

The Price Setting Behavior in Colombia: Evidence from PPI Micro Data

Working Paper No. 483 Keep in mind

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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:

- Are prices sticky or flexible?
- Is a price increase more likely than a decrease?
- Are price changes synchronized?
- Is the 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.