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Do minimum wage increases cause inflation? evidence from vietnam

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Abstract

It is often argued that minimum wage increases can lead to increased inflation. This paper examines the impact of minimum wage increases on inflation in Vietnam during the 1994-2008 period. Inflation is measured by a monthly overall Consumer Price Index (CPI) and a monthly food CPI. It is found that the minimum wage increases did not increase inflation. Since the minimum wage increases often took place one or two months before the Vietnamese New Year festivals, observed increases in monthly inflation after the minimum wage increases were caused by increased consumption demand during the New Year festivals, not by the minimum wage increases.

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