

The Government and  
the Finance Committee of the Knesset,  
Jerusalem


It is with pleasure that I submit the Annual Report of the Bank of Israel for 1990, in accordance with Section 59 of the Bank of Israel Law, 5714–1954.

The Report is based on material and analyses prepared by the Bank of Israel's Research Department. With the exception of the monetary data, the statistics come from the Central Bureau of Statistics.

The massive influx of immigrants was the outstanding feature of 1990. After two years of depression, and in response to a turnaround in domestic demand, activity picked up and productivity increased appreciably. The focus was on investment, while benefiting from the firstfruits of the widespread reorganization process. In view of the mammoth task of absorbing immigrants, however, the developments are unsatisfactory. The labor market is still highly rigid. It is there that most employment problems—whose solution holds the key to the success of the entire absorption process—are to be found. A far greater increase in capital formation than has yet occurred is required if new jobs are to be created.

What is required, therefore, is a firm and consistent government policy which is reflected in both the direct channelling of resources and the encouragement of the business sector, making investment and the employment of additional workers profitable. Additional resources are needed primarily in infrastructure investment, which has lagged far behind this last decade, and without which production cannot be made profitable and growth speeded up. Although several decisions have been made, their implementation leaves much to be desired. Such measures as the reduction of employer taxes and other ways of making the labor market more flexible and increasing mobility should be adopted. Most of these have been accepted by the government, but not yet put into practice. Only strict adherence to a comprehensive program will enable the country to reap to the full the benefit embodied in the influx of immigration.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michael Bruno', with a stylized, flowing script.

Michael Bruno  
Governor, Bank of Israel

Jerusalem, 17 Sivan 5751  
30 May, 1991