

BANK OF ISRAEL

The Government and
Finance Committee of the Knesset
Jerusalem

In accordance with section 59 of the Bank of Israel Law, 5714-1954, I respectfully submit herewith the Annual Report of the Bank of Israel for 1982.

This year the economy operated under the shadow of a severe world economic crisis and Operation Peace for Galilee. The main developments were an increase of only about 1 percent in the gross domestic product, the zero growth of the business sector product, labor input, and unemployment rate, a decline in exports, and the expansion of imports and the import surplus following a heavier demand for investment and consumption.

At the end of the third quarter, after inflation had reached a record level, it was decided to accord greater priority to slowing the advance of prices, on the assumption that without such a change the basic trends prevailing in the economy cannot be altered. Complementing this policy by a significant trimming of government spending and the reduction of the tax burden on labor would enhance the competitiveness of the economy, ease the pressure on prices, and lead to the growth of business sector employment.

Sincerely yours,



Dr. Moshe Y. Mandelbaum
Governor
Bank of Israel

Jerusalem, 19 Sivan, 5743
May 31, 1983