



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

R&S-1565 (On office
copies only)

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 19, 1948.

Dear Sir:

Attached for your confidential information is a brief report on the preliminary findings of the 1948 Survey of Consumer Finances. This material is not to be released to the press or used in any outside publications at this date. The findings are preliminary and there will be changes, although minor, in a number of the attached tables.

The publication schedule for results is roughly as follows:

June Bulletin - Buying intentions and distribution of income.

July Bulletin - Ownership and use of liquid assets; and holdings of non-liquid assets.

August Bulletin - Consumer expenditures and net saving.

September Bulletin - Housing expenditures and finance.

Very truly yours,

Woodlief Thomas

Woodlief Thomas, Director,
Division of Research and Statistics.

TO HEADS OF RESEARCH AT ALL BANKS and Messrs. Rice,
Jones, Hostetler, Deming, and Williams.

DMH:rds

May 19, 1948

PRELIMINARY RESULTS OF THE 1948 SURVEY OF CONSUMER FINANCES

Certain preliminary results from the 1948 Survey of Consumer Finances, conducted for the Board by the Michigan Research Center, are presented here for your confidential information. This survey was based on approximately 3,500 interviews taken throughout the nation during January, February, and the first two weeks in March, 1948. No release of this information to the press should be made at this time.

CONSUMER FINANCIAL STATUS STRONG BUT SHOWS WEAKENING

1. Of the total number of 48.4 million consumer units, about 2.5 million more units in 1947 than in 1946 had money incomes above \$5,000, while about 3 million less consumer units had incomes below \$3,000. For consumers as a whole there was roughly a 10 per cent rise in total money income but, of course, much of this increase was offset by the higher cost of living.

2. Somewhat fewer spending units held liquid assets (i.e., checking accounts, savings accounts, or Government bonds) in early 1948 as compared to early 1947. This is the first time since the end of the war that there has been any decline in the number of spending units holding liquid assets. Total liquid asset holdings of spending units showed some increase, however, so that there was some increase in the average holding.

3. Roughly 3.5 million fewer spending units had savings bonds at the beginning of 1948. This substantial decline in the number of savings bond holders extended the tendency noted in 1946 and was the primary factor accounting for the smaller number of people holding liquid assets. There was little or no change in the number of people holding checking or savings accounts.

4. The total net amounts saved out of income by consumers continued to decline in 1947, reflecting further heavy dissaving (i.e., expenditures in excess of income) on the part of one-fourth to one-third of all spending units and somewhat smaller amounts saved by other spending units. The substantial dissaving in 1947 was closely associated with the large increase in the volume of consumer durable goods bought on credit or through use of liquid assets. Increases in consumer expenditures to meet higher living costs was another important factor in consumer dissaving last year.

5. In 1946 dissavers were heavily concentrated in income classes up to \$3,000. In 1947, however, the concentration extended up to the \$5,000 income level. Particularly noteworthy was the significant rise in the number of dissavers with annual incomes of \$3,000 to \$7,500.

CONSUMER OUTLOOK STILL OPTIMISTIC

1. Although somewhat less optimistic than was observed in early 1947, most consumers were still optimistic about both their future income prospects and about future business conditions.

2. The break in commodity prices during the first week in February appears to have had little dampening influence upon consumers' optimism. As many consumers expected their incomes to rise and good times after the price break as before the price break.

HEAVY CONSUMER SPENDING FOR DURABLE GOODS IN 1947

1. Roughly two-fifths of all consumer units indicated that they had purchased some consumer durable goods during 1947. The veteran of World War II continued to be a heavy spender on durable items; in fact, almost three-fifths of spending units with veterans bought some type of durable good.

2. About 7 million spending units bought automobiles in 1947 and approximately 17 million spending units bought other selected durable goods such as furniture, refrigerators, radios, washing machines, ranges, sewing machines, and other large appliances.

3. About 8 million spending units used instalment credit in purchasing these goods, almost twice as many as used credit for buying such goods in 1946.

CONSUMER BUYING INTENTIONS REMAIN STRONG

1. At the beginning of 1948 as many consumers planned to buy automobiles and other selected durable goods as at the beginning of 1947. There was some indication of a drop in the demand for new cars on the part of spending units with incomes below \$3,000 but this was largely offset by an increase in the number of spending units at higher income levels that planned to buy new cars. There was a slight increase in the number of spending units that were prospective buyers of durable goods other than cars.

2. There was no significant difference noted in purchasing plans for consumer durable goods among interviews taken before and after the commodity price break. Although there was a very substantial shift in consumers' general price expectations after

the commodity price break, with many more spending units anticipating price declines, these price expectations were generally confined to food prices. The price break appeared to have little effect upon consumer expectations of durable goods prices, on which many spending units anticipated declines as early as July 1947.

3. Continuing tendencies noted in early 1947, there was a further softening in the prospective total demand for houses. Approximately 20 per cent less spending units in early 1948 as compared to 1947 indicated some plans for buying houses. Again this slackening in buying intentions was most noteworthy on the part of spending units with incomes below \$2,000.

4. Buying plans were particularly strong, however, for new houses. Somewhat more than 1 million spending units indicated intentions to buy such houses in 1948. This total is greater than estimated completions of new houses for owner-occupancy for the year 1948. The prices that prospective buyers indicated they would pay for these houses were closely in line with prices paid in 1947.

CONCLUSIONS

1. The general financial status of consumers showed the first signs of weakening in 1947. Fewer spending units held liquid assets at the end of the year and there was a substantial increase in total indebtedness. This weakening, however, should be considered a danger signal only. Most consumers continue to have a strong financial status since (1) employment and income are at peak levels, and (2) well over two-thirds of all spending units still have liquid assets in their possession with sizeable amounts held by people in all income groups.

2. The outlook is that consumer expenditures for durables will continue in expanding volume. Some tempering appeared in the demand for new cars, but buying intentions still exceed expected production. As a result of recently proposed armament expenditures, it is probable that there has been a substantial increase in immediate demand for certain types of durable goods since the survey was taken.

3. There is a tendency for a greater proportion of consumer durable goods to be bought on a credit basis today than a year ago and for a somewhat smaller proportion to be bought through use of accumulated liquid savings. As the volume of consumer durable goods purchased continues to rise, however, increasingly larger amounts of liquid assets are being used in buying these goods and there has been no slackening in the rate of turnover of such assets.

4. In order for spending units to satisfy their demand for houses, particularly new houses, in 1948, there will need be a further substantial increase in the volume of mortgage credit. Since veterans account for approximately half of the total housing demand, no slackening in requests for GI mortgage loans can be anticipated.

5. In general, consumer plans to buy both durable goods and houses would indicate a continuation of heavy demand in those areas which are strongly dependent upon availability of credit and liquid assets for effective buying power.

6. Prospects in 1948 are for further heavy dissaving on the part of at least one-fourth of all spending units and no substantial change in the aggregate amounts saved by other spending units. In this connection, while no change in motives for saving is indicated by the general results of the survey, it is evident that considerable efforts will be necessary to make the security savings bond drive an outstanding success. Total saving out of current income will not be sufficient during the year to permit substantial increases in consumer holdings of these bonds. Purchase of savings bonds by use of other liquid assets, particularly checking accounts should be further encouraged to supplement purchases through the pay roll deduction plan.

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Attached are a number of preliminary tables presenting some of the results discussed in this report.

TABLE 1
 DISTRIBUTION OF SPENDING UNITS AND SHARE
 OF MONEY INCOME RECEIVED, BY INCOME GROUPS,
 1947, 1946, and 1945 ^{1/}
 (per cent)

Annual money income before taxes	--1947--		--1946--		--1945--	
	Spending units	Share of income	Spending units	Share of income	Spending units	Share of income
Under \$1,000	14	2	17	3	20	5
\$1,000 - \$1,999 . .	22	10	23	12	27	16
\$2,000 - \$2,999 . . .	23	17	25	21	23	23
\$3,000 - \$3,999 . . .	17	18	17	20	15	20
\$4,000 - \$4,999 . . .	10	13	8	13	7	12
\$5,000 - \$7,499 . . .	9	16	6	11	5	11
\$7,500 and over . . .	5	24	4	20	3	13
All income groups .	100	100	100	100	100	100

Note: The share of income received by the highest 10 per cent of income receivers was 29 per cent in 1945, 32 per cent in 1946, and 33 per cent in 1947.

^{1/} Annual money income before taxes in 1947, 1946, and 1945.

TABLE 2

DISTRIBUTION OF SPENDING UNITS BY SIZE OF
TOTAL LIQUID ASSET HOLDING,
EARLY 1948 AND EARLY 1947
(per cent)

Amount of liquid assets held	Early 1948 ^{1/}	Early 1947 ^{2/}
None	27	24
\$1 - \$199	15	14
\$200 - \$499	12	12
\$500 - \$999	11	14
\$1,000 - \$1,999	11	14
\$2,000 - \$2,999	6	7
\$3,000 - \$4,999	6	7
\$5,000 - \$9,999	5	5
\$10,000 and over	4	3
Not ascertained ^{3/}	3	0
All spending units	100	100

^{1/} Amount held at time of interview in January-March 1948.

^{2/} Amount held at time of interview in January-March 1947.

^{3/} The "not ascertained" cases have been distributed for the early 1947 data but have not been distributed as yet for the early 1948 data.

TABLE 3

DISTRIBUTION OF SPENDING UNITS BY SIZE OF SAVINGS ACCOUNT AND SIZE OF A-F BOND HOLDING, EARLY 1948 AND EARLY 1947 (per cent)

Amount of asset held	Savings account		A-F bond	
	Early 1948 ^{1/}	Early 1947 ^{2/}	Early 1948 ^{1/}	Early 1947 ^{2/}
None	60	58	53	44
\$1 - \$199	9	9	15	17
\$200 - \$499	8	8	11	15
\$500 - \$999	7	8	8	11
\$1,000 - \$1,999 . . .	5	8	5	7
\$2,000 and over . . .	9	9	7	6
Not ascertained ^{3/} . .	2	0	1	0
All spending units .	100	100	100	100

^{1/} Amount held at time of interview in January-March 1948.

^{2/} Amount held at time of interview in January-March 1947.

^{3/} The "not ascertained" cases have been distributed for the early 1947 data but have not been distributed as yet for the early 1948 data.

TABLE 4
 COMPARISON OF POSITIVE AND NEGATIVE SAVERS WITHIN
 INCOME GROUPS, 1947 AND 1946
 (percentage distribution of spending units within income group)

Saving group	Income groups															
	Under \$1,000		\$1,000-\$1,999		\$2,000-\$2,999		\$3,000-\$3,999		\$4,000-\$4,999		\$5,000-\$7,499		\$7,500 and above		All spending units	
	1947	1946	1947	1946	1947	1946	1947	1946	1947	1946	1947	1946	1947	1946	1947	1946
Positive savers ^{1/}	41	42	57	60	63	64	66	78	64	81	74	85	73	89	61	65
Zero savers	30	26	10	9	4	3	2	1	2	*	0	*	1	*	8	8
Negative savers ^{2/}	26	32	30	31	29	33	29	21	30	19	20	15	13	11	27	27
Not ascertained ^{3/}	3	0	3	0	4	0	3	0	4	0	6	0	13	0	4	0
All spending units	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Note: The frequency of dissavers may be slightly understated in the 1947 distribution, particularly at lower income levels, due to the omission of charge accounts and back bills from the 1947 saving schedule. These items were included in the 1946 saving schedule.

^{1/} Spending units with money income in excess of expenditures and taxes.

^{2/} Spending units with expenditures and taxes in excess of money incomes.

^{3/} The "not ascertained" cases have been distributed for the 1946 data but have not been distributed as yet for the 1947 data. The experience of previous surveys indicates that most of these cases will be treated as positive savers on the basis of obtained items of financial and nonfinancial information.

TABLE 5

CONSUMER ATTITUDES TOWARD FINANCIAL SITUATION AND
CONSUMER EXPECTATIONS CONCERNING THE GENERAL
ECONOMIC OUTLOOK AND INCOMES

Attitudes	Percentage distribution of all spending units		
	1948 ^{1/}	1947 ^{2/}	1946 ^{3/}
Financial situation^{4/}			
Better off	29	31	20
Same	28	30	42
Worse off	39	34	31
Uncertain	2	2	2
Not ascertained	2	3	5
All cases	100	100	100
General economic outlook^{5/}			
Good times ahead	47	55	35
Uncertain, no change	19	21	23
Bad times ahead	26	22	36
Not ascertained	8	2	6
All cases	100	100	100
Own incomes^{6/}			
Income will be larger than in preceding year . .	27	26	25
Income will be about the same	47	42	34
Income will be smaller than in preceding year .	13	12	23
Uncertain, "it depends"	9	18	13
Not ascertained	4	2	5
All cases	100	100	100

- 1/ Based on interviews, in January-March 1948 (third survey).
- 2/ Based on interviews, in January-March 1947 (second survey).
- 3/ Based on interviews, in January-March 1946 (first survey).
- 4/ The question was: "Would you say that you people are better off or worse off financially now than you were a year ago?"
- 5/ The question was: "Now considering the country as a whole, do you think we will have good times or bad times or what during the next 12 months or so?"
- 6/ The question was: "Let me see, in 1947 you made \$ _____. Looking ahead now to your income for the current year, 1948—how large do you think your income will be for the entire year, 1948?" Farm operators were not asked their income expectations and are excluded from the above figures.

TABLE 6

CONSUMER PRICE EXPECTATIONS FOR THE YEAR AHEAD,
AS REPORTED AT INTERVALS IN 1948, 1947, AND 1946

Price expectations ^{1/}	Percentage distribution of all spending units reporting price expectations as of:				
	Feb. 14- March 5 1948 ^{2/}	January 1948 ^{2/}	July 1947 ^{3/}	Early 1947	Early 1946
Will go up	15	50	32	13	53
Will remain the same	29	22	29	22	21
Will go down	39	16	29	46	8
Conditional answers	15	10	9	17	13
Not ascertained.	2	2	1	2	5
All cases	100	100	100	100	100

^{1/} The question was: "What do you think will happen to the prices of the things you buy during _____ (next 12 months or year) -- do you think they will go up, or down, or stay about where they are now?"

^{2/} Based on interviews taken in 1948 Survey of Consumer Finances.

^{3/} Based on spot survey (Interim Survey) taken in last two weeks of July 1947.

Strictly confidential

TABLE 7
CONSUMER INTENTIONS TO BUY IN 1948, 1947, AND 1946, AND ACTUAL PURCHASES IN 1947 AND 1946^{1/}

Type of purchase	Percentage of spending units	Estimated number of spending units (In millions)	Median price	Average price	Estimated total value (In billions)
Automobiles:					
New and used cars--total:					
Purchases planned, 1948	9.0-13.5	4.4- 6.5	\$1,570	\$1,540	\$ 6.8-10.0
Actual purchases, 1947	14.9	^{2/} 7.2	1,150	1,250	9.2
Purchases planned, 1947	10.0-13.4	4.6- 6.2	1,310	1,300	6.0- 8.1
Actual purchases, 1946	10.6	^{2/} 5.0	790	920	4.6
Purchases planned, 1946	9.6-12.2	4.4- 5.6	1,150	1,100	4.8- 6.2
New cars:					
Purchases planned, 1948	6.5- 9.4	3.1-4.5	1,750	1,860	5.8- 8.4
Actual purchases, 1947	5.8	2.8	1,780	1,950	5.7
Purchases planned, 1947	7.3- 9.7	3.4-4.5	1,500	1,540	5.2- 7.0
Actual purchases, 1946	3.3	1.5	1,500	1,620	2.3
Purchases planned, 1946	7.4- 9.3	3.4- 4.3	<u>(3)/</u>	<u>(3)/</u>	<u>(3)/</u>
Used cars:					
Purchases planned, 1948	2.5- 4.1	1.2- 1.9	540	710	0.9- 1.4
Actual purchases, 1947	9.1	4.4	660	780	3.5
Purchases planned, 1947	2.7- 3.7	1.2- 1.7	500	650	0.8- 1.1
Actual purchases, 1946	7.4	3.5	500	630	2.3
Purchases planned, 1946	2.2- 2.9	1.0- 1.3	<u>(3)/</u>	<u>(3)/</u>	<u>(3)/</u>
Other selected durable goods:					
Purchases planned, 1948	19.0-24.6	9.2-11.9	240	340	3.1- 4.0
Actual purchases, 1947	35.1	17.0	200	310	5.3
Purchases planned, 1947	18.1-23.8	8.4-11.0	200	310	2.6- 3.4
Actual purchases, 1946	28.3	13.1	180	310	4.1
Purchases planned, 1946	25.7-31.3	11.8-14.4	200	320	3.8- 4.6
Houses:^{4/}					
Purchases planned, 1948	4.0- 6.0	1.7- 2.6	6,580	7,430	12.6-19.3
Actual purchases, 1947	5.0	2.2	6,010	7,090	15.5
Purchases planned, 1947	5.0- 7.5	2.1- 3.2	5,110	6,310	13.3-20.2
Actual purchases, 1946 ^{5/}	6.5	2.7	<u>(3)/</u>	5,390	14.5
Purchases planned, 1946	7.5- 9.3	3.1- 3.9	<u>(3)/</u>	5,020	15.6-19.3

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- 1/ Intended purchases for the year 1948 and actual purchases during 1947 were ascertained in the third survey made early in 1948. Intended purchases for 1947 and actual purchases during 1946 were ascertained early in 1947, while intended purchases for the year 1946 were ascertained early in 1946. In every case, the percentage of people expecting to buy includes those who said definitely they would buy and those who said they probably would do so. Intended purchases in 1948 and actual purchases in 1947 are related to 1947 money income, intended purchases for 1947 and actual purchases in 1946 to 1946 income, and intended purchases in 1946 to 1945 income.
 - 2/ This figure represents the number of cars bought, not the number of spending units that bought cars.
 - 3/ Data not available.
 - 4/ Farmers are excluded from the housing figures inasmuch as their purchases of housing are usually incidental to their purchases of farm land.
 - 5/ These are rough estimates which probably overstate purchases in 1946 because some buyers of lots or summer cottages are included among house buyers. Estimates of 1947 purchases exclude such transactions.

TABLE 8
METHOD OF PAYMENT FOR CONSUMER DURABLE GOODS AND HOUSES BY
PROSPECTIVE AND ACTUAL BUYERS, 1948, 1947, AND 1946

Type of purchase and method of payment	Percentage distribution of buyers:				
	Plans for financing in 1948	Actual financing in 1947	Plans for financing in 1947	Actual financing in 1946	Plans for financing in 1946
Automobiles:					
Full cash (including trade-in allowances)	53	56	54	77	(1)/
Instalment credit (together with down payments-- cash and trade-in allowances)	37	34	37	21	(1)/
Uncertain as to method	10	(2)/	9	2	(1)/
All buyers	100	100	100	100	100
Other selected durable goods:					
Full cash (including trade-in allowances)	49	58	56	65	(1)/
Instalment credit (together with down payments-- cash and trade-in allowances)	42	42	38	35	(1)/
Uncertain as to method	9	0	6	0	(1)/
All buyers	100	100	100	100	100
Houses:					
Full cash	20	16	13	16	17
Mortgage	67	84	74	82	71
Uncertain as to method	13	0	13	2	12
All buyers	100	100	100	100	100

1/ Not available.

2/ One-half of one per cent.