

*For use at 4:00 p.m., E.S.T.
Friday
March 13, 1998*

FEDERAL RESERVE statistical release



Z.1

Flow of Funds Accounts of the United States

*Flows and Outstandings
Fourth Quarter 1997*

Flow of Funds Summary Statistics Fourth Quarter 1997

Debt of domestic nonfinancial sectors increased at a seasonally adjusted annual rate of 6-1/2 percent in the fourth quarter of 1997. Growth of federal government debt, at a 1-3/4 percent pace, remained subdued, while debt of nonfederal sectors increased at an 8 percent annual rate. Household debt picked up to a 7-3/4 percent rate, as an increase in home mortgage borrowing was only partially offset by a slight decline in consumer credit borrowing. Nonfinancial business debt accelerated to an 8-3/4 percent rate in the fourth quarter, the highest in nine years. All types of business credit remained strong, with particularly sizable increases in bank loans and loans from other sources. State and local government debt rose at a 7 percent annual rate in the fourth quarter.

Over 1997, domestic nonfinancial debt rose 5-1/4 percent, about the same as in the previous two

years. However, the composition of debt growth shifted toward businesses and state and local governments and away from the federal government and households.

The level of domestic nonfinancial debt outstanding was \$15.2 trillion at the end of 1997. Debt of the nonfederal sectors was \$11.4 trillion, and federal debt was \$3.8 trillion.

Figures on the growth and level of debt are found on tables D.1 through D.3. Tables with financial flows, amounts outstanding, and selected sector balance sheets and reconciliation tables are included in the remaining pages of this release.

Growth of Domestic Nonfinancial Debt¹

Percent changes; quarterly data are seasonally adjusted annual rates

	Total	Federal	Nonfederal			
			Total	Households	Business	State and local govts.
1988	9.1	8.0	9.4	9.1	10.4	6.5
1989	7.3	7.0	7.3	8.5	6.7	5.7
1990	6.4	11.0	5.2	7.5	3.1	5.1
1991	4.3	11.1	2.3	4.8	-1.7	8.4
1992	4.6	10.9	2.6	4.5	0.7	2.0
1993	5.0	8.3	3.8	5.6	1.4	5.7
1994	4.6	4.7	4.6	7.8	3.8	-3.9
1995	5.4	4.1	5.9	8.1	6.3	-4.4
1996	5.2	4.0	5.7	7.9	4.6	0.1
1997	5.3	0.6	6.9	7.0	7.1	5.6
1996:Q1	6.3	6.2	6.3	9.3	4.2	0.4
:Q2	5.0	1.7	6.2	8.2	4.9	2.0
:Q3	4.9	4.4	5.0	7.2	5.1	-5.6
:Q4	4.5	3.4	4.9	6.1	3.7	3.8
1997:Q1	5.0	2.1	6.0	6.9	5.6	3.8
:Q2	4.2	-2.6	6.6	6.6	6.3	7.4
:Q3	4.9	1.1	6.2	6.0	7.0	3.8
:Q4	6.5	1.8	8.1	7.8	8.8	6.9

1. Changes shown are on an end-of-period basis and may differ from month-average data in the H.6 release.

Table of Contents

<i>Title</i>	<i>Table</i>	<i>Page</i>
Flow of Funds Accounts, Fourth Quarter 1997		1
Availability of Data for Latest Quarter		5
Debt Growth by Sector	D.1	8
Borrowing by Sector	D.2	9
Debt Outstanding by Sector	D.3	10

<i>Title</i>	<i>Flows</i>		<i>Levels</i>	
	<i>Table</i>	<i>Page</i>	<i>Table</i>	<i>Page</i>
Summaries				
Total Net Borrowing and Lending in Credit Markets	F.1	11	L.1	60
Credit Market Borrowing by Nonfinancial Sectors	F.2	12	L.2	61
Credit Market Borrowing by Financial Sectors	F.3	12	L.3	61
Credit Market Borrowing, All Sectors, by Instrument	F.4	13	L.4	62
Total Liabilities and Their Relation to Total Financial Assets	F.5	13	L.5	62
Distribution of Gross Domestic Product	F.6	14		
Distribution of National Income	F.7	15		
Gross Saving and Investment	F.8	16		
Derivation of Measures of Personal Saving	F.9	17	L.9	63

<i>Title</i>	<i>Flows</i>		<i>Levels</i>	
	<i>Table</i>	<i>Page</i>	<i>Table</i>	<i>Page</i>
Sectors				
Households and Nonprofit Organizations	F.100	18	L.100	64
Nonfinancial Business	F.101	19	L.101	65
Nonfarm Nonfinancial Corporate Business	F.102	20	L.102	66
Nonfarm Noncorporate Business	F.103	21	L.103	67
Farm Business	F.104	21	L.104	67
State and Local Governments	F.105	22	L.105	68
Federal Government	F.106	23	L.106	68
Rest of the World	F.107	24	L.107	69
Monetary Authority	F.108	25	L.108	70
Commercial Banking	F.109	26	L.109	71
U.S.-Chartered Commercial Banks	F.110	27	L.110	72
Foreign Banking Offices in U.S.	F.111	28	L.111	73
Bank Holding Companies	F.112	29	L.112	74
Banks in U.S.-Affiliated Areas	F.113	29	L.113	74
Savings Institutions	F.114	30	L.114	75
Credit Unions	F.115	31	L.115	76
Bank Personal Trusts and Estates	F.116	31	L.116	76
Life Insurance Companies	F.117	32	L.117	77
Other Insurance Companies	F.118	32	L.118	77
Private Pension Funds	F.119	33	L.119	78
State and Local Government Employee Retirement Funds	F.120	33	L.120	78
Money Market Mutual Funds	F.121	34	L.121	79

<i>Title</i>	<i>Flows</i>		<i>Levels</i>	
	<i>Table</i>	<i>Page</i>	<i>Table</i>	<i>Page</i>
Mutual Funds	F.122	34	L.122	79
Closed-End Funds	F.123	34	L.123	79
Government-Sponsored Enterprises	F.124	35	L.124	80
Federally Related Mortgage Pools	F.125	35	L.125	80
Issuers of Asset-Backed Securities	F.126	36	L.126	81
Finance Companies	F.127	36	L.127	81
Mortgage Companies	F.128	37	L.128	82
Real Estate Investment Trusts	F.129	37	L.129	82
Security Brokers and Dealers	F.130	38	L.130	83
Funding Corporations	F.131	38	L.131	83

Instruments

Gold and Official Foreign Exchange Holdings	F.200	39	L.200	84
SDR Certificates and Treasury Currency	F.201	39	L.201	84
U.S. Deposits in Foreign Countries	F.202	39	L.202	84
Net Interbank Transactions	F.203	40	L.203	85
Checkable Deposits and Currency	F.204	41	L.204	86
Time and Savings Deposits	F.205	42	L.205	87
Money Market Mutual Fund Shares	F.206	42	L.206	87
Federal Funds and Security Repurchase Agreements	F.207	43	L.207	88
Open Market Paper	F.208	43	L.208	88
Treasury Securities	F.209	44	L.209	89

<i>Title</i>	<i>Flows</i>		<i>Levels</i>	
	<i>Table</i>	<i>Page</i>	<i>Table</i>	<i>Page</i>
Agency Securities	F.210	45	L.210	90
Municipal Securities and Loans	F.211	46	L.211	91
Corporate and Foreign Bonds	F.212	46	L.212	91
Corporate Equities	F.213	47	L.213	92
Mutual Fund Shares	F.214	47	L.214	92
Bank Loans Not Elsewhere Classified	F.215	48	L.215	93
Other Loans and Advances	F.216	49	L.216	94
Total Mortgages	F.217	50	L.217	95
Home Mortgages	F.218	51	L.218	96
Multifamily Residential Mortgages	F.219	51	L.219	96
Commercial Mortgages	F.220	52	L.220	97
Farm Mortgages	F.221	52	L.221	97
Consumer Credit	F.222	53	L.222	98
Trade Credit	F.223	53	L.223	98
Security Credit	F.224	53	L.224	98
Life Insurance and Pension Fund Reserves	F.225	54	L.225	99
Taxes Payable by Businesses	F.226	54	L.226	99
Investment in Bank Personal Trusts	F.227	54	L.227	99
Proprietors' Equity in Noncorporate Business	F.228	54		
Total Miscellaneous Financial Claims	F.229	55	L.229	100
Identified Miscellaneous Financial Claims - Part I	F.230	56	L.230	101
Identified Miscellaneous Financial Claims - Part II	F.231	57	L.231	102
Unidentified Miscellaneous Financial Claims	F.232	58	L.232	103
Sector Discrepancies	F.10	59		
Instrument Discrepancies	F.11	59		

<i>Title</i>	<i>Balance Sheet</i>		<i>Reconciliation</i>	
	<i>Table</i>	<i>Page</i>	<i>Table</i>	<i>Page</i>
Balance Sheet and Reconciliation Tables				
Households and Nonprofit Organizations	B.100	104	R.100	106
Nonfarm Nonfinancial Corporate Business	B.102	105	R.102	107

<i>Title</i>	<i>Flows</i>		<i>Levels</i>	
	<i>Table</i>	<i>Page</i>	<i>Table</i>	<i>Page</i>
Supplementary Tables				
Nonprofit Organizations	F.100.a	108	L.100.a	109
Flow of Funds Matrix for 1997		110		

Flow of Funds Accounts, Fourth Quarter 1997

This publication presents the flow of funds accounts for 1997:Q4.

Data revisions and other changes. The statistics shown in these tables reflect use of new or revised source data. Most significant revisions appear in recent quarters; however, new source information resulted in changes to data for earlier periods. The revisions include the following:

1. Total financial assets of the state and local governments sector (tables F.105 and L.105) were revised upward for the period 1995:Q1 onward. The changes were based on a compilation of data by the Flow of Funds Section from a sample of financial reports of the state governments that account for a majority of sector activity and from information on the assets of local government investment pools from Standard & Poor's. Within instrument categories, the sector's holdings of corporate equities are now larger than previously estimated.

2. In the private pension funds sector (tables F.119 and L.119), data have been benchmarked to aggregates from the Internal Revenue Service/Department of Labor/Pension Benefit Guaranty Corporation Form 5500 filed for plan year 1994. Total assets of the sector are about unchanged from previous estimates. Among instrument categories, the revisions indicate that private pension funds accumulated a larger volume of U.S. government securities and a smaller volume of corporate and foreign bonds than reported earlier.

3. Data for the state and local government employee retirement funds sector (tables F.120 and L.120) were revised for 1992:Q3 onward to reflect new information from plans reporting details of asset composition to the Bureau of the Census. The changes resulted in a reduction of the value of unidentified miscellaneous assets and a reallocation of identified assets in the sector.

4. Figures for funding corporations' (tables F.131 and L.131) investment in foreign banking offices were revised from 1991:Q1 onward, owing to

new data compiled from information on commercial paper from The Depository Trust Company.

5. Loans extended by federal agencies and reported in the other loans and advances instrument category (tables F.216 and L.216) were revised up from 1994:Q1 onward based on information from the Treasury Department. The bulk of the revision is the result of a higher value for loans to students under the Federal Direct Loan Program.

6. Beginning with 1997:Q4, the figures for other loans and advances (tables F.216 and L.216) include estimates of bank business loans in collateralized loan obligations. The loans are assets of the issuers of asset-backed securities sector (tables F.126 and L.126) and liabilities of the nonfarm nonfinancial corporate business sector (tables F.102 and L.102).

7. The time series for home mortgages (tables F.218 and L.218) was revised, with the most significant change a downward revision for the period beginning 1992:Q1. That revision owed mainly to improved estimates of the value of loans financed by owner-sellers and was offset in part by an upward revision to home mortgages for the period 1991:Q4 onward based on more complete information for securitized home equity loans.

8. Balance sheet and reconciliation tables for the households and nonprofit organizations sector (tables B.100 and R.100) and the nonfarm nonfinancial corporate business sector (tables B.102 and R.102) have been extended through year-end 1997. Data for prior periods have been revised to reflect changes to assets and liabilities in tables L.100 and L.102.

9. A new supplemental table, provided at the end of this release, shows the flow of funds accounts matrix for the year 1997. The matrix format provides a snapshot of financial flows for a given period.

Explanatory notes for tables D.1, D.2, and D.3.

Domestic debt includes credit market funds borrowed by U.S. entities from both domestic and foreign sources, while foreign debt represents amounts borrowed by foreign financial and nonfinancial entities in U.S. markets only. Financial sectors consist of government-sponsored enterprises, federally related mortgage pools, and private financial institutions. Credit market debt consists of debt securities, mortgages, bank loans, commercial paper, consumer credit, U.S. government loans, and other loans and advances; it excludes trade debt, loans for the purpose of carrying securities, and funds raised from equity sources.

Growth rates in table D.1 are calculated by dividing seasonally adjusted flows from table D.2 by seasonally adjusted levels at the end of the previous period from table D.3. Seasonally adjusted levels in flow of funds statistics are derived by carrying forward year-end levels by seasonally adjusted flows. Growth rates calculated from changes in unadjusted levels printed in table L.2 can differ from those in table D.1.

Relation of Flows to Outstandings. Estimates of financial assets and liabilities outstanding are linked to data on flows. However, figures on outstandings contain discontinuities or breaks in series that could affect analysis of particular relationships over time. Specifically, outstandings in the flow of funds accounts are related to the flows in the following way:

Outstanding_t = Outstanding_{t-1} + Flow_t + Discontinuity_t
 where "t" is the time period.

Discontinuities result from changes in valuation, breaks in source data, and changes in definitions. For most series, the value of the discontinuity is zero for nearly all time periods. However, in a few instances, the discontinuity is nonzero for almost all time periods, or is quite large in a particular quarter, such as a period when there is a sharp increase or decrease in equity prices or a major break in source data.

The discontinuities in the series can distort estimated rates of growth in assets and liabilities between periods. In order to minimize these distortions, percentage changes in assets and liabilities in flow of funds releases should be calculated in the following manner:

Percentage change_t = (Flow_t / Outstanding_{t-1}) * 100

Preliminary Estimates. Figures shown for the most recent quarter in these tables are based on preliminary and incomplete information. A summary list of the principal sources of information available when the latest quarter's data were compiled is provided in a table following this introduction. The distinction between "available" data and "missing" data is not between final and preliminary versions of data, but rather between those source estimates that are fully ready when the latest quarterly publication is compiled and those that are not yet completed. However, the items that are shown as available are, in general, also preliminary in the sense that they are subject to revision by source agencies.

Margins of Uncertainty. Flow of funds statistics are subject to uncertainties resulting from measurement errors in source data, incompatibilities among data from different sources, potential revisions in both financial and nonfinancial series, and incomplete data in parts of the accounts. The size of these uncertainties cannot be quantified in precise statistical terms, but allowance for them is explicitly made throughout the accounts by the inclusion of "discrepancies" for various sectors and instrument types. A discrepancy for a sector is the difference between its measured sources of funds and its measured uses of funds. For an instrument category, a discrepancy is the difference between measured funds borrowed through the financial instrument and measured funds lent through that instrument. The size of such discrepancies relative to the main asset or liability components is one indication of the quality of source data, especially on an annual basis. For quarterly data, differences in seasonal adjustment procedures for financial and nonfinancial components of the accounts sometimes result in discrepancies that cancel in annual data.

Availability of Data. Flow of funds statistics are updated about nine weeks following the end of a quarter. This publication--the Z.1 release--is available from the Board's Publications Services. Flow of funds data are also available electronically through the Internet at the following location:

<http://www.bog.frb.fed.us/releases/>

and through the Economic Bulletin Board of the Department of Commerce.

Data from the flow of funds accounts are also available on 3-1/2 inch diskettes. The diskettes contain quarterly data beginning in 1952, organized in files that correspond to the tables published in this release. One diskette contains the seasonally adjusted

flows, a second diskette contains unadjusted flows, and a third diskette contains quarterly outstandings, which are not seasonally adjusted. In addition, the third diskette contains quarterly data for the debt tables (tables D.1, D.2, and D.3) and available balance sheet tables, as well as monthly data from January 1955 onward for the monthly debt aggregate published in the Board's H.6 statistical release, "Money Stock, Liquid Assets, and Debt Measures."

Subscription Information. The Federal Reserve Board charges for subscriptions to all statistical releases. Inquiries for releases or the diskettes should be directed to:

Publications Services, Stop 127
Board of Governors
of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551
(202) 452-3244

A *Guide to the Flow of Funds Accounts* is available. The 670-page *Guide* explains in detail how the U.S. financial accounts are prepared and the principles underlying the accounts.

Availability of Data for Latest Quarter

	<u>Available at time of publication</u>	<u>Major items missing</u>
1. National income and product accounts (NIPA)	Preliminary estimates, seasonally adjusted, for 1997:Q4; unadjusted flows through 1996.	Unadjusted flows since 1996; corporate profits and related items for 1997:Q4.
2. Household sector (tables F.100 and L.100)	Estimates for this sector are largely residual and derived from data for other sectors. Availability of data depends on schedules for other sectors. Data for consumer credit, which are estimated directly, are available through 1997:Q4.	
3. Nonfarm nonfinancial corporate business (tables F.102 and L.102)	<i>Quarterly Financial Report</i> (QFR) of the Census Bureau through 1997:Q3; Internal Revenue Service <i>Statistics of Income</i> data through 1994; securities offerings, mortgages, bank loans, commercial paper, and other loans through 1997:Q4.	<i>Statistics of Income</i> data since 1994; QFR data for 1997:Q4.
4. Nonfarm noncorporate business (tables F.103 and L.103)	Internal Revenue Service <i>Statistics of Income</i> data through 1994; bank and finance company loans and mortgage borrowing for 1997:Q4.	<i>Statistics of Income</i> data since 1994.
5. Farm business (tables F.104 and L.104)	Mortgages, bank loans, loans from government-sponsored enterprises, and equity in government-sponsored enterprises through 1997:Q4; data for U.S. government loans to farms through 1996:Q4.	Data for consumption of fixed capital, undistributed profits, and trade payables since 1996.
6. State and local governments (tables F.105 and L.105)	Gross security offerings and retirements, deposits at banks, holdings of mortgages and nonmarketable U.S. government securities issues for 1997:Q4; selected financial assets through 1996:Q2 from the <i>Comprehensive Annual Financial Reports</i> of states that account for most of the holdings of the sector, and data from Standard & Poor's on local government investment pools.	Selected financial asset items since 1996:Q2.

7. Federal government (tables F.106 and L.106)	Data from the <i>Monthly Treasury Statement of Receipts and Outlays</i> through 1997:Q4; data from the Federal Financing Bank through 1997:Q4; Treasury data for loan programs through 1997:Q4.	None.
8. Rest of the world (U.S. international transactions) (tables F.107 and L.107)	Balance of payments data through 1997:Q4; NIPA estimates, data from bank reports of condition and Treasury International Capital System data through 1997:Q4.	None.
9. Monetary authority (tables F.108 and L.108)	All data through 1997:Q4.	None.
10. Commercial banking (tables F.109 and L.109)	All data through 1997:Q4 for U.S.-chartered banks, foreign banking offices in the U.S., bank holding companies, and commercial banks in U.S.-affiliated areas.	Data since 1996 for branches of domestic commercial banks located in U.S.-affiliated areas.
11. Savings institutions (tables F.114 and L.114)	All data through 1997:Q4.	None.
12. Credit unions (tables F.115 and L.115)	All data through 1997:Q4.	None.
13. Bank personal trusts and estates (tables F.116 and L.116)	All data through 1996.	Data since 1996.
14. Life insurance companies (tables F.117 and L.117)	Asset data through 1997:Q3 and liability data through 1996.	Asset data for 1997:Q4 and liability data since 1996.
15. Other insurance companies (tables F.118 and L.118)	All data through 1997:Q3.	Data for 1997:Q4.
16. Private pension funds (including FERS) (tables F. 119 and L.119)	Quarterly data through 1997:Q4; Internal Revenue Service/ Department of Labor/Pension Benefit Guaranty Corporation Form 5500 data through 1994.	Form 5500 data since 1994.
17. State and local government employee retirement funds (tables F.120 and L.120)	All data through 1997:Q3.	Data for 1997:Q4.
18. Money market mutual funds (tables F.121 and L.121)	All data through 1997:Q4.	None.
19. Mutual funds (tables F.122 and L.122)	All data through 1997:Q4.	None.

20. Closed-end funds (tables F.123 and L.123)	All data through 1996.	Data since 1996.
21. Government-sponsored enterprises (tables F.124 and L.124)	Balance sheet data for FHLBs, FNMA, FHLMC, SLMA, FCS, FICO, and REFCORP for 1997:Q4.	None.
22. Federally related mortgage pools (tables F.125 and L.125)	All data through 1997:Q4.	None.
23. Issuers of asset-backed securities (ABSs) (tables F.126 and L.126)	All data from Trepp/PSA Information Services of the Muller Data Corporation and data for private mortgage pools, consumer credit, business loans, student loans, consumer leases, and trade credit securitization through 1997:Q4.	None.
24. Finance companies (tables F.127 and L.127)	All data through 1997:Q4.	None.
25. Mortgage companies (tables F.128 and L.128)	Mortgage data through 1997:Q2.	Data since 1997:Q2.
26. Real estate investment trusts (REITs) (tables F.129 and L.129)	Data through 1996:Q3; equity and unsecured debt issuance through 1997:Q4.	Data since 1996:Q3.
27. Security brokers and dealers (tables F.130 and L.130)	Data for firms filing FOCUS and FOGS reports through 1997:Q4.	None.
28. Funding corporations (tables F.131 and L.131)	Estimates for this sector are largely residual and derived from data for other sectors.	