

Weekly Macroeconomic Review

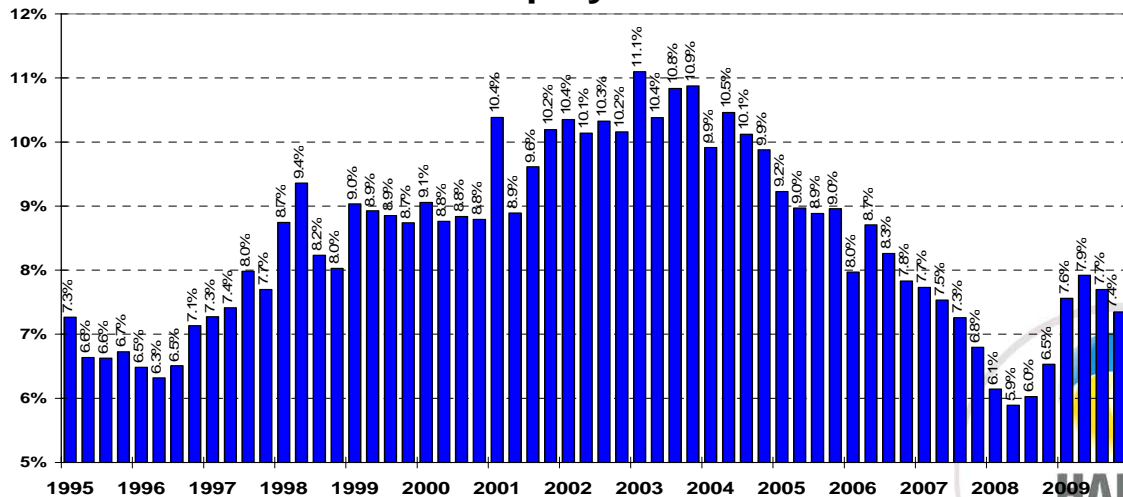
March 2, 2010

	Expectations derived from the capital market	Our forecast
Inflation in the coming months		Minus 0.4% in February 0.1% in March
Future cumulative inflation – next 12 CPIs (through January 2011 CPI)		2.1%
Inflation through July 2011 CPI (average annual rate)	2.3%	2.7%
Bank of Israel interest rate, 6 months ahead	1.90% (up 0.65)	2.00%
Fed interest rate, 6 months ahead	0.30% (up 0.05)	0.30%
Yield on Israeli Government 10-Year bond, 6 months ahead	5.16% (up 0.24)	5.16%
Yield on US Treasury 10-Year bond, 6 months ahead	3.87% (up 0.25)	4.25%
Dollar exchange rate, 6 months ahead	NIS 3.79 (unchanged)	NIS 3.79 (unchanged)

Israel

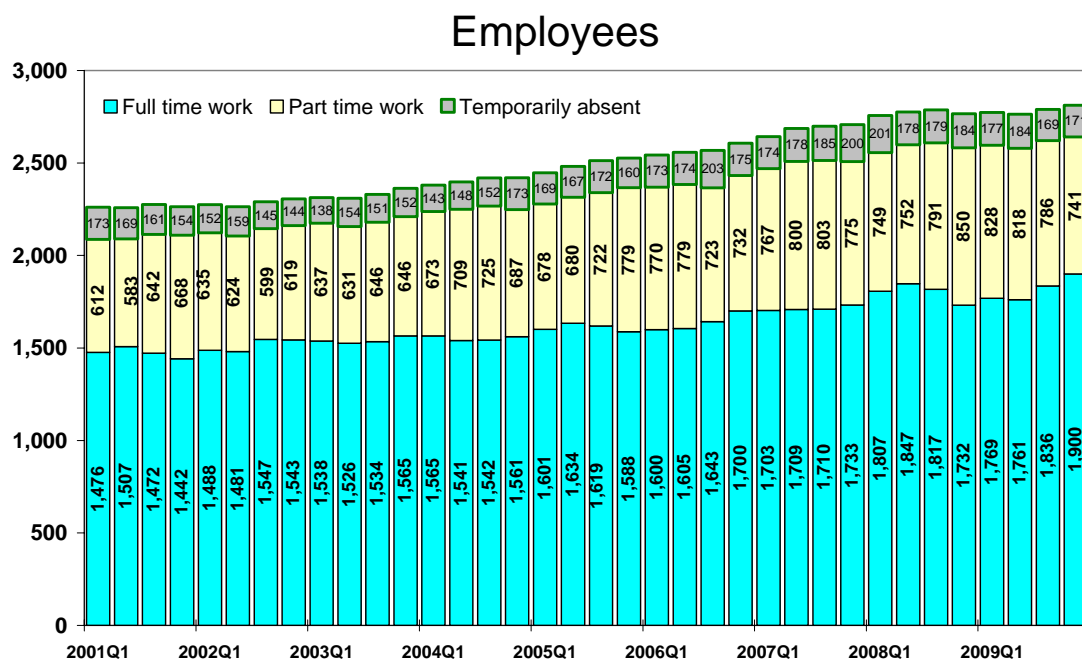
Data from the manpower survey for the fourth quarter of 2009 were favorable. The unemployment rate decreased to 7.4 percent, from 7.7 percent in the preceding quarter.

The Unemployment Rate

Tel: 1-800-310-330 | www.harel-finance.co.il


HAREL
Insurance and Finance
For your peace of mind

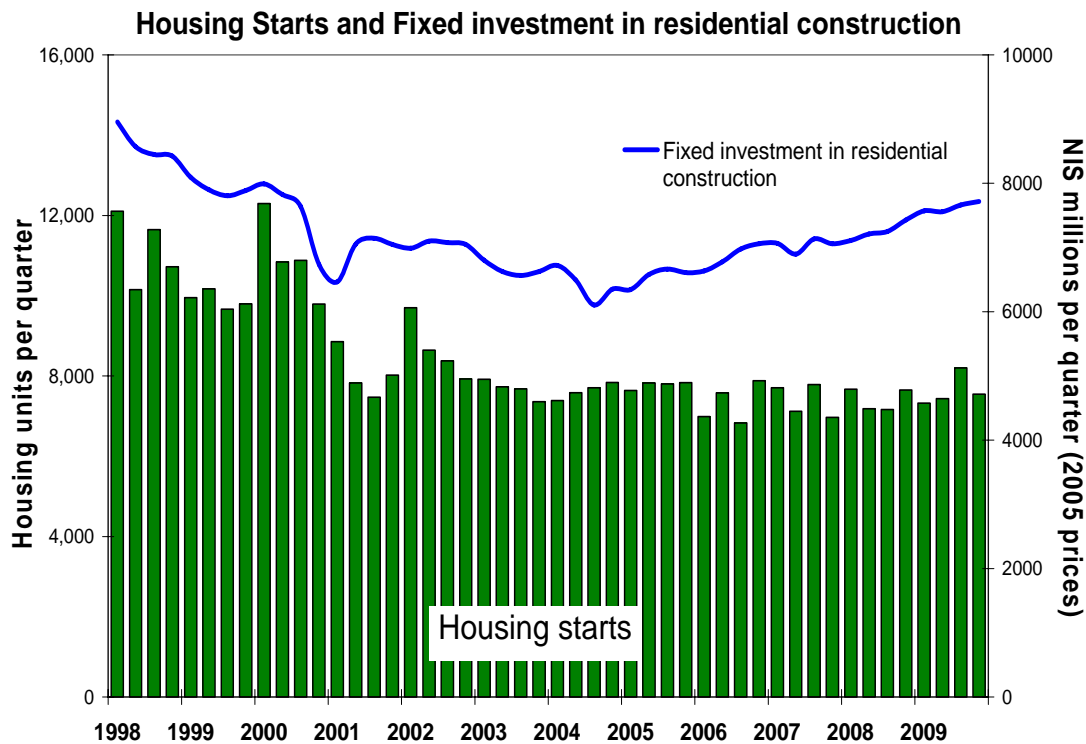
The workforce participation rate remained unchanged at 56.5 percent. The number of employed Israelis rose rapidly (total employed persons by 1.0 percent and full-time employees by 3.5 percent from the preceding quarter).



However, the increase in employed persons occurred entirely in the public-services sector; the number of employees in the business sector actually fell slightly.

The number of new homes sold grew by 10 percent in December, but fell by 11 percent in the twelve months ended in December. The supply of homes for sale remained almost unchanged, and is 26 percent lower than in January 2009.

Construction starts decreased by 8 percent in the fourth quarter of 2009, following a 10 percent increase in the preceding quarter.



Overall for the year, **construction starts** increased by only 0.4 percent in 2009, following a 4.5 percent gain in 2008. **Investments in housing construction** grew by 4.2 percent in 2009, following a 3.6 percent increase in 2008.

In our opinion, the small supply of homes for sale, along with the very moderate growth in construction starts, is likely to cause a continued increase in housing prices over the coming months.

United States

Real consumption grew by 0.3 percent in January, versus an average of 0.0 percent in the preceding four months. The rate of savings fell to 3.3 percent, from a 4.3 percent average in 2009. Core prices of private consumption (the core PCE deflator) remained unchanged in January, following an average increase of 0.1 percent in the preceding months, and in contrast to the previous decrease in core consumer price index prices.



GDP grew at an annualized rate of 5.9 percent in the last quarter of 2009, versus the previous estimate of 5.7 percent. Private consumption data were adjusted downward, while data on investments by firms were adjusted upward. The increase in inventories constituted about two-thirds of the growth for the quarter.

The University of Michigan's consumer confidence index stood at 73.6 points in February, lower than expected.

Sales of existing homes decreased by 7.2 percent, far more than expected. **Sales of new homes** fell by 11 percent, to 309,000 in annual terms, the lowest level since the data series began in 1963.

The ISM manufacturing sector index stood at 56.5 points in February, lower than expected

Our forecast of cumulative changes in price indices due to be publish during the coming three months

Forecast change, January 2010 to April 2010

Consumer Prices Index (CPI)	Housing component in the CPI (mainly rent prices)	Prices of Owner-Occupied Dwellings	Price Index of Inputs in Residential Building	Wholesale Price Index of Manufacturing (excl. Fuel)
0.4%	1.7%	5.1%	0.6%	-0.3%

Important Announcements in the Coming Week

- Data on retail sales will be published in the euro zone on Wednesday, March 3.
- An update on fourth-quarter growth in the euro zone will be published on Thursday, March 4.
- The employment report will be published in the United States on Friday, March 5.
- Israel's Central Bureau of Statistics will publish data on employee positions and average wages in the Israeli economy, and on the balance of payments, on Monday, March 8.

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

and at <http://www.harel-group.com/finance.html> in English.

Please address comments or questions to Mr. Ofer Klein at

oferk@harel-finance.co.il

*If you would like to be removed from the Harel Group mailing list,
please let us know in a reply to this e-mail.*