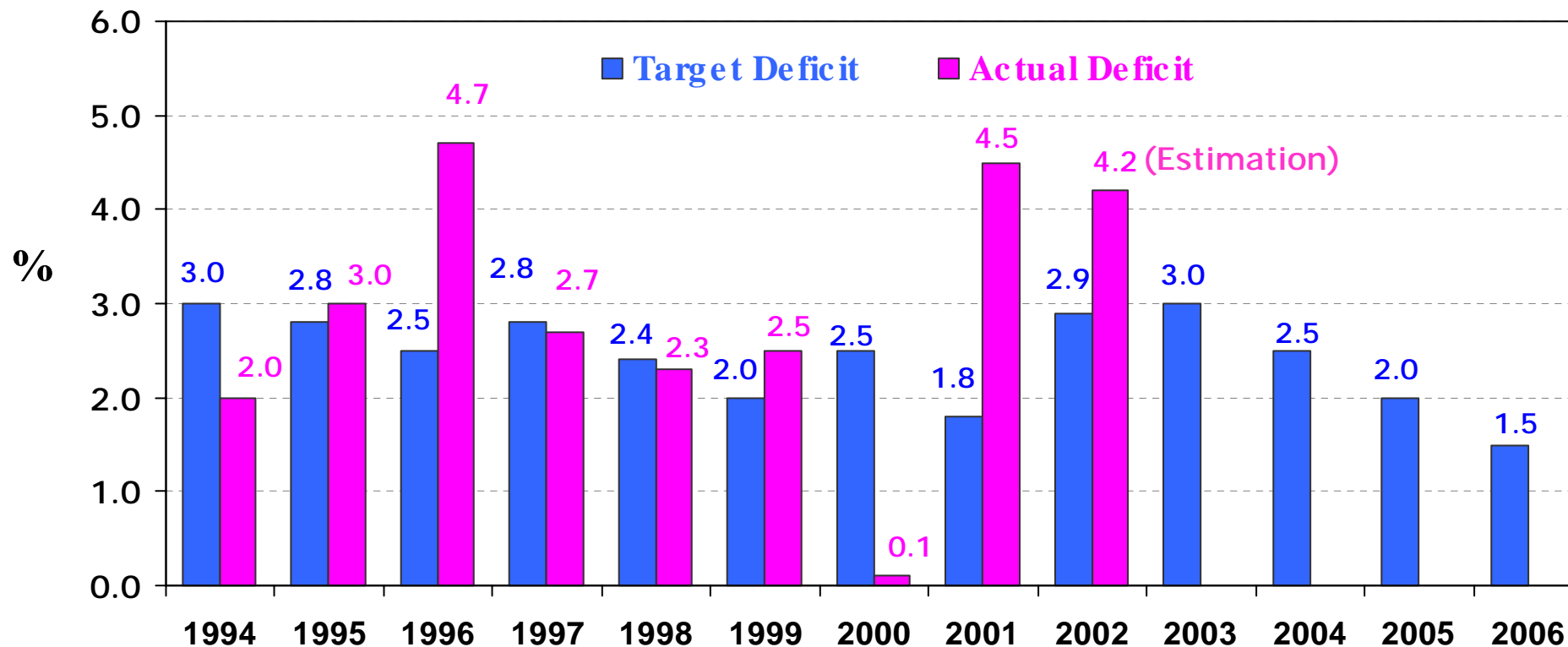


# Figure 1: The Budget Deficit, 1994-2002

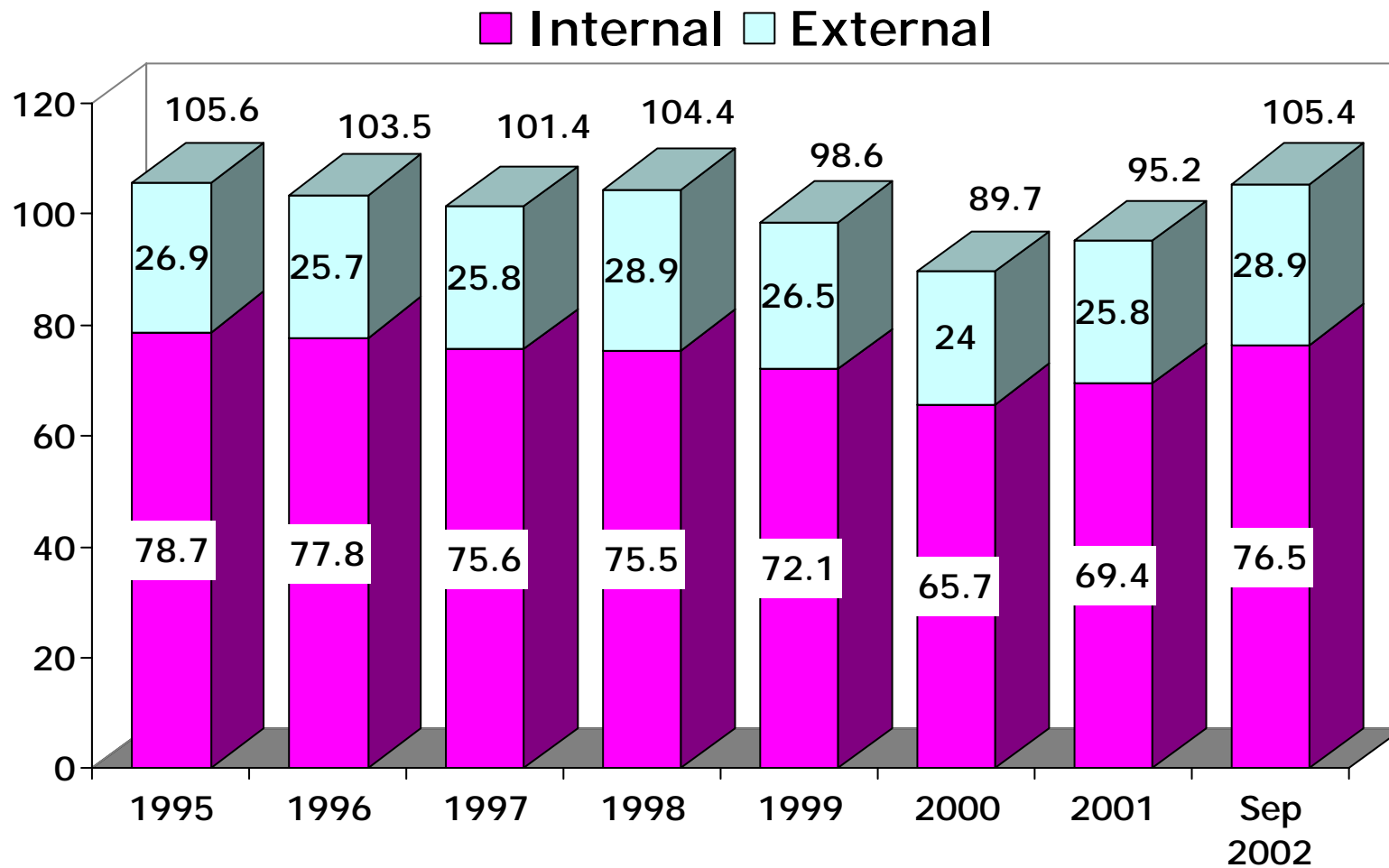


Until 1996, the domestic budget deficit ceiling.

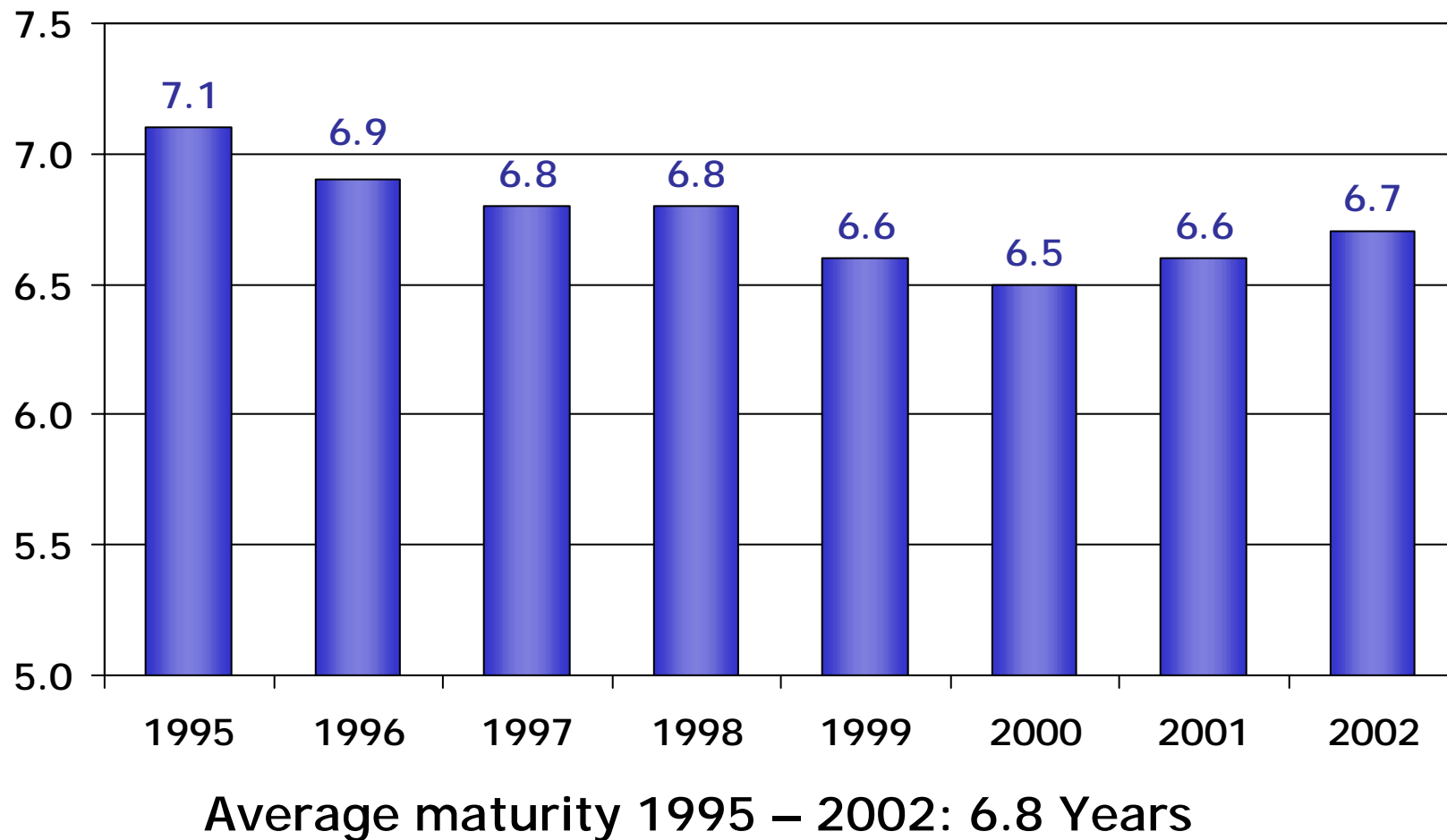
In and after 1997, the overall deficit including Bank of Israel profit, by law.

Since 2001 the overall budget deficit.

*Figure 2: Government Debt (Gross),  
1995 – 2002,  
(Percent of GDP)*

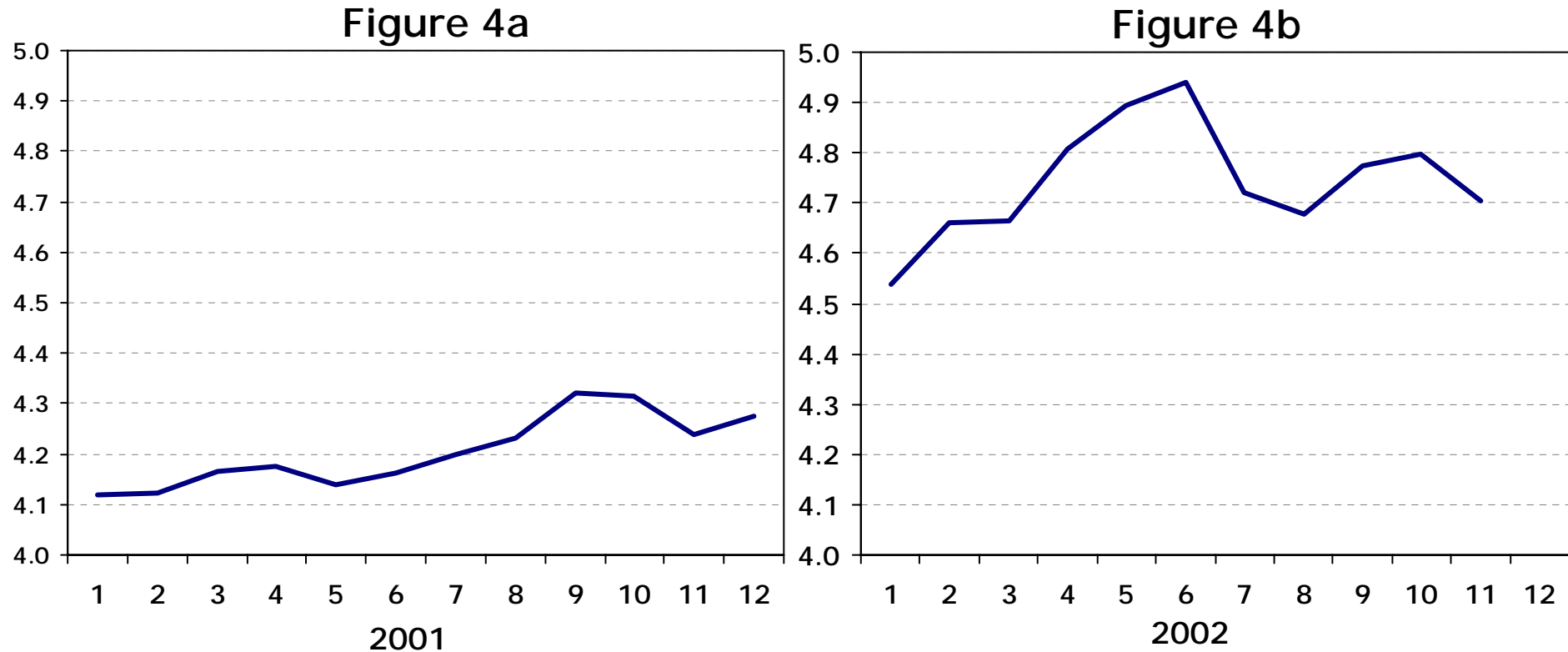


## *Figure 3: The Average Maturity of the Government Debt, 1995-2002*



# Figure 4: NIS/USD Exchange Rate, 2001 and 2002

Monthly average

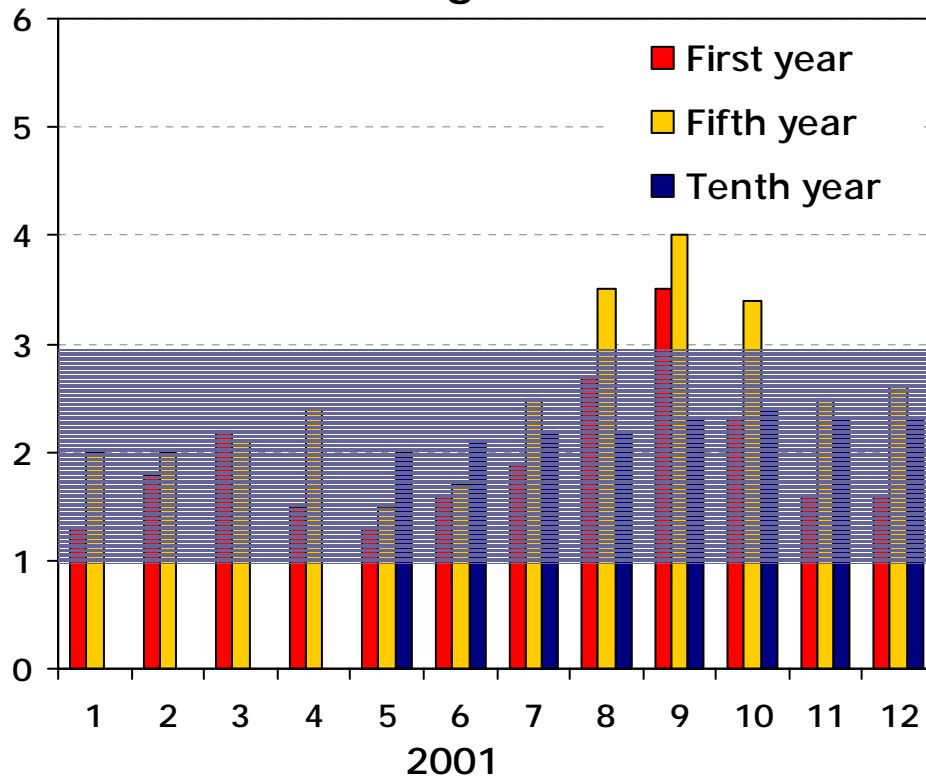


A relative stable exchange rate in 2001.  
Almost all observations fall within a narrow  
exchange rate range of 4.1-4.3 NIS/USD .

A more volatile exchange rate during 2002.

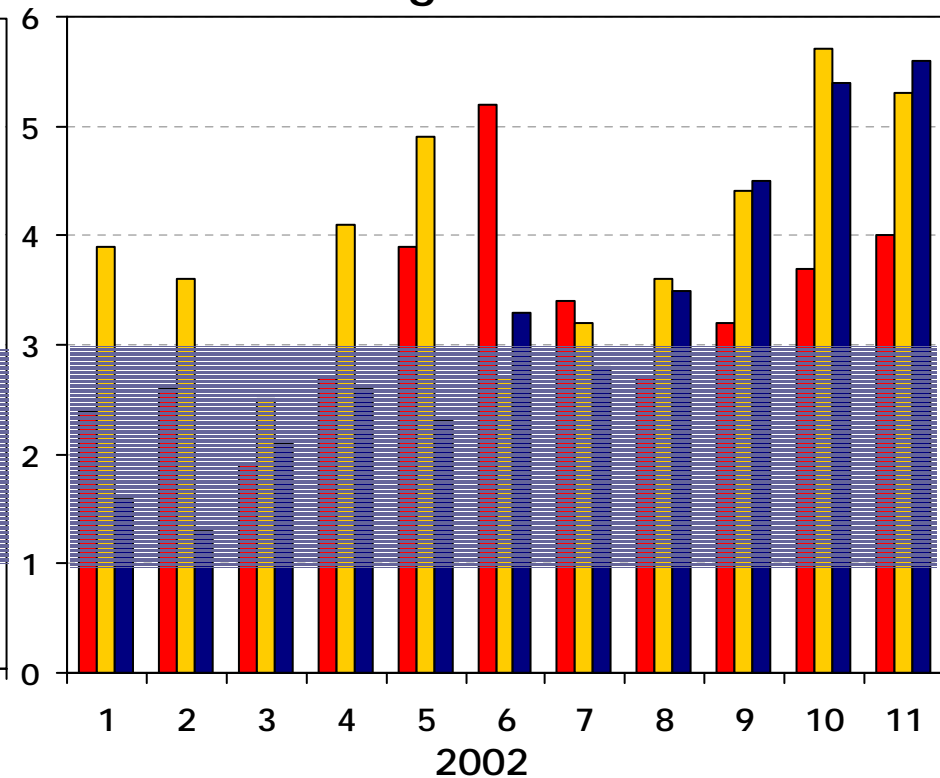
# Figure 5: Inflation Expectations from the Capital Market, 2001 and 2002

Figure 5a



Inflation expectations for all horizons fall almost entirely within the 1-3 percent target range, defined as price stability.

Figure 5b

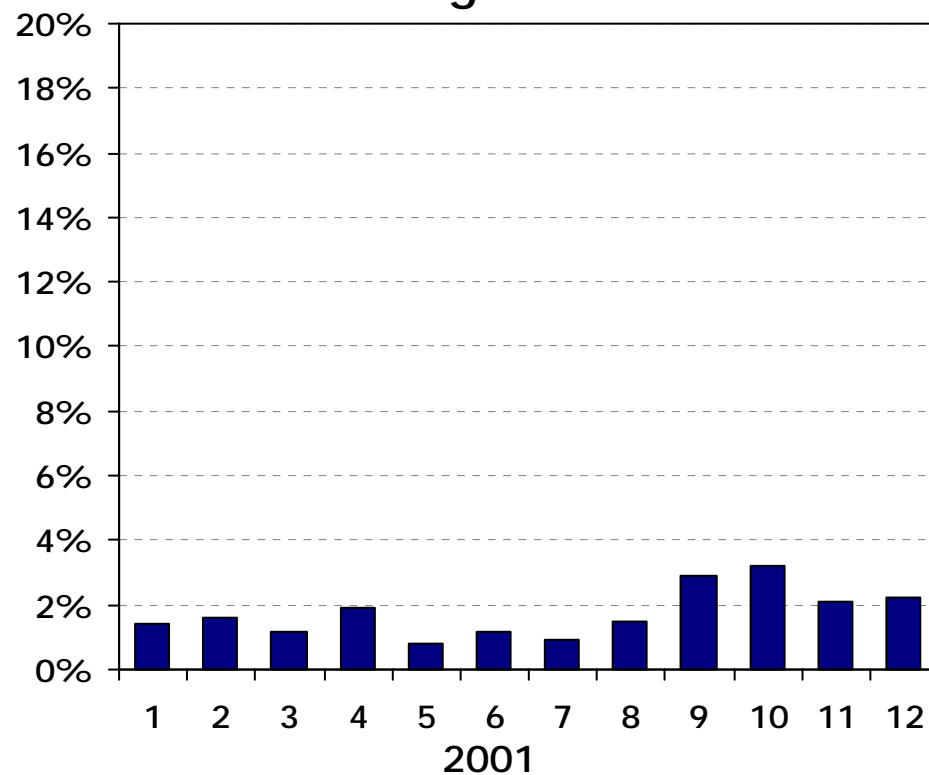


Many observations of inflation expectations, particularly for longer horizons are above the target range.

# Figure 6: Probability of Depreciation of NIS against the USD in Excess of 10% in 6 months, 2001 and 2002

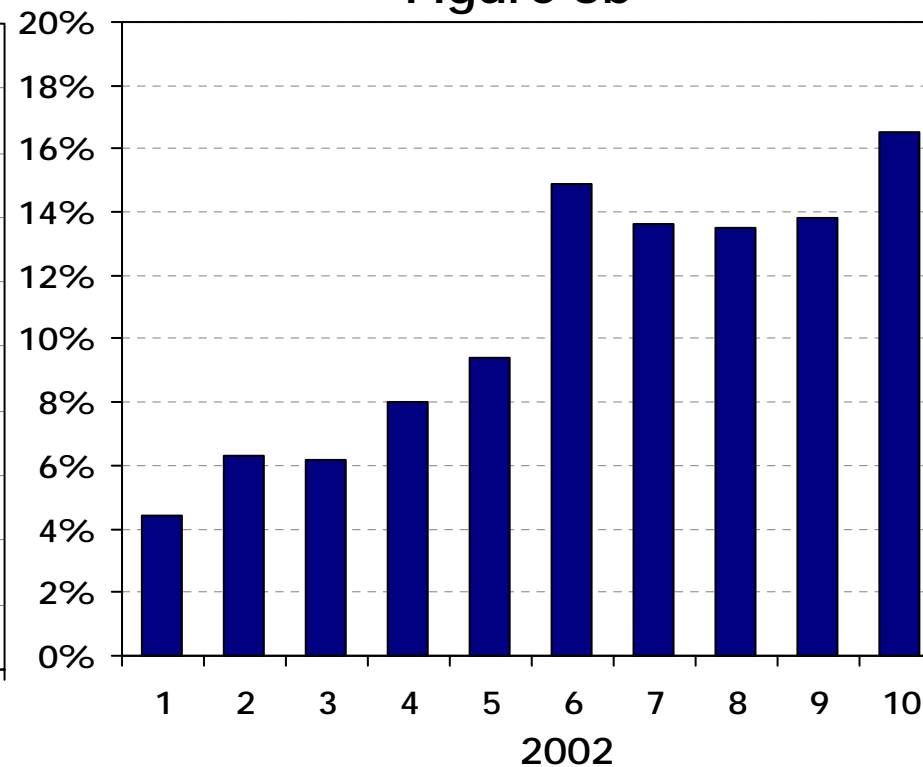
## Monthly average

Figure 6a



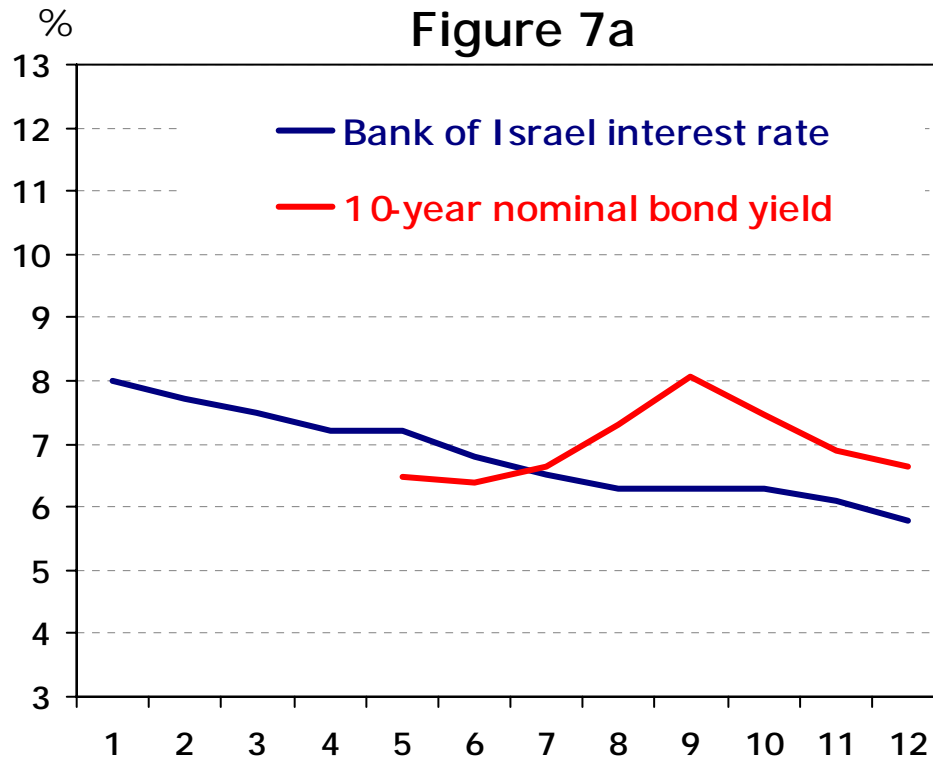
A low probability of a large depreciation in 2001.

Figure 6b



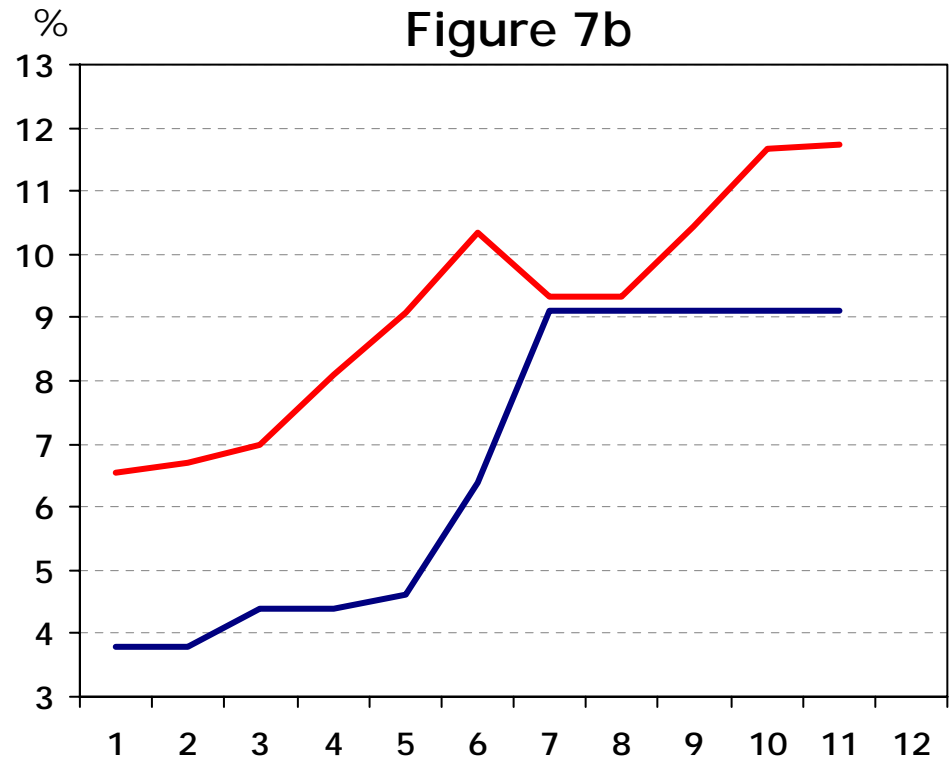
A much higher probability of a large depreciation in 2002.

# Figure 7: Nominal Interest Rate, 2001 and 2002



2001

Both short and long interest rates declined in 2001.



2002

Both short and long interest rates increased in 2002.