Bank of Israel

Financial Statements for 2000

Jerusalem, May 2001

ISSN 0334-2441
Catalogue # 3044200004/4
Translated and typeset by the Publications Unit, Bank of Israel
http://www.bankisrael.gov.il
Printed in Israel by Ayalon Printing, Jerusalem

CONTENTS

BANK OF ISRAEL
BALANCE SHEET AS OF DECEMBER 31, 2000 (TEVET 5, 5761)
(NIS million)

	Notes	31 December 2000	31 December 1999		Notes	31 December 2000	31 December 1999
Foreign exchange reserves	2	**93,606**	**93,504**	**Banknotes and coins in circulation**	8	**14,659**	**15,605**
Balance with International Monetary Fund	3	**474**	**375**	**International financial institutions**	9	**633**	**680**
Credit to the government	4	**5,946**	**6,367**	**Deposits of the government**	10	**7,120**	**6,723**
				Treasury bills deposit	11	**30,249**	**25,519**
Loans	5	**787**	**810**	**Deposits of banking corporations**	12		
				Local-currency time deposits		50,586	48,762
				Other		15,314	15,699
Local-currency securities	6	**6,584**	**6,049**				
Other assets	7	**427**	**394**	**Other liabilities**	13	**2,795**	**2,301**
				Revaluation account	14	**960**	**–**
				Bank of Israel capital			
				Capital and general reserve	15	320	320
				Losses	16	(14,812)	(8,110)
		107,824	**107,499**			**107,824**	**107,499**

The accompanying notes are an integral part of the financial statements.

Dr. David Klein
Governor

Zvi Auerbach
Comptroller

January 16, 2001

BANK OF ISRAEL
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 2000

(NIS million)

	Notes	2000	1999*
Income from			
Foreign exchange reserves	19	5,050	3,069
Credit to the government	20	621	691
Loans		91	113
Local-currency securities	21	222	375
International Monetary Fund		8	5
Other	22	43	91
		6,035	**4,344**
Expenses on			
Deposits of the government	23	328	(274)
Treasury bills deposit		2,671	2,911
Deposits of banking corporations			
Local-currency time deposits		4,326	5,383
Other	24	699	813
International financial institutions		29	25
Other liabilities	25	66	64
Printing banknotes and minting coins		6	45
Administrative and general expenses	26	943	623
		9,068	**9,590**
Income from/(expenses on) exchange-rate differentials		**(3,669)**	**(3,485)**
Profit/(loss) for the year		**(6,702)**	**(8,731)**

* Reclassified.

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR 2000

1. Accounting policies

a. General

The financial statements are presented in accordance with generally accepted accounting principles, adapted for the special activity of a central bank.

The financial statements are presented in nominal NIS (New Israel Sheqalim).

The financial statements do not include a report on cash flows as such a report does not add any significant information to that presented in the balance sheet and the Profit and Loss Account.

Income and expenses accrued by the balance-sheet date are included in the assets and liabilities items in which they accrued.

b. Foreign currency

Assets and liabilities denominated in foreign currency are translated into NIS at the representative exchange rates published by the Bank of Israel for the balance-sheet date.

Income and expenses in foreign currency are recorded in the Profit and Loss Account at the representative exchange rates prevailing on the value date of the transaction.

Exchange-rate differentials are recorded in Revaluation Accounts for each currency separately. When balances are realized (sold), realized exchange-rate differentials (calculated on the basis of the average cost of the reserves in that currency) are transferred to the Profit and Loss Account. The balance of the loss in the Revaluation accounts is transferred to the Profit and Loss Account at the end of the year, and will not be offset in the future against unrealized profits. Unrealized losses in one currency are not offset against unrealized profits in other currencies.

Accrued exchange-rate differentials to 31 December 1999 are defined as realized exchange-rate differentials.

Details of the exchange rates are as follows:

	31 December			Rate of change	
	2000	1999	1998	2000	1999
		(NIS)		(percent)	
$	4.0410	4.1530	4.1600	–2.7	–0.2
Euro[a]	3.7628	4.1750	4.8960	–9.9	–14.7
Special drawing rights (SDR)[b]	5.2626	5.7037	5.8523	–7.7	–2.5
First currency basket[c]	3.9516	4.2711	4.6182	–7.5	–7.5
Currency basket[d]	4.1726	4.4134	4.5588	–5.5	–3.2

[a] The first euro exchange rate was published on January 4, 1999. The rate shown for 31 December 1998 in the table is that same rate.

[b] Based on a weighted 4-currency basket consisting of $, €, ¥, and £. (The value of the SDR in 1998 was based on a weighted 5-currency basket consisting of $, DM, ¥, Ffr, and £.)

[c] In effect until July 31, 1986, and consisting of: $ 0.3500; £ 0.1295; and € 0.4667.

[d] In effect since May 2, 2000, and consisting of: $ 0.6698; £ 0.0453; € 0.2493; and ¥ 7.2411. (The currency basket in effect from April 30, 1996, to May 1, 2000, consisted of: $ 0.6741; £ 0.0589; € 0.2282; and ¥ 6.5437.)

Details of the Consumer Price Index (CPI) are as follows:

	31 December			Rate of change	
	2000	1999	1998	2000	1999
CPI[a]				(percent)	
November	168.7	168.5	166.2	0.1	1.4
December	168.5	168.5	166.3	0.0	1.3

[a] 1993 average = 100.

c. Securities

In the financial statements for 2000, tradable local- and foreign-currency securities are shown at market value on the balance-sheet date.

Unrealized profits arising from the difference between the market value of securities and their adjusted cost are included in the 'Revaluation accounts' in the balance sheet; unrealized losses are taken at the end of the year to the Profit and Loss Account (see Note 14).

The adjusted cost of securities is their cost *plus* accrued interest, accrued CPI-indexation differentials, and cumulative reduction of premium or discount. The reduction of the premium or discount continues from the time of the purchase of the security until its maturity.

In the financial statements for 1999 securities were shown as follows:

Tradable foreign securities were shown at their foreign-currency cost (average purchase price) or market value, whichever was the lower, on a security-by-security basis.

Tradable local-currency securities were shown at their adjusted cost or market value, whichever was the lower, on a security-by-security basis. The difference between the market value on the purchase date and the par value was taken to the Profit and Loss Account and was not reduced over the period from the purchase of the security to maturity.

The reduction in the adjusted cost of local- and foreign-currency securities to the market price is taken to the Profit and Loss Account.

d. International financial institutions

The International Monetary Fund (IMF)

The Bank of Israel's participation in the IMF minus its liability for participation is shown under assets in the item 'Balance with the International Monetary Fund' (see Note 3).

Special drawing rights (SDR) allocated by the IMF are shown under liabilities in the item 'International financial institutions' (see Note 9).

Other financial institutions

The Bank of Israel's participation in other international financial institutions consists of an initial participation in the capital of the international institutions and additional participation payments for increases in those institutions' capital. The Bank of Israel's participation in other international financial institutions is included under 'Other assets' according to the cost in the currency in which the participation was paid. Liabilities to international financial institutions are shown under liabilities in the item 'International financial institutions.'

The Bank of Israel participates in the following institutions:

IBRD	(The International Bank for Reconstruction and Development)
IDA	(The International Development Association)
IFC	(The International Finance Corporation)
EBRD	(The European Bank for Reconstruction and Development)
MIGA	(The Multilateral Investment Guarantee Agency)
IDB	(The Inter-American Development Bank)
IIC	(The Inter-American Investment Corporation)

e. Buildings and equipment

Buildings and equipment are stated at cost net of cumulative depreciation. Depreciation is calculated by the straight line method for the estimated useful life:

Buildings	—	from fifty to seventy years
Vehicles	—	six and a half years
Computers	—	four years
Other equipment	—	ten years

For purchases of more than NIS 34,000 per item, the cost of the equipment purchase is recognized as fixed property; for purchases under this amount the costs are recognized as general expenses.

f. Treasury bills deposit

The Treasury bills deposit reflects the par value (the redemption price) of Treasury bills held by the public *less* the balance of the discount from their date of issue. Treasury bills sold by the government to the Bank of Israel but not yet sold to the public are shown in the Treasury bills deposit as net, i.e., the net effect of this transaction on the deposit is zero.

The discount is the difference between the par value (the redemption price) of the Treasury bills and the proceeds of their sale to the Bank (the issue price). The discount is reduced by the compound interest method, on the basis of the interest rate published by the Accountant-General in the Ministry of Finance at the time of the issue.

Capital gains and losses arising from trading Treasury bills with the public (sales to and purchases from the public) are taken to the Profit and Loss Account when they are traded with the public.

g. Employee pensions, severance pay, and vacation pay

The liability for employee pensions and severance pay is actuarially computed on an accrual basis, reflecting the liability accrued to the date of the financial statements for pensions and severance pay payments to employees.

Provision for vacation pay is computed on the basis of the accumulated vacation days due to the balance-sheet date.

h. Revaluation accounts

The Revaluation accounts include unrealized profits from exchange-rate differentials (revaluation of the balances denominated in foreign currency according to the

representative exchange rate on the balance-sheet date, see Note 1.b), and from the revaluation of tradable securities according to market value as at the balance-sheet date (see Note 1.c).

There are separate Revaluation accounts for each item (currency, security). When the item is realized in whole or in part the accumulated financial profit is transferred to the Profit and Loss Account.

The balance of the loss in the Revaluation account is transferred to the Profit and Loss Account at the end of the year.

i. Derivative financial instruments

The Bank of Israel uses derivative financial instruments in its monetary and foreign-exchange activities.

1. Activity in derivative financial instruments in Israel:

a) NIS/$ swaps: NIS/*$* swaps implemented by the Bank of Israel with domestic banks are stated on the balance sheet under the item 'Other liabilities.' These transactions are presented net: the balance of NIS to be transferred to the banks *plus* accrued interest, *less* dollars to be received from banks (translated according to the exchange rate on the balance-sheet date).

The results of swap transactions include interest and exchange-rate differentials, and are given in the Profit and Loss Account in the item 'Expenses on deposits of banking corporations.'

b) Purchase and sale options on the $/NIS exchange rate: The balance of options to the date of the financial statement is shown in Note 18, 'Contingent liabilities and special commitments.' Expenses arising from the exercise of options during the period of the statement, and expenses expected from their exercise in accordance with the representative exchange rate of the dollar on the balance-sheet date, *less* income from the premium on the options, are given in the item 'Other income.' The income from the premiums on options is divided equally for the duration of the options according to the straight-line method. Advance income on the premium *plus* the expense accrued due to the difference between the exercise rate and the representative dollar exchange rate on the balance-sheet date is given in the 'Other liabilities' item.

c) Future remittances of Treasury bills: The balance of the liability on Treasury bills for future remittance up to the date of the financial statement is given at par (redemption price) in Note 18, 'Contingent liabilities and special commitments.'

Receipts on account of future issues of Treasury bills is shown in the balance sheet under 'Other liabilities.'

2. Derivative financial instruments in activities abroad:

a) Repurchase Agreements (Repo), Reverse Rep (RRepo): The balances of Repo and RRepo agreements are shown in the balance sheet as 'Foreign exchange reserves.' In the Profit and Loss Account the results of the transactions are recorded under 'Income from foreign exchange reserves.'

b) Foreign-currency swaps: The transactions are shown at net value: the balance of future foreign-currency receipts (in currency A) *less* future foreign-currency remittances (in

currency B). In the balance sheet the transactions are included in 'Foreign exchange reserves.'

In the Profit and Loss Account the results of these transactions are included in the 'Income from foreign exchange reserves' item.

c) Futures on the rate of interest: The balances of futures contracts at market prices on the date of the financial statement are given in Note 18, 'Contingent liabilities and special commitments.'

In the Profit and Loss Account the change in the interest rate in the contracts is given under 'Income from foreign exchange reserves.'

j. Transfer of profits

In accordance with the Bank of Israel Law, 5714–1954, the Bank must transfer its net profits to the government within sixty days of the end of each business year. In 1999 and 2000 the Bank incurred losses. These losses will be offset against future profits of the Bank.

k. Matched timing

Local-currency income from the government on account of government securities is taken to the Profit and Loss Account on an accrual basis. In order to prevent transfer to the government of accrued income from government securities not yet matched by a cash flow from the government, those receipts from the government which have accrued in accounts in the year of the financial statement and are due to be paid by the government in the future are deducted from the 'Profit (loss) for the year' item. In a year when this income is to be paid by the government it is added to 'Profit (loss) for the year' and transferred to the government.

2. Foreign exchange reserves

The currency composition of the Bank of Israel's reserves matches the economy's import-financing and debt-servicing needs. The Bank of Israel thereby reduces the purchasing-power exposure of the reserves to changes in cross rates, and thus to some extent hedges against the exchange-rate risk of Israel's external debt.

This item consists of:

	31 December		31 December	
	2000	1999	2000	1999
	(NIS million)		($ million)	
Tradable securities[a]	92,137	83,862	22,800	20,193
Short-term deposits	11,562	7,702	2,861	1,855
Demand deposits	787	5,907		
Derivative financial instruments[b]	(10,880)	(3,967)	(2,692)	(955)
Total	**93,606**	**93,504**	**23,164**	**22,515**

[a] At their market value on December 31, 2000 (see note 1.c).

[b] Derivative financial instruments are shown net, i.e., future foreign-currency assets *minus* future foreign-currency liabilities (see note 1.i.1).

3. Balance with the International Monetary Fund

The balance with the IMF (the reserve tranche) consists of the foreign-currency payment made by Israel to the Fund and constitutes part of the quota allocate to Israel.

The quota in the IMF

Each member country is allocated a quota which determines the basis of that country's financial and organizational ties with the Fund. The quota is related to the country's economic situation (national income, exports, payments, level of the reserves) and sets its voting rights. Part of the quota is deposited in the country's central bank in deposits and notes, most of which are indexed to SDR, and part is transferred to the Fund in foreign currency (the reserve tranche), and can be withdrawn.

Up to 1998 Israel drew its entire foreign-currency payment, putting up against these withdrawals a non-interest-bearing deposit in favor of the Fund. In 1999 the Fund increased members' participation in it, and Israel's rose by SDR 262 million. The foreign-currency payment for this increase, SDR 66 million, was deposited in the Fund, and has not been withdrawn.

The IMF financial transaction plan

In October 1999 Israel joined the group of countries which participate in financing the Fund's operational budget. The operational budget is one of the mechanisms through which the Fund makes foreign-currency loans available to member countries in need of such loans. Participation in the operational budget increases Israel's reserve tranche, against a reduction in the Fund's deposits in the Bank of Israel. In 2000 the balance of Israel's reserve tranche increased by SDR 24 million due to the operational budget.

Loan repayments are divided between countries whose reserve tranche/quota ratio is higher than the average ratio of all the Fund's member countries.

This item consists of:

	31 December		31 December	
	2000	1999	2000	1999
	(NIS million)		(SDR million)	
International Monetary Fund (IMF) quota[a]	4,886	5,295	928	928
minus liability for the quota[b]	4,412	4,920	838	862
Balance with IMF	**474**	**375**	**90**	**66**

[a] The balance of liabilities to the IMF is in notes and deposits.

[b] The surplus of the reserve tranche over the 'basic sum' bears interest at a rate set by the IMF from time to time. Israel's 'basic sum' on the balance-sheet date was SDR 33 million (on December 31, 1999, SDR 33 million). The annual rate of interest on December 31, 2000, was 4.3 percent (on December 31, 1999, it was 3.9 percent).

4. Credit to the government

Credit to the government consists mainly of long-term advances. These advances were given in the past in accordance with section 45 of the Bank of Israel Law, 5714–1954; this section was in effect until 1985, and allowed the Bank to lend the government up to 20 percent of the regular budget in the course of a year.

This item consists of:

	31 December	
	2000	1999
	(NIS million)	
Long-term advances[a]		
Indexed[b]	4,816	5,151
Unindexed[c]	996	1,079
Credit for binational funds	134	137
Total	**5,946**	**6,367**

[a] The interest and indexation differentials for each year are due for payment on 31 December of that year. The principal is due to be paid in annual payments, the last of which will be in the year 2012.

[b] This credit is indexed to the rise in the first currency basket. NIS 4,815 million of it bears an interest rate of 8 percent, also indexed to that basket (the amount outstanding on 31.12.1999 was NIS 5,149 million).

[c] This credit bears interest at prime rate plus 2 percent. The average rate of interest during 2000 was 13.4 percent (16.5 percent in 1998).

5. Loans

Most of the loans made by the Bank of Israel are monetary loans to the banking corporations, which are given in accordance with section 42 of the Bank of Israel Law, 5714–1954.

This item consists of:

	31 December	
	2000	1999
	(NIS million)	
Monetary loans[a]	781	785
Other loans	6	25
Total	**787**	**810**

[a] The average rate of interest on the monetary loans in 2000 was 8.9 percent (in 1999 it was 11.8 percent). The average rate of interest on the monetary loans on December 31, 2000, was 7.7 percent (on December 31, 1999, it was 10.4 percent).

6. Local-currency securities

This item consists of tradable government securities indexed to the last CPI known on the balance-sheet date. They are shown as at 31 December 2000, at market value (see Note 1.c).

The yield to maturity on the local-currency portfolio as at 31 December 2000 was 6.1 percent, and the portfolio's average period to maturity was 4.4 years (in 1999 the yield to maturity was 5.7 percent, and the average period to maturity was 4.8 years).

This item consists of:

	31 December	
	2000	1999
	(NIS million)	
Time to redemption from balance-sheet date		
Less than one year	1,431	935
Between one and two years	393	733
Between two and three years	651	223
Between three and four years	803	688
Between four and five years	1,168	680
Between five and seven years	400	1,265
Seven years or longer	1,738	1,525
Total	**6,584**	**6,049**

7. Other assets

This item consists mainly of:
a. Participation in international financial institutions (see Note 1.d);
b. Loans to employees;
c. Buildings and equipment net of cumulative depreciation (see Note 1.e).

8. Banknotes and coins in circulation

This item consists of:

	31 December, 2000		31 December, 1999	
	Quantity	NIS	Quantity	NIS
	(million)		(million)	
Banknotes in circulation				
NIS 20	21	424	23	460
NIS 50	42	2,079	52	2,582
NIS 100	76	7,599	76	7,601
NIS 200	19	3,778	21	4,231
Coins in circulation	–	744	–	695
Other	–	31	–	32
Commemorative coins	–	4	–	4
Total		**14,659**		**15,605**

9. International financial institutions

This item consists of:

	31 December	
	2000	1999
	(NIS million)	
Special Drawing Rights allocated[a]	564	610
Liabilities to international financial institutions[b]	69	70
Total	**633**	**680**

[a] Special drawing rights (SDR) are money which member countries of the International Monetary Fund (IMF) have undertaken to buy from it. The Fund allocates SDRs to member countries relative to the size of their quotas. To date Israel has been allocated SDR 106 million.

[b] Liabilities in bills or deposits to the following institutions: IDB, MIGA, EBRD, IDA, IBRD (see note 1.d).

10. Deposits of the government

Government deposits comprise deposits for financing its budgetary activity and other deposits.

Government deposits for financing the budget
These are defined as deposits that the government may use to finance its budgetary activity and, accordingly, to which section 45(b) of the Bank of Israel Law, 5714-1954 applies. Financial movements arising from government budgetary activity in Israel and abroad, and financial movements with the Bank of Israel, are recorded in this item.

Other deposits
Other deposits include a bond-price stabilization local-currency deposit and various foreign-currency deposits. The bond-price stabilization deposit represents the proceeds from the purchase at source of government securities by the Bank of Israel in order to stabilize prices on the Tel Aviv Stock Exchange (TASE). In accordance with an agreement with the Ministry of Finance, the proceeds are placed in a special deposit on behalf of the government, but may not be used to finance government expenses. At the request of the Ministry of Finance the arrangement for the purchase at source in order to stabilize bond

prices was ended in January 1993. The bond-price stabilization deposit is gradually being drawn down against the redemption of bonds purchased in the past in order to stabilize prices. The redemption of bonds will end in the year 2009.

This item consists of:

	31 December		31 December	
	2000	1999	2000	1999
	(NIS million)		($ million)	
Deposits for budget financing				
Local currency[a]	**(14,162)**	**(13,645)**		
Foreign currency				
Borrowing under US government guarantee[b]	14,224	13,783	3,520	3,319
US government economic aid[b]	5,048	4,007	1,249	965
Current deposit	1,235	1,405	306	338
Total	**20,507**	**19,195**	**5,075**	**4,622**
Total deposits for budget financing	**6,345**	**5,550**		
Other deposits				
Bond-price stabilization local-currency deposit[a]	241	267		
Other foreign-currency deposits	446	846	110	204
Total other deposits	**687**	**1,113**		
Accrued interest on government deposits	**88**	**60**		
Total	**7,120**	**6,723**		

[a] Local-currency government deposits bear (when in debt) or pay (when in credit) interest at prime. The average rate of interest in 2000 was 10.9 percent (in 1999 it was 13.5 percent).

[b] Government foreign-currency deposits derived from borrowing under US government guarantee or from US government economic aid earn interest at the rate paid on US Treasury bills with an average of 6 months to maturity. The rate of interest on December 31, 2000, was 6.2 percent.

11. Treasury bills deposit

The Short-Term Loan Law, 5744–1984, authorizes the government to issue bonds to be sold only to the Bank of Israel; the Bank, in carrying out its functions, would sell them to and buy them from the public to reduce or expand the money supply, respectively. In August 1996 the Short-Term Loan Law (Amendment No. 7 and Temporary Provision), 5756–1996 was passed, according to which "the government may not use the proceeds of sales of bonds to the Bank of Israel for anything apart from repaying the loan in accordance with this Law or paying the interest on it." Hence the proceeds of the sale of Treasury bills to the public and other activities connected with Treasury bills are dealt with in an account for such activities only.

The Treasury bills deposit includes accrued interest of NIS 1,441 million (in 1999, NIS 1,566 million).

12. Deposits of banking corporations

This item consists of:

a. Local-currency time deposit

The Bank of Israel receives local-currency time deposits from the banking corporations. The deposits are received via auctions for periods of a day, a week, or a month. They are not considered liquid assets for purposes of the banking corporations' reserve requirements.

The average rate of interest on time deposits in 2000 was 9.4 percent (in 1999, 12.2 percent).

The average rate of interest on the balance of deposits on 31 December 2000 was 8.2 percent.

This item consists of:

	31 December	
	2000	1999
	(NIS million)	
Daily deposits	11,500	20,700
Weekly deposits	19,000	18,000
Monthly deposits	20,000	10,000
Total	**50,500**	**48,700**
Accrued interest on deposits	86	62
Total	**50,586**	**48,762**

b. Other deposits

Banks' other local-currency deposits in the Bank of Israel serve as liquid assets against residents' local- and foreign-currency deposits. The reserve requirement ranges from 0 percent to 6 percent, according to the term of the deposit.

Foreign-currency demand deposits serve as liquid assets against nonresidents' foreign-currency deposits.

Secondary foreign-currency reserve-requirement deposits serve as liquid assets against residents' and nonresidents' foreign-currency deposits.

The secondary reserve requirement against the public's foreign-currency deposits is 10 percent. At least half of this, i.e., 5 percent, is deposited in the Bank of Israel, and the rest abroad. The Bank of Israel pays interest on the secondary foreign-currency reserve-requirement deposits at a rate similar to the interbank interest rate abroad.

This item consists of:

	31 December		31 December	
	2000	1999	2000	1999
	(NIS million)		($ million)	
Local-currency demand deposits	**6,214**	**4,958**		
Foreign-currency deposits				
Against foreign-currency reserve requirement				
Foreign-currency demand deposits	858	610	212	147
Secondary foreign-currency reserve requirement[a]	7,883	7,714	1,951	1,857
Total deposits against foreign-currency reserve requirements	**8,741**	**8,324**	**2,163**	**2,004**
Unrestricted deposits	359	2,417	89	582
Total foreign-currency deposits	**9,100**	**10,741**	**2,252**	**2,586**
Total	**15,314**	**15,699**		

[a] Deposits against the secondary foreign-currency reserve requirement include accrued interest of NIS 147 million (in 1999, NIS 122 million).

13. Other liabilities

This item consists mainly of:
a. Provision for employee pensions and severance and vacation pay;
b. Deposits of the U.S.–Israel Binational Industrial Research and Development Fund and a deposit of the U.S.–Israel Binational Science Fund;
c. Net balances on NIS/$ swaps transactions (see Notes 1.*i.*1(a), and 18),
d. Expected expenses against the exercise of options on the dollar/NIS exchange rate *less* advance payments;
e. Other outstanding credit.

14. Revaluation accounts

Revaluation accounts include unrealized profits from the revaluation of the following items (see also Note 1.b, 1.c, and 1.h).

This item consists of:

	31 December 2000
	(NIS million)
Foreign-currency balances	22
Tradable local-currency securities[a]	–
Tradable foreign-currency securities	938
Total	**960**

[a] In 2000 a loss accrued, which was transferred to the Profit and Loss Account.

15. Capital and general reserve

This item consists of:

	31 December	
	2000	1999
	(NIS million)	
Share capital	60	60
General reserve	260	260
Total	**320**	**320**

16. Losses

This item consists of:

	31 December	
	2000	1999
	(NIS million)	
Loss brought forward from previous year	(8,731)	–
Loss in current year	(6,702)	(8,731)
	(15,433)	**(8,731)**
less matched timing balance[a]	621	621
Total	**(14,812)**	**(8,110)**

[a] In a year when due to accrued losses no profit is transferred to the government, this balance is not updated (see note 1.k).

17. Assets and liabilities by indexation base

	31 December 2000				31 December 1999			
	In local currency	In foreign currency	Non-financial items	Total	In local currency	In foreign currency	Non-financial items	Total
	(NIS million)				(NIS million)			
Assets								
Foreign-currency balances[a]		93,606		**93,606**		93,504		**93,504**
Balance in the IMF		474		**474**		375		**375**
Credit to the government[b]	996	4,950		**5,946**	1,079	5,288		**6,367**
Loans	781	6		**787**	796	14		**810**
Local-currency securities[c]	6,584			**6,584**	6,049			**6,049**
Other assets	178	17	232	**427**	150	21	223	**394**
Total assets	**8,539**	**99,053**	**232**	**107,824**	**8,074**	**99,202**	**223**	**107,499**
Liabilities								
Banknotes and coins in circulation	14,659			**14,659**	15,605			**15,605**
International monetary institutions	1	632		**633**	1	679		**680**
Government deposits	(13,927)	21,047		**7,120**	(13,387)	21,110		**6,723**
Treasury-bills deposit	30,249			**30,249**	25,519			**25,519**
Deposits of banking corporations	56,800	9,100		**65,900**	53,720	10,741		**64,461**
Other liabilities[d,e]	8,307	(5,512)		**2,795**	7,975	(5,674)		**2,301**
Revaluations accounts[f]	960			**960**	–			–
Bank of Israel capital	(14,812)		320	**(14,492)**	(8,110)		320	**(7,790)**
Total liabilities	**82,237**	**25,267**	**320**	**107,824**	**81,323**	**25,856**	**320**	**107,499**
Surplus assets (liabilities)	**(73,698)**	**73,786**	**(88)**	**–**	**(73,249)**	**73,346**	**(97)**	**–**

[a] These include NIS 3,069 million indexed to the US Consumer Price Index (NIS 2,128 million on 31 December, 1999).

[b] Foreign-currency credit to the government includes long-term advances totalling NIS 4,816 million denominated in NIS and indexed to the exchange rate against the first currency basket (NIS 5,151 million on 31 December, 1999).

[c] Local-currency securities indexed to the Consumer Price Index.

[d] Other local-currency liabilities include NIS 9 million deriving from expenses expected on exercising $/NIS exchange-rate options (NIS 15 million on 31 December, 1999).

[e] NIS/$ swaps are shown net in the balance sheet under "other liabilities." This note shows dollars to be received in the "foreign currency" column (–NIS 5,657 million on 31 December, 2000; –NIS 5,814 million on 31 December, 1999), and NIS to be paid in the "local currency" column (NIS 5,722 million on 31 December, 2000; NIS 5,872 million on 31 December, 1999), so that the balance of this item in the "foreign currency" column is negative.

[f] The revaluation accounts include NIS 22 million deriving from adjusting the balances denominated in foreign currency to the representative exchange rate, and NIS 938 million deriving from adjusting tradable foreign-currency securities to market values (see note 14).

18. Contingent liabilities and special commitments

	31 December	
	2000	1999
	(NIS million)	
1. Contingent liabilities[a]		
Documentary credits and guarantees for government imports and exports		
Documentary credits	23	118
Guarantees	75	91
Other contingent liabilities		
Uncalled amounts on participation in international financial institutions	3,271	3,393
2. Special commitments		
Derivative financial instruments in activity in Israel		
Currency swaps with domestic banks		
Future receipts of dollars[b]	5,657	5,814
Future payments of NIS[c]	5,722	5,872
$/NIS purchase options	1,014	1,080
$/NIS sales options	525	519
Future remittances of Treasury bills (at par) (price at redemption)	320	680
Derivative financial instruments in activity abroad		
Currency swaps and forward transactions		
Future receipts of foreign currency	3,899	4,602
Future payments of foreign currency	3,504	4,877
Repurchase agreements (Repo)–Reverse Repo (RRepo)		
Repo	13,917	11,226
RRepo	2,702	7,635
Futures		
Sales commitments	531	1,327
Purchase commitments	554	–

[a] Several claims were made on the Bank of Israel. The Bank of Israel does not consider it necessary to make a special provision for these claims, as the chances that they will be upheld are slight.

[b] The balance of swaps on the balance-sheet date was $1,400 million ($1,400 million in 1999).

[c] Including interest accrued to the balance-sheet date of NIS 4 million (NIS 9 million in 1999).

19. Income from foreign reserves

This item consists of:

	Year ending 31 December	
	2000	1999
	(NIS million)	
Tradable securities	4,732	2,659
Short-term deposits	540	140
Demand deposits	33	40
Derivative financial instruments	(255)	230
Total	**5,050**	**3,069**

20. Income from credit to the government

This item consists of:

	Year ending 31 December	
	2000	1999
	(NIS million)	
Interest income		
Long-term advances—indexed	412	438
Long-term advances—unindexed	144	191
Credit for binational funds	65	62
Total	**621**	**691**

21. Income from local-currency securities

This item consists of income from interest, indexation differentials, and capital gains *less* losses from the adjustment of tradable securities to market value.

22. Other income

This item consists mainly of:
a. Commissions on foreign-currency activity;
b. Net income on NIS/$ exchange-rate options.

23. Expenses on deposits of the government

This item consists of:

	Year ending 31 December	
	2000	1999
	(NIS million)	
Interest expenses on/(income from) government deposits		
In local currency	(703)	(1,029)
In foreign currency	1,031	755
Total	**328**	**(274)**

24. Expenses on deposits of banking corporations—other

This item consists of:

	Year ending 31 December	
	2000	1999
	(NIS million)	
Interest payments		
On banks' local-currency demand deposits	3	4
On banks' foreign-currency deposits	515	393
On NIS/$ swaps	181	416
Total	**699**	**813**

25. Expenses on other liabilities

This item consists mainly of interest payments on deposits of the U.S.-Israel Binational Industrial Research and Development Fund and a deposit of the U.S.-Israel Binational Science Fund;

26. Expenses—administration and general

This item consists of:

	Year ending 31 December	
	2000	1999
	(NIS million)	
Wages and general expenses[a]	448	414
Provision for employees' entitlements[b]	495	209
Total	**943**	**623**

[a] Including wages, pensions, and general expenses.

[b] Including pension and vacation provisions. Pension provisions include non-recurring costs arising from updates of actuarial assessments of pension liabilities (changes in actuarial tables, the inclusion of additional components in the determining wage, and a change in the assumption regarding the erosion of pensions).

EXPLANATORY REMARKS TO THE FINANCIAL STATEMENTS

1. Changes in accounting policy

Two significant changes have been introduced into the Bank of Israel's financial statements for 2000: unrealized *exchange-rate differentials* are no longer included in the Profit and Loss Account, but are shown in the balance sheet under the item 'Revaluation accounts.' *Securities* are shown in the balance sheet according to their market value, and the difference between cost and market value is not included in the Profit and Loss Account, but is shown in the balance sheet under the item 'Revaluation accounts.'

The Bank of Israel's accounts follow accepted accounting principles, adapted from time to time to changes in general accounting procedures and in the procedures normally used in central banks. Like other central banks throughout the world, the Bank of Israel uses accrual basis for all income and expense items, including the revaluation of foreign-currency assets and liabilities in accordance with the exchange rate on the balance-sheet date—'Exchange-rate differentials.' Accrued income and expenses are therefore included in the Bank's profit, which is transferred in its entirety, in accordance with the law, to the government. The only way a commercial company can distribute unrealized profits is by selling assets or taking loans; a central bank—the issuer of money—can distribute such profits without either selling assets or borrowing money, by "printing money," so that transferring unrealized profits in this way can have negative implications for inflation and for the balance of payments. Transferring accrued profits not yet received is even more problematic in the case of components arising from price fluctuations in currency and capital markets, because if and to what extent the accrued profits will be realized are unknown factors. Thus, in October–December 1998, rapid depreciation of the NIS resulted in profits from exchange-rate differentials of NIS 13.1 billion—3.5 percent of GDP—being recorded in the Bank of Israel's books. The Bank of Israel's profits in 1998 included these exchange-rate differentials, and were transferred in their entirety to the government, in accordance with the accounting rules then in force. In January/February 1999, after the closure of the balance sheet but before the profits had been transferred to the government, the NIS strengthened, a large part of those exchange-rate differentials was

Table 1
Exchange-Rate Differentials on Foreign-Currency Balances, 1999–2000

(NIS millions, at current prices)

	2000	1999
Assets		
Foreign-exchange reserves	–4,335	–3,579
Credit to the government—binational funds	–5	0
Balance with International Monetary Fund	–29	8
Liabilities		
Government deposits	572	52
Banks' foreign-currency deposits	255	29
International financial institutions	49	14
Other liabilities—NIS/$ swaps	–157	–9
Other liabilities—deposits of the binational fund	3	0
Total	**–3,647**	**–3,485**

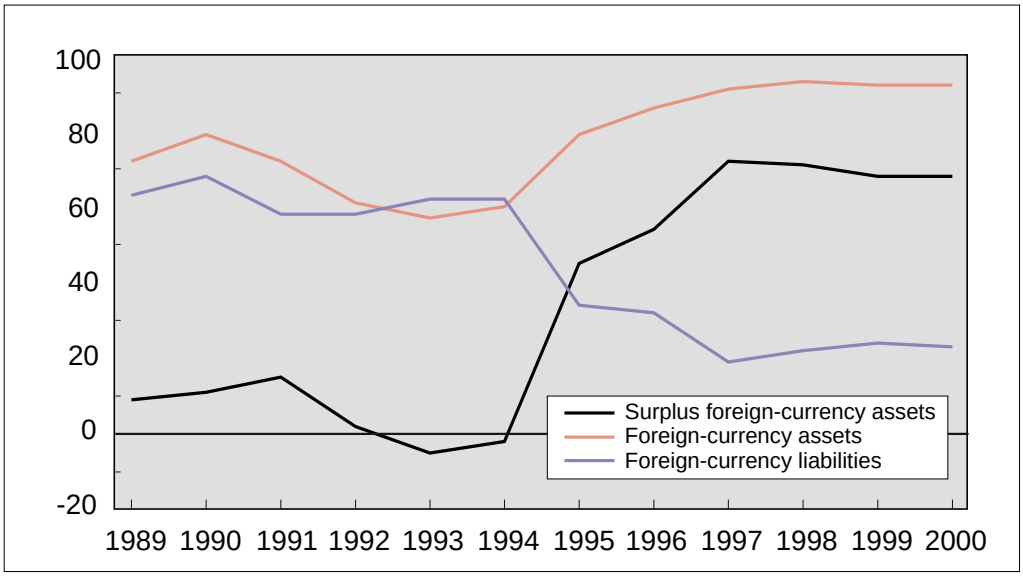
wiped out, and for the whole of 1999 there was an accrued loss of NIS 3.5 billion in exchange-rate differentials. The government used the 1998 profits for current budgetary purposes, or in other words, it "printed money." If the accounting approach used in the financial statements for 2000 had been in use in 1998, the Bank of Israel would not have accrued losses in exchange-rate differentials in 1999 and 2000, and the balance of the revaluation accounts would have been positive.

Fluctuations in the exchange rates of currencies and in the prices of securities are common, and these fluctuations often have a considerable quantitative significance, as was shown in the example quoted above. For this reason, central banks in several countries with advanced economic perspectives have introduced an accounting change in the way exchange-rate differentials and accrued income from changes in prices of securities are shown. As a result of the new approach, unrealized profits from exchange-rate differentials and from changes in prices of securities are not included in the Profit and Loss Account, but are recorded on the liabilities side of the balance sheet in the item 'Revaluation accounts.'

Exchange-rate differentials—in central-bank accounting, profits from exchange-rate differentials are defined as realized in years when the (net) foreign-currency assets fall. In years when the (net) foreign-currency assets do not fall, the revaluation of the central bank's assets and liabilities is defined as unrealized ("accrued income not yet actually received"). In a year when exchange-rate differentials are realized, they are taken to the Profit and Loss Account, and deducted accordingly from the 'Revaluation accounts' item in the balance sheet.

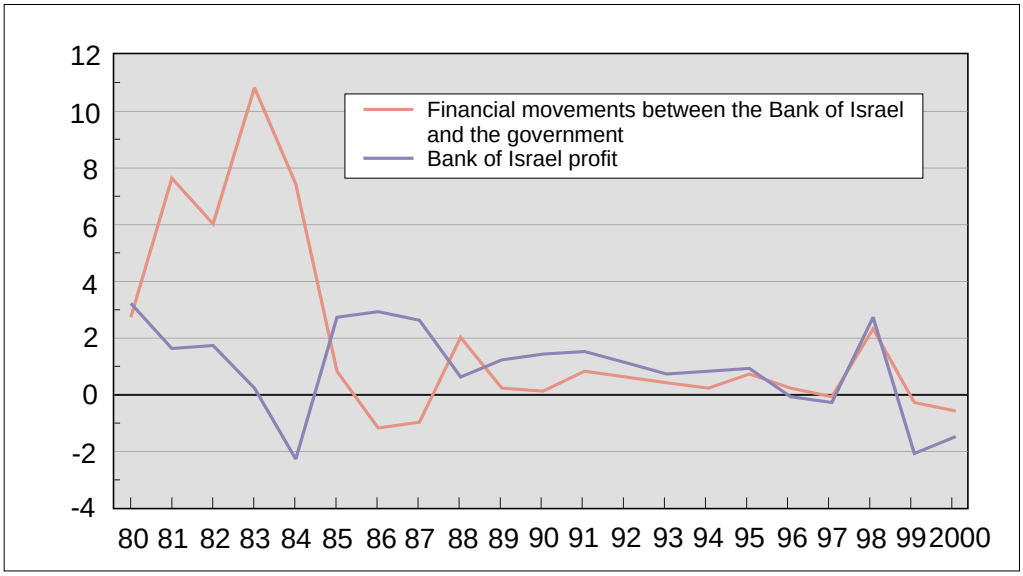
In a year when there are unrealized losses from exchange-rate differentials they are recorded in the 'Revaluation accounts.' If the balance of accrued income in these accounts

Figure 1
Foreign-Currency Assets, Liabilities, and Surplus Foreign-Currency Assets of the Bank of Israel,[a] 1989-2000



[a] Percent of balance sheet, end-of-year, at current prices.

Figure 2
Total Financial Movements between the Bank of Israel and the Government, and the Bank of Israel Profit,[a] 1980–2000



[a] Percent of GDP, at current prices.

is insufficient to cover the unrealized losses from exchange-rate differentials, they are recorded in that same year in the Profit and Loss Account.

Realized exchange-rate differentials are calculated from the difference between the representative exchange rate on the day the foreign currency was sold and the exchange rate at which it was bought (a weighted average of the representative exchange rates prevailing when the foreign currency was purchased).

In the course of 2000 the NIS strengthened against most other currencies, so that the Bank of Israel incurred losses from exchange-rate differentials. As 2000 was the first year in which these new accounting rule were applied, no profit balance had accrued in the 'Revaluation accounts', so that all the loss from exchange-rate differentials was recorded in the Profit and Loss Account. In other words, in 2000 the size of the loss hardly changes whether it is calculated according to the old accounting system or the new one.[1]

In the past, foreign- and local-currency *securities* were shown in the financial statements according to average cost or market value, whichever was lower. If the market price was below the average cost, the difference was taken to the Profit and Loss Account.[2]

[1] The calculation of exchange-rate differentials actually received is performed for all foreign-currency assets on a currency-by-currency basis. There were losses for all currencies except for SDR (and the yen and the Canadian $) in which the Bank made an unrealized profit of NIS 22 million from exchange-rate differentials. (Although the NIS strengthened against the SDR, the Bank has net liabilities in SDR, so that the strengthening of the NIS means profit for the Bank.) This means that the loss in 2000 according to the new method was NIS 22 million higher than it would have been under the old method. This amount is shown in the 'Revaluation accounts' (Note 14).

[2] During the year securities are shown according to their average cost, and as the balance-sheet date approaches their market value is examined.

The accounting rules followed in the last few years determined that local- and foreign-currency securities are shown at market value on the balance-sheet date. The difference between the adjusted value and the market value is not taken to the Profit and Loss Account but is shown as tradable securities in the balance sheet item 'Revaluation accounts.' Losses from the revaluation of securities are deducted from the balance of accrued profit in the Revaluation accounts, and if the Revaluation accounts are insufficient to cover the losses, the losses are transferred in the same year to the Profit and Loss Account.

In 2000 the revaluation of foreign-currency securities yielded a profit of NIS 938 million, which was recorded in the Revaluation accounts. In local-currency securities, on the other hand, a loss of NIS 172 million was recorded, and this was taken to the Profit and Loss Account (Note 14).

2. Main developments in the balance sheet and in the Profit and Loss Account

The main components in the Bank of Israel's balance sheet and Profit and Loss Account are the foreign exchange reserves (87 percent of the balance sheet), and on the liabilities side, time deposits and Treasury bills (75 percent of the balance sheet). The main components in the Bank's income and expenses are receipts of interest and payments of interest on these items, respectively. In 1999 and 2000 the Bank also incurred expenses due to exchange-rate differentials on foreign-currency-denominated balances.

The foreign exchange reserves remained relatively stable in 2000, with an annual average of $ 22.2 billion, about 1 percent higher than in 1999 (Table 4). Income from investment of the reserves was about NIS 5 billion. Total income from the reserves after deducting losses from exchange-rate differentials was only about NIS 0.7 billion (in 2000 the NIS strengthened against most currencies, and particularly against the euro).

Table 2
Indicators of the Bank of Israel Profit, 1990–2000

	Profit (loss)	Exchange-rate differentials	Net foreign-currency assets end-of-year	Change in currency-basket exchange rate during year	Treasury bills and time deposits *minus* monetary loans	Average interest rates	
						Time deposits	Monetary loans
	NIS billion		*$ billion*	*percent*	*NIS billion at current prices*	*percent*	
	At current prices						
1990	1.5	0.5	1.5	10.6	0		14.4
1991	1.9	0.8	2.0	11.2	–1		15.5
1992	1.7	0.6	0.3	16.3	–5		12.1
1993	1.3	–0.2	–0.8	6.3	–10		10.7
1994	1.8	0.4	–0.3	5.7	–8		12.7
1995	2.5	1.4	6.0	6.3	9		14.9
1996	–0.5	0.5	8.6	1.6	21	16.2	14.9
1997	–1.1	2.1	17.5	4.1	51	13.9	13.5
1998	10.9	13.1	18.4	20.4	63	11.9	11.5
1999	–8.7	–3.5	17.7	–3.2	73	12.2	11.8
2000	–6.7	–3.7[a]	18.3	–5.5	80	9.4	8.9

[a] Exchange-rate differentials do not include unrealized profit from revaluation of foreign-currency balances; the revaluation amounted to NIS 22 million.

The main instruments which the Bank of Israel has used to operate its monetary policy in the last few years were the banking corporations' local-currency time deposits with the Bank of Israel, and Treasury bills. In 2000 the downward trend of the rate of interest continued (Table 8), reducing the Bank of Israel's interest payments on these deposits from their level in 1999. This reduction, combined with other factors, enabled time deposits and Treasury bills to expand more slowly than they did in previous years; their average balance in 2000 was NIS 71.8 billion, compared with NIS 68.1 billion and NIS 58.1 billion in 1999 and 1998 respectively.

The government's local-currency deposits have had a negative balance since 1996. In 2000 their minus balance contracted (the local-currency deposits for budget financing showed an average negative balance of NIS 6.7 billion in 2000, compared with negative balances of NIS 7.9 billion and NIS 7.8 billion in 1999 and 1998 respectively). Most of the change took place in the first half of the year, when the government absorbed money from the public, whereas in the second half of the year, and particularly in December, the government injected significant sums of money. The government's foreign-currency deposits showed no real change, either on average or during the year.

The monetary base (banknotes and coins in circulation and the banks' demand deposits with the Bank of Israel) was stable during 2000 (increasing by NIS 0.3 billion, see Table 3). For the first time in many years, in 2000 the government absorbed money, NIS 3.5 billion, from the public (Tables 3 and 5), but this was not spread evenly during the year: in the first half there was significant absorption due to a rapid rise in tax receipts, whereas in the second half of the year, in particular at the end of the year, there was marked injection. In the course of the year the Bank injected NIS 2.7 billion. The Bank of Israel has refrained from intervening in the foreign-currency market since 1997 (with the exception of a few days in January 1998), and in 2000 the Bank did not trade in foreign currency with the public.

Banknotes and coins in circulation fell by about NIS 1 billion in 2000, the outcome of a non-recurring surge at the end of 1999 due to concerns relating to the Y2K bug.

In 2000 the Bank of Israel made a loss of NIS 6.7 billion, compared with a loss of NIS 8.7 billion in 1999. The loss derived from, among other things, an excess of interest expenses over income from interest payments amounting to NIS 3 billion, and expenses of NIS 3.7 billion from exchange-rate differentials. The decline in the loss came mainly from the contraction of the surplus expenses on interest to NIS 3 billion from NIS 5.2 billion in 1999. There was no significant change in expenses on exchange-rate differentials from 1999 to 2000, just a small rise from NIS 3.5 billion to NIS 3.7 billion.

Interest and other income (excluding exchange-rate differentials) increased in 2000 by about NIS 1.7 billion from their level in 1999. The rise was mainly in income from the investment of the foreign reserves (an increase of NIS 2 billion), while income from local-currency securities fell because of their adjustment to market prices. There was hardly any change in income from interest on long-term advances and on government securities.

The Bank of Israel's expenses went down by NIS 0.5 billion in 2000 from their level in 1999. Most of the reduction resulted from the NIS 1.3 billion decline in interest payments on the banks' local-currency time deposits with the Bank of Israel and on Treasury bills, which was due to the continued fall in the rates of interest in Israel (by 2.8 percentage points; see Table 8) despite the rise in the average balance mentioned above.

Table 3
Composition of Change in the Monetary Base and Foreign Reserves, 1998–2000

(current prices)

	1998	1999	2000	1999 IV	2000 I	2000 II	2000 III	2000 IV
NIS million								
1. Change in monetary base (1) = (2 + 3 + 4 + 5)	242	3,927	311	3,471	–1,076	1,503	349	–465
Injection (+)/absorption (–)								
2. Government and National Institutions	1,901	4,067	–2,729	4,522	–6,369	–5,602	3,523	5,719
3. Bank of Israel	–2,664	–365	2,729	–1,204	5,456	6,890	–3,453	–6,164
4. Foreign-currency conversions at Bank of Israel	1,746	0	0	0	0	0	0	0
5. Adjustments[a]	–741	225	311	153	–163	215	279	–20
$ million								
Banks' foreign-currency activity with the Bank of Israel								
6. Foreign-currency sales to Bank of Israel (6) = (8 – 9 – 7)	–492	0	0	0	0	0	0	0
7. Public-sector transfers to banks[b]	–163	–259	–345	–157	–88	–50	–209	2
8. Change in deposits with Bank of Israel	–369	585	–462	598	–285	–157	–58	38
9. Transfers to (–)/from (+) rest of world	286	844	–117	755	–197	–107	151	36
10. Adjustments[c]	–343	–197	–275	–122	–132	1	–142	–2
Contribution to reserves								
11. Private sector[d] (11)=(9+10)	–57	647	–392	633	–329	–106	9	34
12. Public sector[e]	2,399	–806	1,041	28	491	–385	–120	1,055
13. Change in reserves[f] (13)=(11+12)	2,342	–159	649	661	162	–491	–111	1,089

[a] Adjustments include: transfers from abroad by the National Institutions through the banks, defined as public-sector injection. Government and Bank of Israel domestic foreign-currency receipts from and payments to the private sector (e.g., income tax receipts in foreign currency) do not change the monetary base, as they are transferred directly from the private sector to the government: on the one hand they are defined as government absorption and on the other they are defined as the private sector's contribution to the foreign reserves (without going via the Bank of Israel's trading-room floor).

[b] NIS/$ swaps and other domestic foreign-currency payments.

[c] Transfers from abroad by the public sector through the banks, e.g., by the National Institutions.

[d] Including income tax payments by the private sector in foreign currency.

[e] Transfers by the government and the National Institutions, and Bank of Israel income from the foreign reserves (interest income, capital gains, and cross-rate differentials.

[f] Including the change in accrued interest on the foreign reserves.

The decline in interest rates in 2000 and the contraction in the negative balance in the government's local-currency deposits reduced the Bank's income from these deposits by NIS 0.6 billion.

Since 1996 most of the Bank's assets have been denominated in or indexed to foreign currency (92 percent at the end of 2000), whereas most of its liabilities are in NIS, with only a relatively small part in or indexed to foreign currency (23 percent at the end of 2000). A surplus of foreign-currency assets can affect the Bank's income and expenses, as the yields on foreign-currency assets and liabilities (rates of interest abroad *plus* exchange-rate differentials) are likely to be different from those on local-currency assets and liabilities (rates on interest in the domestic market).

An exchange-rate system that allows the rate to move within a relatively wide band and a surplus of foreign-currency assets in the Bank's balance sheet are likely to result in large income or expenses originating from exchange-rate differentials. The NIS strengthened by 5.5 percent against the currency basket in 2000 (and by 2.7 percent against the $ and 9.9 percent against the euro). In the course of the year the NIS exchange rate fluctuated. In March and August 2000 the exchange rate against the currency basket was close to the lower limit of the exchange-rate band, and in September it was only 1.1 percent above that limit (the closest it had been in the last two years). The strengthening of the NIS against most important currencies was reflected in the expenses deriving from exchange-rate differentials, which amounted to NIS 3.7 billion in 2000, compared with NIS 3.5 billion in 1999. As was mentioned above, fluctuations in the foreign exchange reserves were relatively small in 2000, and according to the accounting definitions in effect from 2000 (Part 1 above) all those differentials were defined as unrealized. As they were negative for the year, and as no balance of unrealized profit had accrued in the Revaluation accounts, the exchange-rate differentials were recognized as an expense and recorded in the Profit and Loss Account.

3. Main items

a. The foreign exchange reserves

The foreign exchange reserves held by the Bank of Israel totaled $ 23.2 billion at the end of 2000. They were relatively stable during the year, with the annual average rising by about one percent.

The government withdrew $ 0.1 billion from the foreign reserves, and raised $ 0.5 billion abroad by the issue of bonds (in March). Economic aid from the US (received in December) amounted to $ 0.8 billion. During the year the government made payments abroad for current expenses, interest, and loan repayments.

The Bank of Israel's contribution to the reserves came to $ 1 billion. Income from interest and capital gains totaled $ 1.1 billion, but the weakening of several currencies against the dollar, particularly the euro, resulted in negative exchange-rate differentials of $ 0.5 billion. There were price rises of foreign-currency securities abroad (which were not realized, and therefore not recorded in the Profit and Loss Account) of $ 0.2 billion.

The private sector withdrew $ 0.4 billion of foreign exchange reserves from the Bank of Israel. The greatest part of the withdrawal took place in January 2000, and was apparently related to adjustments of the banking corporations' foreign-currency accounts when fears of the millennium bug dissipated.

The Bank of Israel's income from the foreign exchange reserves in 2000, in local currency terms, totaled NIS 0.7 billion, following a loss of NIS 0.5 billion in 1999. Income from interest and capital gains rose by some NIS 2 billion, but losses arising from exchange-rate differentials due to the strengthening of the NIS against all the leading currencies offset a large part of the rise in interest receipts.

The Bank of Israel invests the foreign exchange reserves mainly in tradable securities with a relatively short horizon, to ensure an appropriate level of liquidity, and to avoid the danger of wide swings in the value of the portfolio which could occur in the wake of fluctuations in the financial markets. The average horizon of the foreign reserves portfolio, which for several years was twelve months, was raised to sixteen months in 1999; this

Table 4
Foreign Reserves—Total, Income, and Yields, 1998–2000

				Rates of change (percent)	
	1998	1999	2000	1999	2000
Total foreign reserves					
$ million					
End of year	22,674	22,515	23,164	–1	3
Annual average	21,689	21,955	22,156	1	1
Income					
NIS million					
Total	19,581	–510	715		
Interest and capital gains	4,715	3,069	5,050		
NIS/$ exchange rate differentials	13,421	–190	–2,490		
Cross-rate differentials ($/other currencies)	1,445	–3,389	–1,845		
$ million					
Total	1,627	–83	780		
Interest and capital gains	1,237	743	1,248		
Cross-rate differentials ($/other currencies)	390	–826	–468		
Yields[a]					
Percent					
In terms of NIS—total	27.0	–0.8	1.8		
Interest and capital gains	6.0	3.2	6.9		
NIS/$ exchange-rate differentials	19.8	–3.9	–4.8		
In terms of euro[b]—total	0.9	15.3	12.9		
In terms of $—total	7.9	–0.6	4.6		
Interest and capital gains	6.0	3.2	6.9		
In terms of use[c] of foreign reserves[a]	6.0	3.3	6.8		
Market return[d]	6.0	3.2	6.8		

[a] Yields (annual, compounded daily) refer to income from the foreign reserves, including profit or loss arising from changes in market prices.

[b] In 1999 and 2000, in terms of euro; in 1998, in terms of DM.

[c] Geographical composition of imports, and the currency composition of debt servicing.

[d] In terms of use of foreign reserves (for international comparison).

was a long-term strategic move based on findings of research carried out by the Bank which showed that the yield on investment with that horizon was expected to be higher over time, after taking the incremental risk into account.

The currency composition of the Bank of Israel's reserves matches the economy's import-financing and debt-servicing needs, thus reducing the purchasing-power exposure of the reserves to changes in cross rates, and to some extent hedging against the exchange-rate risk of Israel's external debt. Hence, changes in the value of and yield on the foreign reserves should be measured in terms of the same currency composition as their uses and not in terms of any specific currency.

The holding-period rate of return on the investment of the reserves, in terms of uses, was 6.8 percent in 2000; it was affected mainly by the reduction in yields to maturity in the US market, where yields for all periods of more than one year declined (Table 4). In Europe, yields to maturity for periods longer than three years fell, this being reflected by a rise in government bond prices. The arbitrariness of measuring yield in terms of any specific currency is highlighted by comparing the yield in dollar terms, 4.6 percent, with that in terms of the euro, 12.9 percent, and by the high volatility of the yields in terms of both these currencies evident for years (Table 4). The yield in terms of NIS was 1.8 percent, compared with –0.8 percent in 1999 and 27.0 percent in 1998. The yield in 2000, as in 1999, reflected the strengthening of the NIS against the currency composition of the basket of uses.

The yield on investing the reserves can be compared with the 'market yield' by means of the yield on an appropriate benchmark, calculated from the holding-period yield on various financial assets, and based on internationally published indices. The calculation of the benchmark yield takes into account representative assets with an average horizon of sixteen months which satisfy other criteria governing the investment of reserves, such as liquidity and credit risk. Market yields of assets in each currency are weighted according to that currency's share in the basket of uses. The actual yield in 2000, 6.8 percent, was the same as that of the benchmark. In managing the portfolio, the Bank of Israel deviates only marginally, if at all, from the currency composition of uses, so that this factor has a relatively small effect on the yield in terms of uses. The main contribution of investment decisions arises from the focus on keeping the average horizon of the portfolio to about sixteen months, and on determining the composition of the assets in it.

b. Government accounts

In accordance with the law, the Bank of Israel is the government's sole banker in Israel. Hence, the government holds all its local-currency accounts and some of its foreign-currency accounts in the Bank of Israel. It is permitted to hold accounts abroad not via the Bank of Israel.

Long-term advances[3]

In 2000 the NIS appreciated by 7.5 percent against the first currency basket, the same rate of appreciation as in 1999. Therefore in 2000, too, no exchange-rate differentials were collected for long-term advances indexed to the first currency basket. Such differentials will arise in a year when the exchange rate of the NIS against the first currency basket will be higher than the rate at the end of December 1998 (see Note 1.b).

[3] A detailed explanation appears in the of the Bank of Israel Financial Statements for 1999.

Government deposits

Government deposits consist of a) deposits for budget financing, and b) other deposits. Deposits for budget financing are defined as deposits which the government can use to finance budgetary activities, and which are therefore covered by section 45b of the Bank of Israel Law, 5714–1954. These deposits are divided into local-currency deposits and foreign-currency deposits.

In 2000, and particularly in the first half of the year, tax revenues rose sharply. In that period the government absorbed money from the public, and the balance of liabilities in government local-currency deposits contracted. (For some days in May and in the second half of June 2000 the deposits were actually in credit.) In the second half of the year, especially in December, there was government injection, and at the end of the year the local-currency deposits showed a debit of NIS 14.2 billion, up from NIS 13.6 billion a year earlier. The government pays or receives interest at prime on debit or credit balances, respectively, in these deposits. As the deposits were in debit for most of the year, the Bank collected interest of NIS 0.7 billion, compared with NIS 1 billion in 1999. (The average annual debit balances were NIS 6.7 billion and NIS 7.9 billion in 2000 and 1999 respectively. In these two years the prime interest rate declined almost continuously.)

Table 5
Government Deposits with the Bank of Israel, 1998–2000

(NIS million, current prices)

	1998	1999	2000
End-year balances			
Government deposits for budget financing			
Local-currency deposits	–4,821	–13,645	–14,162
Foreign-currency deposits	19,060	19,195	20,507
Total government deposits for budget financing	**14,239**	**5,550**	**6,345**
Other deposits[a]	1,813	1,173	775
Total	**16,052**	**6,723**	**7,120**
Net change in government deposits	**8,824**	**–9,329**	**397**
Sources of change			
Government contribution to foreign reserves[b]	2,092	–3,443	–517
Government injection	–781	–3,139	3,493
Government–Bank of Israel financial flow[c]	7,444	–2,783	–2,653
Adjustments[d]	69	36	74

[a] Including the local-currency deposit to stabilize bond prices, another deposit in foreign currency, and interest accrued on government deposits (see note 10 on Deposits of the Government).

[b] Government income and expenses abroad, and loans received and loan repayments abroad.

[c] Transfer to the government of Bank of Israel's profit (in 1998, when there was a profit); interest payments and redemption of government bonds held by the Bank of Israel; commission from the government; interest payments, repayment of principal, and payment of indexation differentials on credit to the government (in 1998, when the first currency-basket rose); interest payments by the Bank of Israel on government deposits (in local and foreign currency); and cross-rate differentials on government foreign-currency deposits.

[d] Including accrued interest on government deposits to the end of the year; interest payments by the government on credit from the Bank of Israel for binational funds, these payments are included under "Government injection," but in this table they are also included under 'Government–Bank of Israel financial flow'); bond redemptions by tourists in Israel (these redemptions reduce the government's local-currency deposits, but are not included in 'Government injection').

Foreign-currency deposits consist mainly of the deposit of the loan under the US government guarantee and the deposit of the US economic aid. Interest paid on these deposits is the same as that on Treasury bills with six months to maturity.

In March 2000 the government raised $ 500 million abroad by issuing bonds, and the proceeds were deposited in the current deposit; in December 2000 US economic aid of $ 840 million was received.

Other deposits include the bond-price stabilization local-currency deposit and other deposits, in foreign currency, not defined as deposits for financing the budget. There was no significant change in these deposits.

Treasury bills

The deposit arising from the sale of Treasury bills to the public is formally a government deposit, but following an amendment to the Treasury Bills Law in 1996 the government is unable to use this deposit for its regular activities. The deposit is used by the Bank of Israel in its monetary policy. There is a legal limit on the size of the balance of Treasury bills, which is updated from time to time.[4] The combination of the Treasury bill ceiling, the inflation target, and the constraint imposed by the exchange-rate regime (the crawling band)—all of which were determined by the government—made the Bank of Israel develop another channel for absorbing money from the public: local-currency time deposits of the banking corporations in the Bank of Israel. Treasury bills and time deposits are to some extents substitutes for each other, but as Treasury bills are traded in the market and contribute to the development and improvement of the short-term money market, they are preferable to time deposits.

The average annual balance of Treasury bills in 2000 was NIS 25.8 billion (NIS 24 billion in 1999), and during the year there was a rise of NIS 4.7 billion. Time deposits rose by NIS 1.8 billion during the year, and the annual average by NIS 1.9 billion (Table 8).

Transfer of profits to the government

There are various financial flows between the government and the Bank of Israel,[5] some of them of significant magnitude. Some of these flows have special features, and so up to 1990 they were shown in the budget separately from normal income and expenses of the government, under "Section 3," allocated specially for these flows. Until 1990, the Ministry of Finance estimates of the budget deficit did not include receipts and payments between the government and the Bank of Israel. The special features are mainly Bank of Israel profits which are transferred to the government and loans given in the past to the government by the Bank.

The Bank of Israel's accounts are kept in accordance with generally accepted accounting principles, and changes are introduced from time to time in accordance with changes in those principles. The bank's Profit and Loss Account is calculated on an accrual basis, so that until 2000 the calculation of the Bank of Israel's profit to be transferred to the

[4] The update takes place twice a year, according to the rise in the CPI or in the money supply, whichever is higher. The rise in the CPI is calculated against the CPI in November 1994; the money supply is compared with that in October 1994.

[5] These include: transfer of the Bank of Israel's profits (in a year when there are profits); interest payment and redemption of government bonds held by the Bank; various fees received from the government; credit to the government—payment of interest, repayment of principal, payment of indexation differentials, granting long-term advances to the government (until 1988); interest on government deposits (in local and foreign currency); exchange-rate differentials on government foreign-currency deposits.

Table 6
The Bank of Israel's Balance-Sheet and Real Realized Profits, 1984–2000

(NIS million, at current prices)

	Balance-sheet profits				
	Total	Actual[a]	Accrued[b]	Exchange-rate differential[c]	Real realized profits
1984	–173	518	–29	–662	–
1985	943	980	–184	147	–
1986	1,302	743	102	457	–
1987	1,491	223	151	1,117	–
1988	454	497	–50	7	–
1989	987	705	–96	378	–
1990	1,462	976	–21	507	112
1991	2,012	1,109	106	797	420
1992	1,789	1,320	–104	57	301
1993	1,262	1,306	175	–219	184
1994	1,768	1,336	30	402	–109
1995	2,384	1,048	–70	1,406	869
1996	–456	–753	–173	470	1,346
1997	–1,095	–2,296	–867	2,068	2,389
1998	10,519	–2,349	–188	13,056	3,890
1999	–8,731	–4,660	–586	–3,485	3,868
2000	–6,702	–2,895	–138	–3,669	–

[a] Actual balance-sheet profits are net cash receipts.

[b] Net income recorded according to the accrual principle, whereby income accrued in the period of the statement is recorded although it will be received in the future.

[c] Net exchange-rate differentials from adjusting foreign-currency balances to the representative NIS exchange rate. Some of the differentials were actually received, and some accrued.

government included all income and expenses which had accrued but had not actually been received yet. Of particular relevance were exchange-rate differentials on foreign-currency assets and liabilities, some of which had accrued but had not been received. For several years, these exchange-rate differentials constituted a significant part of the Bank's profits, and in some years the whole of the bank's profits derived from exchange rate differentials which had not yet been received (Table 6). A commercial concern can distribute profit which has been earned but not yet received only by realizing assets or borrowing money. A central bank, as an issuer of money, can transfer profits not yet received without taking either of these steps.

The Bank of Israel Law obliges the Bank to transfer its profits in their entirety to the government each year. In most years since the Bank's establishment it made significant accounting profits. From 1980 to 2000 the Bank's average annual profits transferred to the government amounted to about 1.2 percent of GDP.[6] Thus, the Bank's transfer to

[6] The Bank of Israel Law does not relate to the case when the Bank sustains a loss, and so the Bank acts according to with generally accepted accounting procedures, and in a year when it makes a profit following a year when it incurred a loss, it transfers to the government the profits remaining after deducting the accumulated loss from previous years. In 1984 the Bank of Israel made a loss for the first time in its history, and then from 1985 to 1995 it made a profit each year equivalent to about 1.5 percent of GDP. Every year since 1996, except for 1998, the Bank made a loss (the average loss for the years since 1996 was 0.3 percent of GDP).

government accounts of its entire profits as calculated in the past contained an element not derived from "real sources." The government, as stated, did not include these profits in the calculations of its income and deficit, but used them to finance the budget deficit.

A similar situation—of the Bank of Israel transferring to the government money which did not represent "real sources"—applied also to loans, i.e., long-term advances, which the Bank gave the government. These at least in part constituted "creating something out of nothing," in other words, were equivalent to printing money.[7] (Since 1988 no new long-term advances have been extended to the government.)

Among the financial flows between the Bank of Israel and the government, the Bank's profits and loans it made to the government constituted the largest part. From 1980 to 1985 they were 5.9 percent of GDP, annual average (Figure 2), and the loans were the major component. In 1985 an amendment to section 45 of the Bank of Israel Law was introduced (known as the No Money-Printing Law), significantly limiting the possibility of making loans to the government, and this contributed to a reduction in the financial flows between the Bank of Israel and the government from 1986 to 1995 to about 0.3 percent of GDP.

In order to increase estimated government income (which would enable the government to present a smaller budget deficit or to increase its expenditure), in 1990 the director-general of the Ministry of Finance appointed a joint team from the Ministry of Finance and the Bank of Israel to formulate a proposal to define and estimate what part of the Bank of Israel's profits should be included in normal government income and not shown in Part 3 of the budget. It must be emphasized that this does not refer to a change in the legal obligation to transfer the Bank's accounting profits to the government, but to the creation of a new format for presenting the government's accounts in an economically meaningful way, which would be used as an estimate of its income and deficit (and eventually as a check of whether the government is meeting the its deficit targets).

The team's recommendations were that the Bank's accounting profits should be divided into "real realized profits," to be added to government income, and "other profit," to be used for financing the budget. The recommendations were based on the following principles:[8]

1. The public sector accounts should be shown on a consolidated basis. At the time the recommendations were submitted the public sector was defined in the National Accounts as including the government and the central bank, so that all financial flows between them were flows within the sector, and would therefore not be included in "real realized profits."

[7] Until 1985 higher reserve ratios applied than were required to preserve banks' stability. The surplus liquidity may be seen as capital raised by the Bank of Israel from the public, and this was the source of part of the long-term advances made in those years.

[8] These same principles led to the inclusion in the estimate of real realized profits of some items in the Profit and Loss Account of the Bank of Israel : income from the foreign exchange reserves, income from loans other than the monetary loans, other income, expenses on the banking corporations' foreign-currency deposits, expenses on other deposits and other liabilities, administrative and general expenses, expenses of printing banknotes and minting coins. For technical reasons and at the request of the Ministry of Finance, the Bank of Israel's income from securities was included in this definition. All the items listed include only actual income and expenses.

2. As the income of the (consolidated) public sector is only meant to include real sources transferred to the sector in Israel and from abroad, and since in practice calculations in the government accounts (and in the National Accounts) are on a cash basis (except for calculations of exchange-rate differentials), it was recommended that real realized profits should only include profits actually received, i.e., realized. A special problem was encountered with regard to profits deriving from exchange-rate differentials, as it is very difficult to measure income from and expenses on exchange-rate differentials actually received separately from income from exchange-rate differentials which have accrued but have not yet actually been received. The team recommended that no exchange-rate differentials should be included in real realized profits.

3. Profits deriving directly from monetary policy instruments and changes in the monetary base should be aggregated, as budget deficit financing, and not included in real realized profits.

The team's recommendations were based on the generally accepted economic view of that time, according to which the main purpose of the foreign exchange reserves held by the Bank of Israel was to finance the economy's foreign-currency expenses. The link between the size of the reserves and the execution of monetary policy, which grew stronger and stronger in the second half of the 1990s, did not exist then, and in the economic reality of 1990 it was decided that actual income from the reserves (interest and capital gains) would be included in real realized profits.

The team's proposals were put into practice in the 1991 budget year. In the years from 1991 to 1994 real realized profits were about 0.1 percent of GDP, and were lower than the accounting profit in each of those years. Following the changes that took place in the second half of the 1990s (see below), estimated real realized profits surged to 0.7 percent of GDP, and stayed positive even in the years when the Bank made accounting losses.

The team's recommendations were followed by a change in monetary policy, which became focused on the inflation target. Although important changes were made to the exchange-rate regime (introducing a slope to the exchange-rate band and widening the band), there was no change in the Bank's obligation to defend the upper and lower limits of the band. In that period the liberalization of the foreign-currency market continued.

The above developments had a far-reaching effect on the Bank of Israel's accounting profits, and in particular on the estimates of real realized profits. In 1995–97 there was significant capital inflow of the private sector, exerting downward pressure on the NIS exchange rate. To defend the lower limit of the crawling band, the Bank of Israel had to purchase foreign currency from the public, and to prevent monetary expansion which would have followed those purchases, the Bank proceeded to absorb the converted NIS. As the rates of return on the foreign reserves were different from those on the Bank's local-currency liabilities, these activities affected the Bank's accounting profit. Since 1995, the Bank has made an accounting loss in some years (1996, 1997, 1999, 2000), and in some years an accounting profit (1995, 1998). The estimates of real realized profits are also affected by the above changes, but this effect operated in only one direction, and was stronger than that on accounting profits: the foreign exchange reserves increased, and with them, the income they yielded. The rise in income from the reserves contributed to the rise in the estimate of real realized profits, but against this was the fact that expenses incurred by the Bank through absorbing the liquidity created by conversion of the capital inflow were not included in that estimate. This led to the result mentioned, of a rapid rise

in the estimate of real realized profits. In 1998 and 1999 real realized profits were six times greater (at constant prices) than in 1991–92.

The need to change the definition and the method was brought to the attention of the Ministry of Finance by the Bank of Israel. The State Comptroller, in his Annual Report for 1998, also recommended to the Ministry of Finance and the Bank of Israel that they should re-examine the rules and the whole system of accounting between them, and how that should be reflected in the state budget and in the calculation of the budget deficit and its financing.[9] The Bank of Israel expressed its agreement to the Comptroller's recommendations. However, as no progress was made in this matter, the State Comptroller had to repeat his recommendation in the report for 1999. He actually went further than before, and added, "It should therefore be determined in an agreement with the Ministry of Finance, and preferably stipulated in the law, that the Bank of Israel's unrealized profits should not be transferred to the government. An important precedent exists in the way the Bank of Israel's profits from government bonds are treated."[10]

In 2000 the Ministry of Finance decided not to include the Bank's real realized profits in the estimate of the performance of the budget for 2000, because the Bank made no profit according to the usual accounting definitions, and is not transferring money on account of profits. The Ministry of Finance also decided not to include real realized profits in the budget for 2001. Financial flows between the Bank of Israel and the government will therefore be aggregated in Section 3 of the budget, and will have no effect on the estimate of income and of the budget deficit.[11]

c. Banking corporations' deposits

The local-currency time deposits of the banking corporations continued rising in 2000, but more slowly than in previous years. The average level of the deposits was NIS 46.0 billion in 2000, up from NIS 44.1 billion in 1999. During the year they rose by NIS 1.8 billion. The Bank of Israel continued the downward trend of the rate of interest, cutting the rate every month (apart from June and July, when there was no change); this took place in the light of the decline in the inflation environment, and parallel with the government's inflation target. This trend also pulled down the rate of interest in the auctions for time deposits, so that the average annual interest rate on these deposits in 2000 was 9.4 percent, compared with 12.2 percent in 1999 (Table 8).

The banking corporations' demand deposits are used for inter-bank clearing, carrying out most government payments, and collecting part of the taxes and other receipts for the

[9] State Comptroller, Annual Report No. 48 (1998), p. 41 (in Hebrew).

[10] State Comptroller, Annual Report No. 49 (1999), p. 45 (in Hebrew).

[11] There are two items which are not included in Part 3:

The Bank of Israel pays interest to the government on the deposit of the economic aid received from the US government. This interest is recorded in government income as interest on foreign currency, and reduces the budget deficit abroad (and the total deficit).

The Bank of Israel pays the government interest on the deposit of past loans guaranteed by the US government. This deposit is intended for the repayment of government debts incurred as a result of those loans. The Ministry of Finance defines this deposit as "extra budgetary," and the interest it earns is recorded neither under government income nor in Part 3.

The Ministry of Finance included the deposit of the guarantees in the total deposits for financing the budget, i.e., the deposits which the government can use to finance its budgetary activities, so that the No Printing of Money Law applies to them. For other needs and uses the deposit is defined as extra-budgetary.

Table 7
Deposits of the Banking Corporations, 1998–2000

(NIS million, current prices)

	1998			1999			2000		
	In NIS	In foreign currency	Total	In NIS	In foreign currency	Total	In NIS	In foreign currency	Total
Change in banking corporations' deposits[a]	**–1,320**	**215**	**–1,105**	**257**	**2,811**	**3,068**	**1,256**	**–1,641**	**–385**
Activity with the government[b]	6,728	–601	6,127	10,775	–1,082	9,693	4,582	–1,407	3,175
Withdrawal (–) of banknotes from Bank of Israel	–7,155		–7,155	–10,051		–10,051	–6,022		–6,022
Activity with Bank of Israel[c]	–2,664	1,501	–1,163	–509	324	–185	2,558	233	2,791
Transfers from (+) and to (–) abroad		1,078	1,078		3,532	3,532		–502	–502
Foreign-currency conversions at Bank of Israel	1,745	–1,749	–4	0	0	0	0	0	0
Adjustments	26	–14	12	42	37	79	138	35	173
Deposit of banknotes by Post Office Bank in Bank of Israel[d]	5,598		5,598	6,383		6,383	6,947		6,947

[a] The change in demand deposits in NIS and foreign-currency deposits of the banking corporations. This does not include the change in time deposits.

[b] Government injection via the banking corporations' demand deposits.

[c] Depositing time deposits, the purchase of Treasury bills, the sale of goverment bonds, and various interest payments.

[d] Deposits of banknotes mainly by the Post Office Bank. These deposits are a government absorption, and are included under "Government injection."

government. A small part of the government's payments are made via the Post Office Bank, which is not defined as a banking corporation. By comparison, the Post Office Bank's share in collecting payments to the government (mainly taxes and other compulsory payments) is relatively high. The estimates in Table 7 show that government injected NIS 4.6 billion via the banking corporations in 2000, and the public withdrew NIS 6.0 billion in cash from the banks. These withdrawals and the reduction in cash holding in 2000 were used for payments to the government via the Post Office Bank, many of which are made in cash. The government's absorption in 2000 was NIS 3.5 billion—an injection of NIS 4.6 billion via the accounts of the banking corporations and absorption of NIS 6.9 billion via the Post Office Bank, mostly in cash (there was an absorption of NIS 1.3 billion from the adjustment related to the Ministry of Defense industries and conversions of the National Institutions).

The banking corporations' unrestricted foreign-currency deposits, which are not part of the reserve requirement, went down in 2000 by $ 500 million (about NIS 2 billion), with the major decline occurring in January. This reduction brought the unrestricted deposits back to their level in the period 1998 to November 1999, and supports the contention that the non-recurring surge in December 1999 was due to concern relating to the effects of the Y2K bug.

There has been no change since 1998 in the level of NIS/$ swap transactions, which stood at $ 1.4 billion; in these transactions, the Bank of Israel borrows local currency from the banks and lends them dollars for the same term. The Bank of Israel paid interest of NIS 0.2 billion to the banks in 2000 (NIS 0.4 billion in 1999), plus a minimal amount for exchange-rate differentials.

There was no significant change in the monetary auctions which the bank makes available to the banking corporations, and their average level remained at about NIS 0.8 billion. The average rate of interest on these loans in 2000 was 8.9 percent, down from 11.8 percent in 1999 (see Table 8).

Table 8
Accounts of the Banking Corporations with the Bank of Israel, 1998–2000

(daily average, current prices)

	1998	1999	2000	1999 IV	2000 I	2000 II	2000 III	2000 IV
Local-currency deposits and credit[a]								
NIS billion								
1. Demand deposits	4.5	5.5	6.6	5.7	6.1	6.4	6.7	7.0
2. Time deposits	36.9	44.1	46.0	46.2	48.1	44.1	45.6	46.2
3. Monetary loans	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
4. Net deposits (= 1 + 2 + 3)	40.6	48.8	51.8	51.2	53.4	49.7	51.6	52.5
5. Net deposits *plus* swaps	45.9	54.6	57.5	57.2	59.1	55.5	57.3	58.2
6. Net deposits *plus* swaps and Treasury bills[b]	67.1	78.6	83.3	81.4	83.5	80.3	83.3	86.0
Foreign-currency deposits and credit[a]								
$ billion								
7. Deposits	1.9	2.0	2.2	2.1	2.2	2.2	2.2	2.2
8. Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9. Net deposits *less* swaps[c]	0.5	0.6	0.8	0.7	0.8	0.8	0.8	0.8
NIS billion								
10. Net deposits *less* swaps[c]	1.8	2.4	3.3	2.8	3.2	3.2	3.2	3.4
11. Total net deposits *plus* swaps and Treasury bills (= 6 + 10)	68.8	81.0	86.5	84.2	86.7	83.5	86.5	89.4
Rates of interest (percent)[d]								
12. Monetary loans	11.5	11.8	8.9	11.0	9.9	9.0	8.7	8.0
13. Time deposits	11.9	12.2	9.4	11.5	10.4	9.5	9.2	8.5

[a] Items 1–11 include accrued interest.

[b] Net deposits *plus* NIS swaps for remittance and Treasury bills deposit (excluding the part of the deposit arising from the replacement of government bonds by Treasury bills).

[c] Deposits *less* loans and *less* dollar swaps to be received.

[d] Annual rate, based on quarterly and yearly calculations respectively.

STATISTICAL APPENDICES

Appendix Table 1
Selected Data from the Bank of Israel Balance Sheet, 1985–2000

(NIS million, at current prices)

	Assets on Bank of Israel balance sheet								Liabilities on Bank of Israel balance sheet														Bank's capital on balance sheet		
											Government deposits			Banking corporations' deposits											
	Foreign exchange reserves	Balance with IMF	Credit to the govern-ment	Loans		Local-currency securities	Other assets	Total assets on Bank of Israel balance sheet	Banknotes and coins in circu-lation	International monetary institutions	For budget financing[a]	Other	Treasury-bill deposit	Total	Time deposits	Local-currency demand deposits	In foreign currency	$	Other liabilities	Reval-uation accounts	Total	Matched timing balance	Losses	Bank's capital and general reserve
				Monetary	Other																				
	1.1	1.2	1.3	1.4.1	1.4.2	1.5	1.6	1	2.1	2.2	2.3.1	2.3.2	2.4	2.5	2.5.1	2.5.2	2.5.3	2.5.3.1	2.6	2.7	2	3.1	3.2	3.3
1985	5,578		7,380	69	323	1,118	112	14,580	648	201	720	531	118	10,656		1,498	9,158	6,107	428		13,302	978	0	300
1986	7,230		7,379	234	266	765	129	16,003	1,198	222	1,950	521	149	10,667		1,689	8,978	6,040	401		15,108	575	0	320
1987	9,377		7,380	907	298	649	300	18,911	1,671	275	2,150	539	780	12,398		2,479	9,919	6,447	410		18,223	368	0	320
1988	7,391		9,047	3,547	306	858	373	21,522	2,015	320	3,699	727	599	12,976		1,180	11,796	6,530	541		20,877	325	0	320
1989	10,464		9,039	4,234	477	1,047	348	25,609	2,645	340	4,982	917	1,604	13,814		1,114	12,700	6,470	743		25,045	244	0	320
1990	12,935		8,968	2,562	504	1,332	300	26,601	3,271	367	2,976	1,053	2,079	15,472		1,030	14,442	7,052	850		26,068	213	0	320
1991	14,379		8,809	5,137	338	1,476	419	30,558	3,784	413	3,294	1,318	3,771	16,624		1,260	15,364	6,730	916		30,120	118	0	320
1992	14,185		8,644	10,507	546	1,775	446	36,103	4,793	1,190	4,366	1,617	5,711	17,004		1,111	15,893	5,750	1,102		35,783	0	0	320
1993	19,063		8,373	16,501	471	1,965	508	46,881	5,652	1,286	7,945	1,701	6,519	22,291		2,088	20,203	6,766	1,167		46,561	0	0	320
1994	20,507		8,080	15,011	544	1,896	630	46,668	6,454	1,366	8,912	1,648	6,896	19,603		3,190	16,413	5,438	1,388		46,267	81	0	320
1995[b]	26,048	-5	7,773	4,027	502	3,045	268	41,658	7,916	1,245	4,734	1,661	12,948	11,263		1,007	10,256	3,272	1,365		41,132	206	0	320
1996	37,631	-1	7,448	959	283	4,856	289	51,464	9,222	728	4,290	1,588	17,183	16,636	5,071	3,502	8,062	2,480	1,748		51,394	206	-456	320
1997	71,896	0	7,109	1,443	93	5,090	320	85,952	10,373	617	5,598	1,630	20,322	46,547	32,810	6,021	7,715	2,182	1,891		86,978	206	-1,551	320
1998	94,325	0	6,760	796	42	5,528	356	107,807	11,935	714	14,239	1,813	23,355	52,709	40,078	4,701	7,931	1,906	2,102		106,866	621	0	320
1999	93,504	375	6,367	785	25	6,049	395	107,499	15,605	680	5,550	1,172	25,519	64,461	48,762	4,958	10,741	2,586	2,302		115,289	621	-8,731	320
2000	93,606	474	5,946	781	6	6,584	427	107,824	14,659	633	6,345	775	30,249	65,900	50,586	6,214	9,100	2,252	2,795	960	122,316	621	-15,433	320
1999[c]																								
January	92,874	0	6,758	776	41	5,351	416	106,216	11,938	703	13,165	1,723	23,832	53,739	39,612	6,089	8,038	1,959	2,194		107,294	621	-2,019	320
February	89,706	362	6,756	806	41	5,449	471	103,591	11,738	680	11,735	1,621	24,309	54,495	41,612	4,874	8,009	1,979	2,477		107,054	621	-4,405	320
March	88,680	359	6,756	1,453	41	5,650	517	103,455	12,643	674	11,091	1,537	24,611	55,038	40,281	7,086	7,671	1,902	2,500		108,094	621	-5,580	320
April	91,693	368	6,760	806	42	5,800	581	106,050	11,870	699	10,779	1,718	25,092	56,656	43,087	5,383	8,186	1,970	2,241		109,055	621	-3,946	320
May	88,816	362	6,759	778	39	5,877	646	103,277	11,906	686	10,463	1,410	25,761	54,880	41,131	5,722	8,027	1,948	2,513		107,619	621	-5,282	320
June	89,391	357	6,757	1,153	25	5,873	685	104,241	11,973	678	10,245	1,322	25,791	57,609	43,454	5,991	8,164	2,003	2,597		110,215	621	-6,914	320
July	92,102	371	6,760	778	26	5,914	750	106,701	12,182	704	10,691	1,523	26,046	56,920	42,112	6,763	8,045	1,934	2,306		110,372	621	-4,611	320
August	92,410	378	6,762	808	24	5,908	818	107,108	12,564	715	8,158	1,441	26,202	58,598	44,639	5,804	8,155	1,923	2,267		109,945	621	-3,778	320
September	93,449	387	6,764	808	30	5,846	851	108,134	12,952	697	10,589	943	25,254	57,610	45,082	4,140	8,388	1,962	2,204		110,249	621	-3,055	320
October	92,205	386	6,763	808	30	5,688	910	106,790	12,674	697	7,731	1,129	25,771	59,930	45,616	5,732	8,582	2,019	2,355		110,287	621	-4,438	320
November	90,018	380	6,762	784	29	5,853	975	104,801	12,989	685	8,331	1,031	26,122	58,463	44,133	5,672	8,658	2,048	2,502		110,122	621	-6,261	320
December	93,504	375	6,367	785	25	6,049	395	107,499	15,605	680	5,550	1,172	25,519	64,461	48,762	4,958	10,741	2,586	2,302		115,289	621	-8,731	320
2000[c]																								
January	89,808	365	6,365	784	18	6,139	451	103,930	13,239	664	9,255	1,060	26,053	61,184	46,118	6,385	8,681	2,127	2,802		114,258	621	-11,269	320
February	88,604	354	6,363	816	18	6,202	502	102,859	12,788	643	9,359	934	26,855	61,171	46,623	5,977	8,571	2,126	2,342		114,092	621	-12,174	320
March	91,297	356	6,363	816	18	6,548	542	105,938	12,937	647	13,363	871	26,017	61,717	45,782	6,550	9,384	2,331	2,215		117,767	621	-12,770	320
April	89,636	353	6,363	816	18	6,696	600	104,482	13,373	648	15,353	1,138	26,909	57,897	43,098	5,963	8,836	2,190	2,319		117,637	621	-14,096	320
May	92,434	362	6,368	988	19	6,810	654	107,635	13,378	665	16,835	1,126	24,900	59,261	41,819	8,250	9,192	2,205	2,258		118,423	621	-11,728	320
June	90,607	359	6,365	808	11	6,766	737	105,653	13,339	698	16,302	1,115	26,849	56,729	40,076	7,651	9,002	2,204	2,312		117,344	621	-12,632	320
July	90,150	354	6,365	808	11	6,665	792	105,145	13,414	691	13,536	931	27,447	59,553	43,600	6,830	9,123	2,233	2,375		117,948	621	-13,743	320
August	88,394	342	6,362	768	11	6,710	856	103,443	13,471	669	13,718	868	27,813	59,774	45,566	5,208	9,000	2,248	2,431		118,744	621	-16,241	320
September	88,829	344	6,363	772	11	6,559	894	103,772	13,601	673	12,445	821	28,568	60,593	44,084	7,739	8,770	2,180	2,380		119,081	621	-16,251	320
October	90,503	363	6,366	768	11	6,564	946	105,521	13,972	684	15,086	917	28,747	58,529	42,099	7,303	9,127	2,206	2,317		120,252	621	-15,670	320
November	89,053	357	6,365	781	11	6,469	999	104,035	14,006	672	11,329	875	29,661	60,179	45,560	5,335	9,284	2,268	2,386		119,108	621	-16,013	320
December	93,606	474	5,946	781	6	6,584	427	107,824	14,659	633	6,345	775	30,249	65,900	50,586	6,214	9,100	2,252	2,795	960	122,316	621	-15,433	320

[a] Budget financing deposits in accordance with the 1997 definition.

[b] From 1995 the totals and the items shown are adjusted to what is shown in the balance sheet as of 31 December 2000. The main change is in showing accrued interest with the item on which it was accrued. Prior to 1995, interest was shown under "other assets" or "other liabilities."

[c] Monthly data are balances of balance-sheet items at the end of the appropriate months.

Appendix Table 2
Bank of Israel Income and Expenses,[a] 1985–2000

(NIS million, at current prices)

	Income										Expenses																
	From foreign exchange reserves		From credit to the government		From loans						On government deposits			On banking corporations' deposits													
	Total	*of which:* exchange-rate differentials	Total	*of which:* exchange-rate differentials	Total	*of which:* exchange-rate differentials	From local currency securities	From the IMF[b]	Other	Total income	Total	*of which:* exchange rate differentials	On Treasury-bill deposit[c]	Interest on local-currency time deposits	Interest payments on local-currency demand deposits	Interest payments on foreign-currency deposits	Interest payments on swaps	Exchange rate differentials on foreign-currency deposits	Exchange rate differentials on swaps	On international financial institutions[b]	On other liabilities	Printing banknotes and minting coins	Administration and general	Total expenses	*minus* income from exchange-rate differentials as yet unrealized	Net income	Real profit according to the definition of the Joint Ministry of Finance/Bank of Israel Committee
	1.1	1.1.1	1.2	1.2.1	1.3	1.3.1	1.4	1.5	1.6	1	2.1	2.1.1	2.2	2.3.1	2.3.2	2.3.3	2.3.4	2.3.5	2.3.6	2.4	2.5	2.6	2.7	2	3	4	5
1985	2,809	2,450	5,798	4,696	462	163	747		57	9,873	650	620			567	459		6,397			181	11	36	8,300		1,573	
1986	723	310	1,265	708	105	1	189		27	2,309	4	-8			320	429		552			45	12	48	1,410		899	
1987	1,449	923	2,145	1,429	147	10	108		62	3,911	417	6			387	433		1,198			72	5	115	2,627		1,284	
1988	1,522	982	1,693	785	260	42	59		29	3,563	978	468			223	501		1,294			81	6	69	3,152		411	
1989	1,855	912	1,524	569	338	32	102		18	3,836	905	177			124	802		934			75	8	82	2,930		906	
1990	2,136	1,008	2,102	1,102	657	22	184		53	5,132	958	175			67	1,056		1,414			92	7	107	3,701		1,431	112
1991	3,595	1,873	1,736	748	698	60	89		8	6,126	1,429	294			41	946		1,542			111	14	126	4,209		1,917	420
1992	4,013	2,580	1,847	920	1,012	81	155		-11	7,016	1,614	505			14	840		2,336			282	11	248	5,345		1,671	301
1993	2,052	1,034	1,122	272	1,805	28	231		66	5,276	1,657	433			18	706		1,018			201	17	397	4,014		1,262	184
1994	1,490	920	1,417	529	2,316	8	406		61	5,690	757	164	928		65	711		808			190	11	374	3,842		1,848	-109
1995	3,543	1,620	1,429	534	1,068	21	312	-83	99	6,367	536	195	1,404		9	676	94	625	-119	83	52	33	464	3,858		2,509	869
1996	2,155	536	927	88	591	11	586	-12	79	4,326	598	308	2,439	263	9	354	571	71	-215	28	57	18	589	4,782		-456	1,346
1997	5,545	2,617	837	55	249	7	615	2	54	7,302	1,208	761	2,720	3,167	8	290	489	373	-547	50	68	11	561	8,397		-1,095	2,389
1998	19,581	14,866	2,085	1,266	109	9	485	0	-76	22,185	2,396	2,664	2,714	4,372	9	353	340	1,150	-874	161	82	54	494	11,251		10,934	3,890
1999	-509	-3,579	691	0	113	0	375	13	93	775	-326	-53	2,911	5,384	4	394	415	-29	10	11	64	45	623	9,505		-8,731	3,868
2000	714	-4,335	617	-5	91	0	222	-22	41	1,663	-244	-572	2,671	4,326	3	515	181	-255	157	-21	62	6	942	8,344	22	-6,702	
1999																											
January	-1,445	-1,894	-89	-2	8	0	-15	0	1	-1,540	-285	-288	217	465	0	31	41	-103	80	-14	3	8	36	479		-2,019	
February	-1,823	-2,166	-133	-2	7	-1	2	-5	0	-1,951	-286	-271	206	438	0	28	38	-111	78	-17	3	6	51	435		-2,386	
March	-514	-827	-15	0	9	-1	28	-3	4	-491	-82	-63	191	473	0	30	40	-25	18	-6	5	1	38	685		-1,175	
April	2,763	2,386	183	4	9	0	108	10	8	3,082	549	573	248	450	1	29	37	235	-169	20	9	0	39	1,448		1,634	
May	-737	-1,107	-32	-1	8	0	43	-7	11	-713	-186	-158	262	445	0	31	36	-67	48	-8	4	6	51	623		-1,336	
June	-1,013	-1,309	-42	-1	7	-1	-96	-5	11	-1,137	-214	-199	209	435	0	30	35	-91	63	-7	4	-2	32	494		-1,631	
July	3,198	2,839	280	3	8	0	70	14	9	3,579	344	365	264	459	0	32	35	162	-116	27	8	3	60	1,277		2,302	
August	1,790	1,452	121	3	8	0	131	7	11	2,068	319	356	287	449	0	33	32	161	-115	16	8	5	40	1,235		834	
September	1,498	1,161	154	1	16	1	7	8	4	1,687	129	149	246	433	0	33	31	69	-49	16	7	10	39	964		723	
October	-670	-1,019	-24	-1	7	0	-15	-1	2	-700	-131	-107	277	445	0	36	32	-50	35	0	5	0	34	683		-1,383	
November	-1,161	-1,534	-89	-1	9	0	61	-6	7	-1,179	-130	-97	254	436	1	37	31	-47	34	-7	5	-1	32	643		-1,823	
December	-2,397	-1,563	377	-2	15	0	53	-1	24	-1,931	-355	-314	251	456	1	42	27	-162	104	-9	3	8	174	539		-2,470	
2000																											
January	-1,708	-2,125	-467	-2	6	0	-29	-9	-3	-2,209	-378	-345	247	433	0	42	23	-164	99	-13	3	0	36	329		-2,538	
February	-1,040	-1,373	566	-2	9	0	-9	-9	-3	-486	-262	-245	212	396	0	37	21	-106	70	-15	4	0	62	419		-905	
March	-75	-457	52	0	9	0	122	1	0	109	-26	-33	221	409	0	40	20	-11	8	4	5	1	34	705		-596	
April	-597	-1,033	52	0	6	0	-18	-3	3	-557	76	40	222	363	0	40	17	20	-13	-4	6	0	41	769		-1,326	
May	3,638	3,196	56	4	10	0	137	12	9	3,862	675	619	224	354	0	43	16	290	-186	23	10	0	45	1,495		2,367	
June	-660	-1,063	49	-3	9	0	-40	-4	5	-642	-310	-391	217	326	0	43	14	-183	118	-6	3	1	40	262		-904	
July	-330	-814	52	0	6	0	-41	-5	5	-312	43	5	238	358	0	46	14	2	-1	-7	6	1	100	798		-1,111	
August	-2,239	-2,684	49	-3	9	0	-51	-10	-2	-2,244	-345	-381	222	359	0	46	14	-179	113	-16	3	1	36	254		-2,498	
September	662	222	52	1	7	0	72	2	4	798	132	95	212	340	0	43	12	43	-28	4	6	0	44	808		-10	
October	1,767	1,329	56	4	6	0	79	7	6	1,919	560	532	227	344	0	48	11	245	-158	13	9	0	38	1,338		581	
November	1	-367	50	-1	8	0	-5	-4	7	56	-160	-199	196	315	0	45	10	-98	62	-5	4	1	29	399		-343	
December	1,296	829	50	-3	6	0	4	1	13	1,370	-249	-269	233	329	0	47	9	-118	73	3	4	1	438	768	22	579	

[a] Exchange-rate differentials in this table are shown under different items. Exchange-rate differentials as yet unrealized are shown separately.
[b] Income from the IMF and expenses on international financial institutions until 1995 are shown under "expenses on other liabilities."
[c] Expenses on Treasury bills deposits until 1993 are included under expenses on government deposits in NIS.

Appendix Table 3
Government Deposits, 1985–2000

(million, at current prices)

	Government budget-financing deposits[a]								Other deposits			Accrued interest on government deposits,	Total government deposits,
	In local currency		In foreign currency										
			Deposit of US government economic aid		Deposit of money borrowed under US government guarantee		Current		Bond-price stabilization,	Other foreign-currency deposit			
	Current,	Gold deposit,											
	NIS	*NIS*	*NIS*	*$*	*NIS*	*$*	*NIS*	*$*	*local currency*	*NIS*	*$*	*NIS*	*NIS*
1985	185						535	357	0	531	354		1,251
1986	1,599						351	236	0	521	350		2,471
1987	–62						2,212	1,438	0	539	350		2,689
1988	1,393						2,306	1,276	89	638	353		4,426
1989	2,934						2,048	1,043	222	695	354		5,899
1990	934						2,042	997	330	723	353		4,029
1991	2,190	437					667	292	519	799	350		4,612
1992	948	734	2,337	846			347	126	647	970	351		5,983
1993	967	734	2,485	832	3,394	1,137	365	122	647	1,054	353		9,646
1994	–1,540	734	2,354	780	6,719	2,226	645	214	592	1,056	350		10,560
1995	2,600	734			581	185	819	261	546	1,097	350	18	6,395
1996	–2,644	734	2,971	914	2,432	748	797	245	411	1,143	352	33	5,878
1997	–5,759		3,467	980	6,739	1,906	1,151	326	356	1,238	350	36	7,228
1998	–4,821		4,024	967	13,399	3,221	1,637	394	292	1,455	350	66	16,052
1999	–13,645		4,007	965	13,783	3,319	1,405	338	267	846	204	59	6,723
2000	–14,162		5,048	1,249	14,224	3,520	1,235	306	241	446	110	88	7,120
1999													
January	–5,263		3,886	947	12,879	3,139	1,663	405	287	1,435	350	1	14,888
February	–6,063		3,626	896	12,719	3,143	1,453	359	282	1,415	350	–77	13,356
March	–6,688		3,545	879	12,787	3,170	1,447	359	282	1,411	350	–156	12,628
April	–7,447		3,612	869	13,226	3,183	1,388	334	277	1,454	350	–13	12,497
May	–6,476		2,237	543	13,304	3,228	1,397	339	277	1,235	300	–103	11,872
June	–6,290		1,967	483	13,217	3,243	1,351	331	277	1,222	300	–177	11,567
July	–6,179		1,919	461	13,718	3,298	1,233	296	277	1,247	300	–1	12,214
August	–8,884		1,743	411	13,950	3,289	1,349	318	272	1,271	300	–102	9,599
September	–6,718		1,699	397	14,135	3,306	1,473	344	272	855	200	–184	11,532
October	–8,278		365	86	14,117	3,321	1,527	359	272	851	200	6	8,860
November	–7,934		272	64	14,280	3,378	1,712	405	267	854	202	–90	9,361
December	–13,645		4,007	965	13,783	3,319	1,405	338	267	846	204	59	6,723
2000													
January	–9,745		3,901	956	13,614	3,335	1,485	364	266	835	205	–41	10,316
February	–9,510		3,871	960	13,666	3,389	1,332	330	266	808	200	–141	10,293
March	–5,484		3,821	949	13,112	3,257	1,915	476	266	822	204	–217	14,234
April	–2,882		3,795	940	13,212	3,274	1,228	304	266	828	205	44	16,491
May	–1,620		3,429	823	13,838	3,320	1,187	285	266	846	203	14	17,961
June	–1,738		3,177	778	13,626	3,336	1,237	303	266	838	205	11	17,417
July	–4,728		3,154	772	13,705	3,355	1,406	344	258	619	152	54	14,467
August	–4,433		2,987	746	13,657	3,411	1,507	376	254	609	152	5	14,585
September	–5,820		2,937	730	13,816	3,433	1,512	376	252	614	152	–45	13,266
October	–3,598		3,035	734	14,282	3,452	1,366	330	242	625	151	50	16,003
November	–6,055		1,790	437	14,333	3,502	1,261	308	242	632	154	1	12,204
December	–14,162		5,048	1,249	14,224	3,520	1,235	306	241	446	110	88	7,120

[a] Budget-financing deposits in accordance with the 1997 definition.
[b] Since 1995 accrued interest on government deposits is shown in the balance of government deposits.

Appendix Table 4
Composition of Change in the Monetary Base and Foreign Reserves, 1989–2000

(at current prices)

	Changes in monetary base and their sources					Banks' foreign-currency activity with the Bank of Israel							
		Injection (+)/absorption (–)									Contribution to reserves		
	Change in monetary base	Government and National Institutions	Bank of Israel	Foreign-currency conversions at Bank of Israel	Adjustments[a]	Foreign-currency sales to Bank of Israel	Public-sector transfers to banks	Change in deposits with Bank of Israel	Transfers to (–)/from (+) rest of world	Adjustments	Private sector	Public sector	Change in reserves
	(1) = (2+3+4+5)	(2)	(3)	(4)	(5)	(6) = (8–9–7)	(7)	(8)	(9)	(10)	(11) = (9+10)	(12)	(13) = (11+12)
	NIS million					*$ million*							
1989	565	–2,388	569	2,383		–2,388	277	–464	1,644	–927	717	526	1,239
1990	541	3,578	–2,754	–282		–780	158	–345	276	–828	–552	1,538	985
1991	744	4,552	323	–2,118	–2,013	737	99	–730	–1,566	–682	–2,248	2,231	–17
1992	860	5,157	2,910	–5,290	–1,917	2,040	37	–1,079	–3,156	–756	–3,912	2,745	–1,167
1993	1,837	2,628	3,956	–3,161	–1,586	1,095	347	892	–550	–114	–664	1,916	1,252
1994	1,903	4,940	–3,856	1,927	–1,108	–646	589	–1,759	–1,702	294	–1,408	1,819	411
1995	–720	1,324	–20,230	19,160	–973	–6,383	2,201	–2,547	1,634	336	1,970	–557	1,413
1996	3,801	5,926	–7,607	6,451	–970	–2,044	129	–835	1,079	–221	859	2,408	3,266
1997	3,670	1,234	–20,204	23,324	–684	–6,948	–614	–320	7,242	–261	6,981	1,776	8,757
1998	242	1,901	–2,664	1,746	–741	–492	–163	–369	286	–343	–57	2,399	2,342
1999	3,927	4,067	–364	0	224	0	–259	585	844	–197	647	–806	–159
2000	311	–2,729	2,729	0	311	0	–345	–462	–117	–275	–392	1,041	649
1999													
January	1,391	436	979	0	–23	0	13	45	32	9	41	–80	–39
February	–1,415	241	–1,608	0	–48	0	14	13	–1	4	3	–473	–470
March	3,117	440	2,762	0	–84	0	–13	–85	–72	–38	–110	–73	–183
April	–2,476	584	–3,135	0	76	0	–8	61	69	13	82	3	85
May	374	–1,621	2,012	0	–16	0	–35	–30	5	–37	–31	–485	–516
June	335	1,461	–1,113	0	–14	0	–43	48	91	–46	45	334	379
July	981	–861	1,591	0	251	0	28	–76	–105	90	–14	228	214
August	–576	1,350	–1,901	0	–25	0	–18	–19	–2	–23	–25	–331	–356
September	–1,276	–2,484	1,253	0	–45	0	–41	31	72	–49	23	42	65
October	1,314	1,537	–187	0	–36	0	–7	49	56	–16	40	–204	–164
November	255	–1,691	2,014	0	–68	0	–57	21	78	–75	3	–397	–394
December	1,902	4,676	–3,031	0	257	0	–93	528	622	–31	591	628	1,219
2000													
January	–939	–4,030	3,099	0	–8	0	–21	–470	–449	–23	–472	–42	–514
February	–859	–454	–349	0	–57	0	–9	–10	–1	–22	–23	–3	–26
March	722	–1,884	2,705	0	–98	0	–57	195	253	–87	166	536	702
April	–151	–2,622	2,513	0	–43	0	–24	–151	–127	–30	–157	–305	–462
May	2,293	–1,898	4,007	0	184	0	–30	5	35	13	49	–86	–37
June	–638	–1,081	370	0	74	0	4	–11	–15	18	2	6	9
July	–748	2,666	–3,350	0	–63	0	–6	18	24	–19	5	–122	–117
August	–1,564	–345	–1,544	0	326	0	–128	3	131	–49	82	–74	8
September	2,660	1,202	1,442	0	16	0	–75	–79	–4	–74	–78	76	–2
October	–65	–2,400	2,407	0	–72	0	–3	15	18	–18	0	–198	–198
November	–1,934	1,631	–3,708	0	143	0	–12	51	63	21	84	–203	–119
December	1,534	6,488	–4,863	0	–92	0	17	–28	–44	–5	–49	1,456	1,407

[a] In 1989 and 1990 adjustments to the monetary base were included in the injection from foreign-currency conversions at the Bank of Israel.
[b] From 1995 the various categories are shown in accordance with the definitions in effect since 31 December 2000.

Appendix Table 5
The Main Monetary Instruments,[a] 1985–2000

(million, at current prices)

	Foreign exchange reserves		Monetary loans	Treasury bills	Time deposits	Swaps with banking corporations		
						Receipt of $ from banks		NIS transferred to banks
	NIS	*$*	*NIS*	*NIS*	*NIS*	*$*	*NIS*	
1985	5,578	3,720	69	118				
1986	7,230	4,864	235	149				
1987	9,377	6,095	907	780				
1988	7,391	4,091	3,547	599				
1989	10,464	5,331	4,234	1,604				
1990	12,935	6,316	2,562	2,079				
1991	14,379	6,298	5,137	3,771				
1992	14,185	5,132	10,507	5,711				
1993	19,063	6,384	16,501	6,519				
1994	20,507	6,795	15,011	6,896				
1995	26,048	8,309	4,009	12,948		1,650	5,173	5,146
1996	37,631	11,575	957	17,183	5,000	1,850	6,014	6,062
1997	71,896	20,332	1,426	20,322	32,500	1,400	4,950	4,951
1998	94,325	22,674	796	23,355	40,000	1,400	5,824	5,843
1999	93,504	22,515	784	25,519	48,700	1,400	5,814	5,863
2000	93,606	23,164	781	30,249	50,500	1,400	5,657	5,718
1999								
January	92,874	22,636	776	23,832	39,500	1,400	5,744	5,701
February	89,706	22,166	806	24,309	41,500	1,400	5,666	5,695
March	88,680	21,983	1,453	24,611	40,200	1,400	5,648	5,650
April	91,693	22,068	806	25,092	43,000	1,400	5,817	5,669
May	88,816	21,552	778	25,761	41,000	1,400	5,769	5,774
June	89,391	21,931	1,153	25,791	43,300	1,400	5,706	5,718
July	92,102	22,145	778	26,046	42,000	1,400	5,823	5,731
August	92,410	21,790	808	26,202	44,500	1,400	5,937	5,851
September	93,449	21,854	808	25,254	45,000	1,400	5,986	5,940
October	92,205	21,690	808	25,771	45,500	1,400	5,951	5,969
November	90,018	21,296	784	26,122	44,000	1,400	5,918	5,930
December	93,504	22,515	784	25,519	48,700	1,400	5,814	5,863
2000								
January	89,808	22,001	784	26,053	46,000	1,400	5,715	5,737
February	88,604	21,975	815	26,855	46,500	1,400	5,645	5,693
March	91,297	22,677	815	26,017	45,700	1,400	5,636	5,586
April	89,636	22,215	815	26,909	43,000	1,400	5,649	5,669
May	92,434	22,177	988	24,900	41,700	1,400	5,835	5,781
June	90,607	22,186	807	26,849	40,000	1,400	5,718	5,741
July	90,150	22,069	807	27,447	43,500	1,400	5,719	5,726
August	88,394	22,076	768	27,813	45,500	1,400	5,606	5,664
September	88,829	22,075	771	28,568	44,000	1,400	5,634	5,653
October	90,503	21,877	768	28,747	42,000	1,400	5,792	5,739
November	89,053	21,757	781	29,661	45,500	1,400	5,730	5,750
December	93,606	23,164	781	30,249	50,500	1,400	5,657	5,718

[a] Accrued interest is not included in the balance of an item (except for foreign exchange reserves and Treasury bills since 1995).