



## NEWS RELEASE



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### **U.S. Net International Investment Position at Yearend 2006**

The U.S. net international investment position at yearend 2006 was -\$2,539.6 billion (preliminary), as the value of foreign investments in the United States continued to exceed the value of U.S. investments abroad (table 1). At yearend 2005, the U.S. net international investment position was -\$2,238.4 billion (revised). The U.S. net international investment position includes newly introduced comprehensive estimates of U.S. cross-border transactions and positions in financial derivatives (see box below).

The -\$301.3 billion change in the U.S. net investment position from yearend 2005 to yearend 2006 was largely due to especially strong net foreign purchases of U.S. securities. The impact of these net purchases was partly offset by price appreciation of U.S.-held foreign stocks that surpassed by a large amount price appreciation of foreign-held U.S. stocks, and by exchange-rate changes resulting from the appreciation of most major foreign currencies against the U.S. dollar, which raised the dollar value of U.S.-owned assets abroad.

#### **Introduction of Comprehensive Data on Financial Derivatives**

BEA is incorporating newly available, comprehensive data on financial derivatives into the U.S. international investment position. Data are available for derivatives positions at yearend 2005 and 2006 and for derivatives transactions (financial flows) in 2006. Derivatives positions with a positive value to U.S. residents are recorded as part of U.S.-owned assets abroad, and derivatives positions with a negative value to U.S. residents are recorded as part of foreign-owned assets in the United States. Derivatives transactions (financial flows) are reported on a net basis and cannot be separated into transactions for positions with positive value and positions with negative value. A discussion of the comprehensive data will appear in the July issue of the *Survey of Current Business*.

The new data are the result of a multiyear effort by the U.S. Treasury Department, the Federal Reserve Board, the Federal Reserve Bank of New York, and BEA to close a major gap in the international investment position and international transactions accounts.

NOTE: This news release is available on BEA's Web site at [www.bea.gov/newsreleases/rels.htm](http://www.bea.gov/newsreleases/rels.htm).

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The following are highlights for 2006:

- Foreign acquisitions of financial assets in the United States, excluding financial derivatives, were \$1,859.6 billion in 2006, up from \$1,204.2 billion in 2005. Both net foreign official purchases of U.S. securities and net foreign private purchases of U.S. securities other than Treasury securities were especially strong; increases in liabilities reported by U.S. banks and U.S. nonbanks accelerated from last year's pace; and foreign direct investment in the United States picked up.
- U.S. acquisitions of financial assets abroad, excluding financial derivatives, were \$1,055.2 billion in 2006, up from \$426.9 billion in 2005. U.S. direct investment abroad rebounded strongly; increases in claims reported by U.S. banks and U.S. nonbanks accelerated from last year's pace; and net U.S. purchases of foreign securities were a record.
- Price appreciation in most foreign stock markets substantially increased the value of U.S. holdings of foreign corporate stocks. Price appreciation in the U.S. stock market also increased the value of foreign holdings of U.S. corporate stocks, but by a much smaller amount.
- Appreciation of most major foreign currencies against the U.S. dollar from yearend 2005 to yearend 2006 raised the dollar value of U.S.-owned assets abroad, especially the value of U.S.-owned foreign corporate stocks.

U.S.-owned assets abroad increased \$2,178.7 billion to \$13,755.0 billion.

U.S. holdings of foreign securities increased \$1,086.4 billion to \$5,432.3 billion. Holdings of foreign stocks increased as a result of large price appreciation, foreign-currency appreciation, and net U.S. purchases. Holdings of foreign bonds increased mostly as a result of net U.S. purchases.

The stock of U.S. direct investment abroad at current cost increased \$320.4 billion to \$2,855.6 billion, mostly as a result of net financial flows (see box on page 3).

Claims on foreigners reported by U.S. banks increased \$583.4 billion to \$3,089.0 billion.

Claims on unaffiliated foreigners reported by U.S. nonbanking concerns increased \$114.4 billion to \$848.5 billion.

U.S. holdings of financial derivatives with positive fair value increased \$47.5 billion to \$1,237.6 billion.

U.S. official reserve assets increased \$31.8 billion to \$219.9 billion.

Foreign-owned assets in the United States increased \$2,479.9 billion to \$16,294.6 billion.

Foreign official assets in the United States increased \$463.9 billion to \$2,770.2 billion. Net foreign purchases of U.S. Government securities accounted for most of the increase.

Foreign private holdings of U.S. securities other than U.S. Treasury securities increased \$875.5 billion to \$5,228.5 billion. Foreign holdings of U.S. bonds increased mostly as a result of strong net foreign purchases. Foreign holdings of U.S. stocks increased as a result of price appreciation and net foreign purchases.

U.S. liabilities to private foreigners and international financial institutions reported by U.S. banks increased \$717.3 billion to \$3,319.0 billion.

The stock of foreign direct investment in the United States at current cost increased \$231.2 billion to \$2,099.4 billion, mostly as a result of net financial flows (see box below).

Liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns increased \$182.5 billion to \$740.4 billion.

U.S. holdings of financial derivatives with negative fair value increased \$46.5 billion to \$1,178.6 billion.

U.S. currency held by foreigners increased \$12.6 billion to \$364.3 billion.

Foreign private holdings of U.S. Treasury securities decreased \$49.6 billion to \$594.2 billion, mostly as a result of net foreign sales.

#### **Valuation Methods for Direct Investment**

Direct investment at current cost is BEA's featured measure of direct investment in current-period prices. 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.

Direct investment at market value is an alternative measure of direct investment in current-period prices. 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 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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## Revisions

The previously published U.S. net international investment position at yearend 2005 was -\$2,693.8 billion. The revised position estimates reflect newly introduced comprehensive data on U.S. cross-border transactions and positions in financial derivatives; the new data begin with the 2005 yearend position. U.S. holdings of foreign securities for 2005 were revised to incorporate results from the U.S. Treasury Department's annual survey of securities claims for December 2005. Foreign holdings of U.S. Treasury securities, other U.S. securities, and short-term instruments reported by U.S. banks were revised for 2004-2005 to incorporate results from the U.S. Treasury Department's annual surveys of securities liabilities for June 2005 (revised) and June 2006.

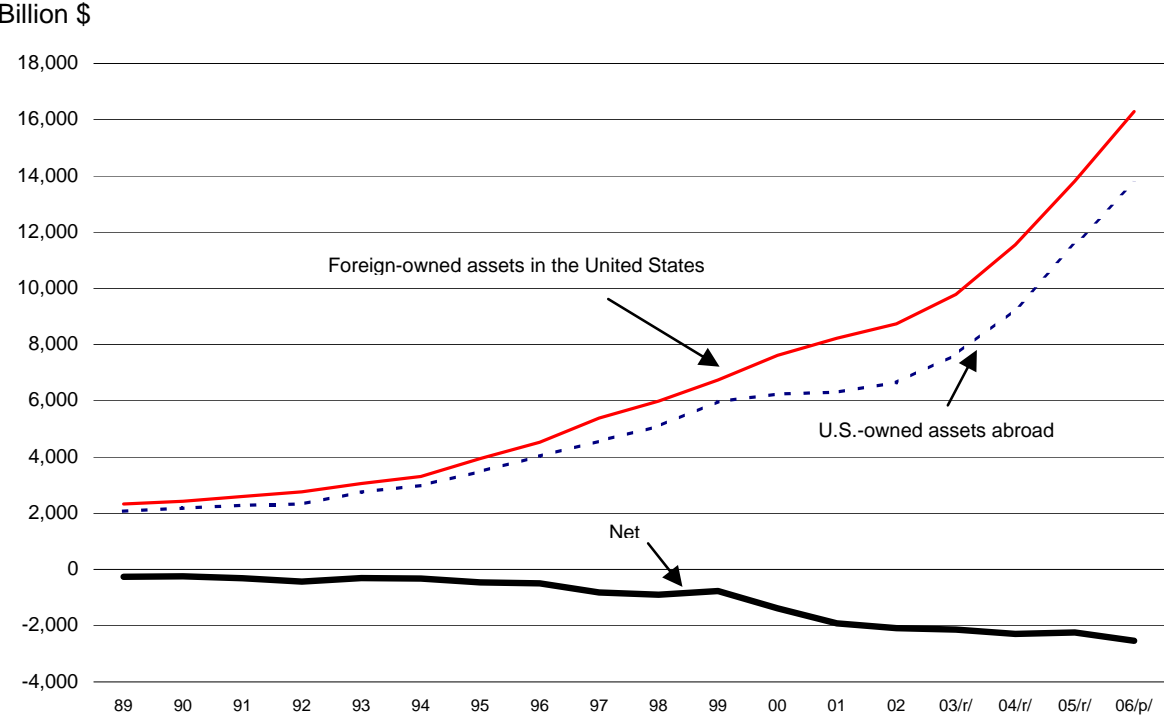
In addition to the above improvements, all estimates were revised as a result of newly available or revised quarterly source data. Revisions attributable to these updated source data were for 2003-2005. The net result of revisions from all sources raised the value of U.S. assets abroad relative to the value of foreign assets in the United States for 2004-2005. For 2003, the net result of revisions from all sources lowered the value of U.S. assets abroad relative to the value of foreign assets in the United States.

A more detailed discussion of the U.S. net international investment position at yearend 2006 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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BEA's national, international, regional, and industry estimates; the *Survey of Current Business*; and BEA news releases are available without charge on BEA's Web site at [www.bea.gov](http://www.bea.gov). By visiting the site, you can also subscribe to receive free e-mail summaries of BEA releases and announcements.

# Net International Investment Position of the United States at Yearend, 1989 - 2006



p Preliminary

r Revised

Source: Bureau of Economic Analysis

**Table 1. International Investment Position of the United States at Yearend, 2005 and 2006**  
[Millions of dollars]

| Line              | Type of investment  | Position,<br>2005 <sup>r</sup> | Changes in position in 2006 (decrease (-), increase (+)) |                         |  |                                      |                    | Position,<br>2006 <sup>p</sup> |
|-------------------|---|--------------------------------|--|-------------------------|--|--------------------------------------|--------------------|--------------------------------|
|                   |   |                                | Attributable to:   |                         |  |                                      | Total<br>(a+b+c+d) |                                |
|                   |   |                                | Valuation adjustments                                    |                         |  |                                      |                    |                                |
|                   |   |                                | Financial<br>flows<br>(a)                                | Price<br>changes<br>(b) | Exchange-<br>rate<br>changes <sup>1</sup><br>(c) | Other<br>changes <sup>2</sup><br>(d) |                    |                                |
| <b>1</b>          | <b>Net international investment position of the United States (lines 2+3).....</b>                | <b>-2,238,359</b>              | <b>-833,183</b>  | <b>347,585</b>          | <b>220,653</b>                                   | <b>-36,325</b>                       | <b>-301,270</b>    | <b>-2,539,629</b>              |
| 2                 | Financial derivatives, net (line 5 less line 25) <sup>3</sup> .....                               | 57,915                         | -28,762  | ( <sup>4</sup> )        | ( <sup>4</sup> )                                 | <sup>4</sup> 29,782                  | 1,020              | 58,935                         |
| 3                 | Net international investment position, excluding financial derivatives (line 6 less line 26)..... | -2,296,274                     | -804,421   | 347,585                 | 220,653  | -66,107                              | -302,290           | -2,598,564                     |
| <b>4</b>          | <b>U.S.-owned assets abroad (lines 5+6).....</b>  | <b>11,576,336</b>              | <b>(<sup>5</sup>)</b>                                    | <b>(<sup>5</sup>)</b>   | <b>(<sup>5</sup>)</b>                            | <b>(<sup>5</sup>)</b>                | <b>2,178,654</b>   | <b>13,754,990</b>              |
| 5                 | Financial derivatives, gross positive fair value.....   | 1,190,029                      | ( <sup>5</sup> )   | ( <sup>5</sup> )        | ( <sup>5</sup> )                                 | ( <sup>5</sup> )                     | 47,535             | 1,237,564                      |
| 6                 | U.S.-owned assets abroad, excluding financial derivatives (lines 7+12+17).....                    | 10,386,307                     | 1,055,176  | 675,909                 | 268,603  | 131,431                              | 2,131,119          | 12,517,426                     |
| 7                 | U.S. official reserve assets.....   | 188,043                        | -2,374   | 31,123                  | 3,092  | -31                                  | 31,810             | 219,853                        |
| 8                 | Gold.....   | 134,175                        | 0  | <sup>5</sup> 31,123     | .....  | <sup>6</sup> -31                     | 31,092             | 165,267                        |
| 9                 | Special drawing rights.....   | 8,210                          | 223  | .....                   | 437  | 0                                    | 660                | 8,870                          |
| 10                | Reserve position in the International Monetary Fund.....  | 8,036                          | -3,331   | .....                   | 335  | 0                                    | -2,996             | 5,040                          |
| 11                | Foreign currencies.....   | 37,622                         | 734  | .....                   | 2,320  | 0                                    | 3,054              | 40,676                         |
| 12                | U.S. Government assets, other than official reserve assets.....                                   | 77,523                         | -5,346   | .....                   | .....  | 12                                   | -5,334             | 72,189                         |
| 13                | U.S. credits and other long-term assets <sup>7</sup> .....  | 76,960                         | -5,337   | .....                   | .....  | 12                                   | -5,325             | 71,635                         |
| 14                | Repayable in dollars.....   | 76,687                         | -5,337   | .....                   | .....  | 12                                   | -5,325             | 71,362                         |
| 15                | Other <sup>8</sup> .....  | 273                            | 0  | .....                   | .....  | .....                                | 0                  | 273                            |
| 16                | U.S. foreign currency holdings and U.S. short-term assets.....                                    | 563                            | -9   | .....                   | .....  | .....                                | -9                 | 554                            |
| 17                | U.S. private assets.....  | 10,120,741                     | 1,062,896  | 644,786                 | 265,511  | 131,450                              | 2,104,643          | 12,225,384                     |
| 18                | Direct investment at current cost.....  | 2,535,188                      | 235,358  | 46,009                  | 39,188   | -124                                 | 320,431            | 2,855,619                      |
| 19                | Foreign securities.....   | 4,345,884                      | 289,422  | 598,777                 | 198,181  | 0                                    | 1,086,380          | 5,432,264                      |
| 20                | Bonds.....  | 1,028,179                      | 150,884  | -12,032                 | 13,727   | 0                                    | 152,579            | 1,180,758                      |
| 21                | Corporate stocks.....   | 3,317,705                      | 138,538  | 610,809                 | 184,454  | 0                                    | 933,801            | 4,251,506                      |
| 22                | U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns.....                  | 734,034                        | 83,531   | .....                   | 13,075   | 17,824                               | 114,430            | 848,464                        |
| 23                | U.S. claims reported by U.S. banks, not included elsewhere.....                                   | 2,505,635                      | 454,585  | .....                   | 15,067   | 113,750                              | 583,402            | 3,089,037                      |
| <b>24</b>         | <b>Foreign-owned assets in the United States (lines 25+26).....</b>                               | <b>13,814,695</b>              | <b>(<sup>9</sup>)</b>                                    | <b>(<sup>9</sup>)</b>   | <b>(<sup>9</sup>)</b>                            | <b>(<sup>9</sup>)</b>                | <b>2,479,924</b>   | <b>16,294,619</b>              |
| 25                | Financial derivatives, gross negative fair value.....   | 1,132,114                      | ( <sup>9</sup> )   | ( <sup>9</sup> )        | ( <sup>9</sup> )                                 | ( <sup>9</sup> )                     | 46,515             | 1,178,629                      |
| 26                | Foreign-owned assets in the United States, excluding financial derivatives (lines 27+34).....     | 12,682,581                     | 1,859,597  | 328,324                 | 47,950   | 197,538                              | 2,433,409          | 15,115,990                     |
| 27                | Foreign official assets in the United States.....   | 2,306,292                      | 440,264  | 20,840                  | .....  | 2,769                                | 463,873            | 2,770,165                      |
| 28                | U.S. Government securities.....   | 1,725,193                      | 380,734  | -8,563                  | .....  | 7,332                                | 379,503            | 2,104,696                      |
| 29                | U.S. Treasury securities.....   | 1,340,598                      | 189,181  | -8,600                  | .....  | -411                                 | 180,170            | 1,520,768                      |
| 30                | Other.....  | 384,595                        | 191,553  | 37                      | .....  | 7,743                                | 199,333            | 583,928                        |
| 31                | Other U.S. Government liabilities <sup>9</sup> .....  | 15,866                         | 3,133  | .....                   | .....  | 0                                    | 3,133              | 18,999                         |
| 32                | U.S. liabilities reported by U.S. banks, not included elsewhere.....                              | 296,647                        | 22,040   | .....                   | .....  | -22,000                              | 40                 | 296,687                        |
| 33                | Other foreign official assets.....  | 268,586                        | 34,357   | 29,403                  | .....  | 17,437                               | 81,197             | 349,783                        |
| 34                | Other foreign assets.....   | 10,376,289                     | 1,419,333  | 307,484                 | 47,950   | 194,769                              | 1,969,536          | 12,345,825                     |
| 35                | Direct investment at current cost.....  | 1,868,245                      | 180,580  | 32,495                  | 3,916  | 14,190                               | 231,181            | 2,099,426                      |
| 36                | U.S. Treasury securities.....   | 643,793                        | -35,931  | -9,233                  | .....  | -4,386                               | -49,550            | 594,243                        |
| 37                | U.S. securities other than U.S. Treasury securities.....  | 4,352,998                      | 591,951  | 284,222                 | 25,419   | -26,054                              | 875,538            | 5,228,536                      |
| 38                | Corporate and other bonds.....  | 2,243,135                      | 449,194  | -12,143                 | 25,419   | -15,789                              | 446,681            | 2,689,816                      |
| 39                | Corporate stocks.....   | 2,109,863                      | 142,757  | 296,365                 | .....  | -10,265                              | 428,857            | 2,538,720                      |
| 40                | U.S. currency.....  | 351,706                        | 12,571   | .....                   | .....  | 0                                    | 12,571             | 364,277                        |
| 41                | U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.....             | 557,840                        | 235,769  | .....                   | 9,605  | -62,849                              | 182,525            | 740,365                        |
| 42                | U.S. liabilities reported by U.S. banks, not included elsewhere.....                              | 2,601,707                      | 434,393  | .....                   | 9,010  | 273,868                              | 717,271            | 3,318,978                      |
| <b>Memoranda:</b> |   |                                |  |                         |  |                                      |                    |                                |
| 43                | Direct investment abroad at market value.....   | 3,570,252                      | 235,358  | 393,709                 | 179,732  | -1,221                               | 807,578            | 4,377,830                      |
| 44                | Direct investment in the United States at market value.....                                       | 2,806,029                      | 180,580  | 226,483                 | .....  | 9,387                                | 416,450            | 3,222,479                      |

p Preliminary  
r Revised  
..... Not applicable

1. Represents gains or losses on foreign-currency-denominated assets and liabilities due to their revaluation at current exchange rates.
2. Includes changes in coverage, capital gains and losses of direct investment affiliates, and other adjustments to the value of assets and liabilities.
3. Financial flows and valuation adjustments for financial derivatives are available only on a net basis; they are not separately available for gross positive fair values and gross negative fair values of financial derivatives. Consequently, financial flows and valuation adjustments for financial derivatives are shown only on line 2; columns (a) through (d) on lines 4, 5 and 24, 25 are not available.
4. Data are not separately available for the three types of valuation adjustments; therefore, the sum of all three types is shown in column (d). Price changes result from changes in the value of derivatives contracts due to changes in the value of their underlying assets or reference rates, which may arise from movements in interest rates, stock prices, commodity prices, or other variables. Exchange-rate changes result from the revaluation of foreign-currency-denominated derivatives contracts at current exchange rates. "Other changes" can result when data on investment positions that had accumulated in prior periods are covered by a new or more complete survey.
5. Reflects changes in the value of the official gold stock due to fluctuations in the market price of gold.
6. Reflects changes in gold stock from U.S. Treasury sales of gold medallions and commemorative and bullion coins; also reflects replenishment through open market purchases. These demonetizations/monetizations are not included in international transactions financial flows.
7. Also includes paid-in capital subscriptions to international financial institutions and outstanding amounts of miscellaneous claims that have been settled through international agreements to be payable to the U.S. Government over periods in excess of 1 year. Excludes World War I debts that are not being serviced.
8. Includes indebtedness that the borrower may contractually, or at its option, repay with its currency, with a third country's currency, or by delivery of materials or transfer of services.
9. Primarily U.S. Government liabilities associated with military sales contracts and other transactions arranged with or through foreign official agencies.

Source: Bureau of Economic Analysis