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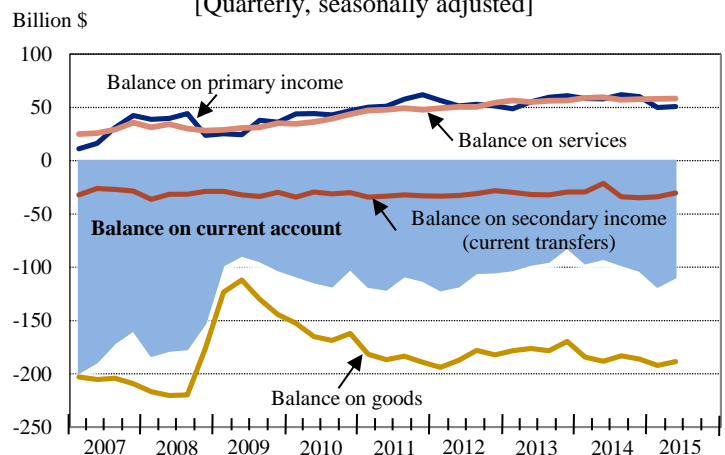
BEA 15-43

U.S. International Transactions: Second Quarter 2015

Current Account

The U.S. current-account deficit—a net measure of transactions between the United States and the rest of the world in goods, services, primary income (investment income and compensation), and secondary income (current transfers)—decreased to \$109.7 billion (preliminary) in the second quarter of 2015 from \$118.3 billion (revised) in the first quarter. The deficit decreased to 2.5 percent of current-dollar gross domestic product (GDP) from 2.7 percent in the first quarter. The decrease in the current-account deficit was largely accounted for by decreases in the deficits on goods and secondary income. Increases in the surpluses on primary income and services also contributed to the decrease in the current-account deficit.

U.S. Current-Account Balance and Its Components
[Quarterly, seasonally adjusted]



Goods and services

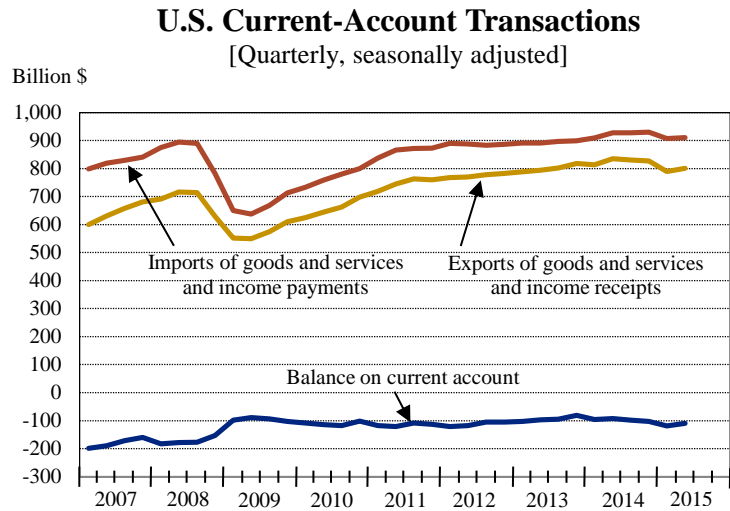
The deficit on goods and services decreased to \$130.0 billion in the second quarter from \$134.3 billion in the first quarter.

Goods The deficit on goods decreased to \$188.4 billion in the second quarter from \$192.2 billion in the first quarter.

NOTE: This news release is available on [BEA's Web site](http://www.bea.gov) <www.bea.gov> along with [Highlights](#) related to this release, the latest detailed [statistics](#) for U.S. international transactions, and a description of the [estimation methods](#) used to compile them. The second-quarter statistics in this release are preliminary and will be revised on December 17, 2015. All links in the text of this release—including archived versions of this release—refer to the latest available statistics.

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Goods exports increased to \$384.8 billion from \$382.8 billion. Exports increased in four of the six major general-merchandise end-use categories. The largest increase was in industrial supplies and materials; this increase was more than accounted for by an increase in petroleum and products, which was partly offset by a decrease in metals and nonmetallic products. Exports decreased in nonmonetary gold and in two major general-merchandise end-use categories. The largest of these decreases was in consumer goods except food and automotive, mainly due to a decrease in durable goods ([ITA Table 2.1](#)).



Goods imports decreased to \$573.1 billion from \$575.0 billion. Imports decreased in three of the six major general-merchandise end-use categories. The largest decrease—which more than accounted for the total decrease in goods imports—was in industrial supplies and materials, largely reflecting decreases in petroleum and products and in metals and nonmetallic products. Imports increased in nonmonetary gold and in three major general-merchandise end-use categories. The largest of these increases was in automotive vehicles, parts, and engines ([ITA Table 2.1](#)).

Services The surplus on services increased to \$58.4 billion in the second quarter from \$57.9 billion in the first quarter.

Services exports increased to \$179.9 billion from \$178.9 billion. Exports increased in seven of the nine major services categories. The largest increases were in other business services—most particularly in professional and management consulting services and in research and development services—and in travel (for all purposes including education). Transport decreased, reflecting a decrease in air passenger transport ([ITA Table 3.1](#)).

Services imports increased to \$121.6 billion from \$121.0 billion. Imports increased in six of the nine major services categories. The largest increase was in travel (for all purposes including education), mainly due to an increase in personal travel. The largest decrease was in transport, mainly air freight transport ([ITA Table 3.1](#)).

Primary income

The surplus on primary income increased to \$50.6 billion in the second quarter from \$49.7 billion in the first quarter.

Investment income Income receipts from foreigners on U.S. holdings of financial assets abroad increased to \$200.1 billion from \$193.0 billion ([ITA Table 4.1](#)). The increase mainly reflected an increase in direct investment income on equity from foreign affiliates, particularly affiliates in Ireland,

the Netherlands, and Bermuda ([ITA Table 4.2](#)). Income on portfolio investment also increased, largely due to an increase in income on equity and investment fund shares ([ITA Table 4.3](#)).

Income payments to foreigners on U.S. liabilities increased to \$146.9 billion from \$140.8 billion ([ITA Table 4.1](#)). The increase was due primarily to an increase in direct investment income payments on foreign equity in U.S. affiliates, partly reflecting affiliate income growth from increased sales of motor vehicles and an increase in oil prices ([ITA Table 4.2](#)). Also contributing to the increase was an increase in portfolio investment income payments, particularly interest on debt securities ([ITA Table 4.3](#)).

Compensation of employees Receipts for compensation of U.S. residents paid by nonresidents were nearly unchanged at \$1.8 billion. Payments for compensation of foreign residents paid by U.S. residents increased to \$4.3 billion from \$4.2 billion.

Secondary income (current transfers)

The deficit on secondary income decreased to \$30.3 billion in the second quarter from \$33.8 billion in the first quarter. Secondary income receipts and payments include U.S. government and private transfers, such as U.S. government grants and pensions, fines and penalties, withholding taxes, personal transfers (remittances), insurance-related transfers, and other current transfers.

Secondary income receipts increased to \$34.7 billion from \$32.8 billion; the increase was more than accounted for by an increase in U.S. government transfers, particularly fines and penalties ([ITA Table 5.1](#)).

Secondary income payments decreased to \$65.0 billion from \$66.6 billion, reflecting a decrease in U.S. government grants to foreigners that was partly offset by an increase in private transfers ([ITA Table 5.1](#)).

Financial Account

Net U.S. borrowing measured by financial-account transactions was \$59.7 billion in the second quarter, down from \$60.3 billion in the first quarter. Net U.S. acquisition of financial assets excluding financial derivatives decreased more than net U.S. incurrence of liabilities excluding financial derivatives. However, a shift to net lending in transactions in financial derivatives other than reserves more than offset the combined changes in net acquisition of assets and net incurrence of liabilities excluding financial derivatives, thereby slightly decreasing net U.S. borrowing measured in the financial account.

Net U.S. acquisition of financial assets excluding financial derivatives

Net U.S. acquisition of financial assets excluding financial derivatives was \$137.5 billion in the second quarter, down from \$320.2 billion in the first quarter.

Direct investment assets (equity and debt instruments) Net acquisition of direct investment assets was \$101.1 billion in the second quarter, up from \$67.4 billion in the first quarter. The increase was largely accounted for by a shift to net acquisition of debt instrument assets by both U.S. parent

companies and U.S. affiliates. Also contributing to the increase was an increase in net acquisition of equity other than reinvestment of earnings ([ITA Table 6.1](#)).

Portfolio investment assets (equity and investment fund shares and debt securities) Net U.S. acquisition of portfolio investment assets abroad was \$166.3 billion in the second quarter, down from \$233.5 billion in the first quarter. The decrease reflected a decrease in net purchases of equity securities, to \$116.7 billion from \$168.7 billion, and a decrease in net purchases of debt securities, to \$49.6 billion from \$64.8 billion ([ITA Table 7.1](#)).

Other investment assets (currency and deposits, loans, insurance technical reserves, and trade credit and advances) Net U.S. sales of other investment assets abroad were \$129.0 billion in the second quarter, a shift from net acquisitions of \$23.4 billion in the first quarter. The shift to net sales mainly reflected (1) a shift to net foreign repayment of loans to foreign residents provided by U.S. nonbank financial institutions such as securities dealers and financial holding companies, and (2) an increase in net U.S. withdrawals of deposits abroad by U.S. nonbanking concerns ([ITA Table 8.1](#)).

Reserve assets Transactions in U.S. reserve assets decreased holdings by \$0.9 billion in the second quarter, after decreasing holdings by \$4.2 billion in the first quarter. The decreases in both quarters reflected decreases in the U.S. reserve position in the International Monetary Fund.

Net U.S. incurrence of liabilities excluding financial derivatives

Net U.S. incurrence of liabilities to foreigners excluding financial derivatives was \$199.0 billion in the second quarter, down from \$340.3 billion in the first quarter.

Direct investment liabilities (equity and debt instruments) Net incurrence of direct investment liabilities to foreigners was \$78.2 billion in the second quarter, down from \$190.2 billion in the first quarter. The decrease was more than accounted for by a decrease in net foreign-resident investment in equity other than reinvestment of earnings from an unusually high level in the first quarter ([ITA Table 6.1](#)).

Portfolio investment liabilities (equity and investment fund shares and debt securities) Net U.S. incurrence of portfolio investment liabilities to foreigners was \$271.0 billion in the second quarter, up from \$101.1 billion in the first quarter. The increase was more than accounted for by an increase in net foreign purchases of U.S. debt securities to \$288.2 billion from \$68.6 billion. Partly offsetting this increase, net foreign sales of U.S. equity and investment fund shares were \$17.2 billion, a shift from net foreign purchases of \$32.5 billion ([ITA Table 7.1](#)).

Other investment liabilities (currency and deposits, loans, insurance technical reserves, trade credit and advances, and special drawing rights allocations) Net U.S. repayment of other investment liabilities to foreigners was \$150.1 billion in the second quarter, a shift from net incurrence of \$49.0 billion in the first quarter. The shift to net U.S. repayment mainly reflected repayments of loan liabilities of U.S. banks and nonbank financial institutions to foreign financial institutions ([ITA Table 8.1](#)).

Financial derivatives other than reserves

Net transactions in financial derivatives other than reserves were \$1.8 billion in the second quarter, representing net lending. This was a shift from net borrowing of \$40.1 billion in the first quarter. Transactions in financial derivatives are only available as a net value equal to transactions for assets less transactions for liabilities. A positive value represents net cash payments by U.S. residents to foreign residents from settlements of derivatives contracts (net lending) and a negative value represents net U.S. cash receipts (net borrowing).

Statistical discrepancy

The statistical discrepancy is the difference between net acquisition of assets and net incurrence of liabilities in the financial account (including financial derivatives) less the difference between total credits and total debits recorded in the current and capital accounts. The statistical discrepancy was \$49.9 billion in the second quarter compared with \$58.0 billion in the first quarter.

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In the second quarter, the U.S. dollar appreciated 0.6 percent on a trade-weighted quarterly average basis against a group of 7 major currencies, after appreciating 8.2 percent on the same basis in the first quarter. Exchange rate data are based on Federal Reserve Statistical Release H.10.

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Revisions to first quarter 2015

The current-account deficit in the first quarter of 2015 is revised upward to \$118.3 billion from \$113.3 billion. The goods deficit is revised upward to \$192.2 billion from \$189.0 billion. The services surplus is revised downward to \$57.9 billion from \$58.7 billion. The primary income surplus is revised downward to \$49.7 billion from \$50.8 billion. The secondary income deficit is revised downward to \$33.75 billion from \$33.83 billion. First-quarter net borrowing from financial-account transactions is revised upward to \$60.3 billion from \$47.9 billion. Net U.S. acquisition of financial assets excluding financial derivatives is revised downward to \$320.2 billion from \$325.1 billion, and net U.S. incurrence of liabilities excluding financial derivatives is revised upward to \$340.3 billion from \$332.8 billion.

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Release dates in 2015:

Fourth Quarter and Year 2014 March 19, 2015 (Thursday)
First Quarter 2015 and Annual Revisions..... June 18, 2015 (Thursday)
Second Quarter 2015.....September 17, 2015 (Thursday)
Third Quarter 2015 December 17, 2015 (Thursday)

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