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Z.1

Flow of Funds Accounts of the United States

*Flows and Outstandings
First Quarter 2007*

Flow of Funds Summary Statistics

First Quarter 2007

Debt of the domestic nonfinancial sectors expanded at a seasonally adjusted annual rate of 7-1/4 percent in the first quarter of 2007, a percentage point less than in the previous quarter. The deceleration in the first quarter was widespread across sectors.

Household debt expanded at an annual rate of 6 percent in the first quarter of 2007, about 1-1/4 percentage points less than the pace in the fourth quarter of 2006. In the first quarter, growth of home mortgage debt slowed to a rate of 6-1/4 percent—the slowest quarterly pace since 1998. Meanwhile, in the first quarter, consumer credit grew at a rate of 4-3/4 percent, within its recent range.

Nonfinancial business debt rose at an annual rate of 9 percent in the first quarter of 2007, not quite as fast as in the previous quarter. In the first quarter, net issuance of open market paper and corporate bonds

were below the pace in the preceding quarter.

State and local government debt increased at an annual rate of 8-1/2 percent last quarter, in line with the pace for 2006. Federal government debt rose at a pace of 6-1/2 percent in first quarter of 2007.

At the end of the first quarter of 2007, the level of domestic nonfinancial debt outstanding was \$29.3 trillion. Household debt amounted to \$13.0 trillion, and nonfinancial business debt was \$9.2 trillion. Combined, state and local governments and the federal government had outstanding debt of \$7.0 trillion.

Household net worth—the difference between the value of assets and liabilities—totaled \$56.2 trillion at the end of the first quarter of 2007, up \$0.6 trillion dollars from the preceding quarter.

Growth of Domestic Nonfinancial Debt¹

Percentage changes; quarterly data are seasonally adjusted annual rates

	Total	Households	Business	State and local govts.	Federal
1997	5.3	5.8	9.0	4.3	0.6
1998	6.8	7.8	12.3	6.3	-1.4
1999	6.4	8.4	10.6	3.4	-1.9
2000	4.9	9.0	9.2	1.3	-8.0
2001	6.3	9.3	5.9	8.8	-0.2
2002	7.2	10.6	2.5	11.0	7.6
2003	8.2	11.6	2.6	8.3	10.9
2004	9.0	11.6	5.8	7.4	9.0
2005	9.4	11.5	7.6	10.2	7.0
2006	8.1	8.7	9.6	8.2	3.9
2006:Q1	8.9	9.3	10.0	3.3	8.0
Q2	7.5	9.2	8.8	6.7	1.0
Q3	6.9	7.9	7.0	8.2	3.6
Q4	8.2	7.2	11.4	13.6	2.8
2007:Q1	7.3	6.0	9.0	8.6	6.6

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

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Flow of Funds Accounts, First Quarter 2007

This publication presents the flow of funds accounts for 2007:Q1.

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. Seasonal factors for quarterly flows of federal government borrowing have been recalculated for the period 1996:Q1 onward. The factors were generated using the X-12-ARIMA/88 seasonal adjustment program from Statistics Canada.

2. Assets of the nonfarm nonfinancial corporate business sector (tables F.102 and L.102) were revised from 2005:Q1 onward to reflect advance data from the Internal Revenue Service (IRS) *Statistics of Income* (SOI) for 2005.

3. Farm sector (tables F.104, F.221, and L.104, L.221) estimates have been revised from 1985:Q1 onward to reflect farm business balance sheet data from the U.S. Department of Agriculture. Mortgages on farm houses have been reclassified from farm mortgages to home mortgages for the same period.

4. Mortgage holdings of commercial banks and savings institutions (tables F.217, F.218, F.219, F.220 and L.217, L.218, L.219, L.220) have been revised from 2003:Q2 onward as a result of improved information on the type of construction loans held by these depositories.

5. A new memorandum item has been added to the U.S.-chartered commercial bank sector (tables F.110 and L.110) to reflect the availability of new Call Report information which allows for some leases to be classified as operating leases.

6. For the private pension fund sector (tables F.118, F.118.b, F.118.c and L.118, L.118.b, L.118.c), estimates have been revised from 2001:Q1 onward to reflect methodological improvements and new data from the U.S. Internal Revenue Service/Department of Labor/Pension Benefit Guaranty Corporation Form 5500 filed for plan year 2004.

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, 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, outstanding in the flow of funds accounts are related to the 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:

<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 files for quarterly data for seasonally adjusted flows, unadjusted flows, outstandings, balance sheets, and debt (tables D.1, D.2, and D.3).

A Guide to the Flow of Funds Accounts is available. The 1,200-page *Guide*, published in two volumes in January 2000, explains in detail how the U.S. financial accounts are prepared and the principles underlying the accounts. The *Guide* can be purchased for \$20.00 from the Board's Publications Services. Publications Services accepts orders accompanied by checks as well as credit card orders.

The Internet site for this release at the location shown above contains a link to an order form for the *Guide* that can be mailed or faxed to Publications Services. In addition, the Internet site includes a link to the *Guide's* descriptions of the tables in the flow of funds 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)	Preliminary estimates, seasonally adjusted, for 2007:Q1.	Unadjusted flows since 2005.
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 2007:Q1. 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 2006:Q4; Internal Revenue Service <i>Statistics of Income (IRS/SOI)</i> advanced data through 2005; securities offerings, mortgages, bank loans, commercial paper, and other loans through 2007:Q1.	<i>Statistics of Income</i> data since 2005.
4. Nonfarm noncorporate business (tables F.103 and L.103)	IRS/SOI data through 2004; bank and finance company loans and mortgage borrowing through 2007:Q1.	<i>Statistics of Income</i> data since 2004.
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 2007:Q1; preliminary data for checkable deposits and currency and trade payables through 2006.	Consumption of fixed capital and undistributed profits since 2003.
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 2007:Q1; selected financial assets through 2004:Q3 from Census data and the comprehensive annual financial reports of state and local governments.	Selected financial asset items since 2004:Q3.
7. Federal government (tables F.106 and L.106)	Data from the <i>Monthly Treasury Statement of Receipts and Outlays</i> through 2007:Q1; Treasury data for loan programs through 2007:Q1.	None.

8. Rest of the world (U.S. international transactions) (tables F.107 and L.107)	Balance of payments data through 2006:Q4; NIPA estimates; data from bank Reports of Condition and from Treasury International Capital System through 2007:Q1.	Balance of payments data for 2007:Q1.
9. Monetary authority (tables F.108 and L.108)	All data through 2007:Q1.	None.
10. Commercial banking (tables F.109 through F.113 and tables L.109 through L.113)	All data through 2007:Q1 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 2006 for branches of domestic commercial banks located in U.S.-affiliated areas.
11. Savings institutions (tables F.114 and L.114)	All data through 2007:Q1.	None.
12. Credit unions (tables F.115 and L.115)	All data through 2007:Q1.	None.
13. Property-casualty insurance companies (tables F.116 and L.116)	All data through 2006:Q4.	Data for 2007:Q1.
14. Life insurance companies (tables F.117 and L.117)	All data through 2006:Q4.	Data for 2007:Q1.
15. Private pension funds (tables F.118 and L.118)	Quarterly data through 2007:Q1; Internal Revenue Service/Department of Labor/Pension Benefit Guaranty Corporation Form 5500 data through 2004.	Form 5500 data since 2004.
16. State and local government employee retirement funds (tables F.119 and L.119)	Selected financial assets through 2006:Q4 from Census data and the comprehensive annual financial reports of state and local pension funds.	Data for 2007:Q1.
17. Federal government retirement funds (tables F.120 and L.120)	Data from the Monthly Treasury Statement, the Thrift Savings Plan, and the National Railroad Retirement Investment Trust through 2007:Q1.	None.
18. Money market mutual funds (tables F.121 and L.121)	All data through 2007:Q1.	None.
19. Mutual funds (tables F.122 and L.122)	All data through 2007:Q1.	None.
20. Closed-end funds (tables F.123 and L.123)	All data through 2007:Q1.	None.

21. Exchange-traded funds (tables F.123 and L.123)	All data through 2007:Q1.	None.
22. Government-sponsored enterprises (tables F.124 and L.124)	Data for FHLBs, Farmer Mac, FCS, FICO and REFCORP through 2007:Q1. Complete data for Fannie Mae through 2004:Q3 and for Freddie Mac through 2005:Q3.	Much of the source data for Fannie Mae beginning in 2004:Q4 and for Freddie Mac beginning in 2005:Q4.
23. Agency- and GSE-backed mortgage pools (tables F.125 and L.125)	All data through 2007:Q1.	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 2007:Q1.	None.
25. Finance companies (tables F.127 and L.127)	All data through 2007:Q1.	None.
26. Real estate investment trusts (REITs) (tables F.128 and L.128)	Data from SNL REIT DataSource through 2007:Q1.	None.
27. Security brokers and dealers (tables F.129 and L.129)	Data for firms filing FOGS reports through 2007:Q1.	Data for firms filing FOCUS reports for 2007:Q1.
28. Funding corporations (tables F.130 and L.130)	Estimates for this sector are largely residuals and are derived from data for other sectors.	