

UNITED STATES DEPARTMENT OF  
**COMMERCE**  
**NEWS**  
WASHINGTON, D.C. 20230

Social and Economic  
Statistics Administration

BUREAU OF  
ECONOMIC ANALYSIS

FOR RELEASE 10:00 A.M. THURSDAY, FEBRUARY 14, 1974

Evelyn M. Parrish: 523-0621

BEA 74-10

U.S. BALANCE OF PAYMENTS DEVELOPMENTS,  
FOURTH QUARTER AND YEAR 1973

Preliminary data show that the official reserve transactions balance was in surplus by \$2.7 billion in the fourth quarter, compared with a \$2.1 billion surplus in the third, according to the Bureau of Economic Analysis, an agency of the Commerce Department's Social and Economic Statistics Administration. (All quarterly figures are seasonally adjusted unless otherwise noted.) Strongly influenced by the exceptionally large first quarter deficit of \$10.5 billion, the official reserve transactions balance for the full year 1973 was in deficit by \$5.3 billion, compared with the \$10.3 billion deficit in 1972.

The net liquidity balance was in deficit by \$1.3 billion in the fourth quarter, a \$2.8 billion deterioration from the third quarter surplus of \$1.5 billion. For the full year 1973--again influenced by the large \$6.6 billion first quarter deficit--the net liquidity deficit was \$7.9 billion, compared with \$13.9 billion in 1972.

Fourth quarter summary

The \$2.8 billion adverse shift in the net liquidity balance in the fourth quarter reflected a \$1.9 billion unfavorable swing to net outflows of bank-reported nonliquid capital, a \$0.8 billion decline in net capital inflows through transactions in U.S. and foreign securities, and a \$1.4 billion increase in net outflows associated with transactions for which fourth quarter data are not yet available and with transactions not covered by the statistical reporting system (errors and omissions). These adverse changes were partly offset by an increase of \$1.3 billion in the surplus on goods and services, including a \$0.5 billion increase in the surplus on nonmilitary merchandise trade.

The \$0.6 billion improvement in the official reserve transactions surplus reflected a \$3.4 billion rise in net liquid private capital inflows that more than offset the \$2.8 billion deterioration in the net liquidity balance. Liquid liabilities to foreigners shifted \$3.3 billion to an inflow of \$4.3 billion, as a result of large inflows of foreign funds into U.S. bank deposits and liquid money market instruments. Outflows associated with liquid claims on foreigners dropped slightly.

#### Summary for 1973

The \$6.0 billion improvement in the net liquidity deficit in 1973 reflected a favorable shift of \$7.6 billion in the merchandise trade balance and \$3.5 billion rise in the surplus on other goods and services. Partly offsetting were a rise of \$1.9 billion in net nonliquid capital outflows reported by U.S. banks, and a decline of \$0.5 billion in net inflows arising from transactions in U.S. and foreign securities. Furthermore, there were no SDR allocations in 1973 compared with \$0.7 billion in 1972. Net outflows through transactions for which fourth quarter data are not yet available, including direct investment and transactions not covered by the statistical reporting system, increased about \$2.0 billion in 1973.

The \$5.0 billion improvement in the official reserve transactions balance included, in addition to the above factors, a \$0.9 billion reduction to \$2.6 billion in net liquid private capital inflows. Outflows through liquid claims increased \$0.6 billion to \$1.8 billion and liquid liabilities showed an inflow of \$4.4 billion, \$0.3 billion less than in 1972.

#### Selected Foreign Transactions

##### Merchandise trade

The merchandise trade surplus was \$1.2 billion in the fourth quarter, compared with \$0.7 billion in the third. For 1973 as a whole, the surplus was \$0.7 billion, a \$7.6 billion improvement from the \$6.9 billion deficit in 1972. (These figures are adjusted to a balance of payments basis excluding "military" trade of U.S. defense agencies.)

In the fourth quarter exports rose \$1.9 billion to \$20.0 billion and imports rose \$1.4 billion to \$18.9 billion. For the full year 1973, exports increased 44 percent to \$70.3 billion (agricultural exports nearly doubled to \$17.9 billion) and imports increased 25 percent to \$69.6 billion. Both export and import values were affected by sharply rising prices, as export prices (unit values) rose 17 percent and import prices increased 19 percent.

##### Other goods and services

The balance on other goods and services was in surplus by an estimated \$2.3 billion in the fourth quarter. The \$0.8 billion improvement from the third quarter partly reflected special transfers of military equipment to Israel. For the full year 1973, the surplus in "other goods and services" was \$5.8 billion, \$3.5 billion more than in 1972, largely reflecting increases in net receipts from investment income and from transfers under military sales contracts.

## Securities transactions

Net U.S. purchases of foreign securities rose \$0.3 billion to \$0.5 billion in the fourth quarter, as a result of increased purchases of bonds newly issued by Israel and Canada. For 1973 as a whole, net U.S. purchases of foreign securities amounted to \$0.8 billion compared with \$0.6 billion in 1972. A reduction in net U.S. sales of foreign stocks accounted for the unfavorable shift.

Net foreign purchases of U.S. securities totaled \$0.7 billion in the fourth quarter, \$0.5 billion less than in the third. There was a \$0.4 billion decline in net foreign purchases of U.S. stocks and a \$0.1 billion adverse shift in net purchases of U.S. bonds.

For the full year 1973, net foreign purchases of U.S. securities shifted adversely by \$0.3 billion to \$4.1 billion, as a \$0.5 billion rise to \$2.8 billion in net foreign purchases of U.S. stocks was more than offset by a \$0.8 billion decline in net foreign purchases of new Eurobond issues of U.S. corporations.

## Nonliquid bank-reported transactions

Net nonliquid capital transactions reported by U.S. banks showed a \$1.9 billion unfavorable shift in the fourth quarter to an outflow of \$1.5 billion. Long-term claims on foreigners increased \$0.5 billion, a \$0.7 billion adverse shift from the third quarter. Nonliquid short-term claims rose \$1.0 billion, shifting unfavorably by \$1.1 billion. Increases in loans to Canada, the United Kingdom and Japan were major factors.

For the full year 1973, net nonliquid capital outflows reported by U.S. banks rose \$1.9 billion to \$4.5 billion. A \$2.4 billion rise to \$3.9 billion in nonliquid short-term outflows more than offset a decline of \$0.5 billion in long-term net outflows to \$0.6 billion.

Data for the balance of payments items now available on a preliminary basis are shown in the attached table. Additional data and the balance on current account and long-term capital will be published in a press release on March 20. Complete balance of payments data for the fourth quarter and the year 1973 and further analysis will be published in the March issue of the Survey of Current Business, the monthly journal of the Bureau of Economic Analysis. The Survey is available from District Offices of the Department of Commerce, or from the Superintendent of Documents, U.S. Government Printing Office, Washington, D. C., 20402, at an annual subscription price of \$34.45, including weekly supplements; single copy, \$2.25.

TABLE FOLLOWS:



Selected Data on Foreign Transactions of the United States in the Fourth Quarter of 1973  
Available as of the Middle of February, 1974

(Millions of dollars)

Credits (+); debits (-)	Annual			1972					1973					Adjusted for seasonal variations				Change:	Change:
	1971	1972	1973 <sup>p</sup>	IV	I	II	III	IV <sup>p</sup>	1972	1973	I	II	III	IV <sup>p</sup>	IIIC-IVQ	1972-73			
1. Merchandise trade balance <sup>1/</sup>	-2,698	-6,912	674	-1,474	-557	-69	-178	1,478	-1,745	-966	-250	710	1,180	470	7,586				
2. Exports	42,768	48,769	70,310	13,586	15,430	17,358	16,888	20,634	13,213	15,323	16,761	18,158	20,048	1,890	21,541				
3. Imports	-45,466	-55,681	-69,636	-15,060	-15,987	-17,427	-17,066	-19,156	-14,958	-16,289	-17,031	-17,448	-18,868	-1,420	-13,955				
4. Other goods and services, net	3,507	2,301	5,762	1,642	1,376	856	429	3,101	875	1,120	928	1,444	2,270	826	3,461				
5. BALANCE ON GOODS AND SERVICES	807	-4,610	6,436	168	819	787	251	4,579	-870	154	678	2,154	3,450	1,296	11,046				
6. Transactions in foreign securities, net; U.S. purchases (-)	-966	-614	-792	-40	51	-126	-204	-513	-40	51	-126	-204	-513	-309	-178				
7. Foreign securities newly issued in the United States	-1,562	-1,663	-1,392	-458	-275	-311	-252	-554	-458	-275	-311	-252	-554	-302	271				
8. Redemptions	480	597	427	150	124	113	90	100	150	124	113	90	100	10	-130				
9. Other bonds	129	32	-39	54	34	30	-48	-55	54	34	30	-48	-55	-7	-71				
10. Other stocks	-13	460	212	214	168	42	6	-4	214	168	42	6	-4	-10	-248				
11. Transactions in U.S. securities other than Treasury issues, net; foreign purchases (+)	2,269	4,335	4,057	1,768	1,745	496	1,159	657	1,768	1,745	496	1,159	657	-502	-278				
12. Stocks	836	2,268	2,796	1,087	1,301	125	869	501	1,087	1,301	125	869	501	-368	528				
13. Eurobonds newly issued abroad by U.S. corporations <sup>2/</sup>	1,161	2,003	1,175	569	384	274	193	324	569	384	274	193	324	131	-828				
14. Other bonds	272	64	86	112	61	97	96	-168	112	61	97	96	-168	-264	22				
15. Nonliquid capital flows reported by U.S. banks, net	-2,664	-2,615	-4,549	-1,847	-1,650	-1,639	753	-2,013	-1,301	-1,912	-1,619	432	-1,450	-1,882	-1,934				
16. Long-term claims on foreigners	-612	-1,269	-841	-381	-256	-335	220	-470	-381	-256	-335	220	-470	-690	428				
17. Long-term liabilities to private foreigners	-250	149	234	-61	153	78	28	-25	-61	153	78	28	-25	-53	85				
18. Nonliquid short-term claims on foreigners	-1,802	-1,495	-3,942	-1,405	-1,547	-1,382	505	-1,518	-859	-1,809	-1,362	184	-955	-1,139	-2,447				
19. Allocations of special drawing rights (SDR)	717	710	-	-	-	-	-	-	177	-	-	-	-	-	-710				
20. Errors and omissions and other transactions <sup>3/</sup>	-22,128	-11,089	-13,051	-3,246	-7,169	-1,516	-1,320	-3,046	-3,585	-6,604	-1,021	-2,008	-3,418	-1,410	-1,962				
21. NET LIQUIDITY BALANCE	-21,965	-13,882	-7,899	-3,197	-6,204	-1,998	639	-336	-3,851	-6,566	-1,592	1,533	-1,274	-2,807	5,983				
22. Liquid private capital flows, net	-7,788	3,542	2,608	1,694	-3,791	2,770	294	3,335	2,367	-3,920	1,940	588	4,000	3,412	-934				
23. Liquid claims	-1,097	-1,234	-1,827	-42	-1,981	831	-511	e 1,166	-131	-2,044	835	-363	e -255	108	-593				
24. Reported by U.S. banks	-966	-742	-1,169	-168	-1,163	961	-497	-470	-777	-1,351	905	-344	-379	-35	-427				
25. Reported by U.S. nonbanking concerns	-531	-492	-658	126	-818	-130	-14	304	-54	-693	-70	-19	e 124	143	-166				
26. Liquid liabilities	-6,691	4,776	4,435	1,736	-1,810	1,939	805	3,501	2,498	-1,876	1,105	951	4,255	3,304	-341				
27. To foreign commercial banks	-6,908	3,862	2,860	1,233	-1,830	1,544	700	2,446	1,995	-1,896	710	846	3,200	2,354	-1,002				
28. To international and regional organizations	682	104	374	181	12	31	-50	381	181	12	31	-50	381	431	270				
29. To other foreigners	-465	810	1,201	322	8	364	155	674	322	8	364	155	674	519	391				
30. OFFICIAL RESERVE TRANSACTIONS BALANCE	-29,753	-10,340	-5,291	-1,503	-9,995	772	933	2,999	-1,484	-10,486	348	2,121	2,726	605	5,049				
Financed by changes in:																			
31. Liquid liabilities to foreign official agencies	27,615	9,720	4,439	1,485	8,616	-1,213	-479	-2,485	1,645	9,107	-791	-1,667	-2,210	-543	-5,281				
32. Other readily marketable liabilities to foreign official agencies <sup>4/</sup>	-551	399	1,118	117	1,202	259	11	-354	117	1,202	259	11	-354	-365	719				
33. Nonliquid liabilities to foreign official reserve agencies reported by U.S. Government	341	189	-475	-165	-43	165	-452	-145	-167	-43	167	-452	-147	305	-664				
34. U.S. official reserve assets, net	2,348	32	209	66	220	17	-13	-15	-111	220	17	-13	-15	-2	177				
35. Gold	866	547	-	-	-	-	-	-	-	-	-	-	-	-	-547				
36. SDR	-249	-703	9	-	-	9	-	(*)	-177	9	-	(*)	-	(*)	712				
37. Convertible currencies	361	35	233	82	233	(*)	-	(*)	82	233	(*)	-	(*)	(*)	198				
38. Gold tranche position in IMF	1,350	153	-33	-16	-13	8	-13	-15	-16	-13	8	-13	-15	-2	-186				
<b>Memorandum:</b>																			
39. Gross liquidity balance, excluding allocations of SDR (lines 34, 33, 32, 31, 26, 19, with sign reversed)	-23,779	-15,826	-9,726	-3,239	-8,185	-1,167	128	-502	-4,159	-8,610	-757	1,170	-1,529	-2,699	6,100				
40. Changes in liquid liabilities of U.S. banks to their foreign branches (part of line 27)	-4,942	178	337	-52	-579	586	93	237											

e Estimates. p Preliminary. \* Less than \$500,000(2).

1/ Adjusted for timing, valuation and coverage to balance of payments basis; excludes exports under U.S. military agency sales contracts and imports of U.S. military agencies.

2/ Excludes securities issued by U.S. subsidiaries incorporated abroad; however, if proceeds of such issues are transferred to U.S. parent companies they are treated as if they had been issued by U.S. corporations.

3/ These include direct investments and other transactions for which fourth quarter data are not available.

4/ Includes changes in nonliquid liabilities reported by U.S. banks and in investments by foreign official agencies in debt securities of U.S. Government corporations and agencies, private corporations, and State and local governments.