

How BEA Aligns and Augments Source Data From the U.S. Treasury Department for Inclusion in the International Transactions Accounts

Like most of the U.S. economic accounts produced by the Bureau of Economic Analysis (BEA), the estimates of financial-account flows in the international transactions accounts (ITAs) are based on source data collected by other Government agencies—in this case, by the Treasury International Capital (TIC) Reporting System of the U.S. Department of the Treasury. The presentation of the adjustments undertaken by BEA to align and to augment these data for inclusion in the financial account can help data users reconcile BEA's financial flow estimates with the TIC data that are available to the public on the Treasury Department's Web site and in the *Treasury Bulletin*.

The relationship between the estimates in the ITAs that are prepared by BEA and the data from the TIC reporting system are shown in tables 1–3. Table 1 presents the estimates of transactions in foreign long-term securities; in U.S. long-term securities, excluding U.S. Treasury securities; and in U.S. Treasury securities. Table 2 presents the estimates of claims on, and liabilities to, foreigners reported by U.S. nonbanking concerns, and table 3 presents the estimates of claims on, and liabilities to, foreigners reported by U.S. banks.

In tables 1–3, the numerous adjustments that BEA makes to the TIC source data to align the data with the balance-of-payments concepts and to close the gaps in coverage are identified. In addition, examples of both types of adjustments are presented below.

Aligning with balance-of-payments concepts. The TIC data for gross U.S. purchases of foreign stocks and bonds (line A1, table 1) include the commissions that are paid by the U.S. purchasers to foreign brokers. In the

ITAs, the payments of commissions to foreigners are treated as payments for financial services, not as purchases of securities, and these payments are included in the current account, not in the financial account. Therefore, BEA adjusts the TIC data for gross U.S. purchases by subtracting an estimate of the payments of brokerage commissions (line A3) from the data for gross purchases.

The TIC data for gross U.S. sales of foreign stocks and bonds (line A6) represent the proceeds from sales less commissions paid by U.S. sellers to foreign brokers. In the ITAs, the payments of commissions to foreign brokers are treated as payments for financial services, not as transactions in securities. Therefore, BEA adds an estimate of the payments of brokerage commissions (line A7) to the TIC sales data.

Closing gaps in coverage. The TIC data for gross U.S. purchases of foreign stocks and bonds do not fully cover some transactions, such as the acquisition of U.S. companies by foreigners who finance their purchases through exchanges of stock. These stock swap transactions may bypass the U.S. brokers and dealers who are the primary respondents to the TIC survey on securities transactions. When stock is exchanged, the U.S. persons who previously held securities in the acquired U.S. company receive shares in the acquiring foreign corporation, and the receipt of these shares should be recorded in the ITAs as the acquisition, or purchase, of foreign long-term securities.

In order to account for this gap in coverage in the TIC data, BEA adds an estimate of security swap transactions and other coverage adjustments (line A2) to the TIC data.

Table 1. Relation of Transactions in Foreign Long-term Securities, U.S. Long-term Securities, Excluding U.S. Treasury Securities, and U.S. Treasury Securities, in the U.S. International Transactions Accounts (ITAs) to Treasury International Capital (TIC) Reporting System Data

[Millions of dollars]

Line		2001 ^r	2002 ^r	2003 ^p
Foreign Long-term Securities				
(Credits +; decrease in U.S. assets. Debits -; increase in U.S. assets.)				
A1	Gross U.S. purchases of foreign stocks and bonds, TIC.....	2,577,377	2,613,034	3,577,442
2	Plus: Security swap transactions and other coverage adjustments	73,917	21,171	36,164
3	Minus: Brokerage commissions	551	519	630
4	Plus: Underwriting and private placement fees	618	673	819
5	Equals: Gross U.S. purchases of foreign stocks and bonds, ITA.....	2,651,361	2,634,359	3,613,795
6	Gross U.S. sales of foreign stocks and bonds, TIC.....	2,557,766	2,640,033	3,532,876
7	Plus: Brokerage commissions	539	519	612
8	Plus: Coverage adjustment for gross sales	8,412	9,696	7,970
9	Equals: Gross U.S. sales of foreign stocks and bonds, ITA.....	2,566,717	2,650,248	3,541,458
10	Net U.S. purchases of foreign stocks and bonds, TIC (A6 - A1).....	-19,611	26,999	-44,566
11	Plus: Coverage adjustments ((A7 + A8) - (A2 - A3 + A4)).....	-65,033	-11,110	-27,771
12	Net U.S. purchases of foreign long-term securities, ITA (A9 - A5) (table 1, line 52).....	-84,644	15,889	-72,337
U.S. Long-term Securities, Excluding U.S. Treasury Securities				
(Credits +; increase in U.S. liabilities. Debits -; decrease in U.S. liabilities.)				
B1	Gross foreign purchases of other U.S. long-term securities, TIC.....	4,994,022	5,758,479	6,481,946
2	Plus: Security swap transactions and other coverage adjustments	7,442	6,628	2,200
3	Minus: Brokerage commissions	1,607	1,766	2,033
4	Plus: Underwriting and private placement fees	777	284	300
5	Equals: Gross foreign purchases of other U.S. long-term securities, ITA.....	5,000,634	5,763,625	6,482,413
6	Gross foreign sales of other U.S. long-term securities, TIC.....	4,491,687	5,330,835	6,009,967
7	Plus: Brokerage commissions.....	1,466	1,661	1,894
8	Plus: Coverage adjustment for gross sales.....	86,950	113,463	189,539
9	Equals: Gross foreign sales of other U.S. long-term securities, ITA.....	4,580,103	5,445,959	6,201,400
10	Net foreign purchases of other U.S. long-term securities, TIC (B1 - B6).....	502,335	427,644	471,979
11	Plus: Coverage adjustments ((B2 - B3 + B4) - (B7 + B8)).....	-81,804	-109,978	-190,966
12	Net foreign purchases of other U.S. long-term securities, ITA (B5 - B9) (table 1, line 59 + 62 + 66).....	420,531	317,666	281,013
13	Other U.S. Government securities, foreign official assets (table 1, line 59).....	20,920	28,550	24,883
14	Other foreign official assets (table 1, line 62).....	5,726	3,616	5,149
15	Other U.S. securities, other foreign assets (table 1, line 66).....	393,885	285,500	250,981
U.S. Treasury Securities				
(Credits +; increase in U.S. liabilities. Debits -; decrease in U.S. liabilities.)				
C1	Gross foreign purchases of U.S. Treasury marketable bonds and notes, TIC.....	5,267,730	7,264,450	9,244,485
2	Minus: Brokerage commissions and other fees	382	530	693
3	Equals: Gross foreign purchases of U.S. Treasury marketable bonds and notes, ITA.....	5,267,348	7,263,920	9,243,792
4	Gross foreign sales of U.S. Treasury marketable bonds and notes, TIC.....	5,249,216	7,144,529	8,971,468
5	Plus: Brokerage commissions and other fees.....	382	531	694
6	Plus: Coverage adjustment for gross sales.....	8,000	8,000	8,000
7	Equals: Gross foreign sales of U.S. Treasury marketable bonds and notes, ITA.....	5,257,598	7,153,060	8,980,162
8	Net foreign purchases of U.S. Treasury marketable bonds and notes, TIC (C1 - C4).....	18,514	119,921	273,017
9	Plus: Coverage adjustments (- (C2) - (C5 + C6)).....	-8,764	-9,061	-9,387
10	Net foreign purchases of U.S. Treasury marketable bonds and notes, ITA (C3 - C7).....	9,750	110,860	263,630
11	Plus: Non-marketable bonds and notes	-1,938	-643	-155
12	Plus: Short-term U.S. Treasury obligations	11,510	50,681	19,642
13	Net foreign purchases of U.S. Treasury securities, ITA (C10 + C11 + C12) (table 1, line 58 + line 65).....	19,322	160,898	283,117
14	U.S. Treasury securities, foreign official assets (table 1, line 58).....	33,700	60,466	169,685
15	U.S. Treasury securities, other foreign assets (table 1, line 65).....	-14,378	100,432	113,432

^p Preliminary.

^r Revised.

Table 2. Relation of Claims on and Liabilities to Unaffiliated Foreigners Reported by U.S. Nonbanking Concerns in the International Transactions Accounts (ITAs) to Treasury International Capital (TIC) Reporting System Data

[Millions of dollars]

Line		2001 ^r	2002 ^r	2003 ^p
Claims				
(Credits +; decrease in U.S. assets. Debits -; increase in U.S. assets.)				
A1	Total claims outstanding, beginning of year, TIC	90,157	113,155	102,398
2	Total claims outstanding, end of year, TIC	113,155	102,398	101,011
3	Change in claims, TIC (A1 - A2)	-22,998	10,757	1,387
4	Minus: Valuation adjustments including unrealized exchange-rate gain or loss and other adjustments ¹	5,776	-13,296	-18,093
5	Minus: Break in series	0	0	1,373
6	Plus: Financial intermediaries' accounts ²	16,612	-19,467	-44,459
7	Plus: Supplemental source data ³	-12,871	-55,271	-3,194
8	Plus: Other coverage adjustments ⁴	16,513	5,260	614
9	Equals: Claims on unaffiliated foreigners reported by U.S. nonbanking concerns, ITA (A3 - A4 - A5 + A6 + A7 + A8) (table 1, line 53)	-8,520	-45,425	-28,932
Liabilities				
(Credits +; increase in U.S. liabilities. Debits -; decrease in U.S. liabilities.)				
B1	Total liabilities outstanding, beginning of year, TIC	73,904	66,718	67,304
2	Total liabilities outstanding, end of year, TIC	66,718	67,304	73,944
3	Change in liabilities, TIC (B2 - B1)	-7,186	586	6,640
4	Minus: Valuation adjustments including unrealized exchange-rate gain or loss and other adjustments ¹	-2,137	6,180	11,269
5	Minus: Break in series	0	0	-113
6	Plus: Financial intermediaries' accounts ²	-28,430	2,209	56,966
7	Plus: Supplemental source data ³	89,061	56,719	33,720
8	Plus: Other coverage adjustments ⁵	10,528	24,656	-2,156
9	Equals: Liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns, ITA (B3 - B4 - B5 + B6 + B7 + B8) (table 1, line 68)	66,110	77,990	84,014

^p Preliminary.

^r Revised.

1. Includes only unrealized gains or losses on foreign-currency-denominated assets and liabilities.

2. Financial intermediaries' accounts represent transactions between firms in a direct investment relationship (that is, between U.S. parents and their foreign affiliates or between U.S. affiliates and their foreign parent groups), where both the U.S. and foreign firms are classified in a finance industry, but they are not banks.

3. Includes supplemental transactions from the Bank of England, the Bank for International Settlements, and the Federal Reserve Board.

4. Includes supplemental insurance transactions and adjustments to avoid double counting U.S. claims on foreigners.

5. Includes supplemental futures trading transactions and adjustments to avoid double counting U.S. liabilities to foreigners.

Table 3. Relation of Claims on and Liabilities to Foreigners Reported by U.S. Banks in the International Transactions Accounts (ITAs) to Treasury International Capital (TIC) Reporting System Data

[Millions of dollars]

Line		2001 ^r	2002 ^r	2003 ^p
Claims				
(Credits +; decrease in U.S. assets. Debits -; increase in U.S. assets.)				
A1	Total claims outstanding, beginning of year, TIC	1,176,786	1,356,142	1,516,742
2	Total claims outstanding, end of year, TIC	1,356,142	1,516,742	1,706,974
3	Change in claims, TIC (A1 - A2)	-179,356	-160,600	-190,232
4	Minus: Valuation adjustments including unrealized exchange-rate gain or loss and other adjustments ¹	3,836	-10,199	-15,212
5	Minus: Break in series	-27,951	-120,099	-175,940
6	Minus: Direct investment	0	0	-2,794
7	Plus: Coverage adjustments including commercial paper and other adjustments ²	29,383	-5	-14,120
8	Equals: Claims on foreigners reported by U.S. banks, not included elsewhere, ITA (A3 - A4 - A5 - A6 + A7) (table 1, line 54)	-125,858	-30,307	-10,406
Liabilities				
(Credits +; increase in U.S. liabilities. Debits -; decrease in U.S. liabilities.)				
B1	Total liabilities outstanding, beginning of year, TIC	1,621,972	1,717,241	2,066,131
2	Total liabilities outstanding, end of year, TIC	1,717,241	2,066,131	2,367,871
3	Change in liabilities, TIC (B2 - B1)	95,269	348,890	301,740
4	Minus: Valuation adjustments including unrealized exchange-rate gain or loss and other adjustments	-5,388	9,878	11,098
5	Minus: Break in series	24,627	105,800	141,365
6	Minus: Direct investment	0	0	4,572
7	Plus: Coverage adjustments including short-term U.S. Treasury obligations and other adjustments ³	12,371	-115,581	-19,642
8	Equals: Liabilities to foreigners reported by U.S. banks, not included elsewhere, ITA (B3 - B4 - B5 - B6 + B7) (table 1, lines 61 + 69)	88,401	117,631	125,063
9	Liabilities to foreign official agencies (table 1, line 61)	-29,978	21,221	49,420
10	Liabilities to other foreigners (table 1, line 69)	118,379	96,410	75,643

^p Preliminary.

^r Revised.

1. Includes adjustments for claims on foreigners written off by U.S. reporters.

2. Includes adjustments for supplemental transactions in foreign commercial paper and other instruments.

3. Includes adjustments for transactions that are included in other international transactions accounts, including transactions in short-term U.S. Treasury obligations and in other liabilities held in custody by U.S. reporters.