

CHAPTER III

THE BALANCE OF PAYMENTS AND FOREIGN TRADE

1. THE BALANCE OF PAYMENTS

THE IMPORT SURPLUS increased in 1961, continuing a trend that resumed in the previous year; it reached \$ 402 million, which was \$ 69 million more than in 1960. Though exports continued to expand, the increase in imports was larger, both relatively and absolutely.

Despite the considerable growth of the import surplus, foreign currency reserves continued to climb, since unrequited transfers reached the record level of \$ 350 million. Foreign liabilities also increased, and consequently foreign currency balances accumulated at a slower rate than in 1960.

The gap between imports and exports widened despite the improvement in Israel's terms of trade. In 1958 and 1959, commodity prices declined, as regards both imports and exports, but the decline in export prices was larger. In

TABLE III-1

The Balance of Payments, by Main Categories, 1960-61
(*\$ million*)

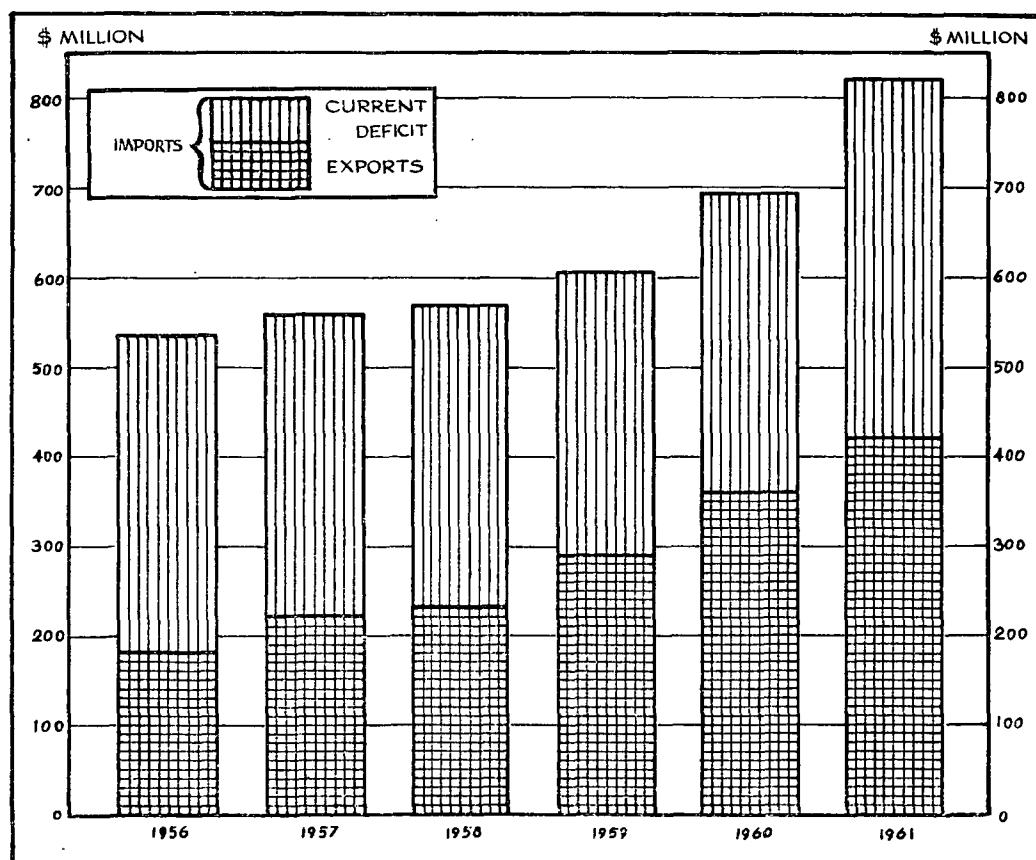
	1960			1961		
	Credit	Debit	Net credit or debit (-)	Credit	Debit	Net credit or debit (-)
(1) Commodities	210.3	490.8	-280.5	237.8	569.9	-332.1
(2) Services	146.6	199.9	-53.3	178.6	248.9	-70.3
(3) Unrequited transfers	311.1	—	+311.1	349.1	—	+349.1
(4) Total—(1) to (3)	668.0	690.7	-22.7	765.5	818.8	-53.3
(5) Long-term capital movements	102.0	—	+102.0	140.1	—	+140.1
(6) Short-term capital movements (including foreign currency balances)	—	60.1	-60.1	—	61.4	-61.4
(7) Net errors and omissions	—	19.2	-19.2	—	25.4	-25.4

1960 import prices rose, while export prices continued to drop. In 1961, on the other hand, there was a slight fall in import prices, while export prices rose somewhat. However, since the volume of commodity imports is much bigger than the volume of commodity exports, import prices exert considerably more influence on the balance of payments. The year 1961 was the first since 1956 in which Israel's terms of trade improved. The index of the terms of trade worsened from 100 in 1956 to 99 in 1957, 95 in 1958, and 93 in 1959. It improved to 95 in 1960, and rose to 103 in 1961. The profit accruing to the Israel economy from the fluctuations in the international price level during 1961 totalled \$ 10 million.

The slower pace of export expansion was chiefly due to the smaller citrus harvest, which greatly reduced the volume of citrus exports. There was likewise a certain slowing down in the expansion of some industrial exports, which had

DIAGRAM III-1

Imports, Exports, and the Current Deficit, 1956-61



been rising very fast in previous years. The increase in the export of services, particularly income from tourism, was also smaller than in 1960.

At current prices, the increase in imports was much the same in 1961 as in 1960, but at constant prices it was appreciably larger. The main increase was in the import of investment goods. This applies particularly to ships and aircraft, but imports of other equipment were also especially large, since the volume of imports financed from West German Reparations was increased. There was also a very big increase in capital servicing costs, both as regards interest payments, which expanded by \$ 10 million, and as regards payments to foreign investors on account of their profits. Some of the latter payments were re-invested, and this is reflected in the figures for foreign investment.

TABLE III-2
Sources of Capital Imports, 1959-61
(\$ million)

	1959	1960	1961
World Jewry	139	152	163
U.S. Government	49	54	51
West German Government	137	174	199
Investments by foreign residents (net)	13	44	46
Other long-term capital imports	15	9	44
<i>Total</i>	353	433	503
<i>Less: Short-term capital exports (net)</i>	37	99	101
Import surplus	316	334	402

After the big increase in unrequited transfers during 1960, there was a further increase in 1961, deriving mainly from transfers on account of personal restitution payments from West Germany and transfers on account of the Reparations Agreement (see Table III-2).

During each of the last three years there was also an increase in Israel's foreign currency reserves. Short-term foreign liabilities and deposits of foreign residents with Israel banks likewise expanded somewhat. By the end of 1961, the foreign currency reserves reached \$ 365 million, but net reserves after deduction of short-term foreign liabilities totalled only \$ 249 million.

In recent years the proportion of transfers to the private sector has been increasing, whereas that of transfers to the public sector has been declining. This development has had an effect on the economy, owing to the differences between the economic behavior of the Government and of private persons or bodies. The share of capital transfers accruing to the public sector declined from 65

TABLE III-3
The Balance of Payments, 1960-61
 (\$ million)

	1960			1961		
	Credit	Debit	Net credit or debit (-)	Credit	Debit	Net credit or debit (-)
A. Commodities and services						
(1) Commodities	210.3	490.8	-280.5	237.8	569.9	-332.1
(2) Tourism and foreign travel	26.9	11.4	+15.5	30.1	16.4	+13.7
(3) Transport	68.5	43.6	+24.9	84.5	52.9	+31.6
(4) Insurance	22.0	22.4	-0.4	25.3	25.7	-0.4
(5) Capital servicing	7.7	51.2	-43.5	13.1	69.0	-55.9
(6) Government, n.e.s. ^a	6.4	53.0	-46.6	7.5	60.5	-53.0
(7) Miscellaneous	15.1	18.3	-3.2	18.1	24.4	-6.3
<i>Total (1) to (7)</i>	356.9	690.7	-333.8	416.4	818.8	-402.4
B. Unrequited transfers						
<i>Private transfers</i>						
(8) Gifts and transfers by residents and immigrants						
(8.1) in cash	29.1	0.8	+28.3	35.6	1.2	+34.4
(8.2) in kind	8.7	0.2	+8.5	8.5	0.1	+8.4
(9) Personal restitution from West Germany	100.6	2.8	+97.8	111.5	1.0	+110.5
<i>Transfers by the Government and by public institutions</i>						
(10) German Reparations	78.8	3.1	+75.7	90.9	2.6	+88.3
(11) U.S. Government aid	13.9	—	+13.9	19.7	—	+19.7
(12) U.N. Technical Assistance	0.3	0.1	+0.2	0.4	0.2	+0.2
(13) Transfers by the Jewish Agency and other institutions						
(13.1) in cash	81.3	—	+81.3	82.0	—	+82.0
(13.2) in kind	5.4	—	+5.4	5.6	—	+5.6
<i>Total (8) to (13)</i>	318.1	7.0	+311.1	354.2	5.1	+349.1
<i>Total A + B</i>	675.0	697.7	-22.7	770.6	823.9	-53.3

^a Not elsewhere specified.

TABLE III-3

The Balance of Payments, 1960-61 (continued)
(\$ million)

	1960			1961		
	Credit	Debit	Net credit or debit (-)	Credit	Debit	Net credit or debit (-)
C. Net capital movements						
(14) Long- and medium-term loans						
(14.1) Independence and Development Loans	58.7	30.4	+28.3	63.3	31.2	+32.1
(14.2) U.S. Govt. loans within framework of Grant-in-Aid	29.0	0.5	+28.5	29.2	2.5	+26.7
(14.3) Other long- and medium-term loans	71.8	70.1	+1.7	100.1	64.3	+35.8
(14.4) Foreign investments	53.4	9.9	+43.5	54.0	8.5	+45.5
<i>Total (14)</i>	212.9	110.9	+102.0	246.6	106.5	+140.1
(15) Short-term capital movements						
(15.1) Short-term loans	—	4.9	-4.9	8.0	—	+8.0
(15.2) Drawing on I.M.F. and I.B.R.D.	—	—	—	—	—	—
(15.3) Clearing accounts	—	2.9	-2.9	—	0.4	-0.4
(15.4) Foreign deposits in local banks	35.8	—	+35.8	18.5	—	+18.5
(15.5) U.S. Government deposits	19.0	—	+19.0	12.3	—	+12.3
(15.6) Other short-term capital	—	5.3	-5.3	—	4.9	-4.9
(15.7) Foreign currency reserves	—	103.3	-103.3	—	85.0	-85.0
(15.8) Monetary gold	1.5	—	+1.5	—	9.9	-9.9
<i>Total (15)</i>	56.3	116.4	-60.1	38.8	100.2	-61.4
<i>Total (14) + (15)</i>	269.2	227.3	+41.9	285.4	206.7	+78.7
<i>Total A to C</i>	944.2	925.0	+19.2	1,056.0	1,030.6	+25.4
Net errors and omissions	—	19.2	-19.2	—	25.4	-25.4

per cent in 1958 to 62 per cent in 1959 and to 59 per cent in 1960 and 1961. This was chiefly due to the big increases in transfers on account of personal restitution payments from West Germany.

After a large expansion in 1960, the volume of foreign investment in Israel remained constant in 1961, gross investments reaching approximately \$ 57 million.

2. EXPORTS

(a) *Commodity exports*

The volume of commodity exports continued to grow in 1961, but the rate of expansion was appreciably slower. While the value of exports at current prices rose by 26 per cent in 1959 and by 19 per cent in 1960, the increase in 1961 totalled only 13 per cent, despite the slight rise in export prices and the fact that they had declined in both 1959 and 1960. At constant prices, commodity exports expanded by 12 per cent in 1961, as compared with 23 per cent in 1960 and nearly 40 per cent in 1959.

The structure of exports reflected trends already apparent in previous years. The increase was confined to industrial exports and diamonds, while agricultural exports did not expand at all, and at constant prices even declined by 11 per cent. The weight of agricultural exports within total exports has been decreasing ever since 1958. Agricultural produce represented 40 per cent of total exports in 1958, but only 26 per cent in 1961. On the other hand, the weight of industrial exports went up from 34 per cent to 44 per cent over the same period, and there was also a slight rise in the proportion of diamond exports. The "miscellaneous exports" item was relatively big in 1961, since it included sales of old ships. The weight of agricultural exports within the added value of exports is greater than its weight within total exports; nevertheless, it declined from 43 per cent in 1960 to 38 per cent in 1961.

TABLE III-4
Commodity Exports, by Main Categories, 1960-61
(\$ million)

Category	Price index in 1961 (1960=100)	1960	1961		Increase or decrease (-)	
			1960 prices	Current prices	1960 prices	Current prices
Agricultural products	110	63.2	57.3	63.0	-5.9	-0.2
Industrial goods	97	89.0	106.6	103.4	17.4	14.4
Diamonds	98	56.4	66.2	64.9	9.8	8.5
Miscellaneous	100	1.7	6.5	6.5	4.8	4.8
<i>Total</i>	101	210.3	236.6	237.8	26.1	27.5

Exports of citrus fruit contracted sharply in 1961. The quantity exported decreased from 9.9 million cases in 1960 to 6.7 million in 1961, owing to smaller yields per dunam of orchard (caused mainly by the aging of the groves). However, income declined by only 13 per cent despite the 30 per cent drop in the quantity of citrus sent abroad, since citrus prices—after falling for two years—rose by some 15 per cent. In the past, citrus constituted the mainstay of Israel's agricultural exports, but in recent years its share has declined—from 80 per cent in 1959 to 74 per cent in 1960 and 64 per cent in 1961. Exports of eggs continued to expand, totalling 450 million units which fetched some \$ 12 million. There were also increases in the export of certain other agricultural products, such as groundnuts, bananas, durum wheat, and cotton fibers. Exports of agricultural items other than those listed above amounted to only some \$ 3 million—or 5 per cent of total agricultural exports.

Industrial exports increased by \$ 14 million, or 16 per cent, which was a slower rate of expansion than in either of the two preceding years. At constant prices, however, the increase totalled 20 per cent. As in 1959 and 1960, the expansion affected most industrial exports. However, the main increase occurred in textiles and clothing, which accounted for almost half the total increment, and in exports of metal goods, which provided 23 per cent of it. These two branches alone supplied \$ 10 million of the additional \$ 14 million worth of industrial goods exported in 1961. Numerous investments were made in the textile branch in recent years, but as it encountered difficulties in penetrating new markets, it was given considerable governmental assistance in developing exports. In the metal branch there was an increase in exports of both metal products and electrical appliances. Overseas sales of minerals also expanded appreciably, while those of citrus products and other processed food-stuffs remained at their previous level. Exports of automobiles and cement declined.

TABLE III-5
Exports, by Main Categories, 1958-61
(in percentages)

	1958	1959	1960	1961
Agricultural products	40	32	30	26
Industrial products	34	40	43	44
Diamonds	25	27	26	27
Miscellaneous	1	1	1	3
<i>Total</i>	100	100	100	100

Exports of diamonds increased by \$ 9 million; this followed increases of \$ 11 million in 1960 and \$ 12 million in 1959. The exports of this branch

TABLE III-6

Main Commodity Exports, 1960-61
($\$$ million)

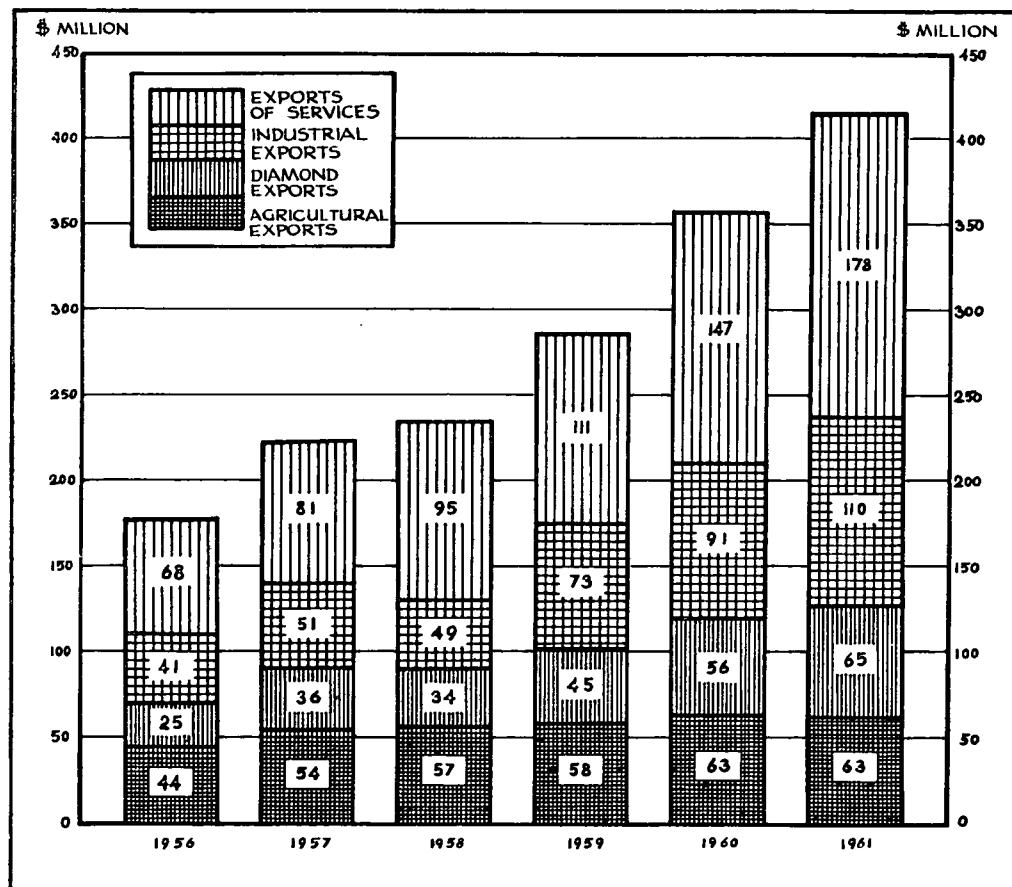
	1960	1961	<i>Increase of decrease (-) from 1960 to 1961</i>	
			$\$$ million	%
<i>Agricultural products</i>				
Citrus fruit	46.6	40.5	-6.1	-13.1
Eggs	10.7	12.2	1.5	14.0
Groundnuts	2.1	2.3	0.2	9.5
Other products	3.8	8.0	4.2	110.5
<i>Total</i>	63.2	63.0	-0.2	-0.3
<i>Industrial products</i>				
Citrus products	7.8	7.9	0.1	1.3
Edible oils	3.6	4.1	0.5	13.9
Other foodstuffs	3.6	3.8	0.2	8.3
Potash	3.7	4.3	0.6	16.2
Copper cement	3.4	4.1	0.7	20.6
Other minerals	3.4	5.0	1.6	47.1
Automobiles	2.7	1.4	-1.3	-48.2
Tires	8.2	8.7	0.5	6.1
Machinery, metal goods, and electrical appliances	11.6	14.7	3.1	26.7
Cement	2.5	2.0	-0.5	-20.0
Plywood	4.2	4.4	0.2	4.8
Chemicals and pharmaceuticals	4.1	4.8	0.7	17.1
Textiles:				
Yarns	5.4	7.4	2.0	34.8
Materials	3.0	3.6	0.6	20.6
Clothing	9.4	13.4	4.0	42.6
Other products	12.4	13.8	1.4	11.3
<i>Total</i>	89.0	103.4	14.4	16.2
Diamonds	56.4	64.9	8.5	15.1
Miscellaneous	1.7	6.5	4.8	—
<i>Grand total</i>	210.3	237.8	27.5	13.1

have been expanding steadily from year to year as a result of the growing production capacity of Israel's diamond plants, the assurance of steady supplies of raw diamonds, and the increasing demand abroad. Here, too, the expansion was greater if calculated at constant prices.

The Government's activities in the sphere of export encouragement did not change during the year under review. They mainly took the form of premiums paid on the added value of exports, but also included market research, participation in international fairs, customs exemptions for certain raw material imports, financing provided through the Bank of Israel, etc. The normal premium of 85 agorot per dollar of added value was extended to citrus exports, and in fact became applicable to the large majority of Israel exports. A few items benefited from higher premiums. The average premium paid on exports

DIAGRAM III-2

Exports, by Main Categories, 1956-60



rose from 97 agorot per dollar of added value in 1960 to 104 agorot in 1961. The average effective exchange rate for commodity exports rose from IL. 2.20 per dollar in 1960 to IL. 2.30 in 1961. Not all the subsidies were reflected by the exchange rate, since in a number of branches there exists a central fund to encourage export, which in effect represents a tax on locally marketed goods for the benefit of export by the branch concerned.

The larger proportion of industrial and diamond exports and the relative decline of agricultural exports decreased the average percentage of added value. The added value of agricultural exports likewise diminished, owing to the smaller weight of citrus exports in this category. The added value of citrus exports is high, whereas the added value of egg exports (which increased considerably) is low. There was no change in the percentage of added value as regards industrial and diamond exports. The total increase in the added value of Israel's exports was only \$ 6 million, or about 6 per cent. This brought the total added value to about \$ 105 million.

TABLE III-7

*Total Value and Added Value of Commodity Exports,
by Main Categories, 1960-61*

(\$ million)

	1960			1961		
	Total value	Added value	Percentage of added value	Total value	Added value	Percentage of added value
Agricultural products	63.2	43.0	68	63.0	40.3	64
Industrial products	89.0	43.6	49	103.4	50.6	49
Diamonds	56.4	12.4	22	64.9	14.3	22
<i>Total</i>	208.6	99.0	47	231.3	105.2	45

The United States, Great Britain, and West Germany continued to be the main markets for Israel's exports, and their share of the total rose from 40 to 44 per cent—chiefly because sales to the United States were expanded.

A marked decline took place in the share of the countries linked to Israel by payments agreements. Until 1958, such countries purchased some 30 per cent of total exports, and most of the increase was channelled to them. But side by side with the general world trend towards freer trade, there has been a gradual decline in the number of countries with which Israel has payments agreements, and exports to them are not increasing.

The payments agreements with Argentina, Iceland, Norway, and Finland

were not renewed in 1961,¹ and by the end of the year agreements were in force with only 11 countries, of which four belonged to the Eastern Bloc—Bulgaria, Hungary, Rumania, and Poland; two were South American—Uruguay and Brazil; and the remaining five were Ghana, Turkey, Yugoslavia, Greece, and Portugal. These countries took 11 per cent of Israel's total exports in 1961, as against 14 per cent in 1960.

TABLE III-8

Exports, by Main Markets of Destination, 1960-61
(\$ million)

	1960	1961	Increase or decrease (-) from 1960 to 1961	
			\$ million	%
European Common Market	64.6	68.4	3.8	5.9
Great Britain	36.1	35.7	-0.4	-1.1
Eastern Europe	4.0	6.4	2.4	60.0
Other European countries	45.0	47.5	2.5	5.5
United States	29.4	39.0	9.6	32.7
Africa	10.5	13.0	2.5	23.8
Other countries and unclassified exports	20.7	27.8	7.1	34.3
<i>Total</i>	210.3	237.8	27.5	13.1

The countries of the European Common Market remained the largest market for Israel goods in 1961, taking some 28 per cent of total exports. However, their relative share was smaller than in 1960. The share of other Western European states likewise declined. These decreases were due to the smaller export of citrus, for which Europe constitutes virtually the only market. Industrial exports to Western Europe were expanded.

(b) *Exports of services*

Exports of services continued to increase in 1961, totalling \$ 179 million as against \$ 147 million in 1960. There was some expansion in every category, but the outstanding increase occurred in the transportation services, which once again accounted for nearly half the total.

Income from maritime transport rose by \$ 7.1 million, reaching \$ 55.4 million in 1961, as compared with \$ 48.3 million in 1960. The increase in income from civil aviation totalled \$ 8.9 million, the total amount from this source reaching

¹ The payments agreement with Uruguay terminated at the beginning of 1962.

\$ 29.1 million. The biggest increase was in income from freights, which totalled \$ 42.7 million, or \$ 7 million more than in 1960. Income from passenger transportation rose by \$ 5.7 million, reaching \$ 27.6 million, while other income from transportation rose by \$ 3.3 million, to \$ 14.2 million.

TABLE III-9
Exports of Services, 1960-61
(*\$ million*)

	1960	1961	Increase or decrease (-)	
			\$ million	%
Tourism	26.9	30.1	3.2	11.9
Transportation	68.5	84.5	16.0	23.4
Insurance	22.0	25.3	3.3	15.0
Capital servicing	7.7	13.1	5.4	70.1
Government, n.e.s. ^a	6.4	7.5	1.1	17.2
Miscellaneous	15.1	18.1	3.0	19.9
<i>Total</i>	146.6	178.6	32.0	21.8

^a Not elsewhere specified.

Income from tourism continued to rise in 1961, but at a slower pace than during the two preceding years. The increase in income totalled 10 per cent, while the number of tourists increased by 35 per cent—from 118,000 in 1960 to 160,000 in 1961. Income per tourist, which had increased from \$ 176 in 1959 to \$ 230 in 1960, declined to \$ 190 in 1961. This was due to two reasons: In the first place, there was a considerable expansion of popular tourism, and secondly, it must be surmised that the large gap between the official exchange rate (plus a 20 per cent premium) and the black market rate encouraged currency conversion on the black market. The average length of stay in the country remained unchanged—11 to 12 days per tourist.

3. IMPORTS¹

Imports of goods and services expanded by \$ 128 million, or 18.5 per cent, in 1961. Since import prices declined somewhat, the increase at constant prices was still larger, reaching 20.4 per cent. The biggest increase occurred in the import of investment goods, but there was also a considerable expansion of imports for consumption and exports.

¹ Changes in the import components of various economic uses are analyzed in Chapter II—"Resources, Uses, and Incomes."

(a) *Commodity imports*

The increase in commodity imports totalled \$ 79 million, or 16 per cent. This followed a growth of nearly \$ 70 million in 1960. Since import prices declined somewhat, the increase at constant prices was larger, reaching 17.7 per cent.

The biggest expansion, both relatively and absolutely, took place in the import of investment goods, encompassing all categories of equipment. Especially noteworthy was the increase in imports of ships and aircraft from \$ 36 million in 1960 to \$ 62 million in 1961. It should be stressed that the 1960 figure also reflected an expansion as against the preceding year. Imports of ships within the framework of German Reparations came to only \$ 27 million in 1961.

There was no significant change in the composition of Israel's main suppliers: the United States, West Germany, and Great Britain supplied 57 per cent of total imports, as compared with 55 per cent in 1960. Purchases from the Common Market countries reached 30 per cent of the total, another 30 per cent were from the United States, approximately 25 per cent from other European countries, and only 6 per cent from Afro-Asian states. The weight of imports within the framework of payments agreements was not large even during the years when exports to the countries concerned were of major significance. In recent years, it has been declining further and totalled only 7 per cent of total imports in 1960 and 5 per cent in 1961.

TABLE III-10

Imports, by Economic Destination, 1960-61

(\$ million—at 1958 prices)

	1960	1961	Increase from 1960 to 1961	
			\$ million	%
Private consumption	282	326	44	15.6
Public consumption	99	119	20	20.2
Gross investment	175	228	53	30.3
Exports	156	184	28	18.0
<i>Total</i>	712	857	145	20.4

(b) *Imports of services*

Imports of services rose by approximately \$ 50 million in 1961, reaching some \$ 250 million. This constituted a larger increase than in previous years and exceeded the growth in exports of services.

The item showing the biggest increase was capital servicing. This was also the largest single item, totalling \$ 69 million. Of this amount, about \$ 17 million represented payments of profits and dividends to foreign investors (as compared with only \$ 10 million in 1960). Interest payments reached \$ 52 million, as against \$ 42 million in 1960. Of the former figure, \$ 36 million represented interest on Government loans (including accrued interest on savings bonds), and \$ 16 million—interest payments by institutions other than the Government and by the private sector. In 1960 payments of interest on Government loans totalled \$ 29 million, and interest payments by other institutions and the private sector—\$ 13 million.

TABLE III-11
Commodity Imports, by Economic Destination, 1960-61*
(\$ million—at current prices)

	1960	1961	Increase or decrease (—) from 1960 to 1961	
			\$ million	%
<i>Commodities for direct consumption</i>				
Food	18.6	17.0	-1.6	-8.6
Current consumption	15.4	18.2	2.8	18.2
Durable goods	14.4	14.9	0.5	3.5
<i>Total</i>	48.4	50.1	1.7	3.5
<i>Raw materials</i>				
For food industry	50.2	57.8	7.6	15.1
For other industries	189.3	206.6	17.3	9.1
For agriculture	28.8	26.7	-2.1	-7.3
Building materials	15.7	15.0	-0.7	-3.2
<i>Total</i>	284.0	306.1	22.1	7.8
<i>Investment goods</i>				
For industry and construction	52.7	66.7	14.0	26.6
For agriculture	8.4	11.5	3.1	13.7
For transportation	18.3	24.2	5.9	32.2
Ships and aircraft	36.5	62.2	25.7	69.6
Other equipment	7.3	14.6	7.3	100.0
<i>Total</i>	123.2	179.2	45.9	45.4
<i>Fuel</i>	34.9	34.2	-0.7	-2.0
<i>Miscellaneous</i>	0.3	0.3	—	—
<i>Grand total</i>	490.8	569.9	79.1	16.1

* The division into categories in this table differs from that in Table III-10.

The total expenditure on transportation services reached \$ 53 million, of which passenger payments totalled \$ 7 million, and the cost of chartering ships \$ 10 million. The remaining \$ 36 million represented expenditure on freight traffic and harbor services. The amount spent on maritime transport rose from \$ 26 million in 1960 to \$ 30 million in 1961, while that on air transportation went up from \$ 18 million to \$ 23 million.

Expenditure on foreign travel continued to expand rapidly, having already increased appreciably in 1959 and 1960. This was due to the comparative liberalization in the sale of foreign currency for travel abroad.

TABLE III-12

Imports, by Main Supply Centers, 1960-61
(\$ million)

	1960		1961	
	\$ million	%	\$ million	%
European Common Market	146.0	29.8	173.7	30.5
Great Britain	59.3	12.1	76.6	13.5
Eastern Europe	4.0	0.9	6.2	1.0
Other European countries	58.6	11.9	61.4	10.8
United States	146.4	29.8	167.9	29.6
Africa	17.8	3.6	20.8	3.6
Other countries	58.7	11.9	63.3	11.0
<i>Total</i>	490.8	100.0	569.9	100.0

TABLE III-13

Imports of Services, 1960-61
(\$ million)

	1960	1961	Increase from 1960 to 1961	
			\$ million	%
Foreign travel	11.4	16.4	5.0	43.9
Transportation	43.6	52.9	9.3	21.3
Insurance	22.4	25.7	3.3	14.7
Capital servicing	51.2	69.0	17.8	34.8
Government, n.e.s.*	53.0	60.5	7.5	14.1
Miscellaneous	18.3	24.4	6.1	33.3
<i>Total</i>	199.9	248.9	49.0	24.5

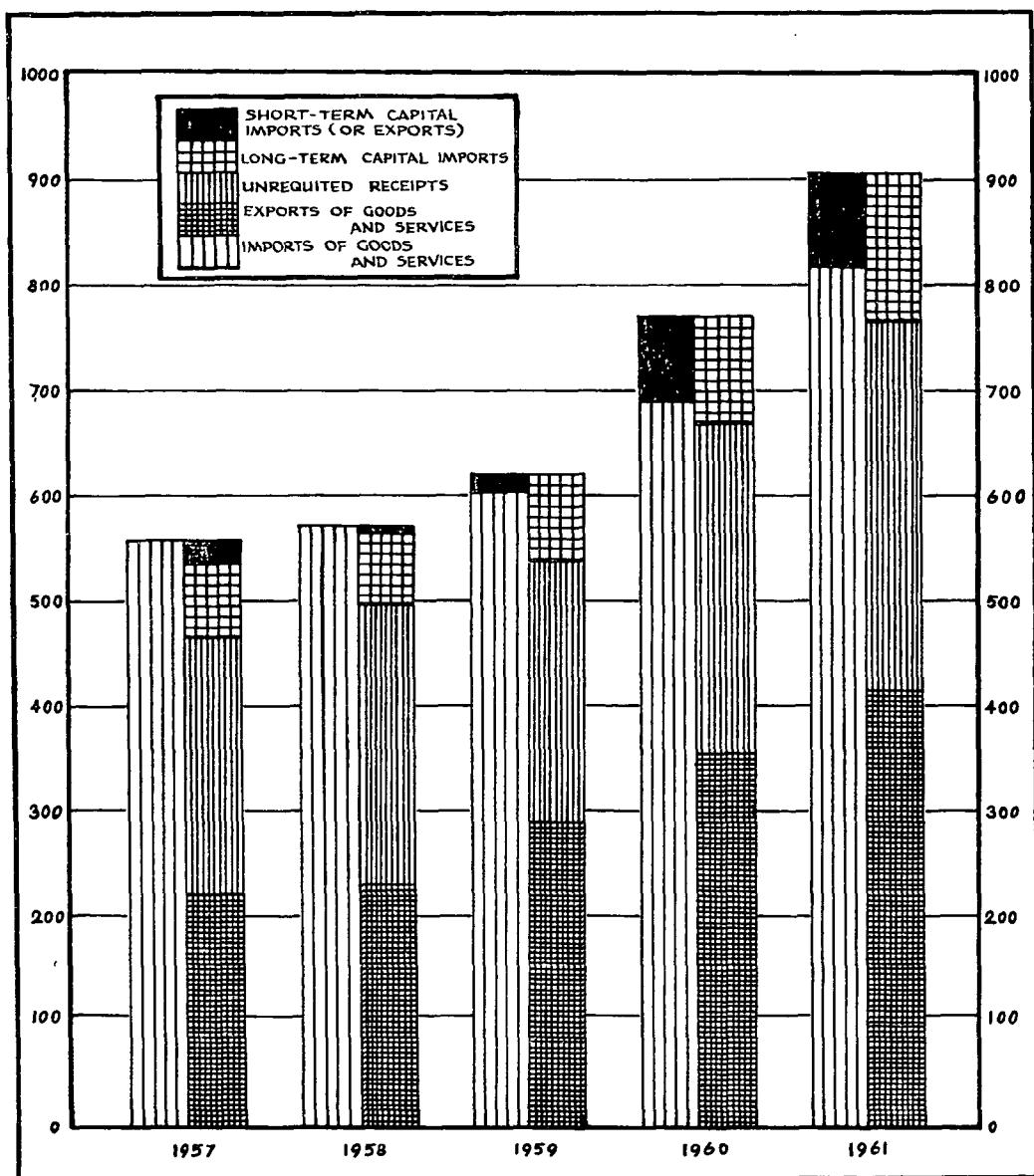
* Not elsewhere specified.

4. UNREQUITED RECEIPTS

All items of unrequited receipts showed an increase in 1961, and the total reached a record \$ 350 million. Most of the growth occurred in German Re-

DIAGRAM III-3

The Balance of Payments, 1955-61



parations and personal restitution payments. The Reparations Agreement is approaching its end: Up to the end of 1961 the value of goods and services which reached Israel within its framework came to some \$ 650 million, representing 80 per cent of the total amount due. In fact, most of the orders covering the balance of the agreement have already been placed, and over the period 1962–65 the flow of goods and services from this source will be smaller. As in 1960, such imports were especially large during the year reviewed, since Israel received German-built ships to the value of \$ 27 million (ordered in previous years).

A further increase was registered in personal restitution payments from West Germany. These transfers have been expanding from year to year, with the processing of the claims on file and the inclusion of new categories among those entitled to restitution.

Economic aid from the United States, in the form of an outright grant, loans from the counterpart funds of U.S. agricultural surpluses, and moneys not yet utilized which are kept as deposits of the U.S. Government with Israel banks, totalled \$ 58.5 million in 1961, as compared with \$ 51.4 million in 1960. The direct grant was larger in the year under review, totalling approximately \$ 20 million, while loans from the Development Loan Fund totalled \$ 14 million. The remainder consisted of loans and deposits from the counterpart funds of U.S. agricultural surpluses.

Transfers by Jewish institutions abroad, which were particularly large in 1960, remained on the same high level in 1961. However, whereas in 1960 there was a decrease of \$ 2 million in the Jewish Agency's foreign liabilities, they grew by \$ 9 million in 1961.

TABLE III-14
Unrequited Receipts, 1958–61
(\$ million)

	1958	1959	1960	1961
Private transfers				
In cash	28.5	21.8	28.3	34.4
In kind	8.0	8.7	8.5	8.4
Personal restitution from				
West Germany	65.4	70.7	97.8	110.5
German Reparations	69.7	66.4	75.7	88.3
U.S. Government Grant-in-Aid	16.4	9.5	13.9	19.7
U.N. Technical Assistance	0.3	0.2	0.2	0.2
Transfers by the Jewish Agency and other institutions				
In cash	65.9	65.5	81.3	82.0
In kind	9.4	8.1	5.4	5.6
<i>Total</i>	263.6	251.0	311.1	349.1

5. CAPITAL MOVEMENTS AND FOREIGN LIABILITIES

The marked trend of recent years towards increases in Israel's foreign currency and gold reserves continued in 1961. The reserves increased by \$ 95 million, reaching \$ 365 million at the end of the year.

TABLE III-15

Israel's Foreign Liabilities, 1960-61

(*\$ million*)

(*End of period*)

	1960	1961	Increase or decrease (-) from 1960 to 1961
A. Foreign currency liabilities			
(1) Long- and medium-term liabilities			
Independence and Development			
Loans	387.8	419.9	32.1
Export-Import Bank Loan	94.8	86.6	-8.2
Other long- and medium-term loans	114.6	158.6	44.0
Total	597.2	665.1	67.9
(2) Short-term liabilities			
Short-term loans	33.4	36.5	3.1
Foreign deposits with Israel banks	62.0	80.5	18.5
Total	95.4	117.0	21.6
(3) Foreign currency liabilities			
Net balances on account of payments agreements	0.3	0.7	0.4
Deposits abroad	263.8	348.8	85.0
Monetary gold	6.3	16.2	9.9
Total	270.4	365.7	95.3
<i>Net foreign currency reserves</i>			
(3) - (2)	175.0	248.7	73.7
<i>Net foreign currency liabilities</i>			
(1) + (2) - (3)	422.2	416.4	-5.8
B. Local currency liabilities	237.3	276.3	39.0
C. Net investments from abroad	"	"	45.5
<i>Grand total (net)</i>	"	"	78.7

* There are no data on the balance of foreign investments in Israel but only about additional investment in recent years. Thus the total amount of foreign liabilities is unknown.

Ever since 1958, foreign currency reserves have been steadily rising, and the rate of increase accelerated in 1960 and 1961. These reserves, which balanced only 15 per cent of total imports in 1955, were equal in value to 40 per cent of total imports in 1960 and 55 per cent in 1961. Net reserves, after deduction of short-term foreign liabilities, amounted to \$ 249 million in 1961—\$ 74 million more than 1960—and balanced 30 per cent of total imports.

In contrast to 1960, when no real increase took place in Israel's foreign currency liabilities other than the Independence and Development Loans, such liabilities grew by \$ 36 million in 1961, while those on account of the Independence and Development loans rose by a further \$ 32 million. Israel's total foreign currency debt reached \$ 702 million at the end of 1961.

The increase in liabilities on account of the Development Loan was \$ 63 million, of which \$ 56 million derived from the sale of bonds and \$ 7 million from accrued interest. On the other hand, bonds to the value of \$ 31 million were redeemed during the year under review—of these \$ 3.5 million worth in

TABLE III-16
Foreign Investment in Israel, by Type, 1960-61
(\$ million)

	1960	1961	Increase or decrease (-) from 1960 to 1961
Capital transfers in cash	32.1	36.2	4.1
Capital transfers in bonds (Independence and Development Loans)	12.7	13.5	0.8
Capital transfers in kind	8.8	3.7	-5.1
Investments in Israel currency from foreign deposits and re-investment of profits	1.3	3.2	1.9
<i>Total</i>	54.9	56.6	1.7
<i>Less:</i>			
Israel investments abroad and liquidation of foreign investments in Israel	0.9	4.2	3.3
Investments in foreign securities	10.5	6.9	-3.6
<i>Total</i>	11.4	11.1	-0.3
Net foreign investments in Israel	43.5	45.5	2.0

dollars and \$ 27.5 million worth in Israel currency. The bonds redeemed in Israel pounds belonged to investors (\$ 12.5 million), various institutions (\$ 8.8 million), and tourists, immigrants, and Israel residents (\$ 6.2 million).

In recent years there has been a marked increase in investments from abroad, due largely to the promotional efforts in this fields. As in 1960, the level of foreign investments in Israel remained high during the year reviewed, reaching \$ 57 million. Israel's investments abroad increased slightly, but the increase in investments in foreign securities was smaller than in 1960.