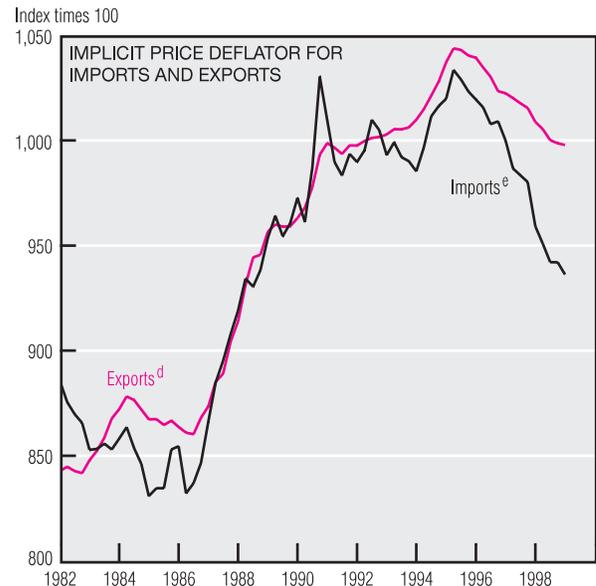
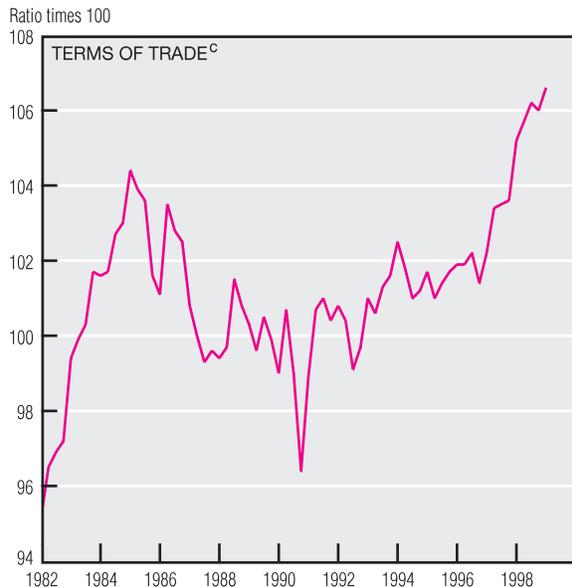
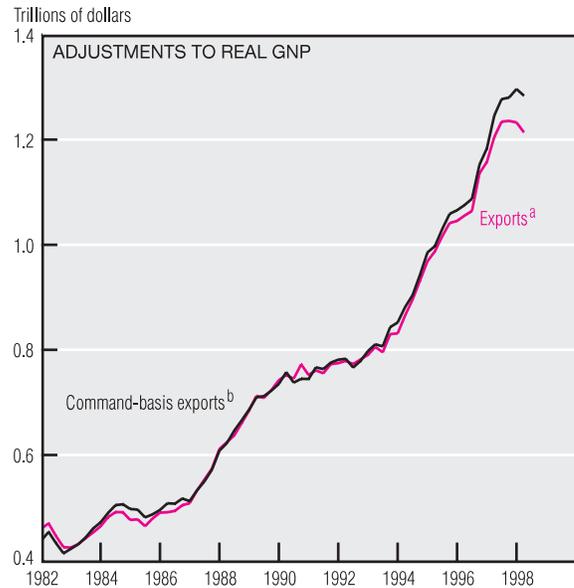
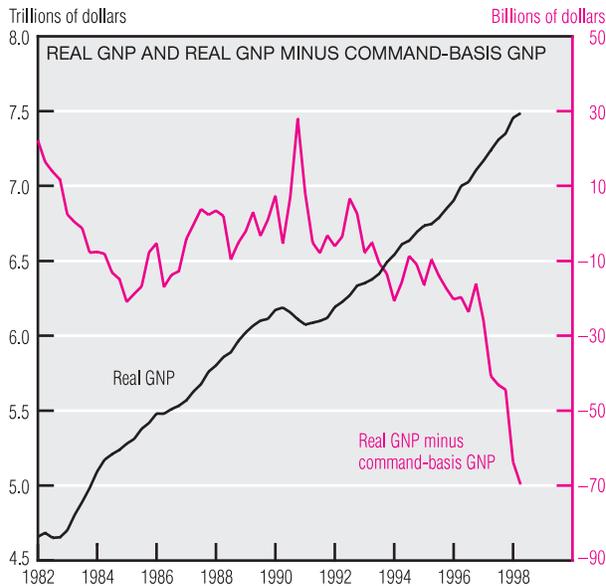


International Developments



- a. Exports of goods and services and receipts of factor income from the rest of the world.
 b. Exports of goods and services and receipts of factor income deflated by the implicit price deflator for imports of goods and services and payments of factor income.
 c. Ratio of the implicit price deflator for exports of goods and services and receipts of factor income to the corresponding implicit price deflator for imports (with the decimal point shifted two places to the right).
 d. Implicit price deflator for exports of goods and services and receipts of factor income.
 e. Implicit price deflator for imports of goods and services and payments of factor income.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis and Bureau of the Census.

Command-basis GNP measures the U.S. economy's real output by valuing its exports of goods and services and its receipts of factor income at the prices they would command as imports to the U.S. This contrasts with GNP itself, which measures real output by valuing exports of goods and services at the prices actually received for them and factor services at the prices of final sales to U.S. purchasers.

Data for 1998:IIQ show a widening gap between command-basis

GNP and real GNP, implying that the purchasing power of U.S. production grew even further than the more familiar measure suggests. With nominal U.S. exports flat, the increased difference between the two measures must result from a wider divergence between export and import prices

Terms of trade, a related concept, is the ratio of the price deflator for the sum of exported goods and services plus receipts of factor income to the deflator for the sum

of imported goods and services plus payments of factor income. The terms of trade have been improving since 1996:IVQ because import prices have fallen faster than export prices.

Neither the widening gap between command-basis and real GNP nor the improved terms of trade is likely to last. Economic weakness in developed and developing economies temporarily has dampened both demand for U.S. exports and prices of imports.