HOUSEHOLD AND BUSINESS DEBT IN THE UNITED STATES: How is it measured and what do we learn from it?

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Board of Governors of the Federal Reserve System
Flow of Funds section

Note: The analysis and conclusions set forth are those of the authors and do not indicate concurrence by the Board of Governors.
Leveraging and deleveraging before and after the Great Recession
Leveraging and deleveraging before and after the Great Recession
Private nonfinancial debt in the U.S.

- Definitions and measurement issues
- Recent trends
- Enhancing Financial Accounts data
Financial Accounts of the United States (FA)

- Macro level data set that includes consistent flow and balance sheet detail for sectors in the U.S. economy
- Published by Board of Governors of the Federal Reserve System
- Quarterly data 1952:Q1 – 2017:Q2; Annual data beginning 1945
- Published 10 weeks after the end of the reference quarter
Household debt

• Mortgages and consumer credit
• Consumer credit (G.19)
  • Credit extended to households excluding loans secured by real estate
  • Obtained from a variety of sources from lenders (banks, finance companies, federal agencies, ABS markets)

• Mortgages
  • All loans backed by owner-occupied real estate (including heloc)
  • Obtained from lenders sources (banks, GSEs, nonbank institutions, MBS markets)
Household debt: other surveys

• Survey of Consumer Finances
  • Triennial survey of households
  • Extensive information on wealth
  • Matches well

• FRBNY Consumer Credit Panel
  • Quarterly aggregation of Equifax credit report data
  • Also matches well, mortgages a bit higher in Financial Accounts
Nonfinancial business debt

- Securities
  - Corporate bonds
  - Commercial paper
  - Other bonds
- Loans
  - C&I loans
  - Mortgages (commercial and rental properties)
  - Nonbank loans
- Also obtained from lender’s side
Household debt: long run trends

Household Debt Relative to Disposable Personal Income, 1952 to Present

Quarterly

Ratio

1.3
1.1
0.9
0.7
0.5
0.3

Household debt: components

- Mortgage boom, decline, and recent moderate growth
- Consumer credit picked up more quickly
Household debt: changes

Changes in Household Debt

Note: Includes only home mortgage debt and consumer credit. Quarterly flows are annualized.
Source: Financial Accounts of the United States
Consumer credit growth

- Student loans (federally provided)
- Auto loans: decline and recovery
- Credit cards: slower recovery
Nonfinancial business debt

Growth Rates of Household and Business Debt

Source: Federal Reserve Board, Financial Accounts of the United States.
Nonfinancial business debt: main components

Growth Rates of Components of Nonfinancial Business Debt

*Note: Excluding mortgages.
Source: Federal Reserve Board, Financial Accounts of the United States.
Bank and nonbank lending: residential mortgages

- Decline-slow recovery
- Nonbank: GSE versus private label MBS
Bank and nonbank lending: consumer credit

- Nonbank: student loans, some auto loans
- Bank: auto loans and credit cards
Bank and nonbank lending: businesses

Growth Rates of Nonfinancial Business Debt

Source: Federal Reserve Board, Financial Accounts of the United States.
Enhancing the Financial Accounts

- Enhanced Financial Accounts:
  - Provide complementary information around the core Financial Accounts
  - Higher frequency, alternative definitions
  - Higher disaggregation
  - [https://www.federalreserve.gov/releases/efa/enhanced-financial-accounts.htm](https://www.federalreserve.gov/releases/efa/enhanced-financial-accounts.htm)
- Household debt by county, CBSA, state
- Distributional Financial Accounts
Disaggregated household debt

- Debt/income by county, core-based statistical areas, states
- Based on FRBNY CCP
- To be published in mid-January
- Substantial geographical variation in levels and in rates of growth
- Coastal vs central areas
Distributional Financial Accounts

• Distributional accounts for income
• Plan to construct DF for household wealth
• Trends by various income, wealth, and demographic group
• Merging SCF micro data with FA aggregates
• Work in progress
Additional slides
Household debt: components
Consumer credit: components

Components of Consumer Credit

- Other*
- Auto
- Credit Card

*Other consumer credit includes student loans.

Quarterly

Trillions of Dollars


0 1 2 3
Nonfinancial business debt: components

Components of Nonfinancial Business Debt

*Other debt includes commercial paper, municipal securities, and non-bank loans.
Source: Federal Reserve Board, "Financial Accounts of the United States."
Nonfinancial private debt: bank and nonbank lending


