

## CHAPTER IX

### ACTIVITIES OF THE BANK OF ISRAEL

#### 1. SUMMARY OF THE BALANCE SHEET AT THE END OF 1982<sup>1</sup>

##### (a) Main Developments

The Bank of Israel's balance sheet at the end of 1982 totaled IS264 billion, compared with IS115 billion the year before—an increase of 129 percent (104 percent in 1981). The higher growth rate this year is mainly explained by the fact that prices moved up faster in 1982 than in 1981 (by 131.5 percent as against 101.5 percent), and by the accelerated depreciation of the sheqel against the dollar (116 percent compared with 107 percent in 1981) and an even greater acceleration against the DM (104 percent compared with 80 percent in 1981).

On the assets side of the balance sheet, the most noteworthy features were the relatively rapid increase in credit to the government and the fact that in dollar terms foreign reserves grew faster than in 1981. The Bank's portfolio of government securities rose at the same rate as the consumer price index, while foreign currency credit declined, reflecting the continued implementation of the Bank's policy of increasing the participation of banking institutions in the financing of the foreign currency credit funds and the drop in the amounts drawn from them by exporters (particularly from the Diamond Fund).

On the liabilities side, the salient features were the rapid real growth of the banking institutions' local currency deposits and the slow growth of their foreign currency deposits. These complementary developments reflected the steps taken by the Bank to encourage the use of the sheqel in banking activity and the improved yield of assets denominated in IS (relative to foreign currency); also, at the end of the year half the proceeds of bank share issues were deposited with the Bank of Israel, and these deposits were not part of the banks' liquid assets. Banknotes and coins in circulation, which rose in 1981, dropped this year (both in real terms).

##### (b) Foreign Currency Accounts Abroad

The foreign reserves held by the Bank of Israel<sup>2</sup> came to \$2,994 million, compared with \$2,847 million at the end of 1981, an increase of \$147 million or 5.2 percent (\$67

<sup>1</sup> This section is from the Bank of Israel's Financial Statements for the Year 1982, published in February 1983.

<sup>2</sup> Defined as gold, foreign currency, and securities denominated in foreign currency, net of the deposits of banks abroad and the foreign currency deposits of banks in Israel against nonresident deposits.

**Table IX-1**  
**BANK OF ISRAEL CLAIMS ON AND LIABILITIES TO FOREIGNERS IN GOLD AND**  
**FOREIGN EXCHANGE, 1981-82**  
(\$ million)

	1982	1981	Increase
<b>Assets</b>			
Gold, foreign exchange, and foreign securities	3,836	3,542	294
Other foreign currency assets	218	7	211
<b>Total claims on foreigners</b>	<b>4,054</b>	<b>3,549</b>	<b>505</b>
<b>Liabilities</b>			
Allocation of Special Drawing Rights	117	124	-7
Liabilities to IMF	30	74	-44
Foreign currency deposits of foreign banks	1	4	-3
Other liabilities	14	13	1
Nonresidents' deposits	841	691	150
<b>Total liabilities to foreigners</b>	<b>1,003</b>	<b>906</b>	<b>97</b>
<b>Net claims on foreigners (foreign currency assets)</b>	<b>3,051</b>	<b>2,643</b>	<b>408</b>
<b>Net foreign exchange reserves at the Bank of Israel<sup>a</sup></b>	<b>2,994</b>	<b>2,847</b>	<b>147</b>

<sup>a</sup> Defined in note 2.

million and 2.4 percent in 1981); most of the increment accrued in the last quarter, after the level held more or less steady in the preceding period.

The sectoral composition of the increment was similar to that of 1981: the public sector augmented the reserves by some \$500 million, while the private sector drew the level down by about \$350 million (in 1981: \$300 million and \$230 million respectively). Within the public sector, the government and the Jewish Agency contributed \$280 million, as in 1981; the Bank of Israel's income from foreign currency assets grew considerably, from \$112 million in 1981 to \$394 million in 1982; the Bank's repayment of IMF loans and other expenses (including interest on nonresident deposits) came to \$170 million. The private sector's drawings on the foreign reserves increased slightly this year, despite the fairly large increase in the sector's import surplus, since its capital imports rose at the same time.

The sectoral pattern varied during the year. The private sector drew about \$610 million in the first two quarters and added some \$260 million in the last two. This change in trend was apparently connected mainly with fluctuations in capital imports. The latter were also affected by nondirected foreign currency credit, which contracted in the first two quarters and expanded in the last two. The public sector contributed \$630 million in the first two quarters and drew \$130 million in last two. The main reason for the difference between the two periods was the government's drawings in the last two quarters, which were mostly offset by the increase in the Bank's income.

### (c) Government Accounts

Bank of Israel credit to the government rose by IS56.8 billion during the year, compared with IS19 billion in 1981, and stood at IS81.3 billion at the end of 1982. This amount consisted of a long-term debt of IS29.7 billion, linked to foreign currency, and a provisional advance of IS51.7 billion. The long-term debt (which stood at IS5.5 billion at the end of 1981) rose on March 31, 1982 by IS24 billion, the amount of the provisional advance outstanding at that date.

The surplus of domestic government expenditures over receipts (including credit granted and its repayment) rose from IS29 billion in 1981 to IS46 billion in 1982, representing a rate of increase well below that of prices. Net long-term borrowing from the public rose more slowly, from IS14 billion in 1981 to IS17 billion in 1982. As a result, the government injection—that part of the expenditure surplus not covered by net borrowing—accelerated, coming to IS29.5 billion (IS15.3 billion in 1981), but again the rate of increase was below that of the price level. The government and Jewish Agency liquidity injection came to IS34 billion in 1982, compared with IS17.3 billion in 1981.

### (d) Loans

The Bank of Israel's participation in credit (foreign and local currency) came to IS18.4 billion at the end of 1982, compared with IS22.3 billion a year earlier. The decline was the outcome of two opposing trends: foreign currency credit dropped from IS17.3 billion in 1981 to IS5.2 billion in 1982, and local currency credit rose from IS5.1 billion to IS13.1 billion.

The reduction in the Bank's participation in the foreign currency credit funds reflected both a decline in amounts drawn and changes (set in train in 1981) in the funds' financing arrangements between the Bank and the banking institutions. The reduction was offset by the expansion of credit from the banking institutions' own means.

### (e) Securities

The Bank of Israel's securities portfolio includes indexed or dollar-linked government bonds acquired by the Bank as part of its open-market operations or as the government's agent, as well as nontradable compulsory loan certificates purchased from firms. At the end of 1982, the revalued portfolio came to IS22.0 billion, or 131 percent over the 1981 figure of IS9.6 billion.

The tradable securities portfolio rose by 129 percent, from IS5.8 billion at the end of 1981 to IS13.3 billion at the end of 1982. The increase in the portfolio reflected its revaluation as well as the purchase and sale of securities. Nontradable securities rose by 133 percent (from IS3.8 billion to IS8.8 billion); this portfolio consists mostly of the loan certificates purchased from firms under the special arrangement enabling them to sell certificates in lieu of receiving directed credit. The increase in this item consisted of a revaluation increment of IS4.3 billion and (as in 1981) net purchases of IS0.7 billion.

**Table IX-2**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES FOR THE YEAR ENDED DECEMBER 31, 1982**

	Total assets and liabilities (IS million)					Assets and liabilities in or linked to foreign currency (in terms of U.S. \$ million)			
	Balance on 31.12.81	Balance on 31.12.82	Increase			Balance on 31.12.81	Balance on 31.12.82	Increase	
			ISm.	Percent				\$m.	%
	Nominal	Real <sup>a</sup>							
<b>Assets</b>									
Foreign assets	55,376	136,417	81,041	146.3	6.4	3,549	4,054	505	14.2
Government debt									
In or linked to foreign currency	5,516	29,612	24,096	436.8	131.9	353	880	527	149.3
In local currency	19,030	51,725	32,695	171.8	17.4				
Loans and discounts									
In foreign currency	17,264	5,207	-12,057	-69.8	-87.0	1,106	155	-951	-86.0
In local currency	5,066	13,148	8,082	159.5	12.1				
Securities	9,558	22,044	12,486	130.6	—				
Other assets	3,154 <sup>b</sup>	5,634 <sup>b</sup>	2,480	78.7	-22.8	149	130	-19	-12.8
Total assets	<b>114,964</b>	<b>263,787</b>	<b>148,823</b>	<b>129.5</b>	<b>-0.9</b>	<b>5,157</b>	<b>5,219</b>	<b>62</b>	<b>1.2</b>
<b>Liabilities</b>									
Banknotes and coins in circulation	5,360	10,722	5,362	100.0	-13.6				
Foreign liabilities	1,417 <sup>b</sup>	1,501 <sup>b</sup>	84	5.9	-54.2	91	45	-46	50.5
Foreign currency deposits of the govern- ment and National Institutions	4,281	14,866	10,585	247.3	50.0	274	442	168	61.3

Foreign currency deposits of banking institutions in Israel									
Against residents' deposits—restitution	37,482	84,122	46,640	124.4	-3.1	2,402	2,500	98	4.1
Against residents' deposits—other	37,772	86,371	48,599	128.7	-1.2	2,421	2,567	146	6.0
Against nonresidents' deposits	10,788	28,306	17,518	162.4	13.3	691	841	150	21.7
Deposits of banking and financial institutions in Israel	4,424	12,687	8,263	186.8	23.9				
Capital and general reserve	1,000	1,000	—	—	-56.8				
Other liabilities	12,440 <sup>b</sup>	24,212 <sup>b</sup>	11,772	94.6	-15.9	410	309	-101	-24.6
Total liabilities	<b>114,964</b>	<b>263,787</b>	<b>148,823</b>	<b>129.5</b>	<b>-0.9</b>	<b>6,289</b>	<b>6,704</b>	<b>415</b>	<b>6.6</b>
Foreign exchange reserves held at the of Israel <sup>c</sup>						<b>2,847</b>	<b>2,994</b>	<b>147</b>	<b>5.2</b>

NOTE: The accompanying notes at the end of the chapter are an integral part of the financial statements.

<sup>a</sup> The nominal change deflated by the increase in the consumer price index (131.5 percent in December levels), apart from the securities item, which was deflated by the November-to-November increase in the index (130.7 percent)—see note 1(e).

<sup>b</sup> Consists of sums in or linked to foreign currency and unlinked sums.

<sup>c</sup> Defined as gold, foreign exchange, and foreign securities, less deposits of foreign banks (see explanatory note 8) and foreign currency deposits of banking institutions in Israel against nonresidents' deposits.

## (f) Banknotes and Coins in Circulation

The value of banknotes and coins in circulation was IS10.7 billion at the end of 1982, compared with IS5.4 billion at the end of 1981—an increase of 100 percent (111 percent in the preceding year). Thus in real terms currency in circulation declined, as did the total money supply, reflecting falling demand for money as inflation intensified. The share of currency in the total money supply rose from 35 percent at the end of 1981 to 36 percent at the end of 1982.

## (g) Local Currency Deposits of Banking Institutions

The banking institutions' local currency deposits with the Bank of Israel rose by 187 percent (120 percent in 1981), from IS4.4 billion at the end of 1981 to IS12.7 billion at the end of 1982. These deposits, which remained fairly stable in the first three quarters, grew throughout the last quarter.

The shift to IS deposits reflects the Bank of Israel's policy of promoting the use of assets and credits in local instead of foreign currency. To that end, the Bank took a number of steps which improved the yield on local currency assets and reduced the profitability of holding foreign currency deposits in general and foreign currency resident demand deposits (Patam demand) in particular.

Local currency deposits grew in the last quarter, *inter alia* because of the heavy subscription to new issues of shares. Since the proceeds of new issues were in the last part of the period subject to a 100 percent deposit requirement, the banks' deposits with the Bank of Israel grew as well. Another source of the increase in IS deposits with the Bank of Israel was capital mobilization of IS9.5 billion by the banking institutions, mostly in the last quarter. Half of the proceeds of these issues were frozen in a separate deposit at the Bank of Israel, which did not qualify as liquid cover, for periods varying from one month to six weeks.

Table IX-3

### INTEREST RATES PAID BY THE BANK OF ISRAEL ON SHEQEL DEPOSITS OF BANKING AND FINANCIAL INSTITUTIONS, 1982<sup>a</sup> (Percentages)

Type of asset	Total liquidity requirement	Breakdown of required liquid cover by interest rates paid		
		Interest rate steps <sup>b</sup>		
		0	70	80
Demand deposits	35	20	15	Liquidity surplus
Time deposits	7-20	2-7	5-13	—
Negotiable certificates of deposit	18	7	11	—
Free market credit	5	0	5	—

<sup>a</sup> Rates in force on December 31, 1982.

<sup>b</sup> Interest paid every three months.

Deposit mobilization by the banks enabled the Bank of Israel to reduce its reliance on the discount window as a way of supplying the banks with local currency. By the end of the year this discount-window lending declined to IS1.8 billion from the August peak of IS6.2 billion. The changes in IS-denominated deposits during the year were affected by the developments in the sources of injections, and led to changes in the monetary base. In the first three quarters, the government and the Jewish Agency injected IS29 billion into the economy, but since absorption via foreign currency came to IS31 billion, the Bank of Israel was forced to resort to discount-window lending to the tune of IS6.2 billion, in order to enable the banks to meet their monetary local currency targets while contracting their foreign currency transactions.

In the last quarter, the government and Jewish Agency injection was cut to no more than IS5 billion; foreign currency conversions, however, reached IS9 billion, reversing the trend. In order to reduce the resulting excess liquidity, the Bank of Israel absorbed IS4.6 billion by cutting down discount-window lending and through open-market operations.

#### **(h) Foreign Currency Deposits of Banking Institutions**

Most of the banking institutions' foreign currency deposits with the Bank of Israel serve as liquid cover for three types of deposits of the public: those originating from German restitutions payments (Patam restitutions), resident deposits (Patam), and nonresident deposits (Patach). At the end of 1982, foreign currency deposits with the Bank of Israel came to IS199 billion (75 percent of the Bank's total liabilities), an increase of 131 percent compared with 104 percent in 1981. The dollar value of these deposits rose from \$5.5 billion at the end of 1981 to \$5.9 billion at the end of 1982.

Restitutions deposits rose only slightly during the year, from \$2.4 billion to \$2.5 billion. There was no change in restitutions receipts. As the DM continued to depreciate against the dollar, the public continued to shift from marks into dollars. The share of DM in total restitutions deposits thus dropped from 70 percent to 55 percent. This decline reflected, in addition to the shift into dollars, the decline in the dollar value of DM.

Resident deposits (Patam) rose by \$150 million, to reach \$2.6 billion by the end of the year. This increment was the net result of a rise of \$340 million in the first eight months of the year and a decline of \$190 million in the last four. Among the reasons for the downswing were the discontinuation of interest payments on Patam demand deposits, the rise in the cost of early withdrawal of time deposits, and the slower rate of devaluation. The introduction of new, very short-term IS deposits bearing interest at market rates helped to improve the yield of local currency assets relative to foreign currency assets. Toward the end of the year, the liquidity ratio was raised from 90 to 95 percent on Patam demand deposits and from 80 to 82 percent on Patam time deposits. As a result, the required liquidity cover rose by \$75 million. The end-of-year balance also includes \$68 million of deposits by banks on account of premature time-deposit withdrawals by the public.

Nonresident deposits (Patach) rose by \$150 million, or by 22 percent, and came to \$841 million at the end of 1982.

## 2. MONETARY POLICY INSTRUMENTS

The year reviewed saw significant changes in the employment of the monetary policy instruments. The principal change was the abandonment of administrative credit ceilings as the central tool for the conduct of monetary policy, and a shift to a more flexible direction of bank credit through the regulation of the monetary base. To this end, a number of steps were taken during the year to foster the mobilization of unlinked Israeli currency resources by the banking system.

### (a) Liquidity Ratios

In 1982 the liquidity regulations were amended with respect to both Israeli and foreign currency (Patam) deposits. The following changes were made in connection with sheqel deposits:

1. The required liquid cover on demand deposits was reduced from 47 to 40 percent on April 1 and to 35 percent on July 29.

2. The liquidity ratio on negotiable certificates of deposit was raised from 14 to 18 percent on July 15.

3. Sheqel time deposits with maturities of two weeks, one month, and two months were introduced on August 5; the liquidity ratios were set at 20 percent for the two-week deposits and 15 percent for the others.

4. In order to better enable the banks to pay interest on these deposits, the Bank of Israel increased the interest it pays on the banks' required sheqel reserves: the rate in the second interest rate step was raised from 36.5 to 55 percent on July 15 and to 70 percent on August 5. This brought up the average interest on the banks' required liquid cover against sheqel deposits from about 19 percent p.a. to 50 percent p.a. in August 1982.

The following changes were introduced in 1982 in connection with foreign currency deposits (Patam):

1. On July 15 separate liquidity requirements went into force on Patam demand and time deposits (90 and 80 percent respectively). To keep the banks from paying interest to the public on Patam demand deposits, the Bank of Israel does not pay interest on such accounts.

2. In order to reduce the liquidity of the public's Patam time deposits, the fines for early withdrawal of time deposits held as required liquid cover were stiffened on July 15. The early withdrawal of Patam time deposits thus increases the liquid cover which the banks must hold in the form of a noninterest-bearing demand deposit with the Bank of Israel. The liquidity ratio was set at 80 percent of the deposit that was withdrawn before maturity, for a period of three months from the date of withdrawal.

3. On November 18 the liquidity ratio was increased from 90 to 95 percent on Patam demand deposits, and on December 2 it was increased from 80 to 82 percent for Patam time deposits. On November 18 the interest on liquidity deficiencies was raised appreciably following the abolition of the sheqel credit ceilings.<sup>3</sup> The interest rates on deficiencies of less than three weeks' duration, which previously had ranged from 36 to 56 percent, were raised to 46–72 percent, and those on deficiencies for three or more consecutive weeks were raised from 38–59 percent to 48–75 percent.

#### **(b) Discount Window**

An additional monetary tool employed by the Bank of Israel in 1982 was lending at the discount window, whose overall volume is determined from time to time by the Bank in accordance with circumstances. This facility, in the amount of IS1.5 billion, was introduced on February 11 following the reduction of the secondary ceiling on foreign currency credit.

The share of each bank in the facility was initially determined in accordance with its share in the overall ceiling for directed credit in both Israeli and foreign currency. Upon the abolition of the ceiling on sheqel lending, the method of allocation was changed, the share of each bank being determined according to its weight in the public's sheqel deposits subject to liquidity, less the required liquidity on these deposits.

This facility was gradually stepped up from its original level of IS1.5 billion to IS5.8 billion by August 19. Beginning September 2, it was scaled down to IS4.8 billion, and then to IS4.3 billion from September 9. On November 25 it was reduced further to IS3.3 billion, and on December 21 to IS1.8 billion.

#### **(c) Credit Ceilings**

The Bank of Israel continued to impose a ceiling on free market credit to Israeli residents in both Israeli and foreign currency until November 1982, along with measures designed to expand the sheqel base in the system and to narrow the interest rate differential on the banks' domestic sheqel lending.

Until the abolition of the ceiling on sheqel credits on November 18, 1982, the year was divided into three subperiods for purposes of checking compliance with the quotas: from February 11 to May 12, from May 13 to August 18, and from August 19 to November 17.

The fine for deviations from the ceilings was 70 percent during all of 1982. On November 18, as stated, the overall ceiling was abolished, and only the ceilings on free market credit granted to Israeli residents in foreign currency and those on credit guarantees remained in force.

<sup>3</sup> This interest is not a deductible expense for income tax purposes.

#### (d) Open-Market Operations

The Bank of Israel operates in the secondary bond market out of current monetary policy considerations and in order to prevent sharp fluctuations in bond prices, which are liable to affect the general public's confidence in government bonds as a savings instrument.

In 1982 net sales to the public of bonds linked to the consumer price index or the dollar totaled IS4.6 billion. Following is the distribution of sales by type of bond:

Bonds linked 80 percent to the consumer price index, bearing interest of 4–7 percent p.a., and maturing in 5–8 years—IS1.8 billion (38 percent of total net sales).

Bonds fully linked to the consumer price index, with a 4 percent interest coupon, and maturing in 3 years—IS1.5 billion (32 percent of total net sales).

Bonds fully linked to the index, with a 3 percent coupon, and maturing in 9–10 years—IS0.5 billion (12 percent of total net sales).

The remaining sales were of the dollar-linked series issued since 1981, 90 percent index-linked bonds, and double-option bonds (indexed or dollar-linked).

The Bank of Israel's share of total Stock Exchange bond transactions ranged in 1982 from 29 percent in April to 41 percent in February and December (daily average trading volume). For the year it averaged 37 percent, compared with 19 percent in 1981.

### 3. BANK OF ISRAEL PUBLICATIONS

In 1982 the Bank of Israel brought out of the following publications:

#### Research Department

- (a) Annual Report 1981.
- (b) Main Points of the Annual Report 1981.
- (c) Calendar of Economic Events, 1981 (Hebrew).
- (d) Recent Economic Developments, No. 33.
- (e) Bank of Israel Economic Review, No. 54.
- (f) Bank of Israel Economic Review, No. 55 (English forthcoming).
- (g) National Budget for 1982.
- (h) Capital Stock Series in Israel, 1960–1982 (Hebrew).
- (i) Economic Development in Judea-Samaria and the Gaza District, 1970–80.
- (j) Distribution of Israel's Imports by Final Uses, 1971–1981 (updates in Hebrew).
- (k) Governor's Report on the Increase in the Money Supply between August 31, 1981 and February 28, 1982.
- (l) Governor's Report on the Increase in the Money Supply between February 28 and June 30, 1982.
- (m) Main Israeli Economic Data (binder and weekly updates).
- (n) The Israeli Economy—Facts in Figures, 1982.

### **Department of the Examiner of Banks**

- (a) Annual Survey of Israel's Banking System, 1981.
- (b) Main Points of the Annual Survey of Israel's Banking System, 1981 (Hebrew).
- (c) Annual Statistics of Israel's Banking System, 1978–1981.
- (d) Banking Statistics (monthly).
- (e) Bank Credit by Economic Sector (quarterly, in Hebrew).
- (f) List of Articles and Other Publications on Banking Topics in Israel (Hebrew).
- (g) Directory of Israeli Bank Branches on 1.1.82 (Hebrew).
- (h) Deposits in Banking Institutions, 1981.
- (i) Clearinghouse Regulations (Hebrew).
- (j) Israel's Banking System, 1981.
- (k) Banks in Israel—Selected Figures, 1982.

### **State Loans Administration**

- (a) Explanatory Notes and Tables for Calculating Government Bond Redemptions (quarterly, in Hebrew).

### **Currency Department**

- (a) Semi-annual Survey (Hebrew).
- (b) Annual Survey (Hebrew).

**Table IX-A1**  
**BANK OF ISRAEL OPEN-MARKET OPERATIONS, 1979-82**  
 (IS million, at current prices)

	Net purchases (sales-) of govt. bonds on the Stock Exchange								Percent of total Stock Exchange bond trade <sup>a</sup>
	Index-linked				Other	Double-option	Dollar-linked	Total	
	(3% int.) 100%	(7% int.) 80%	(4% int.) 90%	(4% int.) 100%					
1979	—	192.1	4.0	-22.9	-2.9	-9.7	-0.1	160.5	16.4
1980	-24.1	-97.5	-5.3	-86.1	-7.3	-11.0	-0.4	-231.7	4.8
1981	926.2	585.7	15.3	-114.8	-0.2	-2.6	5.8	1,415.4	18.8
1982	-548.1	-1,763.3	-248.0	-1,479.3	-0.4	-289.9	-298.6	-4,627.6	36.6
January	-384.4	156.9	-15.7	-50.7	—	-39.8	-7.7	-341.4	38.9
February	399.6	3.5	-13.2	-121.6	—	-18.8	0.9	250.4	41.7
March	672.1	495.0	-0.7	-18.8	-0.4	29.1	-17.6	1,158.7	13.2
April	119.8	-83.3	-5.8	-44.8	—	-15.2	-24.5	-53.8	28.9
May	-51.0	-376.2	-8.1	-110.6	—	-33.3	-33.0	-612.2	32.6
June	66.7	-0.7	-26.9	-203.3	—	-13.9	-85.2	-263.3	36.1
July	-42.4	-90.3	-6.2	-67.8	—	-16.7	46.7	-176.7	35.2
August	-1,096.7	-688.1	15.9	18.9	—	30.9	73.3	-1,645.8	38.5
September	-331.8	502.9	4.3	209.5	—	-0.7	-11.0	373.2	37.0
October	105.7	806.6	-19.0	-159.6	—	36.6	-26.5	743.8	35.1
November	585.4	88.0	7.5	-143.1	—	-49.8	40.4	528.4	32.9
December	-591.1	-2,577.6	-180.1	-787.4	—	-198.3	-254.4	-4,588.9	41.1

<sup>a</sup> Measured as half the sum of purchases and sales of government bonds, divided by total Stock Exchange trade in bonds.

**Table IX-A2**  
**FUNDS RAISED BY THE BANK OF ISRAEL FOR FINANCING THE GOVERNMENT**  
**BUDGET, BY SOURCE, 1981-82**  
 (IS million)

	1981	1982	Percentage distribution in 1982	Percent increase in 1982
Funds borrowed directly from the public <sup>a</sup>	981	4,387	7.9	347
Savings schemes	8,705	12,639	22.7	45
Thereof: Through Bank of Israel bond issues	181	1,255	2.5	593
Provident funds	10,183	25,407	45.6	150
Thereof: Through Bank of Israel bond issues	2,084	4,456	8.1	114
Pension schemes	5,245	10,731	19.2	105
Thereof: Through Bank of Israel bond issues	25	298	0.5	
Insurance companies (Bank of Israel bond issues)	1,010	2,262	4.0	124
Nonearmarked deposits	2,714	345	0.6	-87
Total gross funds	<b>28,838</b>	<b>55,771</b>	<b>100.0</b>	<b>93</b>
Thereof: Through Bank of Israel bond issues	4,281	12,658	22.7	196
Total bond redemption	9,978	28,307		184
Total net funds	<b>18,860</b>	<b>27,464</b>		<b>46</b>

<sup>a</sup> Original-issue bonds.

**Table IX-A3**  
**REDEMPTION OF COMPULSORY STATE LOANS, 1981-82<sup>a</sup>**  
 (IS million)

	1981			1982		
	Redemp- tion of principal	Interest and in- dexation incre- ments	Total	Redemp- tion of principal	Interest and in- dexation incre- ments	Total
Defense Loan, 1970-74	9.7	366.7	376.4	7.0	612.1	619.1
Savings Loan, 1970-77	49.5	786.4	835.9	72.7	1,557.2	1,629.9
War Loan, 1973-75 <sup>b</sup>	9.0	184.9	193.9	8.4	460.8	469.2
Cost-of-Living						
Allowance Loan	0.8	4.8	5.6	0.4	11.0	11.4
Absentees Property Loan	0.1	9.9	10.0	0.1	10.2	10.3

<sup>a</sup> Includes late redemptions (until August 31, 1982 such payments carried interest of 102 percent p.a.; since then the interest is indexed).

<sup>b</sup> Includes the Voluntary War Loan.

**Table IX-A4**  
**STRUCTURE AND TERMS OF DIRECTED CREDIT FUNDS, 1981-82**  
 (Percentages)

End of period	Sources of funds in 1981			Sources of funds in 1982		
	Commercial banks	Bank of Israel		Commercial banks	Bank of Israel	
		Liquidity exemptions	Rediscounts or loans		Liquidity exemptions	Rediscounts or loans
<b>Export funds in foreign currency</b>						
Imports for export production	100.0	—	—	100.0	—	—
Regular export shipments	5.5	—	94.5	100.0	—	—
Long- and medium-term export finance	—	—	100.0	—	—	100.0
Diamonds	—	—	100.0	100.0	—	—
<b>Export funds in Israeli currency</b>						
Export production	5.5	19.5	75.0	5.5	19.5	75.0
Citrus	5.5	19.5	75.0	5.5	19.5	75.0
Indirect exports	5.5	19.5	75.0	5.5	19.5	75.0
Export reorientation	30.0	—	70.0	30.0	—	70.0
<b>Working capital funds in Israeli currency</b>						
Assistance to agricultural settlements	40.0	—	60.0	40.0	—	60.0 <sup>a</sup>
Industry and crafts	15.0	—	85.0	15.0	—	85.0
Assistance to industrial enterprises	40.0	—	60.0	40.0	—	60.0 <sup>a</sup>

<sup>a</sup> From a Treasury deposit with the Bank of Israel.

Table IX-A5  
**DIRECTED EXPORT CREDIT, 1981-82**  
 (IS million)

	1981		1982		Percent increase	
	End-year balance	Average balance	End-year balance	Average balance	End-year balance	Average balance
<b>In Israeli currency</b>						
Export production	5,572	4,425	13,232	9,437	137.5	113.5
Citrus	809	336	1,449	797	79.1	137.2
Indirect exports	124	110	115	92	-7.3	-16.4
Export reorientation	122	95	219	152	79.5	60.0
Total	<b>6,627</b>	<b>4,966</b>	<b>15,015</b>	<b>10,478</b>	<b>126.6</b>	<b>111.0</b>
<b>In foreign currency</b>						
Imports for export production	5,196	4,124	6,723	5,678	29.4	37.7
Export shipments	9,909	6,809	20,637	15,045	108.3	121.0
Long- and medium-term export finance	1,560	718	5,352	3,300	243.1	259.6
Total, excl. Diamond Fund	<b>16,665</b>	<b>11,651</b>	<b>32,712</b>	<b>24,023</b>	<b>96.3</b>	<b>106.2</b>
Diamond Fund	9,987	8,866	16,222	13,444	62.4	51.6
Total foreign currency credit	<b>26,652</b>	<b>20,517</b>	<b>48,934</b>	<b>37,467</b>	<b>83.6</b>	<b>82.6</b>
Total credit from export funds	<b>33,279</b>	<b>25,483</b>	<b>63,949</b>	<b>47,945</b>	<b>92.2</b>	<b>88.1</b>
<b>Foreign currency credit in dollar terms (\$ million)</b>						
Imports for export production	333	361	204	234	-39	-35
Export shipments	635	596	628	620	-1	4
Long- and medium-term export finance and other credit	100	63	163	136	63	116
Total, excl. Diamond Fund	1,068	1,020	995	990	-7	-3
Diamond Fund	640	776	493	554	-23	-29
Total foreign currency credit	<b>1,708</b>	<b>1,796</b>	<b>1,488</b>	<b>1,544</b>	<b>-13</b>	<b>-14</b>

SOURCE: Liquidity report of the banking institutions.

**Table IX-A6**  
**DIRECTED CREDIT FOR DOMESTIC PRODUCTION, 1981-82**  
 (IS million)

	1981		1982		Percent increase	
	End-year balance	Average balance	End-year balance	Average balance	End-year balance	Average balance
Industry and crafts	99	96	185	136	86.9	41.7
Assistance to agricultural settlements	135	95	164	158	21.5	66.3
Conversion loans to agriculture	112	156	35	90	68.8	-42.3
Other funds	85	125	15	20	-82.4	-84.0
<b>Total directed credit for domestic production</b>	<b>431</b>	<b>472</b>	<b>399</b>	<b>404</b>	<b>-7.4</b>	<b>-14.4</b>

SOURCE: Liquidity report of the banking institutions.

**Table IX-A7**  
**BANKING CORPORATIONS UNDER BANK OF ISRAEL**  
**SUPERVISION, 1981-82<sup>a</sup>**

End of period	1981	1982
Banks <sup>b</sup>	27	26
Foreign banks	1	1
Investment banks <sup>c</sup>	1	2
Mortgage banks	15	15
Investment finance banks <sup>d</sup>	9	9
Financial institutions	8	11
Joint services companies	1	2
<b>Total</b>	<b>62</b>	<b>66</b>

<sup>a</sup> Classified in accordance with the Banking Law (Licensing), 5731-1981.

<sup>b</sup> Excludes four inactive banks and the Israel Bank of Agriculture, which has a bank license but operates mainly as an investment bank; includes the Bank of Palestine in Gaza.

<sup>c</sup> Includes one inactive bank.

<sup>d</sup> Includes the Israel Bank of Agriculture.

**Table IX-A8**  
**COMMEMORATIVE AND SPECIAL COINS ISSUED BY THE BANK OF ISRAEL,**  
**1981/82 AND 1982/83 (UPDATE)**

Coin	Mint	Issue	No. minted— previous figures	No. de- stroyed	Updated mintage
<b>Independence Day coins</b>					
1981/82 (Baron					
Rothschild)	Paris	B.U.	18,000	4,665	13,335
	Munich	Proof	12,000	2,445	9,555
	Royal				
	Canadian				
	Mint	Gold	6,000	1,070	4,930
<b>Hanukka coins</b>					
1981/82 (Hanukka lamp					
from Poland)	Paris	B.U.	25,000	8,849	16,151
	Stuttgart	Proof	15,000	3,779	11,221
<b>Special coins</b>					
1982/83 (Caves of					
Qumran)	Paris	B.U.	20,000	—	20,000
	Munich	Proof	9,000	—	9,000
	Munich	Gold	6,000	1,000	5,000

**Table IX-A9**  
**TRADE COINS MINT DATED 1981/82**

Coin	Minted abroad	Minted in Israel	Total
1 new agora	1,000,000 (Stuttgart)	—	1,000,000
5 new agorot	5,000,000 (Stuttgart)	—	5,000,000
10 new agorot	23,000,000 (Stuttgart)	—	23,000,000
IS ½	—	18,710,484	18,710,484
IS 1 <sup>a</sup>	15,850,000 (Paris)	—	15,850,000
IS 5	12,000,000 (Paris)	—	
	18,000,000 (Chile State Mint)	—	30,000,000
IS 10	28,000,000 (Stuttgart)	18,084,250	46,084,250

<sup>a</sup> In the 1981 Annual Report, Table IX-12, 15,570,000 coins minted in Berne should have been added, making a total mintage of 154,540,000.

**Table IX-A10**  
**NUMBER OF BANKNOTES AND TRADE COINS IN SHEQEL SERIES IN CIRCULATION, 1982**  
(In millions)

Banknotes		Trade coins	
Denomination	Number	Denomination	Number
IS 1	9.2	1 new agora	91.2
IS 5	4.1	5 new agorot	53.9
IS 10	4.2	10 new agorot	279.5
IS 50	10.7	IS ½	57.7
IS 100	71.3	IS 1	101.6
IS 500	4.7	IS 5	14.7
		IS 10	31.1
<b>Total</b>	<b>104.2</b>	<b>Total</b>	<b>629.7</b>

**Table IX-A11**  
**BANKNOTES AND COINS IN CIRCULATION BY DENOMINATION, 1981-82<sup>a</sup>**

End of period	1981		1982	
	IS million	%	IS million	%
<b>Banknotes</b>				
Israeli pound series				
IL1 and IL ½	0.4	—	0.3	—
IL5	2.5	—	2.4	—
IL10	6.5	—	6.1	—
IL50	8.8	—	8.4	—
IL100	14.1	—	12.7	—
IL500	22.6	—	15.4	—
Total	<b>54.9</b>	<b>1</b>	<b>45.3</b>	—
Sheqel series				
IS1	23.9	—	9.2	—
IS5	36.8	1	20.7	—
IS10	206.8	4	42.2	—
IS50	1,276.8	25	537.2	5
IS100	3,599.8	69	7,131.7	70
IS500	—	—	2,348.0	23
Total	<b>5,144.1</b>	<b>99</b>	<b>10,089.0</b>	<b>100</b>
Total banknotes	<b>5,199.0</b>	<b>100</b>	<b>10,134.3</b>	<b>100</b>
<b>Trade coins</b>				
Israeli pound series				
1-500 prutot	0.2	—	0.2	—
1 agora	0.3	—	0.3	—
5 agorot	0.9	1	0.9	—
10 agorot	3.1	2	3.1	—
25 agorot	0.9	—	0.9	—
IL½	2.4	2	2.3	—
IL1	7.8	6	7.3	—
IL5	5.3	4	5.0	—
Total	<b>20.9</b>	<b>15</b>	<b>20.0</b>	<b>4</b>
Sheqel series				
1 new agora	0.8	1	0.9	—
5 new agorot	2.1	1	2.7	—
10 new agorot	23.0	16	27.9	5
IS½	27.7	20	28.9	5
IS1	51.3	37	101.6	18
IS5	14.3	10	73.7	13
IS10	—	—	311.3	55
Total	<b>119.2</b>	<b>85</b>	<b>547.0</b>	<b>96</b>
Total trade coins	<b>140.1</b>	<b>100</b>	<b>567.0</b>	<b>100</b>
Total banknotes and trade coins	<b>5,339.1</b>		<b>10,701.3</b>	
<b>Commemorative coins</b>				
Israeli pound series	15.8		15.5	
Sheqel series	4.8		5.0	
Total	<b>20.6</b>		<b>20.5</b>	
Total banknotes and coins	<b>5,359.7</b>		<b>10,721.8</b>	

<sup>a</sup> Includes Israeli pound banknotes still in circulation.

**Table IX-A12**  
**COINS WITHDRAWN FROM CIRCULATION AND MELTED, FEB. 22, 1980**  
**TO DEC. 31, 1982<sup>a</sup>**

Denomination	Number in circulation on Feb. 22, 1980	Number in circulation on Dec. 31, 1982	Number withdrawn during the period
1 agora	312,642,438	310,112,460	2,529,978
5 agorot	209,070,574	184,763,584	24,306,990
10 agorot	389,336,445	307,465,043	81,871,402
25 agorot	47,734,537	37,156,261	10,578,276
IL ½	75,462,990	46,403,826	29,059,164
IL 1	151,203,315	73,532,073	77,671,242
IL 5	30,597,362	9,919,936	20,677,426

<sup>a</sup> Does not include special series (with small Star of David mintmark).

**Table IX-A13**  
**ISRAEL'S FINANCIAL RELATIONS WITH THE INTERNATIONAL MONETARY FUND, 1954-82**  
(Millions of SDRs)<sup>a</sup>

	1954	1957	1959	1964	1966	1969	1970	1971	1974	1975	1976	1978	1979	1980	1981	1982
1. Israel's quota in IMF	4.5	7.5	25.5	50.0	90.0	90.0	130.0	130.0	130.0	130.0	130.0	205.0	205.0	307.5	307.5	307.5
Use of IMF resources	—	1.9	—	12.5	—	45.0	—	20.0	65.0	175.8	77.0	72.4	—	31.6	25.6	—
Credit tranches <sup>b</sup>	—	1.9	—	12.5	—	45.0	—	20.0	65.0	32.5	12.0	—	—	31.6	25.6	—
Special facilities	—	—	—	—	—	—	—	—	—	143.3	65.0	72.4	—	—	—	—
2. Net cumulative allocation of SDRs	—	—	—	—	—	—	15.1	29.0	42.8	42.8	42.8	42.8	64.1	85.4	106.4	106.4
Net cumulative use of SDRs	—	—	—	—	—	—	15.1	15.9	40.3	40.8	34.2	21.8	59.3	76.7	106.0	105.8

<sup>a</sup> Until 1969 all amounts are stated in dollars.

<sup>b</sup> Includes the reserve tranche (until 1978 the gold tranche).

BALANCE SHEET AS AT DECEMBER 31, 1982  
AND  
STATEMENT OF INCOME AND EXPENSES FOR THE YEAR ENDED  
DECEMBER 31, 1982

**BANK OF  
BALANCE SHEET AS  
(Millions of**

<b>Assets</b>	<b>Notes</b>	<b>Dec. 31, 1982</b>	<b>Dec. 31, 1981</b>
<b>Foreign assets</b>			
Gold, foreign exchange, and foreign securities		129,070	55,272
Other foreign assets		7,347	104
		136,417	55,376
<b>Government debt</b>			
Long-term debt	2	29,662	5,566
Provisional advances		51,675	18,980
		81,337	24,546
<b>Loans</b>			
In foreign currency	3	5,207	17,264
In local currency		13,148	5,066
		18,355	22,330
<b>Securities</b>			
Tradable	4	13,279	5,802
Nontradable		8,765	3,756
		22,044	9,558
Other accounts	5	5,634	3,154
<b>Total</b>		<b>263,787</b>	<b>114,964</b>

NOTE: The accompanying notes are an integral part of the financial statements.

**ISRAEL****AT DECEMBER 31, 1982**

sheqalim)

<b>Liabilities</b>	<b>Notes</b>	<b>Dec. 31, 1982</b>	<b>Dec. 31, 1981</b>
Banknotes and coins in circulation		10,722	5,360
Allocations of Special Drawing Rights	6	3,960	1,928
Foreign liabilities			
To the IMF	7	1,011	1,149
Other	8	490	268
		1,501	1,417
Foreign currency deposits of the govern- ment and National Institutions		14,866	4,281
Foreign currency deposits of banking institutions in Israel			
Against resident deposits—restitutions		84,122	37,482
Against resident deposits—other		86,371	37,772
Against nonresident deposits		28,306	10,788
		198,799	86,042
Deposits of banking and financial institutions in Israel		12,687	4,424
Other deposits	9	1,465	684
Other accounts	10	18,787	9,828
Capital and general reserve	11	1,000	1,000
Total		<b>263,787</b>	<b>114,964</b>

**STATEMENT OF INCOME AND EXPENSES FOR THE YEAR ENDED  
DECEMBER 31, 1982**  
(Millions of sheqalim)

	Notes	1982	1981
<b>Income</b>	13		
From investments abroad	14	80,074	32,929
From the government		35,800	8,753
From loans		16,069	16,599
From discount-window loans to banking institutions		2,576	68
From banking institutions for deviations from Bank of Israel liquidity and other requirements		768	174
From securities	15	13,283	3,646
Interest on foreign currency loans to the public from banking institutions	16	405	618
Other income		284	138
<b>Total income</b>		<b>149,259</b>	<b>62,925</b>
<b>Expenses</b>	13		
On foreign currency deposits of banking institutions in Israel		118,401	49,234
On local currency deposits of banking and financial institutions in Israel		1,916	1,390
On foreign currency deposits of the government and National Institutions		6,943	2,694
On other deposits and liabilities		4,674	2,353
Administrative and general expenses	17	937	388 <sup>a</sup>
Printing banknotes and minting coins		244	143 <sup>a</sup>
<b>Total expenses</b>		<b>133,115</b>	<b>56,202</b>
Surplus of income over expenses		16,144	6,723
Less: Income from the government subject to matched timing	1a	6,221	2,522
<b>Net income</b>		<b>9,923</b>	<b>4,201</b>
<b>Appropriation statement</b>			
Transfer to the government		9,923	4,201

NOTE: The accompanying notes are an integral part of the financial statements.

<sup>a</sup> Reclassified.

## NOTES TO THE FINANCIAL STATEMENTS, DECEMBER 31, 1982

### 1. Accounting Policies

#### (a) *Income and Expenses*

Income and expenses are recorded on the accrual basis. Income from the government is recorded on the accrual basis but is included in the net income of the Bank on a matched-timing basis, i.e. the Bank includes in its net income for the financial year sums due from the government only when they are budgeted and paid by the latter in the fiscal year ending the following March 31. Income receivable from the government after March 31 of the following year is deducted in the Statement of Income and Expenses as "Income from the government subject to matched timing" and is included in the balance sheet in "Other accounts" (liabilities) (see also note 1h).

Accrued interest and income receivable are included in "Other accounts" (assets), except for accrued interest and linkage differentials on securities denominated in local currency, which are included in the balance sheet in "Securities". Accrued interest and expenses payable are included in "Other accounts" (liabilities).

#### (b) *Foreign Currency Accounts*

Assets and liabilities in foreign currency are translated into sheqalim at the representative rates published by the Bank of Israel. The rate for the U.S. dollar was IS33.6500 on December 31, 1982, and IS15.6041 on December 31, 1981. Special Drawing Rights (SDR) are translated into sheqalim on the basis of the SDR-U.S. dollar rate, i.e. IS37.2270 per SDR on December 31, 1982 and IS18.1273 on December 31, 1981.

#### (c) *Gold*

Gold is stated at the rate of SDR 35 per fine ounce.

#### (d) *Foreign Securities*

These are stated at their foreign currency cost (weighted average purchase price) or market value, whichever is lower, calculated separately for each type of security.

#### (e) *Securities Denominated in Local Currency*

These are stated in the balance sheet at their adjusted value (nominal value plus accrued interest and linkage differentials) or market value, whichever is lower, calculated separately for each type of security. Securities not quoted on the stock exchange are stated at their adjusted value. Linkage differentials are calculated on the basis of the last consumer price index published before the balance sheet date.

#### (f) *Premises and Equipment*

Bank premises and equipment, included in "Other accounts" (assets), are stated at cost net of accumulated depreciation.

#### (g) *Participation in International Financial Institutions*

The participation is included in "Other accounts" (assets) and stated at cost. The cost includes amounts required to maintain the value of the participation in foreign currency terms, in accordance with the terms of the participation in the various institutions (for the participation in the IMF see note 7).

**(h) *Employee Pensions and Severance Pay***

Provision for employee pensions and severance pay, actuarially computed and adjusted at the balance sheet date, is included in "Other accounts" (liabilities). Part of the domestic securities is held against the employee pensions and severance pay liability. Income from these securities is not subject to matched timing, and is set off against the increase in this liability in the Statement of Income and Expenses.

**2. Government Debt—Long-Term**

This item consists mainly of: (a) IS5,000 million linked to the basket of foreign currencies, bearing unlinked interest of 5 percent per annum and repayable in the years 1983-2005, with interest and linkage differentials payable on December 31 of each year (same amount on December 31, 1981); (b) IS23,500 million, with principal and interest at 8 percent per annum, both linked to the basket of foreign currencies and with principal repayable in the years 1987-2006 and interest and linkage differentials payable on December 31 of each year (this item is in effect since March 31, 1982); and (c) U.S. \$33 million (same amount on December 31, 1981).

**3. Loans in Foreign Currency**

This item is presented net of IS15,630 million—the participation of banking institutions in the credit funds (IS5,048 million was deducted from this item on December 31, 1981).

**4. Securities**

"Tradable securities" consist of government bonds, most of them linked to the consumer price index; their market value is IS13,667 million (IS6,181 million on December 31, 1981).

"Nontradable securities" consist mainly of compulsory government bonds purchased from firms in accordance with the Government Loans (Sundry Provisions) Law, 5738-1977.

**5. Other Accounts (Assets)**

This item consists mainly of (a) accrued interest and other income; (b) participation in the following international financial institutions: International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), International Finance Corporation (IFC), and Inter-American Development Bank (IDB); (c) premises and equipment net of accumulated depreciation.

**6. Special Drawing Rights**

Allocations of Special Drawing Rights amounted to SDR 106 million (same amount on December 31, 1981).

The item "Gold, foreign exchange, and foreign securities" includes IS20 million in holdings of Special Drawing Rights (SDR) in the IMF (IS10 million on December 31, 1981).

**7. Liabilities to the IMF**

The balance of this item represents the liability on account of the Compensatory Financing Facility in the amount of SDR 27 million (SDR 63 million on December 31, 1981).

Accounts with the Fund in the General Account are as follows:

	IS million		SDR million	
	Dec. 31, 1982	Dec. 31, 1981	Dec. 31, 1982	Dec. 31, 1981
Quota	11,447	5,574	308	308
Less: Liability	11,447	5,574	308	308
Reserve position	0	0	0	0

The government's liability to the Fund in respect of the Oil Facility (which was not included in the accounts of the Bank) was repaid in 1982.

#### 8. Other Foreign Liabilities

This item includes liabilities to international financial institutions amounting to IS473 million (IS206 million on December 31, 1981), and deposits of foreign banks amounting to IS17 million (IS62 million on December 31, 1981).

#### 9. Other Deposits

This item consists mainly of deposits of the U.S.-Israel Binational Industrial Research and Development Fund and a deposit of the U.S.-Israel Binational Science Fund.

#### 10. Other Accounts (Liabilities)

This consists mainly of (a) income from the government subject to matched timing (see notes 1a and 15); (b) accrued interest and other expenses; (c) provision for employee pensions and severance pay.

#### 11. Capital and General Reserve

The Bank's capital at the balance sheet date is IS200 million, and the general reserve IS800 million (same amounts on December 31, 1981).

#### 12. Contingent Liabilities

The contingent liabilities are as follows: (a) uncalled amounts on account of shares and participations subscribed to international financial institutions—IS4,567 million (IS2,073 million on December 31, 1981); (b) documentary credits—IS874 million (IS1,105 million on December 31, 1981); (c) guarantees—IS128 million (IS95 million on December 31, 1981).

#### 13. Exchange Rate Differentials

Income and expenses include differentials resulting from changes in the exchange rates of foreign currencies against the sheqel.

#### 14. Income from Investments Abroad

In terms of U.S. dollars this amounted to \$369 million (\$137 million in 1981).

### **15. Income from Securities**

This item includes IS6,221 million income subject to matched timing (IS2,522 million in 1981); this is deducted from the surplus of income over expenses (see note 1a). The accumulated income subject to matched timing is IS10,972 million (IS4,751 million on December 31, 1981).

This item does not include income from the securities held against the employee pensions and severance pay liability (see note 1h); this income covered part of the increase in the liability.

### **16. Interest on Foreign Currency Loans to the Public from Banking Institutions**

This item includes interest from banking institutions in respect of their foreign currency loans to Israeli residents, and interest on deposits with the Bank of Israel in respect of loans received by the public directly from abroad.

### **17. Administrative and General Expenses**

The increase in this item, excluding prior years' expenses and adjusted for the average rise in the consumer price index, was about 3 percent.

### **18. Adjustment for Changes in the Purchasing Power of the Sheqel**

The Statement of Changes in Assets and Liabilities and the Notes to the Financial Statements include information which permits a comparison of data adjusted for changes in the purchasing power of the Israeli currency either by deflating by the rise in the consumer price index or by presenting the data in U.S. dollar terms.

BANK OF ISRAEL

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ADVISORY COMMITTEE AND ADVISORY COUNCIL

MAY 31, 1983

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*Deputy Governor*

Y. PLESSNER

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Y. BADER. *Vice-Chairman*

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