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**U.S. International Transactions: Second Quarter 2005**

Current Account

The U.S. current-account deficit--the combined balances on trade in goods and services, income, and net unilateral current transfers--decreased to \$195.7 billion in the second quarter of 2005 (preliminary) from \$198.7 billion (revised) in the first quarter. The decrease was more than accounted for by a decrease in net outflows for unilateral current transfers. A small increase in the surplus on services also contributed. In contrast, the balance on income shifted to a deficit from a surplus, and the deficit on goods increased.

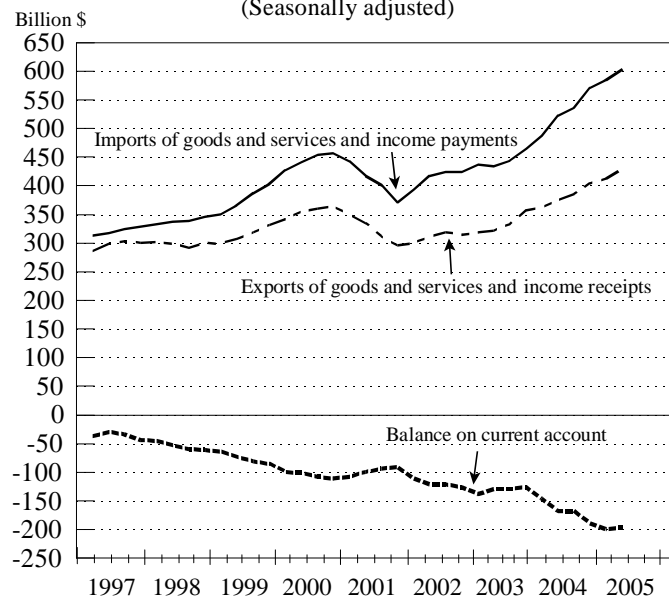
Goods and services

The deficit on goods and services increased to \$173.3 billion in the second quarter from \$173.1 billion in the first.

Goods The deficit on goods increased to \$186.9 billion in the second quarter from \$186.3 billion in the first.

Goods exports increased to \$223.5 billion from \$213.8 billion. Much of the increase was in capital goods, in industrial supplies and materials, and in foods, feeds, and beverages.

U.S. Current-Account Transactions  
(Seasonally adjusted)



NOTE: This news release is available on BEA's Web site at [www.bea.gov/bea/rels.htm](http://www.bea.gov/bea/rels.htm).

Goods imports increased to \$410.5 billion from \$400.2 billion. Both petroleum products and nonpetroleum products increased. The increase in nonpetroleum products was mostly accounted for by an increase in capital goods.

Services The surplus on services increased to \$13.6 billion in the second quarter from \$13.3 billion in the first.

Services receipts increased to \$93.7 billion from \$92.6 billion. The increase was more than accounted for by an increase in travel. “Other” transportation (such as freight and port services) and passenger fares also increased. These increases were partly offset by decreases in “other” private services (such as business, professional, and technical services, insurance services, and financial services), and in royalties and license fees.

Services payments increased to \$80.1 billion from \$79.3 billion. Increases in “other” private services, in travel, and in passenger fares were partly offset by a decrease in “other” transportation.

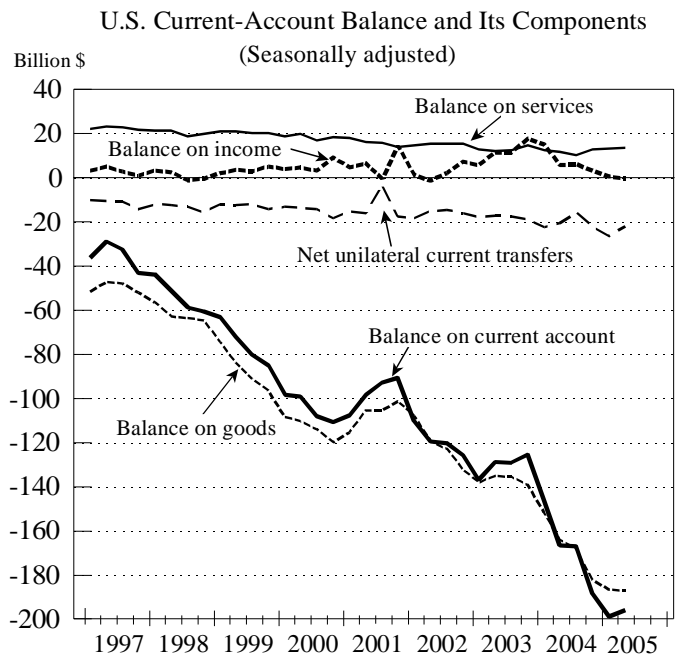
### Income

The balance on income shifted to a deficit of \$0.5 billion in the second quarter from a surplus of \$0.6 billion in the first.

Investment income Income receipts on U.S.-owned assets abroad increased to \$112.6 billion from \$106.2 billion. The increase was almost entirely accounted for by increases in direct investment receipts and in “other” private receipts (which consists of interest and dividends).

Income payments on foreign-owned assets in the United States increased to \$111.6 billion from \$104.1 billion. Increases in “other” private payments (which consists of interest and dividends), in direct investment payments, and in U.S. Government payments (which consists of interest) all contributed.

Compensation of employees Receipts for compensation of U.S. workers abroad were virtually unchanged at \$0.8 billion, and payments for compensation of foreign workers in the United States were virtually unchanged at \$2.2 billion.



### Unilateral current transfers

Unilateral current transfers were net outflows of \$21.9 billion in the second quarter, down from net outflows of \$26.3 billion in the first. The decrease was mostly attributable to a decrease in U.S. Government grants.

### Capital and Financial Account

#### Capital Account

Capital account transactions were net outflows of \$0.3 billion in the second quarter, down from net outflows of \$4.5 billion in the first.

#### Financial Account

Net recorded financial inflows--net acquisitions by foreign residents of assets in the United States less net acquisitions by U.S. residents of assets abroad--were \$142.3 billion in the second quarter, down from \$161.9 billion in the first. Financial outflows for U.S.-owned assets abroad picked up more than financial inflows for foreign-owned assets in the United States.

### U.S.-owned assets abroad

U.S.-owned assets abroad increased \$250.8 billion in the second quarter, following an increase of \$81.5 billion in the first.

U.S. claims on foreigners reported by U.S. banks increased \$171.0 billion in the second quarter, in contrast to a decrease of \$49.3 billion in the first.

Net U.S. purchases of foreign securities were \$36.0 billion in the second quarter, down from \$38.7 billion in the first. Net U.S. purchases of foreign stocks were \$20.8 billion, down from \$39.8 billion. Transactions in foreign bonds shifted to net U.S. purchases of \$15.2 billion from net U.S. sales of \$1.2 billion.

Net financial outflows for U.S. direct investment abroad were \$33.6 billion in the second quarter, up from \$27.0 billion in the first. Both net equity capital outflows and reinvested earnings increased, and net intercompany debt inflows decreased.

U.S. official reserve assets increased \$0.8 billion in the second quarter, in contrast to a decrease of \$5.3 billion in the first.

### Foreign-owned assets in the United States

Foreign-owned assets in the United States increased \$393.1 billion in the second quarter, following an increase of \$243.5 billion in the first.

U.S. liabilities to foreigners reported by U.S. banks increased \$168.9 billion in the second quarter, in contrast to a decrease of \$67.7 billion in the first.

Net foreign purchases of U.S. Treasury securities were \$4.9 billion in the second quarter, down from \$75.9 billion in the first.

Net foreign purchases of U.S. securities other than U.S. Treasury securities were \$115.3 billion in the second quarter, up from \$80.0 billion in the first. Net foreign purchases of U.S. stocks were \$12.7 billion, down from \$21.2 billion. Net foreign purchases of U.S. corporate bonds were \$82.3 billion, up from \$58.1 billion. Net foreign purchases of federally sponsored agency bonds were \$20.4 billion, up from \$0.7 billion.

Net financial inflows for foreign direct investment in the United States were \$17.6 billion in the second quarter, down from \$35.1 billion in the first. The decrease was more than accounted for by a shift to net outflows on intercompany debt from net inflows. A decrease in net equity capital inflows also contributed. In contrast, reinvested earnings increased.

Foreign official assets in the United States increased \$82.3 billion in the second quarter, following an increase of \$25.3 billion in the first.

Net U.S. currency shipments to foreigners were \$4.5 billion in the second quarter, up from \$1.1 billion in the first.

The statistical discrepancy--errors and omissions in recorded transactions--was a positive \$53.6 billion in the second quarter, compared with a positive \$41.2 billion in the first.

In the second quarter, the U.S. dollar appreciated 3 percent on a trade-weighted quarterly average basis against a group of 7 major currencies.

The American Jobs Creation Act of 2004, which was signed into law on October 22, 2004, allows U.S. companies that repatriate an historically large amount of earnings from their foreign subsidiaries for a period of 1 year (calendar year 2004 or calendar year 2005 at taxpayers' option, for calendar year taxpayers) to be taxed at reduced rates on the increased distributions.

In the *current account*, distributed earnings that U.S. parent companies receive from their foreign affiliates are one component of foreign affiliates' earnings; earnings are recorded in direct investment income receipts when they are earned (table 1, line 14). The distribution of earnings affects only the *form* in which earnings are received, and not its overall *amount*. For a given amount of earnings, an increase in distributed earnings would lead to an equal and offsetting decrease in reinvested earnings, the other component of foreign affiliates' earnings.

In the *financial account*, reinvested earnings on U.S. direct investment abroad are one component of direct investment outflows (table 1, line 51). A decrease in reinvested earnings would therefore result in smaller direct investment outflows. Depending on the method of settlement, the decrease in direct investment outflows would be balanced or offset by changes in one or more other financial account components.

It is not possible for BEA to separately identify transactions arising from the American Jobs Creation Act. More information is available on BEA's Web site at [www.bea.gov/bea/faq/international/FAQ.htm](http://www.bea.gov/bea/faq/international/FAQ.htm).

## Revisions

The first-quarter international transactions are revised from previously published estimates. The current-account deficit was revised to \$198.7 billion from \$195.1 billion. The goods deficit was unrevised at \$186.3 billion; the services surplus was revised to \$13.3 billion from \$14.6 billion; the income surplus was revised to \$0.6 billion from \$3.8 billion; and unilateral current transfers were revised to net outflows of \$26.3 billion from \$27.1 billion. Net recorded financial inflows were revised to \$161.9 billion from \$165.4 billion.

\* \* \*

Release dates in 2005:

Third quarter 2005.....December 16, 2005 (Friday)

\* \* \*

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

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

BEA's national, international, regional, and industry estimates; the *Survey of Current Business*; and BEA news releases are available without charge on BEA's Web site at [www.bea.gov](http://www.bea.gov). By visiting the site, you can also subscribe to receive free e-mail summaries of BEA releases and announcements.

**Table 1. U.S. International Transactions**

[Millions of dollars, quarters seasonally adjusted]

	(Credits +, debits -)	2004	2004				2005		Change: 2005 I-II
			I	II	III	IV	I <sup>r</sup>	II <sup>p</sup>	
<b>Current account</b>									
<b>1</b>	<b>Exports of goods and services and income receipts.....</b>	<b>1,530,975</b>	<b>363,494</b>	<b>376,564</b>	<b>385,874</b>	<b>405,041</b>	<b>413,395</b>	<b>430,628</b>	<b>17,233</b>
2	Exports of goods and services.....	1,151,448	277,093	285,099	290,370	298,887	306,444	317,284	10,840
3	Goods, balance of payments basis.....	807,536	193,789	200,072	204,801	208,874	213,840	223,540	9,700
4	Services.....	343,912	83,304	85,027	85,569	90,013	92,604	93,744	1,140
5	Transfers under U.S. military agency sales contracts.....	14,814	3,899	3,756	3,604	3,555	4,525	4,485	-40
6	Travel.....	74,481	17,900	18,675	18,686	19,220	20,008	21,564	1,556
7	Passenger fares.....	18,858	4,521	4,654	4,909	4,774	5,162	5,342	180
8	Other transportation.....	36,862	8,907	9,188	9,124	9,643	9,859	10,164	305
9	Royalties and license fees.....	52,643	12,677	12,573	12,947	14,446	14,872	14,705	-167
10	Other private services.....	145,433	35,202	35,975	36,094	38,163	37,968	37,277	-691
11	U.S. Government miscellaneous services.....	821	198	206	205	212	210	207	-3
12	Income receipts.....	379,527	86,401	91,465	95,504	106,154	106,951	113,344	6,393
13	Income receipts on U.S.-owned assets abroad.....	376,489	85,657	90,738	94,734	105,357	106,207	112,588	6,381
14	Direct investment receipts.....	233,067	55,096	57,053	57,863	63,053	58,180	61,682	3,502
15	Other private receipts.....	140,424	29,758	32,972	36,117	41,577	47,299	50,077	2,778
16	U.S. Government receipts.....	2,998	803	713	754	727	728	829	101
17	Compensation of employees.....	3,038	744	727	770	797	744	756	12
<b>18</b>	<b>Imports of goods and services and income payments.....</b>	<b>-2,118,119</b>	<b>-487,324</b>	<b>-522,684</b>	<b>-537,085</b>	<b>-571,026</b>	<b>-585,804</b>	<b>-604,410</b>	<b>-18,606</b>
19	Imports of goods and services.....	-1,769,031	-415,945	-437,141	-447,835	-468,108	-479,496	-490,611	-11,115
20	Goods, balance of payments basis.....	-1,472,926	-345,241	-364,059	-372,576	-391,050	-400,169	-410,469	-10,300
21	Services.....	-296,105	-70,704	-73,082	-75,259	-77,058	-79,327	-80,142	-815
22	Direct defense expenditures.....	-29,299	-7,099	-7,399	-7,433	-7,368	-7,545	-7,535	10
23	Travel.....	-65,635	-15,886	-16,491	-16,603	-16,655	-17,425	-18,127	-702
24	Passenger fares.....	-23,701	-5,740	-5,882	-5,896	-6,183	-6,221	-6,508	-287
25	Other transportation.....	-54,169	-12,914	-13,158	-13,614	-14,483	-15,882	-14,835	1,047
26	Royalties and license fees.....	-23,901	-5,407	-5,731	-6,591	-6,172	-6,429	-6,372	57
27	Other private services.....	-95,666	-22,776	-23,492	-24,150	-25,246	-24,859	-25,808	-949
28	U.S. Government miscellaneous services.....	-3,734	-882	-929	-972	-951	-966	-957	9
29	Income payments.....	-349,088	-71,379	-85,543	-89,250	-102,918	-106,308	-113,799	-7,491
30	Income payments on foreign-owned assets in the United States.....	-340,255	-69,219	-83,331	-87,040	-100,666	-104,140	-111,619	-7,479
31	Direct investment payments.....	-105,146	-20,014	-27,973	-27,520	-29,640	-29,803	-32,612	-2,809
32	Other private payments.....	-145,370	-29,040	-33,355	-36,246	-46,729	-48,333	-51,155	-2,822
33	U.S. Government payments.....	-89,739	-20,165	-22,003	-23,274	-24,297	-26,004	-27,852	-1,848
34	Compensation of employees.....	-8,833	-2,160	-2,212	-2,210	-2,252	-2,168	-2,180	-12
<b>35</b>	<b>Unilateral current transfers, net.....</b>	<b>-80,930</b>	<b>-22,271</b>	<b>-20,515</b>	<b>-15,771</b>	<b>-22,374</b>	<b>-26,259</b>	<b>-21,873</b>	<b>4,386</b>
36	U.S. Government grants.....	-23,317	-7,744	-4,961	-4,911	-5,701	-9,035	-5,332	3,703
37	U.S. Government pensions and other transfers.....	-6,264	-1,554	-1,556	-1,548	-1,607	-1,558	-1,564	-6
38	Private remittances and other transfers.....	-51,349	-12,973	-13,998	-9,312	-15,066	-15,666	-14,977	689

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

[Millions of dollars, quarters seasonally adjusted]

	(Credits +, debits -)	2004	2004				2005		Change: 2005 I-II
			I	II	III	IV	I <sup>r</sup>	II <sup>p</sup>	
<b>Capital and financial account</b>									
<b>Capital account</b>									
<b>39</b>	<b>Capital account transactions, net.....</b>	<b>-1,648</b>	<b>-428</b>	<b>-372</b>	<b>-393</b>	<b>-455</b>	<b>-4,466</b>	<b>-266</b>	<b>4,200</b>
<b>Financial account</b>									
<b>40</b>	<b>U.S.-owned assets abroad, net (increase/financial outflow (-)).....</b>	<b>-855,509</b>	<b>-295,140</b>	<b>-133,886</b>	<b>-137,525</b>	<b>-288,957</b>	<b>-81,510</b>	<b>-250,793</b>	<b>-169,283</b>
41	U.S. official reserve assets, net.....	2,805	557	1,122	429	697	5,331	-797	-6,128
42	Gold.....	.....	.....	.....	.....	.....	.....	.....	.....
43	Special drawing rights.....	-398	-100	-90	-98	-110	1,713	-97	-1,810
44	Reserve position in the International Monetary Fund.....	3,826	815	1,345	676	990	3,763	-564	-4,327
45	Foreign currencies.....	-623	-158	-133	-149	-183	-145	-136	9
46	U.S. Government assets, other than official reserve assets, net.....	1,215	727	-2	-11	501	4,487	258	-4,229
47	U.S. credits and other long-term assets.....	-3,044	-561	-668	-1,270	-545	-519	-586	-67
48	Repayments on U.S. credits and other long-term assets.....	4,221	1,374	544	1,299	1,004	1,083	838	-245
49	U.S. foreign currency holdings and U.S. short-term assets, net.....	38	-86	122	-40	42	3,923	6	-3,917
50	U.S. private assets, net.....	-859,529	-296,424	-135,006	-137,943	-290,155	-91,328	-250,254	-158,926
51	Direct investment.....	-252,012	-52,367	-58,425	-41,222	-99,997	-26,997	-33,609	-6,612
52	Foreign securities.....	-102,383	-15,532	-30,181	-38,444	-18,226	-38,675	-36,004	2,671
53	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns.....	-149,001	-55,452	-5,390	-13,490	-74,669	-74,934	-9,642	65,292
54	U.S. claims reported by U.S. banks, not included elsewhere.....	-356,133	-173,073	-41,010	-44,787	-97,263	49,278	-170,999	-220,277
<b>55</b>	<b>Foreign-owned assets in the United States, net (increase/financial inflow (+)).....</b>	<b>1,440,105</b>	<b>423,023</b>	<b>304,937</b>	<b>254,228</b>	<b>457,915</b>	<b>243,451</b>	<b>393,069</b>	<b>149,618</b>
56	Foreign official assets in the United States, net.....	394,710	147,401	77,039	75,792	94,478	25,277	82,324	57,047
57	U.S. Government securities.....	311,133	124,010	63,456	66,899	56,768	39,244	44,341	5,097
58	U.S. Treasury securities.....	272,648	112,586	62,977	55,357	41,728	14,306	22,721	8,415
59	Other.....	38,485	11,424	479	11,542	15,040	24,938	21,620	-3,318
60	Other U.S. Government liabilities.....	488	-109	45	710	-158	-650	229	879
61	U.S. liabilities reported by U.S. banks, not included elsewhere.....	70,329	22,058	11,350	4,867	32,054	-15,843	33,663	49,506
62	Other foreign official assets.....	12,760	1,442	2,188	3,316	5,814	2,526	4,091	1,565
63	Other foreign assets in the United States, net.....	1,045,395	275,622	227,898	178,436	363,437	218,174	310,745	92,571
64	Direct investment.....	106,832	8,503	31,039	35,666	31,622	35,056	17,590	-17,466
65	U.S. Treasury securities.....	106,958	31,931	60,424	-1,107	15,710	75,911	4,913	-70,998
66	U.S. securities other than U.S. Treasury securities.....	369,793	45,476	81,678	84,401	158,238	79,973	115,335	35,362
67	U.S. currency.....	14,827	-1,800	8,754	2,560	5,313	1,072	4,507	3,435
68	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.....	124,358	44,623	3,887	14,752	61,096	93,897	-548	-94,445
69	U.S. liabilities reported by U.S. banks, not included elsewhere.....	322,627	146,889	42,116	42,164	91,458	-67,735	168,948	236,683
<b>70</b>	<b>Statistical discrepancy (sum of above items with sign reversed).....</b>	<b>85,126</b>	<b>18,646</b>	<b>-4,044</b>	<b>50,672</b>	<b>19,856</b>	<b>41,193</b>	<b>53,645</b>	<b>12,452</b>
<b>Memoranda:</b>									
71	Balance on goods (lines 3 and 20).....	-665,390	-151,452	-163,987	-167,775	-182,176	-186,329	-186,929	-600
72	Balance on services (lines 4 and 21).....	47,807	12,600	11,945	10,310	12,955	13,277	13,602	325
73	Balance on goods and services (lines 2 and 19).....	-617,583	-138,852	-152,042	-157,465	-169,221	-173,052	-173,327	-275
74	Balance on income (lines 12 and 29).....	30,439	15,022	5,922	6,254	3,236	643	-455	-1,098
75	Unilateral current transfers, net (line 35).....	-80,930	-22,271	-20,515	-15,771	-22,374	-26,259	-21,873	4,386
76	Balance on current account (lines 1, 18, and 35 or lines 73, 74, and 75).....	-668,074	-146,101	-166,635	-166,982	-188,359	-198,668	-195,655	3,013

<sup>r</sup> Revised. <sup>p</sup> Preliminary.

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