

The U.S. Net International Investment Position at the End of the Third Quarter of 2014

By Elena L. Nguyen

THE U.S. NET INTERNATIONAL investment position at the end of the third quarter of 2014 was $-\$6,157.9$ billion (preliminary) as the value of U.S. liabilities exceeded the value of U.S. assets (chart 1).¹ The negative net international investment position represents a U.S. net liability to the rest of the world. At the end of the second quarter of 2014, the net position was $-\$5,475.4$ billion (revised).

Highlights

- The U.S. net international investment position decreased $\$682.5$ billion, reflecting a $\$362.4$ billion decrease in the value of U.S. assets and a $\$320.2$ billion increase in the value of U.S. liabilities.²

1. For comprehensive international investment position statistics, including annual statistics beginning with 1976 and quarterly statistics beginning with the fourth quarter of 2005, see the detailed statistics on [BEA's Web site](#).

2. For information on the valuation of U.S. assets and liabilities and a description of the estimation methods, see "International Investment Position Accounts" in *International Economic Accounts: Concepts and Methods*.

- The $\$682.5$ billion decrease in the net position reflected net financial-account transactions of $-\$15.3$ billion and other changes in position—such as price changes, exchange-rate changes, and changes in volume and valuation not included elsewhere (n.i.e.)—of $-\$667.2$ billion.
- The decrease in the net position was mostly attributable to the depreciation of major foreign currencies against the U.S. dollar that lowered the value of U.S. assets in dollar terms; U.S. liabilities mostly denominated in dollars were less affected.³
- The U.S. net international investment position decreased 12.5 percent in the third quarter, compared with an increase of 0.7 percent in the second

3. According to the Federal Reserve Board's major currencies index, foreign currencies depreciated 7 percent against the U.S. dollar from the end of the second quarter to the end of the third quarter. The major currencies index is a weighted average of the foreign exchange values of the U.S. dollar against a subset of the broad index currencies that circulate widely outside the country of issue. See Foreign Exchange Rates—H10 (weekly release of daily data), [Nominal Major Currencies Index](#) on the Web site of the Federal Reserve Board.

Chart 1. U.S. Net International Investment Position, 2006:IV–2014:III

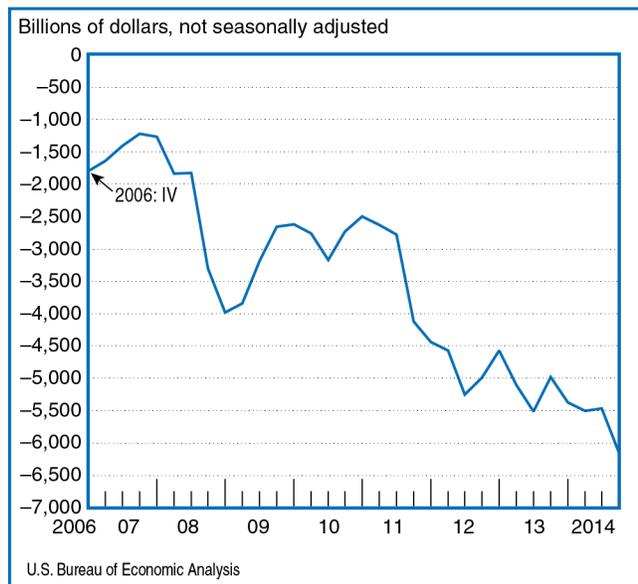
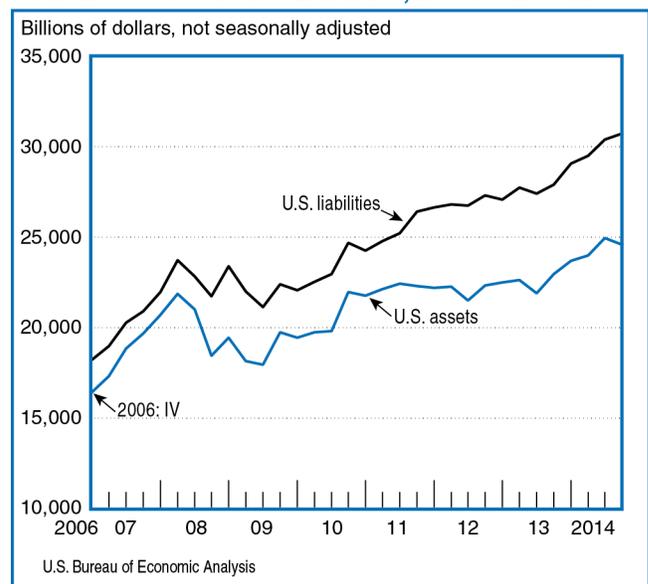


Chart 2. U.S. Assets and Liabilities, 2006:IV–2014:III



quarter and an average quarterly decrease of 7.0 percent from the first quarter of 2011 through the first quarter of 2014.

- The net position was equal to 3.1 percent of the value of all U.S. financial assets at the end of the third quarter, up from 2.8 percent at the end of the second quarter.⁴

U.S. assets. U.S. assets were \$24,614.6 billion at the end of the third quarter, compared with \$24,977.0 billion at the end of the second quarter (chart 2). The \$362.4 billion decrease reflected a \$474.3 billion decrease in the value of assets excluding financial derivatives that was partly offset by a \$112.0 billion increase in the value of financial derivatives.⁵

U.S. assets excluding financial derivatives were \$21,816.4 billion at the end of the third quarter, compared with \$22,290.7 billion at the end of the second quarter. The \$474.3 billion decrease reflected an \$841.2 billion decrease resulting from other changes in

4. Board of Governors of the Federal Reserve System (FRS), "Table L.5 Total Liabilities and Its Relation to Total Financial Assets," in *Financial Accounts of the United States, Third Quarter 2014, Z.1*. Statistical Release (Washington, DC: FRS, December 11, 2014): 11. According to the December release, at the end of the third quarter, the value of all U.S. financial assets was \$198,456.4 billion. The value of U.S. assets abroad was \$24,614.6 billion, or 12.4 percent of all U.S. assets, down from 12.6 percent at the end of the second quarter and down from the 14.1 percent series peak at the end of the first quarter of 2008.

5. 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 were 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 were terminated or settled. The gross positive (negative) fair value is the sum of all contracts with positive (negative) fair values. Fair values differ from notional values, which are the underlying amounts used to calculate payments on contracts.

Market Value The Featured Measure of Direct Investment Positions

Investment positions for direct investment are valued at current-period prices based on a revaluation of book values reported on BEA's direct investment surveys.¹ Direct investment at market value became BEA's featured measure of direct investment at current-period prices in the June 2014 comprehensive restructuring of the international economic accounts.² The market-value measure values owners' equity at current-period prices using indexes of stock market prices.³ Direct investment positions at market value are presented on an asset/liability basis according to whether the positions are assets or liabilities. Assets include U.S. parent and U.S. affiliate claims, and liabilities include U.S. affiliate and U.S. parent liabilities.

1. BEA publishes direct investment positions at historical cost with owners' equity at the book value reported on BEA's surveys; these statistics are available on [BEA's Web site](#). Historical-cost positions are on a directional basis, according to whether the positions are outward investment (U.S. direct investment abroad) or inward investment (foreign direct investment in the United States). Outward positions include U.S. parent claims less U.S. parent liabilities. Inward positions include U.S. affiliate liabilities less U.S. affiliate claims. Country and industry detail for direct investment positions is available only on a historical-cost basis.

2. BEA publishes direct investment at current cost as an alternative current-price measure (table 2.1). The current-cost basis values the U.S. and foreign parent shares of their affiliates' investment in (1) plant and equipment using the current cost of capital equipment, (2) land using general price indexes, and (3) inventories using estimates of their replacement cost.

3. For additional information on the market-value and current-cost methods, see "Valuation of the U.S. Net International Investment Position," SURVEY OF CURRENT BUSINESS 71 (May 1991): 40–49.

Table A. Change in the U.S. Net International Investment Position

[Billions of dollars, not seasonally adjusted]

	Position, 2014:II	Change in position in 2014:III			Position, 2014:III
		Total	Attributable to:		
			Financial-account transactions	Other changes in position	
U.S. net international investment position	-5,475.4	-682.5	-15.3	-667.2	-6,157.9
Net international investment position excluding financial derivatives.....	-5,509.9	-702.2	8.9	-711.2	-6,212.1
Financial derivatives other than reserves, net	34.5	19.7	-24.3	44.0	54.2
U.S. assets	24,977.0	-362.4	(¹)	(¹)	24,614.6
Assets excluding financial derivatives	22,290.7	-474.3	366.9	-841.2	21,816.4
Financial derivatives other than reserves, gross positive fair value.....	2,686.3	112.0	(¹)	(¹)	2,798.3
U.S. liabilities	30,452.3	320.2	(¹)	(¹)	30,772.5
Liabilities excluding financial derivatives	27,800.6	227.9	358.0	-130.1	28,028.5
Financial derivatives other than reserves, gross negative fair value	2,651.8	92.3	(¹)	(¹)	2,744.0

1. Financial transactions and other changes in financial derivatives positions are available only on a net basis, they are not separately available for gross positive fair values and gross negative fair values of financial derivatives.

position that was partly offset by a \$366.9 billion increase resulting from financial transactions (table A).⁶ Other changes in position were mostly attributable to the depreciation of major foreign currencies against the U.S. dollar that lowered the value of U.S. assets in dollar terms.

U.S. liabilities. U.S. liabilities were \$30,772.5 billion at the end of the third quarter, compared with \$30,452.3 billion at the end of the second quarter (chart 2). The \$320.2 billion increase reflected a \$227.9 billion increase in the value of liabilities excluding financial derivatives and a \$92.3 billion increase in the value of financial derivatives.

U.S. liabilities excluding financial derivatives were \$28,028.5 billion at the end of the third quarter, compared with \$27,800.6 billion at the end of the second quarter. The \$227.9 billion increase reflected a \$358.0 billion increase resulting from financial transactions

6. For statistics on financial transactions, see the financial account in [table 1.2](#) of the U.S. international transactions accounts. The quarterly financial transactions presented in this article are not seasonally adjusted. Detail on other changes in position such as price changes, exchange-rate changes, and changes in volume and valuation n.i.e. is presented only for annual statistics.

that was partly offset by a \$130.1 billion decrease resulting from other changes in position. Other changes in position were mostly attributable to a decrease in the value of U.S. liabilities denominated in foreign currencies as a result of depreciation of major foreign currencies against the U.S. dollar, and to a lesser extent, decreases in U.S. bond prices.

Revisions

The U.S. net international investment position at the end of the second quarter of 2014 was revised to -\$5,475.4 billion from the previously published value of -\$5,445.1 billion. The \$30.3 billion downward revision reflected a \$73.9 billion upward revision to U.S. liabilities that exceeded a \$43.7 billion upward revision to U.S. assets.

U.S. assets at the end of the second quarter were revised to \$24,977.0 billion from \$24,933.3 billion; U.S. liabilities were revised to \$30,452.3 billion from \$30,378.4 billion. These revisions reflect revised source data from the Treasury International Capital (TIC) reporting system and from BEA's quarterly surveys of direct investment.

Table 1 follows.

Table 1. U.S. Net International Investment Position at the End of the Period

[Millions of dollars, not seasonally adjusted]

Line	Type of investment	2013				2014			Change: 2014:II to 2014:III
		I	II	III	IV	I	II ^r	III ^p	
1	U.S. net international investment position (line 4 less line 35)	-5,110,866	-5,523,614	-4,994,895	-5,382,996	-5,511,678	-5,475,364	-6,157,895	-682,531
2	Net international investment position excluding financial derivatives (line 5 less line 36)	-5,150,891	-5,582,966	-5,042,858	-5,456,542	-5,581,501	-5,509,876	-6,212,109	-702,233
3	Financial derivatives other than reserves, net (line 6 less line 37)	40,025	59,352	47,963	73,546	69,823	34,512	54,214	19,702
4	U.S. assets	22,650,385	21,904,000	22,954,418	23,709,843	24,020,053	24,976,981	24,614,629	-362,352
5	Assets excluding financial derivatives (sum of lines 7, 10, 21, and 26)	19,402,008	19,078,933	20,193,002	20,890,008	21,365,676	22,290,695	21,816,373	-474,322
6	Financial derivatives other than reserves, gross positive fair value (line 15)	3,248,377	2,825,067	2,761,416	2,819,835	2,654,377	2,686,286	2,798,256	111,970
	By functional category:								
7	Direct investment at market value	6,185,179	6,146,656	6,690,152	7,080,058	7,117,452	7,488,612	7,235,389	-253,223
8	Equity	5,237,927	5,162,185	5,699,007	6,070,002	6,135,437	6,428,797	6,170,296	-258,501
9	Debt instruments	947,252	984,471	991,145	1,010,056	982,015	1,059,815	1,065,093	5,278
10	Portfolio investment	8,230,586	8,146,302	8,721,240	9,183,060	9,387,778	9,981,018	9,691,701	-289,317
11	Equity and investment fund shares	5,524,329	5,508,752	6,037,266	6,444,232	6,593,895	7,027,230	6,768,553	-258,677
12	Debt securities	2,706,257	2,637,550	2,683,974	2,738,828	2,793,883	2,953,788	2,923,148	-30,640
13	Short term	431,424	451,835	458,953	446,710	437,064	483,366	474,640	-8,726
14	Long term	2,274,833	2,185,715	2,225,021	2,292,118	2,356,820	2,470,422	2,448,507	-21,915
15	Financial derivatives other than reserves, gross positive fair value	3,248,377	2,825,067	2,761,416	2,819,835	2,654,377	2,686,286	2,798,256	111,970
16	Over-the-counter contracts	3,212,569	2,778,730	2,718,224	2,783,047	2,618,573	2,651,879	2,754,529	102,650
17	Single-currency interest rate contracts	2,056,516	2,205,507	2,171,063	2,207,692	2,074,456	2,170,053	2,103,877	-66,176
18	Foreign exchange contracts	276,419	268,643	258,064	291,934	271,566	229,408	412,123	182,715
19	Other contracts	319,634	304,580	289,097	283,421	272,551	252,418	238,529	-13,889
20	Exchange-traded contracts	35,808	46,337	43,192	36,788	35,804	34,407	43,727	9,320
21	Other investment	4,433,184	4,339,768	4,298,183	4,178,557	4,389,562	4,343,200	4,445,297	102,097
22	Currency and deposits	2,056,381	2,021,105	1,977,487	1,972,149	1,949,267	1,921,206	1,941,724	20,518
23	Loans	2,321,889	2,259,549	2,276,647	2,161,123	2,401,733	2,382,089	2,462,309	80,220
24	Insurance technical reserves	n.a.							
25	Trade credit and advances	54,915	59,115	44,049	45,286	38,562	39,905	41,264	1,359
26	Reserve assets	553,058	446,207	483,426	448,333	470,884	477,865	443,987	-33,878
27	Monetary gold	417,941	311,707	346,878	314,975	337,791	343,871	318,113	-25,758
28	Special drawing rights	53,704	53,881	54,966	55,184	55,394	55,411	53,148	-2,263
29	Reserve position in the International Monetary Fund	34,039	33,860	33,462	30,750	29,820	30,535	28,358	-2,177
30	Other reserve assets	47,374	46,759	48,120	47,424	47,879	48,048	44,368	-3,680
31	Currency and deposits	23,039	21,351	21,575	20,889	20,930	24,777	22,143	-2,634
32	Securities	22,152	21,570	22,078	21,436	21,727	21,866	22,225	359
33	Financial derivatives								
34	Other claims	2,183	3,838	4,467	5,099	5,222	1,405	0	-1,405
35	U.S. liabilities	27,761,250	27,427,614	27,949,313	29,092,840	29,531,731	30,452,345	30,772,525	320,180
36	Liabilities excluding financial derivatives (sum of lines 38, 41, and 56)	24,552,898	24,661,899	25,235,860	26,346,551	26,947,177	27,800,571	28,028,483	227,912
37	Financial derivatives other than reserves, gross negative fair value (line 50)	3,208,352	2,765,715	2,713,453	2,746,289	2,584,554	2,651,774	2,744,042	92,268
	By functional category:								
38	Direct investment at market value	5,018,930	5,131,714	5,342,443	5,790,551	5,688,887	5,999,708	6,044,171	44,463
39	Equity	3,753,276	3,845,433	4,041,326	4,461,978	4,387,205	4,623,555	4,669,125	45,570
40	Debt instruments	1,265,654	1,286,281	1,301,117	1,328,573	1,301,682	1,376,153	1,375,046	-1,107
41	Portfolio investment	14,569,596	14,432,860	14,882,136	15,503,192	15,904,348	16,310,118	16,478,914	168,796
42	Equity and investment fund shares	5,000,428	5,076,621	5,376,543	5,821,487	5,993,925	6,253,926	6,350,547	96,621
43	Debt securities	9,569,168	9,356,239	9,505,593	9,681,705	9,910,423	10,056,192	10,128,367	72,175
44	Short term	914,503	882,452	829,577	892,655	904,771	877,460	870,787	-6,673
45	Treasury bills and certificates	720,235	675,367	645,114	686,036	689,327	626,830	614,053	-12,777
46	Other short-term securities	194,268	207,085	184,463	206,619	215,444	250,630	256,734	6,104
47	Long term	8,654,665	8,473,787	8,676,016	8,789,050	9,005,652	9,178,732	9,257,580	78,848
48	Treasury bonds and notes	5,001,076	4,919,659	5,009,541	5,108,856	5,262,471	5,385,706	5,454,276	68,570
49	Other long-term securities	3,653,589	3,554,128	3,666,475	3,680,194	3,743,181	3,793,026	3,803,304	10,278
50	Financial derivatives other than reserves, gross negative fair value	3,208,352	2,765,715	2,713,453	2,746,289	2,584,554	2,651,774	2,744,042	92,268
51	Over-the-counter contracts	3,173,044	2,717,685	2,667,187	2,709,746	2,551,372	2,618,113	2,700,422	82,309
52	Single-currency interest rate contracts	2,563,709	2,152,279	2,114,023	2,142,859	2,013,740	2,110,959	2,049,195	-61,764
53	Foreign exchange contracts	300,138	272,150	270,744	290,790	270,895	256,358	414,990	158,632
54	Other contracts	309,197	293,256	282,420	276,097	266,737	250,796	236,237	-14,559
55	Exchange-traded contracts	35,308	48,030	46,266	36,543	33,182	33,661	43,620	9,959
56	Other investment	4,964,372	5,097,325	5,011,281	5,052,808	5,353,942	5,490,745	5,505,398	14,653
57	Currency and deposits	2,598,915	2,702,344	2,677,595	2,758,129	2,681,963	2,787,408	2,826,043	38,635
58	Loans	2,168,736	2,193,088	2,138,770	2,095,860	2,457,106	2,485,327	2,466,017	-19,310
59	Insurance technical reserves	n.a.							
60	Trade credit and advances	143,776	148,780	140,739	144,433	160,288	163,416	160,980	-2,436
61	Special drawing rights allocations	52,945	53,113	54,177	54,386	54,585	54,594	52,358	-2,236

p Preliminary

r Revised

n.a. Not available

..... Not applicable

NOTE: Details may not add to totals because of rounding.

Source: U. S. Bureau of Economic Analysis