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Merchandise Trade in the Second Quarter of 1983
-- Balance of Payments Basis --

The U.S. merchandise trade balance was in deficit by \$14.8 billion in the second quarter of 1983, compared with a deficit of \$8.7 billion (revised) in the first quarter, according to preliminary estimates of the U.S. Commerce Department's Bureau of Economic Analysis. These preliminary estimates 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.-Customs valuation basis.

Imports increased \$5.6 billion, or 10 percent, to \$63.9 billion. Volume increased 8 percent and prices increased 2 percent. (Prices are measured by the Census Bureau's unit value index; second-quarter data are incomplete.) Both petroleum and nonpetroleum imports increased. Exports decreased \$0.5 billion, or 1 percent, to \$49.0 billion. The decrease was due to lower prices; volume was unchanged. Both agricultural and nonagricultural exports decreased.

Imports from all major geographic areas increased, reflecting strong economic growth in the United States and continued strength of the dollar in exchange markets. Exports to all major geographic areas either decreased or changed little, reflecting weak activity in major foreign markets and the strength of the dollar. The largest change in the trade balance was a shift to a deficit of \$0.2 billion with Western Europe from a surplus of \$2.2 billion. The deficit with non-OPEC developing countries increased \$2.3 billion, to \$6.1 billion; the deficit with members of OPEC increased \$1.4 billion, to \$1.8 billion; and the deficit with Canada increased \$0.7 billion, to \$3.2 billion. Partly offsetting was a decrease of \$0.3 billion, to \$4.4 billion, in the deficit with Japan, and an increase of \$0.3 billion, to \$0.5 billion, in the surplus with Australia, New Zealand, and South Africa.

Second-Quarter Imports

Imports of petroleum and products increased \$2.5 billion, or 24 percent, to \$13.0 billion. The average price per barrel decreased to \$27.69 from \$29.41 in the first quarter. The average number of barrels imported daily increased to 5.16 million from 3.91 million. Imports from non-OPEC developing countries increased \$1.1 billion, from members of OPEC \$0.8 billion, and from Western Europe \$0.7 billion.

Nonpetroleum imports increased \$3.0 billion, or 6 percent, to \$50.8 billion; volume increased 7 percent. The largest increases were in industrial supplies, up \$0.8 billion; automotive products from Canada, up \$0.7 billion; nonelectrical machinery, up \$0.5 billion; and automotive products from areas other than Canada, up \$0.3 billion. The increase in automotive imports from Canada reflected a 15-percent increase in the number of domestic units sold in the second quarter. About 45 percent of the increase in automotive products from areas other than Canada was in bodies and parts, mostly from Mexico and Brazil.

Second-Quarter Exports

Agricultural exports decreased \$0.2 billion, or 2 percent, to \$8.8 billion; volume decreased 5 percent. The decrease was more than accounted for by wheat, down \$0.3 billion. Cotton increased \$0.2 billion. Despite plentiful world supplies, average prices of major commodities continued to increase from the low levels in the fourth quarter of 1982.

Nonagricultural exports decreased \$0.4 billion, or 1 percent, to \$40.2 billion; volume increased 2 percent. Decreases in petroleum and machinery, each down \$0.3 billion, and coal, down \$0.2 billion, were partly offset by an increase of \$0.2 billion in automotive products to Canada. By area, the largest declines were in exports to Western Europe, down \$0.8 billion; Latin America, down \$0.4 billion; and the developing countries in Asia and Africa, down \$0.2 billion.

Developments in January-June 1983

The trade balance was in deficit by \$47.2 billion at a seasonally adjusted annual rate in the first six months of the year, compared with a deficit of \$36.4 billion for the full year 1982. Exports decreased \$14.0 billion, or 7 percent, to a rate of \$197.2 billion; volume decreased 6 percent. Imports decreased \$3.2 billion, or 1 percent, to a rate of \$244.3 billion; volume increased 7 percent. The decrease in exports was in both agricultural and nonagricultural products. The decrease in imports was entirely in petroleum; nonpetroleum imports increased.

Nonagricultural exports decreased \$12.5 billion, or 7 percent, to an annual rate of \$174.0 billion; volume decreased 6 percent. The decrease was widespread by commodity and by geographic area, reflecting weakness in economic activity abroad, and the effect of the strong dollar. In volume, nonagricultural exports were 22 percent below their peak in the first quarter of 1981.

Agricultural exports decreased \$1.5 billion, or 4 percent, all in volume, to a rate of \$35.7 billion. These exports, affected by changing market conditions brought about by abundant world-wide supplies, reached a peak in the fourth quarter of 1981. For the first 6 months of 1983, volume was 13 percent below that level. They have strengthened somewhat from the last half of 1982 as a result of increased shipments to Mexico.

Nonpetroleum imports increased \$9.8 billion, or 5 percent, to an annual rate of \$197.3 billion; volume increased 9 percent. There were significant increases in volume from all areas and for all major commodity groupings. Nonpetroleum imports were affected by the recession in the United States, the subsequent recovery, and the strong dollar. They reached a low in the fourth quarter of 1982, at the bottom of the recession. They are now 16 percent above the fourth-quarter 1982 low, and 12 percent above 1981.

Petroleum imports decreased \$10.6 billion, or 18 percent, to \$47.0 billion. The average price per barrel decreased 10 percent, to \$28.22 from \$31.26 in 1982. The average number of barrels imported daily decreased to 4.53 million from 5.03 million. In addition to changes in U.S. economic activity, factors contributing to the decrease in petroleum imports were conservation, substitution of alternate fuels, drawdown of inventories, and changes in weather patterns. Most of the decrease in volume was from members of OPEC. These imports now account for 37 percent of all petroleum imports, compared with 48 percent in 1982.

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

	1982	1983	1982				1983		Change: I - II
	Annual	Jan-June annual rate	I	II	III	IV	I	II	
EXPORTS									
Merchandise exports, Census basis, including reexports, excluding military grant shipments-----	212,193	198,238	55,659	54,952	52,843	48,870	50,470	48,649	-1,821
Adjustments:									
Gold exports, nonmonetary-----	883	912	250	141	198	294	224	232	8
Inland freight (to Canada) valuation adjustment----	967	984	250	238	247	232	243	249	6
U.S.-Canada reconciliation adjustments, n.e.c., net	4,481	3,250	1,193	1,222	1,139	927	776	849	73
Exports transferred under U.S. military agency sales contracts identified in Census documents---	-7,370	-6,692	-1,615	-1,827	-1,688	-2,240	-1,701	-1,645	56
Other adjustments to Census exports-----	63	492	-101	270	-498	261	-449	695	1,144
Equals: Merchandise exports, adjusted to balance of payments basis, excluding "military"-----	211,217	197,184	55,636	54,996	52,241	48,344	49,563	49,029	-534
IMPORTS									
Merchandise imports, Census basis (general imports)--	243,952	241,742	62,161	59,378	63,361	59,053	58,561	62,310	3,749
Adjustments:									
Gold imports, nonmonetary-----	1,462	742	211	311	546	394	117	254	137
Inland freight in Canada-----	1,167	1,410	278	307	289	293	335	370	35
Imports of U.S. military agencies identified in Census documents-----	-427	-310	-129	-108	-97	-93	-70	-85	-15
Other adjustments to Census imports-----	1,452	756	-789	962	1,220	51	-642	1,020	1,662
Equals: Merchandise imports, adjusted to balance of payments basis, excluding "military"-----	247,606	244,340	61,739	60,850	65,319	59,698	58,301	63,869	5,568
BALANCE (Excess of exports +)									
Merchandise trade, Census basis-----	-31,759	-43,504	-6,502	-4,426	-10,518	-10,183	-8,091	-13,661	-5,570
Merchandise trade, adjusted to balance of payments basis, excluding "military"-----	-36,389	-47,156	-6,103	-5,854	-13,078	-11,354	-8,738	-14,840	-6,102
Memoranda:									
Exports of agricultural products-----	37,230	35,716	10,087	10,435	8,442	8,266	9,011	8,847	-164
Exports of nonagricultural products-----	173,986	161,468	45,549	44,561	43,799	40,078	40,552	40,182	-370
Imports of petroleum and products-----	61,201	47,048	15,473	13,361	17,234	15,133	10,497	13,027	2,530
Imports of nonpetroleum products-----	186,405	197,292	46,266	47,489	48,085	44,565	47,804	50,842	3,038

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