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**FEDERAL RESERVE** statistical release

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*Z.1*

*Flow of Funds Accounts  
of the United States*

*Flows and Outstandings  
Fourth Quarter 1999*



## Flow of Funds Summary Statistics Fourth Quarter 1999

Domestic nonfinancial debt grew at a 6-1/2 percent annual rate in the fourth quarter of 1999. The pace of borrowing by households and businesses continued strong, and the paydown of federal government debt slowed in the fourth quarter as the Treasury sought to build its cash holdings as a precaution against potential disruptions at the turn of the century. On balance for the year, federal debt held by the public contracted 2 percent and on a not-seasonally-adjusted basis was down about \$150 billion at year end, or roughly 4 percent from its peak in early 1998. Household and business sector debt expanded 9-1/2 percent and 10-1/2 percent respectively in 1999.

In the fourth quarter, household debt rose at an 8-1/2 percent pace, accounted for by large increases in both home mortgage debt and consumer credit. Business debt expanded at a 9-1/2 percent annual rate

in the fourth quarter. Bond issuance by nonfinancial firms declined from the rapid pace earlier in the year, but borrowing from banks picked up a bit. Growth of state and local government debt slowed to a 2-1/2 percent rate in the fourth quarter; for the year as a whole, state and local government debt increased about 4-1/2 percent.

The level of domestic nonfinancial debt outstanding was \$17.4 trillion at the end of the fourth quarter of 1999. Debt of nonfederal sectors was \$13.7 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 Debt<sup>1</sup>

Percentage changes; quarterly data are seasonally adjusted annual rates

|         | Total | Federal | Nonfederal |            |          |                        |
|---------|-------|---------|------------|------------|----------|------------------------|
|         |       |         | Total      | Households | Business | State and local govts. |
| 1993    | 4.9   | 8.3     | 3.7        | 5.4        | 1.4      | 6.0                    |
| 1994    | 4.6   | 4.7     | 4.5        | 7.7        | 3.7      | -4.0                   |
| 1995    | 5.5   | 4.1     | 6.0        | 7.9        | 6.8      | -4.6                   |
| 1996    | 5.4   | 4.0     | 5.9        | 7.4        | 5.7      | -0.6                   |
| 1997    | 5.4   | 0.6     | 7.0        | 6.4        | 8.2      | 5.3                    |
| 1998    | 6.6   | -1.4    | 9.3        | 8.7        | 10.5     | 7.2                    |
| 1999    | 6.8   | -1.9    | 9.4        | 9.4        | 10.6     | 4.4                    |
| 1998:Q1 | 7.0   | -0.4    | 9.5        | 8.6        | 10.7     | 8.4                    |
| :Q2     | 6.7   | -0.7    | 9.1        | 7.6        | 11.2     | 7.2                    |
| :Q3     | 5.6   | -3.0    | 8.4        | 8.4        | 8.9      | 6.0                    |
| :Q4     | 6.6   | -1.4    | 9.1        | 9.1        | 9.6      | 6.4                    |
| 1999:Q1 | 7.9   | -2.0    | 10.8       | 9.5        | 13.1     | 7.3                    |
| :Q2     | 5.3   | -3.0    | 7.7        | 8.6        | 7.7      | 2.9                    |
| :Q3     | 7.0   | -2.2    | 9.6        | 9.9        | 10.2     | 4.6                    |
| :Q4     | 6.5   | -0.5    | 8.4        | 8.4        | 9.6      | 2.5                    |

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

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## Flow of Funds Accounts, Fourth Quarter 1999

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This publication presents the flow of funds accounts for 1999:Q4.

**Data revisions and other changes.** The statistics shown in these 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. The revisions include the following:

1. Multifamily and commercial mortgage lending and outstandings of issuers of asset-backed securities (tables F.126 and L.126) have been revised from 1985:Q2 forward to reflect more complete information on the value of commercial-mortgage-backed securities (CMBS) outstanding.

2. Undistributed corporate profits of financial sectors, which are a component of sector gross saving, (tables F.108 through F.130) have been revised from 1959:Q1 forward. Revisions prior to 1959 in the national income and product accounts have not yet been made available by the Department of Commerce.

**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<sub>t</sub> = Outstanding<sub>t-1</sub> + Flow<sub>t</sub> + Discontinuity<sub>t</sub>  
 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:

Percentage change<sub>t</sub> = (Flow<sub>t</sub> / Outstanding<sub>t-1</sub>) \* 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>**

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 separate files for seasonally adjusted flows, unadjusted flows, quarterly outstandings, balance sheets, quarterly debt (tables D.1, D.2, and D.3), and monthly data from January 1955 onward for the 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 should be directed to:

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

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## Availability of Data for Latest Quarter

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|   | <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:Q4; unadjusted flows based on former seasonal factors.   | Revised unadjusted flows.   |
| 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 1999: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 1996. |   |
| 3. Nonfarm nonfinancial corporate business (tables F.102 and L.102)       | <i>Quarterly Financial Report (QFR)</i> of the Census Bureau through 1999:Q3; Internal Revenue Service <i>Statistics of Income</i> data through 1996; securities offerings, mortgages, bank loans, commercial paper, and other loans through 1999:Q4.   | <i>Statistics of Income</i> data since 1996; QFR data for 1999:Q4.                  |
| 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:Q4.  | <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:Q4; preliminary data for checkable deposits and currency and trade payables through 1999.   | Revised data for consumption of fixed capital and undistributed profits since 1997. |

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|---|--|---|
| 6. State and local governments<br>(tables F.105 and L.105)                            | Gross offerings and retirements of municipal securities, deposits at banks, and nonmarketable U.S. government securities issues through 1999:Q4; selected financial assets through 1998:Q3 from the comprehensive annual financial reports 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:Q3.   |
| 7. Federal government<br>(tables F.106 and L.106)                                     | Data from the <i>Monthly Treasury Statement of Receipts and Outlays</i> through 1999:Q4; Federal Financing Bank data and Treasury data for loan programs through 1999:Q3.  | Federal Financing Bank data and Treasury data for loan programs for 1999:Q4.                |
| 8. Rest of the world<br>(U.S. international transactions)<br>(tables F.107 and L.107) | Balance of payments data through 1999:Q3; NIPA estimates, data from bank Reports of Condition, and Treasury International Capital System data through 1999:Q4.   | Balance of payments data for 1999:Q4.   |
| 9. Monetary authority<br>(tables F.108 and L.108)                                     | All data through 1999:Q4.  | None.   |
| 10. Commercial banking<br>(tables F.109 through F.113 and tables L.109 through L.113) | All data through 1999: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 1998 for branches of domestic commercial banks located in U.S.-affiliated areas. |
| 11. Savings institutions<br>(tables F.114 and L.114)                                  | All data through 1999:Q4.  | None.   |
| 12. Credit unions<br>(tables F.115 and L.115)   | All data through 1999:Q4.  | None.   |
| 13. Bank personal trusts and estates<br>(tables F.116 and L.116)                      | All data through 1998.   | Data since 1998:Q4.   |
| 14. Life insurance companies<br>(tables F.117 and L.117)                              | All data through 1999:Q3; preliminary data for 1999:Q4.  | Final data for 1999:Q4.   |
| 15. Other insurance companies<br>(tables F.118 and L.118)                             | All data through 1999:Q3; preliminary data for 1999:Q4.  | Final data for 1999:Q4.   |

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|---|---|----------------------------|
| 16. Private pension funds<br>(including FERS<br>Thrift Savings Plan)<br>(tables F. 119 and L.119) | Quarterly data through 1999:Q4;<br>Internal Revenue Service/<br>Department of Labor/Pension<br>Benefit Guaranty Corporation<br>Form 5500 data through 1995.   | Form 5500 data since 1995. |
| 17. State and local government<br>employee retirement funds<br>(tables F.120 and L.120)           | All data through 1999:Q3.   | Data for 1999:Q4.          |
| 18. Money market mutual<br>funds<br>(tables F.121 and L.121)                                      | All data through 1999:Q4.   | None.                      |
| 19. Mutual funds<br>(tables F.122 and L.122)  | All data through 1999:Q4.   | None.                      |
| 20. Closed-end funds<br>(tables F.123 and L.123)  | All data through 1998.  | Data since 1998.           |
| 21. Government-sponsored<br>enterprises<br>(tables F.124 and L.124)                               | Balance sheet data for FHLBs,<br>Fannie Mae, Freddie Mac, FCS,<br>FICO, REFCORP, and Sallie Mae<br>through 1999:Q4.   | None.                      |
| 22. Federally related mortgage<br>pools<br>(tables F.125 and L.125)                               | All data through 1999:Q4.   | None.                      |
| 23. Issuers of asset-backed<br>securities (ABSs)<br>(tables F.126 and L.126)                      | All data from Trepp/PSA<br>Information Services of the<br>Muller Data Corporation and data<br>for private mortgage pools,<br>consumer credit, business loans,<br>student loans, consumer leases, and<br>trade credit securitization through<br>1999:Q4. | None.                      |
| 24. Finance companies<br>(tables F.127 and L.127)   | All data through 1999:Q4.   | None.                      |
| 25. Mortgage companies<br>(tables F.128 and L.128)  | Mortgage data through 1998:Q1.  | Data since 1998:Q1.        |
| 26. Real estate investment<br>trusts (REITs)<br>(tables F.129 and L.129)                          | Preliminary data from SNL REIT<br>DataSource through 1999:Q4.   | Final data for 1999:Q4.    |
| 27. Security brokers and<br>dealers<br>(tables F.130 and L.130)                                   | Data for firms filing FOCUS and<br>FOGS reports through 1999:Q4.  | None.                      |
| 28. Funding corporations<br>(tables F.131 and L.131)  | Estimates for this sector are largely residuals and are derived from data<br>for other sectors.   |                            |