RECENT ECONOMIC DEVELOPMENTS*

Main developments

On the basis of real economic developments, the second half of 2000 (the period reviewed) can be divided into two periods. In the first—from July to September, before the unrest erupted in the territories—output grew at a rapid pace, with the expansion of goods and services imports and exports, and a steep rise in the government's tax revenues, expressed in a budget surplus. In the second period—from October to the end of the year—business-sector product plummeted (according to Central Bureau of Statistics—CBS—estimates for the entire year), the rapid expansion of goods exports and manufacturing intermediates imports slowed, and the government's tax revenues declined. Nonetheless, and despite the intensity of the trend shift, the financial markets and foreign-currency market remained stable throughout the period reviewed, and the price level was unchanged. Thus, throughout the period reviewed the long-term changes in by-industry structure persisted, and even deepened, with the marked expansion of the advanced sector which also comprises the high-tech industry, supporting the expansion of the basis for future sustainable economic growth

In the period reviewed the Consumer Price Index (CPI) declined by 0.7 percent in annual terms, after rising by a similar rate in the first half of the year, and for the year as a whole the inflation rate was zero—below the annual inflation target (3–4 percent). The moderation of the inflation rate at a time of serious shocks to both the economy and capital markets abroad indicates *inter alia* that the process of price stabilization has been internalized by economic agents. This conclusion is borne out by the decline in inflation expectations for relatively long terms, and the fall in the share of the public's CPI-indexed financial assets. However, the relatively high volatility of inflation and the public's preference for short-term assets in its asset portfolio indicates that the internalization process has not yet been completed.

The current account of the balance of payments improved in 2000:III alongside a slowing of the rise in goods imports and exports, and a rapid increase in services imports and exports. The slowdown in goods exports was accompanied by a reduction of the share of most of the traditional industries and the marked expansion of the exports of the advanced industries, and of high-tech industries in particular, whose share of goods exports rose notably, to more than half. The exchange rate remained stable during the period reviewed, with a slight trend towards appreciation. This development occurred despite the security unrest, instability in world stock markets (especially Nasdaq), and narrowing of short-term interest-rate spreads between Israel and abroad. In October, with the beginning of the security unrest and decline in share prices in the US, the private sector repaid foreign-currency credit, foreign-currency deposits rose, nonresidents repatriated some of their stock-market investments, and as a result there was local-currency depreciation of 2 percent against the currency basket. Towards the end of the month, however, the business sector began to sell foreign currency, i.e., to act against the trend of depreciation, nonresidents moderated their repatriations on the stock market, and the depreciation trend was checked.

In fiscal policy, the domestic budget was in deficit (2.1 percent of GDP) in the period reviewed, most of it in November and December. Until December there was a marked budget surplus, primarily due to high tax receipts; the government thereby increased its absorption of sources from the public to a marked extent. Revenues were reduced and expenditure increased as a result of the security unrest, however, so that there was a sharp trend reversal, with a large injection in 2000:IV. Until this occurred tax receipts had exceeded their planned path, particularly income tax (as a result of the increase in the real wage). Expenditure abroad was also less than anticipated, and this reduced the government's foreign deficit. In 2000 as a whole the government's total deficit was 0.6 percent of GDP, compared with a target of 3.6 percent of GDP. National Accounts figures indicate that general government consumption rose in 2000:III, after declining in the previous two quarters. This was primarily the result of the increase in wage expenses despite the reduction in the number of persons employed. By the end of January 2001 the new budget had

* *For diagrams (bilingual) please turn to page 15.*

not been passed by the Knesset, although several private bills had been approved.

In 2000:III there was an increase in the labor supply, especially of women, alongside the unexpected deceleration of the inflation rate, so that the real quarterly wage rose by 10 percent in annual terms. The rate at which employment expanded outstripped that of the labor supply, and the unemployment rate, which had been rising since 2000:I, rose to 9 percent in 2000:III. Business-sector employment rose rapidly, buttressing the by-industry shift: the greatest increase was in the high-tech industry, where employment rose by the same extent as that of the entire labor force. The decline in employment in the general government sector in 2000:III was similar to the increase in the number of unemployed persons (about 10,000). In the first two months of 2000:IV the number of work-seekers remained near the relatively high level of 2000:III, and the number of unemployment benefit claims rose.

During the period reviewed the Bank of Israel continued to reduce the interest rate gradually, *inter alia* because the level of inflation expectations was below the annual target of price increases for the next year (for longer terms it was within the target range), due to the contraction of short-term interest-rate spreads to abroad, and as a result of the frequent shocks (political uncertain-

Table 1. Indicators of Business Activity, 1999–2000

(all data excluding construction are seasonally adjusted)

			1999	2000				July–Dec[a]		
	1999	2000	IV	I	II	III	IV	1999	2000	*
Rates of change (annual averages, percent), compared with preceding quarter										
State-of-the-economy index	3.2	7.8	–0.3	10.1	11.2	9.3	1.0	3.0	8.1	12
Large-scale retail trade	4.3	9.9	–2.6	14.1	21.0	9.0	10.3	4.9	11.7	12
Manufacturing production (excl. diamonds)	1.1	10.2	5.6	16.5	12.7	5.0	–2.4	3.0	9.3	11
Business-sector consumption of electricity	2.7	7.3	21.7	8.2	1.0	5.4	–10.4	5.8	5.3	11
Index of revenue in commerce	4.6	9.8	14.0	2.9	18.2	7.3	–7.2	6.3	9.7	10
Index of total revenue	6.3	10.7	19.6	4.9	10.5	12.8	–2.4	9.2	10.2	11
Rates of change (percent), compared with preceding quarter										
Tourist arrivals	16.4	2.1	6.1	5.5	–3.5	4.4	–46.6	22.6	–16.0	12
Immigrant arrivals	35.5	–20.3	9.7	–44.0	–3.6	22.8	5.8	59.0	–29.9	11
Residential starts	–5.9	14.7	–6.6	16.8	–4.7	–1.1		1.9	2.9	9
of which: Government-initiated	5.2	47.9	–35.9	46.6	22.6	6.0		49.5	22.0	9
Residential completions	–11.7	–5.7	7.9	–1.1	–17.0	–9.2		–10.6	–19.6	9
of which: Government-initiated	–3.2	–39.5	–4.1	–40.0	9.3	0.5		–13.0	–36.8	9
Survey of companies (net balance, percent)[b]										
Product of manufacturing firms (not adjusted)		9	11	20	4 [c]	25	27	–13		12
Product of manufacturing firms (adjusted)		9	10	15	16	23	16	–13		12
Sales by commercial firms (not adjusted)		12 [c]	6	9 [c]	5 [c]	19	20	–20		12
Sales by commercial firms (adjusted)		12 [c]	6 [c]	26	4 [c]	23	–9 [c]	3 [c]		12

* Last month for which data available.

[a] Compared with same period in preceding year.

[b] Difference between the number of firms reporting a rise and those reporting a fall, as a percentage of all reporting firms.

[c] Denotes non-significant result at 5 percent level.

Table 2. National Accounts, 1999–2000
(seasonally adjusted)

			1999	2000				July–Dec[a]		
	1999	2000	IV	I	II	III	IV	1999	2000	*
Rates of change (annual averages, percent, constant prices), compared with preceding quarter										
GDP	2.3	5.9	7.6	6.5	8.0	9.0		2.2	7.8	9
Business–sector product	2.0	7.7	10.0	10.2	11.2	11.4		1.8	10.7	9
Private consumption	3.4	5.7	1.1	5.8	9.7	7.1		4.0	5.9	9
Gross domestic investment	10.7	-3.4	21.8	-25.3	-0.8	-48.3		3.2	-17.3	9
of which:	0.6	-1.2	-10.4	12.2	-4.6	-4.4		0.4	-2.3	9
Investment in start-up companies (percent of GDP)[b]	1.5	1.5	0.4	0.9	0.8	-0.2				9
Goods and services exports	10.1	22.7	28.7	37.5	10.9	81.0		11.6	37.3	9
Goods and services imports	14.6	12.2	9.0	8.3	4.9	15.2		17.3	9.3	9
General government consumption	2.9	2.4	5.1	-3.9	-10.3	5.7		4.6	-1.1	9

* Last month for which data available.
[a] Compared with same period in preceding year.
[b] Unadjusted data, percent of annual GDP. Data for 2000 are initital estimates.

ty, security unrest starting in October, and plummeting prices in world stock markets). During the period reviewed and until January 2001 the nominal interest rate was reduced by a cumulative 1.3 percent points, and as inflation expectations fell at the same time, the real interest rate rose until the end of December 2000, the average for the quarter as a whole being 7.2 percent. The development of the monetary aggregates indicates that during the period reviewed there was no serious pressure in the money market, and the change in the composition of the public's financial asset portfolio was in order to bring it into line with that customary in countries with a low inflation rate. There was a turnaround in the capital market in 2000:IV, expressed in a sharp drop in the Share-Price Index. Beforehand, in 2000:III, its rise had slowed, largely as a result of the fall in the value of the shares of companies in the electricity and electronics industries; this decline, which was exacerbated in 2000:IV, was due *inter alia* to developments on Nasdaq.

The principal industries

The two sub-periods of the period reviewed differ widely from one another. Until October the output of most industries grew, but subsequently the trend shifted. Seasonally-adjusted National Accounts figures for 2000:III (Table 2) indicate that the rapid growth rates of GDP and business-sector product evident in the first half of 2000 even accelerated slightly, as did goods and services imports. But for the first time in a year and a half domestic uses declined due to a fall in investment (both residential and nonresidential); the rapid rise in private consumption (which continued to grow in per capita terms) slowed to some extent, and general government consumption increased, even though its level remained below that of 1999:III. Economic growth was led by exports, which expanded more rapidly than ever—81 percent (this rate is particularly high due to sales of start-up[1] companies). In 2000:IV there was a turnaround, and the National Accounts estimate for the entire year indi-cates that the growth rate of business-sector product plummeted, just as domestic uses rose. The rapid rise of the state-of-the-economy index also slowed to about only one percent, and the responses of the companies surveyed on a quarterly basis by the Bank of Israel's Research Department indicate that there was a steep drop in economic activity in most industries, explained by the security unrest and political events in and after October.

The expansion of manufacturing output slowed from July to November 2000, but thanks to the relatively rapid rise in the first half of the year manufacturing production remained 9 percent higher than in the equivalent period in 1999. The numbers of persons employed and hours worked, seasonally adjusted, also rose in 2000:III,

[1] The sale of Chromatis was recorded as services exports, on the one hand, and as a decline in gross investment (inventory), on the other (see Table 2).

alongside an increase in productivity and the hourly wage—which rose still faster, growing by 7.4 percent in annual terms. The slower rate of expansion in manufacturing was accompanied by a shift in its by-industry composition. The share of the traditional industries fell, as the output of the textile, chemicals, rubber, and plastics industries plunged, and that of the other traditional industries fell to a lesser extent, while the share of the advanced industries, most of which expanded markedly, rose. In electronic equipment output was up by 27 percent over 2000:II (not seasonally adjusted data), in metal and metal products it grew by 18 percent, and in the other advanced industries it increased more moderately, after rising rapidly in the first half of the year. The structural economic change that has been taking place for several years received an additional impetus in 2000, primarily due to the expansion of the exports of high-tech industries, which drove all exports up (see section on the balance of payments, below). The data for 2000:IV, as presented in the Survey of Companies, indicate that the decline in manufacturing activity derived mainly from domestic sales as the rise in manufacturing exports was checked, and that the adverse effect on the advanced industries in this sector was less than on the traditional ones.

In 2000:III several indicators of construction slowed; this was in contrast with the first half of the year, when there had been signs that the industry was emerging from its extended slump. According to seasonally-adjusted National Accounts data, there was a 12.5 percent decline in construction investment, although in public construction it rose. Similarly, between July 1999 and July 2000 the ongoing trend rise in residential construction starts was checked, and the number of housing units sold in 2000:III stabilized. There was a small increase (3 percent in 2000:IV over 1999:IV) in residential construction starts, all of it government-initiated, and a steep drop (20 percent) in completions. Differences of this kind in the level of activity of the two sectors, which characterized 2000 as a whole, are an expression of the slump in construction, since as the slowdown becomes more pronounced the share of designated construction (for young couples, homeless persons, etc.)—in which government-initiated construction is relatively great—rises. In the period reviewed the mortgage interest rate continued to rise; in 2000:IV it reached 7 percent, thereby contributing to the fall in demand for housing units. The Survey of Companies and preliminary reports from the Ministry of Construction and Housing indicate that in the wake of the security unrest and the subsequent closure of the Palestinian Autonomy the number of construction employees, and the extent of construction activity, as well as the activity of associated industries, were curtailed. CBS estimates for the year as a whole indicate that the decline in investment in construction was particularly steep in 2000, also encompassing government-initiated construction.

In other industries, too, the difference between the two sub-periods is striking. The number of hotel bed-nights was up by 9 percent in 2000:III over 1999:III, most of the increase being of incoming tourists. In October the number of bed-nights plummeted, as a result of the fall in bed-nights of both tourists and Israelis, while in November the number of bed-nights of Israelis returned to its former level, while that of tourists continued to drop steeply. Tourist numbers (seasonally adjusted) rallied slightly in December, but for the quarter as a whole their number was half that of 1999:IV (figures for incoming tourism show a rapid trend rise from the beginning of 2000 to September, after which the seasonally-adjusted data reveal a sharp decline, with the level remaining low until the end of the year). The index of revenue in commerce and the services evinced a similar trend, dictated by the security unrest, and for the first time it declined (the figure is for October only). The hotel and catering industries were worst hit (their seasonally-adjusted revenues were down by 10 percent from September). Revenues in commerce were also down (by 2 percent) from September.

The labor market

In 2000:III Israel's labor force grew by 18,000, and the participation rate remained at the high level evident in 2000:II. Nevertheless, the proportion of the incremental labor force obtaining employment (before the security unrest) was the lowest for two years, and the unemployment rate rose to 9 percent. Some 11,000 workers found employment in the business sector (about half as many as in 2000:II), and since the rate of taking on employees did not deviate from the rate of expansion of the labor force, the sector's contribution to the reduction of unemployment was negligible. In the general government sector employment fell by about 10,000, after an increase of 22,000 in 2000:II. Notwithstanding, the number of hours worked increased in both sectors, as did labor input (a quarterly rise of 2.5 percent in the business sector and of 2.0 percent in the general government sector). In the first four months of the period reviewed the real wage was about 8 percent higher than in the equivalent period in 1999; rising by

Table 3. Indicators of Labor Market Developments, 1999–2000
(seasonally adjusted)

			1999	2000				July–Dec[a]		
	1999	2000	IV	I	II	III	IV	1999	2000	*
			('000s)							
Civilian labor force	2,344	2,429	2,391	2,396	2,437	2,455		3.4	4.4	9
Israelis employed	2,136	2,218	2,179	2,192	2,228	2,235		2.5	4.4	9
Business sector	1,491	1,556	1,521	1,537	1,560	1,571		2.7	5.4	9
General government	646	661	658	650	672	661		1.8	2.2	9
Average hours worked per employee	37	38	38	38	38	38		1.6	1.3	9
Business sector	40	41	40	41	40	41		2.8	1.9	9
General government	31	31	32	31	31	32		3.6	0.7	9
Labor input of Israelis employed	79,627	83,999	82,354	82,642	84,437	84,919		2.5	6.7	9
Business sector	59,658	63,286	61,435	62,506	62,901	64,452		2.9	7.1	9
General government	20,284	20,600	21,222	20,236	20,577	20,988		3.9	3.2	9
Claims for unemployment benefit	108	106	108	110	102	103	106	-0.7	-3.9	11
Work seekers	158	165	164	161	165	168	168	1.9	6.9	11
Real wage[b] per employee post (NIS)	4,304	4,589	4,454	4,533	4,511	4,601	4,712	1.5	8.3	10
of which: Business sector	4,409	4,726	4,542	4,677	4,663	4,731	4,831	3.4	8.0	10
Unemployment rate (%)	8.9	8.7	8.9	8.5	8.6	9				9

* Last month for which data available.
[a] Percent change compared with same period in preceding year.
[b] At 1994 prices.

slightly more in the general government than in the business sector (*inter alia* because new wage agreements were reached with the physicians and the teachers, and as a result of the jubilee bonus).

In 2000:II the participation rate reached a peak not seen for several decades—54.4 percent—and this was maintained in 2000:III. This development is explained by the effect of both long- and short-term factors. The former include the rising trend of women's participation rate in the labor force, as well as the increased share of immigrants who arrived in the 1990s in the working-age population, because the immigrants' participation rate is higher than that of the established population, and rises the longer they have been in Israel (this difference is even more marked among women immigrants). The effect of the short-term factors is associated with the sharp rise in immigrant numbers in 1999, reflected in the participation rates in 2000, as well as with the business cycle (the return of the 'discouraged worker' to the labor force as economic activity and employment rose).

In 2000:III the number of Israelis employed rose slightly—by 0.3 percent—after employment had declined by 1.6 percent in the general government sector (mainly the civil service) and risen by 0.7 percent in the business sector, alongside a change in the composition of employment in the latter. There was a relatively steep fall in employment in the hotel and catering industry, and a slow rise in employment in manufacturing (1.2 percent), construction (a quarterly increase of 1.0 percent), and agriculture (2.4 percent). In the first three quarters of 2000 the number of wage-earners rose by 3 percent. The most impressive rise was in the high-tech industry, where employment was up by 39 percent (some 18,000 employee posts) over the same period in 1999.

In 2000 foreign workers constituted some 11.5 percent of all business-sector employees—one of the highest rates in the world—and their number was about 211,000. About 98,000 of these were from the territories (before the unrest), and the rest were from other countries, 75,000 of them being employed legally.

The unemployment rate rose slowly in the period reviewed, and in November it reached 9.0 percent. Most of the increase in the unemployment rate in 2000:III was of women, among whom it rose by over 0.5 percent to stand at 9.4 percent, after an increase of some 8,000 persons, constituting two-thirds of the quarterly increment to the female labor supply. The number of claims for unemployment benefit rose in October to 106,000, although during the first four months of the period reviewed their number was two percent lower than in the equivalent period in 1999.

In the first nine months of 2000 the total real wage per employee post was 6.7 percent higher than in the same period in 1999, and this may in part be due to the larger than expected decline in the inflation rate. There was a steep increase—15 percent—in the wages of workers in the business services industry. This derived in part from the rise in the share of persons employed in the computer services and R&D industries (up from 16 percent in 1999 to 20 percent in 2000), in which the average wage is at least twice that of the industry as a whole. There was also a sharp increase in the real wage of employees in the banking, insurance, and financial services industry, and in the period reviewed wages in construction rose by 6 percent, alongside a decline in employment.

In the period reviewed labor relations in Israel were affected by opposing forces. On the one hand, the lower than expected inflation rate and the automatic wage drift that is built into the general government wage system served to increase the real wage and hence to modify demands for wage hikes. On the other, the absence of wage agreements for 1999 and 2000 in the general government sector, and the widening gap between wages in that and in the business sector, served to intensify such demands. Until the end of the period reviewed the opposing forces operated to prevent labor unrest, but in several general government segments work was disrupted because of the absence of wage agreements, privatization plans, etc. At the beginning of 2001 the General Federation of Labour (Histadrut) declared a labor dispute in the general government sector.

The statistics generally used to assess the hard core of unemployment do not clearly indicate either an improvement or a deterioration in the situation in 2000:III. On the one hand, the proportion of young people among the unemployed rose significantly, and that of married people fell (as is usually the case at a time of rising unemployment), while on the other the amount of time spent on job-hunting and in unemployment lengthened.

The balance of payments

In 2000:III the deficit on the current account of the balance of payments fell to $ 0.2 billion, and was substantially lower both than in other quarters of the year and than the quarterly average in recent years. This decline was due to services exports, which rose to an unprecedented extent—$ 5.1 billion—as a result of the extensive activities of start-up companies and due to the sale of Chromatis. Another item which has grown gradually since the beginning of 1999 is the payment of dividends and interest to factors of production abroad; this soared in 2000:III to $ 2.7 billion (largely because of nonresidents' repatriation of profits from the Chromatis transaction).

During the period reviewed the goods account was characterized by the following trends: a. The growth rate of exports was 8.3 percent belowthat of the equivalent period in 1999, although for the year as a whole its annual growth rate was the fastest for a decade—24 percent; b. The rate at which imports expanded slowed, alongside an increase in imports of consumer goods and energy-associated products—primarily due to the rise in oil prices; c. The rate at which the trade deficit fell slowed; d. Trade was directed more towards the Asian countries (as regards both exports, which rose by 42 percent for the year as a whole, and imports, which were up by 27 percent).

The slower rise in goods exports in the period reviewed is explained *inter alia* by the extraordinary growth rate which preceded it, and which is not sustainable over time. It is also consistent with the slowing trend of the expansion of world trade in the second half of the year (from 14.3 percent in the first half of 2000 to 12.6 percent in the second half, see OECD, *Economic Outlook*, no. 6). During the period reviewed there were far-reaching changes in the composition of Israel's exports. On the one hand, the share of the traditional industries in total goods exports continued to decline, while on the other that of the advanced industries rose substantially. Thus, for example, the share of the electronics components and computers industries in total goods exports doubled, from 9 percent in the second half of 1999 to 19 percent in the period reviewed (after growing by 160 percent); the share within this of the high-tech industries rose from 42 percent in the second half of 1999 to 51 percent.

The classification of goods imports by destination shows that production intermediates rose quite quickly in the first half of 2000, and that their growth rate slowed in the period reviewed (this reflects the moderation of current economic activity). A trend analysis of the development

Table 4. Balance of Payments, Foreign Trade[a], and the Reserves, 1999–2000
($ million, current prices)

	1999	2000	1999 IV	2000 I	2000 II	2000 III	2000 IV	July–Dec[a] 1999	July–Dec[a] 2000	*
Monthly averages										
Trade deficit	436	315	405	360	251	313	336	426	324	12
Goods imports	1,854	2,093	1,921	1,983	2,043	2,160	2,187	1,912	2,174	12
Consumer goods	329	375	329	365	362	387	388	335	388	12
Capital goods	446	494	469	486	478	501	510	472	506	12
Intermediates	1,078	1,222	1,121	1,130	1,201	1,271	1,286	1,103	1,278	12
Goods exports	1,418	1,778	1,515	1,623	1,792	1,848	1,851	1,486	1,850	12
Manufacturing	1,351	1,717	1,445	1,565	1,727	1,783	1,792	1,418	1,788	12
Quarterly averages										
Net current account	–470	–479	701	–495	–739	–204		–190		9
Financial account (excl. foreign-currency balances)	746	669	1,252	753	521	732		768		9
Nonresidents' direct and portfolio investments	954	2,200	990	2,492	1,983	2,126		867		9
Israeli residents' direct and portfolio investments	315	953	400	–31	1,490	1,399		351		9
Net foreign debt (% of GNP)	9.51	7.55	9.12	7.51	7.48	7.34		10.09		9
End-period Bank of Israel reserves	22,071	22,304	22,515	22,640	22,159	22,114		22,185		9

* Last month for which data available.
[a] Foreign trade data are seasonally adjusted monthly averages (excluding ships, aircraft, diamonds, and fuel).

of intermediates (seasonally adjusted) indicates that their rise accelerated in each of the first five months of 2000, but slowed subsequently, becoming negligible in the last two months of the year. The expansion of imports of consumer goods also displayed a slowing trend in the period reviewed, and the rate at which imports of consumer goods rose was slower than that of consumer durables. Imports of capital goods, which serves as an indication of future economic activity, rose more slowly than other components of goods imports (7 percent compared with the equivalent period in 1999), alongside a relatively steep increase in imports of land transport vehicles.

Despite the security and political events, falling prices on Nasdaq, narrowing effective interest-rate spreads to abroad (on the one hand, the rise in the Fed rate in 2000 and on the other the reduction by the Bank of Israel of its key interest rate, bringing the spread to 1.7 percentage points at the end of the year), the exchange rate remained stable to a considerable extent, with a slight trend towards appreciation, bringing the NIS exchange rate against the currency basket down to 2.7 percent above the lower limit of the exchange-rate band (Figure 12). Capital inflow into Israel was relatively high and volatile throughout the year, yet the exchange rate remained quite stable. Investments of nonresidents, which peaked in 2000:I ($ 3.2 billion excluding Treasury bonds), declined in 2000:II ($ 2.0 billion), rose again in 2000:III ($ 2.6 billion), and plummeted in 2000:IV ($ 0.3). Direct foreign investment was also particularly high in 2000, moderating to some extent the fluctuations caused by other foreign investment. Capital outflow rose substantially during the year, but past experience teaches that there is a positive correlation between it and share offerings abroad by Israeli companies (the IPO abroad is accompanied by the opening of a deposit there for almost the full amount raised, and this is gradually reduced in order to finance the expenses in Israel of the company making the IPO). In 2000:IV, in the wake of the security unrest and the resumption of falling share prices in the US, nonresidents repatriated some of their investments in Israel's stock market. Their direct investment also declined, albeit to a lesser extent, though as stated there was hardly any local-currency depreciation, and this was only about one percent. Concurrently, the business sector sold foreign currency, primarily by taking foreign-currency credit for domestic uses, thereby countering the depreciation trend, and this appears to have arisen from its assessment that the global and domestic shocks were temporary.

The Bank of Israel's foreign reserves stood at $ 23 billion at the end of the period reviewed, after having risen by $ 977 million during the period. This increase was largely the outcome of interest receipts ($ 860 million) on the foreign reserves, which were partly offset by capital losses in most of the period reviewed due to the weakening against the dollar of the other currencies in which the reserves are denominated (some $ 240 million). US government aid of $ 840 million was also received.

Global developments and their effects on Israel's economy

Assessments of the global economy made by such organizations as the IMF and the OECD and others indicate that there was a high rate of growth in 2000, led by the US, notable acceleration in Europe (and a continuation of the gradual decline in unemployment in the OECD countries), consolidation of growth in Asia, and an emergence from the slowdown in the Middle East and Latin America. Their assessments show that most of the developed economies grew faster in 2000 than the rate of increase of potential GDP (although in the euro bloc

Table 5. Indicators of Economic Development in Advanced and Developing Countries,[a] and Forecast for 2001

	1998	1999	Estimate 2000	Forecast 2001
Annual rate of change[b]				
World GDP				
Total	2.6	3.4	4.7	4.2
Advanced countries	2.4	3.2	4.2	3.2
Developing countries	3.5	3.8	5.6	5.7
World trade				
Total	4.3	5.1	10.0	7.8
Advanced countries				
Imports	5.7	7.6	10.3	7.9
Exports	3.9	4.8	9.9	7.6
Developing countries				
Imports	0.3	-	10.0	9.0
Exports	3.7	3.5	8.8	7.1
Inflation (CPI)				
Advanced countries	1.5	1.4	2.3	2.1
Advanced countries–OECD	1.6	1.4	1.3	1.8
Developing countries	10.1	6.6	6.2	5.2
Prices of unprocessed goods (US$)				
Oil	-32.1	37.5	47.5	-13.3
Other	-14.7	-7.1	3.2	4.5
Short-term interest[c] (%)				
Dollar deposits	5.6	5.5	6.8	7.4
Yen deposits	0.7	0.2	0.3	0.5
DM deposits	3.7	3.0	4.6	5.1
Unemployment rate				
OECD countries	6.8	6.7	6.2	6.0

[a] According to "World Economic Outlook," Israel is classified as an advanced country.
[b] Apart from interest and unemployment rates, which are shown as percentages.
[c] 6-month Libor rate.
SOURCE: "World Economic Outlook" (IMF), October 2000, and OECD "Economic Outlook," December 2000.

the rate of unemployment was higher than that consistent with stable inflation), so that most central banks continued raising interest rates. They ascribe the slight increase in the rate of inflation in the emerging markets (excluding the OECD) to the rise in oil prices (Table 5). A calculation of the direct contribution of world price changes and the effect of the terms of trade on Israel's import surplus shows that in 1999 they were responsible for a reduction of some $ 700 million in the surplus, whereas in 2000 those two factors acted to raise it: world prices contributed about $ 60 million, and the terms of trade, about $ 1.2 billion, and they offset 40 percent of the improvement, in terms of volume, of the civilian import surplus.

According to the global macroeconomic forecast for 2001, the high rates of growth of GDP and foreign trade will slacken in the advanced economies (more so in the US and less so in Europe), and to a lesser extent in the emerging economies; these developments will apparently have a moderating effect on the increase in Israel's exports. The rate of inflation will stay at about two percent in the industrialized countries, and will continue to fall in emerging economies. Oil prices, which surged in 2000, are expected to fall in 2001. These factors will make it easier for Israel to achieve the inflation target. Meanwhile, based on developments in January 2001, forecasts of short-term interest rates have been updated, and indicate a reduction of one percentage point in the US, and a smaller decline in Europe. These developments should afford monetary policy in Israel more room to maneuver.

In 2000 the NIS strengthened against most of the currencies traded in Israel. The NIS strengthened relatively less in the second half of the year than in the first, and in the last months of the year it actually weakened against the EU currencies and the Swiss franc. In the second half of 2000 the NIS appreciated by one percent against the dollar, compared with 1.7 percent in the first half; against the euro the NIS appreciated by 4 percent in the second half of the year, compared with 6.6 percent in the first half.

The general government sector

The government's total deficit in 2000 was 0.6 percent of GDP (NIS 2.8 billion); this resulted from three quarters in which there was a surplus, and a last quarter in which there was a large deficit. The deficit for the year was lower than the target set in the Budget Deficit Reduction Law by 3 percent of GDP (i.e., NIS 13 billion), and also 2.8 percent of GDP lower than the deficit in 1999. The overestimate of the deficit forecast when the budget was submitted compared to the actual performance was reflected in both components: the domestic deficit was NIS 2.6 billion, about NIS 8 billion below the forecast, due to a faster-than-expected increase in tax revenues, and the foreign deficit (excluding the Bank of Israel profits) came to NIS 0.1 billion, about NIS 1.5 billion less than the forecast, mainly due to expenditure falling below the planned figure. A significant part of the increase in tax revenues was due to the rapid rise in wages, and to the expansion of private consumption, as can be seen from receipts of employers' VAT and import taxes on consumption goods. The stability of real-estate tax receipts, on the other hand, reflects the low level of activity in that area.

In November and December, as a result of the security-related events which had the effect of slowing economic activity, domestic receipts were significantly lower than the seasonal pattern, having been above it until November. Domestic expenditure in November and December were also below the seasonal pattern, and for the year their share in GDP fell by one percentage point.

Government domestic expenditure in the period reviewed was 1 percent of GDP lower than that in the equivalent period in 1999. The share of government income in GDP, 34 percent, was similar to that in 1999, and the domestic deficit, cash basis, was 2 percent of GDP, lower than in any of the last few years. The domestic account, which in addition to the budget deficit, includes the deficits of the Bank of Israel and the Jewish Agency (which for the first time showed a surplus in the first half of the year), changed into a deficit of 3 percent of GDP in the period reviewed, financed by injection from the budget for December, i.e., the sale of foreign currency to the Bank of Israel.

Unlike in the equivalent period in 1999, total government receipts throughout the year increased considerably, at a rate unprecedented in the last few years. In 2000:IV receipts rose relatively slower than in the previous quarter, (by 6.4 percent, at constant prices, annual rate), but still faster than in the preceding four years. The significant rise in receipts continued despite the cut in purchase tax, in August, on a wide range of imported goods, mainly electronics and cosmetics; this cut, which reduced tax receipts by NIS 1.2 billion in annual terms (NIS 0.4 billion in the period reviewed), fell NIS 0.2 billion short of the rise (in the period reviewed, compared with the equivalent period in 1999, at constant prices) in taxes on civilian imports.

Table 6. The Budget and its Financing, 1999–2000
(cash flows, as percent of GDP)

	1999	2000	1999 IV	2000 I	2000 II	2000 III	2000 IV	July–Dec[a] 1999	July–Dec[a] 2000	*
1. Government domestic expenditure	37.2	36.5	38.4	38.1	35.5	34.9	37.6	37.3	36.3	12
2. Government receipts	34.3	36.0	34.1	39.8	36.1	35.4	33.1	34.2	34.2	12
3. Domestic budget deficit (1 – 2)	2.9	0.5	4.4	–1.6	–0.6	–0.4	4.5	3.1	2.1	12
4. Government and Jewish Agency domestic deficit[a] (5 + 6)	3.5	0.0	7.0	–3.6	–2.5	1.1	4.7	4.1	2.9	12
5. Government net borrowing from the public	2.1	0.2	2.4	2.0	2.0	–2.7	–0.4	2.4	–1.5	12
6. Public-sector injection (9 – 8 – 7)	1.5	–0.1	4.6	–5.6	–4.5	3.8	5.1	1.8	4.4	12
7. Bank of Israel injection	-0.1	0.6	-1.1	5.1	6.1	-3.0	-5.2	-0.1	-4.1	12
8. Private-sector foreign-currency conversions	-0.1	-0.1	0.0	-0.3	-0.1	-0.1	0.0	-0.1	0.0	12
9. Change in monetary base	0.9	0.1	3.2	-1.0	1.3	0.3	-0.4	1.2	0.0	12

* Last month for which data available.
[a] Including non-budgetary injection.

The detailed tax categories show that in the last quarter of 2000 only indirect taxes on domestic production fell (by about 7 percent compared with the 1999:IV), whereas direct taxes and taxes on imports continued their rapid rise (14 percent and 11 percent respectively). Receipts of income tax from companies surged, apparently because of large realization of accrued capital gains—among other things from large transactions such as sales of startup companies to foreign investors—and also a low level of income tax refunds. Receipts of income tax from employees also increased rapidly.

In contrast, transfer payments to households in the period reviewed were about 13 percent higher than in the equivalent period in 1999; their rate of increase surpassed those of the real wage, the other categories of expenditure in the budget, and GDP. Old-age pensions and surviving relatives' pensions rose by a real 9 percent. Child allowances went up by 3 percent, unemployment grants fell by a real 3 percent, and income support payments rose rapidly, by 22 percent, strengthening the view that hard-core unemployment has risen (see section on wages and employment).

Prices, and the money and capital markets

In the period reviewed the Consumer Price Index (CPI) fell by 0.7 percent, having risen in the first half of the year at a similar rate, so that over the year as a whole the rate of inflation was zero, below the lower limit of the target inflation range set by the government for 2000 (3 to 4 percent). Compared with the second half of 1999, when most of the main CPI components rose (except for clothing and footwear), in the period reviewed most of them fell, excluding goods with controlled or supervised prices (which rose mainly because of the rise in the price of electricity), and fruit and vegetables. Components which made a marked negative contribution to the index were housing, which accounts for about one fifth of the index and which went down by 1.4 percent in the period reviewed (the short-term trend of housing prices corresponds closely with that of the dollar), transport and communications, furniture and household equipment, clothing and footwear. The index of wholesale prices to the domestic market of manufacturing output did not rise either. In the period reviewed there was nominal appreciation of the NIS against the currency basket of 4.7 percent, in annual terms, and of 1.2 percent against the dollar; in both cases the exchange rate of the currencies against the NIS fell in the third quarter and rose in the fourth.

Towards the end of 1999 a downward trend in inflation expectations, as derived form the capital market, started, and throughout 2000 they remained close to the lower limit of the target inflation range, and remained steady despite a series of political and security-related events and the sharp falls in Nasdaq. Inflation expectations obtained from the quarterly Companies Survey carried out by the Bank of Israel showed a similar trend, and in 2000:IV inflation expectations for the next twelve months, 2.4 percent, were the lowest recorded since the survey started in 1997.

The Bank of Israel pursued a policy of cautious cuts in the rate of interest in the second half of 2000, as it had in the first half. When inflation expectations rose in May and June, there was a two-month standstill in reductions of the interest rate, and real interest rose, to 7 percent in July and August, but did not reach the level of 8.8 percent which it had reached towards the end of 1999. Since the fall in inflation expectations in August, the nominal interest rate has been cut every month, and the cumulative reduction to the beginning of January 2001 was 1.3 percentage points. The decline in inflation expectations in the period reviewed raised the real interest rate until December.

The policy of slow reductions in the nominal rate of interest in the period reviewed was a result of the gradual contraction of the differentials in short-term interest rates between Israel and abroad, of shocks in the world's stock exchanges, fiscal absorption for most of the year (which itself exerts pressure for a rise in the rate of interest), and inflation expectations of 2 to 3 percent for the next year, slightly below the inflation target for 2001. The final consideration in the policy of slow reduction in the rate of interest was based *inter alia* on the transmission mechanism linking monetary policy and prices, a mechanism which works in two ways—via real interest, which affects economic activity, and via changes in the nominal exchange rate (in the short run), which due to rigidities in the economy affects the real exchange rate (in the longer term) and prices. As Israel's is a small, very open economy,[2] the effect of monetary policy on prices via the exchange rate works faster than that via the real channel. As the effects of the two channels operate over different time scales, developments in one channel may affect the rate of inflation in the time scale of the other. For example, accelerating the reduction of the rate of interest in an attempt to push the rate of price increases up into the target inflation range, including the use of the nominal exchange rate, is likely to jeopardize the achievement of the targets in the coming years.

The monetary base remained stable throughout most of 2000, with the exception of a steep rise in December, when the government deficit and injection related to the budget surged. The rate of increase of the M1 money supply in the second half of 2000 was similar to its rise in the first half, and as there was no significant gap between this growth and the estimated demand for money, no upward pressure on prices was created in the money market. The other monetary aggregates rose relatively fast in the period reviewed: local-currency deposits (mainly shorter term) and Treasury bills rose by more than the money supply, and the M2 aggregate

[2] See the paper by Y. Gibre and S Ribon, No. 2000.09 in the Discussion Paper Series of the Bank of Israel.

Table 7. Selected Price Indices, 1999–2000
(annual rates of change during period, percent)

			1999	2000				July–Dec[a]		
	1999	2000	IV	I	II	III	IV	1999	2000	*
CPI	1.3	0.0	1.9	-4.8	6.6	-3.3	1.9	3.5	-0.7	12
CPI excl. housing, fruit and vegetables	1.7	0.9	4.6	-0.4	6.5	-3.6	1.5	2.9	-1.1	12
CPI excl. housing, fruit and vegetables, controlled goods, clothing and footwear	2.4	0.6	0.7	1.6	4.6	-1.3	-2.2	2.2	-1.8	12
Index of housing prices	-0.9	-2.4	-12.1	-17.0	12.3	-5.8	3.2	4.2	-1.4	12
Wholesale price index	3.5	2.0	6.3	-1.1	9.7	-1.6	1.4	6.8	-0.1	12
NIS/$ exchange rate	0.4	-2.7	-5.0	-16.8	10.7	-6.5	4.3	5.1	-1.2	12
NIS/currency-basket rate	-2.5	-6.3	-7.4	-21.4	8.2	-14.6	6.2	6.1	-4.7	12

* Last month for which data available.

expanded by 20 percent. Nondirected bank credit expanded moderately, with a rise in the share of the unindexed and foreign-currency-indexed local-currency component, in contrast to the fall in CPI-indexed credit. The changes in the composition of the public's asset portfolio—a rise in the share of assets not indexed to the CPI and continued withdrawals from savings schemes—on the one hand, and the change mentioned above in the composition of bank credit on the other, represent a move towards the normal composition of assets in countries with low rates of inflation.

The Tel Aviv Stock Exchange (TASE) General Share-Price Index to a great extent mirrored the other developments in the economy, and was the outcome of the shocks mentioned above. The index rose relatively slowly in 2000:III (2.6 percent, continuing the slowdown evident in 2000:II), and in the fourth quarter it fell steeply, by 13.2 percent. The leveling off in the rise in the index in the third quarter was mainly the outcome of drop in the yield on shares of companies in the electrical goods and electronics fields; the decline became even more severe in the last quarter. The level of the General Share and Convertible Securities Price Index in December 2000 was similar to its level in February 1994 after it had fallen about 8 percent from the peak level of January 1994. The market value of all TASE shares at the end of 2000 was the same as that a year earlier. The bond market showed a zero yield in 2000:III, rising in the last quarter to 1.5 percent, mainly due to the rise in yields on bonds not indexed to the CPI and those indexed to foreign currency.

The capital market in 2000

In 2000 Israel's capital and money markets became more closely entwined in the world markets. On the one hand Israeli companies turned more and more to foreign stock exchanges to finance their activities, and on the other the involvement in Israel of foreign financial intermediaries grew.

In 2000 the trend of Israeli companies turning to capital markets, in Tel Aviv, the US and Europe, to raise sources strengthened. In the first quarter flotations were affected by the sharp rises in share-price indices in the various exchanges. Yet later in the year too, when these indices, and particularly Nasdaq, started falling, issues by Israeli companies continued, with some slowdown in the last quarter of the year. Total capital raised in exchanges abroad to the end of 2000:III totaled NIS 15.3 billion, of which some NIS 4 billion was raised in Europe (total capital raised in 1999 was NIS 14 billion, of which NIS 2 billion was in Europe). The ability of Israeli companies to carry on raising capital when there is a rise in uncertainty and volatility in stock exchanges abroad seems to be aided by the impression made on foreign investors and financial intermediaries by the accelerated growth of Israeli high-tech companies in 2000. The index of shares

Table 8. Monetary Indicators and Nondirected Bank Credit, 1999–2000
(percent change, annual terms)

	1999	2000	1999 IV	2000 I	2000 II	2000 III	2000 IV	July–Dec[a] 1999	July–Dec[a] 2000	*
Rates of change	(average)		(compared with preceding quarter)					(during period)		
M1[a]	9.6	11.1	5.5	7.8	10.6	13.9	7.5	25.6	15.2	12
M2[b]	21.1	20.7	19.6	29.1	12.8	19.7	22.6	21.0	24.9	12
M3[c]	21.9	19.7	20.4	27.3	12.4	16.9	17.4	21.4	19.4	12
Nondirected bank credit	16.7	13.1	17.9	13.2	10.2	11.3	11.0	17.2	12.0	12
Unindexed local-currency	18.2	25.2	18.5	53.7	25.9	14.9	16.6	18.2	20.3	12
CPI-indexed	15.4	6.9	15.0	0.2	2.1	13.5	–3.0	12.3	3.0	12
Foreign-currency-indexed and denominated	17.3	9.5	22.5	–4.3	5.3	3.1	30.7	25.2	17.1	12

* Last month for which data available. Some data for 2000:III are based on preliminary data.
[a] Narrow money supply (cash in the hands of the public and demand deposits).
[b] M1 plus short-term local-currency deposits.
[c] M2 plus foreign-currency-indexed and denominated deposits.

Table 9. Interest Rates, Yields, and the Share-Price Index, 1999–2000

	1999	2000	1999 IV	2000 I	2000 II	2000 III	2000 IV	July–Dec[a] 1999	July–Dec[a] 2000	*
Nominal interest										
Nondirected local-currency credit	16.4	13.0	15.5	14.1	13.0	12.6	11.9	15.8	12.3	11
Average monetary loan	12.4	9.3	11.5	10.4	9.5	9.1	8.4	11.7	8.7	12
SROs	10.7	8.0	10.1	9.0	8.1	7.7	7.1	10.2	7.5	11
3-month Eurodollar	5.3	6.4	6.0	6.0	6.5	6.6	6.6	5.7	6.6	12
Yield to maturity on Treasury bills	11.4	8.8	10.9	9.1	9.0	8.8	8.3	11.1	8.6	12
10-year bonds	5.2	5.5	5.3	5.3	5.2	5.7	5.7	5.2	5.7	12
5-year bonds	5.6	6.0	5.9	5.8	5.7	6.2	6.2	5.8	6.2	12
General Share-Price Index (points)	181.4	248.6	210.4	254.8	251.0	262.4	226.4	199.1	244.4	12
Expected inflation (gross)	5.3	2.5	3.9	2.6	3.4	2.4	1.6	4.6	2.0	12
Interest derived from expected inflation (gross)	5.7	6.0	6.4	6.1	5.5	6.2	6.5	6.0	6.3	12

* Last month for which data available.

of Israeli companies in the US[3] in 2000 also significantly outperformed the Nasdaq index; the former rose by 2.5 percent while the Nasdaq index plunged by a total of 40 percent for the year (Figure 14), and the TASE General Share-Price Index rose by 0.5 percent.

The link between Israel's economy and the world financial markets was also reflected in a significant rise in the activity in Israel of foreign nonbank financial intermediaries. Thus, the sources raised, mainly by startups, from foreign risk-capital funds and investment companies amounted to NIS 8 billion, up from NIS 2.4 billion in 1999.[4] These investments peaked in 2000:III and then slowed, but did not stop, in 2000:IV. The investments of Israeli risk-capital funds are also largely financed by sources from foreign investors, some private and some institutional. In 2000 they totaled NIS 4.6 billion, compared with NIS 1.8 billion in 1999. In commercial banking, too, there was increased foreign involvement in Israel, and at the end of 2000 there were nine representative offices, two branches, and two subsidiaries of foreign banks operating in Israel.

Alongside these developments in the capital market, there were several changes in legislation and regulation in the second half of 2000 which could affect the capital and money markets in the next few years:

In October Dual Listing regulations were introduced. These state that companies registered in Israel whose shares are traded in major exchanges in the US, and a period of at least a year has elapsed since they were first listed for trading there, or alternatively, whose market value is more than $ 350 million, can automatically list their shares for trading on the TASE without needing a prospectus. The main purpose of the Law, the initiative for which dates back to the beginning of the 1990s, is to increase the turnover on the TASE and the investor base. By the end of the year, as a result of the new regulations, several companies had listed their shares for trading in Tel Aviv.

In 2000:IV, as a further step in the liberalization of the foreign currency market, insurance companies and pension funds were permitted to invest up to 5 percent of their assets in foreign currency and in foreign assets,

[3] The index of share prices of Israeli companies in the US is calculated by the Research Department of the Bank of Israel on the basis of adjusted daily share prices (drawn from the Yahoo market site) (excluding payments of dividends and corrected for share splitting), weighted by their share in the total market capitalization of those companies in the US and Tel Aviv stock exchanges. The weight of any share is limited to 9.5 percent of the index.

[4] The source of the data on capital raised by Israeli companies from Israeli and foreign risk-capital funds is the survey of the Association of Risk-Capital Funds in Israel, carried out by the "Zinuk" company.

including direct investment in real estate and in equity. Provident funds had been permitted to invest up to 5 percent of their assets in foreign currency and foreign financial assets since 1997, and now these investments may include direct investment abroad in real estate and in equity.

Towards the end of the year the quantitative restrictions on investments of insurance companies were abolished, and were replaced by stability-related restrictions (similar to those applied to banks). The new regulations allow insurance companies to increase their investments in the TASE (hitherto such investments were restricted).

In the middle of the year the Committee of Income Tax Reform (the Ben Bassat Committee) submitted its recommendations, but as yet they have not been implemented. The recommendations dealt at length with taxation of the capital market, and included a proposal to impose a tax on income from real interest on savings, at the same time removing the current discriminatory taxation based on type of investor, location of the investment, type of indexation, etc. Among other things it was also proposed that the discrimination against investments in foreign-currency assets in favor of that in local-currency assets be abolished, and that tax be imposed on income from real capital gains on securities traded in the stock exchange. The implementation of these recommendations, with the authorization granted to institutional investors to expand their activity in foreign currency and foreign assets will certainly have far-reaching implications for the capital and money markets in general, and the composition of the public's asset portfolio in particular.

Figure 1 דיאגרמה

המדד המשולב למצב המשק* (ממוצע 1994=100)

State-of-the-economy index* (average 1994=100)

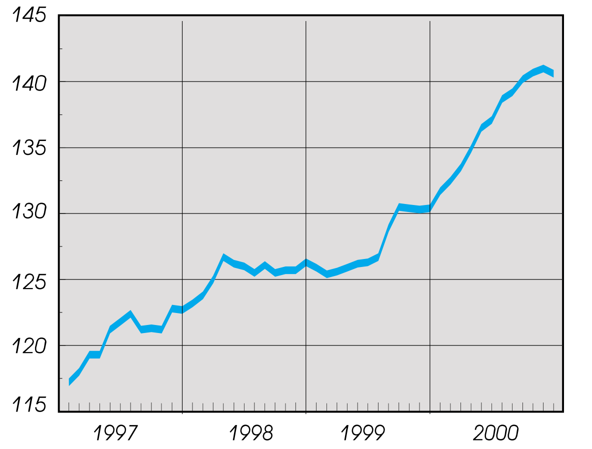
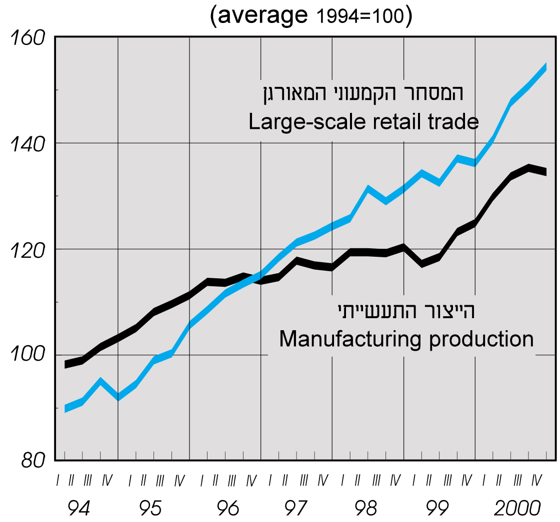


Figure 2 דיאגרמה

הייצור התעשייתי* והמסחר הקמעוני המאורגן (ממוצע 1994=100)

Manufacturing production and large-scale retail trade* (average 1994=100)



* Until November

* עד נובמבר.

Figure 3 דיאגרמה

הריבית וסביבת האינפלציה

Interest and the inflation environment

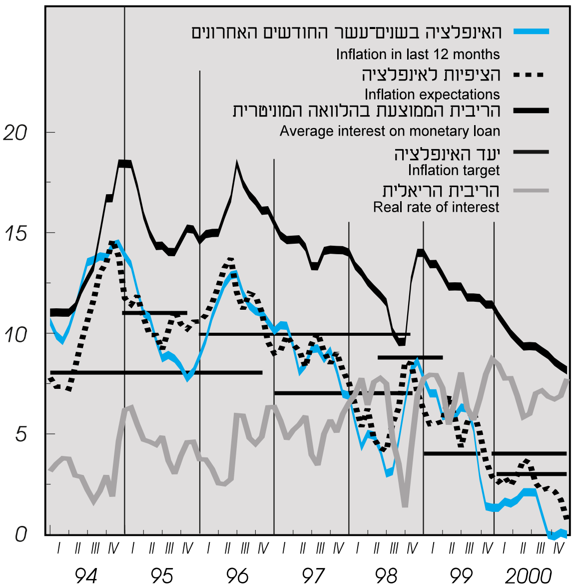
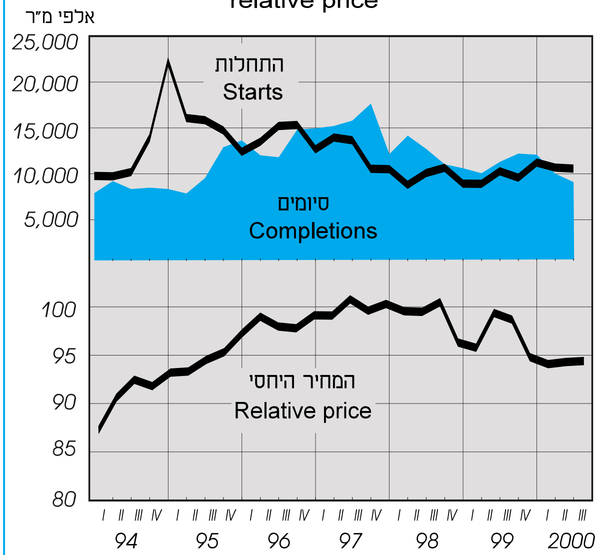


Figure 4 דיאגרמה

מספר ההתחלות והסיומים של יחידות דיור והמחיר היחסי של הדיור*

Housing units: starts and completions, and relative price*



* Relative to CPI.

* במונחי מדד המחירים לצרכן.

Figure 5 דיאגרמה

התיירות (מדד, ממוצע 1989=100)

Tourism (index, average 1989=100)

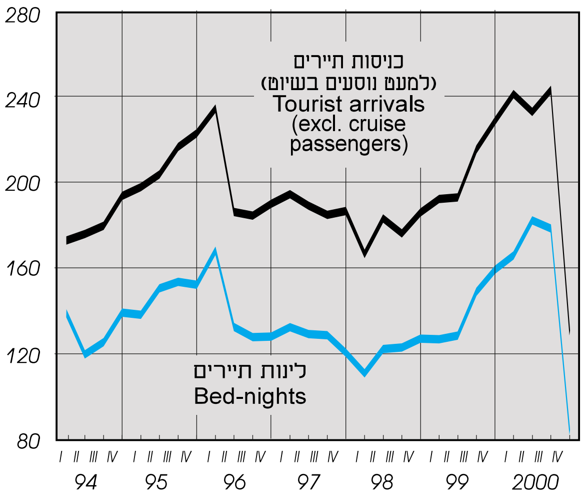
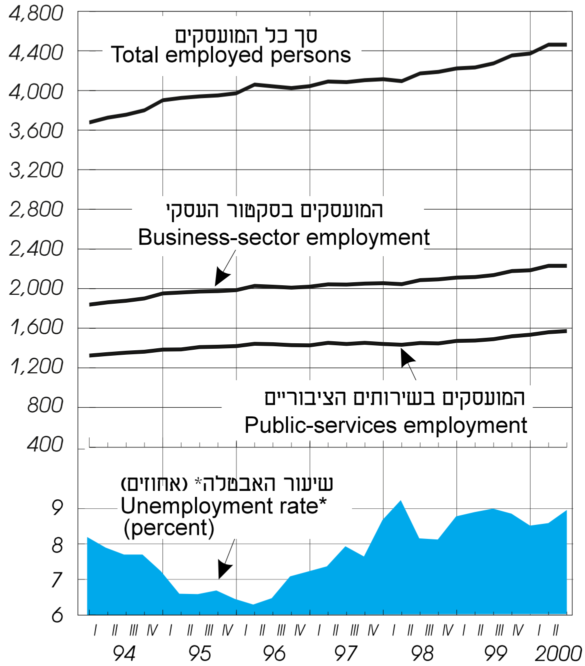


Figure 6 דיאגרמה

שוק העבודה* (אלפים)

The labor market* (thousands)



* Seasonally adjusted.

* Until September.

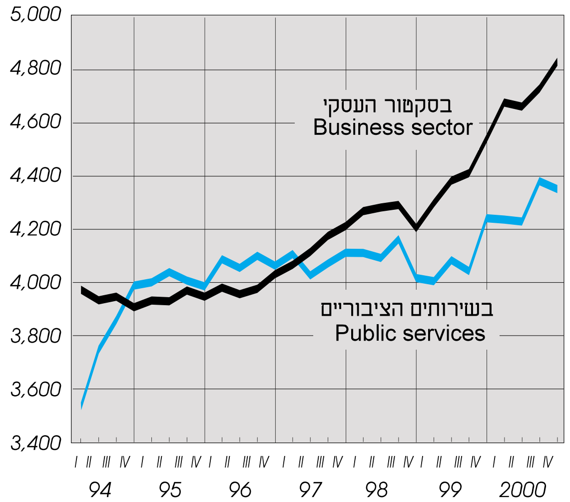
* נתונים מנוכי עונתיות.

* עד ספטמבר.

Figure 7 דיאגרמה

השכר הריאלי למשרת שכיר (ש"ח, במחירי 1995)*

Real wage per employee post (NIS,1995 prices)*



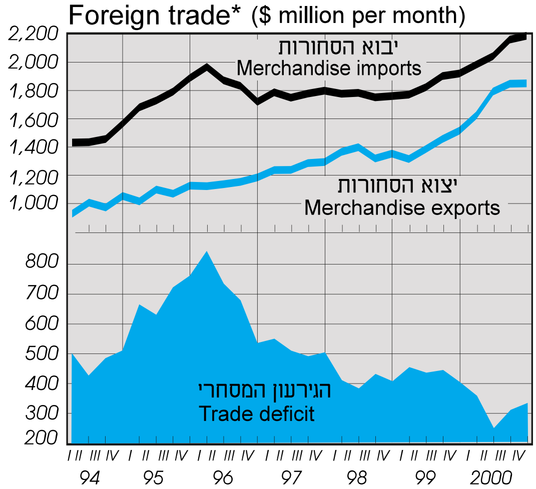
* Until October.

* עד אוקטובר.

Figure 8 דיאגרמה

סחר החוץ* (מיליוני דולרים לחודש)

Foreign trade* ($ million per month)



* Excluding ships, aircraft, diamonds, and fuel.

Seasonally adjusted.

* ללא אניות ומטוסים, יהלומים ודלק.

נתונים מנוכי עונתיות.

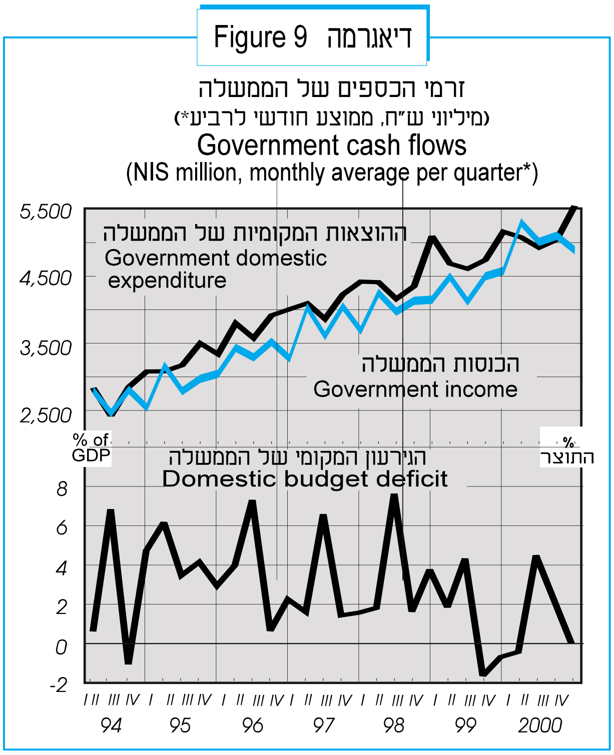


Figure 9 דיאגרמה
זרמי הכספים של הממשלה
(מיליוני ש"ח, ממוצע חודשי לרבעון*)
Government cash flows
(NIS million, monthly average per quarter*)
ההוצאות המקומיות של הממשלה
Government domestic expenditure
הכנסות הממשלה
Government income
% of GDP
% תוצר
הגירעון המקומי של הממשלה
Domestic budget deficit
5,500
4,500
3,500
2,500
8
6
4
2
0
-2
94
95
96
97
98
99
2000

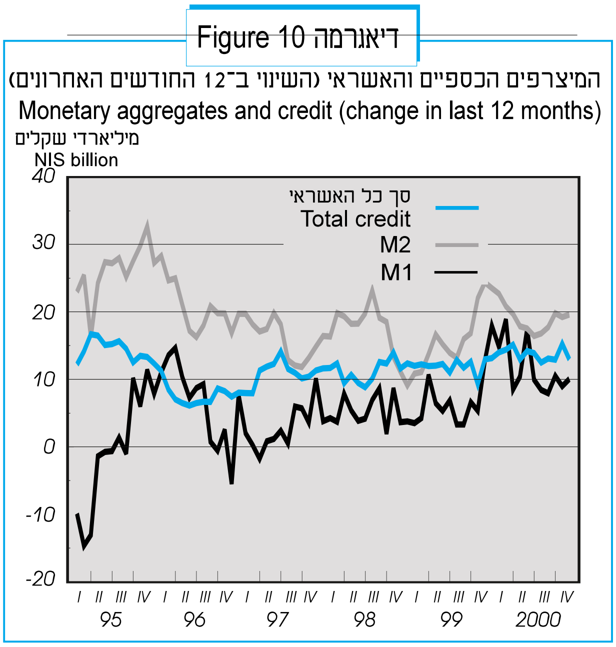


Figure 10 דיאגרמה
המצרפים הכספיים והאשראי (השינוי ב־12 החודשים האחרונים)
Monetary aggregates and credit (change in last 12 months)
מיליארדי שקלים
NIS billion
סך כל האשראי
Total credit
M2
M1
40
30
20
10
0
-10
-20
95
96
97
98
99
2000

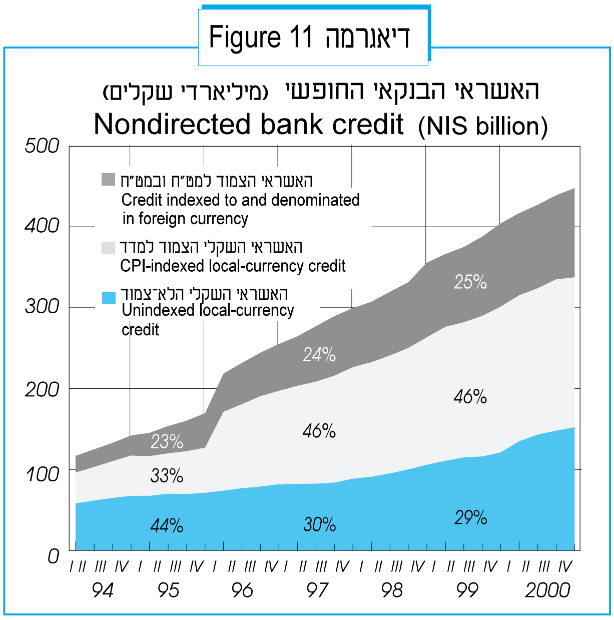


Figure 11 דיאגרמה
האשראי הבנקאי החופשי (מיליארדי שקלים)
Nondirected bank credit (NIS billion)
האשראי הצמוד למט"ח ובמט"ח
Credit indexed to and denominated in foreign currency
האשראי השקלי הצמוד למדד
CPI-indexed local-currency credit
האשראי השקלי הלא־צמוד
Unindexed local-currency credit
500
400
300
200
100
0
23%
33%
44%
24%
46%
30%
25%
46%
29%
94
95
96
97
98
99
2000

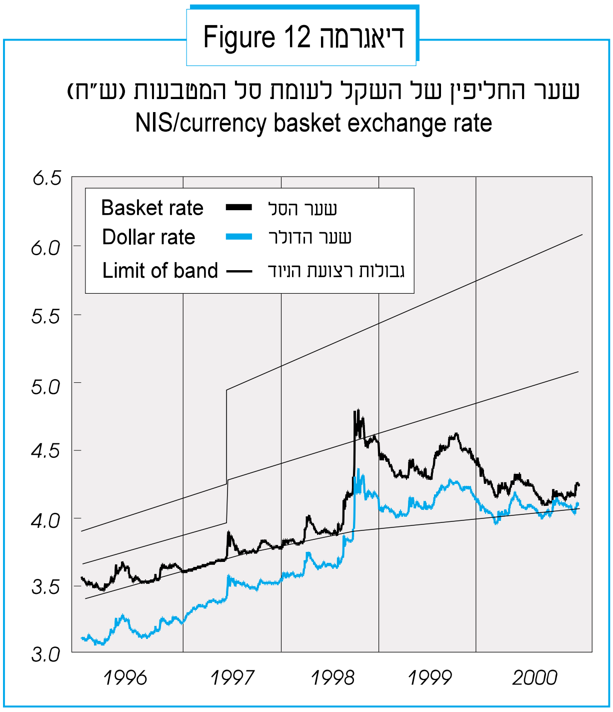
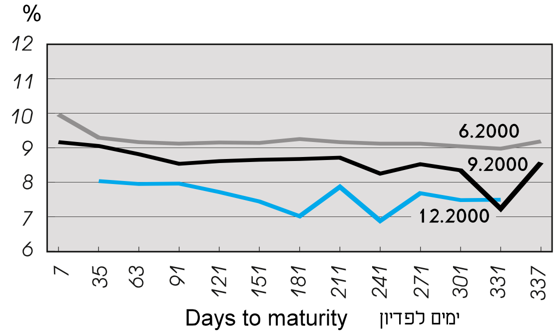


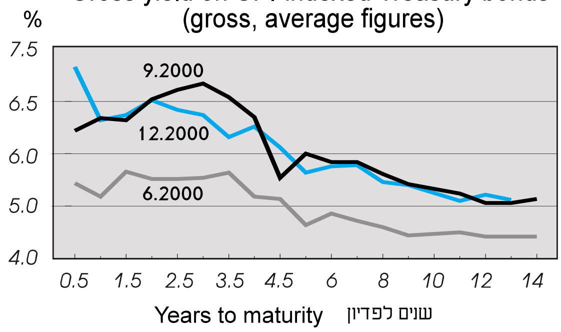
Figure 12 דיאגרמה
שער החליפין של השקל לעומת סל המטבעות (ש"ח)
NIS/currency basket exchange rate
Basket rate
שער הסל
Dollar rate
שער הדולר
Limit of band
גבולות רצועת היוד
6.5
6.0
5.5
5.0
4.5
4.0
3.5
3.0
1996
1997
1998
1999
2000

דיאגרמה Figure 13

עקום תשואות המק"ם (נתונים לסוף תקופה)
Yield on Treasury bills (end-period figures)

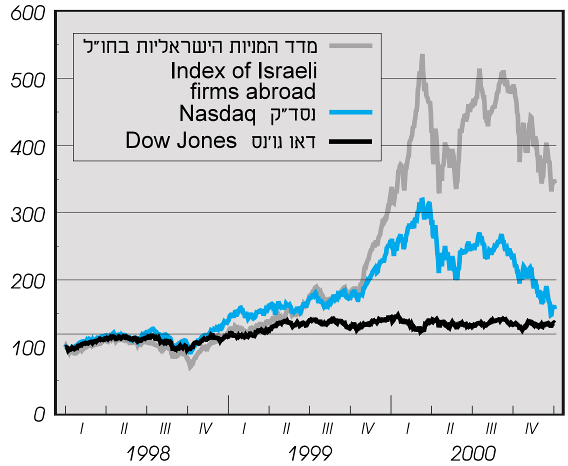


עקום התשואות של איגרות החוב הצמודות למדד
(ברוטו, נתונים ממוצעים)
Gross yield on CPI-indexed Treasury bonds
(gross, average figures)



דיאגרמה Figure 14

מדד המניות של החברות הישראליות והחברות הנסחרות בארצות הברית, 1998 עד 2000
Index of share prices of Israeli and other firms traded in the US, 1998-2000



מדד החברות הישראליות הנסחרות בארה"ב מחושב על ידי מחלקת המחקר בבנק ישראל על בסיס מחירי מניות יומיים מותאמים (ללא תשלומי דיבידנדים ומתוקנים בגין פיצולי מניות), משוקללים בסך ההון (הנסחר בחו"ל ובארץ) של כל החברות הישראליות. משקלה של כל מניה במדד מוגבל ל-9.5%. בסוף שנת 2000 נכללו במדד זה כ-95 חברות ישראליות.

The index of share prices of Israeli companies traded in the US is calculated by the Research Department of the Bank of Israel on the basis of adjusted daily share prices (excluding payments of dividends and corrected for share splitting), weighted by their share in the total market capitalization of those companies in the US and Tel Aviv stock exchanges. The weight of any share is limited to 9.5 percent of the index. At the end of 2000 there were 95 israeli firms in the index.