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VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING IN 1954^{1/}

During 1954 individuals in the United States saved \$11.7 billion by increasing their cash and deposits, public and private insurance, savings and loan shares and securities, in excess of the increase in debts, according to estimates made public today by the Securities and Exchange Commission.^{2/} This rate of saving compares with \$11.8 billion in 1953 and \$13.0 billion in 1952.

Saving in the form of time deposits in banks, shares in savings and loan associations, equity in life insurance, and U. S. savings bonds accounted for over 70 percent of the increase in financial assets of individuals. Net purchases of corporate bonds and stocks were higher in 1954 than in the preceding year, but the sharp rise in borrowing on securities during the latter part of the year resulted in individuals' saving in corporate bonds and stocks of about the same amount as in 1953. Among the other components of individuals' saving, checking accounts at banks were greatly expanded, while purchases of state and local government issues were substantially less than in 1953, and a considerable liquidation occurred in U. S. Government issues other than savings bonds. Partly offsetting the growth in assets, individuals increased their mortgage indebtedness by a record amount, and added moderately to their debt for purchasing consumer goods. The saving of individuals during the years 1951 through 1954 is given in Table 1.

Individuals' holdings of currency and bank deposits increased by \$6.8 billion during 1954, including a rise in time and savings deposits of \$4.4 billion and an increase of \$2.7 billion in checking accounts. Currency holdings showed a small decline. In addition to their enlarged savings accounts in banks, individuals' net purchases of shares in savings and loan associations totalled \$4.5 billion, the highest annual increase on record.

Equity in private life insurance continued the pattern of steady growth and increased by a record \$5.3 billion. In contrast, individuals' equity in government pension and insurance reserves, which includes Social Security funds, rose by only \$2.6 billion, less than in any year since 1950. The lower saving in this form was chiefly due to the large unemployment benefit payments last year, more than offsetting the higher withholding rate.

^{1/} Individuals' saving, in addition to personal holdings, covers saving of unincorporated business, trust and pension funds and non-profit institutions in the forms specified.

^{2/} With this release this aggregate is shown as the "change in net claims" of individuals, item 9 in Table 1, and not as in previous releases as "liquid saving." This and the change in the placement of the government insurance item are tentative pending completion of the general review of savings estimates now in progress. The changes have been made because the series has frequently, but incorrectly, been taken to measure saving readily available in cash form.

Holdings of U. S. savings bonds in 1954 increased by almost \$800 million (the largest amount since 1949), but there was a net decline in individuals' equity in U. S. Government securities other than savings bonds to the extent of \$2.6 billion. In 1954 a record volume of state and local government securities was offered, of which over 40 percent were revenue bonds. These latter issues were purchased to a greater extent by institutional investors with the result that individuals added less than \$700 million to their holdings of state and local government securities compared with \$2.0 billion in 1953.

Net purchases of corporate bonds and stocks by individuals in 1954 totalled \$3.4 billion, \$500 million more than in 1953 and \$100 million more than in 1952, the previous high in recent years. However, due to the sharp increase in borrowing to purchase or carry securities in 1954, individuals' saving through increased equity in corporate securities was \$2.5 billion, or about the same as in the preceding year. It is important to note that saving as treated in this series excludes capital gains, so that the 1954 rise in stock prices is not reflected in the foregoing figures or those appearing in Table 1. Of the \$2.5 billion of net purchases of corporate securities after borrowings, \$1.8 billion were bonds and notes and \$700 million preferred and common stock.

Mortgage debt owed by individuals rose by \$8.6 billion, comparing with an increase of \$7.0 billion in 1953 and a previous high of \$7.2 billion in 1950. The substantial increase in such debt was due to the high level of home construction during the year. Other debt rose by less than \$400 million in 1954 in contrast to increases of \$3.2 billion in 1953 and \$3.8 billion in 1952.

In addition to the estimates of saving discussed above and shown in Table 1, the Commission has prepared estimates of accumulated asset holdings of individuals. Table 2 presents estimates of the composition of the financial assets held by individuals and their liabilities at the end of each year 1950 through 1954. At the end of 1954 individuals owned approximately \$280 billion worth of corporate stocks and bonds. In addition they held \$398 billion of other financial assets, i.e., cash, bank deposits, savings and loan shares, insurance and government securities. Offsetting these assets, individuals' mortgage debt and consumer debt totalled \$90 billion at the year end.

Besides the concept of saving presented here there are other concepts of individuals' saving with different degrees of coverage currently in use. The series with the most complete coverage, the personal saving estimates of the Department of Commerce, is derived as the difference between personal income and expenditures. Conceptually, Commerce saving includes the following items not included with S.E.C. gross saving: unincorporated business and farm items such as net plant and equipment, changes in net receivables and changes in inventories. Government insurance and consumer durables are excluded from Commerce saving which, in addition, reflects depreciation on homes.^{3/}

A more restricted concept of individuals' saving is the selected item series of the Home Loan Bank Board. This series covers the following components included in S.E.C. saving: time and savings deposits, savings and loan associations, private life insurance, and U. S. savings bonds.

^{3/} For a complete reconciliation see Table 6, p. 166, National Income, 1954 edition, a supplement to the Survey of Current Business.

Table 1
Saving by Individuals in the United States^{1/}
1951 - 1954
(Billions of dollars)

Type of Saving	1951	1952	1953	1954	1954			
					Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.
1. Currency and bank deposits	6.0	6.8	4.8	6.8	-2.2	1.4	3.6	4.0
a. Currency	0.8	1.1	0.6	-0.3	-1.0	0.1	-0.1	0.8
b. Demand deposits	3.2	1.5	(*)	2.7	-2.5	(*)	2.8	2.4
c. Time and savings deposits	2.0	4.2	4.2	4.4	1.3	1.3	1.0	0.8
2. Savings and loan associations	2.1	3.1	3.6	4.5	1.1	1.3	0.7	1.4
3. Private insurance	4.1	4.9	5.2	5.3	1.3	1.2	1.3	1.6
4. Securities ^{2/}	2.1	4.0	5.1	1.4	1.8	0.2	-1.1	0.5
a. U. S. savings bonds	-0.5	0.1	0.3	0.8	0.2	0.2	0.1	0.2
b. Other U. S. Government	-0.5	(*)	0.3	-2.6	0.3	-1.3	-1.5	-0.1
c. State and local government	0.5	0.8	2.0	0.7	0.2	0.5	-0.3	0.4
d. Corporate and other	2.6	3.1	2.5	2.5	1.2	0.8	0.6	-0.1
5. Liquidation of mortgage debt ^{3/}	-6.5	-6.3	-7.0	-8.6	-1.4	-2.0	-2.4	-2.8
6. Liquidation of debt not elsewhere classified ^{4/}	-0.5	-3.8	-3.2	-0.4	1.4	-0.6	-0.1	-1.0
7. Subtotal (1 through 6)	7.1	8.7	8.5	9.1	2.1	1.4	2.0	3.6
8. Government insurance	4.2	4.3	3.3	2.6	0.7	0.9	0.7	0.4
9. Change in net claims (7 + 8)	11.3	13.0	11.8	11.7	2.7	2.2	2.7	4.0
10. Nonfarm dwellings ^{5/}	11.5	11.6	12.3	14.1	2.6	3.4	4.1	4.0
11. Other durable consumers' goods	27.1	26.8	29.7	28.9	6.3	7.5	6.8	8.4
12. Gross Saving (9 + 10 + 11)	50.0	51.4	53.8	54.7	11.6	13.1	13.6	16.4

NOTE: The previous series designated "liquid saving" has been discontinued for reasons outlined on page 1, note 2. The change in net claims (line 9) is conceptually the same as the earlier series. It includes all items that are changes in net claims against assets regardless of degree of "liquidity." Figures are rounded and will not necessarily add to totals. Asterisk (*) indicates less than \$50 million. 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.

^{1/} Includes unincorporated business saving of the types specified.

^{2/} After deducting change in bank loans made for the purpose of purchasing or carrying securities.

^{3/} Mortgage debt to institutions on one- to four-family nonfarm dwellings.

^{4/} 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 insurance and securities.

^{5/} Construction of one- to four-family nonfarm dwellings less net acquisition of properties by non-individuals; also includes a small amount of construction of nonprofit institutions.

Table 2

Financial Assets and Liabilities of Individuals in the United States^{1/}

Year end, 1950 - 1954

(Billions of dollars)

	1950	1951	1952	1953	1954
<u>Financial Assets</u>					
1. Currency and bank deposits	130.1	136.1	142.9	147.7	154.5
a. Currency	23.4	24.1	25.2	25.8	25.6
b. Demand deposits	49.9	53.1	54.6	54.6	57.3
c. Time and savings deposits	56.9	58.8	63.1	67.3	71.7
2. Savings and loan associations	14.0	16.1	19.1	22.8	27.3
3. Insurance	102.3	110.5	119.8	128.2	136.6
a. Private	62.5	66.5	71.5	76.6	82.4
b. Government	39.8	44.0	48.3	51.6	54.2
4. Securities ^{1/}	77.9	77.5	78.5	81.2	80.0
a. U. S. savings bonds	49.6	49.1	49.2	49.5	50.2
b. Other U. S. Government	18.7	18.3	18.3	18.8	16.1
c. State and local government	9.7	10.1	11.0	13.0	13.6
5. Total financial assets (1 through 4)	324.3	340.1	360.4	379.9	398.3
<u>Liabilities</u>					
6. Mortgage debt	36.8	43.3	49.6	56.6	65.1
7. Consumer debt	16.9	17.4	21.2	24.5	24.8
8. Total liabilities	53.6	60.7	70.8	81.0	90.0
9. Total individuals' net equity (financial assets less liabilities) ^{2/}	270.7	279.4	289.6	298.9	308.4

^{1/} Does not include individuals' holdings of corporate securities. Rough estimates indicate an order of magnitude of \$280 billion at the end of 1954.

^{2/} The year to year changes in the above data are not exactly equivalent to saving shown in Table 1 which includes investments in corporate securities, not included above, and also reflects adjustments in certain of the components in order to exclude revaluations and capital gains and losses.