# Issue Brief

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## TRADE AND CURRENT ACCOUNT BALANCES: STATISTICS

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# TRADE AND CURRENT ACCOUNT BALANCES: STATISTICS


## SUMMARY

The continuing U.S. trade deficit is a major concern for Congress as it seeks to promote the vitality of U.S. exports and reduce the current imbalance between exports and imports. Since 1983, the United States has registered one record-breaking trade deficit after another. The 1987 deficit of $171.2 billion -- the highest ever -- disappointed some analysts who expected that imports would have begun to decline after nearly 3 years of dollar depreciation. The falling dollar, which reached a post-war low at the end of December 1987, is expected to lead to a reduction of both the merchandise trade and current account balances in 1988. During November and December 1987, and January 1988, the merchandise trade deficit began to narrow as strong export growth outpaced the growth in imports. This trend came to an abrupt, if temporary, halt in February when the deficit widened by $1.4 billion. Total imports were nearly 60% higher than exports.

The broadest measure of United States international economic transactions, the balance on current account, increased from -$141.4 billion in 1986 to a record -$160.7 billion in 1987. The current account deficit was $39 billion in the fourth quarter of 1987 -- a $4.4 billion decrease over the third quarter's record-breaking $43.4 billion. Since 1981, the last year in which a surplus was recorded, the current account has steadily eroded as merchandise imports increased and the services balance worsened.

The Organisation for Economic Co-operation and Development (OECD), Morgan Guaranty, Data Resources, Inc. (DRI), and WEFA Associates (formerly Wharton Econometrics) have forecast that the trade deficit and current account deficit will be reduced during 1988 and 1989.

## ISSUE DEFINITION

In recent years, the U.S. trade and current account deficits have expanded at a very rapid rate. The depreciation of the dollar since 1985 may cause the trade deficit to decline during the next few years. Many economists note that, measured in volume terms, the trade deficit apparently has begun to narrow. The issue for Congress is how fast the trade deficit will decline in response to dollar depreciation and other factors. This issue brief provides historical and current data on trade and current account balances. Forecasts of the merchandise and current account balances through 1990 are also included.

## BACKGROUND AND ANALYSIS

### The Trade Deficit in 1987

The U.S. merchandise trade deficit for 1987 totalled $171.2 billion, surpassing the record-breaking 1986 deficit by $15.0 billion. The 1987 trade deficit was 9.6% higher than that of 1986. U.S. exports, buoyed by the falling dollar, grew by 11.4% during 1987 to $252.9 billion. The U.S. demand for imports, however, expanded at a similar rate (10.7%) to $424.1 billion. Imports exceeded exports by approximately 67% during 1987. During the final 2 months of 1987, imports were still 50% higher than exports.

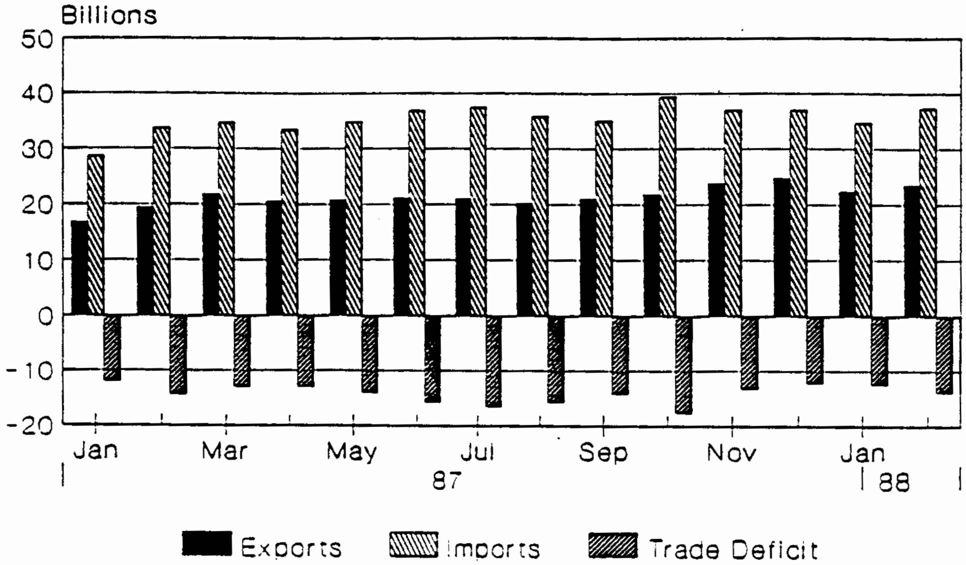
### Monthly Trade Performance

Although the recent monthly results have been significantly below October's all-time high of $17.6 billion, the trade deficits remain stubbornly high. February's $13.8 billion deficit is consistent with the record annual deficits of the previous two years. (See Table 1). Based on a 3-month moving average, the trade deficit appears to have peaked during the months of June through September 1987, and seems to have stabilized. (See Table 2). The trade deficit for the first 2 months of 1988 was -$26.3 billion -- a figure equal to that registered during the same period of the previous year.

### Measuring the Trade Deficit: Volume Vs. Value

In recent months, the monthly merchandise trade deficit has become one of the most widely watched statistics. Numerous newspaper reports, for example, have suggested that the trade deficit figure for August (which was released on October 14th) was instrumental in triggering the October 19th stock market crash and that the monthly figures contribute to increased volatility in the dollar. Some experts have discounted the importance of the monthly trade data, which are expressed in current-dollar, or nominal, terms, and have argued that the trade balance should be viewed in constant-dollar, or volume, terms. The volume-based data indicated an improvement in the trade deficit long before the nominal balance improved. What is the difference between these two figures? Is one figure a better indicator of trade performance than the other?

## Monthly Merchandise Trade Data
### Jan. 1986 - Feb. 1988




Prepared by CRS
Source: Dept. of Commerce

## Merchandise Trade, 1970-87
### (C.i.f. Imports, F.a.s. Exports)

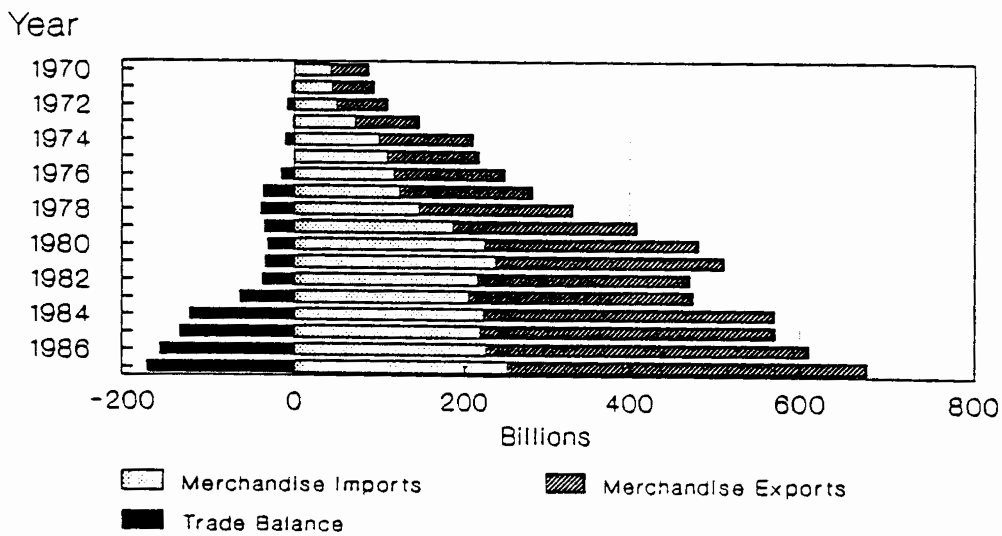



Chart prepared by CRS.
Source: Dept. of Commerce

The nominal trade balance is a record of Customs Service transactions that occur during a one-month period. It measures the value of trade flows in current dollar terms. Thus, it is a record of what the United States pays for imports and receives for exports. The monthly merchandise trade balance is important because it provides a measure of U.S. transactions with the rest of the world.

To support a merchandise trade deficit, the United States must obtain foreign currency to purchase the goods it wishes to buy that are in excess of the goods it sells abroad. The merchandise trade balance has an effect on the value of the dollar in foreign exchange markets. All other things being equal, a trade deficit will cause the value of the dollar to depreciate because the supply of dollars from Americans wanting to buy foreign currencies to purchase imports will exceed the demand for dollars by foreigners exchanging their currency to buy U.S. exports. As the value of the dollar declines, however, imports become more expensive, and -- in the short-run -- the total size of the nominal trade deficit tends to grow before it diminishes over the long-run. This is called the J-curve effect.

The volume of trade attempts to measure flows of goods without the distortion caused by price changes. When the price of steel rises, for example, the tons of steel imported might fall or remain constant, but the value of that steel can still increase. Obviously, one cannot add tons of steel to yards of cloth to arrive at a true volume figure, so the Department of Commerce estimates volume by deflating the nominal figures by a price index based on prices and weights for a base year -- currently 1982. The volume statistics in Table 4, therefore, are analogous to "real" figures in national GNP accounts.

Some have argued that the volume of trade is a more accurate measure of the effect of trade on the national economy. Trade volumes are not directly comparable with monthly merchandise trade balances. The former figure indicates the quantity of exports, while the latter figure indicates the current value of trade. The depreciation of the dollar since 1985 has made U.S. goods cheaper for foreigners, who have responded by increasing their demand for U.S. products. A rapid increase in the volume of exports is a clear sign that foreigners are buying more U.S.-made goods, and this contributes to a rise in U.S. gross national product and also translates into increased job opportunities in the United States.

In 1987, the constant-dollar value, or physical volume, of merchandise exports increased by $29.7 billion, or 12%, while the physical volume of imports increased by $20.9 billion, or 5%. The volume of imports is increasing less rapidly than the volume of exports, but, because total imports are approximately 50% greater than total exports, it may take a number of years for the United States to achieve a surplus in the trade balance. The United States Trade Representative, Clayton Yeutter, has predicted that the United States will once again be recording trade surpluses by 1997.

At present, the Commerce Department's monthly trade figures provide only the nominal value of imports and exports. The Commerce Department recently announced that monthly trade figures will be released simultaneously in nominal and volume terms in late 1988.

## Is the Trade Picture Improving?

The Reagan Administration has maintained for a number of months that the trade deficit picture is improving in volume, if not nominal, terms. When expressed in constant-dollar, or volume, terms, it appears that the trade deficit has improved. The nominal deficit (i.e., the "unadjusted" monthly merchandise trade deficit) represents the difference (in dollars) between what the United States exports and what it imports. Measured in nominal terms, the trade deficit remains very large. On an annual basis, February's trade deficit amounts to $165 billion. At this level, the trade deficit will continue to require a considerable amount of foreign financing.

Some economists believe that current trade deficit problems are being exacerbated by the depreciation of the dollar against the yen and other currencies. Import prices are rising but demand for imports has not fallen enough to offset the higher prices. Other economists have concluded that the trade deficit will be extremely difficult to reverse in the near term because weak economic growth in most other countries will hold back demand for U.S. exports, even if the value of the dollar remains low.

During the early 1980s, the strong U.S. dollar weakened the U.S. competitive position and forced many firms to move production to offshore facilities. This may have contributed to a structural change in U.S. trade patterns that will be difficult to alter.

## Monthly Trade Balance

The trade balance (also called the merchandise trade balance) is produced on a monthly and a quarterly basis. The term refers to exports of goods minus imports of goods. The monthly trade balance is the most widely known and frequently used indicator of U.S. international economic activity. The monthly trade balance is based on Customs data that is processed by the Bureau of the Census and is referred to as the merchandise trade balance (Census basis).

Census-basis data is reported on a c.i.f. basis and on a Customs basis. By law (P.L. 96-39), the Commerce Department must release c.i.f. data at least two working days prior to the release of Customs data. The c.i.f. data include the value of insurance, freight, and other charges incurred in bringing merchandise to U.S. ports-of-entry. The second figure is the merchandise trade balance on a Customs, or f.a.s., basis, and does not include these supplementary costs. Because the c.i.f. balance is reported first, it is the most widely reported trade figure. Both figures are meaningful, however. The c.i.f data reflect cost to consumers of merchandise imports, while the f.a.s. data allows for a direct comparison of the value of exports and imports.

In August 1987, the Commerce Department announced that it would incorporate Canadian trade data directly into the monthly merchandise trade balance. Previously, Canadian data on U.S. exports to Canada were used to produce an end-of-year reconciliation to eliminate the undercounting of U.S. exports to Canada. The U.S. Census Bureau reported in August 1987 that the U.S. trade deficit in 1986 was $156 billion instead of $166 billion -- a difference of $10 billion that resulted from the undercounting of exports to Canada. The use of Canadian statistics has reduced the amount of revision that trade statistics undergo and, consequently, resulted in the reporting of a lower month-to-month deficit.

Table 1 presents the monthly merchandise trade statistics for 1986, 1987, and 1988. Table 2 presents the monthly data in the form of a three-month moving average, which more accurately reflects trends in the trade data than the somewhat erratic monthly figure. The merchandise trade balances for 1970 to 1987 are presented in Table 3. Table 4 provides data on export and import volumes. Volume data is published quarterly by the Department of Commerce in the Gross National Product tables.

## Quarterly Trade Balances

The Bureau of Economic Analysis (BEA) of the U.S. Commerce Department releases the quarterly merchandise trade balance (balance-of-payments, or BOP, basis) about 32 days after the end of the quarter. The quarterly trade balance is based on adjusted Census data and more accurately reflects the flow of international payments connected with merchandise trade than the monthly merchandise trade balance (Census basis). For the quarterly merchandise trade balance (BOP basis), see Table 5.

## The Current Account Balance

The current account balance includes exports of goods and services plus inward unilateral transfers minus imports of goods and services and outward unilateral transfers. Services include travel, transportation, fees and royalties, insurance payments, and other Government and private services and investment income. Unilateral transfers are international transfers of funds for which there is no quid pro quo. Examples of unilateral transfers include private gifts, pension payments, and Government grants. Unilateral transfers account for only a small portion of current account transactions in the United States.

Although the merchandise trade balance has been in deficit since 1976, its rapid deterioration after 1982 has been a topic of significant concern and debate. The services surplus, which in the past offset the merchandise trade balance, began to decline in 1982. The overall result is that the current account deficit is nearly as large as the merchandise trade deficit. Table 6 provides a comprehensive summary of merchandise and service balances, unilateral transfers, and current account balances between 1970 and 1986.

**Forecasts**

Most forecasts indicate that the merchandise trade deficit will narrow during 1988. Table 7 includes published forecasts by Data Resources, Inc. (DRI), Wharton Econometric Forecasting Associates, Morgan Guaranty Trust Company of New York, and the Organisation for Co-operation and Economic Development (OECD). The data in Table 7 is presented on a national income and product account (NIPA) basis, and on a c.i.f. basis. The NIPA statistics are produced by the Department of Commerce's Bureau of Economic Analysis and treat the trade balance on a balance-of-payments (BOP) basis.

## FOR ADDITIONAL READING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----- United States merchandise trade and trade balances with W. Germany, 1960-1987, by Dario Scuka. [Washington] Feb. 8, 1988. 2 p.
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**TABLE 1. Exports, General Imports, and Merchandise Trade Balance, January 1986-February 1988 a/**
($ millions)

| Month | Exports b/ f.a.s. value | General Imports c/ c.i.f. value | Trade Balance d/ c.i.f imports | Trade Balance d/ customs imports |
|---|---|---|---|---|
| 1986 e/ | | | | |
| Jan.-Dec. | 226,808.1 | 382,963.8 | -156.155.7 | -153,332.3 |
| January | 17,041.2 | 31,457.3 | -14,416.1 | -13,151.0 |
| February | 17,401.2 | 28,769.3 | -11,368.1 | -10,186.4 |
| March | 18,557.0 | 30,735.4 | -12,178.4 | -10,629.6 |
| April | 18,000.7 | 32,285.0 | -14,284.3 | -12,977.0 |
| May | 18,270.3 | 31,395.1 | -13,124.8 | -11,561.0 |
| June | 19,092.0 | 32,343.4 | -13,251.4 | -12,276.9 |
| July | 17,345.8 | 33,400.7 | -16,054.9 | -14,759.0 |
| August | 16,894.8 | 30,929.0 | -14,034.2 | -12,458.5 |
| September | 17,530.5 | 32,269.8 | -14,739.3 | -12,866.9 |
| October | 19,561.6 | 34,274.4 | -14,712.8 | -13,386.8 |
| November | 18,411.3 | 33,849.7 | -15,438.4 | -13,880.6 |
| December | 18,522.7 | 31,254.7 | -12,732.0 | -11,057.1 |
| 1987 f/ | | | | |
| Jan.-Dec. | 204,265.6 | 350,062.5 | -171,216.5 | -153,381.4 |
| January | 16,755.0 | 28,691.6 | -11,936.6 | -10,711.4 |
| February | 19,360.3 | 33,724.8 | -14,364.5 | -12,946.4 |
| March | 21,775.7 | 34,693.8 | -12,918.1 | -11,421.0 |
| April | 20,496.3 | 33,459.0 | -12,962.7 | -11,486.8 |
| May | 20,783.7 | 34,822.4 | -14,038.7 | -12,529.3 |
| June | 21,126.1 | 36,837.5 | -15,711.4 | -14,486.8 |
| July | 21,008.4 | 37,483.2 | -16,474.8 | -14,835.7 |
| August | 20,222.2 | 35.905.3 | -15,683.1 | -14,097.6 |
| September | 20,985.7 | 35,061.5 | -14,075.8 | -12,586.9 |
| October | 21,752.2 | 39,383.4 | -17,631.2 | -15,961.9 |
| November | 23,798.8 | 37,016.4 | -13,217.6 | -11,675.5 |
| December | 24,801.4 | 37,003.4 | -12,202.0 | -10,642.1 |
| 1988 | | | | |
| Jan.-Feb. | 45,889.0 | 72,154.3 | -26,265.3 | -23,146.4 |
| January | 22,329.7 | 37,387.4 | -12,437.2 | -10,888.0 |
| February | 23,559.3 | 37,387.4 | -13,828.1 | -12,258.4 |

a/ Merchandise Trade Balance (Census Basis).

b/ Exports are valued on the f.a.s. basis. The f.a.s. method refers to the transaction value at the port of exportation and generally includes inland freight, insurance, and other charges incurred in placing the goods alongside the carrier at the port of exportation.

c/ Imports are reported on two bases: the Customs basis (imports valued for purposes of Customs administration) and the c.i.f. basis (imports at Customs value plus the costs of freight, insurance, and other charges). Monthly c.i.f. import data is presented in the table; monthly customs basis imports are not included but may be calculated by subtracting f.a.s. exports from the trade balance (customs basis).

d/ The trade balance is shown on the c.i.f. basis and on the Customs basis. C.i.f. basis is always higher than Customs because of the additional costs that must be added to the Customs value.

e/ Figures for 1986 are revised statistical month data; actual month data are scheduled to be published during the third quarter of 1987.

f/ Effective with the June 1987 issue of Report FT-900, the January to December (calendar year) total exports and the trade balance reflect adjustments for undocumented exports to Canada. Data for individual months prior to January 1987 do not reflect similar adjustments and are therefore not directly comparable to the monthly figures for 1987.

Source: Bureau of the Census. Summary of U.S. Export and Import Merchandise Trade (FT-900), various issues; Journal of Commerce. Feb. 16, 1988.

**TABLE 2. U.S. Merchandise Trade Balance: Three-Month Moving Average**
($ billions)

| | 1988 | 1987 | 1986 |
|---|---|---|---|
| January | -12.81 | n.a. | -13.33 |
| February | -13.10 | -13.07 | -12.66 |
| March | | -13.41 | -12.61 |
| April | | -13.31 | -13.19 |
| May | | -14.24 | -13.56 |
| June | | -15.41 | -14.14 |
| July | | -15.95 | -14.44 |
| August | | -15.41 | -14.94 |
| September | | -15.80 | -14.49 |
| October | | -14.98 | -14.96 |
| November | | -14.35 | -14.29 |
| December | | -12.62 | n.a. |

Calculations by CRS from Table 1 above. Monthly balances in this table eliminate the peaks and valleys typical of the unadjusted monthly data. The moving average indicates trends rather than actual values. The three-month moving average is an average comprising the month identified in the table, the previous month, and the following month. Thus, data for November 1987 include the average trade balances for October, November, and December. December 1987 data cannot be calculated until the January 1988 figure has been released. Data for December 1986 and January 1987 cannot be calculated because of a change in the method for determining monthly balances.

**TABLE 3. U.S. Exports, Imports, and Merchandise Trade Balance, 1970-1987 (c.i.f. basis)**
($ millions)

| Year | Exports f.a.s. value | Imports c.i.f. value | Trade Balance c.i.f. basis |
|---|---|---|---|
| 1970 | 43,176.3 | 42,388.6 | +787.7 |
| 1971 | 44,086.6 | 48,342.0 | -4,255.4 |
| 1972 | 49,854.0 | 58,862.2 | -9,008.2 |
| 1973 | 71,865.2 | 73,199.4 | -1,334.2 |
| 1974 | 99,436.9 | 110,874.9 | -11,438.0 |
| 1975 | 108,855.6 | 105,880.1 | +2,975.5 |
| 1976 | 116,794.1 | 132,497.5 | -15,703.4 |
| 1977 | 123,181.5 | 160,410.8 | -37,229.3 |
| 1978 | 145,846.9 | 186,044.5 | -40,197.6 |
| 1979 | 186,362.7 | 222,227.5 | -35,864.8 |
| 1980 | 225,566.1 | 256,984.2 | -31,418.1 |
| 1981 | 238,715.0 | 273,352.2 | -34,637.2 |
| 1982 | 216,441.6 | 254,884.5 | -38,442.9 |
| 1983 | 205,638.6 | 269,878.2 | -64,239.6 |
| 1984 | 223,975.8 | 346,364.4 | -122,388.6 |
| 1985 | 218,814.9 | 352,462.9 | -133,648.0 |
| 1986 | 226,808.1 | 382,963.8 | -156,155.7 |
| 1987 | 252,865.8 | 424,082.3 | -171,216.5 |

Source: Bureau of the Census. Advance Report on U.S. Merchandise Trade: December 1987. Report FT900ADV, Feb. 12, 1988; Bureau of the Census. Advance Report on U.S. Merchandise Trade: June 1987 Statistical Month. Report FT900ADV, Aug. 14, 1987.

**TABLE 4. Quarterly Merchandise Trade Data in Volume Terms, 1982-87**

| Year | | Exports: billions of 1982 dollars** | Exports: percentage change** | Imports: billions of 1982 dollars** | Imports: percentage change** | Net Exports: billions of 1982 dollars** |
|---|---|---|---|---|---|---|
| 1982 | 1 Q | 222.9 | n.a. | 247.6 | n.a. | -24.7 |
| | 2 Q | 222.5 | -0.2 | 246.1 | -0.6 | -23.6 |
| | 3 Q | 211.4 | -5.0 | 261.5 | 6.3 | -50.1 |
| | 4 Q | 199.1 | -5.8 | 242.7 | -7.2 | -43.6 |
| 1983 | 1 Q | 204.1 | 2.5 | 246.8 | 1.7 | -42.7 |
| | 2 Q | 203.7 | -0.2 | 272.3 | 10.3 | -68.6 |
| | 3 Q | 208.1 | 2.2 | 298.3 | 9.5 | -90.2 |
| | 4 Q | 214.4 | 3.0 | 311.6 | 4.5 | -97.2 |
| 1984 | 1 Q | 217.2 | 1.3 | 334.2 | 7.3 | -117.0 |
| | 2 Q | 219.9 | 1.2 | 349.9 | 4.7 | -130.0 |
| | 3 Q | 226.3 | 2.9 | 356.2 | 1.8 | -129.9 |
| | 4 Q | 231.9 | 2.5 | 364.2 | 2.2 | -132.3 |
| 1985 | 1 Q | 231.9 | 0.0 | 347.6 | -4.6 | -115.7 |
| | 2 Q | 230.2 | -0.7 | 368.4 | 6.0 | -138.2 |
| | 3 Q | 229.5 | -0.3 | 372.4 | 1.1 | -142.9 |
| | 4 Q | 232.7 | 1.4 | 392.3 | 5.3 | -159.6 |
| 1986 | 1 Q | 235.7 | 1.3 | 390.5 | -0.5 | -154.8 |
| | 2 Q | 238.1 | 1.0 | 413.4 | 5.9 | -175.3 |
| | 3 Q | 248.1 | 4.2 | 441.1 | 6.7 | -193.0 |
| | 4 Q | 256.7 | 3.5 | 435.7 | -1.2 | -179.0 |
| 1987 | 1 Q | 258.7 | 0.8 | 425.2 | -2.4 | -168.5 |
| | 2 Q | 270.5 | 4.6 | 432.8 | 1.8 | -162.3 |
| | 3 Q | 291.4 | 7.7 | 454.9 | 7.0 | -163.5 |
| | 4 Q | 307.3 | 5.5 | 460.9 | 1.3 | -153.6 |
| 1982 | | 214.0 | n.a. | 249.5 | n.a. | -35.5 |
| 1983 | | 207.6 | -3.0 | 282.3 | 13.1 | -74.7 |
| 1984 | | 223.8 | 7.8 | 351.1 | 24.4 | -127.3 |
| 1985 | | 231.1 | 3.3 | 370.2 | 5.4 | -139.1 |
| 1986 | | 244.7 | 5.9 | 420.2 | 13.5 | -175.5 |
| 1987 | | 282.0 | 15.2 | 443.5 | 5.5 | -161.5 |

*Figures expressed at an annual rate.
**Percentage change over previous period.

Source: Department of Commerce. Economic Bulletin Board. National Income and Product Accounts. REAL.GNP. Real Spending and Production Flows. Table 17. Merchandise Trade Detail (Billions of 1982 dollars) (4.4). February 1, 1988.

**TABLE 5. Quarterly U.S. Merchandise Trade (Balance-of-Payments Basis)**
Seasonally Adjusted ($ millions)

| Calendar Quarter | | | Exports | Imports | Balance |
|---|---|---|---|---|---|
| 1983 | 1 | Q | 49,642 | -58,476 | -8,834 |
| | 2 | Q | 49,216 | -64,798 | -15,582 |
| | 3 | Q | 50,351 | -70,740 | -20,389 |
| | 4 | Q | 52,611 | -73,886 | -21,275 |
| 1984 | 1 | Q | 53,614 | -79,415 | -25,801 |
| | 2 | Q | 54,590 | -83,684 | -29,094 |
| | 3 | Q | 55,691 | -84,144 | -28,453 |
| | 4 | Q | 56,005 | -85,179 | -29,174 |
| 1985 | 1 | Q | 55,064 | -79,946 | -24,882 |
| | 2 | Q | 54,040 | -83,986 | -29,946 |
| | 3 | Q | 53,367 | -84,573 | -31,206 |
| | 4 | Q | 53,464 | -89,578 | -36,114 |
| 1986 | 1 | Q | 53,878 | -88,856 | -34,978 |
| | 2 | Q | 56,928 | -90,579 | -33,651 |
| | 3 | Q | 56,534 | -93,649 | -37,115 |
| | 4 | Q | 57,021 | -95,616 | -38,595 |
| 1987 | 1 | Q | 56,769 | -95,689 | -38,920 |
| | 2 | Q | 59,875 | -99,617 | -39,742 |
| | 3 | Q | 65,110 | -105,475 | -40,365 |
| | 4 | Q | 69,060 | -109,234 | -40,174 |

Source: U.S. Department of Commerce. Bureau of Economic Analysis. Survey of Current Business, various issues.

**TABLE 6. Balances on U.S. Trade, Services, Unilateral Transfers and Current Account**
($ billions)

| Calendar year | Merchandise trade balance a/ | Services balance b/ | Net unilateral transfers c/ | Current account balance d/ |
|---|---|---|---|---|
| 1970 | 2.6 | 3.2 | -3.4 | 2.3 |
| 1971 | -2.3 | 4.7 | -3.9 | -1.4 |
| 1972 | -6.4 | 4.7 | -4.1 | -5.8 |
| 1973 | 0.9 | 10.3 | -4.1 | 7.1 |
| 1974 | -5.5 | 14.9 | -7.4 | 2.0 |
| 1975 | 8.9 | 14.1 | -4.9 | 18.1 |
| 1976 | -9.5 | 19.0 | -5.3 | 4.2 |
| 1977 | -31.1 | 21.6 | -5.0 | -14.5 |
| 1978 | -33.9 | 24.1 | -5.6 | -15.4 |
| 1979 | -27.5 | 32.7 | -6.1 | -1.0 |
| 1980 | -25.5 | 34.9 | -7.6 | 1.9 |
| 1981 | -28.0 | 42.3 | -7.4 | 6.8 |
| 1982 | -36.4 | 36.7 | -9.0 | -8.7 |
| 1983 | -67.1 | 30.3 | -9.5 | -46.2 |
| 1984 | -112.5 | 17.7 | -12.2 | -107.0 |
| 1985 | -122.1 | 21.0 | -15.3 | -116.4 |
| 1986 | -144.3 | 18.6 | -15.7 | -141.4 |
| 1987 | -159.2 | 12.0 | -13.5 | -160.7 |

a/ On a balance-of-payments basis.
b/ Includes travel, transportation, fees and royalties, insurance payments, other government and private services, and investment income.
c/ International transfers of funds, such as private gifts, pension payments and government grants for which there is no quid pro quo.
d/ The trade balance plus the service balance plus net unilateral transfers, although conceptually equal to the current account balance, may differ slightly as a result of rounding errors.

Source: U.S. Department of Commerce. Survey of Current Business, various issues.

**TABLE 7. Merchandise Trade, 1985-1990:**
**Forecasts**
($ billions)

| ACTUAL | | | | FORECAST | | | |
|---|---|---|---|---|---|---|---|
| 1985 | 1986 | 1987 | | 1987 | 1988 | 1989 | 1990 |
| Merchandise Trade | | | | | | | |
| Exports NIPA basis 1/ | | | | | | | |
| 219.6 | 220.2 | n.a. | DRI 3/ | 256.0 | 304.6 | 358.2 | 401.7 |
| | | | WEFA 4/ | 234.9 | 271.8 | 307.8 | 355.6 |
| | | | OECD 5/ | 251 | 308 | 353 | n.a. |
| Imports NIPA basis | | | | | | | |
| 341.7 | 368.4 | n.a. | DRI | 407.8 | 433.1 | 462.2 | 494.7 |
| | | | WEFA | 402.0 | 437.2 | 455.9 | 477.9 |
| | | | OECD | 407 | 444 | 463 | n.a. |
| Trade Balance NIPA basis | | | | | | | |
| -122.1 | -148.2 | n.a. | DRI | -151.8 | -128.5 | -104.1 | -93.0 |
| | | | WEFA | -167.1 | -165.4 | -148.1 | -142.3 |
| | | | OECD | -156 | -136 | -110 | n.a. |
| Trade Balance CIF basis 2/ | | | | | | | |
| -133.6 | -156.2 | -171.2 | DRI | -171.2 | -142.2 | -122.9 | -115.6 |
| | | | MG 6/ | -175 | -150 | n.a. | n.a. |
| Current Account | | | | | | | |
| -116.4 | -141.4 | n.a. | DRI | -165.1 | -134.9 | -110.0 | -98.8 |
| | | | WEFA | -156.1 | -142.3 | -146.4 | -137.6 |
| | | | OECD | -156 | -134 | -105 | n.a. |
| | | | MG | -167 | -152 | n.a. | n.a. |
| | | | IMF 7/ | -152.1 | -140.6 | n.a. | n.a. |

1/ NIPA: National Income and Product Accounts.
2/ CIF: Cost, insurance, freight.
3/ DRI: Data Resources, Inc.
4/ WEFA: WEFA Group.
5/ OECD: Organisation for Economic Co-operation and Development.
6/ MG: Morgan Guaranty Trust Company of New York.
7/ IMF: International Monetary Fund.

Sources: U.S. Department of Commerce. Bureau of Economic Analysis. Survey of Current Business. various issues; Data Resources, Inc. Review of the U.S. Economy. January 1988; Data Resources, Inc. U.S. Forecast Summary. February 1988; WEFA Group (formerly Wharton Econometrics), U.S. Economic Outlook, 1988-90. February 1988; Organisation for Economic Co-operation and Development and Development. OECD Economic Outlook. December 1987; Morgan Guaranty Trust Company of New York. World Financial Markets. September/October 1987; International Monetary Fund. World Economic Outlook. October 1987.