



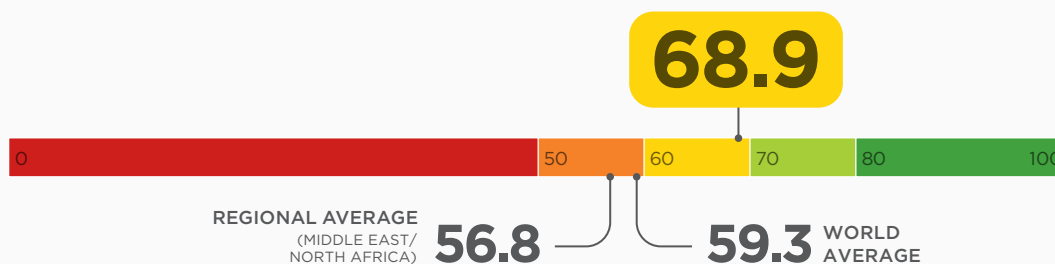
ISRAEL

WORLD RANK:	REGIONAL RANK:
34	2
ECONOMIC FREEDOM STATUS:	
MODERATELY FREE	

Israel's economic freedom score is 68.9, making its economy the 34th freest in the 2023 *Index*. Its score has increased by 0.9 point. Israel is ranked 2nd out of 14 countries in the Middle East/North Africa region, and its overall score is above the world and regional averages.

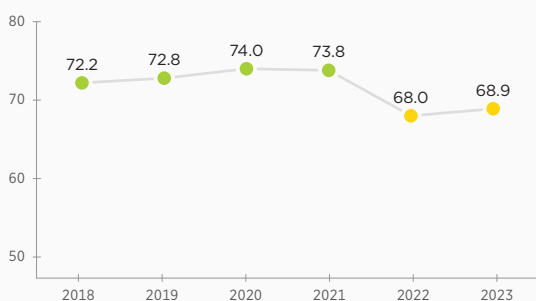
Israel's economic competitiveness is anchored in strong protection of property rights and relatively low levels of corruption, both of which have been cornerstones of long-term economic dynamism. There is still room for improvement in the management of public finance. Despite the challenging global economic environment, openness to global commerce supports productivity growth.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +7.4

RECENT FREEDOM TREND



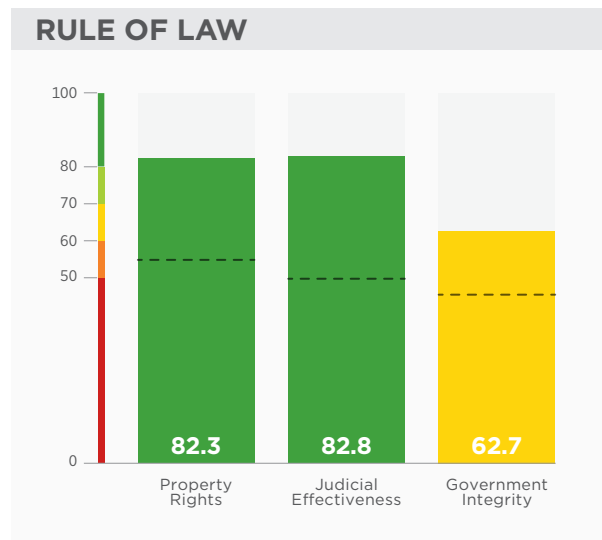
QUICK FACTS

POPULATION: 9.4 million	UNEMPLOYMENT: 4.3%
GDP (PPP): \$428.5 billion 8.2% growth in 2021 5-year compound annual growth 3.6%	INFLATION (CPI): 1.5%
FDI INFLOW: \$29.6 billion	PUBLIC DEBT: 68.0% of GDP

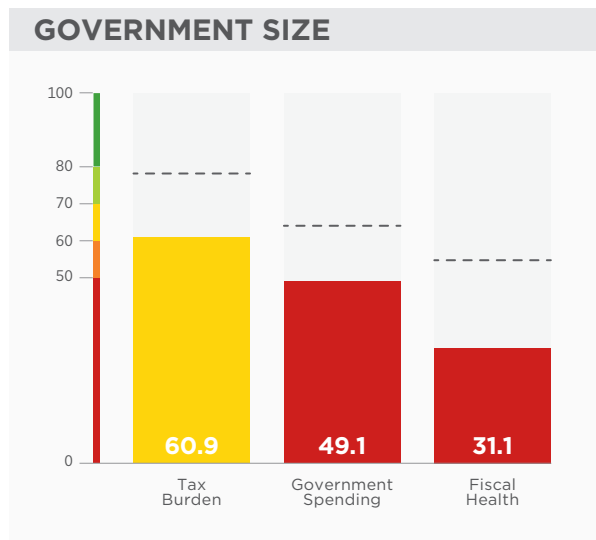
2021 data unless otherwise noted. Data compiled as of September 2022

BACKGROUND: Israel won its war for independence in 1948, and its democracy remains unique in the region. Naftali Bennett became prime minister in June 2021, but his governing coalition dissolved in June 2022. Centrist Yair Lapid is interim prime minister. Israel's high-technology sector attracts considerable foreign investment, and large offshore natural gas deposits have improved its energy security and balance-of-payments prospects. Despite the constant threat of terrorism, Israel's modern market economy is fundamentally sound and dynamic. Agreements signed with Bahrain, the United Arab Emirates, Morocco, and Sudan in 2020 should encourage greater regional trade, investment, tourism, and technological and strategic cooperation.

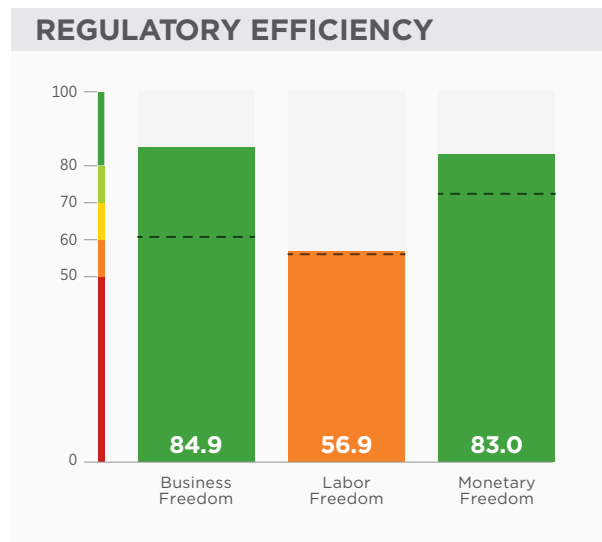
12 ECONOMIC FREEDOMS | ISRAEL



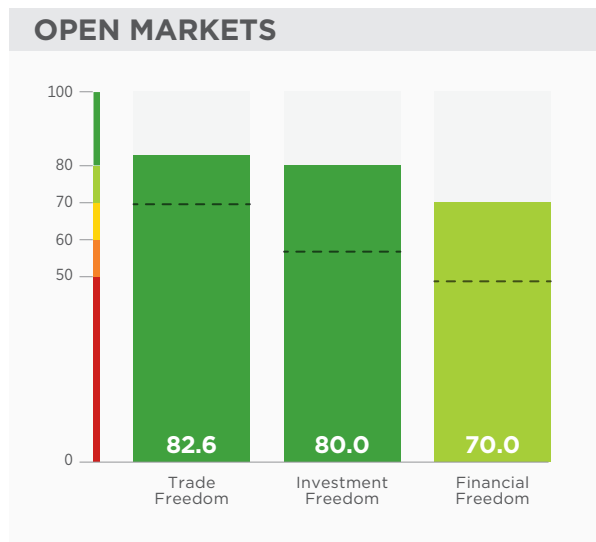
The overall rule of law is well respected in Israel. The country's property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.



The top individual and corporate tax rates are, respectively, 50 percent and 23 percent. The tax burden equals 29.7 percent of GDP. Three-year government spending and budget balance averages are, respectively, 41.2 percent and -6.1 percent of GDP. Public debt equals 68.0 percent of GDP.



Israel's overall regulatory framework promotes efficient entrepreneurial activity. The pace of regulatory reform has lagged slightly behind that of other emerging economies. The labor market needs more flexibility to accommodate rapid economic transformation. Despite persistent upward pressures, inflation has been modest.



The trade-weighted average tariff rate is 3.7 percent, and more than 90 nontariff measures are in force. Economic competitiveness has been facilitated by openness to foreign investment. Banking remains concentrated, but commercial banks offer a range of financial services that support the private sector.