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

Like most of the economic statistics produced by the Bureau of Economic Analysis (BEA), the estimates of financial-account transactions in the international transactions accounts (ITAs) are based largely on source data from other government agencies—in this case, from the Treasury International Capital (TIC) reporting system of the U.S. Department of the Treasury. These data are available on the Treasury Department's Web site and in the *Treasury Bulletin*.

The following tables present the adjustments made by BEA to align and augment the TIC data for inclusion in the financial account. Table 1 presents 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 claims on, and liabilities to, foreigners reported by U.S. nonbanking concerns, and table 3 presents claims on, and liabilities to, foreigners reported by U.S. banks. Examples of the adjustments that BEA makes to align the TIC data with balance-of-payments concepts and to close gaps in coverage are presented below.

Aligning with balance-of-payments concepts. The TIC data for gross U.S. purchases of foreign stocks and bonds (table 1, line A1) include the commissions that are paid by the U.S. purchasers to foreign brokers. In the ITAs, 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 payments of brokerage commissions (line A3) from the data for gross purchases.

Similarly, the TIC data for gross U.S. sales of foreign stocks and bonds (line A6) represent the proceeds from sales less the commissions paid by U.S. sellers to foreign brokers. To capture the total value of securities sold, BEA adds an estimate 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 acquisitions 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		2005 r	2006 r	2007 p
	Foreign Long-Term Securities			
A1	Gross U.S. purchases of foreign stocks and bonds, TIC	3,872,378	5,784,488	8,411,334
2	*Plus:* Security swap transactions and other coverage adjustments	78,595	112,740	63,520
3	*Minus:* Brokerage commissions	820	1,163	1,433
4	*Plus:* Underwriting and private placement fees	1,813	3,913	4,861
5	***Equals:* Gross U.S. purchases of foreign stocks and bonds, ITAs**	**3,951,966**	**5,899,978**	**8,478,282**
6	Gross U.S. sales of foreign stocks and bonds, TIC	3,699,986	5,533,652	8,188,148
7	*Plus:* Brokerage commissions	781	1,122	1,403
8	***Equals:* Gross U.S. sales of foreign stocks and bonds, ITAs**	**3,700,767**	**5,534,774**	**8,189,551**
9	Net U.S. purchases (–) or sales (+) of foreign stocks and bonds, TIC (A6 – A1)	–172,392	–250,836	–223,186
10	*Plus:* Coverage adjustments ((A7) – (A2 – A3 + A4))	–78,807	–114,368	–65,545
11	**Net U.S. purchases (–) or sales (+) of foreign long-term securities, ITAs (A8 – A5) (table 1, line 52)**	**–251,199**	**–365,204**	**–288,731**
	U.S. Long-Term Securities, Excluding U.S. Treasury Securities			
B1	Gross foreign purchases of other U.S. long-term securities, TIC	7,106,213	10,127,445	14,602,142
2	*Plus:* Security swap transactions and other coverage adjustments	11,034	2,009	10,655
3	*Minus:* Brokerage commissions	2,490	4,665	5,536
4	*Plus:* Underwriting and private placement fees	225	325	386
5	***Equals:* Gross foreign purchases of other U.S. long-term securities, ITAs**	**7,114,982**	**10,125,114**	**14,607,647**
6	Gross foreign sales of other U.S. long-term securities, TIC	6,432,785	9,179,747	13,798,680
7	*Plus:* Brokerage commissions	2,311	3,996	4,944
8	*Plus:* Coverage adjustment for gross sales	108,912	3,814	–7,983
9	***Equals:* Gross foreign sales of other U.S. long-term securities, ITAs**	**6,544,008**	**9,187,557**	**13,795,641**
10	Net foreign purchases (+) or sales (–) of other U.S. long-term securities, TIC (B1 – B6)	673,428	947,698	803,462
11	*Plus:* Coverage adjustments ((B2 – B3 + B4) – (B7 + B8))	–102,454	–10,141	8,544
12	**Net foreign purchases (+) or sales (–) of other U.S. long-term securities, ITAs (B5 – B9) (table 1, line 59 + 62 + 66)**	**570,974**	**937,557**	**812,006**
13	Other U.S. Government securities, foreign official assets (table 1, line 59)	100,493	219,837	171,465
14	Other foreign official assets (table 1, line 62)	20,095	34,357	66,691
15	Other U.S. securities, other foreign assets (table 1, line 66)	450,386	683,363	573,850
	U.S. Treasury Securities			
C1	Gross foreign purchases of U.S. Treasury marketable bonds and notes, TIC	10,051,249	10,958,018	15,127,646
2	*Minus:* Brokerage commissions and other fees	675	926	1,044
3	***Equals:* Gross foreign purchases of U.S. Treasury marketable bonds and notes, ITAs**	**10,050,574**	**10,957,092**	**15,126,602**
4	Gross foreign sales of U.S. Treasury marketable bonds and notes, TIC	9,713,136	10,762,487	14,926,466
5	*Plus:* Brokerage commissions and other fees	675	927	1,045
6	*Plus:* Coverage adjustment for gross sales	32,000	32,000	32,000
7	***Equals:* Gross foreign sales of U.S. Treasury marketable bonds and notes, ITAs**	**9,745,811**	**10,795,414**	**14,959,511**
8	Net foreign purchases (+) or sales (–) of U.S. Treasury marketable bonds and notes, TIC (C1 – C4)	338,113	195,531	201,180
9	*Plus:* Coverage adjustments (–(C2) – (C5 + C6))	–33,350	–33,853	–34,089
10	**Net foreign purchases (+) or sales (–) of U.S. Treasury marketable bonds and notes, ITAs (C3 – C7)**	**304,763**	**161,678**	**167,091**
11	***Plus:* Non-marketable bonds and notes**	**–682**	**79**	**84**
12	***Plus:* Short-term U.S. Treasury obligations**	**–58,940**	**–11,397**	**48,515**
13	**Net foreign purchases (+) or sales (–) of U.S. Treasury securities, ITAs (C10 + C11+ C12) (table 1, line 58 + line 65)**	**245,141**	**150,360**	**215,690**
14	U.S. Treasury securities, foreign official assets (table 1, line 58)	112,841	208,564	58,865
15	U.S. Treasury securities, other foreign assets (table 1, line 65)	132,300	–58,204	156,825

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

[Millions of dollars]

Line		2005 r	2006 r	2007 p
	Claims (Credits +; decrease in U.S. assets. Debits –; increase in U.S. assets.)			
A1	Total claims outstanding, beginning of year, TIC	143,232	144,950	126,032
2	Total claims outstanding, end of year, TIC	144,950	126,032	136,019
3	**Change in claims, TIC (A1 – A2)**	**–1,718**	**18,918**	**–9,987**
4	***Minus:* Valuation adjustments including unrealized exchange-rate gain or loss and other adjustments [1]**	**18,105**	**–13,085**	**–12,329**
5	***Plus:* Financial intermediaries' accounts [2]**	**–61,152**	**–110,621**	**96,873**
6	***Plus:* Supplemental source data [3]**	**7,830**	**–84,741**	**–100,792**
7	***Plus:* Other coverage adjustments [4]**	**1,938**	**–1,238**	**871**
8	***Equals:* Claims on unaffiliated foreigners reported by U.S. nonbanking concerns, except securities brokers, ITAs (A3 – A4 + A5 + A6 + A7) (table 1, line 53)**	**–71,207**	**–164,597**	**–706**
	Liabilities (Credits +; increase in U.S. liabilities. Debits –; decrease in U.S. liabilities.)			
B1	Total liabilities outstanding, beginning of year, TIC	92,009	76,710	89,217
2	Total liabilities outstanding, end of year, TIC	76,710	89,217	103,801
3	**Change in liabilities, TIC (B2 – B1)**	**–15,299**	**12,507**	**14,584**
4	***Minus:* Valuation adjustments including unrealized exchange-rate gain or loss and other adjustments [1]**	**–9,596**	**9,576**	**6,895**
5	***Plus:* Financial intermediaries' accounts [2]**	**12,962**	**55,305**	**25,658**
6	***Plus:* Supplemental source data [3]**	**58,884**	**146,491**	**122,507**
7	***Plus:* Other coverage adjustments [5]**	**3,429**	**38,000**	**436**
8	***Equals:* Liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns, except securities brokers, ITAs (B3 – B4 + B5 + B6 + B7) (table 1, line 68)**	**69,572**	**242,727**	**156,290**

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1. Includes unrealized gains or losses only 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 the foreign firm are classified in a finance industry, but the firms are neither banks nor securities brokers.
3. Includes supplemental transactions from the Bank of England, the Bank for International Settlements (BIS), and the Federal Reserve Board.
4. Includes supplemental insurance transactions and adjustments to avoid double-counting U.S. claims on foreigners.
5. Includes adjustments to avoid double counting U.S. liabilities to foreigners, and, in 2005, includes supplemental futures trading transactions.

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

[Millions of dollars]

Line		2005 r	2006 r	2007 p
	Claims (Credits +; decrease in U.S. assets. Debits –; increase in U.S. assets.)			
A1	Total claims outstanding, beginning of year, TIC	2,188,441	2,500,399	3,140,590
2	Total claims outstanding, end of year, TIC	2,500,399	3,140,590	3,812,388
3	**Change in claims, TIC (A1 – A2)**	**–311,958**	**–640,191**	**–671,798**
4	***Minus:* Valuation adjustments including unrealized exchange-rate gain or loss and other adjustments [1]**	**–67,883**	**–151,767**	**–34,694**
5	***Minus:* Direct investment**	**–1,498**	**2,229**	**2,125**
6	***Plus:* Coverage adjustments including commercial paper and other adjustments [2]**	**34,952**	**2,229**	**–5,522**
7	***Equals:* Claims on foreigners reported by U.S. banks, not included elsewhere, ITAs (A3 – A4 – A5 + A6) (table 1, line 54)**	**–207,625**	**–488,424**	**–644,751**
	Liabilities (Credits +; increase in U.S. liabilities. Debits –; decrease in U.S. liabilities.)			
B1	Total liabilities outstanding, beginning of year, TIC	3,017,873	3,186,745	4,010,427
2	Total liabilities outstanding, end of year, TIC	3,186,745	4,010,427	4,750,213
3	**Change in liabilities, TIC (B2 – B1)**	**168,872**	**823,682**	**739,786**
4	***Minus:* Valuation adjustments including unrealized exchange-rate gain or loss and other adjustments**	**–10,902**	**347,782**	**59,337**
5	***Minus:* Direct investment**	**–2,282**	**3,832**	**–9,574**
6	***Plus:* Coverage adjustments including short-term U.S. Treasury obligations and other adjustments [3]**	**58,940**	**11,397**	**–48,515**
7	***Equals:* Liabilities to foreigners reported by U.S. banks, not included elsewhere, ITAs (B3 – B4 – B5 + B6) (table 1, lines 61 + 69)**	**240,996**	**483,465**	**641,508**
8	Liabilities to foreign official agencies (table 1, line 61)	26,260	22,365	108,695
9	Liabilities to other foreigners (table 1, line 69)	214,736	461,100	532,813

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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.