

## CHAPTER VIII

# NONPROFIT INSTITUTIONS<sup>1</sup>

### 1. MAIN DEVELOPMENTS

This sector consists of some 6,500 institutions supplying various services, chiefly to households, in the spheres of education, health, social welfare, and religion, as well as in the social and political fields. The institutions differ from one another in size, rate of development, and particularly in the nature of their activities. A distinguishing characteristic of the institutions in this heterogeneous sector is that they receive no direct payment for their services, or sell them at a price covering only part of the cost.

The sector's payments totalled IL 1,112 million in 1968<sup>2</sup>—a rise of 7 percent, compared with 6 percent in 1967. At constant prices, the increases were 6 and 5 percent respectively (see Table VIII-1).

Purchases on current account rose in 1968 by 7 percent, and those on capital account by 8 percent. Private consumption in the economy as a whole went up by 15 percent, and gross domestic investment by 48 percent; since the growth of the nonprofit institutions' consumption expenditure and capital-account purchases was slower than that of total private consumption and gross domestic investment, the sector's share in these two aggregates fell to 10 and 7 percent respectively.<sup>3</sup> In 1966 and 1967 (the period of the economic slowdown) there was an opposite development: the consumption of nonprofit institutions rose more rapidly than private consumption, while capital-account purchases went up in 1966 and declined (by 9 percent) in 1967; gross investment, on the other hand, fell by 30 percent over these two years. These developments show that nonprofit institution expenditure is not influenced, at least in the short run, by fluctuations in other components of demand. A substantial part of the

<sup>1</sup> The data cited in this chapter do not correspond to those in Chapter IV (see the appendix to this chapter).

<sup>2</sup> The estimated expenditure and receipts of nonprofit institutions in East Jerusalem are apparently biased downward. This also understates the annual growth rates, since in 1967 only about half the expenditure and receipts of institutions in East Jerusalem were taken into account, whereas in the year reviewed all expenditure and receipts were included in the calculations.

<sup>3</sup> Capital outlays of the nonprofit institutions include land purchases, but the amount involved is very small and does not affect the sector's share in gross investment.

Table VIII-1  
FLOW-OF-FUNDS STATEMENT OF NONPROFIT INSTITUTIONS, 1966-68

Receipts	1966	1967 <sup>a</sup>	1968 <sup>b</sup>	Percent increase or decrease (-) from 1967 to 1968		Payments	1966	1967 <sup>a</sup>	1968 <sup>b</sup>	Percent increase or decrease (-) from 1967 to 1968	
Transfers and transactions in services and goods											
Net transfers from public sector	191.5	235.5	276.1	40.6	17.2	Purchases on current account	794.1	865.8	924.5	58.7	6.8
Net transfers from the rest of the world	145.9	158.7	154.2	-4.5	-2.8	Purchases on capital account	159.7	148.2	160.3	12.1	8.2
Transfers from house- holds and business						Transfers to households	23.6	25.5	27.0	1.5	5.9
Membership dues and fees	299.3	317.0	341.7	24.7	7.8						
Other transfers	59.2	56.4	57.8	1.4	2.5						
Sales of services and goods	206.5	220.4	233.8	13.4	6.1						
Total	902.4	988.0	1,063.6	75.6	7.7	Total	977.4	1,039.5	1,111.8	72.3	7.0
Financial transactions and intrasector transfers											
Net credit from other domestic sectors <sup>c</sup>	75.0	51.5	48.2	-3.3	-6.4	Transfers to other nonprofit institutions	20.6	23.1	18.6	-4.5	-19.5
Transfers from other nonprofit institutions	20.6	23.1	18.6	-4.5	-19.5						
Total receipts	998.0	1,062.6	1,130.4	67.8	6.4	Total payments	998.0	1,062.6	1,130.4	67.8	6.4

<sup>a</sup> Revised data.<sup>b</sup> Provisional data.<sup>c</sup> Credit data are obtained residually and hence are not very reliable.

services provided by the sector resembles those supplied by the public sector, and is not affected by changes in the rate of economic activity.

The changes in nonprofit institution consumption is determined primarily by the sector's wage bill. This amounted in 1968 to 65 percent of total expenditure on current account. The moderate rise in payroll outlay in 1968 (7 percent) led to a similar increase in the sector's total consumption.

Receipts on real (i.e. nonfinancial) account amounted in 1968 to IL 1,064 million—a gain of 8 percent, as against 9 percent in the previous year. Analysis of the receipts shows a continuation of the long-run rising trend in the weight of transfers from the public sector and a fall in that of transfers from abroad, which fell off in 1968 in both dollar and IL terms.

The sector's demand surplus contracted in 1968 by IL 8 million. This did not lead to a corresponding drop in the credit inflow from other domestic sectors because of the smaller volume of foreign receipts.

Nonprofit institution dissaving was reduced in 1968 by IL 25 million to stand at -IL 51 million.

## 2. ROLE OF THE NONPROFIT INSTITUTIONS AND THE PUBLIC SECTOR IN THE PROVISION OF SERVICES<sup>1</sup>

The year reviewed saw a continuation of the declining trend in the relative importance of nonprofit institutions in the provision of social services. Until 1962 this could be ascribed to the transfer of institutions from this sector to the public sector—the reference is to the transfer of secondary, vocational, and agricultural schools, as well as hospitals, to the ownership of local authorities and the Government. Since 1962 the cause is to be found in the relatively faster development of the public sector in the provision of services (the expenditures of the nonprofit institutions and the public sector went up at an average annual rate of 14 and 21 percent respectively during the years 1963–68).

The most conspicuous decrease in the weight of nonprofit institution expenditure was in the social welfare field<sup>2</sup>—from 23 percent in 1962 to 15 percent in 1968. The main reason for this downtrend is the consistent and rapid rise in benefit payments by the National Insurance Institute, while the activities of the nonprofit institutions in this sphere, which complement those of the public sector, are expanding at a slow pace.

<sup>1</sup> Owing to the lack of data on private sector expenditure on the supply of services, a comparison can be made only between the nonprofit institutions and the public sector. The private sector provides services in the fields of education, health, and social welfare, but its share is apparently small compared with that of the nonprofit institutions and the public sector.

<sup>2</sup> Social welfare institutions include women's organizations, social welfare bodies of the Histadrut (General Federation of Labor), children's institutions, and old-age homes.

Table VIII-2

**EXPENDITURE OF NONPROFIT INSTITUTIONS AND THE PUBLIC SECTOR,  
BY FIELD OF ACTIVITY, 1962-68<sup>a</sup>**

	Annual average 1962-66	1967	1968
<b>IL million</b>			
Health			
Public sector	130	203	219
Nonprofit institutions	293	399	422
Education, culture, religion			
Public sector	459	750	889
Nonprofit institutions	281	438	479
Social welfare			
Public sector <sup>b</sup>	310	546	632
Nonprofit institutions	91	107	111
<b>Share of nonprofit institutions in total services provided by public institutions (%)</b>			
Health	69	66	66
Education, culture, religion	38	37	35
Social welfare	23	16	15

<sup>a</sup> The expenditure of nonprofit institutions consists of purchases on current and capital account and transfers to households, but not intrasector transfers; public sector expenditure consists of purchases on current and capital account, welfare payments, and development budget loans, less transfers to nonprofit institutions and intrasector transfers.

<sup>b</sup> Includes expenditure of the National Insurance Institute.

The share of nonprofit institutions in the health field went down from 71 percent in 1961 to 65 percent in 1967 and 1968. In spite of this decline, they are still relatively more important here than the public sector, mainly because of the activities of the Sick Funds. In this sphere as well, the nonprofit institutions complement the activities of the public sector, and were it not for the existence of the Sick Funds, the Government would have to provide these services.

In educational, cultural, and religious services, the weight of nonprofit institutions edged down in 1968 by 2 percent, after an increase in 1967 and a steep drop in 1965 and 1966. The explanation for the decline in 1968, after an increase in 1967, is to be found in Government expenditure on primary education. In 1967 primary school enrollment fell off, and the Government thereupon reduced its expenditure on education; in 1968 enrollment again went up, and as a consequence the Government stepped up its outlay on primary education. Most of the services provided by nonprofit institutions in this sphere differ from those supplied by the public sector: whereas the latter concentrates on primary, secondary, vocational, and agricultural education, the nonprofit institutions concentrate on institutions of higher learning, research institutes, and Talmudic academies.

### 3. FLOW-OF-FUNDS STATEMENT OF NONPROFIT INSTITUTIONS

#### (a) *Receipts*

The sector's receipts, excluding financial transactions, added up to IL 1,064 million in 1968, compared with IL 988 million the year before—an increase of 8 percent as against 9 percent in 1967.

The structure of the sector's receipts shows a continuation of the existing long-run trends—an increase in the weight of transfers from the public sector, a decrease in transfers from abroad, and stability in sales and in transfers from households and business (see Table VIII-3).

The share of public sector transfers in total receipts moved up from 17 percent in 1962 to 26 percent in 1968. The weight of foreign transfers decreased from 23 to 14 percent during this period, despite the devaluation of the Israeli pound in 1967. The weight of transfers from households and business, plus the sale of services and goods, generally held steady in 1962-68 at 59-60 percent (1966 was an exception, because of the rise in sales following the revision of tuition fees in the universities and the larger transfers from households with the raising of membership dues by Histadrut institutions).

#### 1. *Transfers from households and business*

Transfers from households and business firms to nonprofit institutions reached IL 400 million in 1968, up 7 percent over the previous year, compared with rises of 4 and 15 percent in 1966<sup>1</sup> and 1967 respectively.

Table VIII-3  
RECEIPTS OF NONPROFIT INSTITUTIONS, 1962-68  
(percentages)

	1962	1963	1964	1965	1966	1967	1968
Transfers from households and business <sup>a</sup>	42	41	40	39	40	38	38
Transfers from the rest of the world	23	22	22	20	16	16	14
Net transfers from the public sector	17	19	19	21	21	24	26
Sale of services	18	18	19	20	23	22	22
Total	100	100	100	100	100	100	100

<sup>a</sup> Including membership dues and fees, part of which may be regarded as purchases by households or as sales of services by nonprofit institutions; since it was impossible to separate these from transfers, all membership dues have been treated as transfers.

<sup>1</sup> The increase in 1966 stemmed, as stated, from the raising of membership rates by the Sick Funds and the Histadrut; hence as regards the change in total membership dues, 1968 was not an exceptional year as compared with 1967 and 1966.

These receipts consist of membership dues, transfers from business, and other household transfers. Most of the growth occurred in the first component—membership dues, the weight of which in the sector's total receipts came to 32 percent in 1968. These transfers expanded mainly because of the higher average dues paid to the Sick Funds and the Histadrut (3 percent), following a decline in the number of unemployed members and a rise in earnings per worker, and the growth of membership in these institutions (4 percent).

Transfers from business firms and other household transfers were up 2.5 percent in 1968. These transfers were of a more voluntary nature than those in the form of membership dues. Unlike membership dues (especially those paid to the Sick Funds), they were not given in return for any service whatsoever, while a high percentage of households regard membership dues as payment for health and social services. From this aspect, there is a clear distinction in the way nonprofit institutions are financed in Israel and abroad: the weight of transfers from business and other household transfers in the institutions' total receipts came to about 6 percent in 1968, while their weight abroad is much greater. Presumably this is explained by the fact that Israelis are relatively less philanthropic-minded, and also that in Israel those sections of the population that constitute a potential source for large donations are relatively small in comparison with other countries (these two factors are not independent of each other).<sup>1</sup> In the U.S., for example, a substantial part of the universities' receipts originates in alumni donations and gifts by corporations, part of whose shares are held by the institutions concerned. Until now none of the institutions of higher education in this country have owned an interest in local enterprises; in addition, most of the institutions are relatively new, so that the number of alumni is not large, nor have the majority of them reached an income level permitting big donations.

## *2. Transfers from the rest of the world*

Transfers from abroad aggregated IL 154 million in the year reviewed, some IL 5 million less than in 1967. In dollar terms, these receipts fell from \$ 49 million in 1966 and \$ 52 million in 1967 to \$ 44 million—the lowest figure in the past 12 years (see Table VIII-4). The larger volume of transfers in 1967 reflected the response of Diaspora Jewry to the situation in the country after the Six Day War, while the drop in 1968 was mainly connected with the diminished support given to scientific institutions by the U.S. Government out of the counterpart funds of agricultural surpluses.

A glance at Table VIII-4 reveals that the decrease in foreign transfers affected the educational, research, and cultural institutions alone. Their overseas receipts consist mainly of large donations intended for the financing of investments, and

<sup>1</sup> This may also be due to some extent to Israel's taxation policy.

hence the total volume of transfers to this group of institutions is subject to fluctuations. On the other hand, in the case of most other institutions, foreign transfers consist of small donations or transfers from head offices abroad.

**Table VIII-4**  
**TRANSFERS FROM ABROAD TO NONPROFIT INSTITUTIONS,**  
**BY FIELD OF ACTIVITY, 1966-68**  
(IL million)

	1966	1967	1968	Transfers from abroad as a percent of total receipts in field of activity <sup>a</sup>		
				1966	1967	1968
Health	23.6	31.5	32.0	6	8	8
Education, research, culture	76.3	81.8	74.6	24	22	18
Social welfare	37.6	36.9	37.7	35	34	34
Professional and social organizations <sup>b</sup>	8.4	8.6	10.0	7	6	7
Total in IL	145.9	158.8	154.3	16	16	14
Total in dollars	48.6	51.9 <sup>c</sup>	44.1	—	—	—

<sup>a</sup> Total receipts in each field of activity include transfers from nonprofit institutions, whereas they are excluded from total receipts of the sector.

<sup>b</sup> Including trade unions and workers' councils, religious institutions, and sports and social organizations.

<sup>c</sup> Data on foreign transfer receipts, which are obtained in IL terms, were converted into dollar terms in 1967 at the rate of IL 3.06=\$ 1.

The weight of foreign transfers in total nonprofit institution receipts has drifted steadily downward, and in 1968 stood at 14 percent. About half of the receipts go to educational institutions, chiefly those of higher learning, and are earmarked primarily for the financing of investments. About a third of the transfers go to a small number of social welfare institutions and social organizations, mostly to women's organizations and Malben, where they constitute the largest income item and are utilized for the most part for financing current expenditure. For the majority of nonprofit institutions overseas transfers do not constitute a source of income. The decreased weight of foreign transfers in the sector's total receipts was due to the smaller volume of such receipts going to educational, cultural, and research institutions; the share of foreign transfers to social welfare institutions in their total receipts hardly changes. The relative share of educational and research institutions in total receipts is moving upward, while that of social welfare institutions is moving downward.

### 3. *Public sector transfers*

Net transfers from the public sector reached IL 276 million in 1968—up IL 41 million or 17 percent, as against a rise of 23 percent in 1967 (see Table VIII-5).

Nearly 73 percent of these receipts were intended for educational institutions, mainly those of higher learning and research, where they accounted for 49 percent of total income. Tuition fees cover only a small percentage of the current budget of Israel's universities. Since current outlays grow at a much faster rate than income from tuition fees, the result is a rapidly swelling deficit. The

**Table VIII-5**  
**NET PUBLIC SECTOR TRANSFERS TO NONPROFIT INSTITUTIONS,**  
**BY FIELD OF ACTIVITY, 1966-68**

(IL million)

	1966	1967	1968	Public sector transfers as a percent of total receipts in field of activity <sup>a</sup>		
				1966	1967	1968
Health	46.7	50.7	54.5	13	13	13
Education, research, culture	126.7	163.8	200.2	40	45	49
Social welfare	8.8	10.5	10.4	8	10	9
Professional and social organizations	8.9	10.4	11.0	7	8	8
Total	191.1	235.4	276.1	21	24	26

<sup>a</sup> See note <sup>a</sup> to Table VIII-4.

Government, in its desire to encourage higher learning, has favored the freezing of tuition fees, with the consequence that it has to cover the mounting current deficits. This is done by way of grants and long-term loans, the volume of which doubled in 1968. The growing share of the Government in financing the country's universities has not significantly increased its influence on their development trends.

### 4. *Sales of services and goods*

Sales of services and goods yielded IL 234 million in 1968, a rise of 6 percent as against 7 percent in 1967. This source accounted for 22 percent of the sector's total receipts in 1968, being especially important in the case of social welfare and educational institutions (34 and 28 percent respectively of their total receipts). In health institutions the figure came to 18 percent, and in professional and social organizations to only 9 percent. The slight drop in the growth rate in

1968 was apparently due to the discontinuation of activities by a number of social welfare institutions.

Sales proceeds rose primarily in educational institutions, especially the universities and research institutes, which enjoyed a larger income from both tuition fees and transfers from abroad in payment of research work performed for foreign clients. Most of the growth in the latter item was due to the devaluation, but there was also an increase in dollar terms. Sales by health institutions went up about 4 percent, with the General Sick Fund accounting for most of the rise.

As already pointed out, membership dues may be regarded as the sale of medical insurance—chiefly by the Sick Funds. If these dues are added to sales, the weight of sales would rise to 54 percent of the sector's total receipts and 78 percent of health institution receipts.

#### (b) *Payments*

Expenditure of nonprofit institutions (excluding intrasector transfers) amounted to IL 1,112 million in 1968—a rise of 7 percent, following a similar increase the year before.

**Table VIII-6**

#### **EXPENDITURE OF NONPROFIT INSTITUTIONS, BY FIELD OF ACTIVITY, 1962-68<sup>a</sup>**

(percentages)

	1962	1963	1964	1965	1966	1967	1968
Health	41	40	38	41	41	38	38
Education, research, culture	32	33	36	34	35	39	40
Social welfare	14	14	13	12	11	11	10
Professional and social organizations	13	13	13	13	13	12	12
Total	100	100	100	100	100	100	100

<sup>a</sup> Purchases on current and capital account and transfers to households and other nonprofit institutions, less transfers to the public sector and interest received.

Purchases on current account accounted for 83 percent of total expenditure in 1967 and 1968, i.e. 2-3 percent more than in 1964-66. In 1964-66 the share of purchases on capital account went up owing to the rapid expansion of the institutions of higher education; while purchases on current account also expanded, they did not go up at the same rate as capital outlays. The rapid growth of the country's universities has propelled the educational, research, and cultural institutions into first place as far as expenditure is concerned (40 percent of the sector's total outlay), with health institutions now in second place (38 percent). This development is attributable to the slower growth of the

health institutions (particularly a decline in investments), whereas the expenditure of the educational, research, and cultural institutions rose by over 10 percent per annum in 1967 and 1968.

The weight of outlays in the social welfare field declined in the year reviewed; this continued a long-run trend, which is mainly explained by the more effective budgetary constraints on the expenditure of these institutions.

As for professional and social organizations, their share of total expenditure has been more or less stationary for the past several years. The year 1967 was an exception in this respect; the recession resulted in a smaller volume of transfers from households, the main income item of this group, and consequently affected its total outlay.

### 1. *Purchases on current account*

Purchases on current account were, at IL 925 million, up IL 59 million or 7 percent over their 1967 level. Payroll outlay (wages, salaries, and fringe benefits) rose by 6 percent, and the other items by 8 percent. The higher wage bill was partly due to the moderate expansion of personnel, mainly in the health and higher education institutions. As in other public services (as well as other economic sectors), there was virtually no change in wage rates; the rise in payroll expenditure over and above that stemming from the increased number of employed was therefore due chiefly to wage drift.

That gainful employment in this sector went up at a moderate rate, despite the larger enrollment in institutions of higher learning and the comparatively rapid growth of employment in other sectors, is explained by the fact that the nonprofit institutions expanded their staff in 1966 and 1967, whereas other sectors were laying off workers. This development also suggests that there

**Table VIII-7**

#### **WAGES AND FRINGE BENEFITS PAID BY NONPROFIT INSTITUTIONS, BY FIELD OF ACTIVITY, 1967-68**

	1967		1968		Wage bill as a percent of total current outlay in field of activity <sup>a</sup>		
	IL m.	%	IL m.	%	1961	1967	1968
Health	221.6	39	235.7	39	63	63	63
Education, research, culture	222.1	39	238.9	40	56	70	68
Social welfare	53.5	10	54.3	9	52	64	63
Professional and social organizations	70.1	12	72.8	12	66	62	63
Total	567.3	100	601.7	100	60	65	65

<sup>a</sup> Including intrasector transfers, which are not included in total expenditure of the sector.

is no essential connection, at least in the short term, between a change in university enrollment and that in the number of employees.

The expansion of the institutions of higher learning—where payrolls accounted in 1968 for 68 percent of total expenditure on current account—brought up the weight of wage outlay from 60 percent in 1961 to 65 percent in 1967 and 1968 (see Table VIII-7).

About two-thirds of the growth of current nonwage expenditure can be ascribed to the larger financing costs incurred and the rise of prices. Real consumption of goods and services, excluding interest, went up by only 3 percent, a moderate advance compared with the 12 percent increase in private consumption.

## 2. *Purchases on capital account*

Purchases on capital account amounted to IL 160 million in 1968, a rise of IL 12 million or 8 percent, as contrasted with a fall of 7 percent the year before. Investment in educational institutions was expanded by IL 8 million, and that in health institutions by IL 3 million.

A distribution of capital-account purchases by field of activity shows that more than 50 percent of the sector's total investment in 1968 was in educational and research institutions. They were followed by health institutions. Together, these two groups accounted for over 80 percent of the sector's total investment (see Table VIII-8).

**Table VIII-8**  
**CAPITAL EXPENDITURE OF NONPROFIT INSTITUTIONS,**  
**BY FIELD OF ACTIVITY, 1966-68**

	1966		1967		1968	
	IL m.	%	IL m.	%	IL m.	%
Health	53.2	33	40.2	27	42.9	27
Education, research, culture	79.1	50	79.5	54	87.3	54
Social welfare	14.2	9	14.9	10	15.7	10
Professional and social organizations	13.2	8	13.6	9	14.4	9
Total	159.7	100	148.2	100	160.3	100

## 3. *Transfers to households*

Transfers of nonprofit institutions to households totalled IL 27 million in 1968—6 percent more than in 1967. The increase was in scholarships and grants for research and advanced studies in institutions of higher learning. The second component, welfare payments, did not change in the year reviewed.

#### 4. DEMAND SURPLUS AND FINANCING OF PURCHASES ON CAPITAL ACCOUNT

##### (a) *Demand surplus*<sup>1</sup>

The demand surplus of nonprofit institutions amounted in 1968 to IL 202 million, IL 8 million less than in the previous year.

In the past two years the demand surplus has displayed a declining trend, following a continuous rise between 1957 and 1966. This change is attributable to the slower growth of the sector's expenditure, concurrently with a drop in the share of transfers from abroad in total receipts and a rise in that of receipts from domestic sources, mainly public sector transfers.

The sector's demand surplus is partly structural, for the following two reasons: (a) some of the institutions, chiefly in the fields of education and social welfare,<sup>2</sup> finance most of their current operations by transfers from their overseas headquarters; (b) the financing and implementation of part of the investments—primarily in the case of educational institutions—depend on the receipt of funds from abroad for this specific purpose.

The demand surplus is financed predominantly by foreign transfers: in 1968 they covered 76 percent, compared with the same figure in 1967 and 66 percent in 1966.

One yardstick of the sector's dependence on its demand surplus is the ratio between the latter aggregate and total purchases. This ratio has been falling since 1962 (with the exception of 1965). Between 1962 and 1966 it developed in an opposite direction from the demand surplus, the latter displaying a rising trend. In 1967 and 1968 both declined.

##### (b) *Saving*<sup>3</sup> and the financing of capital expenditure

The dissaving of nonprofit institutions declined in 1968 by IL 25 million, or 33 percent, and totalled—IL 51 million; this was slightly higher than the 1964 figure (see Table VIII-9). The smaller dissaving in the year reviewed is explained by the relatively modest rise of 7 percent in net purchases on current account and the increase of 12 percent in net transfers from other domestic sectors.

Since foreign transfers finance part of the current operations of nonprofit institutions, the difference between these receipts and the sector's dissaving may reflect the weight of this source in financing the sector's investments. The disparity has been widening since 1965, for in years in which dissaving decreased,

<sup>1</sup> The demand surplus of nonprofit institutions is defined as the excess of net purchases (purchases less sales) over transfers from other domestic sectors.

<sup>2</sup> Malben, Ort, Wizo, Alliance Israélite Universelle, etc.

<sup>3</sup> Nonprofit institution saving is defined as the excess of transfers on current account from other domestic sectors over net purchases on current account.

foreign transfers went down less, while in years in which dissaving grew, they rose more rapidly.

Table VIII-9

SHARE OF NONPROFIT INSTITUTIONS IN NATIONAL SAVING  
AND THE FINANCING OF THEIR DEMAND SURPLUS, 1966-68

(IL million)

	1966	1967	1968
<b>Share of sector in national saving</b>			
1. Net transfers from other domestic sectors on current account <sup>a</sup>	515.0	570.0	640.2
2. Purchases on current account, less sales	587.6	645.4	690.7
3. Share of sector in national saving (1-2)	-72.6	-75.4	-50.5
<b>Demand surplus</b>			
4. Purchases on capital account	159.7	148.2	160.3
5. Less: Net transfers on capital account from the public sector	11.4	13.4	8.4
6. Subtotal (4-5)	148.3	134.8	151.9
7. Demand surplus (6-3)	220.9	210.2	202.4
<b>Financing of demand surplus</b>			
8. Transfers from the rest of the world	145.9	158.7	154.2
9. Net credit from other domestic sectors	75.0	51.5	48.2
Total	220.9	210.2	202.4
Share of net foreign transfers in financing purchases on capital account $\left[ \frac{8+3}{4} \right]$	45.9	56.2	64.7
Demand surplus as a percent of gross purchases	23.2	20.7	18.7
Demand surplus as a percent of net purchases	29.5	26.5	23.8

<sup>a</sup> All transfers from households have been treated as transfers on current account, since no breakdown into the current- and capital-account components was available.

Public sector transfers on capital account cover only a small percentage of total investments. These transfers are generally earmarked for the financing of current rather than development budgets.

The smaller demand surplus in 1968 did not result in a corresponding decline in the sector's net borrowing, because of the steeper fall in transfers from abroad. Net credit from other domestic sectors was down 6 percent in 1968, as against a drop of 31 percent in 1967. The weight of public sector loans in the total credit inflow is gradually rising, while the share of loans from households and business is diminishing.