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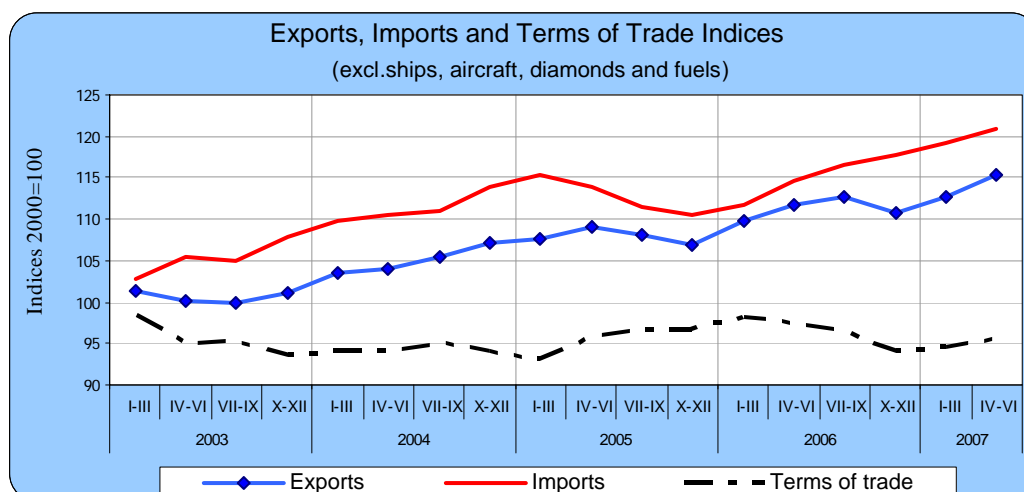
Jerusalem,  
June 26, 2007  
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Previous Press Release on Foreign Trade Price Indices appeared on June 26, 2007

## Foreign Trade Price Indices in Second Quarter 2007

In the second quarter 2007

- The terms of trade index (excluding ships, aircraft diamonds and fuels) rose by 0.9 percent
- Export prices (excluding aircraft and diamonds) rose by 2.4 percent and import prices (excluding ships, aircraft, diamonds and fuels) rose by 1.5 percent



This information is based on preliminary data on goods that passed through Customs. Data do not include trade between Israel and the Palestinian Authority.

Imports are valued c.i.f., and exports are valued f.o.b.

The terms of trade index is calculated as the ratio of the total export price index to the total import price index.

Related links and publications

Definitions and explanations

[http://www.cbs.gov.il/fr\\_trade/intro\\_eng.pdf](http://www.cbs.gov.il/fr_trade/intro_eng.pdf)

“Foreign Trade Statistics Monthly”

[http://www.cbs.gov.il/reader/fr\\_trade/ftmenu\\_e\\_v1.htm](http://www.cbs.gov.il/reader/fr_trade/ftmenu_e_v1.htm)

“Israel’s Foreign Trade” – Press Release

[http://www.cbs.gov.il/hodaot2007n/16\\_07\\_105e.pdf](http://www.cbs.gov.il/hodaot2007n/16_07_105e.pdf)

“Foreign Trade by Countries” – Press Release

Written by Helen Brusilovsky

For explanations and clarifications regarding the contents of this Press Release,  
Please contact the Press Relations Unit, at 02-652 7845, 050-623 5124

[http://www.cbs.gov.il/hodaot2007n/16\\_07\\_111e.pdf](http://www.cbs.gov.il/hodaot2007n/16_07_111e.pdf)

“Imports by Country of Origin” – Press Release

[http://www1.cbs.gov.il/www/hodaot2006n/16\\_06\\_186e.pdf](http://www1.cbs.gov.il/www/hodaot2006n/16_06_186e.pdf)

“Foreign Exchange Rates” – Press Release (Hebrew only)

[http://www1.cbs.gov.il/www/hodaot2007n/16\\_06\\_001.pdf](http://www1.cbs.gov.il/www/hodaot2007n/16_06_001.pdf)

“Trade Balance by Technological Intensity” – Press Release

[http://www1.cbs.gov.il/www/hodaot2006n/16\\_06\\_153e.pdf](http://www1.cbs.gov.il/www/hodaot2006n/16_06_153e.pdf)

“Exports by Country and Industry, 2000-2005” – Press Release (Hebrew only)

[http://www1.cbs.gov.il/www/hodaot2006n/16\\_06\\_253e.pdf](http://www1.cbs.gov.il/www/hodaot2006n/16_06_253e.pdf)

“Foreign Trade of Israel” – Statistilite Series No 41

“Foreign Trade of Israel – 2005” Statistilite Series No 66

Exports, by Commodities and Countries, 1996-2006 (CD only)

Imports, by Commodities and Countries, 2002-2006 (CD only)

Imports, by Commodities and Countries, 1996-2001 (CD only)

**Next Press Release on Foreign Trade Price Indices will appear on September 25, 2007.**

## Explanatory notes

Price indices are intended to measure the change, which occurred in the average price of total imports, total exports, or a group of commodities, between two periods.

- **Price index** (unit value) is calculated with weights of the current period according to Paasche formula.
- **Volume index** is derived as the quotient of the value and of the Paasche price indices.
- **Terms of Trade index** are calculated according to Paasche price index.

Price of a single commodity (price unit value) is determined according to the average unit value of the commodity, either exported or imported.

The definition of commodities is based on the classification used for Customs tariffs (imports) and on the “Classification of Exports Commodities” (see chap. “Classification of Commodities”). The classifications do not always specify single items of uniform quality, but also groups of similar commodities. As a result, in some cases, the obtained changes in price of a commodity, as defined in the classification, reflect also quality differences of various components of the group (commodity). In some cases, price indices of similar commodities, published abroad, are used as a substitute for the average unit value.

The information used to estimate price indices of foreign trade encompasses about 50 percent of the total import or export value.

Once a year, the index commodities basket is updated and determined according to the preceding year commodities basket. Price indices are calculated in relationship to data of the preceding year and are chained to the annual average, which is presented in the tables.

- Beginning Quarter 2/2003, indices are chained and presented on the base of 2000.
- Beginning Quarter 2/1998, indices are chained and presented on the base of 1995.

Please note:

- To calculate a continuous series based on 1991, the requested index must be multiplied by the 1995 index based on 1991.
- To calculate a continuous series based on 1995, the requested index must be multiplied by the 2000 index based on 1995.

## Formula

Indices are calculated according to the Fisher formula, which is the geometrical mean of the indices calculated according to the Laspeyres and Paasche formulas:

$$I_p^F = [I_p^L * I_p^P]^{1/2} = \left[ \frac{\sum(p_1q_0)}{\sum(p_0q_0)} * \frac{\sum(p_1q_1)}{\sum(p_0q_1)} \right]^{1/2}$$

## Where:

- $I_p^F$  - Price index according to the Fisher formula
- $I_p^L$  - Price index according to the Laspeyres formula
- $I_p^P$  - Price index according to the Paasche formula
- $p_1$  - Price in the current period
- $p_0$  - Price in the base period
- $q_1$  - Quantity in the current period
- $q_0$  - Quantity in the base period

Price indices calculated according to Laspeyres and Paasche formulas do differ due to the method of quantitative weighting in calculation of the average. According to Paasche formula, weights are for the current period, i.e., the surveyed quarter year. Hence, the changes obtained in this index reflect also the changes in weights. Consequently, the index tends to diminish the price changes. According to Laspeyres formula, quantitative weighting is made according to weights of the base year. Consequently, the index is not influenced by changes in weights between the surveyed quarter years and hence, the index tends to be generally higher than the index according to the Paasche formula. The 'ideal' index according to the Fisher formula is a geometric average of the two above said indices.

The volume index of foreign trade is also calculated according to Fisher formula:

$$I_q^F = V_I / I_p^F$$

Where:

$I_q^F$  - Volume index according to the Fisher formula

$V_I$  - Value index

$I_p^F$  - Price index according to the Fisher formula

The indices of prices and volume of imports are published also according to economic use and S.I.T.C. whereas export indices - according to groups of economic branches, S.I.T.C. and by technological intensity.

Current data are revised continuously throughout the current reporting year. The data of a specific year are not amended currently during that year but at the end of the year, that is in the 4<sup>th</sup> Quarterly, which includes information on all the current year.

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