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Merchandise Trade in the Third Quarter of 1985
-- Balance of Payments Basis --

The U.S. merchandise trade balance was in deficit by a record \$33.1 billion in the third quarter, compared with a deficit of \$28.6 billion (revised) in the second, according to preliminary estimates of the Commerce Department's Bureau of Economic Analysis. These estimates are seasonally adjusted and are 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 \$3.2 billion, or 4 percent, to \$85.5 billion. Most of the increase was in volume. The increase in imports was more than accounted for by nonpetroleum imports; petroleum imports decreased. Exports decreased \$1.3 billion, or 3 percent, to \$52.3 billion, the lowest level since the third quarter of 1983; most of the decrease was in volume. Both agricultural and nonagricultural exports decreased.

The trade deficit with the newly industrialized countries in the Far East (Hong Kong, Korea, Singapore, and Taiwan) increased \$2.2 billion, to \$6.6 billion; with Japan, \$1.4 billion, to \$11.4 billion; and with Western Europe, \$0.8 billion, to \$6.1 billion. The deficit with Mexico decreased \$0.3 billion, to \$1.3 billion, and with Canada, \$0.2 billion, to \$3.6 billion.

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Third-Quarter Imports

Nonpetroleum imports increased \$3.8 billion, or 5 percent, to \$72.9 billion; most of the increase was in volume. The largest increases were in consumer goods, up \$1.3 billion, or 9 percent; passenger cars from Canada, up \$0.7 billion, or 29 percent; business machines and passenger cars from areas other than Canada, each up \$0.4 billion, or 14 percent and 6 percent, respectively; and nonmonetary gold, up \$0.3 billion, or 53 percent.

Nonpetroleum imports from the newly industrialized countries in the Far East increased \$1.9 billion, or 22 percent; from Japan, \$1.7 billion, or 11 percent; and from Western Europe, \$0.7 billion, or 4 percent. Imports from Canada decreased \$1.3 billion, or 8 percent.

Petroleum imports decreased \$0.5 billion, or 4 percent, to \$12.6 billion. The average price per barrel decreased to \$25.78 from \$27.01 in the second quarter. The average number of barrels imported daily increased to 5.34 million from 5.30 million. Anticipation of lower prices in the spot markets probably led importers to delay some purchases.

Third-Quarter Exports

Nonagricultural exports decreased \$0.7 billion, or 2 percent, to \$45.8 billion; most of the decrease was in volume. The largest decreases were in machinery, down \$0.8 billion, or 5 percent, and chemicals, down \$0.2 billion, or 4 percent. There were increases in completed civilian aircraft, up \$0.5 billion, or 33 percent, and automotive products to Canada, up \$0.4 billion, or 8 percent.

Nonagricultural exports to Canada decreased \$1.5 billion, or 10 percent; to Western Europe, \$0.5 billion, or 4 percent; and to the newly industrialized countries in the Far East, \$0.2 billion, or 7 percent. Exports to Latin American increased \$0.7 billion, or 11 percent.

Agricultural exports decreased \$0.6 billion, or 8 percent, to \$6.5 billion, the lowest level since the first quarter of 1979. Nearly all the decrease was in price. The average price of wheat decreased 9 percent, and corn and soybeans, 8 percent each. The decrease in agricultural exports was mostly to Eastern Europe, down \$0.5 billion, or 84 percent; to the developing countries in Africa, down \$0.2 billion, or 23 percent; and to Mexico, down \$0.1 billion, or 33 percent.

Developments in 1985

The trade balance was in deficit by \$113.6 billion at a seasonally adjusted annual rate in the first 9 months of the year, compared with a deficit of \$114.1 billion for the full year 1984. Compared with the full year 1984, imports in the first 9 months of 1985 were down \$5.5 billion, or 2 percent, to an annual rate of \$328.6 billion. The decrease was in price; volume increased. The decrease in imports was more than accounted for by petroleum imports; nonpetroleum imports increased. Exports decreased \$4.9 billion, or 2 percent, to an annual rate of \$215.0 billion; volume was unchanged. Agricultural exports decreased and nonagricultural exports increased.

The decrease in imports largely reflected the sharp drop in the first quarter from the peak level reached in the fourth quarter of 1984. The decrease in exports partly reflects the increasingly competitive environment in world markets. Also, the high value of the dollar has restrained exports.

Nonpetroleum imports increased \$3.9 billion, or 1 percent, to an annual rate of \$280.4 billion. An increase in volume accounted for the increase; prices decreased. The largest increases were in automotive products, up \$5.4 billion, or 10 percent, and consumer goods, up \$1.7 billion, or 3 percent. Industrial supplies decreased \$4.2 billion, or 7 percent, and office and business machines decreased \$1.5 billion, or 10 percent. Petroleum imports decreased \$9.4 billion, or 16 percent, to an annual rate of \$48.1 billion. The average price per barrel decreased to \$26.41 from \$27.95 in 1984. The average number of barrels imported daily decreased to 4.99 million from 5.62 million.

Nonagricultural exports increased \$4.3 billion, or 2 percent, to an annual rate of \$185.9 billion. There were increases in completed civilian aircraft, up \$2.8 billion, or 67 percent, and automotive products to Canada, up \$1.9 billion, or 12 percent. Agricultural exports decreased \$9.2 billion, or 24 percent, to an annual rate of \$29.1 billion, the lowest level since 1977. About 60 percent of the decrease was in volume.

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

	1984	1985	1984				1985			Change: II-III
	Annual ^r	Jan-Sept annual rate ^p	I ^r	II ^r	III ^r	IV ^r	I ^r	II ^r	III ^p	
EXPORTS										
Merchandise exports, Census basis, including reexports, excluding military grant shipments-----	218,744	213,264	53,034	54,070	55,255	56,385	55,077	52,894	51,977	-917
Adjustments:										
Gold exports, nonmonetary-----	330	416	45	38	57	190	131	38	143	+105
Inland freight (to Canada) valuation adjustment----	1,541	1,468	381	394	386	380	368	384	349	-35
U.S.-Canada reconciliation adjustments, n.e.c., net	4,962	5,299	1,284	1,353	1,512	813	1,291	1,453	1,230	-223
Exports transferred under U.S. military agency sales contracts identified in Census documents---	-5,719	-5,964	-1,344	-1,276	-1,535	-1,564	-1,498	-1,475	-1,500	-25
Other adjustments to Census exports-----	57	499	69	-23	-26	37	-67	330	111	-219
Equals: Merchandise exports, adjusted to balance of payments basis, excluding "military"-----	219,915	214,982	53,469	54,556	55,649	56,241	55,302	53,624	52,310	-1,314
IMPORTS										
Merchandise imports, Census basis (general imports)--	330,515	324,991	77,139	83,362	83,678	86,336	77,869	81,379	84,495	+3,116
Adjustments:										
Gold imports, nonmonetary-----	474	644	71	148	141	114	138	52	293	+241
Inland freight in Canada-----	1,504	1,464	414	363	361	366	362	392	344	-48
U.S.-Canada reconciliation adjustments, n.e.c., net	775	-	370	98	107	200	-	-	-	-
Imports of U.S. military agencies identified in Census documents-----	-795	-988	-149	-204	-239	-203	-239	-275	-227	+48
Other adjustments to Census imports-----	1,551	2,447	246	414	578	314	626	662	547	-115
Equals: Merchandise imports, adjusted to balance of payments basis, excluding "military"-----	334,024	328,558	78,091	84,180	84,626	87,127	78,756	82,210	85,452	+3,242
BALANCE (Excess of exports +)										
Merchandise trade, Census basis-----	-111,771	-112,727	-24,105	-29,292	-28,423	-29,951	-22,792	-28,485	-32,518	-4,033
Merchandise trade, adjusted to balance of payments basis, excluding "military"-----	-114,110	-113,578	-24,622	-29,625	-28,977	-30,886	-23,454	-28,586	-33,142	-4,556
Memoranda:										
Exports of agricultural products-----	38,329	29,087	9,977	9,487	9,143	9,722	8,178	7,116	6,521	-595
Exports of nonagricultural products-----	181,586	185,895	43,492	45,069	46,506	46,519	47,124	46,508	45,789	-719
Imports of petroleum and products-----	57,517	48,000	13,880	14,945	14,239	14,453	10,477	13,063	12,552	-511
Imports of nonpetroleum products-----	276,507	280,435	64,211	69,235	70,387	72,674	68,279	69,147	72,900	3,753

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Balance of Payments Division.
r Revised. p Preliminary.

Revisions

BEA has revised its merchandise exports and imports series from the first quarter of 1983 through the second quarter of 1985. The revision was necessary because the Census data, upon which the BEA estimates are based, have been recalculated to reflect more accurately the actual movement of merchandise. For BEA's estimates, for 1983 and 1984, imports are now recorded in the month in which they were actually released from Customs; exports, are now recorded in the actual month of shipment. Previously, both imports and exports were recorded on the basis of the "statistical month"-- that is the month in which documents were processed by the Census Bureau. For the first and second quarters of 1985 (as well as for the third quarter), estimates are recorded on the "revised statistical month" basis, which more closely approximates the actual month of release from Customs or of shipment than does the statistical month basis.

Revisions to quarterly estimates were substantial in some instances, while revisions over longer periods of time were small. Revisions for imports were much larger than for exports. Revisions of commodity and country detail are not yet available, but will be presented in a complete set of tables in the December Survey of Current Business. Estimates presented in this release and in the Survey are seasonally adjusted by BEA.

Revised annual and quarterly estimates for 1983, which are not shown in the table that regularly accompanies this release, are presented below:

	Millions of dollars, seasonally adjusted				
	1983 Annual ^r	I ^r	1983 II ^r	III ^r	IV ^r
Merchandise exports, adjusted to balance of payments basis, excluding "military"	201,712	49,535	49,048	49,992	53,137
Exports of agricultural products	37,168	8,843	8,813	9,392	10,120
Exports of nonagricultural products	164,544	40,692	40,235	40,600	43,017
Merchandise imports, adjusted to balance of payments basis, excluding "military"	268,928	58,418	64,928	70,689	74,893
Imports of petroleum products	54,988	10,675	13,767	16,331	14,215
Imports of nonpetroleum products	213,940	47,743	51,161	54,358	60,678
Merchandise trade balance, adjusted to balance of payments basis, excluding "military"	-67,216	-8,883	-15,880	-20,697	-21,756

Next release -- Merchandise Trade in the Fourth Quarter of 1985, Balance of Payment Basis: March 12, 1986