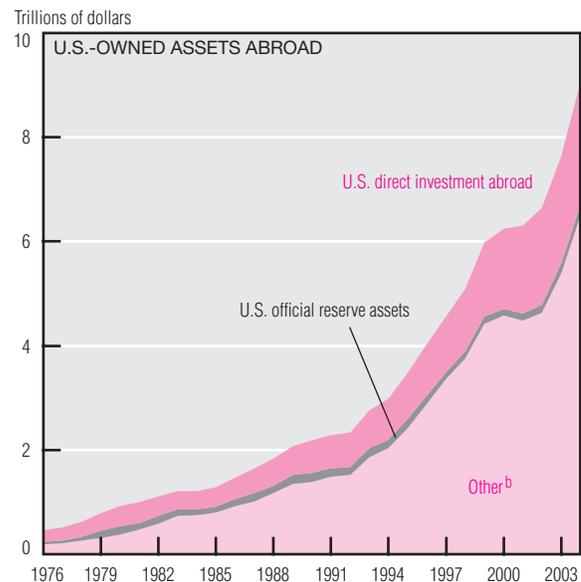
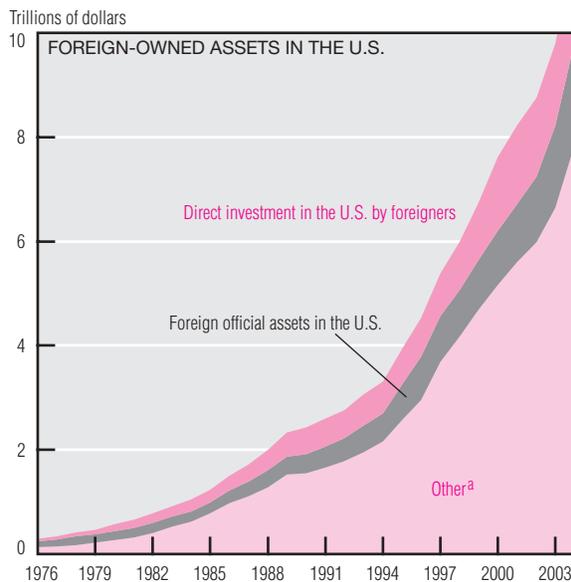
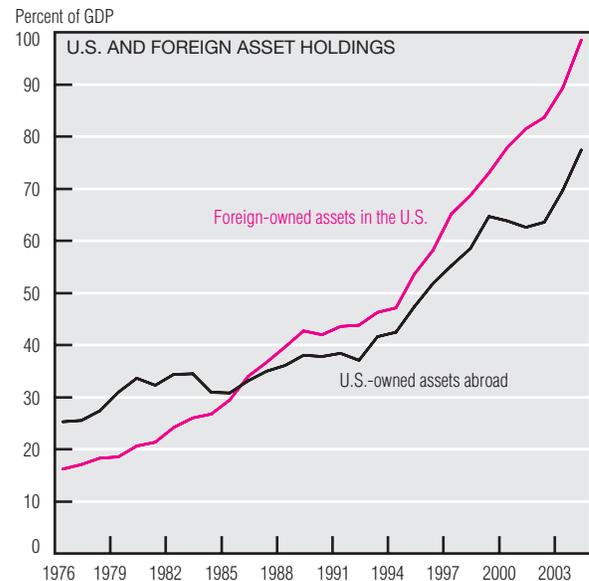
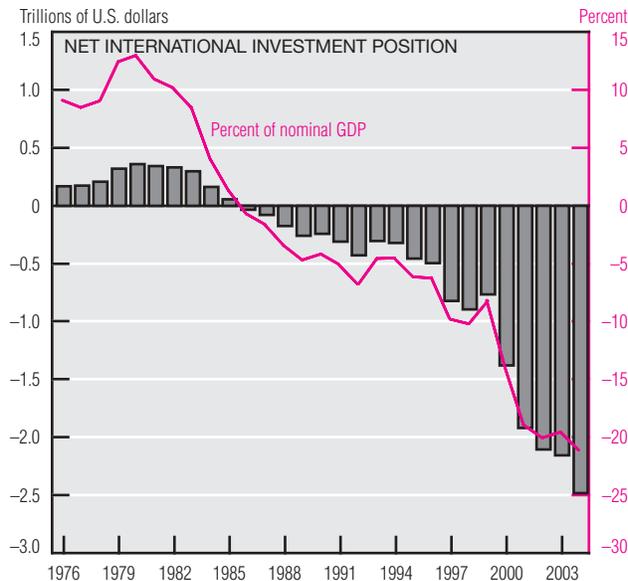


# The U.S. International Investment Position



NOTE: All direct investment positions are valued on a current-cost basis.

a. Includes foreign holdings of U.S. currency and securities, U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns, and U.S. liabilities reported by U.S. banks not included elsewhere.

b. Includes U.S. government assets other than official reserve assets, U.S. private holdings of foreign securities, U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns, and U.S. claims reported by U.S. banks not included elsewhere.

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

The net international investment position of the United States reached  $-\$2.5$  trillion or 21% of GDP in 2004, according to recently released data. This amount is the difference between U.S.-owned assets abroad, which increased  $\$1.4$  trillion to  $\$9.1$  trillion last year, and foreign-owned assets in the United States, which increased  $\$1.7$  trillion to  $\$11.5$  trillion. Most of these assets are held in relatively liquid forms, such as corporate bonds, stocks, government securities, and bank accounts.

Although some observers feared that the dollar's depreciation last year partly reflected an official diversification out of dollars, the data show an increase in official holdings of dollar assets. Official asset acquisitions accounted for 24% of the total increase in foreign-owned assets in the United States—a large, but not unusual, share. The dollar's depreciation last year actually softened the decline in our net international investment position by increasing the dollar value of U.S. assets held abroad.

Our negative net international investment position reflects two decades of persistent U.S. current-account deficits. We finance these deficits by issuing foreigners financial claims against our future output (foreign-owned assets in the United States). Because we must pay interest on these claims and roll them over, their ratio to GDP—a thumbnail measure of our ability to do so—is particularly important. Although no one really knows how low this ratio might go, it cannot fall forever.