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 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.

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.

—Amber Kostelac, Data Manager Emeritus, and Rachel Justis, Managing Editor, Indiana Business Research Center, Kelley School of Business, Indiana University