

The original documents are located in Box C4, folder “Presidential Handwriting, 9/25/1974” of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

Central Filed

THE PRESIDENT HAS SEEN *dsf.*

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON, D.C. 20506

September 25, 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Merchandise Trade Balance for August

RR7

The U. S. trade deficit rose in August to a record-high \$1.1 billion from \$0.7 billion in July as exports remained flat while imports increased in virtually all categories.

The deficit is larger than has been generally anticipated. Consequently, the release of the figures at 2:00 p.m. today may be expected to have an adverse impact in the foreign exchange markets.

Gary L. Seavers

Gary L. Seavers
Member

[Signature]

Alan Greenspan
Chairman



Detail Discussion of the Trade Developments in August

The U. S. Exports were at a record-high level in August at seasonally adjusted \$8,370 million. However, they exceeded the previous record high reached in June by only some \$13 million, following a 0.6 percent decline from June to July, and a 0.8 percent rise from July to August. Thus, for all practical purposes, the U. S. exports have remained flat over the past 3 months. This contrasts sharply with the average monthly rate of growth of 3.3 percent in 12 months from June 1973 to June 1974, and the average long-term monthly rise of 3.8 percent in the period 1968-1973.

The major influence in the leveling-off of the U. S. exports has been the decline of exports of agricultural products. After having risen sharply from \$7.8 billion in January-June 1973 to \$10.0 billion in the second half of 1973, they rose further to \$11.5 billion in January-June 1974 -- 48.6 percent above the comparable period in 1973. In July and August of 1974, such exports were running considerably below the previous years' levels. For example, exports in "Food and Live Animal" category in August 1974 were 13.6 percent below August 1973, and 14.7 percent below the peak reached in April of this year.

At the same time, exports in other categories have been growing at considerably slower rates over the past 2 months than previously. For example, while exports in the "Transportation Equipment" category rose 31 percent in the first half of 1974 over the first half of 1973, in July and August they were only up by 1.3 and 7.9 percent respectively over the average monthly exports during January-June period.

In general, the flatness of U. S. exports is attributable to the slow-down of economic activities abroad. The declines in prices of agricultural products a few months ago may be an additional element in exports in that category; recent increases in farm prices will reverse that factor in the months ahead.

U. S. Imports in August were also at a record high level of \$9.5 billion, seasonally adjusted, up 5.2 percent over the previous record high in July, and 58 percent above August 1973 level. Imports in the category of "Fuels and Lubricants" led the increase, rising some 232 percent in

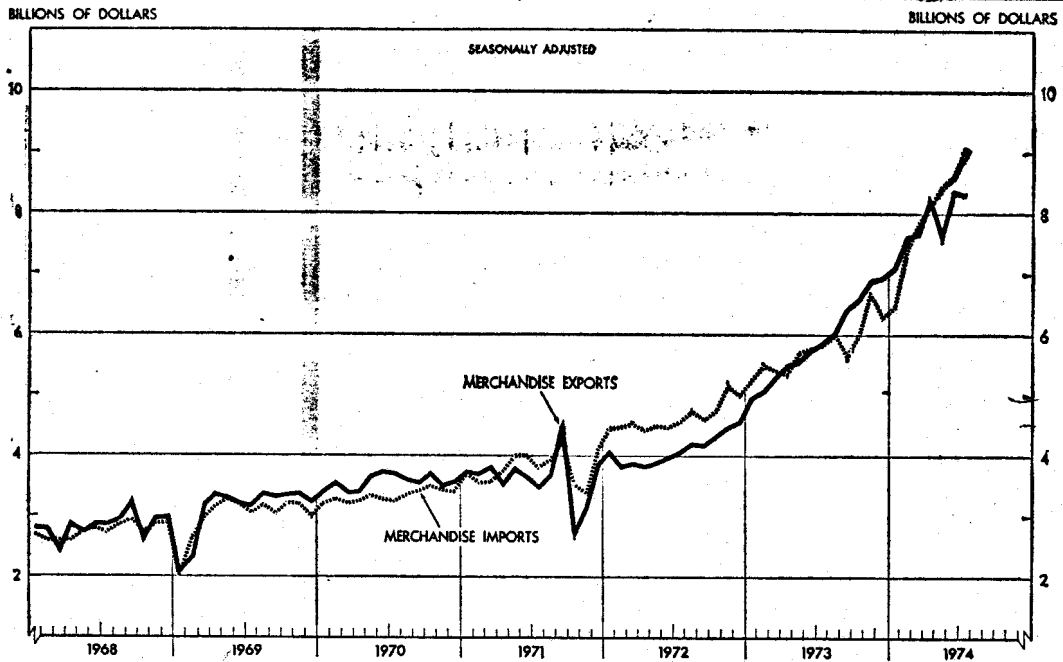
August 1974 over the same month in 1973, to a total \$2, 519 million.* Imports of manufactured goods have also been showing remarkable strength, running in August some 73 percent over August 1973 level, while rising 21.2 percent over July 1974 level.

The Trade Balance of \$1, 132 million (seasonally adjusted), the largest monthly deficit on record, exceeds the July deficit of \$728 million by a wide margin. Although a trade deficit has been generally expected due to sharply higher oil import bill, the size of the deficit in August largely exceeds the expectations. As such, therefore, the release of the figure may cause a temporary weakness of the dollar in the foreign exchange markets.

* This total excludes imports of crude oil to oil refineries in Virgin Islands that will ultimately be included in the total U. S. trade figures, balance-of-payments basis.

MERCHANDISE EXPORTS AND IMPORTS

The U.S. merchandise trade deficit deepened in July to \$728 million (seasonally adjusted), as exports remained large, about unchanged from June, while imports, led by the rise in value of imports of crude materials and fuels, rose to a record high level of over \$9 billion.



[Millions of dollars]

Period	Merchandise exports					Merchandise imports					Merchandise trade balance, seasonally adjusted	
	Total (including reexports) ¹		Domestic exports			General imports ²						
	Seasonally adjusted	Unadjusted	Total ³	Food, beverages, and tobacco	Crude materials and fuels	Manufactured goods	Seasonally adjusted	Unadjusted	Food, beverages, and tobacco	Crude materials and fuels		Manufactured goods
Monthly average:												
1966		2,458	2,421	432	367	1,602		2,135	382	476	1,204	323
1967		2,586	2,554	392	394	1,737		2,241	392	447	1,313	345
1968		2,839	2,802	383	405	1,985		2,769	447	503	1,719	70
1969		3,111	3,066	370	417	2,232		3,004	442	533	1,918	107
1970		3,555	3,502	422	558	2,445		3,329	519	545	2,159	225
1971		3,629	3,576	423	537	2,537		3,797	534	606	2,535	-168
1972		4,102	4,035	547	591	2,813		4,632	615	737	3,147	-530
1973		5,902	5,811	1,078	895	3,728		5,790	770	1,120	3,750	112
			Unadjusted					Unadjusted				
1973: June	5,728	5,860	5,756	1,023	873	3,727	5,775	5,911	725	1,084	3,940	-47
July	5,865	5,331	5,249	980	755	3,588	5,820	5,659	694	1,007	3,804	37
Aug	6,012	5,785	5,682	1,294	767	3,526	6,011	6,017	789	1,220	3,852	32
Sept	6,420	5,965	5,886	1,285	694	3,816	5,644	5,307	707	1,113	3,342	776
Oct	6,585	6,751	6,635	1,327	984	4,196	5,996	6,403	837	1,317	4,089	539
Nov	6,879	7,100	7,008	1,513	1,115	4,239	6,684	6,845	948	1,438	4,316	195
Dec	6,949	6,921	6,837	1,385	1,104	4,242	6,291	5,974	859	1,496	3,463	658
1974: Jan	7,111	6,832	6,750	1,289	1,072	4,248	6,467	6,650	881	1,742	3,882	644
Feb	7,606	7,298	7,207	1,244	1,268	4,563	7,392	6,692	830	1,989	3,718	213
Mar	7,674	8,520	8,406	1,336	1,376	5,523	7,845	7,823	1,015	2,343	4,295	-171
Apr	8,234	8,381	8,256	1,277	1,427	5,381	8,141	8,371	937	2,811	4,444	93
May	7,630	8,427	8,296	1,195	1,427	5,517	8,407	8,899	939	2,885	4,902	-777
June	8,357	8,328	8,212	1,182	1,360	5,501	8,613	8,557	900	2,675	4,799	-256
July	8,307	7,656	7,554	1,172	1,238	4,962	9,036	9,003	901	3,011	4,897	-728

¹ Total excludes Department of Defense shipments of grant-aid military supplies and equipment under the Military Assistance Program.
² Total includes commodities and transactions not classified according to kind.
³ Total arrivals of imported goods other than intransit shipments.

NOTE.—Data adjusted to include silver ore and bullion reported separately prior to 1969.

Source: Department of Commerce.

23

Aug	8370	7930	7802	1,118	1,227	5292	9502	9,166	879	3,079	5,020	-1132
-----	------	------	------	-------	-------	------	------	-------	-----	-------	-------	-------