

U.S. International Transactions

Second Quarter 2018

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The U.S. current-account deficit—a net measure of transactions between the United States and the rest of the world in goods, services, primary income, and secondary income—decreased to \$101.5 billion (preliminary) in the second quarter of 2018 from \$121.7 billion (revised) in the first quarter of 2018 (chart 1 and table A). The deficit was 2.0 percent of current-dollar gross domestic product (GDP) in the second quarter, down from 2.4 percent in the first quarter.

The \$20.3 billion decrease in the current-account deficit reflected a \$17.6 billion decrease in the deficit on goods, a \$2.5 billion increase in the surplus on services, and relatively small and offsetting changes in the balances on primary income and secondary income.

Net U.S. borrowing measured by financial-account transactions was \$134.3 billion in the second quarter, a decrease from net borrowing of \$160.9 billion in the first quarter.

Chart 1. U.S. Current-Account Balance and Its Components

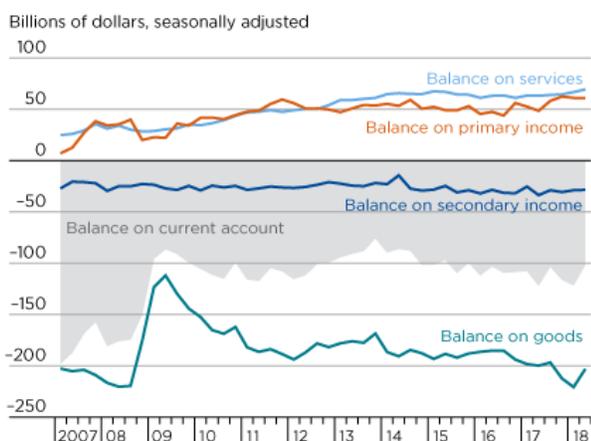


Table A. U.S. International Transactions

[Millions of dollars, seasonally adjusted]

	2017		2018		Change 2018:I to 2018:II
	III	IV	I ^r	II ^p	
Current account					
Exports of goods and services and income receipts (credits)	868,997	890,393	905,298	933,274	27,976
Exports of goods and services	589,107	605,916	617,437	638,390	20,953
Goods	387,814	401,939	411,442	429,238	17,796
Services	201,293	203,977	205,994	209,152	3,158
Primary income receipts	237,632	248,940	256,029	259,930	3,901
Secondary income (current transfer) receipts	42,258	35,537	31,833	34,954	3,121
Imports of goods and services and income payments (debits)	972,445	1,006,541	1,027,008	1,034,734	7,726
Imports of goods and services	721,899	753,742	771,426	772,202	776
Goods	584,637	614,317	632,244	632,396	152
Services	137,261	139,426	139,182	139,806	624
Primary income payments	179,410	186,569	194,854	199,085	4,231
Secondary income (current transfer) payments	71,136	66,229	60,728	63,447	2,719
Capital account					
Capital transfer receipts and other credits	24,788	0	0	0	0
Capital transfer payments and other debits	1	40	2	n.a.	n.a.
Financial account					
Net U.S. acquisition of financial assets excluding financial derivatives (net increase in assets / financial outflow (+))	373,591	127,135	251,126	-175,112	-426,238
Direct investment assets	102,936	91,256	-139,326	-28,972	110,354
Portfolio investment assets	175,910	88,301	304,094	-23,737	-327,831
Other investment assets	94,804	-50,883	86,365	-125,471	-211,836
Reserve assets	-61	-1,539	-7	3,068	3,075
Net U.S. incurrence of liabilities excluding financial derivatives (net increase in liabilities / financial inflow (+))	504,082	159,164	441,080	-57,743	-498,823
Direct investment liabilities	107,107	38,250	57,949	24,565	-33,384
Portfolio investment liabilities	294,275	81,626	301,503	10,071	-291,432
Other investment liabilities	102,701	39,288	81,628	-92,379	-174,007
Financial derivatives other than reserves, net transactions	18,600	777	29,024	-16,969	-45,993
Statistical discrepancy					
Statistical discrepancy¹	-33,231	84,936	-39,218	-32,877	6,341
Balances					
Balance on current account	-103,447	-116,148	-121,710	-101,460	20,250
Balance on goods and services	-132,791	-147,826	-153,989	-133,812	20,177
Balance on goods	-196,823	-212,378	-220,802	-203,158	17,644
Balance on services	64,032	64,551	66,812	69,346	2,534
Balance on primary income	58,222	62,371	61,175	60,845	-330
Balance on secondary income	-28,878	-30,692	-28,896	-28,493	403
Balance on capital account	24,787	-40	-2	0	2
Net lending (+) or net borrowing (-) from current- and capital-account transactions²	-78,660	-116,188	-121,712	-101,460	20,252
Net lending (+) or net borrowing (-) from financial-account transactions³	-111,891	-31,252	-160,930	-134,337	26,593

p Preliminary
r Revised
n.a. Not available

1. The statistical discrepancy is the difference between net acquisition of financial assets and net incurrence of liabilities in the financial account (including financial derivatives) less the difference between total credits and total debits recorded in the current and capital accounts.
2. Sum of current- and capital-account balances.
3. Sum of net U.S. acquisition of financial assets and net transactions in financial derivatives less net U.S. incurrence of liabilities.

Note. The statistics are presented in table 1.2 on BEA's website.

Data Availability and Methodology

Detailed statistics for U.S. international transactions accompany this article in tables 1.1–9.1. The statistics and a description of the estimation methods are also available on BEA's website. The links in the text and tables of this article provide the latest available statistics in the interactive tables.

For the statistics, see “International Data.” For the methods, see *U.S. International Economic Accounts: Concepts and Methods*.

Overview

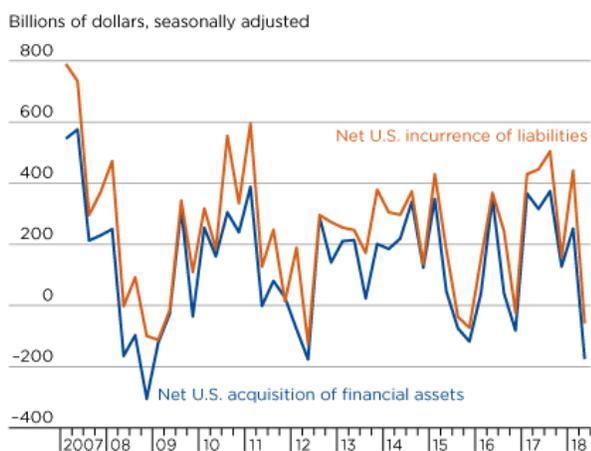
Current-account highlights

- The deficit on goods decreased \$17.6 billion in the second quarter to \$203.2 billion.
- The surplus on services increased \$2.5 billion to \$69.3 billion.
- The deficit on secondary income decreased \$0.4 billion to \$28.5 billion.
- The surplus on primary income decreased \$0.3 billion to \$60.8 billion.

Financial-account highlights

- Net U.S. liquidation of financial assets excluding financial derivatives was \$175.1 billion in the second quarter, following net U.S. acquisition of \$251.1 billion in the first quarter (chart 2).
- Net U.S. repayment of liabilities excluding financial derivatives was \$57.7 billion in the second quarter, following net U.S. incurrence of \$441.1 billion in the first quarter.
- Transactions in financial derivatives other than reserves reflected second-quarter net borrowing of \$17.0 billion, following net lending of \$29.0 billion in the first quarter.

Chart 2. Acquisition of Financial Assets and Incurrence of Liabilities Excluding Financial Derivatives



Statistical discrepancy

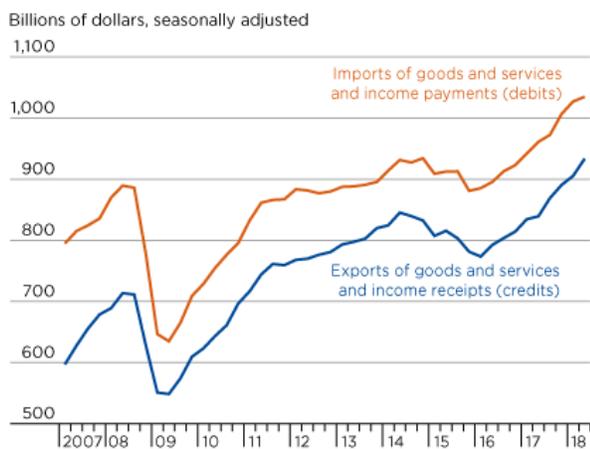
The statistical discrepancy was $-\$32.9$ billion in the second quarter, following a statistical discrepancy of $-\$39.2$ billion in the first quarter.

Current Account—Exports of Goods and Services and Income Receipts

Exports of goods and services and income receipts increased $\$28.0$ billion, or 3.1 percent, in the second quarter to $\$933.3$ billion (charts 3 and 4 and table B).

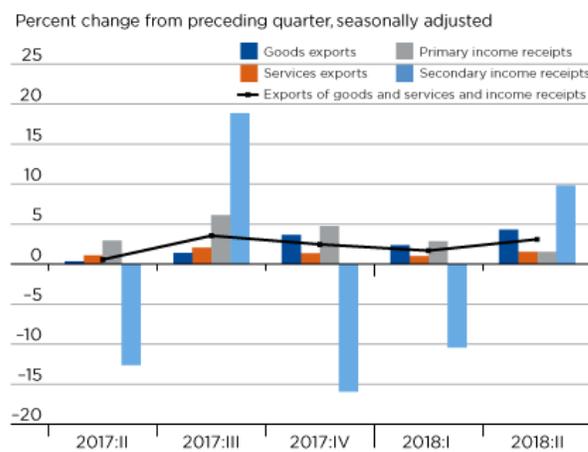
- Goods exports increased $\$17.8$ billion, or 4.3 percent, to $\$429.2$ billion, mostly reflecting increases in industrial supplies and materials, primarily petroleum and products, and in foods, feeds, and beverages, primarily soybeans.
- Primary income receipts increased $\$3.9$ billion, or 1.5 percent, to $\$259.9$ billion, primarily reflecting increases in portfolio investment income and in other investment income. A decrease in direct investment income partly offset the increases. For more information on direct investment income, see “Effects of the 2017 Tax Cuts and Jobs Act on Components of the International Transactions Accounts.”
- Services exports increased $\$3.2$ billion, or 1.5 percent, to $\$209.2$ billion, mainly reflecting increases in other business services, led by professional and management consulting services, in financial services, and in charges for the use of intellectual property.

Chart 3. Current-Account Transactions



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Chart 4. Percent Change in Exports of Goods and Services and Income Receipts



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Table B. Exports of Goods and Services and Income Receipts

[Millions of dollars, seasonally adjusted]

	2017		2018		Change 2018:I to 2018:II
	III	IV	I ^r	II ^p	
Exports of goods and services and income receipts	868,997	890,393	905,298	933,274	27,976
Exports of goods	387,814	401,939	411,442	429,238	17,796
General merchandise	382,828	397,143	404,927	423,937	19,010
Foods, feeds, and beverages	34,209	32,099	33,338	40,521	7,183
Industrial supplies and materials	111,819	124,271	125,430	134,571	9,141
Energy products	38,716	46,234	46,972	54,033	7,061
<i>Of which: Petroleum and products</i>	33,122	40,384	40,109	46,916	6,807
Nonenergy products	73,103	78,037	78,458	80,538	2,080
Capital goods except automotive	134,985	137,341	138,209	141,647	3,438
Automotive vehicles, parts, and engines	39,078	39,761	42,207	40,334	-1,873
Consumer goods except food and automotive	48,879	49,807	51,598	51,282	-316
Other general merchandise	13,858	13,866	14,144	15,582	1,438
Net exports of goods under merchandising	47	56	66	53	-13
Nonmonetary gold	4,940	4,740	6,450	5,249	-1,201
Exports of services¹	201,293	203,977	205,994	209,152	3,158
Maintenance and repair services n.i.e.	6,213	6,740	7,286	7,323	37
Transport	22,483	22,696	22,949	23,180	231
Travel (for all purposes including education)	52,980	53,429	53,504	53,811	307
Business	9,906	9,956	9,877	9,804	-73
Personal	43,074	43,473	43,627	44,007	380
Insurance services	4,708	4,755	4,555	4,629	74
Financial services	27,927	28,751	27,907	28,703	796
Charges for the use of intellectual property n.i.e.	32,273	32,762	33,577	34,181	604
Telecommunications, computer, and information services	10,735	10,902	10,913	11,189	276
Other business services	38,936	39,326	40,556	41,403	847
Government goods and services n.i.e.	5,037	4,617	4,748	4,735	-13
Primary income receipts	237,632	248,940	256,029	259,930	3,901
Investment income	236,058	247,367	254,435	258,325	3,890
Direct investment income	127,799	135,929	135,062	133,794	-1,268
Income on equity	120,340	128,884	128,094	126,789	-1,305
Dividends and withdrawals	55,110	26,874	294,856	169,533	-125,323
Reinvested earnings	65,229	102,009	-166,762	-42,745	124,017
Interest	7,459	7,046	6,969	7,006	37
Portfolio investment income	91,154	93,614	99,244	102,162	2,918
Income on equity and investment fund shares	61,241	62,535	65,937	67,345	1,408
Interest on debt securities	29,913	31,078	33,307	34,817	1,510
Other investment income	16,996	17,741	19,959	22,322	2,363
Reserve asset income	109	82	169	47	-122
Compensation of employees	1,573	1,573	1,594	1,605	11
Secondary income (current transfer) receipts²	42,258	35,537	31,833	34,954	3,121

p Preliminary

r Revised

n.i.e. Not included elsewhere

1. See also Shari A. Allen, Alexis N. Grimm, and Christopher P. Steiner, "U.S. International Services: Trade in Services in 2017 and Services Supplied Through Affiliates in 2016," *Survey of Current Business* 98 (October 2018).
2. Secondary income receipts include U.S. government and private transfers, such as fines and penalties, withholding taxes, insurance-related transfers, and other current transfers.

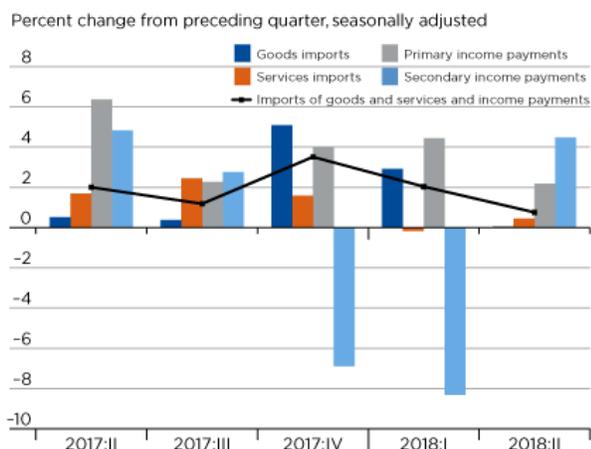
Note. The statistics are presented in table 1.2, table 2.1, table 3.1, table 4.1, and table 5.1 on BEA's website.

Current Account—Imports of Goods and Services and Income Payments

Imports of goods and services and income payments increased \$7.7 billion, or 0.8 percent, in the second quarter to \$1,034.7 billion (charts 3 and 5 and table C).

- Primary income payments increased \$4.2 billion, or 2.2 percent, to \$199.1 billion, mainly reflecting increases in other investment income and in portfolio investment income. A decrease in direct investment income partly offset the increases.
- Secondary income payments increased \$2.7 billion, or 4.5 percent, to \$63.4 billion, primarily reflecting an increase in U.S. government grants.
- Services imports increased \$0.6 billion, or 0.4 percent, to \$139.8 billion, mainly reflecting increases in other business services and in transport. A decrease in insurance services partly offset the increases.
- Goods imports increased \$0.2 billion, or less than 0.1 percent, to \$632.4 billion, mostly reflecting offsetting changes across categories. Increases in industrial supplies and materials and in capital goods except automotive were mainly offset by decreases in consumer goods except food and automotive and in automotive vehicles, parts, and engines.

Chart 5. Percent Change in Imports of Goods and Services and Income Payments



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Table C. Imports of Goods and Services and Income Payments

[Millions of dollars, seasonally adjusted]

	2017		2018		Change 2018:I to 2018:II
	III	IV	I ^r	II ^p	
Imports of goods and services and income payments	972,445	1,006,541	1,027,008	1,034,734	7,726
Imports of goods	584,637	614,317	632,244	632,396	152
General merchandise	581,849	610,844	629,436	629,718	282
Foods, feeds, and beverages	35,069	35,551	37,014	37,089	75
Industrial supplies and materials	123,450	133,707	142,210	146,228	4,018
Energy products	49,448	55,863	61,969	64,403	2,434
<i>Of which: Petroleum and products</i>	45,444	51,926	58,558	61,038	2,480
Nonenergy products	74,002	77,844	80,241	81,825	1,584
Capital goods except automotive	163,218	169,186	170,639	174,200	3,561
Automotive vehicles, parts, and engines	89,455	90,589	92,885	90,150	-2,735
Consumer goods except food and automotive	148,197	157,597	164,007	157,413	-6,594
Other general merchandise	22,460	24,214	22,681	24,638	1,957
Nonmonetary gold	2,789	3,473	2,809	2,678	-131
Imports of services¹	137,261	139,426	139,182	139,806	624
Maintenance and repair services n.i.e.	2,004	2,059	2,093	2,063	-30
Transport	25,352	25,872	26,253	26,619	366
Travel (for all purposes including education)	33,813	34,906	35,553	35,600	47
Business	4,147	4,140	4,009	4,182	173
Personal	29,666	30,766	31,544	31,418	-126
Insurance services	13,094	12,434	9,754	9,216	-538
Financial services	7,478	7,628	7,532	7,638	106
Charges for the use of intellectual property n.i.e.	13,136	13,808	13,925	13,710	-215
Telecommunications, computer, and information services	10,068	10,280	10,174	10,343	169
Other business services	26,774	26,929	28,246	28,954	708
Government goods and services n.i.e.	5,541	5,510	5,653	5,662	9
Primary income payments	179,410	186,569	194,854	199,085	4,231
Investment income	174,430	181,601	189,875	194,092	4,217
Direct investment income	51,342	55,978	57,458	56,312	-1,146
Portfolio investment income	109,845	111,305	114,968	116,948	1,980
Income on equity and investment fund shares	36,670	36,625	38,844	40,190	1,346
Interest on debt securities	73,175	74,680	76,124	76,758	634
Other investment income	13,243	14,317	17,448	20,832	3,384
Compensation of employees	4,980	4,969	4,979	4,993	14
Secondary income (current transfer) payments²	71,136	66,229	60,728	63,447	2,719
Supplemental detail on insurance transactions:					
Premiums paid	33,943	31,429	23,986	23,699	-287
Losses recovered	46,595	21,603	18,689	18,859	170

p Preliminary

r Revised

n.i.e. Not included elsewhere

1. See also Shari A. Allen, Alexis N. Grimm, and Christopher P. Steiner, "U.S. International Services: Trade in Services in 2017 and Services Supplied Through Affiliates in 2016," *Survey of Current Business* 98 (October 2018).
2. Secondary income payments include U.S. government and private transfers, such as U.S. government grants and pensions, fines and penalties, withholding taxes, personal transfers (remittances), insurance-related transfers, and other current transfers.

Note. The statistics are presented in table 1.2, table 2.1, table 3.1, table 4.1, and table 5.1 on BEA's website.

Financial Account

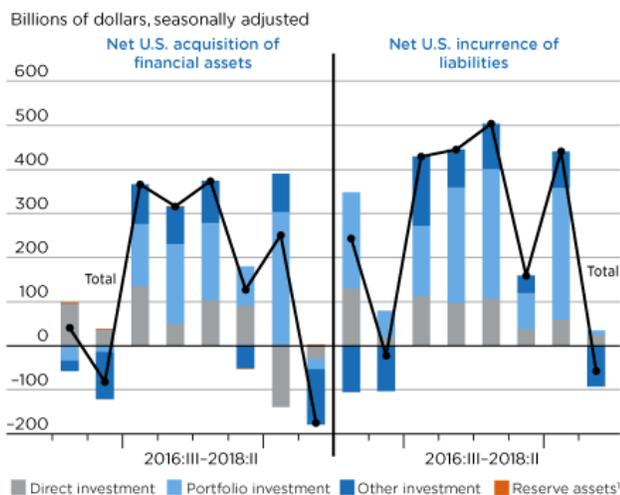
Liquidation of financial assets

- Net U.S. sales of portfolio investment assets were \$23.7 billion, following net U.S. purchases of \$304.1 billion in the first quarter (chart 6 and table D). This change mostly reflected net U.S. sales of foreign equity and investment fund shares, following net purchases in the first quarter.
- Net U.S. liquidation of other investment assets was \$125.5 billion, following net U.S. acquisition of \$86.4 billion in the first quarter. This change mostly reflected net foreign repayment of loans, following net U.S. provision of loans to foreigners in the first quarter.
- Net U.S. withdrawal of direct investment assets decreased \$110.4 billion to \$29.0 billion. The net withdrawal of direct investment assets reflected U.S. parent repatriation of previously reinvested earnings in response to the Tax Cuts and Jobs Act. For more information, see “Effects of the 2017 Tax Cuts and Jobs Act on Components of the International Transactions Accounts.”

Repayment of liabilities

- Net U.S. incurrence of portfolio investment liabilities decreased \$291.4 billion to \$10.1 billion, reflecting both net foreign sales of U.S. equity and investment fund shares, following net purchases in the first quarter, and a decrease in net foreign purchases of U.S. long-term debt securities.
- Net U.S. repayment of other investment liabilities was \$92.4 billion, following net incurrence of \$81.6 billion in the first quarter. This change mostly reflected net U.S. repayment of loan liabilities, following net incurrence of loans in the first quarter.

Chart 6. Transactions in Financial Assets and Liabilities Excluding Financial Derivatives



1. Transactions in reserve assets are relatively small and may not be clearly visible. See table D for these statistics.
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Table D. Net U.S. Acquisition of Financial Assets and Net U.S. Incurrence of Liabilities

[Millions of dollars, seasonally adjusted]

	2017		2018		Change 2018:I to 2018:II
	III	IV	I ^r	II ^p	
Net U.S. acquisition of financial assets excluding financial derivatives (net increase in assets / financial outflow (+))	373,591	127,135	251,126	-175,112	-426,238
Direct investment assets	102,936	91,256	-139,326	-28,972	110,354
Equity	69,079	101,537	-167,731	-36,473	131,258
Equity other than reinvestment of earnings	3,850	-472	-969	6,272	7,241
Reinvestment of earnings	65,229	102,009	-166,762	-42,745	124,017
Debt instruments	33,857	-10,281	28,406	7,501	-20,905
Portfolio investment assets	175,910	88,301	304,094	-23,737	-327,831
Equity and investment fund shares	63,399	-39,233	200,871	-73,520	-274,391
Debt securities	112,512	127,534	103,223	49,783	-53,440
Short-term securities	74,149	40,467	27,771	2,469	-25,302
Long-term corporate securities	26,957	62,231	53,741	32,876	-20,865
Other long-term securities	11,406	24,836	21,711	14,438	-7,273
Other investment assets	94,804	-50,883	86,365	-125,471	-211,836
Currency and deposits	78,488	4,850	53,816	-26,991	-80,807
Loans	15,099	-55,760	33,356	-101,486	-134,842
Trade credit and advances	1,217	26	-807	3,006	3,813
Reserve assets	-61	-1,539	-7	3,068	3,075
Monetary gold	0	0	0	0	0
Special drawing rights	26	26	33	33	0
Reserve position in the International Monetary Fund	-98	-1,535	-73	3,136	3,209
Other reserve assets	11	-29	34	-101	-135
Net U.S. incurrence of liabilities excluding financial derivatives (net increase in liabilities / financial inflow (+))	504,082	159,164	441,080	-57,743	-498,823
Direct investment liabilities	107,107	38,250	57,949	24,565	-33,384
Equity	72,927	64,320	72,661	33,445	-39,216
Equity other than reinvestment of earnings	42,799	36,488	37,499	4,724	-32,775
Reinvestment of earnings	30,127	27,832	35,163	28,721	-6,442
Debt instruments	34,180	-26,070	-14,712	-8,880	5,832
Portfolio investment liabilities	294,275	81,626	301,503	10,071	-291,432
Equity and investment fund shares	80,561	-3,377	154,313	-26,164	-180,477
Debt securities	213,713	85,003	147,190	36,235	-110,955
Short term	-20,035	25,215	31,355	34,585	3,230
Treasury bills and certificates	9,132	20,270	13,560	33,703	20,143
Federally sponsored agency securities	-1,927	2,160	2,214	-680	-2,894
Other short-term securities	-27,240	2,785	15,581	1,562	-14,019
Long term	233,748	59,788	115,835	1,651	-114,184
Treasury bonds and notes	150,035	546	73,078	-12,865	-85,943
Federally sponsored agency securities	14,153	8,523	37,775	5,983	-31,792
Corporate bonds and notes	70,281	51,058	4,731	6,524	1,793
Other	-721	-339	251	2,009	1,758
Other investment liabilities	102,701	39,288	81,628	-92,379	-174,007
Currency (short term)	15,850	17,262	16,970	19,391	2,421
Deposits	-31,642	44,161	-27,004	-53,800	-26,796
Loans	112,549	-23,436	82,566	-63,135	-145,701
Trade credit and advances	5,943	1,302	9,096	5,165	-3,931
Special drawing rights allocations	0	0	0	0	0

p Preliminary

r Revised

Note. The statistics are presented in table 1.2, table 6.1, table 7.1, and table 8.1 on BEA's website.

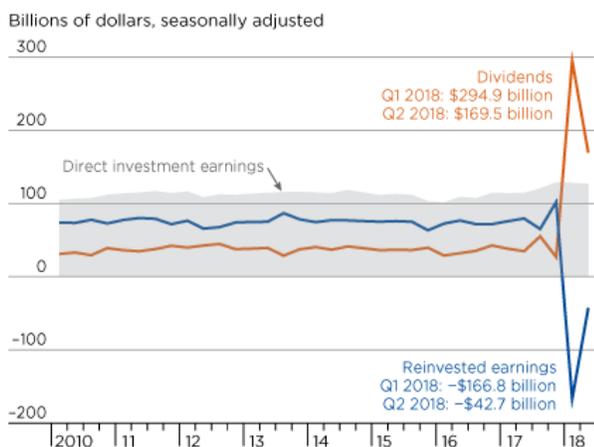
Effects of the 2017 Tax Cuts and Jobs Act on Components of the International Transactions Accounts

In the international transactions accounts, income on equity, or earnings, of foreign affiliates of U.S. multinational enterprises consists of (1) a portion that is repatriated to the parent company in the United States in the form of dividends and (2) a portion that is reinvested in foreign affiliates. At times, repatriation of dividends exceeds current-period earnings, resulting in negative values being recorded for reinvested earnings. In the first quarter of 2018, earnings were \$128.1 billion, with dividends of \$294.9 billion and reinvested earnings of -\$166.8 billion. In the second quarter, earnings were \$126.8 billion, with dividends of \$169.5 billion and reinvested earnings of -\$42.7 billion (chart 7 and table B).

The large magnitudes for dividends and withdrawals and the negative reinvested earnings reflect the repatriation of accumulated earnings by foreign affiliates of U.S. multinational enterprises to their U.S. parent companies in response to the 2017 Tax Cuts and Jobs Act (TCJA). The TCJA requires U.S. parent companies to pay a one-time tax on their accumulated earnings held abroad, but generally eliminates any further taxes on repatriated earnings. The negative reinvested earnings in the first and second quarters reflect the fact that dividends exceeded earnings and U.S. parent companies withdrew accumulated prior earnings from their foreign affiliates. The negative reinvested earnings are also reflected in the net acquisition of direct investment assets in the financial account, which was -\$139.3 billion in the first quarter and -\$29.0 billion in the second quarter (table D).

For more information, see “How does the 2017 Tax Cuts and Jobs Act affect BEA's business income statistics?” and “How are the International Transactions Accounts affected by an increase in direct investment dividend receipts?”

Chart 7. Direct Investment Income Receipts and Components



U.S. Bureau of Economic Analysis

In addition to the repatriation of accumulated earnings, some companies made other changes to their business practices in reaction to the TCJA. For example, some insurance companies changed how they operate in response to the base erosion and anti-abuse tax (BEAT) provision of the TCJA. BEAT is a tax on certain payments from a U.S. company to a related foreign party, which can include premium payments for reinsurance. In response to the new tax, many U.S. insurance

companies terminated these intracompany reinsurance contracts. As a result, premiums paid by U.S. insurers to foreign insurers in the first and second quarters of 2018—\$24.0 billion and \$23.7 billion, respectively—were down from \$31.4 billion in the fourth quarter of 2017 and from other recent quarters (table C). Similarly, insurance services imports in the first and second quarters—\$9.8 billion and \$9.2 billion, respectively—were down from \$12.4 billion in the fourth quarter of 2017 and from other recent quarters.

For more information on the estimation methods used to compile insurance services, see the insurance section in “U.S. International Economic Accounts: Concepts and Methods.”



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