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Summary of U.S. International Transactions
Fourth Quarter and Year 1981

The U.S. current account was in virtual balance in the fourth quarter, compared with a surplus of \$2.1 billion in the third, according to the Commerce Department's Bureau of Economic Analysis. The shift largely reflected a \$2.2 billion increase in the merchandise trade deficit to \$9.2 billion; exports decreased and imports increased.

Among other current-account items, net service receipts, at \$11.0 billion in the fourth quarter, were unchanged from the third. Receipts of income on U.S. direct investment abroad slowed and payments of income on foreign direct investment in the United States increased. More than offsetting was an increase in net receipts of income on other private investment; payments fell more rapidly than receipts. Net unilateral transfers showed little change, at \$1.9 billion.

In the private capital accounts, U.S. claims on foreigners reported by U.S. banks increased \$42.4 billion, compared with a \$15.2 billion increase. Claims were increased \$31.4 billion by the transfer of assets from abroad to establish International Banking Facilities (IBFs). There was an unusual shift to net inflows of \$0.5 billion for U.S. direct investment abroad, due to intercompany account inflows partly reflecting repatriation of Eurobond borrowings by overseas affiliates. Net U.S. purchases of foreign securities were \$2.9 billion, compared with \$0.6 billion, due to large new security issues by Canada and the World Bank in the United States.

Foreign official assets in the United States increased \$8.1 billion, compared with a \$5.7 billion decrease. There was a continued increase in assets of OPEC members. Among other foreign assets in the United States, U.S. liabilities to private foreigners reported by U.S. banks increased \$21.7 billion, compared with a \$16.3 billion increase. Liabilities were increased \$29.0 billion by the transfer of liabilities from abroad to establish IBFs. Inflows for foreign direct investment in the United States were sharply higher, \$8.2 billion compared with \$4.1 billion, partly due to a Middle East purchase of a U.S. petroleum construction and drilling company.

Beginning in December, IBFs were established as adjuncts to regular banking facilities of U.S. banks, U.S. depository institutions, Edge or Agreement corporations, or U.S. offices of foreign banks. IBFs are permitted to conduct only international banking business. The deposits received and held by these institutions are exempt from Federal Reserve reserve requirements and interest rate ceilings.

Year 1981

For the year 1981, the current account was in surplus by \$6.6 billion, compared with a \$3.7 billion surplus in 1980. The merchandise trade deficit increased to \$27.8 billion, compared with \$25.3 billion. Sluggish economic conditions both in the United States and abroad slowed the growth in imports and exports to 6 and 5 percent, respectively. The service balance was in surplus by \$41.2 billion, compared with \$36.1 billion. Net receipts of income on private portfolio investment were \$27.4 billion, compared with \$15.2 billion; net direct investment income receipts were \$22.5 billion, compared with \$27.5 billion.

Among capital account transactions, U.S. claims on foreigners reported by U.S. banks nearly doubled to \$84.5 billion in 1981; \$31.4 billion reflected the asset transfer to establish IBFs. Net capital outflows for U.S. direct investment abroad declined to \$7.0 billion, compared with \$18.5 billion, due to a shift to inflows in equity and intercompany accounts--including large inflows from borrowings overseas--and a decline in reinvested earnings. The increase in U.S. liabilities reported by U.S. banks to private foreigners almost tripled to \$44.2 billion, reflecting \$29.0 billion in IBF transfers and substantial dollar inflows in the second and third quarters. Foreign direct investment in the United States increased \$18.7 billion, compared with \$10.9 billion. Several large acquisitions in the last half of the year boosted equity and intercompany account inflows. Foreign official assets increased \$5.2 billion, compared with \$15.5 billion. Leading industrial countries withdrew dollar assets in the second and third quarters; OPEC members increased dollar holdings throughout the year.

Unrecorded dollar inflows resulted in a positive statistical discrepancy of \$24.6 billion. The discrepancy probably reflected underreporting of capital inflows, partly due to bank and nonbank reporting problems, and to unsettled political and military conditions abroad.

From the end of December 1980 to the end of December 1981, the dollar appreciated an average of 16 and 14 percent on a trade-weighted basis against the currencies of 10 industrial and 22 OECD countries, respectively. Through early August, the appreciation was 24 and 20 percent, respectively, before declining to yearend.

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Additional data and analysis for the fourth quarter and year 1981 will be published in the March issue of the Survey of Current Business, a monthly journal of the Bureau of Economic Analysis. The Survey is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. First class mail (domestic only): annual subscription \$50.00. Foreign airmail delivery rates are available upon request. Second class mail: annual subscription \$30.00 domestic, \$37.50 foreign; single issue \$4.25 domestic, \$5.35 foreign.

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

Credits (+), debits (-)	1980	1981p	Change: 1980-81	1980		1981			Change: 1981 III-IV
				IV	Ir	IIr	IIIr	IVp	
1 Exports of goods and services 1/.....	344,667	375,993	31,326	88,636	94,341	94,992	94,046	92,617	-1,429
2 Merchandise, adjusted, excluding military 2/.....	223,966	236,300	12,334	57,149	60,990	60,369	57,929	57,012	-917
Receipts of income on U.S. assets abroad:									
3 Direct investment.....	36,842	30,569	-6,273	8,719	8,098	8,055	7,333	7,083	-250
4 Of which: Reinvested earnings of incorporated affiliates.....	16,998	11,475	-5,523	3,645	3,480	3,149	2,629	2,218	-411
5 Other private receipts.....	36,522	55,848	19,326	10,329	12,641	13,488	14,951	14,768	-183
6 U.S. Government receipts.....	2,572	3,640	1,068	716	842	870	1,017	911	-106
7 Other goods and services.....	44,765	49,636	4,871	11,723	11,770	12,210	12,816	12,843	27
8 Imports of goods and services.....	-333,888	-362,653	-28,765	-84,902	-89,480	-92,262	-90,083	-90,831	-748
9 Merchandise, adjusted, excluding military 2/.....	-249,308	-264,117	-14,809	-62,719	-65,651	-67,263	-64,955	-66,248	-1,293
Payments of income on foreign assets in the United States:									
10 Direct investment.....	-9,336	-8,095	1,241	-2,066	-1,825	-2,040	-1,878	-2,352	-474
11 Of which: Reinvested earnings of incorporated affiliates.....	-6,190	-4,556	1,634	-1,371	-1,029	-1,168	-1,015	-1,345	-330
12 Other private payments.....	-21,326	-28,457	-7,131	-5,911	-6,724	-7,368	-7,893	-6,472	1,421
13 U.S. Government payments.....	-12,512	-16,748	-4,236	-3,530	-3,949	-4,241	-4,272	-4,287	-15
14 Other goods and services.....	-41,406	-45,236	-3,830	-10,676	-11,331	-11,350	-11,085	-11,472	-387
15 Unilateral transfers (excluding military grants of goods and services), net.	-7,056	-6,762	294	-2,344	-1,527	-1,518	-1,848	-1,871	-23
16 U.S. Government grants (excluding military grants of goods and services)..	-4,659	-4,460	199	-1,624	-977	-965	-1,245	-1,269	-20
17 U.S. Government pensions, private remittances, and other transfers.....	-2,397	-2,303	94	-720	-550	-553	-599	-602	-3
18 U.S. assets abroad, net (increase/capital outflow(-)).....	-84,776	-106,578	-21,802	-27,995	-22,407	-21,980	-16,709	-45,485	-28,776
19 U.S. official reserve assets, net.....	-8,155	-5,175	2,980	-4,279	-4,529	-905	-4	262	266
20 U.S. Government assets, other than official reserve assets, net.....	-5,165	-5,138	27	-1,094	-1,395	-1,485	-1,282	-976	306
21 U.S. private assets, net.....	-71,456	-96,265	-24,809	-22,622	-16,483	-19,590	-15,423	-44,771	-29,348
22 Direct investment abroad.....	-18,546	-6,995	11,551	-7,122	-1,562	-4,954	-1,023	542	1,565
23 Of which: Reinvested earnings of incorporated affiliates.....	-16,998	-11,475	5,523	-3,645	-3,480	-3,149	-2,629	-2,218	411
24 Foreign securities.....	-3,310	-5,536	-2,226	-356	-488	-1,479	-642	-2,928	-2,286
25 Claims on unaffiliated foreigners reported by U.S. nonbanking concerns..	-2,653	n.a.	n.a.	-2,005	-3,192	2,470	1,451	n.a.	n.a.
26 Claims reported by U.S. banks.....	-46,947	-84,462	-37,515	-13,139	-11,241	-15,627	-15,209	-42,385	-27,176
27 Foreign assets in the United States, net (increase/capital inflow (+)).....	50,261	74,356	24,095	23,870	7,140	12,888	15,849	38,479	22,630
28 Foreign official assets in the United States, net.....	15,492	5,208	-10,284	7,711	5,503	-2,779	-5,663	8,147	13,810
29 U.S. Government securities.....	11,870	6,287	-5,583	7,498	7,696	-1,533	-4,089	4,213	8,302
30 Other U.S. Government liabilities.....	636	170	-466	205	-112	177	-161	266	427
31 U.S. liabilities reported by U.S. banks, not included elsewhere.....	-159	-3,916	-3,757	-460	-2,910	-2,070	-2,387	3,451	5,838
32 Other foreign official assets.....	3,145	2,667	-478	469	829	647	974	217	-757
33 Other foreign assets in the United States, net.....	34,769	69,148	34,379	16,158	1,637	15,667	21,512	30,332	8,820
34 Direct investment in the United States.....	10,854	18,664	7,810	2,060	2,487	3,839	4,134	8,205	4,071
35 Of which: Reinvested earnings of incorporated affiliates.....	6,190	4,556	-1,634	1,371	1,029	1,168	1,015	1,345	330
36 U.S. Treasury securities.....	2,679	2,914	235	893	1,405	733	-449	1,225	1,674
37 U.S. securities other than U.S. Treasury securities.....	5,384	7,078	1,694	2,240	2,454	3,472	759	393	-366
38 U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.....	5,109	n.a.	n.a.	3,228	-820	-293	273	n.a.	n.a.
39 U.S. liabilities reported by U.S. banks, not included elsewhere.....	10,743	41,332	30,589	7,737	-3,889	7,916	16,795	20,510	3,715
40 Allocations of special drawing rights.....	1,152	1,093	-59	---	1,093	---	---	---	---
41 Statistical discrepancy (sum of above items with sign reversed).....	29,640	24,551	-5,089	2,736	10,840	7,880	-1,255	7,090	8,345
Of which: seasonal adjustment discrepancy.....	---	---	---	2,139	-401	1,161	-2,631	1,875	4,506
MEMORANDA:									
42 Balance on merchandise trade (lines 2 and 9).....	-25,342	-27,817	-2,475	-5,570	-4,661	-6,894	-7,026	-9,236	-2,210
43 Balance on goods and services (lines 1 and 8).....	10,779	13,340	2,561	3,734	4,861	2,730	3,963	1,786	-2,177
44 Balance on goods, services, and remittances (lines 43 and 17).....	8,382	11,038	2,656	3,014	4,311	2,177	3,364	1,184	-2,180
45 Balance on current account (lines 43 and 15).....	3,723	6,578	2,855	1,390	3,334	1,212	2,115	-85	-2,200
Transactions in U.S. official reserve assets and in foreign official assets in the United States:									
46 Increase (-) in U.S. official reserve assets, net (line 19).....	-8,155	-5,175	2,980	-4,279	-4,529	-905	-4	262	266
47 Increase (+) in foreign official assets in the United States (lines 29, 31, and 32).....	14,856	5,038	-9,818	7,507	5,615	-2,956	-5,502	7,881	13,383

r Revised. p Preliminary. n.a. Not available.

- Excludes transfers of goods and services under U.S. military grant programs.
- Adjusted for timing, valuation, and coverage to balance of payments basis; excludes exports under U.S. military agency sales contracts and imports of U.S. military agencies.

NOTE:--Details may not add to totals because of rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.