

SECURITIES AND EXCHANGE COMMISSION  
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VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING IN 1946

During the year 1946, individuals saved \$15.8 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. 1/ This was less than half the amount saved in 1945 and the lowest since 1941, the latest year prior to our entry into the War. During last year the proportion of income saved returned to prewar levels, declining considerably from the highs of 1942-1945. This decline reflected increased consumer expenditures, attributable in part to higher prices as well as larger civilian supplies, more than offsetting the increase in income after payment of taxes.

Cash and deposits and U. S. Government securities have accounted for the greater part of liquid saving in recent years, approximately 80%. As of December 31, 1946, individuals' holdings in these two forms amounted to the extremely large totals of \$128 billion and \$65 billion, respectively. Of the total of cash and deposits, \$26 billion was in the form of currency, \$53 billion in time and savings deposits, and \$49 billion in checking accounts. Individuals' holdings of U. S. Government securities were mainly concentrated in U. S. savings bonds, amounting to \$33 billion in Series A-E bonds and \$12 billion in F and G bonds, with other U. S. Government securities accounting for \$20 billion. 2/

During 1946, individuals' holdings of currency and bank deposits increased by \$12.2 billion. Individuals also added \$3.5 billion to their equity in Government insurance, \$3.2 billion to their equity in private insurance, and \$1.1 billion to their investment in savings and loan associations. At the same time, they increased their mortgage indebtedness by \$2.9 billion, other consumer indebtedness by \$2.4 billion, and reduced their investment in securities other than U. S. Government by \$300 million.

While the composition of saving changed somewhat from the preceding year, currency and bank deposits was still the largest component of individuals' saving. The growth in individuals' cash and deposits during 1946 reflected substantial increases in bank deposits, though considerably less than the record increases of 1945. Individuals added \$6.7 billion to their checking accounts and \$5.3 billion to their time and savings deposits as contrasted to \$7.8 billion and \$8.6 billion, respectively, during 1945. On the other hand, currency increased by only \$200 million as compared with \$3.0 billion in the previous year.

One of the more significant developments in the composition of individuals' saving was the record growth in consumer indebtedness. Mortgage debt increased by

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- 1/ In this analysis individuals' saving includes unincorporated business saving of types specified in the attached table. Corporate and Government saving are not included. The change in individuals' equity in Government insurance is, however, considered as part of individuals' saving.
- 2/ Net of loans by banks to individuals (including brokers) for the purchasing or carrying of Government securities. There was \$1.5 billion of such debt outstanding as of the end of 1946.

\$2.9 billion while consumer debt other than mortgages increased by \$2.4 billion, compared with increases of only \$200 million and \$800 million in 1945. The increase in mortgage debt was equal to about 80% of net purchases of new homes by individuals reflecting to some extent the substantial rise in real-estate prices.

The 1946 increase in individuals' holdings of U. S. savings bonds was considerably less than in the preceding year--\$900 million in contrast to \$6.9 billion in 1945. The increase last year reflected net purchases of Series F and G bonds amounting to \$1.9 billion, partly offset by \$1.0 billion of net redemptions of the more widely held Series A-E. Individuals' equity in U. S. Government securities other than savings bonds increased by \$500 million resulting from repayments of bank loans of \$900 million less \$400 million retirements in excess of market purchases. It should be pointed out that the \$600 million of armed forces leave bonds issued in the last quarter of 1946 to discharged veterans has been excluded from saving.

While the growth in insurance and pension reserves in 1946 was less than in the preceding year, it constituted a much higher proportion of total saving than during the war years and was second only to the increase in individuals' cash and deposits. The \$3.2 billion increase in individuals' equity in private insurance was \$700 million less than in 1945 while the increase in Government insurance of \$3.5 billion was \$1.5 billion less than in the preceding year. The rise in the National Service Life Insurance Fund, which accounted for more than half the total increase in Government insurance, was slightly less than in 1945. The increase in Social Security funds, on the other hand, which made up somewhat less than one-third the total, was only half that in the previous year.

Of the remaining components of individuals' saving during 1946, there was a decline of \$300 million in individuals' investment in state and local government securities while their investment in corporate and other securities remained unchanged. A substantial net increase in outstanding stock issues, almost all of which was absorbed by individuals, was entirely offset by large institutional purchases of corporate bonds from individuals.

During the fourth quarter of 1946, individuals' liquid saving amounted to \$3.7 billion <sup>3/</sup>, a somewhat lower rate than in the third quarter. Individuals added \$2.5 billion to their cash and deposits compared with \$3.5 billion in the preceding quarter. Individuals' indebtedness arising from the purchase of consumer goods increased by the comparatively large amount of \$1.1 billion <sup>4/</sup> while mortgage debt rose by \$800 million continuing the trend of prior quarters. Also during the last three months of 1946, individuals added \$600 million to their holdings of U. S. Government securities, \$100 million to their investment in state and local government securities, and \$200 million to their investment in corporate and other securities. It is interesting to note that the increase in individuals' investment in corporate and other securities took the form of net purchases of new stock issues. While there was almost \$1.0 billion net increase in corporate bonds outstanding, this was entirely absorbed by institutions, for the most part through private placements.

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

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<sup>3/</sup> 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 \$200 million in the fourth quarter of 1946.

<sup>4/</sup> This does not include the change in consumers' indebtedness to unincorporated business, which is estimated to have increased by \$300 million.

Gross Saving by Individuals in the United States 1/

1940 - 1946

(Billions of dollars)

	1940	1941	1942	1943	1944	1945	1946	1945	1946			
								Oct.- Dec.	Jan.- March	Apr.- June	July- Sept.	Oct.- Dec.
Gross Saving	15.3	24.4	38.2	46.1	48.1	46.9	32.6	11.3	5.8	9.4	8.7	8.7
Liquid Saving 2/	4.0	10.6	29.0	38.3	40.1	37.6	15.8	8.4	2.8	5.3	4.0	3.7
Gross Saving by Type												
1. Currency and bank deposits	3.0	5.0	11.0	16.0	16.7	19.4	12.2	4.8	1.5	4.7	3.5	2.5
2. Savings and loan associations	.2	.4	.3	.6	.8	1.1	1.1	.3	.2	.3	.2	.3
3. Insurance and pension reserves												
a. Private insurance	1.7	2.1	2.5	3.1	3.5	3.9	3.2	1.1	.8	.8	.7	.9
b. Government insurance	1.2	1.8	2.4	3.8	4.8	5.0	3.5	1.0	.7	.9	.9	.9
c. Total	2.9	3.8	4.9	6.9	8.3	8.9	6.7	2.1	1.5	1.7	1.6	1.9
4. Securities 3/												
a. U. S. Savings bonds	.9	2.8	8.0	11.1	11.8	6.9	.9	1.5	.1	.2	.3	.2
b. Other U. S. Government	.4	.8	1.9	2.7	3.6	3.4	.5 7/	1.5	.3	.6	.3	.4 7/
c. State and local governments	.1	.2	.2	.2	.2	.3	.3	.1	0	.1	.3	.1
d. Corporate and other	.5	.5	.3	.4	.7	.7	0	.6	.2	.3	.3	.2
e. Total	.2	2.9	10.0	13.6	14.5	9.3	1.1	2.3	.2	0	.1	.9
5. Non-farm dwellings												
a. Purchases 4/	2.5	3.0	1.6	1.0	.8	1.0	3.6	.4	.6	.9	1.1	1.0
b. Change in debt	.9	.9	.1	.3	.1	.2	2.9	.2	.4	.8	.9	.8
c. Saving (a. minus b.)	1.7	2.1	1.5	1.3	.9	.7	.7	.2	.1	.1	.2	.2
6. Automobiles and other durable consumers' goods 5/	8.8	10.8	7.6	6.8	7.2	8.3	13.2	2.6	2.4	3.2	3.6	4.0
7. Liquidation of debt, not elsewhere classified 6/	-1.1	-.6	2.9	1.0	-.4	-.8	-2.4	-.9	-.2	-.6	-.5	-1.1

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.

7/ Does not include armed forces leave bonds amounting to \$600 million.

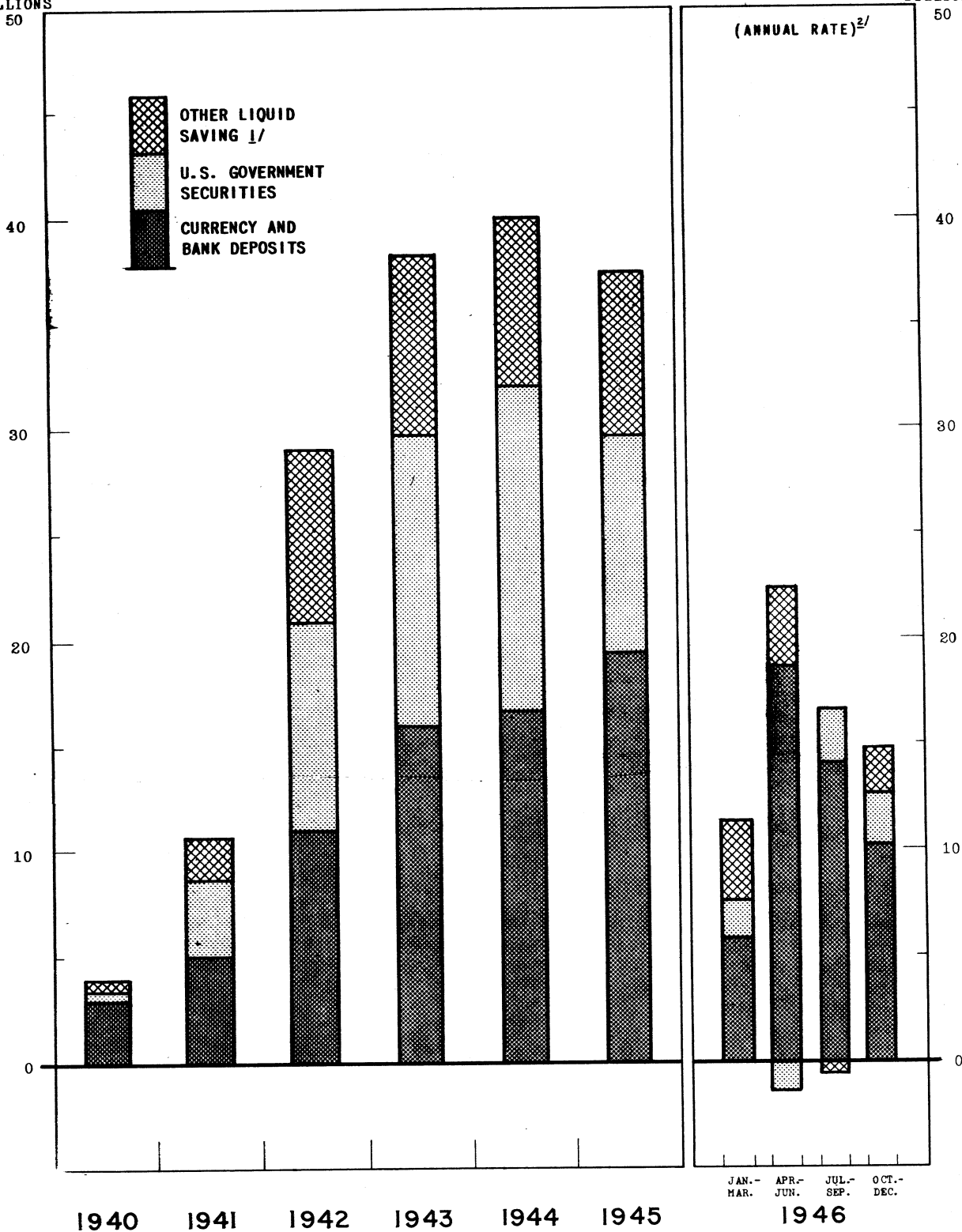
Note: Figures are rounded and will not necessarily add to totals.

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 1940-1946

DOLLARS  
BILLIONS  
50

DOLLARS  
BILLIONS  
50



<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.

<sup>2/</sup> QUARTERLY FIGURES MULTIPLIED BY FOUR.