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Z.1

Flow of Funds Accounts of the United States

*Flows and Outstandings
Fourth Quarter 2011*

Flow of Funds Summary Statistics

Fourth Quarter 2011

Debt of the domestic nonfinancial sectors expanded at a seasonally adjusted annual rate of 5 percent in the fourth quarter of 2011, about ½ percentage point more than the pace registered in the third quarter.

Household debt increased at an annual rate of ¼ percent in the fourth quarter, the first increase since the second quarter of 2008. Consumer credit rose at an annual rate of 7 percent in the fourth quarter, the fifth consecutive quarterly increase. Home mortgage debt declined 1½ percent in the fourth quarter, the smallest decline since the end of 2009.

Nonfinancial business debt rose at an annual rate of 4½ percent in the fourth quarter, 1 percentage point higher than its third-quarter pace. Corporate bonds outstanding and business loans increased while commercial mortgage debt continued to decline.

State and local government debt declined at an

annual rate of 1 percent in the fourth quarter. For 2011 as a whole, state and local debt declined almost 2 percent, its first annual decrease since 1996. Federal government debt rose at an annual rate of 13 percent in the fourth quarter. For all of 2011, federal debt rose 11½ percent, the smallest annual increase since 2007.

At the end of 2011, the level of domestic nonfinancial debt outstanding was \$38.3 trillion, of which household debt was \$13.2 trillion, nonfinancial business debt was \$11.6 trillion, and total government debt was \$13.5 trillion.

Household net worth—the difference between the value of assets and liabilities—was \$58.5 trillion at the end of 2011, about \$1.2 trillion more than at the end of the third quarter. For 2011 as a whole, household net worth fell close to ¾ percent, the first annual decrease since 2008.

Growth of Domestic Nonfinancial Debt¹

Percentage changes; quarterly data are seasonally adjusted annual rates

	Total	Households	Business	State and local govts.	Federal
2002	7.4	10.6	3.0	11.1	7.6
2003	8.1	12.0	2.2	8.3	10.9
2004	9.2	11.0	6.5	11.9	9.0
2005	9.2	11.1	9.0	5.5	7.0
2006	8.7	10.0	11.1	3.7	3.9
2007	8.5	6.7	13.6	5.4	4.9
2008	6.0	0.1	6.2	0.7	24.2
2009	3.1	-1.7	-2.4	3.9	22.7
2010	4.1	-2.1	0.7	2.2	20.2
2011	3.7	-0.9	4.2	-1.9	11.4
2010:Q1	3.5	-3.1	-0.1	2.4	20.6
Q2	3.9	-2.2	-1.3	-0.5	22.5
Q3	3.7	-2.2	1.8	2.1	16.0
Q4	4.9	-0.7	2.5	4.8	16.4
2011:Q1	2.3	-1.9	4.1	-3.3	7.9
Q2	3.0	-0.6	4.4	-3.5	8.6
Q3	4.4	-1.2	3.6	0.0	14.1
Q4	4.9	0.3	4.6	-1.0	13.1

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

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Flow of Funds Accounts, Fourth Quarter 2011

This publication presents the Flow of Funds Accounts for 2011:Q4. 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.

Release Highlights. Major data revisions, structural changes, and release enhancements introduced this quarter are described below:

1. Tables in the Z.1 for the farm sector (tables F.104 and L.104) have been discontinued, but no tables in the release have been renumbered. Corporate farms are now included with the nonfinancial corporate sector (tables F.102, L.102, B.102, and R.102), and noncorporate farms are included with the nonfinancial noncorporate sector (tables F.103, L.103, B.103, and R.103). These changes make the tables for the nonfinancial business sectors consistent in concept with the tables shown in the Integrated Macroeconomic Accounts (IMA). The IMAs are a joint publication of the Bureau of Economic Analysis and the Federal Reserve Board that presents a full sequence of accounts as described in the System of National Accounts (SNA). In addition, farm land is now included on tables S.4.a, S.4.q, S.5.a, and S.5.q in the IMA. The underlying farm series are still available as unpublished series from the online Federal Reserve Data Download Program (DDP).

2. Starting with 2006:Q1, the U.S. chartered commercial banks sector (tables F.110 and L.110) and the bank holding companies sector (tables F.112 and L.112) have been modified to show bank-owned life insurance (BOLI) reserves as a separate line item. These reserves were formerly included in miscellaneous assets. Life insurance reserves of the household sector (tables F.100 and L.100) have been reduced by the amount of the BOLI assets, leaving total life insurance reserve liabilities in the life insurance sector (tables F.117 and L.117) unchanged. The instrument table for life insurance and pension fund reserves (F.225 and L.225) has been modified to show the BOLI assets of banks and bank holding companies.

3. For the real estate investment trust (REITS) sector (tables F.128 and L.128), separate data for equity REITS and mortgage REITS are now available through the Federal Reserve Data Download Program (DDP). Detail on the calculations can be found in the

Flow of Funds Guide.

4. In the Flow of Funds Guide, descriptions of some sectors on the Series Structure page now include Corresponding 2008 SNA sector identifiers in parentheses.

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:

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

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

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

An interactive, web-based guide to the Flow of Funds Accounts is available through the Z.1 release page. 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.

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 2011:Q4.	Unadjusted flows since 2010 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 2011: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. Nonfinancial corporate business (tables F.102 and L.102)	<i>Quarterly Financial Report (QFR)</i> of the Census Bureau through 2011:Q3; Internal Revenue Service <i>Statistics of Income (IRS/SOI)</i> data through 2009; securities offerings, mortgages, bank loans, commercial paper, other loans, and corporate farms through 2011:Q4.	<i>Statistics of Income</i> data since 2009. QFR for 2011:Q4.
4. Nonfinancial noncorporate business (tables F.103 and L.103)	IRS/SOI data through 2009; bank and finance company loans, mortgage borrowing, and noncorporate farms through 2011:Q4.	<i>Statistics of Income</i> data since 2009.
5. 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:Q4; total financial assets through 2009: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 2009:Q2 and selected financial asset detail since 2004:Q2.
6. 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:Q4.	None.

7. Rest of the world (U.S. international transactions) (tables F.107 and L.107)	Balance of payments data through 2011:Q3. NIPA estimates; data from bank Reports of Condition and from Treasury International Capital System through 2011:Q4.	Balance of payments data for 2011:Q4.
8. Monetary authority (tables F.109 and L.109)	All data through 2011:Q4.	None.
9. U.S.-chartered commercial banks (tables F.110 and L.110)	All data through 2011:Q4.	None.
10. Foreign banking offices in U.S. (tables F.111 and L.111)	All data through 2011:Q4.	None.
11. Bank holding companies (table F.112 and L.112)	All data through 2011:Q4.	None.
12. Banks in U.S.-affiliated areas (tables F.113 and L.113)	All data through 2011:Q4 for commercial banks in U.S.-affiliated areas. All data through 2010 for branches of domestic commercial banks located in U.S.-affiliated areas.	Data since 2010 for branches of domestic commercial banks located in U.S.-affiliated areas.
13. Savings institutions (tables F.114 and L.114)	All data through 2011:Q4.	None.
14. Credit unions (tables F.115 and L.115)	All data through 2011:Q4.	None.
15. Property-casualty insurance companies (tables F.116 and L.116)	All data through 2011:Q3. Preliminary data for 2011:Q4.	Final data for 2011:Q4.
16. Life insurance companies (tables F.117 and L.117)	All data through 2011:Q3. Preliminary data for 2011:Q4.	Final data for 2011:Q4.
17. 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.
18. 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:Q4 from the Census Bureau.	Detailed data since 2008:Q2.
19. 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:Q4.	None.

20. Money market mutual funds (tables F.121 and L.121)	All data through 2011:Q4.	None.
21. Mutual funds (tables F.122 and L.122)	All data through 2011:Q4.	None.
22. Closed-end funds (tables F.123 and L.123)	All data through 2011:Q4.	None.
23. Exchange-traded funds (tables F.123 and L.123)	All data through 2011:Q4.	None.
24. Government-sponsored enterprises (tables F.124 and L.124)	Data for Fannie Mae, FHLB, FICO, FCS, and REFCORP through 2011:Q4. Data for Freddie Mac and Farmer Mac through 2011:Q3.	Data for Freddie Mac and Farmer Mac for 2011:Q4.
25. Agency- and GSE-backed mortgage pools (tables F.125 and L.125)	Data for Fannie Mae, and Ginnie Mae through 2011:Q4. Data for Freddie Mac and Farmer Mac through 2011:Q3.	Data for Freddie Mac and Farmer Mac for 2011:Q4.
26. 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:Q4.	None.
27. Finance companies (tables F.127 and L.127)	All data through 2011:Q4.	None.
28. Real estate investment trusts (REITs) (tables F.128 and L.128)	Final data from SNL Financial through 2011:Q3.	Final data from SNL Financial for 2011:Q4.
29. Security brokers and dealers (tables F.129 and L.129)	Data for firms filing FOCUS and FOGS reports through 2011:Q4.	None.
30. Funding corporations (tables F.130 and L.130)	Estimates for this sector are largely residuals and are derived from data for other sectors.	