FOR AGENDA

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SM/91/191
Supplement 1

CONTAINS CONFIDENTIAL INFORMATION

November 19, 1991

To: Members of the Executive Board

From: The Acting Secretary

Subject: Israel - Staff Report for the 1991 Article IV Consultation

The attached supplement to the staff report for the 1991 Article IV consultation with Israel (SM/91/191, 9/11/91) has been prepared on the basis of additional information, and is now tentatively scheduled for Board discussion on Friday, November 22, 1991.

Ms. D. Ross (ext. 7188) or Mr. Hauvonen (ext. 8807) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

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ISRAEL

Staff Report for the 1991 Article IV Consultation--
Supplementary Information

Prepared by the European Department

Approved by J. R. Artus

November 19, 1991

Since the staff report for the 1991 Article IV consultation with Israel (SM/91/191, 9/11/91), a number of developments have taken place, including the presentation of the 1992 budget and the adoption of measures liberalizing foreign exchange and financial markets. The staff welcomes these measures. Overall, Israel's economic situation and outlook remain essentially unchanged from the views presented in the staff report.

1. Economic activity and inflation

The moderate slowdown that the Israeli economy experienced in the first quarter of 1991 under the influence of the Middle East crisis was followed by a marked recovery of domestic demand in the second quarter. During the summer, however, activity levelled off. There has been little growth in manufacturing output since June, and retail and service activity has grown more slowly. The volume of residential building remains very high, but building starts also began to slow during the summer. Imports are still buoyant, while exports have been weaker than expected.

The pace of inflation increased through the summer of 1991 reflecting a number of factors, including sharply rising housing costs and adjustments in controlled prices. The overall consumer price index, measured over the same period of 1990, rose around 21 percent in the third quarter; during the same period, the wholesale price index for industrial output rose by over 17 percent. The boom in housing costs came to a halt in October, when the housing component of the CPI declined; this led to a moderation in the rise of consumer prices to only 0.4 percent in that month, leaving the year-on-year rate at 19.4 percent.

2. Immigration, employment and wages

Immigration in the first eight months of 1991 was lower than expected at about 130,000 persons. As a result, the official projection for the year as a whole has been reduced from 200,000 to 170,000. Largely reflecting immigration, the labor force increased by 7.1 percent in the 12 months through the second quarter of 1991, while employment grew only 6.2 percent. This resulted in an increase in the unemployment rate from 9.6 percent in 1990 to 10.8 percent (seasonally adjusted) in the second quarter 1991.

Real wages--deflated by the CPI--declined by 3 percent during the first half of 1991 compared to a year earlier, reflecting a 6 percent drop in the business sector, where organized labor agreed to new concession in recognition of the slack in the labor market, and a 3 percent rise in the public services. As wholesale prices continued to lag behind the CPI, average real labor costs--deflated by producer prices--declined by only 2 percent in the first half of 1991 from a year earlier.

3. Monetary and fiscal developments

Monetary policy during the first half of 1991 focussed on preventing an increase in interest rates by stepping up the volume of discount lending. Starting in August, short-term interest rates were allowed to rise in an effort to moderate inflationary pressures. In late September and October, faced with mounting exchange rate speculation, the Bank of Israel curtailed its lending and let the discount rate rise to almost 25 percent per annum by end-October from 13-14 percent in August. These exchange market pressures contributed to a decline in official reserves of US$1.3 billion in the September-October period. (International reserves had risen by US$0.6 billion in the January-August period). In the first half of November, exchange rate pressures are reported to have eased.

In the area of public finances, revenue data through October show an increase in collections in real terms of just below 9 percent compared to a FY 1991 budget target of 11-12 percent real growth. The Ministry of Finance indicated that a revenue shortfall of some NIS 2-2.5 billion is expected for the fiscal year as a whole, but with somewhat higher foreign grant receipts (NIS 0.8 billion) and lower outlays due in part to lower immigration and to expenditure delays (up to NIS 3-4 billion) the fiscal deficit is not expected to be significantly different from that budgeted.

The authorities adopted new regulations on November 7, 1991 that removed some of the administrative restrictions in financial markets to enhance competition and accelerate the process of opening up Israel's financial markets. At the same time, to protect domestic financial markets from unexpected turbulences, the Bank of Israel was given expanded authority, after consultation with the Ministry of Finance, over open market instruments and reserve requirements. Specific measures are described in the Appendix; some of the measures become effective only upon parliamentary approval of relevant legislation.

4. 1992 Budget

The Israeli cabinet approved in early September a budget proposal for 1992, together with a medium-term budget framework. This package, which was submitted to the Knesset at end-October 1991, is based on annual GDP growth of some 6-7 percent in 1992-94. It provides for a reduction in the overall deficit from 9.7 percent of GNP in FY 1991 to 9.1 percent in 1992 (Table 1). 1/ The budget is in line with the broad policy intentions discussed between the authorities and the staff team in July. However, it is not as tight as the staff had recommended. Also, several provisions of the budget proposal, including the elimination of accelerated depreciation allowances, are expected to encounter strong resistance in the Knesset.

The 1992 budget proposal is based on the arrival of 200,000 immigrants. It provides for largely unchanged total revenue (in terms of GNP) compared to the 1991 budget, a reduction in expenditure by close to 2 percentage points of GNP, and a decline by about 1 percentage point in foreign grant receipts. On the revenue side, direct taxes are budgeted to decline reflecting an expected wage moderation and the full effect of the reduction in corporate income and employers' taxes, notwithstanding the cancellation of all accelerated depreciation allowances. 2/ This is expected to be largely offset by increased indirect tax collections. Purchase tax and import duty collections are expected to increase with the import volume, especially after the September 1991 trade liberalization; excises on fuel and soft drinks are also to rise slightly.

On the expenditure side, immigration-related outlays are expected to rise slightly above the 10 percent of GNP budgeted in 1991 (Table 2). The reduction in total expenditure by 1.8 percentage points of GNP stems largely from a curtailment of current spending that reflects in part a 3 percent real cut across-the-board in operating expenses in all ministries but the defense portfolio. 3/ Defense outlays are budgeted to rise in real terms

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1/ In their own presentation, the authorities focus on the concept of the domestic deficit, which excludes net lending and the differences between foreign revenue and expenditure, but includes the surplus of the National Insurance Institute. Thus they envisage the elimination of the domestic deficit by 1995, from 6.7 percent of GDP in 1991, and 6.2 percent in 1992. This is consistent with the deficit of 5.5 percent of GDP for 1991 noted on page 14 of SM/91/191, after reclassification of a subsidy element of mortgage lending to current expenditure ("other subsidies").

2/ The corporate income tax rate was reduced from 42 percent to 41 percent in January 1991 and is to fall to 40 percent in 1992.

3/ The current expenditure data in Table 1 show an increase in current spending of 1 percentage point of GNP because of a reclassification in the 1992 budget of mortgage subsidies (about 1.2 percent of GNP) and investment grants (2.2 percent of GNP) from capital expenditure and net lending to subsidies and transfers.

by 3.4 percent. Government investment is budgeted to rise by over a quarter, reflecting some reclassification but also higher immigration-related infrastructure investments. The budgetary reserve is projected to rise in view of the large uncertainties surrounding immigration. The resulting deficit is to be financed by a substantial increase in net foreign borrowing to US$2.2 billion (3.6 percent of GNP), by continued strong revenue from privatization (1.5 percent of GNP), and the remainder by domestic borrowing.

5. External current account developments

According to preliminary reports, the current account of the balance of payments showed a swing from a surplus of US$310 million in the first half of 1990 to a deficit of US$350 million in the first six months of 1991. This shift was broadly anticipated in the staff report and recent development do not at this point justify changes in the annual projections for 1991 and the medium term that were included in the staff report.

Merchandise exports have been persistently weak in 1991. Export receipts during January-September 1991 were 6 percent below those a year earlier, while export volume was little changed. The export performance reportedly was related to a strong and lingering impact of the Middle East crisis, weak foreign demand for military equipment, and slower than anticipated growth of world trade. Among the different commodity groups, industrial exports performed best with export value falling only marginally as sizable declines in exports of machinery, electronics, and foodstuff were offset by a good performance of textiles and light industrial products (Table 3).

Civilian imports quickly resumed their strong rise after the end of hostilities in early 1991. In the first nine months of 1991, the U.S. dollar value of imports was 10 percent higher than a year earlier. With the weakening of foreign prices due to the strengthening of the U.S. dollar vis-à-vis the European currencies, imports rose even more in volume terms. Imports of investment goods jumped by 39 percent and consumer goods by 13.5 percent; fuel imports were up by 9 percent and imports of other inputs by 13 percent (Table 4).

Tourism recovered only slowly after the severe interruption caused by the Middle East crisis, but reached pre-crisis levels during the summer. During the first eight months of 1991, arrivals were 42 percent less than a year earlier. Outbound travel by residents is estimated to have increased by 6-7 percent in January-July 1991 from a year earlier.

6. Exchange and trade system

The Israeli authorities have provided additional information about the new regime applicable to imports from countries with which Israel does not have free trade agreements (SM/91/199, 9/25/91). The reform, which became effective on September 1, 1991, replaced discretionary import licensing with an automatic licensing procedure. A new transitional tariff structure was introduced with ad valorem rates of typically 30 percent (the highest rate is 75 percent) that are to be reduced annually over five years in a linear fashion to maximum rates of 8 percent on raw materials and 12 percent on finished goods by 1996. The authorities adopted new regulations toward a further liberalization of capital movements on November 7, 1991, although some of the measures become effective only upon parliamentary approval of relevant legislation. The main changes in the exchange control area are listed in the Appendix.

Financial Market and Exchange Control Liberalization

1. The measures adopted in the area of money and credit market liberalization are as follows:

a. The liquidity ratios on restitution deposits will be gradually reduced from the present 90 percent by 0.5-2.0 percent a month, bringing them into line with liquidity requirements on other foreign currency deposits.

b. The mandatory investment requirement in bonds applicable to new savings schemes was reduced from 50 percent to 30 percent and will be abolished on January 1, 1993.

c. Liquidity requirements on local currency deposits will be lowered further and the differences in the requirements between indexed and unindexed deposits will gradually disappear. The average liquidity ratio on unindexed deposits was reduced from 9 percent to 6.8 percent. Proposed parallel tax changes will enable banks to issue negotiable certificates of deposit (CDs).

d. In order to reduce administrative intervention in money markets, the minimum terms were reduced for: (i) credit from abroad from currently 6 months to nil; (ii) foreign currency denominated deposits from 6 months to 3 months; (iii) CPI-linked deposits and bank credit from an average of 1 year to 6 months.

e. The exemption of government earmarked deposits from liquidity requirements will be abolished as of January 1, 1993 except for cases where the default risk remains with the Government as opposed to the bank.

2. The measures adopted to simplify and unify the taxation of financial assets held by individuals are as follows:

a. A uniform tax rate will be set on income from foreign currency denominated financial assets: 35 percent on income from interest, dividends, or profit in excess of exchange rate differentials (the latter will be tax exempt).

b. The tax rate on that part of the interest cost of foreign borrowing that is in excess of LIBOR will be set at 15 percent, payable upon settlement of interest abroad.

c. Unindexed local currency commercial paper issued by companies and banks will be tax exempt.

d. Profits of individuals from futures transactions on the rate of exchange, the CPI, and interest will be tax exempt.

3. The measures relating to the liberalization of capital movements are as follows:

a. All residents (previously only companies) will be allowed to deposit without restriction foreign currency receipts or income originating abroad, as well as foreign currency remaining after travel abroad; the deposits may be withdrawn for the purpose of effecting any transfer abroad for permitted transactions, travel abroad or conversion into domestic currency.

b. Resident individuals (not companies) will be allowed to purchase, in addition to approved securities issued abroad by Israeli companies, any security traded on a recognized stock exchange abroad as well as mutual (trust) funds.

c. The limit up to which companies will be permitted to invest directly abroad--through share capital, equity holders' loans, guarantees and real estate--was raised from 20 percent to 40 percent of their equity. Permits continue to be granted on an individual basis.

d. Restrictions will be relaxed on: (i) the convertibility of the proceeds of sales of bonds and mutual funds originally purchased with foreign currency; (ii) nonresidents' eligibility to hold nonresident local currency deposits convertible at Israeli banks; (iii) nonresidents may borrow local currency from banks in Israel against foreign currency collateral.

Table 1. Israel: Main Budget Aggregates, 1987/88-1992

	1987/88	1988/89	1989/90	Updated Budget 1/ 1990/91	Est. 1990/91	Budget (9 Months) 1991	Proposed Budget 2/ 1992
	(In millions of new sheqalim)						
Total revenue	24,483.9	27,996.2	31,620.3	40,303.7	39,500	39,564.9	56,158.8
Tax revenue	21,740.3	24,723.2	27,511.6	34,679.0	34,258	34,985.0	49,486.1
Direct taxes	11,122.2	13,154.3	14,753.1	18,290.0	18,180	17,390.0	23,850.0
Domestic taxes on goods and services	8,804.7	9,739.3	11,060.5	14,529.0	14,336	15,895.0	23,001.1
Taxes on external transactions	1,425.0	1,378.7	1,085.4	1,180.0	1,082	1,120.0	1,735.0
Other taxes	388.4	450.9	612.6	680.0	660	580.0	900.0
Nontax revenue 3/	2,743.4	3,273.0	4,108.7	5,624.7	5,242	4,579.9	6,672.7
Of which: capital revenue	...	240.0	--	740.0	...	180.0	...
Total expenditure and net lending	30,756.6	35,250.1	41,430.9	55,208.4	51,000	54,505.2	75,186.6
Current expenditure	28,807.2	32,935.7	39,123.3	46,424.8	...	43,208.1	62,906.3
a. Civilian expenditure	19,622.5	23,001.7	27,435.5	33,491.8	...	32,089.0	47,583.0
Defense expenditure	9,184.7	9,934.0	11,687.8	12,933.0	...	11,119.1	15,323.3
Domestic purchases	5,870.9	6,804.4	8,047.7	9,079.6	...	8,256.0	11,428.9
Purchases abroad	3,313.8	3,129.6	3,640.1	3,853.4	...	2,863.1	3,894.4
b. Wages	4,426.4	5,595.9	6,942.7	8,057.2	...	7,964.1	11,004.5
Other goods and services	8,159.5	8,827.1	10,340.1	11,948.8	...	10,026.3	13,313.5
Domestic purchases	4,585.7	5,447.6	6,339.3	7,757.9	...	6,854.0	8,977.3
Purchases abroad	3,573.8	3,379.5	4,000.8	4,190.9	...	3,172.3	4,336.2
Transfers and subsidies	9,528.3	11,346.2	12,955.1	15,871.7	...	15,139.6	25,670.3
Interest payments 4/	6,311.3	6,837.0	8,500.5	9,964.9	...	9,663.0	12,323.0
Other current expenditure	381.7	329.5	384.9	582.2	...	415.1	595.0
Capital expenditure	1,391.9	1,790.2	2,172.1	3,209.2	...	6,236.6	6,678.3
Net lending	557.4	524.2	135.5	1,758.1	...	2,864.9	1,967.9
Unallocated expenditure	0.1	--	--	3,816.3	--	2,195.6	3,634.1
Budget deficit (before grants)	-6,272.9	-7,253.9	-9,810.6	-14,904.7	-11,500	-14,940.3	-19,027.8
Foreign grants	5,193.4	5,019.8	5,816.1	6,240.0	6,200	5,622.0	6,614.6
Overall deficit	-1,079.5	-2,234.1	-3,994.5	-8,664.7	-5,300	-9,318.3	-12,413.2
Domestic	-766.9	-1,808.7	-3,278.3	-8,248.5	-5,500	-9,400.2	-11,099.8
Foreign	-312.6	-425.4	-716.2	-416.2	200	81.9	-1,313.4
Financing	1,079.5	2,234.1	3,994.5	8,664.7	5,300	9,318.3	12,413.2
Foreign borrowing, (net) 5/	-729.9	-883.7	-209.1	1,421.1	400	810.0	4,880.0
Domestic bond issues (net)	1,163.2	3,263.4	5,271.4	4,893.8	3,500	5,108.3	5,542.5
Net credit from Bank of Israel	0.1	-1,043.4	0.1	545.0	700	1,800.0	---
Other 6/	646.1	775.3	-1,247.9	619.8	600	--	-9.3
Privatization proceeds	...	122.6	180.0	1,185.0	100	1,600.0	2,000.0

Table 1 (continued). Israel: Main Budget Aggregates, 1987/88-1992

	1987/88	1988/89	1989/90	Updated Budget 1990/91	Est. 1990/91	Budget (9 Months) 1991 7/	Proposed Budget 2/ 1992
				(In percent of GNP)			
Total revenue	42.0	39.5	36.3	38.0	37.7	41.2	41.0
Tax revenue	37.3	34.9	31.6	32.7	32.3	36.4	36.2
Direct taxes	19.1	18.6	17.0	17.2	17.3	18.1	17.4
Domestic taxes on goods and services	15.1	13.8	12.7	13.7	13.7	16.5	16.8
Taxes on external transactions	2.4	1.9	1.2	1.1	1.0	1.2	1.3
Other taxes	0.7	0.6	0.7	0.6	0.6	0.6	0.7
Nontax revenue 3/	4.7	4.6	4.7	5.3	5.3	4.8	4.9
Of which: capital revenue	...	0.3	--	0.7	...	0.2	...
Total expenditure and net lending	52.8	49.8	47.6	52.0	48.7	56.7	54.9
Current expenditure	49.4	46.5	45.0	43.7	...	45.0	46.0
a. Civilian expenditure	33.7	32.5	31.5	31.5	...	33.4	34.8
Defense expenditure	15.8	14.0	13.4	12.2	...	11.6	11.2
Domestic purchases	10.1	9.6	9.2	8.6	...	8.6	8.4
Purchases abroad	5.7	4.4	4.2	3.6	...	3.0	2.8
b. Wages	7.6	7.9	8.0	7.6	...	8.3	8.0
Other goods and services	14.0	12.5	11.9	11.3	...	10.4	9.7
Domestic purchases	7.9	7.7	7.3	7.3	...	7.1	6.6
Purchases abroad	6.1	4.8	4.6	3.9	...	3.3	3.2
Transfers and subsidies	16.4	16.0	14.9	14.9	...	15.8	18.8
Interest payments 4/	10.8	9.7	9.8	9.4	...	10.1	9.0
Other current expenditure	0.7	0.5	0.4	0.5	...	0.4	0.4
Capital expenditure	2.4	2.5	2.5	3.0	...	6.5	4.9
Net lending	1.0	0.7	0.2	1.7	...	3.0	1.4
Unallocated expenditure	--	--	--	3.6	--	2.3	2.7
Budget deficit (before grants)	-10.8	-10.2	-11.3	-14.0	-11.0	-15.6	-13.9
Foreign grants	8.9	7.1	6.7	5.9	5.9	5.9	4.8
Overall deficit	-1.9	-3.2	-4.6	-8.2	-5.1	-9.7	-9.1
Domestic	-1.3	-2.6	-3.8	-7.8	-5.2	-9.8	-8.1
Foreign	-0.5	-0.6	-0.8	-0.4	0.2	0.1	-1.0
Financing	1.9	3.2	4.6	8.2	5.1	9.7	9.1
Foreign borrowing (net) 5/	-1.3	-1.2	-0.2	1.3	0.4	0.8	3.6
Domestic bond issues (net)	2.0	4.6	6.1	4.6	3.3	5.3	4.0
Net credit from Bank of Israel	--	-1.5	--	0.5	0.7	1.9	---
Other 6/	1.1	1.1	-1.4	0.6	0.6	--	---
Privatization proceeds	...	0.2	0.2	1.1	0.1	1.7	1.5

Table 1 (concluded). Israel: Main Budget Aggregates, 1987/88-1992

	1987/88	1988/89	1989/90	Est. 1990/91	Budget (9 Months) 1991 7/	Proposed Budget 8/ 1992
			(Real changes in percent) 9/			
Total revenue	-3.2	-2.6	-5.2	6.2	13.8	6.5
Tax revenue						6.1
Direct taxes	-1.1	0.7	-5.9	4.7	10.2	2.9
Domestic taxes on goods and services	3.9	-5.8	-4.7	10.2	26.8	8.5
Taxes on external transactions	-12.7	-17.6	-33.9	15.3	10.0	16.2
Other taxes	41.3	-1.2	14.0	-8.4	-1.1	16.4
Nontax revenue 3/	-25.0	1.6	5.4	8.4	-5.6	9.3
Total expenditure and net lending	-3.3	-2.4	-1.3	4.6	14.4	3.5
Current expenditure	-1.0	-2.7	-0.3	...	7.9	9.2
a. Civilian expenditure	1.8	-0.2	0.1	...	11.1	11.2
Defense expenditure	-6.4	-7.9	-1.2	...	-0.3	3.4
Domestic purchases	7.8	-1.3	-0.7	...	5.4	3.8
Purchases abroad	-24.'	-19.6	-2.4	...	-13.9	2.0
b. Wages	6.9	7.6	4.1	...	14.6	3.6
Other goods and services	-11.8	-7.9	-1.7	...	-2.7	-0.4
Domestic purchases	-1.7	1.1	-2.3	...	2.4	-1.8
Purchases abroad	-22.0	-19.5	-0.6	...	-12.3	2.5
Transfers and subsidies	8.2	1.4	-4.2	...	10.6	27.2
Interest payments 4/	-4.5	-7.8	4.4	...	12.4	-4.4
Other current expenditure	33.5	-26.5	-1.9	...	-17.4	7.5
Capital expenditure	12.8	9.5	1.8	...	125.3	-19.7
Net lending	-62.3	-19.9	-78.3	...	88.9	-48.5
Budget deficit (before grants)	-3.8	-1.5	13.5	-0.4	16.2	-4.5
Foreign grants	-31.0	-17.7	-2.7	-9.4	4.4	-11.8
Overall deficit	-207.3	76.2	50.1	12.8	24.7	---

Source: Fund staff calculations from data provided by the Ministry of Finance.

1/ Based on approved supplementary budgets.
2/ In 1991 prices.
3/ Excludes profits of the Bank of Israel.
4/ Excludes interest payments to the Bank of Israel.
5/ In 1988/89, includes NIS 770 million of collateral in US Treasury bills associated with FMS refinancing.
6/ Includes designated income from credit and change in deposits of the banking system.
7/ Annualized and compared to updated budget 1990/91.
8/ Compared to annualized 1991 budget.
9/ Nominal changes deflated by CPI changes.

Table 2. Israel: Immigration-related Expenditure, 1990/91-92

(In percent of GNP)

	Original Budget 1990/91	Updated Budget 1990/91	Budget Framework (12 months) 1991	Proposed Budget 1992
Total	1.1	4.2	9.9	10.3
Construction	0.3	1.8	4.2	4.6
Mortgages	0.4	0.8	2.9	2.5
Direct absorption	0.3	1.1	1.6	1.5
Other transfer payments	--	0.1	0.4	0.6
Social services	0.1	0.3	0.6	0.6
Infrastructure	--	0.1	0.2	0.5
Memorandum item:				
Number of immigrants	40,000	220,000	300,000	200,000
Public construction plan (housing starts)	3,000	45,000	56,000	...
Of which:				
Direct construction	--	8,000	8,000	...
Temporary housing units	--	--	33,000	...
Number of mortgages for immigrants	4,600	9,000	35,000	...

Sources: Data provided by the Ministry of Finance; and staff calculations.

Table 3. Israel: Commodity Composition of Exports, 1986-September 1991 1/

	1986	1987	1988	1989	1990	January - September 1990	January - September 1991
	(In millions of U.S. dollars)						
Agricultural products	555.6	604.3	566.7	526.7	654.8	494.4	463.3
Citrus fruit	175.1	201.5	176.4	131.7	180.5	162.2	107.6
Other fruits and vegetables	147.3	153.9	115.4	118.2	177.0	113.6	120.8
Other	234.7	250.5	274.9	276.8	297.3	218.6	234.9
Industrial products (excl. diamonds)	4,683.2	5,501.0	6,294.5	7,034.1	7,823.9	5,565.1	5,479.7
Ores and minerals	248.0	250.5	274.6	311.1	294.5	219.3	214.1
Food (incl. beverages and tobacco)	336.2	440.0	526.5	567.4	652.0	515.1	402.0
Textiles (incl. clothing and leather)	465.5	592.0	641.0	634.8	787.5	556.1	605.8
Other light industry products	664.8	800.7	903.9	1,023.9	1,303.9	900.9	1,023.4
Chemicals	754.4	989.7	1,114.6	1,267.8	1,448.1	1,041.1	1,032.0
Metals, machinery, and electronics	2,217.1	2,427.0	2,833.9	3,229.1	3,337.9	2,332.6	2,202.4
Diamonds, net	1,664.5	2,058.9	2,547.1	2,704.3	2,783.4	2,148.0	1,818.8
Total 2/	6,932.9	8,201.4	9,445.4	10,669.3	11,575.7	8,445.5	7,933.4
	(In percent)						
Agricultural products	8.0	7.4	6.0	4.9	5.7	5.9	5.8
Citrus fruit	2.5	2.5	1.9	1.2	1.6	1.9	1.4
Other fruits and vegetables	2.1	1.9	1.2	1.1	1.5	1.3	1.5
Other	3.4	3.1	2.9	2.6	2.6	2.6	3.0
Industrial exports (excl. diamonds)	67.6	67.1	66.6	65.9	67.6	65.9	69.1
Ores and minerals	3.6	3.1	2.9	2.9	2.5	2.6	2.7
Food (incl. beverages and tobacco)	4.8	5.4	5.6	5.3	5.6	6.1	5.1
Textiles (incl. clothing and leather)	6.7	7.2	6.8	5.9	6.8	6.6	7.6
Other light industry products	9.6	9.8	9.6	9.6	11.3	10.7	12.9
Chemicals	10.9	12.1	11.8	11.9	12.5	12.3	13.0
Metals, machinery, and electronics	32.0	29.6	30.0	30.3	28.8	27.6	27.8
Diamonds, net	24.0	25.1	27.0	25.3	24.0	25.4	22.9
Total 2/	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Central Bureau of Statistics, Foreign Trade Quarterly; and Monthly Bulletin of Statistics.

1/ Including returned exports (except diamonds); excluding exports to occupied territories.
2/ Numbers do not add up because total includes "other exports," mainly scrap metal.

Table 4. Israel: Commodity Composition of Civilian Imports (c.i.f.), 1986-September 1991 1/

	1986	1987	1988	1989	1990	Jan. - Sept. 1990	Jan. - Sept. 1991
				(In millions of U.S. dollars)			
Consumer goods	1,029.4	1,337.2	1,463.1	1,329.0	1,601.8	1,181.5	1,341.3
Nondurables	575.4	710.1	735.8	808.9	854.9	645.4	722.5
Durables	454.0	627.1	727.3	560.5	746.9	536.1	618.8
Input goods	6,846.2	8,216.5	9,111.9	10,129.8	11,318.5	8,280.8	8,626.2
Diamonds	1,597.9	1,900.9	2,414.9	2,868.9	2,895.2	2,152.9	1,776.8
Fuel	924.3	1,147.8	1,061.5	1,247.3	1,535.5	1,009.1	1,101.1
Other	4,324.0	5,167.8	5,635.5	6,013.6	6,887.8	5,007.0	5,653.9
Investment goods	1,604.1	2,147.8	1,970.8	1,612.4	2,228.4	1,489.6	2,077.1
Machinery and equipment	1,295.2	1,539.3	1,360.6	1,233.7	1,636.2	1,142.4	1,489.8
Other items 2/	-194.7	-246.3	-258.6	-43.8	-44.7	-144.3	-131.9
Total imports, net	9,285.0	11,455.2	12,287.2	13,027.4	15,104.0	10,807.6	11,912.7
Total, excluding diamonds	7,687.1	9,554.3	9,872.3	10,158.5	12,208.8	8,654.7	10,135.9
				(In percent)			
Consumer goods	11.1	11.7	11.9	10.2	10.6	10.9	11.3
Nondurables	6.2	6.2	6.0	6.2	5.7	6.0	6.1
Durables	4.9	5.5	5.9	4.3	4.9	5.0	5.2
Input goods	73.7	71.7	74.2	77.8	74.9	76.6	72.4
Diamonds	17.2	16.6	19.7	22.0	19.2	19.9	14.9
Fuel	10.0	10.0	8.6	9.6	10.2	9.3	9.2
Other	46.6	45.1	45.9	46.2	45.6	46.3	47.5
Investment goods	17.3	18.7	16.0	12.4	14.8	13.8	17.4
Machinery and equipment	13.9	13.4	11.1	9.5	10.8	10.6	12.5
Other items 2/	-2.1	-2.2	-2.1	-0.3	-0.3	-1.3	-1.1
Total imports	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bureau of Statistics, Foreign Trade Quarterly; and Monthly Bulletin of Statistics.

1/ Excluding imports from occupied areas and direct imports of military goods. A revised classification of commodity categories applies in 1987 and thereafter.

2/ Returned and re-exported imports, and items not specified elsewhere.