The Accountant General at the Ministry of Finance, Yali Rothenberg, released today (Sunday) the initial estimate for the 2025 debt-to-GDP ratio

Israel's public debt-to-GDP ratio for 2025 rose by 0.9%, reaching 68.6%, compared to 67.7% in 2024. The government debt-to-GDP ratio rose by 1.0%, reaching 67.3%, compared to 66.3% in 2024.

The debt-to-GDP ratio is a key indicator of Israel's financial stability and plays a critical role in determining its credit rating. The final figures will be published in the Debt Management Unit's annual report within the Accountant General's Department.

In 2025, total gross debt issuance amounted to approximately NIS 207 billion, executed through three primary channels: 85% of total issuance issued in Domestic Tradable market, 3% in Domestic Non-Tradable market and 12% in External markets.

The domestic tradable sector showed consistently high demand throughout the year, with an average bid-to-cover ratio of 4.5, up from 4.2 the previous year.

From the beginning of the "Swords of Iron" war until the ceasefire in October 2025, the Accountant General raised approximately NIS 524 billion in government debt. This included NIS 411 billion in domestic tradable debt, NIS 7 billion in domestic non-tradable debt, and NIS 106 billion in external debt.

The budget deficit for 2025 stood at 4.7% of GDP, totaling approximately NIS 98.6 billion. Total government expenditures for the year reached NIS 651 billion, of which an estimated NIS 91 billion were allocated to war efforts, including both security and civilian support.

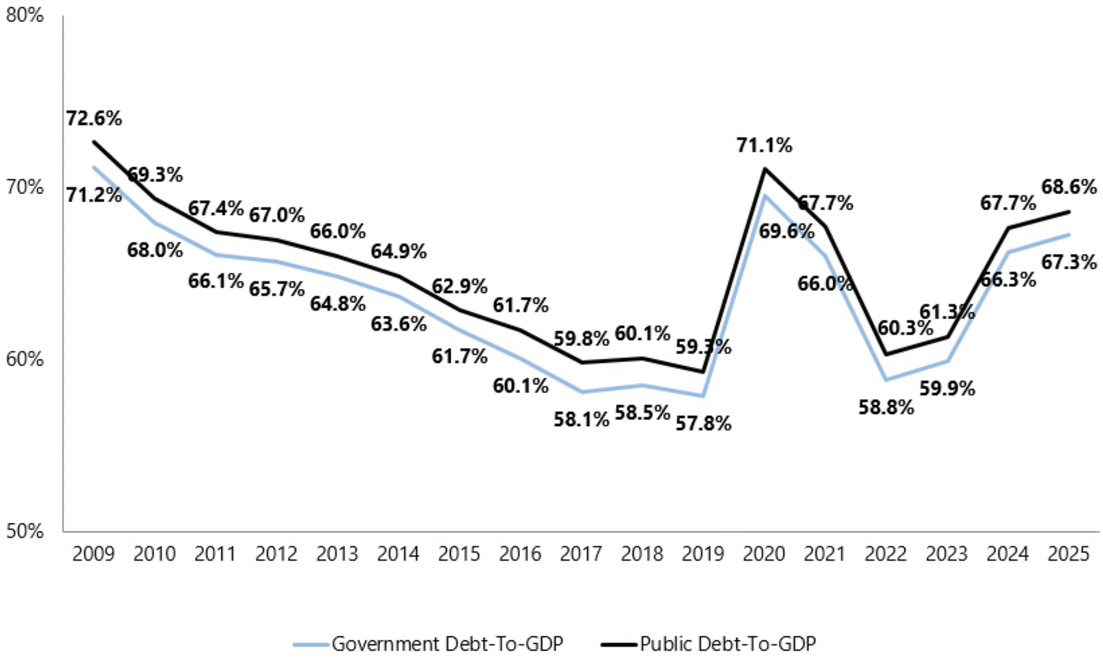
The 2025 government debt was influenced by financing requirements during the war, alongside macroeconomic factors such as inflation, interest rates, exchange rate fluctuations, and GDP growth.

Minister of Finance, Bezalel Smotrich: "The upward trend in the debt-to-GDP ratio stems from the necessary defense expenditures due to the war and efforts to rehabilitate and support Israeli society. The impact of the war on the debt-to-GDP ratio is moderating, and we will remain committed to fiscal measures that balance the need for military strength with long-term economic stability."

Accountant General, Yali Rothenberg: "The debt-to-GDP ratio reflects how we utilize our fiscal space during complex times. Over the past two years, we raised debt in significant volumes, and the high, stable demand demonstrates market confidence in the Israeli economy. It is important to note that the increase in Israel's debt ratio is lower than that of peer countries, which saw an average increase of about 1.9 percentage points – more than double Israel's increase. As conditions stabilize, we must work toward fiscal convergence to return to a path that allows for the reduction of the debt-to-GDP ratio."

Senior Deputy to the Accountant General and Head of the Finance & Credit Division, Gil Cohen: "The government's financing needs have risen dramatically since the outbreak of the war, leading to an increase in the debt-to-GDP ratio. During this period, we raised over half a trillion NIS in domestic and external debt, backed by strong support from investors in Israel and abroad. The resilience of the Israeli economy and the strength of our financial system have enabled us to meet all government needs, even under challenging geopolitical conditions."

<u>Chart 1 – Debt-to-GDP, 2009-2025</u>



<u>Chart 2 – Debt-to-GDP 2025: International Comparison</u>