

The International Investment Position of the United States at Yearend 2008

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THE NET international investment position of the United States was $-\$3,469.2$ billion (preliminary) at yearend 2008, compared with $-\$2,139.9$ billion (revised) at yearend 2007 (table 1, chart 1). At yearend 2008, the value of foreign-owned assets in the United States continued to exceed the value of U.S.-owned assets abroad.

The $-\$1,329.3$ billion change in the U.S. net investment position from yearend 2007 to yearend 2008 resulted from (1) declines in the prices of U.S.-held foreign stocks that surpassed declines in the prices of foreign-held U.S. stocks, (2) the depreciation of most major currencies against the U.S. dollar that lowered the dollar value of U.S.-owned assets abroad, and (3) net foreign acquisitions of financial assets in the United States that exceeded net U.S. acquisitions of financial assets abroad. The impact of these differences was partly offset by “other” changes (such as changes in reporting panels and capital gains and losses) that raised the value of U.S.-owned assets abroad and lowered the value of foreign-owned assets in the United States.

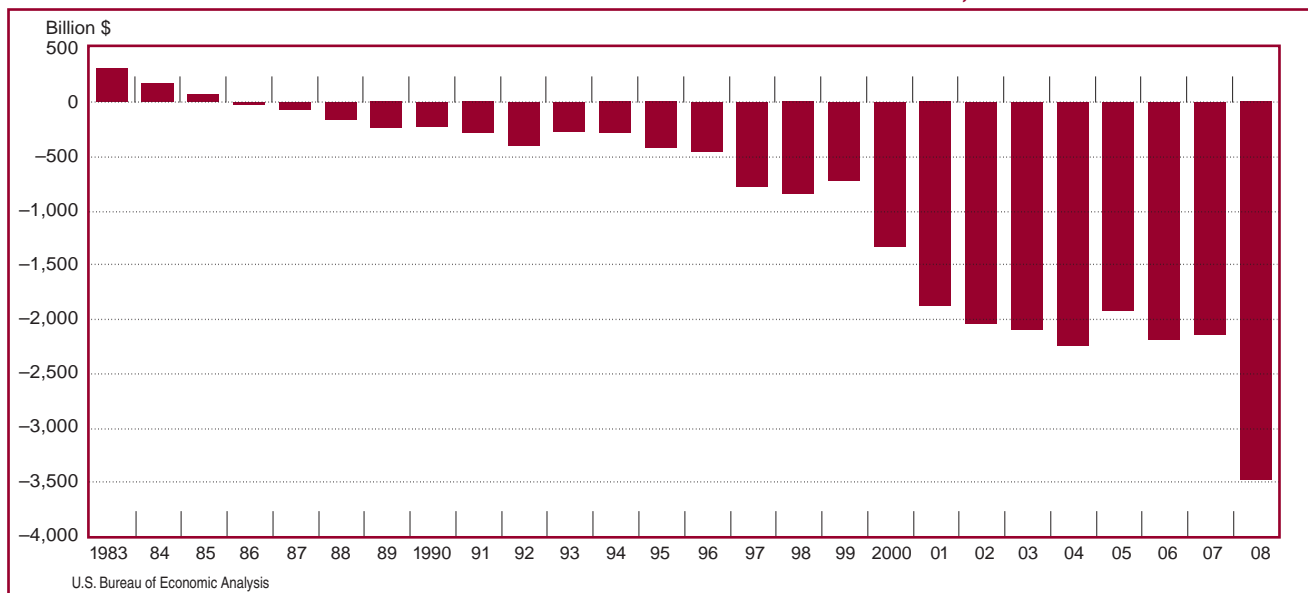
In 2008, U.S.-owned assets abroad increased

Table A. U.S. Net International Investment Position at Yearend
[Billions of dollars]

	2006	2007	2008
Net position	-2,184.3	-2,139.9	-3,469.2
Financial derivatives, net	59.8	71.5	159.6
Net position, excluding financial derivatives.....	-2,244.1	-2,211.4	-3,628.8
U.S.-owned assets abroad	14,428.1	18,278.8	19,888.2
Financial derivatives (gross positive fair value).....	1,239.0	2,559.3	6,624.5
U.S.-owned assets abroad, excluding financial derivatives	13,189.1	15,719.5	13,263.6
Foreign-owned assets in the United States	16,612.4	20,418.8	23,357.4
Financial derivatives (gross negative fair value)	1,179.2	2,487.9	6,465.0
Foreign-owned assets in the United States, excluding financial derivatives.....	15,433.3	17,930.9	16,892.4

$\$1,609.3$ billion to $\$19,888.2$ billion, and foreign-owned assets in the United States increased $\$2,938.6$ billion to $\$23,357.4$ billion (table A). Both of these increases resulted from increases in U.S. holdings of financial derivatives as assets and as liabilities that more than offset sizable declines in U.S.-owned assets and foreign-owned assets excluding financial derivatives. U.S. holdings of financial derivatives as assets (with positive gross value) increased $\$4,065.2$ billion and as liabilities (with negative gross value) increased $\$3,977.1$ billion. These large changes were mainly due

Chart 1. Net International Investment Position of the United States at Yearend, 1983–2008



to increases in U.S. claims and liabilities from interest-rate swap contracts caused by sharp declines in yields on interest-rate swaps in the first and fourth quarters of 2008. Because changes to U.S. assets and liabilities in financial derivatives are largely offsetting, they have little impact on the U.S. net investment position.

U.S.-owned assets abroad excluding financial derivatives decreased \$2,455.9 billion to \$13,263.6 billion in 2008.

- Financial flows excluding financial derivatives raised the value of U.S.-owned assets abroad by \$0.1 billion in 2008 (table B). In 2008, U.S. banks and non-banks reduced their claims against foreign residents, and U.S. residents sold more foreign securities than they purchased. However, U.S. direct investment abroad remained robust, and U.S. government holdings of foreign currencies increased substantially as a result of unprecedented net drawings on temporary reciprocal currency arrangements (swap lines) between the U.S. Federal Reserve System and foreign central banks.

Table B. Changes in U.S.-Owned Assets Abroad Excluding Financial Derivatives
[Billions of dollars]

	2007	2008
Total change	2,530.4	-2,455.9
Financial flows	1,472.1	0.1
Valuation adjustments	1,058.3	-2,456.0
Price changes	476.5	-1,954.3
Exchange-rate changes	529.2	-681.1
Other valuation changes	52.6	179.4

- Valuation adjustments excluding those on financial derivatives lowered the value of U.S.-owned assets abroad by \$2,456.0 billion (table B). Declining prices of foreign stocks and exchange-rate deprecia-

tion of most major foreign currencies against the U.S. dollar from yearend 2007 to yearend 2008 sharply lowered the value of U.S.-owned assets abroad, especially of U.S.-owned foreign stocks.

Foreign-owned assets in the United States excluding financial derivatives decreased \$1,038.5 billion to \$16,892.4 billion in 2008.

- Financial flows excluding financial derivatives raised the value of foreign-owned assets in the United States by \$534.1 billion in 2008 (table C). In 2008, net foreign purchases of Treasury securities and foreign direct investment in the United States were especially strong. In contrast, foreign residents sold more U.S. securities other than Treasury securities than they purchased, and U.S. banks and nonbanks reduced their liabilities to foreign residents.

Table C. Changes in Foreign-Owned Assets in the United States Excluding Financial Derivatives
[Billions of dollars]

	2007	2008
Total change	2,497.6	-1,038.5
Financial flows	2,129.5	534.1
Valuation adjustments	368.1	-1,572.5
Price changes	244.1	-1,234.2
Exchange-rate changes	85.5	-98.0
Other valuation changes	38.6	-240.3

- Valuation adjustments excluding those on financial derivatives lowered the value of foreign-owned assets in the United States by \$1,572.5 billion, largely as a result of declines in the prices 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 2008. Tables 1 and 2 at the end of this article present estimates of the yearend positions by type of asset.

Improvements to the Statistics

Statistics of the U.S. international investment position presented in this article include newly available source data and methodological changes that are related to the improvements incorporated in the annual revision of the U.S. international transactions accounts.

This year, the revised position statistics reflect the incorporation of results from the U.S. Treasury Department's annual survey of securities claims for December 2007 and annual survey of securities liabilities for June 2008.

In addition to the inclusion of survey and improved

source data, the position statistics were revised to incorporate newly available or revised quarterly source data. Revisions attributable to these updated source data were for 2006–2007. Revisions to the U.S. net international investment position from all sources were \$41.5 billion for 2006 and \$301.9 billion for 2007. The U.S. net international investment position at yearend 2007 was revised to -\$2,139.9 billion from -\$2,441.8 billion.

For additional information, see “Annual Revision of the U.S. International Accounts” in this issue.

Changes in U.S.-Owned Assets Abroad

Financial derivatives

U.S. holdings of financial derivatives with gross positive fair value increased \$4,065.2 billion to \$6,624.5 billion in 2008 (table D).¹ Most of the increase was attributable to increases in over-the-counter (OTC) single-currency interest-rate contracts, especially swaps, and in “other” OTC contracts, especially credit-default swaps. By area, most of U.S. positions were with counterparties in Europe, predominantly the United Kingdom.

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

U.S. official reserve assets increased \$16.5 billion to \$293.7 billion in 2008, mostly as a result of an increase in the market value of the official U.S. gold stock. U.S. official holdings of foreign currencies and U.S. reserve position at the International Monetary Fund (IMF) also increased. In contrast, special drawing rights decreased, mainly as a result of exchange-rate changes.

U.S. government assets other than official reserve assets increased \$529.6 billion to \$624.1 billion. The increase resulted from net drawings on temporary reciprocal currency arrangements (swap lines) between the Federal Reserve System and foreign central banks that do not meet the strict definition of U.S. reserve assets. Several central banks mostly in Europe and Asia

1. A derivatives contract with a positive fair value represents the amount that a foreign resident would have to pay to a U.S. counterparty if the contract was terminated or settled. A contract with a negative fair value represents the amount that a U.S. resident would have to pay to a foreign counterparty if the contract was terminated or settled. The gross positive (or negative) fair value is the sum of all contracts with positive (or negative) fair values. Fair values are different from notional values, which are the underlying amounts used to calculate payments on contracts.

drew large amounts of dollars under these swap lines in the later part of 2008 when the international dollar funding markets experienced a severe liquidity shortage.

Bank and nonbank claims

U.S. claims on foreigners reported by U.S. banks and securities brokers decreased \$410.8 billion to \$3,410.8 billion in 2008. Most of the decrease reflected cutbacks in lending by U.S. securities brokers and much lower international syndicated lending activity. In 2008, U.S. financial institutions sharply reduced financial leverage on their balance sheets as they shored up cash reserves to cushion against writeoffs on impaired assets.

U.S. banks' and securities brokers' own claims denominated in dollars decreased \$358.8 billion to \$2,443.3 billion (table E). Most of the decrease reflected repayments of funds from affiliated offices overseas, mainly in Western Europe.

Table E. U.S. Claims Reported by U.S. Banks and Securities Brokers and U.S. Nonbanks at Yearend
[Billions of dollars]

	2006	2007	2008
U.S. claims reported by U.S. banks and securities brokers	3,160.4	3,821.5	3,410.8
Claims for own accounts, denominated in dollars	2,298.9	2,802.1	2,443.3
U.S.-owned banks' claims	556.4	705.0	865.0
Foreign-owned banks' claims	1,108.7	1,365.5	1,155.8
Brokers' and dealers' claims	633.8	731.6	422.5
Claims for customers' accounts, denominated in dollars	665.4	778.2	748.5
Claims, denominated in foreign currencies	196.1	241.2	219.0
U.S. claims reported by U.S. nonbanking concerns	1,184.1	1,239.7	991.9

U.S. banks' domestic customers' claims denominated in dollars decreased \$29.7 billion to \$748.5 billion, reflecting a decrease in offshore deposits and brokerage balances. U.S. banks' claims payable in foreign currencies also decreased, mostly as a result of exchange-rate changes.

Table D. Gross Positive Fair Value of Financial Derivatives

[Billions of dollars]

	2007	2008	Changes				2007-2008
			2008				
			I	II	III	IV	
Financial derivatives	2,559.3	6,624.5	1,626.9	-547.9	-398.1	3,384.2	4,065.2
By type:							
Over-the-counter contracts	2,526.1	6,562.9	1,616.9	-567.4	-385.1	3,372.4	4,036.8
Single-currency interest-rate contracts	1,463.1	4,551.0	900.0	-537.8	-170.2	2,896.0	3,087.9
Foreign exchange contracts	290.9	497.2	145.6	-87.5	7.0	141.2	206.3
Other	772.0	1,514.6	571.4	57.9	-221.9	335.2	742.6
Exchange-traded contracts	33.3	61.7	10.0	19.6	-13.0	11.9	28.4
By area:							
Europe	2,229.4	6,059.2	1,472.0	-483.8	-331.7	3,173.3	3,829.8
Of which: United Kingdom	1,558.5	4,657.8	1,080.9	-366.8	-177.6	2,562.7	3,099.3
Canada	51.6	92.2	19.9	3.3	-19.2	36.5	40.6
Caribbean financial centers	133.3	186.0	51.1	-25.1	-19.2	46.0	52.7
Of which: Cayman Islands	112.0	153.1	42.2	-23.1	-16.6	38.5	41.1
Latin America, excluding Caribbean financial centers	16.0	15.7	5.8	-1.7	-4.8	0.3	-0.3
Asia	103.3	233.4	68.7	-41.8	-14.2	117.4	130.1
Of which: Japan	66.6	141.6	32.2	-33.4	-3.6	79.8	75.0
Africa	4.3	6.4	0.7	1.2	-1.4	1.7	2.1
Other	21.4	31.7	8.8	-0.1	-7.6	9.1	10.3

U.S. claims on foreigners reported by U.S. nonbanking concerns decreased \$247.8 billion to \$991.9 billion (table E). Financial flows lowered nonbanks' claims by \$372.2 billion. In contrast, "other" changes raised nonbanks' claims by \$140.5 billion, mainly as a result of changes in the reporting panels of data sources (some existing respondents started to report U.S. claims that were not previously reported).

Foreign securities

U.S. holdings of foreign securities decreased \$2,590.8 billion to \$4,244.3 billion in 2008, mostly as a result of declines in the prices of foreign stocks and bonds. Exchange-rate changes and net U.S. sales also resulted in lower U.S. holdings of foreign securities, which stood at the lowest level in 4 years. In 2008, the global financial turmoil caused the prices of many financial assets to fall sharply, particularly stocks, and to a lesser extent, corporate bonds. The strengthening of the U.S. dollar against most major foreign currencies during the year further exacerbated the financial losses for U.S. investors holding foreign-currency-denominated assets. From yearend 2007 to yearend 2008, the Federal Reserve Board's broad index of the U.S. dollar against major foreign currencies appreciated 9 percent. In 2008, U.S. demand for foreign securities was the weakest in more than four decades, as U.S. transactions in foreign securities shifted to net sales of \$60.8 billion from net purchases of \$366.5 billion in 2007.

U.S. holdings of foreign stocks decreased \$2,396.6 billion to \$2,851.4 billion in 2008, mostly as a result of price declines in major foreign stock markets. According to Morgan Stanley Capital International, the world (excluding the United States) stock index declined 43 percent in local currency. In 2008, net U.S. purchases of foreign stocks were only \$1.3 billion, the lowest annual level since 1988.

At yearend 2008, the largest U.S. holdings were in European stocks, which stood at \$1,336.0 billion, or 47 percent of total U.S. holdings of foreign stocks (table F). U.S. holdings of Asian stocks, mostly Japanese stocks, were \$661.3 billion, or 23 percent, and U.S. holdings at Caribbean financial centers were \$373.4 billion, or 13 percent of total U.S. holdings of foreign stocks.

U.S. holdings of foreign bonds decreased \$194.2 billion to \$1,392.9 billion in 2008, mostly as a result of price declines in several major foreign bond markets, especially the emerging markets, which depreciated 23 percent in value for the year. According to Merrill Lynch Global Index System, the global broad market corporate price index in local currency fell 10 percent for the year. In 2008, U.S. transactions in foreign bonds shifted to net sales of \$62.1 billion, following 2 years of exceptionally strong net purchases.

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

[Billions of dollars]

	2006	2007	2008
Total holdings	4,329.0	5,248.0	2,851.4
Europe.....	2,191.1	2,569.4	1,336.0
<i>Of which:</i>			
United Kingdom.....	689.1	734.7	376.8
France.....	306.9	347.8	196.5
Switzerland.....	262.9	281.0	195.9
Germany.....	220.4	329.2	177.0
Netherlands.....	161.5	154.0	80.1
Spain.....	85.6	106.6	60.8
Italy.....	92.7	96.9	49.0
Finland.....	55.9	90.2	40.8
Belgium and Luxembourg.....	44.4	71.7	33.6
Canada.....	298.1	379.0	212.5
Caribbean financial centers.....	418.1	588.6	373.4
<i>Of which:</i>			
Cayman Islands.....	160.6	231.9	165.9
Bermuda.....	191.9	256.1	145.1
Latin America, excluding Caribbean financial centers.....	207.0	293.8	150.3
<i>Of which:</i>			
Brazil.....	92.0	172.6	82.8
Mexico.....	84.6	85.4	46.8
Asia.....	1,050.2	1,193.7	661.3
<i>Of which:</i>			
Japan.....	543.5	529.2	355.6
Korea, Republic of.....	114.2	129.2	55.9
Hong Kong.....	85.8	119.5	48.6
China.....	73.9	95.7	48.1
Taiwan.....	74.2	81.0	42.1
Africa.....	49.4	65.6	39.5
<i>Of which:</i> South Africa.....	39.6	49.1	30.7
Other countries.....	115.1	157.9	78.5
<i>Of which:</i> Australia.....	102.0	138.1	69.0

At yearend 2008, the largest U.S. holdings were in European bonds, which stood at \$691.1 billion, or 50 percent of total U.S. holdings of foreign bonds (table G). U.S. holdings of foreign bonds at Caribbean financial centers, mostly the Cayman Islands, were \$280.7 billion, or 20 percent, and U.S. holdings of Canadian bonds were \$165.2 billion, or 12 percent of total U.S. holdings of foreign bonds.

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

[Billions of dollars]

	2006	2007	2008
Total holdings	1,275.5	1,587.1	1,392.9
Europe.....	646.9	798.7	691.1
<i>Of which:</i>			
United Kingdom.....	256.1	296.7	257.8
Belgium and Luxembourg.....	42.8	48.9	118.3
Germany.....	58.2	84.6	66.7
Netherlands.....	67.9	76.4	66.5
France.....	58.9	78.3	46.5
Ireland.....	38.3	50.2	43.0
Sweden.....	23.8	29.1	21.0
Canada.....	162.1	185.2	165.2
Caribbean financial centers.....	199.0	296.3	280.7
<i>Of which:</i>			
Cayman Islands.....	177.9	271.3	243.0
Bermuda.....	13.6	16.7	29.7
Latin America, excluding Caribbean financial centers.....	82.1	79.1	47.8
<i>Of which:</i> Mexico.....	23.8	23.9	15.5
Asia.....	93.4	118.9	93.0
<i>Of which:</i> Japan.....	35.5	49.1	48.6
Africa.....	6.7	9.0	4.6
Other countries.....	85.4	99.8	110.5
<i>Of which:</i> Australia.....	61.6	73.3	77.0

U.S. direct investment abroad

The stock of U.S. direct investment abroad increased \$247.3 billion to \$3,698.8 billion in 2008, as a result of strong financial flows (table H). Financial flows increased U.S. direct investment abroad by \$332.0 billion, mostly as a result of reinvested earnings. Partly offsetting were exchange-rate changes that reduced U.S. direct investment abroad by \$110.8 billion, as foreign currencies depreciated against the U.S. dollar.

Table H. U.S. Direct Investment Abroad
[Billions of dollars]

	2007	2008
Total position at yearend	3,451.5	3,698.8
Total change	503.3	247.3
Financial outflows	398.6	332.0
Equity capital	174.9	90.2
Intercompany debt	-15.3	-9.7
Reinvested earnings	239.0	251.5
Price changes	29.6	31.0
Exchange-rate changes	77.2	-110.8
Other valuation changes	-2.2	-4.9

Changes in Foreign-Owned Assets in the United States

Financial derivatives

U.S. holdings of financial derivatives with gross negative fair value increased \$3,977.1 billion to \$6,465.0 billion (table I). As with U.S. holdings of financial

derivatives with gross positive fair value, most of the increase was attributable to increases in over-the-counter (OTC) single-currency interest-rate contracts, especially swaps, and in “other” OTC contracts, especially credit-default swaps. By area, most of U.S. positions were with counterparties in Europe, predominantly the United Kingdom.

Foreign official assets

Foreign official assets in the United States increased \$467.4 billion to \$3,871.4 billion in 2008. Financial flows increased foreign official assets by \$487.0 billion, reflecting strong net purchases of U.S. securities, especially Treasury securities.

Bank and nonbank liabilities

U.S. liabilities to private foreign residents and international financial institutions reported by U.S. banks and securities brokers decreased \$363.2 billion to \$3,611.4 billion in 2008. Financial flows lowered U.S. banks’ and securities brokers’ liabilities by \$326.6 billion, reflecting significant cutbacks in borrowings from U.S. securities brokers that more than offset increases in borrowings from U.S. banks. Liabilities to foreign residents for banks’ and securities brokers’ own accounts denominated in dollars decreased \$228.8 billion to \$2,823.4 billion (table J).

Valuing Direct Investment Positions and Other Components of the U.S. International Investment Position

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.

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’ 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. Direct investment at market value is an alternative measure of direct investment in current-period prices. The market-value method values the owners’ equity share of direct invest-

ment, using indexes of stock market prices. BEA also publishes direct investment at historical cost, which values assets and liabilities at their book value. Country and industry detail can be shown only for direct investment at historical cost. (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 features the current-cost method, because the estimates prepared using this method are comparable with BEA’s current-cost estimates of the net stock of 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.

For detailed data on direct investment at historical cost by country and industry, see “Direct Investment Positions for 2008: Country and Industry Detail” in this issue.

Table I. Gross Negative Fair Value of Financial Derivatives

[Billions of dollars]

	2007	2008	Changes				2007-2008
			2008				
			I	II	III	IV	
Financial derivatives	2,487.9	6,465.0	1,567.7	-527.5	-389.7	3,326.6	3,977.1
By type:							
Over-the-counter contracts	2,456.1	6,398.1	1,559.0	-546.1	-377.0	3,306.0	3,942.0
Single-currency interest rate contracts.....	1,434.1	4,470.6	886.6	-539.6	-178.9	2,868.4	3,036.5
Foreign exchange contracts.....	240.1	481.8	127.4	-72.8	30.7	156.4	241.7
Other.....	781.9	1,445.7	545.0	66.4	-228.8	281.3	663.8
Exchange-traded contracts	31.8	66.9	8.7	18.6	-12.7	20.5	35.1
By area:							
Europe	2,174.4	5,933.7	1,428.1	-459.2	-334.5	3,124.9	3,759.3
Of which: United Kingdom	1,535.5	4,593.8	1,059.4	-343.4	-195.2	2,537.5	3,058.3
Canada	43.8	90.7	15.1	-0.4	-7.7	39.9	46.9
Caribbean financial centers	132.8	167.0	42.4	-20.9	-24.5	37.2	34.2
Of which: Cayman Islands	110.1	133.6	34.6	-22.5	-16.9	28.2	23.5
Latin America, excluding Caribbean financial centers	13.8	13.0	5.0	-1.7	-4.1	0.0	-0.8
Asia.....	100.7	219.8	67.3	-43.9	-14.9	110.6	119.1
Of which: Japan	67.6	142.6	34.1	-35.0	-3.9	79.8	75.0
Africa.....	3.0	5.5	0.9	1.9	-1.4	1.1	2.5
Other.....	19.5	35.2	8.7	-3.3	-2.5	12.8	15.7

U.S. banks' liabilities for customers' accounts denominated in dollars decreased \$96.2 billion to \$546.4 billion, reflecting a decrease in holdings of foreign negotiable certificates of deposits and other short-term securities. U.S. banks' liabilities payable in foreign currencies decreased \$38.2 billion to \$241.6 billion.

U.S. liabilities to foreign residents reported by U.S. nonbanking concerns decreased \$127.2 billion to \$873.2 billion (table J). Financial flows lowered non-banks' liabilities by \$45.2 billion.

Table J. U.S. Liabilities Reported by U.S. Banks and Securities Brokers and U.S. Nonbanks at Yearend

[Billions of dollars]

	2006	2007	2008
U.S. liabilities reported by U.S. banks and securities brokers	3,431.3	3,974.6	3,611.4
Liabilities for own accounts, denominated in dollars.....	2,702.0	3,052.2	2,823.4
U.S.-owned banks' liabilities	866.0	1,022.1	1,296.3
Foreign-owned banks' liabilities.....	783.2	858.0	926.6
Brokers' and dealers' liabilities	1,052.8	1,172.1	600.5
Liabilities for customers' accounts, denominated in dollars.....	570.4	642.6	546.4
Liabilities, denominated in foreign currencies.....	158.9	279.8	241.6
U.S. liabilities reported by U.S. nonbanking concerns	799.5	1,000.4	873.2

U.S. Treasury securities

Total foreign official and private holdings of U.S. Treasury securities increased \$834.2 billion to \$3,210.6 billion in 2008 (table K). The increase reflected especially strong net purchases from foreign residents and to a certain extent, increases in the prices of Treasury securities during the year when global financial markets experienced heightened uncertainty.

At yearend 2008, China surpassed Japan to become the largest holder of U.S. Treasury securities with total holdings valued at \$807.5 billion, an increase of \$320.7 billion from yearend 2007 (table K.) In 2008, China acquired U.S. Treasury securities at a record pace. Japan,

the second-largest holder of U.S. Treasury securities, saw its holdings increase \$52.1 billion to \$668.9 billion. In 2008, Japan stepped up acquisitions of Treasury securities, reversing a decreasing demand dating back to 2004. Together, Japan and China accounted for 46 percent of total foreign holdings of U.S. Treasury securities.

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

[Billions of dollars]

	2006	2007	2008
Total holdings	2,126.2	2,376.4	3,210.6
Of which:			
China	445.2	486.8	807.5
Japan.....	636.4	616.8	668.9
OPEC Asia	101.5	116.1	173.4
Brazil	53.0	135.5	136.7
Russia	18.3	41.1	134.7
Cayman Islands.....	33.8	50.4	124.9
Belgium and Luxembourg.....	72.8	94.6	119.9
Hong Kong.....	53.2	54.5	81.6
Taiwan.....	54.3	52.6	75.8
Switzerland.....	37.4	42.0	65.1

Other U.S. securities

Foreign private holdings of U.S. securities other than U.S. Treasury securities decreased \$1,486.5 billion to \$4,703.5 billion in 2008. The decrease resulted from declines in the prices of U.S. stocks and corporate bonds and from especially strong net foreign sales of U.S. agency bonds. Exchange-rate changes of foreign-currency-denominated U.S. corporate bonds also lowered the value of foreign holdings somewhat as most foreign currencies depreciated against the U.S. dollar for the year.

Foreign holdings of U.S. bonds decreased \$423.2 billion to \$2,865.9 billion as a result of net foreign sales, declining prices, and exchange-rate changes resulting from a decline of foreign currencies relative to the U.S. dollar.

At yearend 2008, investors in Europe accounted for \$1,792.4 billion, or 63 percent of total foreign holdings of U.S. corporate and agency bonds, most of which were from Belgium and Luxembourg and the United Kingdom (table L). Outside of Europe, investment funds in Caribbean financial centers accounted for \$505.6 billion, or 18 percent of total foreign holdings. Investors in Asia, mostly Japan, accounted for \$399.5 billion, or 14 percent of total foreign holdings.

Table L. Foreign Private Holdings of U.S. Corporate and Agency Bonds by Major Area and Country at Yearend
[Billions of dollars]

	2006	2007	2008
Total holdings	2,824.9	3,289.1	2,865.9
Europe	1,762.4	2,068.3	1,792.4
<i>Of which:</i>			
Belgium and Luxembourg	648.3	753.0	671.9
United Kingdom	593.4	709.3	595.9
Ireland	120.8	168.7	142.6
Germany	90.4	113.4	104.3
Switzerland	88.6	97.7	95.4
Netherlands	103.3	104.2	89.9
France	54.6	58.4	47.3
Canada	77.3	78.0	72.0
Caribbean financial centers	503.9	590.4	505.6
<i>Of which:</i>			
Cayman Islands	353.7	430.7	365.9
Bermuda	110.8	119.8	106.3
Latin America, excluding Caribbean financial centers	38.3	50.0	51.8
<i>Of which: Mexico</i>	11.6	24.8	27.4
Asia	407.2	454.2	399.5
<i>Of which:</i>			
Japan	253.3	286.7	268.2
China	65.6	56.1	33.8
Taiwan	30.1	30.7	33.8
OPEC Asia	7.3	16.0	22.7
Hong Kong	26.2	35.1	20.0
Africa	3.1	3.5	2.1
Other countries	32.7	44.7	42.5
<i>Of which: Australia</i>	22.7	32.2	30.2

Foreign holdings of U.S. stocks decreased \$1,063.4 billion to \$1,837.6 billion, mostly as a result of sharp declines in the prices of U.S. stocks (table M). In 2008, net foreign purchases of U.S. stocks were only \$57.1 billion, a sharp decrease from \$230.5 billion in 2007.

At yearend 2008, investors in Europe accounted for \$981.0 billion, or 53 percent of total foreign holdings of U.S. stocks. Outside of Europe, investment funds in Caribbean financial centers accounted for \$303.3 billion, or 17 percent of total foreign holdings, Canadian investors accounted for \$225.0 billion, or 12 percent of total holdings, and Japanese investors accounted for \$153.9 billion, or 8 percent of total holdings.

Table M. Foreign Private Holdings of U.S. Corporate Stocks by Major Area and Country at Yearend
[Billions of dollars]

	2006	2007	2008
Total holdings	2,547.5	2,901.0	1,837.6
Europe	1,396.7	1,560.7	981.0
<i>Of which:</i>			
United Kingdom	377.8	443.7	295.0
Belgium and Luxembourg	243.5	246.3	144.5
Netherlands	167.6	193.1	126.7
Switzerland	162.2	173.2	113.9
France	116.1	144.1	88.4
Ireland	75.3	82.1	53.3
Germany	84.3	99.2	48.2
Sweden	50.6	50.2	31.7
Canada	318.4	353.0	225.0
Caribbean financial centers	391.7	500.8	303.3
<i>Of which:</i>			
Cayman Islands	220.8	324.4	212.3
Bermuda	72.0	76.0	39.6
Latin America, excluding Caribbean financial centers	40.2	49.5	37.1
Asia	309.8	332.4	227.8
<i>Of which:</i>			
Japan	213.3	217.0	153.9
Singapore	45.5	44.7	21.4
Africa	5.4	9.2	4.6
Other countries	85.3	95.4	58.8
<i>Of which: Australia</i>	74.8	88.0	55.0

U.S. currency

U.S. currency held by foreigners increased \$29.2 billion to \$301.1 billion in 2008. Net U.S. currency shipments to foreigners in 2008 were highest on record, dating back to 1974. Most of the increase in shipments occurred in the second half of the year when demand for U.S. currency showed exceptional strength amid a deepening global financial crisis.

Foreign direct investment in the United States

The stock of foreign direct investment in the United States increased \$196.7 billion to \$2,646.8 billion in 2008 as a result of strong financial flows (table N). Financial flows raised foreign direct investment in the United States by \$319.7 billion, mostly as a result of net equity capital investment. In contrast, "other" valuation changes reduced foreign direct investment by \$141.6 billion, mainly as a result of capital losses incurred by foreign-affiliated finance companies and banks in the United States.

Table N. Foreign Direct Investment in the United States
[Billions of dollars]

	2007	2008
Total position at yearend	2,450.1	2,646.8
Total change	296.1	196.7
Financial inflows	275.8	319.7
Equity capital	155.4	250.2
Intercompany debt	71.0	15.0
Reinvested earnings	49.4	54.6
Price changes	23.6	25.0
Exchange-rate changes	4.9	-6.4
Other valuation changes	-8.1	-141.6

Tables 1 and 2 follow.

Table 1. International Investment Position of the United States at Yearend, 2007 and 2008

[Millions of dollars]

Line	Type of investment	Position, 2007 ^r	Changes in position in 2008				Position, 2008 ^p	
			Attributable to					
			Valuation adjustments					
			Financial flows (a)	Price changes (b)	Exchange-rate changes ¹ (c)	Other changes ² (d)		Total (a+b+c+d)
1	Net international investment position of the United States (lines 2+3)	-2,139,916	-505,060	-720,137	-583,040	478,907	-1,329,330	-3,469,246
2	Financial derivatives, net (line 5 less line 25) ³	71,472	28,905	(⁴)	(⁴)	⁴ 59,205	88,110	159,582
3	Net international investment position, excluding financial derivatives (line 6 less line 26).....	-2,211,388	-533,965	-720,137	-583,040	419,702	-1,417,440	-3,628,828
4	U.S.-owned assets abroad (lines 5+6)	18,278,842	(⁵)	(⁵)	(⁵)	(⁵)	1,609,316	19,888,158
5	Financial derivatives (gross positive fair value).....	2,559,332	(⁵)	(⁵)	(⁵)	(⁵)	4,065,217	6,624,549
6	U.S.-owned assets abroad, excluding financial derivatives (lines 7+12+17).....	15,719,510	106	-1,954,331	-681,066	179,390	-2,455,901	13,263,609
7	U.S. official reserve assets.....	277,211	4,848	9,414	2,259	0	16,521	293,732
8	Gold.....	218,025	0	⁵ 9,414	0	⁶ 0	9,414	227,439
9	Special drawing rights.....	9,476	106	0	-242	0	-136	9,340
10	Reserve position in the International Monetary Fund.....	4,244	3,473	0	-34	0	3,439	7,683
11	Foreign currencies.....	45,466	1,269	0	2,535	0	3,804	49,270
12	U.S. government assets, other than official reserve assets.....	94,471	529,615	0	(⁷)	14	529,629	624,100
13	U.S. credits and other long-term assets ⁷	70,015	-152	0	(⁷)	14	-138	69,877
14	Repayable in dollars.....	69,742	-152	0	(⁷)	14	-138	69,604
15	Other ⁸	273	0	0	(⁷)	0	0	273
16	U.S. foreign currency holdings and U.S. short-term assets ⁹	24,456	529,766	0	(⁷)	0	529,766	554,222
17	U.S. private assets.....	15,347,828	-534,357	-1,963,745	-683,325	179,376	-3,002,051	12,345,777
18	Direct investment at current cost.....	3,451,482	332,012	31,016	-110,804	-4,922	247,302	3,698,784
19	Foreign securities.....	6,835,079	-60,761	-1,994,761	-535,246	0	-2,590,768	4,244,311
20	Bonds.....	1,587,089	-62,095	-95,005	-37,086	0	-194,186	1,392,903
21	Corporate stocks.....	5,247,990	1,334	-1,899,756	-498,160	0	-2,396,582	2,851,408
22	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns.....	1,239,718	-372,229	0	-16,059	140,490	-247,798	991,920
23	U.S. claims reported by U.S. banks, not included elsewhere ¹⁰	3,821,549	-433,379	0	-21,216	43,808	-410,787	3,410,762
24	Foreign-owned assets in the United States (lines 25+26)	20,418,758	(⁵)	(⁵)	(⁵)	(⁵)	2,938,646	23,357,404
25	Financial derivatives (gross negative fair value).....	2,487,860	(⁵)	(⁵)	(⁵)	(⁵)	3,977,107	6,464,967
26	Foreign-owned assets in the United States, excluding financial derivatives (lines 27+34).....	17,930,898	534,071	-1,234,194	-98,026	-240,312	-1,038,461	16,892,437
27	Foreign official assets in the United States.....	3,403,995	487,021	-12,915	0	-6,739	467,367	3,871,362
28	U.S. government securities.....	2,540,062	543,498	148,201	0	-3,323	688,376	3,228,438
29	U.S. Treasury securities.....	1,736,687	477,652	112,084	0	-751	588,985	2,325,672
30	Other.....	803,375	65,846	36,117	0	-2,572	99,391	902,766
31	Other U.S. government liabilities ¹¹	24,024	8,626	0	0	0	8,626	32,650
32	U.S. liabilities reported by U.S. banks, not included elsewhere ¹⁰	406,031	-153,443	0	0	0	-153,443	252,588
33	Other foreign official assets.....	433,878	88,340	-161,116	0	-3,416	-76,192	357,686
34	Other foreign assets.....	14,526,903	47,050	-1,221,279	-98,026	-233,573	-1,505,828	13,021,075
35	Direct investment at current cost.....	2,450,132	319,737	24,986	-6,393	-141,615	196,715	2,646,847
36	U.S. Treasury securities.....	639,715	196,619	54,349	0	-5,718	245,250	884,965
37	U.S. securities other than U.S. Treasury securities.....	6,190,067	-126,737	-1,300,614	-67,037	7,850	-1,486,538	4,703,529
38	Corporate and other bonds.....	3,289,077	-183,822	-180,165	-67,037	7,850	-423,174	2,865,903
39	Corporate stocks.....	2,900,990	57,085	-1,120,449	0	0	-1,063,364	1,837,626
40	U.S. currency.....	271,952	29,187	0	0	0	29,187	301,139
41	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns.....	1,000,430	-45,167	0	-14,921	-67,115	-127,203	873,227
42	U.S. liabilities reported by U.S. banks, not included elsewhere ¹⁰	3,974,607	-326,589	0	-9,675	-26,975	-363,239	3,611,368
Memoranda:								
43	Direct investment abroad at market value.....	5,227,962	332,012	-2,240,547	-205,504	-42,734	-2,156,773	3,071,189
44	Direct investment in the United States at market value.....	3,593,291	319,737	-1,210,708	0	-145,438	-1,036,409	2,556,882

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¹ 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).

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. Includes foreign-currency-denominated assets obtained through temporary reciprocal currency arrangements between the Federal Reserve System and foreign central banks. These assets are included in the investment position at the dollar value established at the time they were received, reflecting the valuation of these assets in the Federal Reserve System's balance sheet. The movement of exchange rates does not affect this valuation.

10. Also includes claims/liabilities reported by U.S. securities brokers.

11. 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	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
1	Net international investment position of the United States (lines 2+3)	208,052	319,836	365,502	346,088	336,778	307,534	171,550	67,121	-21,766	-63,968	-160,865	-239,793	-223,405
2	Financial derivatives, net (line 5 less line 25) ¹													
3	Net international investment position, excluding financial derivatives (line 6 less line 26)	208,052	319,836	365,502	346,088	336,778	307,534	171,550	67,121	-21,766	-63,968	-160,865	-239,793	-223,405
4	U.S.-owned assets abroad (lines 5+6)	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	1,829,665	2,070,868	2,178,978
5	Financial derivatives (gross positive fair value) ¹													
6	U.S.-owned assets abroad, excluding financial derivatives (lines 7+12+17)	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	1,829,665	2,070,868	2,178,978
7	U.S. official reserve assets	69,450	143,260	171,412	124,568	143,445	123,110	105,040	117,930	139,875	162,370	144,179	168,714	174,664
8	Gold ²	62,471	135,476	155,816	105,644	120,635	100,484	81,202	85,834	102,428	127,648	107,434	105,164	102,406
9	Special drawing rights	1,558	2,724	2,610	4,096	5,250	5,025	5,641	7,293	8,395	10,283	9,637	9,951	10,989
10	Reserve position in the International Monetary Fund	1,047	1,253	2,852	5,054	7,348	11,312	11,541	11,947	11,730	11,349	9,745	9,048	9,076
11	Foreign currencies	4,374	3,807	10,134	9,774	10,212	6,289	6,656	12,856	17,322	13,090	17,363	44,551	52,193
12	U.S. private assets, other than official reserve assets	53,187	58,851	65,573	70,893	76,903	81,664	86,945	89,792	91,850	90,681	87,892	86,643	84,344
13	U.S. credits and other long-term assets ³	52,252	57,909	63,731	69,320	75,105	79,852	84,857	87,854	90,923	89,900	87,163	86,057	83,716
14	Repayable in dollars	49,817	54,616	60,731	66,591	72,635	77,618	82,819	85,978	89,271	88,344	85,768	84,734	82,602
15	Other ⁴	2,435	3,293	3,000	2,729	2,470	2,234	2,038	1,876	1,652	1,556	1,395	1,323	1,114
16	U.S. foreign currency holdings and U.S. short-term assets ⁵	935	942	1,842	1,573	1,798	1,812	2,088	1,938	927	781	729	586	628
17	U.S. private assets	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	1,597,594	1,815,511	1,919,970
18	Direct investment at current cost ⁶	285,005	336,301	388,072	407,804	374,059	355,643	348,342	371,036	404,818	478,062	513,761	553,093	616,655
19	Foreign securities ⁷	53,384	56,769	62,454	62,142	74,046	84,723	88,804	119,403	158,123	188,589	232,849	314,294	342,313
20	Bonds ⁷	42,148	41,966	43,524	45,675	56,604	58,569	62,810	75,020	85,724	93,889	104,187	116,949	144,717
21	Corporate stocks ⁷	11,236	14,803	18,930	16,467	17,442	26,154	25,994	44,383	72,399	94,700	128,662	197,345	197,596
22	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns ⁸	29,385	34,491	38,429	42,752	35,405	131,329	130,138	141,872	167,392	177,368	197,757	234,307	265,315
23	U.S. claims reported by U.S. banks, not included elsewhere ⁸	130,816	157,029	203,866	293,508	404,578	434,505	445,631	447,363	507,338	549,457	653,227	713,817	695,687
24	Foreign-owned assets in the United States (lines 25+26)	413,175	466,865	564,304	655,579	771,658	903,440	1,033,350	1,220,275	1,491,162	1,710,495	1,990,530	2,310,661	2,402,383
25	Financial derivatives (gross negative fair value) ¹													
26	Foreign-owned assets in the United States, excluding financial derivatives (lines 27+34)	413,175	466,865	564,304	655,579	771,658	903,440	1,033,350	1,220,275	1,491,162	1,710,495	1,990,530	2,310,661	2,402,383
27	Foreign official assets in the United States	173,057	159,852	176,062	180,425	189,109	194,468	199,678	202,482	241,226	283,058	322,036	341,746	373,293
28	U.S. government securities	128,511	106,640	118,189	125,130	132,587	136,987	144,665	145,063	178,916	220,548	260,934	263,612	291,228
29	U.S. Treasury securities ¹⁰	123,991	101,748	111,336	117,004	124,929	129,716	138,168	138,438	173,310	213,713	252,962	257,201	285,911
30	Other ¹⁰	4,520	4,892	6,853	8,126	7,658	7,271	6,497	6,625	5,606	6,835	7,972	6,411	5,317
31	Other U.S. government liabilities ¹¹	12,749	12,749	13,367	13,029	13,639	14,231	14,959	15,803	17,993	15,667	15,200	15,374	17,243
32	U.S. liabilities reported by U.S. banks, not included elsewhere ¹²	23,327	30,540	30,381	26,737	24,989	25,534	26,090	26,734	27,920	31,838	31,520	36,495	39,880
33	Other foreign official assets ¹⁰	8,470	9,923	14,125	15,529	17,894	17,716	13,964	14,882	16,397	15,005	14,382	26,265	24,942
34	Other foreign assets	240,118	307,013	388,242	475,154	582,549	708,972	833,672	1,017,793	1,249,936	1,427,437	1,668,494	1,968,915	2,029,090
35	Direct investment at current cost ¹³	68,976	88,579	127,105	164,623	184,842	193,708	223,538	247,223	284,701	334,552	401,766	467,886	505,346
36	U.S. Treasury securities ¹⁰	8,910	14,210	16,113	18,505	25,758	33,846	62,121	87,954	96,078	82,588	100,877	166,541	152,452
37	U.S. securities other than U.S. Treasury securities ¹⁰	53,554	58,587	74,114	75,085	92,988	113,811	128,477	207,868	309,803	341,732	392,292	482,864	460,644
38	Corporate and other bonds ¹⁰	11,457	10,269	9,545	10,694	16,709	17,454	32,421	82,290	140,863	166,089	191,314	231,673	238,903
39	Corporate stocks ¹⁰	42,097	48,318	64,569	64,391	76,279	96,357	96,056	125,578	168,940	175,643	200,978	251,191	221,741
40	U.S. currency	14,940	16,642	19,415	20,974	23,441	27,546	29,942	33,258	35,679	39,545	43,656	47,405	63,991
41	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns ¹⁴	16,019	18,669	30,426	30,606	27,532	61,731	77,415	86,993	90,703	110,187	144,548	167,093	213,406
42	U.S. liabilities reported by U.S. banks, not included elsewhere ¹⁵	77,719	110,326	121,069	165,361	227,988	278,330	312,179	354,497	432,972	518,833	585,355	637,126	633,251
Memoranda:														
43	Direct investment abroad at market value ⁶					226,638	274,342	270,574	386,352	530,074	590,246	692,461	832,460	731,762
44	Direct investment in the United States at market value ¹⁵					130,428	153,318	172,377	219,996	272,966	316,200	391,530	534,734	539,601

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1. A break in series in 2005 reflects the introduction of U.S. Department of the Treasury data on financial derivatives.

2. U.S. official gold stock is valued at market price.

3. 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.

4. 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.

5. Beginning in 2007, includes foreign-currency-denominated assets obtained through temporary reciprocal currency arrangements between the Federal Reserve System and foreign central banks.

6. A break in series in 1994 reflects the reclassification from the direct investment accounts to the nonbank investment accounts of intercompany debt positions between parent companies and affiliates that are not depository institutions and

that are primarily engaged in financial intermediation. Estimates for 1976 forward are linked to the 1977, 1982, 1989, 1994, 1999, and 2004 benchmark surveys of U.S. direct investment abroad.

7. Estimates include results of the 1994, 1997, 2001, and 2006 Benchmark Surveys of U.S. Portfolio Holdings of Foreign Securities, and the results of the 2003, 2004, 2005, and 2007 Annual Surveys of U.S. Holdings of Foreign 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 from 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. A break in series in 2005 reflects the addition of previously unreported claims of U.S. financial intermediaries on their foreign parents associated with the issuance of asset-backed commercial paper in the United States.

