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VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING, 1955 ^{1/}

Individuals in the United States saved \$8.0 billion during the year 1955 compared with \$11.3 billion in 1954 ^{2/} according to estimates made public today by the Securities and Exchange Commission. The lower saving last year principally reflects the great amount of debt incurred by individuals in connection with record expenditures for new homes and consumer durable goods.

During 1955 individuals' mortgage and consumer debts rose by the unprecedented amount of \$18.2 billion, while the year before showed an increase of not much more than half this amount. The other important change in the pattern of individuals' saving as compared with 1954 was the substantially larger investment in Government and corporate securities, amounting to \$5.7 billion, the highest amount since 1945.

There was a continuation of the steady growth in private insurance and pension reserves and in individuals' investment in saving and loan association shares. However, individuals' bank accounts, particularly checking accounts, did not expand as much as in 1954 reflecting the greater flow of funds into securities, housing, and consumers goods.

The volume and composition of saving for the years 1951 through 1955, together with quarterly data for 1955, are given in Table 1, while in Table 2 data are presented on the types and amounts of financial assets and liabilities held by individuals at the end of the years 1950 through 1955.

Changes in presentation of saving data

With this release, due to the availability of comprehensive data on pension funds, several important changes in the composition and form of presentation have been initiated. It is possible for the first time to segregate individuals' saving in the form of equity in corporate pension fund assets, as indicated in Table 1. In previous surveys, it was necessary to include private pension fund saving with individuals' saving in the form in which the fund assets were invested. During the past year, the Commission completed a survey of self-insured plans administered by corporations themselves. ^{3/} The results of this survey have been incorporated in the study of individuals' saving and are presented in Tables 1 and 2, covering the years 1951 through 1955.

- ^{1/} Individuals' saving, in addition to personal holdings, covers saving of unincorporated business, trust funds, and non-profit institutions in the forms specified.
- ^{2/} Represents change in net claims and includes individuals' saving in the form of cash and deposits, savings and loan associations, securities and insurance, net of the increase in individuals' debts.
- ^{3/} Preliminary results of this survey, covering the years 1951-1954, were made public in Statistical Series Release No. 1335.

The principal change made possible by the new data on pension funds is in regard to individuals' equity in securities. Pension fund investment in this form has been growing substantially in recent years with net purchases of securities by these funds in 1955 estimated at \$1.9 billion. The availability of separate data permits presentation of a more accurate picture of individuals' saving in the form of securities.

Data also are presented for insured pension funds and for stocks and bonds separately, while data on time deposits and consumer and mortgage debt have been adjusted to include credit unions. These changes, of course, affect only the composition, and do not involve the aggregate volume of saving.

Besides these changes, the format of Table 1 has been altered in order to show additional groupings of saving. The item "change in net claims" is equivalent to the earlier series designated "liquid saving," which was discontinued a year ago. The term "liquid saving", as now used, consists of currency and deposits, savings and loan association shares and securities. The addition of insurance and pension reserves and the subtraction of individuals' debts results in the series now defined as "change in net claims" previously called "liquid saving". Aggregate saving exclusive of saving in the form of Government insurance is also shown.

Individuals' debts

Mortgage debt and consumer debt in 1955 rose by a record \$18.2 billion, compared with \$9.7 billion in the preceding year. Mortgage debt owed by individuals increased \$12.4 billion compared with \$9.2 billion in 1954. Consumers' indebtedness, which had increased nominally in 1954, expanded \$5.8 billion in 1955. The previous record for this type of debt was \$4.1 billion in 1952. The sharp rise in consumer debt in 1955, primarily installment debt, was related to the large sales of automobiles and other consumer goods. Expenditures for consumer durable goods aggregated \$35.3 billion, an all time record amount, and exceeded the high expenditures in recent years by a substantial margin. The growth in mortgage debt was associated with the high level of home construction during the year; expenditures for private residential building totalled about \$15.4 billion in 1955, as compared with \$12.5 billion in 1954.

Net purchases of securities

As previously mentioned, individuals added considerably to their holdings of Government securities, \$300 million of U. S. Savings Bonds, \$1.6 billion of other U. S. Government issues, and \$1.4 billion of state and local obligations. Net purchases of Savings Bonds were lower than in 1954 but individuals' purchases of other U. S. Government issues contrasted with net sales of almost \$1.7 billion in 1954. Their net purchases of state and local securities compared with 1954 purchases of \$500 million. In that year, the volume of state and local flotations was about one billion dollars higher than in 1955 but a substantial part of the issues was comprised of revenue bonds generally more attractive to institutional investors.

The increased saving by individuals in corporate and other securities, amounted to \$2.4 billion, \$2.1 billion in bonds and \$300 million in stock. The larger saving reflects the fact that institutional investors as a whole did not increase their net purchases relative to the larger volume of new issues available in 1955. Aside from Federal agency issues which are included in this component, it is estimated that individuals' net purchases of corporate debt issues in 1955 amounted to approximately one billion dollars. This figure compares with little net change in corporate bond holdings by individuals in 1954. The increased interest in bond issues by individuals in 1955 -- not only in corporate obligations but in U. S. Government, Federal agency, and state and local issues as well -- reflects the higher yields obtainable as compared with recent years. Another factor contributing to the greater saving in corporate bonds was the substantial amount of convertible issues offered during the year. It should also be noted that non-profit institutions and personal trust funds which normally are significant purchasers of bonds are included with individuals as here defined.

While individuals' net purchases of common and preferred stock issues in 1955 amounted to one billion dollars, borrowing to purchase or carry securities increased by over \$700 million, resulting in an increase in individuals' equity in stock issues of \$300 million. Institutional investors purchased, on balance, about the same amount of stock issues in 1955 as in 1954. It is important to note that saving as treated in this series excludes capital gains so that the rise in stock prices in recent years is not reflected in the foregoing figures, or in Table 1. However, figures used in Table 2 reflect market values at year-ends.

Other components

Of the other components of liquid saving, individuals increased their ownership of savings and loan association shares by a record \$4.9 billion and expanded their currency and bank deposits by \$4.3 billion. Saving in this latter form was considerably less than in 1954 when individuals added \$7.0 billion to their currency and bank deposits. In 1955, time deposits rose \$3.5 billion compared with over \$4.5 billion in each of the three preceding years. In contrast to a rise in checking accounts of \$2.5 billion in 1954, individuals demand deposits were increased by only \$400 million in 1955. Currency holdings were also increased by \$400 million.

Equity in private insurance and pension reserves continued to rise, amounting to \$8.0 billion, and comprising the most important type of individuals' saving in financial form in 1955. Equity in private life insurance increased by \$5.9 billion of which \$1.3 billion represented enlarged pension reserves. Private non-insured pension funds, according to preliminary estimates, grew by approximately \$2.1 billion, as compared with \$1.8 billion in 1954. Individuals' equity in Government insurance and pension reserves, including Social Security funds, etc., increased \$3.2 billion.

Ownership of financial assets

In addition to the estimates of saving discussed above, data on accumulated asset holdings of individuals have been prepared (Table 2) indicating the composition of the financial assets held by individuals and their liabilities at the

end of each year, 1950 through 1955. At the end of 1955, individuals owned approximately \$320 billion worth of corporate stocks and bonds, together with \$434 billion of other financial assets, i.e., cash, bank deposits, saving and loan shares, insurance and government securities. Against these assets, individuals' mortgage and consumer debt totalled \$112 billion at the year end.

Other concepts of saving

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. 4/

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.

4/ For a complete reconciliation, see Table 6, in the July 1955 issue of the Survey of Current Business.

Table 1

Saving by Individuals in the United States ^{1/}

1951 - 1955

(Billions of dollars)

Type of Saving	1951	1952	1953	1954	1955	1955			
						Jan.- Mar.	Apr.- June	July- Sept.	Oct. Dec.
1. Currency and deposits	6.1	7.2	5.1	7.0	4.3	- 1.0	.4	3.0	2.0
a. Currency	.8	1.1	.6	-.3	.4	-.8	.3	.1	.7
b. Demand deposits	3.1	1.5	-.1	2.5	.4	- 1.3	-1.0	2.2	.5
c. Time and savings deposits ^{2/}	2.2	4.5	4.6	4.8	3.5	1.0	1.1	.7	.7
2. Savings and loan associations	2.1	3.1	3.6	4.4	4.9	1.1	1.5	.7	1.6
3. Securities ^{3/}	.7	2.8	3.4	-.6	5.7	1.8	.8	1.8	1.3
a. U. S. Savings bonds	-.5	.1	.2	.6	.3	.2	*	*	.1
b. Other U. S. Government	-.8	*	.6	-1.7	1.6	1.1	.1	.9	-.5
c. State and local Government	.4	.9	1.6	.5	1.4	.1	.3	.3	.7
d. Corporate and other	1.6	1.8	1.1	*	2.4	.4	.3	.6	1.0
(1) Bonds and notes	-.1	.4	.4	*	2.1	.3	.6	.3	.8
(2) Preferred and common stock	1.6	1.4	.7	*	.3	.1	-.2	.3	.2
4. Liquid saving (1+2+3)	8.9	13.0	12.2	10.9	14.9	1.9	2.6	5.5	4.9
5. Private insurance and pension reserves	5.4	6.4	6.8	7.4	8.0	2.0	1.8	2.0	2.1
a. Insurance reserves	3.1	3.8	3.9	4.4	4.7	1.2	1.0	1.2	1.3
b. Insured pension reserves	1.0	1.1	1.1	1.2	1.3	.3	.3	.3	.3
c. Non-insured pension funds	1.3	1.5	1.8	1.8	2.1	.5	.5	.5	.5
6. Government insurance and pension reserves ^{4/}	4.2	4.4	3.2	2.7	3.2	.5	1.0	1.0	.7
7. Increase in individuals' debts	7.2	10.6	10.8	9.7	18.2	2.7	5.6	5.3	4.5
a. Mortgage debt ^{5/}	6.6	6.5	7.3	9.2	12.4	2.7	3.4	3.6	2.8
b. Consumer indebtedness ^{6/}	.6	4.1	3.5	.5	5.8	*	2.3	1.7	1.8
8. Change in net claims (4+5+6-7)	11.3	13.2	11.4	11.3	8.0	1.7	-.2	3.2	3.2
9. Non-farm homes ^{7/}	10.2	10.3	10.9	12.5	15.4	3.1	4.0	4.4	3.9
10. Construction and equipment of non-profit institutions	1.5	1.4	1.5	1.9	2.0	.5	.5	.5	.5
11. Consumer durable goods	27.1	26.8	29.7	28.9	35.3	7.8	9.1	8.7	9.7
12. Total gross saving (8+9+10+11)	50.2	51.8	53.6	54.5	60.6	13.1	13.4	16.8	17.3
13. Change in net claims excluding Government insurance (8-6)	7.1	8.8	8.1	8.6	4.8	1.2	-1.2	2.2	2.5
14. Total gross saving excluding Government insurance (12-6)	45.9	47.4	50.3	51.8	57.4	12.6	12.4	15.8	16.6

* Indicates less than \$50 million.

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

^{2/} Includes shares and deposits in credit unions and Postal Savings System.

^{3/} After deducting change in bank loans made for the purpose of purchasing or carrying securities.

^{4/} Includes Social Security funds and state and local retirement systems.

^{5/} Mortgage debt to institutions on one- to four-family nonfarm dwellings.

^{6/} Consumer debt owed to corporations, 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.

^{7/} Construction of one- to four-family nonfarm dwellings less net acquisitions of properties by non-individuals.

Table 2

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

Year end, 1950 - 1955

(Billions of dollars)

	1950	1951	1952	1953	1954	1955
<u>Financial Assets</u>						
1. Currency and deposits	130.7	136.8	143.9	149.0	156.0	160.4
a. Currency	23.3	24.1	25.2	25.8	25.5	25.9
b. Demand deposits	49.5	52.6	54.2	54.1	56.6	57.0
c. Time and savings deposits	57.8	60.0	64.5	69.1	73.9	77.4
2. Savings and loan associations	14.0	16.1	19.1	22.8	27.2	32.1
3. Securities ^{1/}	76.0	75.3	76.3	78.7	78.0	81.3
a. U. S. Savings bonds	49.6	49.1	49.2	49.4	50.0	50.2
b. Other U.S. Government	16.8	16.1	16.1	16.8	14.9	16.6
c. State and local Government	9.6	10.1	11.0	12.6	13.1	14.5
4. Private insurance and pension reserves	68.0	73.4	79.9	86.6	94.5	102.7
a. Insurance reserves	57.1	60.2	64.1	68.0	72.9	77.7
b. Insured pension reserves	5.4	6.4	7.5	8.6	9.8	11.1
c. Non-insured pension funds	5.4	6.8	8.2	10.0	11.8	13.9
5. Government insurance and pension reserves	39.9	44.1	48.5	51.8	54.4	57.6
6. Total financial assets (1 through 5)	328.5	345.5	367.7	388.9	410.1	434.2
<u>Liabilities</u>						
7. Mortgage debt	37.6	44.3	50.8	58.1	67.3	79.6
8. Consumer debt	17.4	18.0	22.1	25.6	26.1	31.9
9. Total liabilities	55.1	62.3	72.8	83.7	93.4	111.6
10. Total individuals' net equity (financial assets less liabilities) ^{2/}	273.4	283.3	294.8	305.2	316.8	322.6

^{1/} Does not include individuals' holdings of corporate securities. Rough estimates indicate an order of magnitude of \$320 billion at the end of 1955.

^{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.