

Why were international transactions in U.S. Treasury securities revised up so much for 2010 and 2011 with the June 2012 annual revision of the [U.S. international transactions accounts \(ITAs\)](#)?

Foreign residents' transactions in U.S. Treasury securities (lines 58 and 65 in table 1 of the ITAs) were revised up by \$85.6 billion (13%) in 2010 and by \$146.6 billion (55%) in 2011. These revisions accounted for close to 80% of the revisions to net financial inflows in those years.

The large revisions are due to new information from the *Annual Survey of Foreign Portfolio Holdings of U.S. Securities at end-June 2011*, part of the Treasury International Capital (TIC) reporting system conducted by the Federal Reserve Board and the U.S. Treasury, which was released in preliminary form in February 2012 and in final form in April 2012. The *Survey* revealed that foreign holdings of U.S. Treasury bonds (with an original maturity of more than 1-year) were \$217.5 billion higher than holdings based on the June 2010 *Survey* and monthly TIC data on foreign purchases and sales since the June 2010 *Survey*. Because the *Survey* collects the most complete information on foreign holdings of U.S. securities, and implicitly purchases and sales across years, BEA is adding \$217.5 billion in previously unreported foreign purchases of U.S. Treasury bonds to the ITAs in 2010 and 2011.¹

The revisions to net financial inflows have a significant impact on the statistical discrepancy, the amount that balances the sum of the recorded credits and debits across all accounts in the ITAs. The statistical discrepancy was revised down by \$157.5 billion in 2010, from \$216.8 billion to \$59.2 billion, and down by \$169.7 billion in 2011, from \$80.5 billion to -\$89.2 billion.

While the revisions are large in the context of financial flows, they are not as large in the broader context of financial trading and cross-border holdings of U.S. securities. In a recent article, the Federal Reserve Board suggested that purchases of U.S. Treasury securities by foreigners could be missed by the TIC reporting system in the huge Treasury securities market because the average daily trading volume in Treasury bonds was on the order of \$500 billion in 2011.² Relative to the size of total foreign holdings of U.S. Treasury bonds, the \$217.5 billion gap identified by BEA amounts to about 5% of the \$4,047.7 billion in foreign holdings of U.S. Treasury bonds reported in the June 2011 survey.

Going forward, BEA hopes to reduce these gaps and subsequent annual revisions by making use of newly available monthly data on foreign holdings of U.S. Treasury securities, which are now reported to Treasury and the Federal Reserve Board through the TIC reporting system's new SLT monthly survey.³ When the SLT survey matures and the data become available earlier, BEA will be able to find gaps in the financial transactions data and make revisions quarterly rather than waiting until the annual survey data are available.

¹ Price changes were not responsible for the higher-than-projected value of the holdings in June 2011 because prices of U.S. Treasury bonds trended down between June 2010 and June 2011.

² Brandner, Erika, Fang Cai, and Ruth Judson. 2012 "Improving the Measurement of Cross-Border Securities Holdings: The Treasury International Capital SLT." Federal Reserve Bulletin 98. Pages 1-28.

³ The TIC SLT "Aggregate Holdings of Long-Term Securities by U.S. and Foreign Residents," covers holdings by foreign residents of U.S. Treasury, agency, and corporate long-term debt and U.S. stocks, and holdings by U.S. residents of foreign long-term debt and foreign stocks.