

U.S. International Transactions

Third Quarter of 2017

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 \$100.6 billion (preliminary) in the third quarter of 2017 from \$124.4 billion (revised) in the second quarter (chart 1; see also table A on page 2). The deficit decreased to 2.1 percent of current-dollar gross domestic product (GDP) from 2.6 percent in the second quarter.

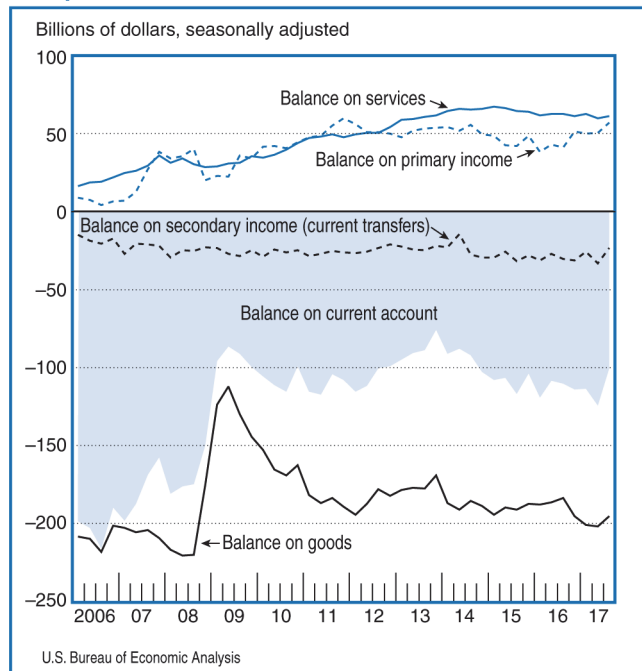
The \$23.8 billion decrease in the current-account deficit reflected decreases in the deficits on secondary income and goods and increases in the surpluses on primary income and services.

Net U.S. borrowing measured by financial-account transactions was \$105.6 billion in the third quarter, a decrease from net borrowing of \$114.4 billion in the second quarter.

The statistical discrepancy—the difference between the net acquisition of financial assets and the net incurrence of liabilities in the financial account (including financial derivatives) less the difference between total credits and total debits recorded in the current account and the capital account—was $-\$29.9$ billion in the third quarter after a statistical discrepancy of $\$10.0$ billion in the second quarter.

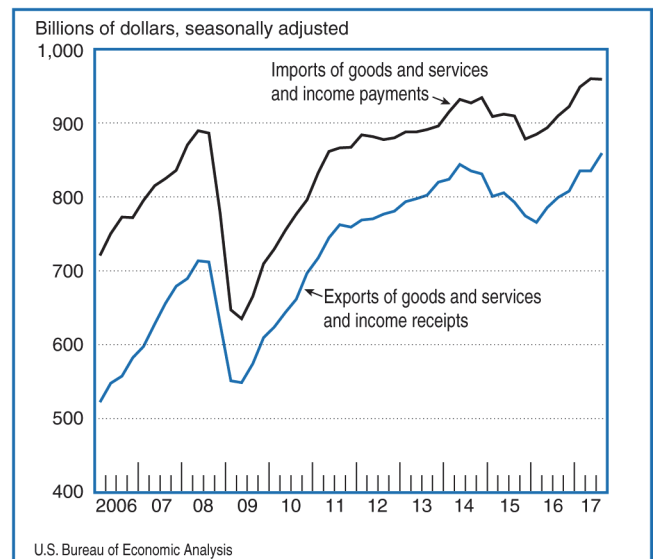
The remainder of this article highlights changes from the second quarter to the third quarter in major aggregates of the U.S. international transactions accounts and selected component contributions to those changes.

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



Third-Quarter 2017 Atlantic Hurricanes
 During the third quarter, major hurricanes caused severe damage and flooding in several states along the Gulf Coast and in Puerto Rico and the U.S. Virgin Islands. For more information, see the “Effects of Hurricanes on Third-Quarter 2017 Estimates.”

Chart 2. Current-Account Transactions



Michelle Murillo prepared this article.

Overview

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

| | 2016 | 2017 | | | Change 2017:II to 2017:III |
|--|-----------------|-----------------|-----------------|------------------|----------------------------------|
| | IV | I | II ^r | III ^p | |
| Current account | | | | | |
| Exports of goods and services and income receipts (credits) | 807,854 | 834,604 | 835,275 | 858,678 | 23,403 |
| Exports of goods and services | 559,954 | 576,226 | 575,972 | 583,092 | 7,120 |
| Goods..... | 370,493 | 383,601 | 382,902 | 388,129 | 5,227 |
| Services | 189,461 | 192,625 | 193,069 | 194,963 | 1,894 |
| Primary income receipts | 212,953 | 219,326 | 225,143 | 234,497 | 9,354 |
| Secondary income (current transfer) receipts | 34,947 | 39,052 | 34,160 | 41,089 | 6,929 |
| Imports of goods and services and income payments (debits) | 921,860 | 948,137 | 959,672 | 959,244 | -428 |
| Imports of goods and services..... | 694,002 | 714,320 | 717,687 | 717,450 | -237 |
| Goods..... | 565,551 | 584,160 | 584,351 | 583,387 | -964 |
| Services | 128,451 | 130,160 | 133,336 | 134,063 | 727 |
| Primary income payments | 161,656 | 169,264 | 174,626 | 177,464 | 2,838 |
| Secondary income (current transfer) payments | 66,202 | 64,554 | 67,358 | 64,329 | -3,029 |
| Capital account | | | | | |
| Capital transfer receipts and other credits | 0 | 0 | 0 | 24,868 | 24,868 |
| Capital transfer payments and other debits | 0 | 1 | 0 | n.a. | n.a. |
| Financial account | | | | | |
| Net U.S. acquisition of financial assets excluding financial derivatives (net increase in assets / financial outflow (+)) | -84,504 | 326,126 | 344,851 | 337,900 | -6,951 |
| Direct investment assets | 43,289 | 117,457 | 90,601 | 76,694 | -13,907 |
| Portfolio investment assets | -13,379 | 140,446 | 186,482 | 175,629 | -10,853 |
| Other investment assets | -115,864 | 68,464 | 67,618 | 85,637 | 18,019 |
| Reserve assets | 1,450 | -241 | 150 | -61 | -211 |
| Net U.S. incurrence of liabilities excluding financial derivatives (net increase in liabilities / financial inflow (+)) | -16,734 | 417,307 | 468,603 | 462,131 | -6,472 |
| Direct investment liabilities | 17,597 | 97,250 | 91,100 | 95,831 | 4,731 |
| Portfolio investment liabilities | 62,422 | 164,522 | 291,264 | 284,032 | -7,232 |
| Other investment liabilities | -96,753 | 155,535 | 86,238 | 82,267 | -3,971 |
| Financial derivatives other than reserves, net transactions | -6,983 | -2,320 | 9,306 | 18,600 | 9,294 |
| Statistical discrepancy | | | | | |
| Statistical discrepancy ¹ | 39,253 | 20,033 | 9,952 | -29,933 | -39,885 |
| Balances | | | | | |
| Balance on current account | -114,006 | -113,533 | -124,397 | -100,566 | 23,831 |
| Balance on goods and services | -134,048 | -138,094 | -141,716 | -134,358 | 7,358 |
| Balance on goods | -195,058 | -200,559 | -201,449 | -195,258 | 6,191 |
| Balance on services..... | 61,010 | 62,465 | 59,733 | 60,900 | 1,167 |
| Balance on primary income | 51,297 | 50,062 | 50,517 | 57,033 | 6,516 |
| Balance on secondary income..... | -31,255 | -25,501 | -33,198 | -23,240 | 9,958 |
| Balance on capital account | 0 | -1 | 0 | 24,868 | 24,868 |
| Net lending (+) or net borrowing (-) from current- and capital-account transactions ² | -114,006 | -113,534 | -124,397 | -75,698 | 48,699 |
| Net lending (+) or net borrowing (-) from financial-account transactions ³ | -74,753 | -93,501 | -114,445 | -105,631 | 8,814 |

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-account 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 Web site.

Current-account highlights

- The deficit on secondary income decreased \$10.0 billion in the third quarter to \$23.2 billion.
- The surplus on primary income increased \$6.5 billion to \$57.0 billion.
- The deficit on goods decreased \$6.2 billion to \$195.3 billion.
- The surplus on services increased \$1.2 billion to \$60.9 billion.

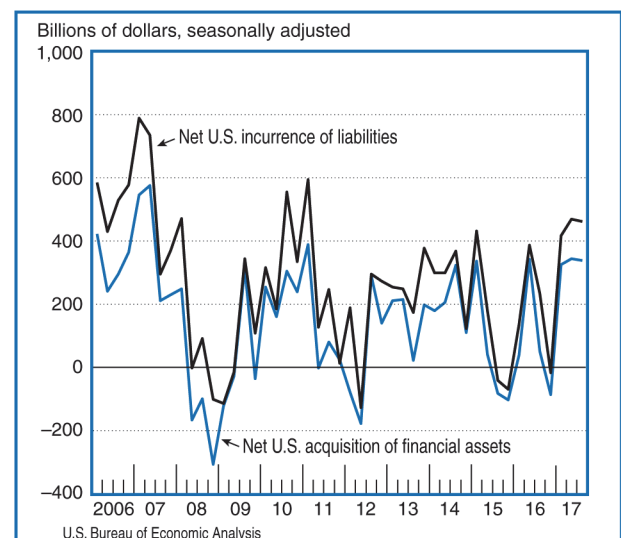
Capital-account highlights

- Capital transfer receipts were \$24.9 billion in the third quarter. The transactions reflected receipts from foreign insurance companies for losses resulting from hurricanes Harvey, Irma, and Maria.

Financial-account highlights

- Net U.S. acquisition of financial assets excluding financial derivatives decreased \$7.0 billion in the third quarter to \$337.9 billion.
- Net U.S. incurrence of liabilities excluding financial derivatives decreased \$6.5 billion to \$462.1 billion.
- Transactions in financial derivatives other than reserves reflected third-quarter net lending of \$18.6 billion, an increase of \$9.3 billion from the second quarter.

Chart 3. Acquisition of Financial Assets and Incurrence of Liabilities Excluding Financial Derivatives



Current Account—Exports of Goods and Services and Income Receipts

Table B. Exports of Goods and Services and Income Receipts

[Millions of dollars, seasonally adjusted]

| | 2016 | 2017 | | | Change 2017:II to 2017:III |
|---|----------------|----------------|-----------------|------------------|-------------------------------------|
| | IV | I | II ^r | III ^p | |
| Exports of goods and services and income receipts | 807,854 | 834,604 | 835,275 | 858,678 | 23,403 |
| Exports of goods | 370,493 | 383,601 | 382,902 | 388,129 | 5,227 |
| General merchandise | 363,907 | 377,350 | 377,149 | 383,122 | 5,973 |
| Foods, feeds, and beverages | 32,496 | 33,273 | 34,913 | 35,954 | 1,041 |
| Industrial supplies and materials | 100,596 | 110,451 | 109,708 | 110,693 | 985 |
| Energy products | 30,787 | 37,619 | 37,826 | 38,105 | 279 |
| Of which: Petroleum and products | 26,501 | 31,683 | 32,011 | 32,535 | 524 |
| Nonenergy products | 69,809 | 72,832 | 71,882 | 72,588 | 706 |
| Capital goods except automotive | 131,046 | 129,915 | 130,692 | 135,344 | 4,652 |
| Automotive vehicles, parts, and engines | 36,915 | 40,366 | 39,302 | 38,847 | -455 |
| Consumer goods except food and automotive | 48,671 | 49,997 | 48,897 | 48,925 | 28 |
| Other general merchandise | 14,183 | 13,348 | 13,637 | 13,360 | -277 |
| Net exports of goods under merchandising | 89 | 75 | 65 | 66 | 1 |
| Nonmonetary gold | 6,497 | 6,175 | 5,689 | 4,941 | -748 |
| Exports of services¹ | 189,461 | 192,625 | 193,069 | 194,963 | 1,894 |
| Maintenance and repair services n.i.e. | 6,572 | 6,986 | 6,627 | 6,797 | 170 |
| Transport | 21,244 | 21,404 | 21,173 | 21,563 | 390 |
| Travel (for all purposes including education) | 51,916 | 51,897 | 50,670 | 51,106 | 436 |
| Business | 10,027 | 9,849 | 9,623 | 9,220 | -403 |
| Personal | 41,889 | 42,048 | 41,047 | 41,886 | 839 |
| Insurance services | 4,299 | 4,106 | 4,308 | 4,416 | 108 |
| Financial services | 25,959 | 25,348 | 25,932 | 26,150 | 218 |
| Charges for the use of intellectual property n.i.e. | 30,666 | 29,839 | 31,680 | 31,360 | -320 |
| Telecommunications, computer, and information services | 9,281 | 9,620 | 9,534 | 9,672 | 138 |
| Other business services | 35,186 | 38,507 | 38,209 | 39,002 | 793 |
| Government goods and services n.i.e. | 4,338 | 4,919 | 4,937 | 4,898 | -39 |
| Primary income receipts | 212,953 | 219,326 | 225,143 | 234,497 | 9,354 |
| Investment income | 211,316 | 217,679 | 223,489 | 232,837 | 9,348 |
| Direct investment income | 118,733 | 122,937 | 122,862 | 125,919 | 3,057 |
| Portfolio investment income | 82,153 | 82,171 | 85,666 | 90,198 | 4,532 |
| Income on equity and investment fund shares | 54,221 | 53,958 | 56,640 | 60,303 | 3,663 |
| Interest on debt securities | 27,932 | 28,214 | 29,026 | 29,895 | 869 |
| Other investment income | 10,367 | 12,512 | 14,826 | 16,636 | 1,810 |
| Reserve asset income | 62 | 59 | 135 | 84 | -51 |
| Compensation of employees | 1,637 | 1,646 | 1,654 | 1,660 | 6 |
| Secondary income (current transfer) receipts² | 34,947 | 39,052 | 34,160 | 41,089 | 6,929 |

p Preliminary r Revised n.i.e. Not included elsewhere

1. See also Alexis N. Grimm and Shari Allen, "U.S. International Services: Trade in Services in 2016 and Services Supplied Through Affiliates in 2015," SURVEY OF CURRENT BUSINESS 97 (October 2017).

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 Web site.

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 used to compile them are also available on BEA's Web site.

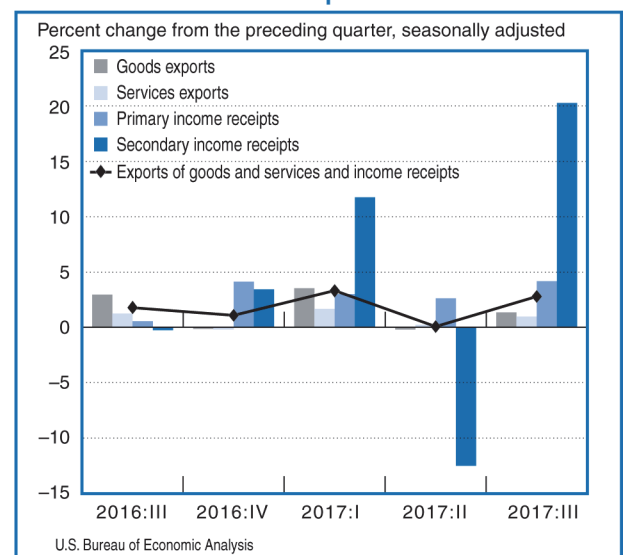
The links in the text and tables of this article are to the latest available statistics in the interactive tables.

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

Exports of goods and services and income receipts increased \$23.4 billion in the third quarter to \$858.7 billion.

- Primary income receipts increased \$9.4 billion to \$234.5 billion, mostly reflecting increases in portfolio investment income and in direct investment income.
- Secondary income receipts increased \$6.9 billion to \$41.1 billion, mostly reflecting an increase in U.S. government transfers, primarily fines and penalties.
- Goods exports increased \$5.2 billion to \$388.1 billion, mostly reflecting an increase in capital goods except automotive, primarily civilian aircraft, engines, and parts and telecommunications equipment.

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



Current Account—Imports of Goods and Services and Income Payments

Table C. Imports of Goods and Services and Income Payments

[Millions of dollars, seasonally adjusted]

| | 2016 | 2017 | | | Change 2017:II to 2017:III |
|--|----------------|----------------|-----------------|------------------|----------------------------------|
| | IV | I | II ^r | III ^p | |
| Imports of goods and services and income payments | 921,860 | 948,137 | 959,672 | 959,244 | -428 |
| Imports of goods | 565,551 | 584,160 | 584,351 | 583,387 | -964 |
| General merchandise..... | 561,845 | 580,813 | 581,756 | 580,599 | -1,157 |
| Foods, feeds, and beverages..... | 33,532 | 33,833 | 34,555 | 35,205 | 650 |
| Industrial supplies and materials..... | 118,165 | 130,761 | 126,917 | 122,813 | -4,104 |
| Energy products..... | 49,113 | 60,002 | 52,987 | 48,846 | -4,141 |
| Of which: Petroleum and products..... | 44,203 | 56,217 | 48,455 | 44,621 | -3,834 |
| Nonenergy products..... | 69,052 | 70,759 | 73,930 | 73,967 | 37 |
| Capital goods except automotive..... | 150,651 | 153,394 | 158,042 | 163,705 | 5,663 |
| Automotive vehicles, parts, and engines..... | 88,930 | 91,147 | 89,493 | 89,121 | -372 |
| Consumer goods, except food and automotive..... | 148,356 | 150,184 | 149,811 | 147,328 | -2,483 |
| Other general merchandise..... | 22,209 | 21,494 | 22,939 | 22,427 | -512 |
| Nonmonetary gold..... | 3,707 | 3,347 | 2,595 | 2,788 | 193 |
| Imports of services ¹ | 128,451 | 130,160 | 133,336 | 134,063 | 727 |
| Maintenance and repair services n.i.e..... | 2,326 | 2,271 | 2,213 | 2,265 | 52 |
| Transport..... | 24,621 | 25,218 | 25,152 | 24,852 | -300 |
| Travel (for all purposes including education)..... | 31,729 | 32,609 | 33,985 | 34,115 | 130 |
| Business..... | 4,002 | 4,050 | 4,138 | 4,124 | -14 |
| Personal..... | 27,727 | 28,560 | 29,847 | 29,991 | 144 |
| Insurance services..... | 12,376 | 11,839 | 12,364 | 12,307 | -57 |
| Financial services..... | 6,572 | 6,476 | 6,805 | 7,085 | 280 |
| Charges for the use of intellectual property n.i.e..... | 11,443 | 11,725 | 12,104 | 12,512 | 408 |
| Telecommunications, computer, and information services..... | 9,330 | 9,957 | 9,759 | 9,979 | 220 |
| Other business services..... | 24,619 | 24,521 | 25,483 | 25,391 | -92 |
| Government goods and services n.i.e..... | 5,435 | 5,543 | 5,472 | 5,557 | 85 |
| Primary income payments | 161,656 | 169,264 | 174,626 | 177,464 | 2,838 |
| Investment income..... | 156,499 | 164,260 | 169,420 | 172,237 | 2,817 |
| Direct investment income..... | 43,528 | 49,002 | 49,674 | 47,730 | -1,944 |
| Portfolio investment income..... | 105,651 | 106,022 | 108,444 | 111,381 | 2,937 |
| Income on equity and investment fund shares..... | 34,589 | 35,271 | 36,036 | 36,701 | 665 |
| Interest on debt securities..... | 71,062 | 70,751 | 72,408 | 74,680 | 2,272 |
| Other investment income..... | 7,320 | 9,235 | 11,301 | 13,126 | 1,825 |
| Compensation of employees..... | 5,157 | 5,004 | 5,206 | 5,227 | 21 |
| Secondary income (current transfer) payments ² | 66,202 | 64,554 | 67,358 | 64,329 | -3,029 |

p Preliminary r Revised n.i.e. Not included elsewhere

1. See also Alexis N. Grimm and Shari Allen, "U.S. International Services: Trade in Services in 2016 and Services Supplied Through Affiliates in 2015," SURVEY OF CURRENT BUSINESS 97 (October 2017).

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 Web site.

Imports of goods and services and income payments decreased \$0.4 billion to \$959.2 billion.

- Secondary income payments decreased \$3.0 billion to \$64.3 billion, mostly reflecting a decrease in private transfers, primarily fines and penalties.
- Primary income payments increased \$2.8 billion to \$177.5 billion, reflecting increases in portfolio investment income and in other investment income.

Updates

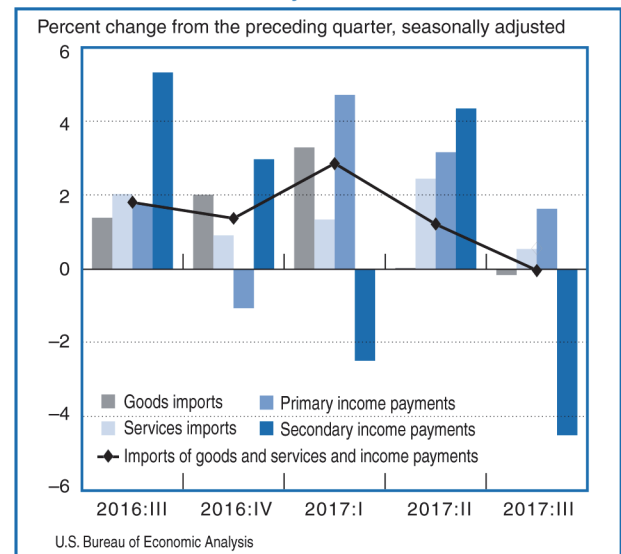
The statistics on U.S. international transactions for the second quarter of 2017 have been updated to incorporate new and revised source data.

Preliminary and Revised Second-Quarter 2017 Statistics

[Millions of dollars, seasonally adjusted]

| | Preliminary estimate | Revised estimate |
|---|----------------------|------------------|
| Balance on goods..... | -201,406 | -201,449 |
| Balance on services..... | 64,093 | 59,733 |
| Balance on primary income..... | 47,201 | 50,517 |
| Balance on secondary income (current transfers)..... | -33,025 | -33,198 |
| Balance on current account..... | -123,137 | -124,397 |
| Net U.S. acquisition of financial assets..... | 350,682 | 344,851 |
| Net U.S. incurrence of liabilities..... | 472,526 | 468,603 |
| Net lending or borrowing from financial-account transactions..... | -112,538 | -114,445 |

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



Financial Account

Table D. Net U.S. Acquisition of Financial Assets and Net U.S. Incurrence of Liabilities Excluding Financial Derivatives
[Millions of dollars, seasonally adjusted]

| | 2016 | | 2017 | | Change 2017:II to 2017:III |
|--|-----------------|----------------|-----------------|------------------|----------------------------------|
| | IV | I | II ^r | III ^p | |
| Net U.S. acquisition of financial assets excluding financial derivatives (net increase in assets / financial outflow (+)) | -84,504 | 326,126 | 344,851 | 337,900 | -6,951 |
| Direct investment assets | 43,289 | 117,457 | 90,601 | 76,694 | -13,907 |
| Equity | 86,851 | 92,272 | 86,958 | 69,900 | -17,058 |
| Equity other than reinvestment of earnings | 6,684 | 12,212 | 5,357 | -2,281 | -7,638 |
| Reinvestment of earnings | 80,167 | 80,060 | 81,601 | 72,182 | -9,419 |
| Debt instruments | -43,562 | 25,185 | 3,644 | 6,793 | 3,149 |
| Portfolio investment assets | -13,379 | 140,446 | 186,482 | 175,629 | -10,853 |
| Equity and investment fund shares | -79,524 | 37,395 | 120,716 | 66,111 | -54,605 |
| Debt securities | 66,144 | 103,051 | 65,766 | 109,519 | 43,753 |
| Short-term securities | 4,939 | 37,797 | 36,261 | 71,959 | 35,698 |
| Long-term corporate securities | 44,550 | 46,179 | 20,106 | 26,165 | 6,059 |
| Other long-term securities | 16,655 | 19,075 | 9,399 | 11,395 | 1,996 |
| Other investment assets | -115,864 | 68,464 | 67,618 | 85,637 | 18,019 |
| Currency and deposits | -58,232 | 38,989 | 9,542 | 60,341 | 50,799 |
| Loans | -55,680 | 25,660 | 58,461 | 24,158 | -34,303 |
| Trade credit and advances | -1,952 | 3,815 | -385 | 1,138 | 1,523 |
| Reserve assets | 1,450 | -241 | 150 | -61 | -211 |
| Monetary gold | 0 | 0 | 0 | 0 | 0 |
| Special drawing rights | 680 | 11 | 15 | 26 | 11 |
| Reserve position in the International Monetary Fund | 732 | -261 | 82 | -98 | -180 |
| Other reserve assets | 37 | 9 | 54 | 11 | -43 |
| Net U.S. incurrence of liabilities excluding financial derivatives (net increase in liabilities / financial inflow (+)) | -16,734 | 417,307 | 468,603 | 462,131 | -6,472 |
| Direct investment liabilities | 17,597 | 97,250 | 91,100 | 95,831 | 4,731 |
| Equity | 50,231 | 89,198 | 66,394 | 69,446 | 3,052 |
| Equity other than reinvestment of earnings | 31,676 | 62,439 | 48,213 | 44,439 | -3,774 |
| Reinvestment of earnings | 18,554 | 26,758 | 18,181 | 25,007 | 6,826 |
| Debt instruments | -32,634 | 8,052 | 24,706 | 26,386 | 1,680 |
| Portfolio investment liabilities | 62,422 | 164,522 | 291,264 | 284,032 | -7,232 |
| Equity and investment fund shares | -107,301 | 58,169 | 33,470 | 76,645 | 43,175 |
| Debt securities | 169,723 | 106,354 | 257,794 | 207,387 | -50,407 |
| Short term | -6,376 | -4,454 | 37,173 | -31,423 | -68,596 |
| Treasury bills and certificates | -26,411 | 634 | 25,737 | 4,978 | -20,759 |
| Federally sponsored agency securities | -3,035 | -1,920 | -4,588 | -719 | 3,869 |
| Other short-term securities | 23,070 | -3,168 | 16,024 | -35,682 | -51,706 |
| Long term | 176,098 | 110,807 | 220,620 | 238,810 | 18,190 |
| Treasury bonds and notes | 62,611 | 73,162 | 44,491 | 156,105 | 111,614 |
| Federally sponsored agency securities | 5,179 | -17,773 | 24,265 | 11,446 | -12,819 |
| Corporate bonds and notes | 103,840 | 53,569 | 146,735 | 72,411 | -74,324 |
| Other | 4,468 | 1,849 | 5,129 | -1,152 | -6,281 |
| Other investment liabilities | -96,753 | 155,535 | 86,238 | 82,267 | -3,971 |
| Currency (short term) | 14,607 | 20,764 | 15,830 | 15,850 | 20 |
| Deposits | 2,413 | 47,356 | 90,495 | -34,215 | -124,710 |
| Loans | -116,306 | 78,731 | -20,495 | 93,935 | 114,430 |
| Trade credit and advances | 2,533 | 8,683 | 409 | 6,697 | 6,288 |
| 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 Web site.

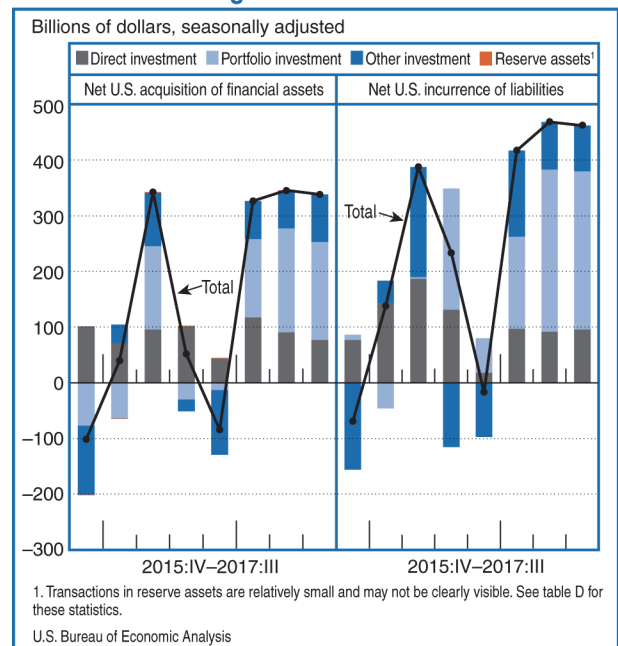
Acquisition of financial assets

- Net U.S. acquisition of direct investment assets decreased \$13.9 billion to \$76.7 billion, reflecting a decrease in net acquisition of equity assets.
- Net U.S. acquisition of portfolio investment assets decreased \$10.9 billion to \$175.6 billion, reflecting a decrease in net U.S. purchases of equity and investment fund shares.
- Net U.S. acquisition of other investment assets increased \$18.0 billion to \$85.6 billion, partly offsetting the decreases in net acquisition of direct investment assets and in net acquisition of portfolio investment assets. The increase in net acquisition of other investment assets reflected an increase in net acquisition of currency and deposits.

Incurrence of liabilities

- Net U.S. incurrence of portfolio investment liabilities decreased \$7.2 billion to \$284.0 billion, reflecting a decrease in net foreign purchases of U.S. debt securities.
- Net U.S. incurrence of other investment liabilities decreased \$4.0 billion to \$82.3 billion, reflecting largely offsetting changes in transactions in deposit and loan liabilities.
- Net U.S. incurrence of direct investment liabilities increased \$4.7 billion to \$95.8 billion, partly offsetting the decreases in net incurrence of portfolio investment liabilities and in net incurrence of other investment liabilities. The increase in net incurrence of direct investment liabilities reflected an increase in net incurrence of equity liabilities.

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



Effects of Hurricanes on Third-Quarter 2017 Estimates

During the third quarter of 2017, two major hurricanes caused severe damage and flooding in several states along the Gulf Coast. Hurricane Harvey made its initial landfall on August 25 in Texas, and it made a second landfall in Louisiana on August 30 as a tropical storm. On September 10, Hurricane Irma hit the lower Florida Keys and the southern mainland of Florida. A third hurricane, Maria, made its initial landfall on the U.S. Virgin Islands and Puerto Rico on September 20, causing catastrophic damage to these island areas.

In the U.S. international transactions accounts, Puerto Rico and other U.S. territories and possessions are included as part of the domestic economy. Note that this differs from the geographic coverage of the United States in the national income and product accounts. For more information, see [“Are Puerto Rico and the U.S. Territories included in the estimates of U.S. GDP?”](#)

The effects of disasters—such as hurricanes, terrorist attacks, and other major catastrophes—on the international economic accounts are embedded in the source data that BEA uses to produce the statistics. Source data providers generally cannot isolate the effects; thus, BEA cannot separately quantify the effects of the disasters. Nevertheless, several possible affects of the disasters on the international accounts are discussed below.

Goods. Trade in goods may be affected if the disaster results in port closures, which could affect the flow of traded goods. During port closures, shipments of goods may be diverted, amended, or canceled. Diverted import shipments may enter through another U.S. port or be transshipped through Mexico or Canada. Disasters such as hurricanes and earthquakes may cause power outages or inaccessibility to facilities, resulting in disruptions to the production of traded goods. For example, a hurricane in the United States may cause a temporary loss of petroleum production and refining activity in the affected area, thus affecting exports of petroleum and products.

The primary source of statistics on trade in goods is U.S. Census Bureau tabulations of data collected by U.S. Customs and Border Protection. For more information on the collection of these statistics and possible scenarios for shipments directly affected by the hurricanes along with information regarding the procedures used to prepare the statistics, see the notice in [“U.S. International](#)

[Trade in Goods and Services: October 2017.”](#)

Services. Trade in services may be affected if service activities are interrupted by the disaster. For example, transport services may be affected by port closures and by diverted shipments of goods. Port closures and other disruptions to service activities may also affect travel. Similarly, if business operations are disrupted, trade in certain business services could be affected.

The effects of the disaster on insurance services is likely to be small because BEA uses normal losses rather than actual losses to measure insurance services. For more information, see [“How are property and casualty insurance services measured in GDP?”](#)

Primary income and financial flows. Direct investment primary income and financial flows between parents and their affiliates may reflect the effects of the disaster on the earnings of companies in the affected area. For example, affiliates affected by a hurricane may halt production temporarily, require repairs to facilities, or face difficulties in acquiring inputs and shipping products, all of which could affect their earnings. Any additional funding provided by parent companies to their affiliates in the wake of a disaster would be reflected in financial flows.

Secondary income. Disasters may affect secondary income, which includes U.S. government and private transfers, such as U.S. government grants, personal transfers (remittances), charitable donations, and insurance-related transfers. For example, in the case of a hurricane or an earthquake in the United States, any donations for disaster relief and remittances from non-residents to families and friends in the affected area would be reflected in secondary income receipts.

Capital account. Insurance claims are typically treated as current transfers in secondary income. However, if BEA classifies a domestic event as a disaster, then the losses recovered from foreign insurance companies after the event are recorded as transfer receipts in the capital account for the affected quarter if the associated property losses or the insurance payouts exceed 0.1 percent of GDP. For more information, see [“How do losses recovered from foreign insurance companies following natural or man-made disasters affect foreign transactions, the current-account balance, and net lending or net borrowing?”](#)