

CONTENTS

	<i>Page</i>
Letter to the Government and the Finance Committee of the Knesset . . .	iii

PART ONE

THE DEVELOPMENT OF THE ECONOMY

CHAPTER I	MAIN ECONOMIC DEVELOPMENTS	3
CHAPTER II	RESOURCES, USES, AND INCOMES	10
	1. Main Developments	10
	2. National Product	11
	3. Factors Influencing Economic Development	18
	4. Structural Changes in the Economy	22
CHAPTER III	THE BALANCE OF PAYMENTS	39
	1. Main Developments	39
	2. Imports	48
	3. Exports	65
	4. The Rate of Exchange	81
	5. Capital Imports	85
CHAPTER IV	PRIVATE CONSUMPTION	92
	1. Main Developments	92
	2. Changes in Total Consumption	92
	3. Changes in the Composition of Consumption	95
CHAPTER V	DOMESTIC INVESTMENT	106
	1. Main Developments	106
	2. Investment, by Type of Investor	112
	3. Investment, by Economic Sector	116
	4. Prices	122
	5. Capital Stock	122
	6. Investment in Inventories	127
	7. Public Financing of Investment	128
	8. Gross Investment, by District	129

		<i>Page</i>
CHAPTER VI	PRICES	131
	1. Main Developments	131
	2. Background and Causes of Price Developments	133
	3. Relative Prices	142
CHAPTER VII	PUBLIC SECTOR OPERATIONS	154
	1. The Public Sector—Consolidated Account	154
	2. The Government and National Institutions	165
	3. The Local Authorities	193
CHAPTER VIII	NONPROFIT INSTITUTIONS	202
	1. Main Developments	202
	2. Role of the Nonprofit Institutions and the Public Sector in the Provision of Services	206
	3. Changes in the Composition of Expenditure, by Function	208
	4. "Balance of Payments" of Nonprofit Institutions	209
	5. Demand Surplus and Financing of Purchases on Capital Account	217
	6. Concentration of Nonprofit Institutions	220
CHAPTER IX	POPULATION, LABOR FORCE, AND EMPLOYMENT	222
	1. Main Developments	222
	2. Population and Manpower	226
	3. Employment	231
	4. Unemployment	238
CHAPTER X	WAGES	246
	1. Main Developments	246
	2. Wages and Employees, by Economic Sector	250
	3. Wage Policy and the Cost-of-Living Allowance	256
	4. Disposable Income	261
	5. Labor Relations	262

PART TWO

SURVEY OF THE PRINCIPAL ECONOMIC SECTORS

CHAPTER XI	AGRICULTURE	267
	1. Main Developments	267
	2. Output	272
	3. Input	288
	4. Income	292
	5. Investment and Financing	294

		<i>Page</i>
CHAPTER XII	INDUSTRY	300
	1. Main Developments	300
	2. Output	306
	3. Exports	317
	4. Investment	324
CHAPTER XIII	CONSTRUCTION AND HOUSING	328
	1. Main Developments	328
	2. Volume of Construction	335
	3. Residential Construction	340
	4. Nonresidential Construction	351
	5. Input	353
	6. Employment and Wages	355
CHAPTER XIV	TRANSPORTATION AND COMMUNICATIONS	357
	1. Main Developments	357
	2. Domestic Transport and Communications	359
	3. Domestic Aviation, Postal Services, and Oil Pipelines	367
	4. International Transport Services	370

PART THREE

MONETARY DEVELOPMENTS

CHAPTER XV	MONEY SUPPLY, CREDIT, AND THE BANKING INSTITUTIONS	387
	1. Main Monetary Developments	387
	2. The Money Supply	395
	3. Less Liquid Deposits of the Public	401
	4. Sources of Monetary Expansion	404
	5. The Liquidity of Banking Institutions	415
	6. The Development of Banking Business	419
	7. Income and Expenses of Banking Institutions	423
CHAPTER XVI	FLOW OF FUNDS	426
	1. Conceptual Framework	426
	2. Main Developments	428
	3. Demand Surpluses, by Sector	432
	4. Financing the Demand Surpluses	437
	5. The Financial Sectors in the Money-Flows System	441
	6. Credit Flows	443
CHAPTER XVII	FINANCIAL INSTITUTIONS	453
	1. Main Developments	453
	2. Types of Financial Institutions	456

	<i>Page</i>
3. Loan Linkage Policy	458
4. Assets and Liabilities	459
5. Credit	463
6. Developments, by Type of Institution	466
7. Flow of Funds, by Sector	470
CHAPTER XVIII SOCIAL INSURANCE FUNDS AND INSURANCE COMPANIES	473
I. Social Insurance Funds	473
1. Main Developments	473
2. Accumulation and Saving	473
3. Balance Sheet Developments	477
4. Money Flows, by Sector	479
II. Insurance Companies	482
1. Life Insurance	483
2. General Insurance	486
3. Balance Sheet Developments	487
4. Money Flows	488
CHAPTER XIX SAVING	491
1. Main Developments	491
2. Private Saving	493
3. Composition of Household Saving.	495
4. Private Saving, Including Consumer Durables	499
5. Saving of the Public Sector and Nonprofit Institutions	500
CHAPTER XX THE SECURITIES MARKET	502
1. Main Trends	502
2. The Scope of the Securities Market	504
3. New Issues	505
4. Developments in the Secondary Market	518
5. Securities Traded in Foreign Currency	534

PART FOUR

THE BANK OF ISRAEL

CHAPTER XXI ACTIVITIES OF THE BANK OF ISRAEL	541
1. Summary of Balance Sheet at the End of 1967	541
2. Foreign Exchange and Gold Holdings	544
3. The Bank of Israel as Banker to the Government	548
4. The Bank of Israel as the "Bankers' Banker"	551
5. Currency in Circulation	553

	<i>Page</i>
6. Profit and Loss Account and Distribution of Profits .	558
7. Note and Coin Issue	559
8. Administration of State Loans	562
9. Examination of Banking and Financial Institutions .	575
10. The Clearinghouses	585
11. Economic Research	586
12. The Bank of Israel as Representative of the Government in International Financial Institutions .	588
13. Advisory Committee and Advisory Council . . .	591
14. The Bank and Its Staff	592