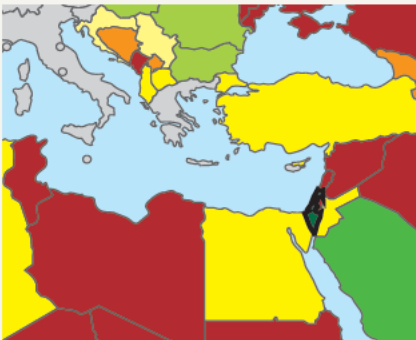


Basic facts (2021)

Population: 9 million

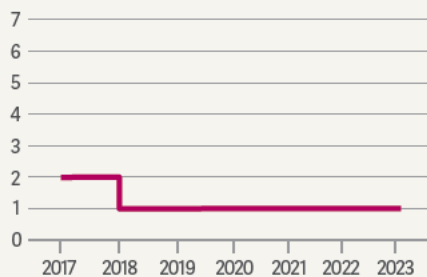
GDP, nominal: USD 488,5 billion

GDP/capita: USD 52 152



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 dependency.

Robust growth benefits the Israeli economy

The economic recovery in Israel have been strong, despite political instability and turbulence in the region. In the past decade, the economy has grown by an average of four per cent per year, which is above the average for developed economies. The economy is well developed and strongly internationalised. The good economic development is largely driven by the country's high-tech industry with various IT products and services, which has increased the global interest in trade with Israel. In addition, the economy benefits from newly discovered gas reserves in the Mediterranean, biotechnology, tourism, and agriculture.

Despite a well-developed economy, government finances have occasionally been strained. Decreasing budget deficits, fuelled by high defence spending, has been a priority for a number of governments. In 2022, a budget surplus of 0.1 per cent of GDP is expected, compared to a budget deficit of close to four per cent of GDP in 2021. Government debt has historically been relatively high, peaking at 90 per cent of GDP in the early 2000s. In 2022, it is expected to reach 60 per cent of GDP. However, access to international capital markets is strong and the deficits are not worrisome. External debt is low at 30 per cent of GDP. The external position is strong and Israel will remain a net creditor against the rest of the world. A stable current account surplus over the past two decades has boosted the international reserves, which cover approximately 18 months of imports. This buffer is reassuring, given the security risks faced by Israel and its limited export diversification.

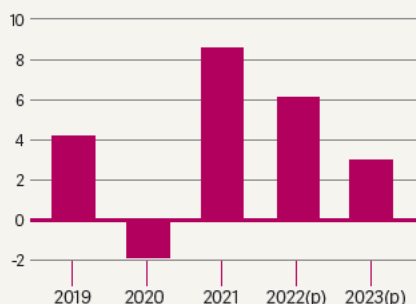
Persistent geopolitical tensions

The political situation has been characterised by instability in recent years. After twelve consecutive years as Prime Minister, Benjamin Netanyahu left the post in 2021. However, it did not take long before the newly elected eight-party coalition ended up in crisis and new elections were called. In early November 2022, the fifth election in less than four years was held. Benjamin Netanyahu once again became Prime Minister and his right-wing coalition the winner. The election results mean that the country is moving further to the right in politics. A polarised political system may slow down political decision-making and there is a risk of growing budget deficits.

The Israeli economy is resilient and robust growth is expected in the long term. Despite deteriorating global macroeconomic conditions, the IMF estimates growth of at six per cent in 2022 and three per cent thereafter. The strong external position will remain, due to increased global demand for Israeli exports, such as high-tech services and natural gas. High natural gas prices and increased domestic gas production will benefit the economy in the short term. Down-side risks regards to geopolitical tensions and the security threats will persist. The conflict with Palestine has continuously flared up in recent decades and is expected to do so in the future. 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.

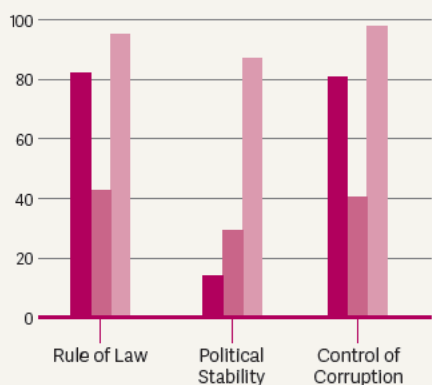
A small domestic market and a history of tense relations with neighbouring countries have made the economy dependent on exports, especially to the

Real GDP growth (constant prices, % per annum)



Source: IMFWEQ, Macrobond

Business environment



■ Israel
■ Middle East & North Africa
■ Sweden

Ranking from 0 (worst) to 100 (best)

Source: The World Bank, Macrobond

Swedish export to Israel

	MSEK
2021	3 002
2020	3 203
2019	3 434
2018	2 923
2017	3 050

Source: SCB

EKN:s exposure

	MSEK
Guarantees	1 324
Offers	314

EU and the US. However, international relations involve close but sometimes difficult ties with the United States and significant uncertainties associated with regional instability. The latter is of particular concern due to Israel's proximity to countries plagued by close-by conflicts (Syria, Iraq, Lebanon) or geopolitical tensions (Iran and Saudi Arabia). A continued good relationship with the USA provides political stability and economic security. More recently, relations with neighbouring countries have improved. Israel signed agreements in 2020 formalising diplomatic relations with several countries, including the United Arab Emirates and Bahrain.

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 36 out of 180 countries, which is among the better in the region, but behind 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 measure the quality of institutions and the regulatory environment, place the country above the MENA average, thanks to stable and well-functioning institutions. In terms of political stability and the security situation, Israel is placed below average for the region.

The Israeli banking sector is well developed, diversified and well regulated. The 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 non-performing loans are low, and the banks are generally well equipped against credit losses. Nevertheless, asset quality and profitability are expected to slightly deteriorate as a result of more difficult global macroeconomic conditions.

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 of Palestine. 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 2018–2022, EKN issued guarantees for 46 transactions, with a total value of SEK 12.6 billion, for Swedish companies exporting to Israel. In terms of amounts, exposure is dominated by the transport sector. EKN's payment experience is good.