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VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING, JULY-SEPTEMBER, 1958 1/

Individuals in the United States saved at a high rate during the third quarter of 1958, according to estimates made public today by the Securities and Exchange Commission, chiefly reflecting the large rise in personal income and the lag in spending on consumer durable goods. Net financial saving amounted to \$5.2 billion 2/, \$4.0 billion more than in the second quarter and somewhat higher than saving in the third quarter of last year. During the first nine months of 1958 individuals' saving in financial form totalled approximately \$11 billion, about 20 percent less than in the similar period of 1957 when saving was at post-war record levels.

The pattern of saving in the first nine months of 1958 shows considerable change from 1957. There was a substantial rise in savings deposits in banks and in savings and loan association shares while loans on consumer goods were liquidated. On the other hand, individuals' ownership of U. S. Government issues has been substantially reduced and other securities investments, except for purchases of investment company shares, have been much lower than in 1957. While saving in the form of government pension and insurance reserves has been very low because of increased benefit payments, saving in private insurance has been almost as large as in the similar period of last year. For the most part, these trends continued in the third quarter of 1958.

During the third quarter checking accounts of individuals rose by more than \$3 billion, in contrast to a \$1.7 billion decrease in the second quarter and a \$2.0 billion decrease in the first quarter of this year. The growth in demand deposits during the third quarter was the largest since the third quarter of 1951. Although individuals' savings deposits at commercial and mutual savings banks continued to show a large increase, amounting to \$2.0 billion, the growth was smaller than in the two preceding quarters. In the first nine months of 1958 savings deposits increased by a record \$7.4 billion,

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

2/ Individuals' saving in the form of cash and deposits, savings and loan association shares, and securities, as well as insurance and pension reserves, net of the increase in individuals' debt.

compared with \$5.5 billion in the same period of 1957. The highest previous nine month total was in 1945. Equity of individuals in savings and loan association shares increased by \$700 million during the third quarter, substantially less than in the second quarter, reflecting the usual withdrawals in July following midyear dividend payments. For the first nine months net purchases of savings and loan shares totalled a record \$3.8 billion, \$700 million more than in the same period of 1957.

Individuals' holdings of securities declined by \$1.4 billion in the third quarter of 1958 extending the decline of the previous quarter. Holdings of U. S. Government securities, other than Savings Bonds, decreased by \$1.6 billion, the largest reduction since the second quarter of 1951. Holdings of Savings Bonds declined \$200 million, the same as in the second quarter. Individuals also liquidated about \$200 million of state and local government securities in the third quarter, compared with net acquisitions of \$200 million in the previous quarter. The third quarter was characterized by a moderate reduction in net new state and local issues and continued heavy purchases by institutional investors.

Individuals purchased more than \$500 million of corporate and other securities in the third quarter, compared with about \$100 million in the previous quarter. Purchases of corporate bonds totalled \$500 million, as against a \$600 million decline in the second quarter, and net purchases of investment company shares totalled \$400 million, about the same as in the second quarter. However, individuals' holdings of other stock issues declined by \$300 million. Although there was a sharp rise in stock prices during the third quarter, the volume of new stock offerings increased but nominally while institutional investors bought more heavily than in preceding quarters. It should be pointed out that these figures exclude capital gains.

Individuals' equity in private insurance and pension reserves rose \$2.0 billion during the quarter, \$200 million more than the preceding period but \$200 million less than the third quarter of 1957. Equity in insurance reserves has declined moderately reflecting to some extent a trend on the part of purchasers toward policies carrying lower reserve requirements.

Government insurance and pension reserves increased \$200 million in the third quarter as compared to an increase of \$700 million in the preceding quarter. The lower saving reflects the continued rise in old age benefits and unemployment benefits which, although somewhat less than in the preceding quarter, remained high.

Individuals' indebtedness increased by \$1.4 billion during the third quarter, substantially less than in the previous quarter or in the same period of 1957. A decline of \$1.5 billion in security loans on corporate and U. S. Government issues was the principal factor moderating the rise of individuals' debts. Consumer indebtedness during the third quarter of 1958 increased \$100 million, the smallest increase for a third quarter in the post war period, chiefly due to lower automobile sales and credit extensions. Mortgage debt of

individuals increased \$2.8 billion in the third quarter, the greatest increase in any quarter for two years. The increase in this form of debt reflects the rise in residential construction which during the third quarter of 1958 amounted to \$4.7 billion, the highest quarterly total in three years.

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 the 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.

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 savings deposits, savings and loan associations, private life insurance and U. S. savings bonds.

SAVING BY INDIVIDUALS IN THE UNITED STATES ^{1/}

1955 - 1958

(Billions of Dollars)

Type of Saving	1955	1956	1957	1957			1958		
				Apr.- June	July- Sept.	Oct.- Dec.	Jan.- Mar.	Apr.- June	July- Sept.
1. Currency and Deposits	3.8	4.9	5.7	.7	2.2	2.6	.4	1.1	5.1
a. Currency	.4	*	*	.5	-.1	.2	-.4	.3	*
b. Demand deposits	-.1	.6	-.9	-1.3	.7	1.3	-2.0	-1.7	3.1
c. Time and savings deposits ^{2/}	3.5	4.3	6.6	1.6	1.6	1.1	2.8	2.6	2.0
2. Savings and Loan Association shares	4.8	4.8	4.8	1.6	.5	1.7	1.3	1.8	.7
3. Securities	6.3	5.2	6.0	1.0	2.2	.4	1.0	-.8	-1.4
a. U. S. Savings bonds	.3	-.1	-1.9	-.5	-.5	-.4	*	-.2	-.2
b. Other U. S. Government	1.6	1.5	2.0	-.3	1.3	-.2	-.7	-.9	-1.6
c. State and local government	1.7	1.4	2.0	.4	.6	.3	.5	.2	-.2
d. Corporate and other	2.7	2.3	4.0	1.4	.8	.7	1.3	.1	.5
(1) Bonds and notes	1.6	.8	2.7	.8	.8	.4	1.1	-.6	.5
(2) Investment company shares ^{3/}	.8	.9	1.0	.2	.3	.2	.2	.4	.4
(3) Other preferred and common stock	.4	.5	.3	.4	-.3	.1	-.1	.3	-.3
4. Private insurance and pension reserves	7.6	8.0	7.8	1.8	2.2	1.9	1.9	1.8	2.0
a. Insurance reserves	4.2	4.4	3.6	.8	1.1	.9	.8	.7	.9
b. Insured pension reserves	1.3	1.2	1.6	.4	.4	.4	.4	.4	.4
c. Non-insured pension funds	2.1	2.4	2.7	.7	.7	.7	.6	.6	.7
5. Government insurance and pension reserves ^{4/}	3.1	3.5	3.1	1.4	.8	.2	-.3	.7	.2
6. Increase in individuals' debts	18.6	12.8	10.8	3.7	2.9	3.4	-.2	3.5	1.4
a. Mortgage debt ^{5/}	11.9	10.4	8.2	2.2	2.2	1.9	1.5	2.1	2.8
b. Consumer indebtedness ^{6/}	6.1	3.1	2.6	1.5	.7	1.3	-1.7	.3	.1
c. Securities loans ^{7/}	.6	-.8	-.1	*	*	.2	*	1.0	-1.5
7. Net financial saving (1+2+3+4+5-6)	6.9	13.6	16.6	2.9	4.9	3.4	4.5	1.2	5.2
8. Non-farm homes ^{8/}	17.3	16.2	15.2	3.8	4.3	4.0	3.1	3.9	4.7
9. Construction and equipment of non-profit institutions	2.0	2.1	2.4	.6	.7	.7	.6	.6	.7
10. Consumer durable goods	39.6	38.4	39.9	10.0	9.6	11.1	8.2	9.0	8.6
11. Total gross saving (7+8+9+10)	65.9	70.3	74.2	17.3	19.4	19.1	16.3	14.6	19.2

* 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 the postal savings system.

^{3/} Includes closed-end investment companies as well as mutual funds.

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

^{5/} Mortgage debt to institutions on one-to-four-family non-farm 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. Policy loans on government and private life insurance have been deducted from those items of saving.

^{7/} Change in bank loans made for the purpose of purchasing or carrying securities.

^{8/} Construction of one-to-four family non-farm dwellings less net acquisitions of properties by non-individuals.