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Summary of U.S. International Transactions  
Second Quarter 1984

The U.S. current-account deficit increased to a record \$24.4 billion in the second quarter from \$19.7 billion (revised) in the first, according to the Commerce Department's Bureau of Economic Analysis.

Net service receipts fell sharply to \$3.4 billion in the second quarter from \$8.3 billion in the first. Service receipts decreased \$2.6 billion to \$34.1 billion. The decrease was more than accounted for by a decrease in income on U.S. direct investment abroad to \$4.5 billion from \$8.4 billion, due to capital losses largely related to the dollar's appreciation and, to a lesser extent, a decline in operating earnings, especially in Europe. Partly offsetting was an increase in income on other private (portfolio) investment abroad to \$14.7 billion from \$13.8 billion. Service payments increased \$2.3 billion to \$30.7 billion. Private payments on portfolio investment in the United States increased to \$9.7 billion from \$8.4 billion, partly due to higher interest rates.

The merchandise trade deficit decreased slightly to \$25.7 billion from \$25.9 billion. In contrast to developments in recent quarters, exports grew faster than imports. However, the fundamental factors that have encouraged imports and restrained exports--the high exchange value of the dollar, rapid expansion in the United States, and weak expansion abroad--are unchanged.

Net unilateral transfers were unchanged at \$2.1 billion.

In the capital accounts, U.S. claims on foreigners reported by U.S. banks increased \$24.2 billion, compared with a \$2.0 billion decrease in the first quarter. Much of the increase was related to financing by foreign banks of large-scale mergers in the United States; part of the increase reflected funding of U.S. banks' own foreign offices. U.S. direct investment abroad shifted to inflows of \$1.9 billion from outflows of \$3.5 billion. All three major components of direct investment contributed: reinvested earnings decreased, reflecting the dollar's appreciation; intercompany debt inflows increased, reflecting merger-related borrowing; and equity capital inflows increased, reflecting the sale of a U.S. company's foreign mining properties. U.S. purchases of foreign securities were \$0.8 billion, compared with net sales of \$0.6 billion. The shift was more than accounted for by \$1.7 billion of floating rate bond issues from Sweden. U.S. official reserve assets increased \$0.6 billion.

Liabilities to foreigners and international financial institutions reported by U.S. banks, including Treasury securities, increased \$28.2 billion, compared with \$10.1 billion. Rising U.S. interest rates relative to those abroad, dollar appreciation, and a strong demand for funds to finance domestic expansion encouraged large deposit inflows. The inflows included \$6.5 billion in purchases of Treasury securities, twice the previous record quarterly rate. Another factor contributing to the rise in U.S. liabilities was large-scale merger financing. Foreign direct investment in the United States increased \$7.7 billion, compared with a \$2.4 billion increase, the second largest quarterly inflow on record. Two of the major components of direct investment contributed: intercompany debt increased, due to a loan to a U.S. subsidiary (inflow) to purchase shares in a U.S. company through a tender offer; and equity capital inflows increased, reflecting foreign acquisition of mining properties. Net foreign purchases of securities other than U.S. Treasury securities decreased to \$0.6 billion from \$1.5 billion, because of declining prices and investor preferences for short-term investments. Foreign official assets in the United States decreased \$0.6 billion.

The statistical discrepancy increased to \$13.3 billion from \$6.0 billion (revised).

The dollar increased 4 percent and 1 percent on a trade-weighted quarterly average basis against the currencies of 22 OECD and 10 industrial countries, respectively.

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Additional data and analysis for the second quarter will be published in the September 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 \$4.75 domestic, \$5.95 foreign.

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

Credits (+), debits (-)	YEAR	1983				1984			CHANGE: 1984 I-II
		I	II	III	IV	IR	IIP		
1 Exports of goods and services 1/.....	332,201	81,111	81,355	84,826	84,910	90,689	88,745	-1,944	
2 Merchandise, adjusted, excluding military 2/.....	200,257	49,246	48,745	50,437	51,829	53,935	54,597	662	
Receipts of income on U.S. assets abroad:									
3 Direct investment.....	20,757	4,087	5,261	6,427	4,982	8,364	4,465	-3,899	
4 Other private receipts.....	51,414	12,421	12,469	13,094	13,429	13,790	14,746	956	
5 U.S. Government receipts.....	4,832	1,110	1,243	1,281	1,198	1,146	1,407	261	
6 Other goods and services.....	54,942	14,247	13,637	13,587	13,472	13,454	13,530	76	
7 Imports of goods and services.....	-365,113	-82,481	-89,067	-94,529	-99,037	-108,215	-111,046	-2,831	
8 Merchandise, adjusted, excluding military 2/.....	-261,312	-58,523	-63,615	-67,938	-71,236	-79,790	-80,333	-543	
Payments of income on foreign assets in the United States:									
9 Direct investment.....	-6,734	-1,231	-1,700	-1,753	-2,050	-2,459	-2,452	7	
10 Other private payments.....	-29,104	-6,758	-6,961	-7,461	-7,924	-8,428	-9,730	-1,302	
11 U.S. Government payments.....	-17,657	-4,391	-4,334	-4,416	-4,516	-4,665	-4,774	-109	
12 Other goods and services.....	-50,307	-11,578	-12,657	-12,961	-13,311	-12,873	-13,757	-884	
13 Unilateral transfers (excluding military grants of goods and services), net.	-8,651	-1,573	-1,848	-2,143	-3,086	-2,147	-2,101	46	
14 U.S. Government grants (excluding military grants of goods and services)...	-6,060	-974	-1,210	-1,478	-2,398	-1,430	-1,389	41	
15 U.S. Government pensions, private remittances, and other transfers.....	-2,591	-599	-638	-665	-688	-717	-712	5	
16 U.S. assets abroad, net (increase/capital outflow(-)).....	-49,490	-24,364	-1,060	-9,223	-14,843	-1,989	-24,860	-22,871	
17 U.S. official reserve assets, net.....	-1,196	-787	16	529	-953	-657	-566	91	
18 U.S. Government assets, other than official reserve assets, net.....	-5,013	-1,130	-1,251	-1,204	-1,429	-2,037	-1,222	815	
19 U.S. private assets, net.....	-43,281	-22,447	175	-8,548	-12,461	705	-23,073	-23,778	
20 Direct investment abroad.....	-4,881	793	-232	-3,873	-1,568	-3,546	1,885	5,431	
21 Foreign securities.....	-7,676	-1,866	-3,257	-1,571	-983	637	-791	-1,428	
22 Claims on unaffiliated foreigners reported by U.S. nonbanking concerns..	-5,333	-3,199	-230	-233	-1,671	1,659	n.a.	n.a.	
23 Claims reported by U.S. banks, not included elsewhere.....	-25,391	-18,175	3,894	-2,871	-8,239	1,955	-24,167	-26,122	
24 Foreign assets in the United States, net (increase/capital inflow (+)).....	81,722	15,888	12,452	19,578	33,804	15,660	35,934	20,274	
25 Foreign official assets in the United States, net.....	5,339	-252	1,739	-2,703	6,555	-2,784	-571	2,213	
26 U.S. Government securities.....	6,502	2,641	1,815	-974	3,020	-296	-188	108	
27 Other U.S. Government liabilities.....	199	-533	434	137	161	242	378	136	
28 U.S. liabilities reported by U.S. banks, not included elsewhere.....	433	-1,978	316	-1,403	3,498	-2,131	216	2,347	
29 Other foreign official assets.....	-1,795	-382	-826	-463	-124	-599	-977	-378	
30 Other foreign assets in the United States, net.....	76,383	16,139	10,714	22,281	27,249	18,444	36,505	18,061	
31 Direct investment in the United States.....	11,299	2,305	3,327	3,322	2,345	2,391	7,665	5,274	
32 U.S. Treasury securities.....	8,731	2,924	3,139	995	1,673	1,358	6,522	5,164	
33 U.S. securities other than U.S. Treasury securities.....	8,612	3,003	2,614	1,861	1,134	1,516	610	-906	
34 U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.....	-1,318	-2,337	-64	1,311	-228	4,404	n.a.	n.a.	
35 U.S. liabilities reported by U.S. banks, not included elsewhere.....	49,059	10,244	1,698	14,792	22,325	8,775	21,708	12,933	
36 Allocations of special drawing rights.....	--	--	--	--	--	--	--	--	
37 Statistical discrepancy (sum of above items with sign reversed).....	9,331	11,420	-1,833	1,491	-1,748	6,002	13,328	7,326	
Of which: seasonal adjustment discrepancy.....	--	-579	439	-2,518	2,657	-154	-91	63	
MEMORANDA:									
38 Balance on merchandise trade (lines 2 and 8).....	-61,055	-9,277	-14,870	-17,501	-19,407	-25,855	-25,736	119	
39 Balance on goods and services (lines 1 and 7).....	-32,912	-1,370	-7,712	-9,703	-14,127	-17,526	-22,301	-4,775	
40 Balance on goods, services, and remittances (lines 39 and 15).....	-35,503	-1,969	-8,350	-10,368	-14,815	-18,243	-23,013	-4,770	
41 Balance on current account (lines 39 and 13).....	-41,563	-2,943	-9,560	-11,846	-17,213	-19,673	-24,402	-4,729	
Transactions in U.S. official reserve assets and in foreign official assets in the United States:									
42 Increase (-) in U.S. official reserve assets, net (line 17).....	-1,196	-787	16	529	-953	-657	-566	91	
43 Increase (+) in foreign official assets in the United States (lines 26, 28, and 29).....	5,140	281	1,305	-2,840	6,394	-3,026	-949	2,077	

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

1. Excludes transfers of goods and services under U.S. military grant programs.
2. 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.

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