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FEDERAL RESERVE statistical release



Z.1

*Flow of Funds Accounts
of the United States*

*Flows and Outstandings
Third Quarter 1999*

Flow of Funds Summary Statistics Third Quarter 1999

Debt of domestic nonfinancial sectors expanded at a 6-3/4 percent seasonally adjusted annual rate in the third quarter of 1999, about the same pace as in the first half of the year. Rapid growth of debt in the business and household sectors was again accompanied by paydown of federal government debt.

Federal debt ran off at a 2-1/4 percent annual rate in the third quarter. On a not-seasonally-adjusted basis, the amount of Treasury debt held by the public has fallen more than 5 percent, or nearly \$200 billion, since its peak in early 1998.

Debt of the nonfederal sectors rose at a 9-1/4 percent annual rate in the third quarter. Debt of households expanded at a 9-1/4 percent rate, reflecting continued strength of home mortgage borrowing. Business debt accelerated to a 10-1/2 percent rate, as firms tapped banks and the bond

market in volume. Debt of state and local governments increased at a 4-1/4 percent annual rate, a bit under the pace of the first half of the year.

The level of domestic nonfinancial debt outstanding was \$17.1 trillion at the end of the third quarter of 1999. Debt of nonfederal sectors was \$13.4 trillion, and federal debt was \$3.7 trillion.

Figures for the growth and level of debt are found in tables D.1 through D.3. Tables that show financial flows, amounts outstanding, and selected sector balance sheets are included in the remaining pages of this release.

Growth of Domestic Nonfinancial Debt¹

Percentage changes; quarterly data are seasonally adjusted annual rates

	Total	Federal	Nonfederal			
			Total	Households	Business	State and local govts.
1992	4.6	10.9	2.6	4.5	.8	2.2
1993	4.9	8.3	3.8	5.4	1.4	6.0
1994	4.6	4.7	4.6	7.7	3.9	-4.0
1995	5.5	4.1	6.1	7.9	7.0	-4.6
1996	5.4	4.0	5.9	7.4	6.0	-.6
1997	5.4	.6	7.1	6.4	8.4	5.3
1998	6.7	-1.4	9.4	8.7	10.7	7.2
1998:Q1	7.1	-.4	9.5	8.6	10.9	8.4
:Q2	6.7	-.7	9.1	7.6	11.3	7.2
:Q3	5.7	-3.0	8.4	8.4	9.1	6.0
:Q4	6.7	-1.4	9.2	9.1	9.9	6.4
1999:Q1	7.9	-2.0	10.9	9.4	13.3	7.3
:Q2	5.3	-3.0	7.8	8.5	7.9	2.9
:Q3	6.7	-2.2	9.2	9.2	10.4	4.3

1. Changes shown are on an end-of-period basis and may differ from month-average data in the H.6 release.

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Flow of Funds Accounts, Third Quarter 1999

This publication presents the flow of funds accounts for 1999:Q3.

Data revisions and other changes. The statistics shown in these tables reflect 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. The revisions include the following:

1. The accounts reflect the 1999 comprehensive revision of the national income and product accounts released by the Department of Commerce on October 28, 1999, and preliminary information for 1999:Q3, released on November 24, 1999. The major features of the latest comprehensive revision of the national income and product accounts are discussed in the October 1999 issue of the *Survey of Current Business*. Revisions to all data prior to 1959 and to some data after 1958 have not been made available. Some of the statistics used in the flow of funds accounts (for example, data on the value of tangible assets) reflect estimates made by flow of funds staff. These estimates will be revised as additional data are released by the Department of Commerce.

2. The market value of total corporate equities outstanding (table L.213, line 1) has been revised from 1980:Q1 forward to reflect new estimates of closely held shares (equity issued by private corporations that is not publicly traded) and revisions to foreign equity held by United States residents (table L.213, line 3) from the balance of payments accounts.

3. Net issuance of corporate equities by life insurance companies has been added to the accounts (table F.117, line 19), and net issuance of corporate equities by other insurance companies (table F.118, line 17) has been revised from 1985:Q1 forward. Net equity issuance for both sectors is calculated as the difference between gross issuance and retirements. The source data for gross issuance through initial public and seasoned offerings and for retirements due to mergers are from Securities Data Company. The source data for equity share repurchases are from Standard & Poor's Compustat. The source data for

issuance and retirements are occasionally supplemented with information from public announcements.

4. Trade payables of state and local governments (tables F.105 and L.105) have been revised up for the period since 1959:Q1. As part of the revision to the national income and product accounts, certain federal grants to state and local governments were reclassified as capital transfers instead of receipts. Such grants, which remain a source of funds to state and local governments, are now a component of trade payables in the flow of funds accounts.

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, federally related 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, outstandings in the flow of funds accounts are related to the 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 in the following manner:

$$\text{Percentage change}_t = (\text{Flow}_t / \text{Outstanding}_{t-1}) * 100$$

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>

Data from the flow of funds accounts are also available on 3-1/2 inch diskettes. The diskettes contain quarterly data beginning in 1952, organized in files that correspond to the tables published in this release. One diskette contains the seasonally adjusted flows, a second diskette contains unadjusted flows, and a third diskette contains quarterly outstandings, which are not seasonally adjusted. In addition, the third diskette contains quarterly data for the debt tables (tables D.1, D.2, and D.3) and available balance sheet tables and supplemental tables, as well as monthly data from January 1955 onward for the monthly debt aggregate published in the Board's H.6 statistical release, "Money Stock and Debt Measures."

Subscription Information. The Federal Reserve Board charges for subscriptions to all statistical releases. Inquiries for releases or the diskettes should be directed to:

Publications Services, Stop 127
 Board of Governors
 of the Federal Reserve System
 20th Street and Constitution Avenue, N.W.
 Washington, DC 20551
 (202) 452-3244

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 1999:Q3; unadjusted flows based on former seasonal factors.	Revised unadjusted flows.
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 1999:Q3. 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 1996.	
3. Nonfarm nonfinancial corporate business (tables F.102 and L.102)	<i>Quarterly Financial Report</i> (QFR) of the Census Bureau through 1999:Q2; Internal Revenue Service <i>Statistics of Income</i> data through 1996; securities offerings, mortgages, bank loans, commercial paper, and other loans through 1999:Q3.	<i>Statistics of Income</i> data since 1996; QFR data for 1999:Q3.
4. Nonfarm noncorporate business (tables F.103 and L.103)	Internal Revenue Service <i>Statistics of Income</i> data through 1996; bank and finance company loans and mortgage borrowing through 1999:Q3.	<i>Statistics of Income</i> data since 1996.
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 1999:Q3; preliminary data for checkable deposits and currency and trade payables through 1998.	Revised data for consumption of fixed capital and undistributed profits.

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 securities issues through 1999:Q3; selected financial assets through 1998:Q2 from the <i>Comprehensive Annual Financial Reports</i> of state and local governments that account for most of the holdings of the sector, and data from Standard & Poor's on local government investment pools.	Selected financial asset items since 1998:Q2.
7. Federal government (tables F.106 and L.106)	Data from the <i>Monthly Treasury Statement of Receipts and Outlays</i> through 1999:Q3; data from the Federal Financing Bank through 1999:Q3; Treasury data for loan programs through 1999:Q2.	Treasury data for loan programs for 1999:Q3.
8. Rest of the world (U.S. international transactions) (tables F.107 and L.107)	Balance of payments data through 1999:Q3; NIPA estimates, data from bank Reports of Condition, and Treasury International Capital System data through 1999:Q3.	None.
9. Monetary authority (tables F.108 and L.108)	All data through 1999:Q3.	None.
10. Commercial banking (tables F.109 through F.113 and tables L.109 through L.113)	All data through 1999:Q3 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 1998 for branches of domestic commercial banks located in U.S.-affiliated areas.
11. Savings institutions (tables F.114 and L.114)	All data through 1999:Q3.	None.
12. Credit unions (tables F.115 and L.115)	All data through 1999:Q3.	None.
13. Bank personal trusts and estates (tables F.116 and L.116)	All data through 1998.	Data since 1998:Q4.
14. Life insurance companies (tables F.117 and L.117)	All data through 1999:Q2; preliminary data for 1999:Q3.	Final data for 1999:Q3.
15. Other insurance companies (tables F.118 and L.118)	All data through 1999:Q2; preliminary data for 1999:Q3.	Final data for 1999:Q3.

16. Private pension funds (including FERS Thrift Savings Plan) (tables F. 119 and L.119)	Quarterly data through 1999:Q3; Internal Revenue Service/ Department of Labor/Pension Benefit Guaranty Corporation Form 5500 data through 1995.	Form 5500 data since 1995.
17. State and local government employee retirement funds (tables F.120 and L.120)	All data through 1999:Q2.	Data for 1999:Q3.
18. Money market mutual funds (tables F.121 and L.121)	All data through 1999:Q3.	None.
19. Mutual funds (tables F.122 and L.122)	All data through 1999:Q3.	None.
20. Closed-end funds (tables F.123 and L.123)	All data through 1998.	Data since 1998.
21. Government-sponsored enterprises (tables F.124 and L.124)	Balance sheet data for FHLBs, Fannie Mae, Freddie Mac, FCS, FICO, REFCORP, and Sallie Mae through 1999:Q3.	None.
22. Federally related mortgage pools (tables F.125 and L.125)	All data through 1999:Q3.	None.
23. Issuers of asset-backed securities (ABSs) (tables F.126 and L.126)	All data from Trepp/PSA Information Services of the Muller Data Corporation and data for private mortgage pools, consumer credit, business loans, student loans, consumer leases, and trade credit securitization through 1999:Q3.	None.
24. Finance companies (tables F.127 and L.127)	All data through 1999:Q3.	None.
25. Mortgage companies (tables F.128 and L.128)	Mortgage data through 1998:Q1.	Data since 1998:Q1.
26. Real estate investment trusts (REITs) (tables F.129 and L.129)	All data from SNL REIT DataSource through 1999:Q3.	None.
27. Security brokers and dealers (tables F.130 and L.130)	Data for firms filing FOCUS reports through 1999:Q3; data for firms filing FOGS reports through 1999:Q1.	Data for firms filing FOGS reports since 1999:Q1.
28. Funding corporations (tables F.131 and L.131)	Estimates for this sector are largely residuals and are derived from data for other sectors.	