

U.S. Net International Investment Position

Third Quarter 2018

By Elena L. Nguyen and Erin M. Whitaker

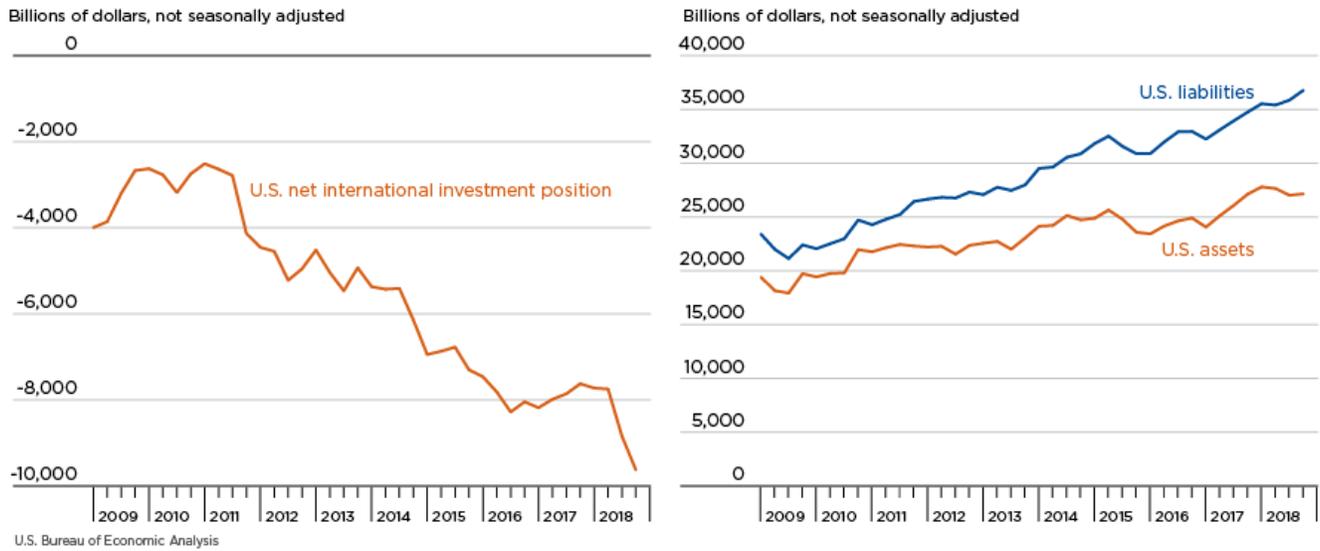
The U.S. net international investment position—the value of U.S. assets less the value of U.S. liabilities—decreased to $-\$9,627.2$ billion (preliminary) at the end of the third quarter of 2018 from $-\$8,845.1$ billion (revised) at the end of the second quarter (chart 1). The $\$782.1$ billion decrease in the net investment position reflected net financial transactions of $-\$24.6$ billion and net other changes in position, such as price and exchange-rate changes, of $-\$757.5$ billion (table A).

The U.S. international investment position is a statistical balance sheet that presents the dollar value of U.S. external financial assets and liabilities at a specific point in time. The negative net investment position represents a U.S. net liability to the rest of the world.

Highlights

- The net investment position decreased 8.8 percent in the third quarter, compared with a decrease of 14.2 percent in the second quarter and an average quarterly decrease of 4.4 percent from the first quarter of 2011 through the first quarter of 2018.
- U.S. assets increased $\$135.5$ billion to $\$27,150.7$ billion, reflecting increases in portfolio investment assets and direct investment assets that were partly offset by decreases in financial derivatives, other investment assets, and reserve assets.
- U.S. liabilities increased $\$917.6$ billion to $\$36,777.9$ billion, reflecting increases in all major categories of liabilities, except financial derivatives.

Chart 1. U.S. Net International Investment Position



Data Availability and Methodology

Detailed statistics for the U.S. international investment position accompany this article in [tables 1.1–3.1](#). The statistics and a description of the estimation methods used to compile them are also available on BEA's website. The links in the tables of this article are to the latest available statistics in the interactive tables. For the statistics, see "[International Data](#)." For the methods, see *U.S. International Economic Accounts: Concepts and Methods*.

Table A. Quarterly Change in the U.S. Net International Investment Position
[Billions of dollars, not seasonally adjusted]

Type of investment	Position, 2018:II	Change in position in 2018:III			Position, 2018:III
		Total	Attributable to:		
			Financial transactions	Other changes in position ¹	
U.S. net international investment position	-8,845.1	-782.1	-24.6	-757.5	-9,627.2
Net position excluding financial derivatives	-8,907.7	-776.7	-12.4	-764.3	-9,684.4
Financial derivatives other than reserves, net ²	62.6	-5.4	-12.3	6.9	57.2
U.S. assets	27,015.2	135.5	(²)	(²)	27,150.7
Assets excluding financial derivatives	25,436.7	214.7	141.9	72.8	25,651.5
Financial derivatives other than reserves	1,578.5	-79.3	(²)	(²)	1,499.2
U.S. liabilities	35,860.3	917.6	(²)	(²)	36,777.9
Liabilities excluding financial derivatives	34,344.4	991.4	154.3	837.1	35,335.9
Financial derivatives other than reserves	1,515.9	-73.9	(²)	(²)	1,442.0

Note. The statistics on positions are presented in [table 1.2](#) of the international investment position (IIP) accounts on BEA's website. The statistics on financial transactions are not seasonally adjusted and are presented in [table 1.2](#) of the international transactions accounts (ITAs) on BEA's website.

1. Disaggregation of other changes in position into price changes, exchange-rate changes, and other changes in volume and valuation is only presented for annual statistics released in June each year.
2. Financial transactions and other changes in financial derivatives positions are available only on a net basis; they are not separately available for U.S. assets and U.S. liabilities.

U.S. Assets

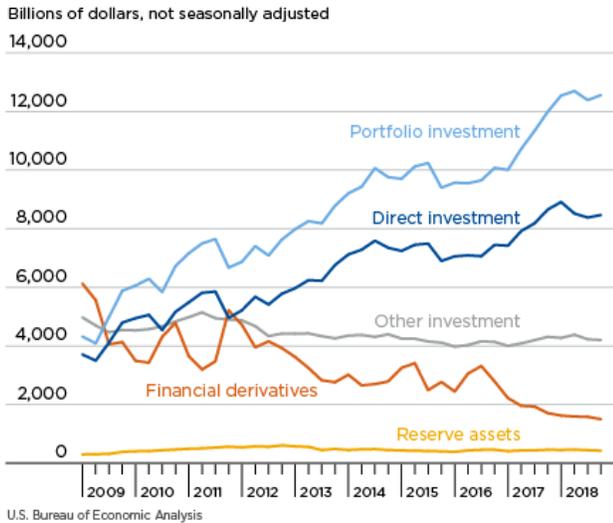
U.S. assets increased \$135.5 billion to \$27,150.7 billion at the end of the third quarter, reflecting increases in portfolio investment assets and direct investment assets that were partly offset by decreases in financial derivatives, other investment assets, and reserve assets (table B, chart 2).

- Assets excluding financial derivatives increased \$214.7 billion to \$25,651.5 billion. The increase resulted from financial transactions of \$141.9 billion and other changes in position of \$72.8 billion.
 - Financial transactions mostly reflected net U.S. acquisition of direct investment assets and net U.S. purchases of foreign securities. The net U.S. acquisition of direct investment assets followed two quarters of net U.S. withdrawal of assets. For more information, see the box "[Effects of the 2017 Tax Cuts and Jobs Act on U.S. Direct Investment Assets.](#)"
 - Other changes in position reflected foreign stock price increases that raised the equity value of portfolio investment and direct investment assets. These price increases were partly offset by decreases from exchange-rate changes, as several

major foreign currencies depreciated against the U.S. dollar, lowering the value of foreign-currency-denominated assets in dollar terms.

- Financial derivatives decreased \$79.3 billion to \$1,499.2 billion, reflecting decreases in single-currency interest rate contracts and foreign exchange contracts.

Chart 2. U.S. Assets



Effects of the 2017 Tax Cuts and Jobs Act on Direct Investment Assets

The earnings of foreign affiliates of U.S. multinational enterprises consist of repatriated earnings to the parent company in the United States in the form of dividends and reinvested earnings in foreign affiliates. When dividends exceed earnings in a given period, reinvested earnings (calculated as a residual) are negative, indicating a net withdrawal of direct investment equity assets. The net withdrawal in the first half of 2018 reflected the repatriation of accumulated prior earnings of foreign affiliates by their U.S. parent companies (as dividends) in response to the 2017 Tax Cuts and Jobs Act (TCJA), which generally eliminates taxes on repatriated earnings. Preliminary statistics for the third quarter show lower dividends and positive reinvested earnings, indicating a net acquisition of direct investment equity assets for the quarter.

The financial transactions highlighted in this release and related income transactions are reflected in the U.S. international transactions accounts. For more information about how the TCJA affected direct investment asset and income transactions, see “[U.S. International Transactions: Third Quarter 2018](#),” in this issue of the *Survey of Current Business*, and two BEA FAQs, “[How are the International Transactions Accounts affected by an increase in direct investment dividend receipts?](#)” and “[How does the 2017 Tax Cuts and Jobs Act affect BEA's business income statistics?](#)”

Table B. Quarterly Change in U.S. Assets
[Billions of dollars, not seasonally adjusted]

Type of investment	Position, 2018:II	Change in position in 2018:III			Position, 2018:III
		Total	Attributable to:		
			Financial transactions	Other changes in position ¹	
U.S. assets	27,015.2	135.5	(²)	(²)	27,150.7
Assets excluding financial derivatives	25,436.7	214.7	141.9	72.8	25,651.5
Financial derivatives other than reserves	1,578.5	-79.3	(²)	(²)	1,499.2
By functional category:					
Direct investment at market value	8,380.0	88.6	86.1	2.5	8,468.6
Equity	7,132.3	77.4	80.8	-3.4	7,209.7
Debt instruments	1,247.7	11.1	5.3	5.8	1,258.8
Portfolio investment	12,390.2	168.6	72.6	96.1	12,558.8
Equity and investment fund shares	8,864.1	137.8	35.0	102.7	9,001.8
Debt securities	3,526.1	30.9	37.6	-6.7	3,557.0
Short term	679.7	20.2	21.6	-1.3	699.9
Long term	2,846.4	10.6	16.0	-5.4	2,857.0
Financial derivatives other than reserves	1,578.5	-79.3	(²)	(²)	1,499.2
Over-the-counter contracts	1,514.3	-78.4	(²)	(²)	1,435.9
Single-currency interest rate contracts	1,019.3	-60.8	(²)	(²)	958.5
Foreign exchange contracts	334.8	-33.1	(²)	(²)	301.8
Other contracts	160.1	15.5	(²)	(²)	175.6
Exchange-traded contracts	64.2	-0.9	(²)	(²)	63.3
Other investment	4,225.6	-24.6	-16.6	-8.0	4,201.1
Currency and deposits	1,795.3	7.5	12.8	-5.3	1,802.7
Loans	2,378.3	-29.8	-27.2	-2.6	2,348.5
Insurance technical reserves	n.a.	n.a.	n.a.	n.a.	n.a.
Trade credit and advances	52.1	-2.2	-2.2	(*)	49.9
Reserve assets	440.9	-17.9	-0.2	-17.7	423.0
Monetary gold	327.0	-16.5	0.0	-16.5	310.5
Special drawing rights	51.3	-0.4	(*)	-0.4	50.9
Reserve position in the International Monetary Fund	20.5	-0.5	-0.3	-0.2	20.0
Other reserve assets	42.2	-0.5	0.1	-0.6	41.6

n.a. Not available

(*) Value between zero and +/- \$50 million

Note. The statistics on positions are presented in [table 1.2](#) of the international investment position (IIP) accounts on BEA's website. The statistics on financial transactions are not seasonally adjusted and are presented in [table 1.2](#) of the international transactions accounts (ITAs) on BEA's website.

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U.S. Liabilities

U.S. liabilities increased \$917.6 billion to \$36,777.9 billion at the end of the third quarter, reflecting increases in all major categories of liabilities, except financial derivatives (table C, chart 3).

- Liabilities excluding financial derivatives increased \$991.4 billion to \$35,335.9 billion. The increase resulted from financial transactions of \$154.3 billion and other changes in position of \$837.1 billion.
 - Financial transactions mostly reflected net U.S. incurrence of direct investment liabilities.
 - Other changes in position were driven by U.S. stock price increases that raised the equity value of direct investment and portfolio investment liabilities.
- Financial derivatives decreased \$73.9 billion to \$1,442.0 billion, reflecting decreases in single-currency interest rate contracts and foreign exchange contracts.

Chart 3. U.S. Liabilities

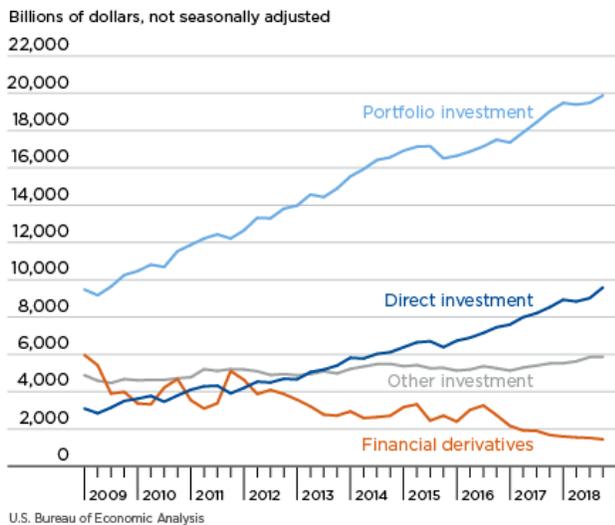


Table C. Quarterly Change in U.S. Liabilities
[Billions of dollars, not seasonally adjusted]

Type of investment	Position, 2018:II	Change in position in 2018:III			Position, 2018:III
		Total	Attributable to:		
			Financial transactions	Other changes in position ¹	
U.S. liabilities	35,860.3	917.6	(²)	(²)	36,777.9
Liabilities excluding financial derivatives	34,344.4	991.4	154.3	837.1	35,335.9
Financial derivatives other than reserves	1,515.9	-73.9	(²)	(²)	1,442.0
By functional category:					
Direct investment at market value	9,011.8	579.3	124.9	454.4	9,591.1
Equity	7,270.7	579.7	120.0	459.7	7,850.5
Debt instruments	1,741.0	-0.4	4.9	-5.3	1,740.6
Portfolio investment	19,483.0	399.9	12.5	387.5	19,882.9
Equity and investment fund shares	8,189.7	373.5	-95.6	469.1	8,563.2
Debt securities	11,293.3	26.4	108.1	-81.7	11,319.7
Short term	1,025.1	-52.7	-52.5	-0.1	972.4
Long term	10,268.2	79.1	160.6	-81.5	10,347.3
Financial derivatives other than reserves	1,515.9	-73.9	(²)	(²)	1,442.0
Over-the-counter contracts	1,456.3	-70.7	(²)	(²)	1,385.6
Single-currency interest rate contracts	980.3	-62.9	(²)	(²)	917.4
Foreign exchange contracts	317.3	-26.6	(²)	(²)	290.7
Other contracts	158.7	18.8	(²)	(²)	177.5
Exchange-traded contracts	59.6	-3.2	(²)	(²)	56.4
Other investment	5,849.7	12.2	16.9	-4.8	5,861.9
Currency and deposits	3,161.2	-7.1	-6.7	-0.4	3,154.1
Loans	2,441.1	17.4	21.3	-3.9	2,458.4
Insurance technical reserves	n.a.	n.a.	n.a.	n.a.	n.a.
Trade credit and advances	197.8	2.3	2.3	(*)	200.1
Special drawing rights allocations	49.7	-0.4	0.0	-0.4	49.3

n.a. Not available

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Updates to Statistics

The U.S. net international investment position statistics for the second quarter of 2018 have been updated to incorporate newly available and revised source data (table D).

Table D. Updates to Second-Quarter 2018 International Investment Position Aggregates
[Billions of dollars, not seasonally adjusted]

	Preliminary estimate	Revised estimate
U.S. net international investment position	-8,638.5	-8,845.1
U.S. assets	27,063.6	27,015.2
Direct investment at market value	8,441.5	8,380.0
Portfolio investment	12,382.1	12,390.2
Financial derivatives other than reserves	1,578.5	1,578.5
Other investment	4,220.6	4,225.6
Reserve assets	440.9	440.9
U.S. liabilities	35,702.1	35,860.3
Direct investment at market value	9,018.5	9,011.8
Portfolio investment	19,480.7	19,483.0
Financial derivatives other than reserves	1,515.9	1,515.9
Other investment	5,687.0	5,849.7