

L.5.2

RFD 248

Board of Governors of the Federal Reserve System

Division of International Finance

REVIEW OF FOREIGN DEVELOPMENTS

January 11, 1955

The Third-Quarter Setback in U. S. Foreign Trade  
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12 pages

NOT FOR PUBLICATION

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United States foreign trade fell somewhat more than seasonally in the third quarter of 1954. Exports dropped back temporarily to the 1953 level, and imports were the lowest of any quarter in the past four years. In each case the setback, as compared with the second quarter, can be traced in the main to various unusual developments, some of which affected the export and import statistics for many commodities, while others affected trade in particular commodities, especially coffee on the import side and cotton and automobiles among exports.

Total U. S. exports, excluding military aid shipments, declined about 17 per cent from \$3,508 to \$2,928 million between the second and third quarters of last year. Perhaps nearly half of this decline was seasonal. The seasonally adjusted annual rate 1/ in the third quarter may be estimated at about \$12.3 billion as compared with \$13.6 billion in the second quarter and with \$12.3 billion for the full year 1953. Second quarter exports had been enlarged by shipments delayed in the March port strike in New York, and this development may explain perhaps about half of the "non-seasonal" difference between the two 1954 quarters. However, there does seem to have been a real, though temporary, falling off in exports from the advanced level of the second quarter. That this falling off was temporary is indicated by the high figure for October.

Military aid shipments, which amounted to \$623 million in the third quarter of 1954, dropped about 20 per cent from the second quarter and were approximately 30 per cent below the third-quarter level of 1953.

Total U. S. imports amounted to \$2,427 million in the third quarter of 1954, having declined, somewhat more than seasonally, by approximately \$300 million from the second quarter of the year. Compared with a year earlier, third-quarter total imports were lower by \$246 million or about nine per cent. The lower than seasonal third-quarter imports can be attributed partly to unusually low coffee imports, which amounted only to \$256 million compared with \$351 million in the same period of 1953. If the volume of coffee imports had been "normal" for this season, the value of third-quarter coffee imports, at prices prevailing during this period, would have been nearly \$500 million.

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1/ Based on a tentative calculation of seasonal adjustment factors for total exports excluding military aid shipments. Statements elsewhere in this article regarding seasonality of changes in particular items of exports or in imports are only approximate and are based in most cases on inspection of charted data.

If coffee is excluded, other imports, at \$2,191 million, were about \$150 million lower than in the third quarter of 1953. The decline in imports excluding coffee from the second quarter of 1954 amounted to nearly \$200 million; this decline was partly seasonal and partly attributable to the after effects of the March strike on second-quarter imports.

Commodity distribution of exports

Part of the slightly more than seasonal decline in U. S. exports in the third quarter of 1954 can be attributed to unusually heavy export sales of cotton in the preceding quarter, amounting to about \$225 million. Third-quarter cotton exports at \$115 million were about 20 per cent higher than in the same period last year, although the strong upward movement which usually takes place in August and September did not appear. Wheat and flour exports, on the other hand, dropped probably no more than seasonally in the third quarter to about \$90 million, approximately 10 per cent below the quarterly average for the first half of 1954 and 40 per cent below third-quarter exports in 1954. All other agricultural exports appear to have declined seasonally as well. This movement stands in contrast with that of 1953, when agricultural exports other than cotton rose contra-seasonally in the third quarter.

In the non-agricultural sector, the commodity movements were mixed. With allowance for seasonal and port-strike factors, exports of chemicals and of metals and their manufactures appeared to continue along the rising trend which has been evident for these commodities for a year or longer. Coal and petroleum exports, on the other hand, tended to move along a downward trend of several years duration. Petroleum exports fell quite sharply from the second to the third quarters, but this can probably be attributed to an abnormally high rate of petroleum exports in the earlier period. Coal exports at \$75 million in the third quarter displayed the usual seasonal pattern by rising above the second-quarter level somewhat, but were about 25 per cent below the third-quarter level of 1953.

Exports of passenger automobiles, which normally fall off in the third quarter, declined quite sharply in 1954, probably because foreign importers curtailed purchases of 1954 models in order to purchase the advanced design 1955 models which the U. S. automobile industry was offering later in the year. Auto, truck, and tractor parts also declined more than seasonally; important factors affecting these exports were the strikes and model change-overs in the Canadian industry. Machinery and other vehicles declined no more than seasonally (after allowance for the effect of the March strike on April exports) and were the same as in the third quarter of 1953.

Other non-agricultural exports followed the seasonal pattern in the third quarter, and were about six per cent above the 1952 third-quarter level.

U. S. Exports of Domestic Merchandise by Commodity 1/  
(In millions of dollars, quarterly)

Commodity or group	1953		1954	
	II	III	II	III p
Raw cotton	127	93	226	116
Wheat and flour	138	150	123	89
Other agricultural exports	378	396	432	387
<b>Total agricultural exports</b>	<b>643</b>	<b>639</b>	<b>781</b>	<b>592</b>
Petroleum and products	180	165	184	158
Coal and related products	99	105	81	87
Passenger automobiles 2/	85	61	99	56
Auto, truck, and tractor parts and accessories 2/	133	109	136	94
Machinery and other vehicles 2/	898	772	935	772 e
Chemicals 2/	166	202	280	246
Metals and manufactures (except machinery and vehicles)	269	249	316	290
Other non-agricultural exports 3/	565	492	569	523 e
<b>Total non-agricultural exports</b>	<b>2,395</b>	<b>2,155</b>	<b>2,600</b>	<b>2,226</b>
Military-type exports 4/	1,162	980	884	703 e
<b>Total exports (excluding re-exports)</b>	<b>4,200</b>	<b>3,774</b>	<b>4,265</b>	<b>3,521</b>

p = preliminary

e = estimated

1/ Commodity breakdown excludes special category type I (for which neither commodity details nor destinations are published, for security reasons). In this table special category type II exports (for which destinations are not published) are also excluded from some groups.

2/ Excluding both special category types I and II.

3/ Excluding both special category type I and (for group 9, "miscellaneous") type II.

4/ Special category type I plus special category type II items in commodity groups 7 (machinery and vehicles), 8 (chemicals), and 9 (miscellaneous).

Area distribution of exports

On an area basis, two export developments in the third quarter stand out: first, the end of a rise in exports to the non-dollar Latin American countries, and second, the end of a sharp decline in exports to the non-Sterling Far Eastern countries. Exports to the non-dollar Latin American countries in the third quarter, although higher than in the second quarter, appear to have ended their upward movement which had been evident since the beginning of 1953. This pattern of development reflects mainly events in Brazil. Exports to Brazil declined by 17 per cent between August and September, probably reflecting an attempt by the Brazilian Government to prevent continued loss of foreign exchange reserves. United States exports to Brazil may have declined further through the remainder of 1954 as a result of the planned curtailment of dollar offerings to importers by the Bank of Brazil. Compared with the third quarter of 1953, exports to non-dollar Latin America in this period of 1954 were about 50 per cent higher.

United States exports to the Far Eastern countries outside the Sterling Area, changes in which largely reflect shifts in trade with Japan, have declined sharply since the end of 1953, but this movement apparently came to an end in the third quarter of 1954. Exports to Japan leveled out in August and September at about \$32 million compared with a monthly average of about \$80 million in the first quarter of the year. The imposition of stringent import controls and anti-inflationary measures by that country toward the end of 1953 resulted in a steady decline in U. S. exports to Japan from February to August of 1954. These exports in the third quarter at about \$110 million were about \$90 million lower than in the second quarter. With the exception of shipments to Indonesia, exports to other non-sterling countries in the Far East showed no more than a seasonal decline between second and third quarters. Exports to Indonesia, however, dropped in the third quarter rather than rising as has happened in the three previous years. This decline may be the result of import controls imposed by the Indonesian Government, and it continues the downward movement which has been evident for the past year.

Exports to other major areas of the world in the third quarter declined seasonally from the second quarter, and with the exception of those to Canada and the Middle East were above the level of exports a year earlier, markedly so in the case of exports to Europe. Largely as a result of recession in Canada, U. S. exports to that country had moved downward after reaching a postwar peak in the second quarter of 1953, but this movement appears to have halted in the second quarter of 1954. Exports to Canada declined seasonally between the second and third quarters of 1954, and they were about 10 per cent below the third quarter of 1953. Exports to "other countries" declined about 30 per cent from the second quarter, reflecting mainly a sharp drop in exports to the Middle East and the non-sterling dependencies and countries in Africa.

United States Exports by Area 1/  
(In millions of dollars, quarterly)

Area or country	1953		1954	
	II	III	II	III p
Latin America non-Dollar Area <u>2/</u>	129	133	186	198
Japan	146	160	197	108
Other non-Sterling Far Eastern Countries <u>3/</u>	162	152	141	126
Canada	870	717	767	649
Latin America Dollar Area <u>4/</u>	604	568	667	588
OEEC Europe	657	579	789	667
Outer Sterling Area <u>5/</u>	189	215	257	217
Other countries	250	233	332	235
<b>Total U. S. exports and re-exports</b>	<b>3,007</b>	<b>2,757</b>	<b>3,336</b>	<b>2,788</b>

p = preliminary

- 1/ Exports including re-exports but excluding all special category types I and II.
- 2/ Argentina, Brazil, Chile, Paraguay and Uruguay.
- 3/ Indonesia, Korea, the Philippines and Thailand.
- 4/ Twenty Latin American Republics excluding Argentina, Brazil, Chile, Paraguay and Uruguay.
- 5/ Sterling Area excluding the United Kingdom, Ireland and Iceland.

Commodity distribution of imports

As noted earlier, an important reason for the extra-seasonal decline in imports between the second and third quarters of 1954 was the unusually low coffee imports in the latter period, which was probably a reflection of consumer resistance to high coffee prices and of importer's expectations of larger supplies in 1955. In a period when the new Brazilian coffee crop comes to market, and imports normally tend to rise, the volume of coffee imports in this quarter compared with the same period the year before was nearly 50 per cent lower. The comparable unit value, on the other hand, was nearly 45 per cent higher. The peak average value per pound (f.o.b. exporting countries) was reached in the July imports at about 79 cents per pound, but by September it had fallen to 74 cents per pound, and doubtless continued to decline gradually during the remainder of the year.

Cocoa bean unit values behaved in a similar fashion, rising from about 31 cents per pound in the third quarter of 1953 to a peak of nearly 60 cents per pound in July 1954. The average unit value for the third quarter of the year was about 59 cents, nearly 85 per cent above that in the same period a year before. Because of the supply shortage, the volume of cocoa imports was already abnormally low in the second quarter and continued low in the third quarter. From September to the end of the year, New York spot prices for cocoa averaged about one-third below the peak second quarter, but this lower price level was of course not yet reflected in third-quarter imports. A seasonal rise in the volume of cocoa imports should have occurred in December.

Food imports other than coffee and cocoa appeared to have declined more than seasonally, and were about 12 per cent below the level of the third quarter last year. Part of this decline may be attributed to the annual decline in the sugar imports which appears to have started in the third quarter, following large first-half-year imports, rather than in the fourth quarter as is usual.

The decline in imports of non-foodstuffs from the second to the third quarters of 1954 as well as the 6 per cent decline over the year from the third quarter of 1953 was a result of a mixed movement in commodity imports between these periods. Buoyant elements in our imports continued to be lumber and paper. The rise in lumber imports between the second and third quarters is mainly a reflection of the three-month West Coast lumber strike, which was settled in mid-September. In anticipation of shortages, demands for this commodity increased and lumber imports rose in response. Apart from this buying scare, lumber imports continued to be sustained in the third quarter by active demand for construction purposes. The rise in paper imports can be attributed to a continuing strong demand for this material by the newspaper industry.

United States Imports by Commodity 1/  
(In millions of dollars, quarterly)

Commodity or group	1953		1954	
	II	III	II	III p
Coffee	325	352	410	256
Cocoa	52	31	60	57
Sugar	137	127	143	112
Other foodstuffs	308	300	337	266
<b>Total foodstuffs</b>	<b>822</b>	<b>809</b>	<b>950</b>	<b>690</b>
Sawmill products	64	65	54	81
Paper, pulp, and pulpwood	237	235	228	230 e
Petroleum and products	180	186	195	193 e
Rubber	93	76	68	68
Selected manufactures 2/	231	222	246	233
Metals and manufactures (except machinery and vehicles)	591	540	481	435
Other commodities	595	524	523	493 e
<b>Total non-foodstuffs</b>	<b>1,991</b>	<b>1,848</b>	<b>1,795</b>	<b>1,733</b>
<b>Total imports for consumption</b>	<b>2,813</b>	<b>2,657</b>	<b>2,745</b>	<b>2,423</b>

p = preliminary

e = partly estimated

1/ Imports for consumption.

2/ Includes textile manufactures, machinery and vehicles, and miscellaneous (group 9).

Petroleum imports, which had increased steadily since 1951, appear to have leveled off since April 1954, but whether the rise will be resumed will be determined largely by business conditions in the United States. Should industrial production rise, it is likely that oil imports will begin to move upward as well. Imports of rubber, which fell sharply in 1953, appear to have been maintained at the second quarter level; after the third quarter they probably increased in response to a more active demand by the automobile industry as production of the new 1955 models got underway. Imports of a selected group of manufactures declined perhaps no more than seasonally from the second quarter and were about five per cent above the third-quarter 1953 level. <sup>1/</sup> These imports declined quite sharply in the first quarter of 1954 and more than recovered immediately in the following quarter.

Two groups of imports, on the other hand, have exerted a downward pull on total U. S. imports, not only between the second and third quarters of 1954, but over the year since the third quarter of 1953. Imports of metals have declined fairly steadily since the second quarter of 1953, mainly because of their sensitivity to the level of activity in this country and possibly reflecting as well a decline in the Government stockpiling expenditures during this period. This also appears to be true for a mixed group of materials, mainly raw, including inedible vegetable products, textile fibers, non-metallic minerals (other than petroleum) and industrial chemicals. It is likely, however, that the decline in Government stockpiling would have only a relatively small effect for this group compared with that resulting from the recession in economic activity in the U. S. since mid-year 1953.

#### Area distribution of imports

Significant developments, as revealed by the area breakdown of U. S. imports in the third quarter of 1954, are the recovery in imports from Canada, the continued stability at a reduced level of imports from Europe, and the drop in imports from the major suppliers of coffee and sugar to the U. S.

Imports from Canada rose (contra-seasonally) from the second quarter about two per cent, continuing the upward movement which has been evident since the end of the first quarter. By the third quarter of 1954, imports from Canada had recovered to about the same level as in the same quarter of the preceding year. The recovery in imports from Canada is undoubtedly due mainly to the stabilization or expansion of activity, following the recession in the second half of 1953, in U. S. industries such as construction and publishing, which rely considerably on Canadian materials. The U. S. steel industry, which in the past

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<sup>1/</sup> Includes textile manufactures, machinery, vehicles, and miscellaneous finished manufactures.

United States Imports by Area 1/  
(In millions of dollars, quarterly)

Area or Country	1953		1954	
	II	III	II	III p
Canada	645	612	599	613
OEEC Europe	558	549	490	453
Latin America Dollar Area 2/	575	538	621	535
Latin America non-Dollar Area 3/	304	316	283	202
Non-Sterling dependencies and countries in Africa 4/	66	56	88	52
Outer Sterling Area 5/	321	252	290	241
Japan	66	74	76	77
Other countries	313	277	287	255
<b>Total general imports</b>	<b>2,848</b>	<b>2,674</b>	<b>2,733</b>	<b>2,427</b>

p = preliminary

1/ General imports.

2/ Twenty Latin American Republics excluding Argentina, Brazil, Chile, Paraguay and Uruguay.

3/ Argentina, Brazil, Chile, Paraguay and Uruguay.

4/ Additionally includes Ethiopia, Liberia, Sudan, Tangier and East Italian Africa.

5/ Sterling Area excluding the United Kingdom, Ireland and Iceland.

relied very little upon Canada for iron ore, increased its imports markedly in the third quarter (\$13.4 million compared with \$3.6 in the second quarter and \$7.5 million in the third quarter of 1953) as the newly developed iron mines in Quebec and Labrador began shipments. Canada will play an increasingly important part as a source of iron ore imports since plans of the U. S. and Canadian developers call for shipments of 1.5 million tons of ore from the Ungava development in 1954, rising to 10 million tons a year by 1956, or about \$70-80 million in value terms. This may be compared with total iron ore imports from Canada of about 2 million tons (\$16 million) in 1953.

Imports from Europe in the third quarter were somewhat lower than those in the second quarter, but this is probably due mainly to seasonal factors. Imports from this area, after declining late in the fourth quarter of 1953 and rising in March 1954, seem to have stabilized during the second and third quarters of the year at a level of about \$1.9 billion (annual rate), approximately 15 per cent lower than in the same period of 1953. This development can again be attributed mainly to the maintenance of a stable level of industrial activity in the U. S. during 1954 following the decline in the second half of the preceding year.

Imports from the major Latin America dollar area countries declined with the exception of those from Peru, which have been moving gradually upward since the beginning of 1952. The decline in imports from the dollar countries in Latin America may be attributed in part to lower imports of coffee from Colombia as well as sugar from Cuba. Imports from the major non-dollar Latin American countries, which had been declining (apart from seasonal fluctuations) since the first quarter of 1953, dropped quite sharply in the third quarter of 1954. Imports from this area in this quarter were about one-third lower than in the comparable period of 1953. The decline in imports from Brazil, mainly coffee, accounts for much of the drop in imports from the non-dollar Latin American countries between the second and third quarters of this year as well as the drop over the year between third quarters. Imports from Chile were also down in the third quarter, after large shipments in the second quarter due to the sale of copper to the U. S. stockpile; and imports from both Chile and Argentina were smaller than in 1953.

Imports from other areas showed no great change, other than seasonal, except for those from non-sterling European dependencies and countries in Africa. The sharp decline in imports from this area is due mainly to a large reduction in purchases from coffee producers, particularly Ethiopia and French West Africa. Imports from the Outer Sterling Area fell about 15 per cent from the second quarter, reflecting mainly a seasonal slackening in cocoa imports from British West Africa. Imports from Japan were virtually the same as in the second quarter.

Recent and prospective developments in U. S. foreign trade

The October and preliminary November trade figures indicate a sharp rise in exports (excluding military aid) from the September level of \$952 million to \$1,163 million in October and \$1,135 million in November. Exports in these two months were more than 10 per cent above the average of the first nine months of 1954. Imports in October at \$763 million were about 10 per cent below the average of the first nine months of 1954, but a rise in November to \$847 million brought them nearly back to the average for that period.

Part of the sharp rise in exports in October may be attributed to a catching-up on exports (cotton, for example) which usually rise seasonally in September but did not do so this year. An additional part of the rise was due to increased sales of tobacco, grains and other foodstuffs as well as coal, metals and a variety of finished manufactures. Commodity details are not yet available for November. The October import total, on the other hand, was the lowest for that month since 1949, and it reflected the failure of coffee purchases to rise seasonally to offset seasonal declines in sugar and cocoa imports, as well as a continuing decline in imports of certain metals. Apparently about half the rise in November imports is due to increased purchases of coffee.

For the month of December there should be a seasonal rise in exports; and imports also should be higher than in the two previous months as larger shipments of coffee arrive in the U. S. both from Brazil and from the Central American countries, where the new crop comes to market at this time. Also, the British dock strike in October delayed shipments to the U. S., and these likely arrived toward the end of the year rather than earlier in the fourth quarter. Customs collections for December show a slight rise over October-November. Taking all these factors into account it is likely that fourth-quarter imports will reach an annual rate (seasonally adjusted) of about \$10.2 billion, and the year as a whole will approximate this level. Exports (excluding military aid) will probably amount in the fourth quarter to more than \$13.5 billion at a seasonally adjusted annual rate, making the year's total about \$12.8 billion.

In 1955, likely buoyant factors for U. S. exports will be sales for local currencies of agricultural commodities and coal under the Mutual Security Act of 1954 or the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) and continued rising European demand, as well as the likelihood of further recovery in Canadian production and import demand. Removal of discriminatory controls against dollar imports gathered momentum in 1954 with the most significant relaxations made by the United Kingdom, Sweden, Denmark, the Benelux countries, Germany, Italy, and the Union of South Africa. It is likely that the removal of discriminatory controls affecting U. S. exports will continue in 1955.

An increase in U. S. imports in 1955 will depend largely upon increased business activity in this country, and prospects seem to indicate some rise in industrial activity. It is also probable that imports of coffee, which lagged in the last half of 1954, will rise considerably both in volume and value in the coming half-year. If the volume of coffee imports in the 1954-55 "season" (third quarter 1954 to second quarter 1955) is approximately 5 per cent less than that of the two preceding seasons, as now seems quite possible in view of the excess stocks in the U. S. at mid-1953, it would amount to about 2,600 million pounds. In the first four months (July-October) of the 1954-55 crop year, coffee imports amounted only to about 450 million pounds. It would therefore follow, on the initial assumption, that approximately 2,150 million pounds of coffee remained to be imported by the end of the second quarter 1955. This would be a monthly average of about 270 million pounds for the remaining eight months of the season, compared with 240 million pounds in the similar 8-month periods of the two preceding years. In value terms the monthly average might be about \$175 million, assuming a unit value of about 65 cents per pound of coffee. Such a monthly average, though only a little greater than in the similar 8-month period of 1953-54, would be about double that for the four months July-October 1954.

Of course, the value of coffee imports -- and perhaps the volume too -- will depend considerably upon price developments, but at the present time it does not appear that a unit value of 65 cents per pound selected for the preceding calculations is so high as to vitiate the general conclusion that both the volume and value of coffee imports can be expected to rise sharply from the depressed level of the third quarter.

In summary, it is likely that U. S. foreign trade will show some expansion in 1955 compared with 1954 and the trade balance may tend to rise. Favorable factors affecting U. S. sales of commodities abroad appear at the present to be somewhat stronger and more numerous than those affecting imports, with the exception of coffee.