

Testing for spatial market integration: Evidence for Colombia using a pair-wise approach

Abstract

We examine the extent of spatial market integration in Colombia using consumer price index data for 153 consumer goods in 13 cities. We find that market integration occurs more frequently in food products (both unprocessed and processed) as compared to traded and non-traded ones. There is also evidence that for the relative prices of unprocessed food, processed food and traded goods, the half-life of shocks is positively related to (two alternative measures of) the distance between cities, supporting the view that the speed of adjustment is slower for cities that are farther apart.