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Selected Data on U.S. International Transactions  
Third Quarter 1978

The Bureau of Economic Analysis, U.S. Department of Commerce reports the following major developments in U.S. international transactions in the third quarter:

- \* Foreign official assets in the United States increased \$4.5 billion, in contrast to a \$5.1 billion decrease in the second quarter. An increase in dollar holdings of industrial countries more than accounted for the increase; OPEC members and non-OPEC developing countries continued to reduce their dollar assets.
- \* Net foreign purchases of U.S. securities other than U.S. Treasury securities were \$0.4 billion, compared with \$1.3 billion in the second quarter; the decrease reflected a shift to net foreign sales of U.S. stocks.
- \* Net U.S. purchases of foreign securities were \$0.5 billion, compared with \$1.1 billion in the second quarter; the decrease was more than accounted for by a decrease in new foreign bond issues.
- \* Capital flows reported by U.S. banks increased sharply. Claims on foreigners increased \$8.9 billion (capital outflows), compared with a \$0.3 billion second-quarter increase. Liabilities to private foreigners and international financial institutions increased \$5.4 billion (capital inflows), compared with a \$3.0 billion increase in the second quarter.
- \* As previously reported, the U.S. merchandise trade deficit was \$7.8 billion, unchanged from the second quarter.
- \* The U.S. dollar depreciated in value against the major European currencies and the Japanese yen; the dollar's depreciation was particularly sharp against the Swiss franc. In contrast, the dollar appreciated against the Canadian dollar. From the end of June to the end of September, the dollar's trade-weighted average value against the currencies of 10 major industrial countries declined 5 percent, and its trade-weighted average value against the currencies of 22 OECD countries declined 4 percent.

These developments are summarized in the table below. The text that follows, together with the detailed table and explanatory notes at the end of this release, provides additional information.

Billions of dollars

	1978			Table line
	II	III	Change IIQ-IIIQ	
Merchandise trade balance.....	-7.8	-7.8	-	1-2
U.S. assets abroad, net:*				
U.S. official reserve assets, net.....	0.3	0.2	-0.1	3
U.S. private assets, net:				
Foreign securities.....	-1.1	-0.5	0.6	8
Claims reported by U.S. banks.....	-0.3	-8.9	-8.5	12+13
Foreign assets in the United States, net:*				
Foreign official assets in the United States, net.....	-5.1	4.5	9.6	14+17+18
Other foreign assets in the United States, net:				
U.S. securities other than U.S. Treasury securities.....	1.3	0.4	-0.9	20
U.S. liabilities reported by U.S. banks.....	3.0	5.4	2.4	19+27+28
Other transactions and statistical discrepancy.....	9.7	6.7	-3.0	29

\*An increase in U.S. assets abroad is an outflow (-), because U.S. funds flow out to acquire the assets. An increase in foreign assets in the United States is an inflow (+), because foreign funds flow in to acquire the assets.

Merchandise trade

The deficit on U.S. merchandise trade was \$7.8 billion in the third quarter, unchanged from the second. Both exports and imports increased \$2.1 billion. (These data are on a balance of payments basis, which excludes the military trade of U.S. defense agencies and reflects other adjustments to the Bureau of the Census trade figures for timing, coverage, and valuation.)

Exports increased 6 percent to \$37.2 billion; volume increased 2 percent. The increase was more than accounted for by nonagricultural exports, which increased 8 percent to \$29.3 billion; volume increased 3 percent. Exports of capital goods (particularly aircraft and machinery) and industrial supplies registered the largest increases. Agricultural exports decreased 1 percent to \$7.9 billion; volume increased 2 percent. The decrease in value was more than accounted for by corn and soybean exports, as both prices and volumes of these commodities decreased. Increases in shipments of wheat and cotton were partly offsetting.

Imports increased 5 percent to \$45.0 billion; volume increased 4 percent. Nonpetroleum imports increased 7 percent to \$34.2 billion; volume increased 5 percent. The increase in nonpetroleum imports was more than accounted for by capital goods and automotive products; imports of industrial supplies and foods declined. Petroleum imports were unchanged at \$10.8 billion; volume remained at 8.9 million barrels per day.

#### U.S. assets abroad

U.S. official reserve assets decreased \$0.2 billion in the third quarter, slightly less than in the second. The decrease largely reflected a decrease in the U.S. reserve position in the International Monetary Fund, as foreign countries continued to repay their earlier dollar drawings. There was also a decrease in U.S. holdings of foreign currencies.

Net U.S. purchases of foreign securities were \$0.5 billion in the third quarter, compared with \$1.1 billion in the second. The decrease was more than accounted for by a decrease in new foreign bond issues. Foreign new issues declined \$1.4 billion to \$1.0 billion; new issues by Canadian entities registered the largest decrease, reflecting the absence of a large Canadian Government issue placed in the second quarter. Net sales of outstanding foreign bonds and stocks slowed to \$0.5 billion, following second-quarter net sales of \$1.2 billion.

Claims on foreigners reported by U.S. banks increased \$8.9 billion in the third quarter, following a \$0.3 billion increase in the second. This step-up in outflows was mostly accounted for by larger outflows to Western Europe and a shift to outflows from large second-quarter inflows from Caribbean branches of U.S. banks.

#### Foreign assets in the United States

Foreign official assets in the United States increased \$4.5 billion in the third quarter, compared with a \$5.1 billion decrease in the second. (These data exclude certain U.S. Government liabilities, mainly foreign prepayments on orders for military equipment, for which third-quarter data are not yet available.) The third-quarter increase was more than accounted for by an increase -- in contrast to a large second-quarter decrease -- in the dollar assets of industrial countries, as several major countries intervened heavily in exchange markets in the first two months of the quarter. Dollar holdings of both OPEC members and non-OPEC developing countries continued to decrease.

Selected Data on U.S. International Transactions in the Third Quarter of 1978  
Available as of the Middle of November, 1978

(Millions of dollars)

Credits (+); debits (-)	Year	1977				1978			Change: IIQ-IIIQ
		I	II	III	IV	I	II	III <sup>p</sup>	
1. Merchandise exports <u>1,2/</u> .....	120,555	29,479	30,630	31,012	29,434	30,664	35,067	37,182	2,115
2. Merchandise imports <u>1,2/</u> .....	-151,658	-36,496	-37,258	-38,265	-39,639	-41,865	-42,869	-44,971	-2,102
U.S. assets abroad, net (increase/capital outflow (-)): <u>1/</u>									
3. U.S. official reserve assets, net.....	-231	-388	6	151	(*)	246	329	187	-142
4. Gold.....	-118	-58	-	-	-60	-	-	-	-
5. Special drawing rights.....	-121	-	-83	-9	-29	-16	-104	-36	68
6. Reserve position in the International Monetary Fund.....	-294	-389	-80	133	42	324	437	165	-272
7. Foreign currencies.....	302	59	169	27	47	-62	-4	58	62
U.S. private assets, net:									
8. Foreign securities.....	-5,398	-736	-1,766	-2,165	-731	-949	-1,116	-467	649
9. Newly issued in the United States.....	-7,076	-1,364	-2,012	-2,344	-1,356	-1,093	-2,311	-959	1,352
10. Other bonds.....	1,891	745	350	408	388	-186	1,088	488	-600
11. Other stocks.....	-213	-117	-104	-229	237	330	107	4	-103
Claims reported by U.S. banks:									
12. Long-term.....	-751	-306	18	-447	-16	-311	-345 <sup>7/</sup>	-8,884 <sup>7/</sup>	-8,539 <sup>7/</sup>
13. Short-term.....	-10,676	3,990	-4,600	-1,332	-8,734	-5,959			
Foreign assets in the United States, net (increase/capital inflow (+)): <u>1/</u>									
Foreign official assets in the United States, net:									
14. U.S. Government securities.....	32,602	5,421	5,733	7,575	13,873	13,082	-5,384	3,524	8,908
15. U.S. Treasury securities.....	30,294	5,323	5,123	6,948	12,900	12,965	-5,595	3,082	8,677
16. Other <u>2/</u> .....	2,308	98	610	627	973	117	211	442	231
17. U.S. liabilities reported by U.S. banks, not included elsewhere.....	773	-	752	-163	909	1,456	-366	867	1,233
18. U.S. securities other than U.S. Government securities <u>4/</u> .....	1,105	250	982	502	371	418	637	84	-553
Other foreign assets in the United States, net:									
19. U.S. Treasury securities.....	563	981	-1,370	1,251	-299	881	803	-1,053	-1,856
20. U.S. securities other than U.S. Treasury securities.....	2,869	828	725	513	803	462	1,314	415	-899
21. Stocks.....	1,325	330	275	139	580	341	919	-126	-1,045
22. Eurobonds newly issued abroad by U.S. corporations <u>5/</u> .....	658	322	161	125	50	65	230	494	264
23. Other bonds.....	887	176	289	249	173	56	165	47	-118
U.S. liabilities reported by U.S. banks, not included elsewhere:									
24. To foreign commercial banks.....	5,277	-4,479	3,776	3,851	2,129	-171	1,197	5,914	4,717
25. To international and regional organizations (excluding the International Monetary Fund).....	-438	-1,211	1,680	-1,476	569	-275	143	334	191
26. To other foreigners.....	1,880	386	784	265	445	132	877	195	-682
27. Long-term <u>6/</u> .....	373	42	104	194	33	250	2,217	6,443	4,226
28. Short-term <u>6/</u> .....	6,346	-5,346	6,136	2,446	3,110	-564			
29. Other transactions and statistical discrepancy (net payments (-)).....	2,528	3,006	-92	-1,272	886	2,189	9,713	6,673	-3,040
<u>Memoranda:</u>									
30. Merchandise exports, not seasonally adjusted <u>2/</u> .....		29,402	31,879	29,015	30,259	30,765	36,588	34,742	-1,846
31. Merchandise imports, not seasonally adjusted <u>2/</u> .....		-36,416	-38,219	-37,689	-39,334	-41,896	-43,858	-44,126	-268

p Preliminary. \*Less than \$500,000 (±).

1. Data for merchandise exports and imports are adjusted for seasonal variations. Seasonal adjustments for changes in U.S. assets abroad and foreign assets in the United States have been suspended because of disruption in seasonal patterns in capital flows beginning in 1973.
2. Excludes exports under U.S. military grant programs and under U.S. military agency sales contracts and imports of U.S. military agencies.
3. Consists of U.S. Treasury and Export-Import Bank obligations to foreign official reserve agencies and of debt securities of U.S. Government corporations and agencies.
4. Consists of U.S. stocks and debt securities of private corporations and State and local governments.
5. Securities newly issued by finance subsidiaries incorporated in the Netherlands Antilles are included to the extent that the proceeds are transferred to U.S. parent companies.
6. Beginning with estimates for the second quarter of 1978, the distinction between short- and long-term liabilities is discontinued.
7. Due to the introduction of new reporting forms for bank-related transactions, the maturity breakdown for bank claims is not available at this time.

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

Among other foreign assets in the United States, net foreign purchases of U.S. securities other than U.S. Treasury securities were \$0.4 billion in the third quarter, a \$0.9 billion decrease. The decrease was more than accounted for by a shift to net sales of U.S. corporate stocks from large second-quarter net purchases. Liabilities to private foreigners and international financial institutions increased \$5.4 billion, \$2.4 billion more than in the second quarter. These larger inflows reflected increased inflows from branches of U.S. banks in Western Europe and the Caribbean.

#### U.S. dollar in exchange markets

The dollar was subject to swings in its value in exchange markets during the third quarter, but continued its generally downward trend. In the first half of the quarter, the dollar depreciated against most major currencies, reflecting concern about inflation in the United States and the U.S. international payments position. In mid-August, the dollar reversed its decline and appreciated slightly, as the Federal Reserve stepped-up intervention in exchange markets and took monetary policy actions to raise interest rates. By mid-September, the dollar began to depreciate again against most major currencies, as the absence of additional moves to support it caused growing unease in exchange markets. In the closing days of the quarter, the dollar appreciated sharply against the Swiss franc, as Swiss authorities intervened heavily in exchange markets and took policy actions to stem capital inflows. From the end of June to the end of September, the dollar depreciated 17 percent against the Swiss franc, 8 percent against the Japanese yen, 7 percent against the German mark, 6 percent against the Dutch guilder and U.K. pound, and 4 percent against the French franc and Italian lira. In contrast, the dollar appreciated 5 percent against the Canadian dollar; apart from minor fluctuations, the dollar has appreciated against its Canadian counterpart since late 1976.

Measured in terms of its trade-weighted average value against the currencies of 10 major industrial countries, the dollar declined 5 percent from the end of June to the end of September. The trade-weighted average value of the dollar against the currencies of 22 OECD countries declined 4 percent.

\* \* \*

Preliminary data for U.S. international transactions now available are shown in the table that follows. Revisions of these data and additional information will be published in a press release on December 19. Complete third-quarter data will be published in the December *Survey of Current Business*, the monthly journal of the Bureau of Economic Analysis. The *Survey* is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. First class mail: annual subscription \$31.00 domestic. Second class mail: annual subscription \$19.00 domestic, \$23.75 foreign; single copy \$1.60 domestic, \$2.00 foreign.

## Explanatory Notes

In addition to the footnotes in the detailed table, the following explanations of items in the summary table are provided for users of this release.

Merchandise exports and imports. Census Bureau trade statistics are adjusted for coverage, timing, and valuation in order to bring them into conformity with balance of payments concepts.

U.S. assets abroad:

U.S. official reserve assets. Measures net *changes* in U.S. Government holdings of gold, special drawing rights (allocated by the International Monetary Fund), convertible foreign currencies, and the U.S. reserve position in the International Monetary Fund.

Foreign securities. Measures net U.S. private purchases of foreign bonds and stocks with no contractual maturities or maturities of more than one year; the principal component is purchases of foreign bonds newly issued in the United States.

Claims reported by U.S. banks. Measures net *changes* in claims on foreigners held by U.S. banks. Included are loans, acceptances, deposits, collections, foreign government obligations, foreign commercial paper, and foreign finance paper.

Foreign assets in the United States:

Foreign official assets in the United States. Measures net *changes* in foreign official agencies' holdings of U.S. Government securities, U.S. private securities, and other U.S. private liabilities such as demand and time deposits at U.S. banks.

U.S. securities other than U.S. Treasury securities. Measures net purchases by private foreigners and international financial institutions of U.S. stocks, bonds and other securities with no contractual maturities or maturities of more than one year.

U.S. liabilities reported by U.S. banks. Measures net *changes* in liabilities to private foreigners and international financial institutions, reported by U.S. banks for their own accounts and for others' accounts under their custody. Included are U.S. Treasury securities, loans, acceptances, deposits, and negotiable time certificates of deposit.

Other transactions and statistical discrepancy. Includes direct investments, services, and other transactions for which third-quarter data are not yet available, and errors and omissions that may occur in any account.