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FEDERAL RESERVE statistical release



Z.1

*Flow of Funds Accounts
of the United States*

*Flows and Outstandings
Second Quarter 1999*

Flow of Funds Summary Statistics Second Quarter 1999

Debt of domestic nonfinancial sectors slowed to a 5-1/4 percent annual rate in the second quarter of 1999, following an upward-revised increase of 7-3/4 percent in the first quarter. Deceleration was widespread across the major sectors.

The paydown of federal debt picked up a bit in the second quarter; since its peak in late 1997, the amount of federal debt outstanding has dropped more than \$100 billion, or about 2-1/2 percent.

The debt of nonfederal sectors grew at about a 7-1/2 percent rate, somewhat below the robust pace of the first quarter. Growth of household debt moderated to an 8-1/2 percent rate, owing to a slowdown in growth of consumer credit to a 4 percent rate. Business debt decelerated to a 7-3/4 percent rate, as growth of business loans ebbed. State and

local government debt rose at a 3 percent pace, considerably slower than the rate in the first quarter.

The level of domestic nonfinancial debt outstanding was \$16.8 trillion at the end of the second quarter of 1999. Debt of nonfederal sectors was \$13.1 trillion, and federal debt was \$3.7 trillion.

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

Growth of Domestic Nonfinancial Debt¹

Percentage changes; quarterly data are seasonally adjusted annual rates

	Total	Federal	Nonfederal			
			Total	Households	Business	State and local govts.
1992	4.6	10.9	2.6	4.5	.8	2.2
1993	4.9	8.3	3.8	5.4	1.4	6.0
1994	4.6	4.7	4.6	7.7	3.9	-4.0
1995	5.5	4.1	6.0	7.9	7.0	-4.6
1996	5.4	4.0	5.9	7.4	6.0	-6
1997	5.4	.6	7.1	6.4	8.4	5.3
1998	6.7	-1.4	9.4	8.7	10.7	7.2
1998:Q1	7.0	-.4	9.5	8.5	10.9	8.4
:Q2	6.7	-.7	9.1	7.5	11.3	7.2
:Q3	5.7	-3.0	8.4	8.3	9.1	6.0
:Q4	6.7	-1.4	9.2	9.1	9.9	6.4
1999:Q1	7.7	-2.0	10.6	9.4	12.6	7.3
:Q2	5.2	-3.0	7.6	8.5	7.7	2.9

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, Second Quarter 1999		1
Availability of Data for Latest Quarter		3
Debt Growth by Sector	D.1	6
Borrowing by Sector	D.2	7
Debt Outstanding by Sector	D.3	8

<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	9	L.1	58
Credit Market Borrowing by Nonfinancial Sectors	F.2	10	L.2	59
Credit Market Borrowing by Financial Sectors	F.3	10	L.3	59
Credit Market Borrowing, All Sectors, by Instrument	F.4	11	L.4	60
Total Liabilities and Their Relation to Total Financial Assets	F.5	11	L.5	60
Distribution of Gross Domestic Product	F.6	12		
Distribution of National Income	F.7	13		
Gross Saving and Investment	F.8	14		
Derivation of Measures of Personal Saving	F.9	15	L.9	61

<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	16	L.100	62
Nonfinancial Business	F.101	17	L.101	63
Nonfarm Nonfinancial Corporate Business	F.102	18	L.102	64
Nonfarm Noncorporate Business	F.103	19	L.103	65
Farm Business	F.104	19	L.104	65
State and Local Governments	F.105	20	L.105	66
Federal Government	F.106	21	L.106	66
Rest of the World	F.107	22	L.107	67
Monetary Authority	F.108	23	L.108	68
Commercial Banking	F.109	24	L.109	69
U.S.-Chartered Commercial Banks	F.110	25	L.110	70
Foreign Banking Offices in U.S.	F.111	26	L.111	71
Bank Holding Companies	F.112	27	L.112	72
Banks in U.S.-Affiliated Areas	F.113	27	L.113	72
Savings Institutions	F.114	28	L.114	73
Credit Unions	F.115	29	L.115	74
Bank Personal Trusts and Estates	F.116	29	L.116	74
Life Insurance Companies	F.117	30	L.117	75
Other Insurance Companies	F.118	30	L.118	75
Private Pension Funds	F.119	31	L.119	76
State and Local Government Employee Retirement Funds	F.120	31	L.120	76
Money Market Mutual Funds	F.121	32	L.121	77

<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	32	L.122	77
Closed-End Funds	F.123	32	L.123	77
Government-Sponsored Enterprises	F.124	33	L.124	78
Federally Related Mortgage Pools	F.125	33	L.125	78
Issuers of Asset-Backed Securities	F.126	34	L.126	79
Finance Companies	F.127	34	L.127	79
Mortgage Companies	F.128	35	L.128	80
Real Estate Investment Trusts	F.129	35	L.129	80
Security Brokers and Dealers	F.130	36	L.130	81
Funding Corporations	F.131	36	L.131	81
Instruments				
Gold and Official Foreign Exchange Holdings	F.200	37	L.200	82
SDR Certificates and Treasury Currency	F.201	37	L.201	82
U.S. Deposits in Foreign Countries	F.202	37	L.202	82
Net Interbank Transactions	F.203	38	L.203	83
Checkable Deposits and Currency	F.204	39	L.204	84
Time and Savings Deposits	F.205	40	L.205	85
Money Market Mutual Fund Shares	F.206	40	L.206	85
Federal Funds and Security Repurchase Agreements	F.207	41	L.207	86
Open Market Paper	F.208	41	L.208	86
Treasury Securities	F.209	42	L.209	87

<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	43	L.210	88
Municipal Securities and Loans	F.211	44	L.211	89
Corporate and Foreign Bonds	F.212	44	L.212	89
Corporate Equities	F.213	45	L.213	90
Mutual Fund Shares	F.214	45	L.214	90
Bank Loans Not Elsewhere Classified	F.215	46	L.215	91
Other Loans and Advances	F.216	47	L.216	92
Total Mortgages	F.217	48	L.217	93
Home Mortgages	F.218	49	L.218	94
Multifamily Residential Mortgages	F.219	49	L.219	94
Commercial Mortgages	F.220	50	L.220	95
Farm Mortgages	F.221	50	L.221	95
Consumer Credit	F.222	51	L.222	96
Trade Credit	F.223	51	L.223	96
Security Credit	F.224	51	L.224	96
Life Insurance and Pension Fund Reserves	F.225	52	L.225	97
Taxes Payable by Businesses	F.226	52	L.226	97
Investment in Bank Personal Trusts	F.227	52	L.227	97
Proprietors' Equity in Noncorporate Business	F.228	52		
Total Miscellaneous Financial Claims	F.229	53	L.229	98
Identified Miscellaneous Financial Claims - Part I	F.230	54	L.230	99
Identified Miscellaneous Financial Claims - Part II	F.231	55	L.231	100
Unidentified Miscellaneous Financial Claims	F.232	56	L.232	101
Sector Discrepancies	F.10	57		
Instrument Discrepancies	F.11	57		

<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	102	R.100	104
Nonfarm Nonfinancial Corporate Business	B.102	103	R.102	105

<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	106	L.100.a	107
Consolidated Statement for Federal, State, and Local Governments	F.106.c	108	L.106.c	109
Private Pension Funds: Defined Benefit Plans	F.119.b	110	L.119.b	111
Private Pension Funds: Defined Contribution Plans	F.119.c	110	L.119.c	111
Flow of Funds Matrix for 1998		112		113
Balance Sheet of Households and Nonprofit Organizations with Equity Detail			B.100.e	114

Flow of Funds Accounts, Second Quarter 1999

This publication presents the flow of funds accounts for 1999:Q2.

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. Seasonal factors for quarterly financial flows have been recalculated for the period from 1989:Q1 onward. The factors were generated using the Statistics Canada X-11-ARIMA/88 seasonal adjustment program. Seasonal factors for total consumer credit (tables F.222 and L.222) were recalculated for the period of 1952:Q1 onward. The seasonal factors for this particular instrument are derived from the seasonally adjusted figures published in the Federal Reserve Board's G.19 statistical release.

2. Net bond issuance by nonfarm nonfinancial corporate business (tables F.102 and L.102) has been revised up for the period since 1995:Q1 to reflect new information on retirements of bonds issued under the Securities and Exchange Commission's Rule 144(a). The source for retirements of corporate bonds is Bloomberg Financial Markets.

3. Revisions to the rest of the world sector (tables F.107 and L.107) reflect new estimates of the balance of payments from the Department of Commerce. The revisions are detailed in the July 1999 *Survey of Current Business*. The revisions reflect preliminary results from the benchmark survey conducted by the Department of the Treasury and the Federal Reserve System of the stock of the U.S. portfolio investment in long-term foreign securities as of the end of 1997.

4. There have been two revisions to the data for state and local government employee retirement funds (tables F.120 and L.120). Beginning with statistics for 1987:Q3, foreign stock and bond assets and assets in trusts have been reallocated from miscellaneous assets into their respective instrument categories based on

new source data from the Public Pension Coordinating Council. In addition, new data from the Census Bureau provide benchmarks for 1992 through 1997 and revisions to quarterly figures for 1996:Q1 through 1998:Q4.

5. The market value of equity of nonfinancial corporations has been revised up, and the market value of equity of financial corporations has been revised down, for the period since 1969:Q1 (table L.213, lines 2 and 4, respectively). The revision does not affect the total market value of corporate equity outstanding (table L.213, line 1) or net issuance (table F.213).

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, 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 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 in the following manner:

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

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:

<http://www.federalreserve.gov/releases/Z1>

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 and supplemental 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 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 1999:Q2; unadjusted flows through 1997.	Unadjusted flows since 1997.
2. Households and nonprofit organizations 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 1999:Q2. 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 1996.	
3. Nonfarm nonfinancial corporate business (tables F.102 and L.102)	<i>Quarterly Financial Report</i> (QFR) of the Census Bureau through 1999:Q1; Internal Revenue Service <i>Statistics of Income</i> data through 1996; securities offerings, mortgages, bank loans, commercial paper, and other loans through 1999:Q2.	<i>Statistics of Income</i> data since 1996; QFR data for 1999:Q2.
4. Nonfarm noncorporate business (tables F.103 and L.103)	Internal Revenue Service <i>Statistics of Income</i> data through 1996; bank and finance company loans and mortgage borrowing through 1999:Q2.	<i>Statistics of Income</i> data since 1996.
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 1999:Q2; preliminary data for checkable deposits and currency and trade payables through 1998.	Data for consumption of fixed capital and undistributed profits since 1997.

6. State and local governments (tables F.105 and L.105)	Gross offerings and retirements of municipal securities, deposits at banks, holdings of mortgages, and nonmarketable U.S. government securities issues through 1999:Q2; selected financial assets through 1998:Q2 from the <i>Comprehensive Annual Financial Reports</i> of state and local governments 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 1998:Q2.
7. Federal government (tables F.106 and L.106)	Data from the <i>Monthly Treasury Statement of Receipts and Outlays</i> through 1999:Q2; data from the Federal Financing Bank through 1999:Q2; Treasury data for loan programs through 1999:Q2.	None.
8. Rest of the world (U.S. international transactions) (tables F.107 and L.107)	Balance of payments data through 1999:Q2; NIPA estimates, data from bank Reports of Condition, and Treasury International Capital System data through 1999:Q2.	None.
9. Monetary authority (tables F.108 and L.108)	All data through 1999:Q2.	None.
10. Commercial banking (tables F.109 through F.113 and tables L.109 through L.113)	All data through 1999:Q2 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 1998 for branches of domestic commercial banks located in U.S.-affiliated areas.
11. Savings institutions (tables F.114 and L.114)	All data through 1999:Q2.	None.
12. Credit unions (tables F.115 and L.115)	All data through 1999:Q2.	None.
13. Bank personal trusts and estates (tables F.116 and L.116)	All data through 1997.	Data since 1997:Q4.
14. Life insurance companies (tables F.117 and L.117)	All data through 1999:Q1; preliminary data for 1999:Q2.	Final data for 1999:Q2.
15. Other insurance companies (tables F.118 and L.118)	All data through 1999:Q1; preliminary data for 1999:Q2.	Final data for 1999:Q2.

16. Private pension funds (including FERS Thrift Savings Plan) (tables F. 119 and L.119)	Quarterly data through 1999:Q2; Internal Revenue Service/ Department of Labor/Pension Benefit Guaranty Corporation Form 5500 data through 1995.	Form 5500 data since 1995.
17. State and local government employee retirement funds (tables F.120 and L.120)	All data through 1999:Q1.	Data for 1999:Q2.
18. Money market mutual funds (tables F.121 and L.121)	All data through 1999:Q2.	None.
19. Mutual funds (tables F.122 and L.122)	All data through 1999:Q2.	None.
20. Closed-end funds (tables F.123 and L.123)	All data through 1998.	Data since 1998.
21. Government-sponsored enterprises (tables F.124 and L.124)	Balance sheet data for FHLBs, Fannie Mae, Freddie Mac, FCS, FICO, REFCORP, and Sallie Mae through 1999:Q2.	None.
22. Federally related mortgage pools (tables F.125 and L.125)	All data through 1999:Q2.	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 1999:Q2.	None.
24. Finance companies (tables F.127 and L.127)	All data through 1999:Q2.	None.
25. Mortgage companies (tables F.128 and L.128)	Mortgage data through 1998:Q1.	Data since 1998:Q1.
26. Real estate investment trusts (REITs) (tables F.129 and L.129)	All data from SNL REIT DataSource through 1999:Q2.	None.
27. Security brokers and dealers (tables F.130 and L.130)	Data for firms filing FOCUS reports through 1999:Q2; data for firms filing FOGS reports through 1999:Q1.	Data for firms filing FOGS reports for 1999:Q2.
28. Funding corporations (tables F.131 and L.131)	Estimates for this sector are largely residual and derived from data for other sectors.	