

# The International Investment Position of the United States at Yearend 1998

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**T**HE NET international investment position of the United States—U.S.-owned assets abroad less foreign-owned assets in the United States—at yearend 1998 was a negative \$1,239.2 billion with direct investment valued at the current cost of tangible assets, and it was a negative \$1,537.5 billion with direct investment valued at the current market value of owners' equity (table A, chart 1).<sup>1</sup> For both measures, the net positions were more negative in 1998 than they were in 1997. The net foreign ownership of assets in the United States remains a small, but increasing, share of the total financial wealth of all U.S. households—4.2 percent at yearend 1998, up from 3.2 percent at yearend 1997.

The net position on both bases became more negative mainly as a result of large net financial inflows and strong price appreciation in foreign-owned assets in the United States (table B). This appreciation, which reflected the steep rise in U.S. stock market prices from yearend 1997 to

yearend 1998, greatly increased the value of foreign holdings of U.S. stocks and of owner's equity of foreign direct investment in the United States. U.S.-owned assets abroad also increased as the

1. This issue also contains a companion article, "Direct Investment Positions for 1998: Country and Industry Detail." The detailed estimates presented in that article are available only on a historical-cost basis.

**Table A.—Summary Components of the U.S. Net Position at Yearend**

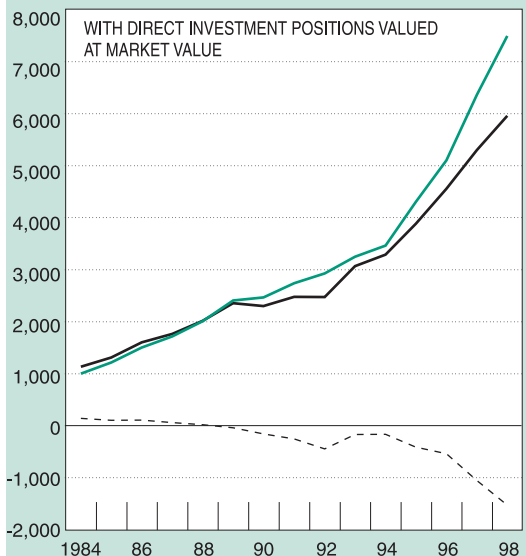
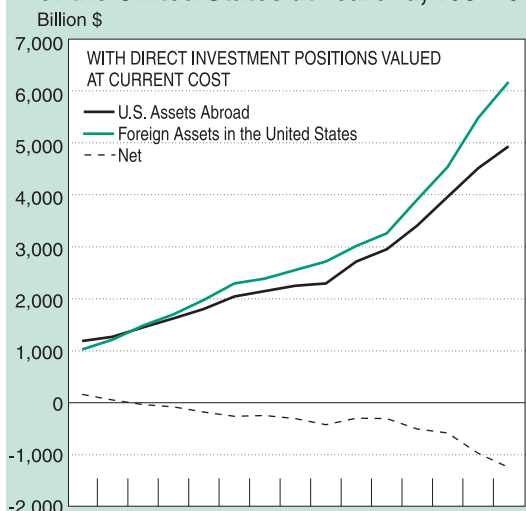
	[Billions of dollars]	
	1997	1998
Net position:		
At current cost .....	-968.2	-1,239.2
At market value .....	-1,066.3	-1,537.5
U.S. Government and foreign official assets .....	-618.9	-607.7
Direct investment:		
At current cost .....	240.2	244.7
At market value .....	142.1	-53.6
U.S. and foreign securities and U.S. currency .....	-713.1	-1,008.3
Bank- and nonbank-reported claims and liabilities .....	123.6	132.2

**Table B.—Changes in the Net International Investment Position, 1998**

	[Billions of dollars]	
	At current cost	At market value
<b>Total change</b> .....	<b>-271.0</b>	<b>-471.2</b>
Financial flows .....	-209.8	-209.8
Valuation adjustments:		
Price changes .....	-167.6	-319.3
Exchange rate changes .....	45.4	56.3
Other valuation changes .....	61.1	1.6

**CHART 1**

## Net International Investment Position of the United States at Yearend, 1984–98



U.S. Department of Commerce, Bureau of Economic Analysis

result of financial outflows and price appreciation, but the increase, which was mostly limited to U.S.-owned European stocks, was significantly smaller than that in foreign-owned assets in the United States. The net exchange rate adjustment principally reflected the effect on U.S.-owned foreign stocks of the appreciation of European and some Asian currencies against the U.S. dollar in 1998; this appreciation was partly offset by the depreciation of Canadian and Latin American currencies.

In 1998, U.S. assets abroad in a few categories increased strongly as a result of large net financial outflows and of price and exchange rate appreciation. U.S. direct investment abroad on both valuation bases increased as a result of record net outflows that were bolstered by heavy acquisitions in certain countries. At market value, the increase was augmented by a large increase in owner's equity as a result of the steep rise in European stock prices. U.S. holdings of foreign stocks increased as a result of rising European stock prices, appreciation of European currencies, and strong net U.S. purchases, mostly in the first half of the year. U.S. purchases near yearend were bolstered by two exceptionally large acquisitions of U.S. companies through exchanges of stock with U.S. shareholders.<sup>2</sup> U.S. holdings of foreign bonds were restrained by heightened risk aversion in the second half of the year, as markets reacted to Russia's debt moratorium and Brazil's

financial problems. In this more cautious environment, U.S. purchases were mainly new bond issues of highly rated foreign borrowers. U.S. banks' and nonbanking concerns' claims on foreigners increased considerably less in 1998 than in 1997, reflecting slower economic growth in many industrial countries and financial and economic problems in many emerging countries.

Foreign assets in the United States increased as a result of sizable net private financial inflows and continued large price appreciation in foreign holdings of U.S. stocks. Record inflows into U.S. corporate securities and foreign direct investment were attracted by sustained U.S. economic growth, low and stable inflation, long-term interest-rate differentials favoring dollar assets, and rising asset prices. In particular, foreign holdings of U.S. corporate bonds advanced as a result of record net foreign purchases and rising U.S. bond prices; concurrently, foreign investors shifted away from U.S. Treasury bonds as their yields declined to low levels. Taking advantage of this strong demand and shift in preferences, U.S. corporate borrowers, especially U.S. federally sponsored agencies, issued near record amounts of new bonds abroad. Foreign holdings of U.S. stocks increased as a result of both large price appreciation and strong net purchases, mainly in the first half of the year. Foreign direct investment in the United States on both valuation bases increased as a result of record financial inflows, including the two exceptionally large acquisitions through exchanges

2. For more information on these transactions, see page 52 in "Direct Investment Positions for 1998: Country and Industry Detail" in this issue.

### Improvements in the Estimates

As is customary each July, the estimates of the U.S. international investment position incorporate new source data and methodological improvements that relate to the changes incorporated in the annual revision of the U.S. international transactions accounts. This year, the following major changes are introduced.

The estimates of U.S. portfolio holdings of foreign securities for 1994–98 are revised, reflecting the incorporation of newly available preliminary results of the U.S. Treasury Department's and the Federal Reserve System's Benchmark Survey of U.S. Portfolio Investment Abroad. This survey covered U.S. ownership of outstanding foreign long-term securities as of December 31, 1997. This survey was a followup to a similar survey of U.S. portfolio investment abroad as of March 1994. The 1997 survey was conducted by the United States as part of an initiative coordinated by the International Monetary Fund in which 29 participating countries surveyed their residents' portfolio investment abroad. (The new position data also enable BEA to develop improved estimates of

the associated flows of interest and dividend income receipts, which were incorporated into BEA's international transactions accounts released in June 1999).

Estimates of the positions of U.S. direct investment abroad and of foreign direct investment in the United States on the current-cost basis have been revised back to 1976 to incorporate improved estimates of the current-cost adjustment. These improvements include the introduction of geometric depreciation, an improved treatment of transfers of equipment and structures by direct investment affiliates, newly available equipment and structures price indexes, and newly available data for capital investment, depreciation, depletion, and expensed exploration and development costs by direct investment affiliates. (These improvements also affect income and financial flows in BEA's revised international transactions accounts released in June 1999.)

For additional information about these changes, see "U.S. International Transactions, Revised Estimates for 1982–98" in this issue.

of stock with U.S. shareholders. Even excluding these acquisitions, direct investment inflows were still strong, reflecting other acquisition activity and strong business conditions in the United States. The market value of foreign direct investment was further augmented by the sharp rise in U.S. stock prices. U.S. liabilities to foreigners reported by U.S. banks and nonbanking concerns increased much less in 1998 than in 1997, a record year; banks slowed their short-term funding from abroad, and foreigners reduced their U.S. deposits. In addition, international bond funds withdrew funds from U.S. securities dealers to meet the liquidity needs associated with capital market uncertainties in the second half of the year.

This article presents the major changes in U.S. assets abroad and in foreign assets in the United States, including direct investment valued both at current cost and at market value, in 1998. Tables 1, 2, and 3 at the end of the article present detailed estimates of the yearend positions.

*Revisions.*—The estimates of the U.S. international investment position have been revised back to 1976. For yearend 1997, the net negative position has been revised from \$1,223.6 billion to \$968.2 billion with direct investment at current cost and from \$1,322.5 billion to \$1,066.3 billion with direct investment at market value (table 4). The major sources of these revisions are in U.S.-owned foreign securities of Europe, and to a lesser extent, of Latin America, that were uncovered in a recent U.S. Treasury benchmark survey. On the current-cost basis, sizable revisions to the direct investment positions, both U.S. direct investment abroad and foreign direct investment in the United States, reflected the incorporation of improved estimates of the current-cost adjustment in the valuation methodology. On the market-value basis, large revisions reflected the incorporation of revised source data. (For more information, see the box “Improvements in the Estimates.”)

## Changes in U.S. Assets Abroad

### Bank claims

Claims on foreigners reported by U.S. banks increased \$28.1 billion, to \$1,013.9 billion, in 1998, reflecting a sharp slowdown in U.S. banks' lending abroad to the lowest level since 1994 and a withdrawal of U.S. security dealers' lending to foreign-based investment funds (table C). Lending overseas was affected by the economic

slowdown abroad, especially in Asia, and by banks' increased focus on customer creditworthiness, particularly after the Russian default and the heightened financial problems in Brazil late in 1998. In particular, exposure to emerging-market countries and Japan was reduced. U.S. lending to Europe, which was boosted by strong merger and acquisition activity, and to Canada was strong; most of the lending was by European- and Canadian-owned banks in the United States. U.S. banks' claims of foreign-owned banks in the United States were also boosted by a transfer of business to U.S. offices from Europe by recently merged European banks.

U.S. banks' own claims payable in dollars increased \$26.6 billion, to \$734.8 billion, sharply less than in the prior years; banks reduced their exposure, mainly to emerging-market countries and Japan, where economic recession and troubled financial conditions reduced demand for bank credit. Foreign-owned banks in the United States lent to affiliates in Europe, where credit demand was underpinned by ongoing merger and acquisition activity. U.S.-owned banks provided only temporary funding to offices in Caribbean banking centers, so that claims changed little. Claims reported by U.S. securities dealers decreased sharply, reflecting cutbacks on renewing credit to international bond funds in the United Kingdom and Caribbean; this decrease followed heightened concerns about risk in the aftermath of the near collapse of a large U.S. hedge fund in September.

U.S. banks' domestic customers' claims payable in dollars decreased \$2.0 billion, to \$184.4 billion, as U.S. depositors became more cautious in their dealings with banks exposed to overseas financial difficulties.

U.S. banks' own and customers' claims payable in foreign currencies increased \$3.5 billion, to \$94.7 billion. Banks sharply reduced their claims on Japan in the first half of the year and increased their foreign currency claims on Europe in the second half.

Table C.—U.S. Claims Reported by U.S. Banks at Yearend  
[Billions of dollars]

	1997	1998
<b>Total bank-reported claims</b> .....	<b>985.8</b>	<b>1,013.9</b>
Bank own claims, payable in dollars .....	708.2	734.8
On unaffiliated foreign banks .....	109.2	105.7
On own foreign offices .....	431.7	484.4
On other foreigners .....	167.3	144.7
Bank customer claims, payable in dollars .....	186.4	184.4
Total claims payable in foreign currencies .....	91.2	94.7

**Foreign securities**

Foreign securities held in U.S. portfolios increased \$229.6 billion, to \$1,969.0 billion, in 1998.<sup>3</sup> This increase reflected substantial price appreciation in U.S. holdings of Western European stocks and net U.S. purchases of foreign stocks and bonds in the first half of the year that were augmented by the two exceptionally large acquisitions through exchanges of stock with U.S. shareholders in the fourth quarter. Net exchange rate appreciation mostly reflected the appreciation in European currencies and the Japanese yen against the U.S. dollar in 1998. Excluding the two large exchanges of stock, U.S. investors shifted to net sales of foreign securities, especially in the second half of the year, when Russia and Brazil encountered financial difficulties, economic weakness continued in Asia, and a large U.S. hedge fund nearly failed. In this unsettled financial environment, the share of U.S. pension fund assets abroad declined to 14 percent from 18 percent, and new investment in U.S. mutual funds that specialize in foreign assets fell by two-thirds. Some mutual funds had withdrawals, especially emerging market targeted funds.

U.S. holdings of foreign stocks increased \$206.1 billion, to \$1,407.1 billion (table D). The increase resulted from \$80.3 billion in price appreciation, primarily in Western European stocks, from \$77.6

billion in net purchases, which included the two large exchanges of stock, and from \$48.0 billion in exchange rate appreciation, reflecting the appreciation of European and Asian currencies against the dollar. Excluding the two exchanges of stock, U.S. investors reduced their holdings in the year: Following the Asian crisis late in 1997, net purchases remained weak in the first half of 1998, and as a result of the financial turbulence of the second half of 1998, U.S. investors became net sellers.

- U.S. holdings of Western European stocks increased 34 percent, mostly as a result of price and exchange rate appreciation and the two large acquisitions of British and German stocks in payment for the direct investments in the United States. Boosted by prospects of the European Union and strong merger activity, European stock prices increased an average of 22 percent in 1998. Continental currencies also appreciated strongly against the U.S. dollar in the second half of the year. Excluding the two large acquisitions, U.S. investors sold European stocks, reflecting concerns about slowing growth in Europe.
- U.S. holdings of Japanese stocks decreased 9 percent, as a 9-percent drop in Japanese stock prices was only partly offset by exchange rate appreciation of the Japanese yen against the dollar and small net U.S. purchases of Japanese stocks. U.S. demand was sharply curtailed by the economic recession and the problems of financial firms in Japan.
- U.S. holdings of Canadian stocks declined 13 percent as a result of net U.S. sales and of price and exchange rate depreciation. Canadian investments suffered from

3. These estimates incorporate the preliminary results from the U.S. Treasury Department's and the Federal Reserve System's Benchmark Survey of U.S. Ownership of Foreign Long-term Securities as of December 31, 1997. A list of U.S. foreign portfolio holdings by country of issue is presented in tables D and E. For more information, see page 67 of "U.S. International Transactions, Revised Estimates for 1982-98" in this issue.

**Table D.—U.S. Holdings of Foreign Stocks by Major Areas at Yearend**  
[Billions of dollars]

	1997	1998
<b>Total holdings</b> .....	<b>1,201.0</b>	<b>1,407.1</b>
Western Europe .....	714.1	959.8
Of which: United Kingdom .....	217.4	289.5
Finland .....	14.7	32.9
France .....	84.2	110.1
Germany .....	64.5	82.3
Ireland .....	14.0	19.6
Italy .....	41.2	54.9
Netherlands .....	106.2	135.0
Spain .....	24.0	35.3
Sweden .....	38.3	43.2
Switzerland .....	61.3	72.2
Canada .....	70.7	61.6
Japan .....	134.8	123.1
Latin America .....	88.9	51.6
Of which: Argentina .....	12.9	8.9
Brazil .....	30.9	17.6
Mexico .....	34.8	21.7
Other Western Hemisphere .....	44.6	56.4
Of which: Bermuda .....	22.3	28.3
Netherlands Antilles .....	15.6	23.9
Other countries .....	192.5	211.0
Of which: Australia .....	31.1	35.9
Hong Kong .....	27.9	26.7
Singapore .....	10.2	10.3

**Table E.—U.S. Holdings of Foreign Bonds by Major Areas at Yearend**  
[Billions of dollars]

	1997	1998
<b>Total holdings</b> .....	<b>538.4</b>	<b>561.8</b>
Western Europe .....	211.0	212.8
Of which: United Kingdom .....	54.7	61.7
France .....	14.9	14.4
Germany .....	42.8	43.5
Italy .....	17.4	14.8
Netherlands .....	12.9	11.8
Sweden .....	13.0	12.9
Canada .....	105.7	109.6
Japan .....	28.6	27.6
Latin America .....	92.9	99.2
Of which: Argentina .....	24.9	27.8
Brazil .....	19.9	16.2
Mexico .....	28.3	30.9
Other Western Hemisphere .....	19.8	23.0
Of which: Cayman Islands .....	13.1	14.9
Other countries .....	64.4	75.0
Of which: Australia .....	15.6	16.2
Korea .....	10.4	13.9
International organizations .....	16.0	14.6

weak commodity prices and sluggish overseas demand for Canadian exports.

- U.S. holdings of other foreign stocks, primarily of stocks of emerging countries, decreased 5 percent. Holdings of Latin American stocks decreased as a result of the substantial price depreciation. Holdings of Asian stocks increased, reflecting strong net purchases early in the year that were partly offset by an 8-percent drop in the prices of Asian stocks.

U.S. holdings of foreign bonds increased \$23.4 billion, to \$561.8 billion (table E). Net purchases slowed to \$25.1 billion, as U.S. asset managers limited the additions to their overseas exposure and focused on highly rated foreign new issues in the U.S. market. Price appreciation of \$18.4 billion, primarily in industrial countries' bonds, nearly offset the \$20.1 billion effect of exchange rate depreciation, mainly in Canadian and emerging countries' currencies. Despite the drop in U.S. long-term interest rates, foreign new bond issues in the United States slowed sharply; in particular, new issues of Latin American and Asian emerging countries faced elevated risk premiums in the second half of the year, when markets reacted to unfolding problems in Russia and Brazil. U.S. investment in highly rated corporate bonds from Western Europe, Canada, and Japan continued strong. Net sales of outstanding bonds of emerging countries more than doubled.

#### *U.S. direct investment abroad and other private assets*

U.S. direct investment abroad at current cost increased \$119.2 billion, to \$1,123.4 billion, in 1998; at market value, it increased \$356.0 billion, to \$2,140.5 billion (table F). Direct investment net financial outflows increased to a record \$132.8 billion. Equity outflows accelerated to a record, and intercompany debt outflows tripled; in contrast, reinvested earnings decreased slightly, mainly as a result of reduced earnings of foreign affiliates in Asia and Latin America. Acquisition activity was particularly strong in the United Kingdom,

Canada, and Australia. U.S. financial flows to several emerging-market countries slowed as a result of economic and financial problems in those countries.

At current cost, the large financial outflows accounted for most of the increase in the position. At market value, the financial outflows were augmented by a substantial increase in U.S. owner's equity, primarily as a result of the steep rise in European stock prices in 1998.

Claims on unaffiliated foreigners reported by U.S. nonbanking concerns increased \$33.8 billion, to \$596.2 billion, considerably below the 1997 record increase. U.S. depositing at banks in the United Kingdom and the Caribbean slowed significantly, and funding from U.S. financial firms to their foreign finance affiliates, which surged in the first quarter, fell off as capital markets abroad became unsettled later in the year.

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

U.S. official reserve assets increased \$11.2 billion, to \$146.0 billion in 1998. The U.S. reserve position at the International Monetary Fund (IMF) was boosted by dollar borrowing from the IMF by Russia, Korea, Indonesia, and Brazil. Foreign-currency reserves increased mainly because of coordinated intervention purchases of Japanese yen in midyear and because of exchange rate appreciation in holdings of Japanese yen and German marks.

U.S. Government assets other than reserve assets increased \$0.4 billion, to \$82.4 billion, as new U.S. Government credits to foreigners slightly exceeded repayments.

### **Changes in Foreign Assets in the United States**

#### *Foreign official assets*

Foreign official assets increased \$0.3 billion, to \$836.1 billion, in 1998, as net financial outflows were more than offset by price appreciation in holdings of U.S. corporate securities and U.S. Treasury bonds. Disruptions in exchange markets, especially those resulting from Russia's and Brazil's problems, led to sales of dollar assets by several industrial and developing countries. These countries mainly liquidated deposits and short-term Treasury obligations so that they could intervene in exchange markets by buying their currencies with dollars. OPEC countries also reduced their assets in the United States.

**Table F.—Changes in U.S. Direct Investment Abroad, 1998**  
(Billions of dollars)

	At current cost	At market value
<b>Total change</b> .....	<b>119.2</b>	<b>356.0</b>
Financial outflows .....	132.8	132.8
Equity capital .....	59.4	59.4
Intercompany debt .....	58.7	58.7
Reinvested earnings .....	14.7	14.7
Price changes .....	2.9	217.4
Exchange rate changes .....	2.0	12.8
Other valuation changes .....	-18.5	-7.0

### Bank liabilities

U.S. liabilities to private foreigners and international financial institutions reported by U.S. banks increased \$46.1 billion, to \$1,017.1 billion, in 1998. This increase represented a marked slowdown from the record inflows in 1997. In 1998, U.S. banks borrowed less from abroad to finance their lending, especially to the overseas interbank market. In addition, foreign incentives to deposit in U.S. banks lessened as U.S. short-term interest rates fell and as the dollar depreciated against European currencies and the Japanese yen after midyear. In addition, international bond funds withdrew funds, mostly from U.S. securities dealers, in order to meet liquidity needs as capital market uncertainties escalated in the second half of the year (table G).

U.S. banks' own liabilities payable in dollars increased \$23.7 billion, to \$805.4 billion. Early in 1998, U.S. banks repaid some large-scale borrowings from banks abroad that had been made in the final quarter of 1997, partly to finance their overseas interbank lending. In midyear, U.S. borrowing from abroad resumed, mostly from banks in the Caribbean and Europe; this borrowing was primarily to finance lending to home offices by Canadian- and European-owned banks in the United States. Later in the year, Japanese-owned offices in the United States stepped up their borrowing from home offices in Japan to replace heavy withdrawals by unaffiliated foreign banks; home office funds were tapped to avoid the elevated risk premiums that would have applied to funds borrowed in the United States as a result of the continued financial problems with Japanese banks. U.S. dollar liabilities of foreign-owned banks were also boosted by a transfer of business to U.S. offices from Europe by recently merged European banks. U.S.-owned banks limited their borrowing from overseas, mostly from Caribbean offices, as U.S. domestic deposit inflows were ample. Deposits were withdrawn from U.S. banks, especially by unaffiliated residents in Western Europe and the Caribbean banking cen-

**Table G.—U.S. Liabilities Reported by U.S. Banks at Yearend**  
(Billions of dollars)

	1997	1998
<b>Total liabilities</b> .....	<b>971.0</b>	<b>1,017.1</b>
Bank own liabilities, payable in dollars .....	781.7	805.4
To unaffiliated foreign banks .....	157.1	113.4
To own foreign offices .....	485.1	562.8
To other foreigners .....	139.5	129.2
Bank custody liabilities .....	71.8	110.6
Total liabilities payable in foreign currencies .....	117.5	101.1

ters, as concern over cross-border risk increased and as the dollar depreciated against European currencies and the Japanese yen. International bond funds also withdrew funds from U.S. securities dealers to meet margin calls and to limit losses in the aftermath of the near collapse of a large U.S. hedge fund.

U.S. banks' custody liabilities payable in dollars, which represent U.S. nonbanks' short- and medium-term borrowing from banks abroad, increased \$38.8 billion, to \$110.6 billion. The substantial increase was bolstered by a surge in the third quarter, when longer term capital markets became unstable.

U.S. bank's liabilities payable in foreign currencies decreased \$16.4 billion, to \$101.1 billion, as banks reduced their foreign currency borrowing from, and lending to, customers overseas.

### U.S. Treasury securities

U.S. Treasury securities held by private foreigners and by international financial institutions increased \$65.1 billion, to \$727.3 billion, in 1998 (table H). The increase reflected intermittent net purchases of U.S. Treasury securities—nearly two-thirds less than the near record in 1997—and price appreciation in U.S. Treasury bonds as the yield on the benchmark 30-year Treasury issue fell to its lowest level since 1967. Foreign purchases were attracted by widening yield differentials favoring U.S. Government bonds over most foreign government bonds, by a relatively strong dollar in the first half of the year, and by investors' flight to safety and liquidity when capital markets were disrupted in the second half of the year. The slowdown in U.S. Treasury securities may also be attributed to a surge of foreign investments in higher yielding U.S. corporate securities.

Western European holdings of U.S. Treasury securities rose moderately, reflecting a marked slowdown in purchases as rising stock and bond

**Table H.—Foreign Official and Private Holdings of U.S. Treasury Securities by Country at Yearend**

(Billions of dollars)

Rank		1997	1998
	<b>Total holdings</b> .....	<b>1,252.0</b>	<b>1,361.3</b>
1	Japan .....	288.6	292.6
2	United Kingdom .....	259.2	276.9
3	Germany .....	96.8	100.2
4	Peoples Republic of China .....	49.3	48.7
5	Hong Kong .....	36.0	46.0
6	Singapore .....	36.4	45.0
7	Spain .....	53.1	43.7
8	British West Indies .....	35.5	39.7
9	Switzerland .....	28.7	35.0
10	Taiwan .....	34.8	33.6

prices in Europe and a weakening dollar in the second half of the year reduced investor demand after record buying in 1997. Asian holdings increased, mainly reflecting strong purchases when global concerns mounted about the risks in emerging markets in the second half of the year. Large holdings in the Caribbean were reduced slightly, as price appreciation was offset by strong sales by international bond funds. Holdings of all other countries gained as a result of price appreciation.

### *U.S. currency*

U.S. currency held by foreigners increased \$16.6 billion, to \$228.3 billion; large shipments to Eastern Europe, including Russia, were reduced partly because currency-importing banks had difficulty raising funds for payment and partly because new market developments enabled Russia to obtain recirculated, counterfeit-resistant U.S. currency from European banks. Shipments to Latin America increased, reflecting increased demand for U.S. currency as a result of deteriorating financial conditions in a few countries in the second half of the year.

### *Other U.S. securities*

Foreign holdings of U.S. securities, other than U.S. Treasury securities, increased \$443.1 billion, to \$2,021.8 billion, in 1998; the increase was bolstered by record net foreign purchases of U.S. bonds and by substantial price appreciation of U.S. stocks. Net purchases of U.S. corporate bonds and of federally sponsored agency bonds surged in the first half of the year, when foreign investors were attracted by the rise in U.S. bond prices, by the higher yields on U.S. issues than on most other industrial countries' bonds, and by the U.S. dollar's strength in exchange markets. Demand was also spurred by a shift to higher yielding corporate issues when interest rates on U.S. Treasury bonds fell to their lowest level since 1967. Foreign holdings of U.S. stocks increased as a result of sharply higher U.S. stock prices in 1998 and of strong foreign net purchases in the first half of the year. The brisk-paced U.S. economy and steady growth in corporate earnings contributed to these strong inflows.

Foreign holdings of U.S. corporate and agency bonds increased \$185.5 billion, to \$900.7 billion, mainly as the result of \$170.5 billion in record net purchases that were encouraged by a nearly 2-percent rise in bond prices in 1998. U.S. borrowers, especially U.S. federally sponsored agencies, issued \$87.1 billion of new bonds

**Table I.—Foreign Private Holdings of U.S. Corporate and Agency Bonds by Major Areas at Yearend**

[Billions of dollars]

	1997	1998
<b>Total holdings</b> .....	<b>715.2</b>	<b>900.7</b>
Western Europe .....	452.6	585.9
<i>Of which:</i> United Kingdom .....	362.7	467.9
France .....	11.0	14.6
Germany .....	15.1	19.8
Italy .....	2.8	3.2
Netherlands .....	13.1	16.4
Canada .....	17.0	23.2
Japan .....	98.8	108.6
Latin America .....	14.0	20.1
Other Western Hemisphere .....	84.9	105.8
Other countries .....	47.9	57.1

overseas; these bonds were mainly high-quality, mortgage-backed securities that became even more attractive in a low-interest-rate environment and the financial market turmoil after midyear. U.S. nonbank financial corporations remained heavy issuers, but at a level slightly below that in 1997, and U.S. banks reduced their issuance by two-thirds, partly as a result of the ample availability of alternate funding. Nearly two-thirds of the new issues were dollar denominated, and over two-thirds were straight fixed rate; the use of floating-rate notes slowed sharply. Strong foreign demand was also evident in large net purchases of outstanding U.S. bonds. Foreign holdings are highly concentrated in the United Kingdom, where lead underwriters of U.S. overseas issues reside, in Japan, and in the Caribbean (table I).

Foreign holdings of U.S. stocks increased \$257.6 billion, to \$1,121.1 billion, reflecting \$210.0 billion in price appreciation and a near-record \$47.5 billion in net foreign purchases. Holdings were bolstered by a 27-percent increase in U.S. stock prices in 1998. Net foreign purchases were especially strong in the first half of the year. In the second half, purchases slowed when investors became concerned about a possible global economic slowdown and when confidence was jolted by the near failure of a large U.S. hedge fund.

**Table J.—Foreign Private Holdings of U.S. Corporate Stocks by Major Areas at Yearend**

[Billions of dollars]

	1997	1998
<b>Total holdings</b> .....	<b>863.5</b>	<b>1,121.1</b>
Western Europe .....	503.2	695.0
<i>Of which:</i> United Kingdom .....	226.8	304.7
France .....	24.4	34.9
Germany .....	35.5	50.7
Italy .....	10.4	14.9
Netherlands .....	51.7	73.8
Canada .....	92.7	108.6
Japan .....	68.0	81.8
Latin America .....	17.1	21.7
Other Western Hemisphere .....	94.6	114.7
Other countries .....	87.9	99.3

Consequently, Asian investors and Caribbean-based mutual funds sold off large amounts of U.S. stocks. Western European investors' interest in U.S. stocks was robust throughout the year. Canadian and Japanese holdings also increased; net sales, which accelerated in 1998, partly offset the strong price gains (table J).

#### *Foreign direct investment in the United States and other liabilities*

Foreign direct investment in the United States valued at current cost increased \$114.7 billion, to \$878.7 billion, in 1998; at market value, it increased \$551.7 billion, to \$2,194.1 billion (table K). In 1998, net financial inflows of \$193.4 billion exceeded the 1997 record. Net equity inflows increased sharply to a record level, boosted by the two exceptionally large acquisitions through exchanges of stock with U.S. shareholders; reinvested earnings increased, but less than in 1997; and net intercompany debt inflows increased slightly. At current cost, the record net financial inflows were partly offset by a large, negative valuation adjustment (mainly related to the two exceptionally large acquisitions); this adjustment is made to reconcile market-based transactions

**Table K.—Changes in Foreign Direct Investment in the United States, 1998**

[Billions of dollars]

	At current cost	At market value
<b>Total change</b> .....	<b>114.7</b>	<b>551.7</b>
Financial inflows .....	193.4	193.4
Equity capital .....	154.2	154.2
Intercompany debt .....	12.8	12.8
Reinvested earnings .....	26.4	26.4
Price changes .....	-3.9	362.3
Exchange rate changes .....	0	0
Other valuation changes .....	-74.8	-4.0

values with much smaller book values, which are the bases for valuing nontangible assets—such as patents and copyrights—in the current-cost estimates. At market value, net financial inflows were boosted by substantial price appreciation in owners' equity that resulted from the steep rise in U.S. stock prices.

Liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns increased \$7.2 billion, to \$460.8 billion, down from the 1997 record increase of \$106.8 billion. U.S. corporate borrowing from foreign banks and financial inflows to U.S. financial affiliates from foreign financial affiliates both slowed markedly in the second half of the year, when overseas markets became unsettled.


Tables 1 through 4 follow. 



Table 1.—International Investment Position of the United States at Yearend, 1997 and 1998

[Millions of dollars]

Line	Type of investment	Position, 1997 <sup>r</sup>	Changes in position in 1998 (decrease (-))				Total (a+b+c+d)	Position, 1998 <sup>r</sup>
			Attributable to:					
			Financial flows	Valuation adjustments				
				Price changes	Exchange rate changes <sup>1</sup>	Other changes <sup>2</sup>		
(a)	(b)	(c)	(d)	(a+b+c+d)				
<b>Net international investment position of the United States:</b>								
1	With direct investment positions at current cost (line 3 less line 24) ...	-968,208	-209,819	-167,585	45,380	61,064	-270,960	-1,239,168
2	With direct investment positions at market value (line 4 less line 25) ...	-1,066,262	-209,819	-319,300	56,282	1,633	-471,204	-1,537,466
<b>U.S.-owned assets abroad:</b>								
3	With direct investment positions at current cost (lines 5+10+15) .....	4,508,626	292,818	101,041	43,704	-15,293	422,270	4,930,896
4	With direct investment positions at market value (lines 5+10+16) .....	5,288,892	292,818	315,522	54,584	-3,833	659,091	5,947,983
5	U.S. official reserve assets .....	134,836	6,784	-628	5,024	-10	11,170	146,006
6	Gold .....	75,929	.....	<sup>3</sup> -628	.....	<sup>4</sup> -10	-638	75,291
7	Special drawing rights .....	10,027	149	.....	427	.....	576	10,603
8	Reserve position in the International Monetary Fund .....	18,071	5,118	.....	922	.....	6,040	24,111
9	Foreign currencies .....	30,809	1,517	.....	3,675	.....	5,192	36,001
10	U.S. Government assets, other than official reserve assets .....	81,960	429	.....	-5	-2	422	82,382
11	U.S. credits and other long-term assets <sup>5</sup> .....	79,607	574	.....	.....	-2	572	80,179
12	Repayable in dollars .....	79,273	602	.....	.....	-1	601	79,874
13	Other <sup>6</sup> .....	334	-28	.....	.....	-1	-29	305
14	U.S. foreign currency holdings and U.S. short-term assets .....	2,353	-145	.....	-5	.....	-150	2,203
<b>U.S. private assets:</b>								
15	With direct investment at current cost (lines 17+19+22+23) .....	4,291,830	285,605	101,669	38,685	-15,281	410,678	4,702,508
16	With direct investment at market value (lines 18+19+22+23) .....	5,072,096	285,605	316,150	49,565	-3,821	647,499	5,719,595
<b>Direct investment abroad:</b>								
17	At current cost .....	1,004,228	132,829	2,892	1,957	-18,465	119,213	1,123,441
18	At market value .....	1,784,494	132,829	217,373	12,837	-7,005	356,034	2,140,528
19	Foreign securities .....	1,739,400	102,817	98,777	27,962	.....	229,556	1,968,956
20	Bonds .....	538,400	25,064	18,441	-20,079	.....	23,426	561,826
21	Corporate stocks .....	1,201,000	77,753	80,336	48,041	.....	206,130	1,407,130
22	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns .....	562,396	25,041	.....	5,610	3,175	33,826	596,222
23	U.S. claims reported by U.S. banks, not included elsewhere .....	985,806	24,918	.....	3,156	9	28,083	1,013,889
<b>Foreign-owned assets in the United States:</b>								
24	With direct investment at current cost (lines 26+33) .....	5,476,834	502,637	268,626	-1,676	-76,357	693,230	6,170,064
25	With direct investment at market value (lines 26+34) .....	6,355,154	502,637	634,822	-1,698	-5,466	1,130,295	7,485,449
26	Foreign official assets in the United States .....	835,709	-21,684	22,437	.....	-409	344	836,053
27	U.S. Government securities .....	614,530	-3,625	9,344	.....	.....	5,719	620,249
28	U.S. Treasury securities .....	589,792	-9,957	9,152	.....	.....	-805	588,987
29	Other .....	24,738	6,332	192	.....	.....	6,524	31,262
30	Other U.S. Government liabilities <sup>7</sup> .....	21,459	-3,113	.....	.....	.....	-3,113	18,346
31	U.S. liabilities reported by U.S. banks, not included elsewhere .....	135,384	-11,469	.....	.....	.....	-11,469	123,915
32	Other foreign official assets .....	64,336	-3,477	13,093	.....	-409	9,207	73,543
<b>Other foreign assets:</b>								
33	With direct investment at current cost (lines 35+37+38+39+42+43) .....	4,641,125	524,321	246,189	-1,676	-75,948	692,886	5,334,011
34	With direct investment at market value (lines 36+37+38+39+42+43) .....	5,519,445	524,321	612,385	-1,698	-5,057	1,129,951	6,649,396
<b>Direct investment in the United States:</b>								
35	At current cost .....	764,045	193,375	-3,877	22	-74,848	114,672	878,717
36	At market value .....	1,642,365	193,375	362,319	.....	-3,957	551,737	2,194,102
37	U.S. Treasury securities .....	662,228	46,155	18,961	.....	.....	65,116	727,344
38	U.S. currency .....	211,628	16,622	.....	.....	.....	16,622	228,250
39	U.S. securities other than U.S. Treasury securities .....	1,578,694	218,026	231,105	-6,005	.....	443,126	2,021,820
40	Corporate and other bonds .....	715,196	170,539	21,019	-6,005	.....	185,553	900,749
41	Corporate stocks .....	863,498	47,487	210,086	.....	.....	257,573	1,121,071
42	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns .....	453,555	9,412	.....	-1,080	-1,100	7,232	460,787
43	U.S. liabilities reported by U.S. banks, not included elsewhere .....	970,975	40,731	.....	5,387	.....	46,118	1,017,093

<sup>r</sup> Preliminary.<sup>r</sup> Revised.

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

2. Includes changes in coverage, statistical discrepancies, and other 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 de-

monizations/monetizations are not included in international transactions capital flows.

5. 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.

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.—U.S. Assets Abroad and Foreign Assets in the United States by Area

[Millions of dollars]

Line	Type of investment	Amounts outstanding, by area									
		Western Europe		Canada		Japan		Latin America and Other Western Hemisphere		Other countries, international organizations, and unallocated <sup>1</sup>	
		1997 <sup>r</sup>	1998 <sup>p</sup>	1997 <sup>r</sup>	1998 <sup>p</sup>	1997 <sup>r</sup>	1998 <sup>p</sup>	1997 <sup>r</sup>	1998 <sup>p</sup>	1997 <sup>r</sup>	1998 <sup>p</sup>
<b>U.S.-owned assets abroad:</b>											
1	U.S. official reserve assets .....	17,942	22,646	.....	.....	12,867	13,355	.....	.....	104,027	110,005
2	Gold .....	.....	.....	.....	.....	.....	.....	.....	.....	75,929	75,291
3	Special drawing rights .....	.....	.....	.....	.....	.....	.....	.....	.....	10,027	10,603
4	Reserve position in the International Monetary Fund .....	.....	.....	.....	.....	.....	.....	.....	.....	18,071	24,111
5	Foreign currencies .....	17,942	22,646	.....	.....	12,867	13,355	.....	.....	.....	.....
6	U.S. Government assets, other than official reserve assets .....	6,446	5,796	.....	.....	33	44	15,213	15,039	60,268	61,503
7	U.S. credits and other long-term assets <sup>2</sup> .....	6,374	5,741	.....	.....	.....	.....	15,166	15,005	58,067	59,433
8	Repayable in dollars .....	6,353	5,723	.....	.....	.....	.....	15,049	14,897	57,871	59,254
9	Other <sup>3</sup> .....	21	18	.....	.....	.....	.....	117	108	196	179
10	U.S. foreign currency holdings and U.S. short-term assets .....	72	55	.....	.....	33	44	47	34	2,201	2,070
<b>U.S. private assets:</b>											
11	Direct investment abroad .....	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
12	Foreign securities .....	925,100	1,172,656	176,400	171,250	163,400	150,695	246,200	230,278	228,300	244,077
13	Bonds .....	211,000	212,830	105,700	109,601	28,600	27,617	112,700	122,216	80,400	89,562
14	Corporate stocks .....	714,100	959,826	70,700	61,649	134,800	123,078	133,500	108,062	147,900	154,515
15	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns .....	265,902	288,578	13,531	9,452	10,880	13,979	248,281	261,170	23,802	23,043
16	U.S. claims reported by U.S. banks, not included elsewhere .....	349,990	391,593	57,822	79,383	91,718	55,168	389,585	400,597	96,691	87,148
<b>Foreign-owned assets in the United States:</b>											
17	Foreign official assets in the United States .....	230,797	241,154	10,857	12,317	(5)	(5)	97,799	80,685	(5)	(5)
18	U.S. Government securities .....	(6)	(6)	(6)	(6)	(5)	(5)	(6)	(6)	(5)	(5)
19	U.S. Treasury securities .....	(6)	(6)	(6)	(6)	(5)	(5)	(6)	(6)	(5)	(5)
20	Other .....	(6)	(6)	(6)	(6)	(5)	(5)	(6)	(6)	(5)	(5)
21	Other U.S. Government liabilities <sup>7</sup> .....	4,765	4,199	236	209	2,962	2,854	451	409	13,045	10,675
22	U.S. liabilities reported by U.S. banks, not included elsewhere .....	(6)	(6)	(6)	(6)	(5)	(5)	(6)	(6)	(5)	(5)
23	Other foreign official assets .....	(6)	(6)	(6)	(6)	(5)	(5)	(6)	(6)	(5)	(5)
<b>Other foreign assets in the United States:</b>											
24	Direct investment in the United States .....	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
25	U.S. Treasury securities .....	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
26	U.S. currency .....	.....	.....	.....	.....	.....	.....	.....	.....	211,628	228,250
27	U.S. securities other than U.S. Treasury securities .....	955,793	1,280,960	109,664	131,853	166,835	190,398	209,294	260,814	137,108	157,795
28	Corporate and other bonds .....	452,597	585,934	16,967	23,218	98,842	108,630	97,632	124,434	49,158	58,533
29	Corporate stocks .....	503,196	695,026	92,697	108,635	67,993	81,768	111,662	136,380	87,950	99,262
30	U.S. liabilities to unaffiliated for- eigners reported by U.S. nonbanking concerns .....	215,193	215,964	7,722	6,562	21,381	15,664	177,256	193,163	32,003	29,434
31	U.S. liabilities reported by U.S. banks, not included elsewhere .....	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
<b>Addenda:</b>											
1	U.S. Treasury securities, foreign official plus private holdings (lines 19 + 25, above) .....	528,805	573,823	12,218	13,268	288,601	292,634	131,676	128,352	290,720	308,254
2	U.S. liabilities reported by U.S. banks, foreign official plus private (lines 22 + 31, above) .....	417,401	402,052	30,633	32,007	101,151	131,304	418,810	421,036	138,364	154,609

<sup>p</sup> Preliminary.

<sup>r</sup> Revised.

1. Includes U.S. gold stock valued at market price.

2. Also includes paid-in capital subscription 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.

3. 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.

4. Positions at current costs or market value are not available by area; country detail are available only at historical costs in the article "Direct Investment Positions on a Historical Cost Basis, 1998; Country and Industry Detail," elsewhere in this issue of the SURVEY.

5. Details are not shown separately.

6. Details not shown separately are included in totals in line 17.

7. Primarily U.S. Government liabilities associated with military sales contracts and other transactions arranged with or through foreign official agencies.

Table 3.—International Investment Position of the United States at Yearend, 1984–98

[Millions of dollars]

Line	Type of investment	1984 <sup>r</sup>	1985 <sup>r</sup>	1986 <sup>r</sup>	1987 <sup>r</sup>	1988 <sup>r</sup>	1989 <sup>r</sup>	1990 <sup>r</sup>	1991 <sup>r</sup>	1992 <sup>r</sup>	1993 <sup>r</sup>	1994 <sup>r</sup>	1995 <sup>r</sup>	1996 <sup>r</sup>	1997 <sup>r</sup>	1998 <sup>r</sup>
1	<b>Net international investment position of the United States:</b>															
2	<b>With direct investment positions at current cost (line 3 less line 24)</b>	162,924	57,401	-32,834	-76,815	-175,350	-254,926	-240,553	-301,550	-421,096	-295,261	-300,480	-500,170	-578,705	-968,208	-1,239,168
3	<b>With direct investment positions at market value (line 4 less line 25)</b>	132,114	94,846	98,569	48,729	8,691	-49,141	-166,846	-263,097	-454,605	-180,373	-174,290	-422,617	-547,493	-1,066,262	-1,537,466
4	<b>U.S.-owned assets abroad:</b>															
5	<b>With direct investment at current cost (lines 5+10+15)</b>	1,191,947	1,272,774	1,452,502	1,626,644	1,806,438	2,045,503	2,149,982	2,254,506	2,298,640	2,718,424	2,956,788	3,405,761	3,958,502	4,508,626	4,930,896
6	<b>With direct investment at market value (lines 5+10+16)</b>	1,125,158	1,300,672	1,592,439	1,756,910	2,006,590	2,348,081	2,291,734	2,468,351	2,464,196	3,055,316	3,276,086	3,869,663	4,544,502	5,288,892	5,947,983
7	U.S. official reserve assets	105,040	117,930	139,875	162,370	144,179	168,714	174,664	159,223	147,435	164,945	163,394	176,061	160,739	134,836	146,006
8	Gold <sup>1</sup>	81,202	85,834	102,428	127,848	107,434	105,164	102,406	92,561	87,168	102,556	100,110	101,279	96,698	75,929	75,291
9	Special drawing rights	5,641	7,293	8,395	10,283	9,637	9,951	10,989	11,240	8,503	9,039	10,039	11,037	10,312	10,027	10,603
10	Reserve position in the International Monetary Fund	11,541	11,947	11,730	11,349	9,745	9,048	9,076	9,488	11,759	11,818	12,030	14,649	15,435	18,071	24,111
11	Foreign currencies	6,656	12,856	17,322	13,090	17,363	44,551	52,193	45,934	40,005	41,532	41,215	49,096	38,294	30,809	36,001
12	U.S. Government assets, other than official reserve assets	84,971	87,752	89,637	88,880	86,117	84,489	81,993	79,144	80,722	81,029	80,123	81,095	82,046	81,960	82,382
13	U.S. credits and other long-term assets <sup>2</sup>	82,883	85,814	88,710	88,099	85,388	83,903	81,365	77,498	79,087	79,106	77,814	78,548	79,637	79,607	80,179
14	Repayable in dollars	81,103	84,087	87,112	86,486	83,923	82,421	80,040	76,272	77,987	78,100	77,336	78,120	79,261	79,273	79,874
15	Other <sup>3</sup>	1,780	1,727	1,598	1,613	1,465	1,482	1,325	1,226	1,100	1,006	478	428	376	334	305
16	U.S. foreign currency holdings and U.S. short-term assets	2,088	1,938	927	781	729	586	628	1,646	1,635	1,923	2,309	2,547	2,409	2,353	2,203
17	<b>U.S. private assets:</b>															
18	<b>With direct investment at current cost (lines 17+19+22+23)</b>	1,001,936	1,067,092	1,222,990	1,375,394	1,576,142	1,792,300	1,893,325	2,016,139	2,070,483	2,472,450	2,713,271	3,148,605	3,715,717	4,291,830	4,702,508
19	<b>With direct investment at market value (lines 18+19+22+23)</b>	935,147	1,094,990	1,362,927	1,505,660	1,776,294	2,094,878	2,035,077	2,229,984	2,236,039	2,809,342	3,032,569	3,612,507	4,301,717	5,072,096	5,719,595
20	Direct investment abroad:															
21	At current cost <sup>4,5</sup>	337,363	358,454	390,137	459,980	492,309	529,882	590,010	613,692	633,074	690,655	748,505	843,253	940,243	1,004,228	1,123,441
22	At market value <sup>4</sup>	270,574	386,352	530,074	590,246	692,461	832,460	731,762	827,537	798,630	1,027,547	1,067,803	1,307,155	1,526,243	1,784,494	2,140,528
23	Foreign securities <sup>6</sup>	88,804	119,403	158,123	188,589	232,849	314,294	342,313	455,750	515,083	853,528	948,668	1,169,636	1,467,985	1,739,400	1,968,956
24	Bonds <sup>6</sup>	62,810	75,020	85,724	93,889	104,187	116,949	144,717	176,774	200,817	309,666	321,208	392,827	465,057	538,400	561,826
25	Corporate stocks <sup>6</sup>	25,994	44,383	72,399	94,700	128,662	197,345	197,596	278,976	314,266	543,862	627,460	776,809	1,002,928	1,201,000	1,407,130
26	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns <sup>7</sup>	130,138	141,872	167,392	177,368	197,757	234,307	265,315	256,295	254,303	242,022	322,980	367,567	449,978	562,396	596,222
27	U.S. claims reported by U.S. banks, not included elsewhere <sup>8</sup>	445,631	447,363	507,338	549,457	653,227	713,817	695,687	690,402	668,023	686,245	693,118	768,149	857,511	985,806	1,013,889
28	<b>Foreign-owned assets in the United States:</b>															
29	<b>With direct investment at current cost (lines 26+33)</b>	1,029,023	1,215,373	1,485,336	1,703,459	1,981,788	2,300,429	2,390,535	2,556,056	2,719,736	3,013,685	3,257,268	3,905,931	4,537,207	5,476,834	6,170,064
30	<b>With direct investment at market value (lines 26+34)</b>	993,044	1,205,826	1,493,870	1,708,181	1,997,899	2,397,222	2,458,580	2,731,448	2,918,801	3,235,689	3,450,376	4,292,280	5,091,995	6,355,154	7,485,449
31	Foreign official assets in the United States	199,678	202,482	241,226	283,058	322,036	341,746	373,293	398,538	437,263	509,422	535,217	671,710	799,033	835,709	836,053
32	U.S. Government securities	144,665	145,063	178,916	220,548	260,934	263,612	291,228	311,199	329,317	381,687	407,152	497,776	610,469	614,530	620,249
33	U.S. Treasury securities <sup>9</sup>	136,168	138,438	173,310	213,713	252,962	257,201	285,911	305,984	322,600	373,050	396,887	482,773	590,704	589,792	588,987
34	Other <sup>9</sup>	6,497	6,625	5,606	6,835	7,972	6,411	5,317	5,205	6,717	8,637	10,265	15,003	19,765	24,738	31,262
35	Other U.S. Government liabilities <sup>10</sup>	14,959	15,803	17,993	15,667	15,200	15,374	17,243	18,610	20,801	22,113	23,678	23,573	23,257	21,459	18,346
36	U.S. liabilities reported by U.S. banks, not included elsewhere	26,090	26,734	27,920	31,838	31,520	36,495	39,880	38,396	54,967	69,721	73,386	107,394	113,098	135,384	123,915
37	Other foreign official assets <sup>9</sup>	13,964	14,882	16,397	15,005	14,382	26,265	24,942	30,333	32,178	35,901	31,001	42,967	52,209	64,336	73,543
38	<b>Other foreign assets in the United States:</b>															
39	<b>With direct investment at current cost (lines 35+37+38+39+42+43)</b>	829,345	1,012,891	1,244,110	1,420,401	1,659,752	1,958,683	2,017,242	2,157,518	2,282,473	2,504,263	2,722,051	3,234,221	3,738,174	4,641,125	5,334,011
40	<b>With direct investment at market value (lines 36+37+38+39+42+43)</b>	793,366	1,003,344	1,252,644	1,425,123	1,675,863	2,055,476	2,085,287	2,332,910	2,481,538	2,726,267	2,915,159	3,620,570	4,292,962	5,519,445	6,649,396
41	Direct investment in the United States:															
42	At current cost <sup>11</sup>	208,356	229,543	264,432	311,478	375,419	437,941	471,556	493,745	497,112	546,394	564,745	619,377	674,330	764,045	878,717
43	At market value <sup>11</sup>	172,377	219,996	272,966	316,200	391,530	534,734	539,601	669,137	686,177	768,398	757,853	1,005,726	1,229,118	1,642,365	2,194,102
44	U.S. Treasury securities	*62,121	87,954	96,078	82,588	100,877	166,541	152,452	170,295	197,739	221,501	235,684	358,537	502,562	662,228	727,344
45	U.S. currency	40,797	46,036	50,122	55,583	61,261	67,118	85,933	101,317	114,804	133,734	157,185	169,484	186,846	211,628	228,250
46	U.S. securities other than U.S. Treasury securities <sup>9</sup>	128,477	207,868	309,803	341,732	392,292	482,864	460,644	546,008	599,447	696,449	739,695	971,356	1,199,461	1,578,694	2,021,820
47	Corporate and other bonds <sup>9</sup>	32,421	82,290	140,863	166,089	191,314	231,673	238,903	274,136	299,287	355,822	368,077	481,214	588,044	715,196	900,749
48	Corporate stocks <sup>9</sup>	96,056	125,578	168,940	175,643	200,978	251,191	221,741	271,872	300,160	340,627	371,618	490,142	611,417	863,498	1,121,071
49	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns <sup>12</sup>	77,415	86,993	90,703	110,187	144,548	167,093	213,406	208,908	220,666	229,038	239,817	300,424	346,727	453,555	460,787
50	U.S. liabilities reported by U.S. banks, not included elsewhere	312,179	354,497	432,972	518,833	585,355	637,126	633,251	637,245	652,705	677,147	784,925	815,043	828,248	970,975	1,017,093

<sup>p</sup> Preliminary.<sup>r</sup> Revised.

1. U.S. official gold stock valued at market price.

2. 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.

3. 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.

4. A break in series in 1994 reflects the incorporation of results of the 1994 benchmark survey of U.S. direct investment abroad and the reclassification from the direct investment capital accounts to the nonbank investment accounts of intercompany debt transactions between parent companies and affiliates that are not depository institutions and that are primarily engaged in financial intermediation. Estimates for 1984-93 are linked to both the 1982 and 1989 benchmark surveys of U.S. direct investment abroad.

5. Estimates for 1984 forward reflect 1992 base-year price indexes for tangible assets, which replace the 1987 base-year price indexes previously used in the national income and product accounts.

6. Estimates include results of the Benchmark Surveys of U.S. Ownership of Foreign Long-term Securities as of March 31, 1994, and as of December 31, 1997, conducted by the U.S. Department of the Treasury.

7. Breaks in series reflect the following: In 1986, the introduction of data from the Bank of International Settlements (BIS) for the Netherlands; BIS data was introduced for France and Italy in 1989; BIS coverage for Austria, Switzerland and Asian banking centers was also improved in 1989. BEA methodology for estimating positions vis-a-vis Canada and Germany was adjusted beginning in 1993, and vis-a-vis Asian banking centers in 1994. In 1994, intercompany debt transactions between companies and affiliates that are not depository institutions and that are primarily engaged in financial intermediation are reclassified from the direct investment capital accounts to the nonbank investment accounts.

8. A break in series in 1988 reflects the introduction of data on holdings of foreign commercial paper.

9. Estimates include results of 1978, 1984, 1989, and 1994 portfolio benchmark surveys conducted by the U.S. Department of the Treasury.

10. Primarily U.S. Government liabilities associated with military sales contracts and other transactions arranged with or through foreign official agencies.

11. Estimates for 1984 forward are linked to both the 1987 and 1992 benchmark surveys of foreign direct investment in the United States.

12. A break in series in 1994 reflects the reclassification of intercompany debt transactions between parent companies and affiliates that are not depository institutions and that are primarily engaged in financial intermediation from the direct investment capital accounts to the nonbank investment accounts.

NOTE.—Revised area tables for 1984-98 are available upon request from the Balance of Payments Division (BE-58), Bureau of Economic Analysis, U.S. Department of Commerce, Washington, DC 20230.

Table 4.—Revisions to the International Investment Position of the United States at Yearend, 1997

[Millions of dollars]

Line	Type of investment	Previously published	Revised	Revision
	<b>Net international investment position of the United States:</b>			
1	With direct investment positions at current cost (line 3 less line 24) .....	-1,223,568	-968,208	255,360
2	With direct investment positions at market value (line 4 less line 25) .....	-1,322,455	-1,066,262	256,193
	<b>U.S.-owned assets abroad:</b>			
3	With direct investment at current cost (lines 5+10+15) .....	4,237,311	4,508,626	271,315
4	With direct investment at market value (lines 5+10+16) .....	5,007,119	5,288,892	281,773
5	U.S. official reserve assets .....	134,836	134,836	0
6	Gold .....	75,929	75,929	0
7	Special drawing rights .....	10,027	10,027	0
8	Reserve position in the International Monetary Fund .....	18,071	18,071	0
9	Foreign currencies .....	30,809	30,809	0
10	U.S. Government assets, other than official reserve assets .....	81,483	81,960	477
11	U.S. credits and other long-term assets .....	79,573	79,607	34
12	Repayable in dollars .....	78,942	79,273	331
13	Other .....	631	334	-297
14	U.S. foreign currency holdings and U.S. short-term assets .....	1,910	2,353	443
	<b>U.S. private assets:</b>			
15	With direct investment at current cost (lines 17+19+22+23) .....	4,020,992	4,291,830	270,838
16	With direct investment at market value (lines 18+19+22+23) .....	4,790,800	5,072,096	281,296
	<b>Direct investment abroad:</b>			
17	At current cost .....	1,023,872	1,004,228	-19,644
18	At market value .....	1,793,680	1,784,494	-9,186
19	Foreign securities .....	1,446,301	1,739,400	293,099
20	Bonds .....	445,049	538,400	93,351
21	Corporate stocks .....	1,001,252	1,201,000	199,748
22	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns .....	562,396	562,396	0
23	U.S. claims reported by U.S. banks, not included elsewhere .....	988,423	985,806	-2,617
	<b>Foreign-owned assets in the United States:</b>			
24	With direct investment at current cost (lines 26+33) .....	5,460,879	5,476,834	15,955
25	With direct investment at market value (lines 26+34) .....	6,329,574	6,355,154	25,580
26	Foreign official assets in the United States .....	833,901	835,709	1,808
27	U.S. Government securities .....	614,390	614,530	140
28	U.S. Treasury securities .....	589,850	589,792	-58
29	Other .....	24,540	24,738	198
30	Other U.S. Government liabilities .....	20,577	21,459	882
31	U.S. liabilities reported by U.S. banks, not included elsewhere .....	135,026	135,384	358
32	Other foreign official assets .....	63,908	64,336	428
	<b>Other foreign assets in the United States:</b>			
33	With direct investment at current cost (lines 35+37+38+39+42+43) .....	4,626,978	4,641,125	14,147
34	With direct investment at market value (lines 36+37+38+39+42+43) .....	5,495,673	5,519,445	23,772
	<b>Direct investment in the United States:</b>			
35	At current cost .....	751,845	764,045	12,200
36	At market value .....	1,620,540	1,642,365	21,825
37	U.S. Treasury securities .....	661,961	662,228	267
38	U.S. currency .....	211,625	211,628	3
39	U.S. securities other than U.S. Treasury securities .....	1,577,984	1,578,694	710
40	Corporate and other bonds .....	718,076	715,196	-2,880
41	Corporate stocks .....	859,908	863,498	3,590
42	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns .....	453,555	453,555	0
43	U.S. liabilities reported by U.S. banks, not included elsewhere .....	970,008	970,975	967