S&P Global
Ratings

RatingsDirect®

Research Update:

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

May 15, 2020

PRIMARY CREDIT ANALYST

Karen Vartapetov, PhD
Frankfurt
(49) 69-33-999-225
karen.vartapetov@spglobal.com

SECONDARY CONTACT

Alois Strasser
Frankfurt
(49) 69-33-999-240
alois.strasser@spglobal.com

ADDITIONAL CONTACT

EMEA Sovereign and IPF
SovereignIPF@spglobal.com

Overview

- We forecast Israel's economy will contract by 5.5% this year due to the hit to activity from the COVID-19 pandemic.
- As a consequence, we project that the general government deficit will widen to over 10% of GDP this year, with net general government debt increasing to just under 71% of GDP at end-2020.
- Nevertheless, strong macroeconomic fundamentals and high monetary flexibility should allow Israel to absorb the shock, while the large high-tech sector should aid economic recovery.
- We are therefore affirming our 'AA-/A-1+' sovereign ratings on Israel.
- The outlook is stable.

Rating Action

On May 15, 2020, S&P Global Ratings affirmed its 'AA-/A-1+' long- and short-term foreign and local currency sovereign credit ratings on the State of Israel. The outlook is stable.

Outlook

The stable outlook on Israel balances downside risks from the COVID-19 pandemic against Israel's resilient economy and its strong external position. We project that Israel's net external asset position will remain at about 40% of GDP through 2023, providing the economy with substantial buffers in the face of a fraught external environment.

We could take a negative rating action if the economic downturn proved deeper and longer than our projections, leading to a multi-year deterioration of public finances. This scenario could also emerge should policy measures to mitigate the pandemic prove less effective than we currently assume, possibly as a consequence of extended political turbulence. Additionally, downward rating pressure could build if external or domestic security risks increased substantially.

A positive rating action could stem from fiscal consolidation efforts over the medium term that result in a material reduction in the net general government debt-to-GDP ratio or interest

payments, or a major unexpected improvement in the Middle East's security environment.

Rationale

The rating affirmation reflects Israel's credit strengths, including a wealthy and resilient economy, its net external creditor position, and the benefits that accrue to the state from flexible monetary settings and a relatively deep pool of domestic savings. Our ratings are also supported by Israel's mature and generally effective institutions. The ratings are constrained by significant security and geopolitical risks.

Even though the economic fallout from the global pandemic will be substantial, we believe the government's policy response to COVID-19--including direct fiscal stimulus estimated at 4% of GDP and liquidity support via guarantees to the private sector estimated at around another 3% of GDP—-sets up the economy well for a strong and early recovery.

While efforts to consolidate Israel's fiscal accounts have stalled in the past two years on the back of contentious domestic politics, Israel has entered this difficult period for the global economy with some fiscal space. Public debt is 10 percentage points lower than a decade ago, at 60% of GDP as of end-2019, 85% of which is denominated in domestic currency.

Institutional and economic profile: Israel will enter recession this year amid the outbreak of COVID-19

- We expect real GDP to contract by 5.5% in 2020 for the first time in almost two decades.
- Despite protracted political turbulence, the authorities were quick to provide a coordinated policy response to contain the fallout from the pandemic.
- We assume the COVID-19 shock will be short-lived and project that the economy will recover by over 6% in 2021, supported by the rebound in the global economy.

Since our last publication on Israel in January this year, the global growth outlook has deteriorated substantially due to the coronavirus pandemic, which has gathered pace in the past two months. We now project that the economic effects of lockdowns and social-distancing measures to contain the virus along with plummeting consumer and business confidence will prompt the global economy to shrink by 2.4% this year, with risks firmly on the downside (see "COVID-19 Deals A Larger, Longer Hit To Global GDP," published April 16, 2020, on RatingsDirect).

More specifically, we expect the GDP of Israel's key trading partners will take a substantial hit in 2020, with the U.S. and eurozone contracting by 5.2% and 7.3%, respectively. Such a synchronized recession alone would make Israeli growth prospects in 2020 challenging. On top of the adverse external environment, domestic demand will come under severe pressure from government measures to contain COVID-19. The government was quick to introduce restrictions on people-to-people contacts, and already imposed a nationwide quarantine in early March.

We therefore expect all components of Israel's aggregate demand will be negatively affected in 2020 and project the economy will enter recession for the first time since 2002, with real GDP falling by 5.5%. These projections are more uncertain than usual. The ultimate depth of recession and speed of the subsequent recovery will depend on the duration of the pandemic and the effectiveness of mitigating policy measures, both of which are difficult to predict. The Israeli government is planning to soften some restrictions already in May as the growth of new COVID-19 cases has subsided. We believe, however, that it will take time before economic activity resumes

in full. The baseline assumption we are using for the major world economies is that lockdowns will last for at least eight weeks on average, followed by only a gradual reopening afterwards in the face of a possible second wave of the virus.

That said, there are reasons to believe that the Israeli economy should be able to weather this shock and rebound by over 6% in 2021, returning approximately to its original pre-COVID-19 path. First, our expectation is that Israel's key trading partners will start recovering in the second half of 2020 and post strong growth in 2021. Second, Israel's macroeconomic fundamentals remain solid: the economy is dynamic and competitive, partly reflecting the country's highly productive human capital; the private sector is not particularly leveraged; the economy's external position is strong; and its financial sector is healthy and well supervised.

Third, despite the extended political paralysis, with no sitting government in the past 18 months, the authorities have been able to introduce a sizable policy package to avoid permanent damage to the country's productive capacity. Apart from a swift monetary policy response, engineered by the Bank of Israel (BOI), the government has rolled out the following measures totaling 7.5% of GDP:

- A jobs and income retention program of at least 1.8% of GDP (unemployment benefits for those sent on unpaid leave, and direct grants for the self-employed, families with children, and the elderly, among other measures).
- Support to businesses of over 4.0% of GDP, including direct grants to large companies and small and midsize enterprises (SME), tax cancelation and deferrals, accelerated tax refunds, professional training support, and loan guarantees.
- Increased spending on health care (0.8% of GDP) and digital and IT infrastructure for SMEs (about 0.5% of GDP).

One of our key assumptions behind the scenario of a strong economic recovery is that Israel's new coalition government will remain in place through to next year, putting an end to the political uncertainty, under which the country has undergone three inconclusive elections in the past year.

At the end of April, incumbent and current caretaker Prime Minister, Benjamin Netanyahu, and the leader of center-right Blue and White Party, Benny Gantz, signed an agreement to form a unity coalition government, under which they would take turns (18 months each) in the prime ministerial role. The High Court of Justice cleared the way for Mr. Netanyahu to form the government despite ongoing criminal proceedings against him, and we expect the government to be sworn in over the next few days.

More generally, however, based on the record of policy outcomes, we view institutional and governance structures in Israel as generally effective, as demonstrated by Israel's vigorous economic performance over the past few decades. Since 2010, the average annual economic growth rate has exceeded 3%, whereas GDP in U.S. dollar terms has increased by about 65%. The country's highly competitive information and communications technology (ICT) sector contributes over 8% of the gross value added, while scientific and technical activities add about 3%. This is underpinned by sizable civilian expenditure on research and development approaching 5% of GDP, which is the world's highest level.

One factor that differentiates Israel from other advanced economies is its exposure to persistent geopolitical and domestic security risks. On top of longstanding historical factors, more recently these stem from continued divergence between the U.S. and other stakeholders (notably the EU) regarding the peace process with the Palestinian authorities. This is especially after the U.S. moved its embassy to Jerusalem, recognized Israeli sovereignty over the Golan Heights, and suggested it could support Israel's annexation of some areas in the West Bank. These

developments have led to repeated outbreaks of violence throughout Gaza and the West Bank, and triggered a backlash from parts of the international community. In addition, escalating tensions between the U.S. and Iran could lead to a risk of an open military conflict, involving Israel, Iran, and Iran-supported Hezbollah, as well as other militant groups operating in Lebanon and Syria. Past episodes of geopolitical turbulence had an adverse effect on Israel's economic and fiscal performance.

Flexibility and performance profile: Emergency fiscal measures will push up public debt

- Automatic stabilizers and direct fiscal stimulus will widen the government deficit in 2020 to above 10% of GDP and push net general government debt to 71% in 2020.
- Strong capital market access and the BOI bond purchasing program will support government financing efforts.
- Monetary policy credibility remains high, despite expected price deflation in 2020.

The recession has exposed the government's weak underlying fiscal position, which has resulted from procyclical tax and expenditure measures over the past three years. Direct fiscal measures (which we estimate at about 4% of GDP, excluding state guarantees) and the impact of economic downturn on both fiscal revenue and expenditure will widen the general government deficit to 10.3% of GDP in 2020 compared with the already elevated average of 3.8% of GDP in 2018-2019.

Such a substantial deterioration in the government fiscal balance will lead to an increase in net general government debt (gross debt net of liquid government assets, our preferred public debt metric) to an elevated 71% of GDP by end-2020. This will reverse the reduction of public debt to GDP achieved over the past 10 years on the back of exceptionally favorable macroeconomic conditions, one-off fiscal revenues, and exchange-rate appreciation.

However, we believe there are reasons not to be overly concerned about fiscal stability in Israel:

- Unlike many regional peers, the country benefits from highly flexible monetary policy settings, which will allow the BOI to backstop the substantial part of gross government borrowing requirements (which we estimate at 15.6% of GDP in 2020), keeping its market borrowing costs under control. We believe that the recently introduced government bond purchasing program could go well beyond the announced 3.7% of GDP without any sizable inflation and exchange rate risks.
- Israel has excellent 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 to over eight years. Although the government traditionally funds itself in the deep domestic capital markets, we also note recent international bond issuances, with maturities extending from 30 to 100 years. Foreign markets could be tapped again in light of substantial investor demand. In addition, in the unlikely event of funding disruptions, the government could utilize the longstanding U.S. debt guarantee program.
- There is a broad political consensus on containing public debt, with the new government planning to enact 2020 and 2021 budgets in the next few months. The previous track record of fiscal efforts, supported by medium-term spending agreements with the defense ministry (the source of past overspending), suggests that budgetary consolidation is not impossible even in the polarized political context.
- The existing budget revenue and spending composition offers ample space to rationalize tax

benefits, increase rates for some taxes, and improve tax compliance and administration. It also provides scope for spending efficiency gains.

Although downside risks remain--especially if the recovery of nominal GDP growth is slower than we anticipate--in our baseline scenario we assume that the government will initiate efforts to consolidate fiscal accounts starting from 2021. Under this scenario, headline general government deficits would go down to 5% in 2021 and below 3% in 2022-2023, and net public debt would resume its downward trajectory from 2021.

Israel has been running a current account surplus for the past 17 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 40% of GDP, one of the highest levels among non-commodity exporting sovereigns, and reduced its gross external financing needs. Despite the sharp drop in exports in 2020, we expect the external balance to remain in a modest surplus as shrinking domestic demand will reduce imports. Going forward, recovering global demand for the Israeli services and the development of offshore natural gas fields, with significant export capacity, should put the current account surplus back to its pre-COVID-19 level of around 3% of GDP.

We 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.

In response to the COVID-19-induced demand and liquidity shock, the BOI has announced a series of measures, including:

- A policy rate cut by 15 basis points to 0.1%.
- The introduction of low-interest loans to banks, and repurchase transactions with corporate bonds accepted as collateral.
- The rollout of the government bond-buying program of up to Israeli shekel 50 billion.
- Introduction of the shekel/U.S. dollar swap transactions to mitigate the dollar liquidity distress stemming from dollar margin calls following global equity markets' volatility.
- The easing of some regulatory requirements for banks, including lower regulatory capital requirements and elimination of the additional capital requirement on mortgage loans.

The already subdued inflation outlook will take an additional hit from shrinking domestic demand and plummeting global energy prices, and we expect the consumer price index in 2020 to dip into the negative territory. However, we project that an economic recovery and higher imported inflation in 2021 will push price growth closer to the lower bound of the BOI's 1%-3% target range already in 2021. Low headline inflation in recent years has prompted the central bank to reconsider its previous decision to halt interventions in the foreign exchange market and restart efforts to prevent excessive appreciation of the shekel, which has put downward pressure on price growth.

The Israeli banking system is well capitalized, profitable, and liquid. Banks' asset quality has been historically very high—nonperforming loans stood at just 1.3% of total loans in 2019. The system is domestic-deposit funded and in a strong net external asset position. Even though banks will inevitably suffer from weaker economic activity and a crisis-driven six-month loan repayment moratorium, substantial capital and liquidity buffers, in tandem with regulatory and liquidity support, should enable them to mitigate the ongoing macroeconomic shock.

One medium-term risk for the system remains its high exposure to the local real estate

sector--mainly to residential mortgage loans. We estimate banks' current exposure to loans for construction, commercial real estate, and mortgages at over 45% of total bank loans, compared with 32% 10 years ago. Even though the tightening of macroprudential measures has reduced systemic risks to Israel's banking industry in the past few years, any abrupt correction in house prices could still weigh on the banking system stability (for more detail see "Banking Industry Country Risk Assessment: Israel," published Aug. 6, 2019, on RatingsDirect).

Real house prices have increased by over 100% since the end of 2007. A series of BOI macroprudential measures targeted at the mortgage market, together with supply-side government measures, cooled house-price growth in 2018 and 2019. Given capacity constraints, relatively low productivity in the construction industry, and growth in demography-driven demand, it might take time to address the supply shortage. As such, we expect house prices to resume their appreciation from 2021, albeit at a slower pace than in the past.

Key Statistics

Table 1

Israel Selected Statistics

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Economic indicators (%)										
Nominal GDP (bil. LC)	1,108	1,165	1,225	1,272	1,331	1,409	1,338	1,454	1,530	1,611
Nominal GDP (bil. $)	310	300	319	353	371	395	374	417	447	478
GDP per capita (000s $)	37.7	35.8	37.3	40.5	41.7	43.7	40.5	44.4	46.7	48.9
Real GDP growth	3.8	2.3	4.0	3.6	3.4	3.5	(5.5)	6.5	3.0	3.0
Real GDP per capita growth	1.8	0.3	2.0	1.6	1.5	1.6	(7.3)	4.5	1.1	1.1
Real investment growth	0.5	(0.0)	12.9	4.3	4.8	1.0	(9)	9.0	3.2	3.2
Investment/GDP	20.5	20.0	21.2	21.5	21.8	21.1	20.3	20.7	20.8	20.9
Savings/GDP	24.5	25.2	24.7	23.8	24.3	24.7	22.6	23.7	23.9	24.0
Exports/GDP	32.2	31.2	29.7	28.7	29.4	28.9	28.5	28.4	28.2	28.0
Real exports growth	0.6	(2.9)	0.9	4.1	5.6	4.1	(7)	6.5	3.0	3.0
Unemployment rate	5.9	5.3	4.8	4.2	4.0	3.9	11.0	6.0	5.0	5.0
External indicators (%)										
Current account balance/GDP	4.0	5.1	3.5	2.3	2.5	3.6	2.3	3.0	3.1	3.1
Current account balance/CARs	10.3	13.2	9.5	6.6	6.9	10.0	6.8	8.8	9.0	9.1
CARs/GDP	39.3	39.0	37.0	35.3	36.4	35.5	34.3	34.8	34.4	34.0
Trade balance/GDP	(2.5)	(1.1)	(2.6)	(3.2)	(4.9)	(4.3)	(4.6)	(4.0)	(4.0)	(3.9)
Net FDI/GDP	0.5	0.1	(0.8)	3.4	4.0	2.4	0.4	2.2	2.4	2.4
Net portfolio equity inflow/GDP	0.9	(1.1)	0.1	0.6	(0.5)	(0.3)	(3.5)	(1.4)	(1.3)	(1.3)

Table 1

Israel Selected Statistics (cont.)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Gross external financing needs/CARs plus usable reserves	76.2	70.6	69.0	70.4	66.3	64.5	63.2	64.8	64.3	63.2
Narrow net external debt/CARs	(24.6)	(34.7)	(39.1)	(54.9)	(47.3)	(52.4)	(46.1)	(42.0)	(44.8)	(47.6)
Narrow net external debt/CAPs	(27.4)	(40.0)	(43.2)	(58.8)	(50.7)	(58.2)	(49.5)	(46.1)	(49.2)	(52.4)
Net external liabilities/CARs	(55.6)	(58.5)	(86.8)	(113.3)	(98.7)	(112.7)	(124.7)	(117.8)	(119.0)	(120.2)
Net external liabilities/CAPs	(62.0)	(67.3)	(95.9)	(121.2)	(106.0)	(125.2)	(133.8)	(129.1)	(130.7)	(132.2)
Short-term external debt by remaining maturity/CARs	37.6	35.8	31.4	30.9	28.7	27.5	32.1	27.0	25.8	24.2
Usable reserves/CAPs (months)	9.0	10.2	10.2	9.8	10.8	10.9	12.6	10.9	10.8	10.8
Usable reserves (mil. $)	86,101	90,575	95,446	113,010	115,266	126,008	119,660	125,583	133,449	142,047
Fiscal indicators (general government; %)										
Balance/GDP	(2.7)	(1.6)	(1.9)	(1.9)	(3.8)	(3.9)	(10.3)	(5)	(2.9)	(2.7)
Change in net debt/GDP	2.3	0.7	1.1	0.4	3.1	2.5	10.5	4.8	2.8	2.6
Primary balance/GDP	1.0	1.9	1.3	1.1	(0.9)	(1.0)	(7.3)	(1.7)	0.4	0.6
Revenue/GDP	36.2	36.5	36.1	37.5	35.9	35.5	34.0	35.4	36.0	36.0
Expenditures/GDP	38.9	38.0	38.0	39.4	39.7	39.4	44.3	40.4	38.9	38.7
Interest/revenues	10.1	9.4	8.8	8.2	8.2	8.0	8.9	9.2	9.3	9.3
Debt/GDP	65.9	63.9	62.0	60.5	60.9	60.0	73.6	72.6	71.7	70.7
Debt/revenues	182.0	175.3	171.7	161.3	169.8	169.0	216.6	205.1	199.2	196.5
Net debt/GDP	63.5	61.1	59.2	57.5	58.0	57.3	70.8	70.0	69.3	68.4
Liquid assets/GDP	2.3	2.8	2.8	3.0	2.8	2.7	2.8	2.6	2.5	2.3
Monetary indicators (%)										
CPI growth	0.5	(0.6)	(0.5)	0.2	0.8	0.8	(0.9)	1.0	1.8	1.8
GDP deflator growth	1.0	2.8	1.1	0.2	1.2	2.3	0.5	2.0	2.2	2.2
Exchange rate, year-end (LC/$)	3.89	3.90	3.85	3.47	3.75	3.46	3.52	3.45	3.40	3.35
Banks' claims on resident non-gov't sector growth	4.8	2.4	3.0	4.2	5.9	4.4	2.0	8.0	5.5	5.5
Banks' claims on resident non-gov't sector/GDP	77.1	75.1	73.5	73.8	74.7	73.7	79.1	78.6	78.8	79.0

Table 1

Israel Selected Statistics (cont.)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Foreign currency share of claims by banks on residents	3.9	3.5	3.1	2.7	2.8	2.9	2.9	2.9	3.0	3.0
Foreign currency share of residents' bank deposits	24.3	10.5	11.3	10.5	10.1	10.1	10.1	10.1	10.1	10.1
Real effective exchange rate growth	0.9	0.3	3.2	7.6	(0.7)	2.4	N/A	N/A	N/A	N/A

Sources: Israel Central Bureau of Statistics, the Bank of Israel (External Indicators), Bank of Israel and Ministry of Finance of the Government ofIsrael (Fiscal Indicators), and the Bank of Israel, International Monetary Fund (Monetary Indicators).
Adjustments: None
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 assets held by 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. e--Estimate. f--Forecast. 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

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 neighbors (Hezbollah in Lebanon, Iran, and Syria).
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	3	Based on the change in net general government debt (% of GDP) as per Selected Indicators table above.
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.
Monetary assessment	2	Managed-float exchange-rate regime.
		The central bank has a track record of operational independence and it uses market-based monetaryinstruments 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.

Table 2

Ratings Score Snapshot (cont.)

Key rating factors	Score	Explanation
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, multiple scenarios of terrorism from Iran-controlled entities, or international sanctions.
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: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Sovereign Risk Indicators, April 24, 2020; a free interactive version is available at http://www.spratings.com/sri
- Europe Braces For A Deeper Recession In 2020, April 20, 2020
- Sovereign Ratings And The Effects Of The COVID-19 Pandemic, April 16, 2020
- Global Sovereign Rating Trends: First-Quarter 2020, Apr 8, 2020
- COVID-19 Deals A Larger, Longer Hit To Global GDP, April 16, 2020
- Sovereign Ratings List, May 11, 2020
- Sovereign Ratings History, May 11, 2020
- Sovereign Ratings Score Snapshot, May 6, 2020
- EMEA Emerging Markets Sovereign Rating Trends 2020, Jan. 29, 2020
- Default, Transition, and Recovery: 2018 Annual Sovereign Default And Rating Transition Study, March 15, 2019

- Banking Industry Country Risk Assessment: Israel, Aug. 6, 2019

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-

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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