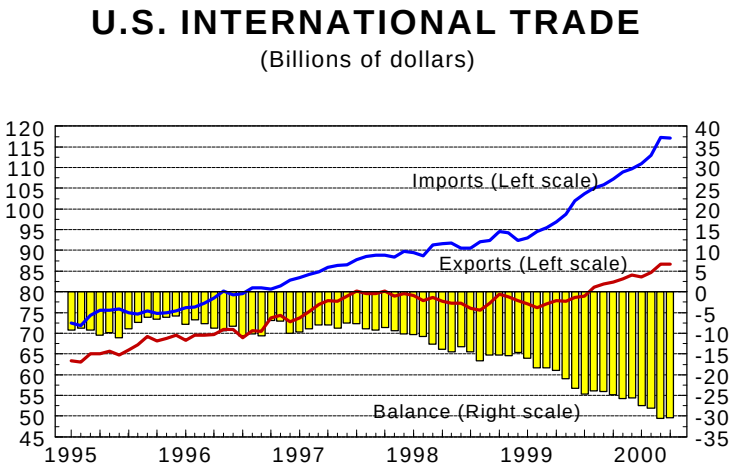
U.S. TRADE IN PERSPECTIVE
U.S. Department of Commerce, International Trade Administration, Trade Development June 2000

U.S. Trade Deficit Narrowed Slightly in April, as Imports Slipped and Exports Remained Flat

Recent Developments: *In April, U.S. exports of goods and services remained virtually unchanged at $86.7 billion, while imports fell $0.2 billion to $117.1 billion. The U.S. trade deficit was $30.4 billion, $0.2 billion less than the revised data for March. The decline in April's trade deficit was the first since December 1999.*

Trade Performance: In the first four months of 2000, exports were up 10.9 percent, while imports were up 20.7 percent from a year earlier. Year-to-date, the goods and services deficit was $350 billion (annual rate), compared with a deficit of $215 billion in the same period in 1999.



In April, U.S. imports of goods fell $0.2 billion to $99.5 billion–the first decline in imports since December 1998. The decline in imports reflected a reduction in petroleum imports of $700 million, as the price of crude oil fell to $24.42–the first decline in oil prices in ten months. In the first four months of 2000, compared to the same period last year, the trade deficit in goods and services deteriorated by $135 billion (annual rate), of which the change in the petroleum deficit accounted for about one-half of this difference, reflecting a surge in the price of oil. Merchandise exports rose to a record $62.6 billion in April, with increased sales in civilian aircraft.

The deterioration in the U.S. trade deficit has been caused largely by the persistent superior performance of the American economy, a strong dollar and higher oil prices. For the first quarter of 2000, the U.S. trade imbalance was a record 3.6 percent of the Gross Domestic Product.

A couple of new trade records were set in April:

- The trade deficit with Japan ($7.3 billion) was a record.
- Monthly exports of capital goods ($29.2 billion) were a record.
- Monthly imports of capital goods ($28.7 billion), automotive vehicles, parts and engines ($16.5 billion), and consumer goods ($22.9 billion) were records.

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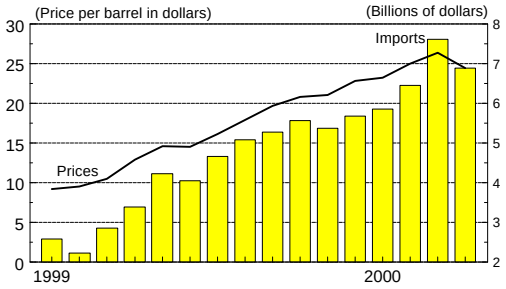
Oil and U.S. International Trade

The price of crude petroleum rose from as low as $9.21 per barrel in January 1999 to as high as $26.38 in March 2000 before edging down to $24.42 in April. As a consequence, imports of crude petroleum rose from $2.6 billion in January 1999 to peak at $7.6 billion in March 2000 before falling to $6.9 billion in April. A 165 percent jump in the price of crude petroleum from January 1999 through April 2000 led to a 166 percent increase in the value of crude petroleum imports. The volume of petroleum imports was little changed.

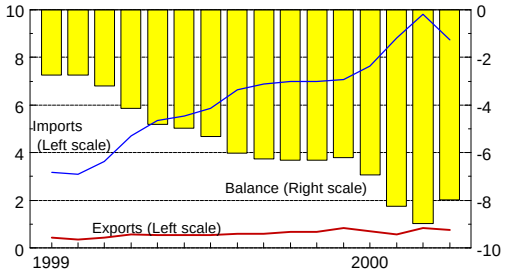
Imports of Crude Petroleum: Prices and Values



Year-to-date, exports of SITC-based petroleum and products totaled $2.3 billion, up 29.3 percent from a year ago, while imports were 26.2 billion, up 78.9 percent. The petroleum deficit was $71.6 billion (annual rate) thus far in 2000, compared with $38.6 billion a year ago.

Petroleum Products*

(Billions of dollars)

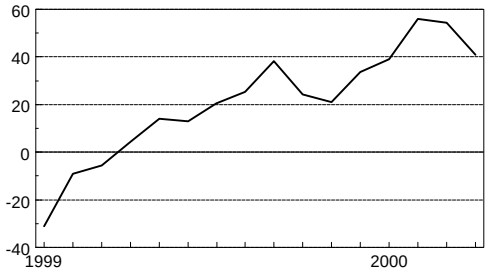


* (SITC 33)-petroleum and products

Higher oil imports have been responsible for a sizeable proportion of the increase in the merchandise trade deficit. Since January 1999, the deterioration in the petroleum trade deficit, in relation to the deterioration in the merchandise trade balance has increased sharply, accounting for as much as one-half earlier this year.

Share of Dollar Change of Petroleum Trade Balance vis-a-vis Merchandise Balance

(Year-over-year change in percent)



In the first four months of 2000, the U.S. merchandise trade deficit increased considerably in most major regions, compared to the same period last year. The magnitude of the increases in the U.S. merchandise trade deficit varied across regions, depending on the relative importance of oil imports and other more fundamental factors of economic growth and competitiveness. The increase in the overall U.S. merchandise trade deficit with Asia and the European Union was essentially due to a higher non-petroleum trade deficit (fundamental factors) in the first four months of 2000, compared to the same period last year. In contrast, over seventy percent of the deterioration in the U.S. merchandise trade deficit was with the Western Hemisphere.

Region	Merchandise imports		Non-petroleum imports		Merchandise trade deficit (in $ bi.)		Non-petroleum trade deficit (in $ bi.)	
	($ bi.)	% change	($ bi.)	% change	1999	2000	1999	2000
Asia	144.8	up 19.9	143.8	up 19.3	179.8	232.4	178.5	231.3
European Union	70.3	up 16.1	67.9	up 13.7	26.0	52.4	23.9	45.8
Western Hemisphere	140.1	up 23.8	123.3	up 16.3	46.5	80.1	27.9	34.8

Note: The percent changes are year to date from the same period in 1999 and the deficit figures are at annual rates.
* surplus.

Year-to-date, the U.S. merchandise trade deficit widened with most of its major trading partners, even after accounting for an increase in the U.S. petroleum trade deficit, compared to the same period in 1999. In the first four months of 2000, the U.S. merchandise trade deficit increased with Canada, China, Germany, United Kingdom, France and Japan primarily due to a rise in its non-petroleum trade deficit, compared to the same period in 1999. On the other hand, the U.S. merchandise trade deficit with Mexico diminished, in spite of an increase in its U.S. petroleum trade deficit.

Country	Merchandise imports		Non-petroleum imports		Merchandise trade deficit (in $ bi.)		Non-petroleum trade deficit (in $ bi.)	
	($ bi.)	%change	($ bi.)	% change	1999	2000	1999	2000
Canada	74.9	up 18.6	69.6	up 13.9	26.8	44.1	21.7	29.7
China	27.0	up 21.3	26.8	up 20.3	55.3	67.8	55.4	63.0
Germany	19.3	up 13.5	19.1	up 12.8	23.1	28.6	21.3	24.4
United Kingdom	14.1	up 16.0	12.8	up 9.4	3.1*	2.0	4.3*	1.6*
France	9.5	up 16.9	9.3	up 14.4	4.6	9.0	4.4	8.7
Japan	47.2	up 13.4	47.17	up 13.4	66.2	79.4	66.4	80.1
Mexico	42.2	up 27.4	38.4	up 21.9	23.0	21.5	19.7	13.1

Note: The percent changes are year to date from the same period in 1999 and the deficit figures are at annual rates.
* surplus