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I use scanner data to investigate whether temporary price reductions ("sales") play a role in aggregate price adjustment. Sales have a large and variable impact on the growth rate of average price paid. Even after aggregating across goods and markets, the monthly growth rate of average price paid is four times as volatile as the regular price because of changes in sale frequency, depth, and quantity response. The impact of sales is positively correlated with the local unemployment rate during recessions. The CPI item indexes used to deflate nominal consumption expenditure do not fully account for variation in sale activity. I show evidence that real consumption growth was understated during the last two recessions.

JEL: E31, L16

Keywords: sales, inflation, price-setting

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