

SECURITIES AND EXCHANGE COMMISSION
Philadelphia

STATISTICAL SERIES
Release No. 729

The Securities and Exchange Commission today made public an analysis of the volume and composition of saving by individuals in the United States during the second quarter of 1942, continuing a series of quarterly figures on this subject.

The more important results of the analysis may be summarized as follows:

1. Individuals saved substantially more in the second quarter of 1942 than they did in the first quarter. The data indicate that most of the increase in income after taxes during the last quarter went into saving rather than current expenditures.
2. Individuals' purchases of Government bonds showed a small increase over the first quarter. Such purchases again constituted the largest component of individuals' saving.
3. Individuals added very considerably to their cash holdings and deposits in checking accounts, in marked contrast to the previous quarter. This increase accounted for most of the rise in saving in the second quarter. It should be noted that saving in this form is relatively unstable and is potentially dangerous from the point of view of its inflationary possibilities.
4. Individuals' debts were again reduced substantially. As in the first quarter, this appears to have resulted chiefly from inability to purchase automobiles and certain other durable consumers' goods. By the middle of next year, individuals will have paid off the bulk of installment debt previously incurred, such repayment reflecting contractual obligation. Consequently, at that time, there will no longer be any substantial saving in this form.

Individuals' gross saving in the second quarter of 1942 amounted to 9.1 billions compared with 6.4 billions in the first quarter. This substantial increase was almost entirely due to the rise in liquid saving to the highest point on record.

The increase in liquid saving, i.e., saving exclusive of purchases of durable goods, reflects the higher level of income in the hands of individuals after payment of taxes. However, the volume of liquid saving is considerably higher than might be expected on the basis of the past relationships between such saving and income alone. This seems to be due in part, as in the first quarter, to the restrictions placed on the purchases of automobiles and other durable consumers' goods and on the extension of credit for such purchases, resulting not only in an enforced decrease in purchases of these goods but also in an automatic decrease in outstanding debt. To some extent, also, the increase in liquid saving in the second quarter probably reflects rationing and growing scarcities of other consumers' goods as well. Finally, there appears to be some indication in this quarter of a greater diversion from consumption into liquid saving than can be explained solely in terms of the above factors.

Purchases of Federal government securities by individuals amounted to 2.4 billions in the second quarter of 1942 compared with 2.2 billions in the preceding quarter. Saving in Federal securities constituted 37% of individuals' liquid saving in the second quarter of 1942, compared with 55% in the first quarter, 30% in 1941 and 11% in 1940.

It is estimated that saving in the form of cash and deposits in the second quarter amounted to roughly 2.1 billions. This represents a striking increase from the first quarter in which there was apparently no net saving in this form. The increase in individuals' cash holdings and deposits in the second quarter is even larger than the high level of saving in this form during 1940 and 1941, which amounted on the average to 1.2 billions quarterly. About half the increase was in the form of demand deposits, most of the balance being in cash on hand. Additions to checking accounts and to cash on hand do not, of course, constitute saving in the same sense as increases in holdings of securities or saving in other liquid forms. Such additions represent in considerable part temporary accumulations of funds which are not earmarked for investment and may at any time be diverted into consumption.

The figures for the second quarter of 1942 also show that the value of individuals' purchases of automobiles and other durable consumers' goods was 2.0 billions, a slight increase from the purchases of 1.8 billions in the first quarter, but a marked decline from the average quarterly level of 2.9 billions for 1941. The slight increase in purchases of consumers' durable goods in the second quarter can be accounted for entirely in terms of seasonal factors.

A substantial reduction of 0.8 billions in individuals' debt which had been incurred in the purchase of automobiles and other durable consumers' goods was again recorded, due principally to the low level of purchases of such goods and, to a lesser extent, to the restrictions on the granting of credit. This reduction was almost as great as in the first quarter which has been the highest for any quarter on record. However, by the middle of 1943 saving in this form will diminish to a relatively negligible figure.

Of the remaining components of individuals' saving in the second quarter, purchases of homes amounted to 0.6 billions, approximately the same as the amount in the first quarter but considerably less than the figure for the corresponding quarter of 1941 or for the average quarter of that year. As in the past, there was a sizeable growth in individuals' equity in insurance and pension reserves, amounting to 0.5 billions in private insurance, mostly life insurance, and 0.6 billions in Government insurance, mostly Social Security funds. Individuals' saving in private insurance, which in the past decade had increased rather steadily in line with income, has in recent quarters remained rather stable at the level of 0.5 billions. Individuals' saving in Government insurance, on the other hand, has continued to increase with income, with saving in this form during the second quarter showing an increase of 0.2 billions over the preceding quarter and representing the highest level ever reached. Finally, there was not much change in individuals' net absorption of corporate securities.

The above discussion is based on data presented in the following table and the appended charts.

**GROSS SAVING OF INDIVIDUALS IN THE UNITED STATES ^{1/}
1940-1942**

(Billions of dollars)

	1940	1941	1942	
			<u>Jan. - Mar.</u>	<u>Apr. - June</u>
Gross Saving	16.43	25.50	6.40	9.14
Liquid Saving ^{2/}	4.59	10.82	4.01	6.53
Gross Saving by Type				
1. Currency and bank deposits	+ 3.70	+ 5.60	0	+ 2.10
2. Savings and loan associations	+ .25	+ .45	0	+ .05
3. Insurance and pension reserves				
a. Private insurance	+ 1.70	+ 2.04	+ .57	+ .53
b. Government insurance	+ 1.24	+ 1.76	+ .40	+ .60
c. Total	+ 2.94	+ 3.80	+ .97	+ 1.13
4. Securities				
a. Federal	+ .50	+ 3.29	+ 2.22	+ 2.45
b. Municipal	- .40	- .19	- .11	+ .23
c. Corporate and other	- .54	- .45	+ .27	+ .02
d. Total	- .44	+ 2.66	+ 2.38	+ 2.70
5. Nonfarm dwellings ^{3/}				
a. Purchases ^{4/}	+ 2.58	+ 3.24	+ .58	+ .62
b. Change in debt	+ .90	+ 1.01	+ .18	+ .20
c. Saving (a minus b)	+ 1.68	+ 2.23	+ .40	+ .42
6. Automobiles and other durable consumers' goods ^{5/}	+ 9.26	+ 11.44	+ 1.82	+ 1.99
7. Liquidation of debt, not elsewhere classified ^{6/}	- .97	- .67	+ .83	+ .75

^{1/} Does not include business or government saving.

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

^{3/} One-to-four family nonfarm homes.

^{4/} All new construction less net acquisition of properties by non-individuals. This series has been revised.

^{5/} Purchases. The figures shown above include all passenger cars sold in the United States. No adjustment has been made for dealers' over-allowances on trade-ins.

^{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, viz., saving in savings and loan associations, insurance, securities and homes.

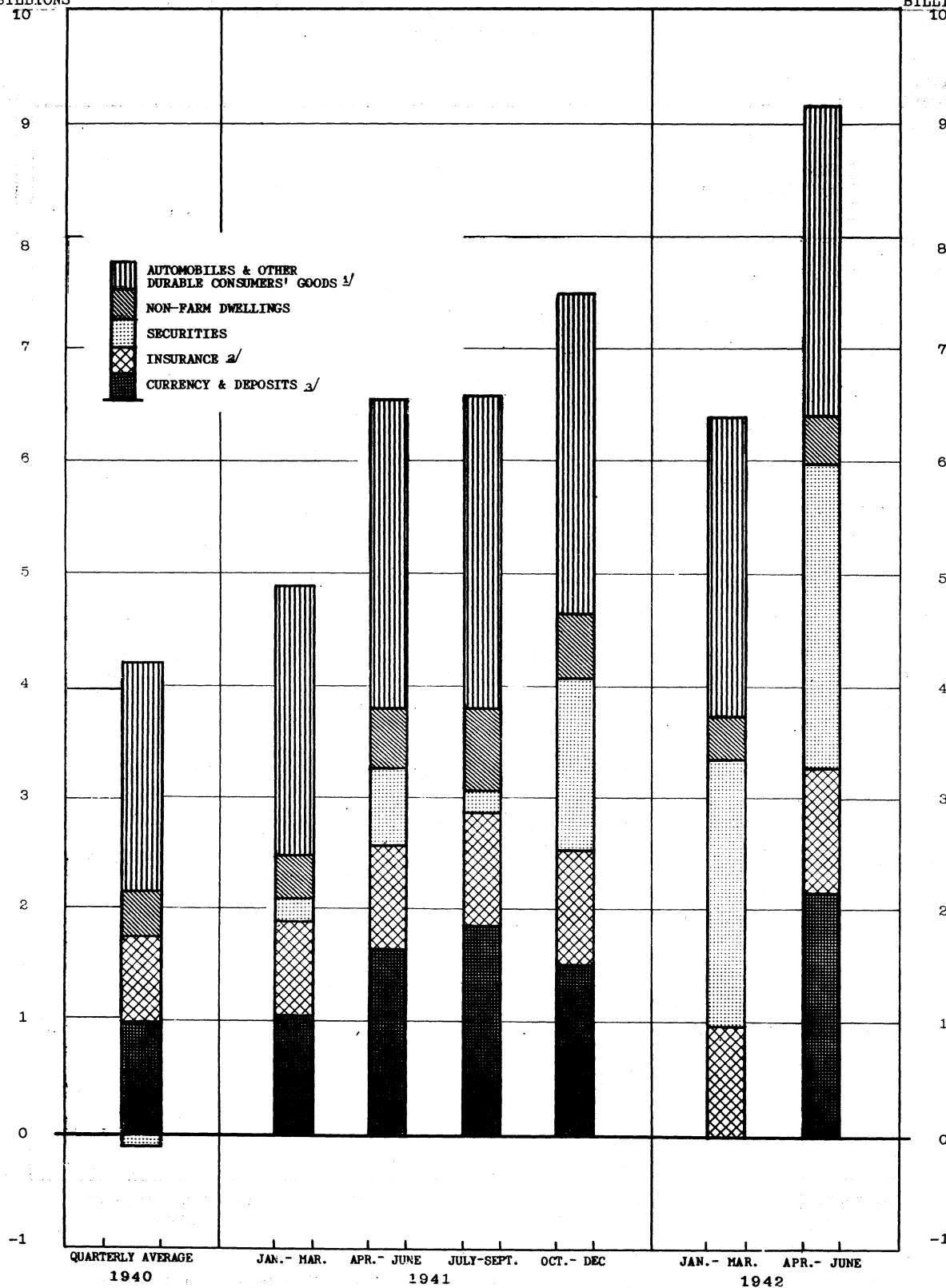
Note: Figures are rounded and will not necessarily add to totals.

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' SAVING 1940 - 1942

DOLLARS
BILLIONS
10

DOLLARS
BILLIONS
10

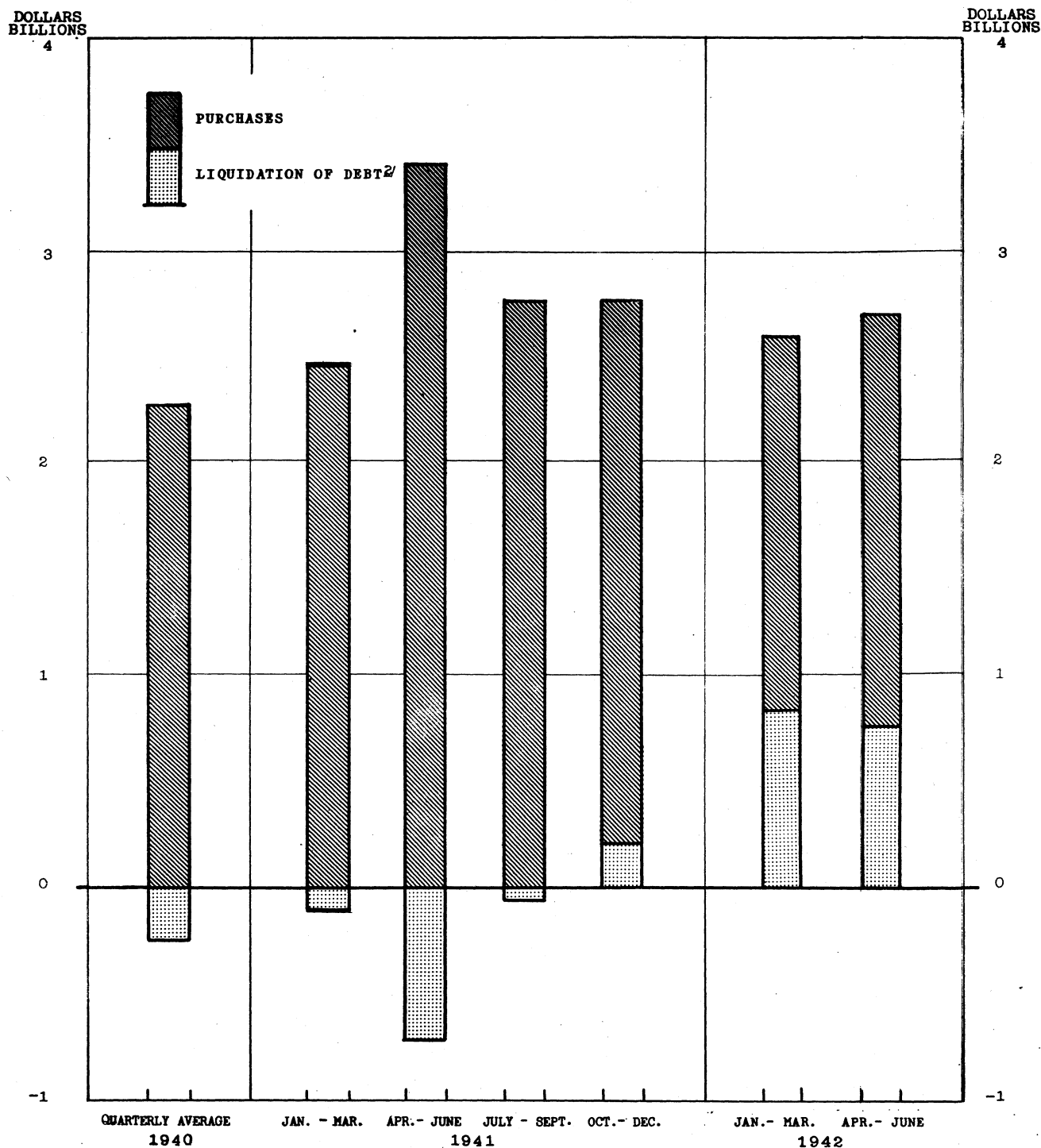


1/ INCLUDES "LIQUIDATION OF DEBT NOT ELSEWHERE CLASSIFIED". SEE FOLLOWING CHART FOR BREAKDOWN.

2/ INCLUDES SAVING IN GOVERNMENT INSURANCE FUNDS.

3/ INCLUDES SAVING IN SAVINGS AND LOAN ASSOCIATIONS.

INDIVIDUALS' PURCHASES OF DURABLE CONSUMERS' GOODS ^{1/} AND THE RELATED LIQUIDATION OF DEBT 1940 1942



1/ AUTOMOBILES AND OTHER DURABLE CONSUMERS' GOODS.

2/ DEBT, NOT ELSEWHERE CLASSIFIED. FIGURES BELOW THE BASE LINE INDICATE AN INCREASE IN DEBT, I.E. DISSAVING.