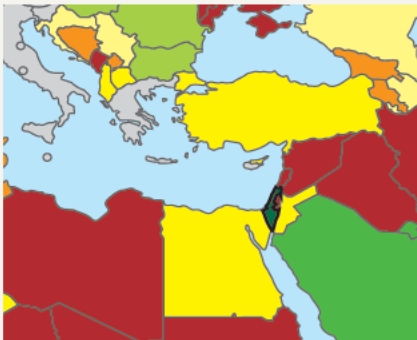


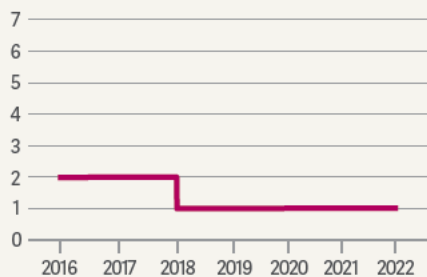
Basic facts (2020)

Population: 9,2 million
 GDP, nominal: USD 407 billion
 GDP/capita: USD 44 181



The country risk categories are arranged on a scale from 0 to 7. The lower the figure, the better the country's creditworthiness

Country classification history



Source: EKN

Strengths

- + Well-diversified and developed economy.
- + Sustainable government finances and balance of payments.
- + Well-functioning and strong institutions.

Weaknesses

- Geopolitical tensions and security threats.
- Small domestic market and export dependent.

Highly developed economy

Israel is in a recovery phase. A world-leading vaccination effort, strong government finances and effective support measures have benefited the economic recovery. The country is one of the few in the region expected to return to pre-pandemic growth levels in 2021. Israel has had good economic growth in recent years, despite political turmoil and military conflicts in the surrounding region. The economy is well developed and strongly internationalised. Israel is one of the countries in the world that invests the largest share of GDP in research. High-tech products and services have increased international interest. The country's economy also benefits from tourism, both pilgrimages and holidays in the sun normally attract large numbers of visitors from abroad. In the past decade, the economy has grown by an average of 4 per cent per year, which is well above the average for developed economies. In 2020, Growth contracted by 2 per cent, as a consequence of lockdowns to reduce the spread of COVID-19. The economic impact has been limited, thanks to strong buffers and room for fiscal measures. The IMF estimates that the country will have growth of just over 7 per cent in 2021 and then around 4 per cent.

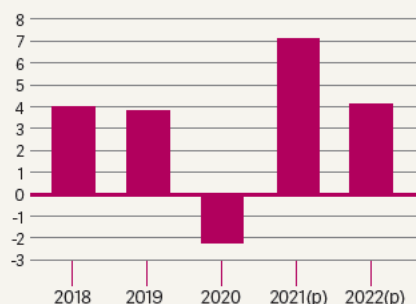
Decreasing the budget deficits, which is fuelled by high defence spending, has been a priority for a number of governments. The budget deficit is expected to decline from 7 per cent of GDP in 2021 to 4 per cent in 2022, when the economy returns to growth and the stimulus measures during the pandemic are phased out. The debt ratio has historically been relatively high. Government debt decreased from 90 per cent of GDP in the early 2000s to 60 per cent before the pandemic. It is expected to peak at 73 per cent of GDP in 2022 before it starts to decline again. External debt is low, and Israel will remain a net creditor against the rest of the world. The external position is strong and is driven by a current account surplus of nearly 5 per cent of GDP. The country's historically stable current account surplus over the past 18 years has made it possible to increase international reserves to the equivalent of one year's import needs. This buffer is reassuring, given the security risks and a limited export diversification.

Persistent geopolitical tensions

The Israeli economy is resilient and robust growth is expected in the long term. The country's good external position will remain. This is due to increased global demand for Israeli exports, such as high-tech services and natural gas. The economy has previously been able to handle domestic and global crises, military conflicts and financial crises.

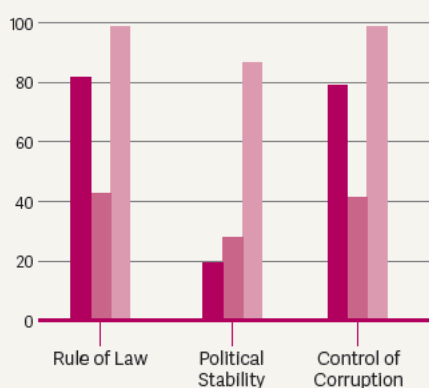
After 12 consecutive years as Prime Minister, Benjamin Netanyahu left the post in 2021. In the wake of Netanyahu's resignation, the political situation has become divided, and the new government faces many ideological challenges. The government spans the entire political spectrum from right to left and is supported by an Arab party. The polarised political system poses a risk of sluggish process for political decisions and further growing budget deficits. Nevertheless, the new government recently had its budget for 2021 and 2022 approved, which is the country's first approved government budget since 2018 due to previous political crises.

GDP growth (fixed prices, % per annum)



Source: IMFWEO 2021

Business environment



■ Israel
■ MENA
■ Sweden

Ranking from 0 (worst) to 100 (best)

Source: The World Bank

Swedish export to Israel

	MSEK
2020	3 203
2019	3 434
2018	2 923
2017	3 050
2016	2 547

Source: SCB

EKN:s exposure

	MSEK
Guarantees	1 393
Offers	562

The risk situation is dominated by geopolitical tensions and the security threats to Israel will persist. After a turbulent beginning of 2021 with increased tensions, the security situation has stabilised for the present. The conflict with Palestine has continuously flared up in recent decades and is expected to continue. A peace accord with the Palestinians is unlikely in the foreseeable future given the divisions both within the Palestinian leadership and Israeli society. Continued housing construction by Israel in occupied territory is heightening tensions. A small domestic market and poor relations with regional neighbours has resulted in an economy dependent on exports, above all to the EU and USA. However, in recent years, Israel has normalised its diplomatic relations with several Gulf states, including the United Arab Emirates.

Business environment

The World Bank's Ease of Doing Business index ranks Israel 35 out of 190 countries ranked in 2020, which is in line with several OECD countries. In Transparency International's Corruption Index, Israel ranks 35 out of 180 countries, which is at the top of the region, but after the United Arab Emirates and Qatar. This ranking is a drop from previous years, as a result of the country's recent corruption and bribery scandals. The World Bank's Governance Indicators (WGI), which include measurements of the quality of institutions and the regulatory environment, rank the country above the average for the region, thanks to stable and well-functioning institutions.

The Israeli banking sector is well developed, diversified and well regulated. Banks are well capitalised and have proven to be resilient in periods of worse market conditions. The banks have a historically good and stable asset quality. The share of bad loans is low, around 1.5 per cent, and the banks are generally well equipped against credit losses. Nevertheless, asset quality and profitability are expected to deteriorate as a result of the pandemic.

EKN:s policy

Israel is a high-income country within the OECD, which means that the OECD does not place the country in a country risk category. EKN upgraded Israel to country risk category 1 in 2017. Market references must be obtained for long credit periods. Normal risk assessment applies to all transactions. No types of risk are covered in transactions with the occupied areas. These areas include the West Bank, including East Jerusalem, Gaza and the Golan Heights, which were occupied by Israel in 1967.

EKN:s commitment and experience

During the period 2017 to 2021, EKN issued guarantees for 55 transactions with a total value of just over SEK 11 billion for Swedish companies exporting to Israel. In terms of amounts, exposure is dominated by the transport sector. EKN's payment experience is good. In 2020, 97 per cent of all overdue payments were paid. EKN has one outstanding claim from the early 2000s.