



Tomorrow: The Treasury Will Be Asked to Reconsider the Amount of Capital that It Is Raising

This will occur, during the discussion in the Knesset Finance Committee. The Finance Ministry is planning to raise capital in the unprecedented amount of 200,000,000,000 shekels, by selling bonds, in order to cover the deficit in the budget. About 80,000,000,000 shekels is the assumption of fresh debt the greatest amount since the crisis at the start of the decade.

Zvi Lavi

The members of the Knesset Finance Committee are expected to demand tomorrow (Monday) from the finance Ministry to reconsider the unprecedented amounts of the planned capital recruitment to cover the budget deficit, in the amount of 200,000,000,000 shekels. This is in light of the possibility that the annual deficit will be lower than predictions. The capital will be raised by a bond issue in the next 18 months, amidst apprehension that this will adversely impact the corporate and government bond market and engender difficulties in raising credit due to the rise on yields.

The demand is expected to surface in an urgent discussion by the committee that was set at the request of Knesset members Shai Hermesh and Zeev Bielski (Kadima), the former chairman of the Jewish Agency. "The higher rate of return can cause difficulties in raising capital and compel the state to pay high interest rates, on top of the relatively high interest that is already being collected in the capital markets due to the standstill caused by the financial crisis", argues Hermesh.

"A Double Recruitment of Capital Represents a Double Danger"

Hermesh relies on the data of research conducted at his request by the [Jerusalem Institute for Market Studies](#). From the research it emerges that out of 200,000,000,000 shekels about 80,000,000,000 shekels represents assuming fresh debt the largest amount since the 2002-2003 crisis. He notes that the earlier recruitment almost concluded with a financial crisis despite the fact that it comprised 40,000,000,000 shekels. "This time we are dealing with a

amount that is double, which perhaps involves a double risk", argues Hermesh, who was in the recent past the Treasurer of the Jewish Agency.

He warns that there will be severe repercussions on the issues of Israeli bonds in the amount planned, that will influence market performance and they will exert a positive influence. A particularly negative influence that he foresees is the rise in the return on long-term interest rates. "Since only a third of the amount of the capital will be raised in foreign markets, there will be a rise in interest in Israel that can lead to a decline in investments in the Israeli private sector and pursuantly a decline in job creation ", says Hermesh.

Additionally he foresees damage to the corporate bond market that is already in a recovery stage from the crisis. "A massive increase in the amount of bond issues abroad can find expression in an appreciable reduction of demand a decline in the prices of this financial instrument."