



Bad news sells, but data tells

Are we racing toward a recession?
How the financial accounts can inform us.

July 19, 2022

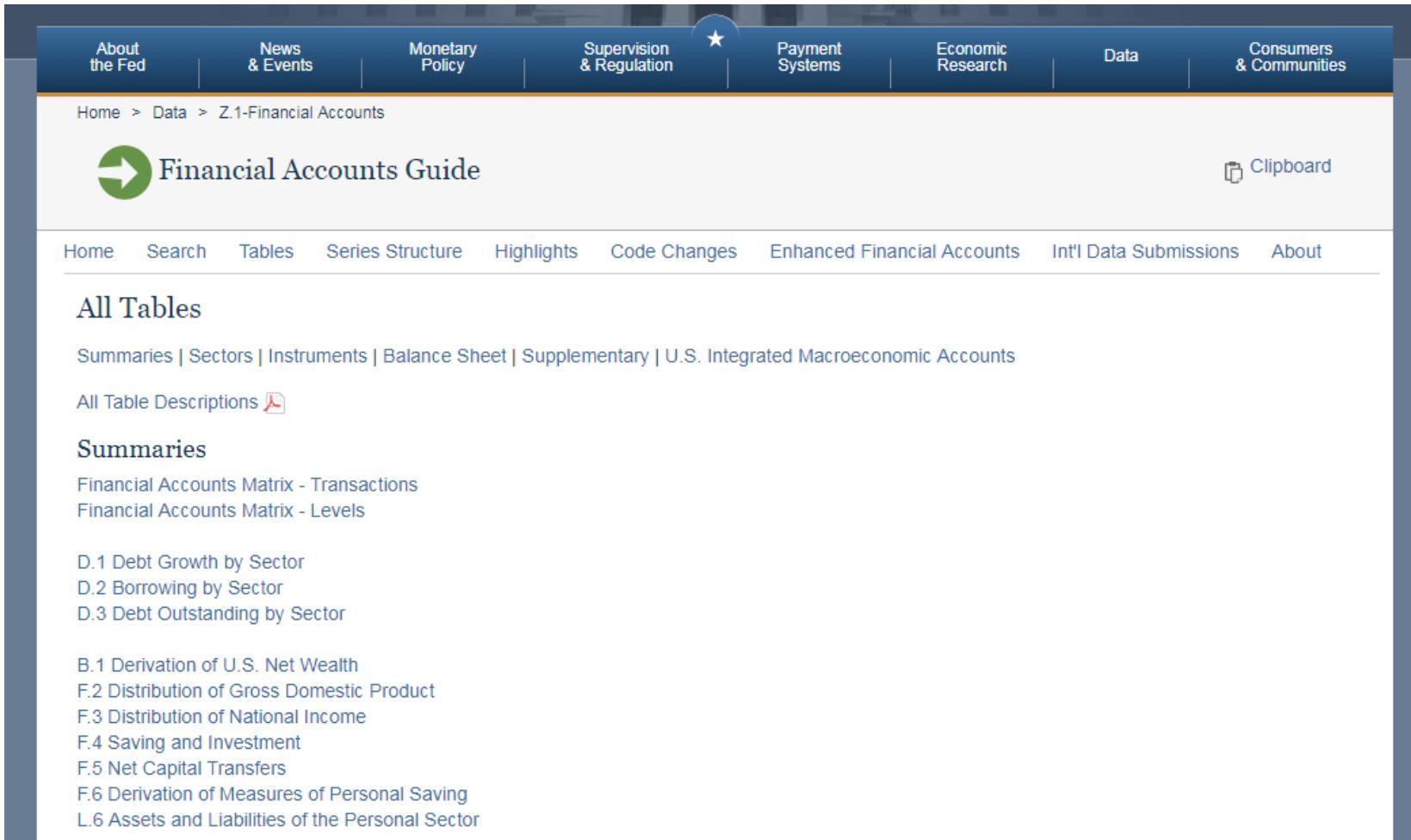
KPMG Economics

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All of the data is publically available from Board of Governors



The screenshot shows a navigation bar with links to 'About the Fed', 'News & Events', 'Monetary Policy', 'Supervision & Regulation' (which is highlighted with a star icon), 'Payment Systems', 'Economic Research', 'Data', and 'Consumers & Communities'. Below the navigation bar, a breadcrumb trail shows 'Home > Data > Z.1-Financial Accounts'. The main content area is titled 'Financial Accounts Guide' with a green arrow icon. A 'Clipboard' icon is in the top right. A horizontal menu bar below the title includes 'Home', 'Search', 'Tables', 'Series Structure', 'Highlights', 'Code Changes', 'Enhanced Financial Accounts', 'Int'l Data Submissions', and 'About'. The main content section is titled 'All Tables' and includes links to 'Summaries', 'Sectors', 'Instruments', 'Balance Sheet', 'Supplementary', 'U.S. Integrated Macroeconomic Accounts', and 'All Table Descriptions' (with a PDF icon). Under 'Summaries', there are links to 'Financial Accounts Matrix - Transactions', 'Financial Accounts Matrix - Levels', 'D.1 Debt Growth by Sector', 'D.2 Borrowing by Sector', 'D.3 Debt Outstanding by Sector', 'B.1 Derivation of U.S. Net Wealth', 'F.2 Distribution of Gross Domestic Product', 'F.3 Distribution of National Income', 'F.4 Saving and Investment', 'F.5 Net Capital Transfers', 'F.6 Derivation of Measures of Personal Saving', and 'L.6 Assets and Liabilities of the Personal Sector'.

<https://www.federalreserve.gov/apps/fof/FOFTables.aspx>

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Releases > Z.1 Financial Accounts of the United States > Release Tables > Summaries > Quarterly

Quarterly:
D.3 Debt Outstanding by Sector

 Q4 1945 Q2 2021 Q3 2021 Q4 2021 Q1 2022

		Billions of Dollars			
<input type="checkbox"/>	Line	Name	Q1 2022	Q4 2021	Q1 2021
		▼ Domestic nonfinancial sectors			
<input type="checkbox"/>	1	Total	66,744.276	65,085.200	62,344.833
		▼ Households			
<input type="checkbox"/>	2	Total	18,304.538	17,932.546	16,992.672
<input type="checkbox"/>	3	Home Mortgage	11,999.877	11,747.565	11,068.429
<input type="checkbox"/>	4	Consumer Credit	4,528.674	4,431.939	4,228.567
		▼ Business			
<input type="checkbox"/>	5	Total	18,943.804	18,573.357	17,966.048
<input type="checkbox"/>	6	Corporate	12,169.017	11,919.771	11,495.149
<input type="checkbox"/>	7	Federal government	26,245.895	25,304.484	24,151.638
<input type="checkbox"/>	8	State and local governments	3,250.039	3,274.813	3,234.475
<input type="checkbox"/>	9	Domestic financial sectors	18,431.350	17,901.852	17,177.998
<input type="checkbox"/>	10	Foreign	5,192.453	5,249.621	4,802.129

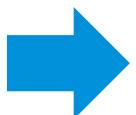
Source: Federal Reserve Bank of St. Louis

Financial accounts in Haver

FINANCIAL ACCOUNTS OF THE UNITED STATES [1]

- Summaries
- Transactions
- Levels
- Balance Sheets
- Supplementary Tables
- Enhanced Financial Accounts (EFA) [2]
- Distributional Financial Accounts (DFAs)
- Underlying Detail (Unpublished Tables)
- Integrated Macroeconomic Accounts

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Financial Accounts of the United States

LEVELS

Sectors [2]

- L.100 Domestic Nonfinancial
 - L.101 Households and Nonprofit Organizations
 - L.102 Nonfinancial Business
 - L.103 Nonfinancial Corporate Business
 - L.104 Nonfinancial Noncorporate Business [1]
 - L.105 General Government
 - L.106 Federal Government
 - L.107 State and Local Governments
 - L.108 Domestic Financial
 - L.109 Monetary Authority
 - L.110 Private Depository Institutions
 - L.111 U.S.-Chartered Depository Institutions
 - L.112 Foreign Banking Offices in U.S.
 - L.113 Banks in U.S.-Affiliated Areas
 - L.114 Credit Unions
 - L.115 Property-Casualty Insurance Companies
 - L.116 Life Insurance Companies
 - L.116.g Life Insurance Companies: General Accounts
 - L.116.s Life Insurance Companies: Separate Accounts
 - L.117 Private and Public Pension Funds
 - L.118 Private Pension Funds
 - L.118.b Private Pension Funds: Defined Benefit Plans
 - L.118.c Private Pension Funds: Defined Contribution Plans
 - L.119 Federal Government Employee Retirement Funds
 - L.119.b Fed Government Employee Retirement Funds: Defined Benefit Plans
 - L.119.c Fed Government Employee Retirement Funds: Defined Contribution Plans
 - L.120 State and Local Government Employee Retirement Funds
 - L.120.b State/Local Government Employee Retirement Funds: Defined Benefit Plans
 - L.120.c State/Local Government Employee Retirement Funds: Defined Contribution Plans
 - L.121 Money Market Mutual Funds
 - L.122 Mutual Funds

Financial Accounts of the United States

DISTRIBUTIONAL FINANCIAL ACCOUNTS (DFAS)

Level of Household Wealth

- By Wealth Percentile Groups
- By Age
- By Education
- By Generation
- By Income
- By Race

Shares of Household Wealth

- By Wealth Percentile Groups
- By Age
- By Education
- By Generation
- By Income
- By Race

Financial Accounts of the United States

ENHANCED FINANCIAL ACCOUNTS (EFA) [1]

Banks:

Depository Institutions:

- Consolidated Balance Sheet [2]
- Off-Balance-Sheet Items [3]

Probability of Default:

- Consumer Loan Portfolios
- Mortgage Loan Portfolios

Household Finance:

- Household Debt to Income Ratios by State, MSA and County
- Section 529 College Plans by State: [5]
 - Prepaid
 - Savings

Nonbank Financial Institutions:

- Hedge Funds
- State & Local Government Defined Benefit Pension Plans: State-level Detail
- Money Market Fund Investment Holdings by Type

A selection of uses and applications

1 Household & corporate balance sheets

2 Household assets differentiated by demographics

3 How financial intermediation occurs

4 Leverage

5 Net worth

6 Pension funding status/financing gap

7 Valuation and acquisition of assets



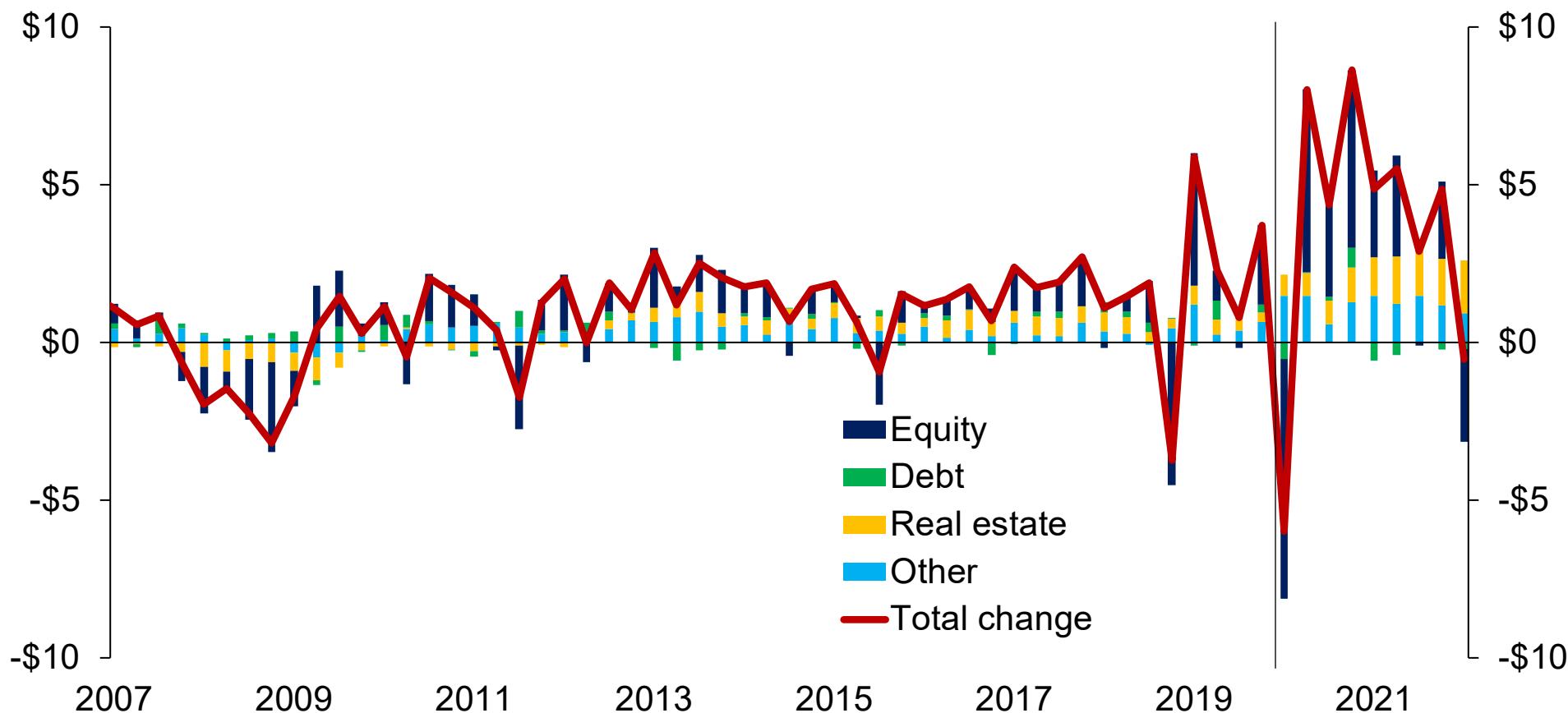
Households



Limited impact on net worth from COVID

Changes in Net Worth: Households and Nonprofits

Trillions of Dollars

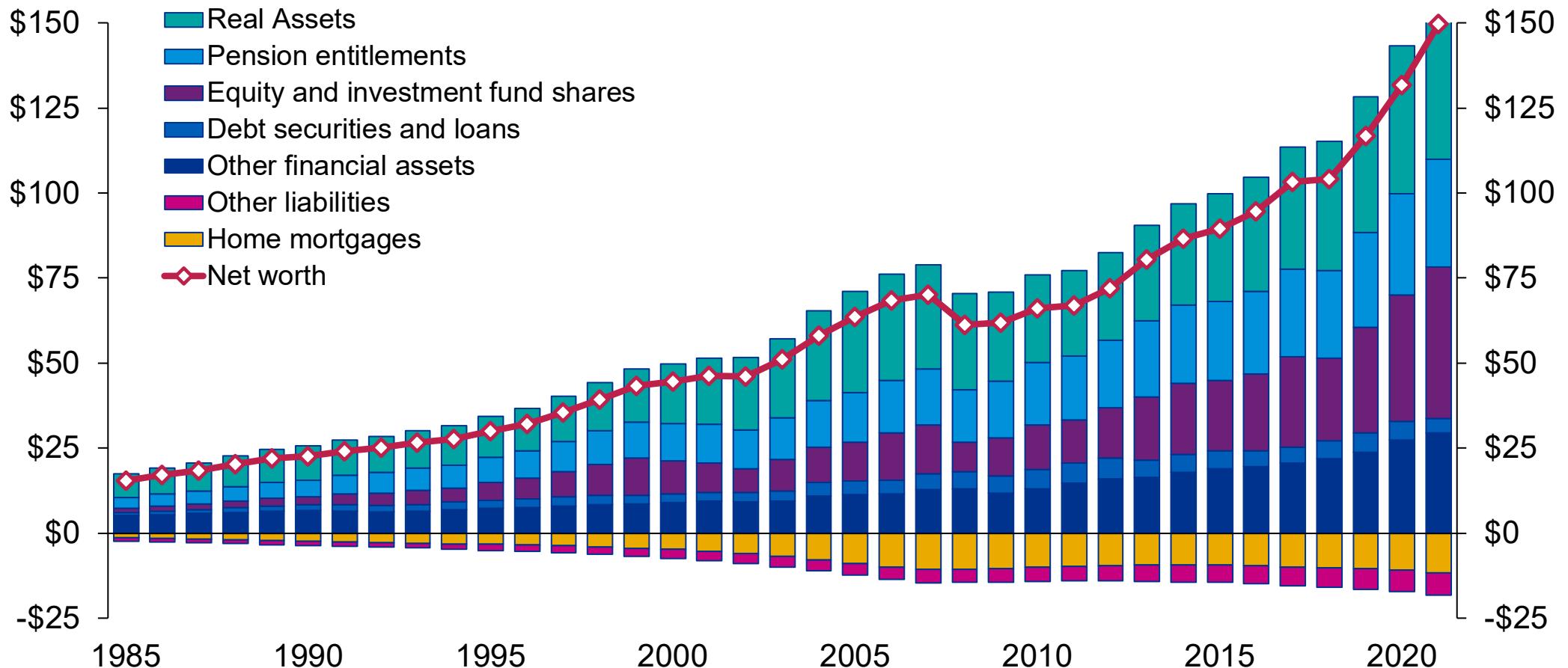


Source: KPMG Economics, Financial Accounts of the U.S., Federal Reserve Board (Q1 2022), Haver Analytics

Largest component of household wealth is real estate

Components of Household Wealth

Trillions of Dollars

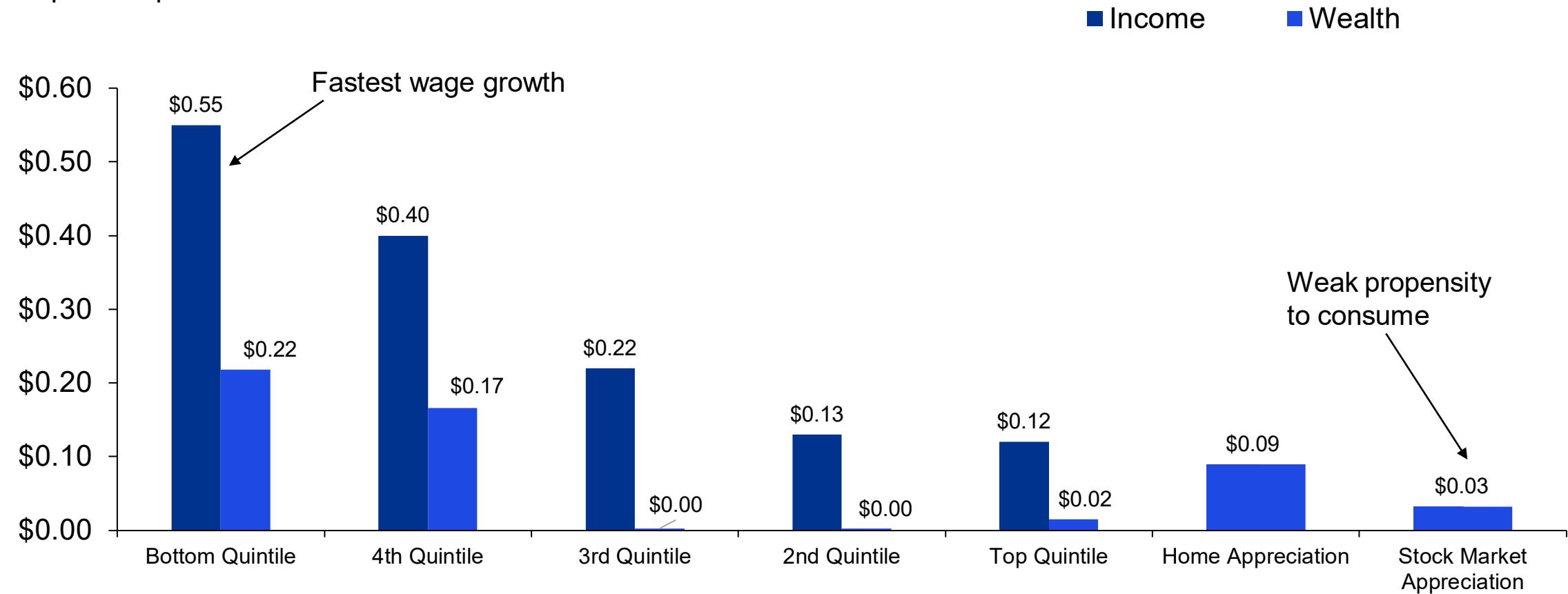


Source: KPMG Economics, Financial Accounts of the U.S., Federal Reserve Board (2021), Haver Analytics

Wages are growing fastest for those most likely to spend

Willingness to Spend by Income Group and Asset Class

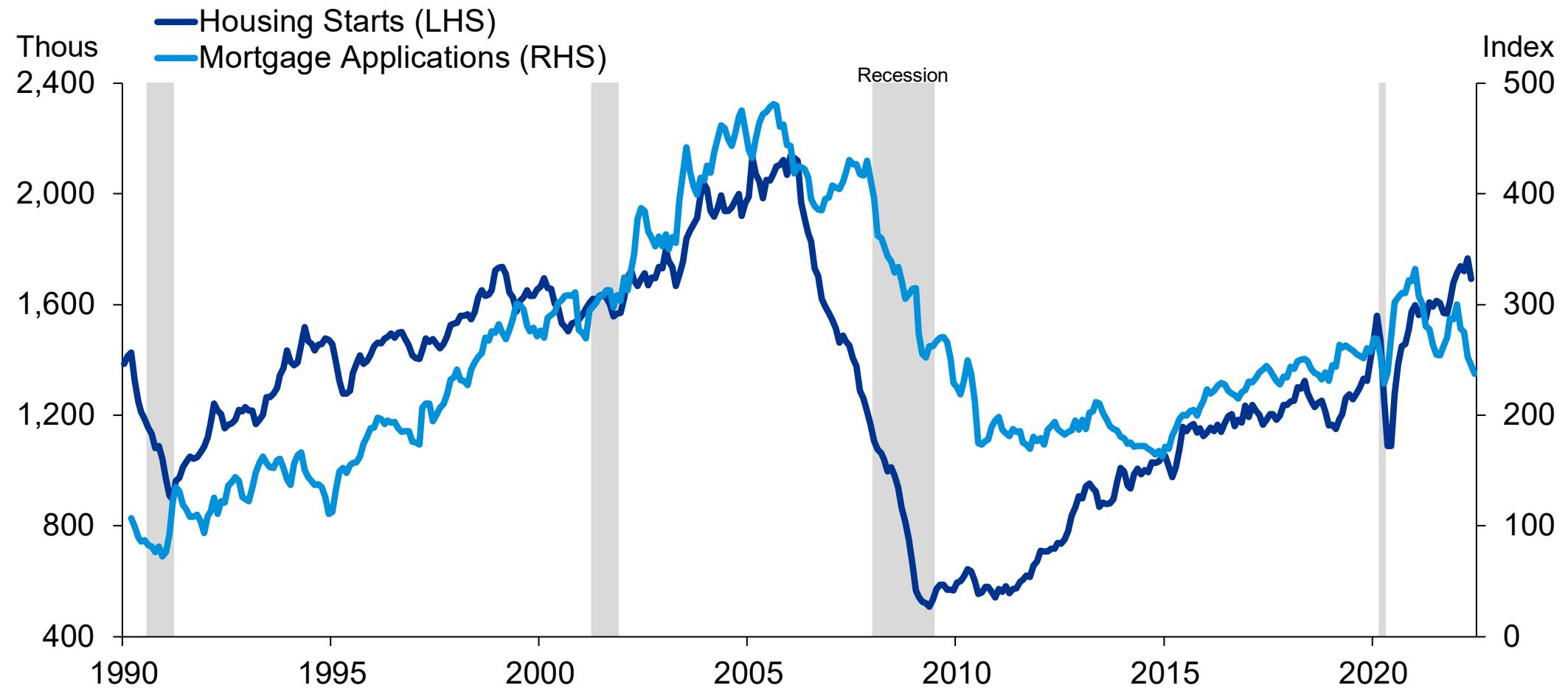
Consumption impact of \$1 increase in income or wealth



Source: KPMG Economics, Penn-Wharton Budget Model (Income MPC), Boston Fed (Wealth MPC), Carroll et al (2006), Chodorow-Reich et al (2019)

Housing weakening after COVID-induced demand, low rates

Housing Starts Slow as Mortgage Boom Eases



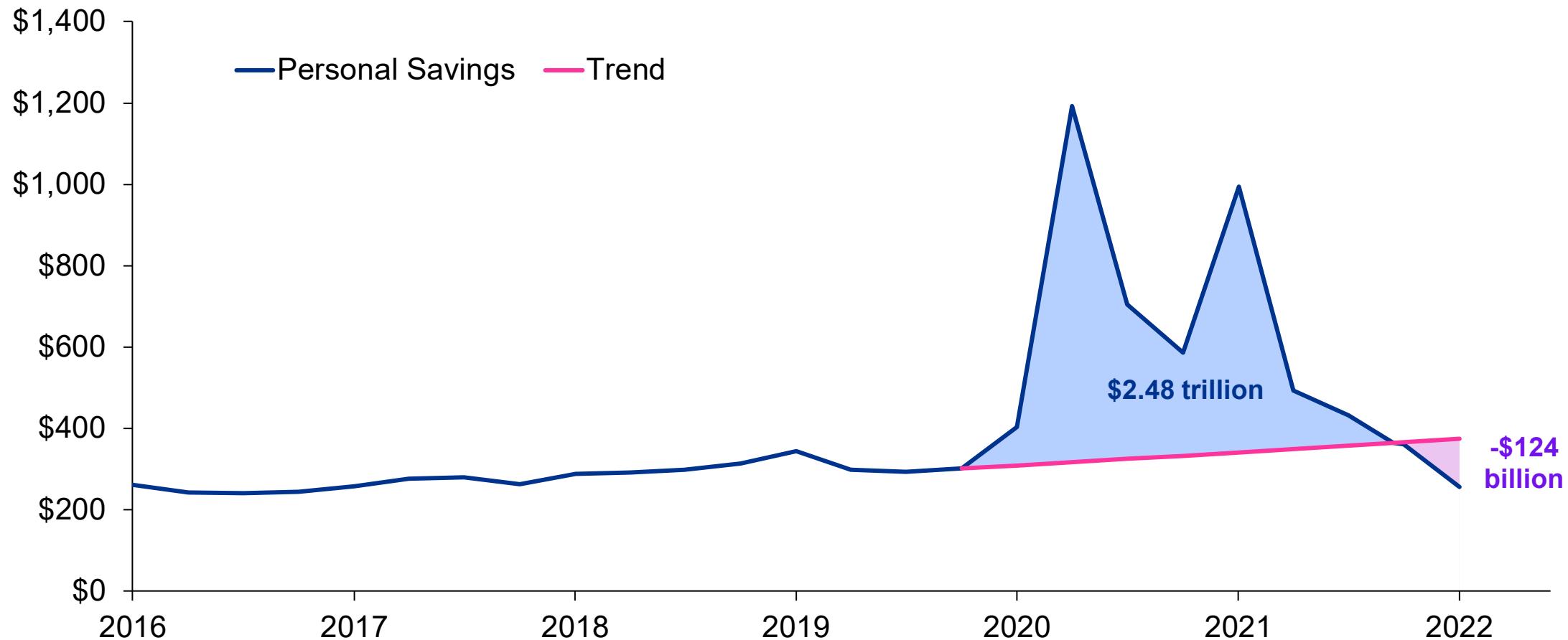
Note: 3-month moving averages

Source: KPMG Economics, Census Bureau, Mortgage Bankers Association, Haver Analytics

Savings provide some relief from surging inflation but not forever

Excess Savings

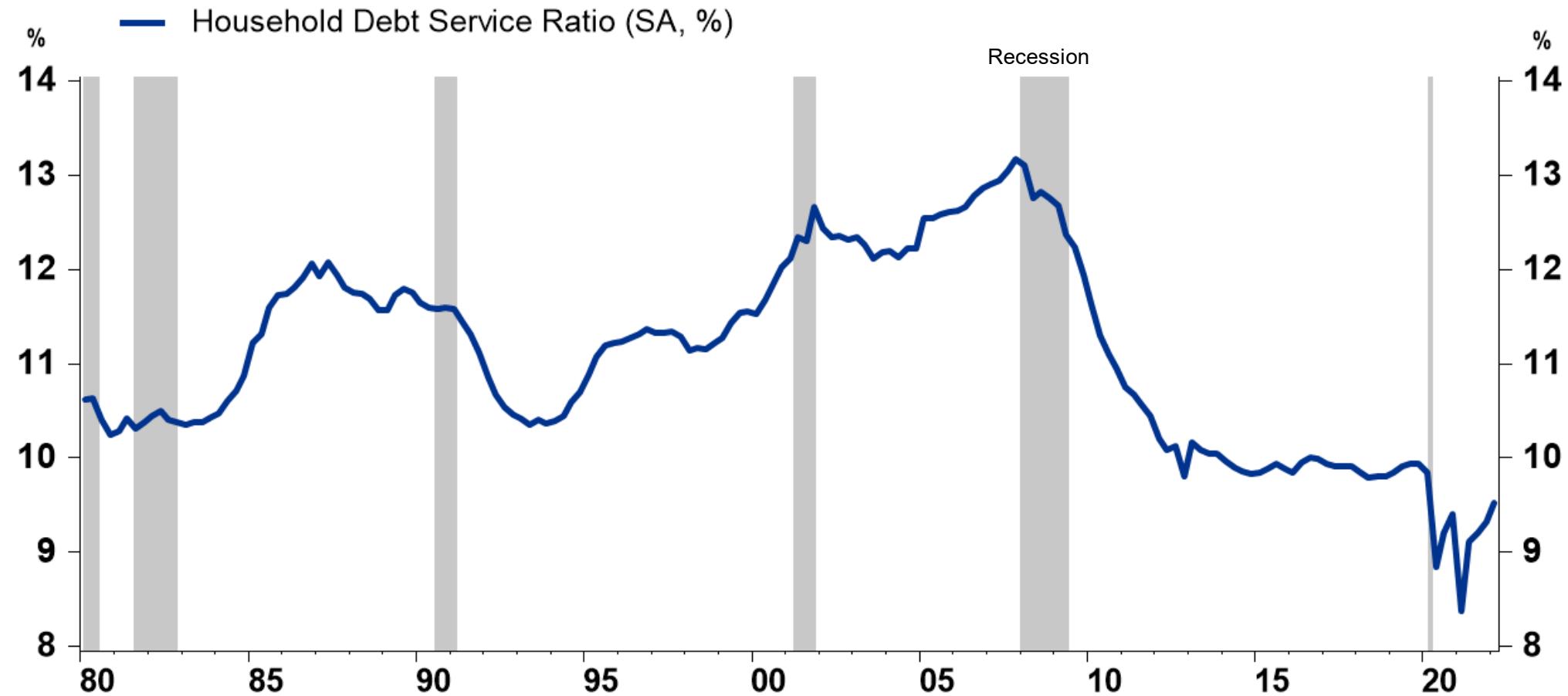
Billions of Dollars



Source: KPMG Economics, Bureau of Economic Analysis, Haver Analytics (Q1 2022)

Household interest payment on debt as share of after-tax income

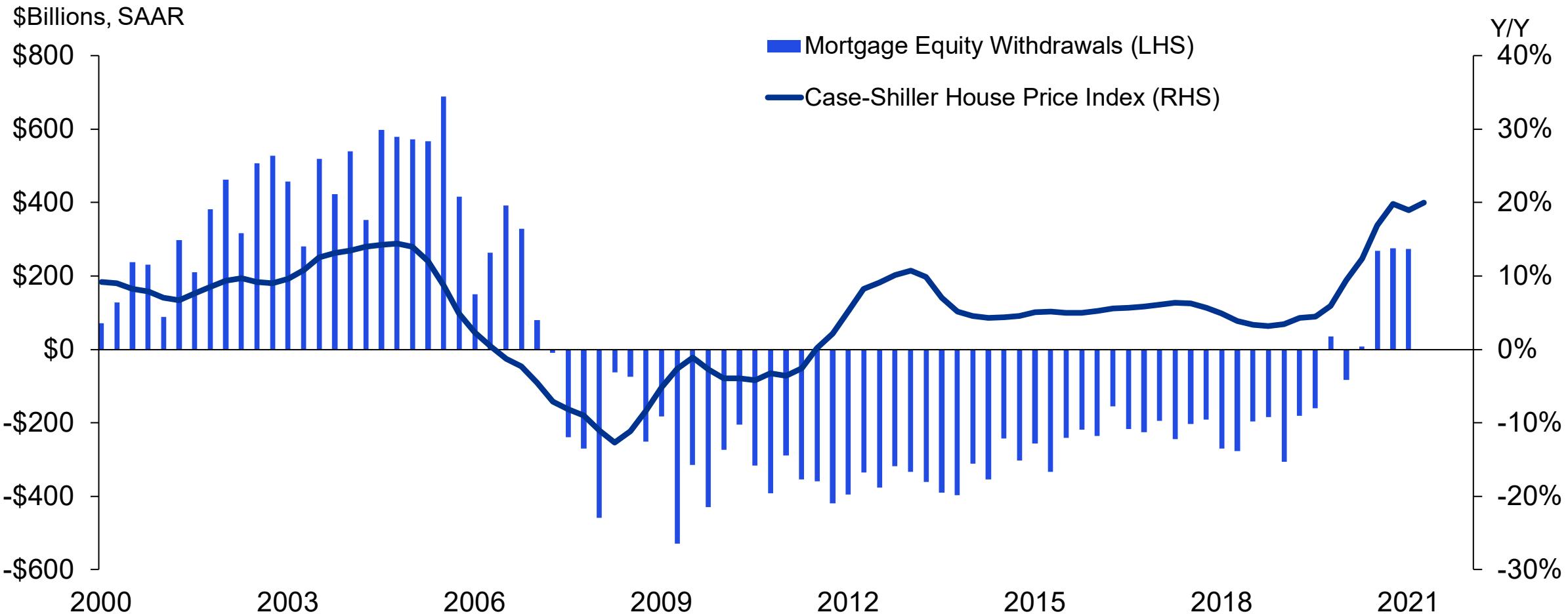
Household Debt Service



Source: KPMG Economics, Financial Accounts of the U.S., Federal Reserve Board (Q1 2022), Haver Analytics

Rising mortgage equity withdrawals raise financial risks

House Prices and Mortgage Equity Withdrawals



Source: KPMG Economics, Standards & Poor's, CoreLogic (Q1 2022), Haver Analytics

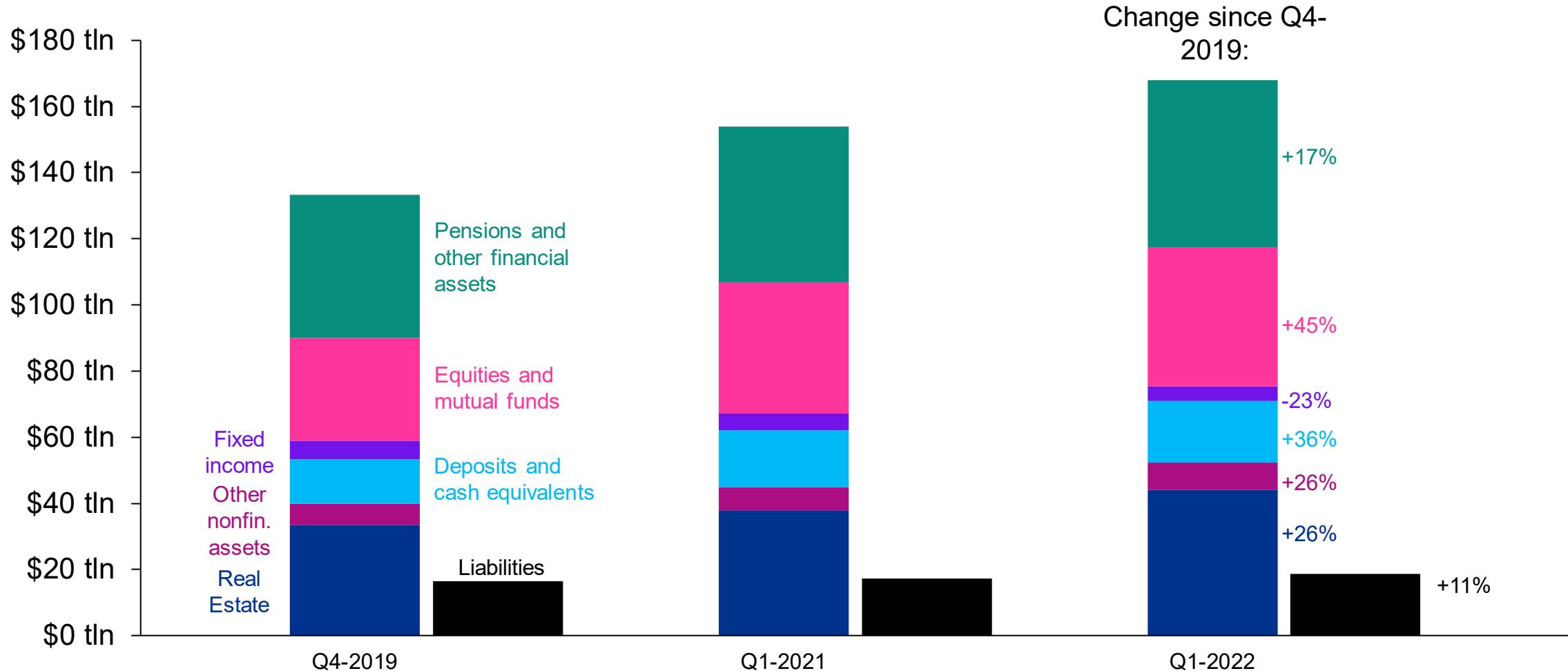


Distribution of wealth



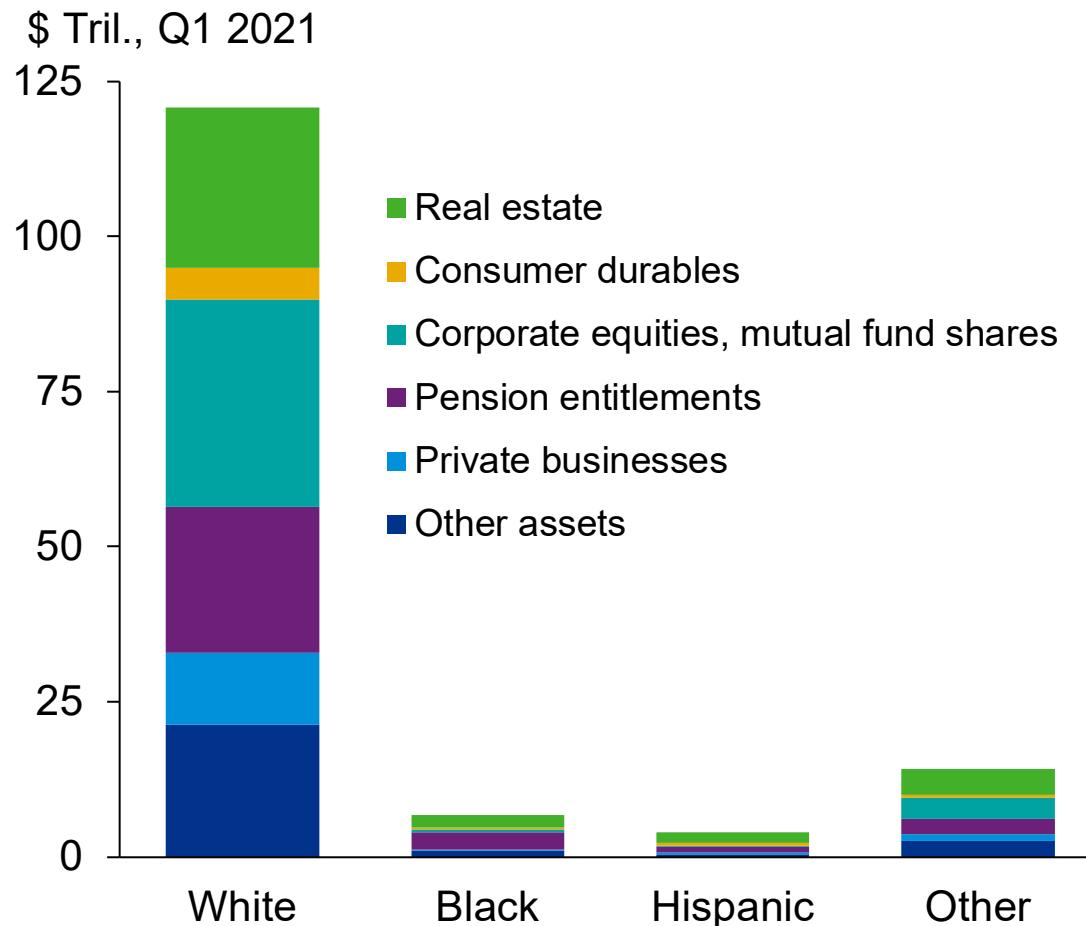
Strength in household balance sheets supports consumer spending

U.S. Household Balance Sheets

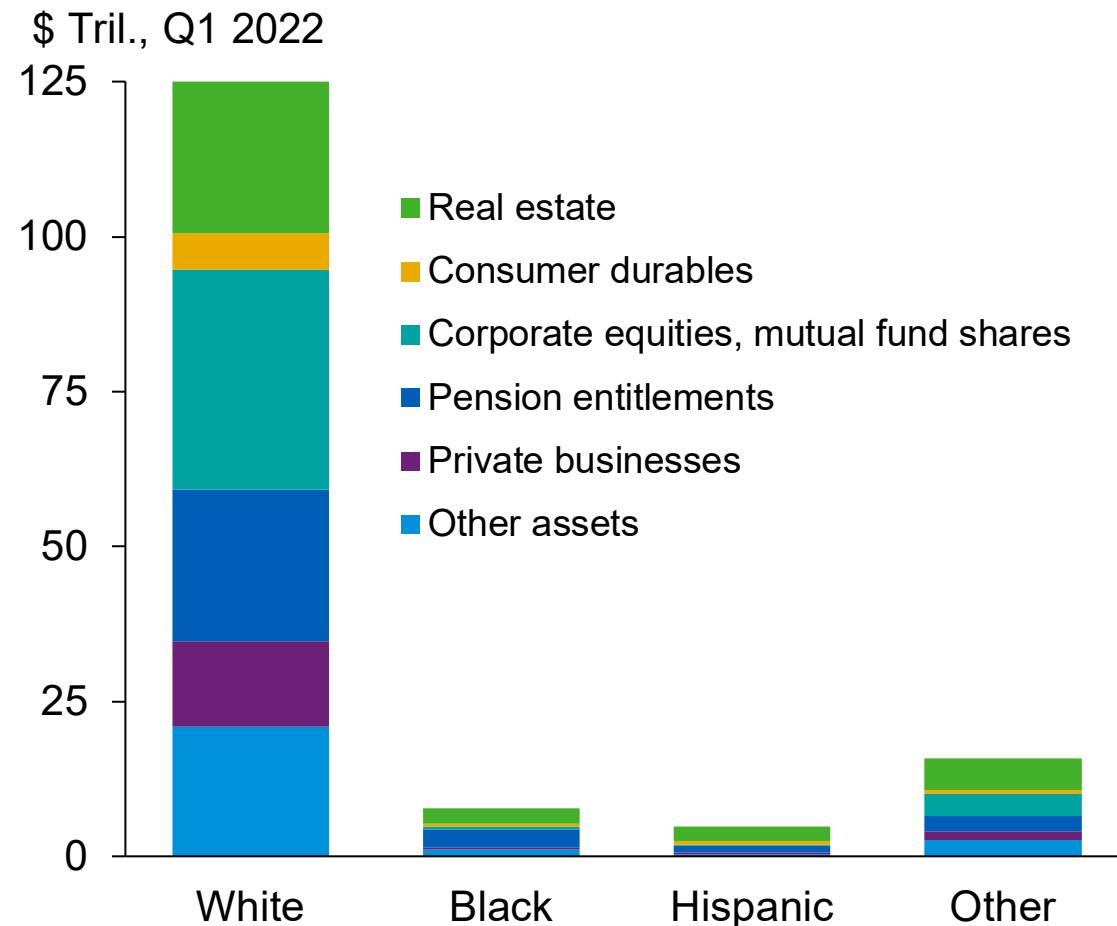


Household assets differentiated by race

Wealth - Assets by Race



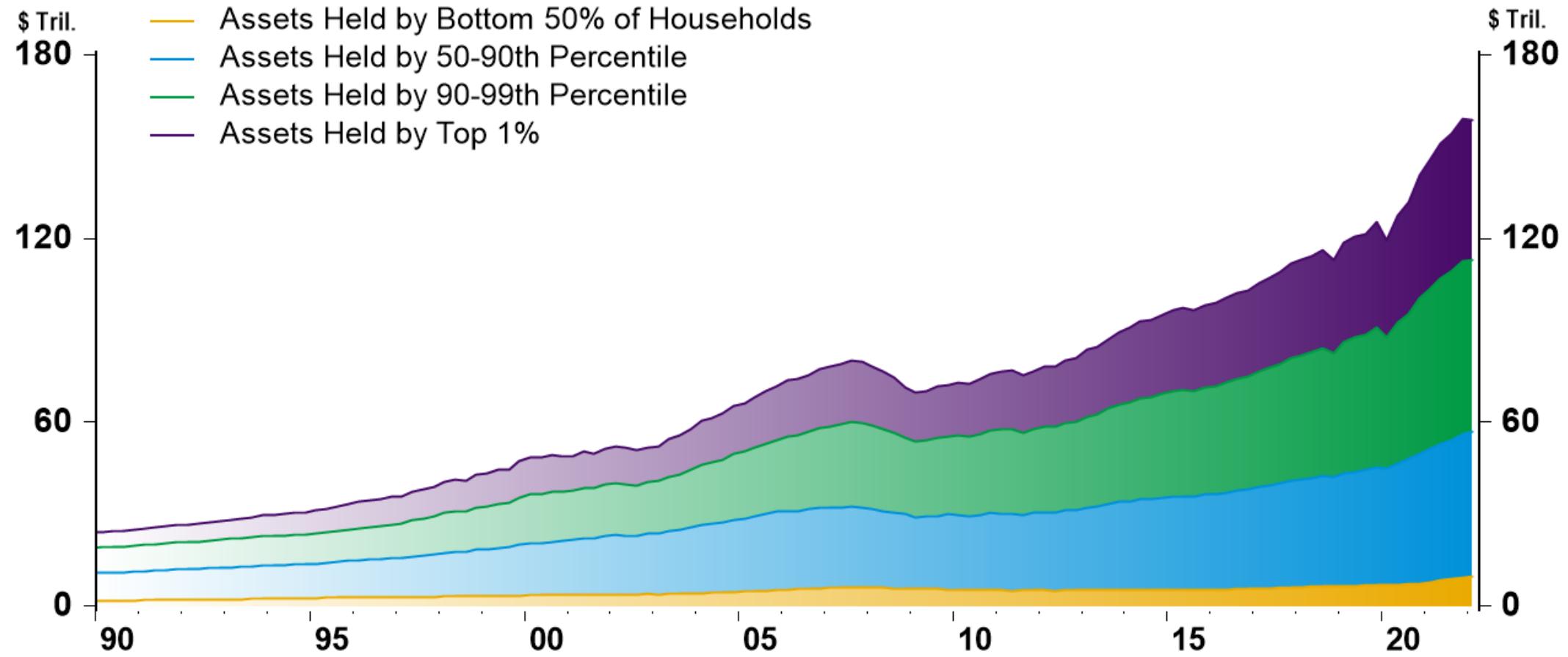
Wealth - Assets by Race



Source: KPMG Economics, Financial Accounts of the U.S., Federal Reserve Board (Q1 2022)

Division in wealth widens – Distributional Financial Accounts (DFA)

Household Wealth Distribution



Source: KPMG Economics, Financial Accounts of the U.S., Federal Reserve Board (Q1 2022), Haver Analytics

Share of real estate wealth by generation

	Silent Generation Born before 1946	Baby Boomer 1946-1964	Gen X 1965-1980	Millennial 1981-1996
1990	66.8%	32.4%	0.8%	0.0%
1995	58.8%	37.7%	3.5%	0.0%
2000	45.9%	44.6%	9.5%	0.0%
2005	36.2%	46.9%	16.5%	0.4%
2010	29.0%	49.0%	20.1%	2.0%
2015	23.1%	45.7%	25.5%	5.7%
2020	14.2%	44.0%	30.5%	11.3%
2021	13.7%	44.1%	31.2%	11.0%
2022	11.3%	42.9%	32.8%	13.0%

Note: As of Q1 for each year

Source: KPMG Economics, Financial Accounts of the U.S., Federal Reserve Board (Q1 2022), Haver Analytics

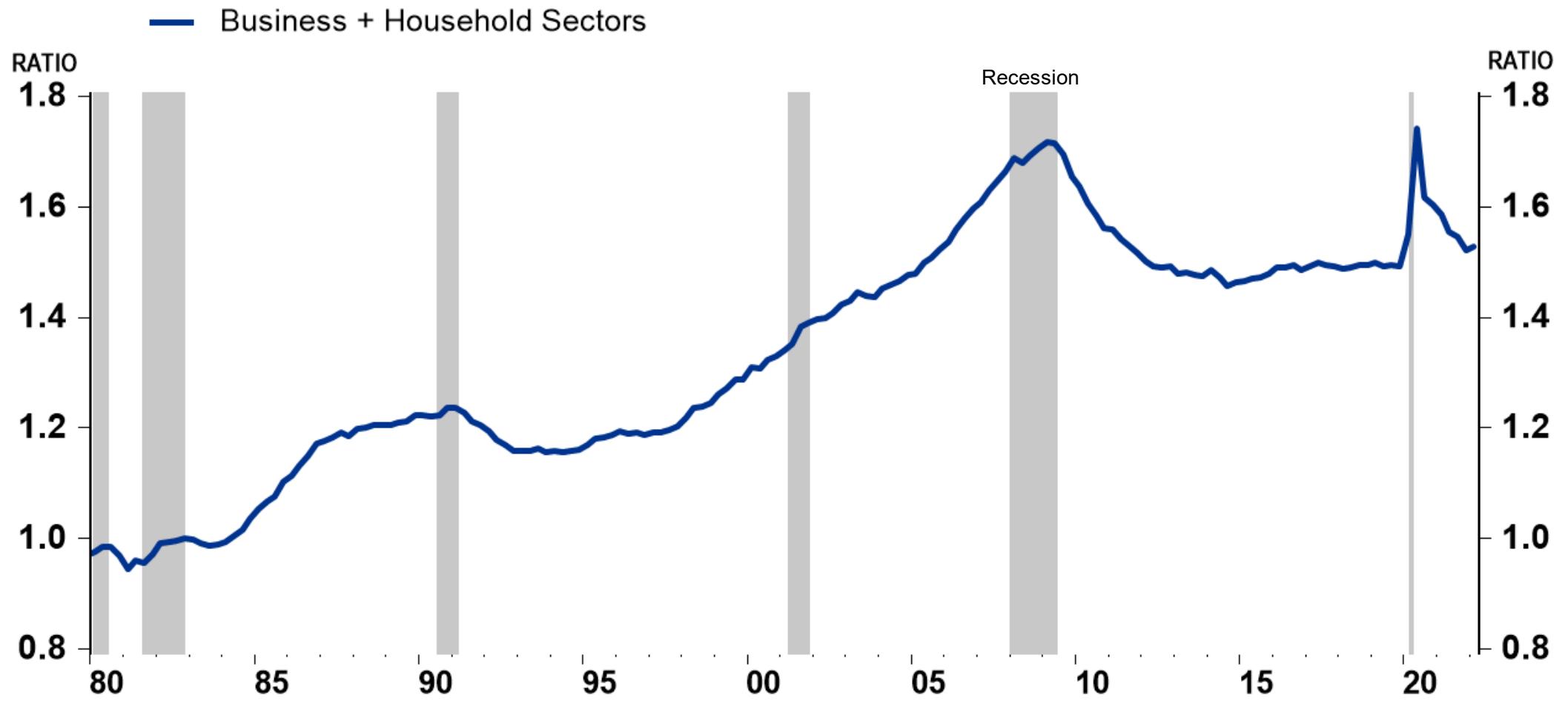


Business



Private sector credit up sharply through pandemic

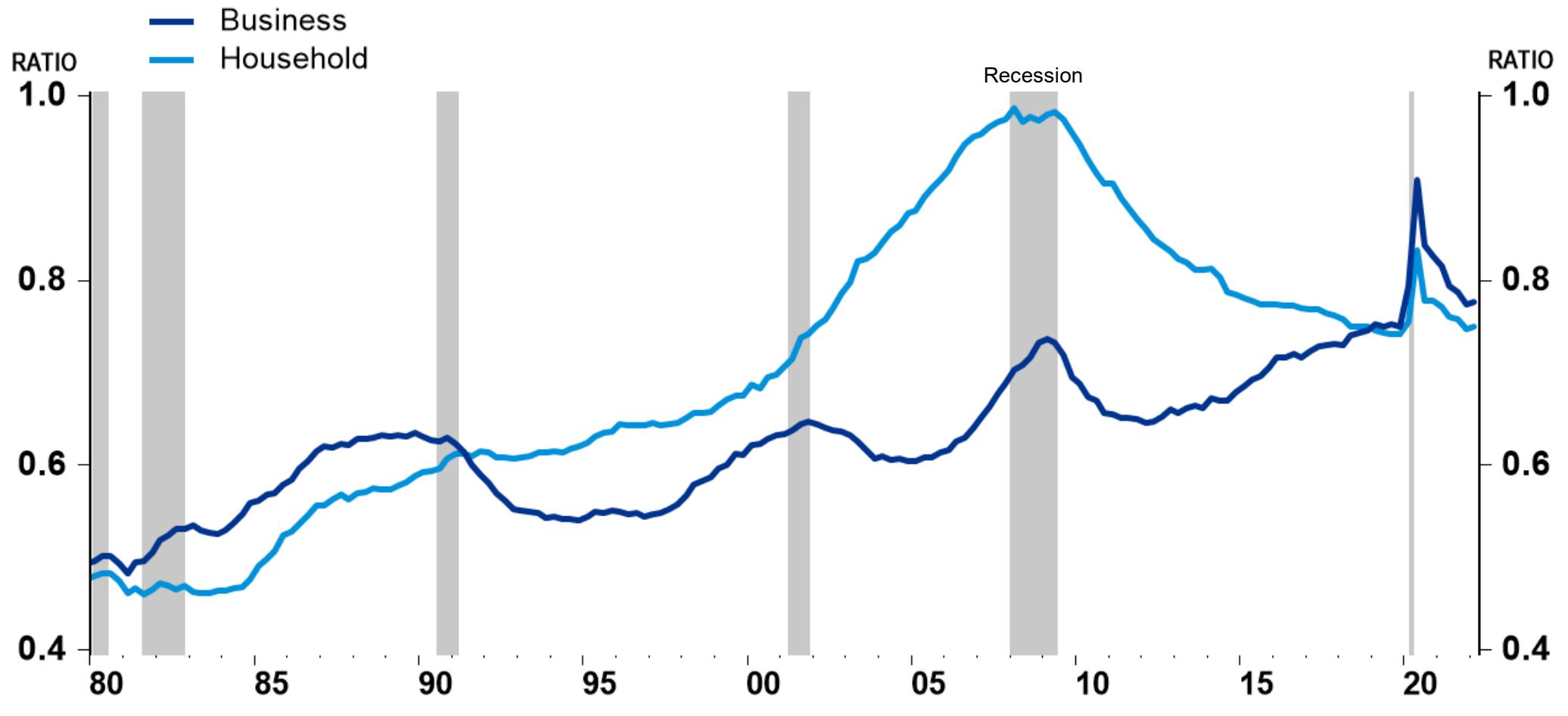
Private Nonfinancial Sector Credit-to-GDP Ratio



Source: KPMG Economics, Financial Accounts of the U.S., Federal Reserve Board (Q1 2022), Haver Analytics

Trading places! Business and household debt

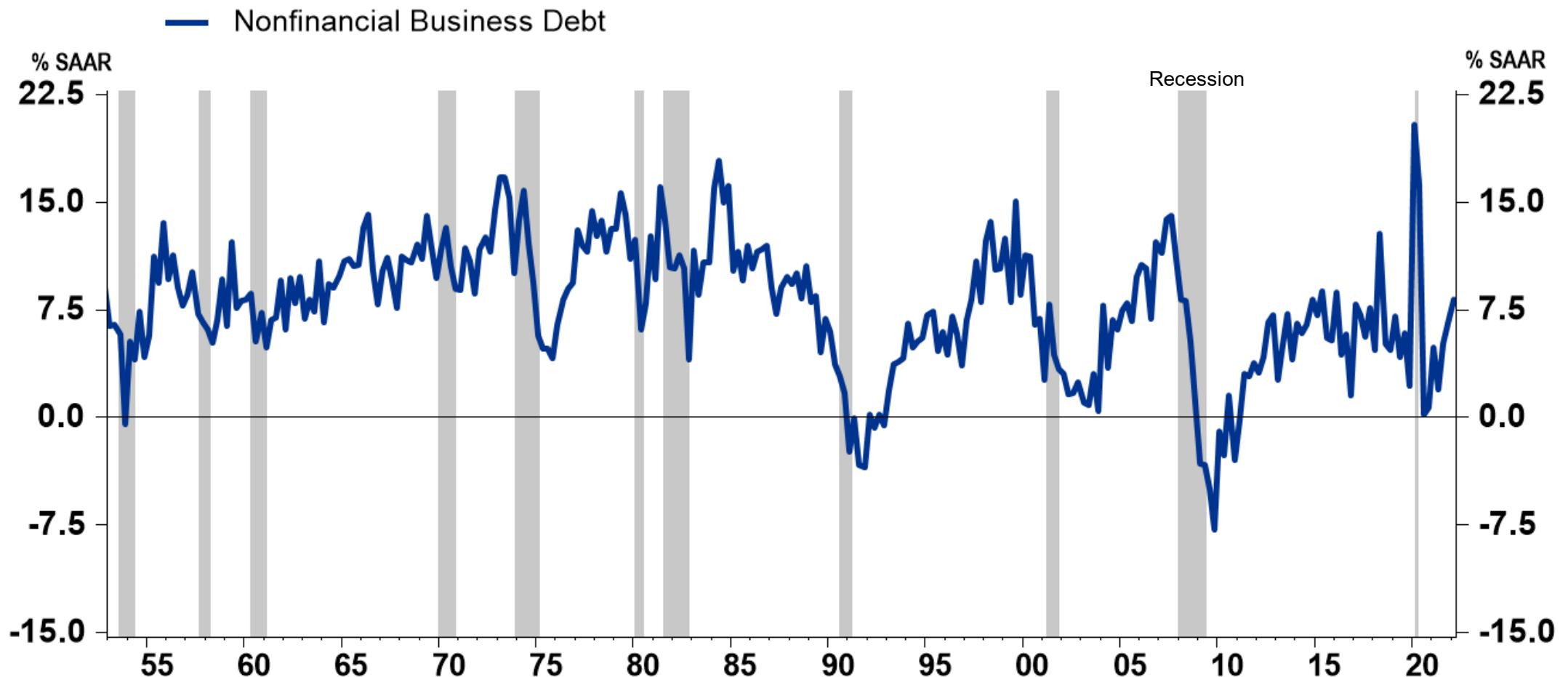
Private Nonfinancial Sector Credit-to-GDP Ratio



Source: KPMG Economics, Financial Accounts of the U.S., Federal Reserve Board (Q1 2022), Haver Analytics

Business sector debt posts largest increase in post-WWII period

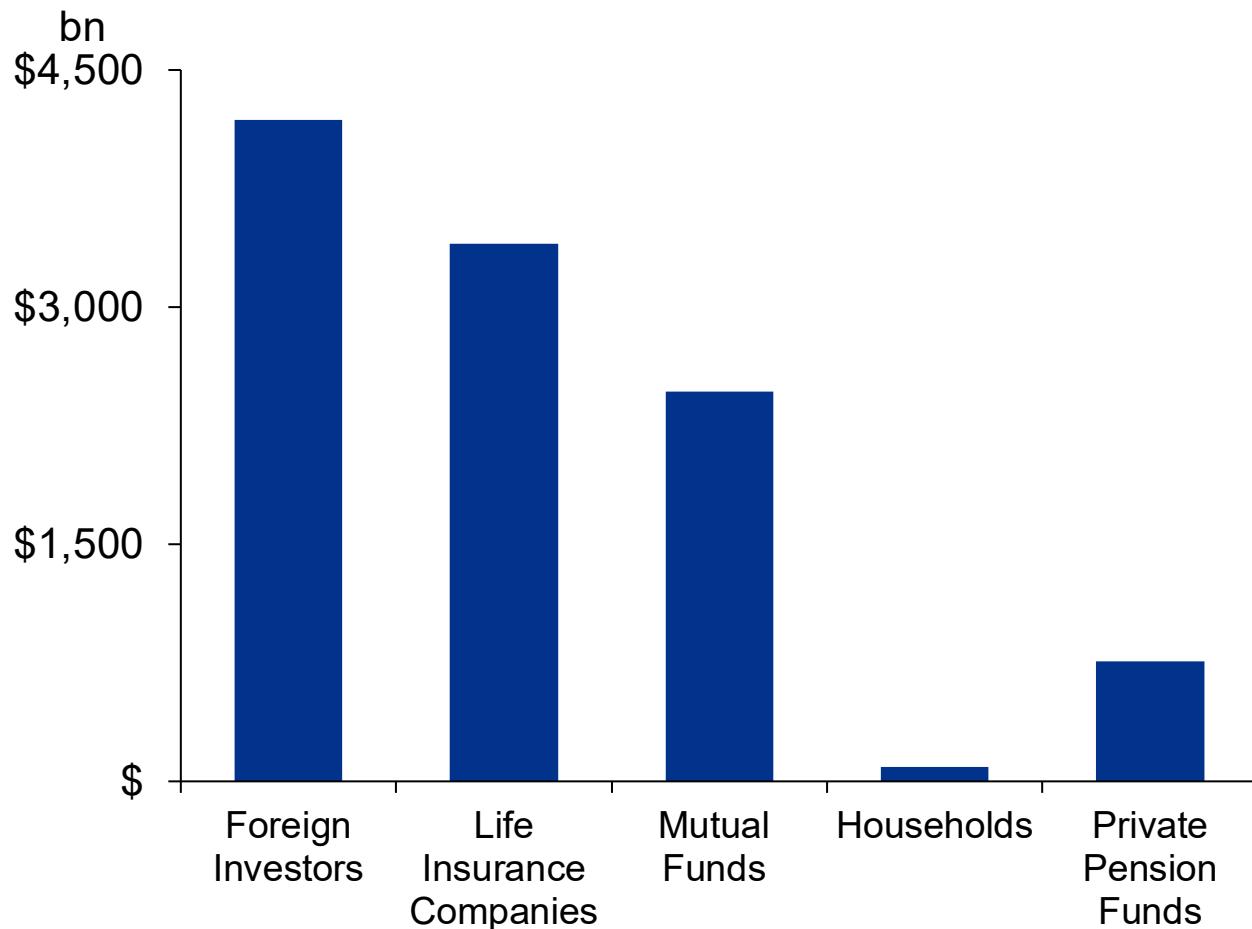
Cash Flow Needs, Low Interest Rates and Fed Buying Program Boosts Issuance



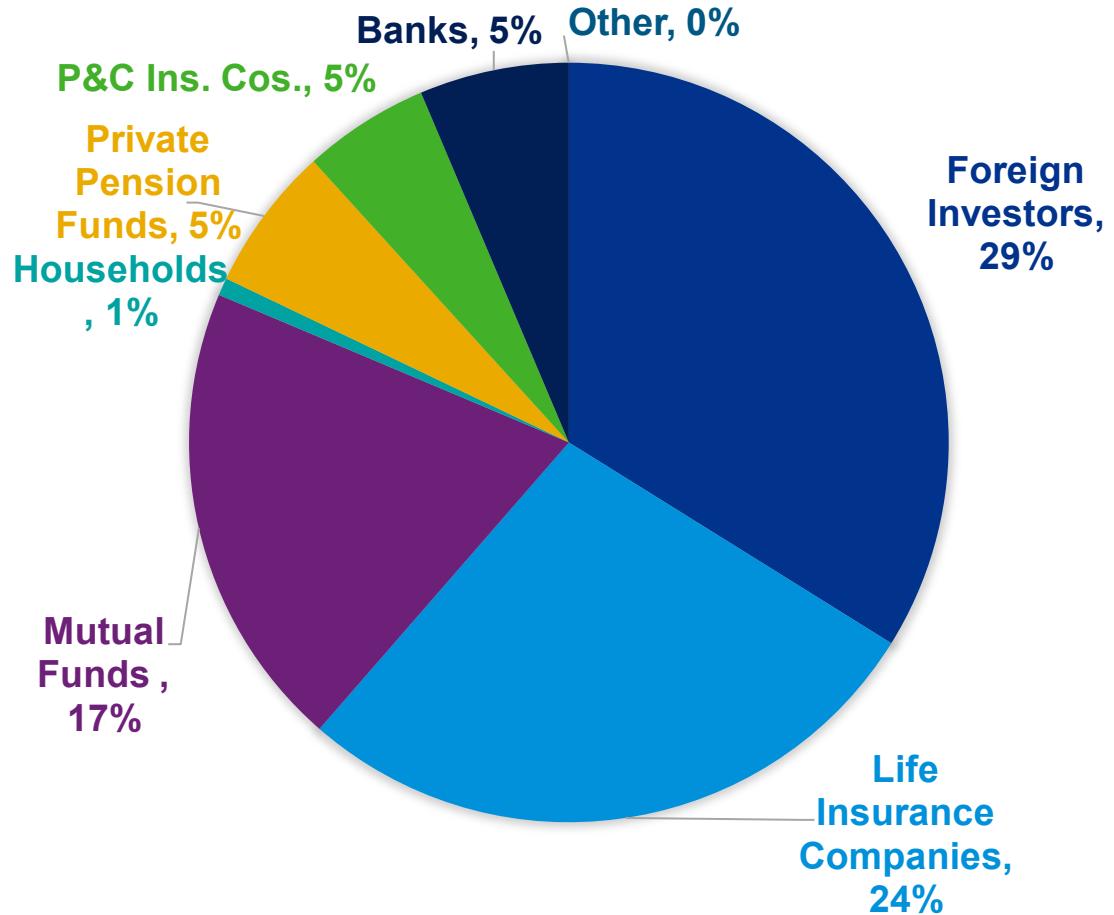
Source: KPMG Economics, Financial Accounts of the U.S., Federal Reserve Board (Q1 2022), Haver Analytics

U.S. investment grade bond holdings

Largest Holders of U.S. IG Corp Bonds



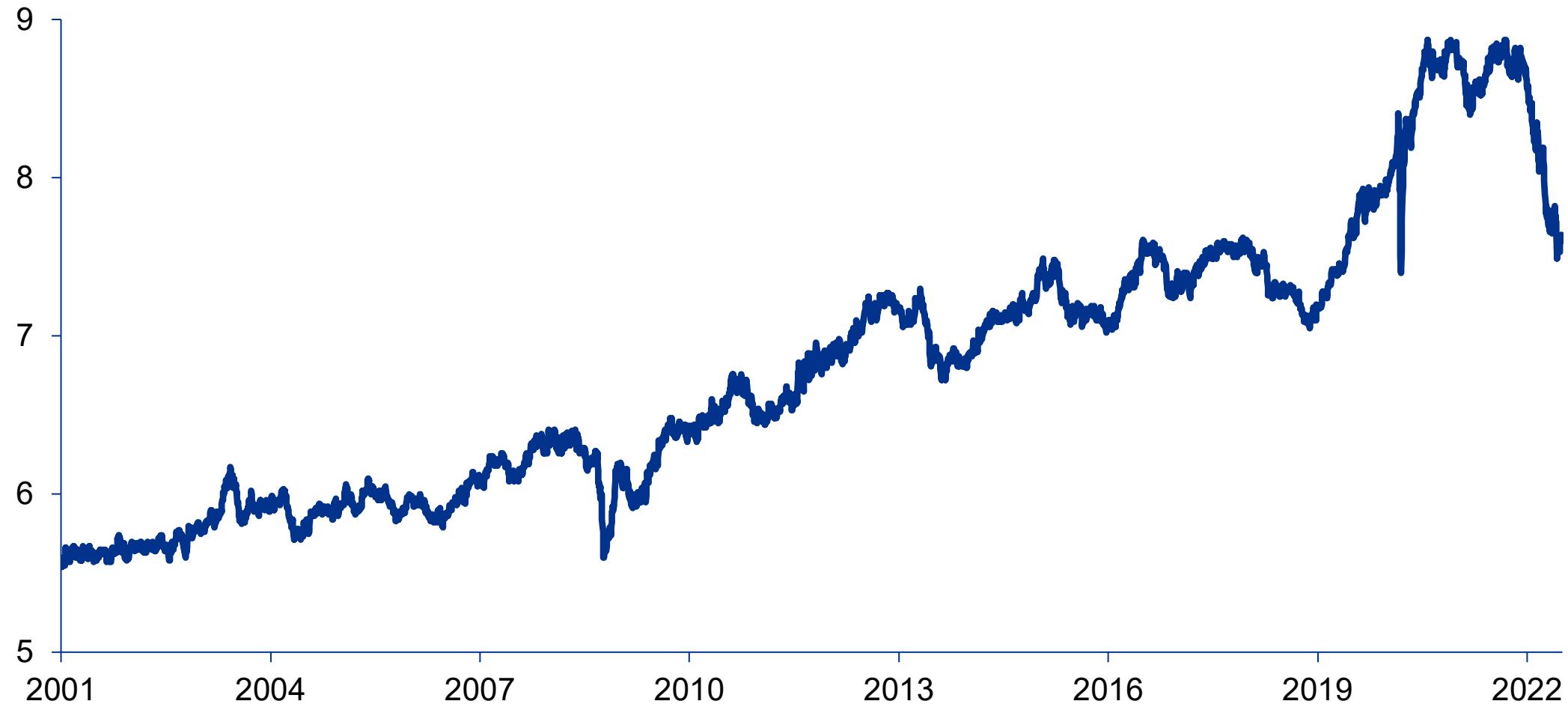
U.S. IG Corp Bond Holdings Share



Source: KPMG Economics, Financial Accounts of the U.S., Federal Reserve (Q1 2022), Haver Analytics

Duration rises by more than 35% since 2000 for IG corporates

Bloomberg Barclays U.S. Investment Grade Bond Duration



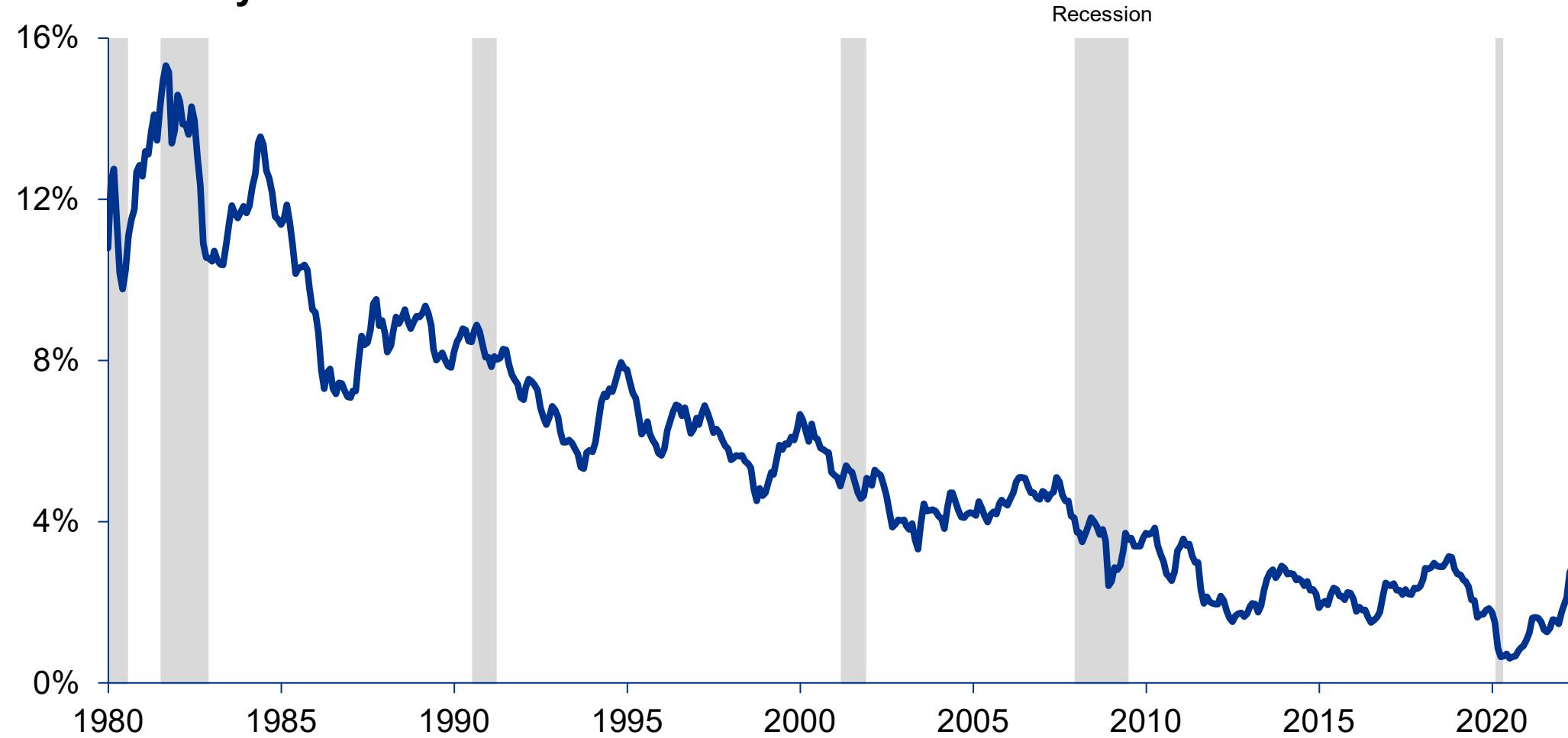
Source: KPMG Economics, Bloomberg (July 8, 2022)



Is the secular decline in long-term interest rates over?

Lower interest rates impacts investors both large and small

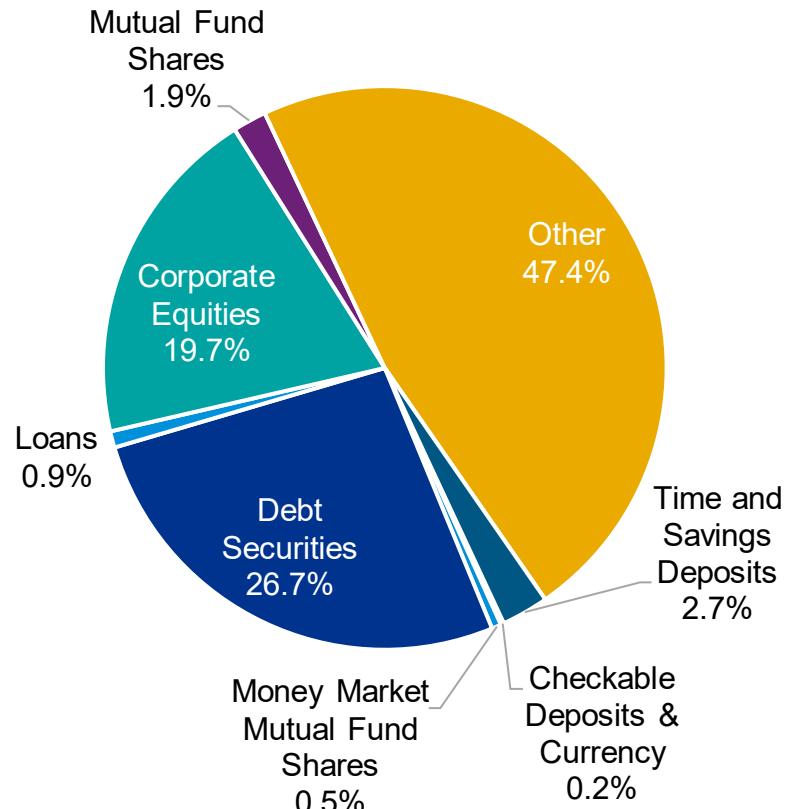
U.S. Treasury 10-Year Yield



Source: KPMG Economics, Federal Reserve Board (July 2022), Haver Analytics

Pension fund asset allocation: 1990 vs 2021, more diversification...

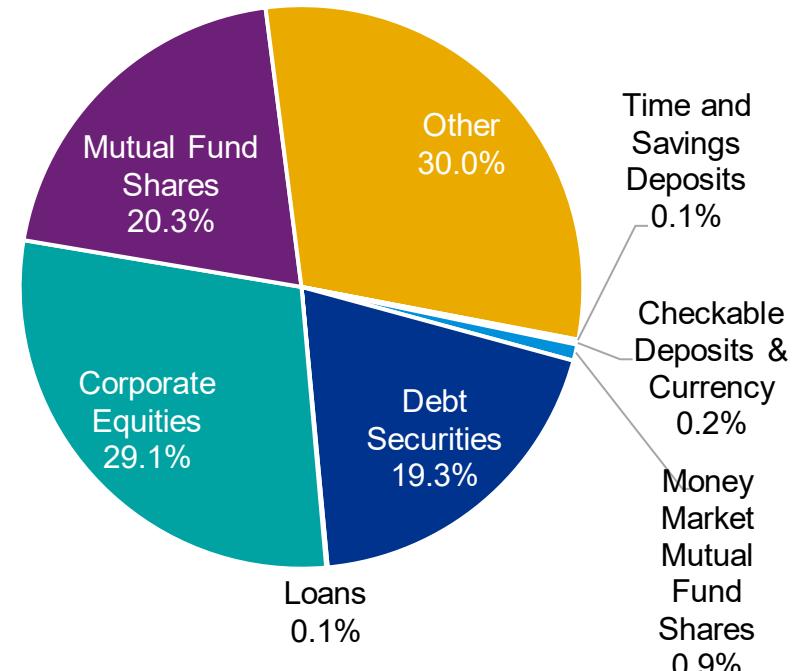
Asset allocation of Pension funds
1990



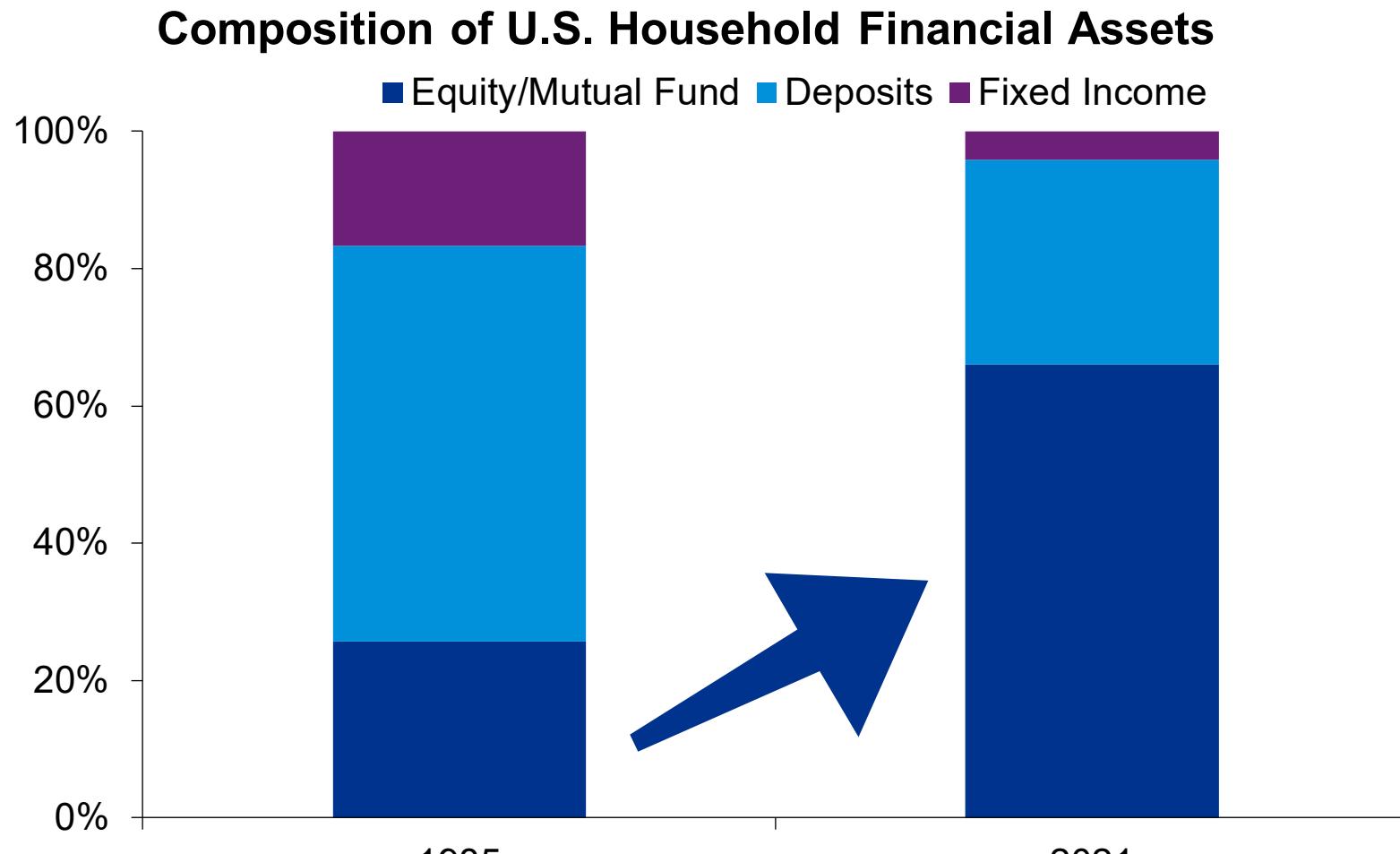
Note: Private and Public Pension Funds

Source: KPMG Economics, Financial Accounts of the U.S., Federal Reserve Board (2021), Haver Analytics

Asset Allocation of Pension Funds
2021

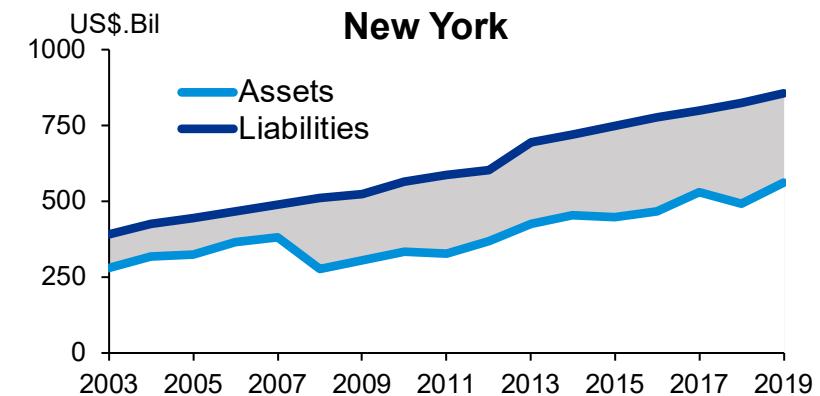
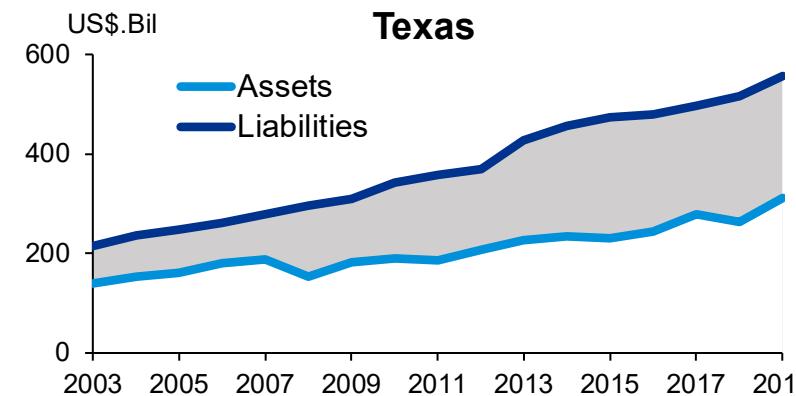
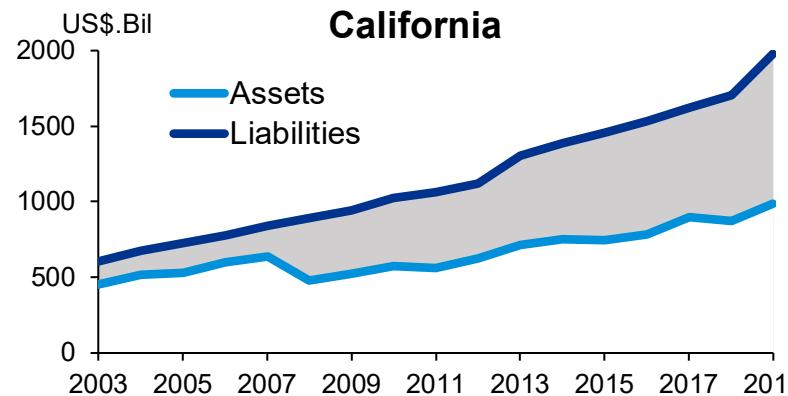


Household assets have also shifted over time seeking return

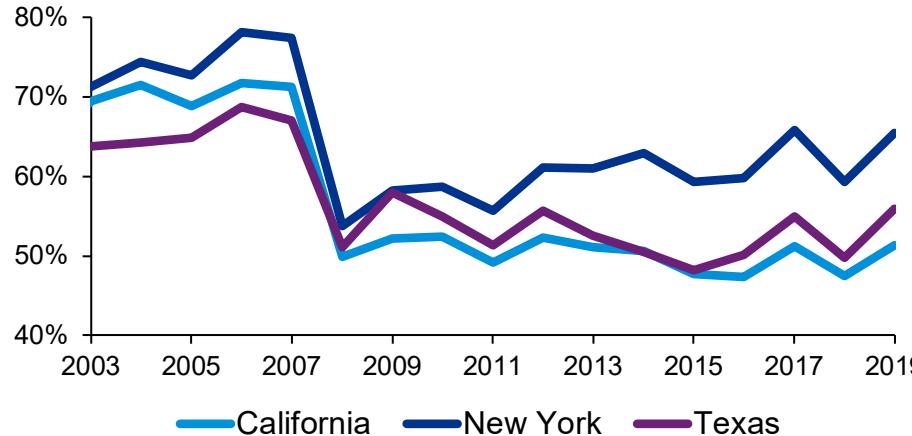


Source: KPMG Economics, Financial Accounts of the U.S., Federal Reserve Board (2021), Haver Analytics

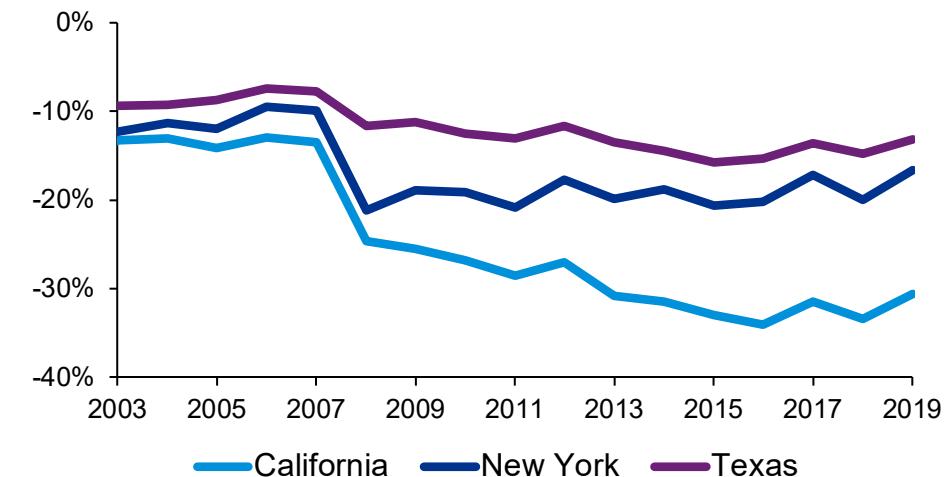
State pension funding status – Enhanced Financial Accounts (EFA)



Funding Ratio
Assets as % of Liabilities



Funding Status as % of State GDP



Source: KPMG Economics, Financial Accounts of the U.S., Federal Reserve Board, Haver Analytics

Hyperlinks

Z.1 Financial Accounts of the U.S. (sources):

[Board of Governors of the Federal Reserve System](#)

[Fred Economic Data, St. Louis Fed](#)

[FEDS Notes – Financial Accounts](#)



Thank you

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