

THE EMPIRICAL ANALYSIS OF THE PURCHASING POWER PARITY IN ROMANIA

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Abstract: *In this paper we test the validity of purchasing power parity for Romania in relation with the main trading partner EU19. To the best of our knowledge, there is no any other similar study in the literature so far. The utility of the study comes from the possibility of offering trade policy recommendation for Romania. The data used in the paper covers the period 2005 (January) - 2019 (March). For estimation, we employ vector error correction model and we reach to the conclusion that the theory is validated in the short run.*

Key words: *purchasing power parity; exchange rate; vector error correction; consumer price index*

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