CONSUMPTION IN SWEDEN 1931–1965

BY RAGNAR BENTZEL

The setting of the investigation

For some years research work has been going on within the Swedish Institute for Industrial and Social Research into the long term trends of the Swedish economy. The scope of this work has been to provide a basis for estimating the structural changes in the economy which are likely in the future as a result of a continued increase in prosperity. Some results of this research work have already been published, e.g. Population trends and Supply of Labor, Swedish Distributive Trades, Transportation Industries in Sweden and the Distribution of Income in Sweden.

A new contribution to this series was published last summer, Private Consumption in Sweden 1931—1965, and the present article, written by the leader of the team of economists which worked on this book, is intended to give a brief outline of its contents.

The main question which the investigation sought to answer was how a continued increase in the general prosperity of the country is likely to affect the direction of consumption. Assuming that people will have successively larger real incomes in the future, how will they allocate these incomes? Which goods will be consumed on a larger scale, and of what goods is consumption going to fall? How large will these increases and decreases be? An answer to these questions is given in the book in the form of forecasts of the changes in consumption between 1955 and 1965, which are based on alternative assumptions about the development of real income during the period.

An additional object of the investigation has been to summarise statistical material showing earlier consumption trends in Sweden, and considerable work has been devoted to the task of compiling time series and other statistical data for the period 1931—1955.

The scope of the enquiry has been restricted to the *private* part of the country's consumption, since any investigation of *public* consumption, which is very dependent on purely political decisions, would have required quite a different type of analysis from that employed here.

Consumption trends during the past five years

In 1955 annual private consumption expenditure in Sweden at fixed prices was about twice as large as at the beginning of the 1930s, or, in other words, the volume of private consumption increased by approximately 100 per cent during these twenty-five years. During the same period the population rose from approximately 6 to 7 million, and this means that the volume increase *per capita* was considerably less, or about 60 per cent. This last figure corresponds to an annual average increase of 2 per cent or, if we ignore the war years, 2 1/2 per cent.

At the same time as the volume of private consumption has risen in this manner its *direction* has also changed. Many goods are now purchased on a far larger scale than previously, while others have more or less disappeared from the market. The changes have not by any means been purely random, and indeed it is possible to discern

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a fairly clear pattern of development. This has in very large measure been dominated by certain general tendencies which have clearly operated very strongly. It may be useful, therefore, to give a brief description of what has in fact happened by indicating what these tendencies are.

The changes in the direction of consumption can perhaps be characterised primarily as a shift from necessities to goods which are more in the nature of non-essentials. The shift has been expressed in a relatively small increase (sometimes, indeed, in a decrease) in the consumption of most foodstuffs, shoes, underwear, the more simple kitchen utensils, etc., and in a large increase in expenditure on such goods as motor vehicles, sports' articles, toys, and entertainment. These changes appear in the main to be a "normal" consequence of an increase in real incomes. The same types of shift can be observed from budgetary statistics when comparisons are made of the direction of consumption expenditure in different income classes.

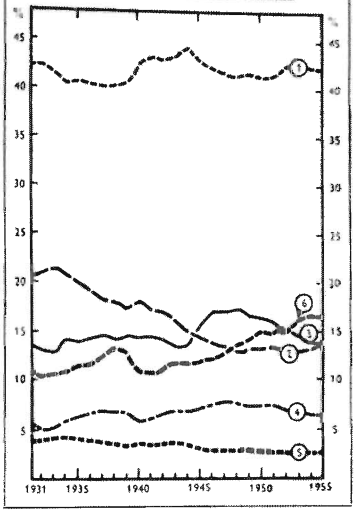
One further marked feature of development has been the changes that are associated with the efforts of consumers to make domestic work easier. There has been a shift from the purchase of goods which require a relatively large amount of work on the part of the housewife to articles which are in most cases somewhat more expensive but which in return require much less effort. Among foodstuffs this phenomenon is expressed in a shift from flour to bread, from unprepared meat to prepared meat, and from "raw materials" in general to ready prepared frozen or tinned products. In clothing, ready-made clothes and hosiery have increased greatly at the expense of yarn and fabrics. In addition, the housing pattern in recent years has been largely dictated by a desire for easily-kept houses, while in fuels there has been a very marked movement away from wood and coal to oil. One further expression of this endeavour to lighten household tasks is the very large increase that has taken place in purchases of electric household equipment.

Although this trend in the direction of consumption can in part be viewed as a result of the increases in income that have taken place, it is, however, clear that it has been reinforced by many

Consumption Expenditure on Various Groups of Goods and Services 1931—55

(In per cent)

1 Food
2 Housing
3 Clothing
4 Household goods
5 Domestic services
6 Travel and recreation



other factors. For example, the wages of domestic servants have risen much more than the general price level, while, relatively speaking, electrical household appliances have at the same time been getting cheaper and cheaper. Wages of domestic servants have risen approximately five fold, while a vacuum cleaner costs no more today than it did a quarter of a century ago. The price differential between "raw materials" and processed goods has also diminished. Prices of flour have increased more than bread prices, prices of unprepared meat more than those of prepared meat, etc. An additional factor which is extremely important in this connection is that the reduction in the work of the housewife in the home, and the increases in income, are *in part* a result of

one and the same phenomenon, namely an increase in the number of housewives actively employed.

The use of personal services has developed in quite a special way in the past 25 years. Thus there has been a *decline* in demand for the services of domestic servants, shoemakers and tailors. At present there are less than half as many domestic servants in Sweden as there were in 1930. In the post-war period there has been a stand-still in the services of hairdressers and restaurant staff. There are perhaps many reasons for this, but the most significant one has probably been the development of the prices. The prices of all non-subsidised personal services have risen considerably more than other prices, and this must be considered a natural occurrence in a society where there are large increases in real income. For obvious reasons the increases in productivity which have occurred in most sectors of the economy and have tended to push prices down there, have not made themselves felt in the sphere of personal services.

The period since 1931 has been one in which a host of new articles have appeared on the Swedish market for consumer goods — radios, clothing made from artificial fibres, auto cycles, modern sewing machines, juices, etc — and the introduction of these goods has clearly left its mark in developments in several sectors. In the majority of cases the new goods have, at least temporarily, gained a foothold very rapidly, and this has at the same time led to a corresponding fall in the purchases of one or several other goods. Purchases of cotton and woollen goods declined with the advent of competing artificial fibres, and the purchases of ordinary pedal cycles immediately declined when the auto cycle came on the scene.

The forecasts for 1965

As was mentioned earlier, the forecasts for the year 1965 have been made on the basis of certain *assumptions* about the growth of wealth in the country. This is quite natural, since the main problem for investigation has been this particular question of the way in which future increases in prosperity are likely to influence the direction of consumption. Obviously, if we are to answer a question like this by forecasting we must assume in some way that an increase really is going to take place. The question which has then arisen, however, is that of which assumptions should be considered reasonable for the rate at which the increase in prosperity takes place. In the investigation an attempt has been made to avoid basing the forecasts too rigidly on one special assumption about this rate of growth by putting forward two alternative forecasts, one based on the assumption that real income per capita will increase by 3 per cent annually from 1955 to 1965, and the other assuming that this increase will be no more than 2 per cent per annum. The following discussion will be limited to the 3 per cent alternative in order to avoid burdening this article with too many statistics.[1]

In making the forecasts the analysis has, with one exception, started from the demand side, which involves the assumption that it will be possible to satisfy demand at all points, i.e., it assumes that no gap (e.g. of the type which exists at present in the housing market) will exist between demand and supply at current prices.

Although the movement of relative prices has in most cases been considered to be important for the development of demand, it has been considered as lying outside the limits of the investigation, to make direct forecasts of the future price relations. The enquiry has accordingly contented itself with making some schematic assumptions on this question. Thus the usual assumption has been that of unchanged relative prices, although some exceptions have been made. For example, it has been assumed that all personal services will be relatively more expensive in 1965, but on the other hand that industrial mass-produced goods will be relatively cheaper.

A special forecast has been made of population changes up to the year 1965 which has given the result that the total population will increase by 3 per cent between 1955 and 1965, the shares of both the youngest and oldest age groups being greater than at present.

[1] The assumptions made here do not relate to real income but to the *volume of total private consumption*. In order to avoid this ungainly expression the words *real income* have been used to mean the same thing, this being, however, fully adequate only under special assumptions concerning savings, direct taxes and subsidies. As such assumptions were not made in the investigation it is important to remember that the words real income in this article have a special meaning.

The changes in the direction of consumption which are indicated by the forecasts can be summarised briefly as being a continuation of the trends which have dominated the changes in the structure of consumption from the early 1930s up to 1955. Thus it is assumed that the shift from necessities to less essential goods, primarily from foodstuffs to travel and recreation, will continue in future. It is also considered likely that the use of most unsubsidised personal services will continue to fall and that efforts to make household work easier will in the future lead to shifts in demand similar to those that could be observed for previous years. It is probable too that various new commodities will emerge on the market to displace certain of the "older" goods.

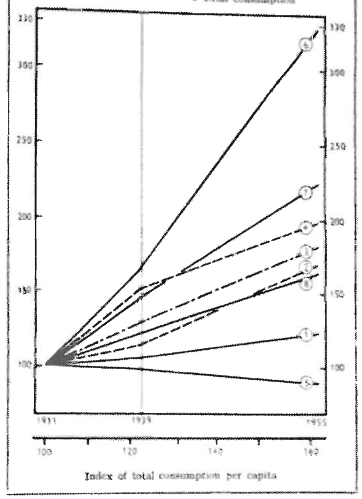
In order to give a more concrete description of the forecasts that have been made these will now be discussed, beginning from the division into the "main groups" with which the investigation worked.

For *foodstuffs* a volume increase of 25 per cent is forecast, and a decline in the foodstuffs share of all consumption expenditure from its present level of 42 per cent to around 40 per cent. In terms of volume this involves a continuation of the shift between foodstuffs and other goods which has been noted previously. In terms of the share of outlay, on the other hand, a decline to about 40 per cent would constitute a clear interruption in the trend. The share of expenditure on foodstuffs has remained practically unchanged during the past twenty-five years.

The forecast does not envisage any increase in the *caloric* content of the foodstuffs consumed. As has been the case in the past twenty years, the increase in volume would be a result of changes in the *composition* of foodstuffs. Thus an improvement is anticipated in quality, primarily in the form of a movement away from unprepared to prepared meat and from root crops to vegetables and fruit, and at the same time there will be a shift between products which differ in the degree of processing required, such as from flour to bread, and from "raw materials" to preserved, frozen, and processed products.

Per Capita Volume of Consumption for Various Groups of Goods and Services in 1931, 1939 and 1955

(Base 1931 = 100)



An increase in volume of about 40 per cent and an unchanged share in expenditure is expected for *housing*. This would mean that the large fall in the housing share which has occurred in recent years would not continue. The anticipated increase in volume is only to a small extent an expression of an increase in the *number* of apartments, but depends more on improved *quality* of housing. The average size of houses will increase and there will be a movement away from apartment houses to villas and terrace houses. The size of the projected increase in the number of houses, 13 per cent of the present stock, is based to a considerable extent on the assumption that the

present housing shortage will have been removed by 1965. This assumption accordingly means that the increase in houses will match not only the increase in demand which stems from changes in income and in the size and composition of the population, but also the shortage of houses which existed in 1955.

The forecast gives a volume increase of 55 per cent for the *clothing* group as a whole, and this, together with the assumption of a relative decline in prices for goods of this sort, gives an unchanged expenditure share. It has been estimated here that purchases of ready-made clothing and hosiery will increase very greatly, partly at the expense of tailor-made clothing and garments. As to the future of the ready-made clothing industry, it can be stated with confidence that it has already achieved almost 100 per cent success in *men's* clothing, and the innovation process that has occurred in this sphere, which has been one of the reasons for the expansion of the ready-made clothing industry in recent years, must now be considered at an end. This is by no means the case, however, for *women's* and *children's* clothing, and there is every reason to expect that ready-made goods will make important strides in this sector.

A big increase in volume, 67 per cent, and an increase in its expenditure share from 6.5 to 7.5 per cent, is expected for the *household equipment* group. It is expected that this increase will consist primarily of rising purchases of furniture and soft furnishings. A fairly big expansion has been estimated for domestic electrical appliances, although at a slower rate than that observed in recent years.

Among house furnishings television occupies a special position. It is estimated that Swedish television, which was practically non-existent in 1955, will develop fully during the next ten years, and that by 1965 the number of television sets will be close on a million, or one set for every three households. At the same time account has been taken of the fact that this expansion will have an adverse effect on the purchase of radios.

A significant increase in volume, 60 per cent, is envisaged for the *travel* group, which covers expenditure both for the use of public transport, and for the purchase, running and maintenance of private means of transport. Combined with an assumption of some relative decline in the unit cost of motoring this gives an increase in the expenditure share of travel from 10.5 to 11.1 per cent. This rise in volume is in large measure a result of the anticipated development of motoring. In the enquiry it is estimated that the number of private cars will double by 1965, and reach the figure of 1.6 million cars. This corresponds to a density of 200 cars for every 1,000 inhabitants (as compared with just over 100 cars at present). The number of auto cycles is also expected to increase fairly rapidly, and to reach one million by 1965. Along with the increase in the number of cars this would, however, obviously lead to a decline in the purchase of motor cycles and ordinary pedal cycles. Because of the expansion in motoring, the forecast gives a very slight increase in the use of public transport services.

A rise of 50 per cent in volume and from 5.8 to 6.3 per cent in expenditure share is anticipated for expenditure on *recreation*. The reason why this increase is no greater is the emergence of television, which means that expenditure on entertainment will rise at a much slower rate than has previously been the case.

Finally, the forecast gives an increase in volume of 36 per cent and an approximately unchanged share in expenditure for the group *medical attention and hygiene*.

A detailed table showing the forecasts is given at the end of this article.

The forecasting methodology

On most points the forecasts have been made with the aid of traditional regression procedure applied to time series. The general principle in this procedure as it has been used here can be briefly described as follows: — We begin by making the hypothesis that there is a connection between the consumption of the good to which the forecast refers on the one hand, and one or more "explanatory" variables — such as the size of the population and the level of income — on the other, and that this connection is so close that it is valid with at least the degree of precision

considered necessary for the forecast. This hypothesis is then *tested* on the statistical material, and if the result is negative the hypothesis must be abandoned and a better one sought. If, on the other hand, the test of the hypothesis is positive we must ask ourselves whether the connection indicated by the time series can also be expected to be valid in the future or not. If a positive answer is obtained to this question, then obviously that is sufficient reason for making use of this relationship for the forecast; this is then made by setting the anticipated future values of the explanatory variables into the relationships indicated by the statistical material, and calculating the corresponding value of the consumption variable in question.

As a further test of the reasonableness of the relationships between consumption and explanatory variables which are found from the time series, the results obtained in the investigation have as far as possible been checked with corresponding income and price elasticities obtained from other *sources* — Swedish budget statistics, elasticity calculations made abroad, and international comparisons between countries at different levels of prosperity. These sources have in addition been used more directly as a basis for the forecasts in cases where the time series analysis has not been able to give a sufficiently good "explanation" of the past development. In occasional instances, therefore, the forecasts have been based on income elasticities calculated on material from the budgetary investigations of the Social Board, and in some cases they have been based on comparisons between the situation in Sweden and that in the U.S.A. The idea behind this last procedure has simply been that the U.S.A. is ahead of Sweden in economic development, and in certain respects Swedish habits of consumption will one day approximate those that exist at present in the U.S.A.

Two obvious requirements for being able to use any of the forecasting techniques just mentioned are, on the one hand, that statistical material is in fact available for elucidating the relationships between consumption and the "explanatory variables" and, on the other, that these last are of such a kind that their future development can be predicted. This means, however, that the possible choice of "explanatory" factors is extremely limited. As a rule, only three types of such factors are considered in the investigation, namely demographic data, average real income, and real prices. This raises the question of how far these factors really are of strategic importance for the development of consumption. There is of course a whole host of *other* circumstances that can be considered to influence the actions of consumers — those, for example, that constitute what is popularly known as people's tastes and fancies, — and the question is whether it is not primarily changes in these that determine developments in the direction of consumption.

One general result of the investigation can be said to be that it has been possible to "explain" past developments satisfactorily for most goods with the aid of the factors mentioned above. In other words, the statistical testing of the hypotheses which were put forward for the close connection between consumption and the development of incomes, prices, and demographic conditions has on most points given positive results. This in itself suggests that it really would be those factors which are of fundamental importance for long-term developments, and thus that the effect of the non-economic factors would be of minor importance.

However, one or two reservations must be made about this conclusion. The investigation is concerned mainly with certain fairly large *groups* of goods and services, and at several points it is evident that the chances of explaining developments with the variables used diminishes with an extensive subdivision of these groups. A reasonable explanation for this is that the possibilities of substitution are usually greater between the individual goods than between large groups of commodities. Further, it has quite naturally proved impracticable to use the explanatory factors mentioned to give a satisfactory explanation of the trends for goods which have obviously been at an introductory stage during the period considered here — e.g., radios — or goods, such as cycles, the demand for which is heavily affected by the introduction of new goods. For goods of this kind the forecasts have often had to be made

on the basis of rather precise and weak general arguments.

On some isolated points the analysis has been made along lines which deviate from those set out above. Some examples of this follow.

In the case of the demand for housing, the analysis has been complicated by the excess demand (at current prices) for houses which has existed in Sweden ever since the end of the war. The number of occupied apartments in recent years has not corresponded to the demand but rather to the supply. It has therefore not been possible to use existing data about the number of houses in the statistical analysis, and we have had instead to impute figures for demand by adding to the number of existing apartments an estimate of the existing housing deficiency, which has been calculated at about 100,000 apartments, i.e., 4 per cent of the existing stock.

The volume of housing has been defined as rental expenditure, measured in fixed prices. In the analysis this volume has been divided into two components, the *number* of apartments and the average *standard* of the apartments. The volume index for the latter has been defined as the ratio between the housing volume and the number of apartments. The analysis shows that it has been possible to find a satisfactory "explanation" of the change in the number component partly in the size of the population and its division according to age groups and civil status, and partly in the average real income. The level of rents, on the other hand, does not seem to have been particularly important. An explanation of the development in the standard component has been found in the changes in the average income *per apartment* and in the rents.

For certain durable goods the analysis has not referred to variations in the annual purchases but instead to the changes in the size of the stock. This is the case, for instance, with motor cars, where the hypothesis used in the forecast referred to the relationship of the stock of cars to real income and running costs. A calculation for the future annual expenditure on the purchase of *new* cars has then been made both by using this relationship and also certain calculations about the magnitude of future scrappings.

An alternative method employed in the investigation for forecasting the changes in the stock of cars has been a comparison between Swedish and American developments. As a matter of fact, it has been demonstrated that the development from year to year in the car density in Sweden during the past seven years is remarkably like the corresponding development in the U.S.A. at the time when the automobile density there was as big as it is now in Sweden, i.e. around the year 1920. By way of explanation of this situation many different hypotheses can be advanced which imply a continuation of this similarity between Swedish and American developments, e.g., that people's desire to possess a motor car is environmental and spreads like an "epidemic", the contagion of which is dependent on the magnitude of the car density. Now it can be shown that if this similarity between Sweden and the U.S.A. were to continue it would lead to the number of private cars in Sweden reaching a total of one and a half million by 1965, i.e., almost exactly the same figure as that which is given by the forecast based on income and price changes which was mentioned earlier.

For travel by public means of transport the forecast has been based on a hypothesis that the demand for this kind of travel rises with the level of real income but falls with the density of motor cars in the country. By combining the relationships between those variables which the time series indicate with the income elasticity obtained for the stock of cars (disregarding the price effect upon the stock of cars), a relationship can obviously be constructed between the two variables alone, travel by public transport and the level of real income. This relationship appears to be of such a kind that the demand for public transport rises with a rising real income level until a certain level of income is reached, and thereafter it falls. This break in the trend would depend on the fact that the stock of cars had become so large at that point that the growth in this stock caused by a continued rise in income would precipitate such a strong tendency towards a decline in public transport that this more than outweighed the tendency to rise in the other direction which stems from the increase in income itself.

According to the estimates Sweden has not yet reached this turning point, but we would arrive there at the beginning of the 1960s if the real income level rose by 3 per cent annually.

The analysis of television sets has been complicated by the complete absence of material on Swedish experience. In this sector the investigation has made use of a previous forecast which was made in the Institute, and which was based on analogies with what happened in Britain in the years immediately following the introduction of television there. Account was taken of the population density and the range of the transmitting stations.

Completely different methods from those employed in other sectors have been used for the forecast for expenditure on medical attention. While the analysis began from the *demand* side for other goods and services, the *supply* side has been used as the starting-point for expenditure on medical attention. An official enquiry into the future supply of doctors, dentists, and hospital beds has accordingly been used as the basis for the forecast.

Cross-section elasticities versus time-series elasticities

As has been mentioned above, the investigation has sought as far as possible to test the reasonableness of the income elasticities obtained from the time series analysis by comparisons with corresponding cross-section elasticities. More often than not this has given significant discrepancies between those two types of elasticity. That this has proved the case has not been interpreted here as a proof that either, or both, is "wrong", but instead as a consequence of the fact that the elasticities obtained from the time series contain effects which do not emerge in cross-section elasticity analysis. Thus, during periods of rising standards the increases in income usually go hand in hand with various other changes that influence consumption. The effect of these changes obviously comes out in the time series but not in the cross-section material. Examples of such changes, which have certainly been not unimportant for Swedish developments, are such things as the emergence of new goods, changes in relative prices, a general egalization of incomes, and the drift from the land. In principle, some factors of this kind can of course be taken into account by explicitly including them in the relationships with which one is working — it is possible to do this, for example, with the real price of the good in question — but it is impossible in practice to take into consideration in this way more than a few of all the structural changes which affect consumption and which normally follow a rise in standards.

Considerations of this kind are clearly very important for the forecasting. The income elasticities calculated on the basis of time series include the effect of these consequential phenomena, and in so far as one has no special reason for believing that the simultaneous variations in income increases and these phenomena will suddenly cease, it is undoubtedly these time series elasticities which can be used for a forecast. Cross-section elasticities must therefore only be used for forecasting purposes with the greatest caution. *The ceteris paribus assumptions on which an analogism between cross-section material and a development in time must be based are often directly inconsistent with an assumption of a rising standard of living.* For example, it is not very easy to combine an assumption of a rising level of real income with an assumption about unchanged relative prices or an assumption that no new goods appear on the market.

To show these points more clearly we shall now use the experience obtained from this investigation by the Institute to cite some examples of erroneous conclusions which are frequently encountered both in scientific and popular literature, and which can easily lead us astray. These originate in an incorrect analogism between the cross-section material and a development in time.

Budgetary investigations which have been made indicate clearly that the share of their consumption expenditure which people spend on food diminishes as income rises, and from this the conclusion has frequently been drawn that when prosperity is increasing in a country the share of food in total consumption expenditure would decline. This conclusion is contradicted, however,

by the figures given in the investigation. The foodstuffs share in Sweden has been practically unchanged during the whole of the last twenty-five year period, and the situation has been similar in several other countries as well. The explanation of this "contradiction" between cross-section experiences and time series development is (in the Swedish case) partly that prices of foodstuffs have risen more than the prices of other goods. But this conclusion is not sufficient. Even when price movements are taken into account the time series material gives a considerably greater income elasticity for foodstuffs than is indicated by budgetary statistics. Is is perfectly natural for this to be so, for the increase in prosperity in the country has been accompanied by changes of various kinds which have clearly had a stimulating effect on consumption expenditure for foodstuffs in particular, e.g., a widespread introduction of new varieties of foods which compete for a place in the total budget, a rise in the number of income-earning housewives, and a decrease in the employment of domestic servants, which have brought about an increased movement towards highly processed goods.

Budgetary statistics show that the employment of domestic servants and other personal services is more common in higher than in lower income groups, and from this fact the conclusion has sometimes been drawn that the total national consumption of these services would increase with a rising standard. However, the investigation shows that the use of personal services of various kinds has *diminished* very greatly. This decline is mainly a result of the relative rise in cost of these personal services, which has accompanied the rise in real income. Various other circumstances have, however, undoubtedly operated in the same direction. Thus, houses have become much easier to keep than before, a number of new household appliances have been introduced on the market, and perhaps it is the case also that people's general attitudes have changed towards the necessity of having domestic servants, bespoke tailored suits, etc.

It is a common view that the purchases of durable goods will take an ever greater share of consumption expenditure when real income rises. This is supported by budgetary statistics. It is extremely doubtful, however, whether this view is correct. The trend of time series does not give unqualified support to this view. In Sweden, for example, as the enquiry shows, the share of durable goods in outlay during the whole period 1947—1955 has been pretty constant, and not very much greater than it was in 1939. This "contradiction" between the cross-section material and time series is not in itself very difficult to explain. In the first place, durable goods have become cheaper and cheaper, relatively speaking. Secondly, on theoretical grounds we would expect that the purchase of various kinds of durable goods in any year is very dependent on the amount of the *change* in the level of incomes or prices in that particular year, and therefore the levels of incomes and prices in themselves are not of such great importance for the purchase of durable goods as for that of non-durable goods.

The assumption of the future rate of increase in income

As was mentioned above, the forecasts which have been made have been based on the assumption that real per capita incomes (after tax) of private Swedish persons will, on the average, increase by either 2 or 3 per cent annually in the course of the ten year period 1955—1965. It must of course be said that this is a rather arbitrary assumption, and that other alternatives could have been chosen with equal (or perhaps greater) justification. If the most recent long-term investigation is to be relied upon, for instance, the rate of increase in consumption will be considerably less. However, it is extremely difficult to say anything about what the future will be like in this respect, and it has been considered quite outside the scope of this investigation to make any direct *forecast* of the future rate of increase in income. The question has therefore been avoided by relating the forecasts to alternative assumptions about the pace of development. The reason for choosing the particular figures 2 and 3 per cent is that these are the figures, to the nearest whole percentage, which lie on either side of the observed figure

Summary of results of the forecasts

Group	Expenditure share 1955	Expenditure share 1965	Volume change 1955—1965
	percent		
Food	42.1	39.5	+ 25
Flour and grain	0.9	0.5	— 17
Bread and pastrywork	3.1	3.1	+ 40
Potatoes and root crops	1.3	0.8	— 21
Fruit and vegetables	3.8	4.3	+ 56
Sugar, chocolate, spices	3.2	3.3	+ 44
Milk, cream, cheese	4.0	3.7	+ 28
Cooking fats	3.0	2.6	+ 21
Meat, pork and eggs	7.6	6.5	+ 18
Fish	1.3	1.1	+ 18
Coffee, tea and cocoa	2.4	1.8	+ 2
Beer and soft drinks	1.9	1.6	+ 15
Wine and spirits	4.3	5.0	+ 35
Tobacco	3.2	3.0	+ 25
Meals outside the home	2.2	2.2	+ 4
Housing, Fuel and Light	13.8	13.6	+ 36
Housing	8.7	8.5	+ 34
Fuel and light	5.1	5.1	+ 38
Clothing	13.7	14.3	+ 55
Shoes	2.1	1.7	+ 15
Ready-made clothes	5.8	7.0	+ 84
Hosiery	1.9	1.9	+ 51
Yarn, cloth, tailored articles	2.4	1.6	+ 3
Other clothing	1.5	2.0	+ 93
Household goods	6.5	7.5	(+ 67)
Furniture	1.4	1.7	+ 68
Glass and chinaware	0.7	0.7	+ 31
Soft furnishings	1.9	2.3	+ 68
Ironmongery	0.6	0.6	+ 50
Sewing machines	0.3	0.2	(+ 3)
Vacuum cleaners	0.1	0.1	+ 60
Radio and television sets	0.5	0.8	+154
Musical instruments, artistic goods, antiques	0.2	0.2	(+ 38)
Watches and jewellery	0.7	0.8	(+ 95)
Services	2.5	2.5	(+ 22)
Domestic help	0.9	0.6	— 40
Laundry work	0.2	0.2	0
Postage	0.2	0.2	+ 20
Telephone, telegrams	1.1	1.3	+ 69
Radio and television licences	0.1	0.3	+165
Travel	10.2	11.1	+ 60
Purchase of motor cars	2.4	3.2	+104
Running and upkeep of motor cars	2.3	3.7	+145
Public transport	4.1	3.3	+ 9
Motor and auto cycles	0.8	0.6	+ 10
Bicycles	0.4	0.2	— 25
Travel goods	0.1	0.1	+ 38
Recreation	5.8	6.3	—
Toys and sports articles	0.5	0.5	+ 42
Books	0.9	0.9	+ 45
Newspapers	1.4	1.5	+ 55
Entertainment	1.1	1.1	+ 33
Lotteries, football pools, totalisator	1.0	1.3	—
Flowers	0.4	0.3	—
Photography	0.6	0.6	—
Medical and hygiene	5.3	5.4	(+ 36)
Medicine	0.8	0.8	(+ 72)
Hospital fees	0.4	0.4	— 35
Doctors' fees	0.4	0.6	+ 24
Dentists' fees	1.0	1.1	— 24
Hairdressing	0.7	0.6	+ 3
Toilet requisites	1.8	1.8	(+ 51)
Funeral expenses	0.2	0.2	(0)

for the increase in income during the past twenty-five years.

It is worth pointing out, however, that the forecasts presented here may be of some interest, even if one does not have faith in either of the alternatives indicated, for the value of the forecasts for information purposes does not depend completely on whether the alternatives are realised or not. Indeed, the forecasts can be interpreted in a manner which makes them less conditional. Instead of looking on them as being valid for a particular year, 1965, one can look on the forecasts as being valid for the year in which the volume of private consumption has increased by an amount corresponding to an annual rate of increase of 3 or 2 per cent during a ten year period. Whether this occurs in 1965, 1967, or 1970 is then another matter.

The assumptions made about the future increase in real income have influenced the forecasts, in that they have formed the basis for the estimate of the size of real income in the partic-

ular year 1965. On the other hand, with the exception of the motor car sector, no *formal* account has been taken of the development of income in the years *between* 1955 and 1965. This does not mean, however, that this development has been considered unimportant. On the contrary, it appears probable that consumption in the year 1965 will not be the same if the level of income up to that year were to rise steadily as it would be if the incomes were to rise to the same level but with large annual fluctuations. The forecasts which have been made refer in fact to developments with a relatively steady increase in income. Apart from some insignificant exceptions, the period of time from which the statistical material has been obtained has been associated with a successively rising real income level, and it is doubtful whether the relationships between consumption and income which this material gives can be considered to apply also during periods of sharply fluctuating incomes.