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NEWS RELEASE

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U.S. Net International Investment Position at Yearend 2009

The U.S. net international investment position at yearend 2009 was -$2,737.8 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 2008, the U.S. net international investment position was -$3,493.9 billion (revised).

The $756.0 billion change in the U.S. net investment position from yearend 2008 to yearend 2009 reflected (1) price appreciation of U.S.-held foreign stocks that surpassed the price appreciation of foreign-held U.S. stocks, (2) appreciation of most major currencies against the U.S. dollar that raised the dollar value of U.S.-owned assets abroad, and (3) "other" changes (such as changes in reporting panels and capital gains and losses from the sales of direct investment assets) that raised the value of U.S.-owned assets abroad more than the value of foreign-owned assets in the United States. The impact of these differences was partly offset by net foreign acquisitions of financial assets in the United States that exceeded net U.S. acquisitions of financial assets abroad.

The following are highlights for 2009:

- Foreign acquisitions of financial assets in the United States, excluding financial derivatives, were $305.7 billion in 2009, down from $454.7 billion in 2008. In 2009, foreign residents, including foreign official institutions, purchased more U.S. Treasury securities and U.S. stocks than they sold, and foreign direct investment in the United States increased. These financial inflows were partly offset by a decrease in U.S. banks' liabilities to foreign residents and by foreign residents' net sales of U.S. corporate and agency bonds.

- U.S. acquisitions of financial assets abroad, excluding financial derivatives, were $140.5 billion in 2009, a shift from $156.1 billion in net sales of assets in 2008. In 2009, U.S. banks' claims against foreign residents and U.S. direct investment abroad increased, and U.S. residents bought more foreign securities than they sold. These financial outflows were partly offset by a decrease in U.S. government assets resulting from the reversal of currency swaps between the U.S. Federal Reserve System and foreign central banks, and by a decrease in U.S. nonbanks' claims against foreign residents.

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

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- U.S. holdings of financial derivatives as assets (with positive gross fair value) decreased $2,615.4 billion, and as liabilities (with negative gross fair value) decreased $2,583.7 billion. These large changes are mainly due to decreases in U.S. claims and liabilities from interest-rate and credit-default swap contracts. Because changes to U.S. assets and liabilities are offsetting, they have little impact on the U.S. net investment position.

- Price increases in most foreign stock markets raised the value of U.S. holdings of foreign stocks by a large amount. Price increases in the U.S. stock market also raised the value of foreign holdings of U.S. stocks, but by a smaller amount. In 2009, prices of financial assets such as stocks and corporate bonds rose sharply but prices of U.S. Treasury securities and agency bonds fell.

- Appreciation of most major foreign currencies against the U.S. dollar from yearend 2008 to yearend 2009 raised the dollar value of U.S.-owned assets abroad, especially the value of U.S.-owned foreign stocks.

<u>U.S.-owned assets abroad</u> decreased $865.8 billion to $18,379.1 billion.

U.S. holdings of financial derivatives as assets (with positive gross fair value) decreased $2,615.4 billion to $3,512.0 billion.

U.S. official reserve assets increased $110.1 billion to $403.8 billion, mostly as a result of price appreciation of U.S. gold stock and new allocations of special drawing rights to the United States by the International Monetary Fund. U.S. government assets other than official reserve assets decreased $541.3 billion to $82.8 billion, as a result of the reversal of swaps under temporary reciprocal currency arrangements between the U.S. and foreign central banks to provide dollar liquidity to foreign banks during the financial crisis.

The stock of U.S. direct investment abroad at current cost increased $308.4 billion to $4,051.2 billion, mostly as a result of reinvested earnings (see box on page 3).

U.S. holdings of foreign securities increased $1,485.3 billion to $5,471.0 billion, mainly due to increases in the prices of foreign stocks held by U.S. residents.

Claims on foreigners reported by U.S. banks increased $387.7 billion to $4,064.1 billion.

Claims on foreigners reported by U.S. nonbanks decreased $0.5 billion to $794.2 billion.

<u>Foreign-owned assets in the United States</u> decreased $1,621.8 billion to $21,116.9 billion.

U.S. holdings of financial derivatives as liabilities (with negative gross fair value) decreased $2,583.7 billion to $3,384.1 billion.

Foreign official assets in the United States increased $433.8 billion to $4,373.8 billion, mostly as a result of especially strong net foreign official purchases of U.S. Treasury securities.

Foreign private holdings of U.S. securities other than U.S. Treasury securities increased $666.4 billion to $5,287.2 billion, mainly due to increases in the prices of U.S. stocks held by foreign residents.

The stock of foreign direct investment in the United States at current cost increased $151.4 billion to $2,672.8 billion, mostly as a result of financial inflows (see box below).

The stock of U.S. currency abroad increased $12.6 billion to $313.8 billion.

Liabilities to private foreign residents reported by U.S. banks decreased $211.6 billion to $3,593.6 billion.

Liabilities to private foreign residents reported by U.S. nonbanks decreased $66.1 billion to $665.5 billion.

Foreign private holdings of U.S. Treasury securities decreased $24.7 billion to $826.2 billion.

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

Revisions to the U.S. international investment position statistics reflect the ongoing effort to modernize and enhance BEA's international economic accounts and newly available source data.

Modernization

BEA is completing the implementation of the latest international guidelines on the treatment of allocations of special drawing rights (SDRs) by including the reserve-related liabilities in "other U.S. government liabilities" (table 1, line 31). As a result, the U.S. international investment position statistics are revised for 1976-2008.

Permanent debt between affiliated banks, bank holding companies, and financial holding companies is reclassified from direct investment (table 1, lines 18 and 35) to U.S. claims and liabilities reported by U.S. banks and securities brokers (table 1, lines 23 and 42). Position statistics are revised for 2007 and 2008.

Newly available source data for 2007 and 2008

The revised position statistics for 2007 and 2008 also reflect new data from the annual surveys of multinational companies' operations as well as new and updated data from the quarterly surveys of direct investment, the shift of several U.S. nonbanking entities to bank holding companies at the end of 2008, the incorporation of results from the U.S. Treasury Department's annual survey of U.S. Ownership of Foreign Securities for December 2008, and the benchmark survey of Foreign-Residents' Holdings of U.S. Securities for June 2009.

The previously published U.S. net international investment position at yearend 2008 was -$3,469.2 billion. Revisions to the U.S. net international investment position from all sources were $224.2 billion for 2007 and -$24.6 billion for 2008.

A more detailed discussion of the U.S. net international investment position at yearend 2009 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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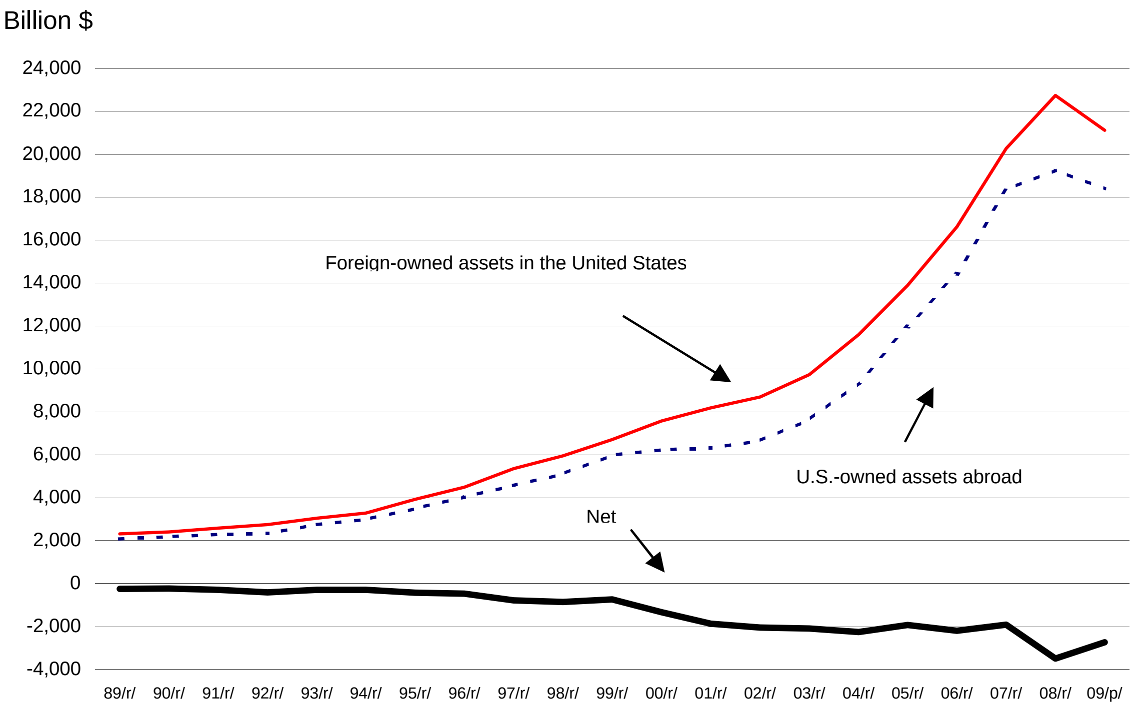
BEA's national, international, regional, and industry estimates; the *Survey of Current Business*; and BEA news releases are available without charge on BEA's Web site at www.bea.gov. By visiting the site, you can also subscribe to receive free e-mail summaries of BEA releases and announcements.

Net International Investment Position of the United States at Yearend, 1989 - 2009



p Preliminary

r Revised

Source: Bureau of Economic Analysis

Table 1. International Investment Position of the United States at Yearend, 2008 and 2009
[Millions of dollars]

Line	Type of investment	Position, 2008 [r]	Changes in position in 2009					Position, 2009 [p]
			Attributable to:				Total (a+b+c+d)	
			Financial flows (a)	Valuation adjustments				
				Price changes (b)	Exchange-rate changes [1] (c)	Other changes [2] (d)		
1	**Net international investment position of the United States (lines 2+3)**	**-3,493,882**	**-216,075**	**522,929**	**276,730**	**172,452**	**756,036**	**-2,737,846**
2	Financial derivatives, net (line 5 less line 25) [3]	159,635	-50,804	([4])	([4])	[4] 19,103	-31,701	127,934
3	Net international investment position, excluding financial derivatives (line 6 less line 26)	-3,653,517	-165,271	522,929	276,730	153,349	787,737	-2,865,780
4	**U.S.-owned assets abroad (lines 5+6)**	**19,244,875**	**([3])**	**([3])**	**([3])**	**([3])**	**-865,791**	**18,379,084**
5	Financial derivatives (gross positive fair value)	6,127,450	([3])	([3])	([3])	([3])	-2,615,443	3,512,007
6	U.S.-owned assets abroad, excluding financial derivatives (lines 7+12+17)	13,117,425	140,465	1,066,119	357,956	185,112	1,749,652	14,867,077
7	U.S. official reserve assets	293,732	52,256	56,941	875	0	110,072	403,804
8	Gold	227,439	0	[5] 56,941	.....	[6] 0	56,941	284,380
9	Special drawing rights	9,340	48,230	.....	244	0	48,474	57,814
10	Reserve position in the International Monetary Fund	7,683	3,357	.....	345	0	3,702	11,385
11	Foreign currencies	49,270	669	.....	286	0	955	50,225
12	U.S. Government assets, other than official reserve assets	624,100	-541,342	.....	(*)	17	-541,325	82,775
13	U.S. credits and other long-term assets [7]	69,877	1,936	.....	(*)	17	1,953	71,830
14	Repayable in dollars	69,604	1,936	.....	.....	17	1,953	71,557
15	Other [8]	273	0	.....	(*)	.....	0	273
16	U.S. foreign currency holdings and U.S. short-term assets [9]	554,222	-543,278	.....	(*)	.....	-543,278	10,944
17	U.S. private assets	12,199,593	629,552	1,009,178	357,081	185,095	2,180,906	14,380,499
18	Direct investment at current cost	3,742,835	268,680	-12,201	79,124	-27,247	308,356	4,051,191
19	Foreign securities	3,985,712	208,213	1,021,379	255,694	0	1,485,286	5,470,998
20	Bonds	1,237,284	144,909	84,123	27,269	0	256,301	1,493,585
21	Corporate stocks	2,748,428	63,304	937,256	228,425	0	1,228,985	3,977,413
22	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns	794,699	-124,428	.....	8,404	115,550	-474	794,225
23	U.S. claims reported by U.S. banks and securities brokers, not included elsewhere	3,676,347	277,087	.....	13,859	96,792	387,738	4,064,085
24	**Foreign-owned assets in the United States (lines 25+26)**	**22,738,757**	**([3])**	**([3])**	**([3])**	**([3])**	**-1,621,827**	**21,116,930**
25	Financial derivatives (gross negative fair value)	5,967,815	([3])	([3])	([3])	([3])	-2,583,742	3,384,073
26	Foreign-owned assets in the Unites States, excluding financial derivatives (lines 27+34)	16,770,942	305,736	543,190	81,226	31,763	961,915	17,732,857
27	Foreign official assets in the United States	3,939,998	450,030	-13,584	219	-2,824	433,841	4,373,839
28	U.S. Government securities	3,264,139	441,056	-104,274	.....	-8,524	328,258	3,592,397
29	U.S. Treasury securities	2,400,516	561,125	-92,297	.....	1,708	470,536	2,871,052
30	Other	863,623	-120,069	-11,977	.....	-10,232	-142,278	721,345
31	Other U.S. Government liabilities [10]	40,577	57,971	.....	219	0	58,190	98,767
32	U.S. liabilities reported by U.S. banks and securities brokers, not included elsewhere	252,608	-70,851	.....	.....	5,700	-65,151	187,457
33	Other foreign official assets	382,674	21,854	90,690	.....	0	112,544	495,218
34	Other foreign assets	12,830,944	-144,294	556,774	81,007	34,587	528,074	13,359,018
35	Direct investment at current cost	2,521,353	134,707	-5,761	3,560	18,927	151,433	2,672,786
36	U.S. Treasury securities	850,921	22,781	-47,510	.....	0	-24,729	826,192
37	U.S. securities other than U.S. Treasury securities	4,620,798	59	610,045	56,261	0	666,365	5,287,163
38	Corporate and other bonds	2,770,606	-136,296	150,665	56,261	0	70,630	2,841,236
39	Corporate stocks	1,850,192	136,355	459,380	.....	0	595,735	2,445,927
40	U.S. currency	301,139	12,632	.....	.....	0	12,632	313,771
41	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns	731,539	-1,460	.....	4,638	-69,240	-66,062	665,477
42	U.S. liabilities reported by U.S. banks and securities brokers, not included elsewhere	3,805,194	-313,013	.....	16,548	84,900	-211,565	3,593,629
	Memoranda:							
43	Direct investment abroad at market value	3,103,704	268,680	737,062	194,222	-817	1,199,147	4,302,851
44	Direct investment in the United States at market value	2,552,572	134,707	422,683	.....	10,621	568,011	3,120,583

p Preliminary
r Revised
* Less than $500,000 (+/-)
..... 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 due to year-to-year changes in the composition of reporting panels, primarily for bank and nonbank estimates, and to the incorporation of survey results. Also includes capital gains and losses of direct investment affiliates and changes in positions that cannot be allocated to financial flows, price changes, or exchange-rate changes.
3. Financial flows and valuation adjustments for financial derivatives are available only on a net basis, which is shown on line 2; they are not separately available for gross positive fair values and gross negative fair values of financial derivatives. Consequently, 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).
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. Includes foreign-currency-denominated assets obtained through temporary reciprocal currency arrangements between the Federal Reserve System and foreign central banks. These assets are included in the investment position at the dollar value established at the time they were received, reflecting the valuation of these assets in the Federal Reserve System's balance sheet. The movement of exchange rates does not affect this valuation.
10. Includes U.S. government liabilities associated with military sales contracts and U.S. government reserve-related liabilities from allocations of special drawing rights (SDRs).

Source: Bureau of Economic Analysis