

U.S. International Transactions in 2006

By Christopher L. Bach

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 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 (table A, chart 1).

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.

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.

The following are highlights for 2006:

- The deficit on goods again increased by a large amount, but the size of the increase was less than

half that in 2005. Export growth accelerated in response to faster real growth in most advanced and developing economies, and import growth slowed, largely because of a smaller rise in prices of petroleum and petroleum products. Nonpetroleum imports increased at a slightly lower rate than in 2005.

- The surplus on services increased, but the size of the increase was less than half that in 2005. Much of the increase in both services receipts and payments was accounted for by increases in “other” private services.
- The balance on income shifted to a deficit from a surplus. The shift was more than accounted for by a substantial increase in the deficit on U.S. Government income and a small increase in the deficit on portfolio income. In contrast, the surplus on direct investment income increased substantially.
- U.S.-owned assets abroad increased substantially more in 2006 than in 2005. Claims reported by banks increased by a much larger amount, as did U.S. holdings of foreign securities. The increase in

Table A. Summary of U.S. International Transactions

[Millions of dollars, quarters seasonally adjusted]

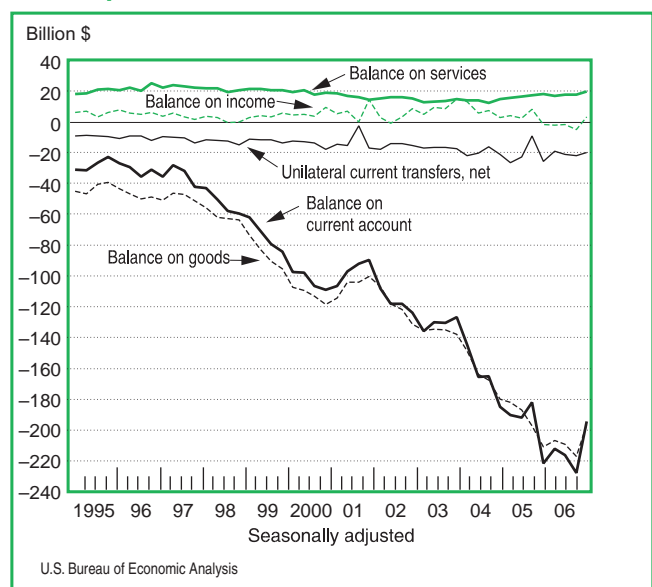
Line	Corresponding lines in tables 1 and 11 are indicated in () (Credits +; debits -)	2005	2006 ^p	Change: 2005-2006	2005				2006				Change: 2006:III-IV
					I	II	III	IV	I ^r	II ^r	III ^r	IV ^p	
Current account													
1	Exports of goods and services and income receipts (1).....	1,749,892	2,058,836	308,944	415,277	429,326	442,935	462,357	483,338	510,923	523,832	540,741	16,909
2	Goods, balance of payments basis (3).....	894,631	1,023,689	129,058	214,189	222,591	224,947	232,904	243,726	252,057	261,283	266,623	5,340
3	Services (4).....	380,614	413,127	32,513	92,391	94,054	95,906	98,261	99,719	102,894	103,664	106,849	3,185
4	Income receipts (12).....	474,647	622,020	147,373	108,697	112,681	122,081	131,192	139,893	155,972	158,885	167,269	8,384
5	Imports of goods and services and income payments (18).....	-2,455,328	-2,831,369	-376,041	-579,764	-599,390	-616,886	-659,290	-677,571	-706,776	-730,711	-716,311	14,400
6	Goods, balance of payments basis (20).....	-1,677,371	-1,859,655	-182,284	-397,457	-410,811	-423,693	-445,410	-451,974	-462,937	-480,175	-464,569	15,606
7	Services (21).....	-314,604	-342,428	-27,824	-77,231	-77,892	-78,952	-80,529	-83,117	-85,647	-86,171	-87,494	-1,323
8	Income payments (29).....	-463,353	-629,286	-165,933	-105,076	-110,687	-114,240	-133,351	-142,480	-158,192	-164,365	-164,248	117
9	Unilateral current transfers, net (35).....	-86,072	-84,122	1,950	-27,237	-23,194	-9,464	-26,176	-19,545	-21,860	-22,498	-20,220	2,278
Capital account													
10	Capital account transactions, net (39).....	-4,351	-3,914	437	-2,691	-589	-557	-514	-1,756	-1,003	-551	-604	-53
Financial account													
11	U.S.-owned assets abroad, net (increase/financial outflow (-)) (40)	-426,801	-1,045,760	-618,959	-87,391	-196,376	-132,380	-10,656	-356,654	-211,969	-225,888	-251,249	-25,361
12	U.S. official reserve assets, net (41).....	14,096	2,374	-11,722	5,331	-797	4,766	4,796	513	-560	1,006	1,415	409
13	U.S. Government assets, other than official reserve assets, net (46)	5,539	5,219	-320	2,591	989	1,501	459	1,049	1,765	1,570	835	-735
14	U.S. private assets, net (50).....	-446,436	-1,053,353	-606,917	-95,313	-196,568	-138,647	-15,911	-358,216	-213,174	-228,464	-253,499	-25,035
15	Foreign-owned assets in the United States, net (increase/financial inflow (+)) (55).....	1,212,250	1,764,909	552,659	224,128	346,179	388,592	253,350	527,923	365,543	455,598	415,845	-39,753
16	Foreign official assets in the United States, net (56).....	199,495	300,510	101,015	18,965	74,613	33,983	71,934	75,697	75,869	78,434	70,510	-7,924
17	Other foreign assets in the United States, net (63).....	1,012,755	1,464,399	451,644	205,163	271,566	354,609	181,416	452,226	289,674	377,164	345,335	-31,829
18	Statistical discrepancy (sum of above items with sign reversed) (70)	10,410	141,419	131,009	57,678	44,044	-72,240	-19,071	44,265	65,142	218	31,798	31,580
Memoranda:													
19	Balance on current account (76).....	-791,508	-856,655	-65,147	-191,724	-193,258	-183,415	-223,109	-213,778	-217,713	-229,377	-195,790	33,587
20	Net financial flows (40 and 55).....	785,449	719,149	-66,300	136,737	149,803	256,212	242,694	171,269	153,574	229,710	164,596	-65,114

^p Preliminary
^r Revised

U.S. direct investment abroad returned to a more typical size after being held down in 2005 by transactions related to the American Jobs Creation Act of 2004.

- Foreign-owned assets in the United States also increased substantially more in 2006 than in 2005. Claims reported by banks and nonbanks increased by a much larger amount, as did private foreign holdings of U.S. securities other than U.S. Treasury securities. Foreign official assets also increased by a significantly larger amount.

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



Selected economic and financial conditions

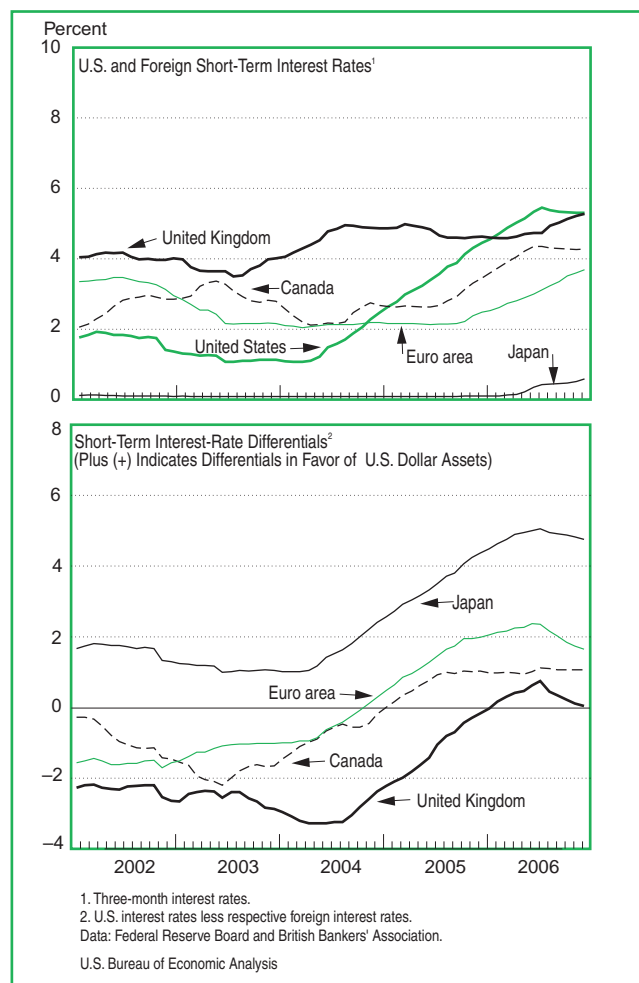
U.S. real gross domestic product increased 3.3 percent in 2006, compared with an increase of 3.2 percent in 2005. Many of the same conditions present in 2005 continued to be present in 2006. Businesses continued to spend vigorously on nonresidential fixed investment, consumer spending remained strong, and corporate profits accelerated further. Both energy prices and prices of energy-related products continued to rise sharply, but core inflation, which excludes food and energy prices, was only slightly higher. U.S. real growth exceeded real growth in most advanced countries by a significant margin again in 2006, and with domestic demand continuing to grow, the U.S. current-account deficit widened further, but only by about half the size of the increase in 2005.

The Federal Reserve raised the target Federal funds rate 100 basis points in four successive steps to 5.25

percent, before pausing in midsummer to assess whether additional tightening would be necessary. These increases brought the total rise in the Federal funds rate since early 2004 to 425 basis points. U.S. short- and long-term interest rates continued to rise faster than rates abroad through midyear; differentials in favor of U.S. assets fell slightly in the last half of the year when short- and long-term interest rates both in the United States and abroad declined a small amount (charts 2 and 3).

Economic growth in many foreign countries accelerated in 2006. Real GDP growth in the euro area increased to 2.4 percent in 2006 from 1.3 percent in 2005; the pickup was particularly evident in Germany and France. The European Central Bank raised the minimum bid rate on main refinancing operations 125 basis points over the course of the year to 3.50 percent at yearend. Real GDP growth in the United Kingdom increased to 2.7 percent from 1.9 percent. The British monetary authority raised the repurchase rate 50 basis

Chart 2. Short-Term Interest Rates



points in the last half of the year to bring the rate to 5.00 percent, just 25 basis points below the U.S. rate. Real GDP growth in Canada increased to 3.1 percent from 2.9 percent. The Canadian monetary authority increased the target for the overnight rate 100 basis points to 4.25 percent in the first half of the year, bringing the rise since September 2005 to 175 basis points. Real GDP growth in Japan increased to 2.7 percent from 2.6 percent. The Japanese monetary authority increased the uncollateralized overnight call rate 25 basis points in the last half of the year (chart 4).

In 2006, the dollar depreciated 1 percent on a trade-weighted yearly average basis against a group of seven major currencies that are widely traded in international markets. However, from December 2005 to December 2006, the dollar depreciated 6 percent against currencies of the group and 7–11 percent against major European currencies (table B, chart 5). The dollar depreciated 11 percent against the British pound, 10 percent against the euro, 7 percent against the Swiss franc, 1 percent against the Canadian dollar, and 1

percent against the Japanese yen. Against other Asian currencies, the dollar depreciated 3 percent against the Chinese yuan and 10 percent against the South Korean won.

Chart 4. Key Interest Rates for Monetary Policy

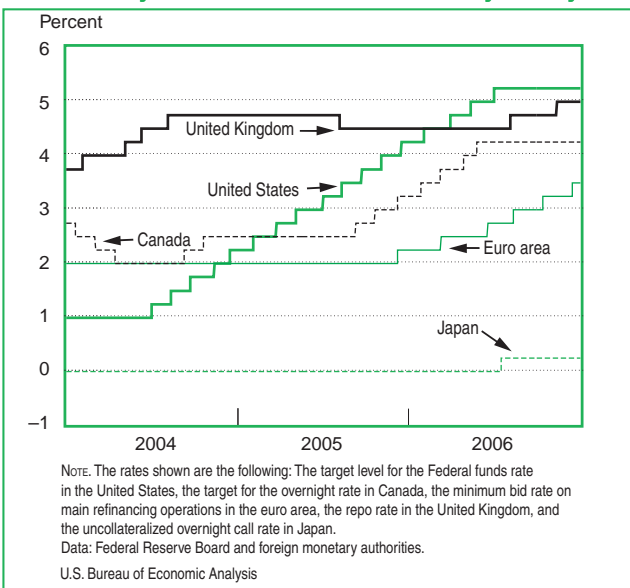


Chart 3. Long-Term Interest Rates

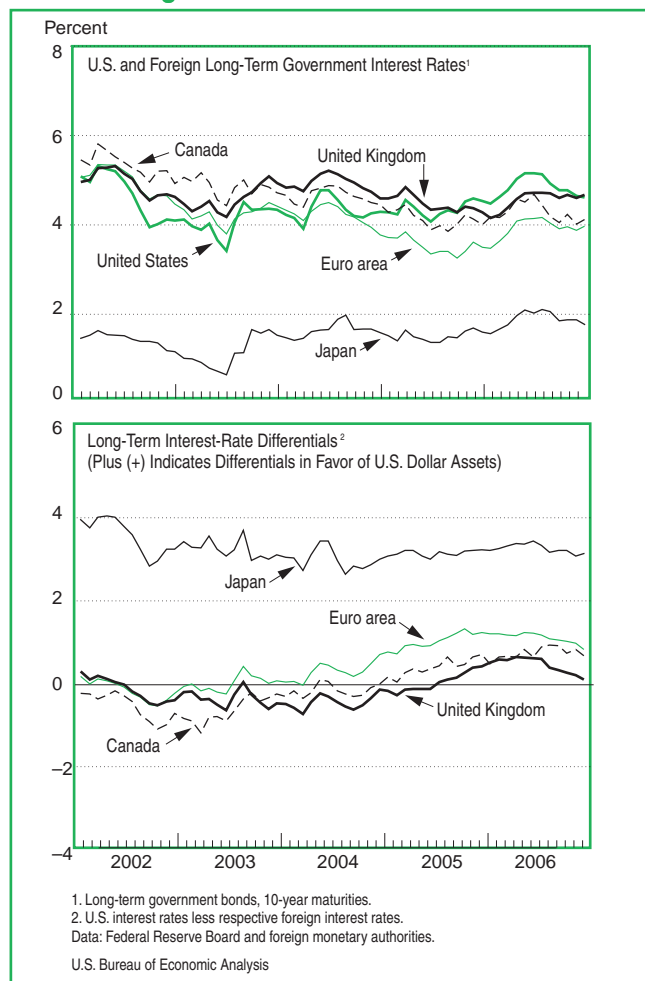


Chart 5. Nominal Indexes of Foreign Currency Price of the U.S. Dollar

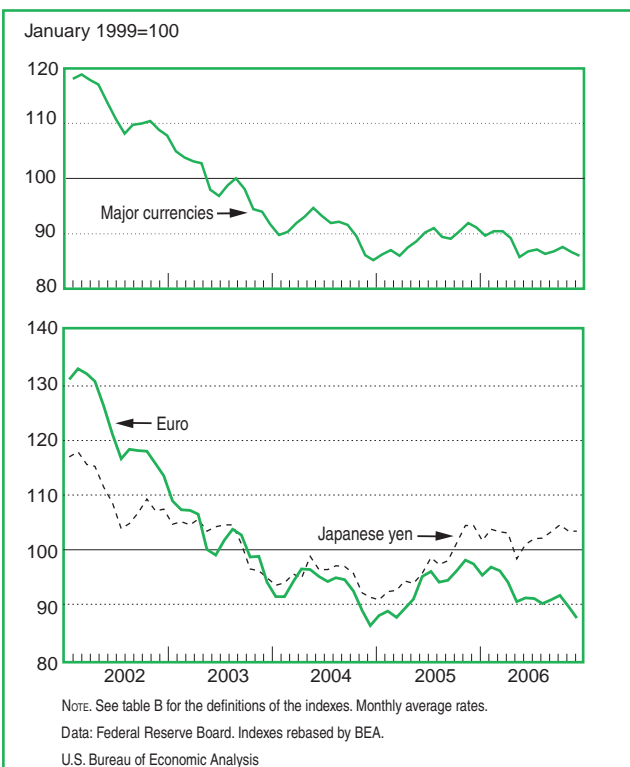


Table B. Indexes of Foreign Currency Price of the U.S. Dollar
[January 1999=100]

	2005	2006				2005	2006											
	IV	I	II	III	IV	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Nominal: ¹																		
Broad ²	97.7	96.4	94.9	94.4	93.9	97.5	96.2	96.4	96.6	95.9	93.9	95.0	94.8	94.1	94.4	94.6	93.9	93.2
Major currencies ³	90.7	89.7	86.8	86.3	86.3	90.7	89.2	90.0	90.0	88.8	85.3	86.3	86.7	85.9	86.4	87.2	86.2	85.6
Other important trading partners ⁴	106.9	105.1	105.5	105.0	103.7	106.6	105.4	104.8	105.2	105.2	105.0	106.4	105.3	104.8	104.8	104.4	103.8	103.0
Real: ¹																		
Broad ²	100.1	98.6	98.4	98.0	96.0	99.3	98.4	98.4	99.1	99.1	97.4	98.7	98.6	97.9	97.6	97.1	95.8	95.0
Major currencies ³	98.0	97.1	94.9	94.7	93.8	97.4	96.3	97.4	97.7	96.9	93.4	94.5	95.2	94.3	94.5	94.9	93.6	92.8
Other important trading partners ⁴	102.6	100.3	102.3	101.9	98.5	101.5	100.7	99.6	100.7	101.5	101.9	103.5	102.5	102.1	101.1	99.6	98.4	97.5
Selected currencies: (nominal) ⁵																		
Canada	77.2	76.0	73.9	73.8	75.0	76.4	76.2	75.6	76.2	75.3	73.1	73.3	74.3	73.6	73.5	74.3	74.8	75.9
European currencies:																		
Euro area ⁶	97.5	96.4	92.2	91.0	89.9	97.7	95.6	97.1	96.4	94.4	90.8	91.5	91.4	90.5	91.1	91.9	89.9	87.8
United Kingdom	94.4	94.1	90.4	88.0	86.1	94.5	93.3	94.4	94.6	93.3	88.3	89.5	87.1	87.6	87.9	87.9	86.3	84.0
Switzerland	93.9	93.5	89.8	89.4	89.1	94.2	92.2	94.2	94.2	92.6	88.0	88.9	89.3	88.9	89.9	90.9	89.2	87.3
Japan	103.5	103.1	101.0	102.7	104.0	104.6	101.9	104.0	103.5	103.3	98.6	101.2	102.2	102.3	103.5	104.7	103.6	103.6
Mexico	105.8	104.6	110.4	108.1	107.5	104.9	104.1	103.5	106.1	109.1	109.5	112.5	108.4	107.4	108.5	107.5	107.8	107.2
Brazil	148.7	145.0	144.3	143.5	142.2	150.9	149.9	142.8	142.4	140.7	143.5	148.8	144.7	142.5	143.4	141.9	142.6	142.0

1. For more information on the nominal and real indexes of the foreign exchange value of the U.S. dollar, see Federal Reserve Bulletin, vol. 84 (October 1998): 811-18.

2. Weighted average of the foreign exchange value of the U.S. dollar against the currencies of a broad group of U.S. trading partners, including the currencies of the euro area countries, Australia, Canada, Japan, Sweden, Switzerland, United Kingdom, Argentina, Brazil, Chile, Colombia, Mexico, Venezuela, China, Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand, Israel, Saudi Arabia, and Russia. Data: Federal Reserve Board. Monthly and quarterly average rates. Index rebased by BEA.

3. Weighted average of the foreign exchange value of the U.S. dollar against broad-index currencies that circulate widely outside the country of issue, including the currencies of the euro area countries, Australia, Canada, Japan, Sweden, Switzerland, and the United Kingdom. The weight for each currency is its broad-index weight divided by the sum of the broad-index weights for all of the currencies included in the major currency

index. Data: Federal Reserve Board. Monthly and quarterly average rates. Index rebased by BEA.

4. Weighted average of the foreign exchange value of the U.S. dollar against broad-index currencies that do not circulate widely outside the country of issue, including the currencies of Argentina, Brazil, Chile, Colombia, Mexico, Venezuela, China, Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand, Israel, Saudi Arabia, and Russia. The weight for each currency is its broad-index weight divided by the sum of the broad-index weights for all of the currencies included in the other important trading partners index. Data: Federal Reserve Board. Monthly and quarterly average rates. Index rebased by BEA.

5. Data: Federal Reserve Board. Monthly and quarterly average rates. Indexes prepared by BEA.

6. The euro area includes Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, and Spain.

Current Account

Goods and services

The deficit on goods and services increased to \$765.3 billion in 2006 from \$716.7 billion in 2005. The deficit on goods increased substantially, and the surplus on services increased (table C).

Goods

The deficit on goods increased to \$836.0 billion in 2006 from \$782.7 billion in 2005. Goods exports picked up, continuing the strong growth that has been evident since mid-2003. Goods imports slowed because of the sizable slowdown in petroleum imports. Nonpetroleum imports continued at about the same strong pace as in 2005 (charts 6 and 7).

Goods exports increased \$129.1 billion, or 14 percent, to \$1,023.7 billion in 2006, following an increase

of \$87.1 billion, or 11 percent, in 2005. Capital goods and industrial supplies and materials accounted for nearly three-fourths of the increase in 2006; smaller increases occurred in consumer goods, in automotive vehicles, parts, and engines, and in foods, feeds, and beverages (tables D and E).

Goods imports increased \$182.3 billion, or 11 percent, to \$1,859.7 billion in 2006, following an increase of \$204.4 billion, or 14 percent, in 2005. Industrial supplies and materials accounted for nearly 45 percent of the increase in 2006; sizable increases also occurred in capital goods and in consumer goods (tables D and E).

U.S. exports picked up in 2006, partly in response to the pickup in real GDP growth in the euro area to 2.4 percent from 1.3 percent in 2005 and in the United

Table C. Selected Balances on U.S. International Transactions

[Millions of dollars, quarters seasonally adjusted]

(Credits +; debits -)	2004	2005	2006 ^p	2006			
				I ^r	II ^r	III ^r	IV ^p
Balance on goods	-665,410	-782,740	-835,966	-208,248	-210,880	-218,892	-197,946
Balance on services	54,114	66,011	70,699	16,602	17,247	17,493	19,355
Balance on income	27,592	11,293	-7,266	-2,587	-2,220	-5,480	3,021
Investment income, net	33,635	17,598	-777	-967	-599	-3,869	4,658
Direct investment, net	123,867	134,417	150,323	34,233	38,003	34,247	43,840
Other private, net	-4,756	-5,975	-8,435	-2,890	-2,780	-1,296	-1,469
U.S. Government, net	-85,476	-110,844	-142,665	-32,310	-35,822	-36,820	-37,713
Compensation of employees, net	-6,043	-6,304	-6,489	-1,620	-1,621	-1,611	-1,637
Unilateral current transfers, net	-81,582	-86,072	-84,122	-19,545	-21,860	-22,498	-20,220
Balance on current account	-665,286	-791,508	-856,655	-213,778	-217,713	-229,377	-195,790

^p Preliminary
^r Revised

Kingdom to 2.7 percent to 1.9 percent. Growth in Japan, at 2.7 percent, and in Canada, at 3.1 percent, increased slightly. Growth in the newly industrialized countries in Asia increased to 4.9 percent from 4.5 percent and in Latin America increased to 4.8 percent from 4.3 percent (table F).

U.S. imports slowed in 2006 as a result of a sizable slowdown in petroleum imports, largely because of a

smaller increase in prices. Real U.S. GDP growth in the range of 3.2 to 3.3 percent in 2005 and 2006 helped sustain nonpetroleum import growth at about the same pace in both years.

Dollar prices of total U.S. exports increased slightly more rapidly in 2006 than in 2005. Price increases of industrial supplies and materials (including petroleum, chemicals, and metals and metallic products)

Chart 6. U.S. Trade in Goods: Change in Value From Preceding Year

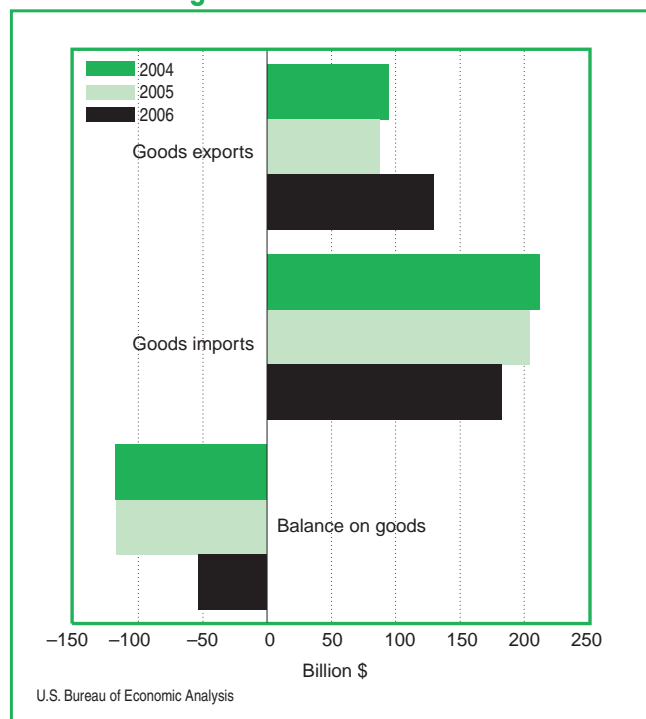


Chart 7. Imports of Petroleum and Nonpetroleum Products: Change in Value From Preceding Year

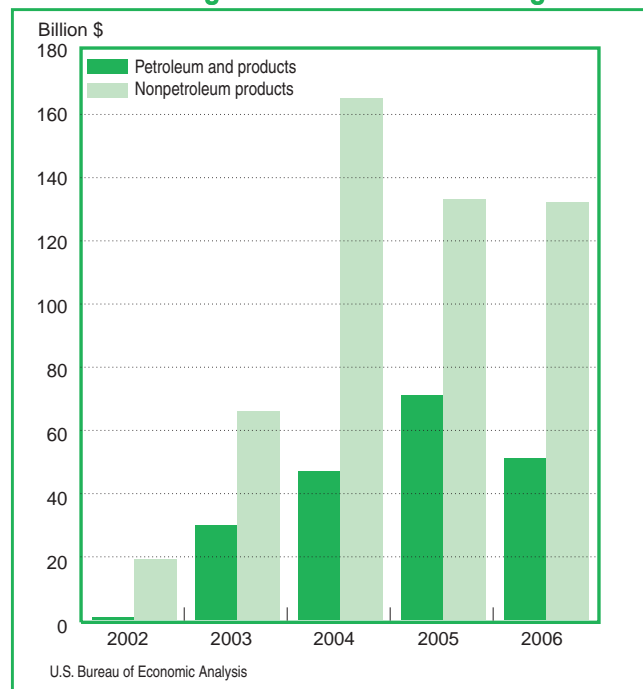


Table D. U.S. Trade in Goods, Current and Chained (2000) Dollars

[Balance-of-payments basis, millions of dollars, quarters seasonally adjusted]

	Current dollars								Chained (2000) dollars ¹							
	2004	2005	2006 ^p	2006				2004	2005	2006 ^p	2006					
				I ^r	II ^r	III ^r	IV ^p				I ^r	II ^r	III ^r	IV ^p		
Exports.....	807,516	894,631	1,023,689	243,726	252,057	261,283	266,623	773,542	831,225	920,940	223,209	227,382	232,694	237,420		
Agricultural products	62,939	64,883	72,818	17,234	18,124	18,796	18,664	50,891	53,533	57,920	14,137	14,775	14,857	14,160		
Nonagricultural products	744,577	829,748	950,871	226,492	233,933	242,487	247,959	723,776	779,150	864,861	209,507	213,005	218,278	223,877		
Foods, feeds, and beverages	56,569	58,955	65,918	15,328	16,213	17,306	17,071	45,987	48,564	52,273	12,555	13,171	13,595	12,939		
Industrial supplies and materials	203,966	239,091	275,755	63,845	68,884	71,344	71,682	179,067	184,057	199,710	48,095	49,857	50,322	51,339		
Capital goods, except automotive	331,555	362,685	414,023	99,895	102,079	103,987	108,062	339,618	370,889	420,115	102,142	103,784	105,210	108,928		
Automotive vehicles, parts, and engines	89,213	98,578	107,165	26,214	26,009	27,720	27,222	87,152	95,223	102,266	25,154	24,857	26,390	25,859		
Consumer goods (nonfood), except automotive	103,075	115,715	129,240	31,109	31,407	32,787	33,937	102,420	113,719	125,381	30,444	30,532	31,638	32,749		
Exports, n.e.c.	23,138	25,607	31,588	7,335	7,465	8,139	8,649	21,660	23,041	27,343	6,475	6,482	6,969	7,401		
Imports.....	1,472,926	1,677,371	1,859,655	451,974	462,937	480,175	464,569	1,430,553	1,530,141	1,623,869	402,359	401,865	411,024	408,488		
Petroleum and products	180,459	251,856	302,580	72,334	79,497	84,382	66,367	137,841	140,986	138,096	36,033	34,252	34,842	32,951		
Nonpetroleum products.....	1,292,467	1,425,515	1,557,075	379,640	383,440	395,793	398,202	1,292,713	1,391,615	1,498,729	367,640	370,645	379,486	380,832		
Foods, feeds, and beverages	62,144	68,096	74,941	18,440	18,219	19,013	19,269	57,700	59,811	63,418	15,812	15,621	16,014	15,964		
Industrial supplies and materials.....	412,989	524,637	603,788	146,530	153,971	162,639	140,648	344,698	359,826	363,476	92,854	90,383	92,471	87,676		
Capital goods, except automotive	343,490	379,227	418,449	100,908	103,689	107,267	106,585	376,221	418,490	465,730	112,422	115,562	119,290	118,448		
Automotive vehicles, parts, and engines	228,195	239,511	256,674	64,440	64,411	63,273	64,550	222,671	231,244	246,878	62,249	62,047	60,724	61,861		
Consumer goods (nonfood), except automotive	373,054	407,316	442,854	106,015	107,548	112,166	117,125	378,255	409,170	442,447	106,402	107,876	111,765	116,335		
Imports, n.e.c., and U.S. goods returned	53,054	58,584	62,949	15,641	15,099	15,817	16,392	50,972	54,417	57,000	14,309	13,715	14,248	14,722		

^p Preliminary

^r Revised

n.e.c. Not elsewhere classified

¹ Because chain indexes use weights of more than one period, the corresponding chained dollar estimates are usually not additive.

slowed slightly, but remained large. Price increases in capital goods were slightly higher, and prices of foods, feeds, and beverages increased after a decrease (table G). When translated into foreign currencies, price increases of U.S. exports were smaller than those in dollar terms because of appreciation of most foreign currencies against the dollar, but prices still increased more rapidly in 2006 than in 2005. Industrial supplies and materials (which includes energy products and metals) were still the largest source of price increase; many other prices declined slightly (table H).

Dollar prices of total U.S. imports increased less rapidly in 2006 than in 2005. Price increases of petro-

leum products slowed substantially but remained large, and price increases of nonpetroleum products slowed slightly (table G).

**Table E. Percent Change in U.S. Trade in Goods,
Current and Chained (2000) Dollars**
[Balance-of-payments basis]

	Current dollars			Chained (2000) dollars		
	2004	2005	2006 ^p	2004	2005	2006 ^p
Exports	13.2	10.8	14.4	9.1	7.5	10.8
Agricultural products.....	3.4	3.1	12.2	-5.5	5.2	8.2
Nonagricultural products.....	14.1	11.4	14.6	10.5	7.7	11.0
Foods, feeds, and beverages.....	2.8	4.2	11.8	-6.3	5.6	7.6
Industrial supplies and materials.....	17.9	14.3	18.3	5.7	2.8	8.5
Capital goods, except automotive.....	12.9	9.4	14.2	13.0	9.2	13.3
Automotive vehicles, parts, and engines.....	10.6	10.5	8.7	9.8	9.3	7.4
Consumer goods (nonfood), except automotive.....	14.6	12.3	11.7	13.6	11.0	10.3
Exports, n.e.c.....	9.5	10.7	23.4	4.8	6.4	18.7
Imports	16.8	13.9	10.9	11.3	7.0	6.1
Petroleum and products.....	35.6	39.6	20.1	6.6	2.3	-2.0
Nonpetroleum products.....	14.6	10.3	9.2	11.8	7.7	7.7
Foods, feeds, and beverages.....	11.3	9.6	10.1	5.7	3.7	6.0
Industrial supplies and materials.....	31.3	27.0	15.1	11.0	4.4	1.0
Capital goods, except automotive.....	16.1	10.4	10.3	17.4	11.2	11.3
Automotive vehicles, parts, and engines.....	8.6	5.0	7.2	6.8	3.9	6.8
Consumer goods (nonfood), except automotive.....	11.7	9.2	8.7	10.9	8.2	8.1
Imports, n.e.c., and U.S. goods returned.....	5.3	10.4	7.5	2.0	6.8	4.7

^p Preliminary
n.e.c. Not elsewhere classified

Table F. Growth Rates in Real Gross Domestic Product
[Percent change]

	2000	2001	2002	2003	2004	2005	2006 ¹
World	4.9	2.6	3.1	4.1	5.3	4.9	5.1
Advanced economies	3.9	1.2	1.5	1.9	3.2	2.6	3.1
United States.....	3.7	0.8	1.6	2.5	3.9	3.2	3.3
European Union.....	3.9	2.0	1.3	1.4	2.4	1.8	2.8
Euro area.....	3.9	1.9	0.9	0.8	2.1	1.3	2.4
Of which:							
Germany.....	3.1	1.2	(*)	-0.2	1.2	0.9	2.0
France.....	4.0	1.8	1.1	1.1	2.0	1.2	2.4
Italy.....	3.6	1.8	0.3	(*)	1.1	(*)	1.5
Spain.....	5.0	3.5	2.7	3.0	3.1	3.4	3.4
United Kingdom.....	3.8	2.4	2.1	2.7	3.3	1.9	2.7
Canada.....	5.2	1.8	2.9	1.8	3.3	2.9	3.1
Japan.....	2.9	0.4	0.1	1.8	2.3	2.6	2.7
Memoranda:							
Major advanced economies ²	3.6	1.1	1.2	1.8	3.0	2.4	2.9
Newly industrialized Asian economies ³	7.9	1.1	5.3	3.2	5.9	4.5	4.9
Emerging market and developing countries	6.1	4.4	5.1	6.7	7.7	7.4	7.3
Latin America and Other Western Hemisphere.....	3.9	0.5	0.1	2.2	5.7	4.3	4.8
Brazil.....	4.4	1.3	1.9	0.5	4.9	2.3	3.6
Mexico.....	6.6	(*)	0.8	1.4	4.2	3.0	4.0
Developing Asia.....	7.0	6.1	7.0	8.4	8.8	9.0	8.7
China.....	8.4	8.3	9.1	10.0	10.1	10.2	10.0
India.....	5.3	4.1	4.3	7.2	8.0	8.5	8.3
Excluding China and India.....	5.8	3.1	4.8	5.8	6.4	6.1	5.5
Middle East.....	5.3	3.0	4.1	6.4	5.5	5.7	5.8
Africa.....	3.1	4.2	3.6	4.6	5.5	5.4	5.4

1. Percent change for United States from U.S. Bureau of Economic Analysis. All other figures are forecasts as published by the International Monetary Fund.

2. Includes Canada, France, Germany, Italy, Japan, United Kingdom, and United States.

3. Includes Hong Kong SAR (Special Administrative Region of China), Korea, Singapore, and Taiwan Province of China.

* Figure is zero or negligible.

Sources: U.S. Bureau of Economic Analysis and International Monetary Fund.

**Table G. Percent Change in U.S. Trade in Goods,
Chain-Weighted Price Indexes**

[Based on index numbers (2000=100)]

	2004 ^r	2005 ^r	2006 ^p
Exports	3.7	3.1	3.3
Agricultural products.....	9.4	-2.0	3.7
Nonagricultural products.....	3.2	3.5	3.2
Foods, feeds, and beverages.....	9.7	-1.3	3.9
Industrial supplies and materials.....	11.5	11.2	9.0
Capital goods, except automotive.....	-0.1	0.2	0.8
Computers, peripherals, and parts.....	-1.5	-7.7	-4.6
Civilian aircraft, engines, and parts.....	4.0	4.2	4.0
Other capital goods.....	-0.7	0.8	0.9
Automotive vehicles, parts, and engines.....	0.8	1.1	1.2
Consumer goods (nonfood), except automotive.....	0.9	1.1	1.3
Exports, n.e.c.....	4.5	4.0	4.0
Imports	5.0	6.5	4.5
Petroleum and products.....	27.3	36.5	22.7
Nonpetroleum products.....	2.5	2.5	1.4
Foods, feeds, and beverages.....	5.3	5.7	3.8
Industrial supplies and materials.....	18.3	21.7	13.9
Capital goods, except automotive.....	-1.1	-0.7	-0.8
Computers, peripherals, and parts.....	-6.4	-7.9	-7.5
Civilian aircraft, engines, and parts.....	3.7	3.5	3.7
Other capital goods.....	0.5	1.6	1.2
Automotive vehicles, parts, and engines.....	1.7	1.1	0.4
Consumer goods (nonfood), except automotive.....	0.7	0.9	0.5
Imports, n.e.c., and U.S. goods returned.....	3.3	3.4	2.6

^p Preliminary
^r Revised
n.e.c. Not elsewhere classified

**Table H. Percent Change in Foreign Currency Cost of
U.S. Exports of Goods**

[Based on index numbers (2000=100)]

	2004 ^r	2005 ^r	2006 ^p
Exports	-4.8	1.1	1.8
Agricultural products.....	0.4	-3.9	2.2
Nonagricultural products.....	-5.2	1.5	1.7
Foods, feeds, and beverages.....	0.7	-3.2	2.3
Industrial supplies and materials.....	2.3	9.0	7.4
Capital goods, except automotive.....	-8.3	-1.8	-0.7
Computers, peripherals, and parts.....	-9.6	-9.5	-6.0
Civilian aircraft, engines, and parts.....	-4.6	2.2	2.4
Other capital goods.....	-8.8	-1.2	-0.5
Automotive vehicles, parts, and engines.....	-7.5	-0.8	-0.3
Consumer goods (nonfood), except automotive.....	-7.4	-0.8	-0.2
Exports, n.e.c.....	-4.1	2.0	2.4

^p Preliminary
^r Revised
n.e.c. Not elsewhere classified

NOTE: Chain-weighted price indexes multiplied by the trade-weighted exchange rate index of the currencies of Australia, Austria, Belgium, Canada, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, Netherlands, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and since January 2001, Greece.

Exports. Goods exports increased \$129.1 billion, or 14 percent, to \$1,023.7 billion in 2006, following an increase of \$87.1 billion, or 11 percent, in 2005 (table D). Export growth has remained strong for 3 consecutive years; the pickup in 2006 was attributable both to more rapid real economic growth abroad and to the cumulative impact of dollar depreciation in recent years. Real exports increased 11 percent in 2006, and export prices increased 3 percent. In value, capital goods and industrial supplies led the increase in 2006, accounting for nearly three-fourths of the rise in total exports, about

the same proportion as in 2005 (chart 8). By area, exports to Asia excluding Japan increased \$37.5 billion; to Europe, \$33.4 billion; to South and Central America, \$27.6 billion; and to Canada, \$18.6 billion.

Capital goods increased \$51.3 billion, or 14 percent, up from a \$31.1 billion, or 9-percent, increase. Civilian aircraft, engines, and parts increased \$14.3 billion, or 23 percent, up from a \$10.8 billion, or 22-percent, increase. Completed aircraft accounted for \$11.4 billion of the increase, reflecting strength in aircraft production and sales; shipments were largely to developing countries in Asia—especially China, India, Thailand, Singapore, and Malaysia—and in South and Central America—especially Brazil and Mexico. Aircraft parts and engines increased to Europe, Singapore, Brazil, Japan, and China (table I).

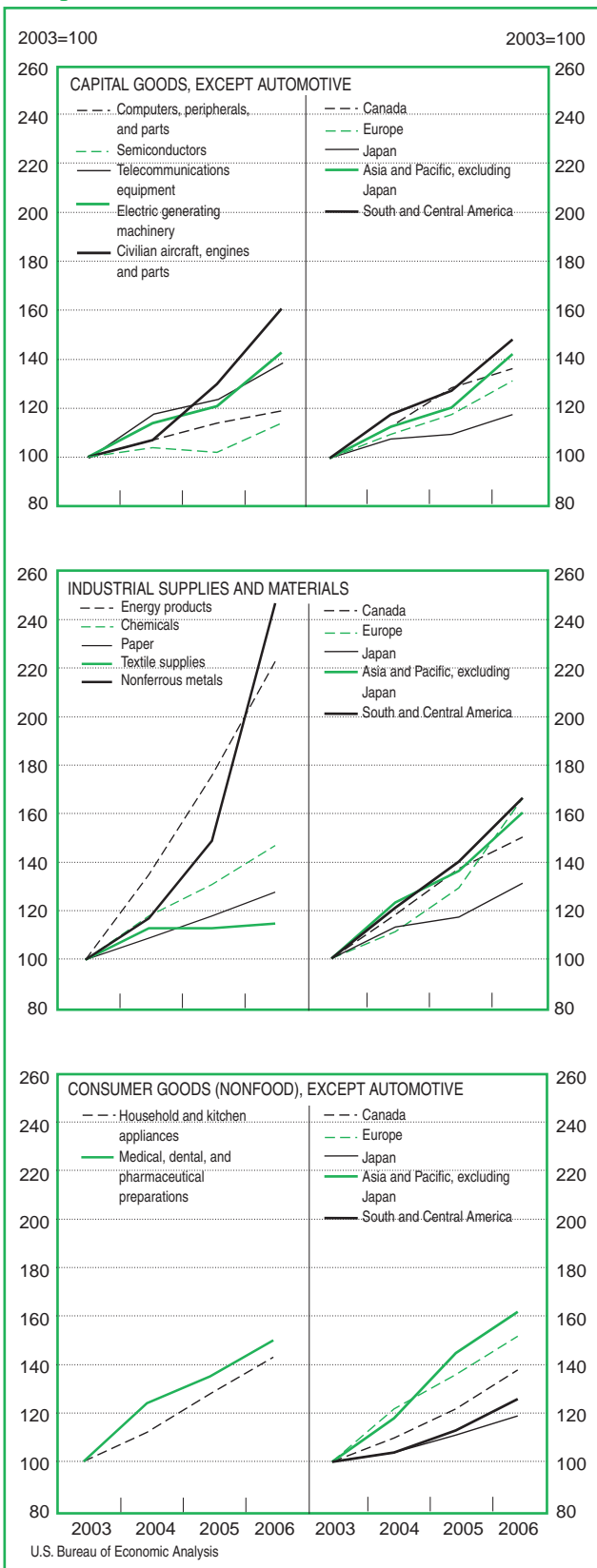
Among machinery categories, industrial, agricultural, and service industry machinery increased \$7.3 billion, or 12 percent, up from an increase of \$5.9 billion, or 11 percent. Machine tools, metalworking, and control instruments jumped to an increase of 17 percent from 2 percent, and electric generating machinery jumped to an increase of 17 percent from 7 percent. Oil drilling, mining, and construction machinery increased 23 percent, about the same as increases in the previous 2 years (table I).

High-technology products increased \$10.4 billion, or 9 percent, following an increase of \$3.0 billion, or 3 percent. Semiconductors increased \$5.2 billion, or 11 percent, following a 2-percent decline; the increase was mostly to Asia, with more than 50 percent of that increase to China. Telecommunications equipment increased \$3.2 billion, or 13 percent, following a 5-percent rise; Mexico accounted for over 40 percent of the rise. Computers, peripherals, and parts increased \$2.0 billion, or 4 percent, following a 6-percent increase, mainly to South and Central America excluding Mexico; China, Australia, Hong Kong, and Europe accounted for the remainder of the increase (table I).

Data Availability

The estimates that are presented in tables 1–11 of the U.S. international transactions accounts are available interactively on BEA's Web site at <www.bea.gov>. Users may view and download the most recent quarterly estimates for an entire table, or they may select the period, frequency, and lines that they wish to view. The estimates are available in an HTML table, in an Excel file, or as comma-separated values.

Chart 8. Growth in Exports by Selected Commodity Categories and Areas, 2003–2006



Nonagricultural industrial supplies and materials increased \$41.4 billion, or 19 percent, up from an increase of \$29.2 billion, or 15 percent. Metals and non-metallic products increased \$19.0 billion, or 35 percent, following an increase of 24 percent. Among major components, nonferrous metals increased \$13.6 billion, or 65 percent; much of the increase was in prices, which increased 38 percent, following increases of 16 percent in 2005 and 24 percent in 2004. In 2006, nearly 50 percent of these shipments were to Europe. Exports of chemicals increased \$9.3 billion, or 12

percent, following an increase of 11 percent. Exports of energy products increased \$8.4 billion, or 26 percent, following an increase of 31 percent; price increases for energy products ranged from 11 to 25 percent (table J).

Consumer goods increased \$13.5 billion, or 12 percent, following an increase of \$12.6 billion, or 12 percent. Nondurable goods increased \$4.7 billion, or 9 percent; most of the increase was attributable to medical, dental, and pharmaceutical preparations. Durable goods increased \$7.7 billion, or 14 percent; household appliances and products and recreation equipment all

Table I. U.S. Trade in Capital Goods, Except Automotive

[Balance-of-payments basis, millions of dollars]

	2001	2002	2003	2004	2005	2006 ^p
Exports.....	321,723	290,437	293,673	331,555	362,685	414,023
Computers, peripherals, and parts.....	47,555	38,553	39,925	42,805	45,537	47,531
Semiconductors.....	45,065	42,235	46,138	48,051	47,221	52,382
Telecommunications equipment.....	27,874	22,208	20,743	24,543	25,666	28,908
Scientific, hospital, and medical equipment and parts.....	20,063	19,305	20,861	23,946	27,029	29,940
Industrial, agricultural, and service industry machinery.....	46,060	42,831	43,467	52,861	58,771	66,045
Machine tools, metalworking equipment, and control instruments.....	19,985	18,392	19,189	24,002	24,383	28,608
Oil drilling, mining, and construction machinery.....	14,057	12,893	12,833	15,512	18,985	23,342
Industrial engines, pumps, and compressors.....	11,992	11,602	11,690	13,512	14,935	15,952
Electric generating machinery, electric apparatus, and parts.....	30,887	27,544	27,497	31,340	33,383	39,210
Civilian aircraft, engines, and parts.....	52,618	50,426	46,724	49,975	60,784	75,035
Other capital goods, n.e.c.	5,567	4,448	4,606	5,008	5,991	7,070
Imports.....	297,992	283,323	295,868	343,490	379,227	418,449
Computers, peripherals, and parts.....	74,001	75,150	76,513	88,635	93,310	101,415
Semiconductors.....	30,423	26,015	24,604	26,748	25,761	27,382
Telecommunications equipment.....	24,632	23,135	24,781	29,448	37,030	40,220
Scientific, hospital, and medical equipment and parts.....	15,213	16,030	18,443	22,055	24,350	26,258
Industrial, agricultural, and service industry machinery.....	47,478	47,979	51,873	62,015	70,130	77,234
Machine tools, metalworking equipment, and control instruments.....	16,422	14,870	15,879	18,535	20,523	22,939
Oil drilling, mining, and construction machinery.....	6,901	6,573	7,823	11,619	15,634	18,953
Industrial engines, pumps, and compressors.....	9,780	9,034	9,210	11,087	12,659	14,089
Electric generating machinery, electric apparatus, and parts.....	34,788	32,879	33,325	38,565	43,111	49,884
Civilian aircraft, engines, and parts.....	31,358	25,458	24,085	24,299	25,752	28,631
Other capital goods, n.e.c.	6,996	6,200	9,332	10,484	10,967	11,444

^p Preliminary

n.e.c. Not elsewhere classified

Table J. U.S. Trade in Nonagricultural Industrial Supplies and Materials

[Balance-of-payments basis, millions of dollars]

	2001	2002	2003	2004	2005	2006 ^p
Exports.....	150,476	147,615	162,479	192,298	221,500	262,891
Energy products.....	15,922	15,085	18,230	24,641	32,166	40,600
Chemicals, excluding medicinals.....	49,326	52,320	57,994	68,621	75,969	85,330
Paper and paper base stocks.....	12,386	12,211	12,813	13,971	15,135	16,458
Textile supplies and related materials.....	10,866	11,142	11,347	12,824	12,875	13,042
Building materials, except metals.....	7,770	7,610	7,829	8,953	9,563	10,521
Other nonmetals.....	19,598	17,030	17,953	20,048	22,088	24,266
Metals and nonmetallic products.....	34,608	32,217	36,313	43,240	53,704	72,674
Steelmaking materials and iron and steel products.....	7,968	7,851	9,688	12,859	17,261	19,246
Nonferrous metals.....	14,219	12,127	13,943	16,256	20,797	34,390
Other metals and nonmetallic products.....	12,421	12,239	12,682	14,125	15,646	19,038
Imports.....	270,802	262,846	308,682	406,312	517,335	595,688
Energy products.....	124,876	118,802	157,123	210,899	295,790	341,131
Chemicals, excluding medicinals.....	34,049	33,088	36,661	42,289	51,032	53,899
Paper and paper base stocks.....	12,239	11,462	11,768	13,051	13,573	14,448
Textile supplies and related materials.....	10,314	10,868	10,806	12,029	12,795	12,932
Building materials, except metals.....	21,261	22,487	24,163	32,016	34,401	34,992
Other nonmetals.....	17,252	18,433	20,141	23,280	25,921	28,286
Metals and nonmetallic products.....	50,811	47,706	48,020	72,748	83,823	110,000
Steelmaking materials and iron and steel products.....	18,945	20,182	19,154	34,495	36,928	45,019
Nonferrous metals.....	23,245	18,841	19,352	26,046	31,809	45,699
Other metals and nonmetallic products.....	8,621	8,683	9,514	12,207	15,086	19,282
Memorandum:						
Nonpetroleum industrial supplies and materials imports.....	172,527	164,588	181,420	232,530	272,781	301,208

^p Preliminary

contributed to the increase.

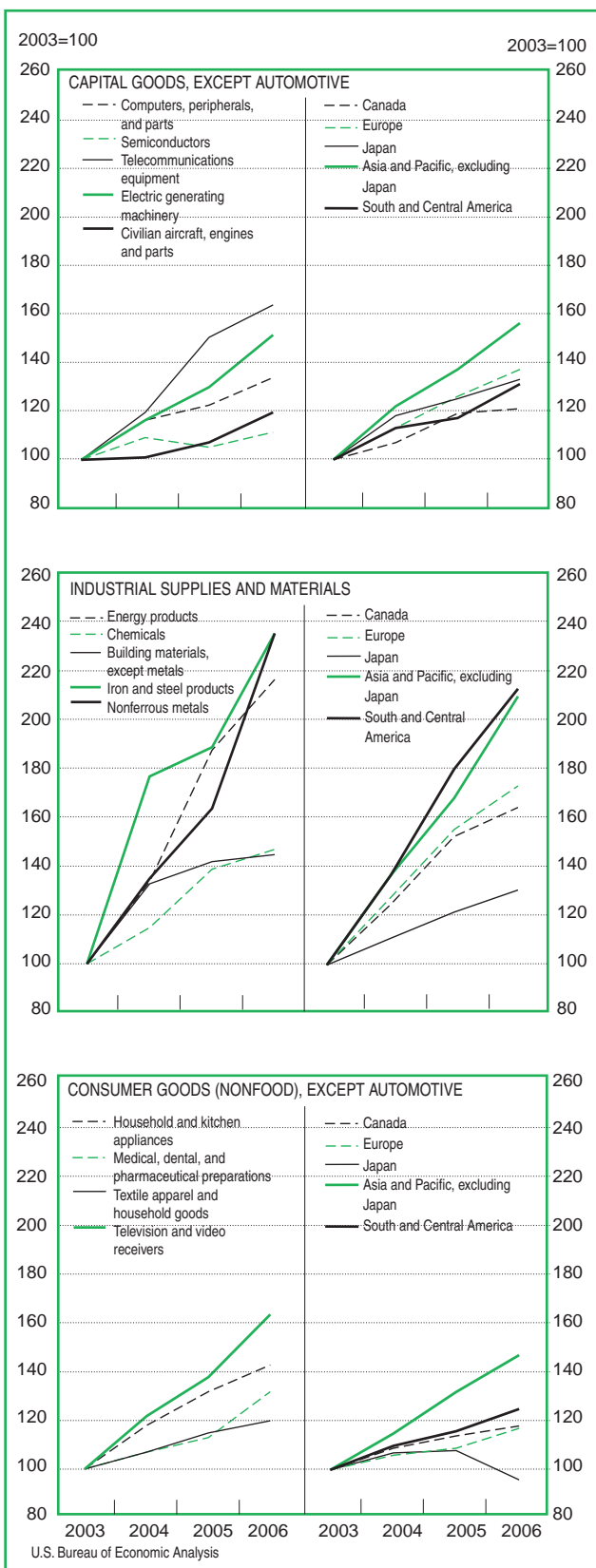
Automotive vehicles, parts, and engines increased \$8.6 billion, or 9 percent, following an increase of \$9.4 billion, or 10 percent. Exports of complete autos both to Canada and to Saudi Arabia slowed; however, shipments of parts, mainly to Mexico, more than tripled.

Foods, feeds, and beverages increased \$7.0 billion, or 12 percent, up from an increase of \$2.4 billion, or 4 percent. A sizable shift to an increase in corn and a smaller but still significant shift to an increase in soybeans accounted for much of the rise in exports. Corn increased \$2.4 billion, or 41 percent, after a \$1.1 billion, or 16-percent, decline in 2005. The export price of corn increased 20 percent in 2006, following a 13-percent decrease in 2005. Strength in corn reflected reduced competition from other exporting countries, strong overseas demand, and a jump in prices late in the year in response to a smaller than expected autumn crop. Growing demand for ethanol produced from corn may also have been a factor increasing the price of corn. Soybeans increased \$0.6 billion, or 9 percent, after declines of 4 percent in 2005 and 14 percent in 2004. Soybean prices decreased 2 percent after a decrease of 19 percent in 2005 and an increase of 21 percent in 2004.

Imports. Goods imports increased \$182.3 billion, or 11 percent, to \$1,859.7 billion in 2006, following an increase of \$204.4 billion, or 14 percent, in 2005 (table D). Real imports increased 6 percent, and import prices increased 5 percent. In value, 28 percent of the increase in total imports was in petroleum imports, down from a 35-percent share of the increase in 2005, largely as a result of smaller price increases in petroleum imports. The increase in nonpetroleum imports was about the same size in 2006 as in 2005 (chart 7); the increase was led by capital goods, consumer goods, and nonpetroleum industrial supplies and materials. The increases in consumer goods and capital goods were only slightly larger than in 2005, and the increase in nonpetroleum industrial supplies and materials was down sharply from 2005 (chart 9). By area, imports from Asia excluding Japan increased \$74.4 billion; from South and Central America, \$38.9 billion; from Europe, \$29.2 billion; and from Canada, \$13.1 billion.

Petroleum and products increased \$50.7 billion, or 20 percent, in 2006, following a record increase of \$71.4 billion, or 40 percent, in 2005. Most of the increase in 2006 was attributable to a sharp rise in the average price per barrel, which increased 23 percent to \$60.39 after a steep increase of 37 percent in 2005. The average number of barrels imported daily decreased 2 percent to 13.72 million in 2006, following 3

Chart 9. Growth in Imports by Selected Commodity Categories and Areas, 2003–2006



consecutive years of increases, as U.S. growth moderated over the course of the year and inventories remained high. Domestic production increased slightly, compared with a 5-percent decline in 2005 when supply and production facilities in the U.S. Gulf Coast region were damaged by Hurricanes Katrina and Rita. U.S. consumption decreased 1 percent, following little change in 2005. In volume, the number of barrels imported daily declined from Saudi Arabia and Venezuela and increased from Canada and Mexico (chart 10). For much of the year, most OPEC countries were producing near capacity or followed policies to limit production.

Capital goods increased \$39.2 billion, or 10 percent, following an increase of \$35.7 billion, or 10 percent. All major commodity categories increased, with high-technology products accounting for \$12.9 billion, or nearly a third of the rise. Computers, peripherals, and parts increased \$8.1 billion, up from an increase of \$4.7 billion; these increases were mostly attributable to strong imports from China. Telecommunications equipment increased \$3.2 billion, down sharply from an increase of \$7.6 billion; the slowdown reflected only a moderate increase in 2006 from Malaysia after a jump in 2005. Semiconductors rebounded, rising \$1.6 billion in 2006, following a decrease of \$1.0 billion in 2005; the rebound resulted from increases from Taiwan, Japan, Singapore, and China (table I).

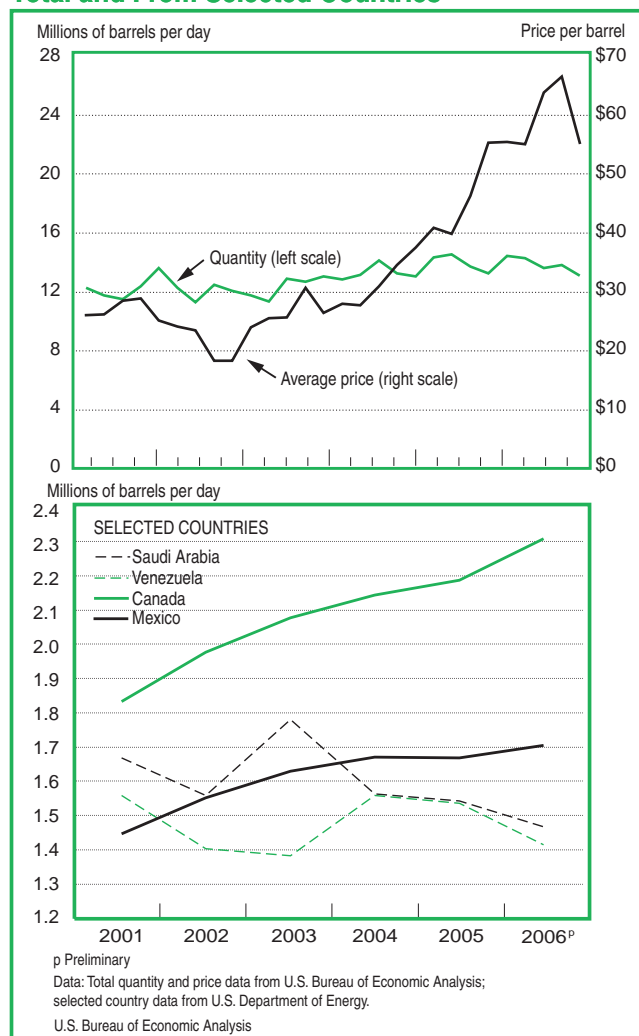
Capital goods were also boosted by increases in machinery. Industrial, agricultural, and service industry machinery, electric generating machinery, and oil drilling, mining, and construction machinery all increased at about the same pace as in 2005; however, imports in both years were well below those in 2004. The increase in imports of civilian aircraft and parts, at \$2.9 billion, was twice as large as the increase in 2005, reflecting strength in aircraft production and sales (table I).

Consumer goods increased \$35.5 billion, or 9 percent, following an increase of \$34.3 billion, or 9 percent. Imports from China accounted for over half of the increase in 2006, compared with over three-fourths of the increase in 2005. Durable goods increased \$19.3 billion, down slightly from an increase of \$20.2 billion; the increase in 2006 was partly attributable to increases in household and kitchen appliances, primarily from China, and in home entertainment equipment, mainly from Mexico and China. Nondurable goods increased \$14.9 billion, up from an increase of \$12.1 billion; the increase was mostly attributable to increases in medical, dental, and pharmaceutical products from Europe and in textile apparel and household goods from China. However, textile imports from China slowed to an increase of 18 percent from a jump of 47 percent.

Late in 2005, the United States and China signed a 3-year agreement that limited U.S. imports of textile apparel products from China, effective January 1, 2006. The agreement was prompted by a surge in imports of textile products from China in the first half of 2005, following the expiration of a previous quota system on December 31, 2004, that capped U.S. imports of textiles and apparel from developing countries.

Nonpetroleum industrial supplies and materials increased \$28.4 billion, or 10 percent, down substantially from increases of \$40.3 billion, or 17 percent, in 2005 and \$51.1 billion, or 28 percent, in 2004. Nearly half of the increase in 2006 was attributable to nonferrous metals, which jumped \$13.9 billion, or 44 percent, following an increase of \$5.8 billion, or 22 percent; prices of aluminum, copper, nickel, zinc, nonmonetary gold, and other precious metals had increases ranging from 15 to 125 percent. Iron and steel products also picked

Chart 10. U.S. Petroleum Imports and Price, Total and From Selected Countries



up, rising \$7.7 billion, or 25 percent, up sharply from an increase of \$1.9 billion, or 7 percent; the increase in 2006 was attributable to higher imports from Asia, led by China, and from Europe. Chemicals and building materials slowed sharply. Among energy products, natural gas imports increased \$6.4 billion, or 18 percent; prices of natural gas fell 11 percent. Natural gas had jumped \$11.0 billion, or 46 percent, primarily because prices rose 37 percent in 2005, partly as a result of hurricane damage to U.S. production facilities in the Gulf Coast region (table J).

Automotive vehicles, parts, and engines increased \$17.2 billion, or 7 percent, up from an increase of \$11.3 billion, or 5 percent. Most of the increase in 2006 was attributable to a jump in imports of passenger cars from Japan and Mexico. Automotive products were also boosted by an increase in parts from China, Mexico, and the Republic of Korea. U.S. sales of autos and light trucks declined 3 percent. Domestic auto production increased 1 percent, down from an increase of 2 percent.

Foods, feeds, and beverages increased \$6.8 billion, or 10 percent, following an increase of \$6.0 billion, or 10 percent. The increase in 2006 was mainly attributable to a rise in vegetables, fruits, nuts, and preparations from South and Central America and "other" agricultural foods, feeds, and beverages. Prices of coffee, cocoa, and sugar, which had increased 21 percent in 2005, increased only 6 percent in 2006. Imports of fish and shellfish—mainly from China, Thailand, and Chile—also increased.

Balances by area. The deficit on goods increased \$53.2 billion to \$836.0 billion in 2006, compared with an increase of \$117.3 billion in 2005. The smaller increase in 2006 resulted from both an acceleration in exports and a slowdown in imports. Capital goods and industrial supplies and materials accounted for nearly three-fourths of the increase in exports. Industrial supplies and materials, dominated by petroleum and products, accounted for nearly 45 percent of

the increase in imports; capital goods and consumer goods each accounted for approximately a fifth of the increase in imports (table K).

The deficit with Asia excluding Japan increased \$36.8 billion. The increase was partly attributable to a sizable increase in imports from China, mainly of consumer goods and capital goods. Exports to China, particularly of capital goods and industrial supplies and materials, accelerated, with the increase in 2006 nearly double that in 2005.

The deficit with members of OPEC increased \$12.1 billion. Imports of petroleum and products from Algeria, Saudi Arabia, Venezuela, and Nigeria more than accounted for the increase. Exports also increased, mainly as a result of increases in industrial supplies and materials to Venezuela and of capital goods to the United Arab Emirates.

The deficit with South and Central America increased \$11.3 billion. Industrial supplies and materials accounted for over half of the increase in imports, while industrial supplies and materials and capital goods accounted for approximately three-fourths of the increase in exports.

The deficit with Japan increased \$5.8 billion. Automotive products and capital goods more than accounted for the increase in imports, while much of the increase in exports was due to capital goods and industrial supplies and materials.

The deficit with Canada decreased \$5.5 billion after rising for 3 years. Imports slowed considerably from large increases in 2004 and 2005, mainly as a result of slowdowns in natural gas, a major component of industrial supplies and materials, and a decrease in automotive products. Exports of all major categories, led by industrial supplies and materials, continued to rise.

The deficit with Europe decreased \$4.1 billion, the first decrease in 9 years. Exports were particularly strong; industrial supplies and materials and capital goods accounted for nearly three-fourths of the increase. The increase in imports slowed, but it was also

Annual Revision of the U.S. International Accounts

The annual revision of the U.S. international accounts to be released in June 2007 will incorporate a number of significant improvements. The expanded geographic details for the accounts introduced last year will be carried further back in time; a consistent presentation will be available for 1999 to the present. BEA is also considering incorporating methodological and presentational changes for financial derivatives. Further, BEA is considering improving its methodologies for estimating interest receipts and payments, and for adjusting imports of com-

puter software from media value to full market value. BEA will incorporate results from the U.S. Treasury Department's annual survey of Foreign Portfolio Investment in the United States for June 2006 and its annual survey of U.S. Portfolio Investment Abroad for December 2005. To a limited extent, BEA will incorporate early results from its 2006 benchmark survey of transactions in selected services and intangible assets. Complete results from the benchmark survey of services will be included in the annual revisions to be released in June 2008.

led by industrial supplies and materials and capital goods, which accounted for approximately two-thirds of the rise.

Services

The surplus on services increased to \$70.7 billion in 2006 from \$66.0 billion in 2005 (table L, chart 11).

Services receipts increased \$32.5 billion, or 9 percent, in 2006, down from an increase of \$36.2 billion, or 11 percent, in 2005, and services payments increased \$27.8 billion, or 9 percent, up from an increase of \$24.3 billion, or 8 percent. Growth in travel and passenger fare receipts was significantly less than in 2005, and growth in travel and passenger fare payments slowed slightly. "Other" transportation receipts tracked the pickup in goods exports and "other" transportation payments tracked the slowdown in goods imports. "Other" private services receipts increased

Chart 11. Annual Services Data, 1994–2006

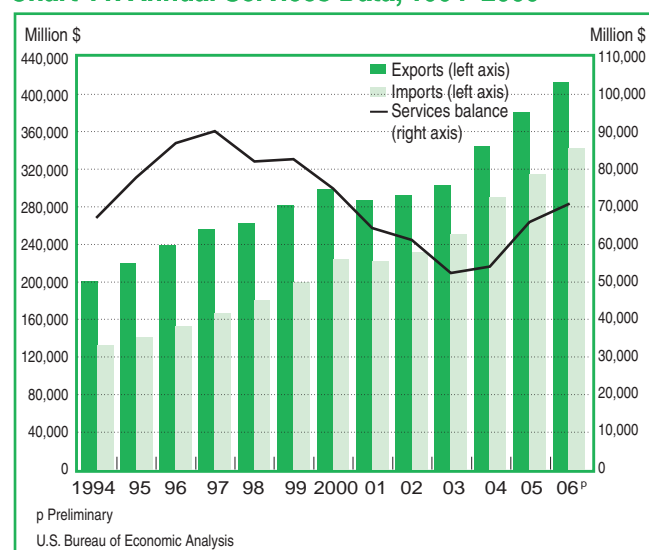


Table K. U.S. Trade in Goods by Major End-Use Category for Selected Areas and Countries

[Balance-of-payments basis, millions of dollars]

	Canada			Europe			United Kingdom			Germany			Japan		
	2004	2005	2006 ^p	2004	2005	2006 ^p	2004	2005	2006 ^p	2004	2005	2006 ^p	2004	2005	2006 ^p
Exports	189,982	212,192	230,766	189,411	207,891	241,245	35,124	37,570	44,195	30,842	33,584	40,743	52,288	53,264	57,616
Agricultural products.....	11,040	12,133	13,574	9,282	9,683	9,893	1,172	1,177	1,290	1,205	1,088	1,078	8,290	8,058	8,500
Nonagricultural products.....	178,942	200,059	217,192	180,129	198,208	231,352	33,952	36,393	42,905	29,637	32,496	39,665	43,998	45,206	49,116
Foods, feeds, and beverages.....	11,157	12,262	13,694	8,032	8,341	8,580	1,173	1,121	1,249	1,143	1,052	1,000	8,823	8,697	8,985
Industrial supplies and materials.....	47,670	55,399	60,825	41,556	48,376	62,422	6,670	8,053	11,612	5,229	5,948	7,626	11,609	11,981	13,430
Capital goods, except automotive.....	53,247	60,670	64,345	84,839	90,930	101,576	16,876	16,917	17,836	14,377	16,251	19,128	22,018	22,244	23,921
Automotive vehicles, parts, and engines.....	50,006	53,592	56,150	11,905	12,823	15,468	1,937	1,731	1,955	5,274	5,074	6,782	2,013	2,018	2,276
Consumer goods (nonfood), except automotive.....	23,396	25,755	29,186	37,039	41,246	46,098	7,223	8,446	9,974	3,929	4,316	5,024	6,770	7,228	7,805
Exports, n.e.c.....	4,506	4,514	6,566	6,040	6,175	7,101	1,245	1,302	1,569	890	943	1,183	1,055	1,096	1,199
Imports	259,035	293,314	306,405	320,915	354,269	383,505	46,032	50,536	53,078	71,129	84,588	89,080	129,807	138,008	148,200
Petroleum and products.....	28,485	36,895	47,041	24,990	36,605	40,957	6,124	8,493	6,872	1,072	1,917	1,852	209	406	927
Nonpetroleum products.....	230,550	256,419	259,364	295,925	317,664	342,548	39,908	42,043	46,206	70,057	82,671	87,228	129,598	137,602	147,273
Foods, feeds, and beverages.....	13,164	13,965	15,029	15,361	16,772	18,524	1,508	1,547	1,673	894	963	1,056	462	511	539
Industrial supplies and materials.....	111,913	137,118	147,966	78,817	95,878	107,403	12,062	15,150	14,434	12,021	14,256	15,473	12,742	13,998	15,016
Capital goods, except automotive.....	31,195	34,856	35,467	82,698	92,171	100,244	12,748	13,668	14,811	24,139	28,112	29,985	45,809	48,562	51,647
Automotive vehicles, parts, and engines.....	67,676	70,757	70,276	44,254	45,444	45,517	6,106	7,123	6,266	26,632	27,148	26,712	48,933	52,687	60,162
Consumer goods (nonfood), except automotive.....	18,413	19,164	19,910	86,116	88,268	95,006	10,649	9,935	12,511	10,405	10,834	12,228	18,159	18,284	16,295
Imports, n.e.c., and U.S. goods returned.....	16,674	17,454	17,757	13,669	15,736	16,811	2,959	3,113	3,383	-2,962	3,275	3,626	3,702	3,966	4,541
Balance	-69,053	-81,122	-75,639	-131,504	-146,378	-142,260	-10,908	-12,966	-8,883	-40,287	-51,004	-48,337	-77,519	-84,744	-90,584

	South and Central America			Mexico			Asia, excluding Japan			Hong Kong, Republic of Korea, Singapore, Taiwan			China		
	2004	2005	2006 ^p	2004	2005	2006 ^p	2004	2005	2006 ^p	2004	2005	2006 ^p	2004	2005	2006 ^p
Exports	159,429	177,318	204,870	110,698	120,264	134,023	177,072	198,296	235,843	82,063	85,166	96,068	34,638	41,799	55,035
Agricultural products.....	12,067	13,108	15,208	8,687	9,560	10,950	16,932	16,599	19,829	5,806	5,723	6,635	5,554	5,239	6,711
Nonagricultural products.....	147,362	164,210	189,662	102,011	110,704	123,073	160,140	181,697	216,014	76,257	79,443	89,433	29,084	36,560	48,324
Foods, feeds, and beverages.....	10,410	11,623	13,623	7,562	8,547	9,958	13,065	12,927	15,378	4,963	4,958	5,836	3,760	3,465	4,095
Industrial supplies and materials.....	51,101	59,198	69,769	34,278	39,851	45,059	43,507	48,308	57,219	20,091	19,872	22,359	12,903	16,238	21,289
Capital goods, except automotive.....	60,393	65,922	76,308	40,522	42,084	46,800	95,939	104,753	126,183	47,729	49,289	54,701	15,564	18,827	25,649
Automotive vehicles, parts, and engines.....	17,482	18,754	20,561	15,491	16,129	17,118	5,435	8,312	9,416	1,046	1,307	1,367	795	1,098	1,446
Consumer goods (nonfood), except automotive.....	14,635	15,894	17,761	9,043	9,608	10,497	15,179	18,571	20,872	6,176	7,485	8,475	1,363	1,895	2,202
Exports, n.e.c.....	5,408	5,927	6,848	3,802	4,045	4,591	3,947	5,425	6,775	2,058	2,255	3,330	253	276	354
Imports	241,663	276,760	315,623	157,105	172,110	200,540	453,855	523,917	598,309	105,465	102,624	109,708	196,674	243,472	287,776
Petroleum and products.....	52,518	72,367	84,939	19,801	25,726	33,502	36,268	46,883	55,827	1,446	2,969	3,944	370	620	769
Nonpetroleum products.....	189,145	204,393	230,684	137,304	146,384	167,038	417,587	477,034	542,482	104,019	99,655	105,764	196,304	242,852	287,007
Foods, feeds, and beverages.....	17,270	19,860	22,086	8,007	9,131	10,300	11,618	12,590	14,256	684	727	731	2,486	2,892	3,753
Industrial supplies and materials.....	82,787	108,898	128,902	32,277	40,970	51,246	76,367	95,095	114,758	13,107	16,285	19,349	16,537	21,709	28,452
Capital goods, except automotive.....	42,716	44,345	49,636	36,688	38,289	43,489	138,910	156,738	178,804	41,907	38,780	41,045	60,943	74,008	89,176
Automotive vehicles, parts, and engines.....	45,919	47,649	54,410	43,176	44,419	50,890	20,072	21,975	25,075	13,887	13,772	14,823	4,009	5,751	7,343
Consumer goods (nonfood), except automotive.....	44,043	46,544	50,128	29,876	31,929	36,458	198,247	227,246	253,516	32,255	29,144	29,339	110,391	136,283	155,645
Imports, n.e.c., and U.S. goods returned.....	8,928	9,464	10,461	7,081	7,372	8,157	8,641	10,273	11,900	3,625	3,916	4,421	2,308	2,829	3,407
Balance	-82,234	-99,442	-110,753	-46,407	-51,846	-66,517	-276,783	-325,621	-362,466	-23,402	-17,458	-13,640	-162,036	-201,673	-232,741

p Preliminary
n.e.c. Not elsewhere classified

more than "other" private services payments. Transfers under U.S. military sales contracts fell, and direct defense expenditures abroad increased slightly.

Travel receipts increased \$4.0 billion, or 5 percent, in 2006, following an increase of \$7.1 billion, or 10 percent, in 2005. The total number of overseas travelers was unchanged, following a 7-percent increase; within the overseas total, decreases were concentrated in Europe, where the number of visitors fell 2 percent after an increase of 7 percent, and in Japan, where the number of visitors fell 5 percent after an increase of 4 percent. Both European and Asian residents may have substituted travel within Europe and within Asia for trans-Atlantic and trans-Pacific travel.

Travel receipts from Canada increased \$1.4 billion, or 15 percent, in 2006, following an increase of \$1.0 billion, or 12 percent, in 2005. Sizable appreciation of the Canadian dollar against the U.S. dollar encouraged greater spending in the United States, and growth in the number of travelers picked up to 6 percent from 5 percent. Travel receipts from Mexico increased \$0.4 billion, or 5 percent, following an increase of \$0.5 billion, or 9 percent. The number of visitors from Mexico decreased 5 percent, mostly to the U.S. border area, following no increase in 2005.

Travel payments increased \$4.1 billion, or 6 percent, in 2006, following an increase of \$3.4 billion, or 5

percent. The increase in the total number of overseas travelers slowed slightly to 5 percent; within the overseas total, the increase in travelers to Europe slowed to 2 percent from 3 percent, and the increase in travelers to Asia slowed to 8 percent from 10 percent. Travel to Italy for the Winter Olympics and to Germany for the World Cup soccer matches boosted travel to Europe.

Travel payments to Canada increased \$0.3 billion, or 5 percent, in 2006, following a decrease of \$0.3 billion, or 4 percent, in 2005. In 2006, a 6-percent depreciation of the U.S. dollar against the Canadian dollar and high gasoline prices were factors leading to a 9-percent drop in the number of U.S. travelers to Canada. Travel payments to Mexico increased \$0.3 billion, or 3 percent, following an increase of \$0.9 billion, or 10 percent. Growth in the number of travelers slowed, especially to the interior, partly because of hurricanes which damaged major resort areas late in the summer and partly because of violent protests in Mexico City.

Passenger fare receipts increased \$1.1 billion, or 5 percent, in 2006, following an increase of \$2.1 billion, or 11 percent, in 2005. The increase in 2006 reflected a 6-percent increase in the number of visitors on U.S.-flag carriers. Passenger fare payments increased \$1.2 billion, or 5 percent, following an increase of \$2.3 billion, or 10 percent. The increase in 2006 reflected a 5-percent increase in the number of travelers

Table L. Services

[Millions of dollars, quarters seasonally adjusted]

	2004	2005	2006 ^p	2006			
				I ^r	II ^r	III ^r	IV ^p
Exports	344,426	380,614	413,127	99,719	102,894	103,664	106,849
Travel.....	74,547	81,680	85,697	20,774	21,475	21,334	22,114
Passenger fares.....	18,851	20,931	22,060	5,500	5,230	5,598	5,731
Other transportation.....	37,436	42,245	48,208	11,572	12,185	12,206	12,245
Royalties and license fees.....	52,512	57,410	62,051	14,968	15,495	15,556	16,033
Other private services.....	144,654	158,223	177,284	42,175	43,997	44,654	46,457
Affiliated services.....	45,175	49,389	55,022	13,443	13,913	13,932	13,733
Unaffiliated services.....	99,479	108,834	122,262	28,732	30,084	30,722	32,724
Education.....	13,643	14,123	14,487	3,566	3,582	3,648	3,690
Financial.....	25,185	29,281	35,043	8,415	8,531	8,500	9,597
Insurance.....	6,838	6,831	7,835	1,909	1,966	1,895	2,065
Telecommunications.....	4,463	4,724	5,404	1,183	1,286	1,489	1,446
Business, professional, and technical.....	34,523	39,491	45,203	10,185	11,136	11,649	12,233
Other.....	14,827	14,384	14,290	3,474	3,583	3,540	3,694
Military transactions ¹	15,467	19,038	16,682	4,453	4,226	4,022	3,982
U.S. Government receipts.....	959	1,087	1,145	277	286	294	287
Imports	290,312	314,604	342,428	83,117	85,647	86,171	87,494
Travel.....	65,750	69,175	73,299	17,662	18,667	18,409	18,561
Passenger fares.....	23,723	26,066	27,306	6,753	6,952	6,671	6,930
Other transportation.....	54,161	62,107	65,611	16,196	16,341	16,605	16,469
Royalties and license fees.....	23,211	24,501	26,523	6,764	6,537	6,551	6,671
Other private services.....	90,390	98,714	114,485	27,054	28,394	28,910	30,127
Affiliated services.....	33,915	38,989	47,621	11,515	11,674	11,922	12,510
Unaffiliated services.....	56,475	59,725	66,864	15,539	16,720	16,988	17,617
Education.....	3,556	4,029	4,588	1,092	1,134	1,168	1,194
Financial.....	5,309	6,549	8,259	1,811	2,051	2,094	2,303
Insurance.....	29,038	28,482	33,059	7,545	8,241	8,516	8,757
Telecommunications.....	4,542	4,658	4,362	1,029	1,088	1,138	1,107
Business, professional, and technical.....	13,078	14,516	15,366	3,711	3,859	3,796	4,000
Other.....	952	1,493	1,234	353	347	277	257
Direct defense expenditures ²	29,299	30,062	31,180	7,692	7,740	8,002	7,746
U.S. Government payments.....	3,778	3,979	4,024	996	1,016	1,022	990

^p Preliminary

^r Revised

1. Consists of transfers under U.S. military agency sales contracts of goods and services, which are not separately identifiable.

2. Consists of imports by U.S. defense agencies of goods and services, which are not separately identifiable.

on foreign-flag carriers. Sizable price increases resulting from higher fuel costs affected both receipts and payments.

"Other" transportation receipts increased \$6.0 billion, or 14 percent, in 2006, following a \$4.8 billion, or 13-percent, increase in 2005. Increases occurred in almost every geographic area; the largest increases occurred in Europe, China, and Latin America, reflecting growth in exports to, and imports from, those regions. Increases occurred in both port and freight services receipts. Port services receipts increased \$5.0 billion, or 20 percent, up from a 16-percent increase. The increase mostly reflected increases in air and ocean export and import volumes transported by foreign carriers and higher fuel costs. Freight receipts increased \$1.0 billion, or 6 percent, following a 9-percent increase. Air freight receipts were higher as a result of a 10-percent increase in export volume, and ocean freight receipts were slightly lower on little change in volume.

"Other" transportation payments increased \$3.5 billion, or 6 percent, in 2006, following a \$7.9 billion, or 15-percent, increase in 2005. The increase mostly reflected a slower increase in goods imports and higher fuel prices. Increases occurred in almost every geographic area; the largest increases were in Asia (mostly China, Japan, and Taiwan), Europe, and Latin America. Increases occurred in both freight and port services. Freight payments increased \$1.8 billion, or 4 percent, down from a 13-percent increase. A smaller increase in ocean freight payments in 2006 reflected lower volume increases through east coast ports; volume increases through west coast ports were unchanged. Air freight payments increased \$0.2 billion, reflecting only a small increase in volume. Port services payments increased \$1.7 billion, or 10 percent, following a 20-percent increase. Air port services accounted for nearly all of the increase as most U.S. carriers reported higher overseas expenses, mostly the result of an increase in the price of jet fuel. Jet fuel prices increased 18 percent from the previous year. Ocean port services were virtually unchanged.

"Other" private services receipts increased to \$177.3 billion in 2006 from \$158.2 billion in 2005. Financial services increased significantly more in 2006 than in 2005, largely because of higher fees received for financial management and financial advisory services, including fees for arranging mergers and acquisitions. Receipts for business, professional, and technical services also increased somewhat more than in 2005. "Other" private services payments increased to \$114.5 billion from \$98.7 billion. Payments for insurance accounted for much of the step-up, largely as a result of higher premiums. Financial services and business,

professional, and technical services were also higher.

Transfers under U.S. military agency sales contracts decreased \$2.4 billion to \$16.7 billion in 2006 from \$19.0 billion in 2005. The decrease was more than accounted for by a decline in services for reconstruction in Iraq. Transfers of equipment and related services under the Foreign Military Sales program were slightly above those of a year ago. Direct defense expenditures abroad increased to \$31.2 billion, up slightly from \$30.1 billion. Most of the increase was attributable to a sharp increase in purchases of petroleum, partly due to price increases, but personnel expenditures and purchases of supplies and materials to sustain military operations also rose.

Income

The balance on income shifted to a deficit of \$7.3 billion in 2006 from a surplus of \$11.3 billion in 2005 (table C). Income payments increased more than income receipts. The deficit on U.S. Government income increased to \$142.7 billion from \$110.8 billion, and the deficit on "other" private income increased to \$8.4 billion from \$6.0 billion. In contrast, the surplus on direct investment income increased to \$150.3 billion from \$134.4 billion.

Receipts of income on U.S. direct investment abroad were \$295.9 billion in 2006, up from \$251.4 billion in 2005 (table M, chart 12). Earnings increased 18 percent, up from an 11-percent increase in 2005. Stronger economic growth in advanced economies was a major factor boosting earnings growth. In addition, depreciation of the U.S. dollar contributed to the

Table M. Direct Investment Income and Financial Flows

(Millions of dollars, quarters seasonally adjusted)

(Credits +; debits -)	2004	2005	2006 ^p	2006			
				I ^r	II ^r	III ^r	IV ^p
Income							
Income receipts on U.S. direct investment abroad.....	226,224	251,370	295,884	68,676	74,868	74,075	78,264
Distributed earnings.....	62,489	256,323	76,755	22,539	18,263	19,171	16,781
Reinvested earnings.....	157,337	-11,238	213,138	44,633	54,984	53,462	60,059
Interest, net.....	6,398	6,287	5,991	1,504	1,621	1,442	1,424
Income payments on foreign direct investment in the United States ...							
Distributed earnings.....	-102,357	-116,953	-145,561	-34,443	-36,865	-39,828	-34,424
Reinvested earnings.....	-32,769	-43,743	-47,812	-4,873	-6,338	-11,625	-24,977
Interest, net.....	-55,587	-58,906	-80,292	-25,706	-26,470	-23,205	-4,912
	-14,001	-14,305	-17,455	-3,864	-4,057	-4,998	-4,535
Financial Flows							
U.S. direct investment abroad (increase/financial outflow (-)).....							
Equity capital.....	-244,128	-9,072	-248,856	-61,927	-47,363	-65,395	-74,171
Reinvested earnings.....	-81,387	-39,706	-42,475	-12,257	-2,057	-7,995	-20,165
Intercompany debt.....	-157,337	11,238	-213,138	-44,633	-54,984	-53,462	-60,059
	-5,405	19,397	6,756	-5,037	9,678	-3,938	6,053
Foreign direct investment in the United States (increase/financial inflow (+)).....							
Equity capital.....	133,162	109,754	183,571	45,693	46,810	61,633	29,435
Reinvested earnings.....	74,116	57,744	78,507	24,220	18,531	7,902	27,854
Intercompany debt.....	55,587	58,906	80,292	25,706	26,470	23,205	4,912
	3,459	-6,897	24,771	-4,233	1,809	30,526	-3,331

^p Preliminary
^r Revised

stronger increase in earnings, particularly for affiliates in Europe. Earnings growth in 2006 was largest for holding companies, which increased \$15.0 billion, largely in the Caribbean and Europe. Earnings in “other” industries increased \$13.3 billion, led by mining of petroleum and metals. Earnings in manufacturing increased \$10.2 billion, largely in computers and electronic products, chemicals, and transportation equipment. Earnings in finance and insurance increased \$4.1 billion, and earnings in wholesale trade increased \$1.9 billion.

Payments of income on foreign direct investment in the United States were \$145.6 billion in 2006, up from

\$117.0 billion in 2005 (table M, chart 13). Earnings of U.S. affiliates grew strongly at 25 percent in 2006, up from an increase of 16 percent in 2005, parallel to the pickup in U.S. corporate profits, which accelerated to an increase of 21 percent in 2006 from an increase of 12 percent in 2005. In 2006, the largest increase in earnings was in finance (including depository institutions and insurance), which increased \$10.5 billion, led by both insurance and banking earnings. Earnings in manufacturing increased \$6.9 billion, led by earnings in chemicals, “other,” and primary and fabricated metals. Earnings in “other” industries increased \$6.7 billion, and earnings in wholesale trade increased \$1.6 billion.

“Other” private income receipts and “other” private income payments rose strongly again in 2006 after strong increases in 2005. In 2006, outstanding claims

Chart 12. Earnings on U.S. Direct Investment Abroad

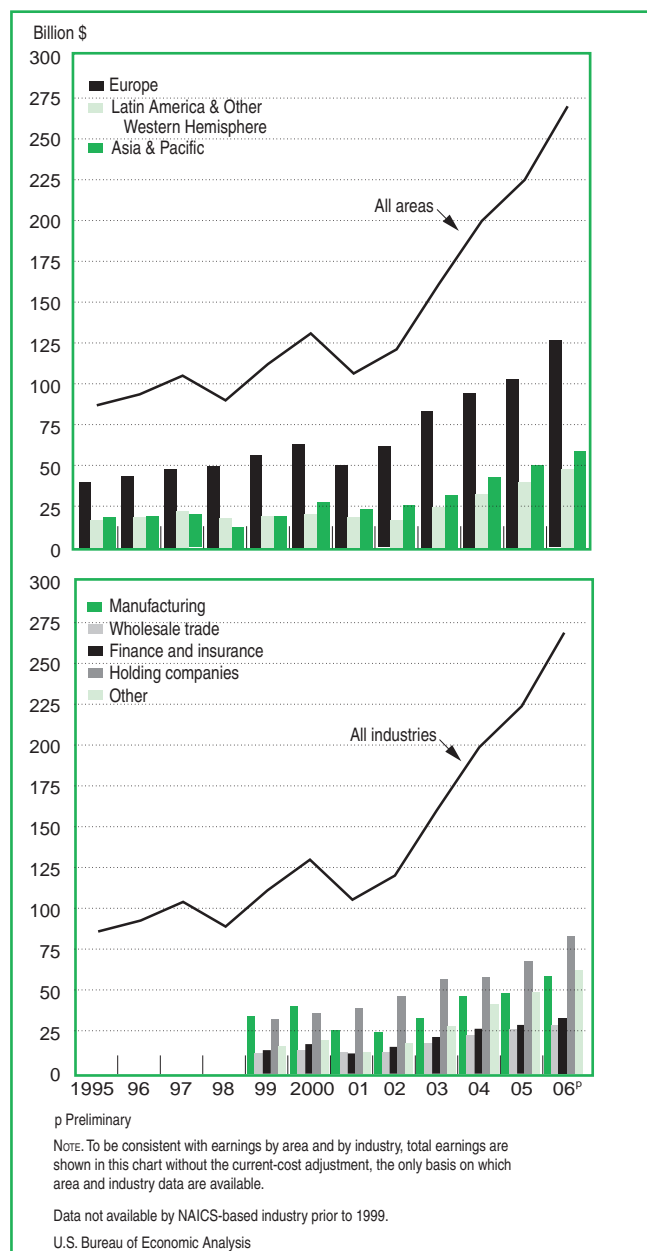
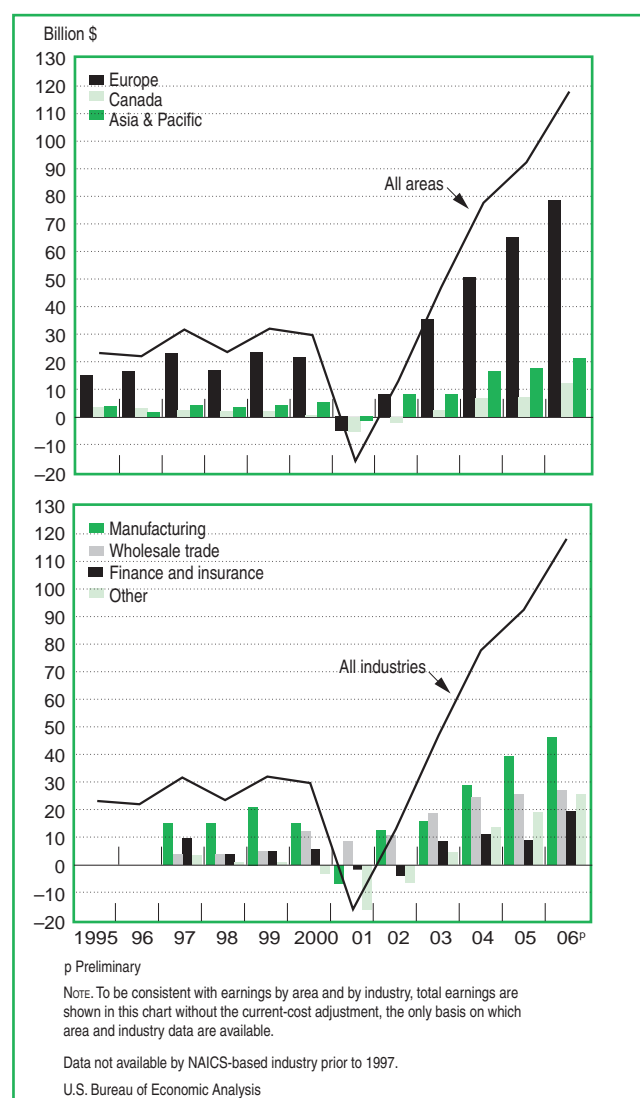


Chart 13. Earnings on Foreign Direct Investment in the United States



and liabilities of banks and nonbanks and holdings of securities increased considerably, but much of the increases in receipts and payments continued to be attributable to sizable increases in U.S. and foreign interest rates.

Receipts of income on “other” private investment increased to \$320.8 billion in 2006 from \$217.6 billion in 2005 (table N, chart 14). More than half of the

Chart 14. U.S. Investment Income: Receipts and Payments



increase was attributable to rising interest rates. Interest received on banks' claims increased \$45.4 billion, mostly because of a 168-basis-point increase in yields; average amounts outstanding increased 16 percent. Income received on securities increased \$25.4 billion; dividends increased \$16.2 billion because of a 27-percent increase in holdings, and interest on bonds increased \$9.2 billion because of a 71-basis-point increase in yields. Interest on “other” (largely non-bank) claims increased \$32.4 billion, mostly because of a rise in yields of 158 basis points.

Payments of income on “other” private investment increased to \$329.2 billion in 2006, up from \$223.6 billion in 2005 (table N, chart 14). Nearly 60 percent of the increase was attributable to rising interest rates. Income paid on banks' liabilities increased \$47.9 billion as a result of a 168-basis-point increase in yields and a 17-percent increase in average amounts outstanding. Income paid on securities increased \$34.7 billion; interest on bonds increased \$28.4 billion because of a 19-percent increase in holdings and a 65-basis-point rise in yields, and dividends on stocks increased \$6.3 billion, mostly because of a 14-percent increase in holdings. Interest paid on “other” (largely nonbank) liabilities increased \$23.0 billion, mostly because of a 144-basis-point increase in yields.

Table N. Other Private Income
[Billions of dollars]

	2004	2005	2006 ^p
Receipts	142.8	217.6	320.8
Dividends	54.2	63.7	79.9
Interest on bonds	36.8	44.2	53.4
Interest on bank claims	26.5	62.5	107.9
Interest on other claims ¹	25.4	47.3	79.7
Payments	147.6	223.6	329.2
Dividends	37.0	38.1	44.4
Interest on bonds	64.5	81.0	109.4
Interest on bank liabilities	23.8	62.0	109.9
Interest on other liabilities ¹	22.2	42.5	65.5

^p Preliminary

¹ Primarily income of financial concerns other than banks.

NOTE: Excludes direct investment income receipts and payments.

Receipts of income on U.S. Government assets were \$2.4 billion in 2006, down from \$2.7 billion in 2005 (table O).

Payments of income on U.S. Government liabilities increased to \$145.1 billion in 2006, up from \$113.6 billion in 2005 (table O). The increase was about evenly split between larger average amounts outstanding and higher yields. Both short- and long-term yields rose, as U.S. monetary policy tightened throughout the first half of the year. Payments on agency bonds increased \$17.3 billion, as holdings increased 25 percent and yields increased 86 basis points. Payments on U.S. Treasury bonds increased \$10.3 billion, as holdings

Table O. Selected U.S. Government Transactions

[Millions of Dollars]

(Credits +; debits -)	2004	2005	2006 ^p	2006			
				I	II	III ^r	IV ^p
U.S. Government grants	-23,317	-31,362	-21,410	-4,631	-5,341	-6,040	-5,398
U.S. Government forgiveness of foreign debt	-658	-2,344	-1,711	-1,220	-487	-2	-2
U.S. Government credits and other long-term assets	-3,044	-2,255	-2,990	-1,517	-376	-592	-505
For debt rescheduling.....	-309	-420	-212	-129	-25	-33	-25
Other disbursements.....	-2,735	-1,834	-2,778	-1,388	-351	-559	-480
Repayments of U.S. Government credits and other long-term assets.....	4,716	5,603	8,223	2,558	2,147	2,170	1,348
From debt rescheduling.....	56	136	138	81	21	21	15
From debt forgiveness.....	593	251	1,669	1,194	472	1	2
Other repayments.....	4,067	5,216	6,416	1,283	1,654	2,148	1,331
U.S. Government foreign currency holdings and short-term assets, net	38	2,191	-14	8	-6	-8	-8
From debt rescheduling.....	112	117	1	1
From debt forgiveness.....	17	2,037	3	3
Other	-92	37	-18	5	-6	-9	-8
U.S. Government receipts of income.....	2,998	2,715	2,405	644	502	582	677
From debt rescheduling.....	152	168	74	48	4	11	11
From debt forgiveness.....	48	56	40	24	15	1
Other receipts.....	2,797	2,491	2,291	572	483	570	666
U.S. Government payments of income.....	-88,474	-113,559	-145,070	-32,876	-36,441	-37,355	-38,398

^p Preliminary
^r Revised

increased 11 percent and yields increased 16 basis points. Payments on U.S. Treasury bills increased \$3.9 billion, as holdings decreased 9 percent and yields increased 176 basis points.

Unilateral current transfers

Net unilateral current transfers to foreigners were \$84.1 billion in 2006, down from \$86.1 billion in 2005.

U.S. Government grants were \$21.4 billion, down from \$31.4 billion (table O). Grants to Israel and Egypt under the credit waiver program and under economic assistance programs totaled \$0.6 billion in 2006, down from \$6.9 billion in 2005; these grants were lower in 2006 because budget restrictions delayed disbursements to Israel and to Egypt.

U.S. Government grant disbursements for reconstruction in Iraq fell to \$4.6 billion in 2006 from \$7.7 billion in 2005.

Excluding these special transactions with Israel, Egypt, and Iraq, U.S. grants to developing countries for all other purposes were \$15.1 billion in 2006, down slightly from \$15.5 billion in 2005.

Private remittances and other transfers to foreigners increased to \$55.7 billion in 2006 from \$48.4 billion in 2005.

Capital Account

Capital account transactions were net payments (outflows) of \$3.9 billion in 2006, down from \$4.4 billion in 2005. Transactions in 2006 resulted mostly from debt forgiveness.

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 (chart 15).

U.S.-owned assets abroad

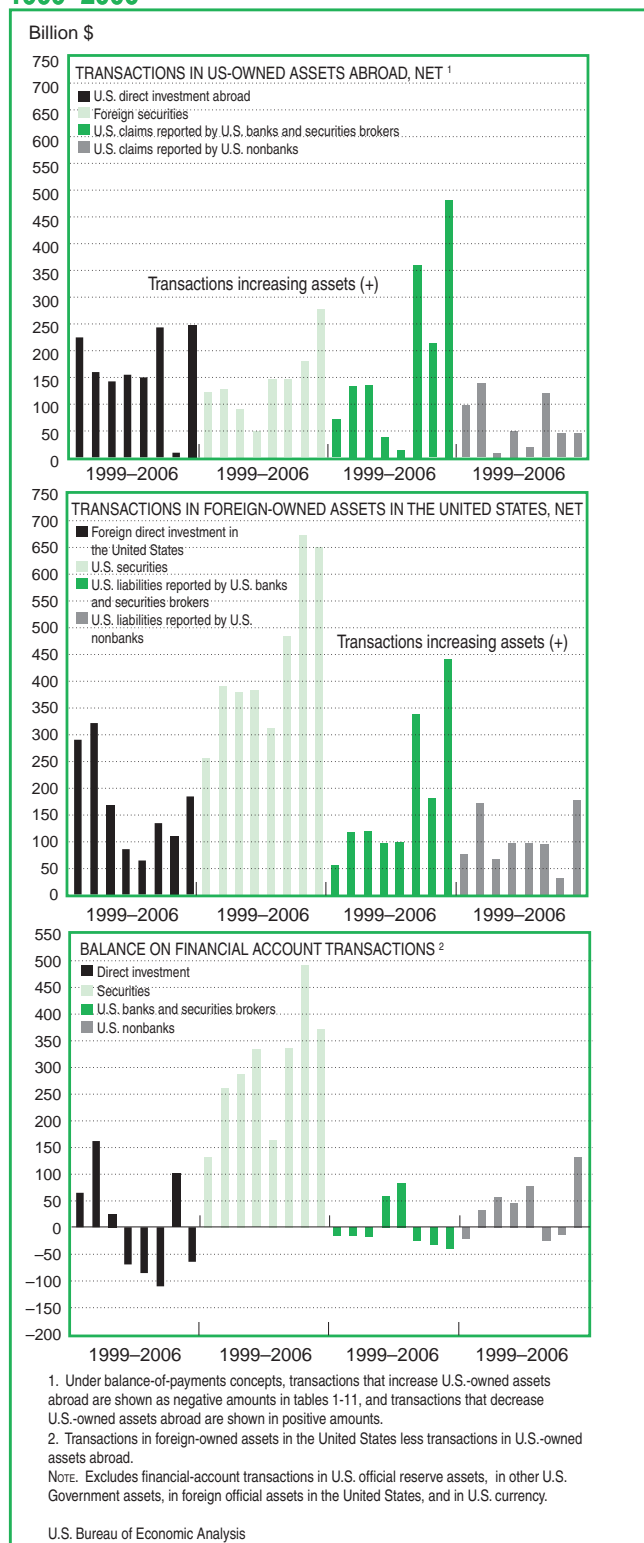
Net U.S.-owned assets abroad increased \$1,045.8 billion in 2006, following an increase of \$426.8 billion in 2005. U.S. claims reported by U.S. banks, U.S. direct investment abroad, and net U.S. purchases of foreign securities all increased substantially.

U.S. official reserve assets. U.S. official reserve assets decreased \$2.4 billion in 2006, after decreasing a record \$14.1 billion in 2005. The U.S. reserve position at the International Monetary Fund (IMF) decreased \$3.3 billion, foreign currency assets increased \$0.7 billion, and Special Drawing Rights increased \$0.2 billion. The decrease in the U.S. reserve position at the IMF resulted largely from repayments of dollar funds to the IMF by Argentina, Indonesia, and Turkey. Argentina, Indonesia, Uruguay, and the Philippines all paid off the remainder of their debts owed to the IMF. These repayments of dollar funds were part of \$31.0 billion in total repayments by member countries of IMF credits and loans outstanding in 2006.

Claims on foreigners reported by banks and non-banks. U.S. claims reported by U.S. banks and securities brokers increased \$482.4 billion in 2006, up sharply from an increase of \$213.0 billion in 2005

(tables P and Q). The increase in 2006 was largely the result of interbank transactions among U.S. and foreign banks, with much of the lending likely associated

Chart 15. Selected Financial Account Transactions, 1999–2006



with the strong pickup in mergers and acquisitions abroad, including lending for syndicated loans. Claims associated with resale agreements also increased, but they were a much smaller source of increase in total claims. Borrowing to finance some of this lending came from banks abroad where short-term interest rates were lower than in the United States, but some of the lending was also financed by the healthy growth in deposits at domestically chartered U.S. banks.

Gross lending and gross borrowing of banks and securities brokers was significantly greater in 2006 than in 2005. On a net basis, U.S. banks and brokers were net suppliers of funds to foreigners of \$41.2 billion in 2006; in 2005, U.S. banks supplied funds to foreigners of \$33.2 billion (table P).

Claims of foreign-owned banks increased \$190.4 billion in 2006, up from \$105.3 billion in 2005. In 2006, most of the increase in claims was in interbank transactions with bank offices abroad. Many of these transactions were likely related to the strong pickup in mergers and acquisitions and to the acceleration in demand for syndicated loans. The size of transactions was particularly large in the last half of the year when acquisition activity intensified. Global merger and acquisition announcements in 2006 increased 35 percent, following an increase of 41 percent in 2005. Total announcements in 2006 narrowly exceeded those at the peak of the technology boom in 2000. More than half of the mergers in 2006 involved companies outside the United States, mostly in Europe.¹ In addition, global syndicated lending increased 11 percent, driven partly by merger and acquisition activity and acquisition-related loans; acquisition-related loans increased 63 percent.² Leveraged buyouts and private equity leveraged loans also created large demands for new bank credit. U.S. banks, especially foreign-owned banks, featured prominently in shifting funds abroad to meet these credit demands.

Claims of U.S.-owned banks increased \$60.6 billion in 2006, down from \$67.4 billion in 2005.

Claims of U.S. securities brokers increased \$71.8 billion in 2006, a shift from a decrease of \$19.2 billion in 2005. The increase in 2006, largely to nonbanks in the United Kingdom, reflected continued increases in activity in foreign financial markets and the associated demand for credit to finance securities transactions.

1. For more information, see Thomson Financial, "Global Mergers and Acquisitions Advisory Review, Fourth Quarter 2006"; at <www.thomson.com/solutions/financial>, click on "Investment Banking" and then "League Tables," and look under "Mergers and Acquisitions."

2. For more information, see Thomson Financial, "Syndicated Loans Review, Fourth Quarter 2006"; at <www.thomson.com/solutions/financial>, click on "Investment Banking" and then "League Tables" and look under "Syndicated Loans."

Claims for banks' customers' accounts increased \$147.0 billion in 2006, up from an increase of \$79.4 billion. In 2006, most of the increase was in certificates of deposit (CDs), which increased \$80.9 billion, up from an increase of \$4.9 billion in 2005. Banks' customers invested heavily in CDs from Europe, with CDs from banks in the United Kingdom accounting for 54 percent of the increase in claims; in France, for 20 percent; and in other European countries, for 11 percent.

Claims for banks' customers' holdings of commercial paper increased \$17.5 billion in 2006, following a small reduction in holdings in 2005. In 2006, U.S. investors purchased 40 percent of their commercial paper from companies in Ireland, 27 percent from the United Kingdom, 25 percent from Australia, and 20 percent from the Caribbean. Global issuance of com-

mercial paper was up 4.8 percent in 2006 from 2005; new issues in 2006 were driven by strong corporate investment and new asset-backed commercial paper products.

Claims reported by U.S. nonbanking concerns increased \$44.4 billion in 2006, following an increase of \$44.2 billion in 2005 (table P). The increase in 2006 was mostly accounted for by an increase in deposits of \$34.0 billion, mostly in the first half of the year. Resale agreements increased \$15.0 billion.

Foreign securities. Net U.S. purchases of foreign securities were \$277.7 billion in 2006, up from \$180.1 billion in 2005 (table P). Net U.S. purchases of foreign bonds were a record \$149.2 billion, up sharply from \$38.0 billion in 2005. In contrast, net U.S. purchases of foreign stocks decreased but remained strong at \$128.5

Table P. Private Financial Flows, Net

[Billions of dollars]

Claims (increase/financial outflows (-)); liabilities (increase/financial inflow (+))	2004	2005	2006 ^p	2006			
				I	II	III ^r	IV ^p
Private financial flows, net	190.1	566.3	411.0	94.0	76.5	148.7	91.8
Bank-reported capital, net ¹	-24.9	-33.2	-41.2	-47.6	-1.1	1.4	6.0
U.S. claims	-361.6	-213.0	-482.4	-196.4	-80.7	-84.6	-120.7
U.S. liabilities ¹	336.7	179.8	441.2	148.9	79.6	86.0	126.7
Securities, net	337.9	493.5	372.9	127.1	83.2	103.7	59.0
Net U.S. purchases of foreign securities	-146.5	-180.1	-277.7	-53.7	-53.9	-54.4	-115.7
Stocks	-84.8	-142.1	-128.5	-41.1	-17.0	-10.3	-60.2
Bonds	-61.8	-38.0	-149.2	-12.6	-36.9	-44.1	-55.5
Net foreign purchases of U.S. securities	484.4	673.6	650.6	180.8	137.1	158.1	174.7
U.S. Treasury securities	102.9	199.5	29.4	-5.2	9.8	-4.9	29.7
Other than U.S. Treasury securities	381.5	474.1	621.2	186.0	127.3	163.0	144.9
Stocks	59.5	85.8	114.0	54.0	-1.4	35.0	26.4
Bonds	321.9	388.4	507.1	132.0	128.7	127.9	118.5
U.S. currency flows, net	14.8	19.4	12.6	1.9	1.1	1.1	8.4
Direct investment, net	-111.0	100.7	-65.3	-16.2	-0.6	-3.8	-44.7
U.S. direct investment abroad	-244.1	-9.1	-248.9	-61.9	-47.4	-65.4	-74.2
Foreign direct investment in the United States	133.2	109.8	183.6	45.7	46.8	61.6	29.4
Nonbank-reported capital, net	-26.8	-14.1	132.1	28.8	-6.1	46.2	63.2
U.S. claims	-120.0	-44.2	-44.4	-46.2	-31.2	-24.1	57.1
U.S. liabilities	93.3	30.1	176.5	75.0	25.1	70.3	6.1

^p Preliminary

^r Revised

1. Liabilities exclude U.S. Treasury securities.

Table Q. Claims and Liabilities Reported by U.S. Banks and Securities Brokers

[Billions of dollars]

	2004	2005	2006 ^p	2006			
				I	II	III ^r	IV ^p
Claims on foreigners reported by U.S. banks and securities brokers (increase/financial outflow (-))	-361.6	-213.0	-482.4	-196.4	-80.7	-84.6	-120.7
Claims for own accounts, denominated in dollars	-329.3	-153.5	-322.7	-144.7	-28.0	-45.1	-104.9
Foreign banks	-197.7	-178.7	-215.8	-110.5	-17.6	-35.3	-52.3
Foreign nonbanks, excluding foreign official institutions	-111.6	25.6	-80.7	-33.5	1.4	2.7	-51.3
Foreign official institutions	-20.0	-0.4	-26.2	-0.7	-11.8	-12.6	-1.2
Claims for domestic customers' accounts, denominated in dollars	2.0	-52.9	-136.9	-30.5	-36.7	-49.3	-20.4
Claims denominated in foreign currencies	-34.3	-6.6	-22.7	-21.2	-16.0	9.8	4.6
Liabilities to foreigners reported by U.S. banks and securities brokers (excluding U.S. Treasury securities) (Increase/financial inflow (+)) ¹	336.7	179.8	441.2	148.9	79.6	86.0	126.7
Liabilities for own accounts, denominated in dollars	303.2	175.5	255.9	131.3	-3.4	42.6	85.4
Foreign banks	118.8	211.9	225.2	98.4	6.1	37.2	83.5
Foreign nonbanks, including international organizations	184.4	-36.4	30.6	32.9	-9.6	5.4	1.9
Liabilities for domestic customers' accounts, denominated in dollars	13.8	-0.3	155.9	9.9	84.9	39.6	21.4
Liabilities denominated in foreign currencies	19.8	4.6	29.5	7.6	-1.9	3.8	19.9

^p Preliminary

^r Revised

1. Excludes liabilities to foreign official agencies.

billion, following record net purchases of \$142.1 billion in 2005.

Bonds. Net U.S. purchases of foreign bonds were a record \$149.2 billion in 2006, a sharp increase from \$38.0 billion in 2005. The previous record was set in 1993 when net U.S. purchases were \$82.9 billion. Much of the step-up in 2006 was in Europe, particularly the United Kingdom, with two-thirds of the step-up occurring in the last half of the year. The step-up followed the U.S. Federal Reserve Board's decision in midsummer to pause in its runup of interest rates, which led to an easing of bond yields throughout the remainder of the year both in the United States and abroad. The United Kingdom was one of the few developed countries to see strong growth in bond and note issuance in 2006, consistent with the long-term trend that has seen that country accounting for an increasing proportion of international debt issuance. Although foreign bond total returns in Asia outpaced total returns in most other areas both in 2006 and in 2005, U.S. investors were net sellers of bonds from Asia in both years, particularly those from China, Singapore, and Japan.

Total annual returns on bonds of 4 percent in the United States and Canada exceeded returns of 1 percent or less for the European Monetary Union, the United Kingdom, and Japan. The total return on emerging market debt averaged 10 percent. In the United States, the Federal Reserve, concerned about inflation, raised interest rates 100 basis points in the first half of the year. Central banks abroad, also concerned about inflation, tightened monetary policy over the course of the year: The Bank of England raised rates 50 basis points; the European Central Bank, 125 basis points; the Bank of Canada, 100 basis points; and the Bank of Japan, 25 basis points.

Stocks. Foreign equity markets remained strong in 2006, marking the fourth consecutive year of double-digit gains. Foreign stock prices appreciated 16 percent on average in local currencies and 24 percent in U.S. dollar terms, exceeding U.S. returns of 13 percent. In local currency, this was the third consecutive year that foreign equity market returns exceeded U.S. equity market returns. In dollar terms, this was the fifth consecutive year that foreign returns exceeded U.S. equity market returns (chart 16). In general, equity market returns were supported by strong corporate earnings and solid growth in several large economies, particularly in the United States and Europe.

Net U.S. purchases of foreign stocks remained strong at \$128.5 billion in 2006, but they were down from \$142.1 billion in 2005. A sharp decline in net U.S. purchases of Japanese stocks and a shift to net U.S. sales of stocks from Caribbean financial centers were

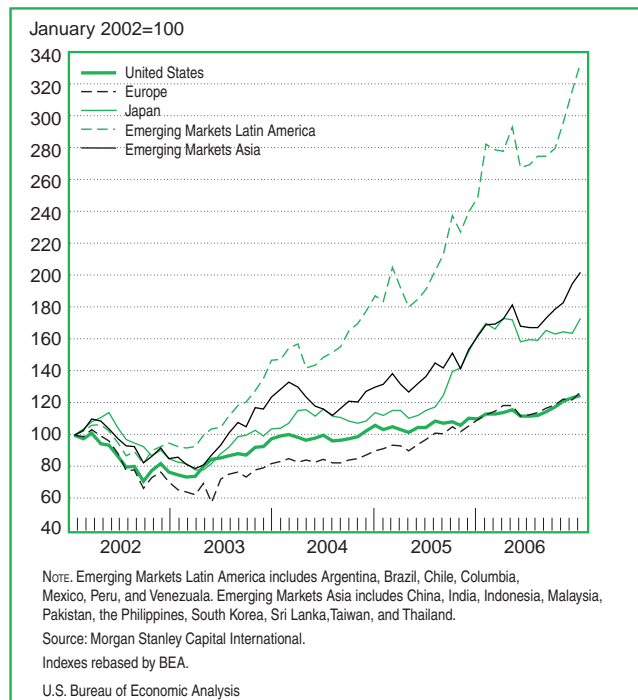
only partly offset by an increase in net U.S. purchases of stocks from the United Kingdom.

Net U.S. purchases of Asian stocks dropped to \$40.1 billion from \$66.8 billion. Net purchases of Japanese stocks fell to \$1.0 billion from \$39.9 billion, more than accounting for the drop. Japanese markets lagged behind other equity markets returning only 6 percent in local currency and 5 percent in dollar terms in 2006 after rising 43 percent in local currency and 24 percent in dollar terms in 2005. The drop to only \$1.0 billion in net purchases from Japan follows a period from 2003 to 2005 when net purchases from Japan averaged \$38.0 billion annually and accounted for a third of total net U.S. purchases. In contrast, net purchases of equities from other Asian countries increased in 2006. Net purchases from Hong Kong, where markets appreciated 27 percent in local currency and 26 percent in dollar terms, were \$20.1 billion, up from \$7.4 billion.

Transactions in stocks from Caribbean financial centers shifted to net U.S. sales of \$19.9 billion from net U.S. purchases of \$2.9 billion.

Net U.S. purchases of European stocks were \$84.8 billion, up from \$54.9 billion. Most of the step-up was accounted for by a step-up in net purchases from the United Kingdom. In 2006, gains on British stocks fell below U.S. returns in local currency terms, gaining only 11 percent; however, because of appreciation of the pound against the dollar, returns more than doubled to 26 percent when converted into dollars. Nearly

Chart 16. Selected Stock Price Indexes in Local Currencies



half of the step-up in net purchases occurred in the fourth quarter, when prices in equity markets worldwide strengthened considerably.

Direct investment. U.S. direct investment abroad was \$248.9 billion in 2006, up from \$9.1 billion in 2005 (table M).

Reinvested earnings shifted from negative investment of \$11.2 billion to positive investment of \$213.1 billion. Earnings in 2006 continued to be strong and distributions no longer exceeded earnings as in 2005, when many of the distributions were encouraged by one-time incentives associated with the American Jobs Creation Act of 2004. The act allowed U.S. parent companies to distribute foreign affiliate earnings at favorable U.S. rates of taxation.

Net equity capital investment abroad increased from \$39.7 billion to \$42.5 billion. The increase followed a sharp decline in 2005. Net equity investment abroad has remained in the range of \$35–\$43 billion annually in 4 of the last 5 years. The year 2004 was the exception, partly as a result of the restructuring of a large foreign media company that raised net equity investment abroad substantially. The largest increases in net equity investment abroad in 2006 were in finance and insurance and in holding companies.

Net intercompany debt investment decreased to \$6.8 billion from \$19.4 billion. A sizable decrease in investment occurred in holding companies.

Foreign-owned assets in the United States

Net 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 reported by U.S. banks, private foreign holdings of U.S. securities other than U.S. Treasury securities, and foreign official assets in the United States all increased by substantially larger amounts in 2006 than in 2005. In contrast, foreign private holdings of U.S. Treasury securities increased by a much smaller amount.

Foreign official assets. Foreign official assets in the United States increased \$300.5 billion in 2006, following an increase of \$199.5 billion in 2005. Dollar assets of developing and OPEC countries increased \$288.6 billion, up from an increase of \$227.3 billion. China continued to accumulate foreign reserves at a near-record pace and accounted for much of the increase in 2006; increases in recent years have reflected sharply rising Chinese trade surpluses. Dollar assets of OPEC members also increased, reflecting higher oil revenues. Dollar assets of industrial countries increased \$11.9 billion, following a decrease of \$27.8 billion. In 2006, an increase in assets of Western European countries was largely offset by a decrease in assets of Japan.

Liabilities reported by banks and nonbanks. U.S. liabilities reported by U.S. banks and securities brokers increased \$441.2 billion in 2006, up sharply from an increase of \$179.8 billion in 2005 (tables P and Q). Much of the increase in funds borrowed by both U.S.-owned and foreign-owned banks was likely recycled to branches and offices abroad to support the pickup in merger and acquisition activity. Some of the increase in these liabilities was also due to significantly higher short-term interest rates in the United States than abroad, which encouraged placement of funds in the United States.

Liabilities of U.S.-owned banks increased \$128.3 billion in 2006, following an increase of \$90.5 billion in 2005, indicating increased demand for borrowed funds, mainly through interbank borrowings. Liabilities of foreign-owned banks increased \$94.8 billion in 2006, following an increase of \$72.0 billion in 2005. Both U.S.-owned and foreign-owned banks were likely involved in the recycling of the funds back to Europe to support strengthened merger and acquisition activity and were key sources of funds for increased syndicated lending abroad. Funds were also borrowed to meet credit demands for stepped-up leveraged buyouts and private equity leveraged loans.

Liabilities of U.S. securities brokers increased \$32.7 billion in 2006, compared with an increase of \$13.0 billion in 2005. The increase was largely in the form of repurchase agreements with nonbanks in the United Kingdom.

Liabilities for banks' customers' accounts increased \$156.4 billion in 2006, following a \$7.0 billion increase in 2005. The increase was in negotiable certificates of deposit (CDs), which increased \$60.7 billion, up from a \$10.9 billion increase, and in other liabilities (including loans), which increased \$95.1 billion, following a decrease of \$11.2 billion. The stronger rise in short-term interest rates in the United States than in rates abroad encouraged these inflows.

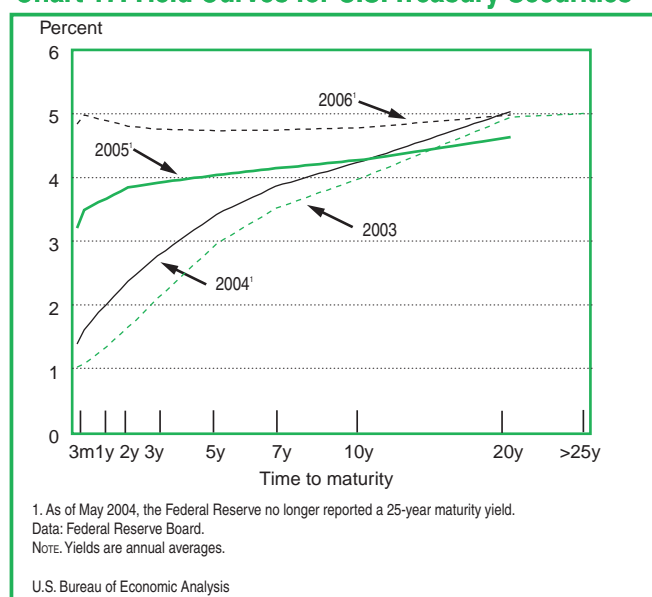
Liabilities reported by U.S. nonbanking concerns increased \$176.5 billion, following an increase of \$30.1 billion in 2005 (table P). The increase was largely accounted for by an increase in loans, advances, and other borrowing from the United Kingdom.

U.S. Treasury securities. Net purchases of U.S. Treasury securities by private foreigners fell to \$29.4 billion in 2006, down from a record \$199.5 billion in 2005 (table P). In 2006, the top purchaser of Treasury securities was Asia with purchases of \$52.2 billion; within Asia, Japan purchased \$24.7 billion, Hong Kong purchased \$13.8 billion, and China purchased \$9.5 billion. However, private investors in the United Kingdom were net sellers of \$19.7 billion, and private

investors in Caribbean financial centers were net sellers of \$16.5 billion. The especially small net purchases of Treasury securities in 2006 were in marked contrast to the sizable net purchases in 2002–2005, which averaged nearly \$100 billion annually in 2002–2004 and totaled \$200 billion in 2005. Many private investors preferred to purchase higher yielding U.S. corporate investment-grade and corporate high-yield bonds despite their higher risk.

Relative to 2005, the Treasury yield curve flattened in 2006 on an average annual basis (chart 17). In 2006, short-term interest rates increased 164 basis points in

Chart 17. Yield Curves for U.S. Treasury Securities



response to the tightening of monetary policy, intermediate-term rates increased 89 basis points, and long-term rates increased about 50 basis points. There was little difference in the cost of borrowing across the entire maturity spectrum.

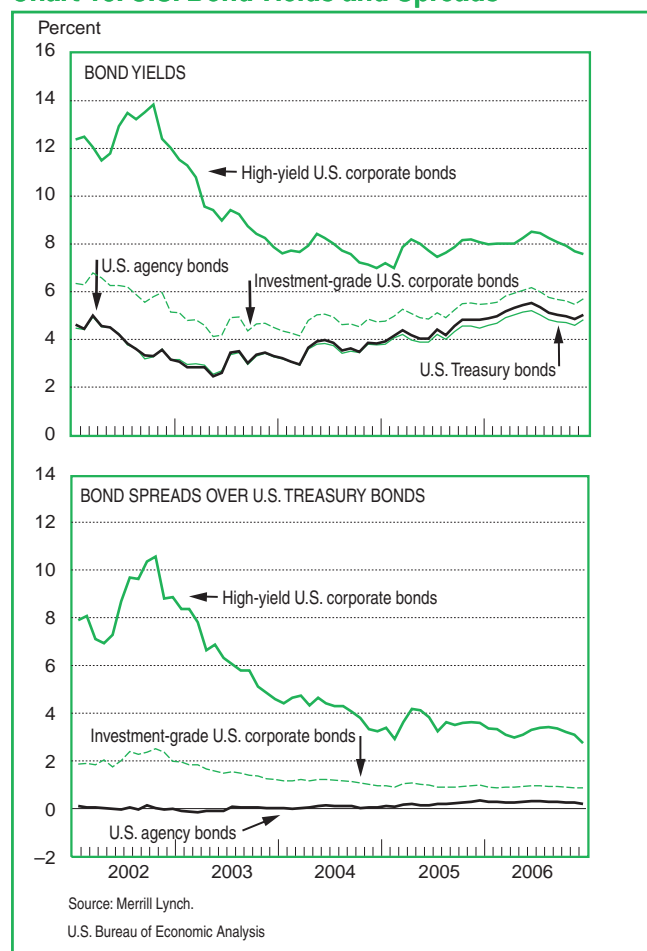
Other U.S. securities. Net foreign purchases of U.S. securities other than U.S. Treasury securities were a record \$621.2 billion in 2006, up from \$474.1 billion in 2005 (table P). Net foreign purchases of U.S. corporate bonds were a record \$406.3 billion, up from \$316.0 billion. Net foreign purchases of U.S. federally sponsored agency bonds were a near-record \$100.9 billion, up from \$72.4 billion, the strongest since 2000 when net foreign purchases peaked at \$101.0 billion. Net foreign purchases of U.S. stocks were \$114.0 billion, the strongest since 2001, up from \$85.8 billion.

Corporate bonds. Net foreign purchases of U.S. corporate bonds were a record \$406.3 billion, up from the previous record of \$316.0 billion in 2005. Net purchases from the United Kingdom increased to \$189.6 billion from \$140.2 billion, and net purchases from investment funds in Caribbean financial centers more than doubled to \$85.5 billion from \$40.6 billion. Net purchases from Asia were almost flat at \$55.1 billion; a decrease in net purchases from Japan by half was offset by increased net purchases from China, Hong Kong, and Singapore. Record net purchases in 2006 were driven by strong corporate earnings, strengthened balance sheets, and near-record low default rates amid an environment of moderate inflation and growth in the United States. Merger and acquisition activity and equity buybacks picked up in 2006 and partly contributed to a record level of corporate bond issuance for the year. Global issuance of international bonds and notes increased over 10 percent for the year, well above the average annual growth of 4 percent for 2000–2005. Improved market liquidity and lower credit spreads may have encouraged increased reliance on debt funding for corporate takeovers.

Spreads of U.S. investment-grade corporate bonds over Treasury bonds diminished 9 basis points in 2006 after widening 13 basis points in 2005, and spreads of non-investment-grade bonds decreased 83 basis points after an increase of 48 basis points; as a result, new debt was less expensive for U.S. corporate borrowers, particularly for those with lower credit ratings (chart 18).

In 2006, U.S. long-term interest rates stayed well above long-term rates in Japan, the euro area, Canada, and the United Kingdom, favoring investment in U.S. bonds. U.S. corporate bonds posted a 4-percent gain in total returns for investment-grade bonds and a 12-percent total return for non-investment-grade bonds. By comparison, the annual total returns for investment-grade bonds in local currency were 0.6 percent for bonds of the European Monetary Union, 1.0 percent for the United Kingdom, 0.1 percent for Japan, and 4.4 percent for Canada.

Agency bonds. Net foreign purchases of U.S. federally sponsored agency bonds were a near-record \$100.9 billion in 2006, up from \$72.4 billion in 2005. The increase was attributable to a \$27.9 billion increase in net purchases from investment funds in Caribbean financial centers and to transactions with Europe, which shifted to net purchases of \$13.7 billion from net sales of \$11.9 billion. Net purchases from Asia remained sizable at \$44.9 billion, but were down from \$62.5 billion. Total returns on agency bonds were 4 percent, up from

Chart 18. U.S. Bond Yields and Spreads

2 percent. Spreads of agency bonds over Treasury bonds narrowed 11 basis points.

Stocks. Net foreign purchases of U.S. stocks in 2006 were the strongest in 5 years at \$114.0 billion, up from \$85.8 billion in 2005. Net purchases from Europe were \$75.1 billion, up from \$43.2 billion, and net purchases from investment funds in Caribbean financial centers were \$24.6 billion, up from \$13.8 billion. In contrast, net purchases from Canada fell to \$12.8 billion from \$20.4 billion, and transactions with Asia shifted to net sales of \$1.2 billion from net purchases of \$8.5 billion.

In 2006, the S&P Index was up 14 percent, the Dow Jones Industrial Average was up 16 percent, and the NASDAQ Composite was up 10 percent—all well

above their annual gains in 2005 and 2004. The rise in U.S. stock prices was partly attributable to record corporate profits, robust merger and acquisition activity, and continued growth in dividend payouts and equity buybacks. Most of the gains occurred in the second half of the year when long-term interest rates pulled back after the Federal Reserve paused in its runup in interest rates after more than 2 years of tightening, oil prices fell sharply, and corporate earnings were stronger than expected. By comparison, in local currencies, the MSCI European Stock Index was up 16 percent, the MSCI Japan Index was up 6 percent, the MSCI Emerging Markets Index for Asia was up 24 percent, and the MSCI Emerging Markets Index for Latin America was up 34 percent. As a result of appreciation of most major European currencies and most Asian currencies against the dollar in 2006, returns were significantly larger when translated into dollars; European returns in dollar terms increased 30 percent, compared with 16 percent in local currencies, and Asian returns increased 30 percent, compared with 24 percent.

U.S. currency flows. Net U.S. currency shipments to foreigners were \$12.6 billion in 2006, down from \$19.4 billion in 2005. Outflows weakened significantly because few new economic and political crises occurred, and countries that have been using dollars as a result of economic and political instability have recently been more stable, giving residents greater confidence in bank deposits and local currency.

Direct investment. Foreign direct investment in the United States was \$183.6 billion in 2006, up from \$109.8 billion in 2005 (table M).

Net intercompany debt transactions shifted to positive net investment in the United States of \$24.8 billion from negative investment of \$6.9 billion in 2005. By area, the largest changes were a sizable shift to an increase in investment from continental Europe and a reduction in investment from the Caribbean. By industry, the largest changes were in “other,” finance (including depository institutions) and insurance, and wholesale trade.

Reinvested earnings increased to \$80.3 billion from \$58.9 billion. The increase reflected an increase in affiliates’ earnings, as well as an increase in the share of earnings reinvested to 63 percent in 2006 from 57 percent in 2005. By area, the largest increases were from

continental Europe and Canada. By industry, the largest increases were in finance (except depository institutions) and insurance and in "other."

Net equity capital investment in the United States increased to \$78.5 billion from \$57.7 billion. This marked the first step-up in equity investment after 5 consecutive years of slowing. Still, investment in 2006 was only 30 percent of its peak in 2000 of \$259.6

billion. Economic growth in the home countries of several major investors in the United States picked up significantly in 2006, especially in Europe. In addition, favorable financing conditions encouraged foreign acquisitions of U.S. firms; in 2006, the largest acquisitions, mainly by companies in continental Europe, were in communications equipment, pharmaceuticals, chemicals, insurance, and banking.

Table R. Selected U.S. Transactions with OPEC Members

(Millions of dollars)

(Credit +; debit -)	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002 ^r	2003 ^r	2004 ^r	2005 ^r	2006 ^p
Exports of goods and services and income receipts:															
Goods, balance of payments basis	20,667	18,318	16,295	17,405	19,226	23,696	22,933	18,315	17,625	19,503	17,808	16,554	21,584	31,308	39,644
Transfers under U.S. military agency sales contracts	4,454	3,675	2,936	4,471	5,638	4,039	5,179	3,982	3,029	2,056	1,983	2,590	4,822	7,350	4,816
Royalties and license fees	161	220	357	394	253	312	263	332	409	353	364	389	417	472	539
Other private services	3,076	2,752	3,096	3,372	4,138	4,195	4,637	5,585	3,394	3,819	4,030	4,609	5,123	6,461	7,277
U.S. Government miscellaneous services	22	13	14	17	11	8	8	14	13	13	13	12	82	85	72
Income receipts on U.S.-owned assets abroad:															
Direct investment receipts	3,224	2,745	2,701	3,966	4,220	4,073	2,682	3,750	4,789	3,738	3,097	4,435	6,509	8,514	11,839
Other private receipts	1,242	1,015	1,426	1,436	1,241	1,522	1,824	1,810	1,988	1,094	703	546	636	988	1,452
U.S. Government receipts	187	141	122	192	268	263	238	266	448	330	311	744	277	249	286
Imports of goods and services and income payments:															
Goods, balance of payments basis	-33,718	-32,648	-31,675	-34,265	-42,675	-43,997	-33,672	-41,952	-66,995	-59,752	-53,246	-68,346	-94,105	-124,939	-145,413
Direct defense expenditures	-883	-455	-360	-335	-545	-944	-1,754	-1,815	-1,568	-1,687	-3,847	-6,561	-9,370	-11,044	-10,859
Royalties and license fees	-1	-37	-7	-2	-38	-5	-8	-9	-17	-25	-7	-7	-4	-25	-9
Other private services	-482	-430	-535	-570	-801	-821	-916	-954	-566	-585	-620	-630	-1,006	-1,003	-1,168
U.S. Government miscellaneous services	-47	-26	-39	-34	-31	-29	-28	-46	-46	-45	-42	-53	-73	-74	-65
Income payments on foreign-owned assets in the United States:															
Direct investment payments	182	-82	-49	-34	-136	-448	-111	-17	-169	-434	174	-582	-1,517	-1,434	-1,776
Other private payments	-2,385	-2,166	-1,979	-2,697	-2,570	-2,811	-2,738	-2,832	-3,808	-2,751	-1,828	-1,612	-2,421	-3,743	-5,491
U.S. Government payments	-2,524	-2,160	-1,747	-2,080	-2,374	-3,454	-3,145	-2,912	-3,224	-3,103	-2,570	-1,712	-2,003	-3,355	-5,318
U.S. Government grants	1,018	-197	-204	-195	-152	-55	-54	-108	-115	-82	-203	-3,334	-5,301	-7,979	-4,882
U.S. Government pensions and other current transfers	-32	-27	-28	-25	-93	-57	-40	-26	-23	-20	-20	-16	-24	-23	-30
U.S.-owned assets abroad, net (increase/capital outflow (-))	-12,162	-513	-2,963	262	-7,318	-9,054	-12,846	1,484	3,438	802	-4,561	4,546	-812	-4,545	-4,652
U.S. Government assets, other than official reserve assets, net..	-529	19	-422	-901	-458	12	-10	-317	-217	-610	-11	-974	471	2,414	2,216
U.S. credits and other long-term assets	-277	-85	-234	-925	-912	-412	-166	-504	-566	-1,095	-329	-1,923	-27	-74	-76
Repayments on U.S. credits and other long-term assets	279	224	177	215	290	420	154	210	366	490	351	997	546	463	2,292
U.S. foreign currency holdings and U.S. short-term assets, net	-531	-120	-365	-191	164	4	2	-23	-17	-5	-33	-48	-48	2,025
U.S. private assets, net	-11,633	-532	-2,541	1,163	-6,860	-9,066	-12,836	1,801	3,655	1,412	-4,550	5,520	-1,283	-6,959	-6,868
Direct investment	-1,465	-1,597	-3,575	-2,379	-2,884	-2,411	-4,323	-113	-5,824	-2,997	-4,051	351	-1,034	-2,383	-6,725
Foreign securities	337	-679	-1,933	-556	-3,122	-4,077	-965	97	1,515	2,080	981	4,660	1,930	-1,486	-4,761
U.S. claims on unaffiliated foreigners reported by U.S.															
nonbanking concerns	-44	-306	-146	-25	-478	-336	369	-531	566	429	53	-60	-483	-906	260
U.S. claims reported by U.S. banks, not included elsewhere ...	-10,461	2,050	3,113	4,123	-376	-2,242	-7,917	2,348	7,398	1,900	-1,533	569	-1,696	-2,184	4,358
Foreign-owned assets in the United States, net (increase/capital inflow(+))	14,529	-8,904	1,400	4,544	18,133	17,353	-12,162	9,868	30,528	-1,702	-2,856	4,982	23,202	21,025	38,429
Of which: Foreign official	5,626	-3,850	-1,464	4,061	14,105	12,700	-11,420	1,595	12,056	-1,710	-9,636	4,972	8,681	327	29,287
U.S. Treasury securities	4,323	-6,302	-1,668	1,293	16,125	8,965	-13,870	3,250	10,201	-934	-4,593	-5,351	9,564	4,743	22,634
Other U.S. securities	4,186	3,322	-820	1,276	3	3,657	3,393	2,104	14,028	4,391	2,274	5,107	13,170	3,894	19,630
Other U.S. Government liabilities	569	730	1,797	617	-982	-348	-2,260	-1,163	-678	-288	-337	-1,050	-3,460	-5,860	-2,197
U.S. liabilities reported by U.S. banks, not included elsewhere	4,793	-5,665	1,677	1,059	1,813	4,094	2,296	5,540	4,473	-3,893	-1,946	6,798	3,361	13,182	-2,176
Direct investment in the United States	167	-812	251	-140	623	177	-1,291	315	2,204	-650	521	182	622	3,447	1,577
U.S. liabilities to unaffiliated foreigners reported by U.S.															
nonbanking concerns	491	-177	163	439	551	808	-430	-178	300	-328	1,225	-704	-55	1,619	-1,039
All other transactions with OPEC and transfers of funds between foreign areas, net	3,472	18,766	11,239	4,178	3,605	6,214	29,710	5,265	10,870	38,478	41,317	43,444	53,984	81,712	75,309
Memorandum:															
Balance on goods	-13,051	-14,330	-15,380	-16,860	-23,449	-20,301	-10,739	-23,637	-49,370	-40,249	-35,438	-51,792	-72,521	-93,631	-105,769

p Preliminary

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* Less than \$500,000 (+/-)

NOTE: OPEC members are Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, and Venezuela. Excludes Ecuador beginning January 1993 and Gabon in January 1995. Some accounts are estimated from regional data because individual country data are not available.

Tables 1 through 11 follow.