CHAPTER IX

INDUSTRY

1. INDUSTRIAL PRODUCTION

The industrial output of Israel in 1955 was assessed at IL. 1,045 millions, as compared with IL. 860 millions in 1954. That is to say that it increased by 21.5 per cent at current prices, and by 12 per cent at constant prices (see Table 81). This increase was due to the expansion of production in a large number of existing enterprises as well as to the establishment of new undertakings.

TABLE 81

THE VALUE OF INDUSTRIAL OUTPUT, 1954 AND 1955 *

(in IL. millions)

	1954	1955	1955, *at* 1954 *prices*	*Rise in Output at Constant Prices (in per cent)*
Gross Value of Output	860	1,045	963	12.0
Net Value of Output	335	407	375	12.0

* *The term Industry includes factories, workshops and quarries, but not electricity.*

SOURCE: *Calculations of the Bank of Israel.*

The estimate of increased industrial output is based on the following indicators: (a) Sales of electricity to industry; (b) The index of industrial production; (c) Imports of raw materials for industry.

(a) The electric power sold to various branches of industry rose from 270.6 million Kwh in 1954 to 300.9 million Kwh in 1955, i.e. by 11.1 per cent. The consumption of electricity is an indicator of changes in the volume of production, but its accuracy as such must be viewed with some reserve, since there is a general tendency for the input of electricity per production unit to increase, resulting from the gradual transition to mechanised and automatic production methods. However, such a transition is unlikely to affect the ratio between the input of electricity and production to a significant extent, especially if the two periods compared are close to one another.

(b) The linked index of industrial production (based on the index of industrial production, prepared by the Central Bureau of Statistics, and on the index of economic activity*) shows that industrial output increased by 14 per cent in 1955, as compared with 1954.

* The index of economic activity was prepared by Dr. A.L. Gaathon and is based on the input of labour, fuel oil and electricity in various branches of industry. As the special calculation of industrial output within the framework of the index of industrial activity was discontinued in June 1955, while the calculations of the Central Bureau of Statistics regarding the index of industrial production began only in December 1954, it was necessary to link the two by co-ordinating the figures for the 6 months — January to June 1955 — when both indexes were in use. The annual average for 1955 shows a rise of 14 per cent, as compared with 1954.

(c) The value of raw material imports for industry totalled IL. 258.8 millions in 1955, an increase of 9.5 per cent as compared with 1954. The prices of these raw materials rose, however, by an average of 5.3 per cent during 1955; their real value at constant prices thus rose by only 4.2 per cent. Details are given in Table 82.

TABLE 82

IMPORTS OF INDUSTRIAL RAW MATERIALS, 1954 AND 1955

(in IL. millions)

	1954	1955	*Price Increase in per cent*	1955 *at* 1954 *prices*	*Real Increase in* 1955 *as against* 1954, *in per cent*
Total Industrial Raw Materials	236.3	258.8	+ 5.3	246.2	+ 4.2
Food Industries	65.0	73.5	+12.9	65.2	+ 0.3
Other Industries	171.3	185.2	+ 2.3	181.0	+ 5.6

SOURCE: *Central Bureau of Statistics.*

The increase in the use of industrial raw materials was thus greater than the increase in the volume of raw materials imported and was made possible by the following factors: (a) a certain contraction in the stocks held by various undertakings; (b) the increased supply of local raw materials, which brought about a deepening of the industrial production processes in the country. As a result, the supply of semi-manufactured materials produced by local undertakings was expanded. There are no adequate data to enable the extent of these changes to be computed.

It would seem, on the basis of the 11.1 per cent increase in the supply of electric power to industry, the 14 per cent rise in the index of industrial production and the rather smaller expansion in the imports of industrial raw materials, that the increase in industrial output may be fairly accurately estimated at 12 per cent.

2. EMPLOYMENT AND PRODUCTIVITY *

The number of persons employed in industry increased by about 7.5 per cent in 1955. This estimate is based on the results of the manpower surveys carried out in June 1954 and October—November 1955, as well as on the index of industrial employment.

An estimate based on the manpower survey of October—November 1955 and on seasonal fluctuations of employment in industry (according to the monthly index of industrial employment) shows that the number of persons employed in industry was 126,200 in June 1955, as compared with 117,800 in June 1954, an increase of about 7.1 per cent.

The index of industrial employment, which was linked with the former index of employment in December 1954 (this latter providing the basis for the new index),

* The differences between the increases in the number of workers and in the rate of increase in average output per worker described here, and the parallel data in Chapter II, are due to the more restricted definition of the term Industry which here does not include electricity and water supply.

rose from an average of 95.2 points in 1954 to an average of 102.7 points in 1955, i.e. by 7.9 per cent.

The rate of increase in the average output per worker was 4.2 per cent, representing the difference between the rate at which output increased and the rate of growth of the industrial labour force. The Institute of Productivity estimated the rise in output per worker in industry during 1953 and 1954 at 4 per cent per annum.

This increase was due to the following factors: (a) greater investment reflected, *inter alia*, in the mechanisation of industry through the importation of modern equipment, especially from Germany and the United States; (b) the increase in average individual output resulting from the introduction of piece rates and of bonuses for increased productivity*, which are extended each year to additional undertakings and branches; (c) the intensification of vocational training.

During 1955, 70,000 workers received wages linked to their output. During the same year, production councils were active in 139 undertakings employing 29,000 workers. Courses designed to increase the productivity of adults were attended by 2,500 workers, and the framework of vocational training schools for youth was extended.

3. ELECTRICITY CONSUMPTION IN INDUSTRY

Changes in the consumption of electricity by various industrial branches may serve as an indicator of changes in the volume of production in these branches.

TABLE 83

THE SUPPLY OF ELECTRIC POWER TO INDUSTRY, BY BRANCHES, 1954 AND 1955

(in millions of Kwh)

Branch	1954	1955	*Rate of Increase in per cent*
Food	41.7	44.1	5.8
Ice and Cold Storage	39.7	42.0	5.8
Textiles	22.7	26.9	18.5
Clothing	0.9	1.1	22.2
Leather and Footwear	1.4	1.7	21.4
Electrical Equipment	2.8	3.6	28.6
Wood	9.4	13.1	39.4
Metals and Machinery	19.6	24.7	26.0
Paper and Printing	11.4	14.2	24.6
Chemicals	31.1	39.3	26.4
Building Materials	57.6	62.1	7.8
Miscellaneous	23.4	19.5	—16.7
Total	261.7	292.7	11.8
Power supplied by the Jerusalem Electric Corporation	8.9	8.0	—
Grand Total	270.6	300.7	11.1

SOURCE: *The Palestine Electric Corporation.*

* One must differentiate between increased productivity per worker which is due to rises in output unaccompanied by changes in other factors of production (i.e. exclusively to diligence, personal ability, etc.) and increased average output, which is caused by changes in the factors and conditions of production including labour (e.g. organisation, mechanisation, sanitary conditions, etc.).

The increase in consumption, however, does not always match the increase in production, owing to the varying ratio between the input of electricity and the value of output in different types of products in each branch. The building materials industry, for example, requires a greater amount of electricity to produce one unit of value in cement than to produce one unit of value in bricks. Nevertheless, Table 83 does indicate a tendency for industrial output to rise, as it compares two consecutive years during which it may be supposed that no important changes in the composition of production took place.

Fluctuations in the supply of electric power thus point to an increase in production in all branches of industry (apart from Miscellaneous). While the food, ice and building materials branches, which together consume some 50 per cent of the electricity supplied to industry, showed relatively small increases, there was a striking rise in the amount of electricity used in other branches.

4. FLUCTUATIONS IN THE VOLUME OF PRODUCTION

The index of industrial production for 1955 reflects a larger volume of production in the months from March to September (the increase in June is particularly noteworthy), as against a relatively more restricted volume of output during the first and last quarters of the year. Fluctuations in the index of employment and in the supply of electricity to industry do, however, show a different kind of seasonal fluctuation. Both the index of employment and the indexes of electricity supplied reach their minimum in January and February, while the maximum of employment occurs in October and November — both in 1954 and in 1955; the figures relating to electrical equipment are at their highest during July and August.

Two distinct influences are reflected by these series of indexes — seasonality and a general cyclical trend. Seasonality is mainly reflected in the indexes of industrial production and of employment. The supply of electric power shows more moderate fluctuations, as the available data relate to bi-monthly periods. The causes of seasonality may partly be found in the natural fluctuations in the supply of agricultural raw materials for the food industry, giving rise to a high output of food products during the months of March to June. Conversely, the rate of production decreases in the winter, both because of diminished agricultural supplies to industry during the early winter months and also because of the weather which obstructs work in certain branches (e.g. mining, quarrying and cement production).

This general rise is reflected in all the indexes, but a comparison with the preceding year can only be made for the supply of electricity, since the structure of the employment index has been changed while the index of industrial production has only been calculated since the beginning of 1955. The consumption of electricity shows a rise in 1955, as compared with 1954, and a seasonality which is similar during both years.

A second phenomenon clearly reflected in the comparison between sales of electricity to industry during the years 1954 and 1955 is the slackening of the rate at

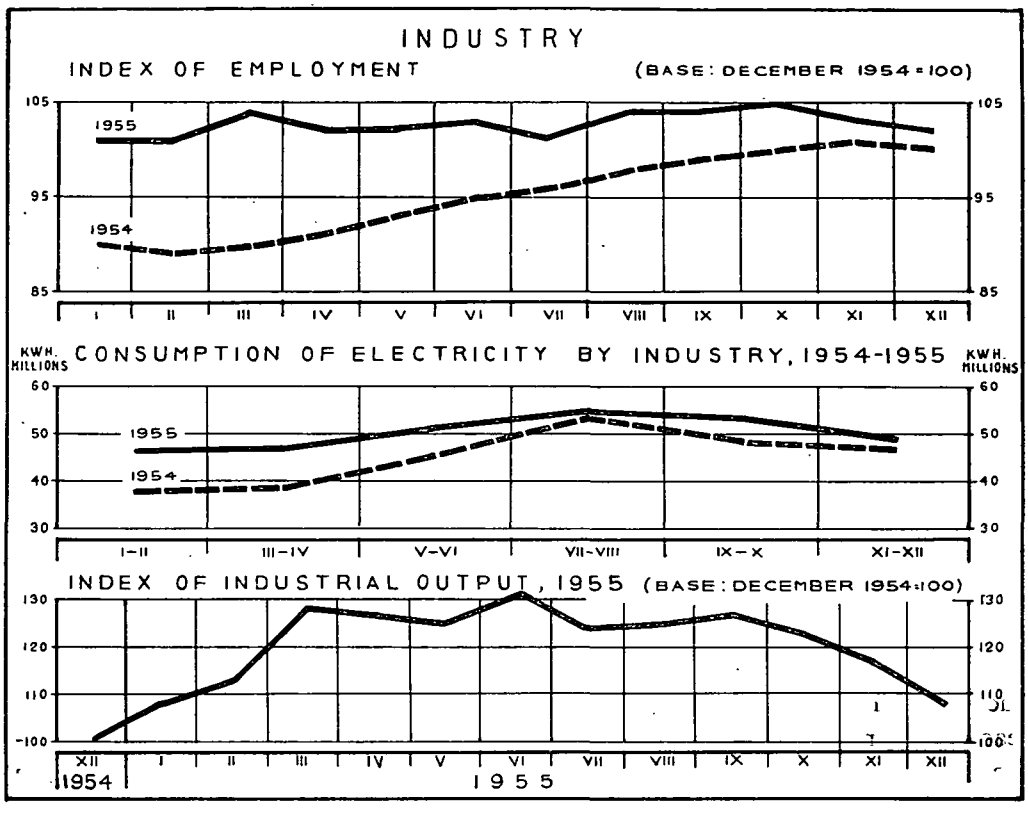

TABLE 84

SALES OF ELECTRICITY TO INDUSTRY, 1954 AND 1955

(in millions of Kwh)

Months	1954	1955	*Change in per cent*
January—February	37.9	46.2	+21.9
March—April	39.0	46.7	+19.7
May—June	45.5	51.2	+12.5
July—August	53.1	54.1	+ 1.9
September—October	48.4	53.2	+ 9.9
November—December	46.7	49.3	+ 5.6
Whole Year	270.6	300.7	+11.1

SOURCE: PALESTINE ELECTRIC CORPORATION

which industrial production expanded. This rate slowed down, in comparison with 1954, from 21.9 per cent during the first months of the year to 5.6 per cent during the last months.

5. INDUSTRIAL EXPORTS

The value of industrial exports, excluding diamonds, totalled $32.1 millions in 1955, as against $32.6 millions in 1954, representing a decrease of 1.5 per cent. However, if the rise in prices during 1955 is taken into account, it appears that

the real volume of industrial exports contracted by 8.5 per cent. There was, on the other hand a considerable increase in diamond exports.

Various factors contributed to the reduced volume of exports during 1955: (a) the relatively high costs of production; (b) the increased domestic demand; (c) the contraction of the Finnish market, due to the abolition of import restrictions in that country and to the relatively high prices of Israel products; (d) the contraction of the Turkish market, owing to shortages of commodities which Israel previously imported from Turkey; and (e) the drought which hit Israel and reduced the supply of raw materials to the citrus products industry and other food industries.

The value of exports declined, as compared with 1954, in the following branches:

Citrus Products — by 25 per cent;
Motor Vehicles and Parts — by 52 per cent;
Other Food Products — by 8 per cent;
Mining and Quarrying — by 50 per cent.

In the case of the mining and quarrying branch, the decline was caused by the gradual substitution of superphosphate for phosphate production and by the large fall in potash exports due to smaller output.

There were, despite the difficulties listed above, increases in the value of exports from the following branches:

Metals and Metal Products — by 18 per cent;
Building Materials and Products — by 14 per cent;
Chemicals and Pharmaceuticals — by 14 per cent;
Rubber Products — by 13 per cent;
Textiles — by 31 per cent.

Table 85 shows the weight of various branches in total industrial exports, both in 1954 and in 1955.

TABLE 85

WEIGHT OF VARIOUS BRANCHES IN TOTAL INDUSTRIAL EXPORTS, 1954 AND 1955

(in per cent)

Branch	1954	1955
Food	10.3	8.6
Textiles and Clothing	12.9	16.2
Motor Vehicles	22.5	11.6
Tyres and Inner Tubes	6.2	7.6
Chemicals	7.3	8.6
Building Materials	12.6	14.9
Electric Refrigerators	0.7	1.6
Metal Products and Scrap	7.3	7.6
Artificial Teeth	0.4	1.3
Miscellaneous	19.7	22.0
Total	100.0	100.0

SOURCE: *Central Bureau of Statistics.*

6. CREDIT

The balance of short term bank credit granted to industry rose from IL. 59 millions at the end of 1954 to IL. 71.1 millions at the end of 1955, i.e. by IL. 12 millions, or about 20 per cent. Moreover, the Government gave credits to industry for working capital from its deposits with banking institutions, totalling IL. 2.3 millions at the beginning of 1955 and IL. 4.5 millions at the end of the year. The volume of credit granted by the Government through the banking institutions for raw material imports within the framework of the Reparations Agreement and the U.S. Grant-in-Aid likewise expanded, from IL. 12.5 millions to IL. 14.7 millions; at least four-fifths of such credit was granted to industry. The total volume of industrial short term credit, including credits for working capital from Government funds, thus expanded during 1955 from IL. 71.2 millions to IL. 87.4 millions, which is an increase of IL. 16.2 millions, or about 23 per cent (see Table 86).

TABLE 86

SHORT TERM BANK CREDIT TO INDUSTRY, IN ISRAEL CURRENCY, 1954 AND 1955

(in IL. millions)

	31.12.1954	31.12.1955
From the Resources of Banks	53.2	58.7
From the Resources of Credit Co-operative Societies	5.8	6.3
Re-Discounts with the Bank of Israel	—	6.1
Total from the Resources of Banking Institutions	59.0	71.1
Loans for Working Capital to Importers within the Framework of Reparations and the Grant-in-Aid *	9.9	11.8
Loans for Turnover Capital to Export Undertakings	1.3	2.7
Loans for Turnover Capital to Other Industries	1.0	1.8
Total Credit from Government Resources	12.2	16.3
Total Credit Granted to Industry	71.2	87.4

* *Based on the assumption that* 80 *per cent of such loans are granted to industry.*

SOURCE: *Bank of Israel.*

The distribution of credit from the resources of banks between the various branches of industry is shown in Table 87.

The rate of expansion in the volume of short term industrial credit exceeded the 12 per cent rate of increase in industrial production. If, however, the 8 per cent rise in the prices of industrial products (which increased the value of output at current prices by 21 per cent*) is taken into account, it will be found that the expansion of industrial credit proceeded at approximately the same rate as the expansion of industrial production. There has, nevertheless, during recent years, been a

* The comparison quoted relates to the value of production, as no data concerning changes in average production costs in industry are available.

widespread feeling that bank credit for industrial working capital is scarce. This feeling has resulted, *inter alia*, in the taking up of loans at relatively high rates of interest by some industrial enterprises. Such loans were obtained from banks and from other lenders.

Several factors contributed to the impression of a shortage of bank credit felt by industry. Some of these factors are characteristic of the Israel economy as a whole while others are particular solely to industry. The following is a summary of the general causes of the credit shortage described in Chapter XV.

(a) The strong tendency towards investment, despite the small volume of savings by the individual enterprises and the lack of suitable financial resources, which is typical of the Israel economy.

(b) The customary procedure in Israel undertakings, since the inflationary period of 1949 to 1951, of using all financial resources for investment. This generally causes a shortage of working capital, particularly so when the expansion of the money supply and of credit has been slowed down.

(c) The devaluation of the currency to a fifth of its former value during the years 1952 to 1954, when many undertakings were established or expanded.

(d) Undertakings which started or expanded production to a marked extent in 1954 or later, faced special difficulties in obtaining bank credit, as the year 1954 witnessed the introduction of regulations stabilising its volume.

These general factors were supplemented by the following factors peculiar to industry:

(e) Competing industrial undertakings often vie with each other in granting easier credit terms to wholesalers or retailers. Many industrial enterprises in particular branches are accustomed to grant credit to their clients for periods of several months. This usage contrasts sharply with the procedure customary during the period of inflation (1949 to 1951), when almost all industrial undertakings sold their products for cash and, in many cases, even obtained advances from their customers.

(f) The non-fulfilment of expectations concerning the volume of sales during the last months of 1955 caused stocks of manufactured products to accumulate in certain industrial branches, and especially in the clothing branch. This led to a deterioration in the financial situation of the enterprises concerned.

(g) The low rate of liquidity and heavy financial obligations burdening many industrial concerns, adversely affected their ability to provide security for loans in accordance with the requirements of the banking institutions.

(h) No adequate possibilities have been created for the large-scale raising of capital for industry from the savings of the public by the sale of securities. (This problem is also discussed in Chapter XVI).

There is a general tendency to exaggerate the amount of credit taken up by industry at illegal rates of interest. Many industrial concerns have not resorted to loans of this kind at all, while most of the remainder have taken only a part of their

credit from these sources; this part is often very small indeed. Most loans at illegal rates of interest are taken up to cover special needs arising during short periods, e.g. at the end of a month or towards the end of the year. For the majority of industrial enterprises having recourse to marginal credit at high interest rates, the additional expenditure on these interest payments constitutes a relatively small proportion of their total disbursements.

The Bank of Israel and the Government took the following steps to expand bank credit to industrial enterprises producing commodities essential to the development of the national economy:

(a) The granting of exemptions from the liquidity regulations to banking institutions as regards loans for essential industrial production.

(b) Re-discounting with the Bank of Israel. Industrial undertakings provided most of the bills discounted.

(c) The granting of loans for working capital and the expansion of employment in industry from Development Budget funds.

(d) The qualitative regulation of bank credit, designed to increase the share of agriculture and industry in the total of credit granted.

(e) Raw materials imported within the framework of the Reparations Agreement and the Grant-in-Aid were sold to industry on credit. Such credit is granted for several months at rates of interest not exceeding 8 per cent per annum.

(f) The granting of loans for the purchase and instalment of industrial equipment from Reparations and other sources. These loans usually carry interest at rates between 6 and 7 per cent per annum, and are granted from Government deposits for lengthy periods. The balance of such loans totalled IL. 31 millions at the end of March 1955.

Moreover, various special arrangements were made in 1955 to enable credit to be granted on convenient terms for industrial production earmarked for export. The export funds, in which the Government and some of the larger banks participate, were considerably expanded for this purpose. Balances in these funds reached IL. 10 millions at the end of 1955. In August 1955, the Bank of Israel began to re-discount bills in foreign currency. Such re-discounts either financed imports required by exporters or enabled Israel exports to be sold on credit to customers abroad. Re-discounts in foreign currency carried interest at 5 per cent per annum (of which the Bank of Israel received 3 per cent) and their volume reached about IL. 6.1 millions at the end of 1955.

One of the difficulties in obtaining credit for the financing of exports is caused by the financial risks involved in exporting, especially to new markets. At the time of writing, the Government and the Bank of Israel are discussing new arrangements for the insurance of export credits against the special political and commercial risks involved — a system adopted in other countries. One of the objects of such insurance is to make it easier for industrial concerns producing for export to receive credits from the export funds and from other sources.

TABLE 87

CREDIT TO INDUSTRY, 1954 AND 1955 *

(in IL. thousands)

Branch	Volume of Credit		Credit Expansion	
	1954	1955	in IL.thousands	in per cent
Food Products, Drinks and Tobacco	9,304	10,662	1,358	14.6
Textiles, Clothing and Leather	13,000	12,829	—171	—1.3
Wood Products (including Furniture)	2,792	3,413	621	22.2
Soap and Oils	2,015	2,982	967	48.0
Paper, Printing and Publishing	1,519	2,911	1,392	91.6
Rubber, Plastics and Cork	1,801	2,970	1,169	64.9
Metal Products (including Machinery)	8,981	9,827	846	9.4
Chemicals	4,375	4,301	— 74	—1.7
Stone, Cement and Bricks	2,182	2,905	723	33.1
Glass, Ceramics and other Clay Products	307	419	112	36.5
Raw and Polished Diamonds	3,059	2,302	— 757	—24.7
Other Manufactures	3,885	3,166	— 719	—18.5
Total	53,220	58,687	5,467	10.3

* *Excluding credits granted from Government deposits.*

SOURCE: *Bank of Israel.*

7. INVESTMENT

The value of investment in industry during 1955 * has been estimated at IL. 60.8 millions, as compared with IL. 55.7 millions in 1954, representing a nominal increase of 9.2 per cent. However, if the average rise of some 11 per cent in the prices of capital goods occurring in 1955 is taken into consideration, there was actually no change in the real volume of investment. On the other hand, a comparison with 1954 shows changes in the structure of investment, which are reflected in much larger imports of machinery within the framework of the Reparations Agreement, and in a small increase in the local production of such capital goods. Investment in completed industrial buildings declined.

The nominal rise of 10 per cent in the local production of machinery and equipment, from IL. 20 millions in 1954 to IL. 22 millions in 1955, was mainly due to increases in wages and in the price of raw materials, whereas the nominal rise of more than 45 per cent in the local production of machinery and equipment between 1953 and 1954, far exceeded the increases in wages and the price of raw materials which took place at that time. The slowing-down of the rate at which the local production of capital goods is expanding, affected the sub-divisions of the metal industry in various ways. The production of motors and refrigeration equipment, as well as the output of the iron and steel foundries expanded considerably. No significant change

* Investment in industry includes investment in industrial plants and workshops, but not in electricity or quarries.

TABLE 88

INVESTMENT IN INDUSTRY, AT CURRENT PRICES, 1953 TO 1955

(in IL. millions)

Type of Investment	1953	1954	1955
Imports of Equipment and Machinery *	26.6	20.8	24.9
Local Production of Equipment and Machinery **	13.7	20.0	22.0
Installation Expenditure ***	6.0	6.1	7.0
Industrial Buildings	8.5	8.8	6.9
Total	54.8	55.7	60.8

* *Imports of equipment and machinery were calculated at the rate of exchange of IL.* 1.400 = $ 1.00 *in* 1953, *and at IL.* 1.800 = $ 1.00 *in* 1954 *and* 1955.

** *The value of the local production of equipment and machinery has been calculated as follows:* (1) *In* 1953 *by Dr. Lubell in his research work: "The National Expenditure in Israel,* 1952—53". (2) *In* 1954 *and* 1955, *according to estimates based on production in the metal industries, as well as other estimates by industrial experts.*

*** *Installation expenditure has been estimated at* 15 *per cent of the total investment in machinery and equipment.*

SOURCE: *Calculations of the Bank of Israel.*

occurred in the production of machinery, while the output of foundries for non-ferrous metals even declined to a certain extent.

The number of licences granted for the import of industrial machinery and equipment was greatly increased during 1955, largely in accordance with expansion plans and the applications for the replacement of equipment submitted by various industrial concerns within the framework of the Reparations Agreement. Most of the advances approved by the West German Government on account of reparation payments in future years are likewise for the purchase of industrial machinery and equipment.

Following the rise in the number of orders, there was a substantial increase in the actual imports of industrial machinery and equipment in 1955. The volume of these imports during 1954 had been very much smaller than in 1953, when they were valued at $19 millions. The dollar value of machinery and equipment imported for industry in 1954 was only $11.5 millions, a fall of 39.5 per cent as compared with 1953 *. In 1955, these imports were valued at $13.8 millions, 20 per cent more than in 1954 but still 27.4 per cent less than in 1953.

Table 89 shows imports of industrial equipment and machinery during the years 1953 to 1955, according to the main types of machines and equipment imported.

A large part of the equipment ordered has still not arrived in Israel. Agreements already signed between the Reparations Corporation and various industrial concerns provide for the supply of equipment to the value of $11.4 millions, but only $3.5 millions worth of machinery and equipment had been delivered up to the end of 1955. Figures of actual imports do not reflect the large orders which have not yet

* The figures relating to imports of machinery and equipment for various industries also include parts.

TABLE 89

IMPORTS OF MACHINERY AND EQUIPMENT FOR INDUSTRY, 1953 TO 1955

(in $ thousands)

Type of Equipment	1953	1954	1955
For the Metal Industry	1,232	775	884
For the Textile Industry	1,807	939	1,998
For the Food Industry	1,587	632	1,807
For Other Industries	14,406	9,186	9,144
Total	19,032	11,532	13,833

SOURCE: *Calculations of the Bank of Israel.*

been implemented, especially for the textile branch, and it must be assumed that most of this equipment will arrive in the course of 1956.

The number of applications for the import of equipment did nevertheless decrease in 1955, as the requirements of most of the old-established firms had been met. The main demand for imported equipment and machinery came from new concerns or smaller undertakings.

In contrast to the increased imports and production of machinery and equipment, there was a 30 per cent reduction in the value of industrial building completed during 1955. As building costs have been rising continuously over a period of several years, even the nominal increase which occurred between 1953 and 1954 was in fact a decrease in real terms, albeit a decrease on a much smaller scale than that occurring in 1955.

The volume of loans granted to industry and to crafts from the Development Budget in 1955 reached a total of IL. 16 millions. Part of this sum was spent in payment for machinery and equipment which have not yet arrived in Israel, and was therefore not registered as an investment. Another part was spent on the construction of industrial buildings not yet completed. On the other hand, equipment paid for in former years arrived in Israel and industrial buildings, the erection of which was begun prior to 1955, were completed during this year. It may thus be assumed that this amount of IL.16 millions represents the share of public money in the financing of industrial investments actually implemented. This share amounted, in 1955, to about one quarter of the total investment in industry.

On the basis of data supplied by the Investment Centre, it has been estimated that private capital from abroad, to the amount of some IL. 20 millions, provided approximately one-third of the total investment in industry. The importance of these investments lies not only in the foreign currency thus transferred to Israel but, to a large extent also, in the technical experience of the foreign investor and the connections he maintains with foreign markets.

Investments of local private capital in industry during 1955 amounted to about IL. 25 millions. This figure does not exceed that of the annual amortisation of capital invested in Israel industry. No data are available that would make it possible to determine to what extent these investments were made from undistributed profits, from public funds, from monies supplied by financial institutions or from other sources.