

## **Abstract**

This paper tackles the subject of sticky prices in Iceland. The subject of sticky prices has been at the forefront of economic debate for a long time and has gained in popularity in recent years with the emergence of empirical studies utilizing confidential micro-data. The paper starts with an overview of the topic's theoretical grounds and empirical findings in recent years. A brief description of the Icelandic economic environment is followed by estimates of the frequency of price changes using confidential data underlying the consumer price index obtained from Statistics Iceland. These results indicate that the weighted median duration of price spells is roughly 6 months. A sales filter is then applied to filter out temporary price changes which raises the duration to 8 months. Thereafter, several pricing properties of Icelandic consumer goods are put forward. These include category heterogeneity, asymmetry between increases and decreases as well as the average size of price changes. These results are then compared with similar studies in other countries. The comparison shows that price spells in Iceland are of similar length to other countries and they also exhibit similar trends. This is despite higher inflation in Iceland than in the comparison countries as well as a more unstable economic environment in general. The main characteristic that sticks out in the Icelandic data is asymmetry between price increases and decreases.