THE SPEED OF EXCHANGE RATE PASS-THROUGH IN ROMANIA

Irina-Marilena BAN[a,*]

[a)] *Babeş-Bolyai University, Faculty of Economics and Business Administration, Cluj-Napoca, Romania*

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Abstract: *Based on the monthly evolution of consumer prices and nominal effective exchange rate from 1996 to 2017, we investigated the speed of exchange rate pass-through in Romania. We employed the cross-correlation function methodology, estimating univariate GARCH models for both inflation rate and exchange rate. The results indicate that there is only a variance causality between the variables, meaning that nominal exchange rate fluctuations cause significant inflation rate variations. This transmission process may baffle the efforts of policy makers in targeting inflation for Romania.*

Key words: *exchange rate pass-through; consumer prices; cross-correlation function; GARCH models*

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* Corresponding author. *E-mail address:* irina.ban@econ.ubbcluj.ro.

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