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FEDERAL RESERVE STATISTICAL RELEASE

Z.1

Financial Accounts
of the United States

Flow of Funds, Balance Sheets,
and Integrated Macroeconomic Accounts

First Quarter 2016

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM



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Recent Developments in Household Net Worth and Domestic Nonfinancial Debt

The net worth of households and nonprofits rose to \$88.1 trillion during the first quarter of 2016. The value of directly and indirectly held corporate equities decreased \$160 billion and the value of real estate rose \$498 billion.

Domestic nonfinancial debt outstanding was \$45.7 trillion at the end of the first quarter of 2016, of which household debt was \$14.3 trillion, nonfinancial business debt was \$13.0 trillion, and total government debt was \$18.3 trillion.

Domestic nonfinancial debt growth was 4.8 percent at a seasonally adjusted annual rate in the first quarter of 2016, down from an annual rate of 8.8 percent in the previous quarter.

Household debt increased at an annual rate of 2.7 percent in the first quarter of 2016. Consumer credit grew 6.1 percent, while mortgage debt (excluding charge-offs) grew 1.6 percent at an annual rate.

Nonfinancial business debt rose at an annual rate of 7.9 percent in the first quarter, up from an annual rate of 5.3 percent in the previous quarter.

State and local government debt rose at an annual rate of 2.2 in the first quarter of 2016, up from an annual growth rate of 0.5 percent in the previous quarter.

Federal government debt increased 4.6 percent at a seasonally adjusted annual rate in the first quarter of 2016.

Household Net Worth and Growth of Domestic Nonfinancial Debt

Year	Household net worth ¹	Growth of domestic nonfinancial debt ²					
		Total	Households	Businesses	State and local gov'ts	Federal government	
2006	66,095	8.4	10.5	9.8	3.9	3.9	
2007	66,577	8.1	7.1	12.4	5.5	4.7	
2008	56,214	5.8	-0.1	6.0	0.6	21.4	
2009	58,094	3.5	0.3	-4.1	4.0	20.4	
2010	62,316	4.4	-0.6	-0.7	2.3	18.5	
2011	63,545	3.5	-0.5	2.8	-1.7	10.8	
2012	69,598	5.0	1.9	4.7	-0.2	10.1	
2013	79,383	3.9	1.7	4.8	-1.3	6.7	
2014	84,201	4.4	3.1	6.1	-0.5	5.4	
2015	87,250	4.6	2.9	6.8	1.9	5.0	
2014:	Q1	80,623	4.2	2.1	6.4	-1.7	5.7
	Q2	82,218	4.3	5.2	5.3	0.1	3.5
	Q3	82,513	4.5	3.0	6.1	-1.7	6.0
	Q4	84,201	4.4	2.2	6.1	1.5	5.9
2015:	Q1	86,019	2.7	1.9	7.7	4.3	-1.1
	Q2	86,500	4.5	4.1	8.3	1.0	2.4
	Q3	85,069	2.2	1.7	5.1	1.7	0.2
	Q4	87,250	8.8	3.7	5.3	0.5	18.5
2016:	Q1	88,087	4.8	2.7	7.9	2.2	4.6

1. Shown on table B.101, which includes nonprofit organizations. Billions of dollars; amounts outstanding end of period, not seasonally adjusted

2. Percentage changes calculated as seasonally adjusted flow divided by previous quarter's seasonally adjusted level, shown at an annual rate.

Release Highlights First Quarter 2016

Topic	Description
Variable annuity mutual funds	The mutual fund sectors have been expanded to include variable annuity mutual funds, which are funding vehicles for variable annuities. Variable annuity mutual funds were previously included as part of corporate equities held in the separate accounts of life insurers (shown on life insurance sector tables F.116, L.116, F.116.s, and L.116.s), but are now included in the mutual fund sector (tables F.122 and L.122) and the money market mutual fund sector (tables F.121 and L.121). This aligns the treatment of variable annuity mutual funds with the fund data reported by the Investment Company Institute (ICI). Assets held in variable annuity mutual funds are shown as memo items on the mutual fund and money market mutual fund sector tables.
Mutual funds' holdings of debt securities reported at market value	Debt securities held by the mutual fund sector (tables F.122 and L.122) are now reported at market value, consistent with the international standards described in the System of National Accounts (SNA2008).
Mutual funds by investment objective	New memo items have been added to the mutual fund tables (tables F.122 and L.122) to show financial assets by investment objective: domestic equity funds, world equity funds, hybrid funds, taxable bond funds, and municipal bond funds. Data are available beginning in 1991:Q1.
Life insurance company separate accounts	Data for life insurance company separate accounts (tables F.116.s and L.116.s) have been extended back to 1987:Q4. Previously, detail on life insurance companies general accounts and separate accounts was only available beginning 1997:Q4.
Treatment of CREF assets	CREF assets are now treated as variable annuity mutual funds and are included in the holdings of mutual fund shares by state and local government employee defined contribution retirement funds (tables F.120.c and L.120.c) and private defined contribution pension plans (tables F.118.c and L.118.c). Previously, these tables showed the financial instrument detail underlying CREF's variable annuity mutual funds.
Nonfinancial corporate business benchmark	Assets of the nonfinancial corporate business sector (tables F.103, L.103, B.103, and R.103) have been revised from 2014:Q1 forward, to reflect new data from the Internal Revenue Service (IRS) Statistics of Income (SOI) for 2014.

Explanatory Notes

Financial Accounts of the United States

The Statistical Release Z.1, “Financial Accounts of the United States,” is organized into the following sections:

- Matrices summarizing flows and levels across sectors, tables on debt growth, net national wealth, gross domestic product (GDP), national income, saving, and so on
- Flows of financial assets and liabilities, by sector and by financial instrument
- Levels of financial assets and liabilities, by sector and by financial instrument
- Balance sheets, including nonfinancial assets, and changes in net worth for households and nonprofit organizations, nonfinancial corporate businesses, and nonfinancial noncorporate businesses
- Supplementary tables providing equity detail of the household and nonprofit organization sector and data on nonprofit organizations
- Integrated Macroeconomic Accounts

The Integrated Macroeconomic Accounts (IMA) relate production, income, saving, and capital formation from the national income and product accounts (NIPA) to changes in net worth from the “Financial Accounts” on a sector-by-sector basis. The IMA are published jointly by the Federal Reserve Board and the Bureau of Economic Analysis and are based on international guidelines and terminology as defined in the System of National Accounts (SNA2008).

Federal Reserve Board staff have taken many steps over the past several years to conform the “Financial Accounts” with the SNA guidelines. Nonetheless, a few important differences remain. In particular, in the “Financial Accounts”:

- The purchase of consumer durables is treated as investment rather than as consumption.
- Nonfinancial noncorporate businesses (which are often small businesses) are shown in a separate sector rather than being included in the household sector.
- Most debt securities are recorded at book value rather than market value.

Concepts of Level and Flow in the SNA and the Financial Accounts

The level of an asset or liability (also referred to as the stock or outstanding) measures the value of the asset or

liability in existence at a point in time. In the “Financial Accounts,” the levels are reported as of the end of each calendar quarter. In the SNA2008, the change in the level from one period to the next is called the “economic flow,” and can be decomposed into three broad elements: *transactions*, which measure the exchange of assets; *revaluations*, which measure changes in market value of untraded assets; and *other changes in volume*, which measure discontinuities or breaks in time series due to disaster losses or a change in source data or definition.

In the “Financial Accounts,” “flows” refer to the exchange of assets, corresponding to the SNA definition of transactions, that is, “flow tables” in the “Financial Accounts” are equivalent to “transaction tables” in the SNA terminology. In practice, other volume changes are relatively rare, and revaluations occur only for series carried at market value (such as corporate equities and mutual fund shares), so for many series the change in the level is equal to the flow.

Growth Rates

Growth rates calculated from levels will include revaluations and other changes in volume. To isolate the effect of transactions on growth of a given asset or liability, users should calculate the ratio of the flow in a given period to the level in the preceding period.

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. Growth rates calculated from changes in unadjusted levels may differ from those in table D.1.

Seasonal Adjustment

Seasonal factors are recalculated and updated every year, and these revised factors are first published in the September release of second-quarter data. All series that exhibit significant seasonal patterns are adjusted. The seasonal factors are generated using the X-12-ARIMA seasonal adjustment program from the U.S. Census Bureau, estimated using the most recent 10 years of data. Because the effects of the recent financial crisis resulted in large outliers in some series that would have distorted the estimated seasonal factors, seasonal factors for some series were extrapolated using pre-crisis data. Seasonally adjusted levels shown in table D.3 are derived by carrying forward year-end levels by seasonally adjusted flows.

Data Revisions

Data shown for the most recent quarters are based on preliminary and potentially incomplete information. A summary list of the most recent data available for each sector is provided in a table following these notes. Nonetheless, when source data are revised or estimation methods are improved, all data are subject to revision. There is no specific revision schedule; rather, data are revised on an ongoing basis. In each release of the “Financial Accounts,” major revisions are highlighted at the beginning of the publication.

Discrepancies

The data in the “Financial Accounts” come from a large variety of sources and are subject to limitations and uncertainty due to measurement errors, missing information, and incompatibilities among data sources. The size of this uncertainty cannot be quantified, but its existence is acknowledged by the inclusion of “statistical discrepancies” for various sectors and financial instruments.

The discrepancy for a given sector is defined as the difference between the aggregate value of the sector’s sources of funds and the value of its uses of funds. For a financial instrument category, the discrepancy is defined as the difference between the measurement of funds raised through the financial instrument and funds disbursed through that instrument. The relative size of the statistical discrepancy is one indication of the quality of the underlying source data. Note that differences in seasonal adjustment procedures sometimes result in quarterly discrepancies that partially or completely offset each other in the annual data.

Financial Accounts Guide

Substantially more detail on the construction of the “Financial Accounts” is available in the *Financial Accounts Guide*, which provides interactive, online documentation for each data series. The tools and descriptions in the guide are designed to help users understand the structure and content of the “Financial Accounts.” The guide 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. Data on some of our data submissions to international organizations are also available on the guide page. There is also a link to the Enhanced Financial Accounts, a new initiative that includes data that is not part of the core “Financial Accounts”.

The guide is not part of the quarterly release, but it is continually updated and kept consistent with the most recently published data. The guide and the data from the “Financial Accounts” are available free of charge online:

www.federalreserve.gov/apps/fof

Each input and calculated series in the Z.1 is identified according to a unique string of patterned numbers and letters. The series structure page of the guide provides a breakdown of what the letters and numbers represent in the series mnemonics. The relationships between different components of a series (for example, levels, seasonally adjusted annual rate flows, unadjusted flows, revaluations, other changes in volume, seasonal factors, and so on) are also described on the series structure page.

Production Schedule

The “Financial Accounts” are published online and in print four times per year, about 10 weeks following the end of each calendar quarter. The publication and the guide are available online:

www.federalreserve.gov/releases/Z1

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

In addition, the data are available as customizable datasets through the Federal Reserve Board’s Data Download Program at:

www.federalreserve.gov/datadownload/default.htm

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Washington, DC 20551
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Description of Most Recent Data Available

Sector Table	Available at time of publication
National income and product accounts (NIPA) (various tables)	Second estimate, seasonally adjusted, for 2016:Q1. Unadjusted flows through 2014:Q4 for the government sectors.
Households and nonprofit organizations sector (tables F.101 and L.101)	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 2016:Q1. The source for nonprofit organizations data (tables F.101.a and L.101.a) is the Internal Revenue Service <i>Statistics of Income</i> (IRS/SOI). Data for nonprofit organizations are available for 1987 through 2000.
Nonfinancial corporate business (tables F.103 and L.103)	<i>Quarterly Financial Report</i> (QFR) of the Census Bureau through 2016:Q1; IRS/SOI data through 2014; securities offerings, mortgages, bank loans, commercial paper, and other loans through 2016:Q1. Corporate farm data through 2015.
Nonfinancial noncorporate business (tables F.104 and L.104)	IRS/SOI data through 2013; bank and finance company loans, and mortgage borrowing through 2016:Q1. Noncorporate farm data through 2015.
Federal government (tables F.106 and L.106)	Data from the <i>Monthly Treasury Statement of Receipts and Outlays</i> , <i>Monthly Statement of the Public Debt</i> and Treasury data for loan programs and the Troubled Assets Relief Program (TARP) through 2016:Q1.
State and local governments (tables F.107 and L.107)	Gross offerings and retirements of municipal securities, deposits at banks, and nonmarketable U.S. government security issues through 2016:Q1; total financial assets through 2013:Q2 from the Census Bureau; breakdown of financial assets through 2011:Q2 from the comprehensive annual financial reports of state and local governments.
Monetary authority (tables F.109 and L.109)	All data through 2016:Q1.
U.S.-chartered depository institutions (tables F.111 and L.111)	All data through 2016:Q1.
Foreign banking offices in U.S. (tables F.112 and L.112)	All data through 2016:Q1.
Banks in U.S.-affiliated areas (tables F.113 and L.113)	All data through 2016:Q1.
Credit unions (tables F.113 and L.113)	All data through 2016:Q1.
Property-casualty insurance companies (tables F.115 and L.115)	Preliminary data through 2016:Q1.

Sector Table	Available at time of publication
Life insurance companies (tables F.116 and L.116)	Preliminary data through 2016:Q1.
Private pension funds (tables F.118 and L.118)	Internal Revenue Service/Department of Labor Form 5500 data through 2013. Investment Company Institute data through 2015:Q4.
Federal government retirement funds (tables F.119 and L.119)	Data from the <i>Monthly Treasury Statement of Receipts and Outlays</i> , the Thrift Savings Plan, and the National Railroad Retirement Investment Trust through 2016:Q1.
State and local government employee retirement funds (tables F.120 and L.120)	Detailed annual survey data through 2014:Q2 and quarterly survey data through 2015:Q4 from the Census Bureau. Investment Company Institute data through 2015:Q4.
Money market mutual funds (tables F.121 and L.121)	All data through 2016:Q1.
Mutual funds (tables F.122 and L.122)	All data through 2016:Q1.
Closed-end funds (tables F.123 and L.123)	All data through 2016:Q1.
Exchange-traded funds (tables F.123 and L.123)	All data through 2016:Q1.
Government sponsored enterprises (GSEs) (tables F.124 and L.124)	Data for Fannie Mae, Freddie Mac, FICO, and REFCORP, Farmer Mac, FCS, and FHLB through 2016:Q1. FHLB Advances and Equity current through 2016:Q1.
Agency- and GSE-backed mortgage pools (tables F.125 and L.125)	Data for Fannie Mae, Freddie Mac, and Farmer Mac through 2016:Q1.
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 2016:Q1.
Finance companies (tables F.127 and L.127)	All data through 2016:Q1.
Real estate investment trusts (REITs) (tables F.128 and L.128)	Data from SNL Financial through 2016:Q1.
Security brokers and dealers (tables F.129 and L.129)	Data for firms filing FOCUS and FOGS reports through 2016:Q1.
Holding companies (table F.130 and L.130)	All data through 2016:Q1.
Funding corporations (tables F.131 and L.131)	Estimates for this sector are largely residuals and are derived from data for other sectors.
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