U.S. International Transactions

First Quarter of 2008

By Renee M. Sauers and Kristy L. Howell

The estimates presented in this article reflect the annual revision of the international transactions accounts. For more information, see "Annual Revision of the U.S. International Accounts, 1974–2007" in this issue.

THE U.S. current-account deficit—the combined balances on trade in goods and services, income, and net unilateral current transfers—increased to $176.4 billion (preliminary) in the first quarter of 2008 from $167.2 billion (revised) in the fourth quarter of 2007 (table A, chart 1).[1] The increase mostly resulted from a decrease in the surplus on income. In addition, the deficit on goods and net unilateral current transfers to foreigners both increased. An increase in the surplus on services was partly offsetting.

In the 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 $124.3 billion in the first quarter, down from $213.4 billion in the fourth quarter. Net acquisitions by U.S. residents picked up more than net acquisitions by foreign residents.

The statistical discrepancy—errors and omissions in recorded transactions—was a positive $52.6 billion in the first quarter, compared with a negative $45.6 billion in the fourth quarter. The following are highlights

1. Quarterly estimates of U.S. current-account and financial-account components are seasonally adjusted when series demonstrate statistically significant seasonal patterns. When available, seasonally adjusted estimates are cited in this article. The accompanying tables present both adjusted and unadjusted estimates.

Table A. Summary of U.S. International Transactions

[Millions of dollars, quarters seasonally adjusted]

Line	Corresponding lines in tables 1 and 12 are indicated in ( ) (Credits +; debits –)	2006	2007	2006				2007				2008	Change: 2007:IV–2008:I
				I	II	III	IV	I	II	III	IV	I p	
	Current account												
1	**Exports of goods and services and income receipts (1)**	**2,142,164**	**2,463,505**	**504,862**	**529,782**	**543,893**	**563,627**	**572,182**	**602,122**	**638,393**	**650,808**	**653,728**	**2,920**
2	Goods, balance of payments basis (3)	1,023,109	1,148,481	244,679	253,332	259,277	265,821	270,318	279,488	295,494	303,180	317,813	14,633
3	Services (4)	433,905	497,245	104,500	106,439	108,365	114,600	115,118	120,463	129,378	132,285	136,458	4,173
4	Income receipts (12)	685,150	817,779	155,683	170,011	176,251	183,205	186,746	202,171	213,520	215,343	199,457	–15,886
5	**Imports of goods and services and income payments (18)**	**–2,838,254**	**–3,082,014**	**–679,297**	**–705,572**	**–730,083**	**–723,303**	**–738,938**	**–771,262**	**–783,548**	**–788,264**	**–798,877**	**–10,613**
6	Goods, balance of payments basis (20)	–1,861,380	–1,967,853	–453,286	–465,016	–477,900	–465,178	–473,681	–485,375	–496,698	–512,099	–528,845	–16,746
7	Services (21)	–348,918	–378,130	–84,981	–86,596	–87,213	–90,129	–91,298	–93,395	–96,288	–97,149	–100,346	–3,197
8	Income payments (29)	–627,956	–736,030	–141,031	–153,960	–164,969	–167,996	–173,959	–192,492	–190,562	–179,016	–169,686	9,330
9	**Unilateral current transfers, net (35)**	**–92,027**	**–112,705**	**–21,516**	**–24,116**	**–24,716**	**–21,679**	**–30,174**	**–24,953**	**–27,796**	**–29,784**	**–31,227**	**–1,443**
	Capital account												
10	**Capital account transactions, net (39)**	**–3,880**	**–1,843**	**–1,716**	**–1,005**	**–533**	**–626**	**–543**	**–112**	**–617**	**–571**	**–597**	**–26**
	Financial account												
11	**U.S.-owned assets abroad, excluding financial derivatives (increase/financial outflow (–)) (40)**	**–1,251,749**	**–1,289,854**	**–359,608**	**–234,828**	**–286,769**	**–370,543**	**–442,065**	**–523,556**	**–170,476**	**–153,757**	**–286,627**	**–132,870**
12	U.S. official reserve assets (41)	2,374	–122	513	–560	1,006	1,415	–72	26	–54	–22	–276	–254
13	U.S. government assets, other than official reserve assets (46)	5,346	–22,273	1,049	1,765	1,570	962	445	–596	623	–22,744	3,346	26,090
14	U.S. private assets (50)	–1,259,469	–1,267,459	–361,170	–236,033	–289,346	–372,920	–442,438	–522,985	–171,045	–130,990	–289,697	–158,707
15	**Foreign-owned assets in the United States, excluding financial derivatives (increase/financial inflow (+)) (55)**	**2,061,113**	**2,057,703**	**537,649**	**405,008**	**524,858**	**593,598**	**692,713**	**718,112**	**266,476**	**380,402**	**410,962**	**30,560**
16	Foreign official assets in the United States (56)	487,939	411,058	130,427	127,303	121,843	108,366	163,270	88,822	13,469	145,497	173,501	28,004
17	Other foreign assets in the United States (63)	1,573,174	1,646,645	407,222	277,705	403,015	485,232	529,443	629,290	253,007	234,905	237,461	2,556
18	**Financial derivatives, net (70)**	**29,710**	**6,496**	**1,633**	**14,090**	**15,134**	**–1,147**	**14,795**	**–1,007**	**5,942**	**–13,234**	**n.a.**	**13,234**
19	**Statistical discrepancy (sum of above items with sign reversed) (71)**	**–47,078**	**–41,287**	**17,994**	**16,641**	**–41,784**	**–39,927**	**–67,970**	**656**	**71,627**	**–45,600**	**52,638**	**98,238**
	Memoranda:												
20	Balance on current account (77)	–788,116	–731,214	–195,952	–199,906	–210,906	–181,355	–196,930	–194,093	–172,952	–167,241	–176,376	–9,135
21	Net financial flows (40, 55, and 70)	839,074	774,345	179,674	184,270	253,223	221,908	265,443	193,549	101,942	213,411	124,335	–89,076

p Preliminary
n.a. Not available

for the first quarter of 2008:

- Exports and imports of goods both increased strongly. The increase in imports resulted mostly from petroleum and products, which increased very strongly for the second consecutive quarter.
- Income receipts and income payments both decreased substantially, but receipts decreased more than payments. The decreases resulted mostly from large declines in "other" private receipts and payments.
- Net private foreign transactions in U.S. securities other than U.S. Treasury securities shifted substantially to net sales from net purchases.
- U.S. claims reported by U.S. banks increased strongly. In contrast, U.S. claims reported by U.S. nonbanking concerns decreased for the third consecutive quarter.
- U.S. liabilities reported by U.S. nonbanking concerns increased in the first quarter after decreasing sharply in the fourth quarter.

Current Account

Goods and services

The deficit on goods and services increased to $174.9 billion in the first quarter from $173.8 billion in the fourth quarter. A $2.1 billion increase in the deficit on goods was partly offset by a $1.0 billion increase in the surplus on services.

Goods

The deficit on goods increased to $211.0 billion in the first quarter from $208.9 billion in the fourth quarter, as imports increased more than exports. The deficit on petroleum and products increased for the fifth consecutive quarter. In contrast, the deficit on nonpetroleum products decreased for the fourth consecutive quarter.

On a price-adjusted, or real, basis, total exports increased, and total imports changed little. As a result, real net exports of goods contributed substantially to real gross domestic product growth for the fifth time in the last six quarters.

Exports. In the first quarter, current-dollar exports of goods increased $14.6 billion, or 4.8 percent, to $317.8 billion (table B, chart 2). Real exports increased

Chart 1. U.S. Current-Account Balance and Its Components

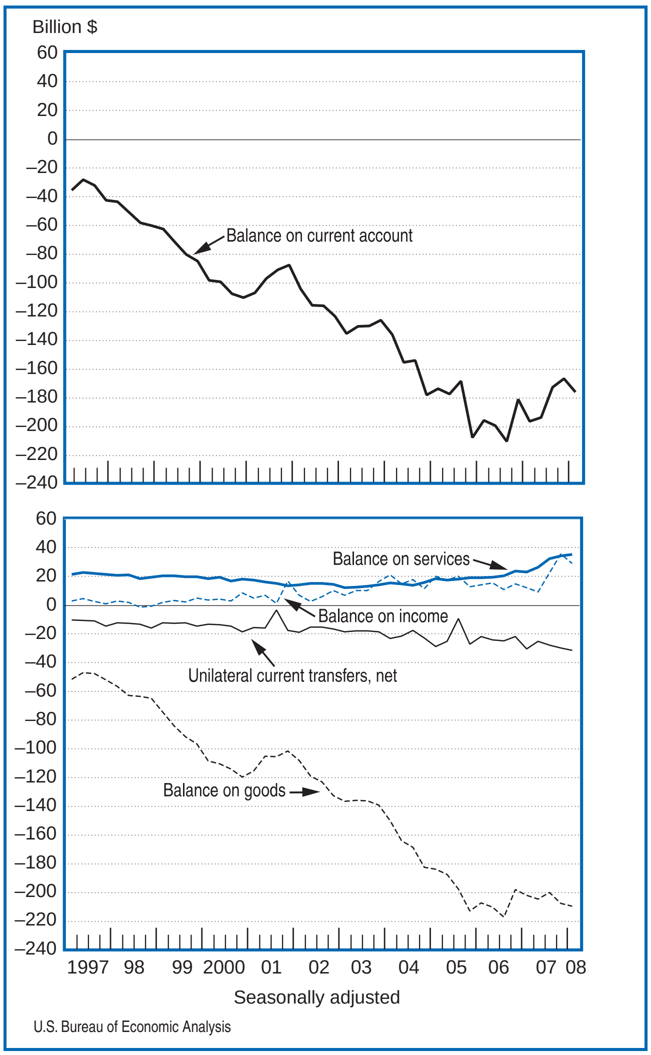
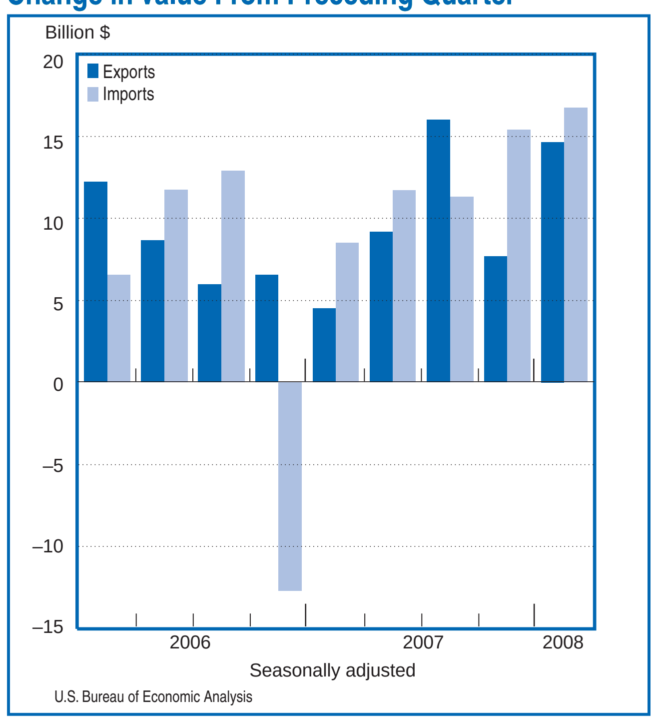


Chart 2. Goods Exports and Imports: Change in Value From Preceding Quarter



2.3 percent, and export prices increased 2.5 percent.[2] The current-dollar increase was largely accounted for by increases in nonagricultural industrial supplies and materials and in agricultural products.

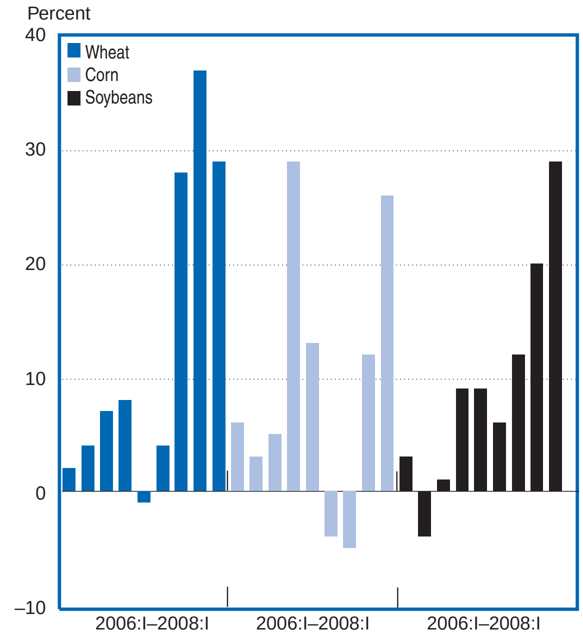
Nonagricultural industrial supplies and materials increased $8.7 billion. The increase largely resulted from increases in metals and nonmetallic products, particularly nonmonetary gold, in energy products, particularly petroleum and products, and in chemicals. Nonmonetary gold more than doubled after declining for two consecutive quarters partly as a result of an increase in gold prices. Petroleum and products were also boosted by higher prices.

Agricultural products increased $3.8 billion. The increase was largely accounted for by strong increases in soybeans, corn, and meat products and poultry, partly reflecting substantial increases in prices (chart 3). Soybean production has fallen, and prices have risen as strong demand for corn has caused agricultural production to shift towards corn and away from other crops. Corn exports continued to be underpinned by a shortage of world supply, resulting both from strong demand, partly by ethanol producers, and from reduced shipments from some exporting countries.

Consumer goods increased $1.6 billion, as a result of increases in both durable and nondurable goods. Among durable goods, the largest increase was in gems, jewelry, and collectibles, mainly to the United Kingdom and France. The rise in nondurable goods reflected exports of medicinal, dental, and pharmaceutical preparations, mostly to the Netherlands and Spain.

Capital goods decreased $0.7 billion. The decrease resulted from a decline in civilian aircraft, as decreases in deliveries of completed aircraft to several countries in Asia, the Middle East, and Latin America were only partly offset by an increase in deliveries to Europe.

Chart 3. Export Prices of Corn, Wheat, and Soybeans: Change from Preceding Quarter



Source: U.S. Bureau of Labor Statistics
U.S. Bureau of Economic Analysis

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 (2000) dollars. Price indexes (2000 = 100) are also calculated using a chain-type Fisher formula.

Table B. U.S. Trade in Goods in Current and Chained (2000) Dollars and Percent Changes From Previous Period

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

	Current dollars							Chained (2000) dollars [1]						
	2006	2007	2007				2008	2006	2007	2007				2008
			I	II	III	IV	I p			I	II	III	IV	I p
Exports	**1,023,109**	**1,148,481**	**270,318**	**279,488**	**295,494**	**303,180**	**317,813**	**920,741**	**997,196**	**238,755**	**243,830**	**255,766**	**258,452**	**264,417**
Agricultural products	72,869	92,115	19,933	21,517	24,960	25,705	29,455	58,085	61,786	14,248	15,104	16,566	15,739	16,191
Nonagricultural products	950,240	1,056,366	250,385	257,971	270,534	277,475	288,358	864,444	937,484	225,112	229,200	239,500	243,433	248,941
Imports	**1,861,380**	**1,967,853**	**473,681**	**485,375**	**496,698**	**512,099**	**528,845**	**1,630,244**	**1,663,752**	**417,156**	**414,624**	**416,497**	**415,520**	**415,657**
Petroleum and products	302,430	330,978	70,797	78,131	83,019	99,031	112,172	138,180	135,144	35,787	33,624	32,420	33,758	35,113
Nonpetroleum products	1,558,950	1,636,875	402,884	407,244	413,679	413,068	416,673	1,504,894	1,547,946	384,556	386,163	390,942	386,265	382,606

	Current dollars							Chained (2000) dollars [1]						
	2006	2007	2007				2008	2006	2007	2007				2008
			I	II	III	IV	I p			I	II	III	IV	I p
Exports	**14.4**	**12.3**	**1.7**	**3.4**	**5.7**	**2.6**	**4.8**	**10.7**	**8.3**	**0.8**	**2.1**	**4.9**	**1.1**	**2.3**
Agricultural products	12.3	26.4	6.1	7.9	16.0	3.0	14.6	8.5	6.4	–0.2	6.0	9.7	–5.0	2.9
Nonagricultural products	14.5	11.2	1.4	3.0	4.9	2.6	3.9	10.8	8.4	0.9	1.8	4.5	1.6	2.3
Imports	**10.7**	**5.7**	**1.8**	**2.5**	**2.3**	**3.1**	**3.3**	**6.2**	**2.1**	**1.6**	**–0.6**	**0.5**	**–0.2**	**0.0**
Petroleum and products	20.1	9.4	5.0	10.4	6.3	19.3	13.3	–2.0	–2.2	6.9	–6.0	–3.6	4.1	4.0
Nonpetroleum products	9.0	5.0	1.3	1.1	1.6	–0.1	0.9	7.7	2.9	0.8	0.4	1.2	–1.2	–0.9

p Preliminary
1. Because chain indexes use weights of more than one period, the corresponding chained dollar estimates are usually not additive.
Note. Percent changes in quarterly estimates are not annualized and are expressed at quarterly rates.

Capital goods other than civilian aircraft increased slightly. The largest increases were in "other" office and business machines and in telecommunications equipment. In contrast, industrial engines, pumps, and compressors dropped substantially, and computers, parts, and peripherals and semiconductors also decreased.

Automotive vehicles, parts, and engines decreased $0.8 billion. Automotive exports to Canada fell substantially as a result of decreases in parts and in trucks and buses.

Imports. Imports of goods increased $16.7 billion, or 3.3 percent, to $528.8 billion (table B, chart 2). Real imports changed little, and import prices increased 3.3 percent. More than three-fourths of the increase in value was accounted for by petroleum and products. In the last two quarters, petroleum imports have increased especially strongly (chart 4).

In the first quarter, petroleum and products increased $13.1 billion as a result of increases in petroleum prices and import volume. The average price per barrel of petroleum rose 9 percent, to $87.44 in the first quarter from $80.12 in the fourth quarter. The average number of barrels imported daily increased to 14.07 million from 13.47 million. The largest increases in imports were from members of OPEC, particularly Iraq, Saudi Arabia, and Angola.

Nonpetroleum industrial supplies and materials increased $4.2 billion. The increase was more than accounted for by increases in metals and nonmetallic products and in chemicals. The increase in metals and nonmetallic products largely resulted from a surge in nonmonetary gold, mostly from Switzerland; iron and steel products also increased strongly. Chemicals increased at the highest rate in many quarters, mostly as a result of a strong rise in prices. In contrast, building products continued to decline amid weak U.S. residential construction.

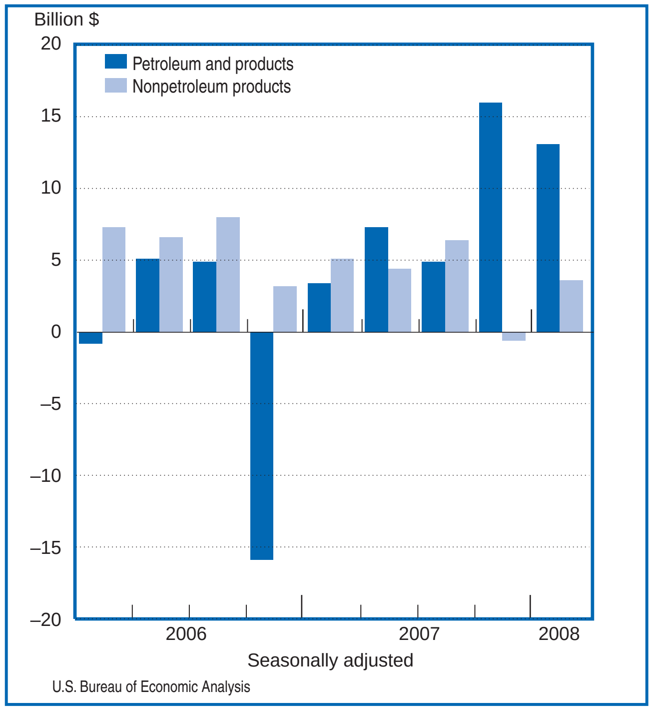
Foods, feeds, and beverages increased $0.4 billion. The increase mostly reflected an increase in imports of "other" agricultural foods, feeds, and beverages from Canada.

Capital goods increased $0.3 billion. The largest increases were in civilian aircraft, in machine tools and metalworking machinery, and in oil drilling, mining, and construction machinery. These increases were largely offset by decreases in telecommunications equipment, in computers, peripherals, and parts, and in semiconductors.

Consumer goods decreased $0.7 billion as a result of a decline in durable goods. The largest decreases were in televisions and video receivers, in gems, jewelry, and collectibles, and in household and kitchen appliances. In contrast, nondurable goods increased, mostly as a result of a surge in medicinal, dental, and pharmaceutical products.

Automotive vehicles, parts, and engines decreased $0.7 billion. Like automotive exports, automotive imports from Canada fell sharply. Imports of trucks and buses and of passenger cars from Canada dropped

Chart 4. Imports of Petroleum and Nonpetroleum Products: Change in Value From Preceding Year



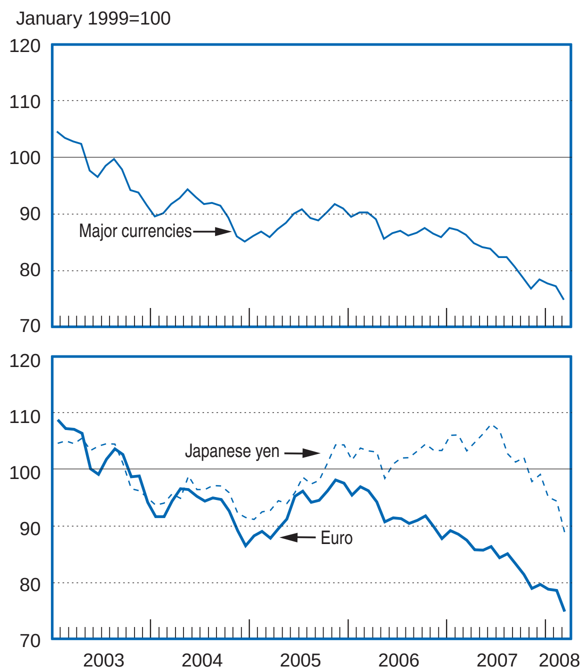
Revisions to Estimates

The estimates presented in this article incorporate methodological and statistical improvements and newly available source data. The following estimates have been revised: goods for 2007; services for 2004–2007; income for 2002–2007; unilateral current transfers for 2002–2007; capital-account transactions for 2005–2007; and financial flows for 1974–2007. For more information, see "Annual Revision of the U.S. International Accounts, 1974–2007" in this issue.

For the fourth quarter of 2007, the current-account deficit was revised to $167.2 billion from $172.9 billion. The goods deficit was revised to $208.9 billion from $208.1 billion; the services surplus was revised to $35.1 billion from $30.2 billion; the income surplus was revised to $36.3 billion from $33.0 billion; and unilateral current transfers were revised to net outflows of $29.8 billion from $28.1 billion. Net financial inflows were revised to $213.4 billion from $230.1 billion.

substantially, partly reflecting decreased vehicle production at some Canadian plants as a result of strikes at parts suppliers. In contrast, automotive imports from other countries increased.

Chart 5. Nominal Indexes of Foreign Currency Price of the U.S. Dollar



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

Data: Federal Reserve Board. Indexes rebased by BEA.

U.S. Bureau of Economic Analysis

Balances by area. The goods deficit increased $2.1 billion to $211.0 billion in the first quarter. The deficit with the Middle East increased $7.5 billion, reflecting increases in the deficits with Saudi Arabia and Iraq. The deficit with Canada increased $6.3 billion, and the deficit with Africa increased $3.4 billion, reflecting increases in the deficits with Angola, Nigeria, and Algeria. In contrast, the deficit with Asia and Pacific decreased $7.5 billion, mostly as a result of a $9.2 billion decrease in the deficit with China. The deficit with Europe decreased $6.8 billion.

Services

The surplus on services increased to $36.1 billion in the first quarter from $35.1 billion in the fourth quarter. Services receipts increased $4.2 billion to $136.5 billion, and services payments increased $3.2 billion to $100.3 billion.

Travel receipts increased $0.3 billion to $26.8 billion. The rise was more than accounted for by an increase in receipts from overseas visitors to the United States. Travel payments increased $0.8 billion to $20.3 billion. The rise was mostly accounted for by an increase in payments by U.S. travelers to countries overseas.

Passenger fare receipts decreased $0.1 billion to $7.2 billion, and passenger fare payments increased $0.7 billion to $8.1 billion.

"Other" transportation receipts increased $1.1 billion to $14.9 billion. Receipts have increased strongly in the last two quarters. The first-quarter increase was

Table C. Indexes of Foreign Currency Price of the U.S. Dollar

[January 1999=100]

	2007				2008	2007										2008		
	I	II	III	IV	I	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March
Nominal: [1]																		
Broad [2]	93.7	91.5	89.8	86.7	85.1	93.3	92.1	91.3	91.0	89.9	90.4	89.1	87.3	86.0	86.8	86.1	85.4	83.7
Major currencies [3]	86.7	83.9	81.4	77.6	76.2	86.0	84.5	83.8	83.5	82.0	82.0	80.3	78.3	76.4	78.0	77.3	76.8	74.4
Other important trading partners [4]	102.9	101.2	100.6	98.7	96.8	102.8	101.9	101.0	100.8	100.1	101.2	100.6	99.1	98.7	98.3	97.6	96.7	96.0
Real: [1]																		
Broad [2]	95.9	95.0	92.7	89.0	87.1	96.0	95.3	95.0	94.7	93.1	93.2	91.9	89.7	88.3	88.9	88.3	87.0	86.0
Major currencies [3]	94.5	92.8	90.1	85.6	84.6	94.3	93.2	92.8	92.5	90.8	90.6	88.8	86.4	84.5	86.0	85.6	85.1	83.0
Other important trading partners [4]	97.5	97.5	95.8	92.7	90.1	97.9	97.8	97.5	97.2	95.8	96.2	95.4	93.3	92.6	92.1	91.5	89.3	89.4
Selected currencies: (nominal) [5]																		
Canada	77.1	72.3	68.8	64.6	66.1	76.9	74.7	72.1	70.1	69.1	69.6	67.6	64.2	63.7	66.0	66.5	65.7	66.0
European currencies:																		
Euro area [6]	88.4	86.0	84.3	80.0	77.3	87.5	85.8	85.7	86.4	84.4	85.1	83.3	81.4	78.9	79.6	78.7	78.5	74.7
United Kingdom	84.4	83.1	81.6	80.7	77.0	84.7	83.0	83.1	83.0	81.1	82.0	81.7	80.7	79.7	81.8	77.1	77.1	76.9
Switzerland	89.0	88.2	86.5	82.7	77.0	87.9	87.5	88.1	89.0	87.1	86.8	85.5	84.7	81.1	82.3	79.4	78.6	73.1
Japan	105.4	106.6	103.9	99.9	92.9	103.5	105.0	106.6	108.3	107.2	103.0	101.5	102.3	98.0	99.3	95.2	94.5	88.9
Mexico	108.8	107.4	108.2	107.1	106.7	109.7	108.4	106.9	107.0	106.8	109.0	108.9	106.8	107.4	107.1	107.7	106.3	106.0
Brazil	139.3	131.1	126.7	118.0	114.8	138.1	134.3	131.2	127.8	124.4	129.8	125.8	119.0	116.9	118.1	117.1	114.4	113.0

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 the 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, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Slovenia, and Spain; beginning with the first quarter of 2008, also includes Cyprus and Malta.

especially large as a result of a strong rise in port services, mostly reflecting foreign air carriers' increased fuel expenditures in U.S. air ports. "Other" transportation payments increased $0.7 billion to $17.9 billion. The increase mostly reflected U.S. air carriers' increased fuel expenditures in foreign air ports.

"Other" private services receipts increased $1.8 billion to $60.9 billion. The increase was mostly accounted for by an increase in receipts for business, professional, and technical services.[3] In contrast, receipts for financial services decreased. "Other" private services payments increased $0.7 billion to $38.0 billion. Increases in payments for business, professional, and technical services and for insurance services were partly offset by a decrease in payments for financial services.

Income

The surplus on income decreased to $29.8 billion in the first quarter from $36.3 billion in the fourth quarter. Income receipts decreased $15.9 billion to $199.5 billion, and income payments decreased $9.3 billion to $169.7 billion.

Receipts of income on U.S. direct investment abroad decreased $3.2 billion to $97.1 billion. The decrease was more than accounted for by lower earnings of foreign affiliates in holding companies and in "other" industries. The decline in holding companies' earnings was almost entirely by affiliates in Europe, particularly in the Netherlands, Luxembourg, and the United Kingdom.

Payments of income on foreign direct investment in the United States increased $4.8 billion to $30.2 billion. The increase resulted mostly from a shift from a large loss to a small profit by finance and insurance affiliates. Losses by banks were much lower in the first quarter than in the fourth quarter, and earnings of other finance and insurance affiliates increased. In addition, earnings of wholesale trade affiliates increased substantially as a result of higher earnings by petroleum wholesale trade affiliates. In contrast, earnings of manufacturing affiliates decreased.

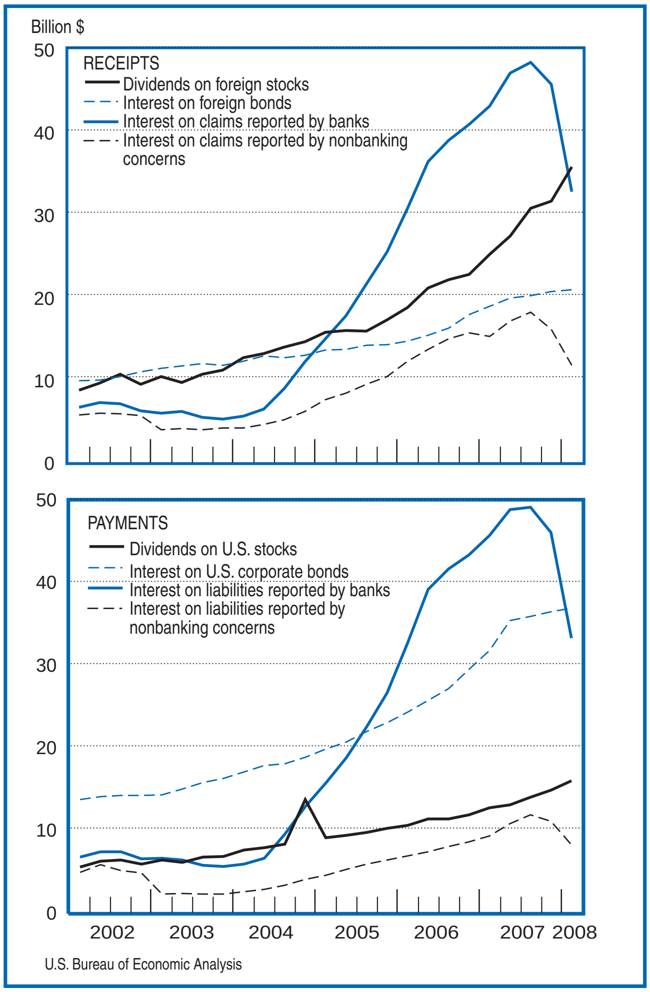
Both receipts and payments of "other" private income decreased substantially as a result of much lower average yields on bank and nonbank claims and liabilities. Receipts of "other" private income decreased $12.9 billion to $100.8 billion. The decline was attributable to decreases in income receipts on U.S. bank and nonbank claims; income receipts on U.S. holdings of foreign securities increased (chart 6). Payments of "other" private income decreased $14.2 billion to $94.1 billion. The decrease was attributable to decreases in income payments on U.S. bank and nonbank liabilities; income payments on foreign holdings of U.S. securities other than U.S. government securities increased.

3. Beginning with this article, detailed types of "other" private services now include both affiliated and unaffiliated transactions. In previous articles, detailed types of "other" private services included only unaffiliated transactions. For information about the change, see "Annual Revision of the U.S. International Accounts, 1974–2007" in this issue.

Data Availability

The estimates that are presented in tables 1–12 of the U.S. international transactions accounts are available interactively on BEA's Web site at <www.bea.gov>. Users may view and download the most recent quarterly estimates for an entire table, or they may select the period, frequency, and lines that they wish to view. The estimates are available in an HTML table, in a spreadsheet file (.xls format), or as comma-separated values.

Chart 6. Other Private Income



U.S. government income receipts increased $0.2 billion to $0.8 billion, and U.S. government income payments were little changed at $42.8 billion.

Unilateral current transfers

Net unilateral current transfers to foreigners were $31.2 billion in the first quarter, up from $29.8 billion in the fourth quarter. The increase was largely attributable to an increase in private remittances and other transfers.

Capital Account

Net capital account payments (outflows) were virtually unchanged at $0.6 billion in the first quarter.[4]

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 $124.3 billion in the first quarter, down from $213.4 billion in the fourth quarter.[5] Net U.S. acquisitions of assets abroad picked up more than net foreign acquisitions of assets in the United States.

U.S.-owned assets abroad

Net U.S.-owned assets abroad increased $286.6 billion in the first quarter after an increase of $153.8 billion in the fourth quarter. The pickup mostly resulted from a larger increase in claims reported by U.S. banks in the first quarter than in the fourth quarter. In addition, claims reported by U.S. nonbanking concerns decreased less in the first quarter than in the fourth quarter, and net U.S. purchases of foreign securities picked up.

U.S. official reserve assets. U.S. official reserve assets increased $0.3 billion in the first quarter after an increase of less than $0.1 billion in the fourth quarter. In the first quarter, an increase in U.S. official holdings of foreign currencies more than offset a decrease in the U.S. reserve position in the International Monetary Fund.

U.S. government assets other than official reserve assets. U.S. government assets other than official reserve assets decreased $3.3 billion in the first quarter after an increase of $22.7 billion in the fourth quarter. The decrease reflected the repayment to the U.S. Federal Reserve System of funds associated with reciprocal currency arrangements between the Federal Reserve and foreign central banks. These arrangements do not meet the strict definition of U.S. reserve assets.

Claims reported by banks and by nonbanks. U.S. claims on foreigners reported by U.S. banks and securities brokers increased $218.9 billion in the first quarter after an increase of $115.9 billion in the fourth quarter.

Banks' own claims denominated in dollars increased $214.6 billion after an increase of $103.5 billion. The first-quarter increase mostly reflected a strong increase in interbank lending by U.S. and foreign-owned banks to their own offices in Europe and in Caribbean financial centers. The lending was mostly in the form of deposit placements. Interbank funding conditions remained tight and central banks in the United States and Europe expanded measures to provide U.S. dollar funds to banks in Europe. In addition, lending by securities brokers and dealers to banks in Europe increased, mostly through resale agreements.

Banks' domestic customers' claims denominated in dollars decreased $22.7 billion after an increase of $2.2 billion. The decrease mostly reflected decreases in deposits and brokerage balances and in "other" short-term instruments. In contrast, customers' holdings of foreign commercial paper and of negotiable certificates of deposit both increased.

Claims reported by U.S. nonbanking concerns decreased $53.6 billion in the first quarter after a decrease of $100.0 billion in the fourth quarter. The first-quarter decrease mainly reflected a decrease in deposits in the United Kingdom.

Foreign securities. Net U.S. purchases of foreign securities were $38.8 billion in the first quarter, up from $4.2 billion in the fourth quarter. The increase resulted from a shift to net U.S. purchases of foreign stocks (chart 7). Net U.S. purchases of foreign bonds slowed slightly.

Transactions in foreign stocks shifted to net U.S. purchases of $28.0 billion from net U.S. sales of $9.3 billion despite a broad-based decline in foreign stock prices. The Morgan Stanley Capital International stock price index for the world excluding the United States fell nearly 14 percent in local currency terms, the largest quarterly decline in 5 1/2 years. U.S. investors were net purchasers of foreign stocks in every month of the first quarter; net purchases were strongest in February, when stock prices rose abroad and fell in the United States. In the quarter, transactions with Caribbean financial centers shifted to net U.S. purchases from net U.S. sales, net U.S. purchases from Europe picked up, and net U.S. sales to Asia slowed. Transactions with Caribbean financial centers have shifted between net purchases and net sales in recent quarters, mostly as a result of transactions with the Cayman Islands, where

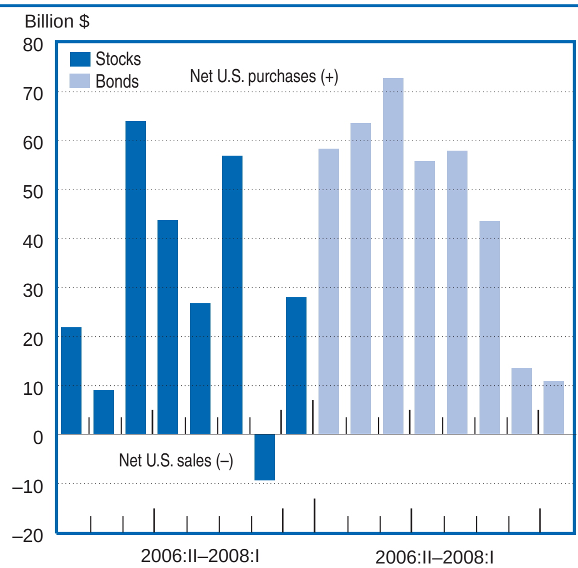
4. Capital-account transactions largely consist of changes in financial assets of migrants as they enter or leave the United States and U.S. government debt forgiveness.

5. In the first quarter, net financial inflows exclude transactions in financial derivatives because data are not yet available. In the fourth quarter, net financial inflows excluding transactions in financial derivatives were $226.6 billion.

many hedge funds are located.

Net U.S. purchases of foreign bonds were $10.8 billion, down from $13.5 billion. Net U.S. purchases were very weak for the second consecutive quarter, compared with the level of net purchases in earlier quarters (chart 7). In the first quarter, net purchases were substantial in January, when sharp declines in foreign stock prices may have prompted some investors to shift funds into foreign bonds. Net U.S. sales of foreign bonds in February and March occurred amid indications that inflationary pressures in the United States and abroad were rising. In the quarter, net U.S. purchases from Caribbean financial centers slowed, and net U.S. sales to Latin America increased to a record, mostly as a result of net sales to Brazil and Mexico. In contrast, net U.S. purchases from Australia and Europe picked up.

Chart 7. Transactions in Foreign Securities, 2006:II–2008:I [1]



1. Under balance-of-payments concepts, net U.S. purchases are shown with a negative sign in tables 1–12, and net U.S. sales are shown with a positive sign.

U.S. Bureau of Economic Analysis

Direct investment. Net financial outflows for U.S. direct investment abroad were $85.6 billion in the first quarter, down from $110.9 billion in the fourth quarter. The slowdown resulted from a decrease in reinvested earnings and slowdowns in net intercompany debt investment abroad and in net equity capital investment abroad. The decrease in reinvested earnings mostly reflected a substantial increase in earnings distributed by foreign affiliates. The slowdown in net equity capital investment abroad resulted from a decrease in the value of U.S. acquisitions of foreign companies in the first quarter after several large and medium-sized acquisitions in the fourth quarter.

Foreign-owned assets in the United States

Net foreign-owned assets in the United States increased $411.0 billion in the first quarter after an increase of $380.4 billion in the fourth quarter. Transactions in U.S. securities other than U.S. Treasury securities shifted substantially to net foreign sales from net foreign purchases, and liabilities reported by U.S. banks increased less in the first quarter than in the fourth quarter. In contrast, liabilities reported by U.S. nonbanking concerns increased in the first quarter after decreasing sharply in the fourth quarter.

Foreign official assets. Foreign official assets in the United States increased $173.5 billion in the first quarter after an increase of $145.5 billion in the fourth quarter. The increases in both quarters were substantial. The first-quarter increase was mostly accounted for by an increase in the assets of Asian and European countries.

Liabilities reported by banks and by nonbanks. U.S. liabilities reported by U.S. banks and securities brokers, excluding U.S. Treasury securities, increased $85.7 billion in the first quarter after an increase of $124.0 billion in the fourth quarter.

Banks' own liabilities denominated in dollars increased $44.7 billion after an increase of $60.1 billion. The first-quarter increase partly reflected continued borrowing from abroad by U.S.-owned banks to bolster their liquidity. U.S. securities brokers and dealers borrowed substantially from foreign nonbanks, but they repaid funds to foreign banks for the third consecutive quarter as those banks continued to draw in funds to bolster their liquidity. Foreign-owned banks in the United States also repaid funds to banks abroad.

Banks' customers' liabilities denominated in dollars increased $41.0 billion after an increase of $21.5 billion. The first-quarter increase was mostly accounted for by an increase in negotiable certificates of deposit and other short-term instruments.

U.S. liabilities reported by U.S. nonbanking concerns increased $57.2 billion after a decrease of $111.8 billion. The increase mostly reflected an increase in borrowing from the United Kingdom and Germany.

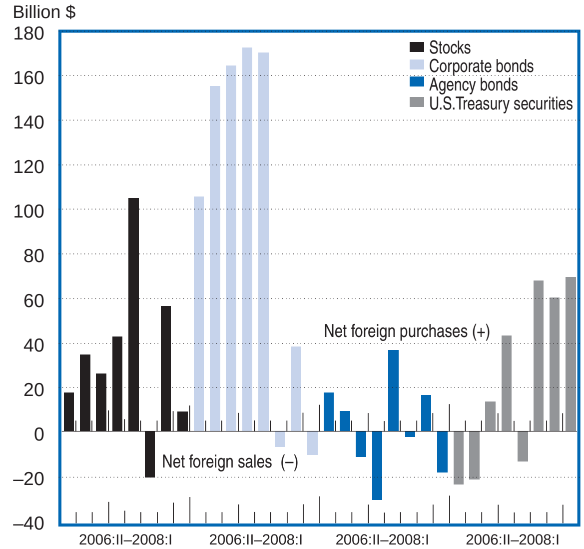
U.S. Treasury securities. Net foreign purchases of U.S. Treasury securities were $68.9 billion in the first quarter, up from $60.1 billion in the fourth quarter (chart 8). Net foreign purchases have been strong for three consecutive quarters, as foreign investors responded to the heightened uncertainty in world financial markets by purchasing low-risk U.S. Treasury securities. In the first quarter, net foreign purchases of short-term U.S. Treasury securities increased strongly. Yields on short-term U.S. Treasury securities fell sharply, and yields on long-term U.S. Treasury securities also decreased.

Other U.S. securities. Transactions in U.S. securities other than U.S. Treasury securities shifted to net foreign sales of $20.1 billion in the first quarter from net foreign purchases of $110.5 billion in the fourth quarter. The substantial shift resulted from a slowdown in net foreign purchases of U.S. stocks and shifts to net foreign sales of U.S. corporate bonds and of U.S. federally sponsored agency bonds.

Net foreign purchases of U.S. stocks were $8.7 billion, down from $56.2 billion (chart 8). U.S. stock prices fell sharply in January, and by mid-March, the S&P 500 stock price index had declined 13 percent for the quarter. Thereafter, stock prices moved somewhat higher. In the first quarter, transactions in U.S. stocks by investors from Europe and Caribbean financial centers shifted to net sales from net purchases, and net purchases from Canada slowed. In contrast, net purchases from Asia picked up.

Transactions in U.S. corporate bonds shifted to net foreign sales of $10.6 billion from net foreign purchases of $37.9 billion. In the last three quarters, foreigners have had net sales or small net purchases after several quarters of very strong net purchases (chart 8). In the first quarter of 2008, credit markets remained unsettled, and U.S. economic activity remained weak. These factors contributed to a continued rise in spreads on U.S. corporate bonds; spreads on investment-grade bonds increased 109 basis points, and

Chart 8. Transactions in U.S. Securities, 2006:II–2008:I



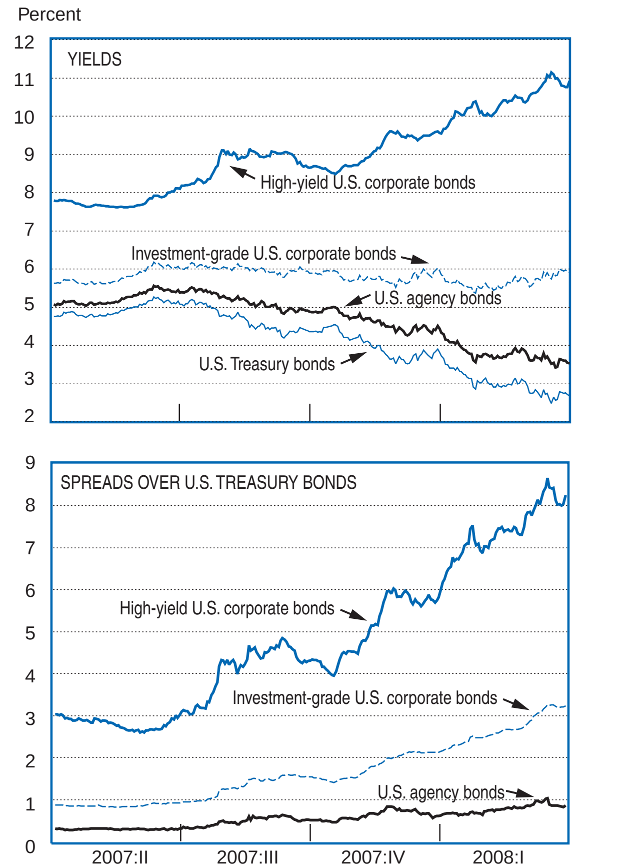
Note. Excludes transactions in foreign official assets.
U.S. Bureau of Economic Analysis

spreads on non-investment-grade bonds increased 235 basis points (chart 9). Net sales of U.S. corporate bonds by investors in Europe picked up, largely as a result of a shift to record net sales by investors in the United Kingdom. Transactions by Caribbean financial centers shifted to small net sales from net purchases, and net purchases from Asia, mainly Japan, slowed.

Transactions in U.S. federally sponsored agency bonds shifted to net foreign sales of $18.3 billion from net foreign purchases of $16.4 billion. Spreads on agency bonds over U.S. Treasury bonds widened by 15 basis points, and gross foreign trading volume in U.S. agency bonds increased significantly. Transactions in agency bonds by investors in Caribbean financial centers shifted to strong net sales, largely as a result of a shift to net sales by investors in the Cayman Islands. In addition, net purchases by European investors slowed.

Direct investment. Net financial inflows for foreign direct investment in the United States were $46.6 billion in the first quarter, down from $55.7 billion in the fourth quarter. The slowdown was more than accounted for by a shift from a substantial increase to a decrease in net intercompany debt investment in the United States, mostly reflecting smaller increases and shifts to decreases in intercompany debt investment from foreign parent companies in Luxembourg and the Netherlands. In contrast, both net equity capital investment in the United States and reinvested earnings picked up. Net equity capital investment was boosted by a reduction in equity capital decreases, and reinvested earnings were boosted by a rebound in earnings.

Chart 9. U.S. Bond Yields and Spreads



Source: Merrill Lynch.
U.S. Bureau of Economic Analysis

Tables 1 through 12 follow.