

U.S. International Transactions

Third Quarter of 2012

THE U.S. CURRENT-ACCOUNT deficit—a net measure of transactions between the United States and the rest of the world in goods, services, income, and unilateral current transfers—decreased to \$107.5 billion (preliminary) in the third quarter from \$118.1 billion (revised) in the second quarter (see pages 8–11).¹ The deficit decreased to 2.7 percent of current-dollar gross domestic product (GDP) from 3.0 percent in the second quarter.² The decrease in the current-account deficit mainly reflected a decrease in the deficit on goods, and the surplus on services increased. These changes were partly offset by a slight decrease in the surplus on income and a slight increase in net unilateral current transfers to foreign residents.

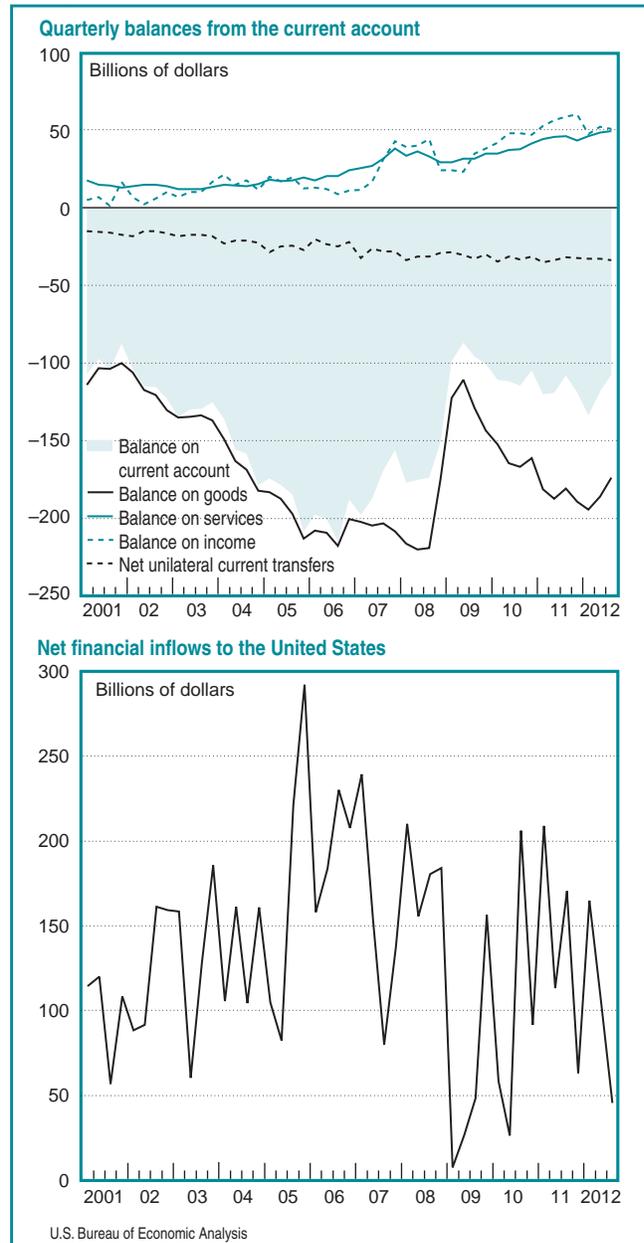
In the financial account, net financial inflows to the United States decreased to \$45.8 billion in the third quarter, down from \$105.0 billion in the second quarter (see pages 12–13). Net financial flows reflect combined transactions in U.S.-owned assets abroad, foreign-owned assets in the United States, and financial derivatives. The third-quarter decrease was primarily accounted for by a larger shift to increases from decreases for U.S.-owned assets abroad than for foreign-owned assets in the United States. A shift to net outflows of financial derivatives also contributed.

The statistical discrepancy—the amount that balances the sum of the recorded credits and debits across the accounts in the international transactions accounts—was \$61.7 billion in the third quarter compared with \$13.4 billion in the second quarter.

1. Quarterly statistics are seasonally adjusted when series demonstrate statistically significant seasonal patterns; seasonally adjusted statistics are cited in this article when available.

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.

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



Sarah P. Scott prepared this article.

Overview

Table A. U.S. International Transactions

[Millions of dollars, seasonally adjusted]

(Credits +; debits -)	2011	2012			Change 2012:II to 2012:III
	IV	I	II ^r	III ^p	
Current account					
Exports of goods and services and income receipts	720,095	728,724	735,670	736,935	1,265
Goods, balance of payments basis	382,167	388,523	394,114	393,395	-719
Services	151,037	155,493	157,554	159,124	1,570
Income receipts	186,891	184,708	184,002	184,416	414
Imports of goods and services and income payments	-806,512	-829,657	-821,039	-810,603	10,436
Goods, balance of payments basis	-571,421	-582,821	-579,850	-567,294	12,556
Services	-108,068	-109,559	-109,240	-109,713	-473
Income payments	-127,022	-137,277	-131,949	-133,596	-1,647
Unilateral current transfers, net	-32,240	-32,692	-32,743	-33,839	-1,096
U.S. government grants	-11,551	-11,910	-11,471	-11,698	-227
U.S. government pensions and other transfers	-2,269	-2,541	-2,574	-2,606	-32
Private remittances and other transfers	-18,419	-18,241	-18,698	-19,535	-837
Capital account					
Capital account transactions, net	-55	-1	-291	n.a.	n.a.
Financial account					
U.S.-owned assets abroad (increase/financial outflow (-))¹	-26,231	106,549	248,186	-229,774	-477,960
U.S. official reserve assets	-1,912	-1,233	-3,289	-833	2,456
U.S. government assets, other than official reserve assets	-100,624	51,076	16,650	14,151	-2,499
U.S. private assets	76,305	56,706	234,826	-243,092	-477,918
Direct investment	-111,208	-116,094	-63,347	-101,434	-38,087
Foreign securities	35,980	3,604	6,519	2,166	-4,353
U.S. claims on unaffiliated foreigners reported by nonbanking concerns	65,122	-49,183	24,608	203	-24,405
U.S. claims reported by banks and brokers	86,411	218,379	267,046	-144,027	-411,073
Foreign-owned assets in the United States (increase/financial inflow (+))¹	57,067	59,564	-143,607	281,960	425,567
Foreign official assets in the United States	-2,859	69,711	79,772	130,281	50,509
Other foreign assets in the United States	59,926	-10,147	-223,379	151,679	375,058
Direct investment	76,120	22,202	48,018	34,204	-13,814
U.S. Treasury securities	82,519	43,834	5,992	47,882	41,890
U.S. securities other than U.S. Treasury securities	-35,276	3,654	-43,065	47,683	90,748
U.S. currency	18,817	18,057	7,116	16,156	9,040
U.S. liabilities to unaffiliated foreigners reported by nonbanking concerns	-39,989	24,212	-27,008	-6,028	20,980
U.S. liabilities reported by banks and brokers	-42,265	-122,106	-214,432	11,782	226,214
Financial derivatives, net	32,613	-1,396	464	-6,406	-6,870
Statistical discrepancy (sum of the bold lines above with sign reversed)	55,263	-31,092	13,360	2 61,727	3 48,367
Memoranda:					
Balance on goods	-189,254	-194,298	-185,736	-173,899	11,837
Balance on services	42,969	45,934	48,314	49,411	1,097
Balance on goods and services	-146,286	-148,364	-137,423	-124,488	12,935
Balance on income	59,869	47,431	52,054	50,820	-1,234
Unilateral current transfers, net	-32,240	-32,692	-32,743	-33,839	-1,096
Balance on current account	-118,656	-133,624	-118,112	-107,507	10,605
Net financial flows ⁴	63,449	164,717	105,043	45,780	-59,263

p Preliminary r Revised n.a. Not available

1. Excludes transactions in financial derivatives.

2. Excludes capital account transactions.

3. Change from prior period, not the sum of changes in components.

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

NOTE: The statistics, except for net financial flows, are presented in table 1 in this article and on BEA's Web site.

Data Availability and Methodology

Detailed statistics for U.S. international transactions are presented in tables 1–12 in this article. The statistics and a description of the estimation methods used to compile them are available at www.bea.gov under “International.” For the statistics, click on “Detailed estimates.” For the methods, see “U.S. International Transactions Accounts: Concepts and Estimation Methods” under “Methodologies.”

Current-account highlights

- The deficit on goods decreased more than in the second quarter. In the third quarter, imports decreased much more than exports.
- The surplus on services rose less than in the previous two quarters. The third-quarter increase reflected a larger increase in services receipts than in services payments.
- The surplus on income decreased after increasing in the second quarter. In the third quarter, income payments increased more than income receipts.

Financial-account highlights

- Both U.S.-owned assets abroad and foreign-owned assets in the United States increased in the third quarter after decreasing in the second quarter. The size of the shift—to an increase from a decrease—was greater for U.S.-owned assets abroad than for foreign-owned assets in the United States.
- The third-quarter increase in U.S.-owned assets abroad reflected increased U.S. claims reported by U.S. banks and securities brokers and direct investment outflows.
- Much of the increase in foreign-owned assets in the United States was due to net foreign purchases—official and private—of U.S. Treasury securities.
- Financial derivatives shifted to net outflows in the third quarter from net inflows in the second quarter.

Revisions

The preliminary statistics for U.S. international transactions for the second quarter that were published in the [October 2012 SURVEY OF CURRENT BUSINESS](#) have been revised to reflect new or revised source data.

Preliminary and Revised Second-Quarter 2012 Statistics

[Millions of dollars, seasonally adjusted]

	Preliminary	Revised
Balance on goods	-185,790	-185,736
Balance on services	46,469	48,314
Balance on income	55,500	52,054
Unilateral current transfers, net	-33,586	-32,743
Current-account balance	-117,407	-118,112
Net financial flows	88,537	105,043

Current Account—Goods

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

	2011		2012			Change 2012:II to 2012:III
	IV	I	II ^r	III ^p		
Exports, balance of payments basis	382,167	388,523	394,114	393,395		-719
Agricultural products	33,999	33,793	36,719	40,640		3,921
Nonagricultural products	348,168	354,731	357,395	352,755		-4,640
Foods, feeds, and beverages	31,142	30,471	33,736	37,565		3,829
Grains and preparations	8,162	7,065	7,765	7,679		-86
Other	22,980	23,406	25,971	29,886		3,915
Industrial supplies and materials	132,431	132,627	131,957	126,134		-5,823
Petroleum and products	35,923	34,326	35,683	34,534		-1,149
Nonpetroleum products	96,508	98,301	96,274	91,600		-4,674
Chemicals, excluding medicinals	31,311	30,361	30,271	29,033		-1,238
Metals and nonmetallic products	33,080	34,485	32,961	30,298		-2,663
Nonferrous metals	18,120	19,230	18,230	15,966		-2,264
Other	14,960	15,255	14,731	14,332		-399
Other	32,117	33,455	33,042	32,269		-773
Capital goods, except automotive	126,877	131,210	131,273	133,574		2,301
Electric generating machinery, apparatus, and parts	12,393	12,726	13,436	13,278		-158
Oil drilling, mining, and construction machinery	9,090	9,075	9,413	9,077		-336
Industrial engines, pumps, and compressors	7,301	7,770	7,253	7,779		526
Industrial, agricultural, and service machinery, n.e.c.	31,443	32,509	32,731	33,006		275
Computers, peripherals, and parts	12,081	12,960	12,578	12,081		-497
Semiconductors	10,787	10,701	10,697	10,529		-168
Telecommunications equipment	9,229	9,094	9,806	9,465		-341
Scientific, hospital, and medical equipment	10,769	10,888	11,202	11,252		50
Civilian aircraft, engines, and parts	21,410	23,243	21,827	24,856		3,029
Other	2,374	2,244	2,330	2,251		-79
Automotive vehicles, parts, and engines	34,406	36,463	37,503	36,447		-1,056
Passenger cars	12,412	13,302	13,674	13,020		-654
Trucks, buses, and special purpose vehicles	4,747	5,417	5,321	4,914		-407
Engines, parts, and accessories	17,247	17,745	18,507	18,513		6
Consumer goods, except automotive	44,512	44,092	45,764	45,676		-88
Nondurable goods	19,823	19,237	20,706	21,157		451
Medicinal, dental, and pharmaceutical products	11,506	10,742	12,057	12,558		501
Other	8,317	8,495	8,649	8,599		-50
Durable goods	24,689	24,855	25,057	24,520		-537
Household appliances and other household goods	8,705	9,035	9,085	9,139		54
Other	15,984	15,820	15,972	15,381		-591
Other exports	12,799	13,661	13,881	13,999		118

p Preliminary r Revised
n.e.c. Not elsewhere classified

NOTE: The statistics are presented in table 2 in this article and on BEA's Web site.

Table C. Growth in Real Goods Exports and Imports

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

	2011			2012		
	II	III	IV	I	II ^r	III ^p
Exports, balance of payments basis	0.8	2.4	1.3	1.1	1.5	-0.2
Imports, balance of payments basis	-0.3	1.1	1.4	0.4	0.7	-0.2

p Preliminary r Revised

NOTE: Real goods exports and imports are calculated using price indexes from Table 4.2.4. Indexes for Exports and Imports of Goods and Services by Type of Product of the National Income and Product Accounts.

Trends in the Trade in Goods

The deficit on goods decreased more in the third quarter than it decreased in the second quarter. In the third quarter, current-dollar goods exports decreased 0.2 percent and imports decreased 2.2 percent (chart 2). As a percentage of current-dollar GDP, the goods deficit decreased to 4.4 percent in the third quarter from 4.8 percent in the second quarter.

Real exports and imports decreased in the third quarter (table C). Previously, real exports increased 12 straight quarters and real imports increased four straight quarters.

Exports of goods decreased for the first time since the second quarter of 2009. Decreases in three of the six major end-use categories were mostly offset by increases in the other three categories. The largest decrease was in industrial supplies and materials. The largest increases were in foods, feeds, and beverages and in capital goods.

Foods, feeds, and beverages increased for a second straight quarter. As in the second quarter, most of the third-quarter increase resulted from a rise in exports of soybeans, which is included in "other" on table B.

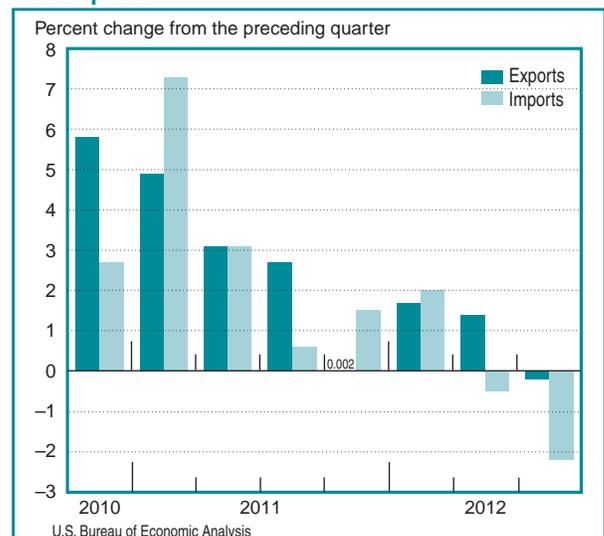
Industrial supplies and materials decreased after a smaller decrease in the second quarter; the third-quarter decrease was the largest since the first quarter of 2009. The largest contributing decreases were in nonferrous metals, in chemicals, and in petroleum and products.

Capital goods increased for the 13th straight quarter. The third-quarter increase was more than accounted for by an increase in completed civilian aircraft.

Automotive vehicles, parts, and engines decreased for the first time since the second quarter of 2009. Most major subcategories decreased in the third quarter.

Consumer goods decreased slightly after a larger increase in the second quarter. A decrease in durable goods was mostly offset by an increase in nondurable goods. The decrease in durable goods was mainly due to a decrease in gems, jewelry, and collectibles. The increase in nondurable goods was mostly in medicinal, dental, and pharmaceutical products.

Chart 2. Growth in Current-Dollar Goods Exports and Imports



Current Account—Goods

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

	2011		2012		Change 2012:II to 2012:III
	IV	I	II ^r	III ^p	
Imports, balance of payments basis	571,421	582,821	579,850	567,294	-12,556
Petroleum and products.....	117,298	119,373	111,313	100,700	-10,613
Nonpetroleum products.....	454,124	463,448	468,537	466,594	-1,943
Foods, feeds, and beverages	28,181	28,014	27,558	27,718	160
Industrial supplies and materials	197,058	198,977	191,104	180,830	-10,274
Petroleum and products.....	117,298	119,373	111,313	100,700	-10,613
Nonpetroleum products.....	79,760	79,604	79,791	80,130	339
Natural gas.....	3,296	2,561	2,320	2,516	196
Chemicals, excluding medicinals.....	19,353	18,191	18,866	19,699	833
Building materials, except metals.....	5,046	5,261	5,447	5,665	218
Metals and nonmetallic products.....	31,385	33,763	32,496	30,816	-1,680
Iron and steel products.....	9,366	10,824	10,460	9,710	-750
Nonferrous metals.....	14,510	14,302	14,163	13,790	-373
Other.....	7,509	8,637	7,873	7,316	-557
Other.....	20,680	19,828	20,662	21,434	772
Capital goods, except automotive	133,053	137,656	139,840	136,539	-3,301
Electric generating machinery, apparatus, and parts.....	15,201	16,081	16,530	16,526	-4
Oil drilling, mining, and construction machinery.....	5,933	6,848	7,371	7,073	-298
Industrial engines, pumps, and compressors.....	5,669	5,782	6,304	6,030	-274
Industrial, agricultural, and service machinery, n.e.c.....	31,827	32,636	33,644	33,272	-372
Computers, peripherals, and parts.....	30,354	31,631	31,261	28,483	-2,778
Semiconductors.....	10,312	11,050	9,858	9,949	91
Telecommunications equipment.....	11,645	12,785	13,271	13,519	248
Scientific, hospital, and medical equipment.....	9,100	9,413	9,267	9,222	-45
Civilian aircraft, engines, and parts.....	10,337	9,011	9,617	9,900	283
Other.....	2,675	2,419	2,717	2,565	-152
Automotive vehicles, parts, and engines	67,740	73,526	74,661	76,128	1,467
Passenger cars.....	32,785	36,377	36,296	37,182	886
Trucks, buses, and special purpose vehicles.....	5,076	5,753	5,515	6,529	1,014
Engines, parts, and accessories.....	29,880	31,396	32,850	32,417	-433
Consumer goods, except automotive	130,223	128,055	130,000	129,531	-469
Nondurable goods.....	60,883	60,174	61,175	60,734	-441
Apparel, footwear, and household goods.....	30,897	31,549	32,079	31,712	-367
Medicinal, dental, and pharmaceutical products.....	23,355	21,977	22,157	22,170	13
Other.....	6,631	6,648	6,939	6,853	-86
Durable goods.....	69,341	67,881	68,825	68,796	-29
Televisions and other video equipment.....	7,974	8,367	8,546	7,935	-611
Toys and sporting goods, including bicycles.....	8,836	9,350	9,152	8,824	-328
Household appliances and other household goods.....	36,176	33,157	33,816	35,803	1,987
Other.....	16,355	17,007	17,311	16,234	-1,077
Other imports and U.S. goods returned	15,165	16,594	16,687	16,549	-138

^p Preliminary ^r Revised
n.e.c. Not elsewhere classified
NOTE: The statistics are presented in table 2 in this article and on BEA's Web site.

Imports of goods decreased for a second straight quarter. Four of the six major end-use categories decreased. The largest decreases were in industrial supplies and materials and in capital goods. Changes in the other major categories were relatively small.

Foods, feeds, and beverages increased slightly after decreasing for two straight quarters. The increase was more than accounted for by "other" agricultural foods, feeds, and beverages, which includes feed stuff and food grains.

Industrial supplies and materials decreased for a second straight quarter. The third-quarter decrease was due to a decrease in petroleum and products and a smaller decrease in metals and nonmetallic products.

Capital goods decreased for the first time since the second quarter of 2009. The decrease was mostly due to a decrease in computers, peripherals, and parts.

Automotive vehicles, parts, and engines increased for the fifth straight quarter. In the third quarter, the largest increase was in trucks, buses, and special purpose vehicles.

Consumer goods decreased after a larger increase in the second quarter, reflecting decreases in both nondurable goods and durable goods. The decrease in nondurable goods was mostly due to a decrease in apparel, footwear, and household goods. In durable goods, decreases in several categories combined to more than offset an increase in household appliances and "other" household goods, which includes cell phones.

Goods Deficit by Area and Type of Product

The goods deficit decreased \$11.8 billion in the third quarter after decreasing \$8.6 billion in the second quarter. The third-quarter decrease was more than accounted for by decreases in the deficits with Latin America and Other Western Hemisphere, Middle East, and Canada; the deficit with OPEC members decreased sharply. In contrast, the deficit with Asia and Pacific increased; the increase was more than accounted for by an increase in the deficit with China.

Petroleum products. As shown in chart 3, the deficit on petroleum products decreased for two straight quarters, mostly a result of lower prices. These decreases resulted mainly from large drops in imports; exports were down in the third quarter and up in the second quarter. The third-quarter deficit was \$20.9 billion lower than the recent high in the second quarter of 2011.

Chart 3. Balance on Total Petroleum and Nonpetroleum Products



NOTE: The balance on petroleum and products equals exports of petroleum and products less imports of petroleum and products, which are components of the major end-use category of industrial supplies and materials. The balance on nonpetroleum products equals the balance on goods less the balance on petroleum and products.
U.S. Bureau of Economic Analysis

Current Account—Services

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

	2011		2012		Change 2012:II to 2012:III
	IV	I	II ^r	III ^p	
Services exports	151,037	155,493	157,554	159,124	1,570
Travel.....	29,254	30,900	32,282	32,572	290
Passenger fares	9,287	9,734	10,189	10,003	-186
Other transportation.....	10,827	10,863	10,948	10,730	-218
Freight.....	5,514	5,388	5,561	5,470	-91
Port services	5,313	5,475	5,387	5,260	-127
Royalties and license fees	30,033	30,429	29,994	30,419	425
Other private services.....	66,736	68,833	69,560	70,426	866
Education.....	5,815	5,892	5,988	6,080	92
Financial services	17,676	17,712	17,406	17,476	70
Insurance services.....	4,017	3,895	4,243	4,317	74
Telecommunications.....	3,149	3,297	3,439	3,455	16
Business, professional, and technical services.....	33,330	35,336	35,769	36,370	601
Other services.....	2,750	2,700	2,716	2,728	12
Transfers under U.S. military agency sales contracts	4,615	4,406	4,267	4,644	377
U.S. government miscellaneous services.....	284	327	314	330	16
Services imports	108,068	109,559	109,240	109,713	473
Travel.....	19,871	21,228	21,387	20,737	-650
Passenger fares	7,923	8,936	8,821	8,421	-400
Other transportation.....	13,769	13,716	13,808	13,841	33
Freight.....	10,034	10,237	10,418	10,569	151
Port services	3,735	3,479	3,390	3,272	-118
Royalties and license fees	9,652	9,859	10,083	11,249	1,166
Other private services.....	48,576	47,866	47,311	47,807	496
Education.....	1,498	1,525	1,543	1,560	17
Financial services	4,006	3,915	3,973	4,047	74
Insurance services.....	14,094	13,203	13,218	13,337	119
Telecommunications.....	1,870	1,806	1,813	1,779	-34
Business, professional, and technical services.....	26,912	27,214	26,560	26,880	320
Other services.....	196	204	203	205	2
Direct defense expenditures	7,052	6,838	6,726	6,508	-218
U.S. government miscellaneous services.....	1,225	1,115	1,104	1,149	45

^p Preliminary ^r Revised

NOTE: The statistics are presented in tables 1 and 3 in this article and on BEA's Web site. For additional information on services, including definitions, see Marilyn Ibarra-Caton and Charu Sharma, "U.S. International Services: Cross-Border Trade in 2011 and Services Supplied Through Affiliates in 2010," SURVEY OF CURRENT BUSINESS 92 (OCTOBER 2012); 15-58.

Travel receipts—purchases of goods and services by foreign travelers in the United States—increased for a third quarter in a row.

Passenger fare receipts decreased after increasing in the two previous quarters.

“Other” transportation receipts decreased after increasing for two straight quarters. The third-quarter decrease resulted from decreases in both port and freight services receipts.

Royalties and license fees receipts returned to nearly the same level as in the first quarter. The third-quarter increase was more than accounted for by an increase in receipts from affiliated foreign firms.

“Other” private services receipts increased for the third straight quarter. Much of the third-quarter increase was in business, professional, and technical services.

Travel payments—purchases of goods and services by U.S. travelers abroad—decreased after increasing in the two previous quarters.

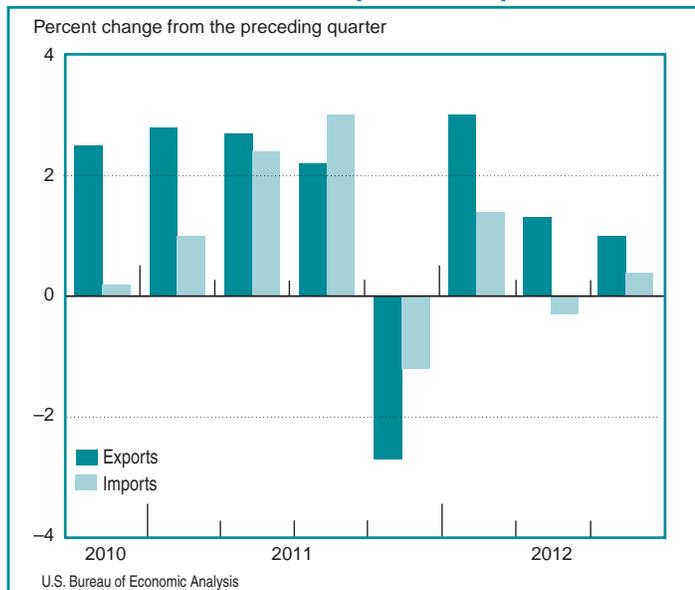
Passenger fare payments decreased for a second quarter in a row.

“Other” transportation payments increased for a second straight quarter. The increase was due to higher payments for freight services.

Royalties and license fees payments increased for the fifth quarter in a row. Most of the third-quarter increase was due to increased payments to unaffiliated foreigners, which included payments for the rights to broadcast the Summer Olympic Games in July and August.

“Other” private services payments increased after decreasing for three consecutive quarters. Much of the third-quarter increase was in business, professional, and technical services.

Chart 4. Growth in Services Exports and Imports



U.S. Bureau of Economic Analysis

Current Account—Income

Table F. Income Receipts and Payments

[Millions of dollars, seasonally adjusted]

	2011		2012		Change 2012:II to 2012:III
	IV	I	II ^p	III ^p	
Income receipts	186,891	184,708	184,002	184,416	414
Income on U.S.-owned assets abroad	185,441	183,230	182,520	182,921	401
Direct investment receipts	119,094	116,321	112,140	113,564	1,424
Earnings	117,304	114,456	110,263	111,609	1,346
Interest	1,789	1,866	1,877	1,954	77
Other private receipts	65,903	66,146	69,893	68,865	-1,028
Income on foreign securities	55,721	56,615	61,109	60,333	-776
Dividends	35,315	36,670	41,254	40,905	-349
Interest	20,406	19,945	19,855	19,429	-426
Interest on claims reported by banks and brokers	6,276	5,906	5,208	5,153	-55
For own claims	5,526	5,276	4,666	4,602	-64
For customers' claims	750	630	542	552	10
Interest on claims reported by nonbanking concerns	3,907	3,625	3,576	3,378	-198
U.S. government receipts	444	763	488	493	5
Compensation of employees	1,450	1,479	1,482	1,495	13
Income payments	127,022	137,277	131,949	133,596	1,647
Income on foreign-owned assets in the United States	123,590	133,885	128,543	130,177	1,634
Direct investment payments	36,552	45,585	39,234	42,027	2,793
Earnings	30,283	38,556	32,017	35,166	3,149
Interest	6,268	7,029	7,217	6,861	-356
Other private payments	53,655	55,396	56,568	55,576	-992
Income on U.S. corporate securities	47,851	49,620	51,062	50,307	-755
Dividends	18,239	20,551	21,994	21,942	-52
Interest	29,613	29,069	29,068	28,365	-703
Interest on liabilities reported by banks and brokers	3,788	3,742	3,502	3,383	-119
For own liabilities	2,537	2,453	2,320	2,089	-231
For customers' liabilities	1,251	1,288	1,182	1,294	112
Interest on liabilities reported by nonbanking concerns	2,016	2,035	2,004	1,886	-118
U.S. government payments	33,383	32,904	32,741	32,574	-167
Compensation of employees	3,433	3,392	3,406	3,419	13

^p Preliminary ^r Revised

NOTE: The statistics are presented in tables 1, 4 and 7 after this article and on BEA's Web site.

Income receipts on U.S. direct investment abroad increased after decreasing for four consecutive quarters. The third-quarter increase reflected higher earnings of foreign affiliates in finance and insurance.

“Other” private income receipts decreased after increasing for two straight quarters. The decrease reflected decreased average interest yields on foreign bonds and decreased average dividend yields on foreign stocks.

U.S. government receipts increased slightly after decreasing in the second quarter.

Income payments on foreign direct investment in the United States increased after decreasing in the second quarter. Most of the increase resulted from an increase in earnings of U.S. affiliates in finance and insurance.

“Other” private income payments decreased after increasing for two straight quarters. The decrease was mostly due to decreased average U.S. bond yields.

U.S. government payments decreased for a third consecutive quarter. The third-quarter decrease reflected a decrease in average yields on U.S. agency bonds.

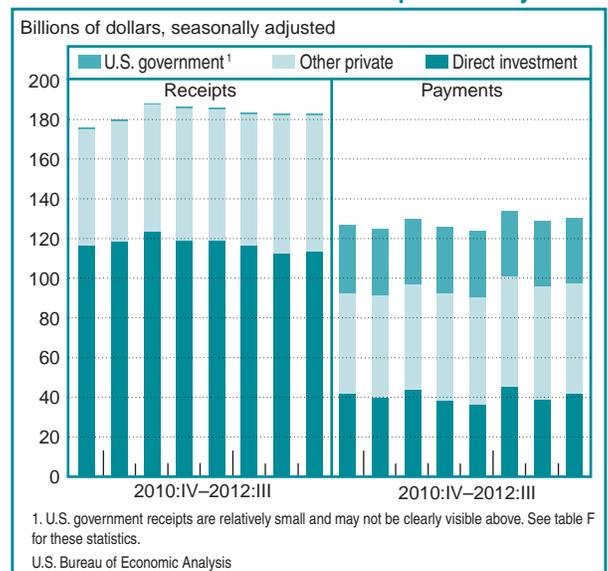
Trends in Income

The surplus on income decreased to \$50.8 billion in the third quarter after increasing in the second quarter. As a percentage of U.S. current-dollar GDP, the surplus decreased to 1.29 percent from 1.34 percent in the second quarter.

As shown in chart 5, income receipts increased slightly after decreasing by relatively small amounts for four straight quarters. The third-quarter increase reflected an increase in direct investment receipts that was mostly offset by a decrease in “other” private receipts.

Income payments increased after dipping in the second quarter from a post-2008 peak in the first quarter. The third quarter increase was more than accounted for by an increase in direct investment payments. “Other” private payments were down. Direct investment payments have fluctuated in recent quarters; these payments increased in the third quarter after decreasing in the second quarter and increasing in the first quarter. “Other” private payments decreased after increasing in the previous two quarters.

Chart 5. 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 (+))	2011		2012		Change 2012:II to 2012:III
	IV	I	II ^r	III ^p	
U.S.-owned assets abroad¹	-26,231	106,549	248,186	-229,774	-477,960
U.S. official reserve assets	-1,912	-1,233	-3,289	-833	2,456
U.S. government assets, other than official reserve assets	-100,624	51,076	16,650	14,151	-2,499
U.S. private assets	76,305	56,706	234,826	-243,092	-477,918
Direct investment	-111,208	-116,094	-63,347	-101,434	-38,087
Equity	-17,683	-5,703	-14,722	-15,043	-321
Reinvested earnings	-85,664	-81,587	-77,741	-77,278	463
Intercompany debt	-7,861	-28,804	29,116	-9,113	-38,229
Foreign securities	35,980	3,604	6,519	2,166	-4,353
Stocks	8,630	-14,802	-20,956	2,111	23,067
Bonds	27,350	18,406	27,475	55	-27,420
U.S. claims on unaffiliated foreigners reported by nonbanking concerns	65,122	-49,183	24,608	203	-24,405
U.S. claims reported by banks and brokers ...	86,411	218,379	267,046	-144,027	-411,073
For own accounts	26,637	129,026	246,558	-51,190	-297,748
For customers' accounts	59,774	89,353	20,488	-92,837	-113,325

^p Preliminary ^r Revised

¹ Excludes transactions in financial derivatives.

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 presented in tables 1, 7, 8 and 10 in this article and on BEA's Web site.

U.S. official reserve assets increased less than in the six previous quarters. The third-quarter increase was mostly due to an increase in the U.S. reserve position in the International Monetary Fund.

U.S. government assets other than official reserve assets decreased less than in the previous two quarters. The three quarters of decreases resulted from reductions of central bank liquidity swaps between the U.S. Federal Reserve System and foreign central banks.

U.S. direct investment abroad grew as a result of a shift to net outflows of intercompany debt investment. Equity investment was up slightly, and reinvested earnings were down slightly.

U.S. sales of foreign securities exceeded U.S. purchases in the third quarter, but by less than in the previous three quarters. The lower third-quarter net sales reflected a decrease in net sales of foreign bonds that more than offset a shift to net sales of foreign stocks.

U.S. claims on foreigners reported by nonbanks decreased less than in the second quarter. In the third quarter, decreases in financial intermediaries' accounts and in commercial claims were mostly offset by increases in resale agreements, "other" short-term instruments—such as money market instruments—and deposits.

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 after decreasing in the previous five quarters. The increase was accounted for by increases in claims for both customers' accounts and for banks' own accounts as foreign-owned banks increased deposits abroad.

Developments in the Financial Account

U.S.-owned assets abroad increased after decreasing for two consecutive quarters (tables A and G). Foreign-owned assets in the United States increased after decreasing in the second quarter (tables A and H). The shifts to increases largely reflect shifts to increases in U.S. claims and liabilities reported by U.S. banks and securities brokers and in U.S. securities other than U.S. Treasury securities after five quarters in which declines predominated for all these categories.

The increase in U.S.-owned assets abroad was due to increased U.S. claims reported by U.S. banks and securities brokers and to direct investment outflows (charts 6 and 7). The increase in claims reported by U.S. banks and securities brokers followed five consecutive quarters of decreases; the increase reflected an increase in deposits in affiliated banks abroad by foreign-owned banks in the United States and claims for customers' accounts in foreign-issued negotiable instruments and deposits. The impact of changes in banking regulations that caused U.S. banks to reduce their claims and liabilities with their foreign branches since the second quarter of 2011 was not apparent in the third quarter.

The increase in foreign-owned assets in the United States was due to increases in both foreign official and foreign private asset holdings. Foreign official assets increased mainly due to an increase in U.S. Treasury securities held by foreign official agencies. Foreign private assets increased mainly due to increases in foreign holdings of U.S. Treasury securities, U.S. securities other than U.S. Treasury securities, and direct investment.

Chart 6. Direct Investment Financial Flows



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 (-))	2011		2012		Change 2012:II to 2012:III
	IV	I	II ^r	III ^p	
Foreign-owned assets in the United States¹	57,067	59,564	-143,607	281,960	425,567
Foreign official assets	-2,859	69,711	79,772	130,281	50,509
U.S. government securities	-17,417	85,431	71,093	115,425	44,332
U.S. Treasury securities	-17,573	85,068	85,239	104,914	19,675
Other	156	363	-14,146	10,511	24,657
Other U.S. government liabilities	1,826	2,833	2,661	1,382	-1,279
U.S. liabilities reported by banks and brokers	12,215	-19,305	2,404	7,447	5,043
Other foreign official assets	517	752	3,614	6,027	2,413
Other foreign assets	59,926	-10,147	-223,379	151,679	375,058
Direct investment	76,120	22,202	48,018	34,204	-13,814
Equity	29,620	2,019	12,152	9,272	-2,880
Reinvested earnings	20,500	25,811	18,826	24,661	5,835
Intercompany debt	25,999	-5,628	17,040	271	-16,769
U.S. Treasury securities	82,519	43,834	5,992	47,882	41,890
U.S. securities other than U.S. Treasury securities	-35,276	3,654	-43,065	47,683	90,748
Stocks	-17,140	18,883	-8,460	37,386	45,846
Corporate bonds	-31,254	-14,832	-38,163	-6,133	32,030
Federally sponsored agency bonds	13,118	-397	3,558	16,430	12,872
U.S. currency	18,817	18,057	7,116	16,156	9,040
U.S. liabilities to unaffiliated foreigners reported by nonbanking concerns	-39,989	24,212	-27,008	-6,028	20,980
U.S. liabilities reported by banks and brokers	-42,265	-122,106	-214,432	11,782	226,214
For own accounts	-15,288	-115,632	-220,685	4,863	225,548
For customers' accounts	-26,977	-6,474	6,253	6,919	666

^p Preliminary ^r Revised
¹ Excludes transactions in financial derivatives.

NOTE: The statistics are presented in tables 1, 7, 8 and 11 in this article and on BEA's Web site.

Foreign official assets in the United States increased for the third quarter in a row. The third-quarter increase was mostly due to net purchases of U.S. Treasury securities, mainly from Europe and Asia.

Foreign direct investment in the United States was lower than in the second quarter. Lower intercompany debt investment and equity investment were partly offset by increased reinvested earnings.

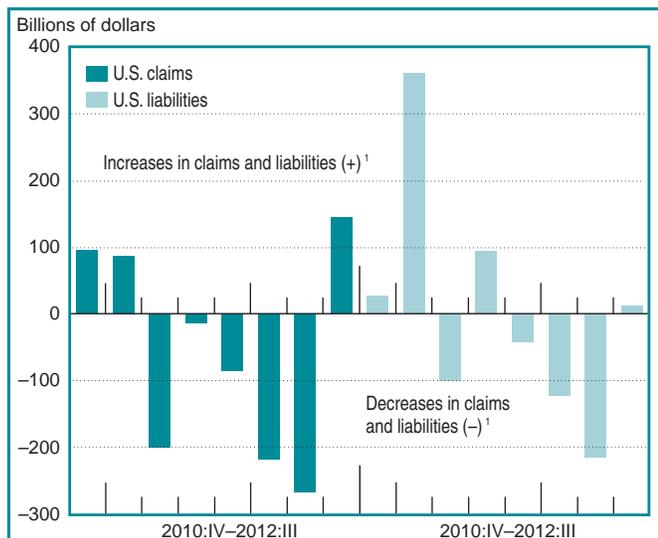
Purchases of U.S. Treasury securities by private foreigners exceeded sales more than in the second quarter. The third-quarter increase in net purchases reflected a shift to net purchases of Treasury bills.

Purchases of other U.S. securities by private foreigners exceeded sales in the third quarter after net sales in the second quarter. The shift to net purchases was due to a shift to net purchases of U.S. stocks, a decrease in net sales of U.S. corporate bonds, and an increase in net purchases of agency bonds.

U.S. liabilities to foreigners reported by nonbanks decreased after a larger decrease in the second quarter. The third-quarter decrease reflected a decrease in "other" financial liabilities—such as loans—that was partly offset by increases in commercial liabilities and repurchase agreements.

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 after decreasing for three straight quarters. The increase reflected increases in banks' and brokers' liabilities for both customers' accounts and for banks' own accounts.

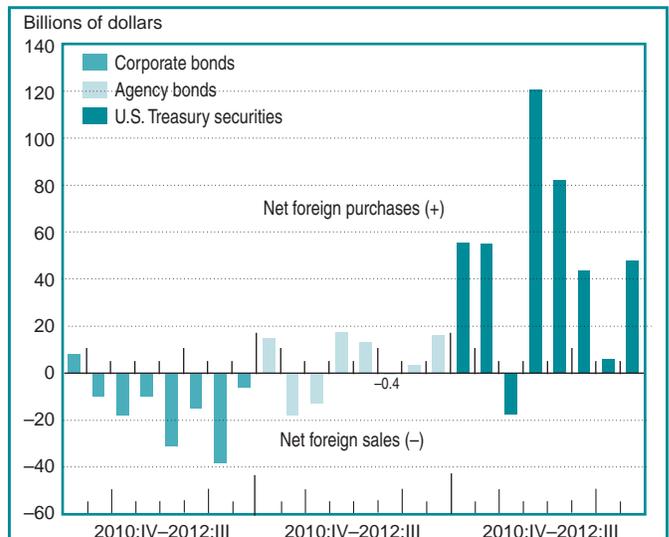
Chart 7. Changes in U.S. Claims and Liabilities Reported by Banks and Brokers



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.
 NOTE: Excludes transactions in foreign official assets.

U.S. Bureau of Economic Analysis

Chart 8. Transactions in U.S. Debt Securities



NOTE: Excludes transactions in foreign official assets.

U.S. Bureau of Economic Analysis