

3 May 2009

Press Release

The Government of Israel Approved the Expansion of the Budget for the Years 2009-2010, by 1.7% Each Year, and Established A Deficit Reduction Outline for the Years 2009-2014

The Government of Israel today approved the expansion of the two-year State budget for the years 2009-2010, at the rate of 1.7% each year. The Government also approved the Minister of Finance's proposal to establish a long-term deficit reduction outline for the years 2009-2014.

After the Cabinet vote, the Minister of Finance, Dr. Yuval Steinitz, remarked: "Today, the Government has displayed responsibility and maturity. The significance of the decision is that the Government will continue to increase its expenditure even during the sharp slowdown in activity within the economy, at a time when it is exposed to severe decline in revenues from taxes."

Steinitz also stated that "in the years 2009-2010, the deficit will amount to some NIS 86 billion. It is of great importance that the Government has approved the long-term deficit reduction outline through 2014. This is a decision that sends a clear message to the markets in Israel and throughout the world regarding the Government's intention to work towards a low level deficit and to take measures to reduce Israel's national debt."

The Government resolved that in 2009, the Statue Budget will amount to NIS 313.3 billion, expenditure by Government ministries (the net budget) will amount to NIS 243.5 billion and the expected budget deficit for the year will be NIS 44.8 billion, 6% of the GDP.

The Government resolved that in 2010, the State Budget will amount to NIS 318.4 billion, expenditure by Government ministries (the net budget) will amount to NIS 248.1 billion and the expected budget deficit for that year will be NIS 41.6 billion, 5.5% of the GDP. In order to meet these goals, the Government will be required to carry out budget reductions of NIS 14 billion.

The Government further resolved that the ratio of the budget deficit to GDP will be maintained in accordance with the following outline:

- The deficit will constitute 3% of GDP in 2011.
- The deficit will constitute 2% of GDP in 2012.
- The deficit will constitute 1.5% of GDP in 2013.
- The deficit will constitute 1% of GDP in 2014 and afterwards.