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Inflation and relative price variability in Mexico: the role of remittances

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Notes

¹ In the literature, RPV is measured by the SD of relative price changes across commodities/sectors.

² For a brief survey of the literature, see, for example, Chang and Cheng ([2002](#)) and Nath ([2004](#)).

³ According to official estimates, total remittances have increased from about 3.67 billion in 1995 to \$20.03 billion in 2005—by more than 5 times (based on authors' estimates from Banco de Mexico data).

⁴ There were approximately 1.3 million households in Mexico receiving remittances in 2000. Over 10% of households in rural areas receive remittances, and for these households remittances represent almost 48.9% of their total current monetary income.

In urban areas, remittances represent almost 50% of their current monetary income.

⁵ Adelman and Pritchett (1991) have taken into account the impact of remittances on Mexican gross domestic product.

⁶ Also, the use of various indicators is therefore, not very different.

⁷ The data are necessary, using the descriptive statistics of

⁸ Note that the data are, therefore, respectively.



However, we find that the results do not change. Moreover, some prominent studies for the United States (e.g. Vining and Elwertowski, [1976](#)) use unweighted measures.

⁹ We begin with a lag length of approximately $T^{1/3}$. See Enders ([2004](#)), p.358.

¹⁰ We first conduct augmented Dickey-Fuller test to determine the order of integration for each of the variables. The null hypothesis of a unit root has been rejected in all cases implying stationarity. Interested readers may obtain the test results from the authors.

¹¹ In a 'somewhat related' study, Rogers and Wang ([1993](#)) find that output, monetary and exchange rate shocks are the most important sources of fluctuations in relative prices in Mexico. They, however, use the ratio of the wholesale price index (WPI) to the consumer price index (CPI) as the measure of relative prices.

¹² Note that for this result, remittances are not required to have positive effects on inflation and on RPV. As long as they have similar effects on both, they will generate a positive relationship.

¹³ We also estimate the model using data for a longer period starting in 1980. We do not find any significant effect of remittances on either inflation or RPV. As discussed before, the data on remittances during the 1980s and early 1990s were incomplete and not very accurate. The relationship between

¹⁴ Similar to Rogers and Wang ([1995](#)) in their VAR model they estimate the high-inflation countries



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