CONTENTS

Letter to the	e Government and the Finance Committee of the Knesset	iii
Chapter 1	The Economy: Developments and Policies	1
Chapter 2	•	
	1. Main Developments	20
	2. Business-Sector Product, the Import Surplus, and the	
	Real Exchange Rate	
	3. Business-Sector Product—the Supply Side	
	4. Investment and Capital Stock	
	5. Private Consumption and Saving	
	6. National Saving, Investment, and the Current Account	43
	7. Principal Industries	49
Chapter 3	Prices	
	1. Main Developments	73
	2. Determinants of Prices	7 9
	3. The Development of Prices	88
Chapter 4		
	1. Main Developments	
	2. Population and Civilian Labor Force	95
	3. Employment and Labor Input	97
	4. Unemployment	100
	5. Wages	103
	6. Immigration	109
Chapter 5	The Public Sector	
	1. Main Developments	113
	2. Fiscal Policy	118
	3. Public-Sector Demand	
	4. Taxes, Subsidies, and Transfers	128
Chapter 6	The Balance of Payments	
	1. Main Developments	132
	2. The Current Account	
	3. The Capital Account	149
	4. The External Debt and the Reserves	

CONTENTS

Chapter 7	Money and Capital Markets	
	1. Main Developments	
	2. Monetary Policy and Developments	
	3. The Monetary Aggregates, Credit, and Interest	
	4. The Public's Portfolio of Financial Assets	
	5. Wealth	200
	TABLES	
Chapter 1	The Economy: Developments and Policies	
1.1	Main Economic Indicators, 1986-94	
1.2	Indicators of Business-Sector Production, 1986–94	
1.3	GDP and Aggregate Demand, 1986–94	7
1.4	Prices, 1987–94	ç
1.5	The Labor Market, 1986–94	11
1.6	Balance of Payments, 1986–94	12
1.7	The Rate of Saving, Investment, and the Balance of Payments on	
	Current Account, 1986-94	13
1.8	General Government Deficit, 1986–94	14
1.9	Monetary Indicators, 1987–94	16
Chapter 2	Output and Demand	
2.1	Resources and Use of Resources, 1981-94	22
2.2	Product and Productivity of the Business Sector,	
	by Industry, 1981–94	24
2.3	Business-Sector Product, Factors of Production,	
	and Productivity, 1961-94	27
2.4	Indicators of Business-Sector Profitability and	
	Investment,1982–94	29
2.5	Gross Domestic Investment, by Type of Asset, 1981–94	33
2.6	Capital Stock, by Industry, 1981–95	
2.7	Nonresidential Investment, by Sector, 1981–94	36
2.8	Stock-Exchange Flotations, 1990–94	
2.9	Total Private Consumption, 1981–94	39
2.10	Private Disposable Income and the Saving Rate, 1990–94	41
2.11	Per Capita Income, Consumption, and Wealth, 1981-94	44
2.12	National Saving, Investment, and the Current	
	Account, 1981–94	45
2.13	Infrastructure Investment, 1970–94	48
2.14	Industrial Indicators, 1980–94	50
2.15	Industrial Production, Exports, and Investment, 1980–94	52
2.16	Indicators of Agricultural Production, 1987–94	57
2.17	Output and Prices of Transport and Communications, 1986-94	60

2.18	Investment in Transport and Communications, 1986–94	63
2.19	Indicators of Construction Activity, 1980–94	66
2.20	Housing Construction, by Initiating Sector, 1979–94	67
2.21	Principal Trade and Services Indicators, 1989–94	70
2.22	Private-Sector Services Product, 1989-94	71
Chapter 3	Prices	
3.1	Selected Price Indices, 1990–94	75
3.2	Prices of Tradables and Nontradables, 1990-94	76
3.3	Main Components of Consumer Price Index, 1990-94	77
3.4	Prices and Exchange Rates: Target and Actual Rates, 1991-94	82
3.5	Price Developments: Related Indicators, 1990–94	84
Chapter 4	Employment and Wages	
4.1	Principal Labor-Market Indicators, 1981-94	93
4.2	Labor-Market Indicators, 1989–94	94
4.3	Israeli Labor Force, Selected Data, 1980–94	96
4.4	Structure of Employment of Israelis, 1981–94	98
4.5	Business-Sector Employment and Labor Input, by Industry, 1988–94	99
4.6	Indicators of the Depth of Unemployment, 1988–94	
4.7	Change in Real Hourly Wage of Israelis and all Employed Persons, 1989–94	
4.8	Real Wage per Employee Post, 1981–94	
4.9	Gross Hourly Business-Sector Wage of Israeli	-00
4.2	Residents, 1985–94	107
4.10	Real Wages per Employee Post, by Industry, 1985-94	108
4.11	Occupational Distribution and Education Indicators	110
4.10	of Immigrants, 1990–94	
4.12	Immigrants in the Labor Market, Principal Indicators, 1991–94	
4.13	Distribution of Immigrants by Industry, 1991–94	112
Chapter 5	The Public Sector	
5.1	General Government: Receipts, Expenditure, and Deficit, 1980–94	114
5.2	General Government Receipts and Expenditure, Current and	
	Capital Accounts, 1987–94	
5.3	Exceptional Tax Receipts, 1989–94	120
5.4	General Government Expenditure, by Type of Intervention, 1980–94	121
5.5	General Government: Composition of Receipts,	
	Expenditure, and Deficit, 1988-93	123
5.6	Public-Sector Domestic Deficit, 1992–97	

TABLES

Direct Demand of General Government, 1990–94	26
Taxes, Subsidies, and Transfers, 1980-94	29
The Balance of Payments	
Selected Balance-of-Payments Indicators, 1983-94	33
Net Balance of Payments, 1990–94	34
Goods and Services Account, 1991–94	36
Merchandise Exports (f.o.b.), by Industry, 1991-94 14	43
Merchandise Imports (c.i.f.), by Economic	
Destination, 1991–94 14	14
	50
Assets and Liabilities in Foreign Currency, 1990–94	52
Money and Capital Markets	
	56
	74
- · · · · · · · · · · · · · · · · · · ·	
Assets 1991–94	78
Domestic Budget Deficit, (Consolidated Balance Sheet	
of the Government and the Bank of Israel), 1991–94 18	30
Commercial Bank Nondirected Credit to the Public, 1992-94 18	
Mortgage Banks, Credit Flows and Balances, 1991–94	39
Financial Assets of the Public, 1992–94	€
Real Change in Financial Assets of the Public, 1992–94) 4
Changes in Financial Assets of the Public, 1994) 5
Principal Share-Market Indicators, 1992-94) 6
Composition of the Public's Financial Assets, 1994	98€
Profile of Shareholders, June 1994)9
The Contribution of Price and Quantity to the Increase	
in Wealth, 1994)1
Estimated Wealth of Nonfinancial Private Sector, 1992–94 20	
Sources of the Increase in the Public's Wealth, 1993–94)4
	Selected Balance of Payments 12 13 14 15 16 16 16 16 16 16 16

APPENDIX TABLES

A1	Resources and Use of Resources, 1961-90	208
A2	Product and Productivity of the Business Sector,	
	by Industry, 1961–90	211
A3	Gross National Product and Disposable Income, 1971–90	213
A4	Relative Prices of Housing, and Housing Construction,	
	by Initiating Sector, 1960-94	215
A5	Selected Price Indices-A, 1960-94	216
A6	Selected Price Indices-B, 1982-94	217
A7	Main Components of Consumer Price Index, 1962-94	218
A8	Labor-Market Indicators, 1960–94	220
A9	The Labor Market—Rates of Change of Real Wages per	
	Employee Post, 1962–94	221
A10	Principal Components of General Government	
	Receipts and Expenditure, 1960-94	222
A11	Taxes, Subsidies, and Transfers, 1960-94	
A12	Industrial Exports and Merchandise Imports, 1975–94	
A13	Imports, Exports, and the Import Surplus, 1975–94	
A14	Selected Data on Monetary Aggregates, 1973-94	
A15	Balance of Payments, 1976–94	
A16	Selected Data on Credit and Interest Rates, 1973-94	
	FIGURES	
Chapter 1	The Economy: Developments and Policies	
1.1	Main Economic Indicators, 1986–94	3
Chapter 2	Output and Demand	
2.1	Civilian Import Surplus/GDP Ratio, and Relative	
	Prices, 1981–94	23
2.2	Private Saving and Disposable Wage Income as Proportion	
	of Total Disposable Income, 1964-94	42
2.3	Indices of Private Consumption as Proportion of Total	
	Disposable Income and Disposable Wage Income, 1980–94	43
2.4	Rate of Saving, Investment, and the Current Account, 1976-94	46
2.5	Gross National Saving Rate, by Sector, 1960–94	47
2.6	Investment in Infrastructure, 1965–94	62
2.7 .	Relative Prices of Owner-Occupied Apartments	
	and Rent, 1990-94	68
2.8	Growth of the Two-Digit Trade and Services Industries, 1994	72

APPENDIX TABLES ix

Chapter 3	Prices	
3.1	Rate of Change of CPI, 1992–94	74
3.2	Price Indices of Tradables and Nontradables, 1993–94	79
3.3	Real Appreciation: Relative Prices of Tradables	
	and Nontradables, 1993-94	81
3.4	Rates of Change of Various Indices, 1990-94	83
3.5	Changes in Production Costs, 1990–94	87
3.6	Housing Prices, 1990–94	89
3.7	Annual Rates of Change of Main Components of the CPI during 1994	90
Chapter 4	Employment and Wages	-
4.1	Unemployment, 1983–94	101
4.2	The Labor Force, Employment, and Unemployment, 1985-94	
4.3	Average Real Wage per Employee Post, 1984-94	
Chapter 5	The Public Sector	
5.1	Change in Price and Quantity of Domestic Public Consumption (Civilian and Defense), 1988–94	119
5.2	Debt/GDP Ratio, 1983–94	
5.3	Average Direct Tax Rates on Wage and Nonwage	
	Income 1980–94	
5.4	The Composition of Taxes, by Type of Tax, 1980–94	131
Chapter 6	The Balance of Payments	
6.1	Domestic Resource Use and the Import Surplus, as Proportion of GDP, 1980–94	139
6.2	The Sheqel Exchange Rate Against the Currency Basket	
	and the Dollar, 1991-94	151
6.3	Net Investment in Domestic and Foreign Securities, 1989–94	154
6.4	Net Direct Investment, 1989–94	
6.5	The Spread Between the Yield on Treasury Bills and the LIBOR (3 month) Rate, 1993–94	158
6.6	Capital Movements of the Banking System, 1989-94	159
6.7	Ratio of External Debt to GDP and Exports, 1983-94	163
Chapter 7	Money and Capital Markets	
7.1	Inflation and Selected Interest Rates, 1992–94	
7.2	The Monetary Aggregates, 1991-94	
7.3	Components of M2, 1991–94	
7.4	Nondirected Credit, 1991-94	188