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Israel: Selected Issues and Statistical Appendix

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ISRAEL

Selected Issues and Statistical Appendix

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Approved by the European I Department

April 2, 1999

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I. SOUNDNESS, PROFITABILITY, AND STRUCTURE OF THE BANKING SECTOR IN ISRAEL¹

1. The Israeli banking sector has been relatively profitable in recent years, by comparison with both its own past performance and that of the banking sectors in countries with similar per capita income levels. Moreover, in spite of the challenges arising from recent financial market volatility, it seems to be broadly sound.

2. At the same time, Israel's financial system continues to be dominated by a small number of banking groups. By international standards, the banking system is highly concentrated, with the largest five banking groups controlling almost 95 percent of total assets.² These groups are truly universal, in the sense that—in addition to their conventional commercial banking activities—they manage some of the most important institutional investors (mutual and retirement provident funds)³ and control subsidiaries that specialize in underwriting and brokerage of shares, and in mortgage activities. Finally, they also have large stakes in nonfinancial enterprises.

3. This highly concentrated financial structure does not appear to have led to striking signs of inefficiency in the banking sector. Nevertheless, it may be argued that the improved soundness and profitability of the existing banks may have been obtained in part at the expense of a slow pace in fostering competition and encouraging the banks to divest their nonbanking business interests. This note reviews developments in the structure of the Israeli banking sector, as well as in the key indicators of soundness and profitability in recent years.

A. Developments in the Structure of the Banking Sector

4. Following a major financial crisis in 1983, when the stock market lost more than half of its value and many banks went through severe difficulties, the government took over the ownership of most of the shares of Israel's major banks. At the same time, under the 1983 Bank Share Arrangement, control continued to be exercised by the banks' original management. In 1993, the Bank Share Arrangement expired. Recognizing that the financial system was excessively concentrated, and dominated by a few large banks, the government put in place a banking sector reform, whose aim was to increase competitiveness, reduce conflicts of interest, and lower the government's presence in the sector. Its current **reform strategy** continues to be focused on those objectives, through the following measures:

- the speeding up of the sales of the government's shares in the banks;

¹Prepared by Paolo Mauro.

²In a sample of 21 industrial countries, Israel had the second most highly concentrated banking system (after Finland) in 1996, on the basis of the Herfindahl index of concentration (Ruthenberg, 1998).

³Retirement provident funds are vehicles of long-term savings, which enjoy tax benefits and can be redeemed after no less than 15 years. Provident funds held 16.5 percent of total financial assets in Israel in December 1997, and mutual funds held 2.6 percent.

- the selling off of subsidiary banks from their parent groups, to promote competition;
- the reduction in banks' permissible holdings of nonbank corporations;⁴
- the enactment of legislation to supervise the running of the provident funds by the banks, including the imposition of limits on the size of the funds and the appointment of outside directors, to separate the running of the funds from that of the banks; and
- the appointment of independent governors to hold the government's shares in the banks.

Privatization

5. There has been considerable progress in implementing some of these measures. Perhaps the most striking steps have been taken, after a slow start, in the area of **privatization**. This was particularly so in 1997, with the sale of the government's majority stake in Bank Hapoalim, the largest bank, to a group of private investors,⁵ and a number of smaller transactions (Table 1).

Table 1. Privatization Revenues in 1997

	US\$ million	NIS million	Percent sold
Total privatization revenues	2,463	8,497	
Banks	2,156	7,438	
Hapoalim	1,434	4,944	43.0
Israel Discount	184	638	19.3
Leumi	407	1,403	18.3
Mizrahi	131	453	25.0

Source: National authorities.

⁴The limit on each bank's holdings of the capital of any nonfinancial corporation, which has amounted to 25 percent since 1996, will be cut further to 20 percent at the end of 1999. Moreover, each bank will have to reduce its total nonfinancial holdings to 15 percent of its capital by the end of 2001. The percentage of such holdings can be augmented by 5 percent of the bank's capital provided that the holding in each nonfinancial corporation is no more than 5 percent of the company's equity. Insurance companies count as nonfinancial enterprises.

⁵Specifically, the sale involved 43 percent of the shares, for US\$1.4 billion, and an option to buy another 20 percent of the shares.

6. The massive privatization in the banking system boosted total privatization revenues in 1997 to a level that far exceeded that observed in previous years (Table 2).

Table 2. Overall State Revenues from Privatization

(In millions of U.S. dollars)

1992	1993	1994	1995	1996	1997
488.5	1,150.0	233.5	597.4	109.3	2,463.4

Source: National authorities.

7. In spite of accelerated privatization, the government still owns a considerable share of the largest banking groups (Table 3), including majority stakes in the second and third largest groups.

Table 3. Holdings of the Government, Parties at Interest, and the Public, December 1997

(In percent)

	Government	Parties at interest	Public
Hapoalim	33.7	44.0	22.3
Leumi	67.8	0.0	32.2
Discount	60.0	13.2	26.8
Mizrahi	46.0	51.0	3.0

Source: National authorities.

8. In 1998, privatization continued, albeit at a slower pace than in 1997. The State sold an additional 7.6 percent of the shares in Bank Hapoalim through a public offering in Israel, and another 1.8 percent through a private placement; 31.7 percent of the shares in United Mizrahi Bank; and a 2 percent stake in Bank Leumi through a private placement.

9. Existing plans envisage continued momentum in privatizing the banks. Despite the recent global financial market volatility, the government's program for 1999 includes the sale of its controlling interest in Israel Discount Bank (a 30–50 percent stake is to be sold in the first half of the year) and of a considerable stake in Bank Leumi (only 40 percent of the shares will remain in the government's hands by the end of the year).

10. The new impetus to privatization in the banking sector may help improve the efficiency of the sector. At the same time, it may pose new regulatory challenges, because the transfer from public ownership to private ownership does not alter the high degree of concentration in the sector. Lower concentration needs to be pursued through other measures.

Reducing concentration

11. An important element of the government's strategy that would help reduce concentration is the attempt to **split small- and medium-sized banks from their controlling groups**. However, progress has been slow in this respect thus far. In fact, only one bank (Union Bank, a medium-sized bank), has been separated from its parent group (Bank Leumi) and sold to controlling shareholders as an independent bank. A few years ago, the government decided to split another medium-sized bank, Mercantile Discount Bank, and a smaller bank, Otsar Hahayal, from their parent groups Discount Bank and Bank Hapoalim, respectively. However, those decisions have not yet been implemented.

12. Reflecting the relatively slow speed in splitting up the banking groups, **concentration** remains very high in the banking sector, with the five largest banking groups accounting for 93.2 percent of total assets of the commercial banks and the three largest groups accounting for 77.2 percent of total assets (Table 4).⁶ Little progress has therefore been made since the late 1980s, when the corresponding figures were 98 percent and 90 percent, respectively. This is confirmed by developments in the Herfindahl index, which remains high at 0.23 in 1997, having declined from 0.30 in the late 1980s.

⁶Total deposits by the public with commercial banks belonging to the five (three) largest banking groups amount to 98 percent (83 percent) of total deposits by the public with all commercial banks

Table 4. Distribution of Assets of the Commercial Banks, by Groups, December 1997

(Share of the total, in percent)

Group	
Bank Hapoalim	32.4
Bank Leumi Le-Israel	28.4
Discount Bank	16.4
United Mizrahi Bank	8.4
The First International Bank	7.7
<i>Memorandum items:</i>	
Total of top five groups above	93.2
Total of top three groups above	77.2
Total assets of all commercial banks (NIS billion)	511.3

Source: Supervisor of Banks.

13. An additional feature of Israel's banking system that does not bode well for competition is the virtual **absence of foreign banks** in Israel. Although Israel welcomes entry by foreign banks, at present there is only one branch of a foreign bank in the whole country. Nevertheless, freedom of capital movement, with the gradual removal (during the 1990s) of all constraints on borrowing abroad, imposes considerable discipline on Israeli banks.

14. In spite of its high degree of concentration and the virtual absence of foreign banks, the Israeli banking system does not show strong signs of inefficiency. **By international standards**, the profitability of Israeli banks is fairly high in terms of return on equity, though on the low side in terms of return on assets (Table 5).⁷ Operating costs (as a ratio to total assets) are on the high side, reflecting in part relatively high salaries of bank employees, but are not much higher than average. **Interest rate margins**, at an average of 2.3 percent, also do not differ much from those of OECD countries. At the same time, interest rate margins in Israel vary considerably depending on the type of asset, illustrating the power of international competition in reducing margins. In fact, margins are now relatively low on foreign currency assets (2.0 percentage points, 32 percent of total assets) and on foreign currency indexed assets (1.2 percentage points, 31 percent of total assets), but they remain large on unindexed assets in domestic currency (4.2 percent, 27 percent of total assets), a market segment where competition from foreign banks is rather limited (Ruthenberg, 1998). Margins on unindexed

⁷International comparisons of bank profitability must be interpreted with caution, owing to cross-country differences in cyclical position.

Table 5. Israel: International Comparison of Bank Profitability 1/

(In percent)

	Net profit to total assets (ROA)	Profitability (ROE)	Net Interest Income to Total Assets	Loan-loss provision to total loans	Non-Interest (Net) Income to Operating Expenses	Operating Expenses to total assets	Herfindahl index, 1996
Australia	0.92	8.88	2.58	0.28 2/	55.37	2.59	0.11
Belgium	0.21	8.17	1.23	0.53	43.19	1.18	0.06
Canada 3/	1.55	28.49	2.56	0.48 2/	89.08	2.49	0.11
Denmark	1.16	15.29	3.17	1.26	60.65	2.55	0.20
Finland	-0.42	-9.05	1.78	-0.03 2/	38.50	3.52	0.33
Israel 4/	0.66	12.00	2.51	0.75	58.41	2.64	0.23
France	0.05	1.26	1.17	1.24	69.39	1.41	0.03
Germany	0.26	5.89	2.02	0.59	32.54	1.64	0.01
Greece 3/	0.87	17.46	2.02	0.78	79.14	2.65	0.19
Italy	0.03	0.28	2.86	1.52	29.61	2.45	0.04
Japan 3/	-0.33	-9.71	1.45	0.98	2.93	0.98	0.02
Netherlands	0.52	11.87	1.84	0.24	49.44	1.85	0.19
Norway	1.19	17.19	3.01	-0.16	37.71	2.82	0.15
Portugal 3/	0.52	6.09	2.28	1.16 2/	36.90	1.95	0.07
Spain	0.57	6.31	2.34	0.93	44.25	2.09	0.03
Sweden 3/	1.07	17.82	2.68	-0.32 2/	49.80	2.98	0.18
Switzerland	0.46	7.03	1.33	1.32 2/	100.44	1.73	0.11
United Kingdom 3/	0.77	18.88	2.32	0.55 2/	67.21	2.60	0.01
United States 3/	1.18	14.03	3.73	0.46	55.81	3.65	...

Sources: Supervisor of Banks, Bank of Israel; *Bank Profitability*, OECD.

1/ Data refer to 1997 for Israel and to 1995 for other countries. All banks unless otherwise indicated.

2/ Total net provisions to total loans.

3/ Commercial banks.

4/ The five largest banking groups.

assets in domestic currency have fallen dramatically since the late 1980s, when they exceeded 15 percentage points, though part of this decline has resulted from the decline in inflation and therefore in nominal interest rates.

Divesting other interests

15. While progress has been modest in reducing concentration, the large banking groups seem to be on track in their mandated **divestment from their nonfinancial interests**. The impact of this process on banks' profitability in the medium run is uncertain.⁸ On the one hand, the banks' nonfinancial interests tended to yield relatively high profits in the past. On the other hand, by focusing on their core business, the banks might be able to raise their overall profitability. Although the limits on the banks' nonfinancial interests have been imposed too recently to assess the experience thus far, profitability has remained high, correcting for exceptional profits made through the sale of shares in nonfinancial enterprises.

16. However, an important area where there has been no progress thus far is in reducing the **banks' control over the provident funds and mutual funds**. The banks currently manage about 80 percent of the assets held by provident funds, and the largest three banks manage 75 percent of the assets held by mutual funds, with another 12 percent managed by four other banks (Yafeh and Yosha, 1998). A draft law is being prepared to reduce the banks' control over the provident and mutual funds, but there is little agreement on whether, in its present form, it conforms with the original objectives set out as part of the government's reform strategy.

17. While a universal banking system has benefits that include economies of scope in information gathering, Ber, Yafeh, and Yosha (1998) argue that in the Israeli case it also generates the potential for conflicts of interest. For example, a bank that is a large debt holder and at the same time a leading underwriter of a firm that is going public might be tempted to overstate the firm's quality to ensure a successful initial public offering (IPO), and even to encourage its own affiliated mutual and provident funds to purchase equity in the offering. Ber, Yafeh, and Yosha (1998) provide evidence that banks underwrite issues of higher than average quality firms (in terms of their post-issue accounting profitability), i.e., that universal banks do have informational benefits. However, they also show that these issues tend to be overpriced (i.e., following their IPO, returns on these stocks tend to be negative on the first day and worse than average during the first year), especially when a significant portion of the issued firm's equity is sold to a bank-managed mutual or provident fund. They interpret this finding as an indication that bank-managed funds paid too much for bank underwritten IPOs. Therefore, the universal banks' informational benefits accrue to the banks (or to the firms' original shareholders), in part at the expense of the investors in the funds. Should further

⁸In the short run, profits are mechanically boosted by asset sales, an effect that is taken into account in assessing the banks' profitability in the next section.

research lend support to these results, they would provide an example of the costs of a system dominated by a few universal banks.

B. Developments in the Profitability and Soundness of the Banking Sector

18. The **profitability** (after-tax return on equity) of the five largest banking groups increased from an average of 3.1 percent in 1988–91 to an average of 9.1 percent in 1992–97, and was still high in the first half of 1998 (Tables 6, 7, and 8).⁹ ¹⁰ Some of this increase reflected sales of nonfinancial holdings by banks. Nevertheless, net of these extraordinary profits, profitability rates were 8.2 percent in 1996 and 10.2 percent in 1997. The decline in economic growth does not yet appear to have adversely affected bank profitability, but is likely to begin to have a considerable impact in the near future. Improvements in profitability over the past few years reflect in part the gradual reduction of problem loans in the agricultural sector (which had emerged in the 1980s), with a reduced need for loan loss provisions. This has more than offset the considerable increase in operating costs, which results largely from the increase in real wages of banking employees (by a cumulative 18 percent over the past four years).

19. The standard indicators of **soundness** are broadly favorable. The average capital to risk-weighted assets ratio of the five largest banking groups has been fairly stable, at 9½ percent or above, over the past few years. In June 1998, none of the five largest banking groups had a ratio below 8½ percent, though most had declined slightly since June 1997 (Table 9). Problem loans¹¹ have declined steadily over the past five years, both as a share of capital and as a share of total credit (Table 10). One of the key factors underlying this improvement is, once again, the gradual resolution of problems in the agricultural sector. Nevertheless, the riskiness of the banks' assets is increasing, as evidenced by the rise in the ratio of risk-weighted assets to total assets from 49.1 percent in December 1993 to 60.1 percent in June 1998. This development may also contribute to explaining the improvement in the banks' profitability.

⁹Early data on the third quarter of 1998 also suggest high profitability.

¹⁰The profitability differed widely among the five largest banking groups, ranging from 5.3 percent in the Discount group in 1997 to 15.9 percent in the Leumi group. At the same time, the latter benefited from special profits arising from the sale of its nonfinancial interests.

¹¹The definition of problem debts is fairly comprehensive, as it includes debts that are doubtful (in full or in part), nonperforming, rescheduled, overdue, or under special supervision.

Table 6. Israel: Financial Results of the Banking System, 1992-98

	1992	1993	1994	1995	1996	1997	<u>Jan.-June</u> 1997	<u>Jan.-June</u> 1998
Total after-tax profitability (ROE) 1/	8.7	8.8	7.9	8.4	8.8	12.0	14.2	9.4
Financial margins on total assets 2/	2.3	2.1	2.0	2.3	2.2	2.3	2.3	1.8
Operating costs/total assets 2/	2.7	2.6	2.7	2.7	2.6	2.6	2.7	2.6
Non-interest income/total assets 2/	1.7	1.8	1.6	1.4	1.3	1.3	1.3	1.3
Non-interest income/total operating costs 1/	59.3	68.5	60.7	55.5	56.1	58.4	59.3	57.7

Source: Supervisor of Banks, Bank of Israel.

1/ The five major banking groups.

2/ The commercial banks.

Table 7. Israel: Indicators of Profitability, the Five Major Banking Groups, 1993–June 1998

(NIS million, June 1998 prices)

	1993	1994	1995	1996	<u>June</u> 1997	<u>Dec.</u> 1997	<u>June</u> 1998
End-of-year capital 1/	22,666	23,884	25,136	26,532	28,131	28,761	28,692
Adjusted capital 2/	21,840	22,666	23,884	25,136	26,534	26,532	28,761
Loan-loss provision	2,341	1,793	2,871	2,501	1,009	2,222	804
Ordinary pre-tax profit	4,137	3,262	3,385	3,677	2,361	4,545	2,231
Tax provision	2,321	1,781	1,723	2,033	1,194	2,198	1,122
Extraordinary after-tax profit	(139)	100	43	156	490	419	70
Share in profits of subsidies	276	260	341	377	232	389	179
Total net income	1,932	1,796	2,008	2,222	1,889	3,156	1,357
	(In percent)						
Pre-tax profitability 3/	18.9	14.4	14.2	14.6	17.8	17.2	15.5
Return on equity 4/	8.8	7.9	8.4	8.8	14.2	12.0	9.4
Loan-loss provision/credit to public	1.2	0.8	1.2	0.9	0.7	0.8	0.5

Source: Supervisor of Banks, Bank of Israel.

1/ Including minority interests.

2/ Capital at beginning of year plus issues weighted according to date of issue.

3/ Ordinary pre-tax profit divided by adjusted capital.

4/ Total net income divided by adjusted capital.

Table 8. Israel: Profitability, Risk, and Financial Leverage,
the Five Major Banking Groups, 1995–June 1998

	1995	1996	1997	June	
				1997	1998
Return on equity (ROE)	8.4	8.8	12	14.2	9.4
Return on assets (ROA)	0.44	0.49	0.66	0.77	0.52
Ratio of total income to risk-weighted assets	0.75	0.79	1.02	1.29	0.81
Credit risk ratio	56.3	56.3	57.8	56.8	60.1
Financial leverage	19.8	19.9	20.3	19.4	19.2

Source: Supervisor of Banks, Bank of Israel.

Table 10. Israel: Risk Characteristic and Capital Adequacy
the Five Major Banking Groups, 1993–June 1998

	1993	1994	1995	1996	1997	June	
						1997	1998
Concentration of credit							
H-index of concentration 1/	0.136	0.139	0.141	0.153	0.157	0.154	
Quality of credit (percent)							
Loan-loss provision/credit to the public	1.2	0.8	1.2	0.9	0.8	0.7	0.5
Risk-weighted assets/total assets	49.1	53.3	56.3	56.3	57.8	56.8	60.1
Problem loans/capital 2/	77.0	68.3	60.9	52.2	42.6		
Capital adequacy							
Capital assets (end-year)	5.3	5.4	5.5	5.5	6.0	6.0	5.8
Capital/risk-weighted assets (end-year)	10.5	9.8	9.6	9.7	10.0	11.2	9.5

Source: Supervisor of Banks, Bank of Israel.

1/ H-index of concentration of credit to the public, by principal industry.

2/ Data reclassified in 1996.

20. **Private rating agencies** view the banking system in Israel as somewhat less sound than in most industrial countries, but as fairly sound by the standards of emerging markets. In June 1997, Moody's gave ratings of "C" to two of the five major banking groups in Israel, and of "D+" to the other three, yielding an average rating of "D+."¹² Among industrial countries, only Finland, Greece, and Japan had average ratings below "C". In August 1998, Fitch IBCA gave *individual* ratings of "B/C" to Bank Hapoalim and Bank Leumi (the only Israeli banks for which it produces ratings), unchanged from previous years, and only slightly below average by the standards of industrial countries.¹³

21. At present, the **key sources of risk** in Israel's banking sector seem to be the following:

- a decline in the rate of economic growth, from 7 percent in 1994 to 2 percent in 1998;

- an increase in the share of credit indexed to or denominated in foreign currency, from 23 percent in 1994 to 39 percent at end September 1998;¹⁴ of particular concern is the rapid increase in the share of foreign currency credit in total credit to individuals and construction companies, because their foreign exchange risk exposures are unhedged to a considerable extent (neither group has large receipts in foreign currency),¹⁵

- the rapid increase in credit to the real estate sector, whose share in total credit to the public rose from 12 percent at end-1992 to 17 percent at end-1996, and then to 26 percent at end-1997, against the background of a slowdown in activity in this sector,¹⁶

¹²*International Capital Markets*, 1997, International Monetary Fund, pages 133–134. More recent assessments are broadly similar.

¹³*Individual* ratings are reported because there is a widespread perception that the authorities would intervene to save banks in difficulty. Israel has no formal deposit insurance scheme. At the same time, the Bank of Israel can guarantee the deposits of banks in difficulty. In all cases of bank failures over the past 30 years, the government approved the use of this power by the Bank of Israel, regardless of the size of the deposits or the identity of the holder (with the exception of the deposits of the parties connected with the failed banks).

¹⁴High demand for foreign-currency credit seems to have reflected the large interest rate differential between foreign- and local-currency credit together with the perception of relatively low risk in the volatility of the exchange rate, at least until the sharp depreciation that began in August 1998.

¹⁵The banks' direct exposure to exchange rate risk through their own accounts is negligible.

¹⁶Credit to the real estate sector more than doubled as a ratio to the sector's gross product between 1992 and 1997.

- a rapid increase in total credit as a share of GDP, though this seems to be a natural consequence of the gradual liberalization in the banking system in the 1990s, including the reduction in reserve requirements, which appears to have led to re-intermediation.

- an increase in leveraged buyouts, which imply higher overall risk for the Israeli banks that finance them.¹⁷

22. Additional **prudential measures** have recently been undertaken in response to these risks. In 1997, the required provisions for banks whose share of lending to a single sector (typically, the real estate sector) exceeded 20 percent were increased. More recently, the reporting requirements for banks whose customers have a large exposure to exchange rate risk have been tightened.

C. Concluding Remarks

23. Israel's banking system seems to be relatively profitable and broadly sound. The recent financial market volatility, the sharp depreciation of the shekel, and the decline in economic growth pose new supervisory challenges. However, continued vigilance and perhaps additional prudential measures should be sufficient to avoid major difficulties.

24. Looking beyond the ongoing turbulence on financial markets worldwide, the key challenges for the future of Israel's financial system continue to relate to its excessively concentrated structure, and to the dominance of the largest banking groups. Thus far, the government's strategy has relied on attempts to split up small- and medium-sized banks from the largest banking groups. However, implementation of the strategy has been slow. Greater speed and greater benefits could come from encouraging additional competition from foreign banks, which might even obviate the need to split up the banking activities of the existing groups. In that regard, the recent capital account liberalization, which removed all constraints on borrowing abroad, plays a useful role. Moreover, the ongoing divestment of the banks' interests in nonfinancial enterprises will improve transparency and reduce the possibility of cross-subsidization. Early action in separating the provident funds and mutual funds from the main banking groups would also help toward those objectives.

¹⁷The managers that take over the control of a firm through a leveraged buyout, i.e., by financing the purchase through bank borrowing, have an incentive to undertake risky projects, because they keep any profits, whereas the bank would bear the brunt of any losses.

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ISRAEL: TARGETS AND INSTRUMENTS OF MONETARY POLICY AND OF OFFICIAL TRANSACTIONS

A. Targets and Main Instruments

Short and intermediate targets

25. The short-term target for monetary policy is reflected in a daily auction of a fixed quantity of net credit to commercial banks (which can be positive or negative) to ensure that domestic monetary conditions are consistent with the preannounced monthly official interest rate.

26. The intermediate target is to meet the inflation target while keeping the exchange rate (a basket heavily weighted toward the U.S. dollar) trading within a band. Israel has had an inflation targeting regime since December 1991. Each fall, the government sets a target for the increase in the overall CPI for the 12-month-to-December of the following year, and the Bank of Israel (BoI) is to conduct monetary policy so as to meet this target. Between 1992–94, a point estimate was announced; between 1995–98 a range of width 2–3 percentage points was announced. For 1999, a point estimate set at 4 percent has been announced. The medium-term target is to achieve an annual inflation rate around the OECD average by 2001. Since 1998, a biannual Inflation Report is published by the BoI. Starting from 1999, the BoI is required to report quarterly to cabinet on any projected deviation in inflation by more than 1 percentage point from the target, and how monetary policy will be adjusted accordingly.

27. Israel has had a crawling band exchange rate system since 1991. As of June 7, 1997, the currency basket rate fluctuated within a 28 percent band without a central rate; the depreciated limit increased at 6 percent per annum, while the appreciated limit increased by 4 percent per annum. On August 6, 1998, the rate of change in the appreciated limit was slowed to 2 percent in recognition of the narrowing inflation differential between Israel and its major trading partners.

Main monetary policy instruments

28. Main effective instrument is changes in the monetary and the bank deposit rates as described below. Changes in official interest rates are considered monthly after examination of actual CPI data, private sector inflation expectations (derived from the differential between one-year nominal and CPI-indexed government securities), growth of M1, changes in asset prices, fiscal policy, and real sector developments. The Governor has the authority to change official rates and does so after consultation with BoI staff; there is no central bank board.

29. For *open market operations*, the BoI uses 3-, 6-, and 12-month zero-coupon, nonindexed treasury bills (termed Makam). These securities are provided to the BoI by the Ministry of Finance (MoF) and are subject to a legal ceiling (currently a par value around NIS 25 billion). The proceeds can not be used to finance the budget deficit. The ceiling is raised

twice per year at a rate equal to the growth of the overall CPI or of M1, whichever is larger. Due to the need to mop up liquidity in the face of strong capital inflows in 1996–97, virtually all of these bills have been sold by the BoI into the market (NIS 22.1 billion at end-November 1998). Daily trade in Makam occurs and its yield serves as a benchmark for pricing longer-term, variable rate, nonindexed securities as well as for determining inflation expectations; individuals are exempt from tax on earnings from T-bills.

30. The *discount window loan rate* (which also serves as the main indicative rate of the stance of monetary policy) is actually a ladder of windows, with a limited amount of credit available at each window (there is no formal discounting of bills and bonds). Each window carries a progressively higher interest rate (the lowest window is set at 0.7 percentage points below the announced official interest rate, with steps of 0.1 percent thereafter), with perfectly elastic supply at the highest rate which is set at a punitive level (around 48 percent). The amount of credit outstanding through the discount window is determined by commercial banks. Treasury bills and bonds of any maturity may be placed at the window. At end-November 1998, total loans through the (lower) window totaled NIS 0.8 billion; commercial banks tend to use these windows as a source of liquidity which they can rely on independent of the outcome of their bids at the monetary auction. In principle, each bank's eligibility to access a given step is determined by its share in total banking system assets, but interbank trading in practice renders this allocation issue irrelevant for system operating characteristics.

31. The *monetary loan auction* (introduced in 1987) functions as a repo-like facility; when in operation, it is a daily auction of overnight and week loans to commercial banks collateralized by government bills and bonds. The quantity offered is fixed by the BoI, and the interest rate is determined through the auction by the bidding commercial banks. The BoI attempts to maintain domestic liquidity conditions so that on average the (geometric average) auction yields are close to the (simple) monthly announced official rate. In 1998, the daily and weekly monetary auctions were suspended since the banking system was experiencing excess liquidity.

32. In June 1996, to augment its sterilization facilities, the BoI introduced a *bank deposit facility*, under which liquidity is absorbed through auctions among commercial banks for the right to deposit for one day, one week, one month, and three months funds with the BoI. All bids are accepted subject to the predefined quantity—which again is set so as on average to meet the monthly announced official (simple) interest rate—and the average bid rate is published. In general, either the monetary loan auction or the deposit auction facility is open at any one time. The outstanding balance of this facility at end-November 1998 was NIS 35.5 billion.

33. The BoI also has a shekel/dollar swap facility to augment its sterilization facilities (introduced in August 1995). Each week the BoI offers to commercial banks in a discriminatory tender a fixed quantity of dollars for shekels with an advance agreement to repurchase the dollars one month later. The conversion in both directions is made at a fixed predetermined exchange rate. Since the transaction involves no risk of a change in the

exchange rate, the BoI pays a return equal to the difference between the tender-determined shekel yield and dollar interest rates. The outstanding stock at end-November 1998 was around US\$1.4 billion.

B. Direct Instruments

34. During the 1980s and 1990s, the extensive direct controls on credit were virtually removed. A limited amount (NIS 20 billion) of direct subsidized lending for housing and export promotion is still outstanding. It is financed from a stock of government funded earmarked deposits.

C. Reserve Requirements

35. Reserve requirements are set uniformly on all banks. Current rates are 6 percent on demand deposits and time deposits of 1–6 days, 3 percent on time deposits of 7–365 days, and zero on longer time deposits. There is no distinction between domestic and foreign deposits (reserve requirements for foreign deposits are made in shekels as of January 1, 1998); there are no reserve requirements on nonresident foreign currency deposits held in Israel. The Governor has the authority to change reserve requirements for up to three months; after that time, the change has to be approved by legislation.

36. Banks are required to meet the reserve requirement ratio on an average basis over a reserve month, which is either four or five weeks long (Thursday to Wednesday) corresponding as closely as possible to a calendar month. Weekly reserve deficiencies of up to 12.5 percent are averaged with surpluses in other weeks within the reserve month. Weekly deficiencies in excess of 12.5 percent are fined at the highest discount loan rate. Cash deposits at the BoI are the only eligible asset for reserve requirement purposes. No interest is paid on such reserves.

D. Central Bank's Standing Facilities

37. Short-term credit of up to one month is available through the discount window and monetary auction facility as described above.

E. Other Instruments

Primary market operations

38. As the fiscal agent of the government, the BoI sells all government securities on the government's behalf at weekly auctions with the quantity determined by the government. Each accepted bidder (a bank, stock exchange member, mutual fund, insurance company, provident fund, or pension fund) pays the price it offered. The BoI advises the government on types of securities and maturities to issue.

39. There are three types of government bonds offered. *Indexed bonds* include the **Sagi** (fixed coupon **real** interest that can not exceed 8 percent and which is paid yearly for a period of 5–6 years, with principal and interest indexed to the CPI), **Galil** (as for the Sagi but for periods of 7–20 years), and the **Kfir** (interest paid twice a year based on net daily yield set by the stock exchange for CPI-indexed bonds of between 3–5 years; these bonds are issued for a period of 4–25 years). *Unindexed bonds* include the **Shahar** (fixed interest paid yearly for a period of 1–20 years) and the **Gilon** (variable interest paid twice a year based on net daily yield, set in the secondary market on Makam treasury bills of between 3–12 months; these bonds are issued for a period of 1–10 years). *Dollar-indexed bonds* include just the **Gilboa** (variable interest paid twice a year depending on movements in LIBOR on 6-month dollar deposits and movements in the NIS/dollar exchange rate; issued for periods of 3–20 years). Individuals and mutual funds pay tax of 35 percent for the coupon payments of indexed and dollar-indexed bonds, and zero tax on the coupon for unindexed bonds. Foreigner's holdings amount to only ½ percent of total value. Finally, the government also issues special nontradable indexed bonds to pension funds and life insurance companies (the latter of which is being phased out), which pay a preferential interest rate (representing almost half of the stock of all government securities).

Secondary market operations

40. While in principle the BoI can buy and sell bonds freely, it has agreed with the Ministry of Finance that it will not do so, subject to a few exceptions. The BoI does act as a market maker in the secondary treasury bill (Makam) market which is traded on the stock exchange, though daily turnover is fairly low (around NIS 100 million, about equal to the average daily trading of shares on the stock exchange). Trading in the bill market became continuous in December 1998 and is to be extended to the government bond market in early 1999; until then the market acted as an auction where one rate was set daily.

41. As a general rule, the BoI does not act as a market maker in the secondary bond market; daily turnover on the stock exchange is also fairly low (around NIS 170 million). In 1995, a new outright purchase facility (the “purchase offer” facility) was introduced whereby the BoI purchases a fixed quantity of 3–15 year bonds at an auction. At present, the BoI purchases around NIS 40 million per week through this facility. The purpose of introducing the facility was to enable the BoI to inject liquidity due to the growth in economic activity; in practice, the facility has not been used extensively due to the strong capital inflows of 1996–97. The only major purchases under this facility were in mid-1996 when the BoI purchased CPI-indexed bonds worth NIS 1.5 billion to counteract a crisis in the provident funds (and sold an equivalent amount of Makam T-bills to sterilize this monetary injection). At end-November 1998, total holdings of government non-Makam securities was NIS 5.4 billion.

Other features

Transfer of government deposits

42. Since 1985, the BoI is not allowed to extend loans to the MoF and transfers of government deposits are not used as a monetary policy vehicle. The MoF keeps several

accounts at the BoI, apart from its regular budgetary current account. The *foreign currency accounts* are primarily used for receipts of U.S. government grants and loans and for foreign borrowing under U.S. guarantees which can be used to finance any type of budget expenditure; these deposits are transferred to the regular budgetary accounts on an as needed basis. The *Makam account* represents the proceeds of special treasury bills issued by the MoF to the BoI for use of the latter in its monetary operations; these deposits can not be used for budgetary operations. The "*frozen*" account is the depository of any BoI profits over and above the agreed repayment schedule to clear the government's outstanding long-term indexed debt (carrying an interest rate of 8 percent) to the BoI (which stood at NIS 7.1 billion at end-November 1998). In 1992, the MoF and BoI agreed to transfer that part of the latter excess profit that represented realized profits on the BoI's foreign loans and deposits to the budget (which was placed as a revenue item in the budget's accounts). In 1994, the budget exceptionally withdrew NIS 4.2 billion from its frozen account to finance part of the deficit in that year which has since been repaid.

Foreign exchange options

43. The BoI offers 3- and 6-month shekel/dollar European call options. These options are not negotiable. The options are of two kinds: at and out of the money. For 3-month at-the-money options, US\$4 million is auctioned twice a week; for 3-month out-of-the-money options, US\$6 million is auctioned twice a week (i.e., a total of US\$20 million per week). In addition, once a week a 6-month auction is offered out-of-the-money for US\$5 million. From late December 1998, the 3 month at-the-money options have been replaced with a 3-month put option.

Other derivatives

44. In addition to the foreign exchange option, the BoI offers two other derivative facilities. Each week, the BoI offers to deliver 3 and 12 month Makam treasury bills in three months time, with the yield determined by auction. This facility therefore functions as a forward interest rate derivative market. Around NIS 40 million is offered weekly (NIS 20 million for each type of auction). The forward contracts are not tradable.

45. The BoI also provides a swap facility between indexed government bonds with an average maturity of up to one year for T-bills of 12 months. The yield to maturity of the T-bills is set by auction. The weekly amount is around NIS 20 million.

F. Market Information and Procedures

46. Finally, the BoI provides its clearing services as a way to encourage an efficient interbank market and, as a byproduct, knows which banks are selling to whom, how much, and at what rate.

ISRAEL: DEVELOPMENTS IN EXCHANGE RESTRICTIONS

47. Since 1987, the extensive system of foreign exchange controls in Israel has been gradually eased. Before that time, all foreign currency transactions were forbidden unless explicitly permitted. *Current account restrictions* focused, inter alia, on limiting foreign currency travel allowances (including through use of credit cards) and wage payments and unilateral transfers abroad. *Capital account restrictions* focused on both inflows and outflows, but later the emphasis was more on restricting outflows due to a concern that, if left unrestricted, resident portfolio diversification would greatly outweigh the magnitude of foreign inflows. There were also multiple currency practices, such as the 4 percent tax on imports of tourism services levied at the time of the exchange transaction and the exchange rate insurance scheme for exporters.

48. The gradual easing of these restrictions over time—including elimination of the multiple currency practices—led to the acceptance by Israel of the International Monetary Fund's Article VIII, Sections 2, 3, and 4 in September 1993. Further, by 1994 all restrictions on capital inflows had been eliminated, including foreign borrowing by Israeli residents.

49. During 1998, three further steps were taken in the liberalization program. The first went into effect on January 1, 1998 and included:

- Israeli residents were permitted to purchase freely foreign currency with local currency and to deposit it in foreign currency deposits in Israeli banks.
- Israeli residents were permitted to transfer money and foreign securities held in custody deposit between foreign currency deposits within the domestic banking system.
- All restrictions on mutual funds' investments in foreign securities were abolished.
- The limit of 5 percent of turnover or 10 percent of capital on holdings of foreign securities and foreign currency abroad by Israeli companies was abolished.
- Israeli residents, except insurers and pension funds, were permitted to freely engage in NIS/foreign currency derivatives, and provident funds could engage in such derivatives within the limit on foreign currency financial investments.
- All restrictions on forward transactions between foreign currencies, cross rates, interest rates on foreign-currency assets or liabilities, commodity and securities prices, were removed.

50. Additional changes went into effect on February 12, 1998, namely:

- Israeli residents and nonresidents traveling abroad were permitted to purchase \$1,000 on leaving the country without having to produce documents or personal identification.
- Israeli residents living abroad were permitted to open bank accounts there regardless of the length of stay.
- Israeli residents was permitted to freely engage in selling foreign securities short, while a foreign resident was permitted to sell Israeli securities short.
- All time limits regarding payments for imports and submittance of receipts for exports were abolished.

51. Finally, on May 14, 1998, all activities and transactions in foreign currency and between Israeli residents and nonresidents were permitted (instead of the previous negative list). Following this declaration, the shekel is now fully convertible. Individuals are allowed to invest freely abroad (including in real estate and land), to manage bank accounts abroad, to hold, make payments, or receive foreign exchange, to undertake any kind of unilateral transfer, and to make transactions directly with foreign financial intermediaries as well as authorized domestic dealers (there is an obligation by these parties to report on the nature of the transaction). The remaining restrictions are on institutional investors and derivatives made with nonresidents, as follows (and the government has committed to remove them over time):

- A provident fund may not: (i) hold foreign exchange or foreign securities and make forward transactions involving payment or receipts in foreign exchange in an amount of more than 5 percent of the provident fund's total assets; (ii) hold 5 percent or more of a given security issued by a nonresident corporation; or (iii) buy or hold other kinds of foreign assets.
- A pension fund or insurance company may not: (i) buy foreign currency and hold it in cash or deposit; (ii) accept foreign currency from another resident; (iii) engage in forward transactions involving payment or receipt of foreign exchange; (iv) buy or hold foreign securities unless issued by the State of Israel or by an Israeli resident company registered for trading on a foreign stock exchange or over the counter; and (v) buy or hold other kinds of foreign assets.
- A resident may not undertake with a nonresident a derivatives transaction of any kind in which one of the underlying assets is local currency and which involves payment or receipt of foreign currency, unless the transaction is a forward transaction at a pre-set price for a period of no more than 30 days.

ISRAEL: SUMMARY OF THE TAX SYSTEM AND TAX INCENTIVES AS OF JANUARY 1, 1998

A. Corporate Income Tax (CIT)

52. *General nature:* The CIT follows the classic system: profits are taxed at the corporate level and distributed dividends are taxed at the individual level (see withholding tax below). All companies, resident or nonresident for tax purposes, are subject to tax on Israeli-sourced income.

53. *Notable special features:* A comprehensive set of inflation adjustments is available. For resident companies, the adjustments generally involve a deduction from taxable income, the amount of which is linked to the shareholders' equity. These deductions are reduced, however, by assets that are considered inflation-immune, for example, fixed assets. For nonresident companies meeting certain criteria, an option to keep records for tax purposes in U.S. dollars is available.

54. *Rate structure:* The regular rate has been 36 percent since 1996. The tax rate for income accrued outside of Israel and then received in Israel is 25 percent. Numerous special rates are available (see tax incentives below).

55. *Revenue significance:* 3.6 percent of GDP and 11.3 percent of total tax revenue in 1998.

B. Personal Income Tax (PIT)

56. *General nature:* All individuals, resident or nonresident for tax purposes, are subject to the PIT on Israel-source active and passive income. Deductions of national insurance contributions can be made against 52 percent of nonwage income for the self-employed as well as contributions to advanced training funds. Capped deductions or tax credits are also allowed for charitable donations, shift labor, and residents living in certain geographic areas. Tax relief for interest on savings plans and for incomes from pensions and provident funds is provided. A system of tax credits based on points is in operation with a minimum of 2.25 credit points for each Israeli resident taxpayer with, inter alia, working women entitled to an additional 0.5 point, married persons with nonworking spouses an additional 1 point, working women with children under 18 an additional 1 point for each child, recent immigrants an additional 1–3 additional points for periods up to 3½ years, and heads of one-parent families and individuals with dependent children are entitled to 1 additional point. As of January 1998, each credit point was worth NIS 153 per month; the value of a credit point is adjusted annually.

57. *Notable special features:* Fringe benefits provided by employers are comprehensively taxed, including an imputed value of usage of company cars.

58. *Rate structure:* In 1998, five brackets of 10–20–30–45–50 percent on active income. Tax brackets are adjusted annually for changes in the CPI. A minimum rate of 30 percent applies to passive income (i.e., nonwage or nonbusiness income), including interest (but not from savings accounts), rental income (beyond NIS 6,350 per month), and capital gains (except gains from the stock market which are tax exempt for individuals); income from these sources is taxed at the marginal personal income tax rate thereafter (i.e., at 45 percent and 50 percent). The tax rate for income accrued abroad and remitted to Israel is 25 percent, for dividend income is 25 percent, and for interest on bonds and foreign securities not traded on the Tel Aviv Stock Exchange is 35 percent.

59. *Revenue significance:* 11.1 percent of GDP and 35.2 percent of total tax revenue in 1998.

C. Withholding Tax

60. *General nature:* Tax is withheld at source on a variety of incomes and payments, including wages, national insurance contributions, royalties and most investment incomes (e.g., interest and dividends). Withholding on investment incomes paid to individuals is generally final.

61. *Rate structure:* For dividends, rates are 25 percent (regular rate) and 15 percent (approved enterprises—see tax incentives below); for interest, rates are 35 percent (on interest from government and private bonds to residents and from residents' foreign currency bank accounts) and 25 percent (on interest from private bonds to nonresidents).

D. Capital Gains Tax (CGT)

62. *General nature:* The CGT is formally a part of the CIT or PIT, as the case may be. Under the CIT and PIT, resident companies and individuals are taxed on their world-wide gains; nonresident companies and individuals are taxed on gains from Israel-source assets. Gains from real estate are taxed under a separate Land Betterment Tax with broadly similar rules (see below).

63. Capital gains arising from the sale of securities listed on the Tel Aviv Stock Exchange and of securities in Israeli industrial companies and industrial holding companies listed on specified foreign stock exchanges are usually taxed only if the seller is a company or an individual who holds securities as part of the primary business. For other individuals (resident or nonresident), their gains are exempt from taxes. Capital gains accruing to dealers of securities are taxed as for regular income under the CIT. Gains from the sale of securities of unlisted companies are taxable as for individuals.

64. *Rate structure:* Nominal gains on assets acquired after 1960 are divided into real and inflationary parts. Real gains are taxable as regular income rates, while inflationary gains accrued until 1994 are taxable at 10 percent; nominal gains accrued after 1994 are tax exempt.

Assets acquired before 1960 are taxed as follows: for assets acquired up to 1948, the final tax is 12 percent; for assets acquired between 1949–60, 1 percent is added to the 12 percent tax rate for each year after 1948, up to a total of 24 percent. Sales by individuals and mutual funds of foreign securities that are not traded on the Tel Aviv Stock Exchange are taxed at the flat rate of 35 percent.

E. Payroll Taxes

65. *General nature:* There are four main payroll categories: (i) national insurance (social security) contributions from both employers and employees to cover an array of benefits, such as old age pensions, disability benefits, family allowances, and unemployment benefits; (ii) national health insurance premiums (effective from 1995) from all residents, in lieu of such payments on a private-billing basis; (iii) employer's tax (paid by public and nonprofit institutions only); and (iv) payroll taxes in lieu of value-added tax (VAT) paid by certain organizations (see VAT below).

66. *Rate structure:* As of January 1998, for category (i), resident employees pay either 4.90 percent or a reduced rate of 2.66 percent on active income (the reduced rate applies to the first 50 percent of the average wage); employers pay a flat amount of 4.93 percent of payroll. For the self-employed, the combined rates (also progressive) are 5.72 percent and 9.62 percent. The maximum taxable income subject to national insurance tax is four times the average wage (NIS 22,240 per month as of January 1, 1998; the value of the ceiling is adjusted). All citizens are required to pay national insurance payroll taxes, regardless of whether they work (except married homeworkers who do not work outside of the home), or whether they reside abroad. Career soldiers, foreign workers in Israel, and workers from the territories are exempt. For category (ii) the arrangements are similar as for those above. Only wage earners and the self-employed contribute, at 4.8 percent and a reduced rate of 3.1 percent on the first 50 percent of the average wage up to NIS 22,240 per month. For category (iii), employers pay 4 percent of payroll, excluding fringe benefits.

67. *Revenue significance:* Categories (i) and (ii); 6.1 percent of GDP; though not part of the general budget, they represent 19.2 percent of total (nonpayroll) central government tax revenue in 1998. For category (iii), 0.3 percent of GDP and 0.9 percent of the total tax revenue.

F. Property-Related Taxes

68. (1) **Land Betterment Tax:** levied on capital gains arising from the sale of real estate. The rate structure applying to the sale of real estate is the same as for the capital gains tax. Sale of one residential dwelling is exempt from land betterment tax once every four years, and the sale of two dwellings with a combined value of NIS 1.2 million (adjusted annually for changes in the CPI) is exempt once per taxpayer's lifetime (subject to a variety of conditions).

69. (2) **Real Estate Purchase Tax:** levied on the purchase of all residential apartments, buildings and vacant land. Rates are 4.5 percent on business buildings and vacant land, 0.5–4.5 percent on residential apartments (rising with value, which in general is adjusted quarterly on the rate of increase in the housing price index), and either 0.5 percent or 5 percent on farms. Various preferences qualify for the 0.5 percent rate for real estate holdings.

70. (3) **Property Tax:** levied annually on the value of vacant urban land. The rate is 2.5 percent, but is taxed at 1.2 percent if the land is part of a business' inventory. Government, public institutions, and United Nations agencies are exempt. Fruit orchards qualify for a deduction of NIS 65,700 per dunam for property tax purposes.

71. *Revenue significance:* Total property tax was 0.9 percent of GDP and 2.8 percent of total tax revenue in 1998.

G. VAT

72. *General nature:* Standard credit-invoice based.

73. *Notable special features:* The base is broad with exemptions limited to certain sales of assets, consumption in Eilat, and many imported services. Major zero-rated items are exports, unprocessed fruits and vegetables, and tourism services.

74. *Rate structure:* 17 percent (apart from the zero rate). Financial institutions pay 17 percent on their payroll and profits (deductible against taxable income under the CIT but not creditable against other VAT payments), and nonprofit institutions pay 8.5 percent on their payroll(not creditable against other VAT payments).

75. *Revenue significance:* 10.6 percent of GDP and 33.6 percent of total tax revenue in 1998.

H. Purchase Tax

76. *General nature:* A purchase tax is imposed on the wholesale price of selected final consumer goods (imported or locally produced), most notably motor vehicles, as well as a limited number of raw materials and intermediate goods.

77. *Rate structure:* Between 5 percent to 95 percent.

78. *Revenue significance:* 2.4 percent of GDP and 7.8 percent of total tax revenue in 1998.

I. Excise and Stamp Duties

79. *General nature:* Excises are imposed on tobacco. Stamp duties are imposed on most legal documents, though several government contracts are exempt.

80. *Rate structure:* On cigarettes, the rate is 55 percent of the consumer price excluding VAT plus NIS 0.916 per pack. On fuel, the rate varies between NIS 1.82–1.87 per liter for petroleum, NIS 0.099 per liter for diesel, and NIS 0.064 per liter for kerosene (adjusted quarterly by the rate of increase in the CPI). Stamp duty rates vary between 0.4–3.0 percent.

81. *Revenue significance:* 1.6 percent of GDP and 5.2 percent of total tax revenue in 1998.

J. Customs Duties

82. *General nature:* Most imports of industrial products to Israel are exempt from customs and duties, and all quotas have been converted into tariffs. For nonfood imports which are not exempt, as of September 1996 customs duties generally varied between 8 percent and 20 percent. Imports of lumber, footwear, fertilizers, sheet metal, ceramic implements, and electric motors attained their final rate of 8–12 percent on September 1998. The textile industry will do so in September 2000. In general, imports of ships, aircraft, diamonds, and inputs and intermediate goods are exempt.

83. For agricultural products, since January 1, 1996 the maximum tariff has been 100 percent, which will be reduced in stages to reach a maximum rate of 50 percent by the year 2003. Processed foods are charged customs duties of 12 percent for the estimated value-added component, plus the relevant agricultural tariff for the estimated raw material component.

84. All goods imported under the Free-Trade Agreements with the United States, European Union, and EFTA (European Free Trade Area) are duty free. There are also trade agreements between Israel and Canada, the Czech Republic, Hungary, Poland, Slovakia, and Turkey, which will reduce tariffs on industrial products to zero by the year 2000 or 2002 (depending on the country).

85. *Rate structure:* See description above.

86. *Revenue significance:* 0.3 percent of GDP and 1.1 percent of total tax revenue in 1998.

K. Local Taxes

87. *General nature:* Local taxes comprise primarily those on property (arnona) and a range of user fees and water charges.

L. Tax Incentives

88. *General nature:* Most tax incentives are granted under the Encouragement of Capital Investment Law (1959, as amended), Encouragement of Industry (Taxes) Law (1969, as amended), Encouragement of Industry (Taxes) Law 1969, as amended, Encouragement of Capital Investments in Agriculture Law (1980, as amended), and Encouragement of Industrial Research and Development Law (1984, as amended) to: (i) approved enterprises (projects) without sectoral restrictions but mostly in manufacturing and tourism, with varying benefits depending on location (i.e., whether then are in or outside national priority zones A and B); (ii) approved agricultural projects; (iii) income from properties which form part of an approved enterprise enjoying the tax benefits; (iv) companies with at least 25 percent of foreign investment that own approved enterprises; and (v) approved international trading companies (excluding importing to and exporting from Israel).

89. There are, in addition, the Free Port Zone Law (1969), establishing Kishon Port (Haifa), Port of Ashdod, and Port of Eilat as free ports; the Eilat Free Trade Zone Law (1985), establishing the city of Eilat and its surrounding one kilometer area as a free trade zone; and the Free Export Processing Zone Law (1994), under which one such zone is being established near Beer Sheva.

90. Approved enterprise status is granted by the Investment Center at the Ministry of Trade and Industry, and generally required a minimum of 30 percent in paid-up capital by the investor(s).

91. *Forms of incentives:* The system of incentives is complex, with varying incentives subject to differing requirements. In general, it has the following structure.

(1) Investment (cash) grants: provided as a percentage of investment in net fixed assets. The grant is deducted from the value of fixed assets for depreciation and capital gains purposes. Grants range from 5 percent to 24 percent (in 1994), depending on nature and location of the approved enterprise. Approved enterprises may also receive an accelerated depreciation schedule.

(2) Reduced CIT rate: provided on taxable income of an approved enterprise (including agricultural projects) with a reduced CIT rate of 25 percent for 7 years. The withholding tax on dividends paid by an approved enterprise is 15 percent for 19 years. The benefits are enhanced if the approved enterprise has substantial foreign ownership: a reduced rate of 25 percent applies for ten years if the percentage of foreign ownership is 25–49 percent; the applicable CIT rate further decreases (to a low of 10 percent) with

increases in foreign ownership (to 90 percent or more). Dividends paid by approved enterprises with a minimum of 25 percent foreign ownership are subject to a withholding tax of 15 percent with no time limit. Rate incentives on income from approved assets are similar to those applicable to approved enterprises described above.

(3) Tax holidays (alternate track): instead of receiving investment grants, approved enterprises can opt for a CIT holiday of 2–10 years, depending on location (if the holiday period is shorter than the applicable period of reduced CIT rate, the benefits of the latter commence upon the expiration of the holiday). Withholding tax on dividends is applicable as if the enterprises had not chosen the holiday option. Approved international trading companies can enjoy a CIT holiday of ten years.

(4) Industrial incentives: such companies can deduct from taxable income various capital and R&D expenditures.

(5) Free port zones: enterprises established in a free port enjoy a CIT holiday (except on real capital gains, which are taxed under the regular system) of seven years, after which a 25 percent rate applies without time limit. Dividends are taxed at 15 percent, also without time limit. Under the Eilat free trade zone, residents are entitled to a tax credit of 10 percent of their taxable income (but no more than the total tax otherwise payable) under the PIT. Employers are allowed to retain 20 percent of wages from payroll taxes withheld from employees (but no more than the actual taxes withheld). The VAT is also exempted. Under the free export processing zone, there is a CIT holiday of 20 years, but dividends and capital gains are taxed at 15 percent. Imports and intra-zone sales are free from indirect taxes.

92. *Revenue significance:* Total investment grants and subsidies by the central government, which represent explicit outlays, amounted to about 0.5 percent of GDP in 1998. Total income tax expenditures, which represent revenue forgone, are estimated by the authorities at 0.3 percent of GDP.

Table A1. Israel: GDP by Expenditure Components in Current Prices, 1993-98

	1993	1994	1995	1996	1997	1998 Est. 1/
(In millions of new sheqalim; current prices)						
Consumption	169,663	205,112	238,416	277,144	308,808	335,156
Private	116,475	142,478	161,217	186,596	209,328	225,700
Public	53,188	62,634	77,199	90,548	99,480	109,456
Gross domestic capital formation	46,990	54,234	64,896	74,144	73,692	72,692
Total domestic demand	216,653	259,346	303,312	351,288	382,500	407,848
Exports of goods and nonfactor services	60,536	73,334	83,481	94,232	107,156	120,776
Imports of goods and nonfactor services	90,613	107,843	126,060	141,956	151,336	162,880
Foreign balance	-30,077	-34,509	-42,579	-47,724	-44,180	-42,104
GDP	186,576	224,837	260,733	303,564	338,320	365,744
(In percent of GDP; current prices)						
Consumption	90.9	91.2	91.4	91.3	91.3	91.6
Private	62.4	63.4	61.8	61.5	61.9	61.7
Public	28.5	27.9	29.6	29.8	29.4	29.9
Gross domestic capital formation	25.2	24.1	24.9	24.4	21.8	19.9
Total domestic demand	116.1	115.3	116.3	115.7	113.1	111.5
Exports of goods and nonfactor services	32.4	32.6	32.0	31.0	31.7	33.0
Imports of goods and nonfactor services	48.6	48.0	48.3	46.8	44.7	44.5
Foreign balance	-16.1	-15.3	-16.3	-15.7	-13.1	-11.5
GDP	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Central Bureau of Statistics, *Monthly Bulletin of Statistics*; and *1997 Statistical Abstract of Israel*.

1/ Estimate by the Central Bureau of Statistics.

Table A2. Israel: GDP by Expenditure Components in Constant Prices, 1993-98 1/

	1993	1994	1995	1996	1997	1998 Est. 2/
(In millions of new sheqalim; constant 1995 prices)						
Consumption	214,469	227,410	238,418	250,931	258,944	267,476
Private	137,375	150,449	161,219	169,311	176,088	182,304
Public	77,094	76,962	77,198	81,620	82,856	85,172
Gross domestic capital formation	54,172	58,740	64,896	70,220	65,604	61,704
Fixed capital formation	49,392	55,280	60,596	66,364	64,172	61,692
Increase in stocks	5,290	2,024	3,507	3,135	644	-164
Total domestic demand	266,478	285,102	303,315	321,153	324,686	328,257
Exports of goods and nonfactor services	66,840	75,401	83,481	87,686	93,976	97,352
Imports of goods and nonfactor services	104,778	116,192	126,060	136,109	139,664	142,804
Foreign balance	-37,938	-40,791	-42,579	-48,423	-45,688	-45,452
GDP	228,283	244,077	260,736	272,730	278,856	283,728
(Annual percentage change)						
Consumption	6.2	6.0	4.8	5.2	3.2	3.3
Private	7.3	9.5	7.2	5.0	4.0	3.5
Public	4.2	-0.2	0.3	5.7	1.5	2.8
Gross domestic capital formation	5.3	8.4	10.5	8.2	-6.6	-5.9
Fixed capital formation	1.8	11.9	9.6	9.5	-3.3	-3.9
Total domestic demand	5.1	7.4	6.0	5.9	1.1	1.1
Exports of goods and nonfactor services	9.9	12.8	10.7	5.0	7.2	3.6
Imports of goods and nonfactor services	14.1	10.9	8.5	8.0	2.6	2.2
GDP	3.4	6.9	6.8	4.6	2.2	1.7

Sources: Central Bureau of Statistics, *Monthly Bulletin of Statistics*; and *1997 Statistical Abstract of Israel*.

1/ Estimates in 1995 prices derived by chaining each categories growth rate computed at different base year prices; hence totals do not reflect the sum of their components.

2/ Estimate of the Central Bureau of Statistics.

Table A3. Israel: Investment, 1993-98

	In millions of new sheqalim 1997	Percentage change at constant prices					
		1993	1994	1995	1996	1997	1998 Est. 1/
Gross domestic capital formation	73,692	5.3	8.4	10.5	8.2	-6.6	-5.9
Gross fixed capital formation	73,048	1.8	11.9	9.6	9.5	-3.3	-3.9
Machinery, transport, and other equipment	30,162	13.8	23.1	30.5	11.4	-6.2	-8.0
Land transport equipment	6,263	5.9	19.1	-8.3	20.2	-13.3	-11.1
Other machinery and equipment	23,057	14.1	19.9	3.7	9.7	-3.1	-0.9
Ships and aircraft	842	0.9	184.7	-20.6	-9.3	32.4	-79.6
Construction	42,865	-5.1	5.4	17.8	7.6	-1.5	-4.4
Residential	23,176	-23.2	4.1	24.9	4.8	0.3	-8.6
Private	18,541	11.8	15.6	20.5	1.7	2.6	-6.3
Public	4,635	-60.7	-30.8	47.2	17.9	-8.2	-17.8
Nonresidential	19,689	27.7	6.8	10.3	11.0	-3.6	0.5

Sources: Central Bureau of Statistics, *Monthly Bulletin of Statistics*; and *1997 Statistical Abstract of Israel*.

1/ Estimate of the Central Bureau of Statistics.

Table A4. Israel: Consumption, 1993-98

	In millions of new sheqalim 1997	Percentage change at constant prices					
		1993	1994	1995	1996	1997	1998 Est. 1/
Private consumption	209,328	7.3	9.5	7.2	5.0	4.0	3.5
Consumption by Israeli households							
Household consumption in the domestic market	204,116	7.3	8.8	7.8	4.3	2.8	3.0
Food, beverages, and tobacco	45,438	7.5	8.6	6.5	4.8	2.3	0.7
Fuel and electricity	9,045	5.5	6.8	6.4	5.8	3.7	4.5
Clothing, footwear, and personal effects	10,951	19.0	15.1	8.9	0.1	-1.9	2.5
Other goods	10,068	14.3	8.1	9.2	3.5	-5.2	4.7
Durable goods	22,686	0.5	11.1	14.6	6.4	2.5	1.6
<i>Of which</i>							
Passenger cars	6,887	-13.9	11.1	8.8	5.3	-8.7	-3.1
Housing	48,657	4.5	3.3	3.0	4.0	4.4	4.4
Other services	57,271	8.2	10.4	8.7	4.1	4.5	4.1
<i>Plus:</i> Consumption by Israelis abroad	9,711	14.0	22.9	9.8	10.4	13.0	9.7
<i>Less:</i> Consumption by nonresidents	10,756	8.0	8.6	17.6	-5.9	-9.6	-0.6
Consumption by nonprofit institutions	4,169	-1.6	16.1	-3.9	-3.1	3.5	4.1
Public consumption (excluding net defense imports)	92,349	4.2	-0.2	0.3	5.7	1.5	2.8
Civilian	67,544	2.4	7.3	3.7	4.5	2.1	3.1
Compensation of employees	45,561	3.3	5.8	2.3	3.7	2.4	2.4
Indirect taxes on salaries	3,334	4.0	5.9	2.1	3.9	2.5	...
Consumption of fixed capital	997	...	...	...	...	...	...
Other current purchases	17,652	-1.4	13.6	7.9	6.7	1.1	4.3
Domestic defense	24,805	-6.0	0.2	-1.8	1.7	-0.4	-0.2
Compensation of employees	14,233	-1.0	--	-0.8	-0.9	-0.2	-1.2
Indirect taxes on salaries	679	1.2	-0.6	--	-0.2	-0.4	...
Other current purchases	10,572	-11.0	0.5	-3.0	5.5	-0.7	1.0
<u>Memorandum items:</u>							
Net defense imports	7,131	42.3	-32.8	-14.1	24.4	6.0	11.8
Defense imports	7,801	40.1	-31.4	-11.7	31.1	2.2	9.8
<i>Less:</i> Sales	670	-34.9	7.4	35.5	-16.7	-0.3	4.8
Public consumption including net defense imports	99,480	4.2	-0.2	0.4	5.7	1.5	2.8

Sources: Central Bureau of Statistics, *Monthly Bulletin of Statistics*; 1997 *Statistical Abstract of Israel*; and data provided by the Bank of Israel.

1/ Estimate of the Central Bureau of Statistics.

Table A5. Israel: Gross Private Income and Savings, 1993-97

	1993	1994	1995	1996	1997
(In millions of new sheqalim; at current prices)					
GNP at market prices	183,624	221,509	255,436	296,643	329,526
<i>Plus:</i>	4,301	4,876	4,443	4,462	4,361
Subsidies on domestic production	3,830	4,456	4,079	4,167	4,172
Subsidies on government loans	471	420	364	295	189
<i>Less:</i>					
Indirect taxes on domestic production	26,365	31,131	36,242	42,655	48,573
GNP at factor cost	161,560	195,254	223,637	258,450	285,314
<i>Plus:</i>					
Net private transfers from abroad	7,425	9,400	10,740	11,573	13,375
Net transfers to domestic households and private nonprofit institutions	28,120	32,524	39,570	45,412	52,738
<i>Less:</i>					
Public sector income from property and entrepreneurship	2,113	2,488	4,176	3,345	2,339
Public sector consumption of fixed capital	2,666	3,008	3,482	3,875	4,331
Private income	192,326	231,682	266,289	308,215	344,757
<i>Less:</i> Direct taxes 1/	34,673	44,669	53,567	59,644	71,566
Gross private disposable income	157,653	187,013	212,722	248,571	273,191
Private consumption	116,475	142,478	161,217	186,598	209,328
Private savings	41,178	44,535	51,505	61,973	63,863
(Percent of gross private disposable income)					
Private consumption	73.9	76.2	75.8	75.1	76.6
Private savings	26.1	23.8	24.2	24.9	23.4

Sources: Central Bureau of Statistics, *Current Briefings in Statistics*; and data provided by the Bank of Israel.

1/ Including contribution to National Insurance Institute.

Table A6. Israel: National Savings, Foreign Savings, and Investment, 1993-97

	1993	1994	1995	1996	1997
	(In percent of total income) 1/				
Gross national savings	21.3	18.4	17.1	17.6	16.8
General government	1.7	0.7	-0.9	-1.1	-0.5
Private sector	19.6	17.7	18.0	18.7	17.3
Foreign savings	1.0	3.1	5.6	4.9	3.2
Current account	-0.7	-2.8	-5.3	-4.6	-3.0
Civilian import surplus	7.2	8.0	10.0	9.7	8.0
Unilateral transfers	6.5	5.2	4.7	5.1	5.0
Transfers on capital account	0.3	0.3	0.3	0.3	0.2
Gross investment	22.3	21.7	22.7	22.3	20.0
Inventories	2.1	0.9	1.2	1.0	0.2
Fixed residential	5.7	5.5	6.6	6.4	6.3
Fixed nonresidential	14.5	15.3	14.9	14.9	13.5

Source: Data provided by the Bank of Israel.

1/ Total income defined as GNP plus unilateral transfers from abroad.

Table A7. Israel: Industrial Production Indices, 1993-98

	Weight	Percentage change at constant prices					
		1993	1994	1995	1996	1997	1998 Est. 1/
Food, beverages, and tobacco	12.7	7.6	6.3	8.9	0.1	3.1	1.0
Textiles, clothing, and leather	6.7	4.6	10.1	3.8	-6.0	-5.0	1.5
Wood, furniture, paper, and printing	12.1	12.8	6.7	4.2	3.1	-0.5	-1.4
Chemicals, rubber, and plastics	15.2	10.9	10.9	8.1	8.2	0.5	8.8
Mining and nonmetallic minerals	6.5	3.1	5.1	18.2	9.1	-6.9	-7.6
Basic metals and metal products	12.5	3.8	10.6	13.3	5.3	4.5	...
Machinery and equipment (incl. electric)	7.0	12.1	5.4	3.9	1.4	-6.1	...
Transport equipment	5.7	-6.9	-8.0	0.6	6.6	5.7	9.8
Electronic equipment	19.9	8.6	8.3	9.2	11.2	8.3	...
Jewelry and miscellaneous articles	1.8	5.0	11.1	14.9	7.6	-4.9	-8.1
Total industrial production	100.0	6.8	7.4	8.4	5.4	1.8	2.8

Sources: Central Bureau of Statistics, *Monthly Bulletin of Statistics*; and data provided by the Bank of Israel.

1/ Estimate of the Central Bureau of Statistics.

Table A8. Israel: Labor Market Indicators, 1993-98

	In thousands	Percentage change					
	1998	1993	1994	1995	1996	1997	1998 Est. 1/
Israeli working-age population 2/	4243	3.0	2.9	3.0	3.0	2.7	2.8
Israeli civilian labor force	2243	4.8	4.3	4.0	2.2	2.5	1.5
Total Israelis employed	2060	6.1	6.9	5.0	2.4	1.4	1.0
Public services	612	3.5	4.8	7.7	2.3	3.0	2.9
Business sector	1447	7.2	7.4	4.2	2.5	0.7	0.1
Workers from administered areas	53	-27.3	-16.7	-14.2	-31.7	17.0	10.4
Foreign workers 3/	142	78.3	74.3	78.3	48.9	4.4	-0.7
Total employed	2254	4.9	6.4	5.9	3.4	1.9	1.0
<u>Memorandum items:</u>							
Participation rate (in percent of working-age population)		52.9	53.6	54.1	53.7	53.5	53.5
Unemployment rate (in percent of civilian labor force)		10.0	7.8	6.9	6.7	7.7	9.2

Sources: Bank of Israel, *1997 Annual Report*; Central Bureau of Statistics, *Monthly Bulletin of Statistics*; and data provided by the Bank of Israel.

1/ Estimate of the Central Bureau of Statistics.

2/ Aged 15 and above.

3/ Includes unreported foreign workers.

Table A9. Israel: Employment and Labor Input by Industry, 1993-98 1/

	1998 2/	Annual percentage change					1998 3/
		1993	1994	1995	1996	1997	
Employed persons 4/	(In thousands)						
Total 5/	2,052	6.1	6.9	5.0	2.4	1.4	1.0
Agriculture	49	7.4	1.6	-11.7	-11.1	-4.1	3.5
Industry	392	6.5	6.7	2.2	0.2	-1.7	-1.5
Public utilities	20	21.4	15.3	-5.4	-3.1	1.6	7.3
Construction	132	-3.4	21.2	3.3	6.7	-2.5	-10.9
Commerce	271	-3.4	21.2	3.3	2.7	3.1	3.1
Hotels and restaurants	78	7.3	22.1	10.6	-6.3	-0.5	1.6
Transport, storage, and communication	123	2.4	3.0	2.0	8.2	0.0	-2.0
Banking, insurance, and finance	73	6.8	6.4	4.0	-0.1	8.9	2.2
Business services	215	6.8	12.5	11.9	9.8	5.6	6.0
Community, social, and personal services	97	6.1	5.1	10.0	3.3	1.2	0.3
Civil service	111	0.0	7.3	-0.7	0.7	5.3	-2.9
Education	258	2.9	4.5	5.9	3.1	1.3	6.7
Health and welfare	201	7.8	6.3	7.0	4.1	2.7	9.0
Private household services	32	13.4	11.8	11.6	3.7	1.9	-2.0
Foreign organizations	2	9.1	0.0	16.7	-23.1	-36.1	60.5
Labor input	(In millions of man-hours)						
Total 5/	76.2	6.4	8.6	5.6	2.7	1.4	-0.5
Agriculture	2.0	9.4	2.9	-7.9	-10.9	-3.9	-0.8
Industry	16.5	7.5	7.3	3.7	0.5	-1.0	-1.9
Public utilities	0.8	18.7	19.2	-4.3	-0.3	-0.5	4.9
Construction	5.6	-1.7	24.7	5.9	6.0	-3.0	-12.1
Commerce	10.9	-2.5	22.1	2.5	3.2	2.1	1.1
Hotels and restaurants	3.0	4.1	32.1	0.9	-5.6	-1.8	2.5
Transport, storage, and communication	5.0	4.8	6.6	1.7	8.7	-2.1	-1.3
Banking, insurance, and finance	2.8	6.8	7.8	3.4	-0.9	9.2	0.3
Business services	8.2	6.2	13.4	11.9	10.7	6.1	2.7
Community, social, and personal services	3.2	4.5	3.9	10.3	1.1	2.4	-1.3
Civil service	4.3	0.0	9.3	-0.2	1.9	3.9	-2.2
Education	6.4	0.9	7.9	7.9	1.5	4.4	-2.2
Health and welfare	6.6	8.8	6.0	7.0	7.0	3.3	8.1
Private household services	0.8	10.0	17.7	17.1	8.5	-0.3	6.5
Foreign organizations	-0.1	6.2	12.6	20.2	-24.2	44.4	53.7

Sources: Central Bureau of Statistics, *Monthly Bulletin of Statistics*; and data provided by the Bank of Israel.

1/ Employment figures are annual averages; labor input figures are weekly averages.

2/ Average of first three quarters of 1998.

3/ First three quarters of 1998 relative to same period in 1997.

4/ Israeli employees.

5/ Data do not sum to total due to an "unknown" category.

Table A10. Israel: Real Wages, Labor Costs, and Productivity, 1993-98

	1993	1994	1995	1996	1997	1998 1/
	(Percentage change)					
Real wages per employee post 2/						
Total economy	0.6	2.5	2.2	1.6	2.4	3.3
Business sector	0.3	-0.4	0.6	1.5	3.5	4.3
Public sector	1.2	9.8	5.7	1.9	--	0.9
Labor costs and productivity in the business sector						
Real compensation 3/	0.7	0.8	0.3	3.8	2.7	...
Labor productivity 4/	-2.2	-1.5	0.4	1.4	-1.2	...
Real unit labor costs 5/	2.9	2.3	-0.1	2.4	3.9	...

Sources: Bank of Israel, *1997 Annual Report*; and data provided by the Bank of Israel.

1/ Monthly average January to September 1998 relative to same period in 1997.

2/ Real wages in the public sector and real consumption wages in the business sector are deflated by the consumer price index.

3/ Measured on an hourly basis; deflated by the implicit price index of business sector net domestic product at factor cost.

4/ Business sector net domestic product per man-hour estimated from the expenditure side.

5/ Ratio of real labor cost per man-hour to labor productivity.

Table A11. Israel: Real Wage Indices, 1993-98 1/

	Public Services	Business Sector	Total
		(1994=100)	
1993	91.1	100.4	97.5
1994	100.0	100.0	100.0
1995	105.7	100.6	102.1
1996	107.7	102.1	103.8
1997	107.7	105.7	106.3
1996			
I	104.3	102.0	102.7
II	110.8	101.1	104.1
III	111.9	102.0	104.9
IV	104.0	103.1	103.1
1997			
I	105.2	103.7	104.1
II	110.2	105.2	106.7
III	111.7	107.0	108.4
IV	103.8	106.8	105.9
1998			
I	105.7	109.7	108.5
II	112.2	110.9	110.6
III	112.5	110.2	110.9

Source: Data provided by the Bank of Israel.

1/ Average monthly wage per employee post at constant prices, based on employers' contributions to the National Insurance Institute, deflated by the consumer price index. Data from 1994 are based on a new sample and a new definition of "public services;" data from earlier years were connected via linking indices.

Table A12. Israel: Consumer Price Index and its Main Components, 1993-98

	Weight in index	1993		1994		1995		1996		1997		1998	
		Annual average	During year	Annual average	During year	Annual average	During year	Annual average	During year	Annual average	During year	Annual average	During year
General index	1000.0	10.9	11.2	12.3	14.5	10.0	8.1	11.3	10.6	9.0	7.0	5.4	8.6
General index excluding agricultural products	957.7	11.5	11.9	11.9	12.7	10.5	10.0	11.5	10.7	8.9	6.9	5.4	8.0
Agricultural products	44.1	1.4	-1.6	16.6	50.7	0.4	-23.6	6.4	7.9	12.2	7.7	4.7	27.2
Fruits, vegetables and field crops	37.0	0.3	-1.7	23.6	63.3	-0.5	-27.3	4.0	5.2	12.3	8.5	4.8	31.1
Fish and animal products	7.1	6.5	-1.4	-19.8	-18.1	7.6	17.4	24.0	24.8	11.4	2.9	3.7	5.0
Industrial products	381.5	6.5	6.5	7.2	8.5	8.5	8.2	9.3	8.6	6.6	5.3	3.4	4.2
Food, beverages and tobacco	141.5	6.5	8.6	9.5	9.4	9.3	10.0	11.5	10.1	9.2	9.3	5.8	4.9
Clothing and textiles	52.1	6.1	3.9	3.9	7.7	7.3	6.3	6.5	4.9	1.3	-4.5	-0.7	1.7
Wood and wood products	19.4	7.3	7.2	6.9	10.3	11.8	10.4	10.1	9.6	7.6	5.4	3.0	6.3
Footwear, leather goods, rubber and plastic	17.7	5.5	4.5	5.1	6.8	5.8	3.6	5.2	5.3	2.6	-0.6	-3.3	-2.0
Chemical and fuel products	44.3	5.3	2.4	6.3	9.9	9.6	9.8	18.4	21.0	12.3	8.9	4.8	4.4
Metals, machinery, transport and electronic equipment	74.2	7.1	6.1	5.8	6.3	6.1	4.4	2.2	1.2	1.6	2.7	0.6	3.5
Miscellaneous	32.3	8.0	7.3	8.4	9.6	9.6	9.8	9.1	7.7	5.5	5.0	4.7	6.1
Electricity and water	27.1	7.7	5.7	8.5	8.7	10.0	9.1	8.2	10.5	7.8			
Building and housing services	206.5	18.5	22.5	23.1	23.6	14.5	13.9	16.0	13.2	10.8	7.5	5.9	11.7
Transportation and communications	65.8	11.6	10.9	7.0	5.5	6.3	6.8	8.0	9.1	9.2	6.5	6.9	13.0
Services	275.0	12.3	11.0	12.3	13.2	11.2	9.9	11.6	11.8	10.3	9.2	7.7	9.0
Municipal taxes and insurance	61.8	12.9	14.0	15.0	15.5	12.4	10.7	11.8	11.6	10.7	8.5	7.0	8.6
Public sector services	105.8	13.8	10.0	12.8	14.9	11.8	9.8	12.4	13.0	10.7	9.4	7.2	7.2
Education	41.8	14.5	13.7	13.2	13.1	11.6	10.4	12.2	11.6	10.1	9.2	6.8	5.6
Health	64.0	13.3	7.3	12.5	16.5	12.4	8.9	12.7	14.9	11.5	9.9	7.8	9.3
Personal services	107.4	8.6	8.1	9.0	10.2	10.1	9.3	10.3	10.8	9.0	9.0	7.9	8.2
Entertainment	19.4	13.8	13.9	13.1	13.2	12.9	11.0	10.2	10.9	11.6	11.9	9.5	10.6
Other	38.6	6.5	5.9	7.0	8.5	8.6	8.4	10.3	10.7	7.7	7.3	6.9	6.9
Hotels, guest accommodation	41.7	13.0	12.1	11.5	9.7	8.6	9.9	11.5	11.8	11.3	10.3	9.8	15.2
Business services	7.7	14.1	16.8	14.5	14.1	10.7	9.7	11.8	9.9	8.7	8.4	5.5	5.5

Source: Central Bureau of Statistics data, as prepared and compiled by the Bank of Israel.

Table A13. Israel: Selected Price Indices, 1993-98

	Weight	1993	1994	1995	1996	1997	1998
(Percent increase during the period, at annual rates)							
Consumer price index							
General index	1000.0	11.2	14.5	8.1	10.6	7.0	8.6
Controlled prices 1/	121.4	9.9	12.0	7.1	11.5	7.6	6.7
Uncontrolled prices	844.6	11.5	14.9	8.0	10.5	6.9	9.0
Tradables	380.4	6.5	9.0	7.7	8.3	5.8	6.0
Nontradables	585.6	13.7	18.0	8.4	12.0	7.7	10.2
Of which: Housing	207.7	23.7	23.6	13.6	13.2	7.5	8.8
CPI excluding housing	792.3	7.6	12.2	6.4	9.8	6.8	7.7
CPI excluding housing and fruits & vegetables	750.0	8.1	9.7	8.8	10.1	6.7	8.5
CPI excluding housing, fruits & vegetables, controlled prices, clothing & footwear	535.1	7.9	9.3	9.2	10.2	7.8	7.1
Wholesale price index of industrial output		7.2	9.7	10.0	7.0	6.5	5.7
Exchange rates							
Against the U.S. dollar		10.1	1.8	3.1	5.0	7.9	18.2
Against the currency basket		8.0	5.4	5.8	3.0	3.7	20.6

Sources: Central Bureau of Statistics, *Monthly Bulletin of Statistics*; IMF, *International Financial Statistics*; and data provided by the Bank of Israel.

1/ Public transport, communication services, education, medical services, municipal taxes, electricity, fuel, water and meat.

Table A14. Israel: Regulated Prices in the Consumer Price Index
(as of August 1998)

	Weight (from 1000)		Weight (from 1000)
A. Controlled prices		B. Prices under supervision	
Public bus transportation	14.7	Flour	1.5
Meat	7.8	Margarine	0.8
Municipal taxes	20.0	Yogurt	5.7
Electricity (for domestic use)	18.4	Bread	9.0
Water (for domestic use)	8.6	Milk	7.6
Education fees	22.7	Cream	1.1
Sick Fund services	8.1	Butter	0.5
Train and domestic flight tickets	0.3	Cheese	9.8
Phone services	20.3	Refrigerators	5.0
Mail services	0.5	School books	4.4
Total	125.8	Medicines	4.2
		Gas (for domestic use)	3.2
		Oil and fuel (for domestic use)	0.4
		Taxi rides	3.4
		Total	56.6

Source: Data provided by the Bank of Israel.

Table A15. Israel: Bank of Israel Accounts, 1993-98

	1993	1994	1995	1996	1997	1998 Nov.
(In millions of new sheqalim; end of period)						
Total assets	46,881	46,677	41,674	51,465	85,952	109,876
Foreign assets	19,063	20,507	25,576	37,126	70,970	94,207
Domestic assets						
Credit to the government (long term debt)	8,373	8,080	7,773	7,448	7,109	7,133
Loans and notes	16,972	15,564	4,503	1,236	1,519	848
Monetary	16,501	15,011	4,009	957	1,426	790
Other	471	553	494	279	93	58
Government securities	1,965	1,896	3,045	4,856	5,090	5,392
Other accounts	508	630	777	799	1,264	2,296
Total liabilities	46,881	46,677	41,674	51,465	85,952	109,876
Foreign liabilities	1,286	1,366	1,242	724	613	716
Allocations of SDRs	437	467	996	996	508	...
Liabilities to international monetary organizations	849	899	746	228	105	...
Currency in circulation	5,652	6,454	7,916	9,222	10,373	11,739
Deposits of the government	16,165	17,456	19,325	23,013	26,509	34,326
In Israeli currency	8,867	6,682	16,828	15,670	13,914	12,910
In foreign currency	7,298	10,774	2,497	7,343	12,595	21,416
Deposits of banking institutions	22,291	19,603	11,126	16,484	46,154	49,197
In Israeli currency	2,088	3,190	1,007	8,502	38,521	41,255
In foreign currency	20,203	16,413	10,119	7,982	7,633	7,942
Against resident deposits	9,884	8,074	9,844	7,649	7,165	7,398
Against nonresident deposits	3,236	3,885	--	--	--	--
Free deposits of banking institutions	7,083	4,454	275	333	468	544
Other deposits and accounts	1,167	1,478	1,745	1,952	3,328	14,923
Capital and reserves	320	320	320	70	-1,025	-1,025

Sources: Central Bureau of Statistics, *Monthly Bulletin of Statistics*; and data provided by the Bank of Israel.

Table A16. Israel: Monetary Survey, 1994-98 1/

	1994	1995	1996	1997	1998 Sept.
(In millions of new sheqalim; end of period)					
Net foreign assets	14,446	17,056	30,133	49,721	62,703
Bank of Israel	19,141	24,334	36,402	70,357	82,839
DMBs	-4,695	-7,278	-6,269	-20,636	-20,136
Net domestic assets	199,106	228,532	268,574	250,058	264,986
Domestic credit	188,192	218,968	257,821	250,609	267,896
Net claims on government	35,586	34,774	39,286	34,104	24,635
Total gross claims	76,253	80,783	89,889	78,663	72,888
Bank of Israel	9,976	10,818	12,304	12,199	12,439
DMB claims	66,277	69,965	77,585	66,464	60,449
Government bonds	24,583	36,624	47,206	40,448	39,000
From bank resources	11,624	6,378	6,286	4,645	2,876
Foreign currency credit	2,826	2,030	1,226	1,373	1,200
From earmarked deposits	27,244	24,933	22,867	19,998	17,373
Less: Government deposits held at:	40,667	46,009	50,603	44,559	48,253
Bank of Israel	17,456	19,325	23,013	26,509	29,923
DMBs	23,211	26,684	27,590	18,050	18,330
Mortgage banks	14,581	18,128	24,352	24,360	27,157
Private sector	138,025	166,066	194,183	192,145	216,104
Nondirected credit in Israeli currency	115,314	124,562	144,442	125,096	134,892
Nondirected credit in foreign currency	15,711	34,332	42,506	59,918	73,663
Directed credit in foreign currency	491	327	152	2	5
Credit from earmarked deposits	5,375	5,812	6,142	6,100	6,404
Securities	1,134	1,033	941	1,029	1,140
Other items, net	10,914	9,564	10,753	-551	-2,910
Monetary liabilities	196,732	227,408	276,999	311,947	338,548
M1	14,609	17,033	20,294	22,540	21,968
Quasi-money	182,123	210,375	256,705	289,407	316,580
Time and saving deposits	168,435	194,031	238,303	269,674	298,619
Time deposits	35,854	53,295	76,882	98,824	116,874
Saving schemes	53,436	61,501	76,949	84,997	88,400
Long-term indexed deposits	38,877	34,663	34,603	34,020	33,409
Foreign currency deposits	37,316	40,093	46,201	49,151	56,869
Mortgage bank deposits	2,952	4,479	3,668	2,682	3,067
CDs	13,688	16,344	18,402	19,733	17,961
Earmarked deposits	27,785	24,764	22,694	19,837	17,346

Source: Data provided by the Bank of Israel.

1/ Net foreign assets plus net domestic assets do not sum to monetary liabilities plus earmarked deposits as the data are drawn from different sources.

Table A17. Israel: Financial Assets of the Public, 1994-98 1/

	1994	1995	1996	1997	1998 Sept.
(In millions of new sheqalim, end of period)					
Total assets in banks and government bonds	265,502	302,023	358,704	418,182	451,378
Broad money assets	196,413	226,017	274,210	310,176	335,586
Liquid financial assets (M3)	86,531	109,973	145,098	174,950	195,807
Money supply (M1)	14,608	17,034	20,294	22,540	21,968
Time deposits and negotiable CDs	48,977	68,838	94,363	118,200	133,555
Special deposits 2/	195	434	295	271	278
Resident foreign currency	22,751	23,667	30,146	33,939	40,006
Medium-term assets	109,882	116,044	129,112	135,226	139,779
Restitution deposits	14,495	16,403	16,039	15,204	16,853
Saving schemes	53,401	61,446	75,537	83,165	87,047
Long-term linked deposits	13,129	12,331	13,732	15,768	17,290
Earmarked deposits	28,857	25,864	23,804	21,089	18,589
Short-term treasury bills	4,262	7,393	8,934	13,369	16,094
Tradable linked government bonds 3/	64,827	68,613	75,560	94,637	99,698
Stocks	98,800	114,500	116,600	163,900	167,228
Total financial assets	364,302	416,523	475,304	582,082	618,606
Of which: Nonindexed short term assets	67,847	93,266	123,591	154,108	171,575
(In percent of total financial assets)					
Total assets in banks and government bonds	72.9	72.5	75.5	71.8	73.0
Broad money assets	53.9	54.3	57.7	53.3	54.2
Liquid financial assets (M3)	23.8	26.4	30.5	30.1	31.7
Money supply (M1)	4.0	4.1	4.3	3.9	3.6
Time deposits and negotiable CDs	13.4	16.5	19.9	20.3	21.6
Special deposits 2/	0.1	0.1	0.1	--	--
Resident foreign currency	6.2	5.7	6.3	5.8	6.5
Medium-term assets	30.2	27.9	27.2	23.2	22.6
Restitution deposits	4.0	3.9	3.4	2.6	2.7
Saving schemes	14.7	14.8	15.9	14.3	14.1
Long-term linked deposits	3.6	3.0	2.9	2.7	2.8
Earmarked deposits	7.9	6.2	5.0	3.6	3.0
Short-term treasury bills	1.2	1.8	1.9	2.3	2.6
Tradable linked government bonds 3/	17.8	16.5	15.9	16.3	16.1
Stocks	27.1	27.5	24.5	28.2	27.0
Total financial assets	100.0	100.0	100.0	100.0	100.0
Of which: Nonindexed short term assets	18.6	22.4	26.0	26.5	27.7
(Real rate of growth) 4/					
Total assets in banks and government bonds	1.7	5.2	7.4	9.0	7.3
Broad money assets	4.7	6.4	9.7	5.7	8.3
Liquid financial assets (M3)	11.9	17.6	19.3	12.7	15.5
Money supply (M1)	-5.9	7.9	7.7	3.8	2.1
Time deposits and negotiable CDs	24.9	30.0	23.9	17.1	17.9
Special deposits 2/	-12.2	105.9	-38.5	-14.1	77.0
Resident foreign currency	1.5	-3.8	15.2	5.2	15.3
Medium-term assets	-0.2	-2.3	0.6	-2.1	-0.4
Restitution deposits	-2.5	4.7	-11.6	-11.4	5.7
Saving schemes	8.9	6.4	11.1	2.9	1.7
Long-term linked deposits	1.0	-13.1	0.7	7.3	12.4
Earmarked deposits	-13.2	-17.1	-16.8	-17.2	-20.5
Short-term treasury bills	45.5	60.5	9.3	39.9	38.5
Tradable linked government bonds 3/	-8.2	-2.1	-0.4	17.1	0.7
Stocks	-43.1	7.2	-7.9	31.4	-4.8
Total financial assets	-16.2	5.8	3.2	14.5	3.8
Of which: Nonindexed short term assets	17.2	27.2	19.8	16.5	17.2

Source: Data provided by the Bank of Israel.

1/ The public consists of individuals and corporations excluding the Government, Bank of Israel, ordinary banking corporations, and banks abroad. It includes social and life insurance funds but does not include the assets of these funds held out of the ordinary banking system.

2/ Noninterest-bearing deposits mandated by law to cover total subscriptions for securities flotations in the TASE.

3/ Defined to exclude bond holdings of pension funds and insurance companies.

4/ Nominal rate deflated by consumer price index. Year to September for 1998 figures.

Table A18. Israel: Commercial Bank Credit to the Private Sector, 1993-98 1/

	1993	1994	1995	1996	1997	1998 Sept.
(In millions of new sheqalim; end of period)						
Total	119,483	151,892	183,168	217,594	252,566	276,762
Short-term credit	64,236	79,013	100,470	116,439	139,234	161,570
Nondirected credit	63,833	78,522	100,143	116,287	139,232	161,565
In Israeli currency 2/	51,219	62,633	65,565	73,118	77,860	86,189
In U.S. dollars	12,614	15,889	34,578	43,169	61,372	75,376
Directed credit	403	491	327	152	2	5
Medium- and long-term credit	55,247	72,879	82,698	101,155	113,332	115,192
<i>Of which:</i> Indexed NIS credit	39,475	57,139	64,989	84,019	95,411	102,765
(In percent of total)						
Total	100.0	100.0	100.0	100.0	100.0	100.0
Short-term credit	53.8	52.0	54.9	53.5	55.1	58.4
Nondirected credit	53.4	51.7	54.7	53.4	55.1	58.4
In Israeli currency 2/	42.9	41.2	35.8	33.6	30.8	31.1
In U.S. dollars	10.6	10.5	18.9	19.8	24.3	27.2
Directed credit	0.3	0.3	0.2	0.1	--	--
Medium- and long-term credit	46.2	48.0	45.1	46.5	44.9	41.6
<i>Of which:</i> Indexed NIS credit	33.0	37.6	35.5	38.6	37.8	37.1
(Nominal percentage increase)						
Total	29.6	27.1	20.6	18.8	4.2	9.6
Short-term credit	35.1	23.0	27.2	15.9	5.2	16.0
Nondirected credit	35.5	23.0	27.5	16.1	5.2	16.0
In Israeli currency 2/	47.7	22.3	4.7	11.5	9.5	10.7
In U.S. dollars	1.3	26.0	117.6	24.8	0.2	22.8
Directed credit	-8.5	21.8	-33.4	-53.5	-33.3	150.0
Medium- and long-term credit	23.9	31.9	13.5	22.3	2.9	1.6
<i>Of which:</i> Indexed NIS credit	33.5	44.7	13.7	29.3	3.1	7.7
(Real percentage increase) 3/						
Total	16.5	11.1	11.6	7.4	-2.7	4.7
Short-term credit	21.4	7.5	17.6	4.8	-1.7	10.8
Nondirected credit	21.8	7.5	18.0	5.0	-1.7	10.8
In Israeli currency 2/	32.8	6.9	-3.2	0.8	2.4	5.7
In U.S. dollars	-8.9	10.1	101.3	12.9	-6.3	17.3
Directed credit	-17.7	6.5	-38.4	-58.0	-37.7	138.8
Medium- and long-term credit	11.3	15.3	5.0	10.6	-3.9	-2.9
<i>Of which:</i> Indexed NIS credit	20.0	26.5	5.2	16.9	-3.7	2.9

Source: Data provided by the Bank of Israel.

1/ Includes credit to local authorities (the credit excludes deductions for loan-loss provisions).

2/ Includes indexation increments.

3/ Nominal rate deflated by consumer price index. Year to September for 1998 figures.

Table A19. Israel: Interest Rates, 1993-98

	Inflation rate	Change in NIS/US\$ exchange rate	Lending rates			Discount window loan, average cost 3/	Monetary loan (maximum bracket)	Three-month Euro-dollar rate 4/	Deposit rates			Yield to maturity on treasury bills	Yield to maturity on 5-year bonds	Yield to maturity on 10-year bonds
			Overdraft facilities 1/	Exceptional credit	Nondirected NIS credit 2/				Reserve deposits with BoI	Self Renewing Overnight	Time deposits			
	(Average annual rate)			(Nominal rates in percent per annum) 5/										
1993	10.9	15.1	18.1	20.2	16.5	11.3	11.3	3.1	1.1	9.7	10.4	11.4	2.8	2.9
1994	12.3	6.4	19.8	21.8	17.4	13.4	12.9	4.6	2.2	11.6	12.2	13.0	2.9	3.2
1995	10.0	—	22.4	25.0	20.2	15.5	14.8	5.9	0.3	13.3	14.1	15.4	4.1	4.3
1996	11.3	5.9	23.0	24.9	20.7	16.1	15.3	5.4	3.8	13.8	14.5	15.6	4.4	4.5
1997	9.0	8.2	20.8	22.8	18.7	14.3	13.8	5.6	12.2	12.2	13.1	14.1	3.9	4.0
1998	5.4	10.2	18.2	20.2	16.0	11.9	11.7	5.5	10.3	10.1	11.0	12.1	5.0	4.8
	(Annualized rate)													
1997 Jan.	5.1	-0.1	22.3	24.0	20.0	15.4	14.8	5.4	10.5	13.3	14.3	15.0	4.3	4.3
Feb.	15.2	24.6	21.9	23.7	19.6	14.9	14.3	5.4	11.9	12.8	13.8	14.5	3.9	4.1
Mar.	12.2	11.3	21.7	23.6	19.4	14.6	14.1	5.5	12.5	12.4	13.4	14.2	3.9	4.1
Apr.	9.4	8.7	21.4	23.4	19.2	14.6	14.0	5.7	12.5	12.4	13.4	14.2	4.1	4.2
May	5.8	3.2	21.3	23.4	19.1	14.7	14.1	5.7	12.6	12.5	13.4	14.3	4.0	4.0
June	13.7	20.9	20.8	22.8	18.7	14.1	13.6	5.7	12.4	12.0	13.0	13.7	3.9	3.9
July	12.7	36.6	19.8	21.6	17.7	13.3	13.0	5.6	11.9	11.2	12.4	13.0	3.6	3.8
Aug.	4.9	-4.6	19.8	21.7	17.7	13.4	13.0	5.6	12.1	11.3	12.3	13.3	3.5	3.7
Sept.	-0.8	-7.3	20.4	22.4	18.4	14.1	13.6	5.6	12.5	12.0	12.8	14.1	3.7	3.8
Oct.	15.2	4.8	20.4	22.3	18.2	14.2	13.7	5.6	12.6	12.0	12.8	14.1	3.9	3.8
Nov.	-3.1	4.0	20.2	22.3	18.3	14.1	13.7	5.7	12.5	12.0	12.7	14.2	4.0	3.9
Dec.	-3.8	0.4	19.8	21.9	18.1	14.1	13.7	5.8	12.6	12.1	12.6	14.1	4.1	4.1
1998 Jan.	4.0	15.6	20.3	22.3	18.1	13.9	13.6	5.5	12.4	12.0	12.6	13.9	4.4	4.4
Feb.	-0.8	5.9	19.7	21.5	17.7	13.3	12.9	5.5	11.9	11.4	12.2	13.4	5.1	4.7
Mar.	-2.3	-2.6	19.0	21.0	17.2	12.9	12.6	5.6	11.3	11.0	11.9	12.9	5.4	4.9
Apr.	17.7	48.0	18.8	20.7	16.7	12.6	12.3	5.6	10.9	10.7	11.5	12.7	5.0	4.8
May	4.7	-12.2	18.5	20.5	16.3	12.2	11.9	5.6	10.5	10.4	11.2	12.1	5.4	4.8
June	4.7	-0.3	18.3	20.3	16.0	11.8	11.6	5.6	10.2	10.0	10.8	11.9	5.9	5.1
July	-1.5	-1.3	17.9	19.9	15.6	11.5	11.3	5.6	9.9	9.8	10.6	11.5	5.6	5.2
Aug.	6.3	16.9	16.3	18.4	14.2	9.9	9.8	5.6	8.7	8.3	9.6	10.0	4.6	4.7
Sep.	18.2	54.6	15.9	18.0	13.7	9.6	9.6	5.4	8.3	8.0	8.9	9.9	4.4	4.6
Oct.	16.5	183.7	16.1	18.0	13.8	9.8	9.8	5.1	8.3	8.2	...	11.4	4.1	...
Nov.	0.7	9.6	19.2	21.5	17.2	12.9	12.9	5.2	10.8	11.0	...	13.6	4.6	...

Source: Data provided by the Bank of Israel.

1/ Includes basic interest rate, commitment fees and the higher interest charged for drawings in excess of approved ceiling.

2/ Includes interest on overdraft facilities.

3/ The interest specified here is the weighted average of Bank of Israel auctions on monetary loans.

4/ The base for interest on dollar loans is the euro expressed in dollar terms for three months.

5/ Monthly rates compounded annually. Average of available monthly rates for 1998.

Table A20. Israel: Interest Rates on Various Types of Credit and the Public's Assets, 1993-98

	1993	1994	1995	1996	1997	1997				1998		
						I	II	III	IV	I	II	III
(Annual rates in percent, before tax)												
Nominal interest rates												
Short-term bank credit to the private sector 1/												
Nondirected credit	16.0	15.5	17.8	17.6	17.3	19.7	18.9	16.1	14.4	15.5	16.5	21.7
In Israeli currency	16.1	15.6	17.8	17.6	17.3	19.7	18.9	16.1	14.4	15.5	16.6	21.7
Overdraft facilities	16.5	17.4	20.2	20.7	18.7	19.7	19.0	18.0	18.2	17.7	16.4	14.5
Fixed-term credit	18.1	19.8	22.4	23.0	20.8	22.0	21.1	20.0	20.1	19.7	18.5	16.7
Self-renewing overnight deposits	15.0	15.6	18.4	18.8	17.0	17.8	17.2	16.3	16.7	16.2	14.9	13.1
Time deposits 2/	9.7	11.6	13.3	13.8	12.2	12.8	12.3	11.5	12.0	11.5	10.4	8.7
One-month treasury bills	10.4	12.2	14.1	14.5	13.1	13.8	13.3	12.5	12.7	12.2	11.2	9.7
	11.4	13.0	15.4	15.6	14.1	14.6	14.1	13.5	14.1	13.4	12.2	10.5
Real actual interest rates 3/												
Short-term bank credit to the private sector 1/												
Nondirected credit	4.3	0.9	9.0	6.3	9.6	8.0	8.6	10.3	11.7	15.0	6.8	13.3
In Israeli currency	4.4	1.0	9.0	6.3	9.6	8.0	8.6	10.3	11.7	15.0	6.9	13.3
Overdraft facilities	4.7	2.6	11.2	9.1	11.0	8.0	8.7	12.1	15.4	17.2	6.7	6.6
Fixed-term credit	6.2	4.7	13.2	11.2	12.9	10.1	10.6	14.0	17.3	19.2	8.6	8.7
In foreign currency (euro) 4/	3.4	1.0	9.5	7.4	9.3	6.3	7.0	10.4	14.0	15.7	5.3	5.3
CDs	2.1	-7.0	1.0	0.1	...	6.1	6.7	6.7	6.4	11.6	5.6	19.1
Time deposits 2/	-1.4	-2.5	4.8	2.9	4.9	1.8	2.6	5.9	9.4	11.0	1.2	1.2
One-month treasury bills	-0.8	-2.0	5.5	3.5	5.7	2.7	3.5	6.8	10.1	11.8	1.9	2.1
Indexed 5-year government bonds	0.1	-1.3	6.7	4.5	6.6	3.4	4.2	7.8	11.4	12.9	2.8	2.9
Interest rate spread 5/	2.8	2.9	4.1	4.4	3.9	4.0	4.0	3.6	4.0	4.0	5.4	4.8
	7.7	7.5	8.2	8.2	7.8	8.2	8.0	7.7	7.3	7.4	7.5	7.4

Source: Data provided by the Bank of Israel.

1/ Includes directed credit and nondirected foreign currency linked credit.

2/ Average for all time deposits, overdrafts, and the rate on certificates of deposit.

3/ Nominal rate deflated by consumer price index. In the case of quarterly data, the rate of inflation used is the annualized quarterly rate.

4/ Euro expressed in dollar terms for three months is the base for interest on dollar loans, excluding public companies.

5/ Interest rate differential defined as the gap in nominal percentage points on an annual basis between the effective rate on overdrafts and the rate on certificates of deposit.

Table A21. Israel: Reserve Requirements on Deposits and Interest Brackets, 1993-98

	Demand deposits	Time deposits		
		(In percent)		
		(November 2, 1991 to December 28, 1994)		
		1-6 days	1 week-3 months	Over 3 months
Reserve requirement				
Domestic holdings	8	8	6	4
Foreign holdings				
Percentage of reserve requirement on which interest is paid by the Bank of Israel	0	0	33.3	50
		(from December 29, 1994)		
		1-6 days	1 week-1 year	Over 1 year
Reserve requirement	6	6	3	0
Domestic holdings	6	6	3	0
Foreign holdings	6	6	3	0
Percentage of reserve requirement on which interest is paid by the Bank of Israel	0	0	0	0

Source: Bank of Israel.

Table A22. Israel: Sources of Changes to the M3 Base, 1993-98 1/

	1993	1994	1995	1996	1997	1997				1998		
						I	II	III	IV	I	II	III
(In millions of new sheqalim)												
Public sector injection 2/	2,628	4,940	2,841	8,582	3,485	-2,390	-2,044	814	7,105	23	612	51
Total public sector domestic deficit	7,053	6,098	11,428	16,429	11,204	1,196	1,774	1,977	6,257	1,224	2,009	2,478
Less: Amount absorbed by net borrowing 3/	4,425	1,158	8,587	7,847	7,719	3,586	3,818	1,163	-848	1,201	1,397	2,427
Bank of Israel injection	3,800	-4,188	-21,975	-10,534	-22,631	-12,867	-5,868	-443	-3,453	-2,780	61	2,457
Monetary loans	5,994	-1,490	-11,002	-3,052	470	62	104	2,532	-2,228	-629	-5	58
Swaps	--	--	-5,146	-917	1,112	-664	715	1,104	-43	-69	-106	-262
Open market operations	996	1,386	-3,061	890	157	736	768	-1,322	-25	-1,044	-15	-48
Other factors 4/	-3,190	-4,084	-2,766	-7,455	-24,370	-13,001	-7,455	-2,757	-1,156	-1,038	189	2,709
Total liquidity injection	6,428	752	-19,134	-1,952	-19,146	-15,257	-7,912	371	3,652	-2,757	673	2,508
Net foreign currency purchases												
by private sector	4,591	-1,151	-18,413	-5,753	-22,817	-13,997	-8,924	69	35	-1,476	116	182
Additions to money base	1,837	1,903	-720	3,801	3,670	-1,259	1,012	301	3,616	-1,281	558	2,326

Source: Data provided by the Bank of Israel.

1/ Excluding changes resulting from the revaluation of government bonds and Patam deposits.

2/ Includes the injection of the Jewish Agency and interest payments on internal debt. Sale of tradable bonds is not considered as absorption.

3/ Net government borrowing from the private sector less early redemption of State of Israel bonds.

4/ Consists mostly of absorption/injection generated by various items in the Bank of Israel's balance sheet (such as interest paid on liquid assets in local and foreign currency).

Table A23. Israel: Factors Affecting the M3 Base, 1993-98

	1993	1994	1995	1996	1997	1998 Sept.
(In millions of new sheqalim; end of period)						
M3 base	10,127	11,184	10,858	14,843	18,198	18,448
Narrow money base 1/ Reserve requirements on Patam deposits	7,740	9,643	8,923	12,724	16,394	17,997
	2,387	1,541	1,935	2,119	1,804	451
(Real percentage increase during the period) 2/						
M3 base	-0.4	-3.5	-10.2	23.6	14.6	19.9
Narrow money base 1/ Reserve requirements on Patam deposits	17.9	8.9	-14.4	28.9	20.4	34.5
	-33.7	-43.6	16.2	-1.0	-20.4	-77.5
(In percent)						
Percent of increase in narrow liquid asset base due to:						
Revaluation increments	18.0	1.5	-22.1	1.9	4.3	14.5
Nonrevaluation increments	82.0	98.5	122.1	98.1	95.7	85.5
(In millions of new sheqalim; flows)						
<u>Memorandum items:</u>						
Increase in M3 base	986	1,058	-327	3,986	3,355	250
<i>Of which:</i>						
Revaluation increments on Patam deposits' reserve requirements	177	16	72	76	145	36
Nonrevaluation increments	809	1,041	-399	3,910	3,210	214

Source: Data provided by the Bank of Israel.

1/ Currency held by public and liquid assets of banking institutions.

2/ Nominal rate deflated by consumer price index. Year to September for 1998 figure.

Table A24. Israel: The Israeli Capital Market, 1997

	Total	Shares 1/	Tradable bonds 2/	Indexed earmarked bonds	Treasury bills 2/	Other assets held by institutions
(In billions of new sheqalim; end of period)						
Institutions						
Provident funds	127.7	17.0	57.6	7.1	2.4	43.6
Pension funds	88.2	--	0.4	81.8	--	4.8
Life insurance	48.1	1.4	5.9	29.5	--	12.5
Mutual funds 3/	19.8	7.3	8.6	--	2.5	1.5
Households and firms	79.2	38.7	32.1	--	8.4	--
Nonresidents	30.1	29.2	0.8	--	0.1	--
Banks	40.9	--	33.8	--	7.1	--
Total	434.0	93.6	139.2	118.4	20.5	62.4
(Real percentage change from 1996)						
Institutions						
Provident funds	8.8	38.2	3.2	-29.2	258.7	13.1
Pension funds	109.1	--	105.9	8.6	--	-0.5
Life insurance	17.6	60.1	17.3	134.5	--	64.1
Mutual funds 3/	46.4	35.0	21.5	4.0	286.1	243.4
Households and firms	22.0	30.3	16.8	--	8.8	--
Nonresidents	61.5	65.2	-11.2	--	28.9	--
Banks	-19.3	--	-15.5	--	-33.7	--
Total	11.6	41.9	2.0	4.7	3.4	16.6
Real change in price (in percent)	5.1	23.5	0.9	--	--	--
Real change in quantity (in percent)	6.2	14.9	1.1	4.7	3.4	16.6

Source: Data provided by the Bank of Israel.

1/ Excluding double counting and government-owned quoted companies.

2/ Excluding securities held by the Bank of Israel.

3/ Adjusted for provident funds' and nonresidents' holdings in mutual funds.

Table A25. Israel: Principal Stock Market Indicators, 1993-97

	1993	1994	1995	1996	1997
(In millions of 1996 new sheqalim)					
Private sector issues (excluding privatizations) 1/	11,583	5,936	1,708	1,117	5,933
Market value 2/	208,567	120,960	127,405	116,629	153,182
Volume of stock exchange trade 3/	118,764	92,467	30,397	25,617	46,136
(In percent)					
Annual turnover ratio 4/	0.75	0.64	0.26	0.23	0.32
Real overall rate of return 5/ on all shares	27.0	-46.0	3.6	-11.0	26.4

Sources: Data provided by the Bank of Israel; and Central Bureau of Statistics.

1/ Shares, convertible securities, and exercised options.

2/ End-of-year figures.

3/ Volume of trade on and off the floor.

4/ Ratio of monthly volume of trade (on and off the floor) to average monthly market value of the stock of shares.

5/ Deflated by end-of-month CPI.

Table A26. Israel: Principal Bond Market Indicators, 1993-97

	1993	1994	1995	1996	1997
(In millions of 1996 new sheqalim, unless otherwise indicated)					
Market value of listed bonds					
Government	114,823	109,500	117,103	122,766	125,981
Corporate 1/	15,821	13,251	11,351	9,678	9,656
Total	130,644	122,751	128,454	132,444	135,636
<i>Of which:</i>					
Percentage held by:					
Public	28	26	25	31	31
Commercial banks	19	21	27	28	23
Social insurance funds	51	50	45	37	42
Bank of Israel	2	2	3	4	4
Volume of stock exchange trade					
Government	20,155	16,881	17,678	26,003	22,340
Corporate 1/	1,180	1,406	1,005	757	730
Total	21,335	18,287	18,683	26,760	23,070
Bank of Israel intervention 2/ (in percent)	2.20	1.84	2.93	2.98	1.34
Net issues of tradable bonds (issues less redemptions)					
Government	1,884	-3,640	5,971	1,685	-5,173
Private 1/	-1,352	-2,362	-1,641	-1,594	-1,556
Total	532	-6,002	4,330	91	-6,729
Annual turnover 3/					
Government	0.18	0.15	0.17	...	...
Private 1/	0.08	0.10	0.09	...	...
Total	0.18	0.15	0.16	...	...
				(In percent)	
Real overall rate of return					
CPI-indexed bonds	-1.2	2.0	-0.7	2.0	4.0
Exchange-rate indexed bonds	-4.6	-10.0	-0.6	-1.1	6.0
Nominal bonds	2.9	-1.8	6.6	5.1	8.7

Sources: Data provided by the Bank of Israel; and Central Bureau of Statistics.

1/ Including public sector corporations.

2/ Ratio of the central bank's sales and purchases in the secondary market to total volume of stock exchange trade in bonds.

3/ Ratio of monthly volume of trade (on and off the floor) to market value of the stock of bonds. Calculated from monthly ratios.

Table A27. Israel: Institutional Investor Indicators, 1993-97

	1993	1994	1995	1996	1997
Mutual funds					
Total assets (in 1996 NIS billions)	49,799	23,067	17,520	13,176	19,029
Real growth rate of total assets (in percent)	13.8	-53.7	-24.0	-24.8	44.4
Real annual rate of return (in percent)	10.3	-29.0	2.8	-2.9	15.0
Percent of total tradable assets:					
CPI indexed bonds	8	6	4	3	2
Foreign-currency indexed bonds	32	17	11	9	8
Nonbank shares	12	9	6	5	5
Unindexed assets	29	6	6	3	12
Provident funds					
Total assets (in 1996 NIS billions)	134	126	122	109	119
Real growth rate of total assets (in percent)	4.3	-6.1	-3.1	-10.6	9.5
Real annual rate of return (in percent)	2.7	-8.3	2.5	1.3	7.5
Percent of total tradable assets:					
Tradable government bonds	51	51	48	43	52
Private bonds	53	62	63	63	64
Nonbank shares	9	12	11	9	10
Unindexed assets	7	7	19	11	17
Pension funds					
Total assets (in 1996 NIS billions)	67	70	74	77	82
Real growth rate of total assets (in percent)	5.5	4.7	6.4	3.0	6.9
Real annual rate of return (in percent)	5.1	5.1	5.1	5.1	...

Sources: Data provided by the Bank of Israel; and Central Bureau of Statistics.

Table A28. Israel: State Budget Balance and Financing, 1993-99

	1993	1994	1995	1996	1997	1998	1999
						Budget	Budget
(In millions of new sheqalim)							
Total revenue (excluding foreign grants)	73,018	90,119	104,637	116,648	132,771	148,958	158,215
Total expenditure	85,861	103,411	120,516	141,099	153,591	169,218	178,023
Budget balance before foreign grants	-12,843	-13,292	-15,879	-24,451	-20,821	-20,261	-19,808
Foreign grants	8,232	8,018	5,126	12,985	11,387	11,070	11,808
Budget balance after foreign grants	-4,611	-5,274	-10,753	-11,466	-9,434	-9,191	-8,000
Total financing	4,611	5,274	10,753	11,466	9,434	9,191	8,000
Foreign (net)	1,157	86	3,912	3,450	-1,562	2,000	884
Gross	5,248	5,489	9,397	9,486	4,542	10,980	9,676
Repayment	4,091	5,403	5,485	6,036	6,104	8,980	8,792
Domestic (net)	3,454	5,188	6,841	8,016	10,996	7,191	7,116
Nonbank borrowing (net)	2,652	-323	6,440	7,923	784	1,983	2,623
Gross	14,335	20,358	24,206	34,006	28,043	33,463	32,495
Repayment	11,683	20,681	17,766	26,083	27,259	31,480	29,872
Bank of Israel credit (net)	140	4,242	-1,405	765	10	--	--
Sale of assets	3,254	703	1,798	349	8,467	4,300	4,590
Lending (net) (-)	-2,589	564	181	-807	1,757	909	-97
Gross (-)	-5,523	-2,825	-3,555	-4,507	-3,610	-4,491	-5,244
Of which: housing (-)	-2,856	-2,334	-2,797	3,264	-2,845	-3,584	-4,194
Repayment	2,934	3,389	3,736	3,699	5,367	5,400	5,147
Residual	-3	2	-173	-214	-22	--	--
<u>Memorandum items:</u>							
Primary balance	9,582	10,439	7,820	8,937	12,793	14,609	15,836
Current balance	1,440	931	-4,467	-3,989	-2,613	3,608	8,375
Domestic balance	-4,360	-4,372	-8,529	-13,952	-10,654	-8,406	-10,381
Foreign balance	-251	-902	-2,224	2,486	1,220	-785	2,381
(In percent of GDP)							
Total revenue (excluding foreign grants)	39.1	40.1	40.1	38.4	39.2	39.5	39.5
Total expenditure	46.0	46.0	46.2	46.5	45.4	44.9	44.5
Budget balance before foreign grants	-6.9	-5.9	-6.1	-8.1	-6.2	-5.4	-5.0
Foreign grants	4.4	3.6	2.0	4.3	3.4	2.9	3.0
Budget balance after foreign grants	-2.5	-2.3	-4.1	-3.8	-2.8	-2.4	-2.0
Total financing	2.5	2.3	4.1	3.8	2.8	2.4	2.0
Foreign (net)	0.6	--	1.5	1.1	-0.5	0.5	0.2
Gross	2.8	2.4	3.6	3.1	1.3	2.9	2.4
Repayment	2.2	2.4	2.1	2.0	1.8	2.4	2.2
Domestic (net)	1.9	2.3	2.6	2.6	3.3	1.9	1.8
Nonbank borrowing (net)	1.4	-0.1	2.5	2.6	0.2	0.5	0.7
Gross	7.7	9.1	9.3	11.2	8.3	8.9	8.1
Repayment	6.3	9.2	6.8	8.6	8.1	8.4	7.5
Bank of Israel credit (net)	0.1	1.9	-0.5	0.3	--	--	--
Sale of assets	1.7	0.3	0.7	0.1	2.5	1.1	1.1
Lending (net) (-)	-1.4	0.3	0.1	-0.3	0.5	0.2	--
Gross (-)	-3.0	-1.3	-1.4	-1.5	-1.1	-1.2	-1.3
Of which: housing (-)	-1.5	-1.0	-1.1	1.1	-0.8	-1.0	-1.0
Repayment	1.6	1.5	1.4	1.2	1.6	1.4	1.3
<u>Memorandum items:</u>							
Primary balance	5.1	4.6	3.0	2.9	3.8	3.9	4.0
Current balance	0.8	0.4	-1.7	-1.3	-0.8	1.0	2.1
Domestic balance	-2.3	-1.9	-3.3	-4.6	-3.1	-2.2	-2.6
Foreign balance	-0.1	-0.4	-0.9	0.8	0.4	-0.2	0.6

Source: Data provided by the Ministry of Finance.

Table A29. Israel: State Budget Revenue, 1993-99

	1993	1994	1995	1996	1997	1998 Budget	1999 Budget
(In millions of new sheqalim)							
Total tax revenue	59,186	72,649	82,819	93,941	106,536	121,175	126,450
Taxes on income and profits	25,730	33,302	37,832	42,421	49,897	57,535	60,300
Companies	6,113	9,121	9,082	9,597	12,522	14,090	13,100
Individuals	19,617	24,181	28,750	32,824	37,375	43,445	47,200
Wage & salary	14,909	18,691	22,247	26,175	30,154	34,670	38,950
Self-employed	4,708	5,490	6,503	6,649	7,221	8,700	8,250
Payroll tax (nonprofit)	592	697	914	1,265	948	1,560	1,130
Taxes on property	2,087	3,299	3,622	3,634	2,935	3,370	3,230
Real-estate purchase tax	1,002	1,474	1,549	1,574	1,357	1,350	1,460
Land betterment tax	669	1,136	1,287	1,149	889	1,180	970
Property tax	416	689	786	911	689	840	800
Taxes on domestic goods and services	29,331	34,758	40,203	45,825	51,594	57,400	60,610
VAT	20,334	24,313	28,938	32,506	37,135	41,160	44,640
Domestic expenditure & civilian imports	17,080	20,567	24,217	27,872	30,816	35,650	37,300
Nonprofit entities	2,011	2,634	3,257	2,865	4,501	3,550	5,080
Financial institutions	594	687	836	874	999	1,130	1,350
Defense imports	649	425	628	895	819	830	910
Excises	3,444	3,821	4,196	5,647	6,556	7,430	7,360
Fuel	2,427	2,715	3,110	4,159	4,959	5,620	5,650
Tobacco	541	565	586	737	848	950	910
Stamp	476	541	500	751	749	860	800
Purchase tax	5,553	6,624	7,069	7,672	7,903	8,810	8,610
Domestic	676	654	705	718	742	910	810
Imports	4,877	5,970	6,364	6,954	7,161	7,900	7,800
Customs duties	1,151	845	970	1,060	1,162	1,310	1,180
Adjustment to budget frame	295	-252	-722	-264	--	--	--
Total nontax revenue	13,832	17,470	21,818	22,707	26,235	27,783	31,765
Interest	1,374	1,709	2,914	2,465	2,556	3,180	3,540
Domestic	1,231	1,528	1,973	2,224	2,263	2,750	2,828
Foreign	143	181	941	241	293	430	712
Loans from National Insurance Institute	3,100	4,750	4,965	5,370	5,785	6,750	6,320
Fees, royalties, pension provisions, & misc.	2,853	3,011	4,875	5,618	7,758	8,645	12,571
Income from Israel Land Administration	1,000	1,808	1,643	1,715	975	7,942	8,134
Revenue for revenue-dependent expenditure	5,505	6,192	7,421	7,539	9,161	148,958	158,215
Total revenue	73,018	90,119	104,637	116,648	132,771	148,958	158,215
Foreign grants	8,232	8,018	5,126	12,985	11,387	11,070	11,808
Total revenue and grants	81,250	98,137	109,763	129,633	144,158	160,028	170,023
<u>Memorandum items:</u>							
Domestic revenue	71,944	89,079	101,923	113,749	129,020	145,461	151,485
Foreign revenue and grants	9,306	9,058	7,840	15,884	15,137	14,566	18,538
(In percent of GDP)							
Total tax revenue	31.7	32.3	31.8	30.9	31.5	32.2	31.6
Taxes on income and profits	13.8	14.8	14.5	14.0	14.7	15.3	15.1
Companies	3.3	4.1	3.5	3.2	3.7	3.7	3.3
Individuals	10.5	10.8	11.0	10.8	11.0	11.5	11.8
Payroll tax (nonprofit)	0.3	0.3	0.4	0.4	0.3	0.4	0.3
Taxes on property	1.1	1.5	1.4	1.2	0.9	0.9	0.8
Taxes on domestic goods and services	15.7	15.5	15.4	15.1	15.3	15.2	15.2
VAT	10.9	10.8	11.1	10.7	11.0	10.9	11.2
Excises	1.8	1.7	1.6	1.9	1.9	2.0	1.8
Purchase tax	3.0	2.9	2.7	2.5	2.3	2.3	2.2
Customs duties	0.6	0.4	0.4	0.3	0.3	0.3	0.3
Adjustment to budget frame	0.2	-0.1	-0.3	-0.1	--	--	--
Total nontax revenue	7.4	7.8	8.4	7.5	7.8	7.4	7.9
Total revenue	39.1	40.1	40.1	38.4	39.2	39.5	39.5
Foreign grants	4.4	3.6	2.0	4.3	3.4	2.9	3.0
Total revenue and grants	43.5	43.6	42.1	42.7	42.6	42.5	42.5
<u>Memorandum items:</u>							
Domestic revenue	38.6	39.6	39.1	37.5	38.1	38.6	37.9
Foreign revenue and grants	5.0	4.0	3.0	5.2	4.5	3.9	4.6

Source: Data provided by the Ministry of Finance.

Table A30. Israel: State Budget Expenditure (Economic Classification), 1993-99

	1993	1994	1995	1996	1997	1998 Budget	1999 Budget
(In millions of new sheqalim)							
Current expenditure	79,810	97,206	114,230	133,623	146,771	156,419	161,648
Wages	16,054	20,937	25,494	29,576	32,503	33,377	34,230
<i>Of which:</i> Defense	6,372	8,036	9,475	10,629	11,216	12,645	13,144
Goods and services	17,728	21,641	24,873	28,685	31,452	31,084	32,749
<i>Of which:</i> Defense	11,423	13,332	15,530	17,369	19,675	19,734	20,647
Interest	14,193	15,713	18,573	20,403	22,226	23,800	23,836
Domestic	10,063	11,098	13,739	14,425	16,736	17,640	18,131
Foreign	4,130	4,615	4,834	5,978	5,490	6,160	5,705
Subsidies and transfers	30,050	36,579	42,471	51,729	56,819	63,679	66,092
Subsidies	4,484	4,595	4,982	5,156	5,268	5,950	5,644
Nonexport	1,125	1,524	1,572	1,771	1,613	1,966	1,548
Export	409	86	--	--	--	--	--
Investment grants	2,950	2,985	3,410	3,385	3,656	3,985	4,096
Transfers	25,566	31,984	37,489	46,572	51,550	57,728	60,447
To local authorities	3,276	4,605	5,780	7,072	8,490	9,053	9,029
To National Insurance Institute	9,680	12,711	15,260	17,830	14,289	15,319	16,589
To nonprofit institutions	11,269	13,168	14,678	19,691	25,466	30,801	32,105
To defense	1,341	1,500	1,771	1,980	3,306	2,555	2,724
Repayment to National Insurance Institute	1,785	2,336	2,819	3,230	3,772	4,480	4,741
Capital expenditure	6,266	6,205	6,286	7,477	6,820	8,686	9,229
<i>Of which:</i> Housing	2,691	1,863	1,843	2,139	1,771	2,205	2,076
Reserve	-215	--	--	--	--	4,113	7,146
Total expenditure	85,861	103,411	120,516	141,099	153,591	169,218	178,023
<u>Memorandum items:</u>							
Domestic expenditure	76,304	93,451	110,452	127,701	139,674	153,867	161,866
Foreign expenditure	9,557	9,960	10,064	13,398	13,917	15,351	16,157
(In percent of GDP)							
Current expenditure	42.8	43.2	43.8	44.0	43.4	41.5	40.4
Wages	8.6	9.3	9.8	9.7	9.6	8.9	8.6
Goods and services	9.5	9.6	9.5	9.4	9.3	8.2	8.2
Interest	7.6	7.0	7.1	6.7	6.6	6.3	6.0
Domestic	5.4	4.9	5.3	4.8	4.9	4.7	4.5
Foreign	2.2	2.1	1.9	2.0	1.6	1.6	1.4
Subsidies and transfers	16.1	16.3	16.3	17.0	16.8	16.9	16.5
Repayment to National Insurance Institute	1.0	1.0	1.1	1.1	1.1	1.2	1.2
Capital expenditure	3.4	2.8	2.4	2.5	2.0	2.3	2.3
<i>Of which:</i> Housing	1.4	0.8	0.7	0.7	0.5	0.6	0.5
Reserve	-0.1	--	--	--	--	1.1	1.8
Total expenditure	46.0	46.0	46.2	46.5	45.4	44.9	44.5
<u>Memorandum items:</u>							
Domestic expenditure	40.9	41.6	42.4	42.1	41.3	40.8	40.5
Foreign expenditure	5.1	4.4	3.9	4.4	4.1	4.1	4.0

Source: Data provided by the Ministry of Finance.

Table A31. Israel: State Budget Expenditure (Functional Classification), 1993-99

	1993	1994	1995	1996	1997	1998	1999
						Budget	Budget
(In millions of new sheqalim)							
General public service	5,973	7,594	9,657	11,763	13,072	15,012	15,706
General administration	4,100	5,135	6,626	8,242	9,219	10,752	10,441
Public order	1,873	2,459	3,031	3,521	3,853	4,260	5,265
Defense	19,286	22,050	26,926	30,852	34,410	34,812	36,393
Education	10,017	13,564	15,661	20,211	22,295	25,508	26,221
<i>Of which:</i> Universities	1,691	2,383	2,747	3,649	3,889	4,501	4,782
Health	3,727	6,146	6,828	8,802	15,190	13,097	13,839
Labor and welfare	11,945	15,469	18,636	21,891	18,829	19,905	22,075
Other social services	11,690	10,056	10,707	12,389	11,493	13,904	14,220
<i>Of which:</i> Housing	9,721	7,898	8,173	9,226	8,130	9,895	10,186
Immigrant absorption	1,147	1,244	1,241	1,377	1,424	1,616	1,752
Economic services	8,375	7,289	8,717	9,792	9,907	11,432	12,180
General	384	545	698	731	725	700	776
Agricultural	2,860	732	971	1,399	1,131	1,286	1,257
Manufacturing	2,016	2,460	3,075	3,290	3,465	3,948	4,039
Water and energy	679	772	824	726	997	1,205	1,334
Transport and communications	1,553	1,960	2,025	2,181	2,376	2,452	3,098
Other	883	821	1,124	1,465	1,213	1,841	1,676
Unallocable and other functions	15,439	17,713	20,392	22,980	22,869	29,582	32,457
Interest	14,193	15,910	18,574	20,403	22,226	23,800	23,836
Interest and loan subsidy	472	420	365	297	189	278	29
Subsidy for basic products	1,495	1,725	1,633	1,839	1,803	2,059	2,046
Export market development	410	86	--	--	--	--	--
General transfers	2,018	2,961	3,556	4,142	4,018	4,732	4,547
Reserves	-215	--	--	--	--	4,113	7,146
Repayment of loans (-)	-2,934	-3,389	-3,736	-3,699	-5,367	-5,400	-5,147
Total expenditure and net lending	86,452	99,881	117,524	138,679	148,066	163,251	173,091
Nominal GDP	186,576	224,836	260,732	303,564	338,320	376,810	394,195
(In percent of GDP)							
General public service	3.2	3.4	3.7	3.9	3.9	4.0	4.0
Defense	10.3	9.8	10.3	10.2	10.2	9.2	9.2
Education	5.4	6.0	6.0	6.7	6.6	6.8	6.7
Health	2.0	2.7	2.6	2.9	4.5	3.5	3.5
Labor and welfare	6.4	6.9	7.1	7.2	5.6	5.3	5.6
Other social services	6.3	4.5	4.1	4.1	3.4	3.7	3.6
<i>Of which:</i> Housing	5.2	3.5	3.1	3.0	2.4	2.6	2.6
Immigrant absorption	0.6	0.6	0.5	0.5	0.4	0.4	0.4
Economic services	4.5	3.2	3.3	3.2	2.9	3.0	3.1
Unallocable and other functions	8.3	7.9	7.8	7.6	6.8	7.9	8.2
Interest	7.6	7.1	7.1	6.7	6.6	6.3	6.0
Interest and loan subsidy	0.3	0.2	0.1	0.1	0.1	0.1	--
Subsidy for basic products	0.8	0.8	0.6	0.6	0.5	0.5	0.5
Export market development	0.2	--	--	--	--	--	--
General transfers	1.1	1.3	1.4	1.4	1.2	1.3	1.2
Reserves	-0.1	--	--	--	--	1.1	1.8
Repayment of loans (-)	-1.6	-1.5	-1.4	-1.2	-1.6	-1.4	-1.3
Adjustment to total expenditure (excluding net lending)	-1.9	0.1	-0.3	-0.4	--	0.2	--
Total expenditure and net lending	46.3	44.4	45.1	45.7	43.8	43.3	43.9

Source: Data provided by the Ministry of Finance.

Table A32. Israel: General Government Balance and Financing (National Accounts), 1993-97

	1993	1994	1995	1996	1997
	(In millions of new sheqalim)				
Total receipts (including foreign receipts)	98,873	117,988	137,811	154,944	174,389
Total expenditure (including foreign expenditure)	103,886	120,467	144,921	166,633	182,805
Overall balance	-5,013	-2,479	-7,110	-11,689	-8,416
Total financing	5,013	2,479	7,110	11,689	8,416
Change in monetary base	1,837	1,903	-720	3,801	3,670
Foreign borrowing (net)	-4,532	7,595	-7,198	-4,466	-28,770
Domestic borrowing (net)	3,170	-33	22,288	16,106	31,223
Through government (net)	4,425	1,158	8,587	7,847	7,719
Through Bank of Israel (net)	-1,255	-1,191	13,701	8,259	23,504
Sale of assets	3,191	696	1,075	352	6,350
Residual 1/	1,347	-7,682	-8,335	-4,104	-4,057
<u>Memorandum items:</u>					
Current balance (net saving)	-2,245	-1,522	-5,070	-9,096	-5,768
Current balance + depreciation (gross saving)	421	1,486	-1,588	-5,221	-1,437
Domestic balance	-7,499	-5,136	-9,967	-15,097	-12,814
Foreign balance	2,486	2,657	2,857	3,408	4,398
	(In percent of GDP)				
Total receipts (including foreign receipts)	53.0	52.5	52.9	51.0	51.5
Total expenditure (including foreign expenditure)	55.7	53.6	55.6	54.9	54.0
Overall balance	-2.7	-1.1	-2.7	-3.9	-2.5
Total financing	2.7	1.1	2.7	3.9	2.5
Change in monetary base	1.0	0.8	-0.3	1.3	1.1
Foreign borrowing (net)	-2.4	3.4	-2.8	-1.5	-8.5
Domestic borrowing (net)	1.7	0.0	8.5	5.3	9.2
Through government (net)	2.4	0.5	3.3	2.6	2.3
Through Bank of Israel (net)	-0.7	-0.5	5.3	2.7	6.9
Sale of assets	1.7	0.3	0.4	0.1	1.9
Residual	0.7	-3.4	-3.2	-1.4	-1.2
<u>Memorandum items:</u>					
Current balance (net saving)	-1.2	-0.7	-1.9	-3.0	-1.7
Current balance + depreciation (gross saving)	0.2	0.7	-0.6	-1.7	-0.4
Domestic balance	-4.0	-2.3	-3.8	-5.0	-3.8
Foreign balance	1.3	1.2	1.1	1.1	1.3

Source: Data provided by the Bank of Israel.

1/ The deficit is calculated on the basis of flows rather than on a cash basis, so there are timing discrepancies between certain items. The financing of the deficit relates to the central government and not the rest of the public sector.

Table A33. Israel: General Government Receipts (National Accounts), 1993-97

	1993	1994	1995	1996	1997
	(In millions of new sheqalim)				
Total domestic receipts	85,984	105,868	125,630	140,341	157,442
Current receipts	76,528	94,516	113,243	126,717	144,581
Taxes and fees	71,744	88,552	104,743	118,536	136,935
Indirect taxes	37,080	43,883	51,176	59,727	66,195
Domestic production	26,365	31,431	36,839	43,946	50,280
Civilian imports	10,715	12,452	14,337	15,781	15,915
Direct taxes and fees	25,997	34,105	38,609	41,399	50,254
National insurance income 1/	8,667	10,564	14,958	17,410	20,486
Transfer payments	2,701	3,530	4,433	5,125	5,643
<i>Of which:</i> imputed pensions	2,292	3,036	3,850	4,456	4,886
Property income/tax	2,083	2,434	4,067	3,056	2,003
Capital receipts	9,456	11,352	12,387	13,624	12,861
Transfer payments	6,790	8,344	8,905	9,749	8,530
Depreciation	2,666	3,008	3,482	3,875	4,331
Total foreign receipts	12,889	12,120	12,181	14,603	16,947
Current receipts	12,340	11,561	11,576	13,971	16,340
Interest	1,073	671	1,386	1,557	2,715
Transfer payments	11,267	10,890	10,190	12,414	13,625
Intergovernmental	9,420	8,894	7,979	10,013	11,283
National and nonprofit institutions	1,847	1,996	2,211	2,401	2,342
Capital receipts	549	559	605	632	607
Total receipts	98,873	117,988	137,811	154,944	174,389
	(In percent of GDP)				
Total domestic receipts	46.1	47.1	48.2	46.2	46.5
Current receipts	41.0	42.0	43.4	41.7	42.7
Taxes and fees	38.5	39.4	40.2	39.0	40.5
Indirect taxes	19.9	19.5	19.6	19.7	19.6
Domestic production	14.1	14.0	14.1	14.5	14.9
Civilian imports	5.7	5.5	5.5	5.2	4.7
Direct taxes and fees	13.9	15.2	14.8	13.6	14.9
National insurance income 1/	4.6	4.7	5.7	5.7	6.1
Transfer payments	1.4	1.6	1.7	1.7	1.7
<i>Of which:</i> Imputed pensions	1.2	1.4	1.5	1.5	1.4
Property income/tax	1.1	1.1	1.6	1.0	0.6
Capital receipts	5.1	5.0	4.8	4.5	3.8
Transfer payments	3.6	3.7	3.4	3.2	2.5
Depreciation	1.4	1.3	1.3	1.3	1.3
Total foreign receipts	6.9	5.4	4.7	4.8	5.0
Current receipts	6.6	5.1	4.4	4.6	4.8
Interest	0.6	0.3	0.5	0.5	0.8
Transfer payments	6.0	4.8	3.9	4.1	4.0
Intergovernmental	5.0	4.0	3.1	3.3	3.3
National and nonprofit institutions	1.0	0.9	0.8	0.8	0.7
Capital receipts	0.3	0.2	0.2	0.2	0.2
Total receipts	53.0	52.5	52.9	51.0	51.5

Source: Data provided by the Bank of Israel.

1/ Figures from 1995 onward include revenue from the health tax.

Table A34. Israel: General Government Expenditure (National Accounts), 1993-97

	1993	1994	1995	1996	1997
(In millions of new sheqalim)					
Total domestic expenditure	93,483	111,004	135,597	155,438	170,256
Current expenditure	80,710	98,136	120,565	138,589	154,140
Civilian 1/	30,050	39,150	51,917	60,670	66,842
Defense	14,804	17,558	19,869	22,607	24,537
Transfer payments	21,046	25,009	30,477	36,913	42,317
Subsidies	4,821	5,342	4,817	4,687	4,743
Credit	471	420	364	296	190
Other	4,350	4,922	4,453	4,391	4,553
Interest	9,989	11,077	13,485	13,712	15,701
Capital expenditure	12,773	12,868	15,032	16,849	16,116
Investment	7,111	8,154	9,586	10,788	11,279
Capital grants	4,870	4,287	5,291	5,878	4,794
Repayment of compulsory loans	792	427	155	183	43
Total foreign (current) expenditure	10,403	9,463	9,324	11,195	12,549
Defense imports	5,770	4,196	3,534	5,022	5,728
Interest	3,784	4,564	5,079	5,420	6,061
Other	849	703	711	753	760
Total expenditure	103,886	120,467	144,921	166,633	182,805
(In percent of GDP)					
Total domestic expenditure	50.1	49.4	52.0	51.2	50.3
Current expenditure	43.3	43.6	46.2	45.7	45.6
Civilian 1/	16.1	17.4	19.9	20.0	19.8
Defense	7.9	7.8	7.6	7.4	7.3
Transfer payments	11.3	11.1	11.7	12.2	12.5
Subsidies	2.6	2.4	1.8	1.5	1.4
Credit	0.3	0.2	0.1	0.1	0.1
Other	2.3	2.2	1.7	1.4	1.3
Interest	5.4	4.9	5.2	4.5	4.6
Capital expenditure	6.8	5.7	5.8	5.6	4.8
Investment	3.8	3.6	3.7	3.6	3.3
Capital grants	2.6	1.9	2.0	1.9	1.4
Repayment of compulsory loans	0.4	0.2	0.1	0.1	--
Total foreign (current) expenditure	5.6	4.2	3.6	3.7	3.7
Defense imports	3.1	1.9	1.4	1.7	1.7
Interest	2.0	2.0	1.9	1.8	1.8
Other	0.5	0.3	0.3	0.2	0.2
Total expenditure	55.7	53.6	55.6	54.9	54.0

Source: Data provided by the Bank of Israel.

1/ Figures from 1995 onward include expenditure arising from the Health Law.

Table A35. Israel: Structure of General Government Finances (National Accounts), 1993-97

	1993	1994	1995	1996	1997
	(In millions of new sheqalim)				
Receipts from the public	98,833	117,177	137,267	153,921	174,238
Central government	78,885	93,850	107,611	119,390	135,039
National Insurance Institute	8,735	10,630	15,036	17,498	20,582
National institutions	1,777	1,550	1,640	2,173	1,797
Local authorities	6,996	8,153	9,538	10,914	12,598
Public nonprofit associations	2,440	2,994	3,442	3,946	4,222
Expenditure on the public	103,506	119,774	145,549	166,516	182,262
Central government	64,403	72,932	83,829	95,044	102,414
National Insurance Institute	13,815	16,290	19,941	23,848	27,961
National institutions	1,642	1,978	2,228	2,391	2,542
Local authorities	13,134	15,730	18,947	21,294	22,479
Public nonprofit associations	10,512	12,844	20,604	23,939	26,866
Unilateral transfers to general government entities	-8	--	--	--	--
Central government	19,412	25,223	31,758	38,519	41,845
National Insurance Institute	-6,535	-7,637	-7,116	-8,038	-9,152
National institutions	5	26	67	66	62
Local authorities	-3,650	-5,353	-5,952	-7,031	-7,440
Public nonprofit associations	-9,240	-12,239	-18,757	-23,516	-25,315
Overall balance	-4,665	-2,597	-8,282	-12,595	-8,024
Central government	-4,930	-4,305	-7,976	-14,173	-9,220
National Insurance Institute	1,455	1,997	2,211	1,688	1,773
National institutions	130	-454	-655	-284	-807
Local authorities	-2,488	-2,224	-3,457	-3,349	-2,441
Public nonprofit associations	1,168	2,389	1,595	3,523	2,671
	(In percent of GDP)				
Receipts from the public	53.0	52.1	52.6	50.7	51.5
Central government	42.3	41.7	41.3	39.3	39.9
National Insurance Institute	4.7	4.7	5.8	5.8	6.1
National institutions	1.0	0.7	0.6	0.7	0.5
Local authorities	3.7	3.6	3.7	3.6	3.7
Public nonprofit associations	1.3	1.3	1.3	1.3	1.2
Expenditure on the public	55.5	53.3	55.8	54.9	53.9
Central government	34.5	32.4	32.2	31.3	30.3
National Insurance Institute	7.4	7.2	7.6	7.9	8.3
National institutions	0.9	0.9	0.9	0.8	0.8
Local authorities	7.0	7.0	7.3	7.0	6.6
Public nonprofit associations	5.6	5.7	7.9	7.9	7.9
Unilateral transfers to general government entities	--	--	--	--	--
Central government	10.4	11.2	12.2	12.7	12.4
National Insurance Institute	-3.5	-3.4	-2.7	-2.6	-2.7
National institutions	--	--	--	--	--
Local authorities	-2.0	-2.4	-2.3	-2.3	-2.2
Public nonprofit associations	-5.0	-5.4	-7.2	-7.7	-7.5
Overall balance	-2.5	-1.2	-3.2	-4.1	-2.4
Central government	-2.6	-1.9	-3.1	-4.7	-2.7
National Insurance Institute	0.8	0.9	0.8	0.6	0.5
National institutions	0.1	-0.2	-0.2	-0.1	-0.2
Local authorities	-1.3	-1.0	-1.3	-1.1	-0.7
Public nonprofit associations	0.6	1.1	0.6	1.2	0.8

Source: Data provided by the Bank of Israel.

Table A36. Israel: The Largest Government Companies
(as of December 31, 1997)

	Total assets 1/	Total revenues 2/	Percentage direct and indirect government ownership 3/
(In millions of U.S. dollars)			
The Israel Electric Corporation	10,832	2,251	100
Bezeq - Telecommunication Corporation	4,837	2,533	74
Israel Chemicals	3,126	1,730	32
Mekorot - Water Corporation	1,978	464	100
Israel Aircraft Industries	1,871	1,691	100
Oil Refineries	1,277	2,162	74
El-Al Israel Airlines	980	1,237	100

Source: Government Companies Authority.

1/ Converted to U.S. dollars using the exchange rate for December 31, 1997.

2/ Converted to U.S. dollars using the average exchange rate for 1997.

3/ As of December 31, 1997. Subsequently, the government sold additional shares in Bezeq and Israel Chemicals.

Table A37. Israel: Privatization and Raising of Capital from the Public by Issuance of Shares and Convertible Securities, 1996 to October 30, 1998

	Total capital raised	Percentage sold	Percentage held by the State after sale
(In millions of U.S. dollars)			
1996:			
Lapidoth Oil Prospectors	8.6	51.0	--
Tahal Engineers and Consultants	12.9	100.0	--
Israel Discount Bank	160.0	15.8	79.3
Naptha Petrochemical Corporation	16.4	44.0	--
Total	197.9		
1997:			
Israel Chemicals	198.0	17.0	31.5
R.D.C	4.3	50.1	49.9
Yozma Risk Capital	14.8	100.0	--
Yozma Nitsanim Fund	9.3	40.0	--
Yozma J.P.V. Fund	9.6	40.0	--
Bezeq (Telecommunications)	48.0	2.5	73.6
The Israel School of Tourism	0.3	77.9	--
The Israel National Oil Company	26.0	99.9	--
Israel Discount Bank	180.9	19.3	59.9
Bank Leumi	406.2	18.3	63.4
United Mizrahi Bank	128.7	25.0	45.9
Bank Hapoalim 2/	1,368.0	43.0	33.6
Total	2,394.1		
1998:			
Bezeq (Telecommunications)	461.7	19.2	54.3
Weed Extermination Company	1.8	84.0	--
Yozma Gemini Fund	9.2	26.7	--
Yozma Polaris Fund	9.5	40.0	--
Yozma Inventec Fund	9.6	40.0	2.9
Bank Leumi	52.0	2.0	61.4
United Mizrahi Bank	290.4	31.7	14.2
Bank Hapoalim 2/	232.9	9.4	24.3
Total	1,067.1		

Source: Government Companies Authority.

1/ The conversion to U.S. dollars was done using the exchange rate for the date of sale.

2/ The "percentage sold" figure refers to the percentage sold prior to the exercise of the associated option. After the option is exercised, the State will hold 12.3 percent of the bank.

Table A38. Israel: Privatization of Banks and Raising of Capital from the Public by Issuance of Shares and Convertible Securities, 1991 to October 30, 1998

Bank	Date	Total capital raised 1/	Percentage sold	Percentage held by the State after sale
(In millions of U.S. dollars)				
I.D.B. Holdings	October 1991	229.7	25.0	42.0
Israel General Bank	July 1992	15.6	25.0	--
I.D.B. Holdings	November 1992	349.3	42.0	--
Union Bank	May 1993	49.6	35.0	23.0
Bank Hapoalim	May 1993	244.5	16.0	82.6
Bank Leumi	August 1993	52.0	15.0	81.7
Bank Hapoalim	November 1993	121.8	6.0	76.6
United Mizrahi Bank 2/	November 1994	110.0	26.0	70.9
Israel Discount Bank 3/	March 1996	160.0	15.8	79.3
Israel Discount Bank	April 1997	182.6	19.3	59.9
Bank Leumi	May 1997	407.8	18.3	63.4
United Mizrahi Bank	July 1997	128.7	25.0	45.9
Bank Hapoalim 4/	September 1997	1,368.0	43.0	33.6
Bank Leumi	April 1998	52.0	2.0	61.4
United Mizrahi Bank	June 1998	290.4	31.7	14.2
Bank Hapoalim 4/	June 1998	232.9	9.4	24.3

Source: Government Companies Authority.

1/ The conversion to U.S. dollars was done using the exchange rate for the date of sale.

2/ The purchasers of the controlling interest of United Mizrahi Bank (26 percent of its capital) were granted an option to purchase a further 25 percent on the basis of the market value (100 percent) of the bank, amounting to \$23 million, plus linka to the CPI and interest at the rate of 3 percent. The proceeds due to arise upon the exercise of warrant are not included here.

3/ The immediate revenue amounts to \$80 million. Another \$80 million in revenue is expected upon the exercise of the purchase warrants in Israel Discount Bank.

4/ The "percentage sold" figure refers to the percentage sold prior to the exercise of the associated option. After the option exercised, the State will hold 12.3 percent of the bank.

Table A39. Israel: Currency Basket of the Israeli Sheqel, 1993-98

	Absolute amount of currency in basket as of Dec. 31, 1996	Percentage distribution of currencies on the basis of market rates on:					
		1993	1994	1995	1996	1997	1998
		Dec. 31	Dec. 31	Dec. 31	Dec. 31	Dec. 31	Nov. 30
U.S. dollar	0.6741	0.5627	0.5381	0.5583	0.6028	0.6266	0.6203
Deutschmark	0.0589	0.2258	0.2419	0.2424	0.2070	0.1870	0.1934
Pound sterling	0.3588	0.0929	0.0939	0.0819	0.0895	0.0909	0.0897
Japanese yen	6.5437	0.0646	0.0692	0.0597	0.0505	0.0469	0.0496
French franc	0.2933	0.0540	0.0569	0.0577	0.0502	0.0458	0.0471

Sources: IMF, *International Financial Statistics*; and data provided by the Bank of Israel.

Table A40. Israel: Exchange Rate Developments, 1993-98

	U.S.dollar/ sheqel	Deutsche mark/ sheqel	Pound sterling/ sheqel	Japanese yen/ sheqel	French franc/ sheqel	Currency basket
(Index number 1986 = 100; period averages)						
1993	190.4	248.2	194.8	286.9	232.0	205.2
1994	202.4	269.8	211.5	331.1	252.5	221.2
1995	202.4	304.7	217.8	361.2	280.2	231.4
1996	214.3	307.3	228.4	329.0	289.3	249.9
1997	231.9	288.6	259.2	320.9	274.5	269.5
1993						
I	187.6	247.6	189.0	259.5	233.7	205.3
II	184.8	246.2	193.3	281.0	233.8	204.8
III	191.2	245.6	196.1	302.4	226.7	209.5
IV	197.4	252.9	200.8	304.3	233.6	215.6
1994						
I	200.1	250.6	203.1	310.7	235.9	217.5
II	203.0	264.1	208.4	328.3	247.1	223.8
III	203.6	281.0	215.1	342.9	262.7	229.6
IV	203.0	283.7	219.4	342.8	264.6	230.2
1995						
I	201.6	294.2	217.6	350.4	269.7	231.9
II	200.5	309.3	218.3	395.9	281.4	236.9
III	202.1	304.5	216.9	360.4	282.1	235.5
IV	205.5	311.5	218.6	338.0	288.0	238.4
1996						
I	209.3	307.7	218.7	330.5	287.3	235.6
II	217.0	307.2	225.5	337.4	290.3	241.4
III	212.6	306.4	225.4	325.9	288.3	237.8
IV	218.2	307.8	243.3	323.2	291.4	243.3
1997						
I	223.3	291.5	248.7	308.5	276.5	243.3
II	229.5	288.8	256.0	320.9	274.2	248.1
III	237.1	283.3	263.1	335.8	269.3	253.2
IV	237.3	291.8	269.0	316.3	278.9	254.8
1998						
I	241.0	285.9	270.5	314.3	273.1	256.2
II	247.1	297.3	278.5	303.5	283.9	262.9
III	250.7	306.2	282.2	298.9	292.3	267.3

Sources: IMF, *International Financial Statistics*; and data provided by the Bank of Israel.

Table A41. Israel: Overall Balance of Payments, 1993-98

	1993	1994	1995	1996	1997	1998		
						I	II	III
(In millions of U.S. dollars)								
Current account balance	-1,774	-2,502	-4,797	-5,107	-3,237	-536	-443	-1,305
Trade balance	-5,756	-5,533	-7,529	-7,584	-5,776	-1,034	-1,035	-1,025
Exports, f.o.b.	14,638	17,087	19,136	20,651	21,779	5,659	5,533	5,182
Imports, f.o.b.	20,394	22,620	26,665	28,235	27,555	6,693	6,568	6,207
Civilian imports	18,287	21,159	25,372	26,564	25,799	6,188	6,064	5,859
Military imports	2,106	1,461	1,293	1,671	1,756	506	504	349
Civilian trade balance	-3,649	-4,072	-6,236	-5,913	-4,020	-529	-531	-677
Services balance	-2,707	-3,967	-4,548	-5,432	-5,505	-1,000	-1,094	-1,762
Exports	7,361	7,832	9,524	9,958	10,608	2,678	3,336	3,790
Imports	10,068	11,799	14,072	15,390	16,113	3,678	4,430	5,552
Net transfers	6,689	6,998	7,280	7,909	8,044	1,498	1,686	1,482
Capital account balance	3,078	1,921	4,196	6,571	10,325	2,176	39	916
Long-term capital	2,239	3,001	2,577	4,851	5,198	2,050	348	306
Short-term capital	839	-1,080	1,619	1,720	5,127	126	-309	610
Errors and omissions	175	644	1,657	1,957	2,227	-414	36	208
Change in reserves	-1,480	-63	-1,057	-3,422	-9,314	-1,226	368	181
(Percentage change from same period previous year)								
<u>Memorandum items:</u>								
Goods exports	9.3	16.7	12.0	7.9	5.5	2.0	4.6	-5.5
Goods imports	11.8	10.9	17.9	5.9	-2.4	-4.9	-4.3	-8.1
Services exports	-1.1	6.4	21.6	4.6	6.5	7.3	24.8	39.4
Services imports	5.1	17.2	19.3	9.4	4.7	6.5	7.9	28.7

Source: Central Bureau of Statistics, *Monthly Bulletin of Statistics*.

Table A42. Israel: Balance of Payments—Services, 1993–98

	1993	1994	1995	1996	1997	1998		
						I	II	III
(In millions of U.S. dollars)								
Freight and transportation, net	-1,107	-1,432	-1,718	-1,928	-1,819	-413	-444	-548
Receipts	1,765	1,795	2,146	2,032	2,190	533	559	579
Payments	2,872	3,227	3,864	3,960	4,009	946	1,003	1,127
Travel, net	175	-187	-218	-428	-829	-64	-81	-693
Receipts	2,227	2,408	2,930	2,876	2,741	548	753	649
Payments	2,052	2,595	3,148	3,304	3,570	612	834	1,342
Insurance, net	-191	-198	-228	-254	-262	-66	-62	-64
Receipts	13	13	18	14	29	5	4	5
Payments	204	211	246	268	291	71	66	69
Other, net	-196	-394	-614	-1,048	-857	-215	24	-189
Receipts	2,222	2,529	2,878	3,354	3,748	919	1,253	1,068
Payments	2,418	2,923	3,492	4,402	4,605	1,134	1,229	1,257
Government, n.e.s., net	-145	-154	-154	-138	-113	-27	-16	-39
Receipts	47	50	64	80	88	24	28	22
Payments	192	204	218	218	201	51	44	61
Total services (excluding investment income), net	-1,464	-2,365	-2,932	-3,796	-3,880	-785	-579	-1,533
Receipts	6,274	6,795	8,036	8,356	8,796	2,029	2,597	2,323
Payments	7,738	9,160	10,968	12,152	12,676	2,814	3,176	3,856
Investment income, net	-1,241	-1,599	-1,616	-1,636	-1,626	-201	-517	-229
Receipts	1,088	1,038	1,489	1,602	1,811	618	738	1,467
Payments	2,329	2,637	3,105	3,238	3,437	819	1,255	1,696
Total services, net	-2,705	-3,964	-4,548	-5,432	-5,506	-1,000	-1,096	-1,762
Receipts	7,362	7,833	9,525	9,958	10,607	2,633	3,335	3,790
Payments	10,067	11,797	14,073	15,390	16,113	3,633	4,431	5,552

Source: Central Bureau of Statistics, *Monthly Bulletin of Statistics*.

Table A43. Israel: Export Volume and Price Indices, 1993-98

	1993	1994	1995	1996	1997	1998	
						I	II
(Percentage change from same period previous year)							
Volume indices 1/							
Agricultural products	1.9	11.2	14.6	15.7	7.4	37.6	-31.7
Citrus fruit	-11.3	-0.8	37.1	-5.6	3.3	46.7	-66.1
Other fruits and vegetables	8.1	0.7	21.6	32.0	-0.1	52.2	-47.5
Other	4.7	21.7	2.8	19.7	13.0	24.6	6.1
Industrial products (excl. diamonds)	19.2	13.8	3.5	7.0	13.4	0.0	5.3
Ores and minerals	4.9	18.6	1.5	-9.1	8.2	-0.8	30.2
Food	10.4	5.5	2.8	-3.7	-12.6	7.7	-5.9
Textiles	2.3	7.8	2.1	-5.4	-1.5	-6.2	-1.5
Metals, machinery and electronics	25.8	15.7	0.6	13.4	-0.3	-7.3	5.8
Chemicals	27.0	14.6	6.3	4.4	16.8	13.9	-0.6
Other industrial products	4.3	10.2	14.1	4.1	20.3	-2.2	7.9
Diamonds, net	-0.2	23.3	12.2	4.0	0.7	14.9	-11.8
Total exports	12.3	15.5	6.5	7.1	9.3	4.6	-0.5
Total exports, excluding diamonds	16.7	13.1	4.6	8.2	12.3	2.0	2.7
Price indices 2/							
Agricultural products	-2.9	-2.5	8.8	-6.6	-7.2	6.2	14.6
Citrus fruit	18.1	5.5	17.3	-6.0	-10.9	16.9	-2.3
Other fruits and vegetables	-3.1	-4.7	8.3	-12.3	-4.7	-3.1	-8.2
Other	-10.1	-4.5	5.1	-3.8	-6.8	6.6	-23.6
Industrial products (excl. diamonds)	-3.3	-0.6	5.5	-0.9	-2.7	-1.1	-0.9
Ores and minerals	-8.0	-1.2	13.2	3.8	5.3	1.0	4.3
Food	-10.4	-0.7	7.2	2.5	-0.8	-3.4	-0.6
Textiles	-4.9	1.6	4.8	2.0	1.4	4.4	-1.9
Metals, machinery and electronics	-1.4	0.8	4.9	-2.1	2.4	0.0	-2.8
Chemicals	-5.2	-3.2	5.2	-2.3	-2.8	-4.5	-1.6
Other industrial products	-0.3	-1.8	5.9	1.0	-4.7	-1.0	-0.6
Diamonds, net	10.3	-3.0	2.7	2.5	2.7	3.6	-4.0
Total exports	0.5	-1.4	4.7	-0.1	-1.2	0.6	-2.4
Total exports, excluding diamonds	-2.5	-0.8	5.4	-1.0	-2.5	-0.3	-2.0

Sources: Central Bureau of Statistics, *Foreign Trade Statistics Quarterly*; and data provided by the Bank of Israel.

1/ Value data deflated by Fisher unit value indices.

2/ Based on data in U.S. dollars.

Table A44. Israel: Commodity Composition of Exports, 1993-98 1/ 2/

	1993	1994	1995	1996	1997	1998	
						I	II
(In millions of U.S. dollars)							
Agricultural products	547	594	741	804	802	307	179
Citrus fruits	121	126	203	180	166	84	28
Other fruits and vegetables	143	137	181	209	199	90	43
Other	284	330	357	411	437	134	108
Industrial products (excluding diamonds)	10,179	11,281	12,224	13,007	14,421	3,779	3,943
Ores and minerals	283	332	382	360	419	96	131
Food, beverages, and tobacco	534	559	617	608	527	128	120
Textiles, clothing and leather	883	968	1,036	999	998	263	254
Other light industry products	1,199	1,301	1,574	1,657	1,687	393	404
Chemicals	1,912	2,120	2,370	2,419	2,748	739	723
Metals, machinery and electronics	5,058	5,894	6,222	6,902	7,924	2,126	2,279
Diamonds	4,043	4,015	4,623	4,929	5,100	1,236	1,046
Other exports, n.e.s. 3/	55	162	216	429	458	131	124
Total exports	14,826	16,051	17,802	19,169	20,781	5,453	5,292
(In percent of total exports)							
Agricultural products	3.7	3.7	4.2	4.2	3.9	5.6	3.4
Citrus fruits	0.8	0.8	1.1	0.9	0.8	1.5	0.5
Other fruits and vegetables	1.0	0.9	1.0	1.1	1.0	1.7	0.8
Other	1.9	2.1	2.0	2.1	2.1	2.5	2.0
Industrial products (excluding diamonds)	68.7	70.3	68.7	67.9	69.4	69.3	74.5
Ores and minerals	1.9	2.1	2.1	1.9	2.0	1.8	2.5
Food, beverages, and tobacco	3.6	3.5	3.5	3.2	2.5	2.3	2.3
Textiles, clothing and leather	6.0	6.0	5.8	5.2	4.8	4.8	4.8
Other light industry products	8.1	8.1	8.8	8.6	8.1	7.2	7.6
Chemicals	12.9	13.2	13.3	12.6	13.2	13.6	13.7
Metals, machinery and electronics	34.1	36.7	35.0	36.0	38.1	39.0	43.1
Diamonds	27.3	25.0	26.0	25.7	24.5	2.4	2.3
Other exports, n.e.s. 3/	0.4	1.0	1.2	2.2	2.2	2.4	2.3
Total exports	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Central Bureau of Statistics, *Foreign Trade Statistics Quarterly* and *Monthly Bulletin of Statistics*.

1/ Excluding exports to the Palestinian Autonomy and administered areas.

2/ The valuation basis in this table differs from that used in the balance of payments.

3/ Returned exports and items not specified elsewhere.

Table A45. Israel: Destination of Exports, 1993-98

	1993	1994	1995	1996	1997	1998 Oct.
	(In percent of total exports)					
Exports	100.0	100.0	100.0	100.0	100.0	100.0
Europe	37.2	35.4	39.2	38.8	37.3	37.5
<i>Of which:</i>						
European Union	30.6	29.2	32.3	32.1	30.1	30.9
Austria	0.5	0.5	0.4	0.4	0.4	0.3
Belgium	5.3	5.3	5.3	5.4	4.9	4.7
Denmark	0.3	0.2	0.3	0.3	0.2	0.3
Finland	0.1	0.1	0.2	0.3	0.2	0.2
France	3.9	3.4	3.7	3.3	2.7	2.9
Germany	5.3	5.0	5.5	5.1	4.3	4.8
Greece	0.8	0.6	1.1	0.8	0.7	0.6
Ireland	0.2	0.2	0.2	0.4	0.9	0.8
Italy	2.9	3.0	3.0	2.7	2.8	3.2
Netherlands	3.7	3.7	4.2	4.3	4.4	4.7
Portugal	0.3	0.2	0.2	0.2	0.2	0.3
Spain	1.3	1.4	1.6	1.7	1.5	1.7
Sweden	0.4	0.4	0.5	0.6	0.5	0.5
United Kingdom	5.5	5.0	6.1	6.7	6.2	5.7
EFTA countries 1/	2.0	2.2	2.0	1.7	2.0	1.9
North, Central, and South America	34.5	34.8	33.7	34.3	36.2	39.9
<i>Of which:</i>						
United States	31.2	31.0	30.1	30.6	32.1	35.8
Asia	16.9	18.7	20.1	20.1	18.6	13.7
<i>Of which:</i>						
Japan	5.2	5.8	6.9	5.9	4.6	3.2
Other countries	11.3	11.1	7.1	6.8	7.8	8.6

Source: Central Bureau of Statistics, *Monthly Bulletin of Statistics*.

1/ Iceland, Norway, and Switzerland.

Table A46. Israel: Civilian Import Volume and Price Indices, 1993-98

	1993	1994	1995	1996	1997	1998	
						I	II
(Percentage change from same period previous year)							
Volume indices 1/							
Consumer goods	8.9	19.4	11.2	12.0	2.6	7.5	-7.0
Nondurables	20.6	24.4	9.5	14.1	3.4	11.3	-10.7
Durables	-0.8	14.6	12.9	9.8	1.7	2.9	-2.2
Input goods	13.2	9.7	11.7	4.4	2.9	-0.2	-2.7
Diamonds	13.5	11.1	19.9	2.3	-0.6	-20.3	4.0
Fuel	14.6	-2.2	9.3	-6.7	14.2	10.2	3.2
Other	15.3	11.4	9.1	5.4	4.2	7.7	-4.4
Investment goods	13.9	23.8	3.2	10.3	-4.1	-0.9	1.5
Machinery and equipment	16.8	17.1	11.4	11.2	-0.4	3.4	3.6
Total imports, net	12.7	13.2	10.4	6.3	1.5	0.6	-2.0
Total imports, excluding diamonds	12.6	13.6	8.6	7.1	1.9	4.7	-3.0
Price indices 2/							
Consumer goods	0.2	0.8	8.0	-3.7	-4.2	-4.4	0.2
Nondurables	-3.2	-0.3	8.8	-2.6	-2.4	-3.8	1.3
Durables	3.5	1.9	7.1	-4.9	-6.1	-5.1	-1.2
Input goods	-4.4	2.5	9.1	0.7	-4.6	-2.9	-1.6
Diamonds	1.1	4.3	-4.6	6.3	-0.3	-0.2	0.7
Fuel	-11.3	-2.6	10.3	14.9	-7.6	-18.5	-9.8
Other	-7.0	2.7	14.4	-1.7	-7.3	-3.3	-1.8
Investment goods 3/	-1.3	0.3	5.1	-2.0	-5.1	-2.1	0.2
Machinery and equipment	-3.6	0.3	5.1	-2.0	-5.5	-1.3	-0.1
Total imports, net	-3.3	2.1	8.5	-0.6	-4.6	-3.0	-1.0
Total imports, excluding diamonds 3/	-4.1	1.7	11.2	-1.8	-5.5	-3.5	-1.3

Sources: Central Bureau of Statistics, *Foreign Trade Statistics Quarterly*; and data provided by the Bank of Israel.

1/ Value data deflated by Fisher unit value indices.

2/ Based on data in U.S. dollars.

3/ Excluding ships and aircraft.

Table A47. Israel: Commodity Composition of Civilian Imports (c.i.f), 1993-98 1/

	1993	1994	1995	1996	1997	1998	
						I	II
(In millions of U.S. dollars)							
Consumer goods	2,533	3,047	3,657	3,942	3,876	997	929
Nondurables	1,248	1,846	1,846	2,051	2,070	560	506
Durables	1,283	1,811	1,811	1,890	1,806	437	423
Input goods	14,391	15,890	19,371	20,323	20,308	4,942	4,734
Diamonds	3,542	3,873	4,430	4,819	4,779	925	969
Fuel	1,742	1,658	1,999	2,141	2,260	504	469
Other	9,107	10,358	12,942	13,363	13,269	3,513	3,295
Investment goods	3,577	4,510	4,951	5,315	4,839	1,132	1,151
Machinery and equipment	2,522	3,468	3,468	3,780	3,558	876	906
Other imports, n.e.s. 2/	18	-77	-74	-102	-398	-131	-84
Total imports, net	20,518	23,369	27,905	29,478	28,625	6,940	6,730
Total imports, excluding diamonds	16,976	19,496	23,475	24,660	23,846	6,015	5,761
(In percent of total imports)							
Consumer goods	12.3	13.0	13.1	13.4	13.5	14.4	13.8
Nondurables	6.1	7.9	6.6	7.0	7.2	8.1	7.5
Durables	6.3	7.7	6.5	6.4	6.3	6.3	6.3
Input goods	70.1	68.0	69.4	68.9	70.9	71.2	70.3
Diamonds	17.3	16.6	15.9	16.3	16.7	13.3	14.4
Fuel	17.3	16.6	15.9	16.3	16.7	13.3	14.4
Other	44.4	44.3	46.4	45.3	46.4	50.6	49.0
Investment goods	17.4	19.3	17.7	18.0	16.9	16.3	17.1
Machinery and equipment	12.3	14.8	12.4	12.8	12.4	12.6	13.5
Other imports, n.e.s. 2/	0.1	-0.3	-0.3	-0.3	-1.4	-1.9	-1.2
Total imports, net	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Central Bureau of Statistics, *Foreign Trade Statistics Quarterly* and *Monthly Bulletin of Statistics*.

1/ Excludes imports from the Autonomy and administered areas.

2/ Returned and re-exported imports, and items not specified elsewhere.

Table A48. Israel: Origin of Imports, 1993-98

	1993	1994	1995	1996	1997	1998 Oct.
	(In percent of total imports)					
Imports	100.0	100.0	100.0	100.0	100.0	100.0
Europe	61.0	62.9	61.7	60.2	59.8	58.1
<i>Of which:</i>						
European Union	51.4	49.6	52.4	51.7	51.0	48.5
Austria	0.6	0.5	0.6	0.5	0.5	0.4
Belgium	12.1	8.7	12.1	12.1	12.4	10.4
Denmark	0.7	0.6	0.6	0.5	0.5	0.6
Finland	0.5	0.5	0.8	0.7	0.9	0.9
France	4.2	4.5	4.1	3.9	3.8	4.1
Germany	10.4	10.4	9.8	9.4	9.4	8.8
Greece	0.4	0.5	0.5	0.5	0.4	0.5
Ireland	0.3	0.4	0.6	0.6	0.6	0.8
Italy	7.3	7.8	7.8	7.6	6.9	6.7
Luxembourg	0.1	0.1	0.1	0.1	0.1	0.1
Netherlands	3.4	3.3	3.4	3.2	3.8	4.2
Portugal	0.4	0.5	0.4	0.4	0.4	0.4
Spain	1.0	1.7	1.9	2.1	2.1	2.3
Sweden	1.4	1.4	1.4	1.2	1.0	1.1
United Kingdom	8.6	8.7	8.3	8.8	8.4	7.5
EFTA countries 1/	7.7	6.7	6.3	5.8	5.8	5.8
North, Central, and South America	19.4	19.8	20.2	21.5	20.9	22.1
<i>Of which:</i>						
United States	17.8	18.0	18.6	20.0	18.8	19.6
Asia	10.0	9.7	10.0	10.2	10.8	12.4
<i>Of which:</i>						
Japan	5.1	4.1	3.3	3.7	3.6	3.6
Other countries	9.7	7.6	8.1	8.1	8.6	7.3

Source: Central Bureau of Statistics, *Monthly Bulletin of Statistics*.

1/ Iceland, Norway, and Switzerland.

Table A49. Israel: Capital Account Transactions, 1993-98 1/

	1993	1994	1995	1996	1997	1998		
						I	II	III
	(In millions of U.S. dollars)							
Net capital flows (excluding flows by the central monetary institutions)	3,078	1,921	4,197	6,572	10,324	2,176	39	916
Long-term capital	2,239	3,002	2,578	4,850	5,198	2,050	348	306
Government liabilities	2,111	2,164	859	1,641	1,225	1,446	-122	-210
Direct investment								
In Israel	756	626	1,934	2,426	3,399	577	600	341
Abroad	-763	-735	-606	-670	-665	-43	-157	-122
Private								
Liabilities	56	644	376	1,376	1,390	2	18	291
Assets	79	303	15	77	-151	68	9	6
Short-term capital	840	-1,078	1,621	1,720	5,128	126	-310	610
Government								
Liabilities	-2	42	28	-29	-29	-34	1	-12
Assets	261	-27	-1,229	864	-19	-30	34	-26
Private								
Liabilities	262	337	1,411	147	633	344	-70	234
Assets	-292	-127	341	1,151	539	243	-182	451
Banking sector								
Liabilities	280	968	1,173	634	2,313	432	176	441
Assets	331	-2,271	-103	-1,047	1,691	-829	-269	-478
Foreign currency assets and liabilities of the central monetary institutions	-1,480	-63	-1,056	-3,422	-9,314	-1,226	368	181
Liabilities	--	19	-76	-165	3	-6	-18	4
Assets	-1,480	-82	-980	-3,257	-9,317	-1,220	386	177

Source: Central Bureau of Statistics, *Monthly Bulletin of Statistics*.

1/ Excluding errors and omissions. Negative sign indicates an increase in assets or a decrease in liabilities.

Table A50. Israel: Indicators of External Indebtedness, 1993-98

	1993	1994	1995	1996	1997	1998		
						I	II	III
(In millions of U.S. dollars; end of period)								
Gross external liabilities	37,673	41,703	45,118	47,675	51,851	53,163	53,166	54,318
Gross external liabilities minus								
foreign assets of commercial banks	27,216	28,577	31,557	33,264	39,505	40,073	39,737	40,013
Net external liabilities 1/	17,202	17,977	19,824	19,284	17,758	17,300	17,122	17,178
(Percentage change over the same period of the previous year)								
Gross external liabilities	5.6	10.7	8.2	5.7	8.8	2.5	2.5	2.2
Gross external liabilities minus								
foreign assets of commercial banks	9.2	5.0	10.4	5.4	18.8	1.4	3.4	0.7
Net external liabilities 1/	1.3	4.5	10.3	-2.7	-7.9	-2.6	-3.6	0.3
(In percent of GDP)								
Gross external liabilities	57.1	55.9	52.1	50.1	52.9	53.9	53.5	61.4
Gross external liabilities minus								
foreign assets of commercial banks	41.3	38.3	36.4	35.0	40.3	40.6	40.0	45.2
Net external liabilities 1/	26.1	24.1	22.9	20.3	18.1	17.5	17.2	19.4
(In millions of U.S. dollars; end of period)								
<u>Memorandum items:</u>								
Foreign assets	20,471	23,726	25,294	28,391	34,093	34,093	34,093	34,093
<i>Of which:</i>								
Commercial banks	10,457	13,126	13,561	14,411	12,346	12,346	12,346	12,346
Bank of Israel	6,468	6,896	8,309	11,575	20,333	21,602	21,323	21,716

Sources: Central Bureau of Statistics, *Monthly Bulletin of Statistics*; and data provided by the Bank of Israel.

1/ Net of foreign assets of commercial banks, Bank of Israel's reserves, holdings of other monetary institutions, and export credit.

Table A51. Israel: Indicators of Debt Service, 1993-98

	1993	1994	1995	1996	1997	1998	
						I	II
(In millions of U.S. dollars)							
Gross interest payments	2,136	2,364	2,903	2,987	3,089	750	1,157
Interest receipts	1,088	1,043	1,655	1,705	1,811	618	740
Net interest payments	1,048	1,321	1,248	1,282	1,278	132	417
Principal repayments 1/	1,885	2,304	2,293	2,673	2,958	985	850
Debt service 2/	4,021	4,668	5,196	5,660	6,047	1,735	2,007
Net debt service 3/	2,933	3,625	3,541	3,955	4,236	1,117	1,267
(In percent of exports of goods and nonfactor services)							
Gross interest payments	9.7	9.5	10.1	9.8	9.5	9.0	13.0
Gross debt service	18.3	18.7	18.1	18.5	18.7	20.8	22.6
Net interest payments	4.8	5.3	4.4	4.2	3.9	1.6	4.7
Net debt service	13.3	14.5	12.4	12.9	13.1	13.4	14.3

Source: Data provided by the Bank of Israel.

1/ Excludes short-term debt.

2/ Gross interest payments plus principal repayments.

3/ Net interest payments plus principal repayments.

Table A52. Israel: Assets and Liabilities in Foreign Currency, 1993-98

	1993	1994	1995	1996	1997	1998		
						I	II	III
(In millions of U.S. dollars; end of period)								
Gross liabilities	37,673	41,703	45,118	47,675	51,851	53,163	53,166	54,318
Government	20,352	22,712	23,731	25,221	26,125	27,433	27,445	27,375
Nonfinancial private sector	4,756	5,110	6,105	6,878	8,137	7,744	7,547	7,960
Bank of Israel	284	317	268	98	69	83	65	69
Banks	12,281	13,564	15,014	15,478	17,520	17,903	18,109	18,914
Gross assets	20,471	23,726	25,294	28,391	34,094	35,863	36,046	37,142
Bank of Israel reserves	6,468	6,896	8,309	11,575	20,333	21,602	21,323	21,716
Other financial institutions	669	542	530	371	480	370	397	328
Exporters' credit	2,877	3,162	2,894	2,034	935	801	897	793
Banking system	10,457	13,126	13,561	14,411	12,346	13,090	13,429	14,305
Net liabilities 1/	17,202	17,977	19,824	19,284	17,757	17,300	17,120	17,176
Total current debt	5,814	4,312	6,141	5,140	10,903	10,702	10,702	10,702
Banking system (net)	1,822	437	1,451	1,067	6,300	6,300	6,300	6,300
Nonfinancial private sector	2,124	1,813	2,419	1,890	1,987	1,987	1,987	1,987
Direct government debt	--	--	9	10	--	--	--	--
Medium- and long-term debt (repayable within a year)	1,868	2,062	2,262	2,173	2,616	2,415	2,415	2,415
Net current debt 2/	-4,200	-6,288	-5,592	-8,840	-10,845	-12,071	-11,915	-12,135

Sources: Central Bureau of Statistics, *Monthly Bulletin of Statistics*; and data provided by the Bank of Israel.

1/ Gross liabilities minus gross assets.

2/ Total current debt minus Bank of Israel reserves, other financial institutions' reserves, and exporters' credit.

Table A53. Israel: Official Gold and Convertible
Foreign Exchange Reserves, 1993-98

	Gold 1/	SDRs	Reserve position in the Fund	Foreign exchange 2/	Total 3/
(In millions of U.S. dollars; end of period)					
1993	0.4	0.5	--	6,468	6,468
1994	0.4	0.4	--	6,895	6,896
1995	0.5	33.8	--	8,309	8,309
1996	0.4	33.4	--	11,574	11,575
1997	0.4	--	--	20,332	20,333
1998	0.4	0.3	--	22,675	22,676
1995					
I	0.5	0.6	--	9,093	9,093
II	0.5	1.8	--	8,934	8,934
III	0.5	34.2	--	8,991	8,992
IV	0.5	33.8	--	8,309	8,309
1996					
I	0.4	33.2	--	9,837	9,837
II	0.4	33.2	--	9,008	9,008
III	0.4	33.3	--	10,368	10,369
IV	0.4	33.4	--	11,574	11,575
1997					
I	0.4	0.2	--	15,521	15,521
II	0.4	1.6	--	17,994	17,994
III	0.4	0.2	--	19,206	19,206
IV	0.4	--	--	20,332	20,333
1998					
I	0.4	0.2	--	21,602	21,602
II	0.4	0.3	--	21,322	21,323
III	0.4	0.3	--	21,715	21,716
IV	0.4	0.3	--	22,675	22,676

Sources: IMF, *International Financial Statistics*; and data provided by the Bank of Israel.

1/ National value.

2/ At the Bank of Israel.

3/ Gold plus foreign exchange.