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#### **Abstract**

In this paper we explore the price setting behavior of Colombian producers and importers using a unique database containing the monthly price reports underlying the Colombian PPI from Jun-1999 to Oct-2006. We focus on five particular questions: 1. Are prices sticky or flexible? 2. Is a price increase more likely than a decrease? 3. Are price changes synchronized? 4. Is the

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pricing rule state or time dependent? 5. Are price changes sizable? Answers to these questions provide some of the micro fundamentals for the design of monetary policy in this country.