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U.S. International Transactions: Second Quarter 2004

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 \$166.2 billion in the second quarter of 2004 (preliminary) from \$147.2 billion (revised) in the first quarter. The increase was more than accounted for by an increase in the deficit on goods and a decrease in the surplus on income. The surplus on services increased, and net outflows for unilateral current transfers decreased.

Goods and services

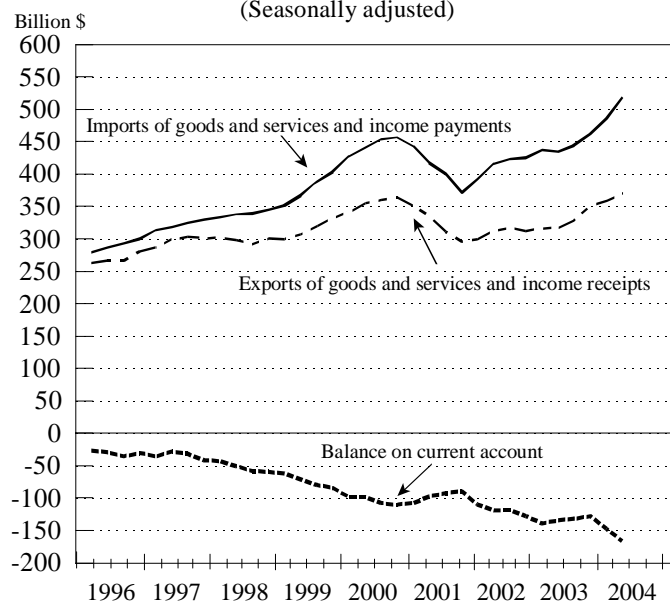
The deficit on goods and services increased to \$150.3 billion in the second quarter from \$138.6 billion in the first.

Goods The deficit on goods increased to \$163.6 billion in the second quarter from \$150.8 billion in the first quarter.

Goods exports increased to \$199.3 billion from \$193.9 billion. The increase was mostly attributable to increases in industrial supplies and materials, in capital goods, and in consumer goods.

U.S. Current-Account Transactions

(Seasonally adjusted)



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

Goods imports increased to \$362.9 billion from \$344.7 billion. The increase was mostly attributable to increases in industrial supplies and materials, in capital goods, and in consumer goods.

Services The surplus on services increased to \$13.3 billion in the second quarter from \$12.2 billion in the first.

Services receipts increased to \$85.0 billion from \$82.2 billion. The largest increases were in travel and in “other” private services (such as business, professional, and technical services, insurance services, and financial services).

Services payments increased to \$71.7 billion from \$70.0 billion. The largest increases were in travel and in “other” private services.

Income

The surplus on income decreased to \$2.6 billion in the second quarter from \$12.2 billion in the first.

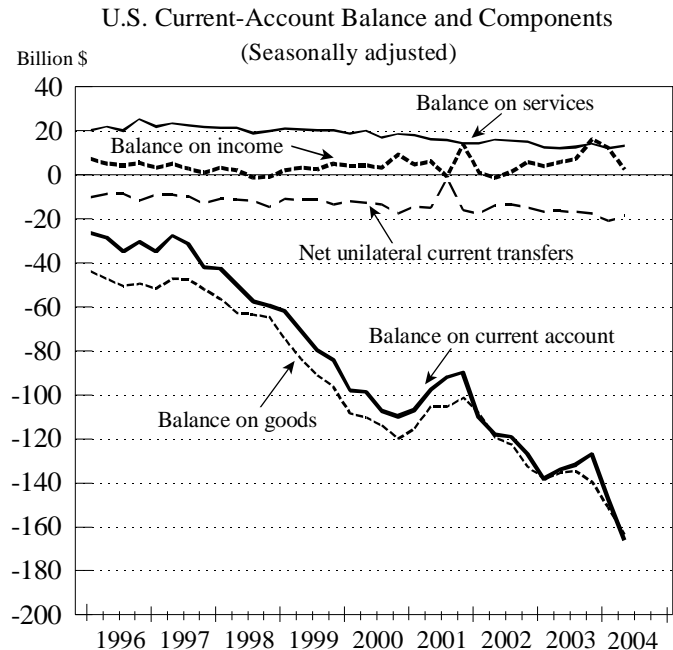
Investment income Income receipts on U.S.-owned assets abroad increased to \$86.1 billion from \$82.8 billion. The increase was more than accounted for by increases in “other” private receipts (which consists of interest and dividends) and in direct investment receipts.

Income payments on foreign-owned assets in the United States increased to \$82.0 billion from \$69.2 billion. Direct investment payments, “other” private payments and U.S. Government payments all increased.

Compensation of employees Receipts for compensation of U.S. workers abroad decreased slightly to \$0.7 billion from \$0.8 billion, and payments for compensation of foreign workers in the United States increased slightly to \$2.3 billion from \$2.2 billion.

Unilateral current transfers

Unilateral current transfers were net outflows of \$18.5 billion in the second quarter, down from net outflows of \$20.7 billion in the first. The decrease was attributable to a decrease in U.S. Government grants.



Capital and Financial Account

Capital Account

Capital account transactions were net outflows of \$0.3 billion in the second quarter, down slightly from net outflows of \$0.4 billion in the first.

Financial Account

Net recorded financial inflows--net acquisitions by foreign residents of assets in the United States less net acquisitions by U.S. residents of assets abroad--were \$146.8 billion in the second quarter, up from \$138.6 billion in the first. Financial outflows for U.S.-owned assets abroad decreased more than financial inflows for foreign-owned assets in the United States.

U.S.-owned assets abroad

U.S.-owned assets abroad increased \$118.5 billion in the second quarter, following an increase of \$306.7 billion in the first.

U.S. claims on foreigners reported by U.S. banks increased \$30.9 billion in the second quarter, following an increase of \$187.1 billion in the first.

Net U.S. purchases of foreign securities were \$30.3 billion in the second quarter, up from \$16.5 billion in the first. Net U.S. purchases of foreign stocks were \$40.2 billion, up from \$21.4 billion. Net U.S. sales of foreign bonds were \$9.9 billion, up from \$4.9 billion.

Net financial outflows for U.S. direct investment abroad were \$60.7 billion in the second quarter, up from \$47.6 billion in the first. The increase was more than accounted for by an increase in net equity capital outflows. Reinvested earnings also increased slightly. A small increase in net intercompany debt inflows was partly offsetting.

U.S. official reserve assets decreased \$1.1 billion in the second quarter, following a decrease of \$0.6 billion in the first.

Foreign-owned assets in the United States

Foreign-owned assets in the United States increased \$265.2 billion in the second quarter, following an increase of \$445.3 billion in the first.

U.S. liabilities to foreigners reported by U.S. banks increased \$30.9 billion in the second quarter, following an increase of \$140.8 billion in the first.

Net foreign purchases of U.S. Treasury securities were \$35.6 billion in the second quarter, down from \$65.4 billion in the first.

Net foreign purchases of U.S. securities other than U.S. Treasury securities were \$88.6 billion in the second quarter, up from \$62.1 billion in the first. Net foreign purchases of U.S. stocks were \$2.0 billion, down from \$4.2 billion. Net foreign purchases of U.S. corporate bonds were \$51.5 billion, up slightly from \$51.2 billion. Net foreign purchases of federally sponsored agency bonds were \$35.1 billion, up from \$6.7 billion.

Net financial inflows for foreign direct investment in the United States were \$32.7 billion in the second quarter, up from \$10.2 billion in the first. Increases in net equity capital inflows and in reinvested earnings more than offset a shift to net outflows on intercompany debt.

Foreign official assets in the United States increased \$73.9 billion in the second quarter, following an increase of \$127.9 billion in the first.

Net U.S. currency shipments to foreigners were \$8.8 billion in the second quarter, a shift from net shipments from foreigners to U.S. residents of \$1.8 billion in the first.

The statistical discrepancy--errors and omissions in recorded transactions--was a positive \$19.7 billion in the second quarter, compared with a positive \$8.9 billion in the first.

In the second quarter, the U.S. dollar appreciated 3 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 \$147.2 billion from \$144.9 billion. The goods deficit was unrevised at \$150.8 billion; the services surplus was revised to \$12.2 billion from \$13.8 billion; the surplus on income was revised to \$12.2 billion from \$12.7 billion; and unilateral current transfers were revised to net outflows of \$20.7 billion from \$20.6 billion. Net recorded financial inflows were revised to \$138.6 billion from \$158.3 billion.

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Release dates in 2004:

Third quarter 2004.....December 16, 2004 (Thursday)

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

- (202) 606-5362 U.S. international transactions
- 5306 Gross domestic product
- 5303 Personal income and outlays

Most of BEA's estimates and analyses are published in the Survey of Current Business, BEA's monthly journal. Subscriptions and single copies of the printed Survey are for sale by the Superintendent of Documents, U.S. Government Printing Office. Internet:<bookstore.gpo.gov>; phone: (202) 512-1800; fax: (202) 512-2250; mail: Stop SSOP, Washington, DC 20402-0001.

Table 1. U.S. International Transactions

[Millions of dollars, quarters seasonally adjusted]

	(Credits +, debits -)	2003	2003				2004		Change: 2004 I-II
			I	II	III	IV	I ^r	II ^p	
Current account									
1	Exports of goods and services and income receipts.....	1,314,888	315,676	317,367	329,508	352,336	359,604	371,177	11,573
2	Exports of goods and services.....	1,020,503	247,999	248,474	255,723	268,306	276,076	284,294	8,218
3	Goods, balance of payments basis.....	713,122	173,459	174,554	178,251	186,858	193,920	199,315	5,395
4	Services.....	307,381	74,540	73,920	77,472	81,448	82,156	84,979	2,823
5	Transfers under U.S. military agency sales contracts.....	12,491	2,827	3,014	3,292	3,358	3,290	3,739	449
6	Travel.....	64,509	15,862	14,360	16,216	18,071	17,878	18,932	1,054
7	Passenger fares.....	15,693	3,825	3,522	4,036	4,310	4,527	4,690	163
8	Other transportation.....	31,833	7,683	7,709	7,893	8,548	9,060	9,374	314
9	Royalties and license fees.....	48,227	11,628	11,943	12,175	12,481	12,472	12,508	36
10	Other private services.....	133,818	32,513	33,170	33,657	34,477	34,745	35,549	804
11	U.S. Government miscellaneous services.....	810	202	202	203	203	184	187	3
12	Income receipts.....	294,385	67,677	68,893	73,785	84,030	83,528	86,883	3,355
13	Income receipts on U.S.-owned assets abroad.....	291,354	66,936	68,163	73,016	83,239	82,769	86,140	3,371
14	Direct investment receipts.....	187,522	40,748	42,704	47,229	56,843	55,553	56,642	1,089
15	Other private receipts.....	99,135	25,345	24,218	24,498	25,074	26,433	28,878	2,445
16	U.S. Government receipts.....	4,697	843	1,241	1,289	1,322	783	620	-163
17	Compensation of employees.....	3,031	741	730	769	791	759	743	-16
18	Imports of goods and services and income payments.....	-1,778,117	-437,067	-434,873	-444,497	-461,679	-486,042	-518,820	-32,778
19	Imports of goods and services.....	-1,517,011	-373,385	-371,854	-377,973	-393,800	-414,678	-434,580	-19,902
20	Goods, balance of payments basis.....	-1,260,674	-311,402	-310,087	-312,886	-326,299	-344,688	-362,895	-18,207
21	Services.....	-256,337	-61,983	-61,767	-65,087	-67,501	-69,990	-71,685	-1,695
22	Direct defense expenditures.....	-25,117	-5,732	-6,229	-6,339	-6,817	-6,824	-6,930	-106
23	Travel.....	-56,613	-14,312	-12,790	-14,409	-15,102	-15,508	-16,170	-662
24	Passenger fares.....	-20,957	-5,007	-4,875	-5,512	-5,563	-5,574	-5,811	-237
25	Other transportation.....	-44,768	-10,796	-11,109	-11,312	-11,551	-13,051	-12,965	86
26	Royalties and license fees.....	-20,049	-4,629	-4,912	-5,204	-5,304	-5,223	-5,497	-274
27	Other private services.....	-85,829	-20,762	-21,103	-21,558	-22,407	-23,026	-23,510	-484
28	U.S. Government miscellaneous services.....	-3,004	-745	-749	-753	-757	-784	-802	-18
29	Income payments.....	-261,106	-63,682	-63,019	-66,524	-67,879	-71,364	-84,240	-12,876
30	Income payments on foreign-owned assets in the United States.....	-252,573	-61,557	-60,899	-64,402	-65,713	-69,205	-81,964	-12,759
31	Direct investment payments.....	-68,657	-15,415	-16,362	-18,589	-18,289	-20,787	-27,582	-6,795
32	Other private payments.....	-111,874	-28,146	-26,785	-27,844	-29,099	-29,361	-33,877	-4,516
33	U.S. Government payments.....	-72,042	-17,996	-17,752	-17,969	-18,325	-19,057	-20,505	-1,448
34	Compensation of employees.....	-8,533	-2,125	-2,120	-2,122	-2,166	-2,159	-2,276	-117
35	Unilateral current transfers, net.....	-67,439	-16,815	-16,369	-16,639	-17,617	-20,726	-18,534	2,192
36	U.S. Government grants.....	-21,865	-5,833	-5,832	-5,447	-4,753	-7,744	-5,051	2,693
37	U.S. Government pensions and other transfers.....	-5,341	-1,320	-1,335	-1,334	-1,352	-1,554	-1,564	-10
38	Private remittances and other transfers.....	-40,233	-9,662	-9,202	-9,858	-11,512	-11,428	-11,919	-491

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

[Millions of dollars, quarters seasonally adjusted]

	(Credits +, debits -)	2003	2003				2004		Change: 2004 I-II
			I	II	III	IV	I ^r	II ^p	
Capital and financial account									
Capital account									
39	Capital account transactions, net.....	-3,079	-406	-1,552	-821	-300	-396	-321	75
Financial account									
40	U.S.-owned assets abroad, net (increase/financial outflow (-)).....	-283,414	-102,665	-110,962	-8,138	-61,647	-306,729	-118,455	188,274
41	U.S. official reserve assets, net.....	1,523	83	-170	-611	2,221	557	1,122	565
42	Gold.....
43	Special drawing rights.....	601	897	-102	-97	-97	-100	-90	10
44	Reserve position in the International Monetary Fund.....	1,494	-644	86	-383	2,435	815	1,345	530
45	Foreign currencies.....	-572	-170	-154	-131	-117	-158	-133	25
46	U.S. Government assets, other than official reserve assets, net.....	537	53	310	483	-309	727	-41	-768
47	U.S. credits and other long-term assets.....	-7,279	-2,428	-1,591	-1,532	-1,728	-561	-598	-37
48	Repayments on U.S. credits and other long-term assets.....	7,981	2,445	1,975	2,035	1,526	1,374	572	-802
49	U.S. foreign currency holdings and U.S. short-term assets, net.....	-165	36	-74	-20	-107	-86	-15	71
50	U.S. private assets, net.....	-285,474	-102,801	-111,102	-8,010	-63,559	-308,013	-119,536	188,477
51	Direct investment.....	-173,799	-40,837	-34,049	-45,206	-53,705	-47,608	-60,743	-13,135
52	Foreign securities.....	-72,337	-26,619	8,429	-28,312	-25,835	-16,524	-30,316	-13,792
53	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns.....	-28,932	-11,207	-22,480	35,845	-31,090	-56,761	2,403	59,164
54	U.S. claims reported by U.S. banks, not included elsewhere.....	-10,406	-24,138	-63,002	29,663	47,071	-187,120	-30,880	156,240
55	Foreign-owned assets in the United States, net (increase/financial inflow (+)).....	829,173	246,105	218,553	134,202	230,311	445,348	265,246	-180,102
56	Foreign official assets in the United States, net.....	248,573	48,986	65,245	50,663	83,679	127,864	73,877	-53,987
57	U.S. Government securities.....	194,568	39,845	45,958	27,293	81,472	114,708	65,794	-48,914
58	U.S. Treasury securities.....	169,685	30,277	42,668	23,953	72,787	101,692	63,027	-38,665
59	Other.....	24,883	9,568	3,290	3,340	8,685	13,016	2,767	-10,249
60	Other U.S. Government liabilities.....	-564	-437	-16	-41	-70	-140	-158	-18
61	U.S. liabilities reported by U.S. banks, not included elsewhere.....	49,420	8,325	18,552	22,019	524	11,854	6,237	-5,617
62	Other foreign official assets.....	5,149	1,253	751	1,392	1,753	1,442	2,004	562
63	Other foreign assets in the United States, net.....	580,600	197,119	153,308	83,539	146,632	317,484	191,369	-126,115
64	Direct investment.....	39,890	32,523	-544	-2,810	10,719	10,225	32,702	22,477
65	U.S. Treasury securities.....	113,432	8,974	53,254	46,490	4,714	65,438	35,560	-29,878
66	U.S. securities other than U.S. Treasury securities.....	250,981	56,723	92,407	18,090	83,761	62,064	88,617	26,553
67	U.S. currency.....	16,640	4,927	1,458	2,768	7,487	-1,800	8,754	10,554
68	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.....	84,014	69,410	-2,257	12,721	4,140	40,723	-5,191	-45,914
69	U.S. liabilities reported by U.S. banks, not included elsewhere.....	75,643	24,562	8,990	6,280	35,811	140,834	30,927	-109,907
70	Statistical discrepancy (sum of above items with sign reversed).....	-12,012	-4,828	27,836	6,385	-41,404	8,941	19,707	10,766
Memoranda:									
71	Balance on goods (lines 3 and 20).....	-547,552	-137,943	-135,533	-134,635	-139,441	-150,768	-163,580	-12,812
72	Balance on services (lines 4 and 21).....	51,044	12,557	12,153	12,385	13,947	12,166	13,294	1,128
73	Balance on goods and services (lines 2 and 19).....	-496,508	-125,386	-123,380	-122,250	-125,494	-138,602	-150,286	-11,684
74	Balance on income (lines 12 and 29).....	33,279	3,995	5,874	7,261	16,151	12,164	2,643	-9,521
75	Unilateral current transfers, net (line 35).....	-67,439	-16,815	-16,369	-16,639	-17,617	-20,726	-18,534	2,192
76	Balance on current account (lines 1, 18, and 35 or lines 73, 74, and 75).....	-530,668	-138,206	-133,875	-131,628	-126,960	-147,164	-166,177	-19,013

^r Revised. ^p Preliminary.

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