



STATE OF ISRAEL
MINISTRY OF FINANCE

SPOKESPERSON OFFICE

INTERNATIONAL AFFAIRS
DEPARTMENT

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Press Release

Government Publishes Debt and Government Bond Market Data for 2009

The Government Debt Management Unit in the Accountant General's Division at the Ministry of Finance today published data on the government debt and the government bond market for 2009:

The debt-to-GDP ratio:

Figures issued by the Debt Management Unit regarding the size of the government debt, combined with data published by the Central Bureau of Statistics on the size of the GDP (Gross Domestic Product) show that the government debt as a percentage of GDP amounted to 78% at the end of 2009, 3% more than that the end of 2008. This figure does not include local authorities' debts as a ratio of GDP. Inclusion of those debts in the calculation would increase it by between one and two percent.

The government debt portfolio:

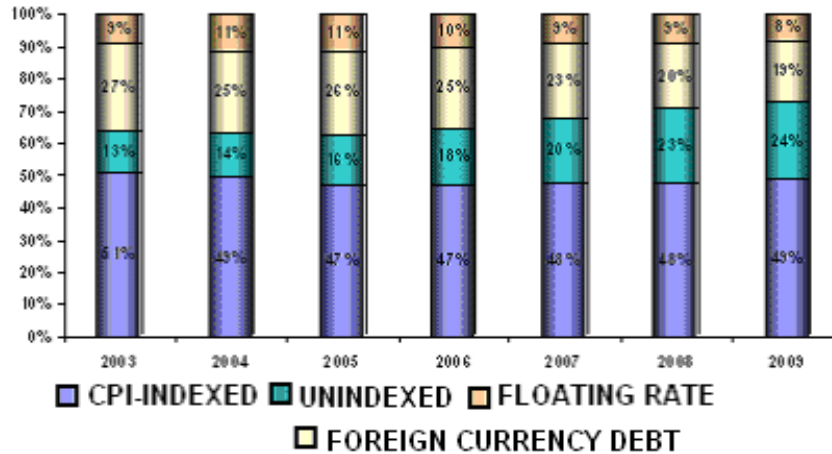
Government Debt Management Unit data demonstrates that the government debt increased by 8.9%, from NIS 547 billion at the end of 2008 to NIS 596 billion at the end of 2009. Most of the increase is attributable to the economic recession and the large positive net issuance and the rise in the consumer price index during 2009. Following several years when a small net issuance had been recorded, a large high net issuance was recorded in 2009, which was intended to finance the high budget deficit of 5.15% of GDP. However, the budget deficit along with the growth in the debt portfolio and growth in the debt-GDP ratio were lower than originally forecasted at the beginning of 2009. Set out below is the distribution and composition of the government debt:



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Government bond market data for 2009:

The secondary market:

As in the previous year, large trading turnover was recorded in the secondary market during 2009. Daily stock exchange, MTS and OTS turnover in government bonds averaged NIS 3.4 billion. Daily turnover on the MTS (main market makers floor) increased to NIS 360 million during the year.

The primary market:

Despite large volumes of issues during 2009, most of the main market makers adhered to and actually exceeded the purchase commitment which contributed to vibrant demand and to high coverage ratios. Bonds offered to main market makers and to the public via regular auctions totaled NIS 60 billion. Demand at these auctions totaled NIS 256 billion – an overall coverage ratio of 4.2. A coverage ratio of less than 2 was recorded at only 4% of total issues in 2009.



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Rating of prominent market makers in the primary and secondary markets for 2009:

Rating in the primary market is based on the amount of purchases at government bond tenders. The three market makers with the largest purchase amounts were:

Rating	Main market maker
1	Bank Leumi
2	Goldman Sachs
3	Barclays*

*Barclays began to operate as a main market maker in May.

Rating in the secondary market is based on the weighting of a number of parameters: trading volume, size of quotation order, quotation margins, and quotation time in the MTS system.

The three market markers with the largest trading volumes and which supplied the largest amount of liquidity at the best margins and for the longest time were:

Rating	Main market maker
1	Bank Leumi
2	Bank Discount
3	Ubank

Referring to the data, Finance Minister **Dr. Yuval Steinitz** said: “We welcome the fact that the debt-ratio rose by only a few percent compared with the upsurge in this ratio in the majority of Western countries. It is important to emphasize, however, that we are determined to maintain the reduction in the debt-GDP ratio to 60% in the long term. Israel’s success in passing through the recession without a major upsurge in the debt-GDP ratio places us in an advantageous position for the future, and at a good starting point for further recovery from the recession and renewed growth”.