

The Government and the  
Finance Committee of the Knesset,  
Jerusalem

It is with pleasure that I submit the Annual Report of the Bank of Israel for 1994, in accordance with section 59 of the Bank of Israel Law, 5714–1954.

The Report, which has been prepared by the Research Department of the Bank of Israel, includes material and analyses based on data from the Central Bureau of Statistics and monetary data of the Bank of Israel.

This year the Report is submitted earlier than usual, and we intend to continue meeting this revised publication date. The object of this is to allow economic conditions to be analyzed as close as possible to their actual occurrence, enabling the government to take this into account in its economic planning policy.

The economic growth evident since 1990 persisted in 1994. GDP expanded considerably, and investment in the principal industries continued, with capital stock rising rapidly and unemployment falling steeply. These developments, which were accompanied by a decline in the national saving rate and by productivity which failed to rise, resulted in an acceleration of inflation and an increase in the balance of payments deficit.

Factors of production continue to display positive trends conducive to sustainable growth. Nonetheless, in order to utilize growth potential to the full while maintaining stability, policy must be coordinated. On the fiscal side, the deficit must be controlled, the tax burden reduced, and the relative size of the public sector reduced, while on the monetary side, the policy intended to attain the inflation targets must be continued.

Yours sincerely



Jacob A. Frenkel  
Governor, Bank of Israel

Jerusalem,  
26 Adar Bet, 5755  
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