

Dynamics of price adjustment in Bolivia: an analysis with micro data

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ABSTRACT

In this paper is developed an approach to existing rigidity in inflationary dynamics in the Bolivian economy. The existence of rigidities implies that economic policy, essentially monetary policy, can be used to affect aggregate demand and hence inflation. For this purpose and based on disaggregated data from the Consumer Price Index (CPI) for the period 1991-2008, is used the methodology implemented by the European Network Inflationary Persistence System of the European Central Bank, which consists of calculating a series of indicators: adjustment frequency, magnitude of price change, timing, and duration. The results lead us to conclude that the frequency of price change in Bolivia is high and short, so that the effect of monetary policy on the aggregate indicator of inflation could become moderate.

JEL Classification: E31, E42, E52

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