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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

STATISTICAL SERIES

RELEASE NO. 1848

For Release September 2, 1962

VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING, APRIL-JUNE, 1962.

Individuals saved \$4.6 billion in financial form ^{1/} during the second quarter of 1962, according to estimates made public today by the Securities and Exchange Commission. This compares with \$6.9 billion in the preceding quarter and \$3.2 billion in the second quarter of 1961.

Although the growth in individuals' financial assets continued at a high rate during the second quarter of this year, there were offsetting increases in individuals' indebtedness, chiefly reflecting an expansion in consumer credit. Time deposits of individuals increased further in the second quarter, although less than in the first quarter when increased interest rates went into effect. In contrast to the preceding quarter, individuals' ownership of U. S. Government marketable obligations was reduced and their holdings of state and local issues also declined. A larger amount of corporate bonds was acquired, while net purchases of mutual funds shares for the quarter were only slightly lower than in the first three months of the year. However, individuals' sales of other equity issues again exceeded purchases. Other changes in the pattern of saving principally reflected seasonal factors and included increases in currency holdings, savings and loan shares and government pension and un-employment funds.

During the second quarter individuals' sales of equity issues, other than investment company shares continued to exceed purchases. Net liquidation amounted to \$1.1 billion, slightly more than in the first quarter. Net additions to the market supply were less than in the preceding quarter because of larger retirements of stock issues. However, the volume of new flotations for the quarter was about the same as in the first quarter of this year, although in response to the decline in stock prices the number of issues, particularly smaller offerings, began to drop in May and in June were reduced sharply. Institutional investors, primarily noninsured private pension funds and investment companies, continued to be major buyers of common stocks during the second quarter. During the first half of 1962 it is estimated that institutions have made net purchases of \$2.6 billion of equity issues as against \$2.3 billion in the first half of 1961. As compared with the latter period the net supply of new equity issues other than investment company issues has been much lower this year. It is interesting to note that investment companies made net portfolio purchases of stock in the first half of this year almost equal to their purchases in the full year 1961.

^{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.

In contrast to net sales of other equity issues, individuals again added substantially to their holdings of investment company shares. However, sales in June, following the break in the market, were one-fourth less than in May, while redemptions were only slightly lower. Net purchases of corporate bonds by individuals in the second quarter amounted to \$600 million, higher than the preceding quarter, reflecting a larger volume of new issues.

The reduction of individuals' ownership of U. S. Government marketable securities amounted to \$500 million in contrast to net acquisitions in the three most recent quarters. However, individuals continued to make purchases of U. S. Savings Bonds Series E and H, which amounted to \$200 million net of redemptions. Holdings of tax-exempt securities declined \$400 million, somewhat more than the decrease in the first quarter, reflecting a lower volume of new state and local issues and continued large acquisitions by commercial banks.

Individuals' saving in currency and bank deposits aggregated \$3.0 billion compared to a \$4.2 billion increase in the preceding quarter. Savings accounts of individuals increased \$3.2 billion, higher than any other quarterly period except the record \$4.8 billion increase in the preceding quarter. Currency held by individuals rose \$900 million, while individuals' checking accounts declined \$1.1 billion. Investments in savings and loan associations and credit union shares were large, rising by \$2.8 billion during the quarter.

Equity in private insurance and pension reserves increased \$2.5 billion, with the rate of growth in noninsured private pension funds being somewhat higher than in 1961. Government insurance and pension reserves rose by \$2.2 billion, reflecting the annual payments by the self-employed workers to the social security fund as well as an increase in the unemployment insurance trust fund due to a somewhat improved employment situation.

Indebtedness of individuals rose \$5.1 billion during the quarter, substantially more than the seasonally low first quarter. Mortgage debt increased \$3.4 billion, slightly less than the preceding period, while consumer indebtedness increased \$2.2 billion, the largest quarterly increase since the fourth quarter of 1959. This was due in large part to higher automobile sales during the period. Reflecting the break in stock prices, borrowings on securities continued to decline during the second quarter, in contrast to the expansion during most of last year. The decline was centered in borrowings by dealers and brokers on both corporate and U. S. Government securities.

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, saving and loan association shares, private life insurance and U. S. savings bonds.

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

1959 — 1962

S-1848

(Billions of Dollars)

Type of Saving	1959	1960	1961	1961				1962	
				Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.	Jan.- Mar.	Apr.- June
1. Currency and Deposits.....	4.4	3.8	9.7	1.3	2.1	3.3	3.0	4.2	3.0
a. Currency.....	.7	*	.6	-.8	.9	-.5	1.0	-.6	.9
b. Demand deposits.....	-.4	-1.2	.3	-.4	-1.6	1.9	.3	*	-1.1
c. Time and savings deposits.....	4.1	5.0	8.8	2.5	2.7	1.8	1.7	4.8	3.2
2. Savings shares ^{2/}	7.2	8.3	9.3	2.0	2.7	1.5	3.2	2.1	2.8
3. Securities.....	9.9	*	1.1	-.9	-.7	1.5	1.2	.1	-.8
a. U. S. savings bonds									
(1) Series E & H.....	-.1	.5	1.3	.4	.3	.3	.4	.3	.2
(2) Other.....	-1.7	-.7	-.5	-.1	-.1	-.1	-.1	-.1	-.1
b. Other U. S. Government ^{3/}	9.1	-2.1	-1.4	-1.1	-2.1	1.1	.7	.3	-.5
c. State and local government.....	1.8	1.2	.2	-.2	-.2	.1	.4	-.3	-.4
d. Corporate and other.....	.9	1.1	1.6	.2	1.5	*	-.1	-.1	.1
(1) Bonds and notes.....	.1	1.5	.9	.1	.8	-.2	.1	.3	.6
(2) Investment company shares ^{4/}	1.7	1.5	2.7	.6	.6	.9	.6	.7	.6
(3) Other preferred and common stock.....	-.9	-1.9	-2.0	-.5	.1	-.7	-.9	-1.0	-1.1
4. Private insurance and pension reserves.....	8.9	9.1	10.0	2.6	2.2	2.4	2.8	2.6	2.5
a. Insurance reserves.....	3.5	4.2	4.5	1.1	.9	1.1	1.4	1.1	1.0
b. Insured pension reserves.....	2.0	1.3	1.4	.4	.4	.4	.4	.4	.4
c. Noninsured pension funds ^{5/}	3.4	3.7	4.0	1.1	.9	.9	1.0	1.2	1.1
5. Government insurance and pension reserves ^{6/}	2.3	3.4	1.3	-.2	1.4	.7	-.6	-.2	2.2
6. Increase in individuals' debts.....	19.4	15.3	15.2	.1	4.4	3.4	7.3	1.8	5.1
a. Mortgage debt ^{7/}	13.2	10.9	13.0	2.9	2.9	3.0	4.1	3.5	3.4
b. Consumer indebtedness ^{8/}	6.1	4.2	1.2	-1.7	.7	.2	2.1	-1.1	2.2
c. Securities loans ^{9/}2	.3	1.1	-1.0	.9	.2	1.1	-.5	-.5
7. Net financial saving (1+2+3+4+5-6).....	13.3	9.3	16.2	4.7	3.2	5.9	2.4	6.9	4.6
8. Nonfarm homes ^{10/}	19.2	18.4	16.8	4.2	3.8	4.1	4.7	4.4	3.9
9. Construction and equipment of nonprofit institutions.....	2.9	3.2	3.4	.8	.8	.9	.9	.8	.9
10. Consumer durable goods.....	43.5	44.3	42.4	8.9	10.6	9.8	13.1	10.4	12.0
11. Gross saving (7+8+9+10).....	78.9	75.2	78.8	18.5	18.3	20.8	21.2	22.5	21.3

* 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.

^{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 organization, 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.