



NEWS RELEASE



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U.S. Net International Investment Position at Yearend 2008

The U.S. net international investment position at yearend 2008 was -\$3,469.2 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 2007, the U.S. net international investment position was -\$2,139.9 billion (revised).

The -\$1,329.3 billion change in the U.S. net investment position from yearend 2007 to yearend 2008 resulted from (1) declines in the prices of U.S.-held foreign stocks that surpassed declines in the prices of foreign-held U.S. stocks, (2) the depreciation of most major currencies against the U.S. dollar that lowered the dollar value of U.S.-owned assets abroad, and (3) net foreign acquisitions of financial assets in the United States that exceeded net U.S. acquisitions of financial assets abroad. The impact of these differences was partly offset by "other" changes (such as changes in reporting panels and capital gains and losses) that raised the value of U.S.-owned assets abroad and lowered the value of foreign-owned assets in the United States.

The following are highlights for 2008:

- Foreign acquisitions of financial assets in the United States, excluding financial derivatives, were \$534.1 billion in 2008, down substantially from \$2,129.5 billion in 2007. In 2008, foreign acquisitions of Treasury securities and foreign direct investment in the United States were especially strong. In contrast, foreign residents sold more U.S. securities other than Treasury securities than they purchased, and U.S. banks' and nonbanks' liabilities to foreign residents fell sharply.
- U.S. acquisitions of financial assets abroad, excluding financial derivatives, were \$0.1 billion in 2008, down substantially from \$1,472.1 billion in 2007. In 2008, U.S. banks' and nonbanks' claims against foreign residents fell sharply and U.S. residents sold more foreign securities than they purchased. However, U.S. direct investment abroad remained robust and U.S. government holdings of foreign currencies increased substantially as a result of unprecedented net drawings on temporary reciprocal currency arrangements between the U.S. Federal Reserve System and foreign central banks.

NOTE: This news release is available on BEA's Web site at www.bea.gov/newsreleases/rels.htm.

- U.S. holdings of financial derivatives as assets (with positive gross value) increased \$4,065.2 billion, and as liabilities (with negative gross value) increased \$3,977.1 billion. These large changes are mainly due to increases in U.S. claims and liabilities from interest rate swap contracts, caused by sharp declines in yields on interest rate swaps in the first and fourth quarters of 2008. Because changes to U.S. assets and liabilities are offsetting, they have little impact on the net investment position.
- Declining prices in most foreign stock markets lowered the value of U.S. holdings of foreign stocks by a large amount. Declining prices in the U.S. stock market also lowered the value of foreign holdings of U.S. stocks, but by a smaller amount. In 2008, prices of financial assets such as corporate stocks and bonds fell sharply but prices of U.S. Treasury securities and other high-grade government bonds appreciated, reflecting unsettled global financial market conditions and aggressive interest rate cuts from the Federal Reserve and other central banks.
- Depreciation of most major foreign currencies against the U.S. dollar from yearend 2007 to yearend 2008 substantially lowered the dollar value of U.S.-owned assets abroad, especially the value of U.S.-owned foreign stocks.

U.S.-owned assets abroad increased \$1,609.3 billion to \$19,888.2 billion.

U.S. holdings of financial derivatives as assets (with positive gross value) increased \$4,065.2 billion to \$6,624.5 billion.

U.S. official reserve assets increased \$16.5 billion to \$293.7 billion and U.S. government assets other than official reserve assets increased \$529.6 billion to \$624.1 billion.

The stock of U.S. direct investment abroad at current cost increased \$247.3 billion to \$3,698.8 billion (see box on page 3).

U.S. holdings of foreign securities decreased \$2,590.8 billion to \$4,244.3 billion, mainly due to a decrease in the value of U.S. holdings of foreign stocks.

Claims on foreigners reported by U.S. banks decreased \$410.8 billion to \$3,410.8 billion.

Claims on foreigners reported by U.S. nonbanks decreased \$247.8 billion to \$991.9 billion.

Foreign-owned assets in the United States increased \$2,938.6 billion to \$23,357.4 billion.

U.S. holdings of financial derivatives as liabilities (with negative gross value) increased \$3,977.1 billion to \$6,465.0 billion.

Foreign official assets in the United States increased \$467.4 billion to \$3,871.4 billion.

Foreign private holdings of Treasury securities increased \$245.3 billion to \$885.0 billion.

The stock of foreign direct investment in the United States at current cost increased \$196.7 billion to \$2,646.8 billion (see box below).

Foreign private holdings of U.S. securities other than U.S. Treasury securities decreased \$1,486.5 billion to \$4,703.5 billion, mainly due to declines in the prices of foreign-held U.S. stocks.

Liabilities to private foreign residents reported by U.S. banks decreased \$363.2 billion to \$3,611.4 billion.

Liabilities to private foreign residents reported by U.S. nonbanks decreased \$127.2 billion to \$873.2 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. Data 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 2007 was -\$2,441.8 billion. The revised position estimates reflect the incorporation of results from the U.S. Treasury Department's annual survey of securities claims for December 2007 and annual

survey of securities liabilities for June 2008.

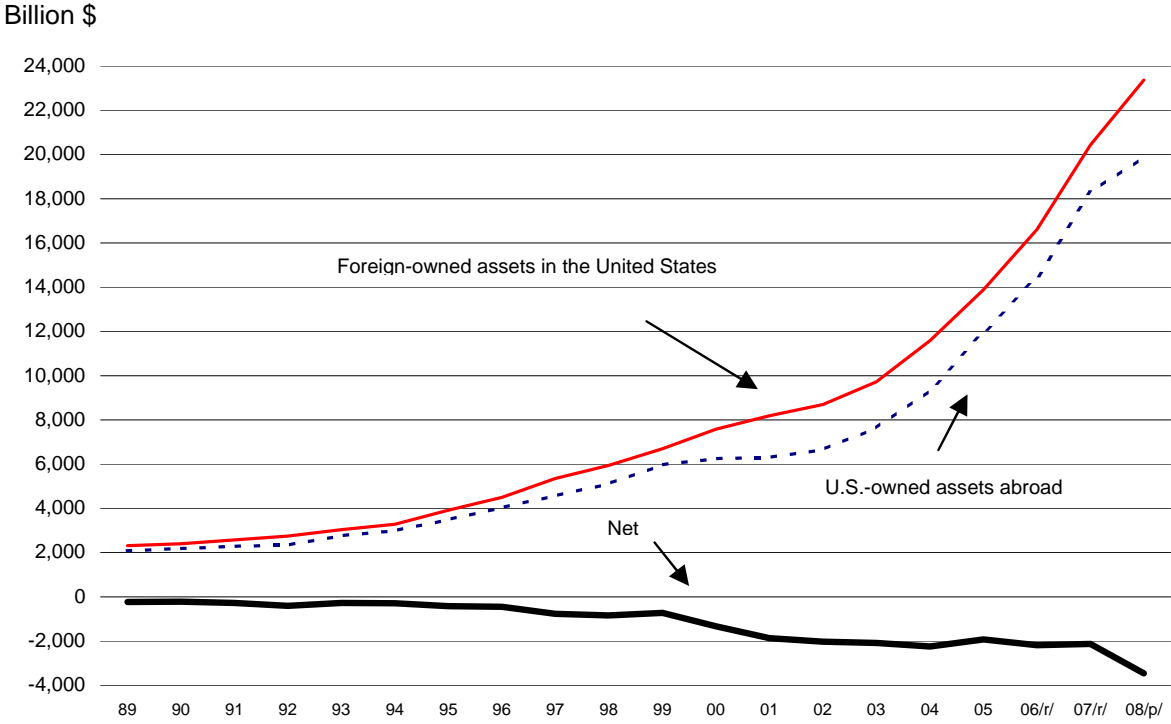
In addition to the inclusion of survey and improved source data, estimates were revised to incorporate newly available or revised quarterly source data. Revisions attributable to these updated source data were for 2006-2007. Revisions to the U.S. net international investment position from all sources were \$41.5 billion for 2006 and \$301.9 billion for 2007.

A more detailed discussion of the U.S. net international investment position at yearend 2008 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 - 2008



p Preliminary

r Revised

Source: Bureau of Economic Analysis

Table 1. International Investment Position of the United States at Yearend, 2007 and 2008
[Millions of dollars]

Line	Type of investment	Position, 2007 ^r	Changes in position in 2008					Position, 2008 ^p
			Attributable to:				Total (a+b+c+d)	
			Financial flows (a)	Valuation adjustments				
				Price changes (b)	Exchange- rate changes ¹ (c)	Other changes ² (d)		
1	Net international investment position of the United States (lines 2+3).....	-2,139,916	-505,060	-720,137	-583,040	478,907	-1,329,330	-3,469,246
2	Financial derivatives, net (line 5 less line 25) ³	71,472	28,905	(⁴)	(⁴)	⁴ 59,205	88,110	159,582
3	Net international investment position, excluding financial derivatives (line 6 less line 26).....	-2,211,388	-533,965	-720,137	-583,040	419,702	-1,417,440	-3,628,828
4	U.S.-owned assets abroad (lines 5+6).....	18,278,842	(⁵)	(⁵)	(⁵)	(⁵)	1,609,316	19,888,158
5	Financial derivatives (gross positive fair value).....	2,559,332	(⁵)	(⁵)	(⁵)	(⁵)	4,065,217	6,624,549
6	U.S.-owned assets abroad, excluding financial derivatives (lines 7+12+17).....	15,719,510	106	-1,954,331	-681,066	179,390	-2,455,901	13,263,609
7	U.S. official reserve assets.....	277,211	4,848	9,414	2,259	0	16,521	293,732
8	Gold.....	218,025	0	⁵ 9,414	.....	⁶ 0	9,414	227,439
9	Special drawing rights.....	9,476	106	.....	-242	0	-136	9,340
10	Reserve position in the International Monetary Fund.....	4,244	3,473	.....	-34	0	3,439	7,683
11	Foreign currencies.....	45,466	1,269	.....	2,535	0	3,804	49,270
12	U.S. government assets, other than official reserve assets.....	94,471	529,615	.....	(⁷)	14	529,629	624,100
13	U.S. credits and other long-term assets ⁷	70,015	-152	.....	(⁷)	14	-138	69,877
14	Repayable in dollars.....	69,742	-152	.....	.....	14	-138	69,604
15	Other ⁸	273	0	.....	(⁷)	.....	0	273
16	U.S. foreign currency holdings and U.S. short-term assets ⁹	24,456	529,766	.....	(⁷)	.....	529,766	554,222
17	U.S. private assets.....	15,347,828	-534,357	-1,963,745	-683,325	179,376	-3,002,051	12,345,777
18	Direct investment at current cost.....	3,451,482	332,012	31,016	-110,804	-4,922	247,302	3,698,784
19	Foreign securities.....	6,835,079	-60,761	-1,994,761	-535,246	0	-2,590,768	4,244,311
20	Bonds.....	1,587,089	-62,095	-95,005	-37,086	0	-194,186	1,392,903
21	Corporate stocks.....	5,247,990	1,334	-1,899,756	-498,160	0	-2,396,582	2,851,408
22	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns.....	1,239,718	-372,229	.....	-16,059	140,490	-247,798	991,920
23	U.S. claims reported by U.S. banks, not included elsewhere.....	3,821,549	-433,379	.....	-21,216	43,808	-410,787	3,410,762
24	Foreign-owned assets in the United States (lines 25+26).....	20,418,758	(¹⁰)	(¹⁰)	(¹⁰)	(¹⁰)	2,938,646	23,357,404
25	Financial derivatives (gross negative fair value).....	2,487,860	(¹⁰)	(¹⁰)	(¹⁰)	(¹⁰)	3,977,107	6,464,967
26	Foreign-owned assets in the United States, excluding financial derivatives (lines 27+34).....	17,930,898	534,071	-1,234,194	-98,026	-240,312	-1,038,461	16,892,437
27	Foreign official assets in the United States.....	3,403,995	487,021	-12,915	.....	-6,739	467,367	3,871,362
28	U.S. government securities.....	2,540,062	543,498	148,201	.....	-3,323	688,376	3,228,438
29	U.S. Treasury securities.....	1,736,687	477,652	112,084	.....	-751	588,985	2,325,672
30	Other.....	803,375	65,846	36,117	.....	-2,572	99,391	902,766
31	Other U.S. government liabilities ¹⁰	24,024	8,626	.....	.....	0	8,626	32,650
32	U.S. liabilities reported by U.S. banks, not included elsewhere.....	406,031	-153,443	.....	.....	0	-153,443	252,588
33	Other foreign official assets.....	433,878	88,340	-161,116	.....	-3,416	-76,192	357,686
34	Other foreign assets.....	14,526,903	47,050	-1,221,279	-98,026	-233,573	-1,505,828	13,021,075
35	Direct investment at current cost.....	2,450,132	319,737	24,986	-6,393	-141,615	196,715	2,646,847
36	U.S. Treasury securities.....	639,715	196,619	54,349	.....	-5,718	245,250	884,965
37	U.S. securities other than U.S. Treasury securities.....	6,190,067	-126,737	-1,300,614	-67,037	7,850	-1,486,538	4,703,529
38	Corporate and other bonds.....	3,289,077	-183,822	-180,165	-67,037	7,850	-423,174	2,865,903
39	Corporate stocks.....	2,900,990	57,085	-1,120,449	.....	0	-1,063,364	1,837,626
40	U.S. currency.....	271,952	29,187	.....	.....	0	29,187	301,139
41	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.....	1,000,430	-45,167	.....	-14,921	-67,115	-127,203	873,227
42	U.S. liabilities reported by U.S. banks, not included elsewhere.....	3,974,607	-326,589	.....	-9,675	-26,975	-363,239	3,611,368
Memoranda:								
43	Direct investment abroad at market value.....	5,227,962	332,012	-2,240,547	-205,504	-42,734	-2,156,773	3,071,189
44	Direct investment in the United States at market value.....	3,593,291	319,737	-1,210,708	.....	-145,438	-1,036,409	2,556,882

^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 in coverage due to year-to-year changes in the composition of reporting panels, primarily for bank and nonbank estimates, and to the incorporation of 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 and 24, 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 agreements 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. Primarily U.S. government liabilities associated with military sales contracts and other transactions arranged with or through foreign official agencies.

Source: Bureau of Economic Analysis