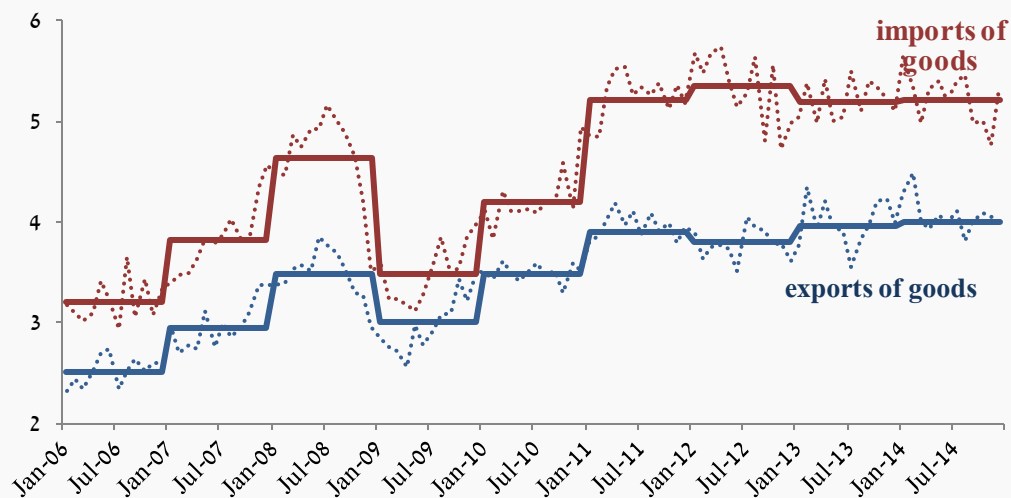


Development of Israel's Foreign Trade in 2014

Israel's 2014 foreign trade balance registered a slight improvement, which was reflected in an increase in exports of goods along with a more moderate increase in imports of goods. As a result the trade deficit decreased.¹

Figure no. 1: Exports and imports of goods, excluding ships, aircrafts and diamonds excluded

Billions of US dollars, monthly data and yearly average



Sources: CBS, processing by the Chief Economist division

¹ All statistics are based on net foreign trade data except for the breakdown by countries which is based on gross foreign trade. The gap between gross and net export includes returned exports mostly of diamonds.



Development of Israel's Foreign Trade in 2014

Israeli exports:

Total exports of goods increased by 1.4 percent in 2014, while the total exports of goods excluding ships, aircraft and diamonds registered a more moderate increase of 0.8 percent (see figure 1). An increase in the exports of goods derived from a 1.8 percent increase in industrial exports (totaled 81.6 percent out of total exports in 2014), and from a 1.6 percent increase in exports of diamonds (totaled 16.2 percent of total exports in 2014).² In contrast, agricultural exports (2.4 percent of total exports in 2014) declined by 8.5 percent.

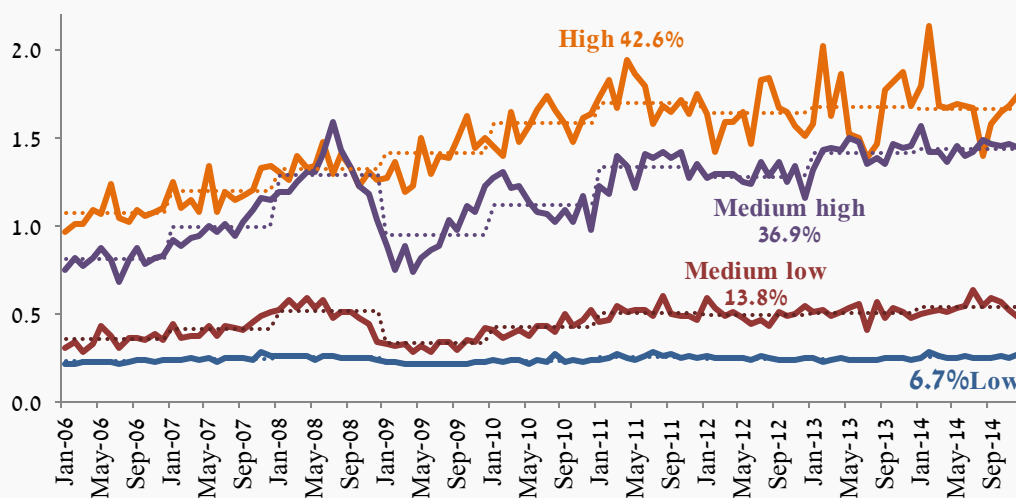
The breakdown of industrial exports by Technological Intensity shows a 0.9 percent decline in High- technology exports (42.6 percent of manufacturing exports, see figure 2), due to a decline in the manufacture of computer, electronic and optical products, a decline that was balanced by an increase in the export of pharmaceutical products. In contrast, industrial exports of other technological levels rose in 2014. Thus, exports of Medium-high-technology industries increased by 1.7 percent (mostly due to an increase in the export of manufacturing equipment and machinery, despite a decrease in the export of chemicals and its products), exports of medium-low-technology industries rose by 6.9 percent and exports of low technology industries rose by 7.1 percent.

² Approximately two third of exports of diamonds were worked on in Israel and the rest were not.

Development of Israel's Foreign Trade in 2014

Figure no. 2: Industrial exports by technological intensity:

Billions of US dollars, monthly data and yearly average



* Percentage near each technological level indicates the percentage of its exports of total exports excluding diamonds

Sources: CBS, processing by the Chief Economist division

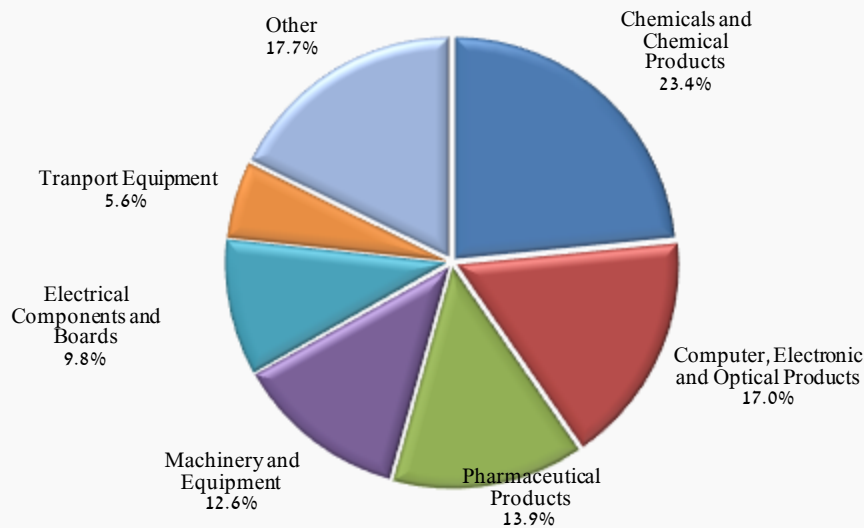
Figure 3 presents the main exports industries of the Israeli market including: "chemicals and chemical products," "manufacture of computer, electronic and optical products,"³ "manufacture of pharmaceutical products" and "manufacture of computer, electronic and optical products." Figure 4 presents the development of trends in these industries' exports throughout recent years.

³ Electronic components excluded

Development of Israel's Foreign Trade in 2014

Figure no. 3: Main industries of industrial exports

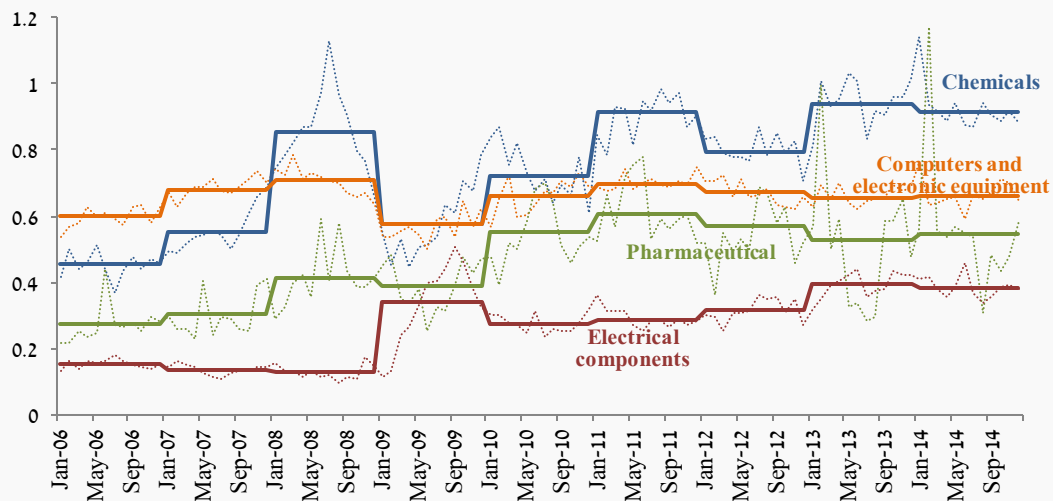
Percentage of total industrial exports, diamonds excluded



Sources: CBS, processing by the Chief Economist division

Figure no. 4: Exports of computers and electronic equipment, pharmaceutical, electrical components and chemicals

Billions of US dollars, monthly data and yearly average



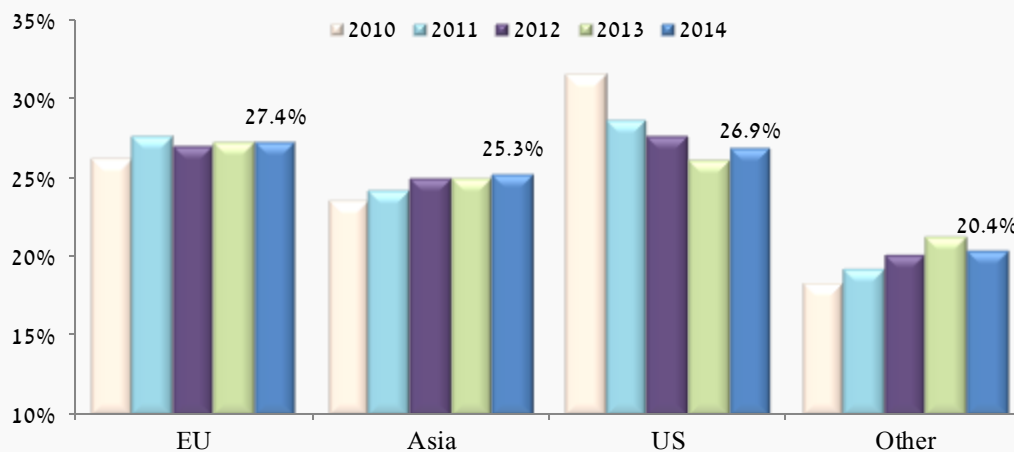
Development of Israel's Foreign Trade in 2014

Sources: CBS, processing by the Chief Economist division

The breakdown of Israeli exports by countries shows that 2014 registered an increase in exports to its main export destinations. Exports to the USA increased by 6.1 percent, exports to the EU increased by 3.2 percent, and exports to Asia increased by 4.5 percent.⁴ The share of exports to Asia and other countries increased in recent years mostly at the expense of exports to the USA. The share of exports to the EU remained relatively stable.

Figure no. 5: Export destinations by country groups

Percentage of total exports



Sources: CBS, processing by the Chief Economist division

⁴ The gap between the 1.4 increase of exports and exports by country groups is due to the gap between gross and net export, see note no. 2.

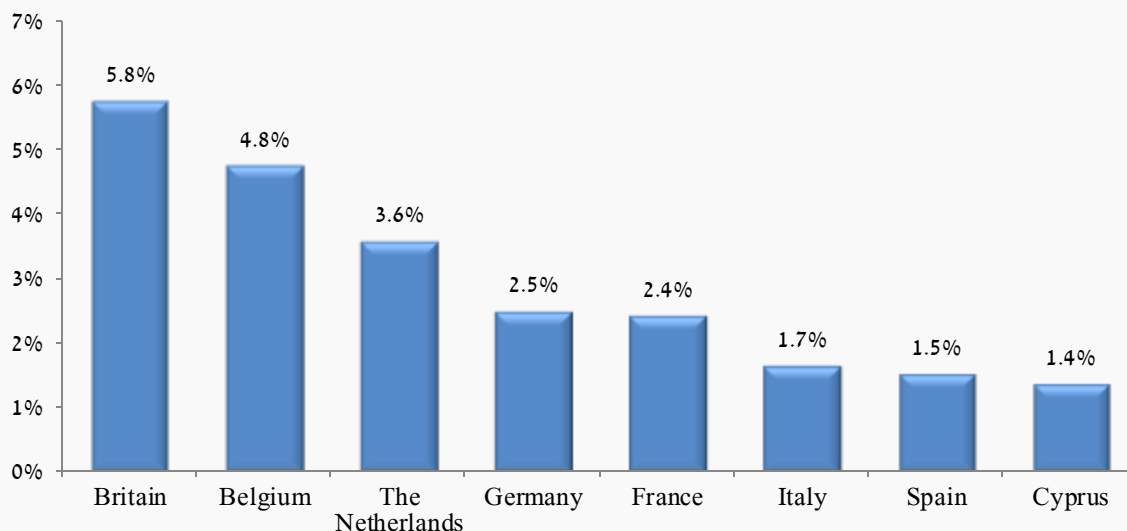
Development of Israel's Foreign Trade in 2014

Exports to the EU⁵

The EU is Israel's largest trade partner, where approximately 27 percent of Israeli exports are destined for EU countries. Trade partners within the EU are mostly Britain, Belgium⁶, the Netherlands, Germany and France (see Figure 6). Exports to these countries consist of 70 percent of total exports to the EU.

Figure no. 6: Main export destinations in the EU

Percentage of total Israeli exports



Sources: CBS, processing by the Chief Economist division

⁵These statistics are based on gross export data. Statistics include all export components including exports of ships, aircraft and diamonds.

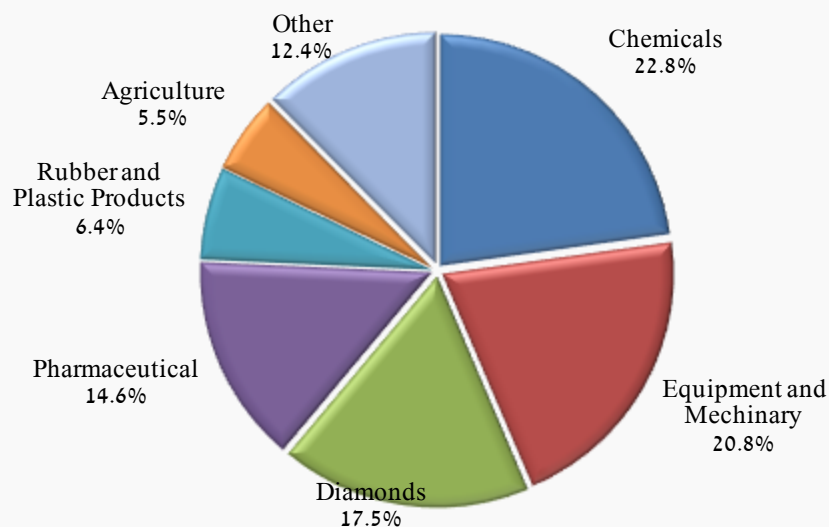
⁶ Belgium high rank is due to high exports of diamonds to that country.

Development of Israel's Foreign Trade in 2014

An analysis of the exports by industry to the EU shows that the major share of exports consists of the manufacture of chemicals and chemical products, the manufacture of pharmaceutical products and exports of diamonds. The rate of agriculture exports to the EU is relatively high in comparison to its total rate (exports of agriculture to the EU consists of 5.5 percent of Israeli exports to the EU, while the total agricultural exports consists only 2.5 percent).

Figure no. 7: Composition of Israeli exports to the EU

Percentage of total Israeli exports to the EU⁷



Sources: CBS, processing by the Chief Economist division

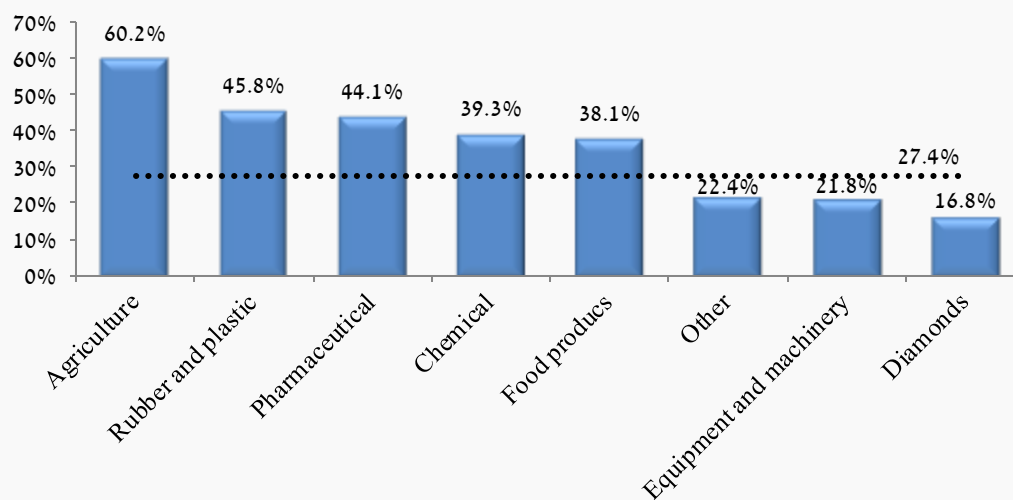
⁷ Specific data by country and commodity are available for 2014, as of the end of January, only until the end of September. The breakdown of the composition of the exports according to available 2014 data results similarly.

Development of Israel's Foreign Trade in 2014

Figure 8 presents the level of dependency of main export industries in exports to the EU. The table shows a high dependency in agricultural exports, plastic and pharmaceutical products. In contrast, dependency in exports of diamonds and the manufacture of machinery and equipment is relatively low. The weakening of the Euro may affect the exports of these industries which are highly dependent in the EU market.

Figure no. 8: Dependency of Israeli export industries in exports to the EU

Percentage of industry exports to the EU out of total exports of the industry⁸



⁸ Specific data by country and commodity are available for 2014, as of the end of January, only until the end of September. The breakdown of the composition of the exports according to available 2014 data results similarly.

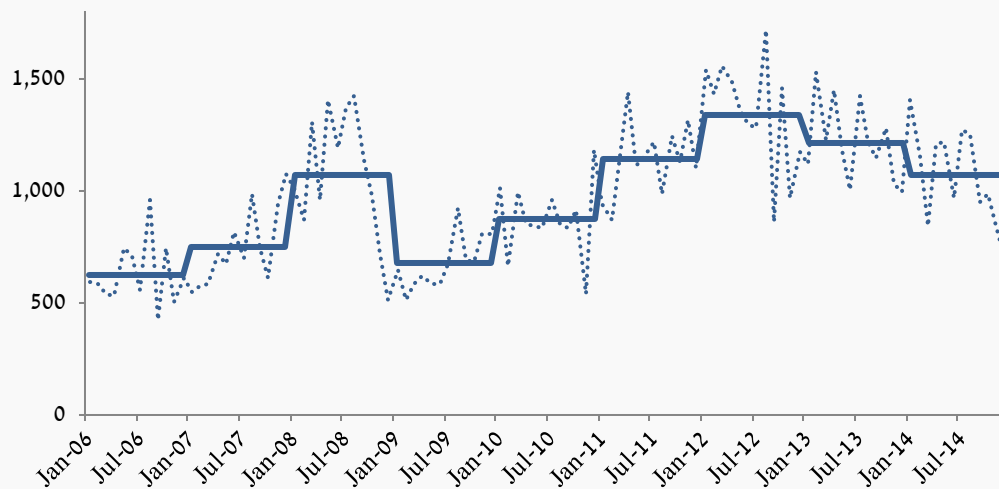
Development of Israel's Foreign Trade in 2014

Imports of goods

Imports of goods increased moderately by 0.5 percent, while a similar rate remains after the exclusion of ships, aircraft and diamonds. However, with the deduction of fuels (an industry that maintained a declining trend during 2014, see figure 9) the increase of imports was more significant at 4.4 percent.

Figure no. 9: Imports of fuels

Billions of US dollars, monthly data and yearly average



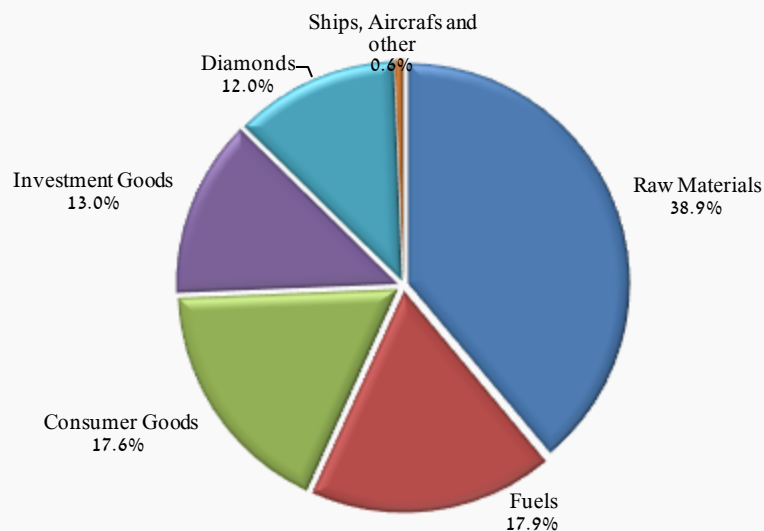
Sources: CBS, processing by the Chief Economist division

Development of Israel's Foreign Trade in 2014

The breakdown by commodity groups shows that imports of most commodity groups increased. Imports of consumer goods, imports of investment goods and imports of raw materials increased by 9.0 percent, 4.4 percent and 2.3 percent, respectively. Import of diamonds increased as well by 3.8 percent. In contrast, the import of fuels fell by 9.0 percent, further to the decrease in 2013. A part of the decrease in the import of fuels during the last months is explained by the sharp decrease in oil prices during the second half of 2014. Table 10 presents the composition of imports during 2014.

Figure no. 10: Main commodity groups of imports

Percentage of total 2014 import



Sources: CBS, processing by the Chief Economist division

Development of Israel's Foreign Trade in 2014

A significant rise in imports of consumer goods follows to the rise in 2013, and was due to a sharp increase in imports of transport equipment. A significant increase was also noted in imports of current consumption goods (except for medicine) and in imports of furniture and home appliances (see figure 11).

Figure no. 11: Imports of consumer goods

Rate of increase: 2014 versus 2013 and 2013 versus 2012

