

# BANK OF ISRAEL

The Government and  
Finance Committee of the Knesset  
Jerusalem

In accordance with sections 59 and 60 of the Bank of Israel Law, 5714-1954, I respectfully submit herewith the Annual Report of the Bank of Israel for the year 1975.

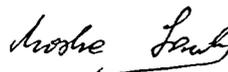
The Report is based on material prepared by the Research Department of the Bank. Most of the statistical data in Parts One and Two were supplied by the Central Bureau of Statistics. Some of the statistical information on which the 1974 Report and the 1976 National Budget were based was recently revised, and consequently some of the data in this Report have also been revised, with the changes being of more than a mere technical nature.

As in the two preceding years, developments in 1975 were not even. There were sharp fluctuations in the level of economic activity and in several major economic variables. This was due partly to exogenous factors, especially the slump and subsequent recovery of world trade, and partly to deliberate government policy and the public's response to the measures introduced.

In 1975 the economy had to grapple with the balance of payments problem, which occupies a prominent place in this Report. The main conclusion emerging from an analysis of developments in 1975 is that the positive results of the government's action--the curbing of private consumption, a slight contraction of the real import surplus,

and some weakening of inflation--were far from adequate, given the dimensions and gravity of the balance of payments situation. The crucial question facing the economy remains the checking of import growth, and even more, the rapid expansion of exports. Attainment of this objective poses a real challenge, one which economic policymakers must cope with without delay.

Yours faithfully,

A handwritten signature in cursive script, appearing to read "Moshe Sanbar".

Moshe Sanbar

Governor

Bank of Israel

Jerusalem, 2 Sivan, 5736

May 31, 1976