



**STATE OF ISRAEL**  
**MINISTRY OF FINANCE**  
Economics and State Revenues Department



Ministry of Finance

# Economic Highlights Presentation

4<sup>th</sup> Quarter 2012

In any case of information derived from sources external to the Ministry of Finance, such sources are mentioned at the bottom of each item

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# Economic Figures



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Criteria	2011	2012**	2012 Q1	2012 Q2	2012 Q3	2012 Q4
<b>GDP</b> (Current prices in \$B)*	243.6	241.0	59.8	60.8	59.7	
<b>Real GDP growth rate</b> (% change)	4.6%	3.3%	2.9%	3.1%	2.9%	
<b>GDP per capita</b> (Current \$)	\$31,384	\$30,486	7,609\$	7,712\$	7,561\$	
<b>GDP per capita growth rate</b> (%, 2005 prices)	2.7%	1.5%	1.1%	1.4%	1.0%	
<b>Exports (goods &amp; services), \$B*</b> <i>(As % of GDP)</i>	91.0 <i>37.3%</i>	91.0 <i>37.7%</i>	21.9 <i>36.6%</i>	23.8 <i>39.2%</i>	22.0 <i>36.7%</i>	
<b>Imports (goods &amp; services), \$B*</b> <i>(As % of GDP)</i>	92.1 <i>37.8%</i>	92.5 <i>37.7%</i>	24.2 <i>40.5%</i>	23.4 <i>38.5%</i>	22.6 <i>37.7%</i>	
<b>Unemployment rate</b>	7.1%	6.9%	6.8%	6.9%	6.8%	6.9%

\*Using a periodic average exchange rate.

\*\*The national accounts data for 2012 are a preliminary estimates of the CBS

# Economic Figures



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Criteria	2007	2008	2009	2010	2011	2012
<b>Public debt</b> (As % of GDP)	77.8%	77.1%	79.3%	76.3%	74.0%	74.0%*
<b>General government expenditure</b> (As % of GDP)	43.6%	43.0%	43.0%	42.6%	42.3%	-
<b>Current account surplus</b> (As % of GDP)	2.9%	0.9%	3.7%	3.8%	0.8%	-0.6%**
<b>Inflation rate</b> (CPI, yearly average, % change)	0.5%	4.6%	3.3%	2.7%	3.5%	1.7%
<b>Budget deficit</b> (As % of GDP)	0.0%	2.2%	5.2%	3.7%	3.3%	4.2%

\* MoF Estimates.

\*\* First three quarters at annual rate.

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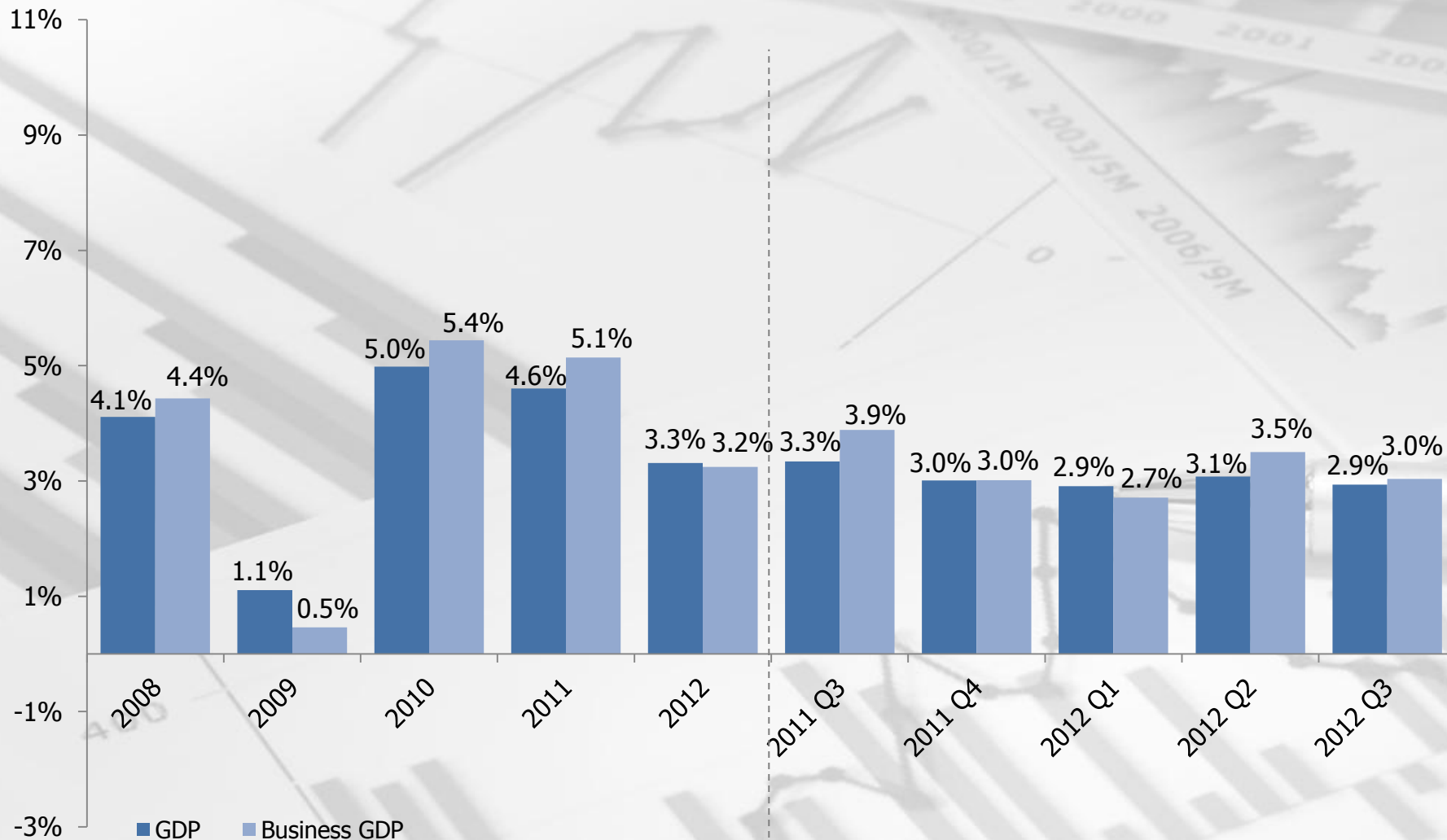
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# GDP and Business GDP

Annual rate of change, constant prices, 2005



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# GDP Growth

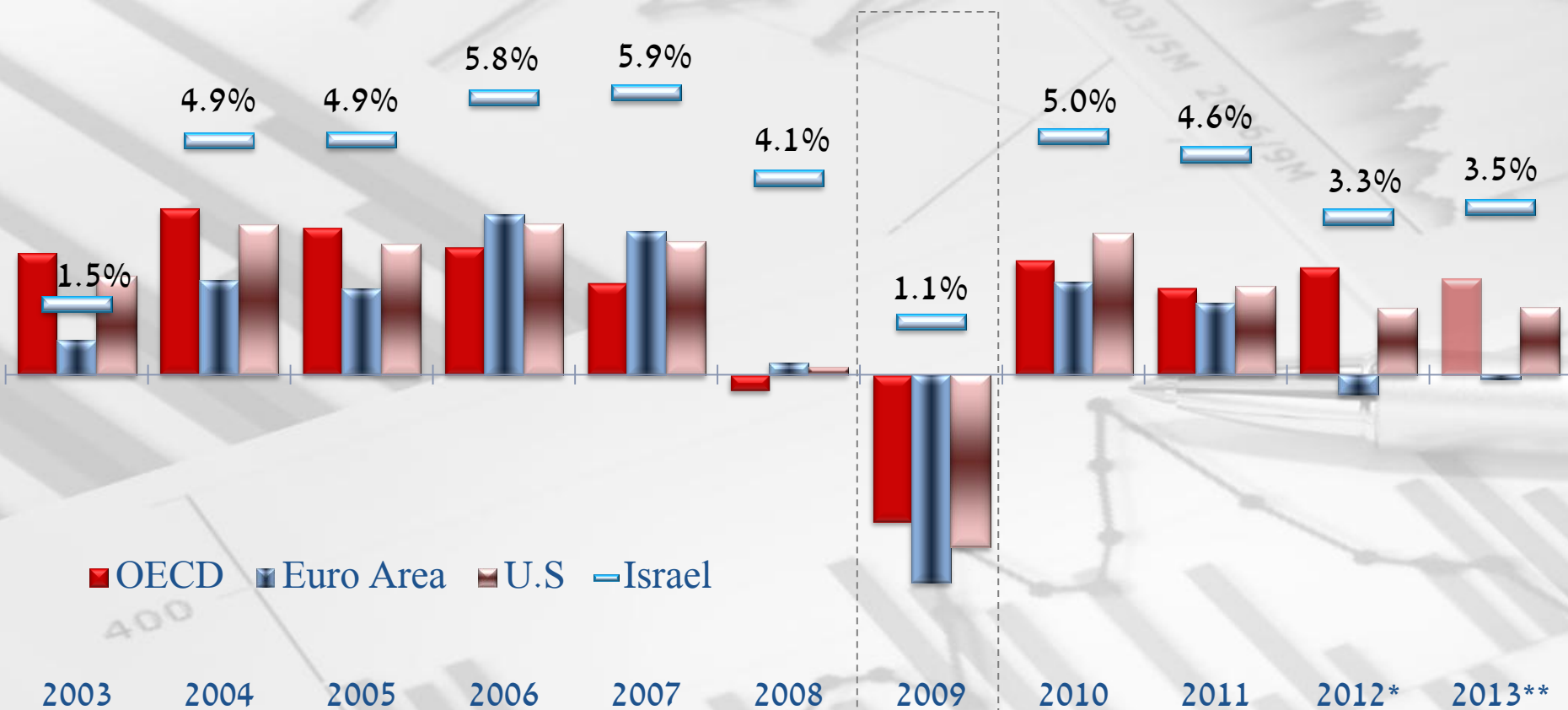
Israel compared to advanced economies, annual rate of change, constant prices



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Since 2004, Israel's growth rate has exceeded the average growth rate of advanced economies.

In 2009, as most of the world experienced a decline in GDP, Israel experienced a 0.8% growth in it's GDP.



\* CBS early estimate, OECD estimate

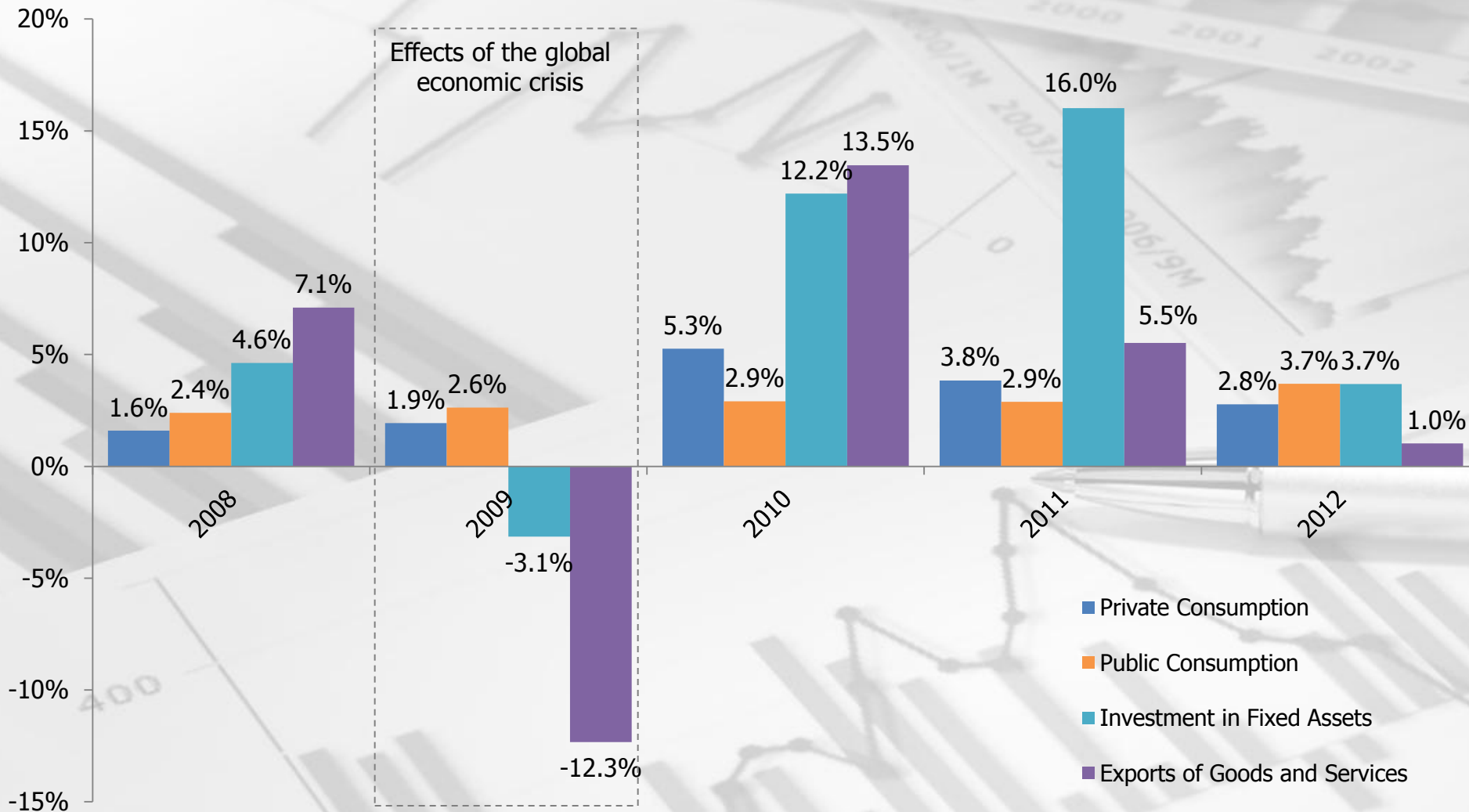
\*\* MOF forecast, OECD forecast

# GDP Components

Real Annual Percentage Change



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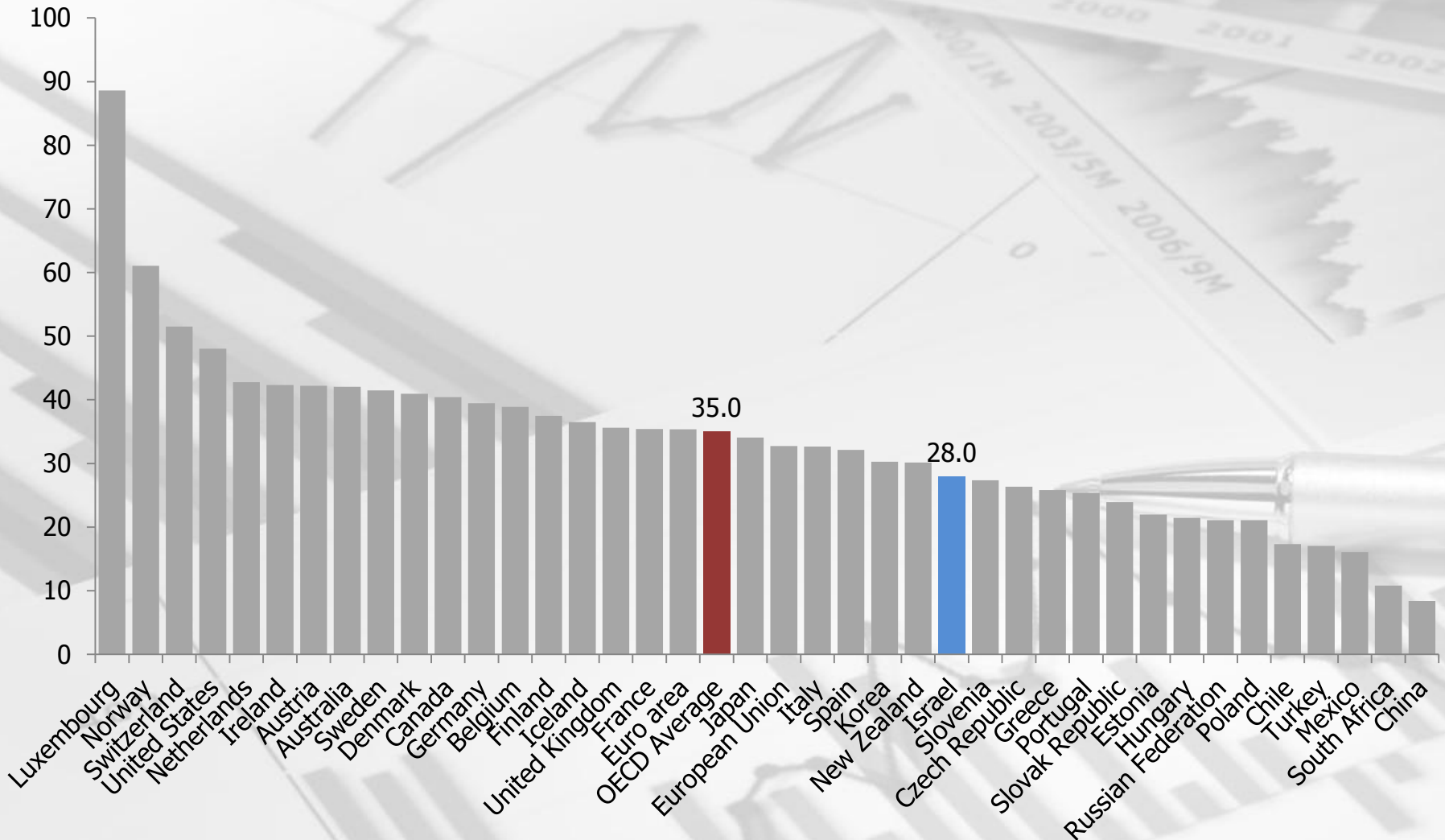


# GDP per Capita

U.S \$, Current prices, Current PPP, 2011



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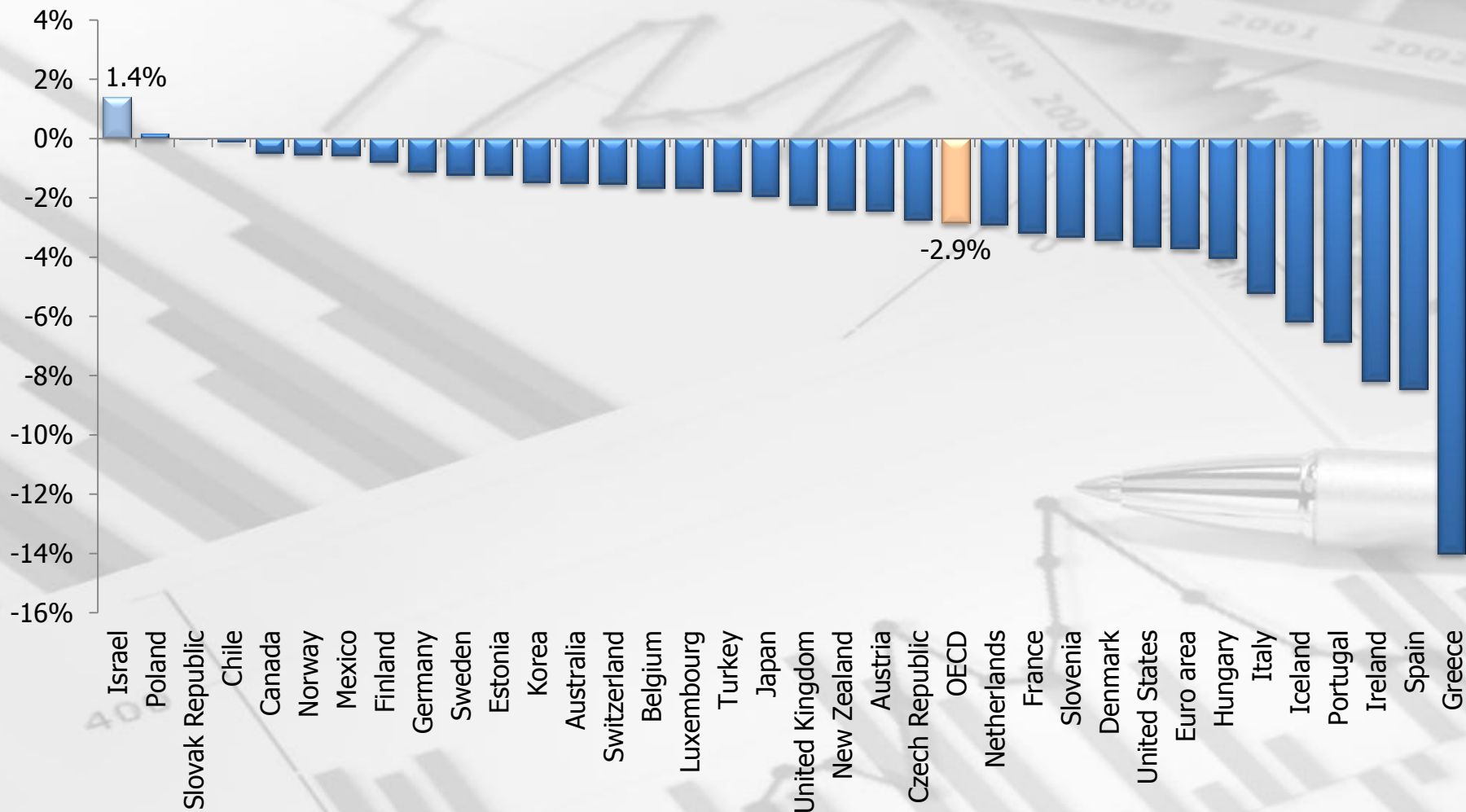


# Output Gap

As percentage of Potential GDP, 2012



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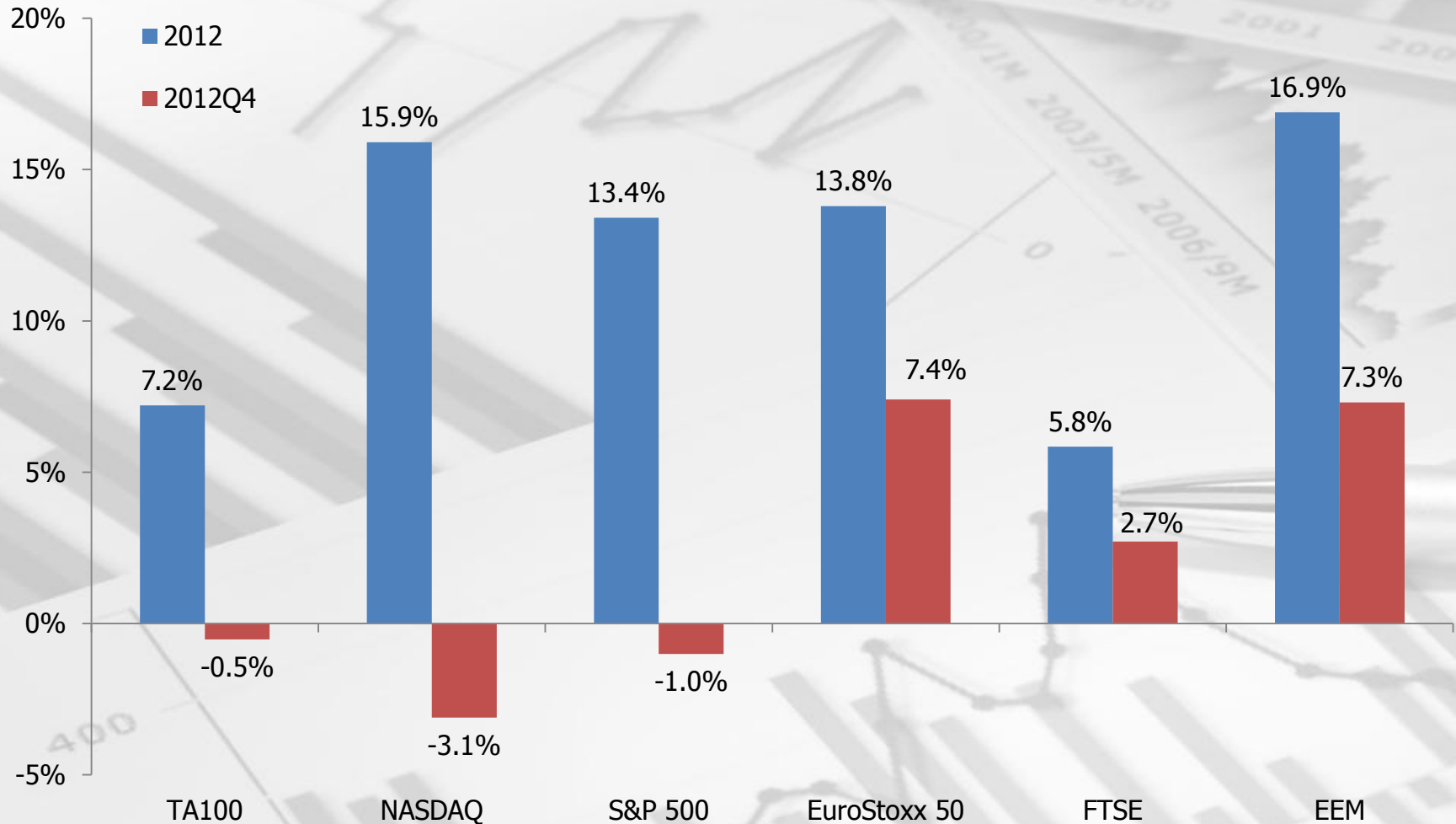
The actual - potential GDP Difference.  
Positive index means that actual output is higher than potential.

# Stock Exchange Indices



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Percentage Change, end of period relative to previous period's end



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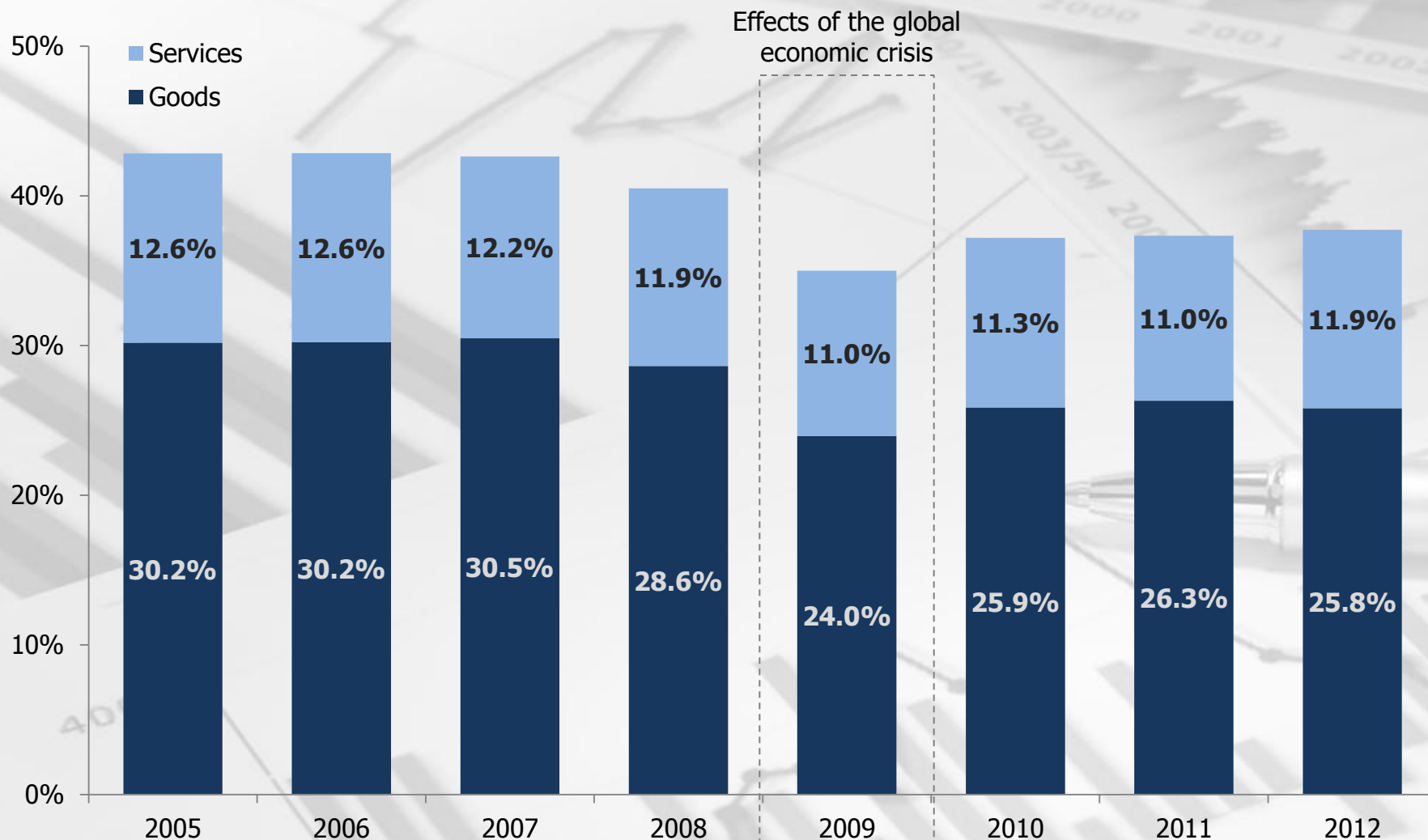
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# Exports of Goods and Services

As a share of GDP



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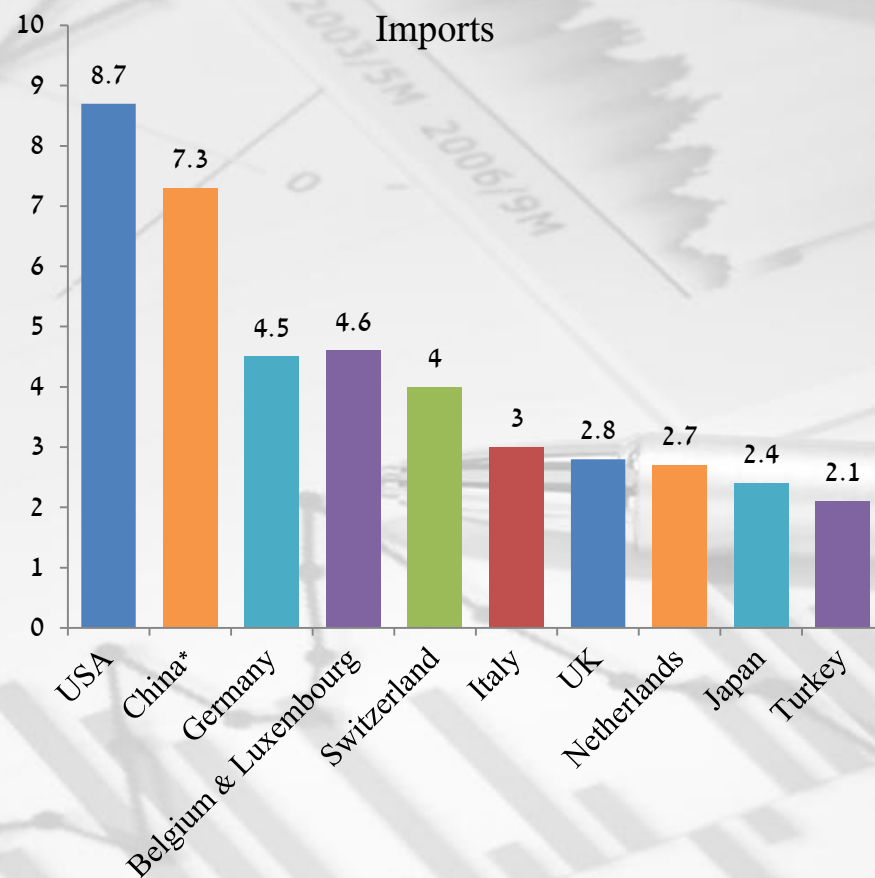
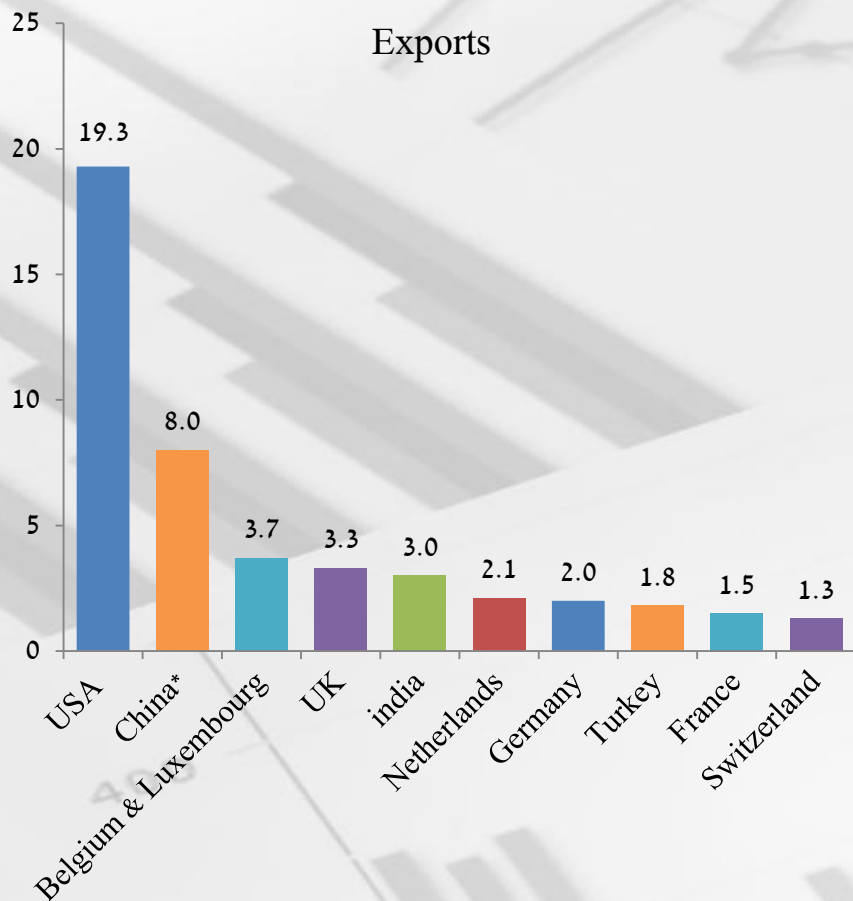


# Main Trading Partners

US \$ Billions, 2012



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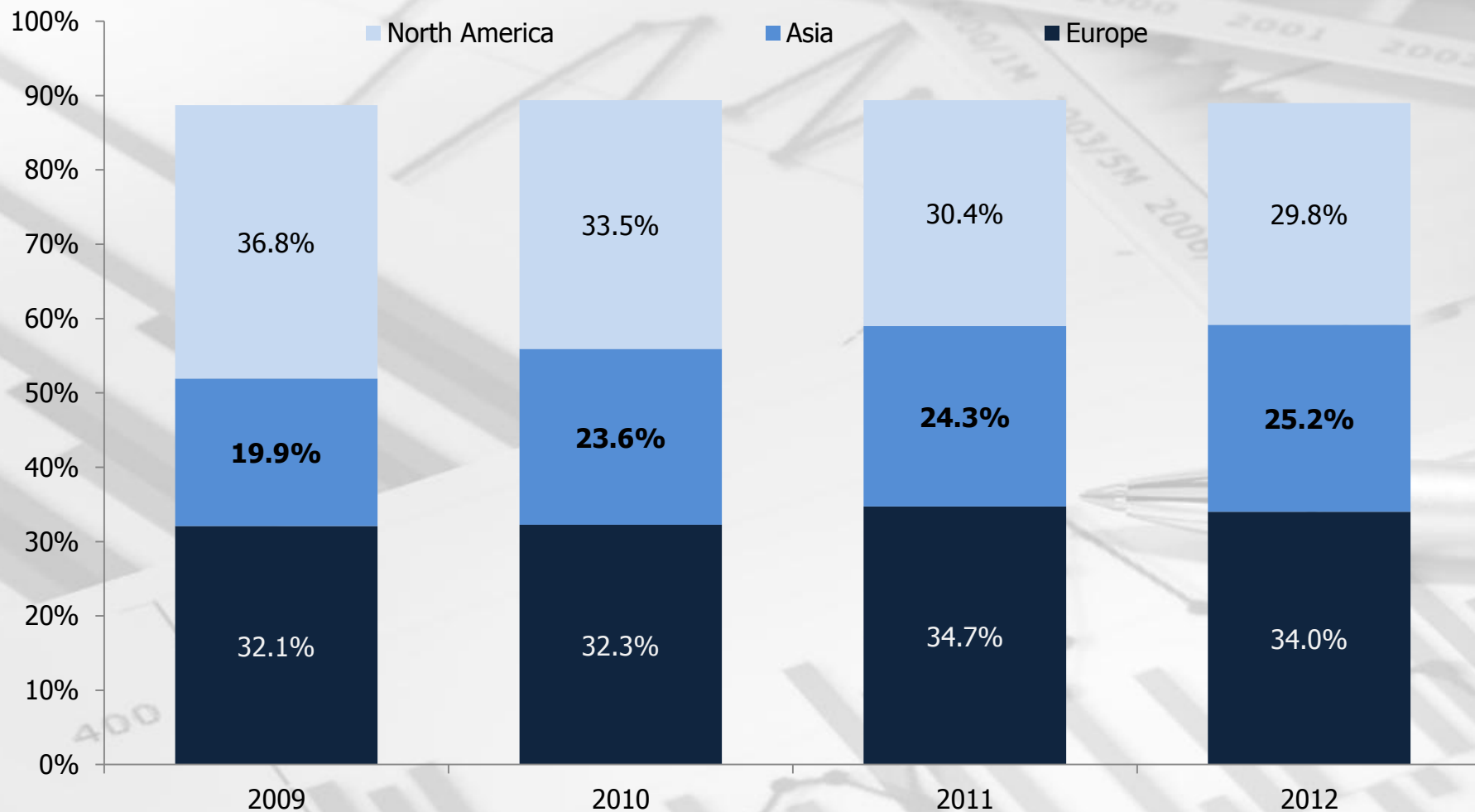
\* The data on trade with Hong-Kong is added to the data on China

# Main Export Destinations

As a share of total exports



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# Current Account Surplus

As % of GDP



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\* 2012 first three quarters at annual rate.

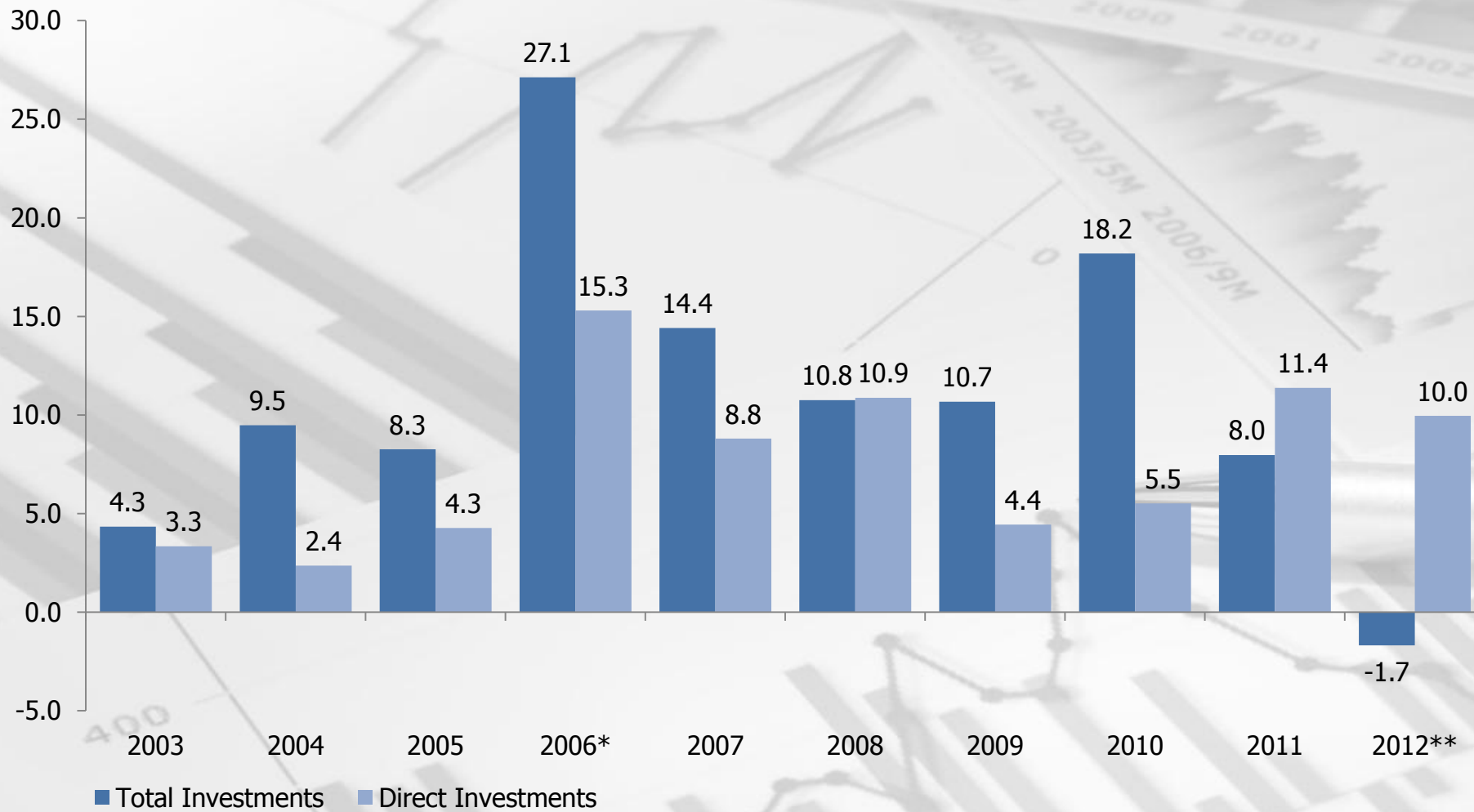


# Foreign Investments

US \$ Billions



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\* In 2006, a large acquisition by Teva Pharmaceutical Industries Ltd. was excluded from the data.

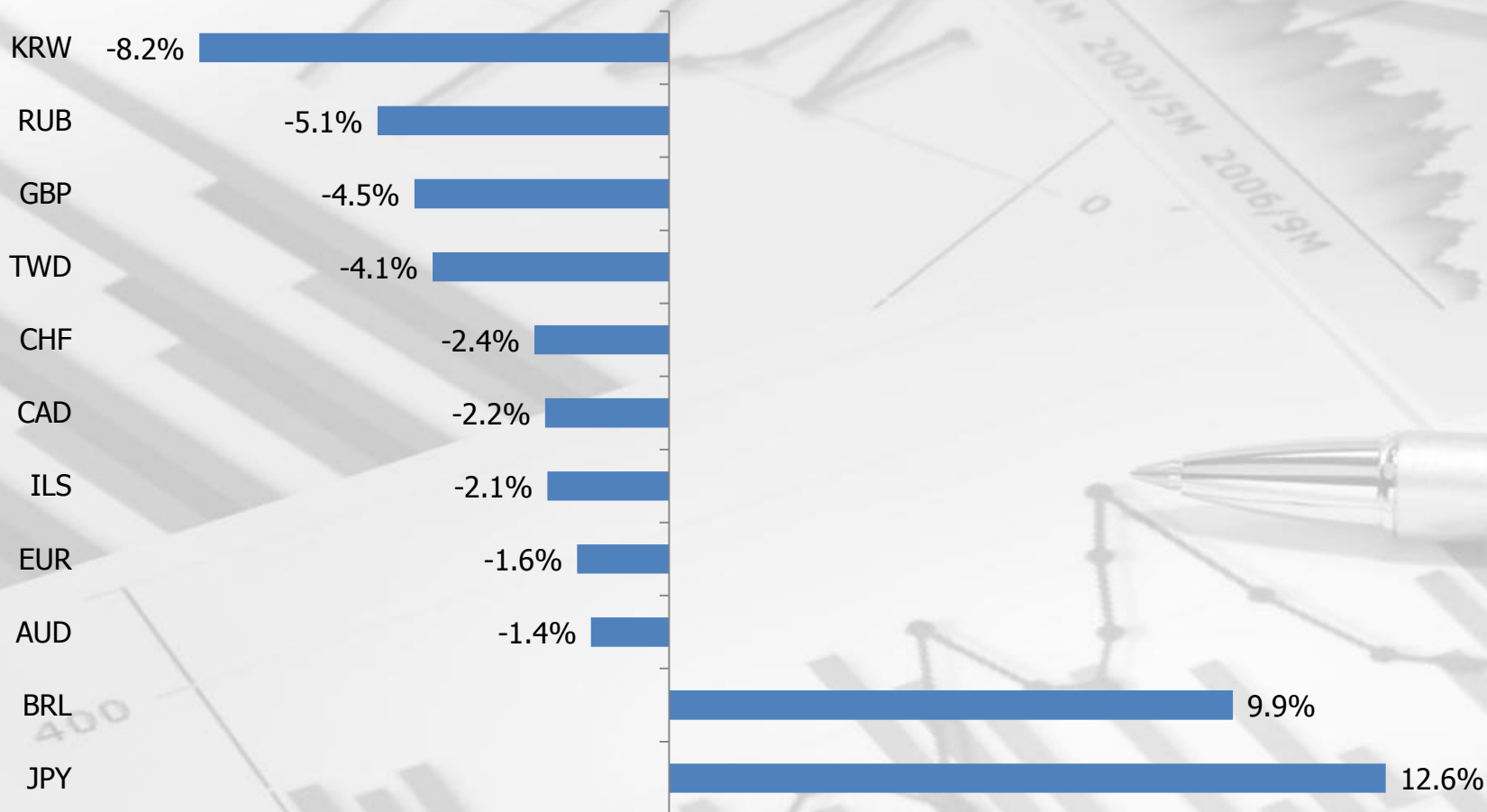
\*\* 2012 first three quarters at annual rate.

# Exchange Rates

31 December 2012 vs 31 December 2011



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The annual change in the specified currency relative to the US\$

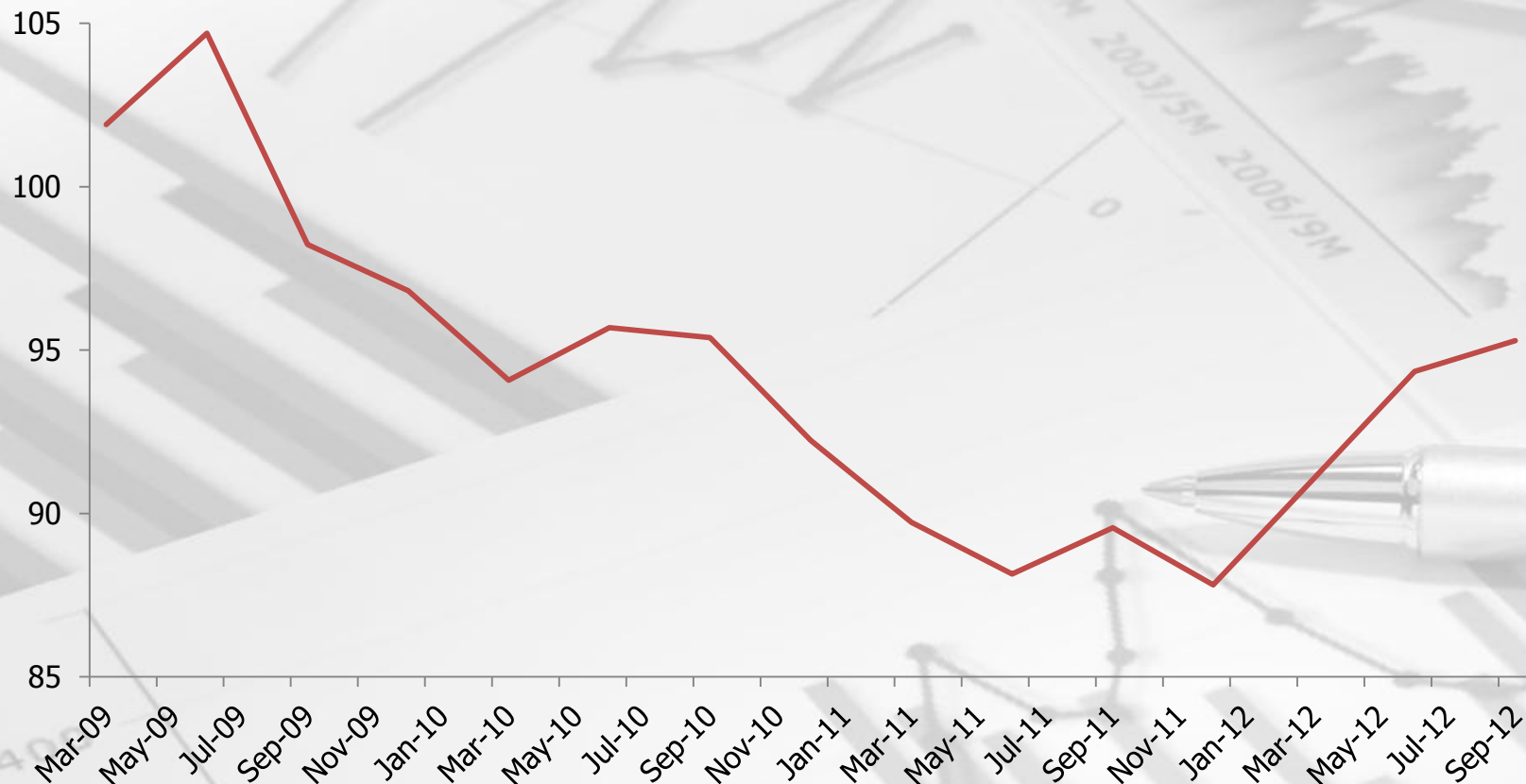
A decrease means an appreciation of the specified currency relative to the US\$

# Terms of Trade

2005 average = 100



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Terms of Trade = Export Prices to Import Prices Ratio

# Israel's Free Trade Agreements



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## QIZ Agreements

1985



USA

1992



EFTA

1997



Turkey

1997



Canada

1999



Mexico

2000



European Union (Association Agreement)

2007



MERCOSUR

2004



Egypt

1998



Jordan

# Bilateral Investment Treaties



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Albania



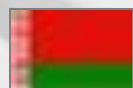
Argentina



Armenia



Azerbaijan



Belarus



Bulgaria



China



Croatia\*



Cyprus



Czech Republic



El Salvador



Estonia



Ethiopia



Georgia



Germany



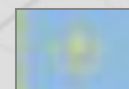
Guatemala



Hungary\*



India



Kazakhstan



Korea



Latvia



Lithuania



Moldova



Macedonia\*

\*Extended information is available in the [Israel Ministry of Finance website](http://www.mof.gov.il)

# Bilateral Investment Treaties



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Mongolia



Montenegro



Poland



Romania



Serbia



Slovakia



Slovenia\*



South Africa\*



Thailand



Turkey



Turkmenistan



Ukraine\*



Uruguay



Uzbekistan

# Economic Organizations

Membership in main international economic organizations



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## **Israel is a member in leading international economic organizations:**

- United Nations Organizations
- United Nations Agencies
- World Bank Group
- International Monetary Fund
- OECD
- Regional Organizations
- Inter-Governmental Organizations

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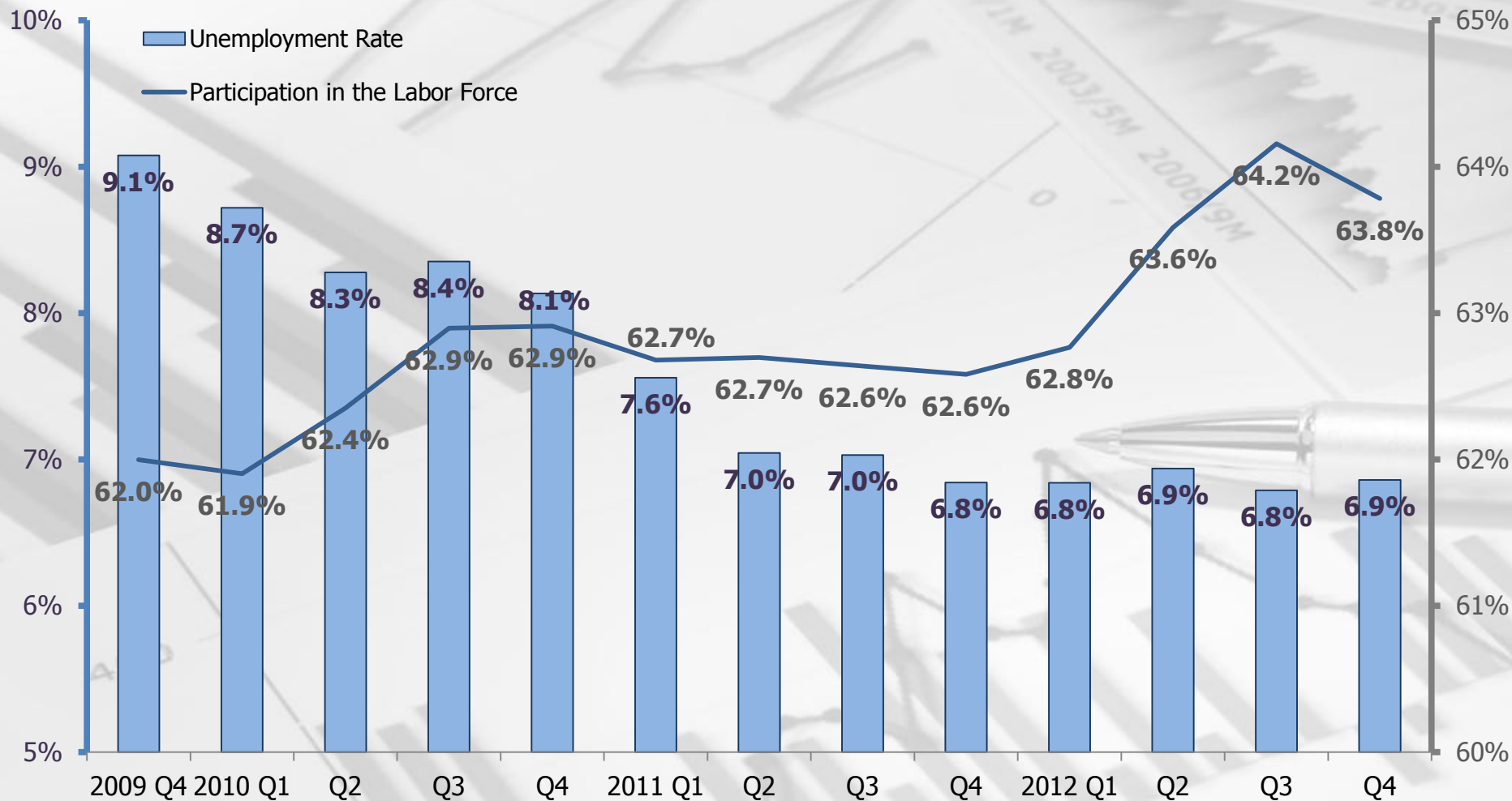
# Unemployment and Participation



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As % of total labor force

Since the 2<sup>nd</sup> quarter of 2009 unemployment is relatively **decreasing**, with a gradual **increase** in the participation rate since the beginning of 2010.

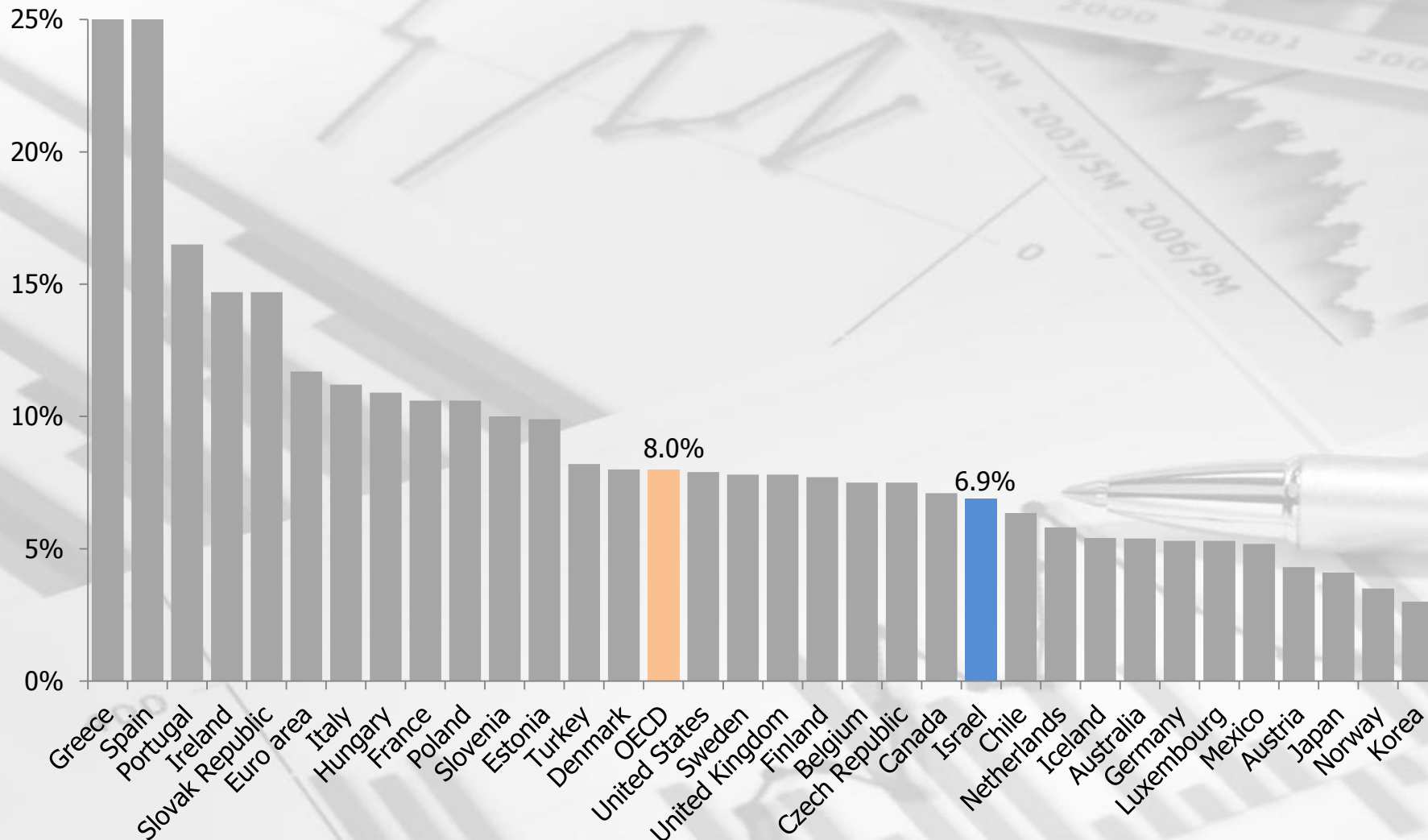


# Unemployment Rate

Latest available data



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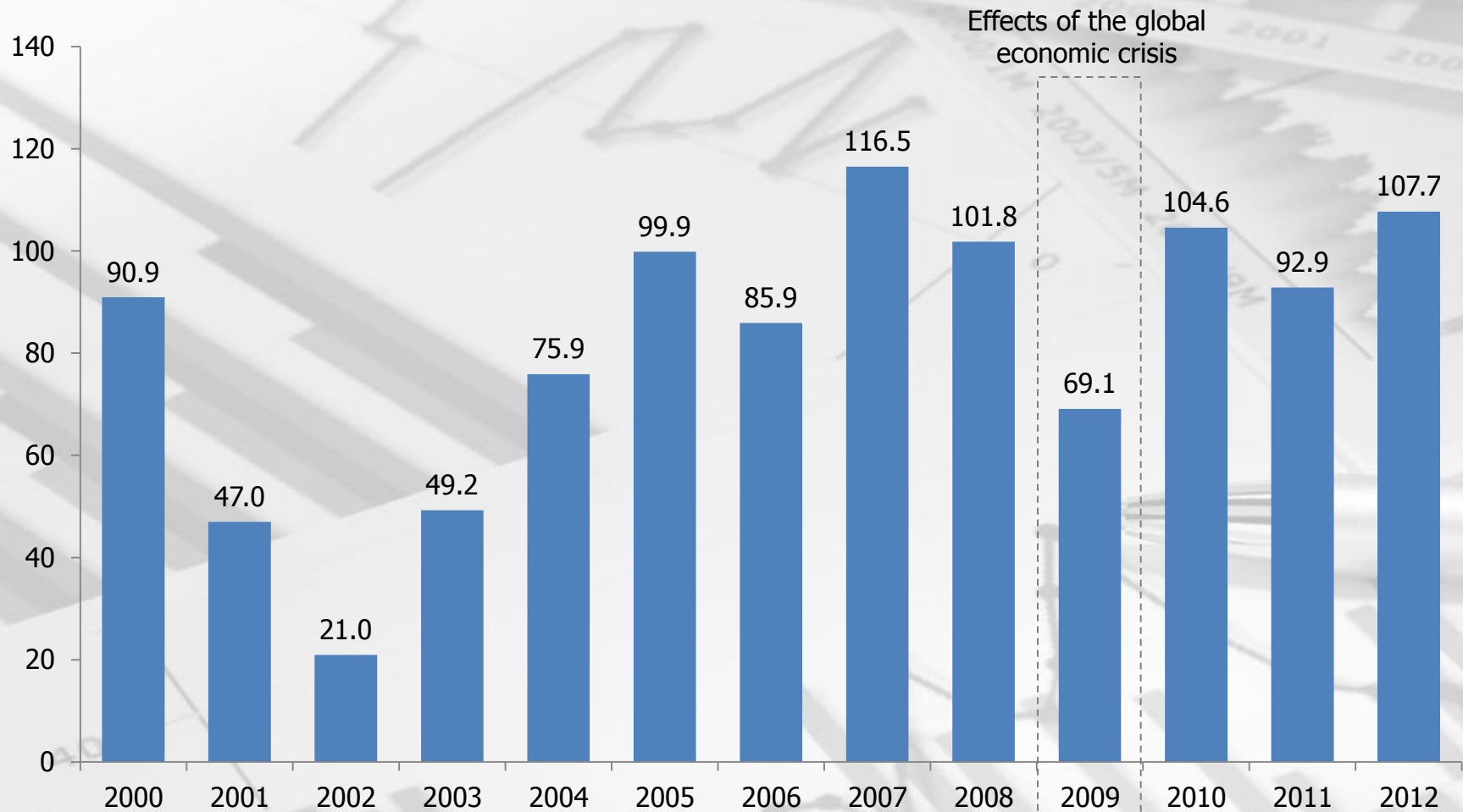


# Job Creation

Change in the number of employees



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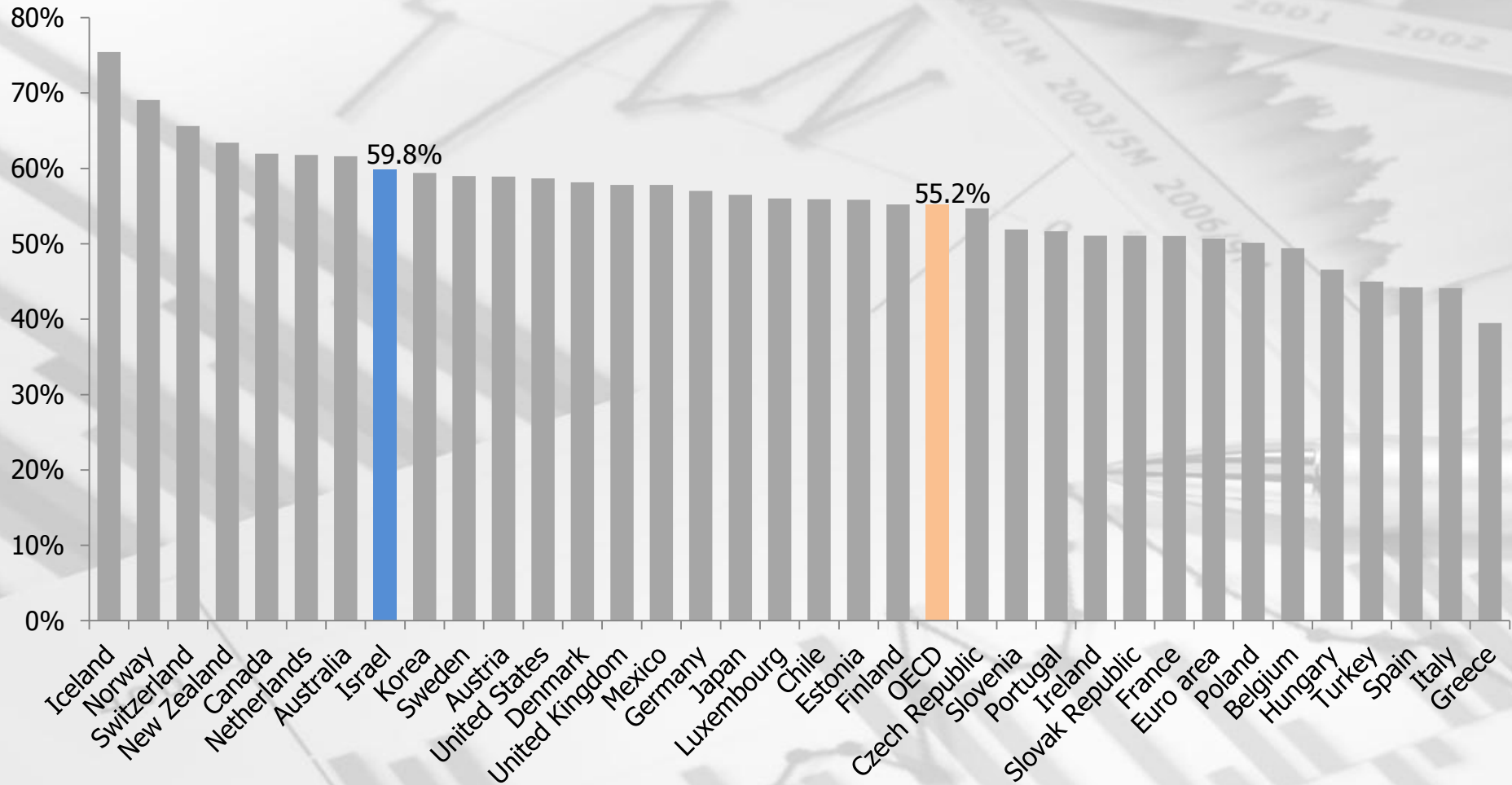
Annual average relative to previous year average.

# Employment Rate

15+, latest available quarterly data



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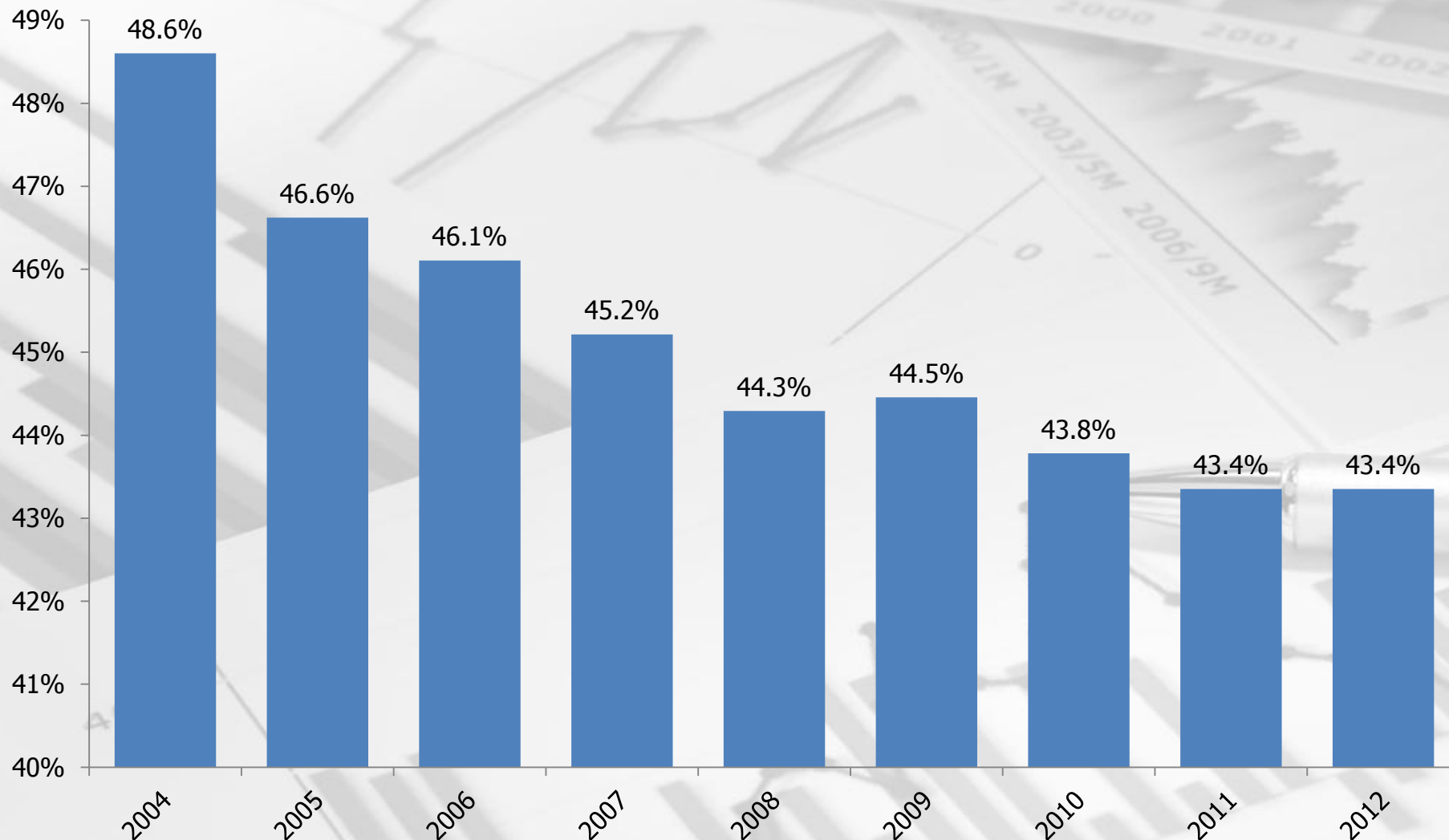
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# General Government Expenditure

As % of GDP



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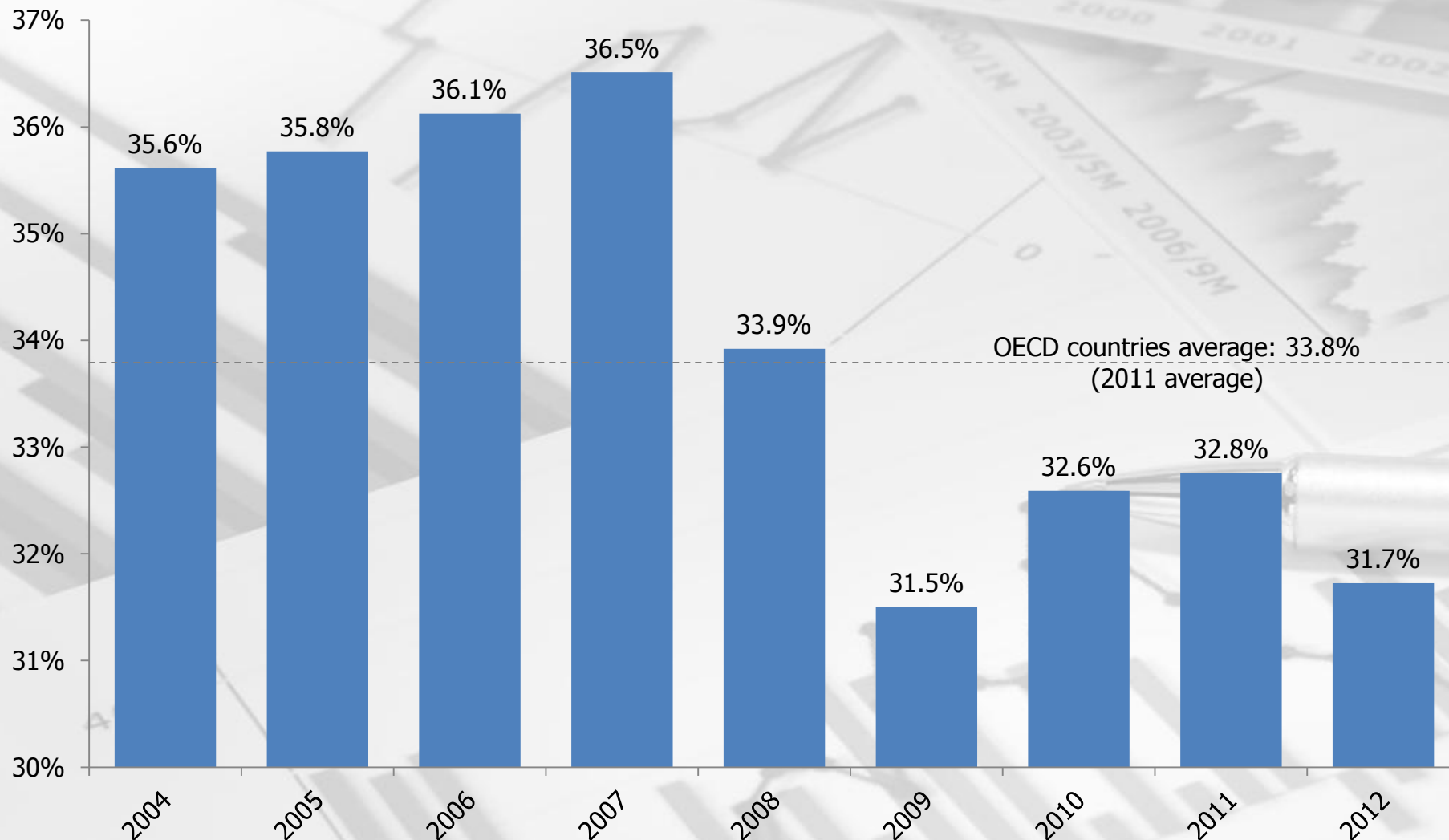


# General Government Tax Burden

As % of GDP



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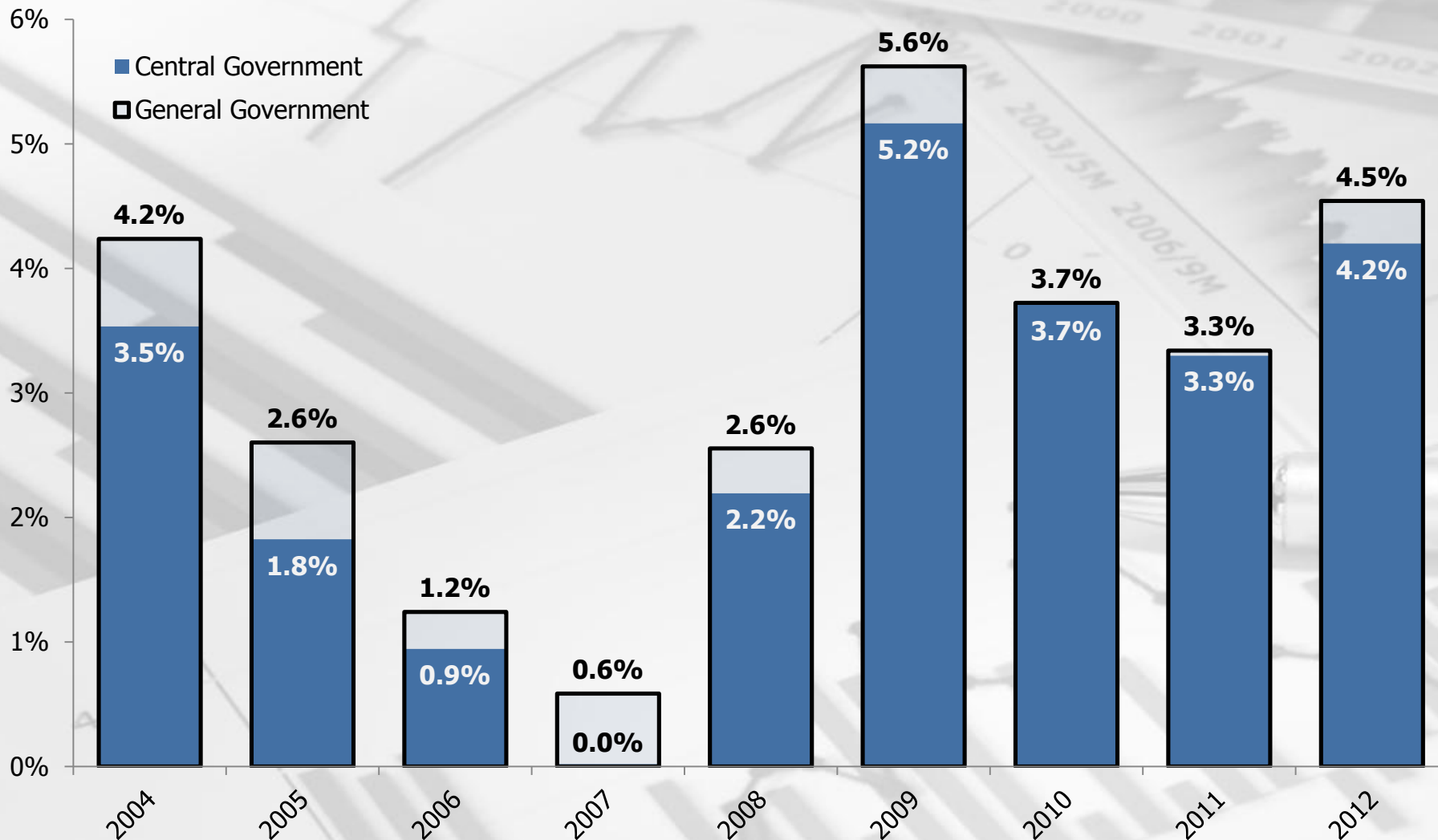


# General and Central Budget Deficit

As % of GDP



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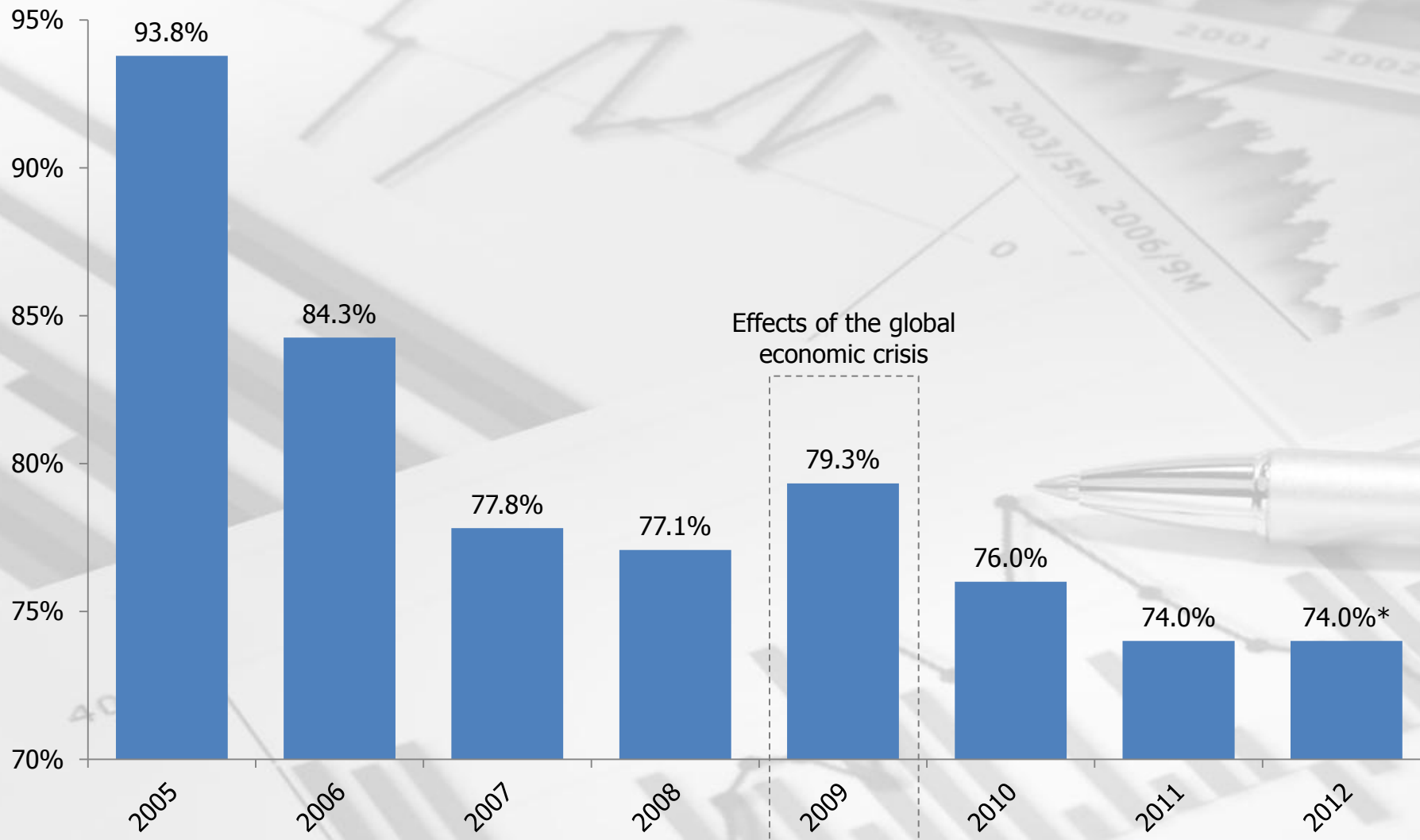


# Public Debt

As % of GDP



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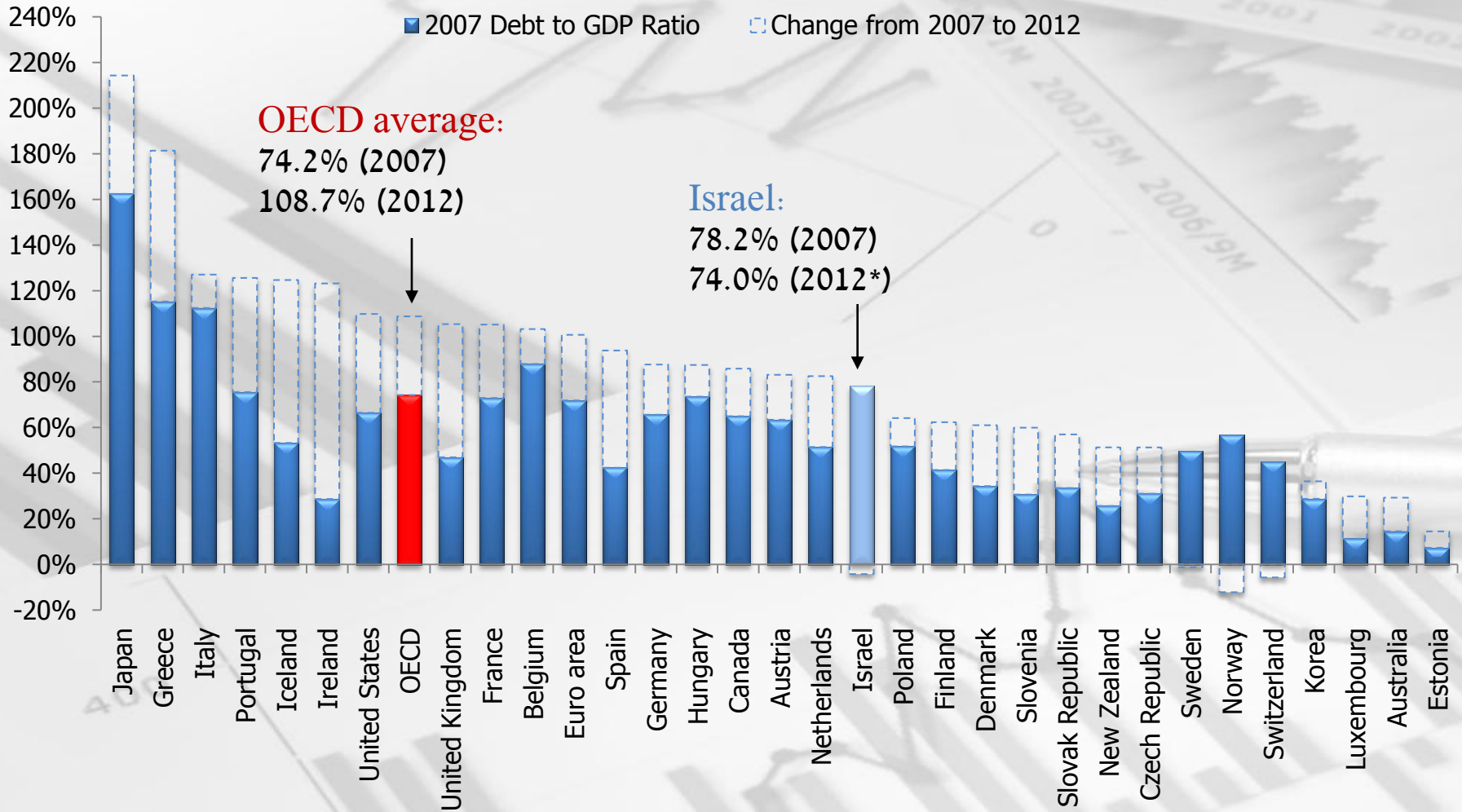


# Public Debt

As % of GDP, international comparison



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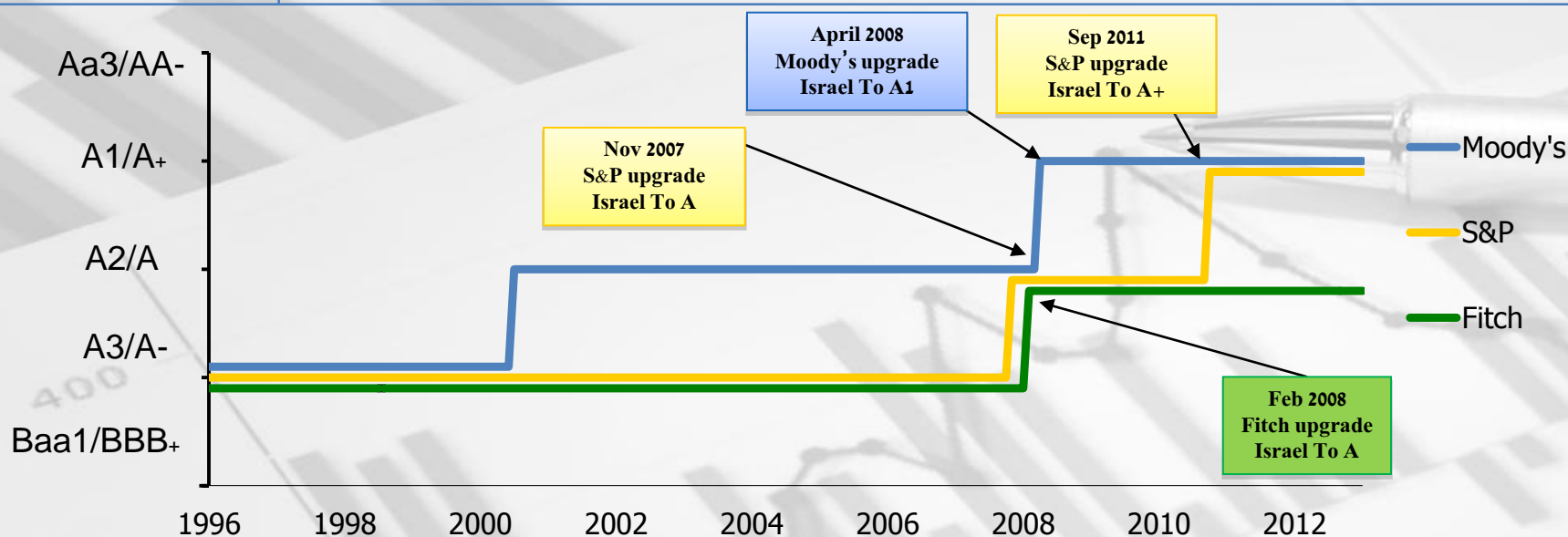
# Israel's Credit Ratings

Updated to mid-September, 2012



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Rating Firm	Term	Domestic Bonds	Forecast	Overseas Bonds
		Rating		Rating
Moody's	Long	A1	Stable	A1
	Short	-		P1
Standard & Poor's	Long	AA-	Stable	A+
	Short	A-1+		A-1
Fitch	Long	A+	Stable	A
	Short	-		F1



# Avoidance of Double Taxation



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Austria



Denmark



India



Belarus



Estonia



Ireland



Belgium



Ethiopia



Italy



Brazil



Finland



Jamaica



Bulgaria



France



Japan



Canada



Georgia



Latvia



China



Germany



Lithuania



Croatia



Greece



Luxembourg



Czech Republic



Hungary

# Avoidance of Double Taxation



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Mexico



Moldova



Netherlands



Norway



Panama



Philippines



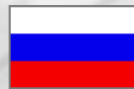
Poland



Portugal



Romania



Russia



Singapore



Slovak Republic



Slovenia



South Korea



South Africa



Spain



Sweden



Switzerland



Taiwan



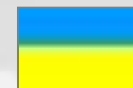
Thailand



Turkey



UK



Ukraine



USA



Uzbekistan



Vietnam

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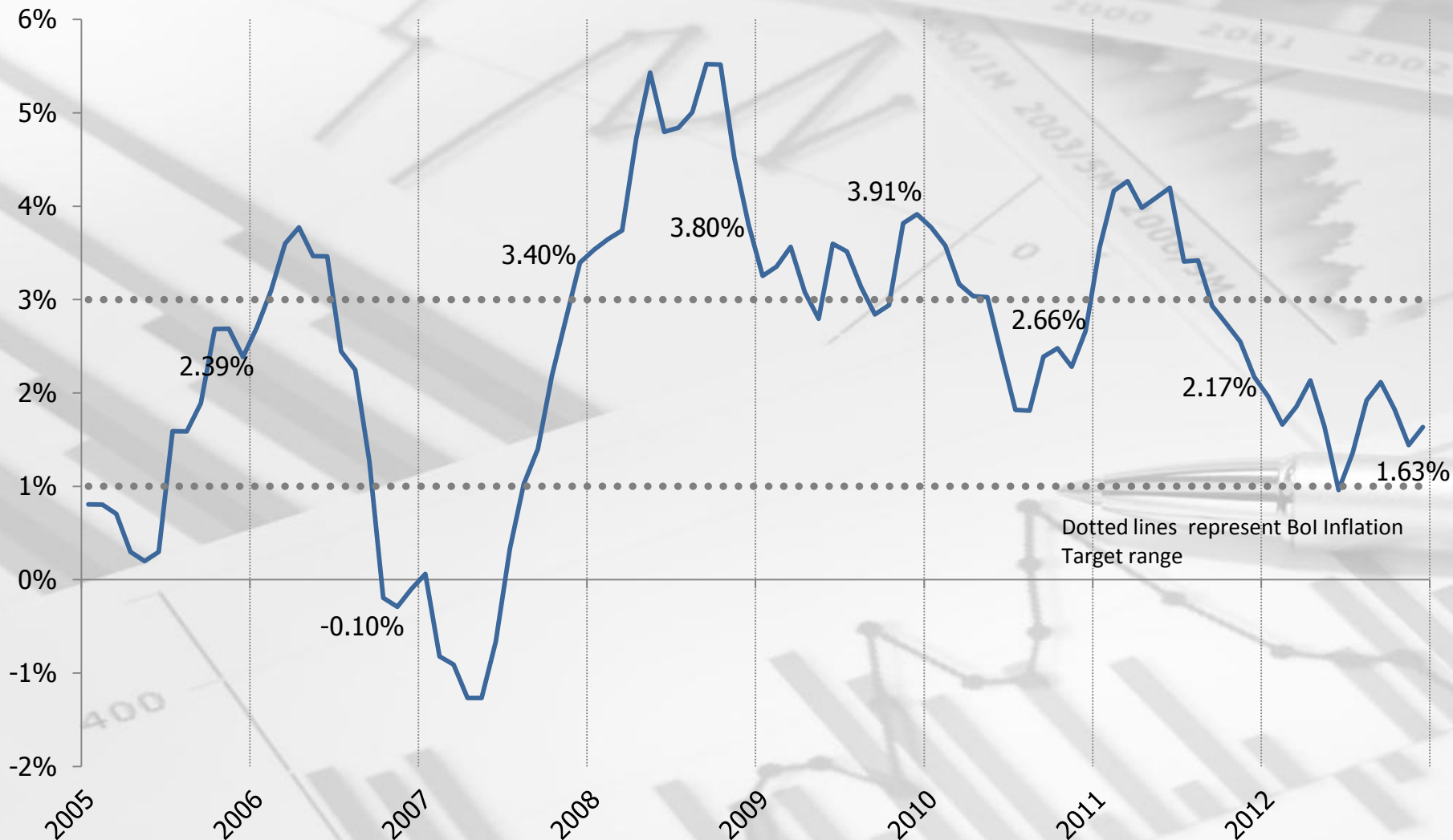
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# Inflation Rate

Rate of change in consumer price index



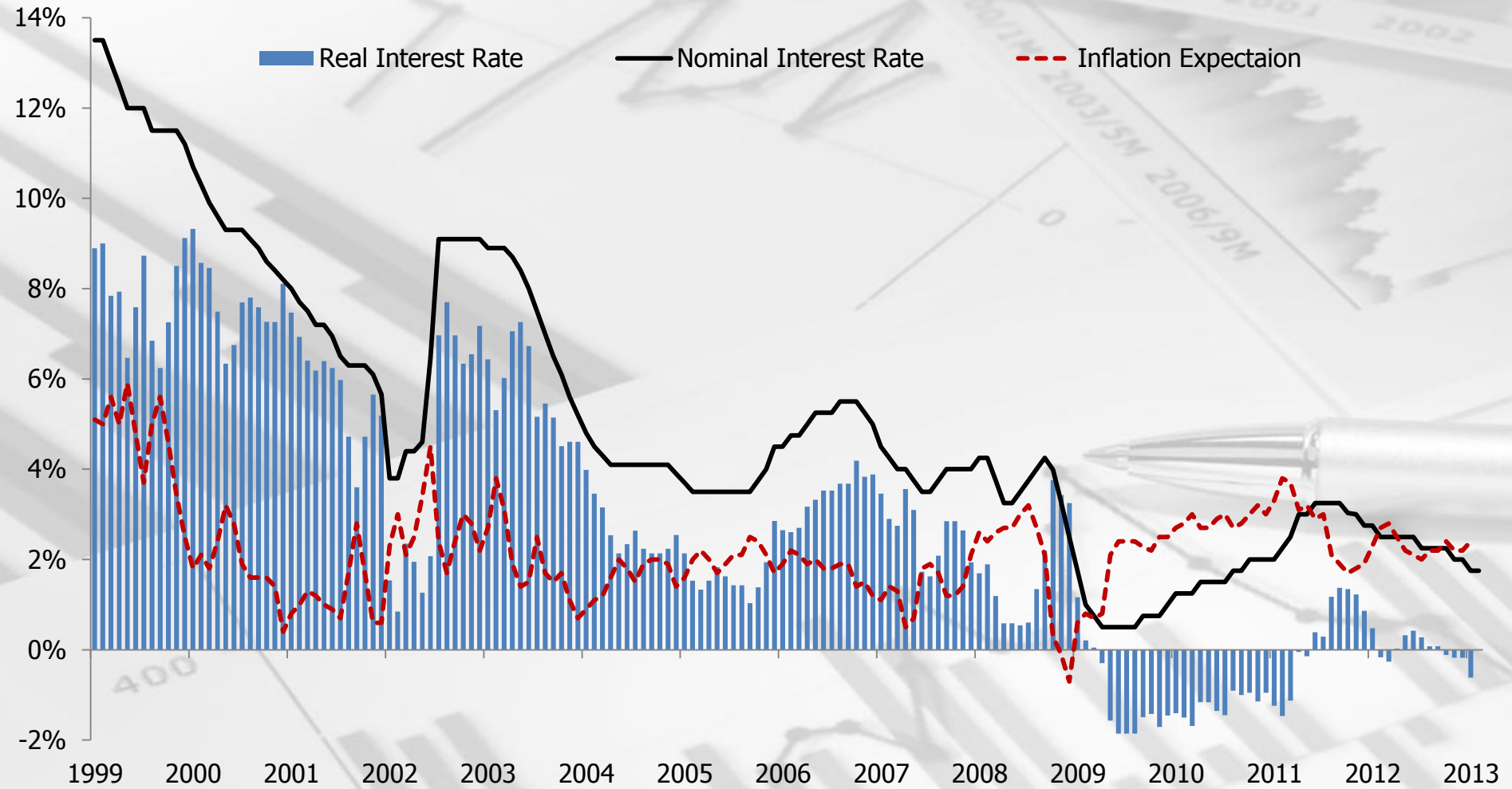
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# Interest Rate



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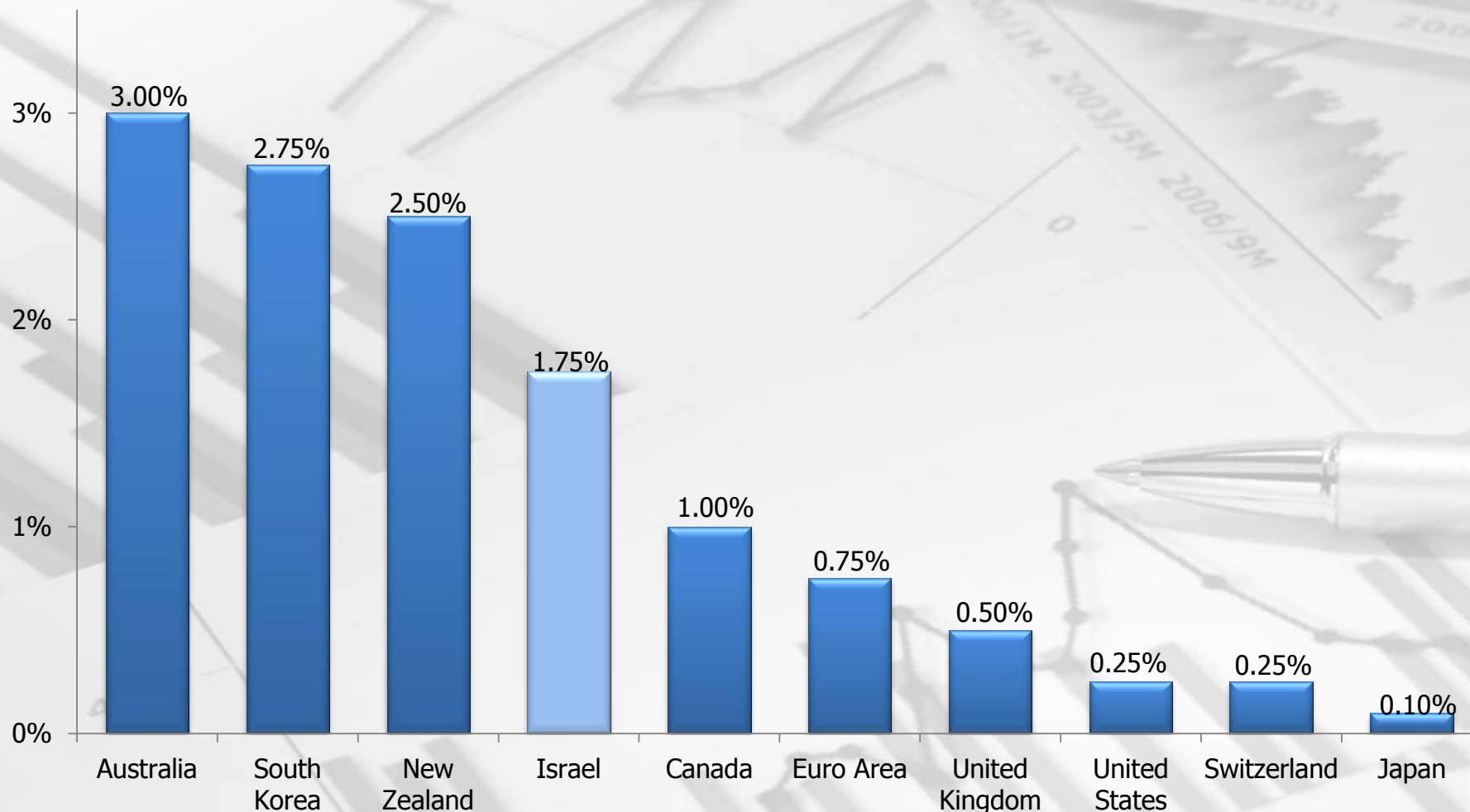


# Central Banks' Interest Rates

International Comparison



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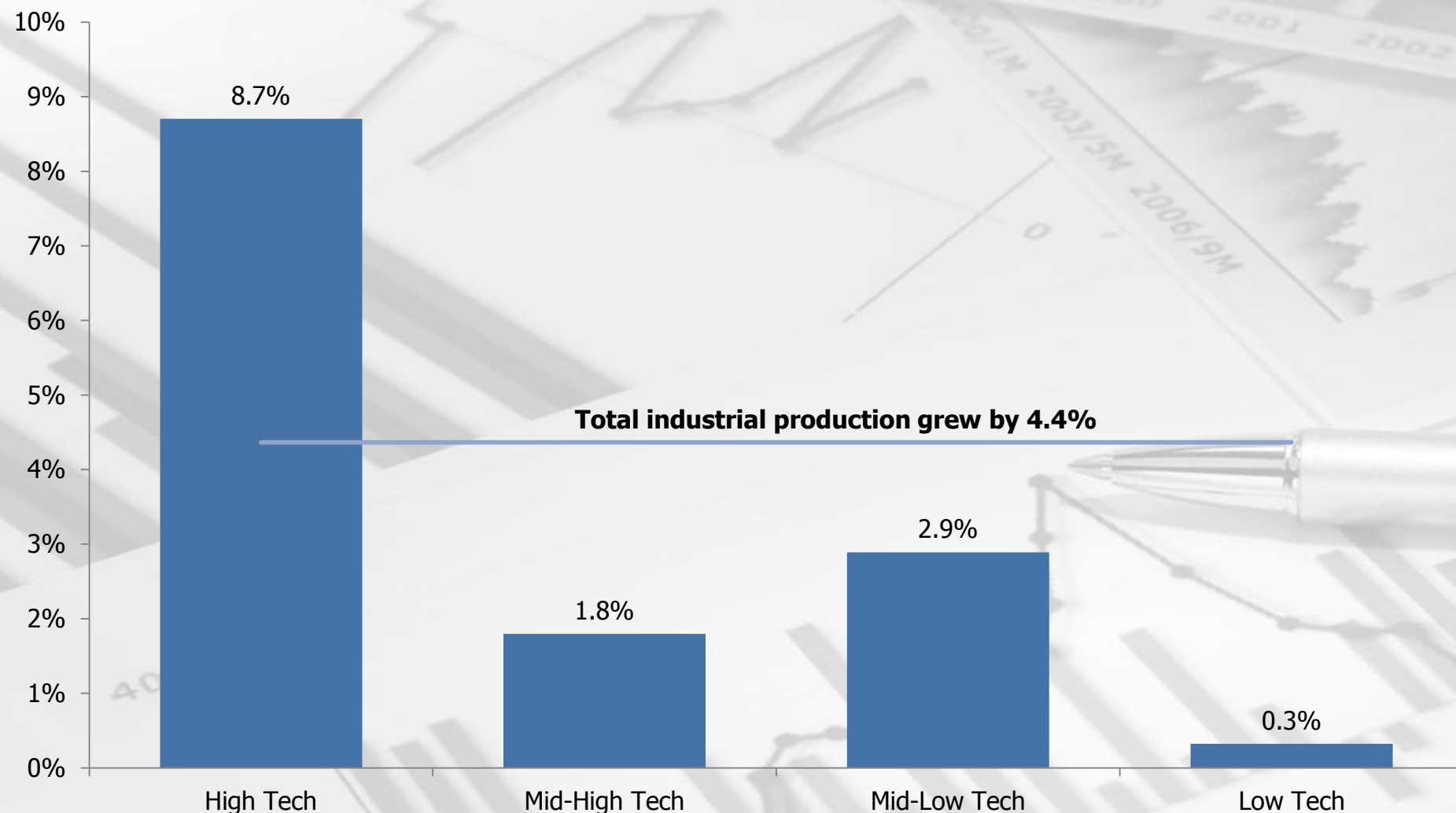
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# Industrial Production

Annual Growth



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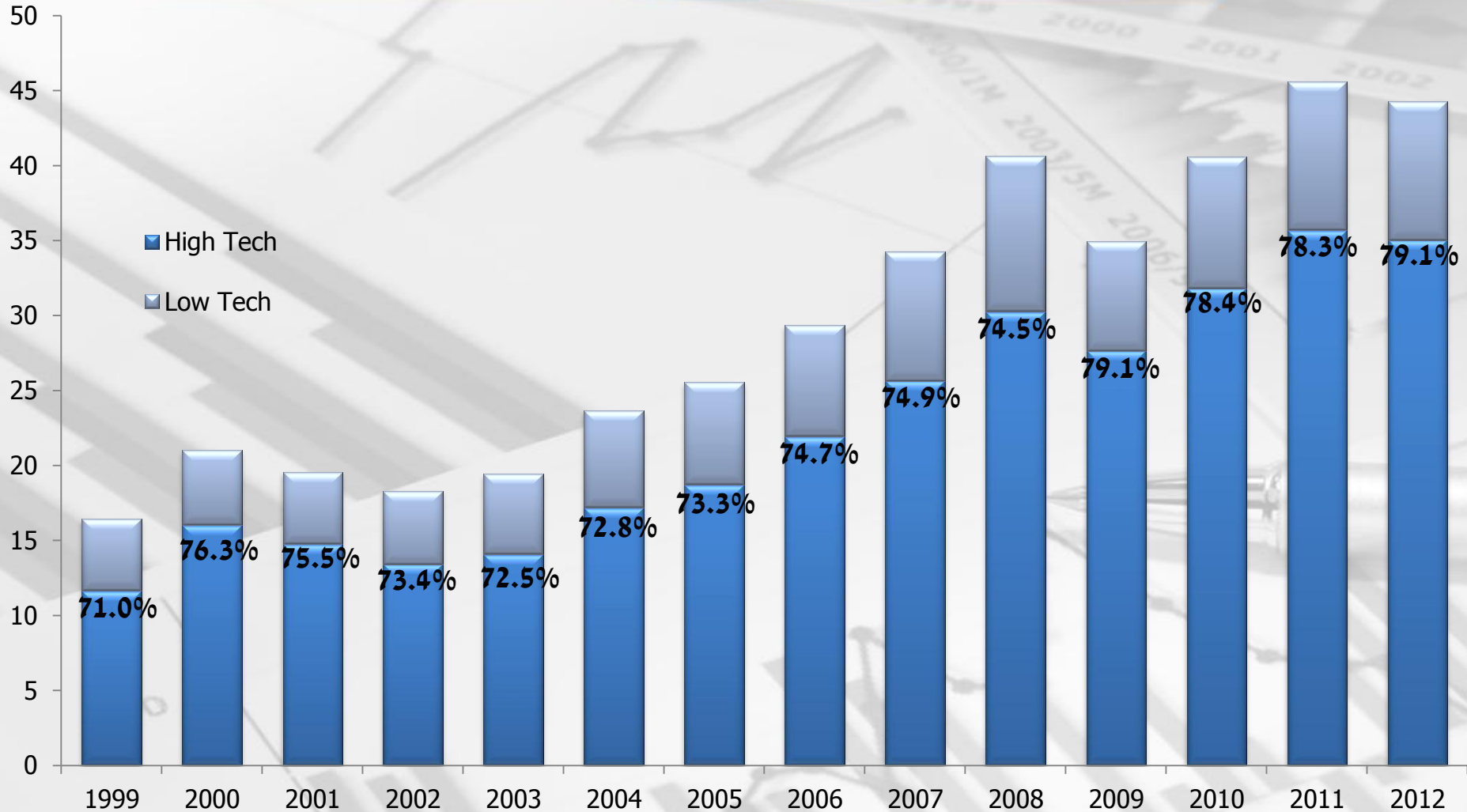
2012 January-November average relative to 2011 average

# Industrial Export

Billions Current US\$



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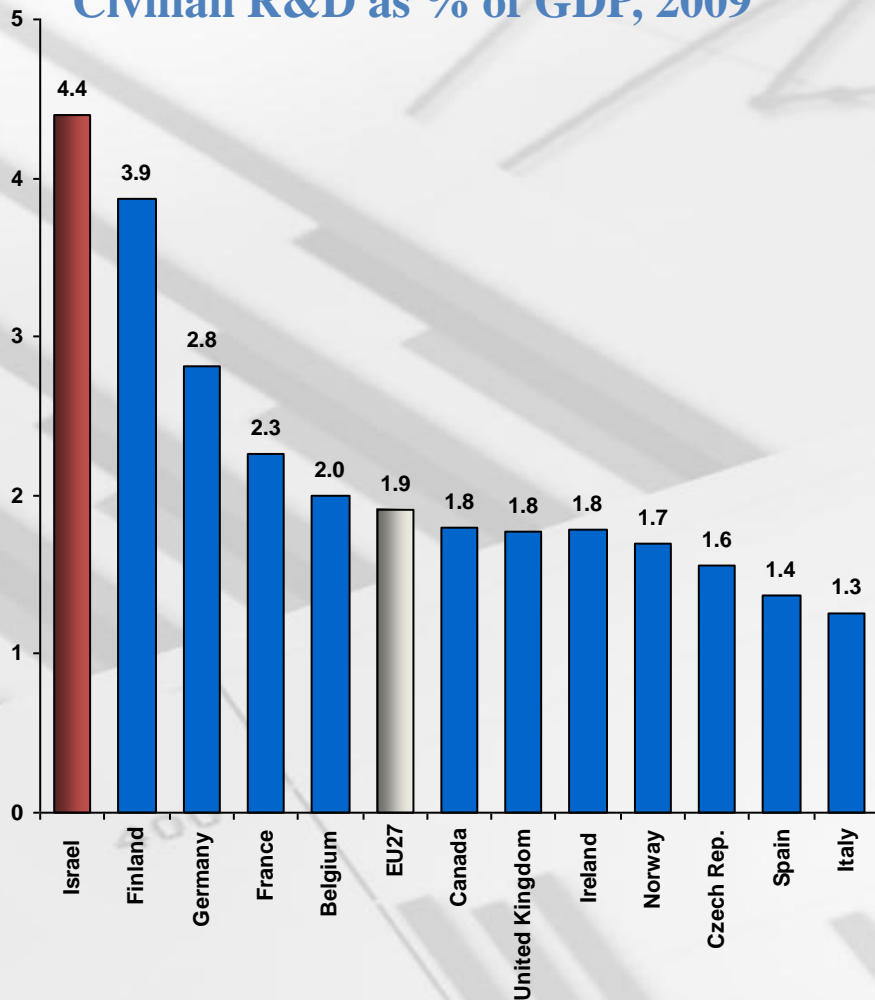


# Israel is a World Leader in Science, Technology, and Innovation



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## Civilian R&D as % of GDP, 2009



- 1<sup>st</sup> in R&D expenditure of as % of GDP\*
- 1<sup>st</sup> in quality of scientific research institutions\*\*
- 1<sup>st</sup> for entrepreneurship being widespread amongst its managers\*
- 2<sup>nd</sup> in public expenditure on education\*
- 3<sup>rd</sup> in venture capital availability\*\*
- 4<sup>th</sup> in PCT patents applications per million population\*\*
- 5<sup>th</sup> for strength of investor protection\*\*
- 6 Israelis in the last 10 years have been awarded Nobel Prizes in the fields of Economics or Chemistry

WORLD  
ECONOMIC  
FORUM

Global Competitiveness Report 2012-2013

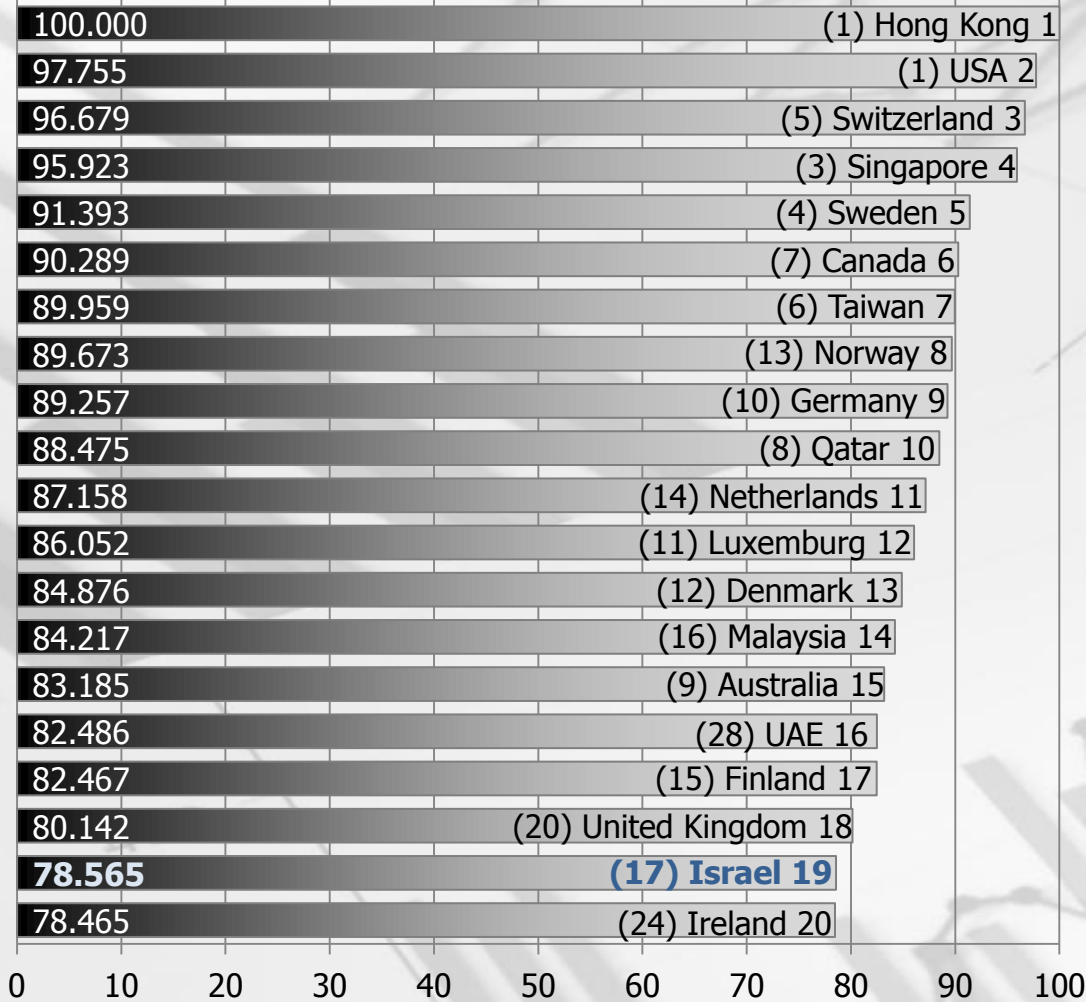
*“The country’s main strengths remain its world-class capacity for innovation (3rd), which rests on highly innovative businesses that benefit from the presence of the world’s best research institutions geared toward the needs of the business sector. Israel’s excellent innovation capacity, which is supported by the government’s public procurement policies, is reflected in the country’s high number of patents (4th). Its favorable financial environment, particularly evident in the ease of access to venture capital (3rd), has contributed to making Israel an innovation powerhouse..”*

# Israel in IMD Rankings

IMD World Competitiveness Yearbook 2012



Ministry of Finance



The Institute for Management Development ranked Israel **19<sup>th</sup>** out of 59 countries for 2012.

Israel has been ranked **1<sup>st</sup>** at entrepreneurship and **9<sup>th</sup>** at economy resilience.

# Israel in IMD Rankings

IMD World Competitiveness Yearbook 2012

Israel's ranking compared to other IMD countries,  
Business Efficiency and Infrastructure

<b>Business Efficiency</b>	
3.4.07 Entrepreneurship (S)	2
3.2.17 Skilled labor (S)	4
3.3.16 Venture capital (S)	5
3.5.03 National culture (S)	5
3.5.04 Flexibility and adaptability (S)	6
3.5.01 Attitudes toward globalization (S)	8
3.2.18 Finance skills (S)	8
3.2.23 Competent senior managers (S)	10
3.2.22 International experience (S)	10
3.1.10 Small and medium-size enterprises (S)	11

<b>Infrastructure</b>	
4.3.05 Business expenditure on R&D (%)	1
4.3.02 Total expenditure on R&D (%)	1
4.2.17 Public and private sector ventures (S)	1
4.5.01 Total public expenditure on education (%)	2
4.3.23 Innovative capacity (S)	2
4.3.18 Scientific research (S)	2
4.3.22 Knowledge transfer (S)	2
4.3.20 Scientific research legislation (S)	2

Israel's ranking compared to other IMD countries,  
Economic Performance and Government Efficiency

<b>Economic Performance</b>	
1.4.08 Youth unemployment	1
1.3.13 Relocation threats of production (S)	8
1.1.19 Resilience of the economy (S)	9
1.3.06 Direct investment flows inward (%)	10
1.1.13 Diversification of the economy (S)	17
1.1.14 Real GDP growth	18
1.4.06 Unemployment rate	20
1.3.04 Direct investment stocks abroad (%)	23
1.1.15 Real GDP growth per capita	24
1.2.13 Exports of commercial services (%)	25

<b>Government Efficiency</b>	
2.3.05 Central bank policy (S)	5
2.2.11 Employer's social security contribution rate	7
2.4.14 Creation of firms (S)	7
2.4.06 Capital markets (S)	9
2.5.03 Ageing of society (S)	11
2.5.09 Equal opportunity (S)	14
2.4.07 Investment incentives (S)	14
2.4.17 Labor regulations (S)	14
2.4.16 Start-up procedures	16
2.3.02 Cost of capital (S)	16

# Israel in WEF Rankings

World Economic Forum Global Competitiveness Index 2012-2013



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WORLD  
ECONOMIC  
FORUM

COMMITTED TO  
IMPROVING THE STATE  
OF THE WORLD

Country/Economy	Rank/144	Score (1-7)	GCI 2011-2012 sample	GCI 2011-2012 rank
Switzerland	1	5.72	1	1
Singapore	2	5.67	2	2
Finland	3	5.55	3	4
Sweden	4	5.53	4	3
Netherlands	5	5.50	5	7
Germany	6	5.48	6	6
United States	7	5.47	7	5
United Kingdom	8	5.45	8	10
Hong Kong SAR	9	5.41	9	11
Japan	10	5.40	10	9
Qatar	11	5.38	11	14
Denmark	12	5.29	12	8
Taiwan, China	13	5.28	13	13
Canada	14	5.27	14	12
Norway	15	5.27	15	16
Austria	16	5.22	16	19
Belgium	17	5.21	17	15
Saudi Arabia	18	5.19	18	17
Korea, Rep.	19	5.12	19	24
Australia	20	5.12	20	20
France	21	5.11	21	18
Luxembourg	22	5.09	22	23
New Zealand	23	5.09	23	25
United Arab Emirates	24	5.07	24	27
Malaysia	25	5.06	25	21
Israel	26	5.02	26	22
Ireland	27	4.91	27	29
Brunei Darussalam	28	4.87	28	28
China	29	4.83	29	26
Iceland	30	4.74	30	30
Puerto Rico	31	4.67	31	35
Oman	32	4.65	32	32
Chile	33	4.65	33	31
Estonia	34	4.64	34	33
Bahrain	35	4.63	35	37

The World Economic Forum ranked Israel **26<sup>th</sup>** out of 144 countries for 2012-2013 in terms of competitiveness.

The Forum also ranked Israel:

1<sup>st</sup> in Quality of scientific research institutions

3<sup>rd</sup> in Venture capital availability

4<sup>th</sup> in PCT patents, applications/million pop.

5<sup>th</sup> in Strength of investor protection

5<sup>th</sup> in Firm-level technology absorption

6<sup>th</sup> in Capacity for innovation

6<sup>th</sup> in Company spending on R&D

And 8<sup>th</sup> in University-industry collaboration in R&D



# Cooperation in Industrial R&D



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## North America

New York  
Massachusetts  
Maryland  
Virginia  
Wisconsin  
Colorado  
Illinois  
Oregon  
BIRD (Foundation)  
Ontario CIIRDF (Foundation)

## South America

Argentina  
Uruguay  
Brazil

## Europe

France  
Russia  
Italy ( and Trento county)  
Germany  
Greece  
Czech Republic  
Bulgaria  
Lithuania  
Slovenia  
Denmark  
Hungary  
Turkey  
Portugal  
Finland  
Sweden  
Ireland  
Spain  
Cyprus  
Netherlands

*\* Through EUREKA (40 country Multilateral Initiative)*

## Asia

China (Shanghai, Jiangsu, Shenzhen, Federal)  
India

SIIRD-Singapore (Foundation)  
KORIL-RDF-Korea (Foundation)

## Australia (Victoria)

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Ministry of Finance

The screenshot shows the official website of the Ministry of Finance of Israel. At the top, there is a navigation bar with links for Home, General Information, Economic Data, Publications & Reports, Press Room, Links, and Departments. Below this, there are social media icons for Twitter, YouTube, LinkedIn, and Flickr, along with options to subscribe to RSS feeds and a distribution list. A central banner features a photograph of two men in suits, with the headline "THE ROAD WE'VE TRAVELED: FROM JAFFA ORANGES TO APPLE INC." and a sub-headline about economic fundamentals and government initiatives. To the right of the banner is a "Press Room" section with numbered links (1-4). Below the banner, there is a "What's New" section with a link to a press release about the 2013-2014 growth forecast. The main content area is divided into "Major Features" and "Info and Data about Israel". The "Major Features" section includes links for Investor Relations, Economic Highlights, International agreements, Ministry publications, Israel and the OECD, About the ministry, Economic overview of Israel, Israel and the IMF, and Minister of Finance. The "Info and Data about Israel" section includes links for the Committee on Increasing Competitiveness in the Economy, IMF Article IV 2012, Bilateral Investment Treaties, Avoidance of Double-Taxation Agreements, Free Trade and Cooperation in R&D Agreements, Membership in International Organizations, and the Committee to Examine the Fiscal Policy on Oil and Gas Resources in Israel.

## Visit the Israel Ministry of Finance English website for more information:

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Economic Overview of Israel

Ministry of Finance publications and reports

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Ministry of Finance



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