

U.S. International Transactions

Third Quarter 2018

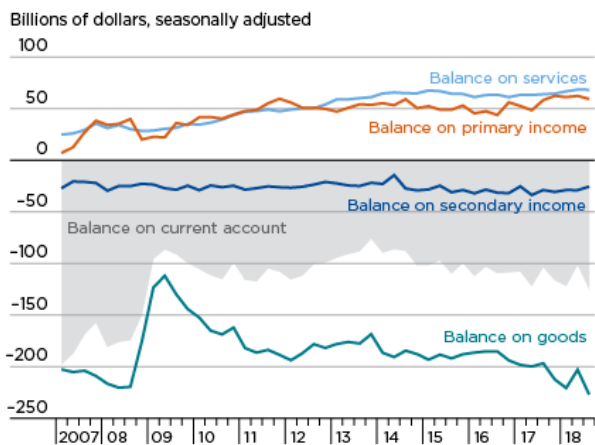
By Erin (Yiran) Xin

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—increased to \$124.8 billion (preliminary) in the third quarter of 2018 from \$101.2 billion (revised) in the second quarter of 2018 (chart 1 and table A). The deficit was 2.4 percent of current-dollar gross domestic product (GDP) in the third quarter, up from 2.0 percent in the second quarter.

The \$23.6 billion increase in the current-account deficit mainly reflected a \$24.0 billion increase in the deficit on goods.

Net U.S. borrowing measured by financial-account transactions was \$31.3 billion in the third quarter, a decrease from net borrowing of \$153.7 billion in the second quarter.

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



U.S. Bureau of Economic Analysis

Table A. U.S. International Transactions

[Millions of dollars, seasonally adjusted]

	2017	2018			Change 2018:II to 2018:III
	IV	I	II ^r	III ^p	
Current account					
Exports of goods and services and income receipts (credits)	890,393	905,298	936,517	930,276	-6,241
Exports of goods and services	605,916	617,437	635,248	629,398	-5,850
Goods	401,939	411,442	429,431	421,762	-7,669
Services	203,977	205,994	205,817	207,635	1,818
Primary income receipts	248,940	256,029	266,274	264,523	-1,751
Secondary income (current transfer) receipts	35,537	31,833	34,995	36,355	1,360
Imports of goods and services and income payments (debits)	1,006,541	1,027,008	1,037,741	1,055,093	17,352
Imports of goods and services	753,742	771,426	769,854	788,054	18,200
Goods	614,317	632,244	632,489	648,775	16,286
Services	139,426	139,182	137,365	139,279	1,914
Primary income payments	186,569	194,854	203,926	205,098	1,172
Secondary income (current transfer) payments	66,229	60,728	63,961	61,942	-2,019
Capital account					
Capital transfer receipts and other credits	0	0	0	562	562
Capital transfer payments and other debits	40	2	5	n.a.	n.a.
Financial account					
Net U.S. acquisition of financial assets excluding financial derivatives (net increase in assets / financial outflow (+))	127,135	251,126	-199,943	132,689	332,632
Direct investment assets	91,256	-139,326	-68,060	76,846	144,906
Portfolio investment assets	88,301	304,094	-14,272	72,598	86,870
Other investment assets	-50,883	86,365	-120,679	-16,577	104,102
Reserve assets	-1,539	-7	3,068	-177	-3,245
Net U.S. incurrence of liabilities excluding financial derivatives (net increase in liabilities / financial inflow (+))	159,164	441,080	-63,262	151,723	214,985
Direct investment liabilities	38,250	57,949	16,499	122,336	105,837
Portfolio investment liabilities	81,626	301,503	20,596	12,469	-8,127
Other investment liabilities	39,288	81,628	-100,358	16,918	117,276
Financial derivatives other than reserves, net transactions	777	29,024	-16,969	-12,255	4,714
Statistical discrepancy					
Statistical discrepancy¹	84,936	-39,218	-52,421	92,966	145,387
Balances					
Balance on current account	-116,148	-121,710	-101,224	-124,817	-23,593
Balance on goods and services	-147,826	-153,989	-134,606	-158,656	-24,050
Balance on goods	-212,378	-220,802	-203,058	-227,012	-23,954
Balance on services	64,551	66,812	68,452	68,356	-96
Balance on primary income	62,371	61,175	62,348	59,425	-2,923
Balance on secondary income	-30,692	-28,896	-28,966	-25,586	3,380
Balance on capital account	-40	-2	-5	562	567
Net lending (+) or net borrowing (-) from current- and capital-account transactions²	-116,188	-121,712	-101,229	-124,254	-23,025
Net lending (+) or net borrowing (-) from financial-account transactions³	-31,252	-160,930	-153,650	-31,289	122,361

p Preliminary

r Revised

n.a. Not available

Note. The statistics are presented in [table 1.2](#) on BEA's website.

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

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 increased \$24.0 billion in the third quarter to \$227.0 billion.
- The surplus on services decreased \$0.1 billion to \$68.4 billion.
- The surplus on primary income decreased \$2.9 billion to \$59.4 billion.
- The deficit on secondary income decreased \$3.4 billion to \$25.6 billion.

Capital-account highlights

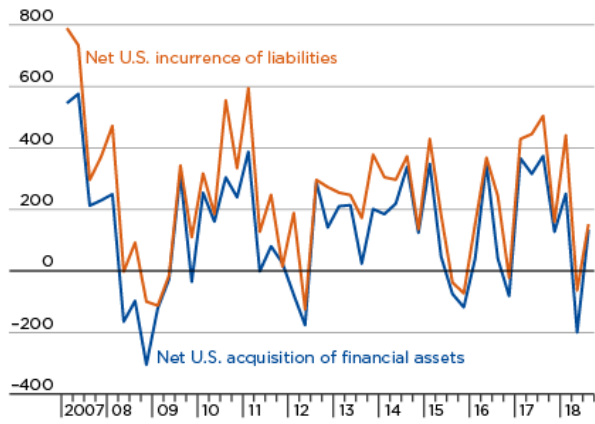
Capital transfer receipts were \$0.6 billion in the third quarter. The transactions reflected receipts from foreign insurance companies for losses resulting from Hurricane Florence. For information on transactions associated with hurricanes and other disasters, see “[How do losses recovered from foreign insurance companies following natural or man-made disasters affect foreign transactions, the current account balance, and net lending or net borrowing?](#)”

Financial-account highlights

- Net U.S. acquisition of financial assets excluding financial derivatives was \$132.7 billion in the third quarter, following net U.S. liquidation of \$199.9 billion in the second quarter (chart 2).
- Net U.S. incurrence of liabilities excluding financial derivatives was \$151.7 billion in the third quarter, following net U.S. repayment of \$63.3 billion in the second quarter.
- Transactions in financial derivatives other than reserves reflected third-quarter net borrowing of \$12.3 billion, a \$4.7 billion decrease in net borrowing from the second quarter.

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

Billions of dollars, seasonally adjusted



U.S. Bureau of Economic Analysis

Statistical discrepancy

The statistical discrepancy was \$93.0 billion in the third quarter following a statistical discrepancy of -\$52.4 billion in the second quarter.

Current Account—Exports of Goods and Services and Income Receipts

Exports of goods and services and income receipts decreased \$6.2 billion, or 0.7 percent, in the third quarter to \$930.3 billion (charts 3 and 4 and table B).

- Goods exports decreased \$7.7 billion, or 1.8 percent, to \$421.8 billion, mostly reflecting a decrease in foods, feeds, and beverages, primarily soybeans.
- Primary income receipts decreased \$1.8 billion, or 0.7 percent, to \$264.5 billion, primarily reflecting a decrease in direct investment income. An increase in portfolio investment income partly offset the decrease. 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 \$1.8 billion, or 0.9 percent, to \$207.6 billion, mostly reflecting increases in charges for the use of intellectual property, in financial services, and in other business services, primarily professional and management services.

Chart 3. Current-Account Transactions

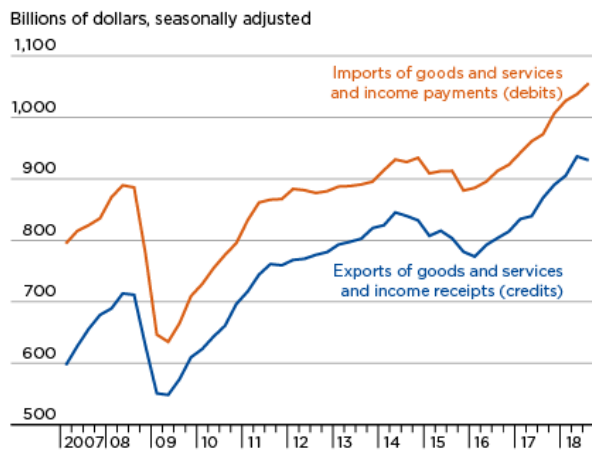


Chart 4. Percent Change in Exports of Goods and Services and Income Receipts

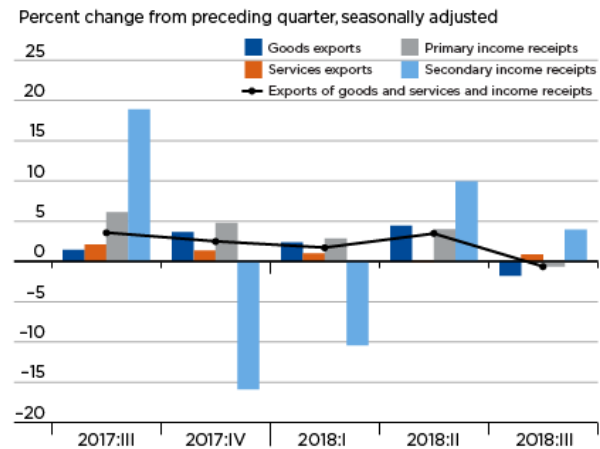


Table B. Exports of Goods and Services and Income Receipts

[Millions of dollars, seasonally adjusted]

	2017	2018			Change 2018:II to 2018:III
	IV	I	II ^r	III ^p	
Exports of goods and services and income receipts	890,393	905,298	936,517	930,276	-6,241
Exports of goods	401,939	411,442	429,431	421,762	-7,669
General merchandise	397,143	404,927	424,104	415,653	-8,451
Foods, feeds, and beverages	32,099	33,338	40,521	36,223	-4,298
Industrial supplies and materials	124,271	125,430	134,743	135,101	358
Energy products	46,234	46,972	54,205	55,382	1,177
<i>Of which: Petroleum and products</i>	40,384	40,109	47,078	48,698	1,620
Nonenergy products	78,037	78,458	80,538	79,719	-819
Capital goods except automotive	137,341	138,209	141,647	140,283	-1,364
Automotive vehicles, parts, and engines	39,761	42,207	40,334	38,806	-1,528
Consumer goods except food and automotive	49,807	51,598	51,282	51,203	-79
Other general merchandise	13,866	14,144	15,578	14,038	-1,540
Net exports of goods under merchandising	56	66	77	75	-2
Nonmonetary gold	4,740	6,450	5,249	6,034	785
Exports of services¹	203,977	205,994	205,817	207,635	1,818
Maintenance and repair services n.i.e.	6,740	7,286	7,469	7,516	47
Transport	22,696	22,949	23,453	23,104	-349
Travel (for all purposes including education)	53,429	53,504	53,651	53,836	185
Business	9,956	9,877	9,732	9,595	-137
Personal	43,473	43,627	43,920	44,240	320
Insurance services	4,755	4,555	4,557	4,552	-5
Financial services	28,751	27,907	28,224	28,846	622
Charges for the use of intellectual property n.i.e.	32,762	33,577	32,398	33,025	627
Telecommunications, computer, and information services	10,902	10,913	10,630	10,808	178
Other business services	39,326	40,556	40,132	40,752	620
Government goods and services n.i.e.	4,617	4,748	5,303	5,196	-107
Primary income receipts	248,940	256,029	266,274	264,523	-1,751
Investment income	247,367	254,435	264,669	262,907	-1,762
Direct investment income	135,929	135,062	140,184	136,950	-3,234
Income on equity	128,884	128,094	132,891	129,815	-3,076
Dividends and withdrawals	26,874	294,856	183,703	92,720	-90,983
Reinvested earnings	102,009	-166,762	-50,812	37,095	87,907
Interest	7,046	6,969	7,293	7,135	-158
Portfolio investment income	93,614	99,244	102,199	103,335	1,136
Income on equity and investment fund shares	62,535	65,937	67,344	68,016	672
Interest on debt securities	31,078	33,307	34,856	35,319	463
Other investment income	17,741	19,959	22,239	22,393	154
Reserve asset income	82	169	47	230	183
Compensation of employees	1,573	1,594	1,605	1,616	11
Secondary income (current transfer) receipts²	35,537	31,833	34,995	36,355	1,360

p Preliminary**r** Revised**n.i.e.** Not included elsewhereNote. 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.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).

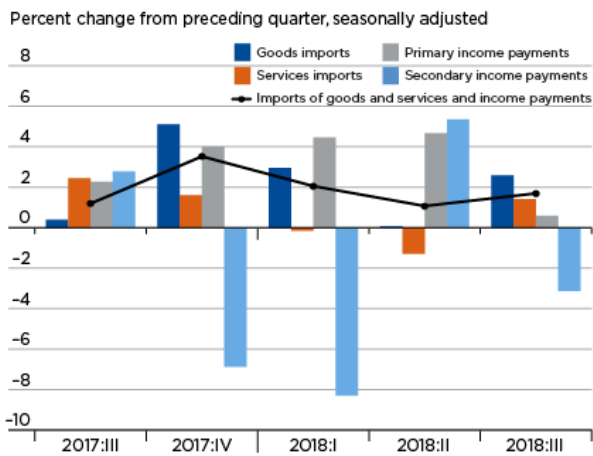
2. Secondary income receipts include U.S. government and private transfers, such as fines and penalties, withholding taxes, insurance-related transfers, and other current transfers.

Current Account—Imports of Goods and Services and Income Payments

Imports of goods and services and income payments increased \$17.4 billion, or 1.7 percent, in the third quarter to \$1,055.1 billion (charts 3 and 5 and table C).

- Goods imports increased \$16.3 billion, or 2.6 percent, to \$648.8 billion, mostly reflecting increases in consumer goods, primarily cell phones, in industrial supplies and materials, primarily petroleum and products, and in automotive vehicles, parts, and engines.

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



U.S. Bureau of Economic Analysis

Table C. Imports of Goods and Services and Income Payments

[Millions of dollars, seasonally adjusted]

	2017	2018			Change 2018:II to 2018:III
	IV	I	II ^r	III ^p	
Imports of goods and services and income payments	1,006,541	1,027,008	1,037,741	1,055,093	17,352
Imports of goods	614,317	632,244	632,489	648,775	16,286
General merchandise	610,844	629,436	629,811	646,303	16,492
Foods, feeds, and beverages	35,551	37,014	37,089	37,096	7
Industrial supplies and materials	133,707	142,210	146,323	150,418	4,095
Energy products	55,863	61,969	64,499	67,979	3,480
<i>Of which: Petroleum and products</i>	51,926	58,558	61,135	64,531	3,396
Nonenergy products	77,844	80,241	81,824	82,439	615
Capital goods except automotive	169,186	170,639	174,210	176,723	2,513
Automotive vehicles, parts, and engines	90,589	92,885	90,150	93,773	3,623
Consumer goods except food and automotive	157,597	164,007	157,413	162,101	4,688
Other general merchandise	24,214	22,681	24,626	26,192	1,566
Nonmonetary gold	3,473	2,809	2,678	2,472	-206
Imports of services¹	139,426	139,182	137,365	139,279	1,914
Maintenance and repair services n.i.e.	2,059	2,093	2,062	2,001	-61
Transport	25,872	26,253	26,755	26,982	227
Travel (for all purposes including education)	34,906	35,553	35,620	36,146	526
Business	4,140	4,009	4,185	4,245	60
Personal	30,766	31,544	31,435	31,902	467
Insurance services	12,434	9,754	9,554	9,500	-54
Financial services	7,628	7,532	7,717	7,864	147
Charges for the use of intellectual property n.i.e.	13,808	13,925	13,051	13,282	231
Telecommunications, computer, and information services	10,280	10,174	9,831	9,875	44
Other business services	26,929	28,246	27,044	27,853	809
Government goods and services n.i.e.	5,510	5,653	5,731	5,775	44
Primary income payments	186,569	194,854	203,926	205,098	1,172
Investment income	181,601	189,875	198,866	200,021	1,155
Direct investment income	55,978	57,458	61,096	59,302	-1,794
Portfolio investment income	111,305	114,968	116,895	116,659	-236
Income on equity and investment fund shares	36,625	38,844	40,216	39,369	-847
Interest on debt securities	74,680	76,124	76,678	77,290	612
Other investment income	14,317	17,448	20,875	24,059	3,184
Compensation of employees	4,969	4,979	5,060	5,077	17
Secondary income (current transfer) payments²	66,229	60,728	63,961	61,942	-2,019
Supplemental detail on insurance transactions:					
Premiums paid	31,429	23,986	24,557	25,380	823
Losses recovered	21,603	18,689	18,935	19,573	638

p Preliminary**r** Revised**n.i.e.** Not included elsewhereNote. 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.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.

Financial Account

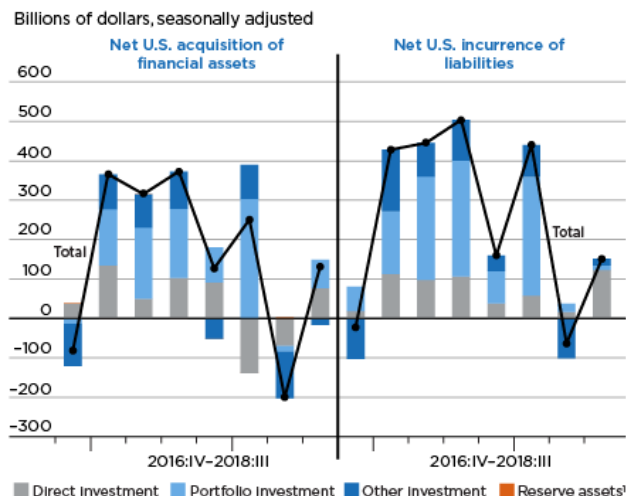
Acquisition of financial assets

- Net U.S. acquisition of direct investment assets was \$76.8 billion, following net U.S. withdrawal of \$68.1 billion in the second quarter (chart 6 and table D). The net withdrawal of direct investment assets in the first half of 2018 reflected U.S. parent repatriation of previously reinvested earnings in response to the 2017 Tax Cuts and Jobs Act (TCJA). For more information, see “[Effects of the 2017 Tax Cuts and Jobs Act on Components of the International Transactions Accounts](#).”
- Net U.S. liquidation of other investment assets decreased \$104.1 billion to \$16.6 billion. The decrease in the net liquidation mostly reflected a decrease in the net foreign repayment of loans.
- Net U.S. purchases of portfolio investment assets were \$72.6 billion, following net U.S. sales of \$14.3 billion in the second quarter. This change mostly reflected net U.S. purchases of foreign equity and investment fund shares following net sales in the second quarter.

Incurrence of liabilities

- Net U.S. incurrence of other investment liabilities was \$16.9 billion, following net U.S. repayment of \$100.4 billion in the second quarter. This change primarily reflected net foreign provision of loans following net U.S. repayment in the second quarter.
- Net U.S. incurrence of direct investment liabilities increased \$105.8 billion to \$122.3 billion, mostly reflecting an increase in equity liabilities.
- Net U.S. incurrence of portfolio investment liabilities decreased \$8.1 billion to \$12.5 billion. This decrease reflected largely offsetting transactions in U.S. equity and debt liabilities.

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.
U.S. Bureau of Economic Analysis

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:II to 2018:III
	IV	I	II ^r	III ^p	
Net U.S. acquisition of financial assets excluding financial derivatives (net increase in assets / financial outflow (+))	127,135	251,126	-199,943	132,689	332,632
Direct investment assets	91,256	-139,326	-68,060	76,846	144,906
Equity	101,537	-167,731	-52,808	71,558	124,366
Equity other than reinvestment of earnings	-472	-969	-1,996	34,463	36,459
Reinvestment of earnings	102,009	-166,762	-50,812	37,095	87,907
Debt instruments	-10,281	28,406	-15,252	5,288	20,540
Portfolio investment assets	88,301	304,094	-14,272	72,598	86,870
Equity and investment fund shares	-39,233	200,871	-70,830	35,027	105,857
Debt securities	127,534	103,223	56,559	37,571	-18,988
Short-term securities	40,467	27,771	2,469	21,559	19,090
Long-term corporate securities	62,231	53,741	37,717	11,243	-26,474
Other long-term securities	24,836	21,711	16,373	4,769	-11,604
Other investment assets	-50,883	86,365	-120,679	-16,577	104,102
Currency and deposits	4,850	53,816	-22,388	12,765	35,153
Loans	-55,760	33,356	-99,576	-27,166	72,410
Trade credit and advances	26	-807	1,285	-2,176	-3,461
Reserve assets	-1,539	-7	3,068	-177	-3,245
Monetary gold	0	0	0	0	0
Special drawing rights	26	33	33	43	10
Reserve position in the International Monetary Fund	-1,535	-73	3,136	-288	-3,424
Other reserve assets	-29	34	-101	68	169
Net U.S. incurrence of liabilities excluding financial derivatives (net increase in liabilities / financial inflow (+))	159,164	441,080	-63,262	151,723	214,985
Direct investment liabilities	38,250	57,949	16,499	122,336	105,837
Equity	64,320	72,661	45,453	117,403	71,950
Equity other than reinvestment of earnings	36,488	37,499	10,591	79,102	68,511
Reinvestment of earnings	27,832	35,163	34,862	38,302	3,440
Debt instruments	-26,070	-14,712	-28,954	4,933	33,887
Portfolio investment liabilities	81,626	301,503	20,596	12,469	-8,127
Equity and investment fund shares	-3,377	154,313	291	-95,589	-95,880
Debt securities	85,003	147,190	20,305	108,059	87,754
Short term	25,215	31,355	37,436	-52,528	-89,964
Treasury bills and certificates	20,270	13,560	33,709	-35,354	-69,063
Federally sponsored agency securities	2,160	2,214	-680	-6,121	-5,441
Other short-term securities	2,785	15,581	4,407	-11,053	-15,460
Long term	59,788	115,835	-17,131	160,587	177,718
Treasury bonds and notes	546	73,078	-12,004	97,884	109,888
Federally sponsored agency securities	8,523	37,775	6,518	35,815	29,297
Corporate bonds and notes	51,058	4,731	-13,257	27,393	40,650
Other	-339	251	1,612	-505	-2,117
Other investment liabilities	39,288	81,628	-100,358	16,918	117,276
Currency (short term)	17,262	16,970	19,391	19,606	215
Deposits	44,161	-27,004	-77,318	-26,309	51,009
Loans	-23,436	82,566	-47,064	21,292	68,356
Trade credit and advances	1,302	9,096	4,634	2,328	-2,306
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 a portion that is repatriated to the parent company in the United States in the form of dividends and a portion that is reinvested in foreign affiliates. At times, repatriation of dividends exceeds earnings, resulting in negative values being recorded for reinvested earnings. For the first half of 2018, dividends exceeded earnings, reflecting the repatriation of accumulated prior earnings of foreign affiliates of U.S. multinational enterprises by their parent companies in the United States in response to the TCJA, which generally eliminates taxes on repatriated earnings. The negative reinvested earnings in the first half of 2018 reflect the fact that U.S. parent companies withdrew accumulated prior earnings from their foreign affiliates. Preliminary statistics for the third quarter show positive reinvested earnings and lower dividends (chart 7 and tables B and E). The reinvested earnings are also reflected in the net acquisition of direct investment assets in the financial account, which was \$76.8 billion in the third quarter and -\$207.4 billion in the first half of 2018 (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

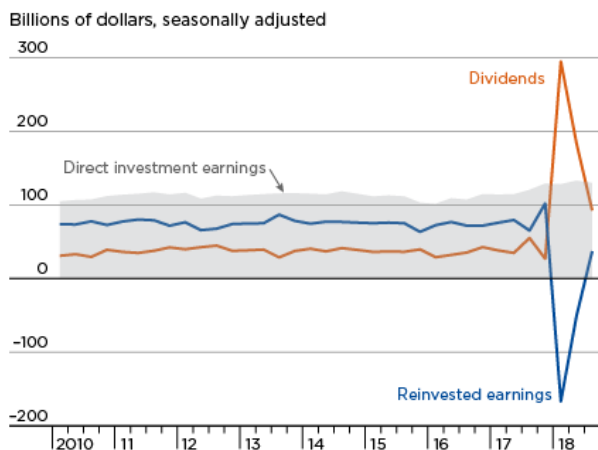


Table E. Direct Investment Earnings

[Billions of dollars, seasonally adjusted]

	2017				2018			Sum of first three quarters	
	I	II	III	IV	I	II ^r	III ^p	2017	2018
Direct investment earnings	114.1	114.4	120.3	128.9	128.1	132.9	129.8	348.8	390.8
Dividends	38.2	34.9	55.1	26.9	294.9	183.7	92.7	128.2	571.3
Reinvested earnings	75.9	79.5	65.2	102.0	-166.8	-50.8	37.1	220.6	-180.5

p Preliminary

r Revised

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 three quarters of 2018 were \$73.9 billion, down from \$98.4 billion for the same period in 2017 (table C). Similarly, insurance services imports in the first three quarters of 2018 were \$28.8 billion, down from \$38.2 billion for the same period in 2017.

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.”](#)

Updates to Statistics

The U.S. international transactions statistics for the second quarter of 2018 have been updated to incorporate newly available and revised source data (table F).

Table F. Updates to the Second Quarter 2018 International Transactions Aggregates

[Millions of dollars, seasonally adjusted]

	Preliminary estimates	Revised estimates
Balance on current account	-101,460	-101,224
Balance on goods	-203,158	-203,058
Balance on services	69,346	68,452
Balance on primary income	60,845	62,348
Balance on secondary income (current transfers)	-28,493	-28,966
Net lending or borrowing from financial-account transactions	-134,337	-153,650
Net U.S. acquisition of financial assets	-175,112	-199,943
Net U.S. incurrence of liabilities	-57,743	-63,262
Financial derivatives other than reserves, net transactions	-16,969	-16,969