The Research Centre of the School of Economics and Business in cooperation with the
Bank of Slovenia
invites you to a research seminar
on **Wednesday, 18 March 2026, at 13:00 CET in room P-201/202**
at the School of Economics and Business


**Irina Panovska** (University of Texas at Dallas)

will present the article:


## Estimated Output Gap in a Wage-Inflation Expectations Model

Abstract:

We study how including adaptive learning-based inflation expectations for price and wage inflation can improve the performance of Unobserved Components (UC) models for estimating the output gap. Treating both the output gap and expectations as latent variables, we embed learning dynamics with bivariate wage–price feedback into a UC framework consistent with the Hybrid New Keynesian Phillips Curve. The model captures turning points and the amplitude of the business cycle, and allows us to directly capture the expectation feedback between wage and price inflation. We find that perceived inflation persistence fell early in the pandemic, rose sharply during 2021–2023, and, although declining after 2024, remains above pre-COVID levels. The cross-effects between wage and price inflation also vary substantially over time, and have been elevated within the last years.

**We look forward to welcoming you at the seminar.**