

Weekly Macroeconomic Review

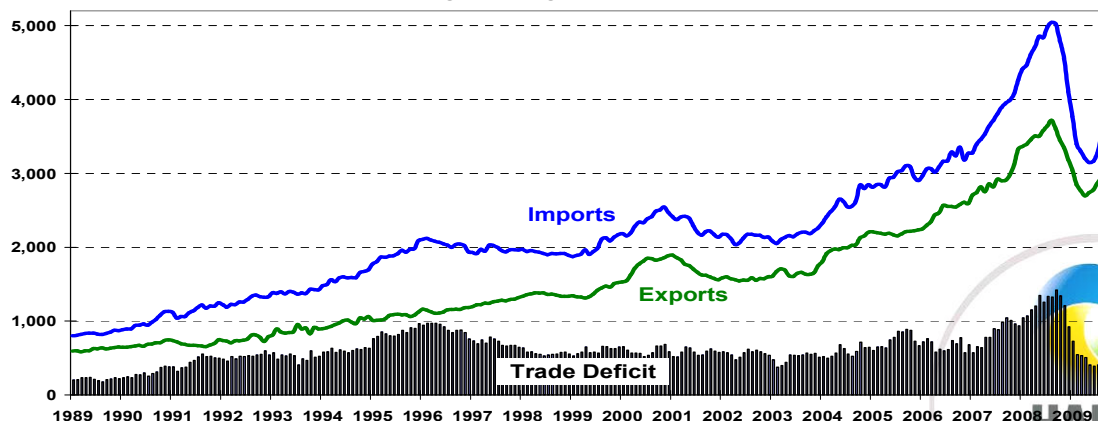
September 15, 2009

	Expectations derived from the capital market	Our forecast
Inflation in the coming months		0.7% in August Minus 0.1% in September
Future cumulative inflation – next 12 CPIs (through July 2010 CPI)		2.6%
Inflation through July 2011 CPI (average annual rate)	2.5%	2.4%
Bank of Israel interest rate, 6 months ahead	1.70% (up 0.95)	1.50%
Fed interest rate, 6 months ahead	0.35% (up 0.10)	0.35%
Yield on Israeli Government 10-Year bond, 6 months ahead	5.38% (up 0.28)	5.38%
Yield on US Treasury 10-Year bond, 6 months ahead	3.62% (up 0.22)	4.00%
Dollar exchange rate, 6 months ahead	NIS 3.77 (unchanged)	NIS 3.77 (unchanged)

Israel

Foreign-trade data for August indicate continued recovery in exports and imports of goods, and expansion of the trade deficit. **Exports of goods** (excluding diamonds, ships, and aircraft; in dollar terms) increased by 5 percent in August and decreased by 16 percent in the twelve months ended in August. **Imports of goods** grew by 7 percent in August and fell by 25 percent in the twelve months ended in August.

Exports and imports of goods & the trade deficit
(excl. diamonds, ships and aircraft)
3-month moving average, US\$ millions per month



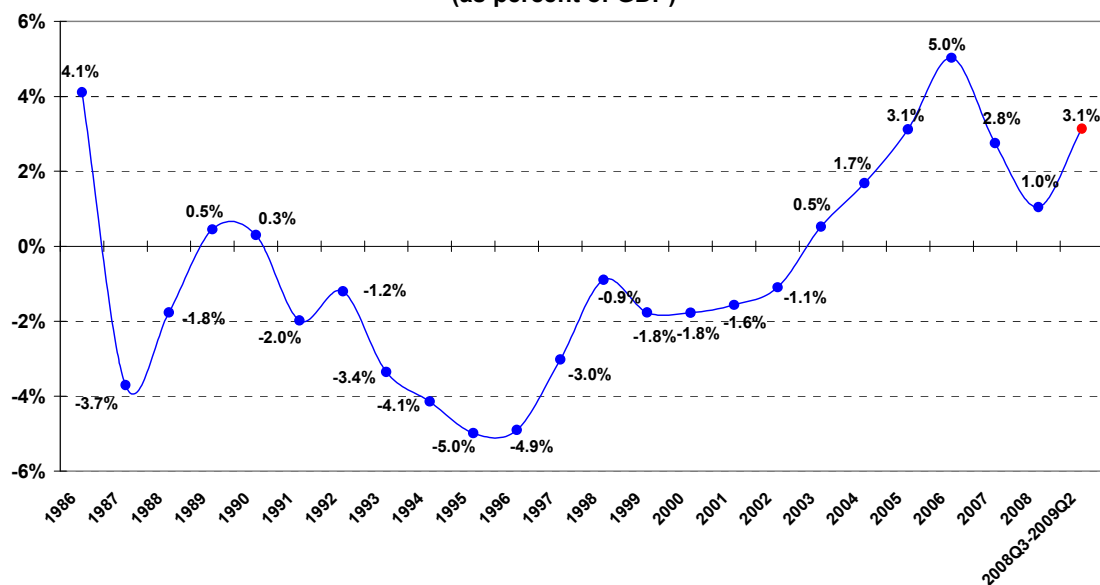
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The monthly **trade deficit** rose to USD 0.7 billion in August, the highest level this year. The deficit expanded in recent months, after a low of USD 0.2 billion recorded in May, but remains low in comparison to August 2008, when the deficit reached USD 1.4 billion.

The **balance of payments** showed a large surplus in the current account in the second quarter of 2009 as well, at USD 2.1 billion, versus USD 2.3 billion in the first quarter and an average of USD 0.6 billion each quarter in 2008. The sharp declines in exports and imports of goods and services were arrested in the second quarter this year, but left imports lower than exports, so that the surplus in the current account remained similar to the first quarter. Investments in tradable securities overseas by residents of Israel grew by USD 3.4 billion in the first half of 2009, reaching the high level of early 2007.

The Current Account (as percent of GDP)



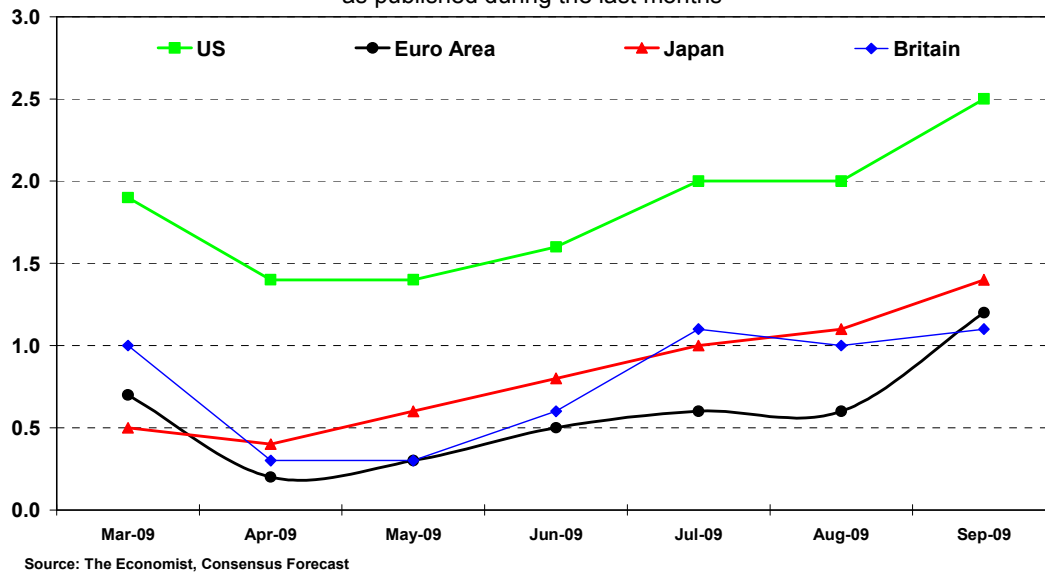
Growth forecasts for advanced economies

The *Economist* has published its monthly Consensus Forecast of growth rates in the advanced countries. Growth forecasts for 2010 rose significantly, and inflation estimates for the US and the euro zone increased.



Growth Forecasts for 2010

as published during the last months

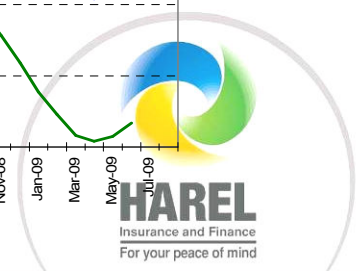
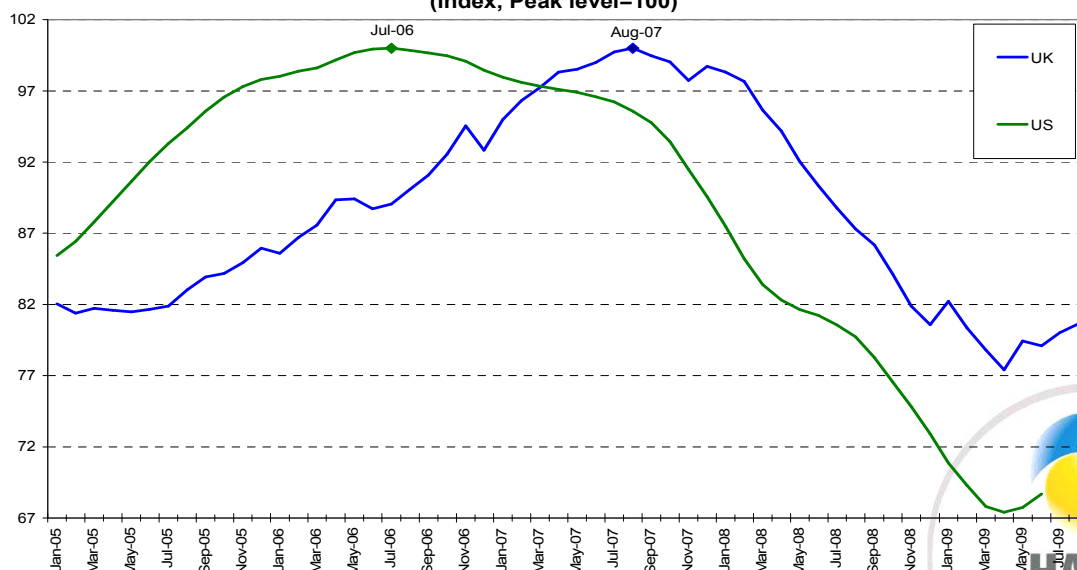


United Kingdom

The central bank left the interest rate unchanged at 0.5 percent, as expected.

The UK's **Halifax house price index** rose by 0.8 percent in August, following the 1.2 percent increase in July. Assuming the recovery in housing prices continues, it would appear that the price decline in the UK was shorter and milder than in the US.

Development of housing prices in the United States and the United Kingdom
(index, Peak level=100)



Important Announcements in the Coming Week

- Israel's Central Bureau of Statistics (CBS) will publish the consumer price index for the month of August on Tuesday, September 15. Data on retail sales will be published in the US.
- The CBS will publish the second estimate of growth in the second quarter of 2009 on Wednesday, September 16. Consumer price indices will be published in the US and in the euro zone.
- Data on construction starts and permits will be published in the US on Thursday, September 17.

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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