

UNDERLYING FACTORS OF PERSISTENT INFLATION IN ROMANIA

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Abstract:

Price stability has become the main focus of the monetary policy of the candidate countries to the European Monetary Union as the best way to ensure nominal convergence and to promote sustainable economic growth. In our analysis of the inflation evolution we have considered the factors causing persistent inflation over the medium and long term. This paper emphasizes the link between the inflation rate and cost-push, demand-pull and imported inflation. The empirical analysis shows that all the variables are statistically significant and correctly signed and the chosen model explains well the persistent factors of inflation in Romania.

Keywords: *inflation rate, output gap, cost-push inflation, demand-pull inflation*

JEL codes: *E31*