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U.S. Net International Investment Position at Yearend 2010

The U.S. net international investment position at yearend 2010 was -$2,471.0 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 2009, the U.S. net international investment position was -$2,396.4 billion (revised).

The -$74.6 billion change in the U.S. net investment position from yearend 2009 to yearend 2010 primarily reflected net foreign acquisitions of financial assets in the United States that exceeded net U.S. acquisitions of financial assets abroad. The impact of these financial flows was partly offset by the net change in valuation adjustments, which include price changes, exchange-rate changes, and other changes such as more complete source data.

The following are highlights for 2010:

- Foreign acquisitions of financial assets in the United States, excluding financial derivatives, were $1,245.7 billion in 2010, up substantially from $335.8 billion in 2009. In 2010, foreign residents including foreign official institutions purchased more U.S. securities than they sold, especially Treasury securities. Foreign direct investment in the United States and U.S. banks' and nonbanks' liabilities to foreign residents also increased.

- U.S. acquisitions of financial assets abroad, excluding financial derivatives, were $1,005.2 billion in 2010, up substantially from $139.3 billion in 2009. In 2010, both 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 small decreases in U.S. government assets and in U.S. nonbanks' claims against foreign residents.

- U.S. holdings of financial derivatives as assets (with positive gross fair value) increased $152.1 billion, and as liabilities (with negative gross fair value) increased $176.5 billion. These changes were mainly due to increases in U.S. claims and liabilities from single-currency interest rate and foreign exchange contracts that more than offset decreases from other contracts, mostly credit-default swaps. Because changes to U.S. assets and

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liabilities were mostly offsetting, they had little impact on the U.S. net investment position.

- Price changes led to an $81.5 billion change in the U.S. net international investment position. In 2010, worldwide prices of financial assets such as stocks, bonds, and government securities including U.S. Treasury securities increased, raising the value of both U.S. holdings of foreign securities and foreign holdings of U.S. securities by comparable amounts. These changes in financial asset prices were largely offsetting and the net price change for the net U.S. investment position was mostly attributable to changes in the value of the U.S. gold stock as market prices of gold reached historical highs.

- Exchange-rate changes led to a -$39.6 billion change in the U.S. net international investment position. Depreciation of some major foreign currencies against the U.S. dollar from yearend 2009 to yearend 2010 lowered the dollar value of U.S.-owned assets abroad slightly more than the dollar value of foreign-currency-denominated U.S. liabilities.

- Other changes led to a $137.9 billion change in the U.S. net international investment position. In 2010, other valuation changes included more complete reporting of the Treasury International Capital position data by banks and nonbanks, capital gains and losses from the sale of direct investment assets, and adjustments to source data.

<u>U.S.-owned assets abroad</u> increased $1,828.3 billion to $20,315.4 billion.

U.S. holdings of financial derivatives as assets (with positive gross fair value) increased $152.1 billion to $3,652.9 billion.

U.S. official reserve assets increased $84.9 billion to $488.7 billion, mostly as a result of price appreciation of the U.S. gold stock. In contrast, U.S. government assets other than official reserve assets decreased $7.5 billion to $75.2 billion, as a result of decreases in U.S. foreign currency holdings.

The stock of U.S. direct investment abroad at current cost increased $361.9 billion to $4,429.4 billion, mostly as a result of very strong reinvested earnings (see the box on page 3).

U.S. holdings of foreign securities increased $657.2 billion to $6,222.9 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 $568.0 billion to $4,572.6 billion.

Claims on foreigners reported by U.S. nonbanks increased $11.8 billion to $873.7 billion.

Foreign-owned assets in the United States increased $1,902.9 billion to $22,786.3 billion.

U.S. holdings of financial derivatives as liabilities (with negative gross fair value) increased $176.5 billion to $3,542.5 billion.

Foreign official assets in the United States increased $460.9 billion to $4,863.6 billion, mostly as a result of relatively strong net foreign official purchases of U.S. Treasury securities.

Foreign private holdings of U.S. securities other than U.S. Treasury securities increased $540.2 billion to $5,860.1 billion, mainly due to increases in the prices of U.S. stocks held by foreign residents.

Foreign private holdings of U.S. Treasury securities increased $272.8 billion to $1,064.6 billion, mostly as a result of very strong net purchases.

The stock of foreign direct investment in the United States at current cost increased $217.2 billion to $2,658.9 billion, as a result of relatively strong financial inflows (see the box below).

Liabilities to private foreign residents reported by U.S. banks increased $166.6 billion to $3,706.7 billion.

Liabilities to private foreign residents reported by U.S. nonbanks increased $40.4 billion to $747.8 billion.

The stock of U.S. currency abroad increased $28.3 billion to $342.1 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. Statistics 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 2009 was -$2,737.8 billion. The revised position statistics reflect the incorporation of results from BEA's benchmark survey of foreign direct investment in the United States for 2007 and the U.S. Treasury Department's annual surveys of U.S. Ownership of Foreign Securities for December 2009 and Foreign-Residents' Holdings of U.S. Securities for June 2010.

In addition, the revisions reflect new and updated source data from the quarterly and annual surveys of direct investment, the Treasury International Capital reporting system, and other sources. Revisions to the U.S. net international investment position from all sources were $119.7 billion for 2007, $233.7 billion for 2008, and $341.4 billion for 2009.

A more detailed discussion of the U.S. net international investment position at yearend 2010 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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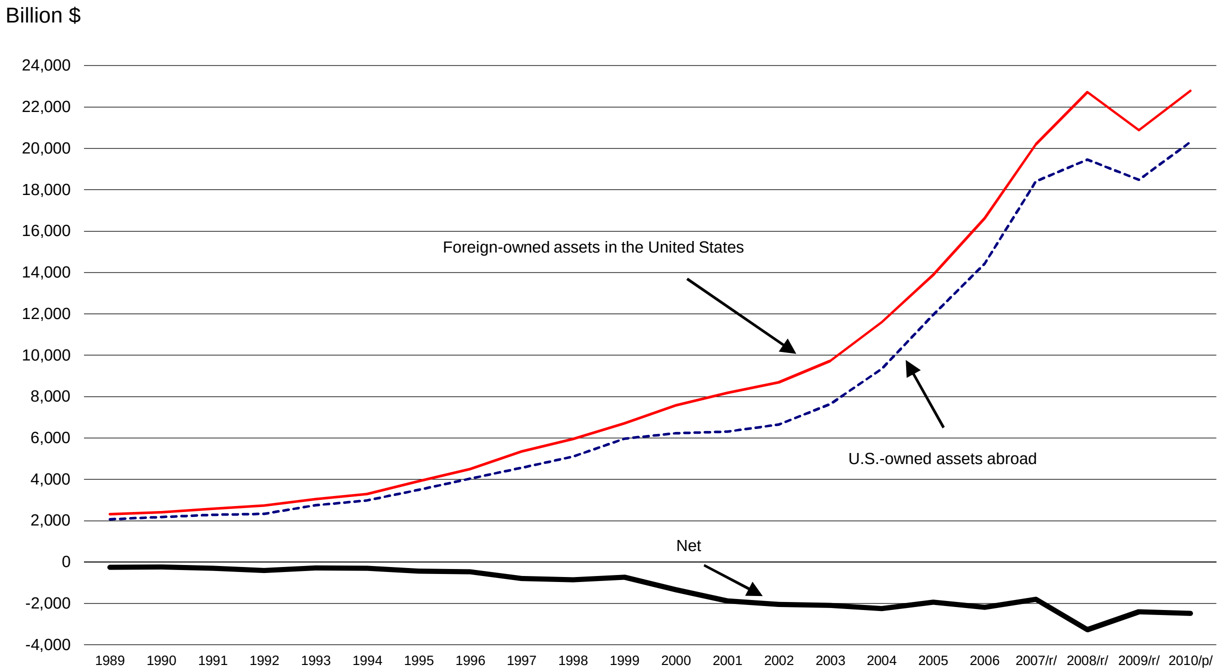
Net International Investment Position of the United States at Yearend, 1989 - 2010



p Preliminary
r Revised
Source: Bureau of Economic Analysis

Table 1. International Investment Position of the United States at Yearend, 2009 and 2010
[Millions of dollars]

Line	Type of investment	Position, 2009 [r]	Changes in position in 2010					Position, 2010 [p]
			Attributable to:				Total (a+b+c+d)	
			Financial flows (a)	Valuation adjustments: Price changes (b)	Valuation adjustments: Exchange-rate changes [1] (c)	Valuation adjustments: Other changes [2] (d)		
1	**Net international investment position of the United States (lines 2+3)**	**-2,396,426**	**-254,289**	**81,479**	**-39,633**	**137,880**	**-74,563**	**-2,470,989**
2	Financial derivatives, net (line 5 less line 25) [3]	134,749	-13,735	([4])	([4])	[4] -10,593	-24,328	110,421
3	Net international investment position, excluding financial derivatives (line 6 less line 26)	-2,531,175	-240,554	81,479	-39,633	148,473	-50,235	-2,581,410
4	**U.S.-owned assets abroad (lines 5+6)**	**18,487,042**	**([3])**	**([3])**	**([3])**	**([3])**	**1,828,317**	**20,315,359**
5	Financial derivatives (gross positive fair value)	3,500,786	([3])	([3])	([3])	([3])	152,123	3,652,909
6	U.S.-owned assets abroad, excluding financial derivatives (lines 7+12+17)	14,986,256	1,005,182	621,838	-51,673	100,847	1,676,194	16,662,450
7	U.S. official reserve assets	403,804	1,834	83,157	-122	0	84,869	488,673
8	Gold	284,380	0	[5] 83,157	.....	[6] 0	83,157	367,537
9	Special drawing rights	57,814	31	.....	-1,021	0	-990	56,824
10	Reserve position in the International Monetary Fund	11,385	1,293	.....	-186	0	1,107	12,492
11	Foreign currencies	50,225	510	.....	1,085	0	1,595	51,820
12	U.S. Government assets, other than official reserve assets	82,774	-7,540	.....	(*)	1	-7,539	75,235
13	U.S. credits and other long-term assets [7]	71,830	2,568	.....	(*)	1	2,569	74,399
14	Repayable in dollars	71,557	2,568	.....	.....	1	2,569	74,126
15	Other [8]	273	0	.....	(*)	.....	0	273
16	U.S. foreign currency holdings and U.S. short-term assets [9]	10,944	-10,108	.....	(*)	.....	-10,108	836
17	U.S. private assets	14,499,678	1,010,888	538,681	-51,551	100,846	1,598,864	16,098,542
18	Direct investment at current cost	4,067,501	351,350	-9,710	6,163	14,122	361,925	4,429,426
19	Foreign securities	5,565,636	151,916	548,391	-43,079	0	657,228	6,222,864
20	Bonds	1,570,341	72,785	98,087	-3,942	0	166,930	1,737,271
21	Corporate stocks	3,995,295	79,131	450,304	-39,137	0	490,298	4,485,593
22	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns	861,914	-7,421	.....	-9,551	28,725	11,753	873,667
23	U.S. claims reported by U.S. banks and securities brokers, not included elsewhere	4,004,627	515,043	.....	-5,084	57,999	567,958	4,572,585
24	**Foreign-owned assets in the United States (lines 25+26)**	**20,883,468**	**([3])**	**([3])**	**([3])**	**([3])**	**1,902,880**	**22,786,348**
25	Financial derivatives (gross negative fair value)	3,366,037	([3])	([3])	([3])	([3])	176,451	3,542,488
26	Foreign-owned assets in the Unites States, excluding financial derivatives (lines 27+34)	17,517,431	1,245,736	540,359	-12,040	-47,626	1,726,429	19,243,860
27	Foreign official assets in the United States	4,402,762	349,754	112,083	-976	0	460,861	4,863,623
28	U.S. Government securities	3,588,574	316,980	51,650	.....	0	368,630	3,957,204
29	U.S. Treasury securities	2,879,611	397,797	43,286	.....	0	441,083	3,320,694
30	Other	708,963	-80,817	8,364	.....	0	-72,453	636,510
31	Other U.S. Government liabilities [10]	99,095	12,124	.....	-976	0	11,148	110,243
32	U.S. liabilities reported by U.S. banks and securities brokers, not included elsewhere	187,482	-9,375	.....	.....	0	-9,375	178,107
33	Other foreign official assets	527,611	30,025	60,433	.....	0	90,458	618,069
34	Other foreign assets	13,114,669	895,982	428,276	-11,064	-47,626	1,265,568	14,380,237
35	Direct investment at current cost	2,441,705	236,226	-16,187	35	-2,847	217,227	2,658,932
36	U.S. Treasury securities	791,765	256,428	16,401	.....	0	272,829	1,064,594
37	U.S. securities other than U.S. Treasury securities	5,319,867	120,453	428,062	-8,289	0	540,226	5,860,093
38	Corporate and other bonds	2,825,591	-22,691	73,849	-8,289	0	42,869	2,868,460
39	Corporate stocks	2,494,276	143,144	354,213	.....	0	497,357	2,991,633
40	U.S. currency	313,771	28,319	.....	.....	0	28,319	342,090
41	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns	707,401	77,456	.....	-2,283	-34,779	40,394	747,795
42	U.S. liabilities reported by U.S. banks and securities brokers, not included elsewhere	3,540,160	177,100	.....	-527	-10,000	166,573	3,706,733
	Memoranda:							
43	Direct investment abroad at market value	4,330,914	351,350	144,877	13,526	2,658	512,411	4,843,325
44	Direct investment in the United States at market value	3,026,781	236,226	200,654	.....	-12,256	424,624	3,451,405

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 due to year-to-year shifts in the composition of reporting panels, primarily for bank and nonbank estimates, and to the incorporation of more comprehensive 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, 24, and 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