Abstract

The thesis aims at identifying the reasons behind the heterogeneous inflation performance of countries across Central and Eastern Europe. The impact of a large number of variables is being assessed in a dynamic panel data model covering 20 countries over the period 2003–2013. The empirical results suggest that cross–country differences in inflation are attributed to the structure of the economy, to the capital deepening effects and openness. Along with the structural factors, cyclical positions also prove to be of particular importance in explaining inflation across the region, since during the last decade most of the Central and Eastern European countries have experienced fast GDP growth, a credit boom and increased domestic demand that in turn fueled inflation.