

Export and Investment Promotion Planning System

88/89 Trade and Economic Overview

Mission: 342 TEL AVIV

Country: 232 ISRAEL

THE ECONOMIC RECOVERY THAT BEGAN IN THE 2ND HALF OF 86 CONTINUED DURING THE 1ST EIGHT MONTHS OF 87. ONE EFFECT OF THE DRASTIC MEASURES INTRODUCED TO STABILIZE THE ECONOMY HAS BEEN A CONCENTRATION OF GROWTH IN THE PRIVATE RATHER THAN THE PUBLIC SECTOR. ANOTHER HAS BEEN THE MAINTENANCE OF RELATIVE PRICE STABILITY - INFLATION HAS BEEN HELD TO A RANGE OF 15-20% SINCE THE BEGINNING OF 86. ECONOMIC STABILIZATION HAS BEEN ACCOMPANIED BY INDUSTRIAL GROWTH OF ABOUT 4% DURING THE CURRENT YEAR WHILE DOMESTIC INVESTMENT ROSE 7% & UNEMPLOYMENT FELL 1 POINT TO 6%. TOURISM DURING THE 1ST HALF OF 87 WAS 25% ABOVE THE CORRESPONDING PERIOD OF 86 WIDENING THE TRADE DEFICIT TO US\$1.6 BIL. FOR THE FIRST 6 MONTHS OF THE YEAR. THIS WORRISOME TREND IS MITIGATED SOMEWHAT BY A RECENT UPTICK IN EXPORTS. MEASURES IMPOSED AS PART OF THE ECONOMIC STABILIZATION PLAN INCLUDE ROLLBACKS OF COST OF LIVING LINKED WAGE INCREASES CUTS IN NATIONAL INSURANCE COSTS TO EMPLOYERS REDUCTIONS IN SUBSIDIES A GRADUAL DISMANTLING OF PRICE CONTROLS TAX CUTS AND LIBERALIZATION OF MONEY MARKETS. SO FAR THE PROGRAM HAS SUCCEEDED. A GROWING CLAMOUR FOR DEVALUATION ON THE PART OF MANUFACTURERS WHO SEE THEIR EXPORT PROFITABILITY BEING ERODED POSES A POTENTIAL DANGER TO PRICE STABILITY BUT HAS SO FAR BEEN RESISTED BY THE MIN. OF FINANCE. THE BENEFITS OF THE LAST DEVALUATION EARLY IN 87 WAS ERASED BY PRICE AND WAGE INCREASES WITHIN A FEW MONTHS. WHILE ISRAELI IMPORTS INCREASED BY SOME 23% DURING THE 1ST HALF OF 87 IMPORTS FROM CDA INCREASED BY 37%. SULPHUR BARLEY AND WOOD PULP WERE OUR LARGEST EXPORT ITEMS BUT SIGNIFICANT SALES OF BABY FOODS MOTOR VEHICLES VALVES AIRCRAFT ENGINES AND WOVEN FABRICS INDICATE THAT THE ISRAELI MARKET IS SUSCEPTIBLE TO A WIDE RANGE OF MARKETING EFFORT. ISRAEL IS NOW CDA'S 2ND LARGEST MARKET IN THE REGION UP FROM 4TH PLACE IN 84. ISRAEL IS ALSO A CENTRE OF EXCELLENCE IN VARIOUS FIELDS OF HIGH TECHNOLOGY NOTABLY MEDICAL DEVICES AGRICULTURAL EQUIPMENT BIOTECHNOLOGY AND FOOD PROCESSING. AN INCREASING NUMBER OF CDN FIRMS ARE SEEKING TECHNOLOGY FROM ISRAEL UNDER THE TECHNOLOGY INFLOW PROGRAM. CYPRUS OFFERS NUMEROUS ADVANTAGES TO CDN FIRMS WISHING TO ESTABLISH A BASE FOR OPERATIONS THROUGHOUT THE AREA AND IS ITSELF A MARKET OF GROWING INTEREST. AN INCREASING NUMBER OF CAPITAL PROJECTS PRESENT OPPORTUNITIES FOR CDN SUPPLIERS AND EDC FINANCING IS GENERALLY AVAILABLE.