Essays on Economic Policy (ESPE in Spanish) - The Stickiness of Colombian Consumer Prices

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Abstract

The price setting behavior of Colombian retailers of goods and services was studied based on a unique dataset containing 12,052,970 individual price reports covering all items in the Colombian CPI from March 1999 to May 2008. The main results are summarized as follows: 1. Colombian consumer prices were found to be stickier than those in Chile and Portugal and might be more flexible than those in the Euro Area and some European countries. 2. Price reductions are not rare. Forty percent of price changes were found to be reductions. 3. Absolute percentage price changes were found to be larger than inflation. 4. As inflation is reduced in Colombia, the following happens: (i) price stickiness increases, (ii) the distribution of price stickiness concentrates on the rigid side, (iii) the variability and bias of the distribution of percentage price changes decreases, and (iv), nominal downward rigidities in the frequency of price changes are invariant to inflation. 5. A slight downward nominal price rigidity was detected in the data. 6. Price change synchronization was found to be low. 7. About 32% of the CPI corresponds to Taylor contracts, 34% to other time dependent rules and 34% to state dependent rules. These findings provide some of the micro fundamentals for the design of staggered contract models for monetary policy analysis in Colombia.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/publications-research/espe/stickiness-colombian-consumer-prices