



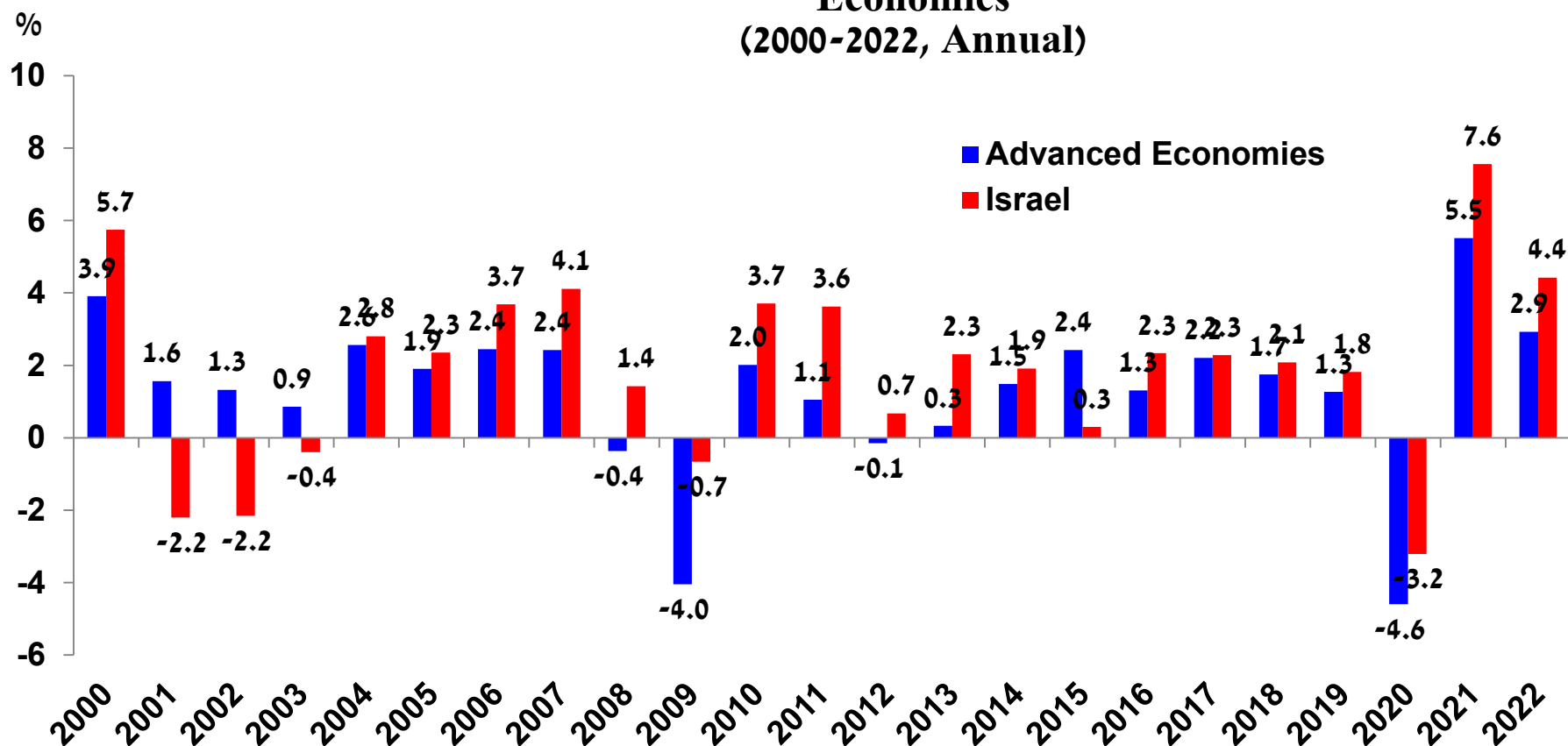
The Israeli Economy, November 2023



Real Economic Activity prior to war

Strong growth over last decade

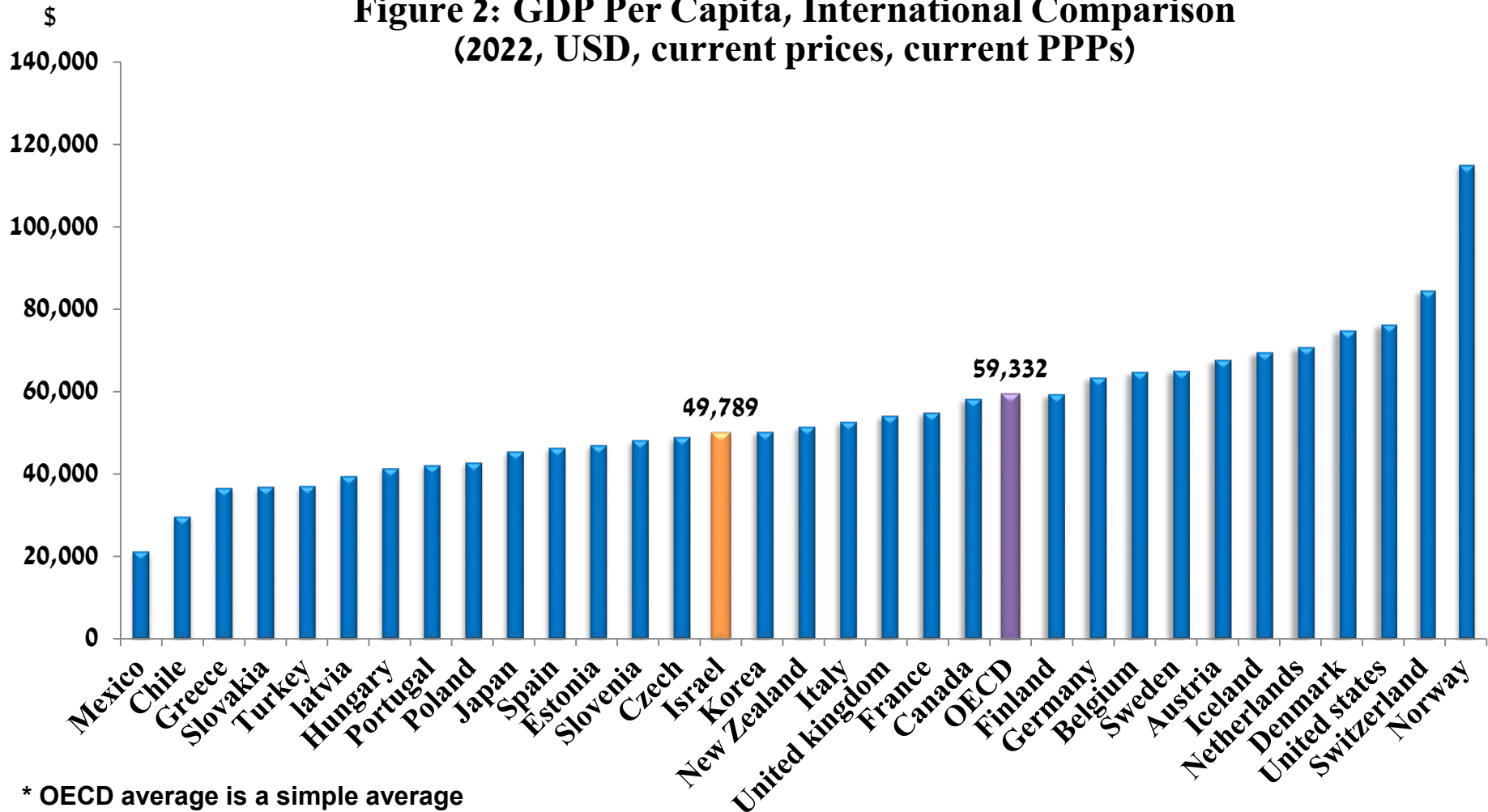
Figure 1: GDP Per Capita Growth Rates in Israel and in the Advanced Economies (2000-2022, Annual)



*The growth rate for 21 advanced OECD economies (excluding Luxembourg and Iceland) is a simple average of their individual growth rates.

Part of developed economies club

**Figure 2: GDP Per Capita, International Comparison
(2022, USD, current prices, current PPPs)**



* OECD average is a simple average

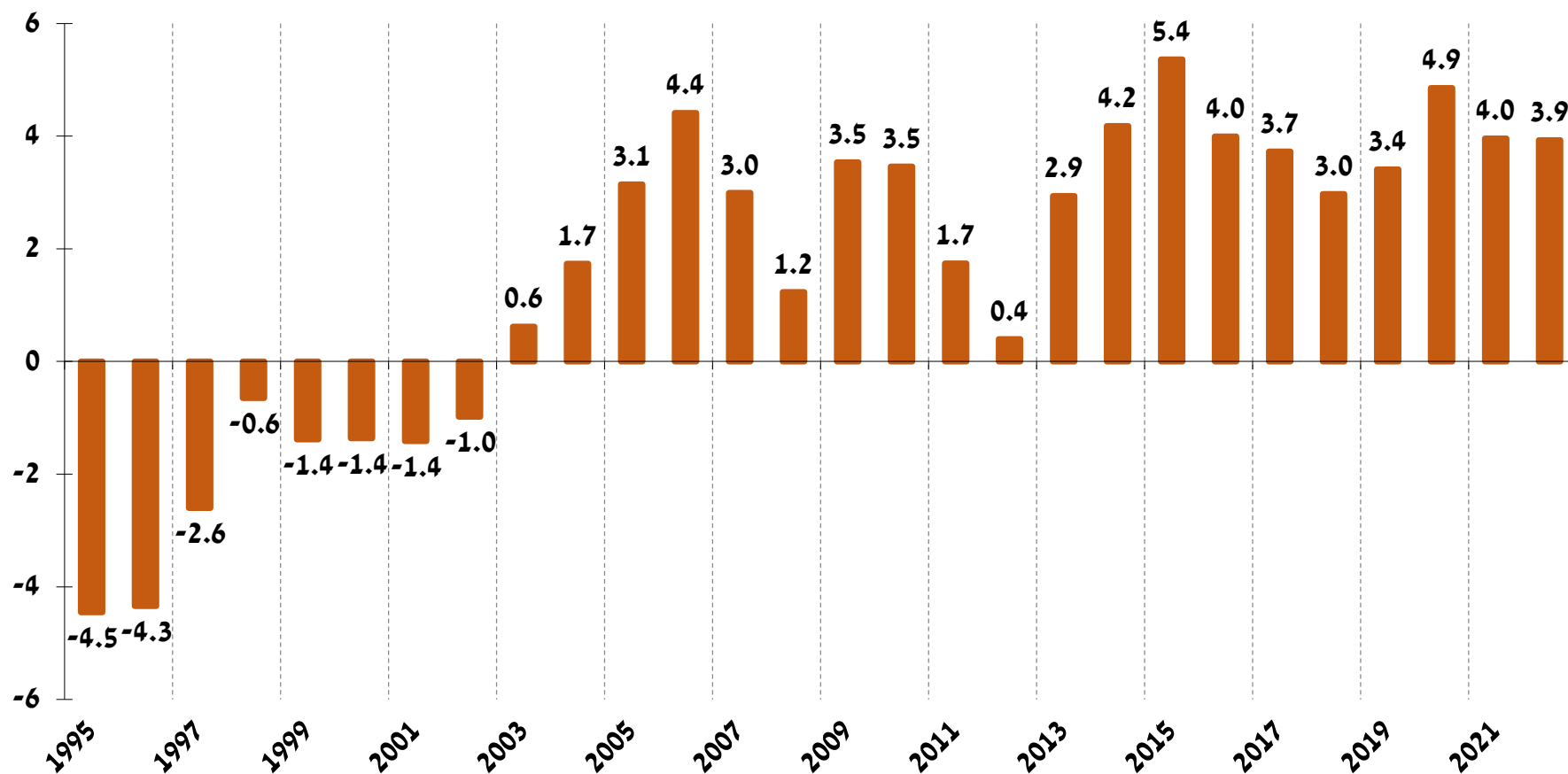
GDP above trend 8 quarters in a row

Figure 3: GDP in relation to it's trend
quarterly, constant prices, index: Jan 2019=1
data for 2023 Q3 is based on estimations



Consistent current account surplus

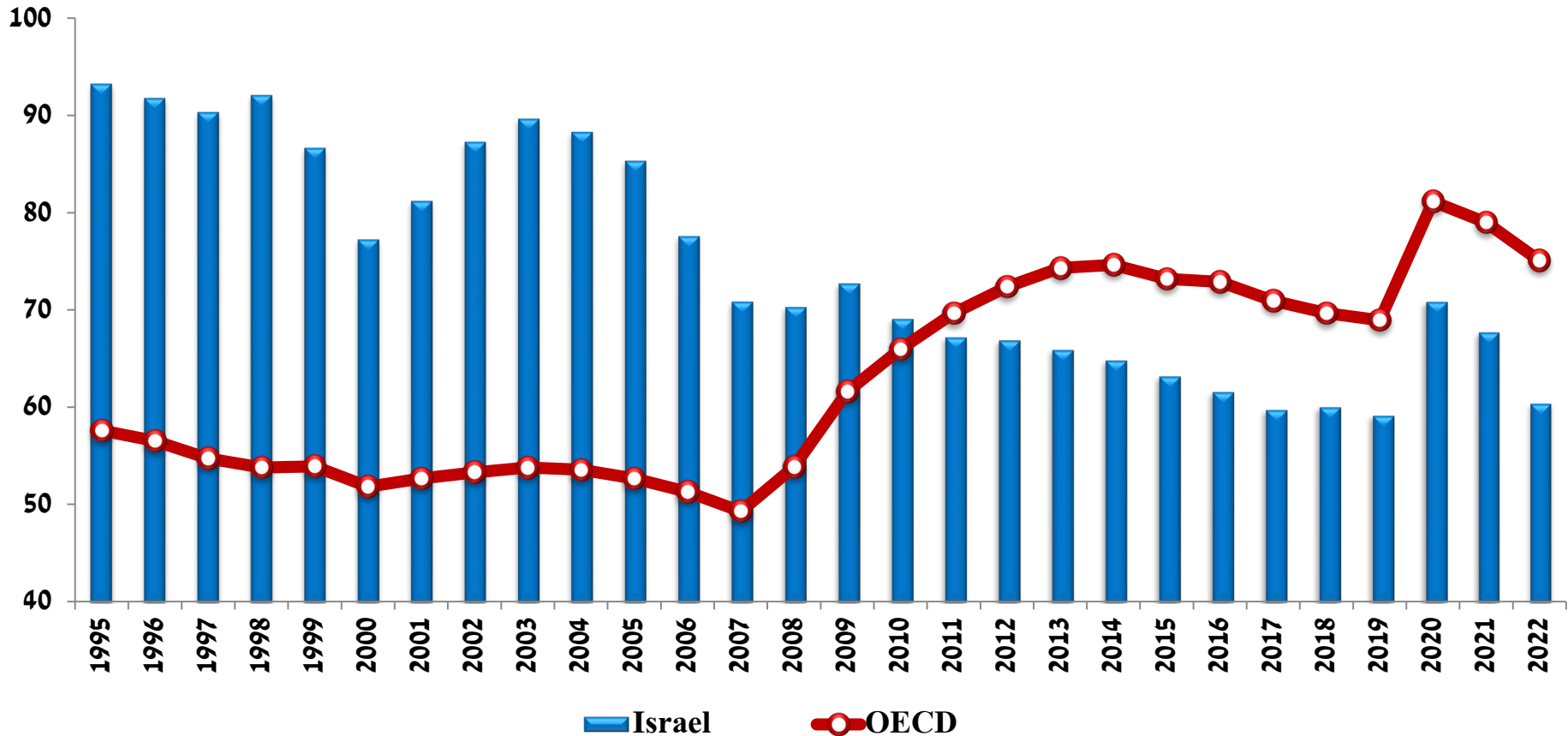
Figure 4: Current Account of Balance of Payments
(1995-2022, Percentage of GDP)



SOURCE: Balance of Payments, Central Bureau of Statistics.

Israel's debt at low levels

Figure 5: Public-Sector Gross Debt
(1995-2022, Percent of GDP)



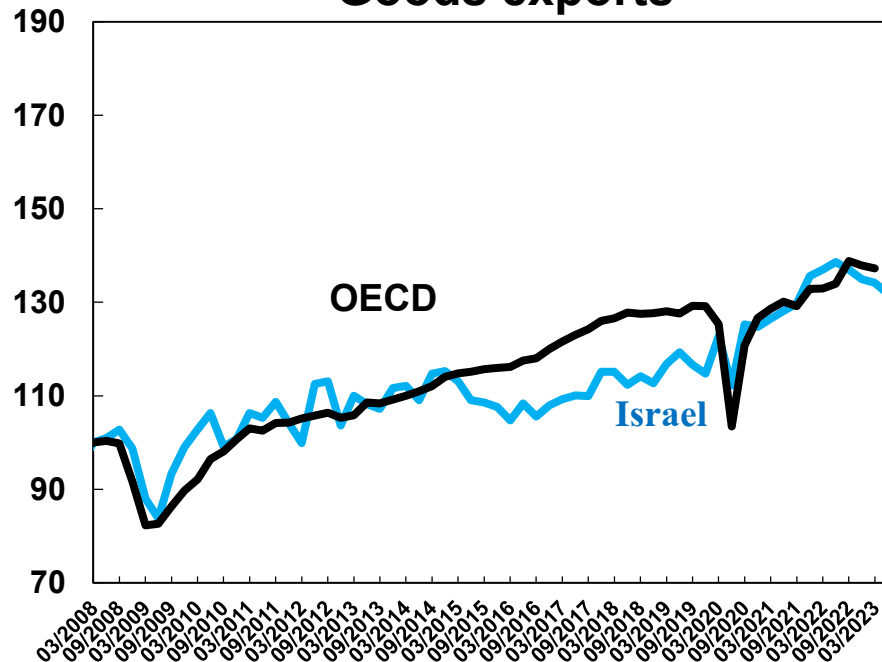
* OECD average is a simple average(excluding: Latvia)

Service exports engine of growth

**Figure 6: Goods and Services Exports from Israel and from the OECD
March 2008-June 2023**

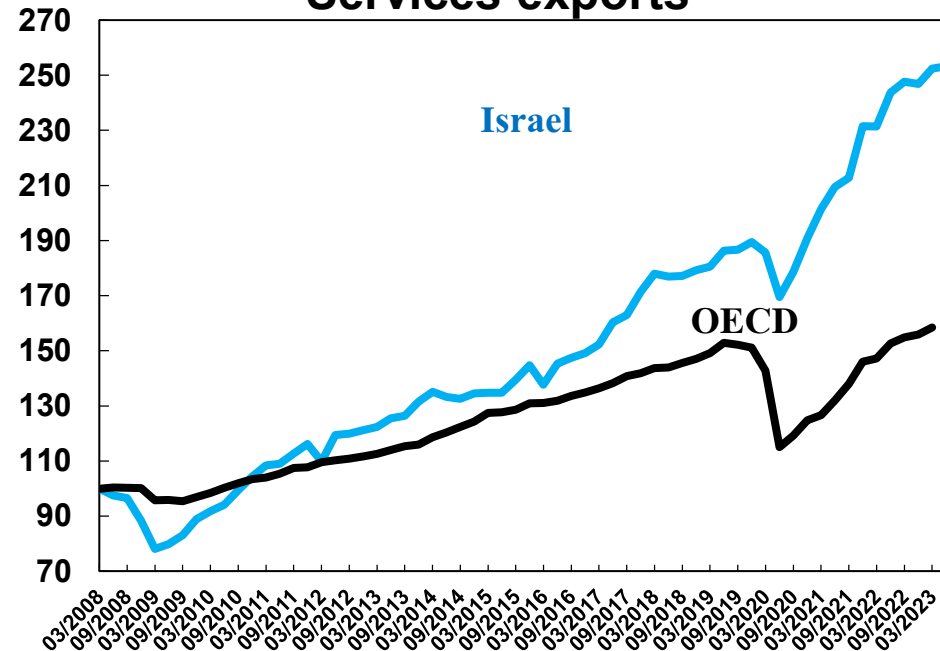
Quantitative index: 2008:Q1=100

Goods exports^a



Quantitative
index:
2008:Q1=100

Services exports^b

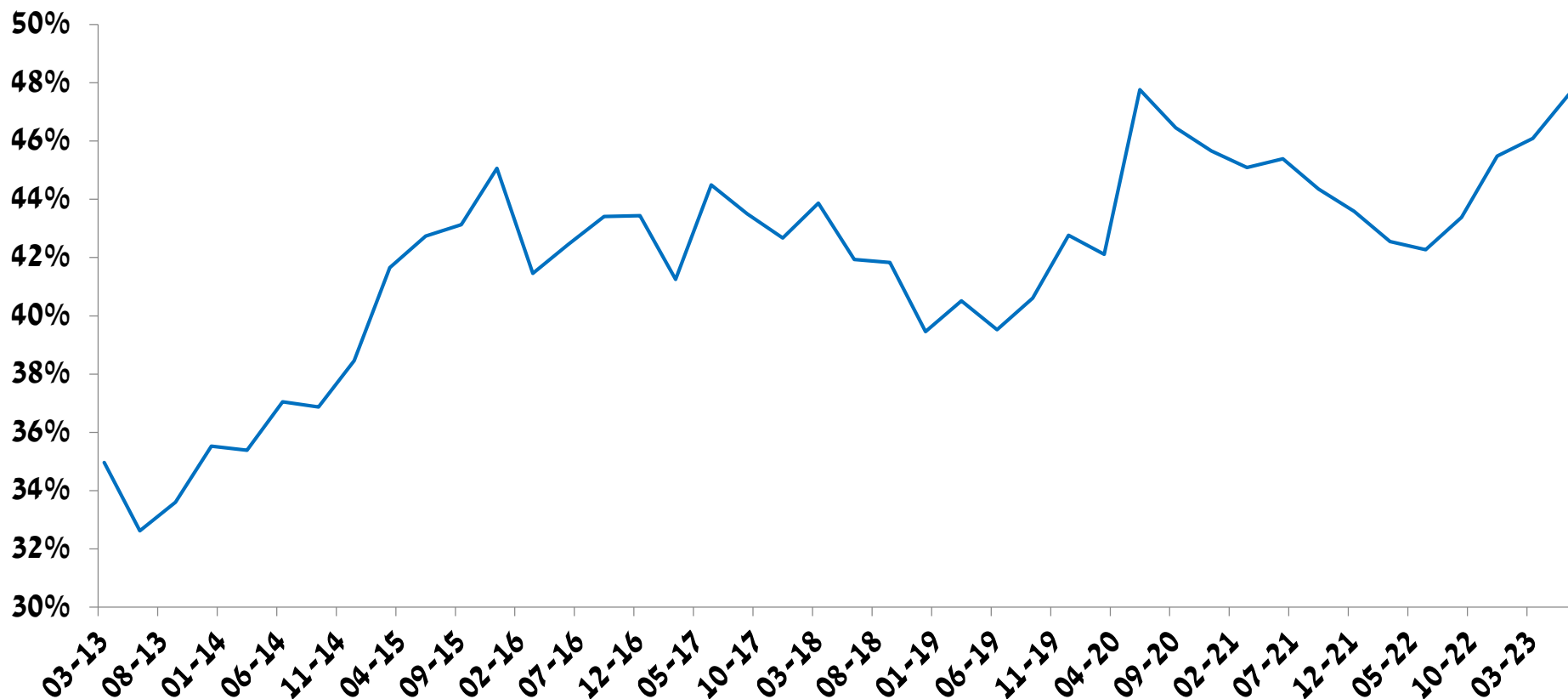


^a In Israel - excluding diamonds.

^b In Israel - excluding the sale of startup companies.

High-tec central to economy

Figure 7: High-tech exports as a share of exports of goods and services
(March 2013-June 2023)

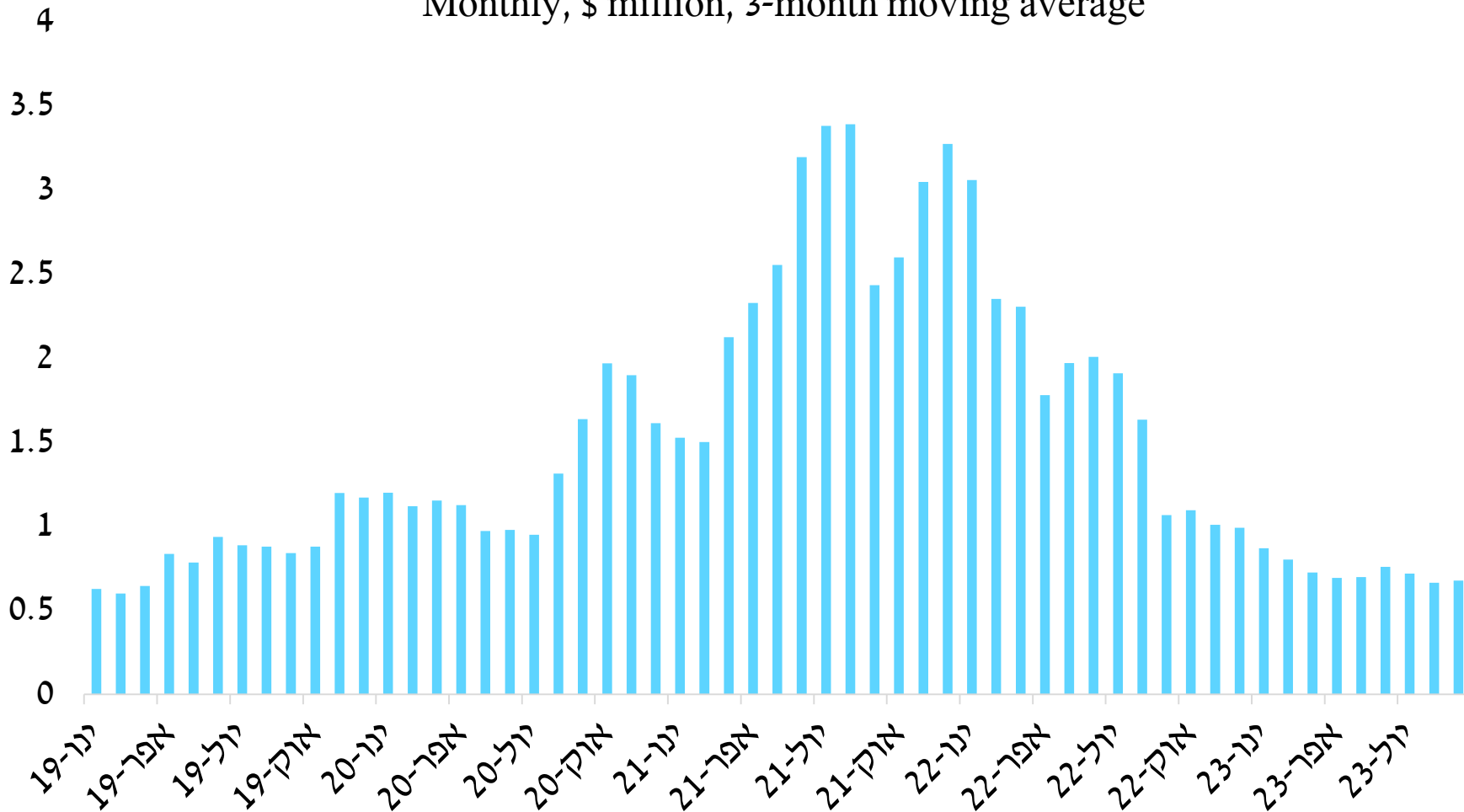


Services: Manufacturing, Telecommunications, Finance, Computer programming, Scientific research and development without start-ups.
Goods: High-technology Industries: office & computing equipment, electronic components, aircraft, electronic communication equipment, equipment for control & supervision, pharmaceutical products.

Contraction in high-tech investments

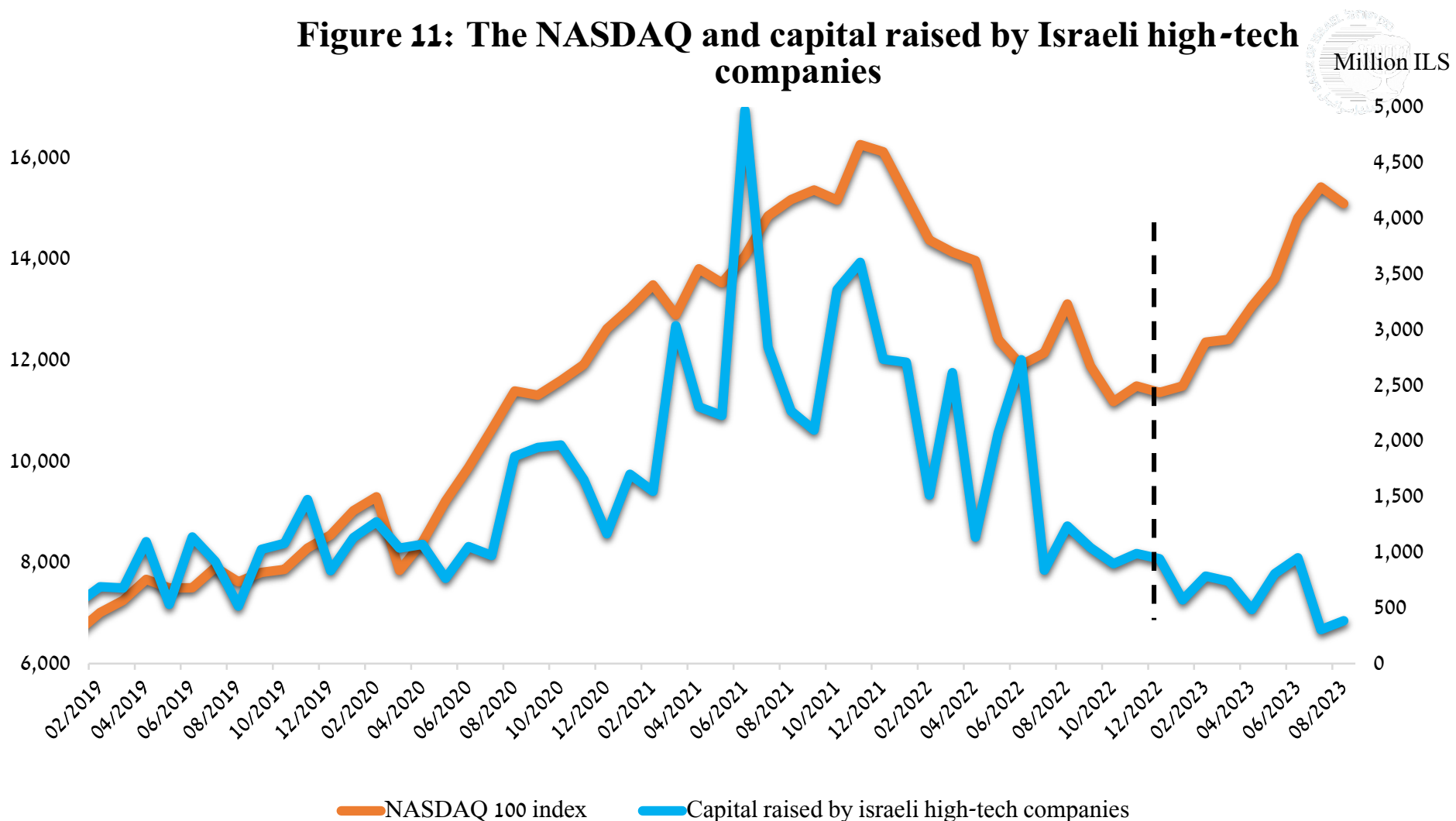
Figure 10: Funds raised by Israeli high tech firms

Monthly, \$ million, 3-month moving average



Breakdown in correlation between NASDAQ and Israel hi-tech investment

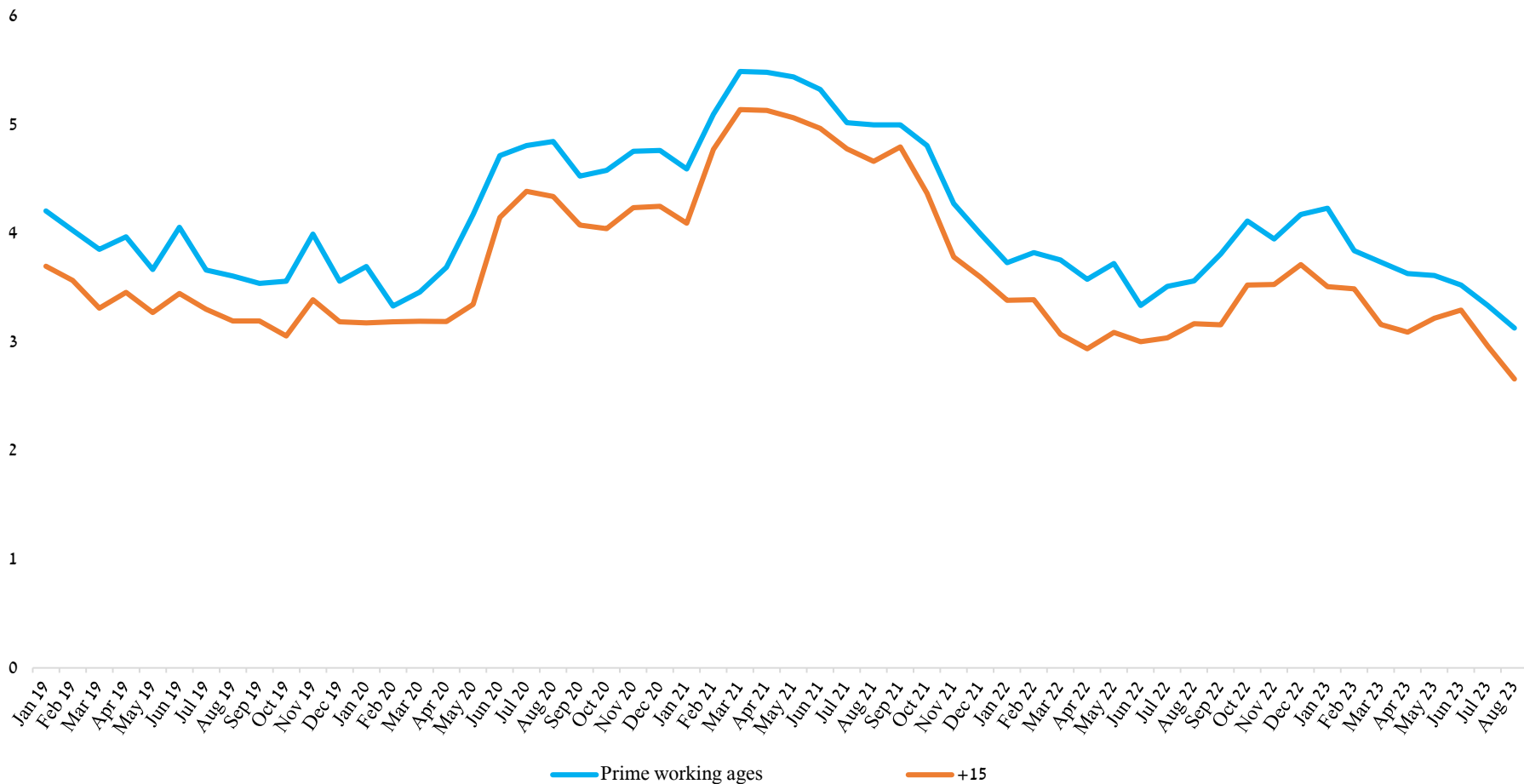
Figure 11: The NASDAQ and capital raised by Israeli high-tech companies



The unemployment rate was at a very low level

Figure 8: Unemployment rate
Jan. 2019 - Aug. 2023, seasonally adjusted data

Percent



Signs of slowdown in job market

Figure 9: Job Vacancies
seasonally adjusted, January 2012–October 2023



SOURCE: Based on Central Bureau of Statistics.



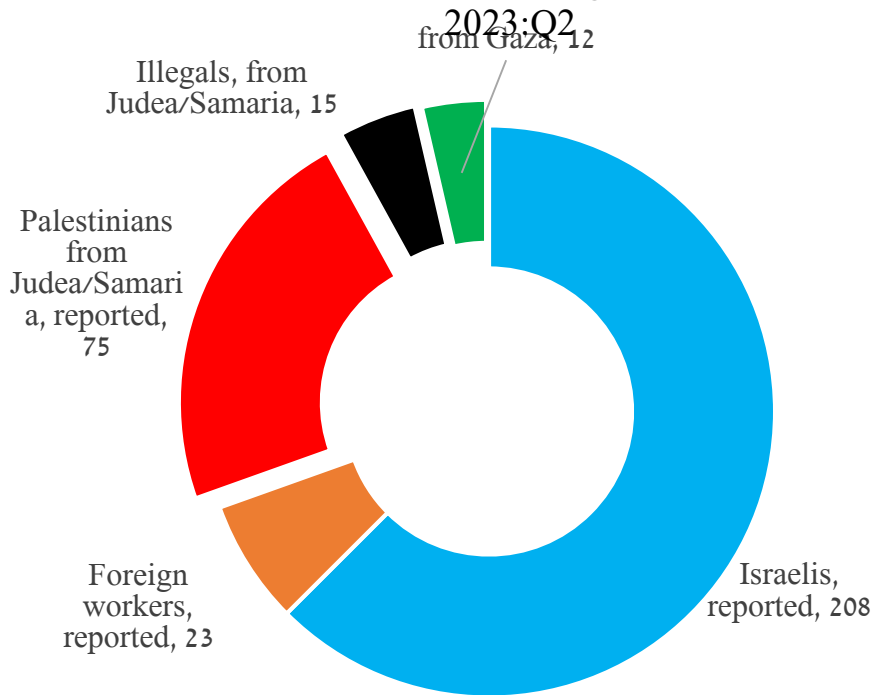
Early indicators since October 7

With the outbreak of war, construction industry suffers from shortage of workers and closure of building sites.

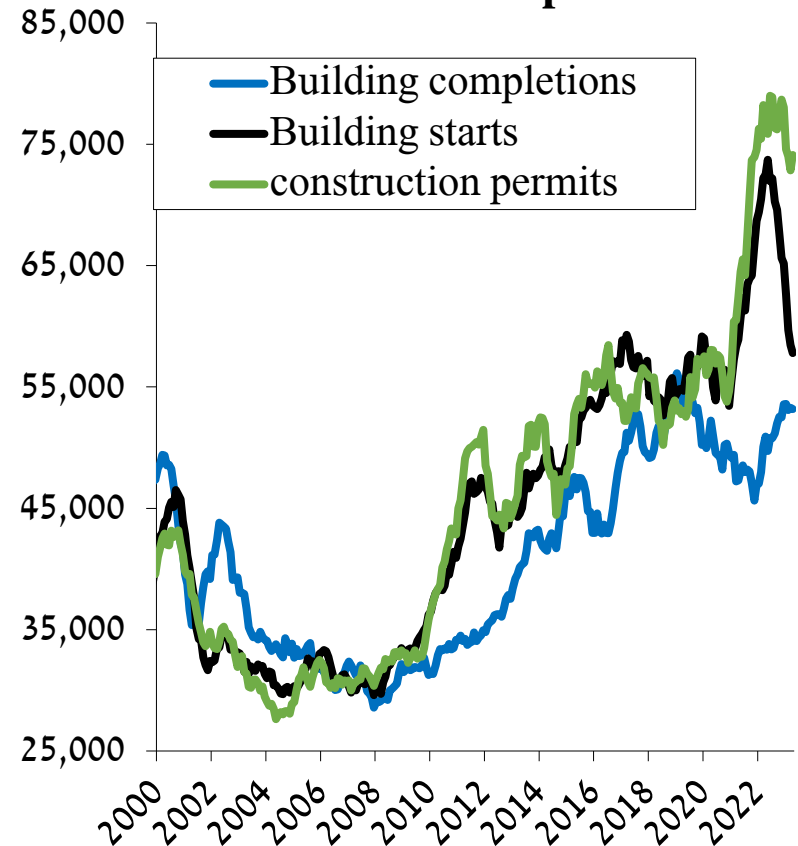
Figure 12

Reported and unreported employment in construction

Thousands of workers, average of 2023:Q1 and 2023:Q2

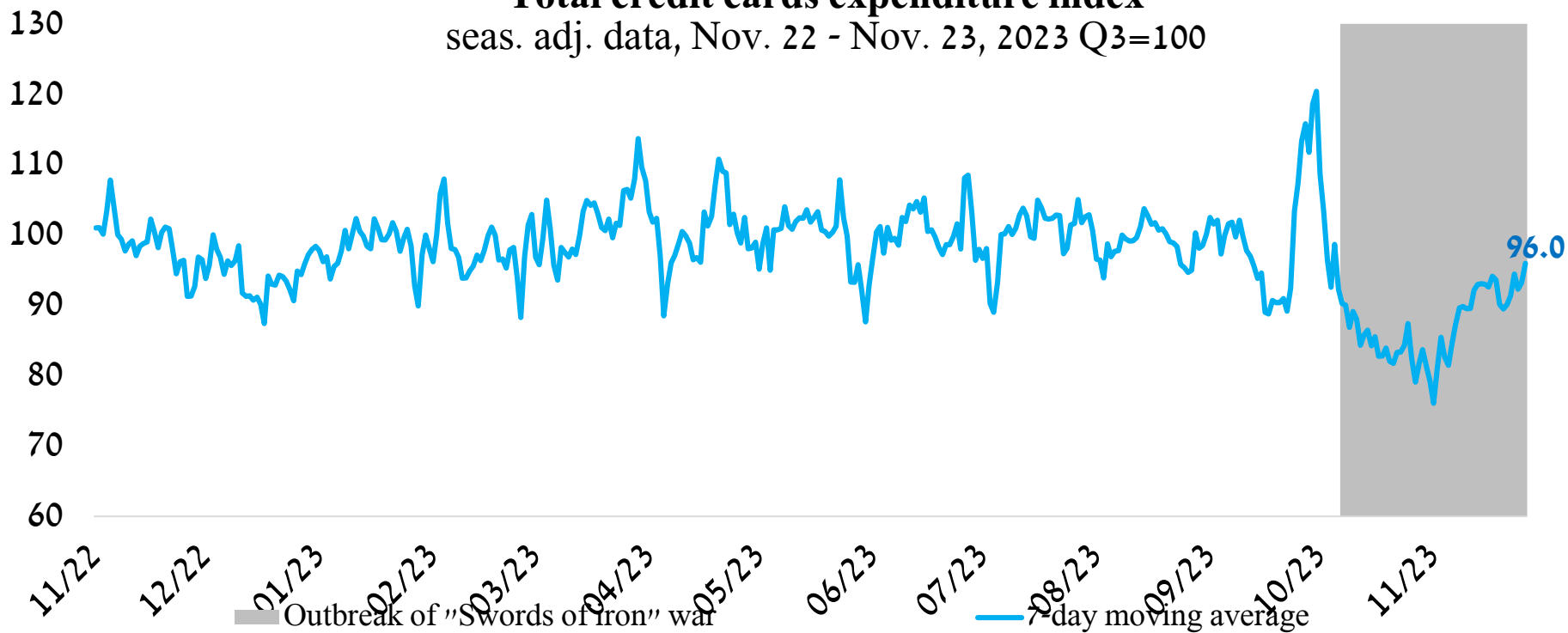


Building starts, completions, and construction permits



Credit card expenditures declined and recovered

Total credit cards expenditure index
seas. adj. data, Nov. 22 - Nov. 23, 2023 Q3=100

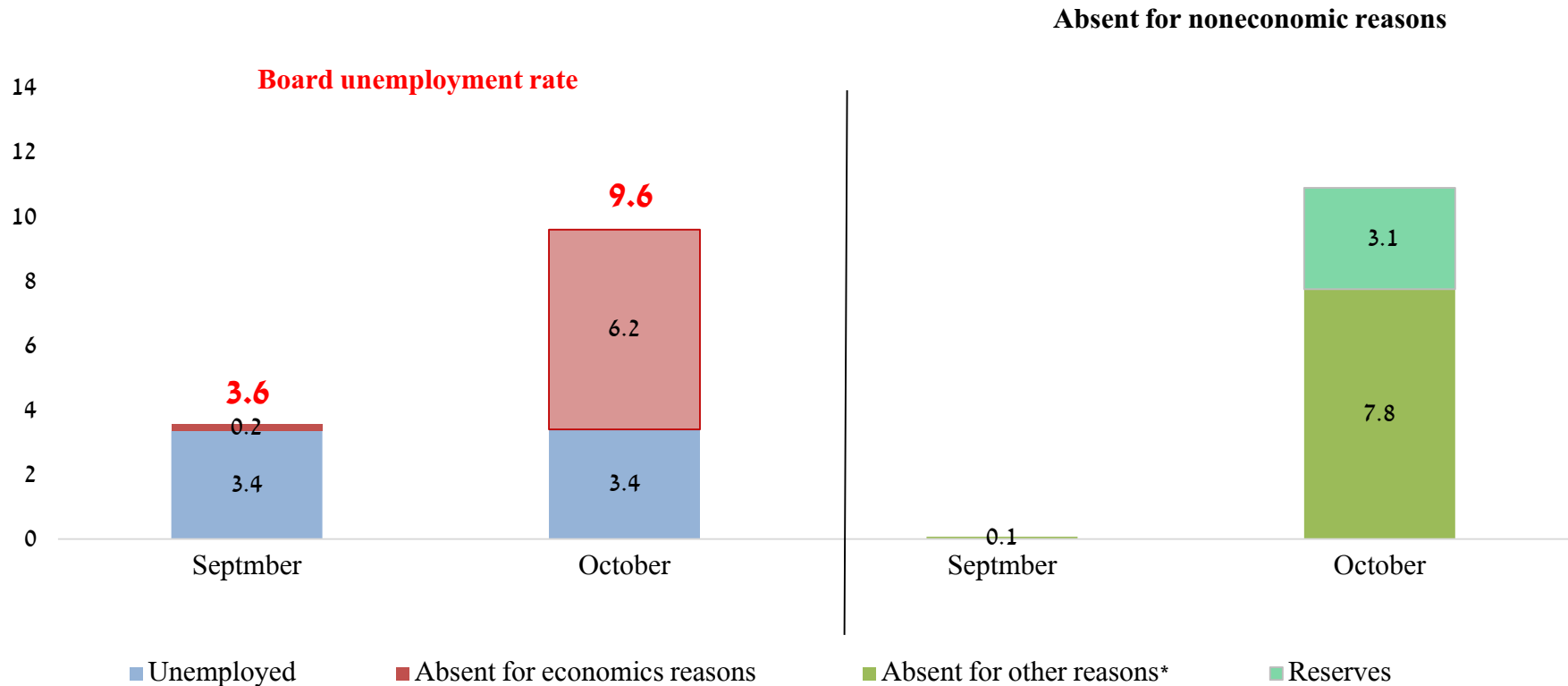


Source: Based on Shva seasonally adjusted data

Unemployment including those sent out on furlough

Unemployed and absent from work

Percent of labor force, without seasonal adjustment



*Absent for other reasons does not include absences for economic reasons, reserves, vacation, illness, or holidays.

Research department updated forecast 2023, 2024

Figure 16



	2023	2024
GDP growth	2.0% (2.3%)	2.0% (2.8%)
Export growth	1% (2.5%)	1.5% (4%)
Wide unemployment rate	4.3%	4.5%
Debt to GDP ratio	63% (62%)	66% (65%)
Inflation	3.5% (3.5%)	2.4% (2.5%)

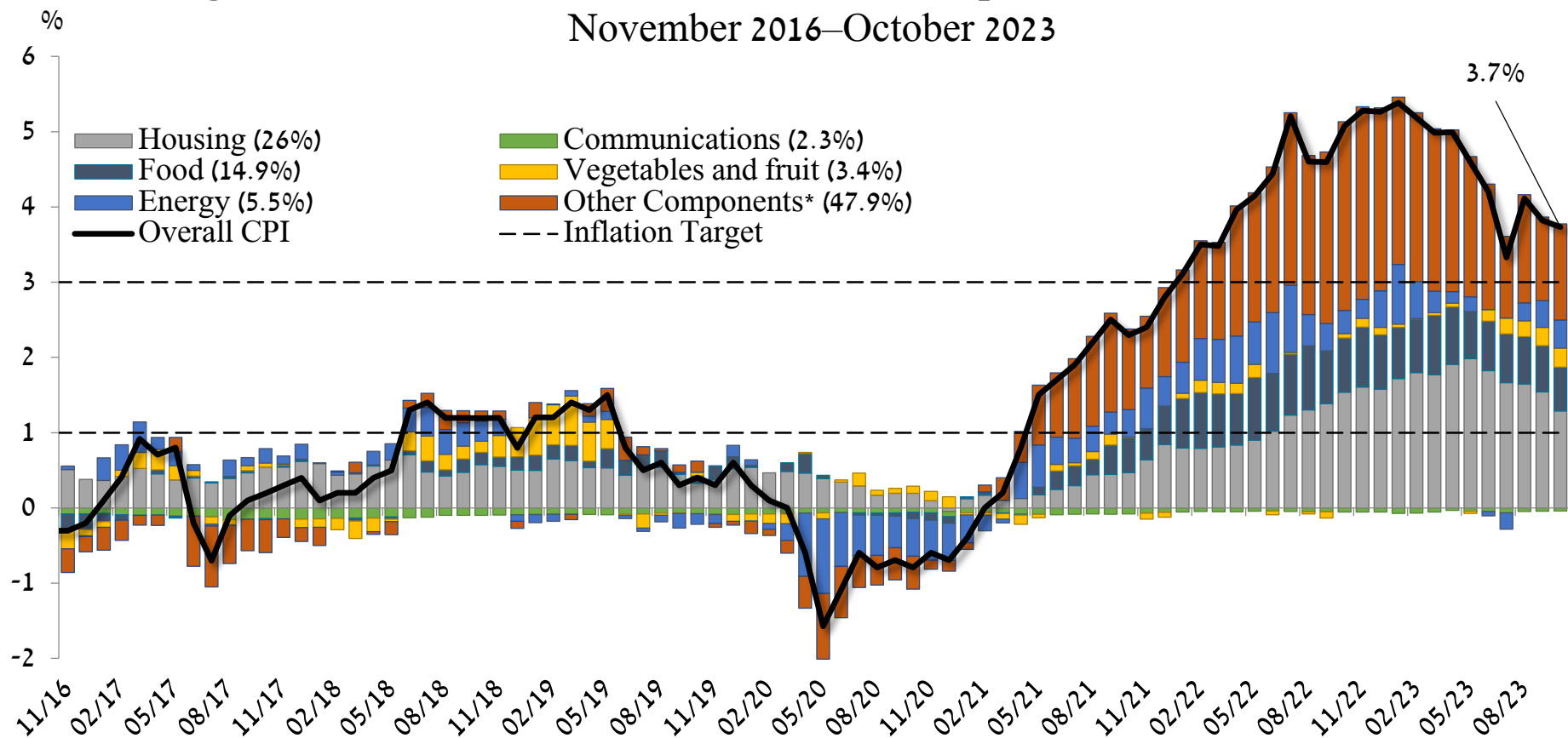


The Monetary-Financial Environment

Inflation over the past 12 months is 3.7 percent

Figure 17: The Contribution of Main CPI Components to Annual Inflation

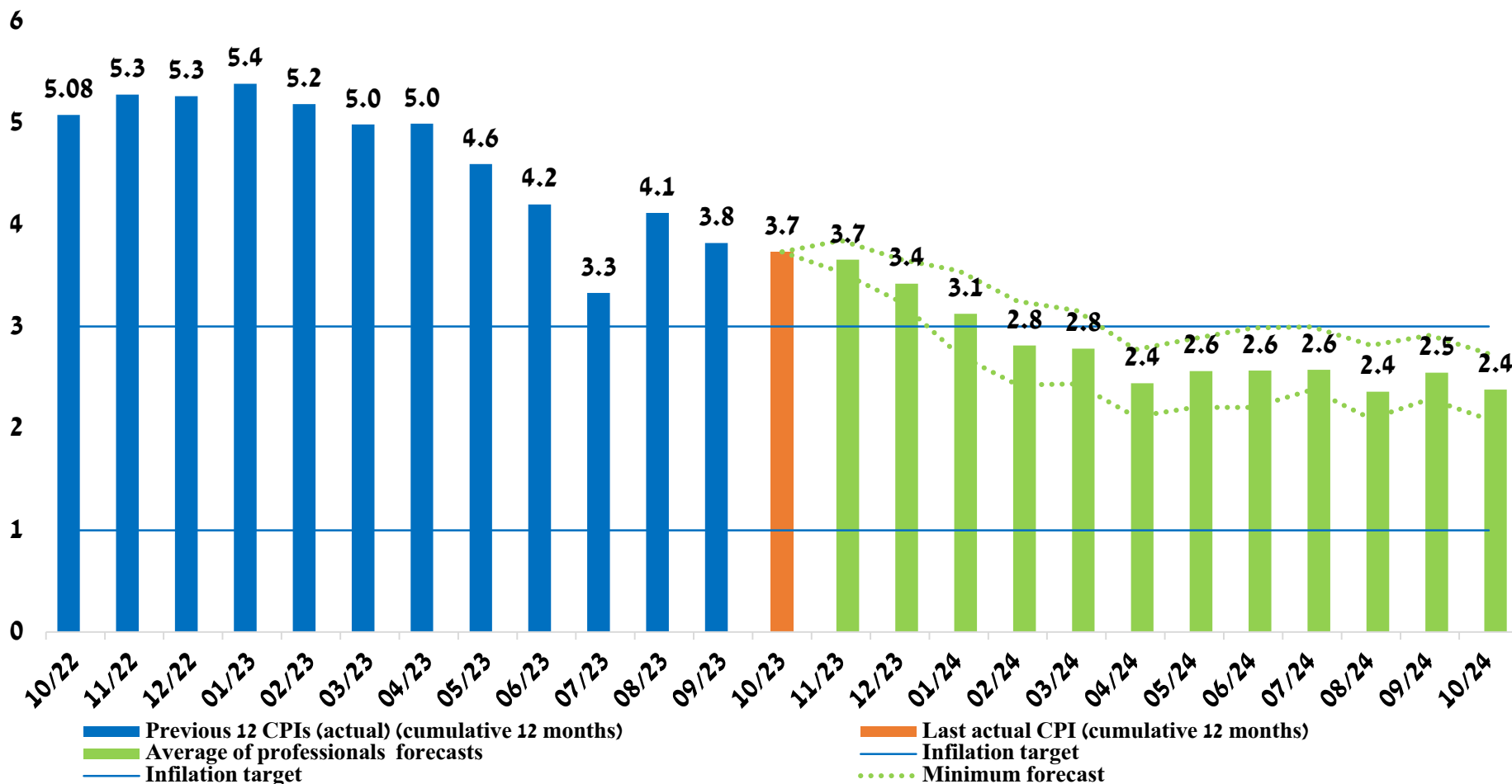
November 2016–October 2023



- The numbers in parentheses are the component's weight in the overall CPI (as of 2021).
- "Other components" includes Health; Education, Culture and Entertainment; Furniture and Household Equipment; Clothing and Footwear; Miscellaneous; and the Dwellings Maintenance and Transport components minus the sub-components relating to energy prices.

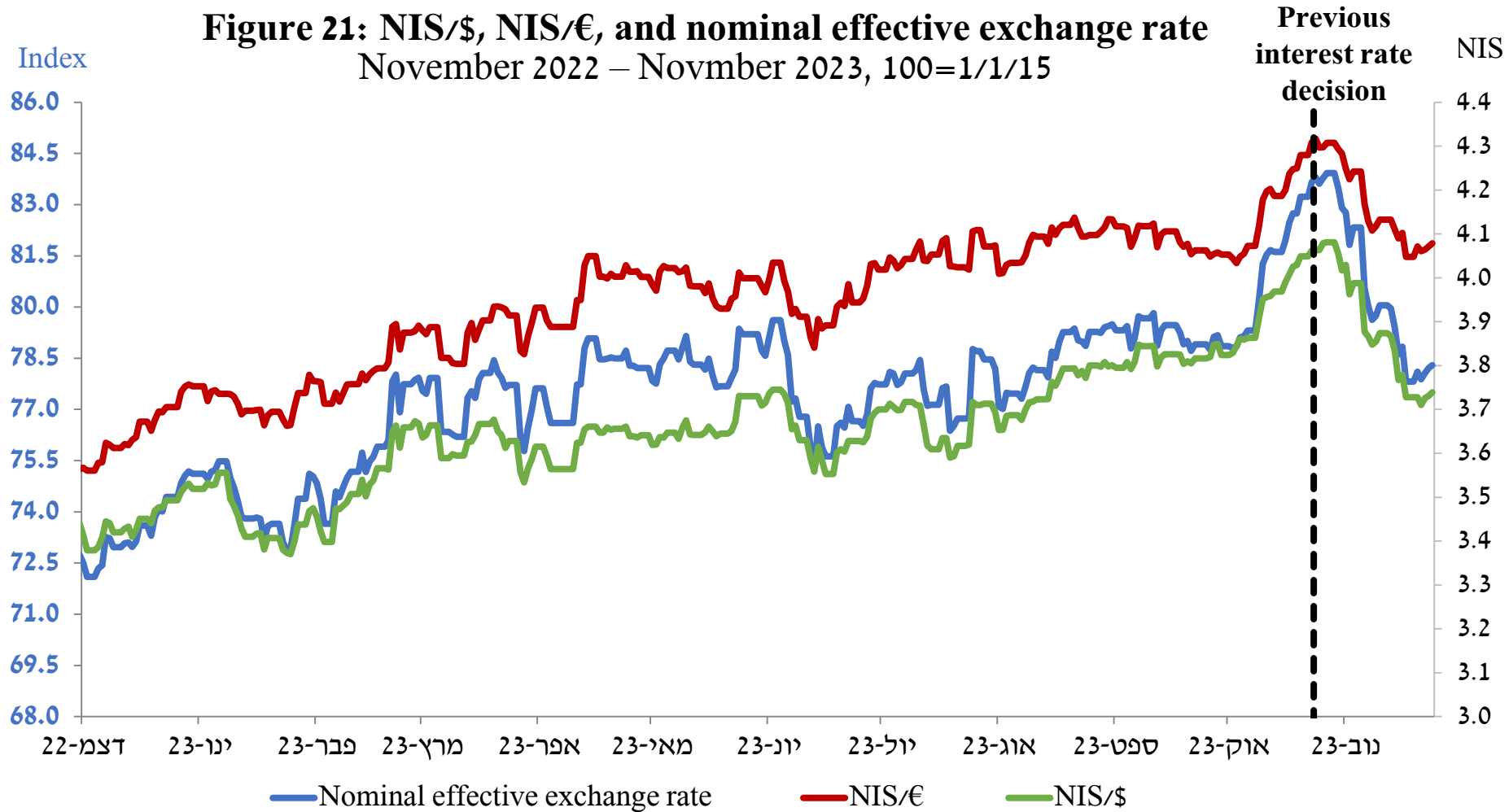
Based on forecasts, the inflation rate is expected to return to within the target range in the beginning of 2024.

Figure 19: 12-month inflation: Actual CPI and its expected development according to forecasters



Shekel turnaround

Figure 21: NIS/\$, NIS/€, and nominal effective exchange rate
November 2022 – November 2023, 100=1/1/15



Steps taken by the BOI in connection with the “Swords of iron” war

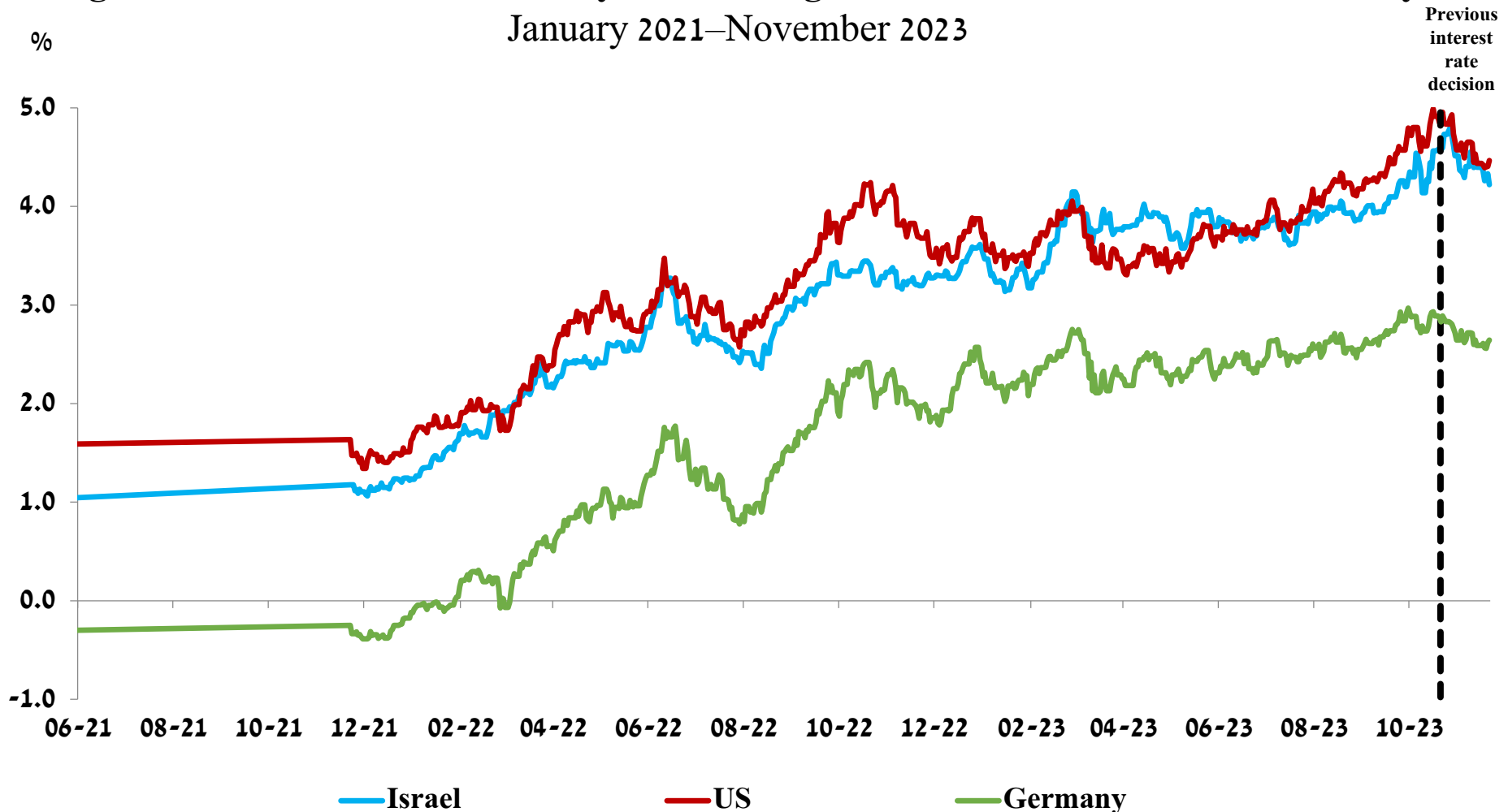
Figure 22



Monetary policy and financial stability	Banking, credit and Payments	Economic advice to government
<ul style="list-style-type: none"> ✓ Program in the FX market <ul style="list-style-type: none"> ✓ Up to \$30 billion FX sales ✓ Up to \$15 billion SWAP transactions ✓ A program for government bond repo transactions with institutional entities. ✓ Corporate bond repo transactions with institutional investors ✓ Low-interest loans to banks - conditional on providing credit to SME'S at low interest rates, at a scope of up to NIS 10 billion. 	<ul style="list-style-type: none"> ✓ A program for deferring loans, free of interest and fees for victims and reserve soldiers. ✓ An additional program deferring loans for overall population. ✓ Enhancing remote banking services ✓ Mitigating the abuse of credit cards and accounts of victims. ✓ Regulatory and accounting relief ✓ Easing of financial restrictions due to credit distress. ✓ Guideline for conservative policy in dividend distribution and LLP. 	<ul style="list-style-type: none"> ✓ Publication of an updated macro-economic forecast for the Israeli economy. ✓ Micro-level economic analysis of economic activity of various industries ✓ Estimates of economic damage to the economy ✓ Ongoing work vis-à-vis relevant government entities ✓ An advisory role for fiscal plans and framework

Long-term government bonds relatively stable

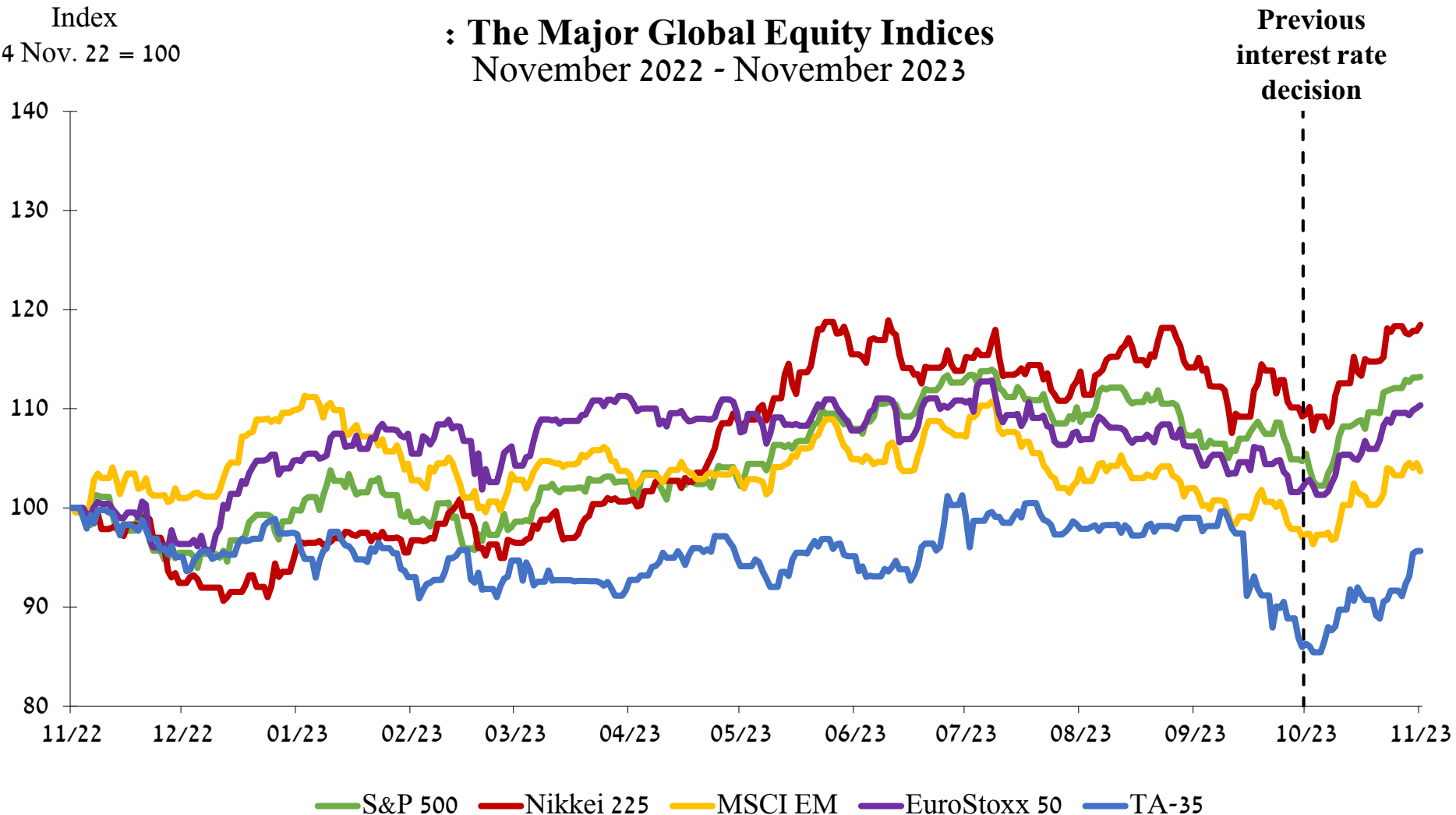
Figure 23: Nominal Yields on 10-year Sovereign Bonds in Israel, US, and Germany
January 2021–November 2023



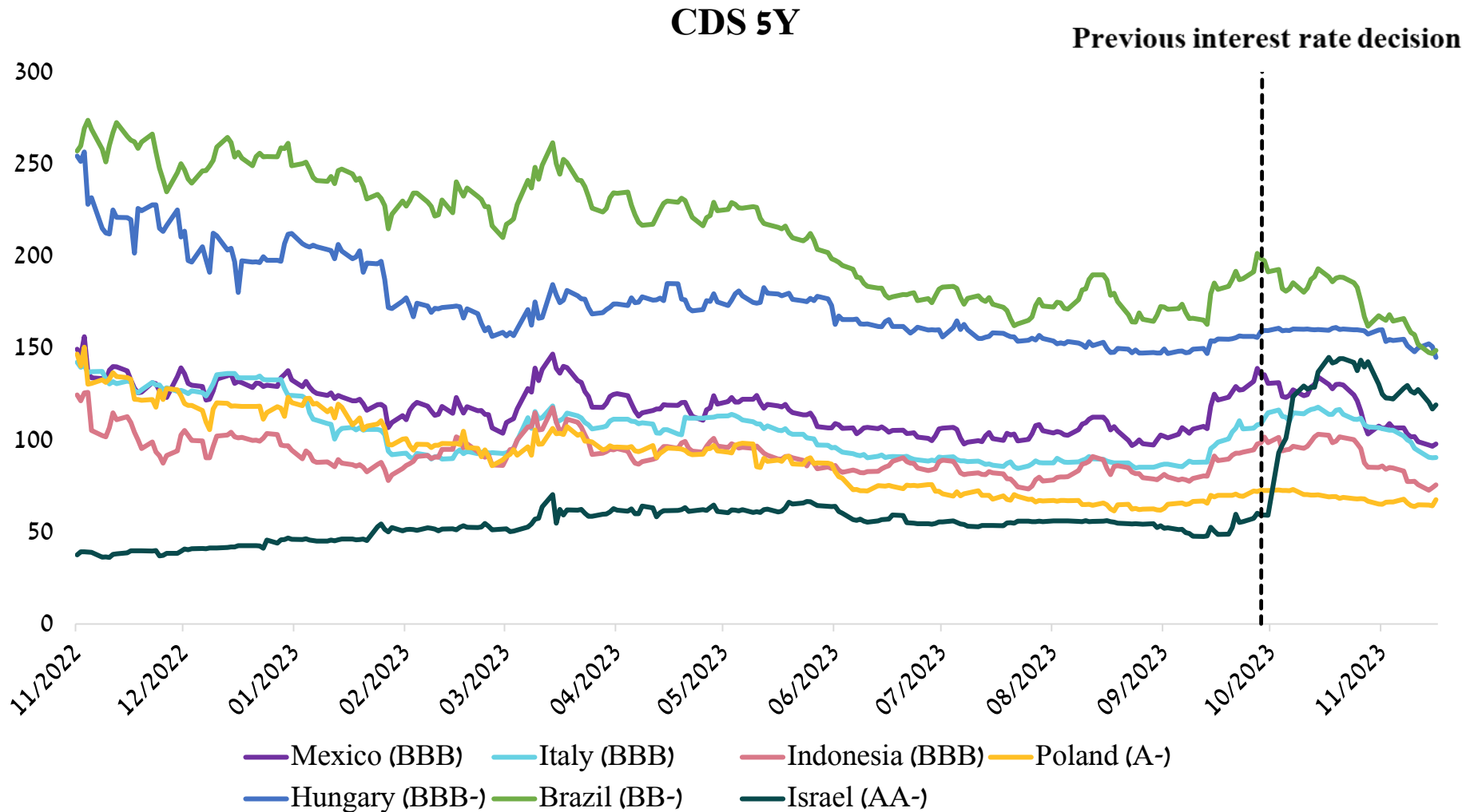
Initially, equity indices in Israel declined sharply

: The Major Global Equity Indices November 2022 - November 2023

Previous
interest rate
decision



Sharp rise in risk as measured by CDS

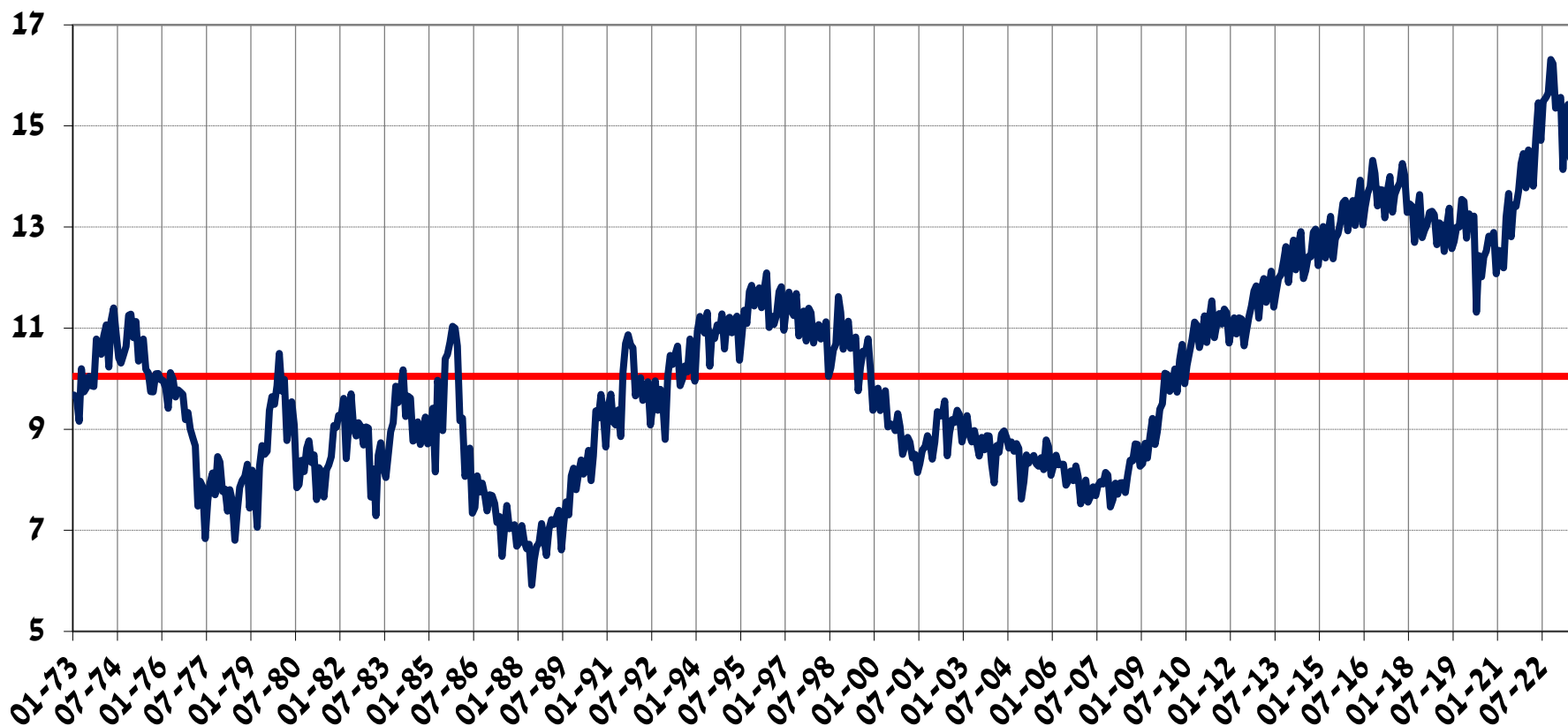




Long term challenges

Housing still expensive

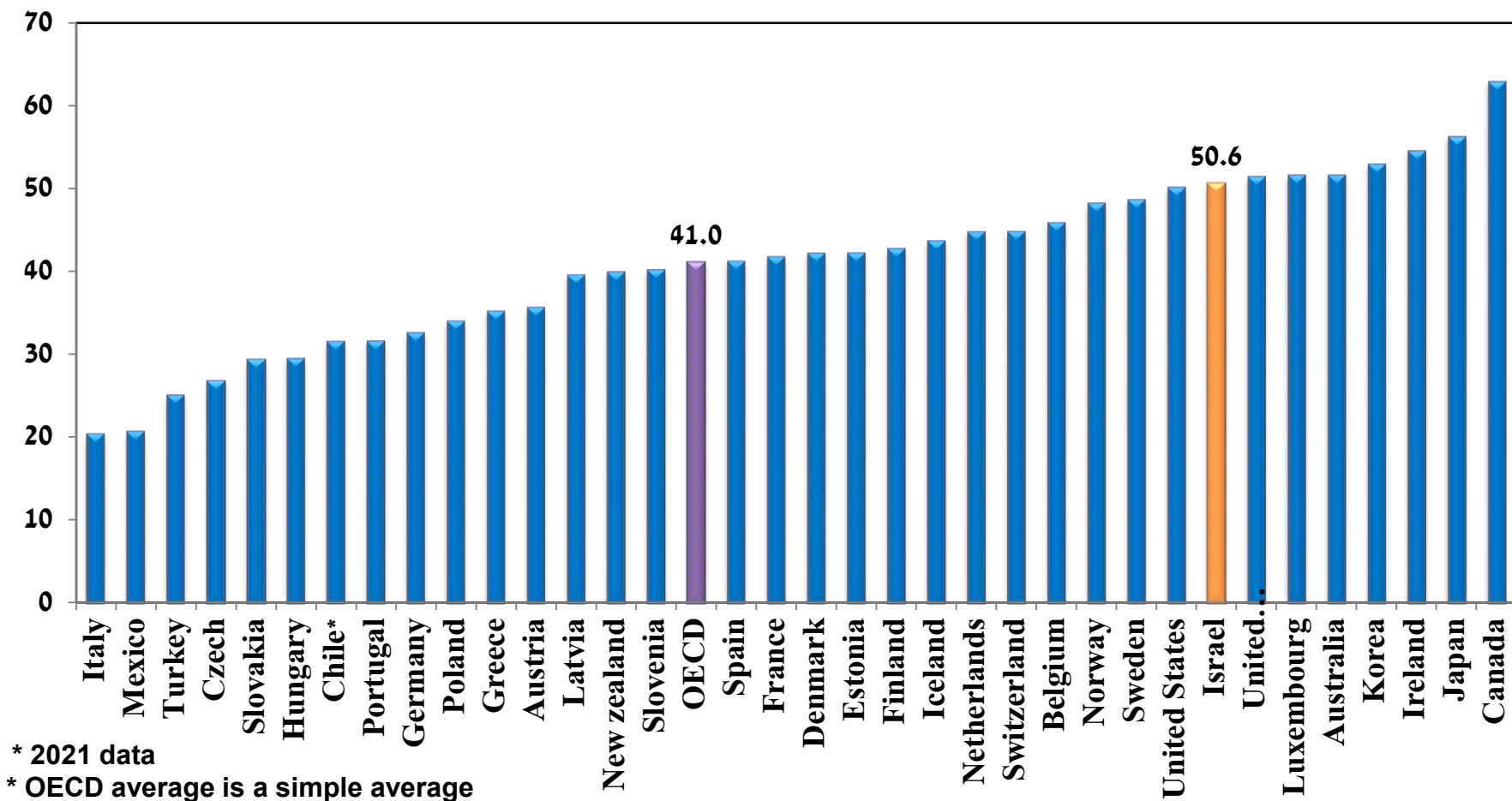
Figure 26: Average Home Price Relative to Average Salary per Employee
(Jan 1973-Jul 2023, monthly figures, years of salary)



SOURCE: Based on Central Bureau of Statistics Data.

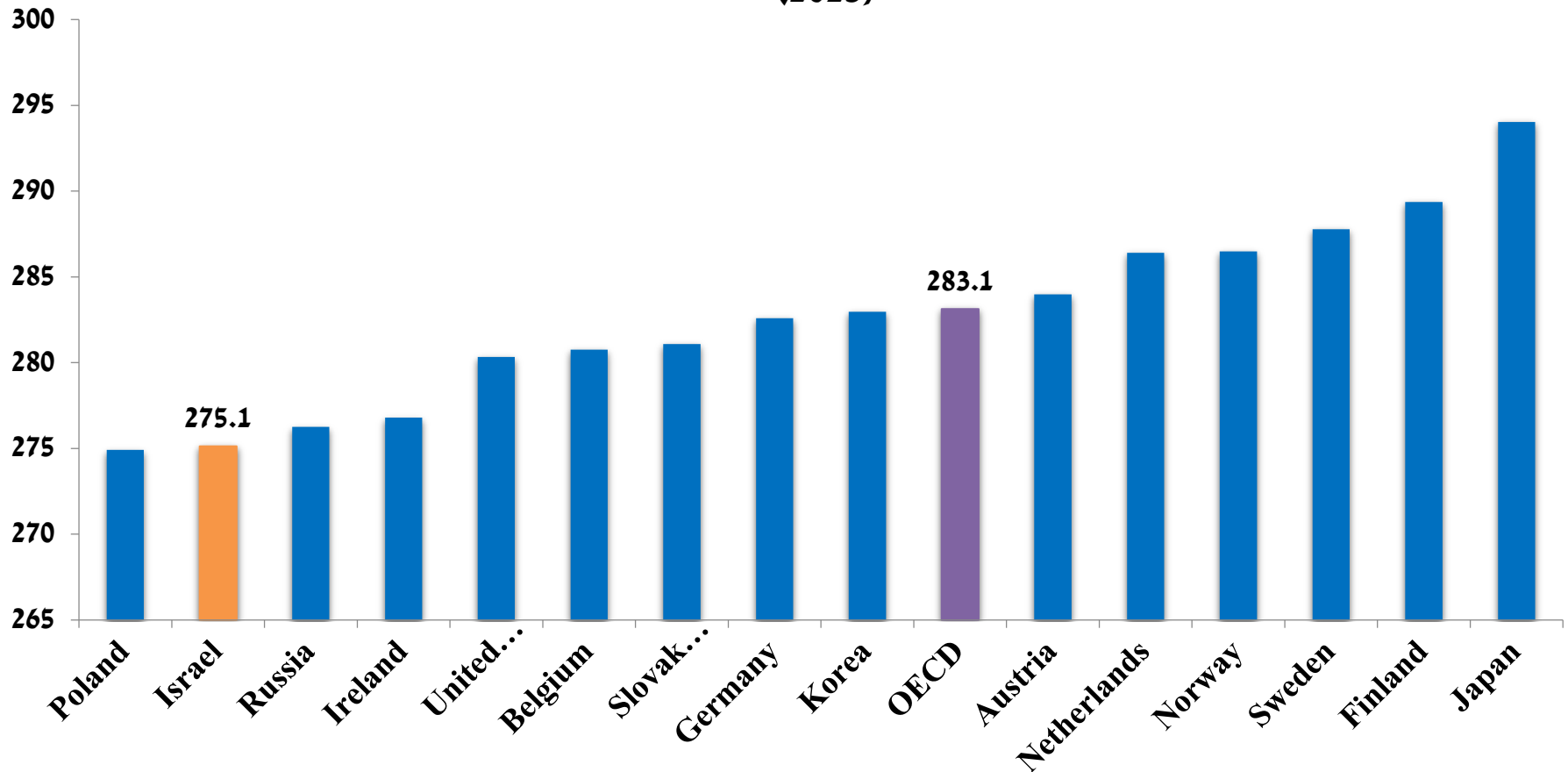
Strong educated segment

Figure 27: Share of the population aged 25-64 with Tertiary-Level education
(2022, International Comparison)



But large groups don't have necessary skills

Figure 28: Problems-solving in digital environment skills according to PIAAC survey (2015)





Thank you