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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 third quarter of 1942, continuing a series of quarterly figures on this subject. This quarter was characterized by a very large increase in the public's cash on hand and in checking accounts, a smaller rise in their holdings of Government bonds, and a further reduction in debt.

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

1. People in this country saved substantially more in the third quarter of 1942 than they did in the second quarter. The data indicate that the ratio of saving to income after taxes rose to a new high point.
2. However, most of the rise in saving in the third quarter was attributable to the extremely large increase in people's cash holdings and deposits in checking accounts, amounting to close to 4.0 billions or almost twice the amount in the second quarter. Saving in this form accounted for more than 40% of all liquid saving, and constituted the largest component of individuals' current saving. This accelerated growth in individuals' cash holdings and demand deposits is potentially quite dangerous in view of the inflationary pressures such funds may exert. Thus it should be noted that there is reason to believe that more and more of individuals' liquid saving will take this form in the near future as a result of the growing disparity between the rising national income and the declining supply of consumer goods.
3. Individuals purchased 2.8 billions of Government bonds (including 2.1 billions of War Savings Bonds) in the third quarter, an increase of 0.6 billions over the second quarter.
4. Debts of individuals other than mortgages were again reduced substantially. However, saving in this form will tail off fairly rapidly in the near future as individuals pay off the bulk of their outstanding obligations.

Individuals' gross saving in the third quarter of 1942 amounted to 11.4 billions compared with 9.0 billions in the second quarter. This substantial increase was entirely due to the rise in liquid saving from 6.4 billions to 9.1 billions, a new all-time high.

The increase in the public's 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. Practically all of the increase in such income went into liquid saving rather than consumption. Consequently, the volume of liquid saving is substantially 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 prior quarters, to the restrictions placed on the purchases of 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 liquidation of outstanding debt. To some extent, also, the increase in liquid saving in the third quarter probably reflects rationing and growing scarcities of other consumers' goods as well. Finally, there appears to be strong evidence in this quarter of a greater diversion from consumption into liquid saving than can be explained solely in terms of the above factors.

The most striking feature of the pattern of saving during the third quarter of 1942 is the extremely large rise in individuals' currency and bank deposits. People as a whole added over 1.0 billions to their cash hoards and 3.0 billions to their deposits, for the most part in the form of deposits in checking accounts. The rate of accumulation of such funds was almost twice as great as in the second quarter, the previous high point of saving in this form. Furthermore, not only have the people in this country shown a very high and increasing propensity to save in this form over the past two quarters, but there is evidence of a further acceleration in the growth of such funds in the near future. Consequently, it should be pointed out that additions to checking accounts and cash on hand represent in considerable part temporary accumulations of funds which are relatively unstable and may at any time be diverted into consumption or other channels. On the other hand, part of the accumulation of such funds undoubtedly represents provision for future payment of currently accruing taxes.

Purchases of Federal government securities by individuals amounted to 2.8 billions in the third quarter of 1942 compared with 2.2 billions in the preceding quarter. Saving in such securities constituted 31% of individuals' liquid saving in the third quarter of 1942, compared with 34% in the second quarter, 57% in the first quarter, 30% in 1941, and 10% in 1940.

Individuals' debt which had been incurred in the purchase of automobiles and other durable consumers' goods was again reduced substantially, 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, amounting to 0.8 billions, was approximately at the same rate as in the first six months of the year, the highest for any corresponding period on record. However, by the middle of 1943 saving in this form will diminish to a relatively small figure.

Purchases of automobiles and other durable consumers' goods by individuals amounted to close to 2.0 billions, not much different from the first and second quarters of 1942 but a marked decline from the average quarterly level for 1941. Purchases of homes amounted to 0.3 billions, somewhat smaller than in the first two quarters of the year and substantially less than the quarterly figures for 1941.

Finally, individuals' saving in the form of private insurance, mostly life insurance, amounted to 0.6 billions, while their saving in the form of Government insurance, mostly Social Security funds, amounted to 0.7 billions. This represented a small increase over their saving in these forms in the preceding quarter. There was only a small rise in individuals' mortgage debt, reflecting the comparatively small amount of new private housing. Also, there was not much change in individuals' net absorption of municipal and 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	Jan.- Mar.	1942 Apr.- June	July- Sept.
Gross Saving	16.57	25.28	6.50	8.96	11.40
Liquid Saving ^{2/}	4.77	10.84	4.18	6.45	9.13
Gross Saving by Type					
1. Currency and bank deposits ^{3/}	+ 3.70	+ 5.60	- .10	+ 2.40	+ 4.20
2. Savings and loan associations	+ .25	+ .45	0	+ .05	+ .03
3. Insurance and pension reserves					
a. Private insurance	+ 1.70	+ 2.04	+ .57	+ .53	+ .62
b. Government insurance	+ 1.24	+ 1.76	+ .40	+ .60	+ .72
c. Total	+ 2.94	+ 3.80	+ .97	+ 1.13	+ 1.34
4. Securities					
a. Federal	+ .50	+ 3.30	+ 2.40	+ 2.20	+ 2.80
b. Municipal	- .22	+ .02	- .06	- .03	+ .04
c. Corporate and other	- .56	- .58	+ .28	+ .01	0
d. Total	- .28	+ 2.74	+ 2.62	+ 2.18	+ 2.84
5. Nonfarm Dwellings ^{4/}					
a. Purchases ^{5/}	+ 2.54	+ 3.01	+ .51	+ .52	+ .32
b. Change in debt	+ .88	+ 1.08	+ .12	+ .15	+ .11
c. Saving (a minus b)	+ 1.67	+ 1.92	+ .39	+ .36	+ .21
6. Automobiles and other durable consumers' goods ^{6/}	+ 9.26	+ 11.44	+ 1.82	+ 1.99	+ 1.95
7. Liquidation of debt, not elsewhere classified ^{7/}	- .97	- .67	+ .80	+ .85	+ .83

^{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/} Includes currency, deposits in checking accounts, and deposits in savings accounts.

^{4/} One - to four-family nonfarm homes.

^{5/} All new construction less net acquisition of properties by non-individuals. This series has been revised.

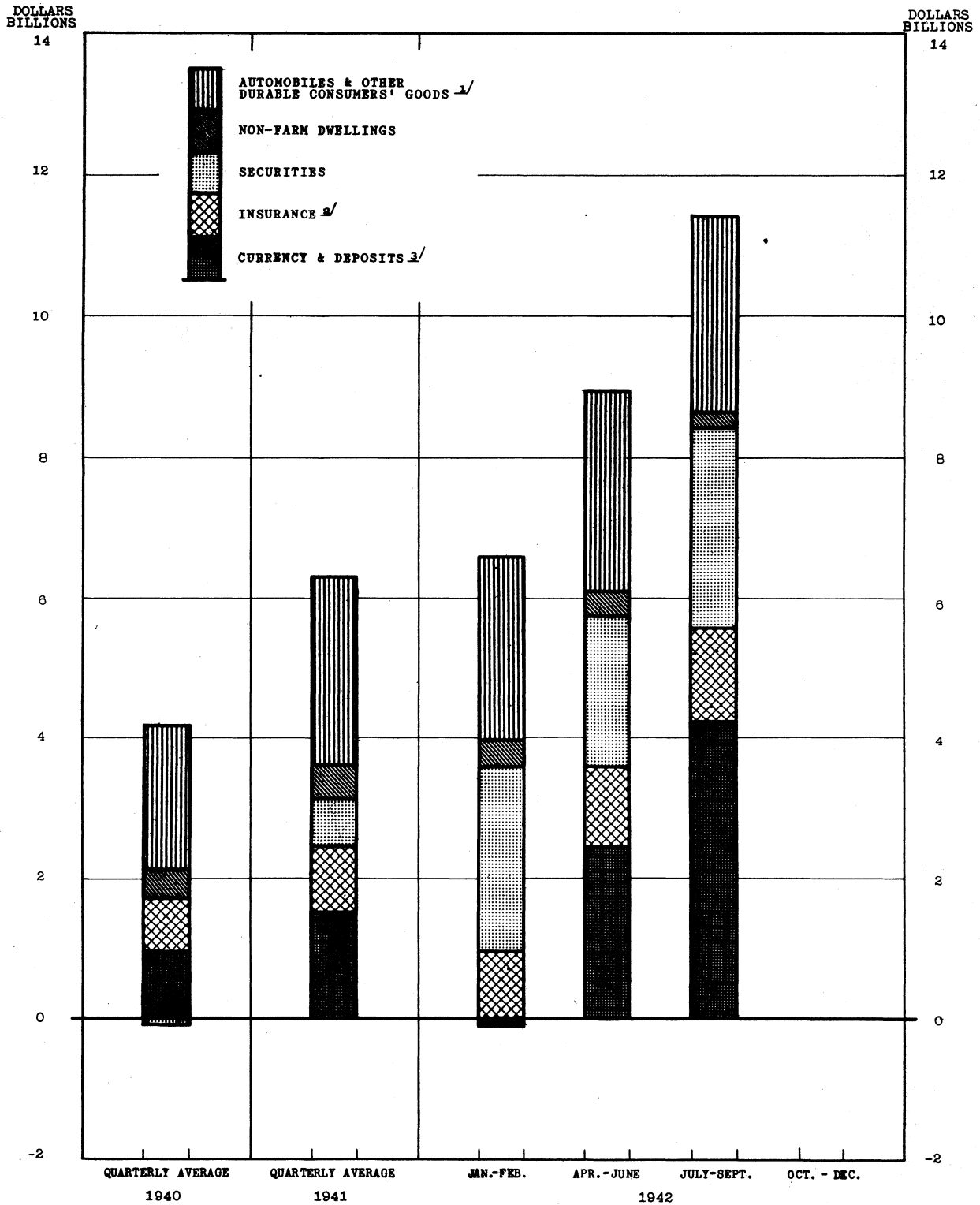
^{6/} Purchases. The figures shown above include all passenger cars sold in the United States. No adjustment has been made for dealers' overallowances on trade-ins.

^{7/} 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

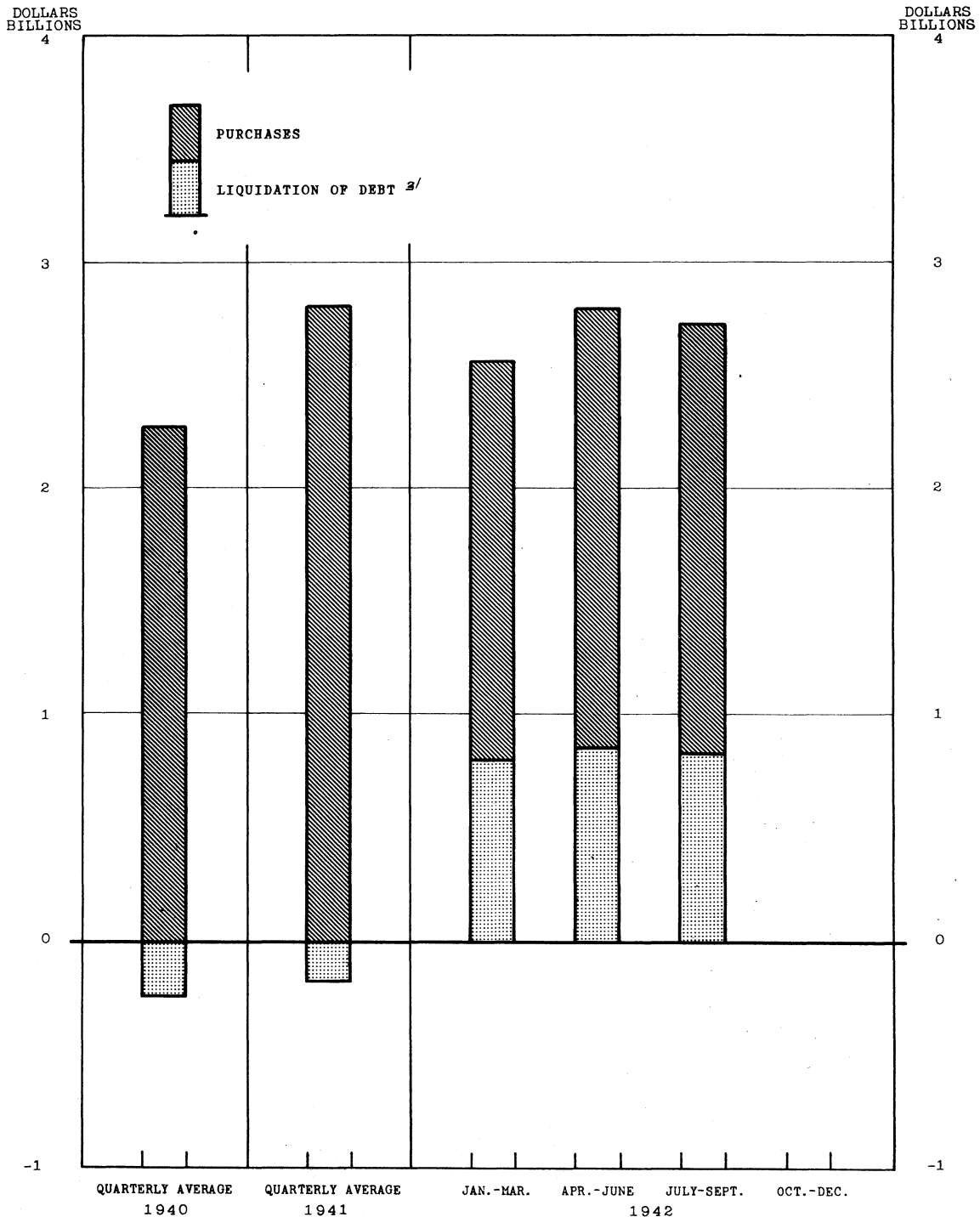


^{1/} INCLUDES "LIQUIDATION OF DEBT NOT ELSEWHERE CLASSIFIED". SEE FOLLOWING CHART FOR BREAKDOWN.

^{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 ^{2/}
 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.