

The Israeli Economy and Implications of the Global Crisis

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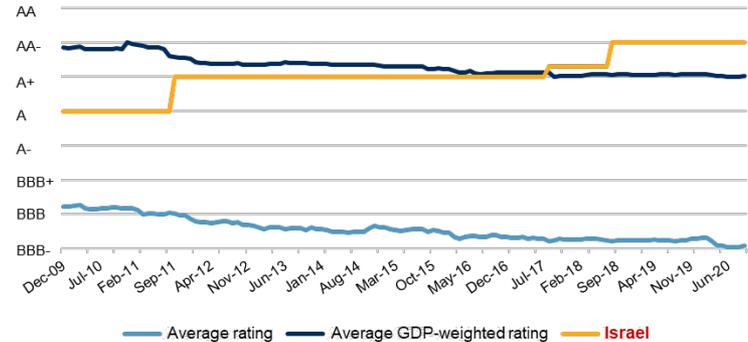
S&P Global
Ratings

Sovereign Ratings – A Global Perspective

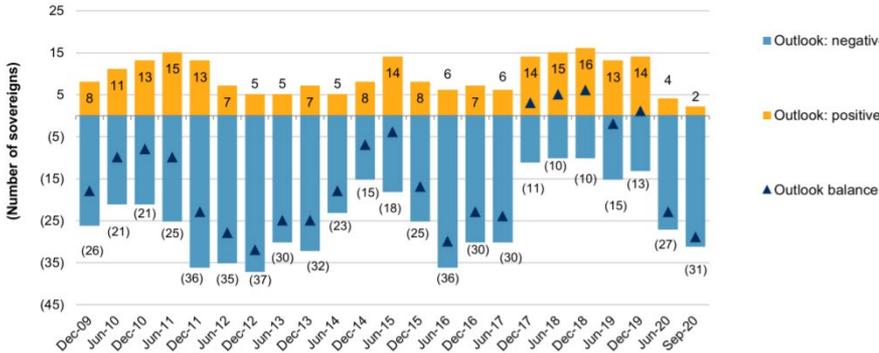
Real GDP Growth Forecast

(%)	Israel	Eurozone	United Kingdom	United States	China
2018	3.5	1.9	1.3	3.0	6.8
2019	3.4	1.3	1.3	2.2	6.1
2020	(5.0)	(7.2)	(11.0)	(4.0)	2.1
2021	4.5	4.8	6.0	4.0	6.9
2022	3.5	3.9	5.0	2.4	5.0

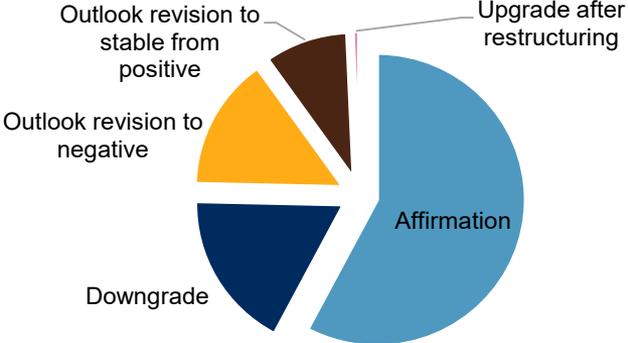
Global Sovereign Rating History



Global Sovereign Ratings Outlook Balance



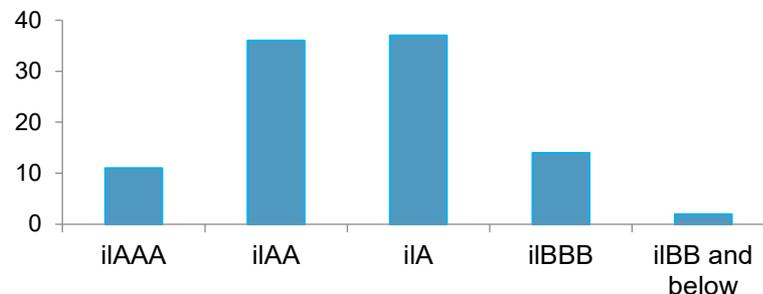
Sovereign Rating Actions 2020



Israel Sovereign Ratings Unchanged At 'AA-' Throughout 2020 – Echoed By Private Sector Ratings

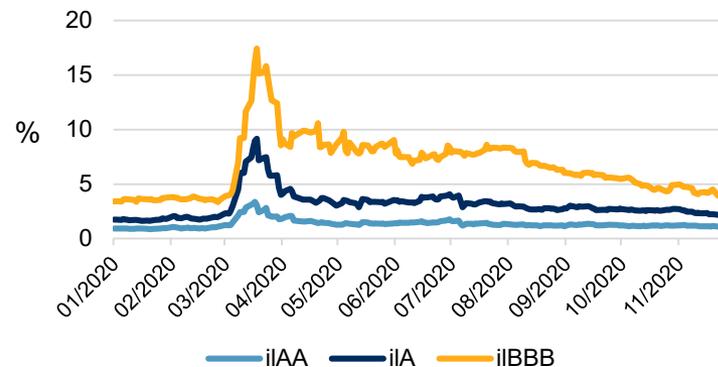
- GDP contraction followed by rebound
- Wealthy economy
- Strong balance-of-payments position
- Notable fiscal deterioration
- Government debt structure remains favourable
- Credible and effective monetary policy
- Security and geopolitical risks remain constraining rating factor

National Scale Ratings Distribution by Rating Category

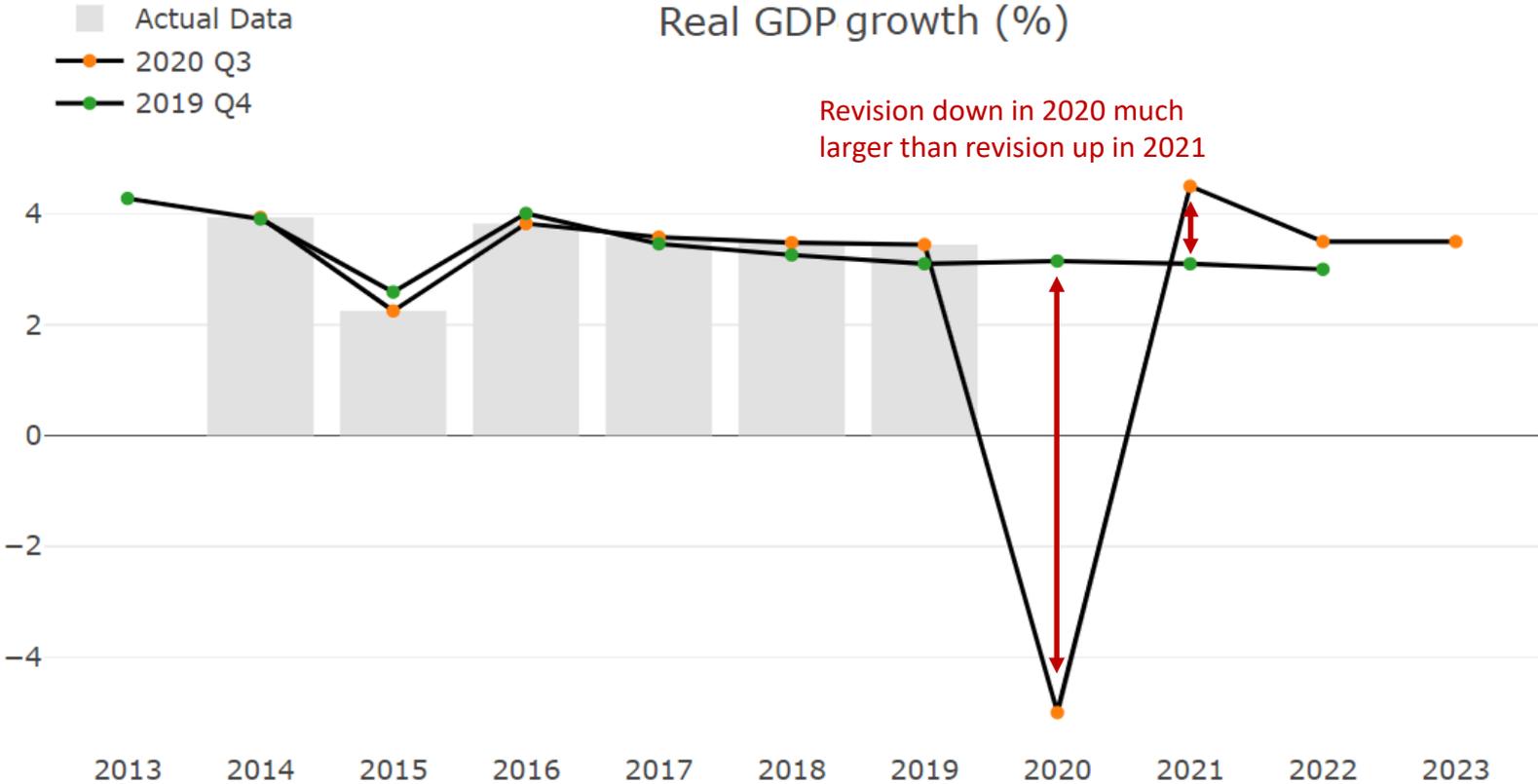


	%	2018	2019	2020	2021	2022	2023
Growth Indicators							
Real GDP growth		3.5	3.4	-5.0	4.5	3.5	3.5
GDP per capita (000s \$)		42	44	42	44	46.0	48.2
Real investment growth		5.1	2.5	-6.0	3.0	3.5	3.5
Unemployment rate		4.0	3.8	4.7	6.0	5.0	4.5
External Indicators							
Current Account Balance / GDP		2.7	3.4	3.6	3.4	3.1	2.8
Gross external debt / GDP		24	23	26	26	25.3	24.2
Net External Liabilities / Current Account Receipts		-97	-114	-133	-132	-133.4	-134.5
Fiscal Indicators							
Budget Balance / GDP		-4.3	-4.5	-12.0	-7.5	-4.2	-4.0
Debt / GDP		60.9	60.0	74.5	78.4	78.6	78.7
Net debt / GDP		58.8	58.6	73.0	77.0	77.3	77.4
Monetary Indicators							
Domestic credit		6.2	4.8	2.0	3.5	5.0	5.0
CPI growth		0.8	0.8	-0.6	0.5	1.5	1.5

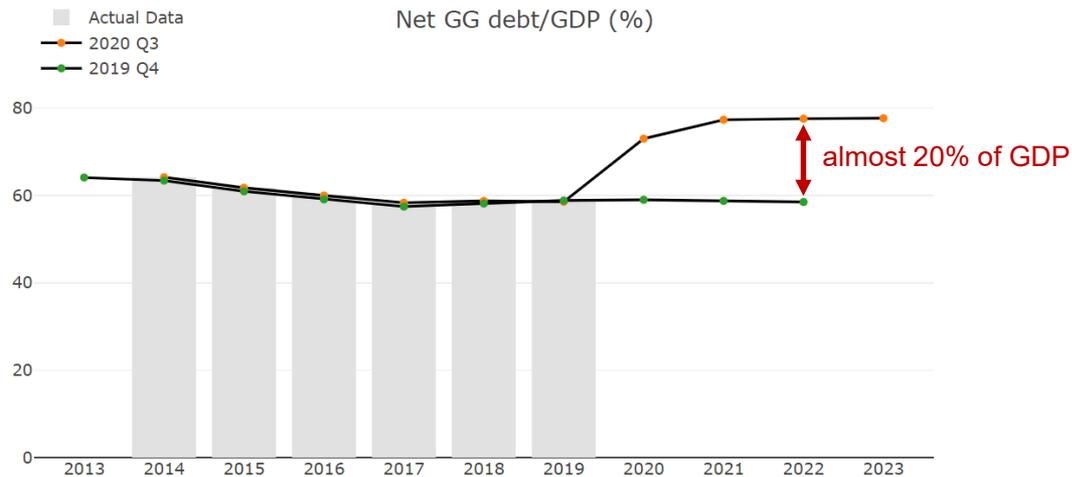
Market Spread by Local Rating Category



Following 2020 Recession, GDP Growth To Rebound in 2021

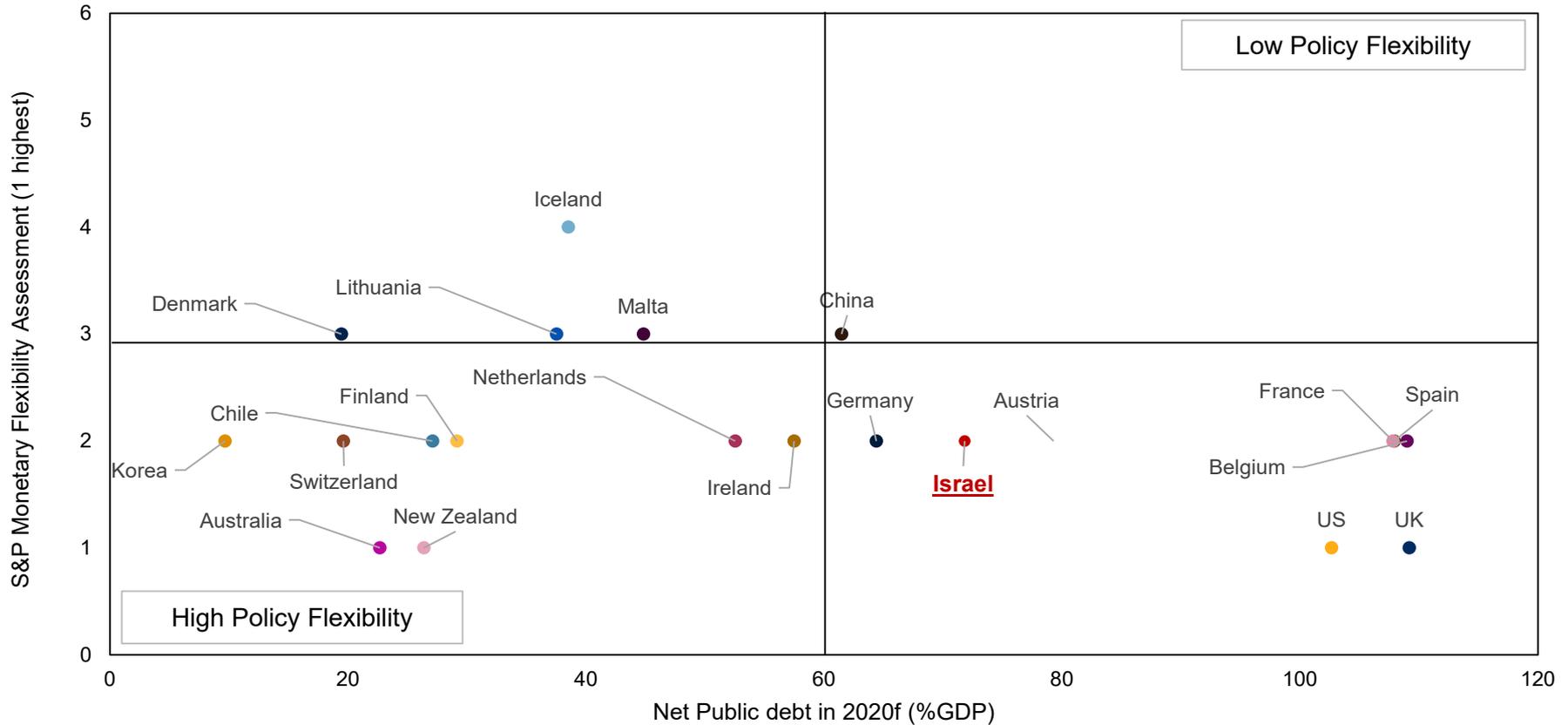


Debt Structure and Effective Monetary Policy Mitigate Sharp Increase in Government Debt



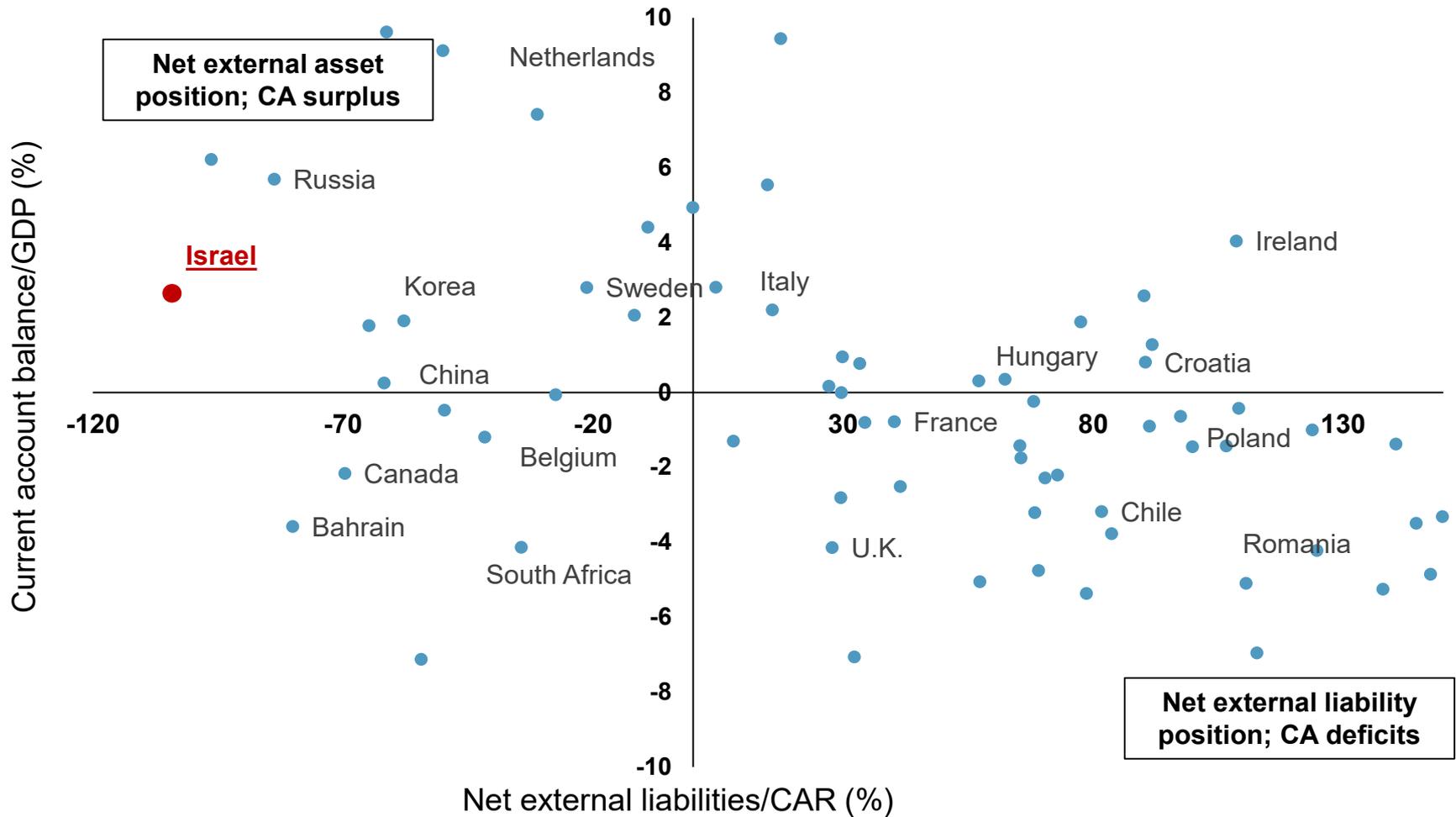
- In a cross-country comparison, Israel's **debt levels still comparatively moderate**
- **Effective monetary policy** as backstop for additional borrowing requirements
- **Favourable debt structure**: funding in deep domestic capital markets; recent international bond issuances with maturities extending from 30 to 100 years

Israel Maintains Fiscal and Monetary Flexibility...



Note: 1. Monetary flexibility assessment (1- highest, 6- lowest) is derived by combining S&P Global assessments of the exchange rate regime and the monetary policy credibility. 2. Net public debt is general government debt net of government liquid financial assets.

... And One Of The Strongest External Profiles



Note: CAR = Current Account Receipts;
 Source: S&P Global's Sovereign risk indicators, Oct. 2020

Balanced Risks to Sovereign Ratings Outlook



Positive rating action possible if:

- **Fiscal outturns** being **materially stronger** than our current projections;
- Major improvement in the **Middle East's security environment**.

Negative rating action possible if:

- The **economic downturn proved deeper** and longer than expected, leading to a **more substantial deterioration of public finances** than we currently forecast
- Beyond immediate pandemic-related effects, Israel **lacked a medium-term fiscal consolidation plan** and **net general government debt kept rising**--as opposed to our current forecast that it will stabilize at under 80% of GDP. This could happen, for instance, if domestic **political uncertainty and a fragmented government** made it difficult to agree fiscal priorities.

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