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*Z.1*

# *Flow of Funds Accounts of the United States*

*Flows and Outstandings  
Third Quarter 2009*

## Flow of Funds Summary Statistics

### Third Quarter 2009

Debt of the domestic nonfinancial sectors is estimated to have expanded at a seasonally adjusted annual rate of 2¾ percent in the third quarter of 2009, about 1¾ percentage points slower than in the previous quarter. Private debt contracted in the third quarter, while government debt expanded.

Household debt contracted at an annual rate of 2½ percent in the third quarter, its fifth consecutive quarter of decline and the largest decrease on record. Home mortgage debt fell at an annual rate of 3½ percent, a significantly steeper decline than in the second quarter, while consumer credit contracted at an annual rate of 3¼ percent. Other components of household debt expanded in the third quarter, partially offsetting the decline in mortgages and consumer credit.

Nonfinancial business debt contracted at an annual rate of 2½ percent in the third quarter; the decline was widespread across credit market instruments.

Government debt continued to grow in the third quarter. State and local government debt expanded at an annual rate of 5 percent, 1½ percentage points faster than in the second quarter. Federal government debt increased at an annual rate of almost 21 percent in the third quarter, somewhat slower than in the second quarter, but nonetheless the fifth consecutive quarter of growth exceeding 20 percent.

At the end of the third quarter of 2009, the level of domestic nonfinancial debt outstanding was \$34.6 trillion; household debt was \$13.6 trillion, nonfinancial business debt was \$11.1 trillion, and total government debt was \$9.9 trillion.

Household net worth—the difference between the value of assets and liabilities—was an estimated \$53.4 trillion at the end of the third quarter, up \$2.7 trillion (5 percent) from the second quarter and the second consecutive quarter of growth.

#### Growth of Domestic Nonfinancial Debt<sup>1</sup>

Percentage changes; quarterly data are seasonally adjusted annual rates

	Total	Households	Business	State and local govts.	Federal
1999	6.4	8.4	10.7	3.3	-1.9
2000	5.0	9.1	9.3	1.4	-8.0
2001	6.3	9.6	5.8	8.8	-0.2
2002	7.3	10.8	2.6	11.1	7.6
2003	8.1	11.7	2.3	8.3	10.9
2004	8.9	11.1	6.3	7.4	9.0
2005	9.5	11.1	8.8	10.2	7.0
2006	9.0	10.0	10.5	8.2	3.9
2007	8.7	6.7	13.4	9.3	4.9
2008	5.9	0.3	5.2	2.0	24.2
2008:Q1	5.5	3.1	7.8	3.6	8.1
Q2	3.3	0.2	6.4	1.1	5.9
Q3	8.2	-0.4	5.2	3.3	39.2
Q4	6.1	-1.8	1.0	-0.2	37.0
2009:Q1	4.3	-1.2	0.5	4.4	22.6
Q2	4.5	-1.6	-2.2	3.6	28.2
Q3	2.8	-2.6	-2.6	5.1	20.6

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

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## Table of Contents

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<i>Title</i>	<i>Table</i>	<i>Page</i>
Flow of Funds Accounts, Third Quarter 2009		1
Availability of Data for Latest Quarter		4
Debt Growth by Sector	D.1	7
Borrowing by Sector	D.2	8
Debt Outstanding by Sector	D.3	9

<i>Title</i>	<i>Flows</i>		<i>Levels</i>	
	<i>Table</i>	<i>Page</i>	<i>Table</i>	<i>Page</i>
<b>Summaries</b>				
Total Net Borrowing and Lending in Credit Markets	F.1	10	L.1	60
Credit Market Borrowing by Nonfinancial Sectors	F.2	11	L.2	61
Credit Market Borrowing by Financial Sectors	F.3	11	L.3	61
Credit Market Borrowing, All Sectors, by Instrument	F.4	12	L.4	62
Total Liabilities and Its Relation to Total Financial Assets	F.5	12	L.5	62
Distribution of Gross Domestic Product	F.6	13		
Distribution of National Income	F.7	14		
Saving and Investment	F.8	15		
Net Capital Transfers	F.9	16		
Derivation of Measures of Personal Saving	F.10	17	L.10	63

<i>Title</i>	<i>Flows</i>		<i>Levels</i>	
	<i>Table</i>	<i>Page</i>	<i>Table</i>	<i>Page</i>
<b>Sectors</b>				
Households and Nonprofit Organizations	F.100	18	L.100	64
Nonfinancial Business	F.101	19	L.101	65
Nonfarm Nonfinancial Corporate Business	F.102	20	L.102	66
Nonfarm Noncorporate Business	F.103	21	L.103	67
Farm Business	F.104	21	L.104	67
State and Local Governments	F.105	22	L.105	68
Federal Government	F.106	23	L.106	68
Rest of the World	F.107	24	L.107	69
Monetary Authority	F.108	25	L.108	70
Commercial Banking	F.109	26	L.109	71
U.S.-Chartered Commercial Banks	F.110	27	L.110	72
Foreign Banking Offices in U.S.	F.111	28	L.111	73
Bank Holding Companies	F.112	29	L.112	74
Banks in U.S.-Affiliated Areas	F.113	29	L.113	74
Savings Institutions	F.114	30	L.114	75
Credit Unions	F.115	31	L.115	76
Property-Casualty Insurance Companies	F.116	31	L.116	76
Life Insurance Companies	F.117	32	L.117	77
Private Pension Funds	F.118	32	L.118	77
State and Local Government Employee Retirement Funds	F.119	33	L.119	78
Federal Government Retirement Funds	F.120	33	L.120	78
Money Market Mutual Funds	F.121	34	L.121	79
Mutual Funds	F.122	34	L.122	79

<i>Title</i>	<i>Flows</i>		<i>Levels</i>	
	<i>Table</i>	<i>Page</i>	<i>Table</i>	<i>Page</i>
Closed-End and Exchange-Traded Funds	F.123	34	L.123	79
Government-Sponsored Enterprises	F.124	35	L.124	80
Agency- and GSE-backed Mortgage Pools	F.125	35	L.125	80
Issuers of Asset-Backed Securities	F.126	36	L.126	81
Finance Companies	F.127	36	L.127	81
Real Estate Investment Trusts	F.128	37	L.128	82
Security Brokers and Dealers	F.129	38	L.129	83
Funding Corporations	F.130	38	L.130	83
 <b>Instruments</b>				
Gold and Official Foreign Exchange Holdings	F.200	39	L.200	84
SDR Certificates and Treasury Currency	F.201	39	L.201	84
U.S. Deposits in Foreign Countries	F.202	39	L.202	84
Net Interbank Transactions	F.203	40	L.203	85
Checkable Deposits and Currency	F.204	41	L.204	86
Time and Savings Deposits	F.205	42	L.205	87
Money Market Mutual Fund Shares	F.206	42	L.206	87
Federal Funds and Security Repurchase Agreements	F.207	43	L.207	88
Open Market Paper	F.208	43	L.208	88
Treasury Securities	F.209	44	L.209	89

<i>Title</i>	<i>Flows</i>		<i>Levels</i>	
	<i>Table</i>	<i>Page</i>	<i>Table</i>	<i>Page</i>
Agency- and GSE-backed Securities	F.210	45	L.210	90
Municipal Securities and Loans	F.211	46	L.211	91
Corporate and Foreign Bonds	F.212	46	L.212	91
Corporate Equities	F.213	47	L.213	92
Mutual Fund Shares	F.214	47	L.214	92
Bank Loans Not Elsewhere Classified	F.215	48	L.215	93
Other Loans and Advances	F.216	49	L.216	94
Total Mortgages	F.217	50	L.217	95
Home Mortgages	F.218	51	L.218	96
Multifamily Residential Mortgages	F.219	51	L.219	96
Commercial Mortgages	F.220	52	L.220	97
Farm Mortgages	F.221	52	L.221	97
Consumer Credit	F.222	53	L.222	98
Trade Credit	F.223	53	L.223	98
Security Credit	F.224	53	L.224	98
Life Insurance and Pension Fund Reserves	F.225	54	L.225	99
Taxes Payable by Businesses	F.226	54	L.226	99
Proprietors' Equity in Noncorporate Business	F.227	54	L.227	99
Total Miscellaneous Financial Claims	F.228	55	L.228	100
Identified Miscellaneous Financial Claims - Part I	F.229	56	L.229	101
Identified Miscellaneous Financial Claims - Part II	F.230	57	L.230	102
Unidentified Miscellaneous Financial Claims	F.231	58	L.231	103
Sector Discrepancies	F.11	59		
Instrument Discrepancies	F.12	59		

<i>Title</i>	<i>Balance Sheet</i>		<i>Reconciliation</i>	
	<i>Table</i>	<i>Page</i>	<i>Table</i>	<i>Page</i>
<b>Balance Sheet and Reconciliation Tables</b>				
Households and Nonprofit Organizations	B.100	104	R.100	107
Nonfinancial Corporate Business	B.102	105	R.102	108
Nonfarm Noncorporate Business	B.103	106	R.103	109

<i>Title</i>	<i>Flows</i>		<i>Levels</i>	
	<i>Table</i>	<i>Page</i>	<i>Table</i>	<i>Page</i>
<b>Supplementary Tables</b>				
Nonprofit Organizations	F.100.a	110	L.100.a	111
Consolidated Statement for Federal, State, and Local Governments	F.106.c	112	L.106.c	113
Private Pension Funds: Defined Benefit Plans	F.118.b	114	L.118.b	115
Private Pension Funds: Defined Contribution Plans	F.118.c	114	L.118.c	115
Individual Retirement Accounts (IRAs)	F.225.i	114	L.225.i	115
Flow of Funds Matrix for 2008		116		117
Balance Sheet of Households and Nonprofit Organizations with Equity Detail			B.100.e	118

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## Flow of Funds Accounts, Third Quarter 2009

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This publication presents the flow of funds accounts for 2009:Q3.

**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. In the nonfarm noncorporate business sector (tables F.103 and L.103), data have been revised from 2007:Q1 forward, owing to benchmark statistics available from the IRS/SOI for 2007.
2. Assets of the state and local government sector, excluding employee retirement funds, (tables F.105 and L.105) have been revised from 2006:Q3 forward to reflect new 2007:Q2 benchmark data on total financial assets from the Census Bureau.
3. The exchange-traded funds sector (tables F.123 and L.123) was modified to include an additional asset category, municipal securities.
4. Households' holdings of vacant land (table B.100) have been revised from 1983:Q4 forward to reflect new methodology using the Federal Reserve's *Survey of Consumer Finances* and other sources.
5. The market value of residential real estate (B.100, B.102, and B.103) has been revised from 2000:Q1 forward to reflect revised data for the repeat-sales house-price index from LoanPerformance (a division of First American CoreLogic).
6. Supplementary tables on defined benefit (DB) and defined contribution (DC) private pension plans (tables F.118.b, F.118.c, L.118.b, and L.118.c) and individual retirement accounts (IRAs) (tables F.225.i and L.225.i) are now reported quarterly, beginning in 1985:Q1 for DB/DC private pension plans and 2007:Q1 for IRAs. IRA data for the most recent quarter are unavailable.

### 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:

[www.federalreserve.gov/releases/Z1](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). This data is also available as a customizable download dataset through the Data Download Program (**DDP**) at the following location:

[www.federalreserve.gov/datadownload/Choose.aspx?rel=Z.1](http://www.federalreserve.gov/datadownload/Choose.aspx?rel=Z.1)

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

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	<u>Available at time of publication</u>	<u>Major items missing</u>
1. National income and product accounts (NIPA)	Preliminary estimates, seasonally adjusted, for 2009:Q3.	Unadjusted flows since 2007 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 2009: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 2000.	
3. Nonfarm nonfinancial corporate business (tables F.102 and L.102)	<i>Quarterly Financial Report</i> (QFR) of the Census Bureau through 2009:Q2; Internal Revenue Service <i>Statistics of Income</i> (IRS/SOI) advance data through 2007; securities offerings, mortgages, bank loans, commercial paper, and other loans through 2009:Q3.	<i>Statistics of Income</i> data since 2007. QFR data since 2009:Q2.
4. Nonfarm noncorporate business (tables F.103 and L.103)	IRS/SOI data through 2007; bank and finance company loans and mortgage borrowing through 2009:Q3.	<i>Statistics of Income</i> data since 2007.
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 2009:Q3; preliminary data for checkable deposits and currency and trade payables through 2007.	Consumption of fixed capital and undistributed profits since 2008.
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 2009:Q3; total financial assets through 2007:Q2 from the Census Bureau; breakdown of financial assets through 2004:Q2 from the comprehensive annual financial reports of state and local governments.	Total financial assets since 2007:Q2 and selected financial asset detail since 2004:Q2.
7. Federal government (tables F.106 and L.106)	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 2009:Q3.	None.

8. Rest of the world (U.S. international transactions) (tables F.107 and L.107)	Balance of payments data through 2009:Q2. NIPA estimates; data from bank Reports of Condition and from Treasury International Capital System through 2009:Q3.	Balance of payments data for 2009:Q3.
9. Monetary authority (tables F.108 and L.108)	All data through 2009:Q3.	None.
10. Commercial banking (tables F.109 through F.113 and tables L.109 through L.113)	All data through 2009: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 2008 for branches of domestic commercial banks located in U.S.-affiliated areas.
11. Savings institutions (tables F.114 and L.114)	All data through 2009:Q3.	None.
12. Credit unions (tables F.115 and L.115)	All data through 2009:Q3.	None.
13. Property-casualty insurance companies (tables F.116 and L.116)	All data through 2009:Q2. Preliminary data for 2009:Q3.	Final data for 2009:Q3.
14. Life insurance companies (tables F.117 and L.117)	All data through 2009:Q2. Preliminary data for 2009:Q3.	Final data for 2009:Q3.
15. Private pension funds (tables F.118 and L.118)	Quarterly data through 2009:Q2; Internal Revenue Service/Department of Labor/Pension Benefit Guaranty Corporation Form 5500 data through 2006.	Form 5500 data since 2006. Quarterly data since 2009:Q2.
16. State and local government employee retirement funds (tables F.119 and L.119)	Detailed data through 2007:Q2 from the Census Bureau; sample data through 2009:Q2 from the Census Bureau.	Detailed data since 2007:Q2 and sample data for 2009:Q3.
17. Federal government retirement funds (tables F.120 and L.120)	Data from the <i>Monthly Treasury Statement of Receipts and Outlays</i> , the Thrift Savings Plan, and the National Railroad Retirement Investment Trust through 2009:Q3.	None.
18. Money market mutual funds (tables F.121 and L.121)	All data through 2009:Q3.	None.
19. Mutual funds (tables F.122 and L.122)	All data through 2009:Q3.	None.
20. Closed-end funds (tables F.123 and L.123)	All data through 2009:Q3.	None.
21. Exchange-traded funds (tables F.123 and L.123)	All data through 2009:Q3.	None.

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22. Government-sponsored enterprises (tables F.124 and L.124)	Data for Fannie Mae, Freddie Mac, FHLBs, FICO, Farmer Mac, FCS, and REFCORP through 2009:Q3.	None.
23. Agency- and GSE-backed mortgage pools (tables F.125 and L.125)	Data for Fannie Mae, Freddie Mac, and Ginnie Mae through 2009:Q3.	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 2009:Q3.	None.
25. Finance companies (tables F.127 and L.127)	All data through 2009:Q3.	None.
26. Real estate investment trusts (REITs) (tables F.128 and L.128)	Data from SNL Financial through 2009:Q3.	None.
27. Security brokers and dealers (tables F.129 and L.129)	Data for firms filing FOCUS and FOGS reports through 2009:Q3.	None.
28. Funding corporations (tables F.130 and L.130)	Estimates for this sector are largely residuals and are derived from data for other sectors.	