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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

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.