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U.S. Net International Investment Position at Yearend 2007

The U.S. net international investment position at yearend 2007 was -\$2,441.8 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 2006, the U.S. net international investment position was -\$2,225.8 billion (revised).

The -\$216.0 billion change in the U.S. net investment position from yearend 2006 to yearend 2007 reflected net foreign acquisitions of financial assets in the United States that substantially exceeded net U.S. acquisitions of financial assets abroad. The impact of this disparity was partly offset by large exchange-rate changes resulting from strong appreciation of most major foreign currencies against the U.S. dollar, which raised the dollar value of U.S.-owned assets abroad, and by price appreciation of U.S.-held foreign stocks that surpassed by a large amount the price appreciation of foreign-held U.S. stocks.

The following are highlights for 2007:

- Foreign acquisitions of financial assets in the United States, excluding financial derivatives, were \$2,057.7 billion in 2007, down slightly from acquisitions of \$2,061.1 billion in 2006. In 2007, net foreign private purchases of U.S. securities and increases in liabilities reported by U.S. banks were especially strong. Net foreign official acquisitions of U.S. assets and foreign direct investment in the United States remained robust.
- U.S. acquisitions of financial assets abroad, excluding financial derivatives, were \$1,289.9 billion in 2007, up slightly from acquisitions of \$1,251.7 billion in 2006. In 2007, increases in claims reported by U.S. banks and U.S. direct investment abroad were especially strong. Net U.S. purchases of foreign securities declined somewhat but remained robust.
- Appreciation of most major foreign currencies against the U.S. dollar from yearend 2006

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to yearend 2007 substantially raised the dollar value of U.S.-owned assets abroad, especially the value of U.S.-owned foreign stocks.

- Price appreciation in most foreign stock markets increased the value of U.S. holdings of foreign stocks by a large amount. Price appreciation in the U.S. stock market also increased the value of foreign holdings of U.S. stocks, but by a much smaller amount.

U.S.-owned assets abroad increased \$3,258.7 billion to \$17,640.0 billion.

U.S. holdings of financial derivatives with positive fair value increased \$1,045.6 billion to \$2,284.6 billion.

U.S. holdings of foreign securities increased \$1,044.2 billion to \$6,648.7 billion. Holdings of foreign stocks increased as a result of foreign-currency appreciation, price appreciation, and net U.S. purchases. Holdings of foreign bonds increased mostly as a result of net U.S. purchases.

Claims on foreigners reported by U.S. banks increased \$679.4 billion to \$3,826.2 billion.

The stock of U.S. direct investment abroad at current cost increased \$396.9 billion to \$3,332.8 billion, mostly as a result of net financial flows (see box on page 3).

Claims on unaffiliated foreigners reported by U.S. nonbanking concerns increased \$12.9 billion to \$1,176.0 billion.

U.S. official reserve assets increased \$57.4 billion to \$277.2 billion.

U.S. government assets other than official reserve assets increased \$22.3 billion to \$94.5 billion.

Foreign-owned assets in the United States increased \$3,474.7 billion to \$20,081.8 billion.

U.S. holdings of financial derivatives with negative fair value increased \$1,021.9 billion to \$2,201.1 billion.

Foreign official assets in the United States increased \$511.4 billion to \$3,337.0 billion.

Foreign private holdings of U.S. securities other than U.S. Treasury securities increased \$760.1 billion to \$6,132.4 billion. Foreign holdings of U.S. bonds increased mostly as a result of net foreign purchases. Foreign holdings of U.S. stocks increased as a result of net foreign purchases and price appreciation.

Liabilities to private foreigners reported by U.S. banks increased \$591.9 billion to \$4,022.2 billion.

The stock of foreign direct investment in the United States at current cost increased \$271.2 billion to \$2,422.8 billion, mostly as a result of net financial flows (see box below).

Foreign private holdings of U.S. Treasury securities increased \$166.9 billion to \$734.8 billion as a result of especially strong net foreign purchases.

Liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns increased \$162.0 billion to \$959.5 billion.

U.S. currency held by foreigners decreased \$10.7 billion to \$272.0 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 2006 was -\$2,539.6 billion. The revised position estimates reflect the incorporation of results from BEA's benchmark survey of U.S. direct investment abroad for 2004, and the incorporation of results from the U.S. Treasury Department's benchmark survey of securities claims for December 2006 and annual survey of securities liabilities for June 2007. The U.S. net investment position was also revised for 1976-2006 as a result of improved estimates of U.S. currency shipments.

In addition to the inclusion of benchmark and improved source data, estimates were revised to incorporate newly available or revised quarterly source data. Revisions attributable to

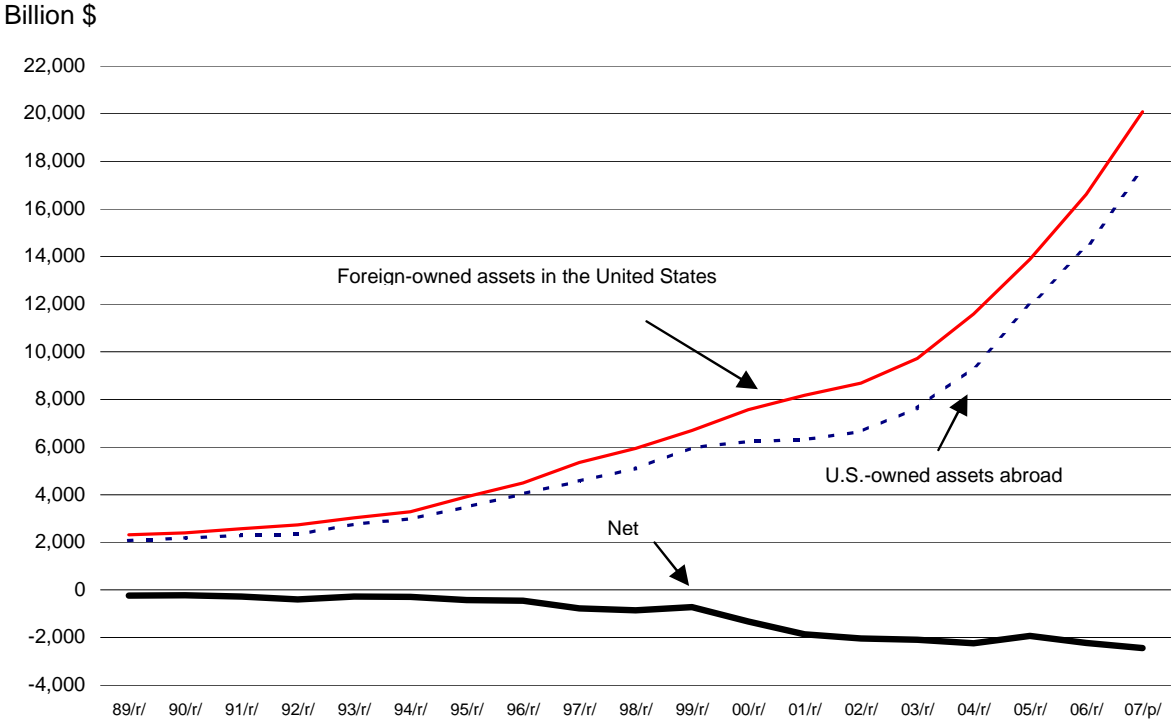
these updated source data were for 2002-2006. The net result of revisions from all sources lowered the U.S. net international investment position by small amounts for 2002-2004, and by much larger amounts for 2005 and 2006.

A more detailed discussion of the U.S. net international investment position at yearend 2007 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 - 2007



p Preliminary

r Revised

Source: Bureau of Economic Analysis

Table 1. International Investment Position of the United States at Yearend, 2006 and 2007
[Millions of dollars]

Line	Type of investment	Position, 2006 ^r	Changes in position in 2007 (decrease (-), increase (+))					Position, 2007 ^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)	-2,225,804	-774,345	197,683	438,711	-78,074	-216,025	-2,441,829
2	Financial derivatives, net (line 5 less line 25) ³	59,836	-6,496	(³)	(³)	⁴ 30,189	23,693	83,529
3	Net international investment position, excluding financial derivatives (line 6 less line 26).....	-2,285,640	-767,849	197,683	438,711	-108,263	-239,718	-2,525,358
4	U.S.-owned assets abroad (lines 5+6)	14,381,297	(³)	(³)	(³)	(³)	3,258,657	17,639,954
5	Financial derivatives (gross positive fair value).....	1,238,995	(³)	(³)	(³)	(³)	1,045,586	2,284,581
6	U.S.-owned assets abroad, excluding financial derivatives (lines 7+12+17).....	13,142,302	1,289,854	420,581	516,968	-14,332	2,213,071	15,355,373
7	U.S. official reserve assets.....	219,853	122	52,758	4,478	0	57,358	277,211
8	Gold.....	165,267	0	⁵ 52,758	.....	⁶ 0	52,758	218,025
9	Special drawing rights.....	8,870	154	.....	452	0	606	9,476
10	Reserve position in the International Monetary Fund.....	5,040	-1,021	.....	225	0	-796	4,244
11	Foreign currencies.....	40,676	989	.....	3,801	0	4,790	45,466
12	U.S. government assets, other than official reserve assets.....	72,189	22,273	.....	.....	9	22,282	94,471
13	U.S. credits and other long-term assets ⁷	71,635	-1,629	.....	.....	9	-1,620	70,015
14	Repayable in dollars.....	71,362	-1,629	.....	.....	9	-1,620	69,742
15	Other ⁸	273	0	.....	(³)	.....	0	273
16	U.S. foreign currency holdings and U.S. short-term assets.....	554	23,902	.....	(³)	.....	23,902	24,456
17	U.S. private assets.....	12,850,260	1,267,459	367,823	512,490	-14,341	2,133,431	14,983,691
18	Direct investment at current cost.....	2,935,977	333,271	25,579	69,631	-31,630	396,851	3,332,828
19	Foreign securities.....	5,604,475	288,731	342,244	413,236	0	1,044,211	6,648,686
20	Bonds.....	1,275,515	170,708	3,918	27,946	0	202,572	1,478,087
21	Corporate stocks.....	4,328,960	118,023	338,326	385,290	0	841,639	5,170,599
22	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns.....	1,163,102	706	.....	12,329	-110	12,925	1,176,027
23	U.S. claims reported by U.S. banks, not included elsewhere.....	3,146,706	644,751	.....	17,294	17,399	679,444	3,826,150
24	Foreign-owned assets in the United States (lines 25+26)	16,607,101	(³)	(³)	(³)	(³)	3,474,682	20,081,783
25	Financial derivatives (gross negative fair value).....	1,179,159	(³)	(³)	(³)	(³)	1,021,893	2,201,052
26	Foreign-owned assets in the United States, excluding financial derivatives (lines 27+34).....	15,427,942	2,057,703	222,898	78,257	93,931	2,452,789	17,880,731
27	Foreign official assets in the United States.....	2,825,628	411,058	84,554	.....	15,790	511,402	3,337,030
28	U.S. government securities.....	2,167,112	230,330	73,387	.....	32,002	335,719	2,502,831
29	U.S. Treasury securities.....	1,558,317	58,865	54,397	.....	25,786	139,048	1,697,365
30	Other.....	608,795	171,465	18,990	.....	6,216	196,671	805,466
31	Other U.S. government liabilities ⁹	18,682	5,342	.....	.....	0	5,342	24,024
32	U.S. liabilities reported by U.S. banks, not included elsewhere.....	297,012	108,695	.....	.....	0	108,695	405,707
33	Other foreign official assets.....	342,822	66,691	11,167	.....	-16,212	61,646	404,468
34	Other foreign assets.....	12,602,314	1,646,645	138,344	78,257	78,141	1,941,387	14,543,701
35	Direct investment at current cost.....	2,151,616	237,542	18,628	3,935	11,075	271,180	2,422,796
36	U.S. Treasury securities.....	567,885	156,825	22,362	.....	-12,296	166,891	734,776
37	U.S. securities other than U.S. Treasury securities.....	5,372,361	573,850	97,354	52,974	35,899	760,077	6,132,438
38	Corporate and other bonds.....	2,824,879	391,440	-5,867	52,974	35,899	474,446	3,299,325
39	Corporate stocks.....	2,547,482	182,410	103,221	.....	0	285,631	2,833,113
40	U.S. currency.....	282,627	-10,675	.....	.....	0	-10,675	271,952
41	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.....	797,495	156,290	.....	6,895	-1,136	162,049	959,544
42	U.S. liabilities reported by U.S. banks, not included elsewhere.....	3,430,330	532,813	.....	14,453	44,599	591,865	4,022,195
Memoranda:								
43	Direct investment abroad at market value.....	4,454,635	333,271	108,353	267,198	-15,505	693,317	5,147,952
44	Direct investment in the United States at market value.....	3,293,739	237,542	6,264	.....	-13,945	229,861	3,523,600

^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). Price changes result from changes in the value of derivatives contracts due to changes in the value of their underlying assets or reference rates, which may arise from movements in interest rates, stock prices, commodity prices, or other variables. Exchange-rate changes result from the revaluation of foreign-currency-denominated derivatives contracts at current exchange rates. "Other changes" can result when data on investment positions that had accumulated in prior periods are covered by a new or more complete survey.
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. Primarily U.S. government liabilities associated with military sales contracts and other transactions arranged with or through foreign official agencies.