U.S. International Transactions

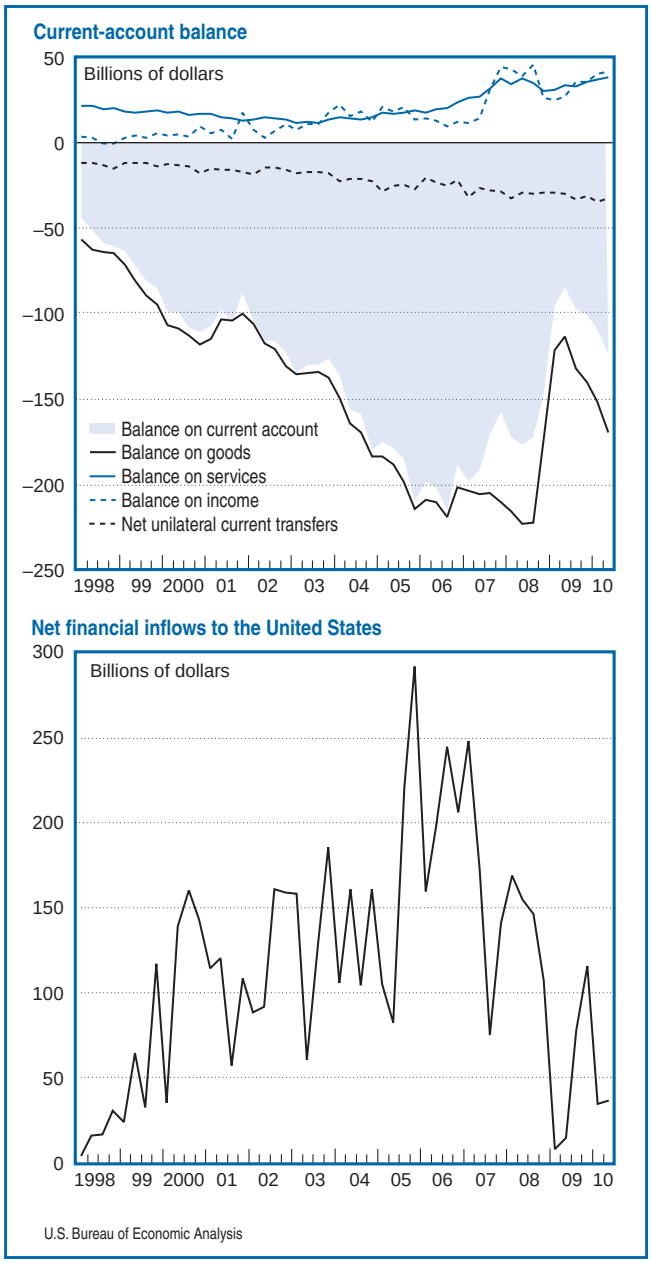
Second Quarter of 2010

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 $123.3 billion (preliminary) in the second quarter of 2010 from $109.2 billion (revised) in the first quarter (see pages 64–67).[1] The deficit increased to 3.4 percent of current-dollar gross domestic product (GDP) from 3.0 percent, the fourth consecutive increase.[2] The second-quarter rise in the current-account deficit was more than accounted for by an increase in the deficit on goods. That was partly offset by increases in the surpluses on services and income and a decrease in net unilateral current transfers to foreigners.

In the financial account, net financial inflows to the United States increased to $36.6 billion in the second quarter from $34.7 billion in the first quarter (see pages 68–69). Net financial flows are the result of combined transactions in the U.S.-owned assets abroad, in foreign-owned assets in the United States, and in financial derivatives, but the preliminary statistics for the second quarter exclude transactions for financial derivatives because the data are not yet available. In the first quarter, net financial inflows including transactions in financial derivatives were $34.7 billion; excluding financial derivatives, the first-quarter net inflows were $18.8 billion. Both U.S.-owned assets abroad and foreign-owned assets in the United States increased less in the second quarter than in the first quarter, but U.S.-owned assets abroad slowed more than foreign-owned assets in the United States.

The statistical discrepancy—errors and omissions in recorded transactions—was $86.7 billion in the second quarter, compared with $74.5 billion in the first quarter.

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



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. Current-dollar GDP is used to provide a consistently scaled comparison across time. In this context, its use does not imply that these international transactions accounts statistics are components of GDP.

Sarah Scott Thomas and Erin M. Whitaker prepared this article.

Overview

Table A. U.S. International Transactions

[Millions of dollars, seasonally adjusted]

(Credits +; debits –)	2009		2010		Change 2010:I–2010:II
	III	IV	I[r]	II[p]	
Current account					
Exports of goods and services and income receipts	**540,729**	**576,426**	**600,182**	**613,859**	**13,677**
Goods, balance of payments basis	268,858	290,576	305,640	316,112	10,472
Services	125,287	129,868	133,274	135,865	2,591
Income receipts	146,584	155,982	161,268	161,883	615
Imports of goods and services and income payments	**–604,594**	**–646,066**	**–674,473**	**–704,274**	**–29,801**
Goods, balance of payments basis	–400,977	–430,698	–456,961	–485,725	–28,764
Services	–92,490	–94,454	–96,404	–97,852	–1,448
Income payments	–111,127	–120,914	–121,108	–120,697	411
Unilateral current transfers, net	**–33,638**	**–31,268**	**–34,867**	**–32,868**	**1,999**
U.S. government grants	–13,067	–8,962	–12,311	–10,112	2,199
U.S. government pensions and other transfers	–2,233	–2,241	–2,548	–2,585	–37
Private remittances and other transfers	–18,338	–20,065	–20,008	–20,170	–162
Capital account					
Capital account transactions, net	**–36**	**–56**	**–3**	**–1**	**2**
Financial account					
U.S.-owned assets abroad (increase/financial outflow (–)) [1]	**–276,241**	**–8,685**	**–301,389**	**–139,056**	**162,333**
U.S. official reserve assets	–49,021	1,379	–773	–165	608
U.S. government assets, other than official reserve assets	57,736	45,754	9,433	–2,352	–11,785
U.S. private assets	–284,956	–55,817	–310,048	–136,539	173,509
Direct investment	–78,313	–83,155	–102,940	–81,476	21,464
Foreign securities	–46,823	–45,489	–46,147	–20,665	25,482
U.S. claims on unaffiliated foreigners reported by nonbanking concerns	83,302	16,248	10,821	–17,905	–28,726
U.S. claims reported by banks and brokers	–243,122	56,579	–171,782	–16,493	155,289
Foreign-owned assets in the United States (increase/financial inflow (+)) [1]	**342,385**	**103,615**	**320,217**	**175,642**	**–144,575**
Foreign official assets in the United States	96,616	116,835	72,507	49,645	–22,862
Other foreign assets in the United States	245,769	–13,220	247,710	125,997	–121,713
Direct investment	55,803	41,514	51,568	27,176	–24,392
U.S. Treasury securities	–9,203	15,221	103,092	99,026	–4,066
U.S. securities other than U.S. Treasury securities	47,708	20,353	6,077	–5,723	–11,800
U.S. currency	4,179	–1,428	2,265	2,100	–165
U.S. liabilities to unaffiliated foreigners reported by nonbanking concerns	8,572	–24,982	20,877	15,368	–5,509
U.S. liabilities reported by banks and brokers	138,710	–63,898	63,831	–11,950	–75,781
Financial derivatives, net	**11,496**	**20,812**	**15,838**	**n.a.**	**n.a.**
Statistical discrepancy (sum of the bold lines above with sign reversed)	**19,899**	**–14,779**	**74,494**	[1] **86,697**	[3] **12,203**
Memoranda:					
Balance on goods	–132,119	–140,121	–151,321	–169,613	–18,292
Balance on services	32,797	35,414	36,870	38,013	1,143
Balance on goods and services	–99,322	–104,707	–114,451	–131,600	–17,149
Balance on income	35,457	35,068	40,160	41,185	1,025
Unilateral current transfers, net	–33,638	–31,268	–34,867	–32,868	1,999
Balance on current account	–97,503	–100,907	–109,158	–123,283	–14,125
Net financial flows [2]	77,640	115,742	34,666	[1] 36,586	[3] 1,920

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.
3. Total is not the sum of changes in components.
NOTE. The statistics except for net financial flows are from table 1.

Data Availability

Detailed 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

- Goods exports and imports rose for the fourth consecutive quarter, with imports outpacing exports.
- Services exports increased for the fifth straight quarter, and services imports increased for the fourth straight quarter.
- Income receipts increased for the fourth consecutive quarter. The second-quarter increase resulted from a gain in other private receipts. Income payments decreased as a result of a decline in direct investment payments.

Financial-account highlights

- U.S. government assets abroad other than official reserve assets increased in the second quarter after decreasing for five quarters.
- U.S. claims reported by banks and securities brokers increased by much less in the second quarter than the first quarter, and U.S. liabilities reported by banks and securities brokers decreased after an increase in the first quarter.
- U.S. direct investment abroad and foreign direct investment in the United States both fell notably. The decrease in U.S. direct investment abroad was mostly accounted for by a decline in net equity investment. The decrease in foreign direct investment was more than accounted for by a shift in net intercompany debt investment in the United States to net outflows from net inflows.
- Net purchases of U.S. Treasury securities by private foreigners were historically high for the second consecutive quarter.
- Private foreigners shifted to being net sellers of U.S. securities other than Treasury securities after being net purchasers for three straight quarters.

Revisions

The preliminary statistics for U.S. international transactions for the first quarter that were published in the July 2010 SURVEY OF CURRENT BUSINESS have been revised. The current-account deficit was revised to $109.2 billion from $109.0 billion. The goods deficit was virtually unrevised at $151.3 billion; the services surplus was revised to $36.9 billion from $36.0 billion; the income surplus was revised to $40.2 billion from $41.7 billion; and unilateral current transfers were revised to net outflows of $34.9 billion from $35.5 billion. Net financial inflows were revised to $34.7 billion from $31.3 billion.

Current Account—Goods

Table B. Goods Exports

[Millions of dollars, seasonally adjusted]

	2009 III	2009 IV	2010 I r	2010 II p	Change 2010:I–2010:II
Exports, balance of payments basis	**268,858**	**290,576**	**305,640**	**316,112**	**10,472**
Agricultural products	24,582	27,576	28,788	26,005	–2,783
Nonagricultural products	244,276	263,000	276,852	290,106	13,254
Foods, feeds, and beverages	**22,824**	**25,761**	**25,931**	**23,303**	**–2,628**
Grains and preparations	6,086	6,310	7,026	6,331	–695
Other	16,738	19,451	18,905	16,972	–1,933
Industrial supplies and materials	**80,335**	**85,940**	**93,794**	**100,724**	**6,930**
Petroleum and products	16,657	17,360	18,510	21,596	3,086
Nonpetroleum products	63,678	68,580	75,284	79,128	3,844
Chemicals, excluding medicinals	22,150	23,439	25,636	26,310	674
Metals and nonmetallic products	19,484	21,536	23,269	24,937	1,668
Nonferrous metals	9,479	10,881	12,033	12,287	254
Other	10,005	10,655	11,236	12,650	1,414
Other	22,044	23,605	26,379	27,881	1,502
Capital goods, except automotive	**95,805**	**102,084**	**105,894**	**110,566**	**4,672**
Electric generating machinery, apparatus, and parts	8,959	9,635	10,404	11,457	1,053
Oil drilling, mining, and construction machinery	5,973	5,780	6,042	6,705	663
Industrial engines, pumps, and compressors	5,307	5,450	5,946	6,115	169
Industrial, agricultural, and service machinery, n.e.c.	21,114	23,523	24,590	26,150	1,560
Computers, peripherals, and parts	9,396	10,101	10,410	11,025	615
Semiconductors	9,487	10,375	11,815	12,310	495
Telecommunications equipment	7,167	7,160	7,906	7,773	–133
Scientific, hospital, and medical equipment	8,870	9,247	9,584	9,790	206
Civilian aircraft, engines, and parts	17,931	19,065	17,515	17,248	–267
Other	1,601	1,748	1,682	1,993	311
Automotive vehicles, parts, and engines	**21,868**	**25,044**	**27,146**	**28,349**	**1,203**
Passenger cars	7,169	8,687	8,909	9,601	692
Trucks, buses, and special purpose vehicles	3,442	3,678	4,670	4,268	–402
Engines, parts, and accessories	11,257	12,679	13,567	14,480	913
Consumer goods, except automotive	**37,547**	**39,687**	**40,728**	**40,351**	**–377**
Nondurable goods	18,203	19,289	20,043	18,525	–1,518
Medicinal, dental, and pharmaceutical products	11,104	11,922	12,515	10,735	–1,780
Other	7,099	7,367	7,528	7,790	262
Durable goods	19,344	20,398	20,685	21,826	1,141
Household appliances and other household goods	7,004	7,324	7,811	7,887	76
Other	12,340	13,074	12,874	13,939	1,065
Other exports	**10,479**	**12,059**	**12,146**	**12,818**	**672**

p Preliminary r Revised

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

Goods exports increased $10.5 billion, or 3.4 percent. The second-quarter growth rate, which was weaker than the growth rates in the three previous quarters, largely resulted from increases in industrial supplies and materials and in capital goods.

Foods, feeds, and beverages decreased substantially. The decline was mostly accounted for by a 50 percent drop in soybeans.

Industrial supplies and materials increased strongly for the fourth consecutive quarter. The second-quarter rise was mainly due to petroleum and products. Metals and nonmetallic products in which steelmaking materials posted their strongest gain in the last eight quarters, also contributed.

Capital goods increased as a result of notable increases in many major product categories. Electrical generating machinery rose an uncharacteristically large 10 percent.

Automotive vehicles, parts, and engines increased less than in the three preceding quarters. In the second quarter, increases in engines, parts, and accessories and in passenger cars were mostly offset by a decrease in trucks, buses, and special purpose vehicles.

Consumer goods decreased slightly. A decrease in nondurable goods that mainly resulted from a sharp decline in medicinal, dental, and pharmaceutical products was mostly offset by a fourth consecutive quarterly increase in durable goods.

Table C. Real Goods Exports and Imports

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

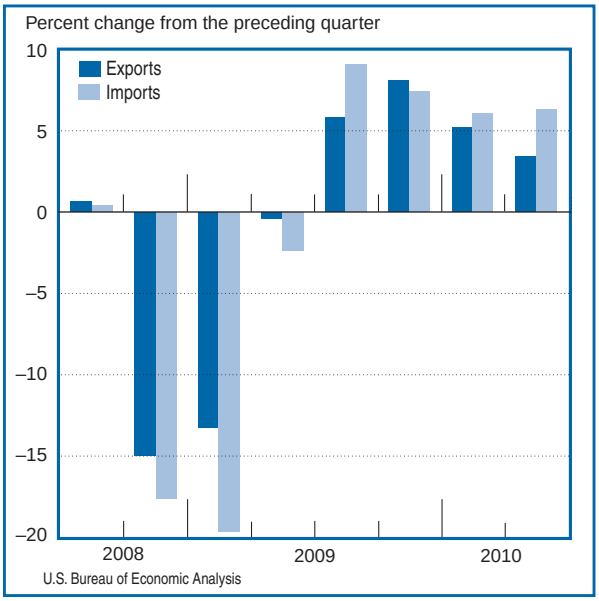
	2009 I r	2009 II r	2009 III r	2009 IV r	2010 I r	2010 II p
Exports, balance of payments basis	–9.9	–1.1	4.6	6.9	3.7	2.1
Imports, balance of payments basis	–11.8	–2.8	6.7	1.6	2.5	9.0

p Preliminary r Revised

Trends in the Trade in Goods

The deficit on goods increased to 4.7 percent of current-dollar GDP, the fourth consecutive quarterly rise. The deficit as a share of GDP declined sharply to 3.2 percent in the second quarter of 2009 from 6.1 percent in the third quarter of 2008. Current-dollar imports grew much faster than exports in the second quarter; in the two preceding quarters, the growth rates were more similar to each other. In the second quarter, real imports grew much faster than real exports (table C).

Chart 2. Current-Dollar Goods Exports and Imports



Current Account—Goods

Table D. Goods Imports

[Millions of dollars, seasonally adjusted]

	2009		2010		Change 2010:I–2010:II
	III	IV	I[r]	II[p]	
Imports, balance of payments basis	**400,977**	**430,698**	**456,961**	**485,725**	**28,764**
Petroleum and products	72,516	79,408	89,547	89,638	91
Nonpetroleum products	328,461	351,289	367,414	396,087	28,673
Foods, feeds, and beverages	**20,202**	**20,487**	**22,004**	**22,959**	**955**
Industrial supplies and materials	**122,835**	**135,881**	**152,981**	**157,571**	**4,590**
Petroleum and products	72,516	79,408	89,547	89,638	91
Nonpetroleum products	50,319	56,473	63,434	67,933	4,499
Natural gas	3,351	4,345	5,742	4,541	–1,201
Chemicals, excluding medicinals	11,356	12,339	13,993	14,717	724
Building materials, except metals	4,236	4,315	4,654	5,151	497
Metals and nonmetallic products	16,800	20,030	22,731	25,594	2,863
Iron and steel products	4,150	5,137	6,147	7,535	1,388
Nonferrous metals	8,299	9,995	10,779	11,451	672
Other	4,351	4,898	5,805	6,608	803
Other	14,576	15,444	16,314	17,930	1,616
Capital goods, except automotive	**91,955**	**98,391**	**101,857**	**112,166**	**10,309**
Electric generating machinery, apparatus, and parts	10,978	11,769	12,643	13,774	1,131
Oil drilling, mining, and construction machinery	2,423	2,143	2,746	3,869	1,123
Industrial engines, pumps, and compressors	3,290	3,272	3,686	4,120	434
Industrial, agricultural, and service machinery, n.e.c.	20,025	20,674	21,292	23,863	2,571
Computers, peripherals, and parts	24,269	27,823	28,252	31,271	3,019
Semiconductors	5,484	5,931	5,862	6,510	648
Telecommunications equipment	9,451	10,343	10,641	11,637	996
Scientific, hospital, and medical equipment	7,051	7,080	7,528	7,811	283
Civilian aircraft, engines, and parts	7,438	7,749	7,585	7,585	0
Other	1,546	1,607	1,622	1,726	104
Automotive vehicles, parts, and engines	**44,039**	**49,106**	**50,374**	**57,601**	**7,227**
Passenger cars	23,540	25,880	25,026	30,369	5,343
Trucks, buses, and special purpose vehicles	2,992	3,509	3,648	4,237	589
Engines, parts, and accessories	17,507	19,717	21,700	22,997	1,297
Consumer goods, except automotive	**106,907**	**111,866**	**114,269**	**121,001**	**6,732**
Nondurable goods	51,148	53,542	53,563	56,204	2,641
Apparel, footwear, and household goods	25,086	25,571	26,847	29,086	2,239
Medicinal, dental, and pharmaceutical products	20,527	22,348	20,601	21,006	405
Other	5,534	5,623	6,115	6,112	–3
Durable goods	55,760	58,324	60,706	64,797	4,091
Televisions and other video equipment	9,032	9,337	8,938	9,694	756
Toys and sporting goods, including bicycles	8,387	8,041	8,778	8,988	210
Household appliances and other household goods	25,565	27,026	28,181	30,265	2,084
Other	12,776	13,920	14,809	15,850	1,041
Other imports and U.S. goods returned	**15,039**	**14,967**	**15,475**	**14,427**	**–1,048**

p Preliminary r Revised

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

Goods imports increased $28.8 billion, or 6.3 percent. Imports grew for the fourth straight quarter after three quarters of contraction, leaving imports at 86 percent of the record level of imports for the third quarter of 2008.

Foods, feeds, and beverages increased for the third consecutive quarter as prices continued to rise.

Industrial supplies and materials increased for the fourth quarter in a row. The second-quarter increase was led by iron and steel products, chemicals, and nonferrous metals. The increase was partly offset by a decrease in natural gas.

Capital goods rose for the fourth consecutive quarter, and the second-quarter rise was particularly strong. Computers, peripherals, and parts grew substantially, at a rate of 10.7 percent. Gains in several other categories, though less in dollar terms, also exceeded 10 percent.

Automotive vehicles, parts, and engines continued to increase. The 14 percent increase in the second quarter was mostly accounted for by a rise in passenger cars. Engines, parts, and accessories also contributed.

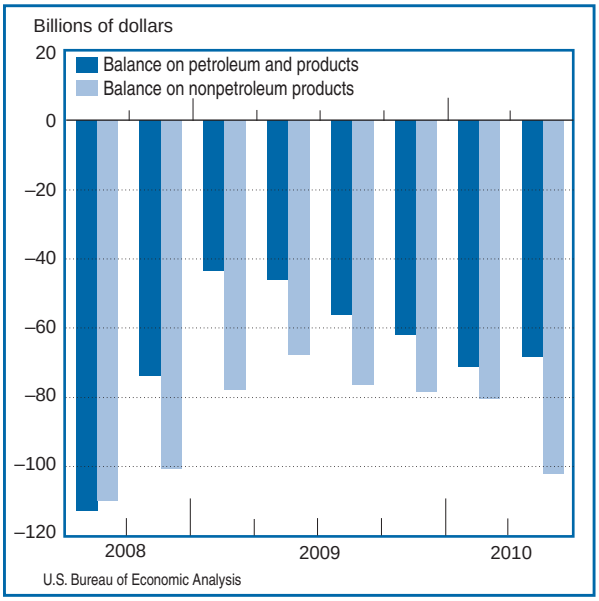
Consumer goods were up as a result of increases in both durable goods and nondurable goods. Growth in durable goods was led by household appliances and other household goods. The increase in nondurable goods was mostly accounted for by an increase in apparel, footwear, and household goods.

Goods Deficit by Area and Type of Product

The goods deficit increased $18.3 billion. The deficit with Asia and Pacific increased $18.5 billion as the deficit with China increased $14.0 billion. The deficit with Europe increased $4.8 billion, reflecting increases in the deficits with Germany and Russia. The deficit with the Middle East increased $1.3 billion. In contrast, the deficits with Canada, Latin America and Other Western Hemisphere, and Africa all decreased after increasing for multiple quarters.

Petroleum products. The deficit on petroleum products decreased slightly, mostly as a result of a 2 percent decrease in the average number of barrels imported daily. The decrease followed four quarters of growth that came on the heels of a sharp decline that started in the fourth quarter of 2008. The deficit with members of OPEC on all goods, both petroleum and nonpetroleum, declined $1.1 billion.

Chart 3. Balances on Total Petroleum and Nonpetroleum Products



Current Account—Services

Table E. Services Exports and Imports

[Millions of dollars, seasonally adjusted]

	2009		2010		Change 2010:I–2010:II
	III	IV	I[r]	II[p]	
Services exports	**125,287**	**129,868**	**133,274**	**135,865**	**2,591**
Travel	23,311	23,969	25,006	25,298	292
Passenger fares	6,498	6,356	7,167	7,694	527
Other transportation	8,834	9,371	9,691	9,998	307
Freight	4,335	4,671	4,777	4,974	197
Port services	4,499	4,700	4,914	5,025	111
Royalties and license fees	21,396	24,530	24,138	24,672	534
Other private services	59,458	61,555	62,576	63,379	803
Education	5,046	5,130	5,238	5,355	117
Financial services	14,013	14,520	14,028	14,279	251
Insurance services	3,611	3,643	3,505	3,467	–38
Telecommunications	2,388	2,368	2,432	2,408	–24
Business, professional, and technical services	28,864	29,606	31,614	32,219	605
Other services	5,536	6,289	5,758	5,651	–107
Transfers under U.S. military agency sales contracts	5,445	3,709	4,242	4,506	264
U.S. government miscellaneous services	345	377	454	318	–136
Services imports	**92,490**	**94,454**	**96,404**	**97,852**	**1,448**
Travel	18,459	18,348	18,651	18,296	–355
Passenger fares	6,455	6,578	6,638	7,045	407
Other transportation	9,880	10,269	11,287	12,404	1,117
Freight	6,952	7,451	8,449	9,540	1,091
Port services	2,928	2,818	2,838	2,864	26
Royalties and license fees	6,137	6,663	7,662	7,312	–350
Other private services	42,611	43,546	43,250	43,861	611
Education	1,409	1,417	1,446	1,473	27
Financial services	4,054	4,301	3,896	3,984	88
Insurance services	13,644	13,871	13,398	13,336	–62
Telecommunications	1,829	1,892	1,819	1,825	6
Business, professional, and technical services	21,013	21,379	22,046	22,575	529
Other services	661	686	646	667	21
Direct defense expenditures	7,728	7,689	7,721	7,726	5
U.S. government miscellaneous services	1,220	1,360	1,194	1,208	14

p Preliminary r Revised

NOTE. The statistics are from tables 1 and 3. For additional information on services, including definitions, see Jennifer Koncz-Bruner and Anne Flatness, "U.S. International Services: Cross-Border Trade in 2009 and Services Supplied Through Affiliates in 2008" in this issue of the SURVEY OF CURRENT BUSINESS.

Travel receipts—purchases of goods and services by foreign travelers in the United States—increased for the fourth straight quarter.

Passenger fare receipts increased for a second quarter in a row after a five-quarter decline.

"Other" transportation receipts grew for the fourth straight quarter. The second-quarter growth resulted from higher freight rates and larger volumes of U.S. goods trade, which raised receipts for freight and port services.

"Other" private services receipts increased, mostly because of higher receipts for business, professional, and technical services.

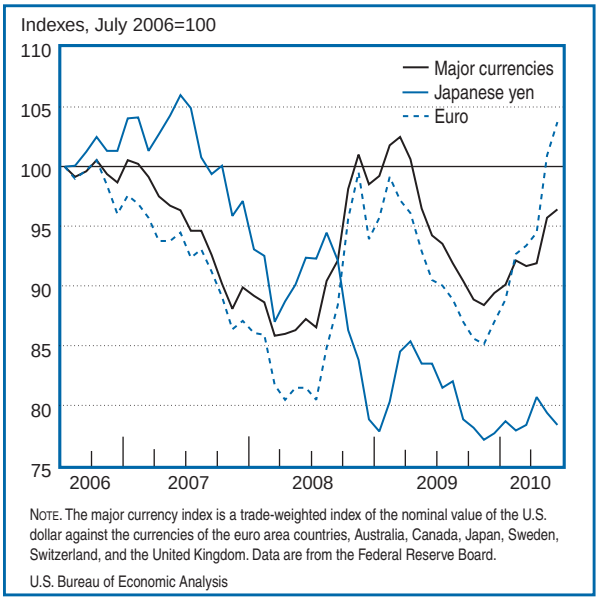
Travel payments—purchases of goods and services by U.S. travelers abroad—decreased slightly.

Passenger fare payments increased for the fourth consecutive quarter.

"Other" transportation payments increased for the third quarter in a row and have increased nearly 10 percent for two consecutive quarters. In the second quarter, freight services payments were boosted by higher freight rates and larger volumes of U.S. goods imports.

"Other" private services payments increased, mostly as a result of higher payments for business, professional, and technical services.

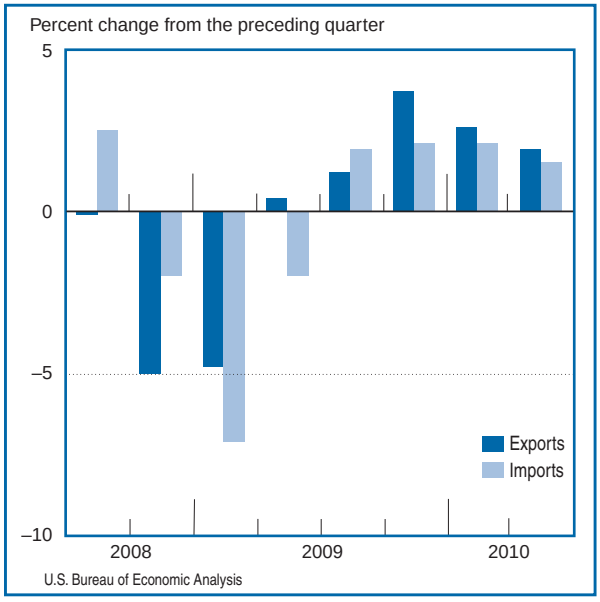
Chart 4. Foreign Currency Price of the U.S. Dollar



NOTE. The major currency index is a trade-weighted index of the nominal value of the U.S. dollar against the currencies of the euro area countries, Australia, Canada, Japan, Sweden, Switzerland, and the United Kingdom. Data are from the Federal Reserve Board.

U.S. Bureau of Economic Analysis

Chart 5. Services Exports and Imports



U.S. Bureau of Economic Analysis

Current Account—Income

Table F. Income Receipts and Payments

[Millions of dollars, seasonally adjusted]

	2009		2010		Change 2010:I–2010:II
	III	IV	I[r]	II[p]	
Income receipts	**146,584**	**155,982**	**161,268**	**161,883**	**615**
Income on U.S.-owned assets abroad	145,855	155,239	160,509	161,104	595
Direct investment receipts	89,626	98,730	104,130	103,224	–906
Earnings	87,817	97,214	102,752	101,783	–969
Interest	1,810	1,516	1,378	1,440	62
Other private receipts	55,506	56,084	55,981	57,557	1,576
Income on foreign securities	44,520	46,463	46,897	47,167	270
Dividends	25,640	26,541	26,564	26,496	–68
Interest	18,881	19,922	20,333	20,671	338
Interest on claims reported by banks and brokers	6,544	5,395	4,805	5,985	1,180
For own claims	5,281	4,484	4,108	5,061	953
For customers' claims	1,263	911	697	923	226
Interest on claims reported by nonbanking concerns	4,441	4,225	4,279	4,405	126
U.S. government receipts	723	425	398	323	–75
Compensation of employees	728	743	759	779	20
Income payments	**111,127**	**120,914**	**121,108**	**120,697**	**–411**
Income on foreign-owned assets in the United States	108,460	118,212	118,304	117,833	–471
Direct investment payments	23,348	34,189	35,143	32,280	–2,863
Earnings	16,984	27,789	28,746	25,562	–3,184
Interest	6,364	6,401	6,397	6,718	321
Other private payments	50,473	49,941	48,426	49,925	1,499
Income on U.S. corporate securities	44,183	44,702	43,576	44,164	588
Dividends	13,837	13,762	13,640	15,131	1,491
Interest	30,347	30,941	29,936	29,033	–903
Interest on liabilities reported by banks and brokers	4,249	3,510	3,249	3,855	606
For own liabilities	2,462	1,805	1,628	2,122	494
For customers' liabilities	1,787	1,705	1,621	1,733	112
Interest on liabilities reported by nonbanking concerns	2,041	1,729	1,602	1,907	305
U.S. government payments	34,639	34,082	34,735	35,628	893
Compensation of employees	2,667	2,702	2,804	2,865	61

p Preliminary r Revised

NOTE. The statistics are from tables 1, 4, and 7.

Income receipts on U.S. direct investment abroad decreased, ending a four-quarter rise. The decrease was more than accounted for by decreases in earnings in wholesale trade, in manufacturing, and in finance.

"Other" private income receipts increased. Interest receipts on claims reported by banks and brokers increased 25 percent, ending a steep decline that began in the fourth quarter of 2007.

U.S. government receipts fell for the fifth consecutive quarter to the lowest level since the fourth quarter of 1976.

Income payments on foreign direct investment in the United States decreased 8 percent. Earnings for U.S. affiliates in manufacturing were down sharply.

"Other" private income payments increased after a six-quarter decline. The increase was mostly accounted for by increases in dividends on securities and in interest on banks' own liabilities.

U.S. government payments increased for the second straight quarter. The second-quarter increase was mostly accounted for by a rise in payments on marketable Treasury bonds.

Trends in Income

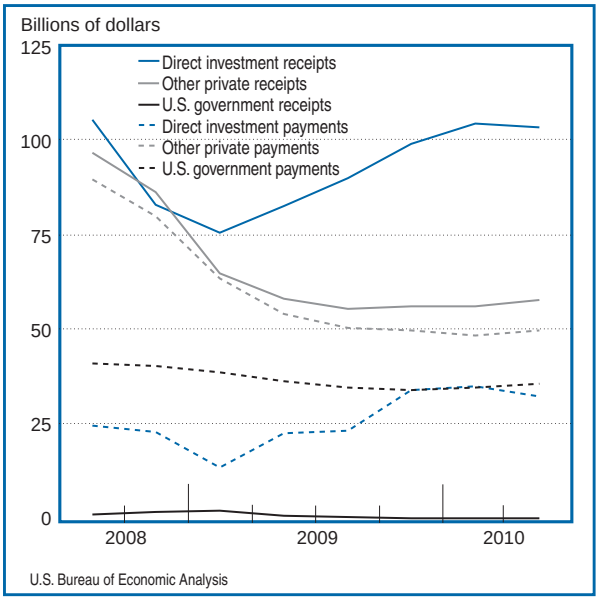
The surplus on income increased to $41.2 billion in the second quarter. Although the surplus was slightly higher than in the first quarter, it remains at 1.1 percent relative to U.S. current-dollar GDP.

Receipts increased over the past four quarters after a shorter and shallower decline than that of payments. Payments decreased slightly in the second quarter after increasing in the previous two quarters.

Direct investment receipts and payments both decreased after a rebound that started in the second quarter of 2009. The decrease was sharper for payments.

"Other" private receipts and payments experienced small gains in the second quarter after deep declines over many quarters. U.S. government income payments increased for a second quarter as a result of an increase in foreign holdings of marketable U.S. Treasury bonds.

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 (+))	2009		2010		Change 2010:I–2010:II
	III	IV	I r	II p	
U.S.-owned assets abroad [1]	**–276,241**	**–8,685**	**–301,389**	**–139,056**	**162,333**
U.S. official reserve assets	–49,021	1,379	–773	–165	608
U.S. government assets, other than official reserve assets	57,736	45,754	9,433	–2,352	–11,785
U.S. private assets	–284,956	–55,817	–310,048	–136,539	173,509
Direct investment	–78,313	–83,155	–102,940	–81,476	21,464
Equity	–9,510	–7,358	–30,183	–10,782	19,401
Reinvested earnings	–60,203	–75,693	–80,635	–72,845	7,790
Intercompany debt	–8,601	–104	7,878	2,151	–5,727
Foreign securities	–46,823	–45,489	–46,147	–20,665	25,482
Stocks	–26,089	–2,754	–10,787	–22,158	–11,371
Bonds	–20,734	–42,735	–35,360	1,493	36,853
U.S. claims on unaffiliated foreigners reported by nonbanking concerns	83,302	16,248	10,821	–17,905	–28,726
U.S. claims reported by banks and brokers	–243,122	56,579	–171,782	–16,493	155,289
For own accounts	–145,040	42,652	–170,126	–30,548	139,578
For customers' accounts	–98,082	13,927	–1,656	14,055	15,711

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 less in the second quarter than in the first quarter. The slowdown largely resulted from a smaller increase in the U.S. reserve position in the International Monetary Fund.

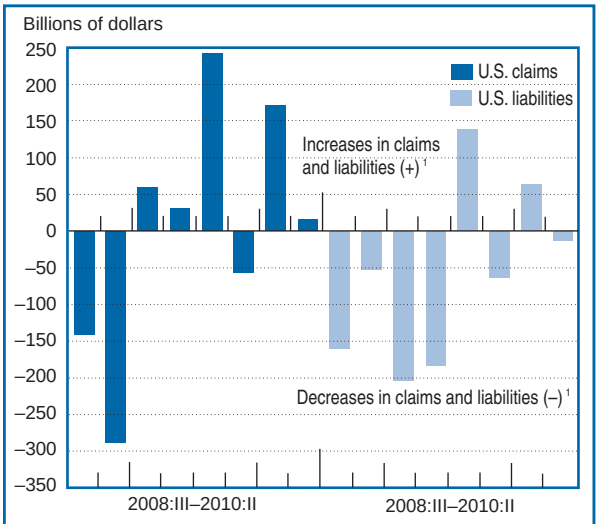
U.S. government assets other than official reserve assets increased after decreasing for five quarters. The increase partly resulted from the establishment of new swaps under temporary reciprocal currency arrangements between the U.S. Federal Reserve System and foreign central banks after earlier swaps had been entirely repaid.

U.S. direct investment abroad slowed after reaching its highest level in five quarters in the first quarter. The slowdown largely resulted from a slowdown in net equity investment. Reinvested earnings weakened for the first time in five quarters.

Net U.S. purchases of foreign securities declined considerably. Transactions in foreign bonds shifted from strong net purchases to small net sales. U.S. demand for foreign bonds weakened as a result of downgrades of sovereign debt securities of some euro zone countries, and foreign debt issuance was down substantially. Net U.S. purchases of foreign stocks more than doubled. Most purchases occurred early in the quarter before the debt downgrades increased investor uncertainty about the economic outlook for the euro zone.

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 much less than in the first quarter. The slowdown resulted from a slowdown in claims for own accounts. U.S.-owned banks sharply reduced their deposits abroad, as yield differentials available on foreign short-term instruments narrowed. Resale agreement activity of brokers and dealers also slowed. Claims for customers' accounts decreased after increasing as a result of reductions in U.S. holdings of commercial paper and of negotiable certificates of deposit. The reductions were partly offset by increases in U.S. holdings of deposits and brokerage balances, other short-term instruments, and other claims.

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 (–))	2009		2010		Change 2010:I–2010:II
	III	IV	I[r]	II[p]	
Foreign-owned assets in the United States [1]	**342,385**	**103,615**	**320,217**	**175,642**	**–144,575**
Foreign official assets	96,616	116,835	72,507	49,645	–22,862
U.S. government securities	73,293	101,475	83,384	44,168	–39,216
U.S. Treasury securities	123,675	124,428	89,654	24,549	–65,105
Other	–50,382	–22,953	–6,270	19,619	25,889
Other U.S. government liabilities	53,455	1,297	4,060	2,515	–1,545
U.S. liabilities reported by banks and brokers	–33,735	12,712	–15,968	3,612	19,580
Other foreign official assets	3,603	1,351	1,031	–650	–1,681
Other foreign assets	245,769	–13,220	247,710	125,997	–121,713
Direct investment	55,803	41,514	51,568	27,176	–24,392
Equity	27,140	22,696	16,672	19,788	3,116
Reinvested earnings	10,629	21,601	18,448	19,425	977
Intercompany debt	18,034	–2,783	16,448	–12,037	–28,485
U.S. Treasury securities	–9,203	15,221	103,092	99,026	–4,066
U.S. securities other than U.S. Treasury securities	47,708	20,353	6,077	–5,723	–11,800
Stocks	51,126	37,463	35,625	4,232	–31,393
Corporate bonds	–24,737	–19,464	–28,073	–18,053	10,020
Federally sponsored agency bonds	21,319	2,354	–1,475	8,098	9,573
U.S. currency	4,179	–1,428	2,265	2,100	–165
U.S. liabilities to unaffiliated foreigners reported by nonbanking concerns	8,572	–24,982	20,877	15,368	–5,509
U.S. liabilities reported by banks and brokers	138,710	–63,898	63,831	–11,950	–75,781
For own accounts	164,451	–36,964	81,668	–2,686	–84,354
For customers' accounts	–25,741	–26,934	–17,837	–9,264	8,573

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 less than in the previous five quarters.

Foreign direct investment in the United States slowed as a result of a shift to net intercompany debt disinvestment. In contrast, equity investment and reinvested earnings picked up.

Net purchases by private foreigners of U.S. Treasury securities fell slightly after record net purchases. The slowdown resulted from a slowdown in net purchases of long-term securities, which was mostly offset by an increase in net purchases of short-term securities.

Net transactions by private foreigners in other U.S. securities shifted to net sales from net purchases. Net foreign purchases of U.S. stocks slowed after strong net purchases in the four previous quarters. Private foreigners were net sellers of U.S. corporate bonds for the eighth quarter. In contrast, private foreigners shifted to being net purchasers of U.S. agency 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—decreased after increasing. The shift resulted from repayments of borrowing of foreign-owned banks in the United States to foreign banks and a decline in U.S. brokers' and dealers' repurchase agreements with foreign nonbanks. Liabilities for customers' accounts decreased for the fifth quarter, but the decrease was smaller than in previous quarters.

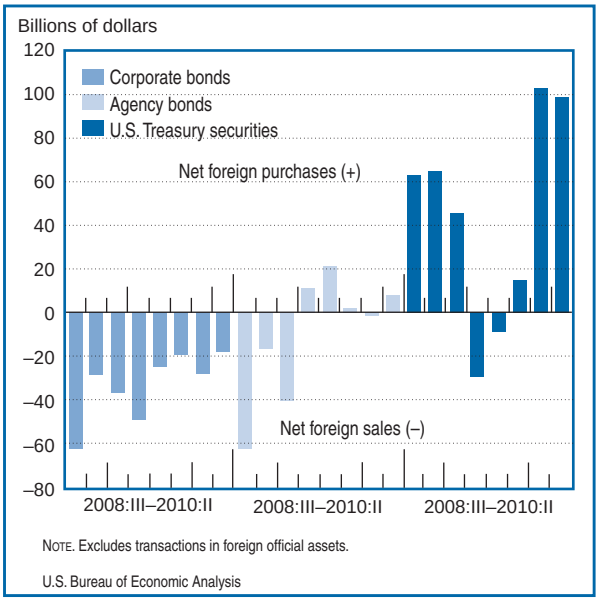
Developments in the Financial Account

Increases in U.S.-owned assets abroad and foreign-owned assets in the United States slowed sharply in the second quarter. The slowdown may be partly attributable to investor concerns about sovereign debt issued by some euro zone countries.

In late April, Standard & Poor's downgraded Greek, Portuguese and Spanish debt, which raised uncertainty about the economic outlook for the euro zone. The decline of the euro relative to the U.S. dollar from mid-April to early June and investor concerns about risk exposure affected the composition of financial flows.

In the financial account, U.S. investment in foreign securities slowed, reflecting the shift from net purchases to net sales of foreign bonds. The U.S. Federal Reserve System again engaged in central bank liquidity swaps, and U.S. government assets, other than official reserve assets, increased. Private foreign investors continued large inflows into U.S. Treasury securities, particularly into short-term Treasury bills. Finally, a sharp slowdown in the increase of bank- and broker-reported claims and a shift from an increase to a decrease in bank- and broker-reported liabilities reflected concerns about risk.

Chart 8. Transactions in U.S. Debt Securities



NOTE. Excludes transactions in foreign official assets.

U.S. Bureau of Economic Analysis