

CHAPTER XIX

SAVING

1. MAIN DEVELOPMENTS

NET SAVING in 1963 amounted to 3 per cent of net national product, as compared with 2 per cent the year before. This improvement was mainly due to a decline in the dissaving of the public sector and nonprofit institutions, especially the former. Here gross dissaving went down from IL 122 million in 1962 to IL 34 million in 1963, or from 8.5 per cent of the sector's gross domestic income to 1.9 per cent.

Table XIX-1
NATIONAL SAVING, 1957-63
(at current prices)

Year	Gross national product ^a	Depreciation	Net national product (1)-(2)	Gross saving from GNP		Net saving from NNP	
	(1)	(2)	(3)	(4)		(5)	
	IL million			IL m.	%	IL m.	%
At the rate of IL 1.80 per dollar							
1957	3,101	253	2,848	278	9.0	25	0.9
1958	3,568	283	3,285	389	10.9	106	3.2
1959	4,134	316	3,818	532	12.9	216	5.7
1960	4,654	364	4,290	589	12.6	225	5.2
1961	5,513	430	5,083	751	13.6	321	6.3
At the rate of IL 2.87 per dollar^b							
1962	6,637	601	6,036	713	10.7	112	1.8
At the rate of IL 3.00 per dollar							
1963	7,884	716	7,168	941	11.9	225	3.1

^a National product as defined in this chapter has been adjusted for the data on public consumption presented in Chapter VII, and therefore the figures here differ somewhat from those in Chapter II, "Resources, Uses, and Incomes".

^b The average official rate in 1962.

SOURCE: Based on data of Central Bureau of Statistics, adjusted for purposes of this table by the Bank of Israel.

The private sector¹ showed no significant change in net saving out of domestic income, which remained at 7 to 8 per cent.

Several partial indicators point to a possible increase in saving by households, but the evidence is too insubstantial in view of the estimating methods used and the fact that the saving figure is a small sum derived residually from the national income accounts. Possible errors in measurement are of the same order of magnitude as the usual annual changes in the rate of saving, and this makes it difficult to draw conclusions as to changes in the rate of saving. Because of the limited number of observations and the inclusion of exceptional years (events such as war and devaluation), one can hardly talk about a trend or departure therefrom. Another factor making comparisons difficult is the use of official exchange rates, whose deviation from the equilibrium rate grows wider the greater the interval since devaluation.

In comparing the rate of saving in Israel with that in other countries, it should be remembered that the large volume of unilateral transfer receipts from abroad depresses the rate of saving from national income. Such transfers lead to a rise in consumption expenditure, thus reducing saving out of national income. This applies to every one of the sectors.

Table XIX-2

GROSS SAVING FROM GROSS NATIONAL PRODUCT, BY SECTOR, 1960-63
(at current prices and official exchange rates)

Year	IL million				Percentages			
	Private sector	Nonprofit institutions	Public sector	All domestic sectors	Private sector	Nonprofit institutions	Public sector	All domestic sectors
1960	707	-50	-68	589	120.0	-8.5	-11.5	100
1961	810	-54	-5	751	107.9	-7.2	-0.7	100
1962	899	-64	-122	713	126.1	-9.0	-17.1	100
1963	1,039	-64	-34	941	110.4	-6.8	-3.6	100

Personal restitution payments from Germany definitely increase consumption spending in the private sector. When the incremental consumption is netted out of the domestic income of the private sector, its saving out of such income is low. This is true for the public sector and nonprofit institutions as well, and is especially significant in respect of the latter in view of the large weight of foreign transfer receipts in their total income.

This analysis will deal primarily with private saving, mainly because of the decisive contribution of the private sector to aggregate saving.

¹ In this chapter the private sector does not include nonprofit institutions.

2. PRIVATE SAVING

Net saving out of disposable domestic income amounted to 7.1 per cent in 1963, as compared with 7.6 per cent the previous year. This small difference is meaningless, however, owing to the possibility of computational errors; it can therefore be assumed that the rate of net saving of the private sector remained at the same level. The crude method of computation does not make it possible to reveal small changes. Also hampering the analysis is the fact that the private sector is composed of several subsectors with apparently widely differing behavioral patterns. Because of the lack of information on business saving, the changes that occurred in private saving are explained on the basis of variables which generally pertain more to households. Such a procedure can be justified in view of the fact that households have a decisive weight in private saving.

Table XIX-3

GROSS AND NET PRIVATE SECTOR SAVING, 1960-63^a

(at current prices and official exchange rates)

Year	Gross disposable income from local sources ^b	Depreciation	Net disposable income from local sources (1)-(2)	Private consumption ^c	Gross saving from gross disposable local income		Net saving from disposable local income	
	(1)	(2)	(3)	(4)	(5)		(6)	
	IL million				IL m.	%	IL m.	%
1960	3,539	349	3,190	2,832	707	20.0	358	11.2
1961	4,152	411	3,741	3,342	810	19.5	399	10.7
1962	4,924	569	4,355	4,025	899	18.2	330	7.6
1963	5,804	675	5,129	4,765	1,039	17.9	364	7.1

^a Excluding nonprofit institutions.

^b Gross private disposable income from local sources=gross national product, less net current income of public sector, less net current income of nonprofit institutions.

^c Private consumption in this table is equal to that cited in Chapter II, "Resources, Uses, and Incomes", less the consumption of nonprofit institutions.

SOURCE: Central Bureau of Statistics and Bank of Israel.

Net private saving out of disposable domestic income amounted to 7 per cent in 1963. As stated, one of the factors depressing the rate of saving is apparently the magnitude of transfer receipts from abroad. For example, restitution payments increase household consumption, thereby decreasing the rate of private saving.

If the influence of transfers on consumption¹ is discounted, the rate of private saving out of domestic income comes to 8–9 per cent.

3. PRIVATE SAVING INCLUDING CONSUMER DURABLES²

According to conventional national accounting procedures, consumer durables do not constitute part of saving. But these assets provide services to their owners in the future, even if these services are not measured in money terms. Therefore there is justification for including such assets in estimates of total saving, as in the approach followed in various studies conducted in other countries. Consistency would require the inclusion of other assets which presently appear among consumption items, but this is impossible owing to the lack of data.

Table XIX-4
NET PRIVATE SAVING, INCLUDING CONSUMER DURABLES,
OUT OF DISPOSABLE DOMESTIC INCOME, 1960-63*
(at current prices)

Year	Disposable domestic income	Net saving, including consumer durables		Share of consumer durables in total net saving	
	IL m.	IL m.	%	IL m.	%
1961	3,741	468	12.5	69	14.7
1962	4,355	423	9.7	93	22.0
1963	5,129	485	9.5	121	24.9

^a Excluding nonprofit institutions.

^b Excluding imputed income from stock of consumer durables.

SOURCE: Based on data of Central Bureau of Statistics, adjusted for purposes of this table by the Bank of Israel.

The net increase in consumer durables is derived by deducting the estimated depreciation on the existing stock from the incremental durables. In 1963 depreciation is estimated at 45 per cent of the increment (approximately IL 90 million as against an increment of IL 211 million).

Inclusion of these assets in saving raises the rate of saving out of domestic private income in 1963 from 7 to 9 per cent. Saving in the form of consumer durables amounted to 30 per cent of saving as conventionally defined.

¹ Estimates based on the saving surveys for 1957/58 and 1958/59 show that the marginal propensity to consume out of unrequited receipts is approximately 0.12. These parameters go far to explain the new findings of the 1963/64 survey. Hence it would seem that the fact that the estimates are based on surveys conducted several years ago does not constitute a drawback in this case.

² Automobiles, refrigerators, phonographs, tape recorders, radios, and gas appliances. Data on other items, including furniture, are not available.

Since the income elasticity of this type of asset is high (approximately 2.0), its inclusion in saving may eventually change the trend in the rate of saving. This must be taken into account when considering whether to calculate saving according to this approach.

According to the data of the last three years, the inclusion of consumer durables would not alter the trend during this period.

4. BALANCE SHEET APPROACH TO SAVING, BY SECTOR

Conceptually, saving as calculated from the balance sheets of the different sectors equals that derived from income and consumption estimates. However, owing to errors in measurement and lack of full information on all balance sheet items, variances arise between the two saving estimates. That for 1963 according to the balance sheet approach closely approximates the figure based on income and consumption data. The difference between the two saving estimates is labelled "errors and omissions". This discrepancy does not exceed 5 per cent in the public sector, nonprofit institutions, and private sector, although for aggregate saving it comes to 9 per cent.¹ In 1962 as well the discrepancy in the public sector and in nonprofit institutions was small, whereas in the private sector it was very large. There is no way of knowing whether the smaller discrepancy in 1963 resulted from an improvement in the estimating procedures or was merely accidental. Only time will tell.

In a sectorial analysis of saving, households and private business are treated as a single sector, since the available data do not permit their separation and apparently part of the errors cancel each other out when the two sectors are combined. Owing to the lack of depreciation estimates for various parts of the private sector, the composition of their saving will be discussed in gross terms. Approximately 80 per cent of the private sector's saving was accounted for by households and business enterprises.

The decline in public sector dissaving was mainly the resultant of a smaller increase in liabilities as compared with the previous year—IL 142 million in 1963 as against IL 196 million in 1962—and a bigger increase in real assets—IL 430 million as against IL 355 million (21 per cent). Unilateral receipts from abroad were about the same in both years, and together with domestic transfers on capital account totalled IL 322 million in 1963, as against IL 287 million in 1962 (see Table XIX-5).

The dissaving of the nonprofit institutions remained at the same level as in 1962—approximately IL 60 million. The positive saving components (real assets) grew at the same rate as the negative components (financial liabilities and transfers from abroad).

¹ The error in aggregate saving is bigger than that for each of the components, since it is obtained by adding up the errors in all components with the same sign, and dividing this by the total saving figure, computed by adding up components with different signs.

BALANCE SHEET APPROACH T

(IL million, at current price)

	Changes in real assets		Transfer receipts from abroad		Domestic capital transfer receipts	
	(1)		(2)		(3)	
	1962	1963	1962	1963	1962	1963
Public sector and nonprofit institutions						
Public sector	355	430	233	245	54	77
Nonprofit institutions	59	70	114	123	—	—
Total	414	500	347	368	54	77
Private sector						
Households and private business						
Households	455	531	575	695	} -54	-77
Private business	789	823	—	—		
Total	1,244	1,354	575	695	-54	-77
Public sector companies	425	371	—	—	—	—
Banks and financial institutions	9	10	—	—	—	—
Provident funds and insurance companies	6	9	—	—	—	—
Total private sector	1,684	1,744	575	695	-54	-77
Total domestic sector	2,098	2,244	922	1,063	—	—
Rest of the world	—	—	-922	-1,063	—	—

^a The difference between net saving in this table and net saving out of net national product as measured by the income account approach.

The gross saving of the combined household and business sector went up slightly during the year reviewed, to IL 807 million as against IL 774 million in 1962. In contrast to a growth of some 10 per cent in real assets (which totalled IL 1,354 million in 1963 as against IL 1,244 million in 1962), there was a rise of nearly 20 per cent in foreign transfers, which constitute negative saving. Financial assets¹ were larger than in the previous year, but there was a similar increase in the sector's domestic capital transfers, which likewise con-

¹ The positive sign of this item is the net resultant of the households' asset holdings and the liabilities of business enterprises.

CTORIAL SAVING, 1962-63

(in official exchange rates)

Changes in financial assets, less liabilities		Identified gross saving (1)-(2)-(3) + (4)		Depreciation		Identified net saving (5)-(6)		Errors and omissions ^a	
(4)		(5)		(6)		(7)		(8)	
1962	1963	1962	1963	1962	1963	1962	1963	1962	1963
-196	-142	-128	-34	32	41	-219	-136	1	-3
-4	-8	-59	-61						
-200	-150	-187	-95	32	41	-219	-136	1	-3
541	672	774	807	569	675	405	382	-75	-18
-490	-601								
51	71	774	807	569	675	405	382	-75	-18
-313	-237	112	134						
56	79	65	89						
17	18	23	27						
-189	-69	974	1,057	569	675	405	382	-75	-18
-389	-219	787	962	601	716	186	246	-74	-21
389	219	1,311	1,282	—	—	—	—	—	—

SOURCE: Bank of Israel.

stitute negative saving. The net result of these contrary developments was a 4 per cent advance in gross saving.

The saving of public sector companies went up by some 20 per cent, from IL 112 million in 1962 to IL 134 million. The growth in real assets was smaller than in 1962, but there was a bigger decline in the sector's liabilities, thus increasing the rate of saving.

The rise in the saving of banking and financial institutions from IL 65 million in 1962 to IL 89 million stemmed mainly from the expansion of their financial assets.

5. CHANGE IN COMPOSITION OF HOUSEHOLD SAVING

No less significant than the change in the rate of saving is the change in its composition. Encouragement of saving is one of the objectives of economic policy, and as regards the household sector one of the aims is to ensure noninflationary sources for financing the investments required by the economy. From the aspect of economic policy, it is not only the volume of investments that is important but also their composition. Thus, for example, investments likely to contribute to the expansion of exports are to be preferred to investment in housing, especially when the dwellings are of a standard higher than that which the Government feels itself bound to supply. Hence a rise in the rate of household saving accompanied by a corresponding rise in housing investment does not free resources for other investment purposes. A distinction will therefore be made here between real assets and financial assets, the first reflecting the demand for resources on the part of the sector acquiring them, whereas the second type ensures the freeing of resources by the sector for the use of other sectors.

In Israel considerable practical importance attaches to this problem, since a large part of household saving is earmarked for the acquisition of housing. A growth in private sector saving accompanied by a larger increase in housing investment is therefore liable to be less desirable from the aspect of saving policy than a decline in saving accompanied by a parallel or even greater decline in housing investment.

Since aggregate saving is a sum of negative and positive components, a comparison between an individual component and the total sum is not meaningful. The comparison must be made separately for the positive components (assets) and for the negative components (liabilities). The analysis pertains to household saving, and hence it may reasonably be assumed to cover the bulk of private saving.

It should be pointed out that it is not the object of this discussion to estimate total household saving from changes in the sector's balance sheet. This is not possible because data are not available for all balance sheet items, and also because the orders of magnitude of the missing items are sometimes hypothetical only. For this reason, the two sides of the balance sheet cannot be added up. The importance of this approach lies in the observation of rates of change in the various items.

On the asset side, there was a conspicuous rise of nearly 30 per cent in consumer durables in 1963. The growth in dwelling acquisitions was also large—17 per cent. The continued large-scale acquisition of these two types of assets can apparently be attributed to the big inflow of personal restitution funds from Germany. There were also striking and characteristic changes in the households' financial asset holdings, the most outstanding of which being in securities. Here households enlarged their holdings several times over the 1962 figures, and it

appears that they were a decisive factor in the securities market boom.¹ Their purchases, which reached an estimated IL 123 million in 1963 as against IL 18 million the year before, unquestionably reflects an unprecedented rate of growth, even if the figure should have an upward bias. It is hard to find a complete explanation for this increase. In part it may have been due to the fact that several of the companies issuing securities owned real estate in one form or another, and the purchase of their shares can be ascribed to the expectations of a continuation of the boom in the real estate market which has been going on for the last three or four years. Another reason may be the expectations themselves, which tend to stimulate demand, especially as regards the securities market.

Although the volume of this type of saving is rather small in Israel as compared with other countries, it is very beneficial from the standpoint of an economy experiencing inflationary pressure and struggling to find sources of investment capital to substitute for a considerable part of the foreign sources which will dry up in the near future.

A large proportion of the households' financial assets are claims on provident funds. These showed a growth of IL 189 million in 1963, as against IL 168 million the year before. This is a form of institutional saving, and the changes therein do not stem from changes in saving behavior, but to increases in salaries and wages and institutional developments such as a growth in the number of firms providing provident fund coverage for their employees.

There was a relatively large rise—although small in absolute terms—in households' claims on insurance companies. During the year reviewed the figure went up by IL 17 million, in contrast to IL 12 million in 1962. The amount of life insurance carried by Israeli households is very low compared with other countries. One reason for this is apparently the various institutional schemes in operation, which from the standpoint of the households fulfill the function of life insurance (provident funds and pension and severance pay schemes).

Pazak² balances continued to advance at a moderate rate as compared with 1962. This growth can be attributed to the inflow of restitution payments. On the other hand, Tamam³ balances fell off markedly: as against a rise of IL 45 million in 1962, there was a decline of IL 14 million in 1963. This downtrend was apparently due to the reduction of the rate of interest on such accounts and to the existence of alternative investment opportunities promising a larger yield (foreign securities, equities, the Short-Term Loan, and commercial paper).

The amount of credit extended by households to business enterprises apparently rose appreciably. This credit represents the lion's share of the bill brokerage

¹ The increase in purchases of securities by others—provident funds, financial institutions, insurance companies, and banks—did not exceed the 1962 growth rate.

² Time deposits of Israeli residents receiving funds from abroad (mainly German restitution); these are linked to the exchange rate but are paid out in local currency only.

³ Deposits of Israeli residents transferring foreign currency and withdrawable in such currency for specific purposes.

TABLE XIX-6
CHANGES IN COMPONENTS OF HOUSEHOLD SAVING, 1960-63
 (IL million, at current prices and official exchange rates)

	Increase or decrease (-) as against previous year				
	1960	1961	1962		1963
			Excl. capital gains	Capital gains from dollar linkage	
Changes in real assets					
(1) Dwellings purchased from private builders	222	271	342	—	393
(2) Dwellings purchased from public housing companies	90	59	80	—	92
(3) Dwellings purchased by tenants	42	33	33	—	46
(4) Gross investment in housing (1) + (2) + (3)	354	363	455	—	531
(5) Depreciation on dwellings	91	123	152	—	177
(6) Net investment in housing	263	240	303	—	354
(7) Gross investment in consumer durables	..	128	171	—	211
(8) Depreciation on consumer durables	..	59	78	—	90
(9) Net investment in consumer durables (7) - (8)	..	69	93	—	121
Changes in financial assets					
(10) Cash	26	30	44	—	77
(11) Demand deposits	60	29	83	—	96
(12) Approved saving schemes (in banks)	12	14	19	—	20
(13) Dollar-linked deposits (Pazak)	18	43	89	66	99
(14) Local currency time deposits	21	-12	-18	—	-13
(15) Foreign currency time deposits (Tamam)	33	36	45	74	-14
(16) Deposits in Post Office Bank	1	1	5	—	2
(17) Deposits in other financial institutions	-14	5	-2	1	7
(18) Saving-for-Housing deposits	5	12	14	—	27
(19) Claims on provident funds ^a	90	112	168	38	189
(20) Claims on insurance companies ^b	6	9	12	6	17
(21) Domestic securities	..	..	18	—	123
(22) Foreign securities ^c	..	..	16	—	33
(23) Credit to nonprofit institutions	6	5	5	—	5
(24) Credit to business in the form of bill purchases	..	..	..	—	170 ^d

^a Increase in assets of these funds, excluding employers' contributions to severance pay funds.

^b Increase in life insurance funds of companies operating in Israel.

^c Mainly paid for from Tamam accounts.

^d Apparently includes some credit given other than by households, but the share of households is predominant.

Table XIX-6

CHANGES IN COMPONENTS OF HOUSEHOLD SAVING, 1960-63 (contd.)

(IL million, at current prices and official exchange rates)

	Increase or decrease (-) as against previous year				
	1960	1961	1962		1963
			Excl. capital gains	Capital gains from dollar linkage	
Changes in liabilities					
(25) Debt to banking institutions	..	21	21	—	16
(26) Debt to provident funds	11	21	27	—	26
(27) Debt to insurance companies	4	2	6	—	5
(28) Debt to mortgage banks	61	85	4	47	80
(29) Debt to other financial institutions	-4	-32	-4	—	5
(30) Debt to public sector companies	15	11	10	—	-6
(31) Debt to private business ^b	..	..	..	—	..
(32) Debt to nonprofit institutions	6	5	6	—	6
(33) Debt to public sector—direct ^c	9	14	22	—	33

^b Includes, conceptually, hire-purchase debt.^c Mainly credit to households in agricultural settlements for housing.

SOURCE: Bank of Israel.

trade (IL 170 million). No data are available on the expansion of this trade in 1962, but the increase that occurred in 1963 serves as an indicator of the expansion of household credit to business firms.

The fact that the growth of the approved saving schemes remained at the previous year's level was apparently due to the brisk trade in the equity market. This boom was one of the reasons for the decline in fixed-term deposits which has been going on since 1961.

Another component item showing a marked advance was household deposits in the Saving-for-Housing Scheme—an increase of IL 27 million as against IL 14 million in 1962. This rise presumably reflects the further expansion of the demand for housing.

The big growth in cash holdings of households¹ can apparently be explained by the accelerated withdrawals from banks at the beginning of 1963, when discussions were going on over the abolition of bank secrecy for purposes of inspecting the accounts of income tax assesseees.

On the liability side, there was a conspicuous rise in the debt owed to mortgage banks—IL 80 million as compared with IL 4 million the year before. This is about the usual magnitude of growth in the past; the sharp decline in 1962

¹ The estimates of this item are based on the assumption that cash holdings of households constitute about two-thirds of total cash in circulation.

Table XIX-7

**RATIO OF SELECTED COMPONENTS OF HOUSEHOLD
SAVING TO DISPOSABLE INCOME,^a 1963**
(per cent)

Item	Aggregative data	Family expenditure survey data ^a
Investment in housing ^c	10.3	13.5
Claims on provident funds and insurance companies ^d	4.0	2.5
Purchases of securities	2.4	1.0
Liquid saving ^e	2.3	2.4

^a According to aggregative data and the family expenditure survey for 1963/64. Disposable income according to the former approach is total disposable private income calculated from national income accounting aggregates; that yielded by the survey is net current income of households calculated on a cash basis but including pensions and other current receipts from Germany (such receipts, however, are small and have only a negligible effect on the saving figure).

^b Survey of Urban Family Expenditure 1963/64, conducted by the Central Bureau of Statistics.

^c In both cases this is gross investment—i.e. depreciation has not been deducted—but in the survey this item also includes purchases of land by households.

^d The survey figure probably has a downward bias owing to the method of estimation.

^e Saving-for-Housing, bank saving schemes, and time, Tamam, and Pazak deposits. There are hardly any conceptual differences between the two methods.

SOURCE: Central Bureau of Statistics and Bank of Israel.

was due to the advance repayment of mortgage loans after the devaluation, which was actively fostered by the Government through the granting of substantial concessions to those repaying their loans ahead of maturity.

As already pointed out, the lack of certain data preclude an estimate of total household saving by adding up the sector's balance sheet items, but the Survey of Family Expenditure 1963/64,¹ which includes data on saving, can prove helpful in this connection. A comparison will be made between the various items for which data are available from both sources. It should be noted in this context that there are considerable conceptual differences between the two, but they are not such as to invalidate the significance of the comparison.

Both methods of estimation, the aggregative approach and the detailed approach of surveys, have serious shortcomings: the latter because of large sampling errors, and the former because it is partly based on indirect estimating procedures

¹ Conducted by the Central Bureau of Statistics.

which do not always fully cover the magnitudes which it is desired to measure. Hence the estimates derived by these two methods should be regarded merely as indicators of orders of magnitude. The two methods also differ from the aspect of population, the survey pertaining only to urban wage-earning families in communities with a population of 10,000 or more.

In respect of the orders of magnitude, the results yielded by the two methods are very similar, which in itself is significant since the deficiencies of the two are independent of one other.

The decisive item in the growth of the households' assets is housing investment. In spite of the big advance registered in 1963, portfolio investment still constituted only 1 to 2 per cent of disposable income; this was also the rate of liquid saving.

Table XIX-8

HOUSEHOLD SAVING^a FROM CURRENT INCOME AND
ONE-TIME RECEIPTS, 1963
(annual average per family)

Saving from:	IL	As a per- centage of income
One-time receipts ^b	365	88
Current income	482	8
Total income	847	13

^a Excluding consumer durables.

^b Average one-time receipts per family in 1963 amounted to about IL 415; since the propensity to save from such receipts is approximately 0.88, the amount of saving of this type was: $415 \times 0.88 = \text{IL } 365$.

SOURCE: Based on data of Central Bureau of Statistics, adjusted for purposes of this table by the Bank of Israel.

Total household saving out of current income amounted to 7 per cent in 1963, according to survey data. Previous data from this source relate to the year 1958/59, which showed a saving rate of 4 per cent. Because of the large sampling errors, it cannot be ascertained with any degree of certainty if these differences, big as they are, are statistically significant, although other sources likewise suggest that Israeli households improved their saving figure.

The concept of household saving out of current income is not identical with that of saving as the net increase in assets. The difference between the two is that the former does not include the growth in the households' assets stemming from one-time receipts.

The saving figure based on survey data is calculated as the net increase in assets. In addition, a distinction is made between that part originating in current

income and that deriving from one-time receipts, which during the year surveyed constituted 6 per cent of total income. According to this definition, household saving amounted in 1963 to 13 per cent of current and one-time incomes. Per family it totalled IL 847, and the proportion of one-time income is estimated at 8 per cent. This figure differs from the estimate obtained directly from the survey, since under the first method, which yields a saving rate of 7 per cent, there is netted out of current income all consumption expenditure, which of course is also influenced by one-time receipts. It is obvious, therefore, that from the aspect of behavioral patterns, the estimate of 8 per cent is the more correct one. The difference in the figures obtained by the two methods is not large, since the marginal propensity to consume out of one-time receipts is small (0.12), as is the weight of such receipts in current income.

6. NET SAVING OF PUBLIC SECTOR AND NONPROFIT INSTITUTIONS¹

The net dissaving of the public sector and nonprofit institutions totalled IL 139 million in 1963, or 7 per cent of their domestic income. This represents a considerable drop in the dissaving of the combined sector, which in 1962 stood at IL 218 million, or some 13 per cent of its total domestic income. The improvement occurred in both constituent segments. As regards the public sector, it can be attributed to the fact that in 1962 public consumption was larger than usual owing to the big import for security purposes.

One of the main reasons for the dissaving of the public sector is apparently the large volume of unilateral transfers from abroad, which unquestionably leads to a rise in public consumption. It should be borne in mind that fluctuations in one particular year cannot be taken as a clear indication of trend. In contrast to the private sector, one cannot speak of saving behavior or patterns in the public sector which are influenced by economic variables, and which can be profitably analyzed in the light of changes occurring therein. In a year marked by a large volume of essential imports, negative saving may reach substantial proportions, whereas in the following year the picture may be completely different, without this providing any clue as to future developments.

In the nonprofit institutions the unilateral foreign transfers are a decisive factor in the level of dissaving.

The saving figure for the combined sector reflects the trends in both constituent parts. While the data refer to gross saving, it seems that the depreciation estimates are not likely to alter the trends. The dissaving of the public sector, which totalled IL 122 million in 1962, fell to IL 34 million during the year reviewed.

¹ The two sectors have been combined here since data are available only for the two taken together. However, this does not seem to be a very serious shortcoming from the analytical viewpoint, owing to the resemblance between the two. Data on gross saving will be presented for each sector individually.

Table XIX-9

**GROSS AND NET SAVING OF THE PUBLIC SECTOR AND
NONPROFIT INSTITUTIONS, 1960-63**
(at current prices and official exchange rates)

A. Net Saving of the Public Sector and Nonprofit Institutions

Year	Gross local income	Consump- tion	Depreciation	Net local income	Net saving from net local income (4)-(2)	
	(1)	(2)	(3)	(4)	(5)	(6)
	IL million				IL m.	%
1960	1,115	1,223	15	1,100	-133	-12.1
1961	1,361	1,420	19	1,342	-78	-5.8
1962	1,713	1,899	32	1,681	-218	-13.0
1963	2,080	2,178	41	2,039	-139	-6.8

B. Gross Saving of the Public Sector

Year	Gross local income	Consumption	Gross saving from gross local income (1) - (2)	
	(1)	(2)	(3)	(4)
	IL million		IL m.	%
1960	902	970	-68	-7.5
1961	1,123	1,128	-5	-0.4
1962	1,438	1,560	-122	-8.5
1963	1,761	1,795	-34	-1.9

C. Gross Saving of Nonprofit Institutions

Year	Gross local income	Consumption	Gross saving from gross local income (1) - (2)	
	(1)	(2)	(3)	(4)
	IL million		IL m.	%
1960	213	263	-50	-23.5
1961	238	292	-54	-22.7
1962	275	339	-64	-23.3
1963	319	383	-64	-20.1

SOURCE: Bank of Israel.

The dissaving of the nonprofit institutions remained at the same level as in 1962—IL 64 million—but its weight in gross income declined from 23 to 22 per cent.

7. INTERNATIONAL COMPARISON OF PERSONAL AND NATIONAL SAVING

The source for the estimated rate of personal saving in Israel is the saving survey conducted for the year 1957/58. After adjusting the data¹ to national accounting definitions, the rate of saving comes to 6–7 per cent. The data on saving in other countries is taken from the study of H.S. Houthakker.²

Table XIX–10 sets forth the countries in descending order of per capita national income. The most striking observation is the wide dispersion of the rates of saving for the different countries. Admittedly, there is a connection between the rate of saving and the level of income, but it is a fairly remote connection and apparently is not statistically significant.

The rate of personal saving in Israel—6 to 7 per cent—approximates the weighted average for all 26 countries included in the table—7.5 per cent. But this fact, of course, is no proof that the situation in Israel is satisfactory. Very likely several high-income countries (U.S., Canada, France, Great Britain, etc.) can be satisfied with a growth rate lower than that considered desirable for Israel. Moreover, it should be pointed out that in countries with a higher income level the business sector is a more important source of saving, and hence business saving may serve as a partial substitute for personal saving. It cannot be assumed that this is the position in Israel. In any case, it must be borne in mind that in view of the wide dispersion of the rates of saving for the different countries, a comparison based on a small number of countries may lead to hasty conclusions.

A different picture emerges from a comparison of national saving in Israel with that in the other countries. The rate for Israel during the years 1957–60 came to 3.7 per cent—a rate exceeded by all the other countries except Panama and Peru. The reason for the low level of national saving in Israel is the big weight of unilateral transfers. Whereas in the other countries national saving is actually the amount saved out of the total resources at the disposal of the economy, the situation is entirely different in Israel, where unrequited transfers during the period discussed amounted to 13 per cent of national income. These transfer payments have a marked effect on consumption expenditure in general and on public sector consumption in particular; it is largely because of this factor that the national saving is low as compared with other countries.

In the private sector unrequited transfers do not have such a marked effect.

¹ The adjustment was made by R. Ablin of the Research Department of the Bank of Israel. This estimate should be accepted as merely an order of magnitude, but the entire analysis here is based on a comparison of orders of magnitude only.

² H.S. Houthakker, *On Some Determinants of Saving in Developed and Undeveloped Countries*, Stanford University, Stanford, California.

Personal restitution receipts, the main component item in such transfers, constituted in 1960 only some 6 per cent of disposable private income from domestic sources. In addition, these are largely one-time receipts, and the marginal propensity to consume receipts of this type is relatively low.

Table XIX-10

NATIONAL AND PERSONAL SAVING IN SELECTED COUNTRIES*

(percentages)

Country	Rate of national saving	Rate of personal saving
United States	10.3	7.4
Canada	11.7	7.0
New Zealand	17.0	8.8
Australia	18.4	10.7
Luxemburg	19.8	13.4
France	12.3	5.7
Great Britain	9.9	4.2
Belgium	11.0	10.9
Denmark	15.2	9.1
Netherlands	21.1	9.6
Austria	18.6	10.0
Ireland	10.8	7.1
Malta	19.3	20.5
Panama	-0.3	-4.4
Costa Rica	13.1	5.3
Spain	11.2	4.6
Jamaica	9.5	3.4
Japan	24.7	14.4
Mauritius	8.1	9.1
Colombia	11.1	4.3
Honduras	9.5	7.0
Brazil	12.8	4.4
Ecuador	10.8	3.8
Rhodesia	19.5	7.6
Peru	1.1	-3.9
Congo—Leopoldville	16.7	4.2

* The countries are listed in descending order of per capita national income. For the large majority of the countries the data are averages for the years 1952-59.

SOURCE: H.S. Houthakker, *On Some Determinants of Saving in Developed and Undeveloped Countries*, Stanford University, Stanford, California.