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VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING, APRIL-JUNE 1966

The changing pattern of financial saving of individuals which emerged in the early months of 1966 is confirmed by the new estimates for the second quarter made public today by the Securities and Exchange Commission. Individuals, on net balance, saved \$5 billion in financial form during the June quarter, as they added slightly more than \$11 billion to financial assets while increasing their debt by about \$6 billion in connection with purchases of housing, consumer durables and securities.

The changed composition of saving in 1966 is most striking in the pattern of asset accumulation. This is brought out in the following table presenting savings flow data for the first half year in comparison with the results for the same period in 1965.

	First-Half Year	
	1965	1966
	(\$Billions)	
<u>Cash-type Assets</u>		
Currency and demand deposits	- .8	-4.1
Time and savings deposits	7.7	5.3
Saving shares	4.6	2.4
Total "cash" assets	11.5	3.6
<u>Securities</u>		
U.S. Governments	1.6	5.4
State & local issues	.8	1.6
Corporate and other issues	.8	1.9
Total securities	3.2	8.9
<u>Insurance and pension reserves</u>		
	8.3	8.3
Total financial assets	23.0	20.8

These estimates, which are not adjusted for normal seasonal changes, show a distinct relative shift from cash assets into securities. The shift undoubtedly reflects in large part the very attractive yields prevailing in the securities markets during the period. Normally there is a decline in the currency and demand deposits component of cash assets during the first part of the year, but as may be seen from the above table, the net reduction in individuals' holdings this year was far in excess of last year's decline. It is also noteworthy that individuals accumulated substantially less savings-type cash assets in the first 6 months of 1966 than they did in the same period a year ago.

The shift into securities has largely involved increased purchasing of U.S. Government issues, although state and local securities were also bought in larger amounts in the most recent period. While relatively heavy purchases of investment company shares in the first half of 1966 more than offset the continuing tendency for individuals to sell their direct holdings of corporate equities, in the comparable period of 1965 the reverse was true; liquidation of directly-held equity securities substantially exceeded the net inflow of funds to investment companies. Net purchases of corporate debt issues were about the same in the two periods.

In the first part of 1966, individuals saved about the same amount in insurance and pension reserves as they did in the comparable period a year ago. There has been a virtually steady uptrend in such savings for many years. The levelling in the growth primarily was in private pension reserves but also was affected to some extent by a rise in life insurance policy loans.

Quarterly movements

Detailed estimates of individuals' quarterly financial savings are presented in the attached table. These data, it should be noted, have not been adjusted for seasonal variations. The most important changes from the first to second quarters involve the substantially reduced takings of U.S. Government securities in the second quarter. From the unusually large accumulation of \$4.4 billion in the first quarter, the net increase fell to \$.7 billion. Furthermore, second quarter net purchases of investment company shares were lowered from the unusually high level which was attained in the first three months of the year. Second quarter acquisition of such shares were still moderately above those prevailing in the latter part of 1965. Partly offsetting this development however, the net liquidation of directly-held corporate equities in the second quarter was much less than in the preceding four quarters.

Changing debt picture

While, as shown in the above text table, the net acquisition of financial assets in the first six months of 1966 was somewhat lower than in the comparable 1965 period, there was also some tapering in the continuing climb of consumer indebtedness. Although the increase in individuals' debt in the first quarter of this year was somewhat larger than in the year-ago period, the \$6.1 billion increase in the second quarter was about \$1 1/2 billion below that for the similar period a year ago. This relative shift was most clearly apparent in both the mortgage and consumer debt categories for which estimates are made. It would appear that the extraordinarily stringent money and capital market conditions prevailing in this period were a factor in these developments, although it should also be pointed out that second quarter consumer buying of automobiles was below a year ago, and this may have reflected considerations other than the tightness of credit.

The increase in individuals' mortgage debt in the spring quarter -- about \$3 billion -- was the lowest for any quarter in the last four years. It was more than \$1 billion less than the average rate of expansion in the preceding three quarters, and one-half billion dollars less than in the year ago quarter.

Other concepts of saving

Estimates of individuals' saving as compiled in this report are derived as the difference between the increase in individuals' financial assets and the increase in selected debt instruments. The estimates do not reflect changes in market values as the series excludes capital gains and losses. In the report covering annual saving, however, market value data are also shown for the accumulated financial assets and liabilities of individuals as of the end of each year. The classification "individuals" herein used includes households, trust funds, nonprofit institutions, and unincorporated businesses. An important omission in the calculations is the change in unincorporated businesses' short-term debt.

There are other series on individuals' saving which differ conceptionally and in coverage. The aggregate personal saving estimate of the Department of Commerce is derived from a completely different procedure representing the difference between personal income (after taxes) and expenditures. The Federal Reserve Board's flow-of-funds system of accounts includes estimates of gross saving and net financial investment of households. A comparison of the Securities and Exchange Commission estimates and the Department of Commerce series for the years 1962-65 appeared in the July Survey of Current Business and the Commission's Statistical Bulletin.

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

1962 - 1966

(Billions of dollars)

Type of Saving	1962	1963	1964	1965	1965				1966	
					Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.	Jan.- Mar.	Apr.- June
1. Currency and demand deposits.....	2.8	6.8	7.0	10.0	-2.7	1.9	3.8	7.1	-4.6	.5
2. Time and savings deposits.....	14.9	11.6	12.3	15.3	4.6	3.1	4.2	3.4	3.2	2.1
3. Savings shares ^{2/}	9.9	11.7	11.3	9.3	2.1	2.5	1.4	3.3	1.4	1.0
4. Securities.....	-.4	1.6	7.0	4.9	1.3	1.9	1.0	.6	5.3	3.6
a. U.S. savings bonds										
(1) Series E & H.....	.9	1.6	1.2	.9	.3	.2	.1	.3	.2	.3
(2) Other.....	-.5	-.4	-.3	-.2	-.1	-.1	-.1	*	-.1	-.1
b. Other U.S. Government ^{3/}.....	.3	.7	3.3	1.8	1.0	.3	.7	-.2	4.4	.7
c. State and local government.....	.3	1.8	2.4	2.4	-.1	.9	.5	1.1	.3	1.3
d. Corporate and other.....	-1.5	-2.1	.4	.1	.2	.6	-.2	-.5	.6	1.3
(1) Bonds and notes.....	-.1	.5	.9	2.3	.3	1.2	.7	.2	.8	.7
(2) Investment company shares ^{4/}	2.0	1.6	2.0	2.1	.1	.7	.7	.6	1.6	.9
(3) Other preferred and common stock.....	-3.4	-4.3	-2.5	-4.4	-.2	-1.3	-1.6	-1.3	-1.8	-.3
5. Private insurance and pension reserves.....	9.9	10.7	11.7	13.0	3.1	2.8	3.2	3.9	3.1	2.9
a. Insurance reserves.....	4.3	4.5	4.8	5.3	1.2	1.0	1.4	1.7	1.3	1.1
b. Insured pension reserves.....	1.4	1.7	2.0	2.1	.5	.5	.5	.5	.6	.6
c. Noninsured pension reserves.....	4.2	4.5	4.9	5.6	1.4	1.3	1.3	1.7	1.2	1.3
6. Government insurance and pension reserves ^{5/}	3.7	4.0	4.6	5.0	1.1	1.3	1.3	1.3	1.1	1.2
7. Increase in debt (8+9+10).....	18.6	22.1	22.2	24.4	3.3	7.6	4.4	9.2	3.5	6.1
8. Mortgage debt ^{6/}	12.5	14.9	15.6	15.4	3.7	3.3	4.0	4.4	4.3	2.9
9. Consumer debt ^{7/}	5.0	6.3	6.5	9.0	-.3	3.5	2.4	3.4	-.4	2.6
10. Securities loans ^{8/}	1.1	.9	.1	*	-.1	.7	-2.0	1.5	-.4	.6
11. Net financial saving (1+2+3+4+5+6-7).....	22.1	24.3	31.7	33.1	6.1	6.0	10.6	10.3	6.0	5.1

* 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/} Includes civil service, railroad retirement and state and local retirement funds.^{6/} Mortgage debt to institutions on one-to-four-family nonfarm dwellings.^{7/} Consumer debt owed to corporations. Policy loans on life insurance have been deducted from that item of saving.^{8/} Change in bank loans to brokers and dealers and others made for the purpose of purchasing or carrying securities.