

Transactions in U.S. Currency

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Coverage and definitions

This account measures net shipments of U.S. currency to and from foreign residents.

Estimation methods overview

The account is estimated based on data provided by the Federal Reserve System.

1 U.S. Currency (line 67)

1.1 Net shipments of U.S. currency from the U.S. Federal Reserve to foreign wholesale commercial banks and banknote dealers are measured in line 67 (see [table 30](#)). Foreign wholesale banks then disburse the currency to local retail banks for transfer to other businesses and individuals. U.S. currency held abroad by foreign residents is a U.S. liability to foreigners.

1.2 U.S. currency—particularly Federal Reserve notes—is widely held by foreigners. The currency is used for many of the same reasons as in the United States. It serves as a unit of account, a medium of exchange, and a store of value, especially when the pur-

chasing power of the domestic currency is uncertain. As a safe asset in an unpredictable world, dollars flow into a country during periods of economic and political upheaval and sometimes remain there well after the crisis has subsided. In other situations, the dollar co-circulates with the domestic currency for extended time periods.

1.3 Although the amount of U.S. currency outstanding is known, the shares in domestic and foreign circulation are difficult to measure accurately. As a proxy, net disbursements of \$100 notes from Federal Reserve cash offices to foreign wholesale banks serve as the measure of currency flows. In a typical transaction, foreign wholesale banks purchase notes from the Federal Reserve for distribution to customers abroad. Foreign wholesale banks also sell back to the Federal Reserve notes unfit for further circulation or excess balances of notes. The net amount of outflows and inflows of notes at Federal Reserve cash offices is entered in line 67. A positive entry, which is typical of most quarters, indicates net currency outflows (shipments) from the United States (an increase in U.S. liabilities to foreigners); a negative entry indicates net currency inflows (returns) to the United States (a decrease in U.S. liabilities to foreigners). The shipments and returns of currency constitute the entirety of transactions in this line. These transactions are not captured elsewhere in statistical reporting systems. The offsets to these transactions, that is, the collection of funds for the U.S. sale of notes or the disbursement of funds for the U.S. purchase of notes, are captured in the banking statistics.

1.4 This measure of net currency flows is believed to represent nearly all currency transactions that occur through banking channels. Currency that flows abroad through other channels—through tourists, through business persons, through personal remittances, and through U.S. military personnel stationed overseas—is not covered in this estimate. Currency smuggled and other illegal activities involving cash, such as drug trafficking, are also not covered in this estimate.

Table 30. Transactions in U.S. Currency, 2009 (Line 67)
[Millions of dollars]

(Credits +; increase in U.S. liabilities. Debits -; decrease in U.S. liabilities.)	
U.S. currency	12,632