

STATISTICAL SERIES

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VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING, JULY-SEPTEMBER 1960 1/

Individuals in the United States saved \$3.5 billion in financial form during the third quarter of 1960 according to estimates made public today by the Securities and Exchange Commission. This amount was substantially larger than such saving in the preceding quarter, reflecting an increase in personal income after taxes and a reduction in consumer expenditures, particularly on automobiles. However, the amount saved was less than in the third quarter of 1959, and the total for the first nine months of the year 1960 was one-fourth lower than the corresponding period of 1959.

As compared with 1959 the growth in financial assets of individuals has been slower in 1960 but, on the other hand, the growth in debts (which reduces saving) has been moderate. Among individuals' financial investments, a shift from the pattern in 1959 and the first quarter of 1960 was observed in the second and third quarters of 1960. Most notable was a liquidation of U. S. Government obligations in these quarters, as against record accumulations in 1959, partially reflecting less attractive yields on Government issues.

Individuals purchased a fairly large amount of corporate and state and local government bonds in the third quarter of this year but, as in the preceding quarter, this was offset by liquidations of U. S. Government issues. It is estimated that net sales by individuals of U. S. marketable issues, including Federal agency issues, amounted to \$500 million in the third quarter. Although there was an increase in Government issues outstanding, commercial banks absorbed a major part of the available supply. In the first nine months of 1960, securities investments of individuals totalled \$2.9 billion compared with \$8.3 billion in the comparable period of 1959. During this period individuals acquired \$1.1 billion of Federal obligations compared with \$6.5 billion in the first nine months of last year, a period of generally rising yields. Net redemptions of savings bonds amounted to \$300 million this year compared with \$1.2 billion last year.

Individuals' investment in state and local issues amounted to \$300 million in the third quarter, not much changed from the previous quarter. For the first nine months of the year, individuals' acquisitions of tax-exempt issues amounted to \$1.2 billion, about \$800 million less than in the same period last year, to a large extent due to the lower volume of new issues this year.

1/ Individuals' financial saving, in addition to personal holdings, covers saving of unincorporated business, trust funds and non-profit institutions and includes saving in the form of securities, currency and bank deposits, savings and loan association and credit union shares, and insurance and pension reserves, net of the increase in individuals' debt.

In the third quarter of 1960, individuals acquired \$700 million of corporate and foreign securities, according to available information. Purchases of mutual fund shares increased slightly, and there were larger purchases of corporate debt issues. Sales of stock issues other than mutual fund shares again exceeded purchases. A comparison of nine-months' data shows individuals' investments in corporate and foreign securities of \$1.0 billion this year, the same as in 1959. Acquisitions of corporate and foreign bonds have been greater than in 1959, whereas there have been larger net sales of stock issues this year. Additions to the supply of stock issues have been smaller than in 1959 and preliminary figures indicate that purchases of equity issues by institutional investors continued to increase, thereby reducing individuals' holdings.

Individuals' currency and bank deposits increased \$2.9 billion in the third quarter of 1960 compared with \$2.7 billion in the third quarter of last year and a \$300 million drop in the preceding period. Savings accounts at banks rose \$1.9 billion, almost twice as much as the preceding period and the largest increase since the third quarter of 1958. Checking accounts expanded by \$1.0 billion, which, while less than in the 1959 period, was in contrast to the preceding quarter's seasonal liquidation. Currency holdings of individuals showed little change. Shares in savings and loan associations and credit unions increased \$1.4 billion, seasonally less than the preceding quarter.

Equity in private insurance and pension reserves rose \$2.3 billion during the quarter. For the first nine months of 1960 the larger growth in private insurance and pension reserves has been principally due to the continued increase in the flow of funds into self-administered pension plans of corporations. Saving in life insurance for the same period has declined slightly, in part because of increased loans to policyholders. Government insurance and pension reserves increased \$1.0 billion in the July-September period, half as much as the preceding quarter which included annual contributions from the self-employed under Social Security.

Individuals' debt rose \$4.6 billion during the third quarter as compared to \$4.8 billion in the preceding period and \$5.6 billion in the third quarter of 1959. Due to a slackening in automobile credit (influenced by larger sales of smaller, less expensive cars) total consumer credit rose only moderately. The expansion of individuals' mortgage debt, while increasing seasonally, was considerably less than last year's third quarter. In the first 9 months of 1960, mortgage debt increased \$8.2 billion, \$2.0 billion less than in the same period last year. Individuals' borrowing on securities rose sharply in the third quarter principally in connection with the financing of U. S. Government issues by dealers and brokers, which in this series are included with "individuals".

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 personal saving estimate of the Department of Commerce is derived as the difference between personal income and expenditures. A complete reconciliation of the Securities and Exchange Commission and Commerce Department series appears annually in the July issue of the Statistical Bulletin of the

Securities and Exchange Commission and in the Survey of Current Business.

The Federal Reserve Board's flow-of-funds system of accounts includes capital expenditures as well as financial components of saving and covers saving of Federal, state and local governments, businesses, financial institutions and consumers. While the Federal Reserve Board's estimates of consumer saving in financial form from the flow-of-funds accounts are similar to the Securities and Exchange Commission estimates of individuals' saving, there are some statistical and conceptual differences in the two sets of data.

A more restricted approach to saving is the selected item series of the Home Loan Bank Board. This series covers the following components: time and savings deposits of individuals, partnerships and corporations, savings and loan association shares, private life insurance and U. S. savings bonds.

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

S-1723

1957 - 1960

(Billions of dollars)

| Type of Saving | 1957 | 1958 | 1959 | 1959 | | | | 1960 | | |
|--|------|------|------|---------------|---------------|----------------|---------------|---------------|---------------|----------------|
| | | | | Jan.- Mar. | Apr.- June | July- Sept. | Oct.- Dec. | Jan.- Mar. | Apr.- June | July- Sept. |
| 1. Currency and deposits..... | 4.9 | 10.3 | 3.5 | .2 | .3 | 2.7 | .3 | -2.0 | -.3 | 2.9 |
| a. Currency..... | * | .3 | .7 | -.5 | .5 | .1 | .6 | -1.1 | .3 | * |
| b. Demand deposits..... | -1.1 | 1.9 | -1.3 | -.9 | -1.6 | 1.8 | -.5 | -1.2 | -1.6 | 1.0 |
| c. Time and savings deposits..... | 6.1 | 8.0 | 4.1 | 1.6 | 1.3 | .9 | .2 | .3 | 1.0 | 1.9 |
| 2. Savings shares ^{2/} | 5.2 | 6.5 | 7.3 | 1.4 | 2.4 | 1.2 | 2.2 | 1.6 | 2.3 | 1.4 |
| 3. Securities..... | 4.6 | .8 | 11.6 | 2.9 | 2.5 | 2.8 | 3.3 | 2.6 | -.1 | .5 |
| a. U. S. savings bonds | | | | | | | | | | |
| (1) Series E & H..... | .2 | .9 | -.1 | .2 | -.1 | -.2 | * | .1 | * | .1 |
| (2) Other..... | -2.1 | -1.4 | -1.7 | -.4 | -.3 | -.4 | -.6 | -.3 | -.2 | -.2 |
| b. Other U. S. Government ^{3/} | 1.6 | -2.4 | 9.7 | 2.5 | 1.8 | 2.2 | 3.2 | 2.1 | -.6 | -.5 |
| c. State and local government..... | 2.2 | 1.3 | 2.5 | .3 | .9 | .8 | .5 | .5 | .4 | .3 |
| d. Corporate and other..... | 2.8 | 2.5 | 1.2 | .4 | .3 | .3 | .2 | .1 | .2 | .7 |
| (1) Bonds and notes..... | 1.4 | 1.1 | .3 | .1 | * | .3 | -.1 | .3 | .2 | .6 |
| (2) Investment company shares ^{4/} | 1.1 | 1.6 | 1.7 | .4 | .4 | .4 | .4 | .5 | .3 | .4 |
| (3) Other preferred and common stock... | .3 | -.2 | -.8 | -.1 | -.1 | -.4 | -.2 | -.6 | -.3 | -.3 |
| 4. Private insurance and pension reserves.... | 8.0 | 8.3 | 8.8 | 2.1 | 2.1 | 2.1 | 2.5 | 2.2 | 2.1 | 2.3 |
| a. Insurance reserves..... | 3.5 | 3.9 | 3.4 | .7 | .9 | .8 | 1.0 | .7 | .7 | .9 |
| b. Insured pension reserves..... | 1.6 | 1.5 | 2.0 | .5 | .5 | .5 | .5 | .5 | .5 | .5 |
| c. Non-insured pension funds ^{5/} | 2.9 | 3.0 | 3.4 | .9 | .8 | .8 | .9 | 1.0 | .9 | 1.0 |
| 5. Government insurance and pension reserves ^{6/} | 3.2 | .6 | 2.2 | .1 | 1.5 | .9 | -.3 | .3 | 2.1 | 1.0 |
| 6. Increase in individuals' debts..... | 10.3 | 10.5 | 19.6 | 2.0 | 5.9 | 5.6 | 6.1 | .6 | 4.8 | 4.6 |
| a. Mortgage debt ^{7/} | 7.8 | 9.8 | 13.4 | 2.9 | 3.6 | 3.8 | 3.0 | 2.4 | 2.7 | 3.1 |
| b. Consumer indebtedness ^{8/} | 2.5 | .3 | 6.1 | -.3 | 2.2 | 1.8 | 2.4 | -.5 | 1.9 | .7 |
| c. Securities loans ^{9/} | -.1 | .4 | .2 | -.6 | .1 | * | .6 | -.3 | .1 | .8 |
| 7. Net financial saving (1+2+3+4+5-6)..... | 15.7 | 16.0 | 13.9 | 4.9 | 2.9 | 4.2 | 2.0 | 4.0 | 1.3 | 3.5 |
| 8. Non-farm homes ^{10/} | 15.6 | 16.4 | 20.3 | 4.0 | 5.4 | 5.3 | 5.1 | 3.9 | 4.8 | 5.2 |
| 9. Construction and equipment of non-profit institutions..... | 2.5 | 2.7 | 2.9 | .6 | .7 | .8 | .8 | .7 | .7 | .9 |
| 10. Consumer durable goods..... | 40.4 | 37.3 | 43.4 | 9.4 | 11.2 | 10.4 | 12.4 | 10.0 | 11.2 | 10.1 |
| 11. Gross saving (7+8+9+10)..... | 74.1 | 72.4 | 80.5 | 18.9 | 20.0 | 21.2 | 20.3 | 18.7 | 18.0 | 19.6 |

* 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.

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

^{3/} Includes non-guaranteed Federal agency securities.

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

^{5/} In addition to corporate funds, includes reserves of non-profit organizations, multi-employer plans and union administered plans.

^{6/} Includes Social Security funds, state and local retirement systems, etc.

^{7/} Mortgage debt to institutions on one-to-four family non-farm dwellings.

^{8/} 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.

^{9/} Change in bank loans to brokers and dealers and others made for the purpose of purchasing or carrying securities.

^{10/} Construction of one-to-four family non-farm dwellings less net acquisitions of properties by non-individuals.