

FEDERAL RESERVE BANK
LIBRARY

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SEP 29 1965

For Release September 17, 1965

STATISTICAL SERIES

RELEASE NO. 2077

VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING, APRIL-JUNE 1965

According to estimates released today by the Securities and Exchange Commission, net financial saving of individuals was maintained at a high rate during the second quarter of this year and amounted to \$7.6 billion. ^{1/} This was \$500 million more than first quarter saving and was about the same amount as in the second quarter of last year.

As compared with the preceding quarter, higher saving was recorded in currency and checking accounts, saving and loan association shares, corporate and tax-exempt obligations, and government insurance and pension reserves. The growth in individuals' indebtedness, an offset to saving, was at a near-record rate, primarily reflecting a large expansion in consumer credit.

Savings in currency and deposits amounted to \$4.5 billion as compared to \$2.5 billion in the preceding quarter and \$3.6 billion during the same period last year. Time and savings deposits of individuals increased \$2.9 billion, the growth being less than in the preceding quarter when higher interest rates on these deposits went into effect. Investments in savings and loan association and credit union accounts increased \$2.5 billion, slightly more than in the first quarter; for the first half of 1965 saving in this form has been the lowest in five years, possibly reflecting more competitive rates being paid elsewhere.

During the second quarter a record volume of state and municipal issues was offered and individuals increased their holdings of these issues by \$900 million. This was approximately the same amount as such saving in the second quarter of 1964 but was in contrast to the two preceding quarters when little change in individuals' holdings of tax-exempt issues occurred. There also was a record volume of new corporate debt issues during the period, including a substantial amount of convertible issues. While a large part of the new debt issues of corporations was absorbed by institutional investors through private purchases, individuals' net acquisitions were much larger than in recent quarters, and amounted to \$1.2 billion. Investment by individuals in marketable U.S. Government securities totaled \$400 million, but most of this was in connection with inventories of dealers which in this series are classified as "individuals".

^{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.

Acquisitions of U.S. Savings Bonds, Series E and H, amounted to \$200 million, slightly lower than in recent periods.

Net purchases of investment company shares totaled \$600 million as compared with \$800 million in the preceding quarter which had included the exchange by two new funds of their shares for individuals' portfolio holdings. Individuals' ownership of other preferred and common stock was reduced by \$1.1 billion, about the same as their net selling in the two preceding periods. Although the volume of new preferred and common stock issues was fairly large in the second quarter, retirements of outstanding stock increased and institutional buying was enlarged.

Equity in private insurance and pension reserves increased \$3.2 billion, a lower amount than in the preceding quarter. Equity in government insurance and pension reserves rose by a record \$3.6 billion, the large rise primarily reflecting the annual payments made during the second quarter by self-employed workers to the social security fund, as well as a decline in unemployment benefit payments to the lowest point in six years.

Individuals' indebtedness grew by more than \$8 billion during the second quarter, the sharpest rise in two and one-half years. Mortgage debt rose \$3.9 billion, \$400 million greater than in the preceding quarter, and comparing with \$3.8 billion during the same three months of last year. Individuals' consumer indebtedness increased by a record \$3.4 billion largely due to a record expansion in automobile credit. Borrowings on securities increased \$800 million during the quarter, in part to finance dealers' inventories of U.S. Government securities, but primarily reflecting the further extension of credit on other 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 outlays. A reconciliation of the Securities and Exchange Commission estimates and the Department of Commerce series, which recently has been revised, is being prepared.

The Federal Reserve Board's flow-of-funds system of accounts includes estimates of gross saving and net financial investment of households. 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.

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

1962 — 1965

(Billions of dollars)

Type of Saving	1962	1963	1964	1964				1965	
				Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.	Jan.- Mar.	Apr.- June
1. Currency and Deposits.....	18.0	17.5	19.8	2.3	3.6	5.7	8.2	2.5	4.5
a. Currency and demand deposits.....	3.1	6.6	7.4	.7	.5	2.7	4.9	-2.2	1.5
b. Time and savings deposits.....	14.9	10.9	12.4	3.0	3.2	3.0	3.3	4.7	2.9
2. Savings shares ^{2/}	10.0	11.8	11.3	2.5	3.3	2.1	3.5	2.1	2.5
3. Securities.....	.9	.5	4.4	1.6	1.3	1.4	.1	1.3	2.1
a. U. S. savings bonds									
(1) Series E & H.....	.9	1.6	1.2	.3	.3	.3	.3	.3	.2
(2) Other.....	.5	.4	.3	.1	.1	.1	.1	.1	.1
b. Other U. S. Government ^{3/}6	.5	2.4	1.4	.1	1.1	*	1.3	.4
c. State and local government.....	.3	1.5	1.7	.2	1.0	.4	.1	.1	.9
d. Corporate and other.....	-2.2	-2.8	-.6	-.2	.2	-.3	-.3	-.1	.7
(1) Bonds and notes.....	.2	.2	.3	.2	*	*	.5	.2	1.2
(2) Investment company shares ^{4/}	1.8	1.2	1.8	.3	.4	.5	.6	.8	.6
(3) Other preferred and common stock....	-3.8	-4.1	-2.7	-.4	-.2	-.7	-1.4	-1.0	-1.1
4. Private insurance and pension reserves.....	10.8	11.2	12.9	3.1	3.2	3.0	3.6	3.6	3.2
a. Insurance reserves.....	5.0	4.9	5.6	1.4	1.3	1.3	1.6	1.6	1.2
b. Insured pension reserves.....	1.4	1.7	2.0	.5	.5	.5	.5	.5	.5
c. Noninsured pension funds ^{5/}	4.4	4.7	5.4	1.2	1.4	1.2	1.5	1.5	1.4
5. Government insurance and pension reserves ^{6/}	3.0	4.4	5.4	.3	3.2	1.9	*	.6	3.6
6. Increase in individuals' debts.....	19.6	23.2	22.1	2.6	7.0	5.6	6.9	2.9	8.1
a. Mortgage debt ^{7/}	13.4	15.9	15.6	3.8	3.8	3.8	4.2	3.5	3.9
b. Consumer indebtedness ^{8/}	5.0	6.3	6.5	.7	2.6	1.6	3.0	.4	3.4
c. Securities loans ^{9/}	1.1	.9	.1	-.6	.6	.3	-.3	-.1	.8
7. Net financial saving (1+2+3+4+5-6).....	21.2	22.3	31.8	7.2	7.7	8.5	8.5	7.1	7.6
8. Nonfarm homes ^{10/}	17.9	18.3	18.8	4.8	4.1	4.6	5.2	4.5	4.1
9. Construction and equipment of nonprofit institutions.....	3.5	3.7	4.1	.9	1.0	1.1	1.1	1.1	1.2
10. Consumer durable goods.....	48.4	52.1	56.9	12.6	14.2	13.1	16.9	14.1	15.1
11. Gross saving (7+8+9+10).....	91.1	96.3	111.6	25.6	27.0	27.4	31.6	26.8	28.0

* 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 revisions.

^{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 and multi-employer 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 attributed 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.