# U.S. International Transactions, Revised Estimates for 1989–2000

*By Christopher L. Bach*

AS is customary each June, the estimates of U.S. international transactions have been revised to incorporate statistical and methodological revisions. This year, like last year, a number of improvements have been implemented as part of continuing efforts by the Bureau of Economic Analysis (BEA) to address gaps in coverage of transactions. In large part, the gaps have arisen because of the dynamic nature of international markets. The major improvements this year respond mainly to rapid changes in the capital markets.

- "Other" private income receipts and payments for banks are revised for 1996–2000 to more accurately reflect current practices in banking markets, including a decline in the use of noninterest-earning compensating balances.
- U.S. nonbank liabilities to foreigners are revised for 1996–2000 as a result of the substitution of Bank for International Settlements (BIS) data on nonbank liabilities to foreign banks for U.S.-source data. The substitution significantly expands the coverage of these financial transactions. Related nonbank income payments are also revised for 1996–2000.
- Net foreign purchases of U.S. securities other than U.S. Treasury securities are revised for 1999–2000 as a result of a more complete accounting for large U.S. acquisitions of foreign companies, especially those transactions completed through an exchange of stock.
- Foreign direct investment in the United States financial flows and related income payments are revised for 1997–2000 to incorporate the results of BEA's benchmark survey for 1997 and revised quarterly survey results for subsequent years. Benchmark and quarterly survey results are also incorporated for the affiliated components of royalties and license fees and "other" private services.
- Goods exports and goods imports are revised for 1989–2000 to ensure more consistency in classification by type of end-use commodity and to ensure more consistency in applying trading-day and seasonal adjustment factors.

The newly available benchmark data, improved methodologies, and improved coverage of the accounts are discussed in the remaining sections of this article. In addition to these major changes, revisions result from the incorporation of regularly available data from BEA's annual and quarterly surveys, from the U.S. Treasury Department's and Federal Reserve System's quarterly and monthly surveys, and supplemental data from other U.S. Government agencies and private sources.

For 2000, as a result of all these changes, the current-account deficit is increased $9.3 billion, or 2.1 percent, to $444.7 billion (table 1). By account, $1.1 billion is removed from goods exports and $1.6 billion is added to goods imports, resulting in a deficit that is $2.7 billion higher than previously estimated. For services, $2.7 billion is removed from services exports and $1.8 billion is added to services imports, resulting in a surplus that is $4.5 billion lower than previously estimated. For income, $7.5 billion is added to income receipts and $8.6 billion is added to income payments, resulting in a deficit that is $1.1 billion higher than previously estimated. For net current unilateral transfers, $0.9 billion in outflows is added, resulting in an increase to net current transfers of the same amount. Net financial account inflows are revised up $44.2 billion, to $443.3 billion. Details on revisions to individual series are shown in table 2 on page **32**.

### *Bank income receipts and payments*

BEA has recently reviewed its methodology for estimating bank income receipts and bank income payments. Unlike most other components of the international accounts, survey-based source data are not available for these estimates, so they must be measured indirectly. Consequently, the methodology must be reviewed frequently to ensure that it accurately reflects changes in banking practices and current developments in the financial markets. (The survey-based income data collected by the Federal Reserve are on a consolidated basis, which does not permit the identification of cross-border measures needed for the balance of payments accounts.)

BEA's review this year centered on four issues: (1) The percentage of balances that are noninterest earning, (2) the pricing of international transactions, (3) the average maturity of loans, and (4) the pricing of transactions of international banking facilities (IBF). These issues are critical for BEA's methodology, which averages outstanding balances by type of asset or liability, adjusts for noninterest-earning balances, exchange rate gains and losses, and for underreporting, and then applies a yield. The yield is a weighted average of appropriate market rates.

BEA's discussions with banks indicated that competition has greatly reduced the size of interoffice balances that are noninterest earning. In today's competitive environment, interoffice accounts are subject to stringent cash management techniques, and nearly all transactions are priced. Noninterest-earning balances are minimal and are limited to compensatory balances for only a few services. To bring the income accounts in line with market practices, BEA's revised methodology reduces the share of interoffice balances that are considered noninterest earning for both receipts and payments. Previously, the share was significantly higher.

The banks also confirmed that pricing of nearly all international transactions is based on LIBOR rates, with basis points added to asset rates to account for varying amounts of risk and subtracted from liability rates to allow for profit margins. Consequently, BEA's methodology has been adjusted to reflect actual market practices, and it uses LIBOR rates in most pricing computations. Previously, BEA's methodology used domestic commercial paper rates, CD rates, Federal funds rates, and Eurodollar rates.

With regard to instrument maturity, the banks confirmed that the prevailing market practice is to engage primarily in shorter term transactions, with short-term loans renewed frequently. The revised methodology uses shorter term interest rates than the previous methodology to apply to outstanding positions.

With regard to IBF and non-IBF transactions, the banks stated that transactions booked on these two sets of balance sheets are priced virtually the same. Whether on IBF or non-IBF ledgers, transactions are competitive, and the market sets nearly the same interest rate. BEA's methodology has been adjusted so that IBF transactions are priced

**Table 1.—Revisions to the Current-Account Estimates**

[Millions of dollars; quarters seasonally adjusted]

| | Exports of goods and services and income receipts | | | Imports of goods and services and income payments | | | Unilateral current transfers, net | | | Balance on current account | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Previously published | Revised | Revision | Previously published | Revised | Revision | Previously published | Revised | Revision | Previously published | Revised | Revision |
| 1989 ................. | 650,494 | 648,290 | –2,204 | –721,307 | –721,607 | –300 | –26,169 | –26,169 | ................. | –96,982 | –99,486 | –2,504 |
| 1990 ................. | 708,881 | 706,975 | –1,906 | –759,189 | –759,287 | –98 | –26,654 | –26,654 | ................. | –76,961 | –78,965 | –2,004 |
| 1991 ................. | 730,387 | 727,557 | –2,830 | –734,524 | –734,563 | –39 | 10,752 | 10,752 | ................. | 6,616 | 3,747 | –2,869 |
| 1992 ................. | 749,324 | 748,603 | –721 | –762,035 | –762,105 | –70 | –35,013 | –35,013 | ................. | –47,724 | –48,515 | –791 |
| 1993 ................. | 776,933 | 777,044 | 111 | –821,977 | –821,930 | 47 | –37,637 | –37,637 | ................. | –82,681 | –82,523 | 158 |
| 1994 ................. | 868,867 | 869,328 | 461 | –949,212 | –949,312 | –100 | –38,260 | –38,260 | ................. | –118,605 | –118,244 | 361 |
| 1995 ................. | 1,006,576 | 1,005,935 | –641 | –1,081,976 | –1,081,776 | 200 | –34,057 | –34,057 | ................. | –109,457 | –109,898 | –441 |
| 1996 ................. | 1,075,874 | 1,077,966 | 2,092 | –1,159,111 | –1,158,822 | 289 | –40,081 | –40,081 | ................. | –123,318 | –120,937 | 2,381 |
| 1997 ................. | 1,194,283 | 1,195,538 | 1,255 | –1,294,029 | –1,294,553 | –524 | –40,794 | –40,794 | ................. | –140,540 | –139,809 | 731 |
| 1998 ................. | 1,191,422 | 1,191,932 | 510 | –1,364,531 | –1,364,962 | –431 | –44,029 | –44,427 | –398 | –217,138 | –217,457 | –319 |
| 1999 ................. | 1,232,407 | 1,242,655 | 10,248 | –1,515,861 | –1,518,106 | –2,245 | –48,025 | –48,913 | –888 | –331,479 | –324,364 | 7,115 |
| 2000 ................. | 1,414,925 | 1,418,568 | 3,643 | –1,797,061 | –1,809,099 | –12,038 | –53,241 | –54,136 | –895 | –435,377 | –444,667 | –9,290 |
| 1996:I ............... | 262,540 | 262,927 | 387 | –277,301 | –277,198 | 103 | –10,519 | –10,519 | ................. | –25,280 | –24,790 | 490 |
| II ............. | 266,135 | 266,859 | 724 | –287,269 | –287,257 | 12 | –8,744 | –8,744 | ................. | –29,878 | –29,142 | 736 |
| III ............. | 266,709 | 267,240 | 531 | –294,421 | –294,437 | –16 | –8,940 | –8,940 | ................. | –36,652 | –36,137 | 515 |
| IV ............. | 280,484 | 280,934 | 450 | –300,121 | –299,931 | 190 | –11,878 | –11,878 | ................. | –31,515 | –30,875 | 640 |
| 1997:I ............... | 286,666 | 287,373 | 707 | –311,988 | –312,810 | –822 | –9,054 | –9,054 | ................. | –34,376 | –34,491 | –115 |
| II ............. | 299,955 | 300,459 | 504 | –320,660 | –321,005 | –345 | –9,280 | –9,280 | ................. | –29,985 | –29,826 | 159 |
| III ............. | 305,537 | 305,114 | –423 | –329,383 | –328,883 | 500 | –9,561 | –9,561 | ................. | –33,407 | –33,330 | 77 |
| IV ............. | 302,129 | 302,595 | 466 | –331,999 | –331,858 | 141 | –12,902 | –12,902 | ................. | –42,772 | –42,165 | 607 |
| 1998:I ............... | 301,732 | 301,933 | 201 | –334,328 | –335,558 | –1,230 | –9,794 | –9,866 | –72 | –42,390 | –43,491 | –1,101 |
| II ............. | 298,857 | 298,319 | –538 | –340,233 | –340,566 | –333 | –10,099 | –10,154 | –55 | –51,475 | –52,401 | –926 |
| III ............. | 291,341 | 291,449 | 108 | –341,992 | –341,256 | 736 | –10,658 | –10,731 | –73 | –61,309 | –60,538 | 771 |
| IV ............. | 299,489 | 300,229 | 740 | –347,980 | –347,583 | 397 | –13,474 | –13,671 | –197 | –61,965 | –61,025 | 940 |
| 1999:I ............... | 293,717 | 296,210 | 2,493 | –349,513 | –351,607 | –2,094 | –10,831 | –11,051 | –220 | –66,627 | –66,448 | 179 |
| II ............. | 300,994 | 302,880 | 1,886 | –368,439 | –368,662 | –223 | –11,537 | –11,596 | –59 | –78,982 | –77,378 | 1,604 |
| III ............. | 313,084 | 315,099 | 2,015 | –391,337 | –391,401 | –64 | –11,396 | –11,761 | –365 | –89,649 | –88,063 | 1,586 |
| IV ............. | 324,612 | 328,467 | 3,855 | –406,575 | –406,437 | 138 | –14,260 | –14,504 | –244 | –96,223 | –92,474 | 3,749 |
| 2000:I ............... | 336,729 | 339,645 | 2,916 | –426,410 | –432,624 | –6,214 | –12,087 | –11,924 | 163 | –101,768 | –104,903 | –3,135 |
| II ............. | 353,494 | 355,075 | 1,581 | –446,399 | –450,748 | –4,349 | –12,334 | –12,461 | –127 | –105,239 | –108,134 | –2,895 |
| III ............. | 362,765 | 361,236 | –1,529 | –462,926 | –463,461 | –535 | –12,949 | –13,080 | –131 | –113,110 | –115,305 | –2,195 |
| IV ............. | 361,938 | 362,617 | 679 | –461,332 | –462,268 | –936 | –15,872 | –16,673 | –801 | –115,266 | –116,324 | –1,058 |

similarly to non-IBF transactions; previously, these transactions were priced differently.

BEA's bank income methodology has been adjusted to incorporate this new information, and bank income receipts and payments are revised for 1996–2000. The revisions to receipts are larger than to payments, so that there is an increase in net bank income receipts. Despite the changes in levels, quarterly patterns are little changed from those in the previous estimates. In 2000, bank income receipts are revised up $5.9 billion, and bank income payments are revised up $3.3 billion.

### *Nonbank liabilities*

BEA has improved its estimates of nonbank liabilities by incorporating data from a new source and by incorporating updated source data from its own surveys. First, BEA has expanded its substitution of data reported to the Bank for International Settlements (BIS) for domestic source data in order to significantly improve the coverage of U.S. nonbanking concerns' liabilities to foreign banks. Previously, BEA had substituted BIS data to improve the coverage of U.S. nonbanking concerns' claims on foreign banks. This year's substitution, which was made possible by recent improvements in data supplied by member countries to the BIS, results in a much more balanced coverage of nonbank liabilities and nonbank claims in the accounts. The substitution of the BIS data for liabilities begins with estimates for 1996.

Second, BEA is also incorporating revised data on intercompany debt transactions between parent companies and affiliates that are not depository institutions but that *are primarily engaged in financial intermediation.* The sources of these revisions are BEA's 1997 Benchmark Survey of Foreign Direct Investment in the United States and updated results from BEA's quarterly surveys of U.S. direct investment abroad and foreign direct investment in the United States.

*BIS data.*—In 1994, BEA began extensive substitution of data reported to the BIS to measure transactions of U.S. nonbanks with foreign banks. The BIS data provided a much more complete record-

**Table 2.—Major Sources of Revisions, 1989–2000**

[Millions of dollars]

| (Credits +; debits –) [1] | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | International transactions | | | | | | | | | | | |
| **Current account** | | | | | | | | | | | | |
| **Goods exports (line 3):** | | | | | | | | | | | | |
| Revised | 359,916 | 387,401 | 414,083 | 439,631 | 456,943 | 502,859 | 575,204 | 612,113 | 678,366 | 670,416 | 684,553 | 772,210 |
| Changes due to balance of payments adjustments | –2,204 | –1,906 | –2,830 | –721 | 111 | 461 | –641 | 56 | –1,336 | 92 | 195 | –1,094 |
| Previously published | 362,120 | 389,307 | 416,913 | 440,352 | 456,832 | 502,398 | 575,845 | 612,057 | 679,702 | 670,324 | 684,358 | 773,304 |
| **Royalties and license fees receipts (line 9):** | | | | | | | | | | | | |
| Revised | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 33,228 | 35,626 | 36,420 | 38,030 |
| Changes due to 1997 foreign direct investment benchmark survey | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | –411 | ([2]) | ([2]) | ([2]) |
| Revisions due to updated source data | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | –571 | –47 | 75 |
| Previously published | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 33,639 | 36,197 | 36,467 | 37,955 |
| **Other private services receipts (line 10):** | | | | | | | | | | | | |
| Revised | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 84,456 | 91,288 | 98,143 | 107,568 |
| Changes due to 1997 foreign direct investment benchmark survey | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | –146 | ([2]) | ([2]) | ([2]) |
| Revisions due to updated source data | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 97 | 374 | 1,635 | 1,075 |
| Previously published | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 84,505 | 90,914 | 96,508 | 106,493 |
| **Other private income receipts (line 15):** | | | | | | | | | | | | |
| Revised | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 116,994 | 139,874 | 149,868 | 156,177 | 197,440 |
| Changes due to bank income | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 2,036 | 3,115 | 2,747 | 3,331 | 5,916 |
| Revisions due to updated source data | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 310 | 618 | 888 | 1,759 |
| Previously published | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 114,958 | 136,449 | 146,503 | 151,958 | 189,765 |
| **Goods imports (line 20):** | | | | | | | | | | | | |
| Revised | –477,665 | –498,435 | –491,020 | –536,528 | –589,394 | –668,690 | –749,374 | –803,113 | –876,485 | –917,112 | –1,029,987 | –1,224,417 |
| Changes due to balance of payments adjustments | –300 | –98 | –39 | –70 | 47 | –100 | 200 | 214 | –118 | 66 | –70 | –1,645 |
| Previously published | –477,365 | –498,337 | –490,981 | –536,458 | –589,441 | –668,590 | –749,574 | –803,327 | –876,367 | –917,178 | –1,029,917 | –1,222,772 |
| **Royalties and license fees payments (line 26):** | | | | | | | | | | | | |
| Revised | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | –9,161 | –11,235 | –12,613 | –16,106 |
| Changes due to 1997 foreign direct investment benchmark survey | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 453 | ([2]) | ([2]) | ([2]) |
| Revisions due to updated source data | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 478 | 662 | 225 |
| Previously published | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | –9,614 | –11,713 | –13,275 | –16,331 |
| **Other private services payments (line 27):** | | | | | | | | | | | | |
| Revised | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | –43,482 | –49,298 | –46,117 | –54,687 |
| Changes due to 1997 foreign direct investment benchmark survey | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 192 | ([2]) | ([2]) | ([2]) |
| Revisions due to updated source data | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | –394 | –247 | 540 | –2,201 |
| Previously published | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | –43,280 | –49,051 | –46,657 | –52,486 |
| **Direct investment income payments (line 31):** | | | | | | | | | | | | |
| Revised | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | –42,950 | –37,582 | –56,674 | –68,009 |
| Changes due to 1997 foreign direct investment benchmark survey | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 651 | ([2]) | ([2]) | ([2]) |
| Revisions due to updated source data | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 1,097 | –576 | –2,326 |
| Previously published | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | –43,601 | –38,679 | –56,098 | –65,683 |
| **Other private income payments (line 32):** | | | | | | | | | | | | |
| Revised | ..... | ..... | ..... | ..... | ..... | ..... | ..... | –97,826 | –114,142 | –129,814 | –139,798 | –184,465 |
| Changes due to bank income | ..... | ..... | ..... | ..... | ..... | ..... | ..... | –1,121 | –1,215 | –549 | –1,780 | –3,273 |
| Changes due to nonbank income | ..... | ..... | ..... | ..... | ..... | ..... | ..... | 1,196 | –84 | –1,516 | –2,123 | –3,041 |
| Revisions due to updated source data | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | ..... | –65 | –312 |
| Previously published | ..... | ..... | ..... | ..... | ..... | ..... | ..... | –97,901 | –112,843 | –127,749 | –135,830 | –177,839 |

See footnotes at the end of the table.

ing of these cross-border transactions than the data available from the U.S. statistical reporting system. At that time, the substitution was limited to the claims side of the U.S. accounts because of limitations of the BIS data for use on the liabilities side of the U.S. accounts.

The limitations were the result of a commingling of transactions in securities with other nonbank and bank transactions. Use of these data would have overlapped to an unknown extent the coverage of securities transactions already included in the U.S. accounts. Now, however, the BIS, based on improved and more detailed reporting by member countries, has successfully separated securities transactions from other nonbank and bank transactions, which eliminates what would be a source of duplication for the U.S. accounts. BIS data collected on this newly developed basis have been published beginning with estimates for 1996.

A comparison of the newly developed BIS data and the data collected by the U.S. statistical reporting system reveals that the BIS data are clearly superior in coverage for most countries in Western Europe. Therefore, the BIS data for these Western European countries are substituted into the U.S. accounts for 1996–2000. This substitution for liabilities now parallels the substitution of BIS data on the claims side of the U.S. accounts. The result is a much more balanced coverage of financial flow transactions on the claims and liabilities sides of the accounts.

The impact on U.S. nonbank liabilities is large for 1996, when $16.3 billion in inflows is added; for 1998, when $13.0 billion in inflows is added; and for 2000, when $15.9 billion in inflows is added.

*Benchmark and quarterly survey data.*—Revisions to U.S. nonbank liabilities are also attributable to the incorporation of final survey results from BEA's Benchmark Survey of Foreign Direct Investment in the United States for 1997 and to updated quarterly data from BEA's surveys of foreign direct investment in the United States and of U.S. direct investment abroad. These surveys cover, among

**Table 2.—Major Sources of Revisions, 1989–2000**

[Millions of dollars]

| (Credits +; debits –) [1] | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial account** | | | | | | | | | | | | |
| **Foreign direct investment in the United States (line 64):** | | | | | | | | | | | | |
| Revised | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | 105,603 | 178,209 | 301,006 | 287,655 |
| Changes due to 1997 foreign direct investment benchmark survey | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | –429 | ([2]) | ([2]) | ([2]) |
| Revisions due to updated source data | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | –8,107 | 25,473 | –28,872 |
| Previously published | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | 106,032 | 186,316 | 275,533 | 316,527 |
| **U.S. securities other than U.S. Treasury securities (line 66):** | | | | | | | | | | | | |
| Revised | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | 343,963 | 485,644 |
| Changes due to additional U.S. direct investment offsets | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | 14,172 | 20,242 |
| Revisions due to updated source data | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | –1,732 | –456 |
| Previously published | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | 331,523 | 465,858 |
| **U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns (line 68):** | | | | | | | | | | | | |
| Revised | ........ | ........ | ........ | ........ | ........ | ........ | ........ | 53,736 | 116,518 | 23,140 | 69,075 | 177,010 |
| Changes due to substitution of BIS data | ........ | ........ | ........ | ........ | ........ | ........ | ........ | 16,283 | 1,307 | 13,028 | 2,330 | 15,934 |
| Changes due to financial derivatives (exchange-traded futures) | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | 5,740 |
| Revisions due to updated source data | ........ | ........ | ........ | ........ | ........ | ........ | ........ | –1,951 | 1,290 | 17,113 | 32,447 | 49,608 |
| Previously published | ........ | ........ | ........ | ........ | ........ | ........ | ........ | 39,404 | 113,921 | –7,001 | 34,298 | 105,728 |
| | International investment position (at yearend) | | | | | | | | | | | |
| **Foreign direct investment in the United States (lines 35 and 36):** | | | | | | | | | | | | |
| Revised: | | | | | | | | | | | | |
| At current cost | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | 823,126 | 912,187 | 1,094,439 | 1,369,505 |
| At market value | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | 1,637,408 | 2,179,035 | 2,805,221 | 2,736,866 |
| Changes due to 1997 foreign direct investment benchmark survey: | | | | | | | | | | | | |
| At current cost | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | –2,208 | ([2]) | ([2]) | ([3]) |
| At market value | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | –2,357 | ([2]) | ([2]) | ([3]) |
| Revisions due to updated source data: | | | | | | | | | | | | |
| At current cost | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | –16,458 | –30,775 | ([3]) |
| At market value | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | –11,955 | 4,485 | ([3]) |
| Previously published: | | | | | | | | | | | | |
| At current cost | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | 825,334 | 928,645 | 1,125,214 | ([3]) |
| At market value | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | 1,639,765 | 2,190,990 | 2,800,736 | ([3]) |
| **U.S. securities other than U.S. Treasury securities (line 38):** | | | | | | | | | | | | |
| Revised | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | 2,522,009 | 2,963,973 |
| Changes due to additional U.S. direct investment offsets | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | 14,172 | ([3]) |
| Revisions due to updated source data | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | –1,485 | ([3]) |
| Previously published | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | ........ | 2,509,322 | ([3]) |
| **U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns (line 42):** | | | | | | | | | | | | |
| Revised | ........ | ........ | ........ | ........ | ........ | ........ | ........ | 346,810 | 459,407 | 485,675 | 555,566 | 722,738 |
| Changes due to substitution of BIS data | ........ | ........ | ........ | ........ | ........ | ........ | ........ | 13,799 | 14,519 | 28,200 | 29,761 | ([3]) |
| Revisions due to updated source data | ........ | ........ | ........ | ........ | ........ | ........ | ........ | –13,716 | 1,099 | 19,502 | 51,980 | ([3]) |
| Previously published | ........ | ........ | ........ | ........ | ........ | ........ | ........ | 346,727 | 443,789 | 437,973 | 473,825 | ([3]) |

1. Credits +: An increase in U.S. receipts and U.S. liabilities, or a decrease in U.S. payments and U.S. claims. Debits –: An increase in U.S. payments and U.S. claims, or a decrease in U.S. receipts and U.S. liabilities.
2. Revisions due to the benchmark surveys are not separately identifiable for this period.
3. Estimates were not previously published.

NOTE.—For international transactions, line numbers refer to table 1 of the article on U.S. international transactions in this issue of the SURVEY. For the international investment position, line numbers refer to table 1 of the article on the U.S. international investment position, also in this issue of the SURVEY.

other items, intercompany debt transactions between parent companies and affiliates that are not depository institutions and that are *primarily engaged in financial intermediation.* Although these transactions are between affiliated firms, they are similar in many ways to the unaffiliated financial flows that are classified in the nonbank investment accounts. Consequently, in the U.S. accounts, these transactions are classified in the nonbank accounts.

For U.S. nonbank liabilities, revisions to intercompany debt payables of U.S. affiliates to their foreign parents and of U.S. parents to their foreign affiliates are incorporated for 1997–2000. These revisions and revisions from other updated source data are sizable for 1998, 1999, and 2000: For 1998, inflows are increased $17.1 billion; for 1999, $32.4 billion; and for 2000, $49.6 billion.

*Related income payments.*—Related nonbank income payments are revised for 1996–2000. The enhancement of coverage from the use of BIS data on U.S. nonbank liabilities results in the introduction of foreign-currency-denominated income flows into the nonbank income account. Prior to the change in methodology, the nonbank income estimate consisted entirely of dollar-denominated flows. Because, at the outset, yields on foreign-currency-denominated balances were lower than yields on dollar-denominated balances, total income payments on nonbank liabilities for 1996 are $1.2 billion lower than previously published. Because the new coverage is more comprehensive and resulted in upward revisions to the positions in later years, the revised income flow grows relative to the income flow that was replaced, so that total income payments for 2000 are revised up $3.0 billion.

***U.S. securities other than U.S. Treasury securities***

Estimates of foreign transactions in U.S. securities other than U.S. Treasury securities have been adjusted to account more completely for the large cross-border acquisitions that have occurred in recent years.

Depending on the type of financing, the treatment in the international accounts of U.S. acquisitions of foreign companies can involve entries in the direct investment account, the U.S. securities (portfolio investment) account, and the banking account.

For acquisitions of foreign companies financed by an exchange of stock, the amount of the acquisition is entered as a financial outflow in the U.S. direct investment abroad account. This amount is probably captured completely and valued correctly in the direct investment statistical reporting system. However, the Treasury International Capital (TIC) portfolio investment reporting system, which records the contra- or offsetting entry as net foreign purchases of U.S. securities, often does not effectively capture the receipt by foreign investors of stock in a U.S. company in exchange for shares in a foreign company, because the exchange often does not go through the TIC reporting system. Consequently, when BEA can confirm that stock has been exchanged and that net foreign purchases of U.S. securities are underreported, it adjusts its estimates to ensure more complete coverage of these securities transactions. BEA makes these adjustments for large transactions and some medium-size transactions. The additional securities offsets have been entered in the appropriate periods for 1999 and 2000; $14.2 billion is added for 1999, and $20.2 billion for 2000.

For acquisitions financed either partly or entirely with cash, the cash portion of the acquisition

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The revisions to the estimates of foreign direct investment in the United States were prepared under the supervision of Gregory Fouch of the International Investment Division, the revisions of U.S. direct investment abroad were prepared under the supervision of Mark New, and the revisions of several of the estimates of unaffiliated private services were prepared under the supervision of Christopher Emond.

is included in the U.S. bank-reported account, typically as a reduction in U.S.-held dollar deposits, and is believed to be completely captured and correctly valued.

The foreign securities accounts were similarly adjusted as part of last June's annual revision.

### *Foreign direct investment in the United States*

Results of BEA's benchmark survey of foreign direct investment in the United States are introduced for 1997. For years after 1997, the estimates are revised by extrapolating forward the 1997 universe data using data collected in BEA's quarterly sample surveys and by incorporating new or adjusted data from the sample surveys.

The 1997 benchmark survey covers the universe of U.S. affiliates of foreign direct investors. In nonbenchmark years, universe estimates of the direct investment position and related financial and income flows are derived from data reported quarterly by all foreign-owned U.S. businesses above a size-exemption level and from estimates for smaller affiliates. The estimates for affiliates not covered in the quarterly surveys are derived by extrapolating data from the benchmark survey, using data from matched affiliates as the basis for extrapolation.

*Direct investment financial flows.*—Net financial inflows for foreign direct investment in the United States are revised for 1997–2000 to incorporate the results of BEA's 1997 Benchmark Survey of Foreign Direct Investment in the United States and to incorporate new or adjusted data from quarterly surveys for those years. The revisions also reflected revised estimates of depreciation, depletion, and expensed exploration and development costs used to adjust the reinvested earnings component of financial flows to a current-cost basis. Net financial inflows are revised down $0.4 billion for 1997, down $8.1 billion for 1998, up $25.5 billion for 1999, and down $28.9 billion for 2000.

*Direct investment income.*—Net payments of income by U.S. affiliates to their foreign parents are revised for 1997–2000 to incorporate the results of BEA's 1997 Benchmark Survey of Foreign Direct Investment in the United States and to incorporate new or adjusted data from quarterly surveys for those years. The revisions also reflected revised estimates of depreciation, depletion, and expensed exploration and development costs used to adjust the earnings component of direct investment income to a current-cost basis and withholding tax adjustments. Net direct investment income payments are revised down $0.7 billion for 1997, down $1.1 billion for 1998, up $0.6 billion for 1999, and up $2.3 billion for 2000.

*Royalties and license fees payments and receipts, affiliated.*—Payments and receipts of royalties and license fees between U.S. affiliates and their foreign parents are revised for 1997–2000 to incorporate the results of BEA's 1997 Benchmark Survey of Foreign Direct Investment in the United States and to incorporate new or adjusted data from sample surveys for those years. U.S. affiliates' payments are revised down $0.5 billion for 1997, down $0.2 billion for 1998 and 1999, and up $0.4 billion for 2000. U.S. affiliates' receipts are revised down $0.4 billion for 1997, down $0.1 billion for 1998 and 1999, and up $0.1 billion for 2000.

*Other private service payments and receipts, affiliated.*—Payments and receipts of other private services between U.S. affiliates and their foreign parents are revised for 1997–2000 to incorporate the results of BEA's 1997 Benchmark Survey of Foreign Direct Investment in the United States and to incorporate new or adjusted data from quarterly surveys for those years. U.S. affiliates' payments are revised down $0.2 billion for 1997, $0.3 billion for 1998, $0.5 billion for 1999, and $0.4 billion for 2000. U.S. affiliates' receipts are revised down $0.1 billion for 1997 and 1998, down $0.2 billion for 1999, and down $1.0 billion for 2000.

### *Financial derivatives (exchange-traded futures)*

The methodology for estimating quarterly profits and losses from foreign residents trading futures contracts on U.S. exchanges has been improved, beginning with the estimates for the first quarter of 2000. The previous methodology, based on monthend data supplied by the Commodity Futures Trading Commission (CFTC), applied the average change in price each month for each type of contract to the monthend open position of each type of contract in order to estimate profits and losses on futures traded each month. This procedure essentially ignored many profits and losses incurred during the month. The new methodology, based on dayend open position data supplied by the CFTC, permits estimates of profits and losses on a daily basis. Changes in prices each day for each type of contract are now applied to the open position at the end of each day rather than at the end of each month. This change allows for more complete coverage of transactions and the profits and losses arising from them. For 2000, net losses of foreigners are larger by $5.7 billion.

### *Goods exports and imports*

Several changes have been made to the goods exports and goods imports series that provide more consistently compiled and accurate series for 1989–2000. The changes are related to the classification of goods by end-use commodity category, the adjustment of series for quarterly variation, and the balance of payments adjustments to the Census-basis data.

As part of its annual review of the trade statistics, BEA examines the classification of goods in its end-use commodity classification system. In most years, the review results in decisions that have only a minor impact on the one-digit end-use series. This year, the review resulted in the reclassification of two items that significantly affect the estimates for 1998–2000 but not for earlier years. For both exports and imports, cellular phones, previously part of capital goods, are reclassified to consumer goods, and off-the-road construction vehicles, previously part of automobiles, engines, and parts, are reclassified to capital goods. These changes are carried back to 1989, when the Harmonized Trade System of classification was adopted by the United States as the basis for collecting data. Other end-use reclassifications made in January 2001 are also carried back to 1989. Furthermore, reclassifications that were made in earlier years and that had not been carried back to1989 have now been carried back to 1989. All of these changes now result in a consistent classification in the end-use series beginning with 1989.

In last year's annual revision, BEA, in consultation with the Bureau of the Census, introduced a major change in the seasonal adjustment of its goods exports and goods imports series. Adjustment for trading-day variation at the five-digit end-use commodity level was introduced, paralleling adjustment for seasonal variation at the five-digit level. The change was applied to only 1997–2000. This year, the change in methodology is applied to 1989–1996. The change was made possible because of the adoption last year of a regression methodology to calculate trading-day factors. The regression method is better able to distinguish irregular movements from trading-day variation than the old multiplicative method. This change allows for the consistent application of trading-day and seasonal factors to the most detailed level of unadjusted data available.

Estimates of the balance of payments adjustments to the Census-basis data have been improved for 1989–2000. The largest of these improvements is a new method to identify military shipments included in Census-basis exports and imports. It is necessary to accurately identify and remove these shipments from the Census-basis data in order to avoid a double count of the same transactions included elsewhere in the international accounts. The improved method generally reduces the amounts of military shipments that are subtracted from Census-basis exports in all years; the revisions are largest for 1997 and for 1989–91 and are small for the intervening years. Allocation of these adjustments by country has also been improved. The reduction in the amounts of military shipments that are subtracted from Census-basis imports is small for all years. Other balance of payments adjustments to the Census-basis data have also been improved and applied throughout the 1989–2000 period.