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Z.1

Flow of Funds Accounts of the United States

*Flows and Outstandings
Fourth Quarter 2012*

Flow of Funds Summary Statistics Fourth Quarter 2012

Debt of the domestic nonfinancial sectors expanded at a seasonally adjusted annual rate of 6½ percent in the fourth quarter of 2012, 4 percentage points more than in the third quarter.

Household debt increased at an annual rate of 2½ percent in the fourth quarter. Home mortgage debt contracted ¾ percent, continuing the downtrend that commenced in early 2008, while consumer credit rose at an annual rate of 6½ percent.

Nonfinancial business debt rose at an annual rate of 8¾ percent in the fourth quarter, a somewhat faster pace than in the third quarter. As in recent years, corporate bonds accounted for the largest increase.

State and local government debt, which was about flat last quarter, declined 3¾ percent. Federal

government debt rose at an annual rate of 11¼ percent.

At the end of the fourth quarter of 2012, the level of domestic nonfinancial debt outstanding was \$40.1 trillion, of which household debt was \$12.8 trillion, nonfinancial business debt was \$12.7 trillion, and total government debt was \$14.6 trillion.

Household net worth—the difference between the value of households' assets and liabilities—was about \$66.0 trillion at the end of the fourth quarter of 2012, about \$1.1 trillion more than at the end of the third quarter. In the fourth quarter, the value of corporate equities and mutual funds owned by households expanded \$130 billion and the value of real estate owned by households increased about \$480 billion.

Growth of Domestic Nonfinancial Debt¹

Percentage changes; quarterly data are seasonally adjusted annual rates

	Total	Households	Business	State and local govts.	Federal
2003	8.0	11.8	2.2	8.3	10.9
2004	9.3	11.1	6.7	9.5	9.0
2005	9.2	11.2	9.0	5.8	7.0
2006	8.6	9.9	10.9	3.9	3.9
2007	8.5	6.6	13.7	5.5	4.9
2008	5.8	-0.2	6.2	0.6	24.2
2009	3.1	-1.7	-2.1	4.0	22.7
2010	4.1	-2.7	1.4	2.3	20.2
2011	3.7	-1.6	4.8	-1.7	11.4
2012	4.8	0.2	5.7	-0.2	10.9
2011:Q1	2.5	-2.0	3.8	-2.8	9.1
Q2	2.6	-2.7	5.4	-2.8	8.2
Q3	4.3	-1.7	4.3	-0.2	13.7
Q4	5.0	0.1	5.2	-1.2	12.7
2012:Q1	4.7	-0.9	4.2	-0.0	13.7
Q2	5.2	1.3	4.9	3.1	10.9
Q3	2.6	-2.0	4.7	-0.1	6.2
Q4	6.4	2.4	8.7	-3.7	11.2

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

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Flow of Funds Accounts, Fourth Quarter 2012

This publication presents the Flow of Funds Accounts for 2012: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. Data for the noncorporate business sector (tables F.103, L.103, B.103, and R.103) have been revised from 2010:Q1 forward to reflect new 2010 benchmark statistics from the Internal Revenue Service (IRS) Statistics of Income (SOI).

2. The state and local government employee retirement funds sector (tables F.117 and L.117) has been updated to reflect the Census Bureau's benchmarks for 2009:Q2, 2010:Q2, and 2011:Q2. Also, new information on asset holdings from 2011:Q2 Comprehensive Annual Financial Reports (CAFRs) of a sample of state and local government employee retirement funds, as well as minor changes to the method of calculation, has been incorporated. Data revisions begin in 2004:Q3.

3. The Treasury securities instrument tables (tables F.209 and L.209) have been modified to show additional detail on the composition of Treasury securities held by the life insurance company, the property-casualty insurance company, and the money market mutual fund sectors. Treasury bills, considered short-term, are now shown separately from other Treasury securities. Data begin in 2001:Q4 for the life insurance company sector, 1981:Q2 for the property-casualty insurance company sector, and 1984:Q1 for the money market mutual fund sector.

4. A new section for International Data Submissions has been added to the list of tables in the Flow of Funds online Guide. Two OECD matrices (tables 620 and 720) show unconsolidated financial flows and balance sheets by sector and financial instrument. Two additional OECD matrices (tables 610 and 710) show financial flows and balance sheets for the consolidated general government sector. The format of the matrices is consistent with the *System of National Accounts, 1993* (1993 SNA).

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:

$$\text{Percentage change } \tau = (\text{Flow } \tau / \text{Outstanding } \tau_{-1}) * 100$$

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

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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 2012: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 2012: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 2012:Q3; Internal Revenue Service <i>Statistics of Income (IRS/SOI)</i> data through 2010; securities offerings, mortgages, bank loans, commercial paper, and other loans through 2012:Q4. Corporate farm data for 2012.	<i>Statistics of Income</i> data since 2010. QFR of the Census Bureau since 2012:Q3.
4. Nonfinancial noncorporate business (tables F.103 and L.103)	IRS/SOI data through 2010; bank and finance company loans, and mortgage borrowing through 2012:Q4. Noncorporate farm data for 2012.	<i>Statistics of Income</i> data since 2010.
5. State and local governments (tables F.104 and L.104)	Gross offerings and retirements of municipal securities, deposits at banks, and nonmarketable U.S. government security issues through 2012:Q3; total financial assets through 2010:Q2 from the Census Bureau; breakdown of financial assets through 2011:Q2 from the comprehensive annual financial reports of state and local governments.	Total financial assets since 2010:Q2 and selected financial asset detail since 2011:Q2.
6. Federal government (tables F.105 and L.105)	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 2012:Q4.	None.

7. Rest of the world (U.S. international transactions) (tables F.106 and L.106)	Balance of payments data through 2012:Q3. NIPA estimates; data from bank Reports of Condition and from Treasury International Capital System through 2012:Q4.	Balance of payments data for 2012:Q4.
8. Monetary authority (tables F.108 and L.108)	All data through 2012:Q4.	None.
9. U.S.-chartered depository institutions (tables F.110 and L.110)	All data through 2012:Q4.	None.
10. Foreign banking offices in U.S. (tables F.111 and L.111)	All data through 2012:Q4.	None.
11. Banks in U.S.-affiliated areas (tables F.112 and L.112)	All data through 2012:Q4.	None.
12. Credit unions (tables F.113 and L.113)	All data through 2012:Q4.	None.
13. Property-casualty insurance companies (tables F.114 and L.114)	All data through 2012:Q3.	Data since 2012:Q3.
14. Life insurance companies (tables F.115 and L.115)	All data through 2012:Q3.	Data since 2012:Q3.
15. Private pension funds (tables F.116 and L.116)	Internal Revenue Service/Department of Labor/Pension Benefit Guaranty Corporation Form 5500 data through 2007.	Form 5500 data since 2007.
16. State and local government employee retirement funds (tables F.117 and L.117)	Detailed data through 2011:Q2 from the Census Bureau; sample data through 2012:Q4 from the Census Bureau.	Detailed data since 2011:Q2.
17. Federal government retirement funds (tables F.118 and L.118)	Data from the <i>Monthly Treasury Statement of Receipts and Outlays</i> , the Thrift Savings Plan, and the National Railroad Retirement Investment Trust through 2012:Q3.	None.

18. Money market mutual funds (tables F.119 and L.119)	All data through 2012:Q4.	None.
19. Mutual funds (tables F.120 and L.120)	All data through 2012:Q4.	None.
20. Closed-end funds (tables F.121 and L.121)	All data through 2012:Q4.	None.
21. Exchange-traded funds (tables F.121 and L.121)	All data through 2012:Q4.	None.
22. Government-sponsored enterprises (tables F.122 and L.122)	Data for Freddie Mac, Farmer Mac, FICO, FCS, and REFCORP through 2012:Q4.	Fannie Mae and FHLB data since 2012:Q3.
23. Agency- and GSE-backed mortgage pools (tables F.123 and L.123)	Data for Freddie Mac, Farmer Mac, and Ginnie Mae through 2012:Q4.	Fannie Mae data since 2012:Q3.
24. Issuers of asset-backed securities (ABSs) (tables F.124 and L.124)	All data for private mortgage pools, consumer credit, business loans, student loans, consumer leases, and trade credit securitization through 2012:Q4.	None.
25. Finance companies (tables F.125 and L.125)	All data through 2012:Q4.	None.
26. Real estate investment trusts (REITs) (tables F.126 and L.126)	Final data from SNL Financial through 2012:Q4.	None.
27. Security brokers and dealers (tables F.127 and L.127)	Data for firms filing FOCUS and FOGS reports through 2012:Q4.	None.
28. Holding companies (table F.128 and L.128)	All data through 2012:Q4.	None.
29. Funding corporations (tables F.129 and L.129)	Estimates for this sector are largely residuals and are derived from data for other sectors.	