INTERNATIONAL ECONOMIC REVIEW

United States International Trade Commission
Office of Economics

Washington DC
20436

November/December 1998

In This Issue:

USITC Publication 3151

UNITED STATES
INTERNATIONAL
TRADE COMMISSION

OFFICE OF ECONOMICS

Robert A. Rogowsky, *Acting Director*

The *International Economic Review* is a regular staff publication of the Office of Economics, U.S. International Trade Commission. The opinions and conclusions it contains are those of the authors and do not necessarily reflect the views of the Commission or of any individual Commissioner. The *IER* is produced as part of the Commission's international trade monitoring program. Its purpose is to keep the Commission informed about significant developments in international economics and trade and to maintain the Commission's readiness to carry out its responsibility to provide technical information and advice on international trade matters to policy-makers in the Congress and the Executive branch. The *IER* is available to Government officials outside the Commission on a request basis. The *IER* also is available on the Commission's Internet web site (http://www.usitc.gov/) and through the U.S. Department of Commerce's National Trade Data Bank (NTDB). Inquiries or comment on items appearing in the *IER* may be made directly to the author, or to:

Editor, *International Economic Review*
Country and Regional Analysis Division/OE, Room 602
U.S. International Trade Commission
500 E Street SW., Washington, DC 20436
Telephone (202) 205-3255

TABLE OF CONTENTS

INTERNATIONAL TRADE DEVELOPMENTS

Dispute Continues Over Access of Mexican Sugar to the United States and U.S. Access of High Fructose Corn Syrup to Mexico

Magdolna Kornis[1]

Under the provisions of the North American Free Trade Agreement (NAFTA,) the current U.S. tariff-rate quota of 25,000 metric tons for Mexican sugar will be raised tenfold to 250,000 metric tons in the year 2001, and each year thereafter through 2007. By 2008, the United States will altogether cease to restrict sugar imports from Mexico.

NAFTA partners' reciprocal access to one another's sugar markets is established in Section A of Annex 703.2 of NAFTA, and in an 1993 understanding generally referred to as "the side letter," between Michael A. Kantor, then United States Trade Representative (USTR) and Jaime Serra Puche, then Mexico's Secretary of Commerce and Industrial Development (SECOFI). Both the United States and Mexico have protected sugar markets, with sugar prices well above the world market price in both countries. Sugar is one of the original industries in Mexico that were developed by Spanish colonizers.

In recent years, Mexico began to perceive a problem with the NAFTA arrangement concerning sugar. In the 1990s, sugar mills in Mexico raised their output much faster than expected as a result of privatization and technological modernization. Oversupply, and difficulties in selling to non-NAFTA markets suffering from financial hardships such as Russia, pushed Mexico's sugar industry into a crisis. The Mexican press reports that Mexican sugar mills are faced with an extremely grim situation, exactly 10 years after their privatization. The industry is undercapitalized, due to falling international sugar prices (from 13 cents per pound to 8 cents per pound), enormous debt (nearly 15 billion pesos), and the excess supply in Mexico of about 1 million metric tons.[2]

In view of the recent rapid growth of its sugar production, Mexico would like to accelerate the NAFTA timetable and attain still greater access to the U.S. market from 2001. Luis Fernandez de la Calle, head of Mexico's NAFTA office in Washington D.C., told the 15th Annual International Sweetener Symposium sponsored by the American Sugar Alliance (ASA) in August 1998 that Mexico does not regard the "side letter" to NAFTA to be valid, and that the provisions governing U.S.-Mexican sugar trade after the year 2000 should be renegotiated.

The 25,000 metric tons of raw and refined sugar Mexico is allowed to export to the United States in FY 1999 in accordance with NAFTA provisions compares with a quota of 190,657 metric tons for the Dominican Republic, and 157,076 metric tons for Brazil. Mexico's current small quota can be explained with the fact that U.S. sugar quotas are based on historical imports, and most imported sugar came from Caribbean and South American countries. The United States currently imports about one-fifth of its sugar needs. Imports originate in 41 countries.

U.S. officials and representatives of U.S. sugar interests who attended the August symposium were skeptical about reopening the sugar issue. Panelist Chuck Conner, president of the Corn Refiners Association (CRA) stated:

> Unfortunately, the Mexican government has not been satisfied with substantially greater access to the U.S. sugar market. They expect the U.S. to throw out its GATT legal sugar program and abandon all of our traditional suppliers of sugar. This is not going to happen.

[1] The conclusions and opinions expressed in this article are those of the author and do not reflect the views of the Commission or any individual Commissioner. Inquiries should be directed to the author at 202-205-3261.

[2] Erminio Robollo Pinal, "Sugar Companies Need Bailout," *El Financiero International Edition,* Oct. 12-18, 1998, p. 3.

The United States is also affected by Mexican efforts to boost their domestic sugar consumption by limiting competition from alternative sweeteners. In particular, Mexican sugar producers became concerned that high fructose corn syrup (HFCS) imported from the United States, which is less expensive than sugar, could replace domestically produced sugar in soft drinks and in candy and confectionary.

In January 1997, Mexico's National Chamber of Sugar and Alcohol Industries, an association of sugar producers in Mexico, filed a petition to SECOFI, alleging sales at less than fair value of HFCS imported from the United States. SECOFI initiated an antidumping investigation in February, and levied preliminary antidumping duties in June. In January 1998, SECOFI made its final determination that HFCS imports from the United States have been sold at less than fair value, and that such imports are threatening the Mexican sugar industry with material injury. Accordingly, SECOFI imposed final antidumping duties on HFCS ranging from $55.37 to $175.50 per metric ton. SECOFI also announced in January 1998 that it is investigating possible evasion of duties already in effect on HFCS imports, and it extended the antidumping duties to include the product imported as an instrument of duty evasion.

Ever since the HFCS dumping issue surfaced in early 1997, the United States considered Mexico's charges to be without merit. From the U.S. industry's perspective, Mexican preoccupation with HFCS sales to Mexico masks an attempt to gain increased access for Mexican sugar to the U.S. market. This makes HFCS part of the sugar issue from the Mexican perspective. At public hearings held in 1997, U.S. producers of HCFS, represented by the CRA, formally charged that SECOFI's action amounted to a rescue mission for Mexico's ailing sugar industry. U.S. and Mexican officials have met intermittently over this issue in the last 2 years but so far failed to resolve the dispute.

In February 1998, shortly after the imposition of final antidumping duties on HFCS in January, CRA requested review proceedings of SECOFI's dumping determination under Chapter 19 of NAFTA. In May, the USTR announced that the United States would invoke the dispute settlement proceedings of the World Trade Organization (WTO) to challenge Mexico on restraining imports of HFCS. The USTR stated that "Mexico's antidumping action does not pass muster under WTO rules" and requested in October 1998 a WTO panel to discuss the case. Panels are generally expected to conclude their work within 6 to 9 months.

In addition, the USTR announced in May 1998 an investigation under section 301 of the Trade Act of 1974, in response to a petition filed by the CRA, alleging that "[c]ertain practices of the Government of Mexico (GOM) deny fair and equitable market opportunities for U.S. exporters of HFCS." The petition emphasized in particular that "[the] GOM had encouraged and supported an agreement between the Mexican sugar and soft drink producers in August 1997 to limit HFCS input in soft drinks." Mexican producers reportedly agreed to sell their sugar at discounted prices, provided the recipient local soft-drink bottling companies voluntarily restricted imports of U.S.-made HFCS for the next 3 years to levels not exceeding imports during May through July 1997. The agreement specified that the Mexican soft drink industry's rising demand for sweeteners was to be met by sugar.

It should be noted that, despite the high duties imposed by the GOM since mid-1997, U.S. exports of HFCS to Mexico continued to rise in response to strong demand from soft-drink bottlers and other industrial users. According to the North American Trade and Investment Report[3], such exports are expected to pass 350,000 metric tons in 1998 compared with 206,600 in 1997. Mexican sources claim that the price differential between sugar and HFCS is so large that it easily absorbs the compensatory duties importers now have to pay, which is why HFCS sales have not been significantly affected.

Table 1 shows U.S. sales to Mexico of item 1702.60 (other fructose and fructose syrup containing in the dry state more than 50 percent by weight of fructose) of the Harmonized Tariff System (HTS). According to these data, sales to Mexico continued to rise in 1997, even though compensatory duties had been in effect for the second half of the year. However, growth was slower than in prior years and the Mexican share of total U.S. exports dropped sharply. Similarly, in January-April 1998, U.S. exports were higher than in the comparable period of 1997, but Mexico's share of total U.S. exports was much lower.

[3] Vol. 8, No. 15, p. 15.

Table 1
HTS item 1702.60: Total U.S. Exports and Exports to Mexico, 1993-1997, and Jan.-Apr. 1997-98

(In metric tons[1])

						Jan.-Apr.	
Country	**1993**	**1994**	**1995**	**1996**	**1997**	**1997**	**1998**
All countries	77,357	85,837	76,842	177,120	245,243	147,056	235,181
Mexico	23,938	64,218	51,901	157,829	179,825	104,214	136,896
Mexico, percent of total	30.9	74.8	67.5	89.1	73.3	70.9	58.2

[1] Data are domestic exports.

United States-European Union: Banana Split

Joanne E. Guth and Michelle Thomas[4]

Although the European Union (EU) intends to implement a modified banana regime by January 1, 1999, as required by World Trade Organization (WTO) dispute settlement procedures, the United States claims that the new regime remains incompatible with WTO obligations. As a result, U.S. officials have threatened retaliation and plan to publish retaliatory measures on December 15.

The EU banana regime, which entered into force on July 1, 1993, under regulation 404/93, favors bananas from domestic producers and from former European colonies in Africa, the Caribbean, and the Pacific (ACP countries) over non-ACP bananas from Latin America. EU imports of ACP bananas face a duty free quota. However, non-ACP bananas, such as those from Central and South American countries, are subject to a more restrictive tariff-rate quota. Also, the regime limits the amount of non-ACP bananas that can be marketed at the in-quota duty rate by traditional operators, including U.S. companies. Although the United States only produces a minimal amount of bananas, the licensing system has adversely affected U.S. banana distribution companies, such as Chiquita and Dole Foods.

In 1994, a GATT dispute panel found that the EU banana regime was inconsistent with EU obligations under the GATT, but the report was never adopted. In 1996, Ecuador, Guatemala, Honduras, Mexico, and the United States requested a WTO dispute-settlement panel to examine the EU regime for the importation, sale, and distribution of bananas. The 1997 panel report and subsequent appellate report ruled the EU's banana regime inconsistent with GATT 1994 and the General Agreement on Trade in Services (GATS) "on over a dozen counts." The reports also found the EU in violation of the WTO Agreement on Import Licensing Procedures. Consequently, in late 1997 the WTO advised the EU to amend the areas of the banana policy that were inconsistent with their WTO commitments. Under Article 21.3 of the WTO Dispute Settlement Understanding (DSU), the WTO Dispute Settlement Board (DSB) had to provide the EU with a "reasonable period of time" to accommodate the DSB rulings and recommendations. The EU was granted 15 months, from September 25, 1997 to January 1, 1999 to comply with WTO obligations.

On January 14, 1998 the EC Commission proposed to modify the banana regime, and forwarded its proposal to the EC Council for its consideration. (The EC Council's approval is required before an EC Commission proposal can be implemented.) The new regime, the EC Commission claimed, would allow the EU to honor its WTO obligations under GATT 1994 as well as its commitments to the ACP nations under the Fourth Lome Convention, a trade and aid pact between the EU and ACP countries. Highlights of the modified banana regime proposal included the following:

- Maintains the Latin American banana tariff-rate quota at the current level of 2.2 million metric tons at the current rate of duty, ECU 75/ton, and maintains the duty of ECU 765/ton on imports beyond the quota.
- Establishes a new, autonomous tariff-rate quota of 353,000 metric tons at a duty rate of ECU 300/ton, to account for EU enlargement (Austria, Finland, and Sweden joined the EU in 1995) and ensure sufficient market supply.
- Allocates a percentage of the tariff-rate quota to exporting countries with a "substantial interest" in the market for

[4] The conclusions and opinions expressed in this article are those of the authors and do not reflect the views of the Commission or of any individual Commissioner. Inquiries should be directed to the authors at 202-205-3264.

bananas while other suppliers would have access to the remaining share of the quota.

- Maintains a maximum quantity allowance of 857,700 metric tons at a zero duty for traditional ACP imports.
- Abolishes the current licensing system and replaces it with a "traditional/newcomer system," which is consistent with EU obligations under WTO agreements.

In addition to the above, the EC Commission proposed technical and financial assistance to the ACP countries. The EU believes assistance will be necessary to help ACP countries "adapt to the new market conditions and to increase the competitiveness of their production."

On February 10, 1998, the United States Trade Representative (USTR) determined under section 304 of the Trade Act of 1974 that the EU banana regime discriminates against U.S. banana marketing companies and distorts international banana trade, which deny benefits entitled to the United States under GATT 1994 and GATS. At the same time, the USTR terminated the section 301 investigation initiated in 1995 in light of the EU's stated intention to "comply with its international obligations and to implement all the rulings and recommendations in the WTO reports." However, the USTR has continued to monitor the EU's implementation of the WTO rulings, as required under section 306 of the act.

During the spring 1998, the United States and Latin American complainants, including Ecuador, Guatemala, Honduras, Mexico, and Panama (commonly referred to as the G-6),[5] raised concerns about the consistency of the EC Commission's proposal with WTO commitments. One of the major U.S. concerns was the continued violation of GATT article XIII (nondiscriminatory administration of quantitative restrictions) through the EU's use of two "separate regimes." More specifically, the EU allocates shares of its banana market to Latin American countries using one set of criteria, and shares to ACP countries using another set of criteria. According to U.S. officials, to be WTO-compatible the EU must adopt a single tariff-rate quota covering all suppliers, and must allocate shares of the tariff-rate quota among supplying countries based on the same appropriate set of criteria.

Despite numerous U.S. attempts to persuade EU and member-state officials that the EC Commission proposal was inadequate, on June 26 the Agriculture Council approved the modified banana regime. Frans Fischler, Commissioner of Agriculture and Rural Development, said the new agreement "fully respects our WTO obligations while also ensuring European Union consumer and producer interests are respected together with our obligations to ACP countries." The adopted regime (regulation 1637/98) had few revisions:

- The autonomous tariff-rate quota of 353,000 metric tons would face a rate of duty of ECU 75/ton, consistent with the tariff-rate quota of 2.2 million metric tons.
- Licenses would be distributed to "actual importers on the basis of the presentation of a utilized import license and/or, in particular in the case of new member states, equivalent proofs, where necessary," using the 3 years, 1994-96, as the reference period for determining operators' rights.
- The reference income which determines the level of aid for EU producers was set at 640.3 ECU/metric ton, an 8-percent increase.

On June 26, in a USTR press release, Ambassador Barshefsky communicated the U.S. disappointment in the European Commission decision to decline working with the United States to develop a WTO-compatible policy that would resolve the longstanding banana dispute. Barshefsky said, "Instead, the Commission and now the Agriculture Council, has adopted an approach that would perpetuate WTO violations." As the EC Commission has chosen to continue discriminating against U.S. companies and Latin American countries, Ambassador Barshefsky made clear that "the United States will not hesitate to exercise its full rights under the WTO and take all available actions to protect US interests." Barshefsky reiterated an earlier warning that the United States would consider the "withdrawal of concessions on EC goods and services." In 1995, the USTR made a preliminary determination estimating that the injury to U.S. companies from the EU banana regime was in the hundreds of millions of dollars; more recently, the damage incurred by all five complaining parties has been estimated at nearly $2 billion.

On July 1, U.S. Ambassador to the WTO Rita Hayes, made a statement to the WTO DSB stating "This case is a test of the EU's willingness to respect the multilateral trading system." In a subsequent statement on July 23, on behalf of the United States and Latin American complainants, Ambassador Hayes alerted the WTO that the EU has only made "cosmetic" changes to its banana regime. Furthermore, she called on the EU to reconvene the original WTO panel "so as

[5] Panama was not among the original complainants in the WTO dispute because it was not a WTO member at that time.

to resolve this question...with the objective of obtaining full EC compliance by the end of the reasonable period of time." However, efforts by the G-6 to reconvene the panel on September 22 were rejected by the EU. Reportedly, U.S. officials have not yet decided whether to continue to try to reconvene the panel.

Meanwhile, the U.S. House and Senate became increasingly "frustrated" with the EU's lack of compliance with WTO obligations. Consequently, on October 7 in a letter to the President, Speaker Newt Gingrich (R-GA) and Senate Minority Leader Trent Lott (R-Miss) expressed concern for the well-being of agricultural trade and the world trading system as a whole. Gingrich and Lott stated the EU was "gaming the dispute settlement system in a manner that threatens the viability of the dispute settlement process." Gingrich and Lott concluded that the United States should take "immediate action" if the EU continues to disregard the WTO rulings and recommendations. The *Wall Street Journal* noted on October 9 that Gingrich and Lott had prepared a draft bill "mandating swift retaliation."

In response to this letter to the President, on October 10, the White House Chief of Staff, Erskine B. Bowles, communicated to Congress the Administration's commitment to resolving the dispute. Recognizing Congress's anxiety, Bowles emphasized that the Administration is committed to preserving U.S. rights under the WTO and will retaliate against the EU if it fails to make its banana regime WTO-consistent.

With Administration and Congressional frustration high, on October 22 the USTR published a *Federal Register* notice announcing plans to publish on December 15 a list of EU goods and services subject to retaliation. According to U.S. officials, the retaliatory measures will be implemented on February 1, 1999, should the EU fail to comply with WTO obligations. However, in the event the EU challenges the amount of the retaliation and seeks arbitration under Article 22.6 of the DSU, retaliatory measures will not take effect until arbitration is concluded, but no later than March 3, 1999.

INTERNATIONAL ECONOMIC COMPARISONS

U.S. Economic Conditions

Michael Youssef[6]

Gathering momentum in the third quarter, U.S. real GDP grew at a seasonally adjusted annual rate of 3.9 percent, more than double the 1.8 percent growth rate recorded in the second quarter, but below first quarter's 5.5 percent growth rate, according to the U.S. Department of Commerce. The major contributors to real GDP growth in the third quarter were personal consumption, expenditures for services, and inventory investment. The contributions of these components, however, were partially offset by the increase in imports and the decrease in exports. Inflation as measured by the GDP price deflator rose by 0.5 percent in the third quarter, a mere 0.1 percent increase over the second quarter.

Consumer spending increased by 4.1 percent in the third quarter following a larger increase of 6.1 percent in the second quarter. Real nonresidential fixed investment decreased by 1.2 percent in contrast to an increase of 12.8 percent increase in the second quarter. Businesses increased their inventory investment by $56.6 billion in the third quarter following an increase of $38.2 billion in the second quarter.

Real exports of goods and services decreased by 1.9 percent to $967.4 billion in the third quarter in contrast with a decrease of 7.7 percent in the second quarter. Real imports of goods and services increased by 1.3 percent to $1,221.3 billion in the third quarter compared with an increase of 9.3 percent in the second quarter. The trade deficit on goods and services increased to $253.9 billion from $245.2 billion.

To foster sustained economic growth while further trying to stabilize global financial markets the Federal Reserve Board cut short term interest rate by a quarter percentage point to 4.75 percent, the third rate cut in less than two months. Rising labor productivity and smaller increases in unit labor costs are expected to keep inflation low.

[6] The conclusions and opinions expressed in this article are those of the author and do not reflect the views of the Commission or of any individual Commissioner. Inquiries should be directed to the author at 202-205-3269.

Productivity and Costs Third Quarter 1998

U.S. labor productivity—as measured by output per hour of all persons—rose while unit labor costs decelerated in the third quarter of 1998, and from the same quarter a year ago, according to the U.S. Department of Labor.

Seasonally-adjusted annual rates of productivity growth in the third quarter were 2.4 percent in the business sector, and 2.3 percent in the nonfarm business sector. In both the business and the nonfarm business sectors, productivity increases in the third quarter were larger than those recorded in the second quarter of 1998.

Productivity increases in the third quarter were 3.7 percent in manufacturing, 5.4 percent in durable goods manufacturing, and 1.7 percent in nondurable goods manufacturing. The 3.7 percent rise in manufacturing productivity occurred as output dropped slightly but hours of all persons working in the sector fell more. Output and hours in manufacturing, which includes about 18 percent of U.S. business sector employment, tend to vary more from quarter to quarter than data for the more aggregate business and nonfarm business sectors. Third-quarter measures are summarized in table 2 and appear in detail in tables 3 to 5.

It should be noted, however, that the data sources and methods used in the preparation of the manufacturing series differ from those used in preparing the business and nonfarm business series, and these measures are not directly comparable. Output measures for business and nonfarm business are based on measures of gross domestic product prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce. Quarterly output measures for manufacturing reflect indexes of industrial production independently prepared by the Board of Governors of the Federal Reserve System.

Table 2
Productivity and costs: Preliminary third-quarter 1998 measures (Seasonally adjusted annual rates)

Sector	Produc-tivity	Output	Hours	Hourly compen-sation	Real houry compen-sation	Unit labor costs
	Percent change from preceding quarter					
Business	2.4	3.5	1.1	3.8	1.9	1.4
Nonfarm business	2.3	3.5	1.2	4.0	2.2	1.7
Manufacturing	3.7	-0.6	-4.1	3.0	1.1	-0.7
Durable	5.4	1.8	-3.4	2.9	-0.6	-4.0
Nondurable	1.7	1.8	-5.1	1.2	3.7	3.8
	Percent change from same quarter a year ago					
Business	1.8	4.0	2.1	4.5	2.9	2.6
Nonfarm business	1.7	4.0	2.3	4.4	2.8	2.6
Manufacturing	3.1	2.6	-0.5	4.4	2.7	1.3
Durable	4.6	5.3	-0.3	3.8	2.2	-0.7
Nondurable	1.2	0.6	-07	5.2	3.6	4.0

Source: U.S. Department of Labor.

Business

In the business sector, productivity increased in the third quarter from the second as output. growth accelerated more than the growth in hours of all persons engaged in the sector. Although hourly compensation in business increased by 3.8 percent during the third quarter of 1998, the increase was smaller than in the previous two quarters when hourly compensation rose by 4.1 percent in the second quarter and by 4.9 percent in the first quarter. Hourly compensation includes wages and salaries, supplements, employer contributions to employee benefit plans, and taxes. Real hourly compensation increased by 1.9 percent in the third quarter, about the same as the 2.0-percent increase posted in the second quarter.

Unit labor costs, which reflect changes in both hourly compensation and productivity, increased at a 1.4 percent annual rate during the third quarter, a much lower increase than the 4.0 percent increase of the second quarter.

Nonfarm business

In the less inclusive nonfarm business sector, productivity rose in the third quarter of 1998 as output rose by 3.5 percent, a much larger growth rate than the growth rate in hours of all persons engaged in this sector. In the previous quarter, productivity had risen by 0.3 percent as output grew by 1.7 percent and hours worked increased by 1.5 percent. Hourly compensation increased at a 4.0 percent annual rate in both the second and third quarters, down somewhat from the 4.6 percent rise in the first quarter. Real hourly compensation rose at a 2.2 percent annual rate, slightly higher than in the second quarter. However, unit labor costs in this sector increased by 1.7 percent during the third quarter of 1998, a much lower rate of increase than in the second quarter when unit labor costs in this sector rose by 3.7 percent.

Manufacturing

In manufacturing, productivity increased by 3.7 percent in the third quarter of 1998, as output dipped by 0.6 percent but hours of all persons fell by a much larger 4.1 percent (seasonally adjusted annual rates). The third-quarter decline in output marks the first time output fell in the sector since a 10.0-percent drop was recorded in the first quarter of 1991. Third-quarter growth rates in productivity and output were quite different in the durable and nondurable manufacturing sectors. In the durable goods sector, third-quarter productivity rose by 5.4 percent as output increased 1.8 percent and hours of all persons fell 3.4 percent. Labor productivity also increased in the nondurable goods sector during the third quarter, by 1.7 percent, as output dropped by 1.8 percent and hours of all persons dropped more, 5.1 percent. Nondurable goods output also dropped in the second quarter, by 1.3 percent.

Hourly compensation of manufacturing workers increased an average of 3.0 percent during the third quarter, after rising by 2.6 percent in the previous quarter (seasonally adjusted annual rates). In the third quarter, hourly compensation grew by 2.9 percent in durable goods and by 1.2 percent in nondurable goods. Real hourly compensation in total manufacturing rose by only 1.1 percent in the third quarter, whereas unit labor costs fell by 0.7 percent, the first decline in a year. Tables 3, 4, and 5 show quarterly and annual productivity measures changes in the business sector, total manufacturing and manufacturing durables over the period January-March 1996 to July-Sept. 1998.

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 3.9 percent in the third quarter of 1998 following a 1.8 percent growth in the second quarter.

The annualized rate of real GDP growth in the third quarter of 1998 was 2.0 percent in France and 1.5 percent in the United Kingdom. The annualized rate of real GDP growth in the second quarter was 1.8 percent in Canada, 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 edged down 0.1 percent in October 1998, held down by a 3.4 percent drop in the output of utilities. Industrial production declined by 0.5 percent in September after rebounding in August when ir recorded a 1.5 percent increase. Total industrial production in October 1998 was 1.4 percent higher than in October 1997. Manufacturing output bounced back 0.3 percent in October regaining only some of the 0.6 percent loss recorded in September, but was 1.8 percent higher than in September 1997. Total industrial capacity utilization fell by 0.4 percentage point in October 1998, but was 4.4 percent higher than in October 1997.

Other Group of Seven (G-7) member countries reported the following growth rates of industrial production. For the year ending September 1998, France reported 3.0 percent increase, Germany reported 2.1 percent increase, Italy reported 1,4 percent increase, the United Kingdom reported 0.6 percent increase, but Japan reported 7.6 percent decrease. For the year ending August 1998, Canada reported a 1.8 percent increase.

Prices

Seasonally adjusted U.S. Consumer Price Index (CPI) rose 0.2 percent in October, following no change in September l998. For the 12-month period ended in September 1998, the CPI has increased by 1.5 percent.

During the 1-year period ending October 1998, prices increased by 1,0 percent in Canada, 0.4 percent in France, 0.7 percent in Germany, 1.7 percent in Italy, and by 3.1 percent in the United Kingdom. During the year ending September 1998, prices declined by 0.2 percent in Japan.

Employment

The Bureau of Labor Statistics reported that the unemployment rate remained virtually unchanged in October 1998 at 4.6 percent. In October, the number of payroll jobs increased by l16,000 following a rise of 157,000 in September. The number of manufacturing jobs declined, offsetting job growth in services and other industries.

In other G-7 countries, their latest unemployment rates were: 8.1 percent in Canada, 11.7 percent in France, 10.6 percent in Germany, 12.3 percent in Italy, 4.3 percent in Japan, and 6.2 percent in the United Kingdom.

Table 3
Business sector: Productivity, hourly compensation, unit labor costs and prices, seasonally adjusted

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Real compensation per hour	Compensation per hour	Unit labor costs	Unit non-labor payments	Implicit price deflator
	Percent change from previous quarter at annual rate							
1996								
I	4.4	4.5	0.1	2.5	-0.7	-1.9	8.5	1.9
II	3.5	6.5	2.9	5.6	1.8	2.1	0.9	1.7
III	0.1	2.5	2.4	4.0	1.5	3.8	-2.2	1.6
IV	1.5	5.1	3.5	3.4	0.0	1.8	1.0	1.5
Annual	2.7	4.2	1.5	3.6	0.7	0.9	2.8	1.4
1997								
I	1.0	4.9	3.9	3.9	1.7	2.8	2.0	2.5
II	2.0	4.7	2.6	2.6	1.3	0.6	2.8	1.4
III	3.7	4.9	1.2	4.1	2.1	0.4	2.2	1.1
IV	0.9	3.6	2.7	5.3	3.1	4.4	-4.8	0.9
Annual	1.7	4.6	2.9	3.8	1.5	2.1	1.0	1.7
1998								
I	4.1	7.1	2.9	4.9	4.4	0.8	-0.7	0.2
II	0.1	1.7	1.7	4.1	2.0	4.0	-6.0	0.3
III	2.4	3.5	1.1	3.8	1.9	1.4	-1.5	0.3
	Percent change from corresponding quarter of previous year							
1996								
I	2.5	3.2	0.7	3.0	0.2	0.6	3.3	1.6
II	3.1	4.7	1.6	3.7	0.8	0.6	3.4	1.6
III	2.8	4.2	1.4	4.0	1.0	1.1	2.4	1.6
IV	2.4	4.6	2.2	3.9	0.7	1.5	2.0	1.7
Annual	2.7	4.2	1.5	3.6	0.7	0.9	2.8	1.6
1997								
I	1.5	4.7	3.2	4.2	1.2	2.6	0.4	1.8
II	1.2	4.3	3.1	3.5	1.1	2.3	0.9	1.8
III	2.1	4.9	2.8	3.5	1.3	1.4	2.0	1.6
IV	1.9	4.5	2.6	4.0	2.0	2.0	0.5	1.5
Annual	1.7	4.6	2.9	3.8	1.5	2.1	1.0	1.7
1998								
I	2.6	5.1	2.3	4.2	2.7	1.5	-0.2	0.9
II	2.1	4.3	2.1	4.6	2.9	2.4	-2.4	0.6
III	1.8	4.0	2.1	4.5	2.9	2.6	-3.3	0.4

Source: Bureau of Labor Statistics.

Table 4
Manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Real compensation per hour	Compensation per hour	Unit labor costs
	Percent change from previous quarter at annual rate					
1996						
I	6.2	2.6	-3.3	-0.1	-3.2	-6.0
II	3.9	9.0	4.9	4.1	0.4	0.2
III	4.3	5.4	1.1	3.1	0.7	-1.1
IV	3.8	4.5	0.7	2.5	-0.9	-1.3
Annual	4.5	4.2	-0.4	2.2	-0.8	-2.3
1997						
I	2.8	6.2	3.3	4.2	2.0	1.3
II	3.2	4.9	1.7	3.5	2.1	0.3
III	7.3	6.1	-1.1	5.6	3.6	-1.6
IV	4.9	8.2	3.1	8.0	5.8	3.0
Annual	4.0	5.8	1.7	4.0	1.7	0.0
1998						
I	1.4	2.2	0.8	4.1	3.6	2.7
II	2.3	0.8	-1.4	2.6	0.6	0.3
III	3.7	-0.6	-4.1	2.9	1.1	-0.7
	Percent change from corresponding quarter of previous year					
1996						
I	4.7	2.2	-2.4	1.9	-0.9	-2.7
II	4.4	4.3	-0.1	2.1	-0.7	-2.2
III	4.3	4.7	0.4	2.2	-0.7	-2.0
IV	4.6	5.4	0.8	2.4	-0.8	-2.1
Annual	4.5	4.2	-0.4	2.2	-0.8	-2.3
1997						
I	3.7	6.3	2.5	3.5	0.5	-0.2
II	3.5	5.3	1.7	3.3	1.0	-0.2
III	4.2	5.4	1.1	3.9	1.7	-0.3
IV	4.5	6.3	1.7	5.3	3.4	0.7
Annual	4.0	5.8	1.7	4.0	1.7	0.0
1998						
I	4.2	5.3	1.1	5.3	3.8	1.1
II	3.9	4.3	0.3	5.0	3.4	1.1
III	3.1	2.6	-0.5	4.4	2.7	1.3

Source: Bureau of Labor Statistics.

Table 5
Durable manufacturing sector: Productivity, hourly compensation, and unit labor cost, seasonally adjusted

Year and quarter	Output per hour of all persons	Output	Hours of all persons	Real compensation per hour	Compensation per hour	Unit labor costs
	Percent change from previous quarter at annual rate					
1996						
I	8.8	5.9	-2.7	-2.8	-5.8	-10.7
II	6.2	14.2	7.5	3.8	0.1	-2.2
III	5.2	6.8	1.5	2.6	0.2	-2.5
IV	3.6	4.3	0.7	1.4	-1.9	-2.1
Annual	6.2	7.1	0.9	0.8	-2.1	-5.0
1997						
I	3.5	9.4	5.7	3.9	1.6	0.3
II	5.6	8.1	2.4	3.4	2.0	-2.0
III	10.4	10.2	-0.2	5.5	3.5	-4.5
IV	7.5	10.3	2.7	10.2	7.9	2.5
Annual	5.4	8.3	2.8	3.7	1.4	-1.6
1998						
I	1.2	2.6	1.4	2.6	2.1	1.4
II	4.5	2.5	-1.8	1.6	-0.4	-2.8
III	5.4	1.8	-3.4	1.2	-0.6	-4.0
	Percent change from corresponding quarter of previous year					
1996						
I	6.0	4.8	-1.2	0.4	-2.4	-5.3
II	6.5	8.0	1.4	0.7	-2.1	-5.4
III	6.2	8.0	1.7	0.9	-2.0	-5.0
IV	5.9	7.7	1.7	1.2	-1.9	-4.4
Annual	6.2	7.1	0.9	0.8	-2.1	-5.0
1997						
I	4.6	8.6	3.8	2.9	0.0	-1.6
II	4.5	7.1	2.6	2.8	0.5	-1.6
III	5.7	8.0	2.1	3.5	1.3	-2.1
IV	6.7	9.5	2.6	5.7	3.7	-0.9
Annual	5.4	8.3	2.8	3.7	1.4	-1.6
1998						
I	6.1	7.8	1.6	5.4	3.9	-0.7
II	5.8	6.4	0.5	4.9	3.2	-0.9
III	4.6	4.3	-0.3	3.8	2.2	-0.7

Source: Bureau of Labor Statistics.

Forecasts

Six major forecasters expect real growth in the United States to average about 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 6 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.

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.

Table 6
Projected changes in U.S. economic indicators, by quarters, July 98-June 99

(Percentage)

Period	Confer-ence 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.

U.S. TRADE DEVELOPMENTS

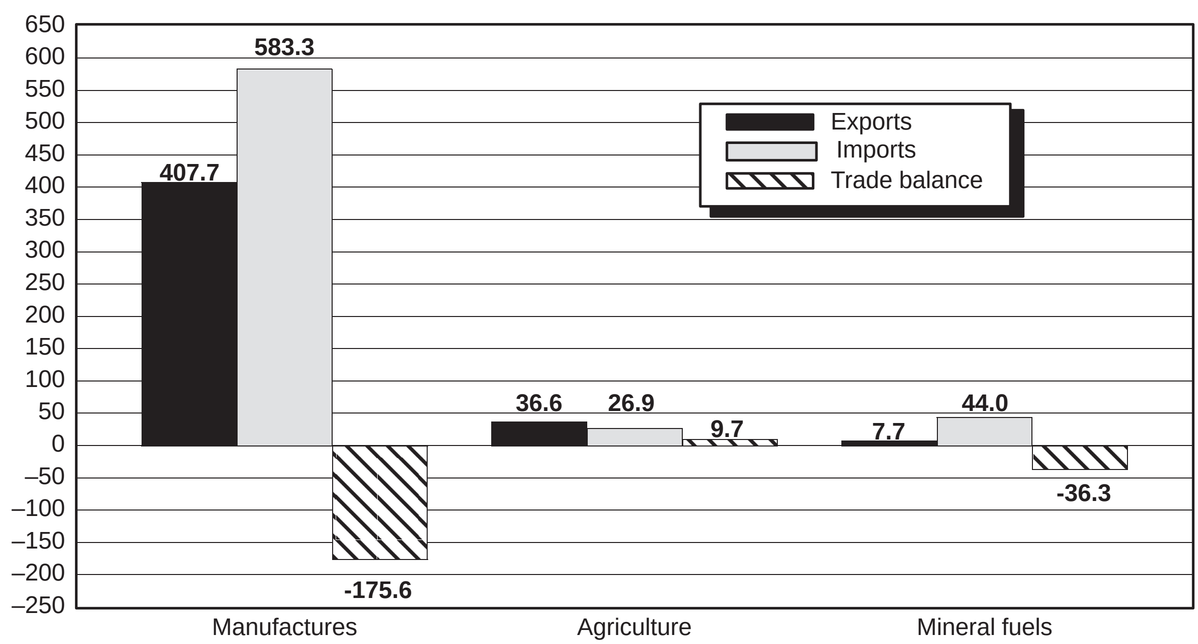
The U.S. Department of Commerce reported that seasonally adjusted exports of goods and services of $77.1 billion and imports of $91.2 billion in September 1998 resulted in a goods and services trade deficit of $14.0 billion, approximately $1.9 billion less than the August 1998 deficit of $15.9 billion.

In September 1998, exports of goods increased to $55.9 billion from $53.9 billion. Imports of goods remained virtually unchanged at $76.5 billion from $76.6 billion. Exports of services were $21.3 billion, imports of services were $14.7 billion. The August to September change in exports of goods reflected increases in capital goods, primarily civilian aircraft and automotive vehicles, parts, and engines. Advanced technology products exports were $15.9 billion in September 1998 and imports were $14.0 billion. The August to September change in imports of goods reflected increases in automotive vehicles, parts and engines and decreases in industrial supplies and material.

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

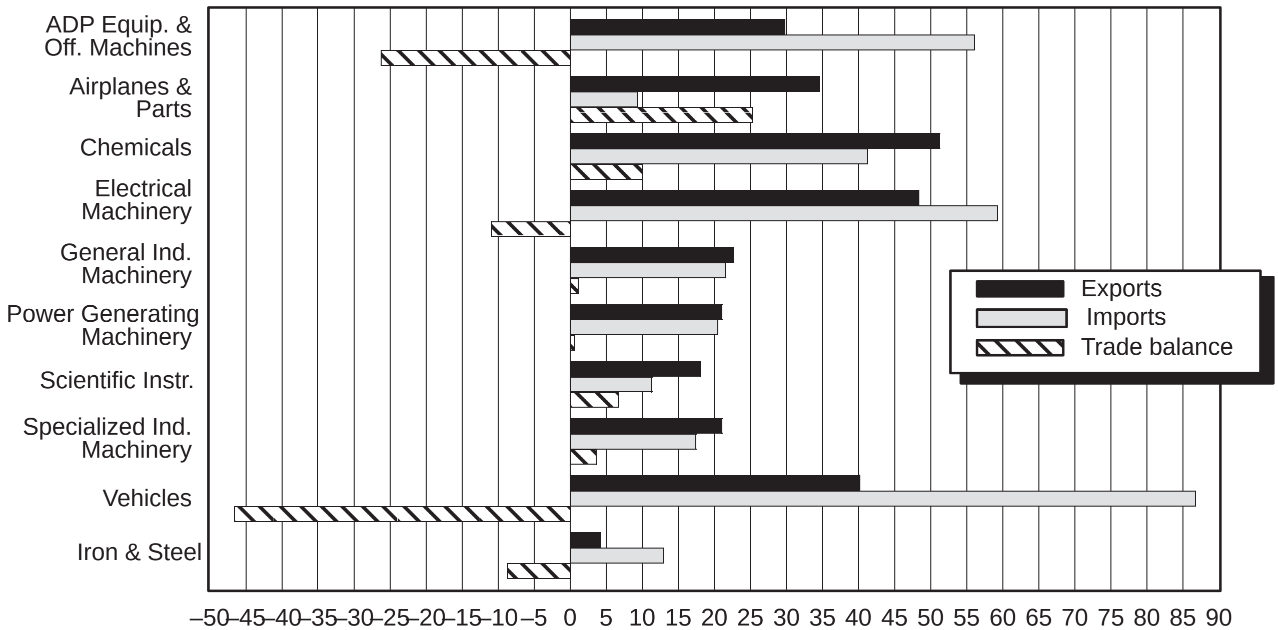
U.S. trade developments are highlighted in figures 1, 2, and 3. Seasonally adjusted U.S. trade in goods and services in billions of dollars as reported by the U.S. Department of Commerce is shown in table 7. Nominal export changes and trade balances for specific major commodity sectors are shown in table 8. U.S. exports and imports of goods with major trading partners on a monthly and year-to-date basis are shown in table 9, and U.S. trade in services by major category is shown in table 10.

Figure 1
U.S. trade by major commodity, billion dollars, Jan.-Sept. 1998



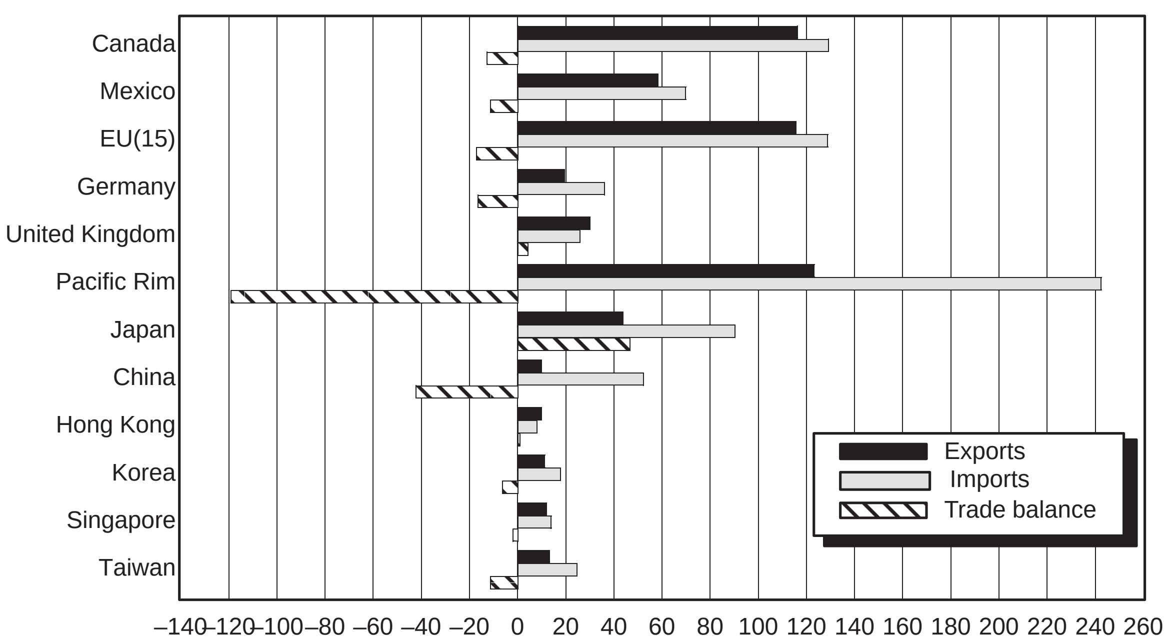
Source: U.S. Department of Commerce.

Figure 2
U.S. trade in principal goods, billion dollars, Jan.-Sept. 1998



Source: U.S. Department of Commerce.

Figure 3
U.S. trade with major trading partners, billion dollars, Jan.-Sept.1998



Source: U.S. Department of Commerce.

Table 7
U.S. trade in goods and services, seasonally adjusted, Aug.-Sept. 98

(Billion dollars)

Item	Exports		Imports		Trade balance	
	Sept. 1998	Aug. 1998	Sept. 1998	Aug. 1998	Sept. 1998	Aug. 1998
Trade in goods (BOP basis)						
Current dollars—						
Including oil	55.9	53.9	76.5	76.6	-20.6	-22.7
Excluding oil	56.2	54.6	72.1	71.8	-15.9	-17.2
Trade in services:						
Current dollars	21.3	21.6	14.7	14.7	6.6	6.8
Trade in goods and services:						
Current dollars	77.1	75.4	91.2	81.3	-14.1	-15.9
Trade in goods (Census basis)						
1992 dollars	72.8	71.0	96.0	96.2	-23.2	-25.2
Advanced-technology products (not seasonally adjusted)	15.9	14.0	14.0	13.0	1.9	1.0

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), Nov.18, 1998.

Table 8
Nominal U.S. exports and trade balances, of agriculture and specified manufacturing sectors, Jan. 1997-Sept. 1998

	Export		Change Jan-Sept.1998 over Jan.-Sept.1997	Share of total, Jan.-Sept. 98	Trade balances	
	Sept. 1998	Jan.-Sept. 1998			Jan.-Sept. 1998	Jan-Sept. 1997
	Billion dollars		*Percentage*		*Billion dollars*	
ADP equipment & office machinery	3.5	29.7	-7.2	5.9	-26.3	-22.9
Airplanes	3.2	23.5	26.3	4.7	18.5	15.3
Airplane parts	1.2	11.0	12.2	2.2	6.7	6.2
Electrical machinery	5.6	48.3	-0.4	9.6	-10.9	-10.3
General industrial machinery	2.4	22.6	-0.9	4.5	1.1	3.1
Iron & steel mill products	0.4	4.2	0.0	0.8	-8.7	-6.6
Inorganic chemicals	0.4	3.5	-10.3	0.7	0.0	-0.2
Organic chemicals	1.1	11.4	-8.1	2.3	-0.1	-0.3
Power-generating machinery	2.5	21.0	3.4	4.2	0.6	2.1
Scientific instruments	1.8	18.0	1.7	3.6	6.7	7.6
Specialized industrial machinery	2.1	21.0	-1.4	4.2	3.6	5.6
TVS, VCRs, etc	2.1	17.3	0.0	3.4	-13.4	-9.0
Textile yarns, fabrics and articles	0.7	6.8	1.5	1.3	-3.0	-2.2
Vehicle parts	4.4	40.1	-2.0	8.0	- 46.6	-42.5
Manufactured exports not included above	14.1	129.3	-1.0	25.7	-100.8	- 75.1
Total manufactures	45.5	407.7	0.2	80.9	-175.6	-129.0
Agriculture	3.4	36.6	- 7.8	7.3	9.7	13.3
Other exports not included above	6.6	59.6	-4.3	11.8	-5.0	-17.7
Total exports of goods	55.5	503.9	-1.0	100.0	-170.9	-133.4

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), Nov. 18 1998

Table 9
U.S. exports and imports of goods with major trading partners, Jan. 1997-Sept. 1998

(Billion dollars)

Country/areas	Exports			Imports			Trade Balances	
	Sept. 1998	Jan.-Sept. 1998	Jan.-Sept. 1997	Sept. 1998	Jan.-Sept. 1998	Jan.-Sept. 1997	Jan.-Sept. 1998	Jan.-Sept. 1997
Total	55.5	503.9	509.0	78.4	674.8	642.4	-170.9	-133.4
North America	19.9	174.3	163.7	23.7	198.7	187.7	-24.4	-24.0
Canada	13.1	116.1	112.4	15.4	129.0	124.7	-12.9	-12.3
Mexico	6.9	58.2	51.3	8.3	69.7	63.0	-11.5	-11.7
Western Europe	13.5	120.9	115.6	15.3	140.1	126.4	-19.3	-10.8
European Union (EU-15)	12.5	111.5	103.9	14.0	128.7	115.1	-17.2	-11.2
France	1.4	13.0	11.7	2.0	17.6	15.1	-4.6	-3.5
Germany	2.3	19.4	18.3	3.7	36.0	31.5	-16.5	-13.1
Italy	0.7	6.6	6.6	1.4	15.5	14.2	-8.9	-7.6
Netherland	1.4	14.0	14.5	0.6	5.5	5.3	8.5	9.1
United Kingdom	3.6	29.9	27.4	2.9	25.6	23.8	4.3	3.6
Other EU	0.7	7.8	6.5	1.3	9.5	7.1	-1.7	-0.6
EFTA[1]	0.8	6.2	8.3	1.0	8.8	9.1	-2.6	-0.8
FSR/Eastern Europe[2]	0.4	6.0	5.8	1.0	8.1	6.2	-2.2	-0.4
Russia	0.1	3.0	2.4	0.6	4.3	3.1	-1.4	-0.8
Pacific Rim Countries	13.3	123.1	144.8	28.9	242.3	232.4	-119.1	-87.5
Australia	0.9	9.0	9.1	0.4	4.0	3.4	5.0	5.8
China	1.2	9.7	8.9	7.1	52.1	45.4	-42.4	-36.5
Japan	4.6	43.7	49.5	9.7	90.2	90.2	-46.5	-40.8
NICs[3]	5.2	45.7	58.9	7.7	63.9	63.6	-18.2	-4.7
South/Central America	4.8	47.2	45.6	4.1	37.7	40.3	9.5	5.3
Argentina	0.5	4.5	4.1	0.2	1.7	1.7	2.8	2.5
Brazil	1.2	11.0	11.4	0.9	7.6	7.4	3.4	4.0
OPEC	1.8	17.9	18.0	2.7	26.1	33.1	-8.2	- 15.1
Other Countries	2.3	21.0	23.5	4.2	36.2	33.1	-15.2	- 9.7
Egypt	0.2	2.1	3.0	0.1	0.5	0.5	1.6	2.6
South Africa	0.3	2.5	2.3	0.3	2.3	1.6	0.2	0.4
Other	1.8	16.4	18.2	3.9	33.4	30.9	-17.0	- 12.7

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

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), Nov 18, 1998

Table 10
Nominal U.S. exports and trade balances of services, by sectors, Jan. 1997-Sept.1998, seasonally adjusted

	Exports		Change Jan.-Sept 1998 over Jan.-Sept 1997	Trade balances	
	Jan.-Sept 1998	Jan.-Sept 1997		Jan.-Sept 1998	Jan.-Sept 1997
		Billion dollars	Percent		*Billion dollars*
Travel	53.1	55.1	-3.6	13.2	16.7
Passenger fares	15.3	15.5	-1.3	1.4	1.8
Other transportation	19.4	20.1	-3.5	-2.7	-1.5
Royalties and license fees	26.5	25.3	4.7	16.7	18.5
Other private sales	66.9	62.4	7.2	28.8	26.7
Transfers under U.S. military sales contracts	12.9	14.1	-8.5	3.6	5.7
U.S. Govt. miscellaneous services	0.6	0.6	0.0	-1.5	-1.5
Total	194.6	193.1	0.8	61.4	66.4

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), Nov. 18 1988

STATISTICAL TABLES

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

(Total Industrial production, 1990=100)

Country	1995	1996	1997	1997 I	1997 II	1997 III	1997 IV	1998 Jan.	1998 Feb.	1998 Mar.	1998 Apr.	1998 May	1998 June	1998 July	1998 Aug.
United States[2]	115.8	119.8	125.8	123.3	124.6	126.5	128.7	129.2	128.7	129.3	129.8	130.3	128.9	128.2	130.4
Japan	96.2	98.5	101.9	103.6	103.6	102.5	100.1	102.1	98.5	96.3	94.9	93.3	94.8	94.0	([1])
Canada[3]	112.7	114.4	120.2	117.8	119.3	121.5	122.2	119.5	122.1	124.0	123.2	122.8	122.3	([1])	([1])
Germany	97.2	97.6	101.1	102.1	102.6	102.2	102.8	104.9	104.8	106.2	105.1	106.2	105.1	108.7	([1])
United Kingdom	106.7	108.0	109.5	108.7	109.2	110.3	109.3	108.9	108.7	109.5	110.9	109.6	110.4	110.8	([1])
France	99.6	99.8	103.6	100.0	103.0	105.4	106.5	106.3	107.1	108.6	108.0	108.8	108.5	([1])	([1])
Italy	107.9	104.8	107.7	105.1	107.4	108.2	109.2	110.3	109.2	108.2	108.0	110.7	108.7	([1])	([1])

[1] Not available.
[2] For the United States, 1990=98.9.
[3] Real domestic product in industry at factor cost and 1986 prices.

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

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

(Percentage change from same period of previous year)

Country	1995	1996	1997	1997 I	1997 II	1997 III	1997 IV	1997 Nov.	1997 Dec.	1998 Jan.	1998 Feb.	1998 Mar.	1998 Apr.	1998 May	1998 June	1998 July	1998 Aug.	1998 Sep.
Japan	-0.1	0.2	1.7	0.6	2.0	2.1	2.1	2.1	1.8	1.8	1.9	2.2	0.4	0.5	0.1	-0.1	0.3	0.2
Canada	1.7	1.6	1.6	2.1	1.6	1.7	1.0	0.9	0.7	1.1	1.1	0.9	0.8	1.1	1.0	1.0	0.8	0.7
Germany	1.7	1.4	1.7	1.7	1.5	1.9	1.7	1.8	1.7	1.8	1.0	1.4	1.4	1.3	1.1	0.9	0.7	0.7
United Kingdom	3.4	2.4	3.1	2.7	2.7	3.5	3.7	3.7	3.6	3.3	3.4	3.5	4.0	4.2	3.7	3.5	3.3	3.2
France	1.7	2.0	1.2	1.5	0.9	1.3	1.1	1.2	1.1	0.5	0.7	0.8	1.0	1.0	1.0	0.8	0.7	0.5
Italy	5.2	3.9	2.0	2.5	1.8	1.9	1.9	1.9	1.9	2.0	2.1	1.9	2.0	1.9	2.0	2.0	2.0	2.0

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

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

				1997				1998								
Country	**1995**	**1996**	**1997**	**I**	**II**	**III**	**IV.**	**Jan.**	**Feb.**	**Mar.**	**Apr.**	**May**	**June**	**July**	**Aug.**	**Sep.**
United States	5.6	5.4	4.9	5.3	4.9	4.9	4.7	4.7	4.7	4.7	4.3	4.3	4.5	4.5	4.5	4.6
Japan	3.2	3.4	3.4	3.3	3.5	3.4	3.5	3.5	3.6	3.9	4.2	4.2	4.3	4.2	4.2	4.4
Canada	9.5	9.7	9.2	9.6	9.4	9.0	8.9	8.9	8.6	8.5	8.4	8.4	8.4	8.4	8.3	8.3
Germany	6.5	7.2	7.8	7.7	7.8	7.8	7.8	7.7	7.6	7.6	7.6	7.5	7.5	7.4	7.4	7.3
United Kingdom	8.8	8.3	7.1	7.6	7.3	6.9	6.6	6.5	6.4	6.4	6.3	6.3	6.2	6.3	([2])	([2])
France	12.3	12.4	12.7	12.7	12.7	12.7	12.6	12.2	12.2	12.1	12.0	11.8	11.7	11.7	11.7	11.6
Italy	12.0	12.1	12.3	12.3	12.7	11.9	12.2	12.2	12.2	12.1	12.4	([3])	12.4	([3])	([2])	([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, Nov.1998.

Short-term interest by selected countries and by specified periods, Jan. 1995-Aug. 1998

(Percentage, annual rates)

				1998									
Country	**1995**	**1996**	**1997**	**I**	**II**	**Jan.**	**Feb.**	**Mar.**	**Apr.**	**May**	**June**	**July**	**Aug.**
United States[1]	5.8	5.4	5.6	5.5	5.6	5.6	5.7	5.5	5.5	5.5	5.5	5.5	5.3
Japan	1.2	.0.6	0.6	0.9	0.6	0.5	0.8	0.7	0.7	0.6	0.6	0.7	0.7
Canada	7.1	4.5	3.6	4.8	4.9	3.6	5.0	4.9	4.9	5.1	5.1	5.1	5.4
Germany	4.4	3.2	3.2	3.5	3.6	3.1	3.5	3.4	3.6	3.6	3.5	3.5	3.4
United Kingdom	6.6	6.0	6.8	7.5	7.5	7.5	7.5	7.5	7.4	7.4	7.6	7.7	7.6
France	6.4	3.8	3.4	3.6	3.6	3.2	3.5	3.5	3.5	3.5	3.5	3.4	3.5
Italy	10.4	8.8	6.9	6.0	5.2	6.8	6.1	5.6	5.1	5.0	5.0	4.8	4.8

[1] 8-months certificate of deposit

Source: *Federal Reserve Statistical Release*, Oct.19, 1998; *Federal Reserve Bulletin*, Oct. 1998.

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

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

Country	1995	1996	1997	1997 I	1997 II	1997 III	1997 IV	1998 Mar.	1998 Apr.	1998 May	1998 June	1998 July	1998 Aug.	1998 Sep.
United States[1]	-158.8	-170.2	-181.8	-181.7	-167.1	-190.4	-185.4	-181.3	-228.0	-211,2	-259.2	-250.8	-254.4	-347.2
Japan	106.0	68.2	82.4	51.3	93.3	86.6	102.5	83.9	111.6	140.2	89.8	114.5	([2])	([2])
Canada[3]	27.8	30.7	18.4	28.8	16.5	15.0	11.4	11.6	10.3	16.8	1.4	([2])	([2])	([2])
Germany	63.6	65.5	73.1	68.0	79.0	76.7	72.4	90.0	79.3	94.7	64.3	([2])	([2])	([2])
United Kingdom	-22.4	-25.3	-26.5	-17.0	-23.0	-25.0	-31.7	-33.0	-38.3	-41.3	-32.3	([2])	([2])	([2])
France	20.0	17.8	30.2	22.5	34.4	31.0	35.3	26.4	29.4	28.8	28.0	([2])	([2])	([2])
Italy	27.6	43.9	38.3	32.0	30.6	30.4	8.3	35.5	28.9	30.2	31.7	([2])	([2])	([2])

[1] Figures are on Census basis and 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] Not available.

[3] Imports are f.o.b.

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

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

(In billions of dollars)

Country	1995	1996	1997	1997 III	1997 IV	1998 Feb.	1998 Mar	1998 Apr.	1998 May	1998 June	1998 July	1998 Aug.	1998 Sep.
Commodity categories:													
Agriculture	25.6	26.7	20.5	3.9	7.0	1.7	1.2	0.9	0.8	0.9	1.0	0.9	0.6
Petroleum and selected product— (unadjusted)	-48.8	-60.9	-65.5	-15.0	-15.9	-3.9	-3.6	-4.1	-3.6	-4.0	-3.5	-3.5	-3.3
Manufactured goods	-173.5	-175.9	-179.5	-54.5	-49.9	-14.6	-17.3	-19.0	-20.3	-17.6	-24.6	-23.2	-23.4
Selected countries:													
Western Europe	-10.6	-10.4	-17.5	-7.3	-6.7	-0.3	-1.6	-3.2	-1.7	-3.0	-5.1	-2.2	-1.8
Canada	-18.1	-22.8	-16.6	-4.0	-4.4	-1.6	-1.1	-1.3	-1.3	-1.2	-1.7	-1.8	-2.3
Japan	-59.1	-47.6	-55.6	-14.7	-15.1	-5.3	-5.8	-5.4	-5.0	-5.3	-5.2	-5.2	-5.1
OPEC (unadjusted)	-15.7	-19.8	-20.5	-5.5	-3.8	-0.6	-0.5	-1.2	-0.7	-1.1	-1.1	-1.3	-0.9
Unit value of U.S.imports of petroleum and selected products (unadjusted)	$15.83	$18.98	$17.67	$16.72	$16.99	$17.13	$16.21	$14.42	11.80	$11.23	$10.71	$10.63	$10.96

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

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, Nov. 18,1998.