

*For use at 12:00 p.m., eastern time
March 10, 2011*

FEDERAL RESERVE statistical release



Z.1

Flow of Funds Accounts of the United States

*Flows and Outstandings
Fourth Quarter 2010*

Flow of Funds Summary Statistics

Fourth Quarter 2010

Debt of the domestic nonfinancial sectors is estimated to have expanded at a seasonally adjusted annual rate of about 5 percent in the fourth quarter of 2010, after an increase of 4¼ percent in the previous quarter. Private debt edged up 1¼ percent at an annual rate in the fourth quarter, while government debt increased 12¾ percent.

Household debt declined ½ percent in the fourth quarter; it has contracted each quarter since 2008:Q1. Home mortgage debt fell at an annual rate of 1¼ percent in the fourth quarter, compared to an average decline of more than 2½ percent during the previous four quarters. Consumer credit rose 2 percent at an annual rate, retracing the previous quarter's decline.

Nonfinancial business debt rose 3½ percent in the fourth quarter, on the heels of a 2¼ percent increase in the third quarter. Corporate bonds outstanding posted strong increases in both the third and fourth quarters, more than offsetting declines in commercial

mortgages and commercial paper outstanding.

State and local government debt rose about 8 percent at an annual rate in the fourth quarter, after a 5½ percent increase in the third quarter. Federal government debt increased at an annual rate of 14½ percent in the fourth quarter; for 2010 as a whole, federal government debt grew a bit more than 20 percent.

At the end of the fourth quarter of 2010, the level of domestic nonfinancial debt outstanding was \$36.3 trillion; household debt was \$13.4 trillion, nonfinancial business debt was \$11.1 trillion, and total government debt was \$11.9 trillion.

Household net worth—the difference between the value of assets and liabilities—was an estimated \$56.8 trillion at the end of the fourth quarter, up about \$2.1 trillion from 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	11.8	2.3	8.3	10.9
2004	8.8	11.0	6.2	7.3	9.0
2005	9.5	11.1	8.6	10.2	7.0
2006	9.0	10.1	10.5	8.3	3.9
2007	8.6	6.8	13.0	9.5	4.9
2008	6.0	-0.1	5.8	2.3	24.2
2009	3.0	-1.7	-2.7	4.8	22.7
2010	4.6	-1.8	1.5	4.4	20.2
2009:Q1	4.6	-0.8	-0.2	5.6	24.4
Q2	4.5	-1.9	-2.2	4.2	28.9
Q3	2.1	-2.2	-4.4	5.7	19.0
Q4	0.8	-1.9	-4.0	3.6	11.9
2010:Q1	4.3	-2.0	0.3	5.7	20.5
Q2	4.6	-2.5	-0.1	-1.4	24.4
Q3	4.2	-2.0	2.2	5.4	16.0
Q4	5.1	-0.6	3.6	7.9	14.6

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

Table of Contents

<i>Title</i>	<i>Table</i>	<i>Page</i>
Flow of Funds Accounts, Fourth Quarter 2010		1
Availability of Data for Latest Quarter		4
Credit Market Debt Growth by Sector	D.1	7
Credit Market Borrowing by Sector	D.2	8
Credit Market Debt Outstanding by Sector	D.3	9

<i>Title</i>	<i>Flows</i>		<i>Levels</i>	
	<i>Table</i>	<i>Page</i>	<i>Table</i>	<i>Page</i>
Summaries				
Total Credit Market Borrowing and Lending	F.1	10	L.1	60
Credit Market Borrowing by Nonfinancial Sectors	F.2	11	L.2	61
Credit Market Borrowing by Financial Sectors	F.3	11	L.3	61
Credit Market Borrowing, All Sectors, by Instrument	F.4	12	L.4	62
Total Liabilities and Its Relation to Total Financial Assets	F.5	12	L.5	62
Distribution of Gross Domestic Product	F.6	13		
Distribution of National Income	F.7	14		
Saving and Investment	F.8	15		
Net Capital Transfers	F.9	16		
Derivation of Measures of Personal Saving	F.10	17	L.10	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
Property-Casualty Insurance Companies	F.116	31	L.116	76
Life Insurance Companies	F.117	32	L.117	77
Private Pension Funds	F.118	32	L.118	77
State and Local Government Employee Retirement Funds	F.119	33	L.119	78
Federal Government Retirement Funds	F.120	33	L.120	78
Money Market Mutual Funds	F.121	34	L.121	79
Mutual Funds	F.122	34	L.122	79

<i>Title</i>	<i>Flows</i>		<i>Levels</i>	
	<i>Table</i>	<i>Page</i>	<i>Table</i>	<i>Page</i>
Closed-End and Exchange-Traded Funds	F.123	34	L.123	79
Government-Sponsored Enterprises	F.124	35	L.124	80
Agency- and GSE-Backed 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
Real Estate Investment Trusts	F.128	37	L.128	82
Security Brokers and Dealers	F.129	38	L.129	83
Funding Corporations	F.130	38	L.130	83
 Instruments				
U.S. Official Reserve Assets	F.200	39	L.200	84
Special Drawing Rights (SDRs) 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- and GSE-Backed 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
Proprietors' Equity in Noncorporate Business	F.227	54	L.227	99
Total Miscellaneous Financial Claims	F.228	55	L.228	100
Identified Miscellaneous Financial Claims - Part I	F.229	56	L.229	101
Identified Miscellaneous Financial Claims - Part II	F.230	57	L.230	102
Unidentified Miscellaneous Financial Claims	F.231	58	L.231	103
Sector Discrepancies	F.11	59		
Instrument Discrepancies	F.12	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	107
Nonfinancial Corporate Business	B.102	105	R.102	108
Nonfarm Noncorporate Business	B.103	106	R.103	109

<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	110	L.100.a	111
Consolidated Statement for Federal, State, and Local Governments	F.106.c	112	L.106.c	113
Private Pension Funds: Defined Benefit Plans	F.118.b	114	L.118.b	115
Private Pension Funds: Defined Contribution Plans	F.118.c	114	L.118.c	115
Individual Retirement Accounts (IRAs)	F.225.i	114	L.225.i	115
Flow of Funds Matrix for 2010		116		117
Balance Sheet of Households and Nonprofit Organizations with Equity Detail			B.100.e	118

Flow of Funds Accounts, Fourth Quarter 2010

This publication presents the Flow of Funds Accounts for 2010: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. A new interactive, web-based guide to the Flow of Funds Accounts is scheduled to be released on March 28, 2011. The tools and descriptions within this guide will help users explore the structure and content of the Z.1 and the Integrated Macroeconomic Accounts. Importantly, it will allow users to search for series, browse tables of data, and identify links among series within these accounts. It will also provide 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 will no longer be available for purchase. This new guide's location will be announced at:

www.federalreserve.gov/feeds/z1.html

2. All unpublished series that are necessary to compile the Flow of Funds Accounts are available for the first time through the Data Download Program (DDP) at the following location:

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

3. Corporate farms have been removed from the personal sector (table F.10). In addition, complete detail on the difference between the flow of funds concept of personal saving and the National Income and Product Account concept is now shown on this table.

4. In the nonfarm noncorporate business sector (tables F.103, L.103, B.103, and R.103), data have been revised from 2008:Q1 forward, owing to benchmark statistics available from the IRS/SOI for 2008.

5. The table for the farm sector (table F.104) has been redesigned to better show the split for gross

saving between corporate and noncorporate farms. In addition, the sector now shows a corporate farm discrepancy.

6. In the bank holding companies sector (tables F.112 and L.112), data have been revised from 2006:Q2 forward, owing to the inclusion of bank holding companies with assets less than \$500 million.

7. The property-casualty insurance sector (tables F.116 and L.116) has been modified to show security RPs separately as an asset and a liability. Previously security RPs were shown only as a net amount on the asset side of the balance sheet.

8. The life insurance sector (tables F.117 and L.117) has been modified to show security RPs separately as an asset and a liability. Previously security RPs were shown only as a net amount on the liability side of the balance sheet.

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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 (202) 452-3244

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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 2010:Q4.	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 2010: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 (QFR)</i> of the Census Bureau through 2010:Q3; Internal Revenue Service <i>Statistics of Income (IRS/SOI)</i> data through 2008; securities offerings, mortgages, bank loans, commercial paper, and other loans through 2010:Q4.	<i>Statistics of Income</i> data since 2008. QFR data for 2010:Q4.
4. Nonfarm noncorporate business (tables F.103 and L.103)	IRS/SOI data through 2008; bank and finance company loans and mortgage borrowing through 2010:Q4.	<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 2010:Q4; 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 2010:Q4.	None.

8. Rest of the world (U.S. international transactions) (tables F.107 and L.107)	Balance of payments data through 2010:Q3. NIPA estimates; data from bank Reports of Condition and from Treasury International Capital System through 2010:Q4.	Balance of payments data for 2010:Q4.
9. Monetary authority (tables F.108 and L.108)	All data through 2010:Q4.	None.
10. Commercial banking (tables F.109 through F.113 and tables L.109 through L.113)	All data through 2010: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 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 2010:Q4.	None.
12. Credit unions (tables F.115 and L.115)	All data through 2010:Q4.	None.
13. Property-casualty insurance companies (tables F.116 and L.116)	All data through 2010:Q3. Preliminary data for 2010:Q4.	Final data for 2010:Q4.
14. Life insurance companies (tables F.117 and L.117)	All data through 2010:Q3. Preliminary data for 2010:Q4.	Final data for 2010:Q4.
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 2010:Q4 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 2010:Q4.	None.
18. Money market mutual funds (tables F.121 and L.121)	All data through 2010:Q4.	None.
19. Mutual funds (tables F.122 and L.122)	All data through 2010:Q4.	None.
20. Closed-end funds (tables F.123 and L.123)	All data through 2010:Q4.	None.
21. Exchange-traded funds (tables F.123 and L.123)	All data through 2010:Q4.	None.
22. Government-sponsored enterprises (tables F.124 and L.124)	Data for Fannie Mae, Freddie Mac, Farmer Mac, FICO, FCS, and REFCORP through 2010:Q4. Data for FHLBs for 2010:Q3	Data for FHLBs for 2010:Q4.

23. Agency- and GSE-backed mortgage pools (tables F.125 and L.125)	Data for Fannie Mae, Freddie Mac, and Ginnie Mae through 2010: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 2010:Q4.	None.
25. Finance companies (tables F.127 and L.127)	All data through 2010:Q4.	None.
26. Real estate investment trusts (REITs) (tables F.128 and L.128)	Data from SNL Financial through 2010:Q4.	None.
27. Security brokers and dealers (tables F.129 and L.129)	Data for firms filing FOCUS and FOGS reports through 2010: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.	