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### **U.S. Net International Investment Position at Yearend 2003**

The U.S. net international investment position at yearend 2003 was a negative \$2,430.7 billion (preliminary) with direct investment valued at current cost, as the value of foreign investments in the United States exceeded the value of U.S. investments abroad (Table 1). At yearend 2002, the U.S. net international investment position was a negative \$2,233.0 billion (revised).

The net investment position became \$197.7 billion more negative from yearend 2002 to yearend 2003, mainly due to large net foreign purchases of U.S. securities (mostly of corporate bonds and U.S. Treasury securities). Partly offsetting this impact, appreciation of most foreign currencies against the U.S. dollar raised the dollar value of U.S.-owned assets abroad, especially of U.S.-held foreign stocks. Substantial increases in stock market prices raised the value of U.S. portfolio investment abroad somewhat more than it raised the value of foreign portfolio investment in the United States.

With direct investment valued at the current stock market value of owners' equity, the negative net investment position was \$2,651.0 billion (preliminary) at yearend 2003, compared with \$2,553.4 billion (revised) at yearend 2002. The \$97.6 billion change in the net investment position on this basis resulted from the same factors as above. Other highlights include:

- In regard to transactions, foreign acquisitions of assets in the United States in 2003 were \$829.2 billion, up from \$768.2 billion in 2002, and the second largest on record after \$1,046.9 billion in 2000. Foreign official acquisitions of assets more than doubled from 2002, to the highest level on record. The increase was largely accounted for by net foreign official purchases of U.S. Treasury securities. Net foreign purchases of U.S. Treasury securities by private foreigners also

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picked up, and inflows reported by U.S. nonbanks increased somewhat. Net foreign purchases of U.S. securities other than U.S. Treasury securities slowed for the third consecutive year; net foreign purchases of U.S. stocks slowed and transactions in U.S. agency bonds shifted to net foreign sales, more than offsetting a sharp increase in net foreign purchases of U.S. corporate bonds to a record level. Foreign direct investment in the United States slowed to the smallest increase since 1992, and inflows reported by U.S. banks also slowed.

- U.S. acquisitions of assets abroad in 2003 were \$283.4 billion, up from \$198.0 billion in 2002, and down from a record \$569.8 billion in 2000. U.S. investors shifted back to net purchases of foreign securities after having been net sellers for the first time in 2002; net U.S. purchases of foreign stocks increased substantially and net U.S. sales of foreign bonds declined. U.S. direct investment abroad rose to the highest level of outflows since the record in 1999. U.S. banks' claims on foreigners slowed to the smallest increase since 1994, and the increase in U.S. nonbanks' claims on foreigners also slowed.
- Price appreciation of U.S. stocks increased the value of foreign holdings of U.S. stocks and increased the value of owners' equity of foreign direct investment in the United States on a market-value basis. Price appreciation of foreign stocks also increased the value of U.S. holdings of foreign stocks and increased the value of owners' equity of U.S. direct investment abroad on a market-value basis.
- Appreciation of most foreign currencies against the U.S. dollar from yearend 2002 to yearend 2003 raised the dollar value of all foreign-currency-denominated assets and liabilities, especially the value of U.S.-held foreign stocks and U.S. direct investment abroad.

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### Valuation Methods for Direct Investment

The current-cost method values the U.S. and foreign parents' share of their affiliates' investment in plant and equipment using the current cost of capital equipment, in land using general price indexes, and in inventories using estimates of their replacement cost.

The market-value method values the owners' equity component of the direct investment position using indexes of stock market prices.

The historical-cost method values all assets and liabilities at their book value. Country and industry detail can be shown only under this method. Data on this basis are not presented in this release.

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U.S.-owned assets abroad increased \$789.2 billion to \$7,202.7 billion with U.S. direct investment valued at current cost, and they increased \$1,250.6 billion to \$7,864.0 billion with U.S. direct investment valued at market value.

U.S. holdings of foreign securities increased \$627.5 billion to \$2,474.4 billion. Holdings of

foreign stocks increased sharply as a result of large price appreciation, the appreciation of foreign currencies against the U.S. dollar, and net U.S. purchases. Holdings of foreign bonds were nearly unchanged as price appreciation and exchange-rate appreciation were largely offset by net U.S. sales.

U.S. direct investment abroad at current cost increased \$229.0 billion to \$2,069.0 billion; at market value, it increased \$690.5 billion to \$2,730.3 billion. In 2003, net financial outflows rose to \$173.8 billion, but remained below record outflows of \$224.9 billion in 1999. At both current cost and market value, financial outflows, exchange-rate appreciation of foreign currencies, and price appreciation all contributed to the increase in U.S. direct investment abroad.

Claims on foreigners reported by U.S. banks increased \$201.6 billion to \$1,776.3 billion. Most of the increase was due to “other” changes, reflecting a change in the statistical reporting system that has shifted some assets from U.S. claims reported by nonbanking concerns to U.S. claims reported by U.S. banks. Financial outflows from banks were the smallest since 1994.

Claims on unaffiliated foreigners reported by U.S. nonbanking concerns decreased \$293.4 billion to \$614.7 billion. Changes in the statistical reporting system and related changes in the methodology for calculating nonbank transactions and positions led to a substantial decline in the transactions and positions covered by the nonbank category; these changes are reflected in the estimate of “other” changes.

U.S. official reserve assets increased \$25.0 billion to \$183.6 billion, largely as a result of strong price appreciation in the market value of the U.S. gold stock and of exchange-rate appreciation.

Foreign-owned assets in the United States increased \$986.8 billion to \$9,633.4 billion with foreign direct investment valued at current cost, and they increased \$1,348.2 billion to \$10,515.0 billion with foreign direct investment valued at market value.

Foreign holdings of U.S. securities other than U.S. Treasury securities, excluding official holdings, increased \$604.4 billion to \$3,391.1 billion. Foreign holdings of U.S. stocks increased as a result of a price appreciation and net foreign purchases. Foreign holdings of U.S. bonds increased as a result of net foreign purchases, exchange-rate appreciation of foreign currencies, and price appreciation.

U.S. liabilities to private foreigners and international financial institutions reported by U.S. banks increased \$368.8 billion, to \$1,887.2 billion. Most of the increase was due to “other” changes, reflecting a change in the statistical reporting system that has shifted some liabilities from U.S. liabilities reported by nonbanking concerns to U.S. liabilities reported by U.S. banks. Financial inflows to banks slowed in 2003.

Foreign official assets in the United States increased \$261.4 billion to \$1,474.2 billion, the largest increase on record. The increase was mostly in purchases of U.S. Treasury securities.

Foreign holdings of U.S. Treasury securities, excluding official holdings, increased \$84.9 billion to \$542.5 billion. Sizable net foreign purchases more than offset price depreciation.

Foreign direct investment in the United States valued at current cost increased \$48.8 billion to \$1,554.0 billion, mostly as a result of net financial inflows. At market value, foreign direct investment in the United States increased \$410.2 billion to \$2,435.5 billion, mostly as a result of price appreciation in owners' equity resulting from an increase in U.S. stock prices. At both current cost and market value, net financial inflows slowed to \$39.9 billion, the smallest increase since 1992.

U.S. currency held by foreigners increased \$16.6 billion to \$317.9 billion.

Liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns decreased \$398.1 billion to \$466.5 billion. Changes in the statistical reporting system and related changes in the methodology for calculating nonbank transactions and positions led to a substantial decline in the transactions and positions covered by the nonbank category; these changes were reflected in the estimate of "other" changes.

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#### Revisions

The previously published net international investment position in 2002 at current cost was a negative \$2,387.2 billion, and at market value was a negative \$2,605.2 billion.

This year, the estimates of foreign portfolio holdings of U.S. securities for 2000-2002 were revised to incorporate results from the U.S. Treasury Department's annual surveys of securities liabilities for June 2002 and June 2003. In addition, the estimates of U.S. portfolio holdings of foreign securities for 1994-1996 were revised to extend to these years the major methodological changes made in June 2003 at the time of the incorporation of the U.S. Treasury Department's Benchmark Survey of U.S. Portfolio Investment Abroad as of December 31, 2001.

Classification and methodology changes have been made to the bank and nonbank accounts. Positions of securities brokers and dealers have been reclassified to the bank accounts from the nonbank accounts. Methodology changes have identified some double-counting of transactions and positions in the counterparty country source data used to prepare the estimates; the duplicate coverage has now been removed from the accounts. Both of these changes are reflected in the "other" changes column of table 1.

In addition to the above improvements, all estimates are revised as a result of newly available or revised quarterly and annual survey results and other data. Revisions attributable to updated source data are for 1994-2002. The net result of revisions from all sources is to raise the value of U.S. assets abroad relative to the value of foreign assets in the United States for recent years.

A more detailed discussion of the U.S. net international investment position in 2003 and revised historical data will appear in the July issue of the Survey of Current Business. That issue will also contain an article about historical-cost direct investment positions, with detail by country and industry, and revised direct investment historical data.

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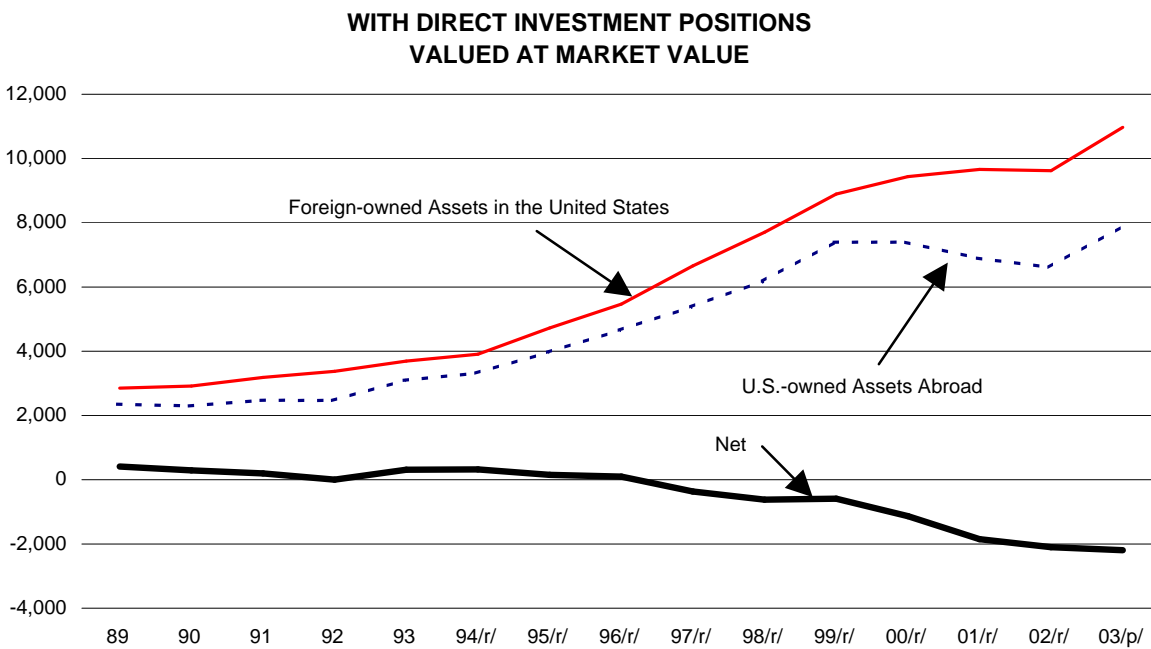
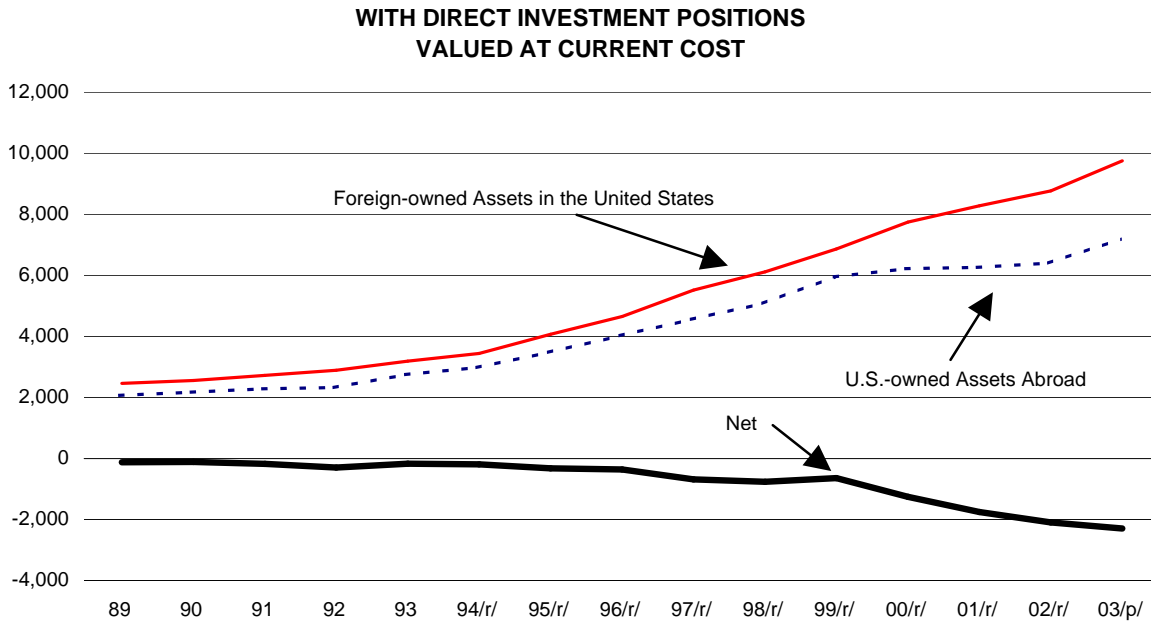
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# Net International Investment Position of the United States at Yearend, 1989 - 2003

Billions \$



p Preliminary.

r Revised.

Source: Bureau of Economic Analysis

**Table 1. International Investment Position of the United States at Yearend, 2002 and 2003**  
[Millions of dollars]

Line	Type of investment	Position, 2002 <sup>f</sup>	Changes in position in 2003 (decrease (-), increase (+))					Position 2003 <sup>p</sup>
			Attributable to				Total (a+b+c+d)	
			Financial flows (a)	Valuation adjustments				
				Price changes (b)	Exchange- rate changes <sup>1</sup> (c)	Other changes <sup>2</sup> (d)		
<b>Net international investment position of the United States:</b>								
1	With direct investment positions at current cost (line 3 less line 16).....	-2,233,018	-545,759	37,112	255,457	55,526	-197,664	-2,430,682
2	With direct investment positions at market value (line 4 less line 17).....	-2,553,407	-545,759	-13,696	397,918	63,954	-97,583	-2,650,990
<b>U.S.-owned assets abroad:</b>								
3	With direct investment at current cost (lines 5+6+7).....	6,413,535	283,414	355,668	327,520	-177,445	789,157	7,202,692
4	With direct investment at market value (lines 5+6+8).....	6,613,320	283,414	676,650	468,722	-178,138	1,250,648	7,863,968
5	U.S. official reserve assets.....	158,602	-1,523	18,059	8,438	1	24,975	183,577
6	U.S. Government assets, other than official reserve assets.....	85,309	-537	....	....	....	-537	84,772
U.S. private assets:								
7	With direct investment at current cost (lines 9+11+14+15).....	6,169,624	285,474	337,609	319,082	-177,446	764,719	6,934,343
8	With direct investment at market value (lines 10+11+14+15).....	6,369,409	285,474	658,591	460,284	-178,139	1,226,210	7,595,619
Direct investment abroad:								
9	At current cost.....	1,839,995	173,799	9,472	58,756	-13,009	229,018	2,069,013
10	At market value.....	2,039,780	173,799	330,454	199,958	-13,702	690,509	2,730,289
11	Foreign securities.....	1,846,879	72,337	328,137	227,021	....	627,495	2,474,374
12	Bonds.....	501,762	-28,094	3,209	25,253	....	368	502,130
13	Corporate stocks.....	1,345,117	100,431	324,928	201,768	....	627,127	1,972,244
14	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns.....	908,024	28,932	....	18,093	-340,377	-293,352	614,672
15	U.S. claims reported by U.S. banks, not included elsewhere.....	1,574,726	10,406	....	15,212	175,940	201,558	1,776,284
<b>Foreign-owned assets in the United States:</b>								
16	With direct investment at current cost (lines 18+19).....	8,646,553	829,173	318,556	72,063	-232,971	986,821	9,633,374
17	With direct investment at market value (lines 18+20).....	9,166,727	829,173	690,346	70,804	-242,092	1,348,231	10,514,958
18	Foreign official assets in the United States.....	1,212,723	248,573	3,920	....	8,945	261,438	1,474,161
Other foreign assets:								
19	With direct investment at current cost (lines 21+23+24+27+28+29).....	7,433,830	580,600	314,636	72,063	-241,916	725,383	8,159,213
20	With direct investment at market value (lines 22+23+24+27+28+29).....	7,954,004	580,600	686,426	70,804	-251,037	1,086,793	9,040,797
Direct investment in the United States:								
21	At current cost.....	1,505,171	39,890	6,460	1,259	1,175	48,784	1,553,955
22	At market value.....	2,025,345	39,890	378,250	....	-7,946	410,194	2,435,539
23	U.S. Treasury securities.....	457,670	113,432	-11,612	....	-16,948	84,872	542,542
24	U.S. securities other than U.S. Treasury securities.....	2,786,647	250,981	319,788	48,437	-14,803	604,403	3,391,050
25	Corporate and other bonds.....	1,600,414	213,718	5,205	48,437	-14,803	252,557	1,852,971
26	Corporate stocks.....	1,186,233	37,263	314,583	....	....	351,846	1,538,079
27	U.S. currency.....	301,268	16,640	....	....	....	16,640	317,908
28	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.....	864,632	84,014	....	11,269	-493,372	-398,089	466,543
29	U.S. liabilities reported by U.S. banks, not included elsewhere.....	1,518,442	75,643	....	11,098	282,032	368,773	1,887,215

p Preliminary.

r Revised.

1. Represents gains or losses on foreign-currency-denominated assets due to their revaluation at current exchange rates.

2. Includes changes in coverage, capital gains and losses of direct investment affiliates, and other statistical adjustments to the value of assets.

Source: Bureau of Economic Analysis