

The International Investment Position of the United States at Yearend 2003

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THE net international investment position of the United States was $-\$2,430.7$ billion (preliminary) at yearend 2003, compared with $-\$2,233.0$ billion (revised) at yearend 2002, with direct investment valued at current cost (table 1, chart 1). The change was the result of a larger rise in the value of foreign-owned assets in the United States than in the value of U.S.-owned assets abroad.

The $-\$197.7$ billion change from yearend to yearend mainly resulted from large net foreign purchases of U.S. securities, which increased the value of foreign-owned assets in the United States; this increase was partly offset by a substantial rise in the dollar value of U.S.-owned assets abroad, especially of U.S.-held stocks, as a result of appreciation of most foreign cur-

rencies against the U.S. dollar.

On an alternative valuation basis with direct investment valued at market value, the net international position of the United States was $-\$2,651.0$ billion (preliminary) at yearend 2003, compared with $-\$2,553.4$ billion (revised) at yearend 2002. This article features estimates valued at the current cost of direct investment; however, estimates valued at the market value of direct investment are mentioned when the two valuations of direct investment differ substantially. The differences between the two methods are limited to the valuation of direct investment. All financial flows and all asset and liability positions except direct investment are identical under both of these valuation measures.

With direct investment valued at current cost,

Current-Cost and Market-Value Methods of Valuing Direct Investment

Since 1991, in the series of annual articles on the international investment position of the United States, two measures of valuing direct investment positions—the current-cost method and the market-value method—have been discussed and presented as alternatives to the historical-cost valuation. The current-cost method values the U.S. and foreign parents' shares 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 share of direct investment, using indexes of stock market prices. (For additional information, see J. Steven Landefeld and Ann M. Lawson, "Valuation of the U.S. Net International Investment Position" *SURVEY OF CURRENT BUSINESS* 71 (May 1991): 40–49.)

In this article, BEA emphasizes the current-cost method, because the estimates prepared using the current-cost method are comparable with BEA's current-cost estimates of the net stock of U.S. fixed assets and consumer durable goods and with the Federal Reserve Board's estimates of domestic net worth (the sum of tangible assets located in the United States, including plant and equipment, inventories, and land). Furthermore, BEA's calculation of direct investment income includes a current-cost adjustment to depreciation; this adjustment

converts depreciation as reported on company financial statements to the preferred economic accounts measure, which is based on the current cost, rather than on the historical cost, of assets.

The estimates of direct investment in the international investment position continue to be presented on both current-cost and market-value bases in order to highlight that different methods of valuing direct investment may be appropriate for different circumstances and that depending on the valuation method used, the resulting estimates may differ substantially. Virtually all of the categories in the international investment position accounts except direct investment positions can be directly estimated with reference to readily observable market prices. For example, the value of positions in portfolio investment securities, gold, loans, currencies, and bank deposits can be directly estimated based on face values or market prices of recent transactions. In contrast, direct investment positions typically involve illiquid ownership interests in companies that may possess many unique attributes—such as customer base, management, and ownership of intangible assets—whose values in the current period are difficult to determine, because there is no widely accepted standard for revaluing company financial statements at historical cost into prices of the current period.

U.S.-owned assets abroad increased substantially, to \$7,202.7 billion at yearend 2003 from \$6,413.5 billion at yearend 2002 (table A).

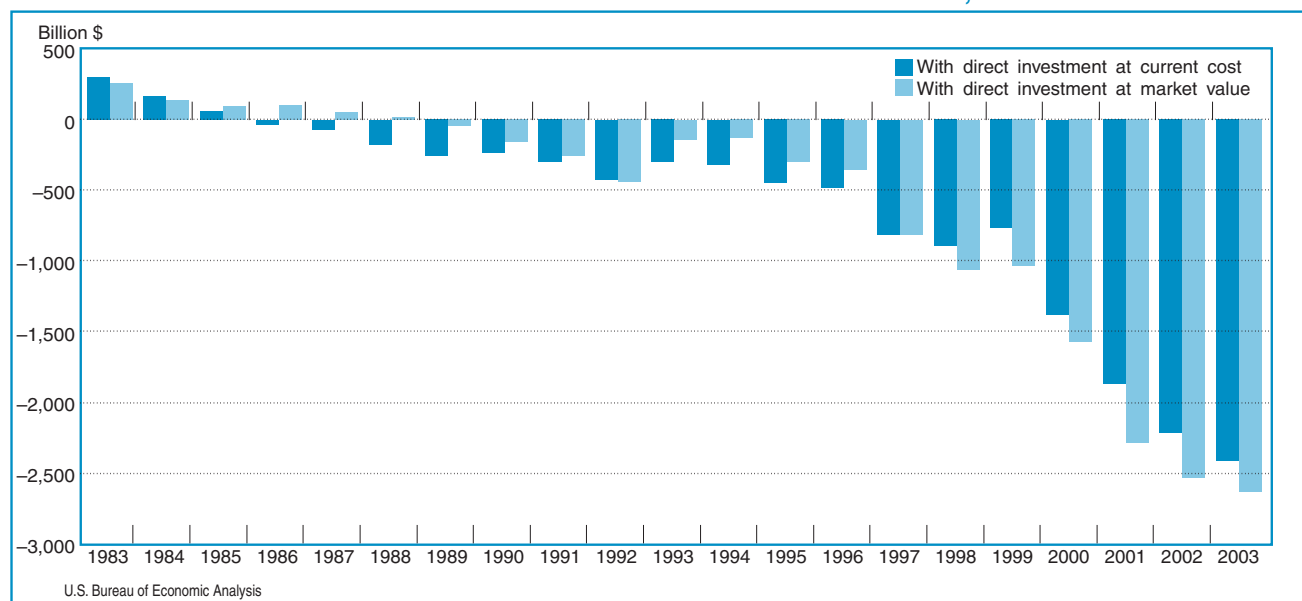
- Net financial outflows increased the value of U.S. investments abroad \$283.4 billion in 2003 (table B), up from \$198.0 billion in 2002, but down from a record \$569.8 billion in 2000. U.S. investors shifted back to net purchases of foreign securities after having been net sellers for the first time in 2002, and outflows for U.S. direct investment abroad increased to the highest level since the record in 1999.

Table A. U.S. Net International Investment Position at Yearend

[Billions of dollars]

	2001	2002	2003
Net position:			
At current cost.....	-1,889.7	-2,233.0	-2,430.7
At market value.....	-2,308.2	-2,553.4	-2,651.0
U.S.-owned assets abroad:			
At current cost.....	6,270.4	6,413.5	7,202.7
At market value.....	6,898.7	6,613.3	7,864.0
Foreign-owned assets in the United States:			
At current cost.....	8,160.1	8,646.6	9,633.4
At market value.....	9,206.9	9,166.7	10,515.0

Chart 1. Net International Investment Position of the United States at Yearend, 1983–2003



Improvements to the Estimates

As is customary each July, the estimates of the U.S. international investment position incorporate newly available source data and methodological improvements that relate to the improvements incorporated in the annual revision of the U.S. international transactions accounts.

This year, the estimates of foreign portfolio holdings of U.S. securities for 2000–2002 were revised to incorporate results from the U.S. Treasury Department's annual surveys of securities liabilities for June 2002 and June 2003. In addition, the estimates of U.S. portfolio holdings of foreign securities for 1994–96 were revised to extend to these years the major methodological changes made in June 2003 at the time of incorporation of the U.S. Treasury Department's Benchmark Survey of U.S. Portfolio Investment Abroad as of December 31, 2001.

Classification and methodology changes have been made to the bank and nonbank accounts. Positions of securities brokers and dealers have been reclassified to the bank accounts from the nonbank accounts. Method-

ology changes have identified a source of double-counting in counterparty country source data that are used to prepare the estimates; the duplicate coverage has now been removed from the accounts. Both of these changes are reflected in the "other" changes column of table 1.

In addition to these improvements, all estimates have been revised as a result of the incorporation of newly available or revised quarterly and annual survey results and other data. Revisions attributable to updated source data are for 1994–2002. The net result of revisions from all sources is to raise the value of U.S.-owned assets abroad relative to the value of foreign-owned assets in the United States for recent years. The net international investment position at yearend 2002 was revised to -\$2,233.0 billion from -\$2,387.2 billion with direct investment at current cost and to -\$2,553.4 billion from -\$2,605.2 billion with direct investment at market value.

For additional information, see "Annual Revision of the U.S. International Accounts, 1989–2003" in this issue.

- Positive valuation adjustments increased the value of U.S. investments abroad \$505.7 billion (table B). Price appreciation increased the value of U.S. holdings of foreign stocks. Exchange-rate appreciation of foreign currencies increased the value of many U.S. investments abroad.

Table B. Changes in U.S.-Owned Assets Abroad, 2003

[Billions of dollars]

	At current cost	At market value
Total change	789.2	1,250.6
Financial outflows	283.4	283.4
Valuation adjustments	505.7	967.2
Price changes	355.7	676.7
Exchange-rate changes	327.5	468.7
Other valuation changes	-177.4	-178.1

With direct investment valued at current cost, foreign-owned assets in the United States increased substantially, to \$9,633.4 billion at yearend 2003 from \$8,646.6 billion at yearend 2002 (table A).

- Net financial inflows increased the value of foreign investments in the United States \$829.2 billion (table C), up from inflows of \$768.2 billion in 2002, and were the second largest on record after \$1,046.9 billion in 2000. Foreign official acquisitions of assets surged to the highest inflows on record, more than double the inflows in 2002. Net foreign purchases of U.S. Treasury securities by private foreigners also accelerated. In contrast, net foreign purchases of U.S. securities other than U.S. Treasury securities slowed for the third consecutive year.

Table C. Changes in Foreign-Owned Assets in the United States, 2003

[Billions of dollars]

	At current cost	At market value
Total change	986.8	1,348.2
Financial inflows	829.2	829.2
Valuation adjustments	157.6	519.1
Price changes	318.6	690.3
Exchange-rate changes	72.1	70.8
Other valuation changes	-233.0	-242.1

- Positive valuation adjustments increased the value of foreign-owned assets in the United States \$157.6 billion (table C). Price appreciation of U.S. stocks increased the value of foreign holdings of U.S. stocks.

This article presents the major changes in U.S.-owned assets abroad and in foreign-owned assets in the United States in 2003. Tables 1 and 2 at the end of this article present detailed estimates of the yearend positions. The amounts cited in the article may differ slightly from the amounts that may be calculated from the tables because of rounding.

Changes in U.S.-Owned Assets Abroad

Bank and nonbank claims

U.S. claims on foreigners reported by U.S. banks and securities brokers increased \$201.6 billion, to \$1,776.3 billion, in 2003 (table D); the increase was attributable to financial outflows of \$10.4 billion (the smallest outflows since 1994), exchange-rate appreciation of \$15.2 billion, and “other” changes of \$175.9 billion. The “other” changes reflected a change in the statistical reporting system that shifted some assets from U.S. claims reported by nonbanking concerns to U.S. claims reported by U.S. banks in 2003.

Table D. U.S. Claims Reported by U.S. Banks and U.S. Nonbanks at Yearend

[Billions of dollars]

	2001	2002	2003
Total bank-reported claims	1,414.1	1,574.7	1,776.3
Banks' claims for own accounts, denominated in dollars	1,055.1	1,185.4	1,303.9
On foreign banks	849.5	970.3	975.6
On foreign nonbanks, excluding foreign official institutions	156.2	162.9	273.0
On foreign official institutions	49.4	52.2	55.3
Banks' claims for customers' accounts, denominated in dollars	265.2	281.7	368.0
Banks' claims, denominated in foreign currencies	93.8	107.6	104.4
Total nonbank-reported claims	839.3	908.0	614.7

U.S. banks' own claims payable in dollars increased \$118.5 billion, to \$1,303.9 billion, down from an increase of \$130.3 billion in 2002. The increase was more than accounted for by “other” changes; financial outflows decreased to \$7.9 billion. Demand for bank credit was weak in 2003 as improved corporate cash flows and rising earnings led foreign borrowers to tap securities markets instead of banks for credit.

U.S. banks' domestic customers' claims denominated in dollars increased \$86.3 billion, to \$368.0 billion. Financial outflows declined somewhat, to \$14.1 billion, as demand for foreign commercial paper slowed; however, the decline was mitigated by a resurgence in deposits abroad. U.S. banks' claims denominated in foreign currencies decreased \$3.2 billion, to \$104.4 billion; the decrease was attributable to financial inflows and “other” changes. The decrease was partly offset by exchange-rate appreciation of foreign currencies.

Claims on unaffiliated foreigners reported by U.S. nonbanking concerns decreased \$293.4 billion, to \$614.7 billion (table D). Changes in the statistical reporting system and related changes in the methodology for calculating nonbank transactions and positions led to a substantial decline in the transactions and positions covered by the nonbank category, which are reflected in the estimate of “other” changes.

“Other” changes more than offset financial outflows and exchange-rate appreciation of foreign currencies.

Foreign securities

U.S. holdings of foreign securities increased \$627.5 billion, to \$2,474.4 billion, in 2003, after decreasing for 3 consecutive years. Net U.S. transactions shifted to net purchases of \$72.3 billion, reflecting a shift to net U.S. purchases of foreign stocks and a decrease in net U.S. sales of foreign bonds.

U.S. holdings of foreign stocks increased \$627.1 billion, to \$1,972.2 billion, in 2003. Stock price appreciation of \$324.9 billion, exchange-rate appreciation of \$201.8 billion, and net U.S. purchases of \$100.4 billion all contributed to the increase in U.S. holdings. Foreign stock prices (based on broad market indexes) appreciated 20 percent in local currency, reaching double-digit growth rates for the first time since 1999. In U.S. dollars, foreign stock prices appreciated 37 percent, outperforming U.S. stock prices, which appreciated 27 percent. Net U.S. purchases of foreign stocks rebounded in 2003 after low net U.S. purchases in 2002. Foreign stock transactions related to mergers and acquisitions remained small relative to these transactions in 1998–2001, despite the increase in stock prices. Exchange-rate appreciation added substantially to the value of most holdings.

- U.S. holdings of European stocks increased \$316.7 billion, to \$1,101.7 billion (table E). The increase was attributable to a 17-percent increase in European stock prices (in local currency), to a 20-percent exchange-rate appreciation of the euro against

the dollar, and to exchange-rate appreciation of other European currencies against the dollar. Net U.S. purchases of European stocks increased to \$25.6 billion.

- U.S. holdings of Japanese stocks increased \$92.3 billion, to \$233.7 billion, as a result of a 22-percent increase in Japanese stock prices (in local currency) and an 11-percent appreciation of the Japanese yen against the dollar. Net U.S. purchases of Japanese stocks increased strongly to \$37.5 billion, reflecting a pickup in Japanese economic growth.
- U.S. holdings of Canadian stocks increased \$27.6 billion, to \$97.3 billion, as a result of a 25-percent appreciation of Canadian stock prices (in local currency) and a 22-percent appreciation of the Canadian dollar against the U.S. dollar. In addition, transactions in Canadian stocks shifted to net U.S. purchases of \$2.6 billion from net U.S. sales.
- U.S. holdings of stocks of emerging market countries in Asia (excluding Japan, Hong Kong, and Singapore), Latin America, Africa, and Eastern Europe increased \$103.4 billion, to \$239.4 billion, as a result of a 42-percent price appreciation. Within this group, stock prices in emerging Asian countries appreciated 43 percent, and stock prices in emerging Latin American countries appreciated 55 percent.

U.S. holdings of foreign bonds increased \$0.4 billion, to \$502.1 billion, in 2003 (table F). Net U.S. sales slowed to \$28.1 billion, but were more than offset by exchange-rate appreciation of \$25.3 billion and by price appreciation of \$3.2 billion. U.S. investors were net sellers in foreign bonds for the third consecutive year. Global bond prices weakened in 2003 in contrast to the rally in global stock markets.

Table E. U.S. Holdings of Foreign Stocks by Major Area and Country at Yearend

[Billions of dollars]

	2001	2002	2003
Total holdings	1,612.7	1,345.1	1,972.2
Europe.....	942.2	785.0	1,101.7
Of which: United Kingdom.....	354.6	303.3	450.5
Finland.....	51.3	42.4	57.1
France.....	112.2	94.1	128.8
Germany.....	72.2	58.1	76.5
Ireland.....	28.4	23.0	30.8
Italy.....	33.7	27.5	36.9
Netherlands.....	112.8	89.9	119.9
Spain.....	32.5	26.8	35.0
Sweden.....	24.3	19.3	27.6
Switzerland.....	75.6	65.5	89.6
Canada.....	89.6	69.7	97.3
Japan.....	170.7	141.4	233.7
Latin America.....	59.3	53.2	84.3
Of which: Argentina.....	0.7	0.6	0.9
Brazil.....	21.8	20.0	33.5
Mexico.....	26.3	23.9	36.7
Other Western Hemisphere.....	172.3	148.7	206.8
Of which: Bermuda.....	118.9	98.3	133.3
Netherlands Antilles.....	14.5	10.7	14.7
Other countries.....	178.6	147.1	248.4
Of which: Australia.....	37.1	30.4	44.8
Hong Kong.....	30.2	21.8	33.8
Singapore.....	21.4	17.0	21.7

Table F. U.S. Holdings of Foreign Bonds by Major Area and Country at Yearend

[Billions of dollars]

	2001	2002	2003
Total holdings	502.1	501.8	502.1
Europe.....	240.9	236.4	239.2
Of which: United Kingdom.....	73.4	67.1	65.9
France.....	24.3	28.7	32.4
Germany.....	43.5	49.1	49.9
Italy.....	12.5	12.6	18.3
Netherlands.....	27.9	26.3	27.6
Sweden.....	8.8	9.5	9.7
Canada.....	104.6	111.0	106.9
Japan.....	24.7	34.5	30.9
Latin America.....	49.8	49.0	53.3
Of which: Brazil.....	11.0	10.1	10.6
Mexico.....	21.2	22.7	25.7
Other Western Hemisphere.....	30.2	26.9	38.8
Of which: Cayman Islands.....	21.9	19.1	32.1
Other countries.....	41.0	33.6	21.5
Of which: Australia.....	14.2	14.7	15.8
Korea, Republic of.....	4.7	8.0	4.5
International organizations.....	10.9	10.4	11.5

U.S. direct investment abroad

U.S. direct investment abroad at current cost increased \$229.0 billion, to \$2,069.0 billion, in 2003, as a result of an increase in net financial outflows, exchange-rate appreciation of foreign currencies, and price appreciation (table G). At market value, U.S. direct investment abroad increased \$690.5 billion, to \$2,730.3 billion, as a result of substantial price appreciation in owners' equity resulting from an increase in foreign stock prices, exchange-rate appreciation of foreign currencies, and net financial outflows (table H). Net outflows accelerated to \$173.8 billion, but they remained below record outflows of \$224.9 billion in 1999. The acceleration was mostly due to a strong increase in reinvested earnings to \$141.1 billion from \$94.5 billion, which was widespread across industries. Equity capital outflows were virtually unchanged at \$24.6 billion, as merger and acquisition activity was sluggish in comparison with the levels of 1998–2001. Intercompany debt outflows slowed to \$8.1 billion from \$15.8 billion, mostly in the manufacturing and holding company industries.

Table G. U.S. Direct Investment Abroad at Yearend

[Billions of dollars]

	2001	2002	2003
U.S. direct investment abroad:			
At current cost	1,686.6	1,840.0	2,069.0
At market value.....	2,314.9	2,039.8	2,730.3

Table H. U.S. Direct Investment Abroad, 2003

[Billions of dollars]

	At current cost	At market value
Total position at yearend	2,069.0	2,730.3
Total change	229.0	690.5
Financial outflows	173.8	173.8
Equity capital.....	24.6	24.6
Intercompany debt	8.1	8.1
Reinvested earnings	141.1	141.1
Price changes.....	9.5	330.5
Exchange-rate changes	58.8	200.0
Other valuation changes	-13.0	-13.7

U.S. official reserve assets and other U.S. Government assets

U.S. official reserve assets increased \$25.0 billion, to \$183.6 billion, in 2003, as a result of strong price appreciation in the market value of the U.S. gold stock and of exchange-rate appreciation of other reserve assets. U.S. gold reserves increased \$18.1 billion because of a 22-percent increase in the price of gold. U.S. official holdings of foreign currencies increased \$5.9 billion, reflecting exchange-rate appreciation of \$5.3 billion and financial outflows of \$0.6 billion. The U.S. reserve position in the International Monetary Fund increased \$0.6 billion as exchange-rate appreciation

more than offset financial inflows. U.S. official holdings of special drawing rights increased \$0.5 billion as exchange-rate appreciation more than offset financial inflows.

U.S. Government assets other than official reserve assets decreased \$0.5 billion, to \$84.8 billion, in 2003. Inflows for repayments of loans totaled \$8.0 billion, more than offsetting an increase in U.S. Government credits of \$7.4 billion. Both repayments and new credits accelerated in 2003.

Changes in Foreign-Owned Assets in the United States

Bank and nonbank liabilities

U.S. liabilities to private foreigners and international financial institutions reported by U.S. banks and securities brokers increased \$368.8 billion, to \$1,887.2 billion, in 2003 (table I). Most of the increase was due to "other" changes, reflecting a change in the statistical reporting system that shifted some liabilities from U.S. liabilities reported by nonbanking concerns to U.S. liabilities reported by U.S. banks in 2003. Financial inflows slowed to \$75.6 billion in 2003, reflecting weaker demand for bank loans, and exchange-rate appreciation totaled \$11.1 billion.

Table I. U.S. Liabilities Reported by U.S. Banks and U.S. Nonbanks at Yearend

[Billions of dollars]

	2001	2002	2003
Total bank-reported liabilities	1,306.4	1,518.4	1,887.2
Banks' liabilities for own accounts, denominated in dollars	1,097.3	1,269.4	1,503.7
To foreign banks	914.5	1,055.9	1,114.0
To foreign nonbanks, including international organizations	182.8	213.5	389.7
Banks' liabilities for customers' accounts, denominated in dollars	128.4	168.5	322.0
Banks' liabilities, denominated in foreign currencies	80.7	80.5	61.5
Total nonbank-reported liabilities	798.3	864.6	466.5

U.S. banks' own liabilities denominated in dollars increased \$234.3 billion, to \$1,503.7 billion. Financial inflows increased to \$118.9 billion, reflecting a strong increase in borrowings by U.S. securities brokers and dealers that more than offset a decrease in inflows to U.S.-owned banks in the United States and a shift to outflows by foreign-owned banks in the United States. U.S. banks' custody liabilities denominated in dollars increased \$153.5 billion, to \$322.0 billion. U.S. banks' foreign currency liabilities decreased \$19.0 billion, to \$61.5 billion, as a result of large financial outflows. The decrease was partly offset by exchange-rate appreciation of foreign currencies.

Liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns decreased \$398.1 billion, to

\$466.5 billion (table I). Changes in the statistical reporting system and in the methodology for calculating nonbank transactions led to a substantial decline in the transactions covered by the nonbank category, which are reflected in the estimate of "other" changes. "Other" changes more than offset financial inflows and exchange-rate appreciation of foreign currencies.

U.S. Treasury securities

Foreign holdings of U.S. Treasury securities increased \$84.9 billion, to \$542.5 billion, in 2003. Strong net foreign purchases of \$113.4 billion more than offset price depreciation of \$11.6 billion. As of December 2003, Japan remained by far the largest holder of U.S. Treasury securities. (In table J, foreign private holdings and foreign official holdings are combined in order to avoid the disclosure of sensitive data on individual country holdings by foreign official agencies.)

Table J. Foreign Official and Private Holdings of U.S. Treasury Securities by Selected Countries at Yearend

[Billions of dollars]

	2001	2002	2003
Total holdings	1,063.1	1,254.1	1,499.2
Japan	330.1	385.3	542.2
China	89.7	124.3	168.1
Korea, Republic of	29.1	48.0	61.9
United Kingdom	28.6	67.0	58.3
Taiwan	37.9	40.5	50.4
Hong Kong	47.7	44.4	48.9
Switzerland	28.6	37.7	45.3
Germany	42.9	38.0	43.8
Bermuda	11.6	12.6	39.3
Mexico	22.1	27.5	31.9

Other U.S. securities

Foreign holdings of U.S. securities other than U.S. Treasury securities, excluding official holdings, increased \$604.4 billion, to \$3,391.1 billion, in 2003. The increase was attributable to price appreciation of \$319.8 billion (largely in U.S. stocks), net foreign purchases of \$251.0 billion, and exchange-rate appreciation of \$48.4 billion in foreign-currency-denominated U.S. bonds.

Foreign holdings of U.S. corporate bonds and U.S. agency bonds increased \$252.6 billion, to \$1,853.0 billion, in 2003 (table K). The increase was attributable to strong net foreign purchases of corporate bonds, price appreciation, and exchange-rate appreciation of U.S. bonds denominated in foreign currencies. Net foreign purchases of corporate bonds were a record \$227.1 billion, as rising corporate profits and improved balance sheets made corporate bonds less risky and as low levels of inflation relative to inflation in other countries and persistently low yields on U.S. Treasury securities

Table K. Foreign Private Holdings of U.S. Corporate and Agency Bonds by Major Area and Country at Yearend

[Billions of dollars]

	2001	2002	2003
Total holdings	1,343.1	1,600.4	1,853.0
Europe	935.7	1,086.0	1,225.9
<i>Of which:</i> United Kingdom	593.2	648.2	749.2
France	14.3	17.5	22.6
Germany	34.4	31.5	33.3
Italy	4.0	5.2	7.6
Netherlands	25.8	29.0	28.7
Canada	30.6	37.1	49.4
Japan	136.9	174.1	169.3
Latin America	12.3	16.6	28.2
Other Western Hemisphere	159.4	191.7	260.0
Other countries	68.2	94.9	120.2

led investors to seek higher returns in U.S. corporate bonds. In contrast, transactions in U.S. agency bonds shifted to net foreign sales of \$13.4 billion, reflecting substantial prepayments on mortgage-backed agency issues. As of December 2003, the United Kingdom remained the largest holder of U.S. corporate bonds and agency bonds at \$749.2 billion, or 40 percent of foreign holdings; the next largest holders were Other Western Hemisphere, at \$260.0 billion, and Japan, at \$169.3 billion.

Foreign holdings of U.S. stocks increased \$351.8 billion, to \$1,538.1 billion, in 2003, after 2 years of decline, as a result of substantial price appreciation and net foreign purchases (table L). Most of the increase was due to price appreciation, as both the Dow Jones Industrial Average Index and the S&P 500 Index gained more than 20 percent and as the NASDAQ Composite Index gained 50 percent. However, net foreign purchases of U.S. stocks decreased for the third consecutive year, to \$37.3 billion. As of December 2003, the United Kingdom remained the largest holder of U.S. stocks at \$269.3 billion, or 18 percent of foreign holdings, followed by Canada, at \$192.5 billion, and Japan, at \$136.4 billion.

Table L. Foreign Private Holdings of U.S. Corporate Stocks by Major Area and Country at Yearend

[Billions of dollars]

	2001	2002	2003
Total holdings	1,478.3	1,186.2	1,538.1
Europe	915.9	714.5	929.7
<i>Of which:</i> United Kingdom	289.2	213.4	269.3
France	44.3	35.2	51.4
Germany	84.1	58.3	72.5
Italy	34.4	26.9	34.4
Netherlands	111.3	93.8	118.7
Canada	165.0	142.3	192.5
Japan	126.9	109.9	136.4
Latin America	30.2	23.3	29.2
Other Western Hemisphere	148.0	109.2	134.9
Other countries	92.3	87.0	115.4

U.S. currency

U.S. currency held by foreigners increased \$16.6 billion, to \$317.9 billion, in 2003. Currency shipments to foreigners slowed in 2003 as a result of weak dollar demand in the second and third quarters.

Foreign direct investment in the United States

Foreign direct investment in the United States at current cost increased \$48.8 billion, to \$1,554.0 billion, in 2003, as a result of net financial inflows, price appreciation, and exchange-rate appreciation of foreign currencies (table M).

Table M. Foreign Direct Investment in the United States at Yearend

[Billions of dollars]

	2001	2002	2003
Foreign direct investment in the United States:			
At current cost	1,513.5	1,505.2	1,554.0
At market value.....	2,560.3	2,025.3	2,435.5

At market value, foreign direct investment in the United States increased \$410.2 billion, to \$2,435.5 billion, as a result of net financial inflows and substantial price appreciation in owners' equity resulting from an increase in U.S. stock prices (table N). In 2003, net financial inflows decreased sharply to \$39.9 billion, the smallest inflows since 1992. Net equity capital inflows

declined for the third consecutive year, to \$62.2 billion. Intercompany debt outflows increased to \$34.4 billion. Reinvested earnings increased to \$12.0 billion from \$5.2 billion.

Table N. Foreign Direct Investment in the United States, 2003

[Billions of dollars]

	At current cost	At market value
Total position at yearend	1,554.0	2,435.5
Total change.....	48.8	410.2
Financial inflows	39.9	39.9
Equity capital.....	62.2	62.2
Intercompany debt	-34.4	-34.4
Reinvested earnings	12.0	12.0
Price changes.....	6.5	378.3
Exchange-rate changes	1.3
Other valuation changes	1.2	-7.9

Foreign official assets

Foreign official assets in the United States surged \$261.4 billion, to \$1,474.2 billion, in 2003. The increase was the largest on record, and financial inflows of \$248.6 billion were nearly double the previous record in 1996. Net foreign official purchases of U.S. Treasury securities were a record \$169.7 billion, and net financial inflows from foreign official agencies reported by U.S. banks were a record \$49.4 billion.

Tables 1 and 2 follow.

Table 1. International Investment Position of the United States at Yearend, 2002 and 2003

[Millions of dollars]

Line	Type of investment	Position, 2002 ^r	Changes in position in 2003					Position, 2003 ^p
			Attributable to				Total (a+b+c+d)	
			Financial flows	Valuation adjustments				
				Price changes	Exchange-rate changes ¹	Other changes ²		
(a)	(b)	(c)	(d)					
Net international investment position of the United States:								
1	With direct investment positions at current cost (line 3 less line 24)	-2,233,018	-545,759	37,112	255,457	55,526	-197,664	-2,430,682
2	With direct investment positions at market value (line 4 less line 25)	-2,553,407	-545,759	-13,696	397,918	63,954	-97,583	-2,650,990
U.S.-owned assets abroad:								
3	With direct investment at current cost (lines 5+10+15)	6,413,535	283,414	355,668	327,520	-177,445	789,157	7,202,692
4	With direct investment at market value (lines 5+10+16)	6,613,320	283,414	676,650	468,722	-178,138	1,250,648	7,863,968
5	U.S. official reserve assets	158,602	-1,523	18,059	8,438	1	24,975	183,577
6	Gold	90,806		³ 18,059		⁴ 1	18,060	108,866
7	Special drawing rights	12,166	-601		1,073		472	12,638
8	Reserve position in the International Monetary Fund	21,979	-1,494		2,050		556	22,535
9	Foreign currencies	33,651	572		5,315		5,887	39,538
10	U.S. Government assets, other than official reserve assets	85,309	-537				-537	84,772
11	U.S. credits and other long-term assets ⁵	82,682	-702				-702	81,980
12	Repayable in dollars	82,406	-700				-700	81,706
13	Other ⁶	276	-2				-2	274
14	U.S. foreign currency holdings and U.S. short-term assets	2,627	165				165	2,792
U.S. private assets:								
15	With direct investment at current cost (lines 17+19+22+23)	6,169,624	285,474	337,609	319,082	-177,446	764,719	6,934,343
16	With direct investment at market value (lines 18+19+22+23)	6,369,409	285,474	658,591	460,284	-178,139	1,226,210	7,595,619
Direct investment abroad:								
17	At current cost	1,839,995	173,799	9,472	58,756	-13,009	229,018	2,069,013
18	At market value	2,039,780	173,799	330,454	199,958	-13,702	690,509	2,730,289
19	Foreign securities	1,846,879	72,337	328,137	227,021		627,495	2,474,374
20	Bonds	501,762	-28,094	3,209	25,253		368	502,130
21	Corporate stocks	1,345,117	100,431	324,928	201,768		627,127	1,972,244
22	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns	908,024	28,932		18,093	-340,377	-293,352	614,672
23	U.S. claims reported by U.S. banks, not included elsewhere	1,574,726	10,406		15,212	175,940	201,558	1,776,284
Foreign-owned assets in the United States:								
24	With direct investment at current cost (lines 26+33)	8,646,553	829,173	318,556	72,063	-232,971	986,821	9,633,374
25	With direct investment at market value (lines 26+34)	9,166,727	829,173	690,346	70,804	-242,092	1,348,231	10,514,958
26	Foreign official assets in the United States	1,212,723	248,573	3,920		8,945	261,438	1,474,161
27	U.S. Government securities	954,896	194,568	-16,845		12,410	190,133	1,145,029
28	U.S. Treasury securities	796,449	169,685	-13,947		4,476	160,214	956,663
29	Other	158,447	24,883	-2,898		7,934	29,919	188,366
30	Other U.S. Government liabilities ⁷	17,144	-564				-564	16,580
31	U.S. liabilities reported by U.S. banks, not included elsewhere	144,646	49,420			-3,465	45,955	190,601
32	Other foreign official assets	96,037	5,149	20,765			25,914	121,951
Other foreign assets:								
33	With direct investment at current cost (lines 35+37+38+41+42+43)	7,433,830	580,600	314,636	72,063	-241,916	725,383	8,159,213
34	With direct investment at market value (lines 36+37+38+41+42+43)	7,954,004	580,600	686,426	70,804	-251,037	1,086,793	9,040,797
Direct investment in the United States:								
35	At current cost	1,505,171	39,890	6,460	1,259	1,175	48,784	1,553,955
36	At market value	2,025,345	39,890	378,250		-7,946	410,194	2,435,539
37	U.S. Treasury securities	457,670	113,432	-11,612		-16,948	84,872	542,542
38	U.S. securities other than U.S. Treasury securities	2,786,647	250,981	319,788	48,437	-14,803	604,403	3,391,050
39	Corporate and other bonds	1,600,414	213,718	5,205	48,437	-14,803	252,557	1,852,971
40	Corporate stocks	1,186,233	37,263	314,583			351,846	1,538,079
41	U.S. currency	301,268	16,640				16,640	317,908
42	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns	864,632	84,014		11,269	-493,372	-398,089	466,543
43	U.S. liabilities reported by U.S. banks, not included elsewhere	1,518,442	75,643		11,098	282,032	368,773	1,887,215

^p Preliminary.^r Revised.

1. Represents gains or losses on foreign-currency-denominated assets due to their revaluation at current exchange rates.

2. Includes changes in coverage, capital gains and losses of direct investment affiliates, and other statistical adjustments to the value of assets.

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.

Table 2. International Investment Position

[Millions]

Line	Type of investment	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Net international investment position of the United States:													
1	With direct investment positions at current cost (line 3 less line 24)	164,832	171,440	206,423	316,926	360,838	339,767	328,954	298,304	160,695	54,343	-36,209	-80,007
2	With direct investment positions at market value (line 4 less line 25)							235,947	257,393	134,088	96,886	100,782	50,529
U.S.-owned assets abroad:													
3	With direct investment at current cost (lines 5+10+15)	456,964	512,278	621,227	786,701	929,806	1,001,667	1,108,436	1,210,974	1,204,900	1,287,396	1,469,396	1,646,527
4	With direct investment at market value (lines 5+10+16)							961,015	1,129,673	1,127,132	1,302,712	1,594,652	1,758,711
5	U.S. official reserve assets	44,094	53,376	69,450	143,260	171,412	124,568	143,445	123,110	105,040	117,930	139,875	162,370
6	Gold ¹	36,944	45,781	62,471	135,476	155,816	105,644	120,635	100,484	81,202	85,834	102,428	127,648
7	Special drawing rights	2,395	2,629	1,558	2,724	2,610	4,096	5,250	5,025	5,641	7,293	8,395	10,283
8	Reserve position in the International Monetary Fund	4,434	4,946	1,047	1,253	2,852	5,054	7,348	11,312	11,541	11,947	11,730	11,349
9	Foreign currencies	321	20	4,374	3,807	10,134	9,774	10,212	6,289	6,656	12,856	17,322	13,090
10	U.S. Government assets, other than official reserve assets	44,978	48,567	53,187	58,851	65,573	70,893	76,903	81,664	86,945	89,792	91,850	90,681
11	U.S. credits and other long-term assets ²	44,124	47,749	52,252	57,909	63,731	69,320	75,105	79,852	84,857	87,854	90,923	89,900
12	Repayable in dollars	41,309	45,154	49,817	54,616	60,731	66,591	72,635	77,618	82,819	85,978	89,271	88,344
13	Other ³	2,815	2,595	2,435	3,293	3,000	2,729	2,470	2,234	2,038	1,876	1,652	1,556
14	U.S. foreign currency holdings and U.S. short-term assets	854	818	935	942	1,842	1,573	1,798	1,812	2,088	1,938	927	781
U.S. private assets:													
15	With direct investment at current cost (lines 17+19+22+23)	367,892	410,335	498,590	584,590	692,821	806,206	888,088	1,006,200	1,012,915	1,079,674	1,237,671	1,393,476
16	With direct investment at market value (lines 18+19+22+23)							740,667	924,899	935,147	1,094,990	1,362,927	1,505,660
Direct investment abroad:													
17	At current cost ⁴	222,283	246,078	285,005	336,301	388,072	407,804	374,059	355,643	348,342	371,036	404,818	478,062
18	At market value ⁴							226,638	274,342	270,574	386,352	530,074	590,246
19	Foreign securities ⁵	44,157	49,439	53,384	56,769	62,454	62,142	74,046	84,723	88,804	119,403	158,123	188,589
20	Bonds ⁵	34,704	39,329	42,148	41,966	43,524	45,675	56,604	58,569	62,810	75,020	85,724	93,889
21	Corporate stocks ⁵	9,453	10,110	11,236	14,803	18,930	16,467	17,442	26,154	25,994	44,383	72,399	94,700
22	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns ⁶	20,317	22,256	29,385	34,491	38,429	42,752	35,405	131,329	130,138	141,872	167,392	177,368
23	U.S. claims reported by U.S. banks, not included elsewhere ⁷	81,135	92,562	130,816	157,029	203,866	293,508	404,578	434,505	445,631	447,363	507,338	549,457
Foreign-owned assets in the United States:													
24	With direct investment at current cost (lines 26+33)	292,132	340,838	414,804	469,775	568,968	661,900	779,482	912,670	1,044,205	1,233,053	1,505,605	1,726,534
25	With direct investment at market value (lines 26+34)							725,068	872,280	993,044	1,205,826	1,493,870	1,708,182
26	Foreign official assets in the United States	104,445	140,867	173,057	159,852	176,062	180,425	189,109	194,468	199,678	202,482	241,226	283,058
27	U.S. Government securities	72,572	105,386	128,511	106,640	118,189	125,130	132,587	136,987	144,665	145,063	178,916	220,548
28	U.S. Treasury securities ⁸	70,555	101,092	123,991	101,748	111,336	117,004	124,929	129,716	138,168	138,438	173,310	213,713
29	Other ⁸	2,017	4,294	4,520	4,892	6,853	8,126	7,658	7,271	6,497	6,625	5,606	6,835
30	Other U.S. Government liabilities ⁹	8,860	10,260	12,749	12,749	13,367	13,029	13,639	14,231	14,959	15,803	17,993	15,667
31	U.S. liabilities reported by U.S. banks, not included elsewhere	17,231	18,004	23,327	30,540	30,381	26,737	24,989	25,534	26,090	26,734	27,920	31,838
32	Other foreign official assets ⁹	5,782	7,217	8,470	9,923	14,125	15,529	17,894	17,716	13,964	14,882	16,397	15,005
Other foreign assets:													
33	With direct investment at current cost (lines 35+37+38+41+42+43)	187,687	199,971	241,747	309,923	392,906	481,475	590,373	718,202	844,527	1,030,571	1,264,379	1,443,476
34	With direct investment at market value (lines 36+37+38+41+42+43)							535,959	677,812	793,366	1,003,344	1,252,644	1,425,124
Direct investment in the United States:													
35	At current cost ¹⁰	47,528	55,413	68,976	88,579	127,105	164,623	184,842	193,708	223,538	247,223	284,701	334,552
36	At market value ¹⁰							130,428	153,318	172,377	219,996	272,966	316,200
37	U.S. Treasury securities ⁸	7,028	7,562	8,910	14,210	16,113	18,505	25,758	33,846	62,121	87,954	96,078	82,588
38	U.S. securities other than U.S. Treasury securities ⁸	54,913	51,235	53,554	58,587	74,114	75,085	92,988	113,811	128,477	207,868	309,803	341,732
39	Corporate and other bonds ⁸	11,964	11,456	11,457	10,269	9,545	10,694	16,709	17,454	32,421	82,290	140,863	166,089
40	Corporate stocks ⁸	42,949	39,779	42,097	48,318	64,569	64,391	76,279	96,357	96,056	125,578	168,940	175,643
41	U.S. currency	11,792	13,656	16,569	19,552	24,079	27,295	31,265	36,776	40,797	46,036	50,122	55,584
42	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns ¹¹	12,961	11,921	16,019	18,669	30,426	30,606	27,532	61,731	77,415	86,993	90,703	110,187
43	U.S. liabilities reported by U.S. banks, not included elsewhere ¹²	53,465	60,184	77,719	110,326	121,069	165,361	227,988	278,330	312,179	354,497	432,972	518,833

¹ Preliminary.² Revised.³ U.S. official gold stock is valued at market price.⁴ 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.⁵ 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.⁶ A break in series in 1994 reflects the reclassification of intercompany debt positions between parent companies and affiliates that are not depository institutions and that are primarily engaged in financial intermediation from the direct investment accounts to the nonbank investment accounts. Estimates for 1976 forward are linked to the 1977, 1982, 1989,

1994, and 1999 benchmark surveys of U.S. direct investment abroad.

⁷ Estimates include results of the 1994, 1997, and 2001 Benchmark Surveys of U.S. Ownership of Foreign Long-Term Securities conducted by the U.S. Department of the Treasury.⁸ A break in series in 1983 reflects the introduction of counterparty data from the United Kingdom and from the Bank for International Settlements (BIS) for several European countries, Caribbean banking centers, and Asian banking centers. Additional coverage for BIS data was introduced in 1986, 1989, 1993, and 1994. In 1994, intercompany debt positions between parent companies and affiliates that are not depository institutions and that are primarily engaged in financial intermediation are reclassified from the direct investment accounts to the nonbank investment accounts. A break in series in 2003 reflects the reclassification of assets reported by U.S. securities brokers from nonbank-reported assets to bank-reported assets, and a reduction in counterparty balances to eliminate double-counting.

