



PRESS RELEASE

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Israel's National Accounts - 2004

The Central Bureau of Statistics presents below revised estimates of Israel's national accounts for 2004. The preliminary estimates, which were released at the end of December, are based on partial data and assessments of developments during the latter months of the year. The national accounts presented here were calculated on the basis of updated statistics, and include details for the entire year.

Tables

The Gross Domestic Product, in constant prices, increased by 4.3 % in 2004 following an increase of 1.3% in 2003, a decline of 0.7% in 2002, and a decline of 0.9% in 2001. The Gross Domestic Product is equal to the net value of all goods and services produced in Israel.

The per capita GDP, in constant prices, rose by 2.5%, in 2004 following a decline of 0.5% in 2003 and 2.7% in 2002.

Seasonally adjusted data on the development of the GDP throughout the year reveal a 4.0% increase during the second half of 2004, following a 3.0% increase during the first half of the year and a 1.1% increase during the second half 2003.

There was a relatively high increase of 6.7% in total **resources** available to the economy in 2004, due to a rise of 12.0% in **imports of goods of services**. Data on **uses of resources** reveal an increase of 14.9% in **exports of goods and services** and a 5.7% in increase in private consumption expenditure. However, the **government consumption expenditure** declined this year by 1.9%,

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and **fixed capital formation** declined by 1.7%. The relatively large increase in exports compared with imports in 2004 led to a surplus in the **account of goods and services, excluding defence imports**. The surplus amounted to 225 million dollars in 2004, following a surplus of 132 million dollars in 2003 and a deficit of 1.8 billion dollars in 2002.

Central Bureau of Statistics data further reveal that the **gross domestic income in real terms** (GDP with additional profits and losses due to changes in trade conditions with the rest of the world) increased by 3.2% in 2004. This increase was smaller than the rise in the GDP due to losses deriving from worsening of trade conditions (the increase in import prices was higher than the increase in export prices), following a similar loss in 2003.

The findings are presented below in further detail:

The gross business product (the product of industries in the economy excluding public and community services and housing services) increased by 6.1% in 2004, following a 1.7% increase in 2003 and a decline of 2.6% in 2002. The increase in the business sector product reflects a rise in the product in most industries in the economy.

The manufacturing product increased by 6.3% in 2004, following a slight increase of 0.5% in 2003 and a decline of 1.3% in 2002. Production in high-tech industries rose sharply in 2004 (14.6%), and production in low and medium-low technology industries rose by 2% to 3%. By contrast, production in medium-high technology industries remained unchanged. Relatively sharp increases of 8% to 9% were recorded in the product of **trade and accommodation services**, as well as in **transportation and communication services and personal services**. Additionally, the product of **financial and business services** increased by 5.5%. By contrast, the product in **construction** declined by 7.1%, following a decline of 2.9% in 2003 and 1.1% in 2002. The decline in the product in this industry in 2004 was influenced mainly by a decline in residential building and a decline in development work in various industries.

The product of public and community services, estimated according to wage payments in government institutions, local authorities, and non-profit institutions (which are mainly financed by the government), declined by 1% in 2004 following a similar decline in 2003 and a 3.7% rise in 2002.

Income and Savings

The disposable national income at market prices, which includes income from the domestic product plus income received from abroad (from work and entrepreneurship and net current transfers), amounted to about NIS 69 thousand per capita in 2004.

Net national saving amounted to about 1.1% of the disposable national income in 2004, compared with negative saving of 0.6% in 2003, almost no saving in 2002, and saving of 4% to 7% per annum between 1997 and 2001. Net national saving is the difference between national disposable income at market prices and private and general government consumption expenditures.

Per capita private disposable income minus the rise in private consumption prices, increased by 3.9% in 2004, following an increase of 3.0% in 2003.

The rate of net private saving amounted to 8.6% of the private disposable income in 2004, a similar rate to that of 2003 (8.7%). The rate of gross private saving (saving before deducting consumption of fixed capital) amounted to 26.2% in 2004, a similar rate to that of 2003 (26.8%).

General Government

In 2004, the **deficit in the general government current account** was NIS 24.1 billion – NIS 6.6 billion lower than the deficit in 2003. The deficit in 2004 amounted to 4.6% of the GDP, compared with 6.1% in 2003 and 3.4% in 2002. The current account deficit equals current income less current expenditure of all agencies in the general government sector: the central government, local authorities, national institutions, and non-profit institutions that are mainly financed by the government. The reduction of the current deficit in 2004 can be attributed to an increase of 3.9% in the current income of the general government, compared with a slight increase (0.8%) in current expenditures. The increase in general government income mainly reflects an increase in tax collection (income tax and taxes on domestic product and imports) amounting to 4.2%, following a decline of 1.5% in 2003.

The total general government deficit, which also reflects the capital account deficit, amounted to about 5.1% of the product in 2004. **General government consumption expenditure**, which includes payment of wages and purchase of goods and services, amounted to NIS 154.0 billion in 2004, or 29.2% of the product. General government consumption in constant prices declined by 1.9% in 2004, following a decline of 2.0% in 2003 and an increase of 5.0% in 2002.

51.2% of the expenditure was for collective services – security, public order, and civil administration services. The rest was allocated to expenditures for individual services such as education and health, which are intended for private consumption.

Consumption

Private consumption expenditure in constant prices rose by 5.7% in 2004, following moderate increases amounting to slightly over one percent in the previous two years.

Per capita private consumption expenditure increased by 3.9%, following a decline of 0.5% in 2003 and 0.9% in 2002.

There was a substantial increase in per-capita expenditure for **purchase of durable goods** (17.7%), compared with a decline in 2003 and 2002 (1.6% and 10.4%, respectively). A detailed breakdown of the expenditures for durable goods reveals a per-capita increase of 29.2% in purchases of private motor vehicles, and a per-capita increase of 14.5% in purchases of household appliances such as refrigerators, air conditioners, washing machines, etc., as well as an increase of 0.4% in purchases of furniture.

Additionally, **current private consumption** (excluding durable goods) increased by 2.7% per capita, following a decline of 0.4% in 2003 and a stable rate in 2002.

Total individual consumption, includes private consumption expenditures and government expenditures for individual consumption (general government expenditures for education, health, and other services consumed individually by households). Per-capita individual consumption increased by 2.7%, following a decline of 0.8% in the same item in 2003 and 0.6% in 2002.

Total consumption comprises individual consumption (83.1%) and collective consumption (16.9%), which increased by 1.4% per capita in 2004.

Fixed Capital Formation

Fixed capital formation declined in 2004 by 1.7%, following a decline of 4.9% in 2003 and 7.0% in 2002. Fixed capital formation excluding ships and aircraft declined by 1.6% in 2004.

Fixed capital formation in various industries of the economy (non-residential construction, machinery, equipment, motor vehicles, and software), which comprise three-fourths of the total fixed capital formation, remained almost unchanged in 2004, following a decline of 5.1% in 2003 and 9.3% in 2002. A breakdown of capital formation in establishments by type of industries reveals that capital formation in commercial vehicles and buses increased by 20.2%, and capital formation in machinery and equipment increased by 6.3%. By contrast, capital formation in non-residential construction and other construction works – industrial buildings, offices, educational institutions, roads, etc. – declined by 15.3%.

Capital formation in residential construction decreased by 5.9% in 2004, following a 4.2% decrease in 2003 and a stable rate in 2002.

In 2004, **the stock of raw materials, work in progress, and finished products** increased by 0.6% of the GDP, following a decline in stocks amounting to 0.7% of the GDP in 2003.

The increase in **gross national saving** in 2004 was higher than the increase in gross domestic capital formation. Consequently, the saving in 2004 was 2.3% higher than the value of the **gross domestic capital formation**. In 2003, the gross national saving was also 0.7% higher than the gross

domestic capital formation. However, in 2002, national saving financed only 92.5% of the gross domestic capital formation.

Imports and Exports of Goods and Services

In exports of goods and services, there was a relatively sharp increase of 14.9% in constant prices in 2004, following an increase of 6.2% in 2003 and a decline of 2.4% in 2002. The increase in exports in 2004 reflects increases in all export components: Manufacturing exports (excluding diamonds) increased by 16.2% in 2004, agricultural exports increased by 19.9%, exports of services rose by 15.9%, and exports of diamonds increased by 9.2%.

Imports of goods and services, in constant prices, increased by 12.0% in 2004, compared with a 1.8% decline in 2003 and a 2.1% decline in 2002. Imports of goods and services, excluding defence imports, ships, aircraft, and diamonds, increased by 12.9% in 2004 compared with a decline of 1.6% in 2003 and 6.4% in 2002. The increase in exports in 2004 reflects a 16.4% rise in imports of commodities (excluding defence imports, ships, aircraft, and diamonds). Diamond imports increased by 14.9%, imports of other services (excluding travel abroad) increased by 11.3%, and imports of tourism services increased by 8.0%.

Prices

Prices of goods and services in the economy (domestic product prices and imports of goods and services) increased by 1.6% in 2004, following an increase of 0.5% in 2003 and an increase of 6.6% in 2002. **Import prices** increased by 3.7% in 2004, compared with an increase of 0.6% in the **gross domestic product prices**.

International Comparison

The economic growth rate in Israel in 2004 was relatively high compared with the growth rate in other countries. The average growth rate in the GDP in the 30 OECD (Organization for Economic Cooperation and Development) countries amounted to 3.6% in 2004, and was 0.7% than the growth rate in Israel. However, owing to the relatively rapid growth of the Israeli population the rise in the per-capita GDP in Israel was 0.4% lower than in the OECD countries – 2.9% in OECD countries, compared with 2.5% in Israel.

The per-capita GDP in Israel in terms of Purchasing Power Parity (PPP) was 89% of the average per-capita GDP in OECD countries in 2002, similar to New Zealand and Spain. These statistics were obtained in a project aimed at international comparison of the GDP and components

of the expenditure in terms of PPPs. The project was conducted by the OECD and completed in January 2005.

The level of prices in Israel (ratio of PPP to the foreign currency exchange rate) was 81% of the price level in OECD countries. Thus, the level of prices in Israel was 5% to 8% higher than in countries with a similar per-capita GDP.