

## DEFINITIONS AND EXPLANATIONS

### Changes in Publication Format

Beginning January 2003, statistical data on foreign trade is presented in a Monthly Bulletin, "Foreign Trade Statistics Monthly", solely in the Internet. As of January 1969 until December 2002 statistical data on foreign trade was presented in print in a Quarterly Bulletin, "Foreign Trade Statistics Quarterly".

### The Population Investigated

1. Statistical data on foreign trade presented in the publications of the Central Bureau of Statistics and in this Monthly Bulletin relate solely to import and export of commodities. Data on import and export of services and the remaining international business of Israel are included in the Balance of Payments published quarterly in the "Monthly Bulletin of Statistics" and in greater detail in the Current Statistics series.
2. Imports and exports are recorded according to the "Special System"<sup>1</sup>, by which only that portion of the trade flowing through customs is included. Accordingly, imports do not include goods imported and stored in bonded warehouses, and exports do not include goods exported from these warehouses. Neither included are goods in transit.
  - a. **Gross imports** include consignments imported from abroad for local use (including finishing and repair) which are freed by the Customs immediately after unloading, or which were freed after a time from the bonded warehouses of the Customs. Import data do not include commodities put into bonded warehouses, except for a number of productive enterprises, which are recognized as bonded warehouses. Imports do not include consignments which were exported in the past and which were returned to Israel without any further processing.
  - b. **Net imports** are obtained by deducting from gross imports the value of goods imported earlier and returned to a supplier abroad without processing or changing its form. As there is no way of identifying the date of entry of the goods to Israel which are being returned abroad, the deduction is done on the date of return abroad. For this reason the returns are deducted from the grand total and not from items detailed by branches.
  - c. **Gross exports** include the flow of products abroad, except consignments of commodities which were previously imported and then returned to a supplier abroad without any processing. It also includes part-finished goods which are sent abroad for additional processing and which eventually will be returned to the sender, and goods which were imported and sold to abroad without processing, when the purchaser is not the supplier.
  - d. **Net exports** are obtained by deducting from the value of gross exports the value of goods, which were previously exported but were returned to the Israeli supplier without processing or change of form. As there is no means of identifying the original date of consignment abroad of exports returned from abroad, the

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<sup>1</sup> United Nations, *International Trade Statistics Concepts and Definitions*, Statistical Papers, Series M, No. 52/ Rev. 2, 1998.

deduction operates on the date of return rather than the date of original export. For this reason returns are deducted from the grand total and not from items detailed by branches (excluding diamonds).

3. The date of statistical registration of the import is the date of the release of the goods by the Customs authorities, whereas for exports it is the date of loading the goods on ship, airplane, or trucks (land transport to Jordan).
4. Foreign trade statistics include, among others, the following goods and business activities:
  - a. Personal import and export: personal effects of immigrants, seamen, returning residents and foreign diplomats (import) and of emigrants (export).
  - b. Parcels dispatched by mail (in recompense or as gifts).
  - c. Ships and aircraft are included in import and export data whether they have passed through Customs or not. Imports include ships purchased from abroad by Israeli companies and sailing under Israeli flag or a foreign flag. It should be noted that ships and aircraft do not undergo the procedure of passing through Customs.  
  
Exports include ships and aircraft, which were produced in Israel and those, which were previously purchased and later resold abroad in the reporting period.
  - d. Products for exhibitions and fairs are, in principle, included in foreign trade data only if they were sold or given away free of charge. Returns from exhibitions are not included in foreign trade but there are difficulties in identifying these flows.
  - e. Equipment imported or exported on a lease basis (e.g., electronic computers and other data processing equipment).
  - f. Gold and silver (non-monetary), both in processed or partly processed form, scrap and remnants intended for industry, smelting or medical use.
  - g. Fuel and food supplied to foreign ships and aircraft in Israeli ports are included in export since 1969, even though they did not pass through Customs.
5. **Special transactions and commodities not included in foreign trade statistics:**
  - a. Commodities imported or exported for a limited period of time and returned without having undergone any processing, e.g. personal effects of tourists (including cars); goods intended for exhibitions, fairs, displays, etc.; commodities intended for temporary storage only; equipment sent to perform contract work and returned after use.
  - b. Effects purchased by tourists in Israel or by Israelis abroad. An estimate of the value of these purchases is included in the account of services in the Balance of Payments. In cases where duty has been charged on goods purchased by Israeli tourists, the goods were included in total imports.
  - c. Engines and parts of aircraft sent by local airlines to their branches or representatives abroad for replacement or repairs and those sent to Israel from branches abroad for repairs or replacement.
  - d. Fish caught by Israeli fishing vessels.
  - e. Monetary gold, securities and legal tender (notes and coins) or currency about to be made legal tender (local currency notes printed abroad are recorded according to the value of the printers and not according to face value).

- f. Fuel and food supplied to Israeli ships and aircraft in foreign ports (recorded in Balance of Payments as services).
- g. Ballast and dunnage supplied to foreign ships in Israeli ports and to Israeli ships in foreign ports.
- h. Imported military equipment and weapons (estimated value is included in the commodities account in the Balance of Payments). The flow is not included in the import of goods because it does not undergo the usual procedure of passing through customs.

## 6. The trade with the Palestinian Authority

The trade data do not include the transactions with residents of the Palestinian Authority. The data also do not include the value of the import and export commodities, which were released by the Israeli customs and belong to residents of the Palestinian Authority. Data on trade with Palestinian Authority is published within the Balance of Payment.

## Classification of Commodities

1. The classification, according to which foreign trade statistics are processed and published, is the classification that serves the customs<sup>2</sup> in handling the import and export shipments. Import data are classified according to the details in the customs tariff<sup>3</sup> and export data - according to the "Classification of Export Commodities"<sup>4</sup>.

As of January 1<sup>st</sup> 1988, the customs' classification of commodities, which serves the customs and statistical data processing, was based on a new international nomenclature, which was prepared by the Customs Cooperation Council – "The Harmonized Commodity and Coding System" (H.S.)<sup>5</sup>. This nomenclature replaces the Nomenclature "Classification of Goods in Customs Tariff" of which the first version was introduced at 1962 named "Brussels' Tariff Nomenclature" (B.T.N.) and the last version was the C.C.C.N. – "Customs Cooperation Council Nomenclature". In the special Supplement to Quarterly No. 4, 1988, details are presented on the new nomenclature, its aims, structure, and its principles of classification.

2. **S.I.T.C.**<sup>6</sup>

Import and export data are also classified according to the U.N<sup>7</sup>. Standard International Trade Classification, in which goods are classified in groups that are better suited for statistical presentation. This classification is obtained by a special sorting of details in the customs classification and their concentration in groups according to the structure of the

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<sup>2</sup> <http://www.mof.gov.il/customs/taarif.htm>

<sup>3</sup> *Customs Tariff and Exemption Ordinance for 2002*, edited according to H.S. - 2002, Kovetz Hatakanot No. 1295, 1 January 2002.

<sup>4</sup> The Ministry of Industry and Trade, The Customs Authority *Classification of Export Commodities Edited* according to H.S.- 1988, *Customs and Excise Dept.*, No. 511, 1 January 1988, updated for 1992.

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[http://europa.eu.int/comm/eurostat/ramon/nomenclatures/index.cfm?TargetUrl=LST\\_NOM](http://europa.eu.int/comm/eurostat/ramon/nomenclatures/index.cfm?TargetUrl=LST_NOM)

<sup>6</sup> United Nations, *Standard International Trade Classification, Revision III*, Statistical Papers, Series M, No. 34, New York 1986.

<sup>7</sup> <http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=14>

classification. More details on the S.I.T.C. and its last version are presented in the Supplement to the Foreign Trade Quarterly No. 1, 1988.

### 3. **Classification by Economic Branches**

Export data is presented by branch of origin, meaning: the classification was done by the economic branch to which the product pertains by character. The division of the products into branches was done based on the description of the goods in the goods classification and not based on the exporter's branch. The definition of the branches is based on the classification of economic branches prepared by the Central Bureau of Statistics.

Starting with Quarterly No.1, 1995, data are published on export goods classified by new branch (origin)<sup>8</sup>. Until this Quarterly export goods were classified according to the "Standard Industrial Classification of All Economic Branches 1970" (Technical Publication No. 46).

Starting with Monthly No.8, 2003, data on export goods are published classified by new branch (origin)<sup>9</sup>.

Export data classified by new branch can be obtained from the Bureau's database starting 1988.

### 4. **Classification by Economic destination.**

This classification, according to which data on imports are presented, divides the items by three uses: consumer goods, raw materials for production and investment goods. Each use is sub-divided into secondary groups. In certain cases when a product is intended for more than one use, this product's import value is divided into the appropriate uses (e.g. passenger cars are both consumer goods and investment goods; sugar functions as consumer goods as well as a raw material).

In this classification the division of imports is into primary uses of the goods, i.e. the first use made of them: consumption, as raw materials - for production, or investment. Unprocessed and partly processed goods and components for assembling machinery and automobiles are classified as "raw materials". Spare parts, tools and accessories for additional use are also included under "raw materials". The classification by economic use is based on "Survey of Import Destination" which is conducted once in several years by the Central Bureau of Statistics.

The Classification of Import Commodities, by economic destination was updated in the No.3, 1993 Quarterly, as based on the Import Destinations Survey 1988. The results of that survey were published in Special Publication No. 952<sup>10</sup>. Until the said quarterly, commodities were classified according to the 1982/83 survey, and henceforward they are classified according to the 1988 survey. The results of that survey were published in Special Publication No. 787<sup>11</sup>.

### 5. **Classification by Technological Intensity.**

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8. Central Bureau of Statistics, *The Standard Classification of All Economic Activities 1993*, Technical Publication No.63, Jerusalem 1993.

9. Central Bureau of Statistics, *The Standard Classification of All Economic Activities 1993*, Technical Publication No. 63, Second Edition, Jerusalem 2003.

<sup>10</sup> Central Bureau of Statistics, Import Destination Survey 1988, Special Series No. 952.

<sup>11</sup> Central Bureau of Statistics, Import Destination Survey 1982/83, Special Series No. 787.

In 1997, the OECD presented a technology classification for the Manufacturing Industries, divided into four main groups: High Technology Industries, Medium-high Technology Industries, Medium-low Technology Industry, and Low Technology Industry.

The classification is based on industry rank evaluation of two technology intensity indicators: (1) R&D expenditures divided by value added; (2) R&D expenditures divided by production. High score Branches in the 1<sup>st</sup> indicator show higher use of both, advanced equipment and advanced technology. There is also high link between production and usage of advanced technology.

Israel adopted the OECD<sup>12</sup> classification with two exceptions:

- Branch "Equipment for control & supervision" is included in "High-technology Industries". In the OECD it is included in "Medium-high-technology Industries".
- Branch "Petroleum & its products" is included in "Chemicals & refining petroleum" in "Medium-high-technology Industries". In the OECD it is included in "Medium-low-technology Industries".

List of Manufacturing Industries included in each of the four main groups of the Classification by Technological Intensity:

- **High technology Industries** include electronic industries, equipment for control & supervision, office & computing equipment, aircrafts and pharmaceutical products.
- **Medium-high technology industries** include refining petroleum industries, chemicals (excluding pharmaceutical products), machinery, electronic equipment & electrical motors, motor vehicles and transport equipment (excluding aircraft industry).
- **Medium-low technology industries** include mining & quarrying industries, rubber & plastic products, iron & steel foundries, metal product, non-metallic mineral product and jewellery goldsmith & silversmith.
- **Low technology industries** include food products, beverages & tobacco, textile, wearing apparel & leather, paper, printing & paper products, and wood & furniture.

## 6. Fuel

Data on import of fuel include crude oil and petroleum products such as residual fuel oil, gasoline and coal and its by-products.

## 7. Countries

- a. The country of import might be, "the country of purchase", "the country of origin" or "the country of dispatch". "The country of purchase" is defined as the country from which the invoice for the goods imported was sent; "the country of origin" is defined as the manufacturing country of the goods; "the country of dispatch" is defined as the country in which the goods were loaded on ship, airplane, or trucks. In some cases, "the country of purchase" is different from "the country of origin" and from "the country of dispatch".

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<sup>12</sup> *Classification of Manufacturing Industries Based on Technology*, OECD Science, Technology and Industry Scoreboard, Towards a Knowledge-based Economy, Science and Innovation, OECD 2001, Annex I, pp.137-140.

- b. The country of export (destination) is defined as "the country of sale", i.e. the country of the purchaser. In fact the country of export is recorded as the country to which the invoice for the goods exported was sent. In certain cases "the country of export" is different from the country of consumption and the country of shipment.
- c. As from the agricultural export season of 1991/92 with the dissolution of the Board of Citrus Marketing and transfer of export to other companies, most shipments of this export arrive to Belgium, and are bought by various agents. As a result, there is no information on the country of the (final) destination of the commodity. Also the sale of flowers through the flower exchange is recorded as exports to Netherlands without no possibility to classify by country of final destination.
- d. Data on the import and export of commodities are published according to countries, blocs, regions and continents. The countries within the group are arranged alphabetically according to the Hebrew name of the country within the group.
- e. List of changes introduced to countries and blocs:
  - Through accession of the German Republic to the Federal Republic of Germany with effect from 3 October 1990, the two German States have united to form one sovereign state. As from that date all data shown referring to the Federal Republic of Germany are under the designation of "Germany".<sup>13</sup>
  - In 1991 the Union of Soviet Socialist Republic formally dissolved into 15 independent countries: Ukraine, Azerbaijan, Estonia, Armenia, Belarus, Georgia, Russian Federation, Latvia, Lithuania, Moldova Republic, Uzbekistan, Tajikistan, Turkmenistan, Kazakhstan, Kyrgistan. From May 1<sup>st</sup> 1992 onward data are shown for the individual countries.<sup>14</sup>
  - Beginning August 1<sup>st</sup> 1992 the former Yugoslavia data is referred to the new sovereign countries: Bosnia and Herzegovina, Croatia, Slovenia, the Federal Republic of Yugoslavia and Yugoslavia republic of Macedonia.<sup>15</sup>
  - On February 4, 2003, the official name of the Federal Republic of Yugoslavia has been changed to Serbia and Montenegro.
  - As of January 1<sup>st</sup> 1994 Czech Republic data is referred separately to Czech Republic and Slovakia.
  - From May 2004, the following countries joined the European Union: Estonia, Hungary, Latvia, Lithuania, Malta, Slovenia, Slovakia, Poland, Czech Republic and Cyprus.<sup>16</sup>
  - Trade data concerning Luxemburg and Belgium are published separately for each country. Exceptionally, are two tables, in which until 1994 data of both countries

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<sup>13</sup> Central Bureau of Statistics, 'Foreign Trade Statistics Quarterly' No. 1, 1991, Vol. 42

<sup>14</sup> Central Bureau of Statistics, 'Foreign Trade Statistics Quarterly' No. 2, 1992, Vol. 43

<sup>15</sup> Central Bureau of Statistics, 'Foreign Trade Statistics Quarterly' No. 4, 1992, Vol. 43

<sup>16</sup> Central Bureau of Statistics, 'Israel's Foreign Trade by Country - May 2004', Press Release 152/2004, June 17, 2004

were published jointly: (a) Table 13 – “Exports, Imports and Trade Balance, by Country, of Purchase and Destination”; (b) Table 14 – “ Main Trading Countries, by Commodity Groups”.

Also in table 12, “Exports to Main Trading Partners, by Commodity Groups”, joint data was published for both countries. But since 4<sup>th</sup> quarter 1994 its publication stopped.

## The Value of Commodities

1. **The value of imports** is determined by the importers' report to Customs being based on the value of the transaction as defined in the Treaty of Brussels on the Evaluation of Goods for Customs Purposes (1950). The value of the transaction represents the value for which the goods were sold supplemented by expenditure on transportation and insurance as far as the border of the importing country, including costs of unloading at the exporting port. This definition of the value of the transaction in imports corresponds to the value of the goods according to C.I.F. (Cost, Insurance, Freight).

In most of the cases, the value for Customs purposes includes an imputation of local costs - wharfage and portage fees.

Import taxes and other taxes levied on imported goods are not included in the value for Customs purposes.

In the event of import of products unaccompanied by monetary recompense, where difficulty exists in determining the value of the transaction (as in the case of gifts), the value is determined by an estimate based on market price. So, for example, the cost of import of gifts for museums is based on the valuation of an insurance assessor.

If imported commodities are freed against a deposit, the import is recorded according to the date of release against the deposit until the final settlement of the account. The amendment of this import is recorded with final settlement, which is also dated according to the actual release of the goods (in other words an amendment of the value of the import may take place after several months).

2. **Import** data are recorded in the import entry forms in the currency of the transaction and are calculated in Israeli Shekels, according to the exchange rate on the date they are freed by customs and are converted into U.S. dollars too. The exchange rates for these purposes are the exchange rates for customs purposes on the date of the presentation of the entry forms. In the publications on Foreign Trade, the values of imports and exports are presented in U.S. dollars.

Since the floating of the Israeli Pound in October 1977, the rates of exchange between major foreign currencies and the Pound or the Shekel are determined for customs according to the rate dictated by the customs authorities on the basis of data provided by the Bank of Israel. To the extent that exchange rates fluctuate more than 2 percent in the daily rate of any currency, as fixed by the Bank of Israel, so the rates for customs purposes may be changed even in the middle of the week

December 1980 and September 1985 changes were introduced concerning Israeli currency: December 1980 the prevailing currency, the Lira, was changed to shekel. The exchange rate was 10 Lira was equivalent to 1 Shekel. September 1985 the Shekel was changed into New Shekel. The exchange rate was 1,000 Shekels were equivalent to 1 New Shekel.

3. **The Value of exports** data are recorded according to F.O.B. (free on board) transaction values before discounts and commissions are paid to foreign factors.
4. **Export** data are recorded in the export entry forms in Israeli Shekels and in the currency in which the transaction is made. The conversion into U.S. dollars is carried out in the monthly summaries, according to the rate on the day the transaction was registered at customs.

## **Data Sources**

1. The main sources for imports and exports data are the forms submitted to the customs authorities by importers and exporters (import and export entry forms).
2. In certain cases the sources are administrative summaries prepared by institutions, which supervise the foreign trade of groups of products, such as aircraft and ships.

An important portion of the fresh agriculture exports is carried out by the consignment method. After the sales the data are revised according to the actual revenue based on reports submitted to the Central Bureau of Statistics by Agrexco.

Diamond imports are recorded until 31 December 1982 according to administrative summaries and since 1 January 1983 - according to the system of all imports. The change in the recording system was applied on 1 August 1982.

Imports and exports of ships and aircraft are recorded according to data obtained from the Ministry of Transport and airlines and shipping companies.

## **Seasonally Adjusted Data**

Several data series are presented Seasonally Adjusted.<sup>17</sup>

Beginning January, 2005 the data analysis is done by means of the improved computer program X12-ARIMA/2000, replacing X12-ARIMA/2000 used before. This analysis is based on moving averages, which calculates the seasonal factors-S for each month. These factors may change by use of supplemented or updated data.

Seasonally adjusted data include prior adjustment factors for trading days and festivals dates (P) that were calculated simultaneously by a new method, which was developed by the Central Bureau of Statistics.

Seasonal adjustments cannot be deducted from all the series and therefore some of the intermediate sums also include series for which no seasonal adjustments were found. New classification of trade data by branch of origin enables expansion of seasonally adjusted data series. Starting 'Foreign Trade Quarterly' No. 1, 1995, 8 new export series and 5 additional import series are published. Monthly data for 1988 and onward can be obtained from the Bureau's database for each basic series and for series totals.

## **Price and Volume Indices**

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<sup>17</sup> Central Bureau of Statistics, 'Seasonal and Prior Adjustment Factors for 2005, Trends for 2001-2005, (Internet only, at the Central Bureau of Statistics site: Classification and Methods, Statistical Methods, Time Series). <http://www.cbs.gov.il/publications/tseries/seasonal/presentatione.pdf>

Price indices are intended to measure the change, which occurred in the average price of total imports, total exports, or a group of commodities, between two periods.

- **Price index** (unit value) is calculated with weights of the current period according to Paasche formula.
- **Volume index** is derived as the quotient of the value and of the Paasche price indices.
- **Terms of Trade index** are calculated according to with Paasche price index.

Price of a single commodity (price unit value) is determined according to the average unit value of the commodity, either exported or imported.

The definition of commodities is based on the classification used for Customs tariffs (imports) and on the “Classification of Exports Commodities” (see chap. “Classification of Commodities”). The classifications do not always specify single items of uniform quality, but also groups of similar commodities. As a result, in some cases, the obtained changes in price of a commodity, as defined in the classification, reflect also quality differences of various components of the group (commodity). In some cases, price indices of similar commodities, published abroad, are used as a substitute for the average unit value.

The information used to estimate price indices of foreign trade encompasses about 50 percent of the total import or export value.

Once a year, the index commodities basket is updated and determined according to the preceding year commodities basket. Price indices are calculated in relationship to data of the preceding year and are chained to the annual average, which is presented in the tables.

- Beginning Quarter 2/2003, indices are chained and presented on the base of 2000.
- Beginning Quarter 2/1998, indices are chained and presented on the base of 1995.

Please note:

- To calculate a continuous series based on 1991, the requested index must be multiplied by the 1995 index based on 1991.
- To calculate a continuous series based on 1995, the requested index must be multiplied by the 2000 index based on 1995.

## Formula

Indices are calculated according to the Fisher formula, which is the geometrical mean of the indices calculated according to the Laspeyres and Paasche formulas:

$$I_p^F = [I_p^L * I_p^P]^{1/2} = \left[ \frac{\sum(p_1q_0)}{\sum(p_0q_0)} * \frac{\sum(p_1q_1)}{\sum(p_0q_1)} \right]^{1/2}$$

### Where:

$I_p^F$  - Price index according to the Fisher formula

$I_p^L$  - Price index according to the Laspeyres formula

- $I_p^P$  - Price index according to the Paasche formula
- $p_1$  - Price in the current period
- $p_0$  - Price in the base period
- $q_1$  - Quantity in the current period
- $q_0$  - Quantity in the base period

Price indices calculated according to Laspeyres and Paasche formulas do differ due to the method of quantitative weighting in calculation of the average. According to Paasche formula, weights are for the current period, i.e., the surveyed quarter year. Hence, the changes obtained in this index reflect also the changes in weights. Consequently, the index tends to diminish the price changes. According to Laspeyres formula, quantitative weighting is made according to weights of the base year. Consequently, the index is not influenced by changes in weights between the surveyed quarter years and hence, the index tends to be generally higher than the index according to the Paasche formula. The 'ideal' index according to the Fisher formula is a geometric average of the two above said indices.

The volume index of foreign trade is also calculated according to Fisher formula:

$$I_q^F = V_I / I_p^F$$

Where:

- $I_q^F$  - Volume index according to the Fisher formula
- $V_I$  - Value index
- $I_p^F$  - Price index according to the Fisher formula

The indices of prices and volume of imports are published also according to economic use whereas export indices - according to groups of economic branches.

## Revision of the Import and Export Data

- Foreign trade data according to value as well as classification of commodities and countries, which are currently published, sometimes require revision. Adjustments to current figures become necessary due to several reasons:
  - Errors and omissions in the data sources (the customs' entry form)
  - Different stages of processing of the data
  - Changes in the current data caused by conditional releases from customs (imports) and by consignment shipments (exports).
  - A large number of revisions result from defects in the reporting of physical quantities.

2. Data of a specific year are not amended currently during that year but at the end of the year that is in the 4th Quarterly, which includes information on all the current year.

**Revision of import and export of rough diamonds:**

As of December 1990 (and retroactively since January 1989), sales of rough diamonds to abroad have been recorded as "exports", whereas until then - these sales were defined as "returned imports", and were subtracted of the import data.

This change does not at all affect the data on the trade deficit.

## SPECIAL SYMBOLS

..	=	Unknown or not for publication
0.0	=	a value which is less than half the unit in which data are presented or no cases
*	=	Provisional data
n.e.c.	=	Not elsewhere classified
NIS	=	New Israeli Sheqels
blank space	=	irrelevant as a result of the table's structure
R	=	Revised data