



EUROPEAN CENTRAL BANK

EUROSYSTEM

Discussion of
***“Geospatial Heterogeneity in Inflation: a
Market Concentration Story”***
by S. Kim and M.A. Navarrete

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Main findings

- Poorer MSAs exhibit higher food inflation rates than richer MSAs over the period from 2006 to 2016.
- Higher market concentration (at the MSA-food category level) is associated with higher inflation rates.
- This association is more pronounced in poorer MSAs.

Comments

Poorer MSAs exhibit higher food inflation rates than richer MSAs over the period from 2006 to 2016.

- Driven by different consumption baskets?
- Construct price indexes by restricting to the set of common goods.
- But it is still possible that there is large variation in expenditure shares in individual products within the set of common goods.
 - Show results for individual food categories (only eggs shown in paper).
 - Compare high- and low-income households within MSAs.
 - Compare high- (and low-) income households across MSAs.

Comments

Poorer MSAs show a higher degree of retailer market concentration.

- More retailers and larger share of small retailers in high-income MSAs relative to poorer ones.
- 387 MSAs with populations ranging from 20 million to 57,000.
- Positive relationship between size and income?
- Possible to conduct the analysis at the county level?

Comments

Poorer MSAs show a higher degree of retailer market concentration.

- Regression analysis:

$$HHI_{idt} = \beta_0 + \beta_1 * Decile_{dt} + \delta_i + \delta_t + \varepsilon_{idt}$$

- MSAs fixed effects? Other controls like MSA size? What is being done with the standard errors?
- Why not run the regression at the MSA-product level?

$$HHI_{ist} = \beta_0 + \beta_1 * Income_{st} + \delta_i + \delta_t + \varepsilon_{ist}$$

Comments

Higher market concentration (at the MSA-food category level) is associated with higher inflation rates.

- Regression only run for the eggs product category.
- Run regression at the MSA-food category level.

Comments

This association is more pronounced in poorer MSAs.

- Use avian influenza as exogenous supply shock to the egg market.
- Not enough information given to understand the identification:
 - Were some producers compensated and others not?
 - If all producers were compensated, why would MSAs where producers are located should see a smaller increase in the price of eggs?
- Parallel trends assumption is alluded to but not shown.

Summary

- The paper poses an interesting hypothesis and relies on a very rich dataset.
- More information needs to be given to the reader and many open issues need to be addressed.