

The Israeli Economy

From Economic Crisis to Stable Growth

May 2019



ISRAEL EXPORT INSTITUTE

Israel

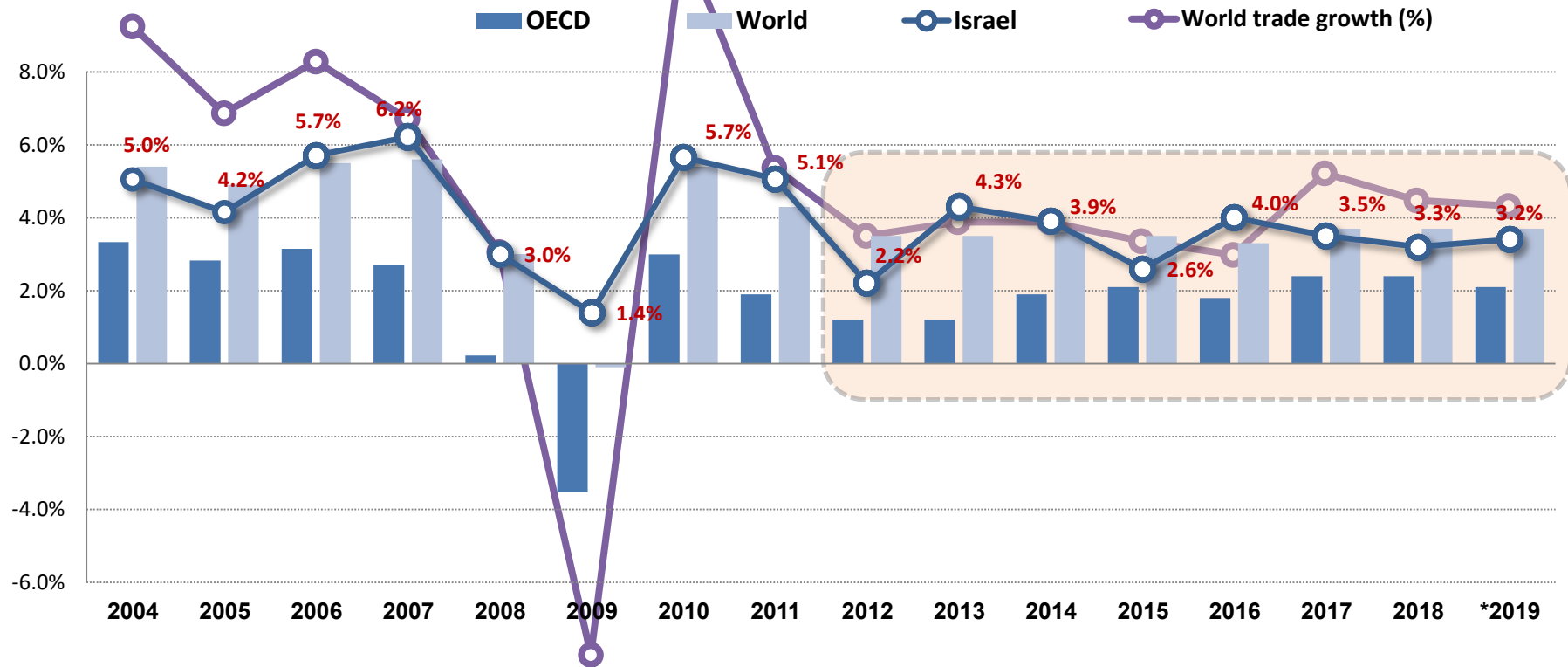
The Land of (Economic) Miracles

Israel Economy | Past & Present

	1984	2018
GDP per capita (US, current prices)	6,870 \$	41,180 \$
Inflation Rate (Year End)	444%	1.1%
Current Account Balance (% of GDP)	-5.8%	2.0%
Budget Balance (% of GDP)	-15.3%	-2.9%
Public Debt (% of GDP)	284%	60.5%
Net External Assets	-18.8 B\$	126.6B\$

GDP Growth | Global Comparison

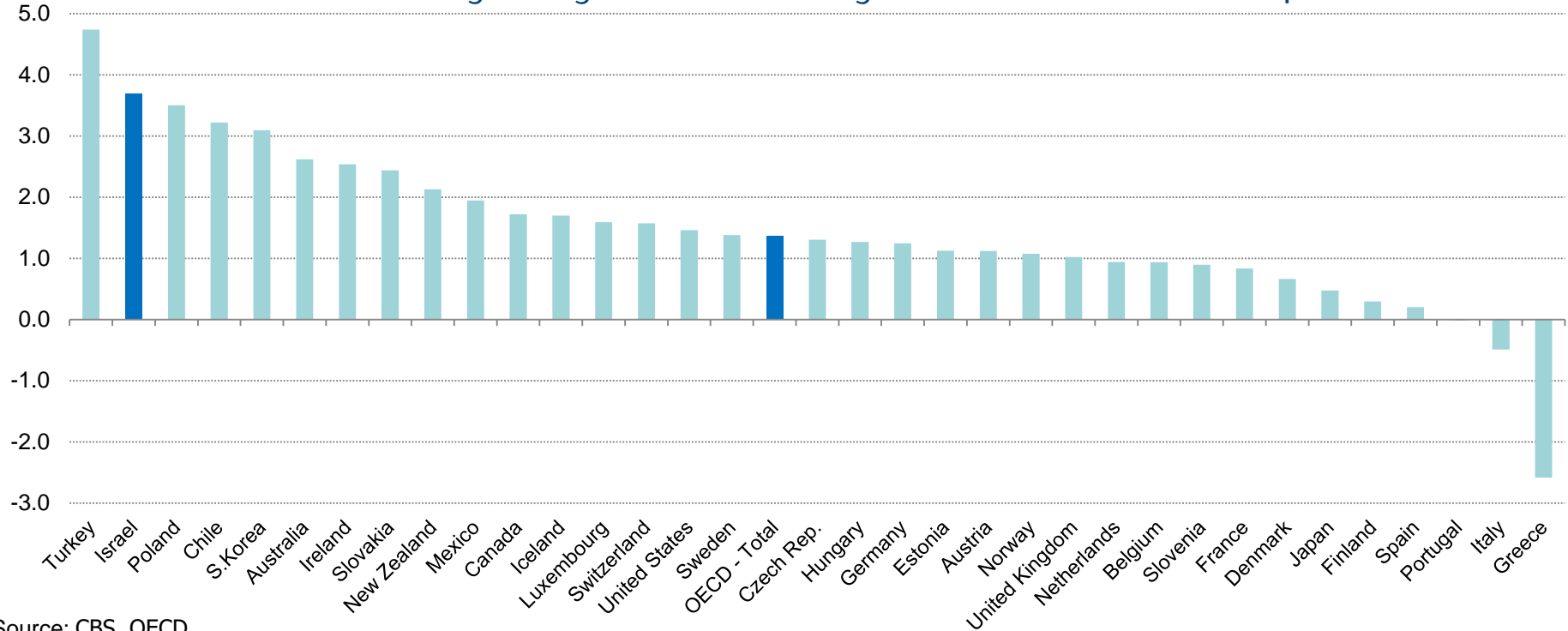
Israel's growth rate has exceeded the average growth rate of advanced economies



GDP Growth | Global Comparison

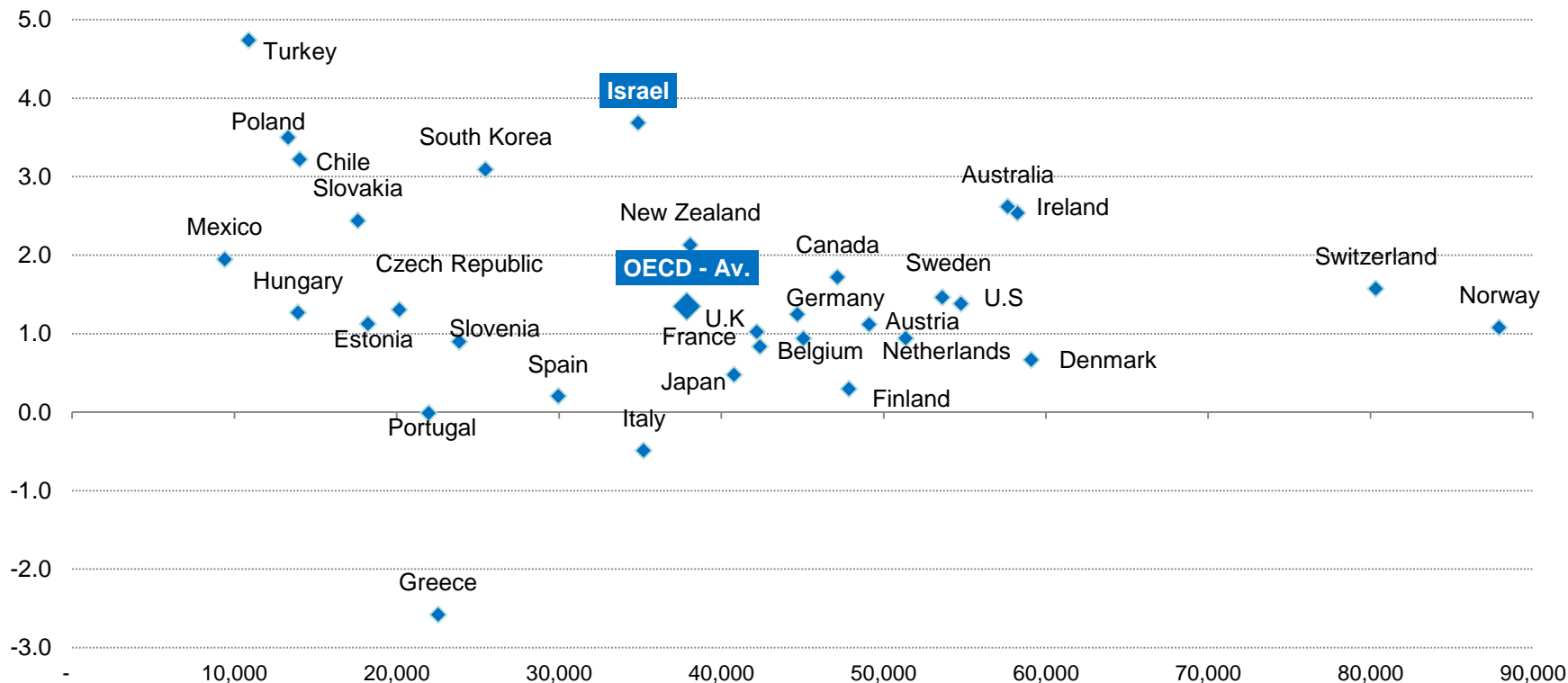
Av. growth rate, 2008-2018

One of the fastest-growing economies among all of OECD countries in the past decade

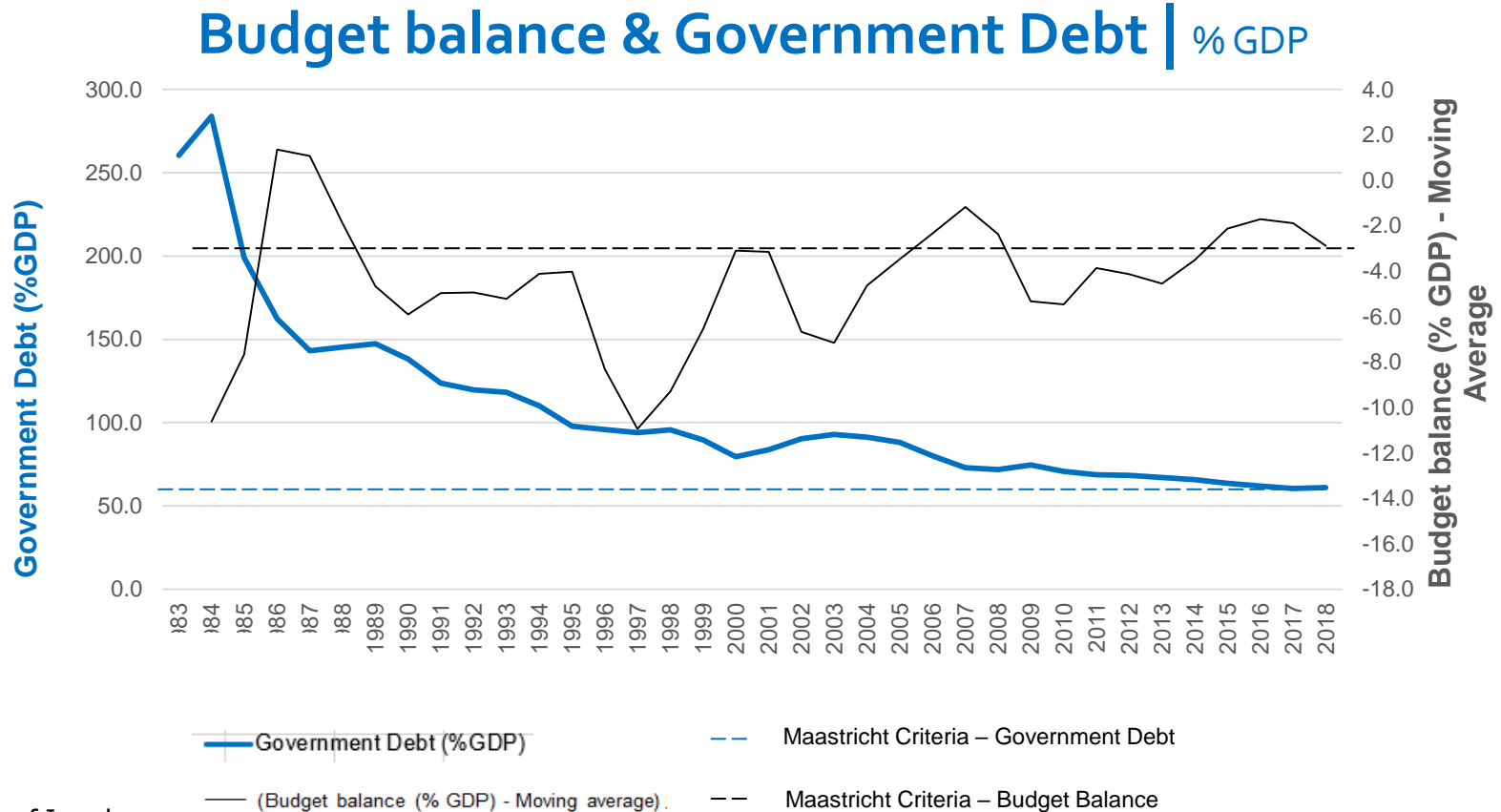


GDP Growth | Global Comparison

Av. GDP growth & GDP Per Capita

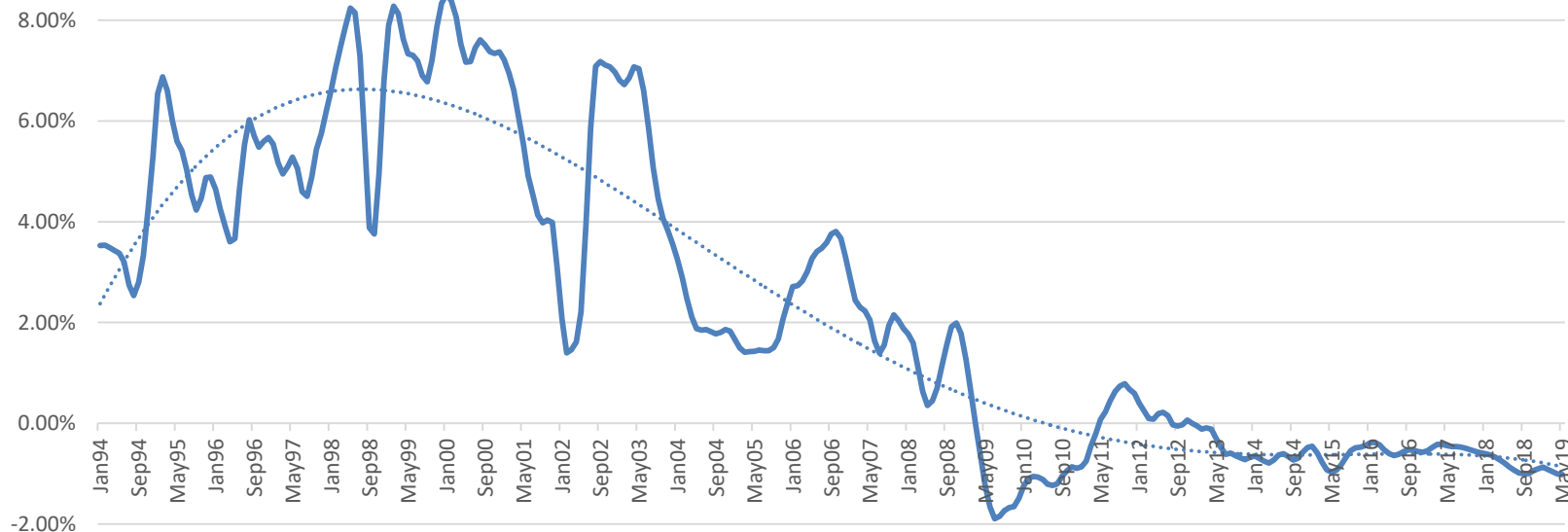


Fiscal Policy



Monetary Policy

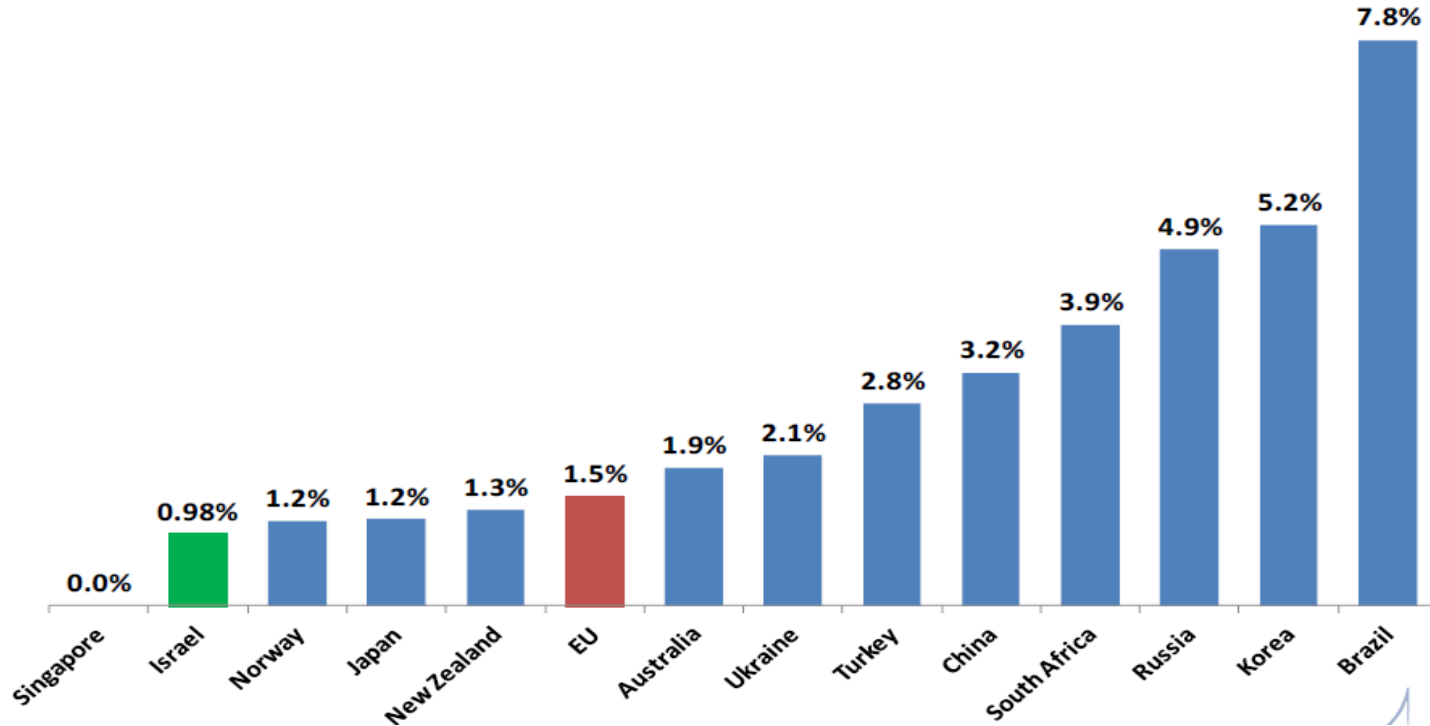
Real Interest Rate* | 2019



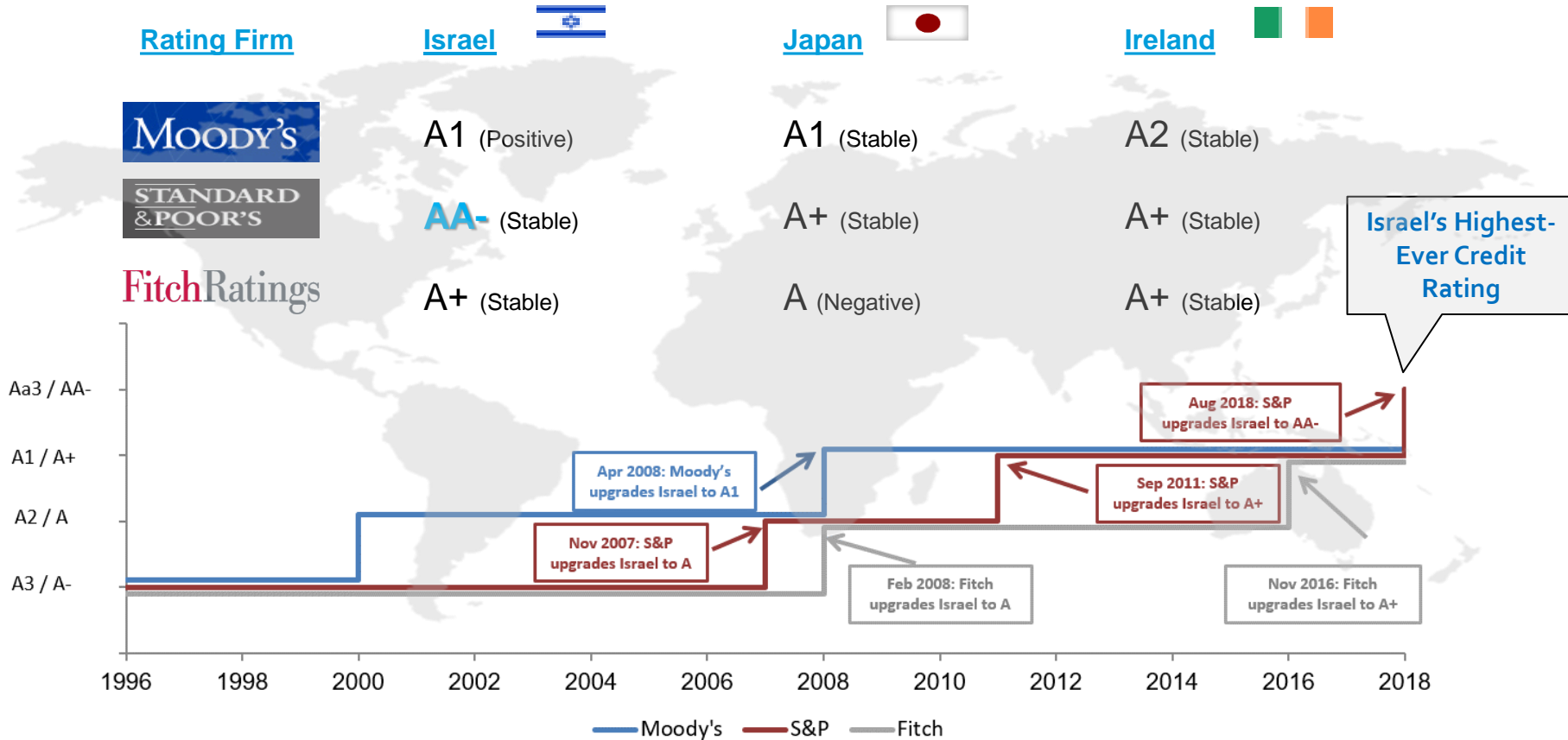
***Real Interest Rate = Nominal Interest Rate / Inflation Expectations**

Trade Policy

Av. Import Taxes



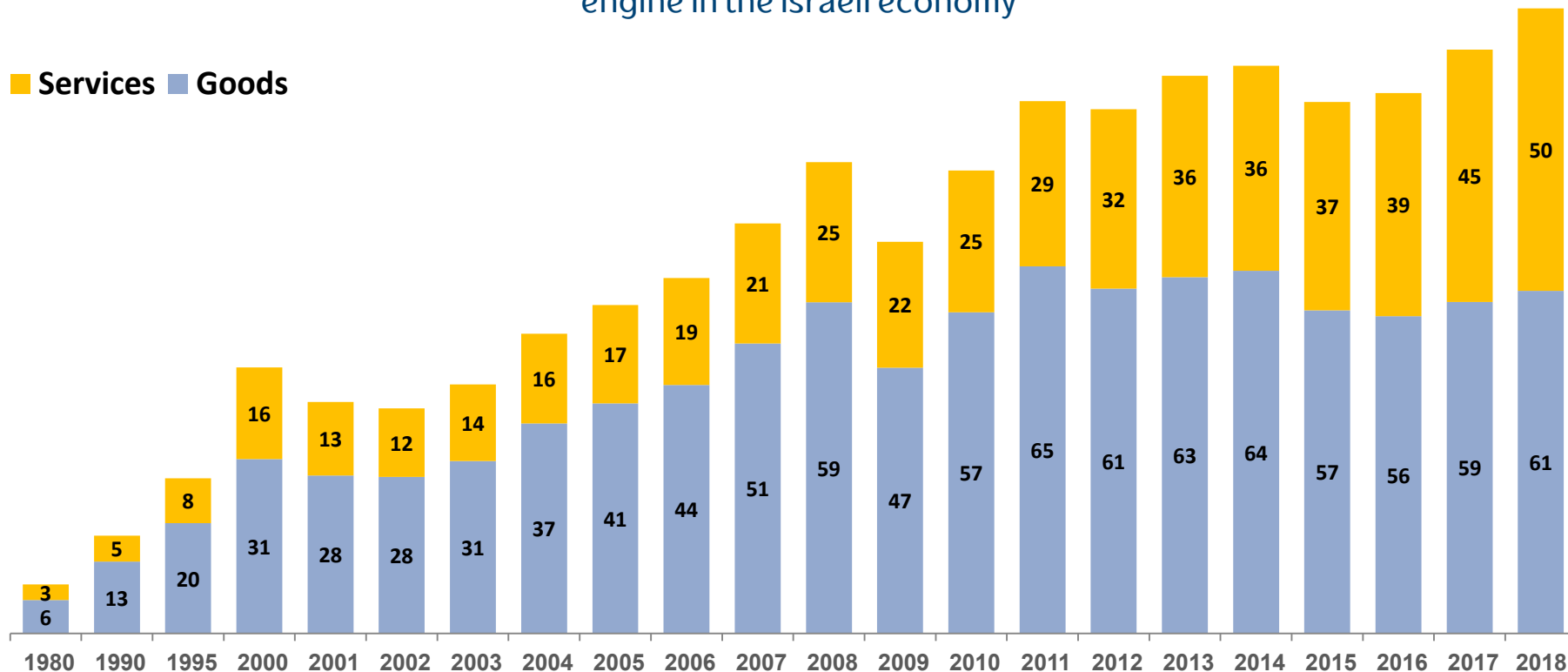
Israel's Credit Ratings



Exports of goods and services | 1980-2018 (B\$)

For the last 30 years – Exports of goods and services has been a major growth engine in the Israeli economy

■ Services ■ Goods



*2018 – IEI Economic Unit Forecast



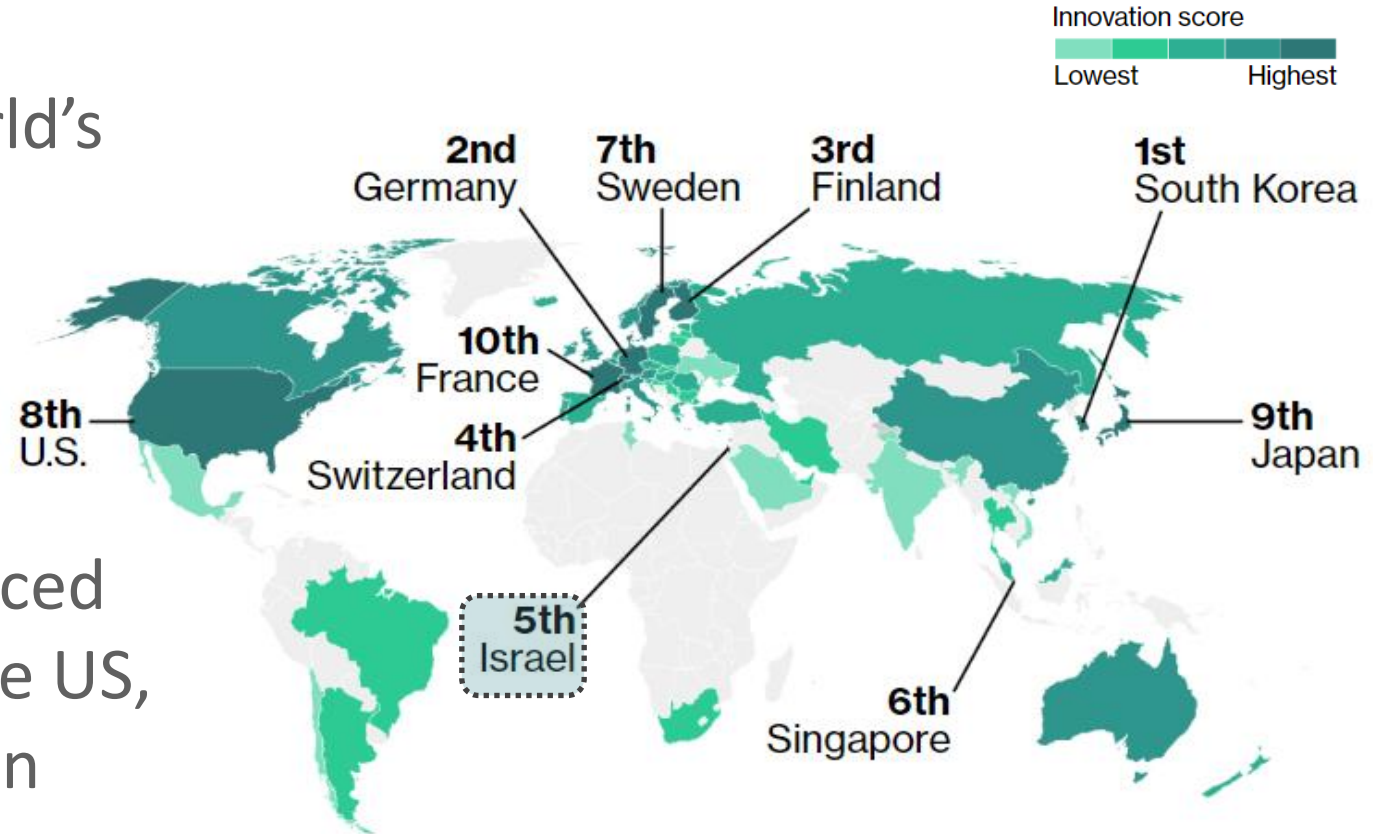
Israel's Innovation

Innovation is the main growth engine of the Israeli export

The Bloomberg Innovation Index 2019

World Most Innovative Economies

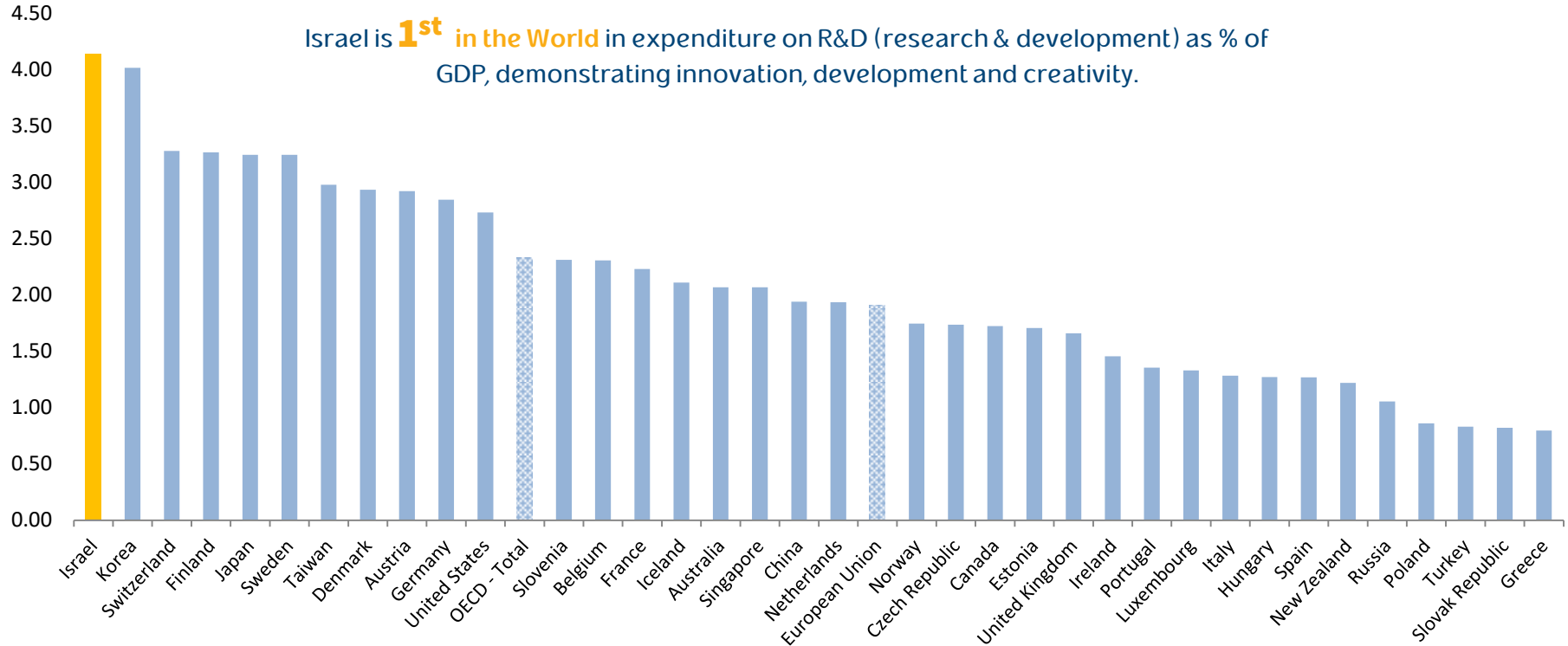
Israel Is World's
5th Most
Innovative
Country,
ahead of
many advanced
countries like US,
UK and Japan



Investment in R&D

as % of GDP | 2010–2016 Av. | Leading Countries

Israel is **1st** in the World in expenditure on R&D (research & development) as % of GDP, demonstrating innovation, development and creativity.



The Bloomberg Innovation Index 2019

2019 Rank	2018 Rank	YoY Change	Economy	Total Score	R&D Intensity	Manufacturing Value-added	Productivity	High-tech Density	Tertiary Efficiency	Researcher Concentration	Patent Activity
1	1	0	S. Korea	87.38	2	2	18	4	7	7	20
2	4	+2	Germany	87.30	7	3	24	3	14	11	7
3	7	+4	Finland	85.57	9	16	5	13	9	8	5
4	5	+1	Switzerland	85.49	3	4	7	8	13	3	27
5	10	+5	Israel	84.78	1	33	8	5	36	2	4
6	3	-3	Singapore	84.49	13	5	11	17	1	13	14
7	2	-5	Sweden	84.15	4	15	9	6	20	5	25
8	11	+3	U.S.	83.21	10	25	6	1	43	28	1
9	6	-3	Japan	81.96	5	7	22	10	39	18	10
10	9	-1	France	81.67	12	41	13	2	11	20	15
11	8	-3	Denmark	81.66	8	21	15	12	19	1	28
12	12	0	Austria	80.98	6	11	12	24	8	9	18
13	14	+1	Belgium	80.43	11	26	10	9	41	16	9
14	13	-1	Ireland	80.08	32	1	1	16	15	14	38
15	16	+1	Netherlands	79.54	16	29	21	7	42	12	12
16	19	+3	China	78.35	14	13	47	11	6	39	2
17	15	-2	Norway	77.79	17	49	23	15	17	10	11
18	17	-1	U.K.	75.87	20	45	26	14	5	21	19
19	18	-1	Australia	75.38	19	56	17	20	18	15	6
20	22	+2	Canada	73.65	22	39	27	22	31	19	8
21	20	-1	Italy	72.85	24	22	20	19	29	29	26
22	21	-1	Poland	69.10	36	20	40	18	16	38	37

High Degree of Innovation

The Global Competitiveness Index | 2018



12th pillar: Innovation

Rank/137	Country / Economy	Score	Trend	Distance from best
1	Switzerland	5.8	—	<div></div>
2	United States	5.8	—	<div></div>
3	Israel	5.8	—	<div></div>
4	Finland	5.7	—	<div></div>
5	Germany	5.6	—	<div></div>
6	Netherlands	5.6	—	<div></div>
7	Sweden	5.5	—	<div></div>
8	Japan	5.4	—	<div></div>
9	Singapore	5.3	—	<div></div>
10	Denmark	5.1	—	<div></div>

University-industry collaboration in R&D

Rank/137	Country / Economy	Score	Trend	Distance from best
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4	Finland	5.6	—	<div></div>
5	Netherlands	5.6	—	<div></div>
6	United Kingdom	5.4	—	<div></div>
7	Germany	5.4	—	<div></div>
8	Singapore	5.3	—	<div></div>
9	Belgium	5.3	—	<div></div>
10	Sweden	5.2	—	<div></div>

Quality of scientific research institutions

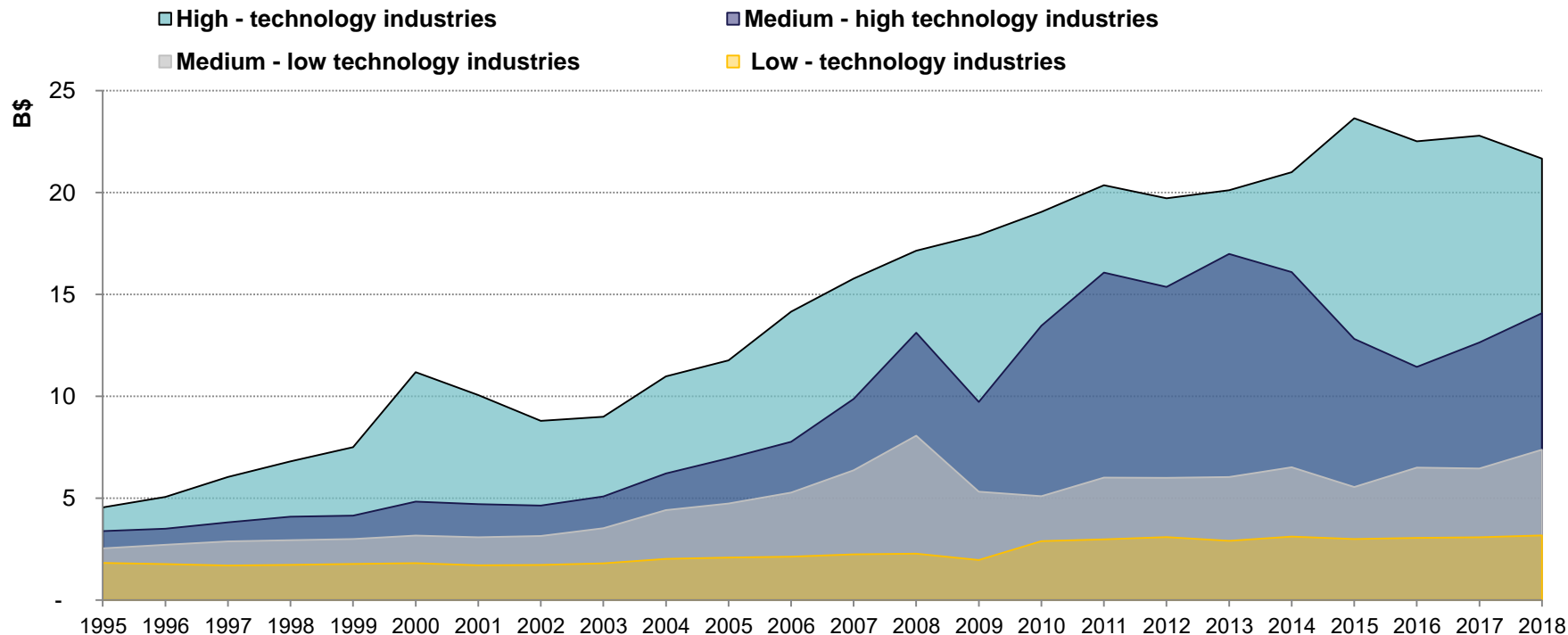
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2	United Kingdom	6.3	—	<div></div>
3	Israel	6.3	—	<div></div>
4	Netherlands	6.1	—	<div></div>
5	United States	6.0	—	<div></div>
6	Belgium	5.8	—	<div></div>
7	France	5.8	—	<div></div>
8	Finland	5.8	—	<div></div>
9	Canada	5.7	—	<div></div>
10	Australia	5.7	—	<div></div>

Company spending on R&D

Rank/137	Country / Economy	Score	Trend	Distance from best
1	Switzerland	6.1	—	<div></div>
2	United States	5.9	—	<div></div>
3	Israel	5.8	—	<div></div>
4	Germany	5.6	—	<div></div>
5	Japan	5.6	—	<div></div>
6	Sweden	5.6	—	<div></div>
7	Finland	5.3	—	<div></div>
8	Netherlands	5.2	—	<div></div>
9	Belgium	5.2	—	<div></div>
10	Taiwan, China	5.2	—	<div></div>

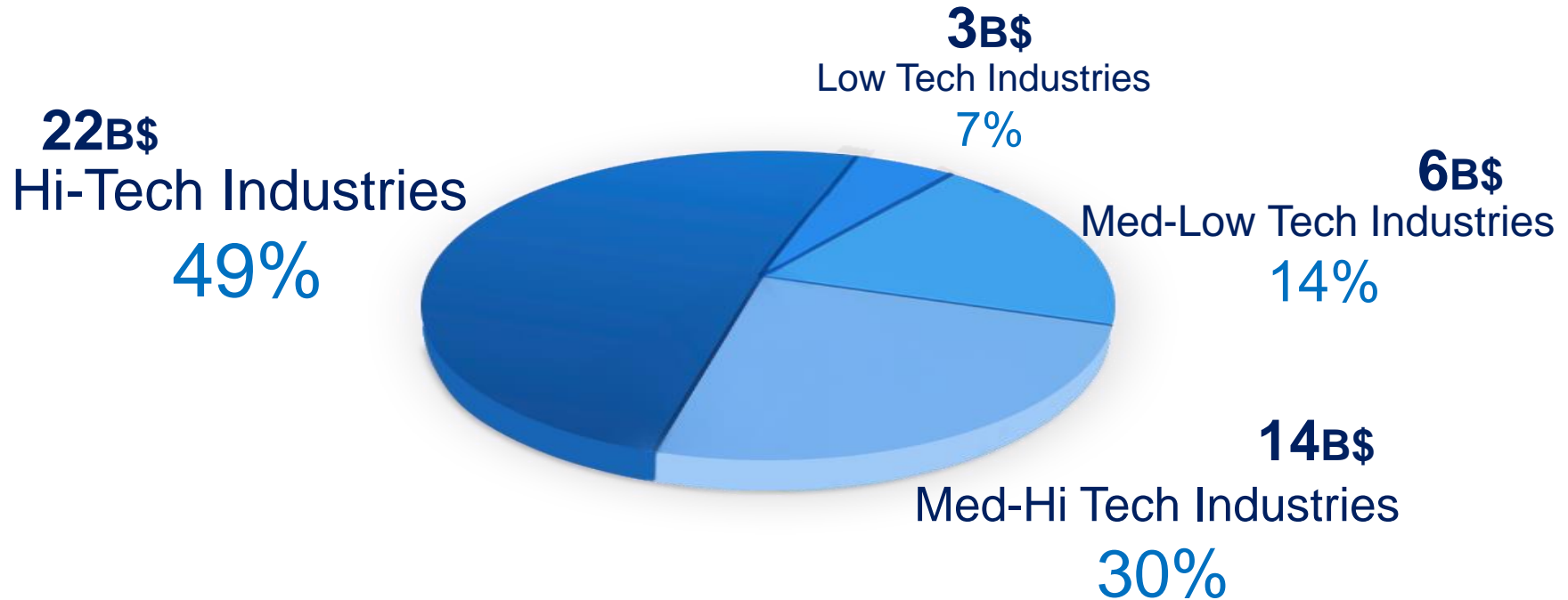
Industrial Exports | by sector, 1995-2018

In the past decade the industrial export was mainly affected by the rapid growth of the Hi-Tech industry



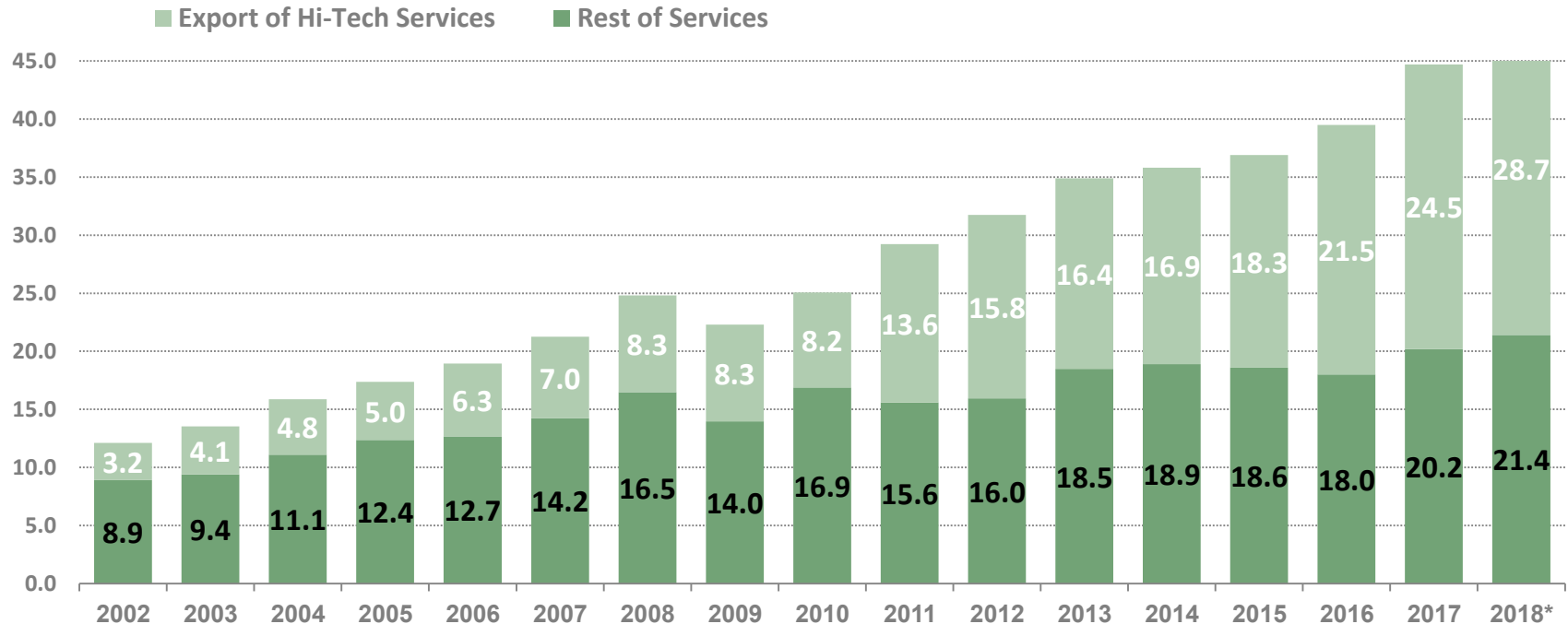
Industrial Exports | by sector, 2014-2018 Av.

Exports of **Hi-tech products** comprise about **50%** of all Industrial Export



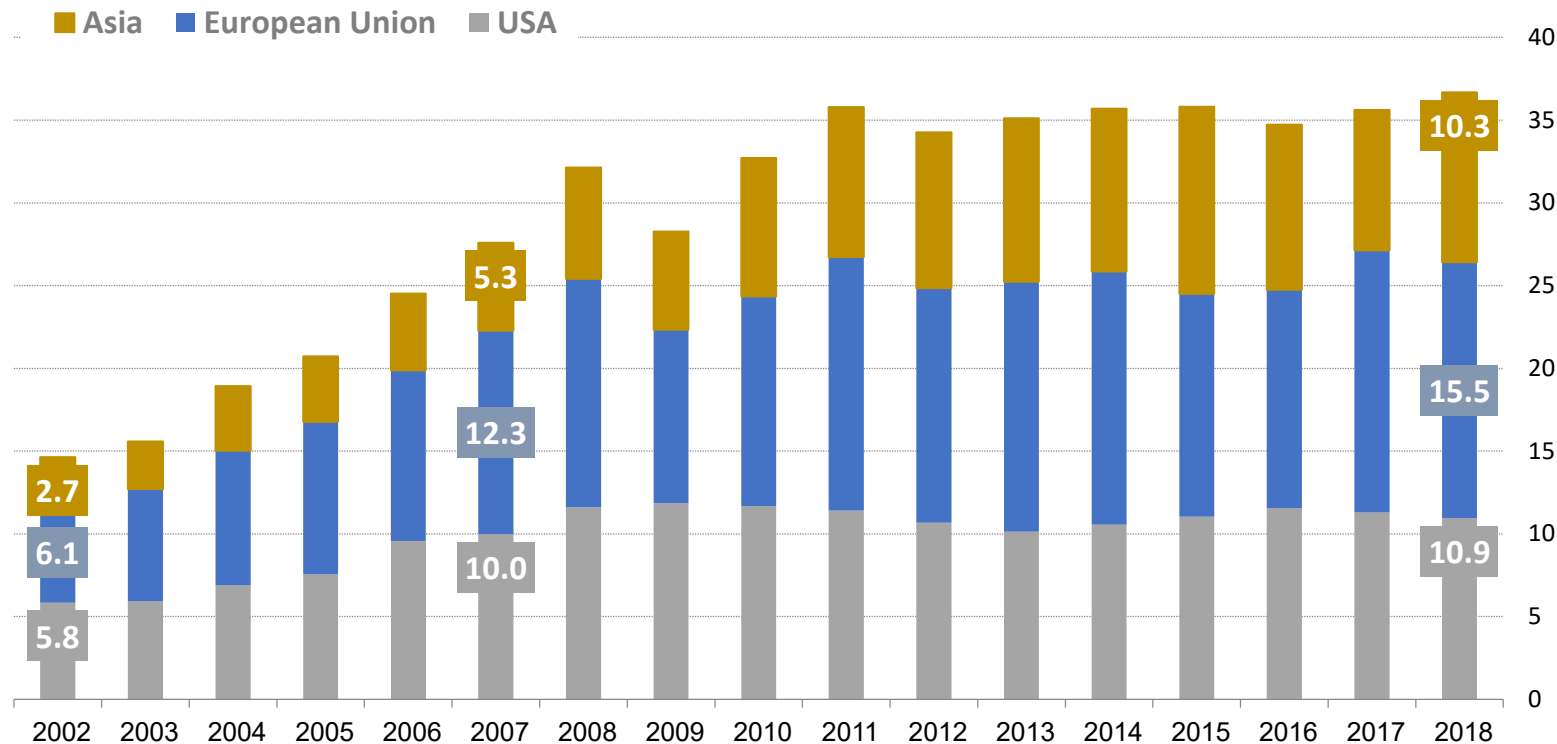
Export of Services | 2002-2018

In Hi-tech services export grew dramatically over the past years, and has become the main growth engine for export in recent years

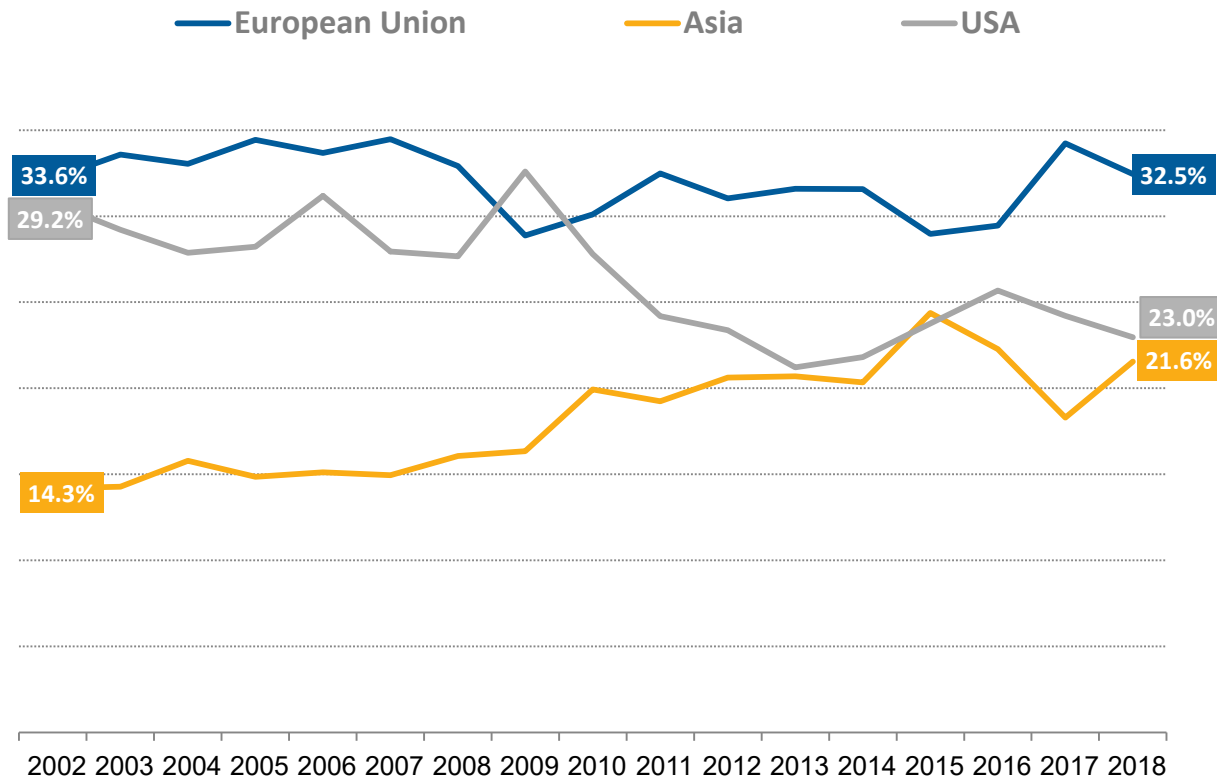


*2018 – IEI Economic Unit estimation

Export by regional trade, 2002-2018 | in billions of USD



Export by regional trade | in % Share of total

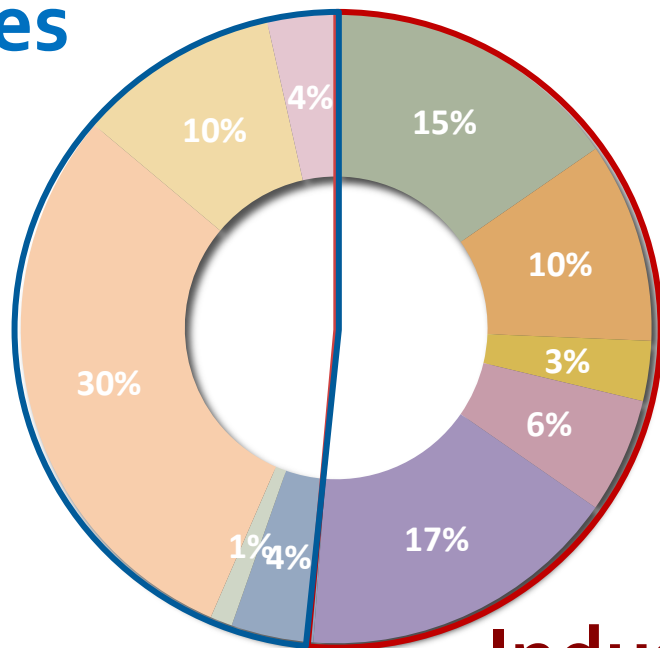


Hi-tech Sectors | Industrial & Services

High-tech Export totaled at **51.4B\$** in 2018

46% of Israel's Export

Services

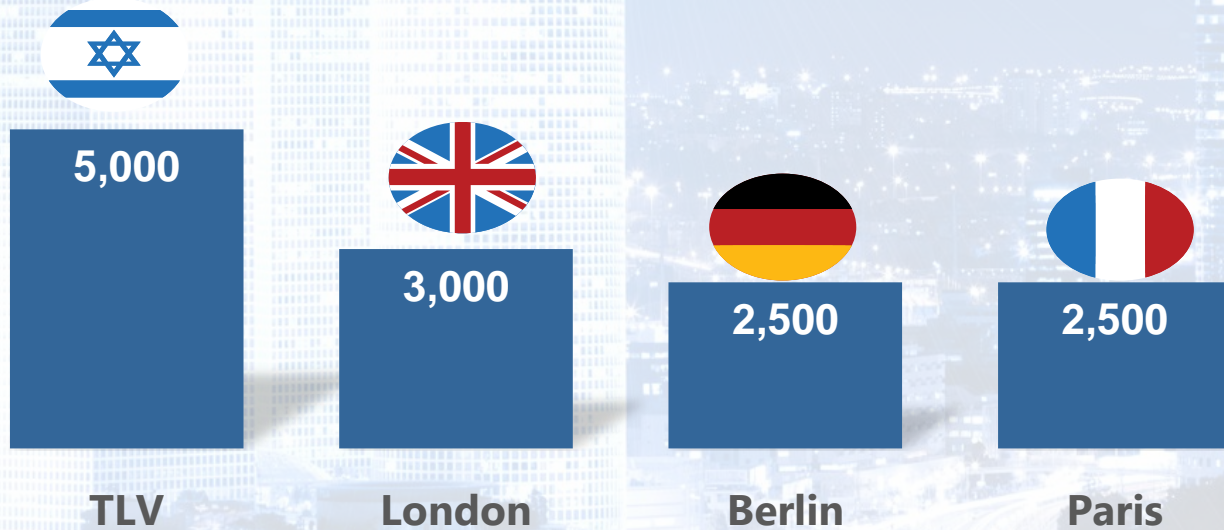


- Pharmaceutical products
- Electronical components
- Medical & Surgical equipment
- Aircraft
- Computing, Electronic & Optical equipment
- Services for the Hi-tech Industry
- Telecommunications Services
- Computing services & Software
- R&D Services (exc.start-up companies)
- Exports of services from start-up companies

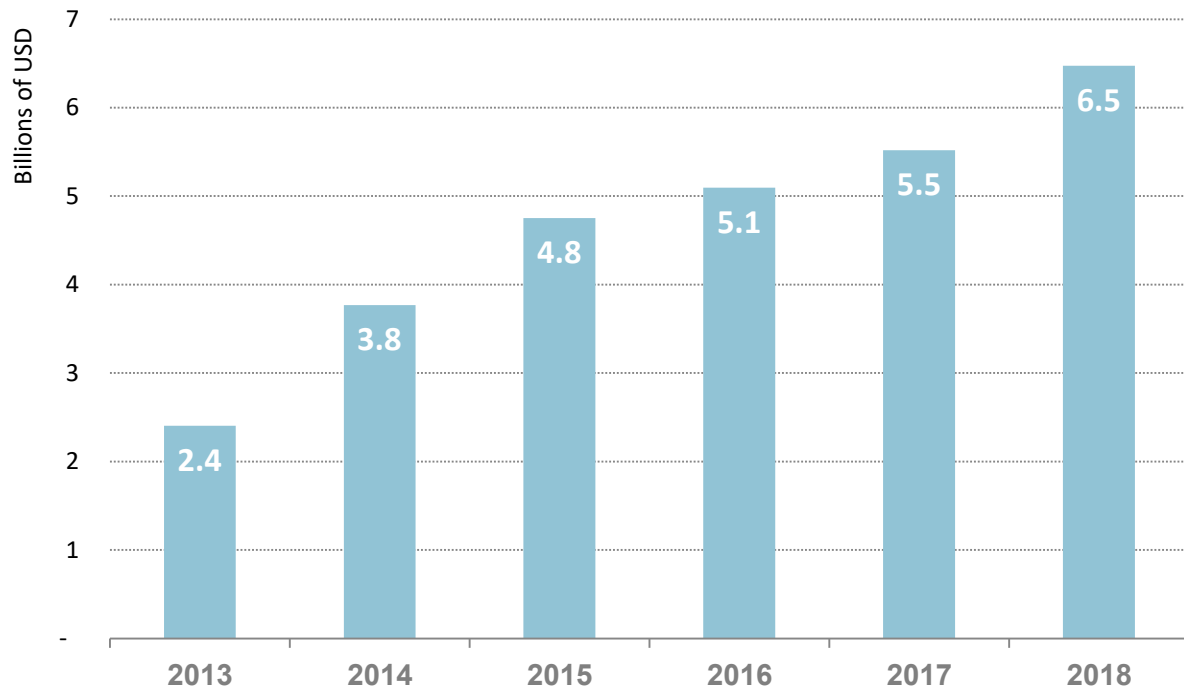
Source: IEICI Calculations & Estimations

Industrial

Number of Technological Startups



Total VC Investments | 2013-2018

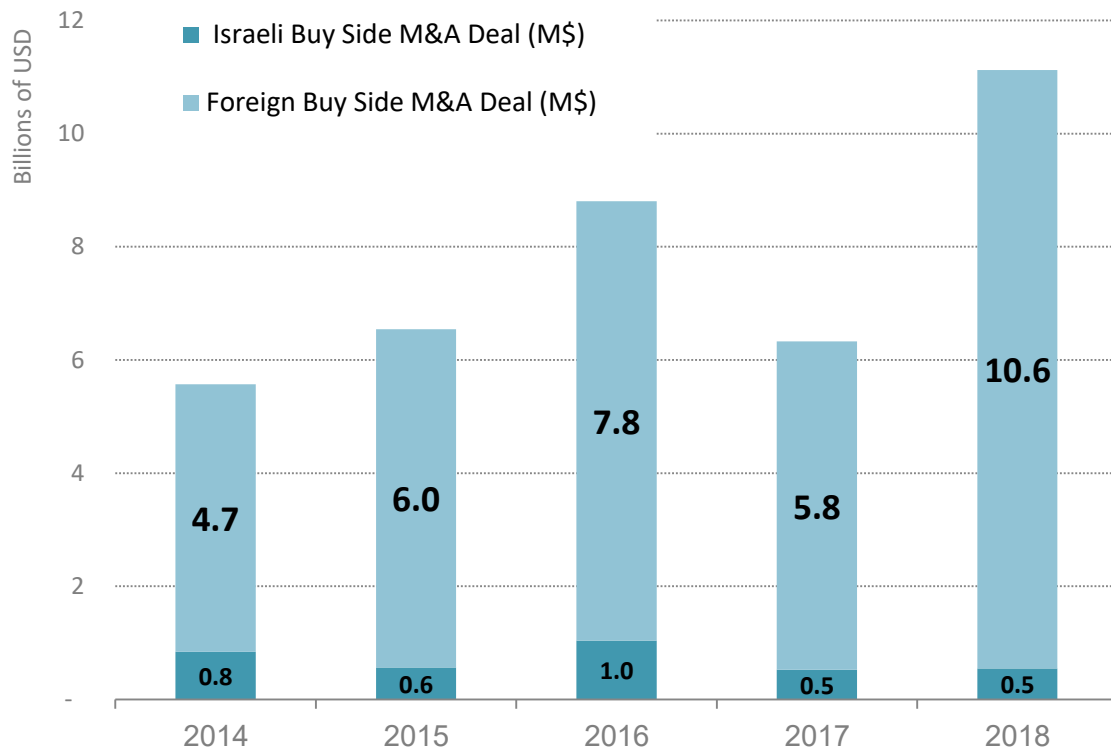


6-year consecutive growth!

**During 2018 Israeli hi-tech
companies raised 6.5 B\$
in 623 transactions**

Acquisitions of Israeli Companies | Foreign and domestic

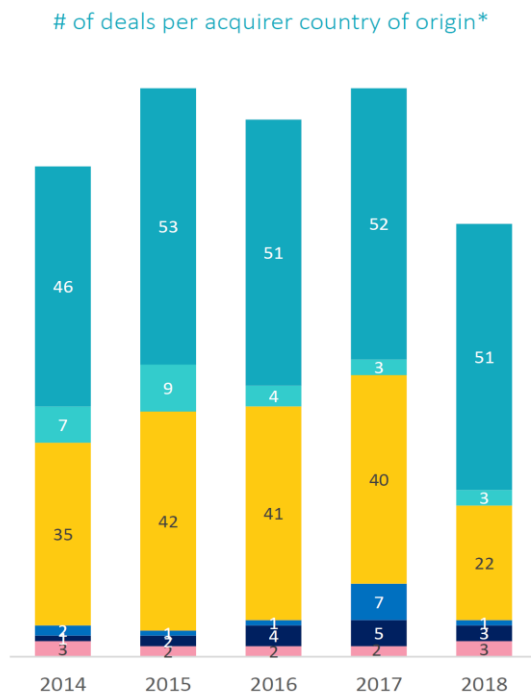
2014-2018



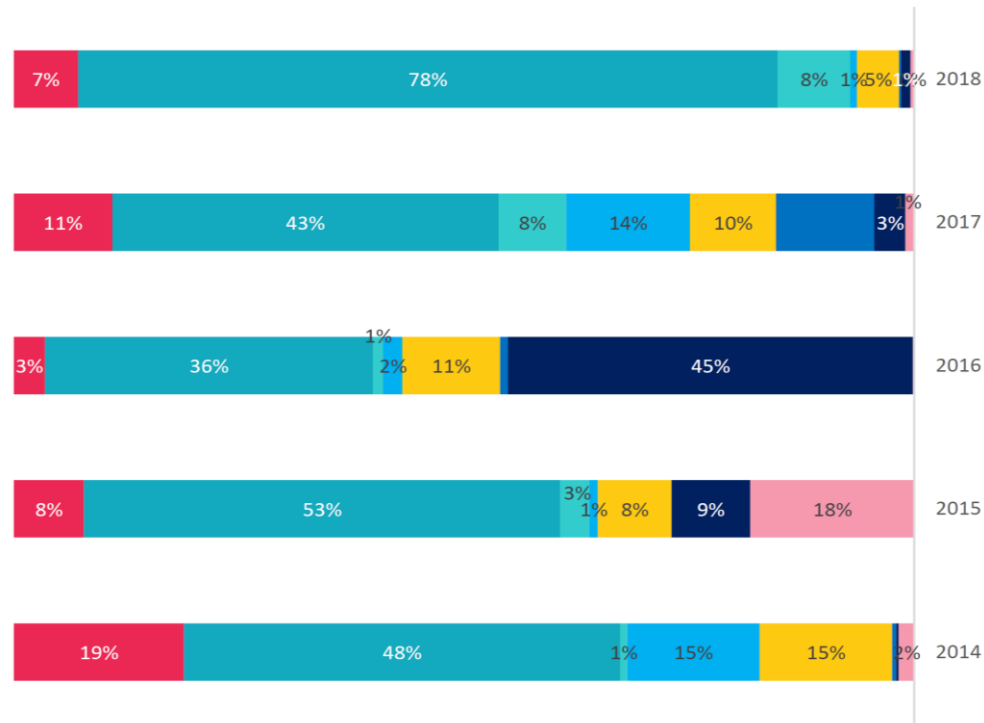
2018 experienced a significant increase in the number of acquisitions of Israeli targets by foreign buyers compared to previous years

Acquisitions of Israeli Companies | By country of origin

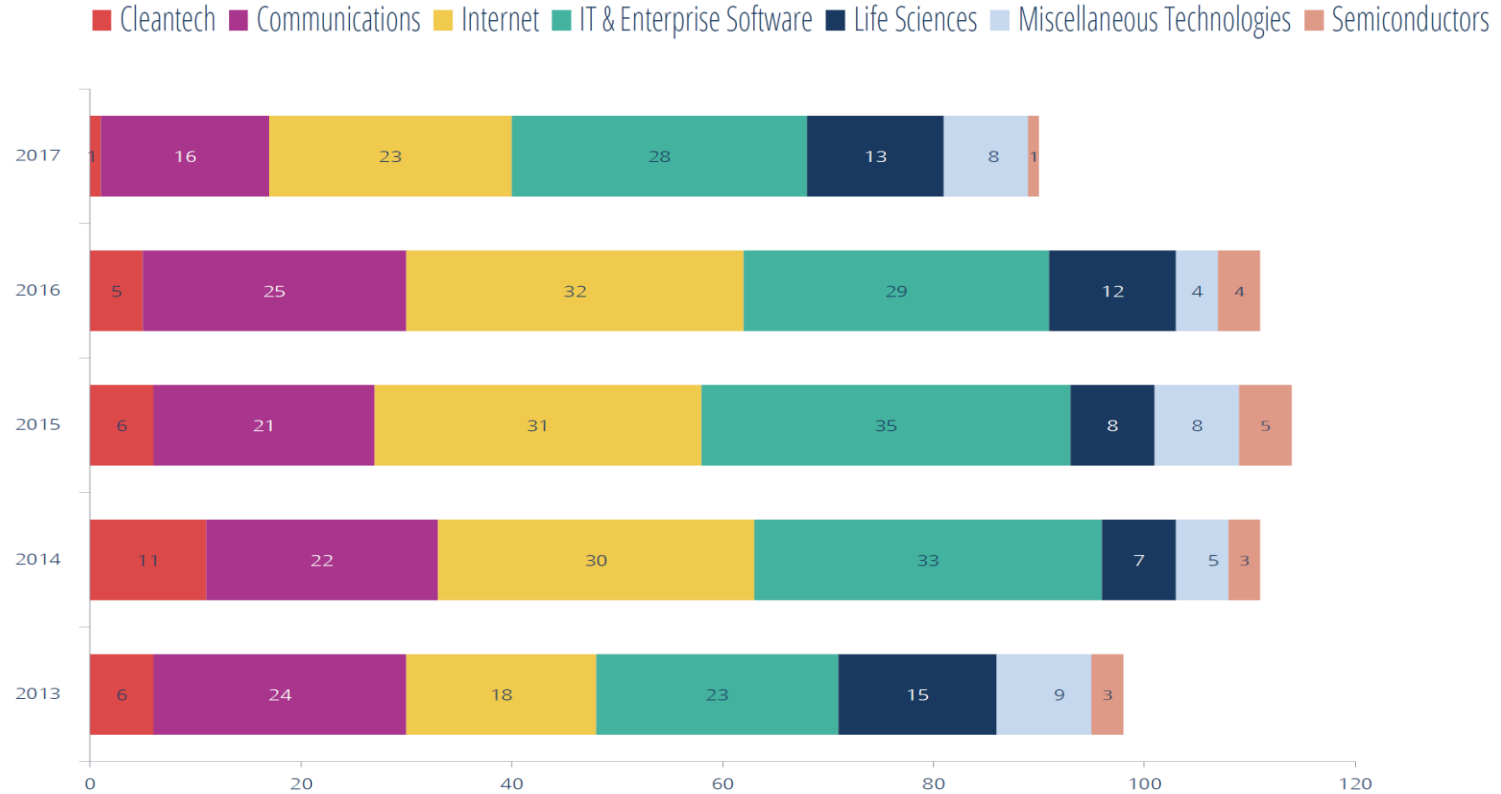
2014-2018



Deal value per acquirer country of origin



Number of Israeli High-Tech M&As | By Sector



More than **300** Multinational R&D centers In Israel



Tele-communications



Google

YAHOO!

PayPal™



New Media



INFORMATICA®

ORACLE®



Software



Electronics

SIEMENS



PHILIPS

Johnson & Johnson



Life Science Medical Dev.



Schering-Plough



Life Science Bio & Pharma

Israel's Economy – Summary

Open Economy

Export Oriented Growth

High Skilled Human Resources

Rapid Development of Technology & Hi-Tech Industries

Entrepreneurial Culture (Start Up Nation)



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THANK YOU