

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.**STATISTICAL SERIES**RELEASE NO. 1601For Release Tuesday, May 12, 1959**VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING IN 1958 ^{1/}**

Individuals in the United States continued to save at a high rate during 1958 according to estimates made public today by the Securities and Exchange Commission. Net financial saving ^{2/} amounted to \$16.2 billion, as compared with \$18.1 billion in 1957, the post-war record. Although personal income after taxes rose for the full year 1958, this increase was partly offset by consumer spending.

There was a considerable change in the composition of saving in 1958. In contrast to the preceding three years, individuals saved a comparatively small amount in the form of securities. This reflected the substantial liquidation of U. S. Government marketable issues and the considerably smaller acquisitions of state and local and corporate securities, other than investment company shares. Net purchases of the latter, on the other hand, reached record levels in 1958. Another important aspect of the 1958 savings picture was the large growth in individuals' saving accounts at banks and shares in savings and loan associations, which expanded more than in any post-war year. Saving in private life insurance and pension reserves was slightly greater than in 1957. Saving in Government insurance and pension reserves, as a whole, was small compared with preceding years because of substantial unemployment and other Social Security payments. During 1958 consumer indebtedness increased by only a small amount, chiefly because of the drop in automobile purchases, but mortgage debt expanded more in 1958 than in the previous year.

Net purchases of securities

Individuals' saving in securities during 1958 amounted to only \$600 million, \$6.3 billion less than in 1957 and the lowest amount since 1954. Net sales of U. S. Government issues accounted, for the most part, for the lower saving in the securities component. Saving in corporate bonds and state and local obligations, also was lower than in 1957. Furthermore, except for the substantial increase in net purchases of investment company shares, individuals' net purchases

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- ^{1/} Individuals' saving, in addition to personal holdings, covers financial saving of unincorporated business, trust funds and non-profit institutions.
- ^{2/} Individuals' financial saving covers saving in the form of securities, currency deposits, savings and loan association and credit union shares, and insurance and pension reserves, net of the increase in individuals' debt. In addition, individuals invested over \$16 billion in homes and bought \$37 billion of consumer durable goods during 1958.

of other corporate equity issues, for 1958 as a whole, showed a small decrease. It should be pointed out that capital gains and losses are excluded so that the saving figures appearing in the accompanying Table 1 do not take into account the large fluctuations in bond prices during the year or the sharp rise in stock prices; however, figures given in Table 2, which cover financial assets and liabilities of individuals, do reflect market values.

During 1958 individuals reduced their holdings of marketable U. S. Government issues by \$3.0 billion compared with an increase of the same amount in the preceding year. Holdings of Savings Bonds last year were reduced \$500 million while in 1957 the decline amounted to \$1.9 billion. The increase during 1958 in U. S. Government direct and non-guaranteed debt was absorbed principally by banks; most other institutions also added to their holdings of these securities compared with liquidations in the previous year. Individuals were disposing of Government securities during the first three quarters of 1958, with liquidations heaviest in the third quarter. They acquired \$600 million in the fourth quarter (excluding Savings Bonds.).

Individuals' saving in corporate bonds and stocks, including foreign government and corporate issues, amounted to \$2.9 billion in 1958 compared with \$3.6 billion in 1957 and constituted the largest component of saving in the securities category. Net purchases of corporate debt issues totalled \$1.5 billion, as compared with \$2.2 billion in 1957, decreased purchases reflecting the lower volume of net new bond issues available during the year. Although institutional investors also purchased a smaller amount of corporate debt issues than in the previous year, such groups absorbed an amount equal to more than three-fourths of the net bonds added to the market supply in 1958.

Individuals' purchases of investment company shares amounted to \$1.5 billion in 1958 compared to \$1.0 billion in 1957. The 1958 figure includes approximately \$400 million of mutual funds newly formed during the year. It is estimated that individuals' sales of other corporate and foreign stock issues exceeded purchases by \$100 million, despite rising stock prices during much of 1958. The net supply of new stock issues, aside from investment company issues, was lower than in 1957 and institutional buyers added more stock to their portfolios than in previous years. Corporate pension funds and investment companies together, made net purchases of \$2.3 billion in 1958, or \$500 million more than in 1957. The importance of institutions as buyers of corporate securities in 1958 and during the last few years can be observed in Table 3.

Saving in state and local government securities amounted to \$1.2 billion in 1958, \$1.0 billion less than in 1957. The lower level of saving in these securities occurred despite the record volume of new issues, which were chiefly bought by commercial banks and other institutional purchasers.

Saving in other financial assets

Total saving in currency and bank deposits amounted to \$10.3 billion, twice the 1957 amount, and the largest amount of saving in this form since 1946. Saving accounts at mutual savings and commercial banks rose by \$7.8 billion, the largest annual increase since 1945. The increase in these deposits was sharpest in the early recession months of the year and was moderated after the recovery in general economic conditions began. Demand deposits increased \$2.1 billion

for the full year 1958, with an expansion of \$3.4 billion in the third quarter and a further rise of \$1.8 billion in the fourth quarter, offsetting decreases in the first two quarters of the year. Currency holdings of individuals were higher at the end of the year. Other additions to these liquid assets included a record growth in savings shares in savings and loan associations and credit unions, which together amounted to \$6.5 billion.

Saving through increased equity in private insurance and pension reserves totalled \$8.0 billion, about the same as in 1957 and 1956. The total includes a growth of \$3.8 billion in private life insurance, \$1.5 billion in insured pension reserves, and \$2.8 billion in private non-insured pension reserves.

Individuals' equity in governmental insurance and pension reserves increased by only \$700 million, the smallest growth in 22 years. Reserves of the Unemployment Trust Fund, reflecting large benefit payments, were reduced by over \$2.0 billion during the year, while there was a reduction of \$800 million in the Old Age and Survivors Insurance Fund primarily due to the continued rise in old-age benefits. On the other hand, reserves under Federal and State and local retirement programs increased, the Civil Service Retirement Fund growing by a record \$900 million, and state and local retirement funds showing a record growth of \$1.8 billion.

Individuals' debts

Individuals' indebtedness increased \$9.8 billion in 1958, compared with \$10.2 billion in 1957 and a peak of \$18.5 billion in 1955. Almost all this net increase was in mortgages which expanded by \$9.3 billion, \$1.6 billion more than in 1957. Borrowing on securities showed a net increase for the year of \$400 million, with large extensions and repayments on both U. S. Government and corporate issues during the course of the year. Consumer indebtedness increased only \$100 million, the lowest since 1945, chiefly reflecting the decline in automobile sales and credit extensions. In the closing months of the year, however, there was some expansion in installment debt, and a seasonal increase in charge accounts of individuals.

Ownership of financial assets

In addition to the estimates of saving discussed above, data on accumulated financial assets and liabilities of individuals are indicated in Table 2, for the end of 1957 and 1958. At the end of 1958 individuals owned approximately \$377 billion worth of corporate stocks and bonds and \$513 billion of other financial assets, i.e., cash, bank deposits, savings and loan shares, insurance and government securities. Against these assets, individuals' mortgage consumer and securities loans totalled \$151 billion at the year end. Individuals' total net equity in financial assets at the end of last year amounted to approximately \$740 billion.

Of preferred and common stock issues outstanding at the end of 1958, estimated to have a market value of \$405 billion, \$355 billion or 88 percent was owned by individuals, including personal trust funds and eleemosynary institutions. Institutional investors owned ten percent of the stock issues and another 2 percent was owned by foreigners. Although the major part of stocks outstanding are in non-institutional hands there has been a rapid growth in institutional investors' purchases, particularly by corporate pension funds and investment companies. At the end of 1958 these two groups owned about 7 percent of all stock outstanding compared with less than 5 percent in 1954. In the case of debt securities of

corporations, institutions owned over \$69 billion of corporate bonds and notes, or about three-fourths of the estimated market value of all corporate debt issues outstanding in the U. S. at the end of 1958.

Other concepts of saving

Besides the concept of saving presented here, there are other concepts of individuals' saving with different degrees of coverage currently in use. The series with the most complete coverage, the personal saving estimates of the Department of Commerce, is derived as the difference between personal income and expenditures. Conceptually, Commerce saving includes the following items not included with the S.E.C. saving: homes, unincorporated business and farm items such as net plant and equipment, changes in net receivables and changes in inventories. Government insurance is excluded from Commerce saving, which, in addition, reflects depreciation on homes. A complete reconciliation of the two series appeared in Table V-9, page 194, of U. S. Income and Output, U. S. Department of Commerce, and in the July 1958 Statistical Bulletin of the S.E.C.

A more restricted concept of individuals' saving is the selected item series of the Home Loan Bank Board. This series covers the following components included in the S.E.C. saving: time and saving deposits, savings and loan associations, private life insurance, and U. S. Savings bonds.

TABLE 1

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SAVING BY INDIVIDUALS IN THE UNITED STATES ^{1/}

1955 - 1958

(Billions of Dollars)

Type of Saving	1955	1956	1957	1958	1958			
					Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.
1. Currency and Deposits	3.3	4.7	5.1	10.3	.8	.6	5.4	3.4
a. Currency	.4	*	*	.4	-.4	.2	*	.5
b. Demand deposits	-.3	.9	-1.2	2.1	1.4	-1.6	3.4	1.8
c. Time and savings deposits	3.2	3.8	6.3	7.8	2.6	2.0	2.0	1.1
2. Savings shares ^{2/}	5.2	5.4	5.2	6.5	1.4	1.9	1.0	2.2
3. Securities	6.4	5.1	6.9	.6	1.0	-.1	-1.4	1.1
a. U. S. Savings bonds	.3	-.1	-1.9	-.5	*	-.2	-.2	-.2
b. Other U. S. Government ^{3/}	2.0	1.8	3.0	-3.0	-.8	-.9	-2.0	.6
c. State and local government	1.9	1.5	2.2	1.2	.6	.3	*	.4
d. Corporate and other	2.2	1.9	3.6	2.9	1.2	.6	.7	.3
(1) Bonds and notes	1.1	.4	2.2	1.5	1.2	-.2	.4	.2
(2) Investment company shares ^{4/}	.8	.9	1.0	1.5	.2	.4	.4	.4
(3) Other preferred and common stock	.4	.5	.4	-.1	-.2	.4	-.1	-.3
4. Private insurance and pension reserves	7.6	8.0	7.8	8.0	2.1	1.6	1.9	2.4
a. Insurance reserves	4.2	4.3	3.5	3.8	.8	.8	.9	1.2
b. Insured pension reserves	1.3	1.2	1.6	1.5	.4	.4	.4	.4
c. Non-insured pension funds	2.1	2.4	2.7	2.8	.9	.5	.6	.8
5. Government insurance and pension reserves ^{5/}	3.1	3.6	3.2	.7	-.1	.8	.2	-.2
6. Increase in individuals' debts	18.5	12.7	10.2	9.9	-.3	3.5	1.3	5.4
a. Mortgage debt ^{6/}	11.8	10.3	7.8	9.3	1.5	2.1	2.8	3.0
b. Consumer indebtedness ^{7/}	6.1	3.1	2.5	.1	-1.8	.3	*	1.6
c. Securities loans ^{8/}	.6	-.8	-.1	.4	*	1.0	-1.5	.9
7. Net financial saving (1+2+3+4+5-6)	7.1	14.0	18.1	16.2	5.5	1.3	5.8	3.5

* Indicates less than \$50 million.

^{1/} Includes unincorporated business saving of the types specified. 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. Data for the years 1956 and 1957 were particularly affected by new statistics made available by Internal Revenue Service and the Census Bureau.

^{2/} Includes shares in savings and loan associations and shares and deposits in credit unions.

^{3/} Includes non-guaranteed Federal agency securities, previously included with corporate and other bonds.

^{4/} Includes closed-end investment companies as well as mutual funds.

^{5/} Includes Social Security funds, state and local retirement systems, etc.

^{6/} Mortgage debt to institutions on one-to-four-family non-farm dwellings.

^{7/} Consumer debt owed to corporations, largely attributable to purchases of automobiles and other durable consumer goods, although including some debt arising from purchases of consumption goods. Policy loans on government and private life insurance have been deducted from those items of saving.

^{8/} Change in bank loans made for the purpose of purchasing or carrying securities.

FINANCIAL ASSETS AND LIABILITIES OF INDIVIDUALS IN THE U. S.

Year-end, 1957 and 1958

(Billions of dollars)

	<u>1957</u>	<u>1958</u>
<u>Financial Assets</u>		
1. Currency and deposits	166.0	176.3
a. Currency	25.9	26.2
b. Demand deposits	55.4	57.6
c. Time and saving deposits	84.8	92.5
2. Savings shares	45.0	51.6
3. Securities	363.1	469.4
a. U. S. savings bonds	48.2	47.7
b. Other U. S. Government <u>1/</u>	23.5	20.6
c. State and local Government	22.5	23.7
d. Corporate and other	268.9 <u>2/</u>	377.4 <u>2/</u>
(1) Bonds and notes	20.6	22.4
(2) Investment company shares	14.0	20.0
(3) Other preferred and common shares	234.3	335.0
4. Private insurance and pension reserves	118.1	128.5
a. Insurance reserves	84.3	88.5
b. Insured pension reserves	14.0	15.5
c. Non-insured pension reserves	19.9	24.6
5. Government insurance and pension reserves	64.2	64.9
6. Total financial assets (1 through 5)	756.5	890.7
<u>Liabilities</u>		
7. Mortgage debt	97.0	106.3
8. Consumer debt	39.5	39.6
9. Securities loans	4.2	4.5
10. Total liabilities (7+8+9)	140.7	150.6
11. Total individuals' net equity <u>3/</u> (6-10)	615.8	740.1

1/ Includes non-guaranteed Federal agency issues previously included with corporate and other bonds.

2/ Rough estimates of market value.

3/ The year to year changes in the above data are not equivalent to saving shown in Table I which does not reflect revaluations in certain of the components.

TABLE 3

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NET PURCHASES OF CORPORATE AND FOREIGN SECURITIES 1/By Class of Investor
(Billions of Dollars)

	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>
<u>Bonds and Notes</u>				
Total net additions to issues outstanding.....	4.0	5.1	8.1	7.0
Net purchases by institutions.....	3.0	4.7	5.9	5.5
Corporate pension funds.....	.9	1.4	1.6	1.3
Life insurance companies.....	1.5	2.2	2.4	2.6
Other institutions and foreigners.....	.6	1.1	1.9	1.5
Net purchases by domestic individuals <u>2/</u>	1.1	.4	2.2	1.5
<u>Common and Preferred Stocks</u>				
Total net additions to stock <u>3/</u> outstanding.....	2.9	3.5	3.7	4.0
Net purchases by institutions	1.7	2.0	2.4	2.6
Corporate pension funds.....	.7	.8	1.0	1.2
Investment companies.....	.5	.6	.8	1.1
Other institutions and foreigners.....	.5	.6	.5	.2
Net purchases by domestic individuals <u>2/</u>	1.2	1.5	1.3	1.4
Investment company shares.....	.8	.9	1.0	1.5
Other stock issues.....	.4	.5	.4	-.1

1/ Includes foreign government and corporate issues.2/ Including personal trust funds and non-profit organizations.3/ Including investment company shares and conversions of debt issues into stock issues.