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VOLUME AND COMPOSITION OF INDIVIDUALS' SAVING IN 1967

Net financial saving by individuals in the United States rose to a new high in 1967, according to estimates made public today by the Securities and Exchange Commission. Individuals increased their financial assets by \$62 1/2 billion while the gain in individuals' debt, an offset to saving, amounted to \$15 billion, the smallest debt increase since 1961. As a result, net financial saving by individuals amounted to \$47 1/2 billion, up approximately \$19 billion from the 1966 rate of saving.

There was a return to the more normal pattern of individuals' saving during 1967, as individuals shifted from being direct suppliers of funds to the financial markets to the traditional financial intermediaries such as commercial banks and saving institutions. While these changes did not produce a change in the rate of saving, the reduced rate of individuals' spending, relative to income, was a major factor in the rapid expansion of saving last year. The slower pace of spending by individuals on durable goods was reflected in a lessened increase in the expansion of consumer debt. Mortgage debt expansion in 1967 also advanced less rapidly than in earlier periods, reflecting the slowdown of spending on new housing. The table below provides a comparison of the annual savings flows:

Saving in:	<u>Calendar years</u>			
	(Billions of dollars)			
	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
Cash and deposits	30.7	32.8	15.9	40.9
Securities	6.3	3.9	13.7	1.5
Insurance & pension reserves	16.2	18.1	18.0	20.0
Total financial saving	53.2	54.7	47.6	62.4
Less increase in debt	23.2	24.3	18.9	14.8
Equals net financial saving	30.0	30.4	28.8	47.6

Asset Changes

As may be seen, during the year individuals increased their holding of cash-type assets at an extremely rapid rate. The expansion of individuals' bank deposits during 1967 was the largest on record. Time and savings deposits grew \$20 billion, as compared to a moderate increase of \$12.5 billion in the previous year, and a growth of \$16 billion in 1965. Holdings of currency and demand deposits increased by more than \$9 billion, as compared to a decline in the preceding year. Net inflows to savings and loan associations and credit unions rose \$11 1/2 billion during the year, the largest since 1963, resulting, in part, from the improved competitive position of those institutions.

The greatly reduced net purchases of securities in 1967 represented stepped-up net liquidation of holdings of corporate stock other than investment company shares. Net sales of these securities amounted to \$8.8 billion in 1967, the largest to date, and the tenth consecutive year in which individuals have sold stock on balance. Individuals continued to buy investment company shares at the high rate prevailing in 1966, and net saving in these securities amounted to \$4.6 billion. They also purchased a large amount of corporate debt securities during 1967--\$4.8 billion as compared with \$2.8 billion in 1966--perhaps reflecting the record amount of convertible debt securities offered during the year and acquired small amounts of tax-exempt issues. However, individuals were net sellers of U.S. Government marketable obligations.

Individuals' equity in both Government and private insurance and pension reserves increased moderately during the year. Net inflow to noninsured pension funds increased steadily throughout the year and amounted to a record \$6.9 billion. ^{1/}

Individuals' Debt

The growth in individuals' liabilities was the smallest since 1961, amounting to less than \$15 billion. Mortgage debt, mirroring the weak recovery of the housing market, grew less rapidly than in recent years. Consumer credit had the smallest expansion in six years as the extension of automobile credit dropped while repayments continued to grow. Securities loans increased \$1.2 billion, partly reflecting the active market during the year.

Quarterly Trends

Net financial saving during the fourth quarter of 1967 totaled \$11.2 billion, \$4 billion less than in the third quarter but \$3.5 billion more than in the comparable period of 1966. Individuals increased their financial assets by \$18 billion during the quarter and their indebtedness rose seasonally to a high of \$7 billion. Bank deposits and saving shares showed the largest gain among forms of saving in the fourth quarter.

Ownership of Financial Assets

The estimates of financial saving discussed previously and shown in Table 1 do not reflect changes in market values. In Table 2, however, rough estimates of the market values of accumulated financial assets and liabilities of individuals are presented for the years 1963-1967. At the end of 1967 individuals' financial assets totaled \$1,513 billion, \$160 billion higher than a year ago. This increase, in addition to the high rate of saving, primarily reflected the rise in stock prices as the market advance during the year added an estimated 20 percent to the value of individuals' stockholdings. Other securities held included \$83 billion of U.S. Government obligations, \$42 billion of tax-exempt securities, \$25 billion of corporate debt and \$58 billion of investment company shares. Insurance and pension reserves totaled over \$308 billion, while currency, bank deposits and savings shares comprised \$444 billion at year-end.

^{1/} See S.E.C. release, Private Noninsured Pension Funds, 1967.

Offsetting their holdings of financial assets, individuals' liabilities added up to \$323 billion, and consisted of \$222 billion in mortgage debt, \$91 billion in consumer debt and \$10 billion in borrowing for purchasing or carrying securities.

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 included estimates of gross saving and net financial investment of households.

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

1964 - 1967

(Billions of dollars)

Type of Saving	1964	1965	1966	1967	1967				
					Oct.- Dec.	Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.
1. Currency and demand deposits.....	7.0	7.3	-1.2	9.3	1.3	-.2	2.4	4.8	2.3
2. Time and saving deposits.....	12.3	16.0	12.5	20.2	3.5	5.7	6.7	5.2	2.6
3. Savings shares ^{2/}	11.4	9.4	4.7	11.5	2.6	2.6	3.9	2.1	3.0
4. Securities.....	6.3	3.9	13.7	1.5	1.5	-.5	-6.4	3.6	4.7
a. U.S. savings bonds									
(1) Series E & H.....	1.2	.9	1.0	1.1	.3	.3	.3	.3	.2
(2) Other.....	-.3	-.2	-.4	-.2	-.1	-.1	-.1	*	-.1
b. Other U.S. Government ^{3/}	3.3	1.7	8.0	-1.2	.5	.4	-6.1	2.3	2.1
c. State and local government.....	1.9	1.9	3.2	1.3	1.3	-.7	.6	.6	.9
d. Corporate and other.....	.2	-.3	1.9	.5	-.5	-.5	-1.1	.5	1.6
(1) Bonds and notes.....	.6	1.9	2.8	4.8	.3	.9	.8	1.9	1.2
(2) Investment company shares ^{4/}	2.1	2.2	4.5	4.6	1.2	1.2	1.0	.6	1.7
(3) Other preferred and common stock.....	-2.5	-4.4	-5.4	-8.8	-1.9	-2.6	-2.9	-2.1	-1.3
5. Private insurance and pension reserves.....	11.6	13.2	13.0	14.5	4.0	3.6	3.0	3.8	4.1
a. Insurance reserves.....	4.8	5.5	4.7	5.4	1.3	1.5	.9	1.4	1.6
b. Insured pension reserves.....	2.0	2.1	2.1	2.2	.5	.6	.6	.6	.6
c. Noninsured pension reserves ^{5/}	4.9	5.6	6.2	6.9	2.2	1.6	1.5	1.8	2.0
6. Government insurance and pension reserves ^{6/} ...	4.5	4.8	5.0	5.5	1.4	1.1	1.4	1.4	1.5
7. Increase in debt (8+9+10).....	23.2	24.3	18.9	14.8	6.8	-.3	2.7	5.4	7.0
8. Mortgage debt ^{7/}	15.6	15.2	11.8	9.5	2.4	1.8	1.7	2.6	3.4
9. Consumer debt ^{8/}	7.5	9.0	6.5	4.1	2.8	-1.9	1.9	1.1	3.0
10. Securities loans ^{9/}1	.1	.5	1.2	1.5	-.2	-.9	1.7	.6
11. Net financial saving (1+2+3+4+5+6-7).....	30.0	30.4	28.8	47.6	7.5	12.5	8.3	15.5	11.2

* 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.

TABLE 2

FINANCIAL ASSETS AND LIABILITIES OF INDIVIDUALS IN THE UNITED STATES

Year-end 1963 - 1967

(Billions of dollars)

<u>Financial Assets</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>
1. Currency and demand deposits.....	89.6	96.8	104.2	103.0	112.3
2. Time and saving deposits.....	136.2	148.6	164.7	177.2	197.4
3. Savings shares.....	97.3	108.6	118.1	122.8	134.3
4. Securities.....	617.7	686.8	735.0	665.2	761.3
a. U.S. savings bonds.....	48.0	49.0	49.6	50.1	51.0
b. Other U.S. Government <u>1/</u>	28.4	30.2	30.4	37.3	32.4
c. State and local government....	32.9	35.3	37.1	40.4	41.6
d. Corporate and other <u>1/</u>	508.3	572.3	617.9	537.4	636.3
(1) Bonds and notes.....	21.5	22.4	22.5	23.2	25.2
(2) Investment company shares.	34.8	39.8	46.4	44.1	57.6
(3) Other preferred and common stock.....	452.0	510.1	549.1	470.0	553.5
5. Private insurance and pension reserves.....	178.2	193.7	209.3	214.9	236.0
a. Insurance reserves.....	100.2	105.1	110.5	114.5	120.6
b. Insured pension reserves.....	23.3	25.2	27.3	29.4	31.6
c. Noninsured pension reserves...	54.6	63.4	71.4	71.0	83.8
6. Government insurance and pension reserves.....	52.3	56.8	61.6	66.7	72.1
7. Total financial assets..... (1 through 6)	1,171.2	1,291.4	1,393.0	1,349.7	1,513.4
<u>Liabilities</u>					
8. Mortgage debt.....	167.0	182.6	200.1	210.1	221.6
9. Consumer debt.....	63.9	71.4	80.4	87.0	91.1
10. Securities loans.....	8.1	8.2	8.4	8.9	10.1
11. Total liabilities (8+9+10).....	239.0	262.3	288.9	306.0	322.8
Total individuals' net equity <u>2/</u> (7-11)..	932.2	1,029.1	1,104.1	1,043.8	1,190.6

1/ Estimated market value. Nonguaranteed Federal agency issues are included with U.S. Government issues.

2/ 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.