

## Capital Flows and the Trade Balance

Category	Amount
Exports	\$681,874
Imports	(\$1,164,746)
Net Trade Balance	(\$482,872)
Net Military Transactions	\$7,302
Net Travel & Transportation	(\$3,781)
Other Services Net	\$75,917
Net	\$64,834
Balance on Goods and Services	(\$418,038)
Investment Income	
Receipts on US Assets Abroad	\$255,542
Payments on Foreign Assets in US	(\$259,512)
Net Investment Income	(\$3,970)
Unilateral Transfers Net	(\$55,583)
Balance on Current Account	(\$480,861)
Net Capital Outflow	(178,985)
Net Foreign Inflow	\$706,983
Statistical Discrepancy	(\$45,852)

## Trade Issues

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- Here, we present some numbers
- Why do we do this when talking about the demand and supply of loans?
  - Patience

## The Balance of Trade, 2002

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The number usually quoted in the news

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We sell arms abroad

Smile at foreign tourists

Want to consult? Learn a foreign language

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US Firms own factories abroad; Foreign firms own factories here

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## Charity

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Give money to a relative abroad or a foreign charity & it shows up here

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The bottom line: how much did you earn. How much did you spend? Give away?

## The Demand for Loans

We had a negative balance on current account of \$480 billion. To balance that, we must have a net capital flow into the US of \$480 billion

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## Capital Flows

This year, the statistical discrepancy was *only* \$45 billion. Some years it is a lot larger.

While the statistical discrepancy should be zero, collecting data on international trade and balancing the books is a lot harder than simply balancing a checkbook.

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## The Demand for Loans

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Whatever the number, we have to account for it.

End

Data are from  
Statistical Appendix of  
Economic Report of the  
President

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