

CHAPTER IV

PRIVATE CONSUMPTION

REAL PRIVATE CONSUMPTION was 10 per cent higher in 1961 than in 1960. Per capita, the increase amounted to more than 6 per cent, which was about the same as the average annual increase since 1958 and a little more than in 1960.

Owing to the steep rise in prices, the growth of consumption at current prices came to approximately 16 per cent. The increase in consumer prices, which is obtained by dividing consumption at current prices by real consumption, reached some 6 per cent—the biggest rise since 1957.

The increase in expenditure on goods and services for private consumption exceeded IL. 500 million, while the increase in private disposable income totalled IL. 600 million. Thus the rate of consumption from additional private income was 85 per cent, while that from total private disposable income was about 90 per cent.

The tendency to purchase goods and services characteristic of high living standards was more pronounced in 1961.¹ This applied to such items as durable goods, expensive cigarettes and beverages, and entertainment. This trend has been in evidence since 1958, and is due to the rise in real disposable income per capita, which in recent years has been proceeding at an average rate of some 7 per cent per annum.

A conspicuous increase of 20 per cent occurred during the year under review in purchases of durable goods, which was attributable to the expectation of devaluation and fears that taxes on durable goods would go up after the elections of August 1961. The intensification of buying took place especially in the summer months—June to August—in contrast to former years.

In accordance with the trend of the past few years, the import component of private consumption continued to increase in 1961, amounting to an estimated 15 per cent. This development was due, *inter alia*, to the Government's policy of stabilizing the price level. As part of this policy, meat and dairy produce were imported, and the stability of import prices (in contrast to the rise of local prices) presumably contributed to the higher import component of consumption.

¹ This development was partly due to the larger tourist traffic in 1961.

TABLE IV-1
Increase in Consumption Per Capita, by Categories, 1958-61

<i>Item</i>	<i>Per cent increase or decrease (-)</i>			<i>Weight in 1961</i>
	<i>From 1958 to 1959</i>	<i>From 1959 to 1960</i>	<i>From 1960 to 1961</i>	
<i>Food</i>				34.5
Real	6.0	6.0	5.0	
Nominal (current prices)	6.5	8.5	11.0	
<i>Agricultural foodstuffs</i>				20.0
Real	8.5	11.0	5.5	
Nominal (current prices)	5.0	13.0	11.5	
<i>Processed and imported foods</i>				14.5
Real	2.5	-3.0	4.0	
Nominal (current prices)	8.0	0.5	10.0	
<i>Cigarettes and tobacco products</i>				2.0
Real	-3.5	5.5	1.5	
Nominal (current prices)	4.5	13.5	9.0	
<i>Textiles</i>				7.5
Real	14.0	4.5	6.5	
Nominal (current prices)	6.0	4.5	12.0	
<i>Leather and footwear</i>				2.0
Real	5.0	2.0	4.5	
Nominal (current prices)	11.0	3.5	7.5	
<i>Durable goods</i>				7.0
Real	7.0	9.0	16.5	
Nominal (current prices)	15.0	13.0	22.0	
<i>Fuel</i>				2.5
Real	8.0	5.0	12.5	
Nominal (current prices)	9.0	3.5	14.0	

TABLE IV - 1

Increase in Consumption Per Capita, by Categories, 1958-61 (continued)

Item	Per cent increase or decrease (-)			Weight in 1961
	From 1958 to 1959	From 1959 to 1960	From 1960 to 1961	
<i>Entertainment</i>				1.5
Real	9.5	2.5	4.5	
Nominal (current prices)	11.0	5.5	9.5	
<i>Travel</i>				3.5
Real	5.0	5.0	4.0	
Nominal (current prices)	5.0	14.5	15.0	
<i>Services provided by non-profit institutions</i>				9.0
Real	10.0	-0.5	8.5	
Nominal (current prices)	15.0	5.5	14.0	
<i>Housing services</i>				12.5
Real	6.0	3.5	2.5	
Nominal (current prices)	11.0	7.5	14.5	
<i>Miscellaneous services</i>				12.0
Real	7.0	8.5	10.0	
Nominal (current prices)	12.0	13.0	19.0	
<i>Miscellaneous commodities</i>				6.5
Real	11.0	5.5	6.0	
Nominal (current prices)	10.5	6.5	11.5	
<i>Total consumption</i>				100.0
Real	7.0	5.0	6.5	
Nominal (current prices)	9.0	8.0	13.5	

SOURCE: Central Bureau of Statistics.

1. CHANGES IN THE MAIN CATEGORIES OF CONSUMPTION

(a) Food

The real increase in the consumption of food was somewhat slower than the real increase in total private consumption. The same applies if the increases are calculated at current prices.

As regards some commodities, the Government deviated from its policy of encouraging self-sufficiency and allowed increased imports, chiefly in order to stabilize prices. The latter consideration led to the importing of fresh and frozen meat, frozen fish, dairy produce, etc.

TABLE IV-2
Meat Consumption, by Type, 1958-61
(in tons)

Type	1958	1959	1960	1961	Weight ^a
Beef	4,300	8,200	10,500	10,000 ^b	35.0
Mutton	1,800	1,900	1,900	2,100	4.6
Frozen meat	7,300	4,400	1,700	2,400	2.5
Poultry meat	27,800	31,300	36,000	45,100	49.4
Other meat	2,100	3,100	3,000	3,100	8.5
					100.0
Index of total meat consumption	100	142	167	171	
Index of meat consumption per capita	100	138	158	156	

^a According to the value in 1961.

^b Of which 2,300 tons were imported.

SOURCE: Central Bureau of Statistics.

The growth in the consumption of poultry products was much greater than the average growth of total consumption, since supplies were considerably expanded and prices fell in consequence.

The consumption of food items typical of rising living standards continued to increase in 1961. Such items include meat products (see Table IV-2), coffee, chocolate, and beverages, both alcoholic and non-alcoholic. On the other hand, per capita consumption of bread and certain flour products declined.

The big rise in the average prices of fresh vegetables was accompanied by

exceptionally sharp fluctuations during the year, which were 35 per cent greater than in 1960.¹

TABLE IV-3

Imports of Processed Foodstuffs, by Main Items, 1958-61
(IL. thousand)

Item	1958	1959	1960	1961
Canned meat	1,826	1,644	2,588	967
Other meat	8,562	1,464	1,834	2,529
Eggs and dairy produce	23,659	4,250	707	2,748
Rice	1,523	2,673	3,191	3,404
Fruit, vegetables, and legumes	2,494	3,978	5,324	5,688
Fresh and canned fish	5,095	3,222	2,629	4,733
Sugar	11,765	13,257	10,022	6,421
Tea, coffee, and cocoa	2,914	2,463	2,622	2,759
<i>Total</i>	57,838	32,951	28,917	29,249
Per cent increase or decrease (-) as compared with preceding year		-43	-12	1

SOURCE: Central Bureau of Statistics.

TABLE IV-4

Changes in Fruit and Vegetable Prices and in Per Capita Consumption, 1961

	<i>Per cent increase or decrease (-) from 1960 to 1961</i>			
	<i>Vegetables</i>		<i>Fruit (excluding citrus)</i>	
	<i>Fresh</i>	<i>Canned</i>	<i>Fresh</i>	<i>Canned</i>
Prices	20.0	19.0	2.0	25.5
Per capita consumption	-1.0	25.0	20.0	-12.5

SOURCE: Central Bureau of Statistics.

It seems that the considerable rise in the prices of vegetables, which accounted for 10 per cent of total food consumption, caused a certain switch to canned vegetables, despite the fact that the latter likewise became more expensive. The influence of fluctuations in fresh vegetable prices on the consumption of canned vegetables appears to differ at the various levels of the price ladder. When prices of fresh vegetables are high, the demand for them declines and that for canned

¹ The coefficient of variation was 35 per cent higher in 1961 than in 1960.

vegetables goes up. But when prices of fresh vegetables fall, this reduces the demand for canned vegetables to a much smaller extent. In examining the effect of fresh vegetable prices on the demand for canned vegetables, it is therefore necessary to follow the fluctuations during the course of the year rather than changes in the annual averages only. The rise in canned vegetable prices took place largely towards the end of 1961. There was apparently an improvement in the quality as well; hence the increase in their prices, as measured, shows an upward bias.

These two factors—better quality and the influence of fluctuations in fresh vegetable prices—may perhaps explain, at least partly, the increase in the consumption of canned vegetables despite their higher prices. Prices of fresh fruit (other than citrus) rose only slightly, the increase being less than that in the general price level, presumably because of the very much larger supplies. This led to an appreciable growth in the consumption of fresh fruit, which was further accentuated by the increase in the prices of canned fruit. The latter price development occurred, at least partly, because of the raising of customs duty on the tin used in the manufacture of containers, as well as the imposition of a purchase tax on canned fruit.

(b) *Cigarettes and tobacco products*

The real consumption of cigarettes and tobacco products increased by 5 per cent and expenditure on these commodities by 12.5 per cent.

As in 1960, the tendency to switch from cheap to expensive brands of cigarettes¹ was quite marked during the year under review. The raising of cigarette prices at the beginning of 1961 by 3 agorot per package, irrespective of brand, was tantamount to a relatively bigger increase in the prices of cheap cigarettes. It may further be assumed that the increase in incomes likewise caused a changeover from cheaper to more expensive brands—both locally

TABLE IV-5

Changes in Cigarette Consumption, at Constant Prices, by Brand,^a 1958-61

Brand	Price (in agorot)	Per cent increase or decrease (-)		
		1958 to 1959	1959 to 1960	1960 to 1961
Expensive	79 to 93	-23.5	41.0	27.8
Medium-priced	48 to 76	-11.5	9.5	7.9
Cheap	32 to 37	76.4	-2.3	-15.3

^a Exclusive of imported cigarettes.

SOURCE: Department of Customs and Excise.

¹ See Bank of Israel Report for 1960, p. 45.

manufactured and imported. The introduction of new expensive brands during 1961 gave added impetus to this trend.

(c) *Textiles and footwear*

The real consumption of textile goods increased by 10 per cent, i.e. to the same extent as average total consumption. The nominal expenditure on textile goods went up by approximately 15 per cent. The increase in the consumption of footwear was more moderate, reaching 8 per cent.

(d) *Durable goods*

The consumption of durable goods expanded considerably, the real increase amounting to about 20 per cent. Average prices rose roughly to the same degree as the general price level, while the nominal expenditure went up by about 26 per cent.

The marked expansion of purchases was due to the growth of incomes, which generally results in a rapid increase in the consumption of durable goods, as well as to the expectation of devaluation and the fear of higher taxes, which tends to accompany a substantial rise in the prices of such commodities, which are mainly imported. German restitution payments increased more slowly than in 1960, and the rate of conversion of such funds likewise declined because of the expectation of devaluation. Consequently, this factor cannot be credited with any special influence on the increased spending on durable goods in 1961.

The considerable rise in consumption was made possible by larger imports of such goods, which were 30 per cent higher than in 1960.

Particularly striking was the 40 per cent advance in purchases of automobiles, of both foreign and local manufacture. There was also a big increase in purchases of radios, phonographs, washing machines, and heating stoves—in all of which the average rate of increase exceeded that for durable consumer goods in general. The consumption of products relatively new to the Israel market, such as vacuum cleaners, electric food mixers, air conditioners, and sliding shutters, was likewise expanded. The increase in the consumption of electric refrigerators was smaller than average, while the rate of acquisition of gas appliances declined.

(e) *Fuel*

The real consumption of fuel went up by 16 per cent. The increase covered all commodities in this group except ice, the consumption of which has been declining for some years owing to the more widespread use of electric refrigerators. Fuel prices rose to the moderate extent of some 3 per cent.

Electricity consumption advanced by 19 per cent, partly because rates remained stable during 1961, while the prices of electrical equipment rose by

only some 2 per cent, leading to a considerable increase in purchases of such items. The consumption of gas rose by 18 per cent,¹ and the price by a moderate 3.5 per cent. The real consumption of kerosene increased by 12.5 per cent, partly, it seems, because of the larger number of heating stoves purchased.

(f) *Entertainment*

There was an increase of 7.5 per cent in the real consumption of entertainment services and of 13.5 per cent in the amount expended.² The estimated consumption was based on incomplete data, covering visits to cinemas, theaters, and concerts only.

(g) *Travel*

Expenditure on travel went up by 7 per cent, at constant prices. This reflected a rise of 3.5 per cent in travel within the country and of approximately 20 per cent³ in overseas journeys. The small increase in local travel was caused by a steep rise of 13 per cent in public transportation prices, and to a certain extent also by the larger number of private automobiles.

(h) *Non-profit institutions*⁴

The increase in the consumption of non-profit institutions reached 12 per cent at constant prices and 18 per cent at current prices. This was mainly due to the intensified activities of the political parties during the period preceding the elections of August 1960, but partly also to the expansion of educational services.

2. OWNERSHIP OF DURABLE CONSUMER GOODS⁵

The ownership of durable consumer goods is normally regarded as an indicator of the standard of living. The analysis presented below covers the ownership of radios, gas ranges, electric refrigerators, and electric washing machines only.

On the assumption that consumers reach a state of satiety as regards a certain type of commodity when they own one item thereof, we may conclude from

¹ This is not inconsistent with the data appearing in Tables IV-6 and IV-7, since the latter show the increased consumption per family.

² These estimates probably have a downward bias since they exclude new entertainment services, such as nightclubs, in respect of which there has been a considerable expansion of consumption.

³ This estimate is based on the increase in the number of travelers only.

⁴ A more detailed explanation will be found in Chapter XVII—"The Financial Activities of Non-Profit Institutions".

⁵ This analysis is based on data from surveys of manpower and household equipment carried out by the Central Bureau of Statistics in 1959 and 1961.

Table IV-6 that Israel households are very close to such a state as far as radios are concerned. This explains the fact that the rate of increase in the acquisition of radios per family is close to zero. A quite different situation exists as regards electric refrigerators and gas ranges, of which there is an average of one for every two families. Electric washing machines are still comparatively rare.

TABLE IV-6

Ownership of Durable Consumer Goods, by Continent of Birth and Length of Residence in Israel, July to September 1961*

<i>Continent of birth and length of residence in Israel</i>	<i>No. of units per 10 families</i>		<i>Gas range</i>	<i>Radio</i>
	<i>Electric washing machine</i>	<i>Electric refrigerator</i>		
Israel	3.2	7.2	8.1	8.8
Africa and Asia, veteran residents	2.0	4.3	6.8	8.3
Africa and Asia, new immigrants	0.7	1.6	4.7	7.4
Europe and America, veteran residents	3.2	8.6	8.2	9.1
Europe and America, new immigrants	1.9	6.2	7.1	8.3
<i>Total</i>	2.0	5.5	6.7	8.3

* Jewish population only.

SOURCE: Manpower Survey of the Central Bureau of Statistics, July-September 1961.

The rate at which the various commodities are acquired is in inverse ratio to the percentage of families owning the items concerned. Thus the rate for radios is very low, whereas that for electric washing machines is very high.

As to differences between population groups classified according to origin, these tend to become smaller as the average rate of ownership for the commodities concerned approaches saturation point (e.g. in the case of radios). In contrast, the rarer the possession of a commodity, the larger the differences between the various population groups (e.g. in the case of electric washing machines).

The rate of increase in the acquisition of various durable goods is faster in the groups at the bottom of the ownership ladder and slower in the groups at the top (see Table IV-7). The data presented here should be regarded as merely indicating the general trend; the absolute magnitudes of the rates of increase are not too reliable, for if the basic figure is low, a small absolute change may appear as a very large relative change. This, however, would not

TABLE IV-7

*Acquisition of Durable Consumer Goods per Family, by Origin Groups,
1959-61*

<i>Continent of birth and length of residence in Israel</i>	<i>Per cent increase or decrease (-) in acquisitions per family</i>							
	<i>Electric washing machine</i>		<i>Electric refrigerator</i>		<i>Gas range</i>		<i>Wireless set</i>	
	<i>July- Sept., 1960 as against 1959</i>	<i>July- Sept., 1961 as against 1960</i>	<i>July- Sept., 1960 as against 1959</i>	<i>July- Sept., 1961 as against 1960</i>	<i>July- Sept., 1960 as against 1959</i>	<i>July- Sept., 1961 as against 1960</i>	<i>July- Sept., 1960 as against 1959</i>	<i>July- Sept., 1961 as against 1960</i>
Israel	-7.1	23.1	12.1	10.8	13.4	6.6	2.4	1.1
Africa and Asia—veteran residents	11.1	—	2.8	16.2	25.0	4.6	—	7.8
Africa and Asia—new immigrants	100.0	16.7	85.7	23.1	105.3	20.5	9.4	5.7
Europe and America—veteran residents	17.4	18.5	5.1	3.6	3.8	—	2.2	-3.2
Europe and America—new immigrants	60.0	18.8	16.7	10.7	27.8	2.9	1.2	-1.2
<i>Total</i>	30.8	17.6	15.9	7.8	27.5	3.1	5.1	—

SOURCE: Manpower surveys of the Central Bureau of Statistics, 1959 to 1961.

invalidate the conclusion that the gap between the various population groups¹ has been diminishing over the years, although it is still fairly large in the case of the more rarely owned commodities.

The scale of ownership percentages for the various commodities is almost identical in the groups referred to, and this indicates a certain uniformity of taste as regards these commodities. Data from the survey of family expenditure for 1959/60 show that the order in which durable goods are acquired is very similar among all families, being as follows: (1) radio, (2) gas range, (3) electric refrigerator, and (4) electric washing machine.

¹ This, of course, refers to the gap in the ownership of only the four commodities discussed here.