



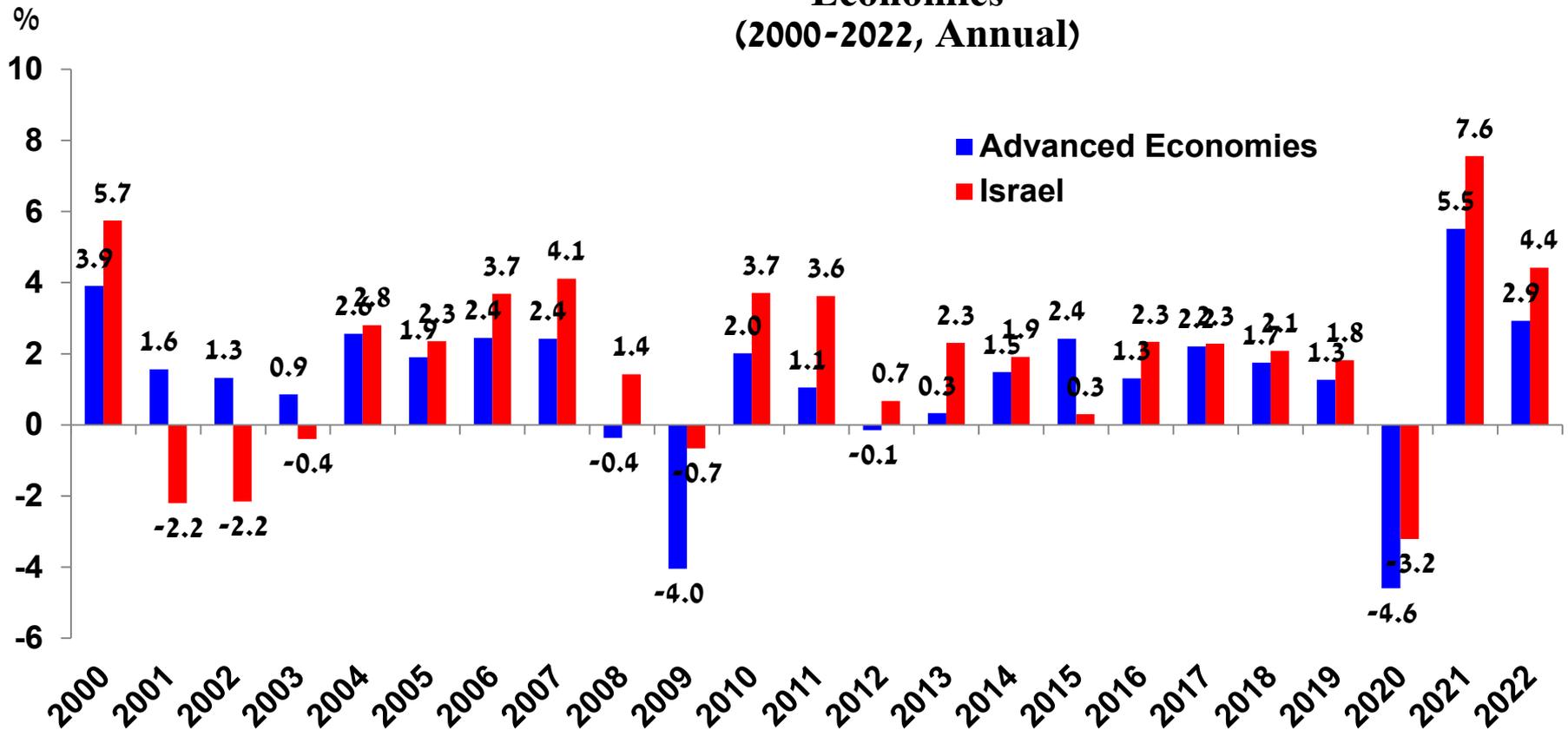
# The Israeli Economy, November 2023



## Real Economic Activity prior to war

# Strong growth over last decade

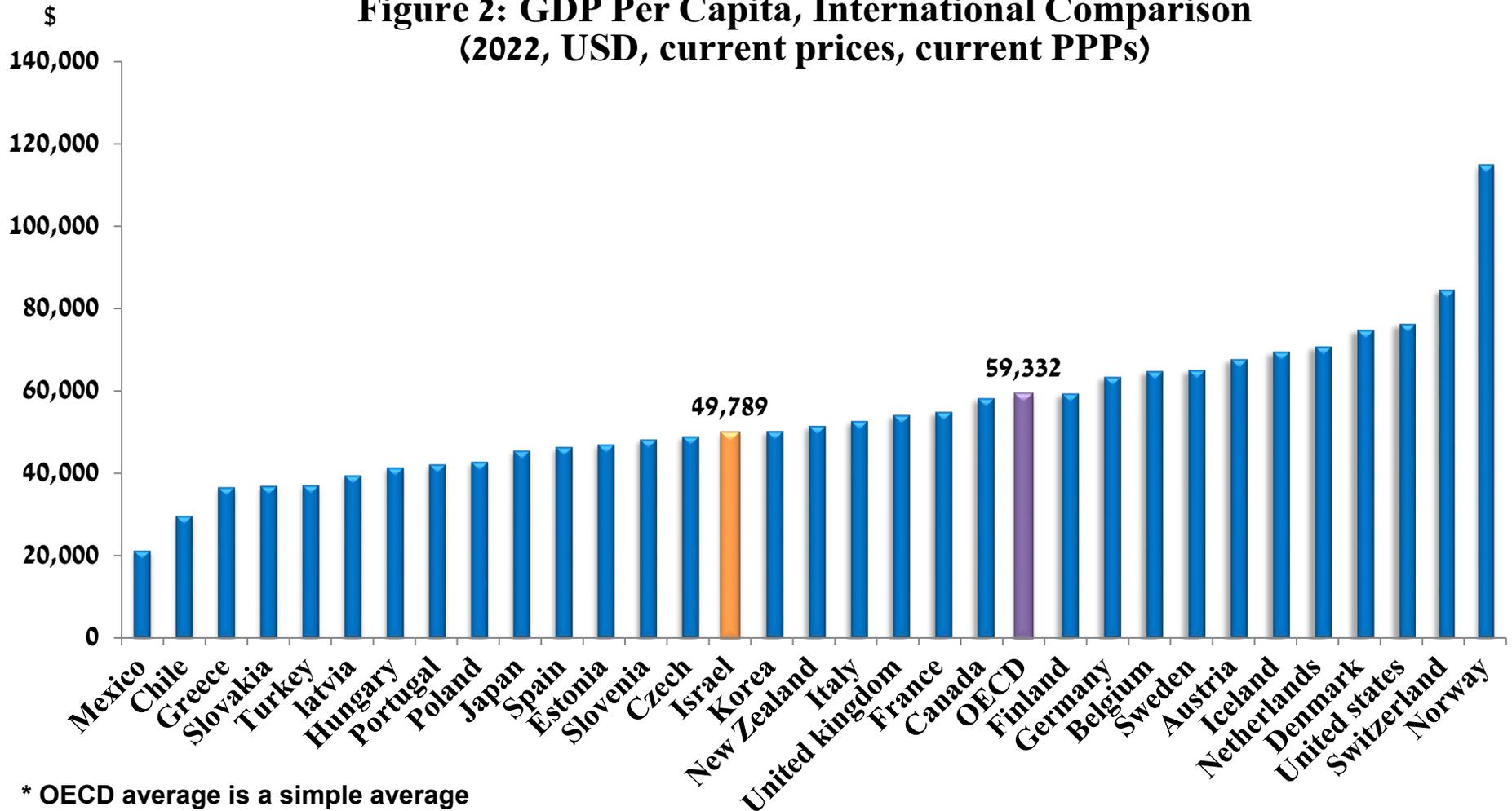
**Figure 1: GDP Per Capita Growth Rates in Israel and in the Advanced Economies (2000-2022, Annual)**



\*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

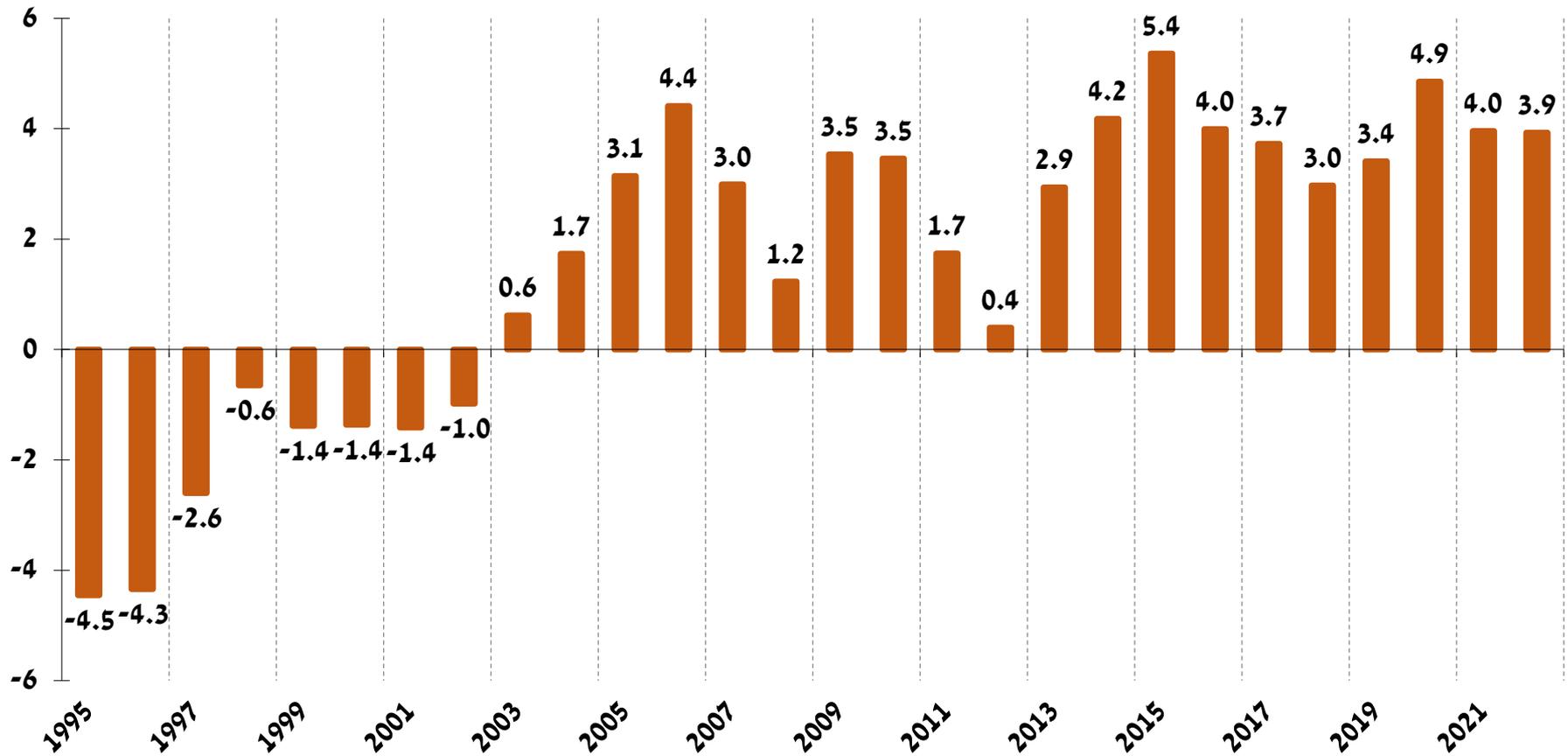
# GDP above trend 8 quarters in a row

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



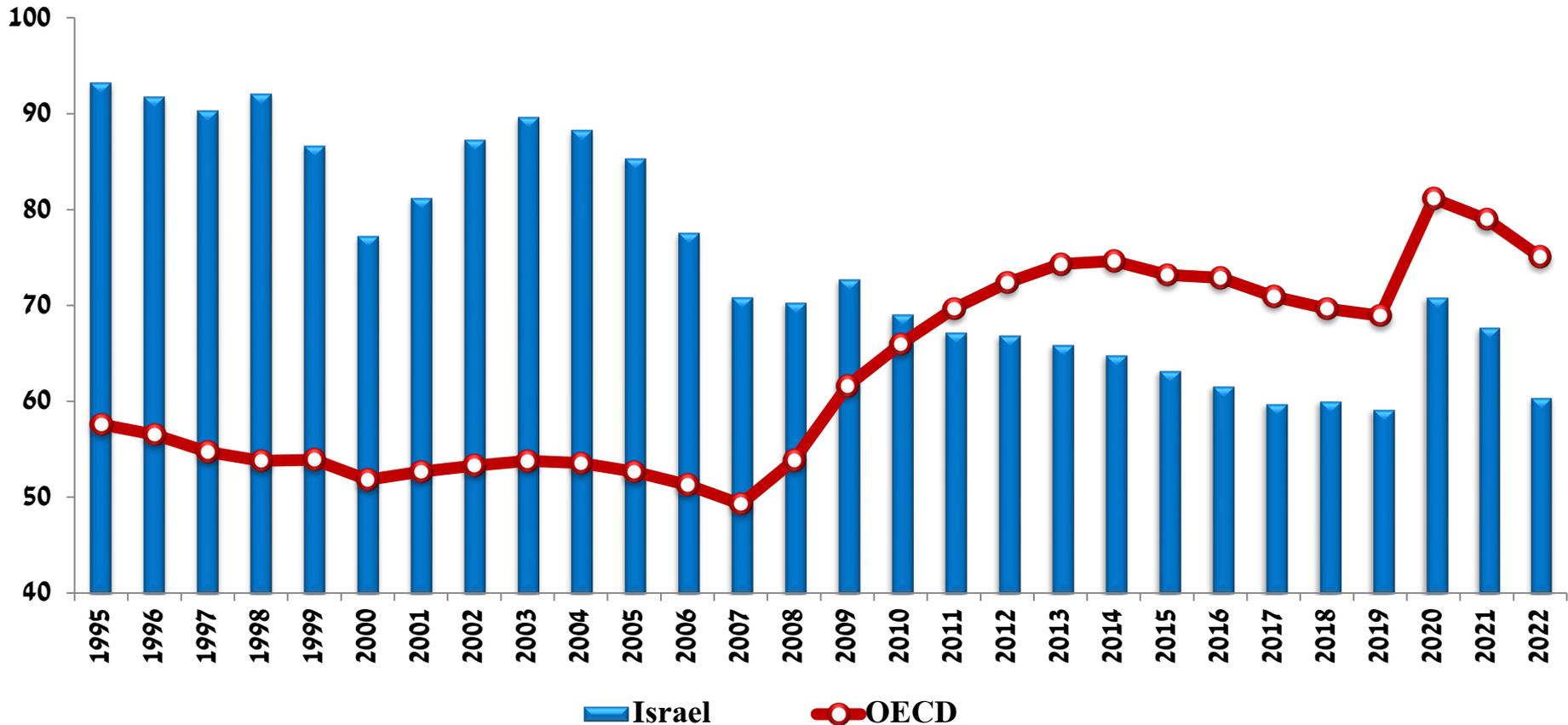
# Consistent current account surplus

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



# Israel's debt at low levels

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



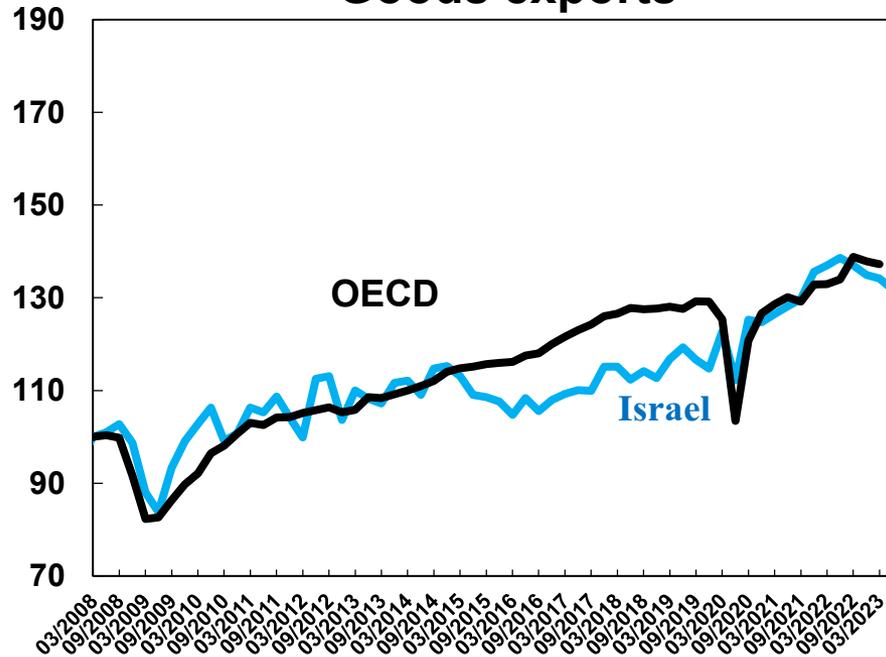
\* OECD average is a simple average(excluding: Latvia)

# Service exports engine of growth

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

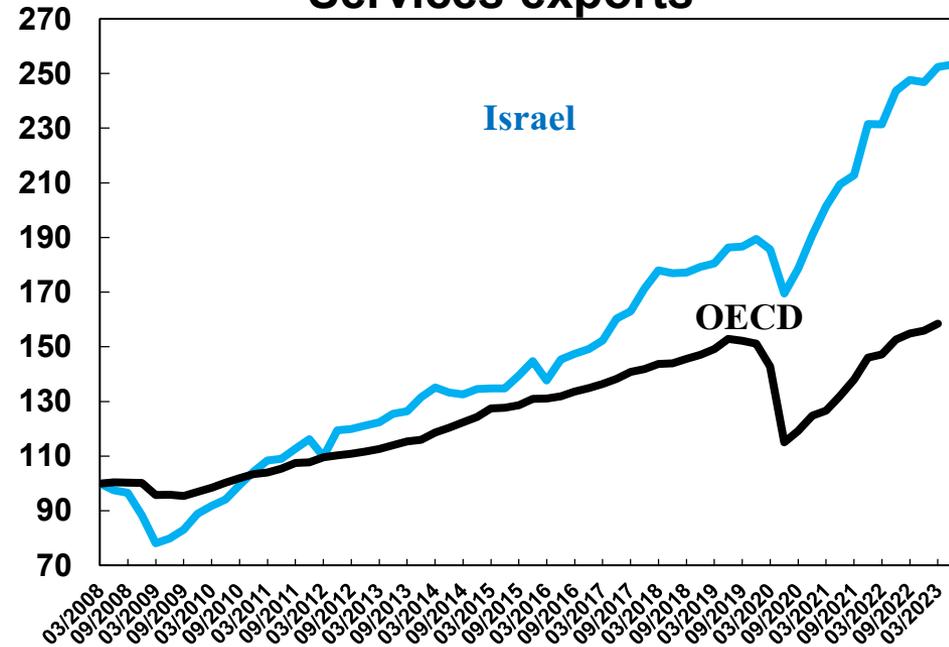
Quantitative index: 2008:Q1=100

## Goods exports<sup>a</sup>



Quantitative index: 2008:Q1=100

## Services exports<sup>b</sup>

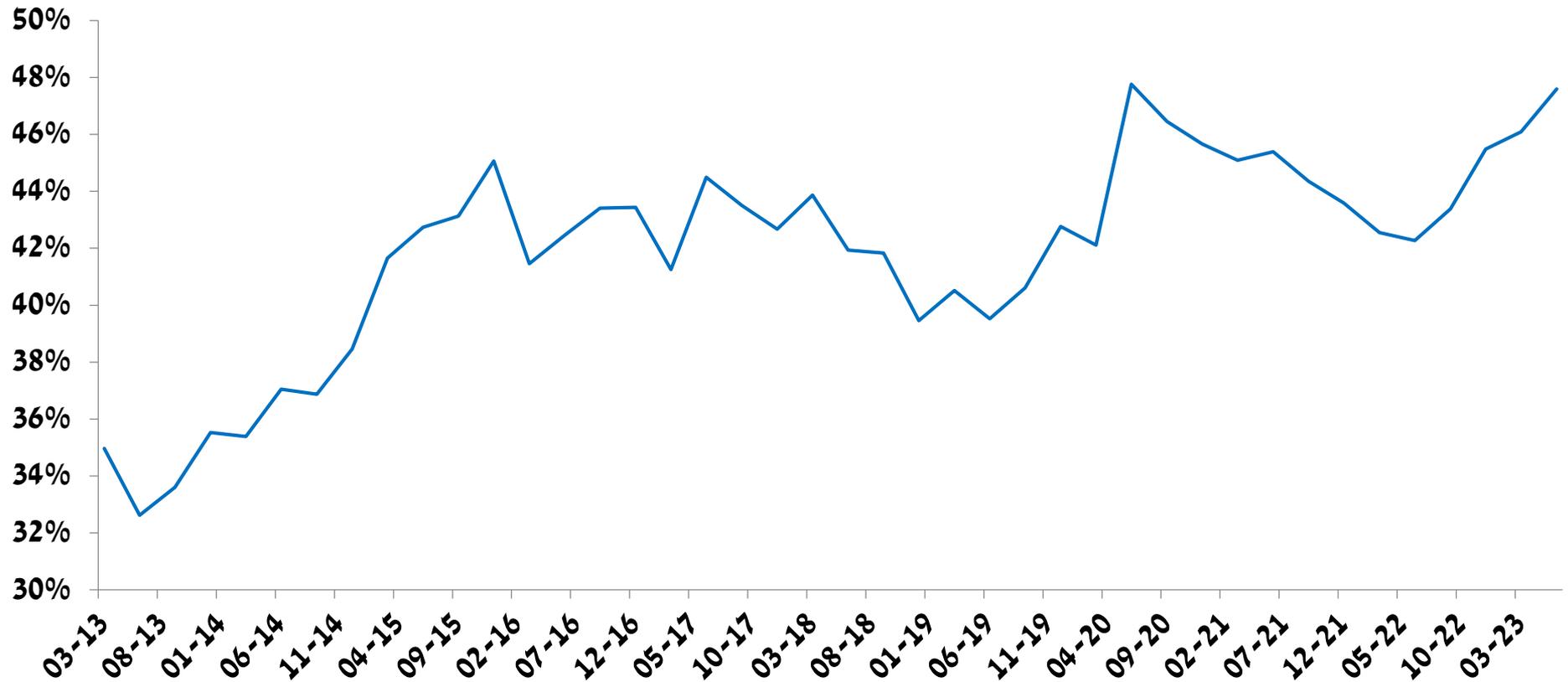


<sup>a</sup> In Israel - excluding diamonds.

<sup>b</sup> 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)



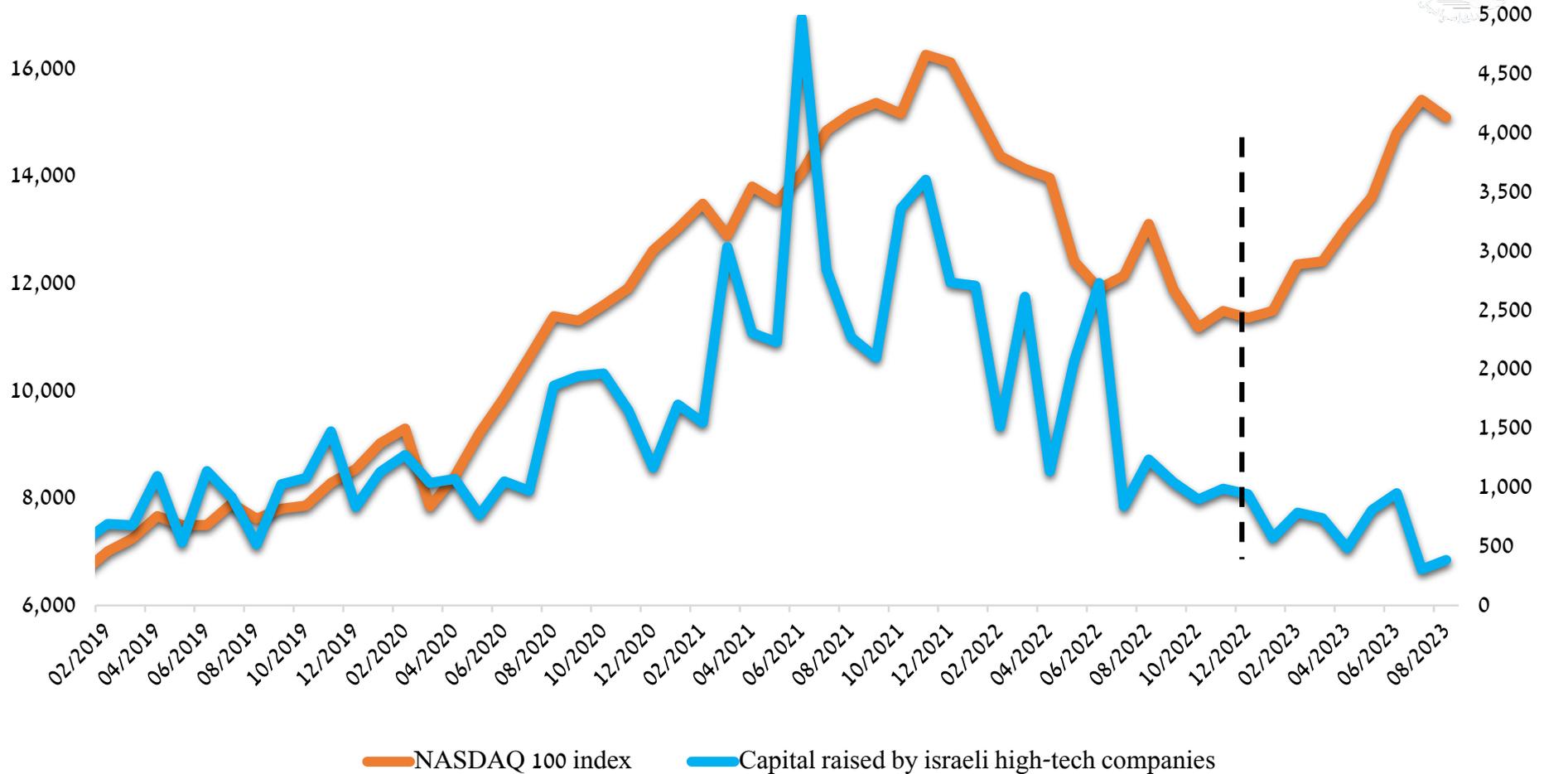
Services: Manufacturing, Telecommunications, Finance, Computer programming, Scientific research and development without start-ups.  
 Goods: High-technology Industries: office & computing equipment, electronic components, aircraft, electronic communication equipment, equipment for control & supervision,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



# Breakdown in correlation between NASDAQ and Israel hi-tech investment

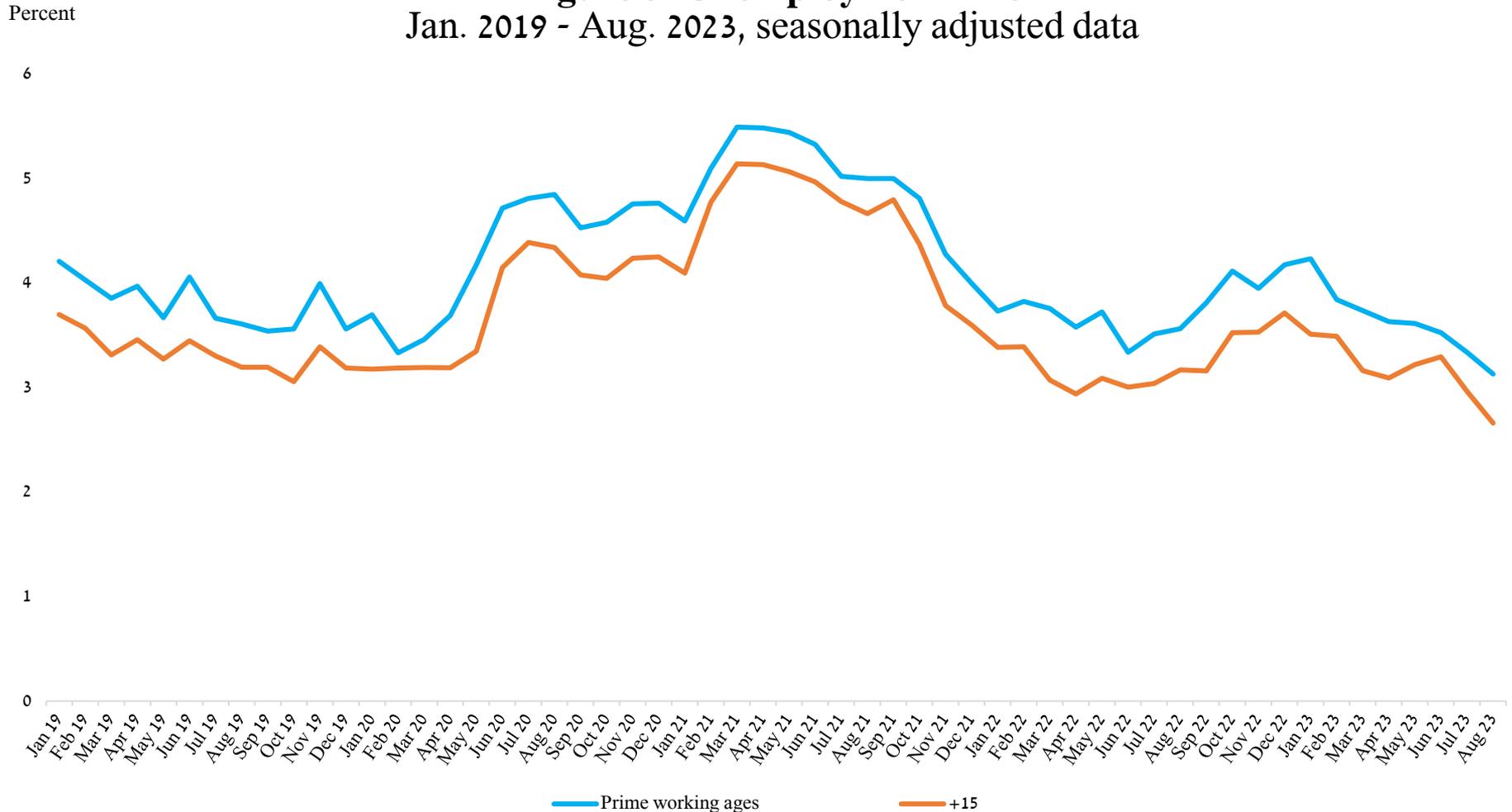
**Figure 11: The NASDAQ and capital raised by Israeli high-tech companies**

Million ILS  
5,000



# The unemployment rate was at a very low level

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



# Signs of slowdown in job market

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





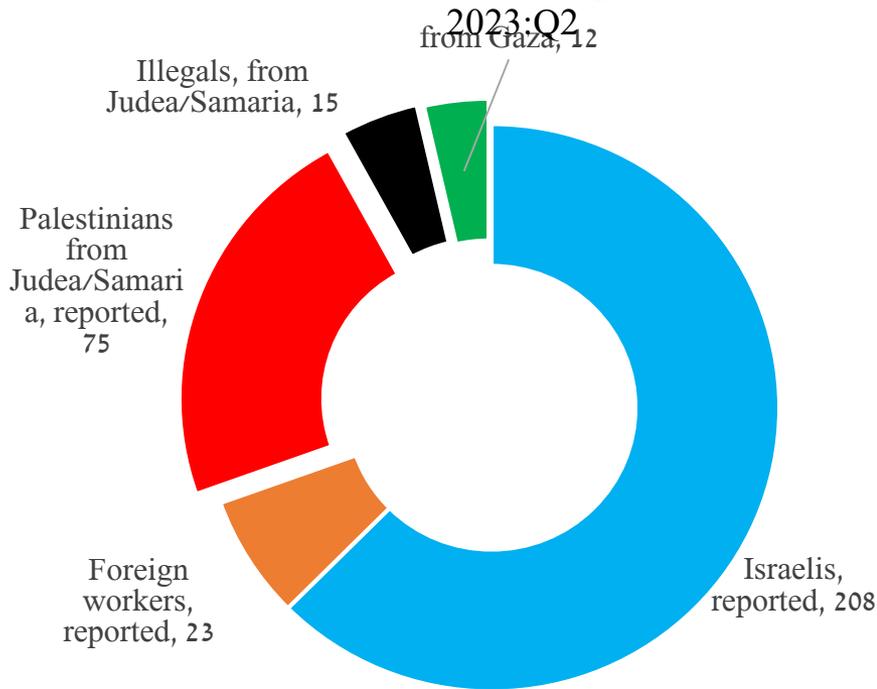
## Early indicators since October 7

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

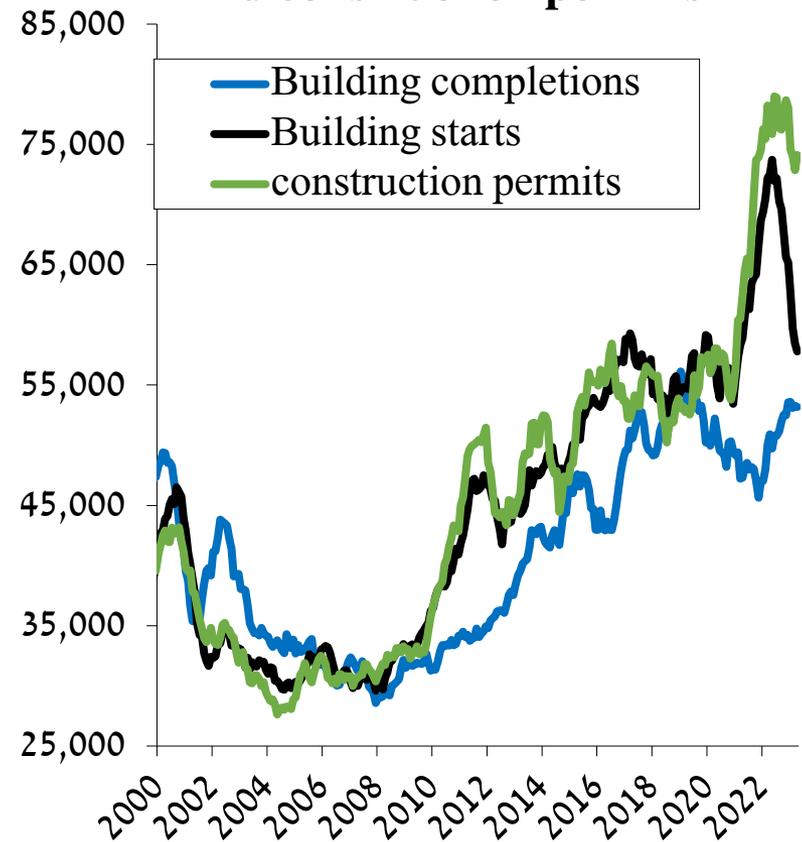
**Figure 12**

## Reported and unreported employment in construction

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

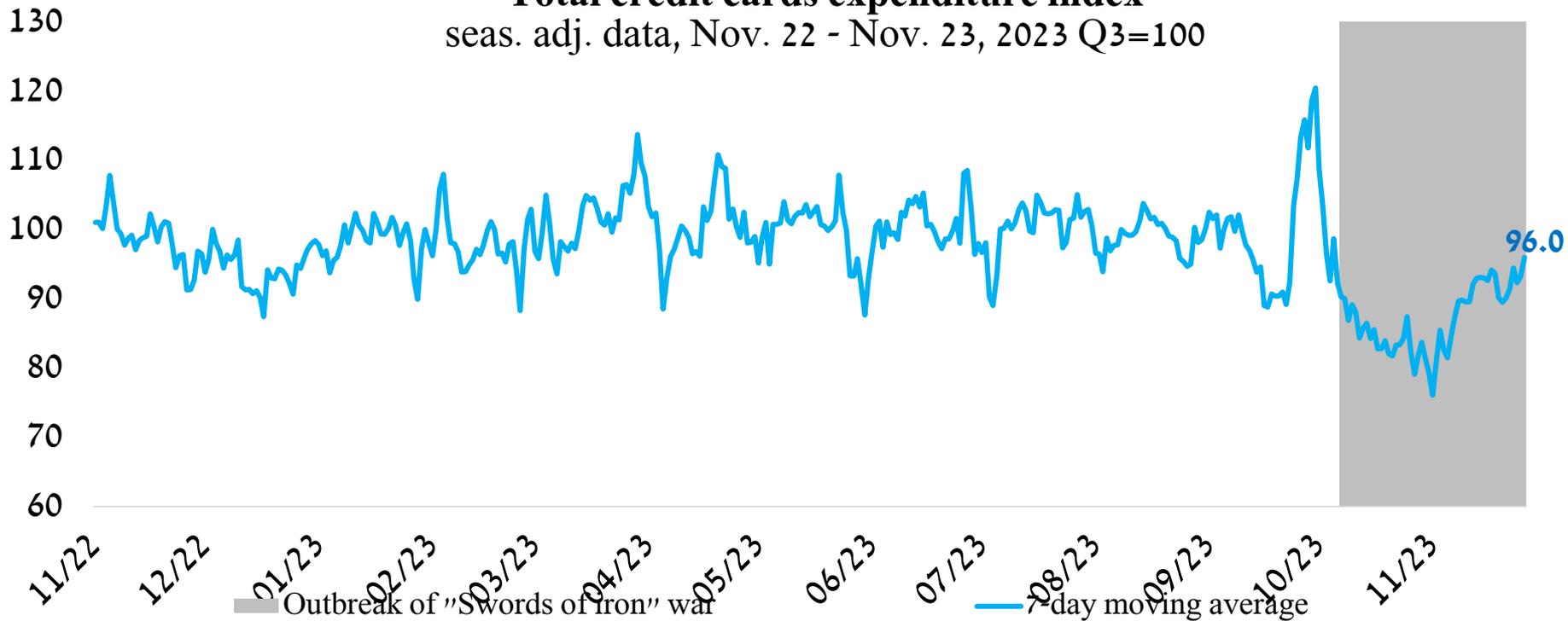


## Building starts, completions, and construction permits



# Credit card expenditures declined and recovered

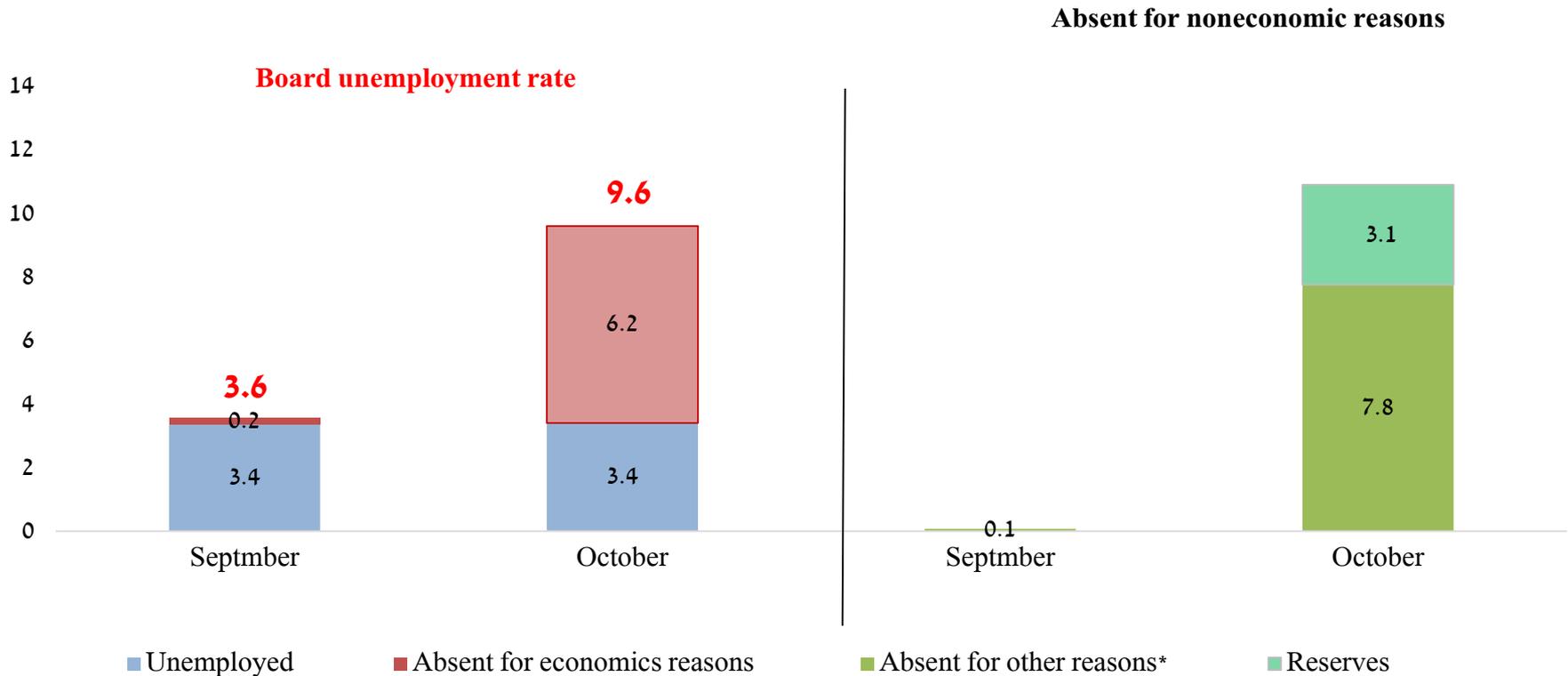
**Total credit cards expenditure index**  
seas. adj. data, Nov. 22 - Nov. 23, 2023 Q3=100



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



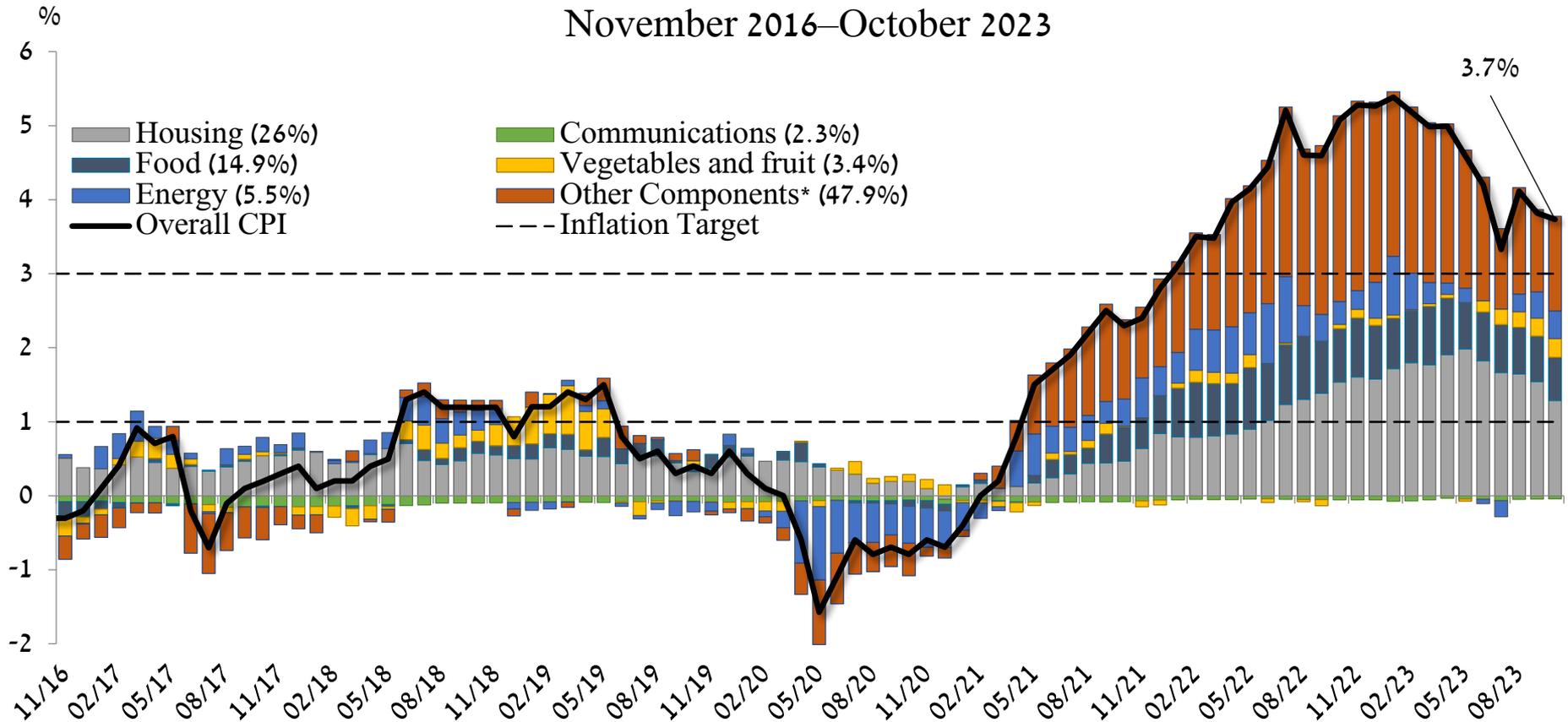
	2023	2024
GDP growth	2.0% (2.3%)	2.0% (2.8%)
Export growth	1% (2.5%)	1.5% (4%)
Wide unemployment rate	4.3%	4.5%
Debt to GDP ratio	63% (62%)	66% (65%)
Inflation	3.5% (3.5%)	2.4% (2.5%)



# The Monetary-Financial Environment

# Inflation over the past 12 months is 3.7 percent

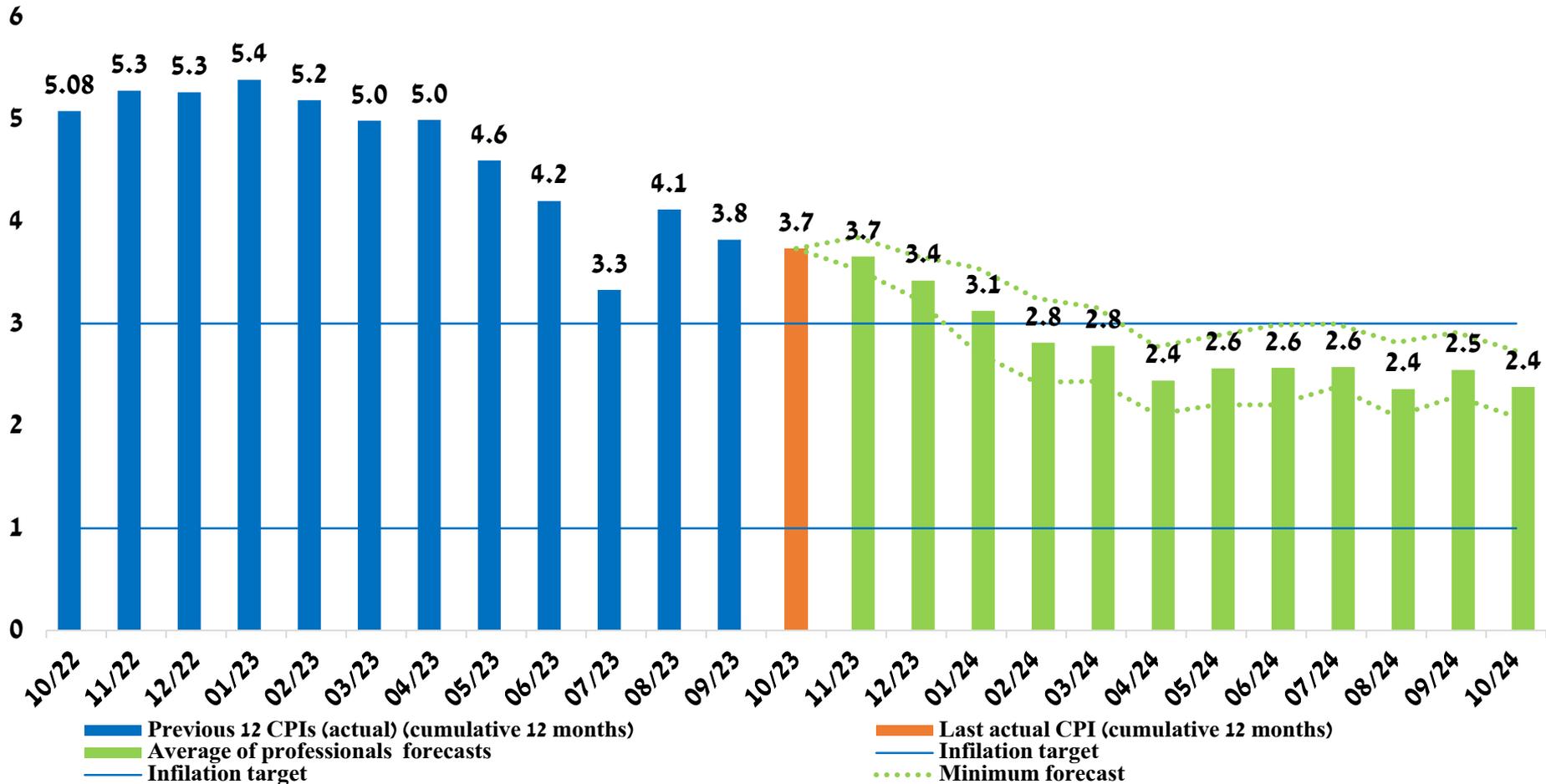
**Figure 17: The Contribution of Main CPI Components to Annual Inflation**  
November 2016–October 2023



- 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.

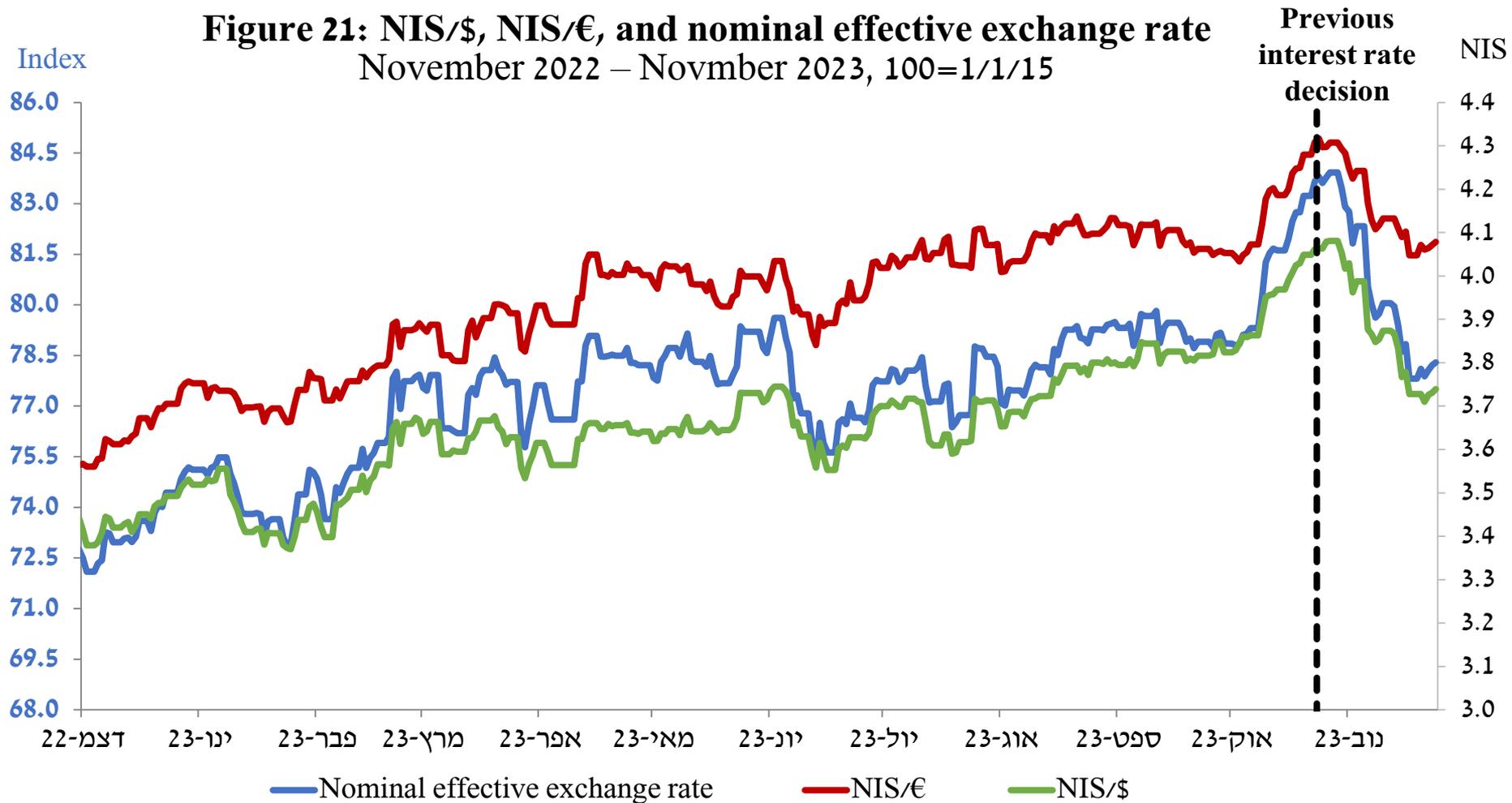
Based on forecasts, the inflation rate is expected to return to within the target range in the beginning of 2024.

**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

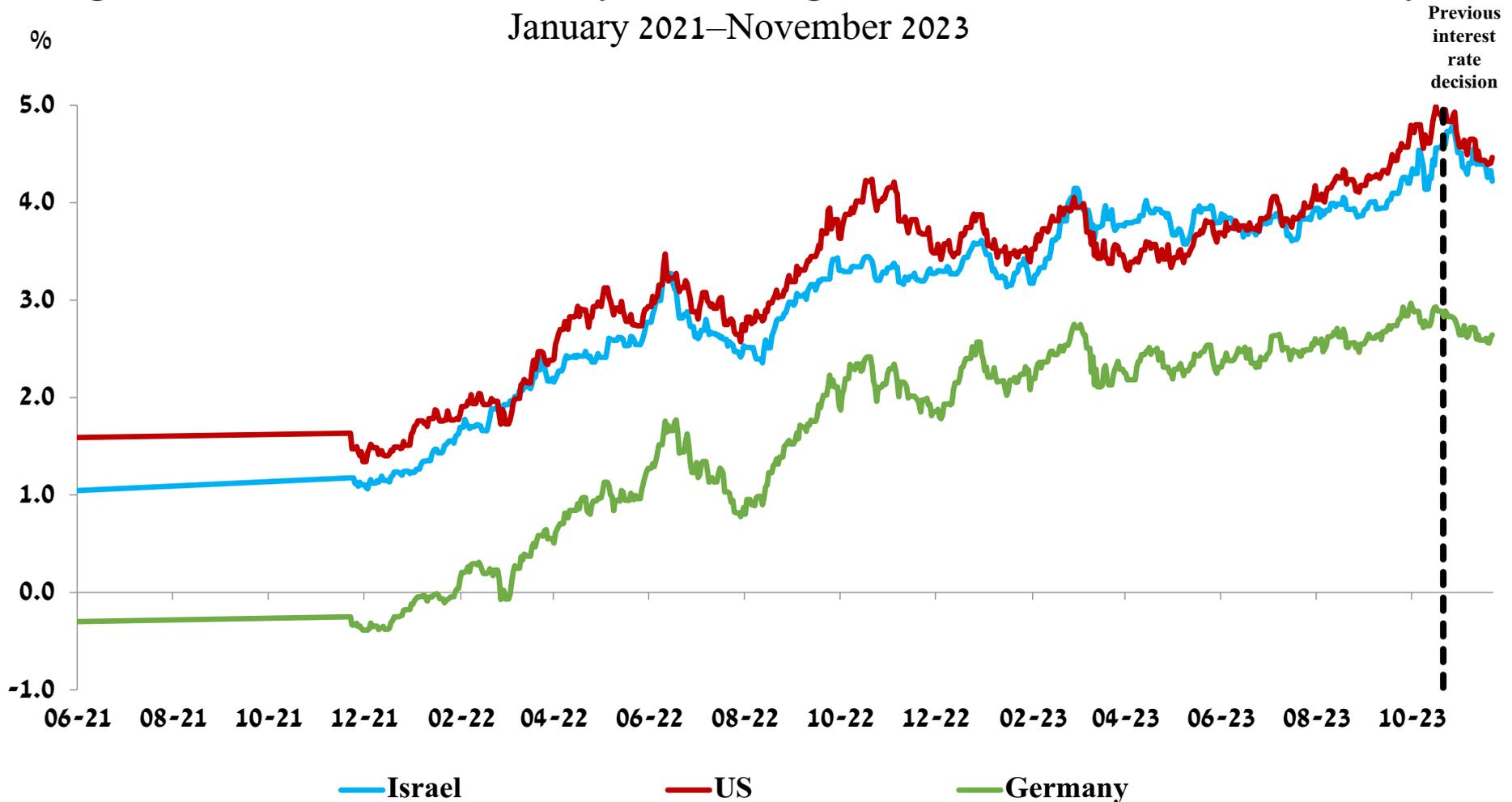
**Figure 22**



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

# Long-term government bonds relatively stable

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



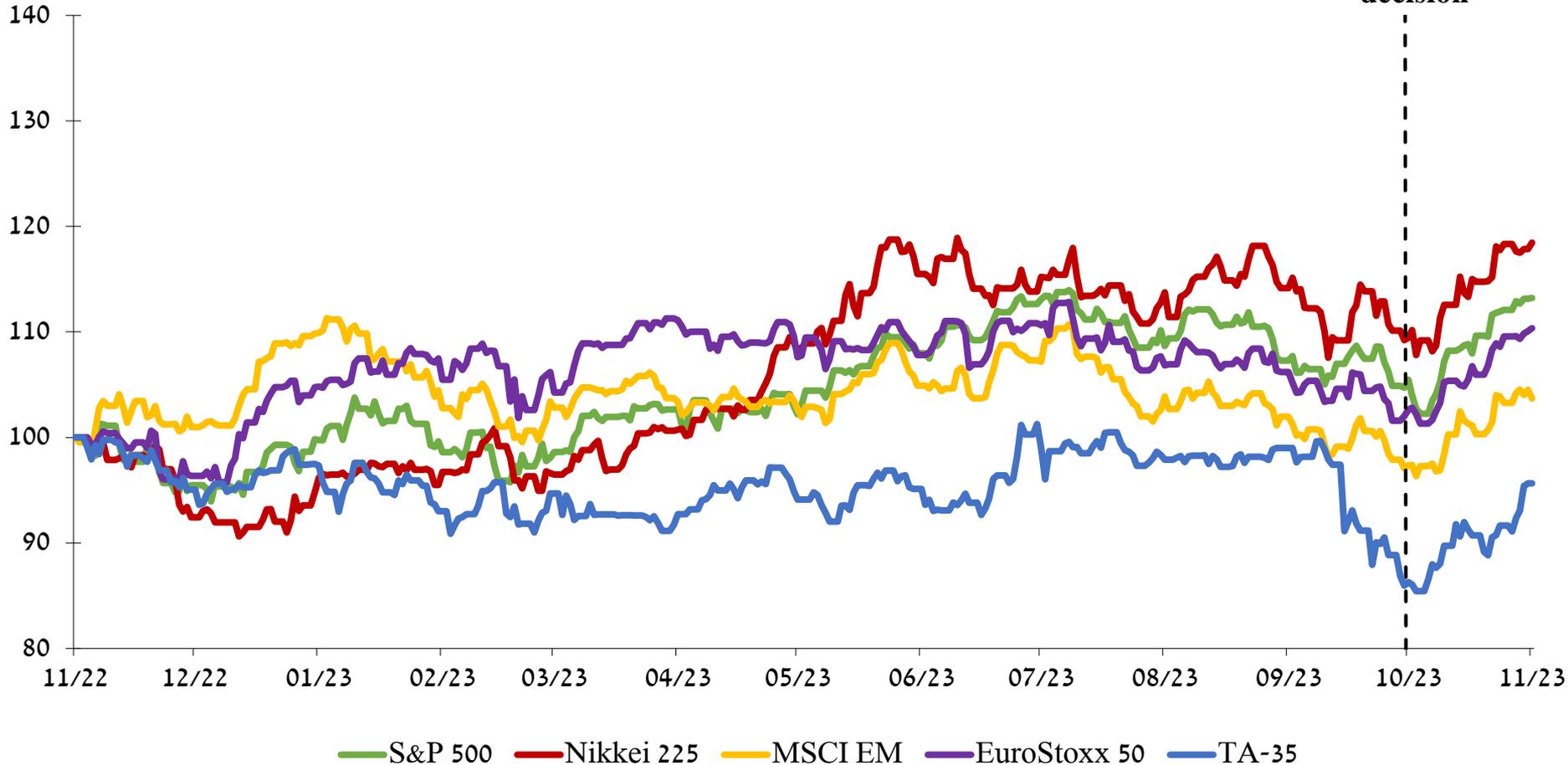


# Initially, equity indices in Israel declined sharply

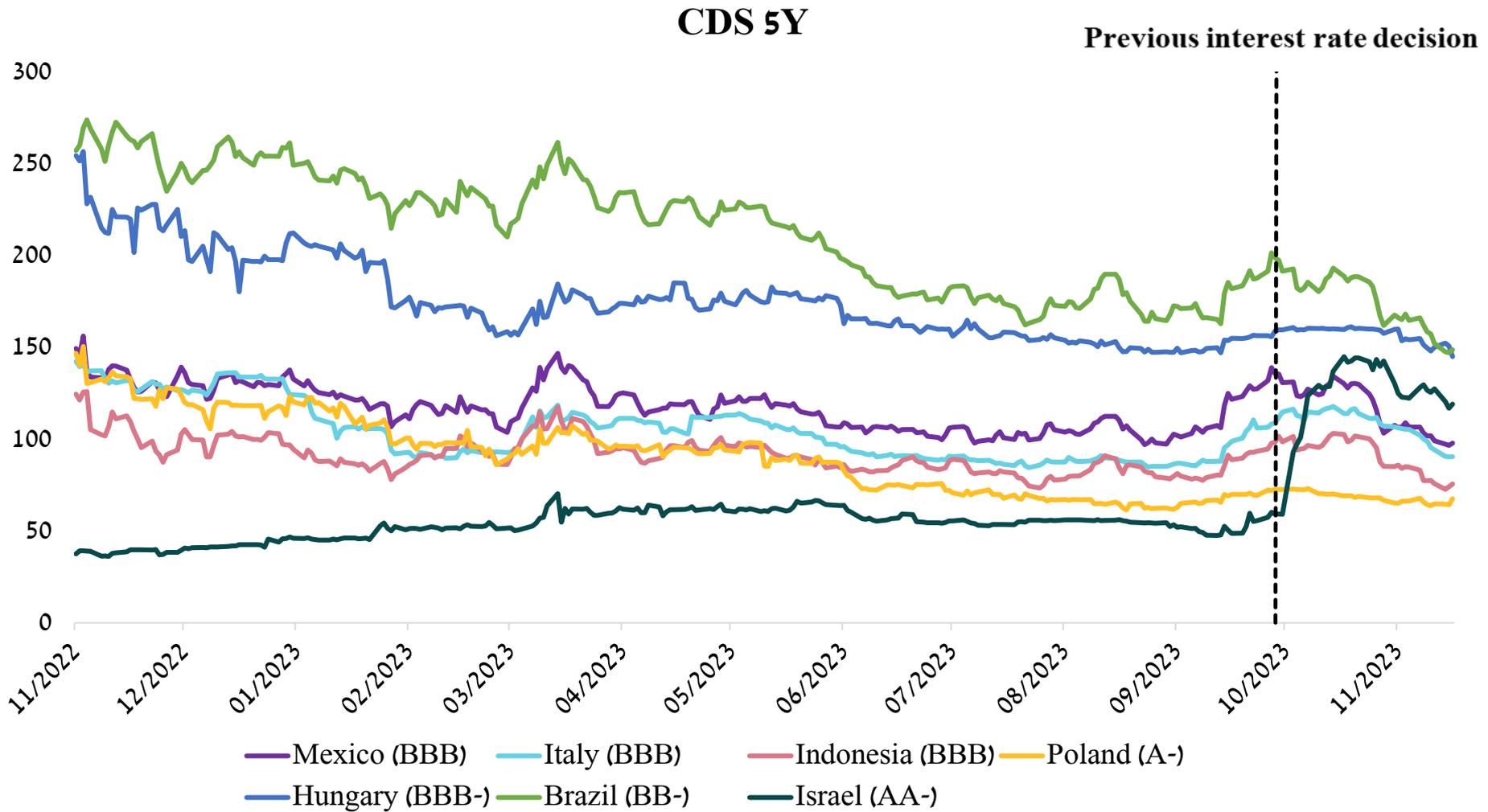
**: The Major Global Equity Indices**  
November 2022 - November 2023

**Previous  
interest rate  
decision**

Index  
24 Nov. 22 = 100



# Sharp rise in risk as measured by CDS

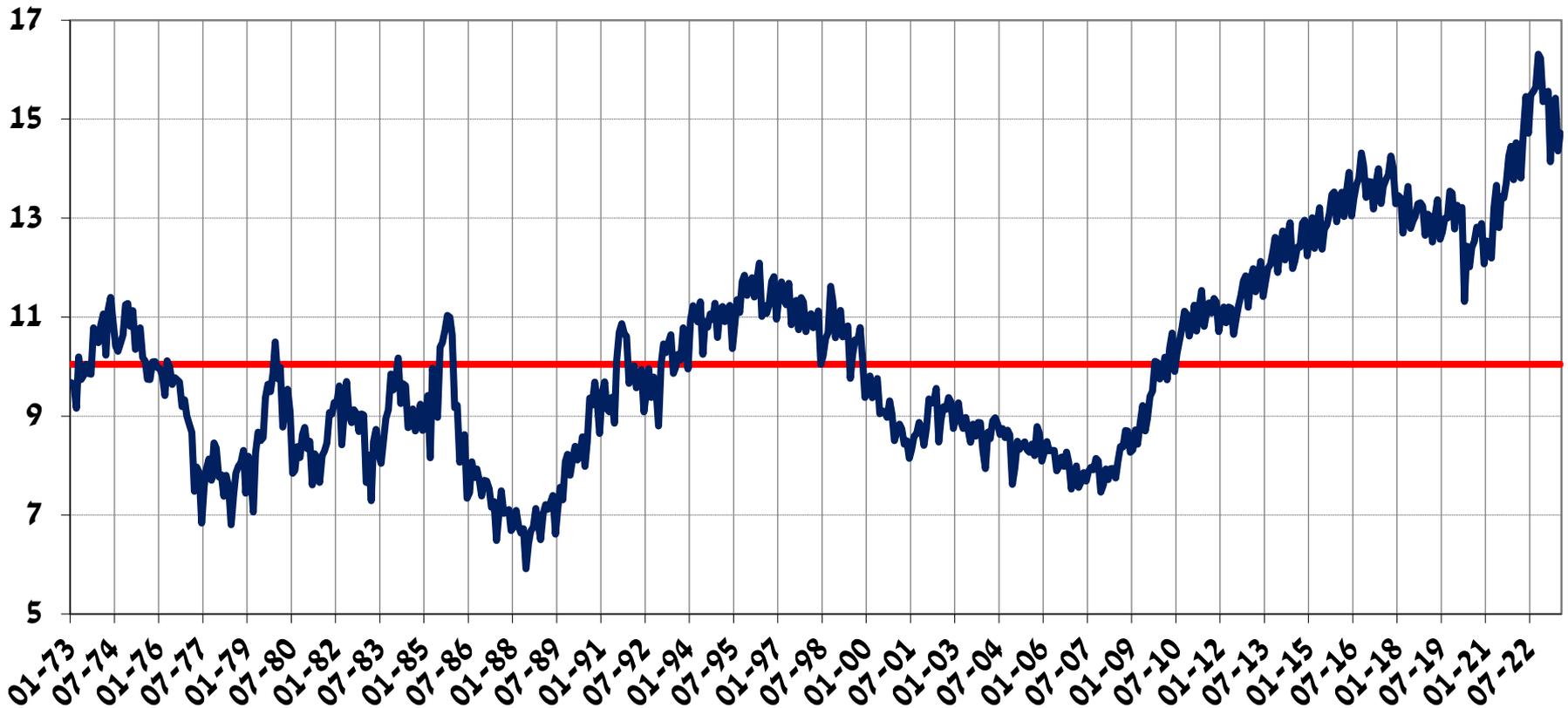




# Long term challenges

# Housing still expensive

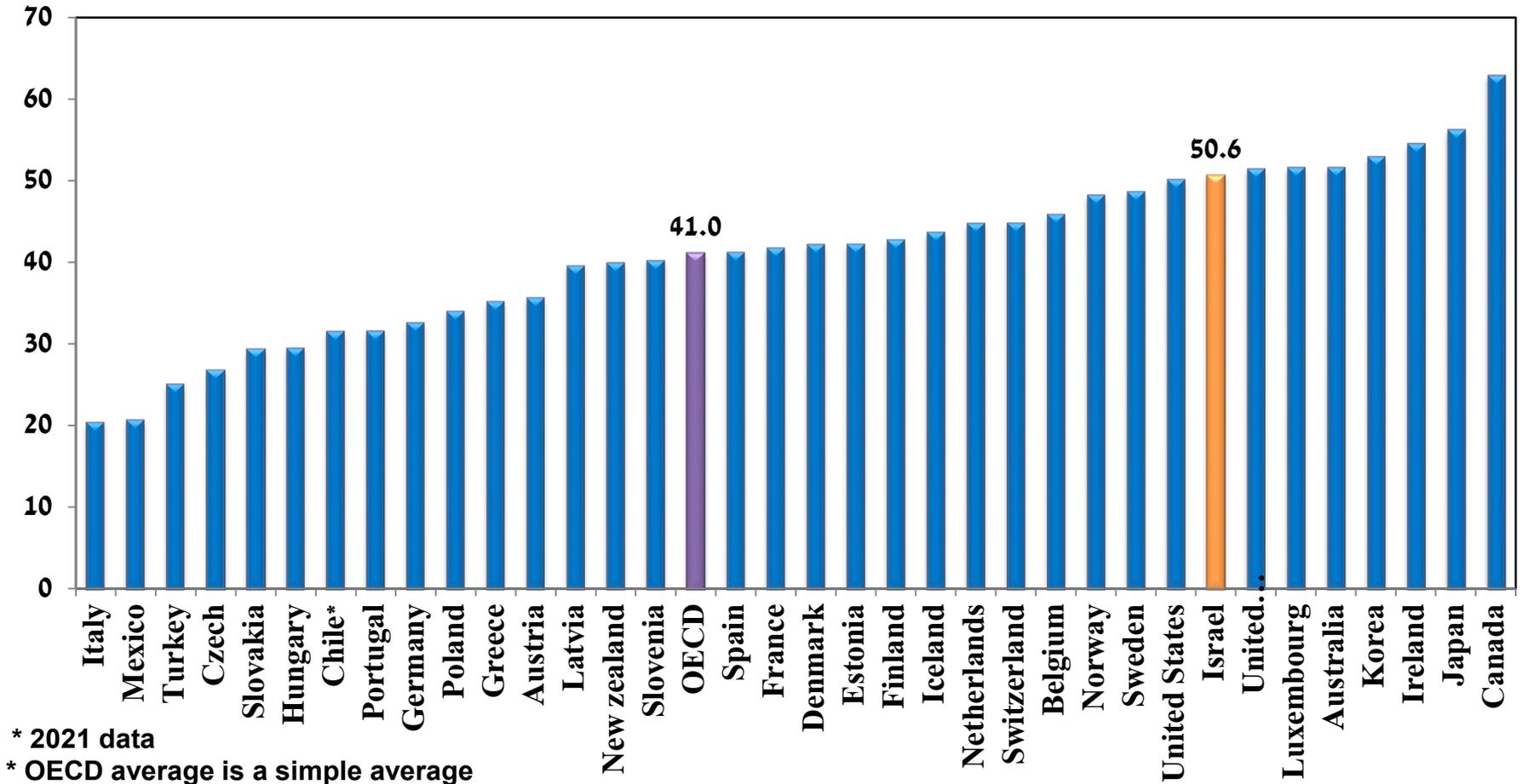
**Figure 26: Average Home Price Relative to Average Salary per Employee**  
(Jan 1973-Jul 2023, monthly figures, years of salary)



SOURCE: Based on Central Bureau of Statistics Data.

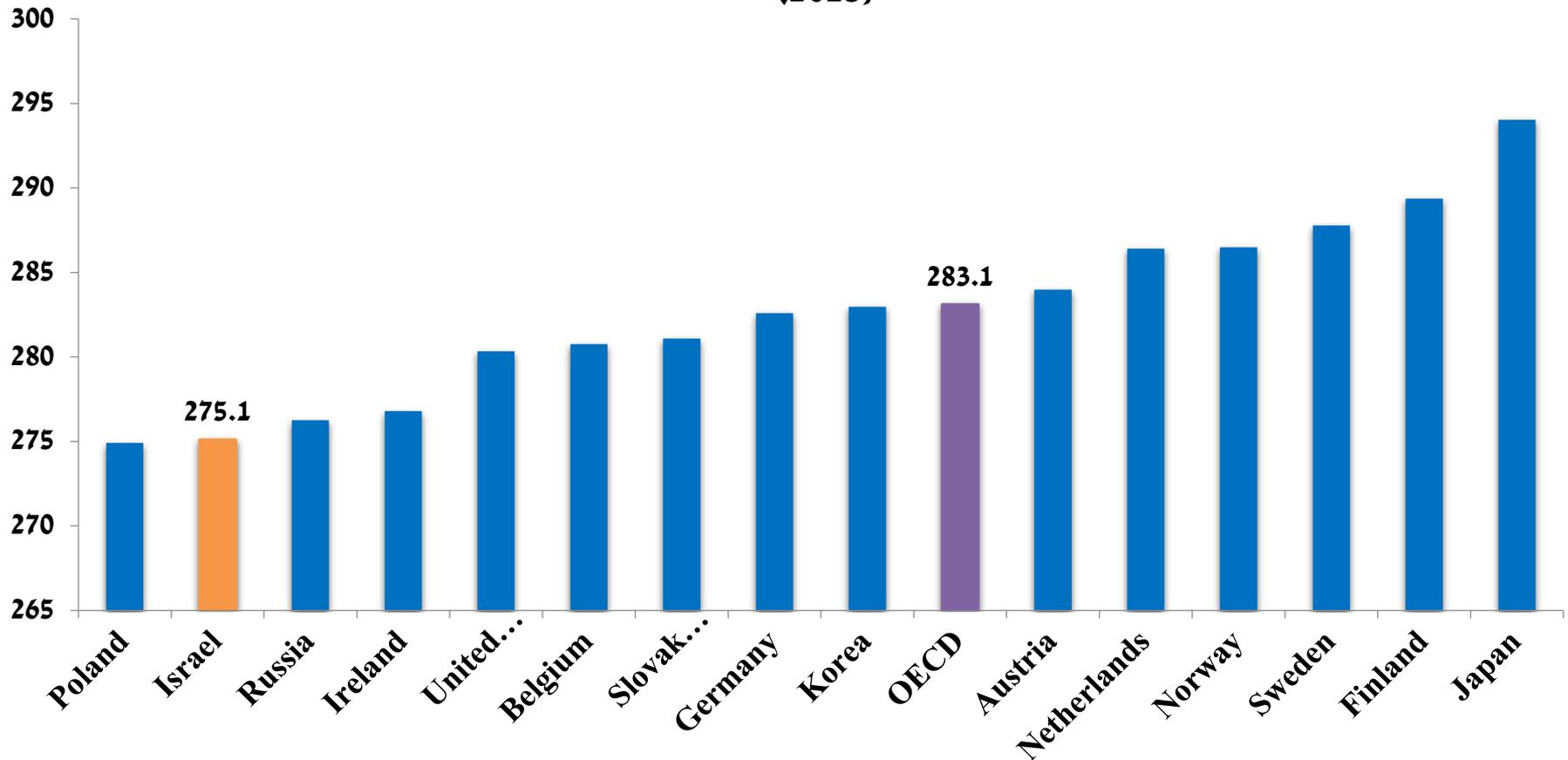
# Strong educated segment

**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**