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Z.1

Flow of Funds Accounts of the United States

*Flows and Outstandings
First Quarter 2011*

Flow of Funds Summary Statistics First Quarter 2011

Debt of the domestic nonfinancial sectors expanded at a seasonally adjusted annual rate of 2¼ percent in the first quarter of 2011, about two percentage points less than the pace registered in 2010.

Household debt declined at an annual rate of 2 percent in the first quarter; it has contracted in each quarter since the first quarter of 2008. Home mortgage debt fell at an annual rate of 3½ percent in the first quarter, ¾ percentage point more than the decline posted last year. Consumer credit rose 2½ percent at an annual rate in the first quarter, the second consecutive quarterly increase.

Nonfinancial business debt rose 4 percent in the first quarter, following an increase of nearly 2 percent in the fourth quarter of last year. The changes in corporate bonds outstanding and in business loans more than accounted for the increase in nonfinancial business debt; commercial paper outstanding posted a

small increase, but commercial mortgage debt continued to decline, albeit at a more moderate pace than during the previous year and a half.

State and local government debt fell about 3 percent at an annual rate in the first quarter, partially retracing an 8 percent increase in the fourth quarter. Federal government debt increased at an annual rate of 7¾ percent in the first quarter.

At the end of the first quarter of 2011, the level of domestic nonfinancial debt outstanding was \$36.3 trillion; household debt was \$13.3 trillion, nonfinancial business debt was just under \$11 trillion, and total government debt was \$12 trillion.

Household net worth—the difference between the value of assets and liabilities—was \$58.1 trillion at the end of the first quarter, about \$950 billion more than at the end of the previous quarter.

Growth of Domestic Nonfinancial Debt¹

Percentage changes; quarterly data are seasonally adjusted annual rates

	Total	Households	Business	State and local govts.	Federal
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	11.9	2.2	8.3	10.9
2004	8.8	11.1	6.2	7.3	9.0
2005	9.5	11.1	8.6	10.2	7.0
2006	9.0	10.0	10.6	8.3	3.9
2007	8.6	6.7	13.1	9.5	4.9
2008	6.0	0.2	5.5	2.3	24.2
2009	3.0	-1.7	-2.7	4.8	22.7
2010	4.2	-1.9	0.3	4.4	20.2
2010:Q1	3.7	-3.0	-0.4	5.7	20.5
Q2	4.4	-2.2	-1.3	-1.4	24.4
Q3	3.9	-2.0	1.1	5.4	16.0
Q4	4.6	-0.6	1.9	7.9	14.6
2011:Q1	2.3	-2.0	4.0	-2.9	7.8

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

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Flow of Funds Accounts, First Quarter 2011

This publication presents the Flow of Funds Accounts for 2011:Q1.

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. A new interactive, web-based guide to the Flow of Funds Accounts was released on March 28, 2011. The tools and descriptions within this guide are designed to help users explore the structure and content of the Z.1 and the Integrated Macroeconomic Accounts. Importantly, it allows users to search for series, browse tables of data, and identify links among series within these accounts. It also provides descriptions of each of the published tables and information on the source data underlying each series. Although this guide is separate from the release of the quarterly Z.1 data, it will also be updated quarterly and will be consistent with the most recently published data. The hardcopy *Guide to the Flow of Funds Accounts* published in 2000 is no longer available for purchase. This new guide is located at:

<http://www.federalreserve.gov/apps/fof/>

2. Assets of the nonfarm nonfinancial corporate business sector (tables F.102, L.102, B.102, and R.102) have been revised from 2009:Q1 forward, to reflect advance data from the Internal Revenue Service (IRS) Statistics of Income (SOI) for 2009.

3. The U.S.-chartered commercial banks sector (tables F.110 and L.110) and the savings institutions sector (tables F.114 and L.114) have been modified to show additional detail for agency- and GSE-backed securities and corporate and foreign bonds beginning in 2009q2. Residential and commercial mortgage pass-through securities and CMOs and other structured MBS are now shown separately.

4. Beginning in 2010, in response to new accounting rules (FAS 166 and 167), Freddie Mac and Fannie Mae moved most of the securitized mortgages they had held in special purpose vehicles onto their consolidated balance sheets. In response to this shift, the government-sponsored enterprises' (GSE) sector table (F.124 and L.124) has been modified to show detail for home and multifamily

mortgages held in consolidated trusts and other mortgages.

5. In the nonfarm nonfinancial corporate business sector (tables F.102 and L.102) syndicated loans from domestic entities outside the banking and finance company sectors have been revised from 2010:Q1 forward due to newly available 2010 benchmark statistics from the Shared National Credit Program (SNC). These loans are included in the liability category other loans and advances. Revised holdings of the lenders are shown on the other loans and advances tables (F.216 and L.216).

6. The market value of nonresidential and the apartment component of residential real estate owned by the households and nonprofit organizations, the nonfinancial corporate business, and the nonfarm nonfinancial noncorporate business sectors (tables B.100, B.102, and B.103) have been revised from 2004:Q4 forward due to revisions in the real estate price indices from the National Council of Real Estate Investment Fiduciaries (NCREIF).

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, the monetary authority, 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. This definition is consistent with the presentation of credit market borrowing and lending on tables F.1 through F.4. Net lending (+) or net borrowing (-) on the individual sector tables and the matrix is defined as net acquisition of financial assets less net increase in liabilities.

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 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 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:

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 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

This Internet site also provides coded tables and historical annual tables beginning in 1945 that correspond to the tables published in this release. There are also compressed ASCII files of quarterly data for seasonally adjusted flows, unadjusted flows, outstandings, balance sheets, debt (tables D.1, D.2, and D.3), and supplementary tables.

In addition, these data, as well as data for the quarterly and annual *Integrated Macroeconomic Accounts for the United States* tables, are available as customizable download datasets through the Data Download Program (DDP) at the following location:

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

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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 2011:Q1.	Unadjusted flows since 2006.
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 2011:Q1. 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 (QFR)</i> of the Census Bureau through 2010:Q4; Internal Revenue Service <i>Statistics of Income (IRS/SOI)</i> data through 2009; securities offerings, mortgages, bank loans, commercial paper, and other loans through 2011:Q1.	<i>Statistics of Income</i> data since 2009. QFR data for 2011:Q1.
4. Nonfarm noncorporate business (tables F.103 and L.103)	IRS/SOI data through 2008; bank and finance company loans and mortgage borrowing through 2011:Q1.	<i>Statistics of Income</i> data since 2008.
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 2010:Q4; preliminary data for checkable deposits and currency and trade payables through 2009.	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 2011:Q1; total financial assets through 2008: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 2008: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 2011:Q1.	None.

8. Rest of the world (U.S. international transactions) (tables F.107 and L.107)	Balance of payments data through 2010:Q4. NIPA estimates; data from bank Reports of Condition and from Treasury International Capital System through 2011:Q1.	Balance of payments data for 2011:Q1.
9. Monetary authority (tables F.108 and L.108)	All data through 2011:Q1.	None.
10. Commercial banking (tables F.109 through F.113 and tables L.109 through L.113)	All data through 2011:Q1 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 2009 for branches of domestic commercial banks located in U.S.-affiliated areas.
11. Savings institutions (tables F.114 and L.114)	All data through 2011:Q1.	None.
12. Credit unions (tables F.115 and L.115)	All data through 2011:Q1.	None.
13. Property-casualty insurance companies (tables F.116 and L.116)	All data through 2010:Q4. Preliminary data for 2011:Q1.	Final data for 2011:Q1.
14. Life insurance companies (tables F.117 and L.117)	All data through 2010:Q4. Preliminary data for 2011:Q1.	Final data for 2011:Q1.
15. Private pension funds (tables F.118 and L.118)	Internal Revenue Service/Department of Labor/Pension Benefit Guaranty Corporation Form 5500 data through 2007.	Form 5500 data since 2007.
16. State and local government employee retirement funds (tables F.119 and L.119)	Detailed data through 2008:Q2 from the Census Bureau; sample data through 2011:Q1 from the Census Bureau.	Detailed data since 2008:Q2.
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 2011:Q1.	None.
18. Money market mutual funds (tables F.121 and L.121)	All data through 2011:Q1.	None.
19. Mutual funds (tables F.122 and L.122)	All data through 2011:Q1.	None.
20. Closed-end funds (tables F.123 and L.123)	All data through 2011:Q1.	None.
21. Exchange-traded funds (tables F.123 and L.123)	All data through 2011:Q1.	None.
22. Government-sponsored enterprises (tables F.124 and L.124)	Data for Fannie Mae, Freddie Mac, Farmer Mac, FHLB, FICO, FCS, and REFCORP through 2011:Q1.	None.

23. Agency- and GSE-backed mortgage pools (tables F.125 and L.125)	Data for Fannie Mae, Freddie Mac, and Ginnie Mae through 2011:Q1.	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 2011:Q1.	None.
25. Finance companies (tables F.127 and L.127)	All data through 2011:Q1.	None.
26. Real estate investment trusts (REITs) (tables F.128 and L.128)	Data from SNL Financial through 2011:Q1.	None.
27. Security brokers and dealers (tables F.129 and L.129)	Data for firms filing FOCUS and FOGS reports through 2011:Q1.	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.	