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VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING, APRIL-JUNE, 1967

The sharp rise in financial saving by individuals which emerged in the early months of 1967 was maintained through the second quarter, according to estimates made public today by the Securities and Exchange Commission. The financial saving of individuals, on balance, exceeded \$9 billion during the April-June quarter, as they added slightly more than \$12 billion to financial assets while their debt increased by a net amount of \$3 billion.

During the first half of 1967, individuals primarily shifted back to the intermediated forms of saving. The half-yearly comparisons below emphasize this movement. In addition to a shift in monetary policy, which improved the competitive position of savings institutions, some of the more important factors affecting saving in the first half of 1967 were the continued heavy demand for corporate stock by institutional investors (see S.E.C. statistical release 2230) and the smallest increase in individuals' indebtedness since 1961.

	<u>First half-year</u> (Billions of dollars)		
Saving in:	<u>1965</u>	<u>1966</u>	<u>1967</u>
Cash and deposits	11.6	5.6	19.6
Securities	2.7	8.2	-5.5
Insurance and pension reserves	8.5	8.5	9.2
Total financial saving	22.8	22.3	23.3
Less increase in debt	11.1	9.7	3.3
Equals net financial saving	11.7	12.6	20.0

Asset Changes

These estimates, unadjusted for seasonal influences, show a marked shift from securities into cash and near-cash assets. While normally there is a decline in currency and demand deposits during the first part of the year, there was an increase in these assets during the first six months of this year. There were large flows into savings institutions with time deposits in banks increasing \$11.8 billion in the first six months, twice as much as in the same period last year. Saving in savings and loan associations and credit union shares rose \$6.4 billion as compared with \$2.5 billion last year, reflecting the effects of recent legislation improving their competitive position.

The shift out of securities has largely involved a reduction in holdings of U.S. Governments and corporate stock other than investment company shares.

The reduction in U.S. Governments of \$5.0 billion primarily reflected the change in the competitive position of short-term Governments in which most of the reduction took place. Individuals' net sales of stock (other than investment company shares), \$5.4 billion, were approximately equal to the total for calendar 1966. Individuals have now been net sellers on balance in each quarter since the second quarter of 1958. Partly offsetting the above sales were the large purchases by individuals of corporate bonds, including convertible debentures. As in past periods, large acquisitions of bonds by individuals were accompanied by a heavy volume of new convertible bond flotations. Individuals' net purchases of investment company shares continued at a high rate, although below that of 1966. This buying amounted to \$2.1 billion in the half-year and \$2.6 billion in the first six months of 1966.

In the first part of 1967, individuals saved the same amount in insurance reserves as they did a year ago. Private pension reserves expanded by \$4.3 billion during the first half of 1967 as compared to \$3.8 billion during the same period last year. The growth in government insurance and pension reserves was also somewhat higher than last year.

Changing Debt Picture

While individuals were accumulating liquid assets at a record pace during the first six months, their incurrence of new debt was undergoing a very sharp contraction. Home mortgages, reflecting the low level of new dwelling units constructed, increased \$4.7 billion during the first part of 1967. In the comparable period last year the growth was \$7.4 billion. Consumer credit had a zero balance for the first six months of 1967, in contrast to an increase of \$2.2 billion during the same period in 1966. The net increase in automobile paper outstanding was unusually low for this period of the year, as the extension of this type of credit declined while repayment continued to grow. Borrowings on securities by individuals declined by a record amount, \$1.4 billion, during the first part of 1967. The comparable period last year showed a \$100 million increase.

Other Concepts of Saving

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. 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 appears in the July issues of the Department's Survey of Current Business. The Commission's Statistical Bulletin will present a revised comparison in the October issue.

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

1963 - 1967

(Billions of dollars)

Type of Saving	1963	1964	1965	1966	1966				1967	
					Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.	Jan.- Mar.	Apr.- June
1. Currency and demand deposits.....	6.8	7.0	7.3	*	-4.7	2.2	.1	2.4	-.9	2.3
2. Time and savings deposits.....	11.6	12.3	16.0	12.5	3.2	2.5	3.3	3.5	5.7	6.1
3. Savings shares ^{2/}	11.7	11.4	9.4	4.5	1.4	1.1	-.5	2.6	2.5	3.9
4. Securities.....	.5	6.1	3.9	14.5	4.9	3.3	4.7	1.6	-1.0	-4.5
a. U.S. savings bonds										
(1) Series E & H.....	1.6	1.2	.9	1.0	.2	.3	.2	.3	.3	.3
(2) Other.....	-.4	-.3	-.2	-.4	-.1	-.1	-.1	-.1	-.1	-.1
b. Other U.S. Government ^{3/}.....	.6	3.2	1.6	8.2	3.7	.6	3.4	.5	-.6	-4.9
c. State and local government.....	1.0	1.9	2.0	4.1	.6	1.5	.5	1.5	-.2	.5
d. Corporate and other.....	-2.4	.1	-.4	1.7	.5	1.0	.8	-.6	-.4	-.4
(1) Bonds and notes.....	.2	.6	1.9	2.7	.8	.7	.9	.3	1.0	1.6
(2) Investment company shares ^{4/}	1.6	2.1	2.2	4.5	1.6	.9	.8	1.2	1.2	.9
(3) Other preferred and common stock.....	-4.2	-2.6	-4.5	-5.5	-1.9	-.7	-.9	-2.1	-2.6	-2.8
5. Private insurance and pension reserves.....	10.7	11.6	13.2	13.0	3.1	3.0	2.8	4.0	3.6	3.0
a. Insurance reserves.....	4.5	4.8	5.5	4.7	1.4	1.0	1.0	1.3	1.5	.9
b. Insured pension reserves.....	1.7	2.0	2.1	2.1	.5	.5	.5	.5	.6	.6
c. Noninsured pension reserves ^{5/}	4.5	4.9	5.6	6.2	1.3	1.5	1.3	2.2	1.6	1.5
6. Government insurance and pension reserves ^{6/} ...	4.0	4.5	4.8	5.0	1.1	1.2	1.3	1.4	1.1	1.4
7. Increase in debt (8+9+10).....	22.3	23.1	25.0	19.8	3.6	6.1	3.1	7.0	.2	3.1
8. Mortgage debt ^{7/}	14.5	15.5	15.9	12.7	4.4	3.0	2.6	2.7	2.3	2.3
9. Consumer debt ^{8/}	6.9	7.5	9.0	6.5	-.4	2.6	1.6	2.8	-1.9	1.9
10. Securities loans ^{9/}.....	.9	.1	.1	.5	-.4	.5	-1.1	1.5	-.2	-1.2
11. Net financial saving (1+2+3+4+5+6-7).....	23.0	30.0	29.8	29.8	5.4	7.2	8.7	8.5	10.8	9.2

* 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 organizations and multi-employer plans.

^{6/} Includes 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. Policy loans on life insurance have been deducted from that item of saving.

^{9/} Change in bank loans to brokers and dealers and others made for the purpose of purchasing or carrying securities.