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COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

THE PRESIDENT HAS SEEN *af.*

ALAN GREENSPAN, CHAIRMAN
WILLIAM J. FELLNER
GARY L. SEEVERS

January 28, 1975

MEMORANDUM FOR THE PRESIDENT

SUBJECT: U.S. Merchandise Trade for December,
the Fourth Quarter and 1974 as a Whole

The Department of Commerce released trade figures January 27, showing that the United States had a \$606.0 million (seasonally adjusted) deficit in U.S. merchandise trade (Census basis) in December. Adjusted to the balance of payments basis, this brought the trade deficit in the fourth quarter of the year to \$1.5 billion, and for the year as a whole, to a deficit of \$5.8 billion.

The higher cost of oil imports increased the deficit in petroleum and products from \$7.5 billion in 1973 to \$25.1 billion in 1974. Excluding trade in petroleum, the overall merchandise balance was in surplus by almost \$19.5 billion.

Gary L. SeEVERS
Gary L. SeEVERS
Member

Alan Greenspan
Chairman

Attachment



Further Details

U.S. exports (Census basis) in December declined by 3.7 percent over November to \$8.7 billion, while imports rose 1.7 percent to \$9.3 billion. The decline in exports affected virtually all major categories (except fats and chemicals) and was particularly concentrated in the category of machinery and transportation equipment -- apparently in reflection of a decline in demand abroad due to a general slow down in economic activity. Rise in imports of crude materials accounted for most of the increase in overall imports.

The fourth quarter deficit of \$1,522 million (seasonally adjusted, balance of payment basis) was lower than the \$2.6 billion deficit recorded in the third quarter, as exports rose by 6 percent while imports increased by only 2 percent in the fourth quarter.

For the year as a whole, imports, at \$102.8 billion were up 47 percent in value over 1973; but after an adjustment for price changes, they actually declined in terms of volume by 1 percent. Oil imports declined by almost 3 percent in volume, but the higher price caused an increase in oil trade deficit by \$17.6 billion in 1974 over 1973. Exports were up by 38 percent to \$97.1 billion. Corrected for inflation, exports were up by 8 percent. The value of

agricultural products led the category increases as it increased by 25 percent in 1974 (after having doubled in 1973). In volume terms, farm products exports, however, were down by 10 percent in 1974, largely due to reduced U.S. supplies. Nonfarm exports were up in volume terms by 12 percent, compared to the 22 percent rise in 1973.