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Economic Indicators

The United States

Both long- and short-term interest rates continued to rise in April. Since the start of 1984, short-term interest rates have increased by about 1 percentage point, and long-term interest rates have increased by about 1.5 percentage points. The yield on 3-month Treasury bills, which was 9 percent at the end of 1983, rose from 9.75 percent in March to 10 percent, and the yield on 30-year Treasury bonds, which was 11.75 percent at the end of 1983, rose from 12.5 percent in March to 13.25 percent.

The surprising strength of the U.S. economic expansion is a major reason for the increase in interest rates. Recently released data indicate, however, that the pace of the expansion is slowing down. But interest rates may not fall in the second half of 1984 because of the large U.S. budget deficit and a tight U.S. monetary policy.

Industrial production rose 0.4 percent in March, compared with increases of 1.0 percent in February and 1.4 percent in January. The reduction in the growth rate was welcomed by many analysts who feared that the economy was expanding too rapidly.

The index of leading economic indicators fell 1.1 percent in March, its first monthly decline since August 1982, ending the longest stretch of growth in the index since World War II. The decline lends support to the theory that the breakneck pace of the recovery of the U.S. economy is slowing down.

The unemployment rate remained at 7.8 percent in April. A surge in the number of people looking for work offset the creation of more than a quarter million jobs in April. Last year in April, the unemployment rate was 10.2 percent.

Capacity utilization edged up from 80.7 percent in February to 80.9 percent in March. The March increase was the smallest in recent months, providing another indication that the economy may be cooling down. Since November 1982, capacity utilization has increased 12.3 percentage points. There is strong evidence that inflationary pressures begin to build more quickly when capacity utilization reaches 85 percent.

Consumer prices rose 0.2 percent in March, the smallest monthly increase this year. Food prices declined for the first time in 8 months; higher food prices had helped push consumer prices up 0.4 percent in February and 0.6 percent in January. For the first quarter, consumer prices rose at an annual rate of 5.0 percent, which, according to many inflation forecasts, was right on target for the year.

Producer prices rose 0.5 percent in March, the second largest monthly increase in more than a year. For the 12 months ending in March, producer prices rose 2.9 percent. In just the first quarter of 1984, however, producer prices rose at an annual rate of 6.1 percent.

Higher interest rates helped push the dollar higher in foreign exchange markets in April. The value of the dollar increased by about 2 percent against most major currencies to bring the dollar more-or-less back to its rate of exchange at the end of 1983. Since the start of 1984, the value of the dollar has risen 3 percent against the British pound, has declined 2 percent against the Japanese yen, and has remained unchanged against the West German mark.

The U.S. merchandise trade deficit grew to a record $10.3 billion in March, the third consecutive record monthly deficit. The deficit in February was $10.1 billion. The level of imports also reached a record high in March. For the first quarter of 1984, the merchandise trade deficit rose to an annual rate of $119.3 billion, almost double last year's record deficit of $60.6 billion.

International comparisons

The Conference Board's current and leading economic indicators point to the continuing, if slow, spread of the recovery from the United States to the other leading industrial countries. The U.S. dollar continued strong, again confounding forecasters who have been warning for over a year of an imminent decline in the exchange rate.

Industrial production.--The Commerce Department reported that its index of industrial production in seven major foreign countries rose a moderate 0.3 percent in February. This was the fourth consecutive monthly advance in the Commerce index, now a strong 7.9 percent above its year-ago level. Japan's performance was especially strong, up 2.8 percent in February alone.

Employment.--Unemployment rates remained stable at or near record levels in Canada, West Germany, and the United Kingdom. This was in contrast to the substantial progress recorded over the past 15 months in the United States in reducing unemployment from the recession peak.

In France, joblessness worsened sharply in February, climbing to 9.6 percent from 9.3 percent in January. Prime Minister Mauroy said he will continue the fight to limit unemployment. A shortened work-week is reportedly being considered as a means of spreading employment. However, French businessmen have consistently decried the impact of such a move on French industrial costs and competitiveness.

Prices.--The May issue of the IMF's International Financial Statistics reported that in 1983 industrial countries recorded their lowest annual inflation rate since 1972. Prices rose only 5.0 percent in 1983 versus 7.5 percent in 1982. Meanwhile, the annual rate of price increases among non-oil developing countries was sharply higher last year (54.1 percent) than in 1982 (34.3 percent).

The IMF also noted that the 12-month rate of consumer price increases in industrial countries was up for the fifth consecutive month in February, continuing a gradually increasing trend. The February price level was 5.3 percent above the year-ago level. March data show improvement in consumer price performance for the United States, West Germany, the United Kingdom and France, but Italy's prices accelerated moderately.

Trade balances.--Japan's merchandise trade surplus more than doubled in the fiscal year ended March 31, 1984, to a record $23.3 billion. The value of exports was up 11.7 percent, while imports rose only 1.6 percent. The slow rate of growth of imports was reportedly due to the declining prices of oil and other commodity imports. The Japanese bilateral surplus with the United States was a record $21.0 billion and was $10.1 billion with the European Community.

The German Federal Statistics Office announced a first-quarter current account surplus of 2 billion marks. This was below the 5.2-billion mark surplus of the year-ago quarter, and has resulted in its lowering estimates of the full-year 1984 surplus from around 20 billion marks to just over last year's 10.1 billion mark level. The cause of the lower current-account surplus is reported to be unusually heavy budgetary payments to the EC.

French Economy Minister Jacques Delors expects a trade deficit of 20 to 25 billion francs this year, and noted that France's import/export ratio is the worst in the EC. He advocated a goal of increasing France's market share in other EC countries by 1 percent per year as a way to bring the deficit down.

International Trade Developments

Korea and Taiwan plunge into the world auto industry

The newly industrializing countries (NICs) have emerged as formidable competitors in some industries that have traditionally been dominated by the developed countries, for example, shipbuilding, steel, construction, and electronics. Now two of Asia's fastest growing NICs are moving into the lucrative U.S. auto market with low-priced subcompact cars built with Japanese and American knowhow. Taiwan expects to be exporting 150,000 passenger cars annually by 1994. Korea is planning to capture 3 percent of the world's auto market in the 1990's. Some Korean models could arrive in the United States as early as 1986.

The Taiwanese Government plans to invest about $530 million this year in a joint venture with Toyota Motor Co. of Japan. Production is scheduled to begin in 1986 and is expected to reach 300,000 units annually by the mid-1990's. According to preliminary projections, exports are to begin slowly: about 1 percent of output during the first two years, increasing to 10 percent by 1988, and eventually reaching 50 percent. Taiwan's exports will be sold through Toyota's worldwide distribution network.

Korea's entry into the world auto industry will be through its leading auto manufacturers, Hyundai Motor and Daewoo Motor corporations. Last year, Hyundai had a production capacity of 116,000 passenger cars and Daewoo had a capacity of 60,000. Actual production for the nation was about 121,000 vehicles. This year Hyundai will complete construction of a new assembly plant that will produce 300,000 cars annually when it reaches full capacity. Hyundai's front-wheel drive subcompact is scheduled for export to developing nations in Africa, the Middle East, and South America; to a lesser extent, exports are also projected for Europe and Canada. Sales of the vehicles in the United States are planned to begin when the car can meet U.S. standards of emissions and safety.

Daewoo Motor is now negotiating with General Motors (GM) to produce cars in Korea for export to the United States. Under the joint venture, Daewoo plans to increase its annual production by 200,000 units by 1986. About 60,000-100,000 of the GM-designed cars are scheduled for export to the United States to be sold through GM's distribution network.

Because of the protectionist environments in which Taiwan and Korea will be trying to compete, some industry analysts are skeptical about their ability to export half of their production. Essentially all of the markets being considered in Southeast Asia, North America, and Europe have mechanisms in place to protect their domestic industries. Thus, the primary effect of Taiwan's and Korea's exports in the late 1980's is likely to be an increase in competition for markets in developing economies, while the difficulty of penetrating the complex and relatively saturated markets in advanced countries will impede their export success in those nations.

Accord on nuclear cooperation opens up significant investment opportunities in China for U.S. companies

During President Reagan's trip to China, he and Chinese Premier Zhao Ziyang initialed a bilateral agreement on peaceful nuclear cooperation. The accord must be reviewed by U.S. experts on nuclear law and, if approved for signing in its present form, will also be subject to congressional review for 60 days. If no problems arise during these final stages of the process, U.S. firms will be able to bid on contracts for a series of nuclear power stations that China plans to construct with foreign equipment and technical assistance by the year 2000.

The outcome of negotiations on the agreement was uncertain even as President Reagan departed for China. Because of the strict safeguards that apply to the export of nuclear technology, equipment, and materials under U.S. law, the negotiations had proceeded slowly, and were often deadlocked, since they began in 1981. The Chinese regarded a number of the U.S. demands to insure against the proliferation of nuclear weapons as an infringement on their national sovereignty, and they accepted such safeguards reluctantly. Agreement was reached when they apparently conceded to the one remaining safeguard requirement under negotiation--that the United States be allowed to control China's internal use or export to another country of the spent fuel (which could be used for nuclear weapons) from plants built with U.S. technology.

To carry out its ambitious program of nuclear power plant construction, China is expected to require $8 to $10 billion in foreign equipment and services. Although some estimates of the potential imports are higher, China's plans call for buying entire plants initially but gradually acquiring the technology and facilities to manufacture much of the equipment needed for later plants. The Chinese already have the technical capability to build small installations, and have begun excavation of the site for a 300-megawatt plant near Shanghai that they announced will be built without foreign assistance. Westinghouse Electric Corp. expects to be the leading contender to supply as many as six large installations, since the Chinese have stated that they prefer U.S. technology and have indicated that they are particularly interested in the pressurized water reactor developed by Westinghouse. The General Electric Co., which uses boiling water technology, is its main U.S. competitor.

U.S. companies are not expected to play any role, however, in the construction of China's first nuclear power station to be built with foreign technology. Although China asked U.S. firms to submit cost estimates on the 1,800-megawatt facility when bids were opened in 1982, the United States and China made almost no progress in negotiating a bilateral nuclear accord until the last half of 1983. Meanwhile, China signed agreements in principle with Framatome, France's state-owned nuclear firm, to supply the two reactors for the plant, and with the General Electric Co. of the United Kingdom (which is not related to the U.S. company), to supply the power-generating turbines. The Chinese are reported to be set to sign the final contracts this summer. Estimated total cost of the plant is US$4.1 billion, including the site in Guangdong Province near Hong Kong and labor to be supplied by China. Both France and the United Kingdom will extend China Government-subsidized export financing to cover part of their investment in the plant, and the balance will be covered by commercial loans. Details of the credit arrangements have not yet been released.

In addition to France and the United Kingdom, West Germany and Japan are also likely to be in competition with the United States to provide equipment, technical assistance, and credits for construction of the additional nuclear power stations planned by China. Even the Soviet Union has reportedly approached China with offers of nuclear reactors. The financing arrangements offered are therefore likely to be an important factor in determining which countries will be awarded the contracts for future plants.

Until recently, the International Arrangement on Export Credits, which is under the auspices of the Organization for Economic Cooperation and Development (OECD), had not included nuclear power plants and related equipment. However, an agreement to establish a common line on the terms for official financing of nuclear exports was tentatively reached in December, subject to final approval by the 22 Western industrial nations participating in the export credit group. This OECD agreement seeks to set a maximum repayment period of 15 years after the nuclear facility is built, limit the minimum interest rate offered to at least 1 percent over current OECD arrangement long-term rates, and prohibit the use of mixed credits (official export financing that consists of a blending of loans and grants). Since the Foreign Assistance Act of 1961 prohibits the U.S. extension of grants to China and other Communist countries, this last provision could be particularly important in making any official U.S. financing of nuclear projects in China competitive with that of other Western nations.

<u>Status report on disputes before GATT panels</u>

Progress on adopting reports of GATT panels established to settle disputes between contracting parties is proceeding slowly thus far in 1984. Only one of the four panel reports prepared so far this year has been adopted by the GATT Council of Representatives. The panel report on a Nicaraguan complaint regarding U.S. reallocation of sugar quotas was adopted at the March

Council meeting with the acquiescence of the United States. Although the panel opinion did not favor the U.S. position, the United States agreed to adoption in order to show support for the dispute-settlement process and to set an example that panel rulings not be rejected out of hand when a disputant is not satisfied.

As for the other three panel reports, their adoption has been postponed by parties to the disputes. At the request of Japan, the report on Japanese leather restrictions was postponed until the mid-May Council meeting. At the request of the United States, consideration of the U.S. manufacturing clause report was also put off until May. The U.S. case against EC subsidies on canned fruit and raisins had been expected on the March Council agenda, but did not appear due to continued behind-the-scenes haggling over the content of the report.

Since these reports are considered internal confidential documents until formally adopted, only the report that has been made public--the one on U.S. reduction of Nicaragua's sugar quotas--may be described in detail. In this report, the panel concluded that the sugar quota of 6000 short tons, granted to Nicaragua during FY 1983/84, was inconsistent with the United States obligations under article XIII(2) of the General Agreement. Article XIII(2) generally prohibits quantitative restrictions but allows for exceptions on the condition that the contracting parties aim at a distribution of trade approaching as closely as possible the market shares that might be expected in the absence of such restrictions. The panel also determined that this quota reduction was inconsistent with the schedule of bound U.S. trade obligations submitted to GATT under article II. On the basis of these findings, the Contracting Parties recommended, as proposed by the report, that the United States promptly redesignate a quota for Nicaragua that is consistent with U.S. obligations under GATT. In arriving at its opinion, the panel examined only those GATT rules that were thought to be precisely relevant and did not consider any broader legal or political questions. The panel did not examine the possibility of the quota reduction being inconsistent with any other obligations under the Agreement. Nor did it examine any of the possible exceptions legally applicable to these obligations (national security exceptions are one example) since the United States is not on record as claiming any with bearing on this case.

From the U.S. point of view, implementation of the adopted recommendation may not be necessary under GATT rules. The United States has consistently maintained that the case has political ramifications that go beyond the purview of GATT. Furthermore, the United States argues that the General Agreement makes allowance for exceptional cases in which a contracting party finds compliance extremely onerous. This allowance authorizes retaliation by the disputant whose balance of concessions has not been restored. Thus, Nicaragua has the right to withdraw concessions "of an equivalent value" to those impaired by the United States if the United States chooses not to abide by the panel recommendation. Taking into account the continuing political differences between the United States and Nicaragua, the United States has indicated that it prefers to see Nicaragua take the authorized retaliation until problems in the political sphere are resolved.

EC's new farm policy package limits subsidies, discourages surpluses

For the first time since the controversial Common Agricultural Policy (CAP) was created over 20 years ago, the European Community (EC) has taken steps to reform some of its more costly provisions. The EC Commission submitted a set of CAP reform proposals last summer, and its farm price proposals last winter, to the EC Council of Ministers. The Commission believes that it is no longer economically or financially feasible for the EC to maintain guaranteed prices for unlimited quantities of farm products in surplus supply. On March 31, 1984, the Council of Ministers finally responded to the Commission's proposals and agreed to implement the EC's 1984-85 farm policy package. This package sets production quotas on surplus products, sets lower common EC farm prices, eliminates Monetary Compensatory Amounts (MCA's), and sets the stage to restrict imports of nongrain feed ingredients (NGFI's). The Council's decisions mark a watershed in the EC because agreement on CAP reform has eluded the member Governments to date. As expected, the EC's 8 million farmers denounced the austere prices and reform measures taken.

Production quotas and guaranteed thresholds.--The EC has encouraged overproduction of many CAP products through subsidies without limits on production. The EC Commission wants to put an end to open-ended subsidies. Milk products--for which the EC has a self-sufficiency rate of 341 percent--are a case in point. Since milk supply exceeds demand, forcing the EC to buy large quantities of milk, the EC set milk production quotas for 5 years at 1 percent above 1981 milk deliveries. In the event that milk producers or dairies exceed their assigned limits, fines will be imposed. The milk production quota for 1984-85 was set at 99.6 million tons. The 1985-86 quota will be 98.4 million tons. Production topped 103 million tons in 1983. Exceptions were made for Ireland and Italy whose quotas are based on their 1983 deliveries. Member states will be allowed to produce additional quantities of milk during a 1984-85 transition period. To cover this cost, the co-responsibility (or supplementary) levy that dairy farmers already pay as part of the EC's program to discourage surplus production was raised to 3 percent of the target price. The EC also placed production curbs on wine and reduced various production or consumption subsidies in the livestock, butter, and fruit and vegetables sectors.

The EC already has guaranteed thresholds--that restrict the volume of produce for which farmers receive a guaranteed price--on sugar, milk, cereals, rapeseed, cotton, and processed tomatoes. The current farm package extends guaranteed thresholds to three new products: sunflower seed, durum wheat, and raisins.

Common EC farm prices.--Each year, the EC sets common guaranteed farm prices on products covered by the CAP. Average common farm prices for 1984-85 have been reduced by 0.5 percent when expressed in European Currency Units. Although average prices have increased by 3.3 percent when translated into national currencies, the EC's projected 1984 inflation rate of 5.5 percent will mean a decline in real farm income. When expressed in national currency terms, common EC prices have dropped about 0.6 percent for the United Kingdom, West Germany, and the Netherlands, and have increased from 1.5 percent (Denmark) to 17.6 percent (Greece) for the other members. Milk and sugar prices were frozen at last year's level. The minimum support price for butter has been reduced by 10.6 percent but raised between 5.7 and 10.9 percent for skimmed-milk powder and cheese. The target and intervention prices for wheat, barley, rye, and corn have been reduced, left unchanged from last year, or raised only slightly. Rice prices have increased between 2.5 and 3.1 percent.

Cotton prices have risen by 1.5 percent. Prices for table wine, raw tobacco, and fruit and vegetables have dropped between 1.0 and 3.0 percent.

Elimination of MCA's.--The EC will phase out the controversial MCA's--internal border payments and deductions designed to offset the impact of currency fluctuations on the EC's common farm prices--over the next 4 years. When the EC fixes common guaranteed farm prices for the member countries each year, currency fluctuations that occur after they have been set result in farm prices that may vary substantially among members. MCA's were created to offset the distortions that currency changes cause common EC farm prices.

Import restrictions.-- The Council of Ministers authorized the Commission to open negotiations with third countries to stabilize--EC jargon for restrict--imports of corn gluten feed and other NGFI's with appropriate compensation to supplying countries. The EC says such action is required as part of its CAP reform program to encourage home-grown production of NGFI's and lower CAP costs (see IER, March 1984). The EC would also like to restrict imports of butter, beef, lamb, and mutton.

CAP spending.--The new farm package will actually cost the EC budget more, not less. One estimate puts the cost of the reform measures at about $1.3 billion between now and the end of 1985. Finding the resources to fund these reforms will be no easy task for the Commission since the EC is nearing financial insolvency due to a deadlock among the members on their financial contributions and methods of raising new revenues and by law the EC is prohibited from spending more than it receives.

Impact of EC measures on the United States.--The United States has been critical of the CAP since its inception, but has long supported CAP reform to the extent that the EC does not pass its costs and sacrifices onto foreign suppliers. To the relief of U.S. soybean farmers, the EC's proposal to tax imported oils and fats has been dropped for the time being. However, the EC's decision to enter into negotiations with third countries to restrict imports of NGFI's has met with stiff opposition from the United States, its principal supplier of such products. The EC believes that if its own grain farmers are being called upon to make sacrifices in the name of CAP reform, foreign suppliers should be subject as well.

Expanding Bonn-East Berlin trade corridor exemplifies trade over politics

The two German states may be far from unification, but they share at least one unifying principle: commerce uber allies. As East-West tensions grew late last year over Euromissile deployment, economic ties and cooperation in other areas continued to expand between the two Germanies. When East-West relations are bad, inter-German economic relations still seem to be good. But when East-West relations are not so bad, inter-German relations are even better, as the high profile West German political and business representation at the recent Leipzig international fair amply demonstrated. This rapprochement between the two German states raises the hope that trade and commerce between ideological adversaries can develop into an infrastructure of cooperation. Such an infrastructure, by catering to the everyday needs of individuals regardless of national frontiers, may someday constrain international political upheavals.

Trade and commercial contacts between East and West Germany began to develop in earnest in the mid-seventies when Eastern Europe turned to the West for capital and the West German economic miracle fizzled out. During 1980-1982, a troublesome period for East-West trade, inter-German trade increased by 19 percent as total trade turnover between countries of the Organization for Economic Cooperation and Development (OECD) and the Eastern Bloc (Eastern Europe and the Soviet Union) declined by 7 percent. Trade between East and West Germany rose by 8.5 percent (to $5.9 billion) in 1983. This growth outstripped by far the estimated slight increase in OECD-Eastern Bloc trade last year. Since overall West German trade grew by only 2 percent in 1983, the relative importance of East Germany as West Germany's trading partner also increased.

Inter-German trade is more important for East Germany than for West Germany. Only 2 percent of the German Federal Republic's trade is conducted with East Germany, but this represents 10 percent of East Germany's total trade. In 1983, 23 percent of East German exports to West Germany was in refined oil products, 13 percent was in textiles and 12 percent was in chemicals. The system of trade between the two countries allows East Berlin to settle its trade balances in special "accounting units" rather than in hard currency, of which it is short. Through an interest-free or so-called "swing" credit, the West Germans allow the East Germans to maintain huge deficits. Inter-German trade is not considered foreign trade by either country. Consequently, East German exports sold through West German distributors enjoy many of the same privileges within the European Community (EC) as West German exports. The two German states split the border adjustment tax that West Germany, like other members of the European Community (EC), must pay on its exports to other EC countries. (The border adjustment tax is intended to match the value added tax in the final sales price of goods produced within EC countries.) Beyond providing the credit upon which much of inter-German trade depends, Bonn assists East Berlin in maintaining its international solvency. West German loans and loan guarantees allowed East Germany to pay nearly $2.5 billion to Western banks between September 1982 and the end of 1983. (East Germany's total gross hard currency debts stood at $12.3 billion at the end of 1983.)

Although East Germany represents a small fraction of total West German trade, West Germany has a serious stake in expanding and safeguarding the stability of inter-German economic relations. For the West German iron and steel industry, for example, which suffers of excess capacities, the stable and receptive East German market is a palliative. In 1983, West German sales of iron and steel products to East Germany were 59 percent higher than in 1982. (These sales made up 16 percent of West German exports to East Germany in 1983.) Given the West German banks' heavy exposure to East Germany, West Germans also have an interest in helping East Germany earn hard currency to pay its debts and keep up the orders for West German products.

The two German states are increasing their level of industrial cooperation. West German steel companies Peine-Salzgitter and Hoesch have recently signed an agreement to process a substantial amount of East German steel into hot-rolled steel. Volkswagen concluded a deal with East Berlin for the manufacture of cars and light vans. In addition to strengthening economic ties, the two German states have recently concluded a postal treaty and an environmental control agreement. They have also resolved the thorny issue of controlling the Berlin rapid transit system, S-Bahn. East Berlin has reportedly eased control over short-stay cross border traffic and allowed more emigration.

Industrial production
(Percentage change from previous period, seasonally adjusted at annual rate)

Country	1981	1982	1983	1982 IV	1983 I	1983 II	1983 III	1983 IV	1983 Nov.	1983 Dec.	1984 Jan.	1984 Feb.	1984 March	1984 April
United States	2.6	-8.1	6.4	-8.1	9.9	18.4	21.8	10.1	3.9	6.4	18.3	12.8	5.4	18.2
Canada	0.9	-10.7	5.9	-14.4	22.1	13.1	18.5	13.8	2.7	13.0	28.4			
Japan	1.0	0.4	3.5	-2.8	3.6	6.5	14.0	10.3	29.0	6.8	9.1	37.8		
West Germany	-2.3	-3.2	0.4	-5.4	4.4	6.0	4.9	9.0	23.4	-9.3	12.9	6.2		
United Kingdom	-3.9	2.0	2.9	0	5.3	0.5	5.7	3.3	4.8	13.8	5.9	-17.9		
France	-2.6	-1.5	1.2	3.2	1.0	4.2	3.1	1.0	32.0	-8.7	9.6	-16.1		
Italy	-2.4	-2.2	-4.8	9.0	-2.0	-10.4	-4.9	17.6	35.0	-42.2				

Source: Economic and Energy Indicators, U.S. Central Intelligence Agency, April 27, 1984.

Consumer prices
(Percentage change from previous period, seasonally adjusted at annual rate)

Country	1981	1982	1983	1982 IV	1983 I	1983 II	1983 III	1983 IV	1983 Oct.	1983 Nov.	1983 Dec.	1984 Jan.	1984 Feb.	1984 March
United States	10.3	6.2	3.2	2.0	-0.4	4.3	4.2	4.4	5.3	3.6	3.2	7.8	4.4	2.8
Canada	12.5	10.8	5.8	-1.2	3.0	4.6	6.3	4.2	6.1	0.3	8.0	7.6	5.2	
Japan	4.9	2.6	1.8	3.2	0.6	1.6	0.6	3.6	7.3	1.9	2.7	0.3	12.9	
West Germany	6.0	5.3	3.0	2.8	0.5	1.6	5.0	3.0	1.4	2.4	3.3	2.4	3.8	2.6
United Kingdom	11.9	8.6	4.6	2.6	3.6	2.2	8.2	6.1	4.7	3.3	6.4	2.1	6.4	2.3
France	13.3	12.0	9.5	7.6	11.0	10.4	9.3	8.6	8.1	7.7	6.2	6.7	7.7	6.4
Italy	19.3	16.4	14.9	19.9	13.4	14.4	12.5	11.1	13.0	9.3	10.1	11.8	11.1	11.4

Source: Economic and Energy Indicators, U.S. Central Intelligence Agency, April 27, 1984.

Unemployment rates
(Percent; seasonally adjusted; rates of foreign countries adjusted to be roughly comparable to U.S. rate)

Country	1981	1982	1983	1983 I	1983 II	1983 III	1983 IV	1984 I	1983 Nov.	1983 Dec.	1984 Jan.	1984 Feb.	1984 March	1984 April
United States	7.6	9.7	9.6	10.4	10.1	9.4	8.5	7.9	8.4	8.2	8.0	7.8	7.8	7.8
Canada	7.6	11.0	11.9	12.5	12.2	11.6	11.2	11.3	11.1	11.1	11.2	11.3	11.4	
Japan	2.2	2.4	2.7	2.7	2.7	2.7	2.6		2.6	2.6	2.8			
West Germany	4.1	5.9	7.3	7.1	7.4	7.5	7.3		7.3	7.2	7.1	7.1		
United Kingdom	10.6	12.3	13.4	13.3	13.5	13.6	13.3	13.7	13.3	13.4	13.6	13.7	13.7	
France	7.7	8.7	8.8	8.7	8.8	8.8	9.0		9.1	9.2	9.3	9.6		
Italy	4.3	4.8	5.2	4.9	5.7	5.1	5.0							

Note.--Italian unemployment surveys are conducted only once a quarter, in the first month of the quarter.

Source: Statistics provided by Bureau of Labor Statistics, U.S. Department of Labor, May 1984.

Trade balances
(Billions of U.S. dollars, f.o.b. basis, seasonally adjusted at annual rate)

Country	1981	1982	1983	1982	1983				1983			1984		
				IV	I	II	III	IV	Oct.	Nov.	Dec.	Jan.	Feb.	March
United States 1/	-27.5	-31.6	-57.4	-40.4	-32.4	-54.8	-65.2	-77.6	-93.6	-75.6	-63.6	-99.6	-121.2	-123.6
Canada	6.2	14.8	14.6	16.4	13.2	16.8	13.2	14.8	10.8	18.0	15.6	20.4		
Japan	20.1	18.4	31.6	17.6	27.6	31.6	33.2	34.8	30.0	39.6	34.8	39.6		
West Germany	11.9	21.1	16.5	23.2	22.0	16.8	15.2	12.4	10.8	13.2	12.0	18.0		
United Kingdom	6.4	3.6	-1.6	8.4	1.2	-4.0	2.4	0.8	-7.2	2.4	8.4	-6.0		
France	-9.3	-14.0	-5.9	-11.6	-14.0	-6.8	-1.6	-0.8	-1.2	-2.4	0	-9.6	-7.2	-3.6
Italy	-15.9	-12.8	-7.9	-10.4	-11.6	-5.6	-10.0	-3.2	-4.8	0	-4.8			

1/ Exports, f.a.s. value; imports, customs value.

Source: Economic and Energy Indicators, U.S. Central Intelligence Agency, April 27, 1984.

U.S. trade balance, by major commodity categories and by selected countries
(Billions of U.S. dollars, customs value basis for imports, 1/ seasonally adjusted unless otherwise indicated)

Item	1981	1982	1983	1983				1984	1983		1984			
				I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March
Commodity categories:														
Agriculture	26.8	21.6	20.0	5.1	4.4	5.2	5.4	5.2	1.6	1.9	1.9	2.1	1.4	1.7
Petroleum and selected products, unadj	-73.0	-54.6	-49.1	-9.6	-11.3	-14.6	-13.2	-13.1	-5.3	-4.3	-3.6	-4.3	-4.3	-4.5
Manufactured goods	11.5	-4.9	-31.3	-4.1	-7.0	-7.9	-11.2	-19.0	-3.4	-3.8	-4.0	-6.0	-6.3	-6.7
Selected countries:														
Western Europe	13.5	7.6	1.2	2.0	-0.6	-0.1	0.2	-3.6	.1	-.1	.2	-.7	-1.2	-1.7
Canada	-6.9	-12.6	-12.1	-2.8	-4.1	-3.4	-3.7	-4.3	-1.2	-1.1	-1.4	-1.5	-1.4	-1.4
Japan	-15.8	-17.0	-19.6	-4.7	-4.3	-4.4	-6.2	-7.0	-1.9	-2.1	-2.2	-2.4	-2.2	-2.4
OPEC, unadj	-27.9	-8.3	-8.2	-.5	-1.1	-3.5	-3.1	-2.6	-1.6	-1.0	-.5	-.9	-1.0	-.7
Unit Value (per barrel) of U.S. imports of petroleum and selected products, unadj	$34.28	$31.48	$28.60	$29.77	$27.79	$28.49	$28.43	$28.31	$28.76	$28.34	$28.19	$27.98	$28.46	$28.49

1/ Effective January 1982, the Census Bureau replaced f.a.s. value with customs value in various reports on the U.S. trade balance. Data presented in this table for January 1982 and thereafter reflect the customs value for imports. Data presented for December 1981 and before reflect the f.a.s. value.

Source: Summary of U.S. Export and Import Merchandise Trade, U.S. Dept. of Commerce, March 1984.

Money-market interest rates
(Percent, annual rate)

Country	1981	1982	1983	1983 I	1983 II	1983 III	1983 IV	1984 I	1983 Nov.	1983 Dec.	1984 Jan.	1984 Feb.	1984 March	1984 April
United States	15.9	12.4	9.1	8.5	8.8	9.6	9.4	9.7	9.4	9.7	9.4	9.6	10.1	10.4
Canada	18.4	14.4	9.5	9.8	9.4	9.4	9.5	10.0	9.4	9.8	9.8	9.9	10.4	10.8
Japan	7.5	6.8	6.8	6.6	6.5	6.6	7.6	6.4	6.7	6.5	6.4	6.3	6.4	6.3
West Germany	12.1	8.8	5.7	5.7	5.3	5.7	6.1	5.9	5.8	6.4	6.1	5.9	5.8	5.8
United Kingdom	13.8	12.2	10.1	11.0	10.1	9.7	9.4	9.2	9.6	9.3	9.4	9.3	8.9	8.8
France	15.3	14.6	12.4	12.7	12.4	12.3	12.3	12.4	12.4	12.2	12.2	12.4	12.5	12.5
Italy	20.0	20.0	18.0	19.1	17.9	17.5	17.5	17.5	17.4	17.8	17.8	17.4	17.3	17.4

Note.--The figure for a quarter is the average rate for the last week of the quarter.

Source: Statistics provided by Federal Reserve Board.

Effective exchange rates of the U.S. dollar, unadjusted and adjusted for inflation differential
(Index numbers, 1980-82 average=100; and percentage change from previous period)

Item	1981	1982	1983	1983 I	1983 II	1983 III	1983 IV	1984 I	1983 Nov.	1983 Dec.	1984 Jan.	1984 Feb.	1984 March	1984 April
Unadjusted:														
Index number	99.5	109.8	114.2	110.9	113.0	116.3	116.4	117.2	116.5	118.0	119.1	117.3	115.3	116.7
Percentage change	9.7	10.4	4.0	-2.5	1.9	2.9	0.1	0.7	1.5	1.3	1.0	-1.5	-1.7	1.2
Adjusted:														
Index number	100.7	109.8	112.4	110.1	111.1	114.1	114.3	114.4	114.3	115.4	116.4	114.4	112.3	113.1
Percentage change	12.5	9.0	2.4	-3.6	0.9	2.7	0.2	0.1	1.0	1.0	0.9	-1.7	-1.8	0.7

Note.--The foreign-currency value of the U.S. dollar is a trade-weighted average in terms of the currencies of 15 other major nations. The inflation-adjusted measure shows the change in the dollar's value after adjusting for the inflation rates in the U.S. and in these other nations; thus a decline in this measure suggests an increase in U.S. price competitiveness.

Source: World Financial Markets, Morgan Guaranty Trust Company of New York.