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VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING, APRIL-JUNE 1963

Individuals saved \$2.9 billion <sup>1/</sup> in financial form during the second quarter of 1963 according to estimates made public today by the Securities and Exchange Commission. This compares with \$6.5 billion in the preceding quarter and \$4.0 billion during the second quarter last year. While the growth in individuals' financial assets continued at a high level through the second quarter of this year, such saving was offset by a sharp increase in individuals' indebtedness, including consumer credit, mortgage debt and borrowing to purchase or carry securities.

Of financial assets accumulated during the second quarter of this year, most important was the maintenance of a high rate of investment in shares of saving and loan associations. Also, a considerable rise occurred in individuals' equity in government insurance and pension reserves, as well as in holdings of state and local securities, in contrast to liquidation of such issues in recent periods. Individuals' savings accounts at banks expanded by a fairly large amount, although lower than in any period since the beginning of 1962. Investment in other financial assets was about the same as in the preceding quarter except for a decline in checking accounts and an increase in currency holdings, both reflecting seasonal factors.

Individuals continued to be net sellers of equity issues other than investment company shares, reducing their holdings by \$800 million during the second quarter, the same as in the preceding quarter. The volume of new stock flotations in the second quarter remained low, only slightly exceeding the amount of stock issues retired. As in recent periods, institutional buyers were the chief purchasers of common stock issues. Individuals also acquired a smaller amount of mutual fund shares in the second quarter, net purchases totalling \$200 million, as compared with \$300 million in the first quarter of this year and \$600 million in the second quarter of 1962. Individuals' holdings of corporate debt issues showed no change during the second quarter. A large amount of new debt issues was offered during the period, but the total included a sizeable amount of refunding issues, as well as record sales of privately-placed issues, the latter being taken by institutional investors.

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<sup>1/</sup> 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.

Ownership of U. S. Government marketable securities by individuals was reduced by \$300 million in the second quarter despite substantial participation by individuals in the new 4% bonds due 1970. Net purchases of U.S. Savings Bonds, Series E & H, amounted to \$400 million, \$100 million less than in the first quarter of this year, but twice average net purchases during the last three quarters of 1962. Holdings of tax-exempt securities by individuals increased \$500 million in the second quarter of 1963, the first rise in holdings of these issues since early 1962, responding to a larger volume of state and municipal offerings.

Individuals' savings in currency and bank deposits totaled \$2.2 billion during the second quarter as against \$3.2 billion in the first quarter and \$3.4 billion in the second quarter of 1962. Time and saving deposits of individuals at commercial and mutual savings banks rose \$2.7 billion during the second quarter of 1963, the smallest saving in this form since the change in regulations permitting higher interest rates in January 1962. In the preceding four quarters these savings accounts had grown by about \$3.4 billion each quarter, while in the first quarter of 1962 the growth was \$4.8 billion, a record amount. Currency holdings of individuals increased \$1.5 billion during the second quarter of 1963, and demand deposits declined \$1.9 billion. Investment in savings and loan association and credit union shares, which has accounted for a large proportion of saving in recent periods, amounted to \$3.2 billion, the same as in the first quarter.

Equity of individuals in private insurance and pension reserves together increased \$1.6 billion, \$100 million more than in the preceding period. However, the growth in noninsured pension funds was slightly less than in the first quarter. Government insurance and pension reserves increased by a record \$2.7 billion, reflecting the annual payments by self-employed workers to the social security fund as well as higher social security rates this year.

Individuals' indebtedness increased \$7.6 billion during the second quarter of 1963, substantially higher than the seasonally low first quarter, and comparing with \$5.9 billion in the second quarter of 1962. Mortgage debt rose \$4.3 billion, according to preliminary estimates, compared with \$4.1 billion in the first quarter, and \$3.8 billion in the same period of 1962. The large increase reflects not only substantial activity in residential construction, but also is ascribed to increased mortgage loans for non-housing purposes such as education, automobile purchases, etc. Consumer debt rose seasonally by \$2.3 billion, mostly due to higher automobile sales. Securities borrowing amounted to \$1.0 billion responding to increased stock trading during the quarter.

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 <sup>1/</sup>

1960 — 1963

(Billions of dollars)

Type of Saving	1960	1961	1962	1962				1963	
				Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.	Jan.- Mar.	April June
1. Currency and Deposits.....	2.8	9.3	19.1	4.3	3.4	6.0	5.4	3.2	2.2
a. Currency.....	*	.6	.9	-.6	1.2	-.1	.5	-.3	1.5
b. Demand deposits.....	-2.2	-.1	3.2	.1	-1.2	2.8	1.5	.1	-1.9
c. Time and savings deposits.....	5.0	8.8	15.0	4.8	3.4	3.3	3.5	3.5	2.7
2. Savings shares <sup>2/</sup> .....	8.3	9.4	10.1	2.1	2.8	1.7	3.5	3.2	3.2
3. Securities.....	-.1	1.2	-.7	.1	-1.0	.3	-.2	-.9	-.1
a. U. S. savings bonds									
(1) Series E & H.....	.5	1.3	.9	.3	.2	.2	.2	.5	.4
(2) Other.....	-.7	-.5	-.5	-.1	-.1	-.1	-.2	-.1	-.1
b. Other U.S. Government <sup>3/</sup> .....	-2.7	-1.4	.5	.4	-.6	.4	.3	-.1	-.3
c. State and local government.....	1.7	1.0	-.1	.1	*	-.1	-.1	-.5	.5
d. Corporate and other.....	1.1	.8	-1.5	-.5	-.5	-.2	-.4	-.7	-.6
(1) Bonds and notes.....	1.5	.2	.2	-.1	.3	-.1	.1	-.1	*
(2) Investment company shares <sup>4/</sup> .....	1.5	2.7	1.8	.7	.6	.3	.2	.3	.2
(3) Other preferred and common stock.....	-1.9	-2.2	-3.5	-1.1	-1.3	-.4	-.7	-.8	-.8
4. Private insurance and pension reserves.....	9.2	9.9	10.2	2.3	2.6	2.6	2.7	2.5	2.4
a. Insurance reserves.....	4.2	4.5	4.8	.9	1.2	1.3	1.3	1.1	1.2
b. Insured pension reserves.....	1.3	1.4	1.4	.4	.4	.4	.4	.4	.4
c. Noninsured pension funds <sup>5/</sup> .....	3.7	4.0	4.0	1.0	1.0	.9	1.0	1.0	.9
5. Government insurance and pension reserves <sup>6/</sup> .....	3.4	1.2	2.8	-.1	2.0	1.0	-.1	.4	2.7
6. Increase in individuals' debts.....	15.4	15.0	21.9	1.6	5.9	5.2	9.1	1.9	7.6
a. Mortgage debt <sup>7/</sup> .....	11.0	12.5	15.4	3.3	3.8	3.9	4.4	4.1	4.3
b. Consumer indebtedness <sup>8/</sup> .....	4.2	1.5	5.3	-1.1	2.5	1.0	2.9	-.9	2.3
c. Securities loans <sup>9/</sup> .....	.3	1.1	1.1	-.5	-.4	.2	1.8	-1.3	1.0
7. Net financial saving (1+2+3+4+5+6).....	8.1	15.9	19.6	7.0	4.0	6.4	2.3	6.5	2.9
8. Nonfarm homes <sup>10/</sup> .....	12.4	16.8	17.6	4.4	3.9	4.4	5.0	4.3	3.9
9. Construction and equipment of nonprofit institutions.....	3.2	3.4	3.6	.8	.9	1.0	1.0	.8	.8
10. Consumer durable goods.....	44.8	43.7	47.5	10.3	11.9	10.8	14.6	11.2	12.9
11. Gross saving (7+8+9+10).....	74.5	79.8	88.4	22.5	20.7	22.5	22.7	22.8	20.5

\* Indicates less than \$50 million.

<sup>1/</sup> 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.

<sup>2/</sup> Includes shares in savings and loan associations and shares and deposits in credit unions.

<sup>3/</sup> Includes nonguaranteed Federal agency securities.

<sup>4/</sup> Includes closed-end investment companies as well as mutual funds.

<sup>5/</sup> In addition to corporate funds, includes reserves of nonprofit organization, multi-employer plans and union-administered plans.

<sup>6/</sup> Includes Social Security, unemployment, civil service, railroad retirement and state and local retirement funds.

<sup>7/</sup> Mortgage debt to institutions on one-to-four-family nonfarm dwellings.

<sup>8/</sup> 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.

<sup>9/</sup> Change in bank loans to brokers and dealers and others made for the purpose of purchasing or carrying securities.

<sup>10/</sup> Construction of one-to-four-family nonfarm dwellings less net acquisitions or properties by nonindividuals.