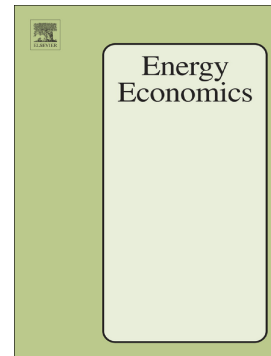


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The dynamics pattern of price dispersion in retail fuel markets

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Abstract

This paper empirically investigates the dynamics of price dispersion in retail fuel markets as a response to the corresponding wholesale price changes. For this purpose we take advantage of a daily dataset of prices fixed by gas stations in two Spanish regions. It is consistently found that retail price dispersion is temporarily enlarged as a consequence of wholesale price increases, while it is reduced due to decreases. The presence of asymmetries in the short-run dynamics is also revealed. The impact of positive changes in the wholesale price is, in the first days of adjustment, clearly greater. The dynamics pattern could be explained, at least in part, by the faster response of prices in the stations associated with the two vertically integrated companies that have the largest market share (i.e. Repsol and Cepsa).

Keywords: Retail price dispersion; wholesale price variations; fuel oil markets.

JEL classification: D43; L71; Q40.

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