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### **U.S. Net International Investment Position at Yearend 2005**

The U.S. net international investment position at yearend 2005 was -\$2,693.8 billion (preliminary) with direct investment valued at current cost, as the value of foreign investments in the United States exceeded the value of U.S. investments abroad (table 1). At yearend 2004, the U.S. net international investment position was -\$2,360.8 billion (revised).

The -\$333.0 billion change in the net investment position from yearend 2004 to yearend 2005 was largely due to record private net foreign purchases of U.S. securities, including U.S. Treasury securities, and to depreciation of most major foreign currencies against the U.S. dollar, which lowered the dollar value of U.S.-owned assets abroad. The impact of these net purchases and exchange-rate changes was largely offset by price appreciation of U.S.-held foreign stocks that surpassed by a large amount price appreciation of foreign-held U.S. stocks.

With direct investment valued at the current stock market value of owners' equity, the net investment position was -\$2,546.2 billion (preliminary) at yearend 2005, compared with -\$2,448.7 billion (revised) at yearend 2004. The -\$97.4 billion change in the net investment position on this basis resulted from the same factors as above. Price increases on direct investment were larger on this basis than with direct investment valued at current cost. Other highlights include:

- Foreign acquisitions of assets in the United States were \$1,212.3 billion in 2005, down from \$1,450.2 billion in 2004. Foreign official acquisitions were \$199.5 billion, down from last year's record \$387.8 billion, as a result of sharply reduced net purchases of U.S. Treasury securities. Partly offsetting were stronger private net foreign purchases of U.S. securities, including U.S. Treasury securities. Net private foreign purchases of U.S. Treasury securities were a record \$199.5 billion, up from \$102.9 billion. Net private foreign purchases of U.S. securities other than U.S. Treasury securities were a record \$474.1 billion, up from \$381.5 billion in 2004, of which net purchases of U.S. bonds were \$388.4 billion, up from \$321.9 billion, and net purchases of U.S. stocks were \$85.8 billion, up from \$59.5 billion. U.S. banks' liabilities increased \$179.8 billion, down from

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last year's increase of \$336.7 billion, and U.S. nonbanks' liabilities increased \$30.1 billion, down from \$93.3 billion. Foreign direct investment in the United States increased \$109.8 billion, down from an increase of \$133.2 billion.

- U.S. acquisitions of assets abroad were \$426.8 billion in 2005, down from a record \$867.8 billion in 2004, as U.S. direct investment abroad and U.S. banks' and nonbanks' claims slowed sharply from last year's pace. U.S. direct investment abroad increased only \$9.1 billion, down from an increase of \$244.1 billion in 2004. U.S. banks' claims increased \$213.0 billion, down from an increase of \$361.6 billion in 2004, and U.S. nonbanks' claims increased \$44.2 billion, down from an increase of \$120.0 billion. In contrast, net U.S. purchases of foreign securities, mostly foreign stocks, increased to \$180.1 billion from \$146.5 billion.
- Price appreciation in most foreign stock markets substantially increased the value of U.S. holdings of foreign corporate stocks and the value of owners' equity of U.S. direct investment abroad on a market-value basis. Price appreciation in the U.S. stock market also increased the value of foreign holdings of U.S. corporate stocks, but by a much smaller amount.
- Depreciation of most major foreign currencies against the U.S. dollar from yearend 2004 to yearend 2005 lowered the dollar value of U.S.-owned assets abroad, especially the value of U.S.-owned foreign corporate stocks and U.S. direct investment abroad at market value.

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#### Valuation Methods for Direct Investment

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.

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 all 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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U.S.-owned assets abroad increased \$822.0 billion to \$10,008.7 billion with U.S. direct investment abroad valued at current cost, and they increased \$1,003.9 billion to \$11,079.2 billion with U.S. direct investment abroad valued at market value.

U.S. holdings of foreign securities increased \$520.6 billion to \$4,074.0 billion. Holdings of foreign stocks increased as a result of large price appreciation and record net U.S. purchases,

which were partly offset by exchange-rate depreciation. Holdings of foreign bonds decreased as a result of price depreciation and exchange-rate depreciation that more than offset net U.S. purchases.

U.S. direct investment abroad valued at current cost increased \$54.7 billion to \$2,453.9 billion, mostly as a result of price appreciation. Financial transactions increased U.S. direct investment abroad \$9.1 billion, down sharply from last year's increase of \$244.1 billion, largely as a result of tax incentives provided by the American Jobs Creation Act that encouraged the payment of dividends by foreign affiliates to their U.S. parent companies. At market value, U.S. direct investment abroad increased \$236.6 billion to \$3,524.5 billion, reflecting strong price appreciation of owners' equity resulting from an increase in foreign stock prices. Partly offsetting was exchange-rate depreciation.

Claims on foreigners reported by U.S. banks increased \$202.8 billion to \$2,430.7 billion.

Claims on unaffiliated foreigners reported by U.S. nonbanking concerns increased \$51.0 billion to \$784.5 billion.

U.S. official reserve assets decreased \$1.5 billion to \$188.0 billion.

Foreign-owned assets in the United States increased \$1,155.0 billion to \$12,702.5 billion with foreign direct investment in the United States valued at current cost, and they increased \$1,101.3 billion to \$13,625.4 billion with foreign direct investment in the United States valued at market value.

Foreign official assets in the United States increased \$214.7 billion to \$2,216.1 billion. Net purchases of U.S. Government securities accounted for most of the increase.

Foreign holdings of U.S. securities other than U.S. Treasury securities, excluding official holdings, increased \$395.2 billion to \$4,390.7 billion. Foreign holdings of U.S. bonds increased as a result of strong net foreign purchases, which were partly offset by price depreciation. Foreign holdings of U.S. stocks increased as a result of net foreign purchases and price appreciation.

Foreign holdings of U.S. Treasury securities, excluding official holdings, increased \$142.6 billion to \$704.9 billion as a result of strong net foreign purchases.

U.S. liabilities to private foreigners and international financial institutions reported by U.S. banks increased \$179.9 billion to \$2,600.6 billion.

Liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns increased \$56.1 billion to \$563.7 billion.

Foreign direct investment in the United States valued at current cost increased \$147.2 billion to \$1,874.3 billion, mostly as a result of financial transactions. At market value, foreign

direct investment in the United States increased \$93.5 billion to \$2,797.2 billion.

U.S. currency held by foreigners increased \$19.4 billion to \$352.2 billion.

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### Revisions

The previously published net international investment position in 2004 was -\$2,484.2 billion with direct investment at current cost and -\$2,542.2 billion with direct investment at market value. This year, the estimates of U.S. holdings of foreign securities for 2003-2004 were revised to incorporate results from the U.S. Treasury Department's Annual Survey of U.S. Portfolio Investment Abroad as of December 31, 2004. The estimates of foreign holdings of U.S. securities for 2003-2004 were revised to incorporate results from the U.S. Treasury Department's Annual Survey of Foreign Portfolio Investment in the United States as of June 30, 2005. These estimates also included the incorporation of revised results from the U.S. Treasury Department's Benchmark Survey of Foreign Portfolio Investment in the United States as of June 30, 2004. The estimates of short-term U.S. Treasury securities and other short-term instruments reported by U.S. banks for 2003-2004 were also revised to incorporate results from the U.S. Treasury Department's Annual Survey of Foreign Portfolio Investment in the United States as of June 30, 2005. The estimates of foreign direct investment in the United States for 2002-2004 were revised to incorporate results from BEA's benchmark survey of foreign direct investment in the United States for 2002.

In addition to the above improvements, all estimates are revised as a result of newly available or revised quarterly source data. Revisions attributable to these updated source data are for 2002-2004. The net result of revisions from all sources raised the value of U.S. assets abroad relative to the value of foreign assets in the United States for 2002-2004.

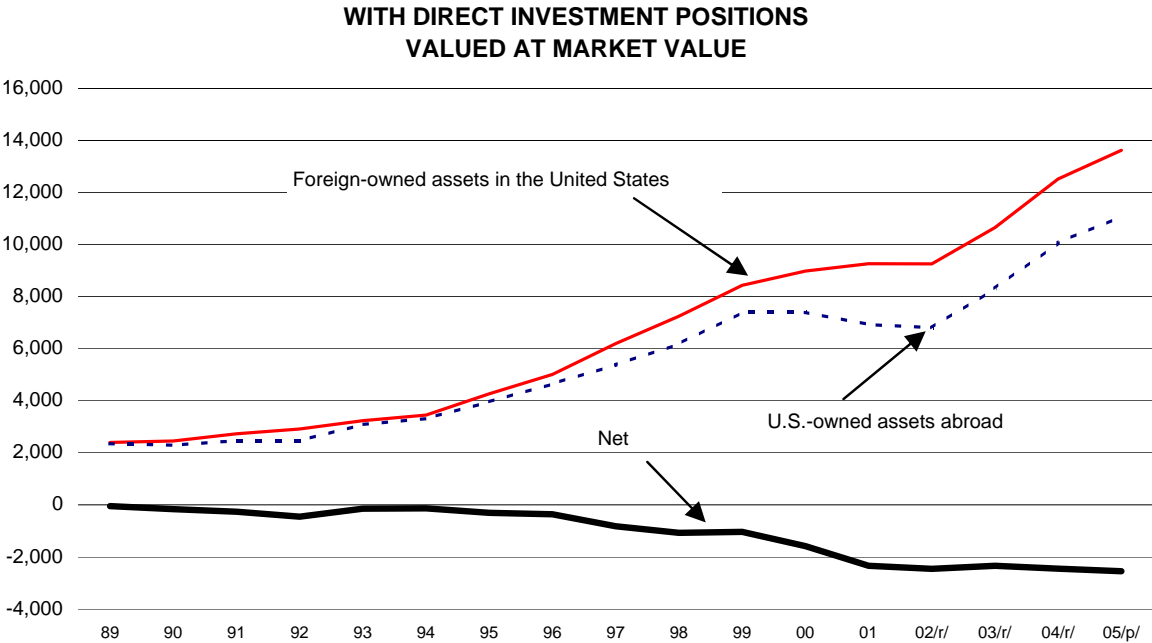
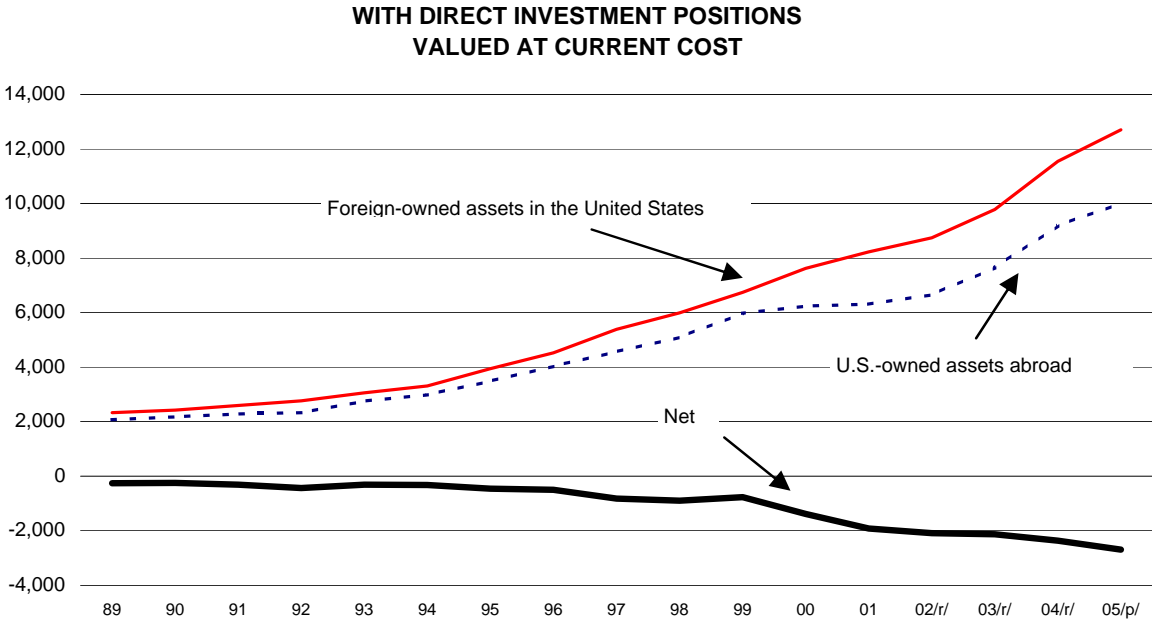
A more detailed discussion of the U.S. net international investment position in 2005 and revised historical data will appear in the July issue of the *Survey of Current Business*. That issue will also contain an article about historical-cost direct investment positions, with detail by country and industry, and revised direct investment historical data.

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# Net International Investment Position of the United States at Yearend, 1989 - 2005

Billion \$



p Preliminary.

r Revised.

Source: Bureau of Economic Analysis

**Table 1. International Investment Position of the United States at Yearend, 2004 and 2005**  
[Millions of dollars]

Line	Type of investment	Position, 2004 <sup>f</sup>	Changes in position in 2005 (decrease (-), increase (+))					Position, 2005 <sup>g</sup>
			Attributable to:				Total (a+b+c+d)	
			Financial flows (a)	Valuation adjustments				
				Price changes (b)	Exchange- rate changes <sup>1</sup> (c)	Other changes <sup>2</sup> (d)		
<b>Net international investment position of the United States:</b>								
1	With direct investment positions at current cost (line 3 less line 24).....	-2,360,785	-785,449	625,441	-226,283	53,277	-333,014	-2,693,799
2	With direct investment positions at market value (line 4 less line 25).....	-2,448,744	-785,449	1,061,360	-393,614	20,272	-97,431	-2,546,175
<b>U.S.-owned assets abroad:</b>								
3	With direct investment positions at current cost (lines 5+10+15).....	9,186,661	426,801	608,509	-278,993	65,698	822,015	10,008,676
4	With direct investment positions at market value (lines 5+10+16).....	10,075,337	426,801	993,566	-444,317	27,815	1,003,865	11,079,202
5	U.S. official reserve assets.....	189,591	-14,096	20,241	-7,680	-13	-1,548	188,043
6	Gold.....	113,947	.....	<sup>3</sup> 20,241	.....	<sup>4</sup> -13	20,228	134,175
7	Special drawing rights.....	13,628	-4,511	.....	-907	.....	-5,418	8,210
8	Reserve position in the International Monetary Fund.....	19,544	-10,200	.....	-1,308	.....	-11,508	8,036
9	Foreign currencies.....	42,472	615	.....	-5,465	.....	-4,850	37,622
10	U.S. Government assets, other than official reserve assets.....	83,062	-5,539	.....	.....	.....	-5,539	77,523
11	U.S. credits and other long-term assets <sup>5</sup> .....	80,308	-3,348	.....	.....	.....	-3,348	76,960
12	Repayable in dollars.....	80,035	-3,348	.....	.....	.....	-3,348	76,687
13	Other <sup>6</sup> .....	273	.....	.....	.....	.....	.....	273
14	U.S. foreign currency holdings and U.S. short-term assets.....	2,754	-2,191	.....	.....	.....	-2,191	563
U.S. private assets:								
15	With direct investment at current cost (lines 17+19+22+23).....	8,914,008	446,436	588,268	-271,313	65,711	829,102	9,743,110
16	With direct investment at market value (lines 18+19+22+23).....	9,802,684	446,436	973,325	-436,637	27,828	1,010,952	10,813,636
Direct investment abroad:								
17	At current cost.....	2,399,224	9,072	42,085	-32,112	35,664	54,709	2,453,933
18	At market value.....	3,287,900	9,072	427,142	-197,436	-2,219	236,559	3,524,459
19	Foreign securities.....	3,553,387	180,125	546,183	-205,698	.....	520,610	4,073,997
20	Bonds.....	992,969	37,991	-20,533	-22,884	.....	-5,426	987,543
21	Corporate stocks.....	2,560,418	142,134	566,716	-182,814	.....	526,036	3,086,454
22	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns.....	733,538	44,221	.....	-18,151	24,913	50,983	784,521
23	U.S. claims reported by U.S. banks, not included elsewhere.....	2,227,859	213,018	.....	-15,352	5,134	202,800	2,430,659
<b>Foreign-owned assets in the United States:</b>								
24	With direct investment at current cost (lines 26+33).....	11,547,446	1,212,250	-16,932	-52,710	12,421	1,155,029	12,702,475
25	With direct investment at market value (lines 26+34).....	12,524,081	1,212,250	-67,794	-50,703	7,543	1,101,296	13,625,377
26	Foreign official assets in the United States.....	2,001,407	199,495	-26,059	.....	41,280	214,716	2,216,123
27	U.S. Government securities.....	1,499,293	156,450	-28,661	.....	22,315	150,104	1,649,397
28	U.S. Treasury securities.....	1,241,250	71,749	-21,682	.....	-2,436	47,631	1,288,881
29	Other.....	258,043	84,701	-6,979	.....	24,751	102,473	360,516
30	Other U.S. Government liabilities <sup>7</sup> .....	16,488	-488	.....	.....	.....	-488	16,000
31	U.S. liabilities reported by U.S. banks, not included elsewhere.....	270,387	24,275	.....	.....	.....	24,275	294,662
32	Other foreign official assets.....	215,239	19,258	2,602	.....	18,965	40,825	256,064
Other foreign assets:								
33	With direct investment at current cost (lines 35+37+38+41+42+43).....	9,546,039	1,012,755	9,127	-52,710	-28,859	940,313	10,486,352
34	With direct investment at market value (lines 36+37+38+41+42+43).....	10,522,674	1,012,755	-41,735	-50,703	-33,737	886,580	11,409,254
Direct investment in the United States:								
35	At current cost.....	1,727,062	109,754	27,950	-2,007	11,504	147,201	1,874,263
36	At market value.....	2,703,697	109,754	-22,912	.....	6,626	93,468	2,797,165
37	U.S. Treasury securities.....	562,288	199,491	-7,671	.....	-49,233	142,587	704,875
38	U.S. securities other than U.S. Treasury securities.....	3,995,506	474,140	-11,152	-29,411	-38,401	395,176	4,390,682
39	Corporate and other bonds.....	2,035,149	388,357	-72,646	-29,411	-46,252	240,048	2,275,197
40	Corporate stocks.....	1,960,357	85,783	61,494	.....	7,851	155,128	2,115,485
41	U.S. currency.....	332,735	19,416	.....	.....	.....	19,416	352,151
42	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.....	507,668	30,105	.....	-10,309	36,285	56,081	563,749
43	U.S. liabilities reported by U.S. banks, not included elsewhere.....	2,420,780	179,849	.....	-10,983	10,986	179,852	2,600,632

<sup>p</sup> Preliminary.

<sup>f</sup> Revised.

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, capital gains and losses of direct investment affiliates, and other adjustments to the value of assets and liabilities.

3. Reflects changes in the value of the official gold stock due to fluctuations in the market price of gold.

4. 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.

5. Also includes paid-in capital subscriptions to international financial institutions and resources provided to foreigners under foreign assistance programs requiring repayment over several years. Excludes World War I debts that are not being serviced.

6. 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.

7. Primarily U.S. Government liabilities associated with military sales contracts and other transactions arranged with or through foreign official agencies.