INFLATION PERSISTENCE: EVIDENCE FROM PAKISTAN

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Abstract

The study aims to estimate the degree of inflation persistence by utilizing the standard econometric tools and different measures of inflation persistence covering the period from 1957Q1 to 2015Q2. Inflation persistence is analyzed for both quarter on quarter and year on year inflation series by exploiting the autoregressive and mean reverting characteristics of these series. The results of the study are suggestive of reasonably high degree of inflation persistence in Pakistan and provoke further studies to be conducted to establish its link with fiscal and monetary policies followed in Pakistan and this will be the future agenda of our research.

Keywords: Inflation Persistence, Monetary Policy, Autocorrelation, Conventional AR (P) Process, Pakistan

JEL Classification: M000

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