



## EXTERNAL TRADE INDICES

External trade indices (ETI) comprised of **unit value index** and **volume index**. ETI is compiled based on import and export data where the source is mainly from customs declarations and Free Zone forms. The **unit value index** is compiled based on Laspeyres method, while the **volume index** is derived indirectly by deflating the export or import value indices with the corresponding unit value indices and this method is referred to as derivable Paasche Volume Index.

Average Unit Value (AUV) of a specific product is the total **value** of the imports/exports divided by the sum of the **quantity**.



**unit value index?**  
**volume index?**

**Unit value index** is an index that measures the ▲ in the average unit value of items comprising an individual commodity class. (Export and Import Price Index Manual (IMF), 2009; Glossary)

**Volume index** on the other hand assesses the ▲ in volume of external merchandise trade which are derived from changes in external merchandise trade value with the effect of price ▲ that has been discounted.



The important indicator derived from the export and import unit value indices is **Terms of Trade (TOT)**. The **TOT** measures the relative price of exports compared to the price of imports.

- ❏ If the price of exports relative to price of imports increases, there will be an improvement in the terms of trade.
- ❏ If the price of exports relative to price of imports falls, there will be a decline in the terms of trade.

$$TOT = \frac{\text{Export Unit Value Index}}{\text{Import Unit Value Index}}$$

**TOT** is affected by exchange rate. If there is a fall in the exchange rate, there will be a deterioration in the terms of trade because the price of exports falls.



## Why are these indices important?



Provide a measure of the extent to which in the export/import values are due to:  
 in unit value;  
 in volume. **01**

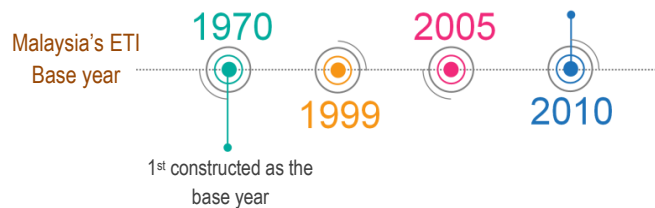
Enable policy makers to assess the effects of price change in exports with those in imports. **02**

Can be utilized for making projections for future in prices. **03**

Measure the in the real value of Malaysian imports or exports over time using the deflation method. **04**



Commencing reference month January 2018, the basket for the compilation of ETI was updated based on 2013 merchandise trade data and at the same time keeping the base year as 2010=100



## June 2018 highlights



- On a month-on-month (m-o-m) basis, in June 2018, the export **unit value index** rose 1.0% to 114.5 points which was contributed by mineral fuels (+3.0%) followed by chemicals (+0.6%) and miscellaneous manufactured articles (+0.5%). Meanwhile, the export **volume index** registered a decrease of 5.1% to 129.2 points.
- Meanwhile, the import **unit value index** also grew 1.3% to 118.3 points compared to May 2018 which was mainly led by mineral fuels (+5.8%) followed by manufactured goods (+1.0%) and chemicals (+1.0%). The import **volume index** fell 3.0% to 139.5 points.
- Malaysia's **terms of trade** dropped 0.3% to 96.7 points when compared with May 2018.