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MERCHANDISE TRADE IN THE THIRD QUARTER 1977
— Balance of Payments Basis —

Preliminary estimates indicate that U.S. merchandise imports exceeded exports by \$7.6 billion in the third quarter, seasonally adjusted, compared with \$7.9 billion in the second. These figures, reported today by the Bureau of Economic Analysis, an agency of the Commerce Department, are measured on a balance of payments basis, which excludes military trade of U.S. defense agencies, and reflects adjustments -- for timing, coverage, and valuation -- to the trade data reported by the Census Bureau on the f.a.s. transactions value basis.

The slight decline in the merchandise trade deficit was due entirely to increased exports, which rose 1 percent to \$30.7 billion; there was an increase in nonagricultural exports and a partly offsetting decline in agricultural exports. An increase in overall export volume more than offset lower prices. (Prices are measured by the Census Bureau's unit value index, with third quarter data incomplete.) Imports were unchanged at \$38.3 billion, as increases in nonpetroleum imports were offset by declines in petroleum and products; overall import volume fell slightly but was offset by higher prices.

Third Quarter Exports

Agricultural exports declined 11 percent, to \$6.0 billion; the decline was due entirely to lower prices, as volume was unchanged. Compared with the second quarter, average export unit values fell 17 percent for soybeans, 15 percent for corn, 11 percent for wheat, 6 percent for cotton, and 5 percent for rice.

Nonagricultural exports rose 4 percent, to \$24.8 billion; increases in volume and prices contributed equally to the rise. Increases in shipments of machinery, consumer goods, and chemicals more than offset declines in textiles and automotive products to Canada. Although exports of coal were nearly unchanged for the quarter, they were reduced by wildcat strikes at U.S. mines from mid-July to the end of August; September shipments were sharply higher.

Merchandise Trade--Balance of Payments Basis
(Millions of dollars, seasonally adjusted, f.a.s. transactions value)

	1976				1977			Change: II-III	Annual 1976	Jan.-Sept. 1977 Annual rate
	I	II	III	IV	I	II	III			
EXPORTS										
Merchandise exports, Census basis, including reexports, excluding military grant shipments -----	27,036	28,655	29,486	29,688	29,478	30,477	30,629	152	114,802	120,776
Adjustments:										
Gold exports, nonmonetary-----	30	27	157	139	285	234	183	-51	353	936
Inland freight (to Canada) valuation adjustment-----	159	165	167	168	172	172	167	-5	659	681
U.S.-Canada reconciliation adjustments, n.e.c., net-----	414	294	364	474	319	456	372	-84	1,546	1,529
Exports transferred under U.S. military agency sales contracts identified in Census documents-----	-720	-690	-728	-837	-794	-871	-750	121	-2,975	-3,220
Other adjustments to Census exports-----	81	-71	157	79	-2	20	136	116	309	205
Equals: Merchandise exports, adjusted to balance of payments basis, excluding "military"-----	27,000	28,380	29,603	29,711	29,458	30,488	30,737	249	114,694	120,907
IMPORTS										
Merchandise imports, Census basis (general imports)-----	27,503	28,979	31,845	32,199	35,401	37,141	37,339	198	120,678	146,504
Adjustments:										
Virgin Islands imports from foreign countries-----	609	568	512	780	724	670	621	-49	2,469	2,687
Gold imports, nonmonetary-----	105	167	305	362	347	472	373	-99	939	1,589
U.S.-Canada reconciliation adjustments, n.e.c., net-----	-22	147	-189	-34	81	-	-	-	-98	108
Imports of U.S. military agencies identified in Census documents-----	-62	-72	-111	-56	-37	-78	-67	11	-301	-243
Other adjustments to Census imports-----	210	166	49	54	45	142	34	-108	327	295
Equals: Merchandise imports, adjusted to balance of payments basis, excluding "military"-----	28,343	29,955	32,411	33,305	36,561	38,347	38,300	-47	124,014	150,940
BALANCE (Excess of exports +)										
Merchandise trade, Census basis-----	-467	-324	-2,359	-2,511	-5,923	-6,664	-6,710	-46	-5,661	-25,728
Merchandise trade, adjusted to balance of payments basis, excluding "military"-----	-1,343	-1,575	-2,808	-3,594	-7,103	-7,859	-7,563	296	-9,320	-30,033
Memoranda:										
Exports of agricultural goods <u>1/</u> -----	5,410	5,846	6,239	5,886	6,118	6,699	5,973	-726	23,381	25,053
Imports of petroleum and products <u>1/</u> -----	7,571	8,252	8,408	9,342	11,032	11,934	11,455	-479	34,573	45,894

1. Adjusted to balance of payments basis, excluding "military".

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

Third Quarter Imports

Nonpetroleum imports rose 2 percent, to \$26.8 billion; volume was slightly lower than in the preceding quarter. Increases in iron and steel, especially from Western Europe, capital goods, and automotive products from overseas suppliers accounted for the increase in value; partly offsetting were declines in foods, nonferrous metals, and automotive products from Canada. The increase in imports of automobiles from areas other than Canada reflected their continued strong sales pace in the United States. In addition, U.S. importers reduced their inventories by nearly one-half since the beginning of the year, according to industry data. Food imports fell by one-fifth, all in volume; the volume of coffee and cocoa imports each fell by one-half.

Imports of petroleum and products, including imports into the Virgin Islands, declined 4 percent, all in volume, to \$11.5 billion. The number of barrels imported daily declined to 9.4 million from 9.8 million in the second quarter. The drop was probably related to high inventory levels, which are now 8 percent above the comparable period last year.

Developments in January - September 1977

In the first nine months of 1977, the merchandise trade balance was in deficit by \$30.0 billion at a seasonally adjusted annual rate, compared with a deficit of \$9.3 billion in the year 1976. The large increase in the deficit mainly reflected cyclical developments -- the growth of the U.S. economy was much stronger than growth abroad -- and increased U.S. dependence on foreign sources of petroleum to meet domestic demand. Imports rose \$27.2 billion, or 22 percent, to \$151.2 billion, and exports rose \$6.2 billion, or 5 percent, to \$120.9 billion.

Imports of petroleum and products rose 33 percent to \$46.0 billion. The average number of barrels imported daily rose to 9.5 million from 7.8 million in 1976, reflecting the increase in U.S. consumption and the rebuilding of depleted inventories. Nonpetroleum imports rose 17 percent to \$105.0 billion. The increase was broadly-based, but was especially sharp for industrial supplies, consumer goods, and capital goods.

Agricultural exports rose 7 percent to \$25.1 billion; volume rose 3 percent. Nonagricultural exports rose 5 percent to \$95.9 billion. Prices accounted for nearly all of the rise; volume increased only 1 percent. Increases in machinery, automotive products to Canada, and consumer goods were partly offset by declines in coal and civilian aircraft.

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