Department of the Chief Economist

Ministry of Finance

Israel's Economy

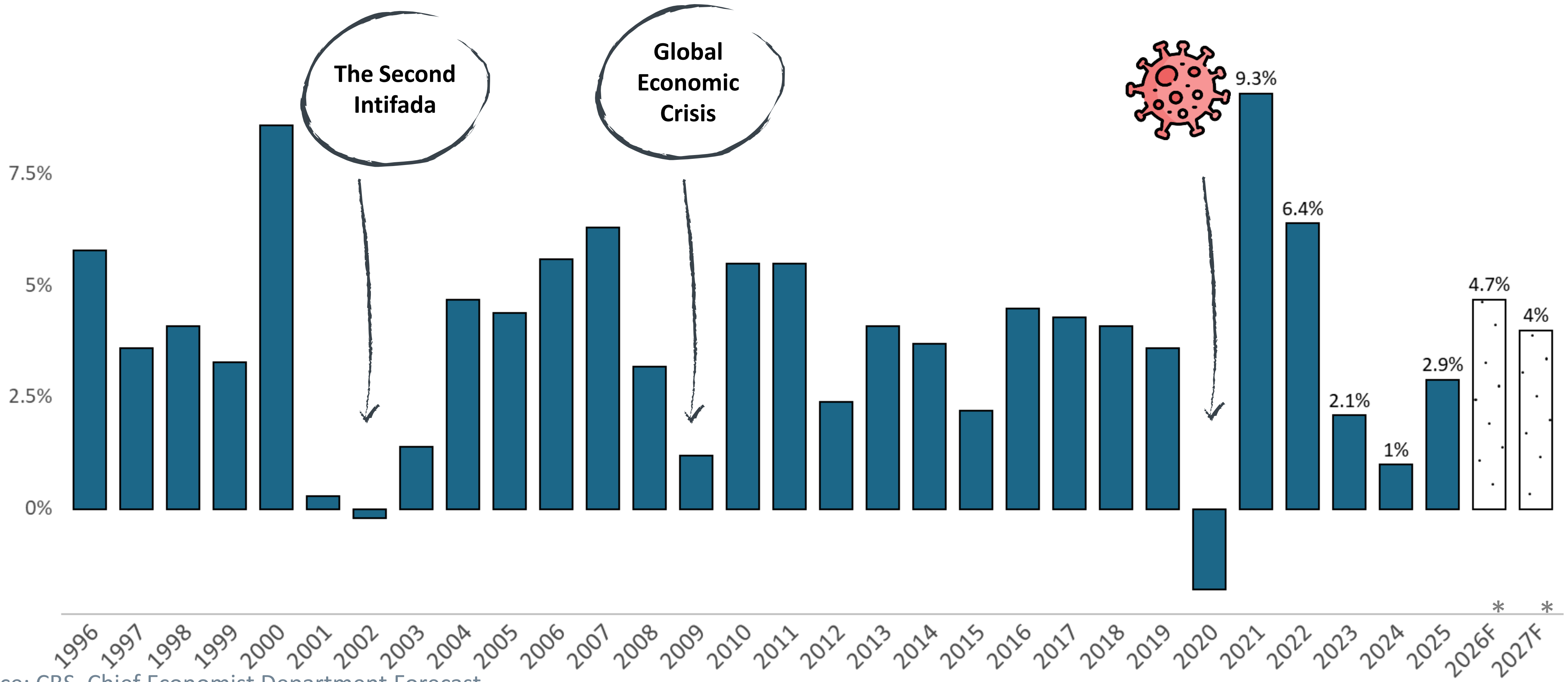
Ministry of Finance
Recent Trends and Outlook

April 2026

Despite the war, moderate growth in 2023-2025

Department of the Chief Economist

Ministry of Finance



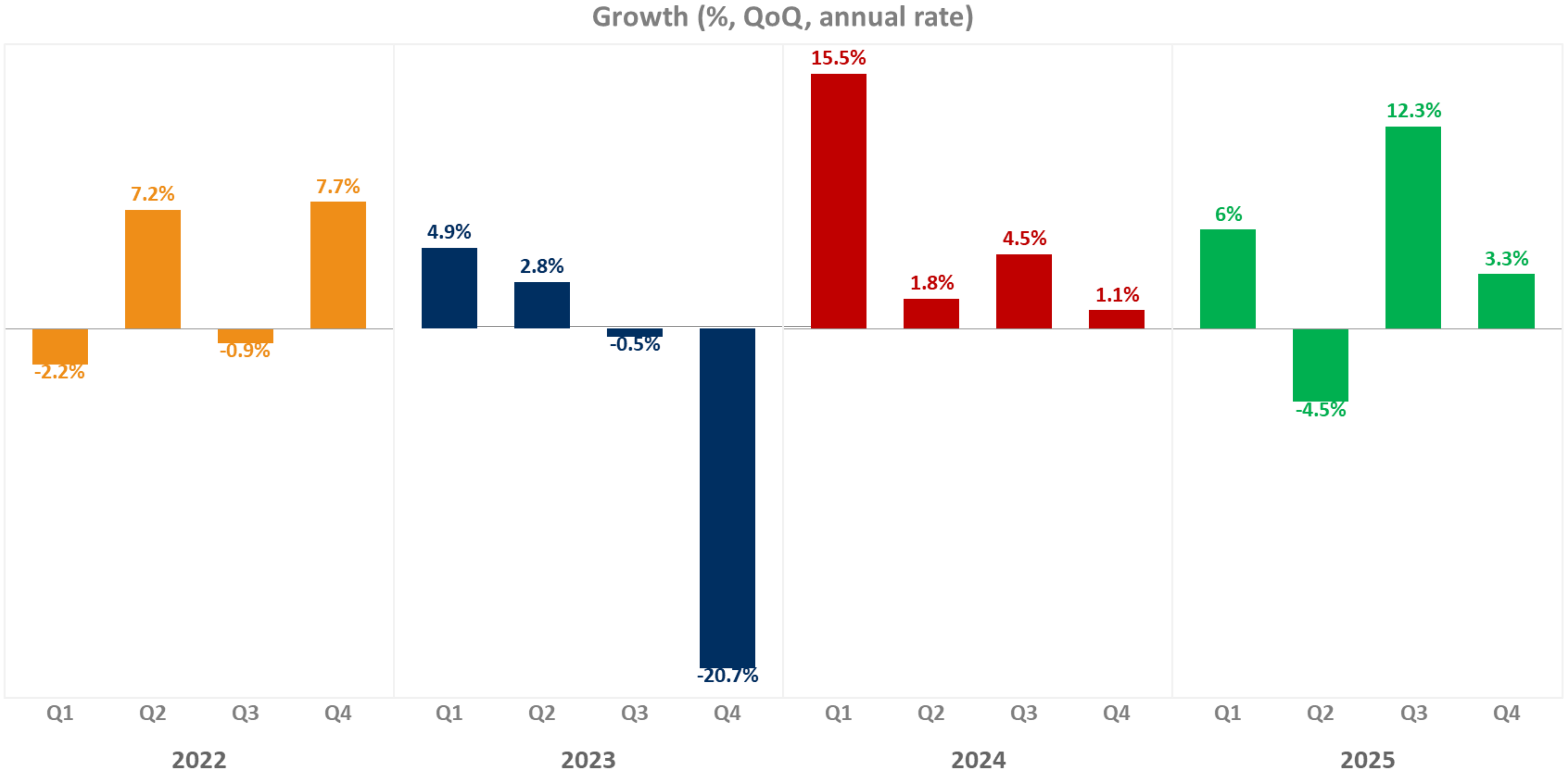
Source: CBS, Chief Economist Department Forecast

* Forecast was issued in early March 2026

Strong H2 following turbulence in H1

Department of the Chief Economist

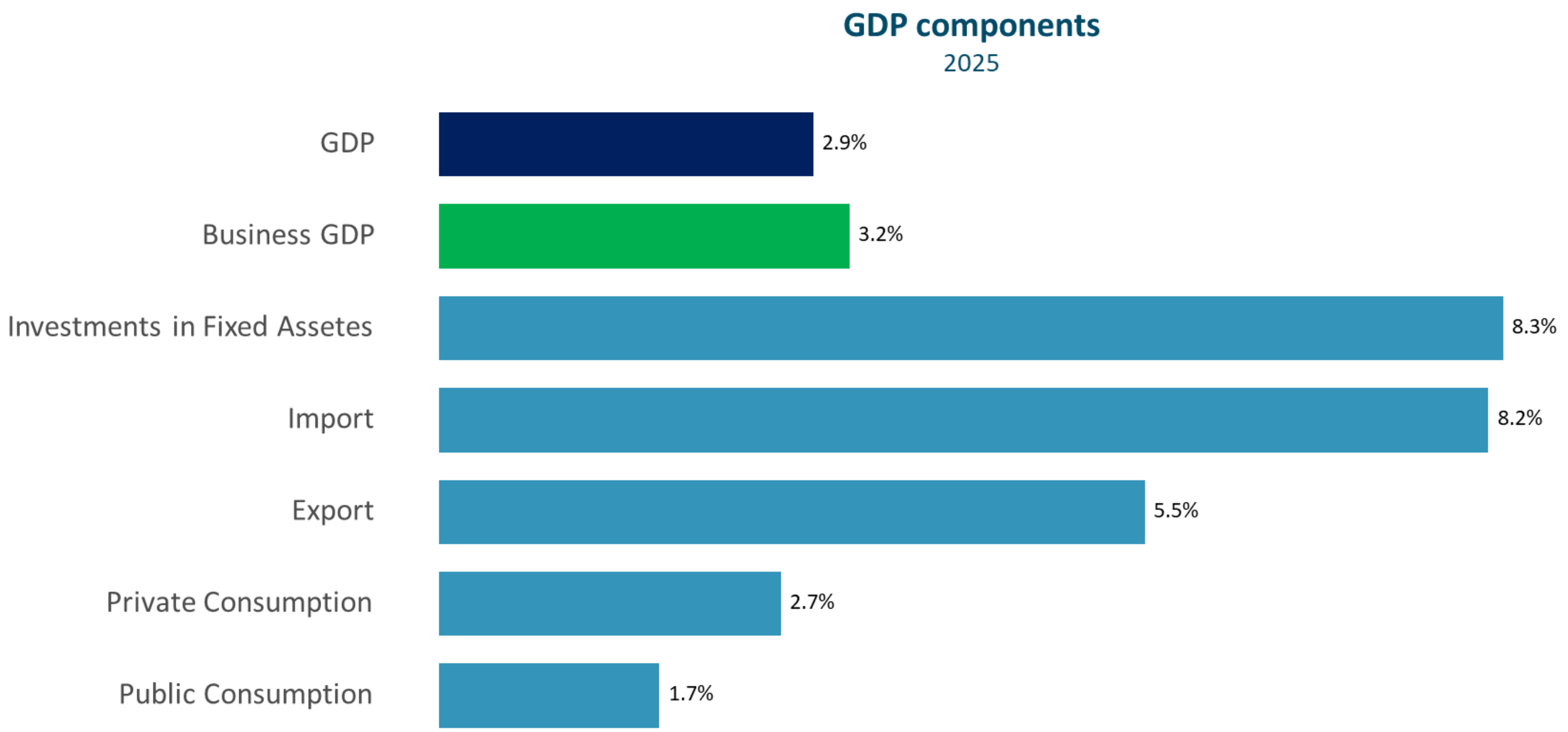
Ministry of Finance



Source: CBS

Private sector led GDP growth in 2025

Department of the Chief Economist
Ministry of Finance



Source: CBS

GDP loss following operation ‘roaring lion’

Department of the Chief Economist

Ministry of Finance

Scenario	2026	2027
Pre-war growth forecast (October 2025)	5.2%	3.5%
Budget forecast (Early March 2026)	4.7%	4.0%
‘Scenario A’ : Iran war ends mid-April, Lebanon operation ends by the end of April	3.8%	5.3%
‘Scenario B’ : Iran war ends mid-April, Lebanon operation ends by July	3.5%	5.7%
‘Scenario C’ : Iran war ends by the end of April, Lebanon operation ends by July	3.3%	6.1%

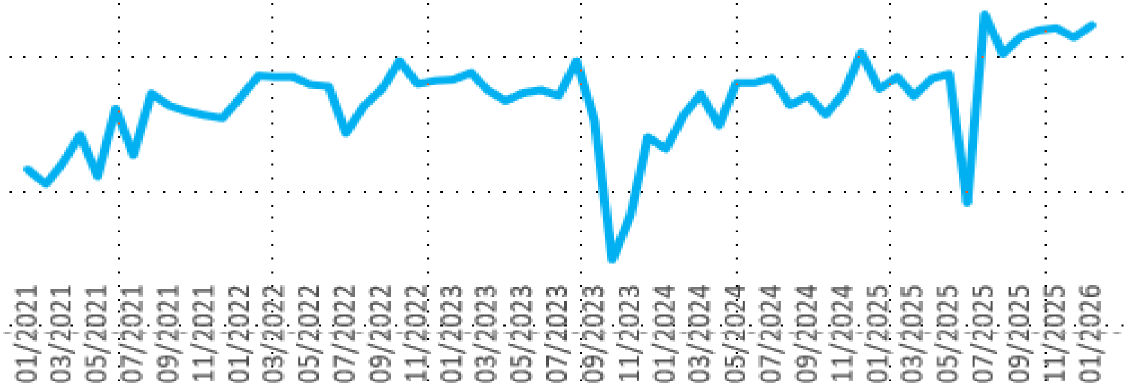
Source: Chief Economist Department Forecast

Signs of recovery of private consumption prior to the war

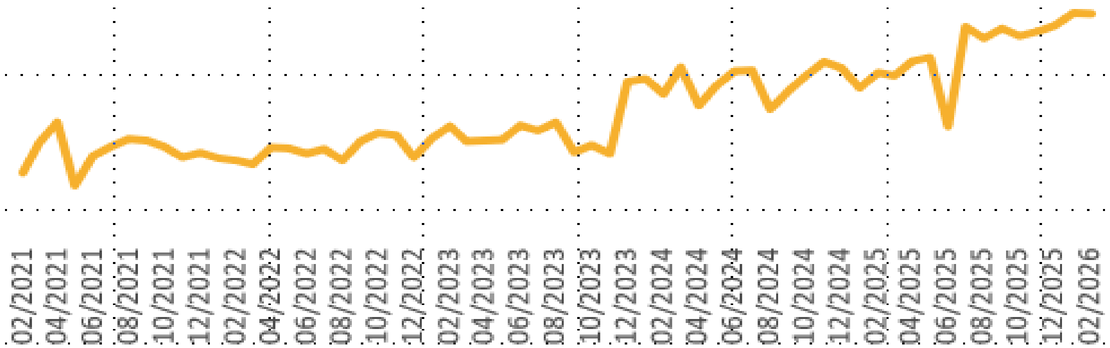
Department of the Chief Economist
Ministry of Finance

Index	2024 growth rate	2025 growth rate	2026 Q1 growth rate
Wholesale revenue index	2.2%	3.6%	0.7%*
Retail sales index	6.2%	3%	1.9%**
Credit card purchasing index	9.2%	7%	1.4%**

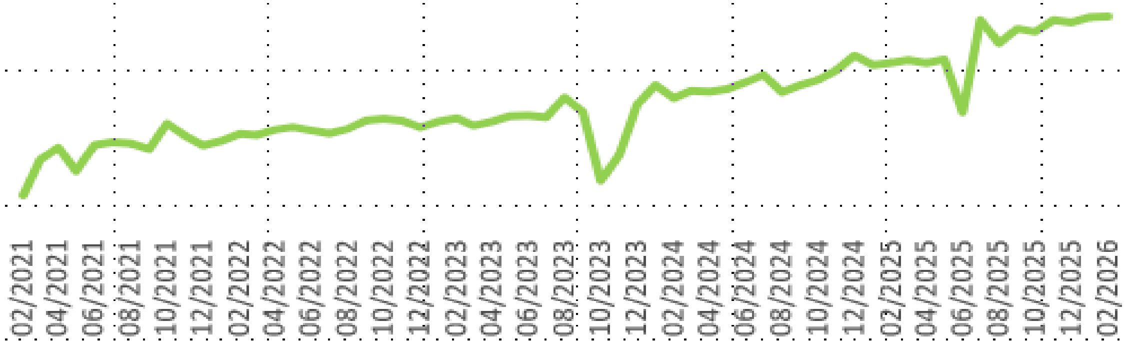
Wholesale revenue index



Retail sales index



Credit card purchasing index

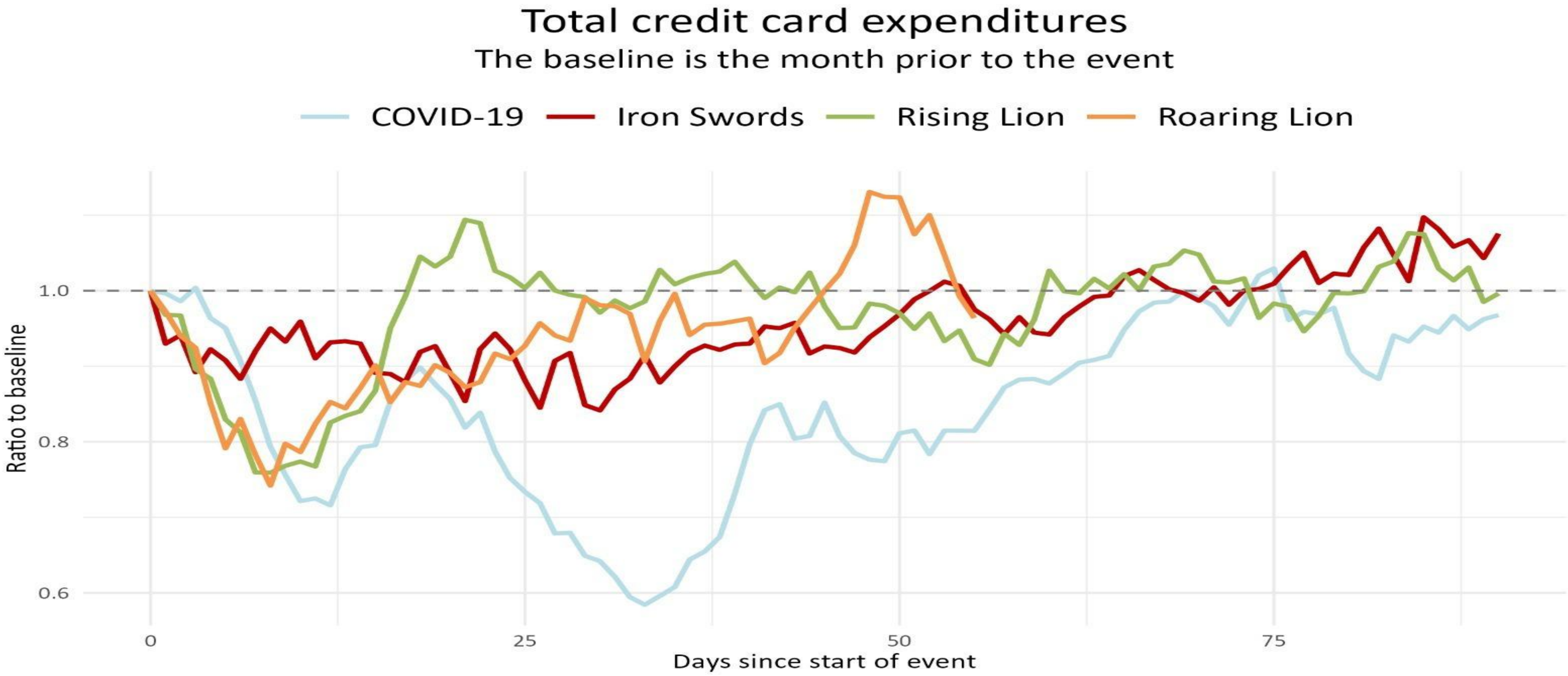


Source: CBS, seasonally adjusted, real prices
*Based on data for January
**Based on data for January-February

Credit card purchasing patterns resemble previous shocks

Department of the Chief Economist

Ministry of Finance

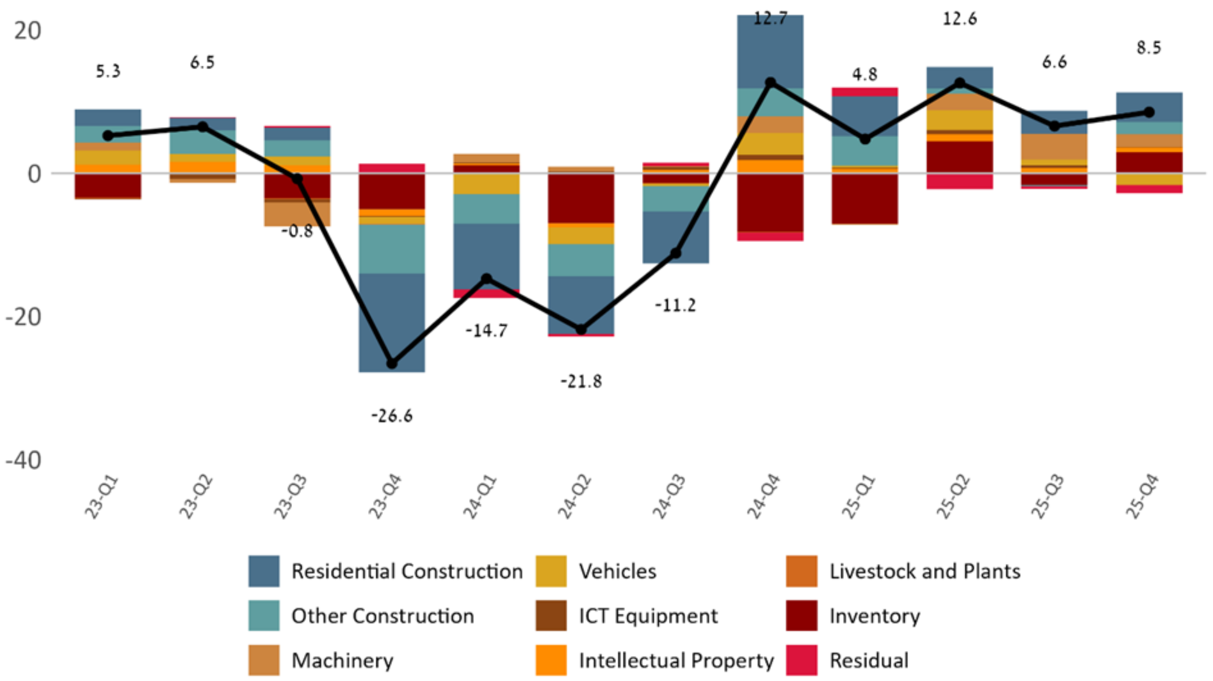


Source: BoI, Chief Economist calculations

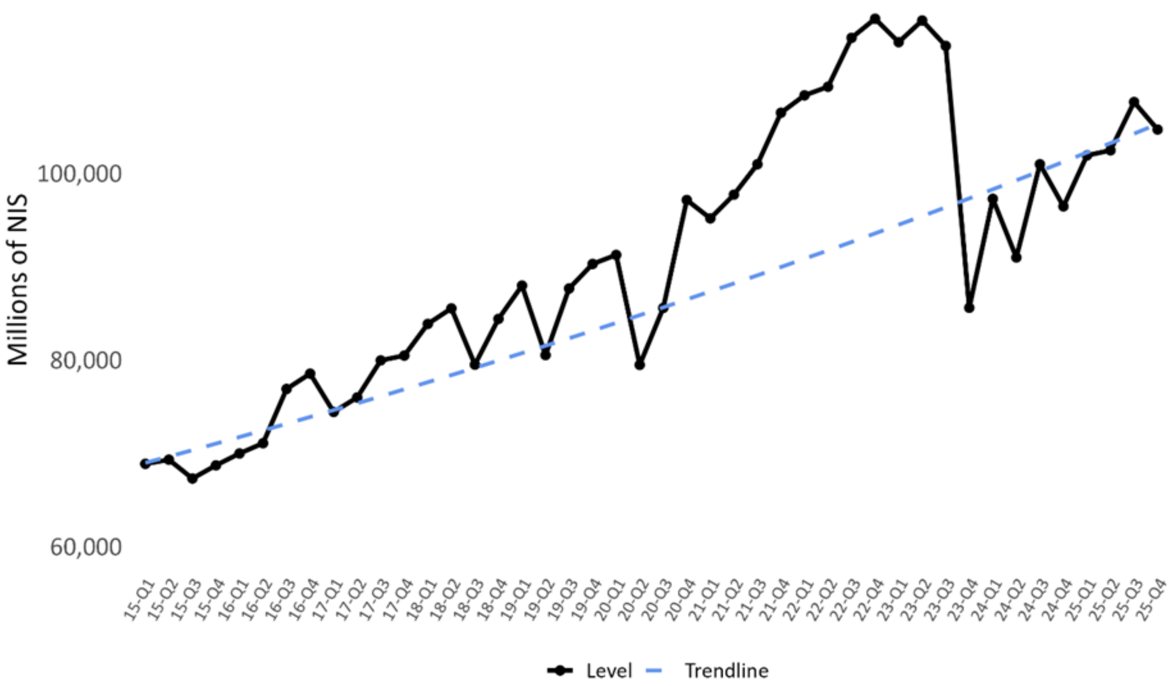
Investments have returned to the long term trend

Department of the Chief Economist
Ministry of Finance

Gross Fixed Capital Formation, YoY change & contribution



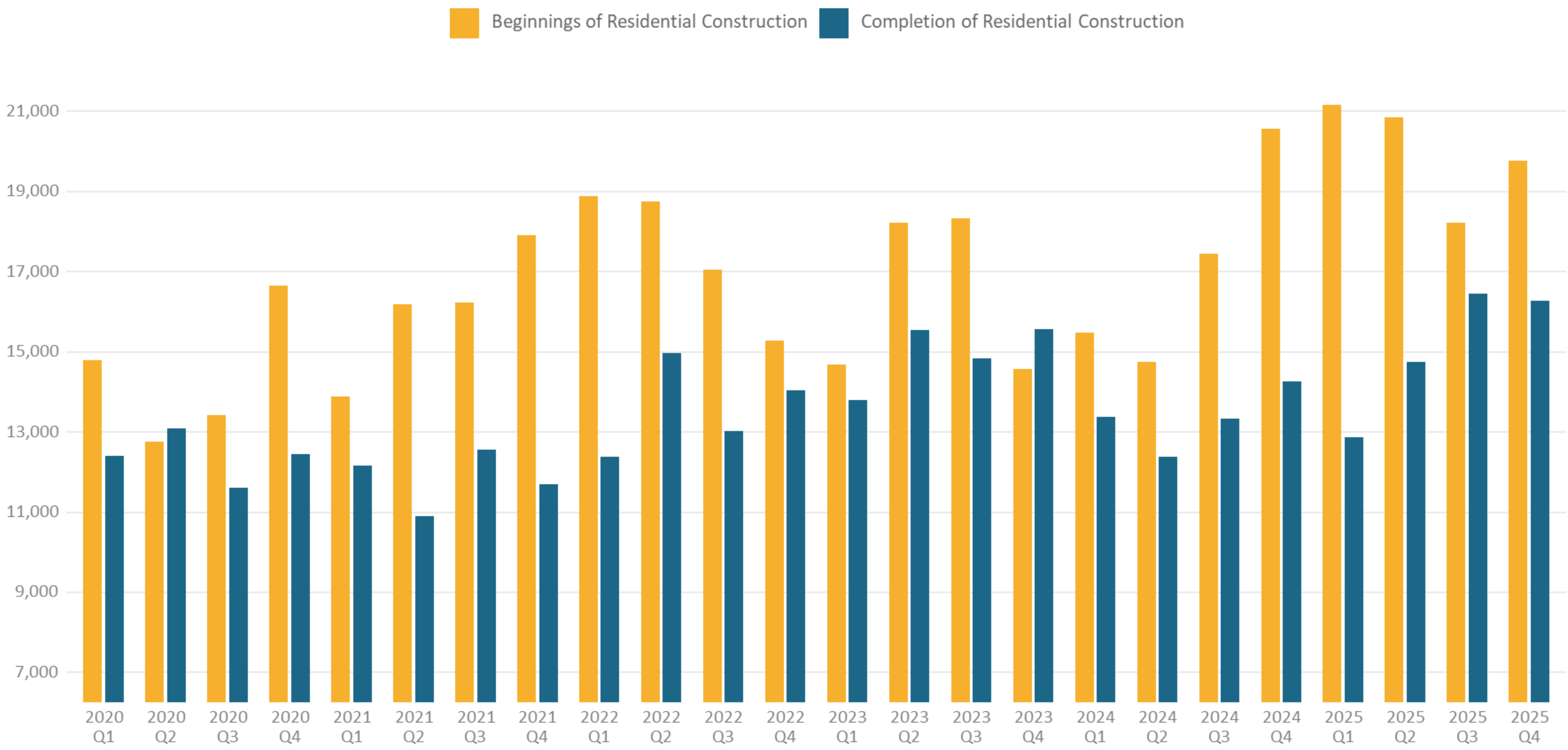
Gross Fixed Capital Formation, Level VS. Trendline



Source: CBS, Chief Economist calculations

Beginnings and completion of residential construction have remained strong

Department of the Chief Economist
Ministry of Finance

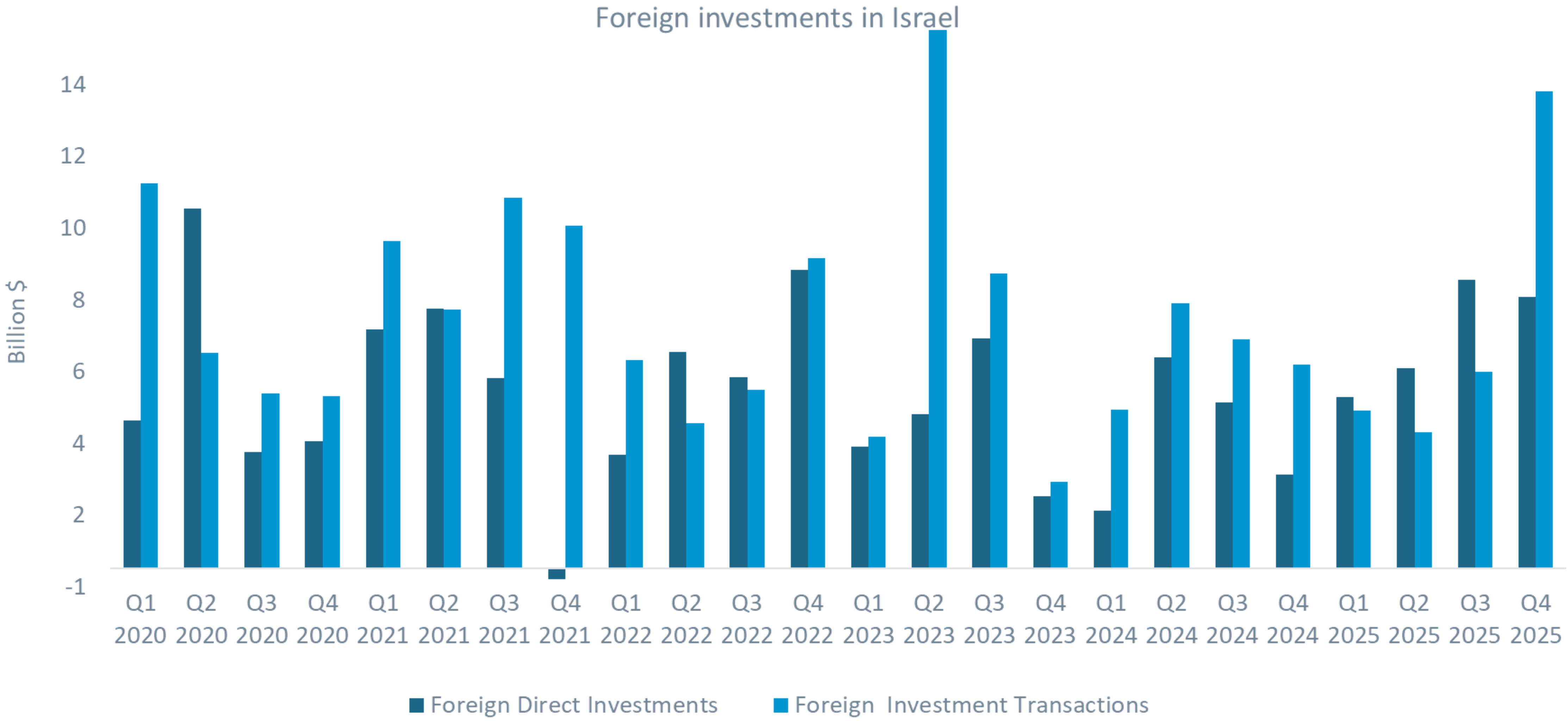


Source: CBS

Foreign Direct Investments have returned to pre-war levels

Department of the Chief Economist

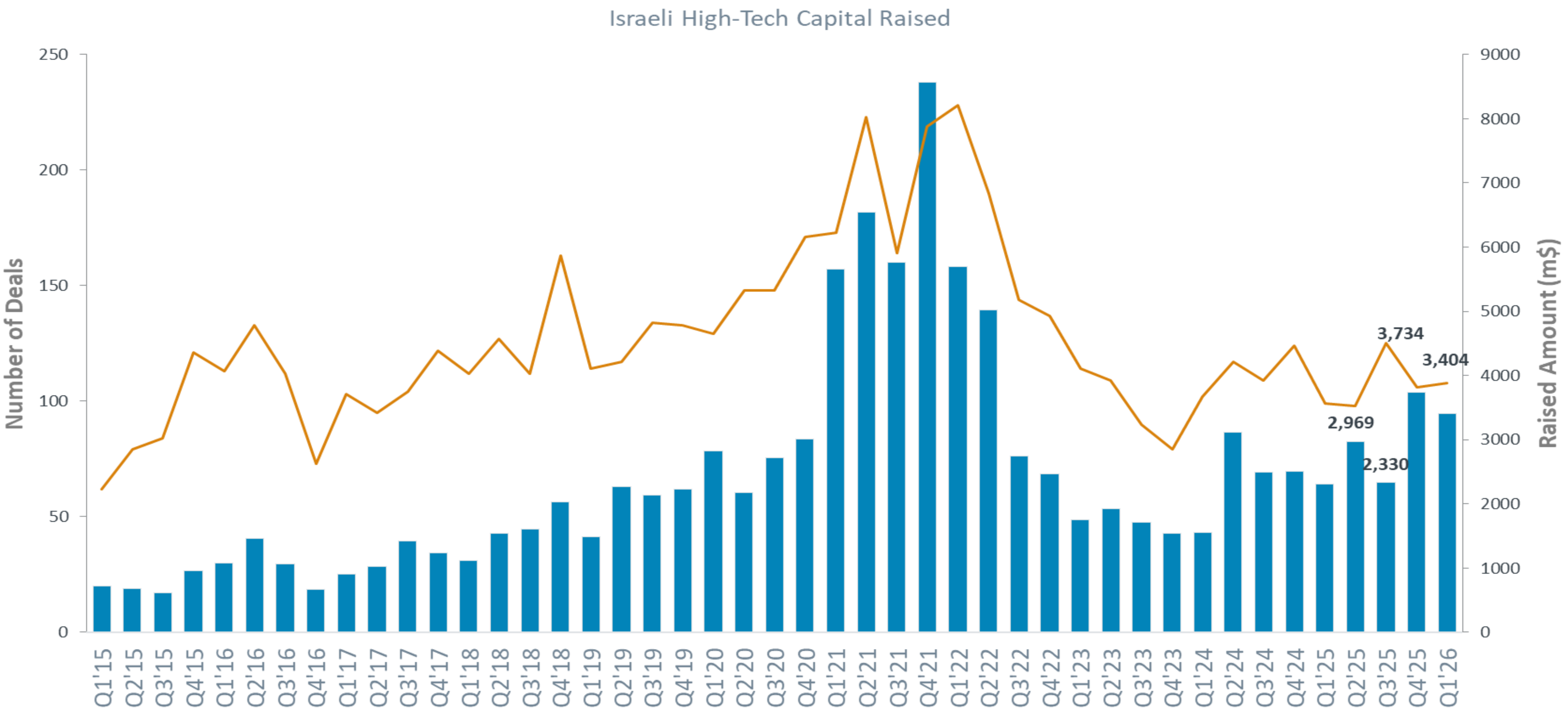
Ministry of Finance



Source: Chief Economist's department database, CBS

Recovery of Investments in Israeli High-Tech

Department of the Chief Economist
Ministry of Finance

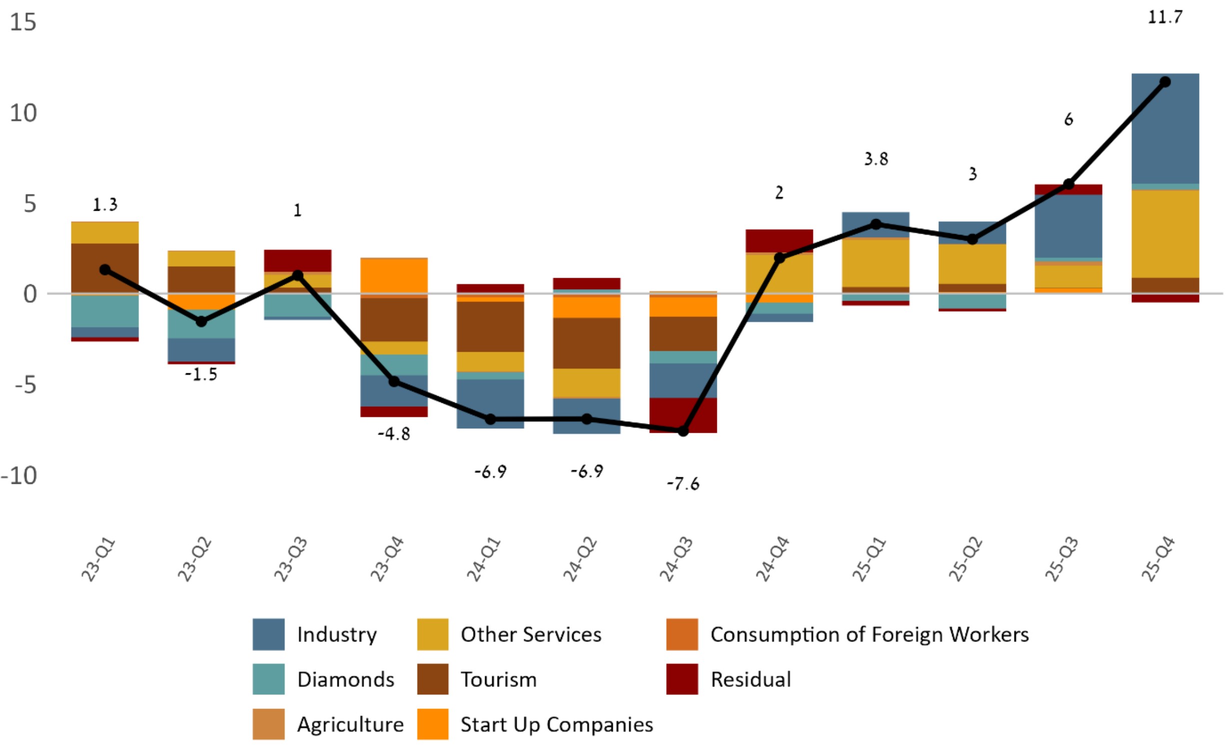


Source: IVC

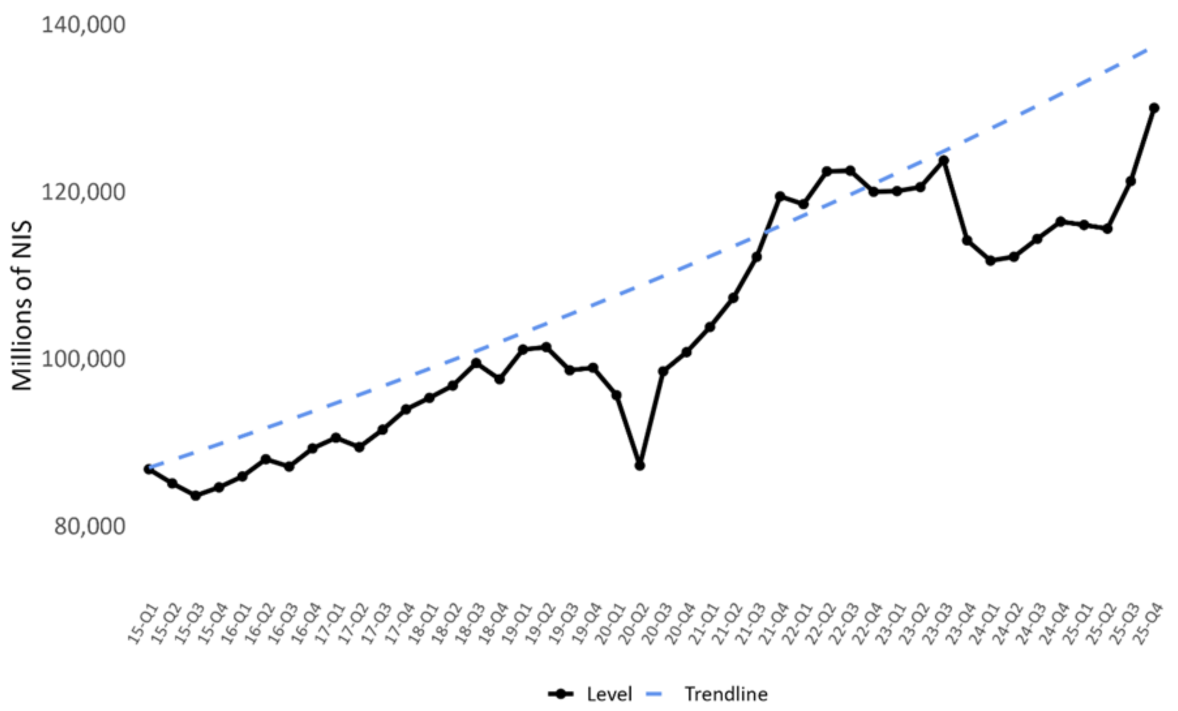
Exports showing signs of recovery after a 2-year slowdown

Department of the Chief Economist
Ministry of Finance

Exports, YoY change & contribution



Exports, Level VS. Trendline



Source: CBS, Chief Economist calculations

Israel Reaches Top 3 Global Arms Exporters

Department of the Chief Economist

Ministry of Finance

Based on $14.8B record export volume, Israel has surpassed Russia, the UK, and Germany to claim 3rd place in the world's most competitive defense markets.

In 2025, Israel transitioned from a Niche Leader to a Global Powerhouse — leveraging battle-proven systems to secure 3rd place in the world's most competitive defense markets.

Global Arms Export Rankings — 2025

Rank	Country	Share	Status
1	United States	42.0%	Uncontested Leader
2	France	10.0%	Leading European Exporter
3	**Israel**	**7.8%**	**Record High ▲**
4	South Korea	6.0%	Rapidly Expanding
5	Russia	5.8%	Significant Decline ▼

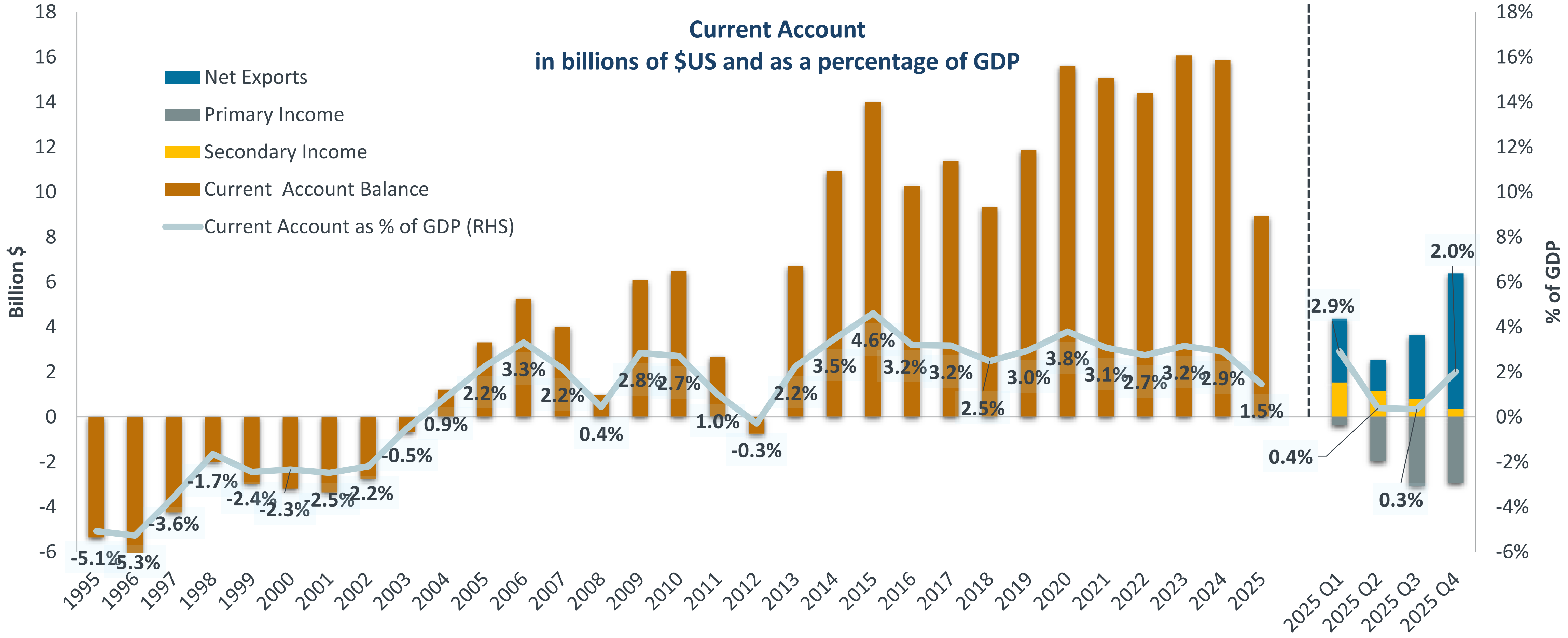
- ✓ **Operational Validation**
- ✓ **Mega-Deal Dominance**
- ✓ **Strategic Void**
- ✓ **Air defense demand**

Source: SIPRI, Global arms trade data, 2025 annual figures.

The structural surplus of net exports in the current account, continued to remain high in 2025

Department of the Chief Economist

Ministry of Finance



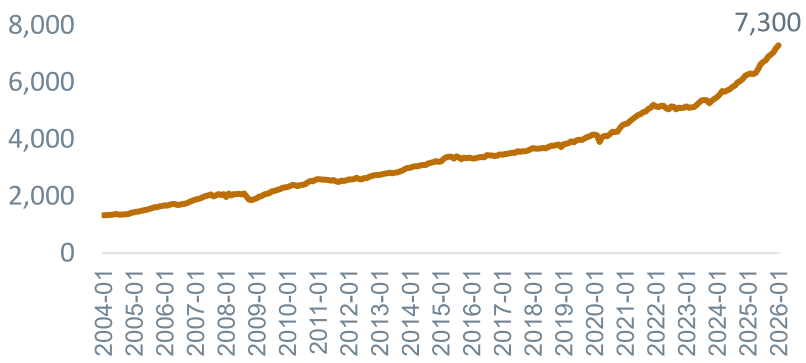
Source: CBS, Chief Economist calculations

Strong financial position supports Israel's ability to absorb shocks

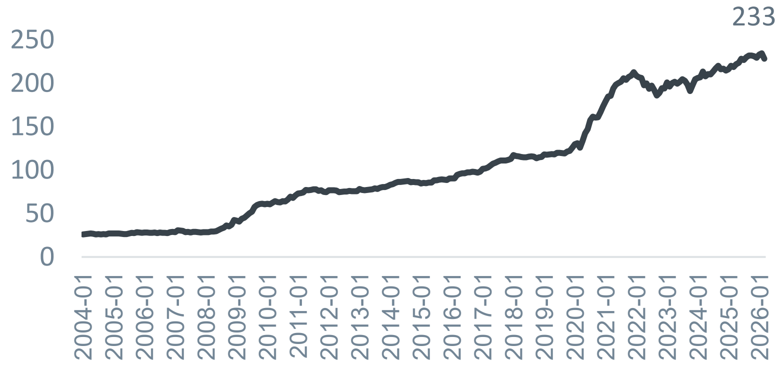
Department of the Chief Economist

Ministry of Finance

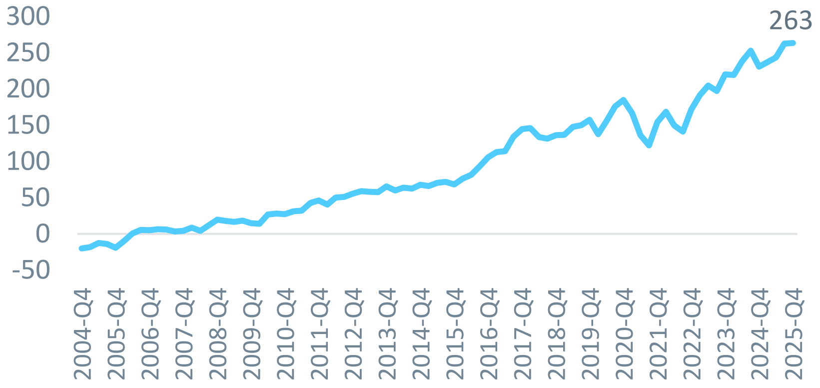
Public's Financial Asset Portfolio
(NIS billion)



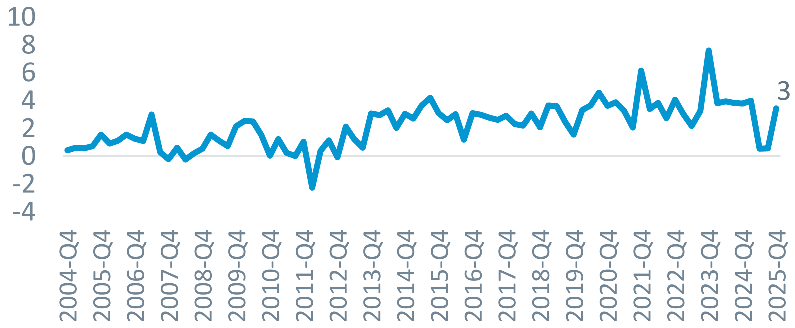
Foreign Exchange Reserves
(USD billion)



International Investment Position: Net Assets
(USD billion)



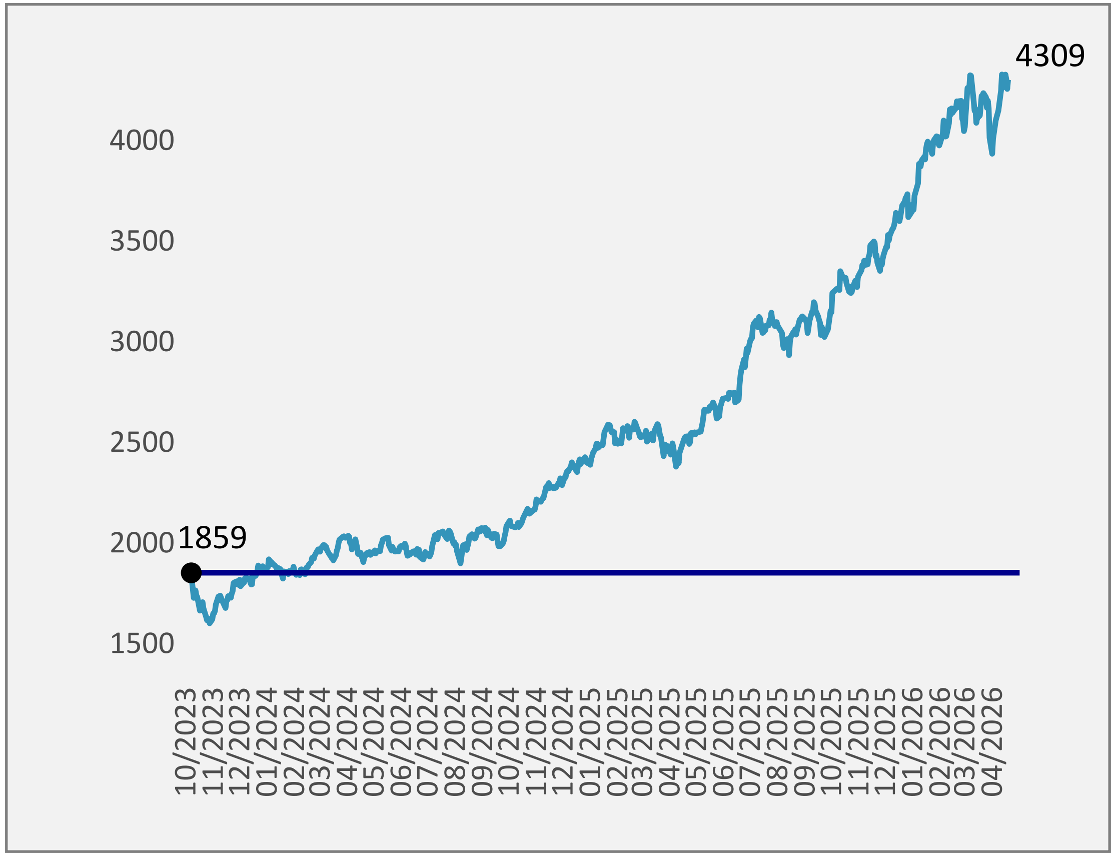
Current Account Balance
(USD billion)



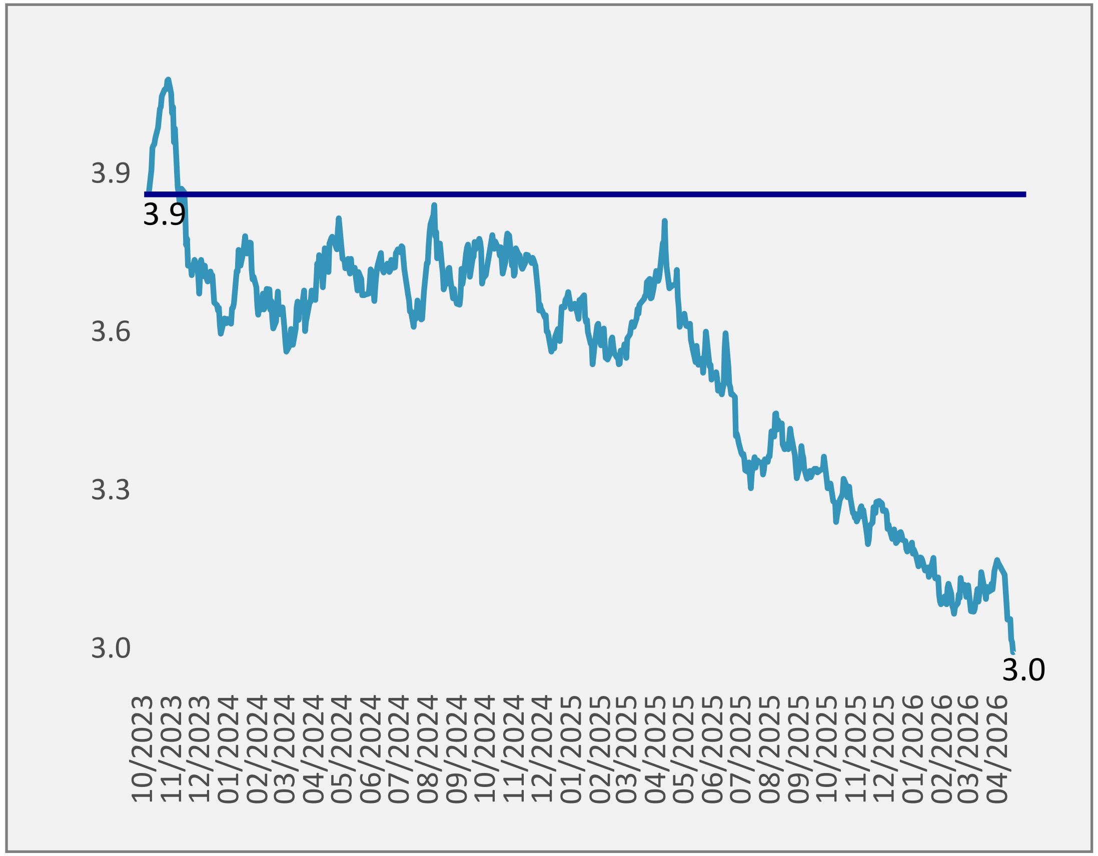
Capital market indices reflect investor confidence

Department of the Chief Economist | Ministry of Finance

TA 125



U.S. Dollar-ILS

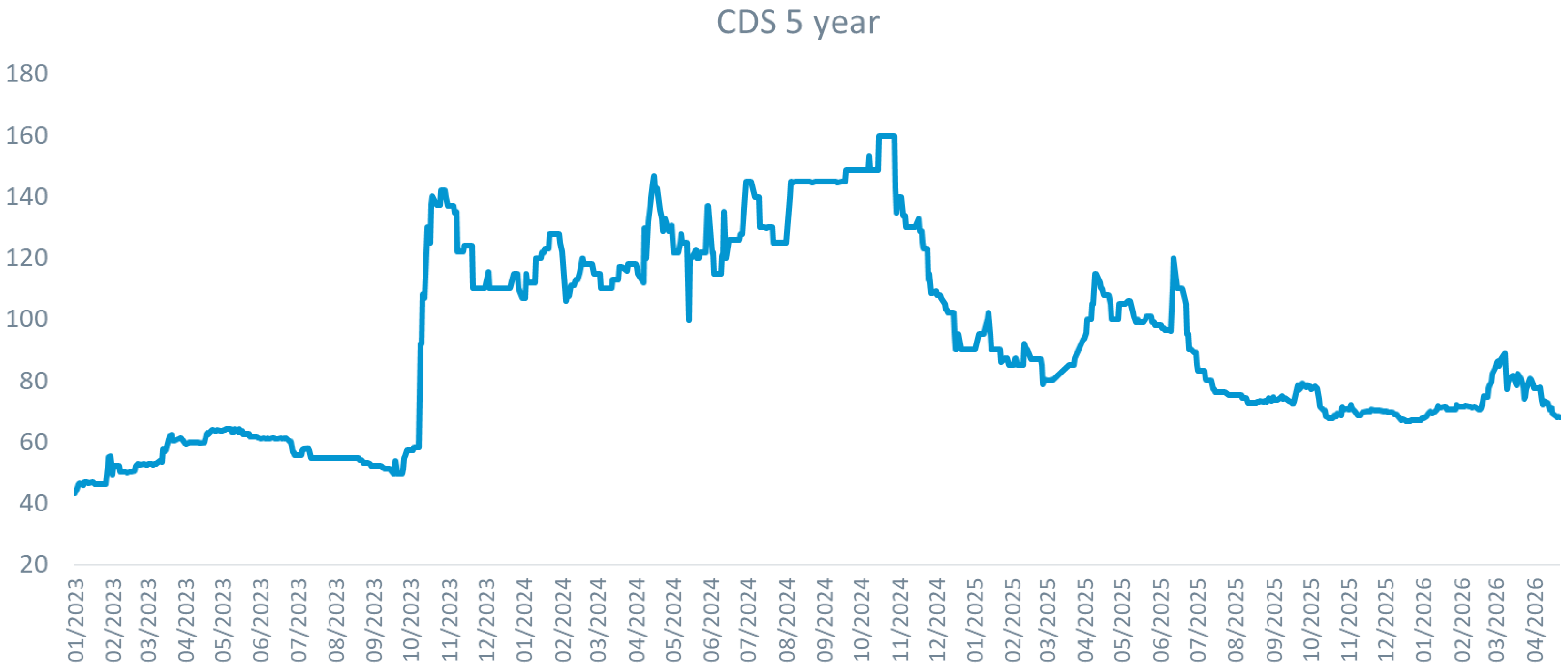


Source: Tel Aviv Stock Exchange | Bank of Israel

Israel’s risk premium has increased, but is still lower than in “Rising Lion” operation

Department of the Chief Economist

Ministry of Finance

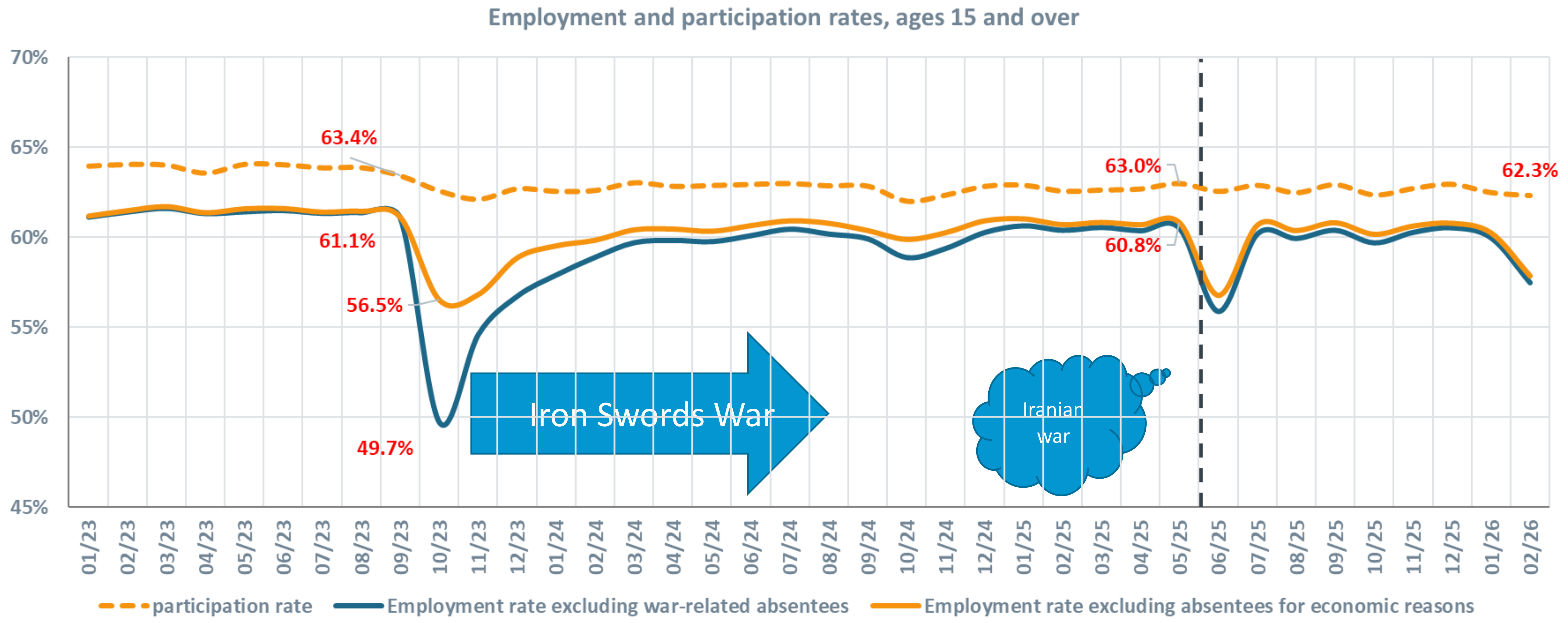


Source: Investing

The impact of the 2026 Iran war was less steep but likely longer compared to 2025

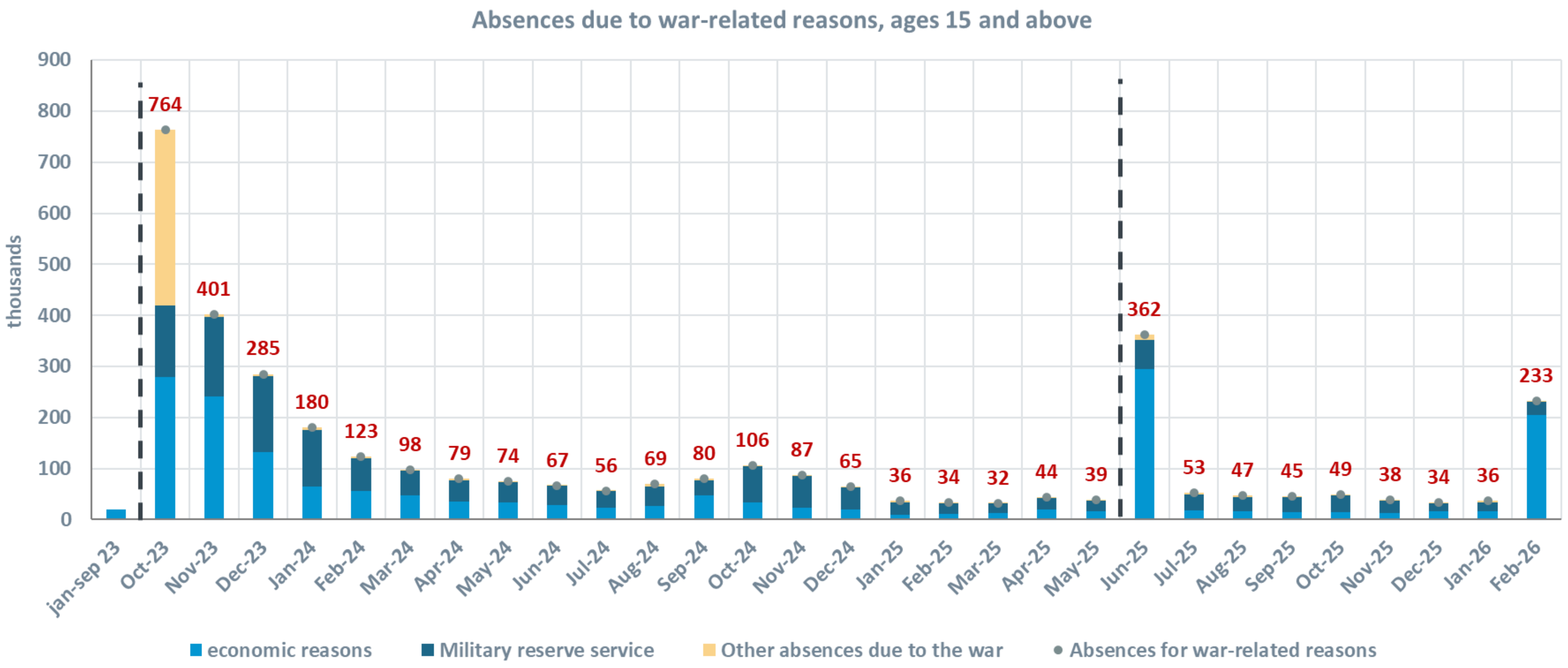
Department of the Chief Economist

Ministry of Finance



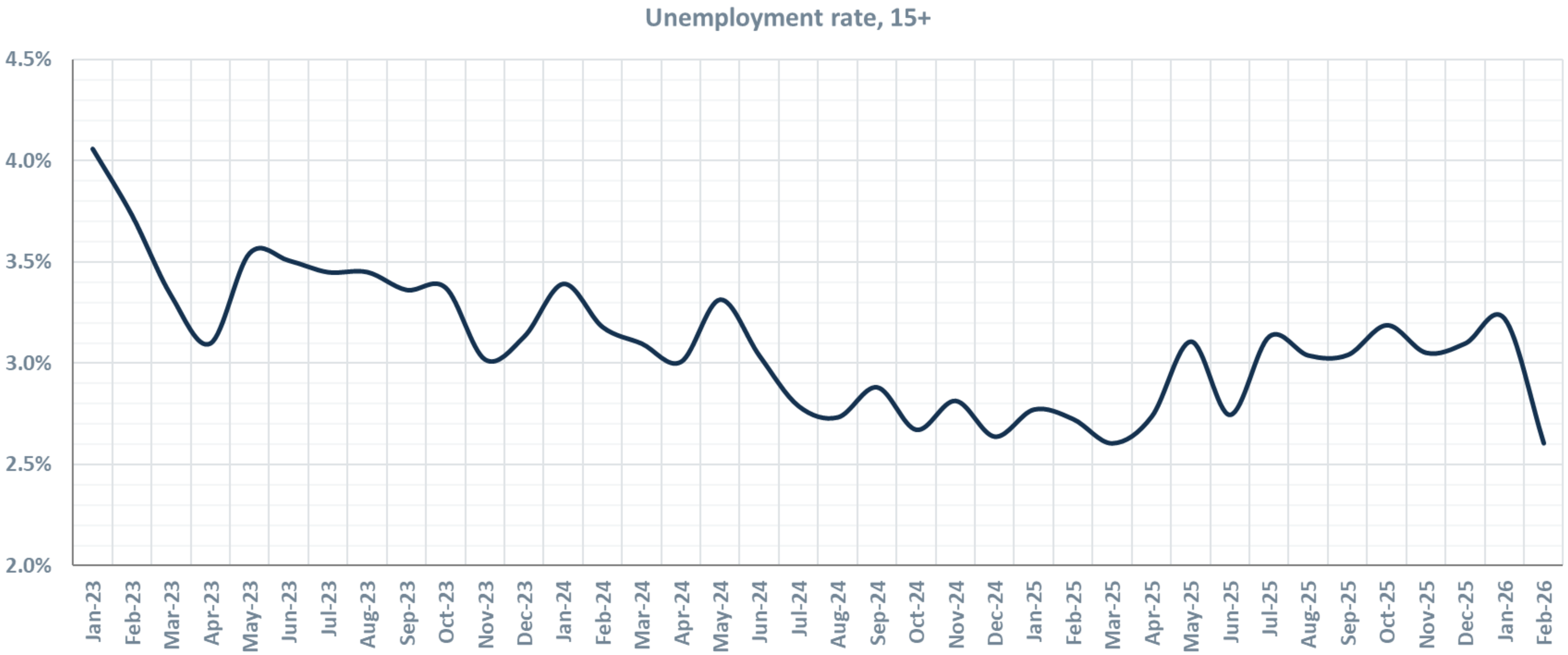
Source: labor force survey data

A similar picture in the number of absentees



Source: labor force survey data

Unemployment rates remain low

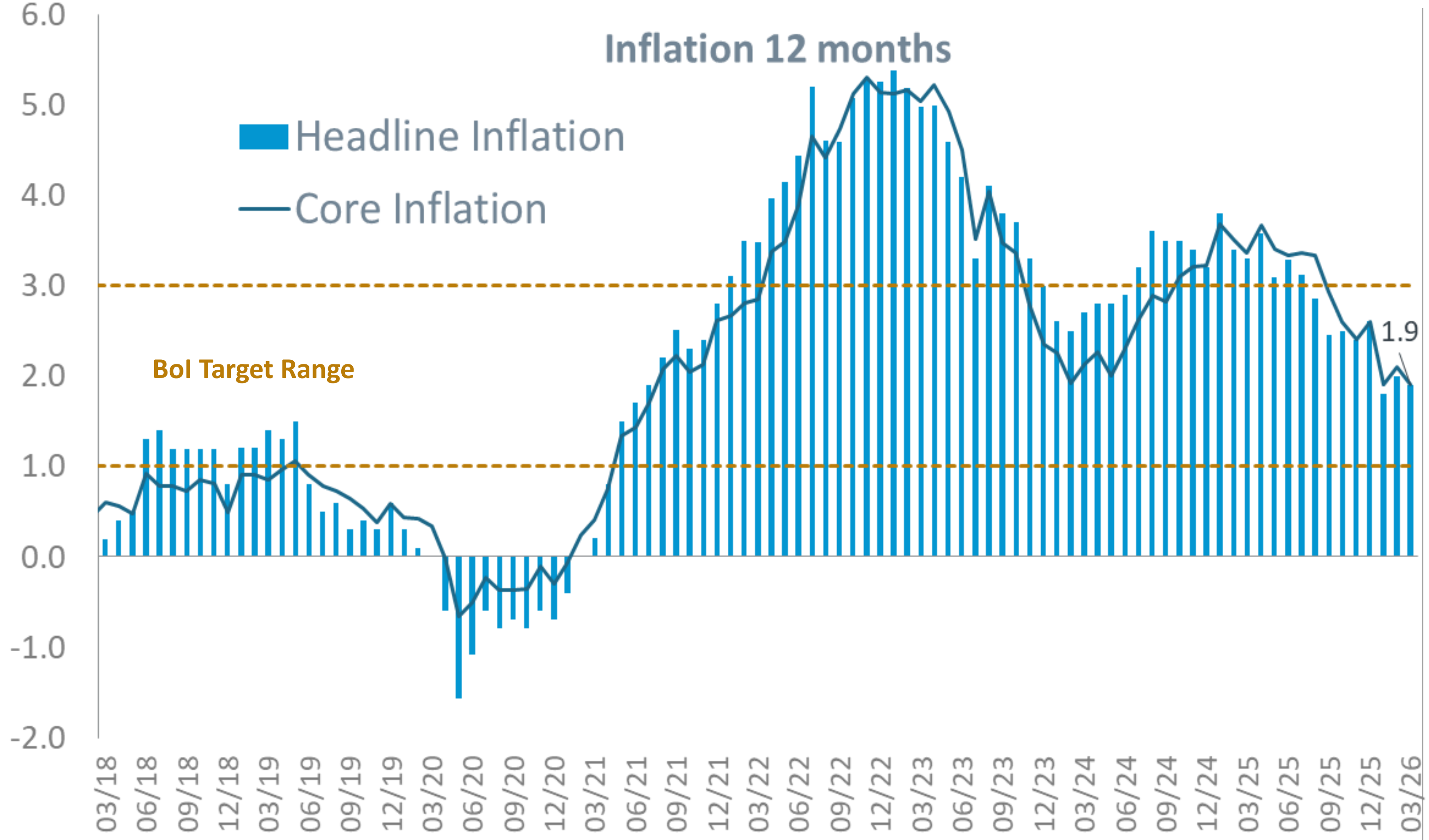


Source: labor force survey data

Israel's inflation has returned to within target range in recent months

Department of the Chief Economist

Ministry of Finance



Source: CBS

Core inflation are the MoF calculations on CBS data with accordance to the definitions of the OECD (Headline inflation excluding food and energy)

*The CPI data of April not included in forecast

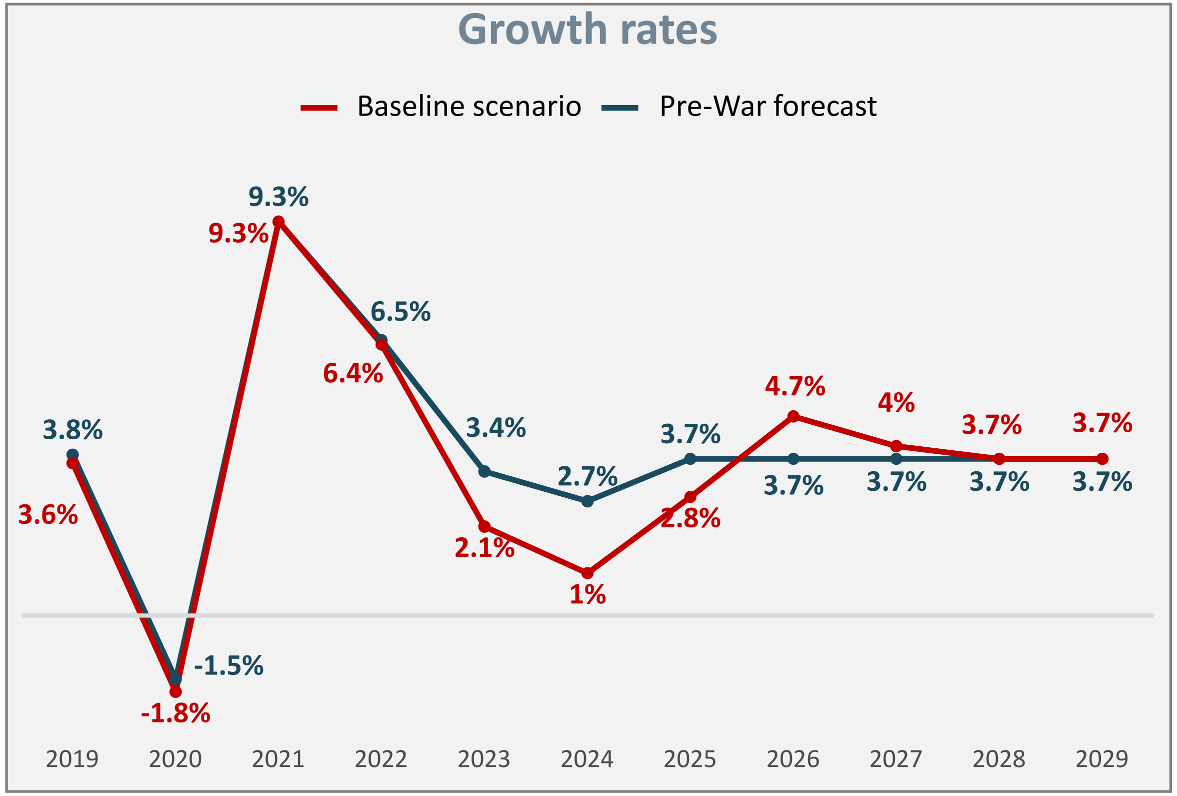
MOF's forecast, April 2026*

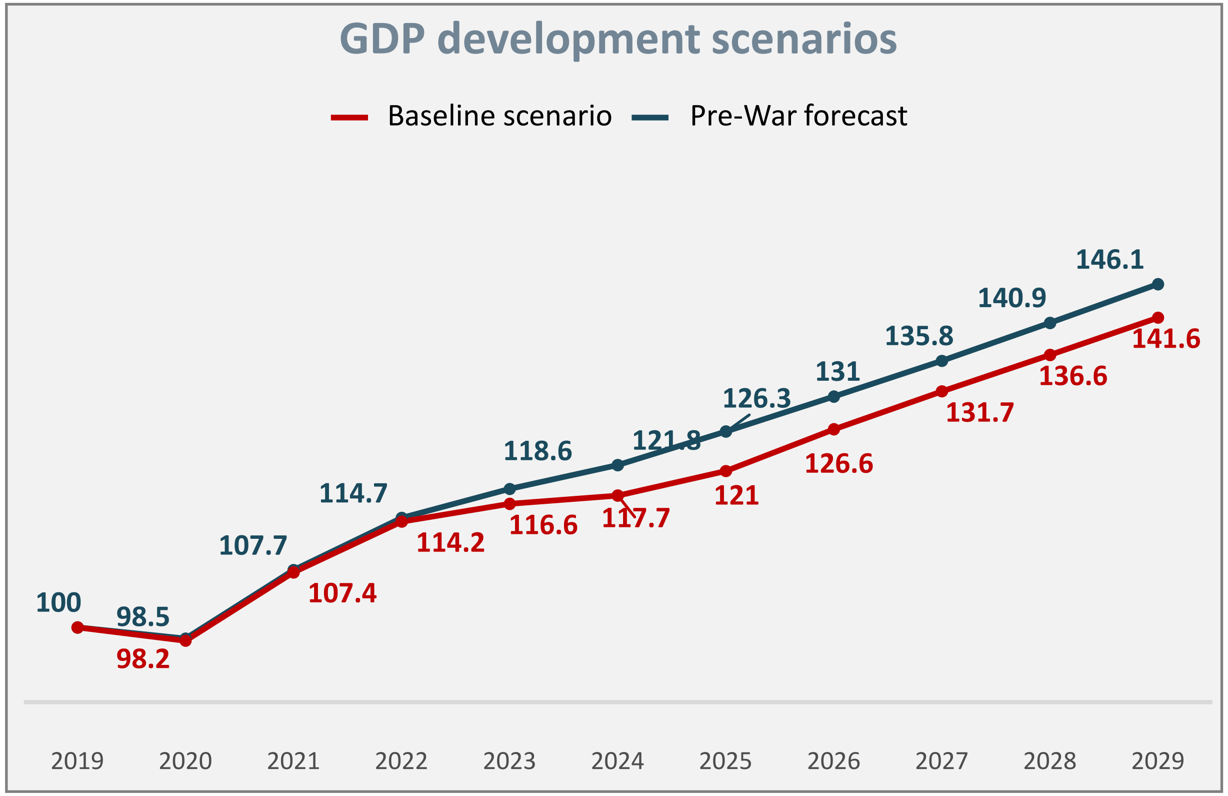
	2025	2026F	2027F
Yearly Average	3.0	2.2	1.7
YoY	2.6	2.4	1.7

GDP growth rates projected to converge to potential

Department of the Chief Economist

Ministry of Finance



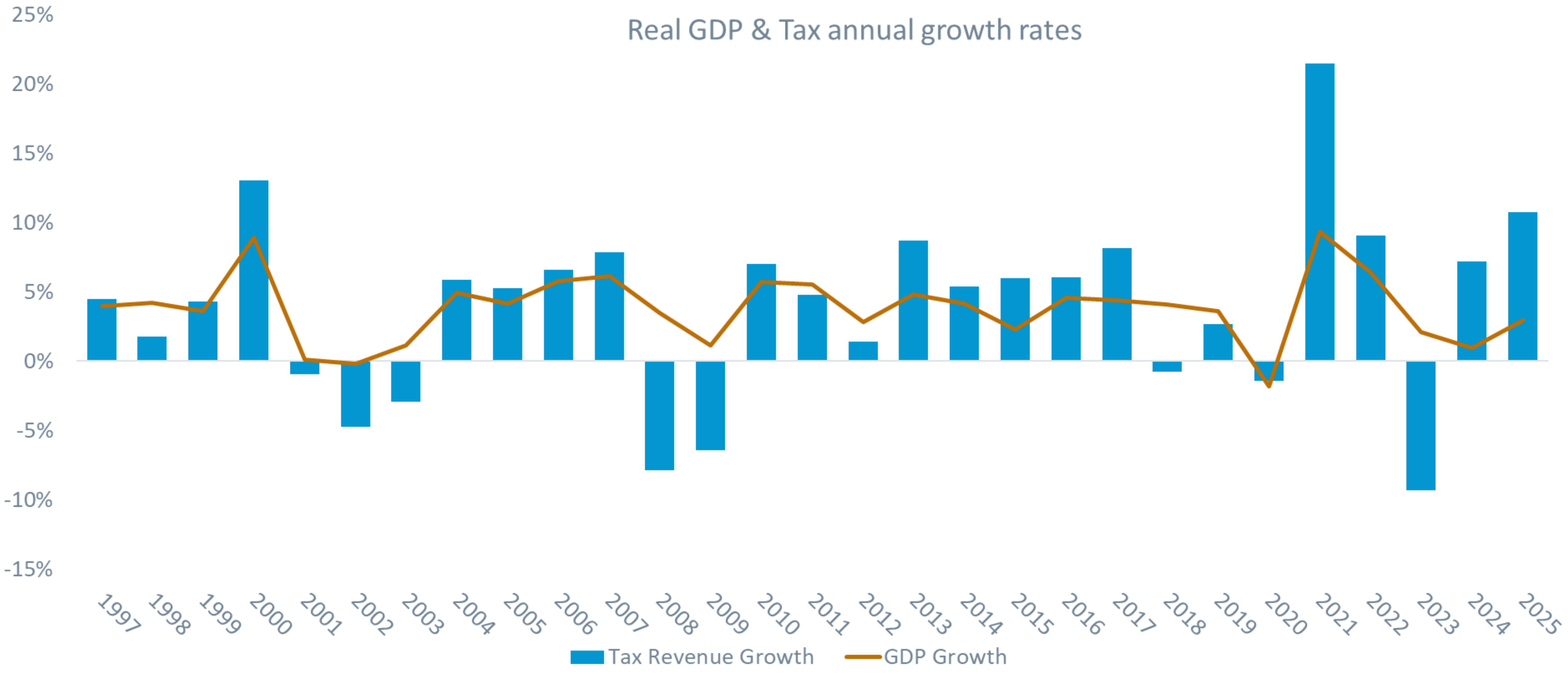


Source: CBS, Chief economist department

Tax revenues grew above forecasts in 2025

Department of the Chief Economist

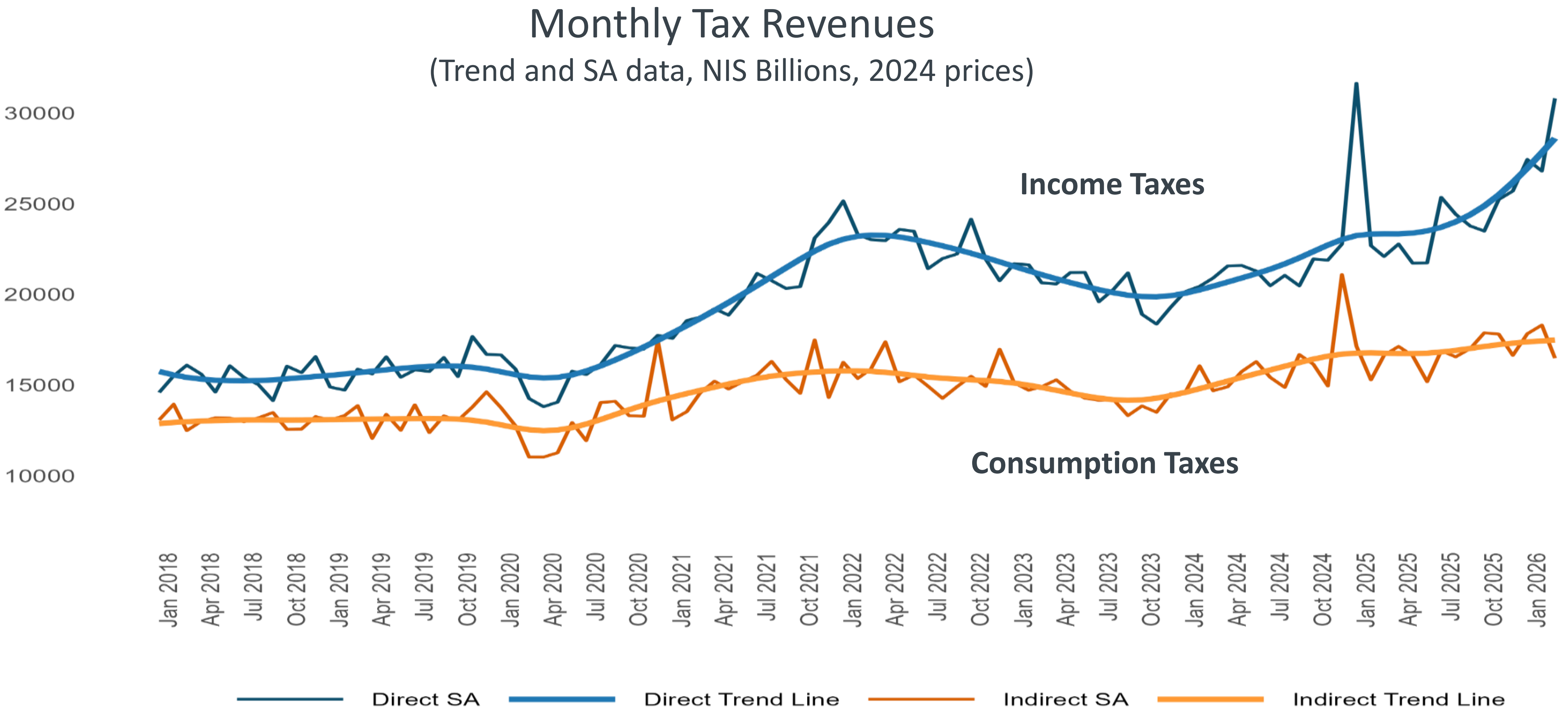
Ministry of Finance



Tax revenues have been recovering, above projections

Department of the Chief Economist

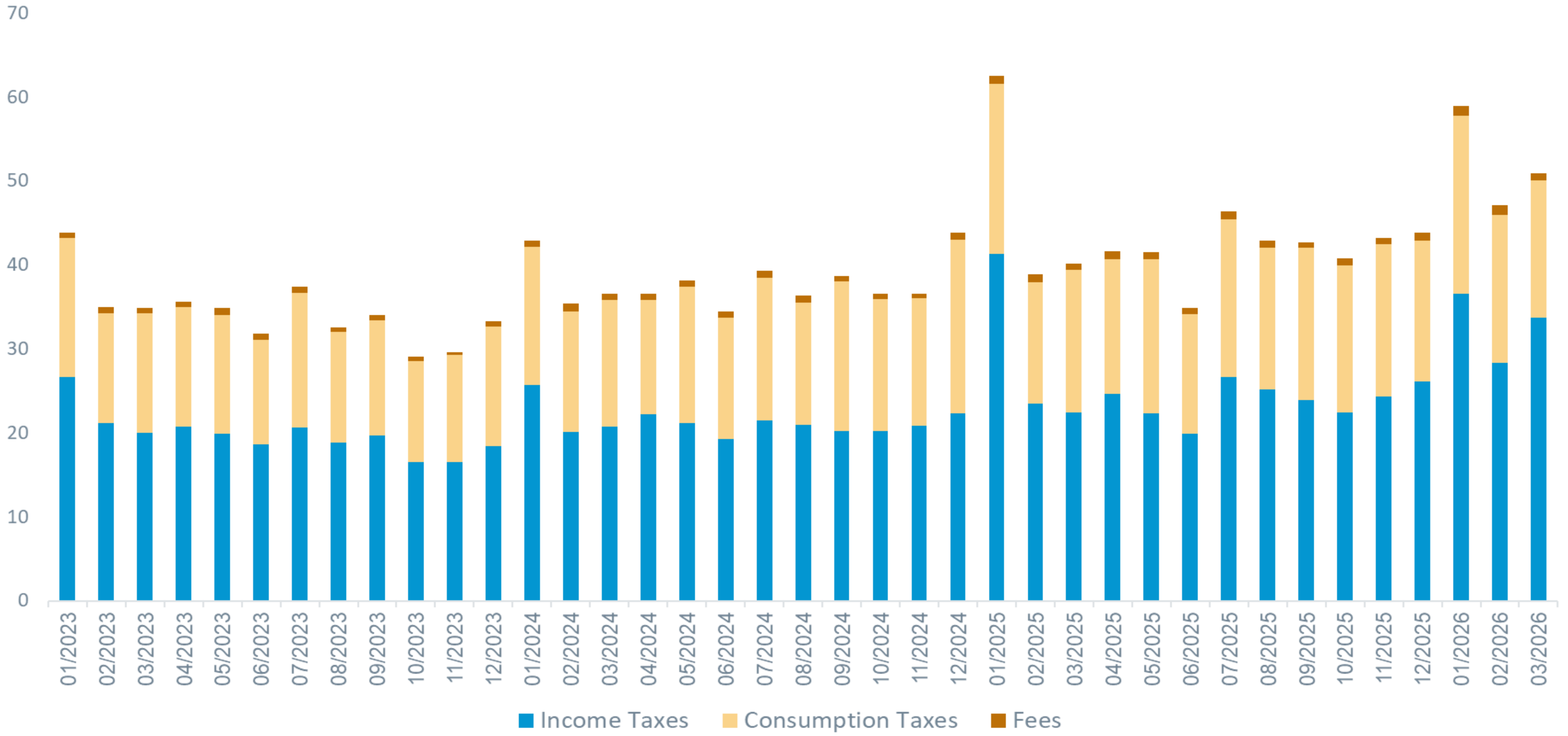
Ministry of Finance



High tax revenues in Jan-Feb 2026

Department of the Chief Economist

Ministry of Finance

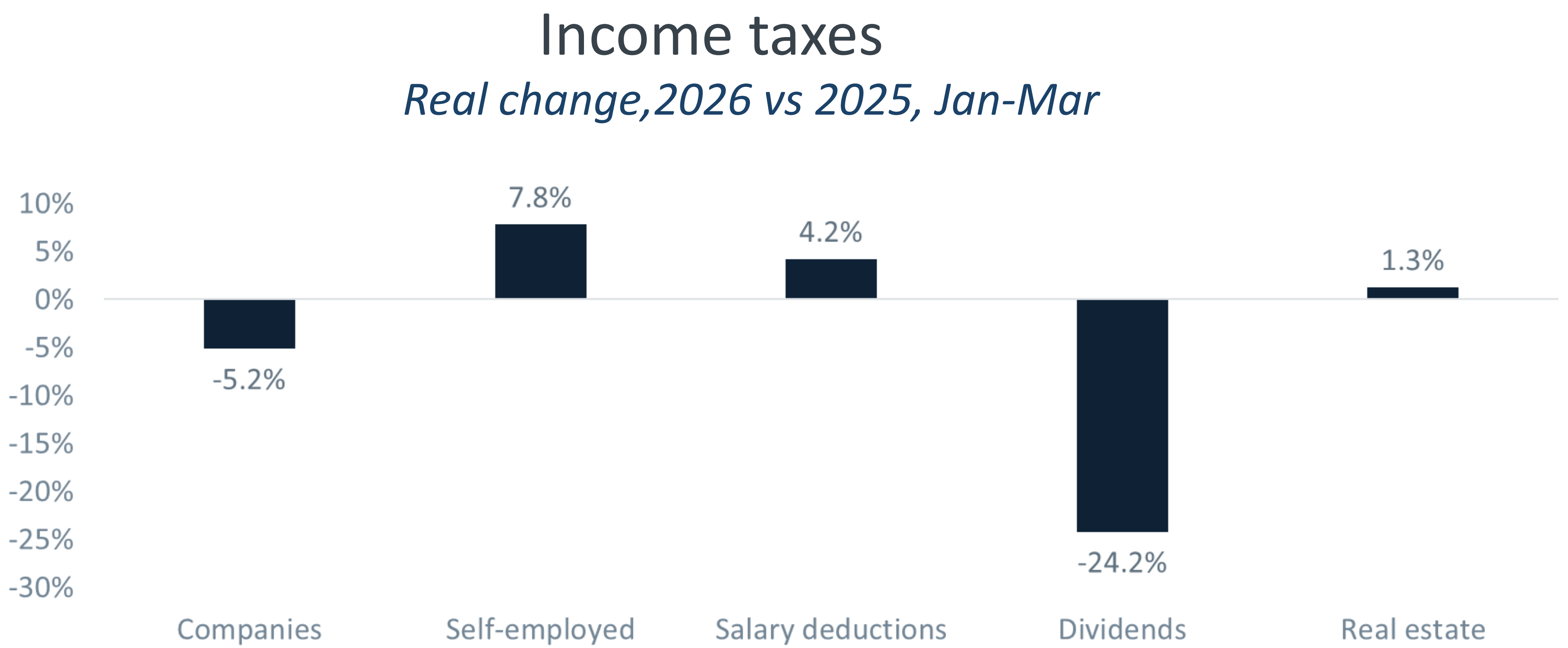


Source: Tax authority

Tax revenues were high compared to previous year

Department of the Chief Economist

Ministry of Finance



	Companies	Self-employed	Salary deductions	Dividends	Real estate
2025 Revenues (NIS Billions)	85.5	22.8	120.0	17.5	19.3

Source: Tax authority

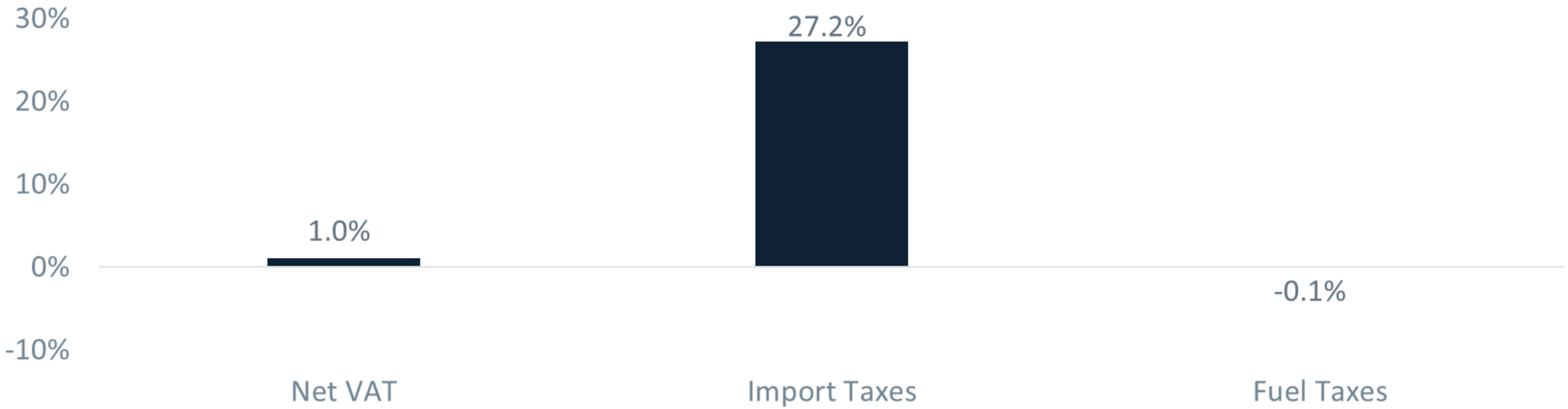
Tax revenues were high compared to previous year

Department of the Chief Economist

Ministry of Finance

Consumption taxes

Real change,2026 vs 2025, Jan-Mar



	Net VAT	Import Taxes	Fuel Taxes
2025 Revenues (NIS Billions)	153.9	26.6	25.6

Source: Tax authority

Risks to Growth Projections

Department of the Chief Economist

Ministry of Finance

Negative (Downward)

- Renewal and prolongation of the war
- Global economic uncertainty
- International actions against Israel
- Real estate downturn
- Investor confidence

Positive (Upward)

- Expansion of normalization procedures
- Increase in exports of the local defense industry
- Trade war de-escalation
- AI Economic Gains

Department of the Chief Economist

Ministry of Finance

Thank you