

CHAPTER III

THE BALANCE OF PAYMENTS AND FOREIGN TRADE

1. THE BALANCE OF PAYMENTS

THE IMPORT SURPLUS was lower in 1963 than in the preceding two years: it stood at \$ 407 million, which was \$ 48 million, or 11 per cent, less than in 1962, and \$ 25 million (6 per cent) less than in 1961. Exports rose during the year reviewed by \$ 101 million, or about 20 per cent, while imports went up by \$ 54 million, or about 6 per cent. In 1962 exports covered roughly 52 per cent of the value of imports, and in 1963 nearly 60 per cent. This improvement was partly the product of special circumstances, such as the steep rise in citrus exports, the accumulation of stocks imported in previous years, and the non-increase in Government imports.

In the first half of 1963 the import surplus was \$ 36 million (i.e. nearly 20 per cent) lower than in the corresponding period of 1962, but in the second half it was only \$ 12 million (about 5 per cent) lower.

Table III-1

THE BALANCE OF PAYMENTS, BY MAIN CATEGORY, 1958-63

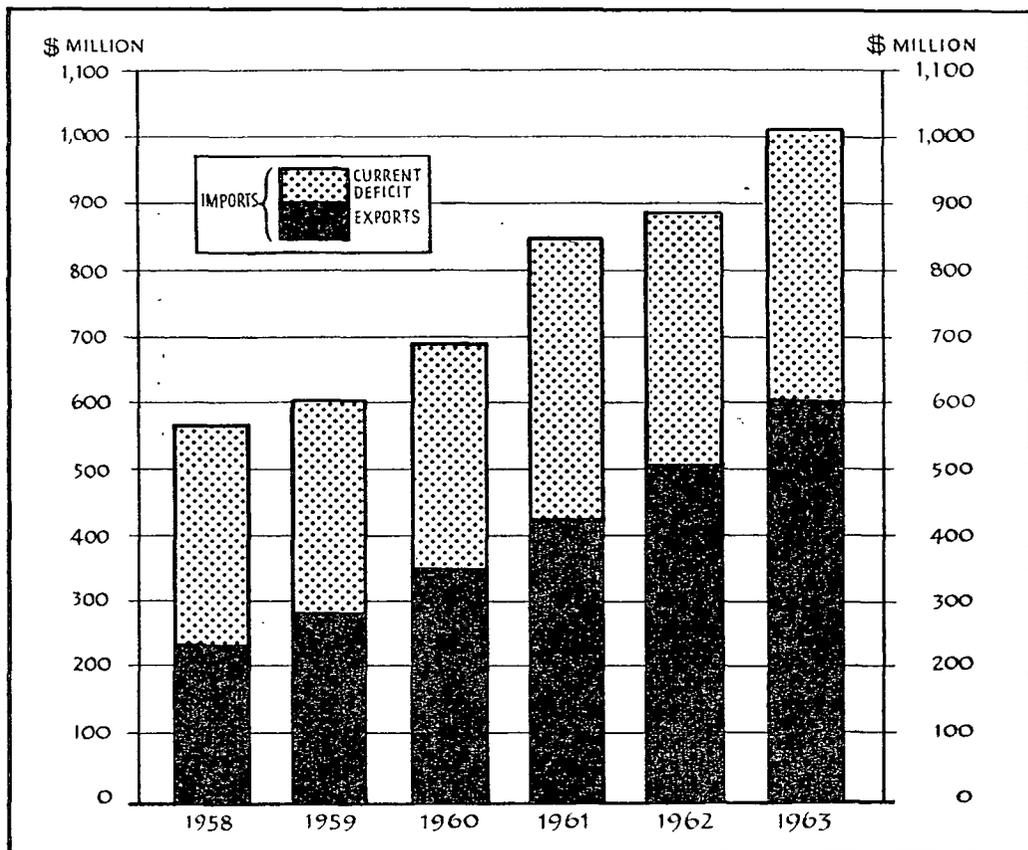
(\$ million)

	1958	1959	1960	1961	1962	1963
(1) Exports of goods and services	569.5	603.6	695.8	856.9	957.8	1,011.5
(2) Imports of goods and services	235.4	287.4	359.1	425.1	503.2	604.6
(3) Import surplus	334.1	316.2	336.7	431.8	454.6	406.9
(4) Unilateral transfers	263.6	251.0	311.1	346.5	330.7	350.5
(5) Total (3) + (4)	-70.5	-65.2	-25.6	-85.5	-123.9	-56.4
(6) Long-term capital movements	67.2	81.2	101.1	176.1	203.1	161.9
(7) Short-term capital movements (including foreign exchange reserves)	-1.5	-26.5	-60.1	-71.9	-104.7	-93.2
(8) Net errors and omissions	+4.8	+10.5	-15.4	-18.7	+25.5	-12.3

SOURCE: Central Bureau of Statistics.

Diagram III-1

IMPORTS, EXPORTS, AND THE CURRENT DEFICIT, 1958-63



The results of the devaluation of February 1962, which had substantially raised the rate of exchange, began to be felt in the final months of that year. Imports started falling in October. However, it should be noted that in 1961, the year before devaluation, there had been a marked increase in imports, which was no doubt connected with the expectations of devaluation. Imports continued relatively low in the first part of 1963, but in the latter part there was a perceptible rise, which gathered strength in the early months of 1964. The increased demand for imports was in all likelihood due to the greatly heightened economic activity of 1963, as well as the easing of import procedures and the inclusion of further products in the import liberalization program. There is a certain time lag before a growth in means of payment tells on demand, and this explains why imports did not rise substantially until the latter part of 1963. As regards commodity imports, if the figures are adjusted for seasonal variations, we find that the upward trend set in already in March

1963 and grew firmer as the year wore on. It was particularly evident with regard to products for direct consumption; there was also a marked increase in travel abroad. For the year as a whole, commodity imports rose at a rate only slightly lower than in the previous year—5.5 per cent as against 7 per cent—while service imports expanded more slowly than in 1962, owing *inter alia* to a slight drop in Government imports. If the latter item is disregarded, the rise in service imports was 11 per cent, as against 21 per cent in 1962.

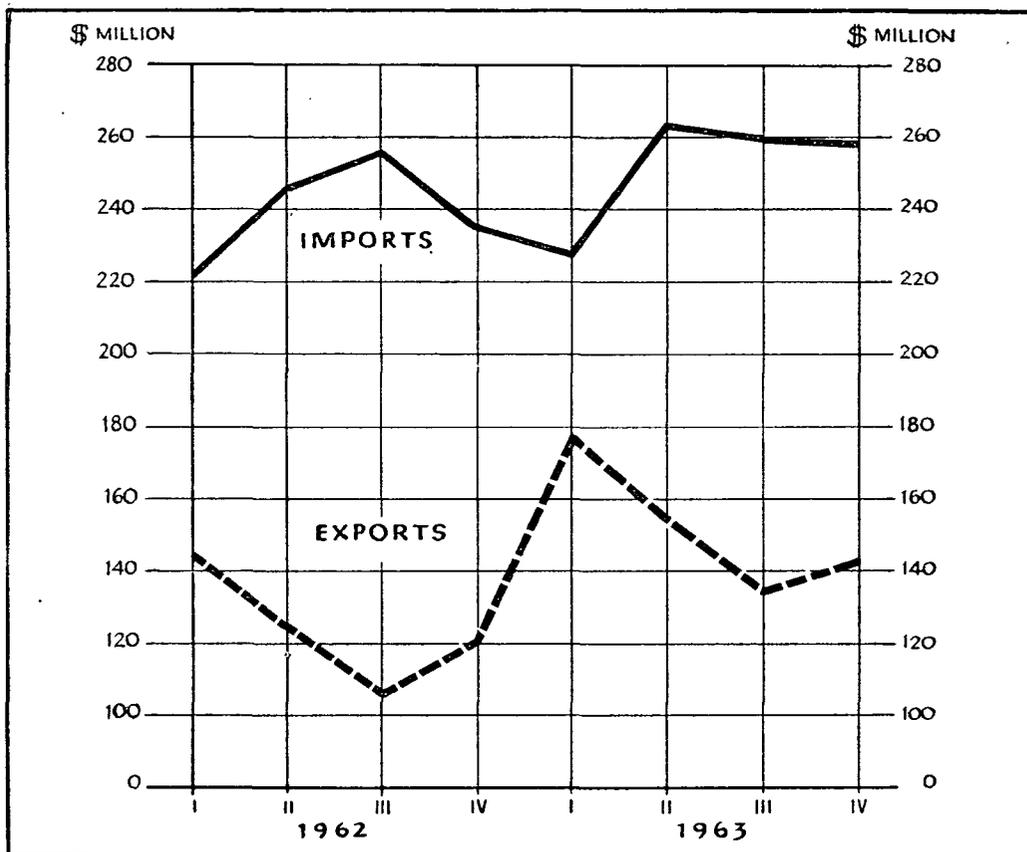
Table III-2
THE BALANCE OF PAYMENTS, QUARTERLY FIGURES, 1962-63
(\$ million)

	1962				1963			
	Jan.- March	Apr.- June	July- Sept.	Oct.- Dec.	Jan.- March	Apr.- June	July- Sept.	Oct.- Dec.
A. Current account								
(1) Exports								
Citrus	34.3	8.0	—	6.9	49.6	15.9	—	9.4
Other agricultural products	7.1	4.7	2.3	5.1	5.4	3.8	1.5	3.6
Industrial goods	29.2	29.9	21.2	38.8	37.6	37.1	24.3	44.0
Diamonds	19.2	17.9	30.6	16.2	25.2	24.9	34.2	19.7
Services	53.4	63.4	61.7	53.3	60.6	68.2	74.8	65.0
Total exports	143.2	123.9	115.8	120.3	178.2	149.9	134.8	141.7
(2) Imports								
Consumption goods	10.3	9.9	10.0	19.6	11.0	13.8	10.6	17.5
Raw materials	88.6	107.1	96.0	102.0	84.0	109.1	104.8	113.6
Fuel	7.1	10.3	12.5	10.1	10.5	12.2	12.7	12.3
Investment goods	30.6	27.3	31.3	29.4	35.9	25.1	32.1	27.7
Ships and aircraft	11.6	5.7	1.2	3.2	4.2	7.0	0.1	5.1
Government services	19.5	27.1	42.0	25.2	25.4	32.8	21.1	26.5
Other services	53.3	59.0	62.3	55.6	57.5	63.8	79.1	56.0
Total imports	221.0	246.4	255.3	235.1	228.5	263.8	260.5	258.7
(3) Trade deficit	58.4	99.8	96.9	87.3	28.0	85.5	100.3	99.5
(4) Current deficit	77.8	122.5	139.5	114.8	50.3	113.9	125.7	117.0
B. Unilateral transfers	79.3	102.6	73.1	75.7	75.6	97.3	83.1	94.5
Total A+B	1.5	-19.9	-66.4	-39.1	25.3	-16.6	-42.6	-22.5
C. Net long-term capital movements	53.2	31.2	64.7	54.0	75.1	29.4	24.6	32.8
D. Net short-term capital movements	-57.0	-32.5	-9.1	-6.1	-92.6	-17.6	43.4	-26.4
E. Net errors and omissions	2.3	21.2	10.8	-8.8	-7.8	4.8	-25.4	16.1

SOURCE: Central Bureau of Statistics.

Diagram III-2

IMPORTS, EXPORTS, AND THE CURRENT DEFICIT, QUARTERLY,
1962-63



A converse development took place with regard to exports, which stood on a very high level in the first months of 1963 but were only a little above the previous year's level in the final months. Whereas in the first half of the year exports were 27 per cent higher than in the corresponding period of 1962, in the second half they advanced by only 17 per cent. This development was more pronounced in exports of commodities than of services, and it encompassed not only citrus, overseas sales of which were particularly high in 1963, but also industrial products (excluding diamonds), which in the first half of the year were 28 per cent above the figure for the corresponding period of 1962, but only 12 per cent higher in the second half. Diamond exports also expanded more rapidly in the first half of the year than in the second half—30 per cent as against 17 per cent. If seasonal influences are eliminated, the downtrend began in May 1963. The improvement in the balance of payments, which was

felt in the latter part of 1962 and the beginning of 1963, thus came to an end in the second half of 1963.

No export premiums were paid in 1963, but the policy was continued of granting various incentives to exporters, such as the reimbursement of customs duties and wharfage fees, participation in marketing costs and costs con-

Table III-3

COMMODITY IMPORTS AND EXPORTS, BY ORIGIN AND DESTINATION, 1959-63

(\$ million)

	Common Market	U.K.	European Other countries	Eastern Europe	U.S.	Africa	Other countries	Total
1959								
Import	112.9	49.0	49.9	6.2	124.6	14.0	69.8	426.4
Export	42.5	32.8	28.9	5.2	27.0	5.5	34.6	176.5
Trade balance	-70.4	-16.2	-21.0	-1.0	-97.6	-8.5	-35.2	-249.9
1960								
Import	146.0	59.3	58.6	4.0	146.4	17.8	58.7	490.8
Export	62.3	35.4	31.7	3.7	28.5	10.6	38.1	210.3
Trade balance	-83.7	-23.9	-26.9	-0.3	-117.9	-7.2	-20.6	-280.5
1961								
Import	177.4	78.5	61.9	6.2	169.5	18.9	61.8	574.2
Export	67.7	35.0	34.7	6.6	33.8	13.2	47.5	238.5
Trade balance	-109.7	-43.5	-27.2	0.4	-135.7	-5.7	-14.3	-335.7
1962								
Import	146.9	99.3	66.6	8.4	201.5	19.0	72.1	613.8
Export	74.2	37.1	50.3	8.4	42.3	10.5	48.6	271.4
Trade balance	-72.7	-62.2	-16.3	—	-159.2	-8.5	-23.5	-342.4
1963								
Import	150.5	127.4	72.0	13.3	179.5	22.6	84.0	649.3
Export	108.3	47.3	63.3	9.1	46.6	12.0	49.4	336.0
Trade balance	-42.2	-80.1	-8.7	-4.2	-132.9	-10.6	-34.6	-313.3

SOURCE: Central Bureau of Statistics.

nected with the winning of new markets, etc. In several branches, particularly textiles, there are equalization funds which transfer to exporters sums collected from levies on the domestic market.

The year 1963 was marked by an improvement in Israel's terms of trade. Both import and export commodity prices rose, but while for imports the increase was only 1 per cent, for exports it came to around 4 per cent owing to the much higher prices fetched by agricultural products. This difference was enough to yield the Israeli economy a clear profit of about \$ 6 million, even though import prices exert a greater influence than export prices on the country's balance of payments because of the greater weight of imports.

The United States, Britain, and West Germany continued to be the main suppliers of import commodities and the countries taking most of Israel's exports. The trade deficit with the Common Market countries, which had risen between 1959 and 1961, declined in 1963, as in 1962. The trade deficit with the United States also declined, though it was still very high. On the other hand, there has been a steady increase in the trade deficit with Britain. On the whole, with the exception of a few isolated commodities, the formation of the Common Market has not affected Israel's exports to any marked degree as yet.

After a decline in 1962, there was again a rise in unilateral transfers to Israel, particularly in private transfers, such as those by residents and immigrants and recipients of German restitution. This was reflected in the increased conversion of foreign currency. As against this, there was a decline in unilateral transfers by the Government and public institutions, such as German reparations and the U.S. Government grant-in-aid. While this trend has characterized the past few years, it was particularly evident in 1962 and even more so in 1963. Transfers to individuals, which had made up 32 per cent of all capital transferred to Israel in 1959, accounted for 53 per cent in 1962 and 70 per cent in 1963.

Again as in 1962, there was a particularly steep rise in investment from abroad. In contrast, there was a reduction in the Government's foreign obligations, the result of deliberate policy to that effect. Under a special arrangement, the Government repaid approximately \$ 50 million in debts. This also explains the slower rise in the State's foreign exchange reserves notwithstanding the fact that the import surplus was lower, and unilateral transfer higher, than in 1962.

But even after this debt repayment, foreign exchange reserves rose by another \$ 113 million, to \$ 618 million. Net foreign exchange reserves—i.e. after deducting short-term obligations—rose by \$ 93 million, to \$ 490 million.¹

¹ These figures are \$ 20 million higher than those cited in Chapter XV as they include Government deposits in foreign banks.

Table III-4
THE BALANCE OF PAYMENTS, 1962-63
(\$ million)

	1962			1963		
	Credit	Debit	Net credit (+) or debit (-)	Credit	Debit	Net credit (+) or debit (-)
A. Current account						
(1) Commodities	271.4	613.8	-342.4	336.0	649.3	-313.3
(2) Tourism and foreign travel	38.4	26.0	+12.4	53.3	38.0	+15.3
(3) Transportation	116.4	68.7	+47.7	114.1	69.1	+45.0
(4) Insurance	26.9	27.9	-1.0	30.5	31.8	-1.3
(5) Capital servicing	21.3	69.5	-48.2	26.2	72.4	-46.2
(6) Government, n.e.s. ^a	10.4	113.8	-103.4	15.2	105.8	-90.6
(7) Miscellaneous	18.4	38.1	-19.7	29.3	45.1	-15.8
Total (1) to (7)	503.2	957.8	-454.6	604.6	1,011.5	-406.9
B. Unilateral transfers						
Private transfers						
(8) Gifts and transfers by residents and immi- grants						
(8.1) In cash	58.5	0.7	+57.8	82.9	0.8	+82.1
(8.2) In kind	10.6	0.4	+10.2	10.7	0.5	+10.2
(9) Personal restitution from West Germany	137.9	4.0	+133.9	142.9	3.9	+139.0
(10) German reparations	51.3	4.3	+47.0	34.0	5.6	+28.4
(11) U.S. grant-in-aid	8.0	—	+8.0	5.9	—	+5.9
(12) U.N. Technical Assistance	0.3	0.3	—	0.4	0.3	+0.1
(13) Transfers by the Jewish Agency and other institutions						
(13.1) In cash	71.8	—	+71.8	83.0	—	+83.0
(13.2) in kind	2.0	—	+2.0	1.8	—	+1.8
Total (8) to (13)	340.4	9.7	+330.7	361.6	11.1	+350.5
Total A+B	843.6	967.5	-123.9	966.2	1,022.6	-56.4

^a Not elsewhere specified.

SOURCE: Central Bureau of Statistics.

Table III-4

THE BALANCE OF PAYMENTS, 1962-63 (cont.)

(\$ million)

	1962			1963		
	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 Bonds	66.5	33.1	+33.4	79.4	56.2	+23.2
(14.2) U.S. Govt. loans	38.0	2.6	+35.4	48.6	5.9	+42.7
(14.3) Other long- and medium-term loans	147.8	95.8	+52.0	115.1	144.3	-29.2
(14.4) Investments from abroad	89.2	6.9	+82.3	142.2	17.0	+125.2
Total (14)	341.5	138.4	+203.1	385.3	223.4	+161.9
(15) Short-term capital movements						
(15.1) Short-term loans	8.4	—	+8.4	—	11.1	-11.1
(15.2) Clearing accounts	—	5.2	-5.2	—	0.3	-0.3
(15.3) Foreign deposits in local banks	22.9	—	+22.9	23.4	—	+23.4
(15.4) U.S. Govt. deposits in connection with grant-in-aid	9.8	—	+9.8	7.4	—	+7.4
(15.5) Foreign exchange reserves	—	108.5	-108.5	—	94.9	-94.9
(15.6) Monetary gold	—	32.1	-32.1	—	17.7	-17.7
Total (15)	41.1	145.8	-104.7	30.8	124.0	-93.2
Total (14) + (15)	382.6	284.2	+96.4	416.1	347.4	+68.7
Total A to C	1,226.2	1,251.7	-25.5	1,382.3	1,370.0	+12.3
Net errors and omissions	25.5	—	+25.5	—	12.3	-12.3

Table III-5
CAPITAL IMPORTS, BY SOURCE, 1959-63
(\$ million)

	1959	1960	1961	1962	1963
Transfers to individuals					
Private transfers	30	37	45	68	92
Personal restitution from West Germany	71	98	111	134	139
Investments from abroad	13	43	52	82	125
Total	114	178	208	284	356
Transfers to the public sector					
Reparations from West Germany	66	76	88	47	28
U.S. Government grant-in-aid	10	14	10	8	6
U.S. Government loans	45	47	42	45	50
Transfers by institutions	74	87	92	74	85
Independence and Development Bonds	35	28	32	33	23
Other long- and medium-term loans, net	15	2	21	52	-29
Total	245	254	285	259	163
Grand total	359	432	493	543	519
Percentages					
Transfers to individuals	32	41	40	53	70
Transfers to the public sector	68	59	60	47	30
Total	100	100	100	100	100

SOURCE: Central Bureau of Statistics.

2. EXPORTS

Exports of goods and services totalled \$ 605 million in 1963, an advance of \$ 100 million, or about 20 per cent, over 1962. This growth rate was roughly the same as in the preceding year, but this time most of the increase took place in the export of goods, which rose by 24 per cent as against 14 per cent in 1962, while exports of services went up by 15 per cent as compared with 24 per cent.

Commodity export prices rose by 4 per cent, so that the increase in exports at constant prices was 19 per cent, as compared with 16 per cent in 1962.

Table III-6

COMMODITY EXPORTS, BY MAIN CATEGORY, 1962-63

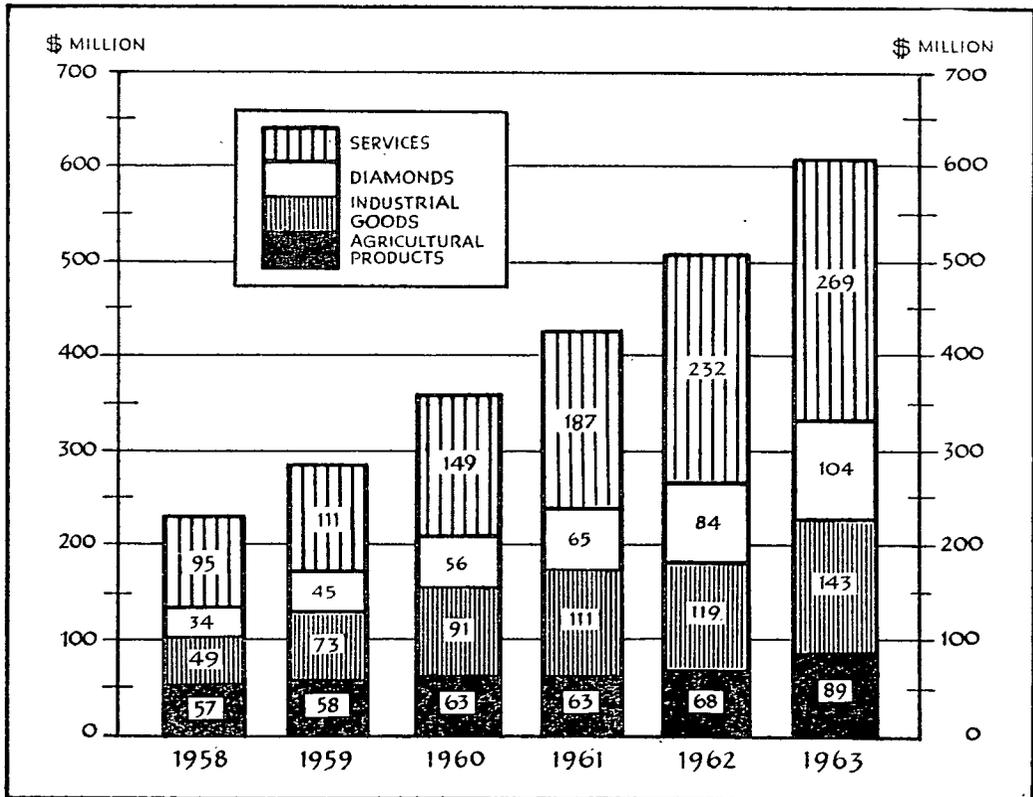
(\$ million)

	Price index in 1963 (1962=100)	1962	1963		Increase or decrease (-)	
			At 1962 prices	At current prices	At 1962 prices	At current prices
Citrus	115	49.2	65.1	74.9	15.9	25.7
Other agricultural products	110	19.2	13.0	14.3	-6.2	-4.9
Industrial goods	101	117.6	138.2	139.6	20.6	22.0
Diamonds	102	83.9	101.9	104.0	18.0	20.1
Miscellaneous	100	1.5	3.2	3.2	1.7	1.7
Total	104	271.4	321.4	336.0	50.0	64.6

SOURCE: Central Bureau of Statistics.

Diagram III-3

EXPORTS, BY MAIN CATEGORY, 1958-63



As noted above, most of the commodity export increment was recorded in the first half of the year—28 per cent above the corresponding period of 1962, as against a rise of only 13 per cent in the second half of the year over July–December 1962.

As in the past few years, diamonds accounted for a substantial part of the total increase. Their share in total exports continued to climb, reaching 17 per cent as against 16 per cent in the previous year. Agricultural exports reversed their downward trend of recent years, their proportion of the total rising from 14 per cent in 1962 to 15 per cent in 1963. The share of service exports dropped somewhat, from 46 to 44 per cent, while industrial exports (excluding diamonds) remained constant at 24 per cent.

The biggest advance was registered by citrus, exports of which reached a record \$ 74.9 million. This 50 per cent gain over the preceding year was due to a 15 per cent rise in the prices fetched and to a growth in volume from 9.6 million cases to 12.5 million. This unprecedented increase was the product of several factors: the large number of new groves reaching fruit-bearing age; unusually favorable weather, making for a low proportion of culls; and frost in some other citrus-producing countries, which reduced the crop there and increased the demand for Israeli citrus.

Other agricultural exports continued to decline, as in 1962. Eggs were particularly affected: after a peak of \$ 12.2 million in 1961, exports dropped to \$ 5.3 million in 1963 as a result of Government policy to that end.

The rise in industrial exports (excluding diamonds) was 19 per cent as against 16 per cent in each of the two preceding years. Here too most of the increment occurred in the first six months—nearly \$ 15 million out of the total increase of \$ 21 million.

In keeping with the trend of the past few years, the biggest increase in the industrial sector was that of “other metal products”, exports of which totalled \$ 19 million in 1963. In contrast to previous years, textile exports remained constant, while clothing sales actually fell. This was due to marketing difficulties, heavy demand at home, and the fact that in this industry the effective rate of exchange was hardly affected by devaluation while production costs went up. A substantial increase was recorded in the export of minerals following large investments in the mining and quarrying branch in the last several years, as well as in sales of citrus products. Tire exports were lower owing to increasing competition in the customer countries and to the large demand at home. Of the \$ 22 million rise in industrial exports (excluding diamonds), metal products, fuel, citrus products, and minerals accounted for \$ 15 million.

Diamond exports advanced 25 per cent in 1963. This item has shown a marked rise from year to year, more than doubling since 1959. World demand for diamonds is high, and with the expansion of the industry in Israel overseas sales have gone up.

Table III-7
MAIN COMMODITY EXPORTS, 1959-63

(\$ million)

	1959	1960	1961	1962	1963
Agricultural products					
Citrus	46.1	46.6	40.5	49.2	74.9
Eggs	6.5	10.7	12.2	8.6	5.3
Groundnuts	1.5	2.1	2.3	2.0	1.5
Bananas	0.3	0.6	1.7	1.5	2.2
Other	3.7	3.2	6.2	7.1	5.3
Total	58.1	63.2	62.9	68.4	89.2
Industrial products					
Citrus products	7.3	7.8	8.0	10.0	12.8
Edible oils	2.9	3.6	4.1	3.5	4.8
Other foodstuffs	3.1	3.6	3.9	5.5	5.6
Potash	3.4	3.7	4.3	4.4	5.7
Copper cement	2.4	3.4	4.1	3.1	4.3
Other minerals	1.5	1.9	2.9	1.6	2.3
Automotive vehicles and spare parts	3.8	2.7	1.4	1.9	0.8
Tires	6.3	8.2	8.7	10.1	8.9
Machinery and electrical equipment	1.7	3.7	4.7	5.7	5.8
Other metal products	5.2	7.9	9.9	13.4	19.2
Cement	2.7	2.5	2.0	1.8	1.2
Plywood	3.8	4.2	4.4	5.7	6.0
Cardboard products	1.4	1.7	1.9	2.3	2.4
Pharmaceuticals and chemicals	4.0	4.1	4.8	5.9	7.0
Mineral products	—	1.5	2.3	3.5	7.0
Textile products					
Yarn	2.4	5.4	7.4	11.6	13.2
Cloth	1.4	3.0	3.6	4.4	4.8
Clothing	7.3	9.4	12.6	14.6	13.2
Other industrial products	10.1	10.7	12.1	18.6	14.8
Total	70.7	89.0	104.1	117.6	139.6
Diamonds	45.2	56.4	65.3	83.9	104.0
Miscellaneous	2.5	1.7	7.2	1.5	3.2
Total commodity exports	176.5	210.3	238.5	271.4	336.0
Price index	100.0	97.0	98.0	97.0	101.0
Total at constant prices	176.5	216.8	243.4	280.6	332.7

SOURCE: Central Bureau of Statistics and Ministry of Commerce and Industry.

The value added component of the country's exports neared the \$ 160 million mark in 1963, a gain of about 30 per cent over the previous year. The proportion of value added in total exports came to 47-48 per cent, as against some 45 per cent in 1962. Two conflicting tendencies operated here: on the one hand, the big rise in the relative share of citrus exports with their high value added component, increased still further in 1963 by the higher prices obtained on the world market; and on the other hand, the rise in the share of diamond exports, which have a low value added component.

The main markets for Israel's products continued to be Britain, the United States, and West Germany, which together have taken 40 per cent of the country's exports for the past few years. The marked expansion of citrus sales in 1963 resulted in an appreciable rise in the proportion of total exports going to Britain and West Germany. It also helps explain the increase in the share of the Common Market from 27 per cent in the preceding two years to 30 per cent in 1963, for these countries takes a substantial part of Israel's citrus.

Table III-8
EXPORTS, BY MAIN COUNTRY OF DESTINATION, 1959-63
(\$ million)

	1959	1960	1961	1962	1963
United Kingdom	32.8	35.4	35.0	37.1	47.3
United States	27.0	28.5	33.8	42.3	46.6
West Germany	17.0	20.4	23.9	26.8	40.1
Switzerland	9.6	10.8	12.6	16.4	24.2
Netherlands	6.7	11.4	10.8	13.2	22.1
Belgium	9.3	13.0	13.0	12.7	19.8
France	3.9	4.1	4.4	6.9	12.7
Hong Kong	4.9	6.4	7.2	7.2	12.4
Turkey	8.8	9.2	7.5	8.6	8.7
Italy	3.9	10.4	11.4	9.3	7.9
Sweden	3.9	4.7	4.2	5.5	7.9
Japan	1.3	1.9	3.9	4.2	7.6
Yugoslavia	5.0	4.8	5.5	8.8	5.5
Other countries	42.4	49.3	65.3	72.4	73.2
Total	176.5	210.3	238.5	271.4	336.0

SOURCE: Central Bureau of Statistics.

In contrast to previous years, service exports expanded less than commodity exports, rising by \$ 37 million, or 15 per cent. This was mainly due to the fact that proceeds from transportation services remained constant. This item, which accounted for half of all service exports in 1962, still yielded over 40 per cent of the total in 1963. Income from aviation fell off from \$ 37 million in 1962

to \$ 34 million, but that from shipping rose slightly, from \$ 79 million to \$ 80 million. No special investments were made in transportation facilities during the year reviewed, and in aviation there was even a slight drop in the utilization of equipment. Further, the relative rigidity of its prices prevented Israeli shipping from deriving any benefit from the rise in world tariffs that began in the middle of the year. Passenger transport brought in \$ 34 million in 1963 as against \$ 35 million in 1962 (the decrease was accounted for by aviation), and other categories of transport services, \$ 80 million as against \$ 81 million.

Table III-9
EXPORTS OF SERVICES, 1959-63
(\$ million)

	1959	1960	1961	1962	1963
Tourism	16.2	26.9	30.3	38.4	53.3
Transportation	60.0	70.7	90.3	116.4	114.1
Insurance	18.0	22.0	27.6	26.9	30.5
Capital servicing	5.6	7.7	13.1	21.3	21.2
Government, n.e.s. ^a	2.3	6.4	7.5	10.4	15.2
Miscellaneous	8.8	15.1	17.8	18.4	29.3
Total	110.9	148.8	186.6	231.8	268.6

^a Not elsewhere specified.

SOURCE: Central Bureau of Statistics.

Proceeds from tourism, on the other hand, rose even more rapidly than in the preceding year, reaching \$ 53.3 million, or some 30 per cent more than in 1962. The number of tourist arrivals was 218,000 as against 184,000 the previous year—a growth of 18 per cent. Receipts per tourist went up from \$ 210 to \$ 245. In proceeds from capital servicing, a very substantial increase was recorded in interest and dividends on investments, which rose from \$ 3 million in 1962 to \$ 8 million. Other interest items remained unchanged. There were also larger receipts from the other service items.

3. IMPORTS

Imports of goods and services reached \$ 1,012 million in 1963, an increase of \$ 54 million or 6 per cent over 1962. This was the smallest rise in recent years: in 1962 it had been 12 per cent and in 1961, 23 per cent.

Goods and service imports expanded at a similar rate. As noted above, commodity imports went up 5.5 per cent, as against 7 per cent the year before. Most of the increase took place in the last quarter of the year; in the first quarter imports were 2 per cent lower than in the corresponding period of

1962, in the second quarter they were 4 per cent higher, in the third quarter 6 per cent higher, and in the fourth quarter 14 per cent higher. Provisional data for early 1964 show that this upward trend is continuing.

The rise in import prices averaged only 1 per cent, so that the increment to imports at constant prices was just under 5 per cent, as against a rise of 8 per cent in 1962. Prices of commodities for direct consumption actually went up by an average of 15 per cent in 1963, but their weight in total imports is not very big.

Table III-10
COMMODITY IMPORTS, BY ECONOMIC DESTINATION, 1962-63
(\$ million)

	Price index in 1963 (1962=100)	1962	1963		Increase or decrease (-)	
			At 1962 prices	At constant prices	At 1962 prices	At constant prices
Commodities for direct consumption	115	39.8	46.0	52.9	6.2	13.1
Raw materials	100	393.7	411.5	411.5	17.8	17.8
Investment goods	101	140.3	135.8	137.2	-4.5	-3.1
Fuel	100	40.0	47.7	47.7	7.7	7.7
Total	101	613.8	641.0	649.3	27.7	35.5

SOURCE: Central Bureau of Statistics.

The main rise, both at constant and current prices, was in imports of consumer goods, which went up by one-third at constant prices. There was also an increase of some 20 per cent in fuel imports, but these were partly intended for refining for export. Raw material imports rose by about 5 per cent, while imports of investment goods remained roughly the same.

The United States, Britain, and West Germany were again Israel's main suppliers in 1963, but their share in the country's imports fell from 60 per cent in the preceding year to 45 per cent, owing to a decrease in imports from the United States and West Germany. Imports from the Common Market countries, which had risen steadily until 1961 and fallen off in 1962, mainly because of the drop in imports from West Germany as purchases under the Reparations Agreement drew to an end, showed roughly the same figure in 1963 as in the previous year. Imports from Britain and the other European countries increased.

Table III-11
COMMODITY IMPORTS, BY ECONOMIC DESTINATION, 1959-63
(\$ million)

	1959	1960	1961	1962	1962 ^a	1963 ^a
Commodities for direct consumption						
Food	18.5	18.6	13.9	16.0	16.5	24.5
Current consumption	13.4	15.4	17.4	15.8	11.9	13.2
Durable goods	12.9	14.4	12.9	13.9	11.4	15.2
Total	44.8	48.4	44.2	45.7	39.8	52.9
Raw materials						
For food industry	46.5	50.2	62.5	63.6	—	—
For other industries	157.8	189.3	212.5	249.2	312.0	330.8
For agriculture	28.9	28.8	27.4	29.5	29.0	31.6
Building materials	18.3	15.7	15.5	17.5	17.5	16.8
Spare parts	—	—	—	—	35.2	32.3
Total	251.5	284.0	317.9	359.8	393.7	411.5
Investment goods						
For industry and construction	50.2	52.7	64.0	84.5	70.1	73.2
For agriculture	9.3	8.4	10.9	11.3	8.6	6.2
For transportation	15.0	18.3	26.9	33.8	20.1	21.3
Ships and aircraft	14.2	36.5	61.6	21.7	21.7	16.4
Other equipment	5.9	7.3	14.1	16.6	19.8	20.1
Total	94.6	123.2	177.5	167.9	140.3	137.2
Fuel	34.7	34.9	34.2	40.0	40.0	47.7
Miscellaneous	0.8	0.3	0.4	0.4	—	—
Grand total	426.4	490.8	574.2	613.8	613.8	649.3
Price index	100	102	99	97	97	98
Total at constant prices	426.4	481.2	580.0	628.6	628.6	662.5

^a According to a new classification.

SOURCE: Central Bureau of Statistics.

Service imports rose by 5 per cent, as against 21 per cent in 1962 and 38 per cent in 1961. The main reason for this slower increase was the slight drop in Government outlays and the stability in respect of transportation services. As in 1962, \$ 43 million was spent on shipping services and approximately \$ 26 million on aviation services. Expenditure on foreign travel continued to rise rapidly and was 40 per cent higher than in the previous year, after an increase of 60 per cent in 1962.

Table III-12
SERVICE IMPORTS, 1959-63
(\$ million)

	1959	1960	1961	1962	1963
Foreign travel	6.9	11.4	18.3	26.0	38.0
Transportation	39.3	44.2	53.7	68.7	69.1
Insurance	20.6	22.4	29.4	27.9	31.8
Capital servicing	41.3	51.2	64.7	69.5	72.4
Government, n.e.s. ^a	55.7	57.5	93.0	113.8	105.8
Miscellaneous	13.4	18.3	23.6	38.1	45.1
Total	177.2	205.0	282.7	344.0	362.2

^a Not elsewhere specified.

SOURCE: Central Bureau of Statistics.

4. UNILATERAL TRANSFERS

After a slight decline in 1962, unilateral transfers rose again in 1963, reaching a peak of \$ 351 million, or \$ 20 million more than in the preceding year and \$ 4 million above the previous record figure attained in 1961.

Receipts from private transfers, which had expanded in 1962, continued upward at a very marked rate in 1963. The growing immigration from prosperous countries apparently had its effect here. Institutional transfers, which had contracted in 1962, were back at the level of 1960 and 1961. There was an addi-

Table III-13
UNREQUITED RECEIPTS FROM ABROAD, 1959-63
(\$ million)

	1959	1960	1961	1962	1963
Private transfers					
In cash	21.8	28.3	36.6	57.8	82.1
In kind	8.7	8.5	8.4	10.2	10.2
Private restitution from West					
Germany	70.7	97.8	110.5	133.9	139.0
Reparations from West Germany	66.4	75.7	88.3	47.0	28.4
U.S. Government grant-in-aid	9.5	13.9	10.4	8.0	5.9
U.N. Technical Assistance	0.3	0.2	0.1	—	0.1
Transfers of the Jewish Agency and other institutions					
In cash	65.5	81.3	86.4	71.8	83.0
In kind	8.1	5.4	5.6	2.0	1.8
Total	251.0	311.1	346.3	330.7	350.5

SOURCE: Central Bureau of Statistics.

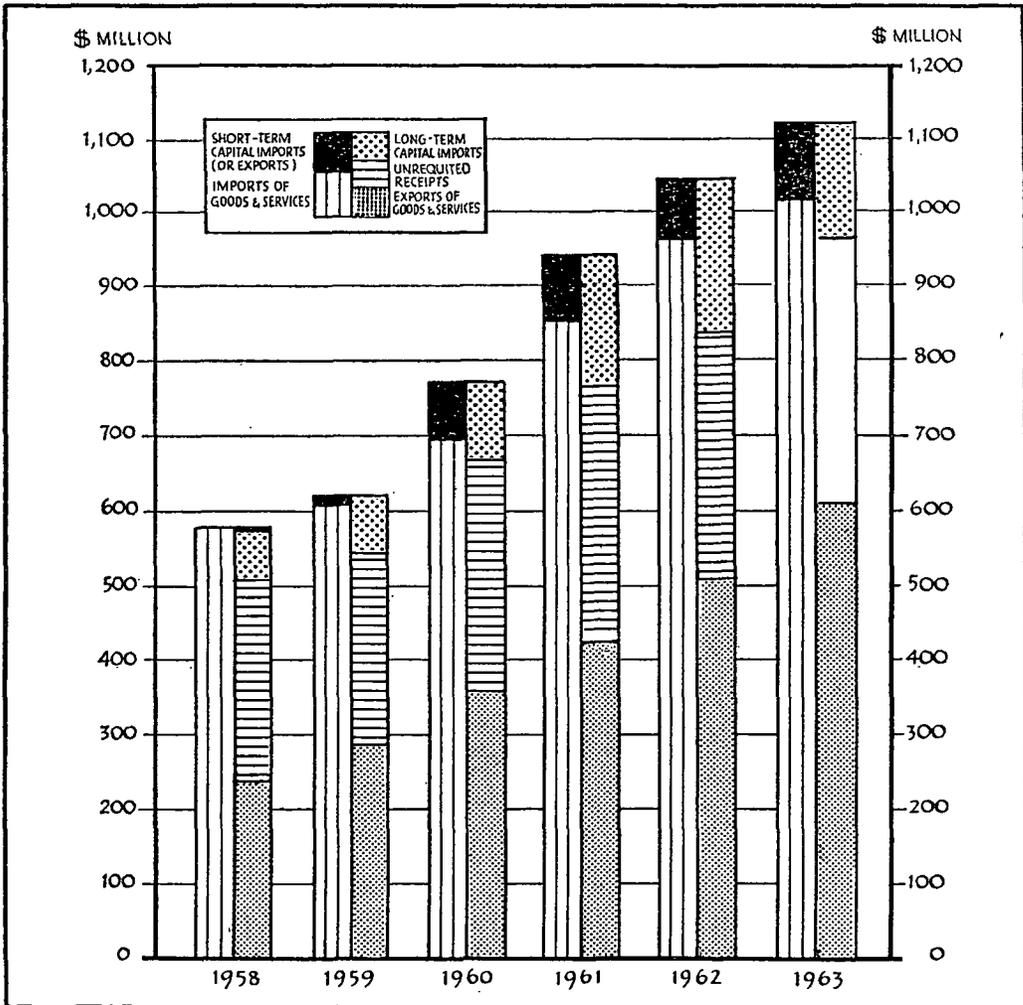
tional rise in transfers on account of restitution payments from Germany, which for some years have constituted the largest item among unilateral transfers.

As against these increases, there was a further decrease in transfers on account of German reparations. By the end of 1963 commodity and service imports covered by German reparations aggregated \$ 730 million out of the \$ 820 million provided for under the Reparations Agreement; the balance will go mainly for fuel purchases in 1964-66.

There has also been a gradual decline in transfers under the U.S. Government grant-in-aid. Most U.S. Government assistance to Israel is now given in the

Diagram III-4

THE BALANCE OF PAYMENTS, 1958-63



form of loans redeemable partly in Israeli currency and partly in dollars. The share of loans repayable in dollars has risen in the past two years. Total U.S. Government assistance came to \$ 56 million in 1963, as against \$ 53 million in 1962. Of this sum, only some \$ 6 million was in the form of direct grants, approximately \$ 27 million was in the form of loans repayable in dollars, while deposits and loans from farm surplus counterpart funds totalled about \$ 22 million.

5. CAPITAL MOVEMENTS AND FOREIGN LIABILITIES

Foreign exchange reserves (including gold) continued to rise in 1963, but at a slower rate than in the previous year—\$ 113 million as against IL 141 million (\$ 95 million in 1961). The deceleration is attributable mainly to the early repayment of \$ 50 million in foreign debts by the Government.

For the first time there was some decrease in outstanding foreign currency liabilities (excluding U.S. Government assistance and Independence and Development Bonds).

Table III-14
FOREIGN INVESTMENT IN ISRAEL, 1962-63
(\$ million)

	1962	1963	Increase or decrease (-)
Capital transfers in cash	63.5	113.6	50.1
Capital transfers in the form of Independence and Development Bonds	13.1	10.6	-2.5
Capital transfers in kind	12.9	19.6	6.7
Reinvestment of profits	6.8	8.4	1.6
Total	96.3	152.2	55.9
Less:			
Israeli investments abroad and liquidation of foreign investments in Israel	8.1	15.1	7.0
Investment in foreign securities	5.9	11.9	6.0
Total	14.0	27.0	13.0
Net foreign investment in Israel	82.3	125.2	42.9

SOURCE: Central Bureau of Statistics.

Some \$ 24 million worth of Independence Bonds sold in 1951 matured during the year reviewed. As in former years, the Government also redeemed some bonds ahead of maturity, mainly in Israeli pounds. These added up to \$ 32 million. Notwithstanding this aggregate redemption of \$ 56 million, there was a rise in liabilities on account of the Independence and Development Bonds owing to higher sales—\$ 79 million as against \$ 66 million in 1962. Liabilities on account of this item therefore rose by \$ 23 million, to \$ 475 million.

Long- and medium-term liabilities (excluding Independence and Development Bonds and obligations to the U.S. Government) decreased by \$ 30 million in 1963. The debt to the Export-Import Bank dropped by \$ 11 million, and as already noted, the Government paid back \$ 50 million in liabilities ahead of their due dates.

Investments from abroad again rose steeply, reaching \$ 152 million as against \$ 96 million the preceding year and \$ 63 million in 1961. The main increase was in cash transfers for investment in Israel.