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BEA 08-41

U.S. International Transactions: Second Quarter 2008

Current Account

The U.S. current-account deficit--the combined balances on trade in goods and services, income, and net unilateral current transfers--increased to \$183.1 billion (preliminary) in the second quarter of 2008 from \$175.6 billion (revised) in the first quarter. The increase was more than accounted for by a decrease in the surplus on income and an increase in the deficit on goods. In contrast, the surplus on services increased, and net unilateral current transfers to foreigners decreased.

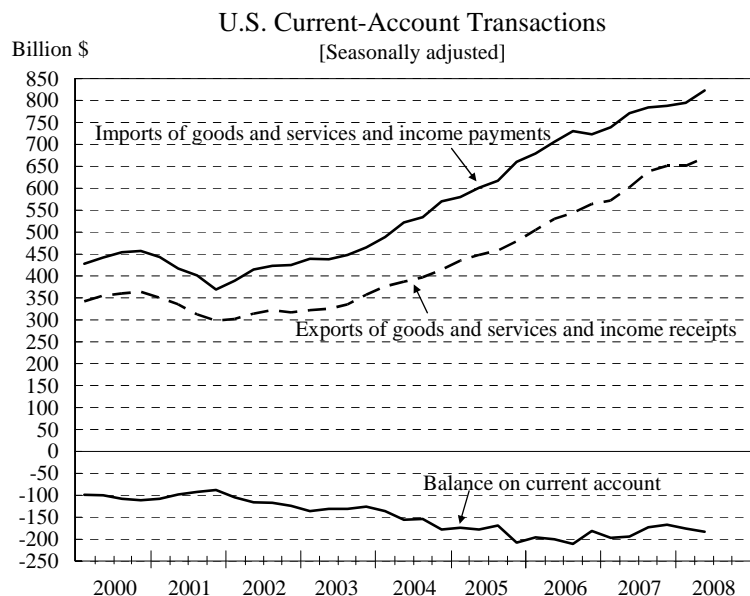
Goods and services

The deficit on goods and services increased to \$180.6 billion in the second quarter from \$177.1 billion in the first.

Goods The deficit on goods increased to \$216.3 billion in the second quarter from \$211.0 billion in the first.

Goods exports increased to \$337.3 billion from \$317.8 billion. More than half of the increase resulted from an increase in industrial supplies and materials, including energy products. The next largest increases were in capital goods, in agricultural products, and in consumer goods.

Goods imports increased to \$553.6 billion from \$528.8 billion. Nearly half of the increase resulted from an increase in petroleum and products. The next largest increases were in nonpetroleum industrial supplies and materials, in capital goods, and in consumer goods.



NOTE: This news release is available on BEA's Web site at www.bea.gov/newsreleases/rels.htm.

Services The surplus on services increased to \$35.8 billion in the second quarter from \$33.9 billion in the first.

Services receipts increased to \$137.5 billion from \$133.8 billion. The increase was largely accounted for by increases in “other” private services (which includes items such as business, professional, and technical services, insurance services, and financial services), in travel, in “other” transportation (which includes freight and port services), and in royalties and license fees.

Services payments increased to \$101.7 billion from \$99.9 billion. The increase was largely accounted for by increases in “other” transportation and in “other” private services.

Income

The surplus on income decreased to \$27.3 billion in the second quarter from \$33.2 billion in the first.

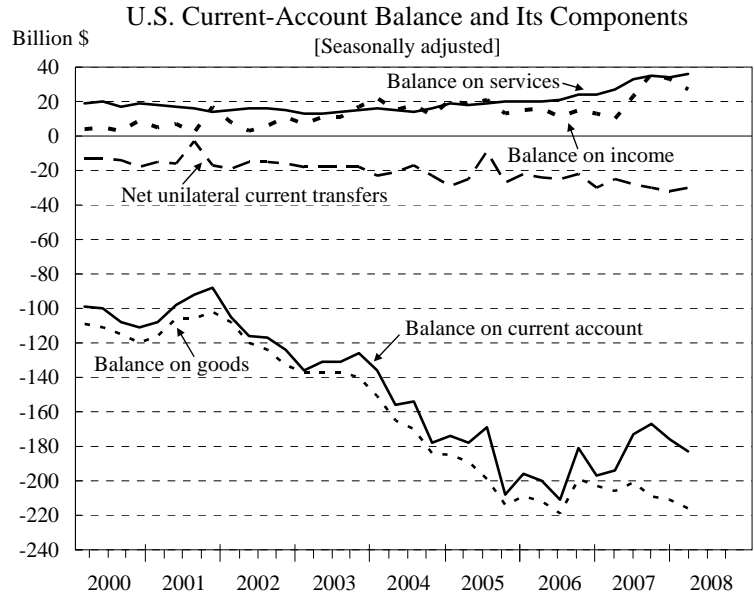
Investment income Income receipts on U.S.-owned assets abroad decreased to \$194.1 billion from \$199.1 billion. The decrease was more than accounted for by a decrease in “other” private receipts (which consists of interest and dividends). In contrast, direct investment receipts increased.

Income payments on foreign-owned assets in the United States increased to \$165.0 billion from \$164.1 billion. The increase was more than accounted for by an increase in direct investment payments. In contrast, “other” private payments decreased.

Compensation of employees Receipts for compensation of U.S. workers abroad were virtually unchanged at \$0.8 billion, and payments for compensation of foreign workers in the United States were also virtually unchanged, at \$2.5 billion.

Unilateral current transfers

Net unilateral current transfers to foreigners were \$29.9 billion in the second quarter, down from \$31.7 billion in the first. The decrease was more than accounted for by a decrease in U.S. government grants. In contrast, private remittances and other transfers increased.



Capital Account

Net capital account payments (outflows) were \$0.7 billion in the second quarter, up slightly from \$0.6 billion in the first.

Financial Account

Net financial inflows--net acquisitions by foreign residents of assets in the United States less net acquisitions by U.S. residents of assets abroad--were \$136.7 billion in the second quarter, down from \$190.4 billion in the first. Net acquisitions by foreign residents slowed sharply, and transactions by U.S. residents resulted in a decrease in U.S.-owned assets abroad in the second quarter, following an increase in the first quarter.

U.S.-owned assets abroad

U.S.-owned assets abroad decreased \$110.4 billion in the second quarter, following an increase of \$260.6 billion in the first.

U.S. claims on foreigners reported by U.S. banks decreased \$225.7 billion in the second quarter, following an increase of \$221.3 billion in the first.

Net U.S. purchases of foreign securities were \$32.5 billion in the second quarter, down from \$35.1 billion in the first. Net U.S. purchases of foreign stocks were \$21.3 billion, down from \$26.9 billion. Net U.S. purchases of foreign bonds were \$11.1 billion, up from \$8.2 billion.

U.S. direct investment abroad increased \$65.5 billion in the second quarter, following an increase of \$89.1 billion in the first. The slowdown resulted from a shift from an increase to a decrease in net intercompany debt investment abroad and a slowdown in net equity capital investment. In contrast, reinvested earnings picked up.

U.S. official reserve assets increased \$1.3 billion in the second quarter, following an increase of \$0.3 billion in the first.

U.S. government assets other than official reserve assets increased \$41.3 billion in the second quarter, following a decrease of \$3.3 billion in the first.

Foreign-owned assets in the United States

Foreign-owned assets in the United States increased \$26.3 billion in the second quarter, following an increase of \$459.0 billion in the first.

U.S. liabilities to foreigners reported by U.S. banks decreased \$233.6 billion in the second quarter, following an increase of \$79.1 billion in the first.

Net foreign purchases of U.S. Treasury securities were \$67.0 billion in the second quarter, up from \$63.3 billion in the first.

Transactions in U.S. securities other than U.S. Treasury securities shifted to net foreign purchases of \$16.5 billion in the second quarter from net foreign sales of \$20.5 billion in the first. The shift was more than accounted for by a shift to net foreign purchases of \$50.5 billion of U.S. corporate bonds from net foreign sales of \$10.7 billion. In contrast, transactions in U.S. stocks shifted to net foreign sales of \$1.1 billion from net foreign purchases of \$8.3 billion, and net foreign sales of U.S. federally sponsored agency bonds were \$32.8 billion, up from \$18.0 billion.

Foreign direct investment in the United States increased \$93.8 billion in the second quarter, following an increase of \$80.4 billion in the first. The pickup was largely accounted for by a pickup in reinvested earnings. In addition, net equity capital investment in the United States and net intercompany debt investment both increased.

Foreign official assets in the United States increased \$144.4 billion in the second quarter, following an increase of \$173.5 billion in the first.

Transactions in U.S. currency shifted to net shipments to foreign countries of \$0.2 billion in the second quarter from net shipments to the United States of \$0.9 billion in the first.

The statistical discrepancy--errors and omissions in recorded transactions--was a positive \$47.1 billion in the second quarter, compared with a negative \$14.1 billion in the first.

In the second quarter, the U.S. dollar depreciated 2 percent on a trade-weighted quarterly average basis against a group of 7 major currencies.

Revisions

The first-quarter international transactions are revised from previously published estimates. The current-account deficit was revised to \$175.6 billion from \$176.4 billion. The goods deficit was unrevised at \$211.0 billion; the services surplus was revised to \$33.9 billion from \$36.1 billion; the income surplus was revised to \$33.2 billion from \$29.8 billion; and unilateral current transfers were revised to net outflows of \$31.7 billion from \$31.2 billion. Net financial inflows were revised to \$190.4 billion from \$124.3 billion.

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Release dates in 2008:

Fourth quarter and year 2007.....	March 17, 2008 (Monday)
First quarter 2008.....	June 17, 2008 (Tuesday)
Second quarter 2008.....	September 17, 2008 (Wednesday)
Third quarter 2008.....	December 17, 2008 (Wednesday)

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Summary BEA estimates are available on recorded messages at the time of public release at the following telephone numbers:

(202) 606-5306 Gross domestic product
-5303 Personal income and outlays

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Table 1. U.S. International Transactions

[Millions of dollars, quarters seasonally adjusted]

	(Credits +, debits -)	2007	2007				2008		Change: 2008 I-II
			I	II	III	IV	I ^r	II ^p	
Current account									
1	Exports of goods and services and income receipts.....	2,463,505	572,182	602,122	638,393	650,808	651,473	669,691	18,218
2	Exports of goods and services.....	1,645,726	385,436	399,951	424,873	435,465	451,645	474,819	23,174
3	Goods, balance of payments basis.....	1,148,481	270,318	279,488	295,494	303,180	317,813	337,312	19,499
4	Services.....	497,245	115,118	120,463	129,378	132,285	133,833	137,506	3,673
5	Transfers under U.S. military agency sales contracts.....	16,052	4,629	4,000	3,881	3,542	4,371	3,516	-855
6	Travel.....	96,712	21,818	23,154	25,241	26,499	27,060	28,243	1,183
7	Passenger fares.....	25,586	5,800	5,996	6,530	7,259	7,623	7,904	281
8	Other transportation.....	51,586	12,076	12,639	13,081	13,790	14,632	15,577	945
9	Royalties and license fees.....	82,614	18,991	19,866	21,940	21,817	21,559	22,264	705
10	Other private services.....	223,483	51,508	54,521	58,396	59,058	58,289	59,677	1,388
11	U.S. Government miscellaneous services.....	1,212	296	288	309	320	299	325	26
12	Income receipts.....	817,779	186,746	202,171	213,520	215,343	199,827	194,873	-4,954
13	Income receipts on U.S.-owned assets abroad.....	814,807	186,013	201,434	212,774	214,587	199,064	194,106	-4,958
14	Direct investment receipts.....	368,275	83,391	89,673	94,953	100,259	97,262	99,612	2,350
15	Other private receipts.....	444,299	102,063	111,187	117,275	113,774	101,088	93,728	-7,360
16	U.S. Government receipts.....	2,233	559	574	546	554	714	766	52
17	Compensation of employees.....	2,972	733	737	746	756	763	767	4
18	Imports of goods and services and income payments.....	-3,082,014	-738,938	-771,262	-783,548	-788,264	-795,371	-822,898	-27,527
19	Imports of goods and services.....	-2,345,984	-564,979	-578,770	-592,986	-609,248	-628,756	-655,369	-26,613
20	Goods, balance of payments basis.....	-1,967,853	-473,681	-485,375	-496,698	-512,099	-528,845	-553,641	-24,796
21	Services.....	-378,130	-91,298	-93,395	-96,288	-97,149	-99,910	-101,729	-1,819
22	Direct defense expenditures.....	-32,820	-7,915	-8,085	-8,132	-8,688	-8,769	-8,856	-87
23	Travel.....	-76,167	-18,538	-18,849	-19,247	-19,533	-20,403	-20,560	-157
24	Passenger fares.....	-28,486	-6,721	-6,979	-7,422	-7,364	-7,928	-8,133	-205
25	Other transportation.....	-67,050	-16,022	-16,767	-17,119	-17,142	-17,869	-18,560	-691
26	Royalties and license fees.....	-25,048	-6,643	-6,260	-6,155	-5,991	-6,663	-6,809	-146
27	Other private services.....	-144,375	-34,444	-35,437	-37,145	-37,350	-37,196	-37,732	-536
28	U.S. Government miscellaneous services.....	-4,184	-1,016	-1,018	-1,069	-1,081	-1,083	-1,079	4
29	Income payments.....	-736,030	-173,959	-192,492	-190,562	-179,016	-166,615	-167,529	-914
30	Income payments on foreign-owned assets in the United States.....	-726,031	-171,560	-189,991	-188,045	-176,436	-164,055	-164,979	-924
31	Direct investment payments.....	-134,414	-33,128	-40,620	-35,243	-25,424	-27,001	-35,750	-8,749
32	Other private payments.....	-426,515	-99,373	-107,963	-110,898	-108,281	-94,302	-86,265	8,037
33	U.S. Government payments.....	-165,102	-39,059	-41,408	-41,904	-42,731	-42,752	-42,964	-212
34	Compensation of employees.....	-9,999	-2,399	-2,501	-2,517	-2,580	-2,560	-2,549	11
35	Unilateral current transfers, net.....	-112,705	-30,174	-24,953	-27,796	-29,784	-31,742	-29,941	1,801
36	U.S. Government grants.....	-33,237	-10,567	-5,611	-7,109	-9,950	-9,990	-7,138	2,852
37	U.S. Government pensions and other transfers.....	-7,323	-1,805	-1,834	-1,837	-1,849	-1,951	-1,976	-25
38	Private remittances and other transfers.....	-72,145	-17,802	-17,508	-18,850	-17,985	-19,801	-20,827	-1,026

Table 1. U.S. International Transactions (Continued)

[Millions of dollars, quarters seasonally adjusted]

	(Credits +, debits -)	2007	2007				2008		Change: 2008 I-II
			I	II	III	IV	I ^r	II ^p	
Capital account									
39	Capital account transactions, net.....	-1,843	-543	-112	-617	-571	-600	-652	-52
Financial account									
40	U.S.-owned assets abroad, excluding financial derivatives (increase/financial outflow (-)).....	-1,289,854	-442,065	-523,556	-170,476	-153,757	-260,644	110,431	371,075
41	U.S. official reserve assets.....	-122	-72	26	-54	-22	-276	-1,267	-991
42	Gold.....	0	0	0	0	0	0	0	0
43	Special drawing rights.....	-154	-43	-39	-37	-35	-29	-22	7
44	Reserve position in the International Monetary Fund.....	1,021	212	294	230	285	112	-955	-1,067
45	Foreign currencies.....	-989	-241	-229	-247	-272	-359	-229	69
46	U.S. Government assets, other than official reserve assets.....	-22,273	445	-596	623	-22,744	3,265	-41,265	-44,530
47	U.S. credits and other long-term assets.....	-2,475	-608	-1,405	-182	-279	-179	-1,173	-994
48	Repayments on U.S. credits and other long-term assets.....	4,104	1,091	687	780	1,546	487	860	373
49	U.S. foreign currency holdings and U.S. short-term assets.....	-23,902	-38	122	25	-24,011	2,957	-40,952	-43,909
50	U.S. private assets.....	-1,267,459	-442,438	-522,985	-171,045	-130,990	-263,634	152,963	416,597
51	Direct investment.....	-333,271	-66,706	-93,616	-62,043	-110,905	-89,100	-65,549	23,551
52	Foreign securities.....	-288,731	-99,541	-84,671	-100,317	-4,202	-35,066	-32,457	2,609
53	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns.....	-706	-46,048	-134,713	80,012	100,043	81,848	25,224	-56,624
54	U.S. claims reported by U.S. banks, not included elsewhere.....	-644,751	-230,143	-209,985	-88,697	-115,926	-221,316	225,745	447,061
55	Foreign-owned assets in the United States, excluding financial derivatives (increase/financial inflow (+)).....	2,057,703	692,713	718,112	266,476	380,402	459,017	26,301	-432,716
56	Foreign official assets in the United States.....	411,058	163,270	88,822	13,469	145,497	173,533	144,417	-29,116
57	U.S. Government securities.....	230,330	121,640	61,641	-7,788	54,837	167,883	150,390	-17,493
58	U.S. Treasury securities.....	58,865	40,337	1,610	-25,810	42,728	88,649	57,245	-31,404
59	Other.....	171,465	81,303	60,031	18,022	12,109	79,234	93,145	13,911
60	Other U.S. Government liabilities.....	5,342	366	-69	913	4,132	1,645	2,439	794
61	U.S. liabilities reported by U.S. banks, not included elsewhere.....	108,695	30,329	15,956	9,873	52,537	-26,930	-30,131	-3,201
62	Other foreign official assets.....	66,691	10,935	11,294	10,471	33,991	30,935	21,719	-9,216
63	Other foreign assets in the United States.....	1,646,645	529,443	629,290	253,007	234,905	285,484	-118,116	-403,600
64	Direct investment.....	237,542	14,026	61,862	105,908	55,746	80,437	93,767	13,330
65	U.S. Treasury securities.....	156,825	42,882	-13,522	67,406	60,059	63,263	66,950	3,687
66	U.S. securities other than U.S. Treasury securities.....	573,850	183,507	310,340	-30,486	110,489	-20,475	16,532	37,007
67	U.S. currency.....	-10,675	-6,165	-1,635	655	-3,530	-914	230	1,144
68	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.....	156,290	90,061	122,476	55,599	-111,846	84,085	-61,972	-146,057
69	U.S. liabilities reported by U.S. banks, not included elsewhere.....	532,813	205,132	149,769	53,925	123,987	79,088	-233,623	-312,711
70	Financial derivatives, net.....	6,496	14,795	-1,007	5,942	-13,234	-8,001	n.a.	8,001
71	Statistical discrepancy (sum of above items with sign reversed).....	-41,287	-67,970	656	71,627	-45,600	-14,131	47,067	61,198
Memoranda:									
72	Balance on goods (lines 3 and 20).....	-819,373	-203,363	-205,887	-201,204	-208,919	-211,032	-216,328	-5,296
73	Balance on services (lines 4 and 21).....	119,115	23,820	27,068	33,090	35,136	33,922	35,777	1,855
74	Balance on goods and services (lines 2 and 19).....	-700,258	-179,543	-178,819	-168,114	-173,783	-177,110	-180,551	-3,441
75	Balance on income (lines 12 and 29).....	81,749	12,787	9,679	22,958	36,327	33,212	27,344	-5,868
76	Unilateral current transfers, net (line 35).....	-112,705	-30,174	-24,953	-27,796	-29,784	-31,742	-29,941	1,801
77	Balance on current account (lines 1, 18, and 35 or lines 74, 75, and 76).....	-731,214	-196,930	-194,093	-172,952	-167,241	-175,640	-183,147	-7,507

p Preliminary

r Revised

n.a. Not available

NOTE: Details may not add to totals because of rounding. Source: U. S. Bureau of Economic Analysis