

# STATISTICAL SERIES

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## VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING IN 1963

Saving by individuals was greater in 1963 than in any year in the post-war period, according to estimates made public today by the Securities and Exchange Commission. Reflecting the record flow of personal income in 1963, net saving in financial form <sup>1/</sup> amounted to \$20.4 billion compared with \$19.6 billion in 1962. At the end of 1963 the market value of individuals' equity in financial assets net of liabilities totaled almost one trillion dollars.

The chief feature of the savings pattern of individuals last year was a continued large flow of funds into time and savings deposits, although at a lower rate than in 1962, and a record investment in savings and loan shares. The rise in these forms of saving was reflected in the ready availability and growth of home mortgage credit during the year, and individuals' mortgage debt, an offset to saving, increased by a record amount. There was also a large expansion in consumer indebtedness partly due to peak automobile sales during 1963. Net purchases of investment company shares were substantially less than in 1962, and individuals again were net sellers of other preferred and common stock issues.

### Currency and deposits

Total currency and bank deposits of individuals grew by \$17 billion in 1963, comparing with an increase of over \$19 billion in 1962. Savings accounts at commercial and mutual savings banks rose \$10.5 billion in 1963 as against a record increase of \$15 billion in the preceding year. Individuals' holdings of currency increased by \$1.6 billion and demand deposits by \$4.9 billion. All of the growth in the latter component occurred in the third and fourth quarters while a decline in such deposits took place during the first half of 1963. The growth in savings shares in savings and loan associations and in credit unions added \$11.8 billion to individuals' liquid assets, exceeding 1962 saving in this form by \$1.7 billion.

### Net purchases of securities

Individuals' saving in securities of all types showed no appreciable change during 1963. However, as in the previous five years, individuals reduced their holdings of equity issues other than investment company shares. Despite the rise in the stock market to new highs in 1963, new offerings of stock remained at the low level which persisted since the May 1962 market break. Furthermore, there was a sharp rise in repurchases of stock by corporations, with the total for the year actually exceeding new offerings. During 1963 it is

<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.

estimated that institutional investors added less to their stock portfolios than in 1962, but their purchases still were sizeable, and individuals' net sales of stock issues were estimated at \$3.7 billion. Sales of investment company shares were less than in the two preceding years and redemptions increased, resulting in a net increase of \$1.2 billion in individuals' holdings, the smallest net acquisition of these issues since 1957. Net issues of corporate and foreign bonds and notes were considerably higher than in 1962 and preliminary figures indicate that both institutional buyers and individuals added larger amounts of these issues to their portfolios than in the preceding year.

Holdings of U. S. Savings Bonds series E and H rose by \$1.6 billion, the largest increase since 1955 but ownership of other savings bonds continued to be reduced. Individuals decreased their holdings of marketable U. S. Government issues by \$200 million in 1963, whereas in 1962 they had acquired on balance \$500 million of these obligations. During 1962 and early 1963 the yields on tax-exempt securities declined in a market dominated by commercial banks, and individuals were net sellers of these issues. As yields improved during 1963, individuals returned to the market and for 1963 as a whole their net investment in state and local issues amounted to \$1.1 billion.

#### Insurance and pension reserves

Equity in total private insurance and pension reserves increased \$10.7 billion in 1963, the largest growth in such reserves to date. Private insurance reserves increased \$300 million more than in 1962 while the growth in insured pension reserves was estimated to be about the same as in the previous year. According to preliminary estimates, noninsured pension funds rose approximately \$4.2 billion in 1963, \$200 million more than in 1962. The increase in government insurance and pension reserves amounted to \$4.5 billion as compared to \$2.8 billion in 1962. An important factor in the larger growth was the 1963 increase in the social security contribution rate, sharply reducing the drain on the fund.

#### Individuals' debts

Individuals' indebtedness increased by a record \$23.6 billion during 1963 compared with \$21.9 billion in 1962, the previous record year. This rise in debt reflected the increase in individuals' investment in housing and consumer durable goods. During 1963 there was a growth of \$5.9 billion in consumer credit, largely attributable to the record automobile sales during the year, while mortgage debt of individuals rose \$16.7 billion. The latter reflected not only increased housing activity but also ready availability of such credit for housing and other purposes during 1963. Loans on securities increased \$900 million during the year, with margin requirements being raised in November. A large expansion of borrowings on corporate securities occurred in the second quarter and also in the fourth quarter.

#### Quarterly trends

Net financial saving of individuals in the fourth quarter of 1963 totaled \$4.9 billion and reflected the trend to a more liquid position with sharp increases in currency and demand deposits as well as a steady increase in savings shares and time deposits. Offsetting the sharp growth in financial assets was a large increase in individuals' debts with the usual seasonal increase in consumer debt and a substantial growth in mortgage debt.

### Ownership of financial assets

The foregoing figures and those in Table 1 do not take into account changes in market values. Data on the market value of accumulated financial assets and liabilities at the end of the years 1959-1963 are given in Table 2. At the close of 1963 the gross financial assets of individuals aggregated \$1,200 billion, with securities comprising more than half the total. Other assets included \$265 billion of insurance and pension reserves, \$225 billion in currency and bank deposits and almost \$100 billion of shares in credit unions and savings and loan associations. Of securities owned, almost \$500 billion was invested in common and preferred stock, \$48 billion in U. S. savings bonds, \$34 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 totaled \$250 billion including \$175 billion of mortgages on homes and over \$60 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 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	1963	1963			
					Jan.- Mar.	April- June	July- Sept.	Oct.- Dec.
1. Currency and Deposits.....	2.8	9.3	19.1	17.0	3.5	2.4	4.6	6.5
a. Currency.....	*	.6	.9	1.6	-.3	1.4	-.5	1.0
b. Demand deposits.....	-2.2	-.1	3.2	4.9	.1	-1.6	2.6	3.8
c. Time and savings deposits.....	5.0	8.8	15.0	10.5	3.8	2.6	2.4	1.7
2. Savings shares <sup>2/</sup> .....	8.3	9.4	10.1	11.8	3.2	3.3	1.7	3.6
3. Securities.....	-.1	1.2	-.7	*	-1.2	-.4	1.6	-.1
a. U. S. savings bonds								
(1) Series E & H.....	.5	1.3	.9	1.6	.5	.4	.4	.4
(2) Other.....	-.7	-.5	-.5	-.4	-.1	-.1	-.1	-.1
b. Other U. S. Government <sup>3/</sup> .....	-2.7	-1.4	.5	-.2	-.5	-.8	1.7	-.7
c. State and local government.....	1.7	1.0	-.1	1.1	-.4	.6	.1	.8
d. Corporate and other.....	1.1	.8	-1.5	-2.1	-.6	-.5	-.5	-.5
(1) Bonds and notes.....	1.5	.2	.2	.4	-.1	.3	-.3	.4
(2) Investment company shares <sup>4/</sup> .....	1.5	2.7	1.8	1.2	.3	.2	.4	.3
(3) Other preferred and common stock.....	-1.9	-2.2	-3.5	-3.7	-.8	-1.1	-.5	-1.2
4. Private insurance and pension reserves.....	9.2	9.9	10.2	10.7	2.6	2.5	2.7	3.0
a. Insurance reserves.....	4.2	4.5	4.8	5.1	1.1	1.2	1.3	1.4
b. Insured pension reserves.....	1.3	1.4	1.4	1.4	.4	.4	.4	.4
c. Noninsured pension funds <sup>5/</sup> .....	3.7	4.0	4.0	4.2	1.1	1.0	1.0	1.2
5. Government insurance and pension <sup>6/</sup> reserves .....	3.4	1.2	2.8	4.5	.4	2.7	1.5	*
6. Increase in individuals' debts.....	15.4	15.0	21.9	23.6	1.9	7.2	6.4	8.1
a. Mortgage debt <sup>7/</sup> .....	11.0	12.5	15.4	16.7	4.1	4.0	4.1	4.6
b. Consumer indebtedness <sup>8/</sup> .....	4.2	1.5	5.3	5.9	-.9	2.3	1.5	3.0
c. Securities loans <sup>9/</sup> .....	.3	1.1	1.1	.9	-1.3	.9	.8	.5
7. Net financial saving (1+2+3+4+5-6).....	8.1	15.9	19.6	20.4	6.7	3.2	5.6	4.9
8. Nonfarm homes <sup>10/</sup> .....	18.4	16.8	17.6	18.0	4.3	3.9	4.5	5.2
9. Construction and equipment of nonprofit institutions.....	3.2	3.4	3.6	3.7	.8	.8	1.0	1.0
10. Consumer durable goods.....	44.8	43.7	47.5	51.6	11.2	12.9	11.6	15.9
11. Gross saving (7+8+9+10).....	74.5	79.8	88.4	93.7	23.0	20.9	22.8	27.0

\* 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.

TABLE 2

## FINANCIAL ASSETS AND LIABILITIES OF INDIVIDUALS IN THE UNITED STATES

Year-end 1959 - 1963  
(Billions of dollars)

<u>Financial Assets</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>
1. Currency and deposits.....	178.7	181.2	190.6	209.6	226.6
a. Currency.....	25.7	25.7	26.2	27.2	28.8
b. Demand deposits.....	56.3	54.1	54.0	57.2	62.1
c. Time and saving deposits.....	96.8	101.5	110.3	125.3	135.8
2. Savings shares.....	58.2	66.5	75.8	86.0	97.7
3. Securities.....	517.3	501.0	610.0	587.7	652.7
a. U. S. savings bonds.....	45.9	45.6	46.4	46.9	48.0
b. Other U. S. Government <u>1/</u> .....	29.3	27.0	25.7	26.6	26.8
c. State and local government.....	29.3	31.0	32.0	31.8	32.9
d. Corporate and other <u>2/</u> .....	412.8	397.4	505.9	482.4	544.9
(1) Bonds and notes.....	19.8	21.9	22.0	22.9	22.9
(2) Investment company shares.....	20.7	22.8	31.8	29.7	34.2
(3) Other preferred and common shares.....	372.3	352.7	452.1	429.8	487.8
4. Private insurance and pension reserves..	140.2	149.9	164.0	171.1	186.3
a. Insurance reserves.....	92.3	96.4	101.6	106.0	111.9
b. Insured pension reserves.....	17.6	18.8	20.2	21.6	23.0
c. Noninsured pension reserves.....	30.3	34.7	42.2	43.5	51.3
5. Government insurance and pension reserves.	67.2	70.6	71.7	74.5	79.0
6. Total financial assets..... (1 through 5)	961.6	969.2	1,112.1	1,128.9	1,242.3
<u>Liabilities</u>					
7. Mortgage debt.....	118.6	129.6	142.0	157.5	174.2
8. Consumer debt.....	46.3	50.5	52.0	57.3	63.2
9. Securities loans.....	4.8	5.0	6.1	7.2	8.1
10. Total liabilities (7+8+9).....	169.7	185.1	200.1	222.0	245.5
Total individuals' net equity <u>3/</u> (6-10).....	791.9	784.1	912.0	906.9	996.8

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.