

*For use at 12:00 p.m., eastern time
Thursday
March 11, 2010*

FEDERAL RESERVE statistical release



Z.1

Flow of Funds Accounts of the United States

*Flows and Outstandings
Fourth Quarter 2009*

Flow of Funds Summary Statistics

Fourth Quarter 2009

Debt of the domestic nonfinancial sectors is estimated to have expanded at a seasonally adjusted annual rate of 1½ percent in the fourth quarter of 2009, about ¼ percentage points slower than in the previous quarter. Private debt contracted in the fourth quarter, while government debt continued to expand, albeit at a slower pace than in the preceding quarter. For 2009 as a whole, domestic nonfinancial debt rose ¾ percent, about 2½ percentage points below the 2008 pace.

Household debt contracted at an annual rate of 1¼ percent in the fourth quarter, its seventh consecutive quarter of decline. Home mortgage debt fell at an annual rate of ¾ percent, a significantly slower decline than in the third quarter, while consumer credit contracted at an annual rate of 5¾ percent. In 2009, household debt contracted 1¼ percent, the first yearly decline in household debt reported in the flow of funds accounts.

Nonfinancial business debt contracted at an annual rate of 3¼ percent in the fourth quarter, with all credit market instruments except corporate bonds

showing a decline. The 1¼ percent decline in nonfinancial business debt in 2009 as a whole was the first yearly decline since the early 1990s.

State and local government debt expanded at an annual rate of 4¾ percent last quarter, about the same as for the year 2009 as a whole. Federal government debt increased at an annual rate of 12½ percent in the fourth quarter, about half the rate of the past two years; for the year 2009, federal government debt rose almost 23 percent.

At the end of the fourth quarter of 2009, the level of domestic nonfinancial debt outstanding was \$34.7 trillion; household debt was \$13.5 trillion, nonfinancial business debt was \$11.0 trillion, and total government debt was \$10.2 trillion.

Household net worth—the difference between the value of assets and liabilities—was an estimated \$54.2 trillion at the end of the fourth quarter, up \$0.7 trillion from the third quarter. For 2009 as a whole, household net worth increased \$2.8 trillion.

Growth of Domestic Nonfinancial Debt¹

Percentage changes; quarterly data are seasonally adjusted annual rates

	Total	Households	Business	State and local govts.	Federal
2000	5.0	9.1	9.3	1.4	-8.0
2001	6.3	9.6	5.7	8.8	-0.2
2002	7.4	10.8	2.8	11.1	7.6
2003	8.1	11.8	2.3	8.3	10.9
2004	8.9	11.0	6.3	7.3	9.0
2005	9.5	11.1	8.8	10.2	7.0
2006	9.0	10.0	10.5	8.3	3.9
2007	8.7	6.7	13.4	9.5	4.9
2008	5.9	0.1	5.2	2.5	24.2
2009	3.3	-1.7	-1.8	4.8	22.7
2008:Q1	5.5	3.1	7.8	3.9	8.1
Q2	3.2	-0.0	6.4	1.8	5.9
Q3	8.1	-0.6	5.0	3.9	39.2
Q4	6.1	-1.9	1.2	0.2	37.0
2009:Q1	4.2	-1.3	0.4	4.7	22.6
Q2	4.5	-1.7	-2.1	4.1	28.2
Q3	2.9	-2.7	-2.3	5.5	20.6
Q4	1.6	-1.2	-3.2	4.7	12.6

1. Changes shown are on an end-of-period basis.

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Flow of Funds Accounts, Fourth Quarter 2009

This publication presents the flow of funds accounts for 2009:Q4.

Data revisions and other changes. The statistics in the attached tables reflect the 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.

1. The monetary authority sector (tables F.108 and L.108) was modified to include an additional asset category, corporate equities, reflecting the Federal Reserve's preferred interests in two special purpose vehicles, AIA Aurora LLC and ALICO Holdings LLC. These two limited liability companies are now included in the funding corporation sector (tables F.130 and L.130) and an additional asset category, corporate equities, has been added on that table to reflect their holdings of the common stock of American International Assurance Company Ltd (AIA) and American Life Insurance Company (ALICO), two life insurance subsidiaries of AIG.

2. The funding corporation sector (tables F.130 and L.130) was modified to include funds associated with the Legacy Securities Public-Private Investment Program (S-PPIP), a coordinated effort between Treasury, the FDIC, and the Federal Reserve. The funds purchase mortgage-backed securities (included in corporate bonds) using loans from the federal government (included in other loans and advances) and equity from private investors and the federal government (included in equity investment under PPIP).

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

Domestic debt comprises 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, agency- and GSE-backed 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:

$$\text{Outstanding}_t = \text{Outstanding}_{t-1} + \text{Flow}_t + \text{Discontinuity}_t$$

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 a 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 as:

$$\text{Percentage change}_t = (\text{Flow}_t / \text{Outstanding}_{t-1}) * 100$$

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 ten 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:

www.federalreserve.gov/releases/Z1

The Internet site also provides quarterly data beginning in 1952, organized in compressed files that correspond to the tables published in this release. There are files for quarterly data for seasonally adjusted flows, unadjusted flows, outstandings, balance sheets, and debt (tables D.1, D.2, and D.3). These data are also available as a customizable download dataset through the Data Download Program (**DDP**) at the following location:

www.federalreserve.gov/datadownload/Choose.aspx?rel=Z.1

A Guide to the Flow of Funds Accounts is available. The 1,200-page *Guide*, published in two volumes in January 2000, explains in detail how the U.S. financial accounts are prepared and the principles underlying the accounts. The *Guide* can be purchased for \$20.00 from the Board's Publications Services. Publications Services accepts orders accompanied by checks as well as credit card orders.

The Internet site for this release at the location shown above contains a link to an order form for the *Guide* that can be mailed or faxed to Publications Services. In addition, the Internet site includes a link to the *Guide's* descriptions of the tables in the flow of funds accounts.

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

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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)	Second estimate, seasonally adjusted, for 2009:Q4.	Unadjusted flows since 2007 for the government sectors. Unadjusted flows since 2006 for all other sectors.
2. Households and nonprofit organizations sector (tables F.100 and L.100)	Estimates for this sector are largely residuals and are 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 2009:Q4. The source for nonprofit organizations data (tables F.100.a and L.100.a) is the Internal Revenue Service <i>Statistics of Income</i> . Data for nonprofit organizations are available for 1987 through 2000.	
3. Nonfarm nonfinancial corporate business (tables F.102 and L.102)	<i>Quarterly Financial Report</i> (QFR) of the Census Bureau through 2009:Q3; Internal Revenue Service <i>Statistics of Income</i> (IRS/SOI) final data through 2007; securities offerings, mortgages, bank loans, commercial paper, and other loans through 2009:Q4.	<i>Statistics of Income</i> data since 2007. QFR data since 2009:Q3.
4. Nonfarm noncorporate business (tables F.103 and L.103)	IRS/SOI data through 2007; bank and finance company loans and mortgage borrowing through 2009:Q4.	<i>Statistics of Income</i> data since 2007.
5. Farm business (tables F.104 and L.104)	Mortgages, bank loans, loans from government-sponsored enterprises, U.S. government loans to farms, and equity in government-sponsored enterprises through 2009:Q4; preliminary data for checkable deposits and currency and trade payables through 2007.	Consumption of fixed capital and undistributed profits since 2008.
6. State and local governments (tables F.105 and L.105)	Gross offerings and retirements of municipal securities, deposits at banks, and nonmarketable U.S. government security issues through 2009:Q4; total financial assets through 2007:Q2 from the Census Bureau; breakdown of financial assets through 2004:Q2 from the comprehensive annual financial reports of state and local governments.	Total financial assets since 2007:Q2 and selected financial asset detail since 2004:Q2.
7. Federal government (tables F.106 and L.106)	Data from the <i>Monthly Treasury Statement of Receipts and Outlays</i> and Treasury data for loan programs and the Troubled Assets Relief Program (TARP) through 2009:Q4.	None.

8. Rest of the world (U.S. international transactions) (tables F.107 and L.107)	Balance of payments data through 2009:Q3. NIPA estimates; data from bank Reports of Condition and from Treasury International Capital System through 2009:Q4.	Balance of payments data for 2009:Q4.
9. Monetary authority (tables F.108 and L.108)	All data through 2009:Q4.	None.
10. Commercial banking (tables F.109 through F.113 and tables L.109 through L.113)	All data through 2009:Q4 for U.S.-chartered commercial banks, foreign banking offices in the U.S., bank holding companies, and commercial banks in U.S.-affiliated areas.	Data since 2008 for branches of domestic commercial banks located in U.S.-affiliated areas.
11. Savings institutions (tables F.114 and L.114)	All data through 2009:Q4.	None.
12. Credit unions (tables F.115 and L.115)	All data through 2009:Q4.	None.
13. Property-casualty insurance companies (tables F.116 and L.116)	All data through 2009:Q3. Preliminary data for 2009:Q4.	Final data for 2009:Q4.
14. Life insurance companies (tables F.117 and L.117)	All data through 2009:Q3. Preliminary data for 2009:Q4.	Final data for 2009:Q4.
15. Private pension funds (tables F.118 and L.118)	Quarterly data through 2009:Q3; Internal Revenue Service/Department of Labor/Pension Benefit Guaranty Corporation Form 5500 data through 2006.	Form 5500 data since 2006. Quarterly data since 2009:Q3.
16. State and local government employee retirement funds (tables F.119 and L.119)	Detailed data through 2007:Q2 from the Census Bureau; sample data through 2009:Q3 from the Census Bureau.	Detailed data since 2007:Q2 and sample data for 2009:Q4.
17. Federal government retirement funds (tables F.120 and L.120)	Data from the <i>Monthly Treasury Statement of Receipts and Outlays</i> , the Thrift Savings Plan, and the National Railroad Retirement Investment Trust through 2009:Q4.	None.
18. Money market mutual funds (tables F.121 and L.121)	All data through 2009:Q4.	None.
19. Mutual funds (tables F.122 and L.122)	All data through 2009:Q4.	None.
20. Closed-end funds (tables F.123 and L.123)	All data through 2009:Q4.	None.
21. Exchange-traded funds (tables F.123 and L.123)	All data through 2009:Q4.	None.

22. Government-sponsored enterprises (tables F.124 and L.124)	Data for Fannie Mae, Freddie Mac, FHLBs, FICO, FCS, and REFCORP through 2009:Q4.	Farmer Mac for 2009:Q4.
23. Agency- and GSE-backed mortgage pools (tables F.125 and L.125)	Data for Fannie Mae, Freddie Mac, and Ginnie Mae through 2009:Q4.	None.
24. Issuers of asset-backed securities (ABSs) (tables F.126 and L.126)	All data for private mortgage pools, consumer credit, business loans, student loans, consumer leases, and trade credit securitization through 2009:Q4.	None.
25. Finance companies (tables F.127 and L.127)	All data through 2009:Q4.	None.
26. Real estate investment trusts (REITs) (tables F.128 and L.128)	Data from SNL Financial through 2009:Q4.	None.
27. Security brokers and dealers (tables F.129 and L.129)	Data for firms filing FOCUS and FOGS reports through 2009:Q4.	None.
28. Funding corporations (tables F.130 and L.130)	Estimates for this sector are largely residuals and are derived from data for other sectors.	