Research Update:

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

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Overview

- Sizable public protests against the coalition's proposed judicial reforms have persisted in Israel, even though the changes were put on hold pending negotiations between the government and the opposition. Our baseline scenario assumes that some form of consensus will be established, allowing the elevated political tensions to moderate.
- We expect the current political uncertainty, combined with weaker economic performance in Israel's key trading partners in Europe and the U.S. as well as tighter monetary policy, to cause Israeli economic growth to slow to 1.5% in 2023 from 6.5% in 2022.
- At the same time, Israel still benefits from a number of fundamental strengths such as a diversified economy, strong balance of payments, and a moderate level of public debt. Close to 85% of government debt is denominated in the local currency and held domestically.
- We affirmed our 'AA-/A-1+' sovereign ratings on Israel. The outlook is stable.

Rating Action

On May 12, 2023, 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 elevated regional and domestic political risks against the country's resilient economy, strong balance of payments, and moderate level of public debt.

Downside scenario

We could lower the ratings if regional or domestic political risks escalated sharply, depressing Israel's economic, fiscal, and balance-of-payments metrics.

Upside scenario

We could raise the ratings if we saw a significant reduction in regional and domestic political and security risks.

Rationale

Israel's credit strengths include its wealthy and diversified economy, its net external asset position, and the benefits that accrue from flexible monetary settings and a relatively deep pool of domestic savings.

However, the ratings are constrained by persistent domestic and regional political and security risks. In August 2022 and again in May 2023 Israel carried out military operations in Gaza against Islamic Jihad, a Palestinian group, while rockets were launched from Gaza toward Israel. A more significant escalation previously happened in May 2021 with a violent outbreak lasting 11 days between Israeli security forces and Hamas in Gaza. Domestically, large public protests against the judicial reform proposed by the coalition government persist.

Institutional and economic profile: Near-term political and economic uncertainty regarding the proposed judicial reforms persists

- We expect domestic political uncertainty to remain elevated in Israel during the coming months as public protests against the judicial changes proposed by the coalition government persist.
- The impact of tightening monetary policy and weaker growth in key trading partners will be exacerbated by domestic political factors; therefore, we forecast that economic growth will slow to 1.5% in 2023 from 6.5% in 2022.
- Nevertheless, we assume that the broader domestic political consensus will ultimately prevail, and that economic growth will recover to an annual average of 3.5% from 2024, supported by strong performance in Israel's diversified high-tech sector.

Israel is currently experiencing elevated domestic political uncertainty, which we expect to persist in the coming months. The general election held in November 2022 was the fifth in four years and led to a comeback by Israel's long-serving prime minister, Benjamin Netanyahu. One of the key priorities of the right-wing government now led by Mr. Netanyahu has been the implementation of judicial reforms that would effectively transfer some powers from Israel's Supreme Court to the legislative and executive branches of government, if implemented as proposed.

Specifically, some of the key proposed measures include:

- Increasing the government's influence over appointments to the judicial selection committee;
- Limiting the Supreme Court's ability to review laws passed by the Knesset (parliament) and allowing a simple majority in the Knesset to overturn a decision of Supreme Court on adopted legislation; and
- Ending the Supreme Court's right to block government decisions based on the reasonableness concept.

The initial proposals led to public protests against the reform that have persisted and grown since they began in January 2023. Prime Minister Netanyahu temporarily suspended the implementation of the reform at the end of March. The coalition and the main opposition parties are attempting to reach a compromise through negotiations mediated by the president (who otherwise has a largely ceremonial role in Israeli politics).

In our view, it is difficult to predict the future course of the proposed judicial changes. We see several possible scenarios. If the reform were to be implemented in a form close to the original proposals, we anticipate that it could further exacerbate the polarization of domestic politics. The coalition's recent statements suggest that this scenario is becoming less likely. It also remains possible that, if the changes were to be implemented, they could be reversed by a future government comprising different parties. We note that Israeli politics is characterized by frequent elections and government changes.

Conversely, it is not clear whether the coalition's more right-wing parties would see suspending the reform entirely as acceptable. This could lead to the government resigning and another out-of-cycle general election.

Our current baseline scenario assumes that elevated domestic tensions will ultimately be de-escalated and some form of consensus will be established. The judicial reform was put on hold at the end of March 2023 and the negotiations between the coalition and the opposition continue. That said, the government's near-term priorities are turning to passing the 2023 budget before the approaching May 29 deadline. Under Israeli law, a failure to pass the budget before this deadline would lead to dissolution of the Knesset and another snap election. We expect attention to turn to the judicial reform once again after the budget has passed.

Even though we expect tensions to ease, the current uncertainty is likely to weigh on growth in the near term in our view. While it is difficult to quantify, spillover effects could include the postponing of both domestic and foreign investments, as domestic corporates and overseas investors delay their spending decisions.

According to the Bank of Israel (BOI), additional transmission channels could include a rise in the country's risk premium or a slowdown in export growth and in private consumption. Depending on how persistent the economic consequences of the reform prove to be, BOI estimates that real GDP growth could be eroded by 0.8%-2.8% per year.

Growth in 2023 could also be dampened by continued global and domestic monetary policy tightening, as well as weaker economic performance at Israel's key trading partners. Over 60% of Israel's trade in goods and services is with the U.S. and European countries, where we project a sharp slowdown in growth during 2023. The U.S. economy is forecast to grow by just 0.7% this year, and the eurozone by just 0.3%. We anticipate that lower investment from these countries in Israeli services could weigh on the small and open Israeli economy.

We project that Israel's economic growth will be 1.5% in 2023, slightly below our November 2022 forecast of 2%. This represents a notable slowdown from the 6.5% growth outturn in 2022. We expect that consumption (total public and private) will see growth of 2%, and that growth in exports and investments will decelerate sharply in real terms, to 0.5% and 1.5% respectively, compared with 8% and 9% last year.

From 2024, we forecast that Israel will sustain annual growth rates of about 3.5%; this is broadly in line with our previous forecast. Our projection is based on domestic political volatility receding and the external environment improving. Israel's economy has increasingly shifted toward high-value-added IT-related service exports, such as cyber security, fintech, digital health, defense, and broader technology, mostly in the business-to-business segment. Since 2021, high-tech exports of goods and services have comprised over half of total exports. We expect performance in the technology sector to remain strong.

Nevertheless, Israel has yet to resolve several structural economic shortcomings, with outcomes outside the strongly performing tech sector being notably weaker and characterized by lower wages and productivity levels. In addition, significant portions of the population are underrepresented in the labor force, including Orthodox Jewish men and Israeli-Arab women. Based on current demographic trends, these groups will in future comprise an increasing proportion of the Israeli population.

In the long term, further expansion of the Israeli gas sector could support growth rates, particularly given that the disruption to gas supplies in Europe has prompted many countries to seek alternative suppliers. We anticipate that domestic gas production will continue to expand over the next four years. For now, Israel's key export markets are Egypt and Jordan, but additional infrastructure could allow Israel to export liquified natural gas to Europe in future. In 2022, Israel agreed a maritime demarcation deal with Lebanon, which we believe could support gas exploration in both countries by limiting security risks.

Israel has entered into a number of other regional agreements over the past two years that could also help promote economic cooperation and reduce regional tensions related to security. The most notable of these were the Abraham Accords, which normalized bilateral relations between Israel and the Arab countries that have become signatories--United Arab Emirates (UAE), Bahrain, Morocco, and Sudan. Israel's free-trade agreement with the UAE, based on a partnership agreement first signed last May, came into force on April 1, 2023.

Despite the ongoing normalization process, in our view Israel will continue to face elevated domestic security and regional geopolitical risks that constrain our ratings on the sovereign. This was highlighted in May 2021, when there was a major escalation in hostilities between Israeli security forces and Hamas. Although the conflict was ultimately relatively short-lived, it represented the most significant escalation in years and was complicated by the flare-up in domestic interethnic unrest between Israeli-Arabs and Jews. Subsequently, in August 2022 and May 2023 Israel carried out military operations in Gaza against Islamic Jihad, a Palestinian group, while rockets were launched from Gaza toward Israel.

We also consider that the presence in government of parties with a more hardline policy agenda could complicate the dynamics around the West Bank. In our base-case scenario, we do not expect geopolitical tensions to escalate uncontrollably into an open and full war in Gaza or the West Bank, or with Iran or Syria. Nevertheless, risks remain--if the hostilities were to escalate into a broader conflict, several credit factors could be impaired simultaneously, including economic growth, the balance of payments, and fiscal performance.

Flexibility and performance profile: The strong balance of payments and credible monetary policy remain key rating strengths

- We forecast that the general government deficit will widen to 2.5% of GDP in 2023 as revenue contracts modestly following an unusually strong performance in 2022.
- Nevertheless, we anticipate that net general government debt will drop below its pre-pandemic level of 58% of GDP by the end of 2023 and that current account surpluses will average 3.5% of GDP through 2026.
- BOI is approaching the end of its policy tightening cycle and we expect inflation to fall to an average of 3.8% in 2023.

We expect Israel's fiscal performance to weaken in 2023. Its monthly fiscal statistics show central government revenue contracting by 4% year-on-year over January-February 2023. General government revenue grew by almost 14% in nominal terms last year, boosted by exceptional tax outturns related to company exits and capital market gains. We consider these unlikely to be repeated. Although revenue performance could strengthen later in 2023, we forecast nominal revenue for the full year to contract slightly. This could be partly offset by controlling expenditure--Israel is still operating without an approved budget for 2023--under the proportional expenditure system, which limits additional spending.

We forecast a general government deficit of 2.5% of GDP in 2023, narrowing to 2% from 2024. This implies that net general government debt will reach the pre-pandemic level of 58% of GDP by the end of 2023, and will fall further thereafter, to 54% by 2026.

Israel's public debt structure remains favorable. Close to 85% of debt is denominated in Israeli shekel and held domestically by local banks, pension funds, and other institutional investors. 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 average debt maturity. Substantial investor demand has allowed it to access foreign markets again, even against the background of higher global interest rates. In January 2023, Israel issued a $2 billion, 10-year, U.S. dollar-denominated green bond at a spread of 95 basis points to a U.S. government bond of a similar maturity. The issuance was oversubscribed several times. We consider future funding disruptions to be unlikely, but if they were to occur, the government also has recourse to the remaining portion of a long-standing U.S. debt guarantee program.

We consider Israel's balance of payments to be a key ratings strength. The country has been running a current account surplus for the past 20 years, primarily supported by the fast expansion of high-value-added information and communications technology service exports. In total, net services exports averaged a 7% of GDP surplus annually over 2017-2022. This has given Israel a substantial net external asset position of over 30% of GDP--one of the highest among non-commodity-exporting sovereigns--and has reduced its gross external financing needs. In 2022, the current account surplus amounted to 3.8% of GDP. Strong global demand for Israeli services, as well as gas exports from the new fields, should keep the current account surplus close to 3.0%-3.5% of GDP over 2023-2026.

Israel's monetary policy flexibility is another credit strength. BOI has a record of operational independence and uses a range of market-based monetary instruments. Monetary policy also benefits from the deep local currency financial and capital markets. Throughout the pandemic, the central bank softened the effect on the Israeli economy by deploying tools such as policy rate cuts, quantitative easing, and the extension of loans to banks at low interest rates. The BOI had also amassed substantial foreign exchange reserves of US$200 billion by the end of March 2023 (38% of GDP). Current foreign exchange reserve levels cover Israel's overall external debt (including government and private sector foreign debt) by almost 1.5 times.

Although inflation in Israel picked up last year, it remains significantly below the upswing experienced in other emerging and developed markets, including the U.S. and the U.K. We project average annual inflation of 3.8% in 2023, a deceleration from 4.4% in 2022. Domestic inflation has been slowed by Israel's increased reliance on domestically produced gas, which partially offsets the impact of the increase in global energy prices. Nevertheless, the BOI reacted to rising inflation by commencing a tightening cycle and raising the key interest rate by a cumulative 440 basis points since April 2022. The key policy rate now stands at 4.5%. In our view, Israel is approaching the end of the current tightening cycle. We expect inflation to continue to decline over 2023-2025.

The Israeli banking system is well capitalized, profitable, and liquid. Higher interest rates boosted profitability and will support banks' earnings and capital buffers over the next 12-18 months. Banks' asset quality has been strong since the pandemic began in 2020 and we expect that inflationary pressures, rising interest rates, and increased leverage will have only a moderate effect on borrowers' creditworthiness. We anticipate that nonperforming loans will increase to about 1.5% of total loans in 2023, from a low of 0.9% in 2022. Most of the deterioration will come from small and midsize enterprises and real estate-related lending.

We are cautious about banks' exposure to mortgage lending, but the risk appears to be contained. The loan-to-value ratio is moderate and demand has mostly been fueled by population growth and supply-side limitations. Nevertheless, higher interest rates could increase refinancing risk in the real estate sector. A slowdown in the high-tech sector could also weigh on the market: we see a risk of oversupply in the office space.

The construction sector's vulnerability to a slowdown in demand, combined with increased leverage in the sector, has increased the risk associated with the segment. The risk picture is complicated by the increasing share of the market being taken by nonbank lenders that are not supervised by BOI. Although the various regulatory bodies cooperate, differences in approach are sometimes apparent. We see potential for financial risks to emerge without being fully supervised.

WEBINAR

S&P Global Ratings will host a live interactive webinar on May 15, 2023, at 2:00 pm CET to discuss this rating action and our forecasts for Israel's economy and banking sector. Please click on the following link to attend: URL
https://event.on24.com/wcc/r/4225001/B9A0C614F6E9202D5891B8A7AC3DEA30

Key Statistics

Table 1

Israel--Selected Indicators

(Mil. ILS)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Economic indicators (%)										
Nominal GDP (bil. ILS)	1,290	1,353	1,435	1,423	1,578	1,754	1,842	1,955	2,063	2,178
Nominal GDP (bil. $)	358	377	402	413	489	522	525	558	598	650
GDP per capita (000s $)	41.1	42.4	44.5	44.9	52.1	54.7	53.9	56.2	59.0	62.9
Real GDP growth	4.3	4.1	4.2	(1.9)	8.6	6.5	1.5	3.5	3.5	3.5
Real GDP per capita growth	2.3	2.1	2.2	(3.6)	6.8	4.5	(0.5)	1.5	1.5	1.5
Real investment growth	3.1	7.8	3.3	(3.9)	11.7	9.0	1.5	3.5	3.5	3.5
Investment/GDP	22.9	23.8	23.3	23.8	24.8	26.3	25.9	25.6	25.6	25.5
Savings/GDP	26.5	26.8	27.1	29.3	29.2	30.1	29.4	29.2	28.9	28.6
Exports/GDP	29.2	29.9	29.3	27.7	29.5	31.9	32.1	31.7	31.6	31.4
Real exports growth	4.9	5.7	3.7	(2.7)	14.6	8.3	0.5	3.0	3.0	3.0
Unemployment rate	4.2	4.0	3.8	4.3	5.0	3.8	4.2	4.0	3.5	3.5

Table 1

Israel--Selected Indicators (cont.)

(Mil. ILS)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
External indicators (%)										
Current account balance/GDP	3.6	3.0	3.7	5.5	4.4	3.8	3.6	3.5	3.3	3.1
Current account balance/CARs	9.9	8.0	10.3	16.3	12.1	9.8	9.3	9.3	8.8	8.3
CARs/GDP	36.1	37.0	36.0	33.8	36.3	38.5	38.2	37.7	37.5	37.1
Trade balance/GDP	(2.9)	(4.4)	(3.7)	(2.8)	(4.4)	(5.0)	(5.1)	(5.0)	(5.3)	(5.5)
Net FDI/GDP	2.6	4.1	2.2	4.5	2.5	3.5	3.0	3.0	3.0	3.0
Net portfolio equity inflow/GDP	0.0	(4.1)	(1.5)	(5.1)	(0.7)	1.3	(4.0)	(4.0)	(4.0)	-4
Gross external financing needs/CARs plus usable reserves	68.0	66.1	64.6	59.5	58.1	57.5	59.4	60.0	60.9	61.8
Narrow net external debt/CARs	(53.9)	(46.6)	(51.1)	(67.4)	(65.6)	(55.8)	(55.9)	(53.8)	(52.5)	(50.6)
Narrow net external debt/CAPs	(59.8)	(50.7)	(57.0)	(80.4)	(74.6)	(61.9)	(61.7)	(59.3)	(57.5)	(55.1)
Net external liabilities/CARs	(112.5)	(98.4)	(109.5)	(132.6)	(89.6)	(85.2)	(94.6)	(99.3)	(102.7)	(104.7)
Net external liabilities/CAPs	(124.9)	(107.0)	(122.1)	(158.3)	(101.9)	(94.6)	(104.4)	(109.5)	(112.6)	(114.2)
Short-term external debt by remaining maturity/CARs	29.6	27.7	26.3	29.4	27.0	28.4	26.2	26.2	25.5	24.1
Usable reserves/CAPs (months)	10.1	10.6	10.6	12.9	13.4	14.1	12.8	12.5	12.0	11.4
Usable reserves (mil. $)	113,011	115,279	126,014	173,297	212,992	194,218	199,468	205,052	211,033	217,536
Fiscal indicators (general government; %)										
Balance/GDP	(2.3)	(4.4)	(4.6)	(11.5)	(5.5)	(1.6)	(2.5)	(2.0)	(2.0)	(2.0)
Change in net debt/GDP	0.5	3.0	3.0	9.2	4.1	(0.4)	2.5	2.0	1.8	1.8
Primary balance/GDP	0.6	(1.6)	(1.9)	(8.8)	(2.9)	0.8	0.2	0.7	0.5	0.5
Revenue/GDP	37.5	35.9	35.0	34.4	36.8	37.6	35.5	35.3	35.3	35.3
Expenditures/GDP	39.8	40.3	39.6	45.9	42.3	39.1	38.0	37.3	37.3	37.3
Interest/revenues	7.7	7.7	7.6	7.8	7.0	6.4	7.7	7.6	7.1	6.9
Debt/GDP	59.7	59.9	58.8	70.7	68.0	60.8	60.3	58.9	57.5	56.3
Debt/revenues	159.1	166.9	167.9	205.5	184.8	161.9	170.0	166.8	163.0	159.3
Net debt/GDP	57.4	57.8	57.5	67.2	64.7	57.8	57.5	56.2	55.0	53.9

Table 1

Israel--Selected Indicators (cont.)

(Mil. ILS)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Liquid assets/GDP	2.2	2.1	1.4	3.5	3.3	3.0	2.8	2.7	2.5	2.4
Monetary indicators (%)										
CPI growth	0.2	0.8	0.8	(0.6)	1.5	4.4	3.8	2.5	2.0	2.0
GDP deflator growth	(0.0)	0.8	1.8	1.0	2.1	4.4	3.5	2.5	2.0	2.0
Exchange rate, year-end (LC/$)	3.47	3.75	3.46	3.22	3.11	3.52	3.50	3.50	3.40	3.30
Banks' claims on resident non-gov't sector growth	4.0	6.2	4.9	4.8	14.2	13.4	4.0	5.0	4.0	4.0
Banks' claims on resident non-gov't sector/GDP	69.2	70.0	69.3	73.2	75.4	76.9	76.2	75.4	74.3	73.2
Foreign currency share of claims by banks on residents	4.3	4.4	3.7	4.1	3.9	N/A	N/A	N/A	N/A	N/A
Foreign currency share of residents' bank deposits	18.6	19.7	19.1	18.3	19.6	N/A	N/A	N/A	N/A	N/A
Real effective exchange rate growth	6.8	(1.9)	0.8	(3.6)	6.6	5.1	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), The Bank of Israel, Ministry of Finance of the Government of Israel (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 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. ILS--Israeli new shekel. CPI--Consumer price index. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. N/A--Not applicable. 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 that promotes sustainable public finance and balanced economic growth. Given that relations between Israeli-Jews, Israeli-Arabs, and Palestinians are strained at times, we consider that Israel's civil society is subject to ethnic tensions. Nevertheless, we see a low probability of social upheaval.
Economic assessment	1	Based on GDP per capita ($) as per the Selected Indicators table above.

Table 2

Israel--Ratings Score Snapshot (cont.)

Key rating factors	Score	Explanation
External assessment	1	Based on narrow net external debt (% of current account payments) and gross external financing needs (% of current account receipts plus usable reserves) as per the Selected Indicators table above.
Fiscal assessment: flexibility and performance	2	Based on the change in net general government debt (% of GDP) as per the Selected Indicators table above.
Fiscal assessment: debt burden	3	Based on net general government debt (% of GDP) and general government interest expenditure (% of general government revenues) as per the Selected Indicators table above.
Monetary assessment	2	Managed-float exchange-rate regime. The central bank has a track record of operational independence. It uses market-based monetary instruments and has the ability to act as a lender of last resort. Consumer price index as per the 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.
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

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings , Oct. 10, 2021
- 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

- Default, Transition, and Recovery: 2022 Annual Global Sovereign Default And Rating Transition Study, April 28, 2023

- Sovereign Risk Indicators, April 11, 2023. An interactive version is also available at http://www.spratings.com/sri
- Sovereign Ratings List, April 11, 2023
- Sovereign Ratings History, April 11, 2023
- Sovereign Debt 2023: Emerging EMEA Cautiously Returns To The Markets, March 9, 2023
- EMEA Emerging Markets Sovereign Rating Trends 2023: Through A Glass Darkly, Jan. 26, 2023
- Banking Industry Country Risk Assessment: Israel, Oct. 18, 2022

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-