U.S. TRADE IN PERSPECTIVE

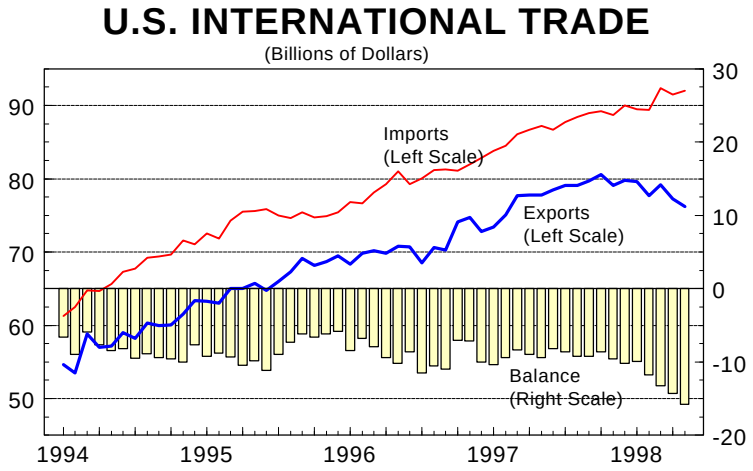
International Trade Administration, U.S. Department of Commerce July 1998

Latest Trade Data Show Weakness in Asian Economies

Key Developments: Asia's currency troubles are continuing to result in lower U.S. exports and a larger trade imbalance with the region. Merchandise imports from Asia have not surged, but have accounted for about 8 percent of total imports through May, the same as for 1997.

The bright spot is trade with the Western Hemisphere, which continues to grow rapidly. Import growth from the region has slowed from last year's pace, improving the U.S. trade balance.

Global factors affecting U.S. trade include low world oil prices (which reduce the U.S. bill for petroleum imports) and low cash crop prices (which lower the value of U.S. agricultural exports).



1998 Trends: U.S. exports of goods and services declined in recent months; they have increased only 2.1 percent over a year ago. Although import growth has slowed from its 1997 pace, imports are growing faster than exports, reflecting the continued economic growth in the United States and causing a deterioration in the trade balance.

- Exports in May declined 1.3 percent from April and have been declining since last October. Year to date, exports were up 2.1 percent from the same period a year ago.

- Imports in May rose 0.5 percent. Year to date, import growth has slowed from last year's pace, increasing 6.2 percent from the same period a year ago.

- The trade deficit through May was $155.7 billion (annual rate) compared with $111.5 billion during the same period a year ago. For all of 1997, the trade deficit was $110.2 billion or $9.2 billion per month.

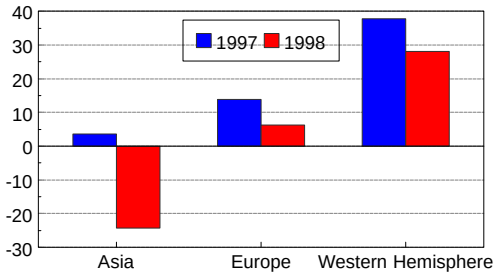
Regional View: Growth of U.S. Trade Deficit Linked to Asian Crisis

Export growth to the Western Hemisphere continues to be the strongest globally, while imports from the region have slowed, in part, as a result of lower world oil prices. Imports from Europe and Asia are growing more rapidly than exports. U.S. exports to Asia have dropped.

Data through May 1998 show export growth slowing from last year's pace in all major world regions. Export growth this year has been concentrated in the Western Hemisphere, up 10.3 percent over last year. Exports to Europe increased 3.7 percent over the same period a year ago while exports to Asia declined 11.5 percent.

EXPORTS BY WORLD REGION

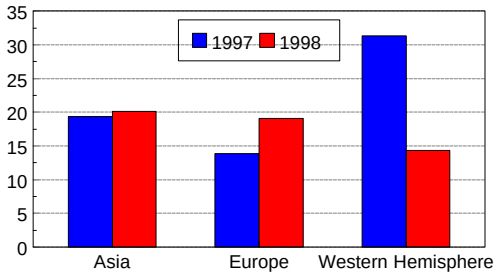
(Change from prior year, billions of dollars*)



*Year to date change from a year ago at an annual rate

IMPORTS BY WORLD REGION

(Change from prior year, billions of dollars*)



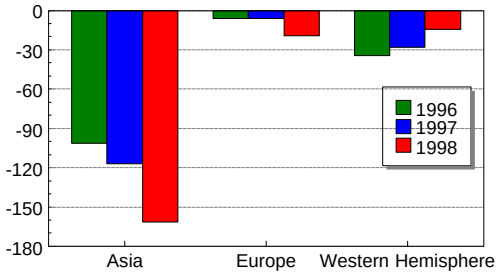
*Year to date change from a year ago at an annual rate

Import growth from Europe accelerated this year through May, increasing 11.0 percent over the previous year. Thus far, import growth from Asia has been subdued, increasing 6.1 percent from a year ago. Import growth from the Western Hemisphere slowed, rising 4.7 percent over the previous year.

All of the rise in the merchandise trade deficit can be attributed to the deterioration in the U.S. trade balance with Asia. The U.S. deficit with Asia worsened to $161.4 billion (annual rate) through May from $116.9 billion over the same period last year. The the trade deficit with the Western Hemisphere improved ($14.4 billion compared with $28.3 billion a year ago), while the trade deficit with Europe worsened ($19.1 billion compared with $6.2 billion a year ago).

TRADE BALANCES BY WORLD REGION

(Billions of dollars*)



*Balances are year to date at an annual rate.

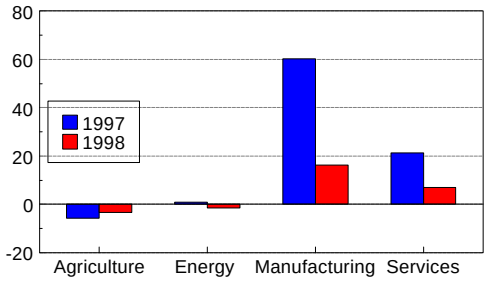
Sectoral View: Energy Balance Improves While Agriculture Surplus Declines

Export growth of both merchandise and services is slowing while imports are increasing. Low world oil prices have improved the trade imbalance in energy products, while low prices for cash crops have reduced the agricultural surplus.

Merchandise exports through May increased 1.9 percent. Manufactures were up 2.8 percent from a year ago and were the primary source of export growth. Low crop prices decreased agricultural exports 5.7 percent from a year ago. Stunted by the effects of a strong dollar, services exports rose only 2.8 percent from a year ago. (The strong dollar reduces the value of overseas earnings and royalties denominated in foreign currencies.)

EXPORTS BY MAJOR SECTOR

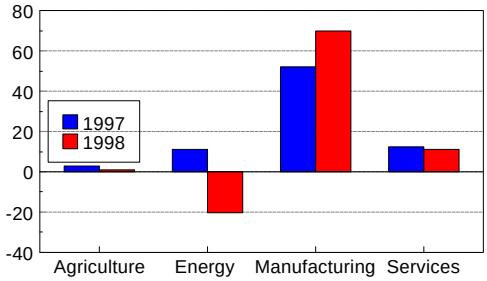
(Change from prior year, billions of dollars*)



*Year to date change from a year ago at an annual rate

IMPORTS BY MAJOR SECTOR

(Change from prior year, billions of dollars*)



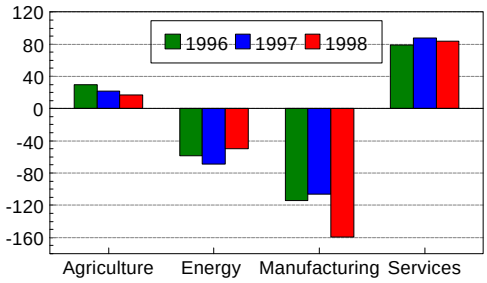
*Year to date change from a year ago at an annual rate

Through May, merchandise imports increased 6.1 percent from a year ago. Most of the growth stems from increased imports of manufactured goods. Imports of manufactured goods rose 10.2 percent over the same period a year ago. In contrast, energy imports fell 24.9 percent from a year ago, reflecting the drop in crude oil prices.

Historically, services trade has helped to offset some of the U.S. imbalance in merchandise trade. Through May 1997, services trade had an $88.1 billion surplus (annual rate). However, in early 1998 the services surplus deteriorated to $83.9 billion while the merchandise trade deficit worsened to $239.6 billion from $199.7 billion a year earlier. Most of the deterioration was in manufactured goods trade. The overall trade balance was aided by an improvement in the energy sector. The energy deficit fell to $50.2 billion compared with $68.9 billion a year ago.

TRADE BALANCES BY MAJOR SECTOR

(Billions of dollars*)



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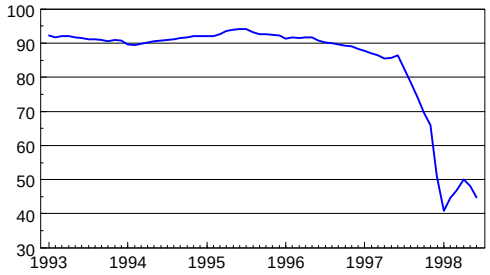
The Asia Factor: Economic Slide Continues

Economic conditions in the Asian Five (Indonesia, Korea, Malaysia, Philippines, and Thailand) have continued to deteriorate. The values of their currencies vis-a-vis the U.S. dollar have fallen to new lows after rising slightly early this year. Stock markets have followed a similar pattern.

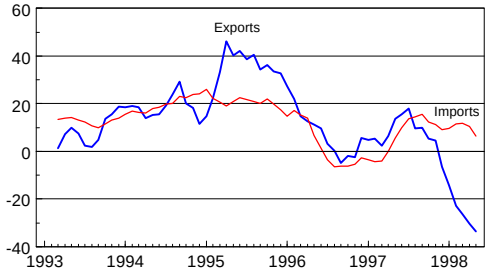
ASIAN FIVE EXCHANGE RATE

(U.S. Dollar per currency: Index Jan 1990=100)



U.S.TRADE WITH THE ASIAN FIVE

(Percent change from a year ago of 3-month averages)

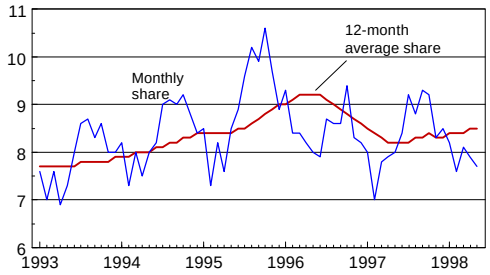


U.S. merchandise exports to the Asian Five have declined 30.3 percent in the first five months of 1998 from the same period a year ago. Imports, on the other hand, are up 8.3 percent. The U.S. trade deficit has widened to $32.6 billion (annual rate) from $9.9 billion a year ago, a deterioration of $23 billion.

U.S. exports and their overall share to the region are lower. U.S. imports from the region have not surged. The import share has remained below 8 percent, the same as a year ago. Year-to-date, total U.S. merchandise exports have risen 1.9 percent and imports 6.1 percent from the same period a year ago.

U.S. IMPORTS FROM THE ASIAN FIVE

(Share of total merchandise imports; in percent)



Prepared by the Office of Trade and Economic Analysis, Trade Development. For more information call 202-482-2056.