

1. GENERAL

This publication presents the summary of the national expenditure on culture, recreation and sports for the years 1984/85 through 2004 (previous estimates on the national expenditure on culture, recreation and sports for the years 1984/85 to 2003 were published in Special Publication No. 1239¹, and in the *Statistical Abstract of Israel* No. 56, 2005). The summary includes the value of goods and services consumed by households and by the government sector. Among the goods included in this expenditure: televisions and video recorders, personal computers, books and recreational and sports products. The various services include orchestras and theatres, sports and games, using the Internet, radio and television services, cinemas, community centres, national lottery, sport lottery and books. The summary is based on the data collected for calculating private consumption, public consumption and capital formation in the framework of the national accounts.

The findings in this publication are presented in eight tables:

A summary of the national expenditure on culture, recreation and sports for 1984/85 through 2004, at constant prices, is presented in Table 1, which specifies expenditure by type of activity. The expenditure and its financing by sector and type of activity are presented in Table 2, and the expenditure by operating sector is presented in Table 3.

Table 4 specifies the national expenditure on culture, recreation and sports, at current prices, for the years 1995-2004, by type of activity and operating sector. However, fixed capital formation (in buildings and equipment) for 1995-2004 is presented by sector only, in the absence of a complete breakdown by type of activity.

Most of the national expenditure on culture, recreation and sports consists of households' commercial expenditure on purchases of goods and services. The breakdown of this expenditure by goods and services and by type of activity, for 1995-2004, is presented in Table 5.

The remainder of the national expenditure on culture, recreation and sports consists of expenditure on cultural, recreational and sports services supplied to households by government and other non-profit institutions, at lower than cost prices. A breakdown of the expenditure of these institutions for the years 2001-2004 is presented in Table 6. Current expenditure is classified as labour cost and expenditure on purchases of goods and services. Capital formation is divided into expenditure on construction of new buildings and expenditure on purchase of equipment.

Tables 7 and 8 present the national expenditure on culture, recreation and sports, for 1995-2004, by financing sector and type of activity.

¹ Central Bureau of Statistics, *National Expenditure on Culture, Recreation and Sports 1984/85-2003*, Special Publication No. 1239, Jerusalem, 2004.

2. MAIN FINDINGS

In 2004, the national expenditure on culture, recreation and sports amounted to NIS 31.2 billion, which is 6.1% of the Gross Domestic Product. The national expenditure on culture, recreation and sports increased at constant prices in 2004 by 8.8%, compared with an increase of 2.8% in 2003 and a decrease of 0.7% in 2002.

Financing of the National Expenditure on Culture, Recreation and Sports

In 2004, 82.4% of the national expenditure on culture, recreation and sports were financed by households. By comparison 79%-80% of this expenditure was financed by households between 1999 and 2002. The rest of the expenditure in 2004 was financed by the government (3.5%) and local authorities (13.3%), as well as by non-profit institutions (0.8%).

Of the total expenditure of households on culture, recreation and sports in 2004, 57.9% - through purchases from the business sector - was on cultural services such as plays, movies, concerts, visits to night clubs and swimming pools, sport shows, gambling, etc. The remainder of the expenditure was for the purchase of goods such as televisions, video recorders, radio and stereo systems, computers, books, musical instruments, etc.

National Expenditure on Culture, Recreation and Sports, by Operating Sector

The share of the business sector in the supply of goods and services for culture, recreation and sports was 71% in 2004, compared to 69.1% in 2003 and 67.4% in 2002.

The remainder of cultural, recreational and sports services was supplied by non-profit institutions such as community centres, sports associations, etc. (17.2%) and local authorities- gardens and planting and swimming pools (11.5%). The government's share (0.3%) mainly included items such as the Youth Wing, the Sports Authority, Torah Culture, and expenditures of the Jewish Agency and the World Zionist Organization, which were mainly related to social and community activities for new immigrants and in neighbourhoods. This distribution expresses the value of goods and services, without consideration of the funding source.

Current National Expenditure on Culture, Recreation and Sports, by Type of Activity

Of the total current national expenditure on culture, recreation and sports in 2004, about 21.3% were spent on sports and games (sport clubs, swimming pools, and purchase of sports equipment); 11% of the expenditure on sports and games was spent on purchase of computers and use of the Internet. 20.2% were spent on radio and television (television and radio broadcasting, cable broadcasting, purchase of radios and televisions, etc.); 18.5% were spent on music and performing arts (concerts, culture shows, night clubs, and purchase of musical instruments); 9.8% were spent on socio-cultural activities, which were mainly held in neighbourhood community centres; 8.7% were spent on literature and periodicals; 6.5% were spent on nature and the environment (zoos, gardens and planting); 5.4% were spent on gambling (the national lottery and the sports lottery, excluding prizes). An additional 4.7% were spent on cinema and photography (production and screening of films, and purchase of camera and filming equipment), and a relatively small share (about 2.5%) was spent on cultural heritage (museums, antiquities), and less than 1% was spent on visual arts.

Capital Formation in Buildings and Equipment

Capital formation of the government, local authorities, and non-profit institutions in buildings and equipment for cultural, recreational and sports activities amounted to NIS 2.1 billion in 2004; compared with NIS 2 billion in 2002-2003 and with NIS 1.7 billion in 2001. This amount constitutes 3.1% of the total fixed capital formation in the economy, excluding housing, ships and aircraft. 89% of this capital formation was allocated for buildings, and 11% for equipment.

3. DEFINITIONS AND CLASSIFICATIONS

3.1. In the absence of any accepted uniform international definition of expenditure on “culture, recreation and sports”, the definition adopted in this publication is based on a combination of two definitions:

- (1) Definition of public expenditure on cultural activities according to the recommendation of UNESCO².
- (2) Identification of items relevant to expenditure on culture in the classification of private consumption, by purpose, in the national accounts.

In the chosen definition, the expenditure of households on hotel services, restaurants and cafes was not included. This definition is narrow compared to

² UNESCO, *Recommendation concerning the International Standardization of Statistics on the Public Financing of Cultural Activities*, adopted in the report of Program Commission V, at the thirty-seventh plenary meeting, on October 27, 1980.

other definitions, which suggest the inclusion also of holidays, trips, transport services and purchases of vehicles³. This wider definition (excluding vehicles) would have doubled – and more – the national expenditure on culture.

The value of cultural, recreational and sports services may also include, in some cases, services of a different type, which cannot be distinguished in the financial reports, e.g., restaurants, cafeterias and shops operating in museums, theatres and the like.

- 3.2.** The expenditure on culture, recreation and sports includes expenditure of households on goods and services supplied by the business sector, the value of the services of government and other non-profit institutions and the value of the fixed capital formation of these institutions.

The value of services of government and non-profit institutions provided at low cost or free of charge was estimated according to cost of production. Costs of production include:

- (1) Labour cost; i.e., direct payments of wages and salaries, allocations by employers to funds on behalf of their employees (such as pension funds, provident funds, payments to the National Insurance Institute, parallel tax to sick funds, etc.) and taxes on salary.
- (2) Current purchases of other goods and services.

Costs of production do not include expenditure of government, local authorities and non-profit institutions on interest and linkage differentials. As a result, financing by loans, as opposed to financing by taxes and grants, does not affect the estimate of the value of cultural, recreational and sports services.

Expenditure on purchase of durable goods by households was recorded as expenditure for the year of purchase, even though these goods serve households for a longer period of time.

Fixed capital formation comprises of expenditure on construction of buildings and purchasing equipment and vehicles used for cultural, recreational and sports purposes. Capital formation is only classified by sector, due to lack of full details on the type of activity.

- 3.3. Classification of goods and services** in the field of “Culture, recreation and sports”, by type of activity, is mainly based on UNESCO's recommendations:

Cultural heritage: museums, archives, preservation of antiquities and archaeological excavations.

³ See: United Nations, *Towards a System of Social and Demographic Statistics*, St/Stat, 68, July 1973.

Literature and printed matter: libraries, books, newspapers and other periodicals, (except textbooks and school libraries).

Music and performing arts: theatre, dance and concerts; night-clubs and other entertainment performances; purchase of instruments and equipment for performing of and listening to music.

Visual arts: galleries and painting, sculpture and other arts.

Cinema and photography: production and presentation of films; purchase of photographic and filming equipment.

Radio and television: television and radio broadcasting; purchase of radio and television equipment.

Socio-cultural activities: community centres and cultural activities in the community, including Centres for Culture, Youth and Sports.

Sports and games: sports clubs, swimming pools, sports equipment, etc.; organisation of games and sports competitions. Personal computers and use of Internet are presented in a separate category.

Nature and the environment: activities connected with recreation in nature and with preserving the environment.

Gambling: national lottery and sport lottery.

General administration and non-apportionable activities: administration of cultural, youth and sport activities, non-profit institutions n.e.c.

3.4. The national expenditure on culture, recreation and sports is classified by the following sectors:

- (1) Businesses - expenditure on products and services supplied by all industries - except the government, local authorities, national institutions and non-profit institutions which sell their services at a price that is not economically significant, and whose expenditures are not financed mainly by commercial establishments. This sector also excludes expenditure on housing services.
- (2) Government ministries and national institutions (the Jewish Agency and the World Zionist Organisation).
- (3) Local authorities (municipalities, local councils and regional councils).
- (4) Non-profit institutions, where a distinction is made between:
 - (a) Institutions whose expenditure is mainly financed by the government, the Jewish Agency or the local authorities.
 - (b) Private non-profit institutions - the expenditure of these institutions was 50% of non-profit institutions' total expenditure on culture.

Within the framework of the classification of expenditure by sector, there were two classifications - by operating sector and by financing sector.

In the classification by **operating sector**, expenditure was summed up according to the sector that supplies the goods and services, irrespective of the financing sector. For example, expenditure of non-profit institutions (such as museums or cinematheques) on the purchase of goods and services was recorded as the expenditure of these institutions and not as the expenditure of other sources in the economy that financed them.

In the classification by **financing sector**, the financing is defined by the sector as the total direct expenditure on goods and services plus subsidies, grants, transfers and other net payments to other sectors (excluding loans).

Government financing excludes the subsidy component included in government loans given at low rates of interest or unlinked.

Transfers between sectors were determined according to the entries in the government's reports. The corresponding entry in the reports of the other sectors may differ from the entries in these reports. The most common differences are cases where receipts from the government are recorded in the financial reports of the non-profit institutions or the local authorities, for periods different from those in which the government records its payments to these entities.

3.5. Expenditure Items Included in Each Sector

Households

Expenditure of households for purchase of goods and cultural services from commercial bodies, such as admission tickets to cinema, theatre, concerts, night clubs and other entertainment performances; admission and memberships to sports clubs and swimming pools; gambling, coin collection, radio and television fees, etc.; durable goods, such as televisions, video recorders and radios, record players, stereo equipment, records and home computers; leisure and hobby products, e.g., musical instruments, cameras and photographic equipment, sports equipment and accessories, toys and games, flowers, plants, pets, etc.; books, newspapers and periodicals.

Government and National Institutions

- (1) Expenditure of the Ministry of Education on culture, recreation and sports, in the ordinary budget and in the development budget, includes the following items: culture and art, Jewish culture, Youth Wing, Sports and Physical Education Authority, Antiquities and Museums Authority and part of the Wing for Adult Education. Services of culture, recreation and

sports provided by the IDF were not included. The Broadcasting Authority services were included in the business sector.

- (2) Items of expenditure in Israel of the Jewish Agency and the World Zionist Organisation, which were classified as culture, recreation and sports. This expenditure is largely connected with socio-cultural activities among new immigrants and in neighbourhoods.

Local Authorities

- (1) The expenditure of the Cultural Department, including Youth and Sport, in the “ordinary” and the “extraordinary” budgets, except the expenditure on “Hebrew Language Teaching”, which is defined as education.
- (2) Expenditure of the Department for Festivities and Projects and the expenses in the items “Gardens and planting” and “Beaches and swimming pools” of the Department of Public Property.

Non-Profit Institutions

Institutions which are not owned by the government, the national institutions or the local authorities, and which do not operate on a commercial basis. The non-profit institutions are divided, as mentioned above, into two types: institutions whose expenditure is financed mainly by the government (such as community centres) and other institutions (such as sports organisations and federations).

4. SOURCES AND METHODS OF PREPARING THE ESTIMATES

4.1. The Period

The estimates of the national expenditure on culture, recreation and sports, since 1990 and on, were compiled by calendar years, according to the period in which the financial reports of the government, the local authorities and the non-profit institutions were prepared. Previously, the financial reports were obtained according to budget years (April-March), and the national expenditure on culture, recreation and sports was summarised accordingly, until 1990.

Sources

The estimates of households' expenditure are partially based on the findings of the Household Expenditure Survey⁴. Another part of these estimates was obtained from current data on purchases of durable goods and services,

⁴ Central Bureau of Statistics, *Household Expenditure Survey 2002: General Summary*, Special Publication No. 1217, Jerusalem, 2004.

derived from analysis of foreign trade data, data on the sales of cinema tickets, national lottery tickets and radio and television fees.

Regarding items for which no current data are available for the periods between surveys of household expenditures, expenditure estimates were obtained by interpolating the expenditure between the last survey and the previous one, and extrapolating for the years after the last survey, using indicators such as demand elasticity.

Estimates of the government's and the local authorities' expenditures on culture were prepared on the basis of a detailed analysis in which expenditure items in the financial reports of the government (compiled by the Accountant General), the national institutions and the local authorities were identified and their expenditure summed up.

Expenditure of non-profit institutions was obtained from a survey of non-profit institutions, encompassing about 330 institutions. This survey is based on the financial reports of the institutions and sums up the expenditure and its components, by type of institution.

4.2. Estimates at Constant Prices

Annual changes in the national expenditure on culture, recreation and sports, at constant prices, were calculated as follows:

- (1) The value of household purchases from the business sector, at constant prices, is obtained by deflating the current values of each product or group of products by the appropriate price index for each product and for each service.
- (2) For each sector - government, local authorities, national institutions and non-profit institutions - the estimates were calculated at constant prices separately. The changes in labour cost were measured according to the number of employees' positions and the average monthly wages. The estimates of current purchases and depreciation, at constant prices, were calculated by deflating the current values by appropriate price indices.
- (3) Capital formation in buildings and equipment was estimated at constant prices, using the Index of Input in Residential Building.

5. RELIABILITY OF THE DATA

Part of the expenditure of households on culture, recreation and sports was obtained from current data on purchases of durable goods and services. These figures derived from foreign trade data (70%), data on revenue less exports of manufacturers and data on sale of cinema tickets, national lottery tickets and radio and television fees.

The rest of the expenditure was estimated on the basis of findings from the Household Expenditure Survey, which has been conducted annually as of 1997. The last published survey presented findings from 2003. In the items where estimates were based on the Household Expenditure Survey, the expenditure during the years after the last survey was estimated according to indicators such as revenue indices, by relevant industries.

Data on the government's and the national institutions' expenditure were obtained from the annual financial reports.

Until 2002, data on expenditure by local authorities were collected from the detailed data in the annual financial reports. A preliminary estimate for 2003-2004 was calculated by extrapolation of the data based on changes in wages and purchases of local authorities.

The last survey on non-profit institutions was conducted in 2001. Extrapolation of data for the years 2002-2004 was based on changes in the wages, as reported to the National Insurance Institute by those institutions.

Distribution of National Expenditure on Culture, Recreation and Sports, by Reliability of the Data

COMPONENT	RELIABILITY	PERCENTS
Current Expenditure - total		100
93% of the business sector; government and national institutions	High	63
Local authorities, non-profit institutions and 7% of the business sector	Reasonable	37

6. COMPARISON WITH PREVIOUS PUBLICATIONS

In comparison to previous findings, published in Special Publication No.1239, revisions have been made in this publication, a result of combining the data with the findings of the 1995-2003 Household Expenditure Surveys. These surveys served as the basis for estimating the expenditure of households on goods and services related to culture, recreation and sports. In addition, expenditures on computers and use of Internet were separated from the Sport and Games Division, due to the rising rate of expenditure in this field.