

BANK OF ISRAEL

The Government and
Finance Committee of the Knesset
Jerusalem

In accordance with section 59 of the Bank of Israel Law, 5714-1954, I respectfully submit herewith the Annual Report of the Bank of Israel for 1983.

The Israeli economy was dominated by two worrisome developments this year: a further grave deterioration in the balance of payments and the acceleration of inflation to a very high level. This makes it urgent for the government to adopt a comprehensive policy that will simultaneously combat both of these developments.

Such a policy must provide for a sustained, consistent reduction of government spending over a period of several years, the encouragement of private saving, and continued monetary restraint. These measures must be accompanied by an agreement between all the parties concerned which will permit the immediate slowing of inflation with minimum harmful effects on employment.

Sincerely yours,



Dr. Moshe Y. Mandelbaum
Governor
Bank of Israel

Jerusalem, 29 Iyar, 5744
May 31, 1984