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In This Issue:

International Economic Comparisons

U.S. Trade Developments

International Trade Developments:

Contours of a new deal in economic cooperation emerge among the nonmarket economies

Statistical Tables

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CONTENTS

INTERNATIONAL ECONOMIC COMPARISONS

Summary of U.S. Economic Conditions

Recent developments signal an upturn in the manufacturing sector that is gathering momentum after an 11-month slump. The National Association of Purchasing Management (NAPM) index based on orders, production, employment, exports, and other indicators climbed to 51.1 percent in June from 50.7 percent in May 1990. This marks the third consecutive month the index has been above 50 percent after a slump below the 50-percent benchmark from May 1989 through March 1990. (A reading above 50 percent indicates the manufacturing sector is growing; a reading below 50 percent indicates it is declining.) Furthermore, the U.S. Department of Commerce reported that factory orders rose by 2.1 percent in May 1990, another sign of a manufacturing upturn. In June, production grew in several industries, including paper, chemicals, appliances, television sets, furniture, business equipment, and autos. Auto sales jumped by 2.5 percent in July, encouraging automakers to boost their third-quarter production plans by 11.6 percent.

In the foreign sector, the trade deficit increased by $426 million, to $7.73 billion, in May 1990 due to the increase in imports of new cars from Canada and of oil. Notwithstanding the rise in the May trade deficit, all forecasts are for increased exports and a gradual improvement in the trade deficit. Higher growth rates in Europe and Latin America are expected to fuel the upturn.

Economic Growth

The annualized rate of real economic growth in the United States in the second quarter of 1990 was 1.2 percent, down from the 1.7-percent rate registered in the first quarter of 1990. The annualized rate of real economic growth in the first quarter of 1990 was 2.8 percent in the United Kingdom, 14.1 percent in West Germany, 2.8 percent in France, 10.4 percent in Japan, 2.2 percent in Canada, and 3.8 percent in Italy.

Industrial Production

U.S. industrial production increased by 0.4 percent in June after an increase of 0.6 percent in May 1990. The June 1990 index was 1.2 percent higher than it was in June 1989. The June 1990 increase was due to a rebound in the production of motor vehicles and parts and to an increase in utility output due to extremely hot weather.

Capacity utilization in manufacturing, mining, and utilities rose by 0.2 percentage points in June to 83.5 percent from 83.3 percent in May 1990. The rise was accounted for by an increase in the utilization rates in motor vehicle assembly.

Other major industrial countries reported the following annual growth rates of industrial production. In the year ending May 1990, West Germany reported an increase of 7.2 percent, Japan reported an increase of 5.1 percent, and the United Kingdom reported an increase of 3.1 percent. In the year ending April 1990, Canada reported a decrease of 2.2 percent and Italy reported an increase of 1.1 percent. In the year ending March 1990, France reported an increase of 1.9 percent.

Prices

The seasonally adjusted U.S. Consumer Price Index rose by 0.5 percent in June from the previous month, and increased by 4.7 percent during the year ending June 1990.

During the 1-year period ending June 1990, consumer prices increased by 2.3 percent in West Germany, 5.6 percent in Italy, 9.8 percent in the United Kingdom, and 3.0 percent in France. During the year ending May 1990, consumer prices increased by 2.7 percent in Japan and 4.5 percent in Canada.

Employment

The seasonally adjusted rate of unemployment in the United States (on a total labor force basis, including military personnel) declined to 5.1 percent in June from 5.3 percent in May 1990.

In June 1990, West Germany reported an unemployment rate of 7.3 percent and Canada reported a rate of 7.5 percent. In May 1990, Japan reported 2.1 percent unemployment, the United Kingdom reported 5.7 percent, France reported 9.3 percent, and Italy reported 11.1 percent unemployment rates. (For foreign unemployment rates adjusted to U.S. statistical concepts, see the tables at the end of this issue.)

Foreign Investment

In July 1990, the U.S. Department of Commerce reported that U.S. net debtor position grew to $663.7 billion in 1989, compared with $531.1 billion in 1988. Total foreign investment in the United States grew to $2.1 trillion in 1989 from $1.8 trillion in 1988. Total U.S. investment abroad grew to $1.4 trillion in 1989 from $1.3 trillion in 1988. These figures, however, suffer distortions resulting from using the book value (i.e., the prices paid when the assets were originally purchased) rather than the market value to evaluate investment assets. Because many U.S. assets abroad were purchased decades ago, the book value undervalues U.S. assets abroad compared to the value of foreign assets in the United States that were purchased more recently—during the 1980s.

Forecasts

Table 1 shows macroeconomic projections for the U.S. economy for April 1990 to June 1991, 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. The average forecasts point to a modest rise in the nominal and real growth rates of GNP in the remainder of 1990 followed by an upturn in the first two quarters of 1991. The main reasons for the modest growth in the remainder of 1990 are the expected continuation of the Federal Reserve's tight monetary policy and the impact of high interest rates on planned spending by U.S. business in 1990. The average of the forecasts predicts a slight increase in the unemployment rate in the remainder of 1990 and the first two quarters of 1991. Inflation (measured by the GNP deflator index) is expected to decline in the second quarter of 1990, then rise afterwards. Inflation is expected to abate in the second quarter of 1991.

Factors favorable to the rebound of growth in 1991 include strong consumer demand, strong investment spending, lower interest rates, and a rise in exports.

U.S. TRADE DEVELOPMENTS

The tabulation at the top of the next page shows seasonally adjusted U.S. merchandise trade as reported by the U.S. Department of Commerce (in billions of dollars).

Table 1
Projected quarterly percentage changes of selected U.S. economic indicators, 1990-91

Quarter	*UCLA Business Forecasting Project*	*Merrill Lynch Capital Markets*	*Data Resources Inc.*	*Wharton E.F.A. Inc.*	*Mean of 4 fore-casts*
GNP:[1]					
1990:					
April-June	7.0	4.9	6.3	6.1	6.1
July-September	5.0	6.2	5.0	5.0	5.3
October-December	5.7	6.0	5.2	5.6	5.6
1991:					
January-March	7.1	6.3	7.1	6.7	6.8
April-June	6.4	6.6	6.5	6.6	6.5
GNP:[2]					
1990:					
April-June	2.0	1.3	2.1	0.9	1.6
July-September	1.1	1.9	2.2	0.8	1.5
October-December	1.7	1.5	1.3	1.6	1.5
1991:					
January-March	2.6	1.7	3.1	2.3	2.4
April-June	2.4	2.3	2.6	2.8	2.5
GNP deflator index:					
1990:					
April-June	4.9	3.6	4.1	5.2	4.5
July-September	3.8	4.2	2.8	4.2	3.7
October-December	4.0	4.4	3.9	3.9	4.1
1991:					
January-March	4.4	4.5	3.8	4.3	4.3
April-June	4.0	4.1	3.8	3.7	3.9
Unemployment, average rate:					
1990:					
April-June	5.6	5.3	5.4	5.4	5.4
July-September	5.8	5.4	5.4	5.6	5.6
October-December	5.9	5.5	5.5	5.8	5.7
1991:					
January-March	5.9	5.5	5.5	5.9	5.7
April-June	5.9	5.5	5.5	5.9	5.7

[1] Current dollars.
[2] 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. Used with permission.

	Exports		Imports		Trade balance (-) deficit (+) surplus	
	April 90	May 90	April 90	May 90	April 90	May 90
Current dollars	32.1	32.8	39.4	40.5	-7.3	-7.7
1987 dollars	29.7	30.3	36.6	38.0	-6.9	-7.8
Three-month-moving average	32.3	32.7	39.9	40.5	-7.6	-7.8
Advanced technology products (not seasonally adjusted)	7.4	7.5	4.7	4.5	2.7	3.0

The seasonally adjusted U.S. merchandise trade deficit in current dollars increased by 5.5 percent, from $7.3 billion in April 1990 to $7.7 billion in May. The May 1990 deficit was 12.5 percent lower than the $8.8-billion average monthly deficit registered during the previous 12-month period and 25.2 percent lower than the $10.3 billion deficit registered in May 1989.

In seasonally adjusted constant dollars, the trade deficit was 13.0 percent higher in May than in April 1990. Also, in current dollars, the trade deficit on a 3-month-moving average was 2.6 percent higher in May than in April 1990. In contrast, the trade surplus in advanced technology products rose by around 11.1 percent, to $3.0 billion in May from $2.7 billion in April 1990. (Advanced technology products, as defined by the U.S. Department of Commerce, include about 500 products from recognized high-technology fields—for example, biotechnology—out of a universe of some 22,000 commodity classification codes.)

The increase in the U.S. merchandise trade deficit in May 1990 was the result of a considerably greater increase in imports than was recorded in exports. In particular, imports of new cars and oil increased compared with the previous month. Seasonally adjusted exports (in current dollars) increased in May by 2.2 percent, to $32.8 billion from $32.1 billion in April 1990. Meanwhile, imports increased by 2.8 percent, to $40.5 billion in May from $39.4 billion in April 1990.

Export changes on a monthly and cumulative year-to-date basis for specified major exporting sectors are shown in table 2. The May 1990 data show considerable export increases over April 1990 in vehicle parts, followed by power-generating machinery; general industrial machinery; iron-and steel-mill products; electrical machinery; specialized industrial machinery; scientific instruments; and textile yarns, fabrics, and articles. Export decreases were registered in the remaining manufacturing sectors.

Sectors that recorded the highest increases in exports for the January–May 1990 period compared with the same period of 1989 in descending order included airplanes; the "other manufactured goods" category; textile yarns, fabrics, and articles; electrical machinery; airplane parts; telecommunications; specialized industrial machinery; general industrial machinery; scientific instruments; and automatic data processing equipment and office machinery. Iron-and steel-mill products exports were down 17.6 percent, and organic and inorganic chemicals exports were down 10.5 percent.

The contributions of all sectors to total exports are shown in table 2. The highest contributions to total exports in January–May 1990 were made by electrical machinery, other manufactured goods, automatic data processing and office machinery, airplanes, general industrial machinery, power-generating machinery, and specialized industrial machinery.

The largest import increases, which accounted for most of the increase in the May 1990 trade deficit, occurred in imports of new cars from Canada. Imports of cars from Canada increased by 45.1 percent, to $1.4 billion from $1.0 billion in April 1990. Imports of power-generating machinery rose by 8.3 percent, to $1.3 billion from $1.2 billion, and imports of organic and inorganic chemicals rose by 6.1 percent. Import decreases occurred in new cars from Japan (down 13.4 percent); telecommunications apparatus, equipment, and parts (down 11.2 percent); and automatic data processing equipment and office machines (down 7.1 percent).

In addition, the U.S. agricultural trade surplus declined to $1.3 billion in May from $1.4 billion in April 1990. Meanwhile, the U.S. oil import bill climbed to $4.4 billion in May from $3.8 billion in April 1990.

U.S. bilateral trade balances with major trading partners are shown on a monthly and cumulative year-to-date basis in table 3. The United States experienced improvements in bilateral merchandise trade balances in May 1990 compared with April 1990 with Japan and West Germany and a worsening with most other countries. The U.S. trade deficit with Japan declined by around $1.0 billion, and the deficit with West Germany declined by $130 million over this period. In contrast, the trade deficit with the Newly Industrialized Countries (NICs) increased to $1.5 billion over the previous month, the deficit with China increased to $778 million, and the deficit with OPEC increased to $1.7 billion. The trade surplus with Canada of $42 million turned into a deficit of $564 million, and the surplus with the EC declined by around 50 percent from $1.4 billion. Moreover, the trade surplus with the

Table 2
U.S. exports, not seasonally adjusted, of specified sectors, by specified periods, January 1989-May 1990

Sector	Exports: January-May 1990	Exports: May 1990	Change: January-May 1990 over January-May 1989	Change: May 1990 over April 1990	Share of total: January-May 1990	Share of total: May 1990
Manufactures:						
ADP equipment & office machinery	10.1	1.9	3.9	-1.0	6.2	5.6
Airplane	8.2	1.6	50.4	-2.4	5.0	4.8
Airplane parts	3.9	0.8	11.3	-2.5	2.4	2.3
Electrical machinery	11.6	2.4	11.7	7.5	7.1	7.3
General industrial machinery	6.7	1.4	6.7	9.0	4.1	4.3
Iron and steel mill products	1.3	0.3	-17.6	8.0	0.8	0.8
Organic & inorganic chemicals	5.9	1.2	-10.5	-7.0	3.6	3.5
Power generating machinery	6.5	1.3	0.3	9.8	4.0	4.0
Scientific instruments	5.0	1.0	6.4	4.1	3.0	3.0
Specialized industrial machinery	6.5	1.4	7.9	4.5	4.0	4.1
Telecommunications	3.6	0.7	10.9	0	2.2	2.2
Textile yarns, fabrics and articles	2.1	0.4	18.6	2.4	1.3	1.3
Vehicle parts	6.2	1.5	1.2	26.3	3.8	4.4
Other manufactured goods[1]	9.4	1.9	29.6	-0.5	5.8	5.8
Other	37.0	7.8	8.7	1.7	22.6	23.2
Total manufactures	123.8	25.8	10.0	3.2	75.7	76.6
Agriculture	17.6	3.2	-3.3	-2.7	10.8	9.5
Other exports	22.2	4.7	8.3	8.8	13.5	13.9
Total exports	163.7	33.7	8.2	3.3	100.0	100.0

[1] This is an official U.S. Department of Commerce SITC commodity grouping.
Note.—Detail lines may not add to totals because of rounding.

Source: *U.S. Department of Commerce News* (FT 900), May 1990.

Table 3
U.S. merchandise trade deficits (-), surpluses (+), not seasonally adjusted, with specified areas
(In billions of dollars)

Area	May 90	April 90	May 891	January-May 90	January-May 89
Japan	-2.97	-3.95	-4.32	-16.52	-20.63
Canada	-0.60	+0.04	-0.53	- 1.41	- 3.51
West Germany	-0.54	-0.67	-0.49	- 3.52	- 3.22
EC	+0.72	+1.43	+0.15	+ 4.28	+ 1.71
Western Europe	+0.81	+1.35	-0.04	+ 3.53	+ 0.28
NICs	-1.50	-1.45	-2.03	- 7.00	- 8.76
U.S.S.R.	+0.30	+0.40	+0.42	+ 1.60	+ 2.10
China	-0.78	-0.61	-0.45	- 3.27	- 1.55
OPEC	-1.71	-1.39	-1.83	- 9.56	- 6.13
Total trade balance	-6.89	-6.11	-9.46	-35.15	-40.87

Note.—NICs include Singapore, Hong Kong, Taiwan, and the Republic of Korea.

Source: *U.S. Department of Commerce News* (FT900), May 1990.

U.S.S.R. declined to $275 million. On a year-to-date basis significant improvements occurred in bilateral trade balances with Japan, Canada, the EC, and the NICs compared with the same period in the previous year.

INTERNATIONAL TRADE DEVELOPMENTS

Contours of a New Deal in Economic Cooperation Emerge Among the Nonmarket Economies

For some time analysts in both the East and West have been trying to determine the future of the Council for Mutual Economic Assistance (CMEA)—the economic and trade club of 10 nonmarket economy countries that has largely been overtaken by events. The new ground rules established at CMEA's recent steering committee meeting in Moscow revealed the broad contours of the emerging successor organization. Most importantly, the organization (comprising the Soviet Union, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, Cuba, Mongolia, and Vietnam) opened its door for existing members to leave and non-members to enter.

So far, there has been no official indication that any member desires to drop out from the successor organization. Technological compatibilities, geography, existing commercial contacts, and current heavy reliance on each other as buyers and suppliers, have united these countries into a club that is much more difficult to exit than some members first thought. According to estimates, CMEA trade in 1989 represented 80 percent of the total trade of Bulgaria and Czechoslovakia, 70 percent of East Germany, 56 percent of the Soviet Union, 52 percent of Romania, and 40 percent of Hungary and Poland. Nonetheless, there is evidence that the united Germany might become a member. The new ground rules also permit member countries to form groups among themselves—like the so-called "little CMEA" that Czechoslovakia, Hungary, and Poland are already in the process of forming—and to join the European Community, as East Germany will do over the short term, and Czechoslovakia and Hungary would like to do as soon as possible.

The resolutions resulting from the steering committee meeting underlined the need to transform the CMEA from a centrally planned barter system into a free market system characterized by multilateral trade conducted in convertible currencies by competing enterprises. These resolutions (see *IER*, June 1989) are likely to be implemented because market reforms in key East European CMEA countries have already reached an advanced stage. Moreover, although a resolution to base trade on hard currency is not scheduled to take effect until the beginning of 1991, a growing proportion of Soviet-East European trade is already conducted in hard currency. The growing shortage of hard currency in both the Soviet Union and Eastern Europe, which initially led some East European members to demand hard-currency payments from the rest of the CMEA partners, has resulted in a general agreement among members to introduce hard-currency accounting for all intra-CMEA transactions.

The emerging organization promises to bear so little resemblance to the old one that it could hardly be called a "new CMEA." Indeed, press reports confirm that the successor organization is likely to be renamed during 1991, and to be operated under drastically simplified rules with a down-sized Moscow-centered bureaucracy. At the same time, the unfolding scheme of economic cooperation appears to be leading away from the original CMEA system of planned bilateral commodity swaps that ignored tariffs to considerably more than a customs union. Since market reforms have arisen from similar nonmarket economic institutions throughout CMEA, postreform economic institutions may eventually become more homogenous than they appear at present when the implementation of reforms is uneven among the CMEA members. Some analysts envision the development of the East European-Soviet economic space into an increasingly homogenous international market for investments and for an expanding range of capital and consumer goods.

Although CMEA's successor organization might play a vital role in East-European-Soviet economic recovery and institutional evolution, many analysts fear that the immediate effects of CMEA's pending transformation could exacerbate the current East European-Soviet recession. Because of the reorganization and the reform process, the Soviets are expected to raise prices on their raw material and energy deliveries to Eastern Europe and to cut back on such shipments if not offered hard-currency payments. All CMEA countries are expected to reduce orders for each other's manufactured goods. In addition, it may be difficult for two trading partners to agree on hard-currency prices for manufactured exports that neither has ever sold on the world market. The price competition that contracting CMEA markets are likely to provoke could put pressure on the profits of the newly self-reliant enterprises in member countries where market reforms have been successfully implemented. Earnings shortfalls, in turn, could either increase the already numerous cases of bankruptcies, further contributing to the fall in output and employment, or slow down the reform process. Both alternatives would tend to increase budget and current account deficits. Since Western financial assistance to Poland and Hungary is tied to a targeted reduction of external and internal imbalances, budget and current account overruns could be a particularly difficult problem for the two countries. A deepening recession in Eastern Europe and the Soviet Union could hurt the profitability of U.S. companies doing business in the region over the next 2 to 3 years.

Nevertheless, the unfolding metamorphosis of CMEA supports the optimistic long-run expectations of both Western governments and private firms about continued East European-Soviet economic reforms, liberalization, and the determination of the region's governments to integrate into the world economy. Pending changes in CMEA cooperation might also catalyze market reforms in the three non-European CMEA countries: Cuba, Mongolia, and Vietnam. A CMEA-wide shift toward economic liberalization and decentralized trading might also favorably affect Western commercial relations with CMEA's developing-country associates: Afghanistan, Angola, Ethiopia, Laos, Mozambique, North Korea, and Yemen.

STATISTICAL TABLES

Industrial production, by selected countries and by specified periods, January 1987–June 1990

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

Country	1987	1988	1989	1989 II	1989 III	1989 IV	1990 I	1990 II	Feb.	Mar.	Apr.	May	Jun.
United States	4.9	5.4	2.6	2.9	-1.3	0.2	0.6	3.6	11.8	8.1	0	6.8	5.6
Japan	3.4	9.5	6.0	0.0	0.8	2.9	3.5	(1)	4.1	39.7	-10.2	32.6	(1)
Canada	2.7	4.4	2.3	1.3	-0.2	-1.9	1.7	(1)	8.6	1.8	0	3.7	(1)
West Germany	.2	3.2	5.3	4.8	1.4	8.4	8.9	(1)	-3.1	22.8	-25.9	56.0	(1)
United Kingdom	3.4	3.6	.8	-0.7	6.1	0.2	-0.4	(1)	-7.4	26.9	5.5	-5.2	(1)
France	2.1	4.4	3.8	8.7	1.2	-1.2	-2.7	(1)	-19.1	-5.9	17.5	3.3	(1)
Italy	2.6	6.9	3.7	3.7	9.4	0.6	-5.6	(1)	17.7	7.3	-6.8	-1.0	(1)

[1] Not available.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, July 27, 1990.

Consumer prices, by selected countries and by specified periods, January 1987–June 1990

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

Country	1987	1988	1989	1989 I	1989 II	1989 III	1989 IV	1990 I	1990 II	Mar.	Apr.	May	Jun.
United States	3.7	4.1	4.8	5.4	6.0	2.8	4.0	8.1	3.7	5.8	1.9	1.9	6.7
Japan	.1	.7	2.3	-2.2	9.8	0.6	2.6	0.9	5.8	4.7	9.5	9.4	-6.5
Canada	4.4	4.0	5.0	5.1	6.1	5.4	3.9	6.2	(1)	3.6	1.3	1.9	(1)
West Germany	.2	1.3	2.8	3.8	3.4	1.9	3.0	2.6	1.6	2.5	0.8	1.3	1.6
United Kingdom	4.1	4.9	7.8	7.8	8.3	6.5	7.6	8.6	15.9	14.4	26.1	12.6	8.0
France	3.3	2.7	3.5	3.7	3.9	2.9	3.9	3.1	2.5	3.5	1.6	2.6	2.4
Italy	4.6	5.0	6.6	-3.9	7.5	5.6	5.9	5.8	5.3	5.7	4.9	5.0	5.2

[1] Not available

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, July 27, 1990

Unemployment rates, (total labor force basis)[1] by selected countries and by specified periods, January 1987–June 1990

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

Country	1987	1988	1989	1989 II	1989 III	1989 IV	1990 I	1990 II	Feb.	Mar.	Apr.	May	Jun.
United States	6.1	5.4	5.2	5.2	5.2	5.3	5.2	5.2	5.2	5.1	5.3	5.3	5.1
Japan	2.9	2.5	2.3	2.3	2.2	2.2	2.1	(2)	2.2	2.0	2.1	2.1	(2)
Canada	8.8	7.7	7.5	7. 6	7.3	7.5	7.5	7.4	7.6	7.1	7.2	7.6	7.5
West Germany	6.2	6.2	5.6	5.7	5.6	5.5	5.3	5.2	5.3	5.2	5.2	5.2	5.2
United Kingdom	10.2	8.2	6.4	6.5	6.2	5.8	6.1	6.1	6.1	6.1	6.1	6.1	6.1
France	10.5	10.1	9.9	9.9	9.9	9.8	9.4	9.3	9.8	9.4	9.3	9.3	9.4
Italy	7.7	7.8	7.7	7.8	7.7	7.5	7.2	6.6	(3)	(3)	(3)	(3)	(3)

[1] Seasonally adjusted; rates of foreign countries adjusted to be comparable with U.S.rate.

[2] Not available.

[3] Italian unemployment surveys are conducted only once a quarter, in the first month of the quarter.

Source: *Unemployment Rates in Nine Countries*, U.S. Department of Labor, August 1990.

Money-market interest rates,[1] by selected countries and by specified periods, January 1987–June 1990

(Percentage, annual rates)

Country	1987	1988	1989	1989 I	1989 II	1989 III	1989 IV	1990 I	1990 II	Apr.	May	Jun.
United States	7.0	7.8	9.3	9.7	9.7	8.9	8.6	8.4	8.4	8.5	8.3	8.2
Japan	3.9	4.4	5.3	4.9	5.1	5.4	5.6	6.2	(2)	6.6	(2)	(2)
Canada	8.4	9.6	12.2	11.7	12.3	12.3	12.4	12.8	(2)	13.5	(2)	(2)
West Germany	4.0	4.3	7.0	6.2	6.8	7.2	8.3	8.4	8.4	8.3	8.4	(2)
United Kingdom	9.6	8.9	13.3	13.0	13.5	14.0	15.2	15.2	15.2	15.2	15.2	(2)
France	8.1	7.9	9.2	9.0	8.8	9.2	10.3	11.0	9.9	10.1	9.7	(2)
Italy	11.2	11.0	12.7	12.4	12.5	12.9	13.3	13.3	12.8	12.6	12.9	(2)

[1] 90-day certificate of deposit.

[2] Not available.

Source: *Federal Reserve Statistical Release, April 2, 1990 Economic and Energy Indicators*, Central Intelligence Agency, July 27, 1990

Effective exchange rates of the U.S. dollar, unadjusted for inflation differential, by specified periods, January 1987–July 1990

(Percentage change from previous period)

Item	1987	1988	1989	1989 III	1989 IV	1990 I	1990 II	Feb.	Mar.	Apr.	May	Jun.	Jul.
Unadjusted:													
Index[1]	94.1	88.0	91.3	92.8	91.0	89.6	89.7	89.1	90.6	90.4	89.4	89.4	87.0
Percentage change	-11.2	-6.5	6.4	.3	-1.9	-.4	.1	.1	1.6	-.2	-1.2	0	-2.4
Adjusted:													
Index[1]	91.8	87.4	91.8	93.0	91.8	90.6	90.6	90.0	91.5	91.3	90.2	90.2	87.9
Percentage change	-10.6	-4.8	6.8	.1	-1.1	-2.2	0	.1	1.7	-.2	-1.2	-.1	-2.3

[1] 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, July 1990.

Trade balances, by selected countries and by specified periods, January 1987–May 1990

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

				1989		1990					
Country	1987	1988	1989	III	IV	I	Jan	Feb.	Mar.	Apr.	May
United States[1]	-152.1	-118.5	-108.7	-107.2	-112.9	-102.6	-122.4	-85.1	-100.4	-87.6	-92.7
Japan	96.3	94.9	77.3	76.8	57.2	64.8	52.8	64.8	76.8	43.2	48.0
Canada	8.6	8.0	6.4	3.6	.8	6.0	7.2	2.4	10.8	1.2	([3])
West Germany[2]	65.7	72.7	72.1	74.4	65.2	88.8	109.2	79.2	79.2	66.0	76.8
United Kingdom	-16.9	-36.9	-37.9	-40.8	-27.6	-36.0	-39.6	-27.6	-40.8	-36.0	-31.2
France	-5.2	-5.4	-6.6	-8.0	-8.4	-1.6	-1.2	-2.4	-2.4	-9.6	-12.0
Italy	-8.3	-10.7	-12.8	-12.0	-9.6	-14.8	-20.4	-12.0	-12.0	-10.8	-20.4

[1] 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.

[2] Imports, c.i.f value, adjusted.

[3] Not available.

Source: *Economic and Energy Indicators*, U.S. Central Intelligence Agency, July 13, 1990, and *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, July 17, 1990.

U.S. trade balance,[1] by major commodity categories,and by specified periods, January 1987–May 1990

(Percentage, annual rates)

				1989		1990					
Country	1987	1988	1989	III	IV	I	Jan.	Feb.	Mar.	Apr.	May
Commodity categories:											
Agriculture	7.0	13.9	17.9	3.5	5.1	4.9	1.6	1.4	1.8	1.4	1.3
Petroleum and selected products (unadjusted)	-39.5	-38.1	-44.7	-11.4	-11.4	-14.1	-5.4	-4.3	-4.3	-3.4	-4.0
Manufactured goods	-146.1	-146.1	-103.2	-27.1	-27.7	-19.4	-7.7	-5.5	-6.3	-6.1	-6.5
Selected countries:											
Western Europe	-27.9	-12.5	-1.3	-.3	-.6	1.4	-.3	.9	.7	1.3	.8
Canada[2]	-11.5	-9.7	-9.6	-2.2	-2.8	-.9	-.6	-.2	-.1	.04	-.5
Japan	-58.0	-51.7	-49.0	-12.0	-12.2	-9.6	-2.8	-3.1	-3.6	-3.9	-2.9
OPEC (unadjusted)	-13.7	-8.9	-17.3	-5.0	-4.3	-1.8	-2.6	-2.0	-6.5	-1.4	-1.7
Unit value of U.S.imports of petroleum and selected products (unadjusted)[3]	$15.02	$18.12	$16.80	$16.38	$17.46	$19.26	$20.13	$19.39	$18.18	$16.57	$15.57

[1] Exports, f.a.s.value, unadjusted.1986–88 imports, c.i.f.value, unadjusted; 1989 imports, customs value, unadjusted.

[2] Beginning with February 1987, figures include previously undocumented exports to Canada.

[3] 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, July 17, 1990.

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