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VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING IN 1944

The public's latent purchasing power in the form of liquid saving increased by the unprecedented sum of \$40 billion during the year 1944, the Securities and Exchange Commission reported today in releasing its quarterly analysis of the volume and composition of saving by individuals in the United States. ^{1/} This rate of saving was ten times as large as that of 1940, the latest full year prior to our entry into the War. Since the beginning of the war production program in 1940, the liquid resources of American individuals have increased approximately \$120 billion. The proportion of income saved increased rapidly up to the middle of 1942 but has remained relatively constant since that time.

Cash and deposits and U. S. Government securities have accounted for the greater part of current saving during the War period. For the past two and one-half years individuals have been saving close to 25% of their income after taxes in these two forms. At the time of our entry into the War at the end of 1941, accumulated saving in cash and deposits and U. S. Government securities was already at the highest point in history. In the comparatively short period since that time, such accumulated saving has shown an increase of 125%. As of December 31, 1944, individuals' holdings of cash and deposits and U. S. Government securities amounted to the extremely large totals of \$95 billion and \$53 billion, respectively. Of the total of cash and deposits \$22 billion was in currency, \$39 billion in time deposits, and \$34 billion in demand deposits. Individuals' holdings of U. S. Government securities were mainly concentrated in U. S. savings bonds, amounting to \$29 billion in Series A-E bonds and \$8 billion in F and G bonds, with other U. S. Government securities accounting for \$16 billion.

During 1944 individuals added \$17.0 billion to their currency and bank deposits, \$15.5 billion to their holdings of U. S. Government bonds, \$4.4 billion to their equity in Government insurance, \$3.3 billion to their equity in private insurance, mostly life insurance, and \$900 million to their investment in savings and loan associations. At the same time individuals increased their consumer indebtedness by \$300 million and reduced their holdings of securities other than U. S. Government by \$700 million.

The composition of saving in 1944 was similar to that in the preceding year. Cash on hand and in banks was again the largest component of individuals' saving, with U. S. Government securities a close second. The substantial growth in individuals' cash and deposits during 1944 reflected a very large increase in time and savings deposits amounting to an all-time high of roughly \$7.1 billion as contrasted to a rise of \$4.4 billion in 1943. On

^{1/} In this analysis individuals' saving includes unincorporated business saving of types specified in the attached table. Corporate and Government saving are not included. The change in individuals' equity in Government insurance is, however, considered as part of individuals' saving.

the other hand, the \$4.7 billion increase in currency and the \$5.2 billion rise in demand deposits in 1944, though large, were actually somewhat smaller than the comparable figures for 1943. The increase in U. S. Governments reflected a \$11.8 billion increase in U. S. savings bonds, and a \$3.7 billion increase in other U. S. Government securities. Both of these figures were moderately above the 1943 level.

One of the more significant developments in the composition of individuals' saving in 1944 was the increase in consumer indebtedness other than mortgages, amounting to \$300 million. 2/ This may be compared with the reduction in consumer indebtedness of \$1.0 billion in 1943 and \$2.9 billion in 1942. This change from repayment of old debt to incurrence of new debt reflects the fact that the bulk of installment debt previously incurred for the purchase of automobiles and other durable consumers' goods has already been paid off.

As in prior years, the growth in insurance and pension reserves formed an important part of total saving. The increase in individuals' equity in private insurance in 1944, amounting to \$3.3 billion, was \$200 million higher than in 1943, while the increase in Government insurance, amounting to \$4.4 billion, was \$600 million higher than in the previous year. The increase in Government insurance in 1944 reflected a marked rise in the National Service Life Insurance Fund, amounting to \$1.0 billion, as well as a record \$2.7 billion increase in Social Security funds, and \$600 million increase in various Civil Service and Railway retirement funds.

Of the remaining components of individuals' saving in 1944, only the extremely large increase in investment in savings and loan associations, amounting to \$900 million, and the fairly considerable decline in securities other than U. S. Government, amounting to \$700 million, were particularly important. The decrease in individuals' holdings of securities other than U. S. Government was due to a variety of factors including declines in outstanding corporate, foreign, quasi-Government, and municipal issues and an increase in loans for the purpose of purchasing or carrying such securities.

The pattern of individuals' saving in the fourth quarter of 1944 was not much different from saving in previous quarters. Total liquid saving in this final quarter, amounting to \$11.8 billion, was at a new high, reflecting the higher level of income after taxes. 3/ In the fourth quarter of 1944 individuals' added \$5.4 billion to their cash and deposits and made net purchases of \$4.5 billion of U. S. Government bonds, in large part a result of the Sixth War Loan Drive. This may be compared with the third quarter when individuals increased their cash and deposits by \$6.2 billion and their holdings of U. S. Government bonds by \$2.2 billion. Individuals' indebtedness arising from the purchase of consumer goods rose by \$400 million in the fourth quarter, the largest such increase since the beginning of the War.

The above discussion of individuals' saving is based on data presented in the following table and chart.

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- 2/ This does not include the change in consumer's indebtedness to unincorporated business, which is estimated to have increased by close to \$100 million in 1944 contrasted with a \$200 million decline in 1943.
- 3/ A considerable part of the increase in such income from the preceding quarter was attributable to the postponement of fourth quarter income tax payments to January, 1945.

Gross Saving by Individuals in the United States 1/
1940 - 1944

(Billions of dollars)

	1940	1941	1942	1943	1944	1943	1944			
						Oct.- Dec.	Jan.- March	Apr.- June	July- Sept.	Oct.- Dec.
Gross Saving	15.3	24.3	38.7	45.4	48.0	11.9	11.0	10.7	12.4	13.9
Liquid Saving 2/	4.0	10.4	29.5	37.8	40.0	9.8	9.2	8.7	10.4	11.8
Gross Saving by Type										
1. Currency and bank deposits	+ 3.0	+ 4.9	+11.4	+15.3	+17.0	+ 5.9	+ 2.1	+ 3.3	+ 6.2	+ 5.4
2. Savings and loan associations	+ .2	+ .4	+ .3	+ .6	+ .9	+ .2	+ .2	+ .2	+ .2	+ .3
3. Insurance and pension reserves										
a. Private insurance	+ 1.7	+ 2.1	+ 2.5	+ 3.1	+ 3.3	+ .8	+ .9	+ .8	+ .7	+ .9
b. Government insurance	+ 1.2	+ 1.8	+ 2.4	+ 3.8	+ 4.4	+ 1.0	+ 1.0	+ 1.1	+ 1.2	+ 1.1
c. Total	+ 2.9	+ 3.8	+ 4.9	+ 6.9	+ 7.7	+ 1.8	+ 1.9	+ 1.9	+ 1.9	+ 2.0
4. Securities 3/										
a. U.S. Savings bonds	+ .9	+ 2.8	+ 8.0	+11.1	+11.8	+ 2.2	+ 3.9	+ 2.6	+ 2.3	+ 3.0
b. Other U.S. Government	- .4	+ .8	+ 1.9	+ 2.7	+ 3.7	- .2	+ 1.1	+ 1.2	- .1	+ 1.5
c. State and local governments	- .1	- .2	- .1	+ .2	- .1	0	- .1	0	0	0
d. Corporate and other	- .5	- .5	+ .3	- .2	- .6	+ .1	- .1	- .4	- .1	0
e. Total	- .2	+ 2.9	+10.1	+13.8	+14.7	+ 2.1	+ 4.7	+ 3.4	+ 2.1	+ 4.5
5. Non-farm dwellings										
a. Purchases 4/	+ 2.5	+ 3.0	+ 1.6	+ 1.0	+ .8	+ .3	+ .2	+ .2	+ .2	+ .2
b. Change in debt	+ .9	+ .9	+ .1	- .3	0	0	- .1	0	0	0
c. Saving (a. minus b.)	+ 1.7	+ 2.1	+ 1.5	+ 1.3	+ .8	+ .3	+ .3	+ .2	+ .2	+ .2
6. Automobiles and other durable consumers' goods 5/	+ 8.8	+10.8	+ 7.6	+ 6.6	+ 7.2	+ 1.8	+ 1.6	+ 1.8	+ 1.8	+ 2.0
7. Liquidation of debt, not elsewhere classified 6/	- 1.1	- .6	+ 2.9	+ 1.0	- .3	- .2	+ .3	- .2	0	- .4

1/ Includes unincorporated business saving of the types specified. Does not include corporate or government saving.

2/ Gross saving excluding purchases of homes as well as of automobiles and other durable consumers' goods.

3/ Does not include net purchases by brokers and dealers or by other individuals financed by bank loans.

4/ New construction of one- to four-family non-farm homes less net acquisition of properties by non-individuals.

5/ Purchases. Based on revised Department of Commerce data. The figures shown above include all new passenger cars sold in the United States.

6/ Largely attributable to purchases of automobiles and other durable consumers' goods, although including some debt arising from purchases of consumption goods. The other segments of individuals' debt have been allocated to the assets to which they pertain, vis., saving in savings and loan associations, insurance, securities and homes.

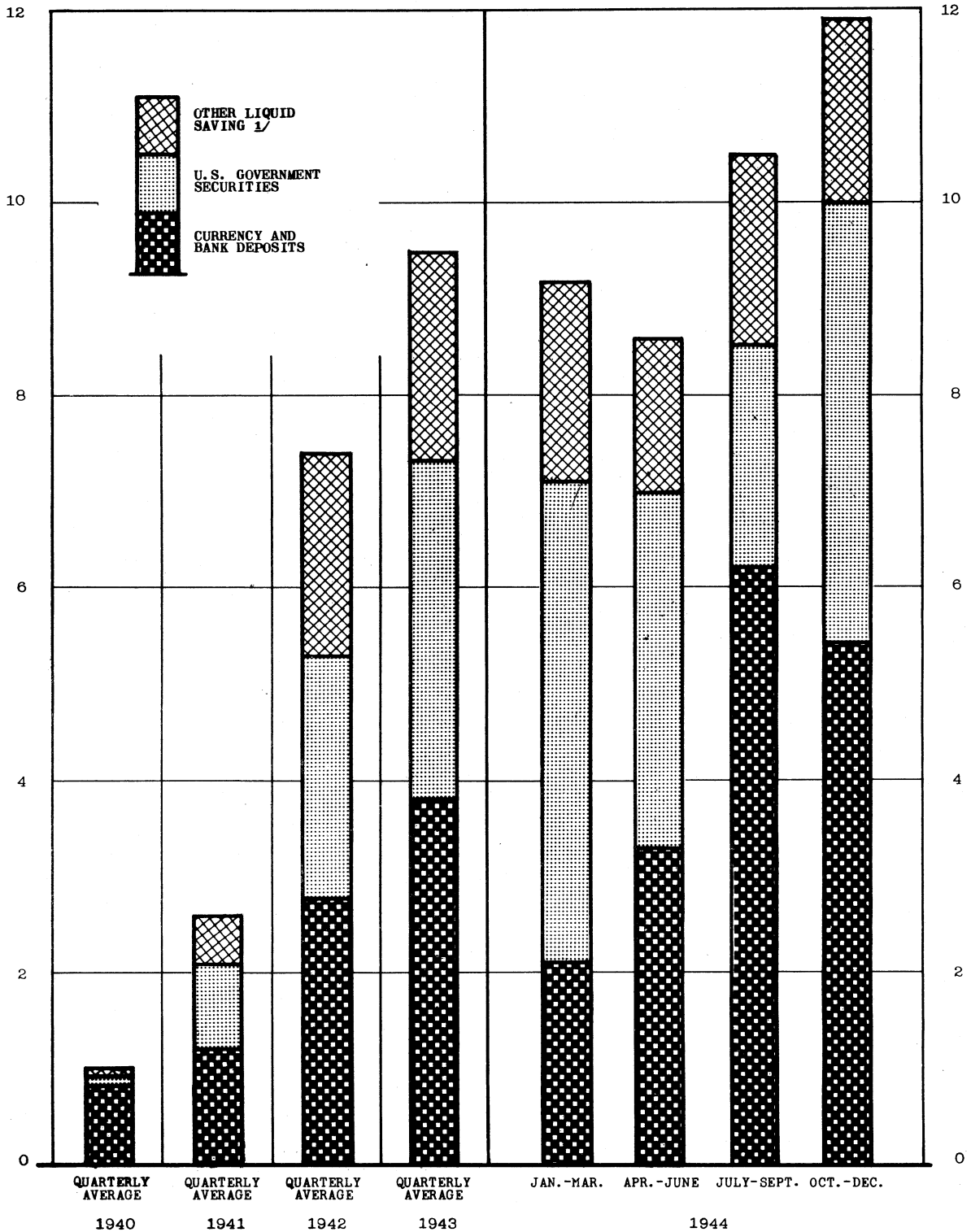
Note: Figures are rounded and will not necessarily add to totals.

The foregoing data have been compiled by the Commission from many different sources. Because of the nature of the figures, current data are necessarily estimates and, therefore, are subject to revision.

COMPONENTS OF INDIVIDUALS' LIQUID SAVING 1940 - 1944

DOLLARS
BILLIONS

DOLLARS
BILLIONS



1/ INCLUDES SAVING IN SAVINGS AND LOAN ASSOCIATIONS; PRIVATE AND GOVERNMENT INSURANCE; STATE, LOCAL AND CORPORATE SECURITIES; AND LIQUIDATION OF MORTGAGE DEBT AND DEBT NOT ELSEWHERE CLASSIFIED.