

# News Release

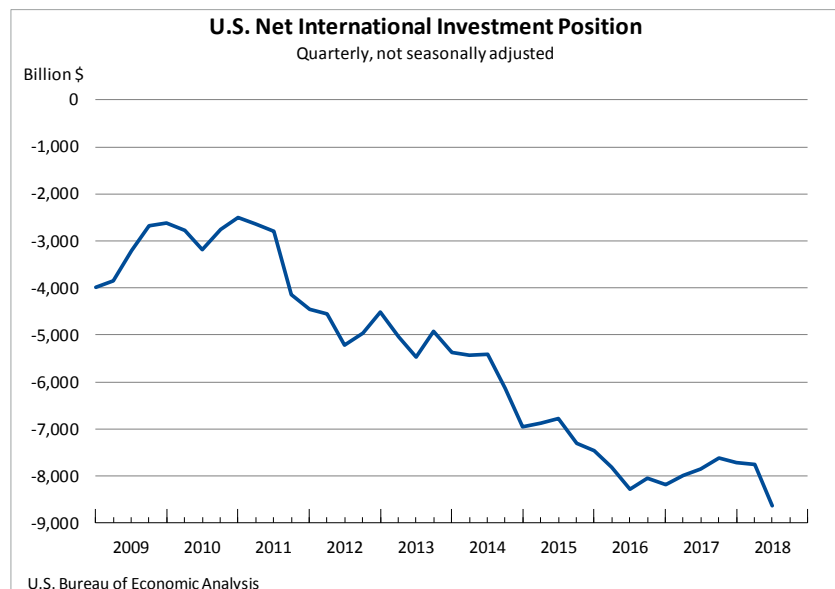
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BEA 18-50

Technical:	Christopher Gohrband	(301) 278-9564	<a href="mailto:Christopher.Gohrband@bea.gov">Christopher.Gohrband@bea.gov</a>
	Elena Nguyen	(301) 278-9555	<a href="mailto:Elena.Nguyen@bea.gov">Elena.Nguyen@bea.gov</a>
	Doug Weinberg (Direct Investment)	(301) 278-9590	<a href="mailto:Douglas.Weinberg@bea.gov">Douglas.Weinberg@bea.gov</a>
Media:	Jeannine Aversa	(301) 278-9003	<a href="mailto:Jeannine.Aversa@bea.gov">Jeannine.Aversa@bea.gov</a>

## U.S. Net International Investment Position Second Quarter 2018

The **U.S. net international investment** position decreased to  $-\$8,638.5$  billion (preliminary) at the end of the second quarter of 2018 from  $-\$7,747.3$  billion (revised) at the end of the first quarter, according to statistics released by the Bureau of Economic Analysis (BEA). The  $\$891.2$  billion decrease reflected a  $\$587.8$  billion decrease in U.S. assets and a  $\$303.4$  billion increase in U.S. liabilities (table 1).



The  $\$891.2$  billion decrease in the net investment position reflected net financial transactions of  $-\$126.0$  billion and net other changes in position, such as price and exchange-rate changes, of  $-\$765.1$  billion (table A).

The net investment position decreased 11.5 percent in the second quarter, compared with a decrease of 0.3 percent in the first quarter and an average quarterly decrease of 4.6 percent from the first quarter of 2011 through the fourth quarter of 2017.

**U.S. assets** decreased  $\$587.8$  billion to  $\$27,063.6$  billion at the end of the second quarter, reflecting decreases in all major categories of assets, led by portfolio investment assets.

- Assets excluding financial derivatives decreased \$575.2 billion to \$25,485.2 billion. The decrease resulted from financial transactions of -\$163.6 billion and other changes in position of -\$411.6 billion (table A).
  - Financial transactions were driven by net U.S. liquidation of other investment assets, mostly reflecting net foreign repayment of loans.
  - Financial transactions also reflected net U.S. withdrawal of direct investment assets as a result of U.S. parent repatriation of previously reinvested earnings. For more information, see the box [“Effects of the 2017 Tax Cuts and Jobs Act on U.S. Direct Investment Assets.”](#)
  - Other changes in position were driven by exchange-rate changes, as major foreign currencies depreciated against the U.S. dollar, lowering the value of foreign-currency-denominated assets in dollar terms. The decrease from exchange-rate changes was partly offset by foreign equity price increases that raised the equity value of portfolio investment and direct investment assets.
- Financial derivatives decreased \$12.6 billion to \$1,578.5 billion, mostly reflecting a decrease in single-currency interest rate contracts that was partly offset by an increase in foreign-exchange contracts.

**Table A. Quarterly Change in the U.S. Net International Investment Position**  
Billions of dollars, not seasonally adjusted

	Position, 2018:I	Change in position in 2018:II			Position, 2018:II
		Total	Attributable to:		
			Financial transactions	Other changes in position <sup>1</sup>	
<b>U.S. net international investment position</b>	<b>-7,747.3</b>	<b>-891.2</b>	<b>-126.0</b>	<b>-765.1</b>	<b>-8,638.5</b>
Net position excluding financial derivatives	-7,794.9	-906.2	-109.0	-797.1	-8,701.1
Financial derivatives other than reserves, net	47.6	15.0	-17.0	32.0	62.6
<b>U.S. assets</b>	<b>27,651.4</b>	<b>-587.8</b>	<b>(<sup>2</sup>)</b>	<b>(<sup>2</sup>)</b>	<b>27,063.6</b>
Assets excluding financial derivatives	26,060.3	-575.2	-163.6	-411.6	25,485.2
Financial derivatives other than reserves	1,591.1	-12.6	( <sup>2</sup> )	( <sup>2</sup> )	1,578.5
<b>U.S. liabilities</b>	<b>35,398.8</b>	<b>303.4</b>	<b>(<sup>2</sup>)</b>	<b>(<sup>2</sup>)</b>	<b>35,702.1</b>
Liabilities excluding financial derivatives	33,855.2	331.0	-54.6	385.6	34,186.2
Financial derivatives other than reserves	1,543.6	-27.7	( <sup>2</sup> )	( <sup>2</sup> )	1,515.9

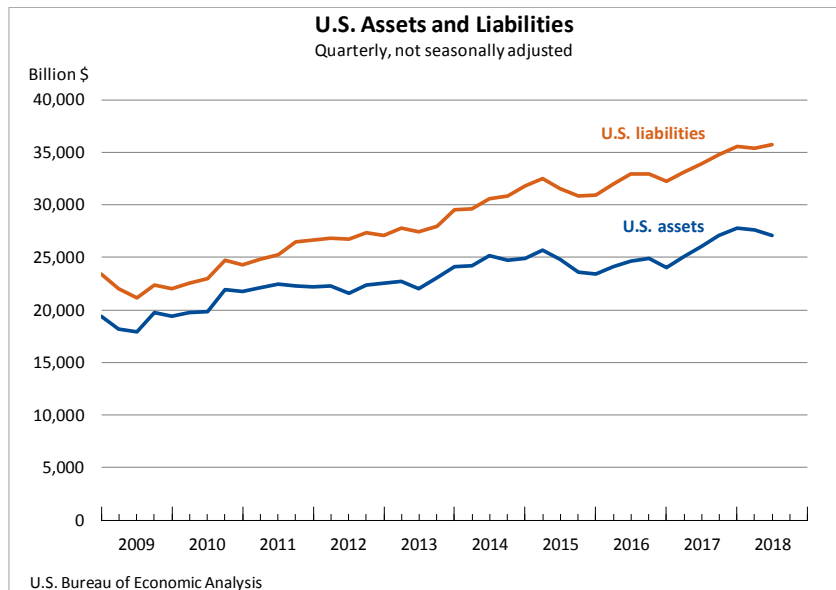
1. Disaggregation of other changes in position into price changes, exchange-rate changes, and other changes in volume and valuation is only presented for annual statistics released in June each year.

2. Financial transactions and other changes in financial derivatives positions are available only on a net basis; they are not separately available for U.S. assets and U.S. liabilities.

**U.S. liabilities** increased \$303.4 billion to \$35,702.1 billion at the end of the second quarter, reflecting increases in all major categories of liabilities, except financial derivatives.

- Liabilities excluding financial derivatives increased \$331.0 billion to \$34,186.2 billion. The increase resulted from financial transactions of -\$54.6 billion and other changes in position of \$385.6 billion (table A).

- Financial transactions were driven by net U.S. repayment of other investment liabilities, mostly reflecting net U.S. repayment of loans.
- Other changes in position mostly reflected U.S. equity price increases that raised the equity value of direct investment and portfolio investment liabilities. These equity price increases were partly offset by decreases in prices of U.S. long-term debt securities.
- Financial derivatives decreased \$27.7 billion to \$1,515.9 billion, mostly reflecting a decrease in single-currency interest rate contracts that was partly offset by an increase in foreign-exchange contracts.



### **Effects of the 2017 Tax Cuts and Jobs Act on U.S. Direct Investment Assets**

The earnings of foreign affiliates of U.S. multinational enterprises consist of repatriated earnings to the parent company in the United States in the form of dividends and reinvested earnings in foreign affiliates. When dividends exceed earnings in a given period, there is a net withdrawal of direct investment equity assets. The net withdrawal in the first and second quarters of 2018 reflects the repatriation of accumulated earnings by foreign affiliates to their U.S. parent companies in response to the 2017 Tax Cuts and Jobs Act (TCJA). The TCJA requires U.S. parent companies to pay a one-time tax on their accumulated earnings held abroad, but generally eliminates taxes on repatriated earnings.

The financial transactions highlighted in this release and related income transactions are reflected in the U.S. international transactions accounts. For more information about how the TCJA affected direct investment asset and income transactions, see [“U.S. International Transactions: Second Quarter 2018,”](#) which was released on September 19, 2018, and two BEA FAQs [“How are the international transactions accounts affected by an increase in direct investment dividend receipts?”](#) and [“How does the 2017 Tax Cuts and Jobs Act affect BEA's business income statistics?”](#)

**Updates to First Quarter 2018 International Investment Position Aggregates**

Billions of dollars, not seasonally adjusted

	Preliminary estimate	Revised estimate
<b>U.S. net international investment position</b>	<b>-7,888.1</b>	<b>-7,747.3</b>
<b>U.S. assets</b>	<b>27,616.3</b>	<b>27,651.4</b>
Direct investment at market value	8,541.7	8,518.6
Portfolio investment	12,703.4	12,697.9
Financial derivatives other than reserves	1,611.6	1,591.1
Other investment	4,298.2	4,382.5
Reserve assets	461.3	461.3
<b>U.S. liabilities</b>	<b>35,504.4</b>	<b>35,398.8</b>
Direct investment at market value	8,871.8	8,833.6
Portfolio investment	19,459.7	19,396.6
Financial derivatives other than reserves	1,561.0	1,543.6
Other investment	5,611.9	5,625.0

Next release: December 27, 2018, at 8:30 A.M. EST  
U.S. Net International Investment Position, Third Quarter 2018

## Additional Information

### Resources

- Stay informed about BEA developments by reading the BEA [blog](#), signing up for BEA's [email subscription service](#), or following BEA on Twitter [@BEA\\_News](#).
- Historical time series for these estimates can be accessed in BEA's [interactive data application](#).
- Access BEA data by registering for BEA's Data [application programming interface](#) (API).
- For more on BEA's statistics, see our monthly online journal, the [Survey of Current Business](#).
- BEA's [news release schedule](#).
- More information on these international investment position statistics will be provided next month in the [Survey of Current Business](#).
- More information on the international investment position accounts and a description of the estimation methods used to compile them is provided in [U.S. International Economic Accounts: Concepts and Methods](#).

### Definitions

The **international investment position (IIP)** is a statistical balance sheet that presents the dollar value of U.S. financial assets and liabilities with respect to foreign residents at a specific point in time. BEA presents IIP statistics at the end of a quarter or year (March, June, September, and December). For the June release, BEA also presents statistics on changes in the yearend position that are disaggregated into financial transactions, price changes, exchange-rate changes, and changes in volume and valuation not included elsewhere (n.i.e.).

The **U.S. net international investment position** is defined as the value of U.S. assets less the value of U.S. liabilities.

**Financial transactions** are transactions between U.S. residents and nonresidents in financial assets and liabilities. They are also recorded in the financial account of the international transactions accounts (ITAs). See **Related Statistics** below.

**Other changes in position** are changes in the value of U.S. assets or liabilities arising from any source besides a financial transaction. Other changes in position include price changes, exchange-rate changes, and changes in volume and valuation not included elsewhere (n.i.e.).

**Price changes** (only presented for annual statistics in the June news release) are changes in the value of an asset or liability due to changes in the market price of a financial instrument.

**Exchange-rate changes** (only presented for annual statistics in the June news release) are changes in the value of foreign-currency denominated assets and liabilities due to changes in the values of foreign currencies relative to the value of the U.S. dollar.

**Changes in volume and valuation n.i.e.** (only presented for annual statistics in the June news release) reflect changes in position due to year-to-year shifts in the composition of reporting panels, the incorporation of more comprehensive annual and benchmark survey results, and revaluations (holding gains and losses) on assets and liabilities that are not explained by price changes or exchange-rate changes.

**Functional categories** are the primary classification system used in the IIP and in the financial account of the ITAs. The five functional categories are direct investment, portfolio investment, financial derivatives other than reserves, other investment, and reserve assets. While the functional categories are based on features that are relevant for understanding cross-border financial transactions and positions, they also take into account some aspects of the relationship between transactors and the economic motivation for the investment. Within the functional categories, the IIP accounts are classified by type of financial instrument.

**Direct investment** is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise resident in another economy. Ownership or control of 10 percent or more of the voting securities of an entity in another economy is the threshold for separating direct investment from other types of investment. Direct investment positions include positions in equity and debt instruments. BEA's IIP statistics feature the [market value](#) measure of direct investment positions, a measure that values owner's equity at current-period prices using indexes of stock market prices.

**Portfolio investment** consists of cross-border positions involving equity and investment fund shares and debt securities, excluding those included in direct investment or reserve assets. Debt securities are classified by original maturity (short term vs. long term at the time of issue).

**Financial derivatives other than reserves** consist of cross-border positions arising from financial contracts that are linked to underlying financial instruments, commodities, or indicators. Positions in financial derivatives consist of contracts with positive and negative fair values. A contract with a positive fair value is a U.S. asset and 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 is a U.S. liability and 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 across all contracts with positive (negative) fair values. Fair values differ from notional values, which are the underlying amounts used to calculate payments on contracts. Gross positive and gross negative fair values for financial derivatives positions are available separately in table 1. However, transactions and other changes in financial derivatives positions are only available for the net position in financial derivatives. For other changes in position for financial derivatives presented in the June news release, statistics are not separately available for price changes, exchange-rate changes, and changes in volume and valuation n.i.e.

**Other investment** includes cross-border positions other than those included in direct investment, portfolio investment, financial derivatives, and reserve assets. Other investment positions consist of positions in currency and deposits, loans, insurance technical reserves, trade credit and advances, and, for liabilities, special drawing rights allocations.

**Reserve assets** are those external assets that are readily available to and controlled by U.S. monetary authorities for meeting balance of payments financing needs, for intervention in exchange markets to affect the currency exchange rate, and for other related purposes such as maintaining confidence in the currency and the economy and serving as a basis for foreign borrowing. The major published components are monetary gold, International Monetary Fund (IMF) special drawing rights (SDRs), reserve position in the IMF, and other reserve assets.

## Release and update schedule

Preliminary quarterly IIP account statistics are released in March, June, September, and December, approximately 90 days after the end of the reference quarter. These statistics are updated the following quarter to incorporate new and revised source data. Quarterly statistics are open for revision for at least the prior three years in annual updates released in June. Preliminary annual statistics are released in March reflecting positions at the end of the fourth quarter of the previous year. These annual statistics are open for revision for at least the prior three years in subsequent annual updates.

## Related statistics

The IIP statistics comprise one part of a broader set of U.S. international economic accounts that, taken together, provide a comprehensive, integrated and detailed picture of U.S. international economic activities.

The [international transactions accounts \(ITAs\)](#) are released quarterly. Financial transactions reported in the financial account of the ITAs are one type of change in position recorded in the IIP. Financial transactions are transactions between U.S. residents and nonresidents for direct investment, portfolio investment, other investment, reserve assets, and financial derivatives.

Statistics on [direct investment and multinational enterprises \(MNEs\)](#) include annual statistics on the activities of MNEs, detailed annual and quarterly statistics on direct investment, and annual statistics on new investment in the United States.

Statistics on [international services](#) include detailed annual information on trade in services and on services supplied through the channel of direct investment by affiliates of multinational enterprises.

[U.S. international trade in goods and services](#), released by BEA and the U.S. Census Bureau, provides monthly statistics on trade in goods and services.

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## List of News Release Tables

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

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

[Billions of dollars, not seasonally adjusted]

Line	Type of investment	2017				2018		Change: 2018:I to 2018:II	Line
		I	II	III	IV	I <sup>r</sup>	II <sup>p</sup>		
1	<b>U.S. net international investment position (line 4 less line 35)</b>	<b>-7,986.0</b>	<b>-7,858.2</b>	<b>-7,624.9</b>	<b>-7,725.0</b>	<b>-7,747.3</b>	<b>-8,638.5</b>	<b>-891.2</b>	1
2	Net international investment position excluding financial derivatives (line 5 less line 36)	-8,025.5	-7,895.3	-7,658.7	-7,753.3	-7,794.9	-8,701.1	-906.2	2
3	Financial derivatives other than reserves, net (line 6 less line 37)	39.5	37.1	33.8	28.3	47.6	62.6	15.0	3
4	<b>U.S. assets</b>	<b>25,118.3</b>	<b>26,083.0</b>	<b>27,124.1</b>	<b>27,799.1</b>	<b>27,651.4</b>	<b>27,063.6</b>	<b>-587.8</b>	4
5	Assets excluding financial derivatives (sum of lines 7, 10, 21, and 26)	23,163.9	24,151.7	25,419.0	26,176.6	26,060.3	25,485.2	-575.2	5
6	Financial derivatives other than reserves, gross positive fair value (line 15)	1,954.4	1,931.3	1,705.1	1,622.5	1,591.1	1,578.5	-12.6	6
	<b>By functional category:</b>								
7	Direct investment at market value	7,920.9	8,183.1	8,656.9	8,910.0	8,518.6	8,441.5	-77.1	7
8	Equity	6,636.6	6,940.9	7,380.9	7,645.9	7,237.9	7,145.9	-91.9	8
9	Debt instruments	1,284.3	1,242.2	1,276.1	1,264.1	1,280.7	1,295.6	14.8	9
10	Portfolio investment	10,724.6	11,336.5	11,997.2	12,543.8	12,697.9	12,382.1	-315.8	10
11	Equity and investment fund shares	7,712.3	8,206.8	8,724.8	9,129.5	9,163.7	8,862.8	-300.9	11
12	Debt securities	3,012.2	3,129.7	3,272.3	3,414.4	3,534.2	3,519.3	-14.8	12
13	Short term	494.3	533.9	608.9	649.8	682.5	679.7	-2.8	13
14	Long term	2,518.0	2,595.8	2,663.4	2,764.6	2,851.7	2,839.6	-12.1	14
15	Financial derivatives other than reserves, gross positive fair value	1,954.4	1,931.3	1,705.1	1,622.5	1,591.1	1,578.5	-12.6	15
16	Over-the-counter contracts	1,918.9	1,893.8	1,663.1	1,582.0	1,552.8	1,514.3	-38.5	16
17	Single-currency interest rate contracts	1,485.4	1,428.3	1,201.8	1,150.5	1,112.1	1,019.3	-92.7	17
18	Foreign exchange contracts	272.1	297.3	281.1	261.3	257.6	334.8	77.3	18
19	Other contracts	161.5	168.2	180.2	170.1	183.1	160.1	-23.0	19
20	Exchange-traded contracts	35.5	37.6	42.1	40.5	38.4	64.2	25.8	20
21	Other investment	4,085.3	4,196.4	4,308.3	4,273.0	4,382.5	4,220.6	-161.9	21
22	Currency and deposits	1,622.4	1,665.7	1,755.7	1,774.9	1,841.2	1,791.0	-50.3	22
23	Loans	2,412.6	2,480.4	2,500.9	2,446.4	2,490.1	2,375.8	-114.3	23
24	Insurance technical reserves	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	24
25	Trade credit and advances	50.3	50.3	51.7	51.8	51.1	53.8	2.6	25
26	Reserve assets	433.1	435.7	456.6	449.7	461.3	440.9	-20.4	26
27	Monetary gold	325.5	324.8	343.9	337.6	346.2	327.0	-19.2	27
28	Special drawing rights	49.3	50.6	51.4	51.9	53.0	51.3	-1.7	28
29	Reserve position in the International Monetary Fund	18.3	18.8	19.0	17.6	17.9	20.5	2.5	29
30	Other reserve assets	39.9	41.4	42.2	42.6	44.3	42.2	-2.1	30
31	Currency and deposits	20.2	22.6	25.3	25.6	27.4	27.9	0.5	31
32	Securities	19.7	18.7	16.9	17.0	16.9	14.3	-2.6	32
33	Financial derivatives	.....	.....	.....	.....	.....	.....	.....	33
34	Other claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	34
35	<b>U.S. liabilities</b>	<b>33,104.4</b>	<b>33,941.2</b>	<b>34,748.9</b>	<b>35,524.1</b>	<b>35,398.8</b>	<b>35,702.1</b>	<b>303.4</b>	35
36	Liabilities excluding financial derivatives (sum of lines 38, 41, and 56)	31,189.4	32,046.9	33,077.6	33,929.8	33,855.2	34,186.2	331.0	36
37	Financial derivatives other than reserves, gross negative fair value (line 50)	1,915.0	1,894.3	1,671.3	1,594.2	1,543.6	1,515.9	-27.7	37
	<b>By functional category:</b>								
38	Direct investment at market value	7,991.6	8,206.9	8,531.4	8,925.5	8,833.6	9,018.5	185.0	38
39	Equity	6,228.7	6,423.9	6,714.4	7,132.8	7,067.5	7,266.4	198.9	39
40	Debt instruments	1,762.9	1,783.0	1,817.1	1,792.6	1,766.1	1,752.2	-13.9	40
41	Portfolio investment	17,907.3	18,444.2	19,036.9	19,482.2	19,396.6	19,480.7	84.1	41
42	Equity and investment fund shares	7,008.7	7,191.0	7,550.8	7,951.9	7,985.6	8,171.3	185.7	42
43	Debt securities	10,898.6	11,253.2	11,486.1	11,530.3	11,411.0	11,309.4	-101.6	43
44	Short term	937.8	953.5	933.9	959.2	991.2	1,024.8	33.6	44
45	Treasury bills and certificates	669.2	673.0	682.1	702.4	716.0	749.7	33.7	45
46	Other short-term securities	268.6	280.5	251.7	256.8	275.3	275.1	-0.1	46
47	Long term	9,960.9	10,299.8	10,552.2	10,571.1	10,419.8	10,284.7	-135.1	47
48	Treasury bonds and notes	5,406.2	5,478.9	5,619.8	5,582.5	5,500.6	5,462.0	-38.6	48
49	Other long-term securities	4,554.7	4,820.9	4,932.4	4,988.6	4,919.2	4,822.7	-96.5	49
50	Financial derivatives other than reserves, gross negative fair value	1,915.0	1,894.3	1,671.3	1,594.2	1,543.6	1,515.9	-27.7	50
51	Over-the-counter contracts	1,877.6	1,852.8	1,630.0	1,554.4	1,508.9	1,456.3	-52.6	51
52	Single-currency interest rate contracts	1,426.9	1,372.0	1,166.6	1,112.6	1,070.5	980.3	-90.3	52
53	Foreign exchange contracts	280.5	305.3	281.7	266.8	259.5	317.3	57.8	53
54	Other contracts	170.2	175.5	181.8	175.1	178.9	158.7	-20.2	54
55	Exchange-traded contracts	37.3	41.5	41.3	39.9	34.6	59.6	25.0	55
56	Other investment	5,290.5	5,395.8	5,509.3	5,522.2	5,625.0	5,687.0	61.9	56
57	Currency and deposits	3,032.0	3,147.8	3,135.0	3,196.6	3,198.3	3,157.9	-40.4	57
58	Loans	2,033.6	2,022.1	2,141.6	2,091.1	2,182.0	2,281.0	99.0	58
59	Insurance technical reserves	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	59
60	Trade credit and advances	176.9	176.8	182.8	184.2	193.4	198.3	5.0	60
61	Special drawing rights allocations	47.9	49.1	49.9	50.3	51.3	49.7	-1.7	61

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