

Congress of the United States
Joint Economic Committee
Democrats

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**U.S. CURRENT ACCOUNT DEFICIT NARROWS IN FIRST
QUARTER, BUT REMAINS NEAR RECORD LEVELS**

Washington, D.C. – The current account deficit, which is the broadest measure of the U.S. trade deficit, narrowed to \$208.7 billion in the first quarter from a record \$223.1 billion (revised) in the fourth quarter, according to the Commerce Department. However, the first quarter deficit is the second largest on record, and the United States is on track to have a larger deficit in 2006 than last year's record \$791.5 billion (revised) deficit.

“The current account deficit remains unsustainably large and is on pace to surpass last year's record level,” said **Sen. Jack Reed** (D-RI), Ranking Democrat on the **Joint Economic Committee**. “Bringing down the current account deficit will require international cooperation and a reversal of the irresponsible budget policies pursued over the past five years by the Bush Administration and the Republican Congress. If we don't change course, we will continue to mortgage our future to foreign investors and foreign governments.”

The current account deficit measures how much the United States needs to borrow from the rest of the world to finance its international payments imbalance. Today's release contains updated and revised data going back several years. The revisions do not change the picture of a sharp widening in the deficit over several years, both in dollar terms and as a share of gross domestic product (GDP). At 6.4 percent of GDP, the first quarter deficit is second in size only to the fourth quarter deficit of 7.0 percent of GDP. The annual deficit for 2005 was a record 6.3 percent of GDP.

The first quarter deficit on goods and services was \$190.7 billion, down slightly from the fourth quarter deficit of \$194.8 billion. A reduction in U.S. government grants and private remittances led to a decline in net unilateral transfers. And a rise in U.S. earnings on investments abroad contributed to a small swing in net income flows to a surplus of \$1.9 billion from a deficit of \$2.2 billion in the fourth quarter.

Exports will have to grow substantially faster than imports for a sustained period of time to narrow the trade and current account deficits. Analysts do not see such a dramatic improvement in the near future and higher oil prices in April and May could push the second quarter deficit higher.

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.