U.S. International Transactions

First Quarter of 2009

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THE U.S. current-account deficit—the combined balances on trade in goods and services, income, and net unilateral current transfers—decreased to $101.5 billion (preliminary) in the first quarter of 2009, the smallest deficit since the fourth quarter of 2001, from $154.9 billion (revised) in the fourth quarter of 2008 (table A, chart 1).[1] The decrease resulted from decreases in the deficit on goods and, to a much lesser extent, in net unilateral current transfers to foreigners. These decreases were partly offset by decreases in the surpluses on income and on services. The current-account deficit has decreased $82.7 billion, or 45 percent, over the past two quarters.

In the financial account, net financial inflows to the United States were $47.1 billion in the first quarter, down from $88.3 billion in the fourth quarter.[2] U.S. residents reduced their assets abroad more than foreign residents reduced their assets in the United States in both quarters. The reduction in U.S.-owned assets exceeded the reduction in foreign-owned assets by a smaller amount in the first quarter than in the fourth quarter, resulting in the decline in net financial inflows.

The statistical discrepancy—errors and omissions in recorded transactions—was $55.1 billion in the first quarter, compared with $67.2 billion in the fourth quarter.

Current-account highlights include the following:

- Exports of goods decreased 14 percent in the first quarter after a decline of 14 percent in the fourth quarter, and imports of goods decreased 20 percent after a decline of 16 percent.
- Both exports and imports of services decreased 6 percent after declines of 5 percent.
- Income receipts decreased 20 percent after a 14 percent drop, and income payments decreased 21 percent after a 9 percent drop.

Financial-account highlights include the following:

- U.S. government assets other than official reserve

1. Quarterly estimates of U.S. current-account and financial-account components are seasonally adjusted when series demonstrate statistically significant seasonal patterns. When available, seasonally adjusted estimates are cited in this article. The accompanying tables present both adjusted and unadjusted estimates.

2. First-quarter net financial inflows exclude transactions in financial derivatives because data are not yet available. Fourth-quarter net financial inflows excluding transactions in financial derivatives were $102.8 billion.

Table A. Selected U.S. International Transactions

[Millions of dollars, quarters seasonally adjusted]

Line	Corresponding lines in tables 1 and 12 are indicated in ( ) (Credits +; debits –)	2007	2008	2007				2008				2009	Change: 2008:IV–2009:I
				I	II	III	IV	I	II	III	IV	I p	
	Current account												
1	**Exports of goods and services and income receipts (1)**	**2,462,099**	**2,591,233**	**574,689**	**600,300**	**631,854**	**655,255**	**654,217**	**671,886**	**673,383**	**591,747**	**509,571**	**–82,176**
2	Goods, balance of payments basis (3)	1,138,384	1,276,994	269,538	277,655	289,160	302,031	315,637	332,876	337,912	290,569	249,374	–41,195
3	Services (4)	504,784	549,602	118,170	120,333	129,189	137,092	135,653	140,214	140,152	133,583	125,930	–7,653
4	Income receipts (12)	818,931	764,637	186,981	202,312	213,505	216,132	202,927	198,796	195,319	167,596	134,267	–33,329
5	**Imports of goods and services and income payments (18)**	**–3,072,675**	**–3,168,938**	**–742,980**	**–765,079**	**–774,912**	**–789,703**	**–800,185**	**–828,458**	**–825,200**	**–715,096**	**–581,489**	**133,607**
6	Goods, balance of payments basis (20)	–1,969,375	–2,117,245	–475,571	–483,294	–494,075	–516,435	–534,482	–554,372	–559,002	–469,389	–373,411	95,978
7	Services (21)	–375,215	–405,287	–90,175	–92,253	–95,739	–97,048	–99,461	–101,565	–105,004	–99,257	–93,083	6,174
8	Income payments (29)	–728,085	–646,406	–177,234	–189,531	–185,098	–176,220	–166,241	–172,521	–161,194	–146,450	–114,996	31,454
9	**Unilateral current transfers, net (35)**	**–115,996**	**–128,363**	**–30,807**	**–25,752**	**–28,557**	**–30,883**	**–33,330**	**–31,147**	**–32,361**	**–31,527**	**–29,576**	**1,951**
	Financial account												
10	**U.S.-owned assets abroad, excluding financial derivatives (increase/financial outflow (–)) (40)**	**–1,472,126**	**–106**	**–485,867**	**–545,158**	**–192,530**	**–248,571**	**–251,501**	**107,343**	**29,322**	**114,730**	**125,241**	**10,511**
11	**Foreign-owned assets in the United States, excluding financial derivatives (increase/financial inflow (+)) (55)**	**2,129,460**	**534,071**	**700,961**	**737,457**	**278,424**	**412,618**	**426,058**	**2,003**	**117,897**	**–11,888**	**–78,149**	**–66,261**
12	**Financial derivatives, net (70)**	**6,222**	**–28,905**	**14,795**	**–1,007**	**5,942**	**–13,508**	**–7,966**	**–2,355**	**–4,075**	**–14,509**	**n.a.**	**n.a.**
13	**Statistical discrepancy (71)**	**64,912**	**200,055**	**–30,242**	**–637**	**80,403**	**15,388**	**13,344**	**81,410**	**38,067**	**67,236**	**55,093**	**–12,143**
	Memoranda:												
14	Balance on goods (72)	–830,992	–840,252	–206,033	–205,639	–204,915	–214,404	–218,846	–221,496	–221,090	–178,820	–124,036	54,784
15	Balance on services (73)	129,569	144,316	27,995	28,079	33,450	40,044	36,192	38,649	35,148	34,326	32,847	–1,479
16	Balance on income (75)	90,845	118,231	9,747	12,781	28,407	39,912	36,686	26,274	34,125	21,146	19,271	–1,875
17	Balance on current account (77)	–726,573	–706,068	–199,098	–190,531	–171,614	–165,330	–179,298	–187,719	–184,178	–154,875	–101,494	53,381
18	Net financial flows (40, 55, and 70)	663,556	505,060	229,889	191,292	91,836	150,539	166,591	106,991	143,144	88,333	47,092	–41,241

p Preliminary
n.a. Not available

assets decreased strongly as a result of the reversal of some previous central bank currency swaps.

- U.S. claims on foreigners reported by U.S. banks and securities brokers increased for the first time in four quarters. U.S. liabilities to foreigners reported by U.S. banks and securities brokers decreased much more in the first quarter than in the fourth quarter.
- U.S. residents were net purchasers of foreign securities. In the previous two quarters, they were net sellers.
- Net foreign purchases of U.S. Treasury securities decreased, and net foreign sales of U.S. securities other than U.S. Treasury securities increased.
- Both net financial inflows for foreign direct investment in the United States and net financial outflows for U.S. direct investment abroad slowed substantially.

Current Account

Goods and services

The deficit on goods and services decreased to $91.2 billion in the first quarter of 2009 from $144.5 billion in the fourth quarter of 2008 (chart 1). A $54.8 billion decrease in the goods deficit was partly offset by a $1.5 billion decrease in the services surplus.

Goods

The goods deficit decreased to $124.0 billion in the first quarter, the smallest deficit since the third quarter of 2002, from $178.8 billion in the fourth quarter. The goods deficit has decreased $97.1 billion, or 44 percent, over the last two quarters, as goods imports have decreased more than goods exports both in dollar terms and in percentage terms (chart 2).

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

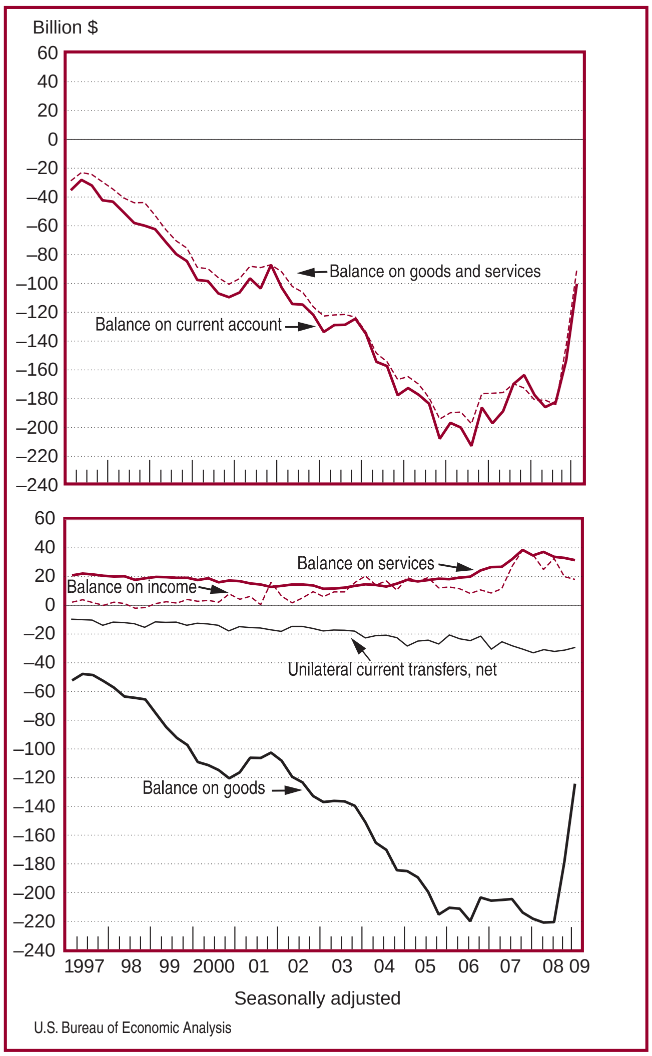
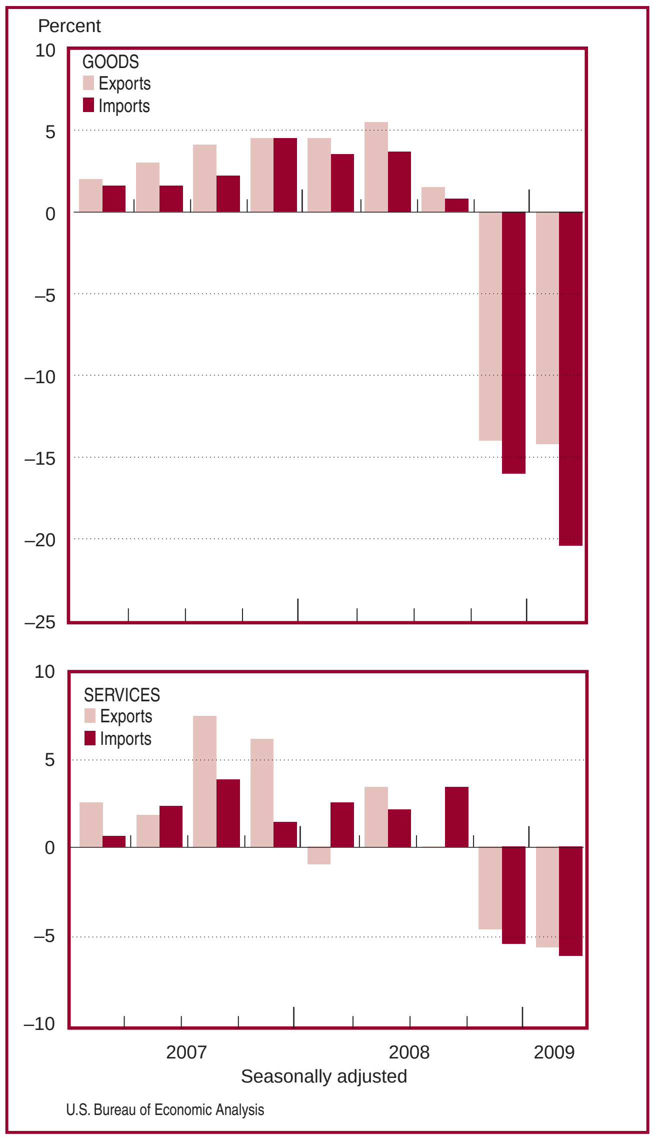


Chart 2. Exports and Imports of Goods and Services: Percent Change From Preceding Quarter



The decreases in exports and imports have largely resulted from the global economic slowdown, which has caused global trade volume to contract sharply. Real, or price-adjusted, U.S. exports of goods fell 11 percent in the first quarter after a decline of 7 percent in the fourth quarter, and real U.S. imports of goods fell 12 percent after a decline of 4 percent. Export and import prices have also decreased, but prices fell less in the first quarter than in the fourth quarter.

Current-dollar imports of petroleum and products fell sharply, leading to a second consecutive large drop in the deficit on petroleum and products (chart 3). The deficit on nonpetroleum products also fell substantially.

Exports. Exports of goods decreased $41.2 billion, or 14.2 percent, to $249.4 billion (table B). Real exports decreased 11.5 percent, and export prices fell 3.0

Revisions

The statistics presented in this article incorporate changes in definitions and methodologies as well as newly available source data. The following statistics have been revised: goods for 2001–2008; services for 2006–2008; income for 2006–2008; unilateral current transfers for 1992 and for 2001–2008; capital-account transactions for 1992 and for 2001–2008; and financial flows for 2006–2008. For more information, see “Annual Revision of the U.S. International Accounts” in this issue.

For the fourth-quarter of 2008, the current-account deficit was revised to $154.9 billion from $132.8 billion. The goods deficit was revised to $178.8 billion from $174.1 billion; the services surplus was revised to $34.3 billion from $33.7 billion; the income surplus was revised to $21.1 billion from $36.5 billion; and unilateral current transfers were revised to net outflows of $31.5 billion from $28.9 billion. Net financial inflows were revised to $88.3 billion from $76.8 billion.

Chart 3. Deficits on Petroleum and Nonpetroleum Products

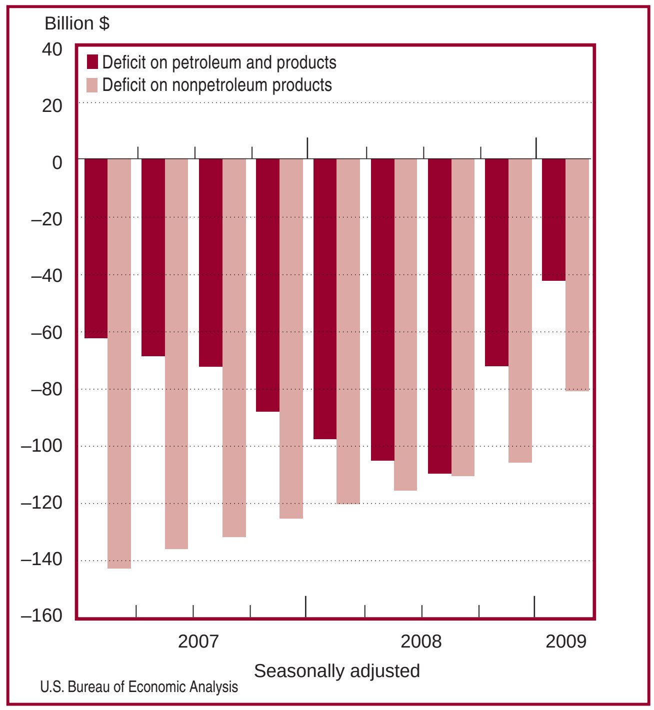


Table B. U.S. Trade in Goods in Current and Chained (2000) Dollars and Percent Changes From Previous Period

[Balance of payments basis, millions of dollars, quarters seasonally adjusted]

	Current dollars							Chained (2000) dollars [1]						
	2007	2008	2008				2009	2007	2008	2008				2009
			I	II	III	IV	I p			I	II	III	IV	I p
Exports	**1,138,384**	**1,276,994**	**315,637**	**332,876**	**337,912**	**290,569**	**249,374**	**989,366**	**1,054,086**	**263,215**	**269,631**	**270,034**	**250,314**	**221,573**
Agricultural products	92,115	117,968	29,305	31,560	31,364	25,739	23,600	62,194	64,339	16,237	16,270	15,877	15,947	15,171
Nonagricultural products	1,046,269	1,159,026	286,332	301,316	306,549	264,829	225,775	929,051	992,946	247,651	254,322	255,392	234,827	206,361
Imports	**1,969,375**	**2,117,245**	**534,482**	**554,372**	**559,002**	**469,389**	**373,411**	**1,664,364**	**1,611,199**	**419,442**	**406,470**	**400,411**	**384,087**	**337,620**
Petroleum and products	330,978	453,280	112,563	124,421	130,848	85,448	52,225	135,413	129,805	35,168	31,290	30,429	34,305	34,337
Nonpetroleum products	1,638,397	1,663,965	421,919	429,951	428,155	383,941	321,186	1,548,448	1,499,014	386,635	383,655	379,345	349,177	300,132

	Percent change from previous period (current dollars)							Percent change from previous period (chained (2000) dollars)						
	2007	2008	2008				2009	2007	2008	2008				2009
			I	II	III	IV	I p			I	II	III	IV	I p
Exports	**12.1**	**12.2**	**4.5**	**5.5**	**1.5**	**–14.0**	**–14.2**	**8.2**	**6.5**	**2.0**	**2.4**	**0.1**	**–7.3**	**–11.5**
Agricultural products	26.4	28.1	11.7	7.7	–0.6	–17.9	–8.3	7.1	3.4	0.3	0.2	–2.4	0.4	–4.9
Nonagricultural products	11.0	10.8	3.8	5.2	1.7	–13.6	–14.7	8.3	6.9	2.2	2.7	0.4	–8.1	–12.1
Imports	**5.7**	**7.5**	**3.5**	**3.7**	**0.8**	**–16.0**	**–20.4**	**2.0**	**–3.2**	**0.2**	**–3.1**	**–1.5**	**–4.1**	**–12.1**
Petroleum and products	9.4	37.0	12.1	10.5	5.2	–34.7	–38.9	–2.0	–4.1	3.0	–11.0	–2.8	12.7	0.1
Nonpetroleum products	5.0	1.6	1.4	1.9	–0.4	–10.3	–16.3	2.8	–3.2	–0.5	–0.8	–1.1	–8.0	–14.0

p Preliminary
1. Because chain indexes use weights of more than one period, the corresponding chained dollar estimates are usually not additive.
NOTE. Percent changes in quarterly estimates are not annualized and are expressed at quarterly rates.

percent.[3] The percentage drop in current-dollar exports slightly surpassed the fourth quarter's decline as the largest percentage decrease on record. All major commodity categories of exports fell sharply for the second consecutive quarter.

Nonagricultural industrial supplies and materials decreased $14.7 billion, or 19 percent. These commodities were the largest contributor to the drop in total exports for the second consecutive quarter as a result of substantial declines in both export volume and prices. As in the fourth quarter, the largest declines were in chemicals, in metals and nonmetallic products, and in petroleum and products, although these commodities decreased less in the first quarter than in the fourth quarter.

Capital goods decreased $10.6 billion, or 10 percent. Civilian aircraft, engines, and parts rebounded strongly after a large fourth-quarter decline. In contrast, capital goods except civilian aircraft decreased much more in the first quarter than in the fourth quarter. Nearly all commodity categories decreased, but declines were particularly large in "other" industrial, agricultural, and service industry machinery, in oil drilling, mining, and construction machinery, and in semiconductors.

Automotive vehicles, parts, and engines decreased $9.7 billion, or 36 percent. The decrease, which followed a 14 percent decline in the previous quarter, was mostly accounted for by a 47 percent drop in passenger car exports. Shipments of passenger cars to Canada, Europe, Latin America, and the Middle East all decreased. Exports of engines and parts also fell sharply.

Consumer goods decreased $2.5 billion, or 6 percent. Durable goods decreased substantially for the second consecutive quarter. Nearly all major categories of durable goods declined, but the largest decreases were in "other" durable goods and in household and kitchen appliances and other household goods.

3. Quantity (real) estimates are calculated using a chain-type Fisher formula with annual weights for all years and quarterly weights for all quarters. Real estimates are expressed as chained (2000) dollars. Price indexes are also calculated using a chain-type Fisher formula.

Data Availability

The estimates that are presented in tables 1–12 of the U.S. international transactions accounts are available interactively on BEA's Web site at www.bea.gov. Users may view and download the estimates for an entire table, or they may select the period, frequency, and lines that they wish to view. The estimates are available in an HTML table, in a spreadsheet file (.xls format), or as comma-separated values.

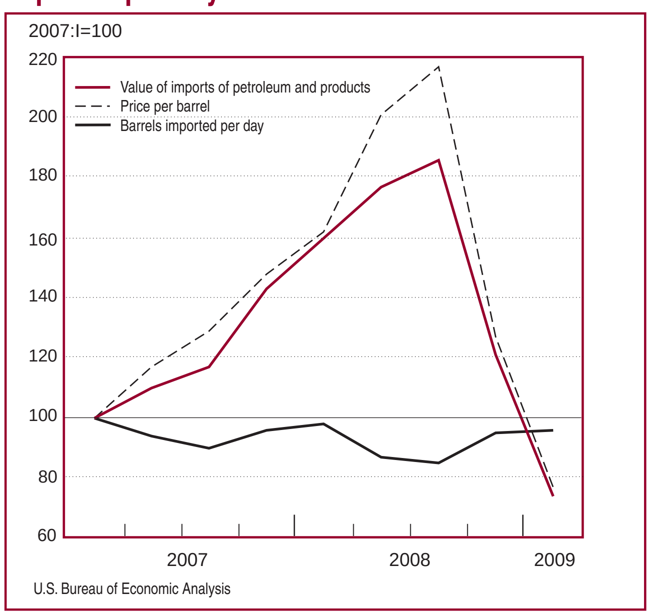
Agricultural products decreased $2.1 billion, or 8 percent. The decrease was considerably smaller than the decrease in the fourth quarter, as the prices of many agricultural products stabilized in the first quarter after falling substantially in the fourth quarter. The largest decreases in exports in the first quarter were in grains and preparations, such as wheat and corn, and in raw cotton.

Imports. Imports of goods decreased $96.0 billion, or 20.4 percent, to $373.4 billion (table B). Real imports decreased 12.1 percent, and import prices fell 9.5 percent. The percentage drop in current-dollar imports surpassed the fourth quarter's 16 percent decline as the largest percentage decrease in imports on record. All major commodity categories of imports fell sharply for the second consecutive quarter, but the largest decrease was in petroleum and products.

Petroleum and products decreased $33.2 billion, or 39 percent in the first quarter after a 35 percent decline in the fourth quarter (chart 4). The average price per barrel of petroleum fell 39 percent to $41.60, mostly as a result of a large price drop in January. In contrast, the average number of barrels imported daily increased 1 percent to 13.76 million. More than half of the decrease in current-dollar petroleum imports was accounted for by a drop in imports from members of OPEC, mainly Saudi Arabia, Nigeria, and Venezuela.

Nonpetroleum industrial supplies and materials decreased $18.5 billion, or 25 percent. These commodities were the largest contributors to the decline in nonpetroleum imports for the second consecutive

Chart 4. Imports of Petroleum and Products: Indexes of Value, Price per Barrel, and Barrels Imported per Day



quarter as a result of substantial declines in both import volume and prices. Nearly all commodity categories decreased substantially, but the largest declines were in chemicals, in steel-related products, in nonferrous metals, and in natural gas.

Automotive vehicles, parts, and engines decreased $17.5 billion, or 35 percent. The decrease followed a 14 percent decline in the previous quarter and smaller decreases in the preceding four quarters. The large declines in the past two quarters were concentrated in imports of passenger cars, as the U.S. automotive sector experienced substantial difficulties.

Capital goods decreased $15.1 billion, or 14 percent in the first quarter after a 7 percent drop in the fourth quarter. All commodity categories decreased substantially, reflecting a large decline in U.S. gross private domestic investment in equipment and software for the second consecutive quarter. The largest decreases in imports were in "other" industrial, agricultural, and service industry machinery, in electric generating machinery and electric apparatus, in oil drilling, mining, and construction machinery, in computers, peripherals, and parts, and in telecommunications equipment.

Consumer goods decreased $8.4 billion, or 7 percent. As in the fourth quarter, three-fourths of the decrease in the first quarter was accounted for by durable goods. Nearly all categories of durable goods fell substantially. Nondurable goods also decreased, largely as a result of a drop in apparel, footwear, and household goods.

Balances by area. The goods deficit decreased $54.8 billion to $124.0 billion in the first quarter. The deficit with Asia and Pacific decreased $24.3 billion, mostly as a result of declines in the deficits with China and, to a lesser extent, with Japan. The deficit with Europe decreased $10.8 billion, as the deficits with Germany and France decreased and the balances with the United Kingdom and Switzerland shifted from deficits to surpluses. The deficit with Africa decreased $7.0 billion, and the deficit with the Middle East decreased $4.9 billion. The decreases mostly reflected drops in petroleum imports from OPEC members in those areas.

Services

The surplus on services decreased to $32.8 billion in the first quarter from $34.3 billion in the fourth quarter. Services receipts decreased $7.7 billion, or 6 percent, to $125.9 billion. Services payments decreased $6.2 billion, or 6 percent, to $93.1 billion (chart 2).

Travel receipts, which include purchases of goods and services by foreign visitors to the United States, fell $2.3 billion to $23.8 billion. Travel receipts have decreased substantially in the past two quarters, as the recent appreciation of the dollar against many foreign currencies and the slowdown in global economic activity have reduced the number of foreign visitors to the United States (table C, chart 5). Travel payments, which include purchases of goods and services by U.S. travelers abroad, decreased $0.9 billion to $18.6 billion, as the number of U.S. visitors abroad fell at a stronger rate than in the fourth quarter.

Passenger fare receipts decreased $0.9 billion to $7.0 billion, and passenger fare payments decreased $1.1 billion to $7.2 billion. The decreases, which were the

Table C. Indexes of Foreign Currency Price of the U.S. Dollar

[January 1999=100]

	2008				2009	2008										2009		
	I	II	III	IV	I	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March
Nominal: [1]																		
Broad [2]	85.1	83.8	85.6	94.8	97.2	83.7	83.5	83.8	84.0	83.4	85.6	87.7	93.5	95.9	94.9	95.4	97.8	98.3
Major currencies [3]	76.2	75.0	77.8	86.0	87.5	74.4	74.6	74.9	75.6	75.1	78.4	79.9	85.1	87.6	85.4	85.7	88.0	88.7
Other important trading partners [4]	96.8	95.3	95.9	106.2	109.9	96.0	95.2	95.5	95.1	94.4	95.2	98.0	104.6	106.8	107.3	108.1	110.6	110.9
Real: [1]																		
Broad [2]	88.5	88.4	90.6	96.9	98.8	87.5	87.6	88.4	89.2	88.8	90.7	92.2	97.2	97.5	95.9	96.7	99.2	100.6
Major currencies [3]	84.4	84.2	87.5	94.5	96.1	82.8	83.5	84.0	85.2	84.8	88.2	89.6	94.7	95.9	92.8	93.8	96.4	98.0
Other important trading partners [4]	92.9	93.1	93.9	99.5	101.9	92.5	92.2	93.3	93.7	93.1	93.5	95.1	100.0	99.4	99.2	100.0	102.3	103.4
Selected currencies: (nominal) [5]																		
Canada	66.1	66.5	68.5	79.8	81.9	66.0	66.7	65.8	66.9	66.7	69.3	69.6	78.0	80.1	81.2	80.6	82.0	83.2
European currencies:																		
Euro area [6]	77.3	74.2	77.3	88.1	89.0	74.7	73.6	74.5	74.5	73.6	77.5	80.8	87.4	91.0	85.8	87.5	90.6	88.8
United Kingdom	83.4	83.7	87.4	105.5	115.0	82.4	83.3	84.0	83.9	83.0	87.5	91.8	97.8	107.6	111.1	114.1	114.4	116.4
Switzerland	77.0	74.5	77.5	83.6	82.9	73.1	73.2	75.4	74.8	74.2	78.2	80.1	82.5	86.0	82.3	81.3	84.0	83.4
Japan	92.9	92.4	95.0	84.8	82.6	88.9	90.6	92.1	94.4	94.3	96.5	94.1	88.2	85.6	80.6	79.5	82.0	86.4
Mexico	106.7	103.0	102.0	129.0	142.0	106.0	103.8	103.1	102.0	100.8	99.9	105.3	125.0	129.5	132.5	137.1	144.2	144.6
Brazil	114.8	109.4	110.4	150.9	153.1	113.0	111.5	109.7	107.0	105.2	106.7	119.3	144.2	150.2	158.4	152.6	153.6	153.2

Data: Federal Reserve Board. Monthly and quarterly average rates.

1. For more information on the nominal and real indexes of the foreign exchange value of the U.S. dollar, see *Federal Reserve Bulletin,* 84 (October 1998): 811–818.

2. Weighted average of the foreign exchange value of the U.S. dollar against the currencies of a broad group of U.S. trading partners, including the euro area countries, Australia, Canada, Japan, Sweden, Switzerland, United Kingdom, Argentina, Brazil, Chile, Colombia, Mexico, Venezuela, China, Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand, Israel, Saudi Arabia, and Russia. Index rebased by BEA.

3. Weighted average of the foreign exchange value of the U.S. dollar against broad-index currencies that circulate widely outside the country of issue, including the currencies of the euro area countries, Australia, Canada, Japan, Sweden, Switzerland, and the United Kingdom. The weight for each currency is its broad-index weight divided by the sum of the broad-index weights for all of the currencies included in the major currency index. Index rebased by BEA.

4. Weighted average of the foreign exchange value of the U.S. dollar against broad-index currencies that do not circulate widely outside the country of issue, including the currencies of Argentina, Brazil, Chile, Colombia, Mexico, Venezuela, China, Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand, Israel, Saudi Arabia, and Russia. The weight for each currency is its broad-index weight divided by the sum of the broad-index weights for all of the currencies included in the other important trading partners index. Index rebased by BEA.

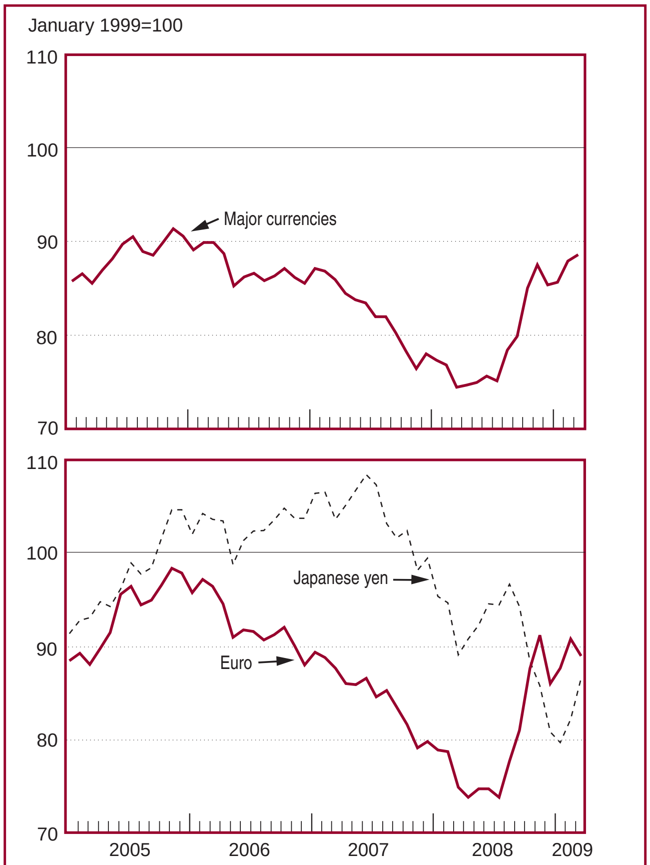
5. Indexes prepared by BEA.

6. The euro area includes Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovenia, and Spain; beginning with the first quarter of 2009, also includes Slovakia

largest since the fourth quarter of 2001, reflected the considerable drop in the number of people traveling between the United States and countries overseas in the first quarter.

"Other" transportation receipts decreased $2.6 billion to $10.6 billion. Receipts for port services and for freight fell substantially for the second consecutive quarter. The decrease in port services resulted from foreign carriers' reduced expenditures in U.S. ports, arising from declines in the volume of U.S. goods exports and imports and in fuel prices. Freight receipts tumbled as a result of the drop in export volume. "Other" transportation payments decreased $2.8 billion to $13.9 billion. As with receipts, payments for freight and for port services fell substantially for the second straight quarter. The drop in freight payments largely resulted from the drop in the volume of U.S. goods imports. Port services payments fell as a result of U.S. carriers' reduced expenditures in foreign ports, arising from the decreases in import and export volume and in fuel prices.

Chart 5. Nominal Indexes of Foreign Currency Price of the U.S. Dollar



NOTE. See table C for the definitions of the indexes. Monthly average rates.
Data: Federal Reserve Board. Indexes rebased by BEA.
U.S. Bureau of Economic Analysis

"Other" private services receipts decreased $1.0 billion to $57.0 billion, and "other" private services payments decreased $0.5 billion to $38.0 billion. The decreases mostly resulted from decreases in receipts and payments for business, professional, and technical services.

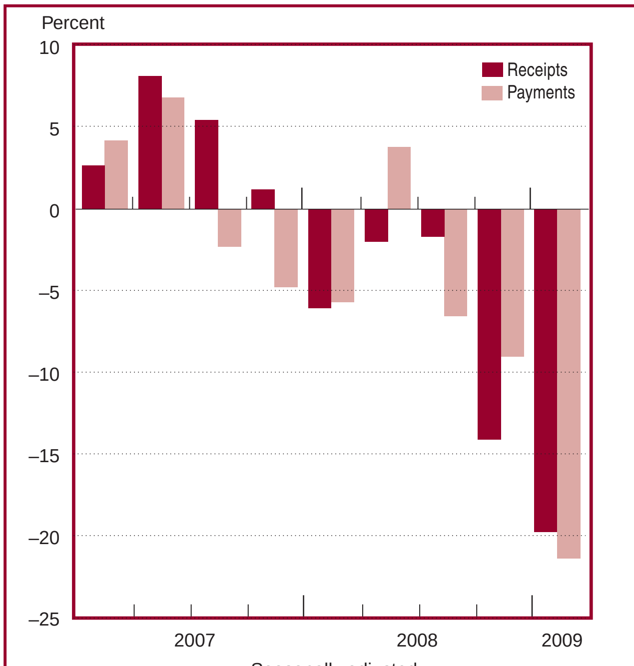
Income

The surplus on income decreased to $19.3 billion in the first quarter from $21.1 billion in the fourth quarter. Income receipts decreased $33.3 billion, or 20 percent, to $134.3 billion. Income payments decreased $31.5 billion, or 21 percent, to $115.0 billion (chart 6).

Receipts of income on U.S. direct investment abroad decreased $13.7 billion to $62.1 billion. Foreign affiliates' earnings fell sharply for the second consecutive quarter amid the slowdown in global economic activity, the recent appreciation of the U.S. dollar against most major foreign currencies, and the unsettled conditions in financial markets. In the first quarter, earnings in all major industry categories and in most major geographic regions decreased.

Payments of income on foreign direct investment in the United States decreased $14.4 billion to $10.0 billion, the lowest level since the fourth quarter of 2002. U.S. affiliates' earnings fell sharply, reflecting lower earnings in all major industry categories. Earnings of finance and insurance affiliates were negative in the first quarter after having been positive in the fourth

Chart 6. Receipts and Payments of Income: Percent Change From Preceding Quarter



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quarter, mainly as a result of a shift from profits to losses by nondepository institutions. Among manufacturing affiliates, earnings of affiliates in transportation equipment and in computers and electronic products were negative after having been positive, and earnings of chemical affiliates decreased.

"Other" private income receipts decreased $20.0 billion to $69.0 billion, and "other" private income payments decreased $14.0 billion to $65.9 billion. The decreases mostly resulted from declines in interest receipts on banks' and nonbanks' claims and in interest payments on banks' and nonbanks' liabilities. These claims and liabilities are mostly dollar-denominated, short-term instruments, and the average interest rates on them were lower in the first quarter than in the fourth quarter, reflecting the considerable easing of U.S. monetary policy near the end of the fourth quarter. Income receipts and payments on securities decreased as a result of decreases in receipts and payments of dividends.

U.S. government income receipts increased $0.3 billion to $2.5 billion. U.S. government income payments decreased $3.0 billion to $36.5 billion, mainly as a result of a decline in payments on agency bonds.

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 $2.6 billion.

Unilateral current transfers

Net unilateral current transfers to foreigners were $29.6 billion in the first quarter, down from $31.5 billion in the fourth quarter. The decrease mostly resulted from a decrease in U.S. government grants.

Capital Account

Net capital account payments (outflows) were virtually unchanged at $0.7 billion in the first quarter.[4]

Financial Account

Financial-account transactions continued to be affected by the unsettled conditions in global financial markets. In the quarters immediately preceding the third quarter of 2007, foreign residents strongly increased their assets in the United States. After the start of market difficulties in the third quarter of 2007, foreigners increased their total U.S. assets less strongly. In the fourth quarter of 2008, they reduced their total U.S. assets for the first time in nearly 19 years, as conditions in global financial markets deteriorated. In the first quarter of 2009, foreigners again reduced their U.S. assets, as many financial markets remained under considerable pressure, although conditions improved somewhat. Similarly, in the quarters immediately preceding the third quarter of 2007, U.S. residents increased their assets abroad strongly. In contrast, U.S. residents reduced their total assets abroad in the past four quarters.

U.S.-owned assets abroad

Net U.S.-owned assets abroad decreased $125.2 billion in the first quarter after a decrease of $114.7 billion in the fourth quarter. The larger decrease resulted from a shift from a substantial increase to a substantial decrease in U.S. government assets other than official reserve assets and, to a much lesser extent, from a slowdown in U.S. direct investment abroad. These changes were mostly offset by a shift from a decrease to an increase in claims reported by U.S. banks and securities brokers, a shift from net U.S. sales to net U.S. purchases of foreign securities, and a smaller decrease in claims reported by U.S. nonbanking concerns.

U.S. official reserve assets. U.S. official reserve assets increased $1.0 billion in the first quarter after an increase of $3.1 billion in the fourth quarter. The first-quarter increase largely resulted from an increase in the U.S. reserve position in the International Monetary Fund (IMF), as the IMF extended loans to a few countries that were experiencing financial difficulties.

U.S. government assets other than official reserve assets. U.S. government assets other than official reserve assets decreased $244.1 billion in the first quarter after an increase of $265.3 billion in the fourth quarter. The shift resulted from the reversal of some of the swaps initiated under temporary reciprocal currency arrangements (swap lines) between the U.S. Federal Reserve System and foreign central banks. The swap lines—which allow foreign central banks to obtain U.S. dollars for a limited period of use directly from the Federal Reserve in exchange for foreign currencies—were established to address elevated pressures in short-term U.S. dollar funding markets worldwide. These pressures eased somewhat in the first quarter, allowing central banks to reverse some of the swaps that they had initiated in previous quarters.

Claims reported by banks and by nonbanks. U.S. claims on foreigners reported by U.S. banks and securities brokers increased $90.9 billion in the first quarter after a decrease of $293.9 billion in the fourth quarter (chart 7). (Examples of these claims are deposits of U.S. residents placed at foreign banks, U.S. bank loans to foreigners, and resale agreements, which are collateralized short-term loans by U.S. banks and brokers to

4. Capital-account transactions consist largely of changes in the financial assets of migrants as they enter or leave the United States and U.S. government debt forgiveness. These transactions now also include certain disaster-related insurance settlements. For more information, see "Annual Revision of the U.S. International Accounts" in this issue.

foreigners.) The increase in claims followed substantial decreases in each of the three preceding quarters, when U.S. banks and brokers significantly cut back their international lending.

Banks' and brokers' own claims denominated in dollars increased $108.4 billion after a decrease of $354.0 billion. The increase mostly resulted from an increase in brokers' claims, particularly claims of foreign-owned brokers located in the United States on banks abroad. Among banks, claims of U.S.-owned banks increased for the fifth time in the past six quarters, mostly as a result of lending to their own offices abroad. Claims of foreign-owned banks in the United States also increased after decreasing substantially in the previous two quarters.

Banks' and brokers' domestic customers' claims denominated in dollars decreased $7.4 billion after an increase of $46.5 billion. The decrease mostly resulted from a large decline in customers' dollar deposits and brokerage balances at banks abroad. The decline in deposits was mostly offset by an increase in customers' negotiable certificates of deposits.

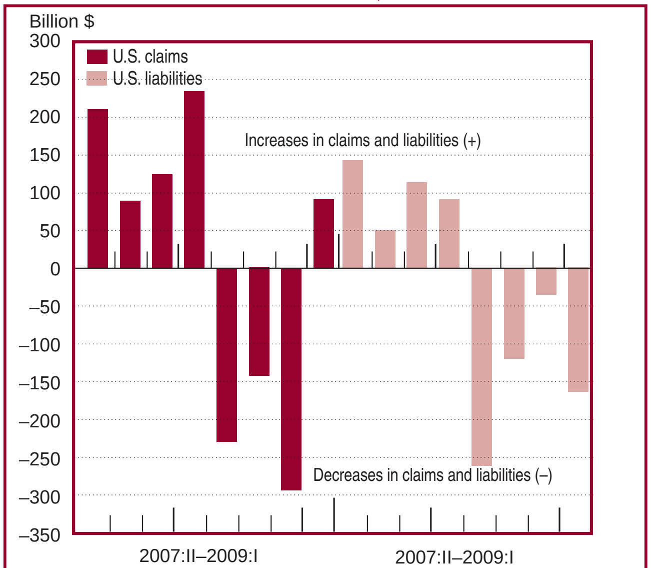
Claims reported by U.S. nonbanking concerns decreased $32.2 billion in the first quarter after a decrease of $103.7 billion in the fourth quarter. (Examples of these claims are deposits of nonbanking concerns placed at foreign banks and intercompany debt claims of U.S. nonbank financial intermediaries on foreign affiliated financial companies.) These claims have decreased every quarter since the third quarter of 2007.

Foreign securities. Transactions in foreign securities shifted to net U.S. purchases of $35.3 billion in the first quarter from net U.S. sales of $70.0 billion in the fourth quarter. Transactions in both foreign stocks and foreign bonds shifted to net U.S. purchases, following net U.S. sales in the previous two quarters (chart 8).

Net U.S. purchases of foreign bonds were $33.8 billion, a shift from net U.S. sales of $34.9 billion. After considerable stress in global financial markets in the fourth quarter, conditions in credit markets improved somewhat in the first quarter, as some governments implemented programs to guarantee bonds issued by certain institutions. However, credit spreads remained very high, partly reflecting investors' uncertainty about future global economic activity. Net U.S. purchases of foreign bonds from Europe were $24.9 billion, a shift from net U.S. sales of $22.7 billion (table 8 following the text). Transactions with "other" areas, with Latin America, and with Caribbean financial centers also shifted to net U.S. purchases from net sales.

Net U.S. purchases of foreign stocks were $1.5 billion, a shift from net U.S. sales of $35.1 billion. After falling sharply in the fourth quarter, foreign stock prices, as measured by a broad foreign stock price index, declined an additional 20 percent in local currency terms from the beginning of the first quarter until early March. However, prices then rebounded, and the index ended the quarter only 10 percent lower than it was at the beginning. The shift to net U.S. purchases of foreign stocks largely resulted from decreases

Chart 7. U.S. Claims and Liabilities Reported by U.S. Banks and Securities Brokers, 2007:II–2009:I [1]



1. Under balance-of-payments concepts, 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.

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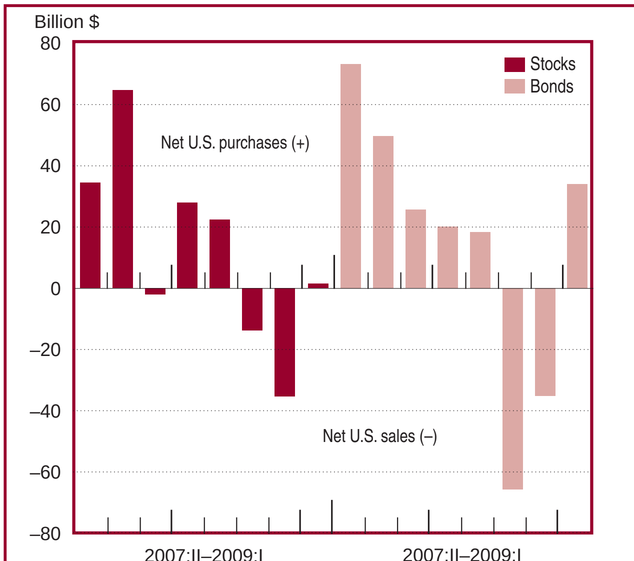
Chart 8. Transactions in Foreign Securities, 2007:II–2009:I [1]



1. Under balance-of-payments concepts, net U.S. purchases of foreign securities are shown with a negative sign in tables 1–12, and net U.S. sales are shown with a positive sign.

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in net U.S. sales to Asia and to Europe and an increase in net U.S. purchases from Caribbean financial centers.

Direct investment. Net financial outflows for U.S. direct investment abroad were $24.0 billion in the first quarter, down from $84.5 billion in the fourth quarter. Both net equity capital investment abroad and reinvested earnings were the lowest in many quarters, and net intercompany debt investment abroad decreased more in the first quarter than in the fourth quarter. Net equity capital investment slowed as a result of a substantial decline in equity capital outflows for acquisitions or establishment of new foreign affiliates and contributions to existing foreign affiliates. The decrease in reinvested earnings was mostly attributable to a drop in foreign affiliates' earnings.

Foreign-owned assets in the United States

Net foreign-owned assets in the United States decreased $78.1 billion in the first quarter after a decrease of $11.9 billion in the fourth quarter. The larger decrease mostly resulted from a larger decrease in U.S. liabilities reported by U.S. banks and securities brokers in the first quarter than in the fourth quarter and a slowdown in net financial inflows for foreign direct investment in the United States. In addition, net foreign sales of U.S. securities other than U.S. Treasury securities picked up, and both net foreign purchases of U.S. Treasury securities and net U.S. currency shipments to foreigners slowed. These changes were partly offset by a smaller decrease in U.S. liabilities reported by U.S. nonbanking concerns and by a shift from a decrease to an increase in foreign official assets in the United States.

Foreign official assets. Foreign official assets in the United States increased $71.2 billion in the first quarter after a decrease of $16.0 billion in the fourth quarter. The shift largely reflected a drop in sales of foreign exchange reserves by foreign governments. By area, the assets of European countries decreased much less in the first quarter than in the fourth quarter, and the assets of Asian countries increased more in the first quarter than in the fourth quarter. By instrument, transactions in "other" U.S. government securities, mainly federally sponsored agency securities, shifted to small net purchases from large net sales, and U.S. liabilities reported by U.S. banks decreased less in the first quarter than in the fourth quarter. These changes were partly offset by a slowdown in net purchases by foreign official institutions of U.S. Treasury securities.

Liabilities reported by banks and by nonbanks. U.S. liabilities reported by U.S. banks and securities brokers, excluding U.S. Treasury securities, decreased $163.7 billion in the first quarter after a decrease of $35.2 billion in the fourth quarter (chart 7). (Examples of these liabilities are deposits of foreign residents placed at banks in the United States, loans made by banks abroad to banks in the United States, and repurchase agreements, which are collateralized short-term loans made by foreign residents to banks and brokers in the United States.) Liabilities decreased for the fourth consecutive quarter.

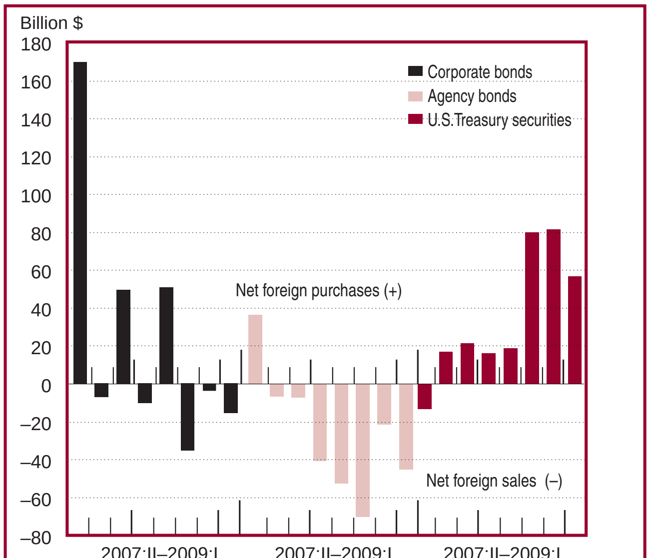
Banks' and brokers' own liabilities denominated in dollars decreased $151.8 billion after a decline of $7.6 billion. The first-quarter decrease mostly resulted from a decline in U.S.-owned banks' liabilities, partly reflecting repayments of the large amount of funds borrowed from abroad by U.S.-owned banks in the fourth quarter. Foreign-owned banks' liabilities also decreased after a large increase in the fourth quarter. In contrast, securities brokers' liabilities increased after an exceptionally large decrease in the fourth quarter.

Banks' and brokers' customers' liabilities denominated in dollars increased $14.8 billion after a decrease of $29.9 billion. The increase was more than accounted for by an increase in "other" liabilities.

U.S. liabilities reported by U.S. nonbanking concerns decreased $34.7 billion in the first quarter after a decrease of $139.8 billion in the fourth quarter. The first-quarter decrease largely resulted from a decline in "other" liabilities—such as loans, advances, and other borrowings by nonbanking concerns—to the United Kingdom.

U.S. Treasury securities. Net foreign purchases of U.S. Treasury securities were $56.9 billion in the first quarter, down from $81.5 billion in the fourth quarter (chart 9). The decrease resulted from a decline in net

Chart 9. Transactions in U.S. Debt Securities, 2007:II–2009:I



NOTE. Excludes transactions in foreign official assets.
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foreign purchases of short-term U.S. Treasury securities after exceptionally strong net foreign purchases of those securities in the previous two quarters. Net foreign purchases of short-term U.S. Treasury securities were $17.4 billion in the first quarter, down from $60.6 billion in the fourth quarter. Net foreign purchases of long-term U.S. Treasury securities were $39.5 billion, up from $20.9 billion.

Other U.S. securities. Net foreign sales of U.S. securities other than U.S. Treasury securities were $54.9 billion in the first quarter, up from $29.0 billion in the fourth quarter. Foreign investors had net sales of these securities in five out of the past seven quarters after having strong net purchases for several quarters immediately preceding the third quarter of 2007.

Net foreign sales of U.S. federally sponsored agency bonds were $45.3 billion, up from $21.4 billion (chart 9). It was the seventh consecutive quarter of net foreign sales of agency bonds, partly reflecting net sales of housing-related agencies' bonds.

Net foreign sales of U.S. corporate bonds were $15.5 billion, up from $3.8 billion. U.S. corporate bond markets remained under considerable stress in the first quarter, and credit spreads remained at very high levels

Net foreign purchases of U.S. stocks were $6.0 billion, a shift from net foreign sales of $3.9 billion. After falling sharply in the fourth quarter, U.S. stock prices, as measured by the Standard and Poor's 500 index, fell an additional 25 percent from the beginning of the first quarter until early March before rebounding. At the end of the quarter, the index was 12 percent lower than at the beginning of the quarter.

U.S. currency. Net U.S. currency shipments to foreigners were $11.8 billion in the first quarter, down from $29.9 billion in the fourth quarter. Although lower, net U.S. currency shipments remained substantial, likely reflecting continued heightened foreign demand for U.S. currency during the recent financial turmoil.

Direct investment. Net financial inflows for foreign direct investment in the United States were $35.3 billion in the first quarter, down from $96.8 billion in the fourth quarter. The slowdown was more than accounted for by a slowdown in net equity capital investment in the United States and, to a much lesser extent, a shift from positive to negative reinvested earnings. In contrast, net intercompany debt investment in the United States increased in the first quarter after decreasing in the fourth quarter. The slowdown in net equity capital investment largely resulted from a substantial decline in equity capital inflows arising from foreign acquisitions of U.S. companies. The shift from positive to negative reinvested earnings resulted from a decline in U.S. affiliates' earnings.

Tables 1 through 12 follow.