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IPP 2008 year in review

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ABSTRACT

On the whole, import and export prices rose sharply during the first 7 months of 2008 and then plunged during the last 5 months of the year; energy goods, most notably petroleum, led the price increases and decreases.

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EXCERPT

Import and export price movements through the first 7 months of 2008 contrasted sharply with those seen in the last 5 months of the year. During the first 7 months of the year, import prices and export prices reached their highest levels since first being published in 1982 and 1983, respectively. Import prices climbed 15.9 percent over the period, while export prices rose 7.3 percent.¹ The respective increases in import and export prices over the first 7 months of 2008 were larger than any annual price increase dating back to the inception of both the import and export price indexes. The largest annual increase for imports, a 10.6-percent rise, occurred in 2007, and the largest increase for exports, a 6.0-percent rise, also took place in 2007. Large price gains for fuel and precious metals, as well as a decline in value of the U.S. dollar, contributed towards the increases in both import and export prices. Large increases in the prices for agricultural commodities also contributed to the overall advance in export prices.

Prices for both imports and exports peaked in July 2008 and then, in August, began a precipitous drop that continued through the end of the year. During the final 5 months of the year, the drop in both import and export prices left each index down overall for 2008. Between August and December, import prices declined 22.4 percent and export prices fell 9.5 percent. For 2008 as a whole, import and export prices were down for the first time since 2001, with the import index and the export index each exhibiting its largest decline since it was first published. Price decreases for fuel and precious metals, a turnaround in the value of the U.S. dollar, and drops in agricultural export prices were the major contributors to the overall price declines in the final 5 months of the

year.

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Footnotes

1 For every calculation in this article involving change over time, the base month is the month before the first month of the period that is referenced. In this example, which change is measured over the first 7 months of 2008, the first month used in the calculation is December 2007 and the last is July 2008. For changes over the entire year of 2008, the change is calculated from December 2007 to December 2008.

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