
UNITED STATES DEPARTMENT OF
COMMERCE
NEWS

WASHINGTON, D.C. 20230

BUREAU OF
ECONOMIC ANALYSIS

FOR WIRE TRANSMISSION 10:00 A.M. WEDNESDAY, FEBRUARY 1, 1978

FOR WIRE TRANSMISSION

WEDNESDAY, FEBRUARY 1, 1978

BEA 78-5

Howard Murad: 523-0668
D. Anne Fisher: 523-0601

MERCHANDISE TRADE IN THE FOURTH QUARTER AND YEAR 1977
—Balance of Payments Basis—

Preliminary estimates indicate that U.S. merchandise imports exceeded exports by \$8.9 billion in the fourth quarter, seasonally adjusted, compared with \$7.6 billion in the third. 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 \$1.3 billion increase in the merchandise trade deficit in the fourth quarter was due almost entirely to lower exports. Exports declined 4 percent to \$29.5 billion, as a 5 percent decline in volume more than offset price increases. (Prices are measured by the Census Bureau's unit value index; fourth quarter data are incomplete.) Both agricultural and nonagricultural exports declined. Imports were unchanged at \$38.4 billion; an increase in nonpetroleum imports was offset by a decline in petroleum imports. Import volume was unchanged.

It appears that there was no measurable impact on the fourth quarter trade balance from the strike against containerized shipping at Eastern and Gulf ports between October 1 and November 29. However, the levels of both exports and imports probably were held down somewhat by the strike, as some shipments may have been made at the end of the third quarter, before the strike, or were delayed to await the resumption of normal port operations.

Fourth Quarter Imports

Nonpetroleum imports rose 4 percent, all in volume, to \$28.0 billion. Increases in automotive products from Canada and Japan, consumer goods, coffee, sugar, and building materials, were partly offset by declines in chemicals, iron and steel, machinery, and foods other than coffee and sugar.

Imports of petroleum and products, including imports into the Virgin Islands, declined 9 percent to \$10.4 billion. The number of barrels imported daily fell to 8.5 million from 9.1 million in the third quarter. The drop appears to be related to high inventory levels and to increased domestic (Alaskan North Slope) production.

Fourth Quarter Exports

Agricultural exports fell 8 percent to \$5.5 billion; volume declined 4 percent. There were mixed volume and price movements for major agricultural commodities. Wheat and rice rose in price, and declined in volume; soybeans and cotton rose in volume and declined in price. Corn rose in both volume and price.

Nonagricultural exports declined 4 percent, all in volume, to \$24.0 billion. Declines in machinery, chemicals, paper, coal, and consumer goods were partly offset by increases in automotive products and civilian aircraft and parts. The decline in coal was probably related to sluggish demand abroad; the coal strike, which began on December 6, had little effect on fourth-quarter exports.

Developments in 1977

In the year 1977, the U.S. merchandise trade balance was in deficit by \$31.4 billion, compared with a deficit of \$9.3 billion in 1976. Imports were up \$27.8 billion, or 22 percent, to \$151.8 billion; volume rose 13 percent. Exports increased \$5.7 billion, or 5 percent, to \$120.4 billion; volume rose 1 percent. A stronger rate of economic growth in the United States than in most other major industrial countries and increased U.S. dependence on foreign petroleum were major contributing factors to the \$22.1 billion rise in the trade deficit.

The import increase was broadly-based, with all major categories up strongly compared with 1976. Petroleum imports rose \$10.2 billion, or 29 percent, to \$44.8 billion. Volume rose 18 percent to a daily rate of 9.2 million barrels. The increase was attributable to a build-up of inventories, which at yearend were 17 percent higher than a year ago, and to an estimated 5 percent rise in domestic demand, which reflected increased economic activity and the substitution of petroleum for other sources of energy, principally natural gas. The share of U.S. petroleum consumption supplied by imports rose to 51 percent from 45 percent in 1976.

Nonpetroleum imports rose \$17.6 billion, or 20 percent, to \$107.0 billion; volume rose 10 percent. All major categories, except foods, rose in value and volume. A strong domestic market stimulated imports of automotive products: automotive imports from U.S. plants in Canada rose 16 percent, and those from overseas suppliers were up 15 percent. Imports from Japan were especially strong.

Sales of foreign-type cars were up 38 percent and accounted for nearly one-fifth of all cars sold in the United States, compared with 15 percent in 1976. Japanese automobiles accounted for four-fifths of the total increase in sales of passenger cars from areas other than Canada. Among industrial supplies, iron and steel imports rose 37 percent. Most of the increase was due to higher arrivals from Western Europe. Imports of foods rose 21 percent, due entirely to higher prices. The value of imported coffee rose 47 percent, but volume declined by one-fourth; similarly, cocoa imports rose 36 percent in value, but volume declined by 27 percent.

Agricultural exports rose \$1.0 billion, or 4 percent, to \$24.3 billion; volume rose 2 percent. Prices of major agricultural commodities, except soybeans and cotton, were under severe downward pressure during much of the year, as supplies rose. The value of soybean exports rose by one-third, and volume was unchanged; cotton rose 45 percent in value, with one-third of that increase due to higher prices. Nonagricultural exports rose \$4.8 billion, or 5 percent, to \$96.1 billion; volume was unchanged. Exports of consumer goods were up 11 percent, and automotive products up 8 percent. On the other hand, exports of civilian aircraft declined 8 percent and sales of coal, primarily metallurgical grade, declined 9 percent because of weak foreign steel production.

By area, the merchandise trade surplus with Western Europe declined, and the deficit with Japan and Canada rose. The increase in the deficit with Japan was largely due to a rise in imports of consumer goods and automotive products. The deficit with members of the Organization of Petroleum Exporting Countries rose, due to the sharp increase in petroleum imports. The deficit with other developing countries also rose.

* * *

31241

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

	Annual			Quarterly 1977				Change: III-IV
	1976	1977	Change	I	II	III	IV	
EXPORTS								
Merchandise exports, Census basis, including reexports, excluding military grant shipments -----	114,802	120,101	5,299	29,478	30,477	30,628	29,524	-1,104
Adjustments:								
Gold exports, nonmonetary-----	353	1,043	690	285	234	201	323	122
Inland freight (to Canada) valuation adjustment-----	659	686	27	172	172	167	175	8
U.S.-Canada reconciliation adjustments, n.e.c., net-----	1,546	1,576	30	319	456	372	429	57
Exports transferred under U.S. military agency sales contracts identified in Census documents-----	-2,975	-3,281	-306	-794	-855	-742	-890	-148
Other adjustments to Census exports-----	309	277	-32	-3	105	241	-72	-313
Equals: Merchandise exports, adjusted to balance of payments basis, excluding "military"-----	114,694	120,402	5,708	29,457	30,589	30,867	29,489	-1,378
IMPORTS								
Merchandise imports, Census basis (general imports)-----	120,678	146,817	26,139	35,402	37,141	37,339	36,733	-606
Adjustments:								
Virgin Islands imports from foreign countries-----	2,469	2,705	236	724	670	620	691	71
Gold imports, nonmonetary-----	939	1,960	1,021	347	472	412	729	317
U.S.-Canada reconciliation adjustments, n.e.c., net-----	-98	81	179	81	-	-	-	-
Imports of U.S. military agencies identified in Census documents-----	-301	-243	58	-37	-78	-63	-65	-2
Other adjustments to Census imports-----	327	483	156	95	192	121	277	156
Equals: Merchandise imports, adjusted to balance of payments basis, excluding "military"-----	124,014	151,803	27,789	36,612	38,397	38,429	38,365	-64
BALANCE (Excess of exports +)								
Merchandise trade, Census basis-----	-5,876	-26,716	-20,840	-5,924	-6,664	-6,711	-7,209	-498
Merchandise trade, adjusted to balance of payments basis, excluding "military"-----	-9,320	-31,401	-22,081	-7,155	-7,808	-7,562	-8,876	-1,314
Memoranda:								
Exports of agricultural products-----	23,381	24,333	952	6,104	6,685	6,005	5,539	-466
Exports of nonagricultural products-----	91,313	96,069	4,756	23,353	23,904	24,862	23,950	-912
Imports of petroleum and products -----	34,573	44,762	10,189	11,020	11,922	11,444	10,376	-1,068
Imports of nonpetroleum products-----	89,441	107,041	17,600	25,592	26,475	26,985	27,989	1,004

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