CHAPTER IV

PRIVATE CONSUMPTION AND SAVING

1. Main Developments

The accelerated growth of private consumption, evident since the middle of 1971, carried over through 1972, when the real per capita increase amounted to 5 percent on an annual average. This is a strong rise compared with the two preceding years (0.5 percent in 1970 and 2 percent in 1971), and also in comparison with the growth of other economic uses—a development reflected by the levelling-off of the share of private consumption in total uses, after having drifted downward for several years.

Despite the faster rise in private consumption per capita, it still failed to match the growth of income. Per capita disposable private income from all sources (excluding compulsory loans) was up 9.5 percent in 1972, almost double the figure for private consumption. The result of these differential rates of increase was a rise in the rate of private saving. Actually, a gap between the percentage increase in income and that in private consumption is not a unique phenomenon. Whereas in 1960–65 the annual average increases in consumption and income were about equal, this being reflected by relative stability in the propensities to consume and to save, since the 1966–67 recession income and consumption have been moving up at a widely varying pace, and the rate of private saving has risen steadily. In 1972 it reached 36.5 percent of total private income from all sources (not counting compulsory loans), as contrasted with an average of 23.5 percent during the 1960–65 period.

The strong uptrend in the rate of saving can be attributed to a number of factors:

(a) The recession and the resulting decline in income probably made the public more cautious in their spending and more thrift-minded—a pattern that has persisted. In addition, the range of changes in income has increased since the recession in comparison with earlier years, and consumption presumably adjusts to a change in income only after a certain time-lag.

(b) Expenditure on new homes has increased, both because of the larger number of dwellings sold and because of the rise in their prices. Home purchases are treated as household saving, and are reflected in consumption only marginally.

(c) Business saving is included in private sector saving, and there are reasons to believe that the better private saving rate was partly due to the growth of undistributed profits—i.e. to a larger saving by private businesses.

(d) The inequality in income distribution may have been fractionally greater in 1972, with the share of the higher income groups (whose propensity to consume is lower) moving up.

The total import component of private consumption declined somewhat in 1972. Direct and indirect inputs expanded more rapidly, but finished goods increased more slowly than total private consumption.

In 1971 and 1972 private consumption prices rose by a steep 13 and 13.5 percent respectively. All consumer goods became dearer, but, as in the past, prices went up relatively faster in services (especially the housing item).

In real terms, the rise in the consumption of goods outstripped that of services. The most outstanding feature was a 19 percent jump in purchases of durable goods (compared with only 5 percent in 1971) and the slackening of the uptrend in "other services".

A complete breakdown of the components of private saving is not available, but it seems that there was a strong rise in home acquisitions and in business saving. Household financial saving went up a little less vigorously than in 1971, but there was a big increase in saving through social insurance funds.

2. Total Private Consumption and Saving[1]

Two salient features marked the development of private consumption in 1972: (1) the accelerated growth of private consumption per capita after very sluggish increases in 1970 and 1971; and (2) a further decline in the average propensity to consume.

In 1970 and 1971 real private consumption per capita went up by only 0.5 and 2 percent respectively, despite a fairly notable advance in real income. But in 1972 the growth of real per capita private consumption reached 5.2 percent, similar to the average for 1961–65 (6 percent).

Real per capita disposable private income from all sources outpaced the rise in consumption in 1972 by 8.6 percent including the compulsory loans, and by 9.5 percent if we assume that the public regards these loans as a tax. This strong gain in spendable income was due chiefly to the marked expansion of national income and, to a lesser degree, to the slower growth of direct tax revenue. Transfer payments from the Government and from abroad went up more rapidly than in 1971.

This difference between the income and consumption growth rates is surprising, for private consumption was expected to rise faster than it actually did. There are two reasons why this development may be regarded as somewhat extraordinary: (a) The growth of private income in 1971 occurred in the second half of the year, and because of the tendency for consumption to lag behind a

[1] Quarterly data for 1972 were not available in time for inclusion in this chapter. Consequently, there will be no description of developments in the course of the year.

change in income, there was no immediate adjustment in 1971; hence private consumption might have been expected to expand rapidly in 1972. (b) The growth of income in 1972 was a very sizable one.

It therefore seems that the 5.2 percent rise in per capita private consumption was fairly sluggish relative to the income gain. However, such a development was not unique to 1972, but has characterized the period since the recession of 1966–67. A good indicator of this phenomenon is the average propensity to consume. If we take the data since 1956, for instance, we find that the long-

Table IV–1

PRIVATE CONSUMPTION, INCOME, AND SAVING, 1960–72

	Average			1970	1971	1972
	1961–65	1966–67	1968–69			
Total consumption at current prices (IL million)	4,936	8,011	9,666	11,433	13,543	16,728
Percent annual real increase						
Consumption	10.5	2.5	11.0	3.0	5.0	8.5
Gross disposable income from all sources	10.5	3.5	12.5	7.0	14.0	12.0
Gross disposable income from all sources, less net compulsory loans	10.5	3.5	13.0	4.0	11.0	13.0
Gross saving	11.5	7.0	20.0	15.5	32.0	18.5
Consumption per capita	0.6	–0.5	7.5	0.5	2.0	5.0
Disposable income per capita from all sources	6.5	0.5	9.0	4.0	10.5	8.5
Disposable income per capita from all sources, less net compulsory loans	6.0	0.5	10.0	1.0	8.0	9.5
Saving per capita	7.5	4.0	16.5	12.5	28.5	14.5
Gross average propensity to consume from income (%)						
From domestic sources	84.0	82.0	77.0	75.0	70.0	69.0
From all sources	76.0	76.0	71.0	68.0	63.0	61.0
From domestic sources, less net compulsory loans	84.5	83.0	77.0	77.0	74.0	72.0
From all sources, less net compulsory loans	76.5	77.0	70.5	70.0	66.0	63.5

NOTE: Data have been rounded to the nearest half percent. The methods of estimation were revised slightly in 1968.
SOURCE: Central Bureau of Statistics.

run trend in this propensity was fairly constant (with, of course, certain year-to-year fluctuations—see Figure IV–1) until the recession, after which it dipped. This was not a random decline, but one that has persisted for the past five years and even grew more pronounced in 1971–72.

According to all measurements, the average propensity to consume is moving downward, and if the comparison is made with more remote periods, the difference is very conspicuous—from an average of 76.5 percent in 1960–65 to 63.5 percent in 1972 (calculated in relation to disposable private income from all sources, net of compulsory loans).

Since the recession, and especially in 1972, several factors have operated to bring up the propensity to save, although it is doubtful if they fully explain this. Following are some of the possible contributory factors:

(a) The lagged adjustment of consumption to income: During the pre-recession period consumption tended to adjust better to changes in income than in more recent years. However, before 1966 the growth of income did not fluctuate sharply from year to year, so that the public could step up consumption spending at a more or less uniform pace.

Since the recession, however, income has risen at widely varying rates. In 1966 and 1967 the real per capita level held steady, while in 1968 and 1969 it rose very strongly, a development arrested after the signing of the "package deal" in 1970 and during the first half of 1971. But during the past year and a half, the vigorous uptrend in income reasserted itself. In the postrecession period the annual changes in real per capita disposable income from all sources have ranged from 1.9 to 10.5 percent, compared with 3.7 to 10 percent during the 1960–65 period.

Because of the recession and the varying rates of increase in income, the public probably did not regard every fluctuation in its income level as being a permanent change. Accordingly, it did not immediately alter its consumption level, but tended to save its extra income and only at a later stage, when it became convinced that the rise in earnings was not a passing phenomenon, did it step up its consumption spending.

(b) Home purchases: Since 1968 home acquisitions have been advancing steadily. There are no available estimates on the annual volume of sales, but data on residential construction starts and completions serve as a good indicator of sales during the past four or five years. In 1969–72 the average annual increase in the area of residential

Figure IV–1

AVERAGE PROPENSITY TO CONSUME OUT OF INCOME FROM DOMESTIC SOURCES,[a] 1955–72

[a] Excluding compulsory loans.

construction completed was 23 percent, and that in residential starts was 18 percent.

This rapid increase in the number of dwellings sold was accompanied by a big spurt in prices, so that the value of sales shot up, and with it the volume of the public's down payments and current debt repayments out of spendable private income. This trend was particularly marked in 1971–72: residential completions were up by some 50 percent, starts by 30 percent, and prices by over 50 percent. The value of home sales thus almost doubled during these two years, while income increased by only about 65 percent. This massive acquisition of housing was partly financed from current income, but it is reflected in the private consumption data to only a minor degree, since the real growth of housing services is imputed to the entire dwelling stock, and the increment of new housing is small relative to the total dwelling stock.

Saving in the form of home purchases has been only partly at the expense of other types of saving, both because of the differential distribution of home buyers and the saving public in general, and because of the high alternative rates of return obtainable.

(c) Business saving: The available data on private saving relate to the entire private sector, namely households and business enterprises. According to partial indicators, such as the change in company tax collections, the business sector enjoyed a higher profitability in 1972 (see also Chapter XI, "Industry"). It is reasonable to assume, on the strength of the nominal interest rates prevailing in 1972 and the differential interest rates charged borrowers and lenders, that undistributed profits increased. Therefore, the better saving performance of the private sector must be ascribed, at least in part, to businesses and not to households. However, the data do not permit a quantification of this component of private saving.

(d) Income distribution: There is reason to believe that in the past several years there was some change in income distribution in favor of nonwage income. The share of compensation of employees in national income declined, as reflected by the fact that earnings per man-hour trailed behind the increase in GNP per man-hour; since the rate of saving from nonwage income is relatively higher, this development tended to increase the volume of saving. While surveys of employee families' income and expenditure showed that the distribution of income among such families was slightly more unequal in 1972 (the increase was so insignificant as to be attributable almost solely to estimating errors), it seems that in fact inequality became somewhat greater. This is because some of the employees received part of their remuneration in the form of nontaxable benefits, such as car maintenance and telephone allowance, etc. This probably brought up the share of employees in the upper income brackets, and since their propensity to consume is lower than that of the other brackets, this in itself tended to increase saving.

(e) The administered areas: The country's national accounts relate to Israel within her 1968 border, i.e. including East Jerusalem, but excluding the administered areas. The residents of the areas spent in Israel an estimated 40 percent of what they earned there.

Because of the method of measurement used, there is probably a marked bias in both the reported income and consumption data. The difference between the two biases is added to the Israeli saving figures. It seems that 1972 was not an exceptional year in this respect, and the bias in fact was probably even larger than in the past. There are two reasons for this: (a) Because of the full-employment situation in both Israel and the administered areas, there was an increase in the percentage of persons who obtained work outside the labor exchanges and hence were not covered by the surveys. (b) There was an increase in the number of persons from the areas working on a subcontract basis; their earnings exceed the official rates and are not reported.

3. Interdependence of Private Consumption, Total Resources Uses, and Imports

After the emergence of the economy from the recession, the weight of private consumption in total domestic uses drifted steadily downward. This decline, caused by the relatively slow growth of private consumption in comparison with

Table IV–2

PRIVATE CONSUMPTION, TOTAL RESOURCES, AND IMPORTS, 1968–72

	1968	1969	1970	1971	1972
Weight of private consumption in total uses (percent, at current prices)	44.1	42.7	39.7	37.1	37.1
Weight of private consumption in total uses, excl. defense imports	46.1	44.9	42.9	39.4	39.4
Rate of imported finished goods for private consumption in total private consumption (cents per 1965/66 IL)	2.384	2.381	2.232	2.406	2.367
Rate of imported inputs for private consumption in total consumption (cents per 1965/66 IL)	4.280	4.093	4.320	4.333	4.350
Rate of total imports for private consumption in total private consumption (cents per 1965/66 IL)	6.664	6.474	6.552	6.739	6.716
Weight of total imports for private consumption in total imports (percent, at 1965/66 prices)	31.6	30.2	26.0	25.5	27.7
Weight of total imports for private consumption in total imports, excl. defense imports (percent, at 1965/66 prices)	37.0	36.1	34.1	30.9	32.5

investment and especially public consumption, resulted in a much greater private saving. There was a change of trend in 1972: owing to the rapid growth of disposable private income, private consumption expanded faster than other uses, despite the higher rate of saving during the year, thus arresting the decline in its weight in total domestic uses. Nor was there a decrease in 1972 in the weight of private consumption in total uses, as happened in each of the preceding postrecession years. The weight of private consumption in total uses in 1972 was, however, small compared with the prerecession years; but if the change in the year reviewed did signal the start of a new trend, it has significance as regards the shifting of resources from other uses (mainly investment) to private consumption.

Total imports for private consumption[2] (inputs[3] and final goods and services) increased in 1972 by 9.5 percent in real terms, reaching approximately $750 million at 1965/66 prices. Inputs outstripped finished goods—9 vs. 7 percent. Imports lagged behind the rise in consumption, depressing somewhat the import component of consumption, following a 3 percent decrease in 1971.

The rapid growth of private consumption in the year surveyed was also reflected by the increased share of imports for private consumption in total imports, reversing the declining trend of 1968–71.

The import component of private consumption is smaller than that of other uses, since the weight of private consumption in total uses is smaller than the weight of imports for private consumption in total imports. But if imports for private consumption are valued at market prices, i.e. including import duties and taxes, it is reasonable to assume that because of the stiff taxes on consumer goods (especially finished goods), consumption will have a higher import component than other uses when imports are valued at market prices.

4. Household Saving and Its Components

The rapid growth of private saving encompassed all components, both real and financial assets. The lack of data does not permit a complete decomposition of private saving, but it seems that there was a faster expansion in the housing item in 1972, while liquid financial savings went up more slowly than in 1971 or in comparison with housing.

As already mentioned, there is no exact estimate of the amount spent by households on home purchases. This is because some homes are sold in the early stages of construction and others in the final stages, and also because no precise figures are available on the extent of financing from own resources and credit received from other sectors, etc. Notwithstanding these limitations, data on residential building started and completed suggest a rise in household

[2] Excluding the consumption of foreign nationals and changes in inventories.

[3] The direct and indirect inputs have been calculated according to the input-output coefficients for 1965.

Table IV–3

SELECTED COMPONENTS OF PRIVATE SECTOR SAVING, 1960–72

	Average 1960–65	1966	1967	1968	1969	1970	1971	1972
Gross saving out of income from all sources (IL million)	1,564	2,242	2,803	3,730	4,290	5,351	7,980	10,714
Rate of growth (%)	20	0	25	33	15	25	49	34
Average propensity to save (%)	24	22	26	29	29	32	37	39
Average propensity to save out of income from all sources, excl. compulsory loans (%)	23	21	25	29	30	30	34	37
Average propensity to save out of income from domestic sources (%)	16	16	20	22	23	25	30	31
Average propensity to save out of income from domestic sources, excl. compulsory loans (%)	15	15	19	22	24	23	26	28
Gross saving, incl. consumer durables (at constant prices) Rate of growth (%)	21	–12	13	42	16	8	30	19
Average propensity to save (%)	27	24	26	32	33	33	38	41
Number of dwellings completed ('000 units)	—	38	28	23	25	31	38	47
Liquid savings (IL million)	—	945	1,137	1,367	1,449	1,794	2,752	3,211
Outstanding mortgage bank credit (IL million)	—	120	60	93	129	209	308	467

SOURCE: Central Bureau of Statistics and Bank of Israel.

saving: housing completions increased in 1972 by 24 percent, starts by 18 percent, and prices by 25 percent.

Despite the much larger volume of institutional financing made available for home purchases in 1972, it apparently failed to prevent the widening of the absolute gap between the amount of financing required by households for this purpose and the available long- or medium-term institutional funds. It was therefore necessary to divert a larger portion of current income to finance such purchases through current repayments of short-term loans.

Notwithstanding the much heavier purchase of durable goods, there was a decline in saving in the form of such assets. Such saving is calculated as the difference between total current purchases of durables and the consumption of their services. In 1970–71 purchases rose relatively slowly, so that total saving in this form declined compared with the two preceding years, as did its contribution to the change in the average propensity to save.

The various financial components of saving were up strongly in 1972, but not nearly as much as in the previous year. Compulsory loan collections were approximately 20 percent greater in 1972, but less the value of loan certificates distributed during the year, the increase came to only 6 percent. These loans represent forced saving and have a sizable tax element (see Bank of Israel, *Annual Report 1971*, p. 86). The tax element of the Savings Loan is smaller than that of the Defense Loan, and since collection of the former was discontinued in April 1972, this brought up the average tax component of the compulsory loans. It may therefore be concluded that saving in the form of compulsory loans was no larger in 1972 than in 1971.

Household saving in cash and demand deposits was at a high level in 1972 —the result of the larger volume of transactions in existing assets (see Chapter XIII below)—but it did not expand compared with 1971. Nor was there any growth in time deposits and approved saving schemes (including those for the purchase of housing), which also remained at about the same level as in 1971.

Household saving through social insurance funds rose appreciably—by some IL 1,000 million, compared with IL 500 million in 1971. Part of the contributions to the funds are made under company plans or in accordance with collective wage agreements and are not voluntary savings. However, much of the incremental saving is explained by the larger membership in provident funds, which offered relatively high rates of return (in part because of the tax benefits granted on such saving).

5. Composition of Consumption

The sharp increase in private consumption in 1972 was concentrated mostly in commodities, which were up about 7 percent per capita in real terms, while real per capita consumption of services rose only 3 percent. This pattern was

Table IV-4

COMPOSITION OF PRIVATE CONSUMPTION, 1960–72

(percentages; at current prices)

	Average 1960–65	1966	1967	1968	1969	1970	1971	1972
Food, beverages, tobacco	33	30	31	29	29	28	28	26
Durable goods	9	8	7	9	11	9	9	10
Other goods	17	17	16	17	16	16	15	16
Services and miscellaneous	41	45	46	45	44	47	48	48
Total consumption of goods and services[a]	100	100	100	100	100	100	100	100

[a] Excluding changes in inventories and net consumption of foreign nationals.
SOURCE: Central Bureau of Statistics.

typical of the past, but it should be pointed out that in 1970 and 1971 services expanded faster than goods.

On the other hand, service prices outpaced commodity prices—17 vs. 11 percent. There was an especially big 25 percent jump in housing services, which chiefly reflected the higher prices paid for new homes.

The net result of the differential rates of increase in the quantities and prices of goods and services was a stable distribution of private consumption spending between these two categories in 1972. But there were changes within these two groups. The weight of expenditure on food, beverages, and tobacco continued downward to stand at only 26 percent of total private consumption (excluding foreign nationals and inventory changes). By contrast, the clothing, footwear, and personal effects item and durable goods moved up. Among the various service items the weight of housing services rose appreciably, mainly because of sharply higher prices.

(a) *Food*

Per capita consumption of food was up 2.5 percent in 1972, with prices advancing 8.3 percent. This increase seems rather low considering the rapid expansion of total private consumption and the fall in the relative price of food.

In cereals and cereal products there was a per capita decline of 2.3 percent, despite a drop in the relative price. This item has a very low income elasticity of demand, and its weight in total food consumption has been moving steadily downward. Apart from pastry, biscuits, and kindred products, per capita sales of which were up 8 percent, the real per capita consumption of all the items in this group either decreased or rose very sluggishly.

Table IV–5

PRIVATE CONSUMPTION, BY MAJOR COMPONENT, 1971–72

(at current prices)

	Weight in total consumption in 1972 (%)	IL million		Percent increase in 1972	
		1971	1972	Quantity	Price
Goods					
Food, beverages, tobacco	25.5	3,895.2	4,461.5	5.8	8.2
Household fuel, light, and ice	2.5	369.1	444.6	10.2	9.3
Clothing, footwear, and personal effects	8.7	1,111.5	1,523.4	19.7	14.5
Durable goods	9.9	1,274.8	1,737.3	19.1	14.4
Other industrial goods	4.7	681.5	822.9	8.1	11.7
Total goods	**51.4**	**7,332.1**	**8,989.7**	**10.7**	**10.8**
Services					
By nonprofit institutions	9.8	1,417.0	1,712.6	7.2	12.7
Housing	17.9	2,354.6	3,134.5	6.7	24.8
Other services and misc.	20.8	3,032.7	3,642.7	6.2	13.0
Total services and misc.	**48.6**	**6,804.3**	**8,489.8**	**6.6**	**17.0**
Total consumption of goods and services[a]	**100.0**	**14,136.4**	**17,479.5**	**8.7**	**13.7**

[a] The discrepancies between these figures and those on total private consumption stem from the inclusion in the former of changes in inventories and the net consumption of nonresidents (less the consumption of Israelis abroad).

SOURCE: Central Bureau of Statistics.

The relatively high income elasticity of meat and meat products, coupled with the slow rise in their relative price, resulted in a 3.6 percent growth in real per capita consumption. All of the increase occurred in poultry-meat, which accounted for nearly half of total consumption of meat and meat products; it was up 7 percent, with the relative price drifting downward. Per capita sales of fresh beef, mutton, and goat meat fell off in absolute terms; this is explained by the contraction of supplies following the expansion of dairy farming, which led to a rise of approximately 15 percent in their price. Per capita consumption of frozen meat was up 3.4 percent, with the relative price declining as a result of Government price controls.

Fish and fish products edged up 0.5 percent, with the relative price retreating by some 3.5 percent. There was a decrease of 24 percent in per capita consumption of frozen fish fillet, the price of which rose 14 percent. Expenditure on sea and lake fish was down 5 percent, while the figure for pond fish inched up 1.5 percent, accompanied by a drop in the relative price.

There was a surprising 3.5 percent fall in per capita consumption of eggs, despite their lower relative price. Milk and milk products, on the other hand,

Table IV-6

CHANGES IN REAL CONSUMPTION OF SELECTED FOODSTUFFS, 1972

(percentages)

	Weight in total food consumption	Increase or decrease (–) compared with 1971		
		Quantity	Price	Relative price[a]
Cereals and cereal products	10.2	1.0	7.6	–0.6
Meat and meat products	27.6	7.1	9.6	1.2
Fish and fish products	3.9	3.8	11.9	3.3
Eggs	4.5	–0.3	4.5	–3.5
Milk and milk products	10.0	9.1	5.2	–2.9
Edible oils and fats	3.2	8.9	5.4	–2.7
Fresh fruit	13.7	14.9	2.1	–5.7
Fresh vegetables	11.1	—	14.0	5.3
Sugar and sugar products	6.5	0.8	11.5	3.0
Tea, coffee, cocoa	3.2	5.1	9.7	1.3
Processed fruit and vegetables and misc.	6.1	5.7	11.8	3.2
Total	**100.0**	**5.9**	**8.3**	—

[a] The change in the price of each item divided by the change in the price of total foodstuffs.
SOURCE: Central Bureau of Statistics.

were up by a relatively steep 5.6 percent. Since the prices of milk and most milk products are controlled, their relative prices declined in 1972, thus stimulating consumption. The increase was concentrated in certain fermented milk products, per capita sales of which rose 15 percent. Most other items in this group moved up at near-average rates, but butter was off about 6 percent owing to a shortage in this commodity in the year reviewed.

The cold, wet winter of 1972 was favorable for fruit farming, especially deciduous fruit. Real per capita consumption of fresh fruit rose 11.2 percent, with relative prices declining sharply. On the other hand, the winter had a harmful effect on supplies of fresh vegetables, and per capita sales were down 3.5 percent following a steep price rise.

(b) *Beverages, cigarettes, and other tobacco products*

Real per capita consumption of beverages was down 2 percent in 1972. This was the resultant of a 1.9 percent rise in nonalcoholic drinks, which was accompanied by a 12 percent price rise, and a 4.5 percent decline in alcoholic beverages. Sales of local brands fell even more steeply, owing to a more precipitate price rise.

The comparatively strong uptrend in tobacco and tobacco products continued in 1972, when the per capita figure advanced 6 percent, following a 6.8 percent increase in 1971. The fall in the relative prices of cigarettes apparently boosted sales: this item became 5 percent dearer, compared with a rise of 13.5 percent for all consumption items and 11 percent for commodities. Cigarettes accounted for the entire increase here, while other tobacco products declined.

(c) *Durable goods*

The usual determinants of consumption, such as income and prices, play a smaller role in the case of durable goods. Unlike other goods and services, durables provide their owners with a multiyear flow of services. Consequently, a slump in income growth is sufficient to dampen sales of durable goods, or to greatly retard their expansion, since the consumers prefer to use their existing equipment and defer its replacement. In 1970 disposable private income rose very sluggishly, with the result that sales of durables contracted by 17 percent. In 1971 sales rebounded, the figure going up 5.5 percent on an annual average, with the upswing growing stronger as the year wore on: the level in the second half of the year is provisionally estimated to have been some 12 percent higher than in the first half.

Table IV-7

CHANGES IN REAL CONSUMPTION OF CONSUMER DURABLES, 1960–72

(percentages)

	Weight in 1972	Annual increase or decrease (–)							
		Average 1960–65	1966	1967	1968	1969	1970	1971	1972
Furniture	33	20	–5	–20	46	12	6	–1	19
Household equipment	42	15	–8	–17	91	54	–23	2	8
Personal transportation equipment	25	16	–15	–20	77	45	–36	37	49
Total	**100**	**18**	**–8**	**–19**	**70**	**38**	**–17**	**5**	**19**

Source: Central Bureau of Statistics.

In 1972 the annual average increase came to 19 percent. However, the curve ascended more slowly during the year in 1971, as 6–7 percentage points of the 1972 increment stemmed from the rapid expansion in the second half of 1971, and only 10 points from the increase in 1972. According to provisional data, the curve rose sharply in the second quarter of 1972, and perhaps also in the final quarter.

Table IV–8

PERCENTAGE OF HOUSEHOLDS OWNING SELECTED CONSUMER DURABLES, 1966–72

<table>
<tr><th></th><th>1966</th><th>1967</th><th>1968</th><th>1969</th><th>1970</th><th>1971</th><th>1972</th></tr>
<tr><td>Electric refrigerator</td><td>80.1</td><td>82.9</td><td>85.6</td><td>88.6</td><td>88.9</td><td>90.6</td><td>92.1</td></tr>
<tr><td>Washing machine</td><td>29.5</td><td>31.8</td><td>35.2</td><td>38.7</td><td>42.8</td><td>46.2</td><td>50.5</td></tr>
<tr><td>Radio</td><td>79.2</td><td>74.0</td><td>73.1</td><td rowspan="2">89.7</td><td rowspan="2">89.9</td><td rowspan="2">89.4</td><td rowspan="2">89.0</td></tr>
<tr><td>Transistor radio</td><td>40.3</td><td>50.2</td><td>57.9</td></tr>
<tr><td>TV set</td><td>3.4</td><td>4.9</td><td>10.5</td><td>30.0</td><td>49.7</td><td>59.7</td><td>68.0</td></tr>
<tr><td>Vacuum cleaner</td><td>14.1</td><td>18.1</td><td>19.2</td><td>21.2</td><td>20.5</td><td>21.1</td><td>22.3</td></tr>
<tr><td>Tape recorder</td><td>6.1</td><td>9.2</td><td>9.2</td><td>11.6</td><td>11.9</td><td>13.8</td><td>14.9</td></tr>
<tr><td>Private car</td><td>10.5</td><td>13.3</td><td>13.1</td><td>13.9</td><td>15.4</td><td>18.2</td><td>19.1</td></tr>
<tr><td>Telephone</td><td>—</td><td>—</td><td>—</td><td>31.0</td><td>34.8</td><td>37.9</td><td>41.2</td></tr>
</table>

[a] In 1966–68 data for electric and transistor radios were separated.
SOURCE: Central Bureau of Statistics, household equipment survey for July–September.

Furniture sales[4] were up 18.5 percent, after edging down 1.5 percent in 1971. The estimates for this item are less accurate than those for other durable goods, since there are no reliable data on the output of small cabinetmakers.

Household equipment rose by a moderate 8 percent, the resultant of a 20 percent drop in television sets and a very precipitate rise in other items. The decline in TV sets was to be expected in view of the heavy volume of sales in the first years of Israeli television. According to the household equipment surveys of the Central Bureau of Statistics, about two out of every three homes owned a set in the third quarter of 1972, compared with only 5 percent in 1967.

Big increases were recorded in electric and transistor radios, phonographs, tape recorders, and gas and electric ranges and hotplates. The brisk sales of these items apparently reflected a tendency for consumers to replace their old appliances. There were also notable increases in certain items that are still not widely used in this country, such as dishwashers and vacuum cleaners.

The sale of personal transport equipment has been very lively since the end of the recession. The number of vehicles sold in 1972 jumped nearly 50 percent, bringing the family-ownership percentage up to 19. The curve went up fastest in the second and fourth quarters of the year.

In the final quarter of each year there are seasonal influences stimulating sales, such as the introduction of new models. In addition, at the end of 1972 the

[4] Excluding imports of immigrants, which, however, are included in total consumption.

public began to hear about the Treasury's intention to revise the schedule of motor vehicle taxes, and this gave a further fillip to sales. Another contributory factor (evident in previous years as well) is the practice of supplementing the salaries of some of the personnel by *inter alia* refunding car maintenance costs ostensibly incurred on the job.

(d) *Other industrial products*

Real per capita consumption of footwear and personal effects was 16 percent greater in 1972, following a decline the year before. This item tends to fluctuate sharply owing to measurement problems.

The per capita figure for footwear fell 6 percent in 1972, after inching down 1.9 percent the year before. The downtrend can be ascribed to the higher cost of leather because of a rise in its international price. There has been a slight switch from leather to rubber shoes.

After falling off in 1971, real per capita consumption of clothing jumped 27.6 percent in the year reviewed. The magnitude of the increase is surprising, and most likely some of it should be assigned to 1971. Most of the incremental sales were in knitwear and ready-made apparel.

Sales of other products in this category were up 4.6 percent, headed by household maintenance items, cosmetics, and drugs. A striking development was the sharp drop in book sales (school texts and others).

(e) *Housing services*

The rapid upswing in residential construction since the end of the recession is reflected by a steady increase in the consumption of housing services. In 1972 the real per capita was up 3.3 percent, with the price rise coming to nearly 25 percent.

Since the estimated consumption of housing services is imputed on the basis of the country's dwelling stock, an increase in this item reflected a net growth of the stock. Had we adopted other definitions of consumption, such as the purchase of dwellings by households, the real measured increase in this item in recent years would have been much greater.

(f) *Other services*

Real per capita consumption of other services rose 2.8 percent in 1972, compared with 6.7 percent the year before. Since their income elasticity is comparatively high, this estimate appears to have a downward bias. (Even if we eliminate hotels and other guest establishments, which cater predominantly to tourists, we obtain the same per capita growth rate.)

There was an especially steep 9 percent per capita real increase in car maintenance (garage services, license fees, etc., but excluding fuel). Expenditure on telephone services was up by an appreciable 13.5 percent, reflecting *inter alia* a fairly sharp rise in the proportion of families owning a telephone—from 38 percent in 1971 to 41 percent.

The figure for public transport services inched up only 1.1 percent. The entertainment and recreation item went up by a negligible 0.6 percent per capita. This was the resultant of a decline in cinema and theatre attendance and in betting (the State Lottery, football pool, etc.), and an increase in hotel and rêstaurant services.