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For Release March 28, 1962VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING, 1961 1/

In 1961 individuals in the U. S. saved at a rate equalling the post-war record of 1958, according to estimates made public today by the Securities and Exchange Commission. Net financial saving amounted to \$16.9 billion, compared with \$10.4 billion in 1960 and \$13.6 billion in 1959. It is also estimated that individuals' equity in financial assets, net of liabilities, totalled almost \$900 billion as of the end of 1961, an increase of 15 percent during the year, chiefly reflecting higher market values of stock issues.

The pattern of individuals' saving in 1961 was somewhat the same as in 1958, a similar phase of economic recovery, characterized by movement into savings deposits, savings shares, and savings bonds. Purchases of investment company issues continued to increase, with record investment in mutual fund shares. As in 1960, individuals' holdings of stock were substantially reduced despite the large volume of new issues, while net investment in debt issues of state and local government and corporate and foreign bonds were less than in the preceding year. Saving in private insurance and pension reserves, which has been gaining steadily in recent periods, expanded further in 1961. Although a sharp rise was noted in the closing months of 1961, the growth in individuals' debts for the year was somewhat less than in 1960, mainly because of smaller extensions of consumer credit.

Net purchases of securities

Individuals' investments in securities during 1961 amounted to \$1.4 billion, the same as in 1960 but contrasting with over \$11 billion of net purchases in 1959. In the latter year very large amounts of marketable U. S. Government issues were acquired by individuals, while in most of 1960 and the first six months of 1961 there were net liquidations. For the year 1961 as a whole individuals' ownership of marketable U. S. Government bonds was reduced by \$800 million. Although the amount of Federal debt increased substantially during 1961 it was financed, for the most part, by banks rather than individuals. As against net sales of marketable issues, individuals' holdings of Series E and H savings bonds rose by \$1.3 billion, the largest increase since 1956.

Individuals' net investment in tax-exempt issues during 1961 was considerably less than in recent years, totalling \$400 million; the increase in supply of new issues, estimated at more than \$5 billion, about the same as in

1/ Individuals' financial saving, in addition to personal holdings, covers saving of unincorporated business, trust funds and nonprofit institutions and includes 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.

the record year 1958, was largely taken by institutional investors, particularly commercial banks seeking higher yields to meet rising interest rate competition for savings deposits. Likewise, purchases of corporate and other bonds by individuals were lower in 1961 and totalled approximately \$200 million. In 1960 when large foreign investments were made, net purchases totalled \$1.5 billion. While in 1961 there was a net increase in corporate and other bonds outstanding of more than \$5.5 billion, financial institutions absorbed practically all of this in their investment portfolios.

Individuals' holdings of common and preferred stock, other than investment company shares, declined by almost two billion dollars in 1961, with one quarter of the decrease representing exchanges for shares of investment companies organized for this purpose. The decline in individuals' holdings in 1961 occurred in spite of an all-time peak in the volume of new common stock offerings, substantial redistributions of large individually-held blocks of stock, and heavy trading activity on a rising market. This situation principally reflects the large amount of institutional purchases of equity issues which in 1961 were greater than any previous period. Also redemptions of outstanding stock issues by corporations were larger in 1961, and included sizeable cash liquidation payments. It should be noted that saving as treated in this series excludes capital gains and losses, so that the foregoing figures and those given in Table 1 do not take into account changes in stock prices. Market values are indicated in Table 2 which covers financial assets and liabilities of individuals at the year end; this table shows a substantial increase in the value of individuals' equity holdings in 1961, due to rising prices.

Individuals' net purchases of investment company shares in 1961 aggregated \$2.7 billion. Of this total almost \$2.0 billion ^{1/} was invested in mutual fund shares, \$200 million in closed-end companies (mostly small business investment companies) and \$500 million represented exchange transactions previously noted.

Saving in other financial assets

Total saving in currency and bank deposits amounted to \$9.4 billion, more than double the 1960 amount. Savings accounts of individuals at commercial and mutual savings banks increased by \$8.6 billion in 1961, comparing with \$7.7 billion in 1958, the previous post-war high. Investments in savings and loan association and credit union shares rose \$9.4 billion, \$1.3 billion higher than the 1960 record.

Equity in private insurance and pension reserves increased \$9.6 billion in 1961. Private insurance reserves increased slightly more than in 1960, while the growth in insured pension reserves was estimated to be the same as in the previous year. According to preliminary estimates, noninsured pension funds rose approximately \$3.9 billion in 1961, somewhat more than in 1960. The increase in government insurance and pension reserves amounted to \$1.5 billion. Because of an extension of unemployment benefits, special veterans' insurance dividends, and increased social security payments the growth in these reserves was about half as large as in 1960.

^{2/} Including sales load.

Individuals' debts

Individuals' debt increased \$14.4 billion during 1961, \$1 billion less than in 1960. Reflecting the sluggishness in consumer durable goods spending, consumer credit extension was lower until late in the year, falling behind repayments in the early part of the year. Borrowings to finance automobile purchases declined while personal loans and charge account credit expanded, the latter principally in the fourth quarter. Mortgage debt of individuals rose \$12.5 billion during 1961, with an easing in the mortgage market and somewhat lower rates. Loans on securities rose \$1 billion during the year, most of the increase being attributed to borrowing on non-governmental issues. Increased borrowings on government securities late in the year offset heavy repayments in the first quarter of 1961.

Quarterly trends

Net financial saving of individuals in the fourth quarter of 1961 totalled \$3.0 billion. After rough adjustments for seasonal factors, this amount was somewhat lower than the high rate of saving prevailing in the first three quarters of 1961. Although spending for consumer goods increased, personal income after taxes reached a record total in the fourth quarter, and personal saving remained high. The trend toward more liquid investments continued with emphasis on bank deposits, saving shares, and savings bonds. Net purchases of mutual fund shares also were higher in the last quarter of the year. Offsetting the growth in financial assets, individuals' debts increased sharply in the fourth quarter, primarily because of greater spending on consumer goods.

Ownership of financial assets

In addition to the estimates of saving discussed above, data on the market value of accumulated financial assets and liabilities are given in Table 2. At the end of 1961, gross financial assets of individuals aggregated almost \$1,100 billion, with securities comprising more than half of the total. Other assets included \$235 billion of insurance and pension reserves, \$190 billion of currency and bank deposits, and \$75 billion of investments in saving and loan associations and credit unions. Of the securities owned, about \$430 billion was invested in common and preferred stocks, \$47 billion in U. S. savings bonds, \$32 billion in investment company shares, and the remainder in U. S. Government marketable issues, state and local government issues and corporate and foreign bonds. Individuals' liabilities totalled \$200 billion including \$142 billion of mortgages on homes and over \$5Q billion of consumer credit.

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 estimate of the Department of Commerce is derived as the difference between personal income (after taxes) and expenditures. A complete reconciliation of the Securities and Exchange Commission and Commerce Department series appears annually in the July issue 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 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 savings 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/}

S-1816

1958 - 1961

(Billions of Dollars)

Type of Saving	1958	1959	1960	1961	1961			
					Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.
1. Currency and Deposits.....	10.2	3.5	3.9	9.4	1.6	1.7	3.3	2.8
a. Currency.....	.3	.7	*	.6	-.5	.6	*	.5
b. Demand deposits.....	2.2	-1.2	-1.2	.2	-.4	-1.4	1.5	.5
c. Time and savings deposits.....	7.7	4.1	5.0	8.6	2.5	2.5	1.8	1.8
2. Savings shares ^{2/}	6.3	7.3	8.1	9.4	2.0	2.7	1.5	3.3
3. Securities.....	1.3	11.1	1.4	1.4	-1.1	-.3	1.3	1.4
a. U. S. savings bonds								
(1) Series E & H.....	.9	-.1	.5	1.3	.4	.3	.3	.4
(2) Other.....	-1.4	-1.7	-.7	-.5	-.1	-.1	-.1	-.1
b. Other U. S. Government ^{3/}	-1.6	9.8	-.9	-.8	-1.3	-1.8	1.2	1.1
c. State and local government.....	.8	2.2	1.4	.4	*	*	.1	.3
d. Corporate and other.....	2.6	.9	1.2	1.0	*	1.4	-.2	-.2
(1) Bonds and notes.....	1.3	.1	1.5	.2	-.1	.7	-.4	-.1
(2) Investment company shares ^{4/}	1.6	1.7	1.5	2.7	.6	.6	.9	.6
(3) Other preferred and common stock.....	-.3	-.9	-1.8	-1.9	-.5	.1	-.7	-.7
4. Private insurance and pension reserves.....	8.4	8.9	9.2	9.6	2.3	2.1	2.3	2.8
a. Insurance reserves.....	3.9	3.5	4.3	4.5	1.0	.9	1.1	1.4
b. Insured pension reserves.....	1.5	2.0	1.2	1.2	.3	.3	.3	.3
c. Noninsured pension funds ^{5/}	3.1	3.4	3.7	3.9	1.0	.9	.9	1.1
5. Government insurance and pension reserves ^{6/}.....	.6	2.3	3.3	1.5	-.2	1.5	.7	-.5
6. Increase in individuals' debts.....	10.0	19.5	15.5	14.4	-.1	4.4	3.2	6.9
a. Mortgage debt ^{7/}	9.3	13.0	11.6	12.5	2.7	3.0	3.0	3.8
b. Consumer indebtedness ^{8/}.....	.2	6.3	3.7	1.0	-1.7	.6	.1	2.0
c. Securities loans ^{9/}.....	.4	.2	.3	1.0	-1.0	.9	.1	1.1
7. Net financial saving (1+2+3+4+5-6).....	16.9	13.6	10.4	16.9	4.8	3.2	5.9	3.0
8. Nonfarm homes ^{10/}	15.3	19.2	18.4	16.9	4.2	3.9	4.1	4.8
9. Construction and equipment of nonprofit institutions.....	2.7	2.9	3.2	3.4	.8	.8	.9	.9
10. Consumer durable goods.....	37.3	43.4	44.3	42.4	8.9	10.6	9.8	13.1
11. Gross saving (7+8+9+10).....	72.3	79.1	76.3	79.6	18.6	18.4	20.8	21.8

* 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 nonguaranteed Federal agency securities.

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

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

^{6/} Includes Social Security, unemployment, civil service, railroad retirement and state and local retirement funds.

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

^{8/} Consumer debt owed to corporations, largely attributable to purchase 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 nonfarm dwellings less net acquisitions of properties by nonindividuals.

FINANCIAL ASSETS AND LIABILITIES OF INDIVIDUALS IN THE UNITED STATES

Year-end 1958 - 1961

(Billions of dollars)

<u>Financial Assets</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
1. Currency and deposits.....	174.3	177.9	181.7	191.1
a. Currency.....	25.0	25.6	25.7	26.2
b. Demand deposits.....	56.7	55.5	54.3	54.6
c. Time and saving deposits.....	92.6	96.8	101.8	110.4
2. Savings shares.....	51.1	58.4	66.5	75.8
3. Securities.....	452.4	506.0	490.9	586.3
a. U. S. savings bonds.....	47.7	45.9	45.7	46.5
b. Other U. S. Government <u>1/</u>	19.7	28.5	28.7	28.1
c. State and local government.....	24.3	26.5	27.9	28.3
d. Corporate and other <u>2/</u>	360.7	405.1	388.6	483.4
(1) Bonds and notes.....	21.2	17.8	21.7	21.8
(2) Investment company shares.....	20.2	23.1	24.0	31.8
(3) Other preferred and common shares.....	319.3	364.2	342.9	429.8
4. Private insurance and pension reserves...	130.7	140.2	149.9	163.8
a. Insurance reserves.....	88.7	92.4	96.6	101.7
b. Insured pension reserves.....	15.5	17.5	18.8	20.0
c. Noninsured pension reserves.....	26.5	30.3	34.6	42.0
5. Government insurance and pension reserves.	64.9	67.2	70.5	72.0
6. Total financial assets.....	873.5	949.7	959.5	1,089.0
(1 through 5)				
<u>Liabilities</u>				
7. Mortgage debt.....	105.1	118.2	129.7	142.2
8. Consumer debt.....	40.2	46.5	50.2	51.1
9. Securities loans.....	4.6	4.8	5.0	6.0
10. Total liabilities (7+8+9).....	149.9	169.4	185.0	199.4
Total Individuals' Net Equity <u>3/</u> (6-10).....	723.5	780.2	774.6	889.7

1/ Estimated market value. Includes nonguaranteed Federal agency issues.

2/ Rough estimates of market value.

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