U.S. International Transactions, Fourth Quarter and Year 2000

By Christopher L. Bach

Fourth Quarter

THE U.S. current-account deficit—the combined balances on trade in goods and services, income, and net unilateral current transfers—increased to $115.3 billion in the fourth quarter of 2000 from $113.1 billion (revised) in the third quarter (table A).[1] Increases in the goods and services deficit and in net outflows for unilateral current transfers more than accounted for the increase. These increases were partly offset by a decrease in the deficit on income.

In the financial account, net recorded inflows—the result of combining financial flows for U.S.-owned assets abroad with financial flows for foreign-owned assets in the United States—were $86.6 billion in the fourth quarter, down from $101.9 billion in the third. Financial outflows for U.S.-owned assets abroad increased more than financial inflows for foreign-owned assets in the United States.

1. Quarterly estimates of U.S. current- and financial-account components are seasonally adjusted when series demonstrate statistically significant patterns. The accompanying tables present both adjusted and unadjusted estimates.

Table A.—Summary of U.S. International Transactions

[Millions of dollars, quarters seasonally adjusted]

Line	Lines in tables 1 and 10 in which transactions are included are indicated in ( ) (Credits +; debits –)	1999	2000 [p]	Change: 1999–2000	1999				2000				
					I	II	III	IV	I [r]	II [r]	III [r]	IV [p]	Change: 2000 III-IV
	Current account												
1	Exports of goods and services and income receipts (1)	1,232,407	1,414,925	182,518	293,717	300,994	313,084	324,612	336,729	353,494	362,765	361,938	–827
2	Goods, balance of payments basis (3)	684,358	773,304	88,946	163,949	166,443	173,881	180,085	183,659	191,713	200,836	197,096	–3,740
3	Services (4)	271,884	296,227	24,343	66,372	67,854	68,088	69,568	72,277	74,212	74,575	75,160	585
4	Income receipts (12)	276,165	345,394	69,229	63,396	66,697	71,115	74,959	80,793	87,569	87,354	89,682	2,328
5	Imports of goods and services and income payments (18)	–1,515,861	–1,797,061	–281,200	–349,513	–368,439	–391,337	–406,575	–426,410	–446,399	–462,926	–461,332	1,594
6	Goods, balance of payments basis (20)	–1,029,917	–1,222,772	–192,855	–236,973	–250,427	–266,199	–276,318	–289,699	–302,147	–315,574	–315,352	222
7	Services (21)	–191,296	–215,239	–23,943	–46,024	–47,170	–48,488	–49,615	–51,497	–52,523	–55,467	–55,757	–290
8	Income payments (29)	–294,648	–359,050	–64,402	–66,516	–70,842	–76,650	–80,642	–85,214	–91,729	–91,885	–90,223	1,662
9	Unilateral current transfers, net (35)	–48,025	–53,241	–5,216	–10,831	–11,537	–11,396	–14,260	–12,087	–12,334	–12,949	–15,872	–2,923
	Capital account												
10	Capital account transactions, net (39)	–3,500	680	4,180	157	165	171	–3,993	166	170	167	177	10
	Financial account												
11	U.S.-owned assets abroad, net (increase/financial outflow (–)) (40)	–430,187	–553,349	–123,162	–21,555	–170,842	–122,909	–114,882	–178,947	–92,413	–93,420	–188,566	–95,146
12	U.S. official reserve assets, net (41)	8,747	–290	–9,037	4,068	1,159	1,951	1,569	–554	2,020	–346	–1,410	–1,064
13	U.S. Government assets, other than official reserve assets, net (46)	2,751	–715	–3,466	118	–392	–686	3,711	–131	–574	114	–124	–238
14	U.S. private assets, net (50)	–441,685	–552,344	–110,659	–25,741	–171,609	–124,174	–120,162	–178,262	–93,859	–93,188	–187,032	–93,844
15	Foreign-owned assets in the United States,net (increase/financial inflow (+)) (55)	753,564	952,430	198,866	102,780	272,008	194,210	184,567	236,638	245,252	195,325	275,211	79,886
16	Foreign official assets in the United States, net (56)	42,864	35,909	–6,955	4,274	–1,096	12,191	27,495	22,015	6,346	11,901	–4,353	–16,254
17	Other foreign assets in the United States, net (63)	710,700	916,521	205,821	98,506	273,104	182,019	157,072	214,623	238,906	183,424	279,564	96,140
18	Statistical discrepancy (sum of above items with sign reversed) (70)	11,602	35,616	24,014	–14,755	–22,349	18,177	30,531	43,911	–47,770	11,038	28,444	17,406
	Memoranda:												
19	Balance on current account (76)	–331,479	–435,377	–103,898	–66,627	–78,982	–89,649	–96,223	–101,768	–105,239	–113,110	–115,266	–2,156
20	Net financial flows (40 and 55)	323,377	399,081	75,704	81,225	101,166	71,301	69,685	57,691	152,839	101,905	86,645	–15,260

[r] Revised.
[p] Preliminary.

The statistical discrepancy—errors and omissions in recorded transactions—was a positive $28.4 billion in the fourth quarter, compared with a positive $11.0 billion in the third.

The following are highlights for the fourth quarter of 2000:

- Goods exports and goods imports both decreased, ending many successive quarters of large increases. The decline in goods exports was larger than the slight decline in goods imports.
- The deficit on income fell as a result of an increase in earnings on U.S. direct investment abroad and a decrease in earnings on foreign direct investment in the United States.
- Net foreign purchases of U.S. securities other than U.S. Treasury securities remained strong, despite declines in U.S. stock prices and unsettled conditions in the bond market.
- Net financial inflows for foreign direct investment in the United States were much higher, partly as a result of numerous large acquisitions.
- U.S. claims reported both by U.S. banks and by U.S. nonbanks increased sharply to meet a surge in demand for credit abroad. U.S. liabilities reported both by U.S. banks and by U.S. nonbanks also increased sharply and provided some of the funds for the external lending.

U.S. dollar in exchange markets

In the fourth quarter, the U.S. dollar appreciated 3 percent on a nominal, trade-weighted quarterly average basis against the group of 7 major currencies that are widely traded in international markets (table B, chart 1). The dollar appreciated 4 percent against the euro and 2 percent against the Japanese yen.

In the first half of the quarter, high energy prices and a tight labor market were important concerns for the U.S. economy. In this environment, U.S. monetary authorities left the target Federal funds rate unchanged at 6.5 percent at their meeting in mid-November. However, economic data released later in the quarter—preliminary third-quarter GDP, October durable goods, and November retail sales—indicated that economic growth had slowed appreciably. The slowing in growth was also evidenced by further declines in long-term interest rates, by instability in the bond market, and by further declines in stock prices, partly reflecting an increasing number of corporate profits reports that fell significantly short of expectations. (In recognition of this deceleration, U.S. monetary authorities reduced the target Federal funds rate 50 basis points on January 3, 2001, and another 50 basis points on January 31, 2001.)

Table B.—Indexes of Foreign Currency Price of the U.S. Dollar

[January 1999=100]

	1999	2000				1999	2000											
	IV	I	II	III	IV	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Nominal: [1]																		
Broad [2]	100.7	101.6	103.7	104.9	107.8	100.8	100.7	102.0	102.0	102.5	104.8	103.7	104.0	104.7	105.9	107.5	108.3	107.5
Major currencies [3]	101.0	103.2	106.2	108.1	111.4	101.6	101.5	103.9	104.2	104.9	108.2	105.4	106.4	108.0	109.8	111.5	112.4	110.4
Other important trading partners [4]	100.4	99.5	100.6	101.0	103.2	99.8	99.7	99.7	99.2	99.6	100.6	101.6	101.1	100.7	101.3	102.6	103.3	103.8
Real: [1]																		
Broad [2]	101.0	102.0	104.8	106.2	108.6	101.0	100.9	102.2	103.0	103.6	105.8	105.0	105.4	106.0	107.1	108.5	109.1	108.2
Major currencies [3]	102.0	104.9	108.3	110.5	114.1	102.6	102.8	105.5	106.3	107.1	110.2	107.7	108.8	110.5	112.3	114.2	115.1	113.0
Other important trading partners [4]	99.8	98.6	100.5	100.9	102.0	99.0	98.6	98.3	98.9	99.3	100.4	101.7	101.3	100.5	100.8	101.8	101.9	102.3
Selected currencies: (nominal) [5]																		
Canada	96.9	95.6	97.4	97.6	100.4	96.9	95.3	95.5	96.1	96.7	98.4	97.2	97.3	97.6	97.8	99.5	101.5	100.2
European currencies:																		
Euro area [6]	111.7	117.5	124.2	128.3	133.5	114.6	114.4	117.9	120.2	122.7	128.0	121.9	123.5	128.1	133.3	136.0	135.5	129.0
United Kingdom	101.2	102.7	107.6	111.8	114.1	102.3	100.6	103.1	104.4	104.3	109.3	109.3	109.4	110.8	115.1	113.7	115.7	112.8
Switzerland	111.3	117.6	120.9	123.3	126.0	114.3	114.8	118.0	120.1	120.2	124.1	118.5	119.2	123.8	126.9	128.1	128.3	121.6
Japan	92.1	94.4	94.2	95.1	97.0	90.5	92.9	96.6	93.8	93.2	95.6	93.7	95.5	95.4	94.3	95.7	96.2	99.0
Mexico	93.5	92.8	94.6	92.3	93.9	93.1	93.7	93.1	91.7	92.8	93.9	97.1	93.0	91.5	92.4	94.2	93.9	93.5
Brazil	126.6	117.4	119.2	120.1	127.7	122.0	119.4	117.5	115.2	117.0	120.9	119.7	118.9	119.6	121.7	124.4	128.9	129.8

1. For more information on the nominal and real indexes of the foreign exchange value of the U.S. dollar, see *Federal Reserve Bulletin*, vol. 84 (October 1998): 811–18.

2. Weighted average of the foreign exchange value of the U.S. dollar against the currencies of a broad group of U.S. trading partners, including the currencies of the euro-area countries, Australia, Canada, Japan, Sweden, Switzerland, United Kingdom, Argentina, Brazil, Chile, Colombia, Mexico, Venezuela, China, Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand, Israel, Saudi Arabia, and Russia. Data: Federal Reserve Board. Monthly and quarterly average rates. Index rebased by BEA.

3. Weighted average of the foreign exchange value of the U.S. dollar against broad-index currencies that circulate widely outside the country of issue, including the currencies of euro-area countries, Australia, Canada, Japan, Sweden, Switzerland, and the United Kingdom. The weight for each currency is its broad-index weight divided by the sum of the broad-index weights for all of the currencies included in the major currency index. Data: Federal Reserve Board. Monthly and quarterly average rates. Index rebased by BEA.

4. Weighted average of the foreign exchange value of the U.S. dollar against broad-index currencies that do not circulate widely outside the country of issue, including the currencies of Argentina, Brazil, Chile, Colombia, Mexico, Venezuela, China, Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand, Israel, Saudi Arabia, and Russia. The weight for each currency is its broad-index weight divided by the sum of the broad-index weights for all of the currencies included in the other important trading partners index. Data: Federal Reserve Board. Monthly and quarterly average rates. Index rebased by BEA.

5. Data: Federal Reserve Board. Monthly and quarterly average rates. Indexes prepared by BEA.

6. The euro area includes Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, and Spain. Exchange rates (but not index values with January 1999=100) for the individual euro area currencies can be derived from the euro exchange rate by using the fixed conversion rates (in currencies per euro) as shown below: 13.7603 Austrian schillings; 40.3399 Belgian francs; 5.94573 Finnish markkas; 6.55957 French francs; 1.95583 German marks; .787564 Irish pounds; 1936.27 Italian lira; 40.3399 Luxembourg francs; 2.20371 Netherlands guilders; 200.482 Portuguese escudos; 166.386 Spanish pesetas.

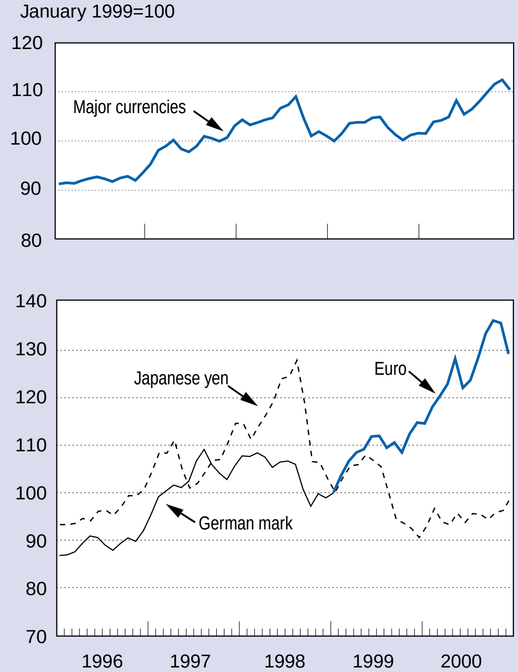
Concurrently, concerns in Europe centered on inflation. The European Central Bank raised its rate on refinancing operations 25 basis points to 4.75 percent in early October to counter the inflationary effects of the euro's depreciation and high energy prices. When the euro continued to depreciate, the European Central Bank intervened in the exchange markets on several occasions in early November to raise the euro's value. The euro recouped some of its earlier losses in December, but the reversal was temporary, as depreciation resumed in January. (The European Central Bank left its rate on refinancing operations unchanged in January 2001.)

The U.S. dollar appreciated against the Japanese yen amid few indications that sustained expansion had taken hold and amid some speculation that the Japanese economy may have, in fact, weakened further.

CHART 1

Nominal Indexes of Foreign Currency Price of the U.S. Dollar

January 1999=100



Note.–See table B for definitions of the indexes. Monthly average rates.

Data: Federal Reserve Board. Indexes rebased by BEA.

U.S. Bureau of Economic Analysis

Current Account

Goods and services

The deficit on goods and services increased to $98.9 billion in the fourth quarter from $95.6 billion in the third. The deficit on goods increased $3.5 billion, and the surplus on services increased $0.3 billion.

Goods.—The deficit on goods increased to $118.3 billion in the fourth quarter from $114.7 billion in the third. The increase resulted from a larger decrease in exports than in imports (table A).

Exports.—Exports decreased $3.7 billion, or 2 percent, to $197.1 billion in the fourth quarter. Quantities decreased 2 percent, and prices were unchanged.[2]

In value, nonagricultural exports decreased $3.2 billion, or 2 percent, to $183.8 billion. Much of the decrease was accounted for by capital goods, which declined $2.3 billion after an increase of $4.9 billion in the third quarter. Semiconductors, telecommunications equipment, and computers, peripherals, and parts all had sizable decreases, following especially large increases in recent quarters. These decreases reflected the worldwide slowdown in sales and production of high-technology equipment. "Other" industrial, agricultural, and service industry machinery also shifted to a decrease from an especially large increase. Civilian aircraft continued to decrease. Consumer goods decreased $0.6 billion, and automotive vehicles, engines, and parts decreased $0.6 billion, primarily in shipments to Canada. Agricultural products decreased $0.6 billion, largely in shipments of corn and soybeans. Industrial supplies and materials increased $0.5 billion; higher shipments of energy products were partly offset by decreases in chemicals and in paper and paper base stocks.

Imports.—Imports decreased $0.2 billion, or less than 1 percent, to $315.4 billion in the fourth quarter. Quantities decreased less than 1 percent, and prices were unchanged.

In value, nonpetroleum products decreased $0.5 billion, or less than 1 percent, to $283.3 billion. This was the first decrease since the third quarter of 1995. In contrast to the third quarter when imports of all major commodity categories

2. Quantity (real) estimates are calculated using a chain-type Fisher formula with annual weights for all years and quarterly weights for all quarters. Real estimates are expressed as chained (1996) dollars. Price indexes (1996=100) are also calculated using a chain-type Fisher formula.

increased, imports in the fourth quarter were mixed.

Automotive vehicles, engines, and parts fell $2.2 billion, the first decrease since the third quarter of 1998. Imports of parts and complete autos, mostly from Mexico, fell in response to declines in U.S. domestic sales and production. Capital goods changed little after especially large increases in the two previous quarters. Sizable increases continued in telecommunications equipment and in civilian aircraft and parts. However, computers, peripherals, and parts and semiconductors fell by substantial amounts in response to reduced sales and large inventories. Consumer goods increased $1.3 billion. Nonpetroleum industrial supplies and materials increased $0.7 billion; nonferrous metals were higher, while iron and steel products and chemicals were sharply lower.

Petroleum imports slowed to an increase of only $0.3 billion, or 1 percent, to $32.1 billion in the fourth quarter. The average price per barrel increased further to $29.14 per barrel, the highest level since the fourth quarter of 1982. The average number of barrels imported daily fell to 12.06 million from 12.12 million. Consumption, production, and inventories all fell.

Balances by area.—The deficit on goods increased $3.5 billion, to $118.3 billion, in the fourth quarter, compared with an increase of $4.3 billion in the third.[3] The deficit with Western Europe was up $1.7 billion, with Canada, up $3.3 billion, and with Japan, up $1.8 billion. These higher deficits were partly offset by a $3.4 billion decrease in the deficit with countries in Asia, excluding Japan.

Services.—The surplus on services increased to $19.4 billion in the fourth quarter from $19.1 billion in the third (table A).

Foreign visitors spent $21.8 billion on travel to the United States, up 2 percent. Receipts from overseas visitors were $18.9 billion, up 2 percent. Receipts from Canada decreased 3 percent, and receipts from Mexico changed little. Payments by U.S. travelers were $16.9 billion, up 3 percent. Payments for overseas travel were $13.5 billion, up 3 percent. Payments to Canada were up 4 percent, and payments to Mexico were up 5 percent.

Passenger fare receipts were $5.5 billion, up 1 percent, and passenger fare payments were $6.2 billion, up 5 percent.

"Other" transportation receipts were $7.5 billion, down 2 percent. Port expenditure receipts decreased slightly as a result of lower ocean port services receipts. Freight receipts decreased slightly as a result of lower revenues of U.S. air carriers. "Other" transportation payments were $10.7 billion, up 1 percent. Freight payments accounted for the increase, partly due to an increase in container rates imposed at the beginning of September. Port expenditure payments were unchanged.

Royalties and license fees receipts were $9.6 billion, up $0.2 billion. Royalties and license fees payments were $4.2 billion, down $0.6 billion; payments had been boosted in the third quarter by payments for broadcast rights to the Summer Olympic Games.

"Other" private services receipts were $26.9 billion, up from $26.7 billion. Business, professional, and technical receipts increased, while financial services receipts dropped as conditions in U.S. financial markets deteriorated rapidly. "Other" private services payments were little changed at $13.4 billion. Among the changes, insurance payments increased, and financial services payments fell as a result of increased uncertainties in financial markets abroad.

Transfers under U.S. military agency sales contracts were little changed at $3.6 billion. Direct defense expenditures abroad changed little at $3.6 billion.

Revisions to the Third-Quarter 2000 Estimates

As a result of incorporating newly available, more complete source data, the estimates of the international transactions accounts for the third quarter of 2000 have been revised from the preliminary estimates that were published in the January 2001 SURVEY OF CURRENT BUSINESS. In addition, data for all quarters have been revised to ensure that the seasonally adjusted estimates sum to the same annual totals as the unadjusted estimates.

The current-account deficit for the third quarter was revised to $113.1 billion from $113.8 billion. The goods deficit was revised to $114.7 billion from $115.4 billion, the services surplus was revised to $19.1 billion from $18.9 billion, the deficit on income was unrevised at $4.5 billion, and net unilateral current transfers were revised to outflows of $12.9 billion from outflows of $12.8 billion. Net financial inflows were revised to $101.9 billion from $123.0 billion.

3. Seasonally adjusted estimates for exports for areas and countries are derived by applying seasonal factors for total U.S. agricultural and nonagricultural exports to the unadjusted agricultural and nonagricultural exports for areas and countries and then summing the seasonally adjusted estimates. Seasonally adjusted estimates for imports for areas and countries are derived by applying seasonal factors for total U.S. petroleum and nonpetroleum imports to the unadjusted petroleum and nonpetroleum imports for areas and countries and then summing the seasonally adjusted estimates. (The seasonal factors are derived from the seasonal adjustment of U.S. exports and U.S. imports by five-digit end-use commodity category.)

Income

The deficit on income decreased to $0.5 billion in the fourth quarter from $4.5 billion in the third (table A).

Investment income.—Receipts of investment income on U.S.-owned assets abroad increased to $89.1 billion in the fourth quarter from $86.8 billion in the third (table A). Direct investment receipts accounted for much of the increase, though "other" private receipts also increased. Payments of income on foreign-owned assets in the United States decreased to $88.2 billion from $89.9 billion. A decrease in direct investment payments more than accounted for the decrease; "other" private payments increased.

Receipts of income on U.S. direct investment abroad increased to $39.7 billion in the fourth quarter from $37.9 billion in the third. Earnings growth was largest in "other" industries, particularly finance, and in petroleum. In finance, earnings benefitted from high volumes of conventional bond and stock transactions and of transactions in financial derivatives at investment and brokerage affiliates abroad. In petroleum, high petroleum prices continued to sustain strong earnings. In manufacturing, earnings decreased, particularly in transportation equipment and electronics.

Payments of income on foreign direct investment in the United States decreased to $13.5 billion in the fourth quarter from $16.3 billion in the third. The decrease was centered in manufacturing, particularly in chemicals and in automotive, which had begun to weaken in the third quarter and weakened substantially more in the fourth. Earnings of petroleum affiliates and earnings of "other" industries changed little.

Receipts of income on "other" private investment increased to $48.6 billion from $48.1 billion. The increase was due to higher amounts outstanding of both bank and nonbank claims. Income on foreign securities decreased, mostly because of lower holdings of bonds.

Payments of income on "other" private investment increased to $47.4 billion from $46.3 billion. The increase was due to higher amounts outstanding of both bank and nonbank liabilities. Income on U.S. securities also rose; however, a sizable increase in holdings was largely offset by a decline in rates.

Receipts of income on U.S. Government investment decreased slightly to $0.7 billion. Payments of income on U.S. Government liabilities were virtually unchanged at $27.3 billion.

Compensation of employees.—Receipts for compensation of U.S. workers abroad were unchanged at $0.6 billion. Payments for compensation of foreign workers in the United States increased to $2.0 billion from $1.9 billion.

Unilateral current transfers

Unilateral current transfers were net outflows of $15.9 billion in the fourth quarter, up from $12.9 billion in the third (table A). The increase was more than accounted for by U.S. Government grants, which increased to $6.7 billion from $3.6 billion, mostly as a result of cash grants to Israel—$2.0 billion under the credit waiver program to finance military purchases and $0.8 billion for economic support.

Capital Account

Net capital account inflows were $0.2 billion in the fourth quarter, unchanged from the third (table A).

Financial Account

Net recorded financial inflows—the result of combining financial flows for U.S.-owned assets abroad with financial flows for foreign-owned assets in the United States—were $86.6 billion in the fourth quarter, compared with $101.9 billion (revised) in the third. Financial outflows for U.S.-owned assets abroad increased more than financial inflows for foreign-owned assets in the United States.

U.S.-owned assets abroad

Net U.S.-owned assets abroad increased $188.6 billion in the fourth quarter, compared with an increase of $93.4 billion in the third. U.S. claims reported by U.S. banks and by U.S. nonbanks were sharply higher. Net outflows for U.S. direct investment abroad were moderately higher, and net U.S. purchases of foreign securities were lower.

Official reserve assets.—U.S. official reserve assets increased $1.4 billion in the fourth quarter, following a $0.3 billion increase in the third. The increase in the fourth quarter was largely the result of International Monetary Fund (IMF) lending to Turkey and Argentina, which increased the U.S. reserve position at the IMF.

Claims reported by banks and by nonbanks.—U.S. claims on foreigners reported by U.S. banks increased $67.0 billion in the fourth quarter, up strongly from an increase of $6.0 billion in the third.

Banks' own claims payable in dollars increased $55.7 billion, following an increase of $13.2 billion. The surge in demand for bank credit partly resulted from a shift in preferences to short-term bank financing when conditions in bond markets deteriorated. Because only the highest rated borrowers were able to obtain funds at attractive rates in bond markets, borrowers turned to banks for shortterm funds. The fourth-quarter surge also reflected the continued need for a large volume of funds to finance acquisitions, consolidations, and buyouts—largely in Europe—until more permanent financing could be arranged in the securities markets. Claims of both U.S.-owned and foreign-owned banks were higher; foreign-owned banks' claims increased mainly in October and November, and U.S.-owned banks' claims increased mainly in December. Some lending in December was for yearend bookkeeping operations.

Banks' domestic customers' claims payable in dollars increased $13.6 billion, following a decrease of $1.9 billion. Foreign commercial paper issued in the United States increased $14.4 billion. Reflecting increased uncertainties in the bond markets and a deterioration in credit quality, spreads for many borrowers were sharply higher, forcing them to turn to the commercial paper market for short-term funds. The largest increases in commercial paper issues were from Western Europe, Canada, and the Caribbean.

Nonbank claims on foreigners increased $50.1 billion in the fourth quarter. Nonbanks responded to many of the same factors as banks, supplying a large amount of credit to foreigners. Combined, nonbanks and banks supplied $117.1 billion to foreign financial markets in the quarter.

Foreign securities.—Net U.S. purchases of foreign securities were $24.9 billion in the fourth quarter, down from $33.2 billion in the third.

Net U.S. purchases of foreign stocks were $22.6 billion, consisting of $24.7 billion in merger-related exchanges of stock and $2.1 billion in net sales of outstanding stocks. Many of the merger-related exchanges of stock were with Western Europe, where they totaled $15.7 billion. Net sales of outstanding stocks reflected concerns about telecommunications and information technology stocks, uncertainty about how quickly economic growth abroad might slow, and generally high interest rates, particularly in Europe. For the quarter, stock prices, stated in local currency terms, fell 3 percent Western Europe, 11 percent in Japan, 10 percent in the Far East (excluding Japan), and 6 percent in Latin America. Technology-related issues fell by substantially larger amounts than the broad indexes. Trading activity in foreign stocks—that is, gross purchases plus gross sales—increased 1 percent.

Net U.S. purchases of foreign bonds were $2.3 billion, down from $18.0 billion. Foreign new bond issues in the United States slowed substantially, declining to $12.4 billion from $22.9 billion. Credit risk premiums rose considerably for all but the highest rated corporate borrowers; this rise eliminated many low rated corporate borrowers from the U.S. bond market. Even some highly rated corporate borrowers postponed new issues until the first quarter, when interest rates were expected to be lower. Most new issues for the fourth quarter were by foreign corporations; they included a jumbo issue by a large European telecommunications company that accounted for nearly 60 percent of new foreign bond issues. This issue had been announced in mid-summer, but final pricing was not completed until late in the fourth quarter; substantial pricing incentives had to be added to the offering to offset increased tightness in the U.S. bond market and a significant increase in the credit risks associated with telecommunications issues. Transactions in outstanding bonds, excluding redemptions, shifted to net sales of $3.2 billion from net purchases of $1.0 billion. Trading activity increased 17 percent in the fourth quarter, reaching the highest trading volume of the year.

Direct investment.—Net financial outflows for U.S. direct investment abroad were $45.0 billion in the fourth quarter, up from $36.2 billion in the third. Net equity capital outflows increased to $20.8 billion from $12.3 billion; outflows were boosted by acquisitions in optical equipment, communications hardware and software, and computer programming services. Reinvested earnings increased to $27.5 billion from $25.4 billion. In contrast, intercompany debt inflows increased to $3.4 billion from $1.5 billion.

Foreign-owned assets in the United States

Net foreign-owned assets in the United States increased $275.2 billion in the fourth quarter, compared with an increase of $195.3 billion in the third. U.S. liabilities reported by U.S. banks and by U.S. nonbanks were sharply higher, as were net inflows for foreign direct investment in the United States. Net foreign purchases of U.S. securities other than U.S. Treasury securities remained strong.

Foreign official assets.—Foreign official assets in the United States decreased $4.4 billion in the fourth quarter, following an increase of $11.9 billion in the third. In the fourth quarter, assets of many industrial countries decreased, and assets of developing countries increased a small amount (table C).

Liabilities reported by banks and by nonbanks.—U.S. liabilities reported by U.S. banks, excluding U.S. Treasury securities, increased $42.8 billion in the fourth quarter, following a decrease of $1.4 billion in the third.

Banks' own liabilities payable in dollars increased $19.8 billion, following an increase of $7.8 billion. A large share of the funds were borrowed from branches in the Caribbean and probably transferred to Western Europe to meet the surge in demand associated with acquisitions and consolidations. Additional funds were borrowed and likely transferred to Western Europe to accommodate a shift to short-term borrowing by those unable to obtain longer term funds in the bond markets at advantageous rates because of their deteriorating credit ratings. Additional funds were borrowed to fund yearend bookkeeping operations abroad.

Banks' liabilities to other private foreigners decreased $3.5 billion, following an increase of $6.6 billion. The decrease largely reflected the pay down of liabilities of U.S. securities dealers to international bond funds in the Caribbean.

Banks' custody liabilities increased $25.1 billion, after decreasing $4.3 billion. The increase in readily transferrable instruments may have reflected the unusual amount of uncertainty in financial markets, both in the United States and abroad.

Nonbanks' liabilities to unaffiliated foreigners increased $22.1 billion, following an increase of $1.5 billion. Although sizable, the increase was only half the size of the increase in funds supplied to foreigners by U.S. banks. Combined, nonbanks and banks borrowed $64.9 billion from foreign financial markets in the quarter.

U.S. Treasury securities.—Net foreign sales of U.S. Treasury securities were $9.8 billion in the fourth quarter, down from $12.5 billion in the third. Foreign investors sold long-term bonds for liquidity needs or reinvested the proceeds in other financial instruments, including U.S. Treasury bills and agency bonds.

Other U.S. securities.—Net foreign purchases of U.S. securities other than U.S. Treasury securities increased to $123.9 billion in the fourth quarter from $122.4 billion in the third.

Net foreign purchases of U.S. stocks fell to $36.5 billion from $47.8 billion. Offshore investment funds in the Caribbean were net sellers of $10.4 billion in stocks, following net purchases of $2.3 billion. Demand from Europe remained strong, with net purchases of $31.7 billion, compared with $38.4 billion. Despite the unfavorable news of

Table C.—Selected Transactions with Official Agencies

[Millions of dollars]

	1999	2000 p	Change: 1999–2000	1999				2000				Change: 2000 III-IV
				I	II	III	IV	I	II	III r	IV p	
Changes in foreign official assets in the United States, net (decrease –) (table 1, line 56)	42,864	35,909	–6,955	4,274	–1,096	12,191	27,495	22,015	6,346	11,901	–4,353	–16,254
Industrial countries [1]	31,119	13,126	–17,993	3,342	1,314	13,988	12,475	12,416	13,698	–3,517	–9,471	–5,954
Members of OPEC [2]	1,331	11,989	10,658	2,155	1,632	–783	–1,673	6,109	1,913	3,803	164	–3,639
Other countries	10,414	10,794	380	–1,223	–4,042	–1,014	16,693	3,490	–9,265	11,615	4,954	–6,661
Changes in U.S. official reserve assets, net (increase –) (table 1, line 41)	8,747	–290	–9,037	4,068	1,159	1,951	1,569	–554	2,020	–346	–1,410	–1,064

r Revised.
p Preliminary.
1. Western Europe, Canada, Japan, Australia, New Zealand, and South Africa.
2. Based on data for Ecuador, Venezuela, Indonesia, and other Asian and African oil-exporting countries. Excludes Ecuador beginning January 1993 and Gabon beginning January 1995.

slower growth in the United States, investors continued to view the U.S. market more favorably than their own. Stock valuations adjusted downward rapidly, as announced corporate profits fell short of expectations, especially for technology-related companies, and as the economy shifted to appreciably slower growth. While the Dow industrial index edged up 1.3 percent, the S&P 500 index lost 8 percent, and the Nasdaq index lost 33 percent. Trading activity increased 7 percent in the fourth quarter, compared with a decrease of 4 percent in the third.

Net foreign purchases of bonds increased to a record $87.4 billion from $74.6 billion. Net foreign purchases of outstanding corporate bonds were $39.3 billion, up from $22.2 billion. Investment-grade corporate bonds continued to outperform high-yield bonds, amid concerns about the amount of corporate debt that had accumulated over recent quarters and the ability to service that debt in a period of declining sales and profits. Investment-grade bonds posted a total return of 3.4 percent for the quarter, while high-yield bonds posted a total loss of 4.8 percent. High-yield spreads increased 211 basis points in the fourth quarter, following an increase of 60 basis points in the third.

New corporate bonds issued abroad dropped to $9.9 billion from $23.8 billion; only the highest rated issuers were able to obtain favorable credit terms as conditions in global capital markets tightened. Many new issues were postponed until the first quarter of 2001.

Net foreign purchases of U.S. agency bonds increased to a record $38.2 billion, surpassing last quarter's record of $28.6 billion. Net purchases were bolstered by the continued increase in demand for investment-grade bonds, amid an increasingly volatile equity market and heightened credit risk in the bond market. Agency bonds outperformed all other bond sectors in the quarter with a total return of 5.1 percent.

Trading activity in U.S. bonds increased 9 percent in the fourth quarter, compared with an increase of 4 percent in the third.

U.S. currency flows.—Net U.S. currency shipments were $6.2 billion in the fourth quarter, up from $0.8 billion in the third, as shipments returned to a more usual quarterly flow.

Direct investment.—Net financial inflows for foreign direct investment in the United States were $94.4 billion in the fourth quarter, up from $72.7 billion in the third. Net equity capital inflows increased to $80.1 billion from $39.9 billion as a large number of foreign acquisitions of U.S. companies were completed. The acquisitions were in banking, securities brokerage, investment management, communications, technology products, foods, and pharmaceuticals. In contrast, net intercompany debt inflows were $11.2 billion, down from $27.5 billion, largely the result of a smaller increase in U.S. affiliates' payables. Reinvested earnings decreased to $3.1 billion from $5.3 billion.

The Year 2000

The U.S. current-account deficit increased to a record $435.4 billion in 2000 from the previous record of $331.5 billion in 1999. Most of the increase was attributable to an increase in the deficit on goods and services, though net outflows for unilateral current transfers also increased. These increases were party offset by a decrease in the deficit on income (table D).

Table D.—Selected Balances on U.S. International Transactions

[Millions of dollars, quarters seasonally adjusted]

(Credits +; debits –)	1998	1999	2000 p	2000			
				I r	II r	III r	IV p
Balance on goods	–246,854	–345,559	–449,468	–106,040	–110,434	–114,738	–118,256
Balance on services	79,956	80,588	80,988	20,780	21,689	19,108	19,403
Balance on income	–6,211	–18,483	–13,656	–4,421	–4,160	–4,531	–541
Investment income, net	–1,036	–13,102	–8,142	–3,050	–2,769	–3,184	864
Direct, net	67,728	62,704	83,776	17,026	18,973	21,537	26,241
Other private, net	18,754	16,128	11,926	4,924	3,946	1,836	1,220
U.S. Government, net	–87,518	–91,934	–103,844	–25,000	–25,688	–26,557	–26,597
Compensation of employees, net	–5,175	–5,381	–5,514	–1,371	–1,391	–1,347	–1,405
Unilateral current transfers, net	–44,029	–48,025	–53,241	–12,087	–12,334	–12,949	–15,872
Balance on current account	–217,138	–331,479	–435,377	–101,768	–105,239	–113,110	–115,266

r Revised.
p Preliminary.

In the financial account, net recorded inflows were $399.1 billion in 2000, compared with $323.4 billion in 1999. Financial inflows for foreign-owned assets in the United States increased more than financial outflows for U.S.-owned assets abroad.

The statistical discrepancy—errors and omissions in recorded transactions—was a positive $35.6 billion in 2000, compared with a positive $11.6 billion in 1999.

The following are highlights for 2000:

- The U.S. current-account deficit was substantially higher as a result of a rise in the deficit on goods.
- The deficit on income was somewhat lower after a sizable increase in 1999.
- Financial inflows into the United States increased by a very substantial amount, led by inflows into U.S. securities other than U.S. Treasury securities. Inflows into U.S. corporate stocks and bonds were exceptionally strong for the second consecutive year. Inflows for foreign direct investment in the United States also increased by a substantial amount, as an especially high number of large acquisitions of U.S. companies by foreign companies were completed.
- Financial outflows from U.S. banks and financial inflows to U.S. banks were substantially larger than in 1999. U.S. banks were sizable net suppliers of funds to financial markets abroad in 2000, whereas they were very small net suppliers in 1999. Financial outflows from U.S. nonbanks and financial inflows to U.S. nonbanks were also substantially larger than in 1999. U.S. nonbanks were sizable net suppliers of funds to financial markets abroad in both years.
- Financial outflows for net U.S. direct investment abroad were larger than in 1999 and continued to include numerous large acquisitions of foreign companies.
- Financial outflows for net U.S. purchases of foreign securities remained strong, partly as a result of exchanges of stock related to foreign acquisitions of U.S. companies.

Data Availability

The current and historical estimates presented in tables 1–10a of the U.S. international transactions accounts are available as compressed files on BEA's Web site at <www.bea.doc.gov>; click on "Catalog of Products," and look under "International Accounts Products," "Balance of Payments."

The estimates are also available from BEA on the following diskettes:

U.S. International Transactions. The most recently released annual and quarterly estimates are available as a 1-year subscription (four installments)—product number IDS–0001, price $80. The subscription also includes the diskette of the historical series estimates (see below).

U.S. International Transactions, Fourth Quarter 2000. Annual estimates for 1999 and quarterly estimates for 1999:I–2000:IV on a single diskette—product number IDN–0280, price $20.

U.S. International Transactions, Historical Series. All the available historical annual and quarterly estimates on a single diskette—product number IDN–0261, price $20.

To order, call the BEA Order Desk at 1–800–704–0415 (outside the United States, call 202–606–9666).

U.S. dollar in exchange markets

After changing little in 1999, the dollar resumed its appreciation in 2000, rising 5 percent on a nominal, trade-weighted yearly average basis against the group of 7 currencies that are widely traded in international markets (table B, chart 1). The dollar appreciated 15 percent against the euro. In contrast, the dollar depreciated 5 percent against the Japanese yen.

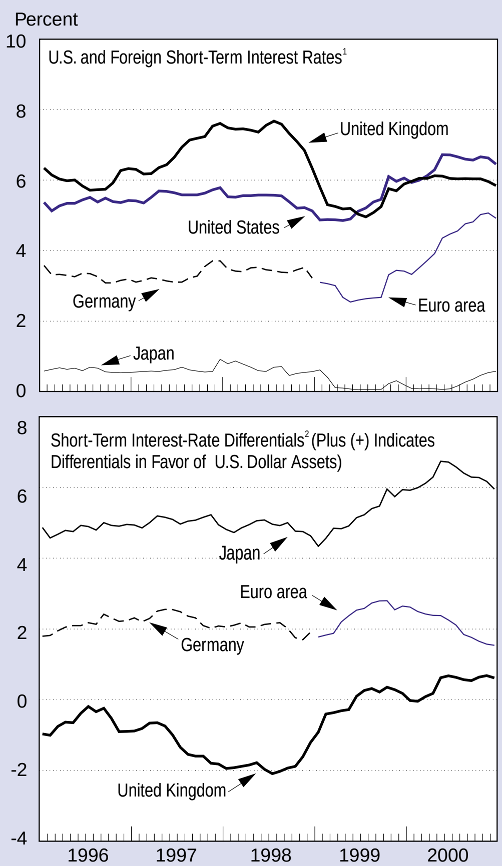
In the first quarter, the dollar appreciated strongly against the euro as a result of exceptional growth in the U.S. economy. Analysts expected that U.S. growth would continue to outpace growth in Europe by a substantial amount and that despite rising energy prices, U.S. inflation would remain moderate. Given the pace of U.S. expansion and the accompanying rise in credit demands in the banking and securities markets, both long-term and short-term interest rates rose sharply. Dollar-denominated assets maintained the significant yield advantage over euro-denominated assets that had emerged in the last half of 1999, contributing to sizable capital inflows (charts 2 and 3). The strength of the U.S. economy prompted U.S. monetary authorities to raise the target Federal funds rate to 6.0 percent during the quarter. Economic activity also accelerated substantially in the euro area, but the growth was less rapid than in the United States. The European Central Bank responded by raising its refinancing rate to 3.5 percent.

Rapid U.S. economic growth continued well into mid-year. Many analysts questioned the likelihood that such rapid growth could continue without bringing on higher inflation, while others pointed to increases in productivity that suggested inflation would likely remain moderate. In this environment, U.S. short-term interest rates continued to rise, while long-term rates turned down in April, and U.S. stocks fell sharply from their peak valuations of late March. U.S. monetary authorities responded to the rapid growth and strong credit demands by raising the target Federal funds rate 50 basis points to 6.5 percent in mid-May. As U.S. economic growth exceeded that in the euro area by a wide margin, capital continued to flow into the United States, and the dollar continued to appreciate. In Europe, the European Central Bank raised its refinancing rate to 4.25 percent to restrain actual and anticipated price pressures; as a result, the interest-rate differential in favor of U.S. assets narrowed somewhat.

Dollar appreciation moderated in the third quarter. Early signs indicated that economic growth was moderating and that inflation was not accelerating despite continued increases in oil prices and a tight labor market. Long-term interest rates continued to fall, while short-term interest rates remained high. Equity prices continued to decline, particularly for technology stocks. U.S. monetary authorities left the Federal funds rate unchanged after having raised it 175 basis points to 6.5 percent from June 1999 to May 2000. Amid fresh indications that inflation in the euro area might be accelerating, the European Central Bank raised its refinancing rate 25 basis points to 4.5 percent, further narrowing the differential between euro area and U.S. short-term interest rates. Nonetheless, confidence in the strength of the U.S. economy remained high, and the euro continued to decline against the dollar. In an effort to halt the decline, the European Central Bank and monetary authorities in the United States, Japan,

CHART 2

Short-Term Interest Rates

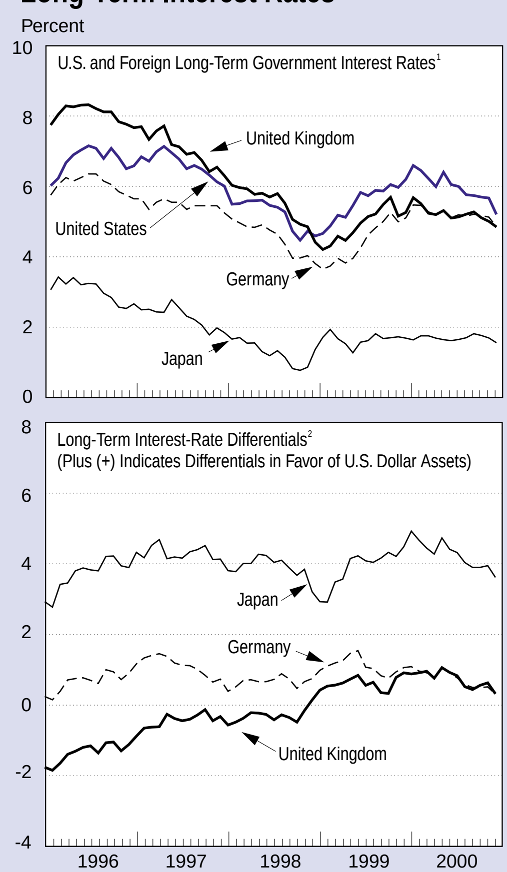


1. Three-month interest rates.
2. U.S. interest rates less respective foreign interest rates.
Data: Federal Reserve Board.

U.S. Bureau of Economic Analysis

CHART 3

Long-Term Interest Rates



1. Long-term government bonds, 10-year maturities.
2. U.S. interest rates less respective foreign interest rates.
Data: Federal Reserve Board.

U.S. Bureau of Economic Analysis

the United Kingdom, and Canada intervened in the currency markets on September 22 by purchasing euros.

In the fourth quarter, evidence accumulated that the U.S. economy had slowed appreciably from its rapid expansion in the first half of the year. Long-term interest rates fell further, and short-term rates turned down at the end of the quarter, partly as a result of a slackening in final demand. U.S. stock prices also fell further. Final sales slowed, corporate profits were lower than anticipated, and consumer confidence eroded quickly. Nonetheless, the dollar continued to appreciate strongly against the euro. In early October, the European Central Bank, still concerned about actual and potential inflation, raised its refinancing rate 25 basis points to 4.75 percent, and in early November, the Bank intervened on several occasions to boost the value of the euro in exchange markets. In December, the euro regained some of its lost value as European expansion continued and as short-term interest rates in the euro area rose relative to those in the United States. The appreciation was temporary, however, as the euro resumed its depreciation in the first quarter of 2001.

The dollar depreciated 5 percent against the Japanese yen in 2000. Early in the year, the dollar appreciated because of signs that the Japanese economy was contracting. During the second quarter, the yen strengthened after intervention in exchange markets by Japanese authorities and comments by Japanese authorities about possible increases in interest rates. In response to some indications that the Japanese economy might be gaining strength, Japanese monetary authorities increased the overnight call rate to 0.25 percent in mid-August from the near-zero rate that had prevailed for more than a year. However, concerns arose that the tightening of monetary policy might hinder the recovery of the Japanese economy, and in the fourth quarter, the dollar appreciated amid accumulating evidence that sustained expansion had not taken hold and that confidence in the Japanese economy was weakening.

Current Account

Goods and services

The deficit on goods and services increased to $368.5 billion in 2000 from $265.0 billion in 1999. The deficit on goods increased; the surplus on services changed little (table D).

Goods.—The deficit on goods increased to $449.5 billion in 2000 from $345.6 billion in 1999. Imports and exports both increased by very large amounts in 2000.

Goods exports increased $88.9 billion, or 13 percent, to $773.3 billion in 2000 after increasing $14.0 billion, or 2 percent in 1999. The increase was concentrated in capital goods, which had

Table E.—U.S. Trade in Goods, Current and Chained (1996) Dollars

[Balance of payments basis, millions of dollars, quarters seasonally adjusted]

	Current dollars							Chained (1996) dollars [1]						
	1998	1999	2000 [p]	2000				1998	1999	2000 [p]	2000			
				I [r]	II [r]	III [r]	IV [p]				I [r]	II [r]	III [r]	IV [p]
Exports	**670,324**	**684,358**	**773,304**	**183,659**	**191,713**	**200,836**	**197,096**	**711,246**	**736,199**	**823,066**	**196,007**	**203,950**	**213,655**	**209,454**
Agricultural products	53,105	49,619	53,214	13,012	13,083	13,842	13,277	62,549	63,131	68,936	16,811	16,730	18,285	17,110
Nonagricultural products	617,219	634,739	720,090	170,647	178,630	186,994	183,819	648,364	672,845	753,568	179,251	187,047	195,192	192,078
Foods, feeds, and beverages	46,397	45,532	47,826	11,704	11,763	12,453	11,906	55,061	56,608	60,531	14,759	14,631	16,089	15,052
Industrial supplies and materials	148,269	147,029	172,192	41,756	41,717	44,091	44,628	157,345	158,378	174,482	42,871	42,266	44,402	44,943
Capital goods, except automotive	300,129	311,775	356,820	81,584	89,242	94,166	91,828	324,418	342,557	394,807	90,348	98,828	104,051	101,580
Automotive vehicles, parts, and engines	73,157	75,755	80,005	20,109	20,040	20,241	19,615	72,486	74,577	78,111	19,676	19,570	19,728	19,137
Consumer goods (nonfood), except automotive	79,262	80,768	89,167	21,829	22,137	22,922	22,279	78,673	80,445	88,416	21,634	21,940	22,718	22,124
Exports, n.e.c.	23,110	23,499	27,294	6,677	6,814	6,963	6,840	23,901	24,581	28,204	6,912	7,039	7,216	7,037
Imports	**917,178**	**1,029,917**	**1,222,772**	**289,699**	**302,147**	**315,574**	**315,352**	**1,017,149**	**1,140,418**	**1,295,085**	**309,177**	**321,775**	**332,533**	**331,600**
Petroleum and products	50,903	67,807	120,277	27,067	29,322	31,814	32,074	81,418	81,498	86,060	20,474	22,080	21,805	21,701
Nonpetroleum products	866,275	962,110	1,102,495	262,632	272,825	283,760	283,278	935,464	1,056,193	1,204,864	287,658	298,169	309,782	309,255
Foods, feeds, and beverages	41,243	43,578	45,982	11,143	11,408	11,824	11,607	42,206	46,111	49,456	11,842	12,201	12,769	12,644
Industrial supplies and materials	203,095	224,800	301,349	71,566	72,960	77,911	78,912	243,522	249,010	263,205	65,477	65,494	66,364	65,870
Capital goods, except automotive	269,557	297,112	352,233	81,128	87,184	91,911	92,010	328,248	378,199	460,457	105,088	113,521	120,302	121,546
Automotive vehicles, parts, and engines	149,054	179,392	196,266	48,329	48,860	50,643	48,434	148,573	177,557	192,888	47,662	47,996	49,699	47,531
Consumer goods (nonfood), except automotive	216,654	239,607	275,902	65,195	69,178	70,120	71,409	222,283	247,485	287,504	67,630	72,060	73,118	74,696
Imports, n.e.c., and U.S. goods returned	37,575	45,428	51,040	12,338	12,557	13,165	12,980	37,833	45,759	50,961	12,375	12,570	13,113	12,903

r Revised.
p Preliminary.
n.e.c. Not elsewhere classified.

1. Because chain indexes use weights of more than one period, the corresponding chained dollar estimates are usually not additive.

accounted for virtually all of the growth in 1999, and in industrial supplies and materials (tables E and F).

Goods imports increased $192.9 billion, or 19 percent, to $1,222.8 billion in 2000 after increasing $112.7 billion, or 12 percent, in 1999. Petroleum imports increased $52.5 billion, or 77 percent, up from a 33-percent increase. Nonpetroleum imports increased $140.4 billion, or 15 percent, up from an 11-percent increase. Increases in capital goods, consumer goods, and industrial supplies and materials were especially strong, but the increase in autos was about half the increase in 1999.

U.S. export growth in 2000 was stimulated by the substantial pickup in economic growth in industrial and less developed countries that began early in 1999 and continued through much of 2000 (chart 4). Real GDP growth in many countries in Western Europe and in many Asian countries was considerably stronger in 2000 than in 1999. Growth in Canada and Japan was slightly stronger than in 1999.

U.S. import growth increased substantially in 2000, as the U.S. economy continued to grow very strongly. Growth in U.S. real GDP was 5.0 percent in 2000, following increases of 4.2 percent in 1999 and 4.4 percent in 1998.

Table F.—Percent Changes in U.S. Trade in Goods, Current and Chained (1996) Dollars

[Balance of payments basis]

	Current dollars			Chained (1996) dollars		
	1998	1999	2000 ^{p}	1998	1999	2000 ^{p}
Exports	**–1.4**	**2.1**	**13.0**	**1.8**	**3.5**	**11.8**
Agricultural products	–9.1	–6.6	7.2	0	.9	9.2
Nonagricultural products	–.7	2.8	13.4	2.0	3.8	12.0
Foods, feeds, and beverages	–9.9	–1.9	5.0	–1.0	2.8	6.9
Industrial supplies and materials	–6.3	–.8	17.1	–1.0	.7	10.2
Capital goods, except automotive	1.5	3.9	14.4	4.3	5.6	15.3
Automotive vehicles, parts, and engines	–1.2	3.6	5.6	–1.3	2.9	4.7
Consumer goods (nonfood), except automotive	2.5	1.9	10.4	2.5	2.3	9.9
Exports, n.e.c.	1.4	1.7	16.1	3.8	2.8	14.7
Imports	**4.7**	**12.3**	**18.7**	**11.3**	**12.1**	**13.6**
Petroleum and products	–29.1	33.2	77.4	7.0	.1	5.6
Nonpetroleum products	7.7	11.1	14.6	11.6	12.9	14.1
Foods, feeds, and beverages	3.9	5.7	5.5	7.3	9.3	7.3
Industrial supplies and materials	–6.6	10.7	34.1	9.7	2.3	5.7
Capital goods, except automotive	6.4	10.2	18.6	14.7	15.2	21.7
Automotive vehicles, parts, and engines	6.6	20.4	9.4	6.5	19.5	8.6
Consumer goods (nonfood), except automotive	11.7	10.6	15.1	13.2	11.3	16.2
Imports, n.e.c., and U.S. goods returned	16.4	20.9	12.4	16.6	20.9	11.4

^{p} Preliminary.
n.e.c. Not elsewhere classified.

Domestic prices of most exports increased slightly in 2000, following a decrease in 1999. The largest increases were in industrial supplies and materials and in the civilian aircraft component of capital goods. Prices of computers and foods decreased, but by less than in 1999 (table G). When converted into foreign currencies, most price increases were larger, because depreciation of foreign currencies added to the increases (table H).

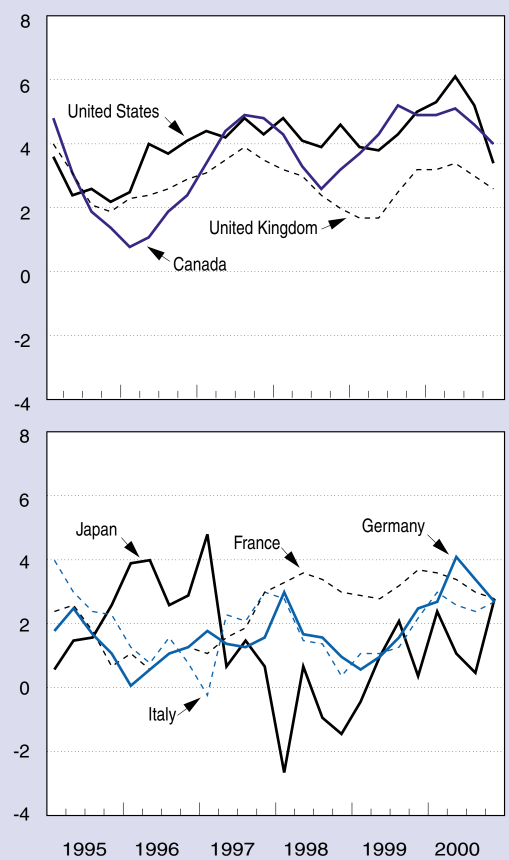
Dollar prices of imports increased. Prices of petroleum and petroleum products were sharply higher. However, prices of most nonpetroleum imports changed little; computer prices declined, but less than in 1999 (table G).

Exports.—Nonagricultural exports increased $85.4 billion, or 13 percent, to $720.1 billion in 2000,

CHART 4

Major Industrial Countries: Real GDP

Percent change from four quarters earlier



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following a $17.5 billion, or 3 percent, increase in 1999. Quantities increased 12 percent, and prices increased 1 percent. In value, capital goods accounted for more than half of the increase. Nonagricultural industrial supplies and materials jumped sharply. Agricultural goods increased after 3 years of decline (chart 5).

Capital goods, except automotive, increased $45.0 billion, or 14 percent, up from an increase of $11.6 billion, or 4 percent. Semiconductors; computers, peripherals, and parts; and telecommunications equipment jumped $27.8 billion, or 23 percent, up from a 12-percent increase. In 2000, these commodities accounted for over half of the increase in capital goods and over 30 percent of the increase in total exports. Semiconductors—mainly to Asia, Latin America, and Western Europe—increased $13.0 billion, or 28 percent, following an increase of 25 percent. Computers, peripherals, and parts—mainly to Western Europe, Canada, and Asia—increased $8.9 billion, or 19 percent, following an increase of 3 percent. Telecommunications equipment—mainly to Western Europe, Canada, and Mexico—increased $5.9 billion, or 22 percent, following a 7-percent increase in 1999.

Table G.—Percent Changes in U.S. Goods Trade Chain-Weighted Price Indexes

[Based on index numbers (1996=100)]

	1998	1999	2000 [p]
Exports	**–3.1**	**–1.4**	**1.1**
Agricultural products	–9.1	–7.4	–1.8
Nonagricultural products	–2.6	–.8	1.3
Foods, feeds, and beverages	–9.0	–4.6	–1.7
Industrial supplies and materials	–5.4	–1.5	6.4
Capital goods, except automotive	–2.7	–1.6	–.7
Computers, peripherals, and parts	–12.2	–9.4	–5.4
Civilian aircraft, engines, and parts	1.4	2.3	3.7
Other capital goods	–1.4	–.7	–.5
Automotive vehicles, parts, and engines	.1	.7	.8
Consumer goods (nonfood), except automotive	.1	–.4	.4
Exports, n.e.c.	–2.3	–1.1	1.3
Imports	**–5.9**	**.1**	**4.5**
Petroleum and products	–33.7	33.1	68.0
Nonpetroleum products	–3.5	–1.6	.4
Foods, feeds, and beverages	–3.2	–3.3	–1.6
Industrial supplies and materials	–14.8	8.2	26.9
Capital goods, except automotive	–7.2	–4.3	–2.7
Computers, peripherals, and parts	–17.1	–12.8	–6.4
Civilian aircraft, engines, and parts	1.7	1.8	2.6
Other capital goods	–3.9	–1.3	–1.6
Automotive vehicles, parts, and engines	.1	.7	.8
Consumer goods (nonfood), except automotive	–1.3	–.7	–.9
Imports, n.e.c., and U.S. goods returned	–.2	0	.9

p Preliminary.
n.e.c. Not elsewhere classified.

Table H.—Percent Changes in Foreign Currency Cost of U.S. Exports of Goods

[Based on index numbers (1996=100)]

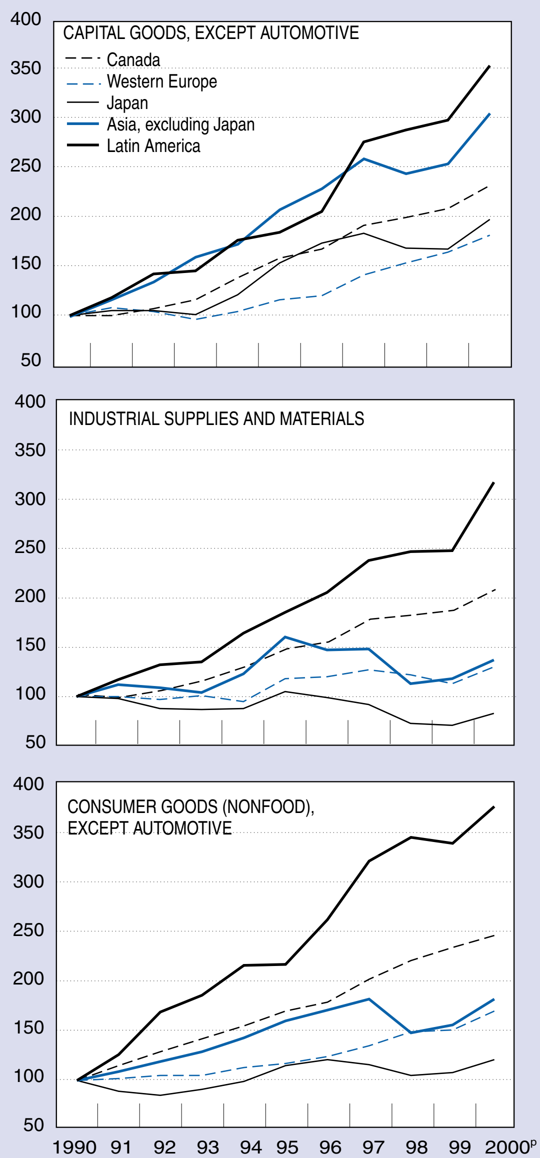
	1998	1999	2000 [p]
Exports	**1.8**	**–3.2**	**5.8**
Agricultural products	–4.5	–9.1	2.8
Nonagricultural products	2.3	–2.7	6.0
Foods, feeds, and beverages	–4.4	–6.4	2.9
Industrial supplies and materials	–.7	–3.3	11.3
Capital goods, except automotive	2.1	–3.4	4.0
Computers, peripherals, and parts	–7.8	–11.1	–1.0
Civilian aircraft, engines, and parts	6.4	.4	8.6
Other capital goods	3.6	–2.6	4.1
Automotive vehicles, parts, and engines	5.1	–1.2	5.5
Consumer goods (nonfood), except automotive	5.1	–2.2	5.1
Exports, n.e.c.	2.6	–3.0	6.0

p Preliminary.
n.e.c. Not elsewhere classified.
NOTE.—Chain-weighted price indexes multiplied by trade-weighted exchange rate index of the currencies of Australia, Austria, Belgium, Canada, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, Netherlands, Portugal, Spain, Sweden, Switzerland, and United Kingdom.

CHART 5

Growth in Exports by Selected Commodity Categories and Areas

1990=100



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Increases in "other" industrial, agricultural, and service industry machinery—mainly to the newly industrialized countries in Asia, Western Europe, and Japan—and in electric generating equipment—mainly to Mexico, Asia, and Western Europe—were also up sharply (table I).

In contrast, exports of civilian aircraft and parts fell $4.9 billion, or 9 percent, following a decrease of 1 percent. A strike at a major manufacturing plant early in the year and production difficulties thereafter slowed shipments of complete aircraft significantly. Most of the falloff was in deliveries to

Table I.—U.S. Trade in Capital Goods, except Automotive

[Balance of payments basis, millions of dollars]

	1995	1996	1997	1998	1999	2000 p
Exports	**233,778**	**253,252**	**295,741**	**300,129**	**311,775**	**356,820**
Computers, peripherals, and parts	39,654	43,719	49,361	45,246	46,724	55,606
Semiconductors	34,153	35,768	38,861	37,649	46,962	59,995
Telecommunications equipment	20,248	20,323	23,995	24,956	26,622	32,568
Scientific, hospital, and medical equipment and parts	13,073	14,748	16,114	15,773	16,780	19,174
Industrial, agricultural, and service industry machinery	37,088	40,178	45,620	42,802	43,097	51,084
Machine tools, metalworking equipment, and control instruments	14,259	15,607	18,275	18,815	19,335	23,718
Oil drilling, mining, and construction machinery	11,517	12,693	15,964	15,943	11,987	12,666
Industrial engines, pumps, and compressors	10,160	10,287	12,614	11,727	11,899	12,454
Electric generating machinery, electric apparatus, and parts	23,040	24,112	27,977	27,301	29,403	35,875
Civilian aircraft, engines, and parts	26,128	30,792	41,358	53,548	52,921	48,042
Other capital goods, n.e.c.	4,458	5,025	5,602	6,369	6,045	5,638
Imports	**221,429**	**228,075**	**253,281**	**269,557**	**297,112**	**352,233**
Computers, peripherals, and parts	56,277	61,513	70,176	72,474	81,456	89,788
Semiconductors	39,042	36,707	36,881	33,417	37,628	48,333
Telecommunications equipment	15,331	13,360	14,774	17,073	23,939	37,999
Scientific, hospital, and medical equipment and parts	6,669	7,209	8,153	9,580	11,340	14,148
Industrial, agricultural, and service industry machinery	36,707	38,195	41,552	44,400	45,849	51,263
Machine tools, metalworking equipment, and control instruments	12,245	13,463	14,973	16,173	15,496	18,098
Oil drilling, mining, and construction machinery	5,481	5,201	6,381	8,007	7,026	7,217
Industrial engines, pumps, and compressors	6,176	6,266	6,541	7,338	8,258	10,047
Electric generating machinery, electric apparatus, and parts	24,150	24,749	27,920	29,074	32,836	39,786
Civilian aircraft, engines, and parts	10,709	12,671	16,598	21,814	23,773	26,328
Other capital goods, n.e.c.	8,642	8,741	9,332	10,207	9,511	9,226

p Preliminary.
n.e.c. Not elsewhere classified.

Table J.—U.S. Trade in Nonagricultural Industrial Supplies and Materials

[Balance of payments basis, millions of dollars]

	1995	1996	1997	1998	1999	2000 p
Exports	**135,483**	**137,961**	**147,672**	**138,490**	**139,253**	**162,919**
Energy products	13,778	15,556	16,521	13,294	12,819	16,598
Chemicals, excluding medicinals	42,985	42,472	46,865	44,980	45,959	52,460
Paper and paper base stocks	14,487	12,483	12,785	12,151	12,174	14,152
Textile supplies and related materials	9,284	9,555	10,700	8,918	9,215	10,663
Building materials, except metals	9,061	9,261	9,482	7,977	8,166	8,771
Other nonmetals	13,410	15,262	16,655	18,010	18,467	21,178
Metals and nonmetallic products	32,478	33,372	34,664	33,160	32,453	39,097
Steelmaking materials and iron and steel products	8,574	7,565	8,186	7,328	7,138	8,525
Nonferrous metals	14,602	15,481	15,027	14,234	13,540	16,058
Other metals and nonmetallic products	9,302	10,326	11,451	11,598	11,775	14,514
Imports	**179,434**	**203,015**	**211,106**	**197,205**	**219,271**	**295,770**
Energy products	62,178	80,257	80,242	59,436	78,222	136,892
Chemicals, excluding medicinals	25,552	26,897	29,164	29,238	30,173	34,497
Paper and paper base stocks	12,879	10,871	10,676	11,223	11,614	13,725
Textile supplies and related materials	8,617	8,843	10,107	10,348	10,303	11,260
Building materials, except metals	12,819	15,035	16,822	17,909	21,824	21,809
Other nonmetals	12,503	13,353	14,147	14,618	15,821	17,876
Metals and nonmetallic products	44,886	47,759	49,948	54,433	51,314	59,711
Steelmaking materials and iron and steel products	19,133	20,265	21,163	24,457	20,916	24,008
Nonferrous metals	20,260	21,679	22,035	22,836	22,797	26,633
Other metals and nonmetallic products	5,493	5,815	6,750	7,140	7,601	9,070
Memorandum:						
Nonpetroleum industrial supplies and materials imports	128,850	136,733	145,585	152,192	156,993	181,072

p Preliminary.

Western Europe and Asia. Deliveries of aircraft engines increased, mainly to Western Europe, Canada, and Japan.

Nonagricultural industrial supplies and materials increased $23.7 billion, or 17 percent, following an increase of $0.8 billion, or 1 percent. Metals and nonmetallic products increased $6.6 billion, following decreases in each of the last 2 years; the increases were in nonmonetary gold and other precious metals to Western Europe, copper to China and Mexico, aluminum to Canada and China, and other precious and nonferrous metals to Japan. Chemicals increased $6.5 billion to all areas, up substantially from last year. Petroleum and products increased $3.4 billion, largely to Mexico. Paper products and textile products—largely to Mexico, Canada, and Western Europe—were also up substantially (table J).

Consumer goods increased $8.4 billion, or 10 percent, following an increase of $1.5 billion, or 2 percent. Durable goods and nondurable goods each increased about 10 percent.

Automotive vehicles, engines, and parts increased $4.3 billion, or 6 percent, up from an increase of $2.6 billion, or 4 percent. Higher shipments of parts to Mexico, where a growing share of U.S. production now takes place, accounted for much of the increase. Exports of complete autos and of parts to Canada, where U.S. production also occurs, fell in 2000, in contrast to a large increase in 1999.

Agricultural products increased $3.6 billion, or 7 percent, following 3 consecutive years of sizable declines. In 2000, growth was led by meat and poultry products, which increased $1.2 billion, largely to Japan, Mexico, Korea, and Canada; prices increased 3 percent. Cotton increased $1.0 billion, largely to Mexico, Turkey, Asia, and Latin America; prices increased 5 percent. Soybeans increased $0.7 billion, $0.6 billion of which was to China; prices increased 4 percent.

Imports.—Nonpetroleum imports increased $140.4 billion, or 15 percent, to $1,102.5 billion in 2000, following an increase of $95.8 billion, or 11 percent, in 1999. Quantities increased 14 percent, and prices increased 1 percent. In value, capital goods, consumer goods, and nonpetroleum industrial supplies and materials each jumped strongly. Automotive products increased less than in 1999 (chart 6).

Capital goods, except automotive, jumped $55.1 billion, or 19 percent, following an increase of $27.6 billion, or 10 percent. The increase in value was twice that of 1999. High-technology products dominated the increase, accounting for more than 60 percent of the growth in capital goods in 2000. Within the group, telecommunications equipment increased $14.1 billion, up from the 1999 increase of $6.9 billion; imports from all major areas rose, but especially from Canada, Asia, and Mexico. Semiconductors increased $10.7 billion, compared with the 1999 increase of $4.2 billion; imports from Asia accounted for nearly two-thirds of the increase. Computers, peripherals, and parts increased $8.3 billion, compared with the 1999 increase of $9.0 billion; imports from Asia accounted for nearly three-fourths of the increase. “Other” industrial, agricultural, and service industry machinery grew substantially; imports of these products jumped $5.4 billion—largely from Japan and Western Europe—compared with the 1999 increase of $1.4 billion (table I).

Civilian aircraft, engines, and parts continued to grow at a moderate pace, increasing $2.6 billion; the increase was more than accounted for by complete aircraft. Since 1998, imports of complete aircraft have been rising, mostly from Western Europe, while those of engines and parts have fallen as U.S. production has slowed, especially in 2000.

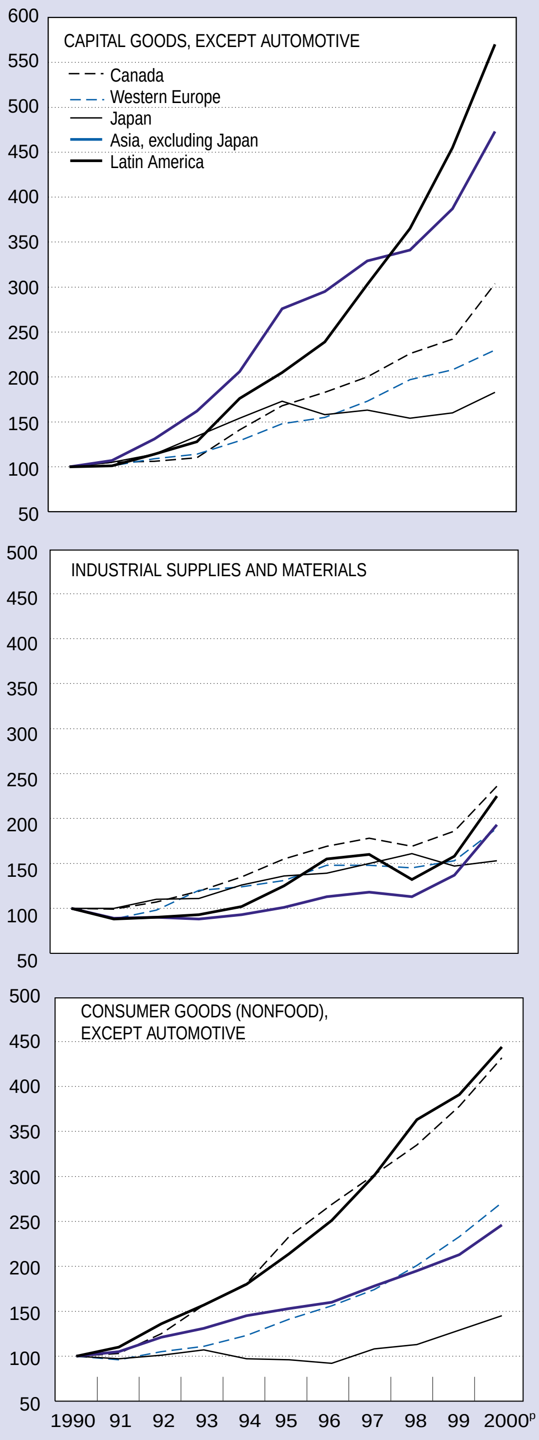
Consumer goods jumped $36.3 billion, or 15 percent, following an increase of $23.0 billion, or 11 percent. This is the fourth consecutive year of double-digit growth. Within durable goods, home entertainment goods, largely from Asia, and household goods, largely from China, continued to rise steadily. Recreational equipment and coins, gems, jewelry, and collectibles also rose. Within nondurable goods, apparel and footwear were higher.

Nonpetroleum industrial supplies and materials surged $24.1 billion, or 15 percent, up from an increase of $4.8 billion, or 3 percent. The increase in 2000 was more than the combined increases in the previous 3 years. Metals and nonmetallic products, which accounted for one-third of the increase in 2000, increased $8.4 billion, compared with a decrease of $3.1 billion in 1999; the increase was largely due to stronger imports of iron and steel products and steelmaking materials from Asia, Latin America, and Eastern Europe. Precious metals also increased. Among nonmetals, chemicals, largely from Asia and Canada, increased a record $4.3 billion, compared with the 1999 increase of $0.9 billion. Paper and paper base stocks, mainly

CHART 6

Growth in Imports by Selected Commodity Categories and Areas

1990=100



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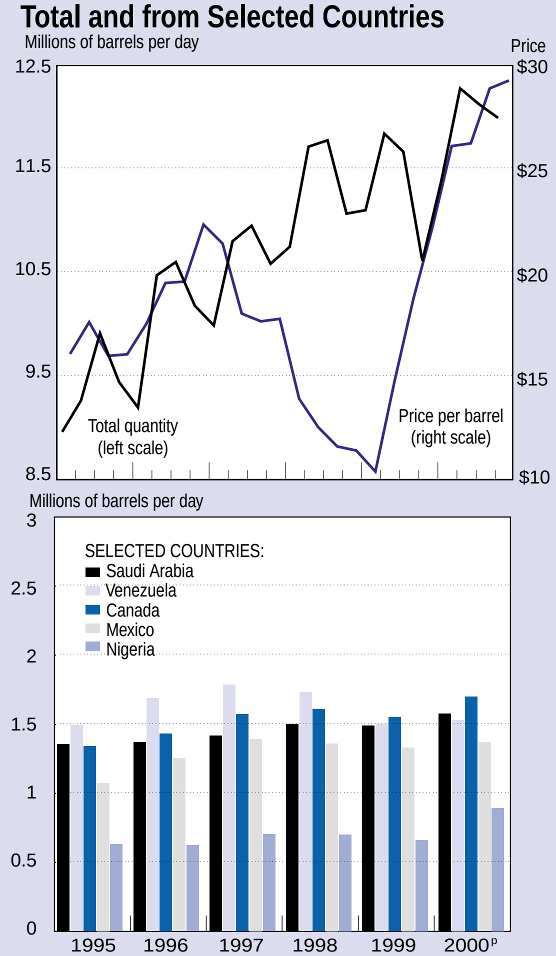
from Canada, also rose strongly. Building materials were unchanged, following 8 consecutive years of growth. Among energy products, excluding petroleum, both natural gas and electric energy from Canada surged in 2000; the increases were partly attributable to sharp increases in prices, especially late in the year (table J).

Automotive vehicles, engines, and parts slowed sharply from an especially strong increase in 1999; imports increased $16.9 billion, or 9 percent, in 2000, compared with $30.3 billion, or 20 percent, in 1999. Passenger cars and parts from Canada

CHART 7

U.S. Petroleum Imports and Price, Total and from Selected Countries



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Data: Total quantity and price data from U.S. Bureau of Economic Analysis; selected country data from U.S. Department of Energy.

U.S. Bureau of Economic Analysis

changed little in 2000, following an increase of $12.5 billion, while those from Mexico and other areas increased $16.8 billion, a little less than in 1999. Slowing U.S. auto sales in the second and third quarters and sharply lower sales in the fourth held down the increases from both areas.

Petroleum and products increased a record $52.5 billion, or 77 percent, to $120.3 billion in 2000, following an increase of $16.9 billion, or 33 percent. The increase resulted from a rise in the average price per barrel to $27.50 from $16.46 and from an increase in the average number of barrels imported daily to 11.96 million from 11.30 million (chart 7). In 2000, U.S. consumption fell slightly to 19.5 billion barrels per day. U.S. domestic production rebounded with a 2-percent increase. Inventories also rose.

Balances by area.—The U.S. deficit on goods increased to $449.5 billion in 2000 from $345.6 billion in 1999. A sizable pickup in exports was more than offset by a substantial strengthening in imports (table K).

Table K.—U.S. Trade in Goods by Major End-Use Category for Selected Areas and Countries

[Balance of payments basis, millions of dollars]

	Canada			Western Europe			United Kingdom			Germany			Japan		
	1998	1999	2000 p	1998	1999	2000 p	1998	1999	2000 p	1998	1999	2000 p	1998	1999	2000 p
Exports	**156,241**	**166,533**	**178,924**	**159,296**	**162,518**	**178,352**	**37,899**	**37,321**	**40,918**	**26,441**	**26,565**	**28,902**	**56,633**	**56,352**	**64,010**
Agricultural products	7,657	7,996	8,770	9,139	7,741	7,443	1,252	1,093	1,051	1,272	977	915	9,236	9,019	9,573
Nonagricultural products	148,584	158,537	170,154	150,157	154,777	170,909	36,647	36,228	39,867	25,169	25,588	27,987	47,397	47,333	54,437
Foods, feeds, and beverages	7,408	7,958	8,692	7,049	6,101	5,732	1,082	1,029	941	964	744	653	9,372	9,642	10,027
Industrial supplies and materials	34,922	35,965	39,963	35,452	32,975	37,833	7,864	6,318	7,123	4,638	4,384	4,750	11,071	10,847	12,572
Capital goods, except automotive	51,473	53,721	59,677	81,233	87,092	95,842	21,629	21,490	23,281	14,912	15,593	17,432	24,156	23,983	28,288
Automotive vehicles, parts, and engines	40,574	45,952	44,773	7,737	8,020	7,613	1,423	1,787	1,646	2,411	2,186	2,247	3,316	2,755	3,206
Consumer goods (nonfood), except automotive	17,137	18,115	19,064	22,080	22,426	25,253	4,512	5,182	6,239	2,489	2,626	2,709	7,329	7,565	8,454
Exports, n.e.c.	4,727	4,822	6,755	5,745	5,904	6,079	1,389	1,515	1,688	1,027	1,032	1,111	1,389	1,560	1,463
Imports	**175,806**	**201,268**	**232,039**	**194,016**	**214,756**	**243,395**	**34,416**	**38,789**	**43,206**	**49,727**	**55,151**	**58,558**	**121,850**	**130,877**	**146,477**
Petroleum and products	8,530	9,958	18,575	4,542	6,607	12,649	1,557	2,436	4,122	219	286	510	96	180	250
Nonpetroleum products	167,276	191,310	213,464	189,474	208,149	230,746	32,859	36,353	39,084	49,508	54,865	58,048	121,754	130,697	146,227
Foods, feeds, and beverages	8,923	9,462	10,276	8,581	9,480	9,714	1,056	1,227	1,260	651	644	663	403	426	438
Industrial supplies and materials	60,367	66,561	84,274	40,929	43,198	53,337	6,421	7,404	10,089	8,188	8,282	9,281	13,732	12,484	13,051
Capital goods, except automotive	29,832	32,036	40,256	66,644	70,683	78,024	14,477	14,856	15,489	17,907	19,731	21,630	52,829	55,049	62,859
Automotive vehicles, parts, and engines	51,373	63,871	63,992	24,304	28,840	30,766	3,143	3,851	4,404	14,295	17,110	18,501	37,395	43,063	47,550
Consumer goods (nonfood), except automotive	12,387	13,979	16,011	43,534	50,440	58,766	6,985	8,355	8,669	6,476	6,758	5,808	14,546	16,514	18,610
Imports, n.e.c., and U.S. goods returned	12,924	15,359	17,230	10,024	12,115	12,788	2,334	3,096	3,295	2,210	2,626	2,675	2,945	3,341	3,969
Balance	**–19,565**	**–34,735**	**–53,115**	**–34,720**	**–52,238**	**–65,043**	**3,483**	**–1,468**	**–2,288**	**–23,286**	**–28,586**	**–29,656**	**–65,217**	**–74,525**	**–82,467**

	Latin America			Mexico			Asia, excluding Japan			Hong Kong, Republic of Korea, Singapore, Taiwan			China		
	1998	1999	2000 p	1998	1999	2000 p	1998	1999	2000 p	1998	1999	2000 p	1998	1999	2000 p
Exports	**131,106**	**131,054**	**159,128**	**78,388**	**86,621**	**111,458**	**126,174**	**130,045**	**152,653**	**61,513**	**68,686**	**83,404**	**14,022**	**13,033**	**16,152**
Agricultural products	10,175	8,649	9,552	6,202	5,671	6,727	11,470	10,876	12,606	5,829	5,845	6,210	1,389	867	1,735
Nonagricultural products	120,931	122,405	149,576	72,186	80,950	104,731	114,704	119,169	140,047	55,684	62,841	77,194	12,633	12,166	14,417
Foods, feeds, and beverages	8,100	7,409	8,006	4,951	4,903	5,730	9,393	9,454	10,439	4,748	5,090	5,128	1,171	784	1,531
Industrial supplies and materials	34,695	34,833	44,574	21,690	24,087	32,011	24,303	25,423	29,443	13,120	14,015	16,017	3,604	3,876	5,175
Capital goods, except automotive	51,309	53,200	62,941	27,460	32,111	41,095	74,992	78,237	93,724	36,228	42,082	53,549	8,540	7,415	8,349
Automotive vehicles, parts, and engines	15,159	13,717	18,862	11,778	11,765	16,657	3,956	3,302	3,376	1,286	1,152	1,019	192	277	281
Consumer goods (nonfood), except automotive	17,098	16,799	18,602	9,319	10,109	11,489	9,267	9,824	11,446	3,888	4,351	5,397	576	561	664
Exports, n.e.c.	4,745	5,096	6,143	3,190	3,646	4,476	4,263	3,805	4,225	2,243	1,996	2,294	–61	120	152
Imports	**138,192**	**161,008**	**199,735**	**95,453**	**110,590**	**136,772**	**247,324**	**279,537**	**340,274**	**85,918**	**95,084**	**111,450**	**71,170**	**81,789**	**100,038**
Petroleum and products	16,497	22,327	36,999	5,295	7,280	12,744	9,705	15,291	26,170	423	560	1,081	273	182	616
Nonpetroleum products	121,695	138,681	162,736	90,158	103,310	124,028	237,619	264,246	314,104	85,495	94,524	110,369	70,897	81,607	99,422
Foods, feeds, and beverages	13,003	13,380	13,658	5,192	5,475	5,855	7,281	7,784	8,512	687	711	709	771	942	1,105
Industrial supplies and materials	33,167	39,935	56,850	13,128	15,274	21,730	30,878	37,362	52,576	8,489	9,023	10,924	5,458	5,957	7,635
Capital goods, except automotive	25,901	32,342	40,478	23,094	28,060	35,803	90,752	102,865	125,743	48,376	53,379	63,207	14,078	17,763	24,050
Automotive vehicles, parts, and engines	29,537	34,872	42,230	27,978	33,074	40,251	5,846	7,935	10,584	3,624	5,194	7,271	941	1,192	1,556
Consumer goods (nonfood), except automotive	31,147	33,535	38,108	21,611	23,336	26,677	107,564	117,444	135,766	22,204	23,611	25,550	49,224	55,039	64,584
Imports, n.e.c., and U.S. goods returned	5,437	6,944	8,411	4,450	5,371	6,456	5,003	6,147	7,093	2,538	3,166	3,789	698	896	1,108
Balance	**–7,086**	**–29,954**	**–40,607**	**–17,065**	**–23,969**	**–25,314**	**–121,150**	**–149,492**	**–187,621**	**–24,405**	**–26,398**	**–28,046**	**–57,148**	**–68,756**	**–83,886**

p Preliminary.
n.e.c. Not elsewhere classified.

The deficit with Asia, excluding Japan, increased to $187.6 billion from $149.5 billion. The increase in exports was concentrated in capital goods, mainly to the newly industrialized countries. The increase in imports was mostly in capital goods, industrial supplies and materials, and consumer goods.

The deficit with Canada increased to $53.1 billion from $34.7 billion. Increases in exports of capital goods and of industrial supplies and materials were partly offset by a large shift to a decrease in autos. The increase in petroleum imports was higher, and the increase in nonpetroleum imports was lower, than in 1999. Auto imports, which increased strongly in 1999, were virtually unchanged in 2000.

The deficit with Western Europe increased to $65.0 billion from $52.2 billion. The increase in exports was concentrated in capital goods and in industrial supplies and materials. The increase in imports was spread across most major commodity categories.

The deficit with Latin America increased to $40.6 billion from $30.0 billion. Higher exports of capital goods, industrial supplies and materials, and automotive products were largely to Mexico. Increases in imports were spread across most major categories, including petroleum.

The deficit with Japan increased to $82.5 billion from $74.5 billion. In exports, the increase was largely in capital goods. In imports, the increase was largely in autos and consumer goods.

Services.—The surplus on services increased slightly to $81.0 billion in 2000 from $80.6 billion in 1999. Services receipts increased $24.3 billion, up from a $9.2 billion increase. Services payments increased $23.9 billion, up from an $8.6 billion increase (table L).

Foreign visitors spent $85.2 billion for travel in the United States in 2000, an increase of 14 percent, following an increase of 5 percent in 1999. Overseas receipts were $73.1 billion, up 14 percent, following an increase of 5 percent. After a limited recovery in 1999 from the Asian crisis that began in 1997 and continued through 1998, travel increased much more strongly in 2000. Worldwide, the number of visitors increased 6 percent,

Table L.—Services

[Millions of dollars, quarters seasonally adjusted]

	1998	1999	2000[p]	2000			
				I[r]	II[r]	III[r]	IV[p]
Exports	**262,653**	**271,884**	**296,227**	**72,277**	**74,212**	**74,575**	**75,160**
Travel	71,286	74,881	85,153	20,466	21,398	21,445	21,844
Passenger fares	20,098	19,776	21,313	5,067	5,392	5,400	5,454
Other transportation	25,604	27,033	29,847	7,255	7,438	7,635	7,519
Royalties and license fees	36,197	36,467	37,955	9,348	9,577	9,424	9,605
Other private services	90,914	96,508	106,493	26,363	26,495	26,741	26,892
Affiliated services	28,397	28,943	31,659	8,061	7,750	7,862	7,984
Unaffiliated services	62,517	67,565	74,834	18,302	18,745	18,879	18,908
Education	9,037	9,572	10,116	2,475	2,509	2,557	2,575
Financial	11,273	13,925	17,851	4,389	4,656	4,499	4,307
Insurance	2,189	2,295	2,660	625	651	678	705
Telecommunications	5,538	4,460	3,882	1,015	972	962	933
Business, professional, and technical	22,175	24,368	26,354	6,378	6,507	6,674	6,795
Other	12,305	12,946	13,972	3,420	3,449	3,509	3,594
Military transactions [1]	17,628	16,334	14,604	3,574	3,699	3,710	3,621
U.S. Government receipts	926	885	862	204	213	220	225
Imports	**182,697**	**191,296**	**215,239**	**51,497**	**52,523**	**55,467**	**55,757**
Travel	56,509	59,351	65,044	15,815	16,022	16,338	16,869
Passenger fares	19,971	21,405	23,902	5,767	5,934	5,966	6,235
Other transportation	30,363	34,137	40,713	9,586	9,904	10,554	10,671
Royalties and license fees	11,713	13,275	16,331	3,598	3,669	4,833	4,230
Other private services	49,051	46,657	52,486	12,695	12,849	13,521	13,425
Affiliated services	19,756	22,437	24,005	6,165	5,990	6,065	5,789
Unaffiliated services	29,295	24,220	28,481	6,530	6,859	7,456	7,636
Education	1,591	1,840	2,136	502	524	543	567
Financial	3,561	3,574	5,071	1,188	1,290	1,382	1,211
Insurance	9,080	4,078	6,609	1,182	1,408	1,851	2,168
Telecommunications	7,687	6,766	6,025	1,565	1,500	1,498	1,462
Business, professional, and technical	6,869	7,430	8,067	1,949	1,993	2,040	2,085
Other	507	532	575	145	145	142	143
Direct defense expenditures [2]	12,241	13,650	13,884	3,322	3,431	3,531	3,600
U.S. Government payments	2,849	2,821	2,879	714	714	724	727

[r] Revised.
[p] Preliminary.
1 Consists of goods and services transferred under U.S. military agency sales contracts, which cannot be separately identified.
2 Consists of imports of goods and services by U.S. defense agencies, which cannot be separately identified.

up from an increase of 3 percent in 1999. Visitors from Western Europe slowed to a 3-percent increase from a 6-percent increase, partly as a result of a large decrease in the value of the euro, but visitors from Japan increased 5 percent after a 1-percent decrease, and visitors from other Asian countries increased 18 percent after a 15-percent increase, as economic expansion resumed in Asia. Travel receipts from Canada were $7.0 billion, up 5 percent. Travel receipts from Mexico were $5.1 billion, up 24 percent, as travel to the border area increased strongly.

U.S. residents spent $65.0 billion for travel abroad in 2000, an increase of 10 percent, following an increase of 5 percent in 1999. Overseas payments were $52.0 billion, up 10 percent, following an increase of 6 percent. Worldwide, the number of overseas travelers increased 9 percent, up from a 7-percent increase. The increase in the number of travelers to Western Europe more than doubled to 14 percent, while the increase to Japan slowed sharply to 2 percent from 9 percent. The increase in travelers to Asian countries other than Japan was 9 percent, up from 4 percent. Payments to Canada were $6.3 billion, up 3 percent. Payments to Mexico were $6.7 billion, up 11 percent.

Passenger fare receipts were $21.3 billion, up $1.5 billion, or 8 percent, in 2000, following a decrease of 2 percent in 1999. Passenger fare payments were $23.9 billion, up $2.5 billion, or 12 percent, following a increase of 7 percent.

“Other” transportation receipts were $29.8 billion, up $2.8 billion, or 10 percent, in 2000, following an increase of $1.4 billion, or 6 percent, in 1999.

Freight receipts increased $1.6 billion, or 14 percent, up from a 6-percent increase. Goods exports to every geographic area were significantly higher. The sharp step-ups were the result of increases in ocean export volumes transported by U.S. carriers associated with the worldwide pickup in economic growth. The increases in volumes were accompanied by an increase in ocean freight rates that resulted from the strong demand for bulk items, such as coal, iron ore, and grain. An increase in air freight receipts was due mostly to the increase in revenues for transporting goods between foreign countries. These revenues were enhanced by a surcharge that was imposed by air carriers to help offset the higher cost of jet fuel.

Port services receipts increased $1.2 billion, or 8 percent, up from a 6-percent increase, as a result of an increases in export and import volumes transported by foreign-operated liner vessels and an increase in bunker fuel revenues. Air port service receipts also increased.

“Other” transportation payments were $40.7 billion, up $6.6 billion, or 19 percent, in 2000, following an increase of $3.8 billion, or 12 percent, in 1999.

Freight payments increased $4.7 billion, or 21 percent, following a 14-percent increase, partly reflecting the pickup in goods imports to a 19-percent increase in 2000 from a 12-percent increase in 1999. In addition, both liner freight rates on imports from Asia and tanker freight rates increased substantially, reflecting capacity shortages. Air freight rates also increased.

Port services payments increased $1.9 billion, or 16 percent, following a 9-percent increase, mostly as a result of an increase in air port services. The increase in air port service payments was the result of higher jet fuel prices, which rose 70 percent, and the result of higher air import and export volumes transported on U.S. air carriers; imports increased 3 percent, and exports increased 2 percent.

“Other” private services receipts were $106.5 billion in 2000, up from $96.5 billion in 1999. Affiliated services (transactions between affiliated companies) accounted for a fourth of the increase. Among unaffiliated services, financial services accounted for more than half of the increase in 2000; receipts were strong in the first half of the year when U.S. financial markets reflected a strong economy, but receipts fell in the last half when U.S. financial markets turned down. Business, professional, and technical services also increased.

“Other” private services payments were $52.5 billion in 2000, up from $46.7 billion in 1999. Affiliated services accounted for a fourth of the increase. Among unaffiliated services, insurance services accounted for more than half of the increase, as companies recovered from sizable losses in 1999. Financial services were the other major contributor to the increase, though payments fell in the fourth quarter when uncertainties in the financial markets abroad increased. Business, professional, and technical services also increased.

Transfers under U.S. military agency sales contracts were $14.6 billion in 2000, down from $16.3 billion in 1999. During 2000, multiyear delivery programs of fighter aircraft were completed to Singapore, South Korea, and Finland.

Direct defense expenditures abroad were $13.9 billion in 2000, up from $13.7 billion in 1999. Personnel expenditures, payments for contractual services, and petroleum expenditures all changed little.

Income

The deficit on income decreased to $13.7 billion in 2000 from $18.5 billion in 1999 (table D). Income receipts increased more than income payments.

Investment income.—Receipts of investment income on U.S.-owned assets abroad increased to $343.1 billion in 2000 from $274.0 billion in 1999. “Other” private receipts and direct investment receipts both increased strongly. Payments of investment income on foreign-owned assets in the United States increased to $351.2 billion from $287.1 billion. “Other” private payments accounted for two-thirds of the increase.

Receipts of income on U.S. direct investment abroad increased strongly to $149.5 billion in 2000 from $118.8 billion in 1999 (table M, chart 8). The acceleration coincided with a substantial pickup in economic growth abroad. Earnings in petroleum increased $8.8 billion, reflecting both a 67-percent increase in petroleum prices and a rise in refiners’ margins. Earnings in “other” industries increased $15.0 billion, reflecting higher earnings of holding companies, the establishment of large new banking affiliates, and higher earnings of brokerage affiliates abroad as a result of high volumes of securities transactions. Earnings in manufacturing increased $5.8 billion; the largest increases were in industrial machinery and “other” manufacturing. Interest receipts changed little.

Payments of income on foreign direct investment in the United States increased to $65.7 billion in 2000 from $56.1 billion in 1999 (table M, chart 9). The increase was more than accounted for by a $9.5 billion rise in petroleum earnings as a result of higher petroleum prices, which raised profit margins in exploration, production, and refining operations of oil companies. Earnings of manufacturing affiliates fell $5.5 billion after increasing in 1999; most of the falloff was accounted for by automotive affiliates. The falloff in manufacturing earnings began in the third quarter, coincident with the beginning of the slowdown in the U.S. economy, and continued in the fourth. Earnings in “other” industries, which includes depository institutions and finance, increased $0.4 billion. Interest payments increased $4.4 billion.

Receipts of income on “other” private investment increased to $189.8 billion in 2000 from $152.0 billion in 1999 (table N, chart 10). After a decrease in 1999, both bank and nonbank receipts were up strongly in 2000; higher outstanding amounts and higher average interest rates both contributed to the increases. Bond receipts increased because of higher outstanding amounts and higher average interest rates. Dividend receipts increased because of higher outstanding amounts; dividend rates fell.

Table M.—Direct Investment Income and Capital

[Millions of dollars, quarters seasonally adjusted]

(Credits +; debits –)	1998	1999	2000 ^{p}	2000			
				I ^{r}	II ^{r}	III ^{r}	IV ^{p}
Income							
Income receipts on U.S. direct investment abroad	106,407	118,802	149,459	34,053	37,835	37,857	39,716
Distributed earnings	55,545	45,492	45,495	10,295	12,412	11,534	11,261
Reinvested earnings	47,622	69,640	100,277	22,922	24,475	25,361	27,516
Interest, net	3,241	3,670	3,685	836	948	962	939
Income payments on foreign direct investment in the United States	–38,679	–56,098	–65,683	–17,027	–18,862	–16,320	–13,475
Distributed earnings	–24,456	–17,390	–22,752	–5,514	–6,629	–5,786	–4,830
Reinvested earnings	–3,835	–23,155	–22,981	–7,150	–7,478	–5,276	–3,072
Interest, net	–10,386	–15,555	–19,950	–4,363	–4,756	–5,258	–5,573
Capital							
U.S. direct investment abroad (increase/financial outflow (–))	–146,052	–150,901	–161,577	–42,952	–37,476	–36,175	–44,971
Equity capital	–73,332	–52,093	–56,333	–9,403	–13,812	–12,309	–20,809
Reinvested earnings	–47,622	–69,640	–100,277	–22,922	–24,475	–25,361	–27,516
Intercompany debt	–25,099	–29,167	–4,967	–10,627	811	1,495	3,354
Foreign direct investment in the United States (increase/financial inflow (+))	186,316	275,533	316,527	49,065	100,426	72,681	94,351
Equity capital	151,741	212,140	221,118	27,510	73,601	39,890	80,117
Reinvested earnings	3,835	23,155	22,981	7,150	7,478	5,276	3,072
Intercompany debt	30,739	40,239	72,429	14,405	19,347	27,515	11,162

^{r} Revised.
^{p} Preliminary.

Payments of income on “other” private investment increased to $177.8 billion in 2000 from $135.8 billion in 1999 (table N, chart 10). After a decrease in 1999, both bank and nonbank payments were sharply higher in 2000; higher outstanding amounts and higher average interest rates both contributed to the increases. Bond payments were sharply higher as a result of both higher outstanding amounts and higher average interest rates. Dividend payments increased a small amount.

Table N.—Other Private Income

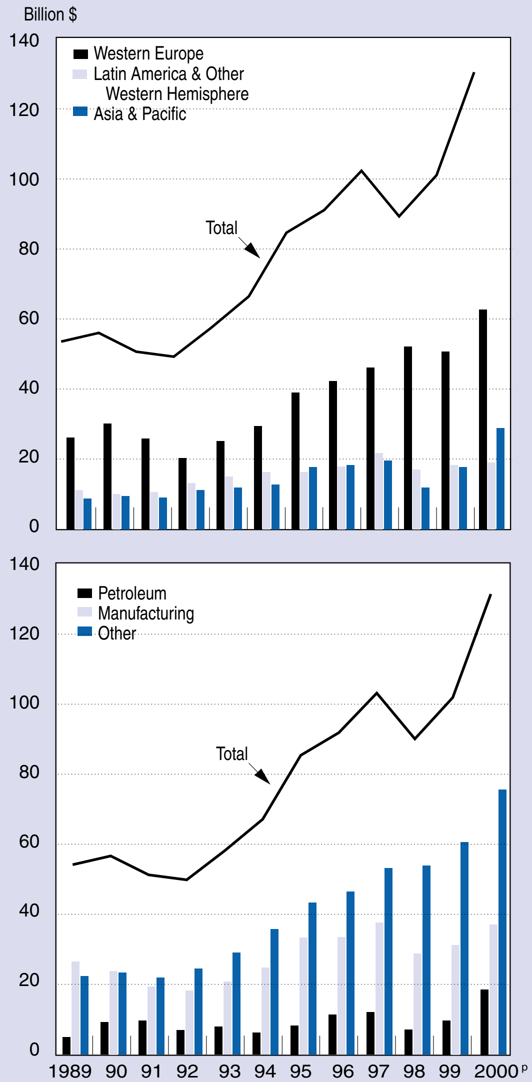
[Billions of dollars]

	1998	1999	2000 p
Receipts	**146.5**	**152.0**	**189.8**
Dividends	23.5	30.6	35.8
Interest on bonds	39.2	40.3	44.6
Interest on bank claims	41.0	38.9	51.5
Interest on nonbank claims [1]	42.8	42.2	57.9
Payments	**127.7**	**135.8**	**177.8**
Dividends	15.7	17.1	19.1
Interest on bonds	33.4	43.8	57.7
Interest on bank liabilities	48.0	45.6	61.0
Interest on nonbank liabilities [1]	30.6	29.3	40.0

p Preliminary.
1. Primarily income of financial concerns other than banks.
NOTE.—Excludes direct investment income receipts and payments.

CHART 8

Earnings on U.S. Direct Investment Abroad



p Preliminary
NOTE.–To be consistent with earnings by area and by industry, total earnings are shown in this chart without the current-cost adjustment and after deduction of withholding taxes, the only basis on which area and industry data are available.

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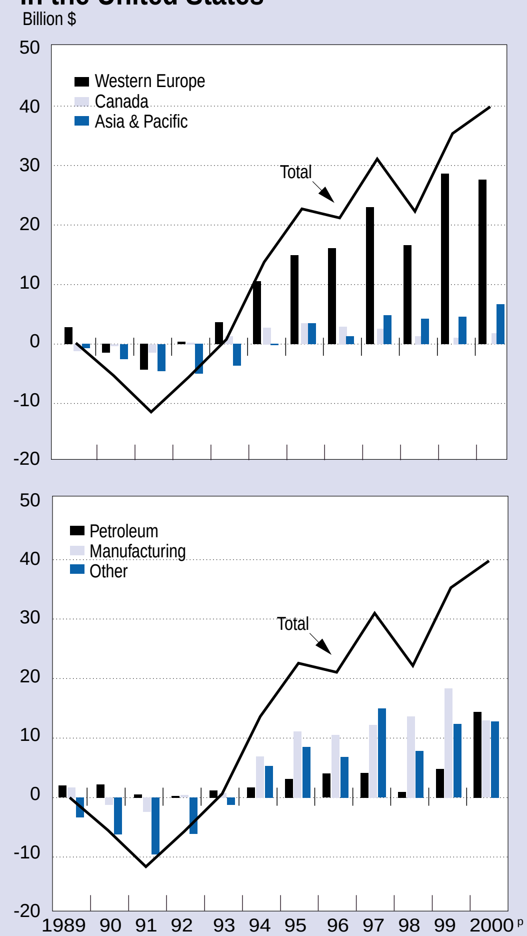
CHART 9

Earnings on Foreign Direct Investment in the United States



p Preliminary
NOTE.–To be consistent with earnings by area and by industry, total earnings are shown in this chart without the current-cost adjustment and after deduction of withholding taxes, the only basis on which area and industry data are available.

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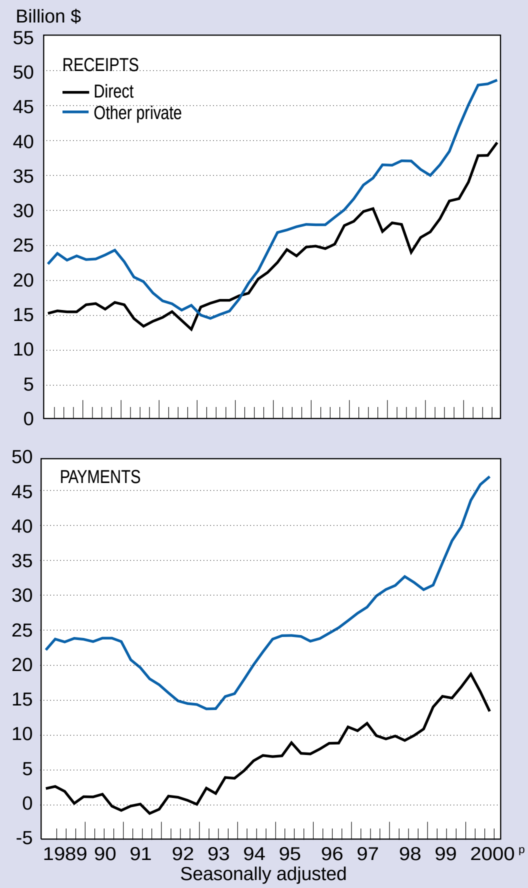
CHART 10

Private Investment Income



p Preliminary
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Receipts of income on U.S. Government investment increased to $3.8 billion in 2000 from $3.2 billion in 1999.

Payments of income on U.S. Government liabilities increased to $107.7 billion in 2000 from $95.1 billion in 1999. Most of the increase came from increased foreign holdings of agency bonds; holdings of Treasury bonds changed little (table O).

Compensation of employees.—Receipts for compensation of U.S. workers abroad increased slightly to $2.3 billion in 2000 from $2.2 billion in 1999. Payments for compensation of foreign workers in the United States increased to $7.9 billion from $7.6 billion.

Unilateral current transfers

Unilateral current transfers were net outflows of $53.2 billion in 2000, up from $48.0 billion in 1999. Half of the increase was attributable to an increase in U.S. Government grants to $16.4 billion from $13.8 billion, mostly the result of additional military and economic assistance to Israel and Egypt (table O). Funds allocated annually to Israel under the Sinai Peace Accords continued to be disbursed. The other half of the increase was attributable to an increase in private remittances and other transfers, mainly due to an increase in institutional remittances and net taxes paid to foreigners.

Table O.—Selected U.S. Government Transactions

[Millions of dollars]

(Credits +; debits –)	1998	1999	2000 p	2000 I	2000 II	2000 III r	2000 IV p
U.S. Government grants	–13,270	–13,774	–16,448	–2,912	–3,232	–3,634	–6,670
U.S. Government forgiveness of foreign debt	–26	–69	–29	–5	–5	–18	–1
U.S. Government credits and other long-term assets	–4,687	–6,175	–4,887	–1,750	–1,235	–1,050	–852
For debt rescheduling	–589	–1,868	–1,405	–823	–532	–48	–2
Other disbursements	–4,098	–4,307	–3,482	–927	–703	–1,002	–850
Repayments of U.S. Government credits and other long-term assets	4,111	9,560	4,064	1,328	720	1,265	751
From debt rescheduling	459	1,800	475	280	152	42	1
From debt forgiveness	23	40	21	1	4	15	1
Other repayments	3,628	7,720	3,569	1,048	563	1,208	750
U.S. Government foreign currency holdings and short-term assets, net	145	–634	108	291	–59	–101	–23
From debt rescheduling	75	49	295	264	31	....	....
From debt forgiveness	....	11	(*)	....	....	....	(*)
Other	70	–693	–188	28	–91	–101	–24
U.S. Government receipts of income	3,601	3,197	3,828	1,146	1,015	940	727
From debt rescheduling	56	20	634	279	348	6	1
From debt forgiveness	3	18	8	4	1	3	....
Other receipts	3,541	3,159	3,186	863	666	931	726
U.S. Government payments of income	–91,119	–95,131	–107,672	–26,074	–26,901	–27,369	–27,328

r Revised.
p Preliminary.
* Less than $500,000 (±).

Capital Account

Net capital account transactions were net inflows of $0.7 billion in 2000, in contrast to net outflows of $3.5 billion in 1999. Transactions in 1999 included the transfer of the U.S. Government's assets in the Panama Canal Commission to the Republic of Panama.

Financial Account

Net recorded financial inflows—the result of combining financial flows for U.S.-owned assets abroad with financial flows for foreign-owned assets in the United States—were $399.1 billion in 2000, compared with $323.4 billion in 1999. Financial inflows for foreign-owned assets in the United States increased more than financial outflows for U.S.-owned assets abroad (chart 11).

U.S.-owned assets abroad

Net U.S.-owned assets abroad increased $553.3 billion in 2000, compared with an increase of $430.2 billion in 1999. U.S. claims reported by U.S. banks and by U.S. nonbanks were sharply higher in 2000 than in 1999. Net outflows for U.S. direct investment abroad were moderately higher. Net U.S. purchases of foreign securities were down but remained strong.

U.S. official reserve assets.—U.S. official reserve assets increased $0.3 billion in 2000, compared with an $8.7 billion decrease in 1999 (table C). Transactions in 2000 included a $2.3 billion decrease in the U.S. reserve position at the International Monetary Fund (IMF) as a result of repayments of dollars to the IMF by Brazil and Mexico in the second and third quarters that were partly offset by an increase in the reserve position as a result of credit extended by the IMF to Turkey and Argentina in the fourth quarter. Transactions in 2000 also included the acquisition of $1.3 billion in euros in the third quarter, when the United States (along with the European Central Bank and monetary authorities in the United Kingdom, Canada, and Japan) purchased euros in exchange markets.

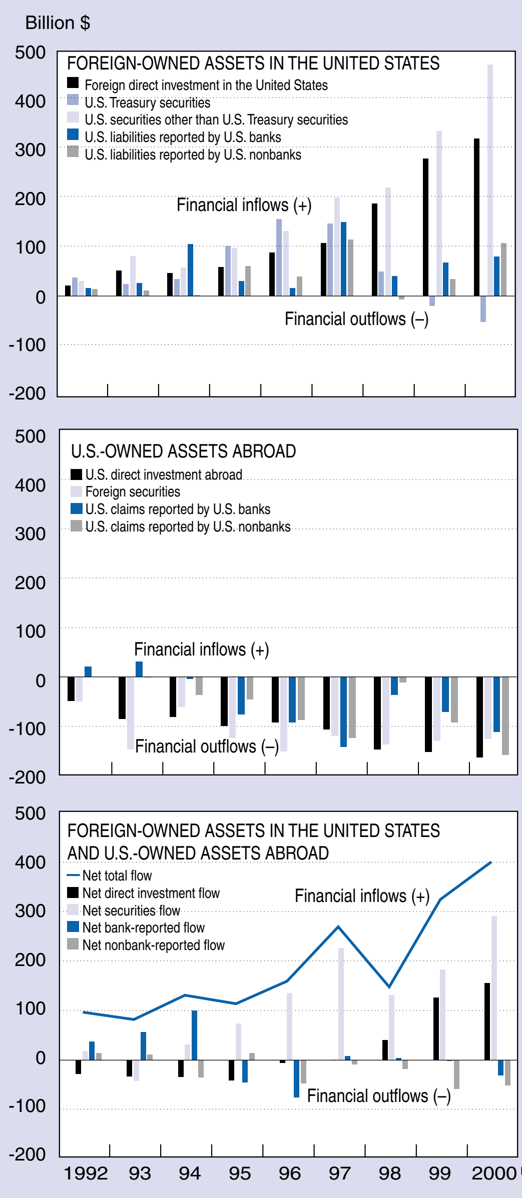
Claims reported by banks and by nonbanks.—U.S. claims on foreigners reported by U.S. banks increased $110.2 billion in 2000, following an increase of $69.9 billion in 1999 (tables P and Q).

Banks' own claims payable in dollars increased $99.5 billion, following an increase of $42.2 billion. Some of the strong increase in 2000 was attributable to the step-up in economic activity and related credit needs that accompanied it, particularly in Europe.

Additional demand for U.S. credit arose from unusually large needs for capital to finance major acquisitions throughout the year and needs to supply funds when conditions in bond markets deteriorated in the fourth quarter. U.S. banks provided

CHART 11

Financial Flows



p Preliminary
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sizable amounts of funds that helped finance the wave of consolidations, acquisitions, and leveraged or managed buyouts that occurred throughout Europe. Although the number of acquisitions was down from 1999, financing needs remained large, particularly in the telecommunications industry. The funds were often provided through participation in syndicated loans, which provided temporary financing until more permanent financing could be arranged in the securities markets. U.S. banks also provided sizable amounts of funds to foreigners in the fourth quarter, when credit conditions deteriorated in the bond markets. The substantial widening of yield spreads for lower rated borrowers forced many borrowers to shorter term borrowing, either from banks or from the commercial paper market.

Banks' domestic customers' claims payable in dollars increased $22.9 billion, following an increase of $29.7 billion. Foreign commercial paper issues in the United States increased $39.9 billion, more than three times the increase of $12.6 billion in 1999. Increases were particularly large in the third and fourth quarters, when borrowing

Table P.—Private Financial Flows, Net

[Billions of dollars]

Claims (increase/financial outflow (–)); liabilities (increase/financial inflow (+))	1998	1999	2000 p	2000			
				I	II	III r	IV p
Private financial flows, net	**174.0**	**268.9**	**364.1**	**33.7**	**143.1**	**89.6**	**97.9**
Bank-reported capital, net [1]	4.2	–2.5	–30.7	–64.3	65.2	–7.4	–24.2
U.S. claims	–35.6	–69.9	–110.2	–55.5	18.3	–6.0	–67.0
U.S. liabilities [1]	39.8	67.4	79.5	–8.8	46.9	–1.4	42.8
Securities, net	130.6	182.4	290.1	96.0	28.3	76.7	89.2
Net U.S. purchases of foreign securities	–136.0	–128.6	–123.6	–27.2	–38.2	–33.2	–24.9
Stocks	–101.2	–114.4	–98.8	–15.8	–45.0	–15.3	–22.6
Bonds	–34.8	–14.2	–24.8	–11.4	6.8	–17.9	–2.3
Net foreign purchases of U.S. securities	266.6	311.0	413.7	123.2	66.5	109.9	114.1
U.S. Treasury securities	48.6	–20.5	–52.2	–9.2	–20.6	–12.5	–9.8
Other than U.S. Treasury securities	218.0	331.5	465.9	132.4	87.1	122.4	123.9
Stocks	45.6	98.7	171.8	61.2	26.3	47.8	36.5
Bonds	172.4	232.8	294.1	71.2	60.8	74.6	87.4
U.S. currency flows, net	16.6	22.4	1.1	–6.8	1.0	.8	6.2
Direct investment, net	40.2	124.6	154.9	3.3	61.1	35.8	54.7
U.S. direct investment abroad	–146.1	–150.9	–161.6	–45.8	–40.0	–37.7	–38.1
Foreign direct investment in the United States	186.3	275.5	316.5	49.1	101.1	73.5	92.8
Nonbank-reported capital, net	–17.6	–58.0	–51.3	5.5	–12.5	–16.3	–28.0
U.S. claims	–10.6	–92.3	–157.0	–52.6	–36.5	–17.8	–50.1
U.S. liabilities	–7.0	34.3	105.7	58.1	24.0	1.5	22.1

r Revised.
p Preliminary.
1. Liabilities exclude U.S. Treasury securities.

Table Q.—U.S. Bank-Reported Claims and Liabilities by Type

[Billions of dollars]

	1998	1999	2000 p	2000			
				I	II	III r	IV p
Claims on foreigners reported by U.S. banks (increase/financial outflow (–))	**–35.6**	**–69.9**	**–110.2**	**–55.5**	**18.3**	**–6.0**	**–67.0**
Banks' claims for own accounts, payable in dollars:							
Own foreign offices	–52.9	–27.3	–80.8	–23.8	–1.0	–18.7	–37.2
Unaffiliated banks	3.0	5.0	–2.7	5.2	3.1	1.7	–12.7
Public borrowers and other foreigners	23.1	–19.9	–15.9	0.1	–14.1	3.7	–5.8
Banks' claims for domestic customers' accounts, payable in dollars	–4.3	–29.7	–22.9	–38.5	27.4	1.9	–13.6
Claims payable in foreign currencies	–4.5	2.0	12.1	1.5	2.9	5.4	2.3
Liabilities to foreigners reported by U.S. banks (excluding U.S. Treasury securities)(increase/financial inflow (+)) [1]	**39.8**	**67.4**	**79.5**	**–8.8**	**46.9**	**–1.4**	**42.8**
Banks' liabilities for own accounts, payable in dollars:							
Own foreign offices	77.8	40.3	49.6	5.3	24.6	5.1	14.6
Unaffiliated banks	–43.2	13.0	19.3	–4.9	10.5	1.7	12.1
Other private foreigners and international financial institutions	–10.8	20.4	17.7	3.9	19.4	1.0	–6.9
Banks' custody liabilities, payable in dollars	37.8	–3.5	6.9	–11.8	–1.9	–4.3	25.1
Liabilities payable in foreign currencies	–21.8	–2.8	–14.0	–1.3	–5.7	–4.9	–2.1

r Revised.
p Preliminary.
1. Excludes liabilities to foreign official agencies.

preferences shifted sharply to short-term financing as borrowing conditions deteriorated in bond markets in the United States and abroad. Deposits decreased by substantial amounts in the second and third quarters.

Claims on unaffiliated foreigners reported by U.S. nonbanks increased $157.0 billion, following an increase of $92.3 billion. U.S. nonbanks supplied large amounts of funds to foreigners in the first, second, and fourth quarters, when the needs for short-term funds were especially strong. Combined, U.S. nonbanks and U.S. banks supplied $267.2 billion to financial markets abroad in 2000, the largest amount since 1997 (table P).

Foreign securities.—Net U.S. purchases of foreign securities slowed to $123.6 billion in 2000, compared with $128.6 billion in 1999 (table P).

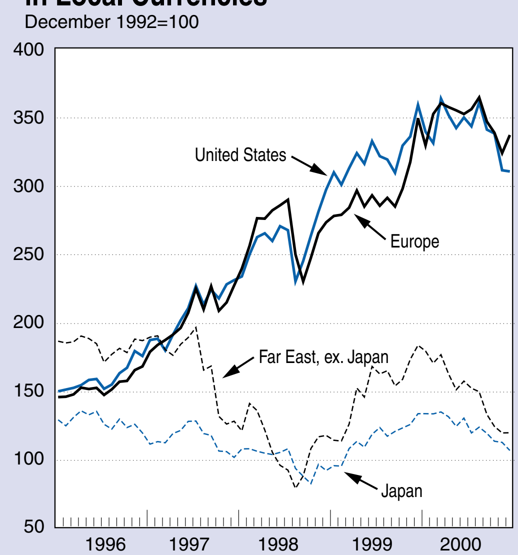
Net U.S. purchases of foreign stocks slowed to $98.8 billion from $114.4 billion. Merger-related exchanges of stock fell to $80.7 billion from $117.2 billion but still remained strong. Many foreign takeovers were from Western Europe, particularly from the United Kingdom, which accounted for $39.4 billion in stock exchanges in 2000 after accounting for $77.3 billion in exchanges in 1999.

In other transactions in stocks, net U.S. purchases of outstanding foreign stocks were $18.1 billion, in contrast to net sales of $2.8 billion, despite continued weakness in foreign currencies and declining foreign stock prices. On average, world stock prices, stated in local currency terms, declined 11 percent in 2000: Prices declined 4 percent in Europe, 15 percent in Latin America, 20 percent in Japan, and 35 percent the Far East, excluding Japan (chart 12). In each area, declines in technology-related issues were considerably larger than declines in the broad market averages. Trading activity in foreign stocks—that is, gross purchases plus gross sales—increased 54 percent in 2000, following an increase of 26 percent in 1999. Activity peaked in the first quarter of 2000 and then fell, but it remained at high quarterly levels for the rest of the year.

Net U.S. purchases of foreign bonds were $24.8 billion, up from $14.2 billion. Foreign new bond issues in the United States increased to $54.3 billion from $34.8 billion as a result of increased activity of sovereign issuers from emerging market countries in the first three quarters and an increase in corporate activity brought on by mergers and acquisitions in the second half of the year. Sovereign borrowers from emerging market countries responded to a 200-basis-point drop in spreads over U.S. Treasury rates (chart 13). Corporate borrowers remained confident in the stability of the U.S. bond market relative to other world markets.

CHART 12

Selected Stock Price Indexes in Local Currencies



Source: Morgan Stanley Capital International.
Indexes rebased by BEA.

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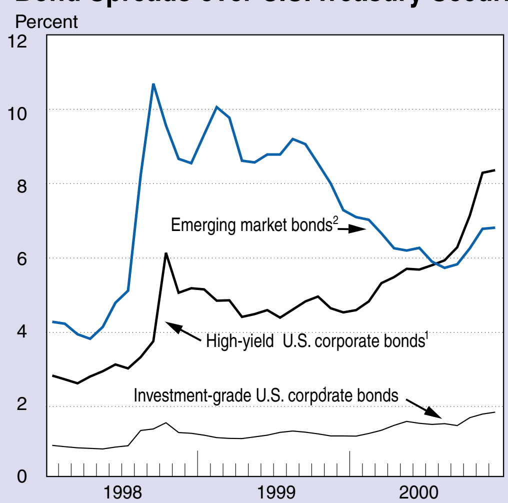
CHART 13

Bond Spreads over U.S. Treasury Securities



1. Source: Merrill Lynch.

2. Source: J.P. Morgan . Emerging Market Bond Index Plus, EMBI+, represents external currency denominated debt in emerging markets. It is comprised mostly of U.S. dollar issues.

U.S. Bureau of Economic Analysis

A substantial share of corporate borrowing was to finance acquisitions, especially in Western Europe. For the year, central governments issued $15.6 billion in new bonds. Private corporations issued $36.9 billion in new bonds, of which $23.5 billion was by telecommunications companies. Trading activity in foreign bonds increased 19 percent in 2000, up from very slow trading in 1999 but well below the strong trading in 1997 and 1998.

Direct investment.—Net financial outflows for U.S. direct investment abroad were $161.6 billion in 2000, up from $150.9 billion in 1999 (table M).

The increase was more than accounted for by a surge in reinvested earnings to $100.3 billion from $69.6 billion—a much larger step-up than in 1999 and a consequence of the strong pickup in economic activity abroad. In addition, a larger share of earnings was reinvested. Net equity capital outflows increased to $56.3 billion from $52.1 billion. Equity capital increases, though $4.2 billion less than in 1999 and $20.7 billion less than in 1998, remained high at $76.5 billion in 2000. There were numerous large acquisitions in investment banking, financial services, optical equipment, communications networks, insurance, and automotive manufacturing. Equity capital decreases, though $8.5 billion less than the record $28.6 billion in 1999, also remained strong at $20.1 billion and included large sales in telecommunications, utilities, and petroleum. Net intercompany debt outflows decreased to $5.0 billion from $29.2 billion, mostly as a result of large decrease in U.S. parents' receivables.

Foreign-owned assets in the United States

Net foreign-owned assets in the United States increased $952.4 billion in 2000, following an increase of $753.6 billion in 1999. For the second consecutive year, there was an exceptionally large step-up in net foreign purchases of U.S. securities other than U.S. Treasury securities. U.S. liabilities reported by U.S. banks and by U.S. nonbanks were sharply higher. Net inflows for foreign direct investment in the United States remained especially strong, though the year-to-year step-up was not as large as the exceptional increases of the 2 preceding years.

Foreign official assets.—Foreign official assets in the United States increased $35.9 billion in 2000, following an increase of $42.9 billion in 1999 (table C). In 2000, the increase by industrial countries was more than accounted for by a single country in Asia. Assets of OPEC members, who benefitted from higher revenues from petroleum sales, and of other developing countries also increased.

Liabilities reported by banks and by nonbanks.—U.S. liabilities reported by U.S. banks, excluding U.S. Treasury securities, increased $79.5 billion in 2000, following an increase of $67.4 billion in 1999 (table P and Q).

Banks' own liabilities payable in dollars increased $86.5 billion in 2000, following an increase of $73.7 billion. In the first half of the year, the increase in liabilities provided some funds for domestic lending when U.S. loan growth was especially strong and the U.S. economy was growing rapidly. Domestic commercial and industrial loan growth and real estate loan growth were unusually strong throughout the half. U.S. banks also borrowed heavily from branches in the Caribbean, probably for transfer to Western Europe to meet the surge in demand associated with acquisitions and consolidations. Additional funds were borrowed and likely transferred to Europe to accommodate a shift to short-term borrowing when conditions in bond markets deteriorated in the fourth quarter.

Banks' liabilities to other private foreigners increased $20.4 billion, following an increase of $17.3 billion. U.S. securities dealers' liabilities to international bond funds in the Caribbean increased strongly in the first half of the year.

Nonbank liabilities to unaffiliated foreigners increased $105.7 billion, following an increase of $34.3 billion. Along with banks, nonbanks were major borrowers of funds from foreigners in 2000. Combined, U.S. nonbanks and U.S. banks borrowed $185.2 billion from financial markets abroad in 2000 (table P).

U.S. Treasury securities.—Net foreign sales of U.S. Treasury securities were $52.2 billion in 2000, following $20.5 billion in net sales in 1999. The back-to-back years of net sales reflected the decline in the supply of U.S. Treasury securities and the higher yields available on alternative U.S. financial instruments, including equities and corporate and agency bonds. The U.S. Government's buyback program of its debt supported the rise in U.S. Treasury bond prices.

Other U.S. securities.—Net foreign purchases of U.S. securities other than U.S. Treasury securities were a record $465.9 billion, surpassing the previous record of $331.5 billion in 1999 by 41 percent (table P).

Net foreign purchases of U.S. stocks were a record $171.8 billion, up from $98.7 billion, despite a U.S. stock market that was more volatile and performed more poorly in 2000 than in 1999. Continuing the upward momentum of several previous years, most "new" economy stocks, especially telecommunications and information technology stocks, hit new highs in the first several months of 2000. By late March, technology-related stocks began to fall, amid concerns about their high valuations and future profitability in an environment of tightening credit and rising inflation expectations. This decline continued throughout the year. "Old" economy stocks, which had already begun to decline in late 1999 amid concerns of slower sales and reduced profits, continued down throughout 2000, but by much smaller amounts than technology-related stocks. The Nasdaq index, which is heavily weighted with technology-related stocks, lost 39.3 percent in 2000 after gaining 85.6 percent in 1999. The S&P 500 index lost 10.1 percent after a rise of 19.5 percent, and the Dow Jones index lost 6.2 percent after a rise of 25.2 percent. In response to these substantial price declines, trading activity fell off sharply after the first quarter, though net inflows for each of the following quarters were well above net quarterly inflows in 1999. For the year, trading activity increased 54 percent in 2000, following an increase of 50 percent in 1999.

Net foreign purchases of U.S. bonds were a record $294.1 billion, surpassing the record of $232.8 billion in 1999.

New issues sold abroad by U.S. corporations were $65.0 billion—the second highest on record—up from $41.8 billion. New issues accelerated over the first three quarters but slowed abruptly in the fourth, when conditions in the financial markets deteriorated rapidly and corporate spreads rose sharply. Some borrowing was postponed into the first quarter of 2001, when interest rates were expected to be lower. Straight fixed-rate issues continued to dominate the market, but floating-rate issues rebounded strongly. Issues denominated in foreign currencies were sharply higher, particularly those denominated in euros (table R). Net foreign purchases of outstanding U.S. corporate bonds were $116.7 billion, down slightly from $117.2 billion.

Net foreign purchases of U.S. agency bonds, which includes new agency issues sold abroad, were a record $112.4 billion, up the previous record of $73.7 billion in 1999. As a result of con-

Table R.—New International Bond Issues by U.S. Borrowers

[Millions of dollars]

	1998	1999	2000 p	2000			
				I	II	III	IV p
Total	**87,098**	**65,847**	**109,201**	**23,853**	**26,561**	**36,661**	**22,126**
By issuer:							
Industrial corporations	4,440	7,124	17,999	3,574	7,156	5,972	1,297
Banking corporations [1]	7,203	5,338	6,153	1,151	1,944	1,622	1,436
Nonbank financial corporations [2]	41,722	26,432	33,961	7,631	7,609	12,551	6,170
U.S. federally sponsored agencies	33,121	24,004	44,236	10,293	8,802	12,873	12,268
All other borrowers	612	2,949	6,851	1,204	1,050	3,643	954
By instrument:							
Straight fixed-rate bonds	67,204	57,620	92,866	20,403	22,014	31,442	19,007
Floating-rate notes	16,757	7,764	14,699	3,089	4,258	4,767	2,585
Zero-coupon bonds	490	128	49	49	....	....	....
Bonds convertible into stock	1,239	111	1,389	113	289	452	535
Other debt instruments	1,408	224	199	199	....	....	....
By currency:							
U.S. dollars	56,110	42,125	62,048	15,786	16,400	17,095	12,767
Foreign currencies	30,988	23,722	47,153	8,067	10,161	19,566	9,359
Japanese yen	1,645	3,200	11,130	1,616	3,758	4,644	1,112
Swiss franc	3,265	2,082	2,099	166	435	722	776
German mark	4,427	....	....	....	....	....	....
British pound	10,249	3,852	6,508	966	888	2,640	2,014
Euro	3,965	13,658	26,422	5,155	4,921	11,425	4,921
Canadian dollar	253	28	148	....	....	....	148
Other currencies	7,184	902	846	164	159	135	388

p Preliminary.
1. Includes banks and bank holding companies.
2. Principally credit, securities, brokerage, and insurance companies.

cerns over credit quality that developed during the year, agency bonds were increasingly viewed as alternatives to U.S. Treasury issues. U.S. agencies stepped up their new issues by a substantial amount in the last half of the year.

Trading activity in U.S. bonds increased 42 percent in 2000, following a 13-percent decrease in 1999.

U.S. currency flows.—Net U.S. currency shipments were $1.1 billion in 2000, down from $22.4 billion in 1999. Supplies of U.S. currency shipped at yearend 1999 in anticipation of Y2K problems were sufficient to meet demands for much of 2000. No major political upheavals significantly increased the demand for currency.

Table S.— Selected U.S. Transactions With OPEC Members

[Millions of dollars]

(Credits +; debits –)	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996 r	1997 r	1998 r	1999 r	2000 p
Exports of goods and services and income receipts:															
Goods, balance of payments basis	10,386	10,714	13,777	12,669	12,712	18,446	19,726	18,692	17,113	18,326	20,225	24,210	23,387	18,566	17,958
Transfers under U.S. military agency sales contracts	2,992	2,781	1,430	1,309	2,687	3,809	4,454	3,675	2,936	4,471	5,638	4,077	5,308	4,003	3,009
Royalties and license fees [1]	48	103	77	71	94	149	161	220	357	394	253	312	249	283	298
Other private services [1]	[2] 2,270	1,939	1,516	1,541	1,423	1,898	2,546	2,210	2,080	2,187	3,018	3,117	3,291	3,372	3,462
U.S. Government miscellaneous services	15	25	18	16	20	16	22	13	14	17	11	10	10	11	10
Income receipts on U.S.-owned assets abroad:															
Direct investment receipts	1,858	1,965	1,875	1,835	2,854	3,293	3,224	2,745	2,701	3,966	4,220	4,073	2,669	3,086	4,685
Other private receipts	1,535	1,680	1,941	2,435	2,326	1,441	1,202	1,045	1,470	1,456	1,371	1,697	1,846	1,788	1,966
U.S. Government receipts	196	167	215	154	261	217	187	141	122	192	268	263	238	266	404
Imports of goods and services and income payments:															
Goods, balance of payments basis	–18,893	–24,416	–23,016	–29,243	–37,024	–33,431	–32,377	–32,644	–31,674	–34,257	–42,665	–44,017	–33,919	–41,976	–67,186
Direct defense expenditures	–494	–370	–377	–614	–1,419	–784	–883	–455	–360	–335	–545	–944	–1,754	–1,815	–1,630
Royalties and license fees [1]	(D)	(*)	–6	–1	(*)	–1	–1	–37	–7	–2	–38	–5	–8	–9	–8
Other private services [1]	[2] (D)	–253	–259	–245	–306	–461	–388	–340	–405	–456	–628	–588	–605	–570	–527
U.S. Government miscellaneous services	–102	–118	–96	–104	–96	–87	–47	–26	–39	–34	–31	–31	–30	–31	–30
Income payments on foreign-owned assets in the United States:															
Direct investment payments	114	–78	164	–50	–98	–93	182	–82	–49	–34	–136	–422	–173	–4	–2,436
Other private payments	–1,916	–1,837	–2,175	–2,798	–2,892	–2,669	–2,302	–2,176	–1,964	–2,955	–2,799	–3,105	–3,173	–2,925	–4,333
U.S. Government payments	–3,141	–2,586	–2,141	–2,758	–3,241	–2,764	–2,524	–2,160	–1,747	–2,179	–2,430	–3,751	–3,804	–3,784	–4,272
U.S. Government grants	–74	–84	–97	–94	3,368	27,453	1,018	–197	–204	–195	–152	–55	–54	–108	–144
U.S. Government pensions and other current transfers	–21	–25	–20	5	–25	–305	–32	–27	–28	–25	–93	–57	–40	–26	–22
U.S.-owned assets abroad, net (increase/capital outflow (–))	–945	–571	–782	–1,875	1,847	–577	–12,162	–513	–3,107	143	–7,078	–8,974	–12,076	1,713	3,160
U.S. Government assets, other than official reserve assets, net	158	141	–59	135	–253	–788	–529	19	–422	–901	–458	12	–10	–320	–87
U.S. credits and other long-term assets	–195	–165	–396	–212	–647	–246	–277	–85	–234	–925	–912	–412	–166	–504	–433
Repayments on U.S. credits and other long-term assets	349	308	344	343	481	397	279	224	177	215	290	420	154	207	359
U.S. foreign currency holdings and U.S. short-term assets, net	4	–2	–7	4	–87	–939	–531	–120	–365	–191	164	4	2	–23	–13
U.S. private assets, net	–1,103	–712	–723	–2,010	2,100	211	–11,633	–532	–2,685	1,044	–6,620	–8,986	–12,066	2,033	3,247
Direct investment	–1,357	–64	1,133	535	–1,277	–2,706	–1,465	–1,597	–3,575	–2,379	–2,884	–2,411	–3,841	–3,075	–2,570
Foreign securities	33	58	–365	96	–2,815	–17	337	–679	–2,077	–675	–2,882	–3,997	–677	55	1,844
U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns	43	81	41	100	13	–224	–44	–306	–146	–25	–478	–336	369	–534	199
U.S. claims reported by U.S. banks, not included elsewhere	178	–787	–1,532	–2,741	6,179	3,158	–10,461	2,050	3,113	4,123	–376	–2,242	–7,917	5,587	3,774
Foreign-owned assets in the United States, net (increase/capital inflow(+))	–9,380	–5,371	–728	15,282	3,320	–4,416	14,529	–8,904	1,400	5,396	18,381	17,957	–10,152	9,510	32,924
Of which: foreign official	–9,308	–9,939	–2,885	10,724	1,555	–5,235	5,626	–3,850	–1,464	4,061	14,105	12,663	–11,532	1,331	11,989
U.S. Treasury securities	–4,938	–5,398	1,688	7,815	–244	–5,902	4,323	–6,302	–1,668	1,829	16,159	9,004	–13,863	3,255	10,013
Other U.S. securities	–1,746	–1,808	–2,591	3,170	–2,676	1,989	4,186	3,322	–820	1,592	217	4,054	4,284	2,577	13,933
Other U.S. Government liabilities	–427	–957	177	437	505	151	569	730	1,797	617	–982	–385	–2,372	–1,186	–659
U.S. liabilities reported by U.S. banks, not included elsewhere	–1,459	2,405	–1,146	1,836	5,686	–164	4,793	–5,665	1,677	1,059	1,813	4,094	2,296	4,634	5,013
Direct investment in the United States	510	296	1,629	1,503	–662	81	167	–812	251	–140	623	382	–67	403	3,391
U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns	–1,320	91	–485	521	711	–571	491	–177	163	439	551	808	–430	–173	1,233
All other transactions with OPEC and transfers of funds between foreign areas, net	15,834	16,335	8,684	2,465	14,189	–11,134	3,465	18,820	11,391	3,924	3,210	6,233	28,790	8,650	12,712
Memorandum:															
Balance on goods	–8,507	–13,702	–9,239	–16,574	–24,312	–14,985	–12,651	–13,952	–14,561	–15,931	–22,440	–19,807	–10,532	–23,410	–49,228

D Suppressed to avoid disclosure of data of individual companies.
r Revised.
p Preliminary.
* Less than $500,000 (±).
1. Beginning in 1982, these lines are presented on a gross basis. The definition of exports is revised to exclude U.S. parents' payments to foreign affiliates and to include U.S. affiliates' receipts from foreign parents. The definition of imports is revised to include U.S. parents' payments to foreign affiliates and to exclude U.S. affiliates' receipts from foreign parents.
2. Break in series. See Technical Notes in June 1989 and June 1990 SURVEY.
NOTE:—OPEC members are Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, and Venezuela. Excludes Ecuador beginning January 1993 and Gabon beginning January 1995. Individual country information is not available for all accounts; therefore, some accounts are estimated from regional data.

Direct investment.—Net financial inflows for foreign direct investment in the United States were $316.5 billion in 2000, up from $275.5 billion in 1999 (table M).

Net equity capital inflows increased to a record $221.1 billion from the previous record of $212.1 billion in 1999. Although there was no single exceptionally large acquisition, as there was in 1999, large acquisitions in many industries continued the especially rapid pace of recent years. These acquisitions allowed companies, mostly from Europe, to increase their global presence by gaining a share of the U.S. market. The largest acquisitions were in petroleum, investment banking, management consulting, optical equipment, advertising, networking equipment, foods, communications, insurance, and electronics manufacturing. Net intercompany debt inflows increased to $72.4 billion from $40.2 billion, as a result of an increase in U.S. affiliates' payables. Reinvested earnings decreased slightly to $23.0 billion.

Tables 1 through 10 follow.