



**CONFERENCE ON STRENGTHENING SECTORAL POSITION AND
FLOW DATA IN THE MACROECONOMIC ACCOUNTS**

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U.S. Flow of Funds Accounts

To be presented in Session 2, Item 2 by Susan Hume McIntosh and Elizabeth Ball
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U.S. FLOW OF FUNDS ACCOUNTS

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Flow of Funds Section
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Conference on Strengthening Sectoral Positions and Flow
Data in the Macroeconomic Accounts
IMF and OECD
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Presentation Outline

- **History of the U.S. Flow of Funds Accounts (FFA)**
- **Matrix structure of the FFA**
- **Coverage**
 - ▣ Sectors
 - ▣ Instruments
- **Types of source data**
- **Integrated Macroeconomic Accounts**
- **Uses of the FFA**
- **New online data documentation system**

History of FFA

□ **Tables first published**

- Annual flow statistics: 1955
- Quarterly flow statistics: 1959 (Unadj.); 1962 (SA)
- Outstandings (levels) tables: early 1960s (A); early 1990s (Q)
- Balance sheets, reconciliation tables, and supplemental tables
- Integrated Macroeconomic Accounts: 2004

□ **Availability**

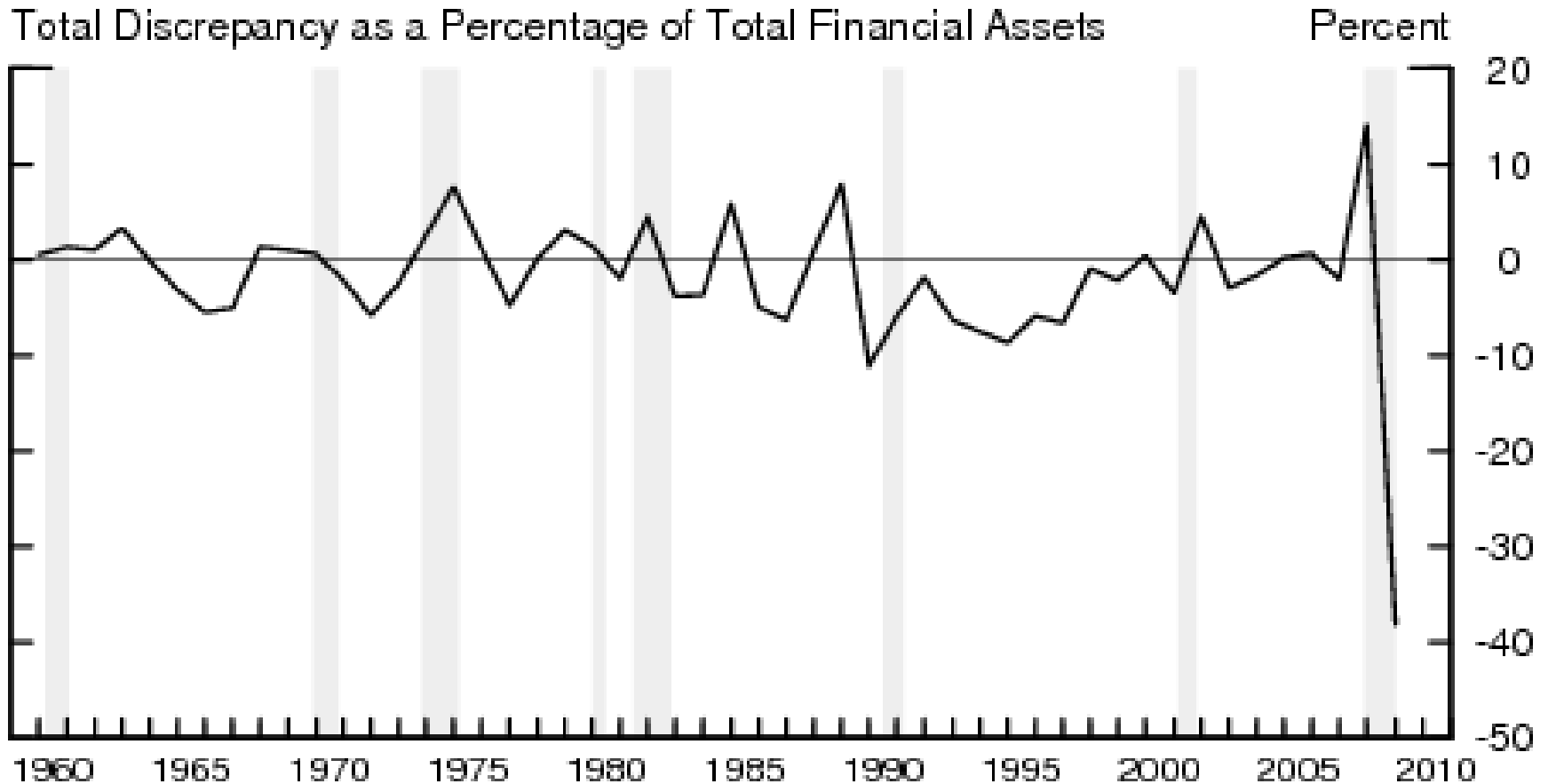
- Annual data: 1945-2009
- Quarterly data: 1952:Q4-2010:Q3
- Integrated accounts: 1960-2009 (A), 1992:Q1-2010:Q3 (Q)
- Z.1 published about 10 weeks following the end of a

Simplified Flow Matrix for 2009

Description	Households and Nonprofit Organizations		Nonfinancial Business		Governments		Financial Sectors		Rest of the World		All Sectors		Instrument Discrepancy
	U (1)	S (2)	U (3)	S (4)	U (5)	S (6)	U (7)	S (8)	U (9)	S (10)	U (11)	S (12)	
1. Gross saving less net capital transfers	--	1910.8	--	1282.5	--	-966.3	--	254.9	--	380.3	--	2862.1	--
2. Capital consumption	--	1186.3	--	1095.1	--	325.3	--	150.1	--	--	--	2756.8	--
3. Net saving (1 less 2)	--	724.5	--	187.3	--	-1291.7	--	104.9	--	380.3	--	105.3	--
4. Gross investment (5 plus 6)	1633.6		1246.8	--	-890.2	--	226.2	--	215.9	--	2432.4	--	429.7
5. Capital expenditures	1359.8		1034.9	--	509.7	--	146.6	--	0	--	3051.0	--	-1889
6. Net lending (+) or net borrowing (-) (7 less 8)	273.8		211.9	--	-1399.9	--	79.6	--	215.9	--	-618.6	--	618.6
7. Total financial assets	77.9		67.2	--	332.0	--	-1756.4	--	151.7	--	-1127.7	--	--
8. Total liabilities	--		--	-144.7	--	1731.8	--	-1836.1	--	-64.2	--	-509.0	--
9. Sector discrepancies	277.2		35.7	--	-76.2	--	28.7	--	164.3	--	429.7	--	429.7

Flow of Funds Accounts of the United States, December 9, 2010

Discrepancies in the Flow of Funds Accounts



*The difference between all sources and all uses of funds, including those in the capital accounts, as published on December 9, 2010.

Sectors in the FFA

- **Households and nonprofit organizations**
- **Nonfinancial business**
 - ▣ Corporate, noncorporate, and farm
- **Governments**
 - ▣ Federal and state and local
- **Rest of the world**
- **Financial businesses (23 subsectors)**
 - ▣ Monetary authority
 - ▣ Depositories (6)
 - ▣ Insurance and pension funds (5)
 - ▣ Investment companies (4)
 - ▣ Securitization sectors (2)
 - ▣ Other (5)

Instruments in the FFA

- **30 instrument tables + 2 discrepancy tables**
 - U.S. official reserve assets
 - Deposits and federal funds and security RPs
 - Interbank transactions
 - 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
 - Miscellaneous financial claims

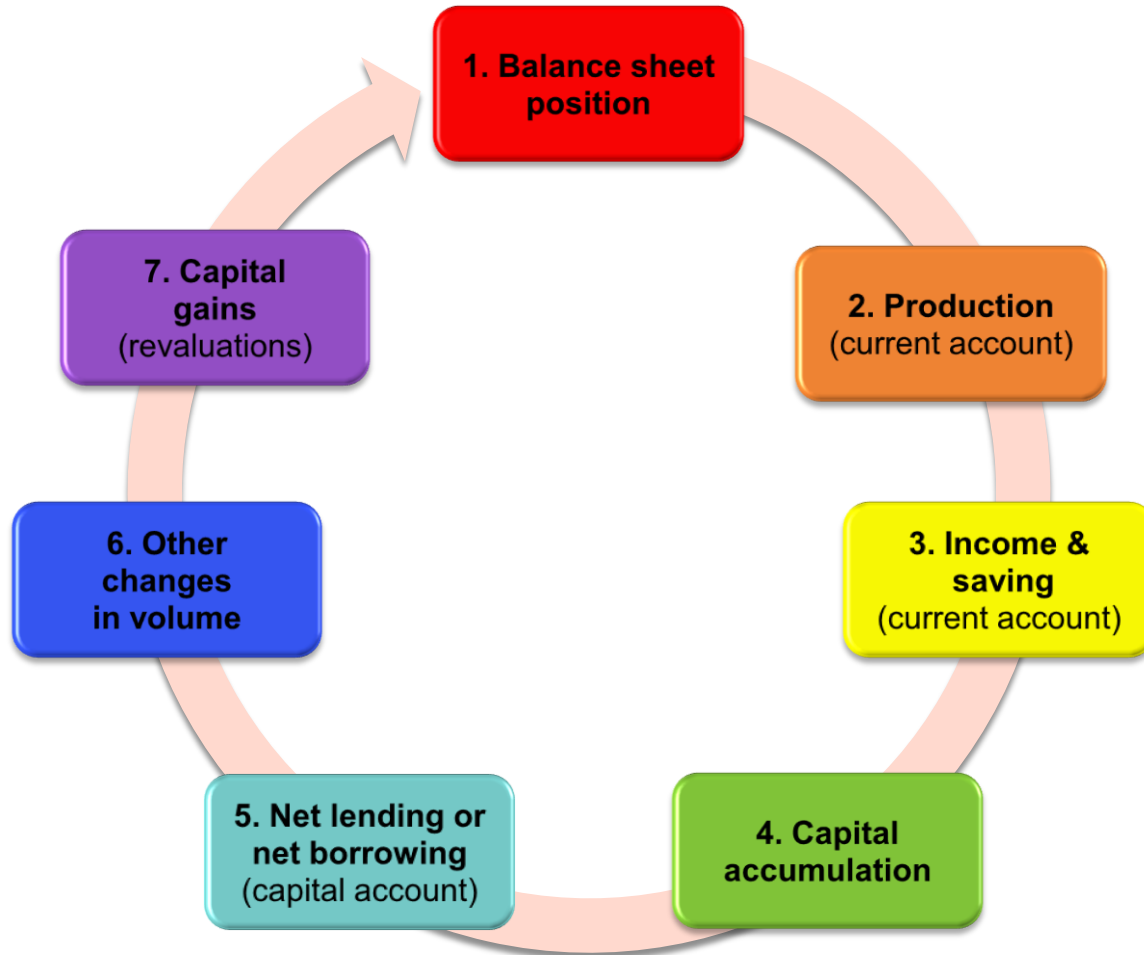
Main Sources

- **Government agencies**
 - ▣ National Income and Product Accounts (NIPA)
 - ▣ Balance of Payments (BOP)
 - ▣ International Investment Positions (IIP)
 - ▣ Other government agencies' data
- **Regulatory reports**
- **Aggregated tax statistics**
- **Federal Reserve surveys**
- **Trade associations**
- **Ratings agencies**
- **Private data-collection firms**

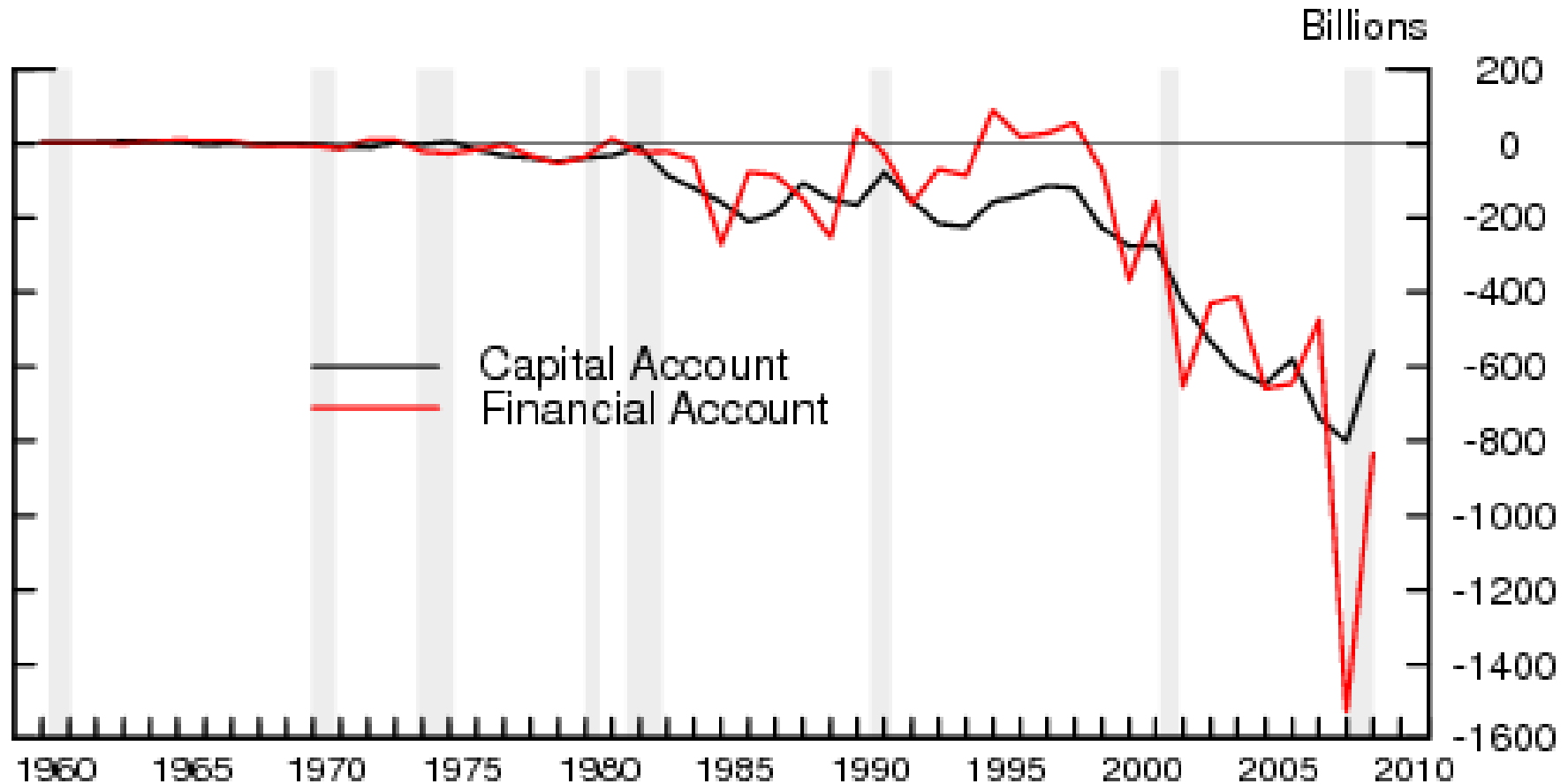
Integrated Macroeconomic Accounts

- Joint project with Bureau of Economic Analysis (BEA)
- SNA 1993 definitions and methodology
- 7 sectors: households and nonprofit institutions serving household, nonfinancial noncorporate business, nonfinancial corporate business, financial business, federal government, state and local governments, rest of the world
- Tables published on FRB and BEA websites
- Article in February 2007 *Survey of Current Business* (http://www.bea.gov/national/nipaweb/Ni_FedBeaSna/Index.asp)

Progression of Accounts



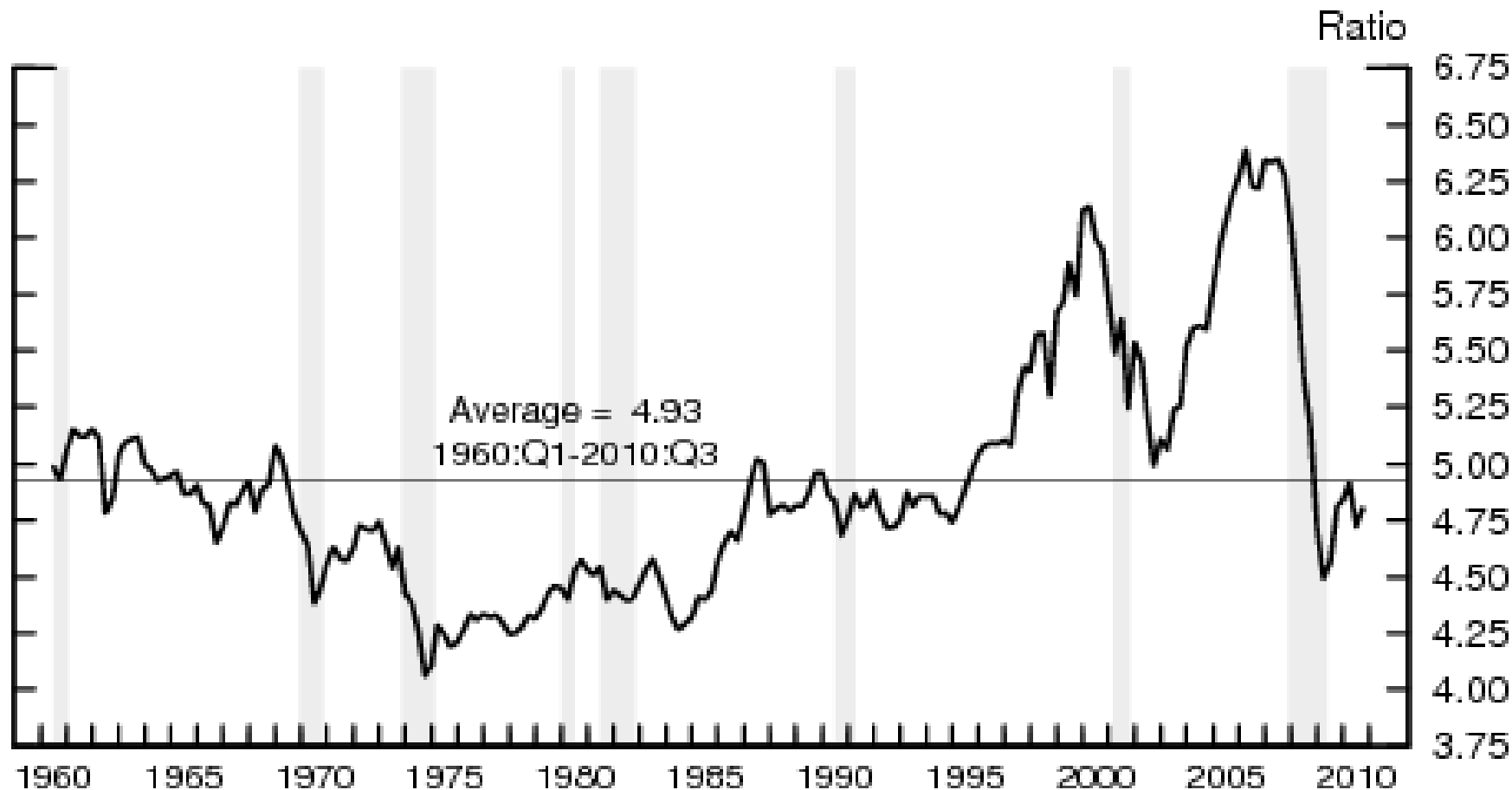
Net lending (+) or Net borrowing (-)



Why are the FFA useful?

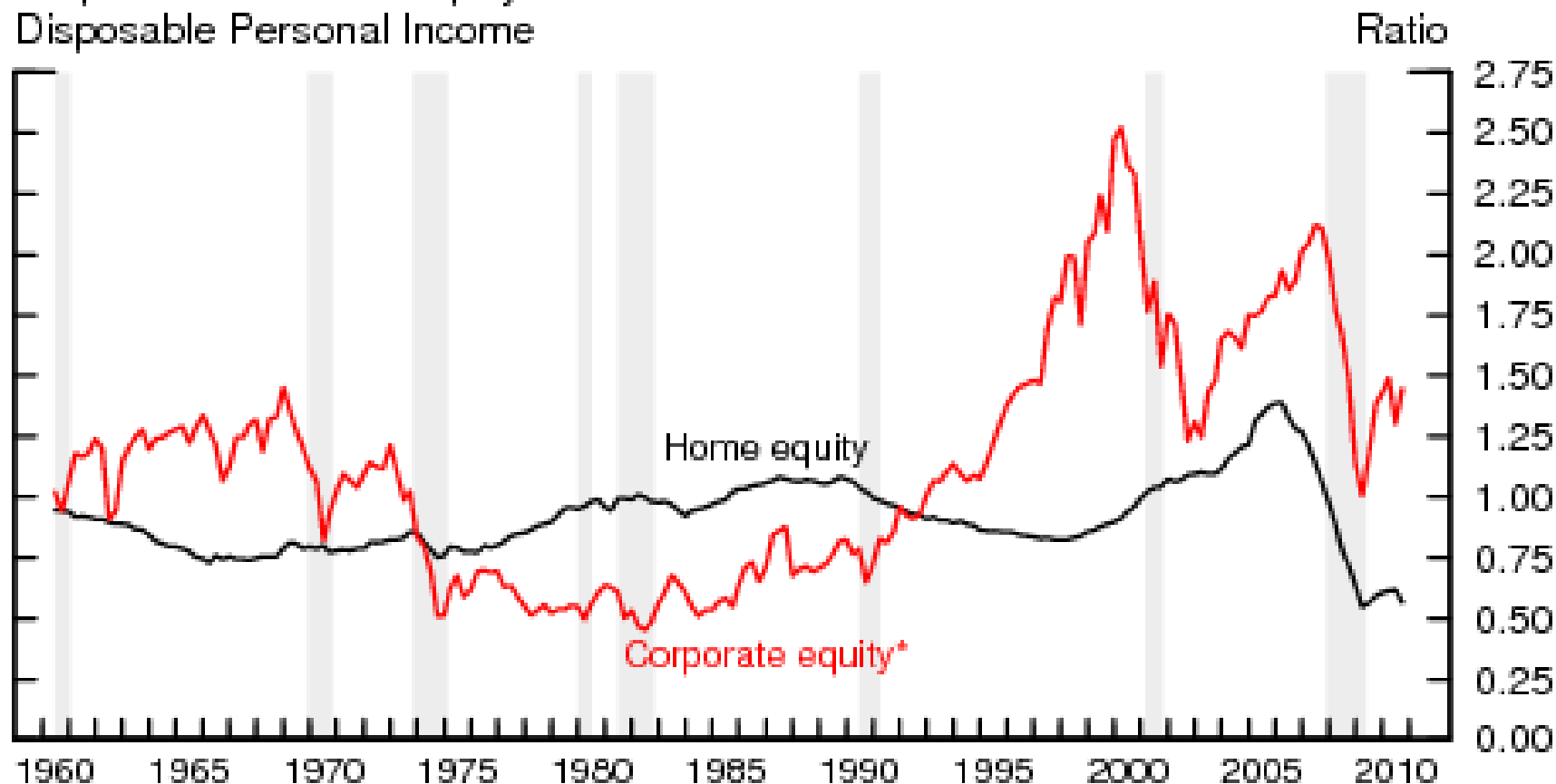
- Measure the acquisition of physical and financial assets throughout the U.S. economy
- Track the sources of funds used to acquire the assets
- Record the net volume of transactions in financial instruments
- Provide a means of analyzing the development of instruments and the behavior of series over business cycles
- Record the role of financial intermediaries in transferring funds between sectors
- Only agency to provide a complete household sector balance sheet, including net worth

Household Net Worth/DPI



Household Exposure to Stock and Housing Markets

Corporate and Home Equity Relative to Disposable Personal Income

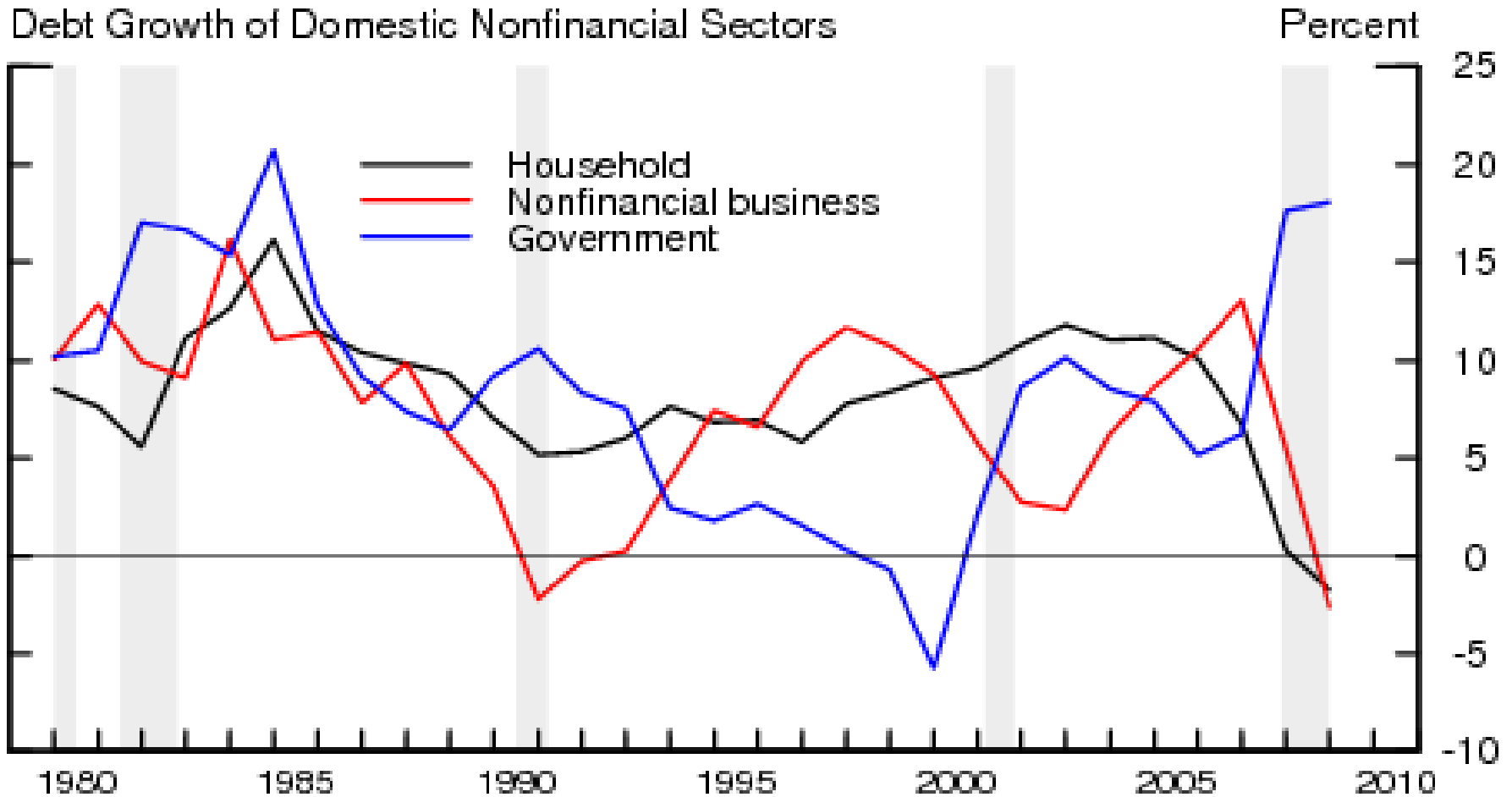


*Includes directly held publicly traded and closely held equity shares and equity held indirectly through mutual funds, life insurance companies, and private, state and local government, and federal government retirement funds.

Projection

- Provides a logical framework for summarizing the way financial markets may evolve in the periods ahead
- Provides a consistency check of fundamental elements of the forecast each made independently
- Provides consistent time series in order to derive relationships among sectors or between financial and real economic variable.
- Provides the critical variable, household net worth, needed to explain and predict consumption in the Federal Reserve's model of the aggregate behavior of the U.S. economy.

Debt Growth of Domestic Nonfinancial Sectors



FFA Data Provided to International Organizations

□ **OECD**

- Financial flows and balance sheets
- Household assets and liabilities
- Institutional investors
- Pension sector

□ **IMF**

- Financial Soundness Indicators (FSIs)
- Special Data Dissemination Standard (SDDS) – general government financing
- International Financial Statistics (IFS) – other depositories and other financial corporations

□ **BIS** – debt securities

Preview of FFA Online Guide

- ❑ Interactive system showing data sources, including links, search capabilities, sector and instrument descriptions
- ❑ Replaces Flow of Funds Guide published 2000
- ❑ Will be available to general public March 28, 2011
- ❑ Will be updated each quarter when data are released
- ❑ All data, including underlying series, will be available through the Federal Reserve Data Download Program
(<http://www.federalreserve.gov/datadownload/Choose.aspx?rel=Z.1>)