Monthly Macroeconomic Review January 1, 2009

- The IDF has embarked on a **military action in Gaza**. The results of this campaign, its duration, and the extent of its impact on economic activity in central Israel will determine the economic consequences of the military action.
- **Indicators of economic activity in November** show a mixed trend: an increase in exports of goods and in incoming tourism, but a decrease in imports of goods and a slowdown in tax revenues. **In October**, the industrial production index rose moderately, while the trade and service sectors revenue index declined.
- A decision has been made to provide a **safety net** for older pension savers with relatively low pension incomes.
- The Bank of Israel has presented a **plan to increase liquidity**.
- **The consumer price index** decreased by 0.6 percent in November.
- **The BOI interest rate** was lowered by 0.75 percentage points, to 1.75 percent, due to the deepening and persistence of the global crisis and the sharp drop in inflation expectations.
- **The unlinked-bond yield curve** fell in the long-term range.
- The declines in world equity markets continued in early December, but were checked later that month. For the month of December, the **MSCI World index** gained 3 percent, the **S&P 500 index** gained 1 percent, the **NASDAQ index** gained 3 percent, and the **MSCI Emerging Markets index** rose by 8 percent. The **TA-100 index** fell by 5 percent, or 1 percent in dollar terms.
- **The shekel** appreciated by 1 percent against the currency basket and by 3 percent against the dollar in November, but depreciated by 5 percent against the euro.

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This review contains five chapters:

A. Developments in the Israeli Economy.

B. Developments in the Capital Market.

C. Developments in Inflation and Monetary Policy.

D. Developments in the Global Economy.

E. Which composition of the shekel currency basket has the lowest volatility? In this section, we calculate the weights of the various currencies in the shekel currency basket with the minimal daily volatility during 2008. Among other things, the weight of the dollar in this basket is found to be relatively low, at just 34 percent, whereas the weights of the South African, Japanese, Australian, and Norwegian currencies are far greater than their proportion of Israel's trade.

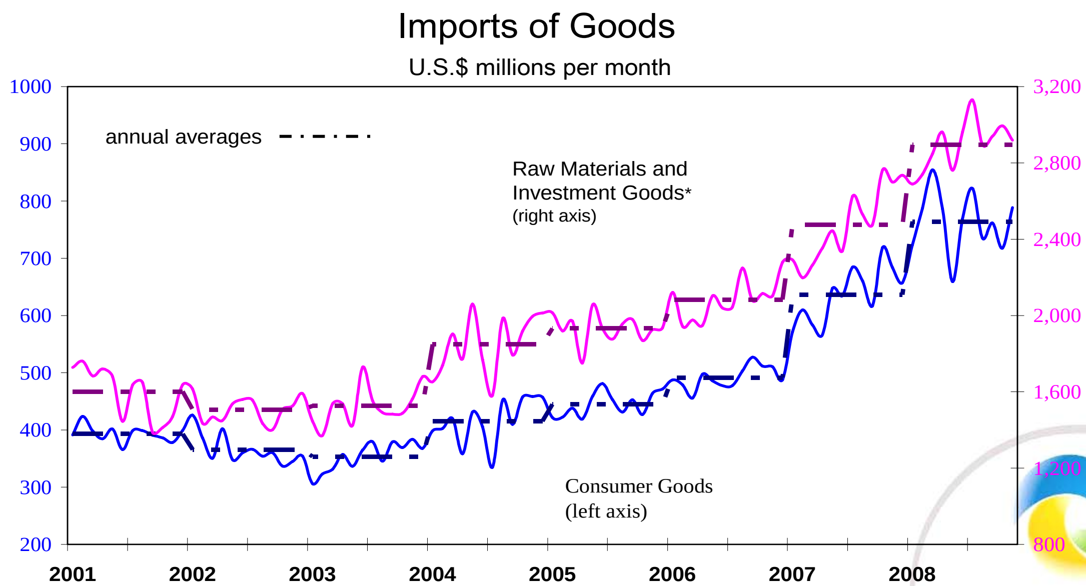
A. Developments in the Israeli Economy

The IDF began a **military action in Gaza** on Saturday. The results of this campaign, its duration, and the extent of its impact on economic activity in central Israel will determine the economic consequences of the military action. In a **pessimistic scenario**, where the battle develops into a prolonged war of attrition or a land action aimed at occupying parts of the Gaza strip, there will be considerable economic implications for the state budget, incoming tourism, and foreign investments, as well as the risk of terrorist attacks in central Israel, and a decline in production and trade in southern Israel. Budgetary damage would be particularly troubling, given the recent significant decline in tax revenues, the forthcoming recession, and the rapid growth of the budget deficit. This could lead to declines in the equity and bond markets and to depreciation of the shekel. On the other hand, in an **optimistic scenario**, where the campaign is brief and successful and concludes with quiet restored to the communities in southern Israel, the economic implications would be positive, as uncertainty would lessen and budgetary risk would decrease.

Indicators published over the last month were mixed. Following the steep declines of the preceding months, **exports of goods** (excluding diamonds, ships, and aircraft; in dollar terms) increased by 4 percent in November and by 1 percent in the last twelve months.

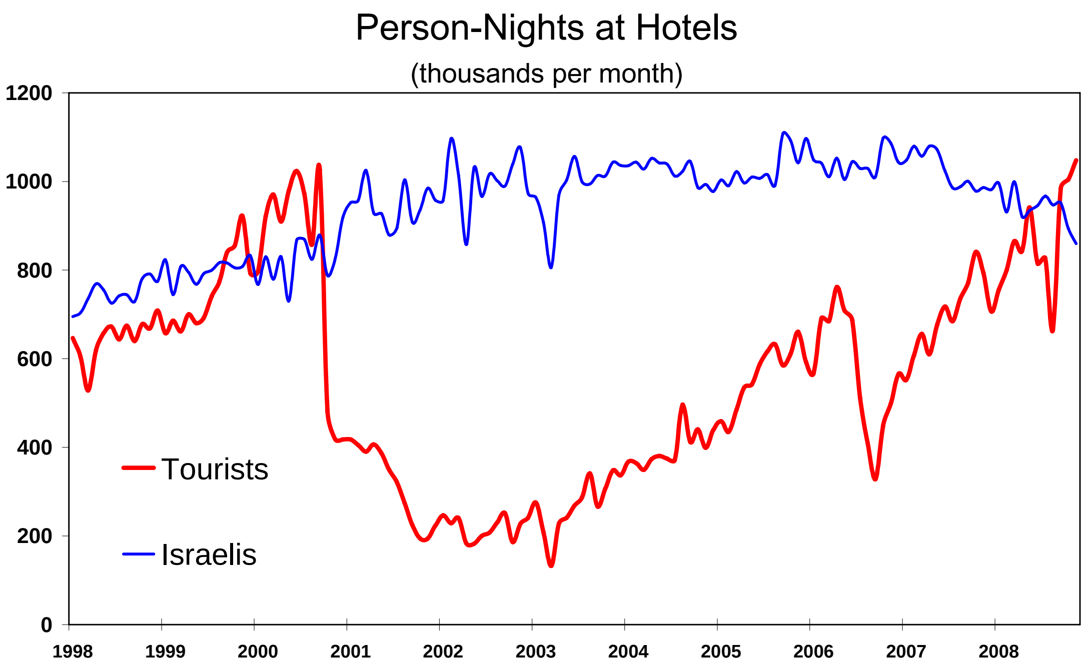
Despite the last month's increase, exports of goods in November were still lower than the third-quarter average, by 8 percent in dollar terms and 4 percent in terms of the currency basket. Exports of goods grew by just 1 percent in the last twelve months.

Imports of goods (excluding diamonds, ships, and aircraft; in dollar terms) decreased by 5 percent in November and increased by 2 percent in the last twelve months, though the decrease in November was largely influenced by the decline in oil prices. Excluding energy products, imports remained unchanged, as imports of consumer goods grew while imports of investment products and raw materials decreased; imports increased by 10 percent in the last twelve months.

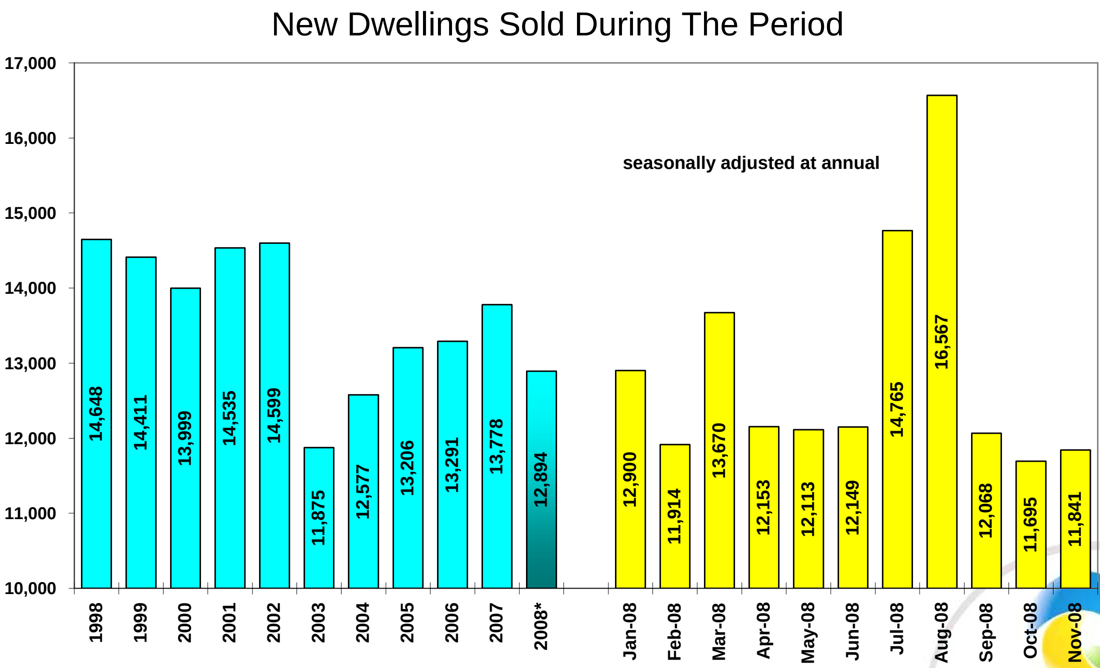


*Excluding diamonds, ships, aircraft and fuel

Tourists' hotel stays increased by 4 percent in November, based on data net of seasonal effects. This figure grew by an impressive 32 percent in the last twelve months. Meanwhile, data on **Israelis' hotel stays** show an opposite trend, with decreases of 4 percent in November and 13 percent in the last twelve months.



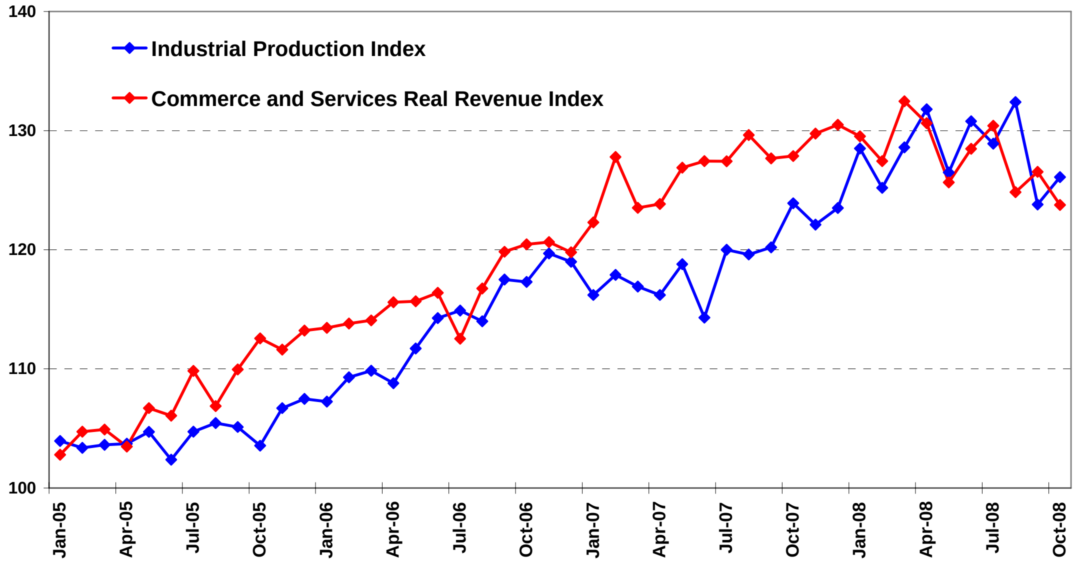
The number of new homes sold increased by 1 percent in November, and figures for October were adjusted upward. The **supply of homes for sale** continued to fall to a low of 7.7 months of sales.



State tax revenues totaled ILS 14.1 billion in November, less than expected; tax revenues are already likely to be lower than the ILS 190 billion planned in the state budget in 2008, despite the large surpluses of the first half of this year. As of now, in 2009 the situation is expected to be far worse. We estimate that tax revenues may be lower than the planned ILS 202.7 billion by al least ILS 30 billion, or 4 percent of GDP.

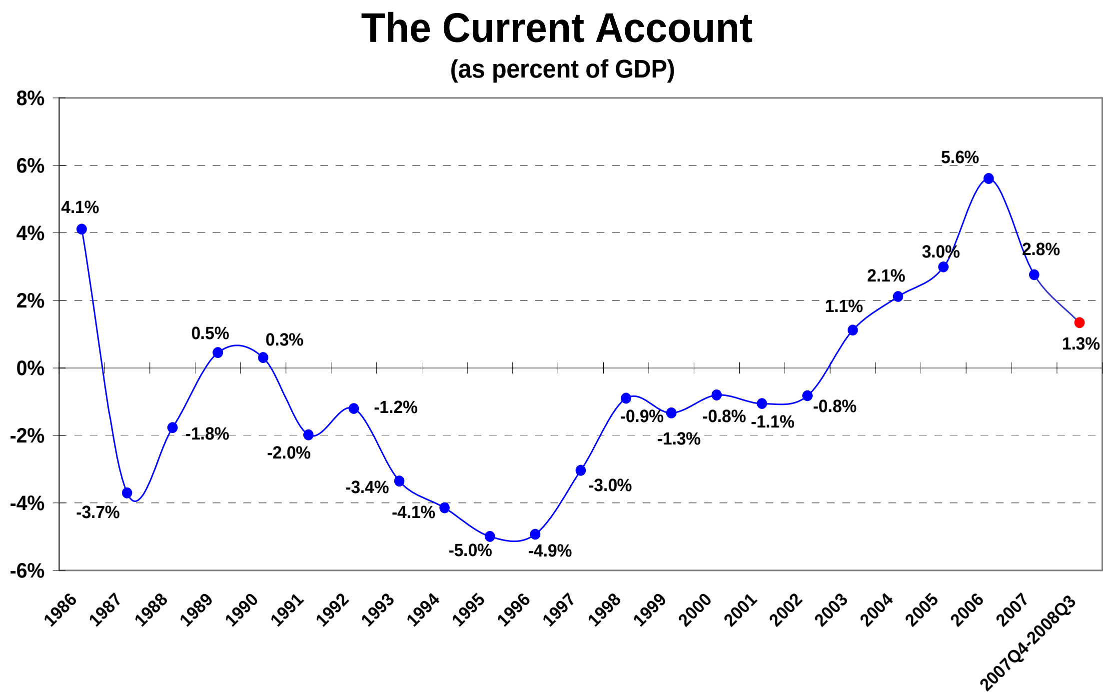
Indicators of real economic activity in October were not positive. The industrial production index rose by 2 percent in October, following a steep decline in September, and gained only 2 percent in the last twelve months. The trade and service sectors revenue index fell by 2 percent in October and by 3 percent in the last twelve months.

Industrial Production Index & Commerce and Services Sectors Revenue Index
Jan 2005 - Oct 2008



The Bank of Israel's composite state-of-the-economy index lost 0.4 percent in November. This index has not increased since May.

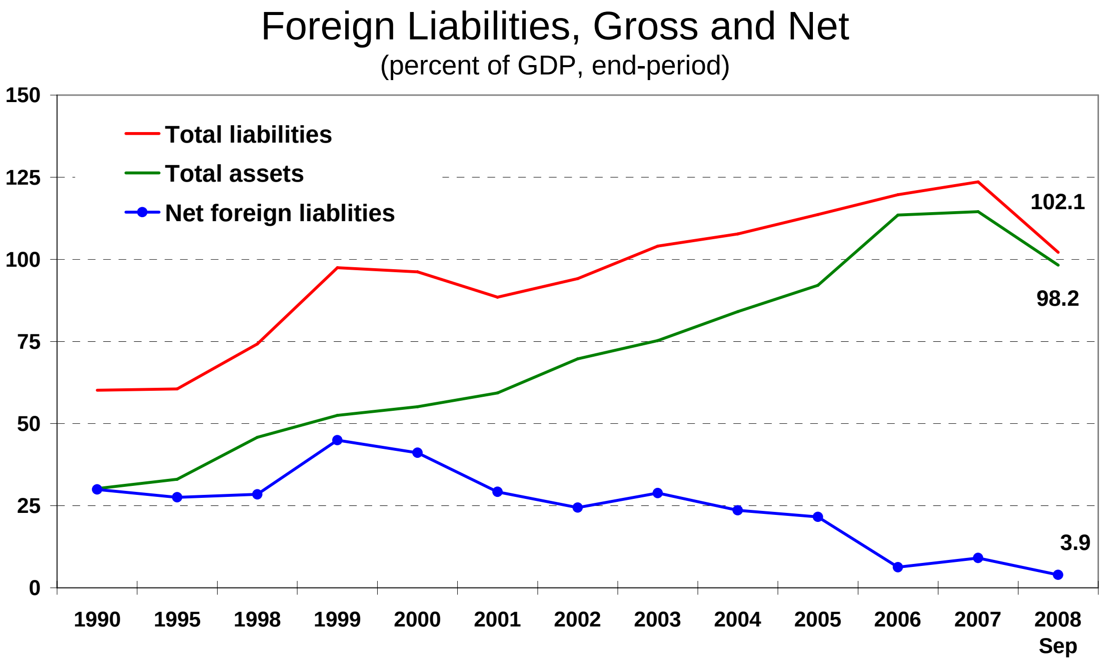
The surplus in the current account of the balance of payments continued in the third quarter, reaching USD 0.5 billion based on data net of seasonal effects, similar to the last four quarters. The surplus in the current account has totaled 1.3 percent of GDP for the last four quarters.



The global financial crisis reduced foreign investments in various countries, especially developing countries and emerging markets. Some of these countries have deficits in their current accounts, which are financed by foreign investments and by loans from abroad. The decreased entry of capital and reduced ability to refinance loans have caused severe damage in some countries, and contributed to sharp depreciation of local currencies. In contrast to these countries, Israel currently has no deficit in its current account; its economy is therefore less vulnerable to a sharp depreciation of the shekel.

Foreign investments in securities portfolios decreased sharply in the third quarter, by USD 1.2 billion, in line with the global trend. By contrast, foreign direct investments totaled USD 3 billion in the third quarter, higher than in the preceding quarters.

Net total foreign liabilities of the economy up to the end of the third quarter decreased to USD 8 billion, or 3.9 percent of GDP, probably the lowest amount of recent decades. This was the consequence of a decrease in total liabilities and a smaller decrease in total assets, due to the global financial crisis and the large foreign-currency purchases by the BOI.



Assets and liabilities of the economy abroad, in USD millions

(In parentheses: Change in 3Q)

	liabilities	Assets	
Direct investment of foreigners in Israel	60,245 (+3,059)	51,649 (+1,618)	Direct investment of Israelis abroad
Portfolio investment of foreigners in Israel	81,986 (-1,150)	39,200 (-403)	Portfolio investment of Israelis abroad
Other investment of foreigners in Israel	57,766 (+574)	65,039 (-3,481)	Other investment of Israelis abroad
		36,466 (+5,361)	Reserve assets
	199,997 (+2,482)	192,354 (+3,133)	Total

Data for September point to some degree of recovery in the labor market, following the very weak figures in August. The **number of employee positions** of Israelis grew by 0.9 percent in September and by 3.7 percent in the last twelve months. **Average wages** for employee positions of Israelis increased by 0.7 percent in September and by 4.9 percent in the last twelve months, slightly less than the increase in the CPI.

Special Aid Plans of the Government and the BOI

The government has decided to implement a plan to provide a **safety net** for those with **pension savings** in provident funds, pension funds, and profit-participatory funds. This protection will guarantee CPI-linked returns of at least zero for pension savings. The plan will apply to savers aged 57 or over with total pension savings of no more than ILS 1.5 million, and will protect pension savings of just ILS 750 million, from future losses only; in other words, no retroactive protection will be provided against the losses incurred by provident and pension funds in recent months. Participation in the plan will not be automatic; savers will be required to apply explicitly, attaching savings declarations and reports, and participation will be conditional on the transfer of applicants' pension savings to an allowance-based track.

The government's plan for a savers' safety net is limited in scope and reasonable in macro-economic terms. A more extensive plan could have led to significant budgetary risks for the government. The Finance Ministry's success in withstanding pressures to provide retroactive compensation for losses suffered by savers in recent months is good news, from a macro-economic perspective, as it reduces the risk of a substantial and dangerous increase of the budget deficit, which could have caused Israel's risk premium to rise and damaged its macro-economic stability.

The Finance Ministry has also announced **plans for intervention in the capital market**, at a total volume of about ILS 11 billion:

- ILS 5 billion to be used to establish funds, in partnership with pension and provident funds, for the administration and refinancing of non-bank credit.
- ILS 6 billion to be provided as guarantees for capital raising for banks, with the aim of improving the stability of the banking system and possibly expanding the volume of credit to firms and households.

An IMF delegation that visited Israel this month welcomed the establishment of the investment funds at a cost of ILS 5 billion, but recommended that each fund purchase only new bonds and work to spread debts, while refraining from purchasing existing bonds on the secondary market.

The delegation also took a favorable view of the government decision to provide a fund of guarantees for capital raising by banks, at a volume of ILS 6 billion, but said that banks wishing to use the guarantees should declare that they will not distribute dividends.

The delegation recommends avoiding significant budgetary measures, at this stage, beyond the plans already presented. It also recommends continued, significant interest-rate reductions.

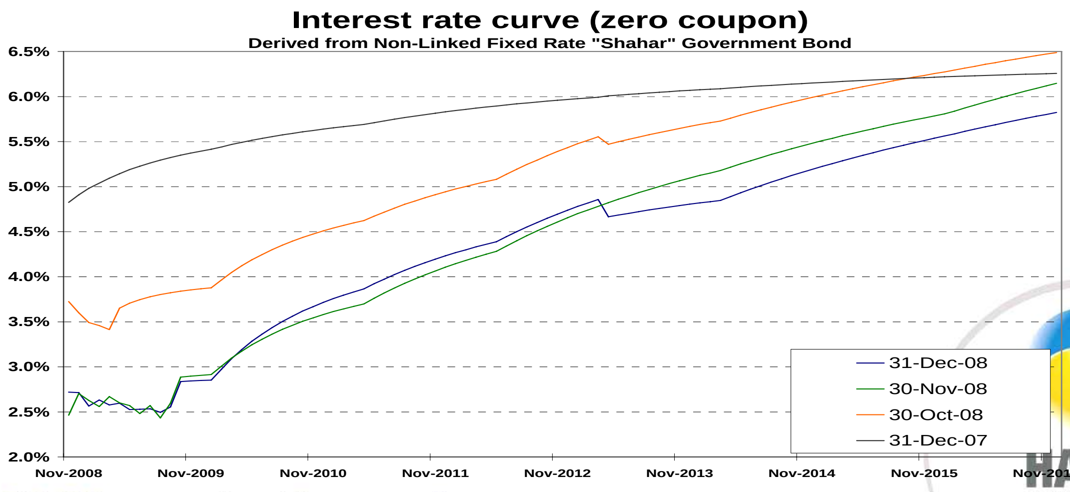
The Bank of Israel has announced a plan to increase liquidity in the financial system. The plan includes several measures:

- Reducing the absorption of liquidity surpluses through the issuance of short-term notes (Makams), while increasing absorption through deposits of banks with the BOI (a complementary measure not noted in the BOI's announcement). The reduction of absorption through Makam issuance is aimed at leading more savers to deposit funds in bank channels, such as short-term deposits, thereby injecting funds into the banks. It is important to note that this does not entail an increase of the amount of money.
- Narrowing the interest-rate spread for banks' deposits with the Bank of Israel. The BOI will thus provide the banks with less expensive credit, in the hope that they will expand and lower the cost of credit granted to businesses and to the public.
- Extending the range of repo auctions for financial institutions and of monetary loans to banks; these steps will facilitate the administration of liquidity and credit granting, by lessening banks' and other financial institutions' fears of financing difficulties.

B. Developments in the Capital Market

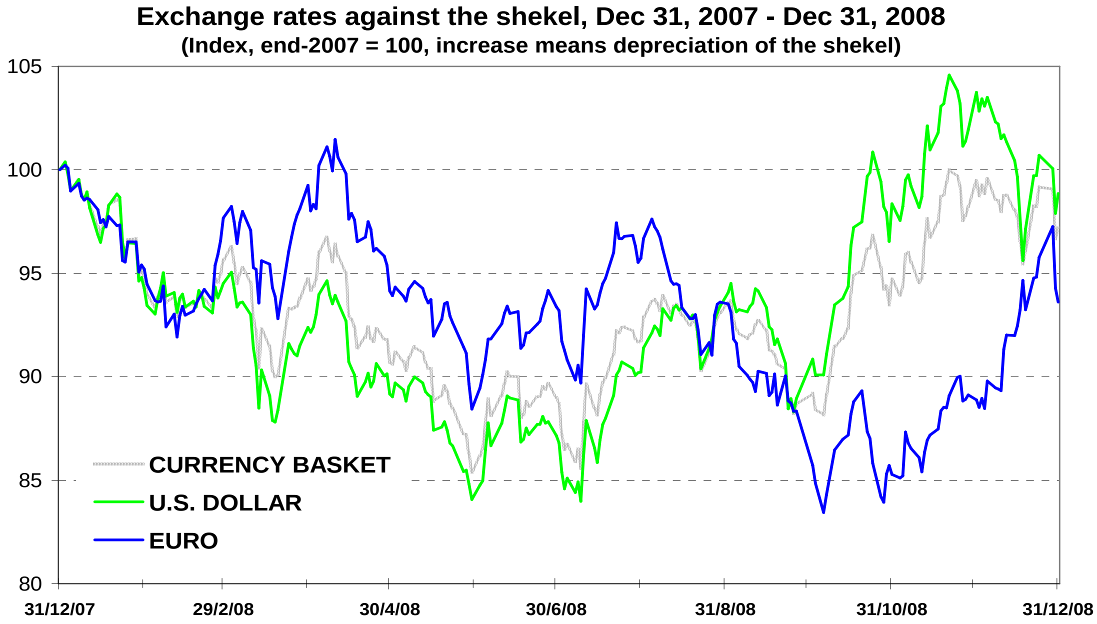
Bond Market

The unlinked-bond yield curve fell in the long-term range.



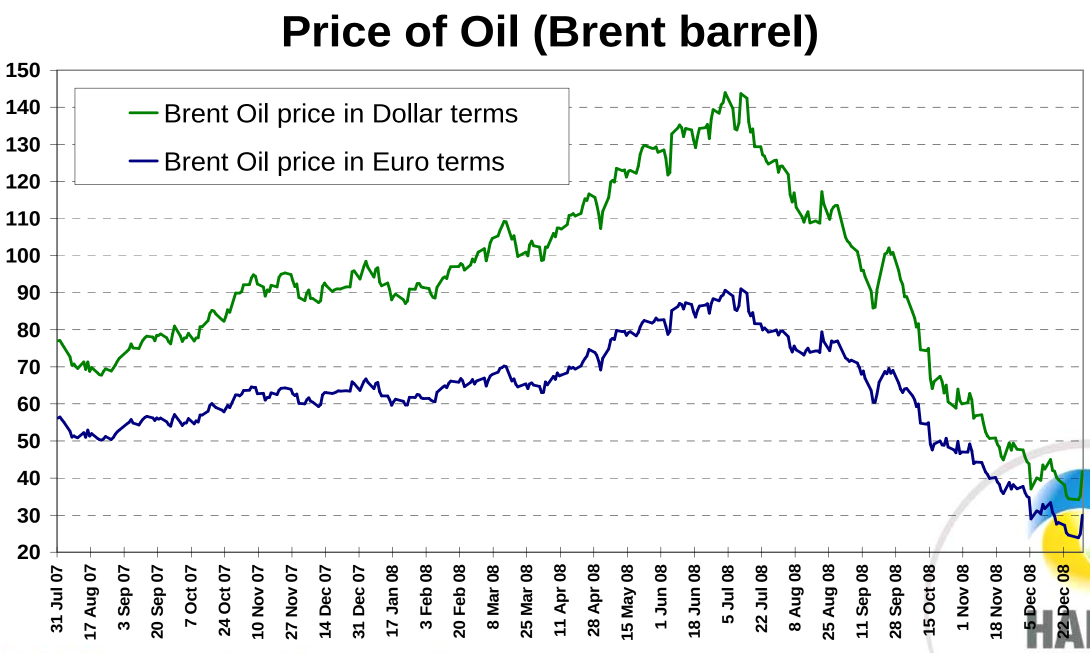
Exchange Rates

The shekel appreciated by 1 percent against the currency basket and by 3 percent against the dollar in November, but depreciated by 5 percent against the euro.



Oil Prices

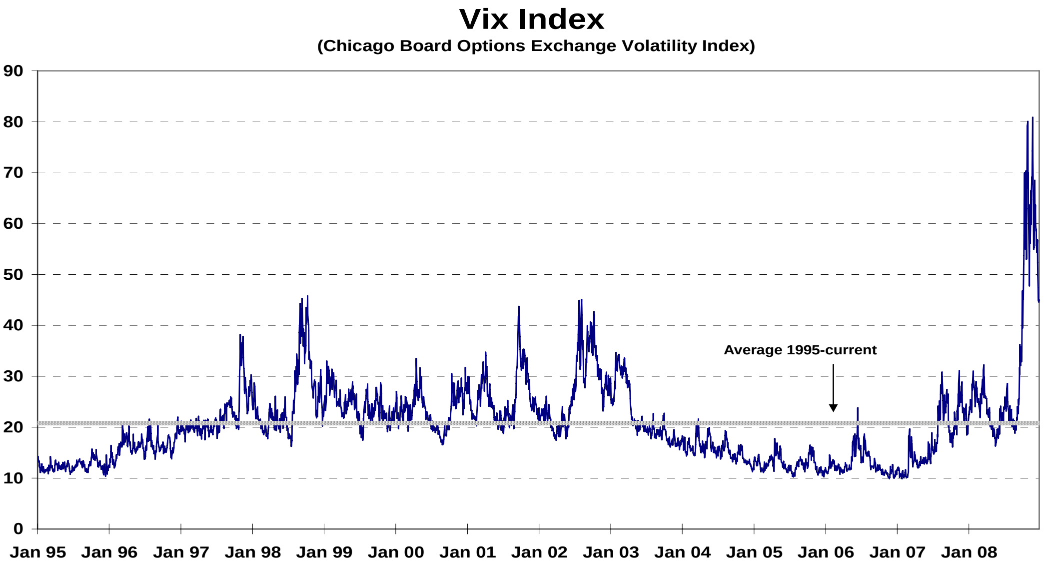
The price of a Brent oil barrel continued to drop sharply; the slowdown in the advanced countries and the expectations of a decline in demand for oil supported this trend. The price of a barrel of oil fell by 12 percent in dollar terms and by 19 percent in euro terms in December.



Stock Markets

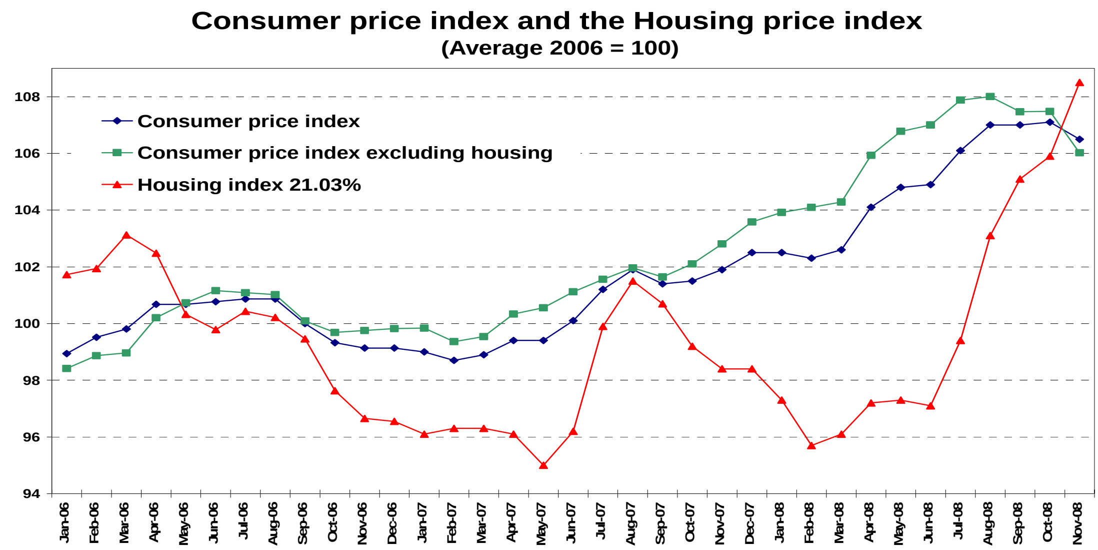
The declines in world equity markets continued in early December, but were checked later that month. For the month of December, the **MSCI World index** gained 3 percent, the **S&P 500 index** gained 1 percent, the **NASDAQ index** gained 3 percent, and the **MSCI Emerging Markets index** rose by 8 percent. The **TA-100 index** fell by 5 percent, or 1 percent in dollar terms.

The VIX index (a popular measure of implied volatility in the equity market in the short term, based on tracking prices of S&P 500 index options) lost 28 percent in December and was down by 50 percent from its October peak.

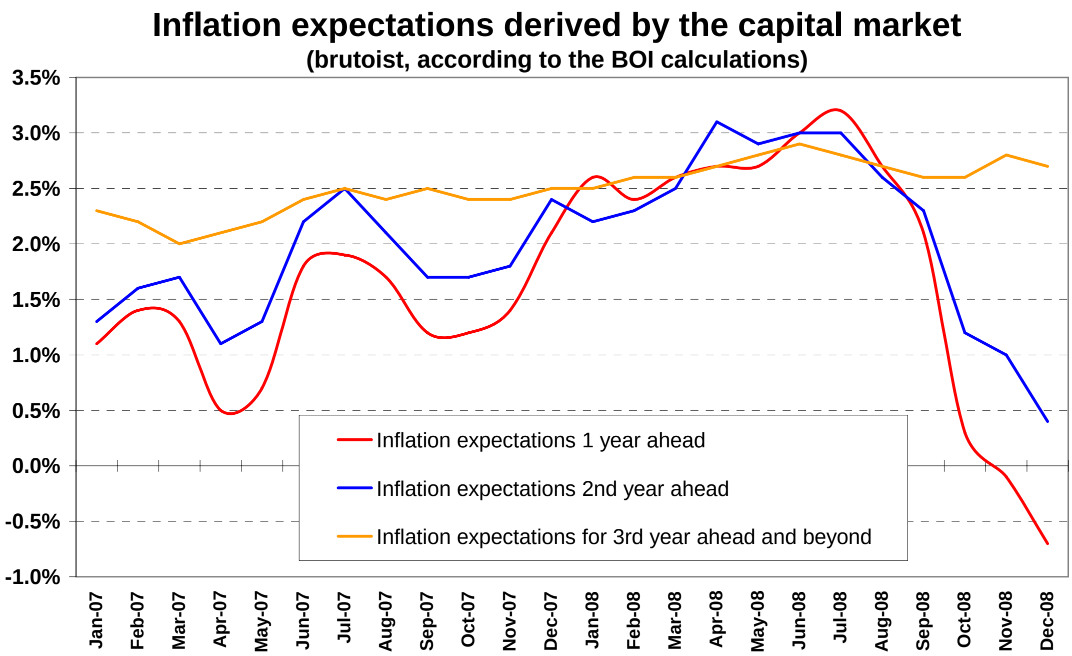


C. Developments in Inflation and Monetary Policy

The consumer price index decreased by 0.6 percent in November. **Inflation** in the last twelve months totaled 4.5 percent. As in recent months, the **housing item** rose at a high rate, gaining 2.5 percent. This item thus returned to its real level of early 2005, relative to the general price index.



Inflation expectations from mid-November to mid-December, according to calculations by the Bank of Israel, were at a historical low of a negative 0.7 percent on average one year ahead. Inflation expectations for the second year were very low as well, at 0.4 percent.



The BOI lowered the interest rate by 0.75 percentage points, to 1.75 percent. The BOI has carried out five consecutive rate cuts since September, reaching Israel's lowest interest rate ever. In our opinion, if there is no significant depreciation of the shekel over the next month, there is a strong probability of an additional rate reduction next month.

The Bank of Israel's Immediate Mission: To Prevent the Destructive Combination of Deflation and Recession at All Costs[1]

During the attacks on New York and Washington on September 11, 2001, a US Air Force fighter plane is said to have been ordered to circle the White House and prevent the approach of civilian aircraft "at all costs." Today, the BOI must prevent the destructive combination of negative inflation (deflation) and recession – at any cost. This will mean a sharp interest-rate reduction and a clear commitment by the BOI to use all means at its disposal to prevent deflation.

The global economic environment has changed dramatically in recent months, as growth forecasts dropped sharply and the value of financial asset portfolios eroded significantly. Prices of commodities fell drastically, with oil first and foremost. Actual inflation decreased greatly in the last few months, with absolute price declines in all advanced countries in November, including Israel.

Inflation expectations decreased steeply both globally and in Israel as a result of these developments. For example, expectations derived from the domestic bond market point to negative inflation of 0.6 percent during the next eighteen months, or an annualized rate of negative 0.4 percent. For comparison, inflation expectations for a similar range were at an annualized 3.4 percent six months ago.

Over the last six months, as inflation expectations fell from 3.4 percent to a negative 0.4 percent, the BOI interest rate decreased from 3.75 percent to 1.75 percent. Consequently, despite the nominal interest-rate cuts by the BOI in recent months, the derived real interest rate – which has the greater impact on the level of activity in the economy – has risen, in spite of the gloomy forecasts for the economy's growth rate and the expected rise in unemployment. The high real interest rate not only does not support economic activity and employment, it actually impedes them.

Meanwhile, the expectations of deflation are causing direct damage above and beyond their indirect effect through the real interest rate. For example, one of the key mechanisms in an economy in recession that mitigates the recession's intensity and eventually contributes to recovery is the erosion of workers' real wages. Firms generally avoid raising wages during a recession, while employees are content to keep their jobs and do not demand pay increases.

[1] Extensive excerpts from this section, written by Michael Sarel, were published in an article in *The Marker* newspaper on December 29, 2008.

Positive inflation means erosion of real wages. This erosion allows companies to reduce the real costs of labor, averting the need for layoffs and reductions of output. However, if inflation is negative, employees' real wages rise even when their nominal pay does not. As a result, companies have no choice but to fire employees and cut back output; some go bankrupt and shut down. This process exacerbates the recession and greatly increases unemployment.

This damage is sometimes permanent, as firms that go bankrupt may not be able to regroup once the economic climate improves. In some sectors, companies develop long-standing business relationships with clients over the years, which cannot be easily reconstructed if the firm collapses. The harm may be irreversible for terminated employees as well. Some of those who lose their jobs, especially older workers, cannot easily return to the job market; if they do manage to return, their productivity and the wages they earn are far lower than before they were fired.

Deflation processes also have a nasty tendency to self-perpetuate. Expectations of deflation cause consumers and firms to delay consumption and investment expenses as much as possible, in anticipation of lower prices in the future than in the present. Meanwhile, demand contracts, supply surpluses form, and prices actually do fall, which realizes and feeds into the deflation expectations, and so on (the opposite process occurs with self-perpetuating high inflation).

Thus, deflation can be highly destructive during a recession. It may greatly deepen the recession and substantially lengthen the time needed for the economy to recover. It is no accident that the most severe and prolonged recessions in memory emerged against a background of a lengthy deflation process. Examples include the Great Depression of the 1930s and the long recession in Japan in the 1990s.

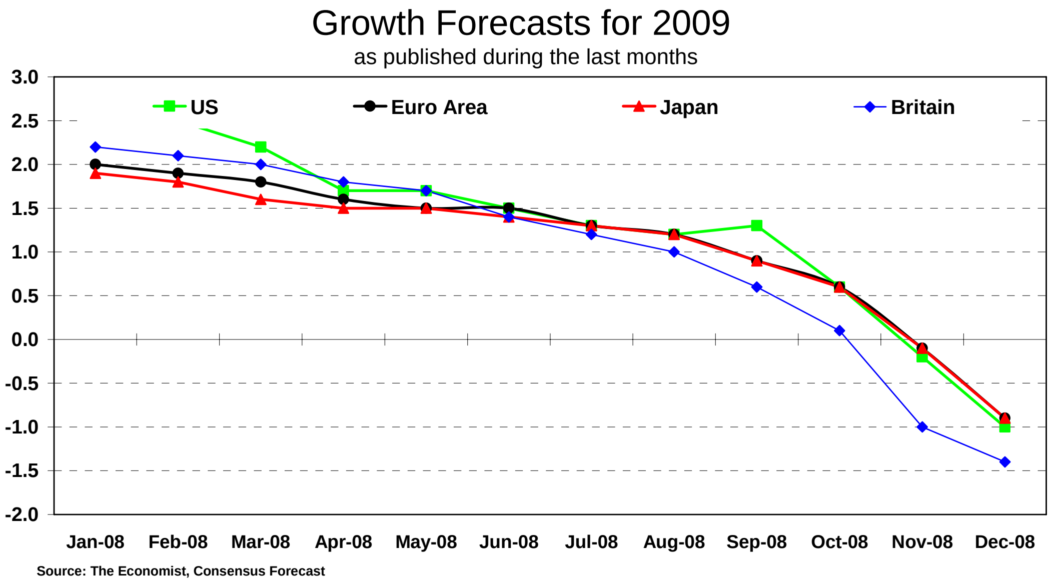
The lesson to be learned and the implications for monetary policy are clear: the BOI must prevent the combination of deflation and recession, "at all costs." Fortunately for the BOI (and for us), the task at hand is a possible one and does not contradict the usual key objectives of monetary policy: to maintain price stability over the long term, support growth and employment, and preserve financial stability.

Under the current conditions in the global and local economy, both the usual objectives and the immediate need to prevent deflation at any cost point in the same direction: sharp interest-rate cuts and a clear commitment by the BOI to use all means at its disposal to prevent deflation.

D. Developments in the Global Economy

Growth forecasts for advanced economies

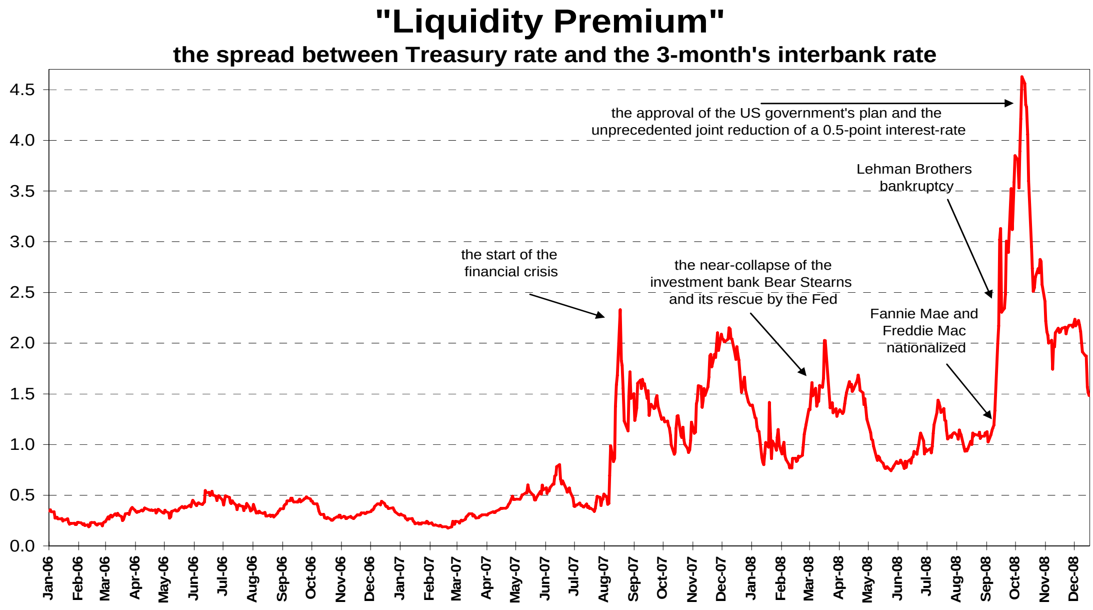
The *Economist* has issued its monthly **Consensus Forecast** of growth rates in the advanced countries. As expected, growth forecasts for 2009 were significantly reduced again, as were inflation forecasts, with estimates now calling for negative 1 percent growth in most of the advanced countries.



United States

The Fed lowered the interest rate more sharply than expected, to 0-0.25 percent. The Fed's interest-rate announcement was longer and more detailed than usual, and explained the planned monetary policy for the near future. The Fed has made a commitment to directly purchase bonds and other assets (possibly including government bonds), while continuing to increase the amount of money – essentially printing money – in order to support the resumption of growth and price stability. In our opinion, the Fed will do everything in its power to prevent deflation, which could worsen and lengthen the recession.

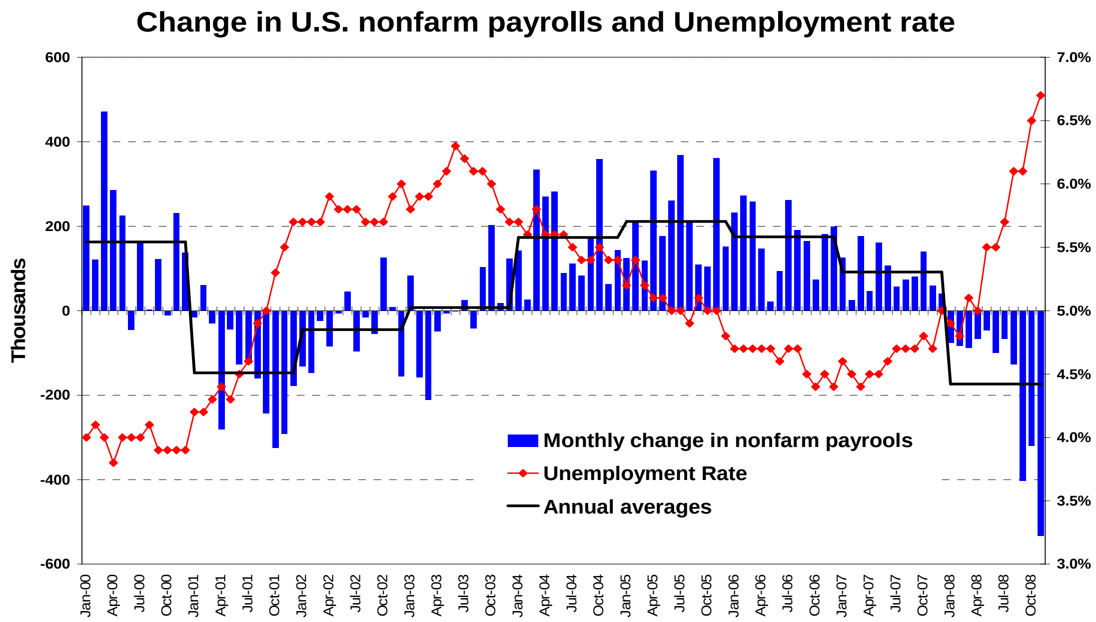
There has been a mildly moderation in the liquidity and credit crisis. The gap between the 3-months interbank rate and the interest rate on state bonds has been reduced to 1.3 percentage points.



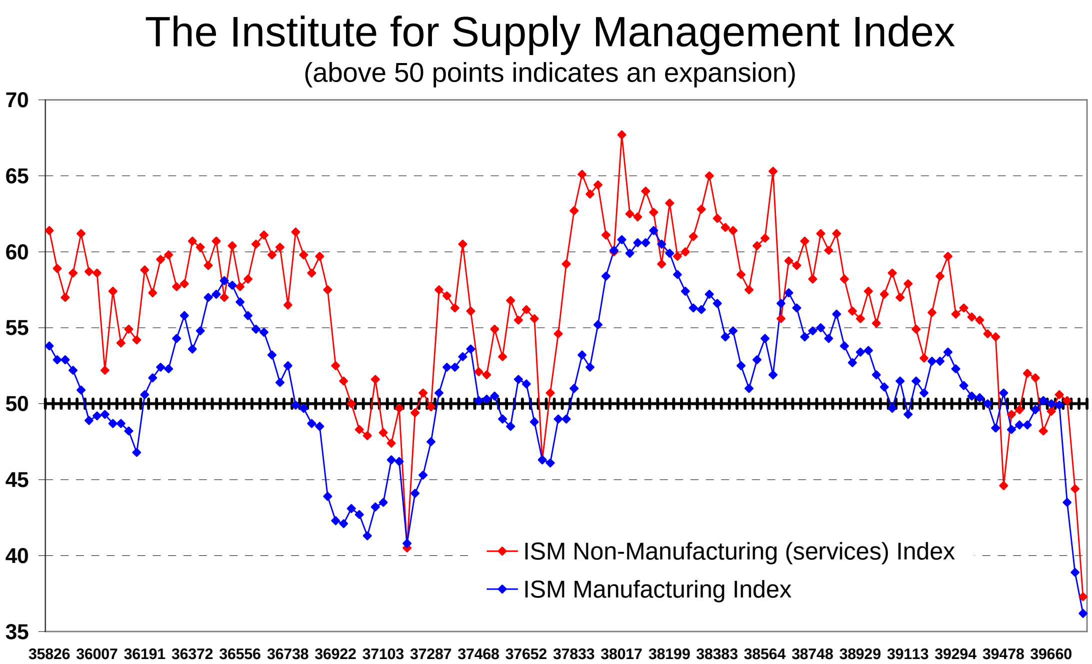
Yields of ten-year US government bonds fell to a low of 2.05 percent.

Indicators of real activity in November were mostly negative.

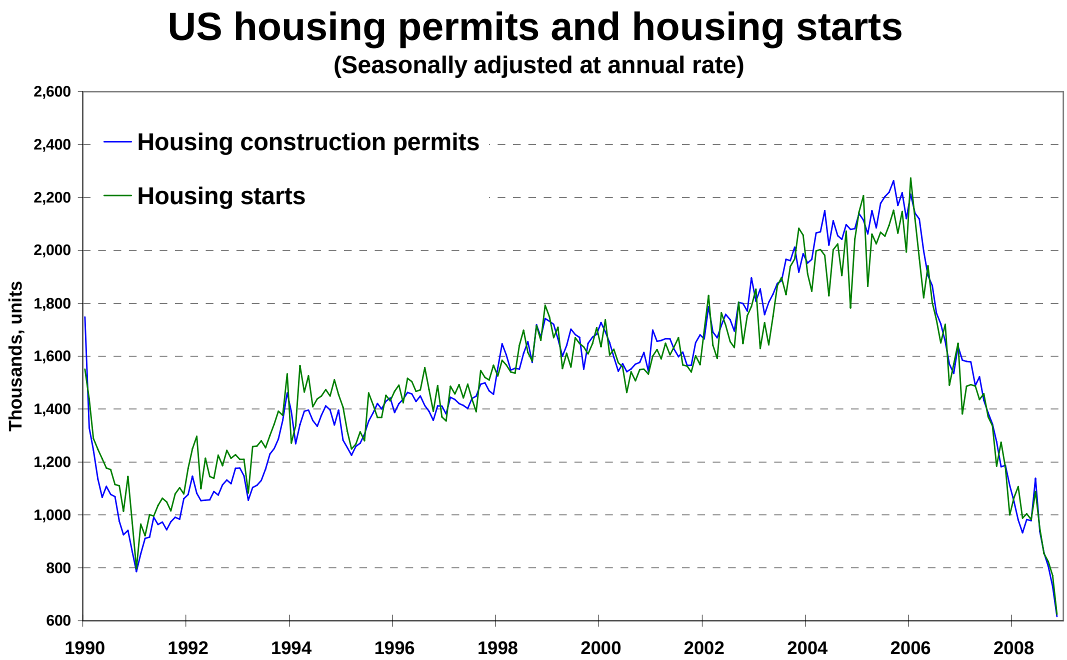
The deterioration in the **American labor market** grew far more severe in November. The number of jobs decreased by 530,000, versus expectations of a much more moderate decline, and figures for previous months were adjusted downward. The unemployment rate rose by 0.2 percentage point to 6.7 percent.



The Institute for Supply Management's non-manufacturing (services) sector index continued to drop sharply in November, to 37.3 points, lower than expected.



Construction starts and permits declined more steeply than expected in November, by 19 percent and 16 percent, respectively.

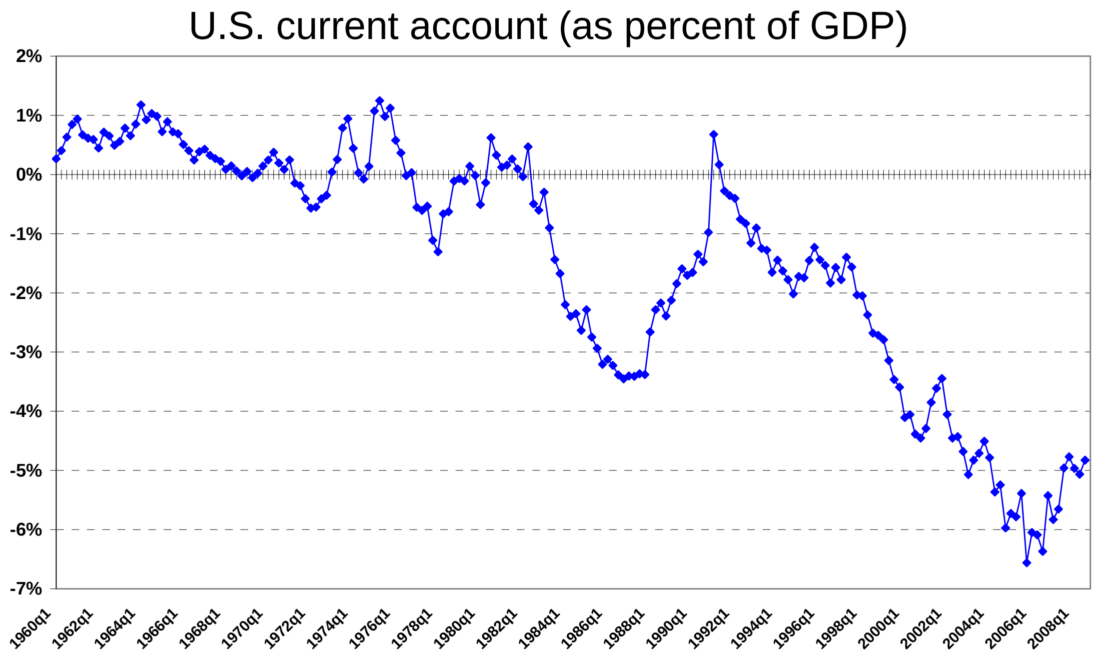


In addition, **sales of new and existing homes** decreased more sharply than expected.

By contrast, **real private consumption** grew by 0.6 percent in November, in contradiction of expectations, following several months of continuous declines. The **rate of households' savings** out of disposable income rose to 2.8 percent, from 2.4 percent in the preceding month and an average of just 0.6 percent in 2007. **Private consumption prices** fell by 1.1 percent, and **core private consumption prices** (the core PCE deflator) remained unchanged for the second consecutive month, following continuous increases in the preceding months.

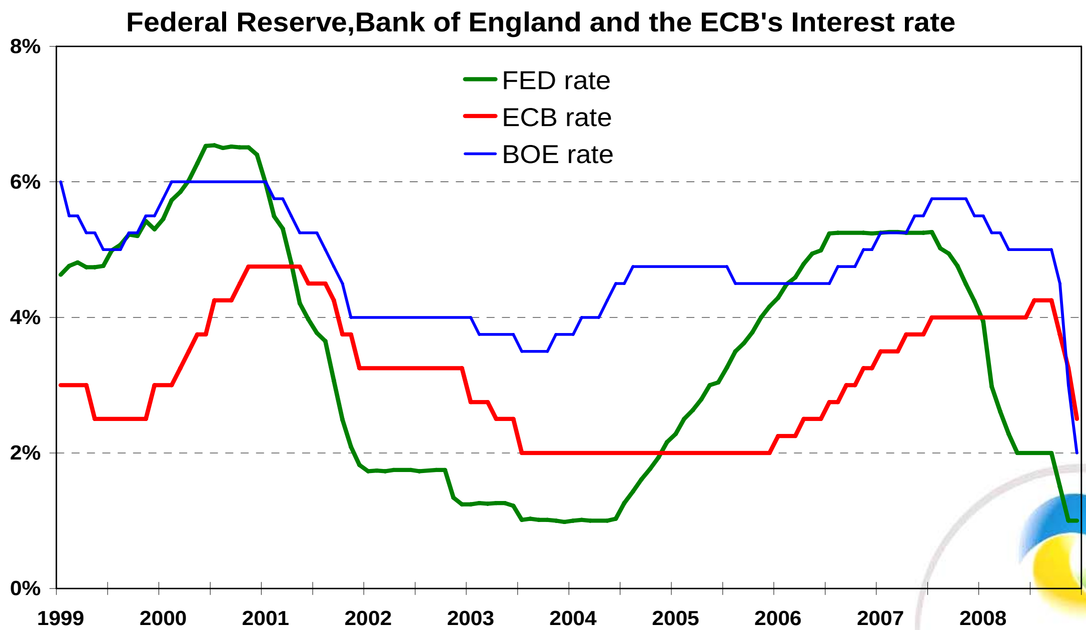
The November CPI fell by 1.7 percent, in the sharpest decrease since the series began in 1947. Inflation in the last twelve months decreased to 1.1 percent in November. The core index remained unchanged in November, while core inflation decreased to 2.0 percent.

The deficit in the current account of the balance of payments decreased to 4.8 percent of GDP in the third quarter, versus 5.1 percent in the preceding quarter.

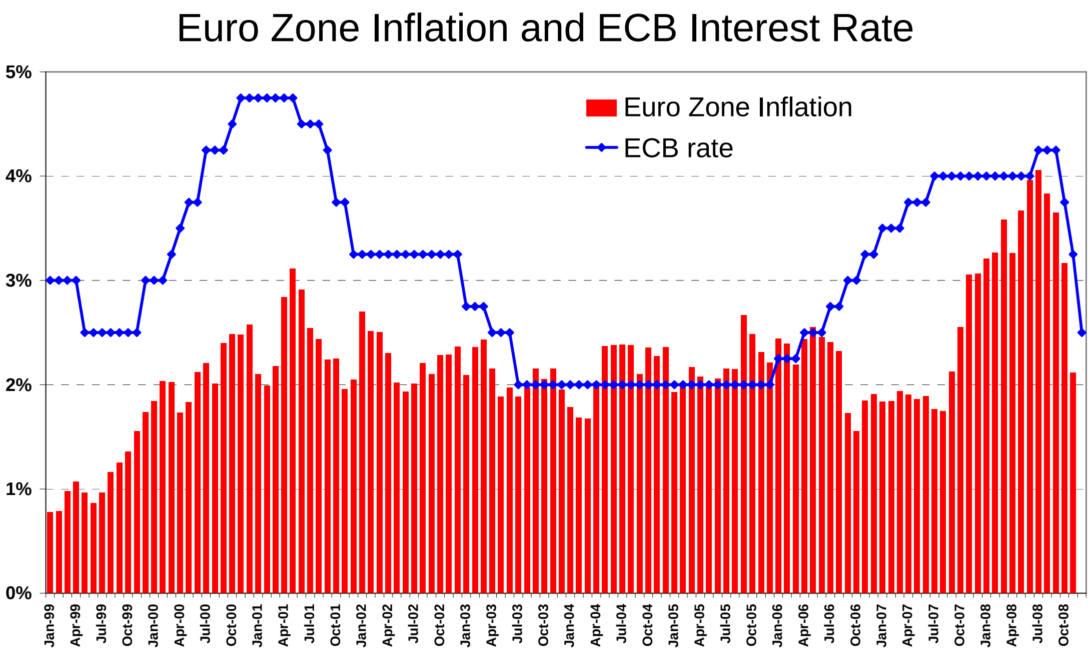


Europe

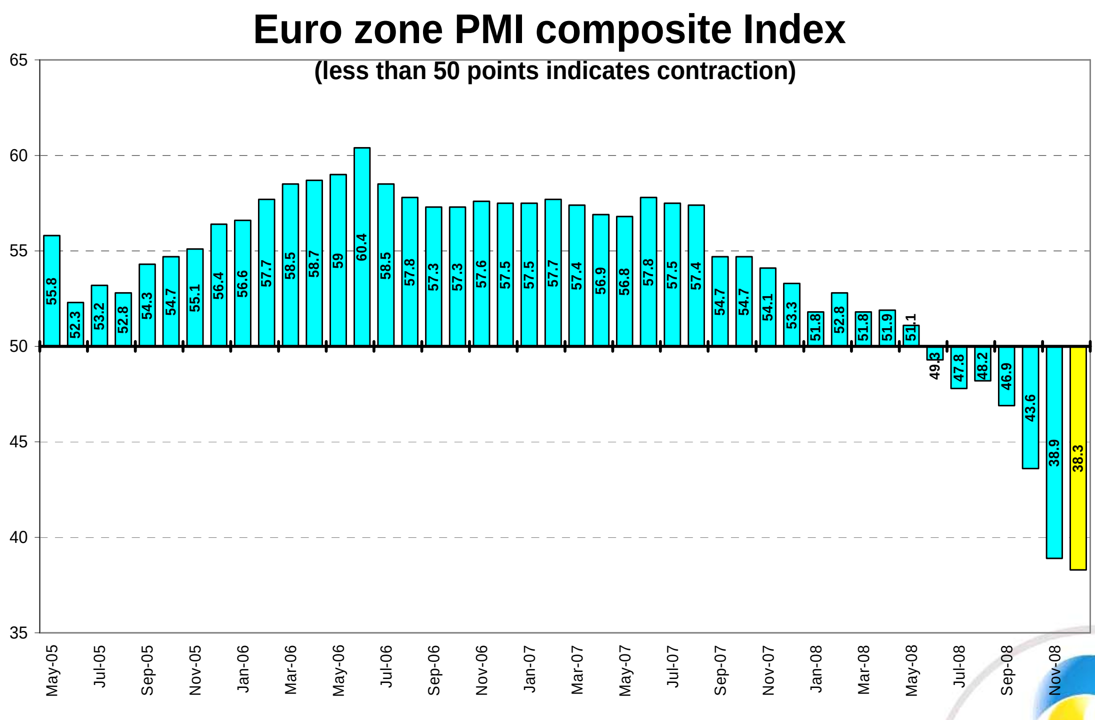
In line with our estimates, central banks in Europe and the UK lowered interest rates sharply, due to the escalating economic slowdown and the substantial decrease in inflationary pressures, resulting from factors including the decline in prices of oil and other commodities. The **ECB** lowered the euro zone's interest rate by 0.75 percentage points to 2.5 percent, while the **BOE** lowered the rate for the UK by 1.0 points, to 2.0 percent.



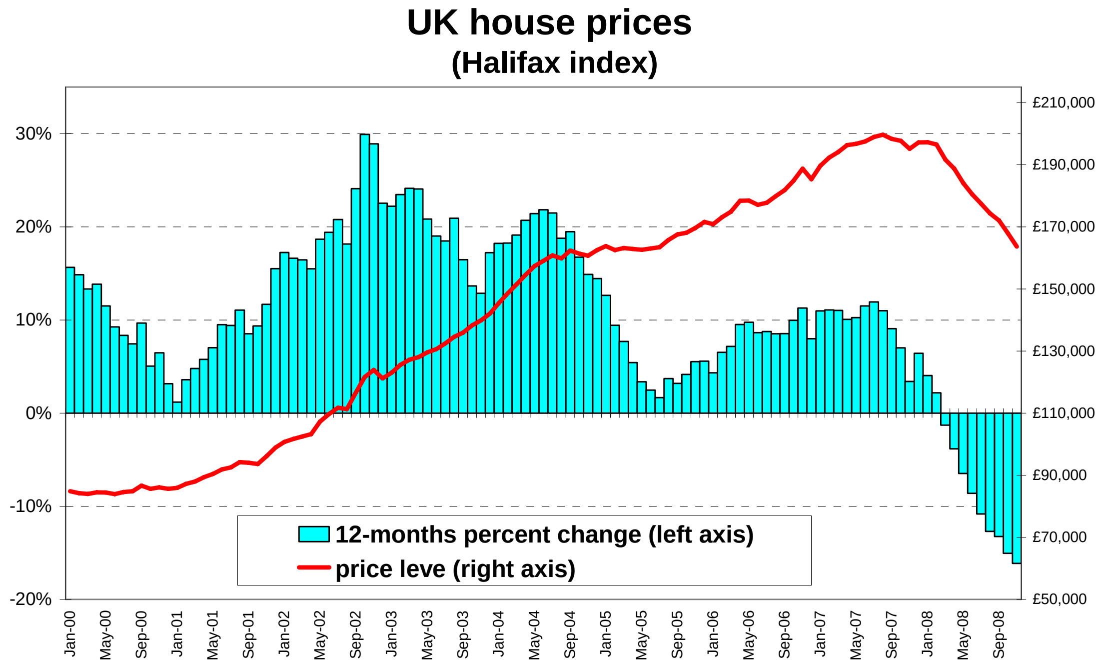
Inflation in the euro zone in the last twelve months fell to 2.1 percent in November, in line with expectations; the decrease supports continued interest-rate cuts by the ECB.



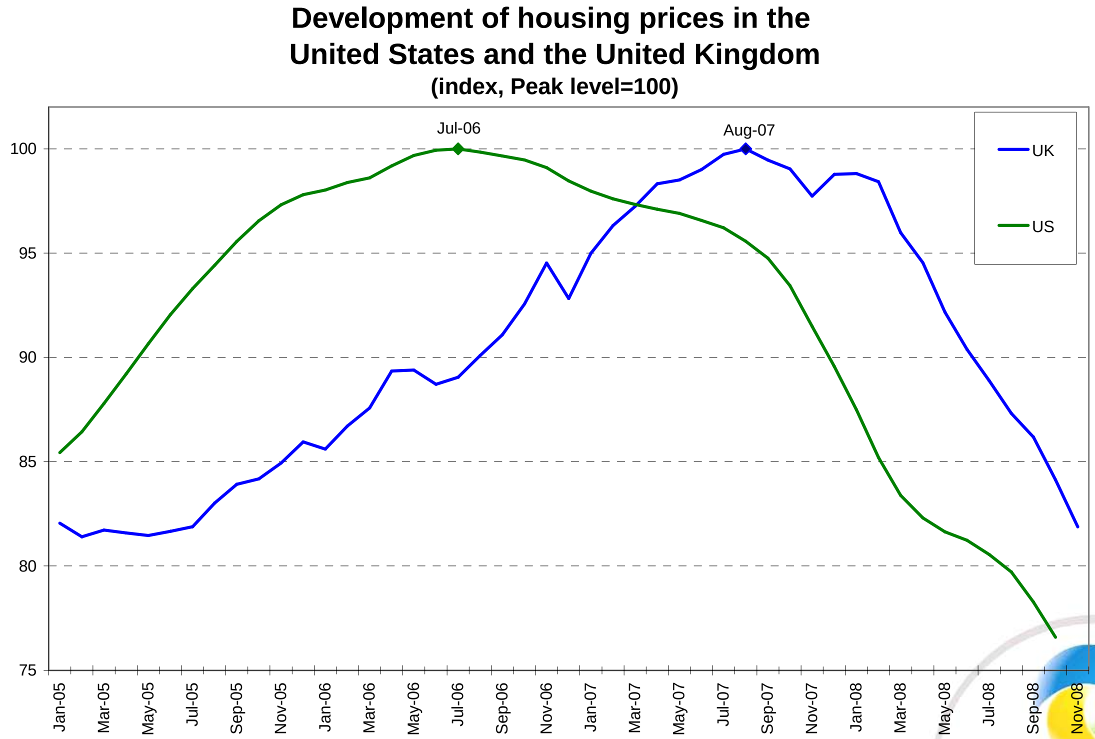
The purchasing managers' index stood at 38.3 points in December according to an initial estimate, lower than expected. The downturn in economic activity over the last six months is reflected in the index.



UK housing prices continued to fall, declining by 2.6 percent in November and by 16 percent in the last twelve months.



Housing prices in the UK have fallen by 18 percent from the high of August 2007. The decline of UK housing prices seems to have started about a year later than in the US, where prices peaked in July 2006, but the decrease in the UK has been faster.



E. What is the Minimum-Volatility Composition of the Currency Basket for the Shekel? [2]

Currency exchange rates saw substantial changes and sharp volatility globally during 2008. The exchange rate of the shekel is affected by these changes. But what is the exchange rate of the shekel? The shekel has many exchange rates, against each of the major currencies. In this section, we estimate the weights of the various currencies in the currency basket against which the shekel maintains maximum stability – i.e. minimum volatility.

The composition of the minimum-volatility currency basket is likely to be different from the composition of other familiar currency baskets, such as the basket used by the BOI in the past, which weights currencies by their usage in Israel's foreign trade, or the effective currency basket of the IMF, which weights currencies by their direct and indirect effect on Israel's exports of goods.

Discovering the currency weightings in the minimum-volatility basket is important in order to understand the behavior of the shekel in the event of changes in the exchange rates of the major world currencies, and in order to intelligently differentiate between short-term movements of the shekel exchange rate itself and changes in the shekel exchange rate that derive solely from movements in world currency exchange rates.

For example, when the dollar is gaining strength against other major currencies, the shekel is also likely to strengthen against those currencies, while concurrently weakening against the dollar. If the shekel strengthened against the other currencies to the same extent that the dollar strengthened against those currencies and its exchange rate against the dollar remained unchanged, we would conclude that the weight of the dollar in the currency basket of the shekel is 100 percent, and that the weights of the other currencies are zero.

The shekel may also weaken against the dollar at the same rate as all of the other currencies, and the exchange rate of the shekel against the other currencies may remain unchanged. In that case, we would conclude that the weight of the dollar in the currency basket of the shekel is zero.

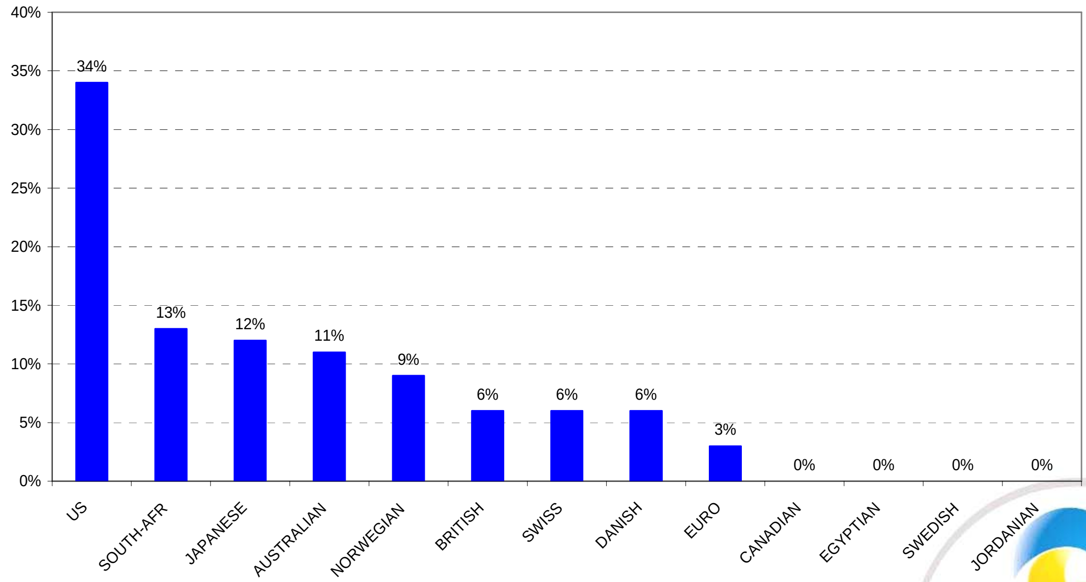
This chapter was prepared by Michael Sarel [2]

Media reports usually refer to the exchange rate of the shekel against the dollar only, while disregarding the shekel's exchange rates against other currencies. We are sometimes informed that the shekel has depreciated when it depreciates against the dollar, even if it gains substantial strength against other currencies on the same day. This is an erroneous conclusion, as the weight of the dollar in the shekel currency basket is not 100 percent.

Some economic reviews tend to exaggerate in the opposite direction. Such reviews occasionally state that the shekel has strengthened (or weakened) against the dollar to the same extent as all other major currencies, so that there was actually no movement in the shekel exchange rate. Of course, this conclusion is also false, as the weight of the dollar in the shekel currency basket is greater than zero.

In order to establish the weights of the various currencies in the minimum-volatility currency basket of the shekel, we used the daily representative exchange rates published by the BOI against thirteen currencies. We used a simulation to test the daily logarithmic volatility of the shekel against different basket compositions, and changed the weights of the currencies in order to reduce calculated volatility to a minimum in 2008. We thereby identified the composition of the basket against which the shekel maintained maximum stability over the last year. This composition is described in the following diagram:

Weights of individual currencies in the shekel's basket
with the minimal daily volatility during 2008

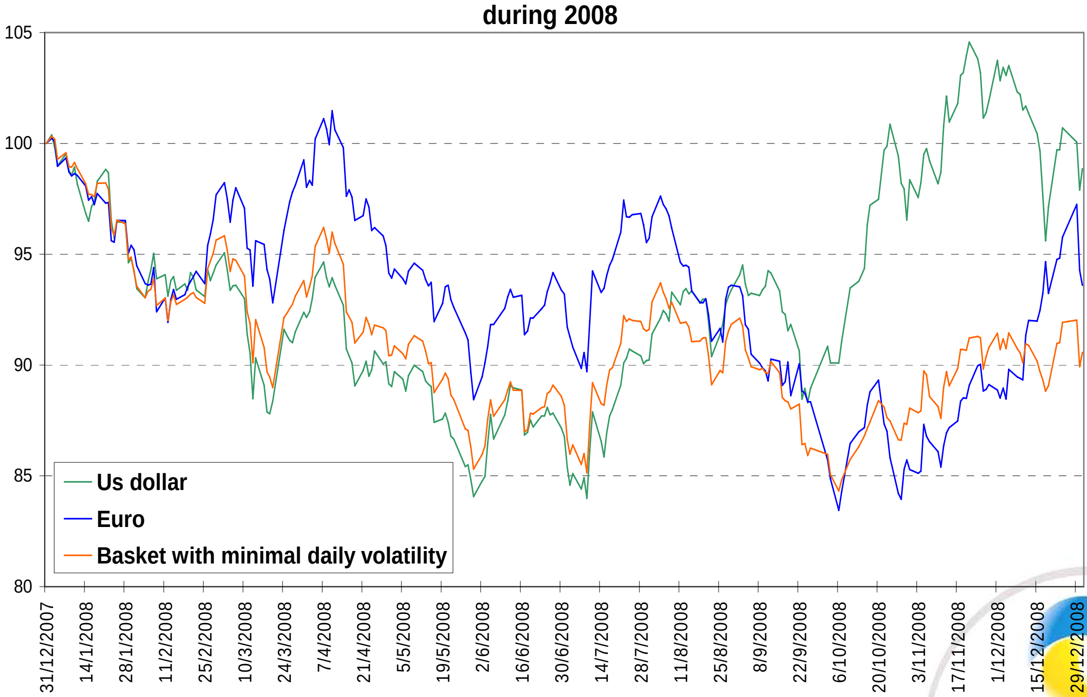


The results indicate that the weight of the dollar in the selected currency basket is 34 percent. In other words, returning to the example given above, on a day when the dollar gains strength against all other major currencies, e.g. by 1 percent, based on actual experience over the last year we would expect the shekel to strengthen against all other currencies by 0.34 percent and to weaken against the dollar by 0.66 percent. Likewise, rates of change of the shekel against each currency can be calculated, assuming that the particular currency's exchange rate against all other major currencies changed that day.

Notable in our calculation of the minimum-volatility currency basket, beyond the relatively low weight of the dollar, was the low weight of the euro (just 3 percent) and the relatively high weights of the South African currency (13 percent), Japanese currency (12 percent), Australian currency (11 percent), and Norwegian currency (9 percent). The high weight of the South African currency may be due to the fact that it is the only one in the list of currencies published by the BOI to reflect the emerging economies, whose currencies are influenced by international capital movements, as in Israel.

Trends of change against the shekel of our minimum-volatility basket in 2008 can also be examined and compared to trends in exchange rates of the dollar and the euro during the same period. The results indicate that the shekel strengthened against this currency basket by 9 percent, though it gained just 1 percent against the dollar and 6 percent against the euro.

Development of different currencies against the shekel during 2008



Important Announcements in the Coming Month

Title	Publication date	Day	Time	Link
ISM manufacturing sector index, US	2 January	Fri	17:00	http://www.ism.ws/ISMReport/MfgROB.cfm http://www.ism.ws/
PMI index, euro zone	6 January	Tue	11:00	http://www.markiteconomics.com/MarkitFiles/Pages/About.aspx
Inflation estimate, euro zone	6 January	Tue	12-14	http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1090,30070682,1090_33076576&_dad=portal&_schema=PORTAL
ISM non-manufacturing sector index, US	6 January	Tue	17:00	http://www.ism.ws/ISMReport/NonMfgROB.cfm http://www.ism.ws/
Average wages in October	7 January	Wed	12-14	http://www1.cbs.gov.il/
UK interest-rate decision	8 January	Thu	14:00	http://www.bankofengland.co.uk/ http://www.bankofengland.co.uk/monetarypolicy/decisions/decisions08.htm
Euro zone retail sales figures	9 January	Fri	12-14	http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1090,30070682,1090_33076576&_dad=portal&_schema=PORTAL
US employment report	9 January	Fri	15:30	http://www.bls.gov/
Israel's foreign trade	13 January	Tue	12-14	http://www1.cbs.gov.il/
Israel's incoming tourism	15 January	Mon	12-14	http://www1.cbs.gov.il/
ECB interest-rate decision	15 January	Thu	14:45	http://www.ecb.int/home/html/index.en.html
Euro zone CPI	15 January	Thu	13:00	http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1090,30070682,1090_33076576&_dad=portal&_schema=PORTAL
CPI	15 January	Thu	18:30	http://www1.cbs.gov.il/
US CPI	16 January	Fri	15:30	http://www.bls.gov/
Industrial production index and trade and service sectors revenue index	19 January	Mon	12-14	http://www1.cbs.gov.il/
Japan's interest-rate decision	22 January	Thu	05:00	http://www.boj.or.jp/en/
Sales of new homes, US	22 January	Thu	17:00	http://www.census.gov/const/www/newressalesindex.html
UK growth rate, 4Q 2008, initial estimate	23 January	Fri	11:30	http://www.statistics.gov.uk/ http://www.statistics.gov.uk/instantfigures.asp
Sales of existing homes, US	26 January	Mon	17:00	http://www.realtor.org/Research.nsf/Pages/EHSdata
BOI interest-rate decision	26 January	Mon	18:30	http://www.bankisrael.gov.il/
FED interest-rate decision	28 January	Wed	21:15	http://www.federalreserve.gov/monetarypolicy/fomccalendars.htm http://www.federalreserve.gov/monetarypolicy/fomc.htm
Sales of new homes	29 January	Thu	12-14	http://www1.cbs.gov.il/
US growth rate, 4Q, initial estimate	30 January	Fri	15:30	http://bea.gov/newsreleases/2008rd.htm http://bea.gov/

This review is posted online at www.harel-finance.co.il/macro in Hebrew

and at www.harel-finance.co.il/macro/ENG in English.

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