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Received from the United Kingdom Delegation

The attached copy of an Economic Report (No. 48) for the month of February 1948, has been received on 7 April 1948 from the United Kingdom Delegation.

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TELEGRAM

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ECONOMIC REPORT NO. 49 - FEBRUARY 1948.

I. FOOD SUPPLY

Winter crops

February rainfall was fairly heavy in the north and light in the south; this tended to even-up the rainfall situation in the country as a whole. Heavy rainfall throughout the country during first half of March (and, at time of writing, snow) has considerably improved the situation, and prospects for winter and summer crops and grazing are now very promising, and may result in normal crop harvests.

Early sown crops have recovered from the autumn drought, and the late-sown crop is developing satisfactorily. Barley and early varieties of wheat are coming into ear. The straw is somewhat short, but indications are that the grain yield may not be much below normal.

Leguminous crops suffered the most from the dry autumn. Vetches are in flower but the hay crop will be poor. Shortage of seed was responsible for a reduction in the area planted to kerseoush, lentils, and beans.

Summer Crops

2. There is now sufficient moisture in the soil to foster the growth of summer crops; prospects have improved considerably and preparations for sowing are well-advanced. Chick-peas, an early spring crop, are already being sown. Because of the present shortage of wheat and barley, unusually large areas, have been prepared for millet (dura) and maize, to be sown in March.

Potatoes

3. The harvesting of the autumn crop has been completed; early winter potatoes are being lifted in the Jordan Valley.

Planning of the spring crop is now general throughout the hill region. The shortage of "seed" potatoes, estimated at about 1000 tons, may result in some reduction in the area planted.

On account of transport difficulties potatoes are scarce in some localities. In the Jewish urban centres the price has risen to LP.65 per ton.

Vegetables

4. In most districts the markets are well-supplied with all the common winter vegetables - cabbages, cauliflowers, lettuce and spinach; carrots, turnips and and beets; beans and peas; green onions, eggplants, marrows and tomatoes.

In Tel Aviv, and in parts of Haifa and Jerusalem, vegetables are scarce and expensive because Arab produce is not going to the Jewish markets and because of distribution difficulties caused by insecurity on the roads. The Jewish agricultural authorities are endeavouring to increase production to meet the shortage.

Abandoned citrus groves will be planted to vegetables and the war-time home garden movement is again being encouraged.

#### Livestock and Meat Supplies

5. No cattle are imported into Palestine during February. Slaughter of local stock continued on a very limited scale, with the slaughter-houses in the large towns remaining closed practically throughout the month. The Food Control (Prohibition of Sale of Beef and Veal) Order (No.2) 1947, and the Schedule of Maximum Retail Prices for Beef contained in the Food Control Miscellaneous Maximum Prices Order) 1947, were abolished as no longer serving any useful purpose.

Small quantities of frozen beef arrive from Denmark and were sold to the public at prices ranging from 400 to 420 mils per kilo boneless.

No sheep were imported from adjacent territories. During the first days of the month approximately 3500 goats were imported, but since then all imports have ceased, making the shortage of beef and goats nearly as serious as the shortage of cattle.

#### Grazing and Fodder

6. As a result of the "good growing weather" the natural herbage, comprised though it is largely of weeds is a profuse. Water reserves in cisterns, wells and springs are now sufficient to last out the summer.

The condition of range stock is improving slowly. Lambing and kidding are over. Oriental milk products are more plentiful and in Arab areas meat prices are declining. On irrigated farms the fourth and fifth cuts of Berseem musawi are yielding well. Farmers are preparing lands for summer fodder crops and irrigated pastures.

#### Eggs and Poultry

Egg production has shown the usual seasonal increase, but in Jewish centres supplies continue very short and the price is still over 30 mils per egg. Transport difficulties continue to hamper the distribution of imported eggs.

The hatching season proceeds and results have been excellent. On account of the shortage of eggs and poultry meat, all available incubator space is being used to the maximum. The rearing of young stock continues satisfactorily, in spite of the shortage of foodstuffs.

Frozen poultry is available to a limited extent on the market at reasonable prices.

#### Subsidization and Distribution of cereals

8. In February the production of Palestine Standard Flour fell slightly to about 12,000 tons and the quantity of flour distributed had to be cut by 15%. The composition of the flour remained unchanged at 70% imported flour and 30% barley flour. As from March 1st, revised arrangements were introduced to ensure more effective distribution of supplies. Wheat flour and barley since the 1st of March are being issued direct to wholesalers, instead of in the form of an adulterated Palestine Standard Flour. This will result in economies in handling and processing and reduce delays in production and consequent non-delivery of allocations.

To keep within the amount provided for subsidization (i.e. LP.2,750,000 the subsidy on cereals has been reduced, with effect from 1st March, from LP.19 per ton to LP.9 per ton. Accordingly prices of LP.40 per ton and LP.24 per ton were fixed for wheat flour and barley respectively ex Government Agents' stores. It is estimated that the corresponding retail prices to the consumer will work out approximately as follows:

White Flour	- 45 mils per kg
White Bread	- 65 mils per kg.
Barley Flour	- 34 mils per kg.
Barley Bread	- 48 mils per kg.

Although the reduction in the subsidized price is substantial (LP.10) it is quite reasonable to expect that this will have little adverse effect upon the actual cost of living, for the following reasons:

Although the reduction in the subsidized price is substantial (LP.10) it is quite reasonable to expect that this will have little adverse effect upon the actual cost of living, for the following reasons:

(a) it should be possible to maintain the price of 65 mils per kilo for the white loaf, which is half its previous price, unless extensive profiteering is indulged in; in spite of the altered conditions, whereby there is no shortage to be exploited,

(b) although the above-mentioned price of the white loaf is a little higher than the present price of the standard loaf, in actual fact so many people have been accustomed to buy white bread that a reduction of price for the latter will in fact mean a reduction in cost of living for those concerned;

(c) there is a noticeable and increasing sense of public responsibility for control of distribution and of the price of bread under present abnormal conditions.

At the date of this report (18th March) it appears that the old bread prices are still in force, probably because old stocks of standard flour at the old prices had not been fully liquidated.

#### Dairy Produce

9. Small quantities of tinned milk from Holland and Denmark have arrived, as well as two or three shipments of Australian skimmed milk powder.

A consignment of about 70 tons of Australian butter, being the tail end of Palestine's 1947 quota of 1500 tons, has arrived in the country enabling Government to make a single distribution of one packet per registered customer in March.

#### Oil Seeds

10. The production of coconut oil, margarine and soap decreased in February owing to reduction in imported supplies of oil seeds; coconut oil to 340 tons, (400 tons in January), margarine to 385 tons, (450 tons) soap to 450 tons (500 tons).

#### Bee Keeping

11. Sugar-feeding is still proceeding in most districts and during February a third distribution of sugar was made in the northern area at the rate of 2 kgs. per hive.

The early blossoming of wild flowers and fruit trees has improved the condition of bee-colonies. There is an increased demand for honey and only small stocks remain. The prospects for the coming honey crop are fair.

#### Alcoholic Drinks

12. The retail maximum selling prices of locally produced alcoholic beverages have been revoked (with exception of maximum selling prices of beer) in view of the fact that prices under the old order had proved to be obsolete, and investigation of costings became inopportune under present circumstances.

The new order, published on 19th February, 1948, provides for the maximum selling prices for locally produced beer only, and for maximum selling prices still in force in respect of imported whisky and gin.

Prices of other imported alcoholic drinks continue to be fixed administratively.

## II. MARKETS

#### Prices and List of Living Index

13. The cereal market was affected by the heavy demand for bread grains on the one hand, and by the improvement in local crop prospects on the other. The immediate demand for bread grains as the result of distribution difficulties and the not unnatural desire on the part of householders to accumulate a stock of foodstuffs against the future. The price of local grains, the new crop of which will not be available for some time, increased. Thus the price of wheat rose from LP 90 to 97 1/2, of maize from LP 38 to LP 45, and of millet (dura) from LP 58 to LP 65 per ton.

The first early barley and winter pulses from the Beersheba area should reach the market by the end of April. This expectation had a softening effect on the market for such grains. The price of barley remained at LP 55 per ton, but quotations for lentils, kersenneh and tibben fell from LP 80 to LP 70, LP 50 to LP 40 and LP 25 to LP 18 per ton respectively.

The market for perishable foodstuffs has not yet adjusted itself to the segregation of communities that followed the recent disturbances. The surplus vegetables, fruit, meat, milk and eggs produced by Arab farmers were formerly disposed of to Jewish town-dwellers. In the present circumstances this trade is disrupted. In Arab areas such commodities are plentiful, and prices are tending to fall to a more reasonable level; in the Jewish urban areas they are scarce and expensive. The price differences within short instances are striking - Jewish eggs, for example, cost 30 mils and Arab eggs 15 mils, potatoes are LP 80 per ton in parts of Haifa and LP 30 per ton in Nablus, bananas cost LP 15 per ton in Jericho and LP 90 per ton in Tel Aviv.

The cost of living index for Arab markets on the base year 1942 = 100 was 178 for February 1948, as compared with 179 in January 1948, 167 in December 1947 and 166 in November 1947.

The cost of living index for Jewish markets on the base year 1942 = 100 was 179 for February 1948, as compared with 174 in January 1947 and 1.55 in November 1947.

The comparative table of retail prices below reflects the increase in Jewish market in February and decrease in Arab markets.

		1948	1948
	Jewish Market	January	February
	(Fruit and Vegetables	253.67	281.71
Food	(Other Foodstuffs	173.48	177.77
	(Total Food Groups	185.86	193.81
	All Groups	174.34	178.86
	Market		
	(Fruit and Vegetables	162.54	157.78
Food	(Other Foodstuffs	194.85	192.48
	(Total Food Group	189.16	186.36
	All Groups	179.23	177.72

Owing to the interruption of economic relations between Arab and Jewish markets it has not been possible to combine the two separate series of cost of living index numbers to arrive at a single index figure representative of conditions in the whole of Palestine. The basic principles of index numbers require that there be free intercourse between the markets from which the price data are obtained.

Government has therefore decided that the wages committee index of the wages committee index for the months December 1947 and January and February 1948 shall, for the time being, stand at the November 1947 figure of 281.

Fluctuations in the index during 1947 are recorded below:

January	277
February	278
March	281
April	276
May	277
June	275
July	276
August	277
September	285
October	283
November	281
December	281
(pegged)	

#### Citrus

14. At the end of February exports of citrus fruit totalled nearly 8 million cases, of this total 6 3/4 million cases went to the United Kingdom and the remainder to minor purchasing countries. Apart from a million cases of grapefruit and 160 thousand cases of lemons, the shipments were made up almost entirely of Jaffa oranges. The grapefruit crop is nearly over. Some shippers, who are already experiencing a shortage of Jaffa oranges, have obtained permission to substitute Valencias for part of the Jaffa oranges that they had contracted to supply.

Hail-storms at intervals during February were detrimental to fruit quality. Rough seas during the last ten days of the month delayed loading at Jaffa-Tel Aviv; some wastage of fruit occurred and it is feared that the out-turn of these delayed cargoes will be below average.

Out-turn reports of shipments arriving during the first half of February showed only a little more than 3 per cent wastage. The cold weather, and the increased use of di-phenyl impregnated wrapping paper and of nitrogen trichloride disinfection were probably responsible for this satisfactory state of affairs.

By the end of January Jewish exporters had treated one million cases of fruit by the "Decco" (nitrogen trichloride) process. By early February the rate of "Decco" processing had risen to over 200 thousand cases per week. In spite of numerous difficulties, equipment with a treatment capacity of a million cases a month has now been installed at Jaffa port for the use of Arab exporters. Disinfection is proceeding satisfactorily. Export of citrus up to 18 March, totalled 8.6 million cases out of a total programme of 1.25 million cases. Of the 10 million cases scheduled for the United Kingdom, 7.6 million cases had been shipped up to 18th March; a further 1.25 million cases will be shipped before the end of the season leaving a shortfall of 1.15 million cases. 70,000 cases have still to be shipped to the Continent to complete the total of 1.25 million cases as programmed. The total shortfall of 1.15 million cases is due mainly to difficulties connected with transport and handling as a result of the general conditions of insecurity.

#### III. LABOUR AND EMPLOYMENT

##### Strikes

15. Three strikes came to notice during February 1948; they occurred in a citrus by-products factory, at a bus company and at offices of auditors.

The annual statistics of trade disputes in 1947 have been published; during the year 75 strikes and lookouts, involving 9,799 workers and causing a loss of 73,256 man-days, were recorded.

##### Employment

The return of the General Jewish Labour Exchange for January 1948, has not been received; according to press reports employment contracted in some industries manufacturing consumption goods, while in citriculture, due to shortage of labour, the daily working hours were raised from eight to nine.

There has undoubtedly been some unemployment in industries due to transport difficulties, owing to insecurity, resulting in inability to obtain raw materials at the places and at the time required. Moreover there has been a falling off in effective demand for certain kinds of goods, as the public are not disposed to make unnecessary purchases in these hard times. Voluntary taxation for "defence" has also seriously cut into the household budget. Workers thus rendered unemployed have however, been generally re-absorbed in other ways, such as defence, guarding, manning of road blocks and repair of bomb damage. Expenditure in this direction has undoubtedly caused individual hardship and a drain on the individual's purchasing power which would otherwise have been available for the purchase of goods.

##### Wage Index

17. In view of the non-publication of the Wages Committee Index for December, 1947, the Palestine Manufacturers Association and the General Federation of Jewish Labor came to agreement for the fixing of cost of living allowances in industry; with effect from 15.1.48 the allowances will be calculated on the basis of an index of 298 points. The official Wages Committee Index has now been 'pegged' at the November 1947 figure of 281.

The Government also provides that as from the middle of April, 1948, cost of living allowances to industrial workers will be based on the cost of living index computed by the Jewish Agency.

##### Trade Unions

13. Within the framework of the General Federation of Jewish Labor six national trade unions were established during February, 1948; the unions are of workers in the

following industries: food, baking, wood-marks, metal works, textiles and building materials.

#### IV. COMMERCE AND INDUSTRY

##### General

19. The exclusion on the 22nd February, 1948 Palestine from the Sterling area resulted in a run on the banks of short duration. Prices of gold, other precious metals and diamonds rose sharply and commodity prices generally showed an upward trend - possibly as a result of a general desire to convert liquid money into goods.

##### Textiles

20. Climatic conditions which had been mild, became more severe, and larger purchases of winter apparel reduced the previous accumulation of stocks.

The steady rise in the price of raw cotton, and the consequent desire of merchants to replenish stocks also led to increased orders. Local spinners experienced difficulties in obtaining supplies of raw cotton, mainly as a result of the Egyptian Government ban on exports to Palestine. The Ata Factory Co. Ltd. found it necessary to advance prices of their cotton yarn from 480 to 550 mils per kg.

A corporation under the name of the Palestine Rayon Corporation with a capital of 5,000,000.- has been incorporated in New York and it is stated that a rayon factory is to be established by it in Palestine.

Export prospects appear to be more favourable. A LP.10,000.- order for cotton piece goods has been received from Finland and orders for some LP2.20,000.- worth of Palestine manufactured wool worsted, piece goods have been received from Hungary, Finland and Denmark.

The installation of new finishing machinery by Messrs. Argaman is expected to improve the quality of local textile products.

##### Metal Industry

21. The metal industry, with the exception of aluminum goods manufacture, continued to be fully employed. (See paragraph 16).

##### Electrical Appliance

22. As a result of shortages of kerosene and butagaz the production and sale of electrical appliances showed a considerable increase.

##### Building

23. Imported building materials were in slightly increased demand and there were increases in the prices of timber by 10% iron for building by 5% and sheet glass by 7%.

##### Citrus and Food Products

24. The production of citrus by-products is still in full swing, mainly for export to the United Kingdom. Manufacturers of preserved foods also have been fully employed.

##### Diamonds

25. Imports of rough diamonds during the year 1947 from Syndicate sources amounted to 150,018 carats, valued at LP.1,284,639.- and from non-Syndicate sources 139,955 carats, valued at LP.658,530.

Exports of polished diamonds during 1947 amounted to 37,437.08 carats valued at LP 1,163,642.726 to the following countries:

<u>Country</u>	<u>Carats</u>	<u>LP.</u>
U.S.A.	22,065.43	606,436.008
India	12,852.03	446,436.314
England	174.68	6,664.640
Australia	314.34	12,420.675
Canada	92.26	4,910.198
Singapore	434.04	16,533.745
Ceylon	290.20	12,405.479
Hong Kong	869.83	42,095.140
Malaya	33.51	835.360
New Zealand	29.10	1,010.130
Dutch West Indies	8.47	423.500
Burma	2.06	55.110
France	11.16	566.-
Sweden	99.50	7,877.607
Argentina	59.04	2,217.460
Mexico	72.20	1,765.660
Tangier	7.20	1,008.-
Colombia	1.01	50.-
Belgium	<u>20.82</u>	<u>700.700</u>
	37,437	1,164,642.726

The allocation by the Syndicate to Palestine for January of LP.100,000 worth of roughs (instead of the expected LP.250,000) was a great disappointment to the local industry. This, however, was well related by the promise to allocate LP.200,000 worth of roughs for the month of February.

##### Fuel and Power Supply

26. The Consolidated Refineries are now working more or less at normal, and the problem is not so much one of supply as of distribution owing to insecurity and difficulties of transport. Fuel supplies to Palestine Electric and Jerusalem Electric Corporations are fairly satisfactory, but distribution to the public is the problem, owing to transport difficulties. Notwithstanding voluntarily introduced rationing and distribution schemes, housewives queue for hours at a time for their quarter of a tin (1 gallon) of kerosene indispensable for cooking, and frequently have to return home with the empty tin.

##### Potash

27. Escorted supplies of potash continue to reach the Jerusalem railway from the Dead Sea fairly satisfactorily and production and export are satisfactory. Fuel supplies are reaching the Potash Company only in quantity sufficient to maintain day to day production, but not to enable the Company to build up again a reserve stock of fuel. Owing to the detention by the Egyptian authorities of shipments of jute gunnies in transit from India to Palestine for the Potash Company, the Company's stock of gunnies has now been reduced to a quantity which will suffice for only two more weeks. Representations have been made to the Embassy at Cairo.

#### V. RAILWAYS AND PORTS

##### Railways

28. The Tel Aviv-Jaffa Branch is not operating. With that exception the Railway is being worked fully throughout, despite 40 incidents in the 29 days of February, of attacks on wagons, damage to bridges, track and culverts removal and thefts of rails and thefts of goods and stores. The Potash Tiqva branch is being operated by Military personnel. The operation of martialling yards at Haifa and Lydda gives continual trouble because of staff difficulties. At Haifa the martialling yards are being sniped almost continually. But on the whole train robberies have stopped in the first fortnight of March, although looting of trucks standing in station yards has increased.

The staff are apprehensive about their future and disappointed with the retiring benefits. The General Manager foresees increasing difficulties in keeping the railway going until the end of the Mandate and very little possibility of a successor authority being able to continue with the existing staff after the Mandate.

Arab absenteeism is high (about 30%) from the Railway workshops and I.P.C.

##### Kantara - Rafa Railway

Arrangements have been made on behalf of His Majesty's Government for this railway, the property of H.M. Government to be transferred to the Egyptian State Railways with effect from the 1st April 1948. In all respects the Kantara-Rafa Railway will become a "foreign" railway and with effect from the 1st April, all Palestine

Railway rates and fares for through traffic over the Kantara-Rafa Railway will be rescinded. After that date, the through booking of passengers, and of consignments by passenger train services, between stations on the Palestine Railways and stations on the Kantara-Rafa Railway will be discontinued, as is already the case with stations on the Egyptian State Railways. Also the through-booking of goods train traffic between stations on the Palestine Railways and stations on the Kantara-Rafa Railway or beyond will be discontinued.

Rafa will be the junction between the Palestine Railways and the Egyptian State Railways. Any person requiring to travel by rail between stations in Palestine and stations in Egyptian territory will take a ticket to Para and re-book therefrom to destination, in Egypt or Palestine as the case may be.

The owners of goods in wagon loads will be responsible for arranging transshipment of the goods at Rafa.

So far as is known at present, Rafa will become the frontier post for the purpose of immigration and customs formalities such as are now performed at Eantara.

These arrangements, perforce, are likely to curtail very considerably the use of the hallway by civilians for passenger and goods traffic between Palestine and Egypt.

#### Ports

Clearance of goods from Haifa Port is still in arrear mainly because of reluctance of consignees to take possession of cargo for security reasons. Nevertheless about 5,000 tons, are handled to and from ships in the Ports daily compared with the assessed port capacity of 3,000 tons per day. No solution has yet been found to the problem of extracting the 1,100 tons of Jewish cargo in Jaffa and the 3,000 tons of Arab cargo in Tel Aviv. Storage fees on these cargos are mounting up and are already estimated to exceed the value of the cargo.

#### VI. PORTS; TELEGRAPHS, AND TELEPHONES

Postal services are being maintained but there is a considerable slowing up in mail deliveries owing to road insecurity and a great reduction in the available public bus and taxi services which used to be called upon for the carriage of mail.

Telegraph and telephone lines, particularly for inter-urban traffic, have been very seriously affected by the disturbances. Only 25% of the lines are now working throughout the country; owing to damage to the lines and the difficulty of repair parties operating under existing conditions of insecurity.

#### VIII. ROAD TRANSPORT

32. The general security position continues seriously to restrict all forms of transportation, in particular, inter-urban transport.

No one travels outside the main towns except for urgent business, and travel within municipal areas has likewise been reduced to the minimum owing to zoning restrictions and to minimize risk of danger to life. Jewish voluntarily organised convoys of essential foodstuffs continues, though with difficulty, to reach Jerusalem and other parts of the country despite frequent and continuous attacks, damage, and resulting loss of life on the roads.

Thefts of trucks and cars are increasing and the serious risks involved in the use of transport on the roads has reduced the demand for vehicles. This together with sale of surplus vehicles by the Army has reduced the market prices of trucks and cars considerably, although the rates charged for hire of transport have increased because of the serious danger of travel.

#### VIII. EXTERNAL TRADE

33. The annual value of Imports and exports during the past ten years are shown below for comparative purposes

Year	Imports (in LP millions)		Exports (in LP millions)	
	Excluding Crude Oil	Crude Oil	Excluding Refined Petroleum Products	Refined Petroleum Products
1937	15.9	-	5.9	-
1938	11.4	-	5.0	-
1939	14.6	-	5.1	-
1940	11.8	.8	2.8	1.3
1941	12.4	1.0	2.0	2.2
1942	19.7	1.6	3.7	5.0
1943	20.2	7.0	7.4	5.4
1944	27.9	8.3	10.1	4.5
1945	31.2	9.5	13.9	6.5
1946	57.7	12.7	14.8	9.7
1947 (estimated)	78.0	13.6	13.2	14.7
1947				
January-October	64.2	11.4	10.5	
November	7.5	1.1	1.6	
December (estimated)	6.3	1.1		
	78.0	13.6		

There was a remarkable increase of LP 20 million in the value of imports in 1947 as compared with 1946. This was due partly to an actual increase in the physical volume of imports and partly to a general rise in world prices. But as will be seen in the following paragraph dealing with customs revenue, there has been a sharp fall in customs receipts since December, 1947. This indicates that the 1947 upward trend was arrested in January, 1948 since when imports and customs revenue have declined very considerably.

#### Customs and Excise Revenue

34. Customs and Excise Revenue are shown below:

	LP Customs	LP Excise	LP Total
1939	2,040,943	328,000	2,378,469
1945	4,490,900	2,033,275	6,524,175
1946	9,740,976	2,217,217	11,958,193
1947	12,855,000	2,350,000	15,205,000
1947			
September	1,190,000	190,000	1,380,000
October	1,133,000	210,000	1,343,000
November	1,111,000	191,000	1,302,000
December	940,000	194,000	1,124,000
1948			
January	910,000	164,000	1,074,000
February	717,000	110,000	827,000
March (estimate)	600-650,000		

The sharp decline in customs revenue from over LP 1 million a month in 1947 to LP 717,000 in February, and to the estimate of LP 600 to 650,000 for March is attributable to a combination of various factors, viz: the restricted licensing import policy introduced in September, 1947, the restriction of bank credits in recent months, and the looting of bonded and private warehouses and attacks on and thefts of goods on the roads and railway, which induced merchants to cancel orders. In addition, the P. & M. and Conference lines have again stopped shipping the Palestine since early March. In general, there has been a diminution in trade, in fact, a trade recession owing to lack of confidence brought about by the present insecurity situation.

#### IX. CURRENCY

35. There is little to report on the effect of Palestine's exclusion from the sterling area on 22nd February 1948. Although there were comparatively heavy drawings from the banks in the first few banks following the announcement on 22nd February, the charge has been accepted calmly by commercial circles and criticism has been mainly directed at the taking of the decision unilaterally.

<u>Currency in Circulation</u>			
<u>1947</u>	<u>LP Million</u>	<u>1948</u>	<u>LP Million</u>
January	43.1	January	43.5
February	43.5	February	49.5
March	46.9	March	51.2
April	46.1		
May	46.3		
June	45.4		
July	44.9		
August	44.6		
September	43.1		
October	42.2		
November	41.0		
December	42.1		

The appreciable increase of currency in circulation at the end of February 1948 may be attributed to nervousness following the exclusion of Palestine from the sterling area on 22nd February. People were uncertain at first of the effect the exclusion from the sterling area would have on Palestine's currency, and were under the erroneous impression that their bank accounts might be blocked. For a day or two there were heavy drawings which account in the main for the appreciable rise in the February currency figure. Years have, on the whole, subsided. However, currency in circulation at the time of writing (aid-March) was LP 51.2 million. It is understood from an authoritative banking source that banks are holding somewhat larger reserves than usual.

#### Deposits and credits of Banks and Credit Cooperative Societies

36.	Deposits LP million	Credits LP million
1939 (Average)	18.1	14.0
1942 "	25.8	11.4
1943 "	42.9	12.2
1944 "	63.4	15.2
1945 "	79.2	21.6
1946 "	94.1	32.9
1947 (Estimated average)	97.7	42.2
<u>1947</u>		
January	99.1	38.4
February	100.2	39.3
March	98.6	40.2
April	98.5	40.5
May	97.0	40.8
June	98.3	41.3
July	98.6	42.8
August	98.6	43.8
September	97.5	45.2
October	95.0	46.0
November	94.1	46.5

The decline in deposits towards the end of 1947 may be attributed to the fact that merchants and manufacturers have been drawing on their reserves in order to finance the imports of capital and consumer goods. It is thought that deposits continued to decline in December, 1947 and in the first few months of 1948, and the public were apprehensive and preferred to hold ready cash. This process was accentuated by the exclusion of Palestine from the Sterling area on 22nd February, 1948. Banks continued to increase credits or advances throughout the year 1947, to finance the high imports in 1947 (which as already stated exceeded the 1946 imports by LP 20 million), but it is believed that there has been, since then, a considerable tightening up of such bank advances.

(Mr. Brown)

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