

FOR WIRE TRANSMISSION: 8:30 A.M. EDT, MONDAY, September 18, 2006

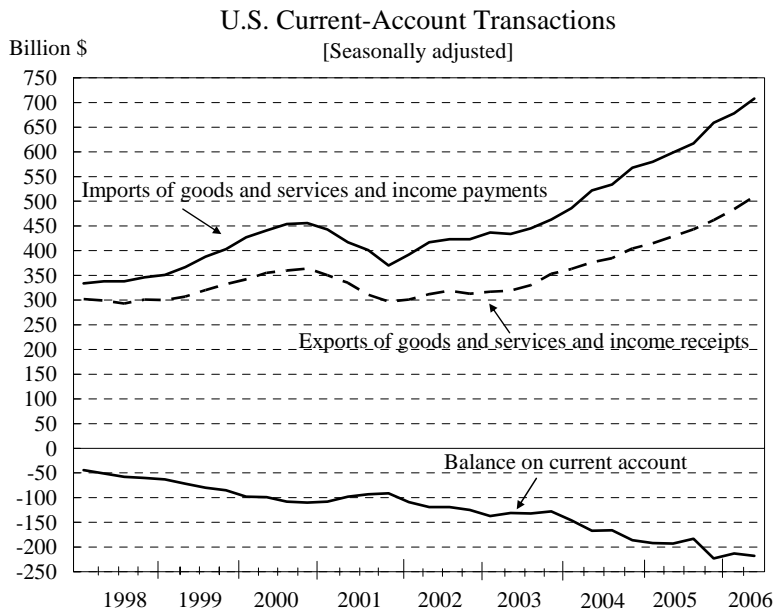
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BEA 06-40

U.S. International Transactions: Second Quarter 2006

Current Account

The U.S. current-account deficit--the combined balances on trade in goods and services, income, and net unilateral current transfers--increased to \$218.4 billion (preliminary) in the second quarter of 2006 from \$213.2 billion (revised) in the first quarter. The increase was mostly accounted for by increases in the deficits on goods and on income. Net unilateral current transfers to foreigners also increased, and the surplus on services was virtually unchanged.



Goods and services

The deficit on goods and services increased to \$193.8 billion in the second quarter from \$191.1 billion in the first.

Goods The deficit on goods increased to \$210.6 billion in the second quarter from \$208.0 billion in the first.

Goods exports increased to \$252.8 billion from \$244.5 billion. The increase was largely accounted for by increases in industrial supplies and materials and in capital goods.

NOTE: This news release is available on BEA's Web site at www.bea.gov/bea/rels.htm.

Goods imports increased to \$463.4 billion from \$452.5 billion. The increase was largely accounted for by an increase in petroleum and products. The largest increases in nonpetroleum products were in capital goods and in consumer goods.

Services The surplus on services was virtually unchanged at \$16.8 billion in the second quarter.

Services receipts increased to \$103.0 billion from \$99.9 billion. The largest increases were in “other” private services

(such as business, professional, and technical services, insurance services, and financial services), in travel, in royalties and license fees, and in “other” transportation (such as freight and port services).

Services payments increased to \$86.3 billion from \$83.1 billion. The largest increases were in “other” private services, in travel, and in passenger fares.

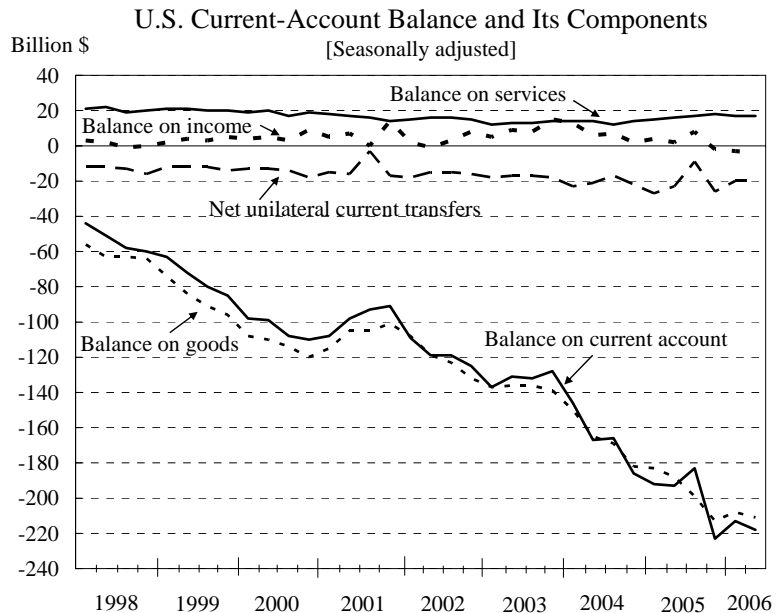
Income

The deficit on income increased to \$4.1 billion in the second quarter from \$2.5 billion in the first.

Investment income Income receipts on U.S.-owned assets abroad increased to \$153.5 billion from \$139.2 billion. “Other” private receipts (which consists of interest and dividends) increased strongly, and direct investment receipts also increased.

Income payments on foreign-owned assets in the United States increased to \$156.0 billion from \$140.1 billion. “Other” private payments (which consists of interest and dividends) increased strongly, and U.S. Government payments (which consists of interest) and direct investment payments also increased.

Compensation of employees Receipts for compensation of U.S. workers abroad were virtually unchanged at \$0.7 billion, and payments for compensation of foreign workers in the United States were virtually unchanged at \$2.3 billion.



Unilateral current transfers

Net unilateral current transfers to foreigners were \$20.4 billion in the second quarter, up from \$19.5 billion in the first. The increase was accounted for by increases in private remittances and other transfers and in U.S. Government grants.

Capital and Financial Account

Capital Account

Capital account transactions were net outflows (payments) of \$0.9 billion in the second quarter, down from net outflows of \$1.8 billion in the first.

Financial Account

Net recorded financial inflows--net acquisitions by foreign residents of assets in the United States less net acquisitions by U.S. residents of assets abroad--were \$154.1 billion in the second quarter, down from \$171.5 billion in the first. Net acquisitions by foreign residents slowed more than net acquisitions by U.S. residents.

U.S.-owned assets abroad

U.S.-owned assets abroad increased \$212.3 billion in the second quarter, following an increase of \$356.0 billion in the first.

U.S. claims on foreigners reported by U.S. banks increased \$81.5 billion in the second quarter, following an increase of \$196.4 billion in the first.

Net U.S. purchases of foreign securities were \$52.2 billion in the second quarter, down from \$53.7 billion in the first. Net U.S. purchases of foreign stocks were \$17.4 billion, down from \$41.1 billion. Net U.S. purchases of foreign bonds were \$34.8 billion, up from \$12.6 billion.

U.S. direct investment abroad increased \$47.1 billion in the second quarter, following an increase of \$61.3 billion in the first. A shift to a decrease in net intercompany debt investment abroad from an increase and a slowdown in net equity capital investment abroad were partly offset by a pickup in reinvested earnings.

U.S. official reserve assets increased \$0.6 billion in the second quarter, following a decrease of \$0.5 billion in the first.

Foreign-owned assets in the United States

Foreign-owned assets in the United States increased \$366.4 billion in the second quarter, following an increase of \$527.5 billion in the first.

U.S. liabilities to foreigners reported by U.S. banks increased \$84.2 billion in the second quarter, following an increase of \$148.9 billion in the first.

Transactions in U.S. Treasury securities shifted to net foreign purchases of \$10.1 billion in the second quarter from net foreign sales of \$5.2 billion in the first.

Net foreign purchases of U.S. securities other than U.S. Treasury securities were \$121.6 billion in the second quarter, down from \$186.0 billion in the first. Transactions in U.S. stocks shifted to net foreign sales of \$1.6 billion from net foreign purchases of \$54.0 billion. Net foreign purchases of U.S. corporate bonds were a record \$95.2 billion, up from \$90.1 billion. Net foreign purchases of federally sponsored agency bonds were \$28.0 billion, down from \$41.9 billion.

Foreign direct investment in the United States increased \$48.4 billion in the second quarter, following an increase of \$45.3 billion in the first. A shift to an increase in net intercompany debt investment in the United States from a decrease and a pickup in reinvested earnings were partly offset by a slowdown in net equity capital investment in the United States.

Foreign official assets in the United States increased \$74.9 billion in the second quarter, following an increase of \$75.7 billion in the first.

Net U.S. currency shipments to foreigners were \$1.1 billion in the second quarter, down from \$1.9 billion in the first.

The statistical discrepancy--errors and omissions in recorded transactions--was a positive \$65.2 billion in the second quarter, compared with a positive \$43.4 billion in the first.

In the second quarter, the U.S. dollar depreciated 3 percent on a trade-weighted quarterly average basis against a group of 7 major currencies.

Revisions

The first-quarter international transactions are revised from previously published estimates. The current-account deficit was revised to \$213.2 billion from \$208.7 billion. The goods deficit was unrevised at \$208.0 billion; the services surplus was revised to \$16.8 billion from \$17.2 billion; the balance on income was revised to a deficit of \$2.5 billion from a surplus of \$1.9 billion; and unilateral current transfers were revised to net outflows of \$19.5 billion from \$19.9 billion. Net recorded financial inflows were revised to \$171.5 billion from \$157.6 billion.

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Release dates in 2006:

Fourth quarter and year 2005.....	March 14, 2006 (Tuesday)
First quarter 2006.....	June 16, 2006 (Friday)
Second quarter 2006.....	September 18, 2006 (Monday)
Third quarter 2006.....	December 18, 2006 (Monday)

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Summary BEA estimates are available on recorded messages at the time of public release at the following telephone numbers:

(202) 606-5306 Gross domestic product
-5303 Personal income and outlays

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Table 1. U.S. International Transactions

[Millions of dollars, quarters seasonally adjusted]

(Credits +, debits -)	2005	2005				2006		Change: 2006 I-II
		I	II	III	IV	I ^r	II ^p	
Current account								
1 Exports of goods and services and income receipts.....	1,749,892	415,277	429,326	442,935	462,357	484,396	510,062	25,666
2 Exports of goods and services.....	1,275,245	306,580	316,645	320,853	331,165	344,430	355,879	11,449
3 Goods, balance of payments basis.....	894,631	214,189	222,591	224,947	232,904	244,512	252,843	8,331
4 Services.....	380,614	92,391	94,054	95,906	98,261	99,918	103,036	3,118
5 Transfers under U.S. military agency sales contracts.....	19,038	4,679	4,675	5,239	4,446	4,453	4,269	-184
6 Travel.....	81,680	19,983	20,934	20,389	20,374	20,742	21,697	955
7 Passenger fares.....	20,931	4,890	5,161	5,508	5,371	5,545	5,376	-169
8 Other transportation.....	42,245	10,103	10,353	10,545	11,244	11,588	12,122	534
9 Royalties and license fees.....	57,410	14,146	13,943	14,397	14,923	15,040	15,601	561
10 Other private services.....	158,223	38,316	38,726	39,538	41,643	42,273	43,690	1,417
11 U.S. Government miscellaneous services.....	1,087	274	262	291	260	277	281	4
12 Income receipts.....	474,647	108,697	112,681	122,081	131,192	139,966	154,183	14,217
13 Income receipts on U.S.-owned assets abroad.....	471,722	107,988	111,952	121,350	130,437	139,238	153,457	14,219
14 Direct investment receipts.....	251,370	58,846	60,572	64,476	67,481	68,738	72,911	4,173
15 Other private receipts.....	217,637	48,437	50,674	56,247	62,279	69,923	79,831	9,908
16 U.S. Government receipts.....	2,715	705	706	627	677	577	715	138
17 Compensation of employees.....	2,925	709	729	731	755	728	726	-2
18 Imports of goods and services and income payments.....	-2,455,328	-579,764	-599,390	-616,886	-659,290	-678,052	-708,028	-29,976
19 Imports of goods and services.....	-1,991,975	-474,688	-488,703	-502,645	-525,939	-535,570	-549,696	-14,126
20 Goods, balance of payments basis.....	-1,677,371	-397,457	-410,811	-423,693	-445,410	-452,481	-463,441	-10,960
21 Services.....	-314,604	-77,231	-77,892	-78,952	-80,529	-83,089	-86,255	-3,166
22 Direct defense expenditures.....	-30,062	-7,542	-7,478	-7,539	-7,503	-7,692	-7,858	-166
23 Travel.....	-69,175	-17,270	-17,589	-17,181	-17,135	-17,634	-18,658	-1,024
24 Passenger fares.....	-26,066	-6,213	-6,555	-6,654	-6,644	-6,749	-7,266	-517
25 Other transportation.....	-62,107	-15,617	-15,135	-15,205	-16,150	-16,232	-16,390	-158
26 Royalties and license fees.....	-24,501	-5,880	-6,004	-6,356	-6,261	-6,741	-6,760	-19
27 Other private services.....	-98,714	-23,699	-24,169	-25,001	-25,845	-27,045	-28,309	-1,264
28 U.S. Government miscellaneous services.....	-3,979	-1,010	-962	-1,016	-991	-996	-1,014	-18
29 Income payments.....	-463,353	-105,076	-110,687	-114,240	-133,351	-142,482	-158,332	-15,850
30 Income payments on foreign-owned assets in the United States.....	-454,124	-102,817	-108,403	-111,887	-131,018	-140,132	-155,983	-15,851
31 Direct investment payments.....	-116,953	-28,490	-29,520	-24,105	-34,839	-34,443	-36,889	-2,446
32 Other private payments.....	-223,612	-48,786	-51,490	-58,479	-64,857	-72,813	-82,827	-10,014
33 U.S. Government payments.....	-113,559	-25,541	-27,393	-29,303	-31,322	-32,876	-36,267	-3,391
34 Compensation of employees.....	-9,229	-2,259	-2,284	-2,353	-2,333	-2,350	-2,349	1
35 Unilateral current transfers, net.....	-86,072	-27,237	-23,194	-9,464	-26,176	-19,542	-20,444	-902
36 U.S. Government grants.....	-31,362	-9,221	-5,780	-7,270	-9,091	-4,631	-4,940	-309
37 U.S. Government pensions and other transfers.....	-6,303	-1,558	-1,569	-1,584	-1,592	-1,742	-1,753	-11
38 Private remittances and other transfers.....	-48,407	-16,458	-15,845	-610	-15,493	-13,169	-13,751	-582

Table 1. U.S. International Transactions (Continued)

[Millions of dollars, quarters seasonally adjusted]

(Credits +, debits -)	2005	2005				2006		Change: 2006 I-II
		I	II	III	IV	I ^r	II ^p	
Capital and financial account								
Capital account								
39 Capital account transactions, net.....	-4,351	-2,691	-589	-557	-514	-1,756	-882	874
Financial account								
40 U.S.-owned assets abroad, net (increase/financial outflow (-)).....	-426,801	-87,391	-196,376	-132,380	-10,656	-355,978	-212,339	143,639
41 U.S. official reserve assets, net.....	14,096	5,331	-797	4,766	4,796	513	-560	-1,073
42 Gold.....
43 Special drawing rights.....	4,511	1,713	-97	2,976	-81	-67	-51	16
44 Reserve position in the International Monetary Fund.....	10,200	3,763	-564	1,951	5,050	729	-351	-1,080
45 Foreign currencies.....	-615	-145	-136	-161	-173	-149	-158	-9
46 U.S. Government assets, other than official reserve assets, net.....	5,539	2,591	989	1,501	459	1,049	1,479	430
47 U.S. credits and other long-term assets.....	-2,255	-519	-708	-518	-509	-1,517	-373	1,144
48 Repayments on U.S. credits and other long-term assets.....	5,603	1,083	1,586	1,957	977	2,558	1,861	-697
49 U.S. foreign currency holdings and U.S. short-term assets, net.....	2,191	2,027	111	62	-9	8	-9	-17
50 U.S. private assets, net.....	-446,436	-95,313	-196,568	-138,647	-15,911	-357,540	-213,258	144,282
51 Direct investment.....	-9,072	-31,259	-33,957	30,342	25,799	-61,251	-47,102	14,149
52 Foreign securities.....	-180,125	-50,367	-45,702	-36,790	-47,266	-53,692	-52,215	1,477
53 U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns.....	-44,221	-67,170	57,244	-29,483	-4,812	-46,190	-32,408	13,782
54 U.S. claims reported by U.S. banks, not included elsewhere.....	-213,018	53,483	-174,153	-102,716	10,368	-196,407	-81,533	114,874
55 Foreign-owned assets in the United States, net (increase/financial inflow (+)).....	1,212,250	224,128	346,179	388,592	253,350	527,498	366,397	-161,101
56 Foreign official assets in the United States, net.....	199,495	18,965	74,613	33,983	71,934	75,697	74,874	-823
57 U.S. Government securities.....	156,450	33,007	36,313	25,926	61,204	66,219	21,553	-44,666
58 U.S. Treasury securities.....	71,749	9,226	16,892	8,213	37,418	42,156	-8,905	-51,061
59 Other.....	84,701	23,781	19,421	17,713	23,786	24,063	30,458	6,395
60 Other U.S. Government liabilities.....	-488	-740	112	395	-255	37	637	600
61 U.S. liabilities reported by U.S. banks, not included elsewhere.....	24,275	-15,814	34,187	824	5,078	-821	41,730	42,551
62 Other foreign official assets.....	19,258	2,512	4,001	6,838	5,907	10,262	10,954	692
63 Other foreign assets in the United States, net.....	1,012,755	205,163	271,566	354,609	181,416	451,801	291,523	-160,278
64 Direct investment.....	109,754	30,539	8,245	44,459	26,510	45,268	48,413	3,145
65 U.S. Treasury securities.....	199,491	86,108	14,103	37,239	62,041	-5,212	10,065	15,277
66 U.S. securities other than U.S. Treasury securities.....	474,140	77,412	111,808	153,049	131,871	186,009	121,556	-64,453
67 U.S. currency.....	19,416	1,072	4,507	4,679	9,158	1,932	1,127	-805
68 U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.....	30,105	80,174	-20,035	20,271	-50,305	74,953	26,115	-48,838
69 U.S. liabilities reported by U.S. banks, not included elsewhere.....	179,849	-70,142	152,938	94,912	2,141	148,851	84,247	-64,604
70 Statistical discrepancy (sum of above items with sign reversed).....	10,410	57,678	44,044	-72,240	-19,071	43,434	65,234	21,800
Memoranda:								
71 Balance on goods (lines 3 and 20).....	-782,740	-183,268	-188,220	-198,746	-212,506	-207,969	-210,598	-2,629
72 Balance on services (lines 4 and 21).....	66,011	15,160	16,162	16,954	17,733	16,829	16,781	-48
73 Balance on goods and services (lines 2 and 19).....	-716,730	-168,108	-172,058	-181,792	-194,774	-191,140	-193,817	-2,677
74 Balance on income (lines 12 and 29).....	11,293	3,621	1,994	7,841	-2,159	-2,516	-4,149	-1,633
75 Unilateral current transfers, net (line 35).....	-86,072	-27,237	-23,194	-9,464	-26,176	-19,542	-20,444	-902
76 Balance on current account (lines 1, 18, and 35 or lines 73, 74, and 75).....	-791,508	-191,724	-193,258	-183,415	-223,109	-213,198	-218,410	-5,212

r Revised

p Preliminary

NOTE: Details may not add to totals because of rounding. Source: U. S. Bureau of Economic Analysis