

TABLE 1.—Flow of funds into selected savings institutions

[In millions of dollars]

	Life insurance	Savings and loans	Commercial banks	Mutual savings banks	Total
1966					
January.....	\$926	—\$47	\$1, 167	\$246	\$2, 292
February.....	606	526	800	219	2, 151
March.....	564	840	2, 600	378	4, 382
April.....	678	—772	1, 600	—327	1, 179
May.....	560	386	1, 600	116	2, 662
June.....	475	1, 184	598	243	2, 500
July.....	977	—1, 509	1, 702	195	1, 365
August.....	449	133	700	160	1, 442
September.....	554	632	—300	374	1, 260
October.....	943	—55	—600	131	419
November.....	717	612	—600	148	951
December.....	1, 000	1, 727	2, 000	679	5, 406
Total, 1966.....	8, 240	3, 657	11, 267	2, 562	26, 009
1965.....	9, 232	8, 396	19, 986	3, 594	41, 208
Change (percent).....	—10. 7	—56. 4	—43. 6	—28. 7	—36. 9
1967					
January.....	\$1, 266	\$309	\$4, 000	\$450	\$6, 027
February.....	723	764	2, 300	332	4, 119
March.....	932	1, 457	3, 200	751	6, 340
April.....	705	498	1, 400	201	2, 804
May.....	1, 700	2, 112	2, 900	2, 445	5, 157
June.....	1, 625	1, 200	1, 200	1, 600	4, 425
Total, 6 months.....	4, 953	6, 140	15, 000	2, 779	28, 872
Percent change, 1966-67.....	+30. 0	+190. 0	+79. 3	+217. 6	+90. 4

¹ Estimate.² Preliminary.

Higher levels of consumption coupled with higher taxes will reduce the overall savings rate from the current 6.5 percent level. Offsetting some of this loss will be the fact that savings and loans will have already repaid most of their FHLBB borrowing and have improved their liquidity positions, thereby having a greater portion of new savings for lending. Savings and loans may also not be as severely threatened with the loss of savings stemming from rate competition of other institutions and forms of investment.

I am referring to a table in the June Economic News Notes which shows the liquidity position of savings and loan associations, Mr. Chairman. It shows that the liquidity position of savings and loans has declined to a 26-year low last year and as of the first quarter of this year was still below 10 percent.

Only in 1941 was the liquidity below 10 percent. It is my hope that savings and loans will not be threatened with the loss of savings. I am referring to short-term money markets to which the previous speaker already made reference.

The heaviest corporate bond borrowings on record have passed without too severe a jolt to the market, as shown in table 5. But, Government debt financing will play a significant role in the mortgage market during the second half of 1967 and early 1968. In addition to a substantial debt rollover, the anticipated budget deficit—for which I have seen figures ranging from \$8 to \$29 billion—could heavily tax the Government bond markets. Interest rates on long-term Government bonds are once again approaching the 5-percent peak of 1966 after a low in March and April of this year.