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VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING IN 1966

Individuals' net financial saving amounted to \$26 billion in 1966, \$7.1 billion less than in 1965, according to the estimates released today by the Securities and Exchange Commission. Individuals increased their financial assets \$46.1 billion while the increase in individuals' debts (an offset to saving) rose \$20.1 billion.

There was a changing pattern in the composition of individuals' saving with a major shift of saving from the usual thrift institutions into fixed-income securities. Yields on long-term bonds were pushed to their highest level in nearly 40 years reflecting the impact of a more restrictive monetary policy and a record demand for funds in the bond markets.

Saving in U.S. Government marketable obligations amounted to \$9.5 billion in 1966, up sharply from the preceding year and compares with the post-war high of \$9.2 billion in 1959. Net purchases of municipals totaled \$3.6 billion during the year, substantially higher than the \$2.4 billion in 1965. Individuals' investment in corporate bonds amounted to a record \$2.6 billion in 1966, up from \$2.3 billion in 1965. Corporate bond offerings during the year included the largest amount of convertible debentures offered to date.

Individuals sold stock, other than investment company shares, on balance throughout the year, with net sales totaling \$5.1 billion. Institutional investors and nonfinancial corporations, as has been the case in recent years, made substantial additions to their portfolios.

Intermediate Saving Flows

Individuals reduced their holdings of currency and demand deposits by \$3.3 billion in 1966, as compared with an increase of \$10 billion in 1965. The net increase of saving shares in savings and loan associations and credit unions totaled \$4.4 billion, the smallest annual gain since 1953. Net saving in time and savings deposits at commercial banks held up relatively well throughout the year as these institutions were more successful in competing for funds than were other thrift institutions. Time and savings deposits at banks (both mutual savings banks and commercial banks) increased \$12 billion compared with the \$15.3 billion in 1965. Net equity in life insurance reserves increased \$4.4 billion, the lowest in four years, as the sharp rise in policy loans partly offset the increase in reserves. Policy loans were especially heavy during the last half of the year, amounting to \$1 billion. In contrast to the reduced flow of saving to other financial institutions, the net sales of investment company shares were substantially higher this year as compared to last year. Net inflow to noninsured pension funds increased steadily throughout the year and totaled a record \$5.8 billion for the year.

Individuals' Debt

The growth in individuals' debt was the smallest in four years, amounting to slightly more than \$20 billion. Reflecting the reduced flow of funds to the major suppliers of mortgage credit and the increase in interest rates during the year, mortgage debt on non-farm homes increased by \$13.4 billion, the smallest rise since 1962. Consumer credit rose \$6.2 billion in contrast with the \$9 billion increase in 1965. The smaller growth last year was chiefly due to the slowdown in new car sales during the last half.

Quarterly Trends

Net financial saving during the fourth quarter of 1966 totaled \$6.7 billion, \$2 billion less than in the third quarter and \$3.5 billion lower than in the comparable period of 1965. Individuals increased their financial assets by \$14 billion, but their indebtedness rose to a seasonal high of \$7.3 billion. Reflecting seasonal influences private insurance and pension reserves showed the largest gain among forms of saving in the fourth quarter.

Ownership of Financial Assets

The estimates of financial saving discussed previously and shown in Table 1 do not reflect changes in market values. In Table 2, however, rough estimates of the market values of accumulated financial assets and liabilities at the end of the years 1962-1966 are presented. At the end of 1966 individuals' financial assets totaled \$1,350 billion, \$45 billion lower than a year ago. This reduction was almost entirely attributable to the decline in stock prices. The market decline during the year caused an estimated 13 percent loss in the value of individuals' stockholdings which were approximately \$470 billion at the end of 1966. Other securities held included \$50 billion of savings bonds, \$39 billion of U.S. Government marketable obligations, \$41 billion of tax-exempt securities, \$24 billion of corporate and other debt and \$44 billion of investment company shares. Insurance and pension reserves totaled over \$280 billion, while currency, deposits and savings shares comprised \$400 billion at year-end.

Individuals' liabilities totaled \$307 billion, comprised of \$211 billion of mortgage debt, \$87 billion of consumer debt and \$9 billion of loans for purchasing or carrying securities.

Other Concepts of Saving

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 (after taxes) and expenditures. The Federal Reserve Board's flow-of-funds system of accounts included estimates of gross saving and net financial investment of households. A comparison of the Securities and Exchange Commission estimates and the Department of Commerce series appears in the July issues of the Department's Survey of Current Business and the Commission's Statistical Bulletin.

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

1963 - 1966

(Billions of dollars)

Type of Saving	1963	1964	1965	1966	1965 Oct.- Dec.	1966			
						Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.
1. Currency and demand deposits.....	6.8	7.0	10.0	-3.3	7.1	-4.6	.3	.4	.5
2. Time and saving deposits.....	11.6	12.3	15.3	12.0	3.4	3.2	2.1	3.6	3.2
3. Savings shares ^{2/}	11.7	11.3	9.3	4.4	3.3	1.4	1.0	-.6	2.6
4. Securities.....	1.6	7.0	4.9	15.7	.6	4.9	3.7	4.5	2.6
a. U.S. savings bonds									
(1) Series E & H.....	1.6	1.2	.9	1.0	.3	.2	.3	.2	.3
(2) Other.....	-.4	-.3	-.2	-.4	*	-.1	-.1	-.1	-.1
b. Other U.S. Government ^{3/}.....	.7	3.3	1.8	9.5	-.2	4.0	.8	3.4	1.3
c. State and local government.....	1.8	2.4	2.4	3.6	1.1	.2	1.4	.4	1.7
d. Corporate and other.....	-2.1	.4	.1	2.0	-.5	.6	1.4	.7	-.6
(1) Bonds and notes.....	.5	.9	2.3	2.6	.2	.8	.7	.8	.3
(2) Investment company shares ^{4/}	1.6	2.0	2.1	4.5	.6	1.6	.9	.8	1.2
(3) Other preferred and common stock.....	-4.3	-2.5	-4.4	-5.1	-1.3	-1.8	-.3	-.9	-2.1
5. Private insurance and pension reserves.....	10.7	11.7	13.0	12.3	3.9	3.0	2.7	2.8	3.7
a. Insurance reserves.....	4.5	4.8	5.3	4.4	1.7	1.3	.9	.9	1.2
b. Insured pension reserves.....	1.7	2.0	2.1	2.2	.5	.6	.6	.6	.6
c. Noninsured pension reserves ^{5/}	4.5	4.9	5.6	5.8	1.7	1.2	1.3	1.3	1.9
6. Government insurance and pension reserves ^{6/} ...	4.0	4.6	5.0	5.0	1.3	1.1	1.2	1.3	1.3
7. Increase in debt (8+9+10).....	22.1	22.2	24.4	20.1	9.2	3.7	5.9	3.2	7.3
8. Mortgage debt ^{7/}	14.9	15.6	15.4	13.4	4.4	4.5	3.0	2.8	3.1
9. Consumer debt ^{8/}	6.3	6.5	9.0	6.2	3.4	-.4	2.6	1.6	2.5
10. Securities loans ^{9/}.....	.9	.1	*	.5	1.5	-.4	.3	-1.1	1.6
11. Net financial saving (1+2+3+4+5+6-7).....	24.3	31.7	33.1	26.0	10.3	5.5	5.1	8.8	6.7

* 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 nonguaranteed Federal agency securities.

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

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

^{6/} Includes civil service, railroad retirement and state and local retirement funds.

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

^{8/} Consumer debt owed to corporations. Policy loans on life insurance have been deducted from that item of saving.

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

TABLE 2

FINANCIAL ASSETS AND LIABILITIES OF INDIVIDUALS IN THE UNITED STATES

Year-end 1962 - 1966

(Billions of dollars)

<u>Financial Assets</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
1. Currency and demand deposits.....	82.8	89.6	96.8	104.2	100.9
2. Time and saving deposits.....	124.6	136.2	148.6	164.7	175.6
3. Savings shares.....	85.6	97.3	108.6	118.0	122.3
4. Securities.....	538.1	617.7	686.8	737.7	670.5
a. U.S. savings bonds.....	46.9	48.0	49.0	49.6	50.2
b. Other U.S. Government <u>1</u> /.....	27.8	28.4	30.2	31.8	38.6
c. State and local government....	31.1	32.9	35.3	37.7	41.3
d. Corporate and other <u>1</u> /.....	432.3	508.3	572.3	618.6	540.5
(1) Bonds and notes.....	21.4	21.5	22.4	23.6	24.1
(2) Investment company shares.	30.1	34.8	39.8	46.4	44.1
(3) Other preferred and common stock.....	380.8	452.0	510.1	548.7	472.2
5. Private insurance and pension reserves.....	164.0	178.2	193.7	209.3	214.1
a. Insurance reserves.....	95.6	100.2	105.1	110.5	113.6
b. Insured pension reserves.....	21.6	23.3	25.2	27.3	29.5
c. Noninsured pension reserves...	46.7	54.6	63.4	71.4	71.0
6. Government insurance and pension reserves.....	48.3	52.3	56.8	61.7	66.6
7. Total financial assets.....	1,043.3	1,171.2	1,291.4	1,395.5	1,350.0
(1 through 6)					
<u>Liabilities</u>					
8. Mortgage debt.....	152.4	167.0	182.6	198.0	211.4
9. Consumer debt.....	57.0	63.9	71.5	80.4	86.6
10. Securities loans.....	7.2	8.1	8.2	8.4	8.9
11. Total liabilities (8+9+10).....	216.6	239.0	262.3	286.8	306.9
Total individuals' net equity <u>2</u> / (7-11)...	826.7	932.2	1,029.1	1,108.7	1,043.2

1/ Estimated market value. Nonguaranteed Federal agency issues are included with U.S. Government issues.

2/ The year to year changes in the above data are not equivalent to individuals' saving which does not reflect revaluations in certain of the components.