

## **Prof. Leo Leiderman**

**Chief Economic Advisor of Bank Hapoalim**  
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# **Shekel – phoenix of the currencies**

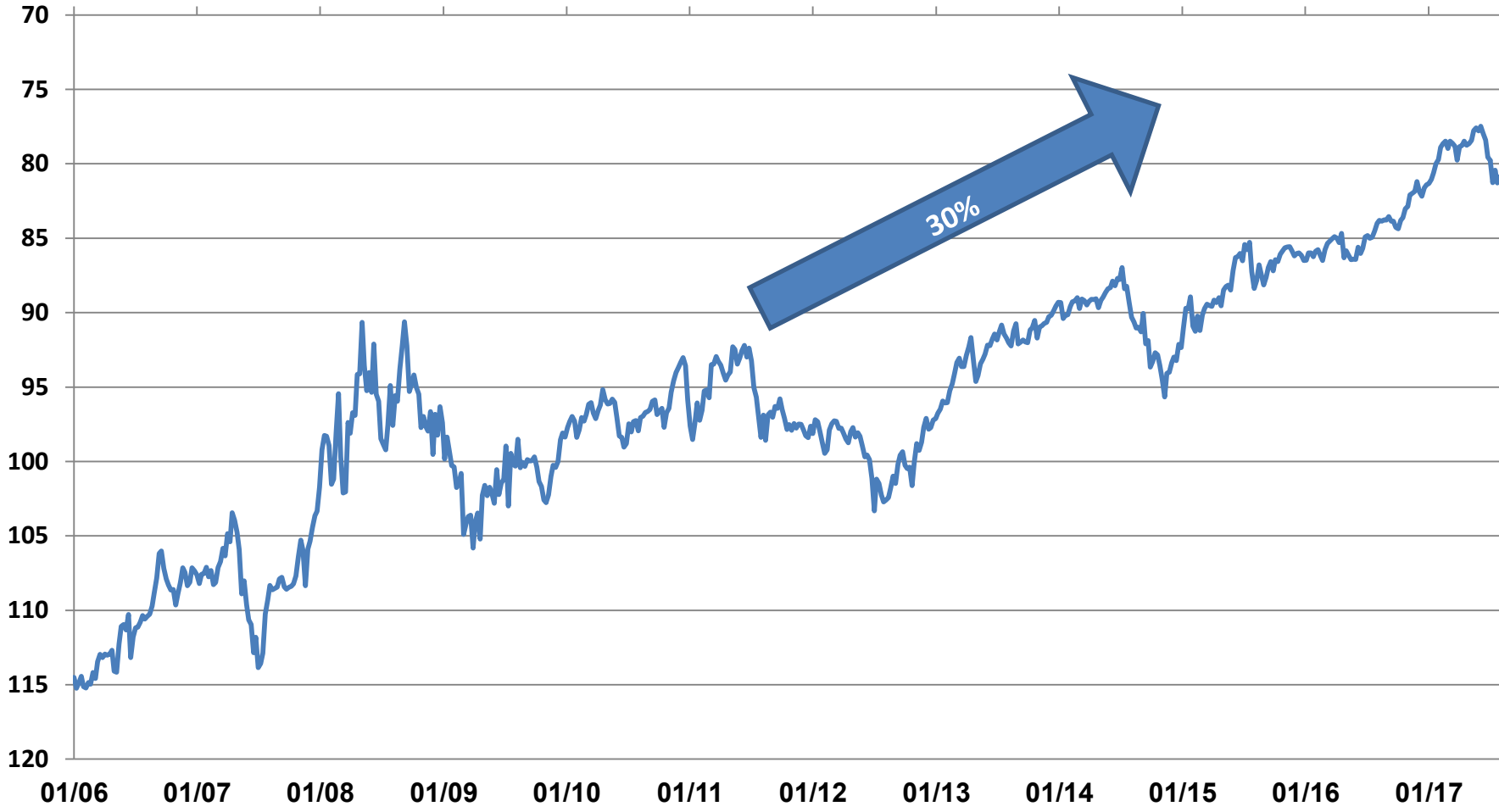
**Tuesday, 12<sup>th</sup> September 2017**

**12:00 – 13:45**

**Hotel St. Gotthard, Bahnhofstrasse 87, 8001 Zürich**

# More than a decade of an increasingly stronger ILS...

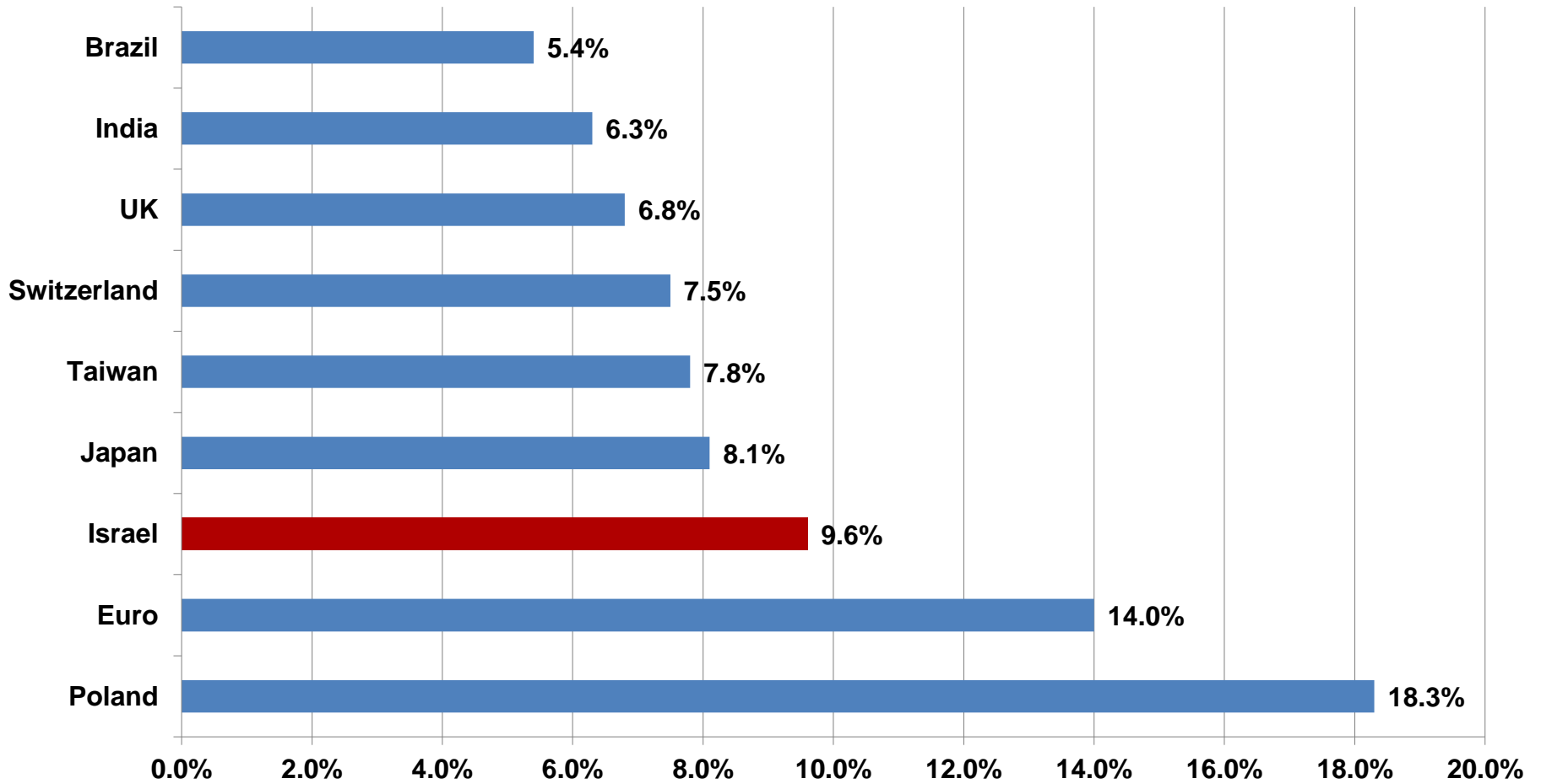
Nominal exchange rate of the Israeli Shekel against a basket of currencies



SOURCE: Bloomberg

# ...and also this year, thus far, the ILS is up!

% increase against USD, year to date up to till 09.09.17



SOURCE: Bloomberg

# Potential factors leading to a strong ILS



“The real story is the weakness of the USD”



Discovery of natural gas has been a key “  
”factor



“The ‘Start-Up Nation’ proves its strength”



“The rise in infrastructure investment is key”

# Shekel appreciation followed depreciation in 2001-5

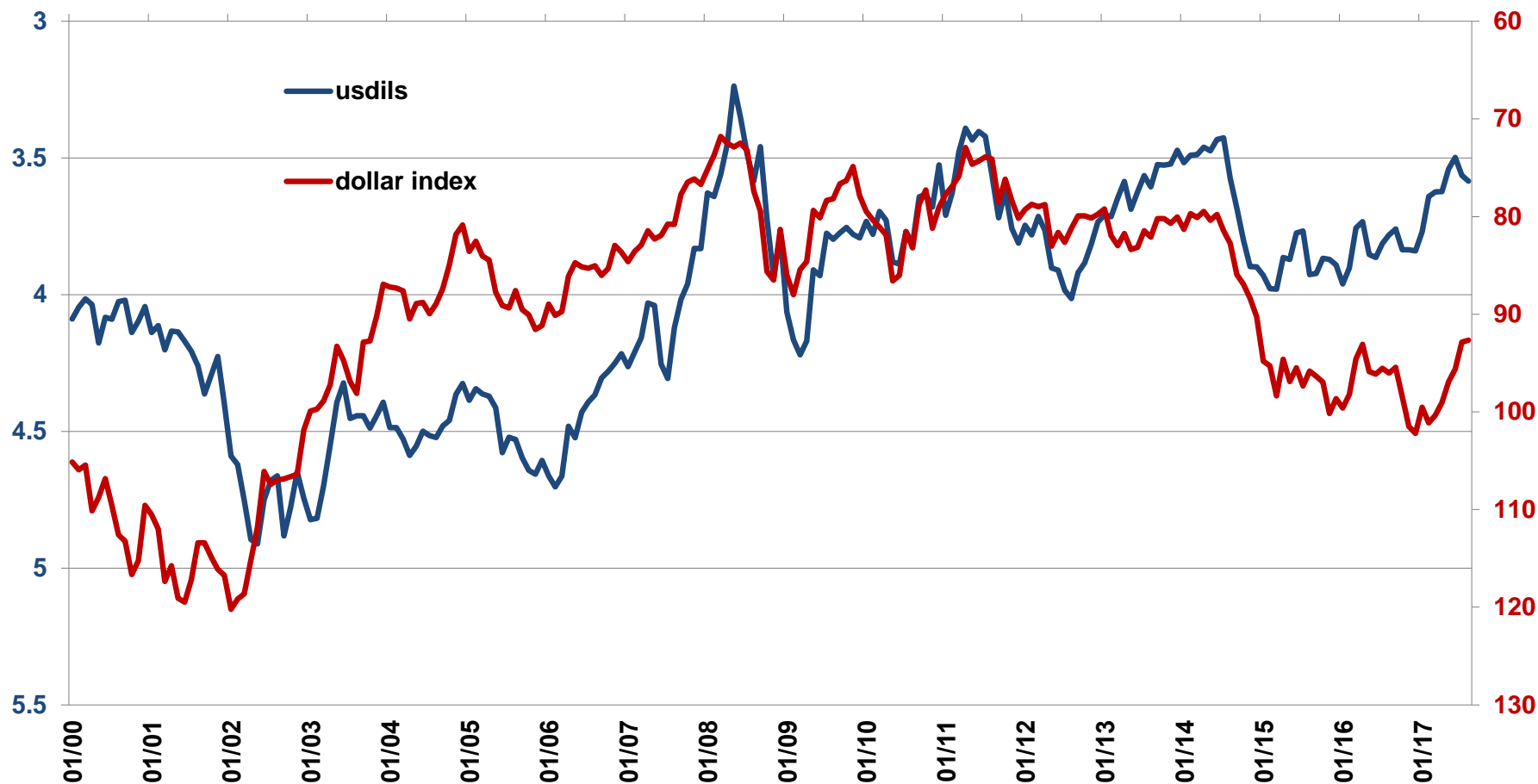
Nominal exchange rate against the basket of currencies



SOURCE: Bloomberg

# ILS strength typically goes along with USD weakness, but not always

## USD/ILS, Dollar Index



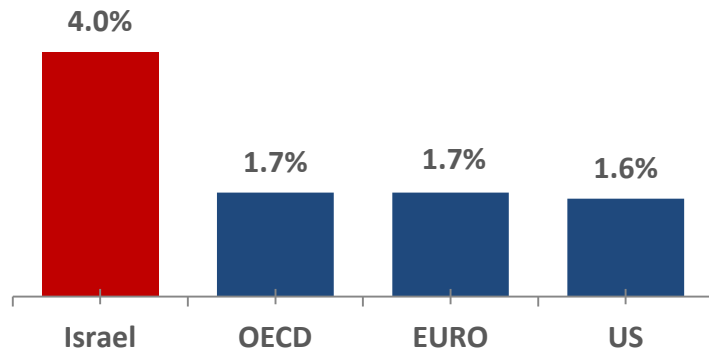
SOURCE: Bloomberg

# Strong macro fundamentals in Israel's economy--

## An international comparison

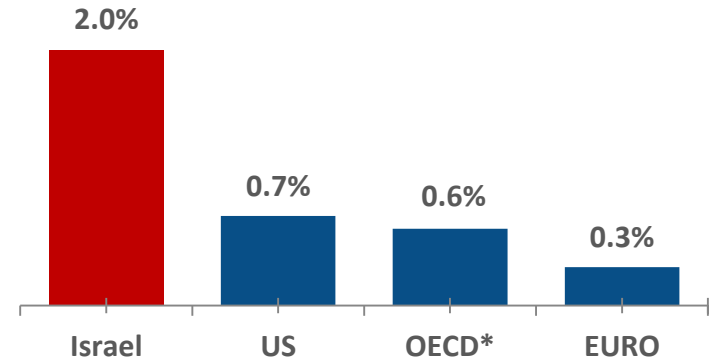
### GDP Growth

2016



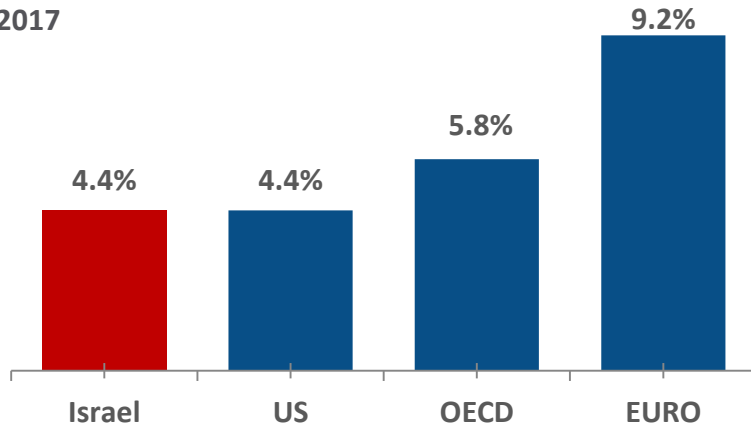
### Population Growth

2016, \*OECD 2013



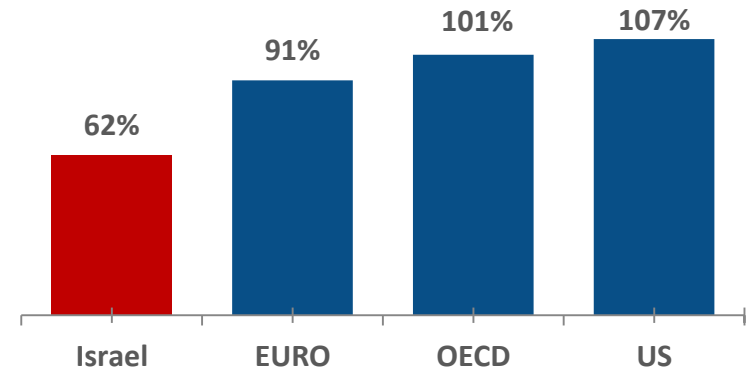
### Unemployment Rate

Q2-2017



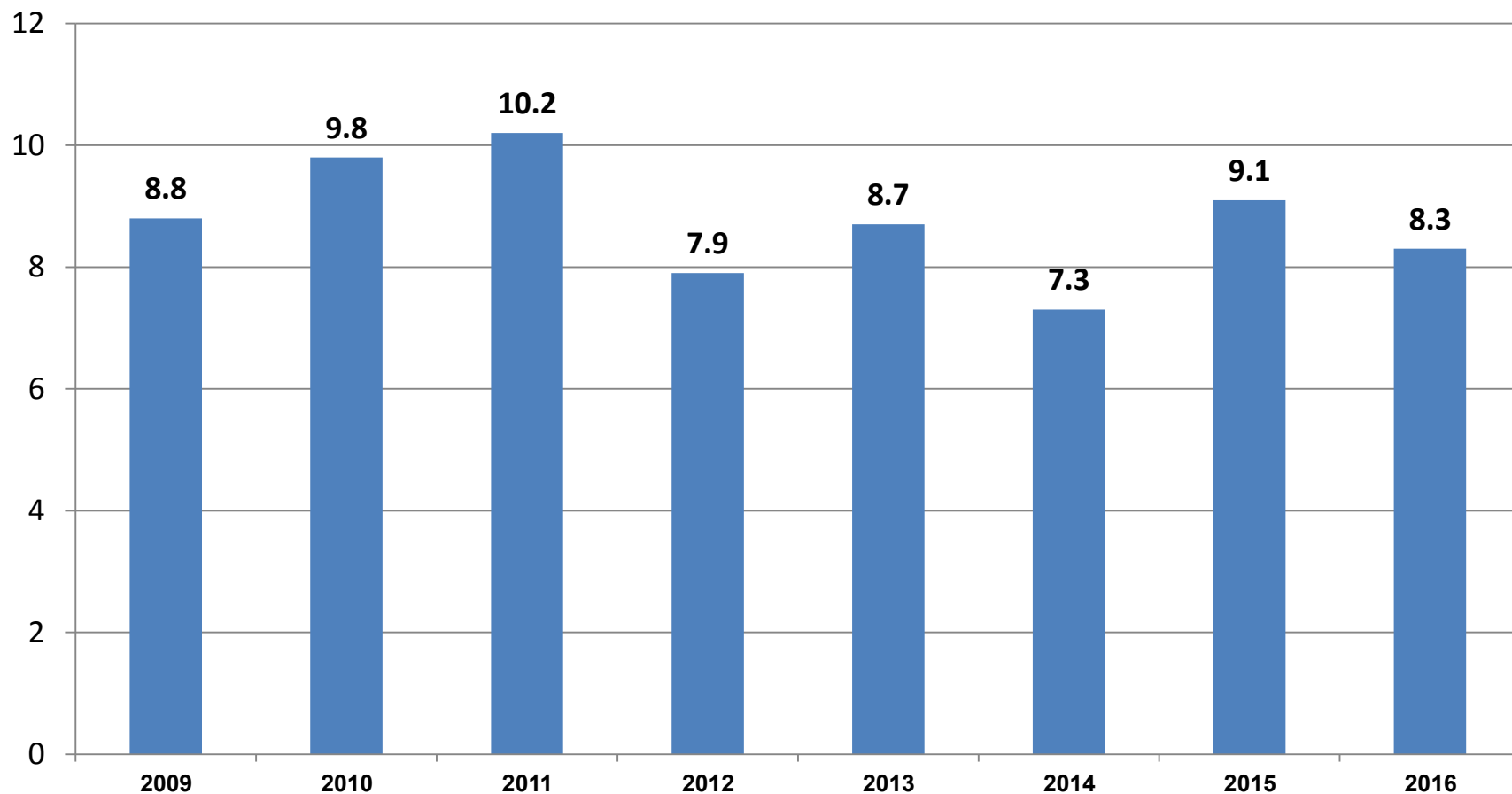
### Public Debt (% of GDP)

2016



# Stable banking and financial sectors is a plus

## ROE for Israel's five main commercial banks (% a year)

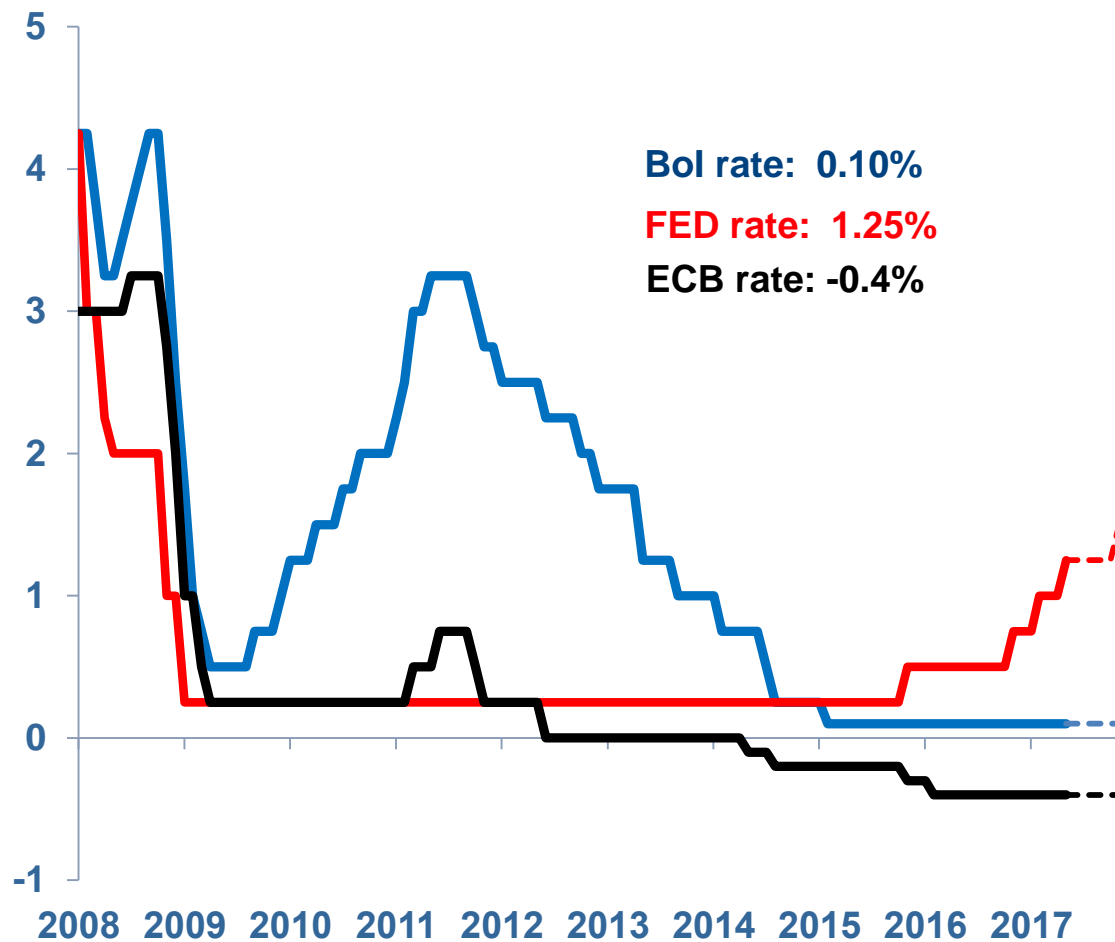


SOURCE: BOI



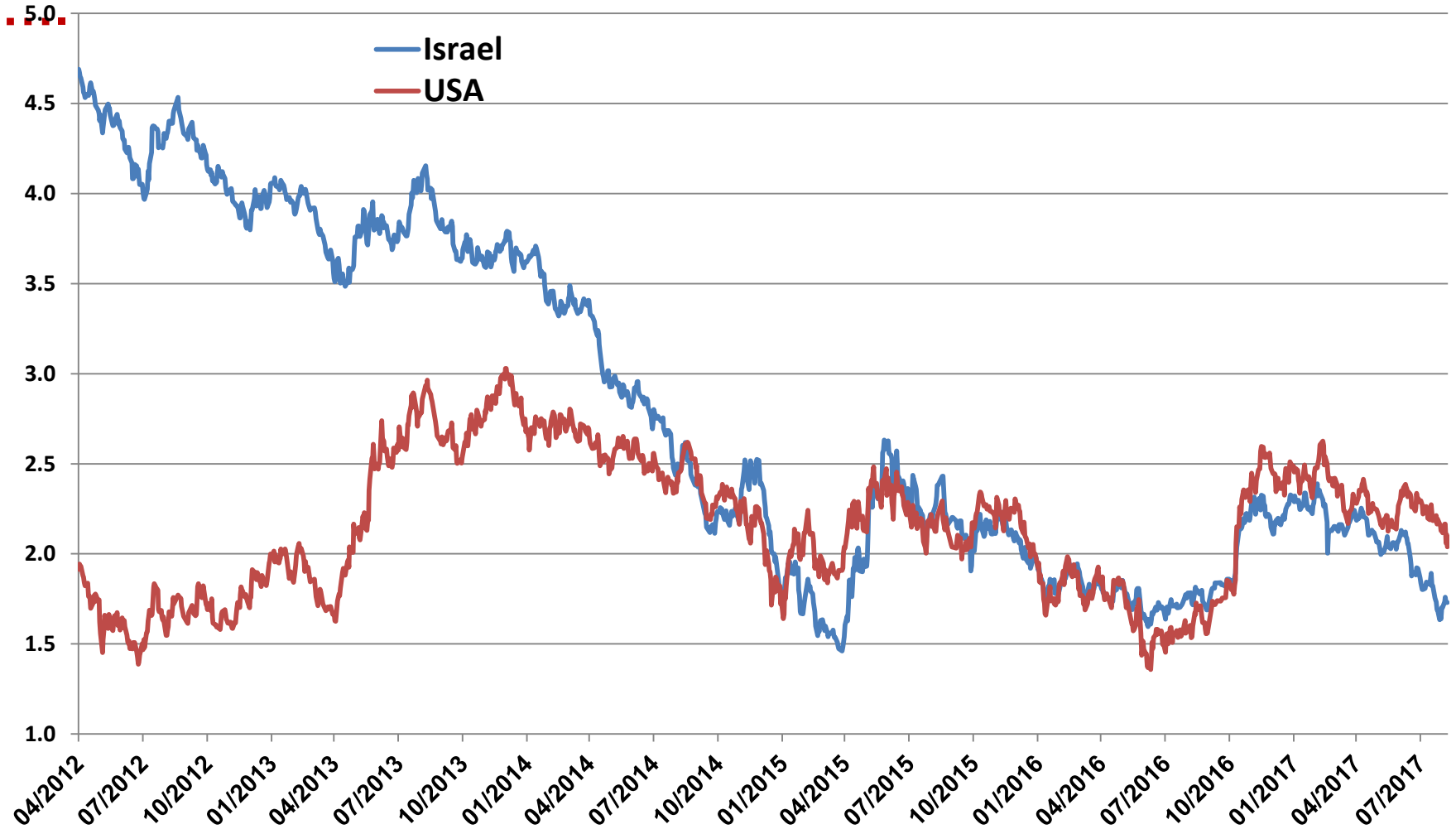
# The Bank of Israel rate is below the Fedfunds rate...

Policy rates in %



SOURCE: Bloomberg

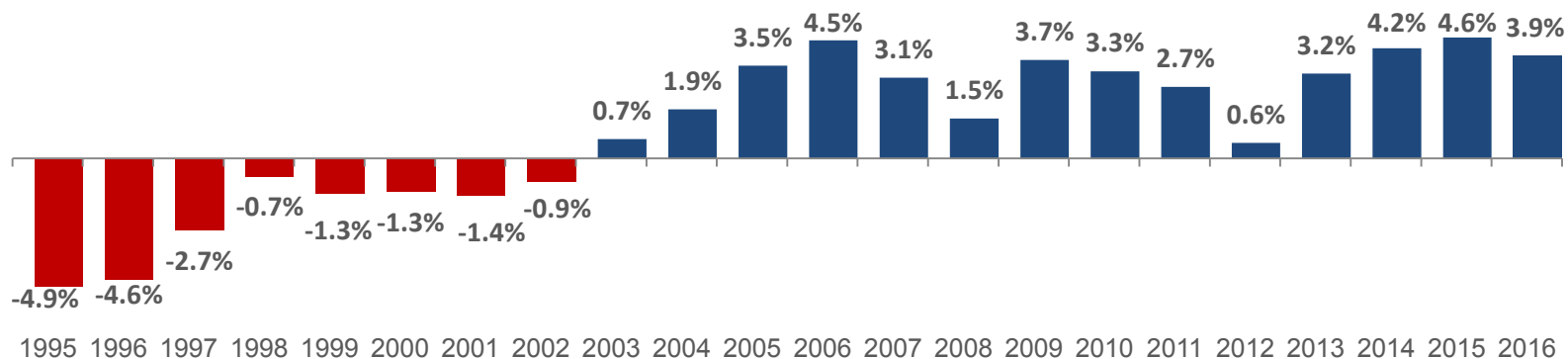
# Interest rates on 10Y government bonds in Israel have converged (and are now below) to US rates (Yields to maturity in per cent per year)



SOURCE: Bloomberg

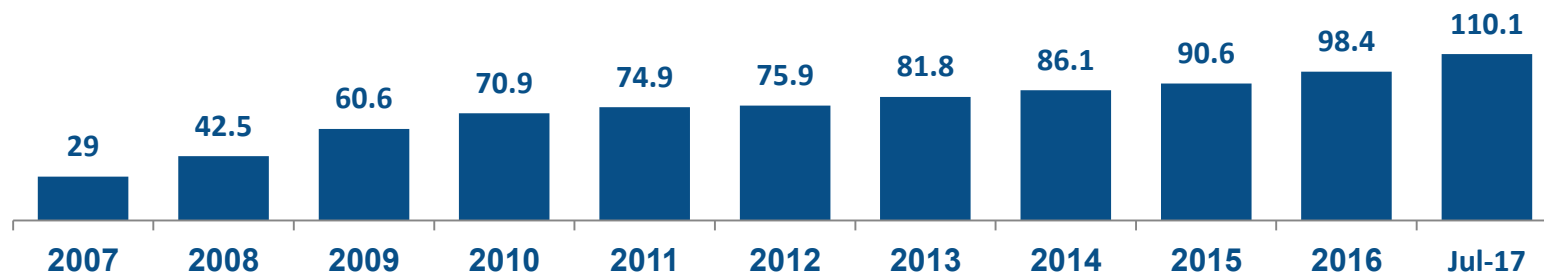
# Key for the ILS: a favorable external position

Current account balance: from deficit to surplus as a % of GDP



Large FX reserves at the Bank of Israel

USD billion

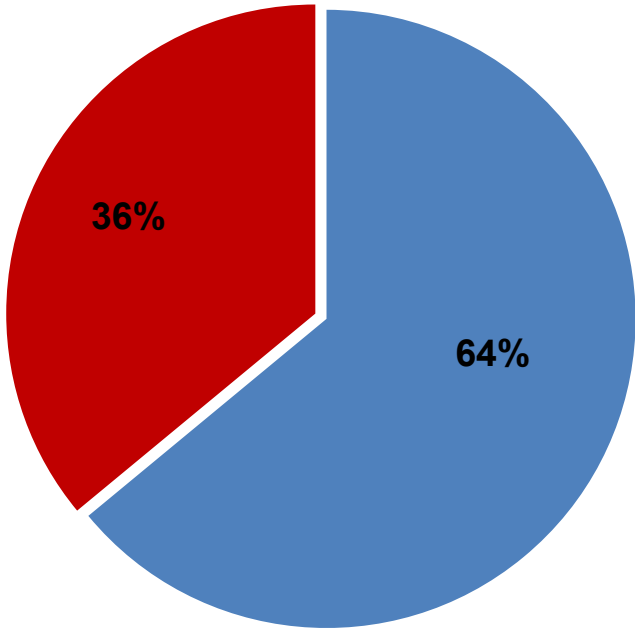


SOURCE: CBS, BOI

# Exports' composition has moved to increased high tech % of total exports

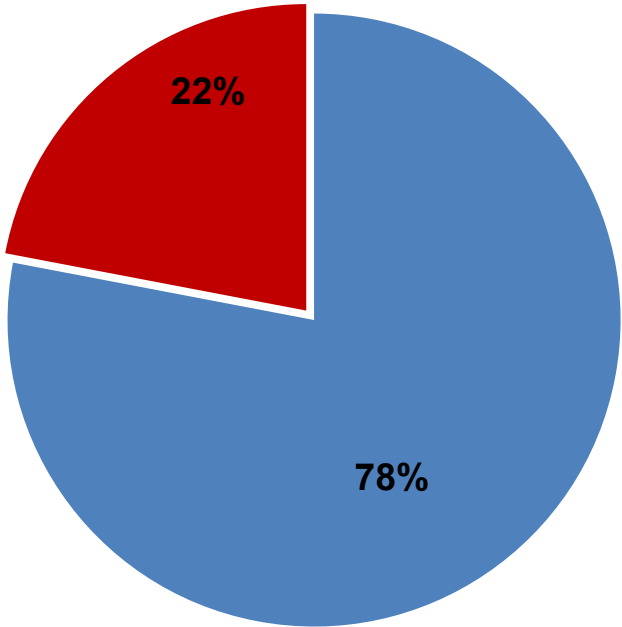
1995

■ High/Medium tech   ■ Medium/low tech



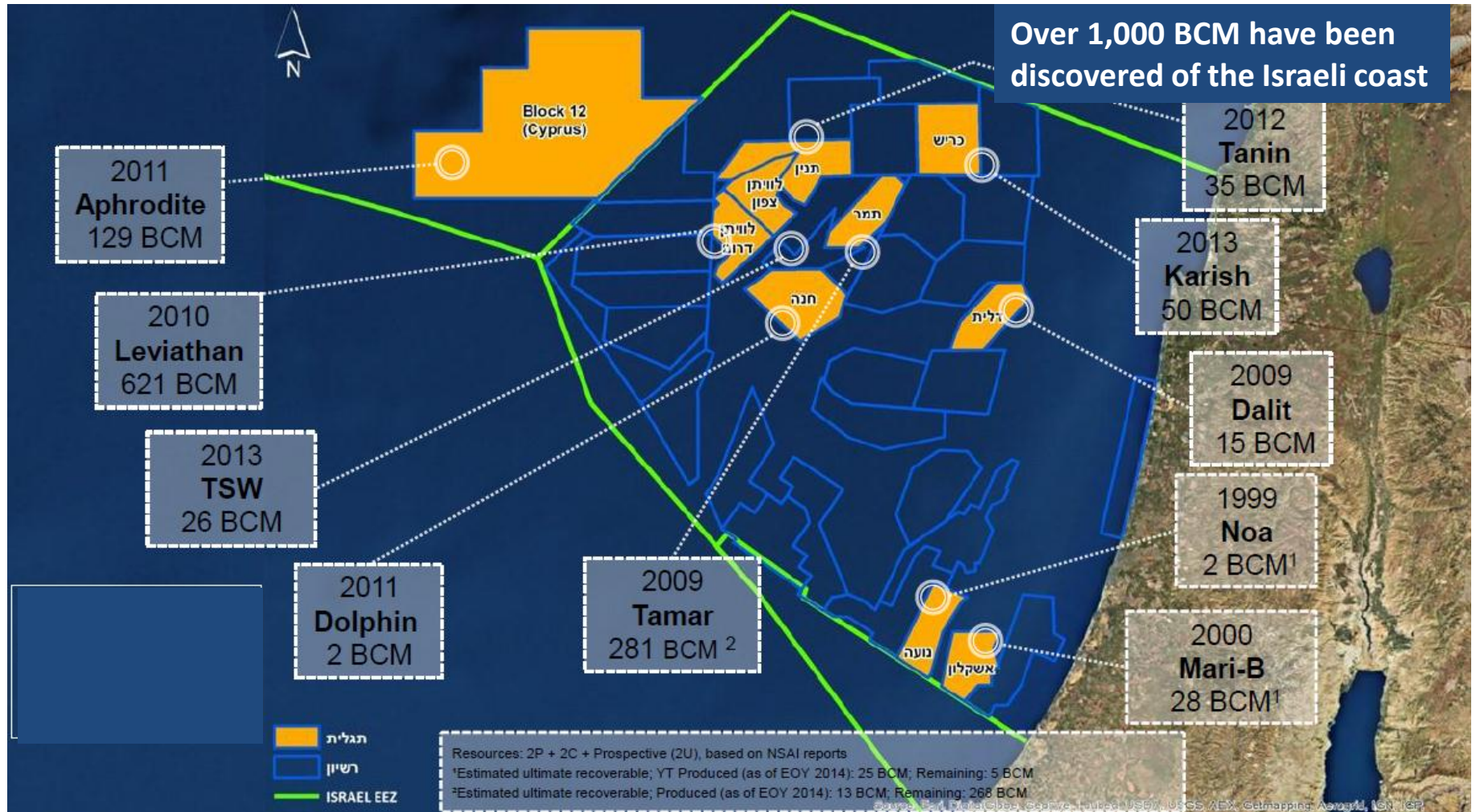
2006

■ High/Medium tech   ■ Medium/low tech

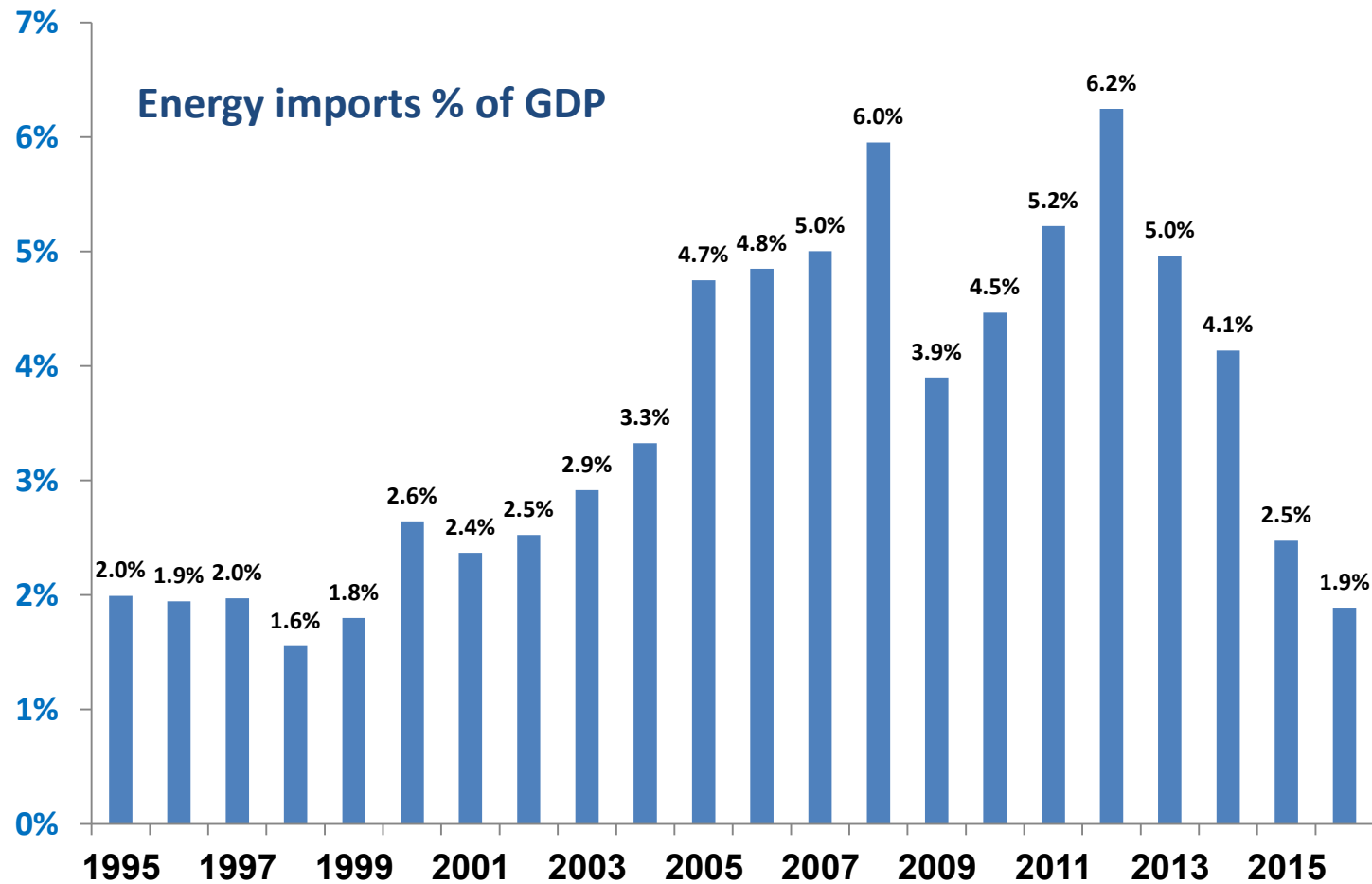


SOURCE: CBS

# Discovery of natural gas off the coast of Israel

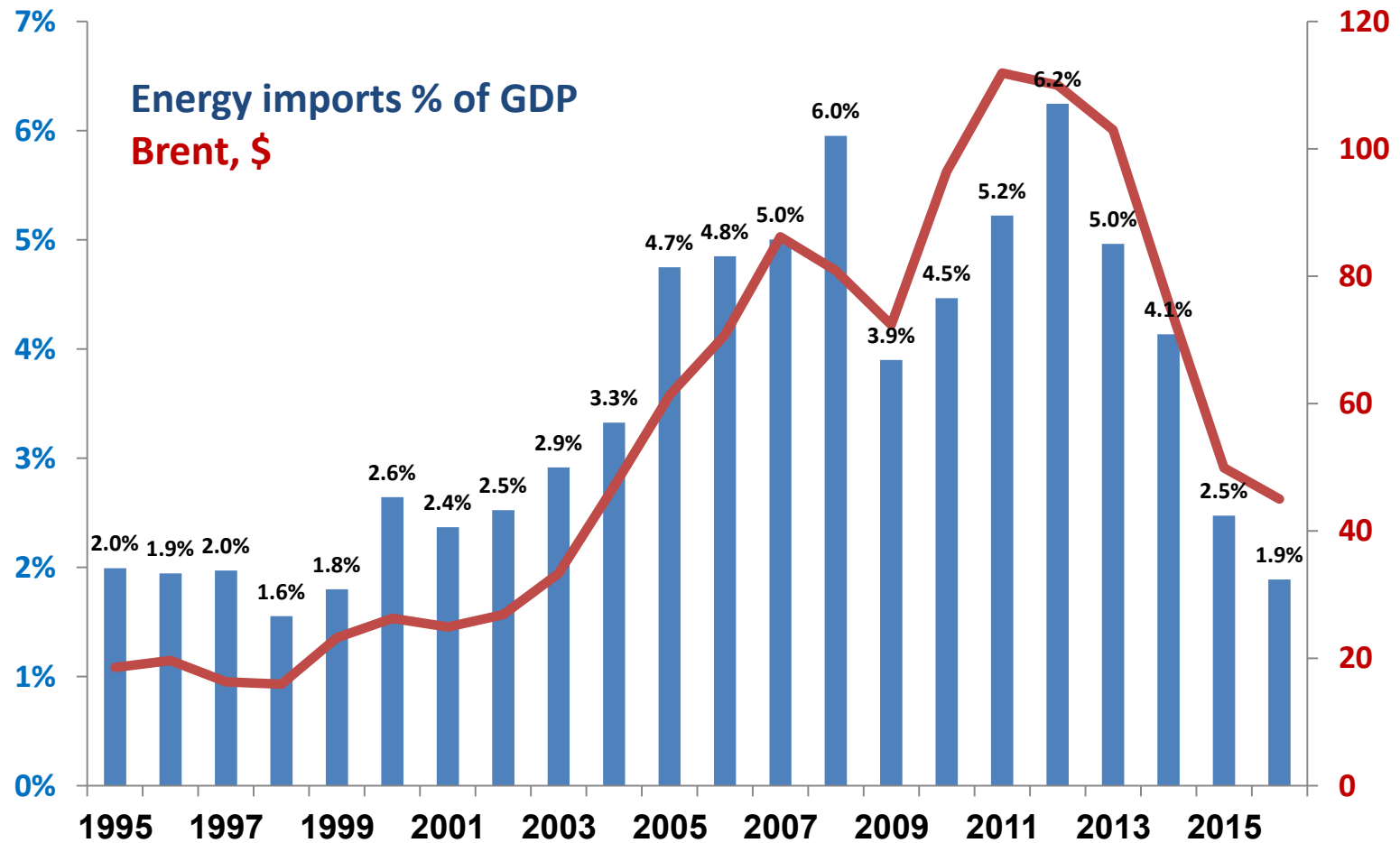


# The marked reduction in energy imports has contributed to ILS strength in recent years...



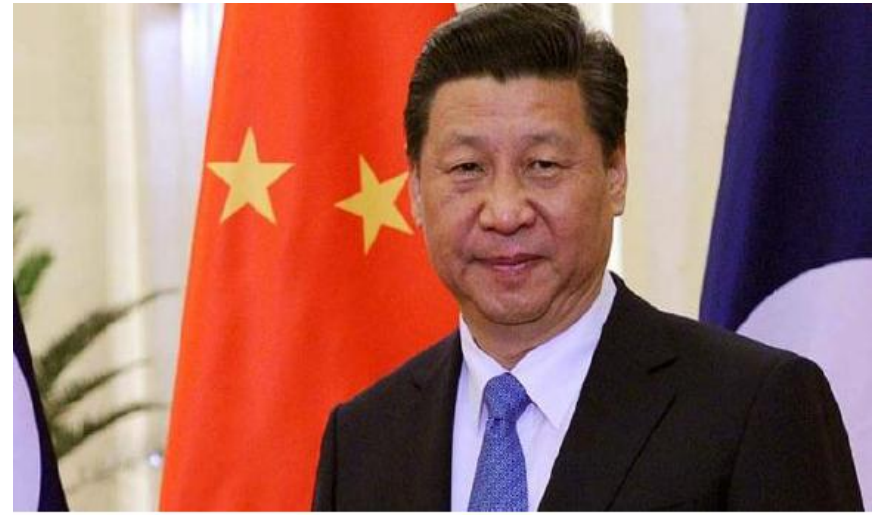
SOURCE: Bloomberg, CBS

# ...and the main factor behind it has been the fall in energy prices abroad



SOURCE: Bloomberg, CBS

# How does Israel stand in light of the shift to a new world economic and political order?



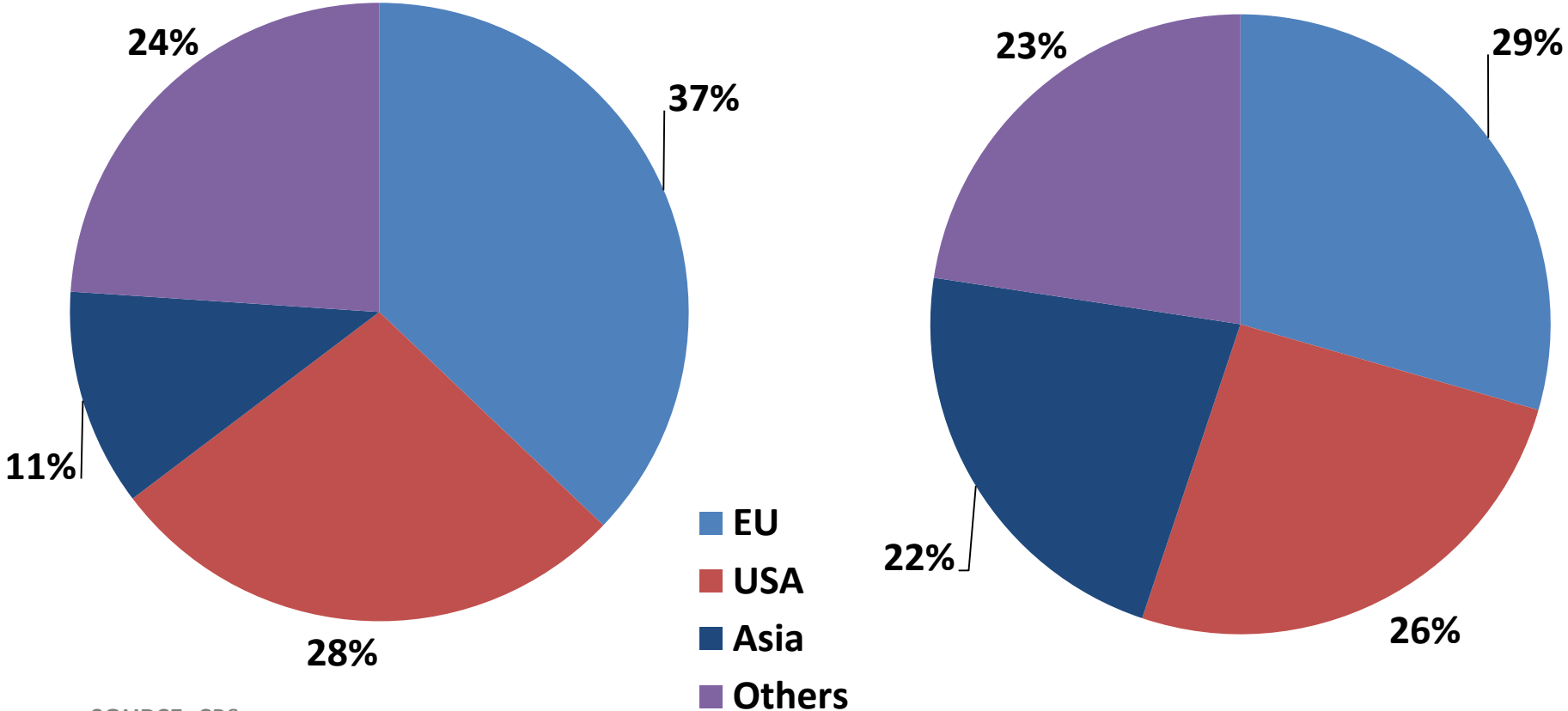


# Israel's foreign trade diversification is welcome

% of total

1995

2016



SOURCE: CBS



**THANK  
YOU**

