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SURVEY OF CURRENT BUSINESS



UNITED STATES DEPARTMENT OF COMMERCE / BUREAU OF ECONOMIC ANALYSIS

SURVEY OF CURRENT BUSINESS

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the BUSINESS SITUATION

PROFITS from current production—profits before tax with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj)—declined \$3½ billion in the second quarter, following an \$11 billion increase in the first.

Domestic profits of nonfinancial corporations increased \$½ billion, following an increase of \$2 billion, as a small increase in profits per unit of product more than offset a small decline in real gross corporate product. The increase in unit profits resulted from a larger increase in unit price than in unit cost.

Domestic profits of financial corporations increased \$2 billion, following an increase of \$5½ billion, and profits from the rest of the world declined \$5½ billion, following an increase of \$3½ billion.

Profits before tax.—Profits before tax (PBT) increased \$7 billion in the second quarter, following a decline of \$11½ billion in the first; an increase of \$12½ billion in domestic PBT was partly offset by a decline of \$5½ billion in rest-of-world PBT.

The contrast between the increase in PBT and the decline in profits from current production is due to the CCAdj, which declined \$4½ billion, and to the IVA, which declined \$6 billion. Both of these adjustments are reflected in the current production measure but not in PBT.

The CCAdj is the difference between depreciation based (like PBT) largely on tax accounting, on the one hand, and economic depreciation as defined by BEA, on the other. In the second quarter, as in the first, tax-based depreciation declined slightly while economic depreciation continued to increase; as a result, the CCAdj declined. The decline in tax-based depreciation reflected the provisions of the Economic Recovery Tax Act of 1981, under which newly purchased 5-

year assets are depreciated in 1986 at a lower rate than 5-year-old assets that drop out of the depreciation base.

The IVA removes the capital-gains-like element from profits based on tax accounting when inventory prices increase; likewise, it removes the capital-loss-like element when inventory prices decline. In the second quarter, the IVA was positive but smaller than in the first, as overall inventory prices continued to decline but by less than in the first. In manufacturing, inventory prices dropped more than in the first quarter, while in trade, inventory prices generally increased after declining in the first quarter.

Dividends increased \$2½ billion. This increase can be viewed as the sum of an unusually large \$12 billion increase in net dividend payments by domestic corporations and an unusually large \$9½ billion decline in net dividend payments by the rest of the world. Net dividend payments by domestic corporations and by the rest of the world are not independent of each other because most dividends paid by the rest of the world are received by domestic corporations. Thus, a decline in payments by the rest of the world

results in a decline in gross dividend receipts by domestic corporations and, accordingly, in an increase in net dividend payments by domestic corporations.

Profits with IVA but without CCAdj.—The quarterly measure of profits available by industry increased \$1 billion, following an increase of \$14½ billion. Profits of domestic nonfinancial corporations increased \$4½ billion, as higher profits in manufacturing and in transportation and public utilities were partly offset by lower profits in trade.

In manufacturing, the profits increase followed two quarters of decline. The only industry not sharing in the increase was motor vehicles, although petroleum's increase reflected special factors. In motor vehicles, profits declined \$1.5 billion, to \$5 billion, as the domestic output of new autos (see NIPA table 1.18) fell sharply in response to the sluggish sales and resulting large inventory buildup in preceding quarters. In petroleum, profits increased but the increase represented only a partial rebound from a very low first-quarter level that had reflected the payment of a large fine

Looking Ahead . . .

- *State Quarterly Personal Income.* A comprehensive revision of the quarterly estimates of State personal income is nearing completion. Revised estimates for 1980-85 will appear in the October issue of the SURVEY.
- *Foreign Transactions.* An introduction to the concepts, sources, and methods of foreign transactions in the national income and product accounts will appear as an article in a fall issue of the SURVEY. A paper about foreign transactions, including this introduction, will appear shortly thereafter as part of the BEA methodology series.
- *Input-Output Accounts.* The 1981 annual input-output tables will be presented in a fall issue of the SURVEY.
- *International Sales of Services.* Direct investment survey data for 1982-84 on international service transactions of U.S. multinational corporations and their foreign affiliates will be discussed in an upcoming issue of the SURVEY.

to the U.S. Department of Energy by a major corporation; in the absence of the fine, profits would have declined in both quarters, reflecting the path of petroleum prices. In transportation and public utilities, lower petroleum prices contributed to increased profits.

In trade, most of the decline in profits occurred at the retail level, as inventory prices increased and prices of goods sold declined.

Profits of domestic financial corporations were up \$2 billion, with property and casualty insurance carriers more than accounting for the increase.

Profits from the rest of the world—equal to inflows from the rest of the world less outflows to the rest of the world—were down \$5½ billion. Inflows dropped \$4 billion, with foreign petroleum affiliates accounting for much of the decline, and outflows increased \$1½ billion.

Federal Budget Developments

When Congress enacted what became known as the Gramm-Rudman-Hollings Act 9 months ago, it was believed that a course had been found to bring the Federal deficit under control. The course set by the act was to eliminate the deficit by fiscal year 1991 through budget outlay reductions; the act did not provide for tax increases. The outlay reductions were to result from legislative actions, or failing such actions, through automatic cuts. It was also believed at that time that the fiscal year 1986 deficit would be in the low \$200 billion range, partly as a result of \$11.7 billion in outlays sequestered under the act for that year. Two months later, in the February submission of the fiscal year 1987 budget, the fiscal year 1986 deficit was estimated to be \$202.8 billion. (See the February 1986 SURVEY OF CURRENT BUSINESS for a discussion of the act and the 1987 budget.) Seven months later, in the mid-session review of the 1987 budget, the 1986 deficit was estimated to be \$230.2 billion, \$17.9 billion higher than the record 1985 deficit.

This article first reviews budget developments since February on the basis of the mid-session review of the 1987 budget and then, taking off from the sequestration report submitted in August, discusses the current status

Table 1.—Economic Assumptions Underlying the Mid-Session Review of the Fiscal Year 1987 Budget

	Calendar year					
	Actual		Estimates		Differences from February	
	1984	1985	1986	1987	1986	1987
	Billions of dollars					
GNP:						
Current dollars	3,765	3,998	4,224	4,536	-50	-93
1982 dollars	3,490	3,585	3,690	3,837	-5	-5
Incomes:						
Personal income	3,110	3,314	3,504	3,726	18	-30
Wages and salaries	1,835	1,966	2,083	2,236	5	-11
Corporate profits before taxes	229	223	246	299	-35	-31
	Percent change from preceding year					
GNP in current dollars:						
Annual average	10.5	6.2	5.7	7.4	-1.3	-9
Fourth quarter	8.5	6.3	5.7	8.1	-2.3	-2
GNP in 1982 dollars:						
Annual average	6.4	2.7	2.9	4.0	-5
Fourth quarter	4.6	2.9	3.2	4.2	-8	2
GNP deflator:						
Annual average	3.9	3.4	2.6	3.3	-9	-9
Fourth quarter	3.7	3.3	2.4	3.7	-1.4	-4
Consumer Price Index: ¹						
Annual average	3.4	3.5	1.3	2.8	-2.2	-1.3
Fourth quarter	3.6	3.3	.6	3.7	-3.1	-4
	Percent					
Employment rate: ²						
Annual average	7.4	7.1	6.9	6.5	.2
Fourth quarter	7.1	6.9	6.7	6.5
Insured unemployment rate: ³						
Annual average	2.8	2.8	2.7	2.6
Interest rates: ⁴						
91-day Treasury bills	9.6	7.5	6.2	6.2	-1.1	-3
10-year Treasury notes	12.4	10.6	7.7	7.5	-1.2	-1.0

1. Consumer Price Index for urban earners and clerical workers.

2. Percent of labor force, including armed forces residing in the United States.

3. Insured unemployment under the State regular unemployment insurance program, excluding recipients of extended benefits, as percentage of covered employment under that program.

4. Average rate on new issues within a year. The estimates assume, by convention, that interest rates vary with the rate of inflation. They do not represent a forecast of interest rates.

Source: "Mid-Session Review of the 1987 Budget."

of the Gramm-Rudman-Hollings legislation and its role in determining the 1987 deficit.

The mid-session review

Revised estimates of Federal unified budget receipts and outlays for fiscal years 1986 and 1987 were submitted to Congress by the Office of Management and Budget in early August. These estimates reflect revised economic assumptions, reestimates of tax collections and agency spending based on more recent experience, policy changes, and legislation passed by Congress since the February budget. The estimates do not include the proposed Tax Reform Act of 1986.

On the basis of the revised economic assumptions, real GNP increases less in calendar year 1986 than expected earlier this year (table 1). From the fourth quarter of 1985 to the fourth quarter of 1986, real GNP is expected to increase 3.2 percent,

almost a percentage point less than estimated in February. This lower growth is the result of a weaker-than-expected first half of 1986. Real GNP is expected to increase 4.0 percent through the second half of 1986 and to increase at 4.2 percent through 1987. According to the administration, "the steep decline in oil prices and interest rates, and the appreciation of foreign currencies relative to the dollar have improved the economic outlook for 1987." Consumer prices rise considerably less in 1986 than expected in February—0.6 percent compared with 3.7 percent. The unemployment rate is unchanged, and the interest rate on 91-day Treasury bills is lower than expected earlier.

For fiscal year 1986, a \$230.2 billion deficit is estimated, compared with \$202.8 billion in February (table 2). Receipts are \$11.9 billion lower; revised economic assumptions—primarily lower personal incomes and corporate profits—account for \$11.0 billion of the revision.

Table 2.—Federal Government Receipts and Expenditures

[Billions of dollars]

	Fiscal year						
	Actual 1985	Estimates					
		1986			1987		
		Feb.	Aug.	Difference from Feb.	Feb.	Aug.	Difference from Feb.
Unified budget							
Receipts.....	784.1	777.1	765.2	-11.9	850.4	831.2	-19.2
Outlays.....	946.3	979.9	995.4	15.5	994.0	975.1	-18.9
Surplus or deficit (-).....	-212.3	-202.8	-230.2	-27.4	-143.6	-143.9	-3
National income and product accounts							
Receipts.....	774.6	823.2	810.4	-12.8	905.2	889.7	-15.5
Personal tax and nontax receipts.....	340.2	360.1	356.7	-3.4	392.1	391.5	-6
Corporate profits tax accruals.....	71.7	84.8	77.0	-7.8	104.1	92.0	-12.1
Indirect business tax and nontax accruals.....	56.5	55.8	51.8	-4.0	60.7	55.6	-5.0
Contributions for social insurance.....	306.2	322.5	324.9	2.4	348.8	350.5	2.2
Expenditures.....	962.1	1,015.9	1,024.6	8.7	1,043.7	1,033.1	-10.6
Purchases of goods and services.....	341.1	358.6	367.0	8.4	372.7	374.7	2.0
National defense.....	253.6	269.9	272.8	2.9	289.4	290.3	.9
Nondefense.....	87.5	88.7	94.2	5.5	83.3	84.4	1.1
Transfer payments.....	374.1	393.9	392.6	-1.3	407.9	401.8	-6.1
To persons.....	360.8	378.4	379.2	.8	393.8	390.5	-3.3
To foreigners.....	13.4	15.5	13.3	-2.2	14.1	11.3	-2.8
Grants-in-aid to State and local governments.....	97.7	102.6	104.9	2.3	93.9	97.3	3.4
Net interest paid.....	123.3	139.8	136.6	-3.2	146.1	138.4	-7.7
Subsidies less current surplus of government enterprises.....	20.9	21.0	23.5	2.5	23.1	20.9	-2.2
Less: Wage accruals less disbursements.....	-1	0	0	0	0	0	0
Surplus or deficit (-).....	-187.5	-192.7	-214.2	-21.5	-138.6	-143.4	-4.9

Sources: "Mid-Session Review of the 1987 Budget" and the Bureau of Economic Analysis.

Table 3.—Federal Government Receipts and Expenditures, NIPA Basis

[Billions of dollars, seasonally adjusted at annual rates]

	Calendar year							
	Actual				Estimates			
	1985		1986		1986		1987	
	IV	I	II	III	IV	I	II	III
Receipts.....	805.8	800.0	805.9	832.6	862.2	880.8	898.8	916.1
Personal tax and nontax receipts.....	355.6	350.3	355.5	368.1	383.0	385.5	393.8	402.4
Corporate profits tax accruals.....	77.2	71.2	72.6	84.7	87.4	89.4	93.9	97.5
Indirect business tax and nontax accruals.....	56.0	52.7	50.6	48.1	53.5	55.7	56.3	57.0
Contributions for social insurance.....	317.0	325.8	327.2	331.6	338.3	350.2	354.8	359.2
Expenditures.....	1,023.4	1,001.5	1,042.7	1,030.9	1,026.8	1,036.8	1,031.6	1,036.3
Purchases of goods and services.....	380.9	355.7	367.1	364.2	363.3	372.1	380.1	383.0
National defense.....	268.0	266.4	278.0	278.6	280.4	287.4	295.3	298.1
Nondefense.....	112.9	89.3	89.1	85.6	82.9	84.7	84.8	84.9
Transfer payments.....	385.9	389.3	394.4	400.8	400.1	400.4	401.5	405.2
To persons.....	370.4	378.8	381.5	386.4	385.8	390.1	391.2	394.9
To foreigners.....	15.4	10.5	12.9	14.4	14.3	10.3	10.3	10.3
Grants-in-aid to State and local governments.....	101.6	103.5	106.9	107.6	103.1	96.4	95.6	94.5
Net interest paid.....	133.9	135.0	137.9	139.3	138.5	138.3	138.1	137.9
Subsidies less current surplus of government enterprises.....	21.1	18.0	36.4	19.0	21.8	29.6	16.3	15.7
Less: Wage accruals less disbursements.....	0	0	0	0	0	0	0	0
Surplus or deficit (-).....	-217.6	-201.6	-236.9	-198.3	-164.6	-156.0	-132.8	-120.2

Outlays in 1986 are \$15.5 billion higher; upward revisions of \$16.0 billion due to reestimates and policy changes were partly offset by a \$0.5 billion downward revision due to revised economic assumptions. On a program-by-program basis, the revision is the net of \$24.9 billion in upward revisions and \$9.5 billion in downward revisions. The largest upward revisions were for national defense (\$5.6 billion) and for the Commodity Credit Corporation (CCC) (\$5.1 billion). The sources of the revision in national defense were not detailed.

The revision in CCC is due to changes in the 1986 crop forecast. Other major upward revisions are \$2.6 billion for the Federal Deposit Insurance Corporation, reflecting more bank failures than expected earlier, and \$1.2 billion due to the delay in the sale of Conrail. The largest downward revision is for net interest (\$3.9 billion), largely reflecting lower interest rates.

For fiscal year 1987, a deficit of \$143.9 billion is estimated, compared with \$143.6 billion in February. Receipts are \$19.2 billion lower; downward revisions of \$19.7 billion and

\$0.4 billion due to revised economic assumptions and policy changes, respectively, were partly offset by a \$0.9 billion upward revision due to reestimates.

Outlays in 1987 are \$18.9 billion lower—revised economic assumptions contributed \$12.7 billion; reestimates, \$3.9 billion; and policy changes, \$2.3 billion. On a program-by-program basis, the revision is the net of \$30.3 billion in downward revisions and \$11.4 billion in upward revisions. The largest downward revisions are for net interest (\$9.0 billion), largely reflecting lower interest rates; social security (\$4.9 billion), which will be discussed later; medicare (\$3.8 billion), reflecting new payment regulations; and CCC (\$1.8 billion), reflecting the revised crop forecast. The largest upward revisions are for the outlays against which Outer Continental Shelf receipts are offset (\$2.4 billion), reflecting the effect of the drop in oil prices on those receipts, and for the Agricultural Credit Insurance Fund (\$1.0 billion), reflecting lower-than-anticipated loan repayments.

As pointed out in the preceding paragraph, social security was revised down \$4.9 billion. This total reflects two downward revisions—the removal of a proposed 3.7-percent COLA, effective January 1, 1987 (\$5.5 billion) and fewer beneficiaries than previously estimated (\$0.6 billion)—and an upward revision from a proposed 0.8-percent COLA in January 1987 (\$1.2 billion). Under current law, the social security COLA is equal to the third-quarter-to-third-quarter increase in the Consumer Price Index (CPI) if the CPI increase is 3 percent or more; if the increase is less than 3 percent, no COLA is triggered. According to the revised economic assumptions, the CPI will increase 0.8 percent from the third quarter of 1985 to the third quarter of 1986, compared with 3.7 percent in the earlier economic assumptions. The administration proposes to pay a 1987 COLA based on the revised assumptions, although a COLA is not required by law. (Independently, Congress is considering a similar action.)

Revised NIPA estimates.—BEA has prepared estimates of the Federal sector on the national income and product account (NIPA) basis consistent with the revised unified budget estimates (table 2, and table 3 for the quarterly pattern). On this basis,

fiscal year 1986 receipts are \$12.8 billion lower, expenditures are \$8.7 billion higher, and the deficit is \$21.5 billion higher than estimated in February.

All categories of receipts, except contributions for social insurance, are revised down in fiscal year 1986. The largest declines are in corporate profits tax accruals (\$7.8 billion), reflecting lower profits in the revised economic assumptions, and in indirect business tax and nontax accruals (\$4.0 billion), reflecting lower windfall profit taxes.

The upward revision in expenditures is largely accounted for by purchases of goods and services. National defense purchases are revised up \$2.9 billion, and nondefense purchases are revised up \$5.5 billion. Within nondefense purchases, the purchase of agricultural commodities by the CCC are revised up \$3.8 billion, reflecting the revised crop forecast, and all other purchases are revised up \$1.7 billion. On balance, all other expenditures are revised up \$0.3 billion, the net of \$5.6 billion in upward revisions and \$5.4 billion in downward revisions. The upward revisions are for subsidies less the current surplus of government enterprises (\$2.5 billion), reflecting higher agricultural subsidies; for grants-in-aid to State and local governments (\$2.3 billion); and for transfer payments to persons (\$0.8 billion). Partly offsetting these increases are downward revisions in net interest paid (\$3.2 billion), largely reflecting lower interest rates, and in transfer payments to foreigners (\$2.2 billion).

For fiscal year 1987, receipts are \$15.5 billion lower, expenditures are \$10.6 billion lower, and the deficit is \$4.9 billion higher. The downward revision in receipts is more than accounted for by corporate profits taxes (\$12.1 billion), down for the same reason as in 1986, and by indirect business taxes (\$5.0 billion), reflecting, in part, the windfall profit tax. In February, receipts of this tax were estimated at \$2.7 billion, but with the steep decline in oil prices, it is now estimated that there will be no receipts from this tax in 1987.

The revision in expenditures is the net of \$16.0 billion in downward revisions and \$5.4 billion in upward revisions. The downward revisions are for net interest (\$7.7 billion), down for the same reason as in 1986; for trans-

Table 4.—Relation of Federal Government Receipts in the National Income and Product Accounts to the Unified Budget

	Fiscal year		
	1985	1986	1987
Unified budget receipts.....	734.1	765.2	831.2
Less: Coverage differences.....	1.3	1.4	1.5
Plus: Netting differences:			
Contributions to government employees retirement funds....	32.3	34.0	37.4
Other.....	14.7	13.3	16.2
Timing differences:			
Corporate income tax.....	-5.8	-9	3.5
Federal and State unemployment insurance taxes.....		7	2
Withheld personal income tax and social security contributions.....	.6	-3	2.7
Excise taxes.....	-1	-1	.1
Other.....	.1		
Miscellaneous.....			
Equals: Federal Government receipts, NIPA's.....	774.6	810.4	889.7

fer payments to persons (\$3.3 billion), reflecting the revised social security COLA; for foreign transfers (\$2.8 billion); and for subsidies less current surplus (\$2.2 billion), reflecting lower agricultural subsidies. The upward revisions are for grants-in-aid (\$3.4 billion) and for purchases of goods and services (\$2.0 billion).

Table 4 shows the relation between unified budget receipts and NIPA receipts, and table 5 shows the relation between unified budget outlays and NIPA expenditures.

Cyclically adjusted deficit.—As measured using cyclical adjustments based on middle-expansion GNP, the Federal deficit on the NIPA basis increases \$10.7 billion in calendar year 1986, a relatively modest increase (table 6). On a quarterly basis, the deficit peaks in the second quarter of 1986, then declines every quarter through the end of fiscal year 1987. The cyclically adjusted budget based on middle-expansion trend GNP is associated with a middle-expansion trend unemployment rate of 7.4 percent. The cyclically adjusted deficit on a 6-percent unemployment rate is lower, but follows the same quarterly pattern.

The sequestration report

In late August, the Congressional Budget Office (CBO) and the Office of Management and Budget (OMB) submitted to Congress the initial sequestration report for fiscal year 1987. This report was the first step in the Gramm-Rudman-Hollings process de-

Table 5.—Relation of Federal Government Expenditures in the National Income and Product Accounts to the Unified Budget

	Fiscal year		
	1985	1986	1987
Unified budget outlays.....	946.3	995.4	975.1
Less: Coverage differences:			
Geographic.....	5.4	5.5	5.4
Other.....	.4	-1.4	-9
Financial transactions:			
Net lending.....	29.1	18.2	6.2
Other.....	-2.3	-1.2	-3.2
Net purchases of land:			
Outer Continental Shelf.....	-1.9	-1.9	-1.4
Other.....	.2	.2	-1.6
Plus: Netting differences:			
Contributions to government employees retirement funds.....	32.3	34.0	37.4
Other.....	14.7	13.3	16.2
Timing differences:			
National defense purchases....	1.4	1.1	7.0
Other.....	-1.8		2.0
Miscellaneous.....	.1	.2	.1
Equals: Federal Government expenditures, NIPA's.....	962.1	1,024.6	1,033.1

signed to reduce the 1987 deficit, if necessary, to the \$144.0 billion deficit limit. Under this process, CBO and OMB were required to prepare economic assumptions and a base-line budget based on projections of receipts and outlays under current laws. Spending or tax changes in the proposed congressional budget reconciliation were not included because the resolution had not yet been passed. Based on this base-line budget, potential outlay reductions needed to reduce the deficit to the required limit were calculated.

The original act required that the sequestration report was to be transmitted to the Comptroller General of the General Accounting Office (GAO), reviewed and changed, if necessary, and then forwarded to the President on August 25. However, the Supreme Court, in early July, ruled this part of the process unconstitutional, on the ground that GAO's involvement violated executive authority. Under another provision of the act, the 1987 report was sent, instead, directly to Congress. A special budget committee, comprised of members of the Senate and House budget committees, are to report a joint resolution affirming the outlay cuts. The joint resolution would then have to pass both chambers and be signed by the President (or be passed again over a veto) to take effect. A revised sequestration report reflecting congressional actions is due October 5.

Table 6.—Cyclically Adjusted Surplus or Deficit (—), NIPA Basis

	[Billions of dollars]			
	Based on middle-expansion trend GNP		Based on 6-percent unemployment rate trend GNP	
	Level	Change	Level	Change
Calendar year:				
1984.....	-166.5	-40.4	-135.8	-38.7
1985.....	-203.3	-36.8	-170.7	-34.9
1986.....	-214.0	-10.7	-180.9	-10.2
Quarters:				
1984:				
I.....	-142.9	-4.2	-112.6	-3.3
II.....	-162.0	-19.1	-131.7	-19.1
III.....	-171.3	-9.3	-140.5	-8.8
IV.....	-189.9	-18.5	-158.5	-18.0
1985:				
I.....	-164.2	25.6	-130.8	27.7
II.....	-217.2	-53.0	-185.9	-55.1
III.....	-205.5	11.7	-172.7	13.2
IV.....	-226.1	-20.6	-193.4	-20.7
1986:				
I.....	-213.7	12.4	-180.8	12.6
II.....	-244.0	-30.3	-211.7	-30.9
III.....	-212.7	31.3	-179.5	32.2
IV.....	-185.5	27.2	-151.6	27.9
1987:				
I.....	-182.7	2.8	-148.7	2.9
II.....	-165.0	17.7	-130.8	17.9
III.....	-158.7	6.3	-124.2	6.6

Table 7 shows the economic assumptions underlying the sequestration report, and table 8 shows the base-line budget and the proposed specified outlay cuts for 1987. It should be pointed out that the base-line budget in the report and the unified budget estimate for 1987 in the mid-session review are not the same. As mentioned above, the base-line budget is based on current laws as of August 15; the unified budget estimate includes administration fiscal policy proposals.

According to the sequestration report, the 1987 deficit will exceed the limit by \$19.4 billion and, therefore, outlays will have to be cut by that amount if Congress and the administration fail to agree on an alternative policy. National defense outlays that are not exempt will have to be cut \$9.7 billion, or 5.6 percent across the board. Nondefense outlays that are not exempt will have to be cut \$9.7 billion also, or 7.6 percent across the board. National defense outlays subject to the across-the-board cut amount to \$169.0 billion; nondefense outlays amount to \$107.8 billion. Within national defense, 1987 outlays for military personnel are not exempt as they were in 1986 and would incur the largest dollar cut. According to CBO, such a cut in military personnel outlays would result in a furlough of 200,000 military personnel. Within nondefense, the largest cuts would occur in agriculture (\$1.7 billion, in-

Table 7.—Economic Assumptions Underlying the Fiscal Year 1987 Sequestration Report

	Fiscal year 1987	
	Congressional Budget Office	Office of Management and Budget
	Billions of dollars	
GNP:		
Current dollars.....	4,423	4,449
1982 dollars.....	3,777	3,797
	Percent change from preceding year (except as noted)	
GNP:		
Current dollars.....	6.2	6.8
1982 dollars.....	3.2	3.7
Quarterly change at annual rate:		
1986: IV.....	3.6	4.0
1987: I.....	3.9	4.2
1987: II.....	3.7	4.2
1987: III.....	3.3	4.2
GNP deflator.....	2.9	3.0
Consumer Price Index¹.....	2.6	2.1
	Percent	
Civilian unemployment rate².....	6.8	6.7
Interest rates:²		
91-day Treasury bills.....	6.3	6.2
10-year Treasury notes.....	7.7	7.5

1. Consumer Price Index for urban wage earners and clerical workers.

2. Fiscal year average.

Source: "Sequestration Report for Fiscal Year 1987—A Joint Report to the Congress of the United States."

cluding \$0.9 billion for CCC), medicare (\$1.3 billion), and international affairs and income security (\$0.8 billion each).

Congress can minimize the potential 1987 outlay cuts by applying a \$10.0 billion deficit limit margin provided by the act. Applying that margin means that outlays would have to be reduced only \$9.4 billion to reach a \$154.0 billion deficit for 1987. Congress could achieve that deficit in either of two ways: (1) Allow an \$11.0 billion receipts windfall in 1987 from the proposed Tax Reform Act of 1986 to count as a deficit reduction measure, or (2) enact the fiscal year 1987 congressional budget resolution, which mandates \$9.2 billion in savings through reconciliation, in which laws are changed to reduce spending or increase taxes. Each way has problems, however. Counting the windfall from the tax reform in 1987 implies that a \$17.0 billion shortfall in 1988 (the estimates are from the Joint Committee on Taxation) would also have to be counted, making it more difficult to meet the 1988 deficit limit of \$108.0 billion. The budget resolution proposes \$7-\$9 billion in savings in appropriation bills, but these bills were, when Congress recessed, running about \$1 billion over the resolution's combined target.

Table 8.—Base-Line Budget and Specified Outlay Reductions for Fiscal Year 1987

	[Billions of dollars]		
	Congressional Budget Office	Office of Management and Budget	Average
Receipts.....	827.8	826.4	827.1
Outlays.....	998.5	982.6	990.5
Surplus or deficit (—).....	-170.6	-156.2	-163.4
Deficit limit.....			-144.0
Deficit excess ¹			-19.4
Outlay reduction.....			19.4
National defense.....	13.3	6.1	9.7
Retirement cost-of-living adjustment.....	.2	.1	.2
Other.....	13.1	5.9	9.5
Military personnel.....			3.7
Operation and maintenance.....			3.2
Procurement.....			1.0
Research, development, test and evaluation.....			1.0
Other.....			.6
Nondefense.....	13.3	6.1	9.7
Retirement and other cost-of-living adjustments.....	.2	.1	.2
Other.....	13.1	5.9	9.5
Special provisions.....	1.4	1.3	1.4
Other.....	11.7	4.6	8.1

1. The deficit excess is calculated from the average.

Source: "Sequestration Report for Fiscal Year 1987—A Joint Report to the Congress of the United States."

Neither the administration nor Congress desires to have the automatic outlay cuts take effect. OMB has stated that the defense cuts are not acceptable, and one of the principal sponsors of the act has stated that the uniform cuts are "not going to happen." It is generally believed that Congress will find an acceptable alternative way to reach the deficit limit. It must be found soon, however, because Congress has scheduled October 3 as the target for adjournment.

As of late September, the Senate had approved a bill that reduced the deficit \$13.3 billion, mostly by asset sales, improved tax collection procedures, and shifting of outlays into fiscal year 1986. Asset sales include \$2.1 billion from the already-planned sale of Conrail and \$5.0 billion from the sale of loans. The improved tax collection procedures would increase receipts about \$4.0 billion, through the acceleration of collections and strengthened tax-collection efforts. The bill also requires the Department of Treasury to pay the fourth-quarter payment (\$680 million) of general revenue sharing to local governments by September 30—the end of fiscal year 1986. Legislation that generally paralleled the Senate bill was being prepared in the House except that the House version included an additional \$2.0 billion in deficit reductions, largely through cuts in medicare and other spending.

Second-quarter NIPA revisions

The 75-day revisions of the national income and product accounts estimates for the second quarter of 1986 are shown in table 9. The revised estimate of the second-quarter increase in real GNP is unchanged from the estimate issued a month ago; upward revisions in some components were offset by downward revisions in others. The largest upward revision, \$3.5 billion, was in change in business inventories, and the largest downward revision, \$3.4 billion, was in net exports.

Table 9.—Revisions in Selected Component Series of the NIPA's, Second Quarter of 1986

	Seasonally adjusted at annual rates			Percent change from preceding quarter at annual rates	
	45-day estimate	75-day estimate	Revision	45-day estimate	75-day estimate
	Billions of current dollars				
GNP	4,179.8	4,175.6	-4.2	3.0	2.6
Personal consumption expenditures.....	2,735.3	2,732.0	-3.3	5.7	5.2
Nonresidential fixed investment.....	456.5	457.5	1.0	-2.3	-1.5
Residential investment.....	215.7	215.3	-.4	21.9	21.0
Change in business inventories.....	12.5	14.5	2.0		
Net exports.....	-100.2	-104.5	-4.3		
Government purchases.....	860.0	860.8	.8	11.6	12.0
National income	3,379.5	3,376.4	-3.1	4.7	4.3
Compensation of employees.....	2,480.1	2,480.2	.1	3.1	3.1
Corporate profits with inventory valuation and capital consumption adjustments.....	291.2	293.1	1.9	-6.8	-4.4
Other.....	608.1	603.1	-5.0	18.4	14.6
Personal income	3,486.5	3,483.3	-3.2	6.4	6.0
	Billions of constant (1982) dollars				
GNP	3,661.5	3,661.4	-.1	.6	.6
Personal consumption expenditures.....	2,410.4	2,408.4	-2.0	6.5	6.2
Nonresidential fixed investment.....	455.2	456.8	1.6	-2.3	-9
Residential investment.....	192.3	192.7	.4	13.5	14.5
Change in business inventories.....	11.6	15.1	3.5		
Net exports.....	-150.5	-153.9	-3.4		
Government purchases.....	742.4	742.2	-.2	9.8	9.7
	Index numbers, 1982=100 ¹				
GNP price index (fixed weights).....	115.0	114.9	-.1	1.9	1.7
GNP price index (chained weights).....				1.6	1.5
GNP implicit price deflator.....	114.2	114.0	-.2	2.5	1.8

1. Not at annual rates.

NOTE.—For the second quarter of 1986, the following revised or additional major source data became available: For *personal consumption expenditures*, revised retail sales for June, used car sales for the quarter, consumer share of new car purchases for June, and consumption of electricity for May; for *nonresidential fixed investment*, revised manufacturers' shipments of equipment for June, revised construction put in place for June, and business share of new car purchases for June; for *residential investment*, revised construction put in place for June; for *change in business inventories*, revised book values for manufacturing and trade for June; for *net exports of goods and services*, revised statistical month merchandise exports and imports for June, and revised service receipts for the quarter; for *government purchases of goods and services*, revised construction put in place for June; for *wages and salaries*, revised employment, average hourly earnings, and average weekly hours for June; for *net interest*, financial assets held by households for the quarter, and revised net interest received from abroad for the quarter; for *corporate profits*, revised domestic book profits for the quarter, and revised profits from the rest of the world for the quarter; and for *GNP prices*, revised residential housing prices for the quarter.

Table 1.5.—Relation of Gross National Product, Gross Domestic Purchases, and Final Sales to Domestic Purchasers

Table with columns for years 1984, 1985, and quarterly data for 1985 and 1986. Rows include Gross national product, Less: Exports of goods and services, Plus: Imports of goods and services, Equals: Gross domestic purchases, and Equals: Final sales to domestic purchasers.

1. Purchases in the United States of goods and services wherever produced. 2. Final sales in the United States of goods and services wherever produced.

Note.—Percent changes from preceding period for selected items in this table are shown in table 8.1.

Table 1.7.—Gross National Product by Sector

Table with columns for years 1984, 1985, and quarterly data for 1985 and 1986. Rows include Gross national product, Gross domestic product, Business, Nonfarm, Nonfarm less housing, Housing, Farm, Statistical discrepancy, Households and institutions, Government, Federal, State and local, Rest of the world, and Addendum.

Note.—Percent changes from preceding period for selected items in this table are shown in table 8.1.

Table 1.8.—Gross National Product by Sector in Constant Dollars

Table with columns for years 1984, 1985, and quarterly data for 1985 and 1986. Rows include Gross national product, Gross domestic product, Business, Nonfarm, Nonfarm less housing, Housing, Farm, Statistical discrepancy, Households and institutions, Government, Federal, State and local, Rest of the world, and Addendum.

Note.—Percent changes from preceding period for selected items in this table are shown in table 8.1.

Table 1.6.—Relation of Gross National Product, Gross Domestic Purchases, and Final Sales to Domestic Purchasers in Constant Dollars

Table with columns for years 1984, 1985, and quarterly data for 1985 and 1986. Rows include Gross national product, Less: Exports of goods and services, Plus: Imports of goods and services, Equals: Gross domestic purchases, and Equals: Final sales to domestic purchasers.

1. Purchases in the United States of goods and services wherever produced. 2. Final sales in the United States of goods and services wherever produced.

Note.—Percent changes from preceding period for selected items in this table are shown in table 8.1.

Table 1.9.—Relation of Gross National Product, Net National Product, National Income, and Personal Income

Table with columns for years 1984, 1985, and quarterly data for 1985 and 1986. Rows include Gross national product, Less: Capital consumption allowances with capital consumption adjustment, Equals: Net national product, Less: Indirect business tax and nontax liability, Plus: Subsidies less current surplus of government enterprises, Equals: National income, Less: Corporate profits with inventory valuation and capital consumption adjustments, Equals: Personal income.

Table 1.10.—Relation of Gross National Product, Net National Product, and National Income in Constant Dollars

Table with columns for years 1984, 1985, and quarterly data for 1985 and 1986. Rows include Gross national product, Less: Capital consumption allowances with capital consumption adjustment, Equals: Net national product, Less: Indirect business tax and nontax liability plus business transfer payments less subsidies plus current surplus of government enterprises, Equals: National income.

Table 1.11.—Command-Basis Gross National Product in Constant Dollars

[Billions of 1982 dollars]

	1984	1985	Seasonally adjusted at annual rates					
			1985				1986	
			I	II	III	IV	I	II'
Gross national product.....	3,489.9	3,585.2	3,547.0	3,567.6	3,603.8	3,622.3	3,655.9	3,661.4
Less: Net exports of goods and services.....	-83.6	-108.2	-78.8	-108.1	-113.8	-132.0	-125.9	-153.9
Exports.....	369.7	362.3	369.4	361.2	355.8	362.9	369.2	359.8
Imports.....	453.2	470.5	448.2	469.3	469.6	494.8	495.1	513.6
Equals: Gross domestic purchases.....	3,573.5	3,693.4	3,625.9	3,675.7	3,717.6	3,754.3	3,781.9	3,815.3
Plus: Command-basis net exports of goods and services.....	-60.3	-82.7	-51.8	-80.9	-88.1	-110.1	-99.0	-114.8
Command-basis exports ¹	393.0	387.8	396.4	388.4	381.5	384.8	396.1	395.8
Imports.....	453.2	470.5	448.2	469.3	469.6	494.8	495.1	513.6
Equals: Command-basis gross national product.....	3,513.2	3,610.6	3,574.1	3,594.8	3,629.5	3,644.2	3,682.9	3,700.4
Addendum:								
Terms of trade ²	106.3	107.0	107.2	107.5	107.2	106.1	107.3	110.9

1. Exports of goods and services deflated by the implicit price deflator for imports of goods and services.

2. Ratio of the implicit price deflator for exports of goods and services to the implicit price deflator for imports of goods and services with the decimal point shifted two places to the right.

Note.—Percent changes from preceding period for selected items in this table are shown in table 8.1.

Table 1.19.—Truck Output

[Billions of dollars]

	1984	1985	Seasonally adjusted at annual rates					
			1985				1986	
			I	II	III	IV	I	II'
Truck output ¹	51.1	54.2	51.0	52.4	55.5	57.8	54.7	56.5
Final sales.....	48.6	54.0	52.2	51.9	55.1	57.0	49.6	55.8
Personal consumption expenditures.....	19.5	22.6	21.7	21.1	24.2	23.2	21.2	25.4
Producers' durable equipment.....	30.1	32.3	31.0	31.8	31.4	35.2	29.9	32.4
Net exports of goods and services.....	-5.8	-6.7	-6.5	-6.5	-6.3	-7.4	-7.6	-7.4
Exports.....	2.4	2.7	2.4	2.7	2.8	3.0	2.8	3.1
Imports.....	8.2	9.4	8.9	9.2	9.2	10.5	10.4	10.6
Government purchases of goods and services.....	4.7	5.8	6.0	5.5	5.7	6.1	6.1	5.4
Change in business inventories.....	2.6	.1	-1.2	.5	.4	.8	5.1	.7

1. Includes new trucks only.

Table 1.20.—Truck Output in Constant Dollars

[Billions of 1982 dollars]

	1984	1985	Seasonally adjusted at annual rates					
			1985				1986	
			I	II	III	IV	I	II'
Truck output ¹	47.6	49.2	47.1	47.9	50.4	51.6	48.4	49.5
Final sales.....	45.2	49.1	48.2	47.4	50.0	50.9	44.0	48.9
Personal consumption expenditures.....	18.4	20.7	20.1	19.4	22.2	21.0	19.0	22.4
Producers' durable equipment.....	27.8	29.3	28.5	28.9	28.4	31.2	26.4	28.3
Net exports of goods and services.....	-5.4	-6.1	-6.0	-6.0	-5.8	-6.7	-6.8	-6.6
Exports.....	2.3	2.5	2.2	2.4	2.6	2.7	2.5	2.7
Imports.....	7.7	8.6	8.2	8.4	8.3	9.4	9.3	9.3
Government purchases of goods and services.....	4.4	5.3	5.5	5.0	5.2	5.4	5.4	4.8
Change in business inventories.....	2.4	.1	-1.1	.5	.4	.7	4.4	.6

1. Includes new trucks only.

Table 1.17.—Auto Output

[Billions of dollars]

	1984	1985	Seasonally adjusted at annual rates					
			1985				1986	
			I	II	III	IV	I	II'
Auto output.....	103.5	114.1	114.8	111.4	116.9	113.3	113.2	112.7
Final sales.....	101.2	110.1	107.8	108.8	123.1	100.6	105.3	106.2
Personal consumption expenditures.....	105.7	115.3	110.2	112.8	126.4	111.6	111.1	115.2
New autos.....	77.8	87.2	81.9	84.8	99.5	82.7	85.7	90.8
Net purchases of used autos.....	27.9	28.1	28.3	28.1	26.9	28.9	25.4	24.4
Producers' durable equipment.....	19.8	23.2	21.0	22.8	26.6	22.6	24.1	26.6
New autos.....	39.3	42.7	41.3	42.4	47.5	39.7	41.7	45.8
Net purchases of used autos.....	-19.5	-19.5	-20.3	-19.6	-21.0	-17.1	-17.6	-19.3
Net exports of goods and services.....	-25.8	-30.0	-25.2	-28.5	-31.3	-35.3	-32.1	-37.1
Exports.....	4.9	6.1	5.9	5.8	6.4	6.2	6.6	6.6
Imports.....	30.7	36.1	31.1	34.3	37.7	41.4	38.7	43.7
Government purchases of goods and services.....	1.6	1.6	1.8	1.6	1.4	1.6	2.2	1.5
Change in business inventories of new and used autos.....	2.2	4.0	7.0	2.6	-6.2	12.7	7.9	6.5
New.....	2.0	4.1	6.7	2.5	-9.0	16.4	7.8	3.5
Used.....	.2	-.1	.3	.2	2.8	-3.7	.1	3.0
Addenda:								
Domestic output of new autos ¹	86.4	95.3	98.5	91.5	96.3	94.8	98.8	95.7
Sales of imported new autos ²	37.9	45.0	37.7	42.9	49.7	49.5	44.7	48.3

1. Consists of final sales and change in business inventories of new autos assembled in the United States.

2. Consists of personal consumption expenditures, producers' durable equipment, and government purchases.

Table 1.18.—Auto Output in Constant Dollars

[Billions of 1982 dollars]

	1984	1985	Seasonally adjusted at annual rates					
			1985				1986	
			I	II	III	IV	I	II'
Auto output.....	97.3	104.6	105.7	102.3	107.6	102.7	103.2	101.6
Final sales.....	95.6	101.5	100.0	100.4	113.4	92.0	97.1	97.3
Personal consumption expenditures.....	96.7	103.3	98.8	101.2	113.9	99.4	98.7	101.5
New autos.....	73.7	80.1	76.0	78.1	91.2	75.0	77.2	80.5
Net purchases of used autos.....	23.0	23.2	22.8	23.1	22.7	24.3	21.5	21.0
Producers' durable equipment.....	21.9	24.1	22.9	24.1	26.9	22.5	23.7	25.1
New autos.....	37.2	39.2	38.3	39.0	43.6	36.0	37.5	40.6
Net purchases of used autos.....	-15.3	-15.1	-15.4	-15.0	-16.6	-13.5	-13.8	-15.6
Net exports of goods and services.....	-24.4	-27.5	-23.4	-26.3	-28.8	-31.4	-27.4	-30.6
Exports.....	4.6	5.4	5.3	5.2	5.7	5.5	5.8	5.7
Imports.....	29.0	32.9	28.8	31.5	34.5	36.9	33.2	36.3
Government purchases of goods and services.....	1.5	1.5	1.7	1.5	1.4	1.5	2.1	1.4
Change in business inventories of new and used autos.....	1.7	3.1	5.7	1.8	-5.8	10.7	6.1	4.3
New.....	1.5	3.2	5.5	1.7	-8.0	13.6	6.0	1.8
Used.....	.2	-.1	.2	.1	2.3	-3.0	.1	2.4
Addenda:								
Domestic output of new autos ¹	81.5	87.0	90.8	83.7	88.5	85.1	88.6	84.2
Sales of imported new autos ²	35.9	41.3	34.9	39.5	45.6	45.0	40.3	42.8

1. Consists of final sales and change in business inventories of new autos assembled in the United States.

2. Consists of personal consumption expenditures, producers' durable equipment, and government purchases.

Table 6.18B.—Corporate Profits by Industry

[Billions of dollars]

	1984	1985	Seasonally adjusted at annual rates					
			1985				1986	
			I	II	III	IV	I	II*
Corporate profits with inventory valuation and capital consumption adjustments.....	264.7	280.7	266.4	274.3	296.3	285.6	296.4	293.1
Domestic industries.....	233.7	248.8	235.8	242.7	266.3	250.5	257.9	260.2
Financial.....	17.0	24.6	21.2	24.6	25.5	27.2	32.5	34.3
Nonfinancial.....	216.7	224.2	214.6	218.2	240.8	223.3	225.5	225.9
Rest of the world.....	31.0	31.8	30.6	31.6	30.0	35.1	38.4	32.9
Corporate profits with inventory valuation adjustment.....	230.2	222.6	213.3	215.4	235.3	226.4	240.8	241.9
Domestic industries.....	199.2	190.8	182.6	183.8	205.3	191.3	202.4	208.9
Financial.....	15.4	21.0	18.2	21.1	21.7	23.2	28.4	30.2
Federal Reserve banks.....	16.7	16.8	17.1	17.1	16.5	16.3	17.0	16.2
Other.....	-1.3	4.3	1.1	4.0	5.2	6.9	11.4	14.0
Nonfinancial.....	183.8	169.7	164.4	162.7	183.6	168.1	174.0	178.7
Manufacturing.....	87.4	73.0	70.4	68.2	79.0	74.5	67.1	77.6
Durable goods.....	34.8	28.0	27.8	28.8	28.9	26.6	28.2	34.9
Primary metal industries.....	-2.6	-3.6	-4.1	-3.9	-2.6	-3.6	-2.6	-1.1
Fabricated metal products.....	4.6	4.1	4.4	4.6	4.5	3.0	4.7	5.0
Machinery, except electrical.....	4.7	3.6	1.5	3.5	4.6	4.7	2.2	5.0
Electric and electronic equipment.....	5.2	4.9	4.3	5.2	6.0	4.3	4.7	7.3
Motor vehicles and equipment.....	9.9	6.8	9.0	7.6	4.2	6.6	6.4	4.9
Other.....	13.1	12.1	12.8	11.9	12.3	11.6	12.7	13.7
Nondurable goods.....	52.6	45.0	42.6	39.4	50.1	47.9	38.9	42.7
Food and kindred products.....	8.0	7.8	7.2	7.6	9.1	7.6	9.3	10.0
Chemicals and allied products.....	7.5	4.7	5.4	5.3	5.3	2.8	6.4	6.7
Petroleum and coal products.....	17.3	13.4	10.5	7.4	17.0	18.7	7.4	9.9
Other.....	19.7	19.1	19.6	19.1	18.7	18.9	15.8	16.1
Transportation and public utilities.....	32.6	33.0	31.7	30.9	36.6	32.7	37.1	39.1
Wholesale and retail trade.....	49.7	49.7	48.8	51.1	54.2	45.0	52.5	47.1
Other.....	14.1	14.0	13.6	12.6	13.9	15.9	17.3	15.0
Rest of the world.....	31.0	31.8	30.6	31.6	30.0	35.1	38.4	32.9

Table 7.2.—Fixed-Weighted Price Indexes for Gross National Product by Major Type of Product, 1982 Weights

[Index numbers, 1982=100]

	1984	1985	Seasonally adjusted					
			1985				1986	
			I	II	III	IV	I	II*
Gross national product.....	108.3	112.3	110.9	111.9	112.6	113.7	114.4	114.9
Final sales.....	108.3	112.2	110.8	111.8	112.5	113.6	114.3	114.8
Change in business inventories.....								
Goods.....	105.5	107.6	106.8	107.4	107.5	108.1	108.2	107.9
Final sales.....	105.5	107.6	106.8	107.3	107.4	108.0	108.1	107.7
Change in business inventories.....								
Durable goods.....	105.5	107.6	105.7	105.9	105.9	105.7	105.7	105.7
Final sales.....	105.5	107.6	105.6	105.9	105.8	105.6	105.6	105.6
Change in business inventories.....								
Nondurable goods.....	105.5	107.6	107.6	108.3	108.6	109.7	109.8	109.3
Final sales.....	105.5	107.6	107.5	108.3	108.5	109.6	109.7	109.1
Change in business inventories.....								
Services.....	105.5	107.6	115.5	117.0	118.3	119.9	121.2	122.3
Structures.....	105.5	107.6	103.8	104.4	104.9	105.9	106.2	106.9

Table 7.1.—Fixed-Weighted Price Indexes for Gross National Product, 1982 Weights

[Index numbers, 1982=100]

	1984	1985	Seasonally adjusted					
			1985				1986	
			I	II	III	IV	I	II*
Gross national product.....	108.3	112.3	110.9	111.9	112.6	113.7	114.4	114.9
Personal consumption expenditures.....	108.4	112.4	110.8	112.0	112.8	114.1	114.6	114.5
Durable goods.....	104.1	105.1	105.1	105.2	105.0	105.3	105.8	106.0
Nondurable goods.....	105.2	107.8	106.7	107.5	107.8	109.2	108.4	106.5
Services.....	111.9	117.7	115.4	117.0	118.5	120.0	121.4	122.5
Gross private domestic investment.....								
Fixed investment.....	101.8	103.3	102.7	103.0	103.4	104.0	104.2	104.9
Nonresidential.....	100.5	101.9	101.3	101.6	102.0	102.4	102.5	103.1
Structures.....	98.3	100.0	99.4	99.6	100.0	100.8	100.7	101.1
Producers' durable equipment.....	101.8	103.1	102.5	102.9	103.3	103.5	103.7	104.4
Residential.....	106.3	108.2	107.6	107.8	108.1	109.4	110.1	111.4
Change in business inventories.....								
Net exports of goods and services.....								
Exports.....	104.5	104.0	104.1	104.3	103.8	103.8	104.3	104.0
Imports.....	97.7	95.9	95.7	95.9	95.4	96.5	94.8	90.9
Government purchases of goods and services.....	109.2	114.1	112.6	113.5	114.4	115.8	116.4	116.7
Federal.....	107.9	111.0	110.5	110.5	110.8	112.1	112.3	112.0
National defense.....	107.5	111.4	110.8	110.7	111.2	112.9	113.2	112.7
Nondefense.....	108.8	110.0	109.9	110.9	110.7	110.3	110.1	110.1
State and local.....	110.3	116.3	114.1	115.7	117.0	118.5	119.4	120.2
Addenda:								
Final sales.....	108.3	112.2	110.8	111.8	112.5	113.6	114.3	114.8
Personal consumption expenditures, food.....	106.2	108.6	107.9	108.0	108.4	110.0	110.3	110.8
Personal consumption expenditures, energy.....	102.3	103.2	101.9	104.1	103.6	103.3	100.1	90.5
Other personal consumption expenditures.....	109.8	114.6	112.8	114.1	115.2	116.6	117.5	118.4

NOTE.—Percent changes from preceding period for selected items in this table are shown in table 8.1.

Table 7.3.—Fixed-Weighted Price Indexes for Relation of Gross National Product, Gross Domestic Purchases, and Final Sales to Domestic Purchasers, 1982 Weights

[Index numbers, 1982=100]

	1984	1985	Seasonally adjusted					
			1985				1986	
			I	II	III	IV	I	II*
Gross national product.....	108.3	112.3	110.9	111.9	112.6	113.7	114.4	114.9
Less: Exports of goods and services.....	104.5	104.0	104.1	104.3	103.8	103.8	104.3	104.0
Plus: Imports of goods and services.....	97.7	95.9	95.7	95.9	95.4	96.5	94.8	90.9
Equals: Gross domestic purchases ¹	107.6	111.5	110.0	111.0	111.8	113.0	113.5	113.6
Less: Change in business inventories.....								
Equals: Final sales to domestic purchasers ²	107.6	111.4	110.0	111.0	111.7	113.0	113.4	113.5

1. Purchases in the United States of goods and services wherever produced.
2. Final sales in the United States of goods and services wherever produced.

NOTE.—Percent changes from preceding period for selected items in this table are shown in table 8.1.

Reconciliation and Other Special Tables

Table 1.—Relation of Net Exports of Goods and Services in the National Income and Product Accounts (NIPA's) to Balance of Goods and Services in the Balance of Payments Accounts (BPA's)

[Billions of dollars]

	Line	1985	Seasonally adjusted at annual rates	
			1986	
			I	II
Exports of goods and services, BPA's	1	358.5	366.4	364.6
<i>Less:</i> Gold, BPA's.....	2	1.7	1.3	12.7
Capital gains net of losses in direct investment income receipts, BPA's.....	3	4.9	9.9	8.4
Statistical differences ¹	4	0	-1.2	-1.2
Other items.....	5	0	0	0
<i>Plus:</i> Adjustment for U.S. territories and Puerto Rico.....	6	12.4	12.7	12.3
Services furnished without payment by financial intermediaries except life insurance carriers and private noninsured pension plans.....	7	5.5	5.9	6.0
<i>Equals:</i> Exports of goods and services, NIPA's.....	8	369.8	374.8	363.0
Imports of goods and services, BPA's	9	461.2	490.4	487.4
<i>Less:</i> Payments of income on U.S. Government liabilities.....	10	21.3	22.8	22.2
Gold, BPA's.....	11	3.2	7.5	10.5
Capital gains net of losses in direct investment income payments, BPA's.....	12	-4	3.1	-1.1
Statistical differences ¹	13	0	.2	.2
Other items.....	14	0	0	0
<i>Plus:</i> Gold, NIPA's.....	15	-1	-1	0
Adjustment for U.S. territories and Puerto Rico.....	16	6.1	6.0	6.0
Imputed interest paid to foreigners.....	17	5.5	5.9	6.0
<i>Equals:</i> Imports of goods and services, NIPA's.....	18	448.6	468.5	467.5
Balance on goods and services, BPA's (1-9)	19	-102.7	-124.1	-122.7
<i>Less:</i> Gold (2-11+15).....	20	-1.5	-6.3	2.2
Capital gains net of losses in direct investment income, BPA's (3-12).....	21	5.3	6.8	9.4
Statistical differences (4-13).....	22	0	-1.3	-1.3
Other items (5-14).....	23	0	0	0
<i>Plus:</i> Payments of income on U.S. Government liabilities (10).....	24	21.3	22.8	22.2
Adjustment for U.S. territories and Puerto Rico(6-16).....	25	6.3	6.7	6.3
<i>Equals:</i> Net exports of goods and services, NIPA's (8-18).....	26	-78.9	-93.7	-104.5

1. Consists of statistical revisions in the BPA's that have not yet been incorporated in the NIPA's.

An Indirect Technique for Measuring the Underground Economy: A Note on Revised Data

AN article in the April 1985 SURVEY OF CURRENT BUSINESS used an indirect technique to detect possible understatement in the growth of U.S. national income.¹ The technique consisted of dividing industries into "well-measured," "suspect," and "intermediate" groups and comparing growth rates of various factors, or indicators, among the three groups from 1949 to 1982. The last sentence of the article stated that it would be of interest to reexamine the results of the analysis after the next comprehensive (benchmark) revision of the NIPA's, because that revision will incorporate new adjustments for the underground economy.

This note presents the results of a reexamination. It first compares, for the three industry groups, prerevision and postrevision rates of growth of the indicators used to detect understatement of growth. It then discusses the significance of the results.

This reexamination does not reproduce the full-scale multiple regression analysis of the original study, based on 1,904 observations (34 years times 56 industries) and several independent variables. The full-scale analysis made it possible to measure differences between industry groups after taking account of the influence of cyclical variations in employment, the importance of corporate versus non-corporate form of organization, and other variables. The revisions of indicators presented here will indicate how much the benchmark revision would affect the results of a full-scale regression analysis if the influence of the variables the regression controlled for are similar before and after the revision.

NOTE.—Alma Missouri performed the statistical work discussed in this note.

1. Frank de Leeuw, "An Indirect Technique for Measuring the Underground Economy," SURVEY OF CURRENT BUSINESS 65 (April 1985): 64-72.

Table 1.—Average Annual Rates of Growth of Three Indicators by Type of Industry, 1949-1982

Indicator	[Percent]		
	Well-measured industries	Intermediate industries	Suspect industries
Ratio of full-time equivalent employment to total employment:			
Prerevision.....	-0.06	-0.17	-0.19
Postrevision.....	-.07	-.16	-.18
Ratio of employee compensation to full-time equivalent employment:			
Prerevision.....	6.57	6.34	6.12
Postrevision.....	6.53	6.34	6.12
Ratio of national income to employee compensation:			
All industries:			
Prerevision.....	-.57	-.01	-.98
Postrevision.....	-.53	.07	-.32
Omitting eight industries:			
Prerevision.....	-.62	-.19	-.76
Postrevision.....	-.63	-.12	-.59

NOTE.—The eight industries omitted in the last two lines of the table were also omitted in the regression analysis of the ratio of national income to compensation, as discussed in de Leeuw, "An Indirect Technique," p. 70. The industries are private households, social services, educational services, agricultural services, farms, oil and gas extraction, petroleum refining, and electric and gas utilities.

Revisions of three indicators

The three indicators used to detect possible understatement of growth were (1) the ratio of full-time equivalent employment to total employment, an indicator of understatement of hours worked; (2) the ratio of employee compensation to full-time equivalent employment, an indicator of understatement of employee compensation; and (3) the ratio of national income to employee compensation, an indicator of understatement of proprietors' income and profits. Understatement of the growth rate of national income is the sum of the understatement of growth rates in the three indicators.

Table 1 compares the growth of the three indicators for three groupings of industries—well-measured, intermediate, and suspect.² For the first two in-

2. The criteria used to assign industries to groupings and a list of the industries in each grouping appear in de Leeuw, *ibid.*, pp. 64-65.

dicators, the table shows that there is very little change in annual average rates of growth as a result of the benchmark revision. However, for the third indicator, the ratio of national income to compensation, improved adjustments for underreporting of incomes on tax returns have led to large revisions.³ For this indicator, the difference in rates of growth between well-measured and suspect industries, including all of the industries in each grouping, changed from 0.41 percent per year on a prerevision basis (-0.57 vs. -0.98 percent) to 0.29 percent per year on a postrevision basis.

The last two lines of the table show growth rates of the third indicator omitting certain industries for which either (a) employee compensation accounts for all or almost all income or (b) movements in the ratio of national income to employee compensation are dominated by events unrelated to the underground economy, such as oil price changes. These industries, listed in the note to the table, were omitted in the full-scale regression analysis of this indicator. For the narrower set of industries, the revision produced even larger changes; differences in rates of growth between well-measured and suspect industries went from 0.14 percent per year prerevision to -0.04 percent per year postrevision. Postrevision, for this indicator, suspect industries no longer grow less rapidly than well-measured industries.

Significance of the results

A measure of the growth of the underground economy based on comparing indicators across groupings of industries is subject to wide uncertainty. The 1985 article discussed a

3. See Robert P. Parker, "Improved Adjustments for Misreporting of Tax Return Information Used to Estimate the National Income and Product Accounts," SURVEY 64 (June 1984): 17-25.

number of the sources of uncertainty.⁴ In addition to the sources mentioned there, the results presented in this note are highly sensitive to the way in which the new adjustments for underreporting of income on tax returns are distributed among industries. The more the adjustments appear in the suspect industries, the greater the revisions in the differentials between suspect and well-measured industries.

Nevertheless, the results do provide some grounds for believing that the benchmark revisions greatly reduced any understatement of growth due to the underground economy. The revisions in the indicators eliminate a sizable fraction of the unexplained differences found in the 1985 study between well-measured industries, on the one hand, and suspect and intermediate industries, on the other.

4. de Leeuw, "An Indirect Technique," pp. 71-72.

For suspect industries compared to well-measured industries, the 1985 study found an aggregate unexplained shortfall in the growth of national income of 0.40 percent per year, after taking account of all the variables other than the underground economy affecting the behavior of the three indicators. The revisions in the ratio of national income to employee compensation reduce the aggregate growth differential between these two industry groupings by 0.18; revisions in the ratio of full-time equivalent employment to total employment reduce the growth differential by another 0.02; and revisions in the ratio of employee compensation to full-time equivalent employment increase the growth differential by 0.01. The revisions thus eliminate 0.19 of the 0.40 prerevision shortfall.

For intermediate industries compared to well-measured industries, the 1985 study found an unexplained

growth shortfall of 0.29 percent per year. The revisions in the ratios reduce the aggregate growth differential by a total of 0.09 percent, eliminating about one-third of the prerevision shortfall.

Applying weights (based on national income in 1968) of 0.52 to suspect industries and 0.13 to intermediate industries produced a prerevision shortfall of 0.25, or one-quarter of 1 percent per year. The standard error of this estimate was 0.08 percent. Postrevision, the shortfall drops from 0.25 to 0.14, or one-seventh of 1 percent per year. Under the reasonable assumption that the standard error of the estimate is unchanged, the new shortfall estimate is less than twice its standard error. The new estimate still indicates understatement, but the estimate is small enough relative to its standard error that it could simply be due to statistical uncertainty rather than to unmeasured growth of national income.

Plant and Equipment Expenditures, the Four Quarters of 1986

CAPITAL spending plans by business were again revised downward and now indicate a decline for 1986, according to the BEA survey conducted in July and August.¹ Business plans to spend \$379.6 billion for new plant and equipment (P&E) in 1986, 1.9 percent less than in 1985 (tables 1 and 2, and chart 1). Spending was \$387.1 billion in 1985, 9.2 percent more than in 1984.

Compared with the survey conducted in April and May, the latest survey shows widespread downward revisions across both manufacturing and nonmanufacturing industries; the downward revisions are sharpest in durable goods manufacturing. The latest estimate of planned spending for 1986 is \$7.7 billion lower than that reported in the previous survey; the previous survey showed planned spending of \$387.2 billion for 1986, 0.2 percent more than in 1985.² The earlier surveys of 1986 spending plans—conducted in October and November

Table 1.—New Plant and Equipment Expenditures by Business

[Percent change from preceding year]

	Actual		Planned			
	1984	1985 ¹	1986			
			Oct.-Nov. 1985 survey ²	Jan.-Mar. 1986 survey ²	Apr.-May 1986 survey ²	July-Aug. 1986 survey ¹
All industries ³	16.3	9.2	2.4	2.3	0.2	-1.9
Manufacturing	19.5	10.6	-1	-9	-2.6	-6.2
Durable goods.....	24.8	10.6	-2.5	-2.9	-1.4	-6.9
Primary metals ⁴	18.4	8.5	-3.3	-1	.1	-3.4
Blast furnaces, steel works.....	8.9	16.5	-6.8	-2.1	-2.2	-10.5
Nonferrous metals.....	22.6	-11.8	-1.4	1.9	-6	2.6
Fabricated metals.....	22.5	3.9	-5	7.5	13.2	11.7
Electrical machinery.....	27.9	5.9	-10.2	-10.7	-4.7	-6.3
Machinery, except electrical.....	14.1	3.7	-3.7	-3.9	-7.9	-16.9
Transportation equipment ⁴	42.8	20.3	2.4	.5	1.1	-8.5
Motor vehicles.....	53.7	30.6	3.7	1.8	-.3	-12.4
Aircraft.....	22.7	-3.3	3.0	2.8	13.9	11.9
Stone, clay, and glass.....	11.6	10.1	.7	-4.6	-5.0	-6.8
Other durables.....	22.2	19.7	2.3	-9	5.5	5.0
Nondurable goods.....	15.0	10.5	2.1	1.1	-3.6	-5.5
Food including beverage.....	13.3	17.1	-2	4.6	1.7	-.2
Textiles.....	23.7	-7.6	-11.8	.9	-4.3	-7.0
Paper.....	21.8	19.2	3.6	3.8	6.7	3.2
Chemicals.....	18.3	7.3	-7	5.6	4.3	5.1
Petroleum.....	10.3	4.6	3.4	-8.1	-24.4	-27.5
Rubber.....	26.2	24.3	6.3	3.1	4.4	3.4
Other nondurables.....	14.8	17.1	4.5	9.3	16.4	14.4
Nonmanufacturing³	14.3	8.4	4.1	4.3	2.1	.8
Mining.....	11.0	-5.8	-6.2	-12.5	-22.2	-28.9
Transportation.....	18.3	9.1	5.1	5.8	1.1	1.8
Railroad.....	39.1	4.3	2.3	-2.2	-8.8	-6.9
Air.....	-18.3	34.5	19.3	28.5	20.1	22.6
Other.....	30.6	-4	-2.0	-2.6	-2.5	-4.4
Public utilities.....	5.6	2.8	-4.4	-5	-4.3	-5.3
Electric.....	-6	-2.5	-7.0	-1.3	-6.8	-6.9
Gas and other.....	35.6	21.6	3.0	3.4	1.0	-.6
Commercial and other.....	17.7	12.0	7.7	7.4	7.0	5.8

1. See table 2, footnote 1.
2. As originally published.
3. Surveyed quarterly.
4. Includes industries not shown separately.

1. The survey covers expenditures both for new facilities and for expansion or replacement of existing facilities that are chargeable to fixed asset accounts and for which depreciation or amortization accounts are ordinarily maintained. The survey excludes expenditures for land and mineral rights; maintenance and repair; used plant and equipment, including that purchased or acquired through mergers or acquisitions; assets located in foreign countries; residential structures; and a few other items.

The estimates presented are universe totals of domestic P&E expenditures for all industries surveyed quarterly, which account for nearly 90 percent of capital spending by U.S. nonfarm business. Sample data are compiled from reports on a company basis, not from separate reports for plants or establishments. A company's capital expenditures are assigned to a single industry in accordance with the industry classification of the company's principal product or service.

P&E expenditures differ from nonresidential fixed investment, which is a component of GNP, in type of detail, data sources, coverage, and timing. For further information, see pages 24-25 of the February 1985 SURVEY OF CURRENT BUSINESS.

2. The estimates of planned spending have been adjusted for systematic reporting biases. The bias adjustments are calculated by industry for each planning horizon. For a given time period, the bias-adjustment factor is the median of the ratios of planned to actual expenditures for that time period in the preceding 8 years. Before adjustments, 1986 planned spending was \$378.71 billion in "all industries," \$147.56 billion in manufacturing, and \$231.15 billion in nonmanufacturing industries surveyed quarterly.

1985 and in January through March 1986—showed increases of slightly more than 2 percent for 1986.

Real spending—capital spending adjusted to remove price changes—is estimated to decline 2.5 percent in 1986 (table 3). Real spending increased 8.7 percent in 1985, following an increase of 15.8 percent in 1984. Estimates of real spending are calculated from survey data on current-dollar spending using estimated capital goods

price deflators developed by BEA.³ The capital goods deflator for "all industries" is projected by BEA to increase 0.6 percent in 1986, following a 0.5-percent increase in 1985.⁴

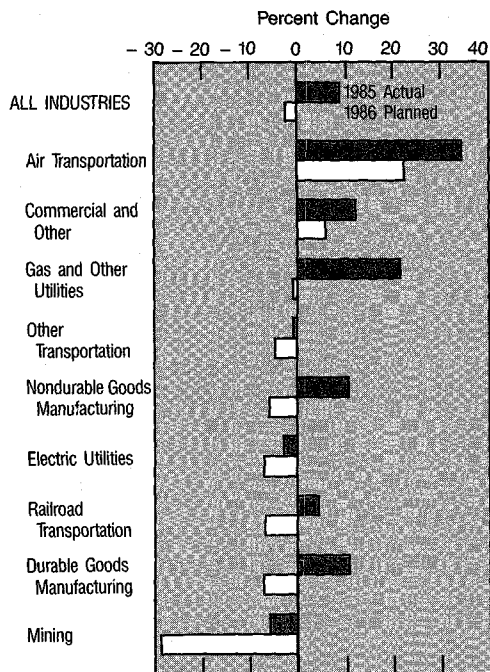
Current-dollar spending in the second quarter of 1986 declined 0.5

3. Specifically, the current-dollar figures reported by survey respondents are adjusted using implicit price deflators derived from unpublished detailed national income and product account estimates of current- and constant-dollar nonresidential fixed investment (adjusted to a P&E basis). To estimate planned real spending, the implicit price deflator for each industry is projected using its growth rate over the latest four quarters for which it is available.

4. The growth rates in the deflator for "all industries" for 1985 and 1986 have been revised downward due to revisions in the underlying national income and product account (NIPA) data. The industry estimates most affected by the NIPA revision were petroleum manufacturing and mining (due to a downward revision in the deflator for petroleum and natural gas structures) and finance and insurance (due to a downward revision in the deflator for office, computing, and accounting machinery).

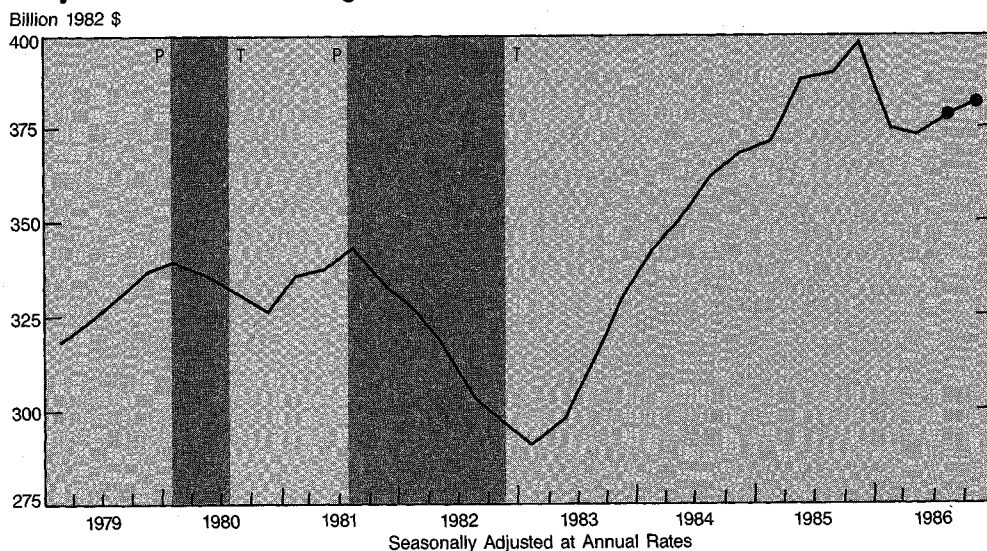
The estimates in this article reflect revised seasonal-adjustment factors for 1983-86. In addition, estimates of real spending are derived using deflators that reflect the revision of the national income and product accounts for 1983-86 released in July. Estimates for earlier years are not affected.

CHART 1
New Plant and Equipment Expenditures



U.S. Department of Commerce, Bureau of Economic Analysis

CHART 2
Real Plant and Equipment Expenditures, All Industries: Cyclical Peaks and Troughs



● Planned
Note.—Peaks (P) and troughs (T) are turning points in the business cycle as designated by the National Bureau of Economic Research, Inc.
U.S. Department of Commerce, Bureau of Economic Analysis

86-9-2

percent, to an annual rate of \$375.9 billion, following a 5.0-percent decline in the first; second-quarter spending was 3.0 percent lower than anticipated in the previous survey. Plans reported in the latest survey indicate small increases in the third and fourth quarters—1.2 percent and 0.9 percent, respectively. These increases in the second half of 1986, if realized, would result in fourth-quarter spending at an annual rate of \$384.0 billion, 3.5 percent below the fourth-quarter 1985 rate.

Real spending declined 0.5 percent in the second quarter of 1986, following a 5.9-percent decline in the first. Estimates indicate a 1.5-percent increase in the third quarter and a 1.1-percent increase in the fourth.

The real spending decline of 6.4 percent from the fourth quarter of 1985 to the second quarter of 1986 is the first multiquarter decline since the 15.2-percent, six-quarter decline from the third quarter of 1981 to the first quarter of 1983; that decline was associated with the 1981-82 business cycle contraction (chart 2). The current decline is the first multiquarter decline not associated with a business cycle contraction since the 2.9-percent, three-quarter decline from the fourth quarter of 1966 to the third quarter of 1967.

The continued decline in capital spending in the second quarter of 1986 and the widespread downward revisions in spending plans for the year occurred when general indicators of future investment activity were mixed. Indicators favorable to investment activity in the second quarter include increases in corporate profits (both before and after tax), corporate net cash flow, and real final sales of GNP. In addition, interest rates continued their downtrend; for example, Moody's corporate bond yield registered its eighth consecutive quarterly decline. Indicators unfavorable to investment activity include a

sharp drop in net new capital appropriations and declines in new orders of nondefense capital goods and in the manufacturing capacity utilization rate. Further, the tax reform bill under consideration by Congress may be contributing, on balance, to the downward revisions in spending plans. The bill's provision for the retroactive elimination of the investment tax credit could be having a direct, negative effect on capital spending that—at least in the short term—would tend to offset the positive effects of other provisions in the bill, such as lower tax rates on corporate profits.

Table 3.—New Plant and Equipment Expenditures by Business in Constant (1982) Dollars

[Percent change from preceding year]

	Actual		Planned			
	1984 ¹	1985 ^{1,2}	1986			
			Oct.-Nov. 1985 survey ³	Jan.-Mar. 1986 survey ³	Apr.-May 1986 survey ³	July-Aug. 1986 survey ^{1,2}
All industries ⁴	15.8	8.7	1.4	0.9	-1.3	-2.5
Manufacturing.....	20.0	10.1	-8	-1.9	-4.1	-7.0
Durable goods.....	24.1	10.5	-3.1	-3.6	-2.5	-6.0
Nondurable goods.....	16.7	9.7	1.2	-5	-5.6	-7.9
Nonmanufacturing ⁴	13.1	7.8	2.9	2.9	.6	.5
Mining.....	16.5	-6.3	-7.0	-13.7	-22.8	-32.9
Transportation.....	14.9	7.6	2.7	1.1	-8	1.3
Public utilities.....	3.6	2.0	-5.5	-1.5	-5.7	-5.6
Commercial and other.....	16.0	11.9	6.8	6.7	5.8	6.7

1. Estimates are derived using deflators that reflect the revision of the national income and product accounts for 1983-86 released in July.

2. See table 2, footnote 1.

3. As originally published.

4. Surveyed quarterly.

NOTE.—Percent changes are calculated from constant-dollar estimates, which are based on actual and planned current-dollar spending and on estimated capital goods price deflators developed by BEA.

Manufacturing Programs

In manufacturing, current-dollar spending declined 1.6 percent in the second quarter of 1986, to an annual rate of \$141.7 billion, following a 9.0-percent decline in the first. A 3.5-percent decline in second-quarter spending by nondurable goods industries more than offset a 0.5-percent increase by durables. Manufacturers plan a 0.7-percent increase in the third quarter and a 3.4-percent increase in the fourth.

For the year 1986, manufacturers plan to spend \$144.0 billion, 6.2 percent less than in 1985; in the previous survey, a planned decline of 2.6 percent was reported. Manufacturers' spending increased 10.6 percent in 1985, following a 19.5-percent increase in 1984.

Durable goods industries plan a 6.9-percent decline in 1986; the largest planned decline is in machinery (except electrical), 16.9 percent. Other notable declines are planned in motor vehicles, 12.4 percent; blast furnaces-steel works, 10.5 percent; stone-clay-glass, 6.8 percent; and electrical machinery, 6.3 percent. Aircraft and fabricated metals plan increases of 11.9 percent and 11.7 percent, respectively. Compared with the previous survey, the largest downward revisions in planned 1986 spending are in motor vehicles, machinery (except electrical), and blast furnaces-steel works. The downward revision in motor vehicles is consistent with announced cutbacks in capital spending plans. The downward revision in machinery (except electrical) may be related to weak demand for farm machinery,

machine tools, and computers due to sluggish economic growth and increased foreign competition. The downward revision in blast furnaces-steel works is consistent with the sharp second-quarter drop in the industry's capacity utilization rate, which may be reflecting strong foreign competition as well as the increasing substitution of other materials in applications formerly using iron and steel.

Nondurable goods industries plan a 5.5-percent decline in 1986. A large planned decline in petroleum, 27.5 percent, and smaller ones in textiles, 7.0 percent, and food-beverage, 0.2 percent, more than offset planned increases in other nondurables industries. The largest planned increase in the nondurables industries is in "other nondurables," 14.4 percent, and is led by printing-publishing. Compared with the previous survey, the largest downward revision in planned 1986 spending is in petroleum. The downward revision in petroleum in the latest survey follows even larger downward revisions reported in the January-March and April-May surveys and appears to reflect continued attempts by many firms to cut costs in the face of further declines in petroleum prices in the second quarter.

Real spending by manufacturing is estimated to decline 7.0 percent in 1986—6.0 percent in durables and 7.9 percent in nondurables. In 1985, real spending increased 10.1 percent—10.5 percent in durables and 9.7 percent in nondurables.

Nonmanufacturing Programs

In nonmanufacturing, current-dollar spending increased 0.1 percent in the second quarter of 1986, to an annual rate of \$234.2 billion, following a 2.4-percent decline in the first. Nonmanufacturing industries plan a 1.5-percent increase in the third quarter and a 0.6-percent decline in the fourth.

For the year 1986, nonmanufacturing industries plan to spend \$235.6 billion, 0.8 percent more than in 1985; in the previous survey, a planned increase of 2.1 percent was reported. Nonmanufacturing industries' spending increased 8.4 percent in 1985, following a 14.3-percent increase in 1984.

In 1986, the largest increase is planned in air transportation, 22.6 percent; "commercial and other" plans an increase of 5.8 percent. The largest decline is planned in mining, 28.9 percent; notable declines are also planned in electric utilities, 6.9 percent; railroads, 6.9 percent; and "other transportation," 4.4 percent. Compared with the previous survey, the largest downward revision in planned 1986 spending is in mining, 8.5 percent, and is concentrated in oil and gas extraction, apparently reflecting the continued decline in petroleum prices.

Real spending by nonmanufacturing industries is estimated to increase 0.5 percent in 1986; it increased 7.8 percent in 1985. Estimated increases in "commercial and other," 6.7 percent, and transportation, 1.3 percent, offset estimated declines in mining, 32.9 percent, and public utilities, 5.6 percent.

U.S. Multinational Companies: Operations in 1984

TOTAL assets of U.S. multinational companies (MNC's) increased 4.5 percent in 1984, to \$3,820 billion, and sales increased 4.6 percent, to \$3,415 billion (table 1). Stronger economic growth in the United States than in most other countries and an appreciation of the U.S. dollar against major foreign currencies resulted in significantly higher rates of increase in assets and sales for U.S. parent companies than for their foreign affiliates. For parent companies, assets were up 5.5 percent, to \$3,064 billion, and sales were up 6.0 percent, to \$2,520 billion. In contrast, foreign affiliates' assets increased only 0.7 percent, to \$756 billion, and sales increased 0.9 percent, to \$895 billion.¹

Employment of U.S. MNC's declined in 1984, although at a slower rate than in 1983. MNC's had 24,560,200 employees, down 0.9 percent; of these, U.S. parent companies employed 18,170,900, down 1.2 percent, and foreign affiliates employed 6,389,300, up 0.1 percent. A sharp decline in the petroleum industry, resulting from weak petroleum markets in both the United States and abroad, was partly offset by an increase in manufacturing, resulting largely from a strong recovery in the North American automobile industry.

The major share of all MNC operations was accounted for by U.S. parents; parents accounted for three-fourths of all MNC sales and employment and for four-fifths of all MNC

NOTE.—The 1984 annual survey was conducted under the supervision of Patricia C. Walker, Chief, Direct Investment Abroad Branch, International Investment Division. David H. Galler was project leader for the survey. Marie C. Gott and Arnold Gilbert designed the computer programs for data retrieval and analysis.

1. Total assets and sales of MNC's are shown on an aggregated basis, in which parent and affiliate data have been added together. The resulting sums contain duplication because of intercompany positions and transactions between parents and affiliates and between affiliates of the same parent. Data needed to derive consolidated assets and sales of MNC's were not collected.

assets. These proportions varied considerably from one industry to another. For example, parent companies accounted for 69 percent of total MNC assets in petroleum, 74 percent in manufacturing, and 87 percent in services. Among major industries, MNC's in manufacturing accounted for the largest share of all MNC operations—39 percent of assets, 48 percent of sales, and 62 percent of employment.

These results are universe estimates based on the second annual sample survey of U.S. direct investment abroad, which covered the operations of U.S. parent companies and their foreign affiliates in 1984.² The annual survey updates key items—such as assets, sales of goods and services, net income, employment, employee compensation, and merchandise trade—from BEA's more comprehensive 1982 benchmark survey.³ The annual survey also supplements other data on U.S. direct investment abroad regularly published by BEA.⁴

This article discusses major changes in the operations of U.S. parent companies and their nonbank foreign affiliates from 1983 to 1984. After an explanation of two factors affecting the direct investment survey sample, the article briefly summarizes

2. U.S. direct investment abroad exists when one U.S. person (U.S. parent) has a direct or indirect ownership interest of 10 percent or more in a foreign business enterprise (foreign affiliate).

3. A summary of the results of the 1982 benchmark survey can be found in "1982 Benchmark Survey of U.S. Direct Investment Abroad," in the December 1985 SURVEY OF CURRENT BUSINESS. Complete results of the benchmark survey, including over 300 tables, reprints of the survey forms and instructions, and a methodology, are published in *U.S. Direct Investment Abroad: 1982 Benchmark Survey Data*. Copies may be obtained from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC, 20402; price \$18.00; stock number 003-010-00161-5.

4. The annual survey focuses on the overall operations of U.S. parents and their foreign affiliates. It covers parents' and affiliates' transactions and positions with all U.S. and foreign persons, not just with each other. Current data published by BEA on the U.S. direct investment position abroad and related capital and income flows (see the August 1986 SURVEY) focus on positions and transactions between U.S. parents and their foreign affiliates.

Table 1.—Total Assets, Sales, and Employment of Nonbank U.S. MNC's, U.S. Parents, and Foreign Affiliates, 1977 and 1982-84

	MNC's world-wide	Parents	Affiliates
Total assets			
Millions of dollars:			
1977.....	2,033,418	1,548,240	490,178
1982.....	3,493,105	2,741,619	751,486
1983.....	3,653,615	2,902,793	750,823
1984.....	3,819,680	3,063,520	756,160
Percent change:			
1977-82 ¹	11.4	12.2	8.9
1982-83.....	4.6	5.9	-1
1983-84.....	4.5	5.5	.7
Sales			
Millions of dollars:			
1977.....	2,060,263	1,412,293	647,969
1982.....	3,284,168	2,343,388	935,780
1983.....	3,263,802	2,377,488	886,314
1984.....	3,414,684	2,520,097	894,587
Percent change:			
1977-82 ¹	9.8	10.7	7.6
1982-83.....	-6	1.2	-5.3
1983-84.....	4.6	6.0	.9
Number of employees			
Thousands:			
1977.....	26,081.3	18,884.6	7,196.7
1982.....	25,344.8	18,704.6	6,640.2
1983.....	24,782.6	18,399.5	6,383.1
1984.....	24,560.2	18,170.9	6,389.3
Percent change:			
1977-82 ¹	-6	-2	-1.6
1982-83.....	-2.2	-1.6	-3.9
1983-84.....	-0.9	-1.2	.1

MNC Multinational company.
1. Compound annual rate.

changes in assets, sales, and merchandise trade and then focuses on changes in employment. When comparing data for MNC's, U.S. parents, and foreign affiliates, affiliates are classified by the industry of their U.S. parent. When discussing affiliates only, as in the last two sections of the article, affiliates are classified by their own industry.

Two factors significantly affected the 1984 direct investment survey sample. First, and most important, was the breakup of a major U.S. telephone company, from which seven regional operating companies across the United States were divested. The newly organized regional companies did not have direct investment holdings abroad in 1984, and, therefore, were removed from the direct investment survey sample. Their removal substantially reduced assets, sales, employment, and other data items for

the company that remained in the survey sample.

Second, a number of large parent companies shifted their mix of operations and, as a result, were reclassified into different industries.⁵ This shift was primarily due to the recent wave of mergers and acquisitions and other restructuring activities of many U.S. parent companies. In 1984, two parent companies in radio, television, and communications manufacturing were reclassified, one to nonferrous metals manufacturing and the other to motion pictures. A parent company classified in industrial chemicals manufacturing and another classified in electrical machinery manufacturing were reclassified into transportation equipment manufacturing. In addition, a large company classified in integrated petroleum refining and extraction was reclassified into railroads, the result of a large acquisition it made. Although the parent companies that changed industries were relatively few in number, their large size resulted in unusual changes in the data for these industries.

Assets and sales

As noted earlier, the stronger performance of U.S. parent companies as compared with their foreign affiliates can be explained in part by two developments in the world economy—faster growth in the United States than in the rest of the world, and the appreciating U.S. dollar. In 1984, real GNP in the United States grew 6.4 percent, compared with 5.0 percent in Canada, 5.1 percent in Japan, and 2.4 percent in Europe. Developing countries in Latin America and Africa, burdened with large debt payments and falling commodity prices, registered negative growth rates. Only among the developing countries in Asia did the growth rate, at 7.9 percent, surpass that of the United States. Meanwhile, the U.S. dollar appreciated 12 percent, on a trade-weighted basis, against 10 major for-

eign currencies; this appreciation depressed the dollar value of foreign affiliates' assets and sales denominated in foreign currencies.

For U.S. parents, manufacturing accounted for large shares of the increases in both assets and sales in 1984. Increases were particularly strong for parents in nonelectrical machinery, led by office and computing machines, and in transportation equipment, led by motor vehicles and equipment. Parents in finance and insurance also had significant increases in assets, probably associated with increases in the value of their security holdings resulting from strong stock and bond markets. Assets of parents in petroleum also increased, particularly in integrated petroleum refining; however, sales declined throughout the industry.

Assets and sales of parent companies would have increased more if not for the breakup of the U.S. telephone company mentioned earlier. Had the telephone company been reported at the same level in 1984 as it was in 1983, assets for parent companies

would have increased 9.3 percent rather than 5.5 percent, and sales would have increased 7.5 percent rather than 6 percent.

Classified by industry of affiliate, assets and sales declined sharply for foreign affiliates in petroleum, particularly in Japan, Europe, and Latin America. These declines were offset by increases in manufacturing; affiliates in Japan and in "other Asia and Pacific" had large increases in sales, and affiliates in the Middle East and Latin America had large increases in assets. By far the most important factor was the recovery of the North American auto industry. As a result, assets of Canadian affiliates in transportation equipment manufacturing increased 16.1 percent, to \$10 billion, and sales increased 27.5 percent, to \$31 billion. Sales in transportation equipment also increased in Japan, Mexico, and Brazil. In the Middle East, U.S. minority interests in new petrochemical plants in Saudi Arabia resulted in a large increase in assets.

U.S. merchandise trade

MNC-associated exports increased 9.2 percent in 1984, to \$169 billion, and imports increased 13.0 percent, to \$141 billion (table 2). Although U.S. imports associated with MNC's did increase faster than exports, exports exceeded imports by \$28 billion, down slightly from 1983. U.S. MNC's, therefore, did not contribute significantly in 1984 to the large increase in the deficit on U.S. merchandise trade.

The largest proportion of both exports and imports continued to be between U.S. parent companies and unaffiliated foreigners, rather than between parents and their foreign affiliates.

Employment

Employment is not directly influenced by price and exchange rate movements, nor is it affected—as are assets and sales—by intra-MNC transactions and positions. For these reasons, the remainder of this article will focus on employment as an indicator of real economic activity. It should be noted, however, that employment figures do not perfectly mirror the level of output by MNC's, because that level is determined not only by the number of employees, but also by the output per worker.

Table 2.—U.S. Merchandise Exports and Imports Associated With Nonbank U.S. MNC's, 1983 and 1984

	[Millions of dollars]	
	1983	1984
MNC-associated U.S. exports, total	154,360	168,713
Shipped to affiliates, as reported on affiliates' forms	57,545	66,240
To majority-owned foreign affiliates	54,468	63,408
By U.S. parents	45,107	52,533
By unaffiliated U.S. persons	9,361	10,875
To other affiliates ¹	3,077	2,832
Shipped to unaffiliated foreigners by U.S. parents	96,815	102,473
MNC-associated U.S. imports, total	124,740	140,997
Shipped by affiliates, as reported on affiliates' forms	53,237	62,529
By majority-owned foreign affiliates	48,328	57,162
To U.S. parents	41,551	48,919
To unaffiliated U.S. persons	6,777	8,243
By other affiliates ¹	4,909	5,367
Shipped by unaffiliated foreigners to U.S. parents	71,503	78,468
Addenda:		
U.S. exports shipped by U.S. parents to all affiliates, as reported on parents' forms ²	49,397	56,932
U.S. imports shipped to U.S. parents by all affiliates, as reported on parents' forms ³	43,632	51,441

MNC Multinational company.

1. In the annual survey, U.S. exports shipped to minority-owned foreign affiliates were not disaggregated by affiliation of shipper, and U.S. imports shipped by minority-owned foreign affiliates were not disaggregated by affiliation of person to whom the goods were shipped.

2. Includes exports shipped by U.S. parents to all foreign affiliates—whether bank or nonbank, majority- or minority-owned, regardless of size—as reported on the U.S. parents' report forms. Such exports may differ from exports shipped by parents to affiliates, as reported on the affiliates' forms, because of differences in timing and valuation and the inclusion of data for affiliates covered on the parents' forms but exempt from being reported on affiliates' forms.

3. Includes imports shipped to U.S. parents by all foreign affiliates—whether bank or nonbank, majority- or minority-owned, regardless of size—as reported on the U.S. parents' report forms. Such imports may differ from imports shipped by affiliates to parents, as reported on the affiliates' forms, because of differences in timing and valuation and the inclusion of data for affiliates covered on the parents' forms but exempt from being reported on affiliates' forms.

5. Industry codes are assigned to the U.S. parent and to each of its foreign affiliates separately; a parent or affiliate is first classified in the major industry group that accounts for the largest percentage of its sales, and then in the two- and three-digit industry codes in which its sales were largest. Because an MNC-wide industry code (that is, a code based on the worldwide consolidated activities of the MNC as a whole) is not available, each MNC is classified by industry of parent. For further discussion of industry classification procedures, see *U.S. Direct Investment Abroad: 1982 Benchmark Survey Data*, pages 9 and 10.

Table 3.—Employment of Nonbank U.S. MNC's, U.S. Parents, and Foreign Affiliates, by Industry of U.S. Parent, 1982-84

	Number of employees (thousands)									Percent change						Affiliates as a percent of MNC's worldwide
	MNC's worldwide			Parents			Affiliates			MNC's worldwide		Parents		Affiliates		
	1982	1983	1984	1982	1983	1984	1982	1983	1984	1983	1984	1983	1984	1983	1984	
All industries.....	25,344.8	24,782.6	24,560.2	18,704.6	18,399.5	18,170.9	6,640.2	6,383.1	6,389.3	-2.2	-0.9	-1.6	-1.2	-3.9	0.1	26
Petroleum.....	1,781.8	1,595.8	1,492.7	1,225.3	1,129.6	1,050.0	506.5	466.1	442.7	-7.9	-6.5	-7.8	-7.1	-8.0	-5.0	30
Manufacturing.....	15,347.1	15,014.0	15,246.0	10,532.8	10,408.1	10,622.4	4,814.3	4,610.8	4,623.6	-2.2	1.5	-1.2	2.1	-4.2	.3	30
Food and kindred products.....	1,531.9	1,476.6	1,474.1	1,011.2	986.7	996.7	520.7	489.9	477.4	-8.6	-2	-2.4	1.0	-5.9	-2.6	32
Chemicals and allied products.....	2,139.9	2,104.7	2,050.1	1,364.6	1,368.3	1,328.2	775.3	736.4	721.9	-1.6	-2.6	.3	-2.9	-5.0	-2.0	35
Primary and fabricated metals.....	1,346.3	1,178.9	1,169.8	976.2	858.0	876.5	370.1	320.8	293.3	-12.4	-8	-12.1	2.2	-13.3	-8.6	25
Machinery, except electrical.....	2,067.1	2,036.5	2,164.0	1,457.9	1,446.1	1,530.5	609.1	590.4	633.5	-1.5	6.3	-8	5.8	-3.1	7.3	29
Electric and electronic equipment.....	2,189.0	2,209.7	2,157.1	1,619.5	1,651.3	1,607.2	569.5	558.4	549.9	0.9	-2.4	2.0	-2.7	-1.9	-1.5	25
Transportation equipment.....	2,690.0	2,781.6	2,973.4	1,687.3	1,735.1	1,941.1	1,002.7	996.5	1,082.3	1.5	8.9	2.8	11.9	-6	3.6	35
Other manufacturing.....	3,382.9	3,276.0	3,257.5	2,416.0	2,357.6	2,342.2	966.9	918.4	915.3	-3.2	-6	-2.4	-7	-5.0	-3	28
Wholesale trade.....	535.8	493.2	518.2	396.7	378.9	406.4	139.0	114.3	111.8	-7.9	5.1	-4.5	7.3	-17.8	-2.2	22
Finance (except banking), insurance, and real estate.....	1,895.4	1,404.2	1,392.6	1,004.0	1,003.8	992.5	391.4	400.4	400.1	.6	-8	0	-1.1	2.3	-1	29
Services.....	1,140.4	1,164.4	1,203.5	993.8	1,035.5	1,072.4	146.5	129.0	131.1	2.1	3.4	4.2	3.6	-12.0	1.6	11
Other industries.....	5,194.4	5,111.1	4,707.4	4,551.9	4,448.6	4,027.3	642.5	662.5	680.1	-1.6	-7.9	-2.3	-9.5	3.1	2.7	14

MNC Multinational company.

Employment of MNC's.—MNC's had 24,560,200 employees throughout the world in 1984; three-fourths of these were employed by U.S. parents and one-fourth by their foreign affiliates. Foreign affiliates accounted for especially large proportions of MNC employment in manufacturing, particularly in soap, cleaners, and toilet goods; motor vehicles and equipment; drugs; tobacco manufactures; and rubber products. In each case, affiliates accounted for over 40 percent of MNC employment.

The 0.9-percent decline in MNC employment was more than accounted for by a 1.2-percent decline in parent employment, to 18,170,900. Employment by foreign affiliates increased marginally, to 6,389,300 (table 3). As with assets and sales, employment by U.S. parent companies would have been larger in the absence of the breakup of the telephone company mentioned earlier.

Increases in employment in manufacturing, wholesale trade, and services were more than offset by declines in petroleum and in finance, and by a large drop in "other industries," due to the telephone company divestiture. In manufacturing, MNC employment increased 1.5 percent, to 15,246,000, compared with a 2.2-percent decline in 1983. The increase was in large part due to the strong recovery of the North American automobile industry; transportation equipment increased 8.9 percent, to 2,973,400.

In petroleum, weak markets continued to depress employment of both parents and affiliates. MNC employment in petroleum dropped 6.5 percent, to 1,492,700; employment of U.S.

parents fell 7.1 percent, and that of foreign affiliates fell 5.0 percent. Employment may also have been depressed by restructuring in the oil industry; in 1984, three fully integrated, major U.S. petroleum companies acquired three other large, fully integrated U.S. petroleum companies. The consolidations may have resulted in some reductions in employment, as duplicative functions were cut and some operations were sold. The weakness in petroleum markets also affected employment in construction, as petroleum companies cut back on their exploration and development. Employment in construction dropped 13.0 percent, to 238,200; while employment of U.S. parent companies declined 7.3 percent, their affiliate employment dropped 34.2 percent. The decline for affiliates was largely in petroleum exporting countries—Indonesia, Venezuela, and Saudi Arabia.

Employment of U.S. parents.—Despite strong growth in the U.S. economy, employment of U.S. parents continued to decline, although not as rapidly as in 1983 (tables 4 and 5). This decline was largely due to the breakup of the U.S. telephone company mentioned earlier.

Employment of U.S. parents in petroleum declined at about the same rate as in 1983, and employment in "other industries" fell 9.5 percent. These declines were partly offset by a large increase in wholesale trade and smaller increases in manufacturing and services. Within manufacturing, employment in transportation equipment increased 11.9 percent, to 1,941,100, following a 2.3-percent increase in 1983. Employment in none-

lectric machinery increased 5.8 percent, primarily due to a pickup in office equipment. Parents in ferrous metals and chemicals manufacturing continued to reduce employment in response to weak markets and an oversupply of commodity chemicals and steel. New chemical plants in developing countries (Saudi Arabia, for example) and lower cost steel production in newly industrialized countries such as Brazil and South Korea continued to erode U.S. parents' world market share of these products; this erosion was exacerbated by the appreciating U.S. dollar.

Employment of foreign affiliates.—As with U.S. parents, affiliate employment in petroleum, finance, and construction declined, and employment in manufacturing increased.

When affiliates are classified in their own industries rather than in those of their U.S. parents, employment was more concentrated in wholesale trade, services, and "other industries" (which includes mining and retail trade), and less concentrated in petroleum, manufacturing, and finance, insurance, and real estate (table 6). This pattern occurs because

Table 6.—Distribution of Employment of Nonbank Foreign Affiliates, by Industry of U.S. Parent and by Industry of Affiliate, 1984

	By industry of parent	By industry of affiliate
All industries.....	100.0	100.0
Petroleum.....	6.9	5.7
Manufacturing.....	72.4	67.5
Wholesale trade.....	1.7	7.4
Finance (except banking), insurance, and real estate.....	6.3	1.9
Services.....	2.1	4.8
Other industries.....	10.6	12.7

and electronic equipment and in food and kindred products.

In 1984, affiliate employment increased slightly. Large increases in manufacturing and wholesale trade were almost entirely offset by declines in petroleum and "other industries," primarily construction and retail trade.

Employment in developed countries increased 0.9 percent; an increase in manufacturing was partly offset by declines in petroleum and finance. In Canada, employment declined 3.9 percent, despite a large increase in transportation equipment; that increase was more than offset by declines in all other manufacturing industries and in petroleum, retail trade, finance, and services.

In Europe, employment increased 1.7 percent, to 2,693,900, despite declines in petroleum, motor vehicles manufacturing, and finance. This increase was primarily due to the acquisition of a minority interest in an Italian office equipment manufacturer by a U.S. telecommunications firm. Employment also increased in electronic equipment manufacturing in Germany, the Netherlands, and the United Kingdom.

In the United Kingdom, employment declined, largely in petroleum, finance, and manufacturing. Within manufacturing, employment in transportation equipment and "other manufacturing" declined, while that in electric and electronic equipment and in nonelectrical machinery increased. Employment of affiliates in "other industries" also increased substantially, primarily due to the expansion of a fast-food chain.

Japanese affiliates registered a 1.6-percent increase in employment, to 315,400; the sale of a minority interest in a large Japanese refinery, which resulted in a decline in petroleum employment, was more than offset by increased employment in electronic equipment manufacturing and in wholesale and retail trade.

For affiliates in developing countries, employment declined 1.4 percent, to 2,013,500; increases in "other Asia and Pacific," which reflected strong economic growth among the newly industrialized countries, were more than offset by declines in Africa, the Middle East, and Latin America.

In Mexico, employment fell 2.6 percent, to 430,800. Increases by affiliates in transportation equipment and electronics manufacturing were more

Table 10.—Employment of All, Majority-Owned, and Minority-Owned Nonbank Foreign Affiliates, by Area, 1984

	Number of employees (thousands)			Percent accounted for by majority-owned affiliates
	All affiliates	Majority-owned affiliates	Minority-owned affiliates	
All countries.....	6,389.3	4,841.0	1,548.2	75.8
Developed countries.....	4,343.0	3,327.3	1,015.7	76.6
Canada.....	896.7	821.2	75.5	91.6
Europe.....	2,693.9	2,139.6	554.2	79.4
Of which:				
France.....	506.0	273.6	227.3	55.1
Austria.....	36.2	23.2	13.0	64.1
Spain.....	150.0	104.9	45.1	70.0
Japan.....	315.4	90.6	224.8	28.7
Australia, New Zealand, and South Africa.....	487.0	275.8	161.2	63.1
Developing countries.....	2,013.5	1,487.7	525.8	73.9
Latin America.....	1,216.3	910.9	305.4	74.9
Of which:				
Mexico.....	430.8	243.5	187.3	56.5
Other Africa.....	106.8	71.0	35.8	66.5
Middle East.....	138.2	98.1	40.2	71.0
Other Asia and Pacific.....	552.3	407.7	144.5	73.8
Of which:				
India.....	75.4	24.1	51.3	31.9
South Korea.....	38.7	17.5	21.2	45.3
International.....	32.8	26.1	6.7	79.5

than offset by a decline in retail trade. In Brazil, affiliate employment increased 1.5 percent, to 378,500, due to an increase in transportation equipment manufacturing.

In "other Africa," affiliate employment fell 3.6 percent, to 106,800; a decline in Nigeria, primarily in electronic equipment manufacturing and petroleum, was partly offset by an increase in Egypt in petroleum.

The effect of weaker petroleum markets was particularly evident among affiliates in the Middle East, where affiliate employment declined. In Saudi Arabia, employment in chemicals manufacturing increased as new petrochemical plants in which U.S. firms held minority interests came on line, but this increase was more than offset by a severe decline in services.

In "other Asia and Pacific," total employment increased 1.9 percent, to 552,300. Substantial growth in electronics manufacturing in Hong Kong, Taiwan, South Korea, Singapore, and Malaysia was largely offset by de-

Services

The sales data from the annual surveys, linked to similar data from the 1982 benchmark survey, allow, for the first time, a comparison of growth between services-producing and goods-producing activities of U.S. MNC's. An analysis of U.S. MNC's role in international services transactions will appear in a forthcoming issue of the Survey.

clines in the Indonesian petroleum industry, as well as in fabricated metal products manufacturing in the Philippines.

Employment of majority-owned foreign affiliates (MOFA's).—Majority-owned foreign affiliates, or MOFA's—affiliates in which U.S. parent companies owned more than a 50-percent interest—employed 4,841,000 workers in 1984, or 76 percent of all affiliate employment (tables 10-12). The MOFA share of total affiliate employment was much higher than average in Canada, the United Kingdom, and Germany, where MOFA shares were 95 percent, 88 percent, and 93 percent, respectively.

MOFA shares were lower in countries that had restrictions on majority ownership. The lowest shares were in Japan (29 percent), India (32 percent), and South Korea (45 percent). For MOFA's in all industries, 69 percent of the employees were located in developed countries and 31 percent were located in developing countries.

The changes in employment for MOFA's generally followed the pattern for all nonbank affiliates. Employment declined slightly in both developed and developing countries. By industry, declines in petroleum, finance, and "other industries" were almost entirely offset by increases in manufacturing—primarily transportation equipment and electric and electronic equipment—and in wholesale trade.

MOFA's in transportation equipment manufacturing increased employment in Canada and in Latin America, particularly in Brazil and Mexico, and cut employment in Europe, particularly in Germany, the United Kingdom, and France. MOFA's in electric and electronic equipment manufacturing, particularly those manufacturing electronic components and accessories, increased employment in Europe and "other Asia and Pacific." The increase in wholesale trade was almost entirely accounted for by affiliates in Japan and in Australia, New Zealand and South Africa. The decline in "other industries" was largely due to a drop in employment in the construction industry—in both developed and developing countries—and a decline in retail trade in Latin America, "other Asia and Pacific", and Canada.

Text continues on page 38.

Technical Note

The tables in this article present preliminary estimates for 1984 and revised estimates for 1983, based on data from BEA's annual sample survey of U.S. direct investment abroad (BE-11). For 1984, reports were required from every U.S. person having a foreign affiliate at the end of its 1984 fiscal year with assets, sales, or net income exceeding \$10 million. Banks were excluded from the survey. Each report consisted of a form BE-11A, which obtained data for the nonbank U.S. parent company, a form BE-11B, which obtained data for each nonbank majority-owned foreign affiliate (MOFA), and a form BE-11C, which obtained data for each nonbank foreign affiliate in which U.S. ownership was at least 25 percent and not more than 50 percent. Foreign affiliates in which U.S. ownership was less than 25 percent were exempt from reporting, but are covered in the estimates.

The estimates for 1984 shown in the tables in this article and in the additional tables available (see box on this page) were obtained by expanding the sample data collected in the survey to universe totals. Universe estimates were derived for virtually all of the items collected in the annual survey.

Tables 13 and 14 show, for U.S. parents and for foreign affiliates, respectively, the portion of the universe estimates of total employment accounted for by the 1984 sample data. For parents, the reported sample data accounted for 90 percent of the universe estimate. By industry, sample coverage tended to be higher for industries—such as petroleum and transportation equipment manufacturing—that are dominated by a relatively small number of large firms.

For foreign affiliates, the sample data accounted for 81 percent of the universe estimate. Sample coverage was significantly higher for MOFA's,

Additional detail from the 1984 annual survey of U.S. direct investment abroad, including further breakdowns of foreign affiliates' balance sheets, income statements, and external financial position, and of U.S. parents' and foreign affiliates' sales and merchandise trade, is available in *U.S. Direct Investment Abroad: Operations of U.S. Parent Companies and Their Foreign Affiliates, Preliminary 1984 Estimates*. Revised estimates for 1983 are available in *U.S. Direct Investment Abroad: Operations of U.S. Parent Companies and Their Foreign Affiliates, Revised 1983 Estimates*. These publications may be obtained from Economics and Statistical Analysis/BEA, U.S. Department of Commerce, Citizens and Southern National Bank, 222 Mitch-

ell Street, P.O. Box 100606, Atlanta, GA 30384; price \$5.00 apiece. When ordering, specify title and enclose a check or money order made payable to "Economics and Statistical Analysis/BEA."

The annual survey data are stored on magnetic tape. The estimates are available on magnetic tape, and BEA can make additional tabulations or perform regressions or other statistical analyses of the data at cost, within the limits of available resources and subject to the legal requirement to avoid disclosure of data of individual companies. Requests should be directed to Office of the Chief, International Investment Division (BE-50), Bureau of Economic Analysis, U.S. Department of Commerce, Washington, DC 20230.

at 90 percent. The pattern of coverage by industry for MOFA's was similar to that for U.S. parents.

For minority-owned foreign affiliates (affiliates owned 50 percent or less by U.S. parents), the sample data accounted for only 55 percent of the universe estimate of employment. The low coverage primarily reflected the fact that those affiliates owned less than 25 percent by U.S. parents were exempt from reporting in the annual survey. Industries and areas with particularly low sample coverage of mi-

nority-owned affiliates—such as transportation equipment manufacturing—were those in which the size of the exempt affiliates was significant. For example, a number of U.S. automobile manufacturers owned less than 25-percent interests in very large Japanese automobile companies; these interests, while exempt from the survey, were substantial. For the largest of these exempt affiliates, information from outside sources, when available, was used to modify BEA estimates for 1984.

Table 13.—Employment of Nonbank U.S. Parents: Percent of Universe Estimate Accounted for by the Sample, by Industry of Parent, 1983 and 1984¹

	1983		1984	
	Universe estimate (thousands)	Percent accounted for by sample	Universe estimate (thousands)	Percent accounted for by sample
All industries.....	18,399.5	91	18,170.9	90
Petroleum.....	1,129.6	98	1,050.0	98
Manufacturing.....	10,403.1	92	10,622.4	91
Food and kindred products.....	986.7	96	996.7	96
Chemicals and allied products.....	1,368.3	96	1,328.2	96
Primary and fabricated metals.....	858.0	78	876.5	77
Machinery, except electrical.....	1,446.1	94	1,530.5	91
Electric and electronic equipment.....	1,651.3	91	1,607.2	89
Transportation equipment.....	1,735.1	98	1,941.1	99
Other manufacturing.....	2,357.6	87	2,342.2	87
Wholesale trade.....	378.9	83	406.4	81
Finance (except banking), insurance, and real estate.....	1,003.8	93	992.5	93
Services.....	1,035.5	73	1,072.4	73
Other industries.....	4,448.6	91	4,027.3	90

1. Because the sample was skewed toward large U.S. parents, it accounted for a much smaller percentage of the universe in terms of number of parents than in terms of parents' total assets or employment. In terms of number, the sample accounted for 60 percent of the 2,088 parents in the universe in 1984.

Table 14.—Employment of Nonbank Foreign Affiliates: Percent of Universe Estimate Accounted for by the Sample, by Industry of Affiliate and by Area, 1983 and 1984¹

	1983						1984					
	All affiliates		Majority-owned affiliates		Minority-owned affiliates		All affiliates		Majority-owned affiliates		Minority-owned affiliates	
	Universe estimate (thousands)	Percent accounted for by sample	Universe estimate (thousands)	Percent accounted for by sample	Universe estimate (thousands)	Percent accounted for by sample	Universe estimate (thousands)	Percent accounted for by sample	Universe estimate (thousands)	Percent accounted for by sample	Universe estimate (thousands)	Percent accounted for by sample
All industries, all areas.....	6,383.1	82	4,853.6	90	1,529.6	57	6,389.3	81	4,841.0	90	1,548.2	55
By industry												
Petroleum.....	380.1	93	325.6	95	54.5	80	361.6	93	311.0	96	50.6	78
Manufacturing.....	4,229.6	82	3,200.8	91	1,028.8	55	4,313.8	82	3,227.9	91	1,085.9	53
Food and kindred products.....	422.9	91	340.0	94	82.9	82	415.2	90	329.8	93	85.5	74
Chemicals and allied products.....	572.8	89	475.8	91	97.1	79	568.3	89	467.8	91	100.5	80
Primary and fabricated metals.....	287.3	74	195.7	76	91.7	68	286.4	68	195.7	73	90.7	56
Machinery, except electrical.....	504.9	85	425.3	91	79.6	50	557.2	86	428.7	91	128.5	68
Electric and electronic equipment.....	673.8	89	543.7	91	125.2	83	705.8	84	576.1	90	129.7	59
Transportation equipment.....	893.0	68	562.5	98	330.5	18	910.5	69	575.1	98	335.4	19
Other manufacturing.....	874.7	84	652.9	88	221.9	70	870.3	85	654.6	89	215.7	73
Wholesale trade.....	460.4	77	413.9	80	46.4	46	472.5	77	422.4	80	50.2	49
Finance (except banking), insurance, and real estate.....	127.1	78	95.2	84	31.9	59	121.8	79	90.6	86	31.2	60
Services.....	307.2	70	259.3	74	47.9	49	306.0	69	257.2	74	48.8	45
Other industries.....	878.8	82	558.8	93	320.0	63	813.5	81	532.0	93	281.5	59
By area												
Developed countries.....	4,304.4	81	3,331.5	91	972.9	46	4,342.9	81	3,327.3	91	1,015.7	45
Canada.....	900.6	91	824.2	94	76.4	63	896.7	91	821.2	93	75.5	63
Europe.....	2,649.2	80	2,143.1	91	506.1	38	2,693.9	79	2,139.6	91	554.2	36
Japan.....	310.5	74	85.1	91	225.4	67	315.4	74	90.6	92	224.8	66
Australia, New Zealand, and South Africa.....	444.2	71	279.2	91	165.0	38	437.0	72	275.8	91	161.2	39
Developing countries.....	2,043.2	83	1,494.4	86	548.8	75	2,013.5	82	1,487.7	86	525.8	73
Latin America.....	1,242.6	83	905.3	84	337.3	79	1,216.3	83	910.9	85	305.4	77
Other Africa.....	110.8	78	70.7	80	40.1	74	106.8	73	71.0	80	35.8	58
Middle East.....	147.7	80	106.9	91	40.8	50	138.2	80	98.1	91	40.2	52
Other Asia and Pacific.....	542.1	84	411.5	88	130.6	74	552.3	84	407.7	87	144.5	75
International.....	35.5	88	27.6	87	7.9	90	32.8	87	26.1	88	6.7	87

1. Because the sample was skewed toward large foreign affiliates, it accounted for a much smaller percentage of the universe in terms of number of affiliates than in terms of affiliates' total assets or employment. In terms of number, the sample accounted for 52 percent of the 16,392 foreign affiliates in the universe; it accounted for 54 percent of the 14,366 majority-owned affiliates and 42 percent of the 2,526 minority-owned affiliates in 1984.

U.S. International Transactions, Second Quarter 1986

THE U.S. current-account deficit was \$34.7 billion in the second quarter compared with \$34.0 billion in the first. The merchandise trade deficit decreased slightly, as exports increased more than imports. An increase in exports of nonmonetary gold was partly offset by a continued drop in agricultural exports. Petroleum imports decreased, due to sharply lower prices, while nonpetroleum imports increased again. Net service receipts decreased slightly. Net investment income receipts increased; payments for other services were lower. Unilateral transfers rose due to an increase in U.S. Government grants.

In the private capital accounts, net U.S. purchases of foreign securities decreased, reflecting a sharp reduction in U.S. purchases of British bonds. Net U.S. purchases of stocks were unchanged from the record first-quarter level. Foreign purchases of U.S. stocks, spurred by rising prices, reached a record high. New issues of U.S. corporate bonds sold abroad rebounded as long-term rates continued to decline. In transactions reported by banks, claims on foreigners shifted to net outflows; the increase in liabilities to foreigners slowed due to slack U.S.

loan demand and lower short-term interest rates. Net outflows for U.S. direct investment abroad decreased, largely because of a shift to intercompany debt inflows. Net inflows for foreign direct investment in the United States increased because of a similar shift in intercompany debt and an increase in equity inflows.

U.S. official reserve assets were virtually unchanged. Foreign official assets in the United States increased sharply, largely due to exchange market intervention by some foreign monetary authorities.

The statistical discrepancy (errors and omissions in reported transactions) was an inflow of \$6.0 billion.

U.S. dollar in exchange markets

In the second quarter, the dollar depreciated 2 percent against the currencies of 22 OECD countries and 4 percent against the currencies of 10 industrial countries on a trade-weighted quarterly average basis (table C; chart 3). The depreciation was less than in the previous quarter; the dollar reached a record low against the Japanese yen and a 6½-year low against the German mark.

Depreciation was limited by purchases of dollars in exchange markets by foreign monetary authorities.

Within the quarter, as a result of a temporary rise in U.S. interest rates while most rates abroad were unchanged, the dollar gained 5 percent against the mark and 2 percent against the yen between mid-May and early June. However, the dollar again depreciated when U.S. interest rates resumed their decline amid indications of a slowdown in U.S. economic growth and expectations of a further reduction in the U.S. discount rate.

The first overall realignment in more than 3 years of central rates within the European Monetary System (EMS) occurred in early April. The French franc's central rate was devalued by 6 percent against the German mark and the Dutch guilder. Other adjustments included devaluations of 2-3 percent of the other EMS currencies against the mark and the guilder.

Merchandise trade

The merchandise trade deficit was \$36.0 billion in the second quarter compared with \$36.5 billion in the

Table A.—Summary of U.S. International Transactions

[Millions of dollars, seasonally adjusted]

Line	Lines in tables 1, 2, and 10 in which transactions are included are indicated in ()	1984	1985	1985				1986		Change: 1986 I-II
				I	II	III	IV	I ^r	II ^p	
1	Exports of goods and services (1).....	360,111	358,498	88,040	89,350	90,234	90,873	91,593	91,158	-435
2	Merchandise, excluding military (2).....	219,900	214,424	55,324	53,875	52,498	52,727	53,661	54,795	1,134
3	Other goods and services (3-14).....	140,211	144,074	32,716	35,475	37,736	38,146	37,932	36,363	-1,569
4	Imports of goods and services (16).....	-454,420	-461,191	-110,872	-115,309	-114,688	-120,324	-122,608	-121,842	766
5	Merchandise, excluding military (17).....	-332,422	-338,863	-80,369	-84,242	-84,173	-90,079	-90,120	-90,818	-698
6	Other goods and services (18-29).....	-121,998	-122,328	-30,503	-31,067	-30,515	-30,245	-32,488	-31,024	1,464
7	U.S. Government grants (excluding military grants of goods and services) (32).....	-8,536	-11,196	-2,224	-2,577	-3,087	-3,307	-2,069	-3,204	-1,135
8	Remittances, pensions, and other transfers (33, 34).....	-3,621	-3,787	-1,056	-881	-914	-937	-954	-843	111
9	U.S. assets abroad, net (increase/capital outflow (-)) (35).....	-23,639	-32,436	-510	-2,793	-5,867	-23,266	-12,898	-17,749	-4,851
10	U.S. official reserve assets, net (36).....	-3,131	-3,858	-238	-356	-121	-3,148	-115	16	131
11	U.S. Government assets, other than official reserve assets, net (41).....	-5,523	-2,824	-807	-1,055	-422	-540	-250	-181	69
12	U.S. private assets, net (45).....	-14,986	-25,754	530	-1,382	-5,324	-19,579	-12,533	-17,584	-5,051
13	Foreign assets in the United States, net (increase/ capital inflow (+)) (50).....	102,767	127,106	14,247	25,358	35,665	51,837	36,620	46,504	9,884
14	Foreign official assets, net (51).....	3,037	-1,324	-11,066	8,486	2,577	-1,322	2,469	13,766	11,297
15	Other foreign assets, net (58).....	99,730	128,430	25,313	16,872	33,088	53,158	34,151	32,738	-1,413
16	Allocations of special drawing rights (64).....									
17	Statistical discrepancy (65).....	27,388	23,006	12,375	6,852	-1,343	5,125	10,316	5,976	-4,340

^r Revised.

^p Preliminary.

Table B.—Selected Transactions With Official Agencies

(Millions of dollars)

Line		1984	1985	1985				1986		Change: 1986 I-II
				I	II	III	IV	I ^r	II ^p	
1	Changes in foreign official assets in the U.S., net (decrease -)(table 1, line 51).....	3,037	-1,324	-11,066	8,486	2,577	-1,322	2,469	13,766	11,297
2	Industrial countries ¹	463	1,178	-6,361	6,851	2,889	-2,201	-529	11,225	11,754
3	Members of OPEC ²	-4,304	-6,599	-1,923	-1,843	-1,831	-1,002	1,421	-2,609	-4,030
4	Other countries.....	6,878	4,097	-2,782	3,478	1,519	1,881	1,577	5,150	3,573
5	Changes in U.S. official reserve assets (increase -)(table 1, line 36).....	-3,131	-3,858	-233	-356	-121	-3,148	-115	16	131
	Activity under U.S. official reciprocal currency arrangements with foreign monetary authorities: ³									
6	Foreign drawings, or repayments (-), net.....	490	-500	-500	143	-143			75	75
6a	Drawings.....	545	143		143				75	75
6b	Repayments.....	-55	-643	-500		-143				

^r Revised.^p Preliminary.

1. Western Europe, Canada, Japan, Australia, New Zealand, and South Africa.

2. Based on data for Ecuador, Venezuela, Indonesia, and other Asian and African oil-exporting countries.

3. Consists of transactions of the Federal Reserve System and the U.S. Treasury Department's Exchange Stabilization Fund.

first. Exports increased \$1.1 billion, or 2 percent, to \$54.8 billion. Imports increased \$0.7 billion, or 1 percent, to \$90.8 billion.

Nonagricultural exports increased \$2.1 billion, or 5 percent, to \$48.6 billion; volume increased 6 percent. The increase was more than accounted for by nonmonetary gold exports, up \$2.8 billion to \$3.2 billion. Nearly all of the increase was accounted for by gold purchased by Japan for the minting of commemorative gold coins. The gold had been imported into the United States earlier. Most other categories of nonagricultural exports decreased or were unchanged. Excluding nonmonetary gold, industrial supplies and materials decreased \$1.0 billion; most of the decrease was in energy products—petroleum products and coal—and chemicals, and partly reflected the sharp drop in petroleum prices. Exports of capital equipment were virtually unchanged; a decrease of \$0.2 billion in construction machinery, related to the worldwide slowdown in oil well drilling activity,

offset increases in other types of machinery, mainly electrical.

Agricultural exports decreased \$1.0 billion, or 13 percent, to \$6.2 billion, the lowest level since the fourth quarter of 1977; volume decreased 12 percent. Expanded production in other countries and continued slack demand abroad were among the developments that contributed to declines in agricultural exports. Also, the dollar exchange rate has changed relatively little against the currencies of some important competitors, such as Canada and Australia, and has appreciated against the currencies of others, such as Argentina and Brazil. Anticipation of lower prices resulting from the Food Security Act of 1985, which lowers price supports beginning in the 1986 crop year, may also have led some importers to delay purchases until later this year. Finally, quotas were introduced earlier this year on imports of oilseeds and grain into Spain and Portugal—traditional U.S. markets—from non-European Community (EC) countries as a result of

the integration of Spain and Portugal into the EC. All these developments resulted in drops of corn exports of \$0.6 billion, or 50 percent; soybeans, \$0.2 billion, or 17 percent; and wheat, \$0.1 billion, or 12 percent. A drop in Brazil's soybean production because of drought may have restrained decreases in the volume and price of soybean exports.

Nonpetroleum imports increased \$2.9 billion, or 4 percent, to \$83.0 billion; volume increased 2 percent. The largest increase—\$1.2 billion—was in imports of passenger cars from areas other than Canada, mainly Japan, and reflected an 8-percent increase in domestic sales of foreign cars. Nonmonetary gold imports increased \$0.7 billion. Other major increases were in machinery, up \$0.6 billion; manufactured consumer durables, up \$0.5 billion; and civilian aircraft and parts, mainly completed aircraft from France, up \$0.3 billion. Only limited price increases have appeared in key import categories since the dollar

Table C.—Indexes of Foreign Currency Price of the U.S. Dollar

[1977=100]

	1985			1986		1985							1986					
	II	III	IV	I	II	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Trade-weighted average against 22 OECD currencies ¹	163.2	155.9	151.4	147.9	145.5	162.7	156.4	157.3	154.0	152.7	150.3	151.2	149.8	144.4	149.6	143.4	147.9	145.2
Trade-weighted average against 10 currencies ²	144.1	134.5	123.9	115.5	110.4	142.7	136.2	132.9	134.4	126.3	123.8	121.6	119.5	114.8	112.2	111.8	109.5	110.0
Selected currencies: ³																		
Canada.....	129.0	123.1	129.9	132.2	130.4	128.8	127.4	127.9	129.1	128.7	129.6	131.4	132.5	132.3	131.9	130.7	129.6	130.9
United Kingdom.....	138.8	126.6	121.5	121.0	115.5	136.1	126.2	125.9	127.8	122.6	121.1	120.7	122.4	121.9	118.8	116.3	114.6	115.6
European Monetary System currencies:																		
Belgium.....	173.4	160.3	146.2	133.9	127.7	172.1	163.4	157.6	160.0	149.5	146.2	142.9	138.7	133.4	129.6	129.0	126.7	127.3
France.....	191.6	176.5	160.4	146.6	145.2	189.8	179.9	173.5	176.0	164.0	160.9	156.3	152.1	145.5	142.3	146.5	144.3	144.8
Germany.....	132.9	122.5	111.2	101.0	96.6	131.8	125.1	120.2	122.1	113.8	111.6	108.1	104.9	100.3	97.9	97.8	95.8	96.1
Italy.....	222.4	213.6	197.6	180.5	173.9	220.4	214.5	211.3	214.9	201.5	198.0	193.2	187.7	179.2	174.7	176.0	172.5	173.1
Netherlands.....	142.0	130.4	118.5	107.9	102.9	140.6	133.3	127.9	129.9	121.4	119.0	115.2	111.9	107.2	104.5	104.3	102.1	102.4
Switzerland.....	108.0	98.2	88.9	82.4	77.7	107.1	100.2	95.6	98.9	90.3	88.7	87.6	86.0	81.4	79.7	79.2	77.2	76.6
Japan.....	93.3	88.7	77.1	69.9	63.2	92.6	89.8	88.4	88.0	79.9	76.0	75.5	74.5	68.8	66.5	65.2	62.1	62.4

1. Australia, Austria, Belgium-Luxembourg, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Japan, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, United Kingdom. Data: U.S. Department of the Treasury. End-of-month rates. Index rebased by BEA.

2. Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Sweden, Switzerland, United Kingdom. Data: Federal Reserve Board. Monthly average rates. Index rebased by BEA.

3. Data: Federal Reserve Board. Monthly average rates. Indexes rebased by BEA.

began to depreciate in the first quarter of 1985, partly because some exporters may have reduced profit margins to maintain their share of U.S. markets and partly because the currencies of several important U.S. trading partners have remained virtually unchanged against the dollar (table E). The largest increases have been in prices of passenger car imports from areas other than Canada. In the second quarter, there were increases of 9 percent and 8 percent in prices of cars imported from Japan and Germany, respectively. However, the increase in the average price of all cars from areas other than Canada was dampened by a doubling in the quantity of relatively low-priced cars imported from Korea. In contrast to the rise in prices noted above, prices of nonpetroleum industrial supplies and materials have fallen, largely reflecting weakness in world prices for commodities such as iron ore, bauxite, nonferrous metals, rubber, and some steel products.

Petroleum imports decreased \$2.2 billion, or 22 percent, to \$7.8 billion.

The decrease, which was more than accounted for by lower prices, was partly offset by a substantial increase in volume. The average price per barrel decreased 39 percent—to \$13.17 from \$21.56. The average number of barrels imported daily increased 28 percent—to 6.52 million from 5.09 million. The increase went into inventories, perhaps, in part, in anticipation of a pickup in gasoline consumption in response to lower prices, particularly in the summer when demand is strongest.

By area, the merchandise trade deficit with Western Europe increased \$1.4 billion to \$8.0 billion due to a decrease in agricultural exports and an increase in nonpetroleum imports, mainly from Germany, France, and the United Kingdom. A small drop in petroleum imports from Canada resulted in a \$0.4 billion decrease in the deficit with Canada. The deficit with Japan decreased \$0.9 billion to \$12.4 billion, mostly due to the increase in nonmonetary gold exports. A decrease in agricultural exports to Eastern Europe was reflected in a shift to a

small deficit. The deficit with the newly industrialized countries in Asia increased \$0.6 billion to \$6.4 billion. The deficits with Latin America and with OPEC members in Asia and Africa decreased \$1.1 billion to \$2.6 billion, and \$0.8 billion to \$1.8 billion, respectively.

Service transactions

Net service receipts decreased \$0.1 billion to \$5.3 billion. A decrease in net investment income was largely offset by an increase in military sales and by smaller net payments for travel and passenger fares.

Receipts of income on U.S. direct investment abroad decreased \$1.3 billion to \$9.4 billion. Earnings before capital gains decreased \$1.0 billion. Reduced operating earnings of petroleum affiliates accounted for the decrease, as falling product prices reduced profits from refining and marketing operations. Operating earnings of nonpetroleum affiliates were unchanged. Capital gains were \$2.1 billion, compared with \$2.5 billion in the first quarter.

Payments of income on foreign direct investment in the United States decreased \$0.6 billion to \$1.8 billion. A shift of \$1.1 billion to capital losses was mostly the result of a write-down of assets of an energy affiliate; a reduction in capital gains of insurance affiliates also contributed. Earnings before capital losses increased \$0.4 billion, mainly due to a rise in earnings of U.S. automobile, insurance, and retail trade affiliates.

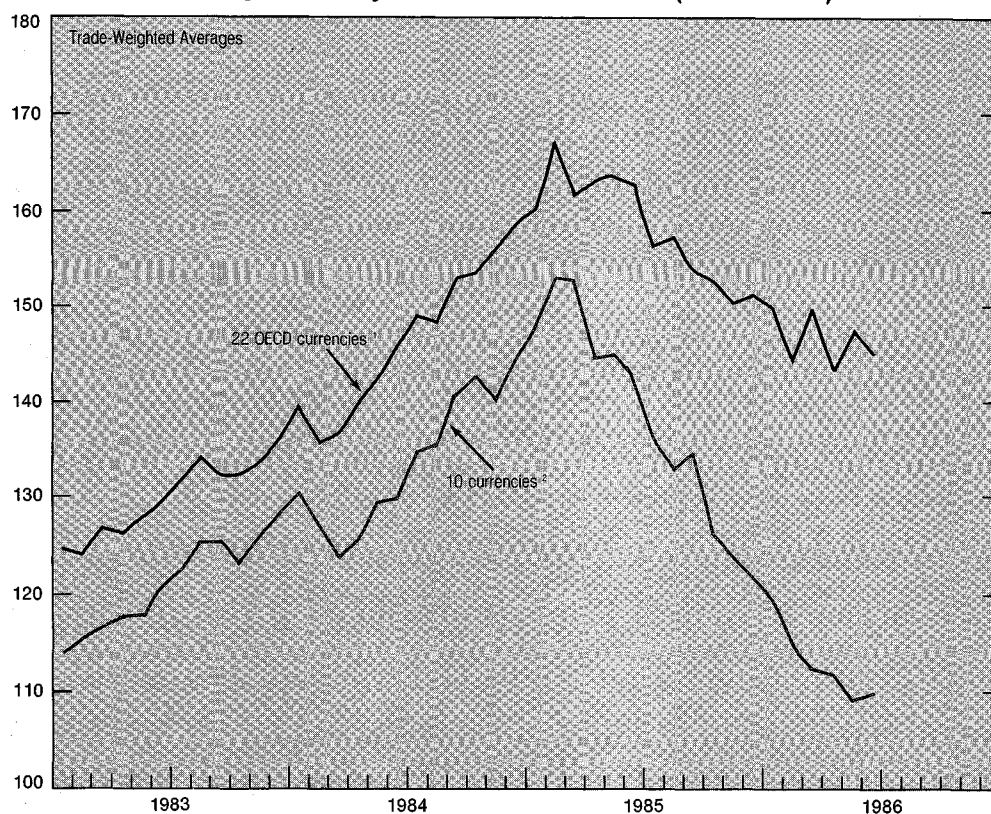
Receipts of income on other private investment decreased \$0.5 billion to \$11.5 billion. A decrease in receipts of interest on bank loans, which reflected the continuing decline in U.S. interest rates, was partly offset by an increase in income on securities. Payments were unchanged at \$9.6 billion. Increases in foreign holdings of U.S. securities and in bank liabilities were offset by a decline in yields.

Receipts of income on U.S. Government assets decreased \$0.2 billion to \$1.4 billion. Payments decreased \$0.1 billion to \$5.6 billion, as lower yields on U.S. Treasury securities more than offset increased foreign holdings.

Net travel and passenger fare payments decreased \$0.4 billion to \$1.9 billion. Travel receipts were \$3.0 billion, down \$0.1 billion; receipts from overseas visitors declined. Travel payments decreased \$0.2 billion to \$4.3

Indexes of Foreign Currency Price of the U.S. Dollar (1977 = 100)

CHART 3



1. Australia, Austria, Belgium-Luxembourg, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, and United Kingdom.

Data: U.S. Department of the Treasury. End-of-month rates. Index rebased by BEA.

2. Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Sweden, Switzerland, and United Kingdom.

Data: Federal Reserve Board. Monthly average rates. Index rebased by BEA.

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Table D.—Selected Direct Investment Transactions With Netherlands Antilles Finance Affiliates

[Millions of dollars]

(Credits +; debits -)	1984	1985	1984				1985				1986	
			I	II	III	IV	I	II	III	IV	I ^r	II ^p
Capital.....	1,730	-3,040	1,527	1,301	296	-1,394	53	-917	-927	-1,249	-1,836	-672
Equity capital.....	-981	703	-292	-896	-171	379	201	-2	136	368	25	258
Reinvested earnings.....	-943	-874	-286	-276	-283	-98	-199	-280	-245	-150	-146	-207
Intercompany debt.....	3,654	-2,868	2,105	2,473	750	-1,675	51	-635	-818	-1,466	-1,716	-723
Income.....	-3,429	-3,240	-814	-877	-892	-846	-802	-821	-847	-770	-718	-749
Of which interest.....	-5,213	-4,957	-1,199	-1,321	-1,344	-1,349	-1,255	-1,249	-1,267	-1,186	-1,073	-1,065

^p Preliminary.^r Revised.

NOTE.—Table shows only transactions with affiliates established primarily to borrow funds abroad and relend them to their U.S. parents.

billion, as fewer U.S. residents traveled overseas because of higher foreign currency costs and heightened fears of terrorism. Part of the decrease was offset by a 9-percent increase in payments to Canada. Passenger fare receipts were unchanged at \$0.8 billion; payments decreased \$0.3 billion to \$1.5 billion.

Other transportation receipts were unchanged at \$3.5 billion. Payments decreased \$0.1 billion to \$3.9 billion due to a decline in port expenditures.

Transfers under military sales contracts increased \$0.3 billion to \$2.3 billion as deliveries of aircraft to several countries increased. Direct defense expenditures were unchanged at \$3.1 billion. A decrease in outlays for petroleum was offset by increases in those for other goods and services.

Unilateral transfers increased \$1.0 billion to \$4.0 billion. An increase of \$1.1 billion in U.S. Government grants to developing countries reflected a catchup in financing for military sales from prior year appropriations and an increase in other assistance.

U.S. assets abroad

U.S. official reserve assets were virtually unchanged in the second quarter. A \$0.4 billion increase in foreign currency holdings and special drawing rights was offset by a decrease in the U.S. reserve position in the International Monetary Fund.

Net U.S. purchases of foreign securities were \$1.6 billion compared with \$6.1 billion. Net stock purchases were \$2.1 billion, unchanged from the record first quarter. An increase of \$0.8 billion in purchases of Western European stocks, mostly British, was more than offset by a decrease of \$0.9 billion in purchases of Japanese stocks. Net purchases, spurred by lower interest rates and expectations of gains from dollar depreciation, were heaviest in April. In May and

June, net purchases of most foreign stocks slowed and net purchases of Japanese stocks shifted to net sales. Stock prices declined in May and June in most foreign countries, except Japan.

Transactions in foreign bonds shifted to net U.S. sales of \$0.6 billion from net purchases of \$4.0 billion. Sales of outstanding bonds were \$1.0 billion compared with purchases of \$2.8 billion; the turnaround reflected a decline in purchases of British bonds, including gilt-edge bonds, to \$1.5 billion from \$5.5 billion. Investors' preferences may have shifted as continuing petroleum price declines dimmed the outlook for the British economy and other European currencies strengthened against the British pound. Net sales of other outstanding bonds were \$2.5 billion compared with \$2.7 billion, reflecting profit-taking by U.S. investors. Redemptions were \$0.4 billion, down \$0.2 billion.

New foreign bond issues in the United States were \$0.8 billion compared with \$1.9 billion. Canadian provincial governments and international organizations reduced their new issues by one-half. Eurobond markets remained an important alternative source of funds, particularly after

U.S. bond yields increased in April and May.

Claims on foreigners reported by U.S. banks increased \$10.7 billion compared with a decrease of \$6.3 billion. The shift partly reflected the absence of large reductions in claims early in the first quarter reversing yearend transactions. Slack domestic loan demand and a small widening in interest rate differentials may also have encouraged some banks to invest funds abroad.

Claims on banks' own foreign offices increased \$8.0 billion. Outflows of \$4.6 billion to offices in Caribbean banking centers partly offset a decrease in foreigners' deposits at those offices: Some foreigners may have reduced their dollar balances to invest in other assets because of the decline in U.S. short-term interest rates and dollar depreciation. Outflows to Japan slowed to \$2.3 billion from \$5.1 billion as Japanese interest rates eased. Claims on unaffiliated foreign banks increased \$2.2 billion compared with a decrease of \$6.0 billion. Most of the shift was in claims on the United Kingdom and other Western European countries. These increases were partly offset by decreases of \$1.6 billion and \$0.2 billion in claims on private nonbank foreigners and claims on foreign public borrowers, respectively.

Claims of banks' domestic customers increased \$0.3 billion. Claims on the United Kingdom increased \$3.0 billion, partly because U.S. money-market mutual funds took advantage of the temporary strengthening of Eurodollar rates relative to U.S. rates in May. Claims on other Western European countries and Japan decreased.

Net outflows for U.S. direct investment abroad were \$5.3 billion, down from \$9.9 billion. Net intercompany debt shifted to a small inflow; a few

Table E.—Fixed-Weighted Price Indexes for Nonpetroleum Imports

[Percent change from preceding quarter]

	1985		1986	
	III	IV	I	II
Nonpetroleum imports.....	0	0.9	0.5	1.5
Foods, feeds, and beverages.....	-1.4	1.3	6.1	3.1
Capital goods.....	.2	1.0	1.5	2.6
Automotive products.....	.6	3.9	2.5	2.9
Passenger cars ¹	-2.0	7.6	5.8	2.4
From Canada.....	2.6	2.0	-1.6	-4
From other areas.....	-3.4	9.8	9.0	3.5
Consumer goods.....	-7	1.3	1.2	1.8
Nonpetroleum industrial supplies and materials.....	-8	-1.8	-9	-1.4

1. Percent change in average prices of imported passenger cars.

large outflows to petroleum trading affiliates had boosted first-quarter outflows. Repayment of debt to Netherlands Antilles finance affiliates was partly offset by a large inflow to a U.S. parent (table D). Net equity capital flows shifted to inflows, reflecting the sale of the remainder of a large insurance affiliate in the United Kingdom. Reinvested earnings increased \$1.1 billion.

Foreign assets in the United States

Foreign official assets increased \$13.8 billion in the second quarter, compared with an increase of \$2.5 billion in the first (table B). Assets of industrial countries increased \$11.2 billion, largely as a result of exchange market intervention by monetary authorities to limit depreciation of the dollar against their currencies. Assets of OPEC members decreased \$2.6 billion. Assets of other countries increased \$5.2 billion; most of the increase was in a few Asian countries.

Net purchases of U.S. Treasury securities by private foreigners and international financial institutions

were \$1.4 billion compared with \$7.7 billion. A shift to net sales of U.S. Treasury bonds and bills by international and regional organizations accounted for the slowdown. Net Japanese purchases, which had accounted for most of the large increases in 1985, were small. Net purchases by the United Kingdom also slowed: As yields on British Government bonds increased, some foreign investors may have purchased them as substitutes for U.S. Treasury securities.

Net foreign purchases of U.S. securities other than U.S. Treasury issues were \$22.6 billion compared with \$18.7 billion. Net purchases of U.S. stocks were a record \$6.9 billion, up from the first-quarter record of \$6.1 billion (chart 4). Most purchases occurred in April and May in response to rising U.S. stock prices. In addition, strong foreign demand for U.S. stocks in recent quarters has led U.S. corporations to allocate a growing share of new stock issues—a total new issues were a record in the second quarter—to European underwriters. Net purchases tapered off in June amid early indications that second-quarter U.S. economic growth was slower than expected. Japanese purchases doubled to \$0.8 billion, partly reflecting a further liberalization in March of Japanese rules permitting overseas investments by Japanese institutions.

Net foreign purchases of U.S. bonds increased to \$15.7 billion from \$12.6 billion. New issues sold abroad by U.S. corporations rebounded to \$11.8 billion after dropping to \$10.0 billion (chart 5). The decline in long-term rates continued to induce U.S. corporations to issue record amounts of bonds in U.S. and foreign markets. Although overseas sales remained concentrated in straight fixed-rate bonds, sales of those bonds declined and issues convertible into stocks picked up substantially, reflecting the strength in U.S. stocks. U.S. dollar issues increased \$2.1 billion to \$8.3 billion. Foreign currency issues increased \$0.3 billion to \$3.5 billion, and were denominated mainly in Japanese yen and Swiss francs.

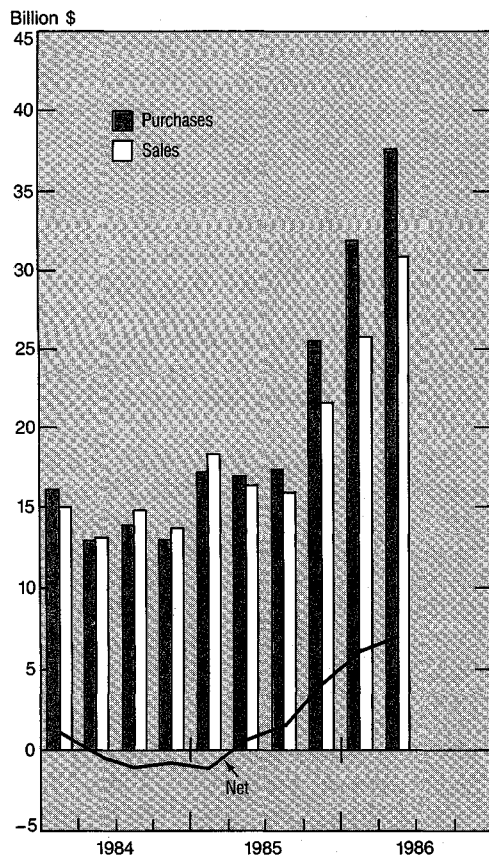
Liabilities to foreigners and international financial institutions reported by U.S. banks, excluding U.S. Treasury securities, increased \$5.0 billion compared with \$8.4 billion. Slack U.S. loan demand and lower U.S. rates provided little incentive for U.S. banks to borrow funds from abroad or

for foreigners to place funds with U.S. banks.

Liabilities to U.S. banks' own foreign offices increased \$1.4 billion. Liabilities to U.S. banks' foreign offices in the Caribbean decreased \$0.8 billion. A \$1.1 billion decrease in liabilities to Japanese offices partly reflected the reversal of inflows in March related to the end of the Japanese fiscal year. In contrast, liabilities to banks' offices in Western Europe increased \$6.5 billion, reflecting an increase in borrowing by U.S. agencies and branches from parents in the United Kingdom. Liabilities to unaffiliated foreign banks decreased \$1.9 billion, mainly to Canada and banking centers in the Caribbean and Asia, and liabilities to other foreigners increased only \$0.5 billion. Liabilities payable in foreign currencies increased \$2.8 billion, mostly to Japan and Caribbean banking centers.

Net inflows for foreign direct investment in the United States increased to \$3.8 billion from \$1.4 billion. A shift to inflows of \$1.8 billion in intercompany debt partly reflected repayment of debt to a U.S. finance affiliate. Several acquisitions of U.S. companies led to a \$1.0 billion increase in equity capital inflows. Reinvested earnings decreased \$0.6 billion due to a shift to capital losses.

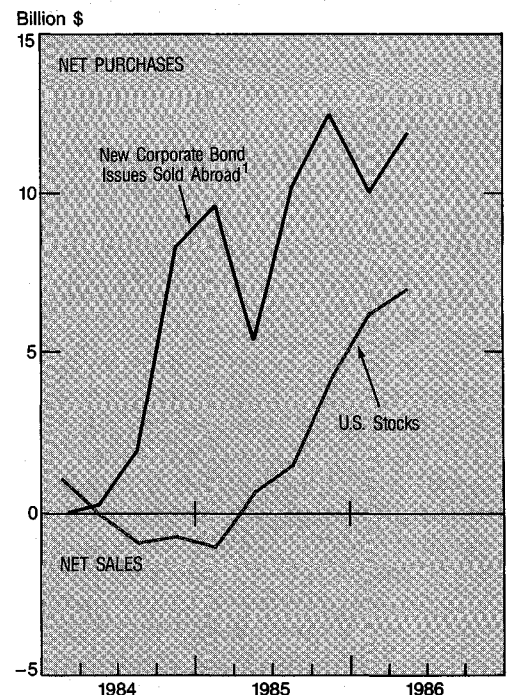
CHART 4
Private Foreign Transactions in U.S. Stocks



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CHART 5
Selected Net Private Foreign Transactions in U.S. Securities



1. Withholding tax on interest on bonds held by foreigners repealed July 1984.

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Table 3.—U.S. Merchandise Trade

[Millions of dollars]

Line	1985	Not seasonally adjusted						Seasonally adjusted					
		1985				1986		1985				1986	
		I	II	III	IV	I ^r	II ^p	I	II	III	IV	I ^r	II ^p
A Balance of payment adjustments to Census trade data:													
EXPORTS													
1	212,606	55,039	54,966	49,708	52,893	52,999	55,362	55,005	53,394	52,022	52,185	53,122	53,795
Adjustments:													
2	251	67	57	54	73	58	49	67	57	54	73	58	49
3	406	131	38	143	94	58	170	131	38	143	94	58	170
4	1,345	330	370	328	317	314	319	340	344	328	333	328	298
5	5,202	1,290	1,459	1,230	1,223	1,363	1,414	1,290	1,459	1,230	1,223	1,363	1,414
6	-5,461	-1,405	-1,383	-1,407	-1,266	-1,300	-950	-1,405	-1,383	-1,407	-1,266	-1,300	-950
7	75	-104	-35	128	85	33	19	-104	-35	128	85	33	19
8	214,424	55,347	55,472	50,185	53,420	53,525	56,384	55,324	53,875	52,498	52,727	53,661	54,795
IMPORTS													
9	336,228	78,180	85,270	82,951	89,827	87,013	91,873	79,736	83,688	83,294	89,510	89,051	90,020
Adjustments:													
10	1,030	225	264	292	250	263	204	225	264	292	250	263	204
11	559	138	52	293	76	697	487	138	52	293	76	697	487
12	1,438	354	382	350	352	336	365	354	382	350	352	336	365
13													
14	-1,005	-251	-219	-249	-287	-302	-269	-251	-219	-249	-287	-302	-269
15	613	168	74	193	178	75	11	168	74	193	178	75	11
16	338,863	78,813	85,824	83,830	90,396	88,084	92,671	80,369	84,242	84,173	90,079	90,120	90,818
B Merchandise trade, by area and country, adjusted to balance of payments basis, excluding military:⁶													
EXPORTS													
1	214,424	55,347	55,472	50,185	53,420	53,525	56,384	55,324	53,875	52,498	52,727	53,661	54,795
2	56,015	14,945	14,040	12,535	14,495	15,268	14,957	14,972	13,603	13,127	14,313	15,291	14,515
3	45,191	12,201	11,507	10,029	11,454	13,343	12,783	12,237	11,143	10,492	11,319	13,357	12,408
4	4,805	1,238	1,152	1,147	1,268	1,344	1,392	1,242	1,109	1,197	1,257	1,351	1,346
5	6,097	1,591	1,517	1,346	1,643	1,844	1,750	1,600	1,462	1,401	1,634	1,857	1,689
6	8,939	2,419	2,291	1,928	2,301	2,540	2,390	2,430	2,216	2,018	2,275	2,548	2,317
7	4,557	1,236	1,261	952	1,108	1,191	1,303	1,238	998	998	1,095	1,187	1,266
8	7,241	1,787	1,797	1,693	1,964	2,022	1,814	1,777	1,770	1,789	1,905	2,001	1,787
9	11,087	3,298	2,798	2,400	2,591	2,845	2,827	3,318	2,692	2,498	2,579	2,868	2,729
10	2,465	632	691	563	579	1,558	632	668	591	574	1,544	1,274	1,274
11	10,824	2,744	2,533	2,506	3,041	1,925	2,174	2,735	2,460	2,635	2,994	1,935	2,107
12	53,879	13,382	15,125	12,761	12,611	13,044	13,535	13,477	14,604	13,187	12,611	13,168	13,100
13	22,145	5,857	5,356	5,283	5,649	5,434	7,313	5,816	5,251	5,589	5,489	5,405	7,622
14	6,967	1,704	1,679	1,830	1,704	1,859	1,580	1,711	1,609	1,948	1,699	1,880	1,519
15	3,258	1,183	861	351	863	834	524	1,146	903	386	823	802	528
16	30,788	7,567	7,572	7,600	8,049	7,101	7,951	7,535	7,353	7,952	7,948	7,136	7,734
17	3,311	855	733	694	1,029	786	814	852	712	728	1,019	783	785
18	13,386	3,334	3,351	3,268	3,403	3,070	3,312	3,323	3,233	3,403	3,377	3,090	3,218
19	3,063	747	824	786	706	700	852	740	800	833	690	704	834
20	11,028	2,630	2,634	2,853	2,911	2,545	2,973	2,620	2,558	2,988	2,862	2,554	2,897
21	41,180	10,634	10,797	9,700	10,049	9,985	10,024	10,592	10,510	10,234	9,844	9,980	9,778
22	35,265	9,138	9,121	8,362	8,644	8,801	8,899	9,124	8,843	8,796	8,502	8,816	8,650
23	6,203	1,645	1,524	1,525	1,509	1,525	1,493	1,645	1,476	1,599	1,433	1,581	1,452
24	3,853	763	955	989	1,146	902	834	766	916	1,027	1,144	911	804
25	2,754	747	740	611	656	732	703	748	718	643	645	734	685
26	5,728	1,457	1,646	1,316	1,309	1,392	1,511	1,445	1,615	1,394	1,274	1,334	1,475
27	3,444	902	884	845	813	845	815	908	849	876	811	854	786
28	4,274	1,152	1,034	944	1,144	1,188	1,223	1,140	1,015	1,011	1,108	1,183	1,198
29	5,613	1,410	1,611	1,260	1,338	1,117	1,065	1,381	1,602	1,355	1,280	1,096	1,069
30	1,557	404	401	348	405	242	210	398	400	368	391	238	213
31	192	75	42	75				75	42	75			
Memoranda:													
32	139,008	35,889	36,199	32,459	34,460	35,604	37,884	35,976	35,067	33,851	34,112	35,744	36,756
33	11,409	2,944	2,885	2,308	2,772	2,619	2,718	2,929	2,809	2,958	2,714	2,624	2,658
34	63,815	16,440	16,345	14,843	16,188	15,302	15,782	16,344	15,957	15,614	15,901	15,293	15,383

See footnotes on page 57.

Table 4.—Selected U.S. Government Transactions

[Millions of dollars]

Line		1985	1985				1986	
			I	II	III	IV	I ^r	II ^p
A1	U.S. Government grants (excluding military) and transactions increasing Government assets, total	18,664	4,088	4,809	4,795	4,973	3,860	4,739
	By category							
2	Grants, net (table 1, line 32, with sign reversed).....	11,196	2,224	2,577	3,087	3,307	2,069	3,204
3	Financing military purchases ¹	2,964	874	891	564	635	668	1,252
4	Other grants.....	8,232	1,350	1,687	2,523	2,672	1,401	1,952
5	Credits and other long-term assets (table 1, line 42, with sign reversed).....	7,579	1,793	2,495	1,727	1,564	1,808	1,581
6	Capital subscriptions and contributions to international financial institutions, excluding IMF.....	1,302	335	340	336	290	208	394
7	Credits repayable in U.S. dollars.....	5,754	1,301	2,043	1,251	1,159	1,483	1,084
8	Credits repayable in other than U.S. dollars.....	82	52	6	14	9	17	2
9	Other long-term assets.....	442	104	105	127	106	100	101
10	Foreign currency holdings and short-term assets, net (table 1, line 44, with sign reversed).....	-111	70	-262	-20	102	-16	-46
11	Foreign currency holdings (excluding administrative cash holdings), net.....	-82	-19	1	-27	-38	12	-29
	Receipts from:							
12	Sales of agricultural commodities.....	10	(*)	10	(*)	(*)	9	10
13	Interest.....	35	8	12	7	8	19	11
14	Repayments of principal.....	104	20	25	32	27	36	24
15	Reverse grants.....							
16	Other sources.....	15	3	5	2	4	30	5
	Less currencies disbursed for:							
17	Grants and credits in the recipient's currency.....	2	(*)	(*)	(*)	1	3	(*)
18	Other grants and credits.....	4				4	1	
19	Other U.S. Government expenditures.....	240	50	50	67	73	77	79
20	Assets acquired in performance of U.S. Government guarantee and insurance obligations, net.....	-53	6	-202	25	118	-49	18
21	Other assets held under Commodity Credit Corporation Charter Act, net.....	14	(*)	(*)	4	9	(*)	(*)
22	Assets financing military sales contracts, net ²							
23	Other short-term assets (including changes in administrative cash holdings), net.....	11	33	-61	-23	13	21	-35
	By program							
24	Capital subscriptions and contributions to international financial institutions, excluding IMF.....	1,302	335	340	336	290	208	394
25	Under Agricultural Trade Development and Assistance Act and related programs.....	2,258	512	705	680	362	442	326
26	Under Foreign Assistance Act and related programs.....	12,195	2,545	2,925	3,145	3,580	2,507	3,545
27	Under Export-Import Bank Act.....	1,779	373	623	399	385	352	233
28	Under Commodity Credit Corporation Charter Act.....	246	46	35	34	130	93	55
29	Under other grant and credit programs.....	524	111	145	124	143	131	106
30	Other foreign currency assets acquired (lines A13, A14, and A16).....	154	32	42	40	40	84	40
31	Less foreign currencies used by U.S. Government other than for grants or credits (line A19).....	240	50	50	67	73	77	79
32	Other (including changes in administrative cash holdings), net.....	446	184	42	104	117	120	69
	By disposition ³							
33	Estimated transactions involving no direct dollar outflow from the United States.....	12,218	3,068	3,715	2,785	2,649	3,031	3,175
34	Expenditures on U.S. merchandise.....	6,150	1,554	1,692	1,531	1,373	1,315	1,388
35	Expenditures on U.S. services ⁴	2,382	573	679	541	588	686	499
36	Financing of military sales contracts by U.S. Government ⁵ (line C6).....	2,945	774	1,058	537	575	603	1,160
37	By long-term credits.....	1,536	289	567	267	414	303	413
38	By short-term credits ¹							
39	By grants ¹	1,409	485	492	271	161	300	747
40	U.S. Government grants and credits to repay prior U.S. Government credits ⁴	491	101	251	92	47	352	148
41	U.S. Government long- and short-term credits to repay prior U.S. private credits ⁶ and other assets.....	503	119	91	148	146	170	58
42	Increase in liabilities associated with U.S. Government grants and transactions increasing Government assets (including changes in retained accounts) ⁷ (line C11).....	5	4	-1	5	-4	-10	8
43	Less receipts on short-term U.S. Government assets (a) financing military sales contracts, ¹ (b) financing repayment of private credits and other assets, and (c) financing expenditures on U.S. merchandise.....	19	7	5	3	4	7	7
44	Less foreign currencies used by U.S. Government other than for grants or credits (line A19).....	240	50	50	67	73	77	79
45	Estimated dollar payments to foreign countries and international financial institutions.....	6,447	1,020	1,094	2,009	2,324	830	1,564
B1	Repayments on U.S. Government long-term assets, total (table 1, line 43).....	4,644	935	1,230	1,270	1,210	1,411	1,417
2	Receipts of principal on U.S. Government credits.....	4,215	830	1,125	1,161	1,100	1,302	1,308
3	Under Agricultural Trade Development and Assistance Act and related programs.....	288	30	51	68	140	87	46
4	Under Foreign Assistance Act and related programs.....	1,180	293	308	346	287	461	321
5	Under Export-Import Bank Act.....	2,481	544	743	663	531	717	880
6	Under Commodity Credit Corporation Charter Act.....	150	10	23	73	38	28	57
7	Under other credit programs.....	117	7	(*)	6	104	11	3
8	Receipts on other long-term assets.....	429	105	105	109	110	109	110
C1	U.S. Government liabilities other than securities, total, net increase (+) (table 1, line 55).....	483	-445	606	58	263	288	663
2	Associated with military sales contracts ⁸	689	-358	558	192	357	318	657
3	U.S. Government cash receipts from foreign governments (including principal repayments on credits financing military sales contracts), net of refunds ¹	7,984	2,523	1,405	1,370	2,636	1,955	1,429
4	Less U.S. Government receipts from principal repayments.....	607	116	179	165	146	219	150
5	Less U.S. Treasury securities issued in connection with prepayments for military purchases in the United States.....	633	840	-482	-585	860	(*)	-564
6	Plus financing of military sales contracts by U.S. Government ⁶ (line A36).....	2,945	774	1,058	537	575	603	1,160
7	By long-term credits.....	1,536	289	567	267	414	303	413
8	By short-term credits ¹							
9	By grants ¹	1,409	485	492	271	161	300	747
10	Less transfers of goods and services (including transfers financed by grants for military purchases, and by credits) ^{1 2} (table 1, line 3).....	9,001	2,699	2,209	2,195	1,898	2,022	2,346
11	Associated with U.S. Government grants and transactions increasing Government assets (including changes in retained accounts) ⁷ (line A42).....	5	4	-1	5	-4	-10	8
12	Associated with other liabilities.....	-211	-91	50	-80	-90	-20	-2
13	Sales of nuclear material by Department of Energy.....	-109	-38	-11	-28	-32	-24	-15
14	Sales of space launch and other services by National Aeronautics and Space Administration.....	-144	-16	-36	-48	-44	5	24
15	Other sales and miscellaneous operations.....	41	-37	97	-4	-14	(*)	-11

See footnotes on page 57.

Table 6.—Securities Transactions

[Millions of dollars]

Line	(Credits +; debits -)	1985	1985				1986	
			I	II	III	IV	I ¹	II ²
A1	Foreign securities, net U.S. purchases (-), (table 1, line 47 or lines 2 + 12 below).....	-7,977	-2,577	-2,325	-1,664	-1,411	-6,133	-1,567
2	Stocks, net U.S. purchases.....	-3,959	-1,951	-210	-1,009	-789	-2,109	-2,125
3	New issues in the United States.....	-435	-85	-11	-152	-187		-309
4	Of which Canada.....	-72	-72					
5	Japan.....							
6	Transactions in outstanding stocks, net.....	-3,524	-1,866	-199	-857	-602	-2,109	-1,816
7	Western Europe.....	-1,576	-851	-307	-213	-205	-562	-1,093
8	Of which United Kingdom.....	-687	-386	-212	-172	83	-368	-719
9	Canada.....	-1,160	-297	-152	-267	-444	-536	-330
10	Japan.....	-111	-566	371	-96	180	-1,098	-199
11	Other.....	-675	-152	-111	-281	-133	87	-194
12	Bonds, net U.S. purchases.....	-4,018	-626	-2,116	-654	-622	-4,024	558
13	New issues in the United States.....	-5,596	-1,278	-1,610	-1,210	-1,498	-1,863	-843
14	By issuer:							
15	Central governments and their agencies and corporations.....	-3,223	-290	-497	-1,210	-1,226	-885	-497
16	Other governments and their agencies and corporations ¹	-400	-200	-200			-385	-247
17	Private corporations.....	-934	-195	-739			-96	
17	International financial institutions ²	-1,039	-593	-174		-272	-497	-99
18	By area:							
19	Western Europe.....	-1,509	-200	-527	-239	-543		-197
20	Canada.....	-2,229	-350	-831	-900	-148	-481	-247
21	Japan.....	-198				-198		
22	Latin America.....	-55	-45	-10				
23	Other countries.....	-566	-90	-68	-71	-337	-885	-300
23	International financial institutions ²	-1,039	-593	-174		-272	-497	-99
24	Redemptions of U.S.-held foreign bonds ³	2,125	525	500	525	575	625	400
25	Western Europe.....							
26	Canada.....	1,400	400	400	325	275	350	200
27	Other countries.....							
28	International financial institutions ²	725	125	100	200	300	275	200
29	Other transactions in outstanding bonds, net ³	-547	127	-1,006	31	301	-2,786	1,001
30	Western Europe.....	-6,260	-780	-2,702	-1,629	-1,149	-5,269	-2,223
31	Of which United Kingdom.....	-5,407	-969	-1,752	-1,600	-1,086	-5,494	-1,478
32	Canada.....	376	-87	340	115	8	-362	188
33	Japan.....	-472	-41	193	-250	-374	1,728	76
34	Other.....	5,809	1,035	1,163	1,795	1,816	1,117	2,965
B1	U.S. securities, excluding Treasury securities and transactions of foreign official agencies, net foreign purchases (+), (table 1, line 61 or lines 2 + 10 below).	50,859	9,567	7,223	11,628	22,441	18,686	22,590
2	Stocks, net foreign purchases.....	4,855	-1,140	551	1,375	4,069	6,104	6,871
3	By area:							
4	Western Europe.....	2,079	-1,359	-271	862	2,847	4,743	3,817
5	Of which Germany.....	730	-357	67	232	788	598	-29
6	Switzerland.....	-75	-412	-89	-87	513	1,427	807
7	United Kingdom.....	1,686	-253	-248	693	1,494	2,227	1,330
8	Canada.....	355	217	-23	169	-8	135	223
9	Japan.....	298	-191	191	-124	422	351	849
9	Other.....	2,123	193	654	468	808	875	1,982
10	Corporate and other bonds, net foreign purchases.....	46,004	10,707	6,672	10,253	18,372	12,582	15,719
11	By type:							
12	New issues sold abroad by U.S. corporations ⁴	37,597	9,628	5,274	10,238	12,457	9,977	11,825
13	U.S. federally-sponsored agency bonds, net.....	4,651	644	639	1,227	2,141	1,380	2,435
13	Other outstanding bonds, net.....	3,756	435	759	-1,212	3,774	1,225	1,459
14	By area:							
15	Western Europe.....	39,424	9,852	5,313	8,759	15,500	9,670	12,770
16	Of which Germany.....	2,001	-202	151	439	1,613	-190	320
17	Switzerland.....	3,987	808	225	889	2,065	1,228	2,178
18	United Kingdom.....	32,488	9,144	4,690	7,114	11,540	8,426	10,248
19	Canada.....	188	49	38	-70	171	-226	183
20	Japan.....	5,420	428	1,117	1,442	2,433	2,530	1,575
21	Other countries.....	1,086	354	187	115	430	483	801
21	International financial institutions ²	-114	24	17	7	-162	125	390
	Memoranda:							
	Other foreign transactions in marketable, long-term U.S. securities included elsewhere in international transactions accounts:							
	Foreign official assets in the United States (lines in table 9):							
1	U.S. Treasury marketable bonds (line A4).....	8,427	-1,384	5,580	2,965	1,266	1,375	5,480
2	Other U.S. Government securities (line A6).....	-295	-306	136	46	-171	-177	-597
3	U.S. corporate and other bonds (part of line A14).....	-1,602	-44	-935	-413	-210	97	-693
4	U.S. stocks (part of line A14).....	114	-73	102	35	50	266	154
5	Other foreign transactions in U.S. Treasury bonds and notes (table 9, line B4).....	21,959	1,743	7,519	5,050	7,047	6,418	2,739
6	New issues of bonds sold abroad by U.S. corporations' finance affiliates in the Netherlands Antilles (included in table 5, line 17) ⁴	40		40				

See footnotes on page 57.

Table 7.—Claims on and Liabilities to Unaffiliated Foreigners Reported by U.S. Nonbanking Concerns

(Millions of dollars)

Line	(Credits +; increase in U.S. liabilities or decrease in U.S. assets. Debits -; decrease in U.S. liabilities or increase in U.S. assets.)	1985	1985				1986		Amounts outstanding March 31, 1986
			I	II	III	IV	I ^p	II	
A1	Claims, total (table 1, line 48).....	1,665	1,058	1,706	-1,517	418	-2,842	n.a.	31,060
2	Financial claims.....	1,050	707	1,862	-2,512	993	-3,476	n.a.	21,506
3	<i>Denominated in U.S. dollars</i>	840	908	1,837	-2,307	402	-3,576	n.a.	19,958
4	<i>Denominated in foreign currencies</i>	210	-201	25	-205	591	100	n.a.	1,548
5	By type: Deposits.....	-245	191	1,711	-2,479	332	-3,309	n.a.	18,113
6	Other claims ¹	1,295	516	151	-33	661	-167	n.a.	3,393
7	By area: Industrial countries ²	-133	-309	745	-1,735	1,166	-1,184	n.a.	11,228
8	Of which United Kingdom.....	-626	-238	174	-858	296	-468	n.a.	5,960
9	Canada.....	672	-5	186	-275	766	-768	n.a.	4,024
10	Caribbean banking centers ³	195	365	1,124	-1,011	-283	-2,278	n.a.	9,434
11	Other.....	988	651	-7	234	110	-14	n.a.	844
12	Commercial claims.....	615	351	-156	995	-575	634	n.a.	9,554
13	<i>Denominated in U.S. dollars</i>	-128	124	-76	1,025	-1,201	619	n.a.	8,916
14	<i>Denominated in foreign currencies</i>	743	227	-80	-30	626	15	n.a.	638
15	By type: Trade receivables.....	427	393	-305	1,101	-762	644	n.a.	8,107
16	Advance payments and other claims.....	188	-42	149	-106	187	-10	n.a.	1,447
17	By area: Industrial countries ²	450	227	56	523	-356	359	n.a.	5,621
18	Members of OPEC ⁴	82	-118	7	194	-1	-633	n.a.	1,407
19	Other.....	83	242	-219	278	-218	908	n.a.	2,526
B1	Liabilities, total (table 1, line 62).....	-1,172	-2,156	-1,837	589	2,232	-2,057	n.a.	26,703
2	Financial liabilities.....	-742	-1,876	-233	254	1,113	-449	n.a.	12,407
3	<i>Denominated in U.S. dollars</i>	-1,719	-2,680	-340	247	1,054	-551	n.a.	10,284
4	<i>Denominated in foreign currencies</i>	977	804	107	7	59	102	n.a.	2,123
5	By area: Industrial countries ²	474	-578	-163	621	594	-58	n.a.	9,008
6	Of which United Kingdom.....	564	-219	-214	493	504	-140	n.a.	3,682
7	Caribbean banking centers ³	-1,159	-1,206	-5	-489	541	-366	n.a.	2,616
8	Other.....	-57	-92	-65	122	-22	-25	n.a.	783
9	Commercial liabilities.....	-430	-280	-1,604	335	1,119	-1,608	n.a.	14,296
10	<i>Denominated in U.S. dollars</i>	-860	-243	-1,180	171	392	-1,912	n.a.	12,806
11	<i>Denominated in foreign currencies</i>	430	-37	-424	164	727	304	n.a.	1,490
12	By type: Trade payables.....	-320	47	-1,198	-160	991	-1,088	n.a.	5,598
13	Advance receipts and other liabilities.....	-110	-327	-406	495	128	-520	n.a.	8,698
14	By area: Industrial countries ²	-23	-850	-437	670	594	-301	n.a.	8,617
15	Members of OPEC ⁴	-23	480	-631	-322	450	-636	n.a.	2,953
16	Other.....	-384	90	-536	-13	75	-671	n.a.	2,726

See footnotes on page 57.

Table 8.—Claims on Foreigners Reported by U.S. Banks

(Millions of dollars)

Line	(Credits +; decrease in U.S. assets. Debits -; increase in U.S. assets.)	1985	1985				1986		Amounts outstanding June 30, 1986
			I	II	III	IV	I ^a	II ^b	
1	Total (table 1, line 49).....	-691	335	3,450	4,009	-8,485	6,333	-10,744	451,618
	By type:								
2	Banks' own claims.....	-4,715	935	141	5,632	-11,423	3,342	-10,410	424,813
3	Payable in dollars.....	-538	1,569	1,702	6,686	-10,495	6,815	-8,461	403,230
	By borrower:								
	Claims on:								
4	own foreign offices.....	-18,218	-1,502	-5,161	3,359	-14,914	563	-7,998	181,696
5	unaffiliated foreign banks.....	9,080	1,085	4,764	1,423	1,803	6,000	-2,177	112,820
6	foreign public borrowers ¹	1,906	313	638	904	51	69	155	60,272
7	other private foreigners.....	6,694	1,673	1,461	995	2,565	183	1,559	48,442
	By bank ownership: ²								
	U.S.-owned banks' claims on:								
8	own foreign offices.....	-6,158	381	-2,742	956	-4,753	5,939	-3,145	91,433
9	unaffiliated foreign banks.....	11,864	3,207	2,534	2,624	3,499	2,254	-1,128	53,184
10	other foreigners.....	4,621	763	2,103	-537	2,292	507	1,801	59,789
	Foreign-owned banks' claims on:								
11	own foreign offices.....	-12,060	-1,833	-2,419	2,403	-10,161	-5,376	-4,853	90,263
12	unaffiliated foreign banks.....	-2,784	-2,122	2,230	-1,196	-1,696	3,746	-1,049	59,636
13	other foreigners.....	3,979	1,223	-4	2,436	324	-255	-87	48,925
14	Payable in foreign currencies.....	-4,177	-634	-1,561	-1,054	-928	-3,473	-1,949	21,583
15	Banks' domestic customers' claims.....	4,024	-600	3,909	-1,623	2,938	2,991	-334	26,805
16	Payable in dollars.....	4,034	-729	3,112	-1,539	3,190	3,337	-374	25,418
17	Deposits.....	43	-427	936	-444	-22	841	-982	3,476
18	Negotiable and readily transferable instruments.....	4,473	-836	2,477	-1,267	4,099	1,473	645	17,214
19	Outstanding collections and other.....	-482	534	-301	172	-887	1,523	-37	4,728
20	Payable in foreign currencies.....	-10	129	197	-84	-252	-846	40	1,387
	By area:								
21	Industrial countries ³	-7,291	-5,770	5,631	-4,451	-2,701	178	-6,269	198,810
22	Western Europe.....	-6,445	-3,875	3,016	-5,857	271	7,249	-5,146	129,265
23	Of which United Kingdom.....	-4,450	-2,587	2,413	-3,266	-1,010	6,436	-2,756	78,464
24	Canada.....	1,319	-2,557	1,492	799	1,585	-1,918	880	21,428
25	Japan.....	-2,659	315	936	335	-4,245	-5,381	-2,555	43,569
26	Other.....	494	347	187	272	-312	228	552	4,548
27	Caribbean banking centers ⁴	-200	2,447	-1,581	6,250	-7,316	5,176	-4,836	109,126
28	Other areas.....	6,800	3,658	-600	2,210	1,532	979	361	143,682
29	Of which Members of OPEC, included below ⁵	1,321	303	-181	327	-372	657	-69	19,272
30	Latin America.....	4,702	1,840	878	2,510	-526	494	115	98,565
31	Asia.....	1,713	1,382	-1,500	-534	2,365	-3	843	37,398
32	Africa.....	385	32	226	-45	172	208	31	3,601
33	Other ⁶		404	-204	279	-479	285	-628	4,118
	Memoranda:								
1	International banking facilities' (IBF's) own claims, payable in dollars (lines 1-13 above).....	-8,719	-6,770	3,331	3,151	-8,431	1,880	-2,912	195,029
	By borrower:								
	Claims on:								
2	own foreign offices.....	-9,392	-3,521	1,020	1,109	-8,000	-2,368	-4,147	58,918
3	unaffiliated foreign banks.....	-1,287	-3,519	2,087	521	-376	4,268	1,309	64,891
4	foreign public borrowers.....	113	-821	238	1,275	-579	-667	-163	45,266
5	all other foreigners.....	1,847	1,091	-14	246	524	647	89	25,954
	By bank ownership: ²								
6	U.S.-owned IBF's.....	273	-1,523	3,753	-683	-1,274	2,341	641	70,518
7	Foreign-owned IBF's.....	-8,992	-5,247	-422	3,834	-7,157	-461	-3,553	124,511
8	Banks' dollar acceptances payable by foreigners.....	8,923	1,523	3,829	1,556	2,015	-170	357	28,179

See footnotes on page 57.

Table 9.—Foreign Official Assets and Other Foreign Assets in the United States Reported by U.S. Banks

(Millions of dollars)

Line	(Credits +; increase in foreign assets. Debits -; decrease in foreign assets.)	1985	1985				1986		Amounts outstanding June 30, 1986
			I	II	III	IV	I ^r	II ^p	
A1	Foreign official assets in the United States (table 1, line 51).....	-1,324	-11,066	8,486	2,577	-1,322	2,469	13,766	218,551
	By type:								
2	U.S. Treasury securities (table 1, line 53).....	-546	-7,174	8,685	-81	-1,976	3,256	13,889	153,181
3	Bills and certificates.....	-6,723	-5,290	3,905	-2,096	-3,242	2,681	9,359	65,292
4	Bonds and notes, marketable.....	8,427	-1,384	5,580	2,965	1,266	1,375	5,480	86,089
5	Bonds and notes, nonmarketable.....	-2,250	-500	-800	-950		-800	-950	1,800
6	Other U.S. Government securities (table 1, line 54).....	-295	-306	136	46	-171	-177	-597	6,732
7	Other U.S. Government liabilities (table 1, line 55).....	483	-445	606	58	263	288	663	16,231
8	U.S. liabilities reported by U.S. banks, not included elsewhere (table 1, line 56).....	522	-3,025	-107	2,932	722	-1,261	350	25,823
9	Banks' liabilities for own account, payable in dollars ¹	1,787	-2,188	966	2,445	564	884	1,078	22,797
10	Demand deposits.....	255	100	-41	270	-74	-160	214	2,131
11	Time deposits ¹	1,561	-841	633	-213	1,982	-650	-41	10,257
12	Other liabilities ²	-29	-1,447	374	2,388	-1,344	1,694	905	10,409
13	Banks' custody liabilities, payable in dollars ^{1 a}	-1,265	-837	-1,073	487	158	-2,145	-723	3,026
14	Other foreign official assets (table 1, line 57).....	-1,488	-116	-834	-378	-160	363	-539	16,584
	By area: (see text table B)								
B1	Other foreign assets in the United States (table 1, lines 60 and 63).....	60,887	14,295	5,729	14,760	26,103	16,100	6,374	462,223
	By type:								
2	U.S. Treasury securities (line 60).....	20,500	2,217	5,123	7,484	5,676	7,666	1,391	92,889
	By security:								
3	Bills and certificates.....	-859	474	-2,396	2,434	-1,371	1,248	-1,343	15,433
4	Marketable bonds and notes.....	21,359	1,743	7,519	5,050	7,047	6,418	2,739	77,456
5	Nonmarketable bonds and notes ⁴								
	By holder:								
6	Foreign banks.....	-1,892	-845	-857	208	-398	315	-333	9,536
7	Other private foreigners.....	21,089	2,870	6,614	7,595	4,010	2,623	4,035	67,575
8	International financial institutions ⁵	1,308	192	-634	-319	2,064	4,728	-2,311	15,778
9	U.S. liabilities reported by U.S. banks (line 63).....	40,387	12,078	606	7,276	20,427	8,434	4,983	369,334
10	Banks' own liabilities ¹	37,650	10,931	1,857	6,268	19,094	8,420	2,761	347,454
11	Payable in dollars.....	30,941	11,525	-888	3,605	16,699	2,468	-65	323,338
	By account:								
12	Liabilities to own foreign offices.....	22,966	4,243	1,129	1,721	15,873	2,304	1,362	177,746
	Liabilities to unaffiliated foreigners:								
13	demand deposits.....	1,238	-1,600	1,347	1,237	254	-751	923	19,201
14	time deposits ¹	3,507	8,579	-3,309	-812	-451	-210	-1,031	105,088
15	other liabilities ²	3,280	303	445	1,459	1,023	1,125	-1,319	21,303
	By holder:								
	Liabilities to:								
16	own foreign offices.....	22,966	4,243	1,129	1,721	15,873	2,304	1,362	177,746
17	unaffiliated foreign banks.....	4,486	5,662	-3,631	872	1,533	895	-1,910	78,326
18	other private foreigners.....	3,136	1,136	49	1,799	152	487	1,010	66,359
19	international financial institutions ⁵	353	484	1,565	-787	-909	-1,218	-527	877
	By bank ownership: ⁶								
	U.S.-owned banks' liabilities to:								
20	own foreign offices.....	8,895	7,653	-1,914	2,004	1,152	-1,738	-6,516	77,746
21	unaffiliated foreign banks.....	-60	1,443	-759	-508	-236	2,376	-102	19,327
22	other private foreigners and international financial institutions ⁵	2,938	655	2,116	584	-417	-2,416	-61	39,026
	Foreign-owned banks' liabilities to:								
23	own foreign offices.....	14,071	-3,410	3,043	-283	14,721	4,042	7,873	100,000
24	unaffiliated foreign banks.....	4,546	4,219	-2,872	1,380	1,819	-1,451	-846	58,499
25	other private foreigners and international financial institutions ⁵	551	965	-502	428	-940	1,685	544	28,240
26	Payable in foreign currencies.....	6,709	-594	2,245	2,663	2,395	5,952	2,826	24,146
27	Banks' custody liabilities, payable in dollars ^{1 a}	2,737	1,147	-751	1,008	1,333	14	2,222	21,850
28	Of which negotiable and readily transferable instruments.....	473	209	-768	446	586	-396	679	12,423
	By area:								
29	Industrial countries ⁷	35,988	7,325	954	14,280	13,429	12,554	7,205	243,046
30	Western Europe.....	10,964	3,050	-713	2,357	6,270	-362	6,522	160,607
31	Canada.....	777	-80	-659	1,480	96	5,725	423	26,037
32	Other.....	24,247	4,355	2,326	10,443	7,123	7,191	260	56,402
33	Caribbean banking centers ⁸	11,237	4,086	1,126	-2,222	8,297	-140	756	119,756
34	Other areas.....	13,612	2,884	3,649	2,702	4,377	3,636	-1,587	99,421
35	Of which Members of OPEC, included below ⁹	2,464	1,197	206	404	657	-617	89	17,238
36	Latin America.....	5,361	834	493	1,241	2,793	-766	1,208	48,143
37	Asia.....	5,538	1,218	2,224	2,330	-234	1,336	354	29,991
38	Africa.....	1,079	215	326	-386	924	-770	158	2,351
39	Other ¹⁰	1,634	617	606	-483	894	3,886	-3,307	18,936
	Memoranda:								
1	International banking facilities' (IBF's) own liabilities, payable in dollars (in lines A9, and B11 above).....	10,790	9,172	-7,880	-1,497	10,995	1,485	-2,858	182,002
	By holder:								
	Liabilities to:								
2	own foreign offices.....	6,858	1,621	-3,892	-368	9,497	767	41	84,821
3	unaffiliated foreign banks.....	2,466	6,601	-5,114	-421	1,400	1,155	-2,686	60,904
4	foreign official agencies.....	1,367	-556	873	-60	1,610	33	856	10,459
5	other private foreigners and international financial institutions ⁵	-401	1,506	253	-648	-1,512	-470	-1,069	25,818
	By bank ownership: ⁶								
6	U.S.-owned IBF's.....	55	3,617	-5,177	-83	1,698	-1,052	-5,525	61,513
7	Foreign-owned IBF's.....	10,735	5,555	-2,703	-1,414	9,297	2,537	2,667	120,489
8	Negotiable certificates of deposit held for foreigners ¹ (in lines A13 and B27 above).....	-631	-1,064	-733	548	618	-3,242	-1,060	5,543

See footnotes on page 57.

Footnotes to U.S. International Transactions Tables 1-10

General notes for all tables:

r Revised.

* Less than \$500,000 (±).

p Preliminary.

n.a. Not available.

Table 1-2:

1. Credits, +: exports of goods and services; unilateral transfers to United States; capital inflows (increase in foreign assets (U.S. liabilities) or decrease in U.S. assets); decrease in U.S. official reserve assets; increase in foreign official assets in the United States.

Debits, -: imports of goods and services; unilateral transfers to foreigners; capital outflows (decrease in foreign assets (U.S. liabilities) or increase in U.S. assets); increase in U.S. official reserve assets; decrease in foreign official assets in the United States.

2. Excludes transfers of goods and services under U.S. military grant programs (see line 15).

3. Excludes exports of goods under U.S. military agency sales contracts identified in Census export documents, excludes imports of goods under direct defense expenditures identified in Census import documents, and reflects various other adjustments (for valuation, coverage, and timing) of Census statistics to balance of payments basis; see table 3.

4. Beginning in 1982, line 7 and line 22 are redefined to include only net receipts and payments for the use or sale of intangible property rights, including patents, industrial processes, trademarks, copyrights, franchises, designs, know-how, formulas, techniques, and manufacturing rights. Other direct investment services, net, which include fees for management, professional, and technical services, charges for use of tangible property, film and television tape rentals, and all other charges and fees are shown in line 9 and line 24. Data on the redefined basis are not separately available prior to 1982.

5. For all areas, amounts outstanding June 30, 1986, were as follows in millions of dollars: Line 36, 46,595; line 37, 11,084; line 38, 8,213; line 39, 12,069; line 40, 15,229.

6. Includes sales of foreign obligations to foreigners.

7. Consists of bills, certificates, marketable bonds and notes, and nonmarketable convertible and nonconvertible bonds and notes.

8. Consists of U.S. Treasury and Export-Import Bank obligations, not included elsewhere, and of debt securities of U.S. Government corporations and agencies.

9. Includes, primarily, U.S. Government liabilities associated with military agency sales contracts and other transactions arranged with or through foreign official agencies; see table 4.

10. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and State and local governments.

11. Conceptually, the sum of lines 69 and 64 is equal to "net foreign investment" in the national income and product accounts (NIPA's). However, the foreign transactions account in the NIPA's (a) includes adjustments to the international transactions accounts for the treatment of gold, (b) excludes capital gains and losses of foreign affiliates of U.S. parent companies from the NIPA measure of income receipts from direct investment abroad, and from the corresponding income payments, on direct investment in the United States, (c) includes an adjustment for the different geographical treatment of transactions with U.S. territories and Puerto Rico, and (d) includes an adjustment for services furnished without payment by financial intermediaries, except life insurance carriers and private noninsured pension plans. In addition, for NIPA purposes, U.S. Government interest payments to foreigners are excluded from "net exports of goods and services" but included with transfers in "net foreign investment." A reconciliation table of the international accounts and the NIPA foreign transactions account appears in the "Reconciliation and other Special Tables" section in this issue of the SURVEY OF CURRENT BUSINESS.

Table 3:

1. Exports, Census basis, represent transaction values, f.a.s. U.S. port of exportation; imports, Census basis, represent Customs values (see Technical Notes, June 1982 SURVEY). Both unadjusted and seasonally adjusted data have been prepared by BEA from "actual" and "revised statistical" month data supplied by the Census Bureau (see Technical Notes, December 1985 SURVEY). The seasonally adjusted data are the summation of seasonally adjusted 4-digit end-use commodity categories (see Technical Notes, June 1980 SURVEY).

2. Adjustments in lines A5 and A13, B12, B46, and B80 reflect the Census Bureau's reconciliation of discrepancies between the merchandise trade statistics published by the United States and the counterpart statistics published in Canada. These adjustments also have been distributed to the affected end-use categories in section C.

3. Exports of military equipment under U.S. military agency sales contracts with foreign governments (line A6), and direct imports by the Department of Defense and the Coast Guard (line A14), to the extent such trade is identifiable from Customs declarations. These exports are included in tables 1, 2, and 10, line 3 (transfers under U.S. military agency sales contracts); and the imports are included in tables 1, 2, and 10, line 13 (direct defense expenditures).

4. Addition of electrical energy; deduction of exposed motion picture film for rental rather than sale; net change in stock of U.S.-owned grains in storage in Canada; and coverage adjustments for special situations in which shipments were omitted from Census data.

5. Deduction of foreign charges for repair of U.S. vessels abroad, which are included in tables 1, 2, and 10, line 21 (other transportation); and coverage adjustments for special situations in which shipments were omitted from Census data.

6. Annual and unadjusted quarterly data shown in this table correspond to country and area data in table 10, lines 2 and 17. Trade with international organizations includes purchases of non-monetary gold from the IMF, transfers of tin to the International Tin Council (ITC), and sales of satellites to Intelsat. The memoranda are defined as follows: *Industrial countries*: Western Europe, Canada, Japan, and Australia, New Zealand, and South Africa; *Members of OPEC*: Venezuela, Ecuador, Iraq, Iran, Kuwait, Saudi Arabia, Qatar, United Arab Emirates, Indonesia, Algeria, Libya, Nigeria, Gabon; *Other countries*: Eastern Europe, Latin American Republics, other Western Hemisphere, and other countries in Asia and Africa, less OPEC. For all years, "Asia" and "Africa" exclude certain Pacific Islands and unidentified countries included in "Other countries in Asia and Africa."

7. Includes nuclear fuel materials and fuels.

Table 4:

1. Expenditures to release foreign governments from their contractual liabilities to pay for defense articles and services purchased through military sales contracts—first authorized (for Israel) under Public Law 93-199, section 4, and subsequently authorized (for many recipients) under similar legislation—are included in line A3. Deliveries against these military sales contracts are included in line C10; see footnote 2. Of the line A3 items, part of these military expenditures is applied in lines A40 and A43 to reduce short-term assets previously recorded in lines A38 and C8; this application of funds is excluded from lines C3 and C4. A second part of line A3 expenditures finances future deliveries under military sales contracts for the recipient countries and is applied directly to lines A39 and C9. A third part of line A3, disbursed directly to finance purchases by recipient countries from commercial suppliers in the United States, is included in line A34. A fourth part of line A3, representing dollars paid to the recipient countries to finance purchases from countries other than the United States, is included in line A45.

2. Transactions under military sales contracts are those in which the Department of Defense sells and transfers military goods and services to a foreign purchaser, on a cash or credit basis. Purchases by foreigners directly from commercial suppliers are not included as transactions under military sales contracts. The entries for the several categories of transactions related to military sales contracts in this and other tables are partly estimated from incomplete data.

3. The identification of transactions involving direct dollar outflows from the United States is made in reports by each operating agency.

4. Line A35 includes foreign currency collected as interest and line A40 includes foreign currency collected as principal, as recorded in lines A13 and A14, respectively.

5. Includes (a) advance payments to the Department of Defense (on military sales contracts) financed by loans extended to foreigners by U.S. Government agencies and (b) the contraentry for the part of lines C10 which was delivered without prepayment by the foreign purchaser. Also includes expenditures of appropriations available to release foreign purchasers from liability to make repayment.

6. Includes purchases of loans from U.S. banks and exporters and payments by the U.S. Government under commercial export credit and investment guarantee programs.

7. Excludes liabilities associated with military sales contracts financed by U.S. Government grants and credits and included in line C2.

Table 5:

1. Also included in line 4.

2. Acquisition of equity holdings in existing and newly established companies, capital contributions, capitalization of intercompany accounts, and other equity contributions.

3. Sales, liquidations, and other dispositions of equity holdings, total and partial.

4. Petroleum includes the exploration, development and production of crude oil and gas and the transportation, refining, and marketing of petroleum products exclusive of petrochemicals. Manufacturing excludes petroleum refining. "Other" industries includes mining; trade; banking; finance (except banking); insurance, and real estate; agriculture, forestry, and fishing; construction, transportation, communications, and public utilities; and services.

5. Also included in line 47.

Table 6:

1. Primarily provincial, regional, and municipal.

2. Largely transactions by International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), International Finance Corporation (IFC), Asian Development Bank (ADB), and Inter-American Development Bank (IDB).

3. Estimate for scheduled redemptions and identifiable early retirements. Includes estimates based on Canadian statistics for redemptions of Canadian issues held in the United States. Unidentified and nonscheduled retirements appear in line 29.

4. Issues through finance affiliates established primarily to borrow capital from abroad. Issues are almost always guaranteed by the establishing U.S. parent and are often convertible into the parents' securities. To the extent proceeds are transferred from offshore affiliates to U.S. parents—the common practice—they are recorded as direct investment transactions in table 5, line 8.

Table 7:

1. Primarily mortgages, loans, and bills and notes drawn on foreigners.

2. Consists of Western Europe, Canada, Japan, Australia, New Zealand, and South Africa.

3. Bahamas, British West Indies (Cayman Islands), Netherlands Antilles, and Panama.

4. Based on data for Ecuador, Venezuela, Indonesia, and other Asian and African oil-exporting countries.

Table 8:

1. Includes central governments and their agencies and corporations; state, provincial, and local governments and their agencies and corporations; and international and regional organizations.

2. U.S.-owned banks are mainly U.S.-chartered banks and Edge Act subsidiaries. U.S. brokers' and dealers' accounts may be commingled in some categories. Foreign-owned banks include U.S. branches and agencies of foreign banks and majority-owned bank subsidiaries in the United States.

3. Western Europe, Canada, Japan, Australia, New Zealand, and South Africa.

4. Bahamas, British West Indies (Cayman Islands), Netherlands Antilles, and Panama.

5. Based on data for Ecuador, Venezuela, Indonesia, and other Asian and African oil-exporting countries.

6. Includes Eastern Europe and international and regional organizations.

Table 9:

1. Negotiable certificates of deposit issued by banks in the United States are included in banks' custody liabilities and are separately identified in memorandum line 8. Nonnegotiable certificates of deposit are included in time deposits.

2. Includes borrowing under Federal funds or repurchase arrangements, deferred credits, and liabilities other than deposits.

3. Mainly negotiable and readily transferable instruments, excluding U.S. Treasury securities.

4. U.S. Treasury notes denominated in foreign currencies and subject to restricted transferability that were sold through foreign central banks to domestic residents in country of placement. None of these notes were outstanding after July 1983.

5. Mainly International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), International Finance Corporation (IFC), Asian Development Bank (ADB), Inter-American Development Bank (IDB), and the Trust Fund of the International Monetary Fund.

6. U.S.-owned banks are mainly U.S.-chartered banks and Edge Act subsidiaries. U.S. brokers' and dealers' liabilities may be commingled in some categories. Foreign-owned banks are U.S. branches and agencies of foreign banks and majority-owned bank subsidiaries in the United States.

7. Western Europe, Canada, Japan, Australia, New Zealand, and South Africa.

8. Bahamas, British West Indies (Cayman Islands), Netherlands Antilles, and Panama.

9. Based on data for Ecuador, Venezuela, Indonesia, and other Asian and African oil-exporting countries.

10. Includes Eastern Europe and international and regional organizations.

Table 10:

For footnotes 1-11, see table 1.

12. The "European Communities (10)" includes the "European Communities (6)," United Kingdom, Denmark, Ireland, and Greece. "European Communities (12)" reflects the admission of Spain and Portugal in 1986.

13. The "European Communities (6)" includes Belgium, France, Germany, Italy, Luxembourg, Netherlands, European Atomic Energy Community, European Coal and Steel Community, and European Investment Bank.

14. Includes, as part of international and unallocated, the estimated direct investment in foreign affiliates engaged in international shipping, in operating oil and gas drilling equipment that is moved from country to country during the year, and in petroleum trading.

15. Details not shown separately; see totals in lines 51 and 58.

16. Details not shown separately are included in line 63.

Table 10.—U.S. International

(Millions)

Line	(Credits +; debits -) ¹	Eastern Europe							Canada		
		1985	1985				1986		1985	1985	
			I	II	III	IV	I ²	II ²		I	II
1	Exports of goods and services ²	3,812	1,331	968	514	998	927	643	70,541	17,038	19,683
2	Merchandise, adjusted, excluding military ³	3,258	1,183	861	351	863	834	524	53,879	13,382	15,125
3	Transfers under U.S. military agency sales contracts								111	16	25
4	Travel								3,037	909	797
5	Passenger fares										
6	Other transportation	98	41	18	16	23	19	23	926	213	237
7	Royalties and license fees from affiliated foreigners ⁴								477	118	91
8	Royalties and license fees from unaffiliated foreigners	24	6	6	6	6	7	7	86	21	21
9	Other private services from affiliated foreigners								767	183	226
10	Other private services from unaffiliated foreigners	83	20	21	21	21	22	22	700	176	172
11	U.S. Government miscellaneous services	11	9	1	1	1	2	1	52	1	25
	Receipts of income on U.S. assets abroad:										
12	Direct investment								4,070	359	1,340
13	Other private receipts	166	44	47	40	35	37	39	6,383	1,642	1,615
14	U.S. Government receipts	172	28	16	79	49	7	27	53	19	8
15	Transfers of goods and services under U.S. military grant programs, net										
16	Imports of goods and services	-2,205	-562	-578	-508	-558	-553	-688	-78,891	-18,936	-20,768
17	Merchandise, adjusted, excluding military ³	-1,847	-483	-496	-391	-477	-474	-591	-71,173	-17,354	-18,855
18	Direct defense expenditures	-3	-1	-1	-1	-1	-1	-1	-250	-125	-46
19	Travel	-96	-6	-23	-58	-9	-4	-16	-2,694	-273	-640
20	Passenger fares										
21	Other transportation	-163	-45	-37	-33	-48	-51	-51	-725	-141	-204
22	Royalties and license fees to affiliated foreigners ⁴								-15	-4	-4
23	Royalties and license fees to unaffiliated foreigners	-2	(*)	(*)	(*)	(*)	(*)	(*)	-12	-3	-3
24	Other private services to affiliated foreigners								-326	-112	-76
25	Other private services to unaffiliated foreigners	-25	-6	-6	-6	-7	-7	-7	-423	-123	-99
26	U.S. Government miscellaneous services	-40	-12	-8	-11	-9	-9	-11	-107	-8	-26
	Payments of income on foreign assets in the United States:										
27	Direct investment								-695	-132	-200
28	Other private payments	-29	-8	-7	-7	-7	-6	-10	-1,969	-545	-495
29	U.S. Government payments	-1		(*)	-1	-1	-1	(*)	-503	-116	-122
30	U.S. military grants of goods and services, net										
31	Unilateral transfers (excluding military grants of goods and services), net	-197	-47	-50	-51	-50	-34	-36	-235	-60	-57
32	U.S. Government grants (excluding military grants of goods and services)	-50	-12	-16	-12	-10	-2	-5			
33	U.S. Government pensions and other transfers	-21	-6	-6	-4	-6	-6	-6	-272	-67	-68
34	Private remittances and other transfers	-126	-29	-29	-34	-34	-26	-26	37	7	11
35	U.S. assets abroad, net (increase/capital outflow (-))	425	10	-5	144	277	-312	-320	1,173	-2,082	683
36	U.S. official reserve assets, net ⁵										
37	Gold										
38	Special drawing rights										
39	Reserve position in the International Monetary Fund										
40	Foreign currencies										
41	U.S. Government assets, other than official reserve assets, net	39	9	-10	8	33	12	23	90	43	36
42	U.S. credits and other long-term assets	-60	-6	-43		-11		-5	-7		
43	Repayments on U.S. credits and other long-term assets ⁶	90	11	34	10	34	14	33	94	49	17
44	U.S. foreign currency holdings and U.S. short-term assets, net	9	3	-2	-2	9	-2	(*)	3	-6	19
45	U.S. private assets, net	386	1	5	136	244	-324	-347	1,083	-2,125	648
46	Direct investment								769	1,068	-974
47	Foreign securities								-3	-407	-243
48	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns	50	29	-22	10	33	8	n.a.	681	-229	372
49	U.S. claims reported by U.S. banks, not included elsewhere	336	-28	27	126	211	-332	-344	1,319	-2,557	1,492
50	Foreign assets in the United States, net (increase/capital inflow (+))	-17	-1	30	-115	69	3	200	1,153	408	-711
51	Foreign official assets in the United States, net	(16)	(16)	(16)	(16)	(16)	(16)	(16)	-213	198	-158
52	U.S. Government securities	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(15)	(15)	(15)
53	U.S. Treasury securities ⁷	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(15)	(15)	(15)
54	Other ⁸	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(15)	(15)	(15)
55	Other U.S. Government liabilities ⁹	(*)	1	-2	(*)	1	(*)	4	(*)	11	-15
56	U.S. liabilities reported by U.S. banks, not included elsewhere	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(15)	(15)	(15)
57	Other foreign official assets ¹⁰	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(15)	(15)	(15)
58	Other foreign assets in the United States, net	(16)	(16)	(16)	(16)	(16)	(16)	(16)	1,366	210	-553
59	Direct investment								572	300	296
60	U.S. Treasury securities	(16)	(16)	(16)	(16)	(16)	(16)	(16)	(15)	(15)	(15)
61	U.S. securities other than U.S. Treasury securities								-2	266	15
62	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns	-29	4	-11	2	-24	-15	n.a.	-526	-276	-205
63	U.S. liabilities reported by U.S. banks, not included elsewhere	16 12	16 -6	16 43	16 -117	16 92	16 18	16 198	(15)	(15)	(15)
64	Allocations of special drawing rights										
65	Statistical discrepancy, and transfers of funds between foreign areas, net (sum of above items with sign reversed)	-1,817	-732	-365	16	-736	-30	201	6,259	3,631	1,170
	Memoranda:										
66	Balance on merchandise trade (lines 2 and 17)	1,411	700	365	-40	386	360	-67	-17,294	-3,972	-3,730
67	Balance on goods and services (lines 1 and 16) ¹¹	1,606	770	390	6	441	374	-45	-8,350	-1,897	-1,085
68	Balance on goods, services, and remittances (lines 67, 33, and 34)	1,460	735	356	-32	401	342	-77	-8,584	-1,957	-1,142
69	Balance on current account (lines 67 and 31) ¹¹	1,410	723	340	-45	391	340	-81	-8,584	-1,957	-1,142

See footnotes on page 57.

Table 10.—U.S. International

[Millions]

Line	(Credits +; debits -) ¹	Australia, New Zealand, and South Africa						
		1985	1985				1986	
			I	II	III	IV	I ²	II ²
1	Exports of goods and services ²	10,804	2,259	2,669	3,126	2,751	2,987	2,616
2	Merchandise, adjusted, excluding military ³	6,967	1,704	1,679	1,880	1,704	1,859	1,580
3	Transfers under U.S. military agency sales contracts.....	586	133	145	151	157	100	112
4	Travel.....	442	85	142	144	71	87	151
5	Passenger fares.....	241	39	73	65	64	42	72
6	Other transportation.....	348	89	85	88	85	79	90
7	Royalties and license fees from affiliated foreigners ⁴	235	47	54	61	73	51	75
8	Royalties and license fees from unaffiliated foreigners.....	65	16	16	16	17	18	19
9	Other private services from affiliated foreigners.....	232	43	55	70	64	48	52
10	Other private services from unaffiliated foreigners.....	267	64	65	68	70	71	71
11	U.S. Government miscellaneous services.....	29	4	1	14	10	6	(*)
	Receipts of income on U.S. assets abroad:							
12	Direct investment.....	483	-202	118	351	215	417	186
13	Other private receipts.....	882	232	231	205	214	203	201
14	U.S. Government receipts.....	28	5	4	12	7	5	7
15	Transfers of goods and services under U.S. military grant programs, net.....							
16	Imports of goods and services.....	-7,610	-1,783	-1,920	-2,024	-1,884	-1,887	-1,849
17	Merchandise, adjusted, excluding military ³	-5,601	-1,272	-1,456	-1,541	-1,332	-1,413	-1,383
18	Direct defense expenditures.....	-54	-13	-12	-17	-13	-15	-15
19	Travel.....	-614	-165	-124	-118	-207	-182	-164
20	Passenger fares.....	-397	-69	-90	-124	-114	-86	-90
21	Other transportation.....	-417	-95	-105	-105	-112	-75	-79
22	Royalties and license fees to affiliated foreigners ⁴	-3	(*)	-1	(*)	-2	-1	-1
23	Royalties and license fees to unaffiliated foreigners.....	-4	-1	-1	-1	-1	-2	-2
24	Other private services to affiliated foreigners.....	1	-1	(*)		1	1	(*)
25	Other private services to unaffiliated foreigners.....	-52	-12	-12	-13	-14	-14	-15
26	U.S. Government miscellaneous services.....	-42	-17	-8	-9	-8	-25	-18
	Payments of income on foreign assets in the United States:							
27	Direct investment.....	31	8	11	8	4	14	7
28	Other private payments.....	-130	-34	-32	-31	-33	-36	-37
29	U.S. Government payments.....	-327	-112	-89	-73	-53	-53	-53
30	U.S. military grants of goods and services, net.....							
31	Unilateral transfers (excluding military grants of goods and services), net.....	-71	-21	-16	-17	-17	-18	-19
32	U.S. Government grants (excluding military grants of goods and services).....	-1	(*)	(*)	-1	(*)	(*)	-1
33	U.S. Government pensions and other transfers.....	-20	-5	-5	-5	-5	-5	-5
34	Private remittances and other transfers.....	-50	-16	-11	-11	-12	-13	-13
35	U.S. assets abroad, net (increase/capital outflow (-)).....	828	746	352	460	-730	-536	832
36	U.S. official reserve assets, net ⁵							
37	Gold.....							
38	Special drawing rights.....							
39	Reserve position in the International Monetary Fund.....							
40	Foreign currencies.....							
41	U.S. Government assets, other than official reserve assets, net.....	48	6	15	9	18	15	73
42	U.S. credits and other long-term assets.....	-6			-6			
43	Repayments on U.S. credits and other long-term assets ⁶	56	5	16	17	19	11	75
44	U.S. foreign currency holdings and U.S. short-term assets, net.....	-2	1	-1	-2	(*)	4	-2
45	U.S. private assets, net.....	780	739	338	451	-748	-550	759
46	Direct investment.....	255	304	179	92	-320	-175	78
47	Foreign securities.....	(*)	84	-23	54	-115	-630	129
48	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns.....	31	4	-5	33	-1	26	n.a.
49	U.S. claims reported by U.S. banks, not included elsewhere.....	494	347	187	272	-312	228	552
50	Foreign assets in the United States, net (increase/capital inflow (+)).....	-1,443	-403	21	-509	-551	1,139	312
51	Foreign official assets in the United States, net.....	(16)	(16)	(16)	(16)	(16)	(16)	(16)
52	U.S. Government securities.....	(16)	(16)	(16)	(16)	(16)	(16)	(16)
53	U.S. Treasury securities ⁷	(16)	(16)	(16)	(16)	(16)	(16)	(16)
54	Other ⁸	(16)	(16)	(16)	(16)	(16)	(16)	(16)
55	Other U.S. Government liabilities ⁹	125	26	49	-17	67	81	67
56	U.S. liabilities reported by U.S. banks, not included elsewhere.....	(16)	(16)	(16)	(16)	(16)	(16)	(16)
57	Other foreign official assets ¹⁰	(16)	(16)	(16)	(16)	(16)	(16)	(16)
58	Other foreign assets in the United States, net.....	(16)	(16)	(16)	(16)	(16)	(16)	(16)
59	Direct investment.....	559	-5	334	40	189	-68	174
60	U.S. Treasury securities.....	(16)	(16)	(16)	(16)	(16)	(16)	(16)
61	U.S. securities other than U.S. Treasury securities.....	171	95	-17	-48	141	75	199
62	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.....	-262	-45	-98	-58	-61	-44	n.a.
63	U.S. liabilities reported by U.S. banks, not included elsewhere.....	16 -2,036	16 -474	16 -248	16 -426	16 -888	16 1,095	16 -128
64	Allocations of special drawing rights.....							
65	Statistical discrepancy, and transfers of funds between foreign areas, net (sum of above items with sign reversed).	-2,508	-798	-1,107	-1,036	432	-1,685	-1,891
66	Memoranda:							
67	Balance on merchandise trade (lines 2 and 17).....	1,366	432	223	339	372	446	197
68	Balance on goods and services (lines 1 and 16) ¹¹	3,194	476	749	1,102	867	1,100	767
69	Balance on goods, services, and remittances (lines 67, 33, and 34).....	3,125	455	734	1,086	850	1,082	749
69	Balance on current account (lines 67 and 31) ¹¹	3,124	455	734	1,085	850	1,082	748

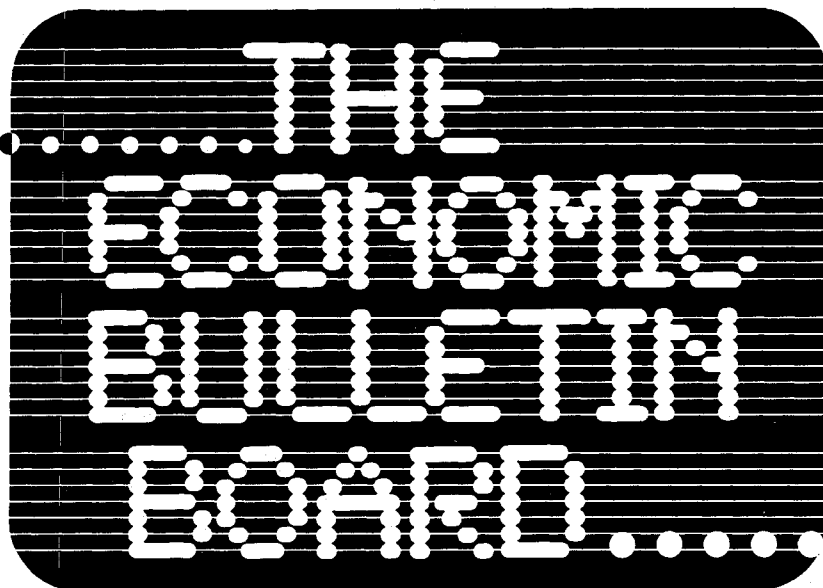
See footnotes on page 57.

Table 4.—National Income and Disposition of Personal Income

[Billions of dollars; quarterly data are seasonally adjusted at annual rates]

Table with 23 columns: Year and quarter, National income, Compensation of employees (Total, Wages and salaries, Supplements to wages and salaries), Proprietors' income with IVA and CCAAdj (Farm, Non-farm), Rental income of persons with CCAAdj, Corporate profits with IVA and CCAAdj (Total, IVA, CCAAdj, Profits before tax, Profits after tax), Net interest, Personal income, Less: Personal tax and nontax payments, Equals: DPI, Less: Personal outlays, Equals: Personal saving, Saving as percent of DPI, DPI in constant (1982) dollars.

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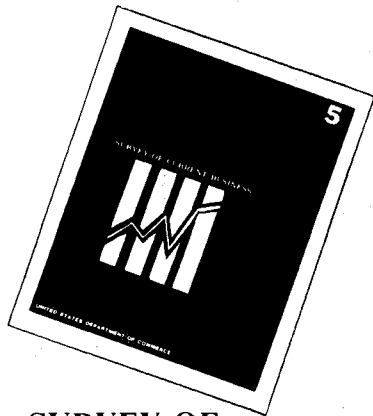
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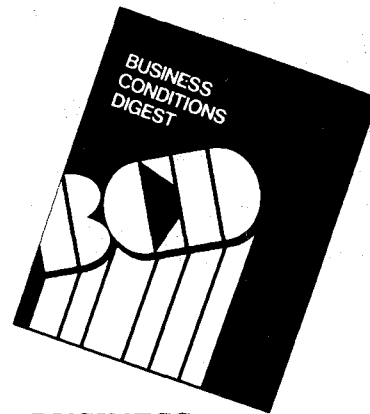
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Units

Table with columns for Annual, 1985 (July-Aug), 1986 (Jan-Aug). Sub-headers: Annual, 1985 (July, Aug, Sept, Oct, Nov, Dec), 1986 (Jan, Feb, Mar, Apr, May, June, July, Aug).

GENERAL BUSINESS INDICATORS—Continued

Main data table with columns for various business indicators including Industrial Production, Business Sales, and Manufacturing. Rows include items like 'Durable consumer goods', 'Automotive products', 'Manufacturing total', and 'Retail trade total' with corresponding numerical values.

See footnotes at end of tables.

Table with columns for Units, Annual (1984, 1985), 1985 (July-Aug), 1985 (Sept-Dec), and 1986 (Jan-Aug). Section: CONSTRUCTION AND REAL ESTATE-Continued. Rows include REAL ESTATE (Mortgage applications, Home mortgages, Federal Home Loan Banks, etc.)

DOMESTIC TRADE

Table with columns for Units, Annual (1984, 1985), 1985 (July-Aug), 1985 (Sept-Dec), and 1986 (Jan-Aug). Section: DOMESTIC TRADE. Rows include ADVERTISING (Magazine, Newspaper), WHOLESALE TRADE (Merchant wholesalers, Inventories), and RETAIL TRADE (All retail stores, Durable goods, etc.)

See footnotes at end of tables.

Unless otherwise stated in footnotes below, data through 1984 and methodological notes are as shown in BUSINESS STATISTICS: 1984

Table with columns for Units, Annual (1984, 1985), 1985 (July, Aug, Sept, Oct, Nov, Dec), and 1986 (Jan, Feb, Mar, Apr, May, June, July, Aug).

FINANCE—Continued

BANKING—Continued

Commercial bank credit, seas. adj.: \$
Total loans and securities...bil. \$
U.S. Treasury securities...do
Other securities...do
Total loans and leases...do

Money and interest rates:

Prime rate charged by banks on short-term business loans...percent.
Discount rate (New York Federal Reserve Bank) @ @...do
Federal intermediate credit bank loans...do
Home mortgage rates (conventional list mortgages):
New home purchase (U.S. avg.)...percent.
Existing home purchase (U.S. avg.)...do
Open market rates, New York City:
Bankers' acceptances, 90 days...do
Commercial paper, 6-month...do
Finance co. paper placed directly, 6-mo...do
Yield on U.S. Gov. securities (taxable):
3-month bills (rate on new issue)...percent.

CONSUMER INSTALLMENT CREDIT †

Not seasonally adjusted

Total outstanding (end of period) #...mil. \$
By major holder:
Commercial banks...do
Finance companies...do
Credit unions...do
Retailers...do
Savings institutions *...do

By major credit type:

Automobile...do
Revolving...do
Mobile home...do

Seasonally adjusted

Total outstanding (end of period) #...do
By major holder:
Commercial banks...do
Finance companies...do
Credit unions...do
Retailers...do
Savings institutions *...do

By major credit type:

Automobile...do
Revolving...do
Mobile home...do

Total net change (during period) #...do

By major holder:

Commercial banks...do
Finance companies...do
Credit unions...do
Retailers...do
Savings institutions *...do

By major credit type:

Automobile...do
Revolving...do
Mobile home...do

FEDERAL GOVERNMENT FINANCE

Budget receipts and outlays:
Receipts (net)...mil. \$
Outlays (net)...do
Budget surplus or deficit (-)...do
Budget financing, total...do
Borrowing from the public...do
Reduction in cash balances...do
Gross amount of debt outstanding...do
Held by the public...do

Budget receipts by source and outlays by agency:

Receipts (net), total...mil. \$
Individual income taxes (net)...do
Corporate income taxes (net)...do
Social insurance taxes and contributions (net)...do
Other...do
Outlays, total #...do
Agriculture Department...do
Defense Department, military...do
Health and Human Services Department...do
Treasury Department...do
National Aeronautics and Space Administration...do
Veterans Administration...do

GOLD AND SILVER:

Gold:
Monetary stock, U.S. (end of period)...mil. \$
Price at New York #...dol. per troy oz.
Silver:
Price at New York #...dol. per troy oz.

See footnotes at end of tables.

Unless otherwise stated in footnotes below, data through 1984 and methodological notes are as shown in BUSINESS STATISTICS: 1984

Table with columns for Units, Annual (1984, 1985), 1985 (July-Aug), 1985 (Sept-Dec), and 1986 (Jan-Aug). Section: TRANSPORTATION AND COMMUNICATION—Continued. Rows include Telephone carriers and Telegraph carriers.

CHEMICALS AND ALLIED PRODUCTS

Table with columns for Units, Annual (1984, 1985), 1985 (July-Aug), 1985 (Sept-Dec), and 1986 (Jan-Aug). Section: CHEMICALS. Sub-sections: Inorganic Chemicals, Inorganic Fertilizer Materials, Industrial Gases, Organic Chemicals, ALCOHOL. Rows include various chemical products like Aluminum sulfate, Ammonia, and Ethyl alcohol.

See footnotes at end of tables.

Unless otherwise stated in footnotes below, data through 1984 and methodological notes are as shown in Business Statistics: 1984

Units, Annual (1984, 1985), 1985 (July, Aug., Sept., Oct., Nov., Dec.), 1986 (Jan., Feb., Mar., Apr., May, June, July, Aug.)

FOOD AND KINDRED PRODUCTS; TOBACCO—Continued

GRAIN AND GRAIN PRODUCTS—Continued

Wheat—Continued
Producer Price Indexes:
Hard, winter Ord, No. 1, Kansas City 1967=100.. 228.3 204.6 191.9 181.4 183.8 186.2 203.4 204.8 199.8 197.7 199.5 195.8 224.1 172.7 152.1 149.2
Spring, No. 1, D.N. Ord, Minneapolis 1967=100.. 220.8 186.4 189.4 159.1 160.6 165.4 193.7 188.0 187.6 183.0 180.9 185.6 176.6 145.5 124.2 135.8

POULTRY AND EGGS

Poultry:
Slaughter.....mil. lb.. 16,181 16,971 1,523 1,540 1,415 1,644 1,320 1,356 1,441 1,310 1,365 1,515 1,521 *1,523 1,483
Stocks, cold storage (frozen), end of period, total.....mil. lb.. 267 324 490 569 626 664 377 324 330 341 339 379 412 *480 569 634
Turkeys.....do.... 125 150 305 388 444 484 208 150 157 161 150 186 227 *294 388 454

LIVESTOCK

Cattle and calves:
Slaughter (federally inspected):
Calves.....thous. animals.. 3,030 3,168 274 272 271 298 268 298 289 256 276 284 257 240 281 262
Cattle.....do.... 35,880 34,765 3,023 3,089 2,877 3,097 2,669 2,778 3,204 2,613 2,726 3,096 3,123 3,017 3,213 3,101

MEATS

Total meats (excluding lard):
Production, total.....mil. lb.. 38,987 39,131 3,277 3,402 3,252 3,544 3,123 3,145 3,482 2,937 3,133 3,478 3,387 3,157 3,282 3,181
Stocks, cold storage, end of period.....do.... 696 607 738 677 654 645 633 607 617 615 622 663 674 641 620 565

MISCELLANEOUS FOOD PRODUCTS

Cocoa (cacao) beans:
Imports (including shells).....thous. lg. tons.. 190.9 266.1 13.9 12.5 10.9 10.2 12.6 25.0 29.4 17.1 15.1 9.3 19.0 16.1 21.2
Coffee:
Imports, total.....thous. bags < 17,734 18,698 1,217 1,757 1,773 1,385 1,272 1,785 2,360 1,896 1,645 1,667 1,810 1,286 1,549
From Brazil.....do.... 3,866 4,148 258 444 454 421 230 207 558 340 121 264 172 68 47

See footnotes at end of tables.

Unless otherwise stated in footnotes below, data through 1984 and methodological notes are as shown in BUSINESS STATISTICS: 1984

Table with columns for Units, Annual (1984, 1985), 1985 (July, Aug, Sept, Oct, Nov, Dec), and 1986 (Jan, Feb, Mar, Apr, May, June, July, Aug).

PETROLEUM, COAL, AND PRODUCTS—Continued

Main data table for Petroleum, Coal, and Products. Includes sub-sections like 'PETROLEUM AND PRODUCTS', 'Refined petroleum products', 'Aviation gasoline', 'Kerosene', 'Distillate fuel oil', 'Residual fuel oil', 'Jet fuel', 'Lubricants', 'Asphalt', and 'Liquefied petroleum gases'. Each row lists a specific product or metric with data for 1984, 1985, and monthly 1985/1986 data.

PULP, PAPER, AND PAPER PRODUCTS

Main data table for Pulp, Paper, and Paper Products. Includes sub-sections like 'PULPWOOD', 'WASTE PAPER', and 'WOODPULP'. Each row lists a specific product or metric with data for 1984, 1985, and monthly 1985/1986 data.

See footnotes at end of tables.

Units	Annual		1985						1986						
	1984	1985	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July

PULP, PAPER, AND PAPER PRODUCTS—Continued

PAPER AND PAPER PRODUCTS																
Paper and board:																
Production (API):																
Total.....thous. sh. tons..	68,450	67,055	5,384	5,772	5,546	5,821	5,585	5,396	5,924	5,471	6,065	5,849	6,045	5,904	5,742	
Paper.....do.....	34,411	34,021	2,762	2,870	2,775	2,942	2,818	2,740	2,985	2,759	3,031	2,923	2,980	2,926	2,848	
Paperboard.....do.....	34,039	33,034	2,622	2,903	2,772	2,879	2,767	2,656	2,940	2,713	3,034	2,926	3,065	2,978	2,893	
Producer price indexes:																
Paperboard.....1967=100..	281.4	274.6	267.8	265.8	266.0	265.8	266.4	266.7	264.6	265.7	267.0	267.6	266.3	268.6	270.5	274.1
Building paper and board.....do.....	259.0	257.2	259.9	258.6	260.0	255.2	254.8	253.6	253.3	254.8	257.2	260.8	262.3	262.5	262.0	261.8
Selected types of paper (API):																
Groundwood paper, uncoated:																
Orders, new.....thous. sh. tons..	1,575	1,477	124	124	129	161	126	105	142	115	128	127	115	119	158	
Orders, unfilled, end of period.....do.....	140	106	117	103	111	122	111	106	118	116	115	103	99	117	153	
Shipments.....do.....	1,565	1,516	119	134	123	147	137	112	128	117	127	127	120	123	128	
Coated paper:																
Orders, new.....do.....	6,281	5,642	452	448	459	511	474	444	547	490	533	479	487	529	552	
Orders, unfilled, end of period.....do.....	575	393	423	385	424	424	426	393	400	404	428	405	402	424	503	
Shipments.....do.....	6,249	5,875	470	484	457	481	472	448	521	488	504	510	497	504	482	
Uncoated free sheet papers:																
Orders, new.....do.....	8,939	9,704	761	808	785	912	869	775	890	827	879	866	904	875	889	
Shipments.....do.....	9,474	9,991	812	853	817	890	839	832	916	826	929	875	897	895	891	
Unbleached kraft packaging and industrial converting papers:																
Shipments.....thous. sh. tons..	3,666	3,403	280	281	315	290	273	271	290	263	295	292	282	274	285	
Tissue paper, production.....do.....	4,921	4,941	407	413	396	432	411	410	428	399	436	424	444	421	360	
Newsprint:																
Canada:																
Production.....thous. metric tons..	9,013	8,988	717	766	722	771	747	696	772	726	747	777	783	770	818	
Shipments from mills.....do.....	9,018	8,996	729	749	705	788	760	777	713	696	754	800	771	807	758	
Inventory, end of period.....do.....	298	290	368	384	402	384	371	290	349	379	373	349	361	324	384	
United States:																
Production.....do.....	5,025	4,924	416	414	405	407	397	398	420	394	444	409	446	420	433	
Shipments from mills.....do.....	5,065	4,927	403	412	405	420	406	406	387	394	434	415	443	425	433	
Inventory, end of period.....do.....	60	57	84	86	86	73	65	57	90	90	99	93	96	90	89	
Estimated consumption, all users.....do.....	11,431	11,580	888	949	985	1,051	1,041	1,015	918	881	1,004	1,000	1,035	993	953	
Publishers' stocks, end of period #.....do.....	874	910	962	988	962	935	889	910	920	927	904	889	870	869	886	
Imports.....thous. sh. tons..	7,899	8,472	668	672	740	744	691	683	708	722	708	659	752	678	823	
Producer Price Index, standard newsprint.....1967=100..	323.1	332.5	333.0	334.9	333.9	329.3	329.8	330.2	324.1	324.5	324.3	324.1	324.1	323.1	323.6	322.2
Paper products:																
Shipping containers, corrugated and solid fiber shipments.....mil. sq. ft. surf. area..	267,547	264,128	22,257	23,167	22,087	25,515	20,726	19,594	24,075	21,306	22,567	25,174	23,365	23,419	23,976	

RUBBER AND RUBBER PRODUCTS

RUBBER																
Natural rubber:																
Consumption.....thous. metric tons..	750.74	774.68	55.36	47.30	68.12	47.15	65.71	52.37	59.43	71.83	71.27	81.94	45.46			
Stocks, end of period.....do.....	96.39	95.17	97.93	93.93	84.91	81.07	85.13	95.17	96.95	96.90	100.42	98.58	98.63			
Imports, incl. latex and guayule.....thous. long tons..	786.01	779.80	59.97	45.30	40.73	69.44	71.81	64.49	63.64	70.32	76.62	83.12	47.64	54.01	68.96	
Price, wholesale, smoked sheets (N.Y.).....\$ per lb..	495	418	403	418	418	438	425	398	(*)							
Synthetic rubber:																
Production.....thous. metric tons..	2,155.96	1,907.07	150.36	154.21	160.33	153.64	149.17	131.76	166.52	158.38	189.14	178.57	173.33			
Consumption.....do.....	2,062.30	1,874.72	139.78	150.64	171.57	174.31	154.00	140.27	160.66	146.91	175.73	157.56	178.45			
Stocks, end of period.....do.....	372.05	348.95	295.79	413.53	397.28	374.94	367.00	348.95	352.75	352.99	397.65	402.96	396.47			
Exports (Bu. of Census).....thous. lg. tons..	327.91	306.93	22.21	24.95	27.60	25.33	22.13	25.44	23.49	27.66	24.00	35.39	25.71	25.04	26.34	
TIRES AND TUBES																
Pneumatic casings, automotive:																
Production.....thous.....	209,375	195,972	12,989	16,635	16,844	17,626	15,198	13,786	16,306	15,966	16,968	16,037	15,003	14,647		
Shipments, total.....do.....	242,454	242,049	19,326	21,054	22,683	22,638	19,290	17,916	19,407	16,966	18,910	20,442	20,014	22,107		
Original equipment.....do.....	58,770	62,536	4,447	4,759	5,336	5,593	5,128	4,233	5,603	5,323	5,429	5,459	5,417	5,532		
Replacement equipment.....do.....	176,287	173,553	14,502	15,819	16,868	16,667	13,797	13,274	13,366	11,168	13,021	14,526	14,229	16,229		
Exports.....do.....	7,397	5,960	377	476	479	378	365	409	438	475	460	457	368	346		
Stocks, end of period.....do.....	39,623	39,823	44,349	43,553	41,514	40,425	40,023	39,823	40,717	43,499	45,359	44,519	44,741	40,009		
Exports (Bu. of Census).....do.....	6,410	5,627	433	397	339	444	322	404	409	365	450	386	434	334	350	
Inner tubes, automotive:																
Exports (Bu. of Census).....do.....	1,612	1,123	86	75	70	91	118	72	75	69	90	57	65	60	57	

See footnotes at end of tables.

FOOTNOTES FOR PAGES S-1 THROUGH S-32

General Notes for all Pages:

- r Revised.
- p Preliminary.
- e Estimated.
- c Corrected.

Page S-1

† Revised series. The estimates of personal income have been revised as a part of the annual revision of the national income and product accounts (NIPA's) released in July 1986 and as part of the comprehensive revision of the NIPA's released in 1985. Articles describing those revisions appear in the July 1986 and December 1985 issues of the SURVEY. See tables 2.6-2.9 in the July 1986 SURVEY for revised estimates for 1983-85. Pre-1983 estimates will appear soon in *The National Income and Product Accounts of the United States, 1929-82: Statistical Tables*.

‡ Includes inventory valuation and capital consumption adjustments.

§ Monthly estimates equal the centered three-month average of personal saving as a percentage of the centered three-month moving average of disposable personal income.

◇ See note "◇" for p. S-2.

Page S-2

1. Based on data not seasonally adjusted.

◇ Effective with Sept. 1986 SURVEY, the industrial production index has been revised back to Jan. 1984. These revisions are available upon request.

Includes data not shown separately.

† See note "†" for p. S-8.

‡ See note "‡" for p. S-8.

§ Revised series. Data for inventories are available from 1959; sales and ratios 1967 forward. Revisions are available upon request.

Page S-3

Includes data for items not shown separately.

† See note "†" for p. S-8.

‡ See note "‡" for p. S-8.

§ See note "§" for p. S-2.

Page S-4

1. Based on data not seasonally adjusted.

Includes data for items not shown separately.

‡ Includes textile mill products, leather and products, paper and allied products, and printing and publishing industries; unfilled orders for other nondurable goods industries are zero.

◇ For these industries (food and kindred products, tobacco, apparel and other textile products, petroleum and coal, chemicals and allied products, and rubber and plastics products) sales are considered equal to new orders.

Page S-5

1. Based on unadjusted data.

2. Effective with the Mar. 1986 SURVEY, the reporting frequency has been changed from monthly to 3-month intervals.

@ Compiled by Dun & Bradstreet, Inc. Monthly data from 1984 to 1985 for failures and liabilities, are available upon request, but are not comparable to the earlier years. The failure annual rate data will be available at a later date.

Includes data for items not shown separately.

§ Ratio of prices received to prices paid (parity index).

‡ See note "‡" for p. S-4.

† Effective with the July 1986 SURVEY, data (back to 1983, for some commodities) have been revised and are available upon request.

Page S-6

§ For producer price indexes of individual commodities, see respective commodities in the Industry section beginning p. S-19. All indexes subject to revision four months after original publication.

Includes data for items not shown separately.

† Effective with the Feb. 1986 SURVEY, data back to 1981 have been revised and are available upon request.

Page S-7

1. Computed from cumulative valuation total.

2. Index as of Sept. 1, 1986: building, 370.0; construction, 402.5.

Includes data for items not shown separately.

§ Data for Aug. and Oct. 1985, and Jan., May, and July 1986 are for five weeks; other months four weeks.

◇ Effective Feb. 1986 SURVEY, data for seasonally adjusted housing starts have been revised back to 1983. These revisions are available upon request.

† Effective May 1986 SURVEY, data for seasonally adjusted building permits have been revised back to Jan. 1984. These revisions are available upon request.

@ Effective July 1986 SURVEY, data have been revised. In addition to the normal revisions, a number of important changes have been made, including the elimination of the

"Nonhousekeeping" residential category, which has been replaced for the most part by a new "Hotels and Motels" category in nonresidential buildings; the inclusion of residential major replacements in "Additions and Alterations," which is renamed "Improvements;" and significant historical revisions to estimates for one-unit residential buildings, railroads, electric, gas, and Federal industrial buildings. Due to these changes, much of the data have been revised back to 1964 and are available from the Construction Statistics Division at the Bureau of the Census, Washington, D.C. 20233.

‡ Effective July 1986 SURVEY, this index has been revised to a new comparison base of 1982=100. Revisions back to 1964 are available upon request.

Page S-8

1. Advance estimate.

* New series effective Sept. 1985 SURVEY. All activity reported on a gross basis (i.e., the entire amount of loan) including refinancings and combination construction—purchase loans. Revised data are now available back to Jan. 1984. Earlier data will be available later.

◇ Home mortgage rates (conventional first mortgages) are under money and interest rates on p. S-14.

§ Data include guaranteed direct loans sold.

† Effective April 1986 SURVEY, wholesale trade data have been revised back to Jan. 1976. Revised data and a summary of changes appear in the report *Revised Monthly Wholesale Trade Sales and Inventories* BW-13-85S, available from the Bureau of the Census, Washington, D.C. 20233; \$2.50 per copy.

‡ Effective April 1986 SURVEY, retail trade data have been revised. Estimates of retail sales have been revised back to Jan. 1983 and estimates of retail inventories have been revised back to Jan. 1978. Revised data and a summary of changes appear in the report *Revised Monthly Retail Sales and Inventories* BR-13-85S, available from the Bureau of the Census, Washington, D.C. 20233; \$3.00 per copy.

Includes data for items not shown separately.

Page S-9

1. Advance estimate.

2. Data beginning Jan. 1986 are not strictly comparable with earlier data because of a change in estimation procedures.

‡ See note "‡" for p. S-8.

Includes data for items not shown separately.

◇ Effective with the January 1986 SURVEY, the seasonally adjusted labor force series have been revised back to January 1981. The January 1986 issue of *Employment and Earnings* contains the new seasonal adjustment factors, a description of the current methodology, and revised data for the most recent 13 months or calendar quarters. Revised monthly data for the entire 1981-85 revision period appear in the February 1986 issue of *Employment and Earnings*.

† The participation rate is the percent of the civilian noninstitutional population in the civilian labor force. The employment-population ratio is civilian employment as a percent of the civilian noninstitutional population, 16 years and over.

@ Data include resident armed forces.

Page S-10

◇ See note "◇" for p. S-9.

§ Effective June 1986 SURVEY, data have been revised back to April 1984 (not seasonally adjusted) and January 1981 (seasonally adjusted) to reflect new benchmarks and seasonal adjustment factors. The June 1986 issue of *Employment and Earnings* will contain a detailed discussion of the effects of the revisions.

Page S-11

‡ This series is not seasonally adjusted because the seasonal component is small relative to the trend-cycle and/or irregular components and consequently cannot be separated with sufficient precision.

◇ Production and nonsupervisory workers.

§ See note "§" for p. S-10.

Page S-12

1. This series is not seasonally adjusted because the seasonal component is small relative to the trend-cycle and/or irregular components and consequently cannot be separated with sufficient precision. Use the corresponding unadjusted series.

§ See note "§" for p. S-10.

◇ Production and nonsupervisory workers.

‡ Earnings in 1977 dollars reflect changes in purchasing power since 1977 by dividing by Consumer Price Index.

§§ Wages as of Sept. 1, 1986: Common, \$16.58; Skilled, \$21.76.

@ New series. The Employment Cost Index (ECI) is a quarterly measure of the average change in the cost of employing labor. See p. S-36 of the August through October 1984 issues of the SURVEY for a brief description of the ECI.

† Excludes farm, household, and Federal workers.

‡‡ See note "‡" for p. S-11.

Page S-13

1. Average for Dec.
2. Reported annual; monthly revisions are not available.
- ‡ Effective January 1984, series revised due to changes in the reporting panel and in the item contents. The new panel includes 168 banks that had domestic office assets exceeding \$1.4 billion as of December 31, 1982. Beginning Jan. 1985, data are as of the last Wednesday of the month. Earlier data are as of the Wednesday nearest the end of the month or year (meaning some data are as of the first Wednesday of the next month).
- # Includes data for items not shown separately.
- ‡‡ Reflects offsetting changes in classification of deposits of thrift institutions. Deposits of thrifts were formerly grouped with deposits of individuals, partnerships, and corporations, instead of with deposits of commercial banks in the United States.
- * "Transaction balances other than demand deposits" consists of ATS, NOW, super NOW, and telephone transfer accounts, which formerly were classified with savings deposits. "Nontransaction balances" reflects the combination of deposits formerly reported separately as time deposits and the savings deposits remaining after deduction of the items now reported separately under "transaction balances."
- § Excludes loans and federal funds transactions with domestic commercial banks and includes valuation reserves (individual loan items are shown gross; i.e., before deduction of valuation reserves).
- ◇ Securities of Federal agencies and corporations have been shifted out of "other securities" and are now combined with U.S. Treasury securities. Also, loan obligations of States and political subdivisions have been shifted out of "other securities" and are now shown separately among the loan items.
- @ Insured unemployment (all programs) data include claims filed under extended duration provisions of regular State laws; amounts paid under these programs are excluded from state benefits paid data.
- @@ Insured unemployment as a percent of average covered employment in a 12-month period.

Page S-14

1. Data are for fiscal years ending Sept. 30 and include revisions not distributed to the months.
2. Weighted by number of loans.
3. Does not include a prior period adjustment of \$326 million.
4. Effective with Apr. 1986 SURVEY, not seasonally adjusted data by type of credit for certain holders are no longer available.
- † Effective with Apr. 1986 SURVEY, the consumer installment credit series have been revised for the period 1975 through 1985 to reflect newly available historical information for financial institutions and retailers, and to incorporate new seasonal adjustment factors.
- * New series. Effective with Apr. 1986 SURVEY, data for savings institutions (includes savings and loan associations, mutual savings banks, and federal savings banks) are shown for the first time.
- # Includes data for items not shown separately.
- ◇ Adjusted to exclude domestic commercial interbank loans and federal funds sold to domestic commercial banks.
- ‡ Rates on the commercial paper placed for firms whose bond rating is Aa or the equivalent.
- ‡‡ Courtesy of *Metals Week*.
- @@ Average effective rate
- § Effective July 1986 SURVEY, data have been revised back to Dec. 1972 and are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Page S-15

1. This series has been discontinued.
- † Effective Feb. 1986 SURVEY, the money stock measures and components have been revised and are available from the Banking Section of the Division of Research and Statistics at the Federal Reserve Board, Washington, D.C. 20551.
- ‡ Composition of the money stock measures is as follows:
M1.—This measure is currency plus demand deposits at commercial banks and interest-earning checkable deposits at all depository institutions—namely NOW accounts, automatic transfer from savings (ATS) accounts, and credit union share draft balances—as well as a small amount of demand deposits at thrift institutions that cannot, using present data sources, be separated from interest-earning checkable deposits.
M2.—This measure adds to *M1* overnight repurchase agreements (RP's) issued by commercial banks and certain overnight Eurodollars (those issued by Caribbean branches of member banks) held by U.S. nonbank residents, money market mutual fund shares, and savings and small-denomination time deposits (those issued in denominations of less than \$100,000) at all depository institutions. Depository institutions are commercial banks (including U.S. agencies and branches of foreign banks, Edge Act corporations, and foreign investment companies), mutual savings banks, savings and loan associations, and credit unions.
M3.—This measure equals *M2* plus large-denomination time deposits (those issued in denominations of \$100,000 or more) at all depository institutions (including negotiable CD's) plus term RP's issued by commercial banks and savings and loan associations.
L.—This broad measure of liquid assets equals *M3* plus other liquid assets consisting of other Eurodollar holdings of U.S. nonbank residents, bankers acceptances, commercial paper, savings bonds, and marketable liquid Treasury obligations.
‡‡ Includes ATS and NOW balances at all depository institutions, credit union share draft balances, and demand deposits at thrift institutions.
◇ Overnight (and continuing contract) RP's are those issued by commercial banks to the nonbank public, and overnight Eurodollars are those issued by Caribbean branches of member banks to U.S. nonbank customers.
@ Small time deposits are those issued in amounts of less than \$100,000. Large time deposits are those issued in amounts of \$100,000 or more and are net of the holdings of domestic banks, thrift institutions, the U.S. Government, money market mutual funds, and foreign banks and official institutions.
Includes data for items not shown separately.
§ Number of issues represents number currently used; the change in number does not affect the continuity of the series.

Page S-16

1. The Aaa public utility average was suspended Jan. 17, 1984, because of a lack of appropriate issues. The average corporate and the Aaa corporate do not include Aaa utilities from Jan. 17 to Oct. 12. The Aaa utility average was reinstated on Oct. 12; the Oct. monthly average includes only the last 14 days of the month.
2. Effective with Jan. 1986 data, the practice of adjusting exports and imports for seasonal and working-day variations was discontinued.
- § Number of issues represents number currently used; the change in number does not affect the continuity of the series.
- ‡ For bonds due or callable in 10 years or more.
- # Includes data for items not shown separately.
- @ Data may not equal the sum of the geographic regions, or commodity groups and principal commodities, because of revisions to the totals not reflected in the component items.

Page S-17

1. See note 2 for p. S-16.
- # Includes data not shown separately.
- § Data may not equal the sum of geographic regions, or commodity groups and principal commodities, because of revisions to the totals not reflected in the components.

Page S-18

1. Annual total; quarterly or monthly revisions are not available.
2. Restaurant sales index data represent hotels and motor hotels only.
3. For month shown.
- # Includes data for items not shown separately.
- § Total revenues, expenses, and income for all groups of carriers also reflect nonscheduled service.
- ‡ The threshold for Class I railroad status is adjusted annually by the Interstate Commerce Commission to compensate for inflation.
- ◇ Average daily rent per room occupied, not scheduled rates.
- ## Data represent entries to a national park for recreational use of the park, its services, conveniences, and/or facilities.
- † Before extraordinary and prior period items.

Page S-19

1. Reported annual total; monthly revisions are not available.
2. Data are no longer available. Annual figure represents total exports for the period Jan.-June.
3. Less than 500 short tons.
- # Includes data for items not shown separately.
- § Data are reported on the basis of 100 percent content of the specified material unless otherwise indicated.
- * New series. Access lines are a communication circuit that connects a customer location to a switching center.
- @ Because of deregulation, carriers are free to enter both domestic and international markets. Previously, carriers were limited either to domestic or overseas markets. Separate data for domestic or overseas are no longer available.
- ‡ Data for 1984 (and for some commodities, 1985 and 1983) have been revised and are available upon request.
- † Effective with 1985, data are reported on the basis of 100 percent content of ethyl acetate material.
- ◇ Beginning January, 1986, data are not directly comparable to earlier periods because the data represent only companies that have annual revenues over \$100 million.

Page S-20

1. Reported annual total; monthly or quarterly revisions are not available.
- § Data are not wholly comparable from year to year because of changes from one classification to another.
- ◇ Effective with the Nov. 1985 SURVEY, data for 1982-84 have been revised and are available upon request.
- † Effective with the Nov. 1985 SURVEY, data for 1983-84 have been revised. These revisions are available upon request.
- # Effective with the Sept. 1985 SURVEY, monthly data have been restated back to Jan. 1984 to include consumption for Hawaii. Prior to 1984, consumption for Hawaii is reflected in annual totals only.
- ‡ Revised data for 1983-84 (and 1981, for revenue from sales to ultimate customers) are available upon request.

Page S-21

1. Previous year's crop; new crop not reported until Oct. (beginning of new crop year).
2. Crop estimate for the year.
3. Stocks as of June 1.
4. Stocks as of June 1 and represents previous year's crop; new crop not reported until June (beginning of new crop year).
5. Less than 50,000 bushels.
6. See note "@" for this page.
7. Reported annual total; revisions not distributed to the months.
8. Based on a 10-month average.
9. Data are no longer available.
10. Beginning with 1986, quarterly stock estimates are no longer available. However, June 1 stock estimates, representing previous year's crop, will continue to be published.
11. September 1 estimate of 1986 crop.
12. Effective with Apr. 1986 reporting, coverage has been reduced to 21 selected States, representing approximately 85 percent of U.S. production.
§ Excludes pearl barley.
Bags of 100 lbs.
@ Data are quarterly except for June (covering Apr. and May) and Sept. (covering June-Sept.).

Page S-22

1. Reported annual total; revisions not distributed to the months.
2. Prices are no longer available. Annual average is based on quotations for fewer than 12 months.
3. Effective with Mar. 1986 reporting, coverage has been reduced to 20 major States, representing approximately 80 percent of U.S. production.
 - § Cases of 30 dozen.
 - ◇ Bags of 60 kilograms.

Page S-23

1. Crop estimate for the year.
2. Reported annual total; revisions not distributed to the months.
3. September 1 estimate of 1986 crop.
- # Totals include data for items not shown separately.
- ◇ Effective Sept. 1985 SURVEY, the footwear production series have been revised for 1983 and 1984.

Page S-24

1. Annual data; monthly revisions not available.
2. Less than 500 tons.
3. Beginning January 1985, data have been revised because of a new estimation procedure and may not be comparable to earlier periods.
4. See notes 1 and 3 for this page.

Page S-25

1. Annual data; monthly revisions are not available.
2. For month shown.
- † Beginning January 1982, data represent metallic (mostly aluminum) content. Data for 1981 and prior years represent aluminum content only.
- ◇ The source for these series is now the Bureau of Mines.
- § Source: *Metals Week*.

Page S-26

1. Annual data; monthly revisions are not available.
2. Less than 50 tons.
3. Beginning 1st quarter 1984, data have been revised because of a new sample and may not be comparable to earlier periods.
4. Average for 8 months; no data for March, April, September, and October.
5. Average for 10 months; no data for November and December.
- ◇ Includes secondary smelters' lead stocks in refinery shapes and in copper-base scrap.
- @ All data (except annual production figures) reflect GSA remelted zinc and zinc purchased for direct shipment.
- ‡ Source for monthly data: American Bureau of Metal Statistics. Source for annual data: Bureau of Mines.
- # Includes data not shown separately.
- § Beginning with the Aug. 1985 SURVEY, unadjusted fluid power shipments indexes are shown. Seasonally adjusted indexes are no longer available.
- * New series. For an explanation of material handling equipment shipments and historical data, see p. S-35 of the Dec. 1985 SURVEY.

Page S-27

1. Data are for five weeks; other months 4 weeks.
- # Includes data for items not shown separately.
- § Includes nonmarketable catalyst coke.
- ◇ Includes small amounts of "other hydrocarbons and alcohol new supply (field production)," not shown separately.
- † Effective with the Oct. 1985 SURVEY, coal production data for 1984 have been revised. Effective with the July 1986 SURVEY, coal consumption and stocks for 1985 have been revised. These revisions are available upon request.
- @ Includes U.S. produced and imported microwave ovens and combination microwave oven/ranges.
- ‡ "Tractor shovel loaders" includes some front engine mount wheel tractors that had previously been included in "Tractors, wheel, farm, and nonfarm."
- @@ Effective with the July 1986 SURVEY, data for 1985 have been revised and are available upon request.

Page S-28

1. Reported annual totals; revisions not allocated to the months.
2. Effective with the Jan. 1985 price, gasoline that contains alcohol as an additive is included.
 - # Includes data for items not shown separately.
 - † Except for price data, see note "@@" for p. S-27.
 - ‡ Effective with June 1985, indexes reflect price movements through the middle of the month for which they are shown. Indexes prior to June 1985 were based on prices for the previous month; reflecting a one-month lag in pricing.

Page S-29

1. See note 1 for p. S-28.
2. Data are no longer available.
- ◇ Source: American Paper Institute. Total U.S. estimated consumption by all newspaper users.
- # Compiled by the American Newspaper Publishers Association.

Page S-30

1. Reported annual total; revisions not allocated to the months.
2. Crop for the year.
3. Data cover five weeks; other months, four weeks.
4. Data are no longer available.
5. Beginning Jan. 1985, figure includes sales of water/moisture resistant board, not shown separately.
6. Beginning with 1985, value of shipments for rolled and wire glass is excluded. Comparable data for 1984 and earlier periods, which exclude such shipments, are not available.
- # Includes data for items not shown separately.
- ◇ Cumulative ginnings to the end of month indicated.
- § Bales of 480 lbs.
- ‡ Monthly revisions for 1984-85 are available upon request.
- † Monthly revisions for 1985 are available upon request.

Page S-31

1. Less than 500 bales.
2. Annual total includes revisions not distributed to the months.
3. Average for crop year; Aug. 1-Jul. 31.
4. For five weeks; other months four weeks.
- ◇ Based on 480-lb. bales, preliminary price reflects sales as of the 15th; revised price reflects total quantity purchased and dollars paid for the entire month (revised price includes discounts and premiums).
- # Includes data not shown separately.
- § Bales of 480 lbs..

Page S-32

1. Annual total includes revisions not distributed to the months.
2. Production of new vehicles (thous. of units) for Aug. 1986: *passenger cars, 479; trucks and buses, 266.*
3. Effective with 1984, data are reported on an annual basis only. The annual/end of year figure for 1982 has been revised and is available upon request.
4. See note "@" for this page.
5. Data are no longer available.
6. Effective with the July 1986 SURVEY, data have been revised back to 1984 and are available upon request.
 - # Total includes backlog for nonrelated products and services and basic research.
 - § Domestic comprise all cars assembled in the U.S. and cars assembled in Canada and imported to the U.S. under the provisions of the Automotive Products Trade Act of 1965. Imports comprise all other cars.
 - ◇ Courtesy of R.L. Polk & Co.; republication prohibited. Because data for some states are not available, month-to-month comparisons are not strictly valid.
 - ‡ Excludes railroad-owned private refrigerator cars and private line cars.
 - † Monthly revisions for 1984-85 are available upon request.
 - @ Effective with the Feb. 1986 SURVEY, retail inventories of trucks and buses have been revised back to 1967. These revisions, which were made to reflect updated factors, are shown on p. S-35 of the Feb. 1986 SURVEY.
 - * New series. GVW: gross vehicle weight. For an explanation of methodology and historical data for retail sales of trucks and buses, see p. S-36 of the July 1986 SURVEY.
 - †† Data for 1983-85 have been revised and are available upon request.

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