

CHAPTER VII

BALANCE OF PAYMENTS

1. MAIN DEVELOPMENTS

The balance of payments deficit on current account¹ rose rapidly in the last two years, from an average of some \$850 million in 1978-80 to \$1.4 billion in 1981 and \$2 billion in 1982. These figures reflect a cumulative deterioration in the various components of the balance of payments. This year's larger deficit resulted from a \$1 billion growth of the private sector's deficit, whereas that of the public sector contracted because of a smaller import (after rising in 1981). The increase in the private sector's deficit occurred entirely in its import surplus (no change in 1980 and 1981), while its unilateral transfer receipts have held steady at \$1 billion for the past several years. The public sector's transfer receipts fell off, a development related to the reduction of defense imports.

A longer-range examination of the data shows a steep jump in the deficit in the mid-1970s (in the wake of the oil crisis and Yom Kippur War), followed by a decline and then a subsequent resumption of the uptrend in 1978 due to fluctuations in defense imports, the second oil crisis, and the expansion of domestic uses (except in 1980).

Long- and medium-term capital imports were fairly stable in the last few years, amounting to about \$1.25 billion per annum, which was more than enough to cover the current deficit. The swelling of the deficit in 1982 necessitated additional capital imports, which were supplied chiefly through the commercial banking system. The shift to this financing channel was made possible by a change in capital import policy in mid-year. Over the year as a whole the capital inflow again exceeded the deficit, with a consequent expansion of Israel's international reserves (held by the central monetary institutions). The country's net indebtedness to foreigners rose by \$2 billion in 1982, compared with \$1.7 billion in 1981, or by 15 percent in each year. After remaining flat for several years, the debt burden grew in 1982 according to all conventional measures. The increase over the last two years occurred against the background of zero economic growth and the contraction of exports.

The balance of payments developments in 1982 represented a continuation, and in most areas an intensification, of the trends that had prevailed in the previous year. The major underlying factors were already at work in 1981 (and some in 1980). These

¹ The import surplus less unilateral transfers from abroad; this is the change in the country's net indebtedness to foreigners.

Table VII-1
INDICATORS OF BALANCE OF PAYMENTS DEVELOPMENTS, 1977-82

	Source	1977	1978	1979	1980	1981	1982
\$ billion, at current prices							
1. Current account deficit	Table VII-2	0.3	0.9	0.9	0.8	1.4	2.1
Thereof: Private sector	Table VII-2	0.2	0.2	1.2	0.6	0.6	1.6
2. Long- and medium-term capital import ^a	Table VII-2	1.0	1.1	1.3	1.2	1.3	1.2
3. Net external debt	Table VII-5	8.8	9.5	10.7	11.6	13.4	15.5
4. Import surplus							
Total	Table VII-3	2.4	3.1	3.7	3.8	4.3	4.7
Excl. direct defense imports	Table VII-3	1.3	1.6	2.5	2.1	2.1	3.2
Excl. direct defense imports and net capital services	Table VII-3	0.9	1.1	1.9	1.2	1.3	2.1
Percent quantitative increase^b							
5. Exports, excl. capital services	Table VII-3	11	6	4	6	5	-3
Imports, excl. direct defense imports and capital services	Table VII-3	6	5	7	-8	9	10
Indexes							
6. Representative sheqel exchange rate (annual average)							
Against U.S. dollar		1.05	1.75	2.54	5.13	11.43	24.27
Against five-currency basket ^c		1.08	1.94	3.00	6.18	11.96	23.54
7. World trade (quantity index)	Table VII-A18	100	106	112	113	113	112
8. Commodity terms of trade, excl. diamonds	Table VII-A33	100	104	99	93	92	95
9. Import prices relative to prices of domestic uses ^d	National accounts	100	110	105	108	104	98
10. Export prices relative to prices of domestic uses ^e	National accounts	100	107	103	104	97	95

^a Excludes capital imports by commercial banks.

^b Calculated from unrounded data.

^c U.S., W. Germany, U.K., France, and Netherlands.

^d Implicit national accounts price index at market prices. Imports and domestic uses do not include direct defense imports.

^e Implicit national accounts price index, at factor cost.

included both external developments, some of which were of a cyclical nature, and internal developments, which have a longer-range effect on the structure of the economy. The external factors were the world slump which began in 1980 and deepened this year, the real increase in interest rates since 1980, and the strengthening of the dollar against European currencies, a trend which also began in 1980. Among the internal factors were the appreciable growth of disposable income and wages in 1981, which remained high in 1982, and the drop in the relative price of imports and exports.² The latter change was connected partly with the world exchange rate developments and partly with the anti-inflation policy, one of whose elements was the slower depreciation of the sheqel, chiefly at the end of the period.

These factors explain the widening gap between the rise in domestic demands in the last two years and that in GNP, which in 1982 failed to grow altogether. The more buoyant domestic demands in the last two years can be mainly attributed to the rapid real increase in disposable income in 1981 (16 percent, or several times the growth of product) in the wake of that year's expansionary fiscal policy. In 1982 disposable income and wages were only slightly below the high 1981 level, and domestic demands continued upward. The stagnation of the product in 1982, after a 4.5 percent gain the year before, was mainly connected with the balance of payments developments: the world recession and the downturn in the relative price of exports had a dampening effect, while the decline in the relative price of imports stimulated demand for such products. This was particularly evident in equipment investment and private consumption (including tourism).

The retreating of world oil prices in 1981-82 worked in the opposite direction, reducing the import surplus. Domestic interest rates influence the profitability of investment, stocking or destocking, and the timing of purchases of various goods. The real interest rates on credit rose in 1981, helping to whittle down the trade deficit, while in 1982 they turned softer, with a consequent weakening of their contractionary effect. It should be stressed that the import surplus rose in 1982 in both current dollar terms and even more in quantitative terms. There was a strong quantitative increase in imports, well in excess of the long-run trend, and a real decline in exports after several years of vigorous headway. Data for the first quarter of 1983 indicate a further expansion of imports and reduction of exports.

Beginning in September 1982 the depreciation of the sheqel was slowed down under the policy of blunting inflation from the costs side. The effects of this policy began to be felt, of course, only at the end of the year. In the first six months of its implementation, the gap widened between the rate of depreciation of the sheqel and the rate of domestic inflation (adjusted for the increase in foreign prices). The trade deficit, as stated, continued to rise in the first part of 1983.

² The appropriate relative price for a full-employment economy is the ratio of export prices to the factor-cost prices of domestic final uses, which reflects the competition for factors of production between exports and domestic uses. In a slack economy this relative price becomes less meaningful, and it is preferable to use the ratio of foreign trade prices (at effective exchange rates) to domestic prices. Both indexes show the same trends in the last two years, and so we shall discuss the relative price without indicating the exact definition.

Table VII-2
GOODS AND SERVICES ACCOUNT, UNILATERAL TRANSFERS, AND CAPITAL ACCOUNT, 1977-82^a
(\$ million, at current prices)

	1977	1978	1979	1980	1981	1982
1. Net goods and services account	-2,380	-3,120	-3,657	-3,776	-4,329	-4,720
Private sector	-1,044	-1,168	-2,256	-1,688	-1,738	-2,677
Public sector ^b	-1,336	-1,952	-1,401	-2,088	-2,591	-2,043
2. Net unilateral transfers	2,071	2,226	2,793	2,970	2,936	2,621
Private sector	845	921	1,091	1,136	1,147	1,067
Public sector	1,226	1,305	1,702	1,834	1,789	1,554
3. Net current account (1+2)	-309	-894	-864	-806	-1,393	-2,099
Private sector	-199	-247	-1,165	-552	-591	-1,610
Public sector	-110	-647	301	-254	-802	-489
4. Net medium- and long-term capital movements	1,033	1,091	1,268	1,234	1,260	1,231
Private sector ^c	105	211	117	-188	-39	-10
Public sector ^d	928	880	1,151	1,422	1,299	1,241
5. Net basic balance of payments (3+4)	724	197	404	428	-133	-868
Private sector	-94	-36	-1,048	-740	-630	-1,620
Public sector	818	233	1,452	1,168	497	752
6. Changes in net short-term assets and liabilities	-567	82	231	579	516	131
Private nonfinancial sector	-268	92	493	800	375	136
Public sector ^e	-299	-10	-262	-221	141	-5
7. Capital movements of the financial sector (excl. Bank of Israel)	-50	455	740	114	778	1,599

8. Errors and omissions ^f	131	131	-956	-692	-661	-25
9. Increase (-) or decrease (+) in foreign exchange reserves of central monetary institutions ^g	-238	-865	-419	-429	-500	-837

NOTE: In capital movements an increase in liabilities is a positive magnitude while an increase in assets appears with a minus sign.

^a Data for 1972-81 have been revised by the Central Bureau of Statistics.

^b The public sector deficit on goods and services account is defined as follows: direct defense imports, government imports n.e.s., and net interest payments abroad, less port services surplus (excl. fuel) and communication services surplus. Another direct public sector import has not been included here.

^c Net long- and medium-term loans (Table VII-A32) and investments from abroad, less Israeli investments abroad, excluding banks.

^d Includes allocations of IMF Special Drawing Rights, amounting to \$27 million in each of the years 1979-81.

^e Consists mostly of defense import advances.

^f Includes errors and omissions in the balance of payments of the administered areas.

^g Adjusted for changes in the value of foreign currencies against the dollar. This item is equal (but with the opposite sign) to the surplus (or deficit) in net capital movements for financing the current account (5+6+7+8).

SOURCE: Based on Central Bureau of Statistics data.

The growth of the import surplus in 1981-82 had a cyclical element, notably the adverse effect on exports of the world recession (and apparently some of the European exchange rate developments as well) and the timing of imports. The noncyclical element has a long-term effect: if the European currencies fail to strengthen significantly against the dollar, the structure of export and import-substitute production must adjust to the new situation. This process takes time, and while it is going on the import surplus grows. That part of the incremental deficit that is related to the depreciation of the sheqel at a lower rate than the rise of domestic prices is not easily countered because of the price rigidities, which result in an asymmetrical response of prices to changes in the rate of depreciation. The slower depreciation of the currency is reflected in the short run in a real appreciation, while an accelerated depreciation mainly results in a stronger rise of domestic prices, thus hampering a real depreciation.

The long-run trend of the current account deficit can be gauged from the national saving rate: this turned down in 1981 and continued in that direction in the year reviewed. The gross national saving rate represents that part of the economy's available resources (GNP plus unilateral transfers from abroad) that is not used for consumption (private and public). The current account deficit can also be measured as the difference between gross domestic capital formation and saving: a decline in saving thus reflects either a contraction of investment or an increase in the current deficit. The national saving rate reached a peak in 1972 and fell to a low in 1975; it then rose a little until 1980, and since then it has again been on the decline. The salient feature of this pattern is the public sector's large dissaving (a reflection of the government's demand surplus), which nearly doubled in 1981. In 1982 public sector demands continued to rise, but net tax revenue also grew, so that the demand surplus shrank. Nevertheless, the national saving rate fell further in spite of the lower public sector dissaving, since the private sector continued to step up its consumption spending in 1982, with a consequent drop in its saving rate. Moreover, there is a marked long-run downtrend in the ratio of investment to the resources at the disposal of the economy. This implies that the increase in the current account deficit has served to expand consumption more than investment.

2. GOODS AND SERVICES ACCOUNT

The import surplus on goods and services account rose by \$400 million in 1982 to reach \$4.7 billion. This was the net outcome of an approximately \$600 million decrease in direct defense imports, after they had expanded by a similar amount last year, and a growth of some \$1 billion in the civilian import surplus,³ after it had held

³ The import surplus less direct defense imports. It includes imported inputs for domestic defense production and interest payments on foreign defense-related loans obtained in the past.

steady in 1981. About a quarter of the increase in the civilian import surplus was recorded in the capital services item, which doubled compared with 1979 and now accounts for about a third of the deficit on goods and services account. The largest component of this item is interest payments on the external debt, which rose because of both the piling up of debt and the hiking of interest rates in recent years.

The year reviewed saw an intensification of the 1981 trends in the civilian import surplus exclusive of capital services⁴—an increase in current dollar terms, and even more quantitywise, after contracting in 1980. This pattern continued in the first months of 1983. The 1982 growth of the civilian import surplus consisted of a real 10 percent increase in civilian imports and a real 3 percent fall in exports, accompanied by an improvement in the terms of trade during these two years. In 1982 the favorable terms-of-trade change stemmed primarily from the softening of world oil prices, but even excluding oil there was some improvement.^{5,6}

Civilian imports expanded 10 percent in real terms in 1982, eclipsing the 4 percent average yearly rise in 1976-81. This high growth rate caused the share of imports in total uses to diverge from its stable long-run trend (see Table II-1). A formidable 25 percent increase in imports of finished goods for investment and consumption was responsible for most of the trend deviation, even though finished goods accounted for only 17 percent of total imports in 1981. Inputs for domestic production (including oil) make up more than half of civilian imports, and another quarter consists of services, whose share of the total has been moving up in recent years.

This year's downturn in exports was an unprecedented development, coming after many years of rapid expansion: in quantity terms they retreated 3 percent, compared with an average 8 percent gain in 1976-81. Exports were the mainstay of the economy's growth during the past decade, and the weight of the gross domestic product attributable to this final demand rose from 28 percent in 1975 to 40 percent in 1981 (see Table II-2). Manufactures accounted for about half of total exports in 1982, services for 35 percent, and agricultural produce for 6 percent.

⁴ Henceforth the import surplus will be discussed net of the capital services item, unless otherwise indicated.

⁵ The strengthening of the U.S. dollar is reflected in Israel's foreign trade prices: Since the foreign trade data are expressed in dollars and a large part of the trade is with European countries, whose products have become cheaper in terms of this currency, the dollar prices of Israel's exports and imports have been declining since mid-1980. Because of the disparate geographical distribution of the various components of Israel's foreign trade, there was a disparate development of prices over the past two years: the prices of commodity imports declined faster than those of commodity exports, and farm export prices dropped more steeply than those of industrial goods. In the services item (excluding capital services) import prices fell and export prices rose in both 1981 and 1982 (the data here should be accepted with caution because of their low statistical reliability).

⁶ A change in the terms of trade stemming from a change in foreign prices (such as that of crude oil) has a different effect than an endogenous change of a similar magnitude, such as one caused by the quantities exported. Thus, for example, a terms-of-trade improvement resulting from a drop in oil prices increases the economy's income, while an improvement due to the raising of Israel's export prices in order to prevent the reduction of export proceeds may reflect a quantity decrease.

3. Trade deficit, excl. administered areas ^e												
a. Excl. oil and diamonds	1,689	510	790	1,159	13.4	-9.4	-1.3	-2.7	31.5	-66.7	57.0	50.7
b. Current surplus on diamonds	304	289	538	333								
c. Total trade deficit	2,792	2,337	2,295	2,740	36.6	62.5	2.8	-25.7	18.8	-48.5	-4.5	60.7
4. Surplus on services, excl. capital services	750	984	820	511								
5. Civilian import surplus, excl. capital services	1,902	1,170	1,305	2,068								
6. Net capital imports	572	914	835	1,100								
7. Civilian import surplus	2,474	2,084	2,140	3,168								
8. Total import surplus	3,657	3,776	4,329	4,720								

^a Based on a c.i.f. valuation of commodity imports and f.o.b. valuation of commodity exports.

^b The difference between the rate of change in import surplus prices and that in import prices reflects the change in the terms of trade; a proportionately greater change in import surplus prices indicates a deterioration, and vice versa.

^c Judea-Samaria and the Gaza District.

SOURCE: Based on Central Bureau of Statistics data.

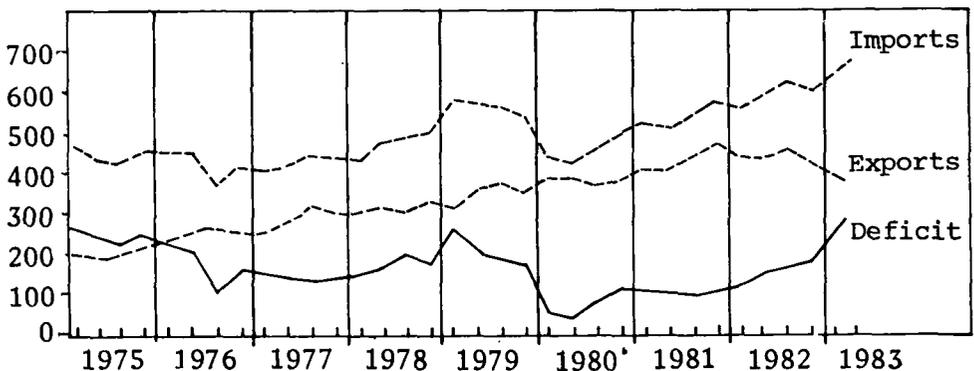
The main factors that influenced the import surplus were mentioned briefly in the previous section and will now be discussed in greater detail. The world economy, which slid into a recession in 1980, slumped further in the year reviewed, and unemployment rates rose to very high levels. The growth of GNP in the industrial countries slackened in 1980-81, and in 1982 the trend turned down. World trade also shrank this year, after expanding slightly in 1981. The slump encompassed the developed countries and a large percentage of the developing countries, several of which experienced a financial crisis in 1982. In the year reviewed many countries veered from free trade to a greater protection of local production in the face of mounting unemployment. In addition to the deepening of the world recession in 1982, the dollar continued to strengthen against European currencies, a development that began in 1980 after a fairly long trend in the opposite direction. These developments were associated with large capital movements from Europe to the U.S. because of the gap between their interest rates. The changes in exchange rates were not offset by corresponding changes in prices, and consequently there was a shift in relative international prices (see Table VII-A24). It should be kept in mind that the world recession and the variations in exchange rates were part of a cyclical phenomenon in the world economy, and that in the past the onset of a cyclical upturn in the world markets saw a rapid improvement in Israel's balance of payments. Another major factor, the 1982 drop in oil prices, improved the country's terms of trade in dollar terms compared with the previous year, and saved the economy close to \$300 million on oil imports (nevertheless, the percentage decline in oil prices this year was far below the rate of increase in 1980).

Besides the external factors, in the last two years Israel's balance of payments was influenced by internal developments: the swelling of disposable income in 1981 and the continued sagging of export and import prices relative to domestic prices. In 1981 real wages rose 10 percent and total disposable income by 16 percent; in 1982 they more or less tapered off at this level. These increases were connected, as stated, with

Figure VII-1

**EXPORTS, IMPORTS, AND THE TRADE DEFICIT, EXCL. DIAMONDS
AND OIL, 1975-83**

(\$ million at 1972 prices, seasonally adjusted quarterly data)



the expansionary 1981 fiscal policy. Domestic demands rose by 5 percent in 1981 and 8 percent in 1982, accompanied by an increased shift from domestic production to imports in 1982. In the last two years the effective exchange rates for exports and imports rose more slowly than the gap between Israel's price performance and that of its trading partners. This trend, which intensified toward the end of 1982, can be attributed to several factors: the world recession, which moderated price inflation abroad, the reduction of the excessive import taxes in 1981, and the strengthening of the dollar combined with the maintenance of the real exchange rate of the sheqel against the dollar, which implied a real appreciation of the sheqel in relation to a basket of foreign currencies.⁷ Beginning in September 1982 the depreciation of the sheqel was slowed down also in relation to the dollar as part of the anti-inflation policy. All these factors, together with several others specific to some of the export and import categories, are what led to the growth of the import surplus.

In view of the diminishing competitiveness of Israel's exports to Europe in the last two years steps were taken to mitigate, at least partly, the losses resulting from the rise of the dollar exchange rate. In the first half of 1981 producers marketing their goods in Europe received a lump-sum compensation for the decreased profitability of such sales, and during the rest of the year they received additional compensation. In mid-1981 an exchange rate insurance facility was introduced, and among other things it compensated Israel's exports to Europe for the strengthening of the dollar; this facility remained in force in 1982.

As already pointed out, imports also exceeded their long-run growth trend. The real appreciation of the sheqel in relation to European currencies and the assessment that this would not be long-lasting explain both the advancing of purchases of foreign goods and the diversion of demands from domestic production to imports, which is reflected in the divergent growth of uses and GNP. During the past two years the rates of protection on part of the import substitutes were reduced, either through the lowering of purchase tax or the trimming of customs duties in conformity with the agreements with the Common Market. Whereas in the case of exports the authorities showed a growing inclination to introduce substitute measures in lieu of a change in the sheqel exchange rate for a wide range of products (one-time compensation and exchange rate insurance), import substitutes did not enjoy similar arrangements, and the measures that were adopted applied to only a limited number of products. Nonetheless, many import substitutes still enjoy a higher effective exchange rate than that in force for exports.

⁷ An attempt to preserve purchasing power parity against a basket of foreign currencies in a period such as this, i.e. a large real depreciation of the sheqel against the dollar, might have pushed up inflation to a higher level than that actually reached. Nevertheless, the sheqel probably would not have appreciated as much as it did in the final part of 1982 if the rate of depreciation had not been slowed quite so much during this period. Still, even if the real exchange rate is kept constant in relation to a basket of foreign currencies, the deficit will widen in a period of big variations in world exchange rates, for demands can shift quickly whereas a shift in production is a protracted process.

While some supporting of exports and import substitutes in the short run other than through the exchange rate may sometimes be justified, in the long run the basing of a growing share of the effective exchange rate on this expedient will result in a multiple exchange rate regime, with different effective rates for different balance of payments transactions⁸—especially a lower rate for most services, unilateral transfers, and other capital movements. The frequent revision of the system of encouraging and protecting exports and import substitutes creates an administrative and fiscal burden. The difficulty of keeping the effective exchange rate higher than the official rate increases the gap between the two: every system erodes after a time, and so it does not constitute a long-term solution.

3. CAPITAL ACCOUNT

Capital imports totaled \$2.9 billion in 1982, about \$1 billion more than in the previous year.⁹ Approximately \$2.1 billion went to cover the current account deficit, and the rest augmented the international reserves of the central monetary institutions.¹⁰

Following we examine the causes of the increased capital inflow from both the supply side (Bank of Israel policy and the commercial banks' capital import) and the demand side (foreign currency credit for Israeli residents). In the first half of 1982 the private sector's deficit on current account widened, inducing a heavy purchase of foreign currency from the Bank of Israel; altogether the public purchased some \$1 billion, which exceeded the net amount for the whole of 1981 (see Table VII-4). During the same period the private nonfinancial sector repaid foreign currency credits to commercial banks, and this entailed a repayment to the foreign sector. The banks' net liabilities to foreigners declined by only \$160 million in the first half of 1982, since the financing of directed export credit was transferred from the Bank of Israel to the commercial banks during this period.

The large repayment of foreign currency credit by the private sector to the commercial banks in the first half of the year and the growth of the current account deficit led to several changes in capital import policy.

In August 1982 the freeze on medium- and long-term capital imports was lifted.¹¹

⁸ The differential exchange rates in effect for the various categories of import are presented in Table VII-A2.

⁹ We assume that the errors and omissions item in the balance of payments constitutes part of the capital account.

¹⁰ See Table VII-6.

¹¹ With the liberalization of foreign currency control in 1977, the free movement of capital to and from other countries was allowed. Following a huge inflow in the first half of 1978, the Bank of Israel suspended the general permit in November 1979, giving only special permits to import capital for certain specified purposes (the purchase of investment goods for the aviation, shipping, and manufacturing industries and some production inputs like feed, oil, etc.). Most of the capital was raised through deposits earmarked for loans, which generally carry easy interest and repayment terms.

Table VII-4
PRIVATE SECTOR BALANCE OF PAYMENTS, 1980-82
(\$ million)

	1980	1981	1982	1982			
				I	II	III	IV
1. Current account deficit, private sector	552	589	1,609	364	423	628	194
2. Private sector purchases of Bank of Israel reserves ^a	860	894	1,252	467	461	324	0
3. Derived capital import (1-2)	-308	-305	357	-103	-38	304	194
4. Recorded capital import ^b	736	457	898	-147	207	342	496
a. Through banks	124	121	772	-22	-140	617	317
b. Direct long-term import	-188	-39	-10	-27	51	-40	6
c. Direct short-term import	800	375	136	-98	296	-235	173
5. Errors and omissions, private sector (3-4)	-1,044	-761	-541	44	-245	-38	-302
6. Total errors and omissions	-692	-661	-25	375	-129	119	-390

^a Private sector transfers, plus the change in Patach (foreign residents' deposits), deposits of foreign banks, and earmarked resident deposits. This item, as well as 4(a), has been adjusted for the banks' participation in the export funds.

^b Equal to the total capital import of banks, the public sector, and the private nonfinancial sector, less the banks' participation in the export funds.

SOURCE: Central Bureau of Statistics (except for line 2) and Bank of Israel calculations.

The commercial banks were allowed to mobilize earmarked deposits (in addition to the existing deposits) on condition that the loans from this source be given for an average period of two and a half years at least. As with the deposits earmarked for financing equipment imports, these too are exempt from the liquidity regulations, credit ceilings, the redeposit abroad requirement, and interest surcharge. In addition, in the second half of 1982 the Bank of Israel continued the policy (begun the year before) of increasing the commercial banks' participation in the financing of the export funds.

Along with the slower depreciation of the sheqel begun in September 1982, these measures led to a larger capital import (with preference given to long-term capital) and a smaller purchase of foreign currency from the Bank of Israel's international reserve holdings. These measures were consistent with the approach that holds that the private sector should finance its deficit directly, so that it will realize the consequences of the widening of its current account deficit.

4. THE EXTERNAL DEBT¹²

Israel's foreign currency liabilities rose 14.7 percent in 1982, after two years of slower growth. Most of the increase was in the commercial banks' net liabilities to foreigners (\$1.5 billion) and the government's direct debt (\$1.1 billion). The source of the incremental debt was U.S. government credit, lines of foreign bank credit, and nonresidents' deposits in Israeli banks. These deposits are placed for a short period, but they are generally renewed automatically, and so they resemble long-term liabilities. They carry interest a little below the Euromarket rate. U.S. government loans are for long terms (20-30 years).

The relevant magnitude for economic analysis is the net debt, for conceptually an increase therein is identical with the balance of payments deficit on current account. The growth of the real net debt¹³ has not proceeded at an even pace since the 1960s. After averaging 9 percent from 1963 to 1967, the annual rate of increase nearly doubled by 1976 to reach 17 percent. The expansion of defense imports and the mounting cost of oil after 1973 go a long way to explain this development.

From 1977 to 1980 the real debt was fairly steady, but in the last two years it again accelerated, rising by 3.7 percent in 1981 and 10 percent in 1982. The average increase in 1981-82 (6.7 percent) was similar to that during the 1960s, but with the significant difference that then the economy was expanding robustly, in contrast to the last two years. It is therefore important to examine the development of the real external debt relative to real GNP. It should also be recalled that then real interest rates abroad were lower. A series obtained by dividing the index of real GNP by the real net debt shows a definite turn for the worse since the beginning of the period in question (apart from 1972-73), a trend that intensified in 1982.

The debt of the developing countries attracted considerable attention in 1982, especially in the international banking community, because of the financial difficulties experienced by many of them. More than once in the past Israel was ranked, from the standpoint of the external debt, close to the South American and other developing countries, some of which are now in the throes of a financial crisis. While Israel's external debt, as already mentioned, worsened in the last two years, it is important to note that it differs from that of the other developing countries in several major respects:

¹² There are various definitions of the external debt (but all of them are based on the same data). According to the Bank of Israel's definition, the debt (\$20.9 billion in 1982) comprises the direct liabilities of the government and nonfinancial private sector, as well as the net liabilities of the commercial banking system, since they increase along with its assets abroad. (The banks' overseas operations have expanded rapidly, and two of them are numbered among the hundred largest banks in the world.) The Central Bureau of Statistics calculates total liabilities and total assets separately, but the net liabilities (total liabilities less total assets abroad) are identical according to both definitions; in 1982 they reached \$15.5 billion.

¹³ The real debt is the debt in current dollar terms, divided by the export price index trend (a four-year moving average). Thus, for example, a long-run rising trend in export prices reduces the quantity of domestic factors of production that has to be diverted to export in order to repay the debt.

Table VII-5
FOREIGN CURRENCY ASSETS AND LIABILITIES, 1977-82
(\$ million, at current prices)

End of year	1977	1978	1979	1980	1981	1982
1. Net liabilities (2-3-4)	8,822	9,497	10,712	11,641	13,369	15,501
2. Foreign currency liabilities	11,096	12,978	14,856	16,237	18,231	20,918
Government	8,335	9,048	9,769	10,962	12,252	13,348
Private nonfinancial sector	1,478	1,919	2,376	2,487	2,524	2,598
Commercial banks	1,283	2,011	2,711	2,788	3,455	4,972
3. Foreign reserves of central monetary institutions	1,770	2,783	3,230	3,525	3,815	4,317
4. Exporters' credit to foreigners	504	698	914	1,071	1,047	1,100
5. Current foreign liabilities	2,037	2,234	2,552	2,886	3,442	4,409
Net short-term liabilities of banks ^a	449	704	971	903	1,490	2,208
Short-term liabilities of private nonfinancial sector ^b	722	691	624	864	899	1,001
Long- and medium-term debt repayment due in following year ^c	866	839	957	1,119	1,053	1,200
6. Current liabilities/total liabilities (%) (5/2)	18.4	17.2	17.2	17.8	18.9	21.1

^a A rough estimate owing to the lack of direct data on the maturity schedule of part of the commercial banks' liabilities.

^b The government has hardly any short-term liabilities.

^c The estimate for 1982 is from Table 8 in the National Budget (January 1983).

SOURCE: Central Bureau of Statistics and Bank of Israel calculations.

(a) Nearly half of Israel's total debt is owed to foreign governments (notably the United States) and is long-term. The main source of the capital raised through Israel Bonds (15 percent of the debt) is World Jewry, and this is also the principal source of the nonresident deposits (see Table VII-A14).

(b) The developing countries that have been in a tight position of late owe tens of billions of dollars to the international banking system, while the Israeli economy has \$2.8 billion of net claims on the system.

(c) Israel's financial system has developed rapidly in recent years, especially in its international transactions. As a result, both the commercial banks' assets and liabilities grew in the last four years by an average of nearly 20 percent.

Table

COMMODITY IMPORTS (EXCL. DIRECT DEFENSE IMPORTS) BY
(\$

	1979	1980	1981	1982
1. Consumer goods	626	544	756	832
Thereof: Durables	233	189	305	359
2. Capital goods	1,195	969	1,037	1,295
3. Production inputs	5,585	6,431	6,112	5,906
Thereof: Oil	1,406	2,116	2,043	1,914
Rough and polished				
diamonds (net)	920	1,120	529	572
Other	3,259	3,195	3,540	3,420
4. Goods n.e.s., less imports returned	-9	-66	-58	-73
5. Total net commodity imports, foreign trade definition	7,397	7,878	7,847	7,960
6. Balance of payments adjustments	-335	-326	-313	-286
7. Commodity imports from administered areas ^c	169	224	289	258
8. Total net commodity imports, balance of payments definition	7,231	7,776	7,823	7,932
Thereof: Excl. oil, diamonds, and administered areas	4,736	4,316	4,962	5,188

^a Based on a c.i.f. valuation of imports.

^b Calculated from unrounded figures.

^c Judea-Samaria and the Gaza District.

SOURCE: Central Bureau of Statistics.

VII-A1

ECONOMIC DESTINATION, 1979-82^a
(million)

Percent annual increase ^b							
Price				Quantity			
1979	1980	1981	1982	1979	1980	1981	1982
18.0	18.5	-8.2	-12.1	35.7	-26.7	51.4	25.2
12.1	4.0	-10.1	-5.2	44.3	-22.2	80.1	24.2
11.0	7.3	-1.1	0.7	37.8	-24.4	8.2	24.0
22.7	27.5	-6.8	-9.2	2.1	-9.7	2.0	6.4
62.1	44.6	2.9	-12.9	12.0	4.1	-6.2	7.6
9.3	9.3	-10.3	-8.5	-25.5	11.3	-47.3	18.1
16.8	15.8	-4.6	-7.9	9.2	-15.3	16.1	4.9
21.4	20.4	-3.1	-8.5	8.2	-11.5	2.8	10.9
15.9	21.0	-4.2	-2.2	-11.8	9.8	34.3	-8.4
21.7	20.0	-3.7	-7.9	6.7	-10.4	4.4	10.1
15.6	14.3	-4.5	-6.9	17.0	-20.3	20.4	12.3

Table VII-A2
IMPORT EXCHANGE RATES, 1975-82
(Sheqalim per dollar)

	1975	1976	1977	1978	1979	1980	1981	1982 ^a
1. Representative exchange rate	0.63	0.79	1.05	1.7	2.5	5.1	11.4	24.3
2. Effective exchange rates								
Consumer goods								
Current consumption	0.87	1.37	1.71	2.5	3.5	7.2	14.1	32.0
Durables	1.51	1.95	2.63	4.1	6.0	12.5	25.1	54.2
Capital goods								
Machinery and equipment	0.79	0.98	1.30	2.0	3.0	5.7	13.1	27.8
Transport equipment ^b	1.23	1.61	2.25	3.7	4.7	8.1	23.7	47.2
Inputs for domestic production	0.71	0.94	1.24	1.9	2.9	5.6	12.4	27.6
Total commodity imports	0.76	0.99	1.31	2.0	3.1	5.8	13.2	29.7
3. Average rate of depreciation (%)								
Representative exchange rate		25	33	67	45	104	124	113
Effective exchange rates								
Consumer goods								
Current consumption		57	25	46	40	106	96	127
Durables		29	35	56	46	108	101	116
Capital goods								
Machinery and equipment		24	33	54	50	90	130	112
Transport equipment ^{b, c}		31	40	64	27	72	193	99
Inputs for domestic production		32	32	53	53	93	121	123
Total commodity imports ^c		30	32	53	55	87	128	125

^a Provisional data.

^b Land transport equipment.

^c Includes the effect of changes in composition.

Table VII-A3
PRICES OF IMPORTED AND DOMESTICALLY PRODUCED GOODS, 1976-82
 (Percent annual increase)

	1976	1977	1978	1979	1980	1981	1982
1. Imported current consumption goods ^a	22	31	60	69	162	94	84
Total current consumption goods ^{b,c}	27	39	50	74	147	111	117
2. Imported consumer durables ^a	31	48	87	64	116	79	107
Total consumer durables ^b	32	37	58	50	89	98	102
3. Capital goods							
Imported machinery and equipment ^{a,d}	24	48	82	67	105	128	118
Total machinery and equipment ^b	27	41	74	66	114	127	122

^a Calculated by multiplying the change in the effective exchange rate (Table VII-A2) by the change in dollar prices (foreign trade data). A change in the group product mix will therefore affect the change in price.

^b Calculated from national accounts data.

^c Clothing and footwear; food, beverages, and tobacco; and other current consumption goods.

^d The data here differ somewhat from the national accounts data (Chapter II) owing to differences in the method of calculation.

SOURCE: Central Bureau of Statistics and Bank of Israel calculations.

Table VII-A4
DERIVED AND ACTUAL INPUT IMPORTS, 1975-82^a

	Derived input imports by economic destination ^b						Actual input imports ^c
	Private consumption	Public consumption	Fixed investment	Total domestic uses	Exports	Total uses	
1. Percent quantitative increase							
1976	2.0	-7.1	-11.7	-4.1	18.1	2.3	-7.6
1977	5.3	-5.1	-10.6	-1.3	14.6	4.0	5.4
1978	3.6	1.1	4.7	3.1	10.0	5.6	15.0
1979	3.1	-3.8	4.9	1.5	5.6	3.0	9.2
1980	-6.4	1.3	-8.3	-4.7	12.7	2.1	-15.3
1981	7.5	5.5	-2.2	1.1	8.2	6.4	16.1
1982	2.2	8.9	-3.1	7.3	1.6	2.5	4.9
2. Percentage distribution ^d							
1975	34	22	16	72	28	100	
1979	30	17	13	60	40	100	
1982	28	18	10	56	44	100	

^a Input imports excluding oil and diamonds and including trade with the administered areas.

^b Input imports were broken down by final uses using the input-output table for 1977/78. Because of marked differences between the input-output and foreign trade definitions of input imports, only the rates of change in derived and actual imports are presented here.

^c Foreign trade data.

^d Calculated from current-price dollar data.

SOURCE: Central Bureau of Statistics and Bank of Israel calculations.

Table VII-A5
INDUSTRIAL EXPORTS BY MAIN BRANCH, 1979-82^a
(\$ million)

	Percent annual increase											
	1979	1980	1981	1982	Price				Quantity			
					1979	1980	1981	1982	1979	1980	1981	1982
Mining and quarrying	102	158	194	189	27.4	51.3	5.9	-17.9	2.2	2.6	15.9	18.5
Food, beverages, tobacco	256	298	339	349	12.1	11.2	1.2	-1.8	6.2	4.7	12.4	4.7
Textiles	112	153	110	92	22.3	12.2	-6.7	-3.0	19.5	21.1	-23.1	-13.1
Clothing	231	313	277	255	14.4	3.3	-11.8	-3.2	19.1	31.3	0.3	-4.8
Leather and leather products	6	7	8	7	32.5	-1.1	-4.4	-2.2	-46.6	25.5	22.1	-20.9
Wood and wood products	38	43	28	23	19.1	15.0	-6.6	-3.2	-3.8	-0.9	-31.3	-14.6
Paper and paper products	9	15	8	6	10.0	35.4	14.3	-2.8	103.5	16.3	-55.1	-13.3
Printing and publishing	16	21	21	20	10.0	35.4	14.3	-2.8	4.3	-4.1	-15.0	-1.1
Rubber and plastic products	93	128	108	107	15.5	16.3	-9.9	-10.6	11.5	18.8	-6.8	11.3
Chemicals	530	723	736	648	37.2	15.1	-3.3	-7.9	4.7	18.4	5.4	-4.5
Nonmetallic mineral products	10	16	17	14	16.5	19.2	0.2	-11.2	-39.5	35.0	6.0	-4.5
Basic metals	39	97	59	35	23.0	8.8	2.3	-7.0	7.9	132.0	-41.2	-34.9
Metal products	317	377	464	515	9.7	11.8	6.2	4.8	-12.7	6.6	15.6	5.9
Machinery	78	91	117	112	11.2	6.5	-2.2	-0.9	20.8	10.2	30.5	-3.0
Electrical and electronic equipment	171	287	387	466	10.7	16.7	-8.6	-2.1	12.4	44.1	47.5	22.9
Transport equipment	364	398	513	440	9.7	10.2	-2.2	1.9	38.3	-0.8	31.9	-15.9
Miscellaneous	167	213	252	254	18.6	25.4	-3.8	-13.2	31.4	1.9	23.0	16.0
Total, excl. diamonds	2,539	3,340	3,637	3,532	18.7	14.1	-2.7	-3.8	9.3	15.3	11.9	0.9

^a Exports valued f.o.b.

SOURCE: Central Bureau of Statistics.

Table
COMMODITY EXPORTS BY
(\$ million,

	1979	1980	1981	1982
1. Agricultural exports	556	556	600	553
Citrus	255	231	246	186
Other	301	325	353	367
2. Industrial exports, excl. diamonds	2,539	3,340	3,637	3,532
Metal, machinery, and electronics	968	1,251	1,539	1,568
Other	1,571	2,089	2,098	1,965
3. Diamonds, net	1,224	1,409	1,067	905
4. Other exports	33	26	36	38
5. Returned exports	38	40	11	11
6. Net commodity exports, foreign trade data	4,313	5,292	5,329	5,017
7. Balance of payments adjustments	-43	-77	-90	-83
8. Commodity exports to administered areas ^b	489	582	664	639
9. Total net commodity exports, adjusted to balance of payments definitions	4,759	5,798	5,903	5,573
10. Thereof: Excl. diamonds and fuel and exports to the administered areas	3,046	3,806	4,171	4,029

^a Based on an f.o.b. valuation of exports.

^b Judea-Samaria and Gaza District.

SOURCE: Central Bureau of Statistics and Bank of Israel calculations.

VII-A6

SECTOR, 1979-82^a
(at current prices)

Percent annual increase							
Price				Quantity			
1979	1980	1981	1982	1979	1980	1981	1982
13.7	18.0	-6.6	-14.0	7.3	-15.3	15.5	7.2
20.0	12.3	-7.1	-16.0	4.7	-19.2	14.7	-10.3
9.0	22.2	-6.3	-12.9	9.3	-11.8	16.2	19.4
18.7	14.1	-2.7	-3.8	9.3	15.3	11.9	0.9
11.2	11.3	-2.1	-0.2	9.5	16.1	25.7	2.0
23.9	16.0	-1.4	-6.3	9.1	14.7	1.9	0.0
5.7	5.6	-6.5	-5.9	-12.1	9.0	-19.0	-9.9
13.3	11.7	-4.2	-5.5	2.4	9.8	5.1	-0.4
21.8	16.4	0.0	5.5	3.0	2.3	14.0	-8.8
14.1	12.4	-3.9	-4.2	2.4	8.4	6.0	-1.5
17.7	14.7	-3.3	-5.4	9.4	8.9	13.3	2.1

Table VII-A7
DISTRIBUTION OF INDUSTRIAL EXPORTS AND EXPORT INCREMENT, EXCL. DIAMONDS, 1977-82
 (Percentages)

	Distribution of exports (at current prices)				Distribution of export increment (at constant prices)			
	Cumulative 1977-79	1980	1981	1982	1980	1981	1982	Cumulative 1978-82
Basic metals and metal products	20	17	18	19	21	13	-3	13
Electrical and electronic equipment	7	9	11	13	24	42	334	29
Transport equipment	12	12	14	12	-1	34	-247	16
Chemicals	19	22	20	18	20	8	-78	14
Mining and quarrying	4	5	5	5	1	6	85	4
Food	11	9	9	10	3	11	51	7
Textiles, clothing, leather	14	14	11	10	28	-9	-111	9
Other light industries	13	13	12	12	9	2	121	12
Total industrial exports, excl. diamonds	100	100	100	100	100	100	100	100

SOURCE: Based on Central Bureau of Statistics data.

Table VII-A8
AGRICULTURAL EXPORTS, 1979-82
(\$ million)

	1979	1980	1981	1982	Percent annual increase								
					Price				Quantity				
					1979	1980	1981	1982	1979	1980	1981	1982	
1. Field crops	115	136	157	151									
Melons and pumpkins	10	23	20	17	21.9	138.7	-28.8	4.9	-13.4	-0.4	22.4	-19.7	
Cotton	94	102	122	120	5.7	8.5	9.8	-14.9	70.4	-0.6	9.8	15.0	
Groundnuts	9	10	12	12	4.9	11.2	1.4	-25.7	-21.5	3.1	18.0	29.1	
2. Vegetables and potatoes	41	43	53	48	7.1	34.9	-2.1	-25.4	-7.5	-22.6	25.0	22.2	
3. Poultry and animals	11	14	13	16									
4. Citrus	255	231	246	186	20.0	12.3	-7.1	-16.0	4.7	-19.2	14.7	-10.3	
5. Fruit	50	40	41	62									
Thereof: Subtropical and other	45	32	36	56	16.0	31.5	-5.6	-19.6	27.0	-46.0	17.8	94.1	
6. Flowers, plants, and ornamental foliage	81	90	87	89									
7. Total agricultural exports	556	556	600	553	13.7	18.0	-6.6	-14.0	7.3	-15.3	15.5	7.2	
8. Total agricultural exports excl. citrus	301	325	353	367	9.0	22.2	-6.3	-12.9	9.3	-11.8	16.2	19.4	

SOURCE: Central Bureau of Statistics and Bank of Israel calculations.

Table VII-A9
THE DIAMOND INDUSTRY, 1975-82

	1975	1976	1977	1978	1979	1980	1981	1982
\$ million, at current prices								
1. Diamond exports, net	549	712	1,003	1,318	1,224	1,409	1,067	905
2. Diamond imports, net	426	638	982	1,130	920	1,120	529	572
Thereof: Polished diamonds	14	22	44	77	75	125	43	77
3. Export surplus	123	74	21	188	304	289	538	333
Carats (thousands)								
4. Diamond exports, net	2,701	3,304	3,356	2,570	2,153	2,349	2,165	2,014
5. Diamond imports, net	5,944	6,729	11,355	7,140	5,082	5,174	3,178	3,922
Uncut	5,879	6,624	11,213	6,993	4,998	5,072	3,105	3,725
Polished	65	105	142	147	84	102	73	197
6. Ratio of uncut diamond imports to polished diamond export surplus	2.23	2.07	3.49	2.89	2.42	2.26	1.48	2.05
Indexes: 1975=100								
7. Export quantity index	100	121	126	105	92	100	81	73
8. Import quantity index	100	148	197	139	103	115	61	72
9. Export price index	100	107	145	229	242	256	239	225
10. Import price index	100	101	117	191	209	228	205	187
11. Terms-of-trade index	100	106	124	120	116	112	117	120
\$ million, at current prices								
12. Derived diamond imports	470	577	700	952	912	1,097	760	640
13. Export value added	79	135	303	366	312	312	307	265
14. Inventory investment	-44	61	282	178	8	23	-231	-70

SOURCE: Central Bureau of Statistics and Bank of Israel calculations.

Table VII-A10
SERVICES ACCOUNT, 1978-82^a
(\$ million)

	1978	1979	1980	1981	1982	Percent annual increase ^b			
						1979	1980	1981	1982
Transportation									
Import	797	958	1,053	1,097	1,080	20.2	9.9	4.2	-1.6
Export	1,056	1,166	1,380	1,428	1,343	10.4	18.4	3.5	-6.0
Excl. import cargo	842	892	1,087	1,094	1,000	6.0	21.9	0.6	-8.6
Import surplus	-259	-208	-327	-331	-263				
Excl. import cargo	-45	66	-34	3	80				
Tourism									
Import	342	457	525	613	647	33.4	15.0	16.8	5.5
Export	685	792	896	970	893	15.6	13.2	8.2	-7.9
Import surplus	-343	-335	-371	-357	-246				
Insurance									
Import surplus	25	8	5	-21	-2				
Government n.e.s.									
Import surplus	130	112	133	104	102				
Other services									
Import	310	334	374	594	774	7.7	11.9	59.0	30.2
Export	415	660	798	809	876	58.9	20.9	1.3	8.3
Import surplus	-105	-326	-426	-215	-102				
Total services, excl. capital services and admin. areas ^c									
Import	1,643	1,910	2,128	2,440	2,638	16.3	11.5	14.7	8.1
Export	2,195	2,659	3,114	3,260	3,149	21.1	17.1	4.7	-3.4
Import surplus	-552	-749	-986	-820	-511				
Capital services									
Import	994	1,380	1,966	2,320	2,757	38.9	42.5	18.0	18.8
Export	494	808	1,052	1,485	1,657	63.5	30.2	41.2	11.6
Import surplus	500	572	914	835	1,100				
Services from admin. areas ^c									
Import surplus	112	180	176	205	220				
Total services									
Import	2,828	3,556	4,396	5,091	5,743	25.8	23.7	15.8	12.8
Export	2,768	3,553	4,292	4,871	4,935	28.4	20.8	13.5	1.3
Import surplus	60	3	104	220	809				
Excl. import cargo	274	277	397	554	1,152				

^a Commodity imports valued c.i.f. and commodity exports f.o.b. Transport service imports and insurance on commodity imports are included in commodity imports, but the transport and insurance of import cargoes by Israeli companies are included in exports.

^b Calculated from unrounded data.

^c Judea-Samaria and the Gaza District.

SOURCE: Central Bureau of Statistics.

Table
LONG- AND MEDIUM-TERM
(\$

	1978	1979	1980
1. Loans received	1,914	2,096	2,215
a. Public sector	1,465	1,729	1,999
Thereof:			
Independence and Development Loans	430	414	450
U.S. government loans	904	1,142	1,368
b. Private nonfinancial sector	449	367	216
2. Loans repaid	866	839	957
a. Public sector	585	605	604
Thereof:			
Independence and Development Loans	244	334	298
U.S. government loans	197	204	215
b. Private nonfinancial sector	281	234	353
3. Net loans received	1,048	1,257	1,258
a. Public sector	880	1,124	1,395
Thereof:			
Independence and Development Loans	186	80	152
U.S. government loans	707	938	1,153
b. Private nonfinancial sector	168	133	-137

SOURCE: Central Bureau of Statistics and Bank of Israel calculations.

VII-A11

FOREIGN LOANS, 1978-82

million)

1981	1982	1982			
		I	II	III	IV
2,357	2,286	343	607	777	559
2,018	1,962	287	528	660	487
518	557	111	117	165	164
1,111	1,086	98	289	418	281
339	324	56	79	117	72
1,119	1,053	240	277	240	296
746	721	159	202	143	217
440	400	90	102	94	114
205	177	52	48	33	44
373	332	81	75	97	79
1,238	1,233	103	330	537	263
1,272	1,241	128	326	517	270
78	157	21	15	71	50
906	909	46	241	385	237
-34	-8	-25	4	20	-7

Table VII-A12
UNILATERAL TRANSFERS, 1978-82^a
(\$ million)

	1978	1979	1980	1981	1982	1982			
						I	II	III	IV
Total	2,230	2,793	2,970	2,938	2,622	926	561	278	857
Private sector	920	1,085	1,133	1,150	1,069	273	253	261	282
1. Personal restitution from									
West Germany	407	440	469	437	441	111	110	112	108
2. Personal transfers in cash	461	571	601	534	539	123	129	130	157
Immigrants	282	211	258	232	232	52	52	55	73
Others	179	360	343	302	307	71	77	75	84
3. Personal transfers in kind	18	26	28	23	21	4	6	6	5
4. Transfers of nonprofit institutions	109	138	109	263	174	62	35	35	42
5. Personal transfers abroad	75	90	74	107	106	27	27	22	30
Public sector	1,310	1,708	1,837	1,788	1,553	653	308	17	575
6. Transfers of the National									
Institutions	311	309	338	436	354	62	117	26	149
7. Institutional transfers in kind	4	6	3	0	0	0	0	0	0
8. Intergovernmental transfers ^b	995	1,393	1,496	1,352	1,199	591	191	-9	426

^a The discrepancies between the data in this table and those in Table VII-2 are due to rounding.

^b Excludes the administered areas.

SOURCE: Central Bureau of Statistics and Bank of Israel calculations.

Table VII-A13
U.S. GOVERNMENT AID AND DEFENSE IMPORTS, 1978-82^a
(\$ million)

	1978	1979	1980	1981	1982	1982			
						I	II	III	IV
1. Grants	1,046	1,453	1,556	1,422	1,259	611	207	4	437
2. Long- and medium-term loans received	925	1,202	1,371	1,035	1,094	98	289	426	281
3. Long- and medium-term loans repaid	424	500	580	683	770	197	203	199	171
Principal	225	232	217	206	178	52	49	33	44
Interest	199	268	363	477	592	145	154	166	127
4. Total gross aid (1+2)	1,971	2,655	2,927	2,457	2,353	709	496	430	718
5. Total net aid (4-3)	1,547	2,155	2,347	1,774	1,583	512	293	231	547
6. Advances to U.S. manufacturers	162	-432	-113	212	-6	-95	169	-128	48
7. Direct defense imports	1,548	1,162	1,664	2,168	1,526	445	446	343	292

SOURCE: Central Bureau of Statistics and Bank of Israel calculations.

Table VII-A14
FOREIGN LIABILITIES BY CREDITOR, 1979-82
(\$ billion)

End of year	1979	1980	1981	1982
Total net liabilities (1 to 5)	10.7	11.6	13.4	15.5
1. Foreign governments and international institutions	7	8	8.6	9.4
2. Independence and Development Loans (Israel Bonds)	2.4	2.6	2.9	3.1
3. Nonresidents' deposits	3.4	4.2	4.9	6.5
4. Other net liabilities to nonresidents ^a	-0.9	-1	-0.8	-0.8
5. Net liabilities to banks abroad ^b (6-7)	-1.2	-2.1	-2.3	-2.8
6. Liabilities to banks abroad	5.6	6.2	7.1	8.0
7. Claims on banks abroad	6.8	8.2	9.4	10.8

^a Includes credit granted by Israeli banks to nonresidents and estimated customer credit by Israeli exporters.

^b Includes credit granted directly to the government and the private sector by banks abroad (including overseas offices of Israeli banks), interbank deposits, and reserves of central monetary institutions.

SOURCE: Bank of Israel calculations.

Table VII-A15
INDICATORS OF THE EXTERNAL DEBT BURDEN, 1977-82

	1977	1978	1979	1980	1981	1982
	\$ million					
1. Interest payments on the gross external debt	706	934	1,232	1,797	2,205	2,619
2. Interest receipts from foreign currency assets	285	377	632	843	1,450	1,617
3. Interest payments on the net external debt	421	557	600	954	755	1,002
4. Other capital services						
a. Debit	74	60	146	170	115	138
b. Credit	86	118	175	210	34	39
5. Principal repayments o/a medium- and long-term debt	726	866	839	957	1,119	1,053
6. Total net debt service	1,135	1,365	1,410	1,871	1,955	2,155
	Percent					
7. Interest/net external debt						
a. Nominal interest/debt ^a	5.0	6.1	5.9	8.5	6.0	6.9
b. Real interest/debt ^b	0.3	0.1	-5.7	-5.7	-3.3	5.0
8. Net interest/exports ^c	8	9	8	11	8	12
9. Net debt service/exports	22	22	20	21	22	25
10. Net debt service/exports + transfers	17	18	15	17	17	20
11. Net debt service/GNP ^d	10	11	9	11	10	11

^a Line 3 divided by the average net external debt.

^b Deflated by the three-year moving average change in export prices (excluding diamonds, f.o.b., Paasche index).

^c Exports f.o.b., excluding capital services.

^d GNP in dollar terms was calculated using the average effective rate of exchange for exports and imports.

SOURCE: Central Bureau of Statistics and Bank of Israel calculations.

Table VII-A16
FOREIGN EXCHANGE RESERVES HELD AT THE BANK OF ISRAEL, 1975-82
(\$ million)

End of month	Gross reserves	Foreign bank deposits	Patach deposits ^a	Net reserves	Change in net reserves	No. of months' imports covered by reserves ^b
1975 December	1,183	2	142	1,039	-31	2.0
1976 December	1,373	10	207	1,156	117	2.2
1977 December	1,571	10	202	1,359	203	2.2
1978 December	2,679	8	429	2,242	883	3.1
1979 December	3,120	13	537	2,570	328	2.8
1980 December	3,395	5	609	2,781	211	2.7
1981 December	3,542	4	691	2,847	66	2.6
1982 December	3,836	1	841	2,994	147	2.6
1982 March	3,489	3	626	2,860	—	
June	3,582	3	717	2,862	2	
September	3,675	1	756	2,918	56	
December	3,836	1	841	2,994	76	

^a Deposits of foreign residents.

^b Monthly average of commodity and service imports (c.i.f.), excluding direct defense imports.

SOURCE: Bank of Israel.

Table VII-A17
CHANGES IN WORLD TRADE, 1968-82
 (Percentages)

	Average 1968-78	1979	1980	1981	1982
All goods (volume) ^a	6.5	6.0	1.5	-0.5	-1.0
Manufactures (volume) ^a	7.5	5.5	4.5	2.0	-0.5
OECD imports (volume)	—	8.0	-1.2	-2.0	0.0
OECD exports (volume)	—	5.5	4.0	2.2	-1.5
OECD imports (price)	—	19.0	22.0	11.0	5.2
OECD exports (price)	—	16.5	12.5	9.5	7.2
OPEC imports (volume) ^b		-12.3	15.2	20.0	5.0
Non-OPEC developing countries' imports (volume)		10.3	4.4	1.8	-4.0
Intra-OECD exports (volume)		—	—	-1.7	-0.75
Industrial imports of seven major OECD countries					
Weighted by Israel's commodity exports		—	1.6	2.9	3.9
Weighted by Israel's commodity exports, excl. oil and diamonds		—	3.0	0.8	4.4

^a Based on U.N. estimates.

^b IMF estimates.

SOURCE: OECD, *Economic Outlook*, December 1982; NIER, November 1982.

Table VII-A18
CHANGES IN OIL (OPEC) AND NONOIL COMMODITY PRICES, 1979-82
 (Percent change in dollar prices unless otherwise stated)

	1979	1980	1981	1982
OPEC (weighted average)	46	68	13	-5
Food	9	16	-18	-18
Agricultural raw materials	23	11	-13	-13
Metals and minerals	29	13	-12	-12
All nonoil commodities	15	15	-16	-15
All nonoil commodities in SDR prices	13	14	-8	-11
OPEC average prices (in U.S. \$ per barrel)	19.0	31.9	36.0	33.5

SOURCE: NIER, February 1982 and 1983; covers principal commodity exports of developing (non-OECD) countries.

Table VII-A19
ECONOMIC INDICATORS FOR INDUSTRIAL COUNTRIES 1963-82

	U.S.A.	U.K.	W. Germany	France	Italy	Japan	Four large European countries	Total OECD
GNP growth (%)								
1963-73 (average)	4.0	2.7	4.4	5.4	4.7	9.4	4.4	5.0
1973-77 (average)	3.0	1.8	2.3	3.4	3.0	4.1	2.6	
1980	-0.2	-1.8	1.8	1.2	4.0	4.2	1.3	1.2
1981	1.9	-2.2	-0.2	0.3	-0.2	3.0	-0.5	1.2
1982	-1.7	0.5	-1.2	1.5	0.7	2.5	0.2	-0.5
First half	-3.4	1.3	-0.6	1.4	3.6	2.6	1.1	-0.8
Second half	0	-0.5	-4.2	0.2	-1.7	2.7	-1.5	0
Inflation rate (consumer price index), annual average								
1980	13.5	18.0	5.5	13.6	21.2	8.0	13.3	12.9
1981	10.4	11.9	5.9	13.4	19.5	4.9	11.5	10.6
1982								
Annual average ^a	6.0	8.5	5.0	11.5	16.5	2.8	9.7	7.5
December-December	4.0	5.5	4.0	9.5	17.0	2.0	8.0	
Monetary growth (M1), nominal (fourth quarter-fourth quarter)								
1980	7.3	4.0	4.4	8.3	11.7	-1.7	7.6	
1981	5.0	9.1	-1.6	15.4	8.4	9.3	7.2	
1982 ^b	8.5 (12)	11.0 (12)	7.0 (12)	14.0 (8)	13.5 (9)	5.0 (11)	10.9	

Government demand surplus change
(percent of GNP)^c

1981 (actual)	0.3	1.2	-0.9	-1.9	-3.6	0.3	-1.1
1981 (cyclically adjusted)	0.9	3.4	-0.1	-0.6	-2.3	0.5	0.2
1982 (actual)	-2.7	0	-0.1	-1.3	-0.3	0.6	-0.4
1982 (cyclically adjusted)	-0.7	1.2	1.5	-0.6	0.8	0.8	0.7

Unemployment rate^d

1970-79 (average)	6.0	4.4	2.4	3.7	6.2	1.7	3.8	
1980	7.0	7.3	3.0	6.3	7.4	2.0	5.6	5.7
1981	7.5	11.4	4.4	7.3	8.3	2.2	7.4	6.7
1982	9.5	12.7	6.1	8.0	8.9	2.4	8.6	8.2
1982 (November)	10.6	12.9	7.2	8.1	9.0	2.4	9.1	8.8

^a Implicit deflator for private consumption.

^b Change during the past 12 months; the figures in parentheses indicate the last month for which data were available.

^c A minus sign indicates a net increase in government demand.

^d Adjusted to OECD definition.

SOURCE: OECD, *Economic Outlook* and *Main Economic Indicators*; Federal Reserve Bank of St. Louis; NIER, *Economist*.

Table VII-A20
WORLD CURRENT ACCOUNT, 1979-82
(\$ billion, including official transfers)

	1979	1980	1981	1982
U.S.A.	-0.5	1.5	4.5	-8.7
Four major European countries	2.9	-23.5	-7.9	-12.7
Japan	-8.8	-10.7	4.8	6.5
OECD, total	-27.7	-69.1	-31.0	-38.5
OPEC	68	110	65	0
Nonoil developing countries	-37	-60	-75	-65
Other	-3	-1	-10	0
World total ^a	-3	-24	-45	-100

^a The difference from zero reflects errors and omissions.

SOURCE: OECD, *Economic Outlook*, December 1982, Tables 27 and 30.

Table VII-A21
MONEY MARKET AND EURODOLLAR INTEREST RATES, 1981-82
(Percentages, average for period)

	1981		1982				
	III	IV	I	II	III	IV	Dec.
1. Money market (short-term)							
U.S.A.	17.6	13.6	14.2	14.5	11.0	9.3	9.0
U.K.	13.5	14.8	13.6	12.6	10.7	9.5	10.3
W. Germany	12.8	11.2	10.2	9.3	8.9	7.2	6.6
Japan	7.5	7.2	6.6	7.3	7.4	7.2	7.2
Eurodollar (one-month deposit)	18.2	13.9	15.2	15.0	11.9	9.2	9.3
2. Long-term (government bond yields to maturity)							
U.S.A.	14.5	14.1	14.3	13.7	12.9	10.7	10.6
U.K.	15.3	15.7	14.7	13.7	12.3	10.6	
W. Germany	11.1	10.0	9.7	9.0	9.0	8.1	7.9

SOURCE: IMF, *International Financial Statistics*, March 1983.

Table VII-A22
RELATIVE ISRAELI WHOLESALE PRICES, 1980-82
(Indexes: Jan. 1981=100)

	Sheqel exchange rate		Relative Israeli prices ^b	
	Against the dollar	Against foreign currency basket ^a	Against U.S.A.	Against foreign currency basket countries
1980	64.9	67.2	99.0	103.0
1981	144.7	130.0	102.8	94.0
1982	307.3	255.9	102.8	88.9
1980 I	48.6	50.4	100.7	105.6
II	57.2	59.1	96.8	101.5
III	68.6	72.2	99.2	104.4
IV	85.3	86.9	99.2	100.5
1981 I	106.0	102.9	100.1	97.4
II	130.1	118.0	103.7	94.8
III	158.8	136.0	105.0	91.2
IV	183.8	162.9	102.4	92.4
1982 I	221.0	190.9	102.8	91.0
II	270.7	229.6	102.6	90.1
III	341.3	281.1	104.8	89.5
IV	396.2	321.8	100.9	85.0
1983 I	465.2	376.6	98.8	84.3

^a Average of the representative rates of five currencies (U.S. dollar, German mark, pound sterling, Dutch guilder, and French franc), weighted by the composition of Israel's foreign trade.

^b The exchange rate of the sheqel multiplied by the index of wholesale prices abroad, divided by the wholesale price index of Israel's industrial production (excluding food and VAT).

SOURCE: Sheqel exchange rate—Bank of Israel, *Main Israeli Economic Data*; inflation in the U.S. and foreign currency basket countries—OECD, *Main Economic Indicators*; Israeli wholesale prices—Central Bureau of Statistics.

Table VII-A23
SELECTED DATA ON NONOIL DEVELOPING COUNTRIES, 1980-82

	1980	1981	1982
1. GDP growth (in percent, weighted averages)			
Asia (excl. China)	3.3	6.0	3.6
Middle East	6.7	4.2	2.5
Western Hemisphere	5.9	0.5	-0.7
Africa	4.4	2.9	1.3
2. Current account financing (\$ billion)			
Current account deficit	88.9	103.3	90.0
a. Use of reserves	-3.6	-1.7	11.0
b. Aid and investment flows	22.6	26.3	23.6
c. IMF and monetary authority credit	2.3	6.5	10.2
d. Private bank credit	39.6	53.5	25.0
e. Other borrowing	28.0	18.7	20.2

SOURCE: IMF statistics.

Table VII-A24
EXCHANGE RATE VARIATIONS, 1980-82
 (Percent increase over previous period)

	1980	1981	1982	Percent increase to end-1982 from:	
				July 1980	End- 1981
1. Selected currencies against the dollar					
Deutsche mark	0.8	-19.6	-6.9	-27.8	-6.6
Pound sterling	9.7	-12.8	-13.7	-31.7	-15.0
Dutch guilder	0.9	-20.3	-6.6	-28.4	-7.2
French franc	0.7	-22.2	-17.3	-40.9	-16.6
2. Real exchange rates against the dollar^a					
Deutsche mark	-6.6	-21.6	-4.4	-27.6	-4.8
Pound sterling	9.8	-12.8	-8.9	-26.5	-9.7
Dutch guilder	-6.0	-21.3	-3.2	-27.1	-4.7
French franc	-5.7	-22.0	-10.7	-33.9	-11.4
3. Selected currencies against the sheqel					
U.S. dollar	101.6	122.9	112.4	559.4	115.6
Deutsche mark	103.4	79.7	97.1	375.4	100.9
Pound sterling	121.2	94.1	83.5	349.7	83.3
Dutch guilder	103.6	78.1	98.0	372.1	99.6
French franc	103.2	73.9	75.7	289.7	79.6
Five-currency basket ^b	106.2	93.6	96.7	421.2	100.1
4. Price of industrial output for the domestic market^c					
	125.2	133.4	127.2	649.4	131.3

^a The exchange rates in relation to the dollar, deflated by the increase in wholesale prices in the relevant countries.

^b Average of the representative rates of the five currencies, weighted by the composition of Israel's foreign trade.

^c Wholesale prices of industrial output for domestic uses, excluding food.

SOURCE: IMF.

**EFFECT OF CHANGES IN EXCHANGE RATES ON ISRAEL'S FOREIGN
TRADE PRICES, 1978-82**
(Percent annual increase)

	1978	1979	1980	1981	1982
1. Export prices ^a					
Total price change					
Thereof: Effect of exchange rate fluctuations ^b	12.8	14.4	15.2	-3.4	-5.4
Prices adjusted for exchange rate fluctuations	10.6	6.0	1.5	-13.8	-8.1
Prices adjusted for exchange rate fluctuations	2.0	7.9	13.5	12.1	2.9
2. Import prices ^c					
Total price change					
Thereof: Effect of exchange rate fluctuations ^b	10.7	15.6	14.3	-4.5	-6.9
Prices adjusted for exchange rate fluctuations	10.8	4.9	0.9	-12.8	-6.9
Prices adjusted for exchange rate fluctuations	-0.1	10.2	13.3	9.5	0.0
3. Terms of trade (1/2)					
Total price change	1.9	-1.0	0.8	1.2	1.6
Thereof: Effect of exchange rate fluctuations ^b	-0.2	1.0	0.6	-1.1	-1.3
Prices adjusted for exchange rate fluctuations	2.1	-2.0	0.2	2.3	2.9

^a Excludes diamonds and refined petroleum products.

^b The effect of fluctuations in exchange rates on foreign trade prices is estimated as the change in the value of the currency basket against the U.S. dollar. The import and export currency baskets reflect the distribution of Israel's foreign trade by country. The baskets consist of 14 currencies, including the U.S. dollar. In practice, trade in some of the commodities is not transacted in terms of the national currency, and therefore the quantitative calculation presented in the table should be regarded as indicative of the general trend only. Moreover, the table does not reflect any possible lag between exchange rate fluctuations and their effect on commodity prices.

^c Excludes diamonds and oil.

Table VII-A26
ISRAEL'S TRADE BALANCE BY GEOGRAPHICAL AREA, 1980-82^a

	Percentage distribution						\$ million	
	Imports			Exports			1982	
	1980	1981	1982	1980	1981	1982	Imports	Exports
1. Common Market	45	47	47	45	38	36	2,672	1,486
Italy	7	7	8	7	5	5	442	189
Belgium and Luxembourg	3	3	3	1	1	1	169	-57
W. Germany	16	16	16	12	9	8	895	330
Netherlands	3	5	4	5	4	4	240	181
United Kingdom	9	9	9	11	10	9	498	381
France	6	6	6	6	7	7	365	275
Other Common Market countries	1	1	1	3	2	2	63	73
2. Free Trade Assoc. (EFTA)	10	9	9	7	7	6	494	233
3. Other European countries	2	3	2	4	2	2	131	100
4. North America	31	31	29	13	18	18	1,639	724
U.S.A.	30	30	27	12	17	17	1,527	702
Canada	1	1	2	1	1	1	112	22
5. Other countries	7	7	8	6	5	5	471	207
Thereof: Japan	3	2	3	1	1	1	186	45
South Africa	2	2	3	2	2	2	167	78
6. Unclassified countries	5	3	5	25	30	33	264	1,374
7. Grand total	100	100	100	100	100	100	5,671	4,124

^a Imports and exports exclude diamonds, oil and refined petroleum products, and trade with the administered areas (Judea-Samaria and the Gaza District).

SOURCE: Central Bureau of Statistics.

Table
COMMODITY IMPORTS (EXCL. DIRECT DEFENSE)
(\$)

	1979	1980	1981
1. Consumer goods	626.2	544.3	756.4
Food	274.2	251.7	313.4
Other current consumption	119.0	104.1	137.9
Durables	233.0	188.5	305.1
2. Capital goods	1,194.6	969.4	1,037.0
Machinery and equipment	854.6	774.6	810.3
Land transport equipment	185.0	182.6	157.4
Ships and aircraft	155.0	12.2	69.3
3. Production inputs, excl. oil and diamonds	3,258.1	3,194.8	3,539.7
Raw materials for agriculture	220.5	228.9	272.2
Raw materials for food industry	402.7	421.3	446.6
Textile yarn and thread	153.1	160.4	182.9
Iron, steel, and products thereof	400.2	338.1	344.5
Spare parts and accessories	643.5	622.0	659.7
Chemical and plastic products	545.5	485.2	518.9
Paper, wood, and products thereof	260.6	243.0	271.9
Miscellaneous	632.0	695.9	843.0
4. Oil	1,406.0	2,116.4	2,043.2
5. Rough and polished diamonds (net)	920.4	1,119.7	529.1
6. Goods n.e.s., less imports returned	-8.8	-66.3	-58.4
7. Total net commodity imports, foreign trade definition	7,396.5	7,878.3	7,847.0
8. Balance of payments adjustments	-334.6	-326.1	-313.0
9. Commodity imports from administered areas ^b	168.8	224.3	288.6
10. Total net commodity imports, balance of payments definition (c.i.f.) (7+8+9)	7,230.7	7,776.5	7,822.6
Thereof: Excl. oil, diamonds, and imports from administered areas	4,735.5	4,316.1	4,961.7

^a Based on a c.i.f. valuation of imports.

^b Judea-Samaria and the Gaza District.

SOURCE: Central Bureau of Statistics.

VII-A27

IMPORTS) BY ECONOMIC DESTINATION, 1979-82^a
(million)

1982	Percent annual increase							
	Price				Quantity			
	1979	1980	1981	1982	1979	1980	1981	1982
832.0	18.0	18.5	-8.2	-12.1	35.7	-26.7	51.4	25.2
296.3	25.2	38.5	-5.8	-26.6	43.3	-33.7	32.2	28.8
176.6	10.9	11.3	-8.6	-1.8	13.9	-21.4	44.9	30.4
359.1	12.1	4.0	-10.1	-5.2	44.3	-22.2	80.1	24.2
1,295.1	11.0	7.3	-1.1	0.7	37.8	-24.4	8.2	24.0
996.6	11.3	7.9	-0.8	2.6	27.1	-16.0	5.5	19.9
228.2	9.2	5.6	-2.3	-5.2	65.5	-6.5	-11.8	52.9
70.3		
3,419.8	16.8	15.8	-4.6	-7.9	9.2	-15.3	16.1	4.9
233.0								
396.3								
199.2								
352.5								
697.6								
531.0								
267.9								
742.3								
1,914.2	62.1	44.6	2.9	-12.9	12.0	4.1	-6.2	7.6
571.8	9.3	9.3	-10.3	-8.5	-25.5	11.3	-47.3	18.1
-72.5								
7,960.4	21.4	20.4	-3.1	-8.5	8.2	-11.5	2.8	10.9
-286.5								
258.4	15.9	21.0	-4.2	-2.2	-11.8	9.8	34.3	-8.4
7,932.3	21.7	20.0	-3.7	-7.9	6.7	-10.4	4.4	10.1
5,187.9	15.6	14.3	-4.5	-6.9	17.0	-20.3	20.4	12.3

Table VII-A28
GEOGRAPHICAL DISTRIBUTION OF EXPORTS BY BRANCH
(Average 1980-81, in percent)

	Europe			Total	U.S.A.	Rest of world
	Common Market	Free Trade Assoc. (EFTA)	Other countries			
Agricultural exports	65.6	23.4	5.8	94.8	0.9	4.3
Industrial exports, excl. diamonds	37.3	4.5	3.7	45.5	16.9	37.6
Food, beverages, tobacco	66.3	8.6	5.4	80.3	9.0	10.7
Textiles, clothing, leather	80.7	5.1	3.5	89.3	4.9	5.8
Wood, paper, printing, misc.	32.6	8.8	1.9	43.3	42.4	14.3
Mining, quarrying, nonmetallic mineral products	31.7	5.9	6.8	44.4	22.9	32.7
Chemicals, rubber and plastic products	49.7	5.6	7.5	62.8	10.1	27.1
Basic metals, metal products, machinery	15.6	2.5	2.2	20.3	15.4	64.3
Electrical and electronic equipment	23.3	3.3	1.6	28.2	25.9	45.9
Transport equipment	4.5	0.4	0.4	5.3	25.6	69.1

SOURCE: *Branch and Geographical Composition of Israel's Exports in 1981* (Hebrew), Ministry of Industry and Trade, January 1983.

Table VII-A29
EXPORTS TO THE UNITED STATES, 1978-82
(\$ million)

	1978	1979	1980	1981	1982
Agricultural exports	5.5	7.2	5.7	4.8	8.2
Thereof: Citrus	1.2	1.0	0.1	0.3	0.9
Diamonds	378.1	340.2	454.5	505.8	417.5
Industrial exports, excl. diamonds	295.7	392.8	484.8	699.2	696.4
Food	18.0	21.7	21.0	36.2	46.4
Textiles, clothing, and leather goods	35.9	26.9	21.3	21.4	24.2
Wood, paper, printing, misc.	71.6	101.6	107.0	147.4	156.1
Thereof:					
Printing and publishing	5.8	6.3	9.8	8.9	9.1
Precision instruments	3.4	5.7	9.5	17.9	20.3
Jewelry	51.9	75.5	76.1	106.9	93.0
Mining, quarrying, nonmetallic mineral products	19.4	24.0	41.0	47.5	43.0
Rubber and plastic products	22.1	28.1	25.4	28.6	30.5
Thereof: Tires and tubes	15.6	16.4	14.7	17.0	14.7
Chemicals	25.4	27.2	36.0	57.3	54.3
Thereof:					
Basic chemicals	13.7	13.0	20.9	29.5	25.8
Pharmaceuticals	6.0	3.8	2.5	4.4	12.4
Pesticides and disinfectants	3.7	8.1	9.4	19.7	11.2
Metal	43.2	53.5	82.0	103.6	96.2
Thereof:					
Basic metals	9.4	7.5	16.2	24.0	12.3
Metal products	22.8	30.1	39.3	49.7	48.1
Machinery	11.0	15.9	26.5	29.9	35.8
Electrical and electronic equipment	23.4	42.6	62.6	112.2	152.8
Thereof:					
Communication equipment	4.7	13.1	12.7	56.0	24.9
Electronic equipment for control and medical uses	7.6	12.3	32.0		84.7
Transport equipment	36.7	67.2	88.5	145.0	78.2
Thereof: Maritime and aircraft	30.5	59.8	82.5	138.8	71.2
Other exports	4.5	8.9	8.9	11.0	14.7
Total exports	683.8	749.1	953.9	1,220.8	1,119.7

SOURCE: *Branch and Geographical Composition of Israel's Exports in 1981* (Hebrew), Ministry of Industry and Trade, January 1983.

Table VII-A30
SERVICE EXPORTS, 1978-82^a
(\$ million)

	1978	1979	1980	1981	1982	Percent annual increase			
						1979	1980	1981	1982
1. Transportation	1,055.8	1,165.6	1,379.7	1,427.8	1,342.7	10.4	18.4	3.5	-6.0
Passenger fares	169.0	195.0	203.0	203.0	173.9	15.4	4.1	0.0	-14.3
Charter hire	65.4	54.0	88.8	94.0	62.1	-17.4	64.4	5.9	-33.9
Port services	57.0	69.8	104.9	107.0	113.1	22.5	50.3	2.0	5.7
Miscellaneous	39.6	59.6	74.5	83.2	66.8	50.5	25.0	11.7	-19.7
Export cargo	117.4	158.1	182.2	188.3	184.1	34.7	15.2	3.3	-2.2
Import cargo	214.0	273.2	292.3	333.4	342.6	27.7	7.0	14.1	2.8
Shipments between foreign ports	393.4	355.9	434.0	418.9	400.1	-9.5	21.9	-3.5	-4.5
Total transp., excl. import cargo	841.8	892.4	1,087.4	1,094.4	1,000.1	6.0	21.9	0.6	-8.6
2. Tourism	865.0	792.1	896.4	970.2	893.1	15.6	13.2	8.2	-7.9
3. Insurance (incl. import cargo)	18.8	22.2	23.2	39.2	16.7	18.1	4.5	69.0	-57.4
4. Government n.e.s.	20.0	19.0	15.0	14.0	20.0	-5.0	-21.1	-6.7	42.9
5. Other services	415.4	660.2	798.4	808.4	876.3	58.9	20.9	1.3	8.3
Agents' fees	252.4	411.7	546.2	323.3	272.5	63.1	32.7	-40.8	-15.7
Miscellaneous	163.0	248.5	252.2	485.5	603.8	52.5	1.5	92.5	24.4
6. Total service exports, excl. capital services and admin. areas ^b	2,195.0	2,659.1	3,112.7	3,260.0	3,148.9	21.1	17.1	4.7	-3.4
7. Capital services	494.2	808.0	1,052.0	1,485.0	1,657.3	63.5	30.2	41.2	11.6
8. Exports to admin- istered areas ^b	79.0	86.1	126.8	126.3	128.9	9.0	47.3	-0.4	2.1
9. Total service exports	2,768.2	3,553.2	4,291.5	4,871.3	4,935.1	28.4	20.8	13.5	1.3

^a Based on a c.i.f. valuation of commodity imports and an f.o.b. valuation of commodity exports.

^b Judea-Samaria and the Gaza District.

SOURCE: Central Bureau of Statistics.

Table VII-A31
SERVICE IMPORTS, 1978-82^a
(\$ million)

	1978	1979	1980	1981	1982	Percent annual increase			
						1979	1980	1981	1982
1. Transportation	796.7	957.9	1,053.2	1,097.0	1,079.7	20.2	9.9	4.2	-1.6
Passenger fares	86.0	120.0	141.6	166.0	165.6	39.5	18.0	17.2	-0.2
Charter hire	187.0	180.0	146.8	142.0	125.3	-3.7	-18.4	-3.3	-11.8
Port services	350.0	437.0	517.0	540.2	527.0	24.9	18.3	4.5	-2.4
Miscellaneous	173.7	220.9	247.8	248.8	261.8	27.2	12.2	0.4	5.2
2. Tourism	342.3	456.7	525.0	613.2	647.2	33.4	15.0	16.8	5.5
3. Insurance	43.3	29.9	28.6	18.1	15.0	-30.9	-4.3	-36.7	-17.1
4. Government n.e.s.	150.0	131.0	148.0	118.0	122.0	-12.7	13.0	-20.3	3.4
5. Other services	310.3	334.1	373.7	594.1	773.6	7.7	11.9	59.0	30.2
Agents' fees	147.3	149.9	157.3	175.6	218.3	1.8	4.9	11.6	24.3
Miscellaneous	163.0	184.2	216.4	418.5	555.3	13.0	17.5	93.4	32.7
6. Total services, excl. capital services and administered areas ^b	1,642.6	1,909.6	2,128.5	2,440.4	2,637.5	16.3	11.5	14.7	8.1
7. Capital services	993.6	1,380.0	1,966.0	2,320.0	2,757.0	38.9	42.5	18.0	18.8
8. Services from administered areas ^b	191.4	266.2	302.3	330.7	348.5	39.1	13.6	9.4	5.4
Thereof: Wages	179.7	255.7	283.4	309.9	327.6	42.3	10.8	9.4	5.7
9. Total service imports (6+7+8)	2,827.6	3,555.8	4,396.8	5,091.1	5,743.0	25.8	23.7	15.8	12.8

^a Based on a c.i.f. valuation of commodity imports; imports of shipping services and import cargo insurance are included in commodity imports.

^b Judea-Samaria and the Gaza District.

SOURCE: Central Bureau of Statistics.

Table
FOREIGN INVESTMENT IN ISRAEL AND
(\$

	1977	1978	1979	1980
1. Foreign investment in Israel				
In foreign currency	100.1	114.2	53.7	-1.1
Investments	54.9	105.1	84.6	149.9
Investments repatriated	-9.3	-29.2	-73.0	-201.7
Net investments	45.6	75.9	11.6	-51.8
In Independence and Development Bonds	12.8	13.0	16.1	17.1
In kind	33.7	17.6	17.3	24.3
Reinvestment of profits	8.0	7.7	8.7	9.3
2. Israeli investments abroad	4.9	70.6	69.1	50.3
Direct ^a	5.7	6.3	1.2	-7.4
Portfolio investment—private individuals	-0.8	64.3	67.9	57.7
3. Total net private investment (1-2)	95.2	43.6	-15.4	-51.4
4. Portfolio investment abroad ^b —Israeli banks, net	3.6	42.0	80.7	97.4
5. Total net foreign investment in Israel (3-4)	91.6	1.6	-96.1	-148.8

^a Includes investment in foreign shares by Israeli banks.

^b Bonds only.

SOURCE: Central Bureau of Statistics and Bank of Israel calculations.

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ISRAELI INVESTMENT ABROAD, 1977-82

million)

1981	1982	1982			
		I	II	III	IV
117.6	114.0	55.8	43.9	-15.7	30.0
138.7	99.6	59.8	48.7	-8.7	-0.2
-68.0	-32.1	-15.2	-13.5	-16.6	13.2
70.7	67.5	44.6	35.2	-25.3	13.0
14.2	5.9	1.2	2.4	1.3	1.0
23.5	22.4	5.5	1.8	3.7	11.4
9.2	18.2	4.5	4.5	4.6	4.6
122.5	115.1	58.7	-3.8	43.4	16.8
80.5	69.2	35.7	-2.7	26.8	9.4
42.0	45.9	23.0	-1.1	16.6	7.4
-4.9	-1.1	-2.9	47.7	-59.1	13.2
90.0	-12.8	22.8	36.2	-53.6	-18.2
-94.9	11.7	-25.7	11.5	-5.5	31.4

Table VII-A33
COMMODITY TERMS OF TRADE, 1976-82
(Indexes: 1972=100)^a

	1976	1977	1978	1979	1980	1981	1982
Total	87	93	100	94	87	86	89
Total, excl. diamonds	89	88	92	87	82	81	84
Total, excl. diamonds and oil	98	98	100	99	100	101	103
Export prices ^b relative to oil prices	30	29	33	23	19	17	19

^a The export price index divided by the import price index. A decrease in the index implies a deterioration in the terms of trade.

^b Prices of exports, excl. diamonds and refined petroleum products.

SOURCE: Central Bureau of Statistics and Bank of Israel calculations.