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UNITED STATES DEPARTMENT OF  
**COMMERCE**  
**NEWS**

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WASHINGTON, D.C. 20230

Social and Economic  
Statistics Administration

BUREAU OF  
ECONOMIC ANALYSIS

FOR RELEASE            FRIDAY, APRIL 25, 1975 10:00 A.M.

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BEA 75-28

MERCHANDISE TRADE IN THE FIRST QUARTER 1975  
--Balance of Payments Basis--

Preliminary estimates indicate that the U.S. merchandise trade balance registered a surplus of \$1.3 billion, seasonally adjusted, in the first quarter compared with a deficit of \$1.5 billion in the fourth quarter of 1974. The surplus was the first since the fourth quarter of 1973, when exports exceeded imports by \$1.2 billion. These figures, reported today by the Bureau of Economic Analysis, an agency of the Commerce Department's Social and Economic Statistics Administration, are measured on a balance of payments basis, which excludes military trade of U.S. defense agencies, and reflects various adjustments--for timing, coverage, and valuation--to the trade data reported by the Census Bureau on the f.a.s. transactions value basis.

The \$2.8 billion improvement in the trade balance from the fourth quarter to the first occurred as imports declined \$2.2 billion, or 8 percent, to \$25.5 billion, while exports rose \$0.6 billion, or 2 percent, to \$26.8 billion. Both export and import prices rose about 3 percent. (Prices are measured by the Census Bureau's unit value index, with first quarter data still incomplete.) In volume terms, imports fell more than 10 percent, and exports were virtually unchanged.

Exports

Increased shipments of agricultural goods accounted for the entire first quarter export rise, and reflected higher volume; farm export prices were down slightly, following a near-5 percent increase in the preceding quarter. The expansion in agricultural shipments was concentrated in January; shipments contracted sharply in February and declined further in March, to their lowest level in 5 months.

Nonagricultural (nonmilitary) exports remained virtually unchanged in value in the first quarter, despite an estimated 4 percent increase in prices. There was a \$200 million rise in shipments of industrial supplies and materials, helped by a post-strike recovery in coal exports, increased foreign demand for enriched nuclear fuel materials, and a rise in nonmonetary gold exports (not reflected in Census trade statistics); these gains were partly offset by declines in steel and steel scrap, paper, textiles, and chemicals. The rise in gold exports reflected shipments to foreign buyers as a result of the U.S. Treasury's gold auction at the beginning of the year following the legalization of gold holdings by U.S. nationals on

December 31, 1974. In addition, there were large resales abroad of gold imported earlier by U.S. dealers in anticipation of heavy demand by the U.S. public, which did not fully materialize.

Capital goods exports declined in the first quarter, as a \$350 million slowdown in deliveries of civilian aircraft more than offset a \$165 million rise in machinery exports. Automotive exports declined, as shipments to Canada fell \$260 million, more than offsetting a \$60 million improvement in overseas sales, mainly to the Middle East and Africa.

### Imports

Petroleum imports, which over the past year have comprised one-fourth of total imports, accounted for two-fifths of the first quarter decline, falling by \$0.9 billion, or 12 percent. Following a very large increase in recorded arrivals in January, probably as a hedge against expected increases in import fees and the possible renewal of import quotas, petroleum imports dropped sharply in February and declined further in March. For the quarter as a whole, petroleum imports--including imports into the Virgin Islands--dropped to a rate of 6,230,000 barrels a day, compared with 6,990,000 barrels in the fourth quarter of 1974, and a daily rate of 6,505,000 barrels for the full year 1974.

Except for capital goods, which remained about unchanged, imports of other major commodity categories declined \$1.3 billion in aggregate, or about 7 percent, as prices rose by an estimated 2 percent; the decline was quite broadly distributed. Imports of industrial supplies and materials (other than petroleum) fell nearly \$400 million, as sizeable decreases for nonferrous metals, textile materials, and chemicals more than offset a rise in iron ore imports, and a small increase in steel mill products. Automotive imports from Canada dropped by over \$300 million, or 20 percent; auto arrivals from overseas were virtually unchanged. Other nonfood consumer goods declined nearly \$400 million, or 10 percent. Imports of foods, feeds, and beverages declined \$200 million, as a \$400 million drop in sugar arrivals was only partially offset by increased imports of coffee, meat and whiskey.

TABLE FOLLOWS:

Merchandise Trade--Balance of Payments Basis  
(Millions of dollars, seasonally adjusted)

	Annual 1974 (C)	Annual 1974 (F)	1974(F)				1975(F) I	Change: IV'74-I'75
			I	II	III	IV		
<u>EXPORTS</u> (f.a.s. transactions value)								
Merchandise exports, Census basis, including reexports, excluding military grant shipments.....	97,907	97,907	22,324	24,077	25,084	26,509	26,917	408
Additions to Census exports:								
Inland freight (to Canada) valuation adjustment.....	557	557	127	137	145	148	145	-3
Deductions from Census exports:								
Exports transferred under U.S. military agency sales contracts identified in Census documents.....	1,752	1,752	350	468	436	498	483	-15
Other adjustments to Census exports.....	369	369	111	175	-62	58	243	185
Equals: Merchandise exports, adjusted to balance of payments basis, excluding "military".....	97,081	97,081	22,212	23,921	24,731	26,217	26,822	605
<u>IMPORTS</u>								
Merchandise imports, Census basis (customs valuation)..	100,972							
Merchandise imports, Census basis (f.a.s. valuation)...		100,218	21,555	24,863	26,878	26,984	24,830	-2,154
Additions to Census imports.....	2,324	2,324	498	533	643	650	802	152
Virgin Islands imports from foreign countries.....	1,927	1,927	378	443	557	549	563	14
Gold imports, nonmonetary.....	397	397	120	90	86	101	239	138
Deductions from Census imports.....	998	334	57	66	131	80	59	-21
Automotive valuation adjustment.....	664							
Imports of U.S. military agencies identified in Census documents.....	334	334	57	66	131	80	59	-21
Other adjustments to Census imports.....	664	664	405	246	-184	135	-91	-226
Equals: Merchandise imports, adjusted to balance of payments basis, excluding "military".....	102,962	102,872	22,401	25,576	27,206	27,689	25,482	-2,207
<u>BALANCE</u> (export surplus +, export deficit -)								
Merchandise trade, Census basis.....	-3,065	-2,311	769	-786	-1,794	-475	2,087	2,562
Merchandise trade, adjusted to balance of payments basis, excluding "military".....	-5,881	-5,791	-189	-1,655	-2,475	-1,472	1,340	2,812

(C) Reflects imports on customs valuation basis. (F) Reflects imports on f.a.s. transactions value basis.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Balance of Payments Division.