

CHAPTER II

RESOURCES, USES, AND INCOMES

1. MAIN DEVELOPMENTS

FOLLOWING a strong upsurge in 1968, the expansion of demand slackened in the year reviewed, being reflected by smaller increases in domestic resource uses and the national product—12 and 11 percent respectively. Imports also rose more slowly in 1969, and the expansion of exports sagged noticeably. As a consequence, the balance of payments deficit on current account widened and, since capital imports held steady, there was a heavy depletion of foreign exchange reserves. Mounting demand and wage hikes in the private sector did not undermine the stability of the price level, the consumer price index edging up only 2.5 percent, about the same rate as in 1968.

Several factors account for the slower growth of demand in 1969. In 1968 there had been a marked upswing in domestic demand as the economy pulled out of the slump. Investment, in particular, rose steeply—by 46 percent; this can be ascribed to the sharp cutback during the recession and expectations of a rise in demand. The adjustment of the stock of capital assets to the higher demand level continued in 1969, but at a slower pace than in 1968, investment expanding by about 15 percent. Another factor explaining the slowdown of aggregate demand is the development of exports over the past two years. In 1968 there was an unprecedented growth of 27 percent (at constant prices), which can be credited to the special conditions acting to accelerate exports in 1967 and 1968, including the devaluation at the end of 1967. In 1969 export growth fell off sharply, amounting to only 5 percent at constant prices. Private consumption rose to about the same extent as in 1968—by some 12 percent in real terms—despite the more sluggish growth of incomes. The increase in public consumption slowed down from 15 percent in 1968 to 11 percent.

Total resource use, including exports, was up 12.2 percent in real terms, as contrasted with a 17.8 percent rise in 1968.

The smaller percentage increase in demand in comparison with 1968 also affected the national product. But since the import component of total uses had been exceptionally high in 1968 and declined slightly in 1969 because of the changed composition of incremental resource uses, the growth of imports slowed down to a more marked degree than the national product: whereas the growth rate for the latter fell from 15.5 percent in 1968 to 11 percent, in the case of imports it dropped from 30.6 to 10.5 percent (at constant prices).

While the increase in total resource use in 1969 was low compared with

Table II-1
RESOURCES AND USES, 1966-69

	IL million, at current prices				Percent annual increase or decrease (-) in quantity					Percent annual increase or decrease (-) in price				
	1966	1967	1968	1969	Average 1961-65	1967	1968	1969	Average 1966-69	Average 1961-65	1967	1968	1969	Average 1966-69
Uses														
Private consumption	7,909	8,113	9,244	10,707	10.3	1.4	12.0	11.7	7.1	7.2	1.1	1.7	3.7	3.5
Public consumption	2,627	3,599	4,399	5,009	10.1	36.1	14.9	11.3	17.7	10.3	0.7	6.3	2.3	5.2
Gross investment	2,605	2,040	3,164	3,832	10.8	-22.1	45.9	15.1	5.7	8.7	0.6	6.4	5.2	3.3
Total domestic uses	13,141	13,752	16,807	19,548	10.4	3.7	17.8	12.2	8.2	8.1	0.9	3.7	3.6	3.8
Resources														
Imports ^a	3,788	4,350	6,467	7,460	12.3	12.2	30.6	10.5	13.7	11.1	2.3	13.9	4.4	5.6
Exports ^b	2,537	2,811	4,076	4,465	13.3	8.4	27.3	4.9	13.2	13.1	2.2	13.9	4.5	6.1
Import surplus	1,251	1,539	2,391	2,995	11.1	20.1	36.5	20.1	15.6	8.9	2.5	13.7	4.2	4.7
Gross national product	11,890	12,213	14,416	16,553	10.3	2.0	15.4	10.9	7.4	7.9	0.7	2.2	3.5	3.6
Total resources	13,141	13,752	16,807	19,548	10.4	3.7	17.8	12.2	8.2	8.1	9.0	3.7	3.6	3.8

^a Valued at c.i.f. prices and at the official exchange rate; includes imports from the administered areas. The value of imports cited here differs from that in the balance of payments, since this table does not include interest paid to the rest of the world by the public sector.

^b Valued at f.o.b. prices and at the official exchange rate. Includes exports to the administered areas; excludes interest received by the public sector from the rest of the world.

SOURCE: Central Bureau of Statistics.

1968, it was relatively high in comparison with the years 1961–65. During that period the level moved up at an annual average rate of 10.5 percent, and gross national product by 10 percent. But whereas in 1961–65 the buoyant demand was reflected by rising prices, the year reviewed (like 1968) witnessed relatively stable prices.

The average 10.5 percent rise in total resource use in 1961–65 was accompanied by an average annual increase of 8 percent in GNP prices and of 7 percent in the consumer price index. By contrast, in 1969 the 12.2 percent growth in total uses was accompanied by a rise of only 3.5 percent in GNP prices and of 2.5 percent in consumer prices. The prices of some goods and services went up fairly steeply, but their influence on the index was negligible. Presumably the expansion of demand in 1969 was not much greater than the expansion of supply, and hence there was no generation of excess demand like that of 1961–65. The growth of supply in the year reviewed was made possible not only by the increased productive capacity of the economy, but also by a sharp gain in productivity, apparently reflecting a higher rate of factor utilization. In 1969 output per employed person advanced 7.2 percent, whereas in 1961–65 it had grown at an average rate of 5 percent. The much higher productivity of 1969 permitted the absorption of the larger wage outlay per employee (6 percent in the private sector), thereby averting a cost-push on prices.

The import component of incremental resource use fell in 1969. In 1968 it reached 45 percent of the increment following a precipitate rise in uses with a high import component, such as defense expenditures, investment in plant, machinery, and transport equipment, and industrial exports. In the year reviewed, the share of imports in additional resource use dropped to 30 percent, as a relatively rapid rise in purchases of durables, foreign currency security outlays, and investment was more than offset by a sharp fall in the rate of growth of exports, which also have a high import component. Nevertheless, in comparison with the years 1961–65, the import component of resource uses was still high in 1969. The fact that in 1969 less of the incremental demand was satisfied from domestic production than in 1961–65 also explains the relatively moderate price increases of 1969 in comparison with those years. The more sluggish growth of demand can also be attributed in part to the slower monetary expansion, a development due mainly to the contraction of foreign exchange reserves and the consequent tightening of the money market.

Gross national saving grew by IL 64 million in 1969, after an increase of IL 272 million the year before. Net national saving declined by IL 100 million, after rising by IL 144 million in 1968, and continued to be negative.

2. USES

With the revival of the economy and the much heavier security expenditure since the middle of 1967, the allocation of available resources has undergone a

Table II-2
RESOURCES AND USES AND THEIR GROWTH, BY COMPONENT, 1967-69

(IL million, at 1968 prices)

	Resources and uses			Annual increase		Percentage distribution of resources and uses			Percentage distribution of incremental resources and uses		
	1967	1968	1969	1968	1969	Average 1961-65	1967	1968	1969	1968	1969
Private consumption	8,254	9,244	10,325	990	1,081	49.2	47.3	44.3	44.6	28.9	47.9
Public consumption	3,829	4,399	4,897	570	498	16.2	21.9	21.1	21.2	16.6	22.1
Gross investment	2,169	3,164	3,643	995	479	20.1	12.4	15.1	15.7	29.1	21.2
Exports ^a	3,207	4,076	4,274	869	198	14.5	18.4	19.5	18.5	25.4	8.8
Total uses	17,459	20,883	23,139	3,424	2,256	100.0	100.0	100.0	100.0	100.0	100.0
Gross national product	12,537	14,416	15,992	1,879	1,576	74.3	71.8	69.0	69.1	54.9	69.9
Imports	4,922	6,467	7,147	1,545	680	25.7	28.2	31.0	30.9	45.1	30.1
Total resources	17,459	20,883	23,139	3,424	2,256	100.0	100.0	100.0	100.0	100.0	100.0

^a See notes to Table II-1.

SOURCE: Central Bureau of Statistics.

drastic change. The adjustment of the stock of capital assets to the accelerated tempo of economic activity—after a period of economic stagnation and a sharp cutback in capital spending during the years 1966–67—was reflected by exceptionally high rates of investment growth in the two following years: 35.5 percent in 1968 and 22.5 percent in 1969. Investment in inventories likewise expanded, after falling off during the recession, particularly in 1967. In 1968, IL 284 million was invested in inventories, compared with IL 55 million in 1967 (at 1968 prices). After the replenishment of stocks in 1968, the figure dropped to IL 120 million in 1969 (at 1968 prices).

The high level of capital spending during the past two years brought up the weight of investment in total resource use from 12.4 percent in 1967 to 15.1 percent in 1968 and 15.7 percent in 1969. However, this failed to restore the level to that of 1961–65 (about 20 percent). Furthermore, the much heavier investment in 1968 and 1969 did not expand the capital stock to the same extent as in 1960–65. The nondwelling capital stock rose by about 8 percent in 1968 and 9 percent in 1969, as contrasted with an average of 11 percent during the years 1960–65.¹ Nevertheless, the capital stock per capita grew at a rate not much below that of 1960–65—by 6 as against 7 percent.

Public consumption spending went up at a slower rate in 1969, the increase amounting to 11.5 percent as against 15 percent in 1968 and 36 percent in 1967. However, the weight of public consumption in total domestic resource use held steady at 21 percent, the level of the two previous years; in 1961–65 it averaged only 16 percent. The rapid growth of the past three years was largely a consequence of heavier security outlays. These have a relatively high import component, and hence have contributed to the sharp rise in imports and the widening of the adverse balance in the country's goods and services account.

Private consumption was up nearly 12 percent in 1969, about the same rate as in the previous year. Private consumption per capita continued to rise by about 9 percent in real terms; this compares with a 6 percent average for 1961–65. Several factors contributed to the further rapid growth of per capita consumption in 1969. First of all, private incomes went up quite sharply along with the expansion of economic activity and employment. Secondly, expectations of higher taxation and devaluation apparently induced the advancing of purchases, particularly of consumer durables. This pushed up the rate of consumption spending out of total private income as compared with 1968. The full effect of the strong rise in incomes in 1968 on consumption was apparently felt only after some time-lag, affecting the ratio of consumption expenditure to income in 1969. It should be pointed out, however, that the rate of private saving in 1968–69 was not significantly lower than in previous years, and that the weight of

¹ In 1968–69 the average growth of the national product was high compared with 1960–65, a development explained by the utilization of the large reserve of idle production capacity available from the recession period.

private consumption in total resource use in 1968-69 was lower than during the first half of the sixties (see Table II-2).

Exports expanded by 5 percent in real terms, after gaining 27 percent in 1968, and their weight in incremental resource use dropped from 25 to 9 percent. Thus 1969 saw a weakening of the influence of exports on economic activity, after an appreciable contribution in 1968. This was one of the main reasons for the deterioration in the balance of payments and the greater dependence of the economy on foreign sources (see Table II-3).

3. RESOURCES

In 1969 total resource use—i.e. domestic uses plus exports—expanded by IL 2,300 million at 1968 prices. This was a smaller growth than in 1968, when it reached IL 3,400 million. Apart from the change in the size of the increment, there was also a change in its composition. The weight of private consumption soared from 29 percent in 1968 to 48 percent, that of public consumption went up from 17 to 22 percent, while the share of investment fell from 29 to 21 percent and of exports from 25 to 9 percent.

With the help of data on the import and net product components of final uses, we can determine to what extent changes in the volume and composition of uses contributed to changes in the level of economic activity—as expressed in the gross national product—and to what extent they affected the volume of imports and the current deficit in the balance of payments.

In 1968 the IL 3,420 million increase in resources consisted of IL 1,550 in imports and IL 1,880 million in gross national product. The exceptional composition of demand in 1968, marked by import-intensive uses such as industrial investment and exports, resulted in almost half of the incremental demand being supplied from imports. As a result, imports rose by a particularly rapid 31 percent, whereas the national product grew by only 15 percent. In 1969, as stated above,

Table II-3
COMPOSITION OF RESOURCES, 1960-69
(IL million, at current prices)

	Annual average 1960-65		1966		1967		1968		1969	
	O.R. ^a	E.R. ^b	O.R.	E.R.	O.R.	E.R.	O.R.	E.R.	O.R.	E.R.
Import surplus	13.8	16.9	9.5	12.5	11.2	12.9	14.2	16.8	15.3	18.9
Gross national product	86.2	83.1	90.5	87.5	88.8	87.1	85.8	83.2	84.7	81.1
Total resources	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

^a O.R.—official rate of exchange.

^b E.R.—effective rate of exchange.

SOURCE: Central Bureau of Statistics.

total resource use rose less than in 1968, but the weight of import-intensive uses fell, so that the share of GNP in incremental resources moved up from 55 to 70 percent, while the weight of imports fell from 45 to 30 percent. The weight of imports in total domestic resource use was unchanged in 1969, standing at 29 percent.

4. SECTORAL COMPOSITION OF THE NATIONAL PRODUCT

In 1969 gross national product expanded by 11 percent in real terms, compared with 15.4 percent in the previous year. Growth was particularly rapid in two sectors—industry and construction. Construction output advanced 22 percent, a rate similar to that of 1968, bringing up its weight in GNP from 6.7 to 8.1 percent. In industry growth slowed down from 29 percent in 1968 to 16 percent, but it remained considerably higher than for all other sectors, apart from construction. Industry contributed about 35 percent of the increase in the national product in 1969, and its share in the product edged up from 24.3 to 25.3 percent (see Table II-4). Agricultural output continued upward at a very slack rate—about 3 percent—and its weight in GNP continued to decline. The growth of output in the transportation and communications sector sagged noticeably in the year reviewed—9 percent as contrasted with 25 percent in 1968.

Table II-4

SECTORAL ORIGIN OF GROSS NATIONAL PRODUCT, AT FACTOR COST, 1965-69

(percentages, at current prices)

	1965	1966	1967	1968	1969
Agriculture, forestry, fishing	7.9	7.7	8.4	7.8	7.3
Industry, mining and quarrying	23.7	21.8	22.5	24.3	25.3
Construction	9.7	7.4	5.8	6.7	8.1
Public utilities (water and electricity)	2.0	2.2	2.2	2.0	1.9
Transportation and communications	8.4	9.0	8.9	9.1	8.7
Finance, insurance, and real estate	5.1	5.5	5.6	6.0	5.9
Ownership of dwellings	7.1	6.9	6.8	6.4	6.3
Public sector and nonprofit institutions	18.5	21.2	22.0	20.3	19.2
Commerce	9.6	9.8	9.6	9.3	9.5
Other services	8.0	8.5	8.2	8.1	7.8
Net domestic product at factor cost	100.0	100.0	100.0	100.0	100.0

SOURCE: Central Bureau of Statistics.

5. PRODUCTIVITY

Increases in inputs of capital and labor generally explain only part of the growth of the national product. The residual, which is by no means inconsiderable, is attributable to the rise in productivity, due to technological advances

and to improvements in the allocation of factor inputs and in their quality. In order to measure productivity in this sense, we have to estimate the actual input to production and exclude idle factors. But the existing methods of measurement do not permit an accurate differentiation between employed and unemployed factors, particularly capital. The deviation from the "correct" estimate of inputs is particularly large in years of cyclical change, when there are marked changes in the level of employment or in the utilization of factors of production.

Table II-5 shows sharp fluctuations in productivity in the period 1966-69, during which the economy passed through an almost complete business cycle. In 1966 productivity fell steeply, as attested by the insignificant growth of the national product, a decline in the capital stock utilization rate, and the apparent creation of hidden unemployment. In 1967 growth remained minimal, and the utilization of the capital stock continued downward; on the other hand, employment fell sharply and hidden unemployment was apparently reduced, leading to a rise in productivity. In 1968 economic activity picked up, and both employment and the utilization of capital rose. The increase in the latter permitted a rapid

Table II-5
CHANGES IN GROSS NATIONAL PRODUCT, FACTORS OF PRODUCTION,
AND PRODUCTIVITY, 1961-69
(percentages)

	Annual average 1961-65	1966	1967	1968	1969	Annual average 1966-69
Real gross national product	10.3	1.3	2.4	15.3	11.3	7.3
Labor input ^a						
Number of employed	5.1	-0.6	-4.3	9.0	3.8	1.8
Man-days		-0.8	-5.2	11.9	4.5	2.4
Stock of fixed reproducible assets at the beginning of year	10.8	9.4	6.8	4.7	6.7	6.9
Product/labor ratio						
Per employed	4.9	1.9	7.0	5.8	7.2	5.5
Per man-day		2.1	8.0	3.0	6.5	4.9
Product per factor unit (factor productivity)						
Measured by number of employed	2.1 ^b	-3.0	1.1	7.9	5.7	2.9
	3.1 ^c	-1.4	3.0	7.2	6.2	3.7
Measured by number of man-days		-2.9 ^b	0.8	6.5	5.4	2.4
		-1.3 ^c	3.6	5.3	5.8	3.3

^a Employment data do not include workers from the administered areas.

^b With the labor input assigned a weight of $\frac{1}{2}$.

^c With the labor input assigned a weight of $\frac{2}{3}$.

SOURCE: Central Bureau of Statistics.

expansion of the national product compared with 1961-65, when there was full employment and an appreciable gain in measured productivity. In 1969 factor utilization apparently continued upward. The measurement of productivity in Table II-5 indicates a lower rate of growth than in 1968, a development to be expected with the economy approaching a state of full employment; however, it was still higher than during the first half of the sixties, when there was full employment.

It turns out, therefore, that the changes in the rate of factor utilization during the years 1966 to 1969 do not allow a measurement of productivity in its narrow sense. But aggregating the data for this four-year period somewhat mitigates the influence of changes in the utilization rate on productivity. This shows that factor productivity did not change much in 1966-69 compared with the pre-recession period (see Table II-5).

6. INCOMES

Private income from economic activity rose by 12.6 percent in 1969, after gaining 17.9 percent the year before. Income tax and National Insurance payments increased by a substantial 24 percent approximately, about the same rate as in 1968. As opposed to this, there was a sharp rise in net transfers from the public to the private sector, from 26.3 percent in 1968 to 34.3 percent. Total compulsory payments, net of transfers received, were up 8 percent in 1969, as contrasted with 20 percent the year before. The effect of the slower increase on the disposable income of the private sector was virtually nil. Disposable

Table II-6
NATIONAL PRODUCT AND INCOME, 1965-69
(IL million, at current prices)

	1965	1966	1967	1968	1969
1. Gross national product	10,901	11,890	12,213	14,416	16,553
2. Indirect taxes on domestic output	1,071	1,256	1,261	1,433	1,674
3. Subsidies on domestic output	176	200	202	271	280
4. Net taxes on domestic output (2-3)	895	1,056	1,059	1,162	1,394
5. Taxes on imports	489	484	412	665	971
6. Export subsidies	43	95	171	236	279
7. Import taxes net of export subsidies (5-6)	446	389	241	429	692
8. Total indirect taxes, net (4+7)	1,341	1,445	1,300	1,591	2,086
9. Depreciation	990	1,105	1,190	1,318	1,483
10. National income ^a (1-8-9)	8,570	9,340	9,723	11,507	12,984

^a According to the GNP approach (the production account).
SOURCE: Central Bureau of Statistics.

Table II-7
PRIVATE INCOME, 1965-69
 (IL million, at current prices)

	1965	1966	1967	1968	1969	Percent annual increase or decrease (-)			
						1966	1967	1968	1969
1. National income	8,570	9,340	9,723	11,507	12,984	9.0	4.1	18.3	12.8
2. Public sector income from property	204	281	261	355	430	37.7	-7.1	36.0	21.1
3. Private income from economic activity (1-2)	8,366	9,059	9,462	11,152	12,554	8.3	4.4	17.9	12.6
4. Total compulsory payments	1,227	1,480	1,460	1,807	2,237	20.6	-1.4	23.8	23.8
Income tax	993	1,146	1,128	1,408	1,772	15.4	-1.6	24.8	25.9
National Insurance contributions	234	334	332	399	465	42.7	-0.6	20.2	16.5
5. Transfer payments, net	511	670	862	1,089	1,462	31.1	28.7	26.3	34.3
6. Total compulsory payments, less transfer payments (4-5)	716	810	598	718	775	13.1	-26.2	20.1	7.8
7. Disposable private income from domestic sources (3-6)	7,650	8,249	8,864	10,434	11,779	7.8	7.5	17.7	12.8
8. Private transfers from abroad	819	782	860	1,242	1,398	-4.5	10.0	44.4	12.6
9. Disposable private income from all sources (7+8)	8,469	9,031	9,724	11,676	13,177	6.6	7.7	20.1	12.9
10. Depreciation	990	1,105	1,190	1,318	1,483	11.6	7.7	10.8	12.5
11. Gross disposable private income from all sources (9+10)	9,459	10,136	10,914	12,994	14,660	7.2	7.7	19.1	12.8

SOURCE: Central Bureau of Statistics.

Table II-8

CHANGES IN INCOME AND INCOME DISTRIBUTION, 1964-69

(percentages)

	1964	1965	1966	1967	1968	1969
Real private income from economic activity ^a (per capita)	5.8	9.3	-2.3	-0.4	11.7	7.2
Real disposable private income from domestic sources ^a (per capita)	5.7	9.2	-2.7	2.5	11.1	7.5
Real disposable private income from all sources ^a (per capita)	3.7	6.8	-3.8	2.7	13.8	7.5
Real income ^b per employed	4.6	9.8	1.1	7.6	6.5	5.7
Real wage income per employee	7.2	9.4	10.3	-1.2	1.1	2.0
Weight of wage income in total private income from economic activity ^c	66.2	65.2	71.2	66.3	63.0	62.6

^a Nominal private income as shown in Table II-7, deflated by the rise in the consumer price index.

^b Private income from economic activity as given in Table II-7, row 3, less the imputed net rental value of owner-occupied dwellings. The number of employed is from Central Bureau of Statistics manpower surveys.

^c Excluding the imputed net rental value of owner-occupied dwellings. Data on wage income are based on the December 1966 report of the Committee to Examine the Distribution of National Income, in which wages comprise all wage outlays of employers, including fringe benefits (see notes to Table II-10 in the 1967 Bank of Israel *Annual Report*). The annual increases in 1966-69 were estimated according to National Insurance data.

private income from domestic sources rose 12.8 percent in 1969, as against 12.6 percent for private income from economic activity (see Table II-7).

Transfers from abroad expanded much more slowly than in the previous year—by 12.6 as against 44.4 percent. This can be ascribed not only to the upward effect of the devaluation of November 1967 on the volume of receipts in 1968, but also to the smaller percentage rise in foreign currency transfers in the year reviewed. The latter development was one of the factors decelerating the growth of disposable private income from 20 percent in 1968 to 13 percent in the following year.

In 1969 income from wages and that from other sources went up at about the same rate, whereas in 1968 wage income had risen more slowly than nonwage incomes. Real earnings per employee trailed behind the real income growth of the self-employed, but there was a marked increase in the number of employees, so that the share of wages in total private income remained similar to that in 1968 (see Table II-8).

7. NATIONAL SAVING

In 1969 the gross national product at current prices expanded by IL 2,137 million, and total domestic consumption (private and public) by IL 2,073 million. Gross national saving was therefore only IL 64 million greater than in 1968, which showed an increase of IL 272 million. The ratio of gross saving to the gross national product held steady at the 1968 level, which was higher than in 1967 but much lower than in 1961-66. Net national saving was down IL 100 million from 1968 and remained negative at -IL 646 million.

Gross national saving, calculated above as the difference between the gross national product and total consumption, is identical with the difference between gross capital formation and the import surplus. Saving can also be defined as the difference between the sum of the national product and unilateral transfers from abroad and total consumption, which is identical with the difference between capital formation and the net increase in the country's external debt. Such a measurement is particularly appropriate to Israel, where a large proportion of the operations of the public sector and nonprofit institutions is financed from unilateral transfers, and where households are the recipients of a current flow of foreign transfers in the form of personal restitution. The advantage of this measurement lies in its distinguishing the various ways whereby the import surplus is financed and in focussing attention on changes in the national debt and in foreign currency reserves.

An increase in saving so defined implies that the economy is diverting a larger proportion of its resources—i.e. national product and unilateral receipts—to financing capital formation, and has to resort less to borrowing abroad or to running down foreign currency reserves. According to the conventional definition, increased saving implies that the economy is allocating a larger proportion of

Table II-9

NATIONAL SAVING, 1960-69

(IL million, at current prices)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
1. Gross national product	4,551	5,472	6,548	7,867	9,130	10,901	11,890	12,213	14,416	16,553
2. Unilateral transfers from abroad ^a	516	571	915	947	891	887	785	1,477	1,364	1,541
3. Subtotal	5,067	6,043	7,463	8,814	10,021	11,788	12,675	13,690	15,780	18,094
4. Private consumption	3,094	3,647	4,408	5,245	6,087	7,136	7,909	8,113	9,244	10,707
5. Public consumption	823	1,015	1,339	1,586	1,743	2,173	2,627	3,599	4,399	5,009
6. Total consumption	3,917	4,662	5,747	6,831	7,830	9,309	10,536	11,712	13,643	15,716
7. Depreciation	362	438	623	748	853	990	1,105	1,190	1,318	1,483
8. Gross national saving from GNP (1-6)	634	810	801	1,036	1,300	1,592	1,354	501	773	837
9. Gross saving from GNP plus unilateral transfers (3-6)	1,150	1,382	1,716	1,983	2,191	2,479	2,139	1,978	2,137	2,378
10. Net national saving from NNP (8-7)	272	372	178	288	447	602	249	-689	-545	-646
11. Net national saving from NNP plus unilateral transfers (9-7)	788	944	1,093	1,235	1,338	1,489	1,034	788	819	895
	Percentages									
12. Rate of gross saving from GNP (8 ÷ 1)	13.9	14.8	12.2	13.2	14.2	14.6	11.4	4.1	5.4	5.1
13. Rate of gross saving from GNP plus unilateral transfers (9 ÷ 3)	22.7	22.9	23.0	22.5	21.9	21.0	16.9	14.4	13.5	13.1
14. Rate of net saving from NNP (10 ÷ [1-7])	6.5	7.4	3.0	4.0	5.4	6.1	2.3	-6.2	-4.1	-4.3
15. Rate of net saving from NNP plus unilateral transfers (11 ÷ [1-7])	18.8	18.7	18.4	17.3	16.1	15.0	9.6	7.1	5.7	5.4

^a Less net interest payments of the public sector to the rest of the world, which are included in the services account of the balance of payments.
SOURCE: Based on Central Bureau of Statistics data.

Table II-10
PRIVATE SAVING, 1960-69
 (IL million, at current prices)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
1. Gross disposable private income from domestic sources	3,625	4,290	5,107	6,186	7,143	8,640	9,354	10,054	11,752	13,262
2. Private transfers from abroad	325	370	754	831	832	819	782	860	1,242	1,398
3. Gross disposable private income from all sources (1+2)	3,950	4,660	5,861	7,017	7,975	9,459	10,136	10,914	12,994	14,660
4. Private consumption	3,094	3,647	4,408	5,245	6,087	7,136	7,909	8,113	9,244	10,707
5. Depreciation	362	438	623	748	853	990	1,105	1,190	1,318	1,483
6. Gross saving out of gross disposable private income from domestic sources (1-4)	531	643	699	941	1,056	1,504	1,445	1,941	2,508	2,555
7. Gross saving out of gross disposable private income from all sources (3-4)	856	1,013	1,453	1,772	1,888	2,323	2,227	2,801	3,750	3,953
8. Net private saving out of net disposable income from domestic sources (6-5)	169	348	76	193	203	514	340	751	1,190	1,072
9. Net private saving out of net disposable income from all sources (7-5)	494	575	830	1,024	1,035	1,333	1,122	1,611	2,432	2,470
	Percentages									
10. Rate of gross private saving out of gross disposable income from domestic sources (1÷6)	14.6	15.0	13.7	15.2	14.8	17.4	15.4	19.3	21.3	19.3
11. Rate of gross private saving out of gross disposable income from all sources (7÷3)	21.7	21.7	24.8	25.3	23.7	24.6	22.0	25.7	28.9	27.0
12. Rate of net private saving out of net disposable income from domestic sources (8÷[1-5])	5.2	9.0	1.7	3.7	3.2	6.7	4.1	8.5	11.4	9.1
13. Rate of net private saving out of net disposable income from all sources (9÷[3-5])	13.8	13.6	15.8	16.3	14.5	15.7	12.4	16.6	20.8	18.7

SOURCE: Based on Central Bureau of Statistics data.

the national product to financing capital formation and is reducing its dependence on the import surplus—with no differentiation being made among the different ways of financing the surplus.¹ A measurement of saving according to both definitions is presented in Table II-9.

The stability in the national saving rate in 1969 was the net outcome of a fall in private saving and a rise in public saving. Gross private saving out of disposable income from domestic sources drifted down from 21.3 percent in 1968 to 19.3 percent, and gross private saving out of income from all sources declined from 29 to 27 percent.

This slight drop in private saving is largely explained by the prevailing expectations of devaluation and higher taxation, which led to brisker sales of goods, particularly durables. Sales of consumer durables soared 40 percent in real terms, a higher rate than what the rise in incomes could have been expected to produce. In analyzing the country's saving performance over the past several years there is some point in deducting expenditure on durable goods from total private consumption, since these goods are used for a fairly long period and only a small part of the outlay represents consumption in the year of purchase. If we deduct such expenditure from total private consumption spending, it turns out that there was a small rise in private saving in 1969. Even inclusive of durables, the rates of saving in 1968 and 1969 were high compared with the years 1960-66 (see Table II-10).

Public sector dissaving did not change much in 1969. However, as the sector's current revenue outpaced its consumption, the rate of negative saving edged down somewhat (see Table II-11).

The lower rate of national saving in 1969 was the resultant of two opposite trends: a drop in the rate of gross private saving and a slight decline in the negative saving of the public sector.

¹ The following example will serve to clarify this point. If the national product, total consumption, and the import surplus remain constant, then even if there are changes in the methods of financing the import surplus, saving will remain the same according to the conventional definition. Under the broader definition, saving will increase if the weight of unilateral transfers in capital imports rises, and it will decrease if the weight of net foreign loan receipts rises.

Table II-11

PUBLIC SECTOR SAVING, 1960-69

(IL million, at current prices)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
1. Net current income of the public sector from domestic sources ^a	926	1,182	1,441	1,681	1,987	2,261	2,536	2,159	2,664	3,291
2. Net unilateral transfers from abroad	191	201	161	116	59	68	3	617	122	143
3. Public sector income from all sources	1,117	1,383	1,602	1,797	2,046	2,329	2,539	2,776	2,786	3,434
4. Public consumption	823	1,015	1,339	1,586	1,743	2,173	2,627	3,599	4,399	5,009
5. Public sector saving from domestic sources (1-4)	103	167	102	95	244	88	-91	-1,440	-1,735	-1,718
6. Public sector saving from all sources (3-4)	294	368	263	211	303	156	-88	-823	-1,613	-1,575
	Percentages									
7. Rate of public sector saving out of domestic income (5 ÷ 1)	11.1	14.1	7.1	5.7	12.3	3.9	-7.5	-66.7	-65.1	-52.2
8. Rate of public sector saving out of income from all sources (6 ÷ 3)	26.3	26.6	16.4	11.7	14.8	6.7	-3.5	-29.6	-57.9	-45.9

^a Including transfers on capital account, such as the land improvement tax and inheritance tax.
SOURCE: Based on Central Bureau of Statistics data.