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MERCHANDISE TRADE IN THE FIRST QUARTER 1978
— Balance of Payments Basis —

Preliminary estimates indicate that the merchandise trade balance was in deficit by \$11.2 billion in the first quarter of 1978, compared with a deficit of \$9.9 billion in the fourth quarter of 1977, according to the Bureau of Economic Analysis, an agency of the Commerce Department. These figures are seasonally adjusted, and 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 rise in the trade deficit from the fourth quarter was due to a larger increase in imports than exports. Imports rose 6 percent to \$41.8 billion. Most of the rise was in volume. Prices, which are measured by the Census Bureau's unit value index, rose only slightly. (First-quarter price data are incomplete.) The import rise was due to nonpetroleum imports; imports of petroleum and products declined. Exports rose 4 percent to \$30.6 billion; the rise was about equally split between price and volume. Both agricultural and nonagricultural exports increased.

By area, the trade deficit rose sharply with Japan and declined with the developing countries, including OPEC. The surplus with Western Europe declined sharply.

First-Quarter Imports

Nonpetroleum imports increased \$3.1 billion, or 11 percent, to \$31.8 billion. Volume increased 8 percent. All major categories registered increases, with the largest in industrial supplies, reflecting strength in iron and steel and non-ferrous metals. Iron and steel imports were particularly strong in February, when arrivals were speeded up prior to the introduction of the Treasury's "trigger price" mechanism, which became effective on February 21. Imports of consumer goods,

particularly nondurables from the developing countries in Asia and durables from Japan, also increased substantially. A sharp increase in coffee arrivals contributed to the increase in food imports. Continued strong demand for foreign-type cars and the need to rebuild depleted inventories led to a large increase in automotive imports from areas other than Canada. Automotive imports from Canada were virtually unchanged.

Imports of petroleum and products, including imports into the Virgin Islands, declined 6 percent to \$10.0 billion. The number of barrels imported daily dropped to 8.2 million from 8.6 million in the fourth quarter. It was the fourth consecutive quarter petroleum imports declined, reflecting ample stocks and increased production in the United States, which have been sufficient to meet moderately expanding demand.

First-Quarter Exports

The value of agricultural exports rose 15 percent to \$6.5 billion; volume rose 12 percent. The rise was concentrated in shipments of corn, wheat, and cotton. Nonagricultural exports rose 1 percent to \$24.1 billion; higher prices more than accounted for the rise. Increases in exports of chemicals, machinery, and automotive products, especially trucks, were largely offset by sharp declines in coal and civilian aircraft. The decline in coal exports was related to the coal miners' strike, which began on December 6 and ended March 24.

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

	1977 Annual	1977				1978 I	Change: IV '77- I '78
		I	II	III	IV		
EXPORTS							
Merchandise exports, Census basis, including reexports, excluding military grant shipments.....	121,144	29,725	30,532	31,095	29,857	30,849	992
Adjustments:							
Inland freight (to Canada) valuation adjustment.....	691	172	172	173	174	175	1
U.S.-Canada reconciliation adjustments, n.e.c., net.....	1,671	319	551	372	429	404	-25
Exports transferred under U.S. military agency sales contracts identified in Census documents.....	-3,285	-795	-849	-742	-899	-924	-25
Other adjustments to Census exports.....	251	54	193	75	-136	74	210
Equals: Merchandise exports, adjusted to balance of payments basis, excluding "military".....	120,472	29,475	30,599	30,973	29,425	30,578	1,153
IMPORTS							
Merchandise imports, Census basis (general imports).....	147,696	35,936	36,466	37,333	37,951	40,525	2,574
Adjustments:							
Virgin Islands imports from foreign countries.....	2,705	724	670	620	691	906	215
Gold imports, nonmonetary ¹ / ₁	1,286	267	320	255	444	195	-249
U.S.-Canada reconciliation adjustments, n.e.c., net.....	-20	76	-96	-	-	-	-
Imports of U.S. military agencies identified in Census documents.....	-243	-37	-78	-63	-65	-63	2
Other adjustments to Census imports.....	544	2	152	98	302	215	-87
Equals: Merchandise imports, adjusted to balance of payments basis, excluding "military".....	151,968	36,968	37,434	38,243	39,323	41,778	2,455
BALANCE (Excess of exports+)							
Merchandise trade, Census basis.....	-26,552	-6,211	-5,934	-6,238	-8,094	-9,676	-1,582
Merchandise trade, adjusted to balance of payments basis, excluding "military".....	-31,496	-7,493	-6,835	-7,270	-9,898	-11,200	-1,302
Memoranda:							
Exports of agricultural products.....	24,364	6,222	6,529	5,952	5,661	6,489	828
Exports of nonagricultural products.....	96,108	23,253	24,070	25,021	23,764	24,089	325
Imports of petroleum and products.....	44,972	11,571	11,537	11,304	10,560	9,964	-596
Imports of nonpetroleum products.....	106,996	25,397	25,897	26,939	28,763	31,814	3,051

1. Beginning in January 1978, Census import statistics include the value of physical movements of nonmonetary gold into the United States. This balance of payments adjustment represents the value of gold transfers to U.S. private residents from foreign official agency holdings at the Federal Reserve Bank of New York.

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