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INTERNATIONAL ECONOMIC COMPARISONS

U.S. and World Economic Conditions

Renewed financial turbulence in the second quarter of 1998 in Russia, and several Asian countries, and the weariness about the economic and financial conditions in Japan, have initiated a new awareness of the financial contagion spreading to the rest of the world, particularly in Latin American countries. Recent published reports indicate that Brazil, the largest Latin American economy and the ninth largest in the world, has found itself thrust into the crisis of world financial markets as foreign investors fled emerging markets for safer havens. Brazilian authorities have had to hike up the interest rate to more than 35 percent above inflation to avoid a forced devaluation of the "real". However, a growing current account deficit estimated at about 4 percent of GDP and a fiscal deficit estimated at about 7 percent of GDP could lead to further capital hemorrhage of the kind that recently cut Brazil's foreign reserves from $74 billion to $50 billion. Russia, Hong Kong, Indonesia, Malaysia, Phillippines, South Korea, and Thailand reportedly recorded negative GDP growth rates, figure 1.

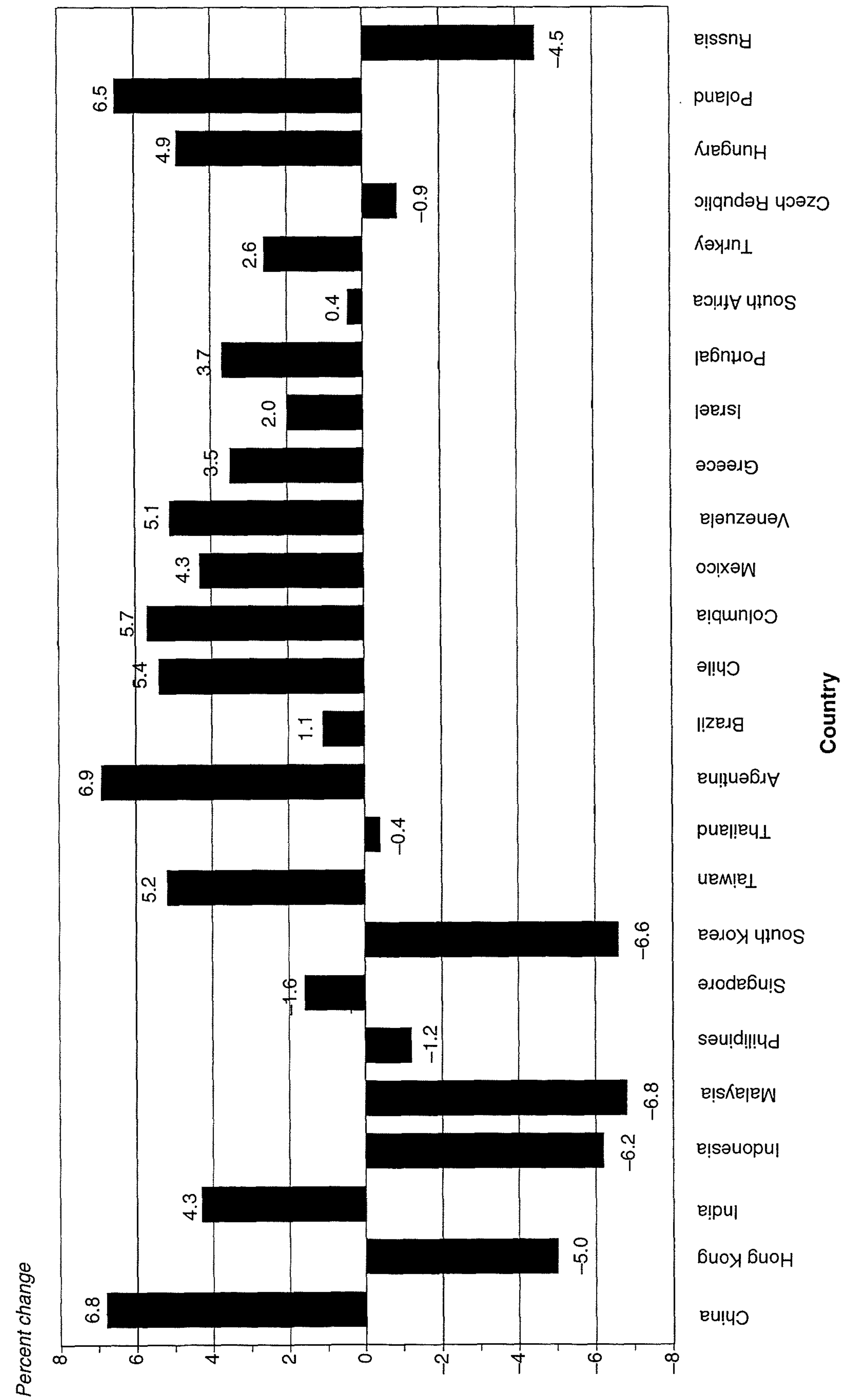
Japan's economy, the world second largest, continues to be in a recession recording negative growth rates for the past three consecutive quarters. During the second quarter of this year, real GDP contracted at an annual rate of 3.3 percent, the third consecutive quarterly decline. Bad debts held by Japan's banks are estimated to amount to about 30 percent of GDP. Moreover, the economic slowdown in Asian countries had a negative impact on Japanese exports since about 45 percent of Japan's total exports are destined for Asia. With exports declining and imports declining even more, Japan has realized trade and current account surpluses. But the decline in exports has cut down corporate profits, new investment spending and resulting in industrial excess productive capacity. Consumer demand faltered since consumers are worried about their jobs, savings, life insurance and bank deposits, despite the Japanese government's continued efforts to revive consumer confidence and spending by fiscal expansion.

This difficult period of the world economy, further exacerbated by weakened commodity prices and economic uncertainty, has increased the pressures on developed industrial countries for an orchestrated effort to spark world economic growth. Among the options called for are: cutting interest by major industrial countries, rescheduling short-term foreign debts in poor Asian countries, and giving the International Monetary Fund power to use $15 billion of reserves to help stem the spreading financial contagion. It remains to be seen, however, if these efforts will take the affected countries out of sub-par economic growth. The task is particularly difficult because these countries face the hard task of reconciling the short term challenge of restoring market and investor confidence with the longer-term needs for restructuring their financial and economic systems.

In the case of Japan, a credible rescue plan to save the banking system is needed badly. This might take time, but it will reassure markets that Japan's financial system is on its way to recovery. In addition, a combination of a strong fiscal stimulus and a monetary expansion is needed to revive domestic demand and keep the Japanese economy from sliding into depression. The International Monetary Fund (IMF) recently declared that the main risk to the world economy was that Japan would not "address its financial-sector problems while ensuring adequate domestic demand". However, the Japanese economy seems to be caught in a classic "Keynesian liquidity trap"—the more the Japanese government tries to stimulate consumer spending the more the worried consumers stash away savings.

The outlook for the U.S. economy, however, is for continuing moderate expansion, on average, over the next year and a half. While the U.S. economy posted significant gains in the first half of this year, much of the advance appeared in the first quarter. (Real GDP grew by 5.5 percent at an annual rate in the first quarter, but grew by only 1.8 percent in the second.)

Figure 1
GDP growth rates of selected emerging markets, latest available quarterly rates from a comparable quarter, one year earlier



Source: OCED statistics

The unemployment rate has gone down to its lowest level in nearly thirty years, and the inflation rate remained subdued. The main contributors to growth in the first half of the year were consumer and investment spending and the low level of long-term interest rates which spurred capital spending and expanded productive capacity. The sizable advance in capital spending and the resulting additions to capital stock have helped to increase labor productivity, the key to rising standards of living and to keeping inflation low.

In order to prevent the adverse impact of the Asian economic and financial crisis on the U.S. economy, and to sustain U.S. economic growth without risking higher inflation, the Federal Reserve Board has cut short-term interest rates by a quarter of a percentage point to 5.25 percent. The widely expected rate cut is intended to calm jittery world financial markets and boost consumer demand and business spending since borrowing has become relatively less expensive.

Meanwhile, the Federal Reserve Board forecasts sustained but moderate economic growth, on average, in the next year and half. For 1998 as a whole, the Board forecast a range of 3 to 3.25 percent annual growth rate. For 1999, the forecast centers on a range of 2 percent to 2.5 percent GDP annual growth rate. The unemployment rate is expected to stay near the present level of 4.5 percent in 1998 and edge up in 1999. Because of tight labor markets and the probable unwinding of the factors that kept inflation from rising in the past year such as, declining commodity prices, cheaper imports due to the rising exchange value of the dollar, and perhaps the strengthening of demand in Asia due to the restructuring of Asian and Japanese economies, the Board expects inflation to run higher in 1998 and 1999.

U.S. Economic Performance Relative to Other Group of Seven (G-7) Members

Economic growth

U.S. real GDP— the output of goods and services produced in the United States measured in 1992 prices—grew at an annual rate of 1.8 percent in the second quarter of 1998 following a 5.5 percent growth in the first quarter.

The annualized rate of real GDP growth in the second quarter of 1998 was 2.2 percent in the United Kingdom, 1.8 percent in Canada, 2.8 percent in France, 0.4 percent in Germany and 2.1 percent in Italy. The annualized GDP growth rate in the second quarter was a negative 3.3 percent in Japan.

Industrial production

The Federal Reserve Board reported that U.S. industrial production (IP) rebounded 1.7 percent in August 1998 following a revised increase of 0.4 percent in July. The August gain slightly exceeded the cumulative decline in production in June and July associated with General Motors labor strikes. Total industrial production in August 1998 was 3.1 percent higher than in August 1997. Manufacturing output rose 2.0 percent in August and was 3.2 percent higher than in August 1997. Total industrial capacity utilization rose by 1.1 percent in August 1998, and was 4.5 percent higher than in August 1997.

Other Group of Seven (G-7) member countries reported the following growth rates of industrial production. For the year ending July1998, Japan reported a decline of 9.2 percent, the United Kingdom reported no increase, Germany reported an increase of 2.5 percent and Italy reported 1.3 percent increase. For the year ending June 1998, Canada reported 2.4 percent increase, and France reported 5.3 percent increase.

Prices

Seasonally adjusted U.S. Consumer Price Index (CPI) rose 0.2 percent in August following a similar increase in July 1998. For the 12-month period ended in August 1998, the CPI increased by 1.6 percent.

During the 1-year period ending August 1998, prices increased by 0.8 percent in Canada, 0.7 percent in France, 0.8 percent in Germany, 1.9 percent in Italy, 3.3 percent in the United Kingdom. Prices declined by 0.1 percent in Japan during the year ending June 1998.

Employment

The Bureau of Labor Statistics reported that the unemployment rate remained virtually unchanged in September 1998 at 4.6 percent. Nonfarm payroll employment grew by only 69,000 jobs. The number of manufacturing and construction jobs declined and growth in the services industry was weak for the second month in a row. The unemployment rates were little changed among the major demographic groups. The jobless rates for the major demographic groups were : adult men (3.8 percent), adult women (4.0 percent), teenagers (15.4 percent), whites (3.9 percent), blacks (9.2 percent), and Hispanics (7.4 percent).

In other G-7 countries, their latest unemployment rates were: 8.3 percent in Canada, 11.8 percent in

France, 10.9 percent in Germany, 12.4 percent in Italy, 4.1 percent in Japan, and 6.2 percent in the United Kingdom.

U.S. International Transactions-1986-97 Current account

Revised Estimates for 1986–97

The Bureau of Economic Analysis of the U.S. Department of Commerce revised their estimates of U.S. current account for the period 1986-97 to incorporate improvements suggested by the International Monetary Fund, the National Academy of Sciences and the U.S. Treasury Department based on benchmark new surveys of foreign investment in the United States. According to the new estimates U.S. exports of goods, services and investment income receipts grew in 1997 to $1,170.4 billion; imports of goods, services and income payments on foreign investment in the United States grew to $1,294.9 billion, unilateral transfers grew to $39.7 billion resulting in a current account deficit of $155.2 billion, the highest since 1987. In 1997 income payments on foreign investment in the United States exceeded income receipts on U.S. investment abroad for the first time, resulting in a deficit on investment income of around $5.3 billion. Increased foreign investment in the United States due to more favorable economic conditions resulted in excess income payments over receipts. Unilateral transfers representing one way transfers resulting from U.S. government payments of pensions, benefits, etc. increased by $15.0 billion during this period and with the exception of the year 1991 represented on average over 30 percent of the current account deficit. The deficit on goods increased in 1997 to around $197.0 billion compared with $145.1 billion in 1986. The surplus on services trade grew to $87.7 billion in 1997 from $4.5 billion in 1986. Table 1 shows U.S. current account components over the period. Figure 2 depicts yearly changes in current account major components.

The revised estimates of the U.S. current account for 1986-97 were made to incorporate a number of improvements as part of continuing efforts by the BEA to address gaps in coverage of transactions. In large part the gaps have arisen because of the dynamic nature of international markets and the revisions particularly respond to rapid changes in the investment, capital and the services markets.

In the investment income accounts, improved estimates of income receipts, improved estimates of banks' income receipts, and payments on foreign-currency-denominated claims and liabilities were made based on counterpart data obtained from the Bank for International Settlements.

In the services accounts, operational leasing of transportation equipment without crew is reclassified from the "other" transportation accounts to the "other" private services accounts, in order to consolidate all operational leasing transactions in one account. Computer software royalties and license fees are reclassified from the "other" private services accounts to the royalties and license fees accounts.

In the goods accounts, improvements are made to the seasonal adjustment of exports in order to reduce the amount of "residual" seasonality in the export accounts. For U.S. direct investment abroad, intercompany debt transactions and associated interest transactions between U.S. parent companies and the following three groups of nonbank foreign financial affiliates are reclassified: (1) financial affiliates located in the Netherlands Antilles, (2) financial affiliates whose U.S. parents are depository institutions, and (3) financial affiliates whose U.S. parents are securities dealers. For foreign direct investment in the United States, intercompany debt transactions and associated interest transactions between foreign parent companies (and foreign affiliates of foreign parent companies) and the following two groups of U.S. nonbank financial affiliates are reclassified: (1) Financial affiliates whose ultimate beneficial owner (UBO) is a foreign depository institution, and (2) financial affiliates whose UBO is a finance or insurance firm.

Forecasts

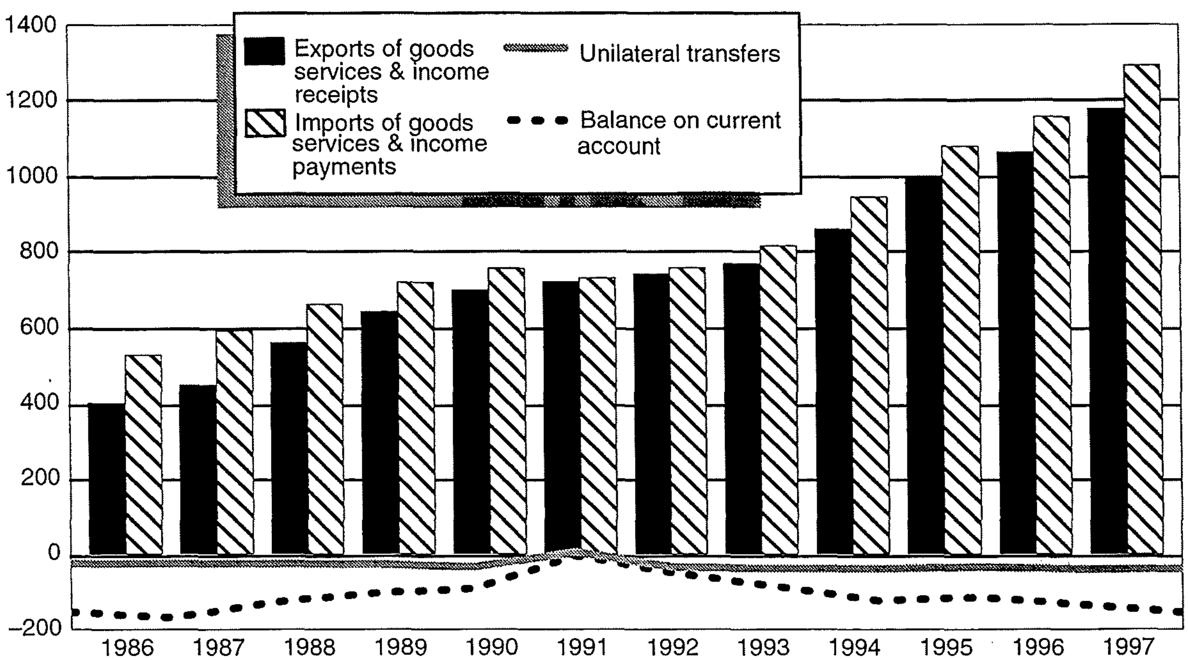
Six major forecasters expect real growth in the United States to average around 2.5 percent (at an annual rate) in the second half of 1998 and to range from 2.1 percent to 2.3 percent in the first half of 1999. Table 2 shows macroeconomic projections for the U.S. economy from July 1998 to June 1999, 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.

Table 1
U.S. international transactions: Revised estimates of goods, services, and investment income, million dollars, 1986-97

	Goods exports	Service exports	Investment income receipts	Goods imports	Service imports	Investment income payments	Unilateral transfers	Balance on current account
1986	223,344	86,350	91,186	-368,425	-81,835	-79,095	-24,679	-153,154
1987	250,208	98,593	100,511	-409,765	-92,349	-91,302	-23,909	-168,013
1988	320,230	111,068	129,366	-447,189	-99,965	-115,722	-25,988	-128,201
1989	362,120	127,233	153,659	-477,365	-104,185	-138,639	-26,963	-104,139
1990	389,307	147,922	163,324	-498,337	-120,021	-149,253	-34,669	-91,624
1991	416,913	164,333	141,408	-490,981	-121,196	-119,891	5,032	-4,383
1992	440,352	176,982	125,003	-536,458	-119,561	-102,462	-35,230	-51,374
1993	456,832	186,385	126,702	-589,441	-125,715	-102,754	-38,142	-86,133
1994	502,398	201,434	157,742	-668,590	-136,155	-141,263	-39,391	-123,825
1995	575,845	219,802	203,844	-749,574	-145,964	-184,569	-34,638	-115,254
1996	611,983	238,792	213,196	-803,320	-156,029	-198,960	-40,577	-134,915
1997	679,325	258,268	241,787	-877,279	-170,520	-247,105	-39,691	-155,215

Source: U.S. Department of Commerce.

Figure 2
U.S. Current account, revised estimates, in billion dollars, 1986-97
Percent



Source: U.S. Department of Commerce.

Table 2
Projected changes in U.S. economic indicators, by quarters, July 1998-June 1999

(Percentage)

Period	Conference Board	E.I. Dupont	UCLA Business Forecasting Project	Merrill Lynch Capital Markets	Macro Economic Advisers	Wharton WEFA Group	Mean of 6 forecasts
	GDP current dollars						
1998:							
July-Sept	4.5	5.5	5.9	3.5	4.2	3.4	4.5
Oct.-Dec	4.6	4.5	5.1	3.8	5.1	4.2	4.6
1999:							
Jan-Mar	5.8	4.5	3.8	4.2	4.5	4.5	4.6
Apr.-June	4.2	4.7	4.9	4.2	4.2	4.4	4.4
Annual average	4.8	4.8	4.9	3.9	4.5	4.1	4.5
	GDP constant (chained 1992) dollars						
1998:							
July-Sept	2.9	1.7	3.2	2.9	2.2	1.8	2.5
Oct.-Dec.	2.9	2.0	2.4	1.9	3.2	2.5	2.5
1999:							
Jan.-Mar.	3.7	2.0	1.5	2.4	2.0	2.4	2.3
Apr.-June	2.1	2.2	1.2	2.5	2.0	2.5	2.1
Annual average	2.9	2.0	2.1	2.4	2.4	2.3	2.3
	GDP deflator index						
1998:							
July-Sept	1.5	1.8	2.5	1.4	1.8	1.5	1.8
Oct.-Dec	1.7	2.5	2.7	1.8	1.6	1.7	2.0
1999:							
Jan.- Mar.	2.1	2.5	2.3	1.8	2.5	2.0	2.2
Apr.-June	2.1	2.4	2.7	1.7	2.1	1.9	2.2
Annual average	1.9	2.3	2.6	1.7	2.0	1.8	2.0
	Unemployment, average rate						
1998:							
July-Sept	4.5	4.5	4.2	4.5	4.5	4.5	4.5
Oct.-Dec	4.7	4.8	4.2	4.8	4.4	4.5	4.6
1999:							
Jan.- Mar	4.6	4.9	4.5	4.9	4.5	4.5	4.7
Apr.-June	4.5	5.0	4.5	4.9	4.5	4.5	4.7
Annual average	4.6	4.8	4.4	4.8	4.5	4.5	4.6

Note.—Except for the unemployment rate, percentage changes in the forecast represent annualized rates of change from preceding period. Quarterly data are seasonally adjusted. Forecast date, July/ August, 1998.

Source: Compiled from data of the Conference Board. Used with permission.

The average of the forecasts points to an unemployment rate of 4.5 percent to 4.6 percent in the third and fourth quarters of 1998 and then increases slightly in the first half of 1999. Inflation (as measured by the GDP deflator) is expected to remain subdued at about 1.8 percent to 2.0 percent in the second and third quarters of 1998 and then rises in the first half of 1999 to an average rate of about 2.2 percent.

U.S. TRADE DEVELOPMENTS

The U.S. Department of Commerce reported that seasonally adjusted exports of goods and services of $75.4 billion and imports of $89.3 billion in July 1998 resulted in a goods and services trade deficit of $13.9 billion, 0.3 billion more than the June 1998 deficit of $13.6 billion. The July 1998 deficit on goods and services was approximately $5.3 billion higher than the $8.6 billion deficit in July 1997, and was approximately $2.7 billion more than the average monthly deficit registered during the previous 12 months, $11.2 billion.

The July 1998 trade deficit on goods was $20.9 billion, $413 million higher than the June deficit ($20.5 billion). The July services surplus was $7.0 billion, approximately $129 million higher than the June surplus.

In July 1998 exports of goods declined to $53.6 billion from $54.8 billion. Imports of goods decreased to $74.5 billion from $75.3 billion. Exports of services were $21.8 billion, imports of services were $14.8 billion.

The June to July change in exports of goods reflected increases in capital goods and decreases in automotive vehicles, parts, and engines; industrial supplies and materials and consumer goods.

The June to July change in imports of goods reflected decreases in automotive vehicles, parts and engines and industrial supplies and material and increases in "other goods" category.

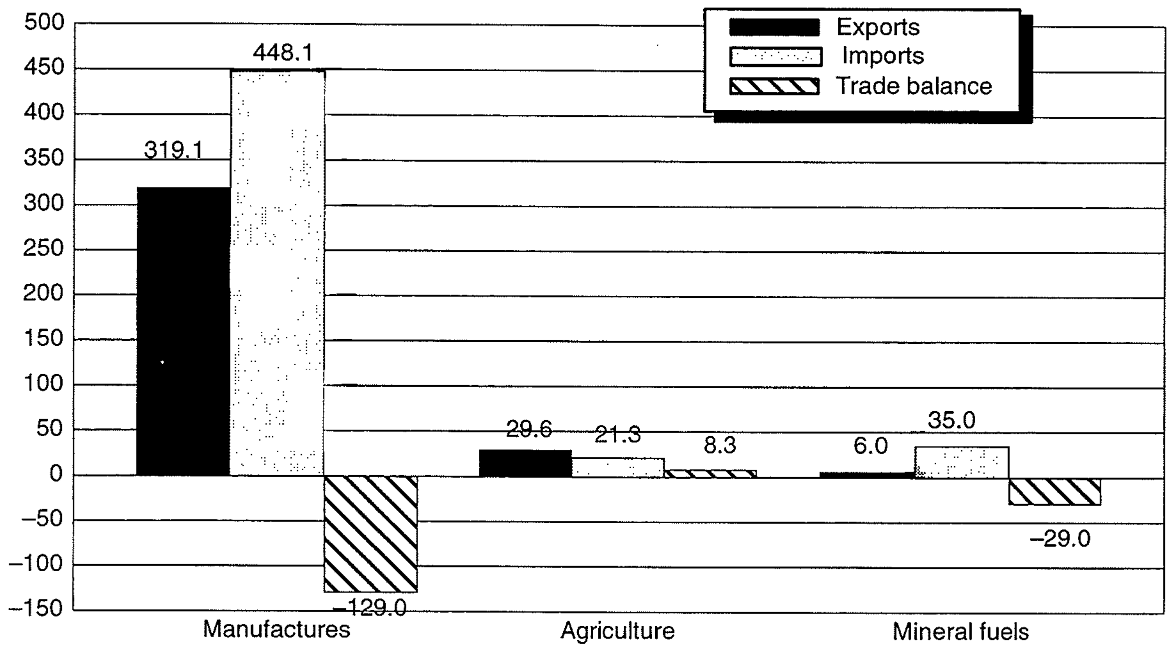
The July trade figures showed surpluses with Australia, Brazil, Argentina and Egypt. Deficits were recorded with Japan, China, Canada, Taiwan, OPEC, Korea, Singapore, Hong Kong, Mexico and Western Europe.

Advanced technology products (ATP) exports were $14.1 billion in July 1998 and imports were $13.3 billion, resulting in a surplus of $0.8 billion.

U.S. trade developments are highlighted in figures 3, 4, and 5. Seasonally adjusted U.S. trade in goods and services in billions of dollars as reported by the U.S. Department of Commerce is shown in table 3.

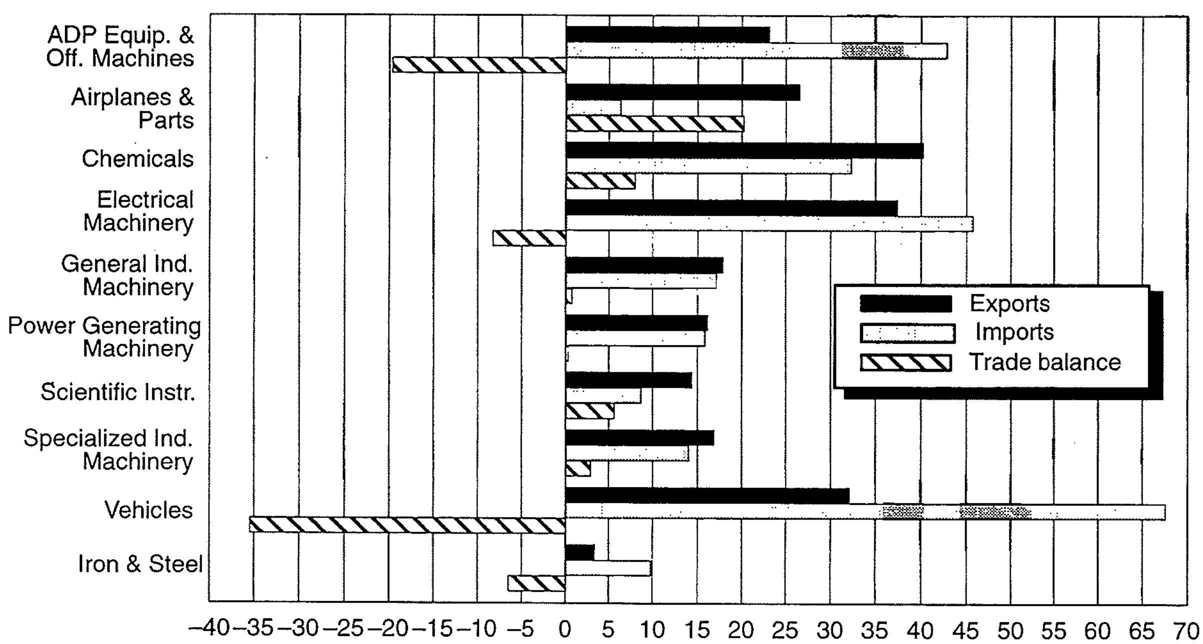
Nominal export changes and trade balances for specific major commodity sectors are shown in table 4. U.S. exports and imports of goods with major trading partners on a monthly and year-to-date basis are shown in table 5, and U.S. trade in services by major category is shown in table 6.

Figure 3
U.S. trade by major commodity, billion dollars, Jan.-July 1998



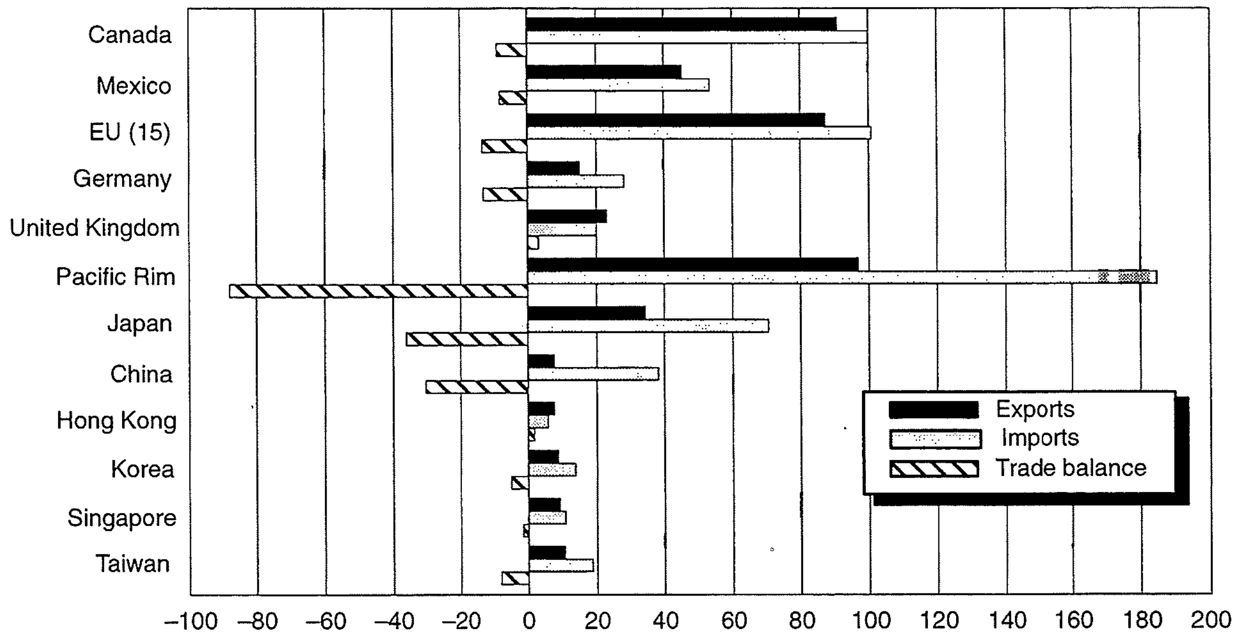
Source: U.S. Department of Commerce.

Figure 4
U.S. trade in principal goods, billion dollars, Jan.-July 1998



Source: U.S. Department of Commerce.

Figure 5
U.S. trade with major trading partners, billion dollars, Jan.-July1998



Source: U.S. Department of Commerce.

Table 3
U.S. trade in goods and services, seasonally adjusted, June-July 98

(Billion dollars)

Item	Exports July 1998	Exports June 1998	Imports July 1998	Imports June 1998	Trade balance July 1998	Trade balance June 1998
Trade in goods (BOP basis)						
Current dollars—						
Including oil	53.6	54.8	74.5	75.3	-20.9	-20.5
Excluding oil	53.9	55.0	70.1	70.8	-16.2	-15.8
Trade in services						
Current dollars	21.6	21.6	14.8	14.7	7.0	6.9
Trade in goods and services:						
Current dollars	75.4	76.4	89.3	90.0	-13.9	-13.6
Trade in goods (Census basis)						
1992 dollars	68.6	69.8	93.6	93.6	-25.0	-23.8
Advanced-technology products (not seasonally adjusted)	14.1	15.6	13.3	13.4	0.8	2.1

Note.—Data on goods trade are presented on a balance-of-payments (BOP) basis that reflects adjustments for timing, coverage, and valuation of data compiled by the Census Bureau. The major adjustments on BOP basis exclude military trade but include nonmonetary gold transactions, and estimates of inland freight in Canada and Mexico, not included in the Census Bureau data.

Source: U.S. Department of Commerce News (FT 900), Sep. 17, 1998.

Table 4
Nominal U.S. exports and trade balances, of agriculture and specified manufacturing sectors, Jan. 1997-July 1998

	Exports		Change		Trade balances	
	July 1998	Jan.-July 1998	Jan.-July 1998 over Jan.-July 1997	Share of total, Jan.-July 1998	Jan.-July 1998	Jan.-July 1997
	Billion dollars		*Percentage*		*Billion dollars*	
ADP equipment & office machinery	3.1	23.1	-5.7	5.8	-19.7	-16.9
Airplanes	2.1	18.0	17.6	4.6	14.1	12.9
Airplane parts	1.4	8.5	11.8	2.2	5.2	4.8
Electrical machinery	5.0	37.4	1.4	9.5	-8.3	-7.8
General industrial machinery	2.4	17.8	1.1	4.5	0.7	2.0
Iron & steel mill products	0.4	3.3	3.1	0.8	-6.5	-5.3
Inorganic chemicals	0.4	2.8	-6.7	0.7	0.0	-0.2
Organic chemicals	1.2	9.1	-5.2	2.3	-0.1	-0.3
Power-generating machinery	2.2	16.1	1.9	4.1	0.3	1.8
Scientific instruments	1.9	14.3	5.1	3.6	5.6	5.9
Specialized industrial machinery	2.4	16.8	3.1	4.3	2.8	3.9
TVS, VCRs, etc	1.8	13.4	1.5	3.4	-9.3	-6.1
Textile yarns, fabrics and articles	0.7	5.4	5.9	1.4	-2.2	-1.8
Vehicle parts	2.6	32.1	0.3	8.1	- 35.5	-33.5
Manufactured exports not included above	13.8	101.0	-0.7	25.6	-74.1	- 54.0
Total manufactures	41.4	319.8	1.2	80.8	-129.0	- 94.3
Agriculture	3.8	29.6	- 5.1	7.5	8.3	10.3
Other exports not included above	6.3	46.3	-3.9	11.7	-4.5	-13.7
Total exports of goods	51.5	395.0	0.1	100.0	-125.2	- 97.7

Note.—Because of rounding, figures may not add to the totals shown. Data are presented on a Census basis.
Source: U.S. Department of Commerce News (FT 900), Sep.17, 1998

Table 5
U.S. exports and imports of goods with major trading partners, Jan. 1997-July 1998

(Billion dollars)

Country/areas	Exports July 1998	Exports Jan.-July 1998	Exports Jan.-July 1997	Imports July 1998	Imports Jan.-July 1998	Imports Jan.-July 1997	Trade Balances Jan.-July 1997	Trade Balances Jan.-July 1998
Total	51.5	395.0	394.8	76.0	520.2	492.5	-125.3	-97.7
North America	16.6	135.9	125.4	19.6	153.2	144.5	-17.3	-19.1
Canada	10.4	90.8	86.7	12.3	99.8	96.5	-9.0	-9.7
Mexico	6.2	45.2	38.7	7.3	53.4	48.0	-8.3	-9.3
Western Europe	12.1	94.5	91.3	17.2	109.8	99.2	-15.3	-8.0
European Union (EU-15)	11.0	87.3	81.5	15.7	100.7	90.3	-13.4	8.8
France	1.3	10.4	9.1	2.2	13.8	11.7	-3.4	-2.5
Germany	2.0	15.1	14.3	4.3	28.2	24.9	-13.0	-10.6
Italy	0.7	5.3	5.3	2.0	12.2	11.3	-7.0	-6.0
Netherland	1.4	11.1	11.1	0.7	4.3	4.1	6.8	7.0
United Kingdom	2.8	23.0	21.8	2.9	19.9	18.5	3.1	3.3
Other EU	0.9	6.2	5.0	1.2	7.2	5.4	-1.0	-0.5
EFTA[1]	0.6	4.6	7.0	1.2	7.1	7.2	-2.5	-0.1
FSR/Eastern Europe	0.7	5.0	4.5	0.9	6.2	4.6	-1.2	-0.1
Russia	0.4	2.6	1.8	0.5	3.3	2.3	-0.8	-0.5
Pacific Rim Countries	13.4	96.8	113.5	28.3	184.6	175.5	-87.9	-61.9
Australia	1.0	7.0	7.0	0.5	3.2	2.5	3.9	4.5
China	1.1	7.6	6.9	6.5	38.2	32.8	-30.5	-25.9
Japan	5.0	34.4	38.9	10.1	70.6	70.0	-36.2	-31.1
NICs[2]	4.8	35.7	46.1	7.4	48.8	47.9	-13.0	-1.8
South/Central America	5.4	37.3	34.8	4.3	29.4	31.2	7.9	3.6
Argentina	0.6	3.5	3.1	0.2	1.4	1.3	2.2	1.8
Brazil	1.2	8.5	8.6	0.9	5.9	5.8	2.7	2.8
OPEC	1.8	14.5	13.6	2.9	20.6	25.3	-6.1	- 11.7
Other Countries	2.3	16.4	17.9	4.4	27.7	25.0	-11.3	- 7.2
Egypt	0.2	1.6	2.2	0.1	0.4	0.4	1.2	1.8
South Africa	0.3	2.0	1.7	0.3	1.8	1.4	0.2	0.3
Other	1.8	12.9	14.0	4.1	25.5	23.3	-12.6	- 9.3

[1] EFTA includes Iceland, Liechtenstein, Norway, and Switzerland.
[2] The newly industrializing countries (NICs) include Hong Kong, the Republic of Korea, Singapore, and Taiwan.
FSR = Former Soviet Republics.

Note.—Country/area figures may not add to the totals shown because of rounding. Exports of certain grains, oilseeds, and satellites are excluded from country/area exports but included in total export table. Also some countries are included in more than one area. Data are presented on a Census Bureau basis.

Source: U.S. Department of Commerce News (FT 900), Sep. 17, 1998.

Table 6
Nominal U.S. exports and trade balances of services, by sectors, Jan. 1997-July1998, seasonally adjusted

	Exports		Change Jan.-July 1998 over Jan.-July 1997	Trade balance	
	Jan.-July 1998	Jan.-July 1997		Jan.-Jul;y 1998	Jan.-July 1997
	Billion dollars		Percentage	Billion dollars	
Travel	42.1	42.7	-1.4	11.4	12.9
Passenger fares	12.2	12.0	1.7	1.3	1.5
Other transportation	15.0	15.6	-3.8	-2.1	-1.1
Royalties and license fees	20.5	19.6	4.6	14.3	14.5
Other private sales	51.9	47.9	8.4	22.3	20.4
Transfers under U.S. military sales contracts	10.2	10.9	-6.4	3.0	4.4
U.S. Govt. miscellaneous service	0.5	0.5	0.0	-1.2	-1.1
Total	150.4	149.2	2.1	48.6	51.6

Note.—Services trade data are on a balance-of-payments (BOP) basis. Numbers may not add to totals because of seasonal adjustment and rounding.

Source: U.S. Department of Commerce News (FT 900), Sep. 17, 1988

WORKING PAPERS

The following is a list of Office of Economics working papers. Copies of unpublished papers which are currently available can be obtained from the Office of Economics. Please request working papers by reference code, title, and author. All requests to the Office of Economics, U.S. International Trade Commission, 500 E Street, S.W., Washington, DC 20436, USA, or by fax at (202) 205-2340. (* indicates nonstaff member.)

Reference Code	Title	Author Status
1998		
98-09-A	The Income Elasticity of Trade: Theory, Evidence, and Implications	Peter Pogany and William A. Donnelly
98-03-A	Trade, Trade Policy, and Productivity Growth In OECD Manufacturing	Nancy Benjamin and Michael Ferrantino
1997		
97-09-A	Liberalizing Services Trade in APEC	Nancy Benjamin and *Xinshen Diao.
97-06-A	Integration and Competitiviness in the Americas: A General Equilibrium Model for Analysis	Nancy Benjamin and Peter Pogany
97-04-A	R & D Activity and Acquisitions in High Technology Industries	*Bruce A. Blonigen and Christopher T. Taylor
97-02-A	The Effect of U.S. MFN Status on China	Hugh M. Arce and Christopher T. Taylor
97-02-B	APEC: Organization, Goals and Approach	Diane L. Manifold
1996		
96-11-B	Consequences of the Commodity Position of Trade in Latin America	Michael J. Ferrantino *Sheila Amin Gutierrez de Pineres
96-11-A	The Effect of Global Trade Liberalization on Toxic Emissions in Industry	Michael J. Ferrantino Linda A. Linkins
96-09-B	Computable General Equilibrium Models: Introduction in a Historical Perspective	Peter Pogany
96-09-A	Multicountry Results from a Single-Country Model: The Case of U.S.-Chilean Trade Liberalization	Michael P. Gallaway and Linda A. Linkins
96-06-A	Free Trade with Chile May Increase U.S. Investment Opportunities in Latin American (Background Information for CGE Policy Simulations)	Nancy Benjamin and Peter Pogany
96-05-A	The Almost Ideal Demand System and Applications in General Equilibrium Calculations	Peter Pogany
96-04-A	Japanese Corporate Activities in Asia: Implications	Diane Manifold
96-01-A	Dynamic Investment Responses to Real Exchange Rate Changes	Nancy Benjamin

Reference Code	Title	Author Status
1995		
95-12-A	Export Diversification and Structural Change Change: Some Comparisons for Latin America	*Sheila Amin Gutierrez-de Piñeres and Michael J. Ferrantino
95-07-A	Transition to A Market Economy in the Countries of the Central European Free Trade Agreement (Visegrad Group)	Peter Pogany
95-06-D	After NAFTA: Western Hemisphere Trade Trade Liberalization and Alternative Paths To Integration	Sandra A. Rivera
95-06-C	International Trade, Labor Standards & Labor Markets Conditions: An Evaluation of the Linkages	Mita Aggarwal
95-06-B	Economic Policies and Developments in the countries of the Central European Free-Trade Agreement (Visegrad Group) during 1949-1989	Peter Pogany
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94-07-A	Economic and Cultural Distance in International Trade: An Empirical Puzzle	*Dale Boisso and Michael Ferrantino
94-06-A	Estimating Tariff Equivalents of Nontariff Barriers	Linda A. Linkins and Hugh M. Arce

STATISTICAL TABLES

Indexes of industrial production, by selected countries and by specified periods, Jan. 1995-May 1998

(Total Industrial production, 1990=100)

				1997							1998				
Country	1995	1996	1997	I	II	III	IV.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
Japan	96.2	98.5	101.9	103.6	103.6	102.5	100.1	98.9	99.9	102.1	98.5	96.3	94.9	93.3	94.5
Canada[3]	112.7	114.4	120.2	117.8	119.3	121.3	122.3	121.6	122.9	119.4	122.3	124.3	123.4	122.9	(2)
Germany	97.2	97.6	101.1	101.3	102.6	102.2	102.8	104.5	103.5	105.1	104.8	106.2	105.1	106.1	(2)
United Kingdom	106.7	108.0	109.5	108.7	109.2	110.3	109.3	109.1	109.2	108.9	108.6	109.5	110.6	109.4	110.2
France	99.6	99.8	103.6	100.0	103.0	104.9	106.3	105.2	107.0	106.4	107.3	109.3	108.5	109.2	(2)
Italy	107.9	104.8	107.7	105.1	107.4	108.2	109.2	109.4	109.3	110.3	109.2	108.2	108.0	110.7	(2)

[1] U.S. index base year was switched from 1992=98.9 to 1990 = 100.
[2] Not available.
[3] Real domestic product in industry at factor cost and 1986 prices.

Source: *Main Economic Indicators,* Organization for Economic Cooperation and Development, August 1998, *Federal Reserve Statistical Release,* August 17, 1998.

Consumer prices, by selected countries and by specified periods, Jan. 1995-July 1998

(Percentage change from same period of previous year)

				1997							1998						
Country	1995	1996	1997	I	II	III	IV	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
United States	2.8	3.0	2.3	2.9	2.3	2.2	1.9	2.1	1.8	1.7	1.6	1.4	1.4	1.4	1.7	1.7	1.7
Japan	-0.1	0.2	1.7	0.6	2.0	2.1	2.1	2.5	2.1	1.8	1.8	1.9	2.2	0.4	0.5	0.1	-0.1
Canada	1.7	1.6	1.6	2.1	1.6	1.7	1.0	1.5	0.9	0.7	1.1	1.1	0.9	0.8	1.1	1.0	1.0
Germany	1.7	1.4	1.7	1.7	1.5	1.9	1.7	1.7	1.8	1.7	1.8	1.0	1.4	1.4	1.3	1.1	0.9
United Kingdom	3.4	2.4	3.1	2.7	2.7	3.5	3.7	3.7	3.7	3.6	3.3	3.4	3.5	4.0	4.2	3.7	3.5
France	1.7	2.0	1.2	1.5	0.9	1.3	1.1	1.1	1.2	1.1	0.5	0.7	0.8	1.0	1.0	1.0	0.8
Italy	5.2	3.9	2.0	2.5	1.8	1.9	1.9	1.9	1.9	1.9	2.0	2.1	1.9	2.0	1.9	2.0	2.0

[1] Not available.

Source: *Consumer Price Indexes, Nine Countries,* U.S. Department of Labor, July 1998.

Unemployment rates (civilian labor force basis)[1], by selected countries and by specified periods, Jan. 1995-July 1998

			1997							1998						
Country	1995	1996	1997	I	II	III	IV.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
United States	5.6	5.4	4.9	5.3	4.9	4.9	4.7	4.6	4.7	4.7	4.7	4.3	4.3	4.5	4.5	4.5
Japan	3.2	3.4	3.4	3.3	3.5	3.4	3.5	3.5	3.5	3.6	3.9	4.2	4.2	4.3	4.2	4.2
Canada	9.5	9.7	9.2	9.6	9.4	9.0	8.9	8.6	8.9	8.6	8.5	8.4	8.4	8.4	8.4	8.3
Germany	6.5	7.2	7.8	7.7	7.8	7.8	7.8	7.8	7.7	7.6	7.6	7.6	7.5	7.5	7.4	7.4
United Kingdom	8.8	8.3	7.1	7.6	7.3	6.9	6.6	6.5	6.5	6.4	6.4	6.3	6.3	6.2	(2)	(2)
France	12.3	12.4	12.7	12.7	12.7	12.7	12.6	12.4	12.2	12.2	12.1	12.0	11.8	11.7	11.7	(2)
Italy	12.0	12.1	12.3	12.3	12.7	11.9	12.2	12.2	12.2	12.2	12.1	12.4	(3)	12.4	(3)	(2)

1 Seasonally adjusted; rates of foreign countries adjusted to be comparable with the 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, Oct.1998.

Short-termt interest rates,[1] by selected countries and by specified periods, Jan. 1995-May 1998

(Percentage, annual rates)

				1996	1997							1998				
Country	1995	1996	1997	IV	I	II	III	IV	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
United States[1]	5.8	5.4	5.6	5.4	5.4	5.7	5.6	5.7	5.6	5.7	5.8	5.5	5.5	5.5	5.5	5.5
Japan	1.2	.5	(2)	0.5	0.5	0.5	0.5	(2)	0.5	0.5	0.5	0.7	0.5	0.7	0.7	0.6
Canada	7.1	4.4	(2)	3.2	3.1	3.3	3.6	(2)	3.8	4.0	4.6	4.7	5.0	4.9	4.9	5.1
Germany	4.4	3.2	(2)	3.0	3.0	3.0	3.1	(2)	3.5	3.6	3.6	3.5	3.5	3.4	3.6	3.6
United Kingdom	6.6	5.9	(2)	6.1	6.1	6.4	7.0	(2)	7.2	7.5	7.6	7.5	7.5	7.5	7.4	7.4
France	6.4	3.8	(2)	3.3	3.2	3.3	3.2	(2)	3.4	3.5	3.6	3.5	3.5	3.5	3.5	3.5
Italy	10.4	8.7	(2)	7.5	7.3	6.9	6.8	(2)	6.6	6.6	6.1	6.1	6.1	5.6	5.1	5.0

1 8-months certificate of deposit.
2 Not available.

Source: *Federal Reserve Statistical Release*, June 29, 1998; *Federal Reserve Bulletin*, July, 1998.

Merchandise trade balances, by selected countries and by specified periods, Jan. 1995-June 1998

(In billions of U.S. dollars, exports less imports [f.o.b - c.i.f], monthly averages at annual rates)

Country	1995	1996	1997	1997 I	II	III	IV	Dec.	1998 Jan.	Feb.	Mar.	Apr.	May	June
United States[1]	-158.8	-170.2	-181.8	-181.7	-167.1	-190.4	-185.4	-194.4	-162.5	-181.3	228.0	211,2	259.2	250.8
Japan	106.0	68.2	82.4	51.3	93.3	86.6	102.5	100.2	110.0	83.9	111.6	140.2	89.8	(2)
Canada[3]	27.8	30.7	18.4	28.8	16.5	15.0	11.4	17.3	13.9	11.6	10.3	17.4	(2)	(2)
Germany	63.6	65.5	73.1	68.0	79.0	76.7	72.4	56.2	80.8	90.0	79.3	95.3	(2)	(2)
United Kingdom	-22.4	-25.3	-26.5	-17.0	-23.0	-25.0	-31.7	-31.7	-49.3	-33.0	-38.3	-41.3	(2)	(2)
France[3]	20.0	17.8	30.2	22.5	34.4	31.0	35.3	32.5	27.0	26.4	29.4	28.8	(2)	(2)
Italy	27.6	43.9	38.3	32.0	30.6	30.4	8.3	20.0	20.0	35.5	28.9	30.2	(2)	(2)

[1] Figures are 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] Not available.
[3] Imports are f.o.b.

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, August 18, 1998; *Main Economic Indicators;* Organization for Economic Cooperation and Development, April 1998.

U.S. trade balance,[1] by major commodity categories and by specified periods, Jan. 1995-June 1998

(In billions of dollars)

Country	1995	1996	1997	1997 I	II	III	IV	1998 Jan.	Feb.	Mar.	Apr.	May	June
Agriculture	25.6	26.7	20.5	5.7	3.5	3.9	7.0	1.7	1.7	1.2	0.9	0.8	0.9
Petroleum and selected product— (unadjusted)	-48.8	-60.9	-65.5	-18.6	-16.1	-15.0	-15.9	-4.2	-3.9	-3.6	-4.1	-3.6	-4.0
Manufactured goods ...	-173.5	-175.9	-179.5	-37.1	-37.7	-54.5	-49.9	-15.5	-14.6	-17.3	-19.0	-20.3	-17.6
Selected countries:													
Western Europe	-10.6	-10.4	-17.5	-.6	-2.3	-7.3	-6.7	-0.4	-0.3	-1.6	-3.2	-1.7	-3.0
Canada	-18.1	-22.8	-16.6	-4.4	-3.7	-4.0	-4.4	-1.5	-1.6	-1.1	-1.3	-1.3	-1.2
Japan	-59.1	-47.6	-55.6	-13.1	-12.4	-14.7	-15.1	-4.4	-5.3	-5.8	-5.4	-5.0	-5.3
OPEC (unadjusted)	-15.7	-19.8	-20.5	-5.5	-5.2	-5.5	-3.8	-0.9	-0.6	-0.5	-1.2	-0.7	-1.1
Unit value of U.S.imports of petroleum and selected products (unadjusted)	$15.83	$18.98	$17.67	$20.37	$17.08	$16.72	$16.99	$17.13	$16.21	$14.42	11.80	$11.80	$11.23

[1] Exports, f.a.s. value, unadjusted. Imports, customs value, unadjusted.

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, August 1998.