

CONFIDENTIAL

Central Intelligence Agency

Washington, D. C. 20505

25X1

2

208

DIRECTORATE OF INTELLIGENCE

17 September 1984

ISRAEL: Alternative Economic Policies

25X1

Summary

[redacted] we ran five scenarios to measure the impact of various policies on Israel's economic performance. Constraining domestic demand would improve the civilian goods and services deficit compared with current trends, but the deficit would still be at least \$1.3 billion more in 1987 than last year's \$4.0 billion. The cost would be higher unemployment--reaching 9.2 percent in 1987 in one scenario--and slower economic growth.

25X6

25X6

* * * * *

25X1

Baseline Scenario. Our baseline forecast assumes the continuation of current economic trends. Private consumption, fueled by real wage increases of 4 percent a year, would continue to grow at high rates, helping to produce GNP growth averaging 3 percent a year. Total government consumption is assumed to increase by an average of almost 4 percent a year, with most of the increase coming from military spending. The economies of Israel's major trading partners are assumed to grow at an average annual rate of 2.8 percent.

25X1

Scenario 1. In this scenario, we assumed real wages decline 5 percent in 1985 and 1986, and remain constant in 1987. Private consumption falls by almost one percentage point compared with the baseline, causing GNP growth to decrease by 0.4 percentage

This memorandum was prepared [redacted] of the Israel/Palestinian Branch, Arab-Israeli Division, Office of Near Eastern and South Asian Analysis. It was requested by Russell Misheloff, Deputy Director, Office of Middle East and European Affairs. Information as of 17 September 1984 was used in its preparation. Questions and comments should be directed to Chief Arab-Israeli Division, [redacted]

25X1

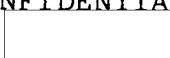
25X1

25X1


NESA M#84-10265

CONFIDENTIAL

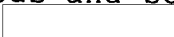
CONFIDENTIAL



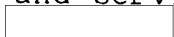
25X1

point, and increasing the unemployment rate to 8.9 percent, 0.4 percentage points above the baseline. The civilian goods and services deficit improves by \$600 million in 1986 and by \$300 million in 1987. The decrease in private consumption would be even more pronounced if the decline in disposable income was not countered by the decline in taxes paid on wages and National Insurance. 

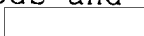
25X1

Scenarios 2 and 3. We decreased domestic military and nonmilitary spending; in Scenario 2 we assumed a slow decrease of 2 percent a year in 1985-87, and in Scenario 3, a one-time large decrease of 7.5 percent in 1985, and no growth in 1986 and 1987. Economic growth falls from an average of 3.1 percent in the baseline to 2.5 percent with a slow decline in domestic spending and to 2.3 percent with a sharp decline. The unemployment rate is 0.4 and almost 0.7 percentage points higher with a slow decline and a sharp decline, respectively. In both cases, the civilian goods and services deficit improves by about \$300 million by 1987. 

25X1

Scenario 4. Bank of Israel credit to the private sector was held constant in real terms in 1985-87; in the baseline, the growth in credit is equal to real economic growth. The impact in this scenario is minimal. Private consumption growth is 0.1 percentage points lower, and economic growth and unemployment rate are almost unchanged. The civilian goods and services deficit improves by only \$30 million by 1987. 

25X1

Scenario 5. The value-added tax was increased by 5 percentage points from 1985 to 1987. Under this scenario, both consumption and investment decline--consumption by 0.6 percentage points and investment by over one percentage point. GNP growth is 0.4 percentage point lower compared with the baseline, and unemployment rises to 8.8 percent. The civilian goods and services deficit improves by \$200 million by 1987. 

25X1

CONFIDENTIAL



SUBJECT: ISRAEL: Alternative Economic Policies



NESA M#84-10265

DISTRIBUTION:

External:

- Orig - Russell Misheloff (AI)
- 1 - State (Timothy Houser)
- 1 - Treasury (Doug P. Mulholland)

Internal:

- 1 - DDI
- 1 - Exec Director
- 1 - DCI/SA/IA
- 1 - NIO/NESA
- 1 - C/PES
- 1 - PDB Staff
- 4 - CPAS/IMD/CB
- 1 - CPAS/ILS
- 1 - D/NESA
- 2 - NESA/PPS
- 1 - NESA/AI
- 2 - NESA/AI/I

DDI/NESA/AI/I/[redacted] (17Sept84)

SCENARIO 5: INCREASE IN VAT TAX BY 5 PERC. POINTS 85-87
9/17/84

CONFIDENTIAL

ISRAEL
ASSUMED VALUES FOR EXOGENOUS VARIABLES

	1983	1984	1985	1986	1987
(BILLIONS OF 1980 SHEKELS)					
*** GOVERNMENT VARIABLES					
DOMESTIC NONMILITARY EXPEND.	12.84	13.22	13.35	13.49	13.62
PERCENT CHANGE	0.78	3.00	1.00	1.00	1.00
DOMESTIC MILITARY EXPEND.	17.35	17.87	18.23	18.41	18.59
PERCENT CHANGE	6.94	3.00	2.00	1.00	1.00
GOVT RESIDENTIAL INVEST.	1.68	1.65	1.49	1.41	1.34
PERCENT CHANGE	-21.56	-2.00	-10.00	-5.00	-5.00
GOVT NONRESIDENTIAL INVEST.	4.48	4.48	4.26	4.17	4.09
PERCENT CHANGE	8.01	0.00	-5.00	-2.00	-2.00
(BILLIONS OF 1980 SHEKELS)					
NET TRANSFERS TO PRIVATE SECT.	20.44	20.44	20.44	20.44	20.44
PERCENT CHANGE		0.00	0.00	0.00	0.00
NET CREDIT ABSORP. BY GOVT	-25.60	-20.00	-10.00	-5.00	5.00
PERCENT CHANGE		-21.89	-50.00	-50.00	-200.00
PUBLIC SECTOR WAGES	22.24	23.13	24.06	25.02	26.02
PERCENT CHANGE		4.00	4.00	4.00	4.00
BOI CREDIT TO PRIVATE SECTOR	6.54	6.70	6.91	7.10	7.26
PERCENT CHANGE		2.42	3.09	2.70	2.35
(PERCENT)					
*** TAX RATES					
DEFENSE IMPORT TAXES	0.20	0.20	0.20	0.20	0.20
INVENTORY SURTAX	-0.01	-0.29	0.12	0.19	0.20
BUSINESS INCOME TAX	0.06	0.06	0.06	0.06	0.06
DOMESTIC PROD. TAX (INCL. VAT)	0.19	0.19	0.24	0.24	0.24
IMPORT TAX	0.20	0.20	0.20	0.20	0.20
NATIONAL INSURANCE TAX	0.13	0.13	0.13	0.13	0.13
WAGE TAX	0.14	0.14	0.14	0.14	0.14
TAXES ON OTHER INCOME	0.13	0.13	0.13	0.13	0.13
(PERCENT CHANGE)					
*** BALANCE OF PAYMENTS					
REAL GROWTH IN US AND EC		3.90	3.00	2.00	3.50
DOLLAR PRICE OF IMPORTS	-2.18	3.87	4.85	4.28	7.17
DOLLAR PRICE OF OIL	-13.77	0.00	0.00	0.00	5.20
WORLD INTEREST RATE	9.20	8.80	9.10	8.60	8.60
EXCHANGE RATE (LEVEL)	56.21	228.46	1088.87	5805.33	33261.82
(BILLIONS OF US DOLLARS)					
FOREIGN DEBT REPAYMENTS	0.97	1.25	1.45	1.70	1.82
DIRECT DEFENSE IMPORT PAYMENTS	1.27	2.26	2.18	2.07	2.14
DIRECT DEFENSE IMPORTS	1.03	1.76	1.85	2.52	2.89
NET FOREIGN BORROWING BY GOVT.	2.23	2.17	2.05	2.72	3.03
TOTAL GROSS CAP FLOW (NOT FMS)	3.24	5.68	6.24	6.79	7.36
US ECONOMIC ASSISTANCE	1.50	1.10	1.10	1.10	1.10
US FMS	1.00	1.63	1.40	1.40	1.40

DSET: SCEN5
MODEL: ISSEP84F

CONFIDENTIAL

SCENARIO 5: INCREASE IN VAT TAX BY 5 PERC. POINTS 85-87
9/17/84

CONFIDENTIAL

ISRAEL
DETAILED COMPONENTS OF REAL GNP

(BILLIONS OF 1980 SHEKELS)

	1983	1984	1985	1986	1987
PRIVATE CONSUMPTION	80.35	83.80	89.22	94.26	98.52
PERCENT CHANGE	7.05	4.30	6.46	5.65	4.52
TOTAL INVESTMENT	27.36	26.60	25.46	23.68	21.61
PERCENT CHANGE	5.92	-2.79	-4.27	-7.02	-8.72
COMPONENTS OF INVESTMENT					
PRIVATE NONRESIDENTIAL	14.58	13.58	12.94	11.32	9.40
PERCENT CHANGE	21.78	-6.88	-4.71	-12.50	-16.95
PRIVATE RESIDENTIAL	6.98	6.40	6.28	6.33	6.36
PERCENT CHANGE	-4.56	-8.30	-1.98	0.86	0.48
SHIPS AND PLANES	0.46	0.51	0.46	0.41	0.39
PERCENT CHANGE	57.92	10.00	-10.00	-10.00	-5.00
PRIVATE INVENTORY	-0.83	-0.02	0.05	0.03	0.03
PERCENT CHANGE	1791.33	-97.58	-350.00	-40.00	0.00
GOVERNMENT NONRESIDENTIAL	4.48	4.48	4.26	4.17	4.09
PERCENT CHANGE	8.01	0.00	-5.00	-2.00	-2.00
GOVERNMENT RESIDENTIAL	1.68	1.65	1.49	1.41	1.34
PERCENT CHANGE	-21.56	-2.00	-10.00	-5.00	-5.00
GOVERNMENT CONSUMPTION	35.38	39.77	40.30	43.44	44.58
PERCENT CHANGE	-4.24	12.39	1.35	7.78	2.62
COMPONENTS OF GOVERNMENT CONSUMPTION					
DOMESTIC NONMILITARY	12.84	13.22	13.35	13.49	13.62
PERCENT CHANGE	0.78	3.00	1.00	1.00	1.00
TOTAL MILITARY	22.56	26.54	26.95	29.95	30.96
PERCENT CHANGE	-6.75	17.64	1.53	11.14	3.35
FOREIGN MILITARY	5.73	9.19	9.23	12.05	12.87
PERCENT CHANGE	-33.54	60.44	0.52	30.53	6.80
DOMESTIC MILITARY	17.35	17.87	18.23	18.41	18.59
PERCENT CHANGE	6.94	3.00	2.00	1.00	1.00
DEFENSE SALES	0.51	0.51	0.51	0.51	0.51
PERCENT CHANGE	-20.31	0.00	0.00	0.00	0.00
COMPONENTS OF FOREIGN TRADE SECTOR					
EXPORTS	51.38	54.12	56.62	58.43	61.36
PERCENT CHANGE	2.24	5.32	4.62	3.20	5.02
IMPORTS	80.98	88.51	92.25	97.15	100.74
PERCENT CHANGE	5.65	9.30	4.23	5.31	3.70
COMPONENTS OF IMPORTS					
CIVILIAN IMPORTS	62.02	65.79	68.88	71.02	73.43
PERCENT CHANGE	8.62	6.07	4.70	3.11	3.39
SHIPS AND PLANES	0.46	0.51	0.46	0.41	0.39
PERCENT CHANGE	57.92	10.00	-10.00	-10.00	-5.00
DIRECT DEFENSE IMPORTS	4.76	7.63	7.67	10.02	10.70
PERCENT CHANGE	-35.66	60.44	0.52	30.53	6.80
IMPORTS TAXES	13.74	14.58	15.24	15.70	16.22
PERCENT CHANGE	15.80	6.11	4.56	3.00	3.34
NET FACTOR IMPORTS	5.76	5.44	5.61	5.84	5.77
PERCENT CHANGE	12.23	-5.59	3.05	4.13	-1.26

DSET: SCEN5
MODEL: ISSLP84F

CONFIDENTIAL

SCENARIO 5: INCREASE IN VAT TAX BY 5 PERC. POINTS 85-87
9/11/84

CONFIDENTIAL

ISRAEL
MAIN ECONOMIC INDICATORS, 1983-1987

(BILLIONS OF 1980 SHEKELS)

	1983	1984	1985	1986	1987
GROSS NATIONAL PRODUCT	107.73	110.34	113.74	116.82	119.56
PERCENT CHANGE	1.34	2.42	3.09	2.70	2.35
GNP DEFLATOR	12.62	53.28	266.25	1480.25	9089.21
PERCENT CHANGE	150.09	322.14	399.73	455.97	514.03
CAPACITY UTILIZATION RATE	90.88	92.47	94.81	96.95	99.02
UNEMPLOYMENT RATE	4.49	5.96	7.01	7.90	8.84
COMPONENTS OF AGGREGATE DEMAND					
PRIVATE CONSUMPTION	80.35	83.80	89.22	94.26	98.52
PERCENT CHANGE	7.05	4.30	6.46	5.65	4.52
TOTAL INVESTMENT	27.36	26.60	25.46	23.68	21.61
PERCENT CHANGE	5.92	-2.79	-4.27	-7.02	-8.72
GOVERNMENT CONSUMPTION	35.38	39.77	40.30	43.44	44.58
PERCENT CHANGE	-4.24	12.39	1.35	7.78	2.62
EXPORTS	51.38	54.12	56.62	58.43	61.36
PERCENT CHANGE	2.24	5.32	4.62	3.20	5.02
IMPORTS	80.98	88.51	92.25	97.15	100.74
PERCENT CHANGE	5.65	9.30	4.23	5.31	3.70
NET FACTOR IMPORTS	5.76	5.44	5.61	5.84	5.77

BALANCE OF PAYMENTS

(BILLIONS OF DOLLARS)

CIVILIAN GOODS AND SERVICES					
EXPORTS	9.95	10.68	11.75	12.73	14.44
OF WHICH: DIAMONDS	1.21	1.39	1.58	1.72	1.99
IMPORTS	13.96	15.22	16.67	17.96	19.87
OF WHICH: FUELS	1.61	1.63	1.67	1.70	1.81
DIAMONDS	0.85	0.98	1.12	1.22	1.42
INTEREST	2.16	2.22	2.42	2.63	2.89
CIVILIAN GOODS AND SERVICES DEFICIT	-4.01	-4.54	-4.93	-5.23	-5.43
DIRECT DEFENSE IMPORTS	1.03	1.76	1.85	2.52	2.89
DEFENSE IMPORT PAYMENTS	1.27	2.26	2.18	2.07	2.14
US FINANCED PAYMENTS	1.00	1.63	1.40	1.40	1.40
NON-US FINANCED IMPORTS	0.27	0.63	0.78	0.68	0.74
DEBT REPAYMENT	0.97	1.25	1.45	1.70	1.82
TOTAL DEBT	23.12	25.99	28.35	31.02	34.12
FINANCIAL GAP	-5.26	-6.42	-7.15	-7.61	-7.99
EXTERNAL FUND	3.24	5.68	6.24	6.79	7.36
OF WHICH US SSA	1.50	1.10	1.10	1.10	1.10
BALANCE	-0.47	-0.74	-0.92	-0.81	-0.64

DSET: SCEN5
MODEL ISSE84F

CONFIDENTIAL

SCENARIO 4: NO INCREASE IN REAL BOI CREDIT TO PRIV. SECTOR 85-87
9/11/84

CONFIDENTIAL

ISRAEL
ASSUMED VALUES FOR EXOGENOUS VARIABLES

	1983	1984	1985	1986	1987
(BILLIONS OF 1980 SHEKELS)					
*** GOVERNMENT VARIABLES					
DOMESTIC NONMILITARY EXPEND.	12.84	13.22	13.35	13.49	13.62
PERCENT CHANGE	0.78	3.00	1.00	1.00	1.00
DOMESTIC MILITARY EXPEND.	17.35	17.87	18.23	18.41	18.59
PERCENT CHANGE	6.94	3.00	2.00	1.00	1.00
GOVT RESIDENTIAL INVEST.	1.68	1.65	1.49	1.41	1.34
PERCENT CHANGE	-21.56	-2.00	-10.00	-5.00	-5.00
GOVT NONRESIDENTIAL INVEST.	4.48	4.48	4.26	4.17	4.09
PERCENT CHANGE	8.01	0.00	-5.00	-2.00	-2.00
(BILLIONS OF 1980 SHEKELS)					
NET TRANSFERS TO PRIVATE SECT.	20.44	20.44	20.44	20.44	20.44
PERCENT CHANGE	0.00	0.00	0.00	0.00	0.00
NET CREDIT ABSORP. BY GOVT	-25.60	-20.00	-10.00	-5.00	5.00
PERCENT CHANGE		-21.89	-50.00	-50.00	-200.00
PUBLIC SECTOR WAGES	22.24	23.13	24.06	25.02	26.02
PERCENT CHANGE		4.00	4.00	4.00	4.00
BOI CREDIT TO PRIVATE SECTOR	6.54	6.54	6.54	6.54	6.54
PERCENT CHANGE		0.00	0.00	0.00	0.00
(PERCENT)					
*** TAX RATES					
DEFENSE IMPORT TAXES	0.20	0.20	0.20	0.20	0.20
INVENTORY SURTAX	-0.01	-0.29	0.12	0.20	0.20
BUSINESS INCOME TAX	0.06	0.06	0.06	0.06	0.06
DOMESTIC PROD. TAX (INCL. VAT)	0.19	0.19	0.19	0.19	0.19
IMPORT TAX	0.20	0.20	0.20	0.20	0.20
NATIONAL INSURANCE TAX	0.13	0.13	0.13	0.13	0.13
WAGE TAX	0.14	0.14	0.14	0.14	0.14
TAXES ON OTHER INCOME	0.13	0.13	0.13	0.13	0.13
(PERCENT CHANGE)					
*** BALANCE OF PAYMENTS					
REAL GROWTH IN US AND EC		3.90	3.00	2.00	3.50
DOLLAR PRICE OF IMPORTS	-2.18	3.87	4.85	4.28	7.17
DOLLAR PRICE OF OIL	-13.77	0.00	0.00	0.00	5.20
WORLD INTEREST RATE	9.20	8.80	9.10	8.60	8.60
EXCHANGE RATE (LEVEL)	56.21	228.29	1086.73	5719.00	31833.98
(BILLIONS OF US DOLLARS)					
FOREIGN DEBT REPAYMENTS	0.97	1.25	1.45	1.70	1.82
DIRECT DEFENSE IMPORT PAYMENTS	1.27	2.26	2.18	2.07	2.14
DIRECT DEFENSE IMPORTS	1.03	1.76	1.85	2.52	2.89
NET FOREIGN BORROWING BY GOVT.	2.23	2.17	2.05	2.72	3.03
TOTAL GROSS CAP FLOW (NOT FMS)	3.24	5.68	6.24	6.79	7.36
US ECONOMIC ASSISTANCE	1.50	1.10	1.10	1.10	1.10
US FMS	1.00	1.63	1.40	1.40	1.40

DSET: SCEN4
MODEL ISSEP84F

CONFIDENTIAL

SCENARIO 4: NO INCREASE IN REAL BOI CREDIT TO PRIV. SECTOR 85-87
9/17/84

CONFIDENTIAL

TO
ONALS

25X1

ISRAEL
DETAILED COMPONENTS OF REAL GNP

(BILLIONS OF 1980 SHEKELS)

	1983	1984	1985	1986	1987
PRIVATE CONSUMPTION	80.35	83.79	90.10	95.96	99.93
PERCENT CHANGE	7.05	4.29	7.54	6.50	4.14
TOTAL INVESTMENT	27.36	26.60	25.68	24.31	22.42
PERCENT CHANGE	5.92	-2.79	-3.46	-5.34	-7.76
COMPONENTS OF INVESTMENT					
PRIVATE NONRESIDENTIAL	14.58	13.58	13.10	11.76	10.00
PERCENT CHANGE	21.78	-6.84	-3.60	-10.16	-14.97
PRIVATE RESIDENTIAL	6.98	6.40	6.34	6.52	6.57
PERCENT CHANGE	-4.56	-8.38	-0.95	2.93	0.74
SHIPS AND PLANES	0.46	0.51	0.46	0.41	0.39
PERCENT CHANGE	57.92	10.00	-10.00	-10.00	-5.00
PRIVATE INVENTORY	-0.83	-0.02	0.05	0.03	0.03
PERCENT CHANGE	1791.33	-97.58	-350.00	-40.00	0.00
GOVERNMENT NONRESIDENTIAL	4.48	4.48	4.26	4.17	4.09
PERCENT CHANGE	8.01	0.00	-5.00	-2.00	-2.00
GOVERNMENT RESIDENTIAL	1.68	1.65	1.49	1.41	1.34
PERCENT CHANGE	-21.56	-2.00	-10.00	-5.00	-5.00
GOVERNMENT CONSUMPTION	35.38	39.77	40.30	43.44	44.58
PERCENT CHANGE	-4.24	12.39	1.35	7.78	2.62
COMPONENTS OF GOVERNMENT CONSUMPTION					
DOMESTIC NONMILITARY	12.84	13.22	13.35	13.49	13.62
PERCENT CHANGE	0.78	3.00	1.00	1.00	1.00
TOTAL MILITARY	22.56	26.54	26.95	29.95	30.96
PERCENT CHANGE	-6.75	17.64	1.53	11.14	3.35
FOREIGN MILITARY	5.73	9.19	9.23	12.05	12.87
PERCENT CHANGE	-33.54	60.44	0.52	30.53	6.80
DOMESTIC MILITARY	17.35	17.87	18.23	18.41	18.59
PERCENT CHANGE	6.94	3.00	2.00	1.00	1.00
DEFENSE SALES	0.51	0.51	0.51	0.51	0.51
PERCENT CHANGE	-20.31	0.00	0.00	0.00	0.00
COMPONENTS OF FOREIGN TRADE SECTOR					
EXPORTS	51.38	54.12	56.63	58.50	61.49
PERCENT CHANGE	2.24	5.32	4.65	3.29	5.12
IMPORTS	80.98	88.50	92.94	98.51	101.93
PERCENT CHANGE	5.65	9.29	5.01	6.00	3.47
COMPONENTS OF IMPORTS					
CIVILIAN IMPORTS	62.02	65.78	69.44	72.14	74.40
PERCENT CHANGE	8.62	6.06	5.56	3.88	3.14
SHIPS AND PLANES	0.46	0.51	0.46	0.41	0.39
PERCENT CHANGE	57.92	10.00	-10.00	-10.00	-5.00
DIRECT DEFENSE IMPORTS	4.76	7.63	7.67	10.02	10.70
PERCENT CHANGE	-35.66	60.44	0.52	30.53	6.80
IMPORTS TAXES	13.74	14.58	15.37	15.95	16.44
PERCENT CHANGE	15.80	6.11	5.42	3.78	3.09
NET FACTOR IMPORTS	5.76	5.44	5.61	5.83	5.73
PERCENT CHANGE	12.23	-5.60	3.04	3.92	-1.61

DSET: SCEN4
MODEL ISSEP84F

CONFIDENTIAL

25X1

SCENARIO 4: NO INCREASE IN REAL BOI CREDIT TO PRIV. SECTOR 85-87
9/11/84

CONFIDENTIAL

ISRAEL
MAIN ECONOMIC INDICATORS, 1983-1987

(BILLIONS OF 1980 SHEKELS)

	1983	1984	1985	1986	1987
GROSS NATIONAL PRODUCT	107.73	110.33	114.18	117.87	120.76
PERCENT CHANGE	1.34	2.41	3.49	3.23	2.46
GNP DEFLATOR	12.62	53.24	265.72	1458.24	8699.04
PERCENT CHANGE	150.09	321.82	399.12	448.78	496.55
CAPACITY UTILIZATION RATE	90.88	92.46	95.17	97.79	99.92
UNEMPLOYMENT RATE	4.49	5.96	6.97	7.73	8.54
COMPONENTS OF AGGREGATE DEMAND					
PRIVATE CONSUMPTION	80.35	83.79	90.10	95.96	99.93
PERCENT CHANGE	7.05	4.29	7.54	6.50	4.14
TOTAL INVESTMENT	27.36	26.60	25.68	24.31	22.42
PERCENT CHANGE	5.92	-2.79	-3.46	-5.34	-7.76
GOVERNMENT CONSUMPTION	35.38	39.77	40.30	43.44	44.58
PERCENT CHANGE	-4.24	12.39	1.35	7.78	2.62
EXPORTS	51.38	54.12	56.63	58.50	61.49
PERCENT CHANGE	2.24	5.32	4.65	3.29	5.12
IMPORTS	80.98	88.50	92.94	98.51	101.93
PERCENT CHANGE	5.65	9.29	5.01	6.00	3.47
NET FACTOR IMPORTS	5.76	5.44	5.61	5.83	5.73

BALANCE OF PAYMENTS

(BILLIONS OF DOLLARS)

CIVILIAN GOODS AND SERVICES					
EXPORTS	9.95	10.68	11.75	12.75	14.50
OF WHICH: DIAMONDS	1.21	1.39	1.58	1.72	2.00
IMPORTS	13.96	15.22	16.79	18.20	20.10
OF WHICH: FUELS	1.61	1.63	1.67	1.71	1.83
DIAMONDS	0.85	0.98	1.12	1.23	1.43
INTEREST	2.16	2.22	2.42	2.63	2.89
CIVILIAN GOODS AND SERVICES DEFICIT	-4.01	-4.54	-5.04	-5.45	-5.59
DIRECT DEFENSE IMPORTS	1.03	1.76	1.85	2.52	2.89
DEFENSE IMPORT PAYMENTS	1.27	2.26	2.18	2.07	2.14
US FINANCED PAYMENTS	1.00	1.63	1.40	1.40	1.40
NON-US FINANCED IMPORTS	0.27	0.63	0.78	0.68	0.74
DEBT REPAYMENT	0.97	1.25	1.45	1.70	1.82
TOTAL DEBT	23.12	25.99	28.35	31.02	34.12
FINANCIAL GAP	-5.26	-6.42	-7.26	-7.82	-8.16
EXTERNAL FUND	3.24	5.68	6.24	6.79	7.36
OF WHICH US SSA	1.50	1.10	1.10	1.10	1.10
BALANCE	-0.47	-0.74	-1.03	-1.03	-0.80

DSET: SCIN4
MODEL: ISSI P84f

CONFIDENTIAL

SCENARIO 3: LARGE DECLINE IN 85 IN DOMESTIC MILITARY AND NON-MILITARY SPENDING
9/17/84

CONFIDENTIAL

TABLE 3
NATIONALS

ISRAELI
ASSUMED VALUES FOR EXOGENOUS VARIABLES

	1983	1984	1985	1986	1987
(BILLIONS OF 1980 SHEKELS)					
*** GOVERNMENT VARIABLES					
DOMESTIC NONMILITARY EXPEND.	12.84	13.22	12.23	12.23	12.23
PERCENT CHANGE	0.78	3.00	-7.50	0.00	0.00
DOMESTIC MILITARY EXPEND.	17.35	17.87	16.53	16.53	16.53
PERCENT CHANGE	6.94	3.00	-7.50	0.00	0.00
GOVT RESIDENTIAL INVEST.	1.68	1.65	1.49	1.41	1.34
PERCENT CHANGE	-21.56	-2.00	-10.00	-5.00	-5.00
GOVT NONRESIDENTIAL INVEST.	4.48	4.48	4.26	4.17	4.09
PERCENT CHANGE	8.01	0.00	-5.00	-2.00	-2.00
(BILLIONS OF 1980 SHEKELS)					
NET TRANSFERS TO PRIVATE SECT.	20.44	20.44	20.44	20.44	20.44
PERCENT CHANGE	0.00	0.00	0.00	0.00	0.00
NET CREDIT ABSORP. BY GOVT	-25.60	-20.00	-10.00	-5.00	5.00
PERCENT CHANGE		-21.89	-50.00	-50.00	-200.00
PUBLIC SECTOR WAGES	22.24	23.13	24.06	25.02	26.02
PERCENT CHANGE		4.00	4.00	4.00	4.00
BOI CREDIT TO PRIVATE SECTOR	6.54	6.70	6.85	7.02	7.19
PERCENT CHANGE		2.42	2.20	2.46	2.37
(PERCENT)					
*** TAX RATES					
DEFENSE IMPORT TAXES	0.20	0.20	0.20	0.20	0.20
IMPORT SURTAX	-0.01	-0.29	0.12	0.19	0.19
BUSINESS INCOME TAX	0.06	0.06	0.06	0.06	0.06
DOMESTIC PROD. TAX (INCL. VAT)	0.19	0.19	0.19	0.19	0.19
IMPORT TAX	0.20	0.20	0.20	0.20	0.20
NATIONAL INSURANCE TAX	0.13	0.13	0.13	0.13	0.13
WAGE TAX	0.14	0.14	0.14	0.14	0.14
TAXES ON OTHER INCOME	0.13	0.13	0.13	0.13	0.13
(PERCENT CHANGE)					
*** BALANCE OF PAYMENTS					
REAL GROWTH IN US AND EC		3.90	3.00	2.00	3.50
DOLLAR PRICE OF IMPORTS	-2.18	3.87	4.85	4.28	7.17
DOLLAR PRICE OF OIL	-13.77	0.00	0.00	0.00	5.20
WORLD INTEREST RATE	9.20	8.80	9.10	8.60	8.60
EXCHANGE RATE (LEVEL)	56.21	228.46	1120.80	6225.75	37460.31
(BILLIONS OF US DOLLARS)					
FOREIGN DEBT REPAYMENTS	0.97	1.25	1.45	1.70	1.82
DIRECT DEFENSE IMPORT PAYMENTS	1.27	2.26	2.18	2.07	2.14
DIRECT DEFENSE IMPORTS	1.03	1.76	1.85	2.52	2.89
NET FOREIGN BORROWING BY GOVT.	2.23	2.17	2.05	2.72	3.03
TOTAL GROSS CAP FLOW (NOI IMS)	3.24	5.68	6.24	6.79	7.36
US ECONOMIC ASSISTANCE	1.50	1.10	1.10	1.10	1.10
US FMS	1.00	1.63	1.40	1.40	1.40

DSET: SCIN3
MOD1 ISSI P841

CONFIDENTIAL

SCENARIO 3: LARGE DECLINE IN 85 IN DOMESTIC MILITARY AND NON-MILITARY SPENDING
9/17/84**CONFIDENTIAL**ISRAEL
DETAILED COMPONENTS OF REAL GNP

(BILLIONS OF 1980 SHEKELS)

	1983	1984	1985	1986	1987
PRIVATE CONSUMPTION	80.35	83.80	90.23	96.12	100.70
PERCENT CHANGE	7.05	4.30	7.67	6.52	4.77
TOTAL INVESTMENT	27.36	26.60	24.87	22.56	20.74
PERCENT CHANGE	5.92	-2.79	-6.51	-9.30	-8.05
COMPONENTS OF INVESTMENT					
PRIVATE NONRESIDENTIAL	14.58	13.58	12.27	10.50	8.52
PERCENT CHANGE	21.78	-6.88	-9.63	-14.45	-18.86
PRIVATE RESIDENTIAL	6.98	6.40	6.35	6.04	6.38
PERCENT CHANGE	-4.56	-8.30	-0.85	-4.94	5.62
SHIPS AND PLANES	0.46	0.51	0.46	0.41	0.39
PERCENT CHANGE	57.92	10.00	-10.00	-10.00	-5.00
PRIVATE INVENTORY	-0.83	-0.02	0.05	0.03	0.03
PERCENT CHANGE	1791.33	-97.58	-350.00	-40.00	0.00
GOVERNMENT NONRESIDENTIAL	4.48	4.48	4.26	4.17	4.09
PERCENT CHANGE	8.01	0.00	-5.00	-2.00	-2.00
GOVERNMENT RESIDENTIAL	1.68	1.65	1.49	1.41	1.34
PERCENT CHANGE	-21.56	-2.00	-10.00	-5.00	-5.00
GOVERNMENT CONSUMPTION	35.38	39.77	37.48	40.30	41.12
PERCENT CHANGE	-4.24	12.39	-5.74	7.52	2.03
COMPONENTS OF GOVERNMENT CONSUMPTION					
DOMESTIC NONMILITARY	12.84	13.22	12.23	12.23	12.23
PERCENT CHANGE	0.78	3.00	-7.50	0.00	0.00
TOTAL MILITARY	22.56	26.54	25.25	28.07	28.89
PERCENT CHANGE	-6.75	17.64	-4.87	11.17	2.92
FOREIGN MILITARY	5.73	9.19	9.23	12.05	12.87
PERCENT CHANGE	-33.54	60.44	0.52	30.53	6.80
DOMESTIC MILITARY	17.35	17.87	16.53	16.53	16.53
PERCENT CHANGE	6.94	3.00	-7.50	0.00	0.00
DEFENSE SALES	0.51	0.51	0.51	0.51	0.51
PERCENT CHANGE	-20.31	0.00	0.00	0.00	0.00
COMPONENTS OF FOREIGN TRADE SECTOR					
EXPORTS	51.38	54.12	56.53	58.27	61.14
PERCENT CHANGE	2.24	5.32	4.46	3.08	4.92
IMPORTS	80.98	88.51	90.72	95.83	99.60
PERCENT CHANGE	5.65	9.30	2.50	5.63	3.94
COMPONENTS OF IMPORTS					
CIVILIAN IMPORTS	62.02	65.79	67.62	69.94	72.49
PERCENT CHANGE	8.62	6.07	2.78	3.42	3.65
SHIPS AND PLANES	0.46	0.51	0.46	0.41	0.39
PERCENT CHANGE	57.92	10.00	-10.00	-10.00	-5.00
DIRECT DEFENSE IMPORTS	4.76	7.63	7.67	10.02	10.70
PERCENT CHANGE	-35.66	60.44	0.52	30.53	6.80
IMPORTS TAXES	13.74	14.58	14.97	15.46	16.02
PERCENT CHANGE	15.80	6.11	2.67	3.32	3.59
NET FACTOR IMPORTS	5.76	5.44	5.63	5.88	5.82
PERCENT CHANGE	12.23	-5.59	3.48	4.43	-0.95

DSI 1: SCIN3
MODEL ISSLP84F**CONFIDENTIAL**

SCENARIO 3: LARGE DECLINE IN 85 IN DOMESTIC MILITARY AND NON-MILITARY SPENDING
9/17/84

CONFIDENTIAL

ABLE TO
NICOMASISRAEL
MAIN ECONOMIC INDICATORS, 1983-1987

(BILLIONS OF 1980 SHEKELS)

	1983	1984	1985	1986	1987
GROSS NATIONAL PRODUCT	107.73	110.34	112.76	115.54	118.27
PERCENT CHANGE	1.34	2.42	2.20	2.46	2.37
GNP DEFLATOR	12.62	53.28	274.05	1587.45	10236.51
PERCENT CHANGE	150.09	322.14	414.39	479.25	544.84
CAPACITY UTILIZATION RATE	90.88	92.47	93.99	95.99	98.19
UNEMPLOYMENT RATE	4.49	5.96	7.11	8.18	9.22
COMPONENTS OF AGGREGATE DEMAND					
PRIVATE CONSUMPTION	80.35	83.80	90.23	96.12	100.70
PERCENT CHANGE	7.05	4.30	7.67	6.52	4.77
TOTAL INVESTMENT	27.36	26.60	24.87	22.56	20.74
PERCENT CHANGE	5.92	-2.79	-6.51	-9.30	-8.05
GOVERNMENT CONSUMPTION	35.38	39.77	37.48	40.30	41.12
PERCENT CHANGE	-4.24	12.39	-5.74	7.52	2.03
EXPORTS	51.38	54.12	56.53	58.27	61.14
PERCENT CHANGE	2.24	5.32	4.46	3.08	4.92
IMPORTS	80.98	88.51	90.72	95.83	99.60
PERCENT CHANGE	5.65	9.30	2.50	5.63	3.94
NET FACTOR IMPORTS	5.76	5.44	5.63	5.88	5.82

BALANCE OF PAYMENTS

(BILLIONS OF DOLLARS)

CIVILIAN GOODS AND SERVICES					
EXPORTS	9.95	10.68	11.71	12.66	14.34
OF WHICH: DIAMONDS	1.21	1.39	1.57	1.72	1.99
IMPORTS	13.96	15.22	16.42	17.73	19.66
OF WHICH: FUELS	1.61	1.63	1.66	1.68	1.80
DIAMONDS	0.85	0.98	1.12	1.22	1.42
INTEREST	2.16	2.22	2.42	2.63	2.89
CIVILIAN GOODS AND SERVICES DEFICIT	-4.01	-4.54	-4.71	-5.07	-5.32
DIRECT DEFENSE IMPORTS	1.03	1.76	1.85	2.52	2.89
DEFENSE IMPORT PAYMENTS	1.27	2.26	2.18	2.07	2.14
US FINANCED PAYMENTS	1.00	1.63	1.40	1.40	1.40
NON-US FINANCED IMPORTS	0.27	0.63	0.78	0.68	0.74
DEBT REPAYMENT	0.97	1.25	1.45	1.70	1.82
TOTAL DEBT	23.12	25.99	28.35	31.02	34.12
FINANCIAL GAP	-5.26	-6.42	-6.93	-7.45	-7.89
EXTERNAL FUND	3.24	5.68	6.24	6.79	7.36
OF WHICH US SSA	1.50	1.10	1.10	1.10	1.10
BALANCE	-0.47	-0.74	-0.70	-0.65	-0.53

DSFT: SCEN3
MODEL ISSLP84I

CONFIDENTIAL

CONFIDENTIAL

LE TO
ONALS

25X1

SCENARIO 2: SLOW DECLINE IN DOMESTIC MILITARY AND NON-MILITARY SPENDING
9/17/84ISRAEL
ASSUMED VALUES FOR EXOGENOUS VARIABLES

	1983	1984	1985	1986	1987
(BILLIONS OF 1980 SHEKELS)					
*** GOVERNMENT VARIABLES					
DOMESTIC NONMILITARY EXPEND.	12.84	13.22	12.96	12.70	12.44
PERCENT CHANGE	0.78	3.00	-2.00	-2.00	-2.00
DOMESTIC MILITARY EXPEND.	17.35	17.87	17.51	17.16	16.82
PERCENT CHANGE	6.94	3.00	-2.00	-2.00	-2.00
GOVT RESIDENTIAL INVEST.	1.68	1.65	1.49	1.41	1.34
PERCENT CHANGE	-21.56	-2.00	-10.00	-5.00	-5.00
GOVT NONRESIDENTIAL INVEST.	4.48	4.48	4.26	4.17	4.09
PERCENT CHANGE	8.01	0.00	-5.00	-2.00	-2.00
(BILLIONS OF 1980 SHEKELS)					
NET TRANSFERS TO PRIVATE SECT.	20.44	20.44	20.44	20.44	20.44
PERCENT CHANGE		0.00	0.00	0.00	0.00
NET CREDIT ABSORP. BY GOVT	-25.60	-20.00	-10.00	-5.00	5.00
PERCENT CHANGE		-21.89	-50.00	-50.00	-200.00
PUBLIC SECTOR WAGES	22.24	23.13	24.06	25.02	26.02
PERCENT CHANGE		4.00	4.00	4.00	4.00
GOVT CREDIT TO PRIVATE SECTOR	6.54	6.70	6.90	7.08	7.22
PERCENT CHANGE		2.42	2.99	2.59	1.92
(PERCENT)					
*** TAX RATES					
DEFENSE IMPORT TAXES	0.20	0.20	0.20	0.20	0.20
INVENTORY SURTAX	-0.01	-0.29	0.12	0.19	0.19
BUSINESS INCOME TAX	0.06	0.06	0.06	0.06	0.06
DOMESTIC PROD. TAX (INCL. VAT)	0.19	0.19	0.19	0.19	0.19
IMPORT TAX	0.20	0.20	0.20	0.20	0.20
NATIONAL INSURANCE TAX	0.13	0.13	0.13	0.13	0.13
WAGE TAX	0.14	0.14	0.14	0.14	0.14
TAXES ON OTHER INCOME	0.13	0.13	0.13	0.13	0.13
(PERCENT CHANGE)					
*** BALANCE OF PAYMENTS					
REAL GROWTH IN US AND EC		3.90	3.00	2.00	3.50
DOLLAR PRICE OF IMPORTS	-2.18	3.87	4.85	4.28	7.17
DOLLAR PRICE OF OIL	-13.77	0.00	0.00	0.00	5.20
WORLD INTEREST RATE	9.20	8.80	9.10	8.60	8.60
EXCHANGE RATE (LEVEL)	56.21	228.46	1102.13	5979.89	35168.51
(BILLIONS OF US DOLLARS)					
FOREIGN DEBT REPAYMENTS	0.97	1.25	1.45	1.70	1.82
DIRECT DEFENSE IMPORT PAYMENTS	1.27	2.26	2.18	2.07	2.14
DIRECT DEFENSE IMPORTS	1.03	1.76	1.85	2.52	2.89
NET FOREIGN BORROWING BY GOVT.	2.23	2.17	2.05	2.72	3.03
TOTAL GROSS CAP FLOW (NOT FMS)	3.24	5.68	6.24	6.79	7.36
US ECONOMIC ASSISTANCE	1.50	1.10	1.10	1.10	1.10
US FMS	1.00	1.63	1.40	1.40	1.40

DSET: SCEN2
MODEL: ISSEP84F

CONFIDENTIAL

25X1

SCENARIO 2: SLOW DECLINE IN DOMESTIC MILITARY AND NON-MILITARY SPENDING
9/17/84

CONFIDENTIAL

ISRAEL
DETAILED COMPONENTS OF REAL GNP

(BILLIONS OF 1980 SHEKELS)

	1983	1984	1985	1986	1987
PRIVATE CONSUMPTION	80.35	83.80	90.18	96.10	100.42
PERCENT CHANGE	7.05	4.30	7.62	6.56	4.50
TOTAL INVESTMENT	27.36	26.60	25.36	23.39	21.03
PERCENT CHANGE	5.92	-2.79	-4.67	-7.76	-10.11
COMPONENTS OF INVESTMENT					
PRIVATE NONRESIDENTIAL	14.58	13.58	12.76	11.02	8.81
PERCENT CHANGE	21.78	-6.88	-6.04	-13.63	-20.08
PRIVATE RESIDENTIAL	6.98	6.40	6.35	6.35	6.37
PERCENT CHANGE	-4.56	-8.30	-0.82	-0.06	0.35
SHIPS AND PLANES	0.46	0.51	0.46	0.41	0.39
PERCENT CHANGE	57.92	10.00	-10.00	-10.00	-5.00
PRIVATE INVENTORY	-0.83	-0.02	0.05	0.03	0.03
PERCENT CHANGE	1791.33	-97.58	-350.00	-40.00	0.00
GOVERNMENT NONRESIDENTIAL	4.48	4.48	4.26	4.17	4.09
PERCENT CHANGE	8.01	0.00	-5.00	-2.00	-2.00
GOVERNMENT RESIDENTIAL	1.68	1.65	1.49	1.41	1.34
PERCENT CHANGE	-21.56	-2.00	-10.00	-5.00	-5.00
GOVERNMENT CONSUMPTION	35.38	39.77	39.19	41.40	41.62
PERCENT CHANGE	-4.24	12.39	-1.44	5.64	0.54
COMPONENTS OF GOVERNMENT CONSUMPTION					
DOMESTIC NONMILITARY	12.84	13.22	12.96	12.70	12.44
PERCENT CHANGE	0.78	3.00	-2.00	-2.00	-2.00
TOTAL MILITARY	22.56	26.54	26.24	28.70	29.18
PERCENT CHANGE	-6.75	17.64	-1.17	9.41	1.66
FOREIGN MILITARY	5.73	9.19	9.23	12.05	12.87
PERCENT CHANGE	-33.54	60.44	0.52	30.53	6.80
DOMESTIC MILITARY	17.35	17.87	17.51	17.16	16.82
PERCENT CHANGE	6.94	3.00	-2.00	-2.00	-2.00
DEFENSE SALES	0.51	0.51	0.51	0.51	0.51
PERCENT CHANGE	-20.31	0.00	0.00	0.00	0.00
COMPONENTS OF FOREIGN TRADE SECTOR					
EXPORTS	51.38	54.12	56.59	58.38	61.25
PERCENT CHANGE	2.24	5.32	4.57	3.16	4.93
IMPORTS	80.98	88.51	92.08	96.84	99.73
PERCENT CHANGE	5.65	9.30	4.03	5.18	2.98
COMPONENTS OF IMPORTS					
CIVILIAN IMPORTS	62.02	65.79	68.73	70.77	72.60
PERCENT CHANGE	8.62	6.07	4.48	2.96	2.58
SHIPS AND PLANES	0.46	0.51	0.46	0.41	0.39
PERCENT CHANGE	57.92	10.00	-10.00	-10.00	-5.00
DIRECT DEFENSE IMPORTS	4.76	7.63	7.67	10.02	10.70
PERCENT CHANGE	-35.66	60.44	0.52	30.53	6.80
IMPORTS TAXES	13.74	14.58	15.21	15.65	16.04
PERCENT CHANGE	15.80	6.11	4.35	2.86	2.53
NET FACTOR IMPORTS	5.76	5.44	5.62	5.86	5.79
PERCENT CHANGE	12.23	-5.59	3.23	4.25	-1.05

DSET: SCEN2
MODEL 1SSEP84F

CONFIDENTIAL

SCENARIO 2: SLOW DECLINE IN DOMESTIC MILITARY AND NON-MILITARY SPENDING
9/17/84**CONFIDENTIAL**ISRAEL
MAIN ECONOMIC INDICATORS, 1983-1987

(BILLIONS OF 1980 SHEKELS)

	1983	1984	1985	1986	1987
GROSS NATIONAL PRODUCT	107.73	110.34	113.63	116.57	118.81
PERCENT CHANGE	1.34	2.42	2.99	2.59	1.92
GNP DEFlator	12.62	53.28	269.49	1524.76	9610.24
PERCENT CHANGE	150.09	322.14	405.82	465.80	530.28
CAPACITY UTILIZATION RATE	90.88	92.47	94.72	96.77	98.47
UNEMPLOYMENT RATE	4.49	5.96	7.02	7.94	8.96
COMPONENTS OF AGGREGATE DEMAND					
PRIVATE CONSUMPTION	80.35	83.80	90.18	96.10	100.42
PERCENT CHANGE	7.05	4.30	7.62	6.56	4.50
TOTAL INVESTMENT	27.36	26.60	25.36	23.39	21.03
PERCENT CHANGE	5.92	-2.79	-4.67	-7.76	-10.11
GOVERNMENT CONSUMPTION	35.38	39.77	39.19	41.40	41.62
PERCENT CHANGE	-4.24	12.39	-1.44	5.64	0.54
EXPORTS	51.38	54.12	56.59	58.38	61.25
PERCENT CHANGE	2.24	5.32	4.57	3.16	4.93
IMPORTS	80.98	88.51	92.08	96.84	99.73
PERCENT CHANGE	5.65	9.30	4.03	5.18	2.98
NET FACTOR IMPORTS	5.76	5.44	5.62	5.86	5.79

BALANCE OF PAYMENTS

(BILLIONS OF DOLLARS)

CIVILIAN GOODS AND SERVICES					
EXPORTS	9.95	10.68	11.73	12.70	14.39
OF WHICH: DIAMONDS	1.21	1.39	1.58	1.72	1.99
IMPORTS	13.96	15.22	16.64	17.90	19.68
OF WHICH: FUELS	1.61	1.63	1.67	1.69	1.81
DIAMONDS	0.85	0.98	1.12	1.22	1.42
INTEREST	2.16	2.22	2.42	2.63	2.89
CIVILIAN GOODS AND SERVICES DEFICIT	-4.01	-4.54	-4.91	-5.21	-5.29
DIRECT DEFENSE IMPORTS	1.03	1.76	1.85	2.52	2.89
DEFENSE IMPORT PAYMENTS	1.27	2.26	2.18	2.07	2.14
US FINANCED PAYMENTS	1.00	1.63	1.40	1.40	1.40
NON-US FINANCED IMPORTS	0.27	0.63	0.78	0.68	0.74
DEBT REPAYMENT	0.97	1.25	1.45	1.70	1.82
TOTAL DEBT	23.12	25.99	28.35	31.02	34.12
FINANCIAL GAP	-5.26	-6.42	-7.14	-7.58	-7.86
EXTERNAL FUND	3.24	5.68	6.24	6.79	7.36
OF WHICH US SSA	1.50	1.10	1.10	1.10	1.10
BALANCE	-0.47	-0.74	-0.90	-0.79	-0.50

DSET: SCEN2
MODEL ISS1P84I**CONFIDENTIAL**

SCENARIO 1: DECLINE IN REAL WAGE IN 85, 86; CONSTANT IN 87
9/17/84

CONFIDENTIAL

ISRAEL
ASSUMED VALUES FOR EXOGENOUS VARIABLES

	1983	1984	1985	1986	1987
(BILLIONS OF 1980 SHEKELS)					
*** GOVERNMENT VARIABLES					
DOMESTIC NONMILITARY EXPEND.	12.84	13.22	13.35	13.49	13.62
PERCENT CHANGE	0.78	3.00	1.00	1.00	1.00
DOMESTIC MILITARY EXPEND.	17.35	17.87	18.23	18.41	18.59
PERCENT CHANGE	6.94	3.00	2.00	1.00	1.00
GOVT RESIDENTIAL INVEST.	1.68	1.65	1.49	1.41	1.34
PERCENT CHANGE	-21.56	-2.00	-10.00	-5.00	-5.00
GOVT NONRESIDENTIAL INVEST.	4.48	4.48	4.26	4.17	4.09
PERCENT CHANGE	8.01	0.00	-5.00	-2.00	-2.00
(BILLIONS OF 1980 SHEKELS)					
NET TRANSFERS TO PRIVATE SECT.	20.44	20.44	20.44	20.44	20.44
PERCENT CHANGE	0.00	0.00	0.00	0.00	0.00
NET CREDIT ABSORP. BY GOVT	-25.60	-20.00	-10.00	-5.00	5.00
PERCENT CHANGE	-21.89	-21.89	-50.00	-50.00	-200.00
PUBLIC SECTOR WAGES	22.24	23.13	21.98	20.88	20.88
PERCENT CHANGE	4.00	4.00	-5.00	-5.00	-0.00
BOI CREDIT TO PRIVATE SECTOR	6.54	6.70	6.91	7.08	7.26
PERCENT CHANGE	2.42	2.42	3.07	2.54	2.47
(PERCENT)					
*** TAX RATES					
DEFENSE IMPORT TAXES	0.20	0.20	0.20	0.20	0.20
INVENTORY SURTAX	-0.01	-0.29	0.12	0.19	0.19
BUSINESS INCOME TAX	0.06	0.06	0.06	0.06	0.06
DOMESTIC PROD. TAX (INCL. VAT)	0.19	0.19	0.19	0.19	0.19
IMPORT TAX	0.20	0.20	0.20	0.20	0.20
NATIONAL INSURANCE TAX	0.13	0.13	0.13	0.13	0.13
WAGE TAX	0.14	0.14	0.14	0.14	0.14
TAXES ON OTHER INCOME	0.13	0.13	0.13	0.13	0.13
(PERCENT CHANGE)					
*** BALANCE OF PAYMENTS					
REAL GROWTH IN US AND EC		3.90	3.00	2.00	3.50
DOLLAR PRICE OF IMPORTS	-2.18	3.87	4.85	4.28	7.17
DOLLAR PRICE OF OIL	-13.77	0.00	0.00	0.00	5.20
WORLD INTEREST RATE	9.20	8.80	9.10	8.60	8.60
EXCHANGE RATE (LEVEL)	56.21	228.46	937.11	4333.39	25120.64
(BILLIONS OF US DOLLARS)					
FOREIGN DEBT REPAYMENTS	0.97	1.25	1.45	1.70	1.82
DIRECT DEFENSE IMPORT PAYMENTS	1.27	2.26	2.18	2.07	2.14
DIRECT DEFENSE IMPORTS	1.03	1.76	1.85	2.52	2.89
NET FOREIGN BORROWING BY GOVT.	2.23	2.17	2.05	2.72	3.03
TOTAL GROSS CAP FLOW (NOT FMS)	3.24	5.68	6.24	6.79	7.36
US ECONOMIC ASSISTANCE	1.50	1.10	1.10	1.10	1.10
US FMS	1.00	1.63	1.40	1.40	1.40

DSET: SCEN1
MODEL ISSEP84F

CONFIDENTIAL

SCENARIO 1: DECLINE IN REAL WAGE IN 85, 86; CONSTANT IN 87
9/17/84

CONFIDENTIAL

ISRAEL
DETAILED COMPONENTS OF REAL GNP

(BILLIONS OF 1980 SHEKELS)

	1983	1984	1985	1986	1987
PRIVATE CONSUMPTION	80.35	83.80	87.06	90.95	97.49
PERCENT CHANGE	7.05	4.30	3.89	4.47	7.19
TOTAL INVESTMENT	27.36	26.60	27.25	25.89	22.17
PERCENT CHANGE	5.92	-2.79	2.44	-5.00	-14.36
COMPONENTS OF INVESTMENT					
PRIVATE NONRESIDENTIAL	14.58	13.58	14.44	13.02	9.45
PERCENT CHANGE	21.78	-6.88	6.33	-9.82	-27.45
PRIVATE RESIDENTIAL	6.98	6.40	6.56	6.85	6.88
PERCENT CHANGE	-4.56	-8.30	2.51	4.28	0.45
SHIPS AND PLANES	0.46	0.51	0.46	0.41	0.39
PERCENT CHANGE	57.92	10.00	-10.00	-10.00	-5.00
PRIVATE INVENTORY	-0.83	-0.02	0.05	0.03	0.03
PERCENT CHANGE	1791.33	-97.58	-350.00	-40.00	0.00
GOVERNMENT NONRESIDENTIAL	4.48	4.48	4.26	4.17	4.09
PERCENT CHANGE	8.01	0.00	-5.00	-2.00	-2.00
GOVERNMENT RESIDENTIAL	1.68	1.65	1.49	1.41	1.34
PERCENT CHANGE	-21.56	-2.00	-10.00	-5.00	-5.00
GOVERNMENT CONSUMPTION	35.38	39.77	40.30	43.44	44.58
PERCENT CHANGE	-4.24	12.39	1.35	7.78	2.62
COMPONENTS OF GOVERNMENT CONSUMPTION					
DOMESTIC NONMILITARY	12.84	13.22	13.35	13.49	13.62
PERCENT CHANGE	0.78	3.00	1.00	1.00	1.00
TOTAL MILITARY	22.56	26.54	26.95	29.95	30.96
PERCENT CHANGE	-6.75	17.64	1.53	11.14	3.35
FOREIGN MILITARY	5.73	9.19	9.23	12.05	12.87
PERCENT CHANGE	-33.54	60.44	0.52	30.53	6.80
DOMESTIC MILITARY	17.35	17.87	18.23	18.41	18.59
PERCENT CHANGE	6.94	3.00	2.00	1.00	1.00
DEFENSE SALES	0.51	0.51	0.51	0.51	0.51
PERCENT CHANGE	-20.31	0.00	0.00	0.00	0.00
COMPONENTS OF FOREIGN TRADE SECTOR					
EXPORTS	51.38	54.12	56.87	58.76	61.56
PERCENT CHANGE	2.24	5.32	5.09	3.33	4.75
IMPORTS	80.98	88.51	92.29	96.74	100.57
PERCENT CHANGE	5.65	9.30	4.27	4.82	3.96
COMPONENTS OF IMPORTS					
CIVILIAN IMPORTS	62.02	65.79	68.91	70.68	73.29
PERCENT CHANGE	8.62	6.07	4.74	2.58	3.69
SHIPS AND PLANES	0.46	0.51	0.46	0.41	0.39
PERCENT CHANGE	57.92	10.00	-10.00	-10.00	-5.00
DIRECT DEFENSE IMPORTS	4.76	7.63	7.67	10.02	10.70
PERCENT CHANGE	-35.66	60.44	0.52	30.53	6.80
IMPORTS TAXES	13.74	14.58	15.25	15.63	16.19
PERCENT CHANGE	15.80	6.11	4.61	2.48	3.63
NET FACTOR IMPORTS	5.76	5.44	5.47	5.69	5.73
PERCENT CHANGE	12.23	-5.59	0.61	3.93	0.64

DSI 1: SCEN1
MOD1 ISS1P841

CONFIDENTIAL

SCENARIO 1: DECLINE IN REAL WAGE IN 85, 86; CONSTANT IN 87
9/17/84

CONFIDENTIAL

ISRAEL
MAIN ECONOMIC INDICATORS, 1983-1987

(BILLIONS OF 1980 SHEKELS)

	1983	1984	1985	1986	1987
GROSS NATIONAL PRODUCT	107.73	110.34	113.72	116.61	119.49
PERCENT CHANGE	1.34	2.42	3.07	2.54	2.47
GNP DEFLATOR	12.62	53.28	229.14	1104.93	6864.55
PERCENT CHANGE	150.09	322.14	330.08	382.21	521.26
CAPACITY UTILIZATION RATE	90.88	92.47	94.79	96.54	98.46
UNEMPLOYMENT RATE	4.49	5.96	7.02	7.93	8.88
COMPONENTS OF AGGREGATE DEMAND					
PRIVATE CONSUMPTION	80.35	83.80	87.06	90.95	97.49
PERCENT CHANGE	7.05	4.30	3.89	4.47	7.19
TOTAL INVESTMENT	27.36	26.60	27.25	25.89	22.17
PERCENT CHANGE	5.92	-2.79	2.44	-5.00	-14.36
GOVERNMENT CONSUMPTION	35.38	39.77	40.30	43.44	44.58
PERCENT CHANGE	-4.24	12.39	1.35	7.78	2.62
EXPORTS	51.38	54.12	56.87	58.76	61.56
PERCENT CHANGE	2.24	5.32	5.09	3.33	4.75
IMPORTS	80.98	88.51	92.29	96.74	100.57
PERCENT CHANGE	5.65	9.30	4.27	4.82	3.96
NET FACTOR IMPORTS	5.76	5.44	5.47	5.69	5.73

BALANCE OF PAYMENTS

(BILLIONS OF DOLLARS)

CIVILIAN GOODS AND SERVICES					
EXPORTS	9.95	10.68	11.97	12.98	14.52
OF WHICH: DIAMONDS	1.21	1.39	1.59	1.74	1.99
IMPORTS	13.96	15.22	16.68	17.89	19.84
OF WHICH: FULLS	1.61	1.63	1.67	1.69	1.81
DIAMONDS	0.85	0.98	1.13	1.24	1.43
INTEREST	2.16	2.22	2.42	2.63	2.89
CIVILIAN GOODS AND SERVICES DEFICIT	-4.01	-4.54	-4.71	-4.90	-5.32
DIRECT DEFENSE IMPORTS	1.03	1.76	1.85	2.52	2.89
DEFENSE IMPORT PAYMENTS	1.27	2.26	2.18	2.07	2.14
US FINANCED PAYMENTS	1.00	1.63	1.40	1.40	1.40
NON-US FINANCED IMPORTS	0.27	0.63	0.78	0.68	0.74
DEBT REPAYMENT	0.97	1.25	1.45	1.70	1.82
TOTAL DEBT	23.12	25.99	28.35	31.02	34.12
FINANCIAL GAP	-5.26	-6.42	-6.94	-7.28	-7.89
EXTERNAL FUND	3.24	5.68	6.24	6.79	7.36
OF WHICH US SSA	1.50	1.10	1.10	1.10	1.10
BALANCE	-0.47	-0.74	-0.70	-0.48	-0.53

DSEI: SCLN1
MODEL ISSEP84F

CONFIDENTIAL

BASIS LINE: CURRENT ECONOMIC TRENDS
9/17/84

CONFIDENTIAL

ISRAEL
ASSUMED VALUES FOR EXOGENOUS VARIABLES

	1983	1984	1985	1986	1987
(BILLIONS OF 1980 SHEKELS)					
*** GOVERNMENT VARIABLES					
DOMESTIC NONMILITARY EXPEND.	12.84	13.22	13.35	13.49	13.62
PERCENT CHANGE	0.78	3.00	1.00	1.00	1.00
DOMESTIC MILITARY EXPEND.	17.35	17.87	18.23	18.41	18.59
PERCENT CHANGE	6.94	3.00	2.00	1.00	1.00
GOVT RESIDENTIAL INVEST.	1.68	1.65	1.49	1.41	1.34
PERCENT CHANGE	-21.56	-2.00	-10.00	-5.00	-5.00
GOVT NONRESIDENTIAL INVEST.	4.48	4.48	4.26	4.17	4.09
PERCENT CHANGE	8.01	0.00	-5.00	-2.00	-2.00
(BILLIONS OF 1980 SHEKELS)					
NET TRANSFERS TO PRIVATE SECT.	20.44	20.44	20.44	20.44	20.44
PERCENT CHANGE		0.00	0.00	0.00	0.00
NET CREDIT ABSORP. BY GOVT	-25.60	-20.00	-10.00	-5.00	5.00
PERCENT CHANGE		-21.89	-50.00	-50.00	-200.00
PUBLIC SECTOR WAGES	22.24	23.13	24.06	25.02	26.02
PERCENT CHANGE		4.00	4.00	4.00	4.00
BOI CREDIT TO PRIVATE SECTOR	6.54	6.70	6.94	7.16	7.34
PERCENT CHANGE		2.42	3.50	3.25	2.47
(PERCENT)					
*** TAX RATES					
DEFENSE IMPORT TAXES	0.20	0.20	0.20	0.20	0.20
INVENTORY SURTAX	-0.01	-0.29	0.12	0.20	0.20
BUSINESS INCOME TAX	0.06	0.06	0.06	0.06	0.06
DOMESTIC PROD. TAX (INCL. VAT)	0.19	0.19	0.19	0.19	0.19
IMPORT TAX	0.20	0.20	0.20	0.20	0.20
NATIONAL INSURANCE TAX	0.13	0.13	0.13	0.13	0.13
WAGE TAX	0.14	0.14	0.14	0.14	0.14
TAXES ON OTHER INCOME	0.13	0.13	0.13	0.13	0.13
(PERCENT CHANGE)					
*** BALANCE OF PAYMENTS					
REAL GROWTH IN US AND EC		3.90	3.00	2.00	3.50
DOLLAR PRICE OF IMPORTS	-2.18	3.87	4.85	4.28	7.17
DOLLAR PRICE OF OIL	-13.77	0.00	0.00	0.00	5.20
WORLD INTEREST RATE	9.20	8.80	9.10	8.60	8.60
EXCHANGE RATE (LEVEL)	56.21	228.46	1089.92	5758.87	32271.60
(BILLIONS OF US DOLLARS)					
FOREIGN DEBT REPAYMENTS	0.97	1.25	1.45	1.70	1.82
DIRECT DEFENSE IMPORT PAYMENTS	1.27	2.26	2.18	2.07	2.14
DIRECT DEFENSE IMPORTS	1.03	1.76	1.85	2.52	2.89
NET FOREIGN BORROWING BY GOVT.	2.23	2.17	2.05	2.72	3.03
TOTAL GROSS CAP FLOW (NOI FMS)	3.24	5.68	6.24	6.79	7.36
US ECONOMIC ASSISTANCE	1.50	1.10	1.10	1.10	1.10
US FMS	1.00	1.63	1.40	1.40	1.40

DSET: BASE3
MODEL ISSEP84F

CONFIDENTIAL

CONFIDENTIAL

25X1

BASILENE: CURRENT ECONOMIC TRENDS
9/17/84

ISRAEL
DETAILED COMPONENTS OF REAL GNP

(BILLIONS OF 1980 SHEKELS)

	1983	1984	1985	1986	1987
PRIVATE CONSUMPTION	80.34	83.80	90.15	96.07	100.14
PERCENT CHANGE	7.05	4.30	7.58	6.56	4.24
TOTAL INVESTMENT	27.36	26.60	25.68	24.29	22.37
PERCENT CHANGE	5.92	-2.79	-3.48	-5.39	-7.93
COMPONENTS OF INVESTMENT					
PRIVATE NONRESIDENTIAL	14.58	13.58	13.07	11.72	9.92
PERCENT CHANGE	21.78	-6.88	-3.71	-10.36	-15.38
PRIVATE RESIDENTIAL	6.98	6.40	6.35	6.55	6.60
PERCENT CHANGE	-4.56	-8.30	-0.80	3.06	0.79
SHIPS AND PLANES	0.46	0.51	0.46	0.41	0.39
PERCENT CHANGE	57.92	10.00	-10.00	-10.00	-5.00
PRIVATE INVENTORY	-0.83	-0.02	0.05	0.03	0.03
PERCENT CHANGE	1791.33	-97.58	-350.00	-40.00	0.00
GOVERNMENT NONRESIDENTIAL	4.48	4.48	4.26	4.17	4.09
PERCENT CHANGE	8.01	0.00	-5.00	-2.00	-2.00
GOVERNMENT RESIDENTIAL	1.68	1.65	1.49	1.41	1.34
PERCENT CHANGE	-21.56	-2.00	-10.00	-5.00	-5.00
GOVERNMENT CONSUMPTION	35.38	39.77	40.30	43.44	44.58
PERCENT CHANGE	-4.24	12.39	1.35	7.78	2.62
COMPONENTS OF GOVERNMENT CONSUMPTION					
DOMESTIC NONMILITARY	12.84	13.22	13.35	13.49	13.62
PERCENT CHANGE	0.78	3.00	1.00	1.00	1.00
TOTAL MILITARY	22.56	26.54	26.95	29.95	30.96
PERCENT CHANGE	-6.75	17.64	1.53	11.14	3.35
FOREIGN MILITARY	5.73	9.19	9.23	12.05	12.87
PERCENT CHANGE	-33.54	60.44	0.52	30.53	6.80
DOMESTIC MILITARY	17.35	17.87	18.23	18.41	18.59
PERCENT CHANGE	6.94	3.00	2.00	1.00	1.00
DEFENSE SALES	0.51	0.51	0.51	0.51	0.51
PERCENT CHANGE	-20.31	0.00	0.00	0.00	0.00
COMPONENTS OF FOREIGN TRADE SECTOR					
EXPORTS	51.38	54.12	56.63	58.49	61.48
PERCENT CHANGE	2.24	5.32	4.65	3.29	5.11
IMPORTS	80.98	88.51	92.96	98.56	102.00
PERCENT CHANGE	5.65	9.30	5.03	6.02	3.49
COMPONENTS OF IMPORTS					
CIVILIAN IMPORTS	62.02	65.79	69.46	72.17	74.46
PERCENT CHANGE	8.62	6.07	5.58	3.91	3.17
SHIPS AND PLANES	0.46	0.51	0.46	0.41	0.39
PERCENT CHANGE	57.92	10.00	-10.00	-10.00	-5.00
DIRECT DEFENSE IMPORTS	4.76	7.63	7.67	10.02	10.70
PERCENT CHANGE	-35.66	60.44	0.52	30.53	6.80
IMPORTS TAXES	13.74	14.58	15.37	15.95	16.45
PERCENT CHANGE	15.80	6.11	5.44	3.80	3.11
NET FACTOR IMPORTS	5.76	5.44	5.61	5.83	5.74
PERCENT CHANGE	12.23	-5.59	3.07	3.96	-1.55

DSLI: BASI 3
MODEL: ISSLP84I

CONFIDENTIAL

25X1

BASLINE: CURRENT ECONOMIC TRENDS
9/17/84

ISRAEL
MAIN ECONOMIC INDICATORS, 1983-1987

(BILLIONS OF 1980 SHEKELS)

	1983	1984	1985	1986	1987
GROSS NATIONAL PRODUCT	107.73	110.34	114.19	117.90	120.82
PERCENT CHANGE	1.34	2.42	3.50	3.25	2.47
GNP DEFLATOR	12.62	53.28	266.50	1468.40	8818.63
PERCENT CHANGE	150.09	322.13	400.22	450.99	500.56
CAPACITY UTILIZATION RATE	90.88	92.47	95.19	97.82	99.98
UNEMPLOYMENT RATE	4.49	5.96	6.97	7.73	8.53
COMPONENTS OF AGGREGATE DEMAND					
PRIVATE CONSUMPTION	80.34	83.80	90.15	96.07	100.14
PERCENT CHANGE	7.05	4.30	7.58	6.56	4.24
TOTAL INVESTMENT	27.36	26.60	25.68	24.29	22.37
PERCENT CHANGE	5.92	-2.79	-3.48	-5.39	-7.93
GOVERNMENT CONSUMPTION	35.38	39.77	40.30	43.44	44.58
PERCENT CHANGE	-4.24	12.39	1.35	7.78	2.62
EXPORTS	51.38	54.12	56.63	58.49	61.48
PERCENT CHANGE	2.24	5.32	4.65	3.29	5.11
IMPORTS	80.98	88.51	92.96	98.56	102.00
PERCENT CHANGE	5.65	9.30	5.03	6.02	3.49
NET FACTOR IMPORTS	5.76	5.44	5.61	5.83	5.74

BALANCE OF PAYMENTS

(BILLIONS OF DOLLARS)

CIVILIAN GOODS AND SERVICES					
EXPORTS	9.95	10.68	11.75	12.74	14.49
OF WHICH: DIAMONDS	1.21	1.39	1.58	1.72	1.99
IMPORTS	13.96	15.22	16.79	18.20	20.11
OF WHICH: FUELS	1.61	1.63	1.67	1.71	1.83
DIAMONDS	0.85	0.98	1.12	1.23	1.43
INTEREST	2.16	2.22	2.42	2.63	2.89
CIVILIAN GOODS AND SERVICES DEFICIT	-4.01	-4.54	-5.05	-5.46	-5.62
DIRECT DEFENSE IMPORTS	1.03	1.76	1.85	2.52	2.89
DEFENSE IMPORT PAYMENTS	1.27	2.26	2.18	2.07	2.14
US FINANCED PAYMENTS	1.00	1.63	1.40	1.40	1.40
NON-US FINANCED IMPORTS	0.27	0.63	0.78	0.68	0.74
DEBT REPAYMENT	0.97	1.25	1.45	1.70	1.82
TOTAL DEBT	23.12	25.99	28.35	31.02	34.12
FINANCIAL GAP	-5.26	-6.42	-7.27	-7.84	-8.18
EXTERNAL FUND	3.24	5.68	6.24	6.79	7.36
OF WHICH US SSA	1.50	1.10	1.10	1.10	1.10
BALANCE	-0.47	-0.74	-1.04	-1.04	-0.82

DSET: BASE3
MODEL: ISSEP84F