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## U.S. International Transactions: Third Quarter 2004

### Current Account

The U.S. current-account deficit--the combined balances on trade in goods and services, income, and net unilateral current transfers--increased slightly to \$164.7 billion in the third quarter of 2004 (preliminary) from \$164.4 billion (revised) in the second quarter. An increase in the deficit on goods and a decrease in the surplus on services offset a decrease in net outflows for unilateral current transfers and an increase in the surplus on income.

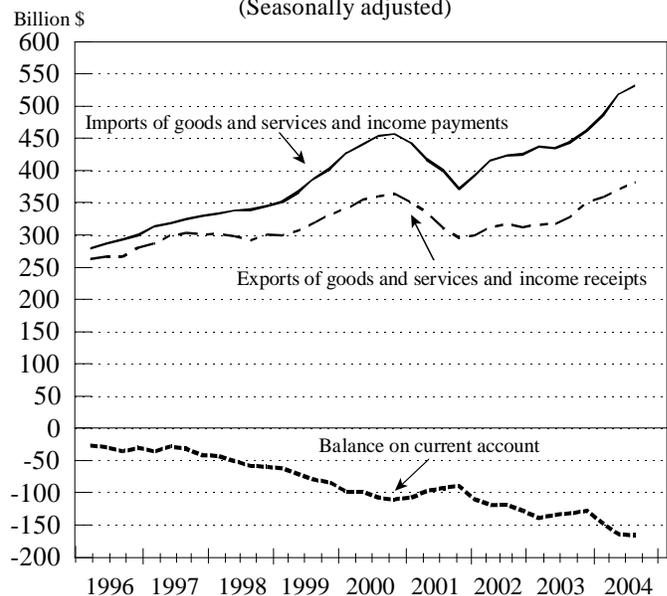
#### Goods and services

The deficit on goods and services increased to \$155.3 billion in the third quarter from \$151.1 billion in the second.

Goods The deficit on goods increased to \$166.7 billion in the third quarter from \$163.6 billion in the second quarter.

Goods exports increased to \$204.6 billion from \$199.3 billion. The increase was mostly attributable to increases in industrial supplies and materials, in automotive vehicles, engines, and parts, and in capital goods.

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



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

Goods imports increased to \$371.3 billion from \$362.9 billion. Increases in petroleum and petroleum products, in nonpetroleum industrial supplies and materials, and in capital goods more than offset a decrease in consumer goods.

Services The surplus on services decreased to \$11.4 billion in the third quarter from \$12.5 billion in the second.

Services receipts increased to \$85.0 billion from \$84.7 billion. The largest increases were in royalties and license fees, in “other” transportation (such as freight and port services), and in travel.

Services payments increased to \$73.6 billion from \$72.2 billion. The largest increases were in royalties and license fees, in “other” transportation, in travel, and in passenger fares.

Income

The surplus on income increased to \$5.3 billion in the third quarter from \$5.0 billion in the second.

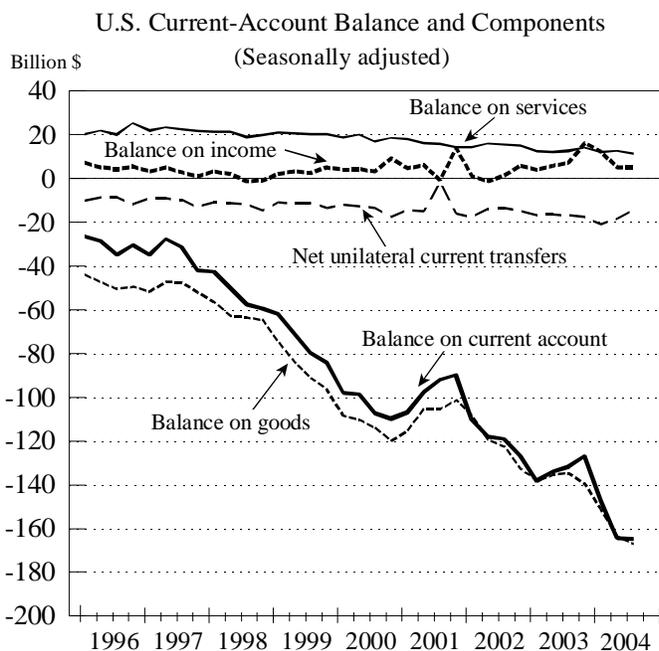
Investment income Income receipts on U.S.-owned assets abroad increased to \$92.1 billion from \$87.7 billion. The increase was mostly accounted for by increases in “other” private receipts (which consists of interest and dividends) and in direct investment receipts.

Income payments on foreign-owned assets in the United States increased to \$85.4 billion from \$81.1 billion. “Other” private payments, U.S. Government payments, and direct investment payments all increased.

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

Unilateral current transfers

Unilateral current transfers were net outflows of \$14.6 billion in the third quarter, down from net outflows of \$18.3 billion in the second; the decrease was mostly attributable to a decrease in “private remittances and other transfers.” The decrease in this category results from an increase in *inflows* to U.S. insurance companies from foreign reinsurance companies, arising from unusually large claims for compensation for catastrophic damage caused by major hurricanes during the quarter. (For a discussion of the impact of disasters on the national economic accounts, see <[www.bea.gov/bea/faq/national/disasters.htm](http://www.bea.gov/bea/faq/national/disasters.htm)>.)



## Capital and Financial Account

### Capital Account

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

### 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 \$153.2 billion in the third quarter, down from \$164.9 billion in the second. 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

U.S.-owned assets abroad increased \$133.2 billion in the third quarter, following an increase of \$105.8 billion in the second.

U.S. claims on foreigners reported by U.S. banks increased \$60.3 billion in the third quarter, following an increase of \$37.0 billion in the second.

Net U.S. purchases of foreign securities were \$15.0 billion in the third quarter, down from \$26.8 billion in the second. Net U.S. purchases of foreign stocks were \$9.0 billion, down from \$40.4 billion. Transactions in foreign bonds shifted to net U.S. purchases of \$6.0 billion from net U.S. sales of \$13.5 billion.

Net financial outflows for U.S. direct investment abroad were \$43.5 billion in the third quarter, down from \$55.3 billion in the second. The decrease was more than accounted for by a decrease in net equity capital outflows. In contrast, net intercompany debt inflows decreased, and reinvested earnings increased.

U.S. official reserve assets decreased \$0.4 billion in the third quarter, following a decrease of \$1.1 billion in the second.

#### Foreign-owned assets in the United States

Foreign-owned assets in the United States increased \$286.4 billion in the third quarter, following an increase of \$270.7 billion in the second.

U.S. liabilities to foreigners reported by U.S. banks increased \$46.6 billion in the third quarter, following an increase of \$41.2 billion in the second.

Net foreign purchases of U.S. Treasury securities were \$14.1 billion in the third quarter, down from \$29.7 billion in the second.

Net foreign purchases of U.S. securities other than U.S. Treasury securities were \$90.5 billion in the third quarter, up from \$88.8 billion in the second. Net foreign purchases of U.S. stocks were \$2.9 billion, up from \$1.8 billion. Net foreign purchases of U.S. corporate bonds were a record \$84.7 billion, up from \$51.1 billion. Net foreign purchases of federally sponsored agency bonds were \$2.9 billion, down from \$35.9 billion.

Net financial inflows for foreign direct investment in the United States were \$53.1 billion in the third quarter, up from \$32.6 billion in the second. A shift to net inflows on intercompany debt from net outflows and a small increase in reinvested earnings more than offset a decrease in net equity capital inflows.

Foreign official assets in the United States increased \$60.1 billion in the third quarter, following an increase of \$73.3 billion in the second.

Net U.S. currency shipments to foreigners were \$2.6 billion in the third quarter, down from \$8.8 billion in the second.

The statistical discrepancy--errors and omissions in recorded transactions--was a positive \$11.8 billion in the third quarter, compared with a negative \$0.2 billion in the second.

In the third quarter, the U.S. dollar depreciated 2 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 \$164.4 billion from \$166.2 billion. The goods deficit was unrevised at \$163.6 billion; the services surplus was revised to \$12.5 billion from \$13.3 billion; the surplus on income was revised to \$5.0 billion from \$2.6 billion; and unilateral current transfers were revised to net outflows of \$18.3 billion from \$18.5 billion. Net recorded financial inflows were revised to \$164.9 billion from \$146.8 billion.

\* \* \*

Release dates in 2005:

Fourth quarter and year 2004.....	March 16, 2005 (Wednesday)
First quarter 2005.....	June 17, 2005 (Friday)
Second quarter 2005.....	September 16, 2005 (Friday)
Third quarter 2005.....	December 16, 2005 (Friday)

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

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

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

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

[Millions of dollars, quarters seasonally adjusted]

	(Credits +, debits -)	2003	2003				2004			Change: 2004 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>1,314,888</b>	<b>315,676</b>	<b>317,367</b>	<b>329,508</b>	<b>352,336</b>	<b>359,604</b>	<b>372,463</b>	<b>382,498</b>	<b>10,035</b>
2	Exports of goods and services.....	1,020,503	247,999	248,474	255,723	268,306	276,076	284,044	289,619	5,575
3	Goods, balance of payments basis.....	713,122	173,459	174,554	178,251	186,858	193,920	199,315	204,610	5,295
4	Services.....	307,381	74,540	73,920	77,472	81,448	82,156	84,729	85,009	280
5	Transfers under U.S. military agency sales contracts.....	12,491	2,827	3,014	3,292	3,358	3,290	3,668	3,348	-320
6	Travel.....	64,509	15,862	14,360	16,216	18,071	17,878	18,617	18,769	152
7	Passenger fares.....	15,693	3,825	3,522	4,036	4,310	4,527	4,717	4,687	-30
8	Other transportation.....	31,833	7,683	7,709	7,893	8,548	9,060	9,206	9,367	161
9	Royalties and license fees.....	48,227	11,628	11,943	12,175	12,481	12,472	12,581	12,928	347
10	Other private services.....	133,818	32,513	33,170	33,657	34,477	34,745	35,753	35,722	-31
11	U.S. Government miscellaneous services.....	810	202	202	203	203	184	187	188	1
12	Income receipts.....	294,385	67,677	68,893	73,785	84,030	83,528	88,419	92,879	4,460
13	Income receipts on U.S.-owned assets abroad.....	291,354	66,936	68,163	73,016	83,239	82,769	87,676	92,093	4,417
14	Direct investment receipts.....	187,522	40,748	42,704	47,229	56,843	55,553	58,011	59,013	1,002
15	Other private receipts.....	99,135	25,345	24,218	24,498	25,074	26,433	29,055	32,311	3,256
16	U.S. Government receipts.....	4,697	843	1,241	1,289	1,322	783	610	769	159
17	Compensation of employees.....	3,031	741	730	769	791	759	743	786	43
<b>18</b>	<b>Imports of goods and services and income payments.....</b>	<b>-1,778,117</b>	<b>-437,067</b>	<b>-434,873</b>	<b>-444,497</b>	<b>-461,679</b>	<b>-486,042</b>	<b>-518,510</b>	<b>-532,559</b>	<b>-14,049</b>
19	Imports of goods and services.....	-1,517,011	-373,385	-371,854	-377,973	-393,800	-414,678	-435,128	-444,961	-9,833
20	Goods, balance of payments basis.....	-1,260,674	-311,402	-310,087	-312,886	-326,299	-344,688	-362,895	-371,341	-8,446
21	Services.....	-256,337	-61,983	-61,767	-65,087	-67,501	-69,990	-72,233	-73,620	-1,387
22	Direct defense expenditures.....	-25,117	-5,732	-6,229	-6,339	-6,817	-6,824	-7,143	-7,180	-37
23	Travel.....	-56,613	-14,312	-12,790	-14,409	-15,102	-15,508	-16,285	-16,518	-233
24	Passenger fares.....	-20,957	-5,007	-4,875	-5,512	-5,563	-5,574	-5,745	-5,871	-126
25	Other transportation.....	-44,768	-10,796	-11,109	-11,312	-11,551	-13,051	-13,053	-13,356	-303
26	Royalties and license fees.....	-20,049	-4,629	-4,912	-5,204	-5,304	-5,223	-5,614	-6,265	-651
27	Other private services.....	-85,829	-20,762	-21,103	-21,558	-22,407	-23,026	-23,573	-23,621	-48
28	U.S. Government miscellaneous services.....	-3,004	-745	-749	-753	-757	-784	-820	-809	11
29	Income payments.....	-261,106	-63,682	-63,019	-66,524	-67,879	-71,364	-83,382	-87,598	-4,216
30	Income payments on foreign-owned assets in the United States.....	-252,573	-61,557	-60,899	-64,402	-65,713	-69,205	-81,100	-85,393	-4,293
31	Direct investment payments.....	-68,657	-15,415	-16,362	-18,589	-18,289	-20,787	-26,747	-27,617	-870
32	Other private payments.....	-111,874	-28,146	-26,785	-27,844	-29,099	-29,361	-33,853	-36,248	-2,395
33	U.S. Government payments.....	-72,042	-17,996	-17,752	-17,969	-18,325	-19,057	-20,500	-21,528	-1,028
34	Compensation of employees.....	-8,533	-2,125	-2,120	-2,122	-2,166	-2,159	-2,282	-2,205	77
<b>35</b>	<b>Unilateral current transfers, net.....</b>	<b>-67,439</b>	<b>-16,815</b>	<b>-16,369</b>	<b>-16,639</b>	<b>-17,617</b>	<b>-20,726</b>	<b>-18,344</b>	<b>-14,648</b>	<b>3,696</b>
36	U.S. Government grants.....	-21,865	-5,833	-5,832	-5,447	-4,753	-7,744	-4,910	-4,772	138
37	U.S. Government pensions and other transfers.....	-5,341	-1,320	-1,335	-1,334	-1,352	-1,554	-1,556	-1,559	-3
38	Private remittances and other transfers.....	-40,233	-9,662	-9,202	-9,858	-11,512	-11,428	-11,878	-8,317	3,561

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

[Millions of dollars, quarters seasonally adjusted]

	(Credits +, debits -)	2003	2003				2004			Change: 2004 II-III
			I	II	III	IV	I	II <sup>r</sup>	III <sup>p</sup>	
<b>Capital and financial account</b>										
<b>Capital account</b>										
<b>39</b>	<b>Capital account transactions, net.....</b>	<b>-3,079</b>	<b>-406</b>	<b>-1,552</b>	<b>-821</b>	<b>-300</b>	<b>-396</b>	<b>-324</b>	<b>-374</b>	<b>-50</b>
<b>Financial account</b>										
<b>40</b>	<b>U.S.-owned assets abroad, net (increase/financial outflow (-)).....</b>	<b>-283,414</b>	<b>-102,665</b>	<b>-110,962</b>	<b>-8,138</b>	<b>-61,647</b>	<b>-306,729</b>	<b>-105,810</b>	<b>-133,176</b>	<b>-27,366</b>
41	U.S. official reserve assets, net.....	1,523	83	-170	-611	2,221	557	1,122	429	-693
42	Gold.....	....	....	....	....	....	....	....	....	....
43	Special drawing rights.....	601	897	-102	-97	-97	-100	-90	-98	-8
44	Reserve position in the International Monetary Fund.....	1,494	-644	86	-383	2,435	815	1,345	676	-669
45	Foreign currencies.....	-572	-170	-154	-131	-117	-158	-133	-149	-16
46	U.S. Government assets, other than official reserve assets, net.....	537	53	310	483	-309	727	-2	183	185
47	U.S. credits and other long-term assets.....	-7,279	-2,428	-1,591	-1,532	-1,728	-561	-668	-978	-310
48	Repayments on U.S. credits and other long-term assets.....	7,981	2,445	1,975	2,035	1,526	1,374	544	1,179	635
49	U.S. foreign currency holdings and U.S. short-term assets, net.....	-165	36	-74	-20	-107	-86	122	-18	-140
50	U.S. private assets, net.....	-285,474	-102,801	-111,102	-8,010	-63,559	-308,013	-106,930	-133,788	-26,858
51	Direct investment.....	-173,799	-40,837	-34,049	-45,206	-53,705	-47,608	-55,257	-43,479	11,778
52	Foreign securities.....	-72,337	-26,619	8,429	-28,312	-25,835	-16,524	-26,844	-15,015	11,829
53	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns.....	-28,932	-11,207	-22,480	35,845	-31,090	-56,761	12,122	-14,986	-27,108
54	U.S. claims reported by U.S. banks, not included elsewhere.....	-10,406	-24,138	-63,002	29,663	47,071	-187,120	-36,951	-60,308	-23,357
<b>55</b>	<b>Foreign-owned assets in the United States, net (increase/financial inflow (+)).....</b>	<b>829,173</b>	<b>246,105</b>	<b>218,553</b>	<b>134,202</b>	<b>230,311</b>	<b>445,348</b>	<b>270,745</b>	<b>286,412</b>	<b>15,667</b>
56	Foreign official assets in the United States, net.....	248,573	48,986	65,245	50,663	83,679	127,864	73,349	60,118	-13,231
57	U.S. Government securities.....	194,568	39,845	45,958	27,293	81,472	114,708	65,240	51,735	-13,505
58	U.S. Treasury securities.....	169,685	30,277	42,668	23,953	72,787	101,692	62,979	45,688	-17,291
59	Other.....	24,883	9,568	3,290	3,340	8,685	13,016	2,261	6,047	3,786
60	Other U.S. Government liabilities.....	-564	-437	-16	-41	-70	-140	-89	515	604
61	U.S. liabilities reported by U.S. banks, not included elsewhere.....	49,420	8,325	18,552	22,019	524	11,854	6,189	4,750	-1,439
62	Other foreign official assets.....	5,149	1,253	751	1,392	1,753	1,442	2,009	3,118	1,109
63	Other foreign assets in the United States, net.....	580,600	197,119	153,308	83,539	146,632	317,484	197,396	226,294	28,898
64	Direct investment.....	39,890	32,523	-544	-2,810	10,719	10,225	32,568	53,070	20,502
65	U.S. Treasury securities.....	113,432	8,974	53,254	46,490	4,714	65,438	29,684	14,072	-15,612
66	U.S. securities other than U.S. Treasury securities.....	250,981	56,723	92,407	18,090	83,761	62,064	88,843	90,489	1,646
67	U.S. currency.....	16,640	4,927	1,458	2,768	7,487	-1,800	8,754	2,560	-6,194
68	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.....	84,014	69,410	-2,257	12,721	4,140	40,723	-3,603	19,542	23,145
69	U.S. liabilities reported by U.S. banks, not included elsewhere.....	75,643	24,562	8,990	6,280	35,811	140,834	41,150	46,561	5,411
<b>70</b>	<b>Statistical discrepancy (sum of above items with sign reversed).....</b>	<b>-12,012</b>	<b>-4,828</b>	<b>27,836</b>	<b>6,385</b>	<b>-41,404</b>	<b>8,941</b>	<b>-220</b>	<b>11,847</b>	<b>12,067</b>
<b>Memoranda:</b>										
71	Balance on goods (lines 3 and 20).....	-547,552	-137,943	-135,533	-134,635	-139,441	-150,768	-163,580	-166,731	-3,151
72	Balance on services (lines 4 and 21).....	51,044	12,557	12,153	12,385	13,947	12,166	12,496	11,389	-1,107
73	Balance on goods and services (lines 2 and 19).....	-496,508	-125,386	-123,380	-122,250	-125,494	-138,602	-151,084	-155,342	-4,258
74	Balance on income (lines 12 and 29).....	33,279	3,995	5,874	7,261	16,151	12,164	5,037	5,281	244
75	Unilateral current transfers, net (line 35).....	-67,439	-16,815	-16,369	-16,639	-17,617	-20,726	-18,344	-14,648	3,696
76	Balance on current account (lines 1, 18, and 35 or lines 73, 74, and 75).....	-530,668	-138,206	-133,875	-131,628	-126,960	-147,164	-164,391	-164,709	-318

<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