

Alternative Measures of Personal Saving

Personal saving in the national income and product accounts (NIPAs) trended downward from the mid-1980s through 2005, falling to 1.5 percent of disposable personal income (DPI) in 2005 (chart 1). In subsequent years, however, the saving rate has trended upward, rising to 5.3 percent in 2010.

The personal saving rate is a key indicator of the nation’s long-run economic prosperity as well as a measure to help assess the adequacy of household saving for retirement. The long slide in this rate from 1985 to its low in 2005 triggered interest in how personal saving is measured and its relation to broader concepts of national saving. As a result, the Bureau of Economic Analysis (BEA) began periodically publishing a number of alternative measures of saving (table 1).¹

In the NIPAs, personal saving is the portion of per-

sonal income that is left over after personal current taxes and outlays for personal consumption expenditures, interest payments, and net current transfers to government and to the rest of the world. It excludes capital gains because capital gains represent changes in the prices of assets that are already owned, not unspent portions of income receipts. Personal saving represents the contribution from persons to national saving, which is the total amount that is available to fund investment in fixed assets, inventories, or foreign assets (table 2).

In this report, new and revised statistics for a number of alternative measures of personal saving are presented. These alternative measures differ from the NIPA measure. However, they are still calculated as the residual after consumption and outlays. The statistics in this report reflect the annual revision. The annual NIPA revision was released on July 29, 2011.² Personal income and outlays were released on August 2, 2011.

1. See Janet H. Kmitch, “Alternative Measures of Personal Saving,” SURVEY OF CURRENT BUSINESS 90 (October 2010): 10–13, Marshall B. Reinsdorf, “Alternative Measures of Personal Saving,” SURVEY 87 (February 2007): 7–13, Marshall B. Reinsdorf, “Alternative Measures of Personal Saving,” SURVEY 84 (September 2004): 17–27, and Maria G. Perozek and Marshall B. Reinsdorf, “Alternative Measures of Personal Saving,” SURVEY 82 (April 2002): 13–24.

2. See Eugene P. Seskin and Shelly Smith, “Improved Estimates of the National Income and Product Accounts: Results of the 2009 Comprehensive Revision,” SURVEY 89 (September 2009): 15–41, and Eugene P. Seskin and Shelly Smith, “Annual Revision of the National Income and Product Accounts,” SURVEY 91 (August 2011): 6–30.

Chart 1. Personal Saving Rate

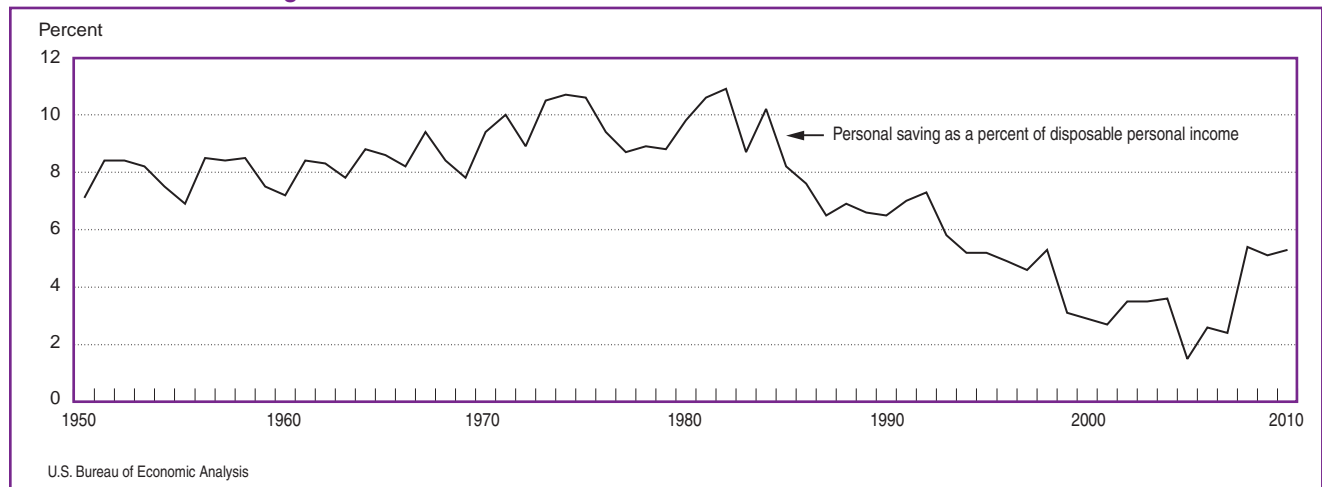


Table 1. Personal Saving Rate and Alternative Measures

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Personal saving rate.....	8.2	7.6	6.5	6.9	6.6	6.5	7.0	7.3	5.8	5.2	5.2	4.9	4.6	5.3	3.1	2.9	2.7	3.5	3.5	3.6	1.5	2.6	2.4	5.4	5.1	5.3	
Alternative measures of the personal saving rate:																											
Household saving rate.....								7.0	5.5	5.0	5.0	4.5	4.0	4.9	2.7	2.5	2.7	3.9	3.9	3.7	1.5	2.7	2.6	5.9	5.7	5.9	
With alternative treatment of defined benefit pension plans.....				5.2	5.0	4.9	5.5	6.1	4.6	4.0	4.0	4.0	3.7	4.6	2.7	2.8	2.8	3.4	2.9	3.1	1.1	2.2	2.5	5.4			
Excluding capital gains taxes.....	9.0	8.9	7.5	7.8	7.5	7.2	7.6	7.9	6.5	5.9	6.0	5.9	5.8	6.5	4.5	4.5	3.7	4.2	4.0	4.3	2.5	3.7	3.6	6.1			
Treating consumer durable goods as investment.....	11.2	10.9	9.4	9.7	9.0	8.3	7.9	8.5	7.3	7.0	7.0	6.8	6.7	7.9	6.3	6.1	5.7	6.5	6.4	6.4	4.2	5.0	4.6	6.6	5.5	6.2	
Addenda:																											
NPISH saving rate ¹								3.7	3.1	2.5	3.0	4.0	6.8	3.6	4.2	4.4	-0.5	-3.3	-4.1	-1.0	0.7	-1.0	-2.4	-5.7	-5.7	-5.6	

1. As a percent of income of nonprofit institutions serving households (NPISHs) plus receipts from sales.

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The statistics presented in this report include the following alternative measures of saving:

- The saving of households and nonprofit institutions serving households
- A measure of saving reflecting an alternative treatment of the savings derived from defined benefit pension plans
- A measure of saving reflecting an alternative treatment of taxes on realized capital gains
- A measure of saving that treats consumer durable goods as investment
- Other, broader measures

Households and nonprofit institutions serving households

The NIPA measure of personal saving reflects the saving of the personal sector. This sector includes both households and nonprofit institutions serving households.

Interpreting the personal saving rate as a measure of the saving behavior of households is reasonable because households are the predominate component of the personal sector. However, a more precise measure of household saving can be derived by separating the components of the personal sector. From 2002 to 2010, household saving as a percentage of household DPI was greater than or equal to the NIPA personal saving rate (chart 2). The average difference was about 0.3 percentage point, reflecting a negative saving rate by nonprofit institutions serving households for each year except 2005.

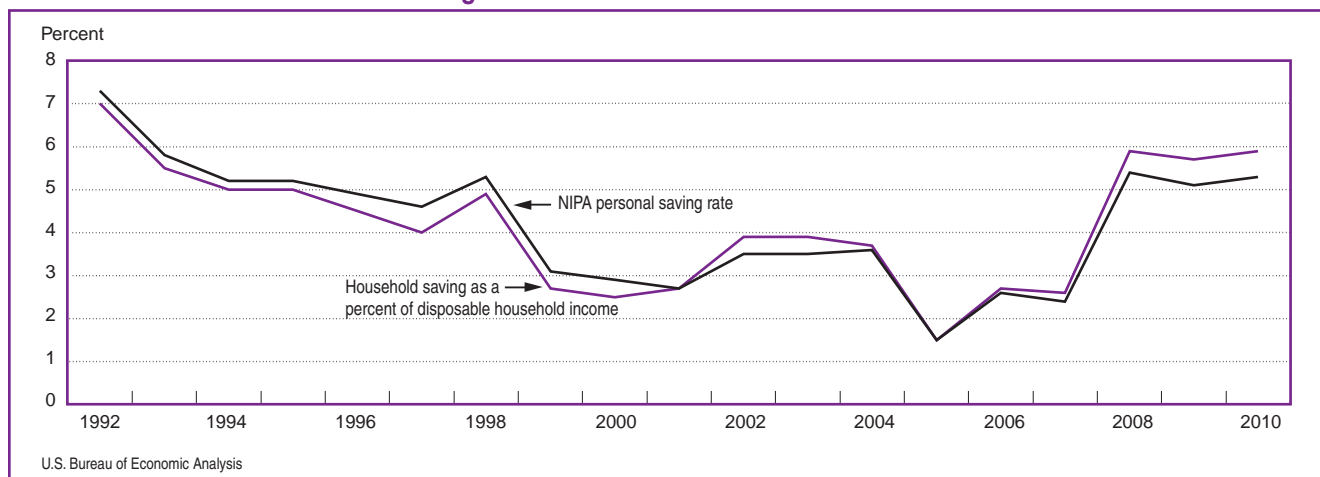
Alternative treatment of defined benefit pension plans

This measure of saving substitutes the benefits received by persons from private and government defined benefit pension plans for the employer contributions to such plans and the interest and dividend income derived from

Table 2. Net National Saving, Investment, and Net Lending or Borrowing
[As a percent of national income]

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Personal saving (with accrued wages)	6.9	6.4	5.4	5.7	5.5	5.5	6.0	6.0	5.0	4.7	4.6	4.1	3.7	4.3	2.5	2.4	2.2	3.0	3.1	2.9	1.3	2.1	2.0	4.7	4.6	4.6
Plus: Undistributed corporate profits	1.6	1.0	1.5	2.1	1.5	1.7	2.1	2.4	2.4	2.6	3.0	3.1	3.2	1.8	2.2	1.3	1.6	1.8	2.3	3.2	5.7	5.0	3.6	1.7	4.6	4.9
Equals: Net private saving	8.5	7.3	6.9	7.8	7.0	7.1	8.1	8.5	7.5	7.2	7.6	7.2	7.0	6.1	4.7	3.6	3.8	4.8	5.4	6.1	7.0	7.2	5.6	6.4	9.2	9.5
Plus: Net government saving	-4.2	-4.5	-3.3	-2.7	-2.4	-3.4	-4.3	-5.5	-4.9	-3.4	-3.0	-1.8	-0.3	1.0	1.7	2.5	0.3	-3.3	-4.2	-3.7	-2.3	-1.3	-1.9	-5.4	-10.7	-10.1
Equals: Net national saving	4.3	2.8	3.6	5.1	4.6	3.8	3.8	3.0	2.6	3.8	4.6	5.4	6.7	7.1	6.4	6.2	4.1	1.6	1.1	2.4	4.7	5.9	3.7	1.0	-1.4	-0.6
Plus: Consumption of fixed capital	13.7	13.9	13.8	13.5	13.6	13.7	13.9	13.5	13.4	13.3	13.3	13.2	13.0	13.0	13.1	13.2	13.7	13.9	13.8	13.6	13.7	13.8	14.3	14.7	15.4	14.6
Equals: Gross saving	17.9	16.7	17.4	18.6	18.2	17.4	17.7	16.5	16.1	17.0	17.9	18.6	19.7	20.1	19.5	19.4	17.8	15.4	14.9	16.0	18.4	19.7	18.0	15.7	13.9	14.0
Net saving plus statistical discrepancy	7.4	6.2	5.9	6.2	6.8	6.1	5.9	5.4	5.5	6.2	6.2	6.6	7.4	7.0	6.5	5.4	3.7	2.5	2.2	2.7	2.5	2.4	2.2	0.4	-1.6	-0.4
Less: Net domestic investment	10.5	9.8	9.6	8.8	8.8	7.6	5.7	6.2	6.8	8.1	7.8	8.3	9.1	9.6	10.0	10.0	7.9	7.3	7.4	8.6	9.1	9.1	7.9	5.8	1.5	3.3
Less: Capital account transactions	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	-0.1	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Equals: Net lending or net borrowing (-)	-3.1	-3.7	-3.7	-2.6	-1.9	-1.6	0.0	-0.8	-1.4	-1.9	-1.6	-1.7	-1.8	-2.6	-3.5	-4.6	-4.1	-4.8	-5.3	-5.9	-6.5	-6.7	-5.8	-5.3	-3.1	-3.7

Chart 2. Personal and Household Saving Rate



these plans' assets. From 2002 to 2006, this alternative measure of saving subtracted, on average, about 0.4 percentage point from the NIPA personal saving rate each year; for 2007 and 2008 the rates followed the NIPA personal savings rate (chart 3).

Alternative treatment of taxes on realized capital gains

This measure of saving treats taxes on capital gains as capital transfers, which reduces personal taxes and raises DPI and personal saving. On average, this measure added

almost 1 percentage point to the NIPA annual measure of saving for 2002–2008 (chart 4). This alternative personal saving rate closely parallels the NIPA personal saving rate.

Alternative treatment of consumer durable goods as investment

This measure of saving treats the purchases of durable goods as investment rather than as consumption. Net investment (purchases of durable goods less depreciation) in consumer durable goods is added to personal saving. From 2002 to 2010, this annual measure of saving

Chart 3. Personal Saving Rate With Alternative Treatment of Defined Benefit Pension Plans

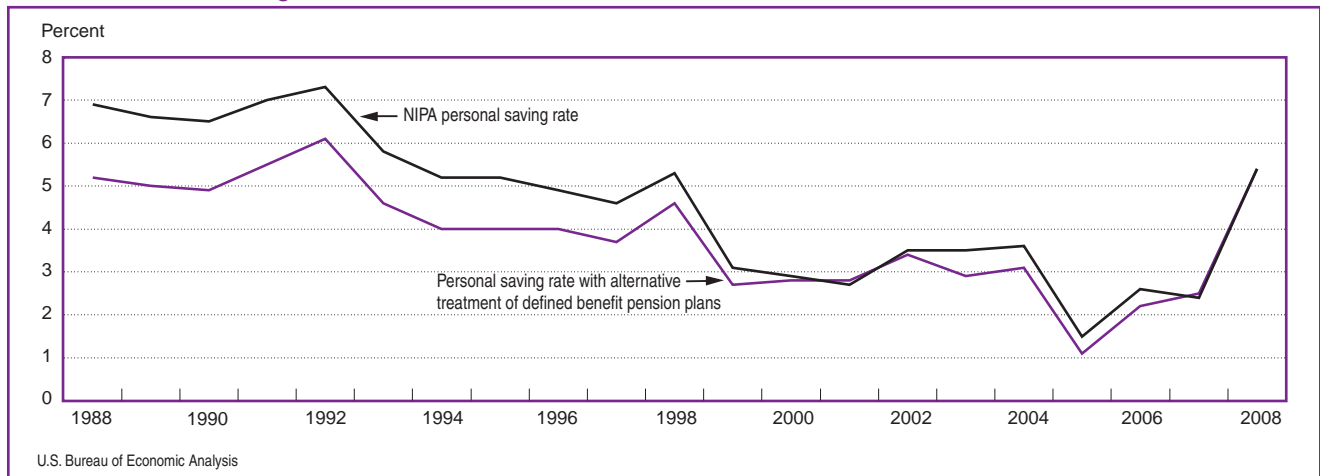


Chart 4. Personal Saving Rate Excluding Capital Gains Taxes



as a share of DPI averaged 5.7 percent, compared with an average of 3.7 percent for the NIPA measure of the personal saving rate (chart 5).

Other, broader measures of saving

A broader measure of saving for the economy is net private saving, which includes the saving of the personal and business sectors. The net private saving rate from 2002 to 2010 averaged about 6.8 percent. Net national saving is a more comprehensive measure of saving and includes the net saving of government, persons, and business. From 2002 to 2010, the net national saving rate averaged 2 percent, a difference of 4.8 percentage points between the

two measures (chart 6). For 2009 and 2010, the difference between the two measures accelerated; the divergence is due to a negative net government saving rate of about 10 percent for 2009 and 2010. From 2002 to 2008 the rate was about -3 percent. Net lending to the rest of the world reflects the amount of foreign saving that the nation relies on to fund its investment needs. The nation's reliance on foreign saving to fund its investment needs grew from 2002-2006 (net lending to the rest of the world became more negative). Net lending to the rest of the world became less negative in 2007-2010 (reliance on foreign saving was somewhat lower in these years).

Chart 5. Personal Saving Rate With Consumer Durable Goods as Investment

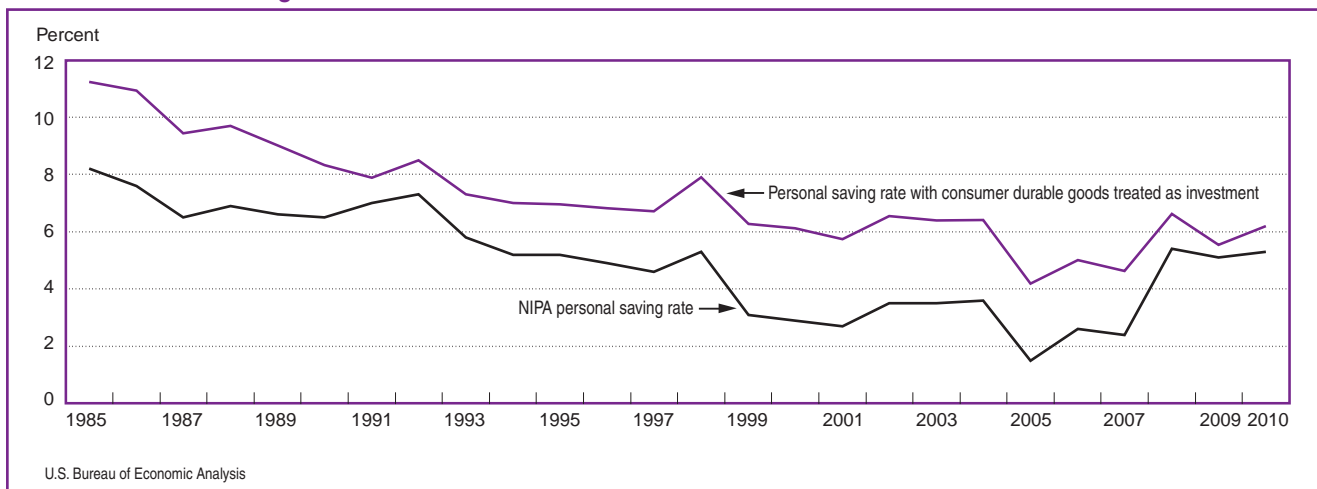


Chart 6. Various Measures of Net Saving

