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THE PRESIDENT HAS SEEN...^{dy}

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

May 15, 1975

MR 7

MEMORANDUM FOR THE PRESIDENT

Subject: U.S. Balance of Payments for First Quarter 1975

The Department of Commerce released today the Balance of Payments figures for the first quarter of this year.

The Official Reserve Transactions Balance was in deficit \$2.8 billion in the first quarter, compared to a \$4.5 billion deficit in the last quarter of 1974, and the Net Liquidity Balance showed a surplus of \$2.7 compared to a \$7.4 billion deficit in the preceding quarter. The meaning of the various measures of the balance of payments has been obscured by a number of factors -- including the existence of managed floating exchange rates, the magnitude of official holdings of the oil-producing countries, and the increasing difficulty of distinguish-
ing liquid from non-liquid items.

A major development in the first quarter was the shift in the trade account to a \$1.3 billion surplus, following a deficit of \$1.5 billion the previous quarter. U.S. exports increased slightly. Imports declined significantly primarily because of lower oil imports, reflecting the lower level of economic activity and measures to reduce the consumption of foreign oil.

On capital account, although U.S. purchases of foreign securities increased, this was more than offset by foreign purchases of U.S. securities and reduced bank outflows. A portion of the financial inflows, which show up as an "improvement" in the balance of payments as it is conventionally measured, may be due to diversification into longer term assets held here by oil exporting countries.


Alan Greenspan

