

How BEA Aligns and Augments Source Data From the U.S. Treasury Department for Inclusion in the International Transactions Accounts

As with all of the U.S. economic accounts produced by BEA, the estimates of financial-account flows in the international transactions accounts (ITA's) are built up from source data collected elsewhere—in this case by the U.S. Department of Treasury. Presentation of the adjustments undertaken by BEA to align and augment these data for inclusion in the financial account can help data users to have a clearer picture of what the financial-account flow estimates represent.

This note introduces three new tables that show the relationship between BEA's estimates of financial-account flows included in the ITA's and source data from the Treasury International Capital (TIC) Reporting System. These tables will be presented annually in the July issue of the SURVEY OF CURRENT BUSINESS, and they will be available in downloadable form on the BEA Web site.

Table 1 shows the relationship between ITA and TIC estimates of transactions in foreign long-term securities; in U.S. long-term securities, excluding U.S. Treasury securities; and in U.S. Treasury securities. Table 2 shows the relationship between ITA and TIC estimates of claims on and liabilities to foreigners as reported by U.S. non-banking concerns. Table 3 shows the relationship between ITA and TIC estimates of claims on and liabilities to foreigners as reported by U.S. banks.

These tables identify the numerous adjustments that BEA makes to the TIC source data in order to align the data with balance of payments concepts and to close gaps in coverage. The footnotes to the tables provide added detail on the nature of these BEA adjustments. The remainder of this note provides examples of both types of adjustments, with reference to selected line items in table 1.

Aligning with balance of payments concepts. Line A1 of table 1 shows gross U.S. purchases of foreign stocks and bonds as reported on TIC forms. These amounts

represent the cost of purchases plus commissions paid by the U.S. purchasers. For ITA purposes, BEA treats payments of commissions to foreigners as payments for financial services, which are included in the current account, and not as purchases of securities, which are included in the financial account. Therefore, BEA reduces gross purchases as reported on the TIC forms by an estimated amount for payments of commissions (line A3).

Line A6 shows U.S. sales of foreign stocks and bonds as reported on TIC forms. These amounts represent the proceeds from sales less the commissions paid by U.S. sellers. Because BEA treats payments of commissions to foreign brokers as payments for financial services and not as transactions in securities, BEA increases the sales data as reported on the TIC forms by an estimated amount for payments of commissions (line A7).

Closing gaps in coverage. U.S. brokers and dealers are the primary respondents to the TIC survey on securities transactions. Therefore, transactions that bypass U.S. brokers and dealers are sometimes not fully captured in the TIC estimates. An example of this type of transaction is the acquisition of U.S. companies by foreigners who finance their purchases through exchanges of stock. If stock is exchanged, U.S. persons who previously held securities in an acquired U.S. company become shareholders in the acquiring foreign corporation. The receipt of shares in the acquiring foreign corporation should be recorded in the ITA's as the acquisition (purchase) of foreign long-term securities, assuming that no single U.S. person receives a 10 percent or more ownership interest in the foreign acquirer (in this latter case, the receipt of shares should be recorded in the direct investment equity capital account). Table 1, line A2, "security swap transactions and other coverage adjustments," shows BEA's adjustment to TIC source data in order to account for security swaps and other transactions in foreign long-term securities that may not be fully captured in the TIC reporting system.

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Table 1. Relation of Transactions in Foreign Long-term Securities, U.S. Long-term Securities, excluding U.S. Treasury Securities, and U.S. Treasury Securities, in the U.S. International Transactions Accounts (ITA) to Treasury International Capital (TIC) Reporting System Data

[Millions of dollars]

Line		2000	2001	2002
	Foreign Long-term Securities			
	(Credits +; decrease in U.S. assets. Debits -; increase in U.S. assets.)			
A1	Gross U.S. purchases of foreign stocks and bonds, TIC.....	2,778,259	2,577,377	2,610,521
2	Plus: Security swap transactions and other coverage adjustments.....	107,780	73,917	21,171
3	Minus: Brokerage commissions.....	567	569	537
4	Plus: Underwriting and private placement fees.....	1,271	647	583
5	Equals: Gross U.S. purchases of foreign stocks and bonds, ITA.....	2,886,743	2,651,372	2,631,738
6	Gross U.S. sales of foreign stocks and bonds, TIC.....	2,761,117	2,557,766	2,637,298
7	Plus: Brokerage commissions.....	565	557	537
8	Plus: Coverage adjustment for redemptions.....	3,153	8,412	9,704
9	Equals: Gross U.S. sales of foreign stocks and bonds, ITA.....	2,764,835	2,566,735	2,647,539
10	Net U.S. purchases (-) or net sales (+) of foreign stocks and bonds, TIC (A6 - A1).....	-17,142	-19,611	26,777
11	Plus: Coverage adjustments ((A7 + A8) - (A2 - A3 + A4)).....	-104,766	-65,026	-10,976
12	Net U.S. purchases (-) or net sales (+) of foreign long-term securities, ITA (A9 - A5) (table 1, line 52).....	-121,908	-84,637	15,801
	U.S. Long-term Securities, Excluding U.S. Treasury Securities			
	(Credits +; increase in U.S. liabilities. Debits -; decrease in U.S. liabilities.)			
B1	Gross foreign purchases of other U.S. long-term securities, TIC.....	4,813,582	4,994,022	5,752,732
2	Plus: Security swap transactions and other coverage adjustments.....	21,342	7,442	6,628
3	Minus: Brokerage commissions.....	1,669	1,636	1,935
4	Plus: Underwriting and private placement fees.....	1,154	762	290
5	Equals: Gross foreign purchases of other U.S. long-term securities, ITA.....	4,834,409	5,000,590	5,757,715
6	Gross foreign sales of other U.S. long-term securities, TIC.....	4,301,722	4,491,688	5,325,512
7	Plus: Brokerage commissions.....	1,526	1,491	1,823
8	Plus: Coverage adjustment for redemptions.....	31,807	74,132	104,903
9	Equals: Gross foreign sales of other U.S. long-term securities, ITA.....	4,335,055	4,567,311	5,432,238
10	Net foreign purchases (+) or net sales (-) of other U.S. long-term securities, TIC (B1 - B6).....	511,860	502,334	427,220
11	Plus: Coverage adjustments ((B2 - B3 + B4) - (B7 + B8)).....	-12,506	-69,055	-101,743
12	Net foreign purchases (+) or net sales (-) of other U.S. long-term securities, ITA (B5 - B9) (table 1, line 59 + 62 + 66).....	499,354	433,279	325,477
13	Other U.S. Government securities, foreign official assets (table 1, line 59).....	40,909	20,920	30,377
14	Other foreign official assets (table 1, line 62).....	3,127	5,726	3,608
15	Other U.S. securities, other foreign assets (table 1, line 66).....	455,318	406,633	291,492
	U.S. Treasury Securities			
	(Credits +; increase in U.S. liabilities. Debits -; decrease in U.S. liabilities.)			
C1	Gross foreign purchases of U.S. Treasury marketable bonds and notes, TIC.....	3,870,511	5,267,730	7,376,751
2	Minus: Brokerage commissions.....	278	389	545
3	Equals: Gross foreign purchases of U.S. Treasury marketable bonds and notes, ITA.....	3,870,233	5,267,341	7,376,206
4	Gross foreign sales of U.S. Treasury marketable bonds and notes, TIC.....	3,924,543	5,249,216	7,255,053
5	Plus: Brokerage commissions.....	279	390	545
6	Plus: Coverage adjustment for redemptions.....	24,000	24,000	24,000
7	Equals: Gross foreign sales of U.S. Treasury marketable bonds and notes, ITA.....	3,948,822	5,273,606	7,279,598
8	Net foreign purchases (+) or net sales (-) of U.S. Treasury marketable bonds and notes, TIC (C1 - C4).....	-54,032	18,514	121,698
9	Plus: Coverage adjustments (-C2 - (C5 + C6)).....	-24,557	-24,779	-25,090
10	Net foreign purchases (+) or net sales (-) of U.S. Treasury marketable bonds and notes, ITA (C3 - C7).....	-78,589	-6,265	96,608
11	Plus: Non-marketable bonds and notes.....	-763	-1,938	-643
12	Plus: Short-term U.S. Treasury obligations ¹	-7,830	11,510	43,396
13	Net foreign purchases (+) or net sales (-) of U.S. Treasury securities, ITA (C10 + C11 + C12) (table 1, line 58 + line 65).....	-87,182	3,307	139,361
14	U.S. Treasury securities, foreign official assets (table 1, line 58).....	-10,233	10,745	43,144
15	U.S. Treasury securities, other foreign assets (table 1, line 65).....	-76,949	-7,438	96,217

1. Computed from TIC quarterend position data.

Table 2. Relation of Claims on and Liabilities to Unaffiliated Foreigners Reported by U.S. Nonbanking Concerns in the International Transactions Accounts (ITA) to Treasury International Capital (TIC) Reporting System Data

[Millions of dollars]

Line		2000	2001	2002
	Claims			
	(Credits +; decrease in U.S. assets. Debits -; increase in U.S. assets.)			
A1	Total claims outstanding, beginning of year, TIC	76,669	90,157	113,155
2	Total claims outstanding, end of year, TIC	90,157	113,155	102,398
3	Change in claims, TIC (A1 - A2)	-13,488	-22,998	10,757
4	Minus: Valuation adjustments including unrealized exchange rate gain or loss and other adjustments ¹	6,748	5,776	-13,301
5	Plus: Financial intermediaries' accounts ²	-4,355	14,968	-1,937
6	Plus: Supplemental source data ³	-126,326	-7,704	-59,261
7	Plus: Other coverage adjustments ⁴	12,127	16,513	5,260
8	Equals: Claims on unaffiliated foreigners reported by U.S. nonbanking concerns, ITA (A3 - A4 + A5 + A6 + A7) (table 1, line 53)	-138,790	-4,997	-31,880
	Liabilities			
	(Credits +; increase in U.S. liabilities. Debits -; decrease in U.S. liabilities.)			
B1	Total liabilities outstanding, beginning of year, TIC	53,044	73,904	66,718
2	Total liabilities outstanding, end of year, TIC	73,904	66,718	67,304
3	Change in liabilities, TIC (B2 - B1)	20,860	-7,186	586
4	Minus: Valuation adjustments including unrealized exchange rate gain or loss and other adjustments ¹	-1,492	-2,137	6,179
5	Plus: Financial intermediaries' accounts ²	43,683	-27,624	6,954
6	Plus: Supplemental source data ³	104,902	89,061	56,795
7	Plus: Other coverage adjustments ⁵	-265	11,101	13,986
8	Equals: Liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns, ITA (B3 - B4 + B5 + B6 + B7) (table 1, line 68)	170,672	67,489	72,142

1. Includes only unrealized gains or losses on foreign-currency-denominated assets and liabilities; there were no breaks in series in 2000, 2001, or 2002.

2. Financial intermediaries' accounts represent transactions between firms in a direct investment relationship (that is, between U.S. parents and their foreign affiliates or between U.S. affiliates and their foreign parent groups), where both the U.S. and foreign firms are classified in a finance industry, but they are not banks.

3. Includes supplemental transactions from the Bank of England, the Bank for International Settlements, and the Federal Reserve Board.

4. Includes supplemental insurance transactions and adjustments to avoid double counting U.S. claims on foreigners.

5. Includes supplemental futures trading transactions and adjustments to avoid double counting U.S. liabilities to foreigners.

Table 3. Relation of Claims on and Liabilities to Foreigners Reported by U.S. Banks in the International Transactions Accounts (ITA) to Treasury International Capital (TIC) Reporting System Data

[Millions of dollars]

Line		2000	2001	2002
	Claims			
	(Credits +; decrease in U.S. assets. Debits -; increase in U.S. assets.)			
A1	Total claims outstanding, beginning of year, TIC	1,033,128	1,176,786	1,350,682
2	Total claims outstanding, end of year, TIC	1,176,786	1,350,682	1,386,448
3	Change in claims, TIC (A1 - A2)	-143,658	-173,896	-35,766
4	Minus: Valuation adjustments including unrealized exchange rate gain or loss and other adjustments ¹	-15,207	-24,115	-10,548
5	Plus: Coverage adjustments including commercial paper and other adjustments ²	-20,206	14,836	3,861
6	Equals: Claims on foreigners reported by U.S. banks, not included elsewhere, ITA (A3 - A4 + A5) (table 1, line 54)	-148,657	-134,945	-21,357
	Liabilities			
	(Credits +; increase in U.S. liabilities. Debits -; decrease in U.S. liabilities.)			
B1	Total liabilities outstanding, beginning of year, TIC	1,527,622	1,621,972	1,717,241
2	Total liabilities outstanding, end of year, TIC	1,621,972	1,717,241	1,899,058
3	Change in liabilities, TIC (B2 - B1)	94,350	95,269	181,817
4	Minus: Valuation adjustments including unrealized exchange rate gain or loss and other adjustments ¹	3,420	19,239	9,879
5	Plus: Coverage adjustments including short-term U.S. Treasury obligations and other adjustments ³	31,787	12,371	-63,218
6	Equals: Liabilities to foreigners reported by U.S. banks, not included elsewhere, ITA (B3 - B4 + B5) (table 1, lines 61 + 69)	122,717	88,401	108,720
7	Liabilities to foreign official agencies (table 1, line 61)	5,746	-29,978	17,594
8	Liabilities to other foreigners (table 1, line 69)	116,971	118,379	91,126

1. Includes adjustments for breaks in series and, in line A4, claims on foreigners written off by U.S. reporters.

2. Includes adjustments for supplemental transactions in foreign commercial paper and other instruments.

3. Includes adjustments for transactions that are included in other international transactions accounts, including transactions in short-term U.S. Treasury obligations and in other liabilities held in custody by U.S. reporters.