

A Nation in Debt: U.S. International Investment

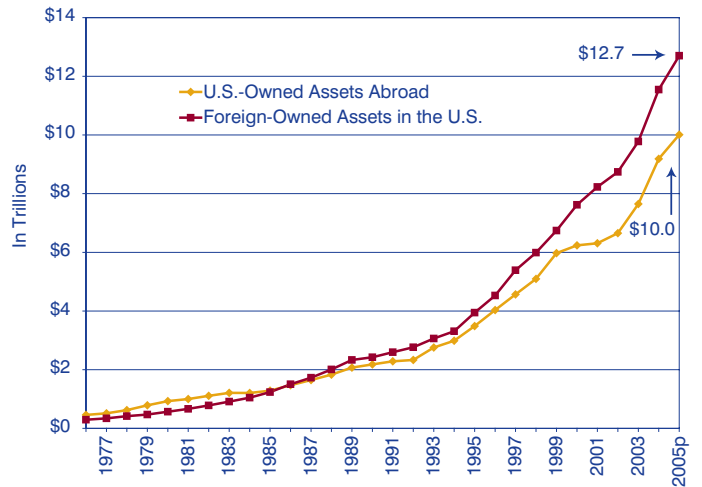
The value of foreign-owned assets in the United States exceeded the nation's foreign-owned investments abroad by almost \$2.7 trillion, according to preliminary data for the end of 2005 from the Bureau of Economic Analysis. As **Figure 1** clearly shows, this gap has widened over the years with 1986 as the first year in which foreign investment in the United States was greater than U.S. investments overseas.

What Makes Up Our Investment Position?

The United States as a whole owns more than \$10 trillion in assets abroad, using current-cost valuation. Just 3 percent of that was U.S. official reserve assets (such as gold) or other government assets; the remaining 97 percent were U.S. private assets. Americans owned almost \$4.1 trillion in foreign securities, accounting for 42 percent of those private assets. Meanwhile, direct investment abroad (\$2.5 trillion) accounts for 25 percent of U.S.-owned private assets.

Foreign-owned assets in the United States exceed \$12.7 trillion. Seventeen percent of those assets are owned by foreign governments, with U.S. government securities making

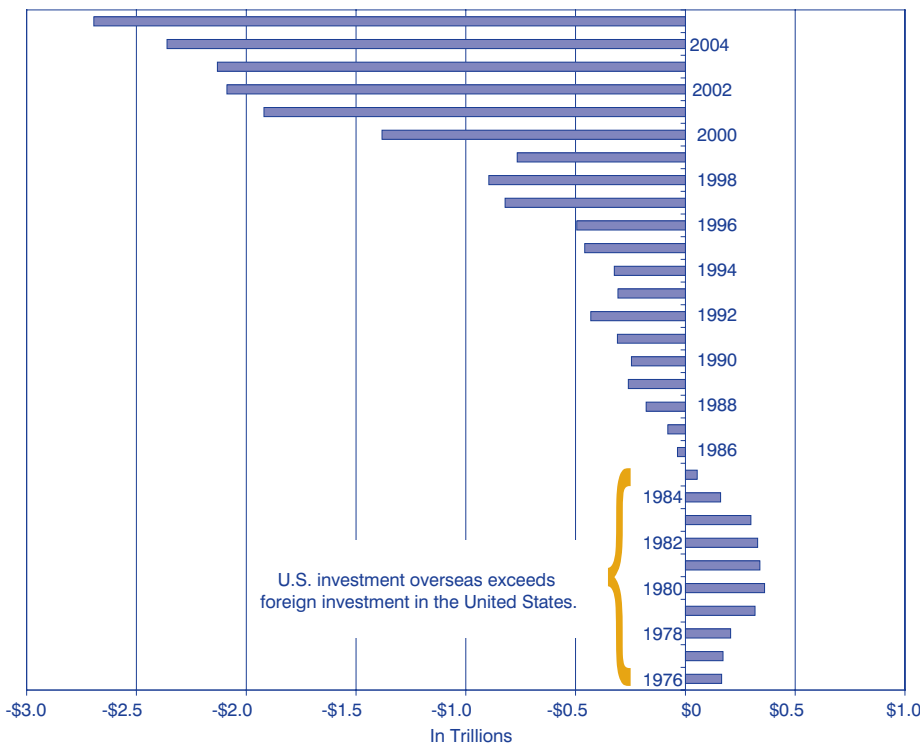
FIGURE 2: INTERNATIONAL INVESTMENT POSITION OF THE UNITED STATES



Note: This figure shows direct investment positions valued at current cost. The current-cost method values the U.S. and foreign parents' share of their affiliates' investment in plants and equipment using the current cost of capital equipment, in land using general price indexes, and in inventories using estimates of their replacement cost. Source: Bureau of Economic Analysis

up three-fourths of those assets. Meanwhile, U.S. securities make up 42 percent of the assets in the "other foreign assets" category, with an additional 10 percent held in Treasury securities and U.S. currency. Foreign direct investment in the United States accounts for 18 percent of that category, or a total of nearly \$1.9 trillion.

FIGURE 1: DIFFERENCE BETWEEN U.S. ASSETS ABROAD AND FOREIGN-OWNED ASSETS IN THE U.S.



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Change Since Last Year

As seen in **Figure 2**, the gap in the U.S. investment position grew larger, with a net change of -\$333 billion since the end of 2004. This is mainly due to foreign purchases of U.S. Treasury securities, as well as the depreciation of most major foreign currencies against the dollar; however, this was somewhat offset by the appreciation of U.S.-owned foreign stocks, which outpaced the appreciation of foreign-owned U.S. stocks.

For more information, visit www.bea.gov/bea/di/home/iip.htm.

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