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VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING, 1959 ^{1/}

Individuals in the U. S. saved \$14 billion in financial form during 1959 ^{2/} according to estimates made public today by the Securities and Exchange Commission. This was approximately \$2 1/2 billion less than in 1958 and \$3 1/2 billion less than in 1957, the post-war record. Although total financial assets of individuals showed the greatest increase since 1945, debts of individuals also increased by a record amount. At the end of 1959 it is estimated that individuals' equity in financial assets net of liabilities aggregated about \$775 billion.

During 1959 investments in U. S. Government marketable issues were the most important channel of financial saving. Responding to the prevailing favorable yields on these securities, net purchases by individuals were large, exceeding any previous period by a wide margin, and contrasting with a liquidation of such issues in 1958. A substantial portion of individuals' purchases of Government marketable issues may have represented switches out of lower yielding investment media, i.e., individuals reduced their holdings of U. S. savings bonds by a large amount, were net sellers of common stock issues (other than investment company shares), and drew down their demand deposits at banks. Also, individuals' savings accounts at banks failed to show the growth of the preceding two years. Among other financial assets acquired in 1959, individuals invested larger amounts in tax-exempt issues and investment company shares. Their saving in private insurance and pension reserves, and in savings and loan shares, was larger than in any previous period. The accumulations in these assets were offset by a record expansion in mortgage debt and a growth in consumer indebtedness equalled only in 1955.

Net purchases of securities

Individuals' saving in securities totalled \$11.9 billion in 1959. This exceeded the previous post-war high of \$6.6 billion in 1957 and compares with \$700 million in 1958. This saving occurred principally through the acquisition of more than \$10 billion of U. S. Government marketable securities, including \$1.1 billion of non-guaranteed Federal agency issues. During 1959 interest-bearing debt of the Government and its agencies rose by \$8.8 billion and commercial banks added to the available supply of government securities by liquidating \$7.7 billion of their holdings. Aside from domestic individuals, other major purchases of U. S. Government marketable issues were non-financial corporations with an increase of over \$3.5 billion and foreigners

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

^{2/} Individuals' financial saving covers saving in the form of securities, currency and bank deposits, savings and loan association and credit union shares, and insurance and pension reserves, net of the increase in individuals' debt.

with approximately \$2.8 billion. The large purchases of marketable government issues by individuals in 1959 were partially offset by a further reduction in holdings of U. S. savings bonds, amounting to \$1.8 billion. These liquidations partly reflect the exchange by investors of series F and G bonds for Treasury notes in December. Individuals' purchases of U. S. marketable securities were heaviest in the fourth quarter of the year reflecting the popular interest displayed in the 5% Treasury notes, sold in early October.

Individuals' saving in tax-exempt securities totalled \$2.5 billion in 1959 compared with \$1.2 billion in the previous year and \$2.2 billion in 1957. The net new supply of these issues in 1959 was somewhat smaller than in 1958, but commercial banks, usually a major purchaser, acquired only a small amount. Large investments in tax-exempt issues continued to be made by insurance companies and state and local retirement and investment funds.

Saving by individuals during 1959 in corporate and other securities amounted to \$800 million. This compares with \$2.4 billion in 1958 and \$3.2 billion in 1957. Individuals continued to make large net purchases of investment company shares, \$1.7 billion in 1959 compared with \$1.6 billion in 1958 and \$1.0 billion in 1957. However, sales by individuals of other stock issues exceeded their purchases by more than \$700 million. Also, individuals liquidated \$100 million of their holdings of corporate debt issues. Institutional investors added \$4.9 billion of corporate bonds to their portfolios with life insurance companies and corporate pension funds the principal purchasers.

Saving in other financial assets

Individuals' saving in currency and bank deposits totalled \$3.7 billion in 1959, about one-third of the 1958 total. Time deposits rose \$4.3 billion for the year, considerably less than the record \$7.9 billion the year before. Demand deposits during 1959 decreased \$1.4 billion, compared to a \$2.2 billion increase in 1958. Individuals' currency holdings rose \$700 million for the year, more than double the 1958 increase. Investments in savings and loan association and credit union shares rose by a record \$7.1 billion, \$600 million more than the 1958 record.

Private insurance and pension reserves of individuals increased \$8.8 billion during 1959, \$500 million more than in the preceding year, reflecting a sharper growth in corporate pension funds than in 1958. Private insurance reserves rose \$3.6 billion, \$300 million less than the preceding year, while it is estimated that insured pension reserves grew by \$1.6 billion, slightly more than in 1958. Non-insured pension funds, chiefly self-administered plans of corporations, rose \$3.6 billion, according to preliminary estimates. Government insurance and pension reserves increased \$1.9 billion compared with \$600 million in 1958 when unemployment benefit payments were substantially higher.

Individuals' debts

Individuals' debts increased \$19.4 billion during 1959, almost \$1.0 billion more than the previous record increase in 1955. Consumer indebtedness rose by \$6.0 billion during 1959, an increase nearly equal that of 1955. Financing of automobiles purchases was an important part of this expansion,

but there was also a strong upsurge in other types of installment credit, much more pronounced than in 1955.

The rise in individuals' mortgage debt amounted to a record \$13.2 billion in 1959, 10 percent higher than the previous high in 1955. This reflected, in part, a delayed response to liberalized credit legislation. Also contributing to the rise in mortgage debt, of course, was the record volume of new residential construction in 1959. Individuals' borrowing on securities increased \$200 million during the year with large repayments and extensions on both corporate and U. S. Government securities occurring during the year.

Ownership of financial assets

In addition to the estimates of saving discussed above, data on accumulated financial assets and liabilities are given in Table 2. At the end of 1959, financial assets amounted to approximately \$945 billion, of which securities issues comprised \$500 billion. Other assets included almost \$210 billion private and Government insurance and pension reserves, \$180 billion of currency and bank deposits, and close to \$60 billion investments in saving and loan associations and credit unions. Of the securities owned, about \$380 billion was invested in common and preferred stocks, more than \$45 billion in U. S. savings bonds, almost \$30 billion in other U. S. Government issues, \$27 billion in state and local issues and \$18 billion in corporate and foreign bonds. Individuals' liabilities amounted to over \$170 billion at the end of 1959 of which \$120 billion represented mortgages on homes, and over \$45 billion was consumer debt incurred in connection with purchasing automobiles and other consumer goods.

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 personal saving estimates of the Department of Commerce is derived as the difference between personal income and expenditures. A complete reconciliation of the Securities and Exchange Commission and Commerce Department series appears annually in the July issues of the Statistical Bulletin of the Securities and Exchange Commission and in the Survey of Current Business.

The Federal Reserve Board's flow-of-funds system of accounts includes capital expenditures as well as financial components of saving and covers saving of Federal, state and local governments, businesses, financial institutions and consumers. While the Federal Reserve Board's estimates of consumer saving in financial form from the flow-of-funds accounts are similar to the Securities and Exchange Commission estimates of individuals' saving, there are some statistical and conceptual differences in the two sets of data.

A more restricted approach to saving is the selected item series of the Home Loan Bank Board. This series covers the following components: time and saving deposits of individuals, partnerships and corporations, savings and loan association shares, private life insurance and U. S. savings bonds.

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

1956 - 1959

(Billions of dollars)

Type of Saving	1956	1957	1958	1959	1959			
					Jan.- Mar.	Apr.- June	July Sept.	Oct.- Dec.
1. Currency and Deposits.....	4.7	5.1	10.3	3.7	.1	.2	2.8	.5
a. Currency.....	*	*	.3	.7	-.5	.5	.1	.6
b. Demand deposits.....	.9	-1.2	2.2	-1.4	-1.0	-1.7	1.7	-.4
c. Time and savings deposits.....	3.8	6.3	7.9	4.3	1.6	1.3	1.0	.3
2. Savings shares ^{2/}	5.4	5.2	6.5	7.1	1.4	2.3	1.2	2.2
3. Securities.....	5.2	6.6	.7	11.9	2.8	2.3	3.3	3.5
a. U. S. Savings bonds.....	-.1	-1.9	-.5	-1.8	-.2	-.4	-.5	-.6
b. Other U. S. Government ^{3/}	1.8	3.0	-2.4	10.4	2.6	1.8	2.6	3.4
c. State and local government.....	1.5	2.2	1.2	2.5	.3	.9	.9	.4
d. Corporate and other.....	2.0	3.2	2.4	.8	.2	.1	.3	.3
(1) Bonds and notes.....	.4	1.8	1.0	-.1	-.1	-.3	.2	*
(2) Investment company shares ^{4/}.....	.9	1.0	1.6	1.7	.4	.4	.4	.4
(3) Other preferred and common stock....	.6	.4	-.2	-.7	-.1	-.1	-.4	-.1
4. Private insurance and pension reserves.....	8.0	7.8	8.3	8.8	2.2	2.3	2.1	2.2
a. Insurance reserves.....	4.3	3.5	3.9	3.6	.8	.9	.9	.9
b. Insured pension reserves.....	1.2	1.6	1.5	1.6	.4	.4	.4	.4
c. Non-insured pension funds ^{5/}	2.4	2.7	3.0	3.6	1.0	.9	.8	.9
5. Government insurance and pension reserves ^{6/}	3.6	3.2	.6	1.9	*	1.4	.8	-.3
6. Increase in individuals' debts.....	12.7	10.2	10.1	19.4	1.8	6.1	5.1	6.4
a. Mortgage debt ^{7/}	10.3	7.8	9.2	13.2	2.7	3.8	3.3	3.3
b. Consumer indebtedness ^{8/}	3.1	2.5	.4	6.1	-.3	2.2	1.8	2.4
c. Securities loans ^{9/}	-.8	-.1	.4	.2	-.6	.1	*	.6
7. Net financial saving (1+2+3+4+5-6).....	14.1	17.7	16.4	14.0	4.8	2.3	5.0	1.9
8. Non-farm homes ^{10/}	16.3	15.6	16.4	20.3	4.0	5.4	5.8	5.2
9. Construction and equipment of non-profit institutions.....	2.1	2.5	2.7	2.8	.6	.7	.8	.8
10. Consumer durable goods.....	38.5	40.3	37.6	43.0	9.4	11.1	10.3	12.3
11. Gross saving (7+8+9+10).....	71.0	76.0	73.2	80.2	18.8	19.4	21.9	20.1

* 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 in savings and loan associations and shares and deposits in credit unions.

^{3/} Includes non-guaranteed Federal agency securities

^{4/} Includes closed-end investment companies as well as mutual funds.

^{5/} In addition to corporate funds, includes reserves of non-profit organizations, multi-employer plans and union administered plans.

^{6/} Includes Social Security funds, state and local retirement systems, etc.

^{7/} Mortgage debt to institutions on one-to-four-family non-farm dwellings.

^{8/} 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.

^{9/} Change in bank loans to brokers and dealers and others made for the purpose of purchasing or carrying securities.

^{10/} Construction of one-to-four-family non-farm dwellings less net acquisitions of properties by non-individuals.

FINANCIAL ASSETS AND LIABILITIES OF INDIVIDUALS IN THE U. S.

Year-end, 1957 - 1959

(Billions of dollars)

<u>Financial Assets</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>
1. Currency and deposits.....	166.0	176.3	180.0
a. Currency.....	25.9	26.1	26.8
b. Demand deposits.....	55.4	57.5	56.2
c. Time and saving deposits.....	84.7	92.6	97.0
2. Savings shares.....	45.0	51.5	58.6
3. Securities.....	363.0	456.8	500.4
a. U. S. savings bonds.....	48.2	47.7	45.9
b. Other U. S. Government <u>1/</u>	23.2	20.2	29.4
c. State and local Government.....	23.1	24.3	26.8
d. Corporate and other <u>2/</u>	268.5	364.6	398.3
(1) Bonds and notes.....	19.9	21.0	18.3
(2) Investment company shares.....	14.0	20.2	23.2
(3) Other preferred and common shares.	234.6	323.4	356.8
4. Private insurance and pension reserves...	119.7	130.6	140.0
a. Insurance reserves.....	84.3	88.7	92.7
b. Insured pension reserves.....	14.0	15.5	17.1
c. Non-insured pension reserves.....	21.4	26.4	30.1
5. Government insurance and pension reserves.	64.4	65.0	66.9
6. Total financial assets.....	758.1	880.3	945.9
(1 through 5)			
<u>Liabilities</u>			
7. Mortgage debt.....	97.4	106.6	119.8
8. Consumer debt.....	39.8	40.2	46.3
9. Securities loans.....	4.2	4.6	4.8
10. Total liabilities (7+8+9).....	141.4	151.5	170.9
11. Total individuals' net equity <u>3/</u>	616.6	728.8	775.0
(6-10)			

1/ Estimated market value. Includes non-guaranteed Federal agency issues.

2/ Rough estimates of market value.

3/ The year to year changes in the above data are not equivalent to saving shown in Table 1 which does not reflect revaluations in certain of the components.

NET PURCHASES OF CORPORATE AND FOREIGN SECURITIES 1/By Class of Investor
(Billions of Dollars)

	<u>1956</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>
<u>Bonds and Notes</u>				
Total net additions to issues outstanding.....	5.1	7.7	6.9	4.8
Net purchases by institutions.....	4.7	5.9	5.9	4.9
Corporate pension funds.....	1.4	1.6	1.4	1.6
Life insurance companies.....	2.2	2.4	2.6	2.3
Other institutions and foreigners.....	1.1	1.9	1.9	1.0
Net purchases by domestic individuals <u>2/</u>.....	.4	1.8	1.0	-.1
<u>Common and Preferred Stocks</u>				
Total net additions to stock <u>3/</u> outstanding.....	3.6	3.7	4.1	4.3
Net purchases by institutions.....	2.0	2.4	2.7	3.3
Corporate pension funds.....	.8	1.0	1.3	1.5
Investment companies.....	.6	.8	1.1	1.0
Other institutions and foreigners.....	.6	.5	.3	.7
Net purchases by domestic individuals <u>2/</u>	1.6	1.4	1.4	.9
Investment company shares.....	.9	1.0	1.6	1.7
Other stock issues.....	.6	.4	-.2	-.7

1/ Includes foreign government and corporate issues.2/ Including personal trust funds and non-profit organizations.3/ Including investment company shares and conversions of debt issues into stock issues.