International Relative Prices: Evidence from Online Retailers in Seven Countries

Alberto Cavallo
MIT and NBER

Brent Neiman
University of Chicago and NBER

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Abstract

We construct a dataset containing daily prices for hundreds of goods that collectively represent the bulk of expenditures on fuel, food, and consumer electronics in seven countries since 2010. Relative to earlier work, including our own, we significantly increase the coverage of goods studied by measuring prices in common physical units such as grams, items, or liters. We can therefore reasonably compare across countries the prices of otherwise identical goods sold in slightly different package sizes. We use these data to ask how price levels and dynamics for the same good varies across countries, with a focus on uncovering the extent to which the exchange rate, measurement error, and price stickiness dictate the extent of law of one price variations. Finally, we consistently scrape the web pages of the 10 largest online retailers in each country and note the total number of available varieties within narrowly defined categories. This allows us to, for the first time, characterize the scale of cross-country differences in the availability of consistently defined consumer varieties.

JEL-Codes: E3, F3, F4.

Keywords: Real Exchange Rate, Law of One Price, Exchange Rate Passthrough, Scraped Internet Prices.