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Douglas B. Weinberg: (202) 606-9590

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U.S. International Transactions: Third Quarter 2006

Current Account

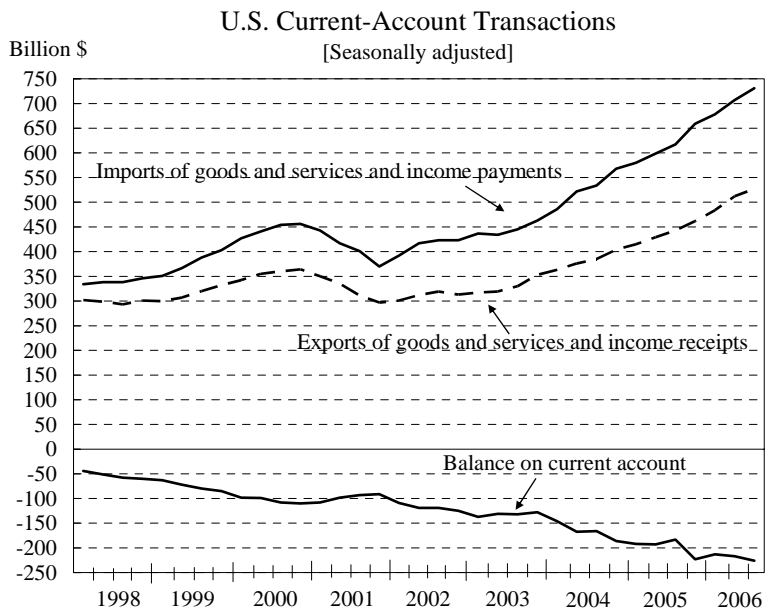
The U.S. current-account deficit--the combined balances on trade in goods and services, income, and net unilateral current transfers--increased to \$225.6 billion (preliminary) in the third quarter of 2006 from \$217.1 billion (revised) in the second quarter. The increase was more than accounted for by increases in the deficits on goods and on income. The surplus on services increased, and net unilateral current transfers to foreigners decreased.

Goods and services

The deficit on goods and services increased to \$200.3 billion in the third quarter from \$193.1 billion in the second.

Goods The deficit on goods increased to \$218.6 billion in the third quarter from \$210.6 billion in the second.

Goods exports increased to \$262.1 billion from \$252.8 billion. The increase resulted from increases in all major commodity categories.



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

Goods imports increased to \$480.7 billion from \$463.4 billion. The increase resulted from increases in petroleum and products and in most major categories of nonpetroleum products.

Services The surplus on services increased to \$18.3 billion in the third quarter from \$17.5 billion in the second.

Services receipts increased to \$104.0 billion from \$103.1 billion. The increase was more than accounted for by an increase in “other” private services (such as business, professional, and technical services, insurance services, and financial services). Most other services categories changed little.

Services payments edged up to \$85.7 billion from \$85.6 billion. Increases in “other” private services and in “other” transportation (such as freight and port services) were largely offset by decreases in travel and in passenger fares.

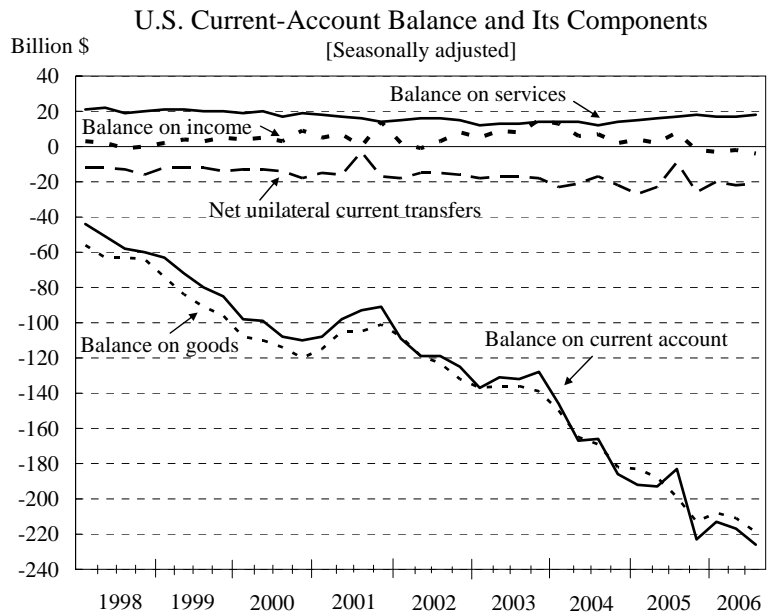
Income

The deficit on income increased to \$3.8 billion in the third quarter from \$2.2 billion in the second.

Investment income Income receipts on U.S.-owned assets abroad increased to \$160.1 billion from \$155.3 billion. The increase was largely accounted for by an increase in “other” private receipts (which consists of interest and dividends). Direct investment receipts also increased.

Income payments on foreign-owned assets in the United States increased to \$162.2 billion from \$155.8 billion. Direct investment payments, “other” private payments (which consists of interest and dividends), and U.S. Government payments (which consists of interest) all 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 also were virtually unchanged at \$2.4 billion.



Unilateral current transfers

Net unilateral current transfers to foreigners were \$21.5 billion in the third quarter, down from \$21.9 billion in the second. The decrease was more than accounted for by a decrease in private remittances and other transfers.

Capital and Financial Account

Capital Account

Net capital account payments (outflows) were \$0.6 billion in the third quarter, down from \$1.0 billion in the second.

Financial Account

Net financial inflows--net acquisitions by foreign residents of assets in the United States less net acquisitions by U.S. residents of assets abroad--were \$176.4 billion in the third quarter, up from \$153.2 billion in the second. Net acquisitions by foreign residents strengthened more than net acquisitions by U.S. residents.

U.S.-owned assets abroad

U.S.-owned assets abroad increased \$223.8 billion in the third quarter, following an increase of \$211.4 billion in the second.

U.S. claims on foreigners reported by U.S. banks increased \$85.7 billion in the third quarter, following an increase of \$80.7 billion in the second.

Net U.S. purchases of foreign securities were \$53.0 billion in the third quarter, down slightly from \$53.9 billion in the second. Net U.S. purchases of foreign stocks were \$8.0 billion, down from \$17.0 billion. Net U.S. purchases of foreign bonds were \$45.1 billion, up from \$36.9 billion.

U.S. direct investment abroad increased \$63.1 billion in the third quarter, following an increase of \$46.8 billion in the second. The pickup was largely attributable to a shift to an increase in net intercompany debt investment abroad from a decrease. In addition, net equity capital investment abroad picked up. In contrast, reinvested earnings decreased.

U.S. official reserve assets decreased \$1.0 billion in the third quarter, following an increase of \$0.6 billion in the second.

Foreign-owned assets in the United States

Foreign-owned assets in the United States increased \$400.2 billion in the third quarter, following an increase of \$364.6 billion in the second.

U.S. liabilities to foreigners reported by U.S. banks increased \$89.1 billion in the third quarter, following an increase of \$79.6 billion in the second.

Transactions in U.S. Treasury securities shifted to net sales by foreigners of \$7.2 billion in the third quarter from net purchases by foreigners of \$9.8 billion in the second.

Net purchases by foreigners of U.S. securities other than U.S. Treasury securities were \$138.8 billion in the third quarter, up from \$127.3 billion in the second. Transactions in U.S. stocks shifted to net purchases by foreigners of \$22.4 billion from net sales by foreigners of \$1.4 billion. Net purchases by foreigners of U.S. corporate bonds were \$90.7 billion, down from \$100.6 billion. Net purchases by foreigners of federally sponsored agency bonds were \$25.7 billion, down from \$28.0 billion.

Foreign direct investment in the United States increased \$44.1 billion in the third quarter, following an increase of \$45.8 billion in the second. The small slowdown was largely attributable to a slowdown in net intercompany debt investment in the United States. Net equity capital investment in the United States also eased, and reinvested earnings decreased slightly.

Foreign official assets in the United States increased \$80.8 billion in the third quarter, following an increase of \$75.9 billion in the second.

Net U.S. currency shipments to foreigners were virtually unchanged at \$1.1 billion in the third quarter.

The statistical discrepancy--errors and omissions in recorded transactions--was a positive \$49.7 billion in the third quarter, compared with a positive \$64.9 billion in the second.

In the third quarter, the U.S. dollar depreciated 1 percent on a trade-weighted quarterly average basis against a group of 7 major currencies.

Revisions

The second-quarter international transactions are revised from previously published estimates. The current-account deficit was revised to \$217.1 billion from \$218.4 billion. The goods deficit was unrevised at \$210.6 billion; the services surplus was revised to \$17.5 billion from \$16.8 billion; the deficit on income was revised to \$2.2 billion from \$4.1 billion; and net unilateral current transfers to foreigners were revised to \$21.9 billion from \$20.4 billion. Net financial inflows were revised to \$153.2 billion from \$154.1 billion.

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Release dates in 2007:

Fourth quarter and year 2006.....	March 14, 2007 (Wednesday)
First quarter 2007.....	June 15, 2007 (Friday)
Second quarter 2007.....	September 14, 2007 (Friday)
Third quarter 2007.....	December 17, 2007 (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 II-III
			I	II	III	IV	I	II ^r	III ^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	511,983	526,874	14,891
2	Exports of goods and services.....	1,275,245	306,580	316,645	320,853	331,165	344,430	355,945	366,083	10,138
3	Goods, balance of payments basis.....	894,631	214,189	222,591	224,947	232,904	244,512	252,843	262,069	9,226
4	Services.....	380,614	92,391	94,054	95,906	98,261	99,918	103,102	104,014	912
5	Transfers under U.S. military agency sales contracts.....	19,038	4,679	4,675	5,239	4,446	4,453	4,226	4,067	-159
6	Travel.....	81,680	19,983	20,934	20,389	20,374	20,742	21,443	21,464	21
7	Passenger fares.....	20,931	4,890	5,161	5,508	5,371	5,545	5,275	5,326	51
8	Other transportation.....	42,245	10,103	10,353	10,545	11,244	11,588	12,202	12,216	14
9	Royalties and license fees.....	57,410	14,146	13,943	14,397	14,923	15,040	15,567	15,509	-58
10	Other private services.....	158,223	38,316	38,726	39,538	41,643	42,273	44,103	45,137	1,034
11	U.S. Government miscellaneous services.....	1,087	274	262	291	260	277	286	295	9
12	Income receipts.....	474,647	108,697	112,681	122,081	131,192	139,966	156,038	160,791	4,753
13	Income receipts on U.S.-owned assets abroad.....	471,722	107,988	111,952	121,350	130,437	139,238	155,312	160,053	4,741
14	Direct investment receipts.....	251,370	58,846	60,572	64,476	67,481	68,738	74,923	75,912	989
15	Other private receipts.....	217,637	48,437	50,674	56,247	62,279	69,923	79,759	83,515	3,756
16	U.S. Government receipts.....	2,715	705	706	627	677	577	630	626	-4
17	Compensation of employees.....	2,925	709	729	731	755	728	726	738	12
18	Imports of goods and services and income payments.....	-2,455,328	-579,764	-599,390	-616,886	-659,290	-678,052	-707,254	-730,974	-23,720
19	Imports of goods and services.....	-1,991,975	-474,688	-488,703	-502,645	-525,939	-535,570	-549,059	-566,401	-17,342
20	Goods, balance of payments basis.....	-1,677,371	-397,457	-410,811	-423,693	-445,410	-452,481	-463,441	-480,681	-17,240
21	Services.....	-314,604	-77,231	-77,892	-78,952	-80,529	-83,089	-85,618	-85,720	-102
22	Direct defense expenditures.....	-30,062	-7,542	-7,478	-7,539	-7,503	-7,692	-7,740	-7,865	-125
23	Travel.....	-69,175	-17,270	-17,589	-17,181	-17,135	-17,634	-18,639	-18,136	503
24	Passenger fares.....	-26,066	-6,213	-6,555	-6,654	-6,644	-6,749	-6,948	-6,595	353
25	Other transportation.....	-62,107	-15,617	-15,135	-15,205	-16,150	-16,232	-16,377	-16,603	-226
26	Royalties and license fees.....	-24,501	-5,880	-6,004	-6,356	-6,261	-6,741	-6,513	-6,383	130
27	Other private services.....	-98,714	-23,699	-24,169	-25,001	-25,845	-27,045	-28,385	-29,119	-734
28	U.S. Government miscellaneous services.....	-3,979	-1,010	-962	-1,016	-991	-996	-1,016	-1,019	-3
29	Income payments.....	-463,353	-105,076	-110,687	-114,240	-133,351	-142,482	-158,195	-164,573	-6,378
30	Income payments on foreign-owned assets in the United States.....	-454,124	-102,817	-108,403	-111,887	-131,018	-140,132	-155,846	-162,217	-6,371
31	Direct investment payments.....	-116,953	-28,490	-29,520	-24,105	-34,839	-34,443	-36,866	-40,106	-3,240
32	Other private payments.....	-223,612	-48,786	-51,490	-58,479	-64,857	-72,813	-82,539	-84,801	-2,262
33	U.S. Government payments.....	-113,559	-25,541	-27,393	-29,303	-31,322	-32,876	-36,441	-37,310	-869
34	Compensation of employees.....	-9,229	-2,259	-2,284	-2,353	-2,333	-2,350	-2,349	-2,356	-7
35	Unilateral current transfers, net.....	-86,072	-27,237	-23,194	-9,464	-26,176	-19,542	-21,856	-21,450	406
36	U.S. Government grants.....	-31,362	-9,221	-5,780	-7,270	-9,091	-4,631	-5,341	-5,529	-188
37	U.S. Government pensions and other transfers.....	-6,303	-1,558	-1,569	-1,584	-1,592	-1,742	-1,755	-1,710	45
38	Private remittances and other transfers.....	-48,407	-16,458	-15,845	-610	-15,493	-13,169	-14,760	-14,211	549

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

[Millions of dollars, quarters seasonally adjusted]

	(Credits +, debits -)	2005	2005				2006			Change: 2006 II-III
			I	II	III	IV	I	II ^r	III ^p	
Capital and financial account										
Capital account										
39	Capital account transactions, net.....	-4,351	-2,691	-589	-557	-514	-1,756	-1,003	-551	452
Financial account										
40	U.S.-owned assets abroad, net (increase/financial outflow (-)).....	-426,801	-87,391	-196,376	-132,380	-10,656	-355,978	-211,375	-223,769	-12,394
41	U.S. official reserve assets, net.....	14,096	5,331	-797	4,766	4,796	513	-560	1,006	1,566
42	Gold.....
43	Special drawing rights.....	4,511	1,713	-97	2,976	-81	-67	-51	-54	-3
44	Reserve position in the International Monetary Fund.....	10,200	3,763	-564	1,951	5,050	729	-351	1,275	1,626
45	Foreign currencies.....	-615	-145	-136	-161	-173	-149	-158	-215	-57
46	U.S. Government assets, other than official reserve assets, net.....	5,539	2,591	989	1,501	459	1,049	1,765	287	-1,478
47	U.S. credits and other long-term assets.....	-2,255	-519	-708	-518	-509	-1,517	-376	-575	-199
48	Repayments on U.S. credits and other long-term assets.....	5,603	1,083	1,586	1,957	977	2,558	2,147	871	-1,276
49	U.S. foreign currency holdings and U.S. short-term assets, net.....	2,191	2,027	111	62	-9	8	-6	-9	-3
50	U.S. private assets, net.....	-446,436	-95,313	-196,568	-138,647	-15,911	-357,540	-212,580	-225,062	-12,482
51	Direct investment.....	-9,072	-31,259	-33,957	30,342	25,799	-61,251	-46,769	-63,063	-16,294
52	Foreign securities.....	-180,125	-50,367	-45,702	-36,790	-47,266	-53,692	-53,915	-53,034	881
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	-31,199	-23,302	7,897
54	U.S. claims reported by U.S. banks, not included elsewhere.....	-213,018	53,483	-174,153	-102,716	10,368	-196,407	-80,697	-85,663	-4,966
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	364,576	400,161	35,585
56	Foreign official assets in the United States, net.....	199,495	18,965	74,613	33,983	71,934	75,697	75,869	80,775	4,906
57	U.S. Government securities.....	156,450	33,007	36,313	25,926	61,204	66,219	21,553	80,137	58,584
58	U.S. Treasury securities.....	71,749	9,226	16,892	8,213	37,418	42,156	-8,905	47,225	56,130
59	Other.....	84,701	23,781	19,421	17,713	23,786	24,063	30,458	32,912	2,454
60	Other U.S. Government liabilities.....	-488	-740	112	395	-255	37	724	1,073	349
61	U.S. liabilities reported by U.S. banks, not included elsewhere.....	24,275	-15,814	34,187	824	5,078	-821	42,241	-7,207	-49,448
62	Other foreign official assets.....	19,258	2,512	4,001	6,838	5,907	10,262	11,351	6,772	-4,579
63	Other foreign assets in the United States, net.....	1,012,755	205,163	271,566	354,609	181,416	451,801	288,707	319,386	30,679
64	Direct investment.....	109,754	30,539	8,245	44,459	26,510	45,268	45,843	44,090	-1,753
65	U.S. Treasury securities.....	199,491	86,108	14,103	37,239	62,041	-5,212	9,784	-7,202	-16,986
66	U.S. securities other than U.S. Treasury securities.....	474,140	77,412	111,808	153,049	131,871	186,009	127,285	138,757	11,472
67	U.S. currency.....	19,416	1,072	4,507	4,679	9,158	1,932	1,127	1,129	2
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	25,082	53,496	28,414
69	U.S. liabilities reported by U.S. banks, not included elsewhere.....	179,849	-70,142	152,938	94,912	2,141	148,851	79,586	89,116	9,530
70	Statistical discrepancy (sum of above items with sign reversed).....	10,410	57,678	44,044	-72,240	-19,071	43,434	64,929	49,709	-15,220
Memoranda:										
71	Balance on goods (lines 3 and 20).....	-782,740	-183,268	-188,220	-198,746	-212,506	-207,969	-210,598	-218,612	-8,014
72	Balance on services (lines 4 and 21).....	66,011	15,160	16,162	16,954	17,733	16,829	17,484	18,294	810
73	Balance on goods and services (lines 2 and 19).....	-716,730	-168,108	-172,058	-181,792	-194,774	-191,140	-193,114	-200,318	-7,204
74	Balance on income (lines 12 and 29).....	11,293	3,621	1,994	7,841	-2,159	-2,516	-2,157	-3,782	-1,625
75	Unilateral current transfers, net (line 35).....	-86,072	-27,237	-23,194	-9,464	-26,176	-19,542	-21,856	-21,450	406
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	-217,127	-225,550	-8,423

r Revised

p Preliminary

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