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BEA 08-56

**U.S. International Transactions: Third Quarter 2008**

**Current Account**

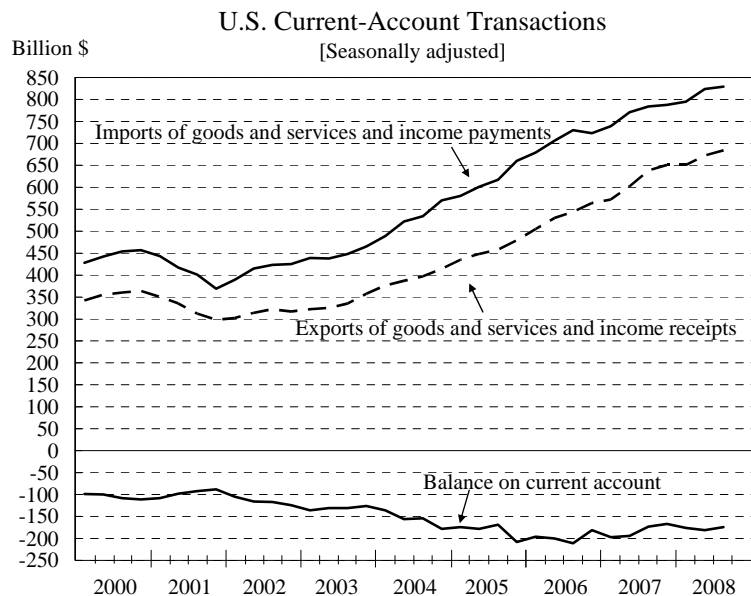
The U.S. current-account deficit--the combined balances on trade in goods and services, income, and net unilateral current transfers--decreased to \$174.1 billion (preliminary) in the third quarter of 2008 from \$180.9 billion (revised) in the second quarter. The decrease was accounted for by increases in the surpluses on income and on services and decreases in the deficit on goods and in net unilateral current transfers to foreigners.

Goods and services

The deficit on goods and services decreased to \$176.5 billion in the third quarter from \$180.1 billion in the second.

Goods The deficit on goods decreased to \$214.7 billion in the third quarter from \$216.3 billion in the second.

Goods exports increased to \$346.5 billion from \$337.3 billion. More than half of the increase was accounted for by a rise in industrial supplies and materials, largely reflecting increases in energy products and in chemicals. Automotive vehicles and parts, capital goods, and consumer goods also increased.



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Goods imports increased to \$561.2 billion from \$553.6 billion. The increase was more than accounted for by an increase in petroleum and products. Nonpetroleum products decreased slightly, as decreases in automotive vehicles and parts and in capital goods were largely offset by increases in nonpetroleum industrial supplies and materials and in consumer goods.

Services The surplus on services increased to \$38.2 billion in the third quarter from \$36.2 billion in the second.

Services receipts increased to \$142.5 billion from \$138.2 billion. The increase was largely accounted for by increases in travel, in “other” private services (which includes items such as business, professional, and technical services, insurance services, and financial services), in passenger fares, and in royalties and license fees.

Services payments increased to \$104.3 billion from \$101.9 billion. The increase was largely accounted for by increases in royalties and license fees and in “other” private services.

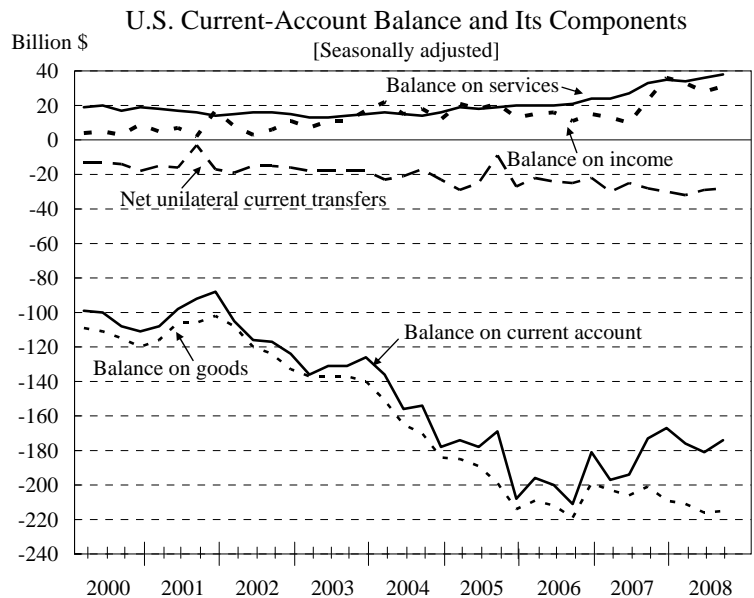
### Income

The surplus on income increased to \$30.8 billion in the third quarter from \$28.2 billion in the second.

Investment income Income receipts on U.S.-owned assets abroad decreased to \$193.9 billion from \$195.7 billion. The decrease was more than accounted for by a decrease in direct investment receipts. In contrast, “other” private receipts (which consists of interest and dividends) and U.S. government receipts increased.

Income payments on foreign-owned assets in the United States decreased to \$161.3 billion from \$165.7 billion. The decrease was more than accounted for by decreases in direct investment payments and in U.S. government payments. In contrast, “other” private payments increased.

Compensation of employees Receipts for compensation of U.S. workers abroad were virtually unchanged at \$0.7 billion, and payments for compensation of foreign workers in the United States were also virtually unchanged, at \$2.5 billion.



### Unilateral current transfers

Net unilateral current transfers to foreigners were \$28.4 billion in the third quarter, down from \$29.0 billion in the second. The decrease was largely accounted for by a decrease in private remittances and other transfers.

### Capital Account

Net capital account payments (outflows) were virtually unchanged at \$0.6 billion in the third quarter.

### Financial Account

Net financial inflows--net acquisitions by foreign residents of assets in the United States less net acquisitions by U.S. residents of assets abroad--were \$135.2 billion in the third quarter, up from \$122.9 billion in the second. Net acquisitions by foreign residents of assets in the United States picked up, and transactions by U.S. residents resulted in a smaller decrease in U.S.-owned assets abroad in the third quarter than in the second quarter.

### U.S.-owned assets abroad

U.S.-owned assets abroad decreased \$9.5 billion in the third quarter, following a decrease of \$102.7 billion in the second.

U.S. claims on foreigners reported by U.S. banks decreased \$152.0 billion in the third quarter, following a decrease of \$213.9 billion in the second.

Transactions in foreign securities shifted to net U.S. sales of \$86.8 billion in the third quarter from net U.S. purchases of \$33.6 billion in the second. Transactions in foreign stocks shifted to net U.S. sales of \$14.8 billion from net U.S. purchases of \$21.4 billion. Transactions in foreign bonds shifted to net U.S. sales of \$72.0 billion from net U.S. purchases of \$12.2 billion.

U.S. direct investment abroad increased \$56.9 billion in the third quarter, following an increase of \$84.0 billion in the second. The slowdown resulted from a shift from an increase to a decrease in net intercompany debt investment abroad and a slowdown in reinvested earnings. In contrast, net equity capital investment picked up.

U.S. official reserve assets increased \$0.2 billion in the third quarter, following an increase of \$1.3 billion in the second.

U.S. government assets other than official reserve assets increased \$226.0 billion in the third quarter, following an increase of \$41.6 billion in the second. The exceptionally large third-quarter increase resulted from drawings on temporary reciprocal currency arrangements between the U.S. Federal Reserve System and foreign central banks that do not meet the strict definition of U.S. reserve assets.

Foreign-owned assets in the United States

Foreign-owned assets in the United States increased \$125.7 billion in the third quarter, following an increase of \$22.7 billion in the second.

U.S. liabilities to foreigners reported by U.S. banks decreased \$147.9 billion in the third quarter, following a decrease of \$256.6 billion in the second.

Net foreign purchases of U.S. Treasury securities were \$89.5 billion in the third quarter, up from \$65.7 billion in the second.

Transactions in U.S. securities other than U.S. Treasury securities shifted to net foreign sales of \$89.2 billion in the third quarter from net foreign purchases of \$17.1 billion in the second. The shift largely resulted from a shift to net foreign sales of \$34.7 billion of U.S. corporate bonds from net foreign purchases of \$50.6 billion. In addition, net foreign sales of U.S. federally sponsored agency bonds were \$57.0 billion, up from \$32.8 billion. In contrast, transactions in U.S. stocks shifted to net foreign purchases of \$2.5 billion from net foreign sales of \$0.7 billion.

Foreign direct investment in the United States increased \$66.1 billion in the third quarter, following an increase of \$105.3 billion in the second. The slowdown almost entirely resulted from a slowdown in net intercompany debt investment in the United States. In addition, reinvested earnings fell slightly. In contrast, net equity capital investment in the United States picked up.

Foreign official assets in the United States increased \$117.7 billion in the third quarter, following an increase of \$145.4 billion in the second.

Net U.S. currency shipments to foreigners were \$5.8 billion in the third quarter, up from \$0.2 billion in the second.

The statistical discrepancy--errors and omissions in recorded transactions--was a positive \$39.5 billion in the third quarter, compared with a positive \$58.7 billion in the second.

In the third quarter, the U.S. dollar appreciated 4 percent on a trade-weighted quarterly average basis against a group of 7 major currencies.

### Revisions

The second-quarter international transactions are revised from previously published estimates. The current-account deficit was revised to \$180.9 billion from \$183.1 billion. The goods deficit was unrevised at \$216.3 billion; the services surplus was revised to \$36.2 billion from \$35.8 billion; the income surplus was revised to \$28.2 billion from \$27.3 billion; and unilateral current transfers were revised to net outflows of \$29.0 billion from \$29.9 billion. Net financial inflows were revised to \$122.9 billion from \$136.7 billion.

\* \* \*

Release dates in 2009:

Fourth quarter and year 2008.....	March 18, 2009 (Wednesday)
First quarter 2009.....	June 17, 2009 (Wednesday)
Second quarter 2009.....	September 16, 2009 (Wednesday)
Third quarter 2009.....	December 16, 2009 (Wednesday)

\* \* \*

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

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

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

[Millions of dollars, quarters seasonally adjusted]

	(Credits +, debits -)	2007	2007				2008			Change: 2008 II-III
			I	II	III	IV	I	II <sup>r</sup>	III <sup>p</sup>	
<b>Current account</b>										
<b>1</b>	<b>Exports of goods and services and income receipts.....</b>	<b>2,463,505</b>	<b>572,182</b>	<b>602,122</b>	<b>638,393</b>	<b>650,808</b>	<b>651,473</b>	<b>671,944</b>	<b>683,708</b>	<b>11,764</b>
2	Exports of goods and services.....	1,645,726	385,436	399,951	424,873	435,465	451,645	475,498	489,053	13,555
3	Goods, balance of payments basis.....	1,148,481	270,318	279,488	295,494	303,180	317,813	337,312	346,536	9,224
4	Services.....	497,245	115,118	120,463	129,378	132,285	133,833	138,186	142,518	4,332
5	Transfers under U.S. military agency sales contracts.....	16,052	4,629	4,000	3,881	3,542	4,371	3,554	3,570	16
6	Travel.....	96,712	21,818	23,154	25,241	26,499	27,060	28,053	29,468	1,415
7	Passenger fares.....	25,586	5,800	5,996	6,530	7,259	7,623	7,687	8,462	775
8	Other transportation.....	51,586	12,076	12,639	13,081	13,790	14,632	15,791	15,820	29
9	Royalties and license fees.....	82,614	18,991	19,866	21,940	21,817	21,559	22,577	23,310	733
10	Other private services.....	223,483	51,508	54,521	58,396	59,058	58,289	60,216	61,572	1,356
11	U.S. government miscellaneous services.....	1,212	296	288	309	320	299	308	315	7
12	Income receipts.....	817,779	186,746	202,171	213,520	215,343	199,827	196,446	194,655	-1,791
13	Income receipts on U.S.-owned assets abroad.....	814,807	186,013	201,434	212,774	214,587	199,064	195,679	193,910	-1,769
14	Direct investment receipts.....	368,275	83,391	89,673	94,953	100,259	97,262	101,524	98,068	-3,456
15	Other private receipts.....	444,299	102,063	111,187	117,275	113,774	101,088	93,412	94,759	1,347
16	U.S. government receipts.....	2,233	559	574	546	554	714	743	1,083	340
17	Compensation of employees.....	2,972	733	737	746	756	763	767	745	-22
<b>18</b>	<b>Imports of goods and services and income payments.....</b>	<b>-3,082,014</b>	<b>-738,938</b>	<b>-771,262</b>	<b>-783,548</b>	<b>-788,264</b>	<b>-795,371</b>	<b>-823,859</b>	<b>-829,408</b>	<b>-5,549</b>
19	Imports of goods and services.....	-2,345,984	-564,979	-578,770	-592,986	-609,248	-628,756	-655,578	-665,589	-10,011
20	Goods, balance of payments basis.....	-1,967,853	-473,681	-485,375	-496,698	-512,099	-528,845	-553,641	-561,246	-7,605
21	Services.....	-378,130	-91,298	-93,395	-96,288	-97,149	-99,910	-101,937	-104,343	-2,406
22	Direct defense expenditures.....	-32,820	-7,915	-8,085	-8,132	-8,688	-8,769	-8,986	-9,150	-164
23	Travel.....	-76,167	-18,538	-18,849	-19,247	-19,533	-20,403	-20,292	-20,168	124
24	Passenger fares.....	-28,486	-6,721	-6,979	-7,422	-7,364	-7,928	-8,033	-8,245	-212
25	Other transportation.....	-67,050	-16,022	-16,767	-17,119	-17,142	-17,869	-18,563	-18,838	-275
26	Royalties and license fees.....	-25,048	-6,643	-6,260	-6,155	-5,991	-6,663	-6,626	-7,727	-1,101
27	Other private services.....	-144,375	-34,444	-35,437	-37,145	-37,350	-37,196	-38,349	-39,108	-759
28	U.S. government miscellaneous services.....	-4,184	-1,016	-1,018	-1,069	-1,081	-1,083	-1,088	-1,107	-19
29	Income payments.....	-736,030	-173,959	-192,492	-190,562	-179,016	-166,615	-168,282	-163,819	4,463
30	Income payments on foreign-owned assets in the United States.....	-726,031	-171,560	-189,991	-188,045	-176,436	-164,055	-165,734	-161,274	4,460
31	Direct investment payments.....	-134,414	-33,128	-40,620	-35,243	-25,424	-27,001	-36,656	-32,769	3,887
32	Other private payments.....	-426,515	-99,373	-107,963	-110,898	-108,281	-94,302	-86,115	-86,987	-872
33	U.S. government payments.....	-165,102	-39,059	-41,408	-41,904	-42,731	-42,752	-42,963	-41,518	1,445
34	Compensation of employees.....	-9,999	-2,399	-2,501	-2,517	-2,580	-2,560	-2,547	-2,545	2
<b>35</b>	<b>Unilateral current transfers, net.....</b>	<b>-112,705</b>	<b>-30,174</b>	<b>-24,953</b>	<b>-27,796</b>	<b>-29,784</b>	<b>-31,742</b>	<b>-29,028</b>	<b>-28,390</b>	<b>638</b>
36	U.S. government grants.....	-33,237	-10,567	-5,611	-7,109	-9,950	-9,990	-7,305	-7,117	188
37	U.S. government pensions and other transfers.....	-7,323	-1,805	-1,834	-1,837	-1,849	-1,951	-1,966	-1,970	-4
38	Private remittances and other transfers.....	-72,145	-17,802	-17,508	-18,850	-17,985	-19,801	-19,757	-19,303	454

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

[Millions of dollars, quarters seasonally adjusted]

	(Credits +, debits -)	2007	2007				2008			Change: 2008 II-III
			I	II	III	IV	I	II <sup>r</sup>	III <sup>p</sup>	
<b>Capital account</b>										
<b>39</b>	<b>Capital account transactions, net.....</b>	<b>-1,843</b>	<b>-543</b>	<b>-112</b>	<b>-617</b>	<b>-571</b>	<b>-600</b>	<b>-631</b>	<b>-593</b>	<b>38</b>
<b>Financial account</b>										
<b>40</b>	<b>U.S.-owned assets abroad, excluding financial derivatives (increase/financial outflow (-)).....</b>	<b>-1,289,854</b>	<b>-442,065</b>	<b>-523,556</b>	<b>-170,476</b>	<b>-153,757</b>	<b>-260,644</b>	<b>102,698</b>	<b>9,505</b>	<b>-93,193</b>
41	U.S. official reserve assets.....	-122	-72	26	-54	-22	-276	-1,267	-179	1,088
42	Gold.....	0	0	0	0	0	0	0	0	0
43	Special drawing rights.....	-154	-43	-39	-37	-35	-29	-22	-30	-8
44	Reserve position in the International Monetary Fund.....	1,021	212	294	230	285	112	-955	256	1,211
45	Foreign currencies.....	-989	-241	-229	-247	-272	-359	-290	-405	-115
46	U.S. government assets, other than official reserve assets.....	-22,273	445	-596	623	-22,744	3,265	-41,592	-225,994	-184,402
47	U.S. credits and other long-term assets.....	-2,475	-608	-1,405	-182	-279	-179	-1,106	-338	768
48	Repayments on U.S. credits and other long-term assets.....	4,104	1,091	687	780	1,546	487	497	597	100
49	U.S. foreign currency holdings and U.S. short-term assets.....	-23,902	-38	122	25	-24,011	2,957	-40,983	-226,253	-185,270
50	U.S. private assets.....	-1,267,459	-442,438	-522,985	-171,045	-130,990	-263,634	145,558	235,678	90,120
51	Direct investment.....	-333,271	-66,706	-93,616	-62,043	-110,905	-89,100	-84,049	-56,871	27,178
52	Foreign securities.....	-288,731	-99,541	-84,671	-100,317	-4,202	-35,066	-33,576	86,768	120,344
53	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns.....	-706	-46,048	-134,713	80,012	100,043	81,848	49,324	53,787	4,463
54	U.S. claims reported by U.S. banks, not included elsewhere.....	-644,751	-230,143	-209,985	-88,697	-115,926	-221,316	213,859	151,994	-61,865
<b>55</b>	<b>Foreign-owned assets in the United States, excluding financial derivatives (increase/financial inflow (+)).....</b>	<b>2,057,703</b>	<b>692,713</b>	<b>718,112</b>	<b>266,476</b>	<b>380,402</b>	<b>459,017</b>	<b>22,719</b>	<b>125,692</b>	<b>102,973</b>
56	Foreign official assets in the United States.....	411,058	163,270	88,822	13,469	145,497	173,533	145,391	117,663	-27,728
57	U.S. government securities.....	230,330	121,640	61,641	-7,788	54,837	167,883	151,288	108,118	-43,170
58	U.S. Treasury securities.....	58,865	40,337	1,610	-25,810	42,728	88,649	58,143	116,479	58,336
59	Other.....	171,465	81,303	60,031	18,022	12,109	79,234	93,145	148,361	-101,506
60	Other U.S. government liabilities.....	5,342	366	-69	913	4,132	1,645	2,439	1,714	-725
61	U.S. liabilities reported by U.S. banks, not included elsewhere.....	108,695	30,329	15,956	9,873	52,537	-26,930	-30,055	9,617	39,672
62	Other foreign official assets.....	66,691	10,935	11,294	10,471	33,991	30,935	21,719	-1,786	-23,505
63	Other foreign assets in the United States.....	1,646,645	529,443	629,290	253,007	234,905	285,484	-122,672	8,029	130,701
64	Direct investment.....	237,542	14,026	61,862	105,908	55,746	80,437	105,304	66,117	-39,187
65	U.S. Treasury securities.....	156,825	42,882	-13,522	67,406	60,059	63,263	65,692	89,506	23,814
66	U.S. securities other than U.S. Treasury securities.....	573,850	183,507	310,340	-30,486	110,489	-20,475	17,068	-89,163	-106,231
67	U.S. currency.....	-10,675	-6,165	-1,635	655	-3,530	-914	230	5,845	5,615
68	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.....	156,290	90,061	122,476	55,599	-111,846	84,085	-54,350	83,598	137,948
69	U.S. liabilities reported by U.S. banks, not included elsewhere.....	532,813	205,132	149,769	53,925	123,987	79,088	-256,616	-147,874	108,742
<b>70</b>	<b>Financial derivatives, net.....</b>	<b>6,496</b>	<b>14,795</b>	<b>-1,007</b>	<b>5,942</b>	<b>-13,234</b>	<b>-8,001</b>	<b>-2,519</b>	<b>n.a.</b>	<b>2,519</b>
<b>71</b>	<b>Statistical discrepancy (sum of above items with sign reversed).....</b>	<b>-41,287</b>	<b>-67,970</b>	<b>656</b>	<b>71,627</b>	<b>-45,600</b>	<b>-14,131</b>	<b>58,677</b>	<b>39,487</b>	<b>-19,190</b>
<b>Memoranda:</b>										
72	Balance on goods (lines 3 and 20).....	-819,373	-203,363	-205,887	-201,204	-208,919	-211,032	-216,328	-214,710	1,618
73	Balance on services (lines 4 and 21).....	119,115	23,820	27,068	33,090	35,136	33,922	36,249	38,175	1,926
74	Balance on goods and services (lines 2 and 19).....	-700,258	-179,543	-178,819	-168,114	-173,783	-177,110	-180,079	-176,536	3,543
75	Balance on income (lines 12 and 29).....	81,749	12,787	9,679	22,958	36,327	33,212	28,164	30,835	2,671
76	Unilateral current transfers, net (line 35).....	-112,705	-30,174	-24,953	-27,796	-29,784	-31,742	-29,028	-28,390	638
<b>77</b>	<b>Balance on current account (lines 1, 18, and 35 or lines 74, 75, and 76).....</b>	<b>-731,214</b>	<b>-196,930</b>	<b>-194,093</b>	<b>-172,952</b>	<b>-167,241</b>	<b>-175,640</b>	<b>-180,944</b>	<b>-174,091</b>	<b>6,853</b>

p Preliminary  
r Revised  
n.a. Not available

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