

How BEA Aligns and Augments Source Data From the U.S. Treasury Department for Inclusion in the International Transactions Accounts

Like most of the U.S. economic accounts produced by the Bureau of Economic Analysis (BEA), the estimates of financial-account transactions in the international transactions accounts (ITAs) are based largely on source data collected by other federal government agencies—in this case, by the Treasury International Capital (TIC) reporting system of the U.S. Department of the Treasury. The presentation of the adjustments undertaken by BEA to align and to augment these data for inclusion in the financial account can help data users reconcile BEA's financial-account estimates with the TIC data that are available to the public on the Treasury Department's Web site at www.treasury.gov and in the *Treasury Bulletin*.

The relationships between the estimates in the ITAs that are prepared by BEA and the data from the TIC reporting system are shown in tables 1–3. Table 1 presents estimates of transactions in foreign long-term securities; U.S. long-term securities, excluding U.S. Treasury securities; and U.S. Treasury securities. Table 2 presents estimates of claims on, and liabilities to, foreigners reported by U.S. nonbanking concerns. Table 3 presents estimates of claims on, and liabilities to, foreigners reported by U.S. banks and securities brokers.

Tables 1–3 identify the numerous adjustments that BEA makes to the TIC source data to align the data with balance-of-payments concepts and to close gaps in coverage. Examples of both types of adjustments are presented below.

Aligning with balance-of-payments concepts. The TIC data for U.S. purchases and sales of stocks and bonds reflect the gross amounts of funds transferred to execute these transactions. The TIC data for gross U.S. purchases of foreign stocks and bonds (table 1, line A1) include not

only the value of the securities, but also the commissions paid to foreign brokers. In the ITAs, payments of commissions to foreigners are treated as payments for financial services, not as purchases of securities; hence, these payments are included in the current account, not in the financial account. BEA adjusts the TIC data for gross U.S. purchases by subtracting an estimate of payments of brokerage commissions (line A3) from the TIC data for gross purchases.

Similarly, the TIC data for gross U.S. sales of foreign stocks and bonds (line A6) represent the net proceeds to U.S. sellers—that is, the amounts paid for the securities by foreign purchasers less the commissions retained by foreign brokers. To capture the total value of securities sold, BEA adds an estimate of brokerage commissions (line A7) to the TIC sales data. The payment of commissions is recorded in the current account as purchases of financial services.

Closing gaps in coverage. The TIC data for gross U.S. purchases of foreign stocks and bonds do not fully cover some transactions, such as acquisitions of U.S. companies by foreigners who finance their purchases through exchanges of stock. These stock swap transactions may bypass the U.S. brokers and dealers who are the primary respondents to the TIC survey on securities transactions. When stock is exchanged, the U.S. persons who previously held securities in the acquired U.S. company receive shares in the acquiring foreign company, and the receipt of these shares should be recorded in the ITAs as the acquisition, or purchase, of foreign long-term securities. To account for this gap in coverage in the TIC data, BEA adds an estimate of security swap transactions and other coverage adjustments (line A2) to the TIC data.

Table 1. Relation of Transactions in Foreign Long-Term Securities, U.S. Long-Term Securities Excluding U.S. Treasury Securities, and U.S. Treasury Securities in the U.S. International Transactions Accounts (ITAs) to Treasury International Capital (TIC) Reporting System Data
 [Millions of dollars]

| Line | | 2010 ^r | 2011 ^r | 2012 ^p |
|--|---|-------------------|-------------------|-------------------|
| Foreign Long-Term Securities | | | | |
| A1 | Gross U.S. purchases of foreign stocks and bonds, TIC | 7,439,057 | 7,623,625 | 7,248,541 |
| 2 | <i>Plus:</i> Security swap transactions and other coverage adjustments | 21,880 | 18,021 | 109,800 |
| 3 | <i>Minus:</i> Brokerage commissions | 1,215 | 1,397 | 1,248 |
| 4 | <i>Plus:</i> Underwriting and private placement fees | 4,358 | 4,193 | 2,116 |
| 5 | Equals: Gross U.S. purchases of foreign stocks and bonds, ITAs | 7,464,080 | 7,644,442 | 7,359,209 |
| 6 | Gross U.S. sales of foreign stocks and bonds, TIC | 7,323,798 | 7,499,298 | 7,213,148 |
| 7 | <i>Plus:</i> Brokerage commissions | 1,198 | 1,374 | 1,238 |
| 8 | Equals: Gross U.S. sales of foreign stocks and bonds, ITAs | 7,324,996 | 7,500,672 | 7,214,386 |
| 9 | Net U.S. purchases (–) or sales (+) of foreign stocks and bonds, TIC (A6 – A1)..... | -115,259 | -124,327 | -35,393 |
| 10 | <i>Plus:</i> Coverage adjustments ((A7) – (A2 – A3 + A4)) | -23,825 | -19,443 | -109,430 |
| 11 | Net U.S. purchases (–) or sales (+) of foreign long-term securities, ITAs (A8 – A5) (table 1, line 52)..... | -139,084 | -143,770 | -144,823 |
| U.S. Long-Term Securities, Excluding U.S. Treasury Securities | | | | |
| B1 | Gross foreign purchases of other U.S. long-term securities, TIC | 8,827,117 | 9,848,949 | 9,628,283 |
| 2 | <i>Plus:</i> Security swap transactions and other coverage adjustments | 8,331 | 1,320 | 2,782 |
| 3 | <i>Minus:</i> Brokerage commissions | 3,730 | 3,821 | 3,070 |
| 4 | <i>Plus:</i> Underwriting and private placement fees | 804 | 530 | 546 |
| 5 | Equals: Gross foreign purchases of other U.S. long-term securities, ITAs | 8,832,522 | 9,846,978 | 9,628,541 |
| 6 | Gross foreign sales of other U.S. long-term securities, TIC..... | 8,622,511 | 9,788,145 | 9,410,102 |
| 7 | <i>Plus:</i> Brokerage commissions | 3,591 | 3,819 | 3,031 |
| 8 | <i>Plus:</i> Coverage adjustment for gross sales | 113,659 | 62,510 | 64,402 |
| 9 | Equals: Gross foreign sales of other U.S. long-term securities, ITAs | 8,739,761 | 9,854,474 | 9,477,535 |
| 10 | Net foreign purchases (+) or sales (–) of other U.S. long-term securities, TIC (B1 – B6)..... | 204,606 | 60,804 | 218,181 |
| 11 | <i>Plus:</i> Coverage adjustments ((B2 – B3 + B4) – (B7 + B8))..... | -111,845 | -68,300 | -67,175 |
| 12 | Net foreign purchases (+) or sales (–) of other U.S. long-term securities, ITAs (B5 – B9) (table 1, line 59 + 62 + 66)..... | 92,761 | -7,496 | 151,006 |
| 13 | Other U.S. government securities, foreign official assets (table 1, line 59) | -88,718 | -20,712 | -118,495 |
| 14 | Other foreign official assets (table 1, line 62) | 40,540 | 67,678 | 72,593 |
| 15 | Other U.S. securities, other foreign assets (table 1, line 66) | 140,939 | -54,462 | 196,908 |
| U.S. Treasury Securities | | | | |
| C1 | Gross foreign purchases of U.S. Treasury marketable bonds and notes, TIC | 16,189,912 | 17,969,880 | 14,734,136 |
| 2 | <i>Minus:</i> Brokerage commissions and other fees | 1,265 | 1,279 | 907 |
| 3 | Equals: Gross foreign purchases of U.S. Treasury marketable bonds and notes, ITAs | 16,188,647 | 17,968,601 | 14,733,229 |
| 4 | Gross foreign sales of U.S. Treasury marketable bonds and notes, TIC | 15,486,230 | 17,537,309 | 14,328,198 |
| 5 | <i>Plus:</i> Brokerage commissions and other fees | 1,265 | 1,278 | 907 |
| 6 | <i>Plus:</i> Coverage adjustment for gross sales | -79,250 | 9,667 | -171,309 |
| 7 | Equals: Gross foreign sales of U.S. Treasury marketable bonds and notes, ITAs | 15,408,245 | 17,548,254 | 14,157,796 |
| 8 | Net foreign purchases (+) or sales (–) of U.S. Treasury marketable bonds and notes, TIC (C1 – C4)..... | 703,682 | 432,571 | 405,938 |
| 9 | <i>Plus:</i> Coverage adjustments (-(C2) – (C5 + C6)) | 76,720 | -12,224 | 169,495 |
| 10 | Net foreign purchases (+) or sales (–) of U.S. Treasury marketable bonds and notes, ITAs (C3 – C7)..... | 780,402 | 420,347 | 575,433 |
| 11 | <i>Plus:</i> Non-marketable bonds and notes | 108 | 118 | 126 |
| 12 | <i>Plus:</i> Short-term U.S. Treasury obligations | -40,157 | -62,607 | 13,981 |
| 13 | Net foreign purchases (+) or sales (–) of U.S. Treasury securities, ITAs (C10 + C11+ C12) (table 1, line 58 + line 65) | 740,353 | 357,858 | 589,540 |
| 14 | U.S. Treasury securities, foreign official assets (table 1, line 58) | 442,012 | 169,813 | 433,155 |
| 15 | U.S. Treasury securities, other foreign assets (table 1, line 65) | 298,341 | 188,045 | 156,385 |

^pPreliminary
^rRevised

Table 2. Relation of Claims on and Liabilities to Unaffiliated Foreigners Reported by U.S. Nonbanking Concerns Except Securities Brokers in the International Transactions Accounts (ITAs) to Treasury International Capital (TIC) Reporting System Data

[Millions of dollars]

| Line | | 2010 ^r | 2011 ^r | 2012 ^p |
|--|---|-------------------|-------------------|-------------------|
| Claims | | | | |
| (Credits +: decrease in U.S. assets. Debits -: increase in U.S. assets.) | | | | |
| A1 | Total claims outstanding, beginning of year, TIC | 102,138 | 104,801 | 96,668 |
| 2 | Total claims outstanding, end of year, TIC | 104,801 | 96,668 | 104,561 |
| 3 | Change in claims, TIC (A1 – A2) | -2,663 | 8,133 | -7,893 |
| 4 | Minus: Valuation adjustments including unrealized exchange-rate gain or loss and other adjustments ¹ | 9,542 | 5,814 | -3,194 |
| 5 | Plus: Financial intermediaries' accounts ² | 14,866 | 18,573 | 9,117 |
| 6 | Plus: Supplemental source data ³ | 28,665 | -15,241 | -44,717 |
| 7 | Plus: Other coverage adjustments ⁴ | 0 | -1,504 | 14,576 |
| 8 | Equals: Claims on unaffiliated foreigners reported by U.S. nonbanking concerns, except securities brokers, ITAs (A3 – A4 + A5 + A6 + A7) (table 1, line 53) | 31,326 | 4,147 | -25,723 |
| Liabilities | | | | |
| (Credits +: increase in U.S. liabilities. Debits -: decrease in U.S. liabilities.) | | | | |
| B1 | Total liabilities outstanding, beginning of year, TIC | 79,272 | 78,876 | 84,236 |
| 2 | Total liabilities outstanding, end of year, TIC | 78,876 | 84,236 | 86,468 |
| 3 | Change in liabilities, TIC (B2 – B1) | -396 | 5,360 | 2,232 |
| 4 | Minus: Valuation adjustments including unrealized exchange-rate gain or loss and other adjustments ¹ | -2,053 | -3,145 | 3,158 |
| 5 | Plus: Financial intermediaries' accounts ² | 4,307 | -2,343 | -1,155 |
| 6 | Plus: Supplemental source data ³ | 62,021 | 3,419 | -37,432 |
| 7 | Plus: Other coverage adjustments ⁵ | 0 | -3,528 | 8 |
| 8 | Equals: Liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns, except securities brokers, ITAs (B3 – B4 + B5 + B6 + B7) (table 1, line 68) | 67,985 | 6,053 | -39,505 |

^p Preliminary^r Revised

1. Includes unrealized gains or losses only on foreign-currency-denominated assets and liabilities.

2. Financial intermediaries' accounts represent transactions between firms in a direct investment relationship (that is, between U.S. parents and their foreign affiliates or between U.S. affiliates and their foreign parent groups), where both the U.S. and the foreign firm are classified in

a finance industry, but the firms are neither banks nor securities brokers.

3. Includes supplemental transactions from the Bank of England, the Bank for International Settlements (BIS), and the Federal Reserve Board.

4. Includes supplemental insurance transactions and adjustments to avoid double counting U.S. claims on foreigners.

5. Includes adjustments to avoid double counting U.S. liabilities to foreigners.

Table 3. Relation of Claims on and Liabilities to Foreigners Reported by U.S. Banks and Securities Brokers in the International Transactions Accounts (ITAs) to Treasury International Capital (TIC) Reporting System Data

[Millions of dollars]

| Line | | 2010 ^r | 2011 ^r | 2012 ^p |
|--|---|-------------------|-------------------|-------------------|
| Claims | | | | |
| (Credits +: decrease in U.S. assets. Debits -: increase in U.S. assets.) | | | | |
| A1 | Total claims outstanding, beginning of year, TIC | 3,983,380 | 4,529,288 | 4,263,195 |
| 2 | Total claims outstanding, end of year, TIC | 4,529,288 | 4,263,195 | 3,856,833 |
| 3 | Change in claims, TIC (A1 – A2) | -545,908 | 266,093 | 406,362 |
| 4 | Minus: Valuation adjustments including unrealized exchange-rate gain or loss and other adjustments ¹ | -38,117 | 32,021 | 27,501 |
| 5 | Minus: Direct investment | -2,348 | -104 | -1,325 |
| 6 | Plus: Coverage adjustments including commercial paper and other adjustments ² | -1,378 | -18,310 | 312 |
| 7 | Equals: Claims on foreigners reported by U.S. banks and securities brokers, not included elsewhere, ITAs (A3 – A4 – A5 + A6) (table 1, line 54) | -506,821 | 215,866 | 380,498 |
| Liabilities | | | | |
| (Credits +: increase in U.S. liabilities. Debits -: decrease in U.S. liabilities.) | | | | |
| B1 | Total liabilities outstanding, beginning of year, TIC | 4,480,278 | 4,612,530 | 4,914,933 |
| 2 | Total liabilities outstanding, end of year, TIC | 4,612,530 | 4,914,933 | 4,521,934 |
| 3 | Change in liabilities, TIC (B2 – B1) | 132,252 | 302,403 | -392,999 |
| 4 | Minus: Valuation adjustments including unrealized exchange-rate gain or loss and other adjustments | -25,026 | 36,050 | -13,715 |
| 5 | Minus: Direct investment | 11,225 | 11,152 | -4,315 |
| 6 | Plus: Coverage adjustments including short-term U.S. Treasury obligations and other adjustments ³ | 40,157 | 62,607 | -13,981 |
| 7 | Equals: Liabilities to foreigners reported by U.S. banks and securities brokers, not included elsewhere, ITAs (B3 – B4 – B5 + B6) (table 1, lines 61 + 69) | 186,210 | 317,808 | -388,950 |
| 8 | Liabilities to foreign official agencies (table 1, line 61) | -7,967 | 27,474 | -1,572 |
| 9 | Liabilities to other foreigners (table 1, line 69) | 194,177 | 290,334 | -387,378 |

^p Preliminary^r Revised

1. Includes adjustments for claims on foreigners written off by U.S. reporters.

2. Includes adjustments for supplemental transactions in foreign commercial paper and other

instruments.

3. Includes adjustments for transactions that are included in other international transactions accounts, including transactions in short-term U.S. Treasury obligations and in other liabilities held in custody by U.S. reporters.