

BUREAU OF LABOR STATISTICS

Import/Export Price Indexes

How the Bureau of Labor Statistics Measures Price Change for Air Passenger Fares in the U.S. Import/Export Price Indexes

The Bureau of Labor Statistics (BLS) Import/Export and Inbound/Outbound Air Passenger Fares Indexes measure changes in airline fares for air passenger travel to and from the U.S. These indexes were first published in the mid-to-late 1980s and were among the first import/export services price indexes published by BLS. Originally, the air passenger fares indexes were published quarterly. BLS began publishing the air passenger fares indexes on a monthly basis beginning in March 2001. Other international transportation services price indexes published by BLS include those for air freight, crude oil tanker freight, and ocean liner freight.

The U.S. Import/Export Price Indexes include two types of air passenger fares indexes—Balance of Payments Indexes and International Services Indexes. The Balance of Payments Indexes are the import and export indexes, taking into account the residency of the traveler and the nationality of the carrier. The International Services Indexes measure fare changes in terms of direction only, inbound versus outbound.

The Import Air Passenger Fares Index measures changes in fares paid to foreign carriers by U.S. residents for international travel. The Export Air Passenger Fares Index measures changes in fares paid to U.S. carriers by foreign residents for international travel. U.S. and foreign residents are identified by a flight's point of origin, based on the assumption that most passengers purchase their tickets and begin travel in their country of residence. For example, the fare for a flight from New York to Paris on

Air France would be included in the Import Air Passenger Fares Index, while the fare for a flight from Tokyo to Los Angeles on American Airlines would be included in the Export Air Passenger Fares Index. The U.S. Department of Commerce's Bureau of Economic Analysis (BEA) is a primary user of the Import and Export Air Passenger Fares Indexes. BEA uses these indexes to adjust the Balance of Payments Accounts and deflate the Gross Domestic Product.

BLS publishes the Inbound and Outbound Air Passenger Fares Indexes as an alternative to the Import/Export Air Passenger Fares Indexes. The Outbound Air Passenger Fares Index measures changes in fares paid for flights originating in the U.S. and destined for foreign countries, regardless of the nationality of the carrier. The Inbound Air Passenger Fares Index measures changes in fares paid for flights originating in foreign countries and destined for the U.S., regardless of the nationality of the carrier. For example, the fare for a flight from Boston to London on any airline would be included in the Outbound Air Passenger Fares Index, while the fare for a flight from London to Boston would be included in the Inbound Air Passenger Fares Index. The Inbound and Outbound Air Passenger Fares Indexes can be used to analyze international airline fare trends.

Sample Design and Selection

The Import/Export and Inbound/Outbound Air Passenger Fares Indexes use the U.S. Department of Transportation's Data Bank 1A (DB1A) as a primary sampling source.

The DB1A includes ticket coupons as part of the U.S. Department of Transportation's Origin and Destination Survey (O&D) and provides data on passenger counts, revenues, origin and destination airports, and fare classes for international trips. Another source of information includes the U.S. Department of Transportation's T-100 International Market file. The samples for the Import and Export Air Passenger Fares Indexes are subsets of the samples for the Outbound and Inbound Air Passenger Fares Indexes, respectively.

Each air passenger item in these indexes is selected by probability methods and is defined by the following characteristics: origin and destination airports, carrier name, fare class (business, first, or coach), and fare type (one-way or round-trip).

Pricing

Pricing data for the air passenger fares indexes are obtained from an electronic reservations system that is widely used in the industry. Frequent flyer tickets and those sold by consolidators are excluded from the air passenger indexes. Prices for all items are collected during the first week of each calendar month.

Each item is identified by a unique origin and destination airport, airline, fare class (business, first, or coach), fare type (one-way or round-trip), fare basis code, purchase requirements and restrictions, and routing code. For example, the BLS might track prices for a round-trip coach fare from

Chicago's O'Hare Airport to London's Heathrow Airport on British Airways for a particular fare basis code with specific restrictions (such as 14-day advance purchase and weekday travel). If a sampled item is unavailable, a new item with similar characteristics replaces it in the index.

Trade Value

The revenue weights used for index calculation are derived from the passenger count data of the Transportation Department's DB1A. Trade value weights for fare data are updated every five years. These indexes currently are based on year 2000 values.

Additional Information

Additional information on the U.S. Import/Export Price Indexes can be found in "International Price Indexes," *BLS Handbook of Methods*, Bulletin 2490 (Bureau of Labor Statistics, 1997), Chapter 15. This chapter also is available on the BLS Internet site (<http://www.bls.gov/mxp>) under the topic "Publications." You may contact the International Price Program of BLS by telephone at (202) 691-7101 or by e-mail at mxpinfo@bls.gov.

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