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NEWSLETTER

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This newsletter is brought to you by **Invest in Israel**, the investment promotion center of the Ministry of Industry, Trade and Labor.

Invest in Israel works closely with potential and current investors before, during and after investment, and serves as a resource for investment related information about Israel.

In This Issue

DESPITE CRISIS FDI IN ISRAEL REACHES \$10.5 BLN IN 2008

FITCH, MOODY'S GIVE ISRAELI BONDS TOP RATING

US RETAILER GIANT SEARS BUYS SOCIAL SEARCH ENGINE DELVER

ISRAEL REMAINS AMONG TOP NETWORKED ECONOMIES, ACCORDING TO WEF REPORT

FOREIGN TRADERS RETURN TO TEL AVIV STOCK EXCHANGE

GLOBAL SECURITIES REGULATORS' MOST IMPORTANT ANNUAL EVENT TO BE HELD IN TEL-AVIV

ISRAEL SECOND AMONG OECD MEMBERS IN TERMS OF TECHNOLOGICAL EXPORTS

ISRAEL TO BUILD SOLAR PLANTS WITH UP TO 250 MW CAPACITY

BEN GURION AIRPORT NAMED TOP MIDDLE EAST AIRPORT

PERRIGO RECEIVES FDA APPROVAL FOR NEW ACNE TREATMENT

DESPITE CRISIS FDI IN ISRAEL REACHES \$10.5 BLN IN 2008

Foreign direct investment in Israel rose 5% in 2008, the Bank of Israel reported on March 30th, even as the global economic crisis spread. Direct investment totaled \$10.5 billion, up from \$9.96b in 2007, the central bank said.

Foreign direct investment was \$392 million in January, following on the \$590 million invested in December, 2008. Most of the direct investment in January was in high-tech companies.

FITCH, MOODY'S GIVE ISRAELI BONDS TOP RATING

According to Anthony Thomas, Moody's vice president & senior analyst, Israel's track record in weathering a variety of severe shocks in the past makes Moody's confident in Israel's economic resilience and, as a result, its relatively good ability to deal with the global financial crisis.

Fitch Ratings in March assigned the State of Israel's upcoming 10-year USD sovereign bond an 'A' rating, while Moody's Investors Service assigned its A1 rating to the State of Israel's new \$1.5 billion, 10-year global bond issue. Moody's currently has a stable outlook on the Israeli government's A1 foreign- and domestic-currency debt ratings, and Fitch's rating is in line with Israel's long-term foreign currency Issuer Default Rating (IDR) of 'A' which has a stable outlook.

Paul Rawkins, senior director in Fitch's London-based Sovereigns Team, noted that the economy's deterioration as a consequence of a collapse in exports had led to a steep fall in tax revenues, and the sovereign bond issue came on the back of a widening state deficit that could see the broader general government deficit approach 7% of gross domestic product (GDP) in 2009.

Fitch expects Israel's real GDP to contract by as much as 1.5% in 2009. Fitch noted, however, that Prime Minister-designate Benjamin Netanyahu was the architect of the most recent phase of fiscal consolidation. Given an appropriate fiscal framework going forward, Israel's powerful public debt dynamics should also start to reassert themselves as the economy begins to recover.

[Back to Top](#)

US RETAILER GIANT SEARS BUYS SOCIAL SEARCH ENGINE DELVER

"The acquisition of Delver.com, and more importantly the ability to tap into its proven talent and innovative social media technologies developed over the last two years, is a great opportunity for Sears Holdings to expand our global online strategy," said George Coll,

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Sears' senior vice president of new services.

U.S. Retailer Sears Holding Corp acquired Israeli start-up Delver for an undisclosed amount as part of its plan to expand online. Delver's employees will continue to work in Israel and the company will operate as a Sears' development center.

Herzliya-based Delver will continue development of its social graph search engine that improves the relevancy of web search results by prioritizing these results based upon the searcher's social network. They will also continue to develop new products.

The company also hired Delver Chief Executive Liad Agmon as vice president of new services.

Over the last year, Sears has been expanding its e-commerce business with the Introduction of an online home services marketplace and a new showroom-style store that lets shoppers pick up online purchases at a drive-through location.

[Back to Top](#)

ISRAEL REMAINS AMONG TOP NETWORKED ECONOMIES, ACCORDING TO WEF REPORT

"Israel's recent development history is an inspiring example of a small, resource-poor country turned into a global high-tech powerhouse in less than 30 years, thanks to the government's coherent vision and strategy." – WEF Report.

According to the World Economic Forum's Global Information Technology Report 2008-2009, Israel's 5th position in the world for the number of utility patents (154.3 in 2007), coupled with its relatively high ratio of high-tech exports, continue to place it among the top nations in terms of its networked readiness.

The report emphasized that "the fundamentals of Israel's prowess in networked readiness and innovation (remain strong)".

[Back to Top](#)

FOREIGN TRADERS RETURN TO TEL AVIV STOCK EXCHANGE

Nonresidents made significant investment in bonds and shares of Israeli companies; direct investment continues to thrive.

According to figures supplied by the Bank of Israel, investments by nonresidents on the Tel Aviv Stock Exchange (TASE) reached \$476 million in January, after they had sold a total of about \$1.4 billion in shares in October and November.

Investments on the TASE included \$331 million in bonds and \$145 million in equities. The majority of shares bought were in chemical and pharmaceutical companies. In addition to investing in bonds on the TASE, nonresidents also invested \$500 million in bonds issued abroad by a large Israeli company in the energy industry.

In 2007, investment by non-residents in Israeli stocks and bonds continued, albeit at a slower pace than the previous year, the Bank of Israel reported earlier this week. Portfolio investment increased by \$214 million, down from \$1.4 billion increase in 2007. "Despite the crisis, foreign investors didn't pull their money out of Israel, and even continued to invest more," Vered Dar, chief economist at

Psagot Investment House Ltd., said.

[Back to Top](#)

GLOBAL SECURITIES REGULATORS MOST IMPORTANT ANNUAL EVENT TO BE HELD IN TEL-AVIV

"IOSCO 2009 represents a unique opportunity for all of the participants to address the current economic situation in one forum, making this event one of the most important such forums in recent memory." Zohar Goshen, chairman of the Israel Securities Authority.

The International Organization of Securities Commissions (IOSCO) 2009 conference, the global securities regulators' most important annual event, will take place in Tel Aviv, Israel, from June 8 to 11. The conference will provide one of the first opportunities for international regulatory authorities to focus on the global effects of the credit crisis on the financial and securities system and its implications for the stability of the world economy.

The annual IOSCO conference focuses on articulating international standards of conduct, promoting cooperation between securities regulators, and facilitating seamless integration between financial markets. Participants in the conference include many prominent members of securities regulatory institutions, international organizations, stock exchanges and financial institutions including international experts such as Mary Schapiro, Chairman, U.S. Securities and Exchange Commission Lloyd C. Blankfein, chairman and CEO of Goldman Sachs Group, Deven Sharma, president of Standard & Poor's, and William Brodsky, chairman & CEO of the Chicago Board Options Exchange as well as the chairman of the World Federation of Exchanges.

The first two days of the event will include closed sessions, whereas the last two days (June 10-11) will be open to banks, investment houses, accounting and law firms and other members of the global financial community.

[Back to Top](#)

ISRAEL SECOND AMONG OECD MEMBERS IN TERMS OF TECHNOLOGICAL EXPORTS

The Bank of Israel report, which focused on OECD members, noted that Israel also maintained its global lead in electronic exports.

A Bank of Israel report due to be published in April says that Israel is 2nd among OECD members in the proportion of high-tech exports of its total exports. The report, which is based on data from the OECD and reviews the manufacturing and export of high-tech services, traditional industry services and mixed services from OECD members pertaining to recent years, also said high-tech exports in Israel grew faster than in other countries.

According to industry experts, Israel's forte is in high-tech as the manufacturing of high-tech services requires highly qualified human capital, which it has in abundance.

The report classified startup exports as research and development services, a subsection of high-tech services, and indicated that Israel has maintained its comparative advantage in the field since the 1990s.

[Back to Top](#)

ISRAEL TO BUILD SOLAR PLANTS WITH UP TO 250 MW CAPACITY

They will be the largest solar power plants in Israel and among the largest in the world.

The inter-ministerial tenders committee for the solar power plants to be erected in Israel's Negev desert has published two tenders for the construction, operation, maintenance, and transfer to the state of two solar electricity generating plants for the production of approximately 110 megawatts each.

Seven consortia have been invited to submit bids for the tenders, including Israeli geothermal energy producer Ormat Industries Ltd., and Housing & Construction Co. Ltd, Israel's biggest construction company, together with Solel Solar Systems Ltd.

The site will include both solar thermal and photovoltaic power systems. It is Israel's first national solar power station project, and is part of the government's policy to develop renewable energy sources for electricity production.

"Progress in renewable energy projects is important, not just from the environmental perspective, but also in order to reduce the economy's dependence on fossil fuels," Minister of Finance Ronnie Bar-On said.

[Back to Top](#)

BEN GURION AIRPORT NAMED TOP MIDDLE EAST AIRPORT

Worldwide Ben Gurion came in second for airports with annual passenger traffic of 5-15 million

The Airports Council International (ACI) airport survey rated Tel Aviv's Ben Gurion Airport as the best airport in the Middle East for the second year in a row, and gave it the second highest ranking for airports with annual passenger traffic of 5 to 15 million passengers.

The ACI survey reflects the passengers' perception of the quality of more than 30 aspects of service that they have experienced at the airport.

In 2008, the rankings were based on the results of over 200,000 questionnaires completed by passengers at 108 airports worldwide.

[Back to Top](#)

PERRIGO RECEIVES FDA APPROVAL FOR NEW ACNE TREATMENT

Perrigo Company, headquartered in B'nei Brak, recently received final approval from the U.S. Food and Drug Administration (FDA) to market its new Sulfacetamide Sodium Topical Suspension Lotion, which was determined to be therapeutically equivalent in its treatment of acne to Sanofi-Aventis' commercially successful Klaron Lotion.

Perrigo is a leading global healthcare supplier that develops, manufactures and distributes over the counter (OTC) and generic

prescription pharmaceuticals, nutritional products, active pharmaceutical ingredients (API) and consumer products. It is the world's largest manufacturer of OTC pharmaceutical products for the store brand market and is active in the United States, Israel, Mexico and the United Kingdom.

[Back to Top](#)