Abstract： I present a state-dependent pricing model that generates inflation fluctuations from idiosyncratic shocks on firms. In the model, the fluctuations are caused by complementary repricing behavior of imperfectly competing firms. I show that inflation volatility depends on the density of firms at repricing threshold. When the long-term inflation level is high, the stationary density at threshold is high, which causes high volatility in short-term inflation rates. Numerical analysis shows that the model with reasonably calibrated parameters can explain the positive relationship between inflation level and volatility that has been observed empirically. The model points to a possible source of welfare loss caused by high inflation levels.