

U.S. International Transactions

Second 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 \$117.4 billion (preliminary) in the second quarter from \$133.6 billion (revised) in the first quarter (see pages 62–65).¹ The deficit decreased to 3.0 percent of current-dollar gross domestic product (GDP), down from 3.5 percent in the first quarter.² The decrease in the current-account deficit was accounted for by a decrease in the deficit on goods and an increase in the surplus on income. A smaller contribution came from an increase in the surplus on services. These changes were partly offset by a slight increase in net unilateral current transfers to foreign residents.

In the financial account, net financial inflows to the United States decreased to \$88.5 billion in the second quarter, down from \$164.7 billion in the first quarter (see pages 66–67). Net financial flows reflect combined transactions in U.S.-owned assets abroad, foreign-owned assets in the United States, and financial derivatives. The second-quarter decrease was accounted for by a shift from an increase to a decrease in foreign-owned assets in the United States. This shift was partly offset by a decrease in U.S.-owned assets abroad that was larger than in the first quarter and by a shift from net outflows to net inflows of financial derivatives.

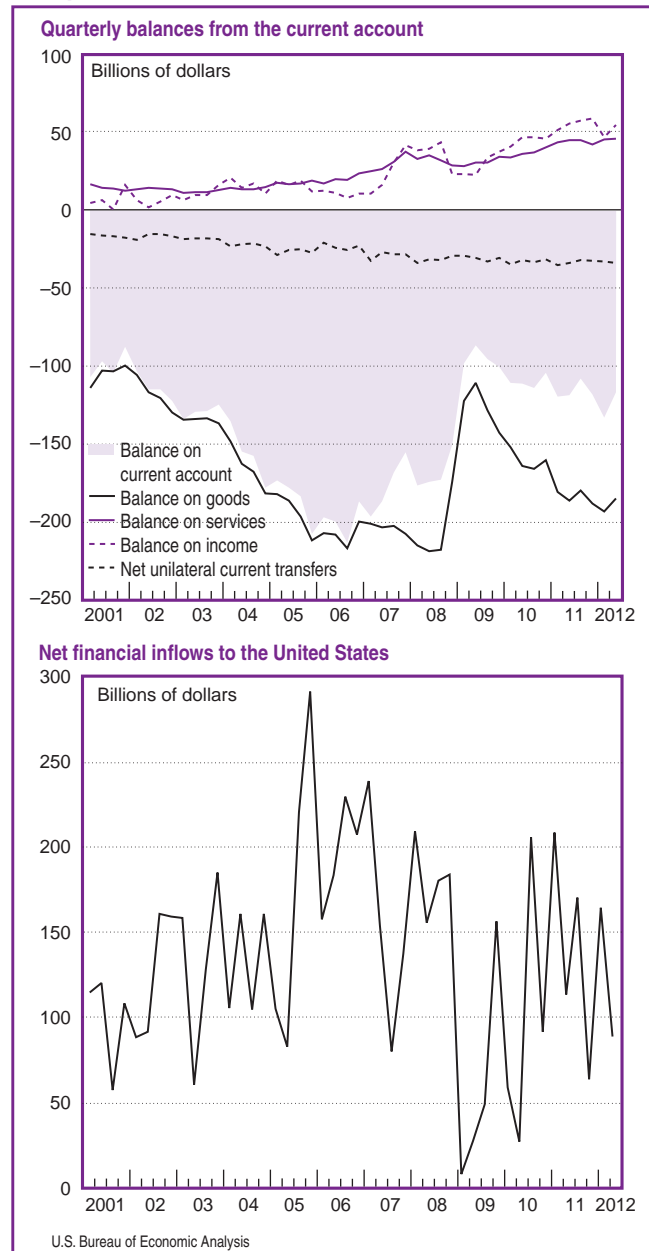
The statistical discrepancy—the amount that balances the sum of the recorded credits and debits across all the accounts in the international transactions accounts—was \$28.9 billion in the second quarter, compared with $-\$31.1$ billion in the first quarter.

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.

Sarah P. Scott prepared this article.

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



Overview

Table A. U.S. International Transactions

[Millions of dollars, seasonally adjusted]

(Credits +; debits -)	2011		2012		Change 2012:I- 2012:II
	III	IV	I ^r	II ^p	
Current account					
Exports of goods and services and income receipts	724,800	720,095	728,724	737,144	8,420
Goods, balance of payments basis	382,161	382,167	388,523	394,110	5,587
Services	155,190	151,037	155,493	156,956	1,463
Income receipts	187,449	186,891	184,708	186,079	1,371
Imports of goods and services and income payments	-801,143	-806,512	-829,657	-820,965	8,692
Goods, balance of payments basis	-562,778	-571,421	-582,821	-579,899	2,922
Services	-109,395	-108,068	-109,559	-110,487	-928
Income payments	-128,971	-127,022	-137,277	-130,578	6,699
Unilateral current transfers, net	-31,815	-32,240	-32,692	-33,586	-894
U.S. government grants	-11,176	-11,551	-11,910	-11,657	253
U.S. government pensions and other transfers	-2,250	-2,269	-2,541	-2,574	-33
Private remittances and other transfers	-18,389	-18,419	-18,241	-19,355	-1,114
Capital account					
Capital account transactions, net	-300	-55	-1	n.a.	n.a.
Financial account					
U.S.-owned assets abroad (increase/financial outflow (-))¹	-91,896	-26,231	106,549	206,800	100,251
U.S. official reserve assets	-4,079	-1,912	-1,233	-3,289	-2,056
U.S. government assets, other than official reserve assets	-1,137	-100,624	51,076	16,725	-34,351
U.S. private assets	-86,679	76,305	56,706	193,364	136,658
Direct investment	-70,323	-111,208	-116,094	-79,229	36,865
Foreign securities	-40,110	35,980	3,604	5,537	1,933
U.S. claims on unaffiliated foreigners reported by nonbanking concerns	9,326	65,122	-49,183	396	49,579
U.S. claims reported by banks and brokers	14,428	86,411	218,379	266,660	48,281
Foreign-owned assets in the United States (increase/financial inflow (+))¹	266,397	57,067	59,564	-118,727	-178,291
Foreign official assets in the United States	19,889	-2,859	69,711	83,010	13,299
Other foreign assets in the United States	246,508	59,926	-10,147	-201,737	-191,590
Direct investment	63,222	76,120	22,202	33,479	11,277
U.S. Treasury securities	120,918	82,519	43,834	7,365	-36,469
U.S. securities other than U.S. Treasury securities	-20,396	-35,276	3,654	-43,174	-46,828
U.S. currency	9,614	18,817	18,057	7,116	-10,941
U.S. liabilities to unaffiliated foreigners reported by nonbanking concerns	-19,670	-39,989	24,212	-8,754	-32,966
U.S. liabilities reported by banks and brokers	92,820	-42,265	-122,106	-197,769	-75,663
Financial derivatives, net	-3,949	32,613	-1,396	464	1,860
Statistical discrepancy (sum of the bold lines above with sign reversed)	-62,094	55,263	-31,092	² 28,870	³ 59,962
Memoranda:					
Balance on goods	-180,617	-189,254	-194,298	-185,790	8,508
Balance on services	45,795	42,969	45,934	46,469	535
Balance on goods and services	-134,822	-146,286	-148,364	-139,321	9,043
Balance on income	58,478	59,869	47,431	55,500	8,069
Unilateral current transfers, net	-31,815	-32,240	-32,692	-33,586	-894
Balance on current account	-108,158	-118,656	-133,624	-117,407	16,217
Net financial flows ⁴	170,552	63,449	164,717	88,537	76,180

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 after 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 after 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 the increase in the first quarter. In the second quarter, exports increased and imports decreased.
- The surplus on services increased for a second straight quarter, as services receipts increased more than services payments.
- The surplus on income increased after decreasing in the first quarter. In the second quarter, income payments fell and income receipts rose.

Financial-account highlights

- U.S.-owned assets abroad decreased more than in the first quarter, and foreign-owned assets in the United States shifted from an increase to a decrease.
- U.S.-owned assets abroad decreased for a second straight quarter; the decrease in the second quarter was nearly double that of the first. The second-quarter decrease was mostly accounted for by a decrease in U.S. private assets, particularly U.S. claims reported by U.S. banks and securities brokers.
- Foreign-owned assets in the United States decreased after increasing in the previous 11 quarters. The second-quarter decrease was more than accounted for by a decrease in “other” (private) foreign assets in the United States, particularly U.S. liabilities reported by U.S. banks and securities brokers.

Revisions

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

Preliminary and Revised First-Quarter 2012 Statistics

[Millions of dollars, seasonally adjusted]

	Preliminary	Revised
Balance on goods	-194,462	-194,298
Balance on services	43,465	45,934
Balance on income	47,571	47,431
Unilateral current transfers, net	-33,887	-32,692
Current-account balance	-137,313	-133,624
Net financial flows	156,720	164,717

Current Account—Goods

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

	2011		2012		Change 2012:I- 2012:II
	III	IV	I ^r	II ^p	
Exports, balance of payments basis	382,161	382,167	388,523	394,110	5,587
Agricultural products	33,943	33,999	33,793	36,719	2,926
Nonagricultural products	348,218	348,168	354,731	357,391	2,660
Foods, feeds, and beverages	31,303	31,142	30,471	33,736	3,265
Grains and preparations	8,664	8,162	7,065	7,765	700
Other	22,639	22,980	23,406	25,971	2,565
Industrial supplies and materials	133,876	132,431	132,627	131,996	-631
Petroleum and products	34,639	35,923	34,326	35,723	1,397
Nonpetroleum products	99,237	96,508	98,301	96,273	-2,028
Chemicals, excluding medicinals	31,160	31,311	30,361	30,271	-90
Metals and nonmetallic products	35,306	33,080	34,485	32,961	-1,524
Nonferrous metals	20,327	18,120	19,230	18,230	-1,000
Other	14,979	14,960	15,255	14,731	-524
Other	32,771	32,117	33,455	33,041	-414
Capital goods, except automotive	125,479	126,877	131,210	131,273	63
Electric generating machinery, apparatus, and parts	12,194	12,393	12,726	13,436	710
Oil drilling, mining, and construction machinery	8,444	9,090	9,075	9,413	338
Industrial engines, pumps, and compressors	7,197	7,301	7,770	7,253	-517
Industrial, agricultural, and service machinery, n.e.c.	31,283	31,443	32,509	32,731	222
Computers, peripherals, and parts	12,301	12,081	12,960	12,578	-382
Semiconductors	11,139	10,787	10,701	10,697	-4
Telecommunications equipment	9,119	9,229	9,094	9,806	712
Scientific, hospital, and medical equipment	10,735	10,769	10,888	11,202	314
Civilian aircraft, engines, and parts	21,028	21,410	23,243	21,827	-1,416
Other	2,039	2,374	2,244	2,330	86
Automotive vehicles, parts, and engines	34,368	34,406	36,463	37,503	1,040
Passenger cars	12,042	12,412	13,302	13,674	372
Trucks, buses, and special purpose vehicles	5,073	4,747	5,417	5,321	-96
Engines, parts, and accessories	17,252	17,247	17,745	18,507	762
Consumer goods, except automotive	44,288	44,512	44,092	45,764	1,672
Nondurable goods	19,791	19,823	19,237	20,706	1,469
Medicinal, dental, and pharmaceutical products	11,499	11,506	10,742	12,057	1,315
Other	8,292	8,317	8,495	8,649	154
Durable goods	24,497	24,689	24,855	25,057	202
Household appliances and other household goods	8,647	8,705	9,035	9,085	50
Other	15,850	15,984	15,820	15,972	152
Other exports	12,847	12,799	13,661	13,838	177

p Preliminary r Revised

n.e.c. Not elsewhere classified

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

Exports of goods increased for the 12th straight quarter. Five of the six major end-use categories increased in the second quarter. Nearly 60 percent of the increase was accounted for by an increase in foods, feeds, and beverages.

Foods, feeds, and beverages increased after decreasing in the previous three quarters. Most of the second-quarter increase resulted from a rise in exports of soybeans.

Industrial supplies and materials decreased after a small increase in the first quarter. The largest decrease was in metals and nonmetallic products, notably non-monetary gold.

Capital goods increased less than in any of the 11 previous quarters. Increases in machinery and equipment, mainly telecommunications equipment and electric generating machinery, were nearly offset by a decrease in civilian aircraft, engines, and parts, the first decrease since the fourth quarter of 2010.

Automotive vehicles, parts, and engines increased half as much as in the first quarter. The second-quarter increase was more than accounted for by increases in engines, parts, and accessories and in passenger cars.

Consumer goods increased after a smaller decrease in the first quarter. Most of the increase was in nondurable goods, reflecting an increase in medicinal, dental, and pharmaceutical products.

Table C. Growth in Real Goods Exports and Imports

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

	2011				2012	
	I ^r	II ^r	III ^r	IV ^r	I ^r	II ^p
Exports, balance of payments basis	1.6	0.8	2.4	1.3	1.1	1.5
Imports, balance of payments basis	2.2	-0.3	1.1	1.4	0.4	0.7

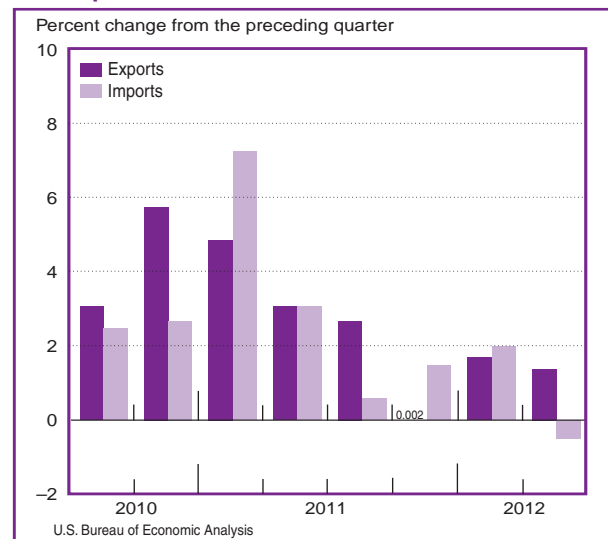
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Trends in the Trade in Goods

The deficit on goods decreased more in the second quarter than it rose in the first. In the second quarter, current-dollar goods exports increased 1.4 percent and imports decreased 0.5 percent (chart 2). As a percentage of current-dollar GDP, the goods deficit decreased to 4.8 percent in the second quarter from 5.0 percent in the first quarter.

Both real exports and real imports grew at a faster pace in the second quarter than in the first. Exports grew more rapidly than imports (table C).

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:I- 2012:II
	III	IV	I ^r	II ^p	
Imports, balance of payments basis	562,778	571,421	582,821	579,899	-2,922
Petroleum and products.....	114,190	117,298	119,373	111,350	-8,023
Nonpetroleum products.....	448,588	454,124	463,448	468,549	5,101
Foods, feeds, and beverages	27,067	28,181	28,014	27,558	-456
Industrial supplies and materials	196,574	197,058	198,977	191,139	-7,838
Petroleum and products.....	114,190	117,298	119,373	111,350	-8,023
Nonpetroleum products.....	82,384	79,760	79,604	79,789	185
Natural gas.....	3,845	3,296	2,561	2,320	-241
Chemicals, excluding medicinals.....	19,698	19,353	18,191	18,866	675
Building materials, except metals.....	5,018	5,046	5,261	5,447	186
Metals and nonmetallic products.....	33,175	31,385	33,763	32,496	-1,267
Iron and steel products.....	9,423	9,366	10,824	10,460	-364
Nonferrous metals.....	15,820	14,510	14,302	14,163	-139
Other.....	7,932	7,509	8,637	7,873	-764
Other.....	20,648	20,680	19,828	20,660	832
Capital goods, except automotive	129,474	133,053	137,656	139,854	2,198
Electric generating machinery, apparatus, and parts.....	14,854	15,201	16,081	16,530	449
Oil drilling, mining, and construction machinery.....	5,731	5,933	6,848	7,371	523
Industrial engines, pumps, and compressors.....	5,537	5,669	5,782	6,304	522
Industrial, agricultural, and service machinery, n.e.c.....	30,983	31,827	32,636	33,644	1,008
Computers, peripherals, and parts.....	30,452	30,354	31,631	31,261	-370
Semiconductors.....	10,094	10,312	11,050	9,858	-1,192
Telecommunications equipment.....	12,053	11,645	12,785	13,271	486
Scientific, hospital, and medical equipment.....	9,049	9,100	9,413	9,267	-146
Civilian aircraft, engines, and parts.....	8,305	10,337	9,011	9,617	606
Other.....	2,416	2,675	2,419	2,731	312
Automotive vehicles, parts, and engines	66,326	67,740	73,526	74,661	1,135
Passenger cars.....	32,082	32,785	36,377	36,296	-81
Trucks, buses, and special purpose vehicles.....	5,619	5,076	5,753	5,515	-238
Engines, parts, and accessories.....	28,625	29,880	31,396	32,850	1,454
Consumer goods, except automotive	128,534	130,223	128,055	130,000	1,945
Nondurable goods.....	61,278	60,883	60,174	61,175	1,001
Apparel, footwear, and household goods.....	32,053	30,897	31,549	32,079	530
Medicinal, dental, and pharmaceutical products.....	22,565	23,355	21,977	22,157	180
Other.....	6,659	6,631	6,648	6,939	291
Durable goods.....	67,257	69,341	67,881	68,825	944
Televisions and other video equipment.....	8,053	7,974	8,367	8,546	179
Toys and sporting goods, including bicycles.....	8,910	8,836	9,350	9,152	-198
Household appliances and other household goods.....	32,875	36,176	33,157	33,816	659
Other.....	17,419	16,355	17,007	17,311	304
Other imports and U.S. goods returned	14,803	15,165	16,594	16,687	93

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

Imports of goods decreased after increasing for 11 straight quarters. Only two of the six major end-use categories decreased. The decrease was more than accounted for by a decrease in industrial supplies and materials. A smaller decrease occurred in foods, feeds, and beverages.

Foods, feeds, and beverages decreased for a second straight quarter. The second-quarter decrease was more than accounted for by "other" agricultural foods, feeds, and beverages.

Industrial supplies and materials decreased after increasing the previous two quarters. The second-quarter decrease was more than accounted for by petroleum and products, which decreased 7 percent after two straight quarters of increase. Metals and nonmetallic products also contributed to the decrease.

Capital goods rose for the 12th straight quarter. Increases in several commodities, most notably industrial, agricultural, and service machinery, n.e.c. and civilian aircraft, engines, and parts, were partly offset by decreases in semiconductors and in computers, peripherals, and parts.

Automotive vehicles, parts, and engines increased less than in the previous three quarters. The second-quarter increase was more than accounted for by an increase in engines, parts, and accessories.

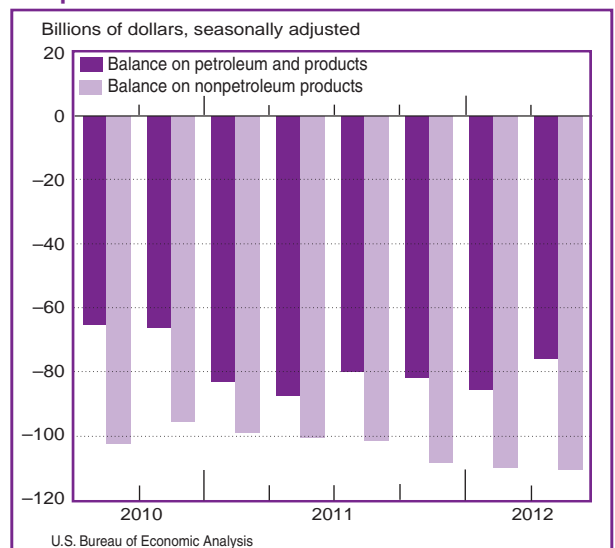
Consumer goods increased after decreasing in the first quarter, as both nondurable and durable goods increased. The largest increase in nondurables goods was in apparel, footwear, and household goods. The increase in durable goods reflected an increase in household appliances and other household goods.

Goods Deficit by Area and Type of Product

The goods deficit decreased \$8.5 billion in the second quarter after increasing \$5.0 billion in the first quarter and \$8.6 billion in the fourth quarter of 2011. The second-quarter decrease was more than accounted for by decreases in the deficits with Latin America and Other Western Hemisphere and Canada. In contrast, the deficit with Asia and Pacific increased; the increase was more than accounted for by an increase in the deficit with China. Deficits with the Middle East and Europe also increased.

Petroleum products. As shown in chart 3, the deficit on petroleum products decreased after smaller increases in the previous two quarters. The second-quarter deficit was 13 percent lower than the recent high in the second quarter of 2011. The second-quarter decrease resulted from a substantial drop in imports and a small increase in exports.

Chart 3. Balance on Total Petroleum and Nonpetroleum Products



Current Account—Services

Table E. Services Exports and Imports

[Millions of dollars, seasonally adjusted]

	2011		2012		Change 2012:I- 2012:II
	III	IV	I ^p	II ^p	
Services exports	155,190	151,037	155,493	156,956	1,463
Travel.....	30,194	29,254	30,900	31,264	364
Passenger fares	9,889	9,287	9,734	9,776	42
Other transportation.....	10,956	10,827	10,863	10,931	68
Freight.....	5,537	5,514	5,388	5,492	104
Port services	5,419	5,313	5,475	5,439	-36
Royalties and license fees	31,055	30,033	30,429	30,935	506
Other private services.....	68,123	66,736	68,833	69,476	643
Education.....	5,732	5,815	5,892	5,988	96
Financial services	19,012	17,676	17,712	17,725	13
Insurance services.....	3,895	4,017	3,895	3,943	48
Telecommunications.....	3,306	3,149	3,297	3,324	27
Business, professional, and technical services.....	33,418	33,330	35,336	35,775	439
Other services.....	2,761	2,750	2,700	2,721	21
Transfers under U.S. military agency sales contracts	4,664	4,615	4,406	4,253	-153
U.S. government miscellaneous services	309	284	327	320	-7
Services imports	109,395	108,068	109,559	110,487	928
Travel.....	19,895	19,871	21,228	21,387	159
Passenger fares	7,946	7,923	8,936	8,821	-115
Other transportation.....	13,767	13,769	13,716	13,842	126
Freight.....	10,180	10,034	10,237	10,398	161
Port services	3,587	3,735	3,479	3,444	-35
Royalties and license fees	9,503	9,652	9,859	10,040	181
Other private services.....	49,656	48,576	47,866	48,404	538
Education.....	1,475	1,498	1,525	1,543	18
Financial services	3,906	4,006	3,915	3,973	58
Insurance services.....	14,869	14,094	13,203	13,311	108
Telecommunications.....	1,976	1,870	1,806	1,812	6
Business, professional, and technical services.....	27,229	26,912	27,214	27,561	347
Other services.....	201	196	204	205	1
Direct defense expenditures	7,343	7,052	6,838	6,850	12
U.S. government miscellaneous services	1,284	1,225	1,115	1,143	28

^p Preliminary ^r Revised

NOTE: The statistics are presented in tables 1 and 3 after 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" in this issue of the SURVEY OF CURRENT BUSINESS.

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

Growth in passenger fare receipts slowed from that in the first quarter.

“Other” transportation receipts increased as a result of increased freight services receipts.

Travel payments—purchases of goods and services by U.S. travelers abroad—increased less than in the first quarter.

Passenger fare payments decreased after a strong increase in the first quarter.

“Other” transportation payments increased after decreasing in the first quarter. The increase was due to higher payments for freight services.

Chart 4. Growth in Services Exports and Imports



Current Account—Income

Table F. Income Receipts and Payments
[Millions of dollars, seasonally adjusted]

	2011		2012		Change 2012:II- 2011:II
	III	IV	I ^p	II ^p	
Income receipts	187,449	186,891	184,708	186,079	1,371
Income on U.S.-owned assets abroad	185,994	185,441	183,230	184,595	1,365
Direct investment receipts	119,106	119,094	116,321	114,293	-2,028
Earnings	117,357	117,304	114,456	112,351	-2,105
Interest	1,748	1,789	1,866	1,942	76
Other private receipts	66,361	65,903	66,146	69,803	3,657
Income on foreign securities	57,039	55,721	56,615	61,114	4,499
Dividends	36,522	35,315	36,670	41,254	4,584
Interest	20,517	20,406	19,945	19,861	-84
Interest on claims reported by banks and brokers	5,643	6,276	5,906	5,207	-699
For own claims	4,966	5,526	5,276	4,665	-611
For customers' claims	677	750	630	543	-87
Interest on claims reported by nonbanking concerns	3,680	3,907	3,625	3,481	-144
U.S. government receipts	527	444	763	499	-264
Compensation of employees	1,455	1,450	1,479	1,484	5
Income payments	128,971	127,022	137,277	130,578	-6,699
Income on foreign-owned assets in the United States	125,508	123,590	133,885	127,173	-6,712
Direct investment payments	38,261	36,552	45,585	37,919	-7,666
Earnings	31,448	30,283	38,556	31,221	-7,335
Interest	6,813	6,268	7,029	6,698	-331
Other private payments	54,157	53,655	55,396	56,528	1,132
Income on U.S. corporate securities	49,082	47,851	49,620	51,088	1,468
Dividends	19,122	18,239	20,551	21,994	1,443
Interest	29,961	29,613	29,069	29,095	26
Interest on liabilities reported by banks and brokers	3,294	3,788	3,742	3,488	-254
For own liabilities	2,109	2,537	2,453	2,298	-155
For customers' liabilities	1,185	1,251	1,288	1,190	-98
Interest on liabilities reported by nonbanking concerns	1,781	2,016	2,035	1,952	-83
U.S. government payments	33,090	33,383	32,904	32,726	-178
Compensation of employees	3,463	3,433	3,392	3,406	14

^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 were down for the fourth straight quarter, after increasing for 9 straight quarters. Nearly all of the second-quarter decrease reflected lower earnings of foreign affiliates in finance.

“Other” private income receipts rose by the largest amount since the second quarter of 2011. The rise was due to an increase in dividend income on foreign stocks.

U.S. government receipts decreased after increasing in the first quarter.

Income payments on foreign direct investment in the United States decreased. Most of the decrease was attributable to a drop in earnings of U.S. affiliates in manufacturing and in finance.

“Other” private income payments rose for the second consecutive quarter. The second-quarter rise reflected increased average dividend yields and increased foreign holdings of U.S. corporate stocks.

U.S. government payments decreased for a second straight quarter. The second-quarter decrease resulted from decreases in average yields for and holdings of U.S. agency bonds.

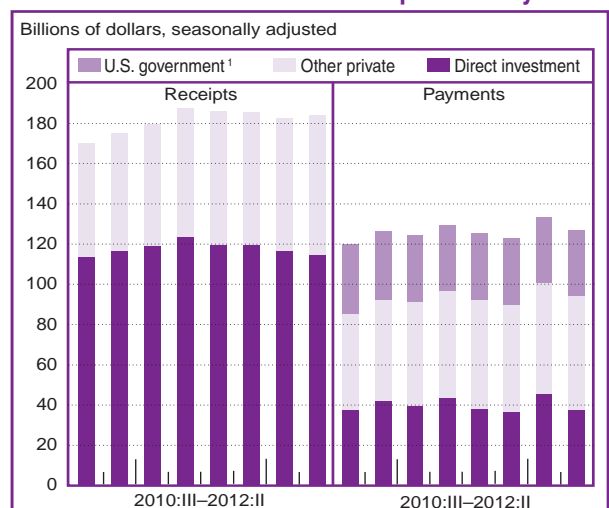
Trends in Income

The surplus on income rose to \$55.5 billion in the second quarter after decreasing in the first quarter. As a percentage of U.S. current-dollar GDP, the surplus rose to 1.4 percent from 1.2 percent in the first quarter.

As shown in chart 5, income receipts increased slightly after decreasing for three straight quarters; the combined effect was a 1.8 percent decline since the peak reached in the second quarter of 2011. The second-quarter increase was more than accounted for by an increase in “other” private receipts that was partly offset by a decrease in direct investment receipts. “Other” private receipts were 8.9 percent higher and direct investment receipts were 7.4 percent lower than in the second quarter of 2011.

Income payments decreased after peaking in the first quarter. The decrease was mostly accounted for by a decrease in direct investment payments that was partly offset by an increase in “other” private payments. Direct investment payments have fluctuated in recent quarters; since the fourth quarter of 2009, they have not moved in the same direction for more than two consecutive quarters.

Chart 5. Investment Income Receipts and Payments



1. U.S. government receipts are relatively small and may not be clearly visible above. See table F for these statistics.
U.S. Bureau of Economic Analysis

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:I- 2012:II
	III	IV	I ^r	II ^p	
U.S.-owned assets abroad¹	-91,896	-26,231	106,549	206,800	100,251
U.S. official reserve assets	-4,079	-1,912	-1,233	-3,289	-2,056
U.S. government assets, other than official reserve assets.....	-1,137	-100,624	51,076	16,725	-34,351
U.S. private assets.....	-86,679	76,305	56,706	193,364	136,658
Direct investment	-70,323	-111,208	-116,094	-79,229	36,865
Equity	-872	-17,683	-5,703	-13,555	-7,852
Reinvested earnings.....	-83,786	-85,664	-81,587	-84,973	-3,386
Intercompany debt	14,334	-7,861	-28,804	19,299	48,103
Foreign securities.....	-40,110	35,980	3,604	5,537	1,933
Stocks.....	-22,802	8,630	-14,802	-20,974	-6,172
Bonds.....	-17,308	27,350	18,406	26,511	8,105
U.S. claims on unaffiliated foreigners reported by nonbanking concerns	9,326	65,122	-49,183	396	49,579
U.S. claims reported by banks and brokers ...	14,428	86,411	218,379	266,660	48,281
For own accounts.....	-60,657	26,637	129,026	245,655	116,629
For customers' accounts.....	75,085	59,774	89,353	21,005	-68,348

^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 after this article and on BEA's Web site.

Developments in the Financial Account

U.S.-owned assets abroad decreased for the second consecutive quarter after increases in the last two quarters of 2011. The second-quarter decrease was the largest since the fourth quarter of 2008. Foreign-owned assets in the United States decreased after increasing for 11 straight quarters (table A).

The decrease in U.S.-owned assets abroad was more than accounted for a sharp decrease in U.S. claims reported by U.S. banks and securities brokers. The decrease in foreign-owned assets in the United States reflected a similar decrease in U.S. liabilities reported by U.S. banks and securities brokers (chart 7). The claims decrease was primarily in interbank deposits at offshore branches; the liabilities decrease was primarily in interbank liabilities of offshore branches. Both claims and liabilities have decreased since the first quarter of 2011. These decreases were partly in response to changes in banking regulations and were mostly offsetting.

A decrease in U.S. government assets other than official reserve assets—reflecting the reversal of central bank liquidity swaps and lower demand for liquidity in U.S. dollars at foreign banks—contributed to the decrease in U.S.-owned assets abroad. U.S. direct investment abroad and an increase in the U.S. reserve position in the International Monetary Fund partly offset the decreases.

Sales of other U.S. securities by private foreigners exceeded purchases—reflecting net sales of U.S. stocks and U.S. corporate and agency bonds—contributed to the decrease in foreign-owned assets in the United States (chart 8). Foreign official net purchases of U.S. Treasury securities and foreign direct investment partly offset the decrease in liabilities reported by banks and brokers and the net sales of U.S. securities by private foreigners.

U.S. official reserve assets rose for the 6th straight quarter. The second-quarter rise was stronger than those of the two previous quarters and was 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 in the second quarter, after a larger decrease in the first. The decreases in both quarters reflected reductions of central bank liquidity swaps between the U.S. Federal Reserve System and foreign central banks.

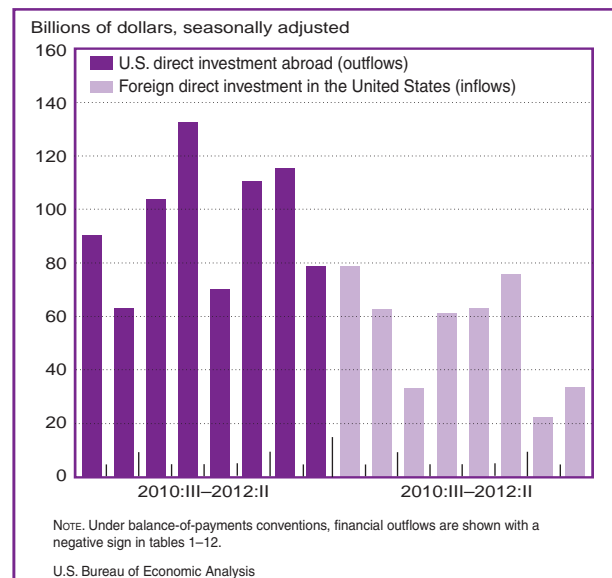
U.S. direct investment abroad was lower than in the previous two quarters. A shift to net inflows of intercompany debt investment was partly offset by increases in equity investment and reinvested earnings.

U.S. sales of foreign securities exceeded U.S. purchases for the third quarter in a row. The second-quarter net sales reflected larger net sales of foreign bonds than net purchases of foreign stocks.

U.S. claims on foreigners reported by nonbanks decreased slightly after increasing in the first quarter. The second-quarter decrease reflected a decrease in claims of financial intermediaries that was mostly offset by increases in U.S. deposits abroad and other short term instruments.

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—decreased as a result of a decrease in claims for banks' own accounts. The decrease in claims for own accounts was the largest decrease since the fourth quarter of 2008.

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:I- 2012:II
	III	IV	I ^r	II ^p	
Foreign-owned assets in the United States¹	266,397	57,067	59,564	-118,727	-178,291
Foreign official assets	19,889	-2,859	69,711	83,010	13,299
U.S. government securities	11,249	-17,417	85,431	70,725	-14,706
U.S. Treasury securities	28,115	-17,573	85,068	84,870	-198
Other	-16,866	156	363	-14,145	-14,508
Other U.S. government liabilities	2,287	1,826	2,833	2,682	-151
U.S. liabilities reported by banks and brokers	5,121	12,215	-19,305	5,982	25,287
Other foreign official assets	1,232	517	752	3,621	2,869
Other foreign assets	246,508	59,926	-10,147	-201,737	-191,590
Direct investment	63,222	76,120	22,202	33,479	11,277
Equity	25,547	29,620	2,019	11,636	9,617
Reinvested earnings	17,235	20,500	25,811	15,826	-9,985
Intercompany debt	20,440	25,999	-5,628	6,018	11,646
U.S. Treasury securities	120,918	82,519	43,834	7,365	-36,469
U.S. securities other than U.S. Treasury securities	-20,396	-35,276	3,654	-43,174	-46,828
Stocks	-28,278	-17,140	18,883	-8,580	-27,463
Corporate bonds	-9,736	-31,254	-14,832	-33,329	-18,497
Federally sponsored agency bonds	17,618	13,118	-397	-1,265	-868
U.S. currency	9,614	18,817	18,057	7,116	-10,941
U.S. liabilities to unaffiliated foreigners reported by nonbanking concerns	-19,670	-39,989	24,212	-8,754	-32,966
U.S. liabilities reported by banks and brokers	92,820	-42,265	-122,106	-197,769	-75,663
For own accounts	109,703	-15,288	-115,632	-204,720	-89,088
For customers' accounts	-16,883	-26,977	-6,474	6,951	13,425

p Preliminary r Revised

1. Excludes transactions in financial derivatives.

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

Foreign official assets in the United States increased more in the second quarter than in the first. The second-quarter increase was more than accounted for by net purchases of U.S. Treasury securities.

Foreign direct investment in the United States was higher than in the first quarter. A shift to net inflows of intercompany debt investment and an increase in equity investment were partly offset by lower reinvested earnings.

Purchases of U.S. Treasury securities by private foreigners exceeded sales for a fourth straight quarter. Net purchases of these securities fell in each of the last three quarters. The second-quarter slowdown in net purchases resulted from lower net purchases of Treasury bonds.

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

U.S. liabilities to foreigners reported by nonbanks decreased after increasing in the first quarter. The decrease resulted from decreases in "other" financial liabilities and commercial liabilities.

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—decreased more than in the first quarter. The second-quarter decrease was more than accounted for by a decrease in banks' and brokers' liabilities for own accounts.

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

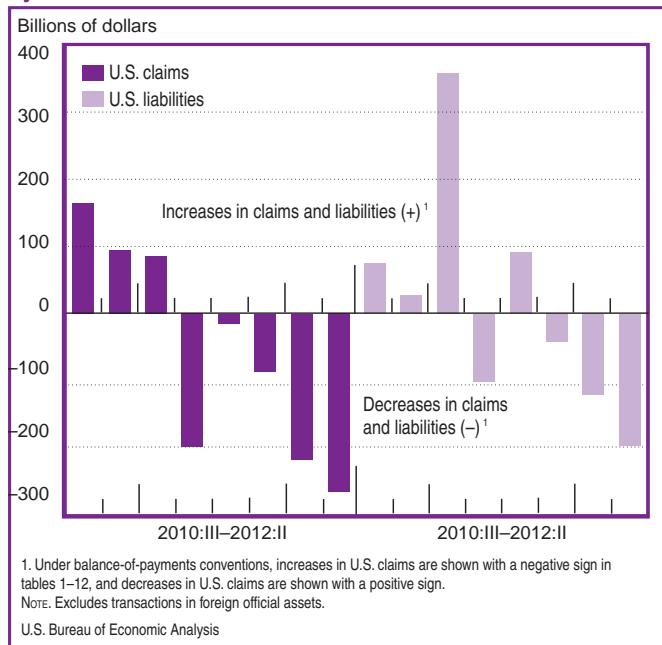


Chart 8. Transactions in U.S. Debt Securities

