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June 21, 2002

# CURRENT ECONOMIC AND FINANCIAL CONDITIONS

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## **Supplemental Notes**

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## Supplemental Notes

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### The Domestic Nonfinancial Economy

#### Federal Government

The Monthly Treasury Statement reports that the federal government recorded an \$81 billion deficit in May. Adjusted for payment timing shifts, deposit insurance, spectrum auction proceeds, and sales of major assets, the deficit in May was \$70 billion, \$42 billion larger than the level recorded last year. Lower receipts and higher outlays each accounted for about half of the deficit increase.

Receipts in May were 18 percent lower than the level recorded last year. Much of the decline occurred in nonwithheld individual income and self-employment taxes (mostly final payments on 2001 tax liability), which were about 65 percent lower than last year, and income tax refunds (also on 2001 tax liability), which were about 34 percent higher. Withheld and FICA taxes were just slightly below last year's level.

Outlays in May were 12 percent higher than last year. Defense spending continued to increase rapidly, up almost 19 percent over last May. Spending on income security in May was substantially above last year's level, reflecting higher unemployment insurance outlays and an increase in child tax credits (which are claimed on year-end tax returns and are deemed outlays to the extent they bring a taxpayer's liability below zero). Net interest payments continue to fall.

#### Labor Market Developments

Initial claims for unemployment insurance under state programs inched down 2,000 to 393,000 for the week ended June 15, and the four-week moving average of initial claims moved down 7,000 to 395,000. This is the first time the four-week moving average has fallen below 400,000 since March. The effect of the federal temporary extended unemployment compensation program (TEUC) on initial claims continues to wane, as fewer individuals file state claims to establish eligibility for the program. The number of individuals receiving federal TEUC benefits stood at 1.45 million in the week ended June 1, while an additional 2,200 individuals received other extended benefits that week.<sup>1</sup>

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1. The number of reported TEUC recipients rose for the week ended June 1, likely reflecting a data quirk rather than a true decline in the number of individuals receiving TEUC benefits. Individuals are required to file a TEUC claim once every two weeks. Some states (notably California) report TEUC benefits paid as twice the claims filed in a given week rather than the sum of claims filed in two consecutive weeks. As a result, the TEUC series exhibits negative serial correlation and will tend to increase in the week following a decline. In this instance, the number of TEUC recipients during the week ended June 1 was up slightly, on net, from its level two weeks earlier.

**Federal Government Outlays and Receipts**  
(Unified basis; billions of dollars)

Function or source	May			12 months ending in May.		
	2001	2002	Percent change	2001	2002	Percent change
<b>Outlays</b>	153.5	183.1	19.3	1,832.3	1,987.9	8.5
Deposit insurance	-0.5	-0.5	...	-1.8	-0.1	...
Spectrum auctions	0.0	0.0	...	-1.2	0.0	...
Sale of major assets	0.0	0.0	...	0.0	0.0	...
Other	154.0	183.7	19.3	1,835.3	1,988.0	8.3
<b>Receipts</b>	125.6	102.5	-18.4	2,085.7	1,830.8	-12.2
<b>Surplus</b>	-27.9	-80.6	...	253.4	-157.2	-162.0
Outlays excluding deposit insurance, spectrum auction, and sale of major assets are adjusted for payment timing shifts <sup>1</sup>						
<b>Outlays</b>	154.0	172.6	12.1	1,835.1	1,974.3	7.6
National defense	26.0	30.9	18.9	300.7	333.1	10.8
Net interest	18.4	15.7	-14.5	214.1	180.1	-15.9
Social security	36.3	37.9	4.4	425.6	448.9	5.5
Medicare	19.6	20.3	3.8	207.3	225.5	8.8
Medicaid	10.5	12.6	20.1	126.1	142.0	12.6
Other health	4.5	4.0	-10.9	40.4	46.8	15.8
Income security	22.0	28.1	27.7	257.4	296.1	15.0
Agriculture	0.7	0.5	-27.0	32.6	28.8	-11.6
Other	16.1	22.5	40.4	231.0	272.9	18.1
<b>Receipts</b>	125.6	102.5	-18.4	2,085.7	1,830.8	-12.2
Individual income and payroll taxes	99.6	79.7	-20.0	1,691.6	1,513.8	-10.5
Withheld + FICA	114.3	113.8	-0.5	1,414.0	1,386.5	-1.9
Nonwithheld + SECA	14.5	5.2	-64.3	422.5	340.3	-19.5
Refunds (-)	29.2	39.2	34.3	144.8	212.9	47.0
Corporate	4.5	1.2	-72.0	201.5	132.7	-34.1
Gross	6.5	5.3	-17.3	237.2	187.4	-21.0
Refunds (-)	2.0	4.1	104.5	35.8	54.7	52.9
Other	21.6	21.6	-0.1	192.6	184.3	-4.3
<b>Surplus</b>	-28.4	-70.1	...	250.6	-143.6	-157.3

Note. Components may not sum to totals because of rounding.

1. A shift in payment timing occurs when the first of the month falls on a weekend or holiday, or when the first three days of a month are nonworking days. Outlays for defense, social security, Medicare, income security, and "other" have been adjusted to account for these shifts.

... Not applicable.

The level of insured unemployment for the week ended June 8 rose 23,000 to 3.78 million, and the previous week's level was revised down 20,000 to 3.75 million. The insured unemployment rate held steady at 2.9 percent in the week ended June 8. The level of insured unemployment likely continues to be boosted by the TEUC program, as individuals nearing the exhaustion of their state benefits, but assured of additional benefits through TEUC, may have searched less intensively for jobs and thus remained on state benefit rolls longer than they otherwise would have.

### **Manufacturers' Shipments, Inventories, and Orders**

Historical data on orders and shipments of capital goods were revised yesterday for the period January 1992 through April 2002. The revisions mainly reflect the benchmarking to the 2000 Annual Survey of Manufactures. The revisions after 2000 incorporate late filers and updated seasonal adjustment factors. Census has not yet released all of the detailed data.

The nominal value of shipments of nondefense capital goods, excluding aircraft, were revised down by about \$2.3 billion on average from 2000 on. By far the largest single change was to computers and peripheral equipment, which was revised down by roughly \$1.8 billion. Instead of increasing on balance during 2000, computer shipments now show a steady decline; the growth rates of computer shipments after 2000 were little affected by the revision. Shipments of communications equipment were revised up by \$0.3 billion on average since the beginning of 2000. Outside of the high-tech sector, shipments were revised down \$0.9 billion, reflecting widespread and generally small changes.

The nominal value of orders for nondefense capital goods, excluding aircraft, were revised down by about \$2.5 billion on average from 2000 on. Bookings for communications equipment were revised up slightly; new orders for computers were revised down in line with the revision to shipments, as were bookings outside of the high-tech categories.

The BEA intends to incorporate the revised data on shipments in next week's final release on first-quarter GDP. At the time of the annual revision in late July, the BEA will incorporate into the official NIPA figures the revisions to earlier quarters. Based on our preliminary assessment of the data we have in hand, we do not yet have reason to believe that the BEA will substantially revise E&S in the final GDP release for the first quarter.

The benchmark revision also contained information about the book value of manufacturers' inventories. Stocks held by manufacturers were revised up from the start of 2000. Taken together with the downward revision to shipments, the inventory-shipments ratio now peaks at a higher level in 2001. The revised stock-to-shipments ratio declines rapidly from the middle of last year to about the same level that prevailed at the beginning of 2000.

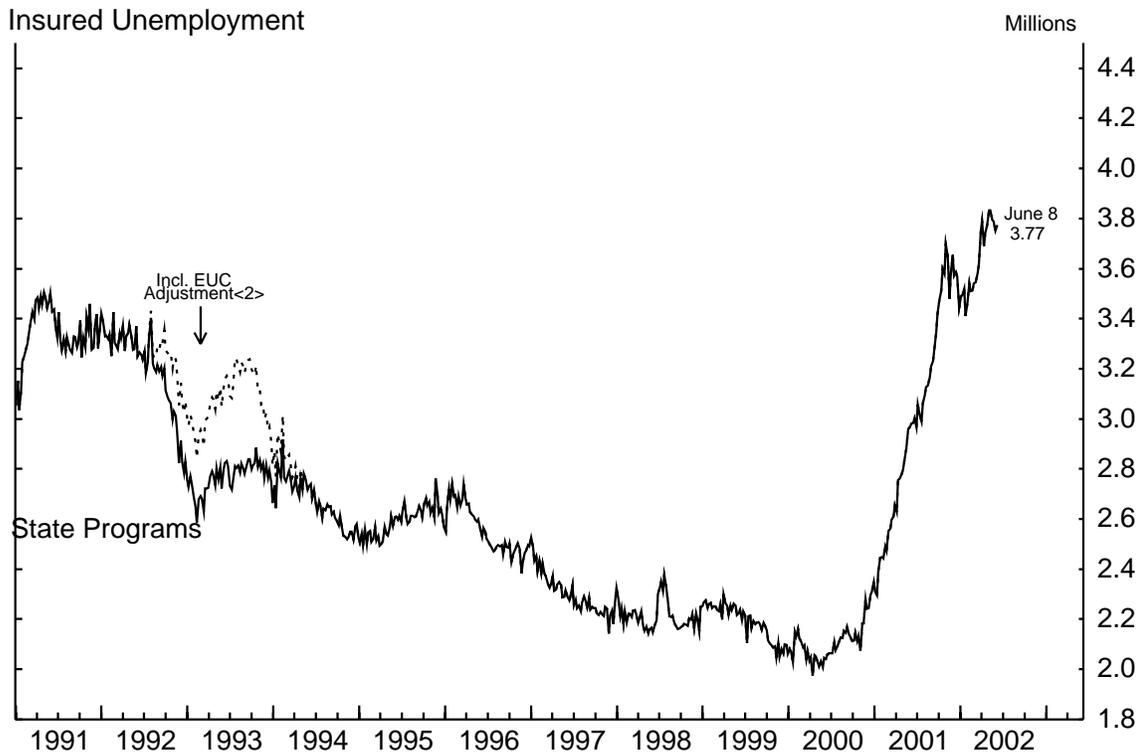
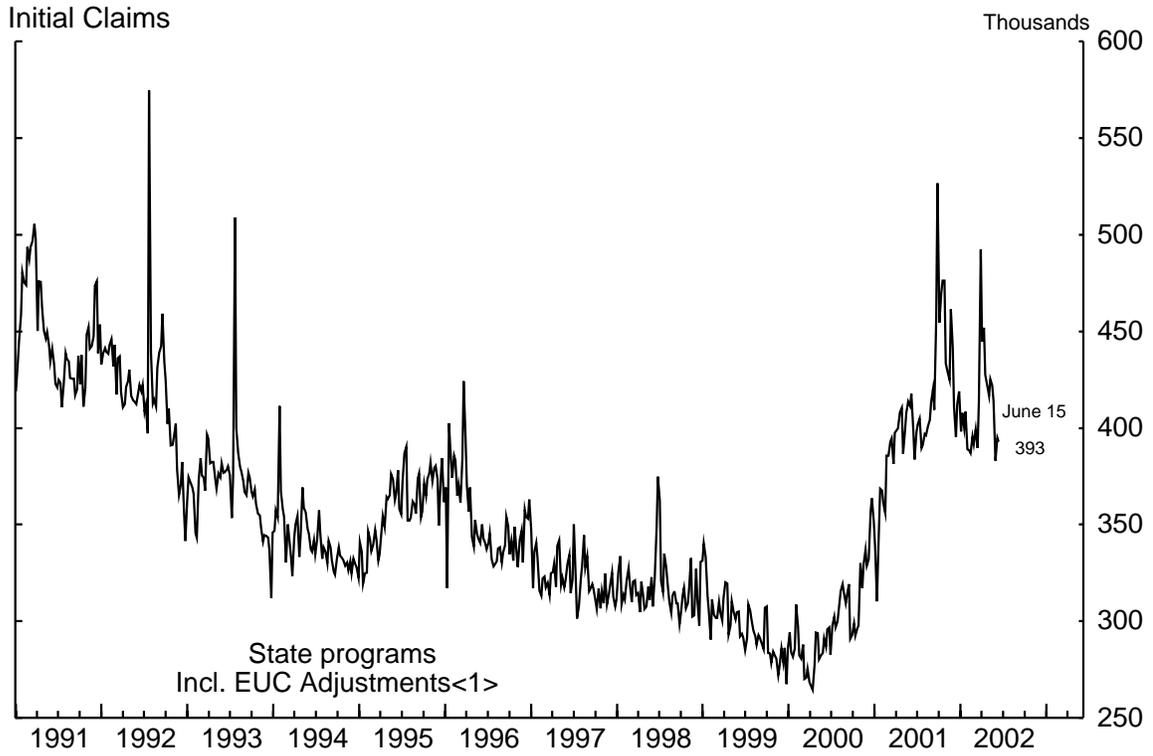
**Unemployment Insurance Programs**  
(In Thousands)

Item	2002						
	May. 4	May. 11	May. 18	May 25	Jun 1	Jun 8	Jun 15
<i>Seasonally adjusted; BLS basis<sup>1</sup></i>							
Initial Claims							
All regular programs <sup>2</sup>	419	428	424	416	386	398	396
State programs	417	425	422	414	383	395	393
Insured unemployment							
All regular programs <sup>3</sup>	3865	3863	3824	3820	3783	3806	NA
State programs	3833	3832	3794	3791	3752	3775	NA
Extended benefits <sup>4</sup>	1421	1221	1438	1244	1456	NA	NA
State-insured							
Unemployment rate <sup>5</sup>	3.0	3.0	3.0	3.0	2.9	2.9	NA
Initial Claims (Four-week moving avg.)							
All regular programs <sup>2</sup>	432	425	424	422	413	406	399
State programs	430	423	422	420	411	404	396
<i>Not seasonally adjusted</i>							
Regular state programs							
Initial claims	363	359	349	347	309	378	351
Insured unemployment	3511	3513	3392	3343	3376	3405	NA

1. Only data for regular state programs are seasonally adjusted.
2. Includes federal employees and ex-servicemen.
3. Includes federal employees, railroad workers, and ex-servicemen.
4. Beginning March 16,2002, includes state and federal emergency extended benefits.
5. Percent of covered employees receiving regular state benefits.

# Unemployment Insurance

(Weekly data; seasonally adjusted, BLS basis)



<1> Beginning July 18, 1992, includes initial claims filed under the emergency unemployment benefits program by individuals also eligible to file under regular programs. The EUC program ended on April 30, 1994.

<2> Includes staff estimate of emergency benefits recipients who are also eligible to file under regular programs.

III-T-1  
**Selected Financial Market Quotations**  
(One-day quotes in percent except as noted)

Instrument	2000	2001	2002	2002	Change to June 20 from selected dates (percentage points)		
	June 26	Sept. 10	May 6	June 20	2000 June 26	2001 Sept. 10	2002 May 6
<i>Short-term</i>							
FOMC intended federal funds rate	6.50	3.50	1.75	1.75	-4.75	-1.75	.00
Treasury bills <sup>1</sup>							
3-month	5.66	3.19	1.75	1.70	-3.96	-1.49	-.05
6-month	5.94	3.13	1.86	1.77	-4.17	-1.36	-.09
Commercial paper (A1/P1 rates)							
1-month	6.56	3.42	1.73	1.74	-4.82	-1.68	.01
3-month	6.56	3.24	1.77	1.73	-4.83	-1.51	-.04
Large negotiable CDs <sup>1</sup>							
1-month	6.64	3.46	1.79	1.80	-4.84	-1.66	.01
3-month	6.73	3.26	1.81	1.81	-4.92	-1.45	.00
6-month	6.89	3.24	1.97	1.88	-5.01	-1.36	-.09
Eurodollar deposits <sup>2</sup>							
1-month	6.63	3.41	1.78	1.77	-4.86	-1.64	-.01
3-month	6.69	3.26	1.82	1.79	-4.90	-1.47	-.03
Bank prime rate	9.50	6.50	4.75	4.75	-4.75	-1.75	.00
<i>Intermediate- and long-term</i>							
U.S. Treasury <sup>3</sup>							
2-year	6.54	3.59	3.18	2.91	-3.63	-.68	-.27
10-year	6.35	5.14	5.34	5.09	-1.26	-.05	-.25
30-year	6.22	5.55	5.72	5.66	-.56	.11	-.06
U.S. Treasury 10-year indexed note	4.09	3.26	3.08	3.06	-1.03	-.20	-.02
Municipal revenue (Bond Buyer) <sup>4</sup>	5.99	5.25	5.52	5.42	-.57	.17	-.10
Private instruments							
10-year swap	7.38	5.62	5.64	5.25	-2.13	-.37	-.39
10-year FNMA	7.15	5.64	5.66	5.34	-1.81	-.30	-.32
10-year AA <sup>5</sup>	7.64	6.30	6.41	6.10	-1.54	-.20	-.31
10-year BBB <sup>5</sup>	8.40	7.11	7.51	7.18	-1.22	.07	-.33
High yield <sup>6</sup>	12.30	12.72	11.51	12.16	-.14	-.56	.65
Home mortgages (FHLMC survey rate) <sup>7</sup>							
30-year fixed	8.14	6.89	6.78	6.71	-1.43	-.18	-.07
1-year adjustable	7.22	5.64	4.75	4.67	-2.55	-.97	-.08

Stock exchange index	Record high		2001	2002		Change to June 20 from selected dates (percent)		
	Level	Date	Sept. 10	May 6	June 20	Record high	2001 Sept. 10	2002 May 6
Dow-Jones Industrial	11,723	1-14-00	9,606	9,808	9,432	-19.54	-1.81	-3.84
S&P 500 Composite	1,527	3-24-00	1,093	1,053	1,006	-34.12	-7.89	-4.41
Nasdaq (OTC)	5,049	3-10-00	1,695	1,578	1,465	-70.99	-13.60	-7.21
Russell 2000	606	3-9-00	441	503	460	-24.07	4.43	-8.48
Wilshire 5000	14,752	3-24-00	10,104	10,016	9,531	-35.39	-5.67	-4.84

1. Secondary market.
2. Bid rates for Eurodollar deposits collected around 9:30 a.m. Eastern time.
3. Derived from a smoothed Treasury yield curve estimated using off-the-run securities.
4. Most recent Thursday quote.
5. Derived from smoothed corporate yield curves estimated using Merrill Lynch bond data. The 10-year BBB index fell 8 basis points on May 31 owing to a rebalancing of bonds in the index.
6. Merrill Lynch Master II high-yield bond. Index rose 15 basis points on May 31 owing to a rebalancing of bonds in the index.
7. For week ending Friday previous to date shown.

NOTES:

June 26, 2000, is the day before the FOMC meeting that ended the most recent period of policy tightening.  
September 10, 2001, is the day before the terrorist attacks.  
May 6, 2002, is the day before the most recent FOMC meeting.

### Commercial Bank Credit

(Percent change, annual rate, except as noted; seasonally adjusted)

Type of credit	2001	Q4 2001	Q1 2002	Mar. 2002	Apr. 2002	May 2002	Level, May 2002 (\$ billions)
<b>Total</b>							
<b>1. Adjusted<sup>1</sup></b>	<b>4.2</b>	<b>4.3</b>	<b>1.6</b>	<b>2.2</b>	<b>5.4</b>	<b>9.6</b>	<b>5,372</b>
2. Reported	5.0	5.1	-9	-1.0	4.9	12.9	5,511
<i>Securities</i>							
3. Adjusted <sup>1</sup>	9.2	14.9	9.5	11.6	20.1	16.2	1,394
4. Reported	12.2	16.8	-6	-1.0	17.0	27.6	1,532
5. Treasury & Agency	3.3	27.4	1.7	24.3	32.7	31.4	870
6. Other <sup>2</sup>	25.3	4.5	-3.4	-31.6	-2.9	22.5	662
<i>Loans<sup>3</sup></i>							
7. Total	2.6	.9	-1.1	-1.0	.4	7.3	3,978
8. Business	-3.6	-8.8	-5.2	-3.6	-15.4	-2.1	1,016
9. Real estate	7.2	12.1	3.5	-.1	1.7	12.8	1,812
10. Home equity	20.0	35.2	25.8	39.9	30.7	49.4	179
11. Other	6.1	10.1	1.4	-4.1	-1.3	9.0	1,633
12. Consumer	3.9	2.1	3.5	-4.9	9.0	6.2	566
13. Adjusted <sup>4</sup>	7.4	5.6	3.9	-1.6	2.8	11.8	917
14. Other <sup>5</sup>	-1	-15.0	-11.8	4.6	16.1	8.3	585

Note. All data are adjusted for breaks caused by reclassifications. Monthly levels are pro rata averages of weekly (Wednesday) levels. Quarterly levels (not shown) are simple averages of monthly levels. Annual levels (not shown) are levels for the fourth quarter. Growth rates are percentage changes in consecutive levels, annualized but not compounded. The conversion from a thrift to a commercial bank charter added approximately \$37 billion to the assets and liabilities of domestically chartered commercial banks in the week ending May 8, 2002.

1. Adjusted to remove effects of mark-to-market accounting rules (FIN 39 and FIN 115).

2. Includes private mortgage-backed securities, securities of corporations, state and local governments, and foreign governments and any trading account assets that are not Treasury or Agency securities, including revaluation gains on derivative contracts.

3. Excludes interbank loans.

4. Includes an estimate of outstanding loans securitized by commercial banks.

5. Includes security loans and loans to farmers, state and local governments, and all others not elsewhere classified. Also includes lease financing receivables.

## The International Economy

### Trade in Goods and Services

The U.S. international trade deficit in goods and services was reported to be \$35.9 billion in April, about \$3-1/2 billion larger than the March deficit, which was about \$1 billion wider than previously reported. For the first quarter on average, the trade deficit was \$379 billion at an annual rate, \$13 billion larger than previously reported, and \$27 billion larger than the revised fourth-quarter deficit. For last year as a whole, the deficit is now reported to have been \$358 billion, about \$20 billion larger than the earlier estimate.

### Net Trade in Goods and Services (Billions of dollars, seasonally adjusted)

	2001	Annual rate			Monthly rate		
		2001		2002	2002		
		Q3	Q4	Q1	Feb.	Mar.	Apr.
<i>Real NIPA<sup>1</sup></i>							
Net exports of G&S	-408.7	-411.0	-412.7	-443.7	...	...	...
<i>Nominal BOP</i>							
Net exports of G&S	-358.3	-319.1	-352.1	-379.4	-32.9	-32.5	-35.9
Goods, net	-427.2	-423.0	-402.7	-425.7	-36.4	-36.6	-39.9
Services, net	68.9	103.9	50.5	46.3	3.5	4.1	4.0

1. Billions of chained (1996) dollars.

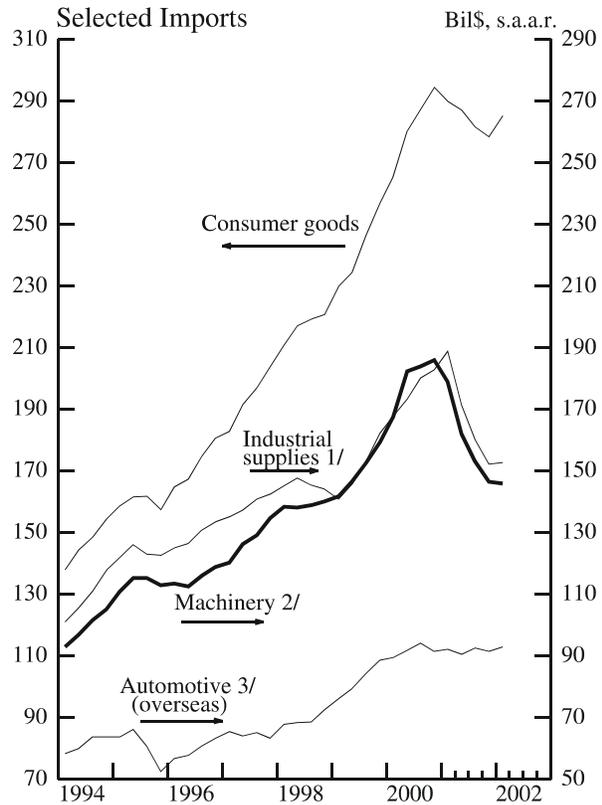
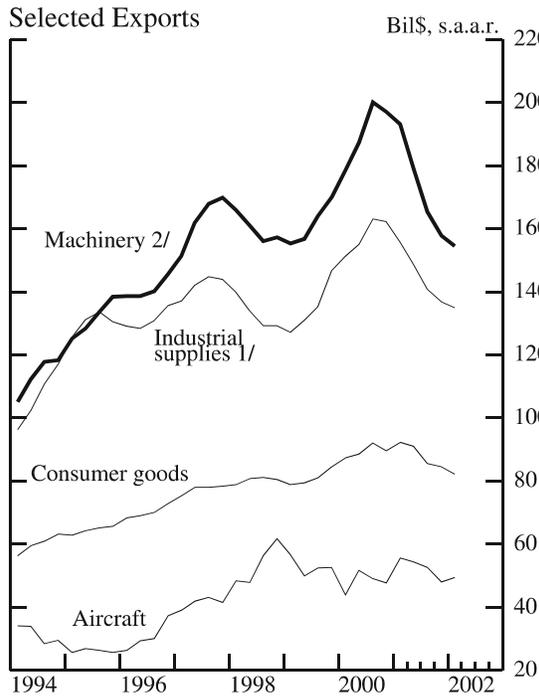
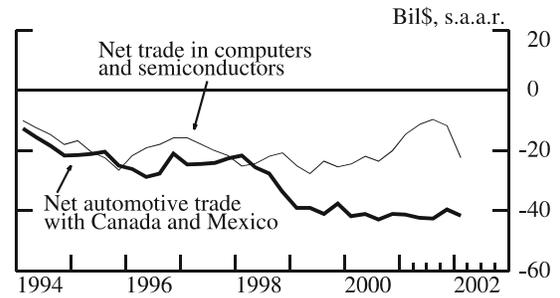
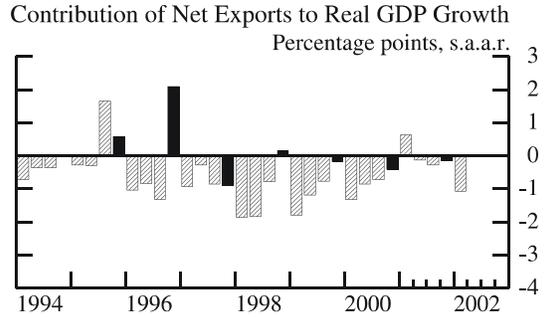
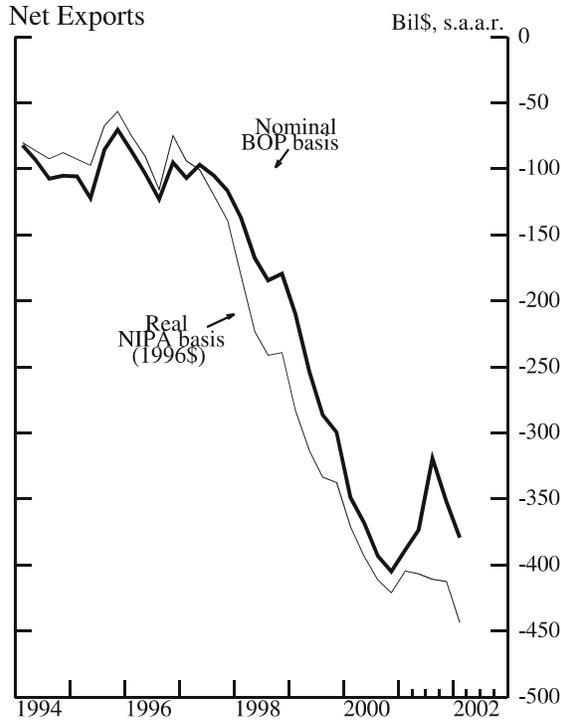
Source: U.S. Department of Commerce, Bureau of Economic Analysis and Census.

n.a. Not available. ... Not applicable.

The value of exported goods and services rose about 2 percent in April. All of the increase was in goods, as services fell slightly. Increases were widespread among categories of goods, including significant gains in industrial supplies, capital goods, consumer goods, and autos. The April level of total exports of goods and services was nearly 3 percent (quarterly rate) above the first-quarter average level.

Imports of goods and services rose 4-1/2 percent in April. The value of oil imports rose sharply, reflecting an increase in the price, while non-oil imports were up 3-1/2 percent. All of the increase was in goods, while service imports were down slightly. Increases were broadly-based across categories of goods, with the exception of aircraft. Imports of consumer goods, autos, and industrial supplies were each up about 5 percent, and imports of capital goods excluding aircraft rose nearly 3 percent. The April level of total imports of goods and services was 6 percent (quarterly rate) above the first-quarter level.

## U.S. International Trade in Goods and Services



1. Excludes agriculture and gold.  
2. Excludes computers and semiconductors.

1. Excludes oil and gold.  
2. Excludes computers and semiconductors.  
3. Excludes Canada and Mexico.

**U.S. Exports and Imports of Goods and Services**  
(Billions of dollars, s.a.a.r., BOP basis)

	Levels				Amount Change <sup>1</sup>			
	2001	2002	2002		2001	2002	2002	
	Q4	Q1	Mar.	Apr.	Q4	Q1	Mar.	Apr.
<b>Exports of G&amp;S</b>	<b>931.7</b>	<b>934.4</b>	<b>941.1</b>	<b>961.3</b>	<b>-37.6</b>	<b>2.7</b>	<b>11.3</b>	<b>20.3</b>
Goods exports	669.4	658.6	659.7	682.7	-23.7	-10.8	3.9	23.0
Gold	2.9	2.5	2.7	3.4	0.5	-0.3	0.3	0.7
Other goods	666.6	656.1	657.1	679.3	-24.1	-10.5	3.6	22.2
Aircraft & parts	48.1	49.4	52.7	49.0	-4.5	1.3	6.6	-3.8
Computers	41.8	39.0	39.8	37.4	-2.7	-2.8	1.0	-2.4
Semiconductors	38.1	39.5	40.6	42.5	-1.7	1.3	1.9	1.9
Other capital gds	160.7	156.6	156.4	160.7	-7.0	-4.2	0.3	4.3
Automotive	74.3	73.8	74.9	80.3	-2.9	-0.4	0.5	5.3
to Canada	40.0	41.4	42.2	43.9	-0.9	1.4	-0.5	1.7
to Mexico	16.4	14.4	15.6	16.8	0.7	-1.9	1.7	1.2
to ROW	17.8	18.0	17.2	19.6	-2.7	0.1	-0.7	2.4
Agricultural	55.8	55.1	52.2	51.3	1.3	-0.7	-4.2	-0.9
Ind supplies (ex. ag)	136.8	134.9	135.5	144.7	-3.9	-1.9	1.3	9.2
Consumer goods	84.5	82.2	81.0	85.0	-1.0	-2.3	-1.3	4.0
All other goods	26.4	25.5	23.9	28.5	-1.7	-0.9	-2.2	4.6
Services exports	262.3	275.8	281.3	278.6	-13.9	13.5	7.4	-2.7
<b>Imports of G&amp;S</b>	<b>1283.8</b>	<b>1313.9</b>	<b>1330.7</b>	<b>1392.6</b>	<b>-4.6</b>	<b>30.0</b>	<b>6.2</b>	<b>61.9</b>
Goods imports	1072.1	1084.3	1099.0	1161.7	-44.0	12.2	6.9	62.7
Petroleum	81.0	76.7	82.5	111.0	-21.6	-4.3	11.6	28.5
Gold	2.4	2.0	2.4	3.1	0.2	-0.4	0.4	0.7
Other goods	988.7	1005.6	1014.1	1047.6	-22.7	16.9	-5.0	33.5
Aircraft & parts	32.5	29.0	29.7	26.5	1.7	-3.5	2.3	-3.2
Computers	68.5	75.6	74.0	77.0	-0.2	7.2	-0.9	2.9
Semiconductors	23.2	25.2	27.5	26.4	-2.1	2.1	1.6	-1.2
Other capital gds	148.1	147.5	149.7	155.5	-6.9	-0.6	1.2	5.7
Automotive	187.5	190.4	191.8	201.3	-4.2	2.9	-4.4	9.5
from Canada	55.7	58.2	58.9	61.6	-2.6	2.5	-3.0	2.7
from Mexico	40.4	39.4	42.4	43.8	-0.6	-1.0	3.8	1.3
from ROW	91.5	92.9	90.5	95.9	-1.1	1.3	-5.2	5.5
Ind supplies	152.3	152.8	154.4	161.8	-8.0	0.5	-0.6	7.5
Consumer goods	278.4	285.3	284.1	299.3	-3.3	6.9	-8.9	15.3
Foods, feeds, bev.	47.1	47.5	47.7	48.9	-0.7	0.4	-0.6	1.2
All other goods	51.1	52.2	55.2	51.0	0.9	1.1	5.3	-4.3
Services imports	211.7	229.6	231.7	230.9	39.4	17.8	-0.7	-0.8
<i>Memo:</i>								
Oil quantity (mb/d)	12.07	11.45	11.01	13.01	0.11	-0.62	-0.09	2.00
Oil import price (\$/bbl)	18.31	18.43	20.51	23.35	-5.18	0.11	3.02	2.84

1. Change from previous quarter or month.

Source: U.S. Department of Commerce, Bureaus of Economic Analysis and Census.

### U.S. Current Account through 2002:Q1

In 2002:Q1, the U.S. current account deficit edged up to almost \$450 billion at a seasonally adjusted annual rate (s.a.a.r.). The \$69.6 billion larger deficit reflected increases in the deficits on goods and services, other income and transfers, and a shift in the balance on investment income from a surplus to a deficit. The Commerce Department's estimates of the international transactions accounts have been revised to reflect improved estimating methods and the incorporation of new data, including results from the U.S. Treasury Department's Benchmark Survey of Foreign Portfolio Investment in the United States as of March 31, 2000.

For the first quarter, the deficit on goods increased \$23 billion s.a.a.r. as the recovery in the United States took hold, increasing U.S. imports of goods, whereas goods exports declined \$10.8 billion s.a.a.r. across a range of categories. The surplus on services decreased \$4.3 billion s.a.a.r. in the first quarter, as an increase in the surplus on travel was more than offset by a decrease in the surplus on other private services. The balance on investment income decreased \$33 billion s.a.a.r., moving from a surplus in the fourth quarter of last year to a deficit in the first quarter of 2002. The movement of the balance to a deficit was largely attributable to increased direct investment income payments. The deficit on other income and transfers increased \$9.3 billion s.a.a.r.

**U.S. Current Account**  
(Billions of dollars, seasonally adjusted annual rate)

Period	Goods and services, net	Investment income, net	Other income and transfers, net	Current account balance
<i>Annual</i>				
2000	-378.7	27.7	-59.3	-410.3
2001	-358.3	20.5	-55.6	-393.4
<i>Quarterly</i>				
2001:Q2	-373.3	30.1	-53.7	-396.9
Q3	-319.1	9.4	-55.6	-365.3
Q4	-352.1	32.4	-60.6	-380.3
2002:Q1	-379.4	-0.6	-69.9	-449.9
<i>Change</i>				
Q2-Q1	15.3	19.9	-1.2	34.0
Q3-Q1	54.2	-20.7	-1.8	31.6
Q4-Q3	-33.0	23.0	-5.0	-15.0
Q1-Q4	-27.3	-33.0	-9.3	-69.6

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

The June 20 release includes revisions to quarterly data from 1995:Q1 through 2001:Q4. The revisions decreased the size of the current account deficit each quarter. The largest yearly revisions were to 1999, 2000, and 2001, with the 1999 and 2000 revisions decreasing the deficits by more than \$30 billion each year, and the revision to 2001 reducing the current account deficit by about \$24 billion. These revisions primarily reflect a reduction in estimated interest payments to foreigners based on the new portfolio benchmark survey.

### **U.S. International Financial Transactions**

Portfolio capital inflows were revised substantially to incorporate information from the new benchmark survey. The magnitude of the revisions, in particular to foreign purchases of U.S. debt securities (lines 4a-c of the Summary of U.S. International Transactions Table), was unprecedented. The benchmark survey produced amounts for foreign holdings of U.S. debt securities—Treasuries, agencies, and corporates—that were much smaller than accumulated capital flows would suggest. In light of this, BEA revised downward inflows into U.S. debt securities from 1995:Q1 to 2000:Q1 to make accumulated capital flows consistent with the benchmark survey amounts (and extrapolated these adjustments forward). In 2001, debt inflows were reduced from \$386 billion to \$280 billion. Debt inflows for the first quarter of this year are now estimated to have totaled \$40 billion, which is the \$70 billion reported through the TIC system minus \$30 billion in BEA adjustments. The Summary Table now incorporates these adjustments. (BEA did not substantially revise inflows into U.S. equities, as the benchmark survey amount for foreign holdings of U.S. equities was in line with the TIC data.)

The lower recorded capital inflows from 1995 forward resulted in lower income payments and therefore lower current account deficits. There was, however, a larger effect on the statistical discrepancy (last line). Prior to the revisions, the cumulated discrepancy over the 1995-2000 period totaled negative \$203 billion, implying overrecorded capital inflows. With the revised data, the cumulated discrepancy totaled positive \$89 billion. The statistical discrepancy was positive \$13 billion in the first quarter, compared to negative \$56 billion in the fourth quarter of last year.

Direct investment inflows (line 7) in the first quarter totaled \$26 billion, slightly stronger than the tepid inflows of the second half of last year. Direct investment outflows (line 6) totaled \$23 billion in the first quarter, owing almost entirely to reinvested earnings. Both outward and inward direct investment flows reflected the relatively low level of merger activity in the quarter. Revisions to direct investment inflows and outflows in 2000 and 2001 were large but offsetting.

Net shipments of U.S. currency to foreigners (line 8) fell somewhat in the first quarter and the capital account balance was unchanged.

**Summary of U.S. International Transactions**  
(Billions of dollars, not seasonally adjusted except as noted)

	2000	2001	2001			2002		
			Q2	Q3	Q4	Q1	Mar.	Apr.
<b>Official financial flows</b>	<b>39.3</b>	<b>2.0</b>	<b>-21.3</b>	<b>13.4</b>	<b>5.4</b>	<b>10.2</b>	<b>-1.0</b>	<b>4.7</b>
1. Change in foreign official assets in the U.S. (increase, +)	39.6	6.9	-20.0	16.9	5.6	9.8	-1.1	3.6
a. G-10 countries	12.3	-7.9	-6.1	-5.6	9.2	5.7	.4	-7.8
b. OPEC countries	10.7	-1.9	-2.1	-4.8	4.2	-6.4	-.9	.4
c. All other countries	16.6	16.8	-11.8	27.3	-7.8	10.5	-.7	11.0
2. Change in U.S. official reserve assets (decrease, +)	-.3	-4.9	-1.3	-3.6	-.2	.4	.1	1.1
<b>Private financial flows</b>	<b>370.3</b>	<b>379.8</b>	<b>122.9</b>	<b>29.5</b>	<b>145.3</b>	<b>89.2</b>	<b>...</b>	<b>...</b>
<b>Banks</b>								
3. Change in net foreign positions of banking offices in the U.S. <sup>1</sup>	-6.7	-19.0	23.7	-3.0	34.8	23.2	8.6	-12.3
<b>Securities<sup>2</sup></b>								
4. Foreign net purchases of U.S. securities (+)	381.4	401.2	98.5	50.0	126.5	63.1	53.0	28.4
a. Treasury securities	-76.6	-6.9	-14.5	-15.3	27.4	-5.1	11.2	-13.4
b. Agency bonds	96.5	86.1	13.8	19.4	27.7	2.7	9.5	18.3
c. Corporate and municipal bonds	167.4	200.4	64.7	33.0	37.9	42.1	23.0	15.1
d. Corporate stocks <sup>3</sup>	194.0	121.6	34.5	12.9	33.5	23.4	9.3	8.3
5. U.S. net acquisitions (-) of foreign securities	-127.9	-89.7	-50.8	13.7	-25.3	2.2	10.7	-5.0
a. Bonds	-18.3	16.2	5.2	22.9	-6.5	0.5	6.1	-.6
b. Stock purchases	-25.7	-62.7	-21.9	-9.3	-12.4	3.5	4.5	-4.5
c. Stock swaps <sup>3</sup>	-84.0	-43.2	-34.2	.0	-6.4	-1.8	.0	.0
<b>Other flows (quarterly data, s.a.)</b>								
6. U.S. direct investment (-) abroad	-178.3	-127.8	-35.1	-41.7	-27.5	-22.5	...	...
7. Foreign direct investment in U.S.	307.7	130.8	51.1	14.2	21.9	25.7	...	...
8. Foreign holdings of U.S. currency	1.1	23.8	2.8	8.2	10.5	4.5	...	...
9. Other (inflow, +) <sup>4</sup>	-7.0	60.6	32.8	-11.9	4.3	-13.0	...	...
<b>U.S. current account balance (s.a.)</b>	<b>-410.3</b>	<b>-393.4</b>	<b>-99.2</b>	<b>-91.3</b>	<b>-95.1</b>	<b>-112.5</b>	<b>...</b>	<b>...</b>
<b>Capital account balance (s.a.)<sup>5</sup></b>	<b>.8</b>	<b>.8</b>	<b>.2</b>	<b>.2</b>	<b>.2</b>	<b>.2</b>	<b>...</b>	<b>...</b>
<b>Statistical discrepancy (s.a.)</b>	<b>.0</b>	<b>10.7</b>	<b>-2.5</b>	<b>48.3</b>	<b>-55.8</b>	<b>12.9</b>	<b>...</b>	<b>...</b>

NOTE: The sum of official and private financial flows, the current account balance, the capital account balance, and the statistical discrepancy is zero. Details may not sum to totals because of rounding.

1. Changes in dollar-denominated positions of all depository institutions and bank holding companies plus certain transactions between broker-dealers and unaffiliated foreigners (particularly borrowing and lending under repurchase agreements). Includes changes in custody liabilities other than U.S. Treasury bills.

2. Includes adjustments BEA makes to account for incomplete coverage, but excludes adjustments for commissions and therefore does not match exactly the data on U.S. international transactions published by the Department of Commerce.

3. Includes (4d) or represents (5c) stocks acquired through mergers.

4. Transactions by nonbanking concerns and other banking and official transactions not shown elsewhere plus amounts resulting from adjustments made by the Department of Commerce and revisions in lines 1 through 5 since publication of the quarterly data in the Survey of Current Business.

5. Consists of transactions in nonproduced nonfinancial assets and capital transfers.

n.a. Not available. ... Not applicable.