

U.S. International Transactions

Third Quarter of 2009

THE U.S. current-account deficit—the broadest measure of U.S. international trade in goods and services, receipts and payments of income, and net unilateral current transfers to foreigners—increased to \$108.0 billion (preliminary) in the third quarter of 2009 from \$98.0 billion (revised) in the second quarter (see page 11 for the current account).¹ The increase, which was the first increase in five quarters, resulted from an even larger rise in the deficit on goods. An increase in net unilateral current transfers to foreigners contributed slightly to the higher current-account deficit. These changes were partly offset by increases in the surpluses on income and on services.

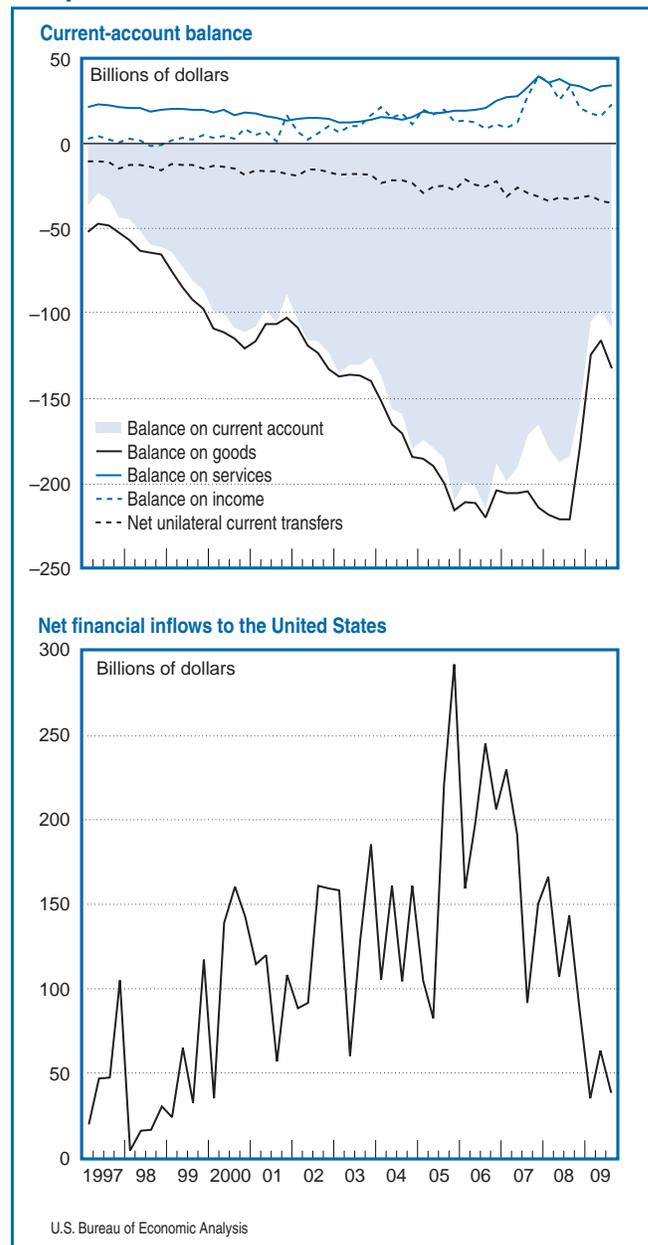
In the financial account, net financial inflows to the United States—the result of combined transactions in U.S.-owned assets abroad, in foreign-owned assets in the United States, and in financial derivatives—decreased to \$38.3 billion in the third quarter from \$63.3 billion in the second quarter.² (See page 15 for the financial account and page 17 for detailed information about transactions involving special drawing rights.) The slowdown in net financial inflows resulted from a shift to an increase from a decrease in U.S.-owned assets abroad that was mostly offset by a larger increase in foreign-owned assets in the United States in the third quarter than in the second quarter. The third-quarter increases in both U.S.-owned assets abroad and foreign-owned assets in the United States were the largest in several quarters. However, financial-account transactions continued to be significantly affected by the recent unsettled conditions in financial markets.

The statistical discrepancy—errors and omissions in recorded transactions—was \$70.4 billion in the third quarter, compared with \$35.4 billion in the second quarter.

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

2. Third-quarter net financial inflows exclude transactions in financial derivatives because data are not yet available. Second-quarter net financial inflows excluding these transactions were \$52.0 billion.

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



Douglas B. Weinberg prepared this article.

Overview

Table A. U.S. International Transactions
[Millions of dollars, seasonally adjusted]

(Credits +; debits -)	2008		2009		Change 2009:II- 2009:III
	IV	I	II ^r	III ^p	
Current account					
Exports of goods and services and income receipts	591,747	507,553	506,482	532,937	26,455
Goods, balance of payments basis	290,569	249,374	246,134	263,911	17,777
Services	133,583	122,827	125,274	128,622	3,348
Income receipts	167,596	135,352	135,074	140,403	5,329
Imports of goods and services and income payments	-715,096	-581,660	-571,053	-606,606	-35,553
Goods, balance of payments basis	-469,389	-373,411	-361,621	-396,050	-34,429
Services	-99,257	-91,199	-91,028	-93,862	-2,834
Income payments	-146,450	-117,051	-118,404	-116,694	1,710
Unilateral current transfers, net	-31,527	-30,343	-33,410	-34,365	-955
U.S. government grants	-9,207	-8,342	-10,841	-11,917	-1,076
U.S. government pensions and other transfers	-2,113	-2,300	-2,342	-2,348	-6
Private remittances and other transfers	-20,207	-19,701	-20,227	-20,100	127
Capital account					
Capital account transactions, net	-695	-710	-719	-686	33
Financial account					
U.S.-owned assets abroad (increase/financial outflow (-))¹	114,730	94,734	37,398	-294,102	-331,500
U.S. official reserve assets	-3,126	-982	-3,632	-49,021	-45,389
U.S. government assets, other than official reserve assets	-265,293	244,102	193,750	57,928	-135,822
U.S. private assets	383,150	-148,387	-152,720	-303,009	-150,289
Direct investment	-84,486	-40,262	-47,442	-62,742	-15,300
Foreign securities	70,015	-36,201	-92,589	-47,847	44,742
U.S. claims on unaffiliated foreigners reported by nonbanking concerns	103,739	17,477	14,519	47,656	33,137
U.S. claims reported by banks and brokers	293,882	-89,401	-27,208	-240,076	-212,868
Foreign-owned assets in the United States (increase/financial inflow (+))¹	-11,888	-67,757	14,614	332,407	317,793
Foreign official assets in the United States	-16,024	70,892	124,299	123,584	-715
Other foreign assets in the United States	4,136	-138,649	-109,685	208,823	318,508
Direct investment	96,802	23,851	36,975	40,023	3,048
U.S. Treasury securities	81,496	53,716	-22,755	-9,156	13,599
U.S. securities other than U.S. Treasury securities	-29,029	-55,992	13,917	24,720	10,803
U.S. currency	29,862	11,816	-1,935	4,179	6,114
U.S. liabilities to unaffiliated foreigners reported by nonbanking concerns	-139,824	-8,270	43,003	22,079	-20,924
U.S. liabilities reported by banks and brokers	-35,171	-163,770	-178,890	126,978	305,868
Financial derivatives, net	-14,509	8,407	11,265	n.a.	n.a.
Statistical discrepancy (sum of the bold lines above with sign reversed)	67,236	69,777	35,422	70,416	34,994
Memoranda:					
Balance on goods	-178,820	-124,036	-115,487	-132,138	-16,651
Balance on services	34,326	31,628	34,247	34,760	513
Balance on goods and services	-144,495	-92,408	-81,240	-97,378	-16,138
Balance on income	21,146	18,301	16,670	23,709	7,039
Balance on current account	-154,875	-104,450	-97,980	-108,034	-10,054
Net financial flows ²	88,333	35,384	63,277	38,305	-24,972

p Preliminary r Revised n.a. Not available

1. Excludes transactions in financial derivatives.

2. Sum of U.S.-owned assets abroad, foreign-owned assets in the United States, and financial derivatives.

NOTE: The statistics are from table 1.

Data Availability

Statistics for U.S. international transactions are presented in tables 1–12 after this article. They are also available interactively on BEA's Web site at www.bea.gov. Users may view and download the statistics for an entire table, or they may select the period, frequency, and lines that they wish to view. The statistics are available in an HTML table, in a spreadsheet file (.xls format), or as comma-separated values.

Current-account highlights

- Both exports and imports of goods increased strongly after decreasing for three consecutive quarters.
- Exports of services increased for the second consecutive quarter, and imports of services rebounded after falling for three quarters.
- Receipts of income turned up, but payments of income turned down. Direct investment income receipts and payments both increased, but "other" private income receipts and payments continued to decrease.

Financial-account highlights

- U.S. official reserve assets increased a record amount as a result of the allocation by the International Monetary Fund of special drawing rights to the United States (see page 17).
- U.S. government assets abroad other than official reserve assets decreased for the third straight quarter.
- U.S. direct investment abroad and foreign direct investment in the United States both picked up, but they remained below their levels in 2008.
- Private foreigners were net sellers of U.S. Treasury securities and net purchasers of other U.S. securities for the second quarter in a row.
- U.S. claims and U.S. liabilities reported by banks and securities brokers increased substantially for the first time in several quarters.

Revisions

The statistics presented in this article incorporate a change in the way that BEA treats allocations of special drawing rights. See page 17 for information, including revised statistics for 1970–81.

The preliminary statistics for U.S. international transactions for the second quarter that were published in the October 2009 SURVEY OF CURRENT BUSINESS have been revised. The current-account deficit was revised to \$98.0 billion from \$98.8 billion. The goods deficit was unrevised at \$115.5 billion; the services surplus was revised to \$34.2 billion from \$32.5 billion; the income surplus was revised to \$16.7 billion from \$16.4 billion; and unilateral current transfers were revised to net outflows of \$33.4 billion from \$32.2 billion. Net financial inflows to the United States were revised to \$63.3 billion from \$58.3 billion.

Current Account—Goods

Table B. Goods Exports
[Millions of dollars, seasonally adjusted]

	2008		2009		Change 2009:II- 2009:III
	IV	I	II	III ^p	
Exports, balance of payments basis	290,569	249,374	246,134	263,911	17,777
Agricultural products	25,739	23,600	25,239	24,756	-483
Nonagricultural products	264,829	225,775	220,895	239,155	18,260
Foods, feeds, and beverages	23,348	21,644	23,664	23,072	-592
Grains and preparations	6,555	5,662	6,553	6,505	-48
Other	16,793	15,982	17,111	16,567	-544
Industrial supplies and materials	82,189	66,834	68,707	77,640	8,933
Petroleum and products	12,939	9,561	11,425	13,972	2,547
Nonpetroleum products	69,250	57,273	57,282	63,668	6,386
Chemicals, excluding medicinals.....	22,617	18,285	19,873	22,164	2,291
Metals and nonmetallic products.....	21,886	17,832	17,122	19,581	2,459
Nonferrous metals	9,568	8,636	8,484	9,505	1,021
Other	12,318	9,196	8,638	10,076	1,438
Other	24,747	21,156	20,287	21,923	1,636
Capital goods, except automotive	109,018	98,448	93,282	95,548	2,266
Electric generating machinery, apparatus, and parts	10,577	8,977	8,737	8,995	258
Oil drilling, mining, and construction machinery.....	9,500	6,794	5,867	5,980	113
Industrial engines, pumps, and compressors.....	5,747	5,829	5,368	5,266	-102
Industrial, agricultural, and service machinery, n.e.c.	26,506	21,430	20,080	21,049	969
Computers, peripherals, and parts.....	9,823	9,222	8,874	9,354	480
Semiconductors	10,997	8,353	8,758	9,624	866
Telecommunications equipment	8,216	7,251	6,964	7,223	259
Scientific, hospital, and medical equipment	9,246	8,780	8,567	8,868	301
Civilian aircraft, engines, and parts	16,072	19,757	18,352	17,593	-759
Other	2,334	2,055	1,715	1,596	-119
Automotive vehicles, parts, and engines	27,277	17,542	16,682	21,603	4,921
Passenger cars	11,298	5,984	5,536	6,888	1,352
Trucks, buses, and special purpose vehicles	3,416	2,686	2,441	3,522	1,081
Engines, parts, and accessories	12,563	8,873	8,705	11,192	2,487
Consumer goods, except automotive	39,034	36,497	36,049	37,503	1,454
Nondurable goods	18,199	18,348	18,331	18,123	-208
Medicinal, dental, and pharmaceutical products ...	10,786	11,709	11,672	10,991	-681
Other	7,413	6,639	6,659	7,132	473
Durable goods	20,835	18,149	17,718	19,380	1,662
Household appliances and other household goods	7,593	6,849	6,657	6,939	282
Other	13,242	11,300	11,061	12,441	1,380
Other exports	9,703	8,408	7,751	8,545	794

^p Preliminary

NOTE: The statistics are from table 2. For additional statistics on goods exports, see BEA's Web site.

Table C. Real Goods Exports and Imports

[Percent change from preceding period in chained-dollar exports and imports, seasonally adjusted]

	2008			2009		
	II	III	IV	I	II ^r	III ^p
Exports, balance of payments basis	2.5	0.1	-7.5	-10.7	-1.8	6.0
Imports, balance of payments basis	-1.4	-0.9	-5.8	-12.5	-4.4	6.2

^p Preliminary ^r Revised

Trends in the Balance on Goods

After decreasing substantially over the preceding four quarters, the goods deficit increased \$16.9 billion to \$132.4 billion in the third quarter of 2009. Exports and imports both rebounded strongly, but imports increased more than exports both in dollar and percentage terms, partly as a result of a larger increase in import prices than in export prices.

Goods exports increased \$17.8 billion, or 7.2 percent, after decreasing for three consecutive quarters. Real exports increased 6.0 percent (table C). Despite the strong rebound, current-dollar exports were well below their peak level in the third quarter of 2008. Nearly all major end-use categories of exports increased, but the largest increases were in industrial supplies and materials and in automotive products.

Foods, feeds, and beverages decreased, mostly as a result of a drop in soybeans after a second-quarter surge.

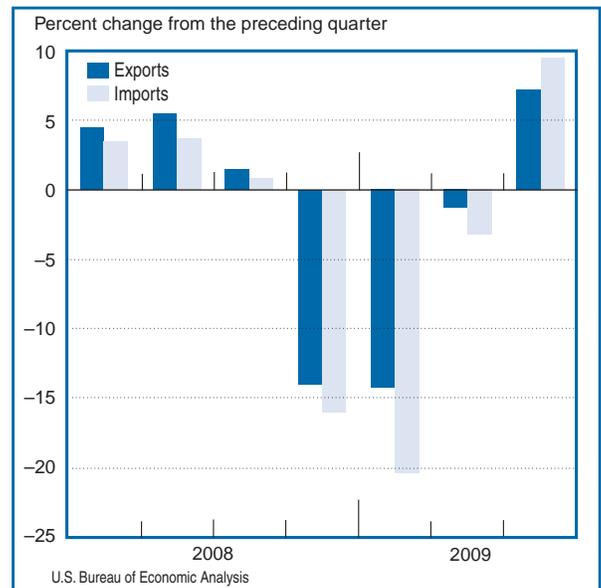
Industrial supplies and materials increased strongly. Both petroleum and products and chemicals increased substantially for the second consecutive quarter. Metals and nonmetallic products rebounded after declining for four quarters.

Capital goods increased for the first time in four quarters. High-technology products increased considerably, and other types of capital goods rebounded or decreased less than in the second quarter.

Automotive vehicles, parts, and engines rebounded strongly after falling sharply over the previous three quarters. A rebound in engines, parts, and accessories partly resulted from the use of those products in finished vehicles imported into the United States, which rose sharply in the third quarter.

Consumer goods increased for the first time in four quarters because of a substantial upturn in durable goods.

Chart 2. Current-Dollar Goods Exports and Imports



Current Account—Goods

Table D. Goods Imports
[Millions of dollars, seasonally adjusted]

	2008		2009			Change 2009:II- 2009:III
	IV	I	II	III ^p		
Imports, balance of payments basis	469,389	373,411	361,621	396,050	34,429	
Petroleum and products	85,448	52,225	56,946	68,870	11,924	
Nonpetroleum products	383,941	321,186	304,674	327,180	22,506	
Foods, feeds, and beverages	22,184	20,414	20,364	20,247	-117	
Industrial supplies and materials	159,156	107,421	103,874	118,838	14,964	
Petroleum and products	85,448	52,225	56,946	68,870	11,924	
Nonpetroleum products	73,708	55,196	46,928	49,968	3,040	
Natural gas	5,988	4,801	3,383	2,972	-411	
Chemicals, excluding medicinals	16,835	11,844	10,403	11,361	958	
Building materials, except metals	5,303	4,246	4,095	4,210	115	
Metals and nonmetallic products	26,940	19,022	15,177	16,701	1,524	
Iron and steel products	9,799	6,640	4,185	4,090	-95	
Nonferrous metals	9,443	7,216	7,053	8,305	1,252	
Other	7,698	5,166	3,939	4,306	367	
Other	18,642	15,283	13,870	14,724	854	
Capital goods, except automotive	106,896	91,782	86,524	91,147	4,623	
Electric generating machinery, apparatus, and parts	13,501	11,210	10,253	10,903	650	
Oil drilling, mining, and construction machinery	6,882	4,997	2,750	2,425	-325	
Industrial engines, pumps, and compressors	4,620	3,743	3,307	3,319	12	
Industrial, agricultural, and service machinery, n.e.c.	26,020	21,801	19,212	20,032	820	
Computers, peripherals, and parts	21,914	20,153	21,099	23,761	2,662	
Semiconductors	5,739	4,740	5,096	5,551	455	
Telecommunications equipment	10,343	8,702	8,659	9,313	654	
Scientific, hospital, and medical equipment	7,664	7,061	6,713	7,031	318	
Civilian aircraft, engines, and parts	8,053	7,548	7,859	7,280	-579	
Other	2,160	1,827	1,576	1,532	-44	
Automotive vehicles, parts, and engines	49,862	32,344	31,700	44,492	12,792	
Passenger cars	25,929	14,927	15,710	23,438	7,728	
Trucks, buses, and special purpose vehicles	3,706	3,117	2,265	2,867	602	
Engines, parts, and accessories	20,227	14,298	13,724	18,188	4,464	
Consumer goods, except automotive	114,827	106,398	105,256	106,308	1,052	
Nondurable goods	53,104	51,033	49,563	51,018	1,455	
Apparel, footwear, and household goods	28,297	25,998	24,722	24,909	187	
Medicinal, dental, and pharmaceutical products	18,456	19,232	19,456	20,545	1,089	
Other	6,351	5,803	5,385	5,564	179	
Durable goods	61,723	55,365	55,693	55,289	-404	
Televisions and other video equipment	8,904	8,840	8,871	8,902	31	
Toys and sporting goods, including bicycles	10,188	9,172	8,209	8,389	180	
Household appliances and other household goods	28,018	26,224	26,943	25,184	-1,759	
Other	14,613	11,129	11,670	12,814	1,144	
Other imports and U.S. goods returned	16,464	15,051	13,904	15,018	1,114	

^p Preliminary

NOTE: The statistics are from table 2. For additional statistics on goods imports, see BEA's Web site.

Goods imports increased \$34.4 billion, or 9.5 percent, after decreasing for three consecutive quarters. Real imports increased 6.2 percent (table C). Despite the strong rebound, current-dollar imports were well below their peak level in the third quarter of 2008. Nearly all major end-use categories of imports increased, but the increases in industrial supplies and materials and in automotive products were particularly strong.

Industrial supplies and materials rebounded sharply, mostly as a result of a substantial rise in petroleum and products due to higher average prices for those imports. Most types of nonpetroleum products turned up, but the largest increases were in metals and nonmetallic products and in chemicals.

Capital goods increased for the first time in five quarters. Computers, peripherals, and parts surged. Other high-technology products and electric generating machinery, apparatus, and parts also increased strongly.

Automotive vehicles, parts, and engines surged after falling for seven consecutive quarters, including very large declines in a few recent quarters. The rebound was partly attributable to the U.S. government "cash for clunkers" program that boosted U.S. domestic sales of motor vehicles.

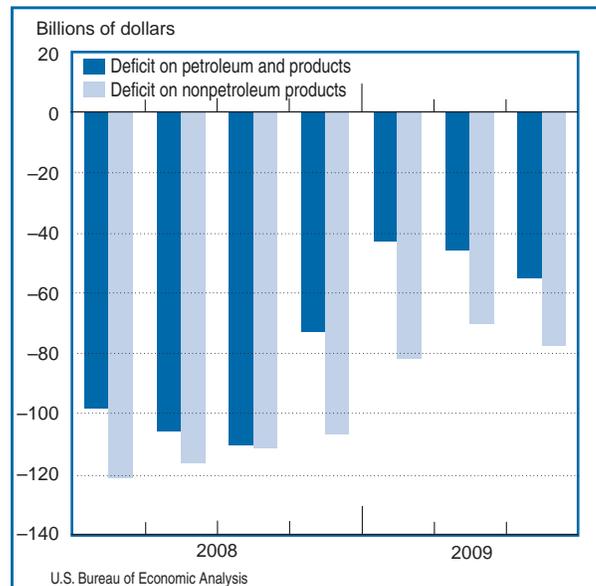
Consumer goods increased as a result of a rebound in nondurable goods. Medicinal, dental, and pharmaceutical products increased strongly. Apparel, footwear, and nondurable household goods rebounded after falling considerably in recent quarters.

Goods Deficit by Area and Type of Product

The goods deficit with Asia and Pacific increased \$8.9 billion, mostly as a result of increases in the deficits with China and, to a lesser extent, with Japan. The deficit with Europe increased \$3.9 billion, partly reflecting a shift from a surplus to a deficit with the United Kingdom and an increase in the deficit with Germany. The deficits with Africa and with the Middle East also increased, mostly because of higher U.S. petroleum imports from those areas.

Petroleum and nonpetroleum products. The deficit on petroleum and products increased \$9.4 billion due to higher prices, but the deficit remained well below its peak in the third quarter of 2008. The deficit on nonpetroleum products increased \$7.3 billion, the first increase in twelve quarters.

Chart 3. Deficits on Petroleum and Nonpetroleum Products



Current Account—Services

Table E. Services Exports and Imports
[Millions of dollars, seasonally adjusted]

	2008		2009		Change 2009:II- 2009:III
	IV	I	II ^r	III ^p	
Services exports	133,583	122,827	125,274	128,622	3,348
Travel	26,178	23,491	22,812	23,886	1,074
Passenger fares	7,896	7,146	6,659	6,607	-52
Other transportation	13,182	10,779	10,639	11,304	665
Freight	5,254	4,405	4,251	4,410	159
Port services	7,928	6,374	6,388	6,895	507
Royalties and license fees	22,685	19,997	20,763	21,165	402
Other private services	58,021	55,665	57,106	58,163	1,057
Education	4,560	4,648	4,725	4,815	90
Financial services	14,257	13,290	13,672	14,083	411
Insurance services	2,718	2,942	3,070	3,110	40
Telecommunications	2,199	2,048	2,156	2,207	51
Business, professional, and technical services	28,362	27,512	28,258	28,646	388
Other services	5,924	5,225	5,226	5,303	77
Transfers under U.S. military agency sales contracts	5,295	5,437	6,976	7,142	166
U.S. government miscellaneous services	326	312	319	355	36
Services imports	99,257	91,199	91,028	93,862	2,834
Travel	19,551	18,504	17,457	18,370	913
Passenger fares	8,357	6,979	6,122	6,094	-28
Other transportation	16,767	13,948	13,022	13,394	372
Freight	10,607	8,914	8,246	8,536	290
Port services	6,160	5,035	4,776	4,858	82
Royalties and license fees	6,007	5,687	6,131	6,292	161
Other private services	38,498	36,521	38,279	39,303	1,024
Education	1,364	1,389	1,414	1,429	15
Financial services	4,087	3,505	3,988	4,180	192
Insurance services	11,199	11,293	12,440	12,867	427
Telecommunications	1,799	1,645	1,652	1,688	36
Business, professional, and technical services	19,447	18,176	18,137	18,475	338
Other services	601	513	647	664	17
Direct defense expenditures	8,913	8,454	8,831	9,186	355
U.S. government miscellaneous services	1,164	1,105	1,186	1,223	37

^p Preliminary ^r Revised
NOTE: The statistics are from tables 1 and 3. For additional information on services, including definitions, see Jennifer Konz-Bruner and Anne Flatness, "U.S. International Services: Cross-Border Trade in 2008 and Services Supplied Through Affiliates in 2007" SURVEY OF CURRENT BUSINESS 89 (October 2009); 22-64.

Travel receipts—purchases of goods and services by foreign travelers to the United States—increased for the first time in four quarters. The upturn resulted from an increase in the number of foreign travelers to the United States and, to a lesser extent, a rise in their average expenditures.

Passenger fare receipts decreased slightly after much larger declines in the preceding three quarters.

“Other” transportation receipts turned up. Port services increased as a result of higher expenditures by foreign carriers in U.S. ports, reflecting increases in fuel prices and in the volume of U.S. goods trade.

“Other” private services receipts increased for the second consecutive quarter. The increases mostly resulted from higher receipts for financial services and for business, professional, and technical services.

Travel payments—purchases of goods and services by U.S. travelers abroad—increased for the first time in six quarters. The upturn mostly resulted from a rise in the number of U.S. travelers to overseas countries.

Passenger fare payments decreased slightly after much larger declines in the preceding two quarters.

“Other” transportation payments increased after decreasing substantially in the previous three quarters.

“Other” private services payments increased for the second quarter in a row. The third-quarter rise mostly resulted from higher payments for insurance services and for business, professional, and technical services.

Chart 4. Foreign Currency Price of the U.S. Dollar

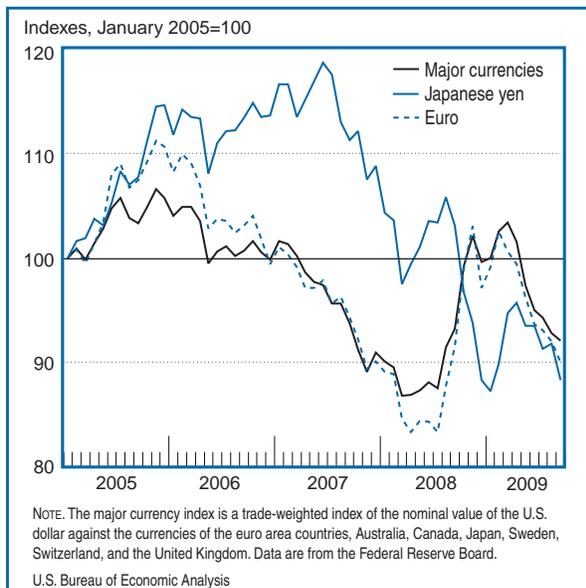
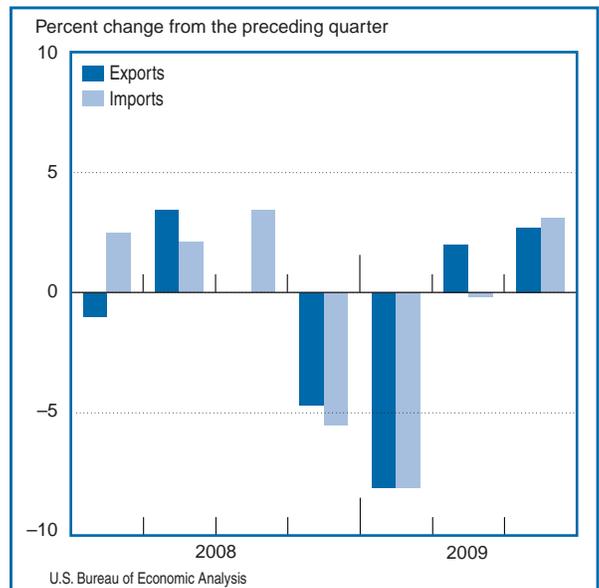


Chart 5. Services Exports and Imports



Current Account—Income

Table F. Income Receipts and Payments

[Millions of dollars, seasonally adjusted]

	2008	2009			Change 2009:II– 2009:III
	IV	I	II ^r	III ^p	
Income receipts	167,596	135,352	135,074	140,403	5,329
Income on U.S.-owned assets abroad.....	166,847	134,611	134,336	139,672	5,336
Direct investment receipts.....	75,736	63,168	71,566	78,978	7,412
Earnings.....	73,769	61,382	69,901	77,184	7,283
Interest.....	1,967	1,786	1,665	1,793	128
Other private receipts.....	88,964	68,995	61,673	60,010	-1,663
Income on foreign securities.....	59,500	53,814	48,117	49,671	1,554
Dividends.....	37,412	31,734	26,869	27,219	350
Interest.....	22,088	22,080	21,247	22,451	1,204
Interest on claims reported by banks and brokers	20,260	9,622	8,429	6,180	-2,249
For own claims.....	14,819	7,104	6,320	4,869	-1,451
For customers' claims.....	5,441	2,518	2,108	1,311	-797
Interest on claims reported by nonbanking concerns.....	9,204	5,559	5,128	4,159	-969
U.S. government receipts.....	2,147	2,448	1,097	684	-413
Compensation of employees.....	749	741	738	731	-7
Income payments	146,450	117,051	118,404	116,694	-1,710
Income on foreign-owned assets in the United States	143,823	114,501	115,913	114,206	-1,707
Direct investment payments.....	24,473	11,970	23,836	27,589	3,753
Earnings.....	17,732	6,529	17,498	20,805	3,307
Interest.....	6,741	5,441	6,339	6,784	445
Other private payments.....	79,890	66,038	58,782	55,186	-3,596
Income on U.S. corporate securities.....	56,139	54,871	49,697	48,905	-792
Dividends.....	18,864	16,922	14,051	13,410	-641
Interest.....	37,275	37,949	35,646	35,495	-151
Interest on liabilities reported by banks and brokers.....	17,294	7,811	6,291	4,195	-2,096
For own liabilities.....	12,518	5,407	4,338	2,392	-1,946
For customers' liabilities.....	4,776	2,405	1,953	1,803	-150
Interest on liabilities reported by nonbanking concerns.....	6,456	3,356	2,795	2,086	-709
U.S. government payments.....	39,460	36,493	33,295	31,431	-1,864
Compensation of employees.....	2,627	2,550	2,491	2,488	-3

^p Preliminary ^r Revised
NOTE: The statistics are from tables 1 and 4.

Income receipts on U.S. direct investment abroad increased substantially for the second consecutive quarter. In the past two quarters, foreign affiliates' earnings strengthened, largely reflecting the depreciation of the U.S. dollar against most major foreign currencies and a pickup in economic activity in some foreign countries.

"Other" private income receipts decreased for the seventh time in the last eight quarters. Interest receipts on claims reported by banks, brokers, and nonbanking concerns continued to decline, to \$10.3 billion in the third quarter after a peak of \$66.8 billion in the third quarter of 2007. In contrast, income receipts on U.S. holdings of foreign securities turned up.

U.S. government income receipts decreased because of a drop in income on central bank currency swaps.

Income payments on foreign direct investment in the United States increased for the second consecutive quarter. The third-quarter increase largely reflected higher earnings of U.S. affiliates in petroleum and motor vehicle-related industries.

"Other" private income payments decreased for the seventh time in the last eight quarters. Interest payments on liabilities reported by banks, brokers, and nonbanking concerns continued to decline, to \$6.3 billion in the third quarter after a peak of \$61.2 billion in the third quarter of 2007.

U.S. government income payments fell for the fifth straight quarter.

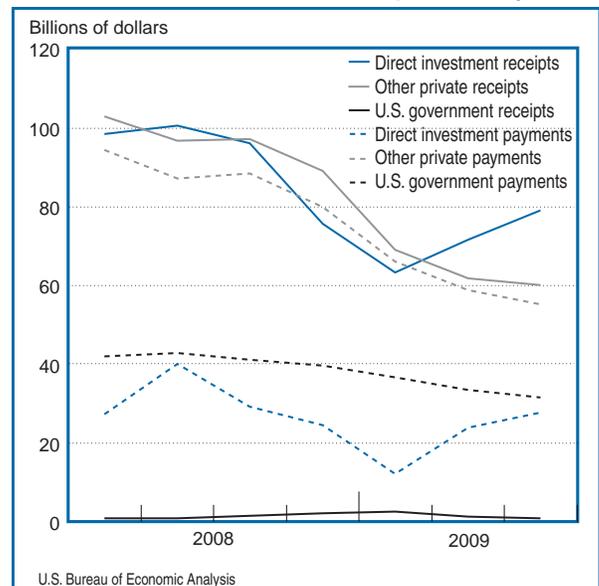
Types of Investment Income

Direct investment income is the return on the U.S. direct investment abroad and foreign direct investment in the United States positions. Income consists of (1) earnings, which are the U.S. and foreign parents' shares in the net income of their affiliates abroad and in the United States, and (2) net interest received by parents from affiliates from outstanding loans and trade accounts.

Other private income includes (1) private U.S. residents' receipts of interest and dividends on their investment abroad other than direct investment and (2) private U.S. residents' payments of interest and dividends to foreign residents on foreign investment in the United States other than direct investment.

U.S. government income includes (1) U.S. government receipts of income on its assets abroad and (2) U.S. government payments of income on its liabilities to foreigners, mostly in the form of securities.

Chart 6. Investment Income Receipts and Payments



Financial Account—U.S.-Owned Assets Abroad

Table G. U.S.-Owned Assets Abroad
[Millions of dollars, seasonally adjusted]

(Increase/financial outflow (-), decrease/financial inflow (+))	2008	2009			Change 2009:II-2009:III
	IV	I	II ^r	III ^p	
U.S.-owned assets abroad¹	114,730	94,734	37,398	-294,102	-331,500
U.S. official reserve assets.....	-3,126	-982	-3,632	-49,021	-45,389
U.S. government assets, other than official reserve assets.....	-265,293	244,102	193,750	57,928	-135,822
U.S. private assets.....	383,150	-148,387	-152,720	-303,009	-150,289
Direct investment.....	-84,486	-40,262	-47,442	-62,742	-15,300
Equity capital.....	-39,599	-3,705	1,386	-8,190	-9,576
Reinvested earnings.....	-54,032	-37,123	-50,380	-48,384	1,996
Intercompany debt.....	9,144	567	1,553	-6,168	-7,721
Foreign securities.....	70,015	-36,201	-92,589	-47,847	44,742
Stocks.....	35,092	-1,833	-37,727	-26,820	10,907
Bonds.....	34,923	-34,368	-54,862	-21,027	33,835
U.S. claims on unaffiliated foreigners reported by nonbanking concerns.....	103,739	17,477	14,519	47,656	33,137
U.S. claims reported by banks and brokers.....	293,882	-89,401	-27,208	-240,076	-212,868
For own accounts.....	330,632	-102,592	-14,389	-108,285	-93,896
For customers' accounts.....	-36,750	13,191	-12,819	-131,791	-118,972

^p Preliminary ^r Revised
¹ Excludes transactions in financial derivatives, which are not available separately for U.S.-owned assets abroad.
 NOTE: Under balance-of-payments conventions, increases in U.S.-owned assets abroad are shown with a negative sign, and decreases are shown with a positive sign. The statistics are from tables 1, 7, 8, and 10.

U.S. official reserve assets increased a record amount as a result of an allocation of \$47.6 billion in special drawing rights by the International Monetary Fund to the United States (see page 17).

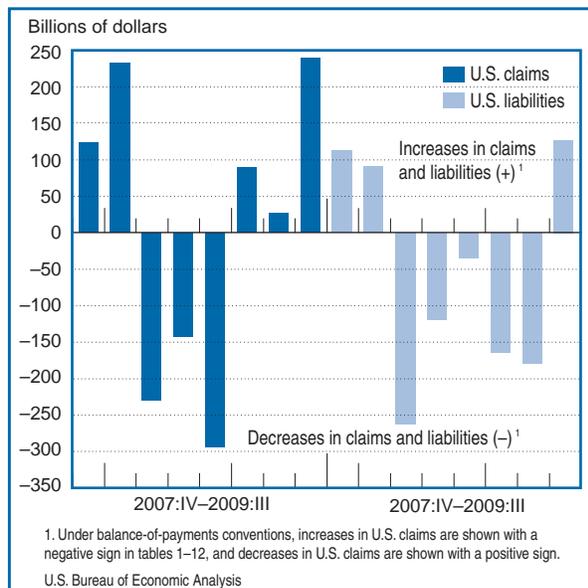
U.S. government assets other than official reserve assets decreased for the third straight quarter. The decreases resulted from the reversal of swaps initiated in previous quarters under temporary reciprocal currency arrangements between the U.S. Federal Reserve System and foreign central banks.

U.S. direct investment abroad picked up, reflecting shifts to increases from decreases in net equity capital investment and in net intercompany debt investment abroad. In contrast, reinvested earnings, which are a large part of U.S. direct investment abroad, declined.

Net U.S. purchases of foreign securities slowed. Net U.S. purchases of foreign bonds fell considerably despite continued improvement in global bond market conditions as evidenced in part by falling credit spreads. Net U.S. purchases of foreign stocks also fell but remained moderately strong, as foreign stock prices rose strongly for the second straight quarter.

U.S. claims on foreigners reported by U.S. banks and securities brokers—such as U.S. residents' deposits at foreign banks and loans to foreigners—increased a record amount. Claims for own accounts increased, mostly as a result of a rise in lending by U.S. banks and brokers to banks abroad; while conditions in banking markets improved somewhat, bank lending to support business activity remained weak. Claims for customers' accounts increased strongly, mostly as a result of a third straight large quarterly rise in customers' holdings of foreign negotiable certificate of deposits (CDs) that was partly due to the higher yields available on foreign CDs than on U.S. CDs.

Chart 7. U.S. Claims and Liabilities Reported by Banks and Brokers



¹ Under balance-of-payments conventions, increases in U.S. claims are shown with a negative sign in tables 1-12, and decreases in U.S. claims are shown with a positive sign.
 U.S. Bureau of Economic Analysis

Financial Account—Foreign-Owned Assets in the United States

Table H. Foreign-Owned Assets in the United States

[Millions of dollars, seasonally adjusted]

(Increase/financial inflow (+), decrease/financial outflow (-))	2008		2009		Change 2009:II- 2009:III
	IV	I	II ^r	III ^p	
Foreign-owned assets in the United States¹	-11,888	-67,757	14,614	332,407	317,793
Foreign official assets	-16,024	70,892	124,299	123,584	-715
U.S. government securities	82,974	118,565	120,661	94,135	-26,526
U.S. Treasury securities	178,948	118,309	123,713	123,763	50
Other	-95,974	256	-3,052	-29,628	-26,576
Other U.S. government liabilities	2,900	2,720	1,228	53,313	52,085
U.S. liabilities reported by banks and brokers	-109,370	-51,891	-732	-27,483	-26,751
Other foreign official assets	7,472	1,498	3,142	3,619	477
Other foreign assets	4,136	-138,649	-109,685	208,823	318,508
Direct investment	96,802	23,851	36,975	40,023	3,048
Equity capital	109,864	19,903	22,089	22,291	202
Reinvested earnings	1,933	-11,723	7,570	13,257	5,687
Intercompany debt	-14,995	15,671	7,316	4,474	-2,842
U.S. Treasury securities	81,496	53,716	-22,755	-9,156	13,599
U.S. securities other than U.S. Treasury securities	-29,029	-55,992	13,917	24,720	10,803
Stocks	-3,851	6,103	35,556	48,600	13,044
Corporate bonds	-3,777	-12,355	-21,987	-30,441	-8,454
Federally sponsored agency bonds	-21,401	-49,740	348	6,561	6,213
U.S. currency	29,862	11,816	-1,935	4,179	6,114
U.S. liabilities to unaffiliated foreigners reported by nonbanking concerns	-139,824	-8,270	43,003	22,079	-20,924
U.S. liabilities reported by banks and brokers	-35,171	-163,770	-178,890	126,978	305,868
For own accounts	-343	-175,997	-123,627	153,112	276,739
For customers' accounts	-34,828	12,227	-55,263	-26,134	29,129

^p Preliminary ^r Revised

¹ Excludes transactions in financial derivatives, which are not available separately for foreign-owned assets in the United States.

NOTE: The statistics are from tables 1, 7, 8, and 11.

Foreign official assets in the United States increased partly as a result of a \$47.6 billion increase associated with the allocation of special drawing rights to the United States (see page 17).

Foreign direct investment in the United States picked up. The pickup was more than accounted for by an increase in reinvested earnings. Equity capital investment edged up but was relatively low for the third consecutive quarter, partly due to fewer acquisitions of U.S. companies by foreigners.

Private foreigners were net sellers of U.S. Treasury securities for the second straight quarter after they were strong net purchasers in the preceding three quarters.

Net purchases of other U.S. securities by private foreigners increased. Net foreign purchases of U.S. stocks were substantial for the second consecutive quarter, as U.S. stock prices again rose strongly after falling to multiyear lows in the first quarter. In contrast, net sales of U.S. corporate bonds by foreigners increased despite continued improvement in U.S. corporate bond market conditions. Net sales in the last five quarters partly reflected the higher yields available on foreign bonds than on U.S. bonds.

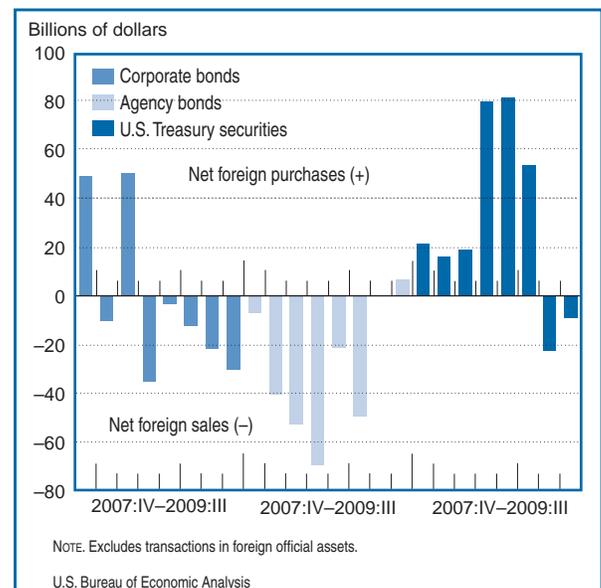
U.S. liabilities to foreigners reported by U.S. banks and securities brokers—such as foreign residents' deposits at U.S. banks and loans to U.S. residents—increased for the first time in six quarters. Liabilities for own accounts increased substantially as a result of a resurgence in borrowing by U.S. banks from banks abroad.

Trends in the Financial Account

Total U.S.-owned assets abroad and foreign-owned assets in the United States increased the most in several quarters, largely as a result of substantial increases in U.S. claims and liabilities reported by banks and brokers. Transactions in U.S. government assets contributed to the shift to the third-quarter increase in total U.S.-owned assets abroad from a second-quarter decrease.

However, net purchases of U.S. securities other than U.S. Treasury securities by private foreigners, which were very strong prior to the start of financial market difficulties, picked up only modestly and remained weak. Inward and outward direct investment also picked up, but they remained below their levels in 2008.

Chart 8. Transactions in U.S. Debt Securities



Allocations of Special Drawing Rights in the ITAs

The International Monetary Fund (IMF) distributed special drawing rights (SDRs) valued at more than \$280 billion to the worldwide membership of the IMF, including \$47.6 billion to the United States, through two allocations of SDRs in August and September of 2009. The allocations were taken as steps to help combat the global financial crisis, primarily in response to requests from the G-20 Heads of State and the IMF's International Monetary and Financial Committee at their respective meetings in April 2009. The allocations increase the reserve assets available to IMF member countries. An SDR is an asset that is created by the IMF to supplement the official reserves of members and that is readily convertible into reserve currencies, which include the U.S. dollar, the yen, the pound, and the euro.

The Bureau of Economic Analysis (BEA) has included the allocations of SDRs to the United States in the international transactions accounts (ITAs); previously, such allocations had been excluded. Specifically, the allocations to the United States in the third quarter of 2009 were included in the special drawing rights component (line 43 in table 1) of U.S. official reserve assets. The offset to these transactions is included in "other U.S. government liabilities" (line 60), reflecting the increase in

the liabilities of the U.S. Treasury.

In order to treat all SDR allocations consistently, BEA has departed from its usual practice of making historical revisions only in the June release of the ITAs. Instead, BEA has revised the ITAs to include the six earlier allocations of SDRs in the same way that the third quarter allocations were included. Revisions to account for these allocations were made for the first quarters of 1970, 1971, 1972, 1979, 1980, and 1981. The revisions to the ITAs for those years are shown in the table below.

Including these allocations in the ITAs is consistent with BEA's intent to adopt new international standards for the compilation of the ITAs that are embodied in the sixth edition of the IMF's *Balance of Payments and International Investment Position Manual*, which was released in 2009. The previous edition of the *Manual* excluded allocations of SDRs from the definition of balance of payments transactions. The IMF has urged countries to follow the new guidelines in recording these allocations as transactions in their statistics for the third quarter of 2009. The adoption of the new international standards for reporting allocations of SDRs allows BEA to show the significant impact of these allocations on U.S. claims and liabilities.

Revisions to Selected Financial-Account Transactions, 1970-81

[Millions of dollars]

(Credits +; debits -) ¹	1970	1971	1972	1979	1980	1981
U.S.-owned assets abroad, excluding financial derivatives (line 40)						
Revised	-9,337	-12,475	-14,497	-66,054	-86,967	-114,147
Amount of revision	-867	-717	-710	-1,139	-1,152	-1,093
Previously published	-8,470	-11,758	-13,787	-64,915	-85,815	-113,054
U.S. official reserve assets:						
Special drawing rights (line 43)						
Revised	-851	-249	-703	-1,136	-16	-1,823
Amount of revision	-867	-717	-710	-1,139	-1,152	-1,093
Previously published	16	468	7	3	1,136	-730
Foreign-owned assets in the United States, excluding financial derivatives (line 55)						
Revised	7,226	23,687	22,171	40,693	62,037	85,684
Amount of revision	867	717	710	1,139	1,152	1,093
Previously published	6,359	22,970	21,461	39,554	60,885	84,591
Foreign official assets in the United States:						
Other U.S. government liabilities (line 60)						
Revised	411	207	892	1,099	1,767	755
Amount of revision	867	717	710	1,139	1,152	1,093
Previously published	-456	-510	182	-40	615	-338

1. Credits + An increase in U.S. receipts and U.S. liabilities, or a decrease in U.S. payments and U.S. claims. Debits - An increase in U.S. payments and U.S. claims, or a decrease in U.S. receipts and U.S. liabilities.
NOTE: Line numbers refer to lines in table 1.