000 ----- -----	
HICP	0.804964 13.15370 0.0000	0.865881 16.78164 0.0000	1.000000 ----- -----

Source: Own processing based on BNR and Eurostat data. (https://www.bnr.ro/Raport-statistic-606.aspx; https://ec.europa.eu/eurostat/databrowser/view/PRC_HICP_MANR__custom_2136461/bookmark/table?lang=en&bookmarkId=607f92b2-cc56-44eb-a60c-fa76cb3d42c3)

In addition, the following indicators were also analyzed: FDI balance, gross external debt, current account and portfolio investments, considering the context before this energy crisis.

Table 3. Standard unit root tests for FDI balance (monthly data)

Variable	Level		First difference		Conclusion
	ADF	p(H_0)	ADF	p(H_0)	
ISD Balance	0.2871	0.9998	-7.2104	0.0000	I(1)
External Debt	2.5404	1.0000	-7.6211	0.0000	I(1)
Current Account	0.9014	0.9952	-8.4733	0.0000	I(1)
Portfolio Investments	0.1437	0.9672	-9.7753	0.0.000	I(1)

Source: Own processing based on BNR data.

Testing the stationarity of the four analyzed series, the results indicate a type I(1) structure. The non-stationary series FDI balance, External Debt and Current Account have a monthly

frequency, and Portfolio Investment has a quarterly frequency. Because the series must have the same frequency, the monthly data were transformed into quarterly frequency data by aggregation.

Table 4. Correlations between FDI Balance, Portfolio Investment, Balance of Payments and Gross External Debt (range 2013-2019, number of observations: 83)

Coef. de corelație t-Statistic Prob. |t|=0	d(sold ISD)	d(datorie externă)	d(cont curent)	d(investiții de portofoliu)
d(sold ISD)	1			
d(datorie externă)	0.2638	1		
	2.4612			
	0.0160			
d(cont curent)	0.0828	-0.2327	1	
	0.7479	-2.1531		
	0.4567	0.0343		
d(investiții de portofoliu)	0.1851	0.3461	0.0627	1
	1.6954	3.3197	0.5654	
	0.0938	0.0014	0.5733	

Sursa: Prelucrare proprie în Eviews12.

According to the results in Table 4, between the evolution of the FDI balance and the dynamics of portfolio investments, respectively of external debt, the existence of direct links can be observed. In the same way, it is observed that the dynamics of the gross external debt balance is inversely correlated with the evolution of the current account and directly with the dynamics of portfolio investments. Moreover, there is a close link between foreign direct investments and portfolio investments.

Results

It can be concluded that the impact of the price of electricity was propagated in the chain on the prices of the goods and services in the basket, an aspect that led to the increase in the inflation rate, as a whole, and part of the increase in external debt can also be attributed to the support scheme adopted by the government to cap the price of electricity. Equally, it can be stated that the balance of payments is financed through foreign direct investments, an aspect that justified the need for loans from the IMF, when direct investments contracted (2008-2014). With regard to portfolio investments, the direct link between them and medium-intensity external and indirect debt with the balance of payments could be cause for concern, given the volatility of these investments.

The fact that, only in the last almost two years, portfolio investments represented a third of their balance, the conclusion can easily be drawn that the balance of payments could be destabilized, with the exacerbation of Romanian economic instability. Moreover, these investments targeted strategic sectors – financial-banking, energy, chemistry and petrochemicals - and the current evolution registered in the energy sector could amplify the negative effects on the balance of payments with the deepening of the effects of the crisis that has just started. From an analysis of the transactions carried out by foreign investors, it emerged that the sales were approximately equal to the purchases of securities, an aspect that confirms the speculative nature of portfolio

investments. Regarding the close connection between foreign direct investments and portfolio investments, this could be explained by the fact that certain direct investments were made more for speculative purposes, with the main aim of obtaining control that is oriented towards obtaining current income.

A series of risks hover over these investments that can easily destabilize the balance of payments, especially when sensitive information capable of disrupting the market comes into question. Any change manifested from a political, monetary, fiscal point of view can generate capital outflows, and this aspect would cause Romania to resort to other external loans, a fact that would cause the crises to take on a permanent character. In other words, to correct inflation, the measures that Romania could adopt through monetary, fiscal, or other policies, if they are not carefully analyzed, could affect the economy, especially since the nature of the shocks does not have a internal character that can be controlled by internal levers, and the European tools and levers have a more indicative character for now.

Discussions

From one crisis to another, Romania moves away from the assumed sustainable development objectives. The current energy crisis has brought an additional stress factor to the population. We must also take into account the perception of the population which, in the last hundred years, has been under the influence of a permanent crisis, regardless of its nature, but with several facets. The political instability from the interwar period, replicated in the last thirty years, left its mark on the amplification of this perception, especially that the Romanian economic reality faithfully reflects the lack of an economic strategy at the national level which, after three decades, is still late to appear.

The monetary policy brought a certain stability, but the fiscal policy adopted and the fact that the Romanian economy operated under the empire of unstable legislation, rather, through governmental decisions lacking continuity and predictability, had direct effects on the business environment and on development sustainable economy as a whole, through the three pillars - economic, social and environmental (Vasile and Zaman, 2005). The emergence of the PNRR (Government of Romania, 2021) could have been the great strategic first, but the impact of the current energy crisis and the consequences arising from the invasion of Ukraine by Russia has not yet been fully quantified. From this perspective, those who built this plan did not delimit the pre-existing factors of the health crisis, did not take into account the economic robustness before the crisis and did not take into account the inflationary wave that was going to set in. Blaming the energy crisis and the war on the border is the easiest way to hide the particular causes that Romania has been carrying behind for a long time. The country's economic situation is subject to great uncertainties, with rising debts and current account imbalances. Romania can no longer continue to attract investors, regardless of the branch in which they choose to invest, as a desperate solution to get out of the crisis that has become permanent.

Starting from the idea that globalization has succeeded in the globalization of crises, it can be deduced that sustainable development, which is based on globalization, is conditioned by crises. This aspect leads to great uncertainty regarding the moment of achieving the objectives of sustainable development, especially since this concept already reflects the inherent conflict between human and natural systems (Redclift, 2010) (Dasgupta, 2013), and the nature and extent of this incompatibility is not can be proven but limited (ICSU and ISSC, 2015; Redclift, M., 2005; Stern et al., 1996). As mentioned above, in such a context, neither monetary policy nor fiscal policy can stabilize economic cyclicality, much less the resulting inflationary shocks, and such a conflict

would die out if future policies and efforts it shifts the focus from economic growth based on consumption to economic growth based on investment in human well-being (health, education) and green technologies (Spaiser et al., 2016).

Conclusions

The periods between economic crises have shortened, and the lack of adequate measures causes the effects to become more acute. The solutions adopted so far have not succeeded in stemming the causes that led to the outbreak of crises, so there remained causes that were perpetuated in the periods between crises, which were amplified once new disruptive factors added shocks to the economy. Romania entered the health crisis with an increased external debt and a vulnerable balance of payments, covered mainly through foreign direct investments, and the semiconductor crisis, the energy crisis and the effects of the war in Ukraine amplified the negative effects with a direct impact on the failure to achieve development goals sustainable, in general, and on the standard of living of the population, in particular. Moreover, the war in Ukraine brings to light an additional stressor related to rising food prices.

Therefore, although part of the inflationary phenomenon can be placed on the energy crisis, since its weight in the consumption basket is limited, and the disturbing factors much more complex, the analysis must be continued by adding other variables that support the theories in the economy. It is not at all negligible that Romania's net investments have been extremely low in the last three decades and have never returned to the situation before 1989. Domestic capital in strategic fields (especially in the energy field) is in a perpetual decrease, implicitly the control and setting of prices, an aspect that makes the Romanian economy vulnerable, even if over time the contribution of foreign capital was welcomed and contributed significantly to the completion of the financing requirement, technical progress and bringing know-how to the country.

In such a context, Romania does not have at its disposal the minimum necessary "buffer" to use in case of any other unforeseen shock, so it can be stated that these crises can be permanent and the effects chronic and without a set of specific measures, centered on the objectives of sustainable development, the well-being of the entire population could be compromised both by inflating the prices of goods, services and savings of the population, in particular, and the quality of life in general. There will always be other variables that will contribute to chronic high inflation which, in the absence of economic measures supported by the decision-making factor, could irreparably affect the Romanian economy. The opinions that have been expressed in this article are those of the authors, but the current approach is not intended to be just an enumeration of a series of events without an analysis of the deep relationships between them, but is intended to be continued, however, in this spiral of disturbing factors, it is very difficult to find the starting point on which to build a logic of the entire inflationary phenomenon.

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