S&P Global Ratings

RatingsDirect®

Research Update:

Israel Ratings Affirmed At 'AA-/A-1+'; Outlook Stable

May 14, 2021

PRIMARY CREDIT ANALYST

Maxim Rybnikov

London

+ 44 7824 478 225

maxim.rybnikov@spglobal.com

SECONDARY CONTACT

Karen Vartapetov, PhD

Frankfurt

+ 49 693 399 9225

karen.vartapetov@spglobal.com

Overview

- Security and political risks have escalated sharply in the last few days, tied to a flare-up of hostilities with Hamas, alongside a rise in communal tensions within Israel.
- Nevertheless, the combination of a very effective and swift vaccination campaign against COVID-19, strong technology sector performance, and rising gas exports should still underpin solid GDP growth of 5.0% in 2021. This forecast assumes that the current military confrontation and domestic tensions gradually subside and do not become protracted.
- The pandemic has markedly deteriorated Israel's public finances but risks are likely to be mitigated by its favorable debt structure, alongside its credible monetary policy and strong balance of payments.
- We are affirming our 'AA-/A-1+' sovereign credit ratings on Israel.
- The outlook is stable.

Rating Action

On May 14, 2021, S&P Global Ratings affirmed its 'AA-/A-1+' long- and short-term foreign and local currency sovereign credit ratings on Israel. The outlook is stable.

Outlook

The stable outlook balances the elevated political and security uncertainty, and pandemic-induced deterioration of Israel's fiscal position, against the country's persistently resilient economy and strong balance of payments. We forecast that Israel's net external asset position will amount to just under 50% of GDP over the next two years, providing the economy with substantial buffers to withstand the current tensions.

Upside scenario

We could take a positive rating action if political and security risks tied to the current flare-up reduce significantly, and fiscal outturns prove materially stronger than our current projections, helping to sustainably reduce net general government debt.

Downside scenario

Pressure on the ratings could build if security and political risks tied to the current flare-up are protracted, affecting Israel's economic, fiscal, and balance-of-payments metrics. We could also take a negative rating action if pandemic-related risks were to resurface, for example due to the emergence of a vaccine-resistant strain of the virus that undermined economic recovery and deteriorated public finances substantially more than we currently forecast.

Rationale

Political and security risks have once again escalated sharply in Israel in recent days. While security risks have been a long-standing feature of Israel's credit profile, constraining the ratings, the latest round of confrontation involves a significant escalation. This includes an armed conflict between Israeli security forces and Hamas, as well as rising tensions between the Jewish majority and Arab-Israeli minority within Israel, including in Jerusalem, Lod, and other cities. Although flare-ups of hostilities with Hamas have occurred in previous years, this escalation is the biggest since 2014 and is further complicated by tensions inside Israel, with the government trying to quell domestic unrest. Dozens of people have been killed in the recent confrontation, many reportedly in Gaza but also in Israel, and rockets have been fired by Hamas from Gaza toward Israel (including Jerusalem and Tel Aviv) with Israel responding with military strikes on Gaza.

Our base-line expectation for now is that a ceasefire will at some point ensue, as has happened in past escalations. We also note that previous flare-ups between Israel and Hamas have been relatively short-lived and have not had a sustained effect on the Israeli economy, although risks could be higher this time given the social unrest inside Israel. Domestic political uncertainty has also been persistently high over the past two years owing to repeated elections, but so far this also has not substantially affected the economy.

GDP expanded by a strong 3.5% in 2019 while last year's 2.6% contraction is comparatively mild, compared with many other developed and emerging markets. Despite the absence of a conventional budget statement due to political deadlock, last year the authorities implemented a series of fiscal and monetary support measures that cushioned the effect of the COVID-19 pandemic on the economy.

We now forecast Israel's net general government debt to stabilize at close to 76% of GDP over the medium term, which is notably higher than our pre-pandemic forecast of 60%. Nevertheless, we consider that Israel still has some fiscal headroom. In addition to the credible and effective monetary policy that supports the economy and keeps borrowing costs low, we expect the country to retain a highly favorable government debt structure. Close to 85% of government debt is denominated in the Israeli new shekel, and is held domestically by local banks and institutional investors, such as pension funds.

Israel's wealthy and resilient economy, its net external asset position, and the benefits that accrue from flexible monetary settings and a relatively deep pool of domestic savings are credit strengths. In our view, these characteristics should also help cushion the pandemic-related deterioration in its fiscal position. We consider that Israel's fiscal metrics could be adversely affected by the current military escalation, but these are difficult to quantify at the moment.

Institutional and economic profile: Strong economic recovery but geopolitical and security risks have escalated

- Armed conflict with Hamas and social unrest within Israel remain significant concerns, while domestic political uncertainty lingers and another general election is still possible. This would be Israel's fifth general election in just over two years.
- We expect Israel's economy to expand by 5% in 2021 following a comparatively moderate 2.6% GDP contraction in 2020. This scenario is premised on an expectation of military confrontation and domestic unrest subsiding in the near future.
- The landmark agreements signed last year between Israel, the United Arab Emirates (UAE), Bahrain, Morocco, and Sudan, recognizing Israel and establishing diplomatic relations, underpin improving relations with large parts of the Middle East. However, broader geopolitical risks remain, especially related to Hamas, Hezbollah, and Iran.

We view Israel's domestic security and regional geopolitical risks as elevated. This has been highlighted by a major escalation of conflict and hostilities between Israeli security services, the Palestinians, and Hamas in recent days. The conflict follows a plan to evict several Arab families from East Jerusalem in favor of Jewish families, pending an appeal decision in an Israeli court.

The current escalation appears very significant with a further complicating factor being the domestic unrest within Israel, which the authorities are trying to quell. So far we do not project a lasting impact from recent confrontation on the domestic economy, and we note that past flare-ups did not appear to have major macroeconomic implications. Nevertheless, the risks remain high, especially if the conflict is prolonged.

Like other countries, Israel was affected by the COVID-19 pandemic, with the economy contracting in 2020 for the first time since 2002. However, the 2.6% real GDP decline is modest compared with much weaker economic performance across peers with similar level of economic development. Although consumption, investment, and imports all contracted, exports increased by a marginal 0.1% in real terms. Only a handful of other countries--including China, Taiwan, and Ireland--registered export growth last year, with many economies posting a deep contraction.

In our view, this stronger economic outcome was bolstered by several factors. These include the favorable structure of the Israeli economy, in particular its leading technology sector, which has continued to successfully export high value-added goods and services throughout the pandemic. The higher ability of tech employees to work from home has also limited economic damage from three successive lockdowns over the past 12 months. Additionally, the authorities engineered extensive monetary and fiscal support programs to support employees and businesses throughout the difficult period. Lastly, we consider that economic performance was supported by gas exports commencing at the new Leviathan gas field at the end of 2019, which marks Israel's shift to being a net exporter of natural gas.

Since the beginning of 2021, Israel has rolled out a fast and highly successful vaccination program. Over 60% of the total population has already been vaccinated--significantly more than in other countries--mostly with the Pfizer vaccine. This has allowed the government to remove almost all previous social distancing restrictions while new registered coronavirus cases remain low. Israel is now further opening its borders, with international travel and tourism likely to resume in the summer, barring heightened security concerns.

We consider that strong vaccination efforts are positive for Israel's economic outlook and we have revised upward our GDP growth expectation to 5% in 2021, even though contraction last year proved significantly smaller than we expected. As of fourth-quarter 2020, Israel's real output was only 1.5% below its pre-pandemic level, which we expect it will already surpass this year. The tech sector's continued strong performance, re-opening of services, and more gas fields coming on-stream should buttress economic performance. Our forecast is based on the assumption that the recent bout of confrontation will gradually subside and will not prove protracted.

Over the medium term, we expect Israel to return to pre-pandemic levels of growth averaging close to 3.5% annually, partially bolstered by the country's favorable demographics with the population expanding by roughly 2% every year. We highlight that this stronger performance is likely to come largely without the cost of additional macroeconomic imbalances; we project domestic credit will increase slower than nominal GDP, while the current account will remain in a sizable surplus, helping to boost the Bank of Israel's (BOI)'s foreign exchange reserves.

The main risks to our forecasts stem from prolonged security and political tensions or the possible emergence of COVID-19 variants that prove resistant to current vaccines.

Israel's domestic political situation also remains volatile and unpredictable. In March 2021, the country held its fourth general election in two years. This followed a short-lived coalition between the incumbent prime minister Benjamin Netanyahu's Likud Party and Benny Gantz's Blue and White Party, which effectively collapsed after it failed to pass a budget in late December 2020. However, the recent ballot has once again produced a fragmented parliament, making forming a majority coalition government difficult. A fifth election is possible.

The president initially entrusted Benjamin Netanyahu with forming a government but the deadline elapsed, and the mandate subsequently went to the leader of the opposition Yair Lapid of the Yesh Atid party. Several factors complicate the already difficult government formation process, in our view.

Given the election results, a working coalition majority would require cooperation with smaller parties in the Knesset, some of which hold diverging views. This has been further complicated by renewed tensions between Israeli security forces and the Palestinians and Hamas, with the small Arab Ra'am party freezing coalition talks. Although Ra'am secured only four seats in the Knesset in the latest election, it holds an important position, potentially providing the pro- or anti-Likud coalition a parliamentary majority. Additionally, Benjamin Netanyahu is undergoing a trial for corruption and several other parties are consequently reluctant to cooperate with Likud. We consider that uncertainty will remain elevated in the near future and a fifth general election cannot be ruled out. Positively, the direct damage to the economy appears limited, at least so far.

On the geopolitical front, last year Israel signed agreements (including the Abraham Accords) that normalized relations with the UAE, Bahrain, Sudan, and Morocco. This should contribute to enhanced cooperation and trade between the countries. Following the agreements, in recent weeks, Abu Dhabi's Mubadala Petroleum announced that it intends to acquire a stake in the Tamar offshore natural gas field in Israel. That said, we expect Israel's relations with Iran and Syria to remain very tense.

Flexibility and performance profile: The pandemic has pushed public debt up by 16% of GDP, but other macroeconomic imbalances are limited

- We forecast Israel's net general government debt will stabilize at 76% of GDP over the medium term, up from our 60% pre-pandemic projection.

- Strong capital market access and the BOI's bond purchasing program support government financing efforts.
- Monetary policy credibility remains high.

The pandemic has exposed the government's weak underlying fiscal position, which has resulted from pro-cyclical tax and expenditure measures over 2017-2019. Direct fiscal measures (which we estimate at about 10% of GDP, excluding state guarantees), and the impact of the economic downturn on both fiscal revenue and expenditure, led the general government deficit to widen to 12% of GDP in 2020 compared with the already elevated average of 4.5% in 2018-2019.

Such a substantial deterioration in the government fiscal balance will increase net general government debt (net of liquid government assets) to a comparatively high 75% of GDP by end-2021. This will reverse the reduction of public debt to GDP achieved over the past 10 years thanks to exceptionally favorable macroeconomic conditions, one-off fiscal revenue, and exchange-rate appreciation.

However, we think fiscal stability should prevail in Israel because:

- Unlike many regional peers, it benefits from highly flexible monetary policy settings, which allow the BOI to backstop a substantial portion of gross government borrowing requirements, keeping its market borrowing costs under control. The BOI's government bond purchasing program helps backstop Israel's additional borrowing requirements without any sizable inflation or exchange rate risks.
- The country benefits from strong access to capital markets, both domestically and internationally. This has supported the government's efforts to diversify its funding base and lengthen the average debt maturity. Although the government traditionally accesses funding through the deep domestic capital markets, we also note recent international bond issuances, with maturities extending from 30 to 100 years. It could tap foreign markets again in light of substantial investor demand. In the unlikely event of funding disruptions, the government also has recourse to the remaining portion of a longstanding U.S. debt guarantee program.
- The existing budget revenue and spending composition offers space to rationalize tax benefits, increase rates for some taxes, and improve tax compliance and administration. It also provides scope for spending efficiency gains over the medium term beyond the fallout from the pandemic.

Although downside risks remain--especially if nominal GDP growth recovers more slowly than we anticipate--our base case is that the government will initiate efforts to consolidate fiscal accounts from the second half of 2021. Under this scenario, headline general government deficits would decline toward 4% in 2022-2023 with public debt stabilizing at close to 77% of GDP. In our view, Israel's fiscal metrics could be adversely affected by the current military escalation, but this is difficult to quantify at the moment.

We consider Israel's balance of payments a key ratings strength. The country has been running a current account surplus for the past 18 years, primarily supported by the fast expansion of high value-added ICT services exports (the total external services surplus has averaged 5% of GDP in the past few years). This has shifted Israel into a substantial net external asset position of about 45% of GDP--one of the highest among non-commodity-exporting sovereigns--and reduced its gross external financing needs. In 2020, the current account surplus widened further, reaching 5% of GDP, bolstered by resilient performance of both goods and services exports, while imports contracted due to weak domestic demand. Strong global demand for Israeli services, as well as the development of offshore natural gas fields with significant export capacity, should keep the current account surplus at its pre-pandemic level of around 3% of GDP over the medium term.

We also consider Israel's monetary policy flexibility a key credit strength. The BOI is a highly credible institution, with a long track record of operational independence and a full suite of market-based monetary instruments, benefiting from the deep local currency financial and capital markets. Last year, the bank deployed its arsenal of available tools to soften the effects of the pandemic on the Israeli economy, including policy rate cuts, quantitative easing, and low interest rate loans to banks. The bank has also amassed substantial foreign exchange reserves of close to US$190 billion as of end-April 2021 (around 40% of GDP). We note that current foreign exchange reserve levels cover Israel's overall external debt 1.6x.

The Israeli banking system is well capitalized, profitable, and liquid. Banks' asset quality has been historically high; nonperforming loans stood at just 1.3% of total loans at the onset of the pandemic and have not materially increased since, even as the lion's share of previously deferred loans (under the pandemic-related BOI measures) have already restarted repayments. The system is domestic deposit-funded and remains in a net external asset position. Even though we expect some asset quality deterioration post-pandemic, substantial capital and liquidity buffers should enable the banks to weather the impact. We also don't currently expect the domestic financial system to be materially impaired by an escalation of the conflict with Hamas.

Key Statistics

Table 1

Israel Selected Indicators

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Economic indicators (%)										
Nominal GDP (bil. LC)	1,167	1,224	1,269	1,330	1,407	1,387	1,472	1,549	1,628	1,718
Nominal GDP (bil. $)	300	319	353	370	395	403	459	488	520	558
GDP per capita (000s $)	35.8	37.3	40.5	41.7	43.6	43.7	48.8	50.9	53.2	55.9
Real GDP growth	2.2	3.8	3.6	3.5	3.4	(2.6)	5.0	4.0	3.5	3.5
Real GDP per capita growth	0.2	1.8	1.6	1.5	1.5	(4.4)	2.9	2.0	1.5	1.5
Real investment growth	(1.0)	12.7	4.6	5.1	2.5	(4.8)	5.5	3.5	3.5	3.5
Investment/GDP	19.9	21.1	21.5	21.7	21.4	21.9	22.0	21.9	21.8	21.7
Savings/GDP	25.1	24.8	24.4	24.4	24.8	26.9	25.2	25.1	24.9	24.6
Exports/GDP	31.5	30.0	28.8	29.8	29.3	28.3	27.9	27.6	27.1	26.5
Real exports growth	(2.4)	0.8	3.5	6.4	4.0	0.1	4.0	4.0	3.0	3.0
Unemployment rate	5.3	4.8	4.3	4.0	3.8	4.3	6.0	5.5	4.5	4.5
External indicators (%)										
Current account balance/GDP	5.2	3.7	2.9	2.7	3.4	5.0	3.3	3.2	3.0	2.9
Current account balance/CARs	13.3	9.9	8.1	7.2	9.4	14.4	9.5	9.5	9.2	8.9
CARs/GDP	39.0	37.5	35.9	37.0	36.1	34.6	34.2	33.8	33.2	32.4

Table 1

Israel Selected Indicators (cont.)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Trade balance/GDP	(1.1)	(2.5)	(3.0)	(4.7)	(4.0)	(2.7)	(4.2)	(4.1)	(4.2)	(4.2)
Net FDI/GDP	0.1	(0.8)	2.6	4.2	2.6	4.7	4.0	4.0	4.0	4.0
Net portfolio equity inflow/GDP	1.0	1.4	0.0	(4.2)	(1.5)	(5.5)	(2.5)	(3.5)	(3.5)	(3.5)
Gross external financing needs/CARs plus usable reserves	70.5	68.9	68.8	66.3	64.9	60.5	57.5	54.0	54.0	54.0
Narrow net external debt/CARs	(34.7)	(41.2)	(54.1)	(46.6)	(51.2)	(67.0)	(75.5)	(74.8)	(74.5)	(74.2)
Narrow net external debt/CAPs	(40.0)	(45.7)	(58.9)	(50.3)	(56.5)	(78.3)	(83.4)	(82.6)	(82.0)	(81.5)
Net external liabilities/CARs	(58.4)	(88.4)	(111.5)	(97.4)	(113.2)	(140.4)	(142.3)	(142.8)	(144.0)	(145.2)
Net external liabilities/CAPs	(67.3)	(98.0)	(121.4)	(105.1)	(124.9)	(164.1)	(157.2)	(157.8)	(158.6)	(159.5)
Short-term external debt by remaining maturity/CARs	35.7	31.1	30.4	28.3	26.9	29.6	30.5	29.4	28.4	27.4
Usable reserves/CAPs (months)	10.2	10.1	10.1	10.7	10.7	12.7	14.7	16.2	15.9	15.8
Usable reserves (mil. $)	90,623	98,361	113,010	115,279	126,023	173,297	200,835	208,153	215,958	224,323
Fiscal indicators (general government; %)										
Balance/GDP	(1.7)	(2.0)	(2.2)	(4.3)	(4.6)	(11.9)	(8.5)	(4.5)	(4.0)	(4.0)
Change in net debt/GDP	0.7	1.1	0.5	3.1	3.0	11.5	8.5	4.3	3.8	3.8
Primary balance/GDP	1.7	1.2	0.9	(1.4)	(1.7)	(9.0)	(5.6)	(1.4)	(0.8)	(0.9)
Revenue/GDP	36.7	36.3	37.6	36.0	35.3	35.1	35.0	35.2	35.4	35.5
Expenditures/GDP	38.4	38.4	39.7	40.3	39.9	47.0	43.5	39.7	39.4	39.5
Interest/revenues	9.3	8.8	8.2	8.2	8.1	8.2	8.4	8.9	8.9	8.9
Debt/GDP	63.8	62.1	60.6	60.9	60.0	72.4	76.7	77.2	77.3	77.1
Debt/revenues	174.1	171.0	161.4	169.1	170.2	206.6	219.1	219.3	218.4	217.2
Net debt/GDP	61.8	60.0	58.4	58.8	58.6	71.0	75.3	75.9	76.1	75.9
Liquid assets/GDP	2.0	2.1	2.3	2.1	1.4	1.4	1.4	1.3	1.2	1.2
Monetary indicators (%)										
CPI growth	(0.6)	(0.5)	0.2	0.8	0.8	(0.6)	1.2	1.2	1.5	2.0
GDP deflator growth	2.8	1.0	0.2	1.3	2.2	1.2	1.1	1.2	1.5	2.0
Exchange rate, year-end (LC/$)	3.90	3.85	3.47	3.75	3.46	3.22	3.20	3.15	3.10	3.06

Table 1

Israel Selected Indicators (cont.)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Banks' claims on resident non-gov't sector growth	5.9	3.9	4.0	6.2	4.8	4.8	4.5	4.0	4.0	4.0
Banks' claims on resident non-gov't sector/GDP	70.8	70.1	70.3	71.3	70.7	75.1	73.9	73.1	72.3	71.3
Foreign currency share of claims by banks on residents	5.4	4.9	4.3	4.2	3.7	4.1	N/A	N/A	N/A	N/A
Foreign currency share of residents' bank deposits	19.2	19.9	18.6	18.9	19.0	18.3	N/A	N/A	N/A	N/A
Real effective exchange rate growth	0.8	3.4	8.0	(1.0)	2.1	(2.4)	N/A	N/A	N/A	N/A

Sources: The Bank of Israel, Israel Central Bureau of Statistics, International Monetary Fund (Economic Indicators), Israel Central Bureau of Statistics, The Bank of Israel (External Indicators), Bank of Israel and Ministry of Finance of the Government of Israel (Fiscal Indicators), and the Bank of Israel, International Monetary Fund (Monetary Indicators). Adjustments: Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A--Not applicable. LC--Local currency. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Ratings Score Snapshot

Table 2

Israel Ratings Score Snapshot

Key rating factors	Score	Explanation
Institutional assessment	4	Generally effective policymaking promoting sustainable public finance and balanced economic growth, but less cohesive civil society because of ethnic and religious tensions. External security risks, including risks of war stemming from domestic conflicts (Palestine and Gaza) and from strained relations with some neighboring countries.
Economic assessment	1	Based on GDP per capita ($) as per the Selected Indicators table above.
External assessment	1	Based on narrow net external debt and gross external financing needs as per the Selected Indicators table above.
Fiscal assessment: flexibility and performance	4	Based on the change in net general government debt (% of GDP) as per Selected Indicators table above, adjusted for the one-off impact of COVID-19 pandemic.
Fiscal assessment: debt burden	4	Based on net general government debt (% of GDP) and general government interest expenditures (% of general government revenues) as per Selected Indicators table above.

Table 2

Israel Ratings Score Snapshot (cont.)

Key rating factors	Score	Explanation
Monetary assessment	2	Managed-float exchange-rate regime. The central bank has a track record of operational independence and it uses market-based monetary instruments and has the ability to act as a lender of last resort. CPI as per Selected Indicators table above; the local currency financial and capital markets are deep.
Indicative rating	aa-	As per Table 1 of "Sovereign Rating Methodology."
Notches of supplemental adjustments and flexibility	-1	Event risk related to potential cases of rapidly rising external political crises, such as a large-scale ground war with Iran and armed confrontation with Hamas.
	1	We expect fiscal performance deterioration to be temporary and to revert to stronger levels in the medium term in the base-line scenario.
Final rating		
Foreign currency	AA-	
Notches of uplift	0	Default risks do not apply differently to foreign-and local-currency debt.
Local currency	AA-	

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Sovereign Ratings List, April 21, 2021
- Sovereign Ratings History, April 21, 2021
- Sovereign Risk Indicators, April 12, 2021. An interactive version is also available at http://www.spratings.com/sri
- Orderly Global Reflation Will Support The Recovery From COVID-19, March 22, 2021
- Global Sovereign Rating Trends Midyear 2020: Outlook Bias Turns Negative As Governments Pile On Debt To Face COVID-19, July 30, 2020
- Default, Transition, and Recovery: 2019 Annual Sovereign Default And Rating Transition Study, May 18, 2020

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

Ratings Affirmed	
Israel	
Sovereign Credit Rating	AA-/Stable/A-1+
Transfer & Convertibility Assessment	AA+
Senior Unsecured	AA-