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In the third quarter of 1943, individuals, including non-corporate business enterprises, and corporations continued to augment their large holdings of liquid assets at the extremely high rate of the past year, according to the quarterly report on the volume and composition of saving released today by the Securities and Exchange Commission. Even more than in the prior quarter, investment in U. S. Government securities accounted for the predominant part of the increase in liquid saving and assets.

The rate of individuals' liquid saving 1/ in this quarter reached a new high for the year, amounting to \$9.9 billion. 2/ The increase of \$700 million over the second quarter saving reflects a normal seasonal rise in the rate of saving as well as an increase in income after payment of taxes. In the three months, July through September, individuals added \$2.7 billion to their cash and deposits 3/, \$5.5 billion to their holdings of U. S. Government bonds and \$700 million to their equity in private insurance, mostly life insurance. They also paid off somewhat less than \$200 million of consumer indebtedness other than mortgages. At the same time they reduced their holdings of corporate securities by \$300 million.

As in the previous quarter but to a greater extent, individuals' investment in U. S. Government securities exceeded their accumulation of cash on hand and in banks, due largely to the Third War Loan Drive. Saving of individuals in the form of U. S. Government securities reached a new high in this quarter. While additions to currency and deposits were again substantial, they were less than in the preceding quarter and showed the smallest rate of increase since the second quarter of 1942.

Because of the magnitude of accumulations of cash and deposits since the beginning of the War, they have received considerable emphasis in recent discussions of the public's saving. It may, therefore, be well to note again that additions to individuals' cash on hand and in checking accounts, amounting roughly to \$7.0 billion and \$9.5 billion respectively since the end of 1941 4/, do not constitute saving in the same sense as increases in holdings of securities and life insurance, or debt liquidation, but represent in considerable part only a temporary accumulation of funds not ear-marked for investment that may at any time be diverted into consumption and other channels. In view of the differences between the various forms of saving, it is important to consider not only the volume but also the components of saving and the significant shifts among them in order to determine the effects of saving on the economy during the war as well as in the post-war period.

As previously noted in these releases, a substantial proportion of the increase in individuals' saving is attributable to unincorporated businesses such as tradesmen, farmers, professionals, etc. With respect to demand deposits (a form of saving in which unincorporated business might be expected to hold a relatively larger share than in other forms) there is some reason to

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- 1/ Includes unincorporated business saving of types specified in the attached table.
  - 2/ This includes saving in Government insurance, mostly Social Security funds, amounting to \$1.0 billion.
  - 3/ Includes currency, deposits in checking accounts, and deposits in savings accounts.
  - 4/ It is estimated that additions to individuals' savings (and time) deposits amounted to \$4.5 billion during this period.

believe that unincorporated businesses accounted for as much of such saving in the past year as other individuals. <sup>5/</sup>

The attached table presents in detail the estimates on which the above analysis is based.

In addition to the estimates of saving by individuals the Commission again made public estimates of corporate saving, excluding banks and insurance companies, in the form of increases in cash and deposits, Government securities and inventories, and the offsetting increases in Federal income tax liabilities for the third quarter of 1943 and prior periods. <sup>6/</sup>

	1940	1941	1942	Change			Level as of 9/30/43
				Jan.- Mar.	Apr.- June	July- Sept.	
(Billions of dollars)							
Currency and bank deposits	+2.2	+ .7	+3.3	+3.0 <sup>7/</sup>	+ .5	- .7	19.9 <sup>8/</sup>
U. S. Government securities	- .3	+2.0	+6.3	+ .5	+2.6	+3.7 <sup>9/</sup>	16.9 <sup>9/</sup>
Inventories	+1.8	+5.6	+1.6	- .5	- .4	+ .6	26.7
Federal income tax liabilities	+1.3	+4.4	+4.7	+ .1	+ .7	+ .7	13.3

This table shows that while during the third quarter there was a decrease of \$700 million in the cash and deposits of non-financial corporations, holdings of U. S. Government securities increased by \$3.7 billion, the highest increase on record. The net increase in cash, deposits and U. S. Government securities combined, amounting to \$3.0 billion, was at about the same rate as in the first and second quarters of the year. Inventories increased \$600 million in contrast to a decrease of approximately \$500 million in each of the prior quarters of the year. The increase of \$700 million in Federal income tax liabilities was about the same as in the second quarter.

In subsequent releases it is planned to present estimates of corporate saving in considerably more detail. The addition of these other forms of saving will, of course, give a much more adequate picture of the financial condition of corporations and their liquid position. In this way the volume and most significant components of the saving of all important segments of the national economy will be available.

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- <sup>5/</sup> It should be noted that part of the increase in cash and deposits of unincorporated business reflects liquidation of inventories and receivables of unincorporated trade (net of retirement of notes and accounts payable). Although the amount of this increase is not known, it is believed to have been not more than \$1.0 billion since the beginning of 1942.
  - <sup>6/</sup> These estimates are based on Securities and Exchange Commission, Treasury Department, and Department of Commerce data.
  - <sup>7/</sup> Somewhat less than \$500 million of this amount represented Victory Taxes withheld by corporations (other than banks and insurance companies) but not paid to the Treasury Department until the next quarter.
  - <sup>8/</sup> Somewhat over \$500 million of this amount represented withholding taxes not paid to the Treasury Department until next quarter.
  - <sup>9/</sup> Does not include purchases financed by bank loans, estimated at somewhat over \$300 million.

Gross Saving by Individuals in the United States 1/  
1940 - 1943  
(Billions of dollars)

	1940	1941	1942	Jan.- March	1943 April- June	July- Sept.
Gross Saving	15.8	25.0	38.7	10.8	11.4	11.9
Liquid Saving <u>2/</u>	4.0	10.6	29.5	9.0	9.2	9.9
Gross Saving by Type						
1. Currency and bank deposits	+ 3.0	+ 5.0	+11.5	+ 3.8	+ 3.0	+ 2.7
2. Savings and loan associations	+ .2	+ .4	+ .3	+ .1	+ .2	+ .1
3. Insurance and pension reserves						
a. Private insurance	+ 1.7	+ 2.1	+ 2.4	+ .8	+ .8	+ .7
b. Government insurance	+ 1.2	+ 1.8	+ 2.4	+ .8	+ 1.1	+ 1.0
c. Total	+ 2.9	+ 3.8	+ 4.9	+ 1.7	+ 1.8	+ 1.7
4. Securities <u>3/</u>						
a. U.S. Savings bonds	+ .9	+ 2.8	+ 8.0	+ 2.6	+ 3.0	+ 3.4
b. Other U.S. Government	- .4	+ .8	+ 1.9	0	+ 1.2	+ 2.1
c. State and local governments	- .1	- .2	- .1	0	0	+ .1
d. Corporate and other	- .5	- .5	+ .3	0	- .2	- .3
e. Total	- .1	+ 2.9	+10.1	+ 2.6	+ 4.0	+ 5.2
5. Non-farm dwellings						
a. Purchases <u>4/</u>	+ 2.5	+ 3.0	+ 1.6	+ .2	+ .2	+ .3
b. Change in debt	+ .9	+ .9	+ .1	- .2	0	0
c. Saving (a. minus b.)	+ 1.7	+ 2.1	+ 1.5	+ .4	+ .3	+ .3
6. Automobiles and other durable consumers' goods <u>5/</u>	+ 9.3	+11.4	+ 7.6	+ 1.6	+ 1.9	+ 1.8
7. Liquidation of debt, not elsewhere classified <u>6/</u>	- 1.1	- .6	+ 2.8	+ .7	+ .2	+ .2

- 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 net purchases by brokers and dealers or by other individuals financed by bank loans. In the third quarter of 1943 it is estimated that such purchases of U.S. Government securities amounted to approximately \$1.0 billion for brokers and dealers and \$300 million for other individuals.
- 4/ New construction of one- to four-family nonfarm homes less net acquisition of properties by non-individuals.
- 5/ Purchases. Based on Department of Commerce data on commodity flow currently being revised. The figures shown above include all new passenger cars sold in the United States.
- 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. Changes in the commercial indebtedness of unincorporated business and in consumers' indebtedness to unincorporated business are not included in these figures. The reduction in consumers' indebtedness to unincorporated business is estimated at about \$50 million in the third quarter of 1943.

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