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BEA 07-09

U.S. International Transactions: Fourth Quarter and Year 2006

Fourth Quarter

Current Account

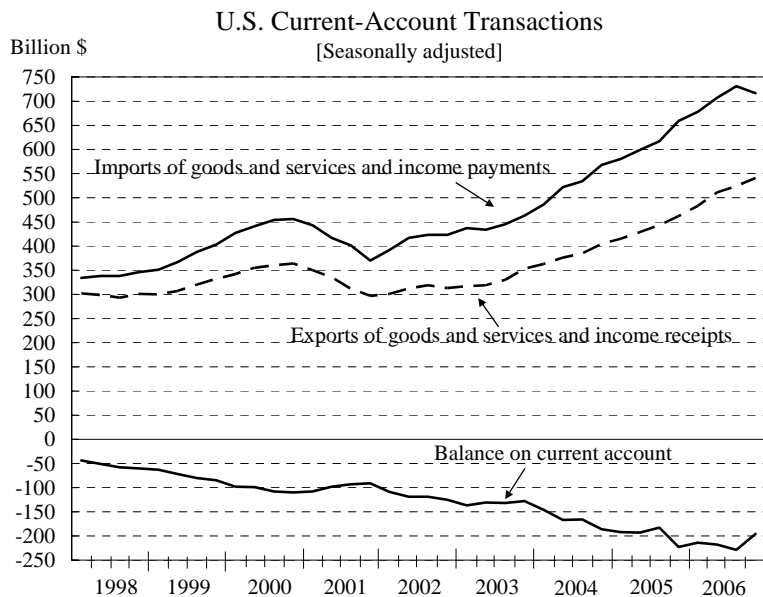
The U.S. current-account deficit--the combined balances on trade in goods and services, income, and net unilateral current transfers--decreased to \$195.8 billion (preliminary) in the fourth quarter of 2006 from \$229.4 billion (revised) in the third quarter. The decrease was mostly accounted for by a decrease in the deficit on goods. In addition, the surplus on services increased, the balance on income shifted to a surplus from a deficit, and net unilateral current transfers to foreigners decreased.

Goods and services

The deficit on goods and services decreased to \$178.6 billion in the fourth quarter from \$201.4 billion in the third.

Goods The deficit on goods decreased to \$197.9 billion in the fourth quarter from \$218.9 billion in the third.

Goods exports increased to \$266.6 billion from \$261.3 billion. The increase was largely accounted for by an increase in capital goods, particularly civilian aircraft. Consumer goods accounted for most of the remainder of the increase in total exports.



NOTE: This news release is available on BEA's Web site at www.bea.gov/newsreleases/rels.htm.

Goods imports decreased to \$464.6 billion from \$480.2 billion. The decrease was more than accounted for by a large decrease in petroleum and products. Among nonpetroleum products, an increase in consumer goods was partly offset by a decrease in nonpetroleum industrial supplies and materials.

Services The surplus on services increased to \$19.4 billion in the fourth quarter from \$17.5 billion in the third.

Services receipts increased to \$106.8 billion from \$103.7 billion. The increase was largely accounted for by increases in “other” private services (such as business, professional, and technical services, insurance services, and financial services), in travel, and in royalties and license fees.

Services payments increased to \$87.5 billion from \$86.2 billion. The increase was largely accounted for by an increase in “other” private services.

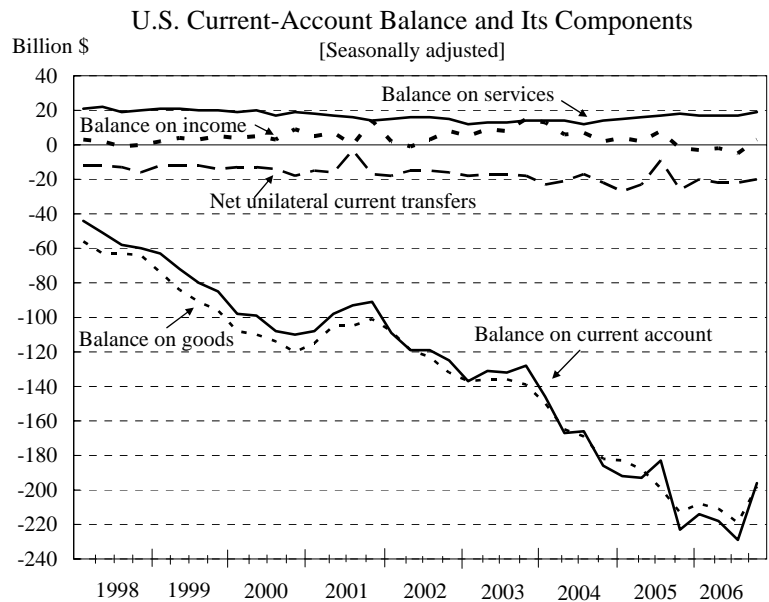
Income

The balance on income shifted to a surplus of \$3.0 billion in the fourth quarter from a deficit of \$5.5 billion in the third.

Investment income Income receipts on U.S.-owned assets abroad increased to \$166.5 billion from \$158.1 billion. The increase was almost completely accounted for by increases in direct investment receipts and in “other” private receipts (which consists of interest and dividends).

Income payments on foreign-owned assets in the United States decreased to \$161.9 billion from \$162.0 billion. A decrease in direct investment payments was virtually offset by increases in “other” private payments (which consists of interest and dividends) and in U.S. Government payments (which consists of interest).

Compensation of employees Receipts for compensation of U.S. workers abroad were unchanged at \$0.7 billion, and payments for compensation of foreign workers in the United States were nearly unchanged at \$2.4 billion.



Unilateral current transfers

Net unilateral current transfers to foreigners were \$20.2 billion in the fourth quarter, down from \$22.5 billion in the third. The decrease was accounted for by decreases in private remittances and other transfers and in U.S. Government grants.

Capital and Financial Account

Capital Account

Net capital account payments (outflows) were virtually unchanged at \$0.6 billion in the fourth quarter.

Financial Account

Net financial inflows--net acquisitions by foreign residents of assets in the United States less net acquisitions by U.S. residents of assets abroad--were \$164.6 billion in the fourth quarter, down from \$229.7 billion in the third. Net acquisitions by foreign residents slowed, and net acquisitions by U.S. residents picked up.

U.S.-owned assets abroad

U.S.-owned assets abroad increased \$251.2 billion in the fourth quarter, following an increase of \$225.9 billion in the third.

U.S. claims on foreigners reported by U.S. banks increased \$120.7 billion in the fourth quarter, following an increase of \$84.6 billion in the third.

Net U.S. purchases of foreign securities were a record \$115.7 billion in the fourth quarter, up from \$54.4 billion in the third. Net U.S. purchases of foreign stocks were \$60.2 billion, up from \$10.3 billion. Net U.S. purchases of foreign bonds were \$55.5 billion, up from \$44.1 billion.

U.S. direct investment abroad increased \$74.2 billion in the fourth quarter, following an increase of \$65.4 billion in the third. Pickups in net equity capital investment abroad and in reinvested earnings were partly offset by a shift from an increase to a decrease in net intercompany debt investment abroad.

U.S. official reserve assets decreased \$1.4 billion in the fourth quarter, following a decrease of \$1.0 billion in the third.

Foreign-owned assets in the United States

Foreign-owned assets in the United States increased \$415.8 billion in the fourth quarter, following an increase of \$455.6 billion in the third.

U.S. liabilities to foreigners reported by U.S. banks increased \$126.7 billion in the fourth quarter, following an increase of \$86.0 billion in the third.

Transactions in U.S. Treasury securities shifted to net purchases by foreigners of \$29.7 billion in the fourth quarter from net sales by foreigners of \$4.9 billion in the third.

Net purchases by foreigners of U.S. securities other than U.S. Treasury securities were \$144.9 billion in the fourth quarter, down from \$163.0 billion in the third. Net purchases by foreigners of U.S. stocks were \$26.4 billion, down from \$35.0 billion. Net purchases by foreigners of U.S. corporate bonds were \$115.7 billion, up from \$99.8 billion. Net purchases by foreigners of federally sponsored agency bonds were \$2.9 billion, down from \$28.1 billion.

Foreign direct investment in the United States increased \$29.4 billion in the fourth quarter, following an increase of \$61.6 billion in the third. A shift from an increase to a decrease in net intercompany debt investment in the United States and a slowdown in reinvested earnings were partly offset by a pickup in net equity capital investment in the United States.

Foreign official assets in the United States increased \$70.5 billion in the fourth quarter, following an increase of \$78.4 billion in the third.

Net U.S. currency shipments to foreigners were \$8.4 billion in the fourth quarter, up from \$1.1 billion in the third.

The statistical discrepancy--errors and omissions in recorded transactions--was a positive \$31.8 billion in the fourth quarter, compared with a positive \$0.2 billion in the third.

In the fourth quarter, the U.S. dollar was virtually unchanged on a trade-weighted quarterly average basis against a group of 7 major currencies.

The Year 2006

Current Account

The U.S. current-account deficit--the combined balances on trade in goods and services, income, and net unilateral current transfers--increased to \$856.7 billion (preliminary) in 2006 from \$791.5 billion in 2005. The increase was more than accounted for by an increase in the deficit on goods and a shift from a surplus to a deficit on income. In contrast, the surplus on services increased, and net unilateral current transfers to foreigners decreased.

Goods and services

The deficit on goods and services increased to \$765.3 billion in 2006 from \$716.7 billion in 2005.

Goods The deficit on goods increased to \$836.0 billion in 2006 from \$782.7 billion in 2005.

Goods exports increased to \$1,023.7 billion from \$894.6 billion. The increase was mostly accounted for by increases in capital goods and in industrial supplies and materials.

Goods imports increased to \$1,859.7 billion from \$1,677.4 billion. The largest increase was in petroleum and products. Capital goods, consumer goods, and nonpetroleum industrial supplies and materials also contributed to the increase in total imports.

Services The surplus on services increased to \$70.7 billion in 2006 from \$66.0 billion in 2005.

Services receipts increased to \$413.1 billion from \$380.6 billion. More than half of the increase was accounted for by an increase in "other" private services (such as business, professional, and technical services, insurance services, and financial services). The next largest increases were in "other" transportation (such as freight and port services), in royalties and license fees, and in travel.

Services payments increased to \$342.4 billion from \$314.6 billion. More than half of the increase was accounted for by an increase in "other" private services. All other services categories also increased.

Income

The balance on income shifted to a deficit of \$7.3 billion in 2006 from a surplus of \$11.3 billion in 2005.

Investment income Income receipts on U.S.-owned assets abroad increased to \$619.1 billion from \$471.7 billion. The increase was largely accounted for by an increase in "other" private receipts (which consists of interest and dividends). Direct investment receipts also increased.

Income payments on foreign-owned assets in the United States increased to \$619.9 billion from \$454.1 billion. The increase was mostly accounted for by an increase in “other” private payments (which consists of interest and dividends). U.S. Government payments (which consists of interest) and direct investment payments also increased.

Compensation of employees Receipts for compensation of U.S. workers abroad were unchanged at \$2.9 billion, and payments for compensation of foreign workers in the United States increased to \$9.4 billion from \$9.2 billion.

Unilateral current transfers

Net unilateral current transfers to foreigners were \$84.1 billion in 2006, down from \$86.1 billion in 2005. A decrease in U.S. Government grants was largely offset by an increase in private remittances and other transfers.

Capital and Financial Account

Capital Account

Net capital account payments (outflows) were \$3.9 billion in 2006, down from \$4.4 billion in 2005.

Financial Account

Net financial inflows--net acquisitions by foreign residents of assets in the United States less net acquisitions by U.S. residents of assets abroad--were \$719.1 billion in 2006, down from \$785.4 billion in 2005. Net acquisitions by U.S. residents strengthened more than net acquisitions by foreign residents.

U.S.-owned assets abroad

U.S.-owned assets abroad increased \$1,045.8 billion in 2006, following an increase of \$426.8 billion in 2005.

U.S. claims on foreigners reported by U.S. banks increased \$482.4 billion in 2006, following an increase of \$213.0 billion in 2005.

Net U.S. purchases of foreign securities were a record \$277.7 billion in 2006, up from \$180.1 billion in 2005. Net U.S. purchases of foreign stocks were \$128.5 billion, down from \$142.1 billion. Net U.S. purchases of foreign bonds were a record \$149.2 billion, up from \$38.0 billion.

U.S. direct investment abroad increased \$248.9 billion in 2006, following an increase of \$9.1 billion in 2005. The pickup was mostly accounted for by a large shift from a decrease to an increase in reinvested earnings. (Reinvested earnings were significantly affected in 2005 by tax incentives provided by the American Jobs Creation Act of 2004.) Net intercompany debt investment abroad decreased less in 2006 than in 2005, and net equity capital investment abroad picked up.

U.S. official reserve assets decreased \$2.4 billion in 2006, following a decrease of \$14.1 billion in 2005.

Foreign-owned assets in the United States

Foreign-owned assets in the United States increased \$1,764.9 billion in 2006, following an increase of \$1,212.3 billion in 2005.

U.S. liabilities to foreigners reported by U.S. banks increased \$441.2 billion in 2006, following an increase of \$179.8 billion in 2005.

Net purchases by foreigners of U.S. Treasury securities were \$29.4 billion in 2006, down from \$199.5 billion in 2005.

Net purchases by foreigners of U.S. securities other than U.S. Treasury securities were a record \$621.2 billion in 2006, up from \$474.1 billion in 2005. Net purchases by foreigners of U.S. stocks were \$114.0 billion, up from \$85.8 billion. Net purchases by foreigners of U.S. corporate bonds were a record \$406.3 billion, up from \$316.0 billion. Net purchases by foreigners of federally sponsored agency bonds were \$100.9 billion, up from \$72.4 billion.

Foreign direct investment in the United States increased \$183.6 billion in 2006, following an increase of \$109.8 billion in 2005. The pickup resulted from a shift from a decrease to an increase in net intercompany debt investment in the United States and pickups in reinvested earnings and in net equity capital investment in the United States.

Foreign official assets in the United States increased \$300.5 billion in 2006, following an increase of \$199.5 billion in 2005.

Net U.S. currency shipments to foreigners were \$12.6 billion in 2006, down from \$19.4 billion in 2005.

The statistical discrepancy--errors and omissions in recorded transactions--was a positive \$141.4 billion in 2006, compared with a positive \$10.4 billion in 2005.

In 2006, the U.S. dollar depreciated 1 percent on a trade-weighted yearly average basis against a group of 7 major currencies.

Revisions

The first three quarters of 2006 were revised to reflect revised seasonal adjustments and, for the third quarter, receipt of new or revised data. Revisions to the first and second quarters were small. In the third quarter, the current-account deficit was revised to \$229.4 billion from \$225.6 billion. The goods deficit was revised to \$218.9 billion from \$218.6 billion; the services surplus was revised to \$17.5 billion from \$18.3 billion; the deficit on income was revised to \$5.5 billion from \$3.8 billion; and net unilateral current transfers to foreigners were revised to \$22.5 billion from \$21.5 billion. Net financial inflows were revised to \$229.7 billion from \$176.4 billion.

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Release dates in 2007:

Fourth quarter and year 2006.....	March 14, 2007 (Wednesday)
First quarter 2007.....	June 15, 2007 (Friday)
Second quarter 2007.....	September 14, 2007 (Friday)
Third quarter 2007.....	December 17, 2007 (Monday)

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Summary BEA estimates are available on recorded messages at the time of public release at the following telephone numbers:

(202) 606-5306 Gross domestic product
-5303 Personal income and outlays

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Table 1. U.S. International Transactions

[Millions of dollars, quarters seasonally adjusted]

	(Credits +, debits -)	2005	2006 ^P	Change: 2005-2006	2006					Change: 2006 III-IV
					IV	I ^r	II ^r	III ^r	IV ^P	
Current account										
1	Exports of goods and services and income receipts.....	1,749,892	2,058,836	308,944	462,357	483,338	510,923	523,832	540,741	16,909
2	Exports of goods and services.....	1,275,245	1,436,816	161,571	331,165	343,445	354,951	364,947	373,472	8,525
3	Goods, balance of payments basis.....	894,631	1,023,689	129,058	232,904	243,726	252,057	261,283	266,623	5,340
4	Services.....	380,614	413,127	32,513	98,261	99,719	102,894	103,664	106,849	3,185
5	Transfers under U.S. military agency sales contracts.....	19,038	16,682	-2,356	4,446	4,453	4,226	4,022	3,982	-40
6	Travel.....	81,680	85,697	4,017	20,374	20,774	21,475	21,334	22,114	780
7	Passenger fares.....	20,931	22,060	1,129	5,371	5,500	5,230	5,598	5,731	133
8	Other transportation.....	42,245	48,208	5,963	11,244	11,572	12,185	12,206	12,245	39
9	Royalties and license fees.....	57,410	62,051	4,641	14,923	14,968	15,495	15,556	16,033	477
10	Other private services.....	158,223	177,284	19,061	41,643	42,175	43,997	44,654	46,457	1,803
11	U.S. Government miscellaneous services.....	1,087	1,145	58	260	277	286	294	287	-7
12	Income receipts.....	474,647	622,020	147,373	131,192	139,893	155,972	158,885	167,269	8,384
13	Income receipts on U.S.-owned assets abroad.....	471,722	619,085	147,363	130,437	139,165	155,246	158,147	166,526	8,379
14	Direct investment receipts.....	251,370	295,884	44,514	67,481	68,676	74,868	74,075	78,264	4,189
15	Other private receipts.....	217,637	320,796	103,159	62,279	69,923	79,759	83,537	87,577	4,040
16	U.S. Government receipts.....	2,715	2,405	-310	677	566	619	535	685	150
17	Compensation of employees.....	2,925	2,935	10	755	728	726	738	743	5
18	Imports of goods and services and income payments.....	-2,455,328	-2,831,369	-376,041	-659,290	-677,571	-706,776	-730,711	-716,311	14,400
19	Imports of goods and services.....	-1,991,975	-2,202,083	-210,108	-525,939	-535,091	-548,584	-566,346	-552,063	14,283
20	Goods, balance of payments basis.....	-1,677,371	-1,859,655	-182,284	-445,410	-451,974	-462,937	-480,175	-464,569	15,606
21	Services.....	-314,604	-342,428	-27,824	-80,529	-83,117	-85,647	-86,171	-87,494	-1,323
22	Direct defense expenditures.....	-30,062	-31,180	-1,118	-7,503	-7,692	-7,740	-8,002	-7,746	256
23	Travel.....	-69,175	-73,299	-4,124	-17,135	-17,662	-18,667	-18,409	-18,561	-152
24	Passenger fares.....	-26,066	-27,306	-1,240	-6,644	-6,753	-6,952	-6,671	-6,930	-259
25	Other transportation.....	-62,107	-65,611	-3,504	-16,150	-16,196	-16,341	-16,605	-16,469	136
26	Royalties and license fees.....	-24,501	-26,523	-2,022	-6,261	-6,764	-6,537	-6,551	-6,671	-120
27	Other private services.....	-98,714	-114,485	-15,771	-25,845	-27,054	-28,394	-28,910	-30,127	-1,217
28	U.S. Government miscellaneous services.....	-3,979	-4,024	-45	-991	-996	-1,016	-1,022	-990	32
29	Income payments.....	-463,353	-629,286	-165,933	-133,351	-142,480	-158,192	-164,365	-164,248	117
30	Income payments on foreign-owned assets in the United States.....	-454,124	-619,862	-165,738	-131,018	-140,132	-155,845	-162,016	-161,868	148
31	Direct investment payments.....	-116,953	-145,561	-28,608	-34,839	-34,443	-36,865	-39,828	-34,424	5,404
32	Other private payments.....	-223,612	-329,231	-105,619	-64,857	-72,813	-82,539	-84,833	-89,046	-4,213
33	U.S. Government payments.....	-113,559	-145,070	-31,511	-31,322	-32,876	-36,441	-37,355	-38,398	-1,043
34	Compensation of employees.....	-9,229	-9,424	-195	-2,333	-2,348	-2,347	-2,349	-2,380	-31
35	Unilateral current transfers, net.....	-86,072	-84,122	1,950	-26,176	-19,545	-21,860	-22,498	-20,220	2,278
36	U.S. Government grants.....	-31,362	-21,410	9,952	-9,091	-4,631	-5,341	-6,040	-5,398	642
37	U.S. Government pensions and other transfers.....	-6,303	-7,009	-706	-1,592	-1,742	-1,755	-1,749	-1,763	-14
38	Private remittances and other transfers.....	-48,407	-55,703	-7,296	-15,493	-13,172	-14,764	-14,709	-13,059	1,650

Table 1. U.S. International Transactions (Continued)

[Millions of dollars, quarters seasonally adjusted]

	(Credits +, debits -)	2005	2006 ^p	Change: 2005-2006	2006					Change: 2006 III-IV
					IV	I ^r	II ^r	III ^r	IV ^p	
Capital and financial account										
Capital account										
39	Capital account transactions, net.....	-4,351	-3,914	437	-514	-1,756	-1,003	-551	-604	-53
Financial account										
40	U.S.-owned assets abroad, net (increase/financial outflow (-)).....	-426,801	-1,045,760	-618,959	-10,656	-356,654	-211,969	-225,888	-251,249	-25,361
41	U.S. official reserve assets, net.....	14,096	2,374	-11,722	4,796	513	-560	1,006	1,415	409
42	Gold.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
43	Special drawing rights.....	4,511	-223	-4,734	-81	-67	-51	-54	-51	3
44	Reserve position in the International Monetary Fund.....	10,200	3,331	-6,869	5,050	729	-351	1,275	1,678	403
45	Foreign currencies.....	-615	-734	-119	-173	-149	-158	-215	-212	3
46	U.S. Government assets, other than official reserve assets, net.....	5,539	5,219	-320	459	1,049	1,765	1,570	835	-735
47	U.S. credits and other long-term assets.....	-2,255	-2,990	-735	-509	-1,517	-376	-592	-505	87
48	Repayments on U.S. credits and other long-term assets.....	5,603	8,223	2,620	977	2,558	2,147	2,170	1,348	-822
49	U.S. foreign currency holdings and U.S. short-term assets, net.....	2,191	-14	-2,205	-9	8	-6	-8	-8	.....
50	U.S. private assets, net.....	-446,436	-1,053,353	-606,917	-15,911	-358,216	-213,174	-228,464	-253,499	-25,035
51	Direct investment.....	-9,072	-248,856	-239,784	25,799	-61,927	-47,363	-65,395	-74,171	-8,776
52	Foreign securities.....	-180,125	-277,691	-97,566	-47,266	-53,692	-53,915	-54,391	-115,693	-61,302
53	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns.....	-44,221	-44,434	-213	-4,812	-46,190	-31,199	-24,096	57,051	81,147
54	U.S. claims reported by U.S. banks, not included elsewhere.....	-213,018	-482,372	-269,354	10,368	-196,407	-80,697	-84,582	-120,686	-36,104
55	Foreign-owned assets in the United States, net (increase/financial inflow (+)).....	1,212,250	1,764,909	552,659	253,350	527,923	365,543	455,598	415,845	-39,753
56	Foreign official assets in the United States, net.....	199,495	300,510	101,015	71,934	75,697	75,869	78,434	70,510	-7,924
57	U.S. Government securities.....	156,450	243,794	87,344	61,204	66,219	21,553	77,978	78,044	66
58	U.S. Treasury securities.....	71,749	118,344	46,595	37,418	42,156	-8,905	45,044	40,049	-4,995
59	Other.....	84,701	125,450	40,749	23,786	24,063	30,458	32,934	37,995	5,061
60	Other U.S. Government liabilities.....	-488	3,274	3,762	-255	37	724	1,153	1,360	207
61	U.S. liabilities reported by U.S. banks, not included elsewhere.....	24,275	19,550	-4,725	5,078	-821	42,241	-7,470	-14,400	-6,930
62	Other foreign official assets.....	19,258	33,892	14,634	5,907	10,262	11,351	6,773	5,506	-1,267
63	Other foreign assets in the United States, net.....	1,012,755	1,464,399	451,644	181,416	452,226	289,674	377,164	345,335	-31,829
64	Direct investment.....	109,754	183,571	73,817	26,510	45,693	46,810	61,633	29,435	-32,198
65	U.S. Treasury securities.....	199,491	29,417	-170,074	62,041	-5,212	9,784	-4,899	29,744	34,643
66	U.S. securities other than U.S. Treasury securities.....	474,140	621,154	147,014	131,871	186,009	127,285	162,953	144,907	-18,046
67	U.S. currency.....	19,416	12,570	-6,846	9,158	1,932	1,127	1,129	8,382	7,253
68	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.....	30,105	176,509	146,404	-50,305	74,953	25,082	70,331	6,143	-64,188
69	U.S. liabilities reported by U.S. banks, not included elsewhere.....	179,849	441,178	261,329	2,141	148,851	79,586	86,017	126,724	40,707
70	Statistical discrepancy (sum of above items with sign reversed).....	10,410	141,419	131,009	-19,071	44,265	65,142	218	31,798	31,580
Memoranda:										
71	Balance on goods (lines 3 and 20).....	-782,740	-835,966	-53,226	-212,506	-208,248	-210,880	-218,892	-197,946	20,946
72	Balance on services (lines 4 and 21).....	66,011	70,699	4,688	17,733	16,602	17,247	17,493	19,355	1,862
73	Balance on goods and services (lines 2 and 19).....	-716,730	-765,267	-48,537	-194,774	-191,646	-193,633	-201,399	-178,591	22,808
74	Balance on income (lines 12 and 29).....	11,293	-7,266	-18,559	-2,159	-2,587	-2,220	-5,480	3,021	8,501
75	Unilateral current transfers, net (line 35).....	-86,072	-84,122	1,950	-26,176	-19,545	-21,860	-22,498	-20,220	2,278
76	Balance on current account (lines 1, 18, and 35 or lines 73, 74, and 75).....	-791,508	-856,655	-65,147	-223,109	-213,778	-217,713	-229,377	-195,790	33,587

r Revised

p Preliminary

NOTE: Details may not add to totals because of rounding. Source: U. S. Bureau of Economic Analysis