

U.S. Government Investment Income

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Coverage and definitions

This account covers income receipts on U.S. government assets abroad (line 16), on both its official reserve asset and its nonreserve asset holdings, and on long- and short-term credits extended as part of its foreign assistance programs (see [table 12](#)). This account also covers income payments on long- and short-term liabilities of the U.S. government and its government-sponsored enterprises (line 33) (see [table 12](#)). These enterprises are often referred to as agencies and the debt issued by them is often referred to simply as an agency obligation or agency issue. This class of government obligation is comprised predominantly of debt issued by Fannie Mae and Freddie Mac.

The account covering receipts is distinguished on the basis of ownership of assets abroad by U.S. government entities. The account covering payments is distinguished on the basis of the types of assets held by foreign residents in the United States—that is, obligations and debt issued by the U.S. government and its agencies.

Estimation methods overview

Estimates of government income receipts are based on data obtained monthly from the Federal Reserve System (for foreign currencies), quarterly from U.S. government operating agencies under OMB Di-

rective No. 19 (for nonreserve assets), and monthly from the International Monetary Fund (for the U.S. reserve position in the International Monetary Fund (IMF) and U.S. holdings of special drawing rights (SDRs)).

Gains and losses realized by U.S. monetary authorities on transactions in the reserve position of the United States in the IMF, on transactions in SDRs, and from U.S. monetary authorities' acquisitions or borrowings of foreign currencies and from sales or repayments of these currencies at varying exchange rates are excluded, as are gains and losses due to changes in exchange rates on foreign currency balances held by disbursing officers abroad. These gains and losses are included as valuation adjustments to U.S. government assets in the international investment position accounts.

Estimates of government income payments on foreign residents' private and official holdings of U.S. government and agency obligations are estimated by multiplying representative current yields by average positions. Positions data are based primarily on monthly, annual, and benchmark surveys conducted by the U.S. Treasury Department.

1 Income Receipts on U.S. Government Assets Abroad (line 16)

1.1 Income on official reserve and nonreserve assets

1.1.1 The item measures interest earned on U.S. official reserve assets consisting of (1) interest earned on the U.S. reserve position in the IMF, that is, on U.S. lending to IMF credit facilities; (2) interest earned on U.S. holdings of special drawing rights (SDRs) with the IMF; and (3) interest earned on the holdings of foreign-currency-denominated assets by the U.S. Treasury Department's Exchange Stabilization Fund and the Federal Reserve System.

1.1.2 U.S. monetary authorities earn interest on both official reserve and nonreserve foreign currency balances obtained through reciprocal currency arrangements. Some *reciprocal currency arrangements* of U.S. monetary authorities with foreign monetary authorities allow monetary authorities ready access to additional reserves for the purpose of stabilizing exchange markets through coordinated exchange market intervention operations. Because monetary authorities have immediate and unconditional access to each other's currency, interest earned on these balances is considered as interest earned on official reserves. These arrangements were utilized in the 1970s and 1980s. Standing arrangements of this type still exist between U.S. monetary authorities and monetary authorities in Canada and Mexico, but currently, no swap amounts are outstanding.

1.1.3 Beginning in 2007, U.S. monetary authorities provided dollar funding to foreign central banks through *temporary central bank liquidity swaps*, a new type of reciprocal currency arrangement, which does not meet the definition of a reserve asset. Under these arrangements, central banks swap currencies on a short-term basis that are then lent to banks in their jurisdictions to provide liquidity. In 2008–2010, these arrangements were used to relieve shortages of dollar funding abroad. Arrangements to provide foreign currency funding to the Federal Reserve System to be lent to U.S. banks were also approved but never activated. Because these swaps do not meet the strict definition of reserve assets, interest earnings on outstanding balances are considered as nonreserve earnings. As of early-2011, only a very small amount of these swaps is outstanding.

1.1.4 Both official reserve and nonreserve earnings from swaps under reciprocal currency arrangements are combined in this line. Interest receipts are recorded on a cash collection basis. (Financial transactions in U.S. official reserve assets are included in lines 42–45 and in nonreserve assets in lines 47–49.)

1.2 Income on foreign assistance program credits

1.2.1 This item measures interest receipts on outstanding U.S. government credits extended to foreigners as part of the foreign assistance programs of the

U.S. government. The credits, which are nearly all long term and most at concessionary interest rates, are classified according to the legislative program under which they were extended. Interest receipts include capitalized interest, which is reported as having been realized through the recording of an additional credit utilization, which, in turn, increases principal indebtedness outstanding. Except for capitalized interest, receipts are recorded on a cash collection basis or when the debtor delivers goods or services to U.S. operating agencies. Collections of commitment fees for credits extended by U.S. government operating agencies are included indistinguishably with these interest receipts.

2 Income Payments by U.S. Government on Foreign Assets in the United States (line 33)

2.1 Income on liabilities

2.1.1 This account measures accrued interest payments by the U.S. government to foreign official agencies and private foreign residents holding U.S. Treasury and agency obligations. Five major types of obligations are distinguished: (1) U.S. Treasury bills, (2) marketable U.S. Treasury bonds and notes, (3) nonmarketable U.S. Treasury bonds, (4) U.S. agency issues, predominantly those of Fannie Mae and Freddie Mac, and (5) as of June 2011, beginning with statistics for 2003, interest paid on allocations of special drawing rights (SDRs).

2.1.2 Interest paid on U.S. Treasury bills is estimated by multiplying representative market interest rates by average amounts outstanding; position data are obtained from monthly U.S. Treasury surveys.

2.1.3 Interest paid on U.S. Treasury bonds and notes and on U.S. agency obligations is estimated by multiplying representative current yields by average positions. Positions are based on annual and benchmark survey positions, advanced quarterly by monthly transactions summed to quarters and by valuation adjustments from indexes of market prices, with special adjustments by BEA to account more completely for positions in agency issues. At the time of BEA's annual revisions in June, preliminary estimates of interest paid are revised based on updated monthly transactions data and on revised positions

and current yields reported on the latest annual and benchmark surveys of the U.S. Treasury Department.

2.1.4 Nonmarketable U.S. Treasury bonds and notes consist of interest payments on U.S. Treasury foreign series bonds and notes; these notes are designed specifically for sale to foreign official agencies.

2.1.5 As of June 2011, beginning with statistics for 2003, interest paid on allocations of special drawing

rights (SDRs) are included; previously these payments were netted against interest receipts on holdings of SDRs but the transactions are now presented on a gross basis. Data are from the International Monetary Fund.

2.1.6 U.S. government payments of interest income to both foreign official and foreign private residents are combined in the estimation procedure and shown as a single amount in the published estimates.

Table 12. U.S. Government Investment Income, 2009 (Line 16 and Line 33)
[Millions of dollars; credits +, debits -]

U.S. Government investment income receipts	4,724
Income on U.S. official reserve and nonreserve assets, net	3,940
Income on foreign assistance program credits	784
Under Export-Import Bank Act	297
Under Foreign Assistance Act and related programs:	
Financing military sales	86
Country program loans	150
Investment incentive loans	48
Under Agricultural Trade Development and Assistance Act:	
Long-term dollar credits	174
Under Commodity Credit Corporation Charter Act	29
U.S. Government investment income payments	-143,997
Short-term U.S. Treasury bills	-4,548
Marketable U.S. Treasury bonds and notes	-82,679
Nonmarketable U.S. Treasury bonds	-101
U.S. government agency bonds	-56,669