

# Supporting Statement

## U.S. Import and Export Price Indexes

### A. JUSTIFICATION

#### 1. Necessity of the U.S. Import and Export Price Indexes

The U. S. Import and Export Price Indexes, together with the Consumer Price Index and the Producer Price Index, constitute the major outputs of the price programs of the Bureau of Labor Statistics. Although the International Price Program (IPP), which produces the U. S. Import and Export Price Indexes, is the Bureau of Labor Statistics' newest price program, it can trace its origins to the late 19th Century. In 1886, the Aldrich Committee of the U.S. Senate recommended the establishment of a Bureau of Labor to provide statistics on the condition of U.S. workers and the prices of imported goods in the U.S. and other countries. The committee sent staff members to other countries, principally in Western Europe, to collect prices and in 1889 published a report comparing prices in the U.S. with those of Western Europe. This report, which focused on prices for goods imported into the U.S., was the precursor of the Wholesale Price Index. Following World War II, the BLS again began a program to develop import and export price indexes. The program advanced to the point where hundreds of prices had been collected from importers and exporters and test indexes had been calculated. Because of a Bureau-wide 50 percent budget reduction, however, the program was terminated in 1948.

In 1961, a report on Federal Price Statistics prepared by the National Bureau of Economic Research (NBER) for Congress' Joint Economic Committee suggested that responsibility for compilation of import and export price indexes be assigned to a federal statistical agency "to obtain the attention and resources for these indexes that we believe are essential." A further study undertaken for the NBER by Irving Kravis and Robert Lipsey gave greater impetus to the project. In their study, eventually published as Price Competitiveness in World Trade, Kravis and Lipsey outlined both the need for such measures and the feasibility of producing them. In the meantime the BLS, largely because of its expertise in the development of other price measures, had also begun research on the feasibility of producing import and export price indexes. In 1970, Congress provided funds for the construction of import and export price indexes. The legal authority for the collection of import and export data is contained in Title 29, Section 2 of the United States Code (Attachment 1).

The first export price indexes, published in 1971, showed annual price changes for selected categories of goods, primarily machinery and transportation equipment for the period 1964-71. The first annual import price indexes were produced in 1973. Largely as a response to changing international economic conditions and the need on the part of both the government and the private sector to obtain these data on a more timely basis, collection and publication of the international price indexes were begun on a quarterly basis in 1974. A general index for all-import goods was published for the first time in the fourth quarter of 1982 and an index for all-exports was first available at the end of 1983.

The expansion of international trade and improvements in the design of the IPP survey led the Office of Management and Budget (OMB) in 1982 to place the IPP indexes on its list of Principal Federal Economic Indicators alongside the Consumer Price Index (CPI) and the Producer Price Index (PPI). Economic indicators placed on this list must be released on schedule and are recommended for use in public and private sector economic analysis.

The increasing importance and value of the IPP's indexes led to requests in 1988 from OMB and several other policy-making government agencies for monthly indexes. To fill this need, the IPP initiated an effort in late 1988 to provide these agencies with monthly indexes for all-imports, all-exports, and certain highly-aggregated import and export product groupings. Using a subset of data from the regular quarterly sample, the IPP began publishing these indexes in February 1989. Because of continuing interest from OMB and other government agencies and because of the need to deflate monthly GDP figures using IPP indexes, the IPP now collects all of its data for goods on a monthly basis.

In 1992, IPP began publishing import price indexes delineated by locality of origin (LOO) and has substantially expanded this set of data from two country breakouts (Canada and Japan) and three regional breakouts (European Union, Latin America, and Asian Newly Industrialized Countries). In 2005, ongoing customer interest prompted the IPP to expand this list, adding LOO price indexes for France, Germany, the United Kingdom, Mexico, the Pacific Rim, China, the Association of Southeast Asian Nations, and Asia Near East countries. In 2009, the IPP began publishing data on commodities from Mexico in more detail, adding LOO price indexes for both nonmanufactured and manufactured articles.

In the realm of services, IPP publishes indexes on import and export air passenger fares and air freight rates as well as indexes for inbound and outbound air freight rates. The tremendous growth of the international services sector over the last 20 years, has created the need for more comprehensive, reliable, and timely information on price trends of international prices. (In 2011, services comprised approximately 15 percent of cross-border imports and approximately 30 percent of cross-border exports.<sup>1</sup>) . In an effort to further fulfill this need, the IPP began publishing two new indexes covering Export Travel and Tourism and Export Education in 2007. However, these new series, along with the Inbound Crude Oil Tanker Freight, Inbound Ocean Liner Freight, and Inbound/Outbound Air Passenger Fares indexes can no longer be supported due to budget constraints. Consequently, these indexes were discontinued effective January 2008.

In producing monthly price indexes on goods and services traded between the U.S. and the rest of the world, the International Price Program remains the primary source of data on price changes in the foreign sector.

## **2. Uses of the U.S. Import and Export Price Indexes**

The most critical uses of the IPP indexes are found in the public sector. Major public-sector uses of the IPP indexes include deflating monthly import and export trade statistics, deflating the foreign trade component of Gross Domestic Product, determining monetary and fiscal policy, determining trade and commercial policy, negotiating trade agreements, and escalating government contracts. The prices provided by respondents form the foundation of information necessary to assure that the IPP indexes accurately reflect conditions in the international marketplace. U.S. policy makers must have reliable, accurate statistics to insure that appropriate actions are taken, especially during periods of economic difficulty. When public policy makers have reliable statistics on international trade, they are in a better position to make sound decisions on the regulation and promotion of international trade. These decisions can benefit all internationally active companies.

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<sup>1</sup> Excludes "Transfers under U.S. military agency sales contracts," "U.S. Government miscellaneous services," and "Direct defense expenditures." (Attachment 2)

IPP produces monthly indexes in order to provide information with which to deflate the monthly merchandise trade data issued by the Department of Commerce. (Attachments 3 and 4 are examples of trade balances issued monthly in "United States Department of Commerce News: U.S. Merchandise Trade".) The resulting real trade flows, obtained by using monthly international price indexes as deflators, enable measurement of real output and provide a more comprehensive understanding of the underlying dynamics of international trade.

The Commerce Department also uses international price indexes to adjust for inflation in the foreign trade sector of its quarterly National Income and Product Account (NIPA). (Attachments 5 and 6 show the constant dollar tabulation of imports and exports from the U.S. Department of Commerce, Survey of Current Business.)

In addition to serving as a tool for the public sector, the Import and Export Price Indexes have a variety of other private sector uses by the media, bankers, financial analysts, academic researchers, and corporate managers. These uses include market analysis, forecasting future price trends, estimating for contract escalation and replacement cost accounting, measuring import price and income elasticity, and estimating exchange rate pass-through values and the effect of currency fluctuations on prices by specific countries or regions.

The Import and Export Price Indexes can also be used in various ways to measure a country's international competitiveness. One method for indicating international competitiveness is through the use of terms of trade indexes. A terms of trade index is defined as an export price index divided by the respective import price index. Because demand for imports and exports are tied to import and export prices, a change in the terms of trade will lead to a change in the trade balance. International competitiveness can also be studied by creating export price comparison indexes that compare one country's export prices against another country's export prices. A third way to look at international competitiveness is by expressing Import and Export Price Indexes in foreign currency terms. Foreign currency import price indexes measure fluctuations in the revenue for foreign sellers in the U.S., and foreign currency export price indexes illustrate how U.S. export prices vary from the perspective of buyers of U.S. goods.

### **3. Use of Electronic Collection Methods**

Historically, the primary interaction between the Bureau and the respondents is through the repricing form:

- Attachment 7A: a sample repricing form for exports
- Attachment 7B: a sample repricing form for imports.
- Attachment 7C: the mail insert included with all repricing forms mailed to respondents.
- Attachment 7D: the 'reminder to reprice' delivered to respondents via e-mail.
- Attachment 7E: a 'thank-you' e-mail sent to respondents each year.
- Attachments 10A/10B: the letter delivered to respondents when their items are scheduled to be phased out of the IPP survey.
- Attachments 11A-11C: brochures detailing how to complete the repricing form, which are included with mailed repricing forms. Prior to the anthrax problems, which curtailed the mail service in October 2001, nearly all IPP repricing data were collected via the mail. Forms were mailed out to respondents and they were returned in BLS-supplied envelopes. As a result of the curtailment of incoming mail, the program discontinued this method of data collection and switched entirely to mailout/fax-back of nearly all forms.

In 2003, IPP introduced a web application for monthly data collection. (Attachments 8A-8D contain instructions and temporary account/password e-mails for providing prices via the web. Attachment 8E is the 'time to reprice' e-mail sent to web respondents and Attachment 8F is the reminder e-mail for web respondents who have not yet provided data. Attachments 8G-8K show screen shots of the web application.) This tool permits respondents to directly update their data online via the internet. Web collection has expanded rapidly since the IPP started soliciting respondents in 2003 and is now the primary repricing method. As of February 2012, 82 percent of IPP respondents were actually providing prices via the web application or had agreed to start using this method. Currently, Field Economists offer this option to all new respondents, and at initiation, it is the preferred method of collection offered to companies.

Of the remaining respondents, the majority reprice using the mailout/fax back process while a small percentage provide data via non-automated phone, special arrangements between the analysts and the respondents, or e-mail. The e-mail option was broadened in 2008 with the introduction of an e-mail repricing application which generates the repricing form in an Excel spreadsheet as an attachment in a corresponding e-mail prompting the respondent to provide prices. (Attachment 9A is the "notification to reprice" e-mail sent to respondents using this repricing method and Attachment 9B is a sample Excel spreadsheet containing repricing data.) Respondents using this repricing method include their price information in the Excel document and return it via e-mail. This collection method is not offered to respondents by Field Economists during initiation but is used by Industry Analysts at the National Office only as a last resort for securing respondent cooperation. However, e-mail repricing has the possibility of expanding, depending upon how data security issues are handled in the Bureau.

Over time, these various electronic data collection methods for repricing have permitted the Program to collect and publish monthly information more rapidly. Each month the IPP is the first BLS price series to be published.

### Respondent Burden

The IPP has implemented several changes over the years to reduce burden on IPP respondents, especially those companies which are major traders and account for a significant portion of international trade. In 2003, we implemented an enhanced refinement process that provides Industry Analysts the ability to reduce the burden for a respondent when it is needed, and in 2004, we began providing Field Economists with more accurate information about the potential overlap between establishments that are in both the IPP and the Producer Price Index. This information allows the Field Economists to better coordinate visits to establishments to obtain new items for repricing, ensuring that we are adhering to requests from establishments about the timing of our visits. Also in 2004, we modified our second stage selection algorithm to lower the selection probability of infrequently traded Sampling Classifications Groups (SCGs) (since they are more likely to be out-of-scope for the IPP). SCGs which are frequently traded are easier for respondents to identify during initiation. In 2007, the IPP completed a study aimed at reducing Out Of Scope rates, which upon implementation of the various proposals have also helped to reduce respondent burden.

In 2009, the Program implemented changes to the web repricing application to reduce burden on IPP respondents providing prices via the internet. Rather than requiring the respondent to type in the account number on the logon screen, the system now displays this information automatically when the respondent accesses the web repricing application by clicking the link in the 'time to reprice' e-mail. (Attachment 8G shows the logon screen in the web repricing application and Attachment 8E is the 'time

to reprice' e-mail sent to web respondents.) Also, the application now allows respondents to provide general comments which apply to all items rather than directing them to retype the comment for all applicable items. Lastly, one related party can now be copied on all e-mails sent to respondents using web repricing. This enhancement prevents the respondent from having to forward Repricing-related e-mails to other contacts within the company.

More recently, we implemented two new downtime messages for web repricing. One appears during 6:30-7AM daily and notifies the web respondents that the web survey is down for maintenance between 6:30-7AM and to return to the site in 30 minutes. (Attachment 8K) The other is for web respondents that are in the survey when the downtime occurs and notifies them that any data entered up until that point in the session has not been saved. (Attachment 8K) They are also asked to return to the site in 30 minutes.

#### **4. Efforts to Identify Duplication**

The U.S. Customs and Border Protection collects data on the value of all U.S. imported goods and the U.S. Census Bureau collects data on the value of all U.S. exported goods. Until 1989, the Department of Commerce used these data to construct unit value indexes. These indexes have been shown to be inadequate and were discontinued in October 1989. Since then, the IPP Indexes are the sole comprehensive price indexes for imports and exports.

In order to reduce costs and duplication, the Program use secondary source data, for example, the IPP survey does incorporate Department of Agriculture, Department of Energy, and certain other published market data in selected areas of goods and services. Generally, similar data which exist in the field of international prices cannot be used in lieu of the data collected by the IPP survey because the only "similar" data (trade journal prices and the former Department of Commerce unit value indexes) are the same data whose deficiencies prompted the creation of the IPP survey.

#### **5. Impact on Small Businesses**

The sampling procedures used by the IPP tend to select firms that are high-volume, regular traders in a product or service area. This technique minimizes the chances of small organizations being selected to report data for more than one or two items.

#### **6. Consequences of Less Frequent Collection of the U.S. Import and Export Price Indexes**

The International Price Program indexes are closely followed statistics which are viewed as a sensitive indicator of the economic environment. Federal policy-makers in the Department of Treasury, the Council of Economic Advisors, the Bureau of the Census, the Bureau of Economic Analysis, and the Federal Reserve Board utilize these statistics to form and evaluate monetary and fiscal policy and the general business environment. These agencies use the monthly data to deflate trade statistics to produce real, as opposed to the current nominal, trade flows. These real figures help to improve the agencies' formulation and evaluation of monetary and fiscal policy and the general business environment. Failure to provide current data would tend to extend recognition and adaptation time to economic events.

## **7. Special Circumstances**

All IPP data for goods and services are collected and published on a monthly basis. This monthly collection and publication of price data enables the Department of Commerce to produce monthly merchandise trade flow figures adjusted for inflation.

In order to meet our publication deadlines, the IPP requests that its respondents return the monthly price information forms within a week after receipt. Currently, the IPP Press Release is typically during the second week of the month following the reference period.

The International Price Program does not request duplicates of any document.

The IPP does not require respondents to retain records of any kind, for a period of any duration.

The IPP is designed to produce valid and reliable results that can be generalized to the universe of study.

The IPP indexes are based on established classification systems.

The IPP collects confidential price data. These data are for internal BLS use only, to construct price indexes.

## **8. Efforts to Address Comments on Data Collection**

One comment was received as a result of the Federal Register Notice published in 77 FR 27799 on May 11, 2012.

The Bureau of Economic Analysis (BEA) commented that it supports the continuation of the International Price Program since it is the only data source for several key components of BEA's economic statistics. BEA uses information from the IPP indexes in preparing "real" estimates of most components of exports and imports of goods, imports of equipment and software, and imports in inventories in the national income and product accounts. The indexes available for services are used to prepare estimates of real exports and imports of services. Also, the end-use import price indexes are used to prepare annual estimates of real gross domestic product by industry.

The IPP survey reflects inputs that have been provided by a wide range of organizations and individuals over the years. The original recommendations for the IPP survey grew out of the 1961 report sponsored by the Joint Economic Committee of the Congress. This information has been updated and maintained via regular contact with BLS's Business and Labor Research Advisory Councils, Federal Statistical Users Conferences, numerous international conferences, and ongoing meetings with the various Federal Agencies which use the IPP data for analysis. Users include offices of the Departments of Labor, Commerce, Treasury, and Energy, as well as the Congressional Budget Office and the Federal Reserve Board.

Since the Program involves a continuing rotation of industries and sampling units, contacts are conducted in person with trade groups and a number of individual businessmen. The fact that the IPP survey is voluntary requires that the ideas on survey design, survey operations and data presentation offered by these sources be studied carefully and instituted when possible.

## **9. Payment to Respondents**

The IPP does not provide any payment or gift to its respondents.

## **10. Assurance of Confidentiality**

The Confidential Information Protection and Statistical Efficiency Act of 2002 (CIPSEA) safeguards the confidentiality of individually identifiable information acquired under a pledge of confidentiality for exclusively statistical purposes by controlling access to, and uses made of, such information. CIPSEA includes fines and penalties for any knowing and willful disclosure of individually identifiable information by an officer, employee, or agent of the BLS.

Based on this law, the BLS provides respondents with the following confidentiality pledge/informed consent statement:

*The Bureau of Labor Statistics, its employees, agents, and partner statistical agencies, will use the information you provide for statistical purposes only and will hold the information in confidence to the full extent permitted by law. In accordance with the Confidential Information Protection and Statistical Efficiency Act of 2002 (Title 5 of Public Law 107-347) and other applicable Federal laws, your responses will not be disclosed in identifiable form without your informed consent.*

BLS policy on the confidential nature of respondent identifiable information (RII) states that “RII acquired or maintained by the BLS for exclusively statistical purposes and under a pledge of confidentiality shall be treated in a manner that ensures the information will be used only for statistical purposes and will be accessible only to authorized individuals with a need-to-know.”

## **11. Justification for Collection of Sensitive Data**

As part of the disaggregation process (conducted during initiation), Field Economists request company trade data (required to assign measures of size for disaggregation) which some respondents consider sensitive information. To alleviate their concerns, Field Economists explain that the purpose of the disaggregation process is to identify a single (or very few) specific goods or services for pricing and inform them of BLS’ policies concerning confidentiality. In IPP’s experience, these records and discussions with the Field Economists alleviate any serious concerns.

Additionally, price information and whether prices are representative of intracompany transfers (both requested during initiation and on form 3007D in repricing) are also considered sensitive information by some respondents. Again, Field Economists (during initiation) and Industry Analysts (during repricing) inform them of BLS’ policies on confidentiality to alleviate any concerns. (Note also that IPP conducted a study which found no significant difference in the trends for non-market based transfer prices and those at arm’s length. This conclusion prompted IPP to begin including all transfer prices in index calculation beginning with the February 1998 indexes.)

## **12. Estimate of Respondent Burden**

Average person-hours per response is estimated separately for initiation and for repricing. For initiation, which requires an interview with a BLS data collector, the information is entered directly into a laptop computer. (Attachment 12 contains screenshots from this application.) Form 3008 (Attachment 13), the B form (Attachment 14), and checklists based on the Harmonized manual are all used by BLS data collectors during initiation. (Attachment 15 is a sample checklist. IPP has checklists covering all Harmonized and Schedule B product areas excluding chapters<sup>2</sup> 86, 97, 98, and 99. For import chapters

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<sup>2</sup> The Harmonized Tariff Schedule and Schedule B are organized into sections and chapters. A chapter is a collection of similar

and descriptions, go to [http://www.usitc.gov/tata/hts/bychapter/\\_1200.htm](http://www.usitc.gov/tata/hts/bychapter/_1200.htm). For export chapters and descriptions, go to <http://www.census.gov/foreign-trade/schedules/b/2012/index.html>.) The response burden estimate is based on field collection experience. Response burden varies depending on the size of the company, the number and variety of goods or services produced in the establishment, and the types of records kept. Thus far in the survey, which has been carried out at small, medium, and large size establishments, the respondent burden for initiation averaged approximately one hour.

For repricing, which is an update to price data previously provided by the respondent (using either the online data collection application or completing the mailed form), the burden estimate is based on internal testing and BLS experience in earlier samples. (Attachment 7A is a sample repricing form and Attachments 8G-8J show screenshots from the web repricing application.) The burden varies from one minute for routine updates of prices for unaltered goods or services, to thirty minutes for reporting changes in product or service specifications or substitution of models within a product or service line. We estimate that it takes approximately 5 minutes, on average, to reprice one item.

Companies and establishments of all employment sizes, including those with fewer than 100 employees, are covered in the samples. This comprehensive coverage is necessary to avoid bias and assure that the sample is representative of the universe of exporters/importers. Small companies, collectively, have substantial weight in the price-forming universe, and the evidence suggests that the pricing behavior of small companies is different from that of large companies. Therefore, the smaller units must be directly surveyed.

The sample sizes and estimated annual respondent burden for FY 2013, FY 2014, and FY 2015 are shown on the following pages. Data on exports and imports are calculated separately for analysis purposes.

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products, aggregated at the two-digit level. For example, chapter 26 is reserved for 'Ores, slag and ash,' and chapters 25-27 make up section V ("Mineral Products").

**EXPORTS**

	<u>Total Annual Responses</u>				<u>Estimated Total Hrs of Annual Burden</u>			
	Number of Respondents (end of FY) <sup>3</sup>		Frequency of Response Per Year	Total Annual Responses	Total Annual Responses	Estimated Avg # of Hrs Per Response		Estimated Total Hrs of Annual Burden
<b>Fiscal Year 2013</b>								
Initiation <sup>4</sup>	1200	x	1	= 1200	1200	x	1	= 1200
Repricing <sup>5</sup>	2200	x	8.0 <sup>6</sup>	= 17600	17600	x	0.3771 <sup>7</sup>	= 6637
<b>Total Burden</b>	3400			18800	18800			7837 <sup>8</sup>
<b>Fiscal Year 2014</b>								
Initiation	1200	x	1	= 1200	1200	x	1	= 1200
Repricing	2200	x	8.0	= 17600	17600	x	0.3771	= 6637
<b>Total Burden</b>	3400			18800	18800			7837
<b>Fiscal Year 2015</b>								
Initiation	1200	x	1	= 1200	1200	x	1	= 1200
Repricing	2200	x	8.0	= 17600	17600	x	0.3771	= 6637
<b>Total Burden</b>	3400			18800	18800			7837

<sup>3</sup> These numbers are estimates subject to change due to differing relative values of U.S. imports and exports and to variations in response rates.

<sup>4</sup> Initiation refers to the initial collection of data to be used in repricing. Totals include the Field Economist's visit to the company as well as the time spent to select items for repricing using the disaggregation sheet (form 3008, Attachment 13) .

<sup>5</sup> Repricing refers to the update of price information previously provided by the respondent. The web application (Attachments 8G-8K) is the primary means of repricing but all collection types (mail out/fax back, telephone, e-mail, etc.) are included in these totals.

<sup>6</sup> During initiation, the respondent determines how many months data will need to be supplied in a given year based upon how often prices change. On average, export and import companies are requested to supply information 8.0 months/year and 8.2 months/year, respectively.

<sup>7</sup> The average burden to reprice is currently estimated at 5 minutes per item, based upon internal testing. On average, an export respondent submits price data on 4.525 items. Thus, the average response time is 5 minutes x 4.525 items = 22.625 minutes = 0.3771 hours.

<sup>8</sup> Rounded to the nearest hour.



**IMPORTS**

	<u>Total Annual Responses</u>				<u>Estimated Total Hrs of Annual Burden</u>		
	Number of Respondents (end of FY)		Frequency of Response Per Year	Total Annual Responses	Total Annual Responses	Estimated Avg # of Hrs Per Response	Estimated Total Hrs of Annual Burden
<b>Fiscal Year 2013</b>							
Initiation	1800	x	1	= 1800	1800	x 1	= 1800
Repricing	3300	x	8.2	= 27060	27060	x 0.4106 <sup>9</sup>	= 11111
<b>Total Burden</b>	5100			28860	28860		12911 <sup>10</sup>
<b>Fiscal Year 2014</b>							
Initiation	1800	x	1	= 1800	1800	x 1	= 1800
Repricing	3300	x	8.2	= 27060	27060	x 0.4106	= 11111
<b>Total Burden</b>	5100			28860	28860		12911
<b>Fiscal Year 2015</b>							
Initiation	1800	x	1	= 1800	1800	x 1	= 1800
Repricing	3300	x	8.2	= 27060	27060	x 0.4106	= 11111
<b>Total Burden</b>	5100			28860	28860		12911

<sup>9</sup> The average burden to reprice is currently estimated at 5 minutes per item, based upon internal testing. On average, an import respondent submits price data on 4.927 items. Thus, the average response time is 5 minutes x 4.927 items = 24.635 minutes = 0.4106 hours.

<sup>10</sup> Rounded to the nearest hour.

Respondent burden cost for monthly data collection for the periods covered by this clearance package are as follows:

EXPORTS			
Fiscal Year	Total Hours Burden	Average Hourly Pay	Annualized Cost of Burden
2013	7,837	\$48.54	\$380,408
2014	7,837	\$49.57	\$388,481
2015	7,837	\$50.62	\$396,709

IMPORTS			
Fiscal Year	Total Hours Burden	Average Hourly Pay	Annualized Cost of Burden
2013	12911	\$48.54	\$626,700
2014	12911	\$49.57	\$639,998
2015	12911	\$50.62	\$653,555

In the fourth quarter of 2011, the average hourly total compensation for management, professional, and related employees in private industry was \$50.48. The average hourly total compensation for sales and office employees was \$22.39. Thus, a weighted average hourly total compensation rate of \$47.39 was derived<sup>11</sup>. This weighted average was then updated for the first quarter of 2012 using the percent change in the Employee Cost Index (ECI) of the BLS<sup>12</sup>. Estimates for 2013, 2014, and 2015 were derived by calculating the weighted average percent change in ECI for both categories and applying it to subsequent years<sup>13</sup>. These numbers would make the hourly total \$48.54 for 2013, \$49.57 for 2014, and \$50.62 for 2015.

### 13. Total Annual Cost to Respondents

Since the IPP offers mailout/fax-back collection, respondents need no special equipment or technology for collection of this information; the company's methods for maintaining its records are incidental to the IPP survey. Respondents' total annual capital costs (both the total capital and start-up cost

<sup>11</sup> Approximately 89 percent of IPP respondents can be categorized as a management, professional or related employee in private industry while about 11 percent can be categorized as a sales or office employee.

<sup>13</sup><sup>12</sup> The three-month ECI for management, professional, and related employees in private industry was 0.3 and sales and office employees in private industry was 0.4 percent. See above footnote for additional info related to the following calculation:  $(0.3 \times .89) + (0.4 \times .11) = 0.31$  percent change in ECI of the BLS.

<sup>13</sup> The 12-month ECI for management, professional, and related employees in private industry in the last quarter of 2011 was 2.1 percent; the 12-month ECI for sales and office employees in private industry was 2.3 percent. See footnote 11 for additional info related to the following calculation:  $(2.1 \times 0.89) + (2.3 \times 0.11) = 2.12$  (weighted avg percent change in ECI per year, for both categories).

component and the total operation and maintenance and purchase of services component) relative to the IPP survey are \$0.

#### **14. Total Annual Cost to Federal Government**

For FY 2012, the collection and publication of data for the IPP Survey (both imports and exports) will cost approximately 20 million.

#### **15. Explanation of Changes in Respondent Burden**

Respondent burden has declined due to a decrease in the estimated average repricing response time per item. The lower estimate is the result of the increased use of web repricing (82% of IPP respondents now reprice via the web) and is based upon internal testing. This estimate may be revised as IPP plans to conduct further testing. Web repricing in general, results in less follow-up from the National Office since the application prompts for explanatory comments for large price changes and replacements for discontinued items. Many respondents have also found web repricing to be an easier and more convenient method for providing price information (as has been reported to Industry Analysts).

#### **16. Publication of U.S. Import and Export Price Indexes**

The merchandise price indexes are published using three different classification systems: the Harmonized System (HS), the Bureau of Economic Analysis End Use System (End Use), and the Foreign Trade North American Industry Classification System (NAICS). Since services are not covered in the published classification systems used for merchandise trade, Price indexes for internationally traded services are published using two other definitions: the Balance of Payments (BOP), which represents transactions between U.S. and foreign residents; and International services indexes, which represent transactions "inbound to" and "outbound from" the U.S.

The HS system is also used for sampling, weighting, and the collection of data. Each published product group is composed of classification groups, constructed from homogeneous or related product categories in the Harmonized TSUSA or Schedule B classifications. Index aggregation weights are now revised on a yearly basis which reflects the constantly changing patterns of international trade more accurately. For the IPP's goods indexes, the aggregation weights at the stratum<sup>14</sup> and detailed classification group levels consist of the universe trade dollar value totals that are published by the Bureau of the Census. Changes affecting the weights of products in the basket of goods bought and sold in foreign markets are now made every January, beginning in 2004, and reflect shifts in trade patterns from two years earlier. All Services indexes are now also reweighted each January and reflect shifts in trade patterns from two years earlier. The IPP began annual reweighting of Air Passenger Indexes in January 2007 and of Air Freight Indexes in January 2009.

Repricing forms can be mailed to respondents who are using the mailout/fax-back collection as early as one business day prior to the first day of the pricing month but no later than the first week of the pricing month. (Attachment 7A is a sample repricing form and Attachment 7B is the insert included with all mailed repricing forms.) Respondents providing data via the web receive a notification to reprice on the second business day of the reference month (Attachment 8B). Data collection continues for five weeks;

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<sup>14</sup> IPP uses the term "stratum" (pl. "strata") to refer to a grouping of one or more classification groups which are homogenous with respect to some characteristic and may experience similar price trends.

the indexes are released approximately one week later. Schedules which are sent to the Regional Offices for initiation may remain in the Regional Offices for up to a year.

The IPP data are published in a monthly news release that includes a description of some of the highlights of import and export price movements over the past month. The release also includes tables that detail aggregate price indexes for each of the published classification systems. (An IPP news release is included as Attachment 16.) The release dates are announced in July of the previous year and are available online at [http://www.bls.gov/schedule/news\\_release/ximpim.htm](http://www.bls.gov/schedule/news_release/ximpim.htm). In addition to the news release, the IPP publishes more detailed tables that contain indexes and percent changes over the past four months for each of the program's published indexes. The IPP also offers full historical tables that show the index values for each published stratum dating back to when the series was first published. IPP outputs are available to the public by e-mail (using the BLS News Service) or on the internet. Detailed analyses using international prices are also published periodically in the Monthly Labor Review. (Attachments 17-19 are articles which reference IPP data and which have been published in the Monthly Labor Review.)

#### **17. Request to Not Display Expiration Date**

Approval to not display the expiration date for OMB approval is not being sought.

#### **18. Exception to Certification Statement**

Because it is a voluntary survey and it imposes no recordkeeping requirement for respondents, the IPP does not indicate a retention period for recordkeeping requirements.