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To: Representative Susan Almy, Chairperson, Committee on Ways and Means, New Hampshire
House of Representatives
From: Heather Brome, Policy Analyst
Re: Current account deficit
Date: February 20, 2007

On January 9, a member of your committee requested information about the magnitude of the U.S. current account deficit, specifically whether over the past two to three decades any other developed nations incurred current account deficits of the same magnitude as that incurred by the U.S. The short answer is yes; however, it is unusual for a country as “major” as the U.S. to be in this position.

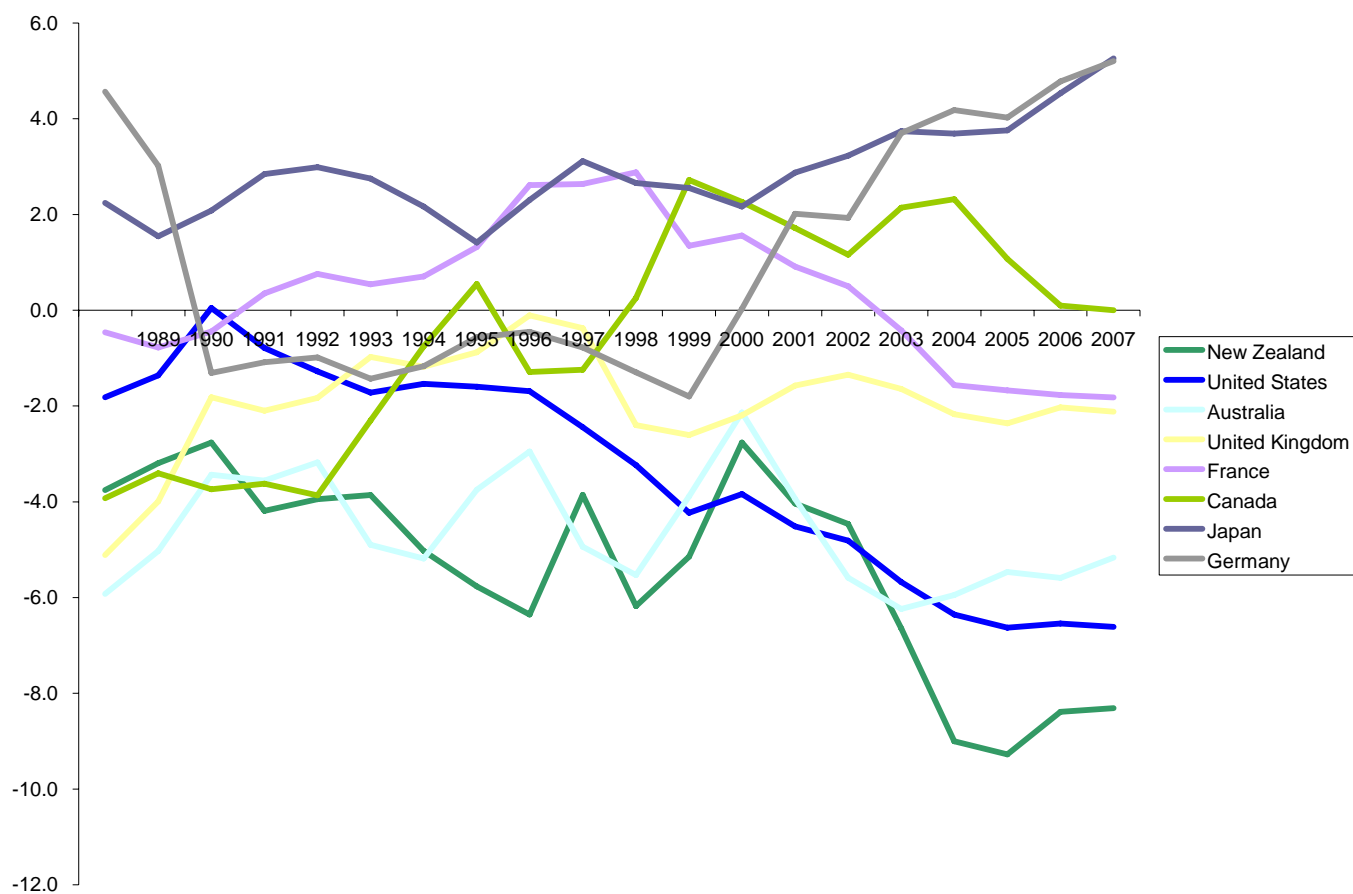
One way to measure magnitude of the current account deficit is to consider a nation’s current account balance relative to its gross domestic product (GDP). According to data from the Organization for Economic Co-operation and Development (OECD), the U.S. has a current account deficit equal to about 6.6 percent of GDP. In 2006, several nations had current account deficits larger than the U.S.’s relative to the size of their economies. These include Hungary, Greece, Portugal, New Zealand, and Spain. In the past 18 years, Mexico, the Czech Republic, Slovakia, and Poland all ran current account deficits that at one time were larger than 6.6 percent of GDP (see Chart 1). Australia, New Zealand, and the U.K. have all run current account deficits close to this magnitude from time to time.

However, it is unusual for a country with an economy as large and as influential as the U.S. to have a current account deficit of this magnitude. The U.S. current account deficit is estimated at close to \$900 billion (see Chart 2). The second-largest current account deficit is about one-eighth as much.

Source

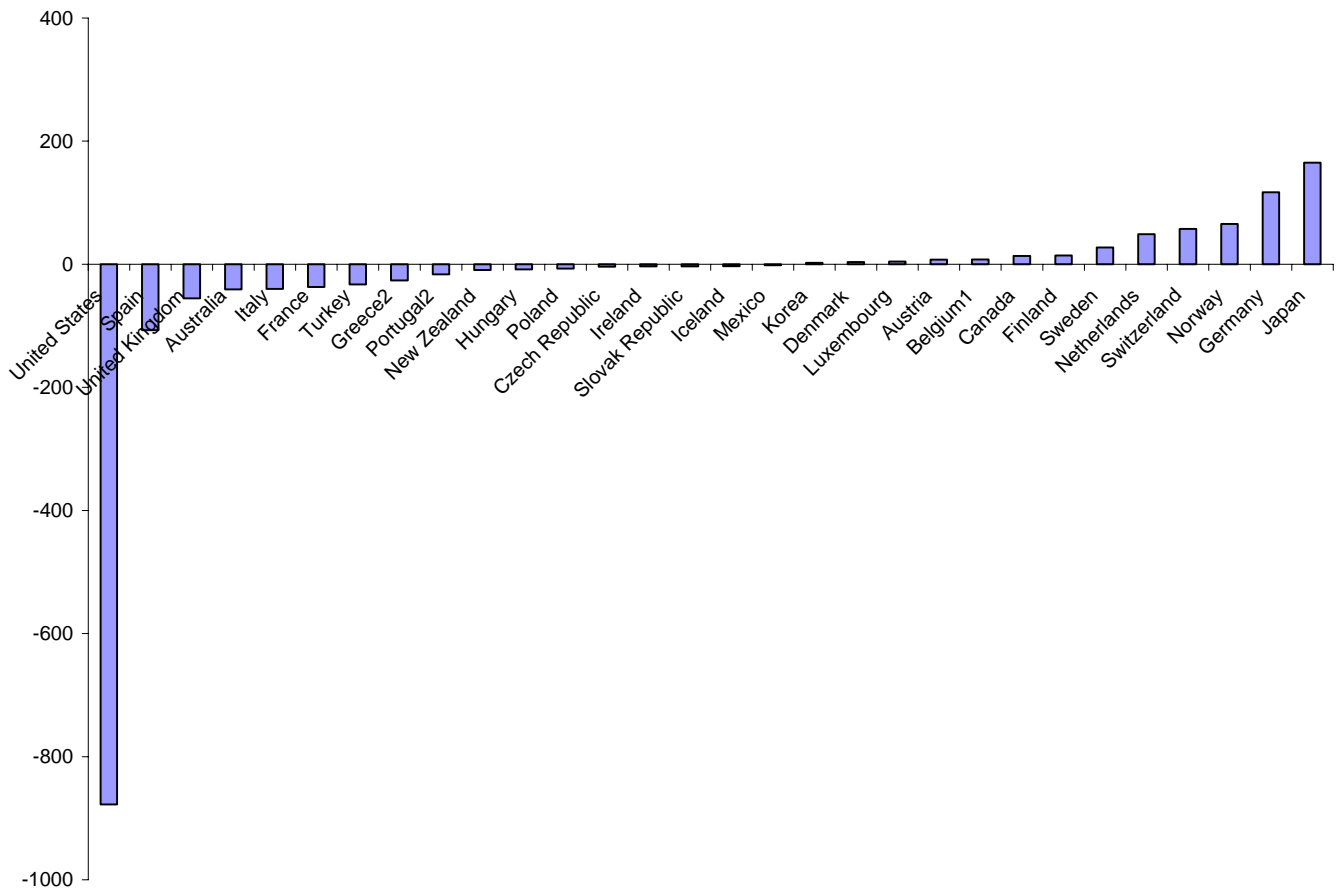
Organization for Economic Co-operation and Development (OECD) Statistical Annex Tables.
http://www.oecd.org/document/61/0,2340,en_2649_201185_2483901_1_1_1_1,00.html.
Accessed on February 7, 2007.

Chart 1: Current account balances as a percentage of GDP for selected OECD countries, 1989-2007



Source: OECD Statistical Annex Tables.

Chart 2: Current account balance in OECD countries, 2006



Source: OECD Statistical Annex Tables.