+--+

Israeli Economy to Grow 4.9% in 2011, Led by Investment (2)
2011-10-11 12:52:49.124 GMT

(Updates with comment from economist in third paragraph.)

By Alisa Odenheimer

Oct. 11 (Bloomberg) -- Israel's economy will expand by 4.9 percent this year, led by investment in fixed capital, the Central Bureau of Statistics said.

In the second quarter, growth was 3.7 percent, compared with a previous estimate of 3.5 percent, the Jerusalem-based statistics office said in an e-mailed statement today. The bureau had previously estimated 5 percent growth for the year, and the new figure brings it closer to the Bank of Israel's forecast of 4.7 percent.

"All in all, the numbers look pretty good," said Amir Kahanovich, chief economist at Clal Investment Management Ltd. in Tel Aviv. "The concern is over exports, which have been hurt by the global slowdown. There are also signs of cooling in the housing market, which may reduce investment."

Bank of Israel Governor Stanley Fischer cut the benchmark interest rate for the first time in 2 1/2 years on Sept. 26, joining countries including Turkey and Brazil in reducing lending costs. The slowdown in global growth will be steeper than previously expected, the Bank of Israel said in the minutes of the meeting released yesterday.

The quarter-point rate cut, which brought the benchmark to 3 percent, followed a Sept. 22 announcement that the central bank had reduced its forecast for growth next year to 3.2 percent from 3.9 percent.

Advanced Economies

Israel's economy expanded 4.8 percent in 2010 and it is outpacing most advanced economies, which are forecast by the International Monetary Fund to grow an average 1.6 percent this year. Compared to other countries, Israel's economic situation is "excellent," said Daniel Hewitt, senior emerging-market economist at Barclays Capital in London.

Output per capita will be 110,800 shekels ($30,000), about 3 percent higher than last year, the bureau said.

Investment will rise 16.5 percent, compared with 13.6 percent last year, it said. Exports, which account for more than a third of gross domestic product, are forecast to rise 5.1 percent in 2011, down from 13.4 percent in 2010, and consumer spending by 4.8 percent, down from 5.3 percent.

As growth in exports moderates, the country's trade deficit has widened. The gap grew to $1.9 billion in September, its largest since at least 1995.

The shekel has weakened by about 4 percent against the dollar since the beginning of the year. The TA-25 benchmark stock index has dropped about 18 percent, led by Discount Investment Corp., a holding company with interests in telecommunications, retailing and manufacturing.

For Related News and Information:
Stories on the Bank of Israel: TNI ISRAEL CEN <GO> Israel’s economy: TNI ISRAEL ECO <GO> Top emerging market news: TOP EM <GO>

--Editors: Ben Holland, Heather Langan, Louis Meixler.

To contact the reporter on this story:
Alisa Odenheimer in Jerusalem at +972-2-640-1102 or
aodenheimer@bloomberg.net

To contact the editor responsible for this story:
Andrew J. Barden at +971-4-364-1057 or
barden@bloomberg.net