

OVERVIEW OF FLOW OF FUNDS ACCOUNTS

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Presentation Outline

- General Overview of the Flow of Funds Accounts (FFA)
 - Sectors
 - Instruments
- Household Sector
 - Real estate, mortgage debt, owners' equity
 - Net worth
 - Assets and Debt

Note: this views in this presentation are solely my own, and do not reflect those of the Board of Governors or its staff.

Some General Features of the FFA

- Set of aggregate integrated financial accounts that measure sources and uses of funds for the economy as a whole, and by sector.
- U.S. FFA were first published in the 1950s. Annual data begin in 1945, quarterly in 1952.
- Published quarterly about 10 weeks after the end of the quarter.
- The FFA present both flows and levels
- The economy is organized by sectors and instruments

Sectors in the FFA

- Households and nonprofit organizations
- Nonfinancial business
 - Corporate, noncorporate
- Governments
 - Federal and state and local
- Financial businesses
 - Monetary authority (the Fed)
 - Depositories
 - Insurance and pension funds
 - Investment companies
 - Securitization sectors
- Rest of the world

Examples of Instruments in the FFA

- Deposits
- Credit market instruments: open market paper, Treasury and agency securities, municipal securities, corporate bonds, mortgages, consumer credit, other loans
- Corporate equities and mutual fund shares
- Insurance and pension fund reserves
- Trade credit, security credit, and taxes payable
- Proprietors' equity in noncorporate business

Household Net Worth

- Net worth = assets – liabilities
- Household net worth sometimes is considered a measure of the asset wealth of the private sector
- The value of the corporate sector enters through the value of corporate equities
- The value of the noncorporate sector enters directly (more on this later)
- Not exactly equal to total wealth of the economy (government is excluded).

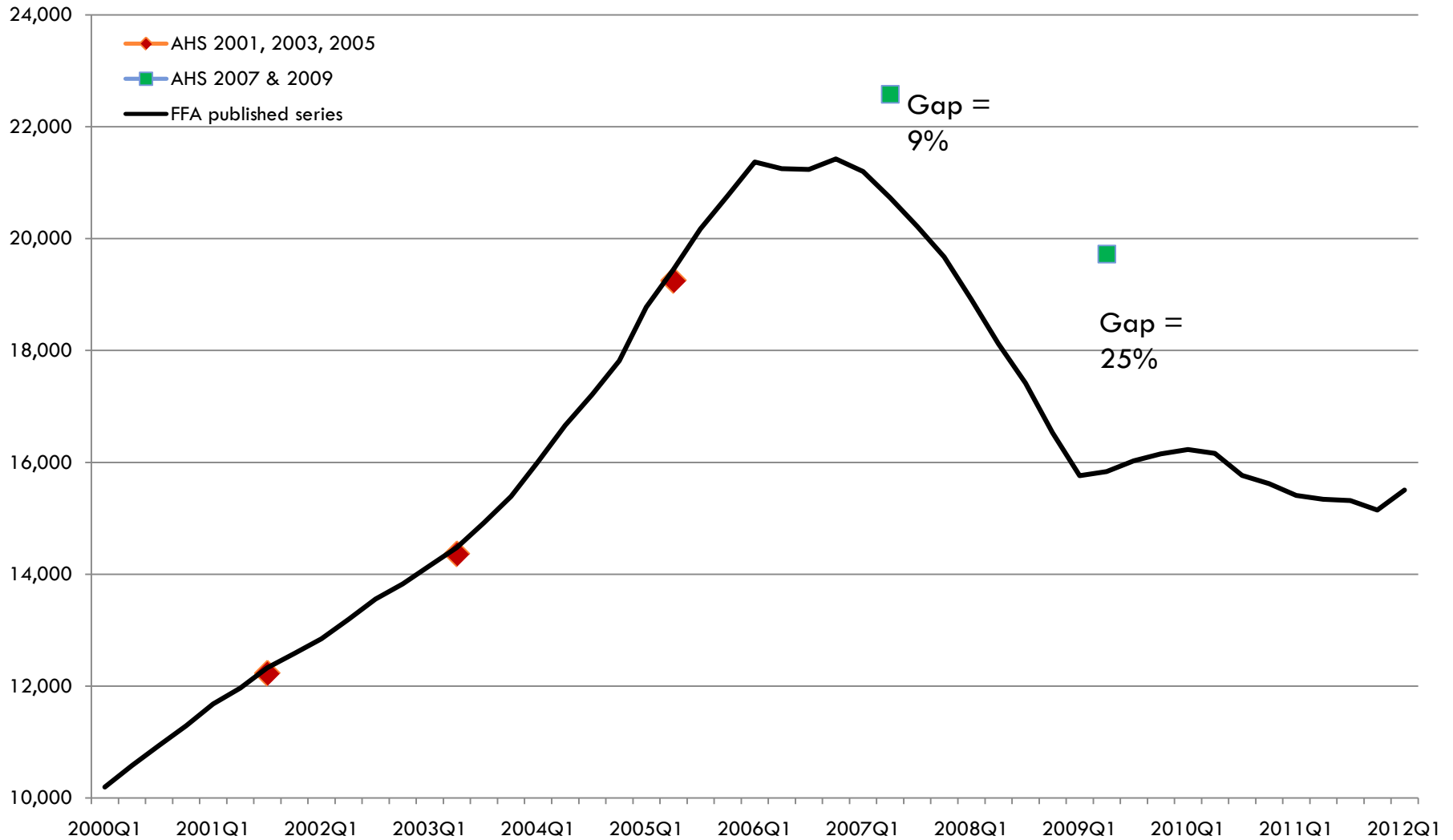
Real Estate Owned by Households

- Units in structures with from one to four units, condos and coops, manufactured homes, and vacant land.
- Only owner-occupied (OO) and vacant homes; rental homes (full- or part-time rentals) are considered businesses.
- Through 2005 we benchmarked the value of OO and vacant homes to the American Housing Survey (AHS)
- Our judgment is that the 2007 and 2009 AHS surveys were biased upward; we did not use them.

Value of Residential Real Estate Owned by Households and AHS Reference Points, Owner-occupied and vacant homes

(2000:Q1 to 2012:Q1)

Billions of Dollars



Evolution of the Value of Residential Real Estate Owned by Households Beginning in 2000

(billions of dollars)

	Change in Value	Net Investment	Appreciation in the Value of Existing Homes	Percent Change in the CoreLogic House Price Index
Cumulative Changes:				
2000:Q1-2006:Q4	11,579	2,569	9,010	98.8%
2007:Q1-2012:Q1	-5,921	692	-6,613	-30.3%
2007	-1,751	327	-2,078	-9.6
2008	-3,141	181	-3,322	-16.8
2009	-381	87	-468	-2.8
2010	-532	79	-611	-3.8
2011	-470	72	-542	-3.5
2012:Q1 ^{<1>}	1,418	-213	1,631	11.2

1. Annual rate.

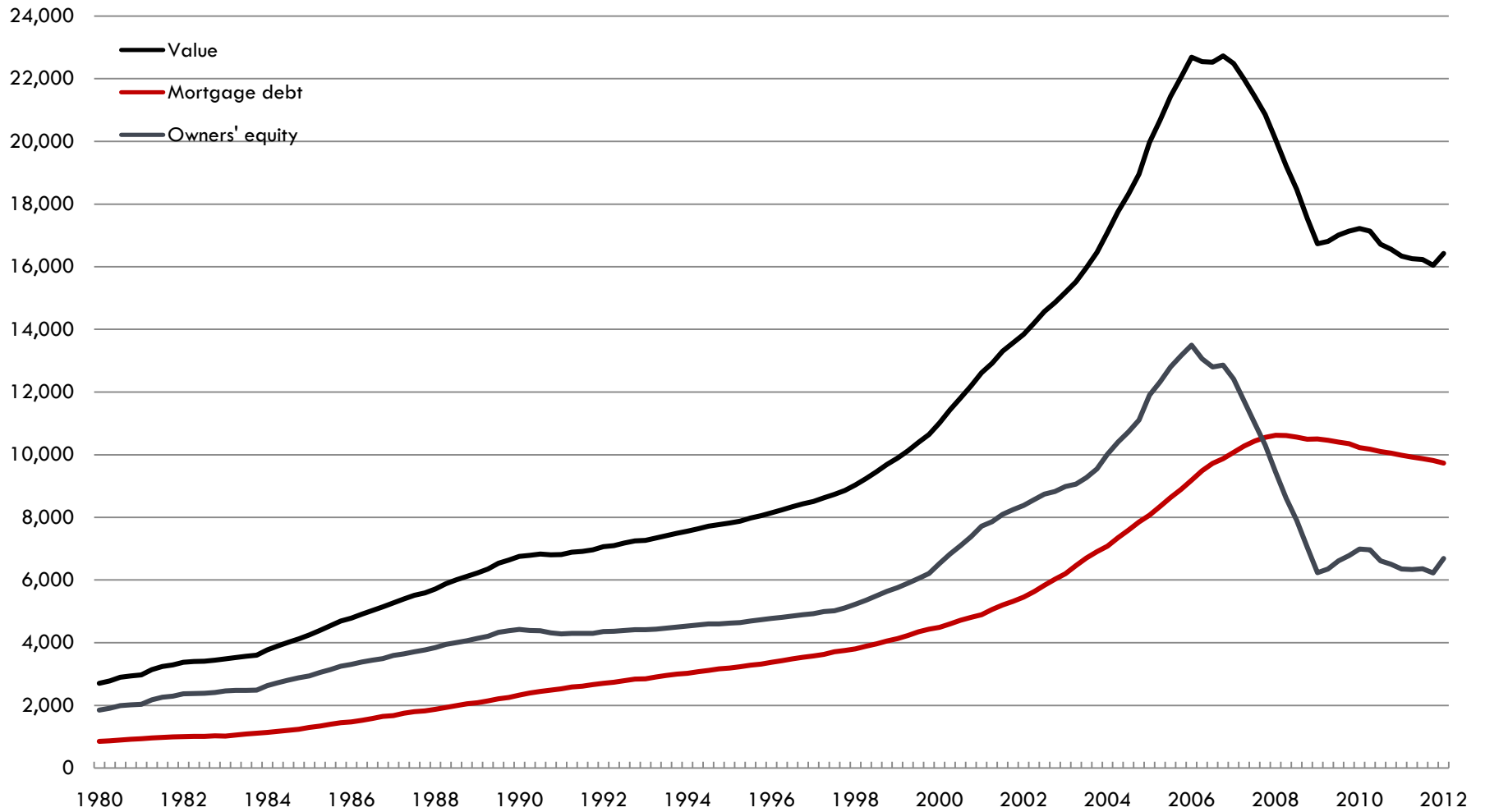
Source: FFA.

Households

Value of Homes, Mortgage Debt, and Owners' Equity

(1980:Q1 to 2012:Q1)

Billions of dollars

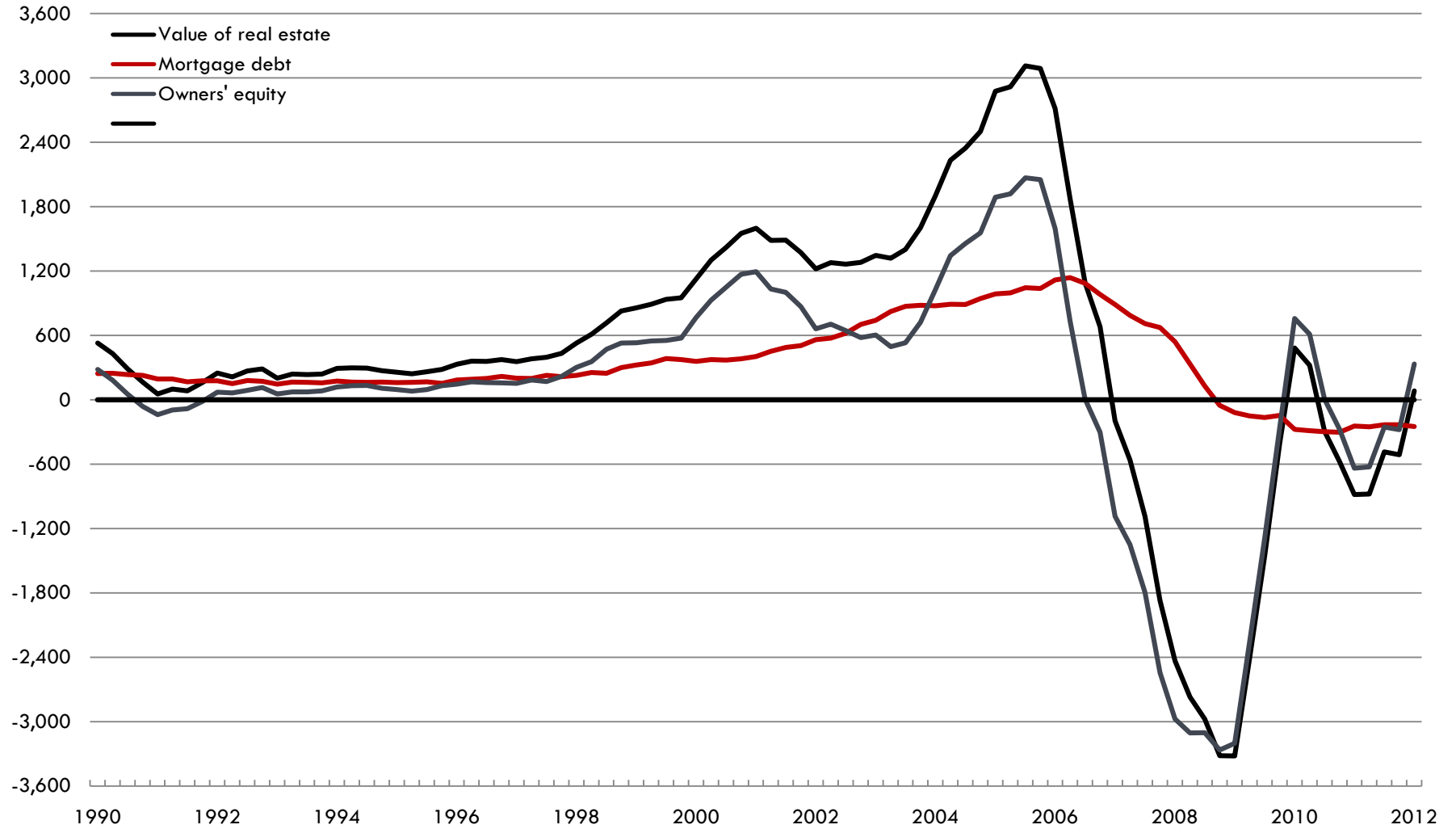


Source: FFA

Changes in Home Values, Mortgage Debt, and Owners' Equity

(1990:Q1-2012:Q1, change from four quarters earlier)

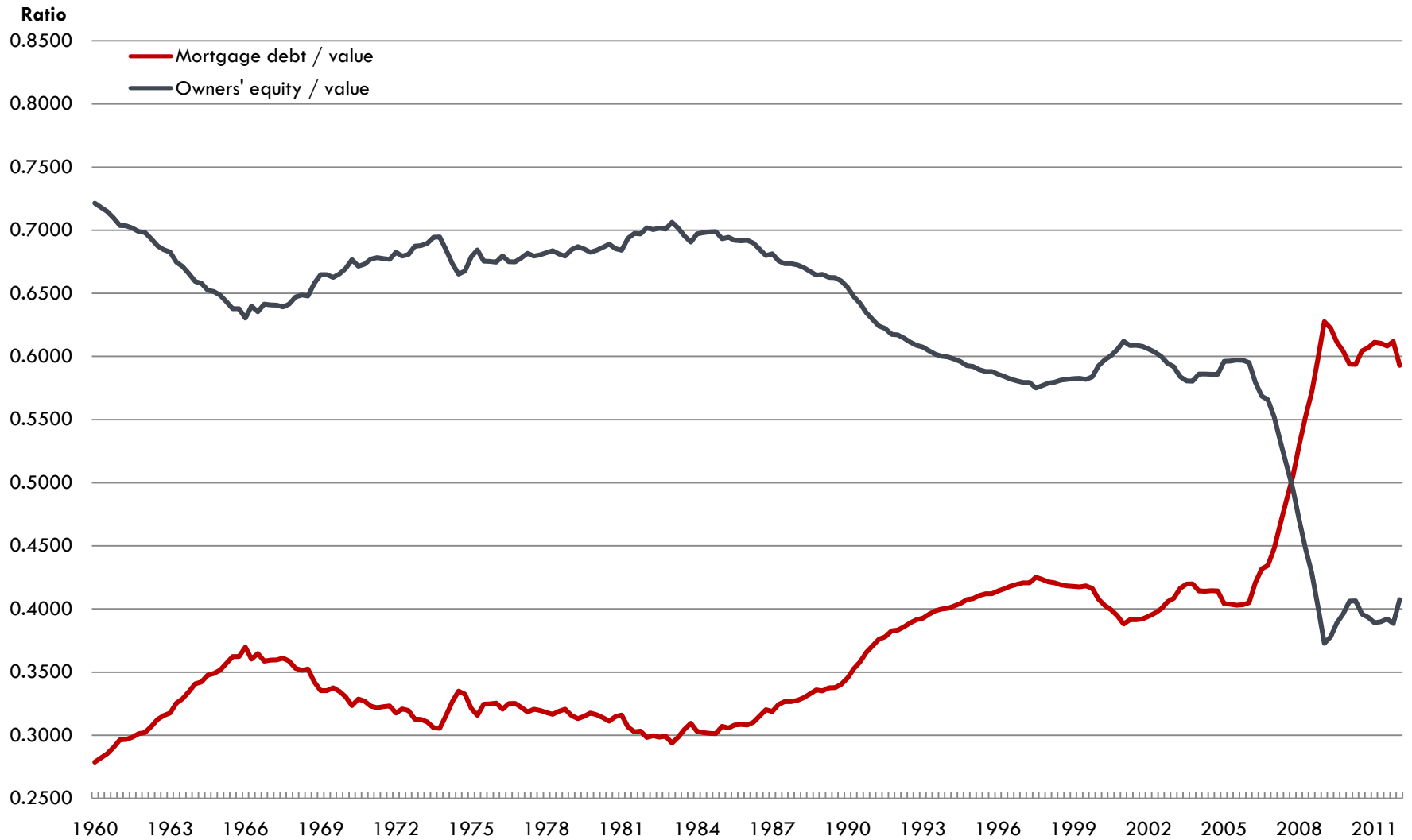
Billions of dollars



Source: FFA

Mortgage Debt and Owners' Equity as a Share of Home Values

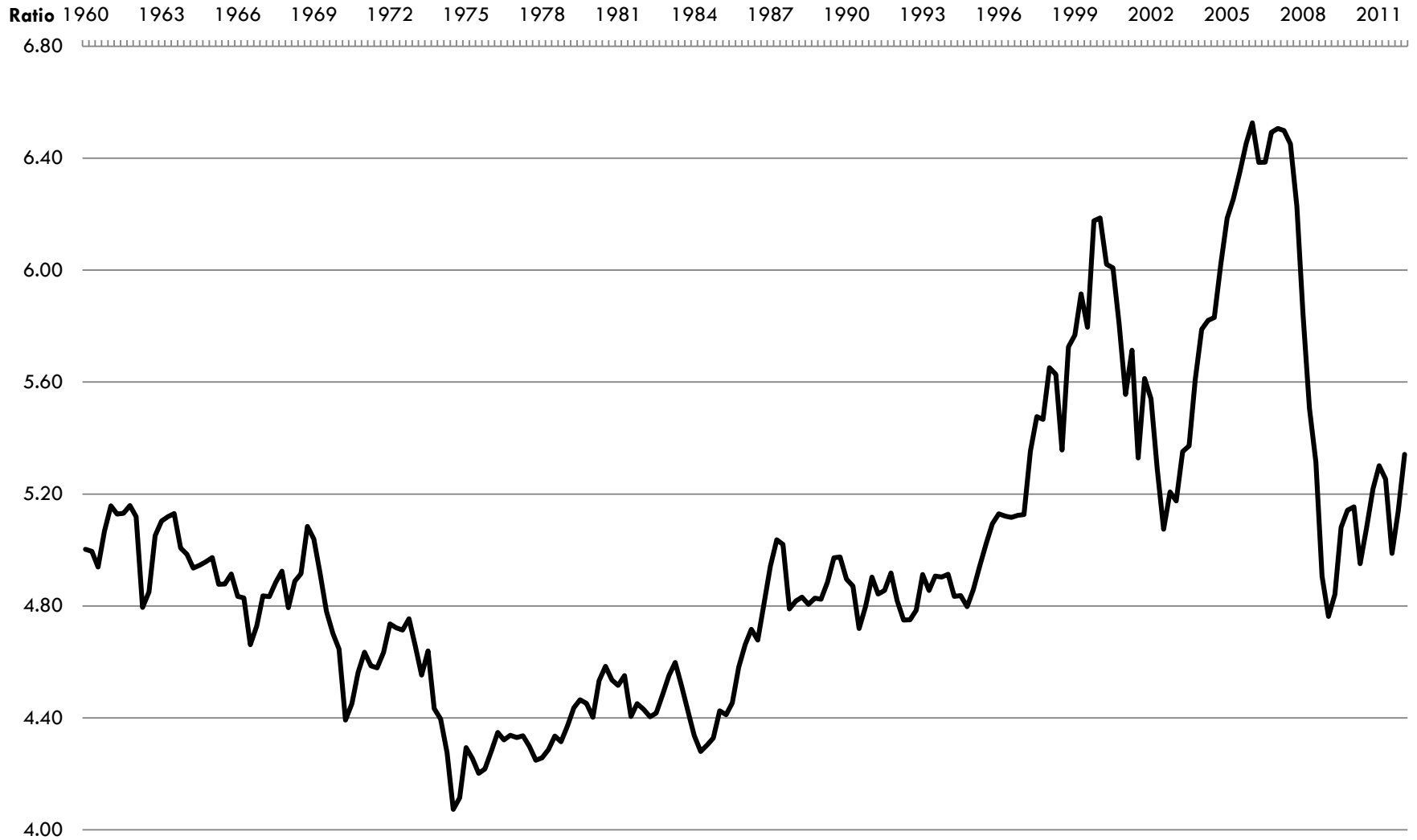
(1960:Q1 to 2012:Q1)



Source: FFA

Household Net Worth to Disposable Income

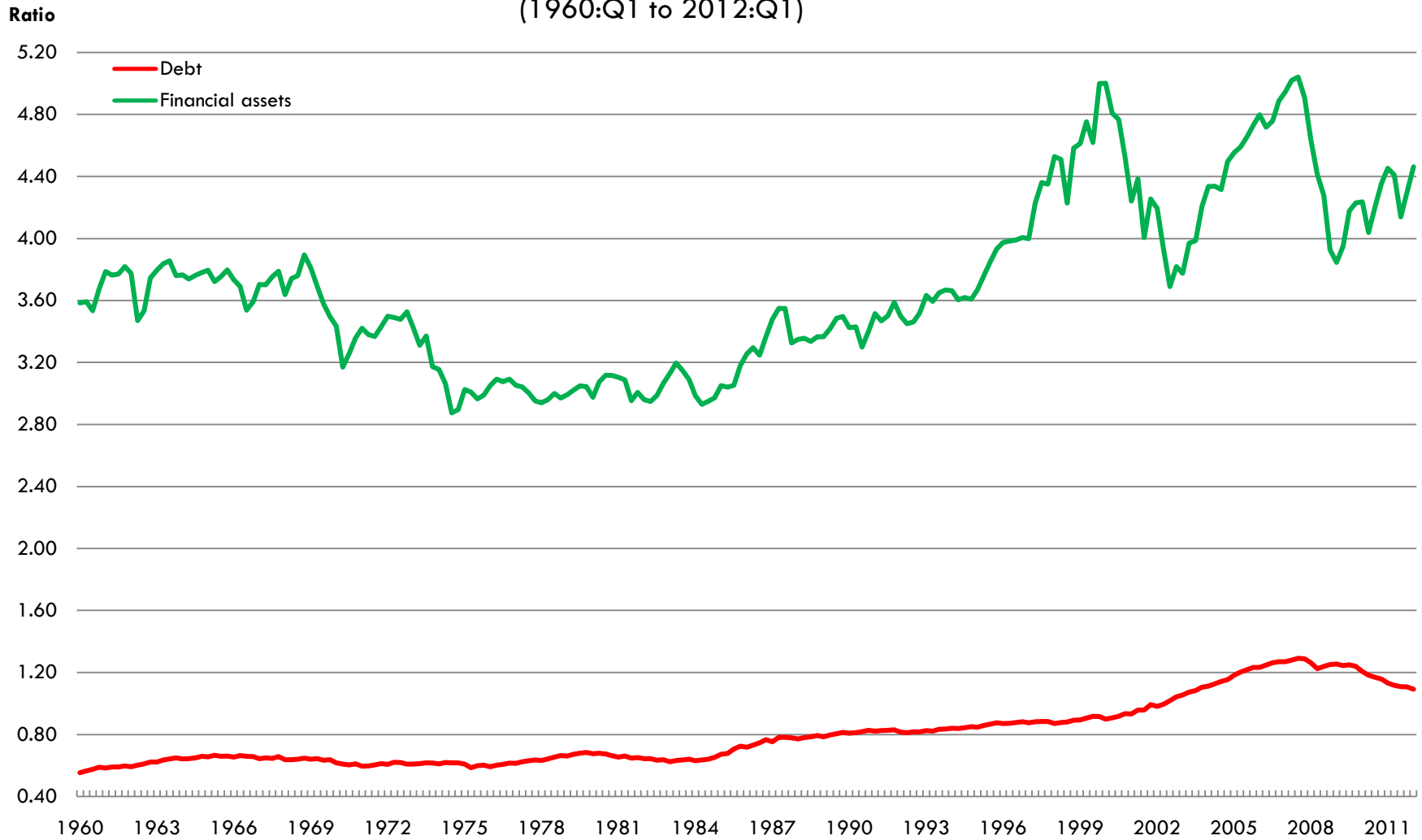
(1960:Q1 to 2012:Q1)



Source: FFA

Household Financial Assets and Credit Market Debt to Disposable Income

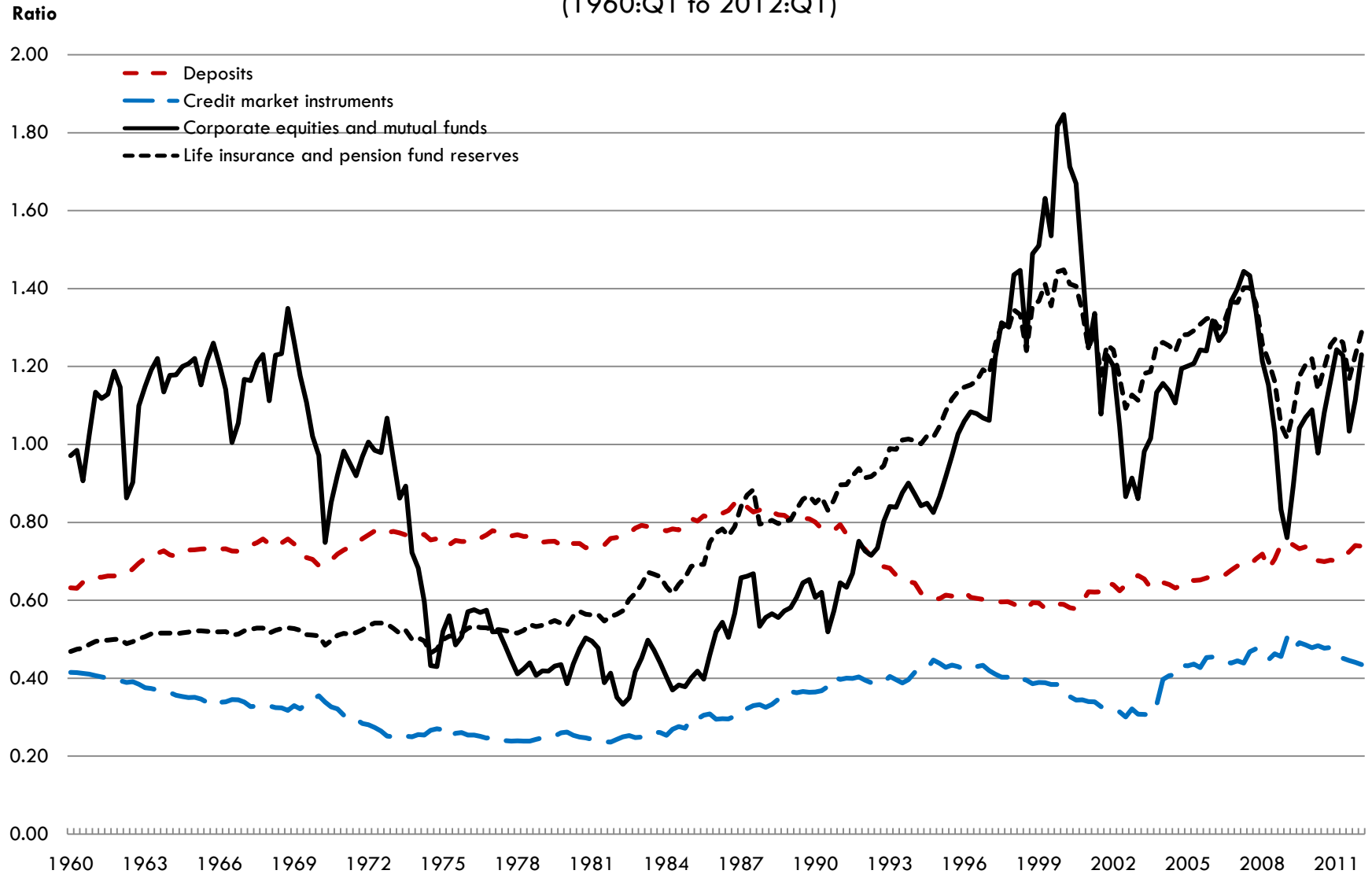
(1960:Q1 to 2012:Q1)



Source: FFA.

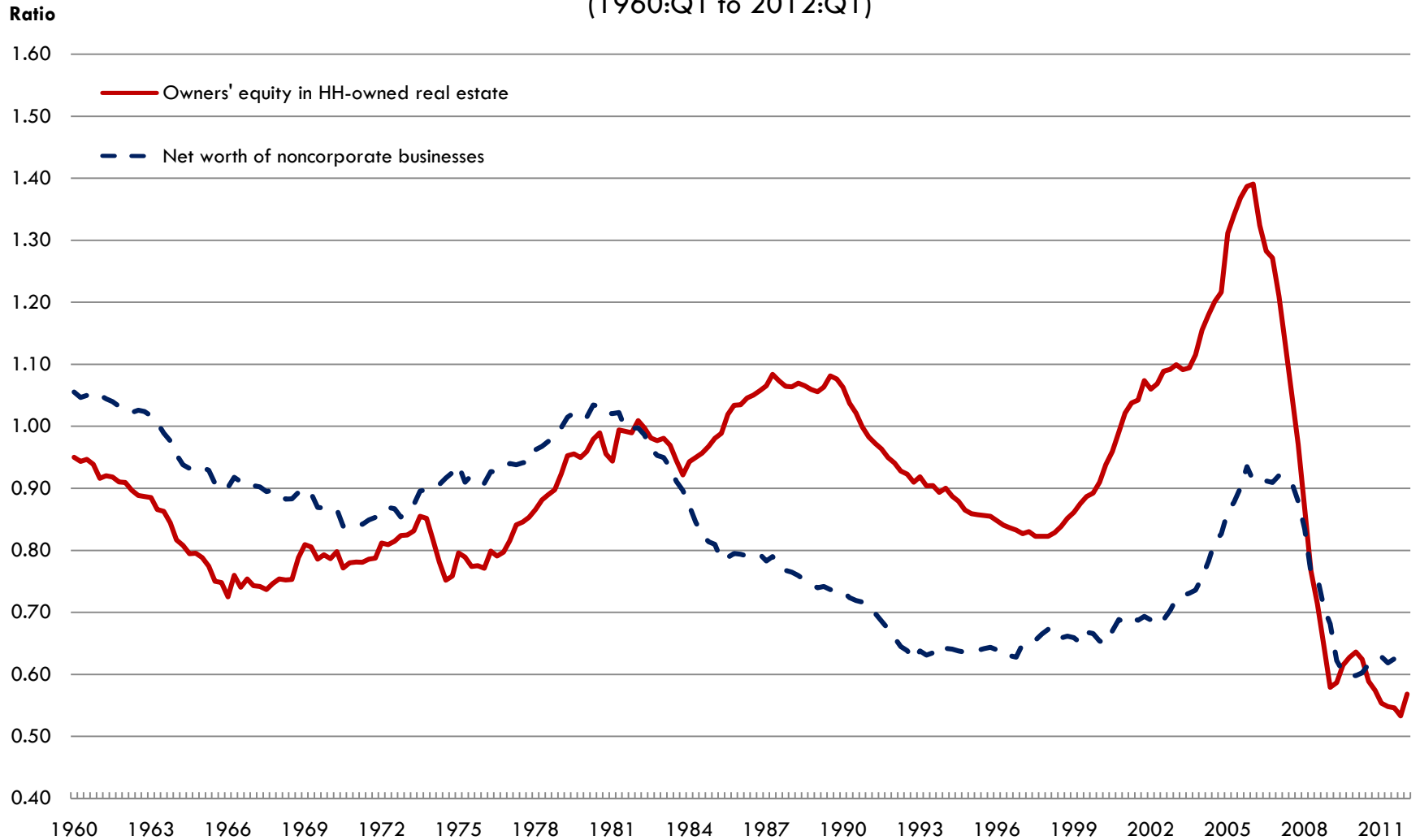
Selected Components of Households' Financial Assets as a Share of Disposable Income

(1960:Q1 to 2012:Q1)



Selected Components of Household Net Worth as a Share of Disposable Income

(1960:Q1 to 2012:Q1)



Source: FFA