

Integrated Macroeconomic Accounts for the United States

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THIS article introduces a set of macroeconomic accounts that relate production, income and saving, capital formation, financial transactions, and asset revaluations to changes in net worth between balance sheets for major sectors of the U.S. economy. These new accounts should help economists gain a better understanding of major developments in the U.S. economy by providing a comprehensive picture of economic activity within an integrated framework in which consistent definitions, classifications, and accounting conventions are used throughout the presentation.

Highlights of the integrated macroeconomic accounts include the following:

- Among the domestic sectors, households and nonprofit institutions, nonfinancial noncorporate businesses, the Federal Government, and state and local governments have been net borrowers in recent years, as net fixed investment in these sectors has exceeded net saving. Net lending to these sectors has been provided by nonfinancial corporations, financial businesses, and the rest of the world.
- The net lending position of the nonfinancial corporate sector in recent years has been quite unusual, with undistributed corporate profits (net saving) exceeding net investment by an average of \$43.6 billion each year in 2003–2005. Funds raised in credit and equity markets were also unusually low as borrowing in the form of loans and debt securities was mainly offset by retirements of corporate equities.
- Although the saving rate for households and nonprofit institutions has fallen to historically low levels in recent years, the net worth of this sector increased \$12.9 trillion in 2003–2005. This increase was mainly accounted for by a \$4.9 trillion increase in the value of real estate and a \$4.5 trillion rise in the values of shares and other equity that were due to changes in prices.
- In recent years, low personal saving rates have been associated with large volumes of mortgage borrowing, which averaged \$984.4 billion each year in 2003–2005. However, the increase in mortgage debt

of households and nonprofit institutions was exceeded by an average annual increase of \$2.2 trillion in the value of real estate, which includes net investment. Because most of the real estate in this sector is associated with owner-occupied housing, net housing wealth, defined as the difference between owner-occupied housing values and related mortgage debt, rose substantially.

The full set of integrated macroeconomic accounts were developed as part of an interagency effort to further harmonize the Bureau of Economic Analysis national income and product accounts (NIPAs) and the Federal Reserve Board flow of funds accounts (FFAs) and to bring these accounts into closer accordance with the national accounting guidelines offered by the international community in the *System of National Accounts, 1993* (SNA).¹ Accordingly, the SNA was used as the organizing framework for the integrated accounts,

1. See Commission of the European Communities, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations, and the World Bank, *System of National Accounts 1993* (Brussels/Luxembourg, New York, Paris, and Washington, DC, 1993).

For a discussion of the history of this project and a prototype of the integrated accounts, see Albert M. Teplin, Rochelle Antoniewicz, Susan Hume McIntosh, Michael G. Palumbo, Genevieve Solomon, Charles Ian Mead, Karin Moses, and Brent Moulton, "Integrated Macroeconomic Accounts for the United States: Draft SNA-USA," in *A New Architecture for the U.S. National Accounts*, eds. Dale W. Jorgenson, J. Steven Landefeld, and William D. Nordhaus (University of Chicago Press, 2006).

Data Availability

The tables in this paper present the integrated macroeconomic accounts for the six major sectors of the domestic economy and the rest of the world for 2003–2005. A set of these tables that present data for 1960–2005 are available on BEA's public Web site at www.bea.gov/national/nipaweb/Ni_FedBeaSna/Index.asp. In addition, this Web site includes a table that presents a current account for the total domestic economy and a table that presents selected aggregates.

but these accounts do not necessarily follow all of the guidelines offered by the SNA. Related improvements in the NIPAs and FFAs will be introduced according to the standard revision policies for these accounts; the agencies currently plan to introduce related improvements into the integrated accounts during the quarterly updates that immediately follow their availability.

In the first part of this article, the main features of the SNA that are necessary to understand the overall structure of the integrated accounts and related research initiatives are introduced, and the differences in these features from those of the NIPAs and FFAs are discussed. In the second part, the integrated macroeconomic accounts are introduced, and some of their limitations are discussed. In the third part, some potential uses of the new accounts are illustrated. In the fourth part, some ideas to further develop these accounts are discussed.

International Guidelines

The SNA is an accounting structure for reporting macroeconomic data that summarize the transactions of groups of institutions (or sectors) and groups of establishments engaged in production (or industries). It begins with a sequence of accounts that flow into one another to track the sources of change in net worth for each sector. These accounts are then summed across sectors to obtain accounts for the total economy.

In the SNA, a nation's institutions are grouped into five mutually exclusive sectors that are intended to cover just about all macroeconomic activity—nonfinancial corporations, financial corporations, general government, nonprofit institutions serving households, and households. The SNA also allows for each sector to be divided into subsectors. For example, in the general government sector, accounts can be compiled for central government, state government, local government, and social security funds.

The sequence of accounts for each sector begins with an opening balance sheet, which records the value of assets, liabilities, and net worth (chart 1).

The balance sheet is followed by a sequence of current accounts. The first of these shows the contribution that is made by the sector to gross domestic product both in terms of the goods and services that are produced and the cost incurred during production. The remainder of these shows how net income that is generated from current production and received by the sector is used to finance consumption and savings.

The current account is followed by two accumulation accounts that separately derive a measure of the

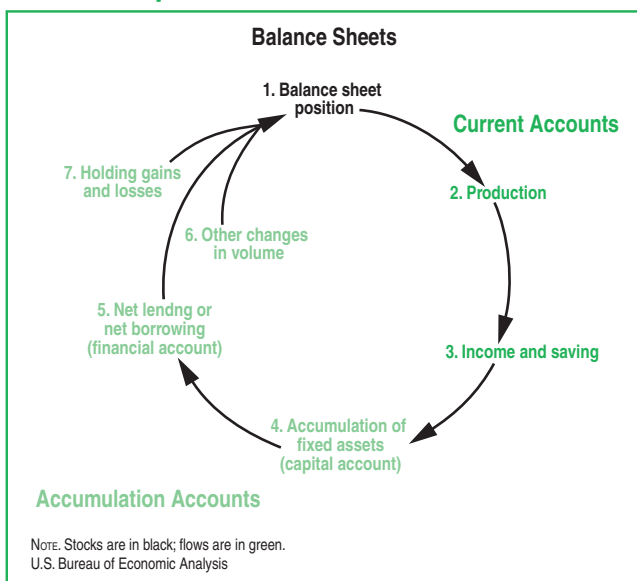
net lending or net borrowing position of the sector. The first, a capital account, derives net lending or net borrowing by subtracting fixed investment from saving that has been carried forward from the current account. The second, a financial account, derives net lending or net borrowing by subtracting the net acquisition of financial liabilities from the net acquisition of financial assets.

In principle, the value of net lending or net borrowing should be the same in both of the accounts, because saving that is not spent on purchases of fixed assets results in the acquisition of financial assets and because borrowing that is used to finance the purchase of fixed assets results in the incurrence of financial liabilities. However, when compiling the two related accounts, the values for the two measures are almost never equal because of differences in source data, timing of recorded flows, and other statistical differences between data used to create the measures.

The capital and financial accounts are followed by two additional accumulation accounts. The first, an “other changes in volume” account, records changes in net worth that are unrelated to current production or asset revaluation, such as changes due to catastrophic losses or uncompensated seizures of foreign assets and statistical breaks due to substantive changes in sector coverage or details available in key source data. The second, a revaluation account, records changes in the values of assets and liabilities that result from changes in their price.

The sum of fixed investment, net lending or net

Chart 1. Sequence of Accounts



borrowing, and other changes in net worth from the “other changes in volume” and revaluation accounts fully explains the total change in net worth for the sector, which in turn provides the next opening balance sheet position.

Differences between the NIPAs and the SNA

The NIPAs are organized as seven summary accounts, and data are presented in more than 300 underlying tables that cover most of the transactions envisioned in the current and capital accounts of the SNA. Despite the similarities in coverage, there are some notable differences between the NIPAs and the main features of the SNA that have been adopted in the integrated accounts.²

Differences in sectors. The sector classification scheme that is used in the NIPAs is more complicated than that recommended in the SNA. In the NIPAs, institutions are grouped one way for measuring their contribution to production, and they are grouped another way for measuring income, outlays, and saving. In contrast, the SNA recommends the use of a single set of sectors throughout the entire sequence of accounts.

For measuring the contribution to production, the NIPAs group institutions into three sectors—business, households and institutions, and general government. The business sector consists of all entities that produce goods and services for sale at a price intended to at least cover the costs of production. This includes incorporated and unincorporated forms of business organized for profit, mutual financial institutions, private uninsured pension funds, cooperatives, nonprofit organizations serving business, Federal Reserve banks, government-sponsored enterprises, and government business enterprises.³ The households and institutions sector consists of households and nonprofit institutions serving households (NPISHs). The general government sector includes all government institutions (Federal, state, and local) except government business enterprises, which are included in the business sector of the NIPAs.

2. For a more detailed discussion of the differences between the NIPAs and the SNA, see Charles Ian Mead, Karin E. Moses, and Brent R. Moulton, “The NIPAs and the System of National Accounts,” *SURVEY OF CURRENT BUSINESS* 84 (December 2004): 17–32.

3. Government-sponsored enterprises consist of Federal home loan banks, Federal National Mortgage Association, Federal Agricultural Mortgage Corporation, Farm Credit System, the Financing Corporation, and the Resolution Funding Corporation, and they included the Student Loan Marketing Association until the fourth quarter of 2004, when it became privatized.

Government business enterprises are government agencies that cover a substantial portion of their operating costs by selling goods and services to the public and that maintain their own separate financial records, such as the U.S. Postal Service, state and local utility companies, and state and local transit authorities.

These sectors differ from those in the SNA primarily in their treatment of noncorporate business enterprises. In the NIPAs, these enterprises are included in the business sector. In the SNA, unincorporated businesses that primarily cover their operating costs through sales and that keep a complete set of financial records, such as some private partnerships and government business enterprises, are classified as “quasi-corporations” in the nonfinancial or financial corporations sectors, and other types of unincorporated enterprises, such as sole proprietorships, are classified in the household sector.

For measuring income, outlays, and saving, the NIPAs group institutions into three different sectors—corporate, personal, and government. The corporate sector consists of all nonfinancial and financial business enterprises that must file Federal corporate income tax returns, including mutual financial institutions, nonprofit institutions serving business, Federal Reserve banks, and government-sponsored enterprises.⁴ The personal sector includes income that is earned by, or transferred to, households and NPISHs and the net income of enterprises that are owned by households (proprietors’ income and rental income of persons). The government sector includes all government institutions, including government business enterprises.

Other differences. In the SNA, the current account for each sector begins by subtracting purchases of intermediate goods and services from gross output to arrive at value added. BEA provides value-added information by industry in its industry accounts and by sector in its detailed NIPA tables, but it does not provide information on gross output or purchases of intermediate goods and services for the private sectors of the economy. The more familiar presentation of GDP in the NIPA summary accounts calculates its value as the sum of final expenditures—personal consumption expenditures, private fixed investment, net exports of goods and services, and government expenditures and gross investment.

Differences between the FFAs and the SNA

The FFAs are organized as 19 summary accounts, and data are presented in more than 140 underlying tables, primarily focusing on financial flows and stocks of financial assets and liabilities. The FFAs cover most transactions envisioned in the capital, financial, revaluation, and “other changes in volume” accounts of the SNA, and the FFAs provide complete balance sheets for

4. Although government-sponsored enterprises may have been initially established by the government, they are treated as financial businesses in U.S. macroeconomic accounts because they are independently controlled and issue their own debt.

households and nonfinancial business. Despite the similarities in coverage, there are some notable differences between the FFAs and the main features of the SNA that have been adopted in the integrated accounts or that relate to future research initiatives.

Differences in sectors. The FFAs divide financial institutions (commercial banks, insurance companies, pension funds, and other financial intermediaries) into 22 different sectors. The remaining institutions in the U.S. economy are divided into five sectors—households and nonprofit organizations, nonfinancial business, Federal Government, and state and local governments. The FFAs also include nonfinancial business subsectors for nonfarm nonfinancial corporate business, nonfarm noncorporate business, and farm business.

The FFA sectors mainly differ from the SNA in the same way that the NIPA sectors that are used to measure income, outlays, and saving differ from the SNA. The financial and nonfinancial corporate sectors of the FFAs exclude quasi-corporations (partnerships), the government sectors include all government business enterprises, and the households and nonprofit organizations sector includes the net financial activity of all unincorporated businesses, not just sole proprietorships.

One exception relates to the sectoring of corporate farms. In the NIPAs, the income and outlays of corporate farms are included in the corporate sector. In contrast, corporate farms are included as part of the FFA farm subsector.

Other differences. The SNA envisions a complete balance sheet for each sector of the economy. However, the FFAs only publish balance sheets for households and nonprofit organizations, nonfinancial noncorporate business, and nonfinancial corporate business. For other types of institutions, balance sheet information in the FFAs is limited to financial assets and liabilities, mainly because of a lack of information on the market value of real estate and stocks of nonproduced nonfinancial assets, such as land, electromagnetic spectrum, and offshore drilling rights.

In the SNA, purchases of consumer durable goods are treated as final consumption in the accounts and are excluded from the balance sheets of the household sector. Although such goods provide services over a period of three or more years, their purchase is not treated as fixed investment because consumer durable goods are primarily used for nonmarket household production, which is considered outside the scope of GDP and the national accounts. In the FFAs, purchases of consumer durable goods are treated as investment because they represent important assets of households and are an important part of their net worth. Because

the FFAs do not measure current production, this practice does not create any inconsistency within these accounts.

Another difference between the FFAs and the SNA mainly relates to changes in the value of financial and fixed assets. The SNA recommends differentiating between changes in net worth from revaluations due to price changes and all “other changes in volume” not associated with net investment flows. Currently, the FFAs are not able to separate “other volume changes” from revaluations for series that have both, but this is an issue the Federal Reserve Board staff is working on. The combination of these effects on changes in net worth is shown in separate “reconciliation” tables that accompany the balance sheets.

A few other differences between the FFAs and the SNA also relate to changes in the value of financial and fixed assets. First, the FFAs record bonds at book value and equities at market value, whereas the SNA recommends that all securities are recorded at market value; thus, revaluations associated with financial instruments other than shares and other equity instruments are not included in the FFAs, whereas the SNA recommends including revaluations of all financial instruments.⁵ Second, debt writeoffs are not separately identified as “other changes in volume” as recommended in the SNA. Instead, they are reflected in the changes in the flows in the financial accounts.

A final difference between the data presented in the FFAs and what is envisioned in the SNA relates to the concept of net worth reported for the corporate business sectors. The FFAs follows typical accounting standards by presenting net worth as the recorded value of assets less liabilities, excluding equity capital. In contrast, the SNA calculates net worth as the market value of assets less a broader measure of liabilities that includes equity capital.

The inclusion of the market value of equity in the FFA measures of net worth allows users of these accounts to calculate many useful financial ratios. For instance, many users compare the FFA measures of net worth with those of debt to assess the long-term solvency of the nonfinancial corporate sector. Some users also compare the FFA measures of net worth with similar measures that are derived using historical costs for fixed assets to form expectations about future stock market returns.⁶

5. Past efforts by the Federal Reserve Board have found that this exclusion was unlikely to have much of an impact on net worth. However, this work predates more recent financial developments.

6. Some argue that such a comparison often does not provide useful information, particularly in more recent years, because the balance sheets exclude many types of intangible assets, such as consumer databases and firm-specific training, that have likely grown in more recent years and that may be an important determinant of equity market value.

10–14). For households and NPISHs, property income consists of interest receipts, dividend receipts, and withdrawals from the income of quasi-corporations, which is the sum of proprietors' income and the rental income of tenant-occupied housing, less interest payments.

Net national income is carried forward into the final two portions of the current account. The first portion derives disposable income by subtracting "current taxes on income and wealth, etc. (paid)," "social contributions (paid)," and net "other current transfers" from net national income (lines 20–26). The second portion derives net saving (line 28) by subtracting final consumption expenditures (line 27) from disposable income (line 26).

The information that is covered in the final three portions of the current account is similar to that provided in the NIPA personal income and outlays account. However, there are some important differences between the related accounts.

In the NIPAs, owner-occupied housing is essentially a subsector of the private enterprise account, where the related net interest and transfer payments are subtracted from value added to obtain the rental income of persons for owner-occupants. This measure is then carried forward (along with the rental income of persons from tenant-occupied housing and other rental income of persons) into the personal income and outlays account as a net source of income in the derivation of personal saving. In the integrated accounts, net operating surplus is carried forward into the second portion of the current account for households and NPISHs. The net interest and transfer payments that are associated with owner-occupied housing (along with the net interest associated with the fixed assets of NPISHs) are then effectively subtracted by including the payments and receipts that are associated with owner-occupied housing in the interest and transfer measures for the consistently defined sector.

Another difference between the related accounts is that they present different concepts of disposable income. In particular, disposable personal income in the NIPAs is calculated before the deduction of interest and other current transfer payments, but disposable income in the integrated accounts is calculated after the deduction of such transactions.

A final difference between the accounts is that the measure of net saving in the current account (line 28) can differ slightly from the related measure of personal saving in the NIPAs because personal saving is partly based on a cash-based accounting measure of wage and salaries. In the integrated accounts, net saving is partly based on an accrual-based accounting measure

of wage and salaries (line 5).

Net saving is then carried forward into the capital account. As in the SNA, this account derives net lending or net borrowing for the sector by subtracting net capital formation (fixed investment) (line 32) from net saving and capital transfers (line 29). For households and NPISHs, net capital transfers consists of estate and gift taxes paid to the government and net migrants' transfers received by the rest of the world, which typically has a negative value. Purchases of consumer durable goods are also excluded from fixed investment, which is consistent with their treatment in the NIPAs and the SNA but not in the FFAs.

The capital account is followed by the financial account from which a measure of net lending or net borrowing for the sector can be derived by subtracting the net incurrence of liabilities from the net acquisition of financial assets. However, such a derivation results in a value for net lending or net borrowing that differs from that in the capital account because of differences in source data, timing of recorded flows, and other statistical differences between the accounts.

The SNA offers no guidance on how to treat the discrepancy between the two measures of net lending or net borrowing. In this table, as in the tables for the other sectors in the integrated accounts, the measure from the capital account is carried forward into the financial account, and the discrepancy between the two measures is included as the statistical discrepancy in the "other changes in volume" account (line 83). This provides consistency between changes in net worth that are recorded in the accumulation accounts and levels of net worth that are recorded on the balance sheets. By not forcing equality, the discrepancy between these measures also provides a crude measure of the effectiveness of future efforts to better align estimates in the accounts.

The differences between the two measures of net lending or net borrowing highlight the limitations of the accounts for this sector. Although the general trends of these two measures are similar, their values often differ by quite a bit, indicating that there are many statistical differences embedded in the accounts. These differences are not surprising because many of the flows for this sector in both the FFAs and the NIPAs are calculated residually, and differences in source data, timing of recorded flows, and many statistical differences in other sectors affect the estimates in this account.

In addition to the net lending or net borrowing discrepancy, the "other changes in volume" account includes net investment in consumer durable goods (line 81). As a result, such goods can be recorded on

the balance sheet for the household sector while consistency with the SNA's exclusion of the purchases of such goods from measures of fixed investment can still be maintained.

The revaluation account (the final accumulation account) for the sector records nominal holding gains and losses for nonfinancial and financial assets (lines 84–94). One notable characteristic of this account is that it does not provide separate measures for changes in the value of land and structures. Instead, the account provides a single value for all real estate (line 85), because the agencies have not fully researched the best way to provide separate measures.

The revaluation account is followed by a measure for the change in net worth for the sector (line 95). As in the SNA, the value is equal to the sum of the net capital formation, net lending or net borrowing, “other changes in volume,” and nominal holding gains or losses. The change in household and NPISH net worth is the same as that published in the FFAs, but the components differ. The net lending or net borrowing measure that is used in the calculation of net worth is from the capital account rather than from the financial account. The statistical discrepancy between the capital account and the financial account enters the calculation of the change in net worth through the “other changes in volume” account to bring the measure in line with what is reported in the FFAs.

The end-of-period stocks in the balance sheet account (lines 96–142) are similar to those published in the FFAs. The terminology for asset and liability items is consistent with international terminology, which should allow for easier comparisons across countries. In addition, financial instruments are grouped as recommended by the SNA.

Nonfinancial noncorporate business

The nonfinancial noncorporate business sector primarily consists of nonfinancial partnerships and sole proprietorships, including the noncorporate farms that are part of the FFA farm business subsector. However, it also includes the activities associated with tenant-occupied housing.

Since the accounts for this sector are structured in the same manner as those for the household and NPISHs sector, only a few noteworthy characteristics of the accounts for nonfinancial noncorporate businesses need to be mentioned.

Net operating surplus in this sector (table 2, line 8) consists of proprietors' income, net interest, business transfer payments associated with nonfinancial partnerships and sole proprietorships, and rental income associated with tenant-occupied housing.

Income generated in this sector is paid out to households as withdrawals from quasi-corporations (line 14). As a result, by construction, the sector has no net saving (line 20). However, there is capital formation for nonfinancial noncorporate businesses, which is financed by either “borrowing” from the income of quasi-corporations that is then distributed to households or borrowing through financial markets.

Capital formation financed by borrowing from the income of quasi-corporations is recorded in the financial account as equity in noncorporate business (line 54). Because of data limitations, the value of equity in noncorporate business is residually determined as the amount that is necessary to finally bring net borrowing from the financial account into alignment with net borrowing from the capital account. As a result, there is no statistical discrepancy between the borrowing measures to appear in the “other changes in volume” account for this sector.

The difficulties associated with measuring equity in noncorporate business have little effect on the measurement of the change in net worth for the sector (line 71) because total changes in net worth are mainly the result of changes in the prices of real estate that are recorded in the revaluation account (line 63).

Nonfinancial corporate business

The nonfinancial corporate business sector consists of the same nonfinancial institutions that are classified into the corporate sector in the NIPAs, and it includes the corporate farms that are part of the FFAs farm business subsector.

In the first portion of the current account, net operating surplus (table 3, line 8) consists of corporate profits, net interest, and business transfer payments that are associated with the nonfinancial corporations in the sector.

The remaining portions of the current account cover the same type of information that is presented for private enterprises in the NIPA summary accounts. However, there are a few differences that relate to the heavier use of SNA terminology and concepts in the integrated accounts. First, measures of corporate profits are fairly prominent in the NIPAs, but there are no equivalents in the current account for this sector. Second, undistributed corporate profits are called net saving in this account (line 24). Third, because there are no final consumption expenditures for corporations, net saving is equal to the SNA concept of disposable income (line 23).

The structure of the capital account is the same as that for households and NPISHs, but a few characteristics of the account for this sector are worth noting.

First, this capital account lacks the measure of internal funds (after-tax profits plus depreciation allowances) that appears in the FFAs and that is used to derive the sector's financing gap. This gap, which is measured as the difference between capital expenditures and the sum of U.S. internal funds and inventory valuation adjustment, is sometimes used as an indicator of the corporate sector's need to borrow.⁸ Net lending or net borrowing (line 33) is almost the same as the financing gap, but it includes undistributed profits of foreign subsidiaries, which are excluded from the FFA calculation of U.S. internal funds.

A final noteworthy characteristic about the capital account is related to nonproduced nonfinancial assets. These are claims on resources that are necessary for production but that have not been produced, such as land, the electromagnetic spectrum, and offshore drilling rights that are purchased from the government. The stocks of such assets are excluded from the balance sheet account, but the transactions associated with the net acquisition of such assets are included in the capital account (line 31). By including this flow in the statistical discrepancy in net lending or net borrowing (line 79), the accounts maintain consistency between the change in net worth (line 95) that is derived from items in the capital, financial, "other changes in volume," and revaluation accounts and the levels of net worth reported on the balance sheets while still providing information on transfers of these types of assets.

Not only is the discrepancy between the net lending or net borrowing measures affected by the accounting conventions used for nonproduced nonfinancial assets, but it is also affected by the boundary that effectively separates nonfinancial institutions from financial institutions within the accounts. In the current account, the measures are largely based on tax return data, and the sectoring of consolidated returns is based on the predominant form of business. In the financial account, the measures also use survey and regulatory data to effectively split financial subsidiaries from consolidated returns of parent corporations that are primarily engaged in nonfinancial activities. As a result, some of the financial activities of corporate subsidiaries are included in the current and capital accounts for the nonfinancial corporate business sector but are excluded from the sector's financial account.

The lack of a consistent definition of nonfinancial and financial business is a limitation of the integrated accounts. To some extent, it impedes an understanding about precisely how real activity in the economy is being financed. It also limits more precise analyses of

how financial risk is spread across the economy.

Because the measures of sector net worth in the integrated accounts are based on the SNA definition, its value for nonfinancial corporations can be positive or negative, depending on the market value of equity and on the recorded value of assets and other liabilities. The values of net worth for 2003–2005 presented in this paper are positive, but the tables on BEA's Web site show that this sector's net worth for 1995–2001 was negative; these negative values are consistent with the general finding that the market value of many firms greatly exceeded the recorded net value of shareholder's equity.

Financial business

The financial business sector consists of the monetary authority, depository institutions, insurance and private pension funds, and all other financial intermediaries that are included in the FFA financial sectors. It includes the financial sole proprietorships and partnerships that are excluded from the NIPA corporate sector.

In the current account, the measure of net operating surplus (table 4, line 8) consists of corporate profits, net interest, and business transfer payments of financial corporate business and proprietors' income, net interest, and business transfer payments of unincorporated financial businesses.

The remaining accounts for this sector are mainly structured the same way as those for the nonfinancial corporate sector. However, in the financial account, intrasector assets and liabilities—such as mortgage-backed securities issued by agencies and GSE-backed mortgage pools bought by commercial banks—are included as both an asset (line 36) and a liability (line 52). It is worth noting that there are sizable revaluations of financial assets (line 74) and financial liabilities (line 78) in the revaluation account primarily because of the sector's sizable equity holdings.

The net worth for financial business (line 134) is calculated from the same factors as those for the household sector with one notable exception. Because of data limitations, the change in net worth (line 85) excludes revaluations of real estate, and the level excludes the market value of real estate but includes the replacement cost of nonresidential structures.

Federal Government and state and local governments

The government sectors consist of the same governmental units that are included in the FFA government sectors. As a result, these sectors include the government business enterprises that are included in the NIPA government sector, but they exclude government

8. Because companies have other financial assets at their disposal, as well as discretion over equity issuance and share repurchases, the empirical relationship between the financing gap and corporate borrowing is often weak.

retirement funds, including the Federal retirement funds that were recently moved into the their own FFA sector.

In the first portion of the current accounts, net operating surplus (line 7 in tables 5 and 6) consists of the current surplus of the government business enterprises that are included in each sector.

The remaining portions of the current accounts (lines 8–24 in tables 5 and 6) are structured in the same manner as those for the other sectors of the domestic economy in the integrated accounts. As a result, the organization of these transactions differs from the presentation of government receipts and expenditures in the NIPAs. Most notably, the second portion of these accounts do not provide measures of total receipts and expenditures as does the NIPA account in the derivation of its measure of government saving.

The measure of net saving in the current accounts (line 24 in tables 5 and 6) can differ slightly from the related measure of net government saving in the NIPAs because net government saving is partly based on a measure of wage and salary disbursements.⁹ In the integrated accounts, like in the SNA, government saving is partly based on a measure of wage and salary accruals.

The capital accounts for the government sectors include the net acquisition of nonproduced nonfinancial assets because they serve as the counterpart to the purchases of such assets from the nonfinancial corporate sector (line 31). For the Federal Government sector, these assets mainly consist of sales of electromagnetic spectrum and offshore drilling rights. For the state and local government sector, these assets mainly consist of sales of land and access rights. Like in the capital account for the nonfinancial corporate sector, these flows are included in the net lending or net borrowing discrepancy in the “other changes in volume” account to maintain consistency between the change in net worth and the balance sheet accounts for the government sectors.

The discrepancies between the two net lending or net borrowing measures for Federal Government tend to be small, mainly reflecting the generally high quality of data available for the Federal Government. However, the small discrepancies also reflect timing adjustments that were recently made to the FFAs to improve their consistency with the NIPAs. In contrast, the discrepancies for the state and local government sector

tend to be large mainly because of source data limitations, but it is possible that closer coordination on estimation methodologies between the two agencies could further integrate these accounts.

For both government sectors, the measures of net worth (line 117 in table 5 and line 103 in table 6) are limited because they only include the replacement costs of reproducible fixed assets (primarily, nonresidential structures and equipment and software). The Federal Government controls a vast amount of land, natural resources, and spectrum rights that are not accounted for in its revaluation and balance sheet accounts. The U.S. Office of Management and Budget provides supplemental information on the real estate owned by the Federal Government, but these data are provided for illustrative purposes and have not been fully vetted for use in the accounts.¹⁰ In addition, there are no estimates of the same types of assets for state and local governments.¹¹

Rest of the world

The accounts for the rest of the world present a mirror image of the U.S. international transactions accounts published by BEA. In the current account, net saving or the current external balance (table 7, line 8) is calculated by subtracting foreign outlays to U.S. residents (line 5) from the foreign income received from U.S. residents (line 1). In the capital account, net capital transfers (line 10) are added to net saving (line 9) and acquisition of nonproduced nonfinancial assets (line 11) is subtracted to arrive at the net lending or net borrowing position for the rest of the world (line 12).

The magnitude of the net lending or net borrowing position of the rest of the world should equal that of the total domestic economy. However, this usually does not occur in the integrated macroeconomic accounts, primarily because the accounts rely on information from the product side of the NIPAs for their measures of capital formation and on information from the income side for their measure of saving. As a result, the discrepancy between these two sides of the NIPA domestic income and product account explains almost all of the differences between the magnitudes of the related measures. Eliminating the differences that cannot be explained by the difference between the income and product sides of the NIPAs and that appear in some of the later periods is a high priority of the agencies.

The financial, “other changes in volume,” and

9. Although wages and salaries do not directly appear in the government current receipts and expenditures accounts of the NIPAs, they are included as part of the measure of consumption expenditures that is used to derive the measures of net government saving. The same is true for the measures of final consumption expenditures that are used to derive government net saving in the integrated accounts.

10. See Executive Office of the President, Office of Management and Budget, “Table 3–1. Government Assets and Liabilities,” in *Analytical Perspectives of the U.S. Government, Fiscal Year 2007* (Washington, DC: U.S. Government Printing Office, 2006): 182.

11. Only recently has the Government Accounting Standards Board begun to require state and local governments to create balance sheets and determine the value of their assets.

reevaluation accounts for the rest of the world are structured in the same way as the related accounts for the domestic economy. The information in these accounts is similar to that in the FFAs; the same types of financial transactions are netted against one another in these accounts.

Like the flows that are recorded in the other accounts for the rest of the world, the balance sheet account for this sector presents a mirror image of the international investment position reported in the international transactions accounts. In particular, net worth for this sector (line 120) is equal to the accumulated value of foreign-owned financial assets in the United States less the accumulated value of U.S. financial assets owned abroad.

Uses of the New Tables

The framework for the integrated macroeconomic accounts facilitates many types of analyses of U.S. macroeconomic activity, which are more difficult to conduct with the separate NIPAs and FFAs. This section briefly mentions a few examples.

Sectoral net lending or net borrowing. The FFAs provide a good source of information on financial flows within the economy. However, neither the FFAs nor the NIPAs present the net lending or net borrowing position of all the major sectors of the U.S. economy as is done in the integrated accounts. Coupled with the asset and liability information that is also presented, the complete set of net lending or net borrowing information in the integrated accounts facilitates analyses of how resources are mobilized to finance investment in the sectors of the economy.

The integrated accounts show that among the domestic sectors of the U.S. economy, households and nonprofit institutions, nonfinancial noncorporate businesses, the Federal Government, and state and local governments have been net borrowers in recent years when investment in these sectors has exceeded saving. Net lending to these sectors has been provided by nonfinancial corporations, financial business, and the rest of the world.

The integrated accounts also show that in recent years, the net lending of nonfinancial corporations has been quite unusual: Net saving has exceeded net capital formation by an average of \$43.6 billion each year in 2003–2005. Funds raised in credit and equity markets were also unusually low as borrowing in the form of loans and debt securities was mainly offset by retirements of corporate equities.

Household saving. Economists have long recognized that both current income and wealth may affect the consumption and saving decisions of households.

In addition, many of the recent discussions of trends in U.S. economic growth and personal saving have also appealed to this notion as increases in home equity may have helped bolster current consumption expenditures. The integrated accounts facilitate analyses of the process by which current income and the composition of wealth affect consumption and saving behavior by presenting the composition of income and wealth for households and NPISHs in a single table for a consistently defined sector.

The integrated accounts show that the net worth of households and NPISHs increased \$12.9 trillion in 2003–2005, even as the saving rate for this sector fell to historically low levels. This increase was mainly accounted for by a \$4.9 trillion increase in the value of real estate and a \$4.5 trillion increase in the values of shares and other equity that were due to changes in the prices of these assets.

The low saving rates for households and nonprofit institutions were associated with large volumes of mortgage borrowing, which averaged \$984.4 billion each year in 2003–2005. However, the increase in mortgage debt of households and nonprofit institutions was exceeded by an average annual increase of \$2.2 trillion in the value of real estate, which includes net investment. Because most of the real estate in this sector is associated with owner-occupied housing, net housing wealth, defined as the difference between owner-occupied housing values and related mortgage debt, rose substantially.¹²

Future Initiatives

The integrated macroeconomic accounts represent a substantial effort by both the Bureau of Economic Analysis and the Federal Reserve Board, but there are a number of areas where future development in the accounts may be made. Because conceptual integration needs to be matched by statistical integration, some improvements are likely to come from the more general work of both agencies to improve the quality of their official estimates. Other improvements are likely to come from the continued joint efforts by the agencies to tighten the integration between the NIPAs and the FFAs.

BEA's strategic plan outlines a number of research activities that are expected to result in improvements in the quality of the NIPA-based measures. Work is already under way to see whether the times at which government fixed investment and changes in private inventories are recorded in the NIPAs can be made

12. Flow of funds table B.100 indicates that usually more than 90 percent of the value of real estate that is recorded on the balance sheet for households and nonprofit institutions is related to owner-occupied housing.

more consistent. Research is also being conducted to see whether the estimates of government consumption of fixed capital can be improved through the use of an alternative estimation methodology. BEA is also planning an intensive review of the consistency between the NIPA estimates of interest flows and the FFA estimates of interest-bearing assets.

Among other prospective projects that may improve the integration of these accounts, the Federal Reserve Board staff is investigating whether changes in the wide variety of activities that are currently included in the measures of miscellaneous assets for the nonfinancial business sector can be more appropriately divided in the FFAs into flows, revaluations, and “other changes in volume.” Although this work involves a considerable amount of effort and the development of new comprehensive source data, it could lead to a substantial improvement in the accounts, and perhaps it could help to alleviate the source of the current discrepancies between the measures of sectoral net lending or net borrowing in the current account and the financial account.

One particular interest relates to the identification of debt writedowns. These accounting items are currently included in the flows for the debt items that are presented in the FFA financial accounts, but they would be better accounted for separately as “other changes in volume.” The separate identification of debt writedowns could improve the amount of detail that is provided in the “other changes in volume” account and may also reduce the discrepancies between the measures of the net lending or net borrowing positions of corporations in the accounts.

Other interests relate to developing measures that value bonds at current market prices and to providing separate information on the revaluation of residential

land and structures. Accordingly, Federal Reserve Board staff has been conducting research on these two issues to improve consistency between the FFAs and the SNA.

The agencies are jointly advancing other efforts to improve the integration of the NIPAs and the FFAs. These efforts include working together to examine the possible use of alternative data sources to improve the NIPA estimates for state and local governments when more comprehensive data from the Census of Governments are not available. In addition, the agencies plan to thoroughly examine the use of data from the BEA fixed assets and international transactions accounts in the FFAs to ensure that the information that is used in these accounts is consistent with the information used in the NIPAs. This work is expected to eliminate the small discrepancies between the net lending or net borrowing position of the domestic economy and the rest of the world that cannot currently be explained by the statistical difference between the income and product sides in the NIPAs.

Joint efforts are also being made to examine whether information from corporate financial statements can be used to improve the sectoring of activities associated with financial subsidiaries. It is hoped that this research would allow for the development of estimates for the integrated macroeconomic accounts that consistently include the activities of financial subsidiaries in the financial sector.

A final topic that the agencies are jointly investigating is whether estimates of stocks of nonproduced nonfinancial assets can be developed for the balance sheets. Although both agencies would like to develop a set of estimates for the wide array of such assets, there are a number of statistical and methodological issues that cannot immediately be overcome.

Tables 1–7 follow.

Table 1. Households and Nonprofit Institutions Serving Households

[Billions of dollars]

	Line	2003	2004	2005		Line	2003	2004	2005
Current account					Long term (mortgages)				
Gross value added	1	1,269.2	1,356.5	1,419.6	Insurance technical reserves (unpaid premiums)	76	864.4	981.7	1,107.1
Less: Consumption of fixed capital	2	201.7	235.9	293.5	Other accounts payable (trade debt)	77	0.9	1.6	1.0
Equals: Net value added	3	1,067.5	1,120.6	1,126.1	Other accounts payable (trade debt)	78	4.8	2.0	2.0
Compensation paid by households and NPISHs	4	503.5	529.8	552.4	Addendum:				
Wages and salaries	5	436.8	458.9	477.2	Net lending or net borrowing, financial account (39-68)	79	-97.7	-302.4	-629.6
Employers' social contributions	6	66.7	70.9	75.3	Other changes in volume account				
Taxes on production and imports less subsidies	7	128.0	136.6	142.3	Total other volume changes	80	514.9	209.6	150.2
Operating surplus, net	8	436.0	454.1	431.4	Net investment in consumer durable goods	81	205.7	208.2	210.2
Net national income/balance of primary incomes, net	9	8,427.9	8,930.9	9,357.9	Other volume changes	82	199.8	12.5	47.6
Operating surplus, net	10	436.0	454.1	431.4	Less: Statistical discrepancy (37-[39-68]) ³	83	-109.4	11.1	107.6
Compensation of employees (received)	11	6,325.4	6,650.3	7,030.3	Revaluation account				
Wages and salaries	12	5,127.7	5,377.1	5,664.8	Nonfinancial assets	84	1,122.3	1,652.8	1,986.4
Employers' social contributions	13	1,197.7	1,273.2	1,365.5	Real estate	85	1,220.5	1,674.8	2,025.8
Property income (received)	14	2,201.1	2,385.6	2,528.4	Consumer durable goods	86	-98.4	-21.7	-39.0
Interest	15	915.4	892.1	946.3	Equipment and software	87	0.2	-0.3	-0.3
Distributed income of corporations	16	1,285.8	1,493.5	1,582.1	Financial assets	88	3,342.8	1,988.4	1,713.3
Dividends	17	422.6	537.1	574.4	Shares and other equity	89	1,912.8	1,251.5	1,323.0
Withdrawals from income of quasi-corporations ¹	18	863.2	956.5	1,007.7	Corporate equities	90	1,078.9	361.2	234.7
Less: Uses of property income (interest paid)	19	534.6	559.1	632.2	Mutual fund shares	91	424.4	276.2	244.8
Net national income/balance of primary incomes, net	20	8,427.9	8,930.9	9,357.9	Equity in noncorporate business	92	409.5	614.1	845.6
Less: Current taxes on income, wealth, etc. (paid)	21	1,001.1	1,049.8	1,203.1	Insurance technical reserves	93	1,429.9	736.8	390.3
Plus: Social benefits (received)	22	1,316.7	1,398.4	1,480.9	Changes in net worth due to nominal holding gains or losses				
Less: Social contributions (paid)	23	778.6	826.4	880.6	Changes in balance sheet account				
Plus: Other current transfers (received)	24	34.3	28.1	45.7	Change in net worth (32+37+80+94)	95	5,155.1	3,994.4	3,798.8
Less: Other current transfers (paid)	25	105.7	110.4	93.3	Balance sheet account (end of period)				
Equals: Disposable income, net	26	7,893.5	8,370.9	8,707.5	Total assets	96	53,780.0	58,967.7	63,975.4
Less: Final consumption expenditures	27	7,703.6	8,211.5	8,742.4	Nonfinancial assets	97	20,238.8	22,523.9	25,173.1
Equals: Net saving	28	189.9	159.3	-34.8	Real estate	98	16,675.0	18,759.0	21,222.6
Capital account					Consumer durable goods	99	3,380.3	3,566.8	3,738.0
Net saving and capital transfers	29	175.1	143.6	-51.1	Equipment and software	100	183.4	198.1	212.5
Net saving	30	189.9	159.3	-34.8	Financial assets	101	33,541.1	36,443.8	38,802.3
Capital transfers received (net)	31	-14.8	-15.7	-16.2	Currency and deposits	102	4,330.3	4,730.5	5,110.9
Capital formation, net	32	382.2	435.0	470.9	Currency and transferable deposits	103	286.8	319.0	308.1
Gross fixed capital formation, excluding consumer durables	33	583.9	670.9	764.4	Other deposits	104	4,043.5	4,411.5	4,802.8
Residential	34	492.7	574.0	663.5	Foreign deposits	105	52.1	57.5	62.7
Nonresidential (nonprofit organizations)	35	91.2	96.8	100.9	Time and savings deposits	106	3,991.3	4,353.9	4,740.1
Less: Consumption of fixed capital	36	201.7	235.9	293.5	Securities other than shares	107	2,381.7	2,587.7	2,853.1
Net lending or net borrowing, capital account (29-32)	37	-207.1	-291.4	-522.0	Open market paper	108	105.9	136.1	164.2
Financial account					U.S. savings bonds	109	203.8	204.4	205.1
Net lending or net borrowing, capital account (line 37)	38	-207.1	-291.4	-522.0	Treasury securities	110	236.8	358.3	342.1
Net acquisition of financial assets	39	920.7	876.2	580.3	Agency- and GSE-backed securities ²	111	388.5	435.3	638.8
Currency and deposits	40	278.5	374.8	380.9	Municipal securities	112	707.7	740.9	816.0
Currency and transferable deposits	41	-58.8	32.2	-10.5	Corporate and foreign bonds	113	739.0	712.6	687.0
Other deposits	42	337.3	342.6	391.4	Loans	114	623.2	738.6	740.7
Foreign deposits	43	2.2	5.4	5.2	Short term (security credit)	115	475.4	578.3	567.4
Time and savings deposits	44	335.1	337.2	386.2	Long term (mortgages)	116	147.9	160.2	173.3
Securities other than shares	45	110.3	193.2	200.2	Shares and other equity	117	15,058.0	16,187.1	17,310.1
Open market paper	46	-4.5	30.2	28.1	Corporate equities	118	5,613.1	5,715.2	5,491.6
U.S. savings bonds	47	8.9	0.6	0.7	Mutual fund shares	119	3,085.4	3,610.7	4,121.4
Treasury securities	48	19.8	64.7	-113.1	Money market fund shares	120	959.8	903.5	957.3
Agency- and GSE-backed securities ²	49	144.4	83.0	221.3	Equity in noncorporate business	121	5,399.6	5,957.7	6,739.9
Municipal securities	50	29.0	33.2	75.0	Insurance technical reserves	122	11,147.9	12,200.0	12,787.4
Corporate and foreign bonds	51	-87.4	-18.5	-11.8	Net equity in life insurance and pension funds	123	10,685.9	11,697.2	12,259.3
Loans	52	74.3	115.3	2.1	Net equity in life insurance reserves	124	1,013.2	1,060.4	1,082.6
Short term (security credit)	53	62.7	103.0	-10.9	Net equity in pension fund reserves	125	9,672.7	10,636.8	11,176.7
Long term (mortgages)	54	11.6	12.4	13.0	Prepayments of premiums and reserves against claims	126	462.0	502.8	528.1
Shares and other equity	55	148.5	-122.5	-200.0	Net equity in reserves of property-casualty insurance companies	127	252.0	273.0	295.1
Corporate equities	56	-2.0	-259.1	-456.3	Net equity in other life insurance company reserves	128	199.5	211.0	217.3
Mutual fund shares	57	240.5	249.0	266.0	Net equity in Uniformed Services Retiree Health Care Fund	129	10.5	18.8	15.7
Money market fund shares	58	-110.1	-56.4	53.8	Total liabilities and net worth	130	53,780.0	58,967.7	63,975.4
Equity in noncorporate business	59	20.2	-56.1	-63.4	Liabilities	131	9,812.0	11,005.4	12,214.2
Insurance technical reserves	60	309.1	315.3	197.1	Securities other than shares (municipals)	132	178.3	188.6	205.1
Net equity in life insurance and pension funds	61	267.1	274.5	168.7	Loans	133	9,455.9	10,635.5	11,825.9
Net equity in life insurance reserves	62	66.8	33.1	16.1	Short term	134	2,457.3	2,640.4	2,723.8
Net equity in pension fund reserves	63	200.3	241.4	152.6	Consumer credit	135	2,117.0	2,233.9	2,325.3
Prepayments of premiums and reserves against claims	64	42.0	40.9	28.4	Bank loans n.e.c.	136	38.8	23.1	46.8
Net equity in reserves of property-casualty insurance companies	65	19.5	21.1	22.1	Other loans and advances	137	119.0	119.4	119.4
Net equity in other life insurance company reserves	66	13.9	11.4	9.5	Security credit	138	182.5	264.0	232.3
Net equity in Uniformed Services Retiree Health Care Fund	67	8.6	8.4	-3.1	Long term (mortgages)	139	6,998.6	7,995.1	9,102.2
Net incurrence of liabilities	68	1,018.4	1,178.6	1,209.9	Insurance technical reserves (unpaid premiums)	140	20.9	22.5	22.4
Securities other than shares (municipals)	69	14.1	10.3	16.5	Other accounts payable (trade debt)	141	156.8	158.8	160.8
Loans	70	998.6	1,164.8	1,190.4	Net worth	142	43,968.0	47,962.4	51,761.2
Short term	71	134.1	183.1	83.4					
Consumer credit	72	104.0	116.9	91.3					
Bank loans n.e.c.	73	-2.6	-15.7	23.7					
Other loans and advances	74	-1.6	0.4	0.0					
Security credit	75	34.3	81.5	-31.7					

1. Consists of rental income of tenant-occupied housing and proprietors' income. Quasi-corporations are unincorporated enterprises that function as if they were corporations; they primarily cover their operating costs through sales, and they keep a complete set of financial records.

2. Government-sponsored enterprises (GSEs) consist of Federal Home Loan Banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Agricultural Mortgage Corporation, Farm Credit System, the Financing Corporation, and the Resolution Funding Corporation, and they included the Student Loan Marketing Association until it was fully privatized in the fourth quarter of 2004.

3. The statistical discrepancy is the difference between net lending or net borrowing derived in the capital account and the same concept derived in the financial account. The discrepancy reflects differences in source data, timing of recorded flows, and other statistical differences between the capital and financial accounts.

NPISHs Nonprofit institutions serving households
n.e.c. Not elsewhere classified

Table 2. Nonfinancial Noncorporate Business

[Billions of dollars]

	Line	2003	2004	2005		Line	2003	2004	2005
Current account					Other (miscellaneous liabilities).....				
Gross value added.....	1	1,681.6	1,839.9	1,963.1	Addendum:	59	23.3	89.8	49.3
Less: Consumption of fixed capital.....	2	150.8	166.8	195.3	Net lending or net borrowing, financial account (30-47)	60	-64.2	-70.1	-69.2
Equals: Net value added.....	3	1,530.9	1,673.1	1,767.8	Other changes in volume account				
Compensation of employees (paid).....	4	439.8	469.8	504.9	Total other volume changes.....	61	15.7	-70.2	-69.5
Wages and salaries.....	5	380.0	404.8	434.1	Revaluation account				
Employers' social contributions.....	6	59.7	65.0	70.8	Nonfinancial assets.....	62	349.5	468.5	674.2
Taxes on production and imports less subsidies.....	7	96.2	109.2	111.5	Real estate.....	63	355.4	466.0	684.7
Operating surplus, net.....	8	994.9	1,094.1	1,151.5	Residential.....	64	284.7	341.2	521.5
Net national income/balance of primary incomes, net.....	9	15.7	13.2	6.9	Nonresidential.....	65	70.6	124.9	163.2
Operating surplus, net.....	10	994.9	1,094.1	1,151.5	Equipment and software.....	66	-7.4	-2.1	-14.2
Property income (interest received).....	11	14.8	16.3	16.1	Residential.....	67	-1.4	-0.4	1.5
Less: Uses of property income (paid).....	12	994.0	1,097.1	1,160.7	Nonresidential.....	68	-6.0	-1.7	-15.7
Interest.....	13	183.6	194.4	208.0	Inventories.....	69	1.5	4.5	3.8
Withdrawals from income of quasi-corporations ¹	14	810.4	902.7	952.6	Changes in net worth due to nominal holding gains or losses.....	70	349.5	468.5	674.2
Reinvested earnings on foreign direct investment.....	15	0.0	0.1	0.1	Changes in balance sheet account				
Rents on land and natural resources.....	16	0.0	0.0	0.0	Change in net worth (22+28+61+70).....	71	365.2	398.2	604.7
Net national income/balance of primary incomes, net.....	17	15.7	13.2	6.9	Balance sheet account (end of period)				
Less: Other current transfers (paid).....	18	15.7	13.2	6.9	Total assets.....	72	7,837.0	8,610.7	9,619.6
Equals: Disposable income, net.....	19	0.0	0.0	0.0	Nonfinancial assets.....	73	6,028.7	6,525.9	7,229.8
Equals: Net saving.....	20	0.0	0.0	0.0	Real estate.....	74	5,430.7	5,893.8	6,563.0
Capital account					Residential.....	75	4,021.8	4,390.4	4,902.2
Net saving.....	21	0.0	0.0	0.0	Nonresidential ⁵	76	1,408.9	1,503.5	1,660.8
Capital formation, net.....	22	64.2	70.1	69.2	Equipment and software.....	77	527.2	554.3	584.3
Gross fixed capital formation.....	23	213.9	227.2	263.2	Residential.....	78	40.3	41.9	45.4
Nonresidential.....	24	137.9	138.1	160.7	Nonresidential.....	79	486.9	512.5	538.9
Residential.....	25	76.0	89.1	102.5	Inventories.....	80	70.8	77.8	82.6
Less: Consumption of fixed capital.....	26	150.8	166.8	195.3	Financial assets.....	81	1,808.3	2,084.8	2,389.8
Change in inventories.....	27	1.1	9.7	1.3	Currency and deposits.....	82	502.7	580.7	666.5
Net lending or net borrowing, capital account (21-22).....	28	-64.2	-70.1	-69.2	Currency and transferable deposits.....	83	189.7	217.8	248.5
Financial account					Time and savings deposits.....	84	313.0	362.8	417.9
Net lending or net borrowing (line 28).....	29	-64.2	-70.1	-69.2	Securities other than shares.....	85	47.5	55.1	63.5
Net acquisition of financial assets.....	30	88.5	276.5	305.0	Treasury securities.....	86	44.9	52.0	59.9
Currency and deposits.....	31	48.5	78.0	85.8	Municipal securities.....	87	2.7	3.1	3.6
Currency and transferable deposits.....	32	4.7	28.1	30.7	Loans.....	88	26.0	30.2	34.7
Time and savings deposits.....	33	43.8	49.8	55.1	Short term (consumer credit).....	89	0.0	0.0	0.0
Securities other than shares.....	34	1.3	7.6	8.4	Long term (mortgages).....	90	26.0	30.2	34.7
Treasury securities.....	35	2.0	7.1	7.9	Shares and other equity.....	91	57.4	66.3	75.2
Municipal securities.....	36	-0.7	0.4	0.5	Money market mutual fund shares.....	92	53.1	61.5	70.9
Loans.....	37	-0.2	4.1	4.6	Equity in government-sponsored enterprises ²	93	4.3	4.8	4.3
Short term (consumer credit).....	38	0.0	0.0	0.0	Insurance technical reserves³.....	94	103.6	110.8	119.7
Long term (mortgages).....	39	-0.2	4.1	4.6	Other accounts receivable.....	95	1,071.2	1,241.7	1,430.2
Shares and other equity.....	40	-7.6	9.0	8.8	Trade receivables.....	96	338.6	392.5	452.1
Money market mutual fund shares.....	41	-8.2	8.5	9.3	Other (miscellaneous assets).....	97	732.6	849.2	978.2
Equity in government-sponsored enterprises ²	42	0.6	0.5	-0.5	Total liabilities and net worth.....	98	7,837.0	8,610.7	9,619.6
Insurance technical reserves³.....	43	8.0	7.2	8.9	Liabilities.....	99	3,379.0	3,754.5	4,158.6
Other accounts receivable.....	44	38.4	170.6	188.5	Loans.....	100	2,384.3	2,633.5	2,949.6
Trade receivables.....	45	-24.2	53.9	59.6	Short term.....	101	637.8	653.5	709.1
Other (miscellaneous assets).....	46	62.6	116.6	128.9	Bank loans n.e.c.....	102	481.3	494.6	545.3
Net incurrence of liabilities.....	47	152.7	346.6	374.2	Other loans and advances.....	103	156.5	159.0	163.9
Loans.....	48	104.1	250.5	317.1	Long term (mortgages).....	104	1,746.5	1,980.0	2,240.4
Short term.....	49	15.9	15.7	55.6	Shares and other equity (foreign direct investment in the United States).....	105	2.4	2.5	2.6
Bank loans n.e.c.....	50	10.7	13.3	50.7	Other accounts payable.....	106	992.4	1,118.5	1,206.5
Other loans and advances.....	51	5.2	2.4	4.9	Trade payables.....	107	276.2	305.0	335.4
Long term (mortgages).....	52	88.2	234.8	261.5	Taxes payable.....	108	69.7	77.3	85.6
Shares and other equity.....	53	49.6	-30.1	-30.8	Other (miscellaneous liabilities).....	109	646.4	736.2	785.5
Equity in noncorporate business.....	54	49.9	-30.2	-30.9	Net worth.....	110	4,458.0	4,856.2	5,461.0
Foreign direct investment in the United States.....	55	-0.2	0.1	0.1					
Other accounts payable.....	56	-1.0	126.2	88.0					
Trade payables.....	57	-23.9	28.8	30.4					
Taxes payable.....	58	-0.4	7.5	8.3					

NOTES. Nonfinancial noncorporate business includes noncorporate farms that are excluded from the nonfinancial noncorporate business sector in the flow of funds accounts.

Estimates are based on the North American Industry Classification System.

1. Consists of rental income of tenant-occupied housing and proprietors' income. Quasi-corporations are unincorporated enterprises that function as if they were corporations; they primarily cover their operating costs through sales, and they keep a complete set of financial records.

2. Government-sponsored enterprises (GSEs) consist of Federal Home Loan Banks, Federal National

Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Agricultural Mortgage Corporation, Farm Credit System, the Financing Corporation, and the Resolution Funding Corporation, and they included the Student Loan Marketing Association until it was fully privatized in the fourth quarter of 2004.

3. Net equity in reserves of property-casualty insurance companies.

4. Farm houses are included in the household sector.

5. Excludes noncorporate farm land.

n.e.c. Not elsewhere classified

Table 3. Nonfinancial Corporate Business

[Billions of dollars]

	Line	2003	2004	2005		Line	2003	2004	2005
Current account									
Gross value added.....	1	5,558.4	5,932.9	6,369.7	Trade payables.....	73	-54.6	101.8	148.2
Less: Consumption of fixed capital.....	2	657.5	686.2	739.7	Taxes payable.....	74	-11.7	6.8	5.1
Equals: Net value added.....	3	4,900.9	5,246.7	5,630.1	Miscellaneous liabilities.....	75	9.4	421.8	212.0
Compensation of employees (paid).....	4	3,703.2	3,873.4	4,099.7	Addendum:				
Wages and salaries.....	5	3,019.4	3,158.4	3,335.1	Net lending or net borrowing, financial account (35-58).....	76	68.6	177.3	71.4
Employers' social contributions.....	6	683.8	714.9	764.6	Other changes in volume account				
Taxes on production and imports less subsidies.....	7	488.5	522.9	558.1	Total other volume changes.....	77	203.9	450.7	584.8
Operating surplus, net.....	8	709.2	850.4	972.2	Other volume changes.....	78	169.8	262.5	534.4
Net national income/balance of primary incomes, net.....	9	377.7	460.1	560.6	Less: Statistical discrepancy (33-[35-58]) ³	79	-20.5	-148.4	-17.9
Operating surplus, net.....	10	709.2	850.4	972.2	Less: Inventory valuation adjustment.....	80	-13.6	-39.8	-32.6
Property income (received).....	11	421.7	473.0	529.6	Revaluation account				
Interest.....	12	240.8	258.2	283.5	Nonfinancial assets.....	81	307.3	579.3	744.3
Distributed income of corporations (dividends).....	13	55.8	60.1	231.1	Real estate.....	82	283.7	494.9	679.6
Reinvested earnings on foreign direct investment.....	14	125.1	154.8	15.0	Equipment and software.....	83	21.2	54.4	43.4
Less: Uses of property income (paid).....	15	753.1	863.4	941.2	Inventories.....	84	2.4	30.0	21.3
Interest.....	16	379.1	380.6	423.5	Financial assets.....	85	35.9	67.5	67.7
Distributed income of corporations (dividends).....	17	348.5	427.0	459.6	Mutual fund shares.....	86	18.9	13.0	9.1
Reinvested earnings on foreign direct investment.....	18	11.2	40.5	41.6	Direct investment abroad.....	87	17.0	54.5	58.7
Rent.....	19	14.3	15.3	16.6	Liabilities.....	88	2,247.2	907.0	461.2
Net national income/balance of primary incomes, net.....	20	377.7	460.1	560.6	Corporate equity.....	89	2,246.3	890.0	432.6
Less: Current taxes on income, wealth, etc. (paid).....	21	167.4	224.3	302.5	Foreign direct investment in the United States.....	90	1.0	17.0	28.6
Less: Other current transfers (paid).....	22	64.4	60.0	51.4	Changes in net worth due to nominal holding gains or losses.....	91	-1,904.0	-260.2	350.8
Equals: Disposable income, net.....	23	146.0	175.8	206.7	Changes in balance sheet account				
Equals: Net saving.....	24	146.0	175.8	206.7	Change in net worth (28+33+77+91) ⁴	92	-1,554.2	366.2	1,142.3
Capital account					Balance sheet account (end of period)				
Net saving and capital transfers.....	25	146.1	175.8	206.7	Total assets.....	93	20,137.5	21,748.9	23,122.2
Net saving.....	26	146.0	175.8	206.7	Nonfinancial assets⁵.....	94	10,018.8	10,804.5	11,762.6
Capital transfers received (net).....	27	0.2	0.0	0.0	Real estate.....	95	5,377.0	5,920.9	6,656.9
Capital formation, net.....	28	98.0	146.8	153.1	Equipment and software.....	96	3,277.2	3,365.8	3,515.2
Gross fixed capital formation (acquisition of produced nonfinancial assets).....	29	753.1	796.5	883.7	Inventories.....	97	1,364.6	1,497.8	1,590.5
Less: Consumption of fixed capital.....	30	657.5	686.2	739.7	Financial assets.....	98	10,118.7	10,944.4	11,359.6
Acquisition of nonproduced nonfinancial assets.....	31	-10.8	-11.0	-10.8	Currency and deposits.....	99	602.4	641.6	670.2
Inventory change including inventory valuation adjustment.....	32	13.2	47.6	20.0	Currency and transferable deposits.....	100	201.4	167.4	130.3
Net lending or net borrowing, capital account (25-28).....	33	48.1	28.9	53.5	Time and savings deposits.....	101	362.8	420.5	466.0
Financial account					Foreign deposits.....	102	38.1	53.7	73.8
Net lending or net borrowing, capital account (line 33).....	34	48.1	28.9	53.5	Securities other than shares.....	103	156.0	175.3	190.0
Net acquisition of financial assets.....	35	83.4	786.1	395.5	Open market paper.....	104	75.7	95.0	106.8
Currency and deposits.....	36	140.8	39.2	28.6	Treasury securities.....	105	32.8	33.0	36.9
Currency and transferable deposits.....	37	51.8	-34.0	-37.1	Agency- and GSE-backed securities ¹	106	12.1	12.2	13.7
Time and savings deposits.....	38	71.5	57.7	45.6	Municipal securities.....	107	35.4	35.0	32.6
Foreign deposits.....	39	17.6	15.6	20.1	Loans.....	108	116.2	132.8	157.6
Securities other than shares.....	40	10.8	19.3	14.7	Short term.....	109	64.5	64.9	73.5
Open market paper.....	41	10.9	19.3	11.7	Security repurchases.....	110	6.0	6.4	14.9
Treasury securities.....	42	1.4	0.2	3.9	Consumer credit.....	111	58.5	58.5	58.6
Agency- and GSE-backed securities ¹	43	-4.8	0.1	1.4	Long term (mortgages).....	112	51.8	67.9	84.0
Municipal securities.....	44	3.3	-0.4	-2.4	Shares and other equity.....	113	2,278.9	2,637.2	2,716.0
Loans.....	45	-14.2	16.6	24.7	Money market fund shares.....	114	291.2	319.0	354.8
Short term (security repurchases and consumer credit).....	46	-16.4	0.5	8.6	Mutual fund shares.....	115	124.8	139.8	156.3
Long term (mortgages).....	47	2.2	16.1	16.1	U.S. direct investment abroad.....	116	1,723.9	1,998.2	2,048.4
Shares and other equity.....	48	109.5	290.9	-18.0	Equity in government-sponsored enterprises ¹	117	0.3	0.4	0.4
Money market fund shares.....	49	-38.5	27.7	35.8	Investment in finance company subsidiaries.....	118	138.6	179.9	156.1
Mutual fund shares.....	50	11.3	2.0	7.4	Insurance technical reserves².....	119	243.4	263.0	284.4
U.S. direct investment abroad.....	51	122.9	219.8	-8.5	Other accounts receivable.....	120	6,721.8	7,094.4	7,341.5
Equity in government-sponsored enterprises ¹	52	0.1	0.0	0.0	Trade receivables.....	121	1,702.4	1,827.8	1,982.5
Investment in finance company subsidiaries.....	53	13.7	41.3	-52.7	Other (miscellaneous assets).....	122	5,019.4	5,266.6	5,359.0
Insurance technical reserves².....	54	19.0	19.6	21.4	Total liabilities and net worth.....	123	20,137.5	21,748.9	23,122.2
Other accounts receivable.....	55	-182.7	400.4	324.2	Liabilities.....	124	19,940.4	21,185.5	21,416.5
Trade receivables.....	56	-17.3	125.4	154.7	Securities other than shares.....	125	3,117.6	3,217.3	3,276.7
Other (miscellaneous assets).....	57	-165.4	275.0	169.4	Open market paper.....	126	84.8	101.6	93.8
Net incurrence of liabilities.....	58	14.8	608.8	324.1	Municipal securities.....	127	164.2	169.4	176.7
Securities other than shares.....	59	126.7	99.6	59.4	Corporate bonds.....	128	2,868.6	2,946.3	3,006.2
Open market paper.....	60	-35.1	16.8	-7.9	Loans.....	129	1,764.4	1,844.3	2,066.2
Municipal securities.....	61	3.5	5.1	7.4	Short term.....	130	1,237.6	1,270.0	1,404.4
Corporate bonds.....	62	158.3	77.7	59.9	Bank loans n.e.c.....	131	567.5	582.4	644.9
Loans.....	63	-36.7	79.9	221.9	Other loans and advances.....	132	670.2	687.6	759.5
Short term.....	64	-84.3	32.3	134.5	Long term (mortgages).....	133	526.7	574.3	661.7
Bank loans n.e.c.....	65	-85.9	14.9	62.5	Shares and other equity.....	134	11,236.2	12,045.2	12,185.9
Other loans and advances.....	66	1.6	17.4	72.0	Corporate equity.....	135	10,043.6	10,807.0	10,876.3
Long term (mortgages).....	67	47.6	47.6	87.4	Foreign direct investment in the United States.....	136	1,192.6	1,238.1	1,309.6
Shares and other equity.....	68	-18.1	-98.0	-320.5	Insurance technical reserves (contributions payable).....	137	49.8	46.6	44.8
Corporate equities.....	69	-42.0	-126.6	-363.4	Other accounts payable.....	138	3,772.4	4,032.2	3,843.1
Foreign direct investment in the United States.....	70	23.9	28.6	42.9	Trade payables.....	139	1,405.6	1,507.3	1,655.5
Insurance technical reserves (contributions payable).....	71	-0.2	-3.1	-1.9	Taxes payable.....	140	81.2	88.0	93.1
Other accounts payable.....	72	-56.9	530.4	365.2	Miscellaneous liabilities.....	141	2,285.6	2,436.8	2,094.5
					Net worth.....	142	197.1	563.3	1,705.7

Notes. Nonfinancial corporate business includes corporate farms that are excluded from the nonfinancial corporate business sector in the flow of funds accounts.

Estimates are based on the North American Industry Classification System.

1. Government-sponsored enterprises (GSEs) consist of Federal Home Loan Banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Agricultural Mortgage Corporation, Farm Credit System, the Financing Corporation, and the Resolution Funding Corporation, and they included the Student Loan Marketing Association until it was fully privatized in the fourth quarter of 2004.

2. Net equity in reserves of property-casualty insurance companies.

3. The statistical discrepancy is the difference between net lending or net borrowing derived in the capital

account and the same concept derived in the financial account. The discrepancy reflects differences in source data, timing of recorded flows, and other statistical differences between the capital and financial accounts.

4. Includes changes in the market value of shares and other equity that are excluded from the related measures for the nonfinancial corporate business sector in the flow of funds accounts.

5. Excludes nonproduced nonfinancial assets.

6. Excludes corporate farm land.

n.e.c. Not elsewhere classified

Table 4. Financial Business

[Billions of dollars]

	Line	2003	2004	2005		Line	2003	2004	2005
Current account					Other changes in volume account				
Gross value added	1	970.5	1,010.9	1,053.9	Total other volume changes	68	-162.0	-261.5	44.7
Less: Consumption of fixed capital	2	108.3	116.5	124.2	Other volume changes	69	-102.6	21.7	57.9
Equals: Net value added	3	862.2	894.4	929.7	Less: Statistical discrepancy (31-[33-50]) ³	70	59.5	283.2	13.2
Compensation of employees (paid)	4	472.3	503.5	538.0	Revaluation account				
Wages and salaries	5	392.8	419.2	447.1	Nonfinancial assets	71	63.7	153.3	154.2
Employers' social contributions	6	79.5	84.3	90.9	Structures	72	30.5	120.2	124.3
Taxes on production and imports less subsidies	7	46.6	50.6	53.3	Equipment and software	73	33.2	33.1	29.9
Operating surplus, net	8	343.4	340.3	338.5	Financial assets	74	2,311.1	1,344.3	795.7
Net national income/balance of primary incomes, net	9	254.6	254.5	286.2	Corporate equities	75	2,008.2	1,111.8	711.4
Operating surplus, net	10	343.4	340.3	338.5	Mutual fund shares	76	277.0	191.8	97.3
Property income (received)	11	1,124.8	1,348.3	1,648.2	U.S. direct investment abroad	77	25.9	40.8	-13.0
Interest	12	1,024.4	1,211.0	1,468.2	Liabilities	78	2,894.5	1,627.6	976.1
Distributed income of corporations (dividends)	13	77.3	106.7	177.0	Corporate equity issues	79	746.3	418.1	224.5
Reinvested earnings on foreign direct investment	14	23.1	30.6	3.1	Mutual fund shares	80	727.2	483.8	352.4
Less: Uses of property income (paid)	15	1,213.6	1,434.1	1,700.4	Foreign direct investment in the United States	81	12.3	0.0	8.8
Interest	16	979.9	1,132.3	1,340.6	Equity in noncorporate business	82	4.3	2.9	3.1
Distributed income of corporations	17	230.2	286.3	342.2	Pension fund reserves	83	1,404.5	722.7	387.2
Dividends	18	177.4	232.5	287.2	Changes in net worth due to nominal holding gains or losses	84	-519.7	-130.0	-26.2
Withdrawals from income of quasi-corporations ¹	19	52.8	53.8	55.0	Changes in balance sheet account				
Reinvested earnings on foreign direct investment	20	3.5	15.5	17.6	Change in net worth (28+31+68+84)	85	-502.6	-224.3	166.3
Rents on land and natural resources	21	0.0	0.0	0.0	Balance sheet account (end of period)				
Net national income/balance of primary incomes, net	22	254.6	254.5	286.2	Total assets	86	45,473.0	49,642.4	53,694.5
Less: Current taxes on income, wealth, etc. (paid)	23	75.9	75.8	96.8	Nonfinancial assets ⁴	87	1,886.7	2,040.0	2,194.2
Less: Other current transfers (paid)	24	-0.5	11.5	41.6	Structures	88	1,181.9	1,302.1	1,426.4
Equals: Disposable income, net	25	179.1	167.2	147.8	Equipment and software	89	704.8	737.9	767.8
Equals: Net saving	26	179.1	167.2	147.8	Financial assets	90	43,586.3	47,602.4	51,500.3
Capital account					Monetary gold and SDRs	91	13.2	13.2	13.2
Net saving	27	179.1	167.2	147.8	Currency and deposits	92	884.9	933.1	949.1
Capital formation, net	28	-10.1	19.5	-0.4	Securities other than shares	93	13,532.5	14,007.3	14,522.8
Gross fixed capital formation (nonresidential)	29	98.2	136.0	123.8	Open market paper	94	953.5	985.1	1,196.6
Less: Consumption of fixed capital	30	108.3	116.5	124.2	Treasury securities	95	1,612.2	1,532.1	1,584.0
Net lending or net borrowing, capital account (27-28)	31	189.3	147.7	148.2	Agency- and GSE-backed securities ²	96	4,703.2	4,629.5	4,285.3
Financial account					Municipal securities	97	1,130.8	1,221.2	1,338.6
Net lending or net borrowing (line 31)	32	189.3	147.7	148.2	Corporate and foreign bonds	98	4,317.8	4,783.5	5,235.4
Net acquisition of financial assets	33	2,664.4	2,700.4	3,203.2	Nonmarketable government securities	99	815.0	855.9	882.9
Monetary gold and SDRs	34	0.0	0.0	0.0	Loans	100	14,322.6	15,900.9	17,797.5
Currency and deposits	35	-44.6	42.5	18.7	Short term	101	5,381.0	5,697.0	6,167.2
Securities other than shares	36	1,010.7	454.8	534.8	Long term (mortgages)	102	8,941.6	10,204.0	11,630.3
Loans	37	1,089.1	1,563.5	1,896.6	Shares and other equity	103	12,187.3	14,086.3	15,397.5
Short term	38	101.5	315.9	470.2	Corporate equities	104	8,081.2	9,461.6	10,390.0
Long term (mortgages)	39	987.6	1,247.6	1,426.3	Mutual fund shares	105	1,418.0	1,658.4	1,742.7
Shares and other equity	40	263.5	554.7	515.6	Money market fund shares	106	649.5	529.8	555.2
Corporate equities	41	123.7	268.6	217.0	Equity in government-sponsored enterprises ²	107	37.7	40.1	42.0
Mutual fund shares	42	42.1	48.7	-13.0	U.S. direct investment abroad	108	335.9	401.0	405.5
Money market mutual fund shares	43	-54.7	-119.7	25.4	Stock in Federal Reserve banks	109	8.8	11.9	13.5
Equity in government-sponsored enterprises ²	44	2.5	2.4	2.0	Investment in subsidiaries	110	1,656.1	1,983.5	2,248.5
U.S. direct investment abroad	45	27.0	24.3	17.5	Insurance technical reserves	111	387.7	397.6	405.5
Stock in Federal Reserve banks	46	0.5	3.1	1.6	Other accounts receivable	112	2,258.1	2,264.0	2,414.6
Investment in subsidiaries	47	122.4	327.4	265.0	Total liabilities and net worth	113	45,473.0	49,642.4	53,694.5
Insurance technical reserves	48	-17.3	-38.9	-10.1	Liabilities	114	46,210.9	50,604.6	54,490.4
Other accounts receivable	49	363.2	123.8	247.7	Currency and deposits	115	6,880.2	7,541.8	8,139.8
Net incurrence of liabilities	50	2,534.6	2,835.9	3,068.2	Securities other than shares	116	10,311.5	11,072.7	11,988.4
Currency and deposits	51	426.3	636.3	596.6	Agency- and GSE-backed securities ²	117	6,083.3	6,201.3	6,251.9
Securities other than shares	52	977.0	746.4	970.2	Corporate bonds	118	3,147.7	3,735.7	4,364.7
Loans	53	357.7	302.1	445.5	Commercial paper	119	1,080.5	1,135.7	1,371.8
Short term	54	349.4	275.9	432.4	Loans	120	2,995.8	3,297.9	3,743.4
Long term (mortgages)	55	8.3	26.3	13.1	Short term	121	2,893.7	3,169.5	3,601.9
Shares and other equity	56	319.4	745.9	734.4	Long term (mortgages)	122	102.1	128.4	141.4
Money market mutual fund shares	57	-207.5	-136.5	127.0	Shares and other equity	123	12,398.6	14,049.3	15,401.5
Corporate equity issues	58	62.7	108.3	67.9	Money market fund shares	124	2,016.4	1,879.8	2,006.9
Mutual fund shares	59	288.6	298.2	260.2	Corporate equity issues	125	3,495.5	4,021.9	4,314.3
Equity in government-sponsored enterprises ²	60	3.2	2.9	1.5	Mutual fund shares	126	4,654.2	5,436.3	6,048.9
Foreign direct investment in the United States	61	40.2	104.5	66.8	Equity in government-sponsored enterprises ²	127	42.3	45.2	46.7
Equity in noncorporate business	62	-4.5	-3.3	-2.8	Foreign direct investment in the United States	128	382.0	486.4	562.1
Investment by parent	63	136.2	368.7	212.2	Equity in noncorporate business	129	4.8	4.4	4.6
Stock in Federal Reserve banks	64	0.5	3.1	1.6	Investment by parent	130	1,794.7	2,163.4	2,404.6
Insurance technical reserves	65	308.4	295.4	220.1	Stock in Federal Reserve banks	131	8.8	11.9	13.5
Other accounts payable	66	145.7	109.8	101.5	Insurance technical reserves	132	11,760.9	12,841.9	13,471.5
Addendum:					Other accounts payable	133	1,863.9	1,801.0	1,745.8
Net lending or net borrowing, financial account (33-50)	67	129.8	-135.5	135.0	Net worth	134	-738.0	-962.2	-795.9

Notes. Financial business includes depository institutions, insurance companies and pension funds, monetary authority, and other financial institutions.

Estimates are based on the North American Industry Classification System.

1. Consists of rental income of tenant-occupied housing and proprietors' income. Quasi-corporations are unincorporated enterprises that function as if they were corporations; they primarily cover their operating costs through sales, and they keep a complete set of financial records.

2. Government-sponsored enterprises (GSEs) consist of Federal Home Loan Banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Agricultural Mortgage Corpora-

tion, Farm Credit System, the Financing Corporation, and the Resolution Funding Corporation and they included the Student Loan Marketing Association until it was fully privatized in the fourth quarter of 2004.

3. The statistical discrepancy is the difference between net lending or net borrowing derived in the capital account and the same concept derived in the financial account. The discrepancy reflects differences in source data, timing of recorded flows, and other statistical differences between the capital and financial accounts.

4. Excludes land.
SDRs Special Drawing Rights

Table 5. Federal Government

[Billions of dollars]

	Line	2003	2004	2005		Line	2003	2004	2005
Current account					Insurance technical reserves				
Gross value added	1	448.6	478.4	498.8	Insurance reserves	60	34.4	50.4	38.0
Less: Consumption of fixed capital	2	90.4	94.1	99.0	Nonmarketable securities held by pension plans	61	1.1	1.1	1.1
Equals: Net value added	3	358.2	384.3	399.8	Uniformed Services Retiree Health Care Fund	62	24.7	40.9	40.0
Compensation of employees (paid).....	4	355.8	385.5	404.7	Other accounts payable	63	8.6	8.4	-3.1
Wages and salaries.....	5	236.0	250.0	261.1	Trade payables.....	64	70.0	15.8	17.5
Employers' social contributions.....	6	119.8	135.5	143.6	Other (miscellaneous liabilities).....	65	72.6	14.8	12.4
Operating surplus, net.....	7	2.3	-1.2	-4.9	Addendum:	66	-2.6	1.0	5.0
Net national income/balance of primary incomes, net	8	-145.7	-149.6	-191.5	Net lending or net borrowing, financial account (34-54).....	67	-467.1	-431.7	-348.2
Operating surplus, net.....	9	2.3	-1.2	-4.9	Other changes in volume account				
Taxes on production and imports, receivable.....	10	89.7	94.6	101.1	Total other volume changes	68	-50.2	-39.8	9.0
Subsidies (paid).....	11	-47.8	-44.3	-56.9	Other volume changes.....	69	1.3	-35.9	-4.1
Property income (received).....	12	22.9	22.1	22.9	Less: Statistical discrepancy (32-[34-54]) ²	70	51.5	3.9	-13.1
Interest.....	13	16.4	15.5	15.9	Revaluation account				
Rents on land and natural resources.....	14	6.5	6.6	7.1	Nonfinancial assets	71	26.8	87.3	78.0
Less: Uses of property income (interest paid).....	15	212.9	220.9	253.8	Structures.....	72	24.0	61.3	74.8
Net national income/balance of primary incomes, net	16	-145.7	-149.6	-191.5	Equipment and software.....	73	2.8	26.0	3.2
Plus: Current taxes on income, wealth, etc. (received).....	17	981.1	1,055.6	1,265.1	Financial assets	74	3.1	1.3	-2.1
Plus: Social benefits (received).....	18	758.9	802.2	855.3	Currency and checkable deposits.....	75	-2.7	-1.2	2.7
Less: Social contributions (paid).....	19	966.5	1,018.4	1,081.7	Monetary gold, SDRs, and official foreign exchange.....	76	5.8	2.5	-4.9
Plus: Other current transfers (received).....	20	25.0	27.7	7.1	Changes in net worth due to nominal holding gains or losses				
Less: Other current transfers (paid).....	21	362.2	374.9	395.0		77	29.9	88.6	75.9
Equals: Disposable income, net	22	290.6	342.5	459.4	Changes in balance sheet account				
Less: Final consumption expenditures.....	23	662.7	724.5	768.6	Change in net worth (28+32+68+77)	78	-432.8	-371.7	-266.2
Equals: Net saving	24	-372.1	-382.0	-309.2	Balance sheet account (end of period)				
Capital account					Total assets	79	2,151.8	2,207.7	2,286.4
Net saving and capital transfers	25	-412.5	-420.4	-351.2	Nonfinancial assets ³	80	1,498.9	1,593.2	1,681.0
Net saving.....	26	-372.1	-382.0	-309.2	Structures.....	81	985.3	1,042.7	1,112.3
Capital transfers received (net).....	27	-40.4	-38.4	-42.0	Equipment and software.....	82	513.6	550.5	568.7
Capital formation, net	28	3.1	7.4	10.1	Financial assets	83	653.0	614.6	605.4
Gross fixed capital formation (acquisition of produced nonfinancial assets).....	29	93.7	101.4	109.8	Monetary gold and SDRs	84	12.6	13.6	8.2
Less: Consumption of fixed capital.....	30	90.4	94.1	99.0	Currency and deposits	85	101.8	68.0	65.9
Acquisition of nonproduced nonfinancial assets.....	31	-0.2	0.0	-0.6	Official foreign exchange.....	86	19.9	21.4	18.9
Net lending or net borrowing, capital account (lines 25-28)	32	-415.6	-427.8	-361.3	Net IMF position.....	87	22.6	19.6	8.1
Financial account					Currency and transferable deposits.....	88	54.1	21.9	36.8
Net lending or net borrowing (line 32)	33	-415.6	-427.8	-361.3	Time and savings deposits.....	89	2.4	2.4	1.4
Net acquisition of financial assets	34	33.9	-2.9	15.0	Nonofficial foreign currencies.....	90	2.8	2.8	0.6
Monetary gold and SDRs	35	-0.6	0.4	-4.5	Loans	91	285.6	288.8	286.1
Currency and deposits	36	-17.0	-34.6	-0.9	Short term.....	92	211.7	213.4	208.3
Official foreign exchange.....	37	0.3	0.3	0.3	Consumer credit.....	93	94.1	98.4	102.1
Net IMF position.....	38	-1.5	-3.8	-10.2	Other loans and advances.....	94	117.7	115.0	106.2
Currency and transferable deposits.....	39	9.2	-31.0	12.2	Long term (mortgages).....	95	73.8	75.4	77.8
Time and savings deposits.....	40	-25.2	0.0	-1.0	Shares and other equity	96	40.0	42.0	43.2
Nonofficial foreign currencies.....	41	0.2	0.0	-2.2	Equity in international organizations.....	97	40.0	42.0	43.2
Loans	42	-2.7	3.3	-2.7	Equity in government-sponsored enterprises ¹	98	0.0	0.0	0.0
Short term.....	43	-0.2	1.7	-5.1	Other accounts receivable	99	213.0	202.2	201.9
Consumer credit.....	44	1.3	4.3	3.8	Trade receivables.....	100	51.3	61.8	70.9
Other loans and advances.....	45	-1.5	-2.6	-8.8	Taxes receivable.....	101	102.8	82.9	74.0
Long term (mortgages).....	46	-2.5	1.6	2.4	Other (miscellaneous assets).....	102	58.9	57.5	57.1
Shares and other equity	47	1.4	2.0	1.3	Total liabilities and net worth	103	2,151.8	2,207.7	2,286.4
Equity in international organizations.....	48	1.4	2.0	1.3	Liabilities	104	5,084.4	5,512.0	5,856.9
Equity in government-sponsored enterprises ¹	49	0.0	0.0	0.0	Monetary gold and SDRs (SDR certificates)	105	2.2	2.2	2.2
Other accounts receivable	50	52.7	26.0	21.8	Currency and deposits (Treasury currency)	106	26.0	26.7	27.5
Trade receivables.....	51	19.1	10.5	9.1	Securities other than shares	107	4,033.1	4,395.0	4,701.9
Taxes receivable.....	52	33.9	16.9	13.2	Treasury securities including savings bonds.....	108	4,008.2	4,370.7	4,678.0
Other (miscellaneous assets).....	53	-0.2	-1.4	-0.5	Federal agency securities.....	109	24.9	24.3	23.8
Net incurrence of liabilities	54	501.0	428.8	363.2	Insurance technical reserves	110	865.9	916.3	941.3
Monetary gold and SDRs (SDR certificates)	55	0.0	0.0	0.0	Insurance reserves.....	111	40.5	41.6	42.7
Currency and deposits (Treasury currency)	56	0.6	0.7	0.8	Nonmarketable securities held by pension plans.....	112	815.0	855.9	882.9
Securities other than shares	57	396.0	361.9	306.9	Uniformed Services Retiree Health Care Fund.....	113	10.5	18.8	15.7
Treasury securities including savings bonds.....	58	398.4	362.5	307.3	Other accounts payable	114	157.2	171.8	184.0
Federal agency securities.....	59	-2.4	-0.6	-0.4	Trade payables.....	115	151.4	166.2	178.6
					Other (miscellaneous liabilities).....	116	5.8	5.6	5.4
					Net worth	117	-2,932.6	-3,304.2	-3,570.5

Note. The Federal government accounts exclude Federal employee retirement funds.

1. Government-sponsored enterprises (GSEs) consist of Federal Home Loan Banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Agricultural Mortgage Corporation, Farm Credit System, the Financing Corporation, and the Resolution Funding Corporation, and they included the Student Loan Marketing Association until it was fully privatized in the fourth quarter of 2004.

2. The statistical discrepancy is the difference between net lending or net borrowing derived in the capital

account and the same concept derived in the financial account. The discrepancy reflects differences in source data, timing of recorded flows, and other statistical differences between the capital and financial accounts.

3. Excludes land and nonproduced nonfinancial assets.

IMF International Monetary Fund
SDRs Special Drawing Rights

Table 6. State and Local Governments

[Billions of dollars]

	Line	2003	2004	2005		Line	2003	2004	2005
Current account					Net incurrence of liabilities				
Gross value added	1	983.7	1,027.2	1,079.7	55	149.4	146.1	204.6	
Less: Consumption of fixed capital	2	127.8	136.7	153.2	56	120.0	115.1	170.8	
Equals: Net value added	3	855.9	890.5	926.5	57	10.4	-5.9	5.7	
Compensation of employees (paid)	4	856.5	894.3	936.9	58	109.6	121.0	165.1	
Wages and salaries	5	668.4	691.8	716.6	59	0.3	0.2	0.5	
Employers' social contributions	6	188.2	202.5	220.3	60	29.2	30.8	33.3	
Operating surplus, net	7	-0.6	-3.8	-10.5	Addendum:				
Net national income/balance of primary incomes, net	8	702.1	746.7	791.6	61	-70.4	-51.3	-62.1	
Operating surplus, net	9	-0.6	-3.8	-10.5	Other changes in volume account				
Taxes on production and imports, receivable	10	717.5	769.4	821.2	62	32.9	43.1	14.3	
Subsidies (paid)	11	-0.1	-0.4	-0.4	63	-10.8	-10.9	-18.7	
Property income (received)	12	72.9	73.3	75.3	64	-43.7	-54.0	-32.9	
Interest	13	62.9	62.1	63.4	Revaluation account				
Distributed income of corporations (dividends)	14	2.2	2.4	2.4	65	78.4	493.1	463.6	
Rents on land and natural resources	15	7.9	8.7	9.5	66	79.0	489.6	462.0	
Less: Uses of property income (interest paid)	16	87.7	91.8	94.2	67	-0.5	3.6	1.6	
Net national income/balance of primary incomes, net	17	702.1	746.7	791.6	68	29.3	12.3	5.5	
Plus: Current taxes on income, wealth, etc. (received)	18	261.9	291.5	333.2	Changes in net worth due to nominal holding gains or losses				
Plus: Social benefits (received)	19	19.8	24.2	25.3	69	107.7	505.4	469.1	
Less: Social contributions (paid)	20	353.0	382.9	402.3	Changes in balance sheet account				
Plus: Other current transfers (received)	21	422.7	438.0	456.1	Change in net worth (28+32+62+69)				
Equals: Disposable income, net	22	1,053.4	1,117.5	1,203.9	70	171.8	587.5	534.0	
Less: Final consumption expenditures	23	1,073.8	1,130.3	1,207.2	Balance sheet account (end of period)				
Equals: Net saving	24	-20.4	-12.9	-3.3	71	6,916.8	7,650.4	8,389.0	
Capital account					72	5,008.6	5,635.1	6,225.7	
Net saving and capital transfers	25	31.2	39.0	50.6	73	4,784.0	5,399.1	5,979.8	
Net saving	26	-20.4	-12.9	-3.3	74	224.6	236.1	245.9	
Capital transfers received (net)	27	51.6	51.9	53.9	75	1,908.2	2,015.3	2,163.3	
Capital formation, net	28	145.3	144.3	145.6	Financial assets				
Gross fixed capital formation (acquisition of produced nonfinancial assets)	29	262.2	270.0	287.3	76	191.6	193.9	231.8	
Less: Consumption of fixed capital	30	127.8	136.7	153.2	77	44.9	40.3	48.8	
Acquisition of nonproduced nonfinancial assets	31	10.9	11.0	11.6	78	146.7	153.6	183.1	
Net lending or net borrowing, capital account (25-28)	32	-114.1	-105.3	-95.0	79	992.7	1,050.1	1,145.0	
Financial account					80	161.6	170.4	177.1	
Net lending or net borrowing (line 32)	33	-114.1	-105.3	-95.0	81	364.2	387.4	456.2	
Net acquisition of financial assets	34	79.1	94.8	142.5	82	351.2	370.3	384.9	
Currency and deposits	35	11.5	2.2	38.0	83	4.4	4.6	4.8	
Currency and transferable deposits	36	3.5	-4.6	8.5	84	111.3	117.3	122.0	
Time and savings deposits	37	8.0	6.9	29.5	85	256.3	270.3	280.9	
Securities other than shares	38	49.8	57.3	95.0	86	123.5	130.2	135.3	
Open market paper	39	10.3	8.8	6.7	87	132.9	140.1	145.6	
Treasury securities	40	9.5	23.2	68.8	88	173.3	182.7	189.9	
Agency- and GSE-backed securities ¹	41	22.5	19.1	14.6	89	62.7	66.1	68.7	
Municipal securities	42	0.3	0.2	0.2	90	84.7	89.3	92.8	
Corporate and foreign bonds	43	7.1	6.0	4.6	91	25.9	27.3	28.4	
Loans	44	16.4	13.9	10.7	92	294.2	318.4	315.6	
Short term (security repurchases)	45	7.9	6.7	5.1	93	126.5	133.4	138.7	
Long term (mortgages)	46	8.5	7.2	5.5	94	68.4	89.0	126.4	
Shares and other equity	47	-18.2	-2.9	1.7	95	99.3	96.0	50.6	
Money market fund shares	48	4.0	3.4	2.6	Total liabilities and net worth				
Corporate equities	49	-17.0	-4.8	-0.7	96	6,916.8	7,650.4	8,389.0	
Mutual fund shares	50	-5.2	-1.5	-0.2	97	1,987.0	2,133.1	2,337.7	
Other accounts receivable	51	19.6	24.2	-2.7	98	1,557.9	1,673.0	1,843.8	
Trade receivables	52	8.1	6.9	5.3	99	106.1	100.2	105.9	
Taxes receivable	53	7.8	25.3	42.8	100	1,451.8	1,572.8	1,737.9	
Other (miscellaneous assets)	54	3.7	-8.0	-50.8	101	9.7	9.9	10.3	
					102	419.5	450.3	483.6	
					103	4,929.7	5,517.3	6,051.3	

NOTE: The state and local government accounts exclude state and local employee retirement funds.

1. Government-sponsored enterprises (GSEs) consist of Federal Home Loan Banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Agricultural Mortgage Corporation, Farm Credit System, the Financing Corporation, and the Resolution Funding Corporation, and they included the Student Loan Marketing Association until it was fully privatized in the fourth quarter of 2004.

2. The statistical discrepancy is the difference between net lending or net borrowing derived in the capital account and the same concept derived in the financial account. The discrepancy reflects differences in source data, timing of recorded flows, and other statistical differences between the capital and financial accounts.

3. Excludes land and nonproduced nonfinancial assets.

Table 7. Rest of the World

[Billions of dollars]

	Line	2003	2004	2005		Line	2003	2004	2005
Current account					Revaluation account				
Foreign income from the United States	1	1,889.8	2,237.4	2,587.9	Financial assets	60	399.0	277.8	-26.7
U.S. imports of goods and services.....	2	1,540.2	1,791.4	2,019.8	Securities other than shares	61	-83.8	39.0	-157.0
U.S. income payments to rest of world.....	3	280.0	363.9	481.5	Treasury securities.....	62	-47.9	-56.7	-96.9
Current taxes and transfer payments to rest of world.....	4	69.7	82.1	86.6	Agency- and GSE-backed securities ¹	63	1.9	16.2	17.8
Less: Foreign outlays to the United States	5	1,377.6	1,588.3	1,816.5	Corporate bonds.....	64	-37.7	79.5	-77.8
U.S. exports of goods and services.....	6	1,040.8	1,178.1	1,303.1	Shares and other equity	65	482.8	238.9	130.2
U.S. income receipts from rest of world.....	7	336.8	410.2	513.3	Corporate equities.....	66	469.7	222.0	92.8
Equals: Net saving (current external balance)	8	512.3	649.0	771.4	Foreign direct investment in the United States.....	67	13.1	16.9	37.4
Capital account					Liabilities	68	777.5	551.4	379.4
Net saving	9	512.3	649.0	771.4	Currency and deposits	69	7.4	3.1	-6.7
Net capital transfers	10	3.4	2.2	4.3	Official foreign exchange.....	70	5.3	2.4	-5.5
Less: Acquisition of nonproduced nonfinancial assets	11	0.2	0.0	-0.1	Net IMF position.....	71	2.1	0.8	-1.2
Net lending or net borrowing, capital account (9+10-11)	12	515.6	651.3	775.7	Securities other than shares (corporate bonds)	72	140.4	56.8	-43.4
Financial account					Shares and other equity	73	629.7	491.5	429.5
Net lending or net borrowing (line 12)	13	515.6	651.3	775.7	Corporate equities.....	74	586.8	396.2	383.9
Net acquisition of U.S. financial assets	14	824.0	1,320.6	1,045.5	U.S. direct investment abroad.....	75	42.9	95.2	45.6
Monetary gold and SDRs	15	0.6	-0.4	4.5	Changes in net worth due to nominal holding gains or losses	76	-378.4	-273.6	-406.1
Currency and deposits	16	10.1	123.6	80.0	Changes in balance sheet account				
Currency.....	17	16.6	14.8	19.0	Change in net worth (12+57+76)	77	-195.9	120.7	281.5
Transferable deposits.....	18	12.3	27.5	26.0	Financial balance sheet account (end of period)³				
Time deposits.....	19	-9.1	72.9	41.6	Total financial assets	78	8,588.8	10,111.9	11,029.4
Net interbank items due from U.S. banks.....	20	-9.7	8.4	-6.6	Currency and deposits	79	608.7	732.3	812.7
Securities other than shares	21	517.2	766.6	787.2	Currency.....	80	317.9	332.7	352.2
Open market paper.....	22	9.2	44.8	8.6	Transferable deposits.....	81	37.6	65.2	91.1
Treasury securities.....	23	276.0	346.8	287.1	Time deposits.....	82	143.2	216.0	257.6
Agency- and GSE-backed securities ¹	24	3.1	109.0	157.1	Net interbank items due from U.S. banks.....	83	110.0	118.3	111.8
Municipal securities.....	25	8.0	6.5	4.0	Securities other than shares	84	4,044.3	4,849.9	5,480.2
Corporate bonds.....	26	220.8	259.5	330.4	Open market paper.....	85	135.8	180.6	189.2
Loans (short term)	27	269.2	211.2	108.0	Treasury securities.....	86	1,513.5	1,803.5	1,993.8
Security repurchases.....	28	270.1	204.9	47.4	Agency- and GSE-backed securities ¹	87	653.1	778.3	953.1
Loans to U.S. corporate business.....	29	-0.8	6.3	60.6	Municipal securities.....	88	19.5	26.0	30.0
Shares and other equity	30	97.9	195.0	196.4	Corporate bonds.....	89	1,722.4	2,061.5	2,314.1
Corporate equities.....	31	34.0	61.8	86.6	Loans (short term)	90	585.2	796.4	904.4
Foreign direct investment in the United States.....	32	64.0	133.2	109.8	Security repurchases.....	91	460.2	665.1	712.5
Other accounts receivable	33	-71.0	24.6	-130.5	Loans to U.S. corporate business.....	92	125.0	131.2	191.8
Trade receivables.....	34	1.5	-1.1	7.8	Shares and other equity	93	3,416.5	3,850.3	4,176.9
Other (miscellaneous assets).....	35	-72.5	25.7	-138.3	Corporate equities.....	94	1,839.5	2,123.3	2,302.6
Net incurrence of liabilities	36	288.9	740.4	264.4	Foreign direct investment in the United States.....	95	1,577.0	1,727.1	1,874.3
Currency and deposits	37	35.9	86.7	75.1	Other accounts receivable	96	-65.9	-116.9	-344.7
Official foreign exchange.....	38	0.6	0.6	0.6	Trade receivables.....	97	45.7	44.6	52.4
Net IMF position.....	39	-1.5	-3.8	-10.2	Other (miscellaneous assets).....	98	-111.5	-161.5	-397.1
U.S. private deposits.....	40	36.6	89.9	86.8	Total liabilities and net worth	99	8,588.8	10,111.9	11,029.4
U.S. government deposits.....	41	0.2	0.0	-2.2	Total liabilities	100	6,594.1	7,996.6	8,632.6
Securities other than shares	42	41.6	124.6	76.4	Currency and deposits	101	932.8	1,022.6	1,090.9
Commercial paper.....	43	12.9	62.8	38.5	Official foreign exchange.....	102	39.7	42.7	37.8
Bonds.....	44	28.7	61.8	38.0	Net IMF position.....	103	22.5	19.5	8.0
Loans (short term)	45	-9.8	-1.1	8.2	U.S. private deposits.....	104	867.8	957.7	1,044.5
Acceptance liabilities to banks.....	46	0.0	0.1	0.0	U.S. government deposits.....	105	2.8	2.8	0.6
U.S. government loans.....	47	-2.1	-3.7	-4.6	Securities other than shares	106	1,141.5	1,322.9	1,355.9
Bank loans n.e.c.....	48	-7.7	2.5	12.9	Commercial paper.....	107	267.1	329.9	368.4
Shares and other equity	49	269.3	330.9	152.5	Bonds.....	108	874.4	993.0	987.5
Corporate equities.....	50	118.0	84.8	142.1	Loans (short term)	109	103.0	101.9	110.1
U.S. government equity in IBRD, etc.....	51	1.4	2.0	1.3	Acceptance liabilities to banks.....	110	0.2	0.3	0.2
U.S. direct investment abroad.....	52	149.9	244.1	9.1	U.S. government loans.....	111	42.0	38.3	33.7
Other accounts payable	53	-48.0	199.4	-47.8	Bank loans n.e.c.....	112	60.9	63.3	76.2
Trade payables.....	54	6.1	3.5	6.3	Shares and other equity	113	4,179.3	5,001.6	5,583.6
Other (miscellaneous liabilities).....	55	-54.1	195.9	-54.1	U.S. government equity in IBRD, etc.....	114	40.0	42.0	43.2
Addendum:					U.S. direct investment abroad.....	115	2,059.9	2,399.2	2,453.9
Net lending, financial account (14-36).....	56	535.0	580.2	781.1	Corporate equities.....	116	2,079.4	2,560.4	3,086.5
Other changes in volume account					Other accounts payable	117	237.6	547.6	492.0
Total other volume changes	57	-333.1	-257.0	-88.1	Trade payables.....	118	47.5	51.0	57.3
Other volume changes.....	58	-352.5	-185.9	-93.5	Other (miscellaneous liabilities).....	119	190.0	496.6	434.7
Less: Statistical discrepancy (12-[14-36]) ²	59	-19.4	71.1	-5.4	Net worth (external account)	120	1,994.6	2,115.3	2,396.8

1. Government-sponsored enterprises (GSEs) consist of Federal Home Loan Banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Agricultural Mortgage Corporation, Farm Credit System, the Financing Corporation, and the Resolution Funding Corporation, and they included the Student Loan Marketing Association until it was fully privatized in the fourth quarter of 2004.

2. The statistical discrepancy is the difference between net lending or net borrowing derived in the capital account and the same concept derived in the financial account. The discrepancy reflects differences in source data, timing of recorded flows, and other statistical differences between the capital and financial

accounts.

3. Excludes nonfinancial assets, including nonproduced nonfinancial assets.
IBRD International Bank for Reconstruction and Development
IMF International Monetary Fund
SDRs Special Drawing Rights
n.e.c. Not elsewhere classified