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U.S. Net International Investment Position at Yearend 2004

The U.S. net international investment position at yearend 2004 was -\$2,484.2 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 2003, the U.S. net international investment position was -\$2,156.7 billion (revised).

The -\$327.5 billion change in the net investment position from yearend 2003 to yearend 2004 was largely due to substantial net foreign purchases of U.S. Treasury securities and U.S. corporate bonds. The impact of these net purchases was partly offset by appreciation of most foreign currencies against the U.S. dollar, which raised the dollar value of U.S.-owned assets abroad, especially of U.S.-owned foreign stocks. In addition, increases in stock market prices raised the value of U.S. holdings of foreign stocks somewhat more than they raised the value of foreign holdings of U.S. stocks.

With direct investment valued at the current stock market value of owners' equity, the net investment position was -\$2,542.2 billion (preliminary) at yearend 2004, compared with -\$2,372.4 billion (revised) at yearend 2003. The -\$169.9 billion change in the net investment position on this basis resulted from the same factors as above. Price and exchange-rate changes were larger on this basis than with direct investment valued at current cost. Other highlights include:

- In regard to transactions, foreign acquisitions of assets in the United States were a record \$1,440.1 billion in 2004, up from \$889.0 billion in 2003. Foreign official acquisitions of assets were a record \$394.7 billion, following last year's record \$278.3 billion; acquisitions of U.S.

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Treasury securities were a record. Increases in liabilities reported by U.S. banks were a record \$322.6 billion, more than triple last year's increase and more than double the previous record in 1997. Net foreign purchases of U.S. securities other than U.S. Treasury securities were \$369.8 billion; net foreign purchases of U.S. bonds were a record \$309.3 billion and net foreign purchases of U.S. stocks were \$60.5 billion. Foreign direct investment in the United States rebounded, liabilities reported by U.S. nonbanks grew more strongly than in 2003, and net foreign purchases of U.S. Treasury securities by private foreigners were slightly higher.

- Also in regard to transactions, U.S. acquisitions of assets abroad were a record \$855.5 billion in 2004, up from \$328.4 billion in 2003. The increase was mostly accounted for by record increases in claims reported by U.S. banks and nonbanking concerns and a record increase in U.S. direct investment abroad. U.S. banks' claims increased \$356.1 billion, compared to a \$9.6 billion increase in 2003; U.S. nonbanks' claims increased \$149.0 billion, compared to a \$24.2 billion increase; and U.S. direct investment abroad increased \$252.0 billion, compared to \$140.6 billion. In contrast, net U.S. purchases of foreign securities decreased to \$102.4 billion from \$156.1 billion in 2003, as net U.S. purchases of both foreign stocks and bonds slowed.
- Price appreciation in most world stock markets increased the value of both foreign holdings of U.S. corporate stocks and U.S. holdings of foreign corporate stocks. Price appreciation of stocks also increased the value of owners' equity of foreign direct investment in the United States and of U.S. direct investment abroad on a market-value basis.
- Appreciation of most foreign currencies against the U.S. dollar from yearend 2003 to yearend 2004 raised the dollar value of all foreign-currency-denominated assets and liabilities, especially the value of U.S.-owned foreign corporate stocks and U.S. direct investment abroad.

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.

U.S.-owned assets abroad increased \$1,411.8 billion to \$9,052.8 billion with U.S. direct investment abroad valued at current cost, and they increased \$1,676.1 billion to \$9,972.8 billion with U.S. direct investment abroad valued at market value.

U.S. holdings of foreign securities increased \$482.9 billion to \$3,436.7 billion. Holdings of foreign stocks increased as a result of large price appreciation, exchange-rate appreciation of foreign currencies against the U.S. dollar, and net U.S. purchases. Holdings of foreign bonds increased as a result of exchange-rate appreciation, net U.S. purchases, and small price appreciation.

U.S. direct investment abroad valued at current cost increased \$304.8 billion to \$2,367.4 billion, mostly as a result of large financial outflows of \$252.0 billion. At market value, U.S. direct investment abroad increased \$569.2 billion to \$3,287.4 billion, reflecting large financial outflows, strong price appreciation of owners' equity resulting from an increase in foreign stock prices, and exchange-rate appreciation of foreign currencies against the U.S. dollar.

Claims on foreigners reported by U.S. banks increased \$414.7 billion to \$2,174.0 billion, mostly as a result of financial outflows of \$356.1 billion.

Claims on unaffiliated foreigners reported by U.S. nonbanking concerns increased \$204.6 billion to \$801.5 billion, mostly as a result of financial outflows of \$149.0 billion.

U.S. official reserve assets increased \$6.0 billion to \$189.6 billion.

Foreign-owned assets in the United States increased \$1,739.3 billion to \$11,537.0 billion with foreign direct investment in the United States valued at current cost, and they increased \$1,846.0 billion to \$12,515.0 billion with foreign direct investment in the United States valued at market value.

Foreign official assets in the United States increased \$414.9 billion to \$1,982.0 billion. The increase was largely attributable to net purchases of U.S. Treasury securities.

Foreign holdings of U.S. securities other than U.S. Treasury securities, excluding official holdings, increased \$579.7 billion to \$3,987.8 billion. Foreign holdings of U.S. stocks increased as a result of large price appreciation and modest net foreign purchases. Foreign holdings of U.S. bonds increased mostly as a result of net foreign purchases.

Foreign holdings of U.S. Treasury securities, excluding official holdings, increased \$96.5 billion to \$639.7 billion, mostly as a result of sizable net foreign purchases.

U.S. liabilities to private foreigners and international financial institutions reported by U.S. banks increased \$383.5 billion, to \$2,304.6 billion, mostly as a result of financial inflows of \$322.6 billion.

Liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns increased \$126.9 billion to \$581.3 billion, mostly as a result of financial inflows of \$124.4 billion.

Foreign direct investment in the United States valued at current cost increased \$123.0 billion to \$1,708.9 billion, mostly as a result of net financial inflows. At market value, foreign direct investment in the United States increased \$229.7 billion to \$2,686.9 billion, as a result of net financial inflows and price appreciation of owners' equity resulting from an increase in U.S. stock prices.

U.S. currency held by foreigners increased \$14.8 billion to \$332.7 billion.

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Revisions

The previously published net international investment position in 2003 was -\$2,430.7 billion with direct investment at current cost and -\$2,651.0 billion with direct investment at market value.

This year, the estimates of U.S. holdings of foreign securities for 2002-2003 were revised to incorporate results from the U.S. Treasury Department's Annual Survey of U.S. Portfolio Investment Abroad as of December 31, 2003. In addition, the estimates of U.S. holdings of foreign bonds for 1998-2001 were revised to incorporate revised data from the U.S. Treasury Department's Benchmark Survey of U.S. Portfolio Investment Abroad as of December 31, 2001. The estimates of foreign holdings of U.S. securities for 2002-2003 were revised to incorporate results from the U.S. Treasury Department's Benchmark Survey of Foreign Portfolio Investment in the United States as of June 30, 2004. The estimates of foreign holdings of U.S. corporate bonds and stocks for 2002-2003 also include the incorporation of results from the U.S. Treasury Department's Annual Survey of Foreign Portfolio Investment in the United States as of June 30, 2003. The estimates of short-term U.S. Treasury obligations and other short-term instruments reported by U.S. banks for 2001-2003 were revised to incorporate results from the U.S. Treasury Department's Benchmark Survey of Foreign Portfolio Investment in the United States as of June 30, 2004, as well as results from the annual surveys as of June 30, 2002 and June 30, 2003. The estimates of U.S. claims reported by U.S. banks for 1998-2003 were revised to incorporate new information on foreign commercial paper issued in the United States.

In addition to the above improvements, all estimates are revised as a result of newly available or revised quarterly source data. Revisions attributable to these updated source data are for 2001-2003. 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 recent years.

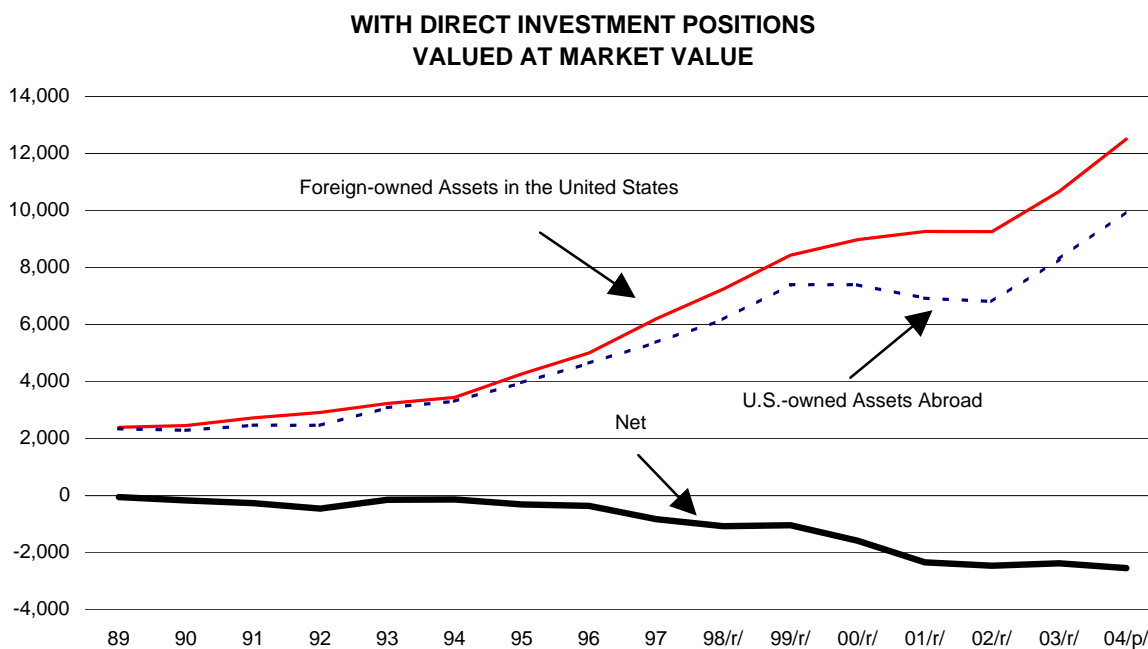
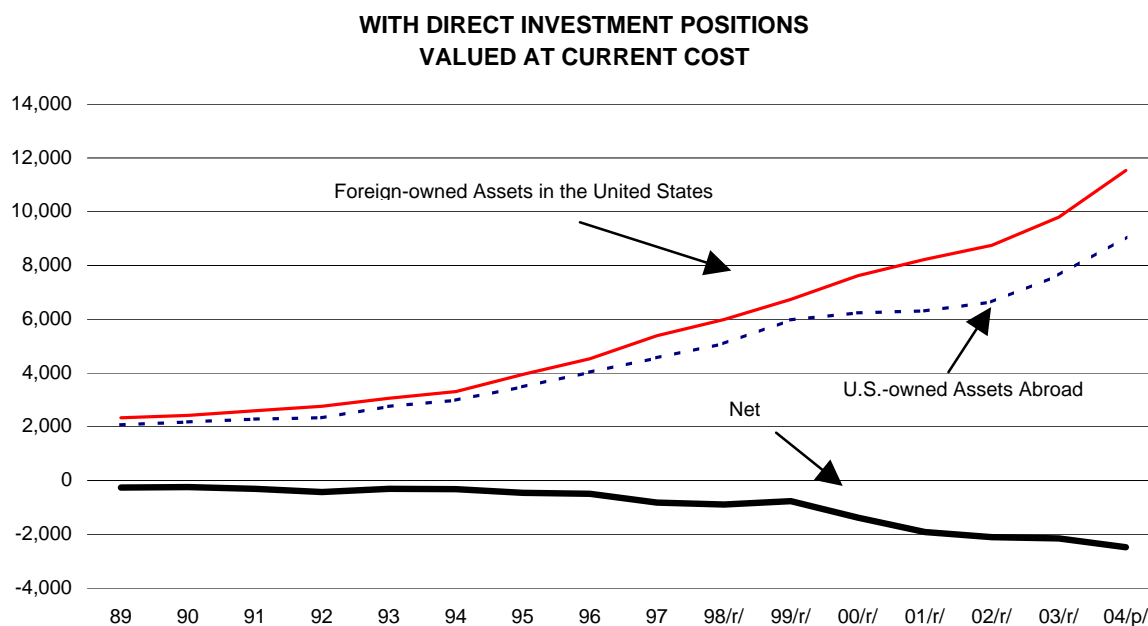
A more detailed discussion of the U.S. net international investment position in 2004 and revised historical data will appear in the July issue of the *Survey of Current Business*. That issue will also contain an article about historical-cost direct investment positions, with detail by country and industry, and revised direct investment historical data.

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Net International Investment Position of the United States at Yearend, 1989 - 2004

Billion \$



p Preliminary.

r Revised.

Source: Bureau of Economic Analysis

Table 1.--International Investment Position of the United States at Yearend, 2003 and 2004
[millions of dollars]

Line	Type of investment	Position, 2003 ^f	Changes in position in 2004 (decrease (-), increase (+))					Position, 2004 ^g
			Attributable to:				Total (a+b+c+d)	
			Financial flows (a)	Valuation adjustments				
				Price changes (b)	Exchange- rate changes ¹ (c)	Other changes ² (d)		
	Net international investment position of the United States:							
1	With direct investment positions at current cost (line 3 less line 24).....	-2,156,703	-584,597	57,253	190,726	9,102	-327,516	-2,484,219
2	With direct investment positions at market value (line 4 less line 25).....	-2,372,370	-584,597	146,514	272,278	-4,070	-169,875	-2,542,245
	U.S.-owned assets abroad:							
3	With direct investment positions at current cost (lines 5+10+15).....	7,640,986	855,508	227,413	228,630	100,259	1,411,810	9,052,796
4	With direct investment positions at market value (lines 5+10+16).....	8,296,638	855,508	430,698	308,239	81,700	1,676,145	9,972,783
5	U.S. official reserve assets.....	183,577	-2,805	5,061	3,738	20	6,014	189,591
6	Gold.....	108,866	.....	³ 5,061	.....	⁴ 20	5,081	113,947
7	Special drawing rights.....	12,638	398	.....	592	.....	990	13,628
8	Reserve position in the International Monetary Fund.....	22,535	-3,826	.....	835	.....	-2,991	19,544
9	Foreign currencies.....	39,538	623	.....	2,311	.....	2,934	42,472
10	U.S. Government assets, other than official reserve assets.....	84,772	-1,216	.....	.....	.....	-1,216	83,556
11	U.S. credits and other long-term assets ⁵	81,980	-1,177	.....	.....	.....	-1,177	80,803
12	Repayable in dollars.....	81,706	-1,176	.....	.....	.....	-1,176	80,530
13	Other ⁶	274	-1	.....	.....	.....	-1	273
14	U.S. foreign currency holdings and U.S. short-term assets.....	2,792	-39	.....	.....	.....	-39	2,753
	U.S. private assets:							
15	With direct investment at current cost (lines 17+19+22+23).....	7,372,637	859,529	222,352	224,892	100,239	1,407,012	8,779,649
16	With direct investment at market value (lines 18+19+22+23).....	8,028,289	859,529	425,637	304,501	81,680	1,671,347	9,699,636
	Direct investment abroad:							
17	At current cost.....	2,062,551	252,012	10,195	36,787	5,841	304,835	2,367,386
18	At market value.....	2,718,203	252,012	213,480	116,396	-12,718	569,170	3,287,373
19	Foreign securities.....	2,953,778	102,383	212,157	168,400	.....	482,940	3,436,718
20	Bonds.....	874,356	19,180	2,088	21,031	.....	42,299	916,655
21	Corporate stocks.....	2,079,422	83,203	210,069	147,369	.....	440,641	2,520,063
22	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns.....	596,961	149,001	.....	10,575	44,999	204,575	801,536
23	U.S. claims reported by U.S. banks, not included elsewhere.....	1,759,347	356,133	.....	9,130	49,399	414,662	2,174,009
	Foreign-owned assets in the United States:							
24	With direct investment at current cost (lines 26+33).....	9,797,689	1,440,105	170,160	37,904	91,157	1,739,326	11,537,015
25	With direct investment at market value (lines 26+34).....	10,669,008	1,440,105	284,184	35,961	85,770	1,846,020	12,515,028
26	Foreign official assets in the United States.....	1,567,124	394,710	-7,342	.....	27,500	414,868	1,981,992
27	U.S. Government securities.....	1,192,242	311,133	-19,456	.....	15,658	307,335	1,499,577
28	U.S. Treasury securities.....	990,411	272,648	-16,010	.....	13,453	270,091	1,260,502
29	Other.....	201,831	38,485	-3,446	.....	2,205	37,244	239,075
30	Other U.S. Government liabilities ⁷	16,627	488	.....	.....	.....	488	17,115
31	U.S. liabilities reported by U.S. banks, not included elsewhere.....	201,054	70,329	.....	.....	88	70,417	271,471
32	Other foreign official assets.....	157,201	12,760	12,114	.....	11,754	36,628	193,829
	Other foreign assets:							
33	With direct investment at current cost (lines 35+37+38+41+42+43).....	8,230,565	1,045,395	177,502	37,904	63,657	1,324,458	9,555,023
34	With direct investment at market value (lines 36+37+38+41+42+43).....	9,101,884	1,045,395	291,526	35,961	58,270	1,431,152	10,533,036
	Direct investment in the United States:							
35	At current cost.....	1,585,898	106,832	3,000	1,943	11,204	122,979	1,708,877
36	At market value.....	2,457,217	106,832	117,024	.....	5,817	229,673	2,686,890
37	U.S. Treasury securities.....	543,209	106,958	-5,078	.....	-5,373	96,507	639,716
38	U.S. securities other than U.S. Treasury securities.....	3,408,113	369,793	179,580	24,171	6,140	579,684	3,987,797
39	Corporate and other bonds.....	1,707,206	309,258	12,475	24,171	6,140	352,044	2,059,250
40	Corporate stocks.....	1,700,907	60,535	167,105	.....	.....	227,640	1,928,547
41	U.S. currency.....	317,908	14,827	.....	.....	.....	14,827	332,735
42	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns....	454,317	124,358	.....	5,848	-3,265	126,941	581,258
43	U.S. liabilities reported by U.S. banks, not included elsewhere.....	1,921,120	322,627	.....	5,942	54,951	383,520	2,304,640

^p Preliminary.

^f Revised.

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. Reflects changes in the value of the official gold stock due to fluctuations in the market price of gold.

4. 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.

5. Also includes paid-in capital subscriptions to international financial institutions and resources provided to foreigners under foreign assistance programs requiring repayment over several years. Excludes World War I debts that are not being serviced.

6. 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.

7. Primarily U.S. Government liabilities associated with military sales contracts and other transactions arranged with or through foreign official agencies.