



The Performance of Israel's Economy – an International Comparison

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This chapter presents the performance of Israel's economy compared internationally – to the United States and the average of 36 advanced economies. For purposes of the comparison, we selected four points in time: 2007 (following the recovery of the severe crisis at the turn-of-the-century and before the inception of the global financial crisis); 2019 (after recovery from the financial crisis and prior to the start of the Covid-19 pandemic); 2022 (today – after recovery from the Covid-19 pandemic); and 2027 (the end of the International Monetary Fund's forecast period).

Advanced economies - according to the International Monetary Fund (IMF) definition, other than four very small economies (Andorra, Macao, Puerto Rico and San Marino), whose data was partially incomplete

MAIN POINTS

The recovery from the Covid-19 pandemic was far more impressive in Israel than in other advanced countries.

The gaps in Israel's gross domestic product (GDP) and income compared to the United States and other advanced countries are still large despite the higher growth in Israel.

The unemployment rate in Israel, which was very high 15 years ago, has gradually declined. It is currently similar to the unemployment rate in the United States and is far lower than the average of unemployment rates in advanced countries.

Israeli exports skyrocketed during the Covid-19 pandemic after many years of very slow growth.

Israel's balance of payments over the last 15 years has been characterized by significant surpluses in its current account.

The general government's budget deficit was high prior to the start of the Covid-19 pandemic, but in 2022 this shortfall was reduced.

Public debt in Israel is far lower than in the United States but is still greater than 60% of its GDP.

National savings have expanded and are currently high when compared internationally.

Israeli inflation was low and is expected to continue to remain low.

Prices in Israel are high when compared internationally and reflect, inter alia, the strength of the local currency.

The pace of population growth in Israel is far higher compared to other advanced countries.

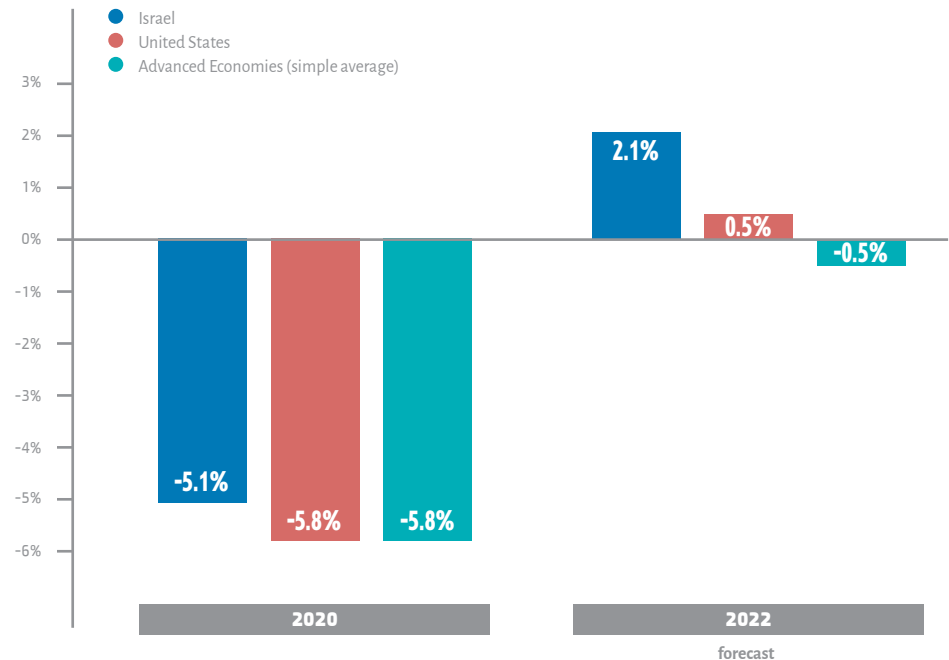
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The recovery from the Covid-19 pandemic was far more impressive in Israel than in other advanced countries.

The Covid-19 pandemic impacted growth in Israel in 2020 to almost the same extent as it affected growth in other advanced countries. However, recovery from the pandemic crisis in 2021 and 2022 was far more impressive in Israel. The cumulative growth between 2019 and 2022 in Israel is 2.1 percentage points higher than the October 2019 forecast that was prepared prior to the outbreak of the pandemic.

The impact of the Covid-19 pandemic and the subsequent recovery from it on growth

The gap between the IMF's estimates in April 2022 and its estimates in October 2019 of the logarithmic change between per capita GDP in 2019 and per capita GDP in 2020 and 2022



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The gaps in Israel's gross domestic product (GDP) and income compared to the United States and other advanced countries are still large despite the higher growth in Israel

The GDP per capita together with income per person have increased in Israel in the last 15 years by nearly 2% annually, faster than in the United States or the average for advanced economies. Nevertheless, the gaps remain large: The per capita GDP in Israel in 2022 amounts to 66% of that in the United States and 80% of the average in developed economies. These gaps are expected to remain fairly stable over the next five years.

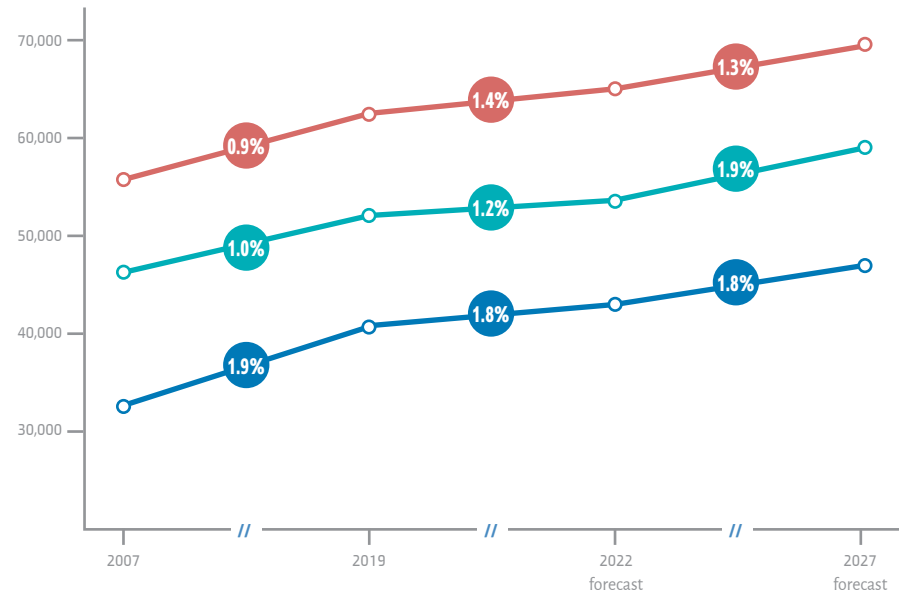
Source: The Kohélet Economic Forum's processing of the data and forecasts of the International Monetary Fund - World Economic Outlook - April 2022

The numbers presented in the chart represent annual average rates of change spread over the course of various time periods.

GDP per capita

In 2017 PPP - adjusted US dollars

- Israel
- United States
- Advanced Economies (simple average)



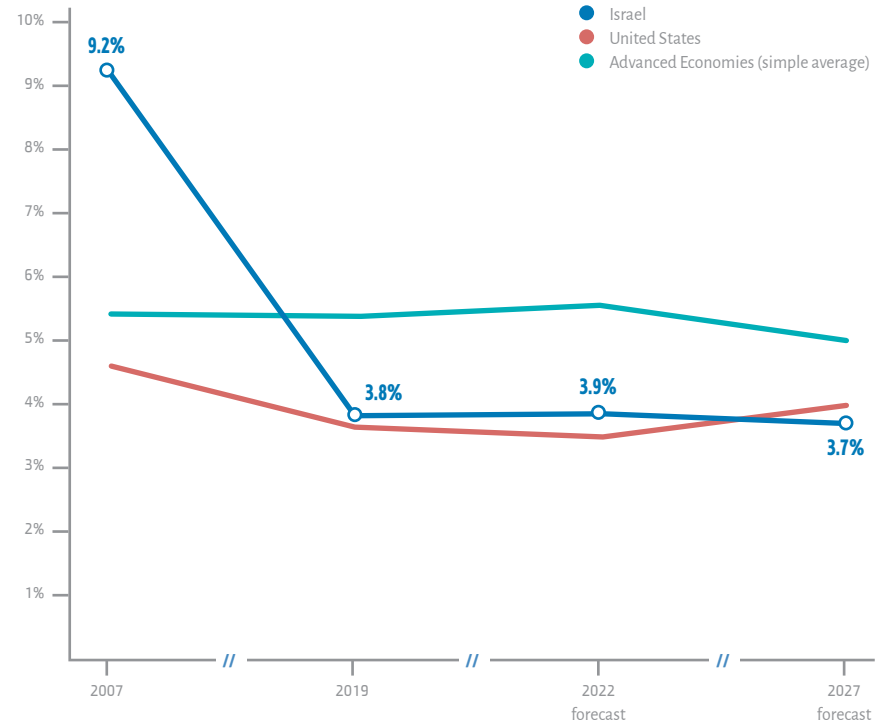
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The unemployment rate in Israel, which was very high 15 years ago, has gradually declined. It is currently similar to the unemployment rate in the United States and is far lower than the average of unemployment rates in advanced countries

The unemployment rate in Israel, which was very high 15 years ago, has gradually declined. It reached a level lower than 4% on the eve of the outbreak of the Covid-19 pandemic, similar to the figure in the United States and far lower compared to the average for advanced economies. In 2022, the unemployment rate returned to that level after a temporary increase during the pandemic.

Source: The Kohelet Economic Forum's processing of the data and forecasts of the International Monetary Fund - World Economic Outlook - April 2022

Unemployment Rate (Percentages)



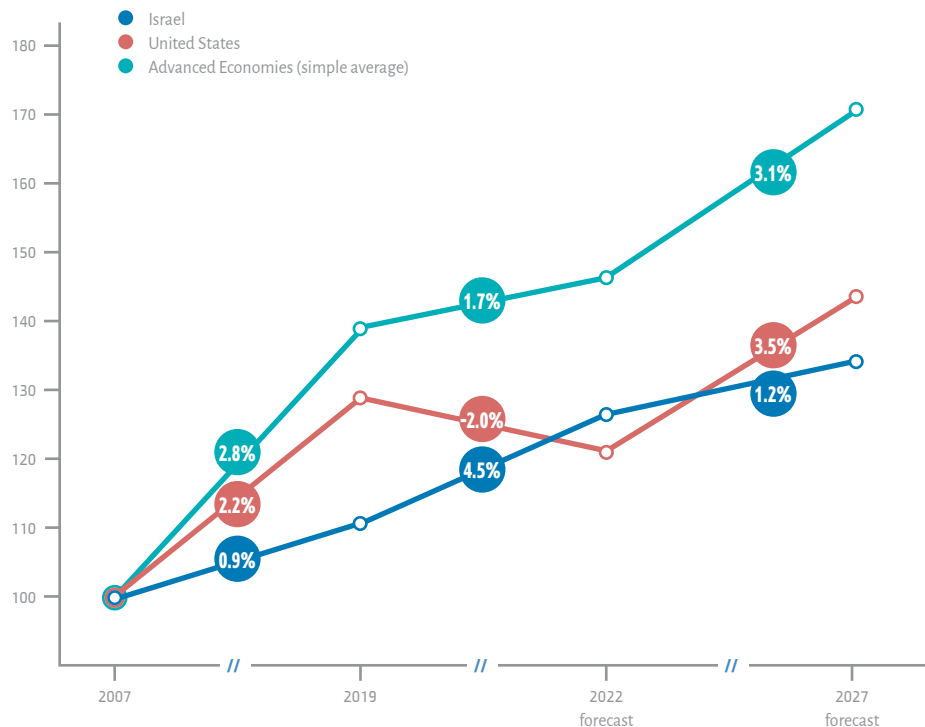
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Israeli exports skyrocketed during the Covid-19 pandemic after many years of very slow growth.

It was in fact during the Covid-19 pandemic crisis that Israel saw an impressive leap in exports, on the background of a boom in the high-tech sector. This leap is particularly prominent in comparison to the average of advanced economies, given the slump in the global tourism industry. In the years prior to the pandemic, Israeli export performance was tepid, and it is thus expected to remain during the coming five years as well.

Source: The Kohelet Economic Forum's processing of the data and forecasts of the International Monetary Fund - World Economic Outlook - April 2022
Real exports are total exports of goods and services at constant prices.
The numbers presented in the chart represent annual average rates of change spread over the course of various time periods.

Development of Real Exports Per Capita (Index – 2007 = 100)



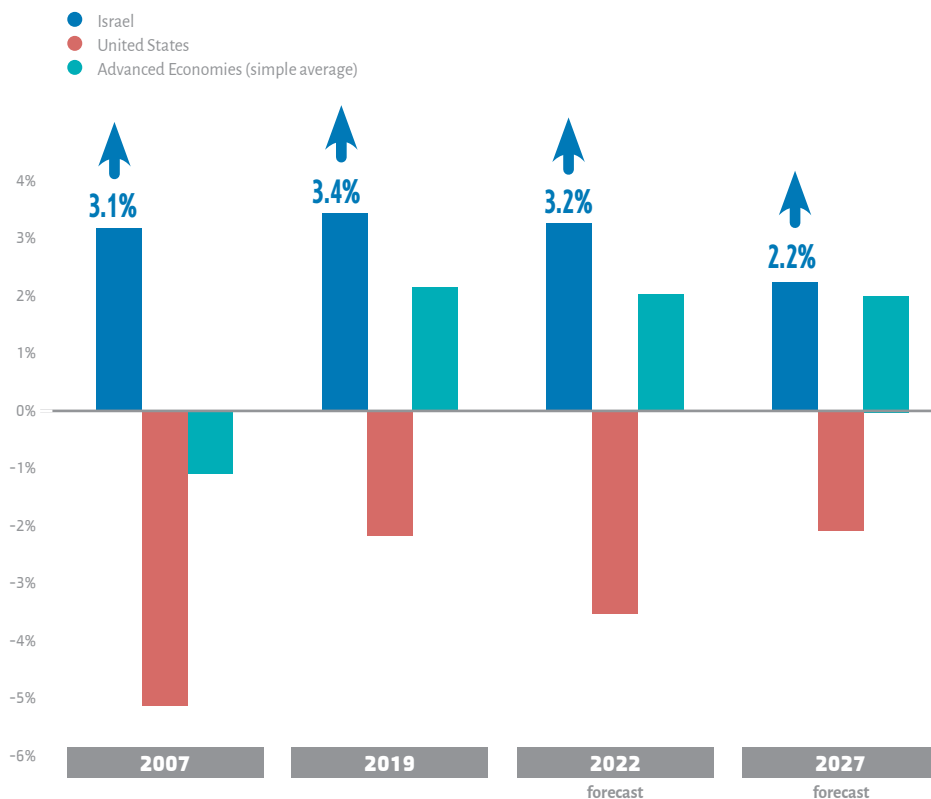
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Israel's balance of payments over the last 15 years has been characterized by significant surpluses in its current account

Israel's balance of payments has been characterized by significant surpluses in its current accounts since 2007. Over the last 15 years, this surplus remained stable and even increased slightly, inter alia, on the background of the discovery of the natural gas fields in Israel's waters and the reduction in energy imports. The surplus in Israel's current accounts was a central factor in the continued strengthening of the local currency (the shekel).

Source: The Kohelet Economic Forum's processing of the data and forecasts of the International Monetary Fund - World Economic Outlook - April 2022

Current Account of the Balance of Payments (Percent of GDP)



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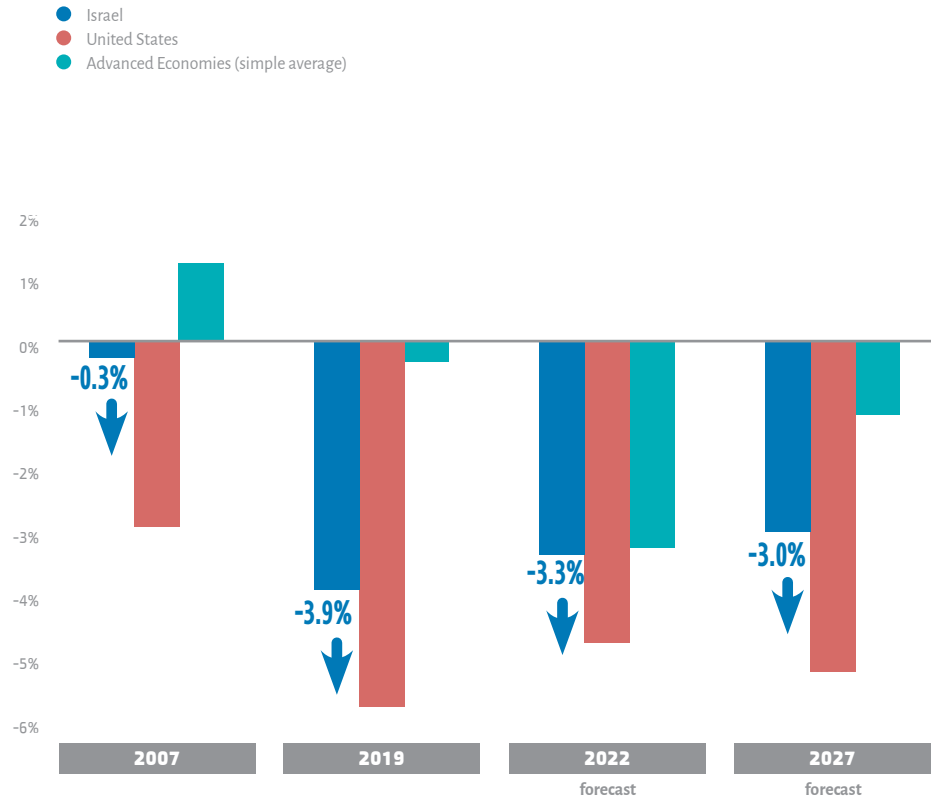
The general government's budget deficit was high prior to the start of the Covid-19 pandemic, but in 2022 this shortfall was reduced

The general government's budget deficit was relatively high in the last 15 years, after nearly zeroing itself in 2007. In 2022, the deficit is not high when compared internationally, but it is still significant. On the background of an economy that is in good shape and with low unemployment, it appears that the deficit is nearly entirely structural, and in the coming years budgetary efforts will be required in order to reduce it.

Source: The Kohelet Economic Forum's processing of the data and forecasts of the International Monetary Fund - World Economic Outlook - April 2022

The general government includes, in addition to the central government, the National Insurance Institute, local authorities, and additional governmental bodies.

General Government's Budgetary Balance (Percent of GDP)



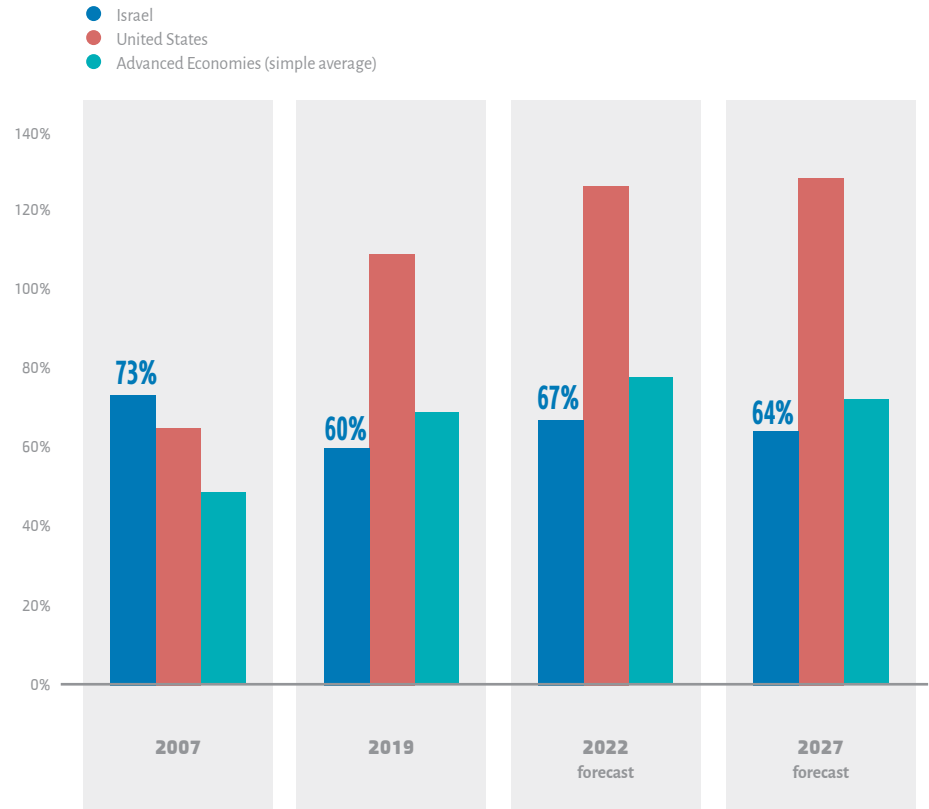
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Public debt in Israel is far lower than in the United States but is still greater than 60% of its GDP

The debt-to-GDP ratio in Israel decreased slightly between 2007 and 2019, but the target of less than 60% has yet to be achieved and is not expected to be reached in the next five years. The debt-to-GDP ratio in other countries, and in particular in the United States, is far higher than in Israel. However, that is not necessarily indicative of sound policy. There is also a claim that the geopolitical risks in Israel are far more significant and therefore, a reduction in debt-to-GDP ratio is required in order to enhance budgetary and national security policy freedom of action.

Source: The Kohelet Economic Forum's processing of the data and forecasts of the International Monetary Fund - World Economic Outlook - April 2022

Public Debt (Percent of GDP)



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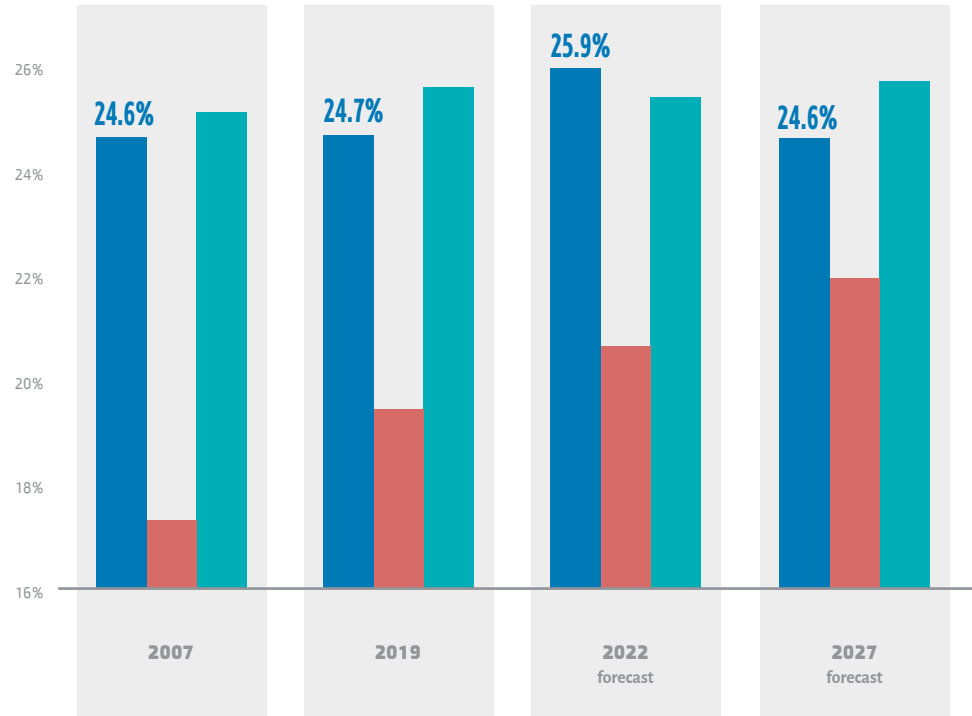
National savings have expanded and are currently high when compared internationally.

National savings, which are impacted by governmental, household, and business sector behavior, grew slightly over the last 15 years. The savings in Israel in 2022 are higher than that of the average of advanced countries and far higher than in the United States. They are expected to decrease slightly over the coming five years.

Source: The Kohelet Economic Forum's processing of the data and forecasts of the International Monetary Fund - World Economic Outlook - April 2022

National Savings (Percent GDP)

- Israel
- United States
- Advanced Economies (simple average)



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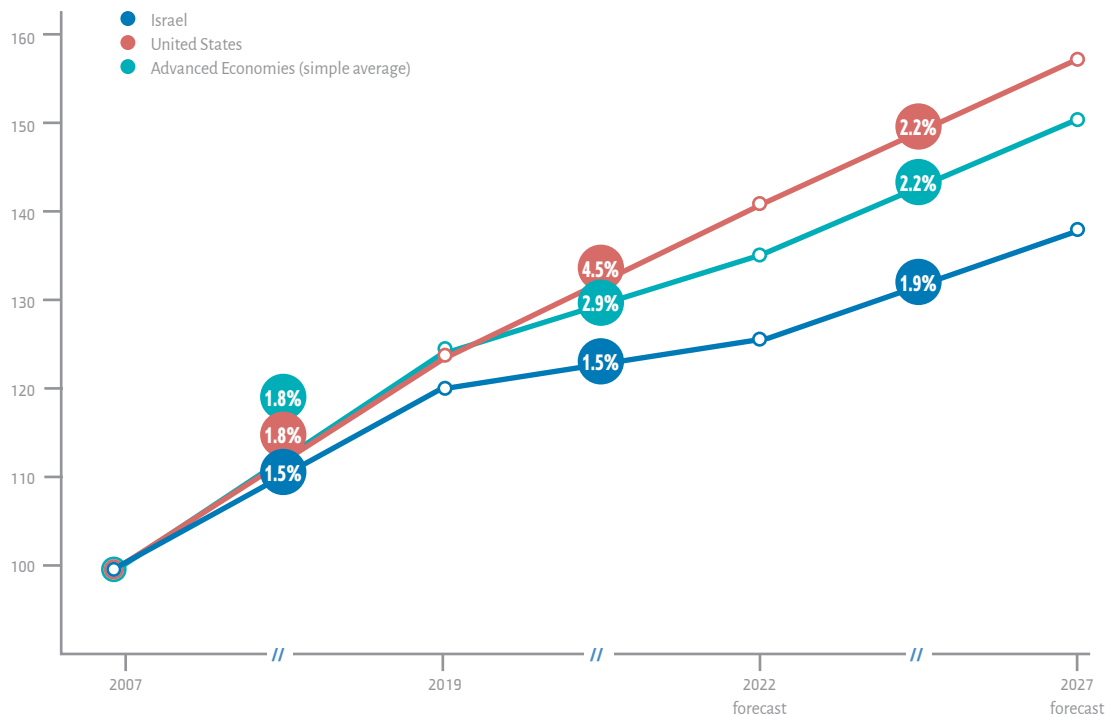
Israeli inflation was low and is expected to continue to remain low.

The annual rate of inflation in Israel was relatively low over the last 15 years – at the bottom portion of the inflation target (1%-3%) and far lower than in other advanced countries. The inflation rate gap compared to the United States was particularly prominent during the Covid-19 pandemic and the subsequent recovery.

Source: The Kohelet Economic Forum's processing of the data and forecasts of the International Monetary Fund - World Economic Outlook - April 2022

The numbers presented in the chart represent annual average rates of change spread over the course of various time periods.

Development of the Consumer Price Index (Index – 2007 = 100)



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Prices in Israel are high when compared internationally and reflect, inter alia, the strength of the local currency.

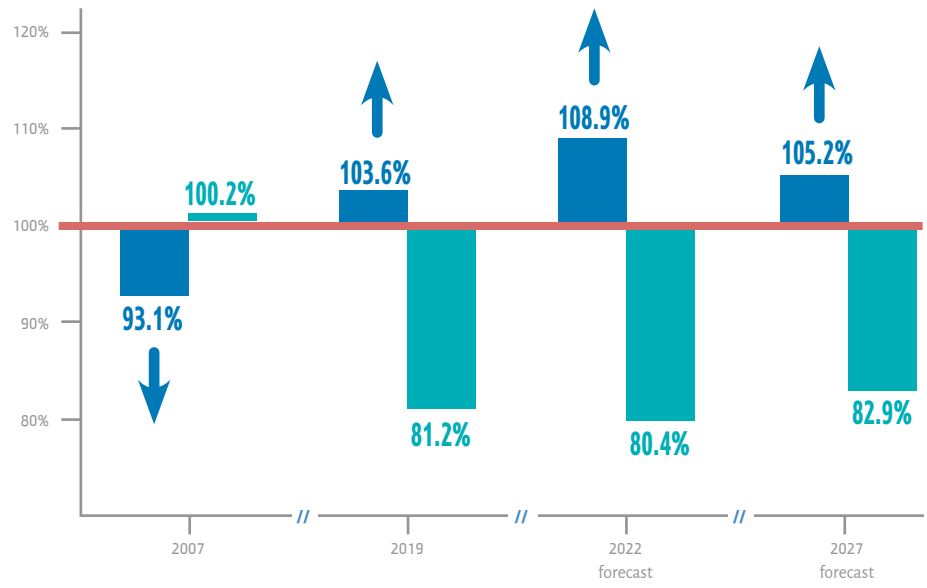
Prices in Israel, which 15 years ago were lower than in the United States and lower than that in the average of advanced economies, on the eve of the Covid-19 pandemic were already higher than in the United States and far higher compared to that of the advanced economies average. This change does not reflect high inflation (which was in fact lower in Israel) but rather a significant strengthening of the shekel – the local currency – on the background of the strength of its balance of payments. These high price levels also reflect import barriers, a lack of competition, overregulation, and excessive protection of local manufacturers.

Source: The Kohelet Economic Forum's processing of the data and forecasts of the International Monetary Fund - World Economic Outlook - April 2022

GDP Price Levels Compared Internationally

(Percentages of price levels in the United States)

- Israel
- United States
- Advanced Economies (simple average)



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The pace of the population growth in Israel is far higher compared to other advanced countries.

The pace of the population growth in Israel – both in the last 15 years as well as the expected pace over the coming five years – is far higher than in other advanced economies. This rapid population growth greatly affects key macroeconomic factors and requires, in various contexts, a different socioeconomic policy than in other countries.

Source: The Kohelet Economic Forum's processing of the data and forecasts of the International Monetary Fund - World Economic Outlook - April 2022

The numbers presented in the chart represent annual average rates of change spread over the course of various time periods.

Total Population Growth (Index – 2007 = 100)

