



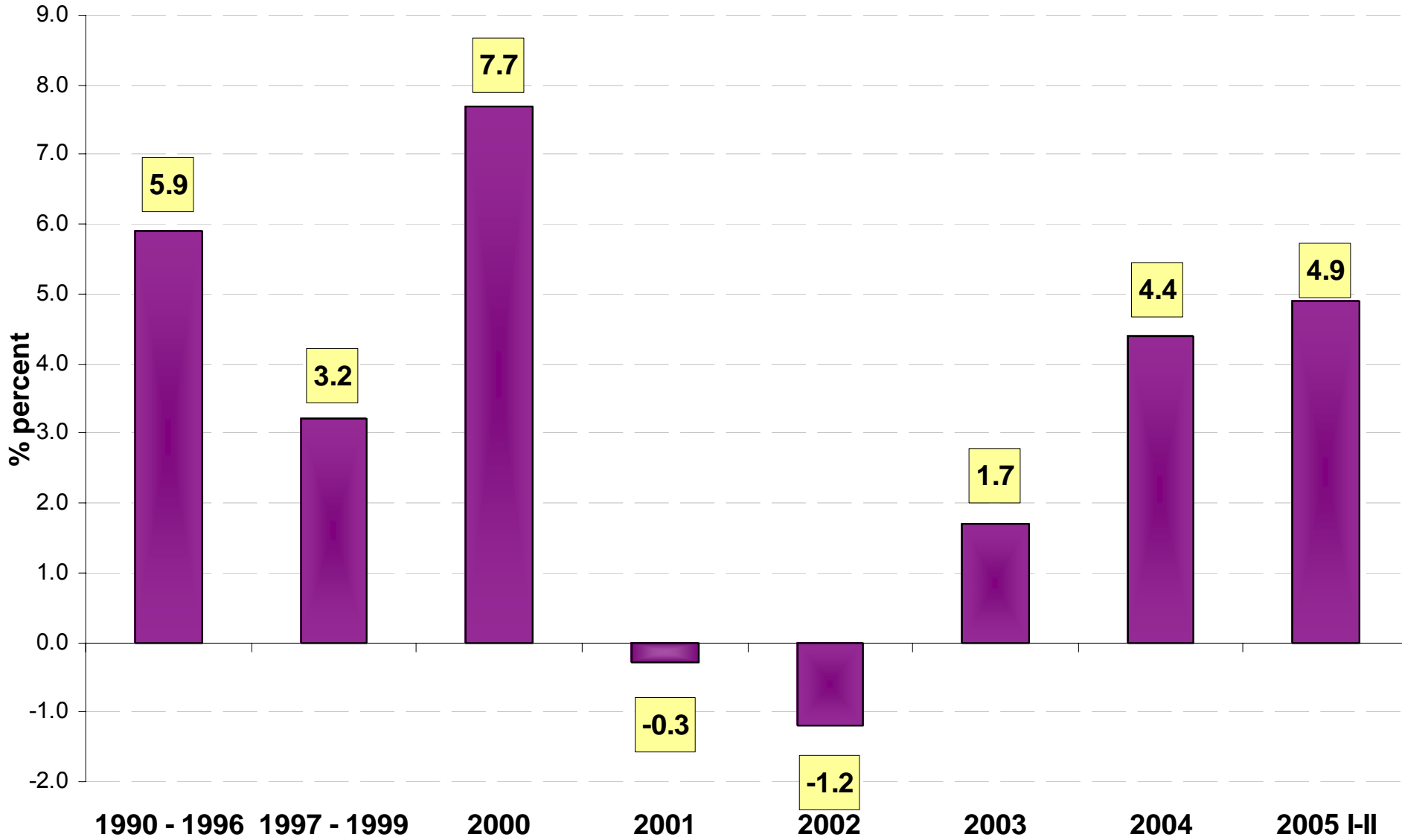
The Israeli Economy

Stanley Fischer
Bank of Israel

Israel Opportunity 2005 Conference, London
Tel Aviv Stock Exchange and Israeli Embassy, UK
London, September 13, 2005

Performance

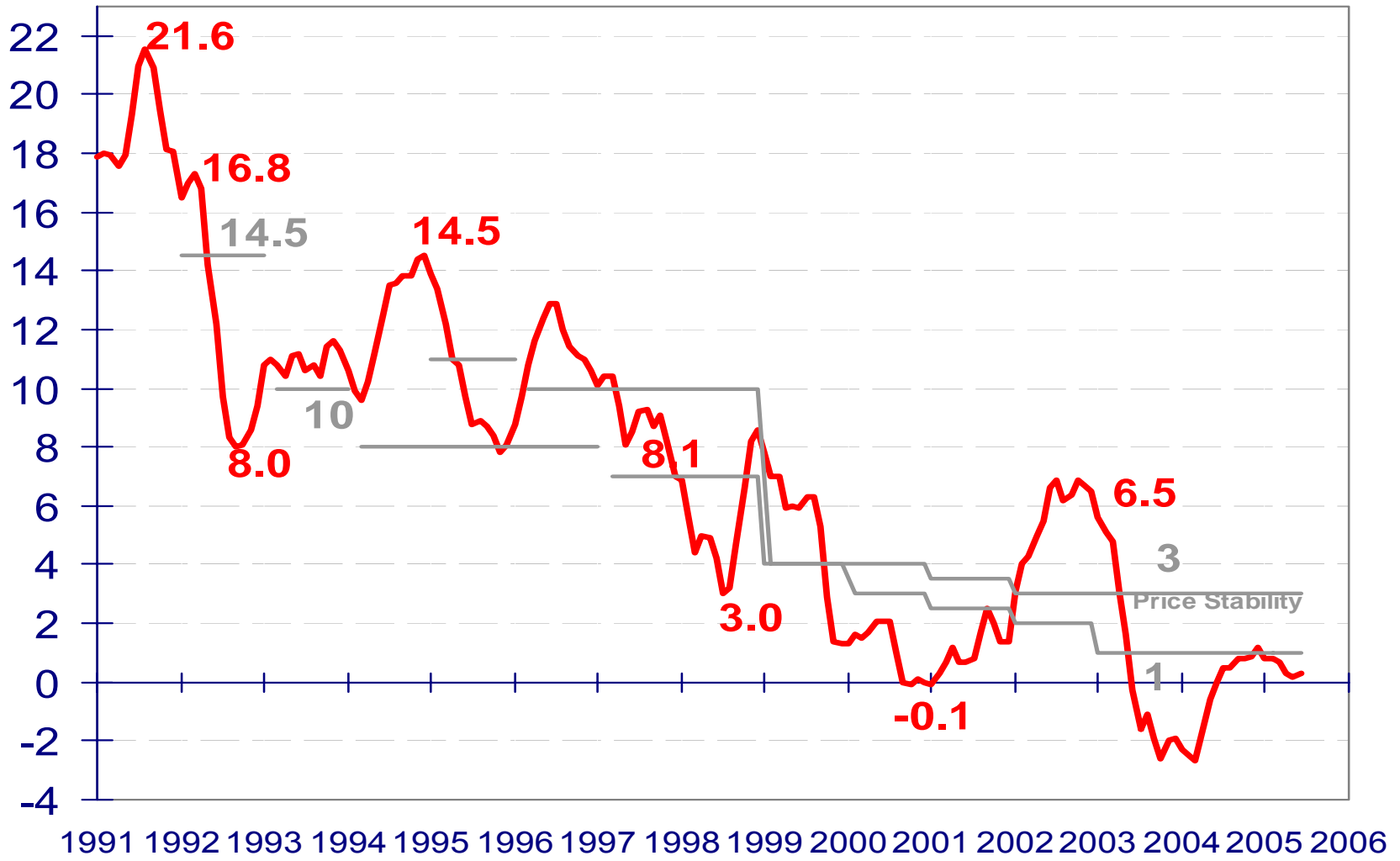
Growth Rate of GDP annual rate, real change



Recent Developments (percent change in real terms)

	2002	2003	2004	2005	2006
				estimate forecast	forecast
GDP	-1.2	1.7	4.4	4.5	4.0
GDP Business Sector	-3.3	2.5	6.3	5.5	5.0
Investment in Fixed Assets	-6.2	-4.5	-0.2	1.7	3.0
Exports of Goods and Services	-2.4	6.2	14.9	5.4	7.2
World Trade (IMF WEO Feb 2005)	3.3	4.8	9.8	7.4	7.6
Private Consumption per Capita	-1.0	-1.0	3.2	2.4	2.9
Domestic General Government Consumption	4.3	-1.0	-1.8	-0.4	0.7
Current Account Deficit (billion \$)	-8.1	-5.5	-4.7	-	-

Inflation Rate* and Inflation Target



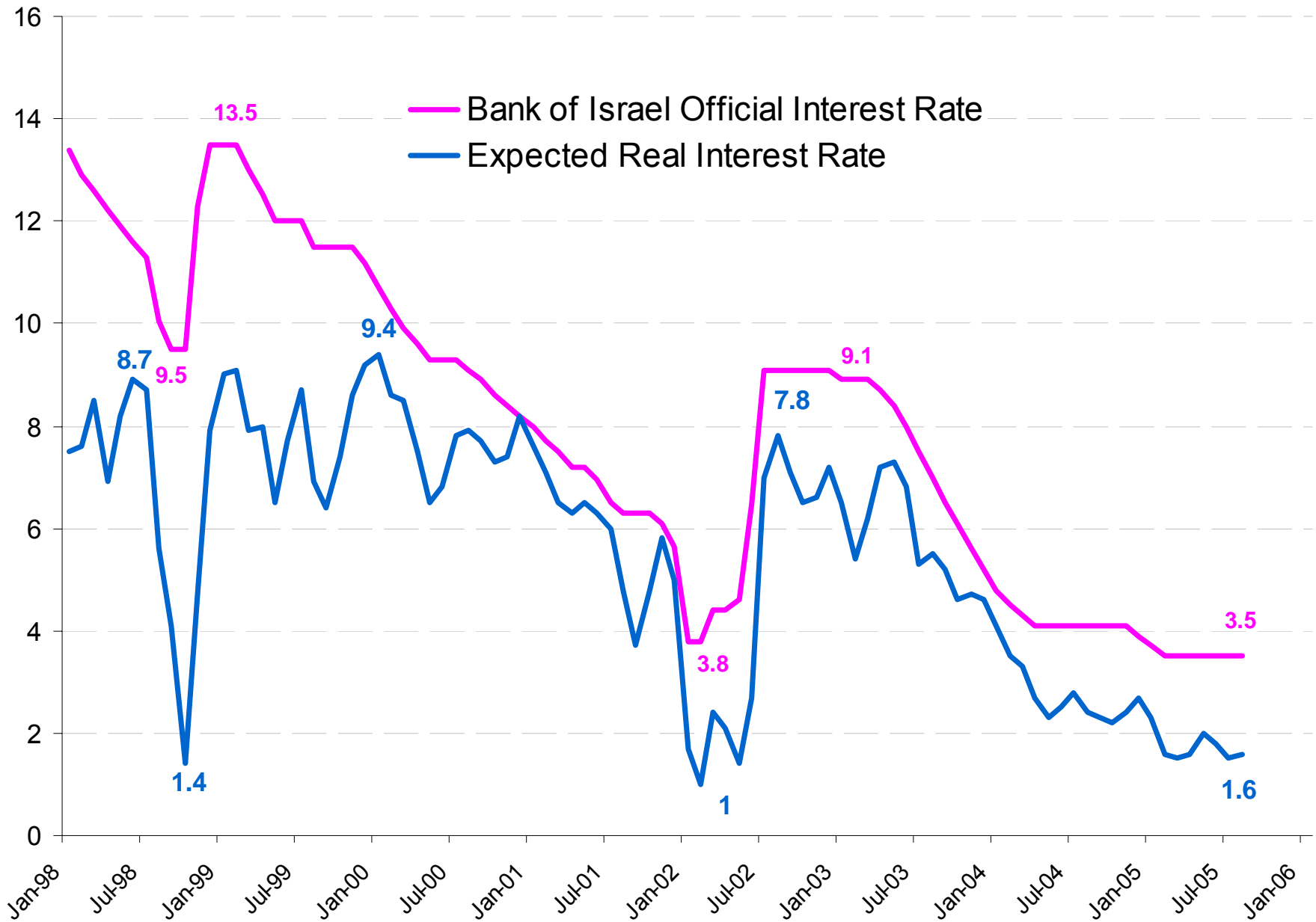
— Inflation

— Lower Target

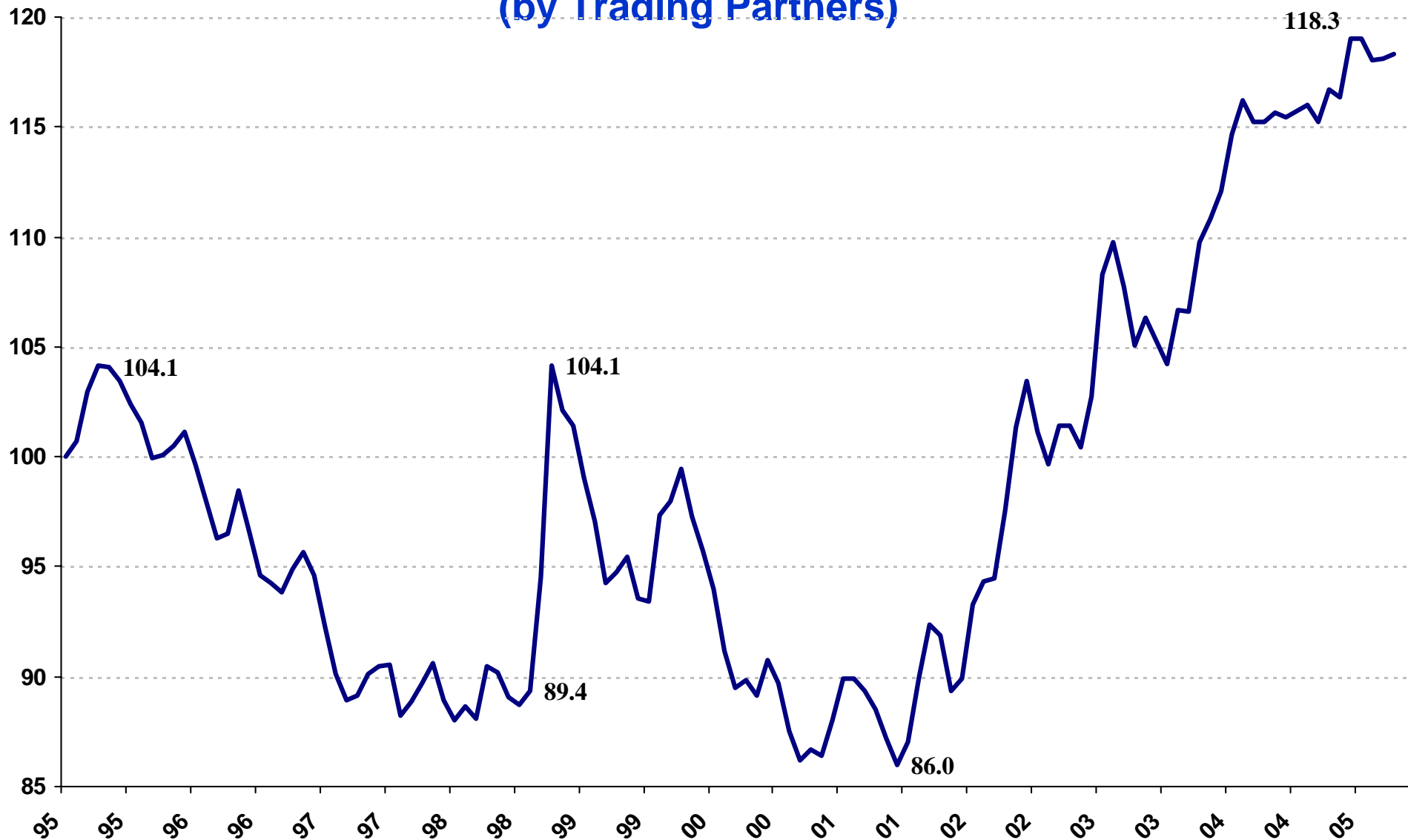
— Upper target

* over the previous 12 months

The Official Bank of Israel Interest Rate



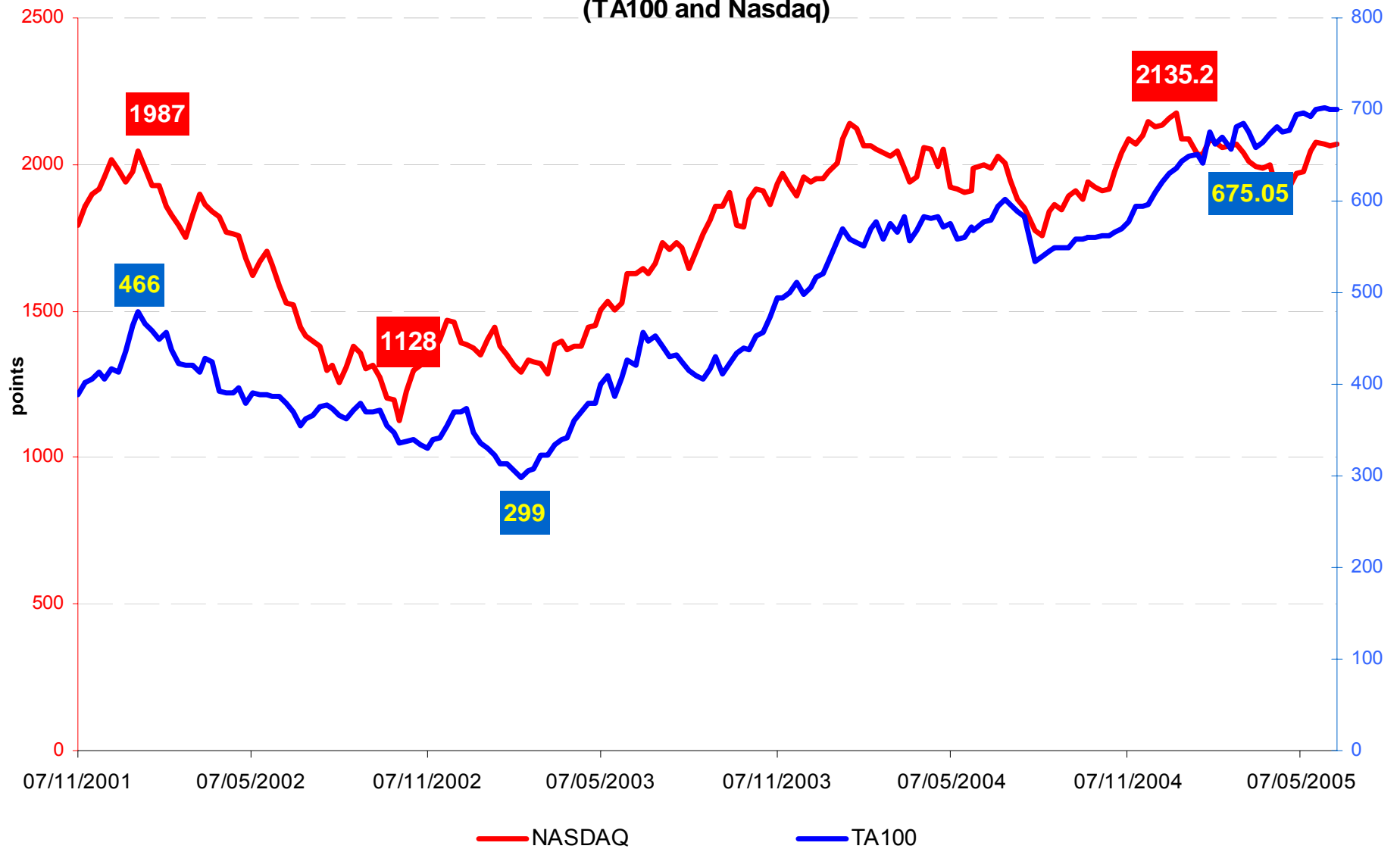
Real Exchange Rate Indicator (by Trading Partners)



Source: IMF * decrease indicates appreciation.

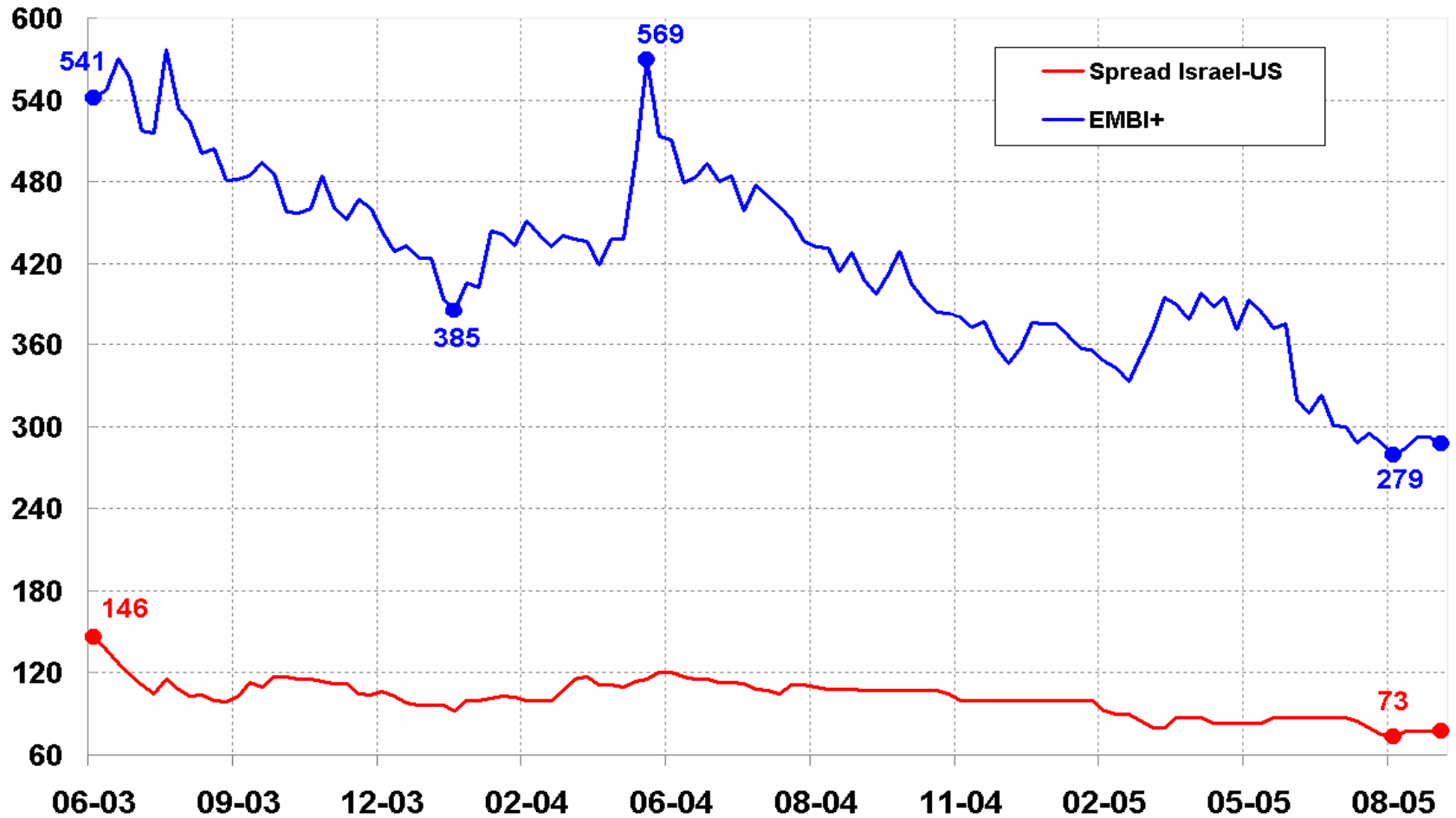
Stock Market*

(TA100 and Nasdaq)



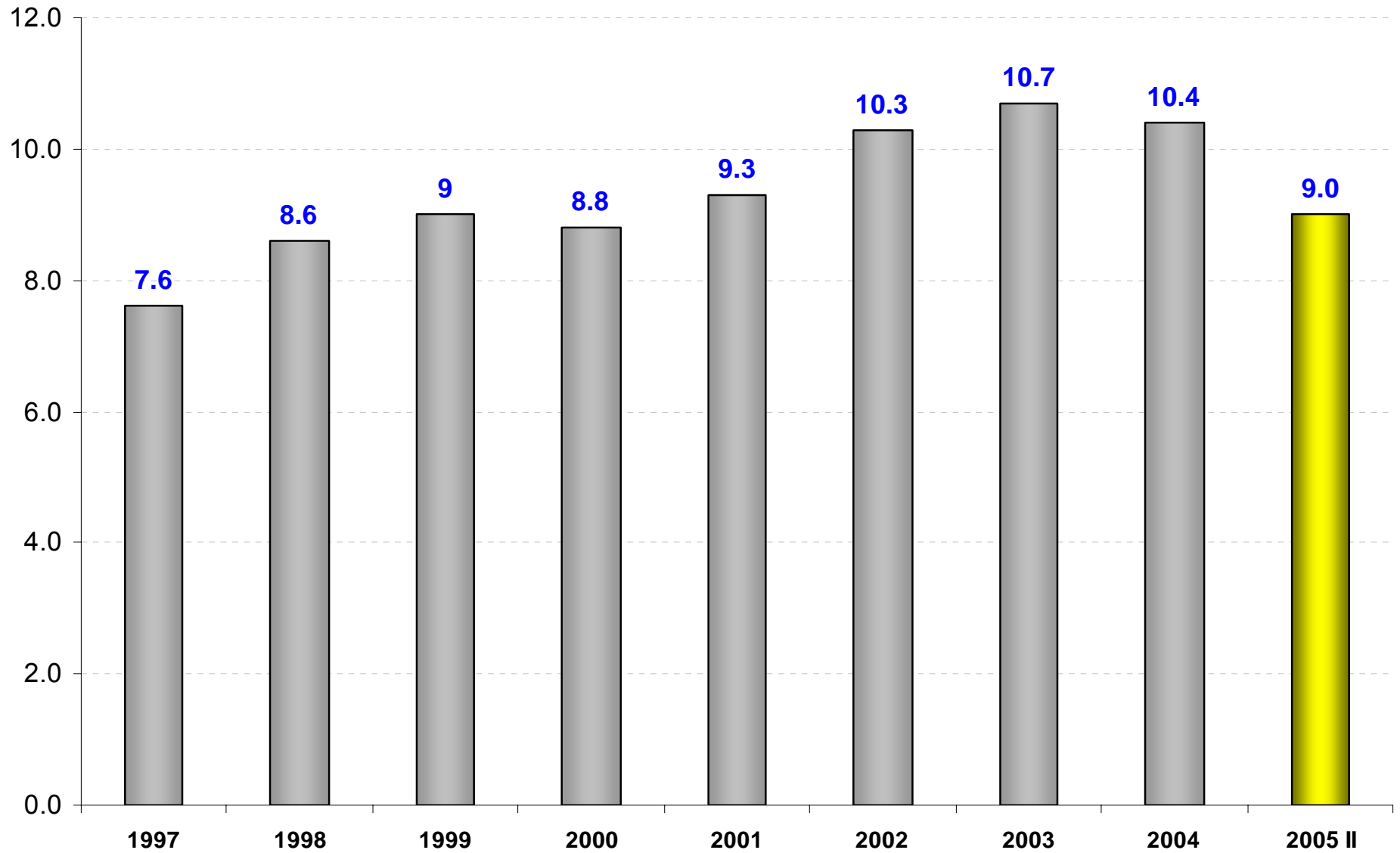
* Values calculated by weekly average

Israel-US 10 Year Spread and the EMBI+ Index (basis points)



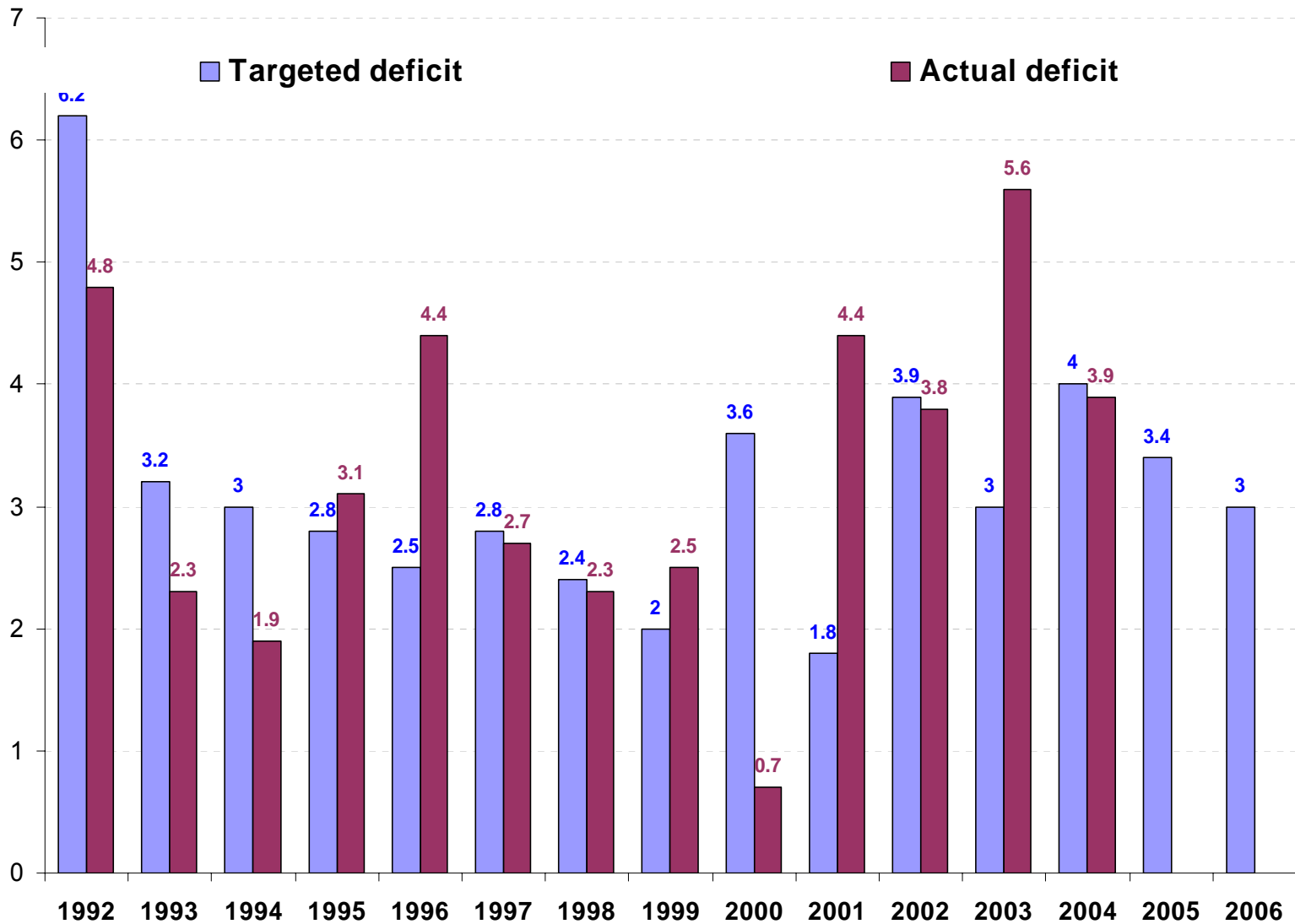
Unemployment Rate

(percent)



Policy Framework

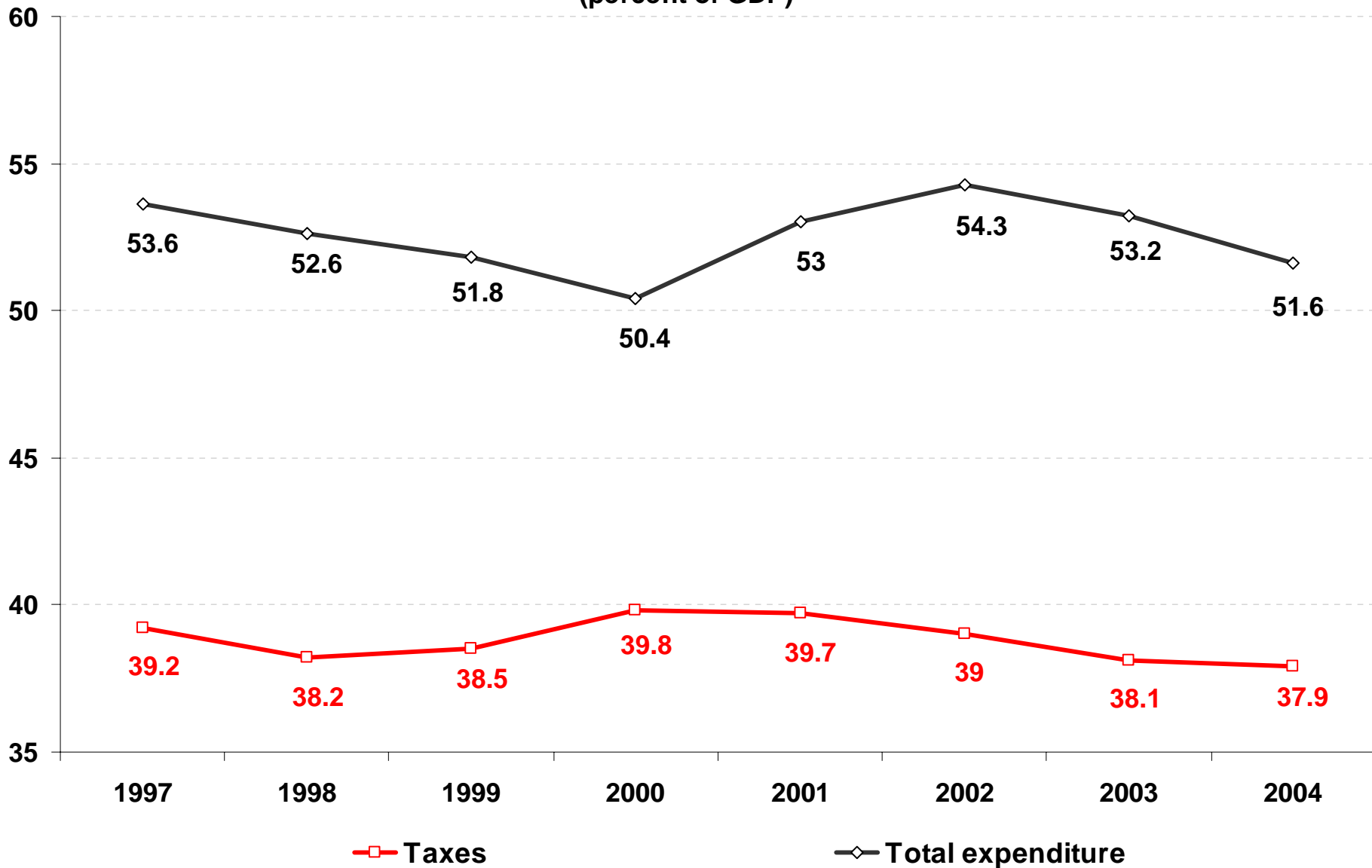
Government Deficit* (GDP Percent)



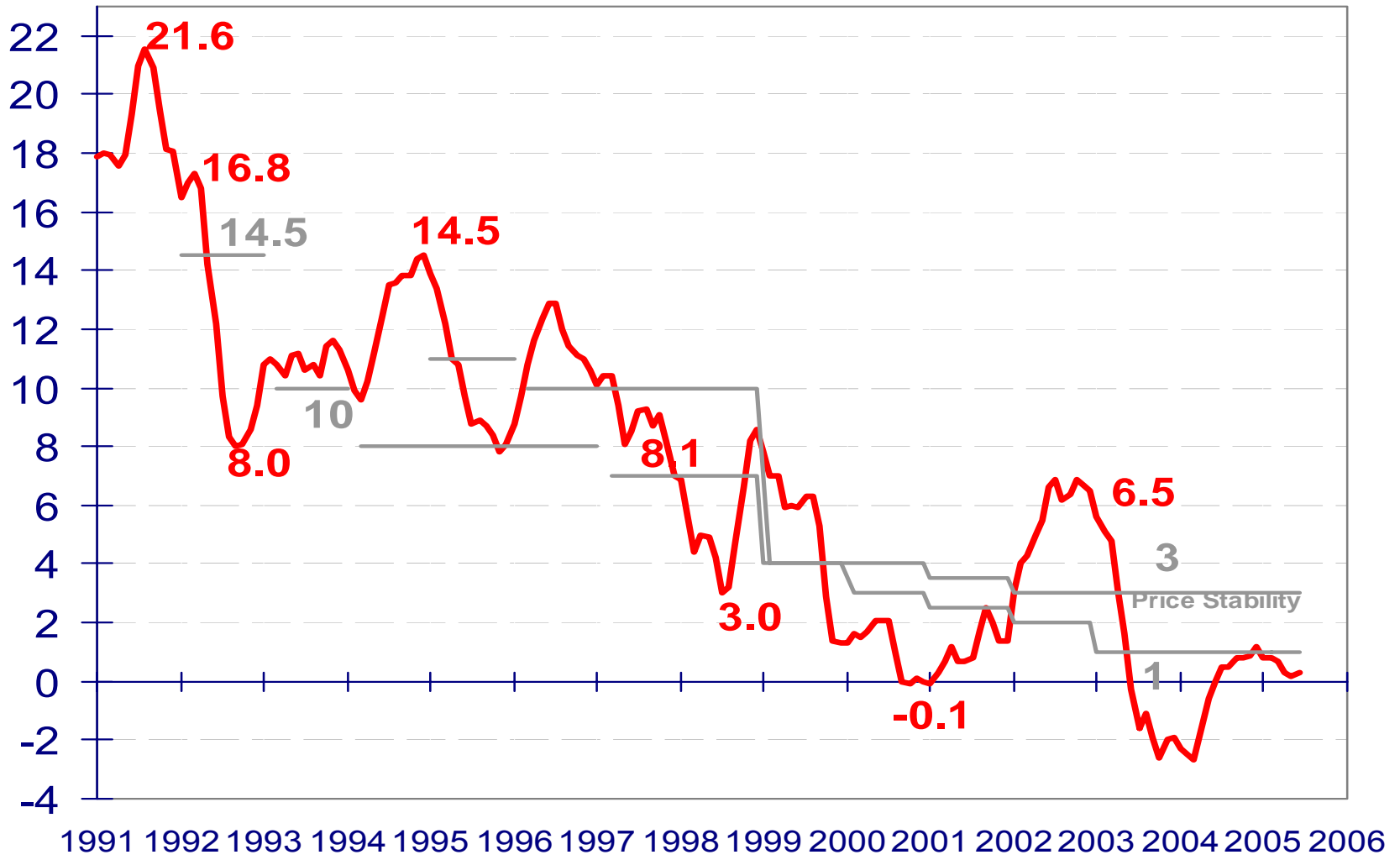
* Excluding government loans. Until 1996, domestic deficit; from 1997, total deficit. From 2000 onwards the deficit excludes Bank of Israel's profits.

Government Expenditures and Tax Revenues

(percent of GDP)



Inflation Rate* and Inflation Target



— Inflation

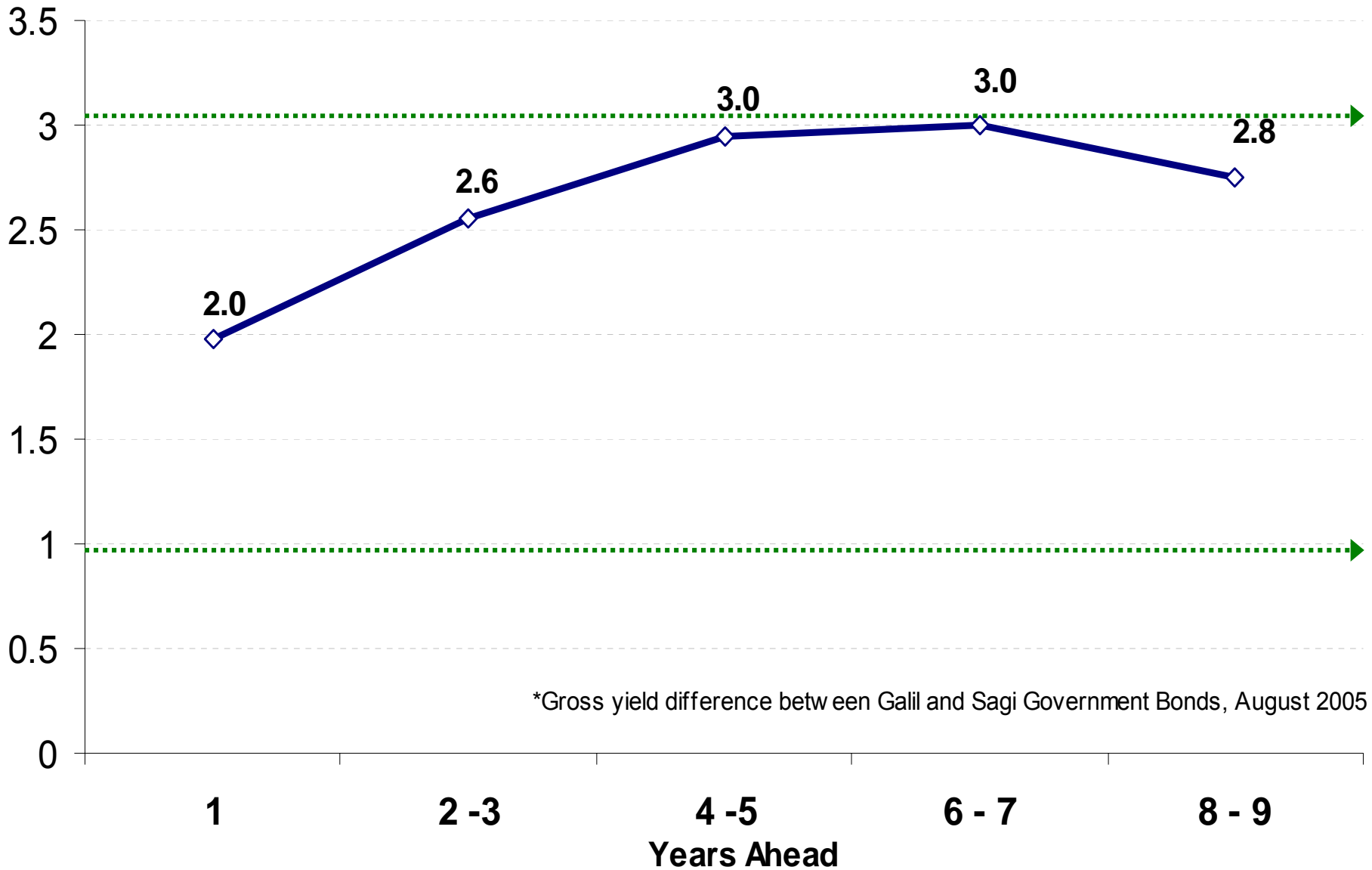
— Lower Target

— Upper target

* over the previous 12 months

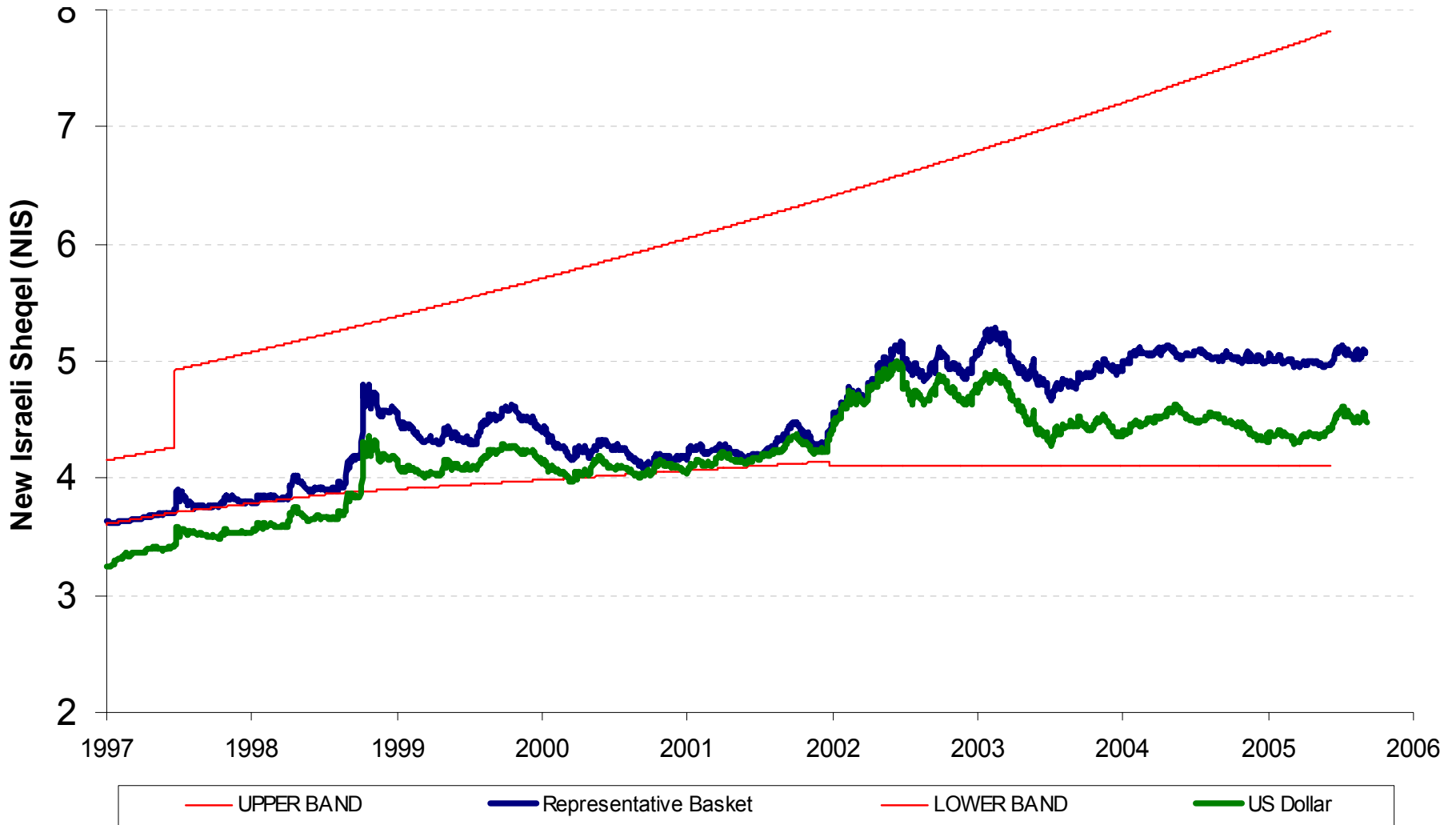
Inflationary Expectations*

(percent)



*Gross yield difference between Galil and Sagi Government Bonds, August 2005

NIS Exchange Rate to the Currency Basket and the US-Dollar



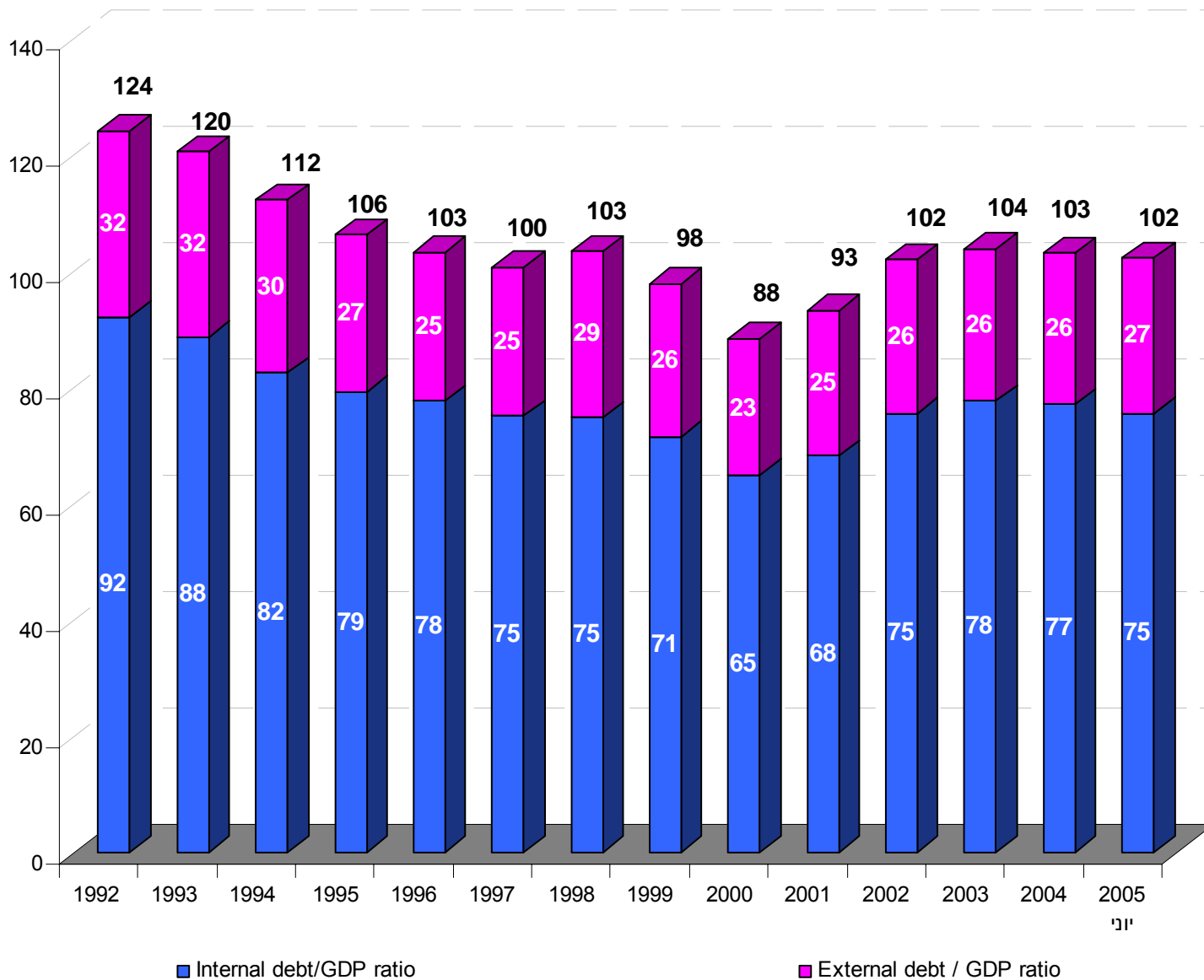
* Starting from December 2001, the lower limit was fixed at 4.1021

** Band limits were canceled on June 9th, 2005

Source: Bank of Israel

Challenges

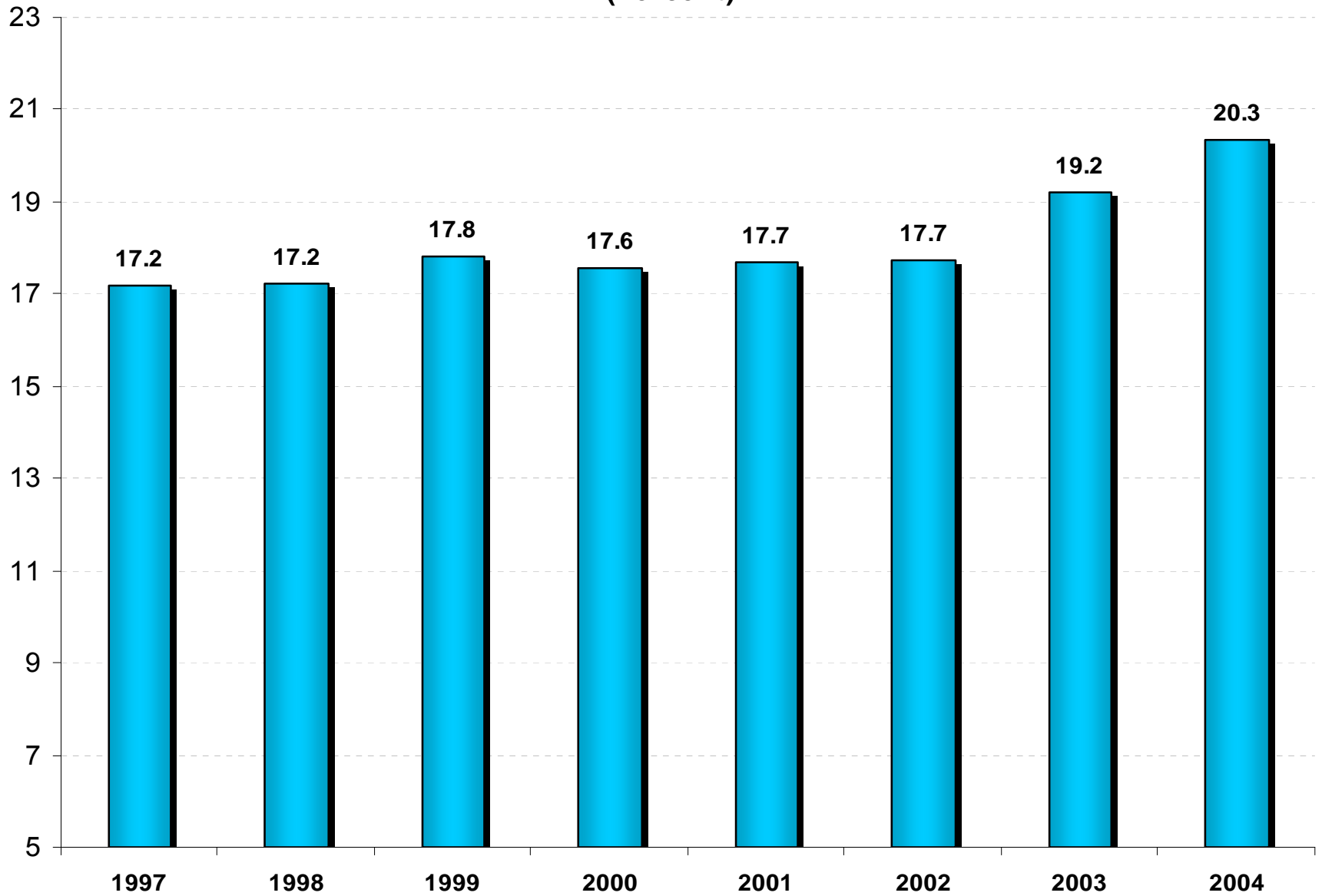
Ratio of Government Debt to GDP



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Poverty*

(Percent)



*As defined by half the median standardized cash income; Source: CBS, Calculations National Insurance Institute

Number of Tourists (thousands)

