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VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING IN 1943

The Securities and Exchange Commission today made public its quarterly analysis of the volume and composition of saving by individuals ^{1/} in the United States covering the fourth quarter and full year of 1943. The rate of liquid saving by individuals during 1943 was the highest on record, amounting to \$37.7 billion. ^{2/} This compares with liquid saving of \$29.5 billion in 1942, \$10.6 billion in 1941, and \$4.0 billion in 1940.

The large increase in the public's saving during 1943 was mainly a reflection of the higher level of income in the hands of individuals after payment of taxes. The ratio of liquid saving to income after taxes has remained relatively constant since the middle of 1942 in contrast to the rapid increase in the proportion of income saved prior to that time. It is noteworthy that during this eighteen month period individuals did not show any disposition to curtail the proportion of their income after taxes spent on goods and services in spite of patriotic appeals and the "normal" tendency on the part of individuals to save a larger proportion of their earnings as income increases. In the latter part of 1943, individuals for the first time since the beginning of the War actually decreased somewhat the proportion of their income which went into saving.

During 1943 individuals added \$15.8 billion to their currency and bank deposits, \$13.8 billion to their holdings of U.S. Government bonds, \$3.8 billion to their equity in Government insurance, \$3.1 billion to their equity in private insurance, mostly life insurance, and \$600 million to their investment in savings and loan associations. They also paid off \$800 million of consumer indebtedness other than mortgages and \$100 million of mortgage debt. At the same time individuals reduced their holdings of corporate securities by \$300 million.

The composition of saving in 1943 was not notably different from the preceding year. Cash on hand and in banks was again the largest component of individuals' saving, with U.S. Government securities a close second. Together these two types of saving accounted for the greater part of saving in both 1942 and 1943. Practically all of the \$8.2 billion growth in the rate of saving from 1942 to 1943 was attributable to these two forms with each accounting for about half of the increase. For the past year and a half individuals have been saving close to 25% of their income after taxes in the form of cash and deposits and U.S. Government securities. Though there has been relatively little variation in this ratio since the middle of 1942, the comparative importance of cash and deposits and U.S. Government securities separately has varied widely depending on the timing of the various War Loan drives.

In view of the magnitude and potential volatility of individuals' accumulation of cash and deposits, there has been particular interest in this component of saving since the beginning of the War. The substantial growth in individuals' cash and deposits during 1943 reflected a very considerable

^{1/} In this analysis individuals' saving includes unincorporated business saving of types specified in the attached table. Corporate and Government saving are not included.

^{2/} This includes saving in Government insurance amounting to \$3.8 billion.

increase in savings deposits amounting to about \$4.5 billion as contrasted to a rise of only \$900 million in 1942. On the other hand, the increase in currency of approximately \$4.8 billion in 1943 was only moderately larger than the \$4.3 billion increase in 1942. Individuals' demand deposits showed the same increase in each of the two years, amounting to roughly \$6.4 billion. As previously noted in these releases, a substantial portion of individuals' saving in general, and demand deposits in particular, is attributable to owners of 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 evidence that unincorporated businesses accounted for as much as half of the increase in such saving during the past two years. 1/

One of the more significant changes in the composition of individuals' saving in 1943 as compared with 1942 was the much smaller reduction in consumer indebtedness other than mortgages. Individuals paid off \$800 million of such debt in 1943, mostly in the first quarter of the year, contrasted to \$2.8 billion in 1942. 2/ This tailing-off of debt repayment reflects the fact that the bulk of installment debt previously incurred for the purchase of automobiles and other durable consumers' goods has already been paid off. Consequently, the amount of saving in this form should be negligible in 1944.

Of the remaining components of individuals' saving in 1943, only the growth in insurance and pension reserves was particularly important. The increase in individuals' equity in private insurance in 1943, amounting to \$3.1 billion, was \$700 million higher than in 1942, while the increase in Government insurance, amounting to \$3.8 billion, was \$1.3 billion higher than in the previous year. Both forms of saving were at an all-time high. The increase in Government insurance in 1943 reflected for the first time a marked rise in the National Service Life Insurance Fund, amounting to \$600 million, as well as a record \$2.5 billion increase in Social Security funds, and \$500 million increase in various Civil Service and Railway retirement funds.

The pattern of individuals' saving in the fourth quarter of 1943 presents some significant contrasts to saving in previous quarters. In spite of a substantial rise in income after taxes to the highest point on record, total liquid saving in this final quarter, amounting to \$9.9 billion, was not much higher than in the preceding quarter and was actually somewhat lower than in the last quarter of 1942. In the fourth quarter of 1943 individuals added the unprecedented sum of \$6.1 billion to their cash and deposits and made net purchases of \$2.0 billion of U.S. Government bonds. This may be compared with the almost reverse position in the third quarter when, largely as a result of the Third War Loan Drive, individuals increased their holdings of U.S. Government bonds by \$5.0 billion and their cash and deposits by \$2.9 billion. Individuals' indebtedness arising from the purchase of consumer goods rose by \$200 million in the fourth quarter, the first such increase since the beginning of the War.

The above discussion of individuals' saving is based on data presented in the following table and chart. It is planned to present estimates of corporate saving in a subsequent release.

1/ It should be noted that part of the increase in liquid assets 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 in the neighborhood of \$600 million in 1943 and \$400 million in 1942.

2/ This does not include the reduction in consumers' indebtedness to unincorporated business, estimated at about \$250 million in 1943 and close to \$600 million in 1942.

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

	1940	1941	1942	1943	1943			
					Jan.- March	Apr.- June	July- Sept.	Oct.- Dec.
Gross Saving	15.8	25.0	38.7	45.9	10.8	11.4	11.6	12.2
Liquid Saving <u>2/</u>	4.0	10.6	29.5	37.7	9.0	9.2	9.5	9.9
Gross Saving by Type								
1. Currency and bank deposits	+ 3.0	+ 5.0	+11.5	+15.8	+ 3.8	+ 3.0	+ 2.9	+ 6.1
2. Savings and loan associations	+ .2	+ .4	+ .3	+ .6	+ .1	+ .2	+ .1	+ .2
3. Insurance and pension reserves								
a. Private insurance	+ 1.7	+ 2.1	+ 2.4	+ 3.1	+ .8	+ .8	+ .7	+ .8
b. Government insurance	+ 1.2	+ 1.8	+ 2.5	+ 3.8	+ .8	+ 1.0	+ 1.0	+ 1.0
c. Total	+ 2.9	+ 3.8	+ 4.9	+ 6.9	+ 1.6	+ 1.8	+ 1.7	+ 1.8
4. Securities <u>3/</u>								
a. U.S. Savings bonds	+ .9	+ 2.8	+ 8.0	+11.1	+ 2.6	+ 3.0	+ 3.4	+ 2.2
b. Other U.S. Government	- .4	+ .8	+ 1.9	+ 2.7	0	+ 1.2	+ 1.6	- .2
c. State and local governments	- .1	- .2	- .1	0	0	0	0	0
d. Corporate and other	- .5	- .5	+ .3	- .3	0	- .1	- .3	+ .2
e. Total	- .2	+ 2.9	+10.1	+13.5	+ 2.6	+ 4.1	+ 4.7	+ 2.2
5. Non-farm dwellings								
a. Purchases <u>4/</u>	+ 2.5	+ 3.0	+1.6	+ 1.0	+ .2	+ .2	+ .3	+ .3
b. Change in debt	+ .9	+ .9	+ .1	- .1	- .2	0	0	0
c. Saving (a. minus b.)	+ 1.7	+ 2.1	+ 1.5	+ 1.1	+ .4	+ .3	+ .3	+ .3
6. Automobiles and other durable consumers' goods <u>5/</u>	+ 9.3	+11.4	+ 7.6	+ 7.2	+ 1.6	+ 1.9	+ 1.8	+ 1.9
7. Liquidation of debt, not elsewhere classified <u>6/</u>	- 1.1	- .6	+ 2.8	+ .8	+ .7	+ .2	+ .1	- .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.
- 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.

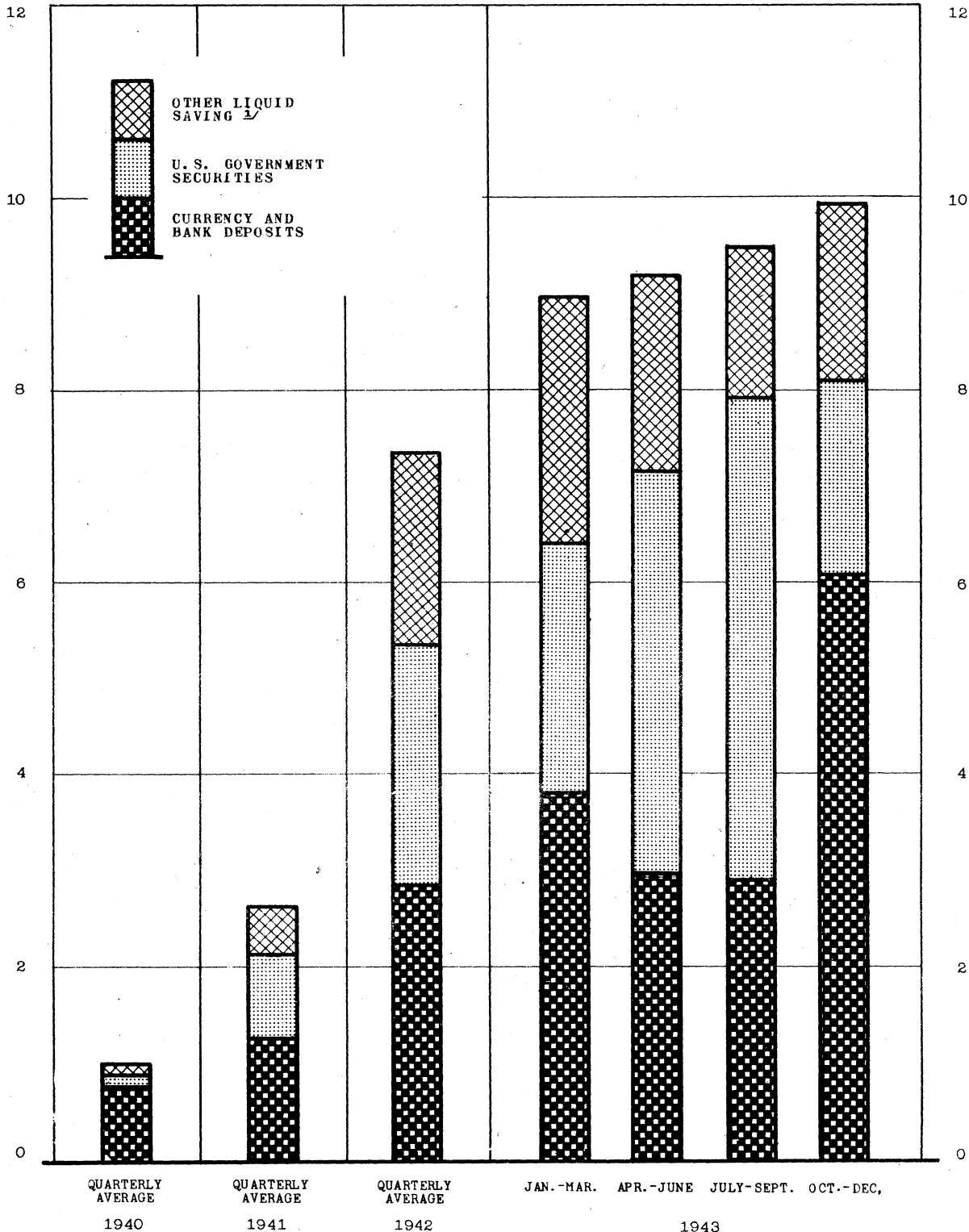
Note: Figures are rounded and will not necessarily add to totals.

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 - 1943

DOLLARS
BILLIONS

DOLLARS
BILLIONS



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