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Summary of U.S. International Transactions

Second Quarter 1988

The U.S. current account deficit decreased to \$33.3 billion in the second quarter from \$36.9 billion (revised) in the first, according to the Commerce Department's Bureau of Economic Analysis.

The decrease in the deficit was more than accounted for by a reduction in the merchandise trade deficit to \$29.9 billion from \$35.2 billion. Merchandise exports increased \$4.4 billion to a record \$79.7 billion. Both agricultural exports and nonagricultural exports increased. Imports decreased \$0.9 billion to \$109.6 billion. A decrease in nonpetroleum imports was partly offset by an increase in petroleum imports.

The net balance on services shifted to a deficit of \$0.5 billion from a surplus of \$1.4 billion in the first quarter. Receipts from services dropped \$2.3 billion to \$43.6 billion, reflecting a decrease in income on U.S. direct investment abroad; the decrease was more than accounted for by a shift to capital (currency translation) losses of foreign affiliates associated with appreciation of the dollar. Partly offsetting the decrease in investment income were increases of \$0.4 billion in travel and passenger fare receipts and \$0.2 billion each in other transportation receipts and transfers under military sales contracts. Payments for services decreased \$0.3 billion to \$44.1 billion. A decrease of \$0.8 billion in payments of income on foreign direct investment in the United States was partly offset by a \$0.5 billion increase in other private income payments.

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Net unilateral transfers were \$2.9 billion, compared with \$3.1 billion.

In the capital accounts:

U.S. assets abroad

Claims on foreigners reported by U.S. banks increased \$14.0 billion, following a decrease of \$17.1 billion in the first quarter. The increase was on banks' own foreign offices in industrial countries, where loan demand was buoyed by a pickup in economic activity.

Net U.S. transactions in foreign securities shifted to net sales of \$1.6 billion from net purchases of \$4.5 billion. There were shifts to net sales both of foreign stocks and foreign bonds.

Net outflows for U.S. direct investment abroad were \$0.1 billion, compared with \$6.4 billion. A shift to net intercompany debt inflows from unusually large outflows reflected reduced lending to foreign affiliates and repayment of several large loans. Net equity inflows increased because of the sale of several foreign affiliates. Reinvested earnings were lower, partly reflecting a shift to capital (currency translation) losses.

U.S. official reserve assets were virtually unchanged.

Foreign assets in the United States

Liabilities to private foreigners and international financial institutions reported by U.S. banks, excluding U.S. Treasury securities, increased \$28.8 billion, following a \$17.2 billion decrease in the first quarter. U.S. banks borrowed heavily from banks abroad to fund strong loan demand. In addition, rising short-term interest rate differentials attracted more foreign assets to the United States.

Net foreign purchases of U.S. Treasury securities were \$4.5 billion, compared with \$6.9 billion; there were sizeable purchases by international financial institutions.

Net foreign purchases of U.S. securities, other than U.S. Treasury securities, rebounded to \$9.8 billion from \$2.4 billion in the first quarter. U.S. corporations stepped up new issues abroad, and foreign investors' transactions both in outstanding U.S. bonds and in U.S. stocks shifted to net purchases.

Net inflows for foreign direct investment in the United States increased to \$13.4 billion from \$7.3 billion. Net intercompany debt shifted to net inflows of \$5.4 billion from net outflows of \$3.1 billion. Large loan repayments to foreign parents in the first quarter were not repeated, and loans to U.S. affiliates increased in the second quarter to finance acquisitions. Net equity inflows, also mainly for acquisitions, were unchanged at \$7.0 billion. Reinvested earnings were \$0.9 billion.

Foreign official assets increased \$5.8 billion, compared with \$24.7 billion in the first quarter.

The statistical discrepancy -- errors and omissions in reported transactions -- was an outflow of \$15.7 billion, compared with an inflow of \$4.3 billion.

In the second quarter, the dollar appreciated less than one percent on a trade-weighted quarterly average basis against the currencies of 10 industrial countries and 6 percent against the currencies of 22 OECD countries.

\* \* \*

Additional data and analysis for the second quarter of 1988 and revised data for the first 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, D.C. 20402. First class mail (domestic only): annual subscription \$46.00. Foreign airmail delivery rates are available upon request. Second class mail: annual subscription \$18.00 domestic, \$22.50 foreign; single issue \$6.50, \$8.13 foreign.

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Next release date: Summary of U.S. International Transactions  
Third Quarter 1988 December 13 (Tuesday)

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Summary of U. S. International Transactions  
[Millions of dollars, seasonally adjusted]

	credits (+), debits (-)	1987				1988		Change: 1988 I-II	
		YEAR	I	II	III	IV	Ir		Iip
1	Exports of goods and services 1/.....	424,823	98,907	100,353	106,318	119,247	121,122	123,284	2,162
2	Merchandise, adjusted, excluding military 2/.....	249,570	56,791	59,864	64,902	68,013	75,300	79,665	4,365
	Receipts of income on U.S. assets abroad:								
3	Direct investment.....	52,308	12,749	9,717	10,670	19,173	12,446	10,184	-2,262
4	Other private receipts.....	46,116	10,658	11,286	11,283	12,889	12,056	11,949	-107
5	U.S. Government receipts.....	5,332	1,384	1,426	1,336	1,186	2,052	1,296	-756
6	Other goods and services.....	71,497	17,325	18,060	18,127	17,986	19,268	20,190	922
7	Imports of goods and services.....	-565,342	-133,564	-138,080	-145,305	-148,397	-154,939	-153,713	1,226
8	Merchandise, adjusted, excluding military 2/.....	-409,850	-96,662	-99,416	-104,567	-109,205	-110,484	-109,602	882
	Payments of income on foreign assets in the United States:								
9	Direct investment.....	-10,504	-3,390	-2,807	-3,971	-337	-5,278	-4,507	771
10	Other private payments.....	-48,825	-10,373	-11,966	-12,271	-14,216	-13,478	-13,969	-491
11	U.S. Government payments.....	-24,052	-5,952	-5,964	-5,980	-6,156	-6,639	-6,700	-61
12	Other goods and services.....	-72,111	-17,187	-17,927	-18,516	-18,483	-19,060	-18,935	125
13	Unilateral transfers (excluding military grants of goods and services), net.	-13,445	-2,967	-3,125	-2,980	-4,373	-3,121	-2,907	214
14	U.S. Government grants (excluding military grants of goods and services)..	-10,011	-2,100	-2,241	-2,125	-3,545	-2,239	-2,120	119
15	U.S. Government pensions, private remittances, and other transfers.....	-3,434	-867	-884	-855	-828	-882	-787	95
16	U.S. assets abroad, net (increase/capital outflow(-)).....	-75,987	11,072	-22,878	-25,292	-38,891	6,591	-13,286	-19,877
17	U.S. official reserve assets, net.....	9,149	1,956	3,419	32	3,741	1,503	39	-1,464
18	U.S. Government assets, other than official reserve assets, net.....	1,162	67	-170	252	1,012	-814	-828	-14
19	U.S. private assets, net.....	-86,297	9,049	-26,127	-25,576	-43,645	5,903	-12,497	-18,400
20	Direct investment abroad.....	-44,455	-10,691	-6,220	-7,870	-19,676	-6,423	-108	6,315
21	Foreign securities.....	-4,456	-1,639	-88	-972	-1,757	-4,467	1,610	6,077
22	Claims on unaffiliated foreigners reported by U.S. nonbanking concerns..	3,145	-491	2,603	-215	1,248	-315	n.a.	n.a.
23	Claims reported by U.S. banks, not included elsewhere.....	-40,531	21,870	-22,422	-16,519	-23,460	17,108	-13,999	-31,107
24	Foreign assets in the United States, net (increase/capital inflow (+)).....	211,490	33,100	50,660	71,658	56,072	26,066	62,339	36,273
25	Foreign official assets in the United States, net.....	44,968	13,977	10,332	611	20,047	24,670	5,832	-18,838
26	U.S. Government securities.....	44,931	12,131	11,339	1,556	19,905	27,580	5,985	-21,595
27	Other U.S. Government liabilities.....	-2,824	-1,337	-1,309	-287	108	123	-570	-447
28	U.S. liabilities reported by U.S. banks, not included elsewhere.....	3,901	3,543	615	-34	-223	-1,954	834	2,788
29	Other foreign official assets.....	-1,040	-360	-313	-624	257	-833	-417	416
30	Other foreign assets in the United States, net.....	166,522	19,122	40,327	71,047	36,025	1,395	56,507	55,112
31	Direct investment in the United States.....	41,977	7,979	7,229	15,026	11,742	7,347	13,372	6,025
32	U.S. Treasury securities.....	-7,596	-2,826	-2,431	-2,835	496	6,887	4,473	-2,414
33	U.S. securities other than U.S. Treasury securities.....	42,213	18,373	15,998	12,819	-4,977	2,379	9,823	7,444
34	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.....	2,150	1,696	1,570	-116	-1,000	2,015	n.a.	n.a.
35	U.S. liabilities reported by U.S. banks, not included elsewhere.....	87,778	-6,100	17,961	46,153	29,764	-17,233	28,839	46,072
36	Allocations of special drawing rights.....	..	..	..	..	..	..	..	..
37	Statistical discrepancy (sum of above items with sign reversed).....	18,461	-6,547	13,071	-4,399	16,342	4,282	-15,717	-19,999
	Of which: seasonal adjustment discrepancy.....	..	4,141	-2,615	-4,658	3,138	3,747	-3,456	-7,203
MEMORANDA:									
38	Balance on merchandise trade (lines 2 and 8).....	-160,280	-39,871	-39,552	-39,665	-41,192	-35,184	-29,937	5,247
39	Balance on goods and services (lines 1 and 7).....	-140,519	-34,657	-37,727	-38,987	-29,150	-33,817	-30,429	3,388
40	Balance on goods, services, and remittances (lines 39 and 15).....	-143,953	-35,524	-38,611	-39,842	-29,978	-34,699	-31,216	3,483
41	Balance on current account (lines 39 and 13).....	-153,964	-37,624	-40,852	-41,967	-33,523	-36,938	-33,336	3,602
	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).....	9,149	1,956	3,419	32	3,741	1,503	39	-1,464
43	Increase (+) in foreign official assets in the United States (lines 26, 28, and 29).....	47,792	15,314	11,641	898	19,939	24,793	6,402	-18,391

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.

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

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