

# Chapter VIII – Businesses and Industry

## 1. Businesses

The data regarding businesses presented here were sourced from the Business Register, which was established by the Central Bureau of Statistics in 2003, based on the regulations of Eurostat, the statistical office of the European Union, and of the OECD.

The Business Register database has two primary, regular sources of information: the VAT business file and the National Insurance Institute's employers' file.

The VAT file includes data on all the businesses in the Israeli economy that, over the previous 12 months, were defined as active and therefore required to pay VAT on their transactions.

The Business Register also uses data from the past 25 months about active employers who are required to report to and pay National Insurance.

Business Population - Includes the number of businesses that are registered and required to report to National Insurance and/or the VAT authorities.

The Business Register does not include businesses that are exempt from VAT (exempt/small business holders).

Active Businesses - A business unit is defined as active during a calendar year of activity if it had positive revenue (greater than NIS 0) or, alternatively, if it showed positive data on employment of Israeli workers in the unit during one of the months of activity that year.

Employee jobs - The number of permanent and temporary employees who worked at least one day in the calendar year (or were on paid sick leave, vacation, or on reserve duty, etc.). The numbers include Israeli citizens, foreign workers and workers from the regions of Judea, Samaria and Gaza.

### **Classification of Economic Branches**

Economic branch - The branch of economics to which a factory or establishment belongs.

From 2011 the classification of economic branches was revised from that outlined in 1993. The new classification is based on UN recommendations with modifications made to suit the Israeli economy. The tables that appear in this part of the chapter are based on the 2011 classification. Details of the different economic branches and their description can be found at CBS, [\*Standard Industrial Classification of All Economic Activities 2011\*](#).

Business openings and closings - The population counted in openings and closings refers to the business sector only, and includes only the businesses which must report on VAT. Although the Register includes entities such as non-profit organizations, financial institutions and government ministries, which are not liable for VAT by definition but do employ salaried workers, these entities are not counted.

Business openings include businesses that reported the onset of activity to the VAT authorities during the year, even if they did not report VAT information (revenue or inputs) during the year. This includes businesses that were registered as closed and reported their resumption of activity.

Business closings include businesses that reported their closure to the VAT authorities during the year.

Business Births - There is a gap between the date of register of a business with the VAT authorities (that is, its opening) and the onset of its economic activity, and therefore the birth of the business is the year in which measurable activity occurred for the first time, as reflected in reports on the hiring of salaried workers and/or positive revenue data from VAT.

Business survival - A surviving business is one that is active (reporting positive data on revenue and/or retaining of employees) in the years following its birth.

That is, a business born in the year "t" will be considered as surviving in the year "t+1" if it showed positive data on revenue and/or on hiring employees during the course of the year

"t+1." Notably, a business that was born in the year "t" will be considered as surviving in the year "t+2" only if it was defined as active in "t+1" and "t+2".

For more detailed explanations, see: Central Bureau of Statistics, [\*Business Demography: a Collection of Statistical Data from the Business Register, 2003-2011\*](#).

## 2. Manufacturing Survey

The tables in this chapter are based on the manufacturing survey conducted annually by the Central Bureau of Statistics. Since 2004 the sampling of the manufacturing survey has been modified and the classification of economic industries has been updated as well. Comparison of data from previous surveys should be made with caution.

The data shown for manufacturing sectors are part of survey findings for all sectors of the economy (not including agriculture).

**The survey population** includes all the establishments from all industries in the economy that were active, either fully or partially, in the year of the survey report. The sample comprised approximately 2,779 manufacturing establishments that had one or more employees in 2012. Their main activities were classified in the manufacturing industries, As defined in [\*The Standard Industrial Classification of All Economic Activities, 2011\*](#), Technical Publication no. 80, CBS, Jerusalem, 2012.

**Branch division** - The branch of economics to which an industrial factory or manufacturing establishment that employs an employee belongs. The tables that appear in this part of the chapter are based on the 2011 classification. The data are published at the level of branch division and at the level of 80 clusters of sub-branch.

Due to privacy constraints, in the present publication sub-branches were categorized according to similar activity.

The survey population does not include the following categories of establishments:

- a. Non-profit establishments; b. Dealers in the diamonds industry

The survey covers all economic branches; within each branch a number of strata were determined (by size) and within those, the businesses with the most equal probability were sampled. The sizes of the units in the strata were determined according to total annual revenue.

Sources of data:

- a. Data on revenue based on reports to VAT.
- b. Financial statements for the survey year and their appendices.
- c. The number of employee jobs, based on report of employers to the National Insurance Institute.

The investigations unit - which is also the reporting unit, is the "establishment" - an economic unit (e.g., a mine, factory or workshop) that produces or manufactures products and/or provides industrial services (e.g., repair of machinery or packaging of manufacturing products). An establishment in this sense is generally in a single location and engages in a single economic activity. Following this principle, divisions of firms that manufacture different products or provide different services were defined as separate establishments, on condition that each division has a bookkeeping system that makes separate statistical reporting possible.

It should be noted that divisions that operate as auxiliary units of an establishment and serve only that establishment were not defined as establishments and are not considered separate investigation units.

When divisions could not report separately on the main topics of investigation (number of employees, wages, revenue, etc.), the establishment was considered a single investigation unit.

Jobs - Employee jobs, owners, workers and unpaid family members.

Employee Jobs - All wage and salary earners appearing on the employees' payroll, as well as members of cooperatives, and including workers from Judea, Samaria and the Gaza Strip, as well as foreign employees.

Compensation per job - wages and salaries, and other labor expenses - include all sums subject to income tax (before taxes) that appear on the employees' payrolls, as well as business expenses that do not appear on payrolls but pertain to the employment of employee jobs.

Expenses that appear on payrolls include: basic salary, supplements, overtime payments, days absent, vacation "bonuses," "13<sup>th</sup>-month" salaries, car maintenance, telephone, clothing, per-diem and living expenses and payments in kind.

Stock - The value of the stock owned by the establishment, whether kept on site or elsewhere. This includes:

1. Materials - raw materials, auxiliary and packaging materials, fuel, spare parts, etc.
2. Unfinished products - products whose manufacture was not yet been completed by the date to which the report refers.
3. Finished products – final products in the possession of the establishment at the date of the report.
4. Inventory of products for sales that were not processed - products that were purchased by the establishment for the purpose of sales, and did not undergo further processing.

Adjustment of the prices of stock data - The value of the change in stock (i.e., the difference between the value of the stock at the end of the year and its value at the beginning of the year, obtained from the establishments' financial data) reflects, in addition to the physical change in the stock, capital gains or losses, caused by price changes between the beginning and the end of the year. The value of the stock was adjusted to the average prices of that year on the basis of the Consumer Price Index at the level of an individual establishment and for each type of stock – materials, finished products, unfinished products, and goods.

Total revenue - Composed of two main components:

1. Revenue from manufacturing activity includes: a. Revenue from the sale of the establishment's products on the local market; b. Revenue from the sale of the establishment's products for export; c. Income from contract work and repairs.

2. Revenue from non-manufacturing activity includes: income from renting out buildings and equipment, other income, etc. Capital gains are not included.

Gross output - is defined as the total revenue in addition to the increase in stock of finished and unfinished products and the deduction of the value of goods that were purchased but not processed.

Materials - include raw materials, auxiliary materials, and packaging materials.

Profit and loss statement - the questionnaire of the Manufacturing Survey is based on data from the profit and loss statements of manufacturing establishments.

Gross Value Added - the total gross output after deduction of total inputs. Gross value added components include: compensation for work, depreciation and royalties.

General input - includes all inputs that are not components of gross value added (gross value added components include: compensation for work, depreciation and royalties), and that appear in the Profit and Loss Statement under sales and administration expenditures and general expenditures or other expenditures.

Other input in the manufacturing process - includes all inputs that are not components of gross value added and appear in the Profit and Loss Statement in the categories of "cost of sales" or research and development expenses.

Data at basic prices - gross domestic product data are shown in basic prices –including subsidies and export benefits but not taxes.

The establishment's expenditure - is composed of: The cost of sales, R&D expenses, sales expenses, administrative and general expenses, financing expenses, etc.

Classification by technological intensity - The manufacturing industries (see the introduction to the chapter: Classification by economic branch) were divided into four groups, by technological intensity. Classification by technological intensity was carried out in accordance with the classification recommended by the OECD. The types of technological intensity are as follows (from low to high):

- a. High technology - includes the following industries: Electronic Communications Equipment; Office Machinery; Pharmaceuticals; Industrial Equipment for Control and Supervision; Electronic Components; and Aircraft.
- b. Medium-high technology - includes the following industries: Chemicals and Chemical Products and Refined Petroleum (excluding pharmaceuticals); Machinery and Equipment and Office Machinery; Electric Motors and Electric Distribution Apparatus; Motor Vehicles and Transport Equipment.
- c. Medium-low technology - includes: Mining of Minerals and Quarrying of Stone and Sand; Rubber and Plastics; Non-Metallic Mineral Products; Non-Ferrous and Precious Metals; Metal Products; Ships and Boats; Jewellery and Goldsmiths' and Silversmiths' Articles; and Manufacturing.
- d. Low technology - includes: Textiles; Wearing Apparel (excl. knitting), Footwear, Leather and Leather Products; Food Products; Beverages and Tobacco Products; Paper and Printing; Wood and Its By-Products; and Furniture.

Classification of establishments by technological intensity was based on the main activity of each establishment and on its industrial classification.

For definitions and further explanations, see: Central Bureau of Statistics, [\*Manufacturing Mining and Quarrying Survey 2012\*](#), Publication No. 1628, Jerusalem 2016.

The statistical areas in this chapter are based on the 1995 Population and Housing Census, and not on the 2008 Integrated Census (which serves the basis of Chapters III and V).

### **3. List of Sources for the Tables**

Tables VIII/1-5: CBS, Business Register and Classification Sector

Tables VIII/6-14: CBS, Business Surveys Sector