

## TABLE OF CONTENTS

Covering Letter to the Government and the Knesset Finance Committee . . . . .	3
Table of Contents . . . . .	5
List of Tables . . . . .	7
List of Diagrams . . . . .	12

### PART ONE — ECONOMIC DEVELOPMENT

CHAPTER I MAIN DEVELOPMENTS IN THE ISRAEL ECONOMY . . . . .	15
CHAPTER II RESOURCES, PRODUCT AND NATIONAL INCOME	CHAPTER VI WAGES
1. Resources and the National Product . . . . . 21	1. Wages During 1955 . . . . . 77
2. Real Output and Productivity . . . . . 21	2. Net Wages . . . . . 79
3. National Income and Its Distribution . . . . . 23	3. Causes of Wage Changes . . . . . 80
4. Use of Resources . . . . . 25	4. Premiums and Bonuses . . . . . 81
5. The Import Components in Resources Used . . . . . 28	5. Social Benefits . . . . . 82
6. Private Consumption . . . . . 29	6. Grading and Differentials . . . . . 83
7. Capital Import, Investment and Saving . . . . . 30	7. Wages and Output . . . . . 83
8. National Accounts . . . . . 33	
CHAPTER III FOREIGN TRADE AND THE BALANCE OF PAYMENTS	CHAPTER VII MANPOWER AND EMPLOYMENT
1. Developments in the Balance of Payments . . . . . 35	1. Population . . . . . 85
2. Exports . . . . . 42	2. Unemployment . . . . . 91
3. Imports . . . . . 48	
4. Grants and Other Unrequited Payments . . . . . 51	CHAPTER VIII AGRICULTURE
5. Capital Movements and Debts of the Government . . . . . 53	1. Area . . . . . 97
CHAPTER IV INVESTMENT	2. Livestock . . . . . 100
1. The Volume of Investment . . . . . 55	3. Water . . . . . 102
2. The Economic Destination of Investment . . . . . 56	4. Mechanisation . . . . . 103
3. Investment and Additional Output . . . . . 58	5. Manpower . . . . . 104
4. Investment and Capital Imports . . . . . 59	6. Fishing . . . . . 106
5. Investment in Stocks . . . . . 61	7. Prices . . . . . 106
6. Financing of Investment . . . . . 63	8. Yield . . . . . 107
CHAPTER V PRICES	9. Income . . . . . 108
1. The Consumer Price Index . . . . . 68	10. Credit . . . . . 108
2. Purchases by the Government and Public Institutions . . . . . 73	11. Investment . . . . . 110
3. Investment Prices . . . . . 73	
4. Factors Influencing Price Fluctuations . . . . . 74	CHAPTER IX INDUSTRY
	1. Industrial Production . . . . . 115
	2. Employment and Productivity . . . . . 116
	3. Electricity Consumption in Industry . . . . . 117
	4. Fluctuations in the Volume of Production . . . . . 118
	5. Industrial Exports . . . . . 119
	6. Credit . . . . . 121
	7. Investment . . . . . 124

CHAPTER X	ELECTRICITY AND MINING	
1.	Electricity . . . . .	127
2.	Minerals and Mining . . . . .	128
3.	Oil . . . . .	130
CHAPTER XI	BUILDING . . . . .	133

CHAPTER XII	TRANSPORTATION	
1.	Shipping . . . . .	141
2.	International Airlines . . . . .	146
3.	Railways . . . . .	149
4.	Motor Vehicles . . . . .	150
5.	Investment . . . . .	151

**PART TWO — MONETARY DEVELOPMENT**

CHAPTER XIII	MONEY SUPPLY	
1.	The Rise in Money Supply . . . . .	155
2.	Factors Causing the Rise . . . . .	155
3.	The Relationship between Cur- rency in Circulation and Deposits . . . . .	162
4.	The Relationship between the Mon- ey Supply, the National Product and the Resources Available to the Economy . . . . .	163
CHAPTER XIV	THE BANKING SYSTEM IN ISRAEL	
1.	Development of the Banking System . . . . .	169
2.	Structure of the Assets and Liabi- lities of the Banking Institutions . . . . .	172
CHAPTER XV	BANK CREDIT AND INTEREST RATES	
1.	Regulation of the Volume of Credit . . . . .	175
2.	Developments in the Volume of Credit Granted to the Public . . . . .	184
3.	Credit Granted to the Government . . . . .	189

4.	The Qualitative Regulation of Credit . . . . .	191
5.	The Shortage of Credit . . . . .	194
6.	The Rate of Interest . . . . .	198

CHAPTER XVI	THE CAPITAL MARKET	
1.	The Security Market . . . . .	207
2.	Government Investment Projects Financed from the Savings of the Public . . . . .	212
3.	Institutional Saving . . . . .	214
4.	Deposits in Banking Institutions . . . . .	215

CHAPTER XVII	THE FINANCIAL ACTIVITIES OF PUBLIC AUTHORITIES	
I.	<i>The Government</i>	
1.	Government Budgets . . . . .	217
2.	Current Assets and Liabilities of the Ministry of Finance . . . . .	219
3.	Sources of Revenue . . . . .	220
4.	Government Expenditure, by Eco- nomic Destination . . . . .	223
II.	<i>The Local Authorities</i> . . . . .	225

**PART THREE — ACTIVITIES OF THE BANK OF ISRAEL**

CHAPTER XVIII	ACTIVITIES OF THE BANK OF ISRAEL	
1.	The Structure of the Bank's Assets and Liabilities . . . . .	233
2.	Assets and Liabilities in Gold and Foreign Currency . . . . .	235
3.	Activities of the Bank as Govern- ment Banker and Fiscal Agent . . . . .	238
4.	Activities of the Bank as Banker to the Banking Institutions . . . . .	241
5.	Issue of Currency . . . . .	243
6.	The Administration of Govern- ment Loans . . . . .	250
7.	The Examination of Banking Institutions . . . . .	258
8.	Economic Research . . . . .	259

9.	Activities of the Bank of Israel as Representative of the Govern- ment in the International Mone- tary Fund and the International Bank for Reconstruction and De- velopment . . . . .	259
10.	The Advisory Committee and the Advisory Council of the Bank of Israel . . . . .	260

STATEMENT OF ASSETS AND LIABILITIES AS AT 31 DECEMBER 1955 . . . . .	262
PROFIT AND LOSS ACCOUNT AND APPLI- CATION OF PROFITS FOR THE YEAR END- ING 31 DECEMBER 1955 . . . . .	263
THE GOVERNOR, MEMBERS OF THE ADVI- SORY COMMITTEE AND ADVISORY COUN- CIL OF THE BANK OF ISRAEL . . . . .	264