

BUILDING

The gross value of buildings completed in 1955 was IL. 211.7 millions, as against IL. 143.8 millions in 1954, representing an increase of 47 per cent (see Table 92). If the rise in prices — estimated at 11.2 per cent — is deducted, the value of buildings completed in 1955 will be found to exceed the 1954 figure by IL. 46.5 millions, i.e. by 32 per cent.

The share of residential housing increased from 85 per cent of total building in 1954 to 90 per cent in 1955. Non-residential building, which includes industrial, commercial and public buildings as well as hotels, declined accordingly, from 15 to 10 per cent of the total.

TABLE 92
THE VOLUME OF BUILDING, 1952 TO 1955 *
(in IL. millions; at 1955 prices)

	1952	1953	1954	1955
<i>Residential Building</i>				
Immigrant Housing Financed				
from Public Sources **	54.4	23.5	16.3	32.6
Other Residential Housing	149.3	73.2	119.1	158.9
<i>Total</i>	203.7	96.7	135.4	191.5
<i>Non-Residential Building</i>				
Industrial Buildings	16.2	12.1	13.2	6.9
Commercial Buildings	6.8	10.3	6.2	6.3
Hotels	0.9	4.4	0.9	0.4
Public Buildings	5.3	7.7	4.1	6.6
<i>Total</i>	29.2	34.5	24.4	20.2
<i>Total Building at 1955 Prices</i>	232.9	131.2	159.8	211.7
<i>Total Building at Current Prices</i>	130.7	92.0	143.8	211.7

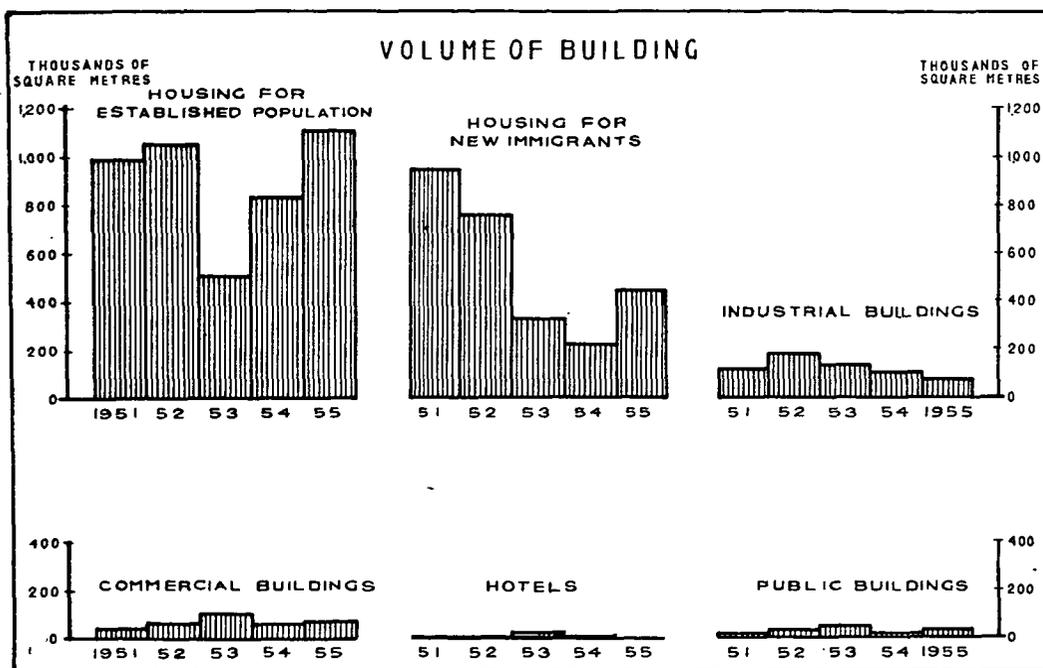
* Excluding auxiliary structures in agricultural settlements.

** Data on completed buildings prepared by the Central Bureau of Statistics in 1954 do not include all the buildings constructed for immigrants. In 1955, the Bureau improved its system of collecting data and a part of the increase in immigrant housing during this year may therefore be due to the more extensive scope of its research.

SOURCE: Calculations of the Bank of Israel.

Immigrant Housing Financed From Public Sources

The decline in the volume of building for new immigrants, which first became apparent in 1953, was reversed in 1955. The volume of such building in 1955 was double that in 1954, (see Table 93). This expansion was due to the new wave of immigration from North Africa and to the policy of settling these newcomers in development areas immediately upon their arrival in Israel.



Immigrant housing financed from public funds constitutes a small proportion of total residential building. Even in 1952, when the immigrant housing programme was especially large, its proportion in the total value of residential buildings completed was no more than 27 per cent. With the gradual restriction of this type of building, its proportion dropped to 24 per cent in 1953 and to 12 per cent in 1954. Only when the area for immigrant housing was doubled in 1955, did its share in the value of total residential building increase slightly, reaching 17 per cent.

TABLE 93
THE VOLUME OF BUILDING, 1952 TO 1955 *
(in thousands of square metres)

	1952	1953	1954	1955
<i>Residential Building</i>				
Immigrant Housing Financed				
from Public Sources	763	329	229	457
Other Residential Housing	1,048	513	835	1,114
<i>Total</i>	1,811	842	1,064	1,571
<i>Non-Residential Building</i>				
Industrial Buildings	182	142	115	80
Commercial Buildings	69	103	63	64
Hotels	5	22	5	2
Public Buildings	35	49	26	42
<i>Total</i>	291	316	209	188
<i>Grand Total of All Building</i>	2,102	1,158	1,273	1,759

* See notes at the foot of Table 92.

SOURCE: Central Bureau of Statistics.

At the end of 1955, there were still 32,215 families living in *maabarot* and in other temporary accommodation. The number of immigrants during the first months of 1956 does not indicate any reduction in the rate of immigration as compared with 1955. The Government, whose policy has been to restrict public building as one of the measures checking inflationary pressure, has granted a higher priority to immigrant housing than to building for other residential purposes. No drastic cuts in the immigrant housing programme need therefore be anticipated. Such cuts would interfere with the process of immigrant absorption, while their effect on inflationary pressure is likely to be limited, owing to the small share of immigrant housing in the total value of residential building.

Residential Housing for the Established Population

While immigrant housing is planned and its scope determined by public authorities, this procedure hardly applies to private residential building. The volume of private building depends mainly on the fluctuations in the level of economic activity. The inflation of 1950 and 1951 provided a special impetus for large-scale building designed to improve the residential standards of the established population. The area of private residential building reached one million square metres per annum during this period. However, in 1953, the New Economic Policy, which checked the expansion both of credit and the money supply, restricted private building for residential purposes to one-half of its former volume. During 1954, residential building for non-immigrants was once again expanded, and its area increased by 63 per cent as compared with 1953. A further expansion, this time by an additional 38 per cent, took place in 1955, when the volume of this kind of building exceeded that of 1952, which had hitherto represented the maximum. As the expansion of residential building during 1954 and 1955, apart from houses built for immigrants by public authorities, was greater than that of other types of building, its share of the total investment in building during these years rose to some 75 per cent, as shown in Table 94.

During 1954 and 1955, the volume of building for non-immigrants expanded considerably while, at the same time, the general pattern of building activity was drastically altered. The increase in the proportion of residential building for the established population was not accompanied by an expansion of building for more productive purposes. The share of such building declined continuously from 1953 until the end of 1955, as shown in Table 94.

From the viewpoint of the relative proportion of various types of building, the situation worsened, even when compared with the peak year of the inflation, as may be gathered from the figures of buildings started in that same year and completed during 1952. Investment in building of the more productive kinds decreased to 26 per cent in 1954 and to 25 per cent in 1955. This tendency to expand the relative share of investment in less essential building and to reduce the share of more essential building projects, was largely due to the encouragement of housing schemes which were mainly for the established population.

TABLE 94
THE DISTRIBUTION OF INVESTMENT IN BUILDING, 1952 TO 1955
(in per cent)

	1952	1953	1954	1955
Residential Building, apart from Immigrant Housing Financed from Public Sources *	64	56	74	75
Other Building	36	44	26	25
<i>Total</i>	100	100	100	100

* *This item includes private residential building and the following public housing schemes: The Popular Housing Scheme, Government Officials' and Policemen's Housing Scheme, Experts' Housing Scheme, Regular Army Housing Scheme and the Public Housing Scheme. All these, as well as private building, are mainly intended for the established population.*

SOURCE: *Calculations of the Bank of Israel.*

The Government, in its efforts to divert the essential factors of production to agriculture, the export industries and defence requirements, justly assigns a relatively low priority to building designed to raise the housing standards of the established population.

Government-Financed Residential Building Not Destined for New Immigrants

While Government-financed building was previously almost entirely engaged in meeting the needs of new immigrants and agricultural settlement, the accent shifted in 1954 and 1955 to housing for the established population which is mainly urban. This is shown in Table 95.

TABLE 95
HOUSING UNITS BUILT BY THE GOVERNMENT, 1949 TO 1955

	<i>From 1949 to 1953</i>	<i>In 1954 and 1955</i>
(a) For Immigrant Housing and Agricultural Settlement	85,572	25,165
(b) For Other Types of Housing	1,956	10,516
Ratio of (a) to (b)	44/1	2.4/1

SOURCE: *Reports of the Housing Department, Ministry of Labour.*

During 1954 and 1955, some 2.4 housing units were built for immigrants and agricultural settlers as compared to every unit for other housing schemes. During the years 1949 to 1953, this ratio was very much higher.

The overwhelming majority of Government-financed schemes*, apart from housing schemes for new immigrants and agricultural settlers, were in urban areas and building activity was thus intensified in these areas. The share of Government-financed schemes in urban building rose to 40 per cent in 1954 and fell slightly, to

* Details of these housing schemes are given in the note to Table 94.

TABLE 96

THE SHARE OF GOVERNMENT-FINANCED HOUSING SCHEMES IN URBAN BUILDING, APART FROM IMMIGRANT HOUSING FINANCED FROM PUBLIC SOURCES, 1953 TO 1955

(in square metres)

	1953	1954	1955	Change between 1954 and 1955 in per cent
Total Building	477,700	757,100	973,200	+29
of which: Government-Financed Housing Schemes	102,700	302,200	361,600	+20
Percentage of Government- Financed Housing	22	40	37	—

SOURCE: *Reports of the Housing Department, Ministry of Labour and the Central Bureau of Statistics.*

37 per cent, in 1955 (see Table 96). The Government-financed housing schemes detailed in Table 96 do not, however, include the Regular Army Housing Scheme, which was financed by the Government to the extent of 21 per cent. The Government's financial share in the other housing schemes was about 40 per cent. If the Regular Army Housing Scheme is not excluded, the Government's influence on the volume of urban building activity becomes greater than would appear from the figures shown in Table 96. All building in villages and development areas is either wholly financed by the Government or largely financed from the Development Budget.

Non-Residential Building

While the volume of residential building, excluding publicly financed housing for immigrants expanded and contracted in accordance with the level of economic activity, the construction of industrial, commercial and public buildings, as well as of hotels, developed on other lines. These developments are shown in Table 93. During 1953, industrial building contracted by only 22 per cent in comparison with 1952, as against the far greater fall of 51 per cent in the volume of private residential building. The disinflationary policy inaugurated in 1953 affected industrial building to a lesser extent. During 1954 and 1955, when residential building expanded, apart from publicly financed housing for new immigrants, industrial building continued to contract. Commercial building and the construction of hotels and public buildings started to decline in 1954, the year during which the erection of residential housing for the established population was intensified, particularly in the towns. The main decrease was in the construction of hotels, which was nearly one-fifth of that in 1953. This decline in the more productive types of building, apart from commercial building, also continued in 1955. The area of industrial building erected decreased by 30 per cent, while the volume of hotel building contracted once again by 57 per cent and reached a minimum of 2,000 square metres. The reason for this decline can be found in the fact that the demand of local and foreign tourists for first-class hotels had been satisfied.

The increase of 61 per cent in public building during 1955 is largely linked with the expansion of the immigrant housing programme, since the establishment of a new village usually involves the erection of a school, a clinic and various other public buildings.

The Geographical Distribution of Building

One of the main instruments facilitating the absorption of immigrants and their settlement in development or agricultural areas is the erection of housing in such areas. The distribution of residential building for new immigrants between urban and rural areas is shown in Table 97.

TABLE 97
RESIDENTIAL BUILDING, ACCORDING TO GEOGRAPHICAL REGIONS, 1952 TO 1955
(in square metres)

	1952	1953	1954	1955	Change between 1954 and 1955 in per cent
<i>Immigrant Housing Financed from Public Sources</i>					
In Urban Areas	450,700	117,900	79,100	250,600	+ 217
Per Cent of Total	59	36	34	55	
In Rural Areas	312,100	211,600	150,300	206,400	+ 37
Per Cent of Total	41	64	66	45	
<i>Total</i>	762,800	329,500	229,400	457,000 *	+ 99
<i>Private Building and Public Housing Schemes for Non-Immigrants</i>					
In Urban Areas	1,014,900	477,600	757,100	975,700	+ 29
Per Cent of Total	97	93	91	88	
In Rural Areas	33,100	34,500	78,300	138,700	+ 77
Per Cent of Total	3	7	9	12	
<i>Total</i>	1,048,000	512,100	835,400	1,114,400	+ 33

* See second note to Table 92.

SOURCE: Central Bureau of Statistics.

The building of houses for immigrants was intensified during 1955, especially in urban centres where it increased by 217 per cent. The increase in rural areas was smaller (37 per cent), and the share of building in these areas in total residential housing for new immigrants fell to 45 per cent during the year. The main share of building for new immigrants in urban centres took place in development areas. The erection of residential housing and public buildings for new immigrants was thus undoubtedly an important means of settlement in agricultural and development areas.

Private residential buildings, and a considerable proportion of public housing schemes not intended for new immigrants, were erected in distinctly urban centres — in the large cities and their vicinity. The concentration of private building and public housing schemes not intended for immigrants in the towns is apparent from Table 97.

The reduced volume of residential building for the non-immigrant population in 1953 and 1954, as against 1952, only affected construction in the towns; building in rural areas was expanded both relatively and absolutely. This development was maintained in 1955, and increased the proportion of rural building to 12 per cent of the total. Although, from the viewpoint of dispersing the population, there has been a continual improvement in the distribution of residential building for non-immigrants, the volume of building in the cities has not ceased to expand since 1953. In 1955, building in urban areas showed an increase of 220,000 square metres over 1954, while in villages the increase was by only 60,400 square metres.

The economic needs of industry, commerce and the hotel business (as well as, to a lesser extent, the erection of public buildings) necessitate the construction of buildings for these purposes within municipal areas. Almost all such building has, since 1953, been concentrated in urban areas, and 1955 proved no exception. During the last three years, 96 per cent of industrial, commercial and public buildings, as well as of hotels, were erected in the towns, and the remaining 4 per cent in rural districts.

Credit for Building

There exist three sources of credit for building: (a) the ordinary banking institutions (commercial banks and credit co-operative societies); (b) mortgage banks; (c) the Development Budget of the Government.

The volume of credit granted for building from these three sources during the years 1953 to 1955 is shown in Table 98.

The total of credit balances and mortgages for building granted from the resources of the banking institutions remained virtually unchanged between 1954 and 1955, amounting to approximately IL. 42 millions at the end of each of these two years, as against IL. 35 millions at the end of 1953.

Credit made available for building by the commercial banks is mainly granted to contractors and contracting companies; such credit is used as revolving capital. The volume of credit for building granted from the resources of commercial banks expanded continually until December 1954. This expansion was interrupted in the early months of 1955, and during the year these credit balances contracted from IL. 17.5 millions to IL. 13.4 millions. Of the loans for building purposes granted by credit co-operative societies, 12 per cent were given directly to contractors, while the remaining 88 per cent were assigned to the members, mainly for the financing of residential housing. As against the decline in the volume of credit from the resources of commercial banks, credits granted by credit co-operative societies increased by IL. 3.7 millions from the end of 1954 until the end of 1955.

In contrast to the commercial banks and the credit co-operative societies, which generally make credit available for short terms only, the mortgage banks supply the public with mortgages for longer periods. The value of mortgages granted from the resources of these banks was 10.8 per cent higher at the end of 1955 than

at the end of 1954, reaching IL. 10.7 millions. This sum constitutes 25 per cent of the total balance of credit granted for building from the resources of banking institutions in 1955, (see Table 98).

Some 83 per cent of Government deposits devoted to building through the banking institutions are channelled through the mortgage banks, the remainder being dealt with by ordinary banks and credit co-operative societies.

However, only a part of the credits granted by the Government for building was channelled through the banking institutions. Large amounts of credit are made available directly for the financing of building and housing programmes, particularly for housing schemes for new immigrants and agricultural settlers. Credits of this kind totalled IL. 61.8 millions on 31 March 1954 and expanded by a further IL. 36.7 millions during the following twelve months, to reach IL. 98.5 millions by the end of March 1955. If Government credits granted directly are added to credits given through the banking institutions (including credits from Government deposits), it becomes clear that the total volume of credit made available for building from these three sources was much greater at the end of 1955 than at the end of 1954.

TABLE 98
CREDITS GRANTED FOR BUILDING THROUGH BANKING INSTITUTIONS, 1953 TO 1955
(in IL. thousands)

	End of 1953	End of 1954	End of 1955	Percentage change between 1954 and 1955
<i>Credit from the Resources of</i>				
<i>Banking Institutions</i>				
Commercial Banks	14,013	17,450	13,360	-23.4
Credit Co-operative Societies	12,693	14,496	18,213	+25.6
Mortgage Banks	8,772	9,878	10,666	+10.8
<i>Total</i>	35,478	41,824	42,239	+ 1.0
<i>Credit from Government</i>				
<i>Deposits</i>				
Commercial Banks	1,782	4,281	8,203	+91.6
Credit Co-operative Societies	958	924	999	+ 8.1
Mortgage Banks	12,024	27,203	44,356	+63.1
<i>Total</i>	14,764	32,408	53,558	+65.2
<i>Grand Total</i>	50,242	74,232	95,797	+29.0

SOURCE: *Bank of Israel.*