How BEA Aligns and Augments Source Data From the U.S. Treasury Department for Inclusion in the International Transactions Accounts

Like most of the U.S. economic accounts produced by the Bureau of Economic Analysis (BEA), the estimates of financial-account transactions in the international transactions accounts (ITAs) are based largely on source data collected by other federal government agencies—in this case, by the Treasury International Capital (TIC) reporting system of the U.S. Department of the Treasury. The presentation of the adjustments undertaken by BEA to align and to augment these data for inclusion in the financial account can help data users reconcile BEA's financial-account estimates with the TIC data that are available to the public on the Treasury Department's Web site and in the *Treasury Bulletin.*

The relationships between the estimates in the ITAs that are prepared by BEA and the data from the TIC reporting system are shown in tables 1–3. Table 1 presents the estimates of transactions in foreign long-term securities, in U.S. long-term securities, excluding U.S. Treasury securities, and in U.S. Treasury securities. Table 2 presents the estimates of claims on, and liabilities to, foreigners reported by U.S. nonbanking concerns. Table 3 presents the estimates of claims on, and liabilities to, foreigners reported by U.S. banks.

In tables 1–3, the numerous adjustments that BEA makes to the TIC source data in order to align the data with balance-of-payments concepts and to close gaps in coverage are identified. In addition, examples of both types of adjustments are presented below.

Aligning with balance-of-payments concepts. The TIC data for U.S. purchases and sales of stocks and bonds reflect the gross amounts of funds transferred to execute the transactions. The TIC data for gross U.S. purchases of foreign stocks and bonds (table 1, line A1) include not only the value of the securities but also the commissions paid to foreign brokers. In the ITAs, payments of commissions to foreigners are treated as payments for financial services, not as purchases of securities, and these payments are included in the current account, not in the financial account. Therefore, BEA adjusts the TIC data for gross U.S. purchases by subtracting an estimate of payments of brokerage commissions (line A3) from the TIC data for gross purchases.

Similarly, the TIC data for gross U.S. sales of foreign stocks and bonds (line A6) represent the net proceeds to U.S. sellers—that is, the amounts paid for the securities by foreign purchasers less the commissions retained by foreign brokers. To capture the total value of securities sold, BEA adds an estimate of brokerage commissions (line A7) to the TIC sales data. The payment of commissions is recorded in the current account as purchases of financial services.

Closing gaps in coverage. The TIC data for gross U.S. purchases of foreign stocks and bonds do not fully cover some transactions, such as acquisitions of U.S. companies by foreigners who finance their purchases through exchanges of stock. These stock swap transactions may bypass the U.S. brokers and dealers who are the primary respondents to the TIC survey on securities transactions. When stock is exchanged, the U.S. persons who previously held securities in the acquired U.S. company receive shares in the acquiring foreign company, and the receipt of these shares should be recorded in the ITAs as the acquisition, or purchase, of foreign long-term securities.

In order to account for this gap in coverage in the TIC data, BEA adds an estimate of security swap transactions and other coverage adjustments (line A2) to the TIC data.

Table 1. Relation of Transactions in Foreign Long-Term Securities, U.S. Long-Term Securities Excluding U.S. Treasury Securities, and U.S. Treasury Securities in the U.S. International Transactions Accounts (ITAs) to Treasury International Capital (TIC) Reporting System Data

[Millions of Dollars]

Line		2007[r]	2008[r]	2009[p]
	Foreign Long-Term Securities			
A1	Gross U.S. purchases of foreign stocks and bonds, TIC	8,416,790	7,622,362	5,319,882
2	*Plus*: Security swap transactions and other coverage adjustments	135,520	–111,900	7,900
3	*Minus*: Brokerage commissions	1,568	1,784	1,554
4	*Plus*: Underwriting and private placement fees	4,870	4,467	5,804
5	***Equals*: Gross U.S. purchases of foreign stocks and bonds, ITAs**	**8,555,612**	**7,513,145**	**5,332,032**
6	Gross U.S. sales of foreign stocks and bonds, TIC	8,187,567	7,709,235	5,122,310
7	*Plus*: Brokerage commissions	1,533	1,807	1,509
8	***Equals*: Gross U.S. sales of foreign stocks and bonds, ITAs**	**8,189,100**	**7,711,042**	**5,123,819**
9	Net U.S. purchases (–) or sales (+) of foreign stocks and bonds, TIC (A6 – A1)	–229,223	86,873	–197,572
10	*Plus*: Coverage adjustments ((A7) – (A2 – A3 + A4))	–137,289	111,024	–10,641
11	**Net U.S. purchases (–) or sales (+) of foreign long–term securities, ITAs (A8 – A5) (table 1, line 52)**	**–366,512**	**197,897**	**–208,213**
	U.S. Long-Term Securities Excluding U.S. Treasury Securities			
B1	Gross foreign purchases of other U.S. long-term securities, TIC	14,603,073	16,073,816	8,888,213
2	*Plus*: Security swap transactions and other coverage adjustments	10,655	0	837
3	*Minus*: Brokerage commissions	5,572	5,623	4,096
4	*Plus*: Underwriting and private placement fees	552	753	553
5	***Equals*: Gross foreign purchases of other U.S. long-term securities, ITAs**	**14,608,708**	**16,068,946**	**8,885,507**
6	Gross foreign sales of other U.S. long-term securities, TIC	13,795,218	15,977,176	8,787,615
7	*Plus*: Brokerage commissions	5,167	5,396	3,910
8	*Plus*: Coverage adjustment for gross sales	–65,247	106,236	192,138
9	***Equals*: Gross foreign sales of other U.S. long-term securities, ITAs**	**13,735,138**	**16,088,808**	**8,983,663**
10	Net foreign purchases (+) or sales (–) of other U.S. long–term securities, TIC (B1 – B6)	807,855	96,640	100,598
11	*Plus*: Coverage adjustments ((B2 – B3 + B4) – (B7 + B8))	65,715	–116,502	–198,754
12	**Net foreign purchases (+) or sales (–) of other U.S. long–term securities, ITAs (B5 – B9) (table 1, line 59 + 62 + 66)**	**873,570**	**–19,862**	**–98,156**
13	Other U.S. government securities, foreign official assets (table 1, line 59)	171,465	42,728	–120,069
14	Other foreign official assets (table 1, line 62)	96,691	103,900	21,854
15	Other U.S. securities, other foreign assets (table 1, line 66)	605,414	–166,490	59
	U.S. Treasury Securities			
C1	Gross foreign purchases of U.S. Treasury marketable bonds and notes, TIC	15,127,526	14,628,200	11,593,432
2	*Minus*: Brokerage commissions and other fees	1,070	960	971
3	***Equals*: Gross foreign purchases of U.S. Treasury marketable bonds and notes, ITAs**	**15,126,456**	**14,627,240**	**11,592,461**
4	Gross foreign sales of U.S. Treasury marketable bonds and notes, TIC	14,929,559	14,313,164	11,054,912
5	*Plus*: Brokerage commissions and other fees	1,071	960	971
6	*Plus*: Coverage adjustment for gross sales	80,000	57,000	–47,000
7	***Equals*: Gross foreign sales of U.S. Treasury marketable bonds and notes, ITAs**	**15,010,630**	**14,371,124**	**11,008,883**
8	Net foreign purchases (+) or sales (–) of U.S. Treasury marketable bonds and notes, TIC (C1 – C4)	197,967	315,036	538,520
9	*Plus*: Coverage adjustments (–(C2) – (C5 + C6))	–82,141	–58,920	45,058
10	**Net foreign purchases (+) or sales (–) of U.S. Treasury marketable bonds and notes, ITAs (C3 – C7)**	**115,826**	**256,116**	**583,578**
11	***Plus*: Nonmarketable bonds and notes**	**84**	**92**	**102**
12	***Plus*: Short-term U.S. Treasury obligations**	**49,367**	**453,856**	**226**
13	**Net foreign purchases (+) or sales (–) of U.S. Treasury securities, ITAs (C10 + C11+ C12) (table 1, line 58 + line 65)**	**165,277**	**710,064**	**583,906**
14	U.S. Treasury securities, foreign official assets (table 1, line 58)	98,432	548,653	561,125
15	U.S. Treasury securities, other foreign assets (table 1, line 65)	66,845	161,411	22,781

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Table 2. Relation of Claims on and Liabilities to Unaffiliated Foreigners Reported by U.S. Nonbanking Concerns Except Securities Brokers in the International Transactions Accounts (ITAs) to Treasury International Capital (TIC) Reporting System Data

[Millions of dollars]

Line		2007 r	2008 r	2009 p
	Claims (Credits +; decrease in U.S. assets. Debits –; increase in U.S. assets.)			
A1	Total claims outstanding, beginning of year, TIC	126,032	136,416	107,476
2	Total claims outstanding, end of year, TIC	136,416	107,476	91,148
3	**Change in claims, TIC (A1 – A2)**	**–10,384**	**28,940**	**16,328**
4	***Minus*: Valuation adjustments including unrealized exchange-rate gain or loss and other adjustments** [1]	**–15,491**	**16,077**	**–8,404**
5	***Plus*: Financial intermediaries' accounts** [2]	**113,346**	**47,114**	**47,254**
6	***Plus*: Supplemental source data** [3]	**–142,413**	**383,113**	**12,444**
7	***Plus*: Other coverage adjustments** [4]	**871**	**–21,937**	**39,998**
8	***Equals*: Claims on unaffiliated foreigners reported by U.S. nonbanking concerns, except securities brokers, ITAs (A3 – A4 + A5 + A6 + A7) (table 1, line 53)**	**–23,089**	**421,153**	**124,428**
	Liabilities (Credits +; increase in U.S. liabilities. Debits –; decrease in U.S. liabilities.)			
B1	Total liabilities outstanding, beginning of year, TIC	89,217	103,835	87,630
2	Total liabilities outstanding, end of year, TIC	103,835	87,630	75,286
3	**Change in liabilities, TIC (B2 – B1)**	**14,618**	**–16,205**	**–12,344**
4	***Minus*: Valuation adjustments including unrealized exchange-rate gain or loss and other adjustments** [1]	**10,431**	**–14,931**	**4,638**
5	***Plus*: Financial intermediaries' accounts** [2]	**23,564**	**–6,770**	**–3,608**
6	***Plus*: Supplemental source data** [3]	**154,168**	**–65,996**	**–57,870**
7	***Plus*: Other coverage adjustments** [5]	**436**	**37,518**	**77,000**
8	***Equals*: Liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns, except securities brokers, ITAs (B3 – B4 + B5 + B6 + B7) (table 1, line 68)**	**182,355**	**–36,522**	**–1,460**

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1. Includes unrealized gains or losses only on foreign-currency-denominated assets and liabilities.
2. Financial intermediaries' accounts represent transactions between firms in a direct investment relationship (that is, between U.S. parents and their foreign affiliates or between U.S. affiliates and their foreign parent groups), where both the U.S. and the foreign firm are classified in a finance industry, but the firms are neither banks nor securities brokers.
3. Includes supplemental transactions from the Bank of England, the Bank for International Settlements (and the Federal Reserve Board.
4. Includes supplemental insurance transactions and adjustments to avoid double counting U.S. claims on foreigners.
5. Includes adjustments to avoid double counting U.S. liabilities to foreigners.

Table 3. Relation of Claims on and Liabilities to Foreigners Reported by U.S. Banks and Securities Brokers in the International Transactions Accounts (ITAs) to Treasury International Capital (TIC) Reporting System Data

[Millions of dollars]

Line		2007 r	2008 r	2009 p
	Claims (Credits +; decrease in U.S. assets. Debits –; increase in U.S. assets.)			
A1	Total claims outstanding, beginning of year, TIC	3,140,590	3,811,848	3,628,561
2	Total claims outstanding, end of year, TIC	3,811,848	3,628,561	4,016,154
3	**Change in claims, TIC (A1 – A2)**	**–671,258**	**183,287**	**–387,593**
4	***Minus*: Valuation adjustments including unrealized exchange-rate gain or loss and other adjustments** [1]	**–36,877**	**–251,871**	**–110,611**
5	***Minus*: Direct investment**	**9,822**	**7,170**	**–732**
6	***Plus*: Coverage adjustments including commercial paper and other adjustments** [2]	**–5,527**	**–5,357**	**–837**
7	***Equals*: Claims on foreigners reported by U.S. banks and securities brokers, not included elsewhere, ITAs (A3 – A4 – A5 + A6) (table 1, line 54)**	**–649,730**	**422,631**	**–277,087**
	Liabilities (Credits +; increase in U.S. liabilities. Debits –; decrease in U.S. liabilities.)			
B1	Total liabilities outstanding, beginning of year, TIC	4,010,427	4,706,310	4,804,491
2	Total liabilities outstanding, end of year, TIC	4,706,310	4,804,491	4,525,145
3	**Change in liabilities, TIC (B2 – B1)**	**695,883**	**98,181**	**–279,346**
4	***Minus*: Valuation adjustments including unrealized exchange-rate gain or loss and other adjustments**	**34,332**	**236,983**	**110,451**
5	***Minus*: Direct investment**	**–8,298**	**–27,267**	**–6,159**
6	***Plus*: Coverage adjustments including short-term U.S. Treasury obligations and other adjustments** [3]	**–49,367**	**–453,856**	**–226**
7	***Equals*: Liabilities to foreigners reported by U.S. banks and securities brokers, not included elsewhere, ITAs (B3 – B4 – B5 + B6) (table 1, lines 61 + 69)**	**620,482**	**–565,391**	**–383,864**
8	Liabilities to foreign official agencies (table 1, line 61)	109,019	–153,423	–70,851
9	Liabilities to other foreigners (table 1, line 69)	511,463	–411,968	–313,013

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1. Includes adjustments for claims on foreigners written off by U.S. reporters.
2. Includes adjustments for supplemental transactions in foreign commercial paper and other instruments.
3. Includes adjustments for transactions that are included in other international transactions accounts, including transactions in short-term U.S. Treasury obligations and in other liabilities held in custody by U.S. reporters.