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Merchandise Trade: Second Quarter of 1988
--Balance of Payments Basis--

The U.S. merchandise trade balance was in deficit by \$29.9 billion in the second quarter of 1988, compared with a deficit of \$35.2 billion (revised) in the first quarter, according to preliminary estimates of the Commerce Department's Bureau of Economic Analysis. The deficit was the lowest since the second quarter of 1985. 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.

Exports increased \$4.4 billion, or 6 percent, to a record \$79.7 billion. Both agricultural and nonagricultural exports increased. Imports decreased \$0.9 billion, or 1 percent, to \$109.6 billion. Nonpetroleum imports decreased and petroleum imports increased.

The trade deficit decreased with every major geographic area except Canada, generally reflecting increased exports and reduced imports. The deficit with Latin America decreased \$1.5 billion, to \$1.7 billion; with Japan, \$1.1 billion, to \$11.9 billion; with Western Europe, \$0.9 billion, to \$3.8 billion; with the newly industrialized countries in the Far East, \$0.7 billion, to \$6.1 billion. The deficit with Canada increased \$0.5 billion, to \$4.1 billion.

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Second-quarter exports

Nonagricultural exports increased \$3.7 billion, or 6 percent, to a record \$70.0 billion in the second quarter. The largest increases were in industrial supplies and materials excluding nonmonetary gold, up \$1.2 billion, or 6 percent; completed civilian aircraft, \$1.0 billion, or 48 percent; and consumer goods, \$0.5 billion, or 9 percent.

Nonagricultural exports to all major areas increased. The largest increases were to Western Europe, up \$1.0 billion, or 5 percent; to the newly industrialized countries in the Far East, \$0.6 billion, or 9 percent; to Mexico, \$0.5 billion, or 12 percent; and to Japan and Canada, \$0.3 billion each, or 5 percent and 2 percent, respectively.

Agricultural exports increased \$0.7 billion, or 7 percent, to \$9.7 billion, the highest level since the second quarter of 1984. Corn increased \$0.3 billion, or 27 percent, largely due to increases to the Soviet Union and Mexico; wheat, \$0.1 billion, or 10 percent, due to an increase to China; and meat products and poultry, \$0.1 billion, or 28 percent, largely due to an increase to Japan. Soybeans decreased \$0.1 billion, or 7 percent. The average price of soybeans and wheat increased 13 percent each, and corn, 7 percent. These sharp price increases do not reflect the effects of this summer's drought.

Second-quarter imports

Nonpetroleum imports decreased \$1.1 billion, or 1 percent, to \$99.4 billion in the second quarter. The largest decreases were in passenger cars from areas other than Canada, down \$1.1 billion, or 12 percent; industrial supplies and materials excluding nonmonetary gold, \$0.4 billion, or 2 percent; and consumer goods, \$0.4 billion, or 2 percent. Partly offsetting were increases in capital goods of \$1.0 billion, or 4 percent, mostly due to civilian aircraft and parts and to semiconductors, and automotive products from Canada of \$0.4 billion, or 5 percent. The decrease in passenger cars from areas other than Canada was due to a 25-percent decrease from West Germany and a 19-percent decrease from South Korea; passenger cars from Japan increased 7 percent. The average price of cars from West Germany increased 21 percent, and from South Korea and Japan, 3 percent each.

Nonpetroleum imports from Latin America and Japan decreased \$0.5 billion each, or 5 percent and 2 percent, respectively; and from Western Europe, \$0.4 billion, or 2 percent. Imports from Canada increased \$0.8 billion, or 4 percent. Imports from the newly industrialized countries in the Far East were unchanged.

Petroleum imports increased \$0.3 billion, or 3 percent, to \$10.2 billion. The increase was due to higher volume. The average number of barrels imported daily increased to 7.38 million from 7.14 million. The average price per barrel decreased to \$15.15 from \$15.23. The increase in imports apparently went into inventories; domestic production was unchanged and consumption decreased.

Developments in January-June 1988

The U.S. merchandise trade deficit decreased to \$130.2 billion at a seasonally adjusted annual rate in the first six months of 1988, compared with a deficit of \$160.3 billion for the entire year 1987. Exports increased \$60.4 billion, or 24 percent, to an annual rate of \$309.9 billion. Both agricultural and nonagricultural exports increased. Imports increased \$30.3 billion, or 7 percent, to an annual rate of \$440.2 billion. Nonpetroleum imports increased and petroleum imports decreased.

The deficit decreased with all major areas except Canada. The largest decreases were with Western Europe, down \$10.6 billion, to an annual rate of \$16.9 billion; with the newly industrialized countries in the Far East, \$9.0 billion, to \$25.8 billion; with Japan, \$7.3 billion, to \$49.7 billion; and with Latin America, \$2.4 billion, to \$9.9 billion. The trade deficit with Canada increased \$2.9 billion, to \$15.4 billion.

Nonagricultural exports increased \$52.4 billion, or 24 percent, to an annual rate of \$272.5 billion. The largest increases were in machinery, up \$15.2 billion, or 21 percent; nonmonetary gold, \$6.0 billion, or 231 percent; chemicals, \$4.2 billion, or 20 percent; consumer goods, \$4.2 billion, or 23 percent; automotive products to Canada, \$3.3 billion, or 17 percent; and completed civilian aircraft, \$3.1 billion, or 41 percent.

Agricultural exports increased \$7.9 billion, or 27 percent, to an annual rate of \$37.4 billion, the highest since 1984. All major commodities increased. Average prices increased sharply, reflecting a tightening of world supplies.

Nonpetroleum imports increased \$32.9 billion, or 9 percent, to an annual rate of \$399.8 billion. Four-fifths of the increase was in capital goods, up \$13.7 billion, or 16 percent, and industrial supplies and materials, \$13.2 billion, or 18 percent. Other increases were in consumer goods, up \$4.8 billion, or 5 percent, and automotive products, from Canada \$4.8 billion, or 20 percent.

Petroleum imports decreased \$2.5 billion, or 6 percent, to an annual rate of \$40.4 billion. The decrease was more than accounted for by lower prices. The average price per barrel decreased to \$15.19 from \$17.33 in 1987. The average number of barrels imported daily increased to 7.26 million from 6.78 million.

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Second-quarter exports and imports: Constant dollars

In constant (1982) dollars, the merchandise trade deficit decreased \$4.3 billion to \$29.5 billion in the second quarter. Exports increased \$3.2 billion, or 4 percent, to \$85.2 billion. Nonagricultural exports increased \$3.1 billion, or 4 percent, to \$75.2 billion. The largest increases were in civilian aircraft and parts, up \$0.9 billion, or 45 percent; industrial supplies and materials excluding nonmonetary gold, \$0.9 billion, or 5 percent; and consumer goods, \$0.4 billion, or 8 percent. Agricultural exports increased \$0.1 billion, or 1 percent, to \$10.0 billion.

Imports decreased \$1.0 billion, or 1 percent, to \$114.7 billion. Nonpetroleum imports decreased \$1.7 billion, or 2 percent, to \$93.5 billion. Decreases were in industrial supplies and materials excluding nonmonetary gold, down \$1.1 billion, or 5 percent; automotive products, \$0.7 billion, or 4 percent; and consumer goods, \$0.7 billion, or 3 percent. Capital goods increased \$1.5 billion, or 5 percent, mostly due to computers, peripherals, and parts. Petroleum imports increased \$0.7 billion, or 3 percent, to \$21.2 billion.

Developments in January-June 1988: Constant dollars

In constant (1982) dollars, the merchandise trade deficit decreased to \$126.6 billion at a seasonally adjusted annual rate compared with a deficit of \$161.2 billion (revised) for the entire year 1987. Exports increased \$59.8 billion, or 22 percent, to an annual rate of \$334.4 billion. Nonagricultural exports increased \$55.2 billion, or 23 percent. More than one-half of the increase, or \$30.5 billion, was in capital goods, mostly due to civilian aircraft, and computers, peripherals, and parts. Other increases were in automotive products, up \$10.2 billion, or 18 percent, and industrial supplies and materials excluding nonmonetary gold, \$9.0 billion, or 13 percent. Agricultural exports increased \$4.7 billion, or 14 percent, to an annual rate of \$39.6 billion.

Imports increased \$25.3 billion, or 6 percent, to an annual rate of \$461.0 billion. Nonpetroleum imports increased \$19.5 billion, or 5 percent, to an annual rate of \$377.4 billion. The increase was more than accounted for by capital goods, up \$20.0 billion, or 20 percent, mostly due to computers, peripherals, and parts. Industrial supplies and materials excluding nonmonetary gold increased \$0.9 billion, or 1 percent. Automotive products decreased \$1.8 billion, or 3 percent; foods, feeds, and beverages, \$1.2 billion, or 5 percent; and consumer durables, \$0.7 billion, or 2 percent. Petroleum imports increased \$5.8 billion, or 7 percent, to an annual rate of \$83.6 billion.

Revisions: New implicit price deflators were applied to quarterly estimates in this release. The change reflected last month's revisions in the national income and product accounts of the United States. Previous constant-dollar estimates for the merchandise trade deficit for the four quarters of 1987 and the first quarter of 1988 were \$43.4 billion, \$41.0 billion, \$41.4 billion, \$42.1 billion, and \$36.6 billion, respectively.

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Future release date for 1988:
Third quarter 1988.....November 28 (Monday)

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

	1987	1988	Change:	Quarterly 1987				Quarterly 1988		Change:
	Annual	Jan-June Annual rate	1987 - 1988	I	II	III	IV	I/r/ II/p/	I-II	
EXPORTS										
Merchandise exports, Census basis, including reexports, and military grant shipments/1/	252,684	312,046	59,362	57,423	60,969	65,458	68,834	75,844	80,179	4,335
Adjustments:										
Gold exports, nonmonetary	718	620	-98	152	147	363	56	14	296	282
Inland freight to Canada	1,607	1,810	203	376	399	411	421	457	448	-9
Exports transferred under U.S. military agency sales contracts identified in Census documents	-5,686	-4,760	926	-1,221	-1,685	-1,396	-1,384	-1,076	-1,304	-228
Other adjustments to Census exports	247	214	-33	61	34	66	86	61	46	-15
Equals: Merchandise exports, adjusted to balance of payments basis, excluding "military"	249,570	309,930	60,360	56,791	59,864	64,902	68,013	75,300	79,665	4,365
IMPORTS										
Merchandise imports, Census basis (general imports)/1/	406,043	432,478	26,435	96,040	98,899	103,429	107,675	108,592	107,647	-945
Adjustments:										
Gold imports, nonmonetary	2,133	6,066	3,933	264	170	560	1,139	1,573	1,460	-113
Inland freight in Canada	1,739	2,260	521	418	451	441	429	530	600	70
Imports of U.S. military agencies identified in Census documents	-1,330	-1496	-166	-285	-330	-370	-345	-395	-353	42
Other adjustments to Census imports	1,265	864	-401	225	226	507	307	184	248	64
Equals: Merchandise imports, adjusted to balance of payments basis, excluding "military"	409,850	440,172	30,322	96,662	99,416	104,567	109,205	110,484	109,602	-882
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Merchandise trade, balance of payments basis:										
Exports	249,570	309,930	60,360	56,791	59,864	64,902	68,013	75,300	79,665	4,365
Agricultural products	29,517	37,428	7,911	6,486	7,118	8,287	7,626	9,020	9,694	674
Nonagricultural products	220,053	272,502	52,449	50,305	52,746	56,615	60,387	66,280	69,971	3,691
Imports	409,850	440,172	30,322	96,662	99,416	104,567	109,205	110,484	109,602	-882
Petroleum and products	42,882	40,352	-2,530	8,760	10,075	12,759	11,288	9,955	10,221	266
Nonpetroleum products	366,968	399,820	32,852	87,902	89,341	91,808	97,917	100,529	99,381	-1,148
Balance (excess of exports +)	-160,280	-130,242	30,038	-39,871	-39,552	-39,665	-41,192	-35,184	-29,937	5,247
Merchandise trade in constant (1982) dollars, balance of payments basis (revised):										
Exports	274,530	334,428	59,898	62,309	65,865	71,506	74,850	81,995	85,219	3,224
Agricultural products	34,894	39,618	4,724	7,721	8,464	9,913	8,796	9,836	9,973	137
Nonagricultural products	239,636	294,810	55,174	54,588	57,401	61,593	66,054	72,159	75,246	3,087
Imports	435,738	461,006	25,268	104,212	105,195	111,509	114,822	115,765	114,738	-1,027
Petroleum and products	77,845	83,634	5,789	17,485	18,023	21,998	20,339	20,568	21,249	681
Nonpetroleum products	357,893	377,372	19,479	86,727	87,172	89,511	94,483	95,197	93,489	-1,708
Balance (excess of exports +)	-161,208	-126,578	34,630	-41,903	-39,330	-40,003	-39,972	-33,770	-29,519	4,251

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1. Unadjusted Census basis data are derived by BEA from Census Bureau information on actual movements of merchandise. These data are seasonally adjusted by BEA.

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