

BANK OF ISRAEL

The Government and
Finance Committee of the Knesset
Jerusalem

In accordance with sections 59 and 60 of the Bank of Israel Law, 5714-1954, I respectfully submit herewith the Annual Report of the Bank of Israel for the year 1973.

The Report is based on material prepared by the Research Department of the Bank. Most of the statistical data in Parts One and Two were supplied by the Central Bureau of Statistics.

The Yom Kippur War had a pronounced effect on all spheres of economic activity, making it necessary to divide the analysis into two subperiods—the first nine months and the last three. This has been done wherever the statistical data available permitted.

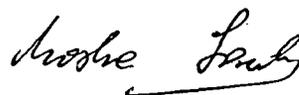
Because of the difficulties encountered in compiling and analyzing the statistical information due to the disruption of reporting and the mobilization of personnel, the data presented here, especially for the fourth quarter, should be treated with more reserve than usual. In any event, it should be noted that the first months of 1974 saw a marked change in trends compared with the final quarter of the year reviewed.

These difficulties also resulted in the omission of two chapters which customarily appear in the Annual Report: Flow of Funds and Social Insurance Funds and Insurance Companies. In addition, since the Accountant General had not yet published his financial report for the period April-December 1973 when the Hebrew edition of the Annual Report went to press, the Government's financial transactions had to be analyzed in a less comprehensive manner than usual, with data from various other sources being used. All the missing material is scheduled to be published in the course of the year in the *Economic Review* as the required data become available.

The year reviewed witnessed major changes in world commodity prices and exchange rates. We have therefore presented for the first time (in Chapter III) a detailed analysis of these developments and their implications for the Israeli economy.

A statistical appendix is being published together with the Report. It presents a more detailed breakdown of some of the tabulated material appearing in the Report, describes how the most important data were computed, and explains the analytical methods employed.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Moshe Sanbar", with a horizontal line underneath the name.

MOSHE SANBAR
Governor
Bank of Israel

Jerusalem, 9 Sivan, 5734
May 30, 1974