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The Securities and Exchange Commission today made public its quarterly analysis of the volume and composition of saving by individuals in the United States covering the fourth quarter of 1942. 1/ This survey shows that the public continued to hold an extremely large part of its increased income in cash on hand and in checking accounts.

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

1. People in this country saved more in the fourth quarter of 1942 than ever before. The data indicate ~~that~~ the ratio of liquid saving (i.e., saving exclusive of purchases of durable goods) to income after taxes remained at the same high point reached in the third quarter of the year though a seasonal decline might normally have been expected.
2. The great volume of saving in this quarter, however, was due in large part to the very substantial increase in peoples' cash holdings and deposits in checking accounts, amounting to \$4.6 billion, almost \$1.0 billion higher than in the preceding quarter. 2/ Saving in this form again constituted the largest component of individuals' saving. The ratio of saving in currency and demand deposits to income (after taxes) reached the highest point on record. Thus data for the fourth quarter indicate a continuation of the propensity of individuals in recent months to put increasingly greater proportions of their income into currency and demand deposits.
3. Individuals purchased \$3.3 billion of U. S. Government bonds (including \$2.3 billion of War Savings Bonds) in the fourth quarter, an increase of \$0.5 billion over the third quarter.
4. Debts of individuals other than mortgages were again reduced considerably, but such repayment was much smaller than in prior quarters.

Individuals' liquid saving was \$10.1 billion in the fourth quarter, compared with \$9.1 billion in the third quarter. For the four quarters of 1942, liquid saving totalled \$28.9 billion, an all-time high. The increase in

1/ In this analysis individuals' saving includes unincorporated business' saving of the types specified in the attached table.

2/ These figures include the cash and deposits of unincorporated business as well as of consumers. Probably the two most important groups included in unincorporated business are agriculture and trade. It should be noted that part of the above increase in cash and deposits reflects a liquidation of inventories of unincorporated trade (net of retirement of notes payable). However, although the amount of this increase is not known, it is believed to have been substantially less than \$0.5 billion in the fourth quarter, when it was at its highest for the period covered in the attached table.

liquid saving during the fourth quarter reflects the higher level of income in the hands of individuals after payment of taxes. As in other recent quarters, 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 rationing and growing scarcities of consumers' goods and to restrictions on the granting of credit for the purchase of such goods.

The most significant feature of the pattern of saving during the fourth quarter of 1942 was the unprecedented growth in individuals' currency and demand deposits. Individuals added about \$1.5 billion to their cash on hand and \$3.1 billion to their checking accounts, contrasted with \$1.1 billion and \$2.5 billion, respectively, in the third quarter. For the year as a whole, saving in these two forms totalled \$10.6 billion. The rate of accumulation of such funds during the last half of the year seemed to be considerably greater than could be explained on the basis of the relationship of past accumulations to income (after taxes). Part of this growth in currency and demand deposits undoubtedly represents provision for future payment of currently accruing taxes. ^{3/} Another sizable portion of this money constitutes funds laid aside for a "rainy day". However, these additions to cash on hand and in checking accounts also represent in considerable part temporary and relatively unstable accumulations of funds which may at any time be diverted into consumption and other channels. If such funds continue to grow at the present rate, the control of inflationary tendencies will become increasingly difficult.

Purchases of Federal government securities by individuals in the fourth quarter reached a high point of \$3.3 billion, compared with \$2.8 billion in the preceding quarter. ^{4/} War Savings Bonds again accounted for the major part of such purchases, rising from \$2.1 billion to \$2.3 billion; tax notes and marketable securities, including issues offered during the Victory Loan Drive in December, accounted for \$1.0 billion, compared with \$0.7 billion in the preceding quarter. For the year 1942, individuals purchased \$10.3 billion of Government securities, including \$8.0 billion in War Savings Bonds.

Individuals' debt other than mortgages, which had been incurred mainly in the purchase of automobiles and other durable consumers' goods, was again reduced considerably, due principally to the low level of purchases of such goods and, to a lesser extent, to the restrictions on the extension of credit. However, this reduction, amounting to \$0.4 billion, ^{5/} was much less than the rate in the first three quarters of the year. Saving in this form will probably continue to tail off in 1943. For 1942 as a whole, such indebtedness was increased by \$2.8 billion, the highest for any year on record.

^{3/} Cash accumulations in 1943 will be more than sufficient to take care of tax payments. Even after payment of taxes it is believed that in the absence of new developments individuals' saving in cash on hand and in banks for 1943 will be much larger than in 1942.

^{4/} The figures include purchases by unincorporated business other than brokers and dealers whose purchases were financed by bank loans.

^{5/} This does not include the reduction in consumers' indebtedness to unincorporated business, amounting to about \$0.1 billion in the fourth quarter of 1942, and \$0.6 billion in the year as a whole.

Among other items of individuals' saving, additions to time deposits in the fourth quarter amounted to nearly \$0.5 billion. Individuals' equity in private insurance, mostly life insurance, increased by close to \$0.7 billion in this quarter, representing a small increase over their saving in this form in the preceding quarter. For the year as a whole saving in the form of private insurance amounted to \$2.4 billion, another new record. There was only a small rise in individuals' mortgage debt, reflecting the comparatively small amount of new private housing. In 1943, there will probably be a fairly sizable reduction in such debt as a result of restrictions on new construction. Finally, there was little change in individuals' holdings of corporate securities during the fourth quarter. There was a sizable decline in corporate securities outstanding amounting to \$0.3 billion, resulting in part from provisions of the Revenue Act of 1942, but this was offset by a reduction in institutional portfolios.

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

Gross Saving by Individuals in the United States ^{1/}
during 1940 - 1942
(Billions of dollars)

	1940	1941	1942	1942			
				Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.
Gross Saving	16.1	24.7	38.2	6.1	8.5	11.3	12.3
Liquid Saving ^{2/}	4.3	10.3	28.9	3.8	6.0	9.1	10.1
Gross Saving by Type							
1. Currency and bank deposits							
a. Currency and demand deposits	+ 2.5	+ 5.6	+10.6	+ .5	+ 1.9	+ 3.6	+ 4.6
b. Time deposits	+ .5	0	+ .4	- .7	+ .2	+ .5	+ .5
c. Total	+ 3.0	+ 5.6	+11.0	- .2	+ 2.1	+ 4.1	+ 5.1
2. Savings and loan associations	+ .3	+ .3	+ .3	0	+ .1	+ .1	+ .1
3. Insurance and pension reserves							
a. Private insurance	+ 1.7	+ 2.1	+ 2.4	+ .6	+ .5	+ .6	+ .7
b. Government insurance	+ 1.2	+ 1.8	+ 2.4	+ .4	+ .6	+ .7	+ .7
c. Total	+ 2.9	+ 3.8	+ 4.8	+ 1.0	+ 1.1	+ 1.3	+ 1.4
4. Securities ^{3/}							
a. U.S. Savings bonds	+ .9	+ 2.8	+ 8.0	+ 2.0	+ 1.6	+ 2.1	+ 2.3
b. Other U.S. Government	- .2	+ .2	+ 2.3	+ .2	+ .4	+ .7	+ 1.0
c. State and local governments	- .1	- .2	- .2	- .1	- .1	0	0
d. Corporate and other	- .5	- .5	+ .4	+ .3	+ .1	0	0
e. Total	+ .1	+ 2.2	+10.4	+ 2.3	+ 2.0	+ 2.8	+ 3.2
5. Non-farm dwellings ^{4/}							
a. Purchases ^{5/}	2.5	3.0	1.6	.5	.5	.3	.3
b. Change in debt	+ .9	+ 1.1	+ .4	+ .1	+ .1	+ .1	+ .1
c. Saving (a. minus b.)	+ 1.7	+ 1.9	+ 1.2	+ .4	+ .4	+ .2	+ .2
6. Automobiles and other durable consumers' goods ^{6/}	+ 9.3	+11.4	+ 7.6	+ 1.8	+ 2.0	+ 1.9	+ 1.9
7. Liquidation of debt, not elsewhere classified ^{7/}	- 1.1	- .6	+ 2.8	+ .8	+ .9	+ .8	+ .4

- ^{1/} Includes unincorporated business saving of the types specified. Does not include corporate or government saving.
- ^{2/} Gross saving excluding purchases of homes as well as of automobiles and other durable consumers' goods.
- ^{3/} Does not include purchases by brokers and dealers financed by bank loans.
- ^{4/} One- to four-family nonfarm homes.
- ^{5/} All new construction less net acquisition of properties by non-individuals.
- ^{6/} Purchases. The figures shown above include all new 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. Changes in the commercial indebtedness of unincorporated business and in consumers' indebtedness to unincorporated business are not included in these figures.

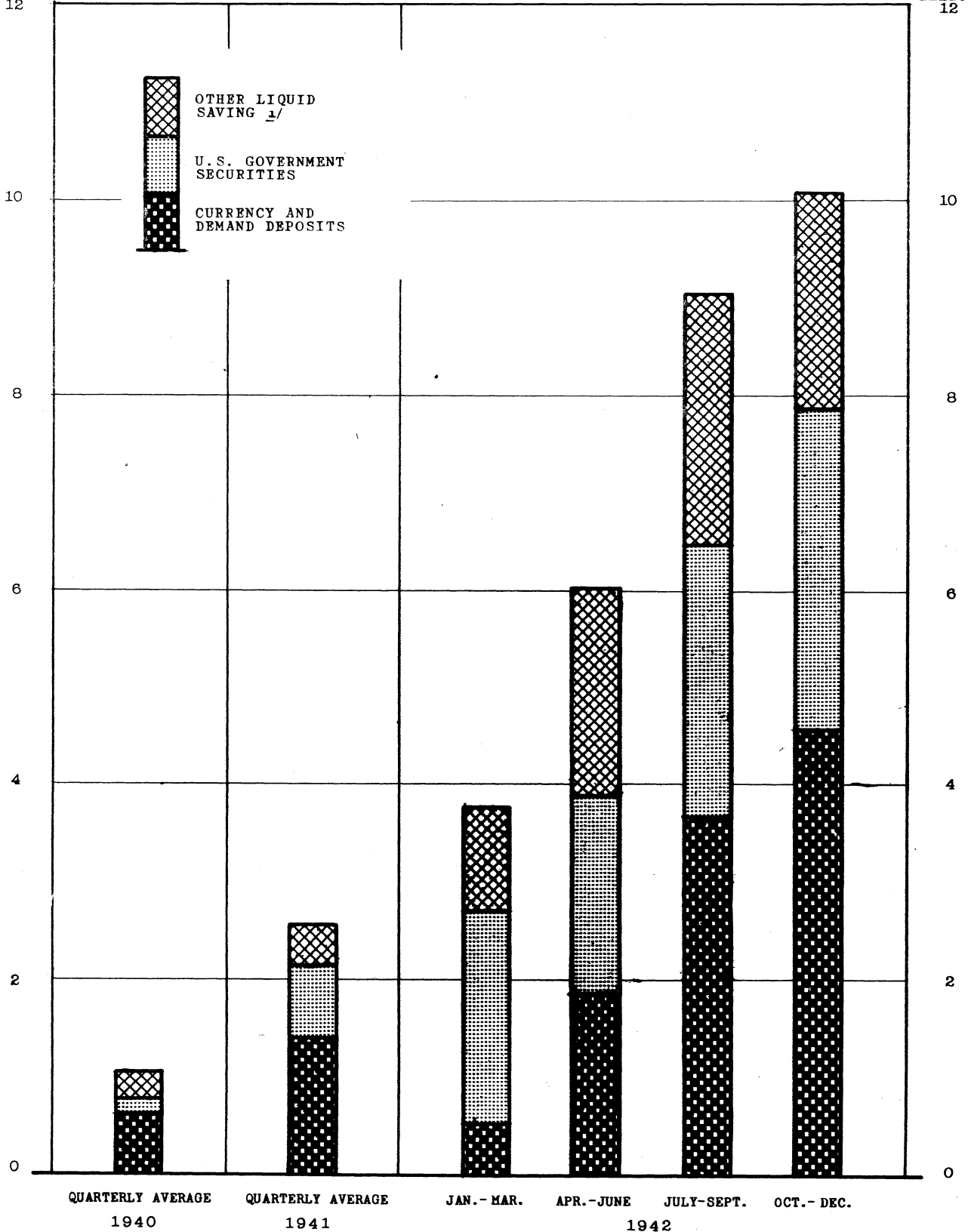
Note: Figures are rounded and will not necessarily add to totals.

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' LIQUID SAVING 1940 - 1942

DOLLARS
BILLIONS
12

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BILLIONS
12



1/ INCLUDES SAVING IN TIME DEPOSITS; SAVINGS AND LOAN ASSOCIATIONS;
PRIVATE AND GOVERNMENT INSURANCE; STATE, LOCAL AND CORPORATE SECURITIES;
AND LIQUIDATION OF MORTGAGE DEBT AND DEBT NOT ELSEWHERE CLASSIFIED.