

UNITED STATES DEPARTMENT OF
COMMERCE
NEWS

WASHINGTON, D.C. 20230

BUREAU OF
ECONOMIC ANALYSIS

FOR WIRE TRANSMISSION 11:00 A.M., THURSDAY, FEBRUARY 21, 1980

Christopher L. Bach: 523-0621

BEA 80-09

SELECTED DATA ON U.S. INTERNATIONAL TRANSACTIONS
FOURTH QUARTER AND YEAR 1979

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

- * Foreign official assets in the United States decreased \$1.0 billion, compared with a \$5.4 billion increase in the third quarter. Substantial intervention sales of dollars to limit depreciation of the Japanese yen in exchange markets more than offset dollar purchases by several European monetary authorities and increased dollar placements in the United States by members of OPEC, reflecting the rapid rise in their receipts from petroleum sales.
- * U.S. official reserve assets increased \$0.6 billion, compared with a \$2.8 billion decrease. The increase primarily reflected the acquisition of German marks from the sale of mark-denominated U.S. Treasury notes abroad. The United States also acquired gold as part of the IMF program of returning gold to its members.
- * Capital flows reported by U.S. banks decreased sharply. Claims on foreigners increased \$7.1 billion, compared with a \$16.0 billion increase in the third quarter. Tighter U.S. bank credit conditions may have contributed to the reduction in outflows, especially to Western Europe. U.S. liabilities to private foreigners and international institutions increased \$1.8 billion, compared with a \$14.6 billion increase. Inflows from Western Europe and branches of U.S. banks in the Caribbean were sharply reduced. The imposition of an 8 percent marginal reserve requirement on increases in Eurodollar borrowings probably contributed to the reduction in inflows.
- * Net purchases of foreign securities were \$1.0 billion, compared with \$2.1 billion, reflecting a decline in new issues of Canadian securities. Net foreign purchases of U.S. securities were \$0.3 billion, compared with \$0.6 billion.
- * The merchandise trade deficit, as previously reported, was \$7.9 billion, compared with \$7.3 billion in the third quarter.
- * The dollar, from the end of September to the end of December, was virtually unchanged against the currencies of 10 industrial countries and appreciated 2 percent against the currencies of 22 OECD countries. After the October 6 measures by U.S. monetary authorities to tighten credit conditions, the dollar appreciated against most major currencies until early November. Subsequently, the dollar began to depreciate against the leading European currencies, as interest rates in Europe rose faster than U.S. rates. In contrast, the dollar appreciated 7 percent against the Japanese yen despite substantial official exchange market intervention.

These developments are summarized in the table below. Additional information is provided in the text that follows and the table and explanatory notes at the end of this release.

Billions of dollars

	1979			1978	1979	Change: 1978-79	Table lines
	III	IV	Change: IIIQ-IVQ				
Merchandise trade balance-----	-7.3	-7.9	-0.6	-33.7	-29.1	4.6	1-2
U.S. assets abroad, net:*							
U.S. official reserve assets, net-----	2.8	-0.6	-3.4	0.7	-1.1	-1.8	3
U.S. private assets, net:							
Foreign securities-----	-2.1	-1.0	1.1	-3.5	-4.8	-1.3	8
Claims reported by U.S. banks-----	16.0	-7.1	8.9	-33.0	-24.7	8.3	12
Foreign assets in the United States, net:*							
Foreign official assets in the United States, net-----	5.4	-1.0	-6.4	31.0	-15.1	-46.1	13+16+17
Other foreign assets in the United States, net:							
U.S. securities other than U.S. Treasury securities-----	0.6	0.3	-0.3	2.9	2.8	-0.1	21
U.S. liabilities reported by U.S. banks-----	14.6	1.8	-12.8	19.2	38.0	18.8	18+25
Other transactions, SDR allocations, and statistical discrepancy-----	2.1	15.5	13.4	16.5	34.1	17.6	29+30

*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.

Selected U.S. International Transactions in 1979

Highlighting U.S. international transactions in 1979 were a reduction in the merchandise trade balance despite the large rise in the petroleum import bill, a large decline in foreign official assets in the United States, and a sizable increase in liabilities to foreigners reported by U.S. banks.

Merchandise trade

For the year 1979, the U.S. merchandise trade balance was in deficit by \$29.1 billion, compared with a deficit of \$33.7 billion in 1978. A substantial increase in exports more than offset a 40-percent increase in petroleum imports. Exports increased \$40.4 billion, or 28 percent, to \$182.4 billion; volume increase 12 percent. Imports increased \$35.8 billion, or 20 percent, to \$211.5 billion; volume increase 2 percent.

Both agricultural and nonagricultural exports increased. Agricultural exports increased \$5.5 billion, or 18 percent, to \$35.4 billion; volume increased 4 percent. About two-fifths of the increase was due to higher exports to Eastern Europe, especially to the Soviet Union. Nonagricultural exports increased \$34.9 billion, or 31 percent, to \$147.1 billion; volume increased 14 percent. There were increases in all major commodity categories; the largest increases were in capital goods and in industrial supplies, especially chemicals.

Petroleum imports increased \$17.7 billion, or 42 percent, to \$60.0 billion. Nearly all the increase was due to higher prices; volume increased 1 percent. The average number of barrels imported daily was 8.81 million, compared with 8.72 million in 1978. Nonpetroleum imports increased \$18.0 billion, or 14 percent, to \$151.5 billion; volume increased 2 percent. There were increases in all major commodity categories; the largest increases were in capital goods and automotive products from areas other than Canada.

U.S. assets abroad

U.S. official reserve assets increased \$1.1 billion in 1979, compared with a \$0.7 billion decrease in 1978. The increase resulted from the allocation of special drawing rights by the International Monetary Fund and the acquisition of German marks and Swiss francs from the sale of three U.S. Treasury note issues denominated in those currencies in the first and fourth quarters. These increases more than offset a reduction in U.S. foreign currency holdings in the third quarter, reflecting sales to support the dollar in exchange markets.

Net U.S. purchases of foreign securities were \$4.8 billion, compared with \$3.5 billion. A shift to net U.S. purchases of foreign stocks, principally due to the rise in purchases of Canadian stocks in the last half of the year, and a decline in net U.S. sales of outstanding bonds, more than offset a decline in Canadian new issues.

Claims on foreigners reported by U.S. banks increased \$24.7 billion, compared with a \$33.0 billion increase in 1978. The decline in lending was to Western European countries. Tighter U.S. bank credit conditions, and the absence of exchange market-related borrowing by these countries, which had occurred in the fourth quarter of 1978 when the dollar fell sharply, probably contributed to the decline.

Foreign assets in the United States

Foreign official assets in the United States decreased \$15.1 billion in 1979, after a \$31.0 billion increase in 1978. (These data exclude certain U.S. Government liabilities, mainly prepayments on orders for military equipment, for which data are not yet available.) There were large decreases in the first half of the year, reflecting net intervention sales of dollars by several major countries--Japan, Germany, and Switzerland--to limit depreciation of their currencies, and in the fourth quarter, when the Japanese yen depreciated sharply. Partly offsetting were increases in assets placed in the United States by members of OPEC in the last half of the year, and intervention purchases of dollars in the third quarter by several European countries.

Among other foreign assets in the United States, net foreign purchases of securities other than U.S. Treasury securities were virtually unchanged at \$2.8 billion. In the second half of the year, rising long-term interest rates and depreciation of the dollar in exchange markets discouraged inflows from transactions in outstanding bonds and tended to inhibit the growth of Eurobonds newly issued abroad by U.S. corporations. Liabilities to private foreigners and international organizations increased \$38.0 billion, after a \$19.2 billion rise in 1978. There were especially large increases to branches of U.S. banks in the Caribbean and banks in the United Kingdom.

Selected Data on U.S. International Transactions in the Fourth Quarter of 1979
Available as of the Middle of February, 1980
(Millions of dollars)

Credits (+); debits (-)	Annual		Change: 1978-79	1978	1979				Change: IIIQ-IVQ
	1978	1979 ^p		IV	I	II	III	IV ^p	
1. Merchandise exports <u>1,2/</u> -----	142,055	182,423	40,368	39,421	41,300	42,744	47,288	51,091	3,803
2. Merchandise imports <u>1,2/</u> -----	-175,774	-211,549	-35,775	-45,372	-47,447	-50,491	-54,602	-59,009	-4,407
U.S. assets abroad, net (increase/capital outflow (-)): <u>1/</u>									
3. U.S. official reserve assets, net-----	732	-1,107	-1,839	182	-3,585	343	2,779	-644	-3,423
4. Gold-----	-65	-65	--	-65	--	--	--	-65	-65
5. Special drawing rights-----	1,249	-1,136	-2,385	1,412	-1,142	6	--	--	--
6. Reserve position in the International Monetary Fund-----	4,231	-189	-4,420	3,275	-86	-78	-52	27	79
7. Foreign currencies-----	-4,683	283	4,966	-4,440	-2,357	415	2,831	-606	-3,437
U.S. private assets, net:									
8. Foreign securities-----	-3,487	-4,840	-1,353	-918	-1,056	-629	-2,111	-1,044	1,067
9. Newly issued in the United States-----	-6,054	-4,498	1,556	-1,691	-1,503	-824	-1,511	-660	851
10. Other bonds-----	1,939	407	-1,532	591	449	134	-204	28	232
11. Other stocks-----	628	-749	-1,377	182	-2	61	-396	-412	-16
12. Claims reported by U.S. banks-----	-33,023	-24,741	8,282	-21,980	6,572	-8,266	-15,956	-7,091	8,865
Foreign assets in the United States, net (increase/capital inflow (+)): <u>1/</u>									
Foreign official assets in the United States, net:									
13. U.S. Government securities-----	24,198	-22,003	-46,201	13,307	-8,877	-12,765	5,365	-5,726	-11,091
14. U.S. Treasury securities-----	23,542	-22,468	-46,010	13,422	-8,872	-12,859	5,030	-5,767	-10,797
15. Other <u>3/</u> -----	656	465	-191	-115	-5	94	335	41	-294
16. U.S. liabilities reported by U.S. banks, not included elsewhere-----	5,411	5,883	472	3,156	-563	2,321	-100	4,225	4,325
17. U.S. securities other than U.S. Government securities <u>4/</u> -----	1,395	1,007	-388	256	213	145	106	543	437
Other foreign assets in the United States, net:									
18. U.S. Treasury securities-----	2,180	4,844	2,664	1,549	2,583	-239	1,579	921	-658
19. Marketable-----	585	1,170	585	-46	28	-239	1,579	-198	-1,777
20. Nonmarketable <u>5/</u> -----	1,595	3,674	2,079	1,595	2,555	--	--	1,119	1,119
21. U.S. securities other than U.S. Treasury securities-----	2,867	2,840	-27	540	790	1,161	591	298	-293
22. Stocks-----	1,309	1,023	-286	29	422	274	142	185	43
23. Eurobonds newly issued abroad by U.S. corporations <u>6/</u> -----	816	1,744	928	22	443	732	461	108	-353
24. Other bonds-----	742	73	-669	488	-75	155	-12	5	17
25. U.S. liabilities reported by U.S. banks, not included elsewhere-----	16,975	33,125	16,150	7,556	7,157	12,067	13,009	892	-12,117
26. To foreign commercial banks-----	15,423	30,829	15,406	6,787	7,626	10,753	12,843	-393	-13,236
27. To international and regional organizations (excluding the International Monetary Fund)-----	221	-94	-315	50	-274	486	-649	343	992
28. To other foreigners-----	1,331	2,390	1,059	719	-195	828	815	942	127
29. Allocations of special drawing rights-----	--	1,139	1,139	--	1,139	--	--	--	--
30. Other transactions and statistical discrepancy (net payments (-))-----	16,471	32,979	16,508	2,303	1,774	13,609	2,052	15,544	13,492
<u>Memoranda:</u>									
31. Merchandise exports, not seasonally adjusted <u>2/</u> -----				40,097	41,322	44,441	44,620	52,040	7,420
32. Merchandise imports, not seasonally adjusted <u>2/</u> -----				-45,798	-46,539	-51,312	-54,121	-59,577	-5,456

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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. Mark-denominated and Swiss franc-denominated notes sold to German and Swiss residents, respectively.
6. 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.

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

U.S. dollar in exchange markets

Despite a rising U.S. inflation rate, a continued large U.S. trade deficit, some diversification of foreign assets into other currencies and investments, unfavorable developments in Iran, and a sharply higher petroleum import bill, the dollar fluctuated in a narrow range on a trade-weighted basis in 1979. Dollar exchange rate fluctuations against particular currencies were wider. Strength against most Western European currencies in the first five months of the year permitted repayment of much of the indebtedness that had been incurred in late 1978 under official reciprocal currency arrangements. By summer, interest rates in Germany and several other leading industrial countries rose along with those in the United States, putting renewed pressures on the dollar. There were widespread expectations of a revaluation of the German mark, necessitating substantial exchange market intervention, and a realignment of exchange rates within the European Monetary System in September. However, pressures persisted against the dollar, leading to the October 6 Federal Reserve measures. After strengthening in October, the dollar again declined against most European currencies.

From the end of December 1978 to the end of December 1979, the dollar depreciated 8 percent against the British pound, 5 percent against the German mark, 4 percent against the French franc, 3 percent against the Italian lira and the Netherlands guilder, 2 percent against the Swiss franc, and 1 percent against the Canadian dollar. In contrast, the dollar appreciated 23 percent against the Japanese yen, primarily reflecting Japan's heavy dependence on imported petroleum and the shift to a current-account deficit. Measured in terms of its trade-weighted value against 22 OECD currencies, the dollar appreciated 4 percent; against the currencies of 10 major industrial countries, the dollar depreciated 1 percent. The difference between the two indexes is due to differences in weighting and currency composition.

* * *

Preliminary data for U.S. international transactions are shown in the accompanying tables. Revisions of these data and additional information will be published in a press release March 20. Complete fourth-quarter data and data for 1979 will be published in the March issue of the 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 (domestic only): annual subscription \$35.00. Foreign airmail delivery rates available upon request. Second class mail: annual subscription \$22.00 domestic, \$27.50 foreign; single issue, \$1.90 domestic.

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 transactions in special drawing rights, foreign currencies, the U.S. reserve position with the International Monetary Fund (IMF), and transfers of monetary gold between U.S. Government agencies and foreign governments or international monetary institutions.

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, SDR allocations, and statistical discrepancy. Includes direct investments, services, allocations of special drawing rights, other transactions for which fourth-quarter data are not yet available, and errors and omissions that may occur in any account.