

Weekly Macroeconomic Review

July 14, 2009

	Expectations derived from the capital market	Our forecast
Inflation in the coming months		0.2% in June 1.0% in July
Future cumulative inflation – next 12 CPIs (through May 2010 CPI)	2.4%	2.8%
Inflation through July 2011 CPI (average annual rate)	2.4%	2.5%
Bank of Israel interest rate, 6 months ahead	0.90% (up 0.40)	0.75%
Fed interest rate, 6 months ahead	0.35% (up 0.10)	0.25%
Yield on Israeli Government 10-Year bond, 6 months ahead	5.57% (up 0.33)	5.50%
Yield on US Treasury 10-Year bond, 6 months ahead	3.59% (up 0.22)	3.75%
Dollar exchange rate, 6 months ahead	NIS 3.97 (unchanged)	NIS 4.03 (up 1.6%)

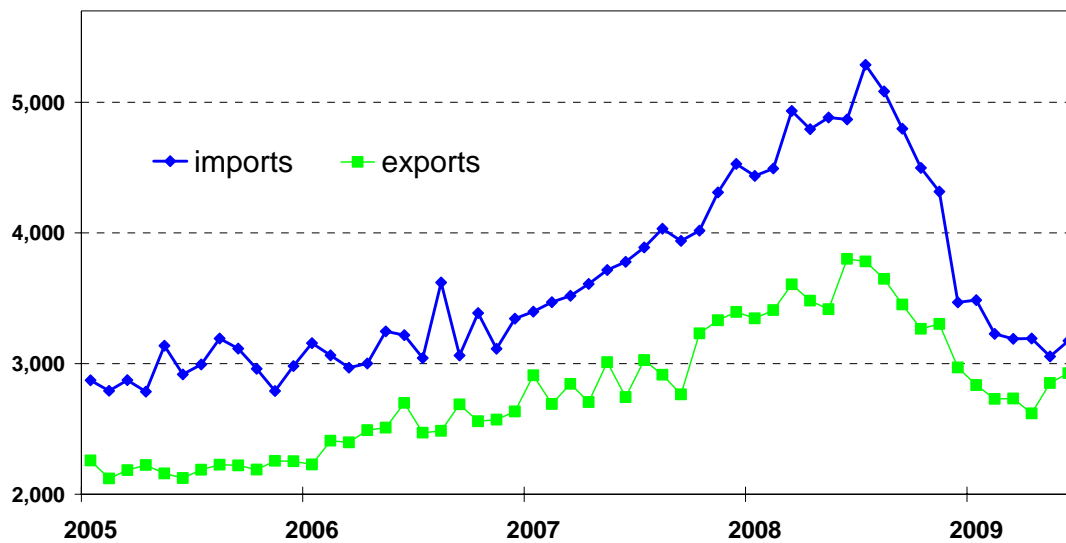
Israel

Exports of goods took a positive turn in the last two months. Excluding diamonds, ships, and aircraft, exports of goods in dollar terms rose by 3 percent in June, following a sharp upward revision of the previous month's figures, which now point to a 9 percent gain in May. Nonetheless, exports of goods decreased by 23 percent in the twelve months ended in June. Some of the increase in this figure in the last few months may have derived from the initiation of exports from the new Intel plant. Thus, for example, exports of electronic components increased by 279 percent in the twelve months ended in June, with a 7 percent contribution to the increase in total industrial exports excluding diamonds. **Imports of goods** grew by 4 percent in June, but decreased by 35 percent in the twelve months ended in June.



Exports and Imports of Goods

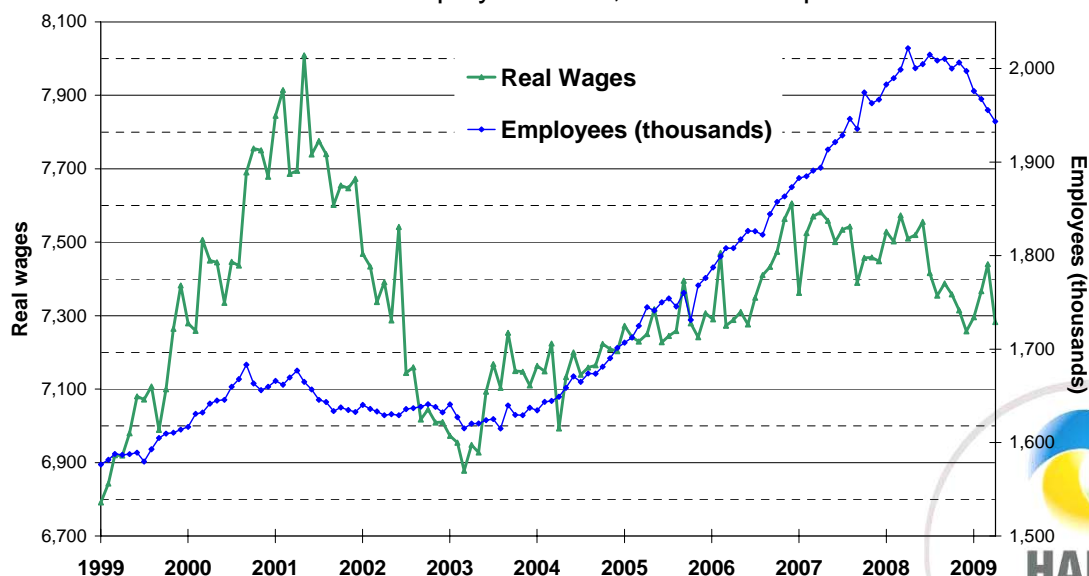
(US\$ millions per month, excl. diamonds, ships & airplanes)
January 2005 - June 2009



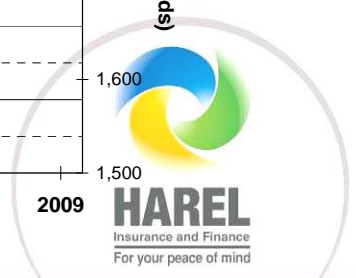
The weakness in the labor market is worsening. The number of jobs of Israeli workers decreased by 0.6 percent in April and by 2.4 percent in the twelve months ended in April. Average wages for an employee position of Israeli workers decreased by 1.1 percent in April, and increased by 0.6 percent in the twelve months ended in April, with a real decrease of 2.5 percent.

The number of employee positions in the business sector, including non-Israelis, decreased by 0.6 percent, while real wages declined by 2.1 percent.

Business Sector's Real Wages and number of Employee Posts, Jan 1999 - Apr 2009



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



Development in the global economy

The International Monetary Fund has updated its forecasts for global growth. The estimate for global growth in 2010 now stands at 2.5 percent, up 0.6 percentage point from the previous forecast released in April. The forecast for 2009 remains almost unchanged, at a negative 1.4 percent, versus negative 1.3 percent in the previous estimate.

The forecast for the United States and the developing countries was adjusted upward. The growth forecast for the US has risen to 0.8 percent in 2010, from 0 in the previous estimate. The forecast for growth in the developing countries and emerging markets increased to 4.7 percent, from 4.0 percent in the previous estimate; the forecast for China was revised upward by 1.0 percentage point, to 8.5 percent. By contrast, growth forecasts for some of the developed countries were adjusted downward. The growth forecast for the euro zone in 2010 remains almost unchanged at a negative 0.3 percent.

World Economic Outlook Update Projections (annual percent change)

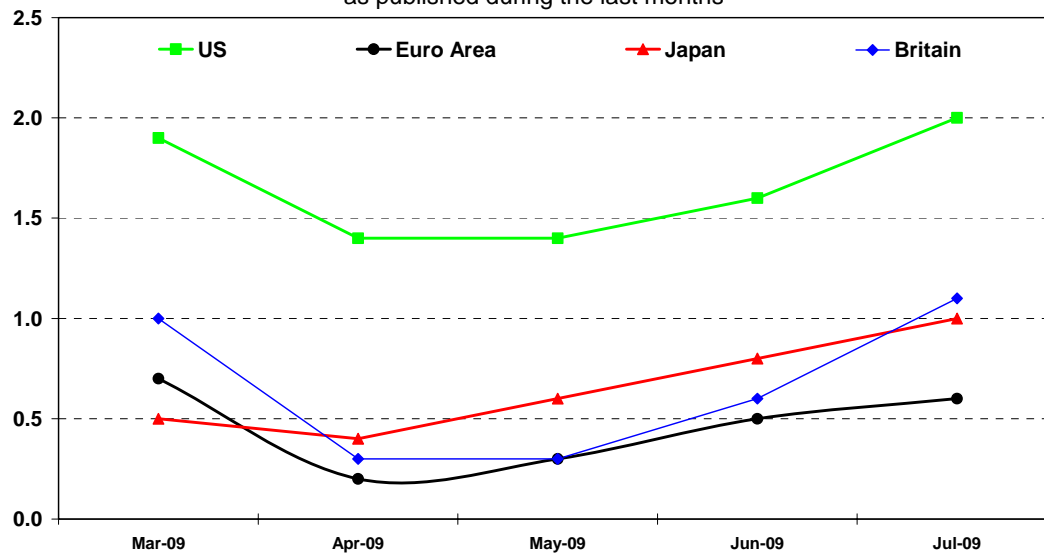
	2007	2008	2009	Previous est.	2010	Previous est.
World growth	5.3	3.1	-1.4	-1.3	2.5	1.9
Advanced economies	2.7	0.8	-3.8	-3.8	0.6	0.0
United states	2.0	1.1	-2.6	-2.8	0.8	0.0
Euro zone	2.7	0.8	-4.8	-4.2	-0.3	-0.4
Japan	2.3	-0.7	-6.0	-6.2	1.7	0.5
United kingdom	2.6	0.7	-4.2	-4.1	0.2	-0.4
Canada	2.5	0.4	-2.3	-2.5	1.6	1.2
Developing economies and emerging markets	8.3	6.0	1.5	1.6	4.7	4.0
Africa	6.2	5.2	1.8	2.0	4.1	3.9
central and eastern Europe	5.4	3.0	-5.0	-3.7	1.0	0.8
Russia	8.1	5.6	-6.5	-6.0	1.5	0.5
Developing Asia economies	10.6	7.6	5.5	4.8	7.0	6.1
China	13.0	9.0	7.5	6.5	8.5	7.5
India	9.3	7.3	5.4	4.5	6.5	5.6
Middle east	6.3	5.2	2.0	2.5	3.7	3.5
South and central America	5.7	4.2	-2.6	-1.5	2.3	1.6
Brazil	5.7	5.1	-1.3	-1.3	2.5	2.2
Mexico	3.3	1.3	-7.3	-3.7	3.0	2.1

According to the IMF, the financial markets have shown better-than-expected recovery, mainly thanks to government intervention; recent data point to moderation of the rate of the slowdown, though with wide variance among different regions globally. Despite the positive signs, the global recession is still far from over, and recovery is still expected to be slow.

The *Economist* has published its **monthly Consensus Forecast** of growth rates in the advanced countries. Forecasts for 2010 rose again, and are more optimistic than the IMF's estimates with regard to growth in the US and the UK.

Growth Forecasts for 2010

as published during the last months



Source: The Economist, Consensus Forecast

Important Announcements in the Coming Week

- Data on retail sales in the US will be published on Tuesday, July 14.
- The consumer price index will be published in Israel, in the US, and in the euro zone on Wednesday, July 15.
- Israel's Central Bureau of Statistics will publish final national accounting data for the first quarter of 2009 on Thursday, July 16.
- Data on construction starts and permits will be published in the US on Friday, July 17.
- The CBS will publish the industrial production index and the index of trade and service sectors on Sunday, July 19.

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.

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.*

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

