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U.S. BALANCE OF PAYMENTS DEVELOPMENTS:
THIRD QUARTER 1971 (Revised)

Data that have just become available indicate that the balance on current account and long-term capital was in deficit by \$3.1 billion (seasonally adjusted) in the third quarter, the Commerce Department's Office of Business Economics announced today (see table A). The deficit was virtually unchanged from the \$3.2 billion record deficit reached in the second quarter; the deficits in both quarters exceeded that for the entire year 1970.

On the basis of revised figures, the balance on goods and services--which has shown a persistent deterioration since the record \$8.6 billion surplus of 1964--recorded a nominal deficit in the third quarter, following a very small surplus (revised) in the second, the weakest showing since 1959. The major factors affecting the balance in the third quarter were a temporary \$0.5 billion narrowing of the merchandise trade deficit--mainly related to dock-strike developments--and an offsetting decline in net investment income from its second quarter bulge. The balance on goods, services, and remittances was in deficit by \$0.4 billion.

Data now available on U.S. direct investment (which affects the balance on current account and long-term capital) show a substantial net outflow of \$1.4 billion, about the same as in the two preceding quarters. Foreign direct investment in the United States shifted adversely by \$0.3 billion, from the very small second quarter outflow (revised), mainly reflecting prepayment for imports to the United States by branches of Japanese trading companies here. On the other hand, net transactions in foreign and U.S. securities shifted favorably by \$0.5 billion.

As reported earlier, the net liquidity balance deteriorated \$3.5 billion to a record \$9.3 billion deficit, largely reflecting speculative influences. This is particularly suggested by the exceptionally large amount--\$5.2 billion--of unrecorded outflows (errors and omissions), and to a lesser extent by the rise in net outflow of recorded short-term nonliquid capital, principally bank loans to foreigners. The official reserve transactions balance deteriorated by almost \$6.4 billion to a record deficit of more than \$12 billion, as a \$2.9 billion rise in net outflows of recorded liquid U.S. and foreign private capital was added to the factors affecting the other balances.

Complete balance of payments data for the third quarter and further analysis will be published in the December issue of the Survey of Current Business, the monthly journal of the Office of Business Economics. The Survey is available from Field Offices of the Department of Commerce, or from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, at an annual subscription price of \$9.00 including weekly supplements; single copy, \$1.00.

Table A.--Summary of U.S. International Transactions
(Millions of dollars, seasonally adjusted)

Line	1970 Year	1970				1971			Change 1971 IIQ-IIIQ
		I	II	III	IV	Ir	IIr	IIIp	
1 Merchandise trade balance.....	2,110	513	751	704	142	269	-1,040	-537	503
2 Services, net.....	1,482	368	294	291	528	901	1,066	531	-535
3 Balance on goods and services.....	3,592	881	1,045	995	670	1,170	26	-6	-32
4 Remittances, pensions and other transfers...	-1,410	-338	-362	-359	-351	-342	-355	-388	-33
5 Balance on goods, services, and remittances...	2,182	543	683	636	319	828	-329	-394	-65
6 U.S. Government grants (excl. military).....	-1,739	-418	-391	-444	-485	-428	-483	-527	-44
7 Balance on current account.....	444	125	292	192	-166	400	-812	-921	-109
8 U.S. Government capital flows, net, and nonliquid liabilities to other than foreign official reserve agencies.....	-2,029	-453	-590	-312	-673	-680	-630	-532	98
9 Long-term private capital flows, net.....	-1,453	-969	-272	-220	7	-1,003	-1,795	-1,648	147
10 Balance on current account and long-term capital.....	-3,038	-1,297	-570	-340	-832	-1,283	-3,237	-3,101	136
11 Nonliquid short-term private capital flows, net.....	-545	-115	-140	-115	-175	-384	-394	-1,167	-773
12 Allocations of SDR.....	867	217	217	217	216	180	179	179	0
13 Errors and omissions, net.....	-1,104	-59	-375	-437	-233	-1,017	-2,330	-5,204	-2,874
14 Net liquidity balance.....	-3,821	-1,254	-868	-675	-1,024	-2,504	-5,782	-9,293	-3,511
15 Liquid private capital flows, net.....	-6,000	-1,610	-536	-1,400	-2,454	-3,029	51	-2,828	-2,879
16 Official reserve transactions balance.....	-9,821	-2,864	-1,404	-2,075	-3,478	-5,533	-5,731	-12,121	-6,390

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