

CHAPTER X

INDUSTRY

THE INCREASE in industrial output in 1956, as against 1955, is estimated at 8 to 10 per cent. About two-thirds of this increase went to normal consumption, and the remaining third was due to much larger Government orders. The value of industrial output, at current prices, rose by some 16 to 18 per cent; the physical increase was of the order of 8 to 10 per cent, while higher prices accounted for about 6 to 8 per cent of the nominal increase.

The value added by industry, at current prices, increased together with output, the ratio between the two variables remaining 35 per cent in both years.

TABLE X-1
The Value of Industrial Output^a at Current Prices
(in IL. millions)

	1955	1956	<i>Increase in per cent, at current prices</i>	<i>1955 at 1956 prices</i>	<i>Increase in per cent, at 1955 prices</i>
Total Value	1,055	1,235	17	1,129	9
Added Value ^b	365	430	18	391	10
Ratio, per cent	35	35	—	—	—

^a Including mines, quarries and workshops, but not electricity.

^b Added value in industry was computed by the National Accounts Unit of the Central Bureau of Statistics on the assumption that the ratio between wage payments and profits has remained constant. Data to check the validity of this assumption are not available.

SOURCE: The Central Bureau of Statistics, and Calculations of the Bank of Israel.

The number of persons employed in industry was 2-3 per cent higher in 1956 than in 1955; the average output per worker rose by 5-7 per cent.

Average industrial wages rose by about 14 per cent during the year under review. The prices of imported raw materials rose by 3-5 per cent, and those of local raw materials by 12-15 per cent. Ex-factory prices of industrial products rose by 6-8 per cent.

It seems that in most branches there was a tendency to shift from the production of standard goods to higher quality products. The estimated increase of ex-factory prices here referred to reflects the price movements of the goods actually produced. The indication is that of a rise bigger than the rise of the con-

sumers' price index, since the latter is essentially based on standard products and is not designed to reflect changes in the composition of output.

The estimates of industrial output were based on the following indicators: (a) the industrial consumption of electricity; (b) the import and local supply of industrial raw materials; (c) the index of industrial output compiled by the Central Bureau of Statistics; (d) the index of industrial employment. Other data from various sources were also used.¹

The consumption of electricity in the industrial sector increased by 13 per cent in the year under review. There was no significant change in the volume of raw materials imported for industry, while local supplies from agriculture and mining increased by 77 per cent and 44 per cent respectively.

The data obtained from each of the sources and indicators mentioned above are not, in themselves, sufficiently reliable to allow an accurate assessment of the changes in industrial output, but together they produce a picture of the trend and scope of industrial development, despite inaccuracies in detail.

The difference between the above estimate (an increase of 8–10 per cent in real industrial output) and the index of industrial production published by the Central Bureau of Statistics (which records no increase whatsoever) is due to the following factors:

- (a) The index of industrial production does not account for Government orders.
- (b) The index does not reflect fluctuations in the output of firms employing less than 15 workers.
- (c) The index does not measure the output of firms which commenced production after 1954; and it does not account for the production of goods which were not manufactured prior to that date.
- (d) The index data relative to food manufactures and diamonds are not representative.
- (e) Production indices based on data supplied by industrial firms seem to be subject to a downward bias.
- (f) The index of industrial production measures changes in the output of final products only, and not of intermediate products.

1. OUTPUT

The increase in industrial production is mainly due to the expansion of the metal and food industries, owing to their weight in total production, and also because of the considerable growth in their output. The reduced building activity, on the other hand, caused the shrinking of output in all branches manufacturing for the building industry. Mainly affected were the building

¹ The Ministry of Commerce and Industry, the Customs Department, the Manufacturers' Association, "Koor" Ltd., the Histadrut Cooperative Centre, various industrial firms, etc.

materials industry, certain metal industries, the paint industry and the electrical appliances industry.

The output of the metallurgical industries (including the mechanical industry and manufacturers of motor-vehicles and electrical goods), which accounts for some 23 per cent of the total value added by industry, rose by about 20 per cent—owing chiefly to larger Government orders received in the year under review.

TABLE X-2
Changes in Industrial Output, 1956 as compared to 1955
(in per cent)

<i>Industry</i>	<i>Weight^a change^b</i>	<i>Change^b at fixed prices</i>
Food	20.9	+14
Textiles	11.7	+ 4
Clothing and Footwear	5.5	- 4
Metals	13.9	+25
Engineering	1.9	+12
Motor Vehicles	2.4	+16
Electrical Appliances	3.9	+ 7
Leather	1.4	+ 8
Printing and Paper	3.9	- 6
Chemicals	6.6	+ 6
Stone and Cement	8.2	- 8
Rubber Goods	1.7	-12
Wood	9.2	- 4
Diamonds	1.8	+15
Minerals	3.8	+44
Miscellaneous	3.2	+ 5
<i>Total</i>	100.0	+ 8-10

^a Measured by the estimated share of each industry in the total industrial added value produced in 1955.

^b For comparisons at constant prices, 1955 prices are used in this chapter, (instead of 1956 prices, as in other chapters) owing to the absence of reliable data relating to 1956 prices of the various industries.

SOURCE: Calculations of the Bank of Israel.

The food industries, whose share of the total value added by industry is about 21 per cent, were able to step up production by some 13-15 per cent in the year under review, thanks to the plentiful harvests and the abundant supply of raw materials. Production was also considerably expanded in the minerals, diamond and leather industries during the year. The output of the textile and chemical industries increased to a moderate extent. On the other hand, there was a sizeable decline in the output of the stone, cement, printing, rubber, clothing and footwear branches, caused by a smaller demand for their

products. Table X-2 gives an estimate of the changes in the output of the various industries.

The data of industrial electricity consumption suggest that in the first quarter of 1956 there was a moderate increase in the output of the metal working industries and a considerable increase in the food industry. In the second quarter of the year, production expanded further. But the greatest expansion as compared with 1955 took place during the third quarter, chiefly as a result of increased output in the metal, engineering and motor-vehicle branches. In the last quarter, production was slightly larger than during the corresponding period in 1955, even though the output of most branches declined. This was due to the larger output of the food and metal industries.

The index of industrial production prepared by the Central Bureau of Statistics generally confirms these observations.

TABLE X-3
Sales of Electricity to Industry^a, 1955 and 1956
(in millions of kWh)

<i>Quarter</i>	<i>1955</i>	<i>1956</i>	<i>Change, in per cent</i>
First	68,141	72,666	+ 7
Second	71,486	80,138	+12
Third	77,341	92,991	+20
Fourth	75,721	84,912	+12
Whole Year	292,689	330,707	+13

^a Excluding Jerusalem.

SOURCE: The Palestine Electric Corporation, Ltd.

2. INPUT OF ELECTRICITY AND RAW MATERIALS

(a) *Electricity*

Consumption of electricity in industry² was 340 million kWh in 1956, as compared with 302 million kWh in 1955, i.e. it increased by 12.5 per cent. It was not seriously affected by the restrictions introduced towards the end of the year, but exceeded in the last quarter by 12 per cent the consumption of the corresponding quarter of 1955.

The variations of electricity consumption are not proportionally correlated with changes in output, since the continuous process of mechanization causes industrial electricity consumption to expand even when output remains equal. Hence, in all branches, electricity consumption has been increasing faster than output. But there are variations in the distribution of electricity consumption between industries, branches and individual manufactures. Electricity input per unit of output varies from one industry to another and from product to pro-

² Including Jerusalem.

duct—changes in total industrial production not being, therefore, always reflected by parallel changes in the consumption of electricity. These reservations, however, do not invalidate electricity consumption statistics as an indicator of changing trends in industrial output when two proximate periods are compared which are not characterized by major alterations in the composition of production or the extent of mechanization.

TABLE X-4
Industrial Electricity Consumption^a, 1955 and 1956
(in thousands of kwh)

<i>Industry</i>	<i>1955</i>	<i>1956</i>	<i>Change, in per cent</i>
Food	44,161	51,581	+16.8
Ice and Cold Storage	42,070	43,415	+ 3.2
Textiles	26,879	29,680	+10.4
Clothing and Footwear	1,495	1,289	-13.8
Metals	22,884	31,136	+36.1
Engineering	1,179	1,374	+16.5
Motor Vehicles	682	872	+27.9
Electrical Appliances	3,571	4,235	+18.6
Wood	13,109	13,812	+ 5.4
Leather	1,279	1,203	- 5.9
Printing and Paper	14,315	14,552	+ 1.7
Chemicals	31,528	50,125	+59.0
Rubber Products	6,450	7,088	+ 9.9
Plastics	1,371	1,731	+26.3
Stone and Cement	62,149	58,642	- 5.6
Diamonds	1,235	1,291	+ 4.5
Miscellaneous	18,333	18,771	+ 2.4
<i>Total</i>	292,690	330,797	+13.0

^a Excluding Jerusalem.

SOURCE: The Palestine Electric Corporation, Ltd.

The increased consumption of electricity in the food, textiles, metals, engineering, motor vehicles, plastics and "miscellaneous" industries indicates some expansion of output in these branches, though not quite to the extent of the increase in electricity consumption, owing to the mechanization of production already referred to. The decline or relatively slight increase in the consumption of electricity by the ice and cold storage, wood, printing, rubber, stone, cement, clothing and footwear branches points to a decrease in their output. The rise in the electricity consumption of the chemical industry is far greater than the increase in the output of this branch since electric power is one of the main input items of many chemicals plants which started production last year. On the other hand, the larger volume of production in the diamond industry was not

accompanied by a corresponding increase in electricity consumption, as the input of electric power in this branch is relatively small.

(b) *Raw Materials*

Imports of industrial raw materials in 1956 remained approximately at the level of the preceding year. On the other hand, greater quantities of fuel and locally produced raw materials were supplied to this sector, as industrial production processes expanded vertically. There are indications that stocks of raw materials in the plants declined.

The value of industrial raw materials imported in 1956 totalled IL.267.4 million, as compared with IL.260.7 million in 1955,—an increase of 2.5 per cent, at current prices. Prices of imported raw materials rose by about 3 to 5 per cent during the year. Thus, there seems to have been no significant change in the volume of these imports.

The supplies of gas oil and fuel oil to industry increased by 12 per cent to 246,700 tons in 1956, as compared with 220,200 tons in 1955.

Among the raw materials the proportion of local supplies increased considerably during the year under review. The increase was especially marked in the case of agricultural supplies to the food industry, the quantity of which was more than doubled thanks to the good harvests and the larger areas under industrial crops. Supplies of cotton fibres to the textile industry and of safflower seed oil to the paint industry increased each by 36 per cent.

The local supply of minerals to the chemical, ceramic and glass industries was expanded by 40 to 50 per cent in 1956, and new chemical plants went into production, using local raw materials.

Simultaneously with the expansion of local raw material supplies, a vertical growth took place in a number of industries, manifested by the larger share of basic industries, which supplied raw materials and semi-manufactured goods to other industries. Owing, however, to the uneven spread of this expansion, the value added by industry as a whole was not improved. The vertical amplification of industrial production renders possible the expansion of output without requiring commensurately larger supplies of local or imported raw materials. Thus, for example, wool and cotton yarn spinning expanded considerably during the year, commensurately with the local supply of these yarns to the weaving mills, while imports of raw materials for this industry declined. Imports of tanned leather for the footwear industry were almost completely abolished. Raw hides were imported, instead, to benefit the output of total tanneries. Industrial by-products were increasingly used by the chemical industry as raw materials for the manufacture of new commodities. The machinery and motor vehicle industries similarly began to use larger quantities of locally-produced parts and materials.

It seems that stocks of raw materials in the plants declined somewhat during 1956, but no data are available to estimate the extent of this decline.

3. EMPLOYMENT

The number of persons employed in industry increased by about 2-3 per cent in 1956. The index of industrial employment prepared by the Central Bureau of Statistics rose by 1 per cent as against 1955. Data from 40 large undertakings indicate that the number of persons employed in "Koor" enterprises (apart from those acquired by "Koor" during the year under review) was about 1 per cent more than in 1955. Employment in 180 co-operative establishments expanded by 4 per cent as compared with 1955.

While the expansion of gross industrial output in 1956 was of the order of 8 to 10 per cent, and the value added by the industrial sector increased to a similar extent, the rise in employment was much smaller. This indicates an approximate increase of 5-7 per cent in the average output per worker.

Considering the greatly increased imports of industrial machinery in the year under review and the two years immediately preceding it, the increased output per worker did not necessarily signify a rise in labour efficiency, had the ratios between the factors of production, labour, raw materials and capital remained constant.

Productivity research in Israel is still in its early stages, and no general conclusions can as yet be drawn from it. But the examination of available data leaves the impression that, despite the higher output per worker, there was no appreciable improvement of industrial productivity during 1956. Some progress was, however, registered by individual firms and especially by those unable, without far-reaching rationalization, to compete in a buyers' market such as existed for some branches in 1956.

The urgency of reducing costs so as to increase their competitive power at home and abroad, instilled manufacturers with the realization that production must be rationalized, and steps taken in this direction in recent years may be expected to bring tangible results in the future. Many firms, especially in the metallurgical, food and textile industries, began to employ production engineers, efficiency experts and cost accountants.

In firms employing altogether about 18,000 persons, production councils equally representing management and personnel were operating in 1956, with the objective of improving production methods and the establishment of production norms whenever this was feasible. The number of workers who received premiums based on such norms increased by about 15 per cent in 1956, reaching 12,000. The average premium paid to workers working on the piece rate system totalled approximately 25 per cent of their wages. In some firms premiums reached as much as 80 per cent of wages, indicating that the production norms had been originally fixed at too low a level.

To an increasing extent, norms were established by exact measurements in 1956, but most premiums were still based on previous agreements between employers and workers or on the average output per worker in former years. The

success of the premium system depends on exact measurements. Otherwise, it runs the danger of merely disguising wage increments instead of creating incentives toward increased productivity.

The shortage of skilled labour continued throughout the year. The number of engineers and skilled workers turned out by academic institutions and vocational schools fell short of the requirements of industry. At the same time, industry continued to absorb immigrant workers, who displayed a remarkable degree of adaptability to the technical and social demands inherent in industrial employment.

Although the ordinary industrial worker today does not require specialized training, a sound general and vocational education is an important prerequisite for the introduction of improvements and more efficient production processes. The shortage of skilled foremen is evidence of inadequate training and insufficient wage differentials. Also, the managers of many enterprises, which developed rapidly during the Second World War and in the early years of the State of Israel, are obviously devoid of a long industrial tradition and have not yet acquired the experience and the knowledge required for the efficient management of their plants.

During 1956, industry was affected by 45 strikes, in which altogether 4,430 workers participated and which caused a loss of 20,090 man-days. Although this represents an increase of 118 per cent compared with 1955, it still is only a negligible portion of the total number of man-days worked in industry during the year. The largest number of strikes and strikers was in the textile industry, which lost 16,000 man-days in 1956. Most of the strikes were caused by wage disputes connected with the new wage policy of the trade unions.

4. WAGES AND PRICES

The average wage in industry was about 14 per cent higher in 1956 than in 1955, reaching IL.9.330 per day³ as against IL.8.200 in the former year. Table X-5 shows wage movements by industrial branches.

The highest industrial wages were paid in the mining and motor vehicle branches. The high pay of mining workers was due to special allowances to persons employed in the Negev, a measure designed to attract labour to this area. The motor vehicle industry paid the highest wages in the year under review, owing to the high scale of bonuses customary in this industry. The high wage rates in the stone and cement branches are consequent upon the seniority of workers in certain establishments and to the bonuses payable in some firms. Wages were below average in the wood industry owing to the relatively large number of apprentices in this branch. Low wages prevailed in the food, clothing and footwear industries which employ comparatively many women.

³ These figures relate only to daily paid workers, and therefore differ from the figures cited in Chapter VII, which relate to all persons employed in industry.

TABLE X-5
Average Daily Wages in Industry, 1955 and 1956

Industry	Daily wage, in IL.		Increase per cent
	1955	1956	
All Industries	8.200	9.330	13.8
Mining	8.770	10.490	19.6
Food	7.760	8.660	11.6
Textiles	8.200	8.950	9.2
Clothing and Footwear	6.790	7.290	7.4
Metallurgy	8.020	9.330	16.3
Engineering	7.950	9.180	15.5
Motor Vehicles	9.480	10.990	15.4
Electrical Appliances	7.780	8.870	14.0
Wood	7.930	9.180	15.8
Leather	8.160	9.330	14.3
Printing and Paper	8.290	9.540	15.1
Chemicals	8.070	9.580	18.7
Stone and Cement	8.650	9.850	13.9
Diamonds	8.280	9.300	12.3
Rubber Products	7.910	9.540	20.6
Miscellaneous	9.940	11.340	14.1

SOURCE: The Central Bureau of Statistics.

The largest increase was recorded in the wages of rubber workers. These had been below the industrial average in 1955, but rose beyond the average in the year under review. The wages of chemical and metal workers, too, increased considerably.

Though wages in textile, clothing and footwear industries had been among the lowest to begin with, they were raised by no more than 7-9 per cent, as against an average rise of 14 per cent in industrial wages as a whole. Apparently, these workers were unable to induce their employers to improve their pay substantially, because of slack trade in these industries.

According to data obtained from some of the bigger industrial concerns, salaries of the administrative staff, foremen and engineers increased by approximately 25 per cent. Since a high percentage of the increment was absorbed by tax deductions, many industrial firms were able to recruit skilled labour only by offering high gross wages to compensate for the tax burden.

The number of workers paid according to systems of norms and bonuses increased by about 15 per cent in 1956.

As wages made up 50-60 per cent of the value added by industry, at least part of the wage increases were perforce passed on to customers. Production costs were also affected by the increase of the prices of imported raw materials by 3-5 per cent and of local raw materials by 12-15 per cent. The average

increase of production costs has tentatively been estimated at about 10 per cent.⁴

The average rise of the prices of industrial products in 1956 has been estimated at 6 to 8 per cent, lagging somewhat behind the rising production costs owing to the slackened demand for some kinds of industrial goods.

No reliable data are on hand regarding the price movements of different manufactures. According to provisional estimates, prices of food products rose by 6–7 per cent, of footwear by 5–6 per cent, of metal goods and of building materials by 8–10 per cent, and of cut diamonds by 5 per cent.

5. INDUSTRIAL EXPORTS

The value of industrial exports in 1956 was \$58.8 million, i.e. 12 per cent more than in 1955 (\$52.4 million). Industrial exports (excluding diamonds) fell short in the first quarter of 1956 by 33 per cent of those in the corresponding period of 1955, but they picked up from the beginning of the second quarter. The increase was largest in the case of cut diamonds, the export value of which rose by 19 per cent from \$20.6 million in 1955 to \$24.5 million in 1956. The value of industrial exports other than diamonds increased by \$2.5 million, or 8 per cent from \$31.8 million in 1955, to \$34.3 million in 1956. But since the prices of industrial exports, net of exchange disagio, had risen by 2–3 per cent in 1956, the physical increase of industrial exports was, therefore, confined to no more than 6 per cent. Table X-6 shows the value of the main classes of industrial exports.

The rise in the value of industrial exports other than diamonds must be ascribed first and foremost to the larger exports of citrus products and food manufactures made possible by plentiful harvests. Big increases were also recorded in the export of tyres, cement, plywood and applied arts (handicrafts, religious articles and postage stamps). On the other hand, the export of motor vehicles and spare parts, and of metal products decreased considerably. Other industrial exports did not substantially depart from the level of the previous year.

The total locally added value⁵ of industrial exports increased by 22 per cent, from \$15.7 million in 1955 to \$19.2 million in 1956.

Considering industrial exports other than diamonds, the locally added value rose, according to provisional estimates, by 44 per cent over 1955, i.e. it increased faster than the value of industrial exports as a whole. The added value in diamond exports totalled \$4.2 million in 1956 as against \$3.4 million in 1955. This was an increase of 24 per cent, but measured at the total value of diamond exports, locally added value made up 17 per cent, no more than in

⁴ Data relating to production costs are based on incomplete information.

⁵ Including also additions from other economic sectors in the shape of industrial raw materials.

TABLE X-6
Industrial Exports, 1955 and 1956
 (in \$ millions)

Class	1955 \$ millions	1956 \$ millions	Change	
			\$ millions	per cent
Citrus Products	2.1	3.8	+1.7	+ 81.0
Other Manufactures from Agricultural Raw Materials	0.6	1.2	+0.6	+100.0
Other Manufactured Foodstuffs	0.7	1.0	+0.3	+ 42.9
<i>Total—Food Products</i>	3.4	6.0	+2.6	+ 76.4
Textiles and Leather	5.7	6.0	+0.3	+ 5.3
Metal Goods and Electrical Appliances	2.7	1.4	-1.3	- 48.1
Machinery and Equipment	0.8	0.9	+0.1	+ 12.5
Motor Vehicles	3.7	2.0	-1.7	- 45.9
Building Materials and Wood	5.0	5.8	+0.8	+ 16.0
Chemicals and Minerals	3.6	4.3	+0.7	+ 19.4
Rubber and Plastic Products	2.7	3.8	+1.1	+ 40.7
Applied Arts	1.5	2.4	+0.9	+ 60.0
Light Industries	1.5	1.3	-0.2	- 13.3
Miscellaneous	1.2	0.4	-0.8	- 66.7
<i>Sub-Total—Industrial Exports other than Diamonds and Scrap Metal</i>	31.8	34.3	+2.5	+ 7.9
Diamonds	20.6	24.5	+3.9	+ 18.9
<i>Total—Industrial Exports*</i>	52.4	58.8	+6.4	+ 12.2

* The discrepancy between this total and that in table III-4 is due to the inclusion of scrap metal in the latter.

SOURCE: Ministry of Commerce and Industry.

1955. Table X-7 includes estimates of the locally added value in the exports of various industrial products.

The locally added value of diamond exports was bigger than that of any other class of industrial exports, although the percentage of locally added value of this class of exports is among the smallest of all industries. Evidently, it is not the relative share of locally added value, but rather its absolute amount which is the significant magnitude in exports. The exports of the food industry included an added value of \$3.7 million—the second highest after the diamond industry. Next in importance were the exports of the building materials branch, the added value of which was \$2.6 million, and the textile and clothing branches, with an added value of \$1.9 million.

TABLE X-7
Locally Added Value of Industrial Exports: 1956^a

<i>Class</i>	<i>Total export value (\$ millions)</i>	<i>Locally added value (per cent)</i>	<i>Locally added value (\$ millions)</i>
Manufactures from Agricultural			
Raw Materials	5.0	67	3.3
Other Manufactured Foodstuffs	1.0	39	0.4
Textiles	3.2	21	0.7
Clothing and Footwear	2.8	42	1.2
Metal Goods ^b and Electrical Appliances	1.4	43	0.6
Machinery and Equipment	2.8	18	0.5
Building Materials	5.8	46	2.7
Tyres and other Rubber Products	3.7	40	1.5
Chemicals	4.0	40	1.6
Applied Arts	2.4	78	1.9
Light Industries	1.3	40	0.5
Miscellaneous	0.9	33	0.3
<hr/>			
<i>Sub-Total—Industrial Exports</i>			
Other than Diamonds	34.3	44	12.1
Diamonds	24.5	17	4.2
<hr/>			
<i>Total—Industrial Exports</i>	58.8	33	16.3

^a Exports have been estimated in dollars calculated on the basis of the official exchange rates in the countries to which the goods were consigned.

^b Including motor vehicles.

SOURCE: Calculations of the Bank of Israel based on data from the Ministry of Commerce and Industry.

The slightly higher prices of imported raw materials did not prevent an increase in the added value of industrial exports because of: (a) the increased share among total exports of manufactures with a high rate of added value; and (b) the higher rates of added value in most industrial products. The latter was the corollary of a slight increase in the average prices obtained for industrial exports, of the increasing utilization of local raw materials and of the vertical development of industrial production. The Government's participation in local production costs (the extent of which was determined by the rate of added value in the exports concerned) modified the structure of input in that it induced manufacturers to increase the rate of added value in their products.

Another gratifying development with regard to industrial exports was the growing proportion of exports to hard-currency countries.

Consequently, the net increase in the value of industrial exports was somewhat larger than apparent from the statistics, since—in contrast to exports to certain bilateral clearing countries—the proceeds of exports to hard currency countries are net of any exchange discounts.

DIAGRAM X-1
Locally Added Value of Industrial Exports, 1956

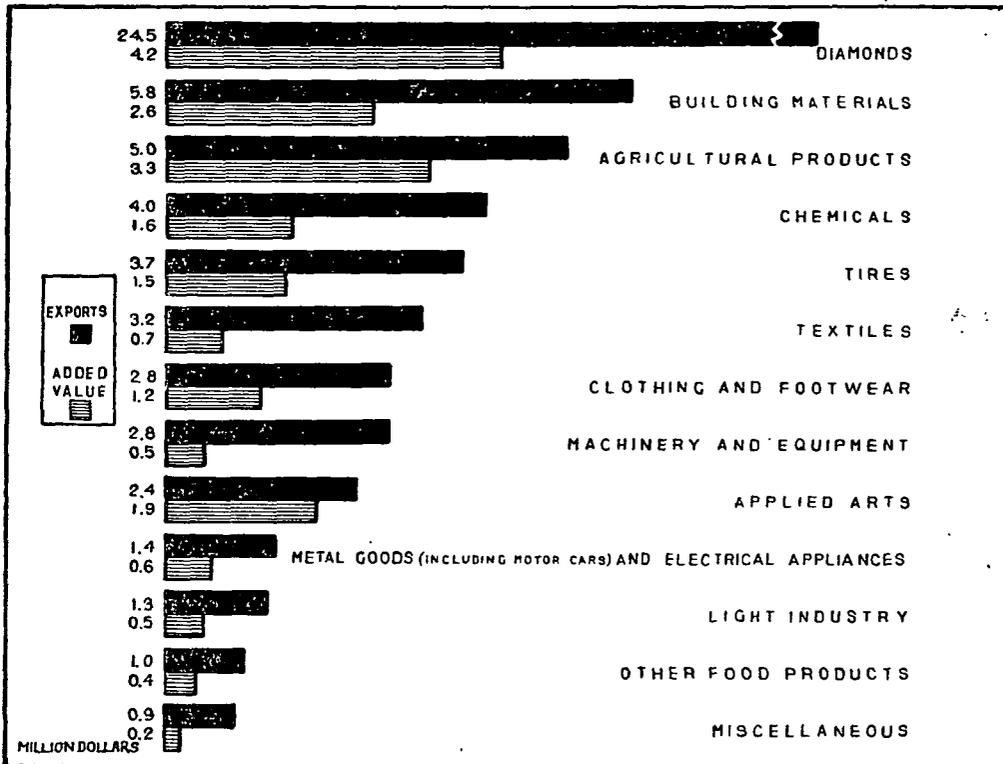


TABLE X-8
Industrial Exports^a according to Type of Payment 1954-1956
(in per cent)

Type of Payment	1954	1955	1956
Payment in Hard Currency	31	35	44
Payment in Clearing Currency	62	61	55
Barter	7	4	1
Total	100	100	100

^a Excluding diamonds.

SOURCE: Ministry of Commerce and Industry.

The increased share of industrial exports to hard currency markets in recent years was due to certain difficulties in the implementation of some bilateral agreements, especially with Turkey and Finland, and to the system of Govern-

ment participation in production costs, which deliberately encouraged exports to hard-currency countries.

New efforts to encourage industrial exports were made in the year under review. These included the above-mentioned Government participation in costs at the rate of 500 to 700 pruta per dollar of locally added value in the case of exports to hard-currency countries and certain bilateral agreement countries. Manufacturers who did not wish to take advantage of this allowance were permitted to keep the equivalent of the added value of their exports in the form of "Pamaz" (foreign exchange accounts)⁶ Some exporters were also granted concessions as regards transport costs. Credit to augment working capital, accorded to exporters at favourable rates of interest from a Revolving Fund through re-discounts at the Bank of Israel, supplied most of the marginal funds required for the financing of exports. Exporters also benefited from certain relaxations in administrative procedures.

Owing to numerous obstacles, the results of all these efforts were not very great. Industrial exports other than diamonds increased, as already stated, by a mere 8 per cent, and this was in the main due not to any conscious effort but to higher prices obtained abroad and to the exports of the food industry being favoured by plentiful harvests.

The most important difficulties were:

(a) The high prices of industrial products, due to the high production costs.
(b) The difficulties of trade with bilateral agreement countries, particularly Turkey, Finland and Yugoslavia.

(c) The low quality of some manufactures, the absence of fixed standards for export goods, and considerable delays occasionally occurring in their delivery, all of these due to the lack of export traditions among manufacturers, whose firms had prospered in a sellers' market at home under conditions which freed them from the worries peculiar to the export trade and protected them against foreign competition.

(d) The fragmentation of industry, which manifests itself in an excessively large number of small plants, mostly operating only at a small part of their capacity. Although in some industries, the small size of the firms is no obstacle to the export trade, it is generally true that industries producing in small series find it difficult to improve efficiency and reduce production costs. The small firms, moreover, owing to the lack of funds, are unable to engage in production or market research and export promotion generally.

Many products were quite unsuitable for export. It is certainly possible to increase industrial exports considerably while leaving their present composition unchanged, but the expansion of the export trade on the scale required for the elimination of the trade deficit calls for a structural transformation of industry as a whole.

⁶ See chapter III, above.

A considerable expansion of industrial exports is essential to ensure full employment of industrial capital and manpower, because the local market, for all its continuous growth, cannot absorb the potential output entirely.

In 1956, only 9 per cent of total industrial output⁷ were destined for export. Table X-9 shows the proportion of exports in the output of various industries.

TABLE X-9

The Proportion of Exports and Industrial Production by Industries 1956
(in IL. millions)

<i>Industry</i>	<i>Value of output</i>	<i>Value of exports</i>	<i>Percentage of exports in total production</i>
Foodstuffs	342	11	3
Textiles	147	6	4
Clothing and Footwear	127	5	4
Metallurgy	227	8	4
Stone and Cement	78	7	9
Rubber Products	22	7	32
Wood	73	3	4
Diamonds	44	44	100
Miscellaneous	175	14	8
<i>Total</i>	1,235	105	9

* Calculated on the basis of the exchange rate of \$1.00=IL.1.800.

SOURCE: Calculations of the Bank of Israel.

6. INVESTMENTS

The investment in industrial capital assets (excluding stocks) was estimated at IL.105 million in 1956, as compared with IL.83 million⁸ in 1955. The value of new investments thus increased by 27 per cent, at current prices. The average rise in the prices of industrial capital assets in 1956 has been estimated at 8 per cent. The real increase in the value of new investments was, therefore, about 17 per cent. The main expansion of real investment occurred in the import of equipment from abroad, which increased by 25 per cent. Among other components, local production and installation costs increased by 9 per cent and 13 per cent respectively. Investment in industrial buildings contracted by 2 per cent during the year under review.

⁷ The proportion of exports measured against total output is higher in terms of volume than in terms of value because the real rate of exchange for export commodities is higher than the official rate and because export prices are lower than local prices, to which in practice most fixed costs are charged by exporters.

⁸ Revised estimate.

TABLE X-10
Investment in Industry, 1955 and 1956
 (in IL. millions)

<i>Type</i>	<i>1955, at current prices</i>	<i>1956</i>		<i>1956 at 1955 prices</i>	<i>Change in 1956 as against 1955 in per cent</i>	
		<i>at current prices</i>	<i>in per cent</i>		<i>at current prices</i>	<i>at 1955 prices</i>
Imported Machinery and Equipment ^a	41.1	54.6	52	51.4	+33	+25
Locally Produced Mach- inery and Equipment	27.6	32.6	31	30.2	+18	+ 9
Industrial Buildings	5.4	6.4	6	5.3	+19	- 2
Installation Costs	8.6	11.1	11	9.7	+29	+13
<i>Total</i>	82.7	104.7	100	96.6	+27	+17

^a Net imports, after deductions of exports.

SOURCE: Calculation of the Bank of Israel.

The large increase in the volume of imports of machinery and equipment contrasts with the decline in the rate of expansion of industrial production, and was due not to investment decisions made in the year under review, but to the execution of previous orders. The increase in the local production of machinery and equipment in 1956 paralleled the expansion of industrial output during the year, and consisted of considerably larger local production of machines, motors, refrigeration units and other equipment.

Bigger imports for the textile industry increased spinning capacity. The import of equipment for the food industry declined, partly because of the availability of locally manufactured machinery. Imported printing machines were chiefly intended to replace obsolete equipment.

In 1956, the Investment Centre recognized as approved undertakings 111 industrial enterprises with an approved combined capital of IL.56.7 and \$8.9 million. In 1955, such recognition was granted to 78 enterprises with a combined capital of IL.10.7 million and \$7.9 million. Investments in Israel pounds were thus approved for a far larger amount than in the previous year while foreign currency investments expanded only slightly. The major part of the increase in approved investments is accounted for by the retroactive approval of investments (especially in the chemicals industry) which were made before the Law for the Encouragement of Investments had come into force. Despite these reservations, the data from the Investment Centre indicate an increase in the number of planned industrial investments. This trend was encouraged by the favourable conditions on which prospective investors were able to receive government credit from the Development Budget. Nevertheless, the data also

TABLE X-11
Imports of Industrial Machinery and Equipment 1955 and 1956
(in IL. thousands)

	1955	1956	<i>Change in 1956 as against 1955, in per cent</i>
<i>Total</i>	41,090	55,590	+33
of which for:			
Textiles	3,870	7,390	+91
Metallurgy	4,370	8,430	+93
Food	3,250	2,970	- 9
Motor Vehicles	1,980	2,800	+41
Printing	1,110	1,770	+59
Wood	510	700	+37

SOURCE: The Central Bureau of Statistics.

show that there was only a limited willingness on the part of foreign capital to flow into Israel industry, as the profits—though generally not lower than abroad—were not deemed to afford sufficient compensation for the risks inherent to the political and security situation.

In line with the policy of dispersing the population, efforts were made in 1956 to direct industrial investments to so-called development areas, so as to create new industrial centres as the basis for productive employment in these areas. Planned industrial investment in development areas is expected to total IL.42 million by the end of 1958, half of which amount will be provided from Government sources. In the financial year 1956/57, 84 out of 107 new loans from the Development Budget were granted to enterprises in development areas, and about 40 per cent of the allocations to industry were directed there.

The investment of industrial firms in raw material stocks apparently declined somewhat in the course of the year, owing to a shortage of funds for the financing of stocks beyond immediate production requirements, and to the regular supply of raw materials which freed producers from the need to maintain stocks as a safeguard against dislocations in supply. The speculative hoarding of supplies diminished accordingly. Industrial firms somewhat increased their stocks of finished products in 1956, usually involuntarily. The increase was marked in various branches of heavy industry and in industries connected with the building sector, rather than in the consumer goods industries. Larger inventories were held because of the reduced building activity and over-estimation of the marketing possibilities.

Available data concerning the financing of gross investment in industrial capital assets relate only to Government financing through the Development Budget. Allocations in 1956 totalled IL.31.4 million, i.e. about 30 per cent of the total gross investment in industry (IL.105 million).

It must be assumed that foreign private investments (about IL.13 million) were effected mostly in industry. No new industrial securities were registered on the stock exchange. Table X-12 shows the allocation of Development Budget funds invested in industry.

TABLE X-12
*Development Budget, Allocations to
Industry, 1956*
(in IL. thousands)

Loans for Investment	29,800
Direct Investment	1,557
Purchase of Shares	26
<i>Total</i>	<i>31,383^a</i>

^a Including IL.600,000 for crafts.

SOURCE: Calculations of the Bank of Israel.

About 60 per cent of the investment loans were intended for the expansion of existing enterprises, and the remainder for the erection of new ones. The recipients were 110 new enterprises, and 350 existing ones.

Forty-four per cent of the investment loans granted in 1956 were for the installation of equipment and the erection of buildings. The Fertilizers and Chemicals Company Ltd. received 10 per cent of the total amount to complement investments made in the past, and another 10 per cent were granted for the construction of grain silos in the vicinity of flour mills. The remaining 36 per cent were utilized for the import of equipment under the Reparations Agreement.

Of the credit instruments signed, 32 per cent were with metal firms, 29 per cent with textile firms, 12 per cent with the food industry, and 14 per cent with the chemical industry. Some of the credits approved in 1956 were utilized in the same year, and the remainder were reserved for future expenditure.

In 1956, IL.1.1 million, or 73 per cent of the total direct Government investment financed by allocations from the Development Budget, were used for the erection of chemical plants; IL.168,000 or 11 per cent, were invested by the Government Printer; IL.250,000, or 16 per cent, in the Aircraft Repair Plant. Moreover, the Government acquired shares in export companies and a company for the organization of industrial fairs with a nominal value of IL.26,000.

Bank accommodation for the installation of equipment or the erection of building was usually for periods of 5-8 years at 7 or 8 per cent per annum. About 15 per cent of such loans were guaranteed by the Ministry of Finance to the extent of 40 to 100 per cent of the amounts involved, according to the location of the investment and its economic priority rating. Facilities granted by the Government without the banks' intermediary were generally for a longer

period, and the rate of interest ranged between 4.5 and 7 per cent. Investment loans under the Reparations Agreement were for periods of 5–8 years, at 5.25 to 6 per cent per annum. They usually covered 80–90 per cent of the value of the order, while in the case of other Development Budget loans the borrower was generally required to put up about 50 per cent of the investment. Loans to firms located in development areas included special concessions as regards the period of repayment, the investors' own participation and interest rates.

TABLE X-13

Development Budget: Loans for the Erection or Completion of Industrial Plants, April–December, 1956

Industry	For the erection of buildings		For the purchase of equipment	
	IL. thousands	per cent	IL. thousands	per cent
Food	2,430	21.6	1,370	12.3
Textiles and Leather	2,950	26.2	1,211	28.7
Metals, Engineering and Electrical Appliances	2,630	23.3	3,636	32.5
Chemicals	1,110	9.8	1,511	13.5
Building Materials and Wood	820	7.3	546	4.9
Rubber Products and Plastics	390	3.4	337	3.0
Printing and Paper	520	4.6	490	4.4
Miscellaneous	410	3.7	75	0.7
<i>Total</i>	11,260	99.9	11,176	100.0

SOURCE: Otzar La'Taassiya Ltd., and Calculations of the Bank of Israel.

Purchasing power guarantees were stipulated in Development loans of more than two years' duration as from 1954. But the terms of such guarantees not having been finally formulated, no monies have as yet been collected thereunder. At the end of 1956, the Government stated its policy as follows:

Loans for periods of 2 years or less to be exempt from the stipulation.

Loans for periods of 2 to 5 years: half the amount to be guaranteed.

Loans for periods of 5 to 7 years: 60 per cent of the amount to be guaranteed.

Loans for periods of 7 years or more: 70 per cent of the amount to be guaranteed.

The Minister of Finance was empowered to exempt from the guarantee loans firms located in development areas.

Industrial loans allocated from Development Budget funds were given either through the intermediary of banking institutions or directly by the Ministry of Finance.

The outstanding balance of long-term industrial credits from Government

deposits earmarked for this purpose (exclusive of Government deposits for loans to augment working capital) was IL.17.2 million at the end of 1956, as against IL.7.7 million at the end of 1955. The balance had thus increased by IL.9.5 million. These loans were given for periods of 5 to 12 years, at 8 per cent per annum. The major recipients were the food, metal and textile industries.

Table X-14 shows the distribution of bank credit from Government deposits (including deposits for loans to augment working capital) among the most important industries:

TABLE X-14
*Outstanding Balances of Industrial Credit from Government Deposits by
Industries, 1955 and 1956*
(in IL. thousands and in per cent)

Industry	31.12.55		31.12.56		Change in per cent
	IL. thousands	per cent	IL. thousands	per cent	
Food	4,773	28.5	9,166	29.8	+ 92.0
Textiles, Leather and Clothing	1,954	11.7	4,037	13.1	+106.6
Wood	874	5.2	1,235	4.0	+ 41.3
Soap and Oils	166	1.0	456	1.4	+174.7
Printing and Paper	533	3.2	791	2.6	+ 48.4
Rubber Products and Plastics	367	2.2	1,588	5.2	+332.7
Metallurgy and Engineering	2,859	17.1	4,915	16.0	+ 71.9
Chemicals	891	5.3	1,722	5.6	+ 93.3
Stone, Cement and Bricks	912	5.4	1,309	4.3	+ 43.5
Ceramics and Glass	438	2.6	356	1.2	- 18.7
Diamonds	2,135	12.7	2,894	9.4	+ 35.6
Other Manufactures	845	5.0	2,230	7.3	+166.3
<i>Total</i>	16,747	99.9	30,699	99.9	+ 83.0

SOURCE: Bank of Israel.

7. CREDIT TO AUGMENT WORKING CAPITAL

(a) *Short-Term Advances*

The Government and the Bank of Israel continued in 1956 to supply industry with short-term credit required for essential production, by the allocation of funds from the Development Budget (revolving funds) by re-discounting manufacturers' bills, and by a policy of qualitative credit regulation which resulted in an increased share of industry in total bank credit.

The outstanding balance of short-term industrial credit reached IL.114.8 million at the end of 1956, as against IL.92.5 million at the end of 1955. The difference of IL.22.3 million, (24 per cent) was made up to the extent of

IL.20.9 million (29 per cent) from banking resources and from Government resources for the rest (7 per cent). This is shown in Table X-15.

TABLE X-15

Outstanding Short-Term Bank Advances to Industry, End of 1955 and End of 1956
(in IL. millions)

Source	31.12.55 ^a	31.12.56	Change	
			in IL. millions	in per cent
From the Resources of Banks ^b	58.7	70.3	+11.6	+ 19.8
From the Resources of Credit				
Co-operative Societies ^a	5.3	8.1	+ 2.3	+ 25.8
Re-discounts—in Israel currency	5.5	7.8	+ 2.3	+ 41.8
in foreign currency	2.5	6.7	+ 4.2	+168.0
Total from the Resources of Banking Institutions^b	72.0	92.9	+20.9	+ 29.0
Revolving Fund for Imports out of Reparations and Grant-in-Aids ^c	11.8	7.4	- 4.4	- 37.3
From Export Fund ^d	3.1	6.9	+ 3.8	+122.6
From Revolving Fund for Industry and Employment ^d	4.7	5.6	+ 0.9	+ 19.1
From Bank Limlacha Ltd. (Artisans' Bank)	0.6	1.7	+ 1.1	+183.3
From Jerusalem Funds for the Encouragement of Industry ^e	0.3	0.3	—	—
Total from Government Resources	20.5	21.9	+ 1.4	+ 6.8
Grand Total	92.5	114.8	+22.3	+ 24.1

^a Revised figures.

^b Including non-government third-party deposits.

^c Based on an estimate that 80 per cent of these loans (totalling altogether IL.14.7 million in 1955 and IL.9.2 million in 1956) were granted to industry.

^d The Jerusalem funds include the Safed Fund, with a Government deposit of IL.38,000 in 1955 and IL.29,106 in 1956.

^e Includes only the Government's participation in the fund. The participation of the banks has been included with the loans granted from the resources of banking institutions.

SOURCE: Bank of Israel.

Industrial credit from banking resources increased to a greater extent than the total volume of bank credit, industry's share growing from 24 per cent in 1955 to 27 per cent in 1956, largely in consequence of a deliberate policy of the Bank of Israel. Table X-16 shows the distribution of industrial credit from the banks' own resources. No similar data for credit co-operative societies are available, but since these provided only 10 per cent of industrial credit from banking resources the general picture is not likely to be affected by their absence.

TABLE X-16
*Outstanding Advances Granted to Industry from Banking Resources
 End 1955 and End 1956*

<i>Industry</i>	<i>31.12.55</i>		<i>31.12.56</i>		<i>Change</i>	
	<i>IL. thousands</i>	<i>per cent</i>	<i>IL. thousands</i>	<i>per cent</i>	<i>IL. thousands</i>	<i>per cent</i>
Food	10,660	18.2	10,750	15.3	+ 90	+ 0.9
Textiles, Leather and Clothing	12,830	21.8	14,490	20.6	+1,660	+ 12.8
Wood	3,410	5.8	3,540	5.0	+ 120	+ 3.6
Soap and Oils	2,980	5.0	2,060	2.9	- 920	- 70.9
Printing and Paper	2,910	5.0	3,800	5.4	+ 890	+ 30.6
Rubber and Plastics	2,970	5.1	2,550	3.6	- 420	- 14.1
Metallurgy and Engineering	9,830	16.7	12,920	18.4	+3,090	+ 31.5
Chemicals	4,300	7.2	5,330	7.6	+1,030	+ 23.9
Stone, Cement and Bricks	2,910	4.9	2,920	4.1	+ 10	+ 0.5
Ceramics and Glass	420	1.0	610	1.0	+ 190	+ 44.9
Diamonds	2,300	3.9	3,910	5.6	+1,610	+ 69.9
Other Manufactures	3,170	5.4	7,380	10.5	+4,220	+133.2
<i>Total</i>	58,690	100.0	70,260	100.0	+11,570	+ 19.7

SOURCE: Bank of Israel.

(b) *Rediscount of Industrial Bills*

The Bank of Israel's portfolio of industrial bills totalled IL.14.4 million at the end of 1956, of which amount foreign currency bills accounted for IL.6.7 million. This compares with a total of IL.8 million at the end of 1955, of which IL.2.5 million were in foreign currency, the rate of increase being 81 per cent. The amount of Israel currency bills increased by 42 per cent, and that of foreign currency bills by 168 per cent. Table X-17 shows the distribution of rediscounts by industries at the end of 1956.

The chemical industry's share was 28 per cent of the total. Most of the re-discount facilities, so far as this industry was concerned, were accorded to government-owned and semi-public enterprises.

Re-discount facilities in Israel currency were for the most part accorded to firms which had expanded their output in 1956, and whose products were likely to substitute imported products or were intended for export. Foreign currency bills were taken in to finance the import of raw materials by export industries, or to enable exporters to extend credit to foreign customers.

(c) *Revolving Funds*

Among the sources of short-term credit for industry, mention should be made of certain revolving funds, which were, for the most part, fed in equal parts by the Government allocation from the Development Budget and by the Banks

TABLE X-17

Industrial Bills Portfolio of the Bank of Israel, 31 December, 1956

Industry	Israel currency		Foreign currency		Total	
	IL. thousands	per cent	IL. thousands	per cent	IL. thousands	per cent
Food	530	6.8	40	0.6	570	4.0
Textiles, Leather and Clothing	480	6.1	900	13.6	1,380	9.5
Wood	170	2.2	1,760	26.3	1,930	13.4
Printing and Paper	120	1.5	940	14.0	1,050	7.3
Rubber and Plastics	50	0.6	940	14.0	990	6.9
Metallurgy and Engineering	750	9.6	1,290	19.3	2,040	14.1
Chemicals	3,620	46.6	390	5.8	4,010	27.8
Stone, Cement and Bricks	1,670	21.5	120	1.9	1,790	12.4
Diamonds	—	—	180	2.7	180	1.2
Other Manufactures	370	5.1	120	1.7	490	3.4
<i>Total</i>	7,390	100.0	6,680	100.0	14,430	100.0

SOURCE: Bank of Israel.

that granted the loans in question. The rate of interest on such loans varied between 7 and 8 per cent per annum. The purpose of the funds was to direct a certain proportion of bank credit to essential industries and augment the working capital of industrial firms. Debit balances increased by 102 per cent from IL.10.8 million at the end of 1955, to IL.21.8 million at the end of 1956. Government deposits in the funds increased by 67 per cent from IL.8.7 million at the end of 1955 to IL.14.6 million at the end of 1956. Table X-18 details the debit balances of the turnover capital funds:

TABLE X-18

*Revolving Funds: Loans Outstanding End 1955 and End 1956
(in IL. thousands)*

Fund	31.12.55	31.12.56	Change	
			IL. thousands	per cent
Working Capital, Exporters	3,950	11,110	+ 7,160	+181
Working Capital, Industry	2,470	7,560	+ 5,090	+206
Working Capital, Employment	3,330	890	- 2,440	- 73
Jerusalem Industries	400	500	+ 100	+ 25
Working Capital, Crafts	630	1,740	+ 1,110	+176
<i>Total</i>	10,780	21,800	+11,020	+102

SOURCE: Calculations of the Bank of Israel.

The largest of the funds was intended to augment the working capital of exporters. Loans from this fund, for an average period of 3 months, were extended to exporters who had firm orders from abroad. The funds' turnover reached IL.36.5 million in 1956, and balances outstanding at the end of the year totalled IL.11.1 million (as against IL.4 million at the end of 1955). The Government in 1956 increased its deposits in the fund by IL.3.6 million to IL.11.1 million.

A part of this fund was earmarked for loans to the diamond industry, consisting of a special Government deposit of IL.350,000 with the banks participating with an equal amount. The turnover of this relatively small sum was quite fast reaching about IL.4.5 million in 1956; the loans were given for an average period of two weeks.

At the end of 1956, 227 debtors of the fund owed each IL.48,000 on the average. Approximately 17 per cent of the outstanding balances were due from the food industry, 16 per cent from the textiles and clothing industries, 13 per cent from the wood and metal industries, and 11 per cent from the rubber and plastics industries.

Another fund was intended to augment the interim financing of essential industrial production by loans of two years' duration. Outstanding balances of the fund totalled IL.7.6 million at the end of 1956. The metal industry was accorded 35 per cent of the credit extended by the fund in 1956; the clothing and textile industries 23 per cent; and the food industry 15 per cent.

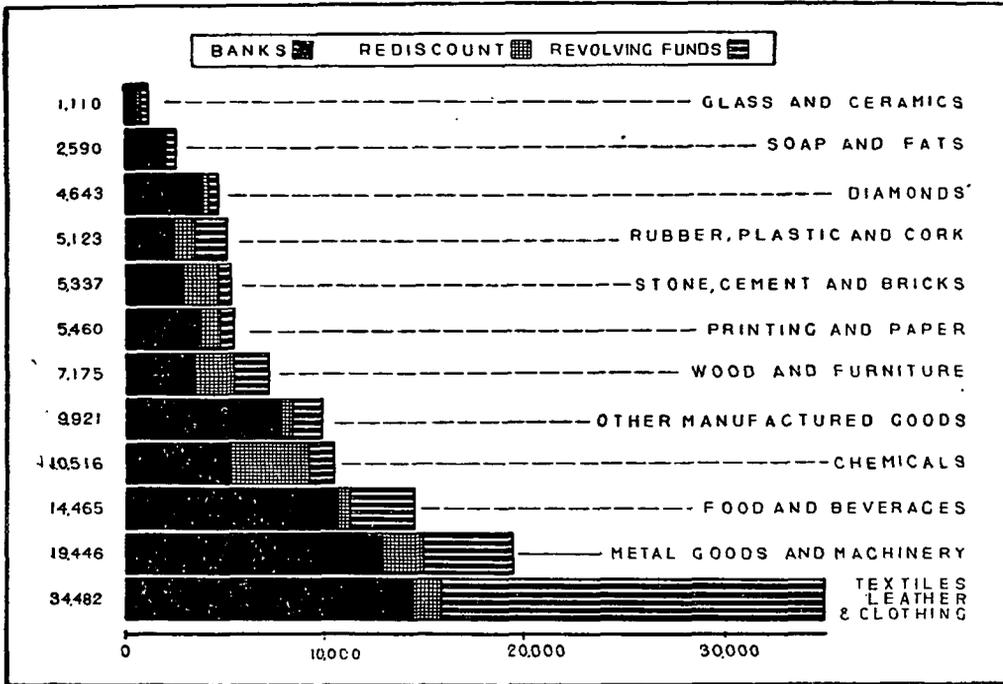
A revolving fund for the encouragement of employment was likewise operated in the year under review, though on a restricted scale; loans were extended to firms upon evidence that the requested facilities would enable them to engage additional workers. Accommodation was granted for periods not exceeding 18 months. Since no large sums accrued to this fund during the year, debit balances declined from IL.3.3 million at the end of 1955 to IL.0.9 million at the end of 1956. Forty per cent of the loans from this fund were given to the metal industry, and 16 per cent to the textiles branch.

It is doubtful whether the credit from the Employment Fund really helped to create additional employment. At best, the fund may have been able to expand employment by financing production to increase inventories, thus deferring problems of employment to a later stage. To the extent that employment is indeed increased upon the granting of such credits, there is no practical possibility of ascertaining the maintenance of the augmented employment later on.

Besides the funds already mentioned, the Bank Limlacha (Artisans' Bank) operated a fund to augment the working capital of craftsmen. Loans outstanding at the end of 1956 amounted to IL.1.7 million, as compared with IL.0.6 million at the end of 1955. The outstanding balance of loans granted by the "Jerusalem" funds was IL.500,000 at the end of 1956.

The banking institutions did not meet all the applications for industrial credit in the year under review, but the surplus demand seemed to have diminished somewhat in the course of the year. The demand for credit from non-banking

DIAGRAM X-2
*Short-term Credit Granted to Industry by Banks,
 Rediscount and Revolving Funds in 1956*
 (in IL. thousands)



sources also slackened towards the end of the year, and the rates of interest in the free market were on the decline. The following factors were mainly responsible for the new aspect of the credit market:

(a) Short-term industrial credit expanded by 24 per cent in 1956, while industrial output increased by only about 9 per cent at constant prices (about 18 per cent at current prices). The ratio of the amount of working capital and the volume of output therefore improved. The modified composition of industrial output presumably did not alter credit requirements.

(b) Manufacturers' inventories apparently diminished and released part of the available credit for other purposes.

8. THE FOOD INDUSTRY

The estimated output of the food industry in 1956 was IL.340 million. The real increase of about 13-15 per cent over 1955 was due chiefly to the plentiful harvests which more than doubled the local supply of raw materials. The

TABLE X-19
Outstanding Balances of Short-Term Bank Credit, Rediscount and Revolving Funds Loans, End of 1956
(in IL. thousands)

<i>Industry</i>	<i>From banking resources</i>	<i>Rediscount</i>		<i>Revolving Funds</i>		<i>Total</i>	<i>Per-centage</i>
		<i>in local currency</i>	<i>in foreign currency</i>	<i>for exports^a</i>	<i>for industry and for employment^a</i>		
Food and Beverages	10,753	534	41	1,930	1,207	14,465	15.1
Textiles, Leather and Clothing	14,478	476	895	17,183	1,850	34,882	29.0
Wood and Furniture	3,537	172	1,761	1,477	228	7,175	6.0
Soap and Oils	2,060	—	—	370	160	2,590	2.2
Printing and Paper	3,801	117	936	268	338	5,460	4.6
Rubber, Plastics and Cork	2,552	49	939	1,254	329	5,123	4.3
Chemicals	5,330	3,619	387	479	701	10,516	8.8
Metallurgy and Engineering	12,921	750	1,292	1,467	3,016	19,446	16.2
Stone, Cement and Bricks	2,919	1,645	122	482	169	5,337	4.4
Glass and Ceramics	607	30	—	329	144	1,110	0.9
Diamonds	3,912	—	180	551	—	4,578	3.8
Other Manufactures	7,883	369	115	619	305	9,291	7.7
	70,753	7,761	6,603	26,409	8,447	119,973	100.0

^a Including banks' participation from own resources, which is also included in the column "From Banking Resources".
 SOURCE: Bank of Israel.

increased output went to satisfy a rising local demand and to step up exports. Prices of manufactured food products rose by approximately 6-7 per cent in the year under review.

TABLE X-20
*Changes in the Output of the Food Industry,
1956 as compared with 1955*

<i>Product^a</i>	<i>Weight^b</i>	<i>Change in per cent</i>
Milk products	18.4	+ 8
Milling and Pastry Product	12.7	+ 1
Fruit and Vegetable Products	17.8	+45
Chocolate and Sweets	7.8	+ 5
Edible Oils	8.0	+11
Alcoholic Drinks	162	+ 3
Cigarettes	13.3	+12
Ice	5.8	- 7
<i>Total</i>	100.0	+14

^a The products included in the table constitute more than 70 per cent of the output of the food industry.

^b Proportion of each commodity in the value added by the food industry in 1952.

SOURCE: Calculations of the Bank of Israel, based on data received from the Ministry of Commerce and Industry, the Central Bureau of Statistics, the Manufacturers Association and the Customs Management.

The erection of two new flour mills, with an annual capacity of 28,000 tons, increased the available milling capacity by about 10 per cent, but lowered the rate of employed capacity from 75 per cent in 1955 to 70 per cent in 1956. The actual rate was, however, still regarded as ample in view of the need for a certain reserve capacity. On the other hand, the production capacity of bakeries was 40 per cent higher than the consumption of bread.

The construction of silos with a total capacity of 30,000 tons in order to safeguard the maintenance of adequate grain stocks with a minimum of wastage, was completed in 1956.

Output in the citrus by-products and canned food industries increased (particularly as regards citrus and tomato products) thanks to the very much bigger harvests. Processing of tomatoes by the machines used in the production of citrus juices enabled the manufacturers to exploit their capacity more fully.

The output of conserved and pickled vegetables was likewise expanded, as was the output of tinned fish following rich catches.

The refining of edible oils expanded by about 17 per cent in 1956, the total quantity refined reaching 19,720 tons, drawing increasingly upon local raw

materials (19 per cent, as compared with 11 per cent in 1955). Imports of raw materials for the oil industry fell by 11 per cent, and stocks of raw materials declined. Considerable quantities of edible oil were sold on the free market, and exports were expanded.

Two modern olive presses were erected in 1956, with an annual capacity of about 5,000 to 6,000 tons of crude olive oil. This can be marketed abroad more easily than refined oil.

The output of the chocolate and sweets industry increased slightly, a decline in chocolate production being offset by an expansion in the production of sweets and cocoa powder. The decline in chocolate production by 16 per cent was due to higher customs duties on cocoa beans. The output of cocoa powder increased by 14 per cent, most of the additional production being exported. The output of sweets was 20 per cent larger than in 1955; local sales increased to a similar extent, while exports were expanded by some 40 per cent.

About 20 per cent more wine was produced in 1956 than in 1955, as new vineyards began to yield and, more wine was produced, thanks to the good grape harvest. The demand for certain kinds of wine outpaced the growth of production and caused a depletion of stocks.

The output of brandy and arak rose by 11 to 12 per cent, but the output of liqueurs declined by 15 per cent, chiefly because of the especially big increase in the excise duty.

The higher excise on beer was among the factors which reduced sales by about 9 per cent.

There was also a decline in the output of low-quality soft drinks, while production of soft drinks made with pure sugar increased.

In the tobacco industry, higher excise duties on the expensive brands were largely responsible for a decline by about 9 per cent from 1955 in the production of Virginia cigarettes, and by 7 per cent in the output of the more expensive oriental brands. On the other hand, the output of cheap oriental cigarettes increased by 35 per cent. Imports of tobacco declined by about 20 per cent as compared with 1955, and greater use was made of local tobacco.

The output of the ice industry declined by about 7 per cent as a result of the de-controlled supply of electric refrigerators throughout the year and the inefficient organization of ice distribution. A cartel of ice manufacturers actually supported some of the idle firms and even in the peak season the industry worked at only 60 per cent of capacity.

Two new sugar refineries commenced experimental production in 1956, their output totalling 2,000 tons of sugar and a similar quantity of molasses. However, the price of locally produced sugar is still two times higher than the world market price.

9. TEXTILES, CLOTHING AND FOOTWEAR

(a) *Textiles*

The output of the textiles branch in 1956 has been estimated at IL.145 million, the real increase over 1955 being about 4 per cent.

TABLE X-21
*Changes in the Output of the Textile Industry,
1956 as compared to 1955*

<i>Product</i>	<i>Weight^a</i>	<i>Change in per cent</i>
Wool Spinning	5	+13
Cotton Spinning	29	+11
Wool and Cotton Weaving	52	+ 2
Silk Weaving	5	+29
Hosiery Weaving	9	+ 4
<i>Total</i>	100	+ 4

^a Proportion of each branch in the value added by the textile industry in 1952.

SOURCE: Ministry of Commerce and Industry, Central Bureau of Statistics and Calculations of the Bank of Israel.

The additional output of the textiles industries was due chiefly to increased spinning and weaving activity and to a propensity to produce more expensive goods. Local production was encouraged by the almost watertight exclusion of foreign competition in finished goods. Wool yarn was imported solely for the manufacture of export materials. Consumers' preference for more expensive goods, such as nylon and high-quality cotton cloths, induced a decline of 30 per cent in the weaving of silk and rayon. The spinning of staple fibre also declined, by about 32 per cent, as this low-quality commodity was displaced by cotton yarn. Other signs of the shift in the direction of better quality goods were the substitution of worsted by combed wool materials and of the cheaper kinds of woven cotton by poplin cloths.

Imports of spun cotton fell by some 60 per cent in 1956 and of spun wool by about 30 per cent. Imports of raw wool were expanded by some 6 per cent, as the capacity of spinning mills was increased. The decline by about 28 per cent in the import of raw cotton was offset by an increase of 40 per cent in the supply of locally grown cotton. The increased production of spinning and weaving mills (especially of cotton) had been made possible by substantial imports of machinery and equipment in recent years. The cotton industry worked practically at full capacity, in contrast with the wool industry; combed-wool spinning mills worked at about 70 per cent of capacity in two-and-a-half working shifts; the worsted mills were utilized to about 50 per cent of capacity—

also in two-and-a-half shifts; and wool weaving mills operated at 70 per cent of capacity (not counting obsolete equipment) in two shifts.

(b) *Clothing*

The output of the clothing branch declined in 1956 by about 3 or 4 per cent as compared with 1955. This was not inconsistent with the slightly increased activity of the textile branch, which was notable only with regard to spinning—in consequence of restricted imports of yarn—and which was relatively insignificant as far as weaving was concerned. The slight decline in the real output of the clothing branch possibly occurred in the production of ready-made clothes and was compensated by the enlarged, more labour-intensive production of higher quality clothes. However, the available data are insufficient to give a quantitative evaluation of this change.

(c) *Footwear*

The output of the footwear industry in 1956 did not deviate much from the previous year's level. Production in the larger factories declined, owing to the competition of smaller producers and numerous shoemakers, who were able to increase their output and their share in the market following the abolition of controls and the free supply of raw materials. As a result of the increased competition between producers, a greater variety of models was offered on the market. At the same time, the manufacture of leather expanded by 8 per cent, as imports of tanned hides were discontinued and raw hides imported instead.

Tanneries did not work at full capacity since some of the larger establishments were able between them to satisfy the market. The fragmentation of production among numerous units reduced efficiency, and favoured poor methods of tanning.

The local tanning of leather and the production of leather substitutes caused imports of hides and other shoe-making requisites to decline by 9 per cent in 1956.

10. METALLURGY

The output of the metal industries, including engineering, motor vehicles and electrical appliances, was estimated at IL.230 million in 1956. The real output of the branch increased by some 20 per cent as compared with 1955. Prices of finished metal goods rose by 8 to 10 per cent.

In the same period, there was a 35 per cent increase in the consumption of electricity by metal industries. Their raw material imports were 20 per cent higher than in 1955. Employment expanded by 8 to 10 per cent.

The increase in output was the result of new plants going into production and of the increased activity of certain established firms due mainly to big Government orders received during the year. While total production increased, there was a decline in the output of firms producing for the building industry, in consequence of the slack building market.

One of the two smelting furnaces in the steel plant of the "Steel Town" near Acre, went into operation in 1956. The plant was designed to produce 110,000 tons of steel per annum, but so far production has been on an experimental scale only.

Closed railway wagons were manufactured for the first time in 1956, as were trawlers, new types of agricultural machinery and equipment for silos.

TABLE X-22
Changes in the Output of the Metal Industry,
1956 as compared to 1955*

<i>Industry</i>	<i>Change in per cent</i>
Engineering	+12
Motor Vehicles	+16
Electrical Appliances	+ 7
Building Materials	- 3
Containers	+37
Consumer Goods	- 8

* Excluding production for military purposes.
SOURCE: Central Bureau of Statistics.

The estimated increase in the output of machinery, chiefly for the food industry and for agriculture, was 12-3 per cent. About one quarter of the farm equipment purchased during the year was locally produced.

The motor vehicle industry increased its output by 15-17 per cent, on account of the assembling of new types of vehicles, production for Government requirements, and the import of motor-bus components; the bodies were manufactured locally. The assembling of passenger vehicles declined by 27 per cent; that of commercial vehicles increased by 84 per cent. A new line was the large-scale assembling of motor scooters.

The production of electric motors rose by 25 per cent as a result of progressive mechanization of agriculture and industry, and the restrictions on electric motor imports. The largest increase was in the production of large (over 10 H.P.) and very small motors (up to 1 H.P.).

Shipyards expanded their activity by 7-10 per cent in 1956, especially in the construction of new vessels. Five trawlers were under construction, each of 110 tons, and one of them was launched towards the end of the year. Orders were also received from abroad for the building of similar fishing vessels. Floating dock services were expanded by 10 per cent; docking facilities were used for three days out of four throughout the year.

Pumping equipment of various kinds was produced in quantities nearly 50 per cent larger than in 1955. The extended control of water consumption

and the abolition of water metre imports led to an increase of 30–35 per cent in the local production of water metres.

The output of iron pipes increased by 10 per cent, chiefly because of the great demand created by the construction of oil pipelines. The demand for irrigation purposes, on the other hand, declined with the number of new installations in agriculture. The large decrease in the demand for brass products was due to the same cause.

Industries producing for the building industry restricted their output. In the steel rolling mills production declined by nearly 20 per cent, while the output of fittings and bronze products (e.g. taps and other plumbing accessories) decreased by approximately 35 to 40 per cent. The output of electrical accessories, required mainly for new buildings, contracted by 5 per cent.

The production of electrical appliances for domestic use also declined, in view of the increasing competition from gas cooking ranges and of the restrictions on domestic electricity consumption introduced towards the end of 1956. The output of electric stoves and cooking ranges decreased by more than 50 per cent, owing—apart from the factors already mentioned—to reduced orders from Turkey.

The production of metal containers increased by 35 to 40 per cent in 1956; and imports of tinplate for this industry expanded by 50 per cent. This development was caused by the big expansion, in the output of tinned fruit and vegetables.

11. CHEMICALS

The increase in the output of the chemical industries in 1956 has been estimated at 5–6 per cent; its value rose to about IL.52.5 million, as compared with IL.50 million in 1955. However, the number of persons employed in the industry fell somewhat in the same period, whereas electricity consumption increased. This was due to the progressive mechanization of the industry and the transfer of labour from constructional work to current production.

In the year under review the chemical industry began to use local raw materials on a larger scale, especially for the production of fertilizers and paints. More firms manufactured basic chemical products, i.e. goods serving as raw materials for other industries. New plants producing ammonia, hydrogen peroxide and chlorine from local raw materials were put into operation.

The chemical industry is the most varied of all industries, comprising hundreds of firms engaged in numerous lines of production, most of them small and relatively primitive establishments, each employing only a few workers, while some large plants are well-equipped with modern machinery. The existence of a large number of small firms causes under-utilization of capacity, and the quality of certain products is unsatisfactory.

TABLE X-23
*Changes in the Output of the Chemical Industry,
 1956 as compared to 1955*

<i>Branch</i>	<i>Weight^a</i>	<i>Change in per cent</i>
Chemical Fertilizers	6.5	+60
Cleaning Materials	10.0	—
Cosmetics	7.4	- 5
Soap	16.5	+ 8
Pharmaceuticals	11.2	+ 8
Paints	16.0	- 1
Oil Refining	27.4	- 1
Matches	5.0	- 1
<i>Total</i>	100.0	+ 5

^a Proportion of each branch in the value added by the chemical industry in 1952.

SOURCE: Central Bureau of Statistics and Calculating of the Bank of Israel.

The sales of Fertilizers and Chemicals Co. Ltd. increased by 61 per cent from IL5,679,000 in 1955 to IL9,126,000 in 1956. The company expanded its production of sulphuric acid and phosphate, and began to produce ammonia and ammonium sulphate in new plants opened during the year. The planned capacity of the ammonia plant was 14,000 tons a year, mostly intended for the production of nitrogenous fertilizers. After the first 9 months of production, the output of ammonia was exceeding its planned level by about 10 per cent. Agricultural requirements of phosphate and nitrogenous fertilizers were for the most part supplied by this plant from local raw materials.

Exports of superphosphates declined by 40 per cent in 1956, totalling only 6,400 tons, as against 10,700 tons in 1955. Exports of sulphuric acid declined by 85 per cent, from 24,500 tons in 1955 to 3,780 tons in 1956. The reduction in the export of superphosphates was due to the high production costs in the Haifa plant, which made such transactions unprofitable at world market prices. Exports of sulphuric acid declined because of the suspension of purchases by Turkey. On the other hand, potassium sulphate (1,900 tons) and di-calcium phosphate (1,000 tons) were exported in 1956 for the first time.

The output of the paints industry was the same in 1956 as in 1955, totalling about 2,400 tons valued at approximately IL.7 million. Employment in this industry was likewise maintained at its previous level. In 1956, only 50 per cent of the production capacity was employed, and 3 out of the 23 existing paint factories accounted for 70 per cent of the total output in 1956. Production did not expand, owing to the recession in the building industry and a pronounced 44 per cent decrease in exports, which fell to 262 tons, as against 466 tons in 1955. In fact, a decrease in the output of this industry was just averted

by the slightly better demand on the part of manufacturing industries and shipyards, and the demand for plastic paints, which were popular on account of their novelty. The proportion of local raw materials used in the manufacture of paints rose to about 50 per cent during the year.

Pharmaceutical production rose by 7 to 8 per cent in 1956, and its value was estimated at about IL.6 million. This industry comprised 19 firms, using about 70 per cent of their capacity, in a single working shift. Exports of pharmaceuticals increased by 79 per cent to \$1,411,000 in 1956, as compared with \$787,000 in 1955.

The output of the cosmetics industry decreased by 5 to 6 per cent in 1956. Its value was estimated at IL.3 million. Out of 35 manufacturers only four employed more than 10 workers in the year under review and these four were responsible for more than two-thirds of the total output.

The decline in the output of this industry was accompanied by a 48 per cent recession in exports, from \$193,000 in 1955 to \$100,000 in the year under review.

The production of soap rose by 7-8 per cent, mainly in washing soap and toilet soap, while the output of other cleansing materials remained unchanged.

The value of petroleum products refined at the Consolidated Refineries Ltd. fell in 1956 by one per cent, at constant prices. The output of cooking gas increased by 32 per cent and amounted to 11,000 tons, compared with 8,000 tons in 1955. This expansion was due to the substitution of gas for kerosene in domestic cooking, and there was a corresponding decline, of 2 per cent, in the output of kerosene. The supply of gas and paraffin products to the Fertilizers and Chemicals Ltd. also increased very considerably.

In August 1956, a plant producing hydrogen peroxide and sodium perborate was put into operation. Another new plant began to produce chlorine and caustic soda.

12. BUILDING MATERIALS

The contraction of real output in the building materials industry amounted to 8-10 per cent, and corresponded to the 2 per cent decline in building activity. Prices rose to a similar extent, as a result of higher production costs.

The decline in output led to a drop of 9 per cent in the number of persons employed.

Expectations of a lengthy depression in the building trade and the consequent reduction of building material stocks were such that the decrease in the output of building materials exceeded the decline in actual construction.

Since the contraction of building was chiefly manifested in a reduction of the area of buildings commenced, the decline in the output of the building materials industry occurred mainly in the manufacture of products that are used in the early stages of construction. On the other hand, exports of building

materials (especially cement, sheet glass and plywood) expanded by 17 per cent to \$5.7 million, as compared with \$4.9 million in 1955.

TABLE X-24
*Changes in the Output of the Building Material and
Wood Industries, 1956 as compared to 1955*

<i>Industry</i>	<i>Weight^a</i>	<i>Change in per cent</i>
Blocks and Bricks	4.7	-29
Silicate Bricks	3.2	- 7
Cement	20.8	- 7
Floor Tiles and Stairways	21.5	-14
Plywood	10.4	—
Building Carpentry	15.9	- 1
Furniture	23.5	- 7
<i>Total</i>	100.0	- 9

^a Proportion of each branch in the value added by the industry.
SOURCE: Central Bureau of Statistics.

The output of cement declined by 7 per cent from 666,000 tons in 1955 to 621,000 tons in 1956, notwithstanding the 35 per cent increase in cement exports. Altogether exports accounted for nearly one-third of total production. The raising of fuel prices after the Sinai campaign hit the cement industry hard, fuel constituting about 20 per cent of costs. When the price of fuel was increased by IL.15 per ton, production costs rose by IL.4 per ton of cement and the profitability of exports became doubtful.

The output of the quarries was 5 per cent smaller than in 1955. The quarrying of crushed stone, used for building and road construction, declined by 43 per cent, and the production of gravel fell off by 7 per cent. The output of building stone, however, increased by about 22 per cent, owing to the increasing proportion of stone construction as against other types of building. The quarrying of marble expanded by 45 per cent in the year under review, in response to higher demand in both private and public building.

The output of the wood industry declined by 3 to 4 per cent during 1956. Imports of raw materials for the industry contracted by 11 per cent in the same period. Presumably stocks of raw materials were reduced. Some of the smaller carpentry shops were shut down, whereas large enterprises somewhat increased their activities.

The production of building carpentry declined slightly as a result of the reduced building activity.

The output of plywood remained on the level of the previous year, the three plywood factories operating at about 70 per cent of their production capacity.

Imports of raw materials for the plywood industry declined by nearly 20 per cent. The plywood industry worked primarily for export: in 1956, it exported 48 per cent of its total output. The industry exported 53 per cent more than in 1955.

The output of sanitary ceramics declined by 20 to 25 per cent in comparison with 1955. The production of ceramics for electric installations declined by approximately 10 per cent. These developments were caused by the recession in the building market and by the previous accumulation of large stocks in the factories. The output of household ceramics increased somewhat.

The production of sheet glass expanded by 61 per cent, and exports increased by 21 per cent over 1955.

13. DIAMONDS

The estimated value of the diamond industry's output was IL.45 million in 1956—about 15 per cent more than in 1955. There was no significant change in the types of stone polished, nor in the stocks of rough and polished diamonds. The 18 per cent increase in the imports of rough diamonds and the expansion of polished diamond exports by about 14 per cent probably reflected, therefore, the movement in the volume of production.

In terms of value, the output of the diamond industry represented approximately 3.5 per cent of total industrial production, and the industry employed about 2.5 per cent of the country's industrial labour. Yet, its economic importance was far greater than these figures would indicate, seeing that in 1956, diamond exports constituted about 40 per cent of total industrial exports, and that the overwhelming proportion of these diamonds were sold against hard currency.

The locally added value contained in polished diamond exports averaged 17 per cent in 1956. This ratio fell below the industrial average as a whole. But the total value added by the diamond industry in 1956 was \$4.2 million, considerably more than any other industry.

In 1956, there was an increase in the exports of diamond tools and, though their share in total exports remained small, this line of production helped to meet the needs of the local diamond industry.

Israel's quota of rough diamond supplies from the international diamond syndicate having been reduced by about 40 per cent, the industry was compelled to expand its purchases in the free market, at prices approximately 5–10 per cent higher than the syndicate's. The relatively low production costs of the local industry gave it its international competitive advantage. Low costs were the result of high workmanship attained through a greater division of labour than is customary abroad.

In accordance with the general policy favouring the expansion of this industry, a number of new plants were erected during 1956, most of them in

development areas. The diamond industry has proved particularly suitable for dispersion in such areas, as it presents no transport problems, and as the necessary investment in equipment (IL.300 to IL.400 per worker) is smaller than in any other industry. The period required for training workers is also relatively short.

14. RUBBER PRODUCTS, PLASTICS, PAPER AND CARDBOARD

(a) *Rubber*

The real output of rubber products declined by about 12 per cent in 1956, its value being estimated at IL.21 million, as compared with about IL.23 million in 1955. The decline occurred in most lines, but the production of tyres and tubes increased by about 7 per cent. Employment in the rubber industry declined by 20 per cent—i.e. more than output—chiefly because of the introduction of modern equipment.

One reason for the recession was the strong competition of plastic goods, many of which were gradually displacing customary rubber products. For example, the production of plastic hoses badly hit the manufacture of rubber hoses and the insulation of electric cables and wires with plastic materials largely displaced the use of rubber for this purpose.

The supply of raw materials to the rubber industry was irregular in the year under review because of restricted foreign currency allocations for this purpose.

The continuous decline in the production of rubber goods in the past few years lowered the rate of utilization of existing capacity, and a few of the existing plants could, between them, easily satisfy the entire local demand. The modern equipment imported under the Reparations Agreement is only partially employed. Consequently there was considerably less investment in this industry during the year under review.

The slack in the industry was especially pronounced in the rubber boot branch, where one of the five existing plants would have been able entirely to satisfy local demand by working at full capacity one month per year. The redundancy of firms, inadequate specialization and a shortage of skilled labour, were the main obstacles to high quality production. The poor quality of the goods gave little hope that the problem of surplus capacity might be solved soon by production for export.

The output of the two tyre factories was 5,200 tons in 1956, 2 per cent more than in 1955. The number of workers diminished by 5 per cent, from 495 in 1955 to 471 in 1956, and the output per worker increased by 7 per cent. The higher productivity was due to further mechanization and improved skill. The latter compared well with accepted standards in similar factories abroad, thanks to expert organization and a system of pay incentives. The two plants satisfied local demand for the main types of tyres. Half of their total production

was exported. Exports of tyres totalled \$3.8 million in 1956, some 22 per cent more than in 1955.

(b) *Plastics*

The output of plastic products increased by approximately 20 per cent in 1956, but 50 per cent of the industry's capacity remained idle. There was a shortage of some imported raw materials during the year, despite a 24 per cent increase in raw material imports for the industry.

A large number of plastic products newly introduced in 1956 were absorbed by the market with relative ease, displacing products made of wood, metal, rubber, leather, fabric or ceramics. Owing to highly mechanized production processes, the expansion was achieved with only slightly larger employment of labour. Prices of plastic products were not raised during the year, despite the higher wages paid, as the latter represented only a small proportion of total production costs and prices of raw materials fell somewhat.

Exports of plastics increased in 1956 by 85 per cent, to \$143,000, as compared with \$77,000 in 1955. A further expansion of exports was checked by the contraction of the Finnish market.

(c) *Paper and Cardboard*

The output of the paper industry fell by 3 per cent during 1956, to about 13,300 tons. Production declined because of the restricted demand by wholesalers and retailers who began to liquidate speculative stocks hoarded in 1955 in mistaken anticipation of higher prices. Manufacturers' inventories were increased. The Hadera paper mills were working at virtually their full capacity, which was 15,000 tons of paper per annum. Their production supplied almost the entire local demand for the heavier kinds of paper. Paper imports during 1956 were confined to thin paper, heavy cardboard, and paper for the printing of books for export.

All raw materials for the paper industry were imported. The price of pulp rose by some 3 per cent in 1956.

The five cardboard factories produced between them 2,850 tons of cardboard in 1956, as compared with 3,210 tons in 1955. This 12 per cent decline was due chiefly to the increasing competition of packing materials made from plastics and other substances. The capacity of the cardboard factories was about 4,500 tons per annum.

The production of corrugated cartons increased by 114 per cent, from 2,300 tons in 1955 to 4,900 tons in 1956. Exports were stepped up from \$594,000 in 1955 to \$1,541,000 in 1956.

The two plants manufacturing cement bags supplied the entire requirements of the cement factories. Most of the bags were made from locally-produced paper.