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VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING IN 1945

During the year 1945, individuals saved \$37 billion in liquid form, according to the quarterly analysis of saving by individuals in the United States made public today by the Securities and Exchange Commission. <sup>1/</sup> Though such saving was at the lowest rate since 1942 it was still nine times as large as that of 1940, the latest full year prior to our entry into the War. Since the beginning of the war production program in the middle of 1940, the liquid resources of American individuals increased approximately \$157 billion. The proportion of income saved, which increased rapidly up to the middle of 1942 and remained relatively constant during the next three years, declined during the latter part of 1945. This decline was mainly attributable to increased consumer expenditures, reflecting the lifting of controls and increased civilian supplies, more than offsetting the small increase in income.

Cash and deposits and U. S. Government securities have accounted for the greater part of liquid saving in recent years. For close to four years individuals have been saving more than one-fifth of their income after taxes in these two forms. At the end of 1941, the time of our entry into the War, accumulated saving in cash and deposits and U. S. Government securities was already at the highest point in history. In the four years since that time, such accumulated saving has shown an increase of 170%. As of December 31, 1945, individuals' holdings of cash and deposits and U. S. Government securities amounted to the extremely large totals of \$115 billion and \$63 billion, respectively. Of the total of cash and deposits, \$25 billion was in the form of currency, \$48 billion in time and savings deposits, and \$42 billion in checking accounts. Individuals' holdings of U. S. Government securities were mainly concentrated in U. S. savings bonds, amounting to \$34 billion in Series A-E bonds and \$9 billion in F and G bonds, with other U. S. Government securities accounting for \$20 billion. <sup>2/</sup>

During 1945 individuals' holdings of currency and bank deposits and U. S. Government securities increased by \$18.6 billion and \$10.6 billion, respectively. Individuals also added \$5.1 billion to their equity in Government insurance, \$3.7 billion to their equity in private insurance, mostly life insurance, and \$1.1 billion to their investment in savings and loan associations. At the same time they increased their mortgage indebtedness by \$400 million, other consumer indebtedness by \$700 million, and reduced their holdings of securities other than U. S. Government by \$1.0 billion.

While cash on hand and in banks, which was again the largest component of individuals' saving, showed a larger increase than in 1944, this was not true for U. S. Government securities. The substantial growth in individuals' cash

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<sup>1/</sup> In this analysis individuals' saving includes unincorporated business saving of types specified in the attached table. Corporate and Government savings are not included. The change in individuals' equity in Government insurance is, however, considered as part of individuals' saving.

<sup>2/</sup> Net of loans by banks to individuals (including brokers) for the purchasing or carrying of Government securities. There was \$3 billion of such debt outstanding as of the end of 1945.

and deposits during 1945 reflected record increases in bank deposits. Individuals added \$8.8 billion to their time and savings deposits and \$6.9 billion to their demand deposits as contrasted to \$7.1 billion and \$5.2 billion, respectively, during 1944. On the other hand, the \$2.9 billion increase in currency may be compared with \$4.7 billion in the previous year. While the increase in holdings of U. S. Government securities other than savings bonds, amounting to \$3.8 billion, was at approximately the same level as in 1944, the rise in U. S. savings bonds of \$6.9 billion was considerably smaller.

One of the more significant developments in the composition of individuals' saving in 1945 was the increase in consumer indebtedness. Mortgage debt increased by \$400 million compared with no change in 1944, while consumer debt other than mortgages increased by \$700 million compared with \$300 million during the preceding year. This incurrence of new debt reflects the increased consumer expenditures since the end of the War.

As in prior years, the growth in insurance and pension reserves formed an important part of total saving. The increase in individuals' equity in private insurance in 1945, amounting to \$3.7 billion, was \$200 million higher than in 1944 while the increase in Government insurance of \$5.1 billion was \$400 million higher than in the preceding year. The increase in Government insurance in 1945 reflected a record rise in the National Service Life Insurance Fund, amounting to \$2.3 billion, as well as a \$2.1 billion increase in Social Security funds, and a \$700 million increase in Civil Service Retirement, Railroad Retirement, and various other Government funds.

Of the remaining components of individuals' saving in 1945, only the comparatively large increase in investment in savings and loan associations, amounting to \$1.1 billion, and the considerable decline in securities other than U. S. Government, amounting to \$1.0 billion, were particularly important. The decrease in individuals' holdings of securities other than U. S. Government was due to a variety of factors including declines in outstanding quasi-government and corporate issues, institutional purchases, and an increase in loans for the purpose of purchasing or carrying such securities. It should be noted that though there was a large increase in new flotations of corporate securities, this was more than offset by retirements.

During the fourth quarter of 1945, individuals' liquid saving amounted to \$8.6 billion <sup>3</sup>/<sub>4</sub>, a lower rate than in the third quarter. Individuals added \$4.3 billion to their cash and deposits and made net purchases of \$3.3 billion of U. S. Government securities, in large part a result of the Victory Loan Drive. This may be compared with the third quarter when individuals increased their cash and deposits by \$6.5 billion and their holdings of U. S. Government securities by \$800 million. Individuals' indebtedness arising from the purchase of consumer goods rose by \$800 million <sup>4</sup>/<sub>5</sub>, the largest such increase since the beginning of the War, while mortgage debt increased by \$300 million. The only other change of importance in the saving picture during the final quarter of 1945 was the decline in the rate of growth in Government insurance funds. For the most part the decline was confined to Social Security funds and was attributable to unemployment insurance benefit payments.

The above discussion of individuals' saving is based on data presented in the following table and chart.

- <sup>3</sup>/<sub>4</sub> This does not reflect the liquidation of inventories of unincorporated business (net of the change in notes and accounts payable). Although the amount of this liquidation is not known, it is believed to have been in the neighborhood of \$150 million in the fourth quarter of 1945.
- <sup>4</sup>/<sub>5</sub> This does not include the change in consumers' indebtedness to unincorporated business, which is estimated to have increased by \$200 million.

Gross Saving by Individuals in the United States 1/  
1940 - 1945

(Billions of dollars)

	1940	1941	1942	1943	1944	1945	1944	1945			
							Oct.- Dec.	Jan.- March	Apr.- June	July- Sept.	Oct.- Dec.
Gross Saving	15.3	24.3	38.7	45.4	48.4	45.9	14.1	10.5	11.9	12.1	11.4
Liquid Saving <u>2/</u>	4.0	10.4	29.4	37.8	40.4	37.0	11.9	8.7	9.8	9.8	8.6
Gross Saving by Type											
1. Currency and bank deposits	+ 3.0	+ 4.9	+11.4	+15.3	+16.9	+18.6	+ 5.4	+ 5.0	+ 2.7	+ 6.5	+ 4.3
2. Savings and loan associations	+ .2	+ .4	+ .3	+ .6	+ .8	+ 1.1	+ .2	+ .2	+ .3	+ .3	+ .3
3. Insurance and pension reserves											
a. Private insurance	+ 1.7	+ 2.1	+ 2.5	+ 3.1	+ 3.5	+ 3.7	+ 1.0	+ .9	+ .9	+ .8	+ 1.0
b. Government insurance	+ 1.2	+ 1.8	+ 2.4	+ 3.8	+ 4.7	+ 5.1	+ 1.3	+ 1.3	+ 1.5	+ 1.3	+ .9
c. Total	+ 2.9	+ 3.8	+ 4.9	+ 6.9	+ 8.2	+ 8.7	+ 2.3	+ 2.2	+ 2.5	+ 2.1	+ 2.0
4. Securities <u>3/</u>											
a. U. S. Savings bonds	+ .9	+ 2.8	+ 8.0	+11.1	+11.8	+ 6.9	+ 3.0	+ 1.4	+ 3.0	+ .9	+ 1.5
b. Other U. S. Government	- .4	+ .8	+ 1.9	+ 2.7	+ 3.6	+ 3.8	+ 1.5	- .1	+ 2.2	- .1	+ 1.8
c. State and local governments	- .1	- .2	- .2	+ .2	- .2	- .1	0	- .1	- .1	0	+ .1
d. Corporate and other	- .5	- .5	+ .3	- .2	- .3	- .9	0	- .3	- .6	+ .3	- .2
e. Total	- .2	+ 2.9	+10.0	+13.8	+14.9	+ 9.6	+ 4.5	+ 1.0	+ 4.5	+ 1.0	+ 3.1
5. Non-farm dwellings											
a. Purchases <u>4/</u>	+ 2.5	+ 3.0	+ 1.6	+ 1.0	+ .8	+ 1.0	+ .2	+ .1	+ .2	+ .3	+ .4
b. Change in debt	+ .9	+ .9	+ .1	- .3	0	+ .4	+ .1	- .2	+ .1	+ .1	+ .3
c. Saving (a. minus b.)	+ 1.7	+ 2.1	+ 1.5	+ 1.3	+ .8	+ .6	+ .1	+ .3	+ .1	+ .1	+ .1
6. Automobiles and other durable consumers' goods <u>5/</u>	+ 8.3	+10.8	+ 7.6	+ 6.6	+ 7.2	+ 8.0	+ 2.0	+ 1.7	+ 1.9	+ 2.0	+ 2.4
7. Liquidation of debt, not elsewhere classified <u>6/</u>	- 1.1	- .6	+ 2.9	+ 1.0	- .3	- .7	- .4	+ .2	- .1	0	- .8

- 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 non-farm homes less net acquisition of properties by non-individuals.
- 5/ Purchases. Based on Department of Commerce data. 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.

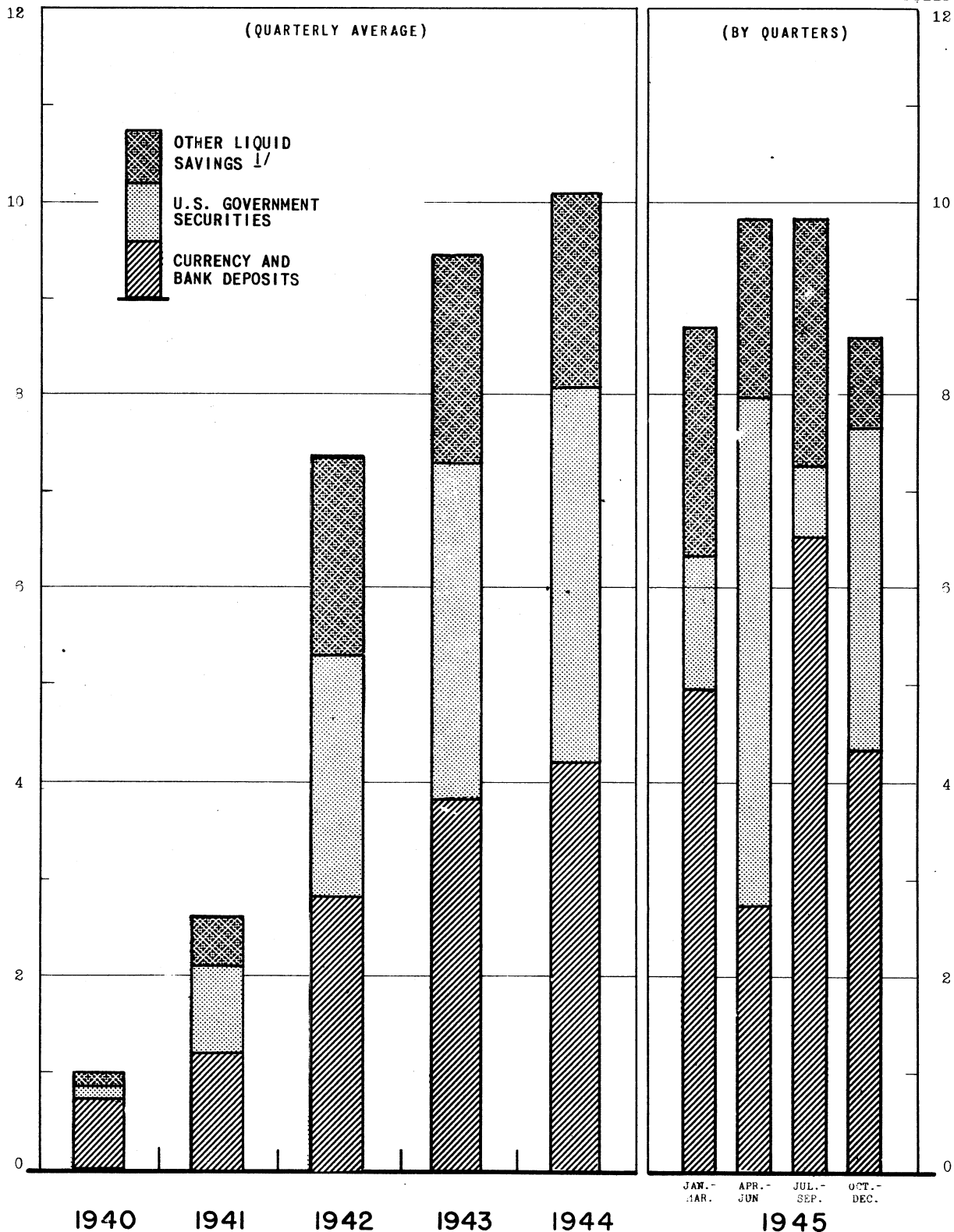
Note: Figures are rounded and will not necessarily add to totals.

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 - 1945

DOLLARS  
BILLIONS

DOLLARS  
BILLIONS



<sup>1/</sup> 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.