CHAPTER VIII

DOMESTIC INVESTMENT

1. MAIN DEVELOPMENTS

Gross fixed capital formation[1] dropped in 1975, but when investments in means of transport[2] are excluded there was a slight increase (by one percent, as in 1974). In housing there was a marked difference in the development trends of public and private construction: during the first quarter of the year public building starts continued to rise, reaching record proportions; this was then followed by a sharp drop. On the other hand, the gradual decline in private building starts, a trend which had begun at the end of 1972, continued, becoming stable during the second half of the year.

Although this was the first year since 1967 in which there was no growth in nondwelling investments (excluding ships and aircraft), an even greater drop was expected owing to the considerable slowdown in the growth of the economy for the second consecutive year. If, in addition to ships and aircraft, one also excludes motor vehicles[3] from the investments, an increase of about 4 percent is found, forming an even sharper contrast to the slowdown in economic activity. The growth potential of the economy is determined by changes in capital stock, rather than changes in the level of investment, and this index too continued to rise, albeit more slowly: nondwelling capital stock grew at a rate of 7 percent (by way of comparison, in 1967, which was the last year in which nondwelling investments dropped, capital stock increased at lower rate - 5 percent).

1. In this chapter, gross fixed capital formation is defined as including all domestic investments in the economy, excluding changes in inventories. Nondwelling investment is defined as gross fixed capital formation, excluding investment in housing.
2. Ships, aircraft, and motor vehicles.
3. 1974 was marked by greater than normal imports of trucks because it was believed that there would be a shortage of them following the Yom Kippur War.

Industrial investments stood out among the various economic sectors, and their surge also contrasted glaringly with the slowdown in all other aspects of industrial activity. Investments in industry rose by 18 percent, a rate unprecedented since 1968-69, when the economy was emerging from the recession. The extent of industrial investment during recent years has by far exceeded the increase in production capacity required by the growth which has actually taken place in this sector. It is possible that part of the investments made during 1975 were connected with structural changes which took place in this sector. Some of these investments will only achieve maturity over a long period and do not stem from the expansion of current production. Nevertheless, even when those investments which are connected with large-scale new projects which have not yet matured (mainly investments in industry made by public sector companies) are excluded, there still remains a high level of investment, and the resulting growth of industrial capital stock by far outstrips the growth required for the increase in production. It is doubtful whether investments on such a scale would have been possible but for the availability of directed industrial investment financing under the Law for the Encouragement of Capital Investment, the subsidy element included in this financing having vastly increased during the past 3 years in the wake of mounting inflation.

Transportation, and to a lesser extent also services, were responsible for the drop in nondwelling investment In transportation there was a fall of about 30 percent, which reflected reduced purchases of road vehicles and a sharp decline, for the second consecutive year, in the building of roads. There was a 3 percent fall of investments in

Table VIII-1

GROSS AND NET INVESTMENT, 1971—75

(IL million, at current prices)

						Percent annual increase (1970 prices)				
	1971	1972	1973	1974	1975	1971	1972	1973	1974	1975
Gross fixed nondwelling investment (excl. ships and aircraft)	3,094	5,480	7,038	9,881	13,493	9.6	20.8	4.8	3.2	-1.8
Gross fixed nondwelling investment	4,589	5,696	7,945	10,560	13,750	22.1	6.1	13.3	-3.3	-5.5
Less: Depreciation	1,747	2,262	3,025	4,563	6,976	9.5	11.3	9.7	11.2	10.0
Net fixed nondwelling investment	**2,842**	**3,434**	**4,920**	**5,997**	**6,774**	**31.3**	**2.9**	**15.7**	**-12.2**	**-17.7**
Gross investment in dwelling	2,348	3,510	4,639	6,935	8,333	20.0	27.6	5.0	-0.3	-2.9
Less: Depreciation	555	717	1,009	1,636	2,262	9.2	10.2	11.9	10.7	9.0
Net investment in dwellings	**1,793**	**2,793**	**3,630**	**5,299**	**6,071**	**23.9**	**33.0**	**3.2**	**-3.4**	**-6.7**
Total gross fixed investment	**6,937**	**9,206**	**12,584**	**17,495**	**22,083**	**21.4**	**13.4**	**10.0**	**-2.2**	**-4.6**
Increase in inventories	486	548	867	2,073	3,314	24.9	2.3	13.9	85.6	-9.4
Total gross domestic investment	**7,423**	**9,754**	**13,451**	**19,568**	**25,397**	**21.6**	**12.7**	**10.4**	**3.3**	**-5.1**
Less: Depreciation	2,302	2,979	4,034	6,199	9,238	9.5	11.0	10.3	11.1	9.8
Total net investment	**5,121**	**6,775**	**9,417**	**13,369**	**16,159**	**28.3**	**14.6**	**10.4**	**.0**	**-10.7**

services, reflecting, inter alia, a steep drop in hotel construction. An examination of investments according to the initiating sector[4] reveals stabilization in investments by government, local authorities, and national institutions, a decline in investments by nonprofit institutions, and a marked increase in investments of government enterprises and public sector companies. While there has been a slowdown of total investment by the private sector, private investments in industry have accelerated. Towards the end of the year it became clear that financing required for approved investments exceeded the constraints placed by the development budget and the directed issues. Thus, the government decided to freeze financing all public projects until their profitability to the economy is re-examined.

Most of the trends which had been present in residential construction in 1974 continued more strongly in 1975. Real investment, which reflects activity in this sector, dropped 3 percent, after having been stable in 1974. This decline resulted from an acceleration in the fall of private investment in dwellings (10 percent) and a slowdown of public investment in dwellings (about 7 percent in 1975 compared to about 12 percent in 1974). The number of apartments under construction, also an indicator of activity in the sector, continued to rise in 1974, but in 1975 it dropped 6 percent. Early 1973 saw the start of a trend towards a decrease in private construction starts, and in 1975 there was added to this a decrease in public construction starts, with the result that in 1975 there has been a sharp decline in construction starts in terms of area, as well as of number of residential units, 18 percent and 17 percent respectively. On the other hand, there has been a 6 percent rise in completions.

Trend indicators in the housing market point to continued sluggishness and an additional drop in the demand for apartments.[5] The average level of sales of privately built apartments was 26 percent down on the 1974 level. The rise in apartment prices - about 35 percent - was mild in comparison to the price rises in previous years, and relatively lower than the rise in consumer prices.

These sluggish trends explain the continued decline - the third year running - in private building starts. Their fall, however, was mild, showing signs of stabilization. There was a sharp turn in public construction starts in the second quarter of the year,

4. In sorting investments according to the initiating sector, means of transport have not been included (ships, aircraft, and motor vehicles) because of the difficulty in assigning their acquisition to the appropriate sector.

5. The extent of sales of privately constructed dwellings to the public, obtained from a survey carried out by the Central Bureau of Statistics in 17 large towns (see Table VIII-8), serves as an indicator for overall demand for dwellings. This presupposes that the demand for publicly constructed dwellings offered for sale (on which no data is available) is similar to the trend of demand for privately built dwellings.

Table VIII-2

ESTIMATED FIXED INVESTMENT,[a] BY TYPE OF INVESTOR, 1971-75
(IL million, at 1970 prices)

	1971	1972	1973	1974	1975	Percent annual increase 1972	1973	1974	1975
1. Government. local authorities, and National institutions	571	692	742	744	740	21.2	7.2	0.3	-0.6
Thereof: Government services	(88)	(112)	(139)	(139)	(139)	(27.3)	(24.1)	(0.0)	(0.0)
Services of local authorities	(253)	(292)	(302)	(344)	(365)	(15.4)	(3.4)	(13.9)	(6.1)
Roads	(136)	(178)	(198)	(150)	(119)	(30.9)	(11.2)	(-24.2)	(-20.7)
2. Government enterprises	327	417	427	408	430	27.5	2.4	-4.4	5.4
3. Subtotal (1+2)	**898**	**1,109**	**1,169**	**1,152**	**1,170**	**23.5**	**5.4**	**-1.5**	**1.6**
4. Public sector companies	479	613	518	427	567	28.0	-15.5	-17.6	32.8
Thereof: Electricity	(122)	(239)	(213)	(184)	(235)	(95.9)	(-10.9)	(-13.6)	(27.7)
Industrial public sector companies	(219)	(208)	(166)	(144)	(225)	(-5.0)	(-20.1)	(-13.2)	(56.2)
5. Total public sector investment (3+4)	**1,377**	**1,722**	**1,687**	**1,579**	**1,737**	**25.0**	**-2.0**	**-6.4**	**10.0**
6. Nonprofit institutions	354	381	360	303	252	7.6	-5.5	-15.8	-16.8
7. Total public sector and nonprofit institutions (5+6)	**1,731**	**2,103**	**2,047**	**1,882**	**1,989**	**21.5**	**-2.7**	**-8.1**	**5.7**
8. Private sector investment (excl. transport equipment)	1,333	1,564	1,736	1,971	2,052	19.6	8.9	13.5	4.1
Thereof: Agriculture	(203)	(235)	(233)	(225)	(283)	(15.8)	(-0.9)	(9.4)	(11.0)
Industry	(869)	(799)	(803)	(826)	(905)	(15.9)	(0.5)	(2.8)	(9.6)
Services	(337)	(442)	(583)	(742)	(768)	(31.2)	(31.9)	(27.3)	(3.5)
9. Total nondwelling investment	**3,064**	**3,697**	**3,783**	**3,853**	**4,041**	**20.6**	**2.3**	**1.8**	**4.9**

[a] Excluding transport equipment.
SOURCE: Bank of Israel estimates.

following a rise to record heights during the first quarter (see Figure VIII-1) and since then they have fallen rapidly. This sudden decline is a delayed reaction to the drop in demand of the public in general, and in particular to reduced demand stemming from the dwindling of immigration to Israel, with the result that the stock of empty dwellings increased, especially in the development areas. The sharp turn taken in the second quarter of the year in public construction starts is in strong contrast to the gradual decline in private construction starts. Duration of both private and public construction of dwellings completed in 1975 increased, but at a lower rate than in 1974. The increased duration of construction in 1974 was, no doubt, an outcome of the influence of the war on construction during the last quarter of 1973, but its continuation in 1975 apparently reflects a deliberate slowing down at completion stages, both on the part of the private sector and of the public sector, for the reasons listed above.

There was an increase of about 33 percent in the amount of mortgage credit, while the number of loans made dropped by about 10 percent. Thus, the amount of the average loan increased by about 48 percent - double the rate of the rise in price of apartments during 1975 - a fact which should be viewed against the backdrop of an increased stock of empty apartments under public construction. The nondirected loans increased at the same rate as that of apartment prices.

Investments from local production dropped by about 2 percent, a decline which had a dampening effect on the activity of the economy in 1975: product derived from the investment fell at a rate of 3 percent. The reason for the greater fall in product derived from investment than investment from local production itself is the contribution of construction (where the product component is relatively high): the amount of investment in construction (dwellings as well as nondwelling) dropped by about 3 percent, while investment in locally produced machinery, equipment, and vehicles increased. In the latter, the product component is low, compared to what it is in construction, and thus the decline in imports derived from investments of local production was also at a lower rate (1.7 percent) than the rate at which derived output fell. Imports of investment assets dropped by 10 percent. Although considerable increase (12 percent) was recorded in investment in imported machinery and equipment, the reduction (at the rate of about 50 percent) of imported means of transportation cancelled out this rise.

During 1975, total capital stock increased by 7.7 percent. The increase in capital stock, excluding housing and public services, which reflects the increase in production capacity of the business sector, was 6.2 percent, while the output of the business sector stabilized at the level of the previous year.

2. INVESTMENT BY ECONOMIC SECTOR

(a) *Agriculture*

During 1975, investments in agriculture continued to grow at a rate similar to that of the previous year - 8 percent. In contrast to the stagnation in other sectors, agriculture continued to grow: its product rose by 7 percent. There is a long-term trend in agriculture to develop branches which are specifically export oriented. In 1975, however, due to decreased profitability of raising roses for export, there was a sharp decline in investment in hothouses. During the year under review, expansion of the dairy branch continued, with notable change to production in the large production units of the kibbutzim, this being a transformation to a modern and capital-intensive technology. It is worth noting the large increase (22 percent) in investment in machinery and equipment.

Due to decreased afforestation, soil amelioration, and drainage, which are carried out by the public sector, investments in the private sector show an increase at an accelerated rate, higher than that in the sector as a whole.

Table VIII-3

GROSS FIXED INVESTMENT, BY SECTOR, 1971–75

	IL million, at current prices					Percent change in quantity (1970 prices)					Percent change in prices				
	1971	1972	1973	1974	1975	1971	1972	1973	1974	1975	1971	1972	1973	1974	1975
Agriculture	267	380	454	661	967	–1	23	–2	9	8	13	16	22	33	37
Water works	66	92	97	119	221	12	21	–18	12	46	14	16	29	9	27
Industry, mining and quarrying	1,059	1,365	1,614	2,185	3,611	10	11	–4	0	18	17	16	23	35	40
Construction equipment	118	152	189	335	418	26	12	0	29	–14	14	15	24	37	45
Electricity	141	321	362	475	695	–18	96	–8	3	7	15	16	24	27	36
Transport and communication	1,692	1,708	2,872	3,162	3,146	58	–16	40	–20	–30	14	20	20	38	42
Thereof:															
a) Ships and aircraft	(685)	(216)	(907)	(679)	(257)	(219)	(–73)	(222)	(–55)	(–73)	(9)	(18)	(30)	(66)	(40)
b) Motor vehicles	(388)	(579)	(827)	(1,137)	(1,107)	(1)	(23)	(28)	(10)	(–42)	(22)	(21)	(12)	(25)	(68)
Trade and services	1,246	1,678	2,357	3,623	4,682	10	17	12	9	–3	13	15	25	41	33
Total nondwelling investment	**4,589**	**5,696**	**7,945**	**10,560**	**13,750**	**22**	**6**	**13**	**–3**	**–5**	**15**	**17**	**23**	**37**	**37**
Total nondwelling investment excl. transport equipment	3,516	4,900	6,210	8,744	12,386	10	21	2	2	4	15	15	24	38	36
Total nondwelling investment excl. ships and aircrafts	**3,904**	**5,479**	**7,037**	**9,881**	**13,493**	**9**	**21**	**5**	**3**	**–2**	**16**	**16**	**22**	**36**	**39**
Dwellings	2,348	3,510	4,639	6,935	8,333	20	28	5	0	–3	13	17	26	49	23
Total fixed investment	**6,937**	**9,206**	**12,584**	**17,495**	**22,083**	**21**	**13**	**10**	**–2**	**–5**	**–14**	**17**	**24**	**42**	**33**

SOURCE: Central Bureau of Statistics.

(b) *Industry*

Investments in industry were up 18 percent following two years during which they did not grow. This rise is surprising in view of the gap between required industrial production capacity and that which actually exists, as reflected in the industrial capital stock. Since 1972 industrial capital stock grew at a much faster rate than that necessitated by the increase in production as the indices in Table VIII-4 show. The index measuring the growth of industrial capital stock required by the growth in production takes into account the various capital intensities of industrial sub-sectors. The relationship between this index and the index of actual capital stock growth reflects the changes in the rate of capital utilization in industry. Whether gross capital stock or net capital stock is used for this calculation, one obtains the same results. The rate of utilization dropped by 13 percent between the years 1972 and 1975,[6] which means that there has been an accumulation of unutilized production capacity in industry. It would therefore appear to be possible to increase output without a further increase in capital stock; nevertheless, there was a 9 percent growth in gross capital stock during the year under review. To some extent this is connected with the structural change which has taken place in industry, namely, accelerated expansion of specific industrial subsectors and development of completely new industries. Such a change necessitates long-term investments which are also not related to current industrial development.

Investments by public sector companies in such projects as the Nahal Tsin phosphates development and the petrochemical industry (which together comprised in 1975 about 13 percent of the total investments in industry) belong to this type of investment. However, even if one deducts the investments in these projects, there still remains a considerable increase in industrial investment. It is also possible that updating gross industrial capital stock by adding investments to it and deducting from it the retirements does not faithfully reflect the real situation and that one should also regard as retirements the capital of those plants whose production has been stopped (e.g. Timna Copper Mines). This would certainly lower the rates of growth being measured and narrow the gap between the rise in actual capital stock and required increase. Nevertheless, there is no escaping the fact that investments in industry during recent years, and especially in 1975, were much greater than required by the development of industrial production and that this was made possible by the availability of the directed financing[7] given to investors in industry,

6. Measured at the beginning of the year.
7. Reference is to both directed credit and grants awarded to approved enterprises.

within the framework of the Capital Investment Encouragement Law, and the large subsidy encompassed in this financing. Directed credit alone increased at the rate of 110 percent in 1975, while industrial investment at current prices rose by only 65 percent. The subsidy element included in the directed financing, which stems from the low interest paid on this financing, increased considerably during the past three years, in the wake of the mounting inflation. Consequently, there was a considerable drop in the relative price of capital compared to other production factors. Such circumstances seem to encourage the development of phenomena which explain the continued rapid growth of industrial capital stock: (a) Preference of expanding production capacity by investment in capital-intensive processes. (b) Plants about to expand production prefer to invest in parallel production lines rather than operate additional work shifts. (c) Investment, by individual plants, in machinery and equipment for out of the ordinary processes. If capital were to cost more, it is certain that specialization in out of the ordinary production processes would develop at the sector level and would thereby prevent the "waste" involved in individual investment in such specialized equipment. (d) Purchase of machinery and equipment in anticipation of future depreciation.

Data on investment in imported machinery and equipment in the industrial subsectors indicate extraordinary expansion in the following branches:

Sector	Real Rate of Growth (percent)
Mines and quarries	threefold
Paper and paper products	85
Chemicals, petroleum, and petrochemicals	60
Electric equipment and electronics	25
Rubber and plastic	19
Textile and clothing	13

In the first three sectors expansion has resulted mainly from investment in new capital-intensive projects or production processes: the Nahal-Tsin project, investments in petrochemicals, the investment made by the Hadera Paper Mills in a new production line for paper, and investments by the Koor Concern in its chemicals division ("Makhteshim"). In the electronics branch, too, expansion stems mainly from investments by the Koor Concern.

Listing industrial investments by investor shows a large increase (56 percent) in investments by companies of the public sector. The largest part of these investments was. as stated above, in the phosphates project and in petrochemicals. There was also a notable

Table VIII-4

INDICES OF RELATIVE UTILIZATION OF GROSS CAPITAL STOCK IN INDUSTRY, 1969–76

	Growth in gross industrial capital stock[a] (index 1969=100) (1)	Growth in gross industrial capital stock required by production in industrial main branches[b] (index 1969=100) (2)	Index of relative utilization (3)=(2)/(1)×100 (3)
1969	100.0	100.0	100
1970	111.2	110.1	99
1971	123.0	119.8	97
1972	136.5	132.9	97
1973	150.8	138.9	92
1974	164.0	143.8	88
1975	177.9	148.9	84
1976	193.3		

[a] The measuring is at the beginning of the year.

[b] The gross rates of industrial capital stock that are required by the growth in industrial production were calculated as follows: the estimate of capital stock in industrial main branches at the beginning of 1969 were projected forwards by applying the growth rates that are obtained from the industrial producion indices, where the annual production is attributed to capital stock at the beginning of the year.
Assuming constant capital production ratios by the industrial subsectors, the capital stock required from the growth in industrial production is obtained in this manner.

acceleration in investments of the private sector, which rose by about 10 percent, as compared to 3 percent the previous year.

(c) *Electricity and Water*

Investment in electricity was up 7 percent. In 1975 construction of the Eshkol III Power Station was completed, as the second unit of the station was connected to the power production grid. Work continued on the construction of the Eshkol IV Power Station, whose first generating unit is scheduled to become operational in 1977, and plans have been completed for the construction of the MD Power Station. Investments in power generation accounted for about half of all investments in the electricity branch during the year under review.

In 1975 investments in waterworks rose by about 46 percent, but because the order of magnitude of investments in the branch is small, the additional investment itself is relatively small. Most of this investment is in conventional water sources, and as water potential in Israel is almost fully exploited, about half the investment was in replacing of retirements. This is reflected in the low annual growth rates of this sector's capital stock (about one percent in recent years).

(d) *Transportation and Communications*

The 30 percent fall of investments in transportation and telecommunications reflects a decline in roadbuilding and a steep drop in acquisition of all means of transport included in this branch. The 20 percent decline in roadbuilding was due to government policy to cut down on investment in interurban highways as part of its general policy of reducing investments. Investment in urban roads is made by the local authorities and remained at the same level as the previous year.

Investment in ships and aircraft (which dropped by 75 percent) was almost totally confined to the purchase of a "Jumbo" jet by El Al in the last quarter of 1975. There was also sharp decline in investment in commercial vehicles (about 40 percent). It should be remembered that in 1974 a large number of trucks was imported, following apprehensions that trucks would be in short supply because of the mobilization of civilian trucking during the Yom Kippur War period. The fall of about 20 percent in purchases of passenger vehicles[8] should be considered along with the general reduction in the consumption of durables, resulting from the soaring of their prices: in 1975 the price of passenger vehicles rose by about 75 percent, compared to the price of machinery and equipment which went up by only 42 percent. Also, at the end of 1974 administrative restrictions were imposed on the import of motorcars as part of the government's new economic policy.

After roads and means of transportation, most of the sector's investments are in telecommunications, railroads, and air and sea ports, all of which are government enterprises. There was an increase of about 5 percent in these investments, stemming from development work by the Railways and by the Ports' Authority: the Railways' investments, which doubled in 1975, were in the laying of the Oron-Hor Hahar extension line, an investment connected with the Nahal Tsin project. Investments by the Ports' Authority, which were also greatly expanded (construction alone was up 40 percent), were, inter alia, in container terminals intended to adapt the ports to technological changes which are taking place in this sphere.

(e) *Services*

For the first time since the recession years, there was a decline in investments in commerce and services (about 3 percent). There was a sharp drop in investments of nonprofit institutions while those of the government, local authorities, and national institutions remained stable. Private investment in this sector slowed down considerably. During 1972-74, these investments grew at a considerable rate, about 30 percent per annum,

8. Acquisitions of motorcars are classified either as private consumption or as investment. Division of motorcar purchases into these two categories is made by the Central Bureau of Statistics according to fixed proportions: 35 percent are defined as investment (and are included in the transportation sector) and the remainder is defined as private consumption.

but in 1975 the rate of growth slackened to about 4 percent. There was a sharp decline (50 percent) in the construction of hotels and of business premises.

3. NONDWELLING INVESTMENT BY TYPE OF ASSET

Examination of nondwelling investments by type of investment asset shows that its drop is accounted for by construction and means of transportation. On the other hand, there was a considerable increase in machinery and equipment (at a rate of 10 percent), but this was not sufficient to cancel out the fall in construction and means of transportation. The upswing in machinery and equipment was especially marked in agricultural and industrial investments. In agriculture, the proportion of equipment in investment[9] rose from 53 percent to about 61 percent, and in industry from about 79 percent to 82 percent. The proportion of machinery equipment in total nondwelling investment went up from 56 percent to 59 percent.

In addition to short-range factors which influence fluctuations of the share of equipment in total investment, one should see its increasing weight in investments in 1975 as the continuation of a long-range trend. This trend is explained by the shorter longevity of equipment relative to buildings. Thus the depreciation rates of equipment are higher, and the investment component replacing capital that has left the production cycle is greater for equipment. A faster rate of growth in equipment than in buildings is required, therefore, in order to maintain the existing ratio between the two in capital stock. In addition to this, during the past decade there has been a noticeable trend towards increased weight of equipment in capital stock itself. This trend originates, first and foremost, in the agriculture and services branches, where there is a large-scale process of mechanization; however, in industry, too, the share of equipment in capital stock has gradually increased from 65 percent at the beginning of 1970 to 69 percent at the beginning of 1976.

The increased investment in machinery and equipment reflects increases in both the local production and in the import components: 7 percent and 11 percent respectively. Imported machinery and equipment rose in price considerably during 1975; by about 45 percent; of which 12 percent is accounted for by price rises abroad, and the remaining 30 percent stem from differences in exchange rates and rises in import levies.

By way of comparison: in 1974 the rise in cost of imported machinery and equipment (18

9. The proportion of equipment in investment is computed at fixed prices of 1970.

Table VIII-5

GROSS FIXED INVESTMENT, BY TYPE OF ASSET, 1971–75

	IL million, current prices					Percent change in quantity (1970 prices)					Percent change in prices				
	1971	1972	1973	1974	1975	1971	1972	1973	1974	1975	1971	1972	1973	1974	1975
New construction	3,980	5,721	7,476	11,183	13,696	15.6	23.3	3.9	–0.3	–3.2	13.1	16.6	26.0	49.3	26.5
Residential	2,348	3,510	4,639	6,935	8,333	20.0	27.6	5.0	–0.3	–2.9	12.7	17.1	25.8	49.9	23.7
Nonresidential	1,633	2,211	2,837	4,248	5,363	9.7	17.1	2.0	–0.2	–3.7	13.7	15.7	25.8	50.0	31.1
Change in livestock inventory	19	30	42	41	78	44.4	44.4	9.8	–26.5	16.3	46.5	9.3	28.0	32.8	63.6
Machinery and equipment	1,865	2,660	3,333	4,453	6,944	11.2	23.8	2.6	4.6	10.0	15.1	15.2	22.1	27.7	41.7
Locally produced	643	837	1,122	1,578	2,317	13.5	15.1	11.1	–4.2	7.3	8.9	13.1	20.6	46.9	36.8
Imported	1,222	1,823	2,211	2,875	4,627	9.7	28.5	–2.0	9.9	11.4	19.0	16.1	23.8	18.3	44.5
Transport equipment	1,075	795	1,734	1,817	1,365	85.0	–40.9	85.7	–23.5	–51.4	12.8	25.2	17.4	37.0	54.6
Motor vehicles	388	579	827	1,137	1,108	1.4	22.7	27.8	10.3	–41.8	21.1	21.6	11.8	24.6	67.4
Ships and aircraft	685	216	907	680	257	218.6	–73.3	222.1	–54.9	–73.4	8.6	18.1	30.4	66.2	42.1
Total fixed investment	**6,937**	**9,206**	**12,585**	**17,494**	**22,083**	**21.4**	**13.4**	**10.0**	**–2.2**	**–4.6**	**13.7**	**17.0**	**24.3**	**42.0**	**32.2**

SOURCE: Central Bureau of Statistics.

percent) was the lowest among the price rises affecting investment assets, only half of it resulting from differences in exchange rates and changes in levies; and, indeed in 1974 this was the only item which increased among all investment assets. In 1975 the rise in the prices of locally produced machinery and equipment was slight both in comparison to price rises of these items in the previous year and also in comparison to the rising costs of imported machinery and equipment, a fact that is also reflected in the real increase in investment in locally produced equipment, after the absolute drop in 1974.

The sharp decline in investment in motor vehicles was discussed in connection with investment in transportation. Investment in ships and aircraft is characterized by its irregularity, resulting from the large size of each unit of investment. In 1975 investment in ships and aircraft is explained by the purchase of a "Jumbo" passenger aircraft by El-Al.

Table VIII-6

EQUIPMENT SHARE OF GROSS FIXED INVESTMENT, BY SECTOR, 1967-75

(Percent, 1970 prices)

	1967	1968	1969	1970	1971	1972	1973	1974	1975
Agriculture[a]	36.7	41.3	49.2	39.8	46.8	42.8	50.1	53.1	60.8
Water works	11.9	18.3	22.0	24.3	16.8	15.9	16.9	20.4	31.0
Industry	65.8	72.7	80.8	79.7	81.1	80.2	78.1	78.6	81.9
Electricity	50.5	60.3	45.5	52.4	45.9	64.0	71.3	64.3	59.7
Transportation[b]	46.2	35.5	34.5	43.2	39.5	55.5	57.4	56.2	47.4
Trade and services	28.2	30.8	35.5	40.2	39.6	39.9	42.1	42.7	43.5
Total[c]	**39.7**	**47.1**	**51.7**	**55.5**	**55.1**	**57.1**	**58.1**	**55.8**	**59.1**

[a] Excluding livestock inventory.
[b] Excluding ships, aircraft, and motor vehicles.
[c] Excluding ships, aircraft, and motor vehicles, but including construction equipment.
SOURCE: Central Bureau of Statistics.

4. RESIDENTIAL BUILDING

(a) *Trends on the Housing Market and Private Construction of Dwellings*

Trends operating in the housing market are reflected in building starts and in data on supply and sales of privately constructed dwellings. Unlike public construction, building by private contractors is financed out of current sale of dwellings to the public, and therefore private construction reacts rather quickly to fluctuations in demand.

The natural response of private construction to increased demand is to increase building starts, and if demand drops, private contractors decrease building starts. Nevertheless, because of the duration of construction, supply of dwellings does not immediately respond to changes in demand, and thus, despite the fact that private building starts are immediately influenced, there is a lag in the adaptation of supply depending on duration of construction. Thus, in the short run, supply of dwellings is inelastic, and changes in sales of dwellings and relative prices are merely indicators of demand trends. The decline in the sales of new privately built housing continued and even accelerated. This trend had begun in 1973, but its development was somewhat blurred by the Yom Kippur War. The war caused a sharp drop in sales during the last quarter of 1973, but this was compensated for by increased sales during the first half of 1974; these fluctuations led to a decline of only 9 percent in the average level of 1974 as compared to the 1973 average. When the influence of the war had petered out, the downward trend was quite clear: the average of sales in 1975 dropped by 26 percent, while plateauing during the year. The shakiness of the market was also reflected in the decline in percentage of sales out of privately built housing supply. The stabilization of this rate in 1975 indicates that supply is beginning to come in line with demand: in 1975 supply of new housing dropped by 20 percent, compared to a drop of 4 percent in 1974. A further indicator of demand trends is the relative change in prices of privately built housing.

The 1971-72 boom on the housing market was reflected in the rise in price of housing, at a relatively fast rate compared to the rise in price of consumer goods and the rise in prices of construction inputs. In 1973 and 1974 the rise in the prices of dwellings was milder than that of construction inputs, and consequently contractors' profit margins dropped. In 1975, contrary to fears expressed during the year that contractors' profit margins would continue to drop, they in fact achieved stability, following a milder rise in prices of construction inputs than in the price of dwellings. In 1974, and to a lesser extent also in 1975, the Consumers' Price Index rose at a rate higher than that of dwellings.

The factors causing the drop in demand for housing are, first and foremost, the "cyclical" nature of this demand: the short-term inelasticity in the supply of apartments due to the duration of building causes the growth in demand for apartments for current occupancy (generally as a result of increased immigration) to be accompanied by an advanced demand by potential buyers and by speculative demand, which aggravate the trend. Because of high demand, prices climb. This spurs a further increase in demand by creating anticipation of continued shortage and continued price rises. Due to the long duration in building, the supply of completed apartments catches up with demand only with a delay of some years; then, with the passing of the initial causes of the original growth in demand. it becomes apparent that there is a significant surplus of apartments suitable for occupancy. The opposite process then sets in, and purchases decrease. The drop in demand causes a slowdown in price rises of apartments and even an absolute fall; therefore, potential home-buyers postpone their purchase hoping that the drop in prices will continue. In addition to this process, in 1975 the attraction of apartments as an alternative to financial investment declined; the changes in betterment tax which were introduced at the end of 1974 increased the capital gains tax on sales of an apartment which was not the sole apartment to be owned, and in 1975 an armament financing tax was also imposed on these apartments. One may assume that this taxation caused potential purchasers of apartments for investment purposes to prefer other forms of investment.

As stated above, private building reacts to a drop in demand by decreasing building starts. Therefore from 1973 on, building starts have dropped steadily at an average annual rate of 16 percent. This trend was reflected in private sector investments in housing which have been falling since 1974; this decline accelerated in 1975. The drop in building starts is also reflected in the number of apartments under construction. This fell by 6 percent in 1975. Not counting the effect of the war, private building starts dropped gradually according to quarterly data.

(b) *Trends in Public Residential Building in 1975*

Included in public residential building are all apartments built by the Ministry of Housing as well as apartments built for the Ministry of Housing by large housing companies with full government financing, and apartments built by large housing companies financed only partly by the government (these are primarily apartments built for young couples under the bond scheme). Public building, therefore, depends rather less than private building on constant sales to the public for financing its operation. Therefore, it is likely that there will be no correlation, even for a significant amount of time, between the level of public building and the level of sales and rentals of these apartments to the public. This allows the government to take anti-cyclical policy measures in this sector. This policy has two aims: (a) To ensure the maintenance of the supply level necessary for current housing needs, while at the same time preventing accumulation of unplanned stock of apartments. In the short run, it will be necessary to regulate demand; and in the long run this requires that a minimal level of housing starts be maintained. (b) To prevent sharp fluctuations in the level of activity in the sector: because of the high product component in resident building, these fluctuations affect the entire economy and are liable to cause either shortage or unemployment of factors of production.

The two aims are not necessarily consistent: when a major change in occupancy needs (because of a wave of immigration or its cessation) takes place, it is likely that aim (a) conflicts with aim (b). Therefore, public building must make use of low periods to solve housing problems of the local population in need of support, in order to precede times of prosperity when demand rises, and in this way also to maintain a certain level of constant activity in the sector.

Table VIII-7

MAIN INDICATORS OF RESIDENTIAL CONSTRUCTION, 1971–75

						Percent annual increase			
	1971	1972	1973	1974	1975	1972	1973	1974	1975
Investment									
(IL million, 1974 prices)									
Total residential construction	**5,218**	**6,661**	**6,977**	**6,935**	**6,715**	**27.7**	**4.8**	**–6.6**	**–3.2**
Public construction	1,673	2,123	2,508	2,797	2,983	26.9	18.1	11.5	6.6
Private construction	3,545	4,539	4,469	4,138	3,732	28.0	–1.5	–7.4	–9.8
Area ('000 sq. meters)									
Building starts	**5,102**	**6,356**	**5,349**	**5,330**	**4,360**	**24.6**	**–15.8**	**–0.4**	**–18.2**
Public construction	1,427	2,296	1,999	2,530	2,000	60.9	–12.9	26.6	–21.0
Private construction	3,675	4,060	3,350	2,800	2,360	10.5	–17.5	–16.4	–15.7
Building completions	**3,823**	**4,676**	**4,954**	**4,818**	**5,112**	**22.3**	**5.9**	**–2.7**	**6.1**
Public construction	1,303	1,626	1,644	1,788	1,992	24.8	1.1	8.8	11.4
Private construction	2,520	3,050	3,310	3,030	3,120	21.0	8.5	–8.5	3.0
Dwellings ('000 units)									
Building starts	**51.8**	**66.3**	**55.8**	**57.3**	**47.8**	**28.0**	**–15.8**	**2.7**	**–16.6**
Public construction	17.9	30.5	26.3	33.3	26.9	70.4	–13.8	26.6	–19.2
Private construction	33.9	35.8	29.5	24.0	20.9	5.6	–17.6	–18.6	–12.9
Building completions	**38.7**	**47.3**	**50.9**	**50.8**	**53.8**	**22.2**	**7.6**	**–0.2**	**5.9**
Public construction	15.9	20.4	21.5	24.2	26.7	28.3	5.4	12.6	10.3
Private construction	22.8	26.9	29.4	26.6	27.1	18.0	9.3	–9.5	1.9
Dwellings under construction	**69.7**	**88.6**	**23.6**	**100.0**	**94.0**	**27.2**	**5.6**	**6.9**	**–6.0**
Public construction	31.2	41.2	46.0	55.1	55.3	32.2	11.5	19.9	0.4
Private construction	38.5	47.4	47.6	44.9	98.7	23.1	0.4	–5.5	–13.0
Construction time (months)									
Total construction		**17.3**	**17.8**	**21.3**	**(22.6)**		**2.9**	**19.7**	**(6.1)**
Public construction		20.4	19.5	23.0	(23.7)		–4.4	17.9	(3.0)
Private construction		14.8	16.5	19.6	(21.6)		11.5	18.8	(10.2)

SOURCE: Central Bureau of Statistics.

Public building activity in 1974 and 1975 missed both aims: in 1974 public building starts took place on a wide scale although it was known that an unplanned stock of apartments was accumulating, following the continued slowdown in sales of apartments to the public and the steep decline in net immigration - from 44,000 people in 1973 to 12,000 people in 1974. In addition: in the first quarter of 1975 public building starts continued

Table VIII-8

PRIVATELY BUILT HOME MARKET INDICATORS, 1971–75

(percent)

	Index of dwelling sales in private construction[a]	Index of supply of new dwellings in private construction	Rate of sales from supply of dwellings in private construction	Index of construction units in private construction 12 large towns	Index of construction units in private construction
1971 quarterly average	100.0	100.0	48.7	100.0	100.0
1972 quarterly average	94.6	117.4	39.3	93.2	105.5
1973 quarterly average	75.0	118.2	30.9	76.0	81.1
1974 I	73.2	115.6		45.4	54.4
II	82.1	121.7		72.6	84.8
III	62.5	108.0		56.6	76.6
IV	51.8	107.0		50.2	67.1
1974 quarterly average	**67.9**	**113.0**	**28.9**	**56.2**	**70.1**
1975 I	46.4	91.3		35.3	54.8
II	51.8	92.2		61.6	70.7
III	50.0	87.0		45.9	60.4
IV	55.4	87.8		49.5	60.1
1975 quarterly average	**50.4**	**89.6**	**27.9**	**47.5**	**61.5**

[a] The sales index and supply of dwellings construction is based on data for 12 large towns (Jerusalem, Tel Aviv-Yaffo, Haifa, Bnei Brak, Bat Yam, Givatayim, Holon, Netanya, Petach-Tikva, Rishon-le-Zion, Rehovot, Ramat Gan), and as of the beginning of 1974 based on data for 5 other towns (Herzliya, Kfar Saba, Kiryat Bialik, Kiryat Yam, Kiryat Motzkin). The supply of dwelling includes those whose construction was begun during the period under construction and new dwellings which were not sold by the end of the previous period. Defined as newly finished dwellings are those whose construction ended within 15 months of the time of the survey.

SOURCE: Central Bureau of Statistics.

Table VIII-9

INCREASE IN DWELLING PRICES, CONSUMER PRICES, AND PRICES OF CONSTRUCTION INPUTS, 1971–75

(average percent)

	1971	1972	1973	1974	1975
Dwelling prices	29.1	32.2	28.0	30.8	34.7
Consumer prices	12.0	12.9	20.0	39.7	39.3
Construction input prices	10.5	16.0	28.5	47.2	30.6
Changes in dwelling prices as a ratio of the change in consumer prices	15.3	17.1	6.7	–6.4	–3.3
Changes in dwelling prices as a ratio of the change in construction input prices	16.8	14.0	–0.4	–11.1	3.1

SOURCE: Central Bureau of Statistics.

to increase and reached an unprecedented level (see Figure VIII-1). Apparently, this was the result of pressure by the big housing companies, which operate both in the private market and also as contractors to the government, in order to compensate for the drop in their private building starts. The reduction in public building starts was finally and then rather drastically implemented at the end of the second quarter: in the second quarter a drop of 44 percent took place which continued at a rapid rate in the second half of the year. In the course of the year (last quarter compared to the first quarter) starts dropped by 65 percent. If the public building sector had reacted in time to the changes in demand by cutting down building starts gradually, it would have been possible to prevent this drastic decline and spare the economy the upheavals resulting therefrom. It seems that the root of the problem lies both in the lack of constant information on the sales and supply of apartments in public building and in faulty supervision of the activity of housing companies in public building.

Ministry of Housing data about apartments under construction by stages show a consistent rise during 1975 of apartments shortly before completion, of all apartments under construction (from 13 percent at the beginning of the year to 21 percent at the end of the year). It is possible that there was directed slowdown, given the accumulation of a stock of empty apartments.

In 1975 public building bodies became aware of the need to encourage demand and began a campaign in the media directed to those entitled to subsidized housing. In addition to the warnings about anticipated price increases as a means of encouraging constant sales, credit conditions were improved: the size of the average loan rose by 48 percent, which is much higher than the rise in apartment prices in the year under survey.

Figure VIII-1

PUBLIC AND PRIVATE CONSTRUCTION STARTS, 1970–75
(thousands of units; original data)

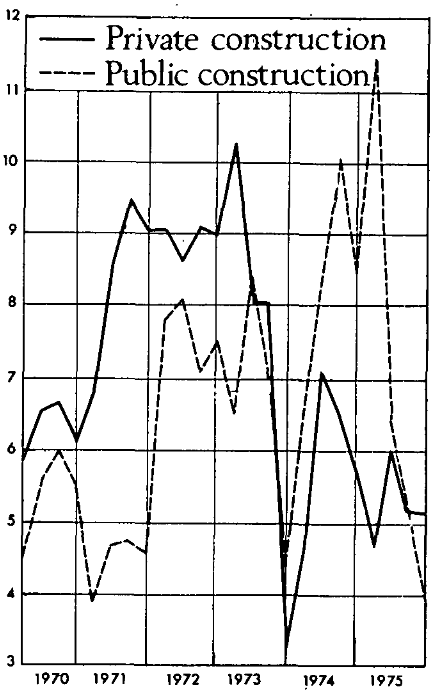
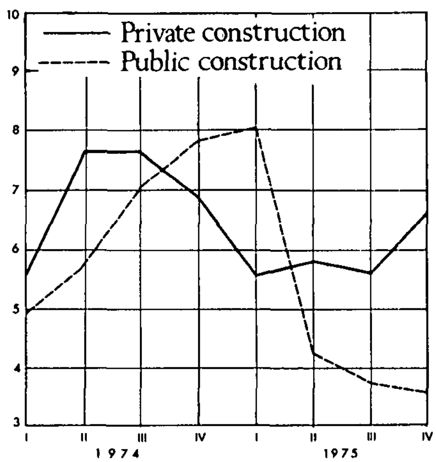


Figure VIII-2

PUBLIC AND PRIVATE CONSTRUCTION STARTS, QUARTERLY, 1974–75
(thousands of sq. meters; seasonally adjusted data)



5. CONSTRUCTION INPUTS

Construction output is mostly investment. The remainder, mainly defense building and maintenance work, is not defined as investment. Noninvestment construction cancelled out, to a certain extent, the drop in investments in 1975: while investment in structures was down 3 percent, total output fell by only 2 percent.

A comparison of 1975 with the previous year smoothens the decline in construction output, since in the first quarter of 1974 most of the production factors in this sector were still mobilized and activity was renewed only in the second quarter. A comparison of the quarterly average in 1975 to the average of the last three quarters in 1974 shows a steep decline in investments - 8 percent, compared to 3 percent which are obtained from a comparison of the two years as a whole.

The decline in construction output is reflected in the level of employment in this sector.[10] A comparison in the average number of locally employed[11] in 1975 with the average during the period April-December 1974 shows a drop of 2.7 percent. Even more striking is the drop in labor input when measured in work hours. Here there was a 3.4 percent fall also reflecting a fall in the number of hours per worker. In the wake of this steep downswing in building starts in 1975, there should be no doubt that the downward trend in employment will continue and will be stronger. Indeed, initial data for the beginning of 1976 indicate a further fall in the number of workers in this sector.

Table VIII-10

MAIN INDICATORS IN CONSTRUCTION OUTPUT GROWTH, 1971-75

						Percent annual increase			
	1971	1972	1973	1974	1975	1972	1973	1974	1975
		(IL million, current prices)					*(1970 prices)*		
Residential construction	2,348	3,510	4,639	6,935	8,333	27.7	5.0	−0.3	−2.9
Nonresidential construction	1,632	2,211	2,837	4,248	5,363	17.0	2.0	−0.2	−3.7
Total investment in construction	**3,980**	**5,721**	**7,476**	**11,183**	**13,696**	**23.3**	**3.9**	**−0.3**	**−3.2**
Other[a]	798	777	779	1,681	2,403	−15.1	−14.2	48.4	6.5
Total construction output	**4,778**	**6,498**	**8,255**	**12,864**	**16,099**	**16.9**	**1.7**	**4.7**	**−1.8**
		(thousands of metres)					*(percent)*		
Total construction starts	6,957	8,600	7,313	7,212	5,485	23.6	15.0	−1.4	−24.0
Thereof: nonresidential building starts	1,855	2,244	1,964	1,882	1,125	21.0	−12.5	−4.2	−40.3
Total completions	5,426	6,027	6,501	6,395	6,592	11.1	7.9	−2.1	3.6
Thereof: nonresidential building completions	1,603	1,351	1,547	1,547	1,480	−15.3	14.5	0.0	−4.4

[a] Partial estimate including building maintenance and defense building.
SOURCE: Central Bureau of Statistics and Bank of Israel estimates.

10. The absolute numbers are presented in Tables XII-6, XII-7, and XII-8 below.
11. Israelis and workers from the administered areas.

Investment in construction equipment was down 14 percent in 1975. However, it has to be remembered that in the previous year these investments shot up by 29 percent as a result of apprehensions concerning shortages in construction equipment following its mobilization during the war. As a result of the enormous increase in these investments in 1974, capital stock at the disposal of this sector was up 10 percent in 1975 and there is no doubt that part of this was unutilized in the year of the review.

In 1975 local production of cement was up 23 percent. In cement imports there was a further drop, and its share in the total was reduced to 6 percent. Local production plus import of cement went up by 10 percent. This increase does not appear to be consistent with the decline in construction output. It is possible that part of the increase in cement production found its final destination in the administered areas where there was an increase in private construction. However, this cannot explain all the increase in cement production and a considerable part of the output must have been stockpiled.

6. THE CAPITAL STOCK

Gross capital stock was up 8 percent, a slight slowing down in comparison to the previous year to which transportation and, to some extent, also services and residential construction contributed. Gross nondwelling stock slowed from an 8.5 percent increase in 1974 to 7 percent in 1975. However, it has to be pointed out that agricultural and industrial stock kept up their growth rate. Nondwelling stock, with public services excluded, conforms to the definition of the business sector (less dwelling). This grew at a rate of 6 percent. It is worth noting that since 1972 capital stock in this segment outpaced the growth in the product of the business sector.

There were no important changes in the long-term trends of development. This development is characterized by a continuous edging up of the share of transportation and public services in nondwelling stock (Table VIII-13). This phenomenon reflects the increasing welfare in the economy and is typical of developed welfare states in which road network, health, and education services etc. grow faster than other investments. In Israel the share of transportation in nondwelling stock rose from 17 percent in 1955 to 27 percent in the year reviewed. During the same period the share of public services grew from 9 percent to 21 percent, while the portion of agriculture fell from 24 percent to 12 percent.

Capital stock per worker was up 8 percent, similar to 1974. This increase is the probable outcome of two causes: (a) a lag in the adaptation of capital stock to the

Table VIII-11

GROSS FIXED CAPITAL STOCK, BY SECTOR, 1975–76
(IL million, 1975 prices)

	Beginning-of-year stock 1975	Gross investment 1975	Retirements[a] 1975	Net stock increment 1975	Beginning-of-year stock 1976
Agriculture	16,002	977	176	801	16,803
Water	7,504	221	94	127	7,631
Industry	30,977	3,611	908	2,703	33,680
Construction equipment	2,757	418	257	161	2,918
Electricity	7,025	695	220	475	7,500
Transportation and communication	40,539	3,146	896	2,250	42,789
Public services	31,158	3,758	241	3,517	34,675
Private services	10,456	923	339	585	11,041
Total nondwelling stock	**146,418**	**13,749**	**3,131**	**10,618**	**157,036**
Dwellings	91,103	8,333	705	7,628	98,731
Total fixed capital stock	**237,521**	**22,082**	**3,836**	**18,247**	**255,767**

[a] Discards.

Table VIII-12

GROWTH OF REAL GROSS CAPITAL STOCK, BY SECTOR,[a] 1950–76
(percent)

	Agriculture	Water works	Industry	Construction equipment	Electricity	Transportation	Public services	Private services	Total non-dwelling	Dwelling	Total fixed capital stock
Average 1950–59	8.2	28.7	13.7	36.2	17.7	15.8	24.8	11.3	14.2	14.5	14.3
1960	8.8	7.2	13.8	26.1	8.5	10.1	18.0	8.6	11.5	9.4	10.6
1961	8.0	9.0	8.6	20.1	7.8	12.2	17.5	16.7	10.9	8.4	9.9
1962	7.2	9.6	10.1	18.9	8.6	18.0	16.1	19.8	12.2	9.5	11.1
1963	6.1	12.2	11.9	18.7	9.7	12.1	15.1	15.6	11.5	10.9	11.3
1964	4.7	11.6	10.8	6.4	6.5	11.8	15.5	14.4	10.3	9.8	10.1
1965	4.8	7.1	8.1	7.9	4.6	20.2	15.4	16.3	10.9	9.9	10.5
1966	4.2	4.7	4.6	9.7	7.9	16.5	15.1	15.3	9.6	9.5	9.5
1967	3.2	4.4	3.2	–1.5	9.2	10.6	13.6	11.4	7.3	7.0	7.2
1968	2.7	3.9	2.6	–4.0	3.9	7.9	9.5	7.7	5.3	4.4	5.0
1969	2.5	3.1	8.1	3.0	5.1	13.2	11.0	8.4	8.1	5.2	7.0
1970	2.8	1.9	11.2	2.4	6.2	12.9	12.6	9.7	9.2	7.2	8.4
1971	3.8	1.8	10.6	3.4	6.3	10.0	10.9	10.3	8.5	9.2	8.8
1972	4.0	2.0	11.0	5.3	4.8	15.1	10.6	10.7	9.8	10.2	10.0
1973	4.7	2.5	10.5	5.1	9.9	9.1	13.2	6.6	9.0	11.9	10.1
1974	4.2	1.6	8.4	6.0	6.5	14.1	13.2	6.8	9.6	10.9	10.1
1975	4.8	1.0	8.1	9.5	6.1	9.6	12.9	6.7	8.5	9.6	8.9
1976	5.1	1.8	8.7	5.8	6.5	5.7	11.3	5.6	7.3	8.4	7.7

[a] Beginning of the year compared to the previous year. There are slight differences in the series presented here and those published in previous reports. In the preparation for this report the series of Gross Capital Stock has been computerized and updated.
SOURCE: Bank of Israel series.

slowdown in economic activity, relative to the rather faster rate in the adaptation of the level of employment. A similar phenomenon was noted during the recession years in which there were even higher rates of capital per worker, (b) a tendency for capital-intensive investments in agriculture and for big industrial projects which have not yet matured.

Table VIII-13

GROWTH OF SECTORS' SHARE IN GROSS CAPITAL STOCK, 1955–75
(percent)

	Sector distribution of gross capital stock[a]							Sector distribution of gross stock increment						
	1955	1960	1965	1970	1973	1974	1975	1955	1960	1965	1970	1973	1974	1975
Agriculture	24.2	22.6	18.0	14.3	12.5	11.8	11.5	23.5	16.6	7.9	6.9	5.5	6.9	8.3
Irrigation	11.6	9.4	8.8	7.2	5.9	5.5	5.1	8.9	7.8	4.4	1.7	1.0	0.5	0.7
Industry	24.7	23.7	22.4	20.4	21.3	21.2	21.2	18.8	18.7	10.8	27.3	19.6	23.9	27.9
Construction equipment	1.4	2.5	2.8	2.1	1.9	1.8	1.9	2.8	4.6	2.9	0.9	1.2	2.8	2.0
Electricity	5.8	7.4	6.3	5.9	5.5	5.4	5.1	13.5	5.4	5.2	4.7	3.4	2.2	4.0
Transportation	17.2	16.5	19.3	23.6	25.2	26.2	26.5	12.2	18.6	33.6	22.6	37.1	24.9	17.3
Public services	8.8	12.3	15.2	18.5	19.8	20.4	21.1	16.1	19.8	24.0	25.7	26.4	31.9	29.1
Private services	6.3	5.6	7.0	7.9	7.9	7.7	7.6	4.2	8.5	11.2	10.2	5.8	6.9	10.7
Total all sectors	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

[a] Capital stock at beginning of year.
SOURCE: Bank of Israel series.

Table VIII-14

GROWTH OF REAL CAPITAL STOCK PER EMPLOYED, 1961–75[a]
(percent)

	Agriculture	Industry	Construction	Transportation & communication	Trade and services	Total sectors
Average						
1961–1965	6.7	0	3.5	7.6	10.5	6.1
1966	10.4	2.5	33.3	21.5	11.2	10.2
1967	6.4	15.2	18.6	2.4	14.4	12.2
1968	3.9	−11.5	−19.0	1.5	2.8	−3.3
1969	4.0	3.8	−3.6	2.0	4.8	3.4
1970	7.0	7.8	−7.7	16.7	6.0	6.2
1971	1.3	6.6	−10.9	6.9	5.9	3.5
1972	0	5.5	−11.0	10.6	4.9	3.0
1973	8.4	1.4	0.6	9.0	6.0	4.2
1974	17.7	5.2	8.3	3.9	7.3	8.0
1975	6.3	11.3	12.6	14.4	6.7	8.1

[a] 1. The capital stock are for the beginning of the year and the number of employed in the annual average. From 1968 on workers from the territories are included among the employed. For 1973 and 1974 the number of the employed is an average for the first nine months of the year and the last nine months of the year accordingly.
2. Included in total sectors also electricity and water, which were not detailed separately.
SOURCE: Central Bureau of Statistics.