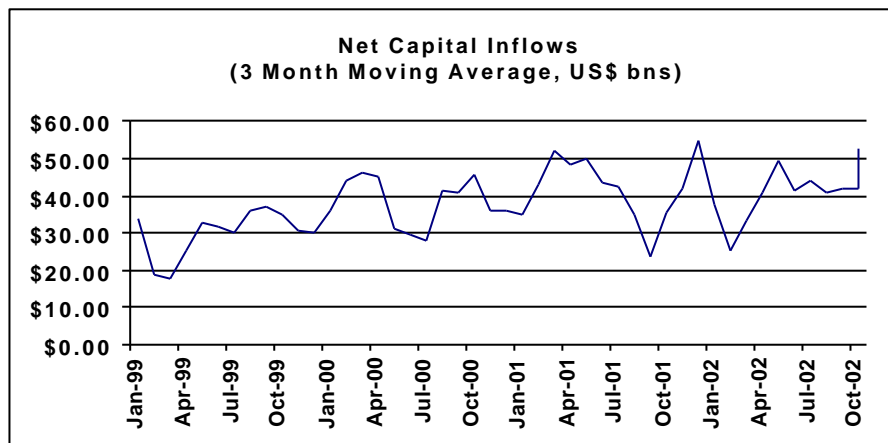




Focus on US Capital Flows

Net Foreign Inflows into Long-Term US Assets (US\$ Blns)						
Asset Type	Monthly Averages			Quarterly Averages		
	Nov-03	Oct-03	Sep-03	Q3-02	Q2-02	Q1-02
Government Bonds	18.99	6.65	31.14	15.34	-2.45	0.81
Agencies	18.85	22.14	21.06	16.76	18.21	9.90
Corporate	21.69	9.89	3.87	7.43	21.82	16.47
Total Fixed Income	59.52	38.69	56.07	39.53	37.58	27.18
Equities	6.48	3.62	-6.47	2.60	3.86	5.88
Total Demand for US Assets	66.00	42.30	49.61	42.13	41.44	33.06

The latest monthly portfolio data from the US Treasury indicate that foreigners showed a strong preference for US fixed income products in November. The total net demand for assets was measured at \$66.0bn, up from \$42.30bn in the previous month. This was one of the highest monthly inflows on record but over 90% of the inflows were concentrated in fixed income products.

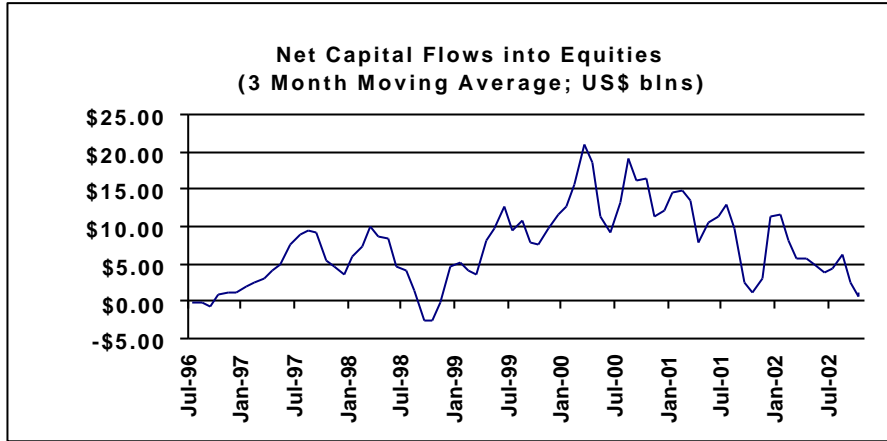


Looking at total net inflows over 2001 and 2002 there does not appear to be any real change in activity levels. The average monthly inflow to November 2002 was \$41.65bn, compared to \$43.31bn in November 2001. However, one of the striking features of US capital inflows in 2002 has been the diversification away from “corporate products”, reflecting the response to the wave of corporate scandals and weaker earnings potential.

As outlined in Charts 1 and 2, although the net inflow into US assets has remained high over 2002, the net inflow into equities has decline significantly from the level of demand seen in late 1999/2000. Average monthly inflows into equities have fallen over 54% since November 2001.



On a net basis the data show that that the demand for assets through November more than offset the huge current account deficit. However, the data over the next few months will be more interesting given that it will capture the drop seen in the dollar, especially against the euro. Since then the currency has lost almost 9% of its value against the euro.



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