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VOLUME AND COMPOSITION OF INDIVIDUAL SAVING IN 1956 ^{1/}

Individuals in the United States saved more in 1956 than in any year of the post-war period, according to estimates made public today by the Securities and Exchange Commission. Saving amounted to \$14.6 billion ^{2/} compared with \$7.6 billion in 1955 and \$12.9 billion in 1952, the previous high since 1945. The higher volume of saving resulted chiefly from a further rise in personal income after taxes together with a decline in spending in relation to income and a slackening in the growth of individuals' debts.

As compared with 1955 the most important change in individuals' saving in liquid form was an increase in their equity in securities, largely reflecting a substantial repayment of securities loans in contrast to an increase in such loans during the preceding year. Among their other financial assets, individuals' savings accounts in banks rose more than in 1955, and their share accounts at savings and loan associations continued to expand. In addition, equity in Government and private insurance and pension reserves increased slightly more than during the preceding year. The growth in these financial assets was offset by an increase in individuals' mortgage and consumer indebtedness which, however, was considerably less than the unprecedented rise in these debts in 1955. The tapering off in debt expansion was related to the decline in home construction during 1956, lower purchases of consumer durable goods, and larger repayment of outstanding loans.

The volume and composition of individuals' saving for the years 1951 through 1956, together with quarterly data for 1956, 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 1956.

Net purchases of securities

During 1956 individuals added \$7.2 billion to their net equity in securities, including U. S. Government bonds, state and local obligations and corporate and miscellaneous bonds and stocks. This amount was \$1.6 billion more than individuals' saving in securities during 1955, and compares with a net liquidation in their securities holdings in 1954.

- ^{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, and securities as well as insurance and pension reserves, net of the increase in individuals' debts.

The largest component of individuals' saving in the form of securities in 1956 was in corporate and miscellaneous securities. Individuals made net purchases of \$3.0 billion compared with \$2.9 billion in 1955. There was a net repayment of security loans in 1956 of \$500 million while in 1955 security loans rose by \$700 million. This resulted in individuals' saving in corporate and miscellaneous securities of \$3.5 billion in 1956, larger than in any year since 1929, and may be compared with \$2.1 billion in 1955.

In 1956 net corporate bond and stock issues (less retirements) aggregated \$8.5 billion, the highest amount on record. In addition, \$500 million net new foreign issues and \$500 million net new quasi-government issues swelled the total to \$9.5 billion. Of this total, \$6.1 billion were debt issues with institutional investors taking \$4.4 billion. The balance of \$1.7 billion debt issues was added to individuals' portfolios, a slightly less amount than in 1955. Net new preferred and common stock issues aggregated \$3.4 billion, \$600 million more than in 1955. It is estimated that institutional investors made net purchases of \$2.2 billion of equity issues in 1956 and individuals bought \$1.3 billion. To this amount is added \$500 million loan repayments, resulting in individuals' saving on stock issues of \$1.8 billion against \$300 million in 1955.

Although redemptions of U. S. Savings bonds exceeded purchases by \$100 million in 1956, individuals added \$1.8 billion to their investments in other U. S. Government securities. Almost all of the net acquisitions of Government securities occurred in the first quarter of the year when large purchases were made by personal trust funds and foundations (included with "individuals" in this survey).

It is estimated that individuals increased their investments in state and local securities by \$1.9 billion in 1956, \$500 million more than in 1955 and \$1.4 billion more than in 1954. In 1956 net new state and local issues totalled approximately \$3.0 billion, compared with \$3.3 billion in 1955 and \$4.4 billion in 1954 when a large amount of highway and bridge bonds were floated. About \$1.2 billion, or 40 percent, of the 1956 state and local net offerings were absorbed by institutional investors compared with net purchases of \$1.7 billion in 1955 and \$3.8 billion in 1954. Lower net purchases by such investors in 1956, as well as 1955, reflected in part the diminished volume of new revenue bond financing in the past two years.

Saving in other financial assets

Among the other components of liquid saving, individuals increased their ownership of savings and loan association shares by a record \$5.1 billion and expanded their savings accounts at banks by \$4.4 billion. However, during 1956, demand deposits were increased by less than \$200 million, compared with increases in the preceding two years of \$600 million and \$1.4 billion. Currency holdings showed no change over the year as a whole.

Equity in private insurance and pension funds, which, as in other recent years, comprised the most important type of saving in financial form,

continued to rise, and amounted to \$7.7 billion. This includes an increase in equity in private life insurance of \$4.3 billion and in private insured pension reserves of \$1.2 billion. It also includes an estimated increase of \$2.2 billion in private non-insured pension reserves. ^{3/} Individuals' equity in Government insurance and pension reserves, including Social Security funds, rose by \$3.7 billion, a greater amount than in any year since 1952, mainly reflecting the high level of employment.

Individuals' debts

Mortgage debt owed by individuals did not expand as much as in the record year 1955, but still displayed a growth greater than in any other year except 1955, rising by \$10.6 billion. The lower rate of growth corresponded to the decline in residential building activity during the year, which however, was the second highest year on record. Consumer indebtedness rose by \$3.1 billion, half as much as in the record year 1955, the moderate expansion in 1956 being due to fewer purchases of automobiles, as well as increased repayments of loans.

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 1956. At the end of 1956, individuals owned approximately \$335 billion worth of corporate stocks and bonds, together with \$460 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 \$127 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 the S.E.C. saving: time and saving deposits, saving and loan associations, private life insurance, and U. S. Saving Bonds.

^{3/} The third annual survey by the S.E.C. of corporate pension funds, covering the year 1956, will be completed within the next two months.

^{4/} For a complete reconciliation, see Table 6, in the July 1956 issue of the Survey of Current Business.

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

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1951 - 1956

(Billions of dollars)

Type of Saving	1951	1952	1953	1954	1955	1956	1956			
							Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.
1. Currency and deposits	6.0	7.1	4.8	5.8	4.6	4.5	-.5	.6	1.6	2.9
a. Currency	.8	1.1	.6	-.3	.4	*	-.8	.9	-.7	.6
b. Demand deposits	3.1	1.5	-.4	1.4	.6	.2	1.0	-1.5	1.4	1.3
c. Time and savings deposits ^{2/}	2.2	4.5	4.6	4.7	3.5	4.4	1.3	1.2	.9	1.0
2. Savings and loan associations	2.1	3.1	3.6	4.4	4.8	5.1	1.1	1.6	.7	1.7
3. Securities ^{3/}	.7	2.7	3.0	-.7	5.6	7.2	3.9	.8	1.8	.8
a. U. S. Savings bonds	-.5	.1	.2	.6	.3	-.1	.2	-.1	-.1	-.1
b. Other U. S. Government	-.8	-.1	*	-1.7	1.8	1.8	2.3	-.2	.4	-.6
c. State and local Government	.4	1.0	1.7	.5	1.4	1.9	.7	.4	.2	.6
d. Corporate and other	1.5	1.8	1.1	-.1	2.1	3.5	.7	.7	1.2	.9
(1) Bonds and notes	-.1	.4	.4	-.1	1.8	1.7	.2	.6	.6	.2
(2) Preferred and common stock	1.7	1.4	.7	*	.3	1.8	.5	*	.6	.6
4. Liquid saving (1+2+3)	8.8	12.9	11.4	9.5	14.9	16.8	4.4	3.0	4.0	5.3
5. Private insurance and pension reserves	5.4	6.5	6.8	7.3	7.6	7.7	1.8	1.8	2.0	2.0
a. Insurance reserves	3.1	3.8	3.9	4.2	4.2	4.3	1.0	1.0	1.2	1.2
b. Insured pension reserves	1.0	1.1	1.1	1.2	1.3	1.2	.3	.3	.3	.3
c. Non-insured pension funds	1.4	1.6	1.7	1.9	2.1	2.2	.6	.6	.6	.6
6. Government insurance and pension reserves ^{4/}	4.2	4.4	3.2	2.6	3.1	3.7	.7	1.7	1.0	.4
7. Increase in individuals' debts	7.6	10.9	10.9	10.2	18.0	13.6	2.0	4.3	3.4	4.0
a. Mortgage debt ^{5/}	6.6	6.5	7.3	9.2	11.9	10.6	2.6	2.8	2.8	2.5
b. Consumer indebtedness ^{6/}	1.0	4.4	3.6	1.0	6.1	3.1	-.5	1.5	.6	1.5
8. Change in net claims (4+5+6-7)	10.9	12.9	10.4	9.3	7.6	14.6	4.9	2.2	3.6	3.8
9. Non-farm homes ^{7/}	10.2	10.3	10.9	12.5	15.3	14.1	2.9	3.6	3.9	3.5
10. Construction and equipment of non-profit institutions	1.5	1.4	1.5	1.9	2.0	2.1	.5	.5	.6	.6
11. Consumer durable goods	27.1	26.6	29.8	29.4	35.7	34.0	7.8	8.5	7.9	9.7
12. Total gross saving (8+9+10+11)	49.7	51.3	52.7	53.0	60.6	64.7	16.1	14.8	16.1	17.7
13. Change in net claims excluding Government insurance (8-6)	6.7	8.5	7.2	6.7	4.5	10.8	4.2	.5	2.7	3.4
14. Total gross saving excluding Government insurance (12-6)	45.5	46.9	49.4	50.3	57.5	61.0	15.4	13.2	15.1	17.3

* 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. 1951 - 1955 revised.

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 consumer 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.

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

Year end, 1950 - 1956

(Billions of dollars)

	1950	1951	1952	1953	1954	1955	1956
<u>Financial Assets</u>							
1. Currency and deposits	130.7	136.8	143.9	148.7	154.5	159.0	163.5
a. Currency	23.3	24.1	25.2	25.8	25.5	25.9	25.8
b. Demand deposits	49.5	52.6	54.2	53.8	55.2	55.8	56.0
c. Time and savings deposits	57.8	60.0	64.5	69.1	73.8	77.4	81.7
2. Savings and loan associations	13.9	16.0	19.0	22.7	27.1	31.9	37.0
3. Securities ^{1/}	80.0	79.3	80.2	82.2	81.4	84.9	88.8
a. U. S. Savings bonds	49.6	49.1	49.2	49.4	50.0	50.2	50.1
b. Other U.S. Government	17.0	16.3	16.2	16.4	14.4	16.3	18.4
c. State and local Government	13.4	13.8	14.8	16.5	17.0	18.4	20.3
4. Private insurance and pension reserves	68.1	73.5	80.1	86.8	94.7	102.5	109.9
a. Insurance reserves	57.1	60.2	64.1	68.0	72.7	77.2	81.2
b. Insured pension reserves	5.4	6.4	7.5	8.6	9.8	11.1	12.3
c. Non-insured pension funds ^{2/}	5.5	6.9	8.5	10.2	12.2	14.2	16.4
5. Government insurance and pension reserves	39.9	44.1	48.5	51.8	54.4	57.5	61.2
6. Total financial assets (1 through 5)	332.6	349.6	371.8	392.2	412.0	435.8	460.4
<u>Liabilities</u>							
7. Mortgage debt	37.6	44.2	50.7	58.0	67.3	79.2	89.7
8. Consumer debt	17.9	18.8	23.2	26.8	27.8	33.9	37.0
9. Total liabilities	55.5	63.1	73.9	84.9	95.1	113.1	126.7
10. Total individuals' net equity (financial assets less liabilities) ^{3/}	277.2	286.5	297.9	307.3	317.0	322.7	333.7

^{1/} Does not include individuals' holdings of corporate securities. Rough estimates indicate an order of magnitude of \$335 billion at the end of 1956.

^{2/} Book value.

^{3/} 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.