

# THE ISRAELI ECONOMY 2012

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Herzliya

**The Rothschild Caesarea Center Conference**

November 2011

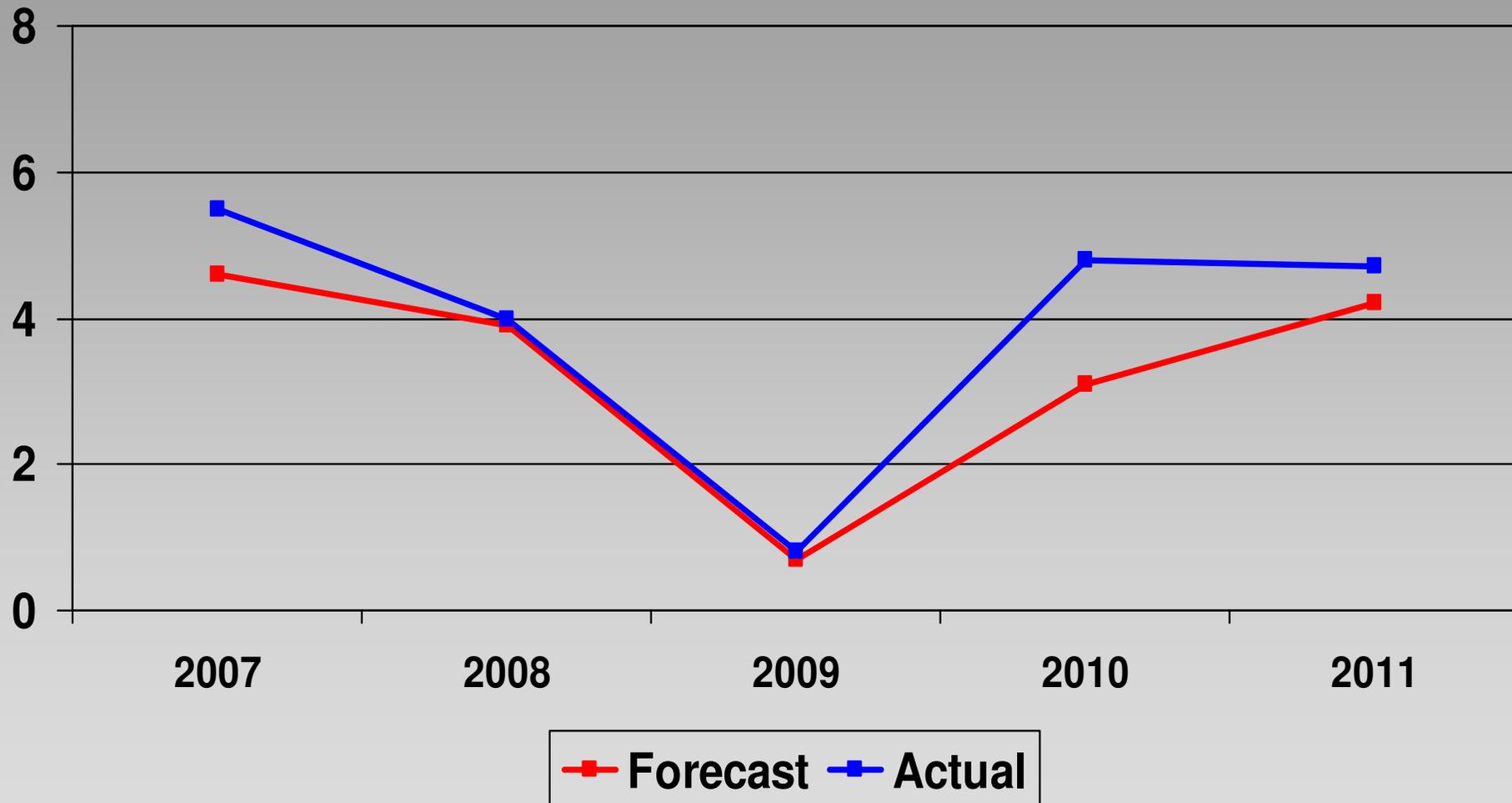
# GDP - Forecast and Reality 2007 - 2011

<b>Year</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Forecast*	4.6	3.9	0.7	3.1	4.2
Reality**	5.5	4.0	0.8	4.8	4.7

\* The Forecast was given in the month of November of the previous year

\*\* Latest CBS update

# GDP - Forecast and Reality 2007 - 2011



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# Identifying Business Cycles in the Israeli Economy

The Present Cyclical Position

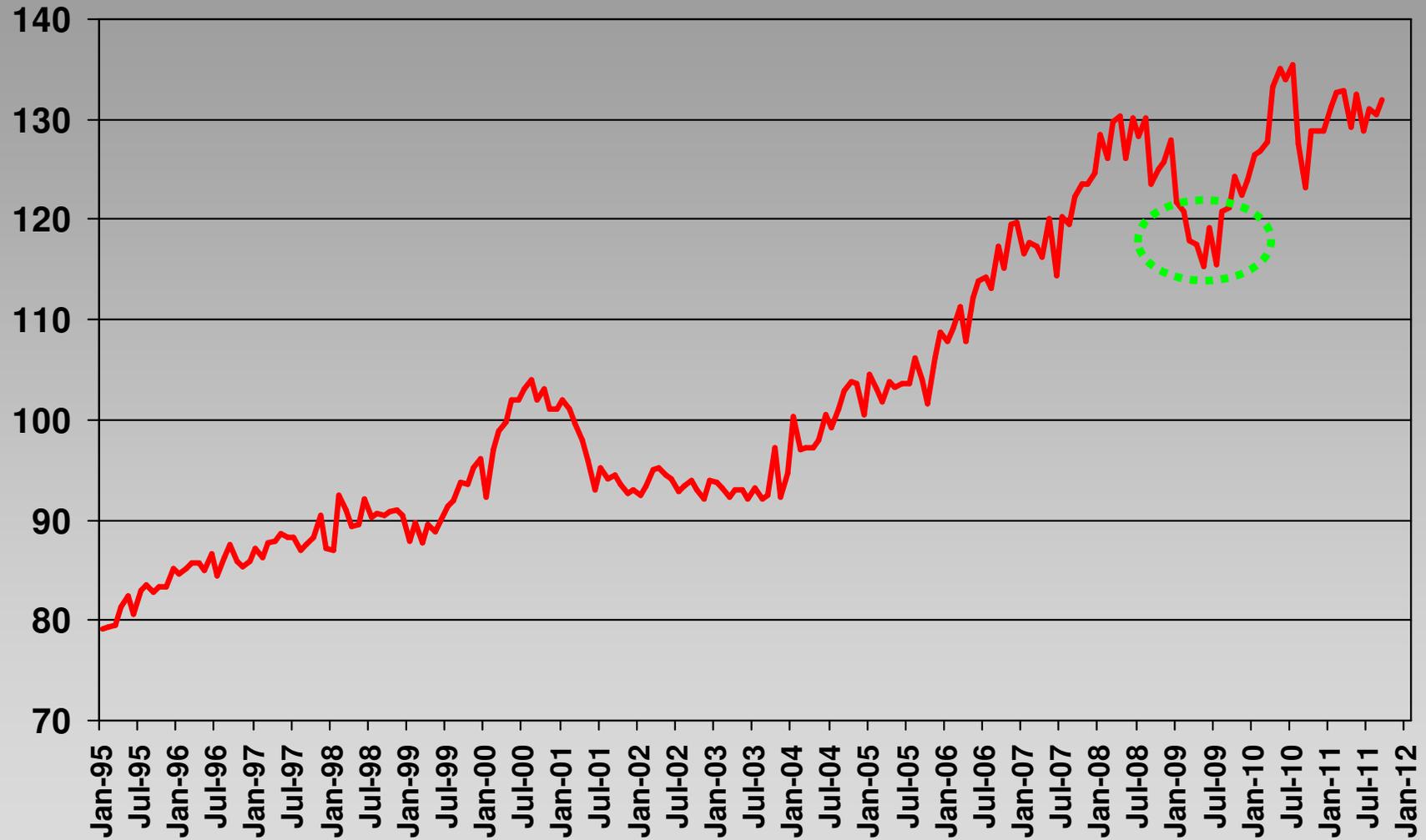
# The Melnick State of the Economy Index

## Main Indicators

- Industrial Production
- Revenue in Commerce and Services
- Import Index
- Employee Posts in the Business Sector

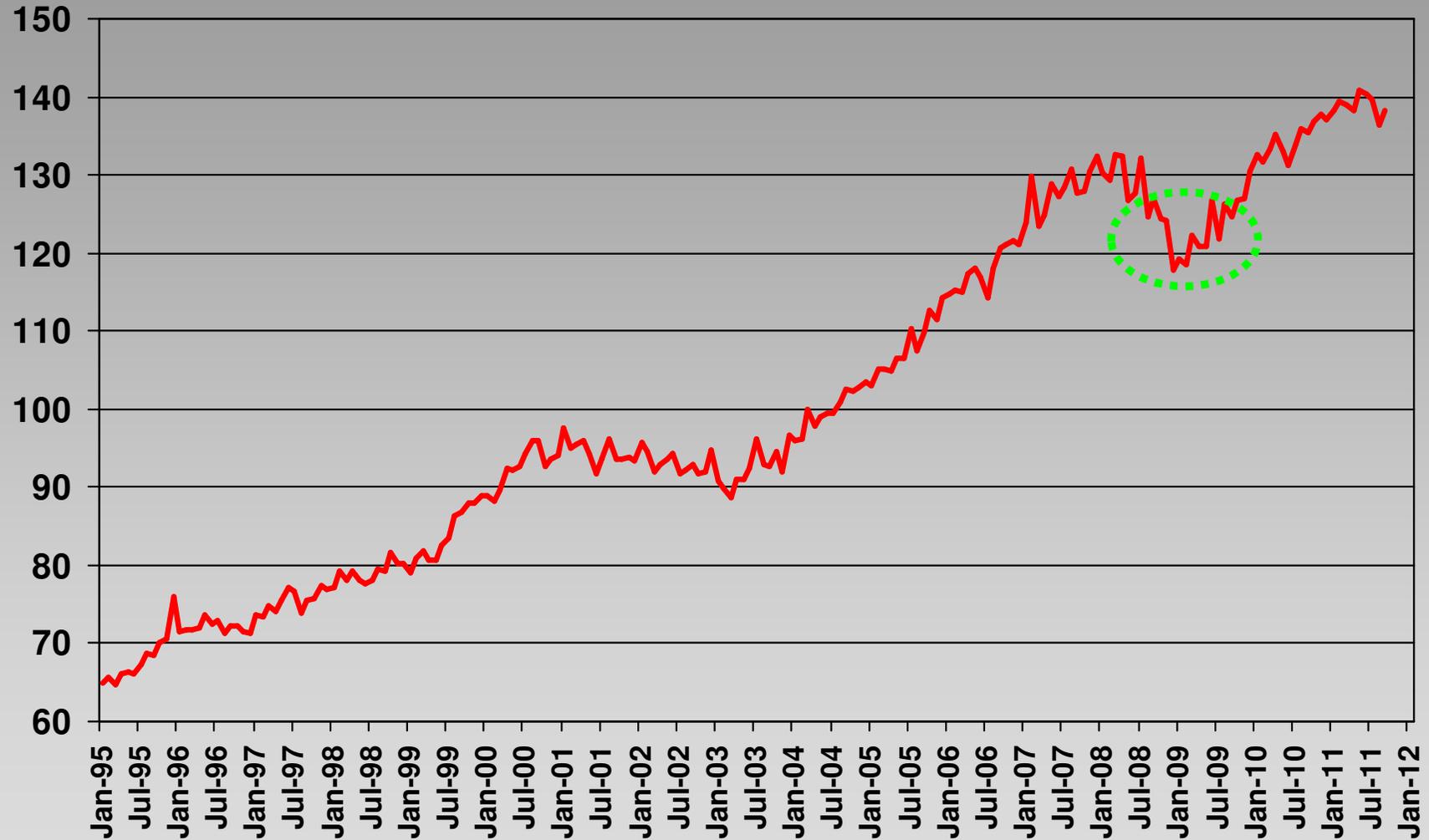
# Industrial Production 1995 - 2011

(2004 = 100)



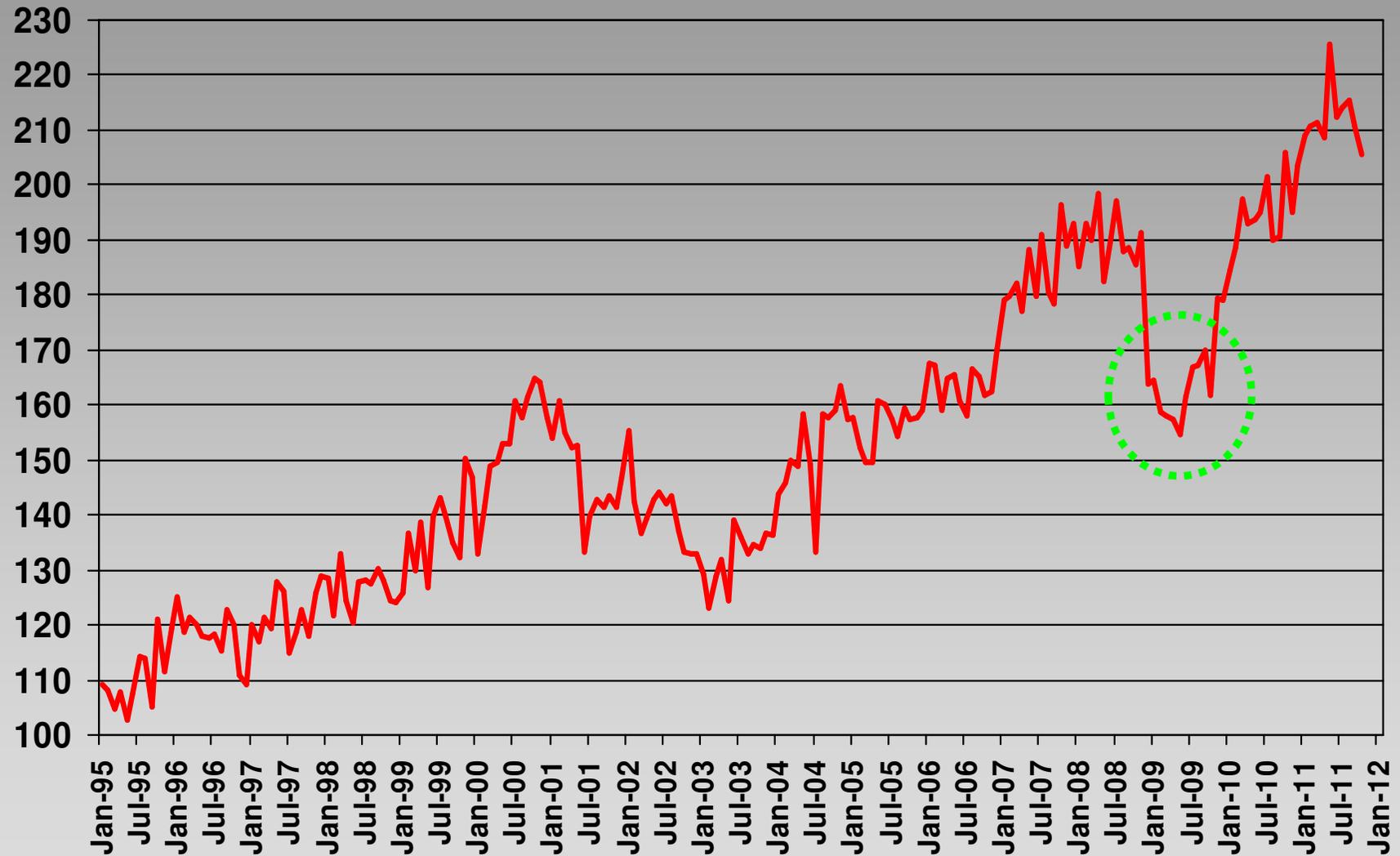
# Revenue in Commerce and Services '95 - '11

(2004 = 100)

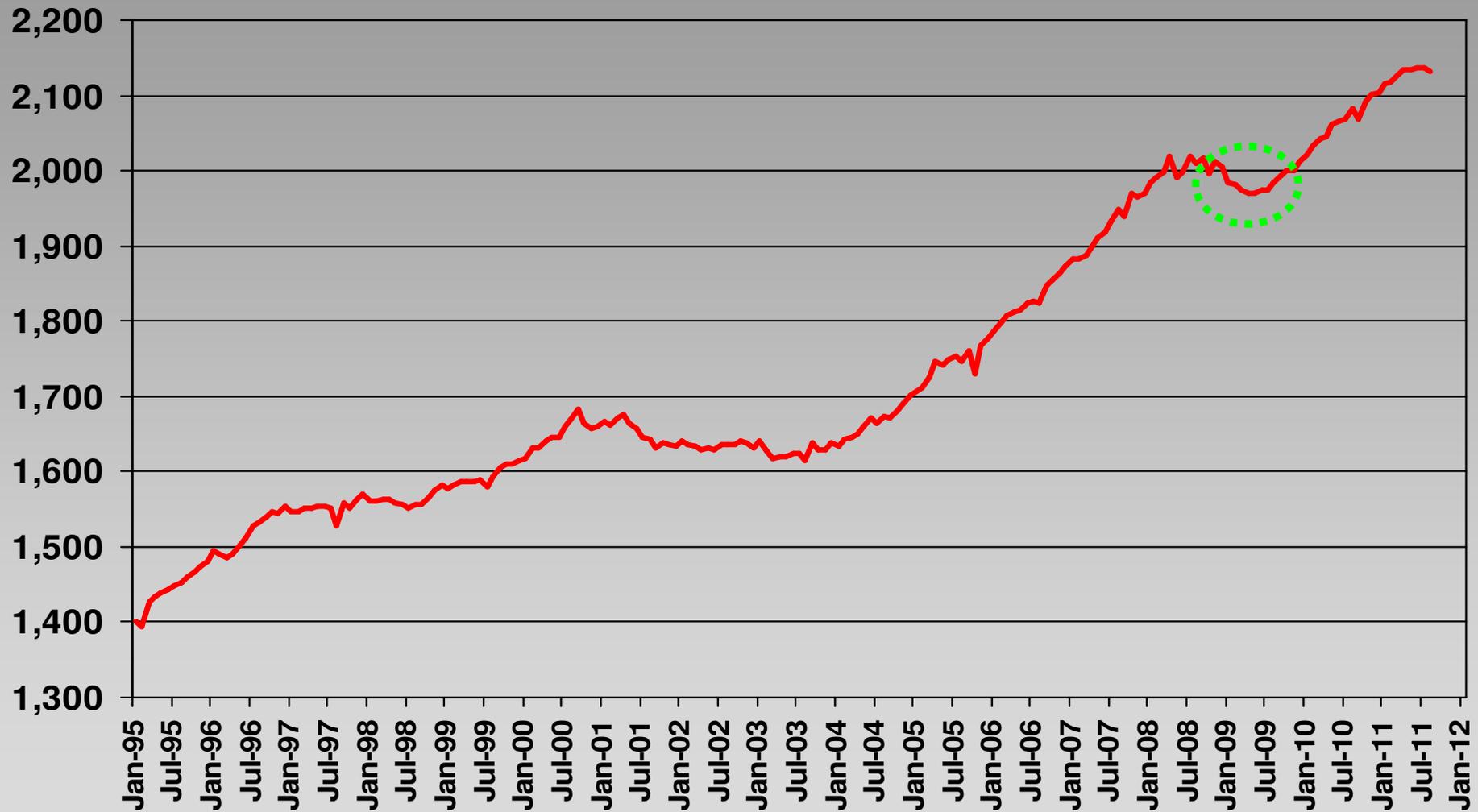


# Import Index 1995 - 2011

(1994 = 100)

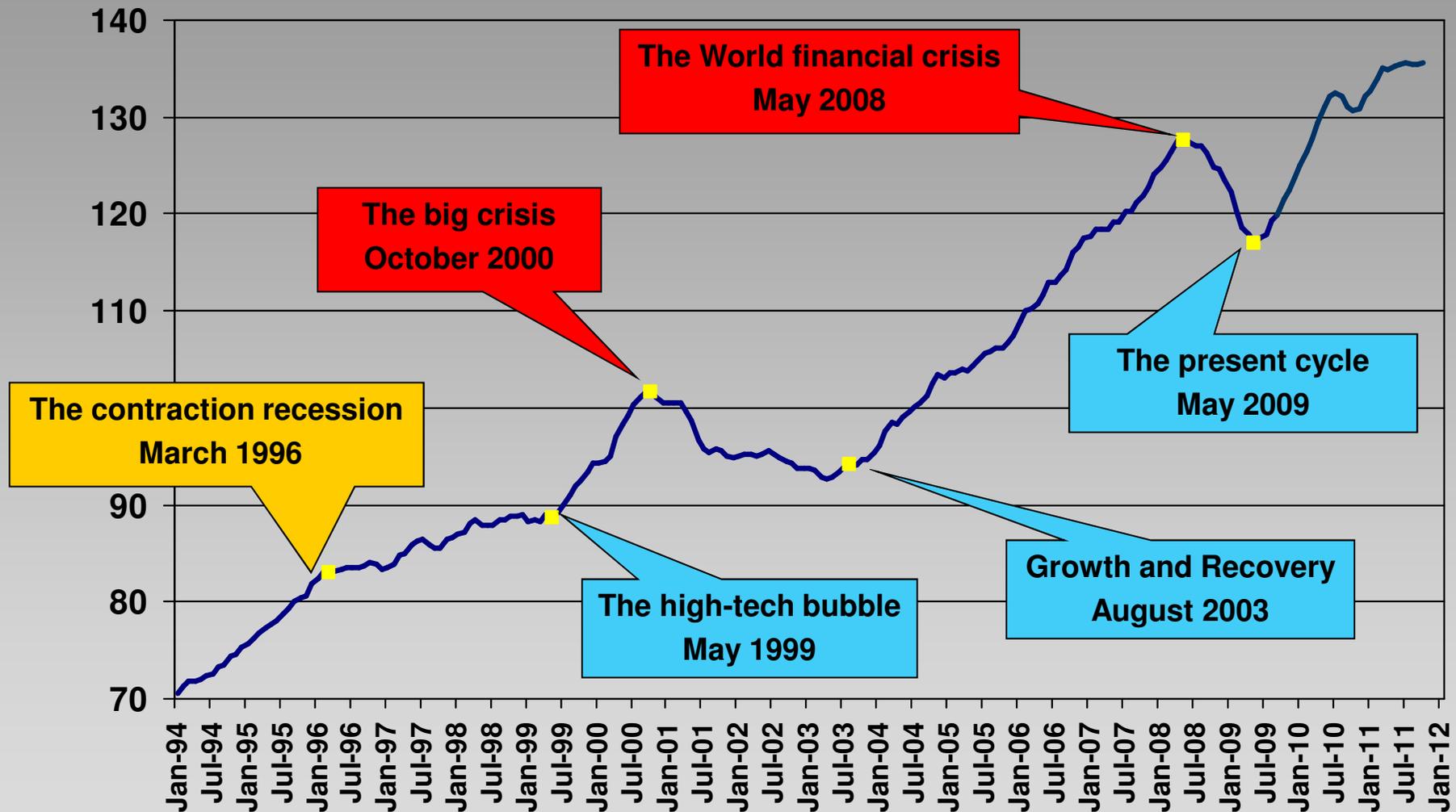


# Employee Posts in the Business Sector '95 - '11



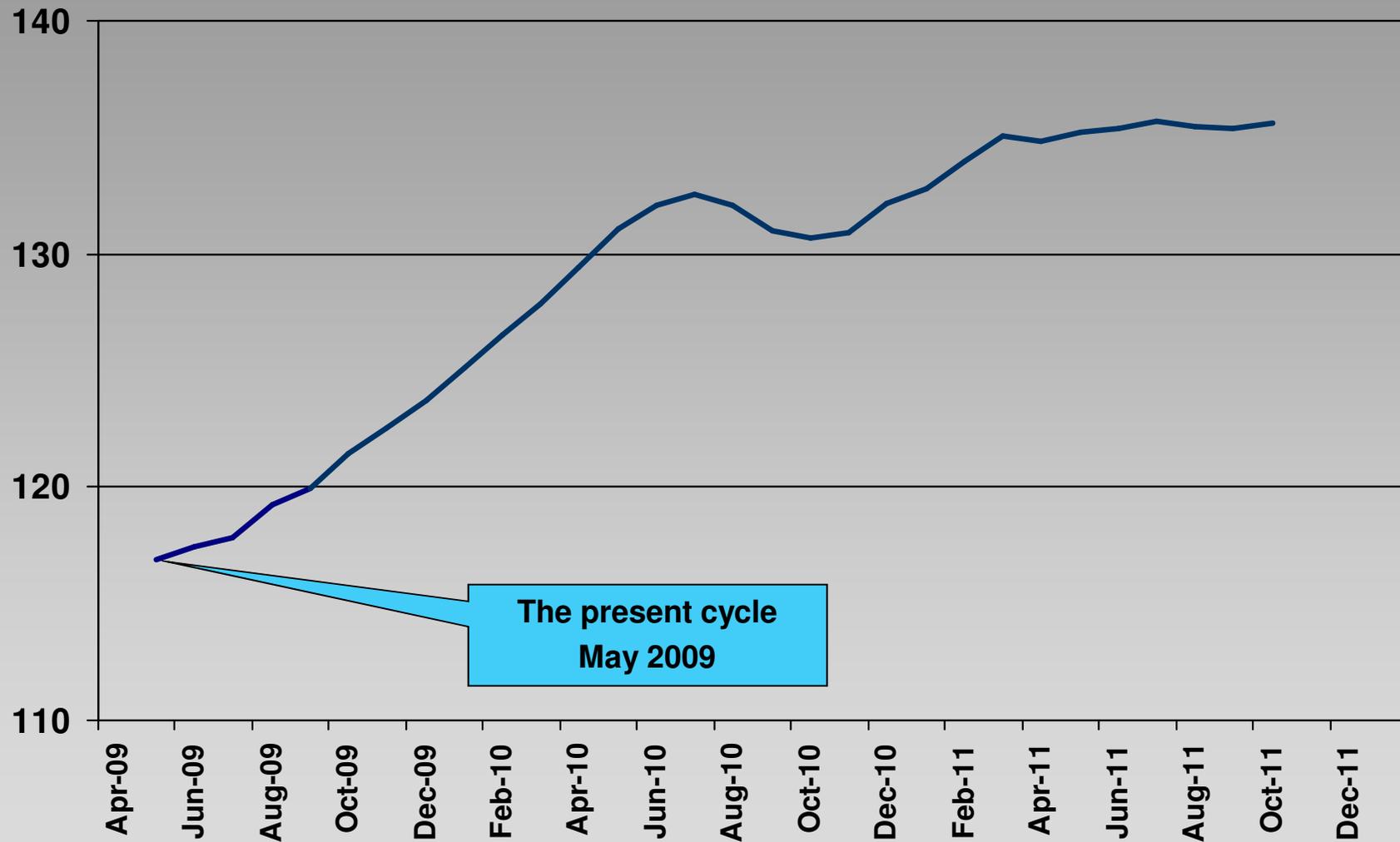
# The Melnick Index 1994 - 2011

(2004 = 100)



# The Melnick Index – The Current Cycle

(2004 = 100)



# The Israeli Paradox 2011

STANDARD  
& POOR'S

Standard & Poor's Ratings Services (S&P) **raised** its long-term foreign currency sovereign credit ratings on the State of Israel. Also, S&P's outlook is stable. Sep 9, 2011



'March of the Million': Over 460,000 **protest** across country demanding social justice. Sep 3, 2011

2

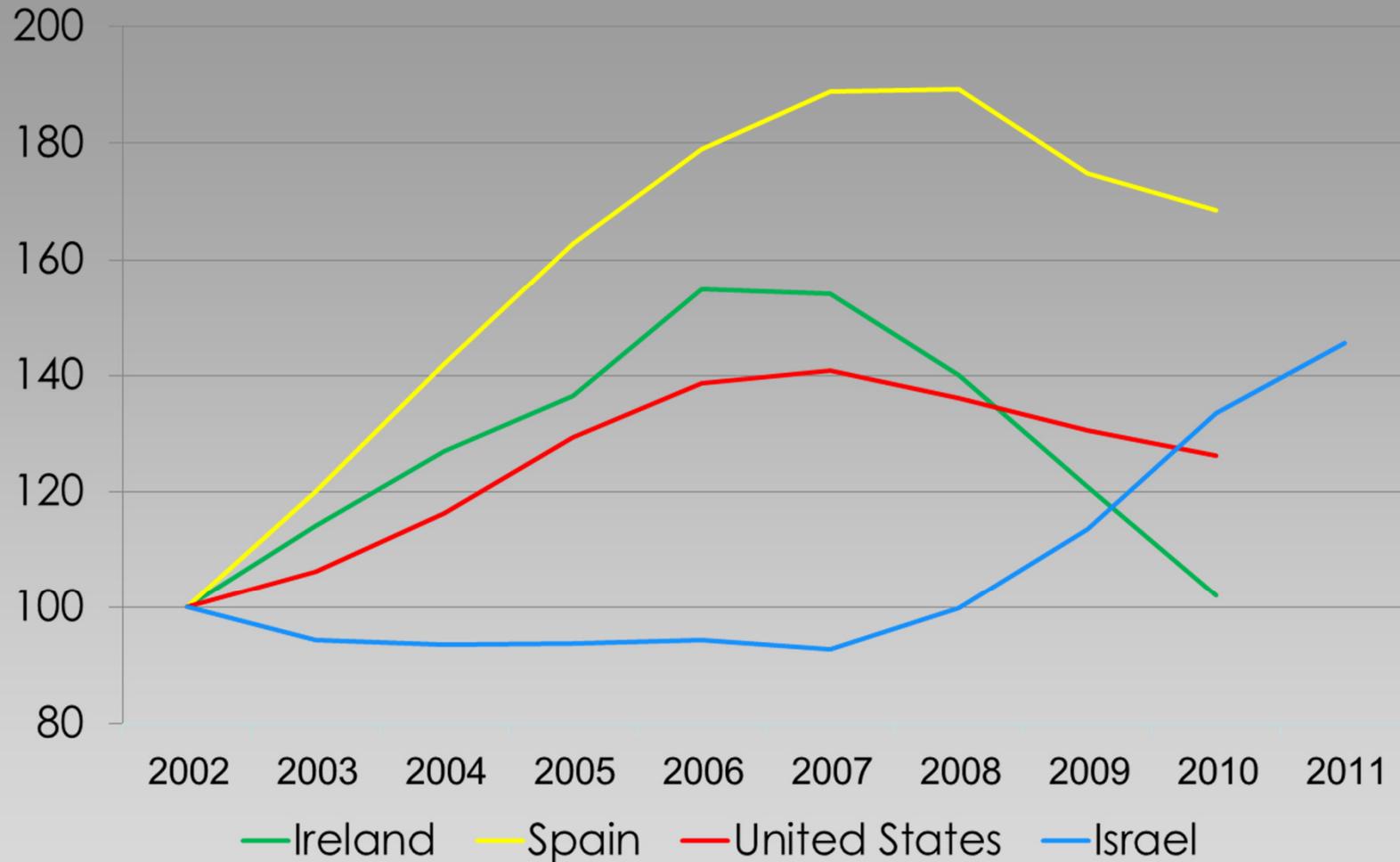
# The Social Protest

Summer 2011



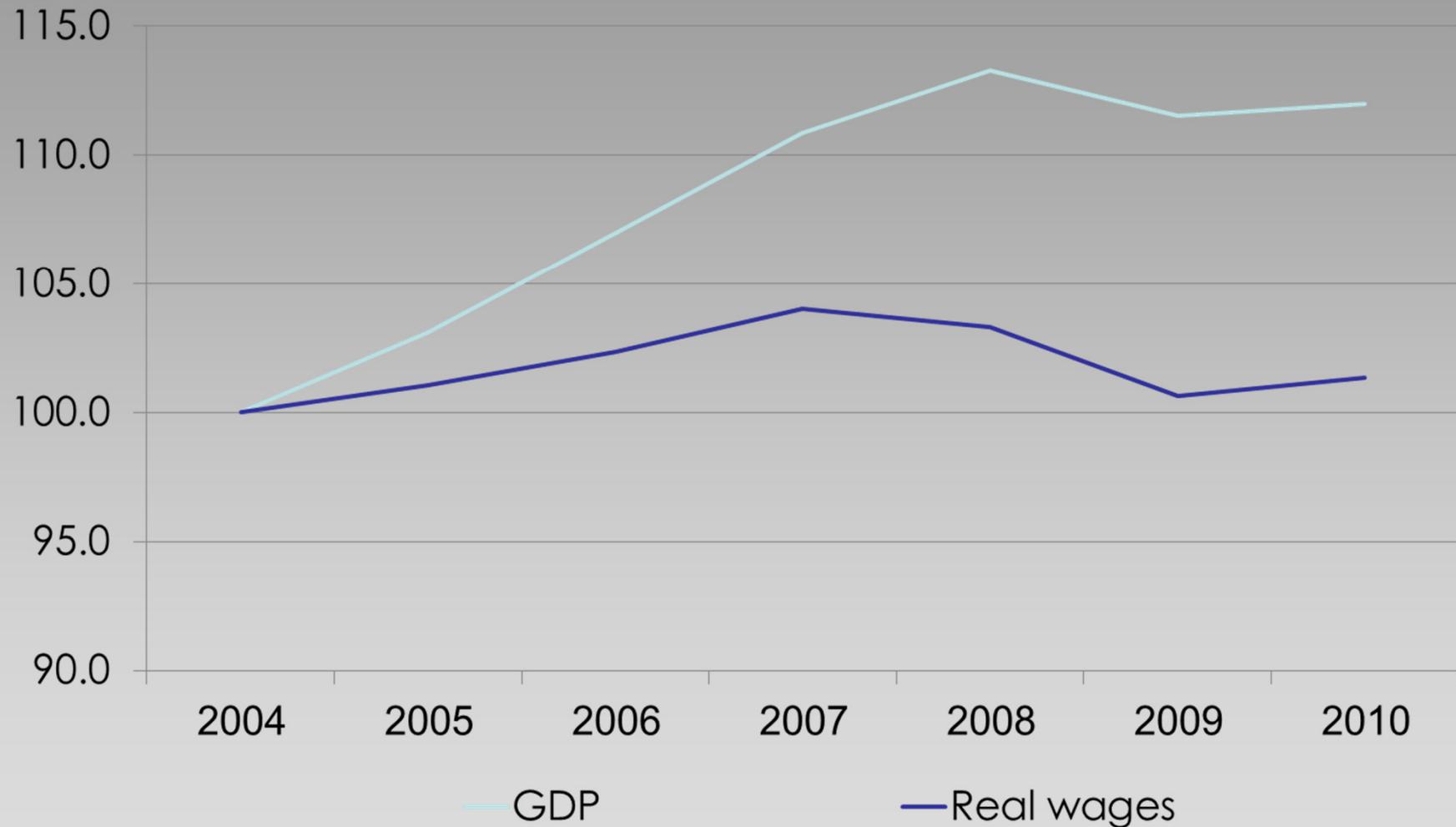
# Housing Price Index International Comparison

(2002 – 2011, 2002=100)



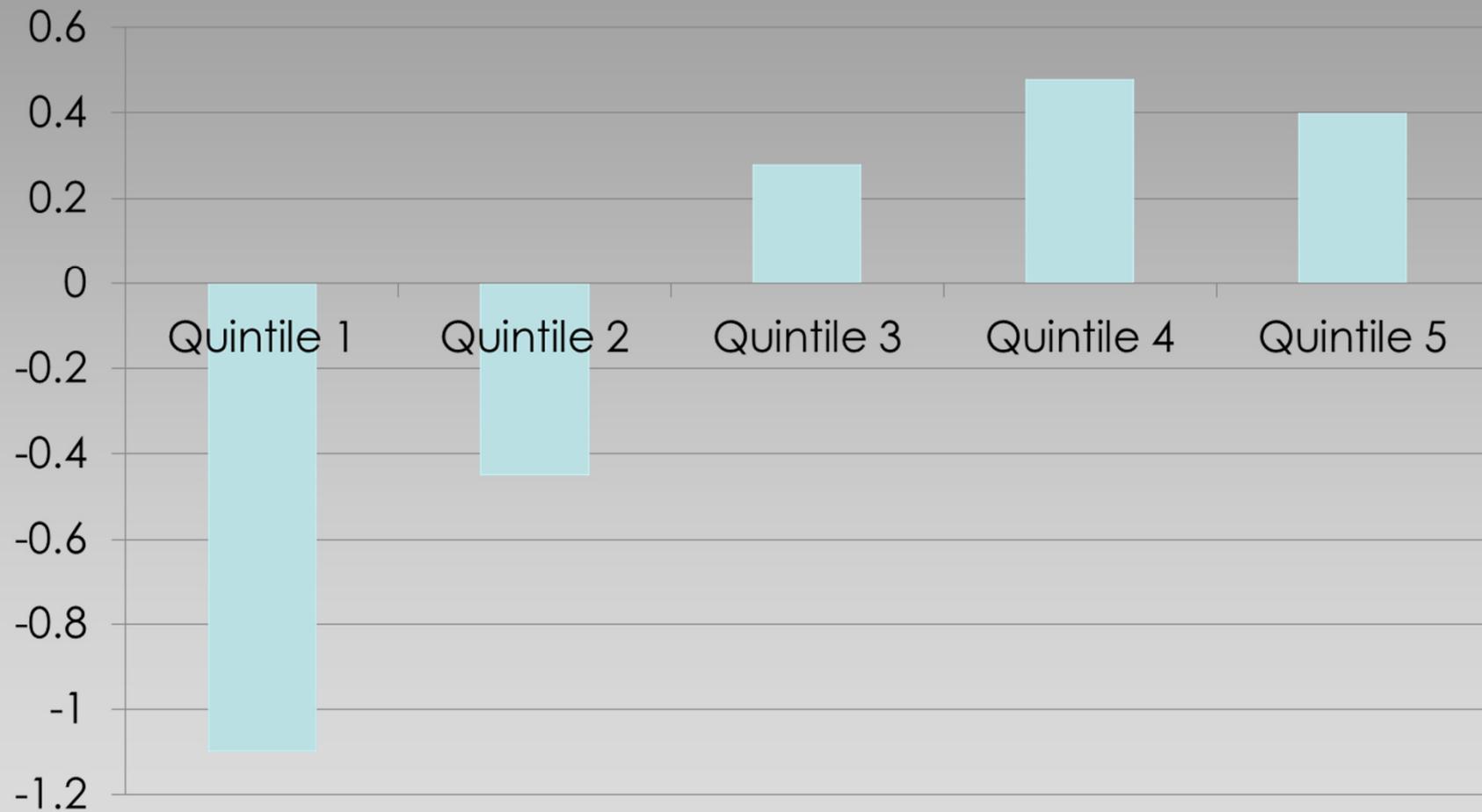
# Real per capita GDP and Average real wages per employee post 2004-2010

(2004=100)



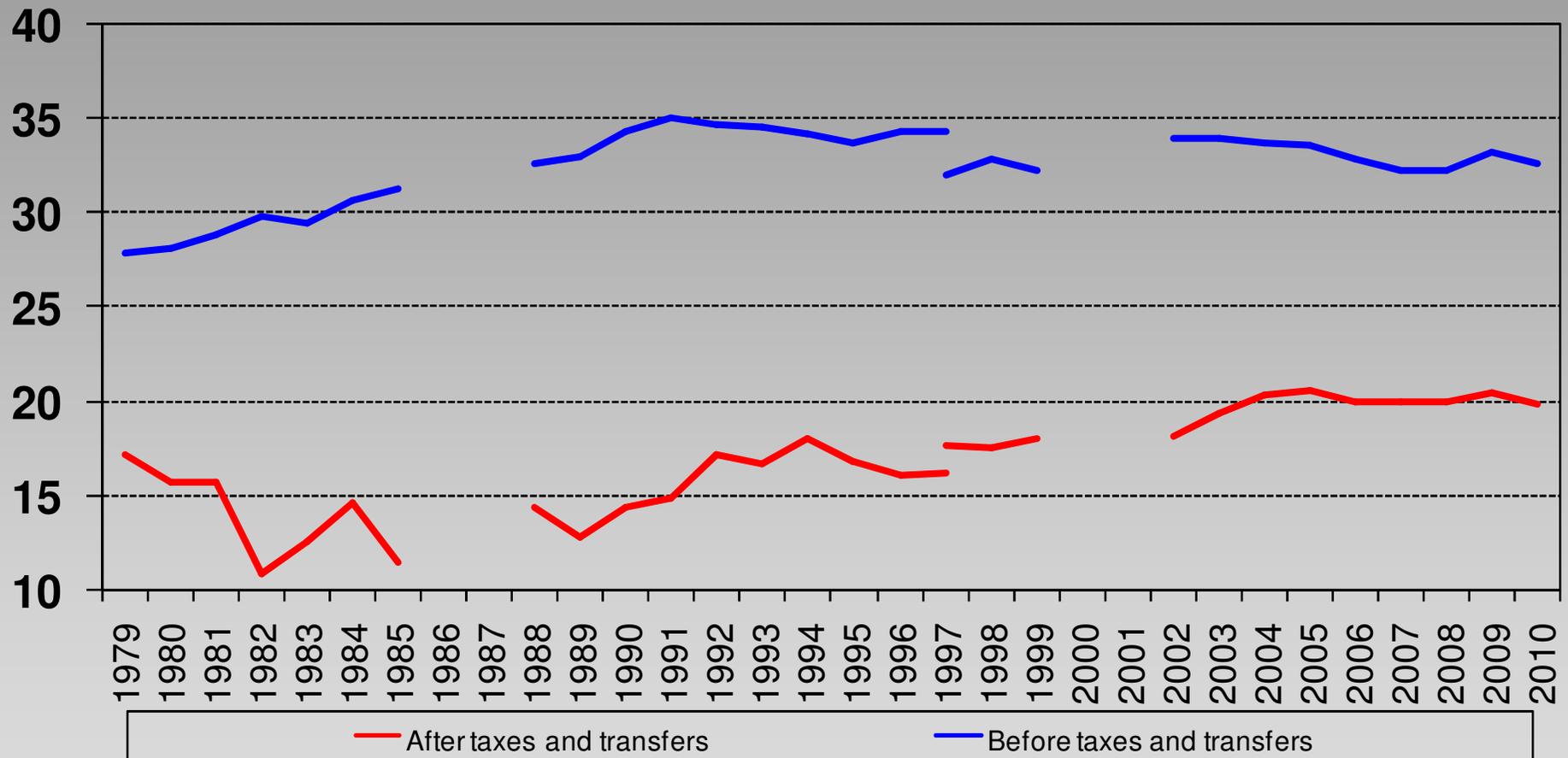
# Change in net wages by quintiles 2000-2008

(Average, percent change)



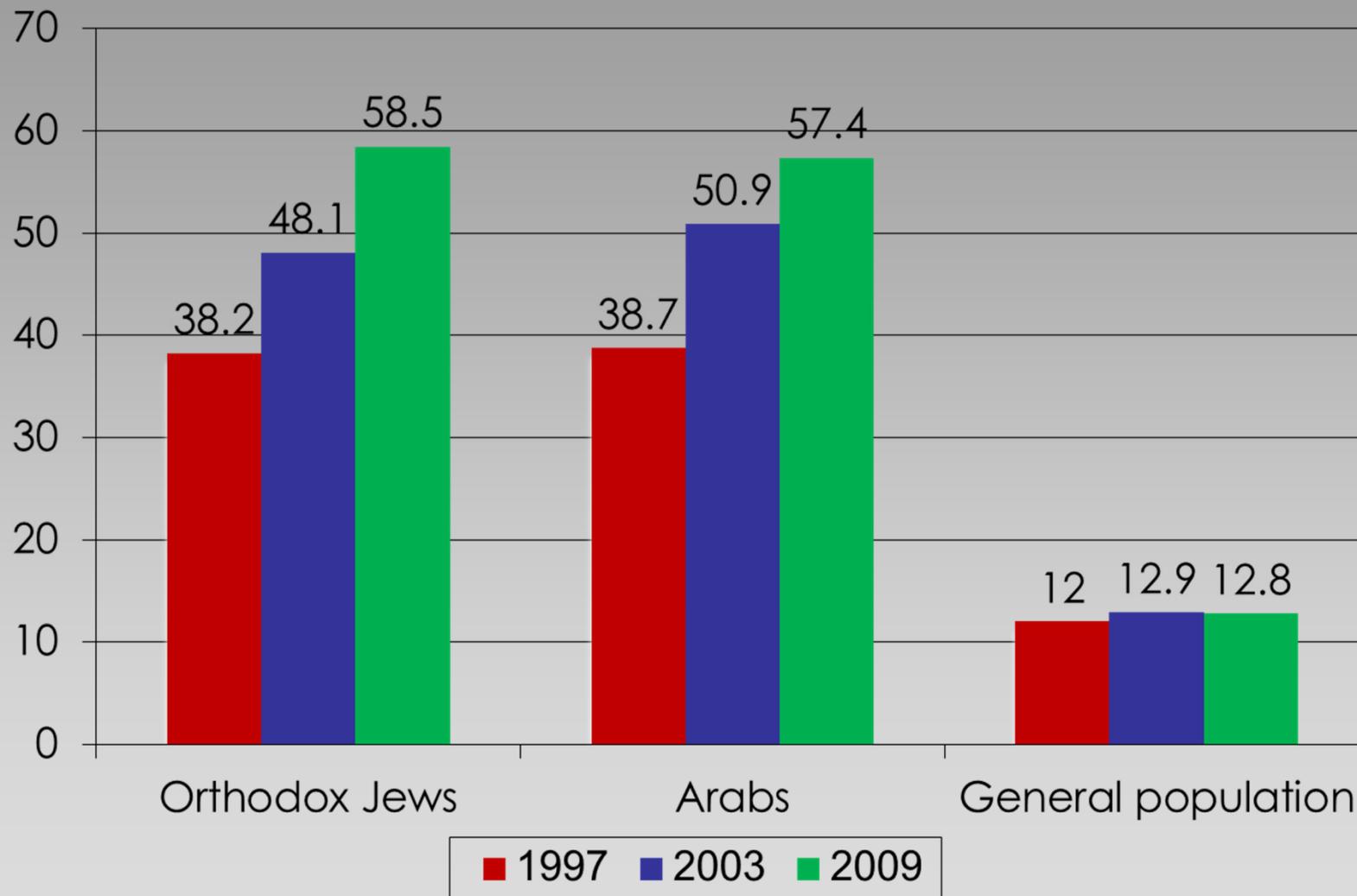
# Poverty Incidence Israel 1979-2010

(Population, Families, Percent)



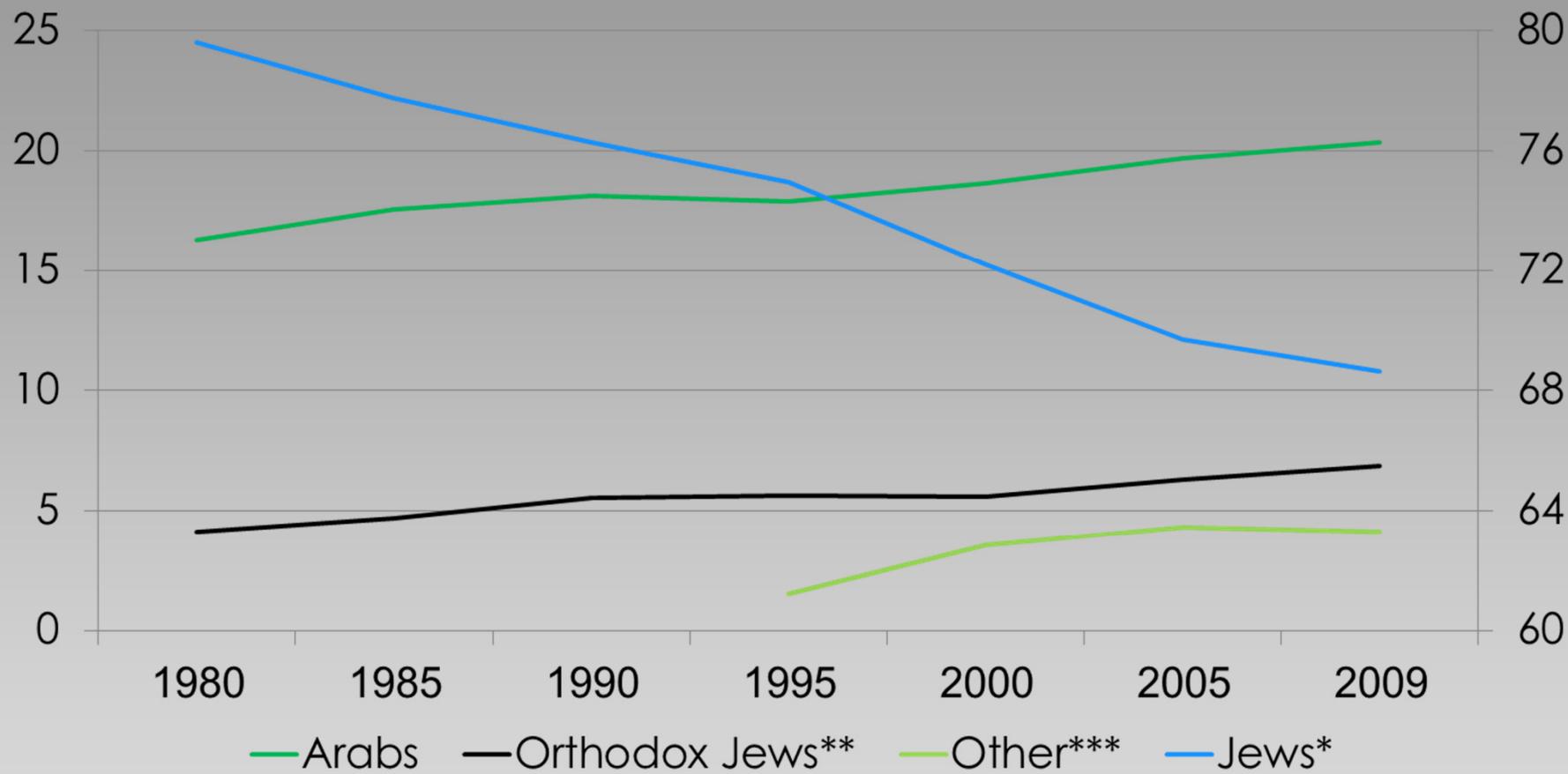
# Incidence of Poverty by Population Groups

(individuals, 1997 – 2003 – 2009)



# Demographic Trends by Groups

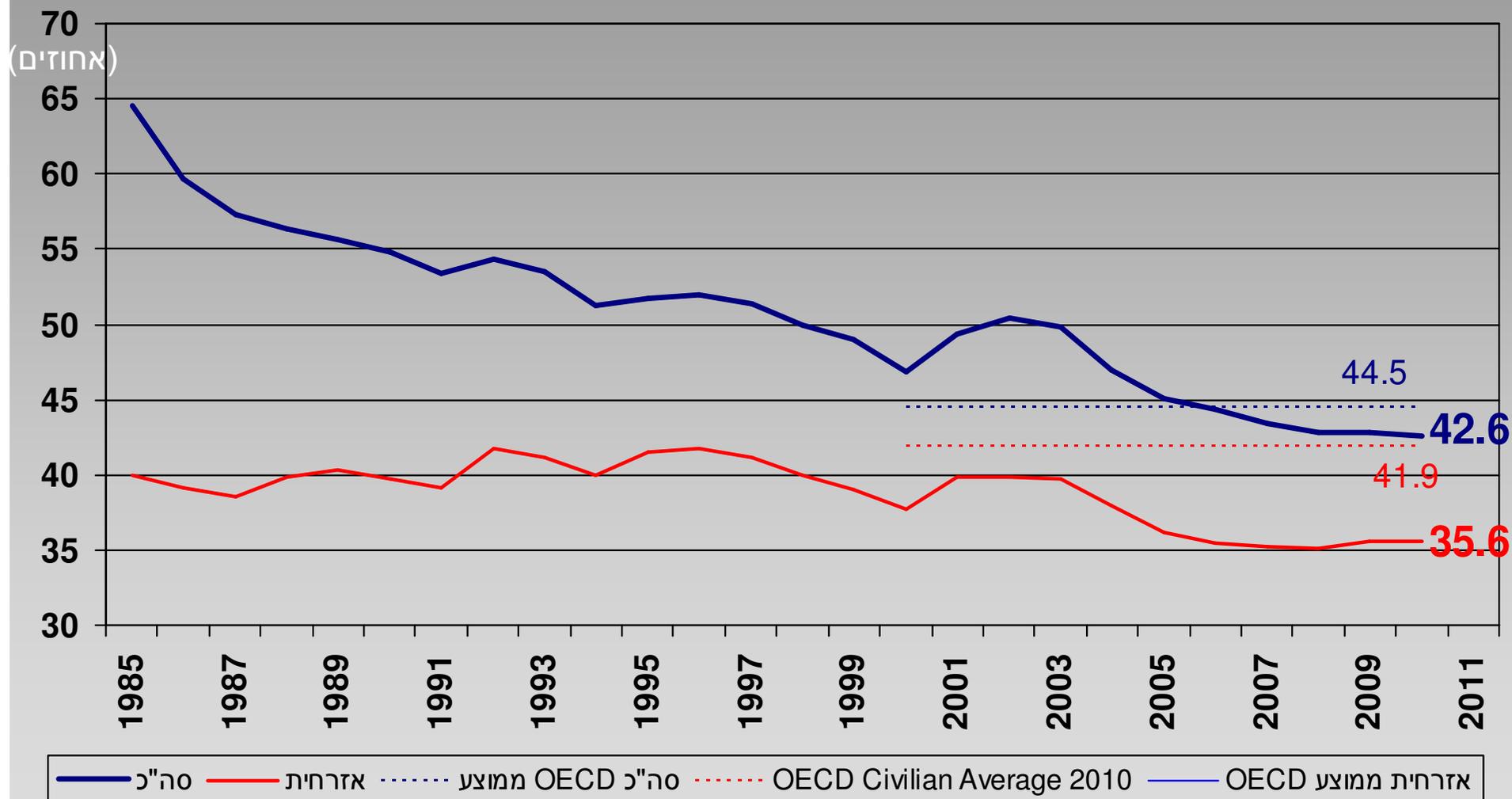
(percent 1980-2009)



Average rates of growth (percent)			
	Jews*	Arabs	Orthodox Jews*
1995-2009	1.5	3.1	3.5
2005-2009	1.5	2.8	4.2

\* Excluding orthodox Jews, right axis  
 \*\* Bank of Israel calculation  
 \*\*\* Till 1995 included in the Arabs

# Government Consumption – total and civilian 1985-2010



# Recommendations of the Trajtenberg Committee on Socio-Economic Change

1. Taxation – Decreasing inequality
2. Housing – Lowering prices and supplying affordable solutions
3. Social services – Focus on education on age 0 to 9 and young working population
4. Cost of living – abolition of remaining tariffs and sale taxes improving regulation and competition
5. Macroeconomic framework – Continue Decreasing public debt

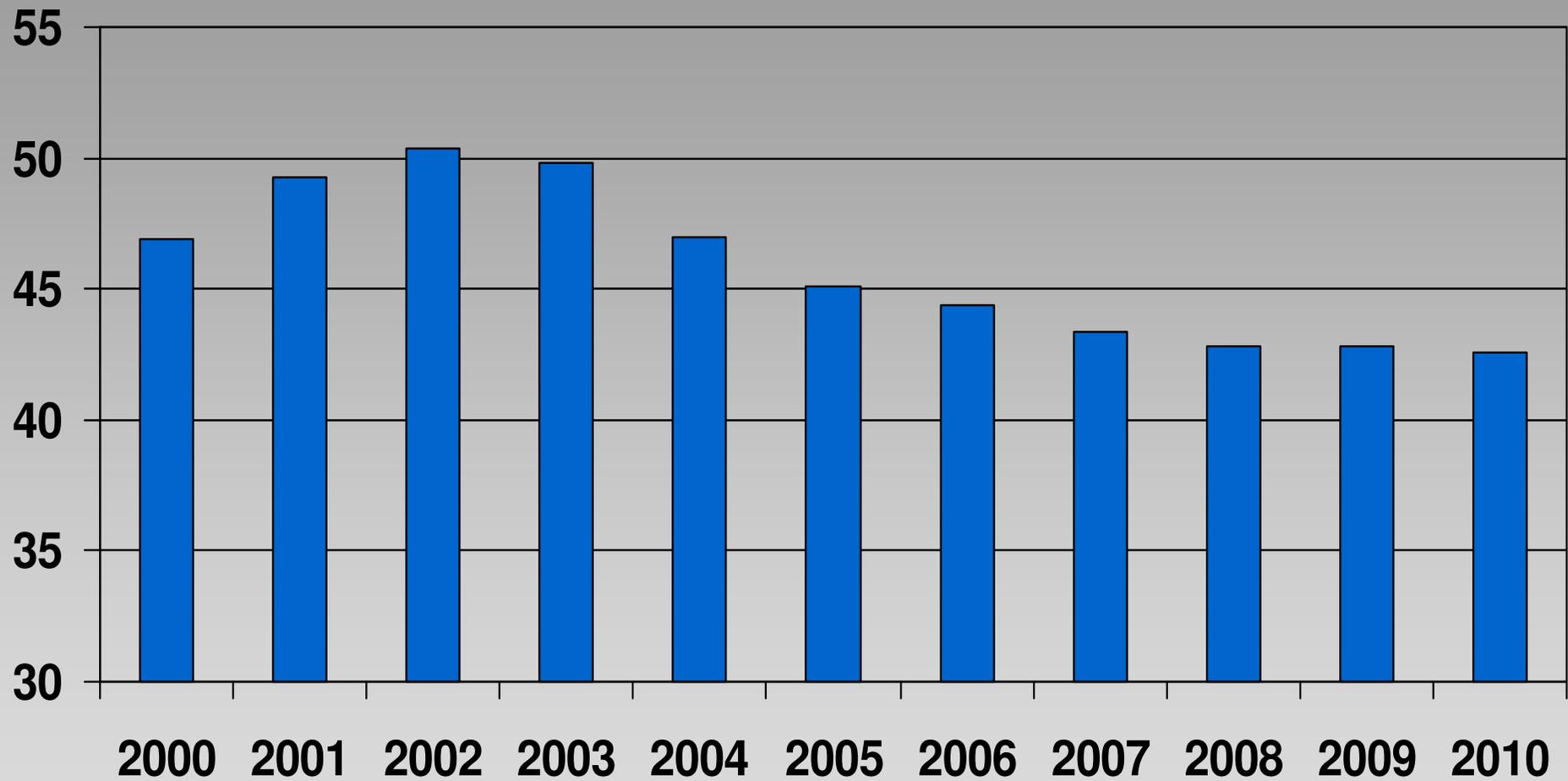
# 3

## Macroeconomic Resilience

### Recent Economic Policy

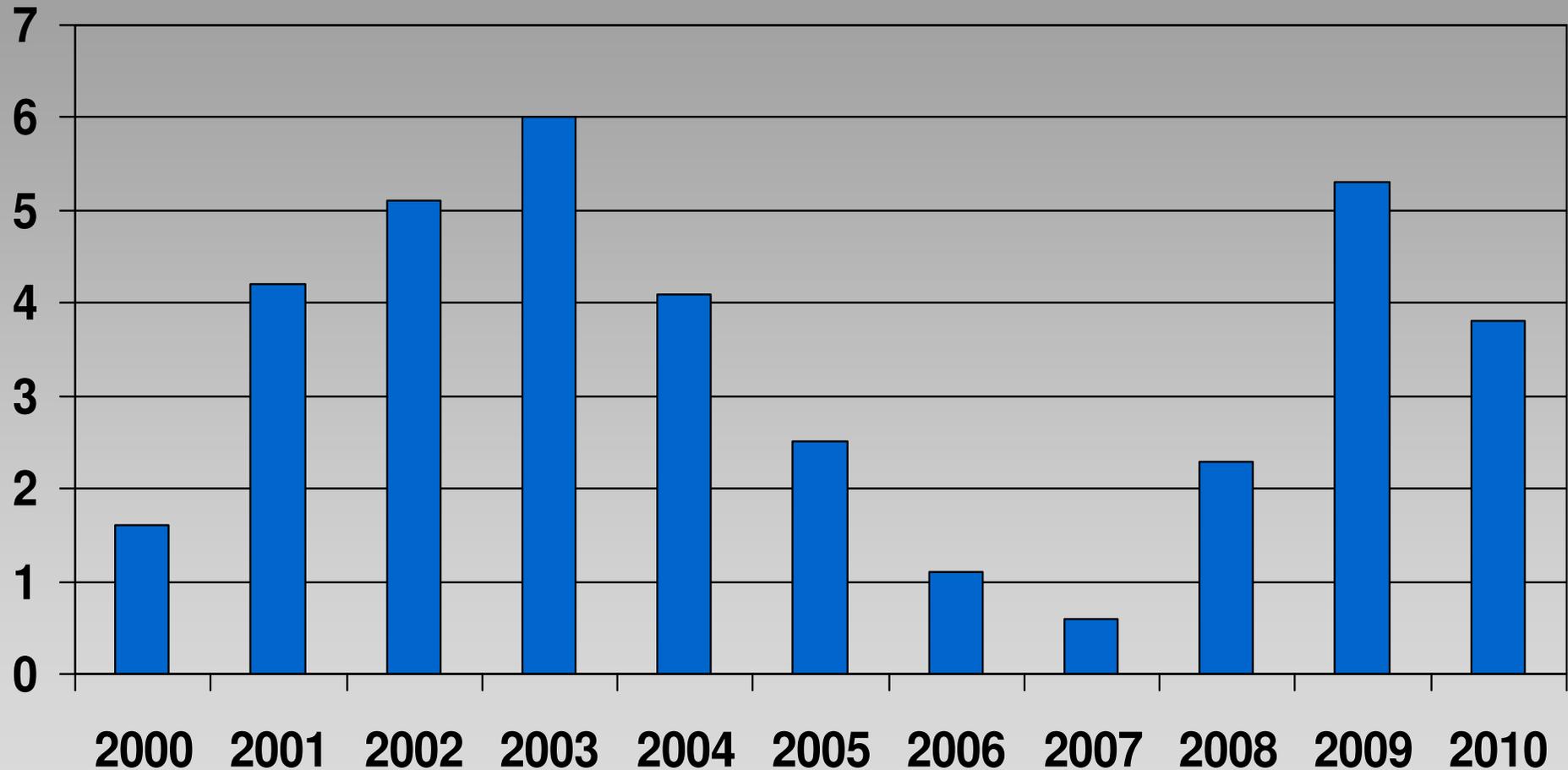
# General Government Expenditure 2000 - 2010

(Percent of GDP)



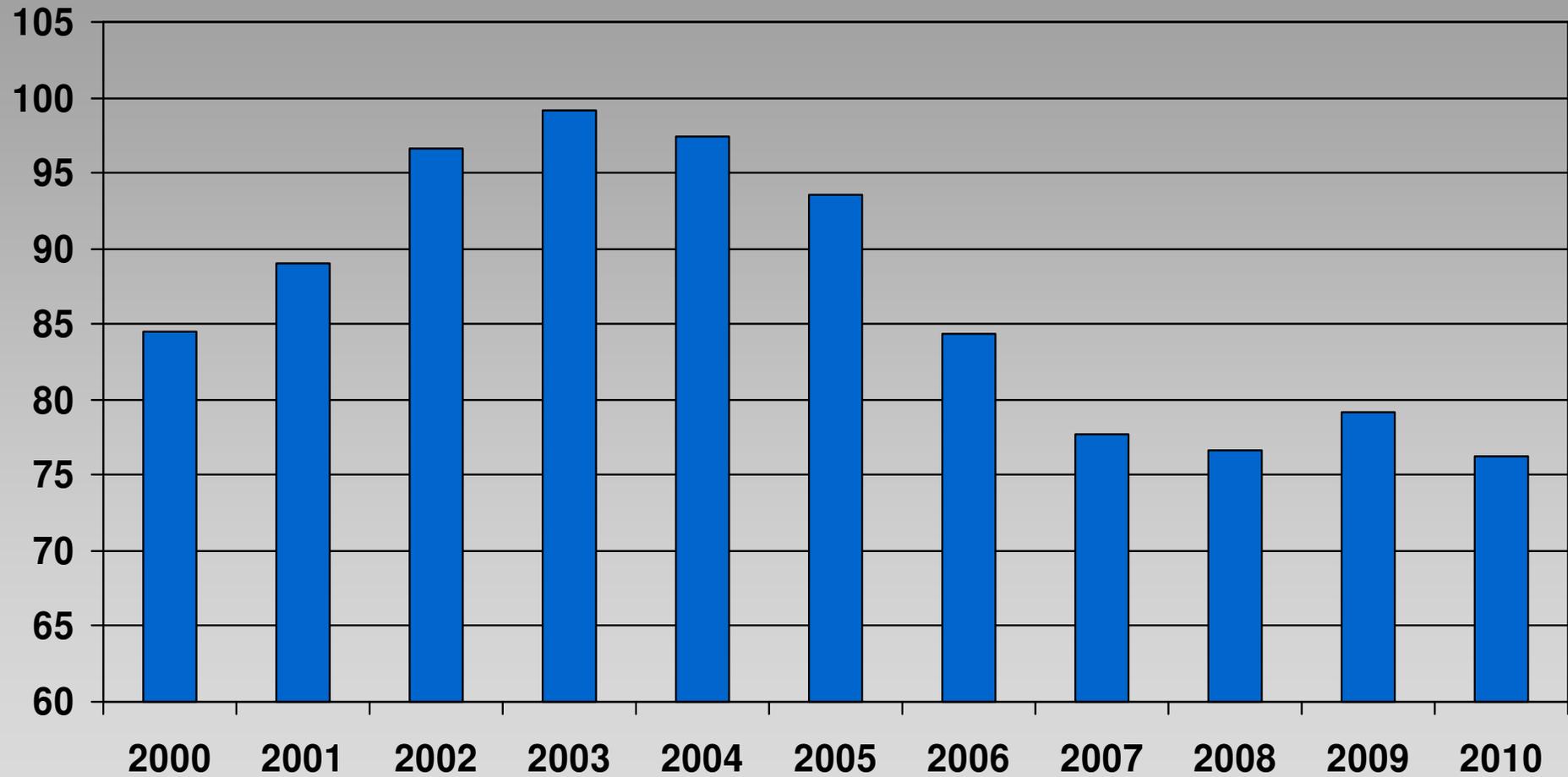
# General Government Deficit 2000 - 2011

(Percent of GDP)



# Public Debt 2000 - 2010

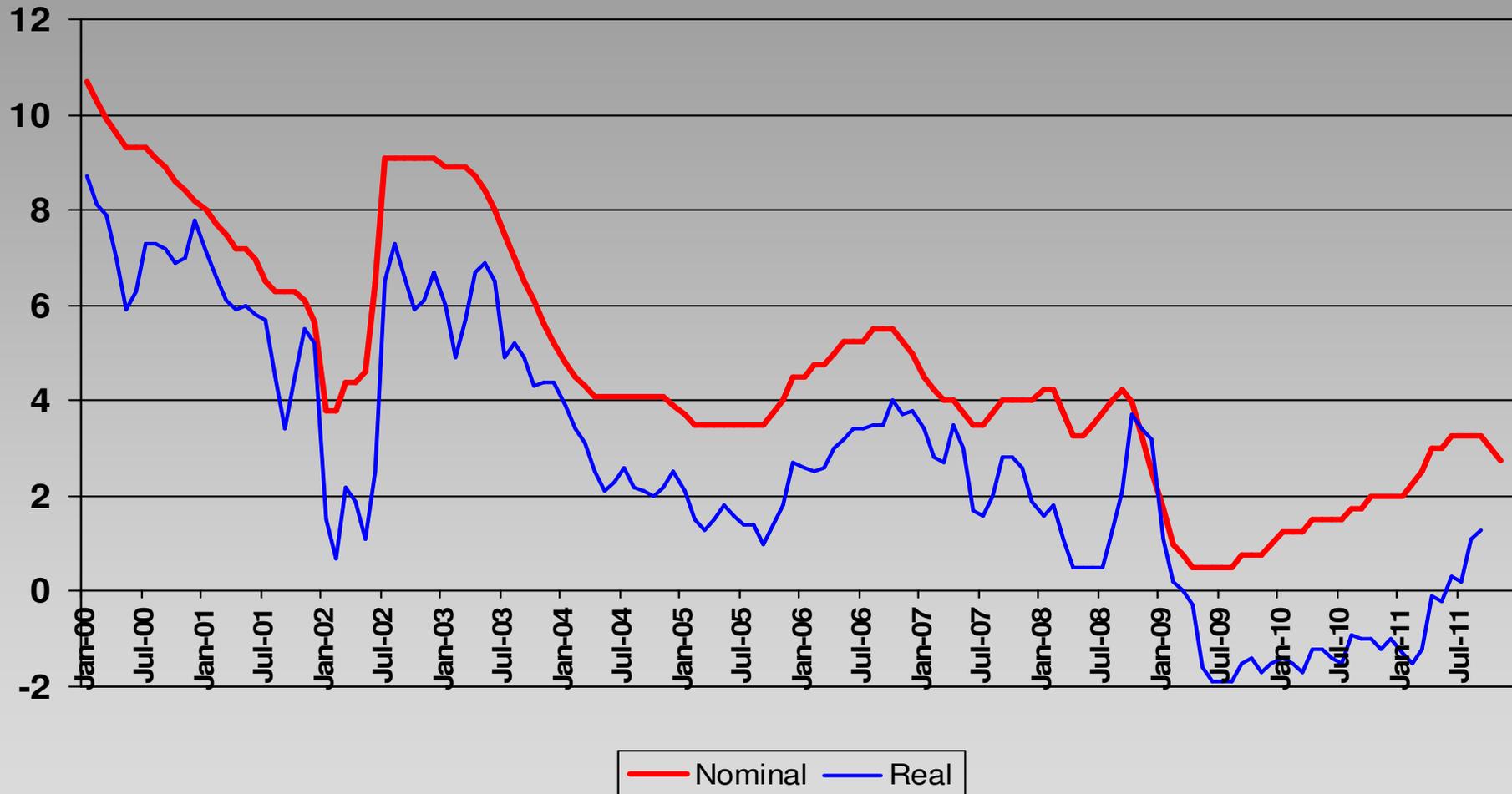
(Percent of GDP, Gross Debt)



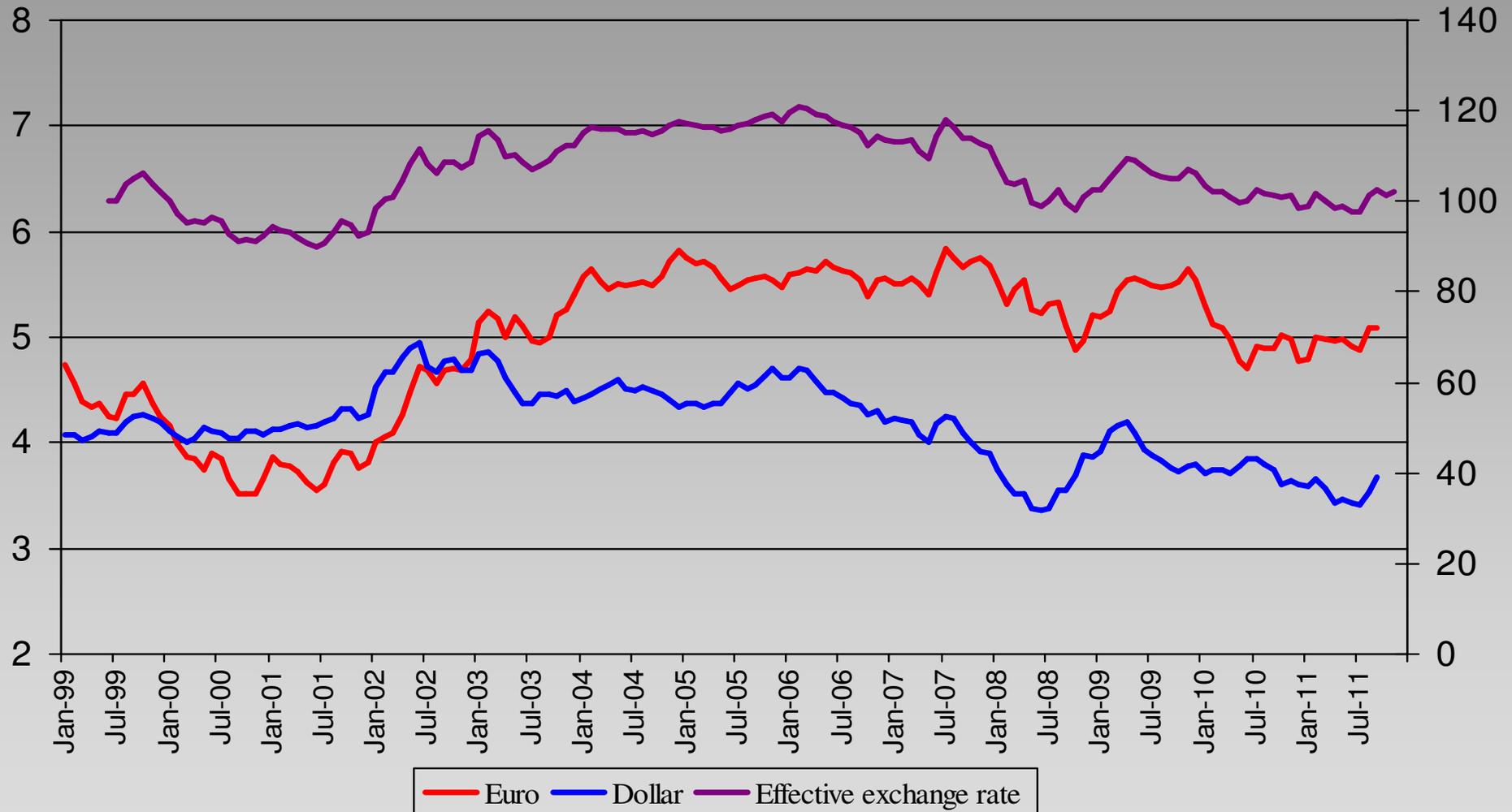
26

# Bank of Israel Interest Rate 2000 - 2011

(Nominal and Real - Percent)

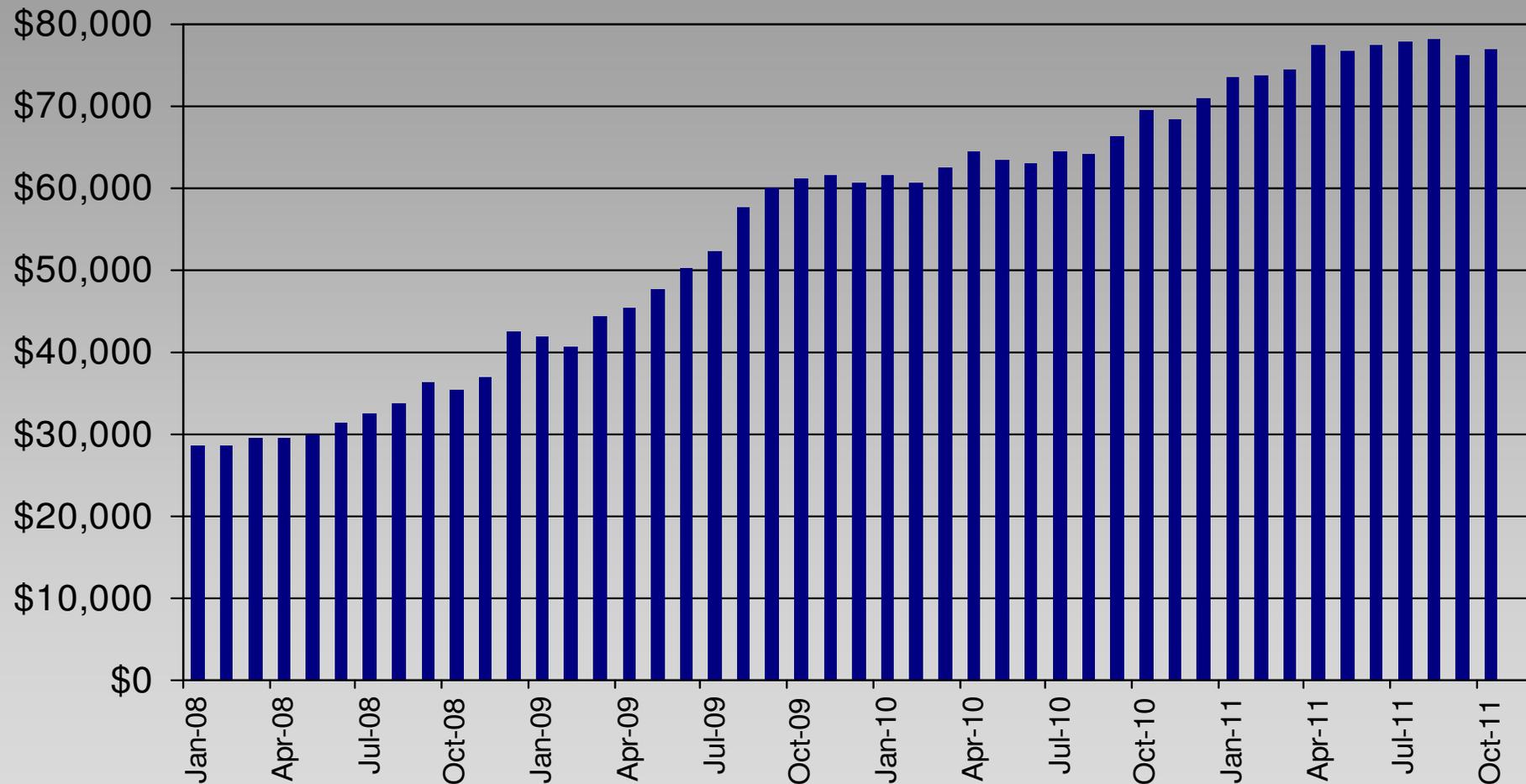


# The Dollar and Euro Exchange Rate and The Effective Exchange Rate 1999 - 2011



# International Reserves 2011

(In US dollars, millions end of the period)

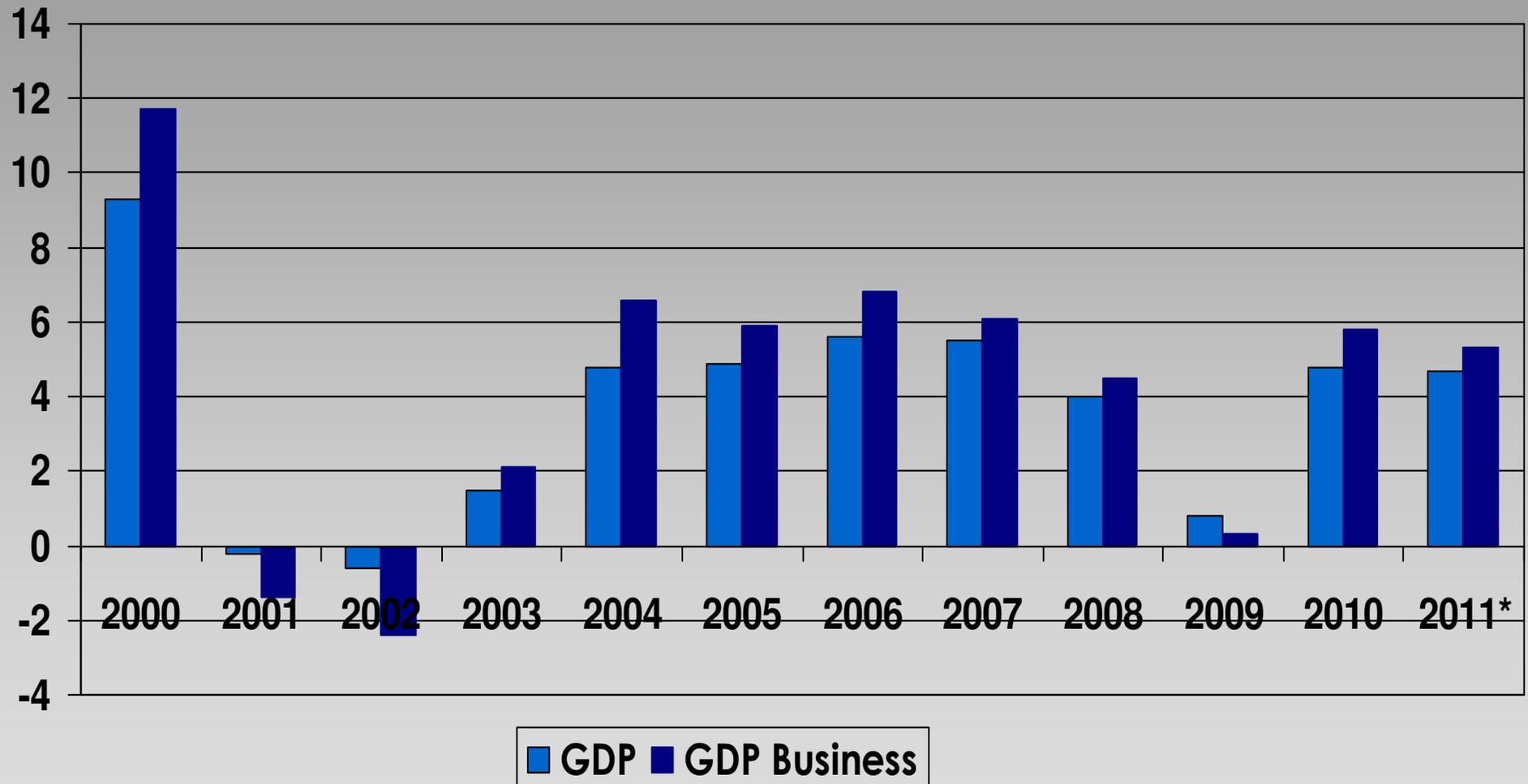


# 4

## Latest Economic Developments

# GDP and Business GDP 2000 - 2011

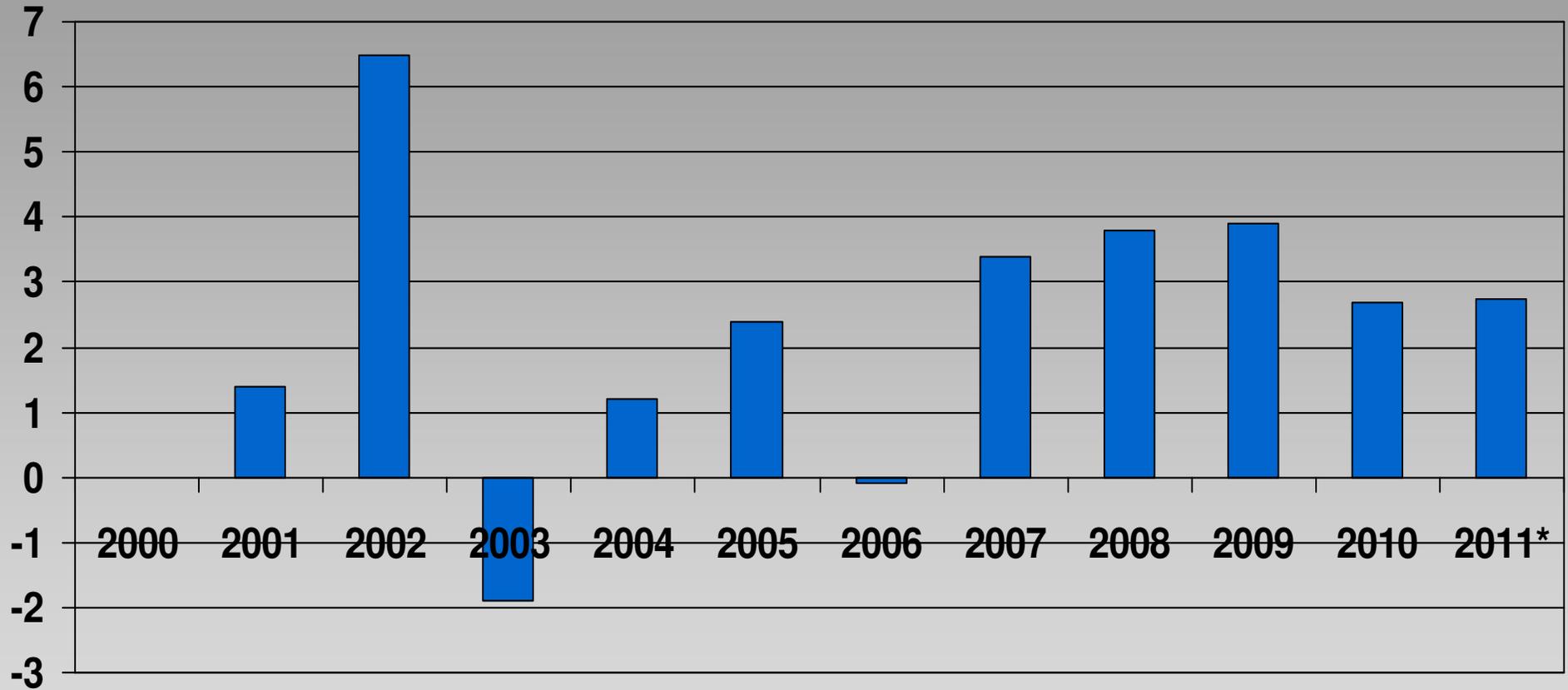
(Rates of Growth, Percent)



\* Forecast

# Rate of Inflation 2000 - 2011

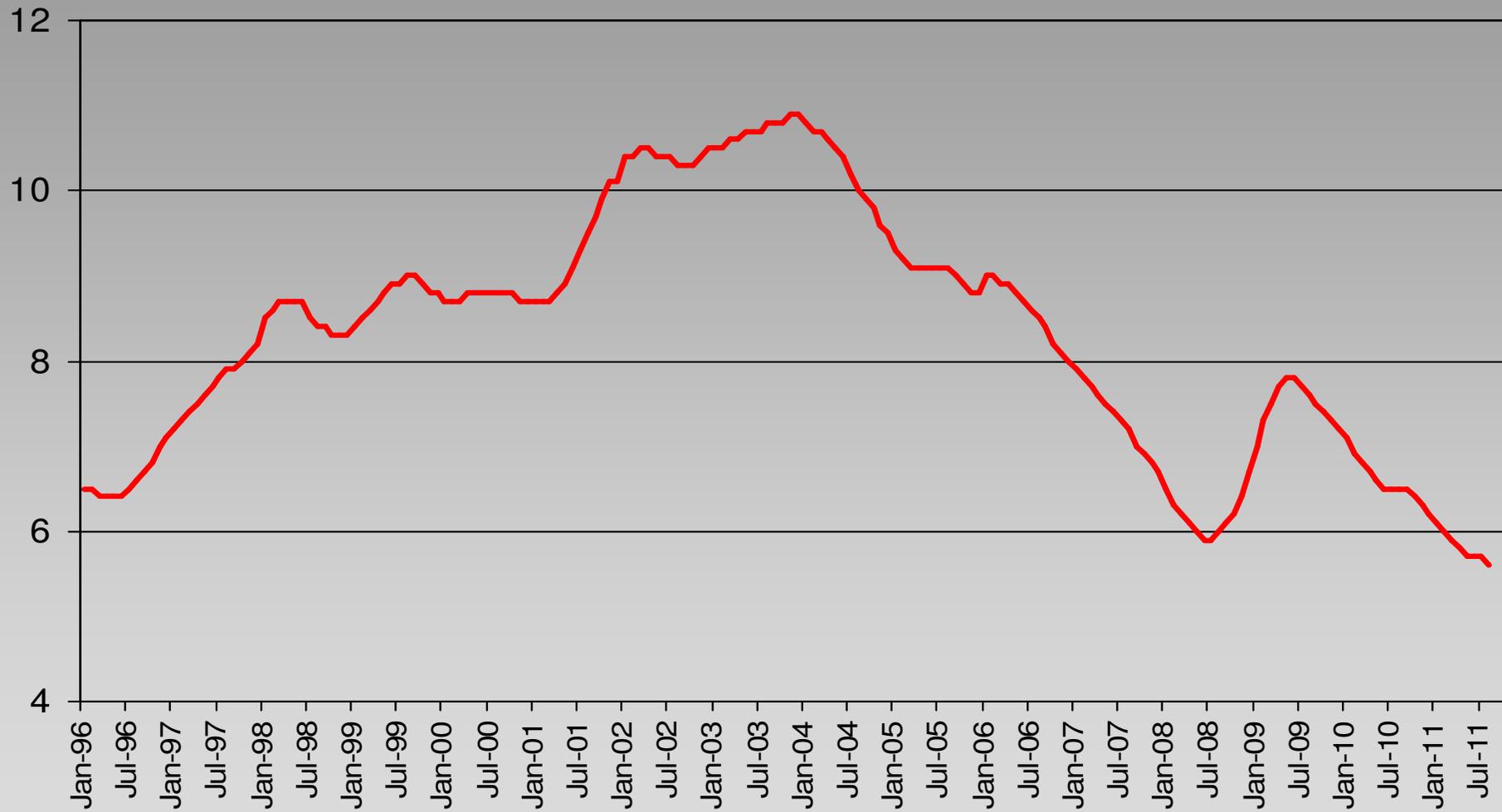
(CPI, Percent)



\* Forecast

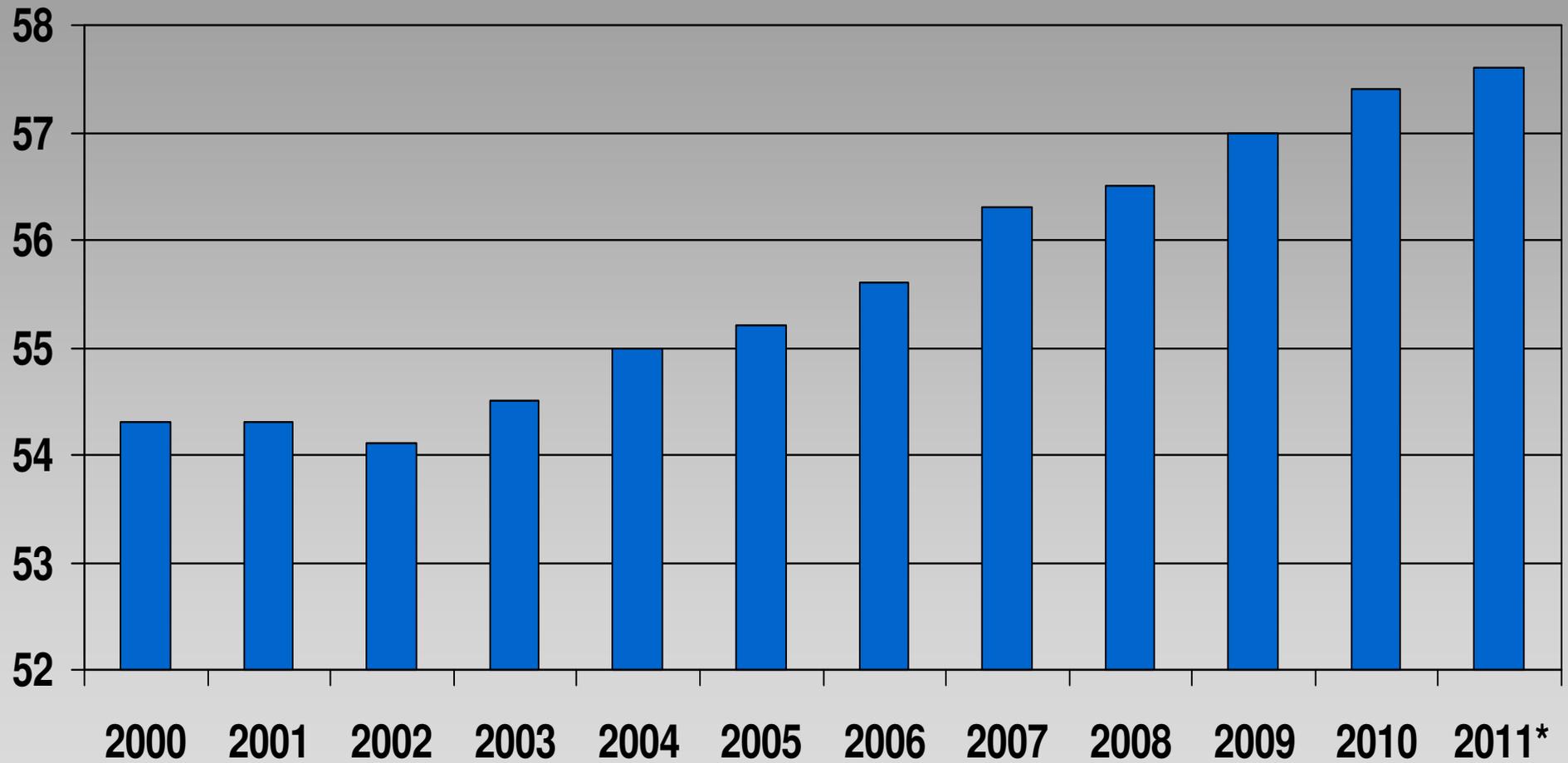
# Unemployment Trend 1996 - 2011

(Percent)



# Labor Force Participation 2000 - 2011

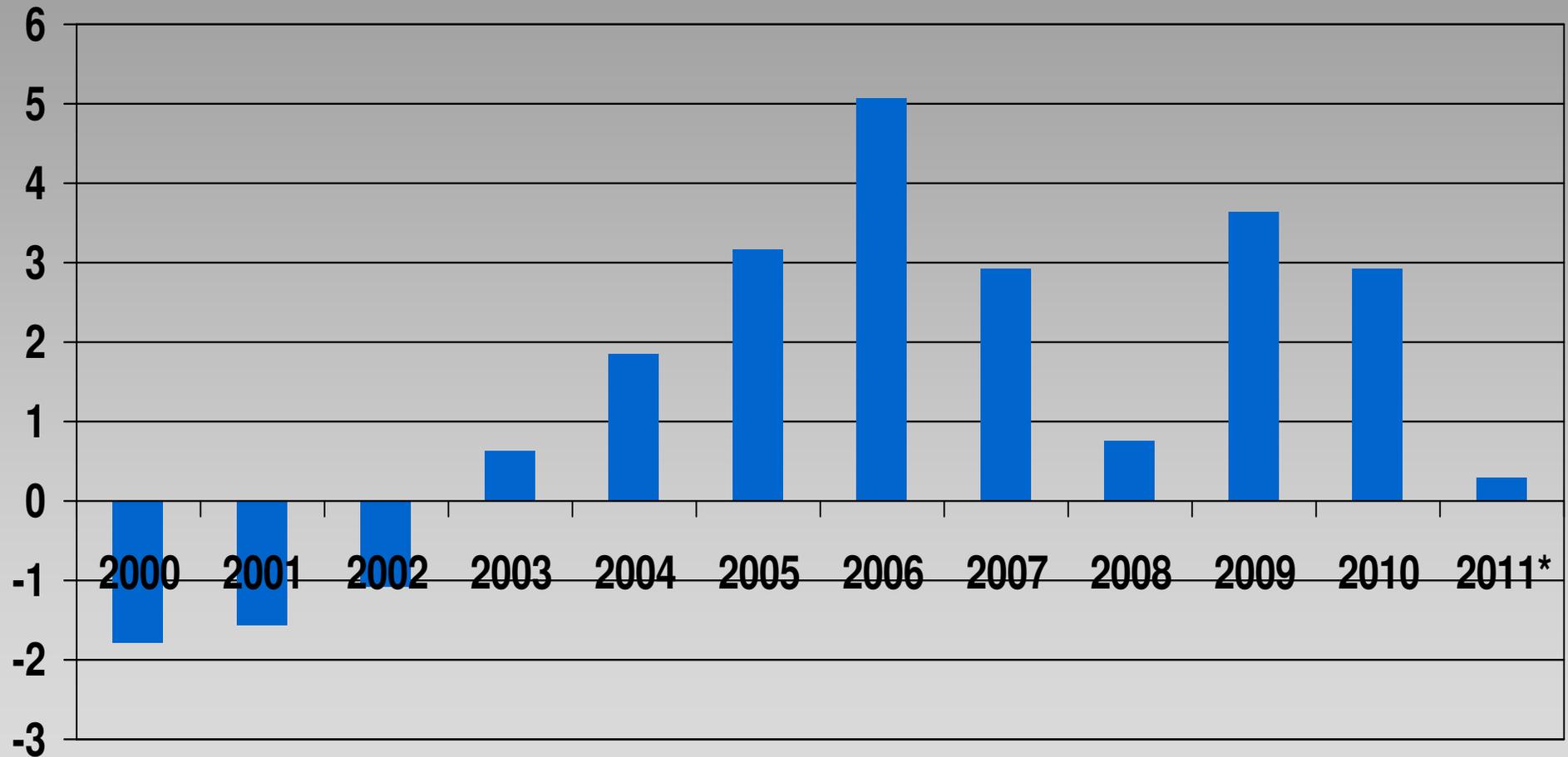
(Percent)



\* Forecast

# Current Account 2000 – 2011

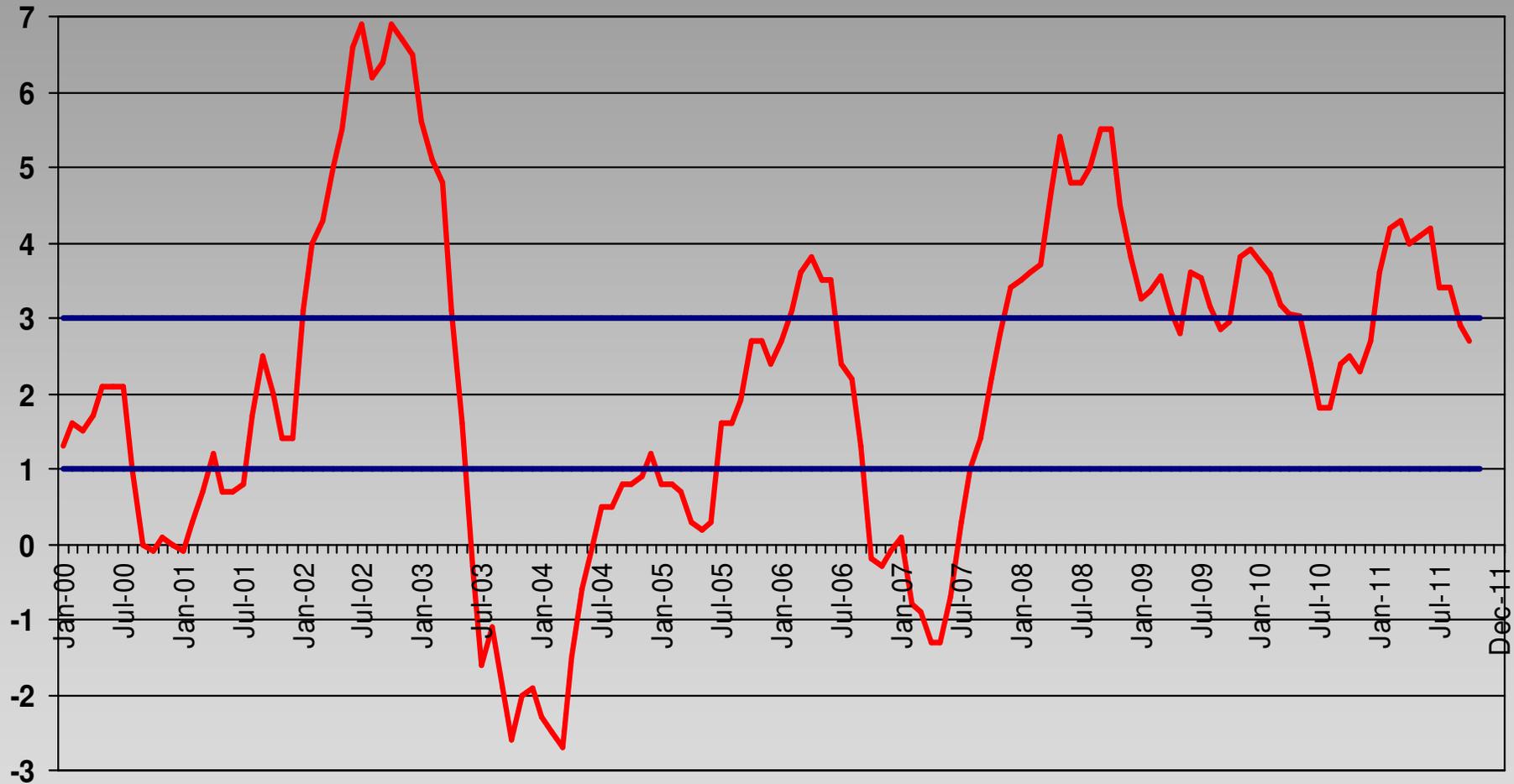
(Percent of GDP)



\* Forecast

# Consumer Price Index 2000 – 2011

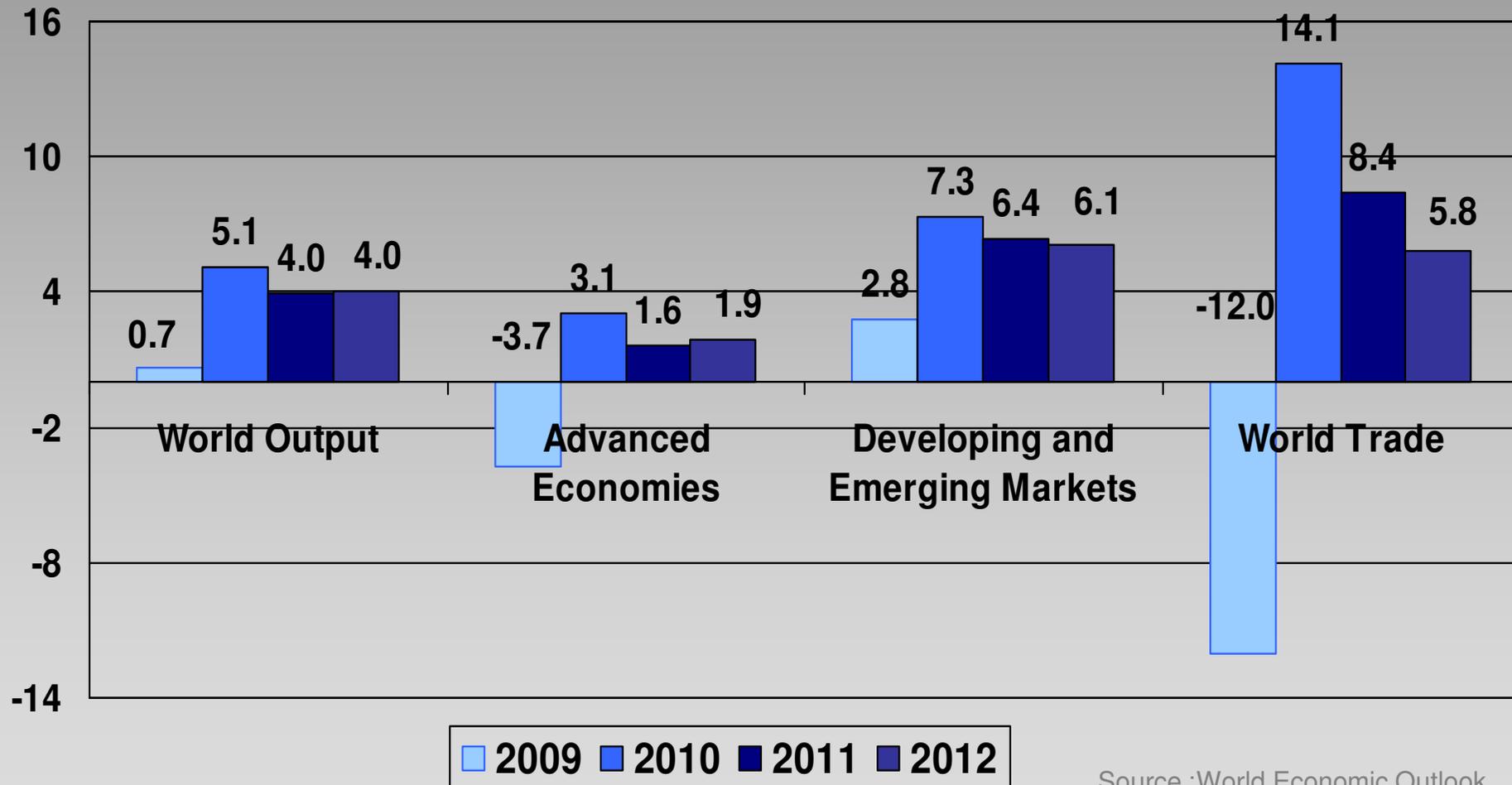
(Percent change in previous 12 months)



# 4

## The World Economy Basic Assumptions

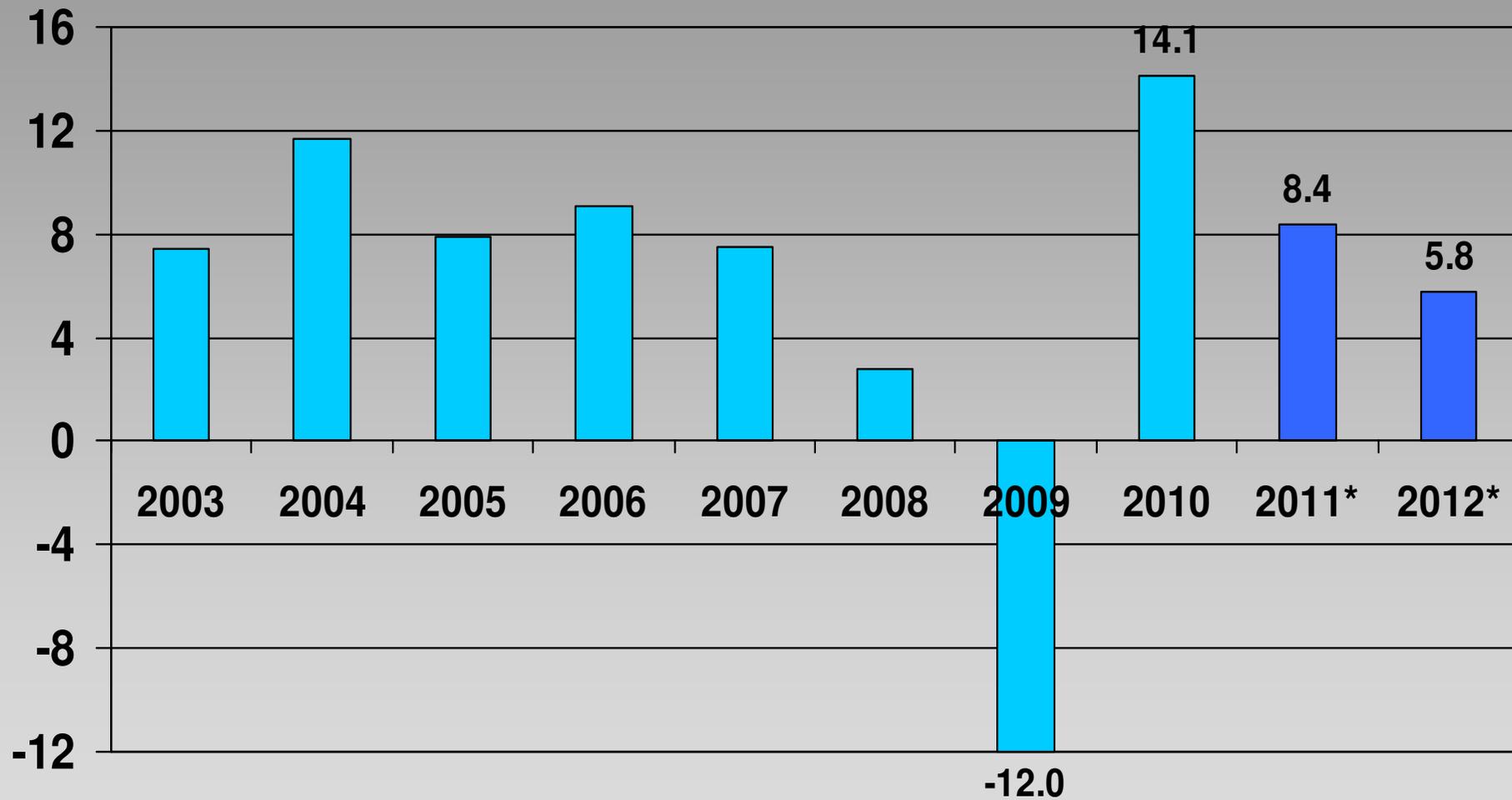
# Latest IMF GDP and World Trade Forecasts 2009 - 2012 (IMF WEO September 2011)



Source :World Economic Outlook

# World Trade Volume 2003 - 2012

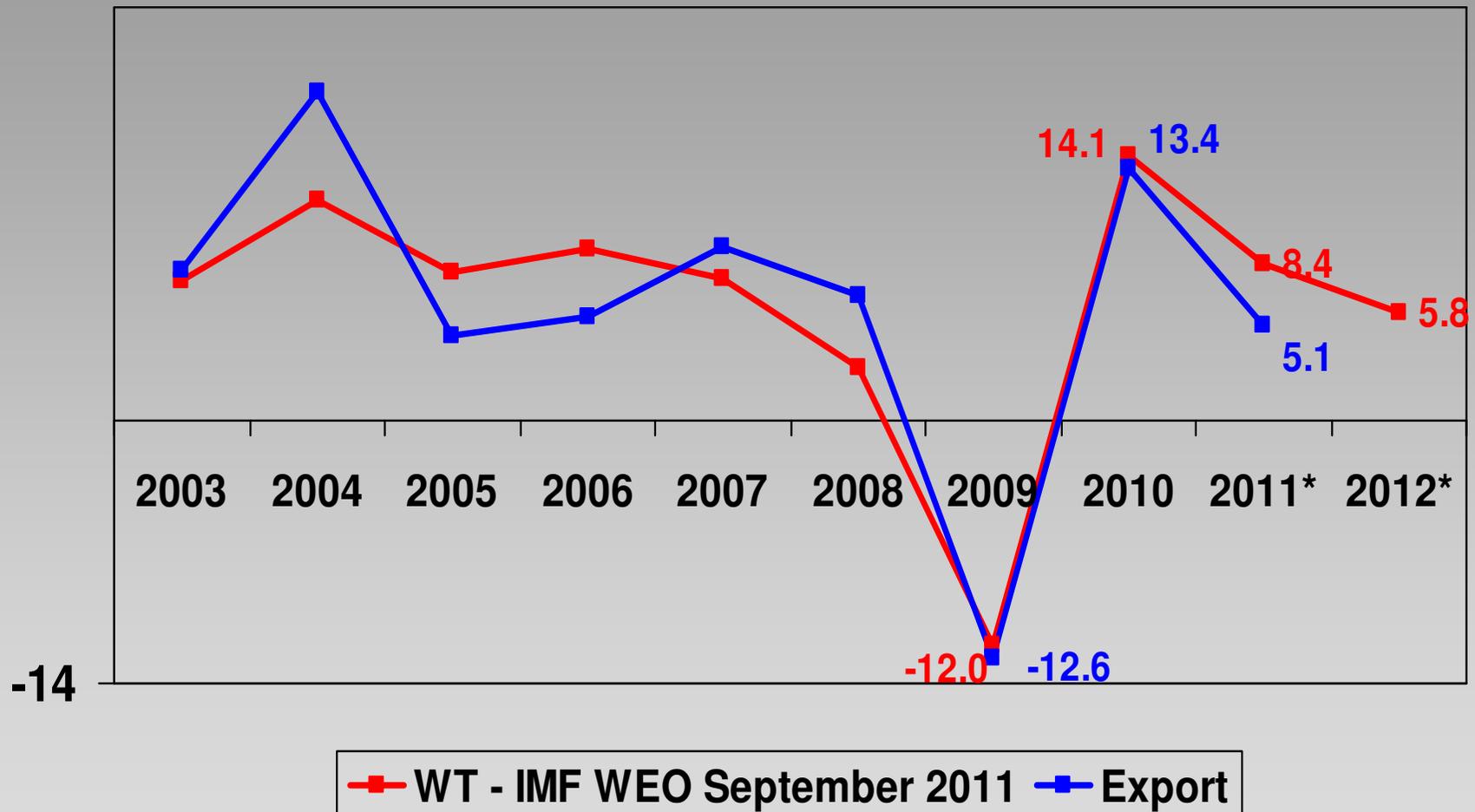
(Annual Percent Change, IMF WEO September 2011)



\*Forecast

# World Trade Volume and Exports 2003 - 2011

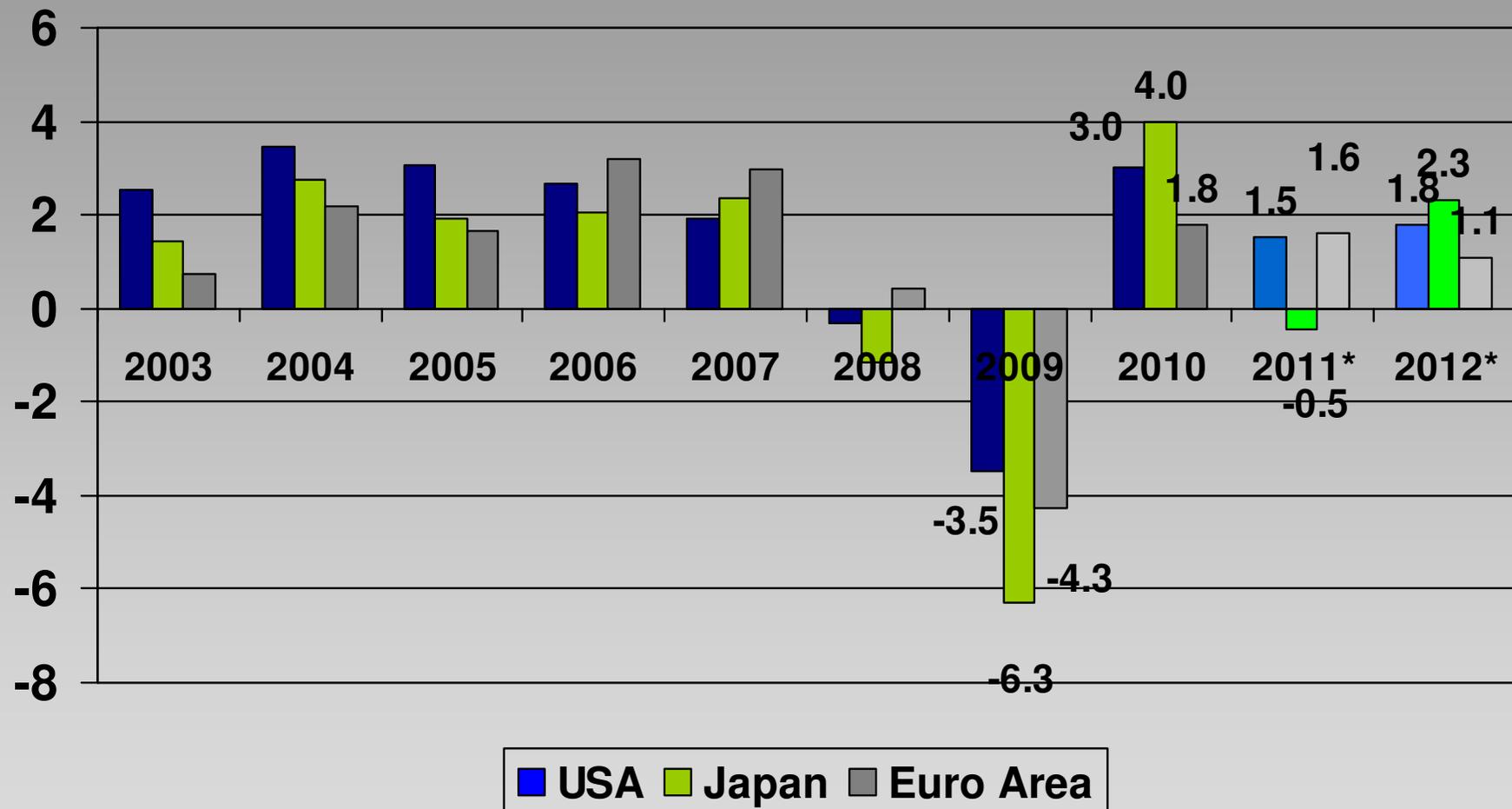
(Annual Percent Change)



\*Forecast

# Real GDP Growth 2003 - 2012

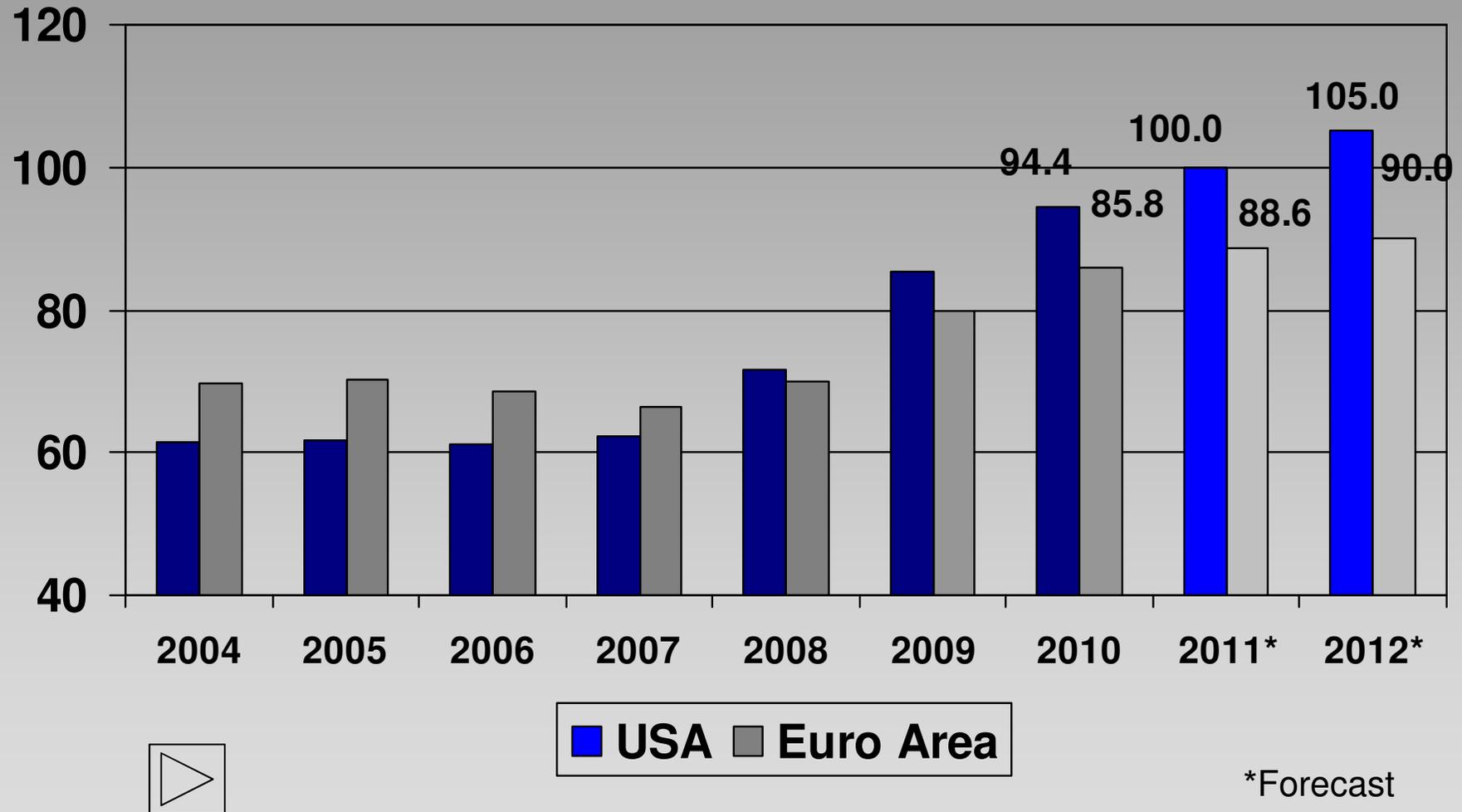
(Annual Percent Change, IMF WEO September 2011)



\*Forecast

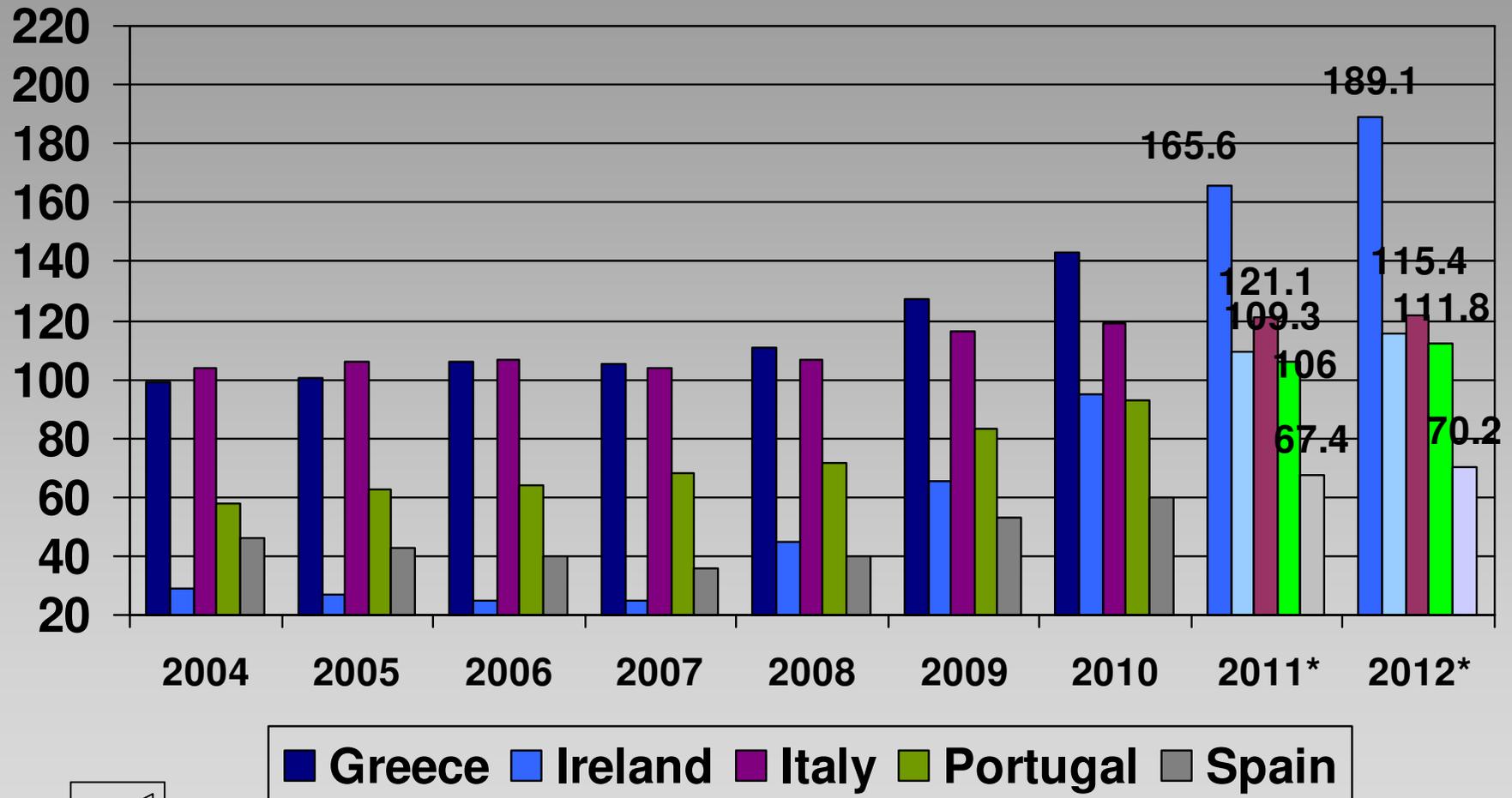
# General Government Gross Debt '03 - '12

(Percent of GDP, IMF WEO September 2011)

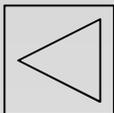


# General Government Gross Debt '03 - '12

(Percent of GDP, IMF WEO September 2011)

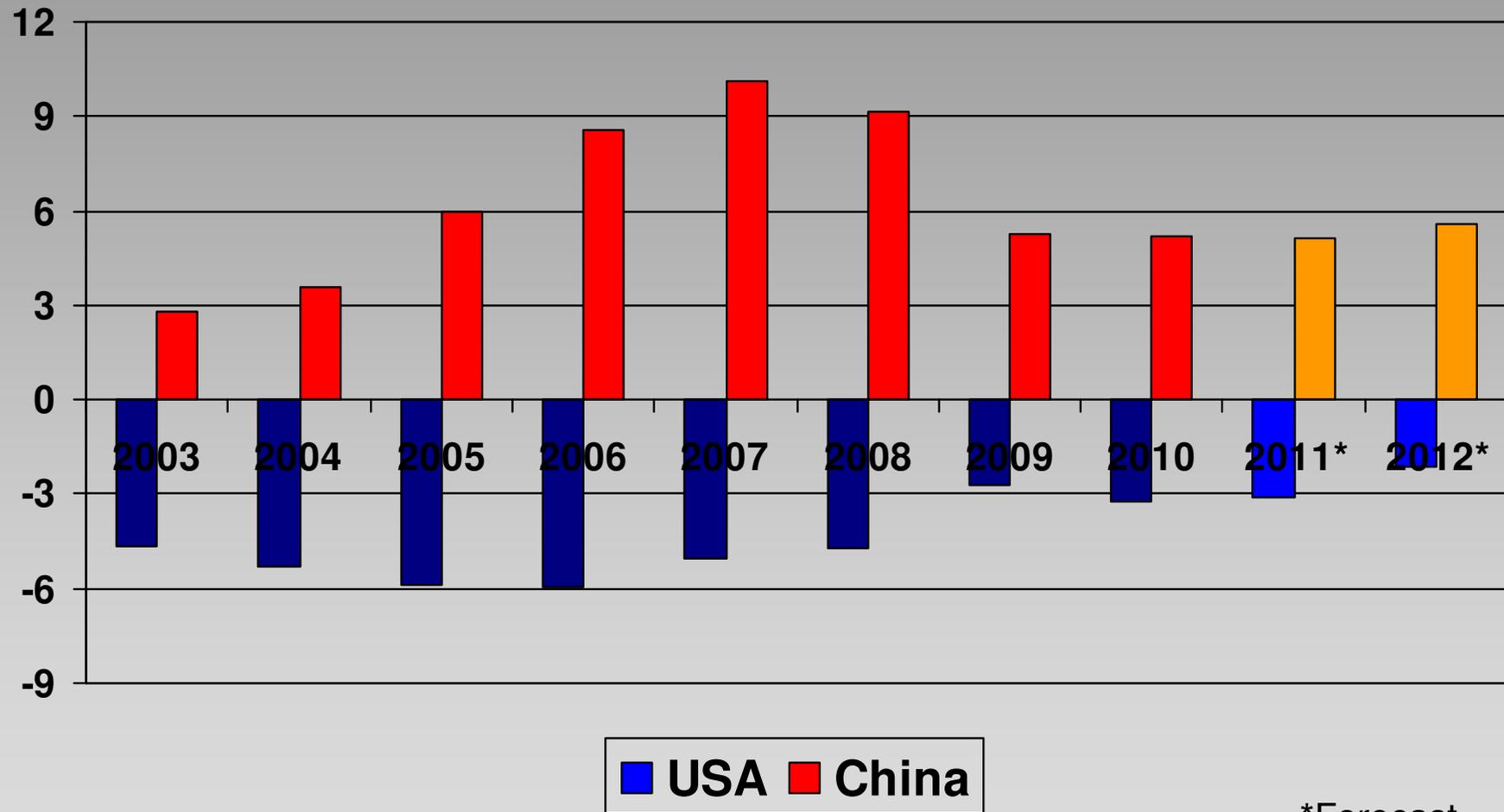


\*Forecast



# Current Account 2003-2012

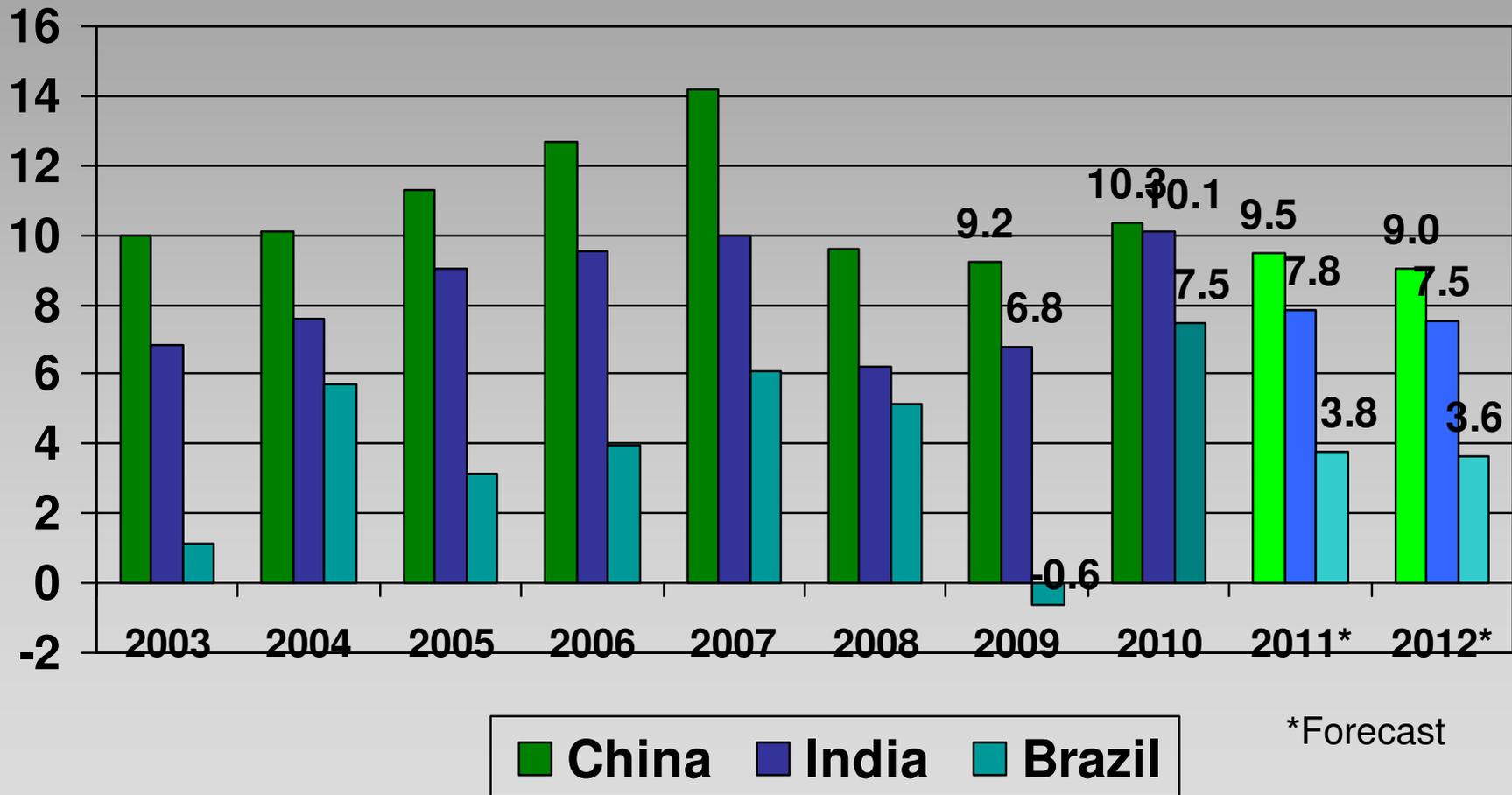
(Percent of GDP, IMF WEO September 2011)



\*Forecast

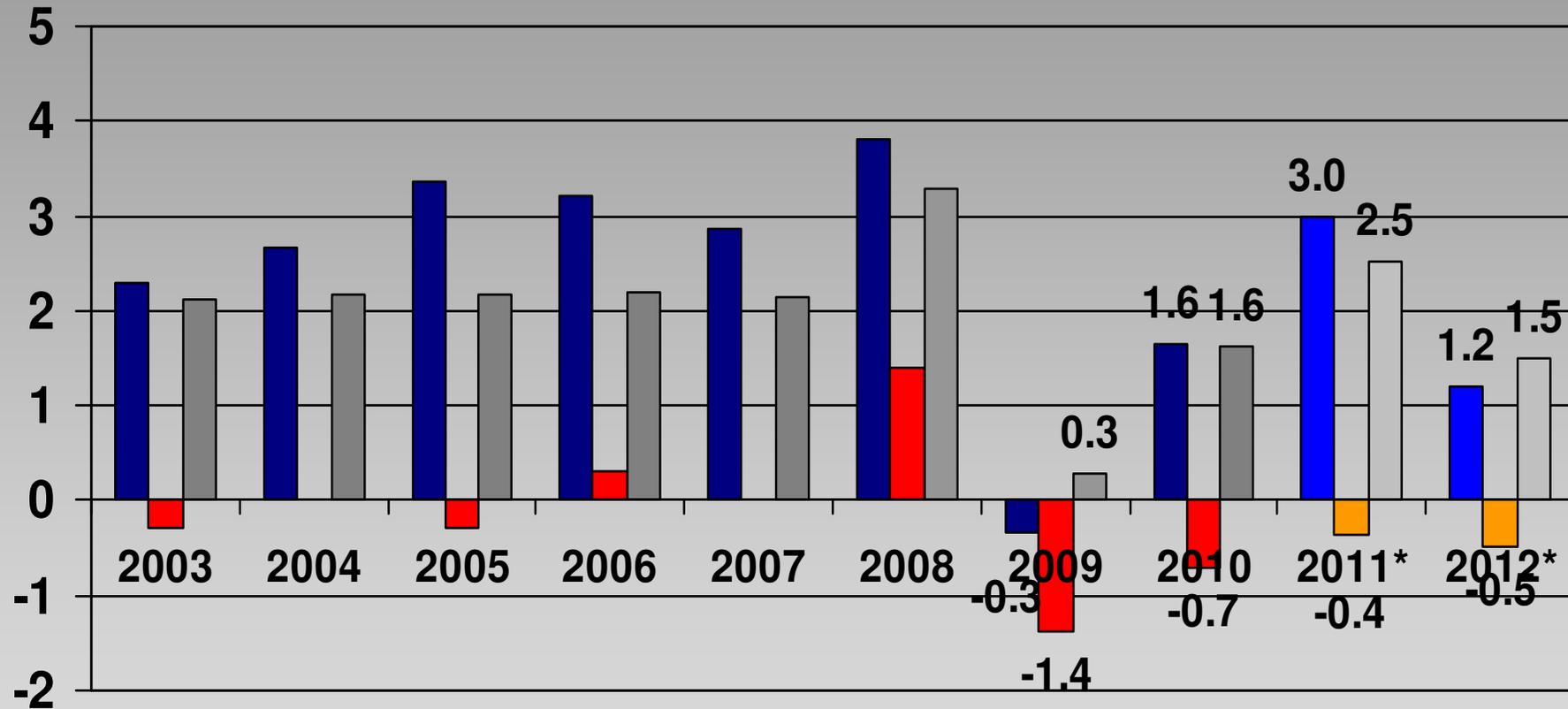
# Real GDP Growth 2003-2012

(Annual Percent Change, IMF WEO September 2011)



# Inflation 2003-2012

(CPI, Annual Percent Change, IMF WEO September 2011)

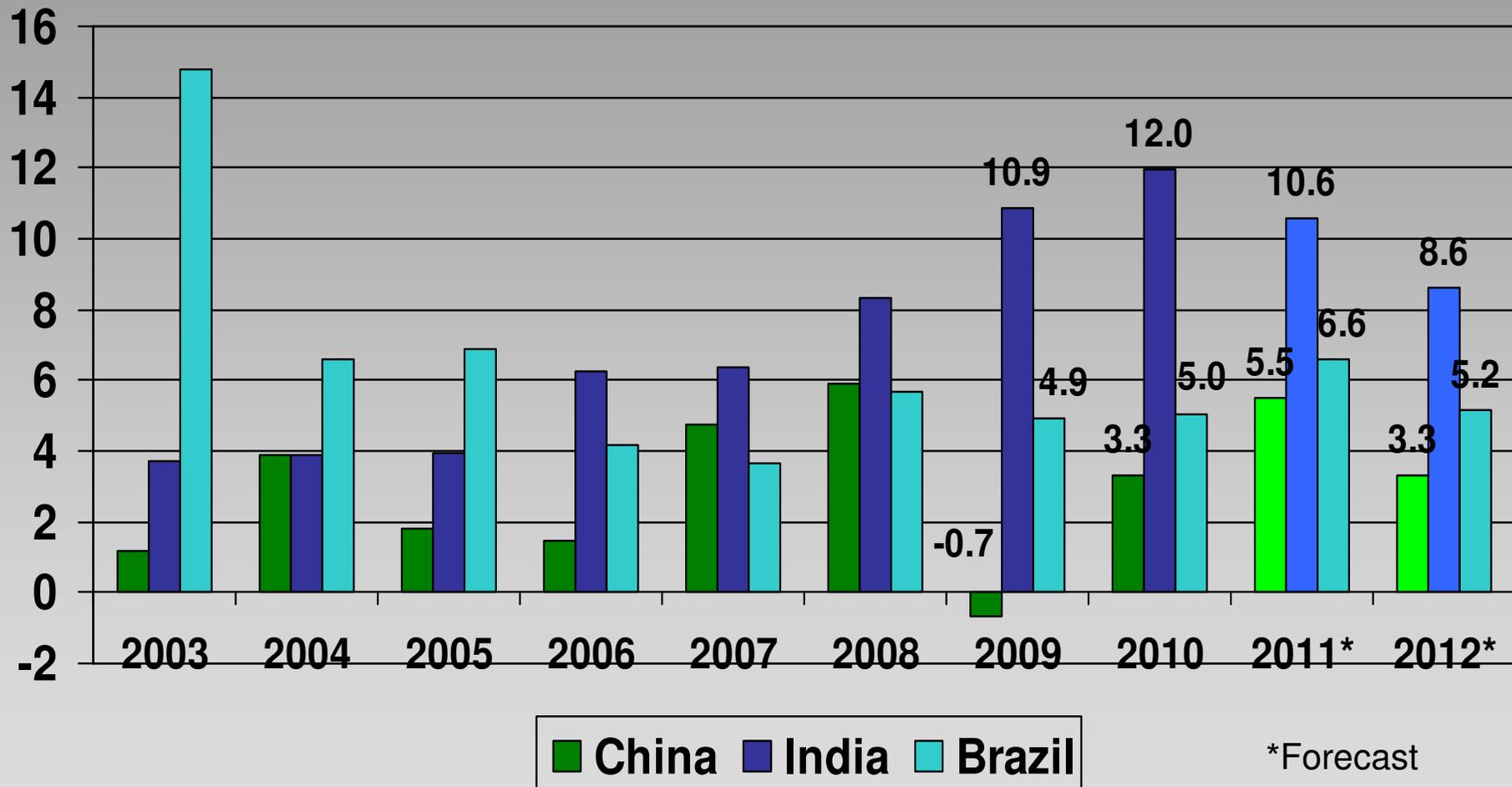


■ USA ■ Japan ■ Euro Area

\*Forecast

# Inflation 2003-2012

(CPI, Annual Percent Change, IMF WEO September 2011)

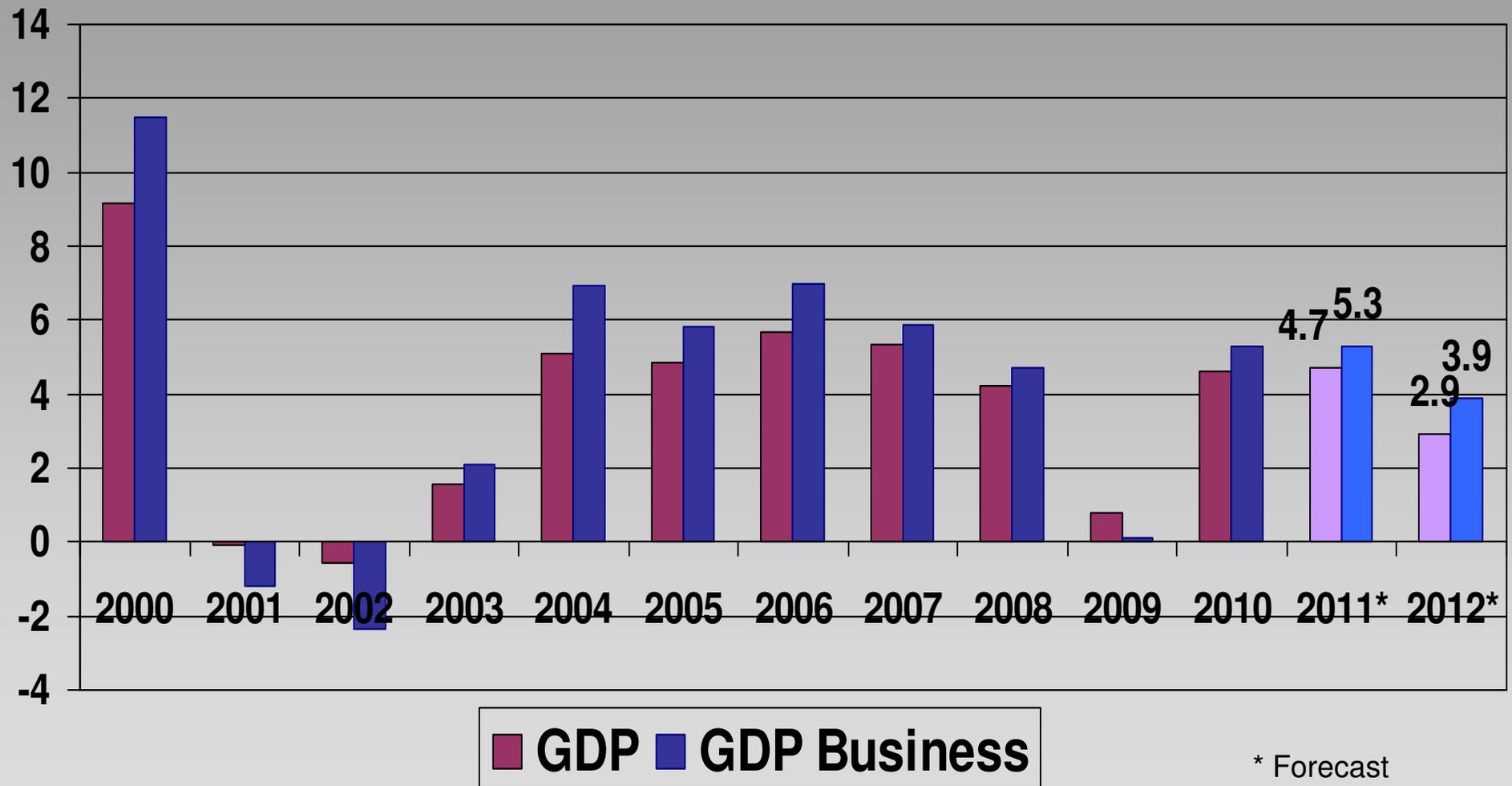


# 5

## Macroeconomic Forecast 2011

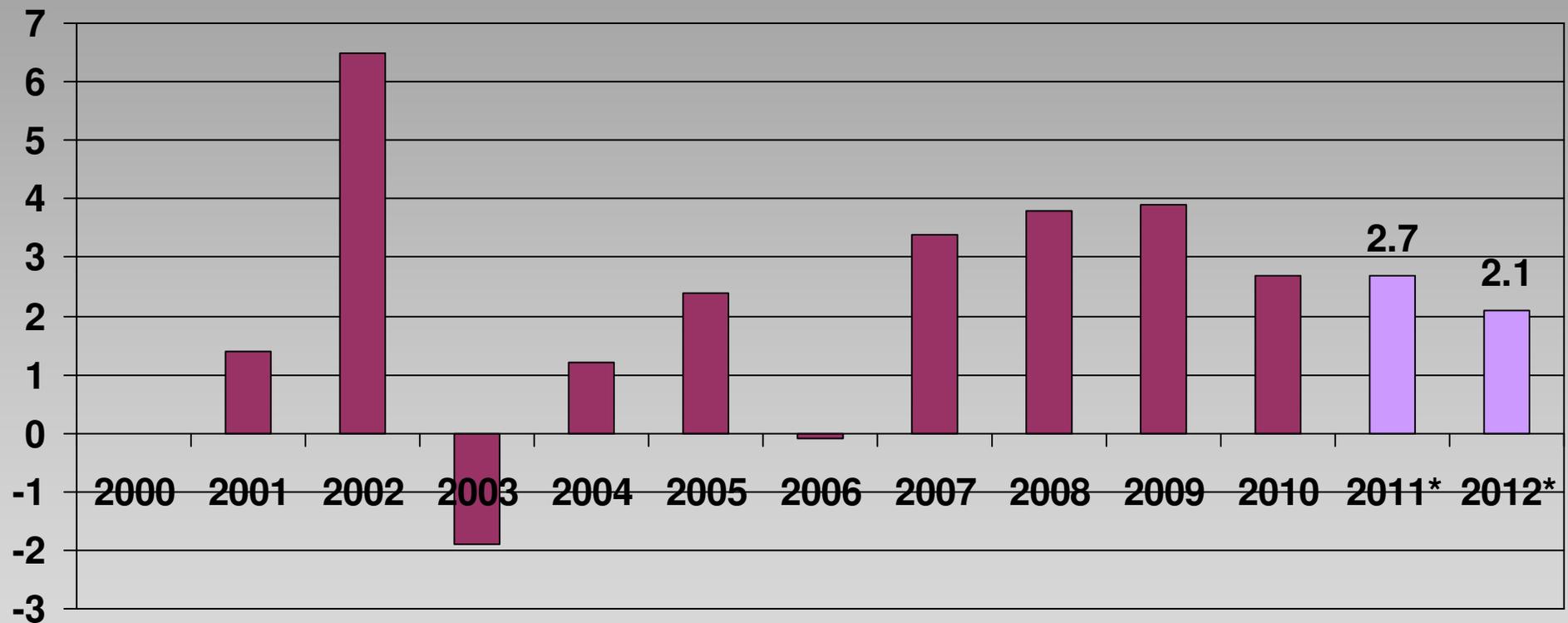
# GDP and GDPB Forecast 2012

(Rates of Growth, Percent)



# Rate of Inflation Forecast 2012

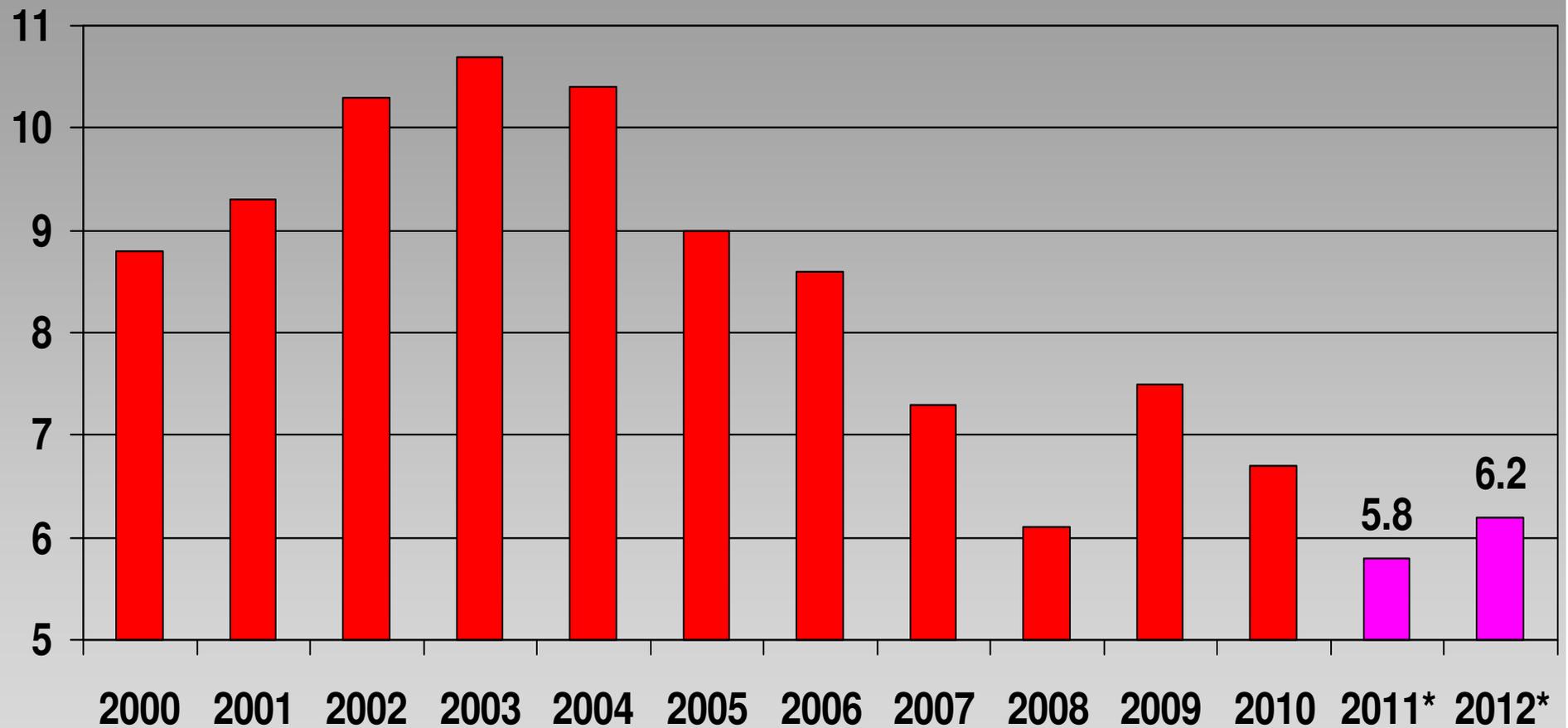
(CPI, Percent)



\* Forecast

# Unemployment Forecast 2012

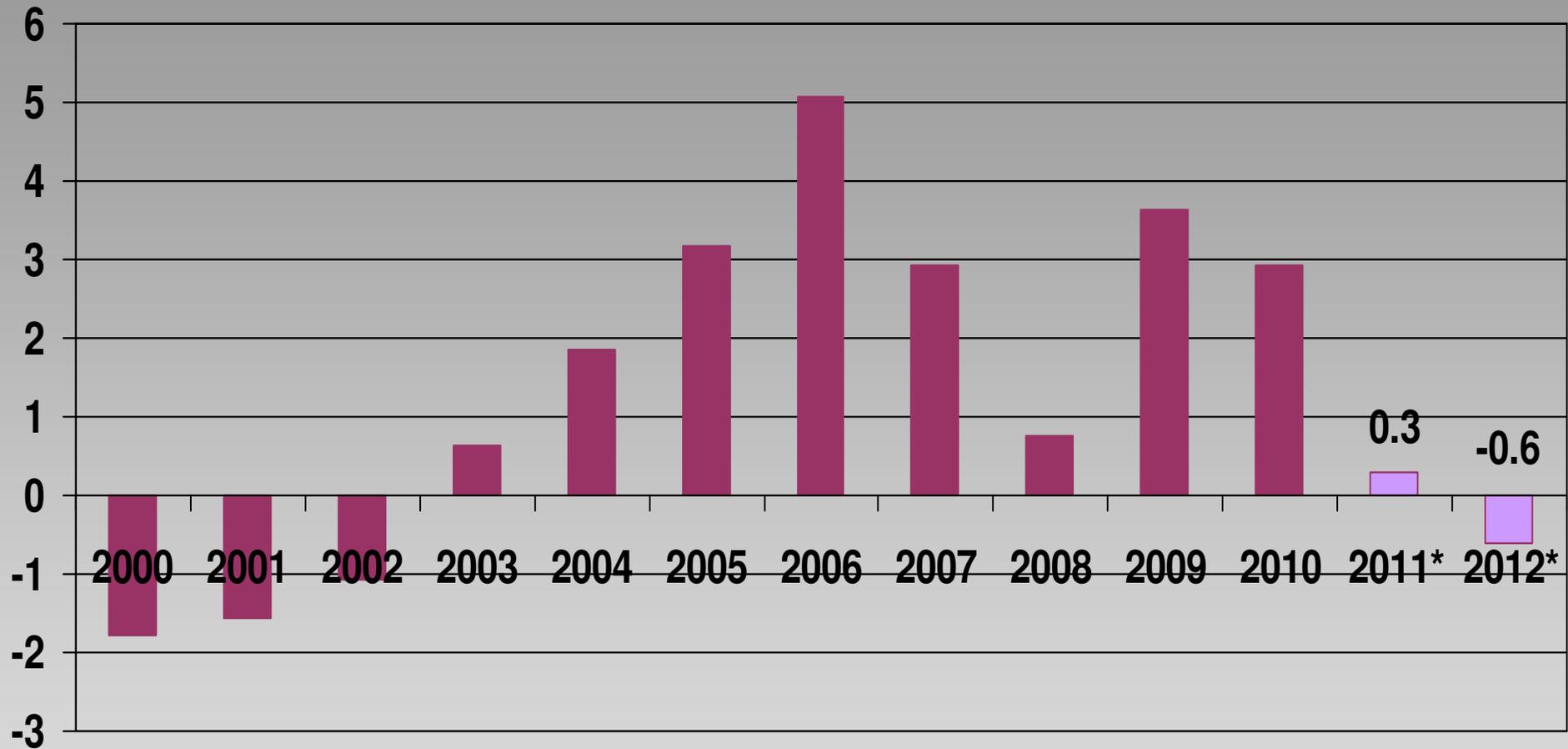
(Percent)



\* Forecast

# Current Account Forecast 2012

(Percent of GDP)



\* Forecast

# Uses and Resources Forecast 2012

(Rates of Growth, Percent)

	<b>C.B.S. 2011</b>	OECD 2012	Treasury 2012	B.o.I. 2012	<b>Melnick 2012</b>
<b>Resources</b>					
GDP	<b>5.0</b>	4.7	4.0	3.2	<b>2.9</b>
Business GDP	<b>5.6</b>				<b>3.9</b>
Civilian Imports	<b>10.2***</b>	8.1	5.3	3.0***	<b>4.4</b>
<b>Uses of Resources</b>					
Private Consumption	<b>5.1</b>	4.5	3.2	2.8	<b>2.8</b>
Government Consumption	<b>3.4</b>	1.5	1.8	2.0*	<b>2.9</b>
Fixed Capital Formation	<b>16.4</b>	7.2	3.6	6.0	<b>7.5</b>
Exports	<b>4.2**</b>	8.7	7.5	1.7**	<b>4.4</b>

\* ללא יבוא בטחוני

\*\* ללא יהלומים והזנק

\*\*\* ללא יהלומים אוניות ומטוסים

# Stock Market as Leading Indicator '97 - '11

