

Monthly Macroeconomic Review

July 1, 2009

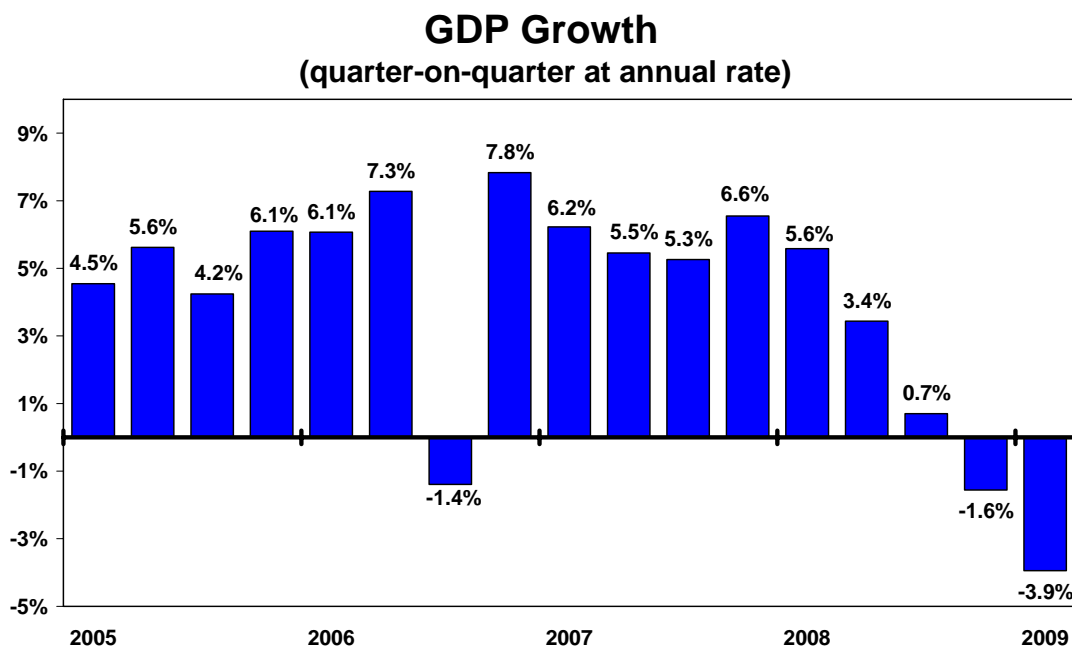
- **The Central Bureau of Statistics (CBS)** adjusted real GDP for the first quarter downward, but nominal GDP was adjusted sharply upward. **Real GDP** contracted at an annualized rate of 3.9 percent in the first quarter of 2009. **Private consumption, government consumption, investments, imports, and exports** contracted. **Business sector GDP** contracted by 5.4 percent.
- **Our growth forecast** for 2009 was lowered slightly following the CBS updates, to a negative 0.8 percent. The forecast for 2010 remains at a positive 1.4 percent.
- **The surplus in the current account of the balance of payments** greatly increased in the first quarter of 2009, to a total of USD 2.7 billion.
- **Indicators of local economic activity** point to a continued negative trend in the second quarter. Imports and exports of goods declined in May, while incoming tourism increased slightly. The industrial production index and the trade and service sectors revenue index decreased in April.
- **The consumer price index** rose by 0.4 percent in May, as expected.
- **The Bank of Israel** left the interest rate unchanged at 0.5 percent, in line with expectations. The BOI continues to buy foreign currency and government bonds as planned.
- **The unlinked government bond yield curve** decreased in the short and medium ranges and increased in the long range during June.
- **World equity markets** stabilized in June, following three consecutive months of gains. The **MSCI World index** remained almost unchanged, the S&P 500 index gained 1 percent, the NASDAQ index rose by 4 percent, and the MSCI Emerging Markets index lost 1 percent. The **TA-100 index** decreased by 1 percent, but remained unchanged in dollar terms.

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. Macroeconomic forecasts. This chapter presents detailed macroeconomic forecasts for 2009-2014.

A. Developments in the Israeli Economy

The Central Bureau of Statistics has issued a downward revision of **growth rates** in the last three quarters.



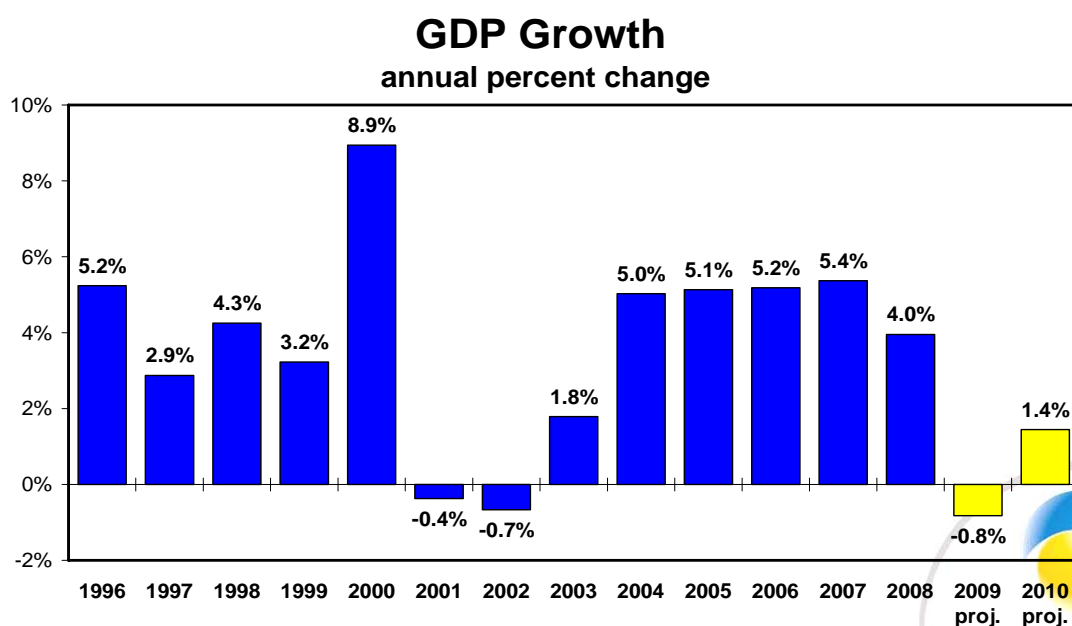
Real GDP in the first quarter of 2009 was 0.5 percent lower than in the initial estimate a month ago, but **nominal GDP** was 3.6 percent higher than the initial estimate; in other words, **GDP prices** were steeply adjusted upward.

The first-quarter **growth rate** was less negative in **Israel** than in the **United States** and **Europe**, where the rates were negative 5.5 percent and negative 10 percent, respectively; however, growth composition data paint a negative picture.

Private consumption decreased at an annualized rate of 3.4 percent, with a significant decrease in the consumption of durable goods (furniture, home appliances, and vehicles). **Public consumption expenditures** decreased at an annualized rate of 7.1 percent, apparently due to the absence of an approved budget. **Exports** dropped sharply, at an annualized rate of 37.0 percent, as a result of the slowdown in the global economy, as well as a delayed reaction to the real appreciation of the shekel during the first half of 2008. **Imports** fell sharply, at an annualized rate of 41.3 percent, while **fixed-asset investments** decreased at an annualized rate of 14.9 percent.

Following the update by the CBS, our growth forecast for Israel in 2009 was also revised and now stands at a negative 0.8 percent, versus our forecast of negative 0.2 percent growth last month.

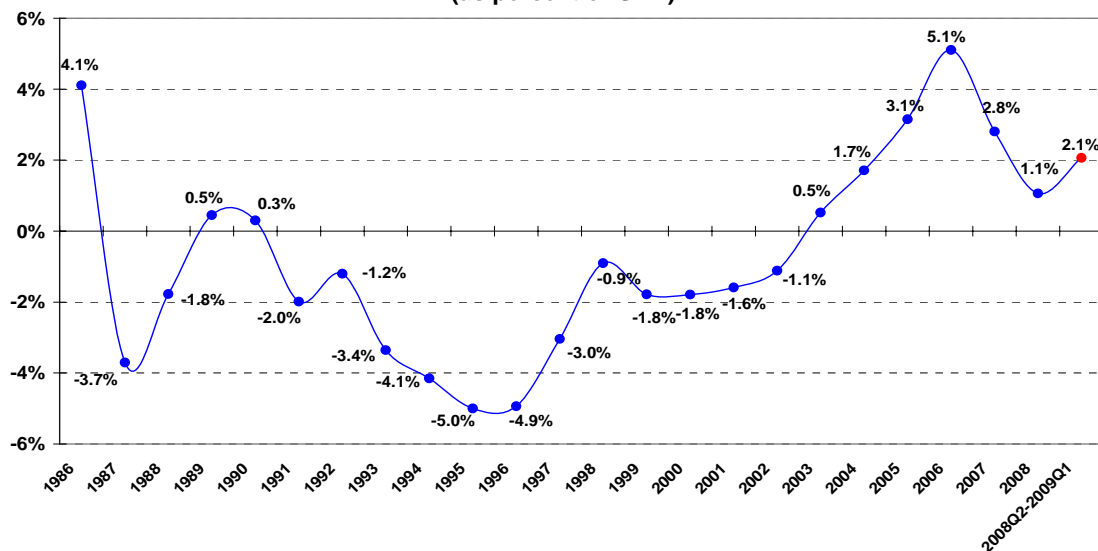
Our forecast for growth in 2010 remains 1.4 percent. Among other things, this forecast assumes that growth in 2010 will reach 1.6 percent in the US and 0.5 percent in the euro zone.



We expect higher growth rates of 3.5-4.0 percent in 2011-2014. A detailed macro-economic forecast is presented in Section E below.

The surplus in the current account of the balance of payments greatly increased in the first quarter of 2009, to USD 2.7 billion, versus an average of less than USD 1 billion in each of the preceding four quarters. In the last four months, the current account totaled 2.1 percent of GDP.

The Current Account
(as percent of GDP)

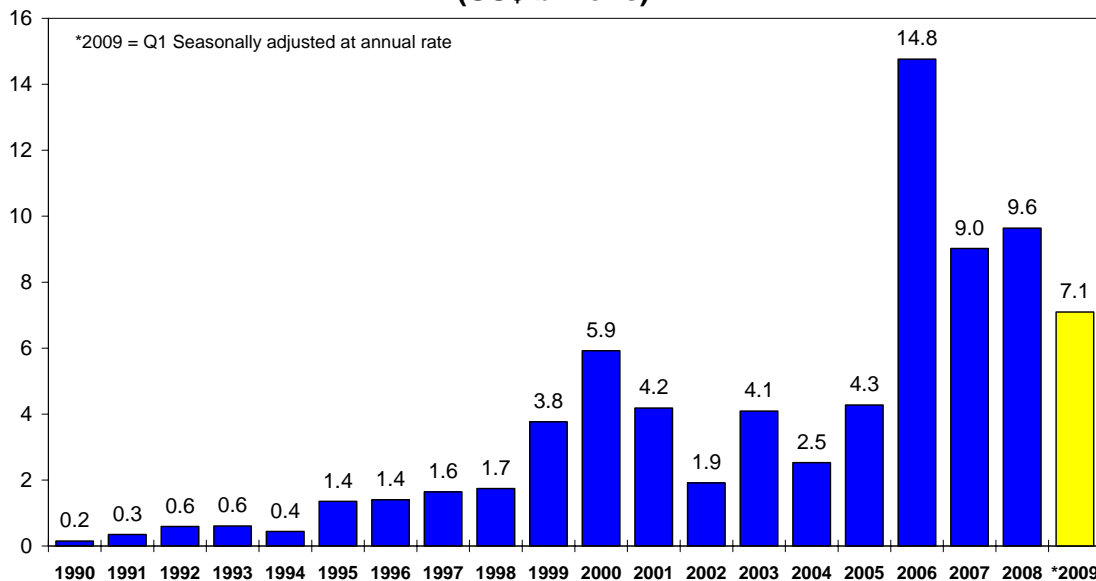


Imports and exports dropped sharply due to the global economic crisis. The decrease in imports of goods and services, at 22 percent in dollar terms compared to the preceding quarter, was sharper than the decrease in exports, at 10 percent. **The net balance of assets and liabilities of the economy** totaled USD 4.0 billion at the end of March, similar to the end of December 2008.

Foreign direct investments in Israel totaled USD 1.7 billion in the first quarter of 2009, similar to the fourth quarter of 2008, versus an average of USD 2.9 billion in the first three quarters of 2008.



Net Inflows of Foreign Direct Investment in Israel (US\$ billions)

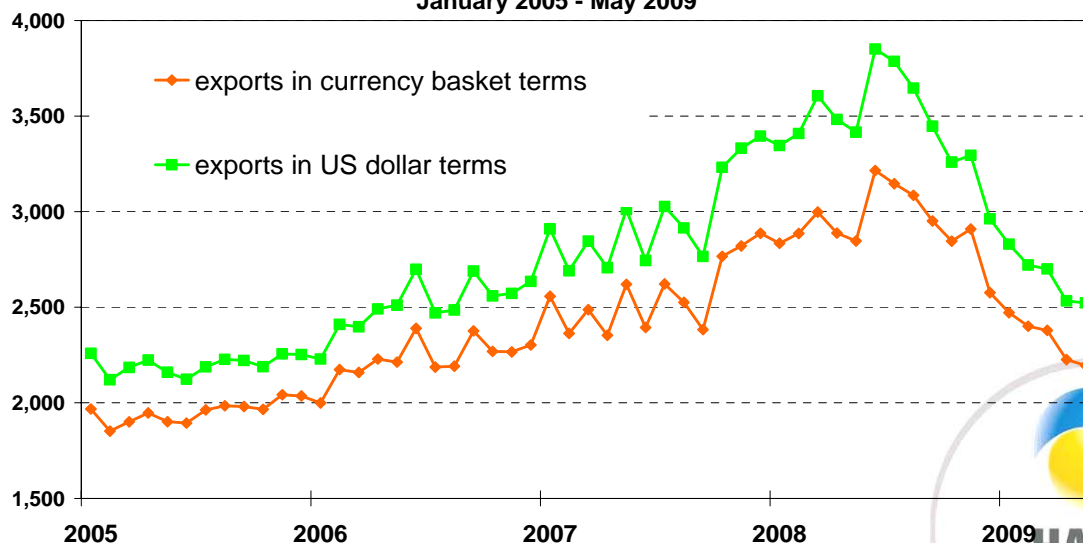


Indicators of economic activity in May point to a continued negative trend in the second quarter.

Exports of goods continued to decline in May, though at a more moderate rate than in the previous months. Exports of goods (in dollar terms; excluding ships, aircraft, and diamonds) decreased by 0.4 percent in May and by 26 percent in the twelve months ended in May.

Exports of Goods

(millions per month, excl. diamonds, ships & airplanes)
January 2005 - May 2009



Imports of goods decreased by 5.5 percent in May and by 39 percent in the twelve months ended in May. The decrease in imports, in particular imports of machinery and equipment, indicates an expectation that the recession will persist in the coming months.

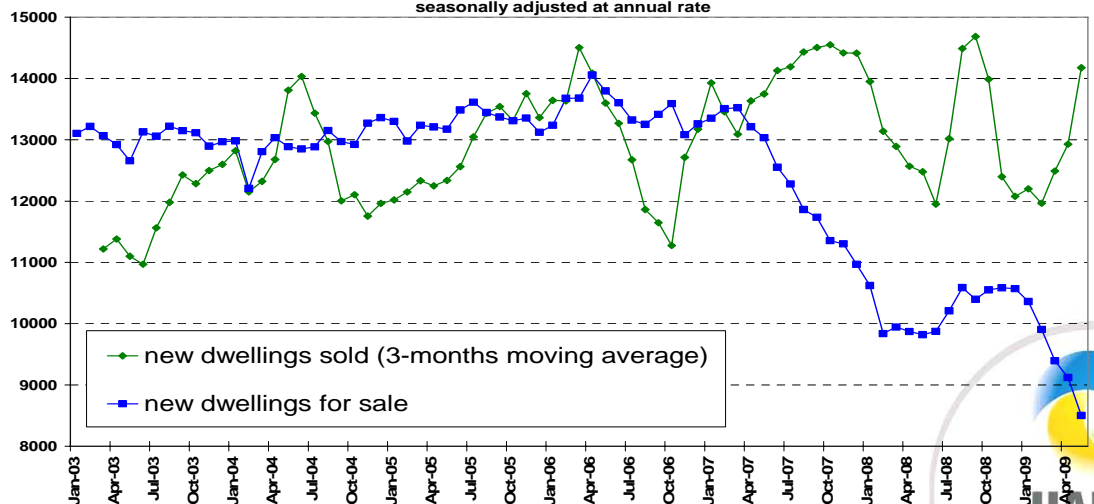
Incoming tourism by air increased by 1 percent in May, but remained 16 percent lower than in May 2008.

Tourist Arrivals (thousands per month)



The number of **new homes sold** remained almost unchanged in May, but rose by 23 percent in the twelve months ended in May. By contrast, the **number of homes for sale** decreased by 7 percent in May and by 13 percent in the twelve months ended in May. These figures may point to continued upward pressures on prices in the real-estate market.

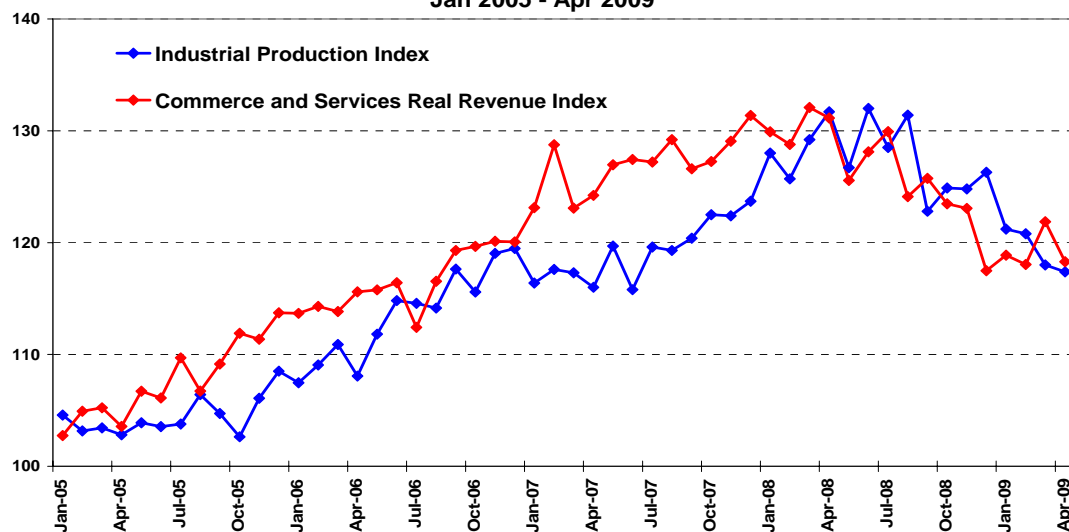
New Dwellings Sold and for Sale During The Period seasonally adjusted at annual rate



State tax revenues totaled ILS 14.9 billion in May. This figure is consistent with our estimate and with the amended annual estimate in the state budget.

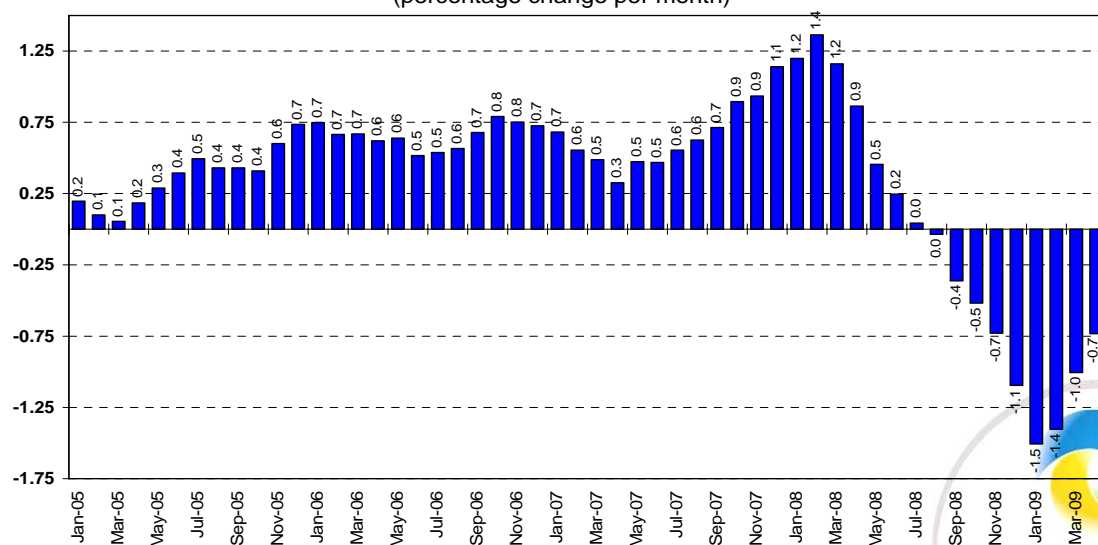
The industrial production index decreased by 1 percent in April and by 11 percent in the twelve months ended in April. The trade and service sectors revenue index decreased by 3 percent in April and 10 percent in the twelve months ended in April.

**Industrial Production Index
& Commerce and Services Sectors Revenue Index**
Jan 2005 - Apr 2009



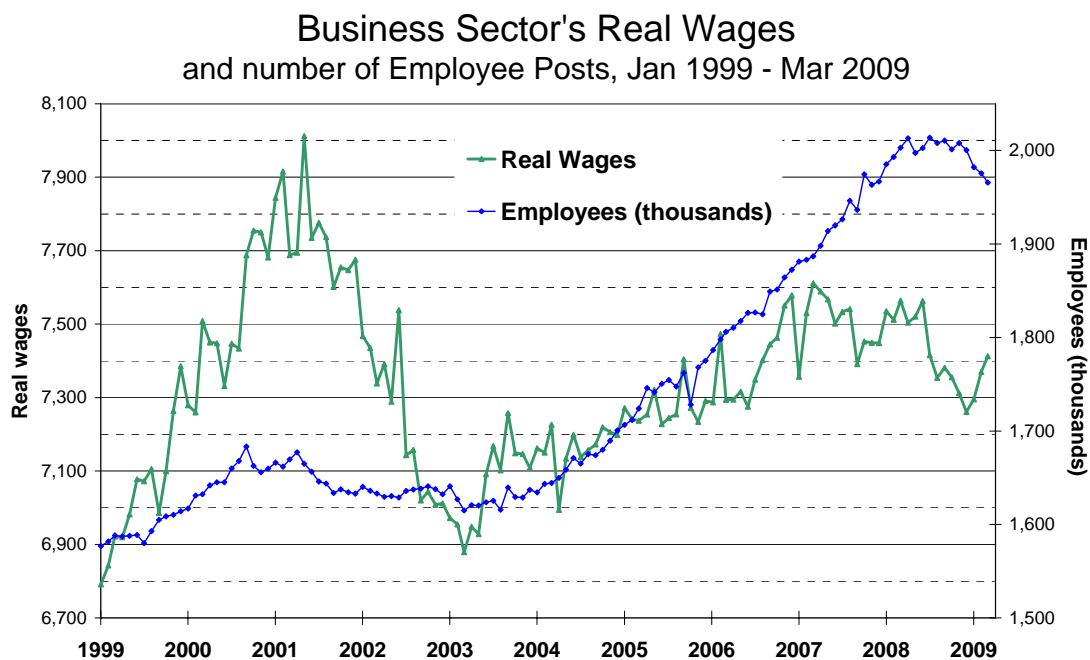
The Bank of Israel's composite index for May decreased by 0.5 percent, and data for the last two months were adjusted downward.

The State-of-The-Economy Index
(percentage change per month)



The number of employee positions was stable in March, while average wages rose slightly. The number of jobs of Israeli employees decreased by 0.1 percent in March and by 0.7 percent in the twelve months ended in March. Average nominal wages for an employee position of Israelis rose by 0.8 percent in March and by 1.4 percent in the last twelve months, with 2.1 percent erosion in real wages, net of the CPI.

In the business sector, the number of employee positions (including non-Israelis) decreased by 0.5 percent in March, while real wages rose by 0.6 percent.



B. Developments in the Capital Market

Bond Market

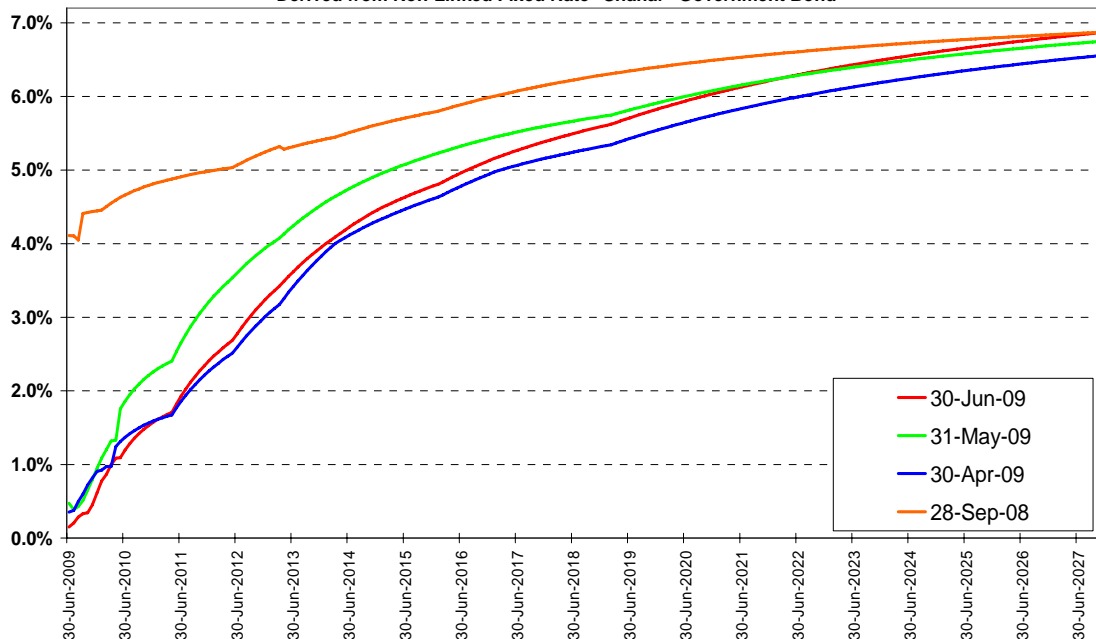
The unlinked government bond yield curve decreased in the short and medium ranges and increased in the long range in June. Factors supporting the continued increase in yields in the long-term range include the increase in government bond yields abroad, the substantial deficit expected in Israel in the coming years, and the instability of fiscal policy, due to the difficulties in passing the government budget, and ahead of approval of the budget by Knesset.

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Interest rate curve (zero coupon)

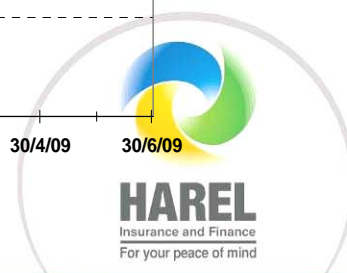
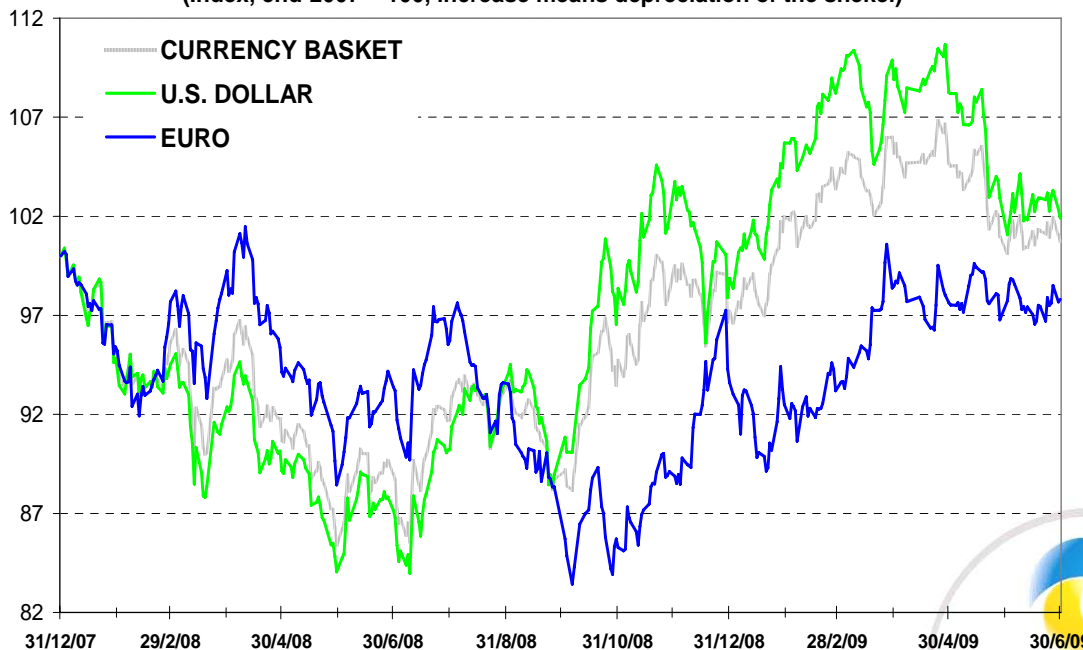
Derived from Non-Linked Fixed Rate "Shahar" Government Bond



Exchange Rates

The shekel remained almost unchanged against the currency basket, gained 1 percent against the dollar, and weakened by 1 percent against the euro in June.

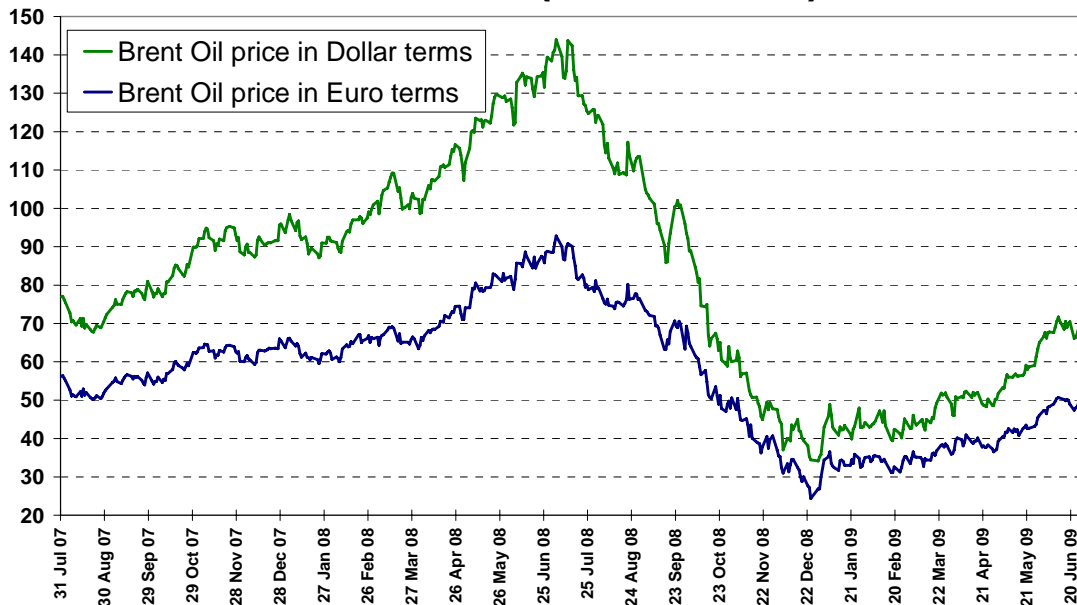
Exchange rates against the shekel, Dec 31, 2007 - Jun 30 2009
(Index, end-2007 = 100, increase means depreciation of the shekel)



Oil Prices

The price of a Brent oil barrel increased by 5 percent in dollar terms and 6 percent in euro terms in June, a more moderate increase compared to the preceding month.

Price of Oil (Brent barrel)



Stock Markets

World equity markets stabilized in June, following three consecutive months of gains. The MSCI World index remained almost unchanged, the S&P 500 index gained 1 percent, the NASDAQ index rose by 4 percent, and the MSCI Emerging Markets index lost 1 percent. The TA-100 index decreased by 1 percent, but remained unchanged in dollar terms.

C. Developments in Inflation and Monetary Policy

The consumer price index rose by 0.4 percent in May, in line with our estimates. There were no substantial surprises in the index items either.

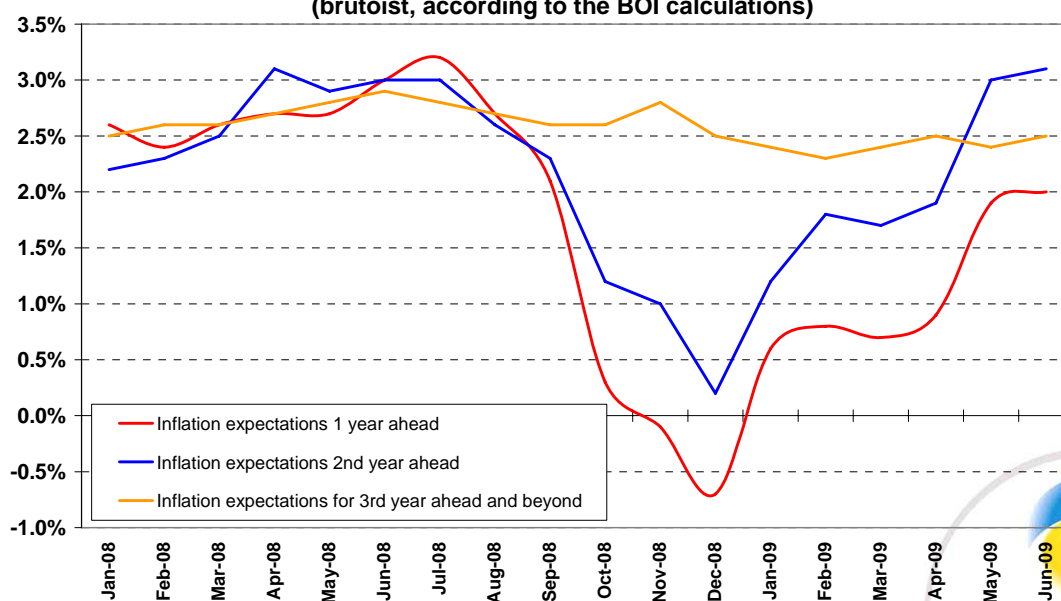


Inflation in the last twelve months decreased to 2.8 percent, following seventeen months of levels higher than 3 percent, the upper limit of the inflation target range.

We have adjusted **our inflation forecast** for the coming months upward, assuming that both the VAT hike and the increase in water prices will take effect on July 1, the purchase tax on cars will rise on August 1, and taxation of fruits and vegetables will begin on January 1 (if VAT is not applied to fruits and vegetables after all, general VAT may rise by an additional 0.5 percentage point, with similar effects on the CPI). The inflation forecast looks high, but it should be noted that a considerable part of the expected price gains derive from one-time or temporary increases in taxes, so that prices will take a step down once the period of higher tax rates is over; for example, the water tariff and possibly the VAT rate may be lowered in the future).

According to calculations by the BOI, **inflation expectations** between mid-May and mid-June were at 1.9 percent on average for the first year, 3.1 percent for the second year, and 2.5 percent from the third year forward, similar to the average in May, but much higher than in the preceding months.

Inflation expectations derived by the capital market
(brutoist, according to the BOI calculations)



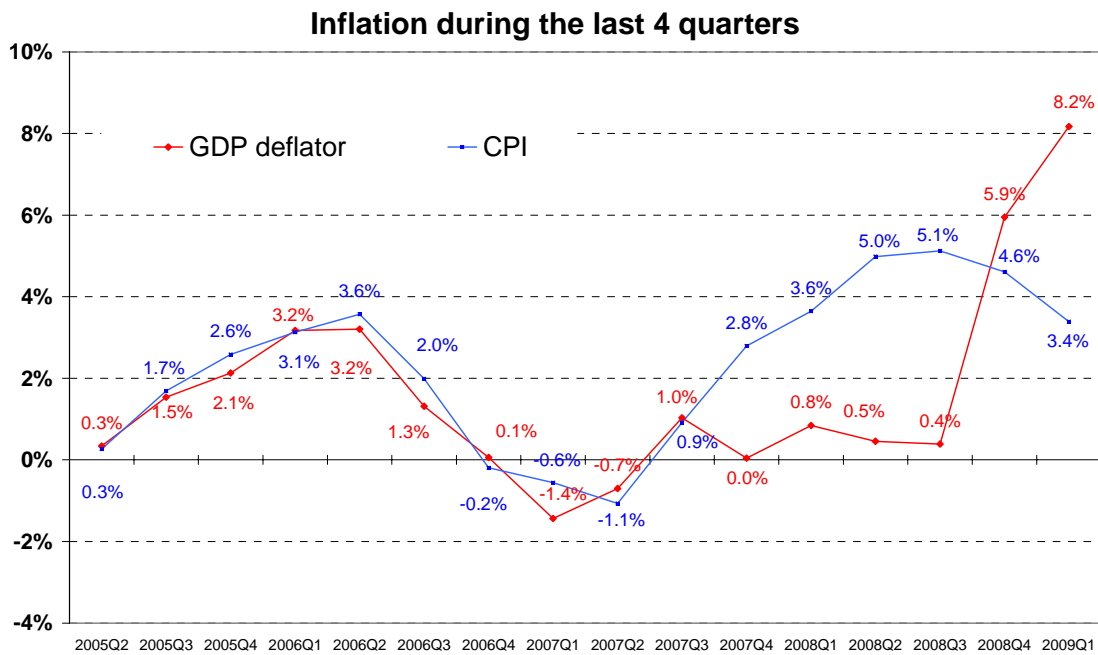
The quantity of means of payment continued to grow, though at a lower rate than in the previous months, rising by 2.6 percent in May and by 54.5 percent in the twelve months ended in May.

The BOI left the interest rate unchanged at 0.5 percent, as expected. On an optimistic note, the BOI stated, "Data regarding real activity in Israel reinforce the estimate that the decrease in GDP is beginning to moderate. However, real activity is expected to continue to contract in the coming months, with a further increase in unemployment. The continuation of the expansive monetary policy supports the return of positive growth to the economy." The BOI further noted, "Inflation is within the target range and should remain there in the next year according to forecasters and the capital market." We therefore estimate that the BOI is not planning further monetary expansion measures. In addition, we expect the BOI to continue its foreign-currency purchases in the near term, with the aim of weakening the shekel and supporting the competitiveness of exports and economic growth. Even if the shekel weakens, the BOI is not likely to stop the foreign-currency purchases suddenly; instead, it will probably reduce the daily volume of purchases gradually, while examining the market's reactions.

GDP Prices

The last update of national accounting data by the CBS included a sharp upward adjustment of GDP prices in the first quarter of 2009. As a result, inflation in the last four quarters now amounts to 8.2 percent based on GDP prices, versus just 3.4 percent based on the consumer price index. The main reason for the considerable difference between the two series over the last two years is the sharp fluctuations in oil prices, which have a far greater impact on the CPI than on GDP prices.



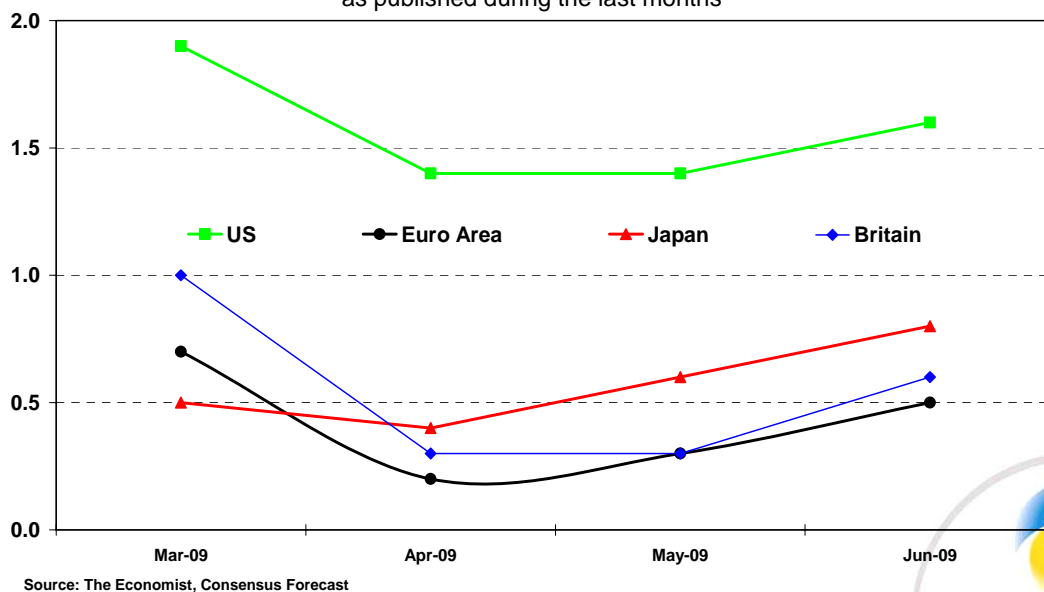


D. Developments in the Global Economy

Growth forecasts for advanced economies

The *Economist* has published its monthly Consensus Forecast of growth rates in the advanced countries; forecasts for 2010 rose slightly.

Growth Forecasts for 2010 as published during the last months



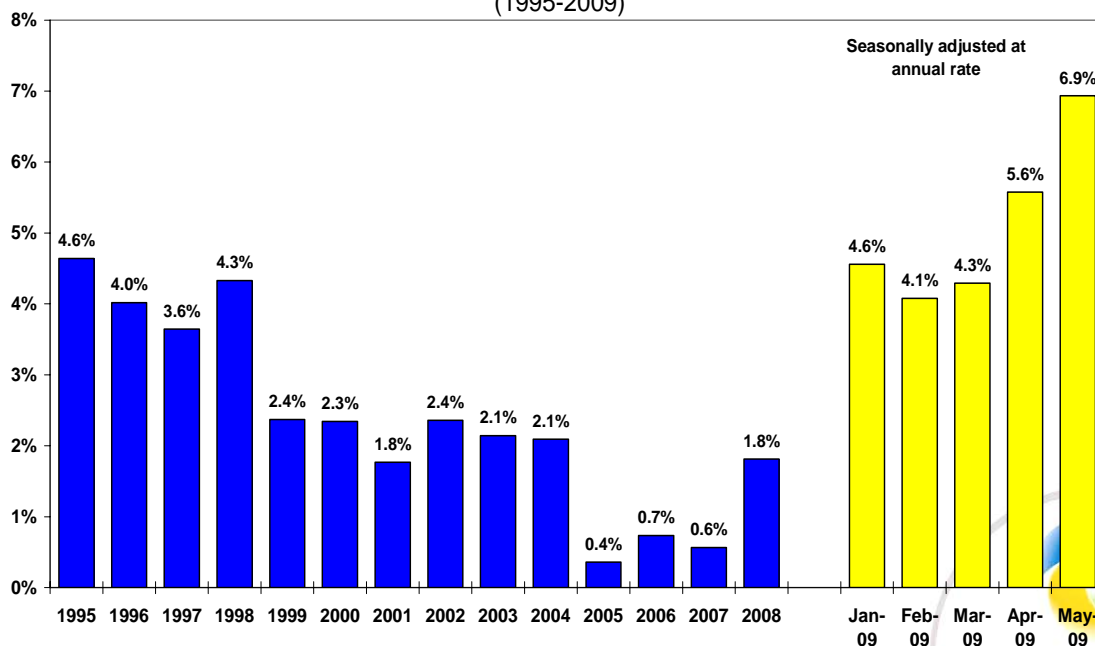
United States

The US economy contracted by 5.5 percent in annualized terms in the first quarter of 2009, versus a negative 5.7 percent in the previous estimate. Firms' investments and exports declined sharply, while private consumption increased at a moderate rate of 1.4 percent.

The Fed left the interest rate unchanged at 0-0.25 percentage points, as expected. The government bond purchase plan remained unchanged. The Fed said that signs of recovery had been noted in the economy, as well as a decrease in concerns over deflation.

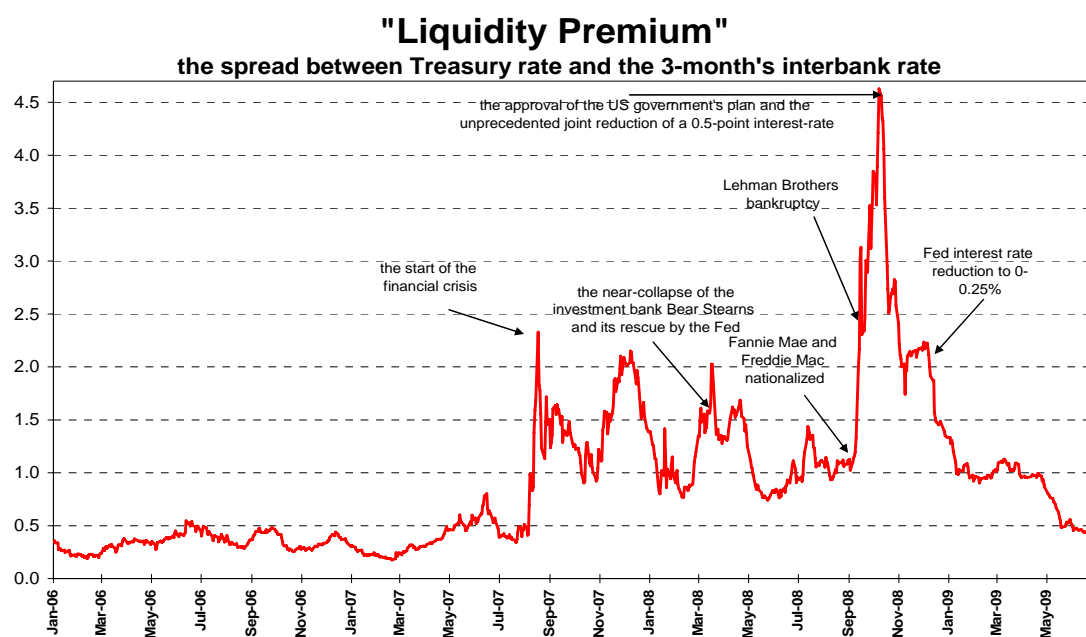
Households' real disposable income showed considerable growth again in May, at 1.6 percent, further to the 1.2 percent increase in April, as a result of the budgetary measures applied by the government – the fiscal stimulus. However, households decided to save rather than consume the added income. Real private consumption increased by only 0.2 percent in May, following a 0.1 percent decrease in April. As a result, households' rate of savings out of disposable income continued to rise, reaching 6.9 percent in May. This was the highest rate of savings since 1993.

US - Personal saving as a percentage of disposable personal income
(1995-2009)

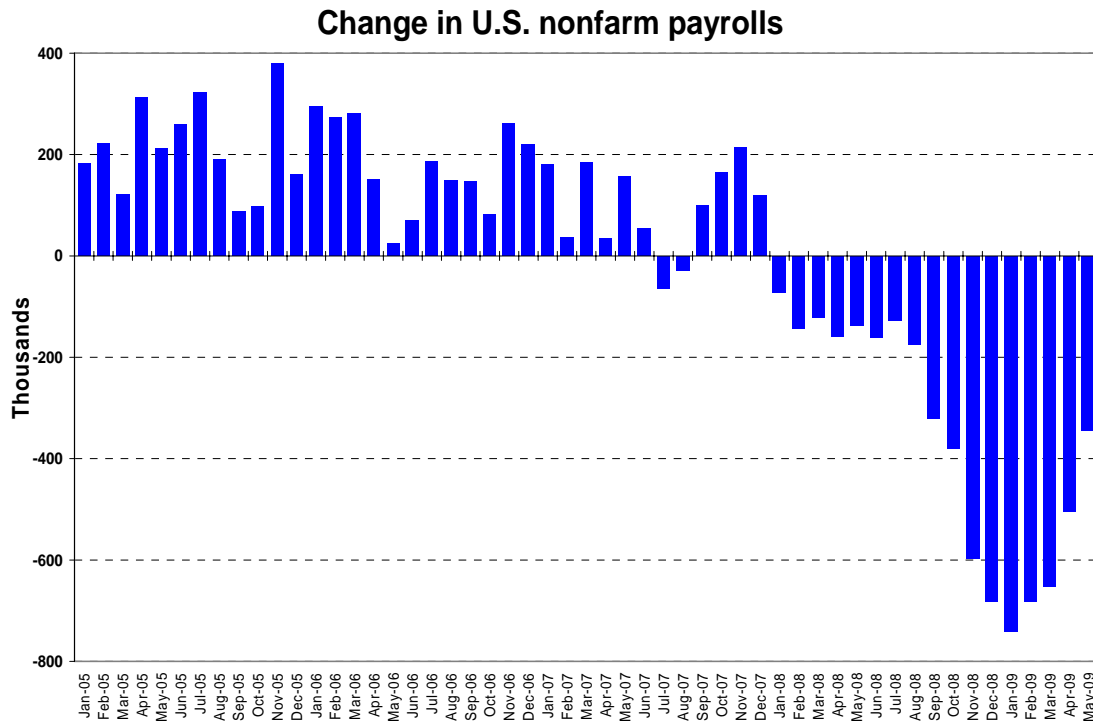


The ISM service sector index reached 44 points in May, below expectations, but an improvement relative to April.

The financial-system liquidity crisis was considerably tempered by the actions taken by the government and the Fed. The risk premium reflected by the gap between the interbank interest rate and the interest on three-month government bonds contracted to 0.4 percentage points.



The unemployment rate rose sharply to 9.4 percent, higher than expected. However, at a decrease of 345,000 jobs, the job loss rate was a positive surprise.

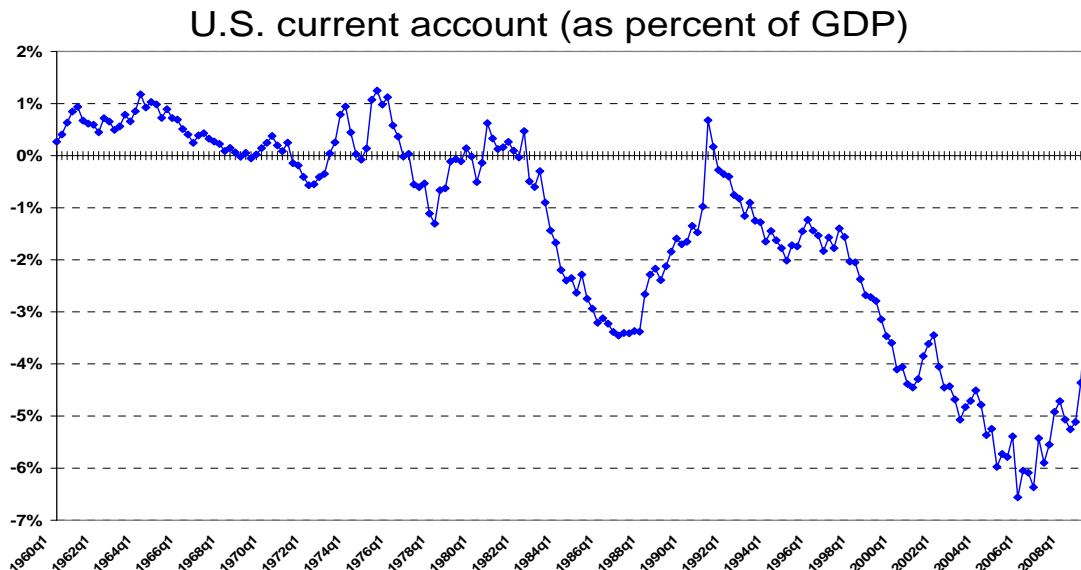


The University of Michigan's **consumer confidence index** rose to 70.8 points in June, above expectations. However, the **Conference Board's consumer confidence index** fell to 49.3 points in June, from 54.8 points in May.

Retail sales grew by 0.5 percent in May, as expected, but remained 10 percent lower than in May 2008. Sales excluding vehicles also rose by 0.5 percent, more than expected.

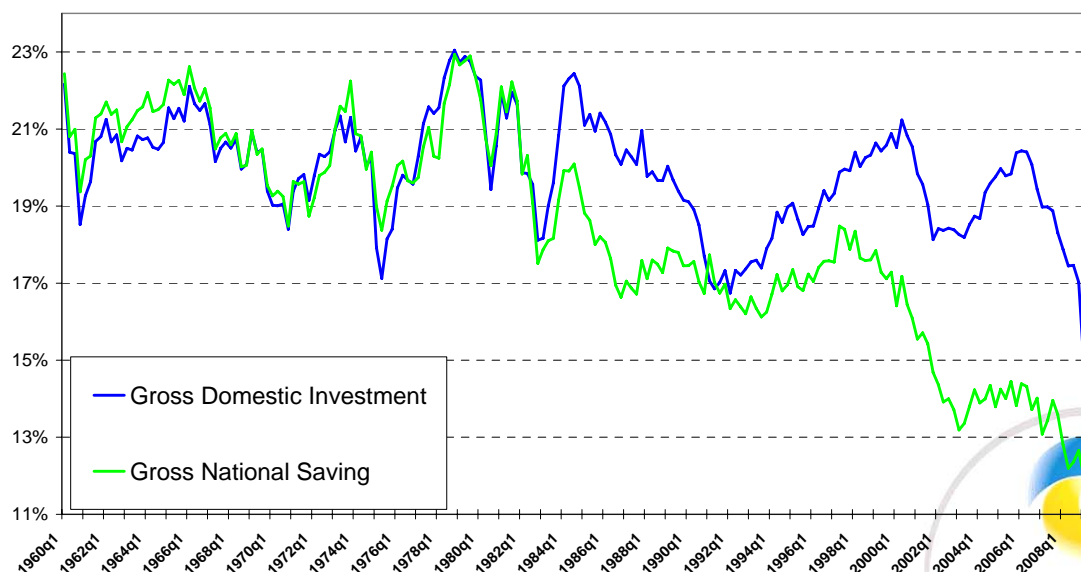
Housing market figures for May were mixed. **Sales of existing homes** were lower than expected, but the supply of homes for sale, in terms of months of sales, decreased. **Construction starts** increased by 17 percent, while the **number of construction permits** grew by 4 percent. By contrast, **sales of new homes** remained almost unchanged in May, while sales figures for the preceding months were adjusted downward to a low of many decades. The **S&P Case-Shiller index** of housing prices in twenty major US cities fell slightly in April, by 0.6 percent; prices were still 32 percent lower than the peak level of July 2006.

The deficit in the current account of the balance of payments contracted greatly in the first quarter of 2009, to 2.9 percent of GDP, as a result of a sharp decline in exports.



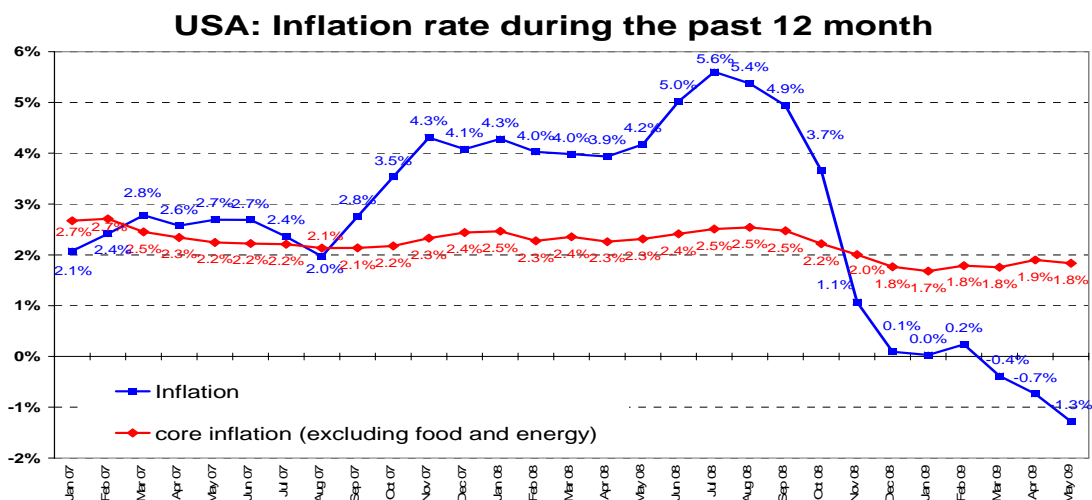
However, the improvement in the current account does not reflect an increase in **national savings in the US**, but an ongoing decline in **investments in the American economy**. Thus, the deficit is expected to expand again in the future, as the economy begins to recover from the recession, and investments as a percentage of GDP will increase.

US Savings and Investment (as percent of GDP)



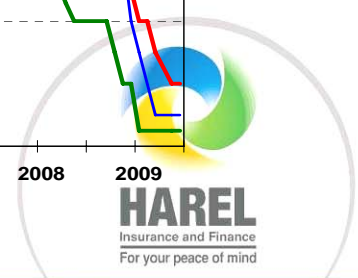
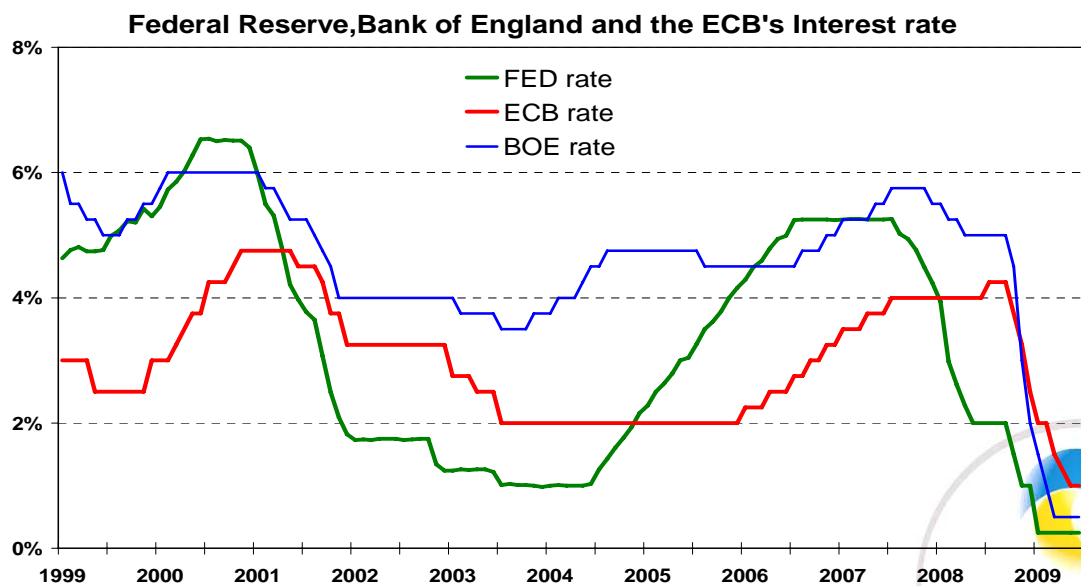
There is still no sign of inflationary pressures in the American economy. **Core private consumption prices** (core PCE) increased by just 0.1 percent in May, less than in previous months.

The **consumer price index** rose by 0.1 percent in May, and **inflation** in the last twelve months reached negative 1.3 percent, less than expected. The **core index**, excluding food products and energy, rose by 0.1 percent, as expected, while core inflation totaled 1.8 percent.



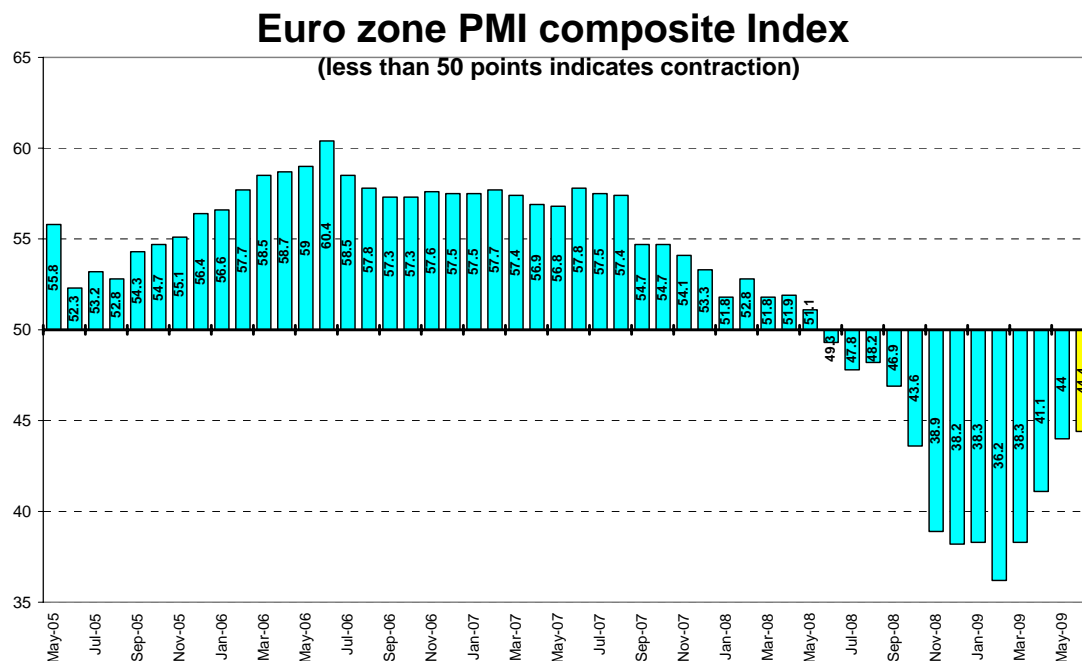
Europe

As expected, the **interest rate in the euro zone** remained unchanged at 1.0 percent, and the **interest rate in the UK** remained at 0.5 percent.

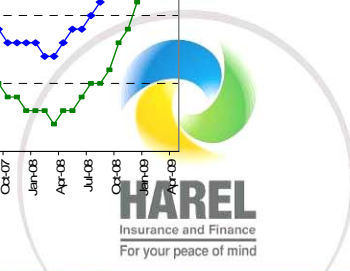
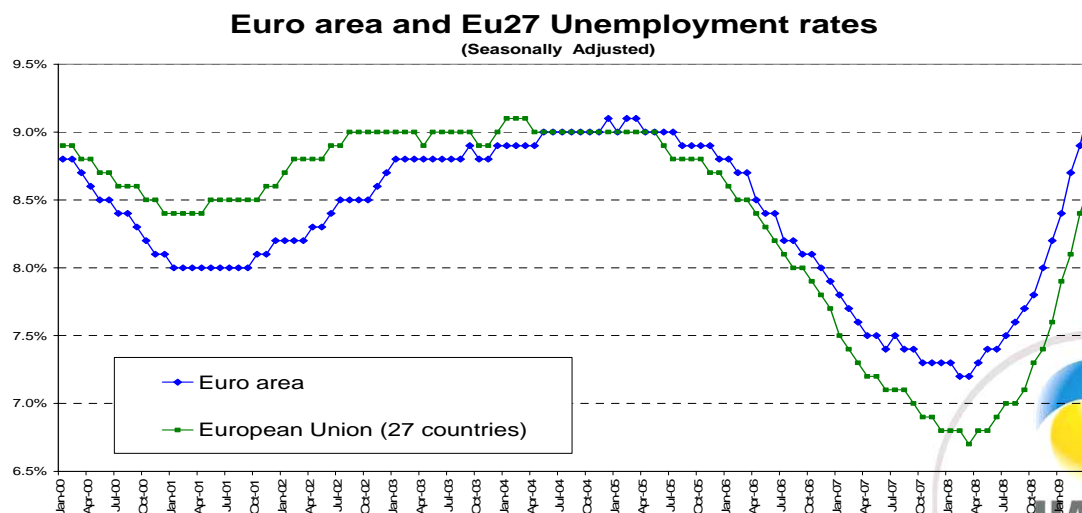


Inflation in the euro zone in the twelve months through June reached a negative 0.1 percent, similar to the initial estimate.

The purchasing managers' index in the euro zone stood at 44.4 points in June, according to an initial estimate, close to the expected level.

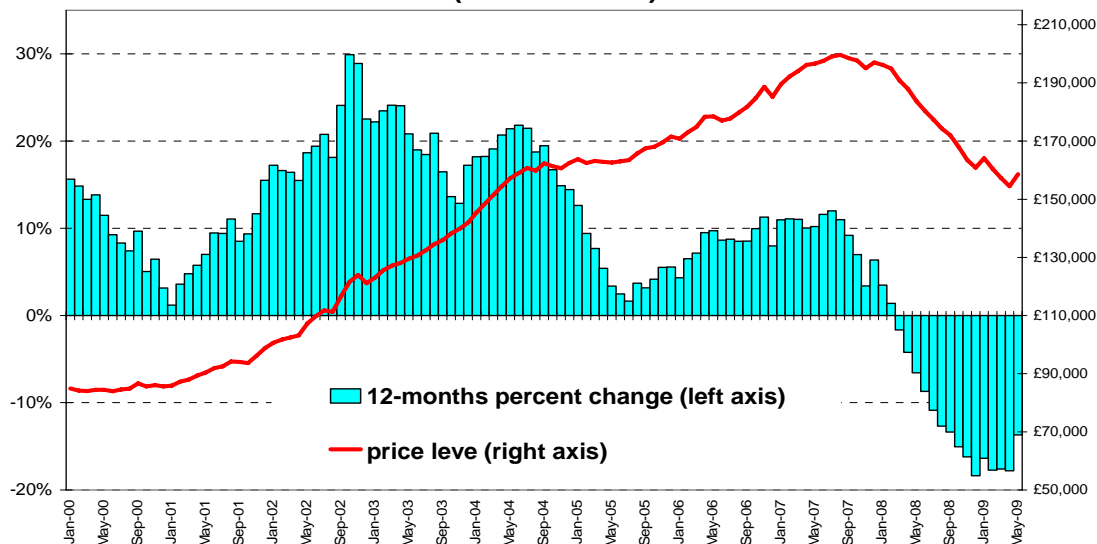


Unemployment in the euro zone continued to rise sharply, reaching 9.2 percent in April, above expectations, versus 8.9 percent in March and 7.3 percent in April 2008. The overall unemployment rate for the European Union reached 8.6 percent in April, lower than the rate in the euro zone.



The UK's Halifax house price index rose, surprisingly, by 2.3 percent in May, but remains 21 percent lower than the record level of August 2007.

UK house prices (Halifax index)



E. Macroeconomic Forecasts

Detailed forecasts for 2009-2014, including growth rates and other real changes, nominal changes, price changes and developments in exchange rates and in the labor market are presented in the following five tables.

Table 1. Growth Rates of Real GDP and Its Components, 2007-2014

Real Growth Rates (percent)	2007	2008	2009	2009	2010	2011	2012	2013	2014
	avg.	avg.	Q1	avg.	avg.	avg.	avg.	avg.	avg.
GDP	5.4	3.9	1.1	-0.8	1.4	3.8	3.8	3.9	3.8
Private consumption	6.7	3.6	-1.6	-3.8	3.3	3.6	3.8	3.8	3.9
By Israeli households	6.8	3.6	-1.8	-4.0	3.5	3.6	3.8	3.8	3.9
By households in the domestic market	6.7	4.4	-2.4	-3.0	3.7	3.9	4.1	4.1	4.1
Public consumption	2.9	3.8	-1.3	1.1	1.9	2.3	2.1	2.0	1.9
Public domestic consumption	3.8	3.5	0.6	1.1	1.8	3.0	2.5	2.1	2.0
Gross capital formation	12.0	3.7	24.7	5.4	3.5	4.4	5.5	6.2	5.9
Fixed investment	15.5	4.6	-6.1	-4.1	4.7	4.3	4.5	5.1	4.5
Exports	8.5	2.3	-27.9	-21.7	2.6	4.8	5.5	5.8	5.9
Exports excl. diamonds and start-ups	10.0	6.4	-21.6	-16.8	2.7	4.1	5.1	5.5	5.5
Exports of goods	9.0	0.3	-29.7	-21.3	3.1	4.5	5.0	5.3	5.6
Exports of other goods	10.2	8.1	-22.2	-14.7	3.9	3.6	4.6	5.0	5.4
Exports of services	7.5	7.1	-23.4	-22.1	1.5	5.4	6.5	6.9	6.4
Imports	11.7	1.9	-24.0	-20.8	7.0	3.8	5.3	5.8	6.0
Imports of goods	10.3	0.6	-25.2	-20.5	7.3	3.8	4.8	5.2	5.5
Imports of civil goods cif	11.1	0.2	-25.1	-21.4	7.5	4.4	5.2	5.5	5.8
Imports of services	16.4	5.7	-19.7	-21.1	6.1	3.8	6.7	7.5	7.6
GDP business	6.2	4.3	0.8	-2.0	1.2	4.2	4.4	4.5	4.4
GDP/person	3.5	2.0	-0.7	-2.6	-0.3	2.1	2.2	2.3	2.3

Forecast date: Jun 29, 2009

*change over same quarter in previous year

Table 2. Growth Rates of Nominal GDP and Its Components, 2007-2014

Nominal Growth Rates (percent)	2007	2008	2009	2009	2010	2011	2012	2013	2014
	avg.	avg.	Q1	avg.	avg.	avg.	avg.	avg.	avg.
GDP	5.12	6.00	8.60	4.29	3.86	6.64	6.13	5.92	5.56
Private consumption	7.56	8.45	0.66	-1.59	6.86	5.48	5.29	5.44	5.49
By Israeli households	7.63	8.43	0.45	-1.92	6.97	5.53	5.32	5.49	5.59
By households in the domestic market	7.61	9.08	0.30	-1.28	6.42	5.95	5.85	5.84	5.84
Public consumption	3.78	7.44	-0.43	1.35	5.43	5.97	5.03	4.73	4.61
Public domestic consumption	5.27	8.24	1.04	1.03	5.70	6.57	5.30	4.82	4.76
Gross capital formation	11.34	0.64	27.61	4.79	4.21	7.68	8.29	8.74	7.51
Fixed investment	14.58	2.20	-2.56	0.39	5.97	7.28	7.38	7.83	6.85
Exports	4.48	-2.10	-18.09	-11.31	3.46	10.06	9.85	9.60	8.87
Exports excl. diamonds and start-ups	5.01	0.28	-10.21	-5.82	3.50	9.22	9.48	9.35	8.61
Exports of goods	5.94	-1.75	-20.42	-12.13	3.66	9.48	8.93	8.74	8.46
Exports of other goods	6.11	4.04	-11.11	-4.90	4.33	8.39	8.46	8.50	8.20
Exports of services	1.19	-2.93	-12.35	-9.39	3.01	11.40	11.92	11.48	9.76
Imports	9.55	-0.30	-26.36	-20.19	9.93	8.24	9.00	9.68	9.28
Imports of goods	9.15	0.48	-30.70	-23.83	8.68	8.37	8.49	8.81	8.36
Imports of civil goods cif	10.11	0.67	-30.42	-24.70	9.14	8.99	8.93	9.14	8.70
Imports of services	10.84	-2.76	-11.02	-8.45	13.27	7.90	10.31	11.88	11.57
GDP business	5.84	5.92	9.43	5.12	3.81	6.80	6.75	6.60	6.27

Forecast date: Jun 29, 2009

*change over same quarter in previous year

Table 3. Changes in Price Deflators of GDP and Its Components, 2007-2014

Changes in price deflators (percent)	2007	2008	2009	2009	2010	2011	2012	2013	2014
	avg.	avg.	Q1	avg.	avg.	avg.	avg.	avg.	avg.
GDP	-0.2	2.1	7.4	5.2	2.4	2.7	2.2	1.9	1.7
Private consumption	0.8	4.7	2.3	2.3	3.4	1.9	1.5	1.5	1.5
By Israeli households	0.8	4.7	2.3	2.2	3.3	1.9	1.5	1.6	1.6
By households in the domestic market	0.9	4.5	2.7	1.8	2.6	2.0	1.7	1.7	1.6
Public consumption	0.9	3.5	0.9	0.2	3.4	3.6	2.8	2.6	2.6
Gross capital formation	-0.6	-2.9	2.3	-0.6	0.7	3.2	2.6	2.4	1.5
Fixed investment	-0.8	-2.3	3.8	4.7	1.2	2.8	2.8	2.6	2.2
Exports	-3.7	-4.3	13.6	13.3	0.9	5.0	4.1	3.6	2.8
Exports of goods	-2.8	-2.0	13.2	11.7	0.6	4.7	3.7	3.3	2.7
Exports of other goods	-3.7	-3.7	14.2	11.5	0.4	4.6	3.7	3.3	2.7
Exports of services	-5.9	-9.3	14.4	16.3	1.5	5.7	5.1	4.3	3.1
Imports	-2.0	-2.1	-3.1	0.7	2.8	4.3	3.5	3.6	3.1
Imports of goods	-1.0	-0.2	-7.3	-4.2	1.3	4.4	3.5	3.4	2.8
Imports of civil goods cif	-0.8	0.5	-7.1	-4.2	1.5	4.4	3.5	3.4	2.8
Imports of services	-4.7	-8.0	10.9	16.1	6.8	4.0	3.4	4.1	3.7
GDP business	-0.3	1.5	8.5	7.3	2.6	2.5	2.3	2.0	1.8
Terms of trade (goods and Services)	-1.8	-2.2	17.2	12.5	-1.8	0.7	0.6	-0.1	-0.2
Dollar exchange rate	4.108	3.588	4.058	4.048	3.950	4.006	4.037	4.056	4.045
annual change (percent)	-7.8	-12.7	12.0	12.8	-2.4	1.4	0.8	0.5	-0.3
Basket exchange rate	4.744	4.227	4.617	4.671	4.600	4.665	4.701	4.722	4.710
annual change (percent)	-5.5	-10.9	7.3	10.5	-1.5	1.4	0.8	0.5	-0.3
CPI	95.6	100.0	100.8	103.1	106.0	107.9	109.7	111.7	113.9
annual change (percent)	0.5	4.6	3.4	3.1	2.8	1.7	1.7	1.9	1.9

Forecast date: Jun 29, 2009

*change over same quarter in previous year

Table 4. The Labor Market and Population, 2005-2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	avg.	avg.	avg.	avg.	avg.	avg.	avg.	avg.	avg.	avg.
Wage										
level	7,219	7,467	7,628	7,908	8,034	8,403	8,725	8,990	9,242	9,462
annual change (percent)	2.4	3.4	2.2	3.7	1.6	4.6	3.8	3.0	2.8	2.4
annual real change (percent)	1.1	1.3	1.6	-0.9	-1.5	1.8	2.1	1.3	0.9	0.5
Employees										
level	2,723	2,801	2,926	3,039	3,042	3,072	3,144	3,221	3,302	3,386
annual change (percent)	3.4	2.9	4.5	3.9	0.1	1.0	2.3	2.5	2.5	2.6
Israeli employees										
level	2,494	2,574	2,682	2,777	2,781	2,811	2,882	2,960	3,041	3,125
annual change (percent)	3.9	3.2	4.2	3.5	0.1	1.1	2.5	2.7	2.7	2.8
Non-Israeli employees										
level	229	227	244	263	261	261	261	261	261	261
annual change (percent)	-1.8	-0.7	7.2	7.7	-0.4	0.0	0.0	0.0	0.0	0.0
Unemployed (Israelis)										
Thousands	247	236	212	180	256	274	265	251	236	210
percent of workforce	9.0	8.4	7.3	6.1	8.4	8.9	8.4	7.8	7.2	6.3
Participation rate (percent)	55.2	55.6	56.3	56.5	57.0	56.7	56.7	56.8	57.0	57.0
Population (Level)	6,930	7,054	7,180	7,310	7,441	7,570	7,694	7,817	7,938	8,057
annual change (percent)	1.8	1.8	1.8	1.8	1.8	1.7	1.6	1.6	1.5	1.5
Population 15+ (Level)	4,963	5,053	5,142	5,233	5,328	5,437	5,548	5,653	5,753	5,847
annual change (percent)	1.8	1.8	1.8	1.8	1.8	2.0	2.0	1.9	1.8	1.6

Forecast date: Jun 29, 2009

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Table 5. GDP and GDP Composition at Current Prices, 2006-2014

	2006	2007	2008	2009	2010	2011	2012	2013	2014
GDP at current prices (NIS billions)	640.78	673.55	714.15	744.81	773.55	824.92	875.45	927.31	978.87
	(as percent of GDP)								
Private consumption	55.10	56.38	57.83	54.57	56.14	55.53	55.10	54.85	54.81
By Israeli households	53.31	54.59	56.00	52.66	54.24	53.68	53.27	53.05	53.07
By households in the domestic market	53.56	54.83	56.44	53.42	54.74	54.39	54.25	54.21	54.35
Public consumption	25.52	25.20	25.15	24.44	24.81	24.65	24.40	24.12	23.91
Public domestic consumption	23.72	23.75	24.02	23.27	23.68	23.67	23.48	23.24	23.06
Gross capital formation	18.99	20.11	19.05	19.14	19.21	19.40	19.79	20.32	20.70
Fixed investment	17.13	18.68	18.06	17.38	17.73	17.84	18.05	18.37	18.60
Change in inventories	1.85	1.43	1.00	1.76	1.48	1.56	1.74	1.95	2.10
Net exports	0.39	-1.69	-2.03	1.85	-0.16	0.42	0.71	0.71	0.58
Exports	43.43	43.17	40.01	34.03	33.90	34.98	36.21	37.47	38.64
Exports excl. diamonds and start-ups	36.64	36.61	34.76	31.39	31.28	32.04	33.05	34.12	35.11
Exports of goods	30.07	30.30	28.06	23.64	23.60	24.23	24.87	25.53	26.23
Exports of other goods	22.88	23.10	22.65	20.65	20.74	21.09	21.55	22.07	22.62
Exports of services	13.36	12.86	11.95	10.38	10.30	10.76	11.34	11.94	12.41
Imports	43.04	44.86	42.05	32.18	34.06	34.57	35.50	36.76	38.06
Imports of goods	32.72	33.98	32.09	23.44	24.53	24.93	25.48	26.17	26.87
Imports of civil goods fob	31.00	32.50	30.84	22.23	23.37	23.89	24.52	25.26	26.01
Imports of services	10.32	10.88	9.96	8.74	9.53	9.64	10.02	10.59	11.19
GDP business	73.37	73.88	73.96	74.55	74.51	74.62	75.06	75.54	76.05

Forecast date: Jun 29, 2009

Important Announcements in the Coming Month

Title	date	Day	Time	Link
ISM manufacturing sector, us	1 Jul	wed	17:00	www.ism.ws
Euro zone unemployment	2 Jul	thu	12:00	www.ec.europa.eu/eurostat
ECB interest rate decision	2 Jul	thu	14:45	www.ecb.int
Unemployment, us	2 Jul	thu	15:30	www.bls.gov
PMI index, euro zone	3 Jul	fri	11:00	http://www.markiteconomics.com/
Retail sales, euro zone	3 Jul	fri	12:00	www.ec.europa.eu/eurostat
ISM services sector, us	6 Jul	mon	17:00	www.ism.ws
Average wages, Israel	7 Jul	tue	13:00	http://www1.cbs.gov.il/reader
BOE interest rate decision	8 Jul	wed	14:00	www.bankofengland.co.uk
Foreign trade, Israel	13 Jul	mon	13:00	http://www1.cbs.gov.il/reader
Retail sales, US	14 Jul	tue	15:30	http://www.census.gov/svsd/www/adseries.html
CPI, euro zone	15 Jul	wed	12:00	www.ec.europa.eu/eurostat
Incoming tourists, Israel	15 Jul	wed	13:00	http://www1.cbs.gov.il/reader
CPI, US	15 Jul	wed	15:30	www.bls.gov
CPI, Israel	15 Jul	wed	18:30	http://www1.cbs.gov.il/reader
National accounting and growth data, 1Q 2009	16 Jul	thu	13:00	http://www1.cbs.gov.il/reader
Construction starts and permits, US	17 Jul	fri	15:30	http://www.census.gov/pub/const
Industrial production index and trade and service sectors revenue index	19 Jul	sun	13:00	http://www1.cbs.gov.il/reader
Retail sales, UK	23 Jul	wed	11:30	http://www.statistics.gov.uk
Sales of existing homes, US	23 Jul	wed	17:00	http://www.realtor.org/Research.nsf/Pages/EHS_data
2Q growth rate, estimate UK	24 Jul	thu	11:30	http://www.statistics.gov.uk
Michigan University consumer confidence index	24 Jul	thu	17:00	http://www.sca.isr.umich.edu/
BOI interest rate decision	27 Jul	mon	17:30	http://www.bankisrael.gov.il/
Hotel stays	27 Jul	mon	13:00	http://www1.cbs.gov.il/reader
Sales of new homes, US	27 Jul	mon	17:00	http://www.census.gov/const/www/newressalesindex.html
New dwelling sold in private sector	29 Jul	wed	13:00	http://www1.cbs.gov.il/reader
CPI estimate, euro zone	31 Jul	wed	12:00	www.ec.europa.eu/eurostat
2Q growth rate, estimate US	31 Jul	fri	15:30	http://bea.gov/
Unemployment rate, euro zone	31 Jul	fri	12:00	www.ec.europa.eu/eurostat

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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