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LIBRARY VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING IN 1962.

Individuals saved more during 1962 than in any year in the post-war period, according to estimates made public today by the Securities and Exchange Commission. Net saving in financial form ^{1/} amounted to \$20.0 billion compared with \$16.2 billion in 1961 and \$16.7 billion in 1958, the previous post-war record. At the end of 1962 it was estimated that individuals' equity in financial assets, net of liabilities, totaled \$856 billion, a decline over the year reflecting lower market values of stock issues. During the closing months of 1962 the rapid accumulation of liquid assets by individuals continued, but a sharp rise in debts lowered the amount of net saving.

The most important aspect of the savings picture last year was the record growth in individuals' time and savings accounts at banks, responding to higher interest rates offered beginning in January 1962. The rise in savings deposits reflected a shift from other types of saving as well as the placement of new funds. Another important development in the composition of saving was a record expansion in individuals' debts, which are an offset to saving. This occurred principally in mortgage loans, but there was also renewed growth in consumer credit reflecting enlarged automobile purchases, and a spurt in securities borrowing in the latter part of the year. Purchases of investment company shares were substantially less than in 1961, and individuals were again net sellers of other preferred and common stock issues, although this was less pronounced in the third and fourth quarters of 1962.

Currency and deposits

In 1962 total saving in currency and bank deposits aggregated \$18.2 billion, almost double the 1961 amount. Savings accounts of individuals at commercial and mutual savings banks rose by a record \$15.1 billion as against \$8.8 billion in 1961, and \$5.0 billion in 1960. Individuals' holdings of currency rose by \$1.2 billion, a post-war peak, while holdings of demand deposits also increased significantly, \$1.9 billion. In 1961 currency and demand deposits rose by \$600 million and \$300 million, respectively. Investments in savings and loan association and credit union shares increased \$10.0 billion compared to \$9.3 billion in 1961.

While the growth in savings deposits began in the early months of the year, the stock market break in May and subsequent uncertainties in the market caused a continuation of the trend toward more liquid forms in the latter half of the

^{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, saving and loan association and credit union shares, and insurance and pension reserves, net of the increase in individuals' debt.

year. Not only time deposits but also U. S. Government issues showed this movement.

Net purchases of securities

Individuals' saving in securities of all types during 1962 amounted to \$600 million, \$500 million less than the previous year. However, contrasting with 1961, net acquisitions of U. S. Government marketable securities amounted to approximately \$1.0 billion as against net sales of \$1.4 billion in 1961. On the other hand, in 1962 there were substantial net liquidations of state and local bond holdings as compared with small net acquisitions in the preceding year. To a large extent this latter development reflected the downward pressure on yields caused by major purchases of municipal bonds by commercial banks, the net supply of new issues in this category being as plentiful as in the previous year. Net new issues of domestic corporate and foreign bonds were slightly higher than in the previous year. According to preliminary figures, institutional investors added somewhat lower amounts of such securities to their portfolios, while individuals bought somewhat more than in recent years.

Net purchases of investment company shares amounted to \$1.8 billion compared with record net acquisitions of \$2.7 billion in 1961. Individuals' holdings of common and preferred stock, other than investment company issues, were reduced by \$3.1 billion, as compared with a decline of \$2.0 billion the year previous. This chiefly reflected a decline in new common stock issues, following the stock market break, from a record \$3.3 billion in 1961 to \$1.3 billion in 1962. Furthermore, repurchases of outstanding stock issues by corporations, which were large in 1961, continued heavy in 1962, cutting into the available supply. Institutional net purchases of stock issues, which were maintained at a high rate in the first two quarters of 1962, were lower during the remainder of the year.

Insurance and pension reserves

Individuals' equity in private insurance and pension reserves increased \$10.5 billion, an all-time record. Of this, insurance reserves accounted for \$4.8 billion, exceeding the 1961 figure by \$300 million, and insured pension reserves accounted for \$1.5 billion. Noninsured pension funds increased approximately \$4.2 billion, or \$200 million more than in 1961, according to preliminary data. Government insurance and pension reserves rose \$2.9 billion in 1962, more than double that of 1961, reflecting an increase in the unemployment insurance fund.

Individuals' debts

Individuals' debts, which are deductions from saving, increased by a record \$22.2 billion during 1962, compared with approximately \$15 billion in each of the years 1961 and 1960 and a previous record expansion of \$19.4 billion in 1959. During 1962 there was a rise of \$5.0 billion in consumer debt, resulting from near-record auto sales during the year, as well as expanded personal loans. Mortgage debt of individuals rose \$16.0 billion, \$3 billion more than 1961, due to a higher level of housing activity in 1962, and more liberal mortgage terms reflecting the abundance of mortgage credit. Loans on securities

increased \$1.2 billion during the year, most of the increase occurring in the fourth quarter.

Quarterly trends

Net financial saving of individuals in the fourth quarter of 1962 totaled \$1.9 billion, much lower than the first three quarters of the year, even after adjustment for seasonal factors. The rising trend toward more liquid investments continued, particularly in savings deposits at banks. Partly offsetting the growth in financial assets, however, individuals' debts rose sharply in the fourth quarter, primarily due to larger spending on consumer goods and increased loans on securities.

Ownership of financial assets

The foregoing figures and those appearing in Table 1 do not take into account changes in market values. Saving as treated in this series excludes capital gains and losses. In Table 2, however, estimated market values of individuals' financial assets and liabilities at the end of 1959, 1960, 1961 and 1962 are presented.

At the end of 1962, individuals held gross financial assets amounting to almost \$1,079 billion with securities comprising about half the total. Besides securities, assets included \$247 billion of insurance and pension reserves, \$210 billion currency and bank deposits, and almost \$86 billion of investments in saving and loan associations and credit unions. Of the securities owned, \$409 billion was invested in common and preferred stock including investment company shares, reflecting a 12 percent decline in value from the end of 1961. Other securities holdings included \$47 billion of U. S. savings bonds, \$28 billion of U. S. marketable bonds, \$26 billion of state and local government issues and \$25 billion of corporate and foreign bonds. Individuals' liabilities totaled \$222 billion, comprising \$158 billion of mortgages on homes, \$56 billion of consumer credit, and \$7 billion of loans for purchasing or carrying 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 individual saving, there are some statistical and conceptual differences in the two sets of data.

SAVINGS BY INDIVIDUALS IN THE UNITED STATES ^{1/}
1959 — 1962
(Billions of dollars)

| Type of Saving | 1959 | 1960 | 1961 | 1962 | 1962 | | | |
|---|------|------|------|------|---------------|---------------|----------------|---------------|
| | | | | | Jan.- Mar. | Apr.- June | July- Sept. | Oct.- Dec. |
| 1. Currency and Deposits..... | 4.4 | 3.8 | 9.7 | 18.2 | 4.2 | 3.3 | 6.0 | 4.6 |
| a. Currency..... | .7 | * | .6 | 1.2 | -.6 | 1.2 | -.1 | .7 |
| b. Demand deposits..... | -.4 | -1.2 | .3 | 1.9 | * | -1.3 | 2.9 | .3 |
| c. Time and savings deposits..... | 4.1 | 5.0 | 8.8 | 15.1 | 4.8 | 3.4 | 3.3 | 3.6 |
| 2. Savings shares ^{2/} | 7.2 | 8.3 | 9.3 | 10.0 | 2.1 | 2.8 | 1.7 | 3.4 |
| 3. Securities..... | 9.9 | * | 1.1 | .6 | -.2 | -.6 | .5 | .8 |
| a. U. S. savings bonds | | | | | | | | |
| (1) Series E & H..... | -.1 | .5 | 1.3 | .9 | .3 | .2 | .2 | .2 |
| (2) Other..... | -1.7 | -.7 | -.5 | -.5 | -.1 | -.1 | -.1 | -.2 |
| b. Other U. S. Government ^{3/} | 9.1 | -2.1 | -1.4 | 1.0 | .3 | -.6 | .6 | .7 |
| c. State and local government..... | 1.8 | 1.2 | .2 | -1.2 | -.5 | -.2 | -.2 | -.2 |
| d. Corporate and other..... | .9 | 1.1 | 1.6 | .4 | -.1 | .1 | * | .3 |
| (1) Bonds and notes..... | .1 | 1.5 | .9 | 1.6 | .3 | .7 | .1 | .5 |
| (2) Investment company shares ^{4/} | 1.7 | 1.5 | 2.7 | 1.8 | .7 | .6 | .3 | .2 |
| (3) Other preferred and common stock..... | -.9 | -1.9 | -2.0 | -3.1 | -1.1 | -1.2 | -.4 | -.5 |
| 4. Private insurance and pension reserves..... | 8.9 | 9.1 | 10.0 | 10.5 | 2.6 | 2.5 | 2.6 | 2.8 |
| a. Insurance reserves..... | 3.5 | 4.2 | 4.5 | 4.8 | 1.1 | 1.0 | 1.3 | 1.4 |
| b. Insured pension reserves..... | 2.0 | 1.3 | 1.4 | 1.5 | .4 | .4 | .4 | .4 |
| c. Noninsured pension funds ^{5/} | 3.4 | 3.7 | 4.0 | 4.2 | 1.2 | 1.1 | 1.0 | 1.0 |
| 5. Government insurance and pension reserves ^{6/} | 2.3 | 3.4 | 1.3 | 2.9 | -.2 | 2.2 | 1.0 | -.1 |
| 6. Increase in individuals' debts..... | 19.4 | 15.3 | 15.2 | 22.2 | 2.0 | 5.7 | 5.0 | 9.5 |
| a. Mortgage debt ^{7/} | 13.2 | 10.9 | 13.0 | 16.0 | 3.6 | 3.8 | 3.8 | 4.7 |
| b. Consumer indebtedness ^{8/} | 6.1 | 4.2 | 1.2 | 5.0 | -1.1 | 2.2 | 1.0 | 2.9 |
| c. Securities loans ^{9/} | .2 | .3 | 1.1 | 1.2 | -.5 | -.4 | .2 | 1.9 |
| 7. Net financial saving (1+2+3+4+5-6)..... | 13.3 | 9.3 | 16.2 | 20.0 | 6.6 | 4.5 | 6.9 | 1.9 |
| 8. Nonfarm homes ^{10/} | 19.2 | 19.4 | 16.8 | 17.7 | 4.4 | 3.9 | 4.4 | 5.0 |
| 9. Construction and equipment of nonprofit institutions..... | 2.9 | 3.2 | 3.4 | 3.6 | .8 | .9 | 1.0 | 1.0 |
| 10. Consumer durable goods..... | 43.6 | 44.8 | 43.7 | 47.8 | 10.4 | 12.0 | 10.8 | 14.6 |
| 11. Gross saving (7+8+9+10)..... | 78.9 | 75.8 | 80.1 | 89.2 | 22.2 | 21.3 | 23.1 | 22.5 |

* 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.

TABLE 2

FINANCIAL ASSETS AND LIABILITIES OF INDIVIDUALS IN THE UNITED STATES

Year-end 1959 - 1962

(Billions of dollars)

| <u>Financial Assets</u> | <u>1959</u> | <u>1960</u> | <u>1961</u> | <u>1962</u> |
|---|-------------|-------------|-------------|-------------|
| 1. Currency and deposits..... | 178.7 | 182.3 | 192.0 | 210.1 |
| a. Currency..... | 25.7 | 25.7 | 26.3 | 27.5 |
| b. Demand deposits..... | 56.3 | 55.1 | 55.4 | 57.3 |
| c. Time and saving deposits..... | 96.8 | 101.5 | 110.3 | 125.4 |
| 2. Savings shares..... | 58.2 | 66.5 | 75.8 | 85.8 |
| 3. Securities..... | 514.3 | 498.8 | 589.9 | 535.6 |
| a. U. S. savings bonds..... | 45.9 | 45.7 | 46.5 | 46.9 |
| b. Other U. S. Government <u>1/</u> | 29.3 | 28.2 | 26.4 | 28.1 |
| c. State and local government..... | 26.3 | 27.5 | 27.7 | 26.5 |
| d. Corporate and other <u>2/</u> | 412.8 | 397.4 | 489.3 | 434.1 |
| (1) Bonds and notes..... | 19.8 | 21.9 | 22.7 | 25.0 |
| (2) Investment company shares..... | 20.7 | 22.8 | 31.8 | 29.3 |
| (3) Other preferred and common shares... | 372.3 | 352.7 | 434.8 | 379.8 |
| 4. Private insurance and pension reserves.... | 140.2 | 149.9 | 163.9 | 172.2 |
| a. Insurance reserves..... | 92.3 | 96.4 | 101.5 | 106.0 |
| b. Insured pension reserves..... | 17.6 | 18.8 | 20.2 | 21.7 |
| c. Noninsured pension reserves..... | 30.3 | 34.7 | 42.2 | 44.4 |
| 5. Government insurance and pension reserves. | 67.2 | 70.6 | 71.9 | 74.8 |
| 6. Total financial assets..... | 958.6 | 968.0 | 1,093.5 | 1,078.6 |
| (1 through 5) | | | | |
| <u>Liabilities</u> | | | | |
| 7. Mortgage debt..... | 118.6 | 129.5 | 142.5 | 158.4 |
| 8. Consumer debt..... | 46.1 | 50.3 | 51.5 | 56.5 |
| 9. Securities loans..... | 4.8 | 5.0 | 6.1 | 7.3 |
| 10. Total liabilities (7+8+9)..... | 169.5 | 184.9 | 200.1 | 222.2 |
| Total Individuals' Net Equity <u>3/</u> (6-10)..... | 789.1 | 783.2 | 893.4 | 856.4 |

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.