



December 2009

World Import Index

Methodology

The objective of the World import index built by Coe-Rexecode is to describe, as quickly as possible, the recent trends in world trade. To do this, the data in value terms, strongly influenced by price movements (especially concerning commodities) and exchange rates variations, can be misleading. Therefore, it seems preferable to describe trade developments in volume terms. However, in many countries, particularly in emerging economies, statistical offices do not publish always indicators for external trade prices at an infra-annual path. It is therefore necessary to develop a methodology to reconcile the lack of statistical information with the desire to get as soon as possible a relevant assessment of recent developments in world trade. The Coe-Rexecode indicator is designed to respond to this aspiration. Taking into account the assumptions necessary to build such a indicator, it must not be understood as a strict evaluation of the growth in the volume of international trade, but as a plausible order of magnitude of changes. Above all, it aims to quickly identify turning points in international trade developments, a question which is essential for business cycle analysis.

The world import index is built in three steps:

1/ First, we begin by calculating an index of development of imports of main developed countries (Europe, Japan, United States and Canada). According to the information provided by those countries, those indices are obtained in different ways: either directly from trade volume indicators established by the statistical office, or by deflating the value of imports by an indicator of import prices (unit value index, import prices index or the deflator of imports of goods in the national accounts). In all cases these indices are corrected for seasonal variations and the number of working days. The indexes of import volumes of the main developed countries are then aggregated in using a fixed weight for a base year (currently 2005). The weighting system is representative of their share in total imports of countries taken into account in those calculations.

2/ In a second step, imports of emerging areas are estimated from "mirror" data constructed by adding up exports of eight countries to those markets: United States, Germany, Japan, France, Italy, United Kingdom, China and South Korea. Original data in current dollars are deflated by appropriate price indexes and aggregated by converting them with a constant exchange rate corresponding to the base year (currently 2005). The main source of information to get original data is the monthly publication of OECD on international trade. National sources of exporting countries listed above are also used to assess trade flows of the most recent months. The aggregate "emerging countries imports in volume terms" is then based on a reference year (currently 2005) and seasonally adjusted.

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3/ Finally, the index of import volumes of emerging areas and the index of import volumes of developed countries are aggregated using the weight of two aggregates in the value of world imports for the reference year. The weight of developed countries is obtained from the Cepii-Chelem data bank and includes a larger number of countries than those taken into account to build the benchmark. Note that using a fixed weighting induces no distortion over time, since they are used to weigh indices and not directly rates of growth. By construction, the resulting indicator is corrected for seasonal variations and only partially on the number of days working, few countries posting this type of information, particularly concerning emerging economies.

Global demand for imports index presents three benefits compared to other available world trade estimates on the market:

- Rapid availability (m + approximately 50 days, the month of January is thus available around the 20th of March);
- Ability to understand the evolution of world demand for imports in identifying the contributions of the different regions/countries;
- Possibility of calculating global demand addressed to a country of reference (e.g. France), taking into account the specificity of the geographical structure of its exports.

***For more information,
Please contact Alain Henriot 33-1-53-89-20-80***