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# INTERNATIONAL ECONOMIC REVIEW

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**International Trade Developments:**

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**OFFICE OF ECONOMICS**

John W. Suomela, *Director*

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## INTERNATIONAL ECONOMIC COMPARISONS

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### Summary of U.S. Economic Conditions

The U.S. economy continues to grow albeit at a slow rate in some sectors. A monthly survey by the National Association of Purchasing Managers (NAPM) showed that the NAPM overall index declined to 45.2 percent in January from 46.7 percent in December. The NAPM index measures changes in supplier deliveries, export orders, retail sales, industrial employment and inventories and other sectors. Supplier deliveries index rose to 47.2 percent in January 1990 from 42.5 in December 1989, denoting that demand for goods is growing and that suppliers of these goods operated at a higher level. The index of new export orders showed relative strength, rising to 55.5 percent in January 1990 from 53.0 percent in December 1989, showing that demand for exports is still strong.

The U.S. Department of Commerce reported that retail sales surged 1.6 percent in January 1990 led by a 5.4-percent jump in auto sales. The increase was the sharpest in nearly one and one-half years.

On the negative side, productivity in the non-farm sector rose at a slower rate in 1989. The U.S. Department of Labor reported that non-farm overall productivity increased by only 0.9 percent in 1989 compared with a 2.0 percent gain in 1988. Productivity in the manufacturing subsector, however, rose 2.8 percent in 1989 compared with a 2.7-percent rise in 1988. Labor costs, in the meantime, rose by 5.5 percent in 1989 versus 4.7 percent in 1988. Analysts see the low gain in productivity in 1989 as a result of the influx of unskilled workers in the labor market in the 1980s. Productivity is expected to rebound in the 1990s as the work force matures and gains experience.

Industrial production fell in January 1990 from December 1989 as a result of a drop in the production of motor vehicles and the output of utilities.

The U.S. merchandise trade deficit fell to \$108.6 billion in 1989, its lowest level since 1984. World trade also grew in 1989. According to the GATT International Trade, 1989-90 report, world trade grew faster than world output in 1989. The GATT report estimated that world merchandise trade grew by 7.0 percent in 1989 whereas world output increased by 3.0 percent. According to the GATT world trade was stimulated by technological innovations and new investment.

### Economic Growth

The annualized rate of real economic growth in the United States during the third quarter of 1989 was 3.0 percent and was 0.9 percent in the fourth quarter. The annualized rate of real economic growth during the third quarter of 1989 was 2.1 percent in the United Kingdom, 2.3 percent in Canada, -2.1 percent in West Germany, 2.4 percent in France, 3.2 percent in Italy, and 12.2 percent in Japan.

### Industrial Production

U.S. industrial production declined 1.2 percent in January 1990 after a gain of 0.2 percent in December 1989. The January 1990 index was 0.1 percent higher than it was in January 1989. The January 1990 decline was due to a drop in the output of motor vehicles (down 33.9 percent), and in utilities (down 10.7 percent). The latter was due to the warmer weather in January compared with December.

Capacity utilization in manufacturing, mining, and utilities fell 1.2 percent in January 1990 from December 1989, to 81.9 percent, due to the drop in auto and truck assembly utilization, which reached levels near their 1982-recession lows. The utilization rate in electric utilities fell about 10.0 percent in January due to the warm weather. The operating rate in mining rose nearly 2.0 percent from December to January 1990, to 84.7 percent.

Other major industrial countries reported the following annual growth rates of industrial production. For the year ending November 1989, Japan reported an increase of 3.5 percent, West Germany reported an increase of 5.1 percent, France reported an increase of 3.3 percent, and the United Kingdom reported an increase of 0.6 percent. For the year ending October 1989, Italy reported an increase of 2.8 percent, and Canada reported a decrease of 0.6 percent.

### Prices

The seasonally adjusted U.S. consumer price index rose by 1.1 percent from December 1989 to January 1990, and increased by 5.2 percent during the year ending January 1990. During the 1-year period ending December 1989, consumer prices increased 3.2 percent in West Germany, 6.5 percent in Italy, 5.1 percent in Canada, 7.7 percent in the United Kingdom, 3.6 percent in France. During the year ending November 1989, prices increased 2.3 percent in Japan.

### Employment

The seasonally adjusted rate of unemployment in the United States (on a total labor force basis, including military personnel) declined to 5.2 percent in January 1990 from 5.3 percent in Decem-

ber 1989. In December 1989, West Germany reported a 7.8 percent unemployment rate, Italy 10.8 percent, Canada 7.7 percent, and the United Kingdom 5.8 percent unemployment. In November 1989, Japan reported a 2.2 percent unemployment rate. In October 1989, France reported a 9.5 percent unemployment rate. For foreign unemployment rates adjusted to U.S. statistical concepts, see the tables at the end of this issue.

### Forecasts

Table 1 shows macroeconomic projections for the U.S. economy for January to December 1990, by four major forecasters and the simple average of these forecasts. Forecasts of all the economic indicators, except unemployment, are presented as percentage changes over the preceding quarter on an annualized basis. The forecasts of the unemployment rate are averages for the quarter. All the forecasts project a rise in the nominal and real growth rates of GNP throughout 1990. The average of the forecasts predicts a slight increase in the unemployment rate in 1990. The causes of the predicted economic growth are: (1) a projected rebound in export growth due to the higher growth rates in Western Europe and the opening of the EC and other markets to U.S. exports, and (2) a projected boost in U.S. domestic investment due to the strengthening of export orders, and strong consumer spending. Inflation (measured by the GNP deflator index) is expected to rise slightly after the first quarter of 1990.

## U.S. TRADE DEVELOPMENTS

The seasonally adjusted U.S. merchandise trade deficit narrowed by 30.1 percent in December 1989, to \$7.2 billion from \$10.3 billion in November. The December 1989 deficit was 22.6 percent lower than the \$9.3 billion average monthly deficit registered during the previous 12-month period and 33.3 percent lower than the deficit registered in December 1988. The 1989 exports increased by 13 percent while imports increased by only 7.2 percent, making the total trade deficit \$108.6 billion, approximately \$10.0 billion lower than the 1988 deficit.

U.S. exports increased 2.3 percent in December 1989, to \$31.1 billion from \$30.4 billion in November. Imports declined 5.9 percent, to \$38.3 billion in December 1989 from \$40.7 billion in November 1989.

Export increases in December 1989 were concentrated in several sectors. Airplanes and parts exports increased 138.6 percent and 11.1 percent, respectively for the month. Other sectors experiencing monthly export increases included spacecraft and parts (up 414.5 percent), artwork and antiques (up 54.3 percent), iron and steel mill products (up 24.8 percent), automatic-data-processing (ADP) equipment and office machinery (up 14.8 percent), specialized industrial machinery (up 8.0 percent), power-generating machinery (up 7.0 percent).

**Table 1**  
Projected quarterly percentage changes of selected U.S. economic indicators, 1990

Quarter	UCLA Business Forecasting Project	Merrill Lynch Capital Markets	Data Resources Inc.	Wharton E.F.A. Inc.	Mean of 4 fore- casts
<b>GNP:<sup>1</sup></b>					
January-March . . . . .	6.1	5.5	5.6	5.9	5.8
April-June . . . . .	7.0	6.9	5.4	6.1	6.3
July-September . . . . .	6.6	6.9	5.5	6.1	6.2
October-December . . . . .	7.2	6.9	6.3	6.4	6.7
<b>GNP:<sup>2</sup></b>					
January-March . . . . .	0.9	1.0	1.4	1.2	1.5
April-June . . . . .	2.6	2.2	2.1	2.0	2.2
July-September . . . . .	3.2	2.4	1.9	2.6	2.5
October-December . . . . .	3.4	2.3	2.9	2.8	2.8
<b>GNP deflator Index:</b>					
January-March . . . . .	5.2	4.4	4.1	4.7	4.6
April-June . . . . .	4.3	4.4	3.9	4.0	4.0
July-September . . . . .	3.3	4.4	3.5	3.4	3.9
October-December . . . . .	3.7	4.5	3.3	3.6	3.8
<b>Unemployment, average rate:</b>					
January-March . . . . .	5.4	5.4	5.4	5.4	5.4
April-June . . . . .	5.7	5.5	5.5	5.4	5.5
July-September . . . . .	5.7	5.5	5.5	5.3	5.5
October-December . . . . .	5.7	5.5	5.5	5.3	5.5

<sup>1</sup> Current dollars.

<sup>2</sup> Constant (1982) dollars.

Note.—Percentage changes in the forecast represent compounded annual rates of change from the preceding period. Quarterly data are seasonally adjusted.

Source: Compiled from data published by the Conference Board, *Statistical Bulletin*. December 1989. Used with permission.

On a yearly basis, exports increased in almost all exporting sectors. Table 2 shows values of exports, the percentage increases in major exporting sectors from 1988 to 1989, and shares of these sectors in total exports in 1989. Sectors contributing most to total exports in 1989 included chemicals (7.3 percent), electrical machinery (6.6 percent), ADP and office machinery (6.3 percent), power-generating machinery (3.9 percent), general industrial machinery (3.6 percent), special industrial machinery (3.7 percent), vehicle parts (3.2 percent) and scientific instruments (3.0 percent). These eight sectors together contributed about 38 percent of total exports. Other manufactured goods and undocumented exports to Canada contributed 10.3 percent of total exports. Together these ten sectors contributed 48.3 percent of total U.S. exports in 1989. The remaining manufacturing sectors contributed to export growth in varying degrees. Agriculture exports grew 8.1 percent in 1989 over 1988 and contributed 11.0 percent to total exports in 1989.

Import decreases in December 1989 were concentrated in toys, games, and sporting goods (down 27.4 percent), iron and steel mill products (down 25.0 percent), cars from Canada (down 20.0 percent), power-generating machinery (down 14.0 percent), clothing and footwear (down 14.0 percent), vehicle parts (down 10.6 percent), organic and inorganic chemicals (down 9.6 percent), telecommunications equipment (down 9.0 percent), electrical machinery (down 6.8 percent), and general industrial machinery (down 5.6 percent).

On a yearly basis import decreases concentrated in power-generating machinery (down 26.2

percent), new cars from countries other than Japan and Canada (down 17.5 percent), other manufactured goods (down 10.3 percent), aluminum (down 8.2 percent), iron and steel mill products (down 8.1 percent), organic and inorganic chemicals (down 7.8 percent), pottery (down 5.7 percent), musical instruments (down 4.1 percent) and textiles, yarn, and fabrics (down 3.9 percent).

Meanwhile, the U.S. agricultural trade surplus remained virtually unchanged at \$1.8 billion in December from November 1989. In addition, the U.S. oil import bill declined to \$4.1 billion in December from \$4.4 billion in November.

The United States experienced improvements in merchandise trade deficits from November to December with almost every trading partner. The deficit with Canada declined from \$1.1 billion to \$1.0 billion; the deficit with the EC of \$325 million turned into a surplus of \$580 million; the deficit with Mexico declined from \$353 million to \$7 million; the deficit with China declined from \$824 million to \$498 million; the deficit with OPEC dropped from \$1.8 billion to \$1.2 billion. The deficit with newly industrialized countries declined from \$2.1 billion to \$1.4 billion and the deficit with Japan declined from \$4.0 billion to \$3.5 billion. Moreover, the trade surplus with the U.S.S.R. rose from \$379 million to \$402 million, although the surplus with Egypt declined from \$200 million to \$167 million.

U.S. trade with specified trading partners in 1989 is shown in table 3. The United States experienced small deficits with Canada and Western Europe, and much larger deficits with Japan and the NICs.

**Table 2**  
U.S. exports, by specified sectors, December 1988–December 1989

Sector	1989 exports	Change from 1988 to 1989	Share of total exports
Electrical machinery	23.9	10.6	6.6
ADP equipment, office machinery	23.2	0.4	6.3
Other manufactured goods	21.6	-18.8	5.9
Undocumented exports to Canada	15.9	50.0	4.4
Chemicals organic/inorganic	14.9	15.5	4.1
Airplanes	14.3	19.2	3.9
Power generating machinery	14.2	10.9	3.9
Specialized industrial machinery	13.6	14.3	3.7
General industrial machinery	13.1	24.8	3.6
Vehicle parts	11.5	-5.8	3.2
Scientific instruments	10.9	22.5	3.0
Airplane parts	8.8	18.9	2.4
Telecommunications	7.7	18.5	2.1
Chemicals not specified	4.6	21.0	1.3
Textile yarns, fabrics, and articles	3.9	8.3	1.1
Other manufactures	74.3	24.0	20.4
<b>Total manufactures</b>	<b>276.4</b>	<b>13.1</b>	<b>75.9</b>
Agriculture	40.0	8.1	11.0
Other	7.9	16.5	13.1
<b>Total exports</b>	<b>364.3</b>	<b>13.0</b>	<b>100.0</b>

Source: U.S. Department of Commerce, Bureau of the Census, *Commerce News*, February 16, 1989.

Table 3  
U.S. trade with specified trading partners, 1989

(In billions of dollars)

Region and country	Exports	Imports	Trade balance
Canada .....	78.6	88.2	-9.6
United Kingdom .....	20.9	18.2	2.7
West Germany .....	16.9	24.8	-8.0
France .....	11.6	13.0	-1.4
Italy .....	7.2	11.9	-4.7
Other EC .....	30.0	17.2	12.8
EC, total .....	86.6	85.1	1.5
Other West Europe .....	13.8	16.6	-2.8
Western Europe, total .....	100.4	101.7	-1.3
Japan .....	44.6	93.6	-49.0
NICS .....	38.5	62.7	-24.2
Eastern Europe & selected Asia .....	11.1	14.1	-3.0
Other .....	91.1	122.6	-31.5
<b>Total .....</b>	<b>364.3</b>	<b>472.9</b>	<b>-108.6</b>
OPEC .....	13.2	30.6	-17.4

Source: U.S. Department of Commerce, Bureau of the Census, *Commerce News*, February 1990.

## INTERNATIONAL TRADE DEVELOPMENTS

### Will China's Devaluation Succeed?

By the time Chinese authorities devalued the renminbi against foreign currencies on December 16, 1989, the move had been expected for several months. During the first quarter of 1989, China's export volume had dropped by 8.1 percent from its level during the corresponding period of 1988. Although the data indicated some improvement later in the year, the month-to-month fluctuations revealed an overall downward trend. As a result, even tight controls on imports failed to prevent a rise in China's trade deficit. For most of 1989, however, despite pressure to devalue, government leaders delayed the decision. Reportedly they were weighing the potential benefits devaluation could provide in boosting exports and dampening imports against the risk that it would hamper their efforts to reduce the high rate of inflation (see *IER*, January 1990). Since China finally took the step without waiting for inflation to be brought well under control, the move is viewed by most foreign analysts as a sign that the current leadership places importance on maintaining an open economy and that China is facing up to its formidable external debt-repayment problem.

The renminbi (or yuan, the term sometimes used in referring to China's currency on international exchanges) was devalued by 21.2 percent against the U.S. dollar, resulting in a new exchange rate of RMB 4.7103 to US \$1.00 (buying) and RMB 4.7339 to US \$1.00 (selling). Prior to December 16, the last major devaluation was in July 1986, when the renminbi was devalued by 15.7 percent against the U.S. dollar. That official rate of roughly RMB 3.7 to US \$1.00 was maintained, with minor corrections, until the new official rate became effective.

The issue now is how much additional foreign exchange the devaluation is likely to generate. During the past year, the Chinese Government has substantially increased the number of restricted or banned imports. Owing to the recentralization of the trade sector since June, it has also become much more successful in enforcing import controls in recent months. Since the opportunities for a further reduction in imports will be limited, the effectiveness of the devaluation will depend mainly on the extent to which China can increase export revenues.

Several factors, however, will make it difficult for the export sector to respond to the devaluation. A major problem is the government's complicated system of both export and import subsidies, planned allocations, and other administrative controls that act to neutralize the benefits of exchange-rate changes. Many Chinese enterprises (as well as foreign or joint-equity ventures in China) that manufacture for export also still rely on imported raw materials, machinery, parts, and other components for their production. The devaluation will cause an increase in production costs that is likely to considerably dampen their expansion in exports. In addition, a number of foreign businessmen contend that lower export prices will do little to increase sales volume because China's most serious export problems are poor quality and late delivery.

China must now depend almost entirely on export revenues for the hard currency to service its foreign debt of nearly \$40 billion, much of which falls due during the next few years. In addition to facilitating exports, it is hoped that the devaluation will hasten the recovery of the tourism in China, which plummeted after the military crackdown on the prodemocracy demonstrators last June. However, the outlook for this sector in 1990 is reported to be bleak. Also, direct foreign investment in China and both official and commercial loans to China remain largely on hold as a result of the June events. A significant change is likely to be slow in coming.



## Privatization in Mexico Proceeds at a Fast Clip

The spectacle of privatization in Eastern Europe may distract the public from a similar process that has been taking place in some non-communist countries. Although less dramatic and unexpected, privatization can be politically and economically significant in the noncommunist world too. Mexico, where five decades of Government penetration of the economy has been turned around in recent years, is a notable example.

The "mixed" Mexican economy—as characterized in the country's economic development plans—began to develop after the Revolution of 1910–17. The expansion of the "parastatal sector"—that is the government-owned or government-controlled portion of the economy—took place, in part, on constitutional grounds. The Constitution of Mexico designates "strategic" sectors that must be state-owned. However, the parastatal portion of the economy also grew for reasons other than the Government's constitutional obligations; it was simply the result of policies followed by successive Mexican administrations with a predilection to rescue bankrupt private industries for a variety of reasons. Parastatal expansion accelerated especially in the 1970s.

In 1983, parastatals accounted for 18.2 percent of Mexican GDP; PEMEX, the state oil company, alone accounted for 7.5 percent. That year, however, former President de la Madrid set in motion a reversal of parastatal expansion, announcing a program to reprivatize "nonstrategic and nonpriority" parastatal entities. He began to implement this program at an accelerated speed in the last few months of his administration in 1988. In his National Development Plan (1989–94) and first state-of-the-nation report on November 1, 1989, President Salinas confirmed that parastatal contraction will continue during his administration.

"Privatization" is a term popularly used for the Mexican Government's efforts to reduce the parastatal sector as part of its shift to a more market-oriented economy. However, "disincorporation" is the officially accepted term. The process is, in fact, broader than the term "privatization" would indicate, because shrinking the parastatal sector involves more than selling government-owned or government-controlled operations to the private sector. It also involves the liquidation of certain entities; the merger of some with other entities; or transfer from the Federal Government to the so-called "social sector" (municipal governments, workers' unions or cooperatives.)

The Mexican Government is also restructuring and streamlining that part of the parastatal sector it plans to keep. In the wake of the overall economic liberalization process Mexico started in the mid-eighties, parastatal entities themselves will be exposed to international as well as domestic market forces, therefore they must become

competitive in order to survive. Other remaining parastatals, which due to the type of public service they provide will continue to perform in a noncompetitive environment, will also be made to operate more cost-efficiently than in the past.

The leading Mexican authority on parastatal disincorporation defined the main objectives of the government as follows:

- (1) Decrease the size of the parastatal sector while improving the efficiency of the Government as an economic regulator;
- (2) Generate savings for the government by eliminating government subsidies that are not considered of social importance; and
- (3) Promote increased productivity in industry by giving the tasks of production to the private sector in order to meet the new strategy for industrial reconversion and opening markets to foreign competition.

The Mexican Government plans to withdraw entirely from certain industrial areas, such as automobile production, secondary petrochemicals, chemicals and pharmaceuticals, airline service, textiles, cement, and electronic home appliances. Authorities also hope to reduce public-sector ownership in the steel, mineral metallurgy, and tourism sectors. Once freed from the distractions of too-widely-spread economic responsibilities, the government wants to concentrate on the basic tasks of promoting overall economic prosperity, and education, health and social programs.

Just a few years' experience during the former de la Madrid and the current Salinas administrations shows notable accomplishments in privatization. Of the 1,155 state-controlled enterprises that existed in 1982, 774 were authorized to be divested from Government ownership by June 1989. The following table shows that, at that time, the process was complete for 593 companies and was still in progress for 181 companies. Federal ownership for these entities was ended principally by liquidation and sale.

In the past, mostly smaller-size and mid-size parastatals were affected by the disincorporation process. However, now comes the turn of some large parastatal monopolies whose major restructuring and streamlining sometimes precedes their privatization.

The notable examples of major privatizations recently announced, set in motion, or already completed, include Mexico's 2 largest airlines, AEROMEXICO (partial privatization completed) and COMPANIA MEXICANA DE AVIACION (privatization in progress); TELMEX, Mexico's government-controlled telephone monopoly (privatization announced); sugar mills (sales of many completed, many in progress); and COMPAÑIA MINERIA DE CANANEA, Mexico's largest copper mining company (declared bankrupt, sale announced.)

## Reduction of Government Ownership by Numbers of Companies December 1982 to June 1989

Procedure	Completed	In progress	Authorized
Sale <sup>1</sup> . . . . .	176	62	238
Liquidation . . . . .	194	83	277
Merger . . . . .	75	7	82
Transfer <sup>2</sup> . . . . .	27	3	30
Elimination . . . . .	121	26	147
Totals . . . . .	593	181	774

<sup>1</sup> Sale to private companies or the "social sector", such as trade unions or cooperatives

<sup>2</sup> Transfer to state governments

Source: Official Mexican data

### U.S.-Canada Free Trade Agreement: After One Year, How Does it Shape Up?

The U.S.-Canada Free Trade Agreement (FTA) came into operation on January 1, 1989. It is not surprising, given the great deal of interest in the pact, particularly north of the border, that the early effects of the agreement are already being examined.

From the time of the first announcement by the two countries of their intent to enter into negotiations towards a free trade agreement, interest in the agreement has always been greater in Canada than in the United States. Over three-fourths of Canada's trade is with the United States, while only a little more than one-fifth of U.S. trade is with Canada, and the Canadian economy is more heavily dependent on exports. These economic facts, coupled with traditional Canadian sensitivity to living alongside an economic giant, account for the disparity in attention accorded the FTA.

Most experts agree that one year's time is too short to provide a definitive test of the FTA's effects. While duties on some items were eliminated as soon as the FTA went into force, most of the tariff reductions resulting from the pact are spread out over a ten-year period, with small decreases taking place each year. Thus, the effects of these duty reductions are not going to be dramatic; nor are they going to be felt immediately. Other changes instituted under the FTA may be more significant than duty reductions. Liberalization of rules governing trade in services, investment, etc. may have a more profound effect on future trade flows.

Several Canadian analyses of the FTA concluded that the effects are generally favorable after the first full year of the FTA. A study by Prudential-Bache finds the "stimulatory effect of the FTA . . . extraordinary." In 1989, investment in Canada increased and employment increased (except in textiles and knitting). Infometrica Inc., a Canadian economic forecasting firm hired by the Canadian Government to assess the FTA, predicts that cross-border trade will increase by nearly 10 percent in 1990. This growth is in line with the trade increases that took place during the first year of the FTA.

Congress has required a report on the FTA, but that is not due until two years have passed. One indicator of the eagerness with which traders on both sides of the border wish to take advantage of the FTA is the number of private sector requests for accelerated duty reductions under the agreement. The request for such treatment was overwhelming—from both sides of the border—and as a result tariffs on over 400 products will be eliminated more quickly than the schedule originally agreed upon in the FTA. These reductions are likely to take effect in the first half of 1990.

What does the future hold? There are still several areas of unfinished business under the agreement. These include subsidies, government procurement, agriculture, automobiles, and standards. Since some of these issues are under discussion multilaterally in the Uruguay Round, it is unlikely that there will be much progress until the GATT talks are concluded. Observers on both sides of the border argue that as more and more companies become "North American", the issues that we currently see as "problems" will gradually fade away.

The main concerns about the effects of the FTA have been about plant closings in Canada. So far, however, most of these closings seem to be the result of the current downturn in the auto industry, a sector that has been well integrated across the border long before the FTA.

The real future of the bilateral agreement depends on the success of the dispute-settlement process that was established under the accord. The first year's experience produced decisions on two cases—red raspberries and paving equipment. Neither decision was controversial. Upcoming cases on steel rails and hogs and pork will more severely test the dispute-settlement process. The amount of trade under dispute (i.e. contested under the FTA dispute-settlement mechanism) is small—less than one-half of 1 percent of the value of bilateral trade. Most current cases under dispute involve agricultural commodities. Agriculture in general and agricultural support programs in particular are contentious areas in the GATT, so it is not surprising that the same sector accounts for most of the work of the binational secretariats established to oversee the settlement of U.S.-Canadian trade disputes. The encouraging short-term news is that the system is working as it was intended to.

**STATISTICAL TABLES**

**Industrial production, by selected countries and by specified periods, January 1986–December 1989**
*(Percentage change from previous period, seasonally adjusted at annual rate)*

Country	1986	1987	1988	1989									
				I	II	III	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
United States .....	1.1	3.8	5.7	2.2	3.2	1.1	2.6	0	4.3	-3.3	4.1	4.3	4.3
Canada .....	.8	2.7	4.2	4.3	1.3	-6	0.9	-1.8	-9	-3.6	-2.7	-1.8	( <sup>1</sup> )
Japan .....	-.3	3.4	9.4	13.2	0	.8	27.1	-26.7	42.0	-21.3	5.2	8.3	( <sup>1</sup> )
West Germany .....	2.2	.2	3.1	9.1	3.3	0.4	42.8	-6.2	-15.9	15.1	7.8	( <sup>1</sup> )	( <sup>1</sup> )
United Kingdom .....	2.3	3.4	3.8	-2.6	-1.2	5.7	3.4	19.3	19.0	-11.2	10.2	( <sup>1</sup> )	( <sup>1</sup> )
France .....	.9	2.2	4.3	3.7	7.4	3.6	11.3	23.4	0	-27.2	23.7	( <sup>1</sup> )	( <sup>1</sup> )
Italy .....	3.8	2.6	5.9	-3.9	.2	11.7	21.7	3.1	45.2	-13.9	-3.0	( <sup>1</sup> )	( <sup>1</sup> )

<sup>1</sup> Not available.

 Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, January 26, 1990.

**Consumer prices, by selected countries and by specified periods, January 1987–December 1989**
*(Percentage change from previous period, seasonally adjusted at annual rate)*

Country	1987	1988	1989	1989								
				I	II	III	IV	Sept.	Oct.	Nov.	Dec.	
United States .....	3.7	4.1	( <sup>1</sup> )	5.4	6.4	2.4	( <sup>1</sup> )	1.9	5.9	4.9	4.9	4.9
Canada .....	4.4	4.0	( <sup>1</sup> )	5.3	6.2	5.5	( <sup>1</sup> )	5.2	3.7	3.5	( <sup>1</sup> )	( <sup>1</sup> )
Japan .....	.1	.7	2.3	-2.2	9.8	.6	3.1	10.9	14.6	-11.8	5.9	5.9
West Germany .....	.3	1.2	2.8	4.0	3.4	1.6	3.4	2.6	6.2	2.3	3.5	3.5
United Kingdom .....	4.1	4.9	( <sup>1</sup> )	7.8	8.5	6.4	( <sup>1</sup> )	8.6	6.6	10.1	3.1	3.1
France .....	3.3	2.7	( <sup>1</sup> )	3.7	3.9	2.9	( <sup>1</sup> )	3.2	5.0	3.7	1.3	1.3
Italy .....	4.6	5.0	6.5	7.2	7.5	5.7	5.2	4.5	9.0	2.9	0.9	0.9

<sup>1</sup> Not available.

 Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, January 26, 1990.

**Unemployment rates, (Total labor force basis)<sup>1</sup> by selected countries and by specified periods, January 1987–December 1989**
*(In percent)*

Country	1987	1988	1989	1989								
				I	II	III	IV	Sept.	Oct.	Nov.	Dec.	
United States .....	6.1	5.4	5.2	5.1	5.2	5.2	5.3	5.2	5.2	5.3	5.3	5.3
Canada .....	8.8	7.7	7.5	7.5	7.6	7.3	7.5	7.3	7.4	7.5	7.7	7.7
Japan .....	2.9	2.5	( <sup>2</sup> )	2.4	2.3	2.3	( <sup>2</sup> )	2.3	2.3	2.2	( <sup>2</sup> )	( <sup>2</sup> )
West Germany .....	6.2	6.2	5.6	5.8	5.7	5.6	5.5	5.6	5.5	5.6	5.5	5.5
United Kingdom .....	10.2	8.2	6.4	7.0	6.5	6.2	5.8	6.0	25.9	5.8	5.8	5.8
France .....	10.5	10.1	9.9	9.9	9.9	9.9	9.8	9.9	9.9	9.9	9.8	9.8
Italy .....	7.7	7.8	7.7	7.6	7.8	7.7	7.5	( <sup>3</sup> )	7.5	( <sup>3</sup> )	( <sup>3</sup> )	( <sup>3</sup> )

<sup>1</sup> Seasonally adjusted; rates of foreign countries adjusted to be comparable with U.S. rate.

<sup>2</sup> Not available.

<sup>3</sup> 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, February 1990.

Money-market interest rates,<sup>1</sup> by selected countries and by specified periods, January 1987–January 1990

(Percentage, annual rates)

Country	1987	1988	1989	1989							1990
				I	II	III	IV	Oct.	Nov.	Dec.	Jan.
United States .....	7.0	7.8	9.3	9.7	9.7	8.9	8.6	8.6	8.3	8.3	7.6
Canada .....	8.4	9.6	( <sup>2</sup> )	11.7	12.3	12.3	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
Japan .....	3.9	4.4	( <sup>2</sup> )	4.9	5.1	5.4	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )
West Germany .....	4.0	4.3	7.0	6.2	6.8	7.2	8.3	8.2	8.3	( <sup>2</sup> )	( <sup>2</sup> )
United Kingdom .....	9.6	8.9	13.3	13.0	13.5	14.0	15.2	15.1	15.1	( <sup>2</sup> )	( <sup>2</sup> )
France .....	8.1	7.9	9.2	9.0	8.8	9.2	10.3	9.9	10.5	( <sup>2</sup> )	( <sup>2</sup> )
Italy .....	11.2	11.0	12.7	12.4	12.5	12.9	13.3	13.1	13.4	( <sup>2</sup> )	( <sup>2</sup> )

<sup>1</sup> 90-day certificate of deposit.<sup>2</sup> Not available.

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

Source: Federal Reserve Statistical Release February 12, 1990, *Economic and Energy Indicators*, Central Intelligence Agency, January 23, 1990.

## Effective exchange rates of the U.S. dollar, unadjusted and adjusted for inflation differential, by specified periods, January 1986–January 1990

(Percentage change from previous period)

Item	1986	1987	1988	1989	1989							1990	
					I	II	III	IV	Sept.	Oct.	Nov.	Dec.	Jan.
Unadjusted:													
Index <sup>1</sup> .....	106.0	94.1	88.0	91.3	88.8	92.5	92.8	91.0	93.8	91.8	91.4	89.7	89.0
Percentage change .....	-16.5	-11.2	-6.5	6.4	1.7	4.1	.3	-1.9	1.4	-2.1	-.4	-1.8	-.7
Adjusted:													
Index <sup>1</sup> .....	100.9	90.2	85.9	91.8	89.4	92.8	92.9	91.8	93.8	92.3	92.5	90.5	91.3
Percentage change .....	-17.1	-10.6	-4.8	6.8	4.3	3.8	.1	-1.1	1.2	-1.5	.2	-2.0	.8

<sup>1</sup> 1980–82 average=100.

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 United States and in other nations; thus, a decline in this measure suggests an increase in U.S. price competitiveness.

Source: Morgan Guaranty Trust Co. of New York, February 16, 1990.

## Trade balances, by selected countries and by specified periods, January 1986–December 1989

(In billions of U.S. dollars, f.o.b. basis, at an annual rate)

Country	1986	1987	1988	1989	1989							
					I	II	III	IV	Sept.	Oct.	Nov.	Dec.
United States <sup>1</sup> .....	-137.5	-152.1	-118.5	-108.5	-111.2	-103.4	-107.2	-110.8	-102.0	-122.4	-123.5	-86.0
Canada .....	7.1	8.3	7.2	( <sup>3</sup> )	7.6	3.6	3.6	( <sup>3</sup> )	1.2	4.8	( <sup>3</sup> )	( <sup>3</sup> )
Japan .....	92.5	96.2	94.6	( <sup>3</sup> )	96.8	80.0	76.0	( <sup>3</sup> )	76.8	58.8	64.8	( <sup>3</sup> )
West Germany <sup>2</sup> ....	52.6	65.6	72.8	( <sup>3</sup> )	80.8	68.4	75.6	( <sup>3</sup> )	72.0	67.2	( <sup>3</sup> )	( <sup>3</sup> )
United Kingdom .....	-12.6	-16.9	-36.0	( <sup>3</sup> )	-41.6	-38.4	-42.8	( <sup>3</sup> )	-36.0	-34.8	-28.8	( <sup>3</sup> )
France .....	.1	-5.2	-5.8	( <sup>3</sup> )	-2.4	-8.4	-9.2	( <sup>3</sup> )	3.6	-16.8	( <sup>3</sup> )	( <sup>3</sup> )
Italy .....	-2.0	-8.7	-10.0	( <sup>3</sup> )	-17.2	-12.0	-11.6	( <sup>3</sup> )	-10.8	-14.4	-19.2	( <sup>3</sup> )

<sup>1</sup> 1986, exports, f.a.s. value, adjusted; imports, c.i.f. value, adjusted. Beginning with 1987, figures were adjusted to reflect change in U.S. Department of Commerce reporting of imports at customs value, seasonally adjusted, rather than c.i.f. value.

<sup>2</sup> Imports, c.i.f. value, adjusted.

<sup>3</sup> Not available.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, January 26, 1990, and *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, February 16, 1990.

U.S. trade balance,<sup>1</sup> by major commodity categories, by selected countries, and by specified periods, January 1986–December 1989

(In billions of U.S. dollars, customs value basis for imports)

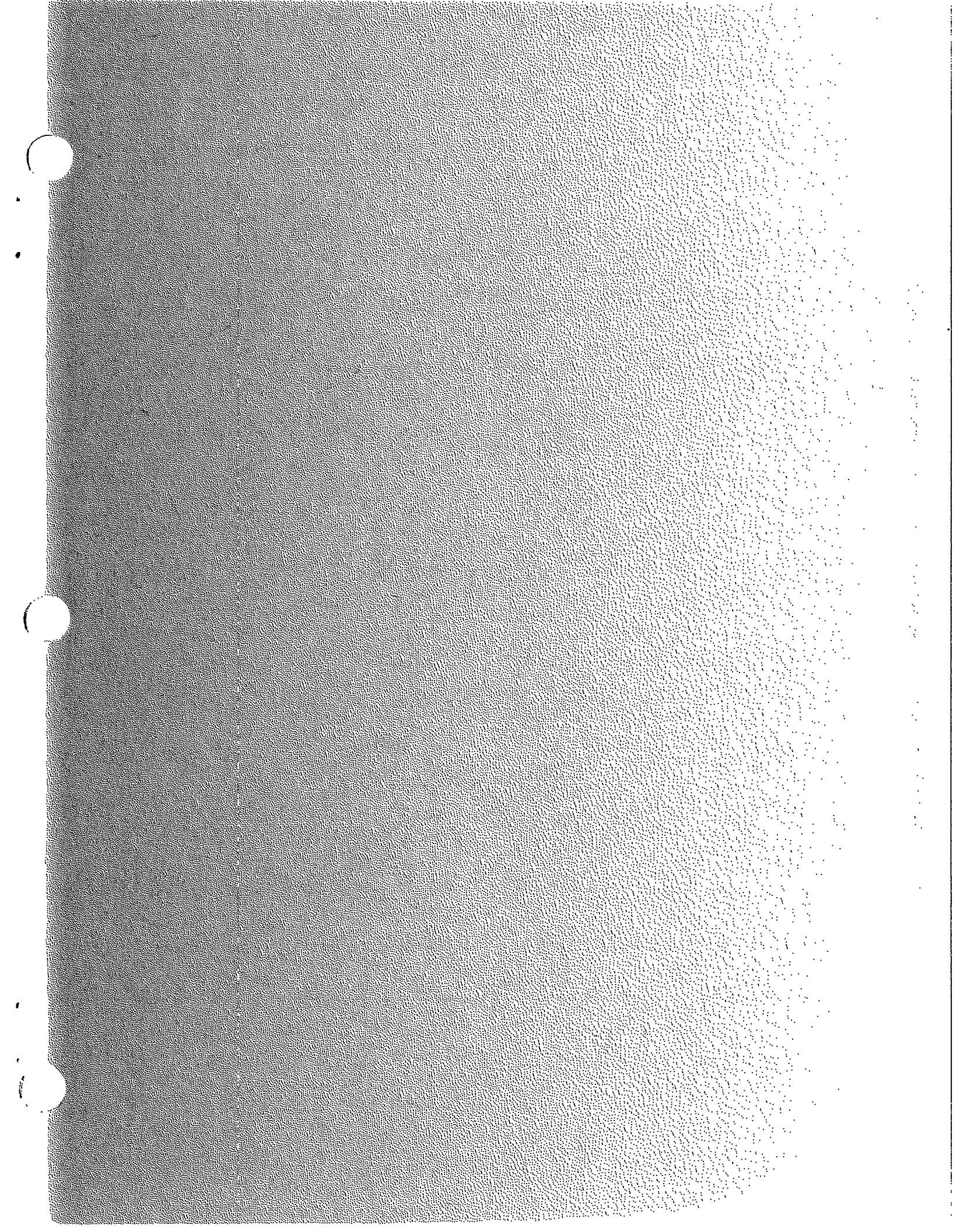
Country	1986	1987	1988	1989	1989							
					I	II	III	IV	Sept.	Oct.	Nov.	Dec.
Commodity categories:												
Agriculture .....	4.5	7.0	13.9	17.9	4.9	4.2	3.5	5.1	1.4	1.5	1.8	1.8
Petroleum and selected products (unadjusted) .....	-31.8	-39.5	-38.1	-44.7	-9.5	-12.1	-11.4	-11.4	-3.6	-3.9	-3.9	-3.6
Manufactured goods .....	-134.3	-146.1	-146.7	-103.2	-25.3	-23.5	-27.1	-27.7	-7.6	-10.6	-10.3	-6.8
Selected countries:												
Western Europe .....	-28.2	-27.9	-12.5	-1.3	-.8	-.08	-.3	-.6	1.2	-.4	-.7	.5
Canada <sup>2</sup> .....	-23.0	-11.5	-9.7	-9.6	-2.8	-1.6	-2.2	-2.8	-.6	-.8	-1.1	-.9
Japan .....	-55.3	-58.0	-51.7	-49.0	-12.3	-12.1	-12.0	-12.2	-4.1	-4.9	-3.9	-3.4
OPEC (unadjusted) .....	-8.9	-13.7	-8.9	-17.3	-2.9	-4.7	-5.0	-4.3	-1.5	-1.5	-1.7	-1.1
Unit value of U.S. imports of petroleum and selected products (unadjusted) <sup>3</sup> .....	\$15.02	\$18.12	\$14.19	\$16.80	\$17.96	\$16.54	\$16.38	\$17.46	\$16.38	\$17.09	\$17.33	\$17.97

<sup>1</sup> Exports, f.a.s. value, unadjusted. 1986–88 imports, c.i.f. value, unadjusted; 1989 imports, customs value, unadjusted.

<sup>2</sup> Beginning with February 1987, figures include previously undocumented exports to Canada.

<sup>3</sup> Beginning with 1988, figures were adjusted to reflect change in U.S. Department of Commerce reporting of imports at customs value, seasonally unadjusted, rather than c.i.f. value.

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, February 16, 1990.



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