

## C. Economic activity vis-à-vis abroad

Against a backdrop of the political and security developments in 2023, net investments of nonresidents in the Israeli economy<sup>1</sup> declined significantly and there was a moderation in net investments of Israeli residents abroad. The balance of Israel's liabilities vis-à-vis abroad<sup>2</sup> increased in 2023 by about USD 25 billion (5 percent) as a result of net investments in Israel by nonresidents and a rise in prices of Israeli securities held by nonresidents. Net investments this year were nonetheless considerably lower (by 35 percent) than the annual average in the past 10 years (USD 23 billion).

Concurrently, the balance of Israel's assets vis-à-vis abroad<sup>3</sup> increased by about USD 73 billion (12%), due to a combination of net investments of Israeli residents abroad and an increase in the prices of foreign securities. This year, net investments were similar to the annual average of the past 10 years (USD 36 billion) but significantly lower (by about 45 percent) than the annual average of the past three years (USD 62 billion).

The increase in Israel's balance of assets being larger than the increase in Israel's balance of liabilities increased the surplus of Israel's assets over liabilities.

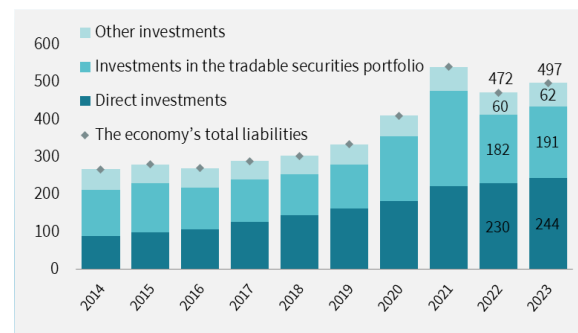
### 1. Israel's liabilities to abroad – Nonresidents' investments in the Israeli economy

**In 2023, the balance of Israel's liabilities to abroad recorded only a moderate increase, which reflected the considerable decline in nonresidents' investments in the Israeli economy**

The balance of Israel's liabilities to abroad increased moderately in 2023 by about USD 25 billion (5 percent), reaching USD 497 billion in December, following a decline in investments in 2022.

\*For changes in the balance of each investment category by component, see the table on Israel's assets and liabilities vis-à-vis abroad at the end of this chapter.

**Figure 3.1: Balance of the economy's liabilities to abroad, by type of investment**  
\$ million



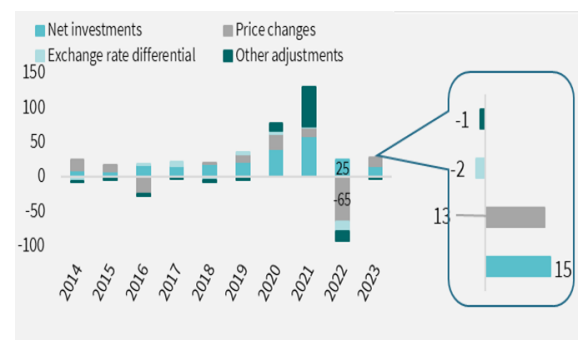
SOURCE: Bank of Israel.

**Net investments of nonresidents in Israel and the rising prices of Israeli securities held by nonresidents are the main causes of the change in the balance of liabilities.**

In 2023, net investments of about USD 15 billion (3 percent) were recorded, which was significantly lower (by about 45 percent) than the annual average in the past three years (USD 62 billion).

Furthermore, the rising prices of Israeli securities held by nonresidents, and especially Israeli securities traded abroad, contributed to an increase of about USD 13 billion in the balance of liabilities (3 percent).

**Figure 3.2 Factors in a change in the balance of the economy's liabilities to abroad, by type of investment**  
\$ billion



SOURCE: Bank of Israel

<sup>1</sup> For definitions of the various terms in this chapter, see the glossary at the end of this chapter.

<sup>2</sup> Nonresidents' investments in Israel.

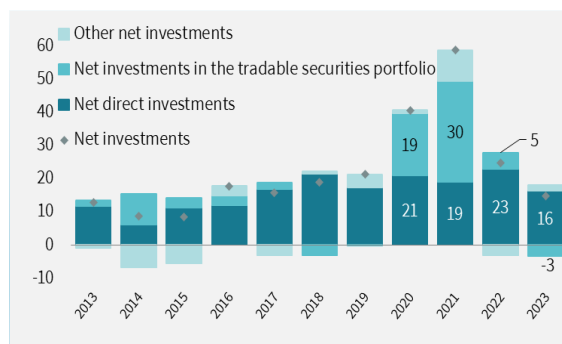
<sup>3</sup> Israeli residents' investments abroad.

**Over the year, there was a significant decline in nonresidents' net investments in Israel, mainly in direct investments as well as net sales in tradable securities portfolios.**

Nonresidents' direct investments in Israel declined this year by about 22 percent compared to the annual average of the preceding three years (USD 21 billion). Furthermore, net sales of tradable Israeli securities by nonresidents totaled about USD 3 billion, in contrast to net investments in the preceding three years, whose annual average was USD 18 billion.

**Figure 3.3: Net investments by nonresidents in Israel, by investment type**

\$ billion



SOURCE: Bank of Israel

**Net direct investments declined significantly over the year, mainly due to a decline in new capital investments.**

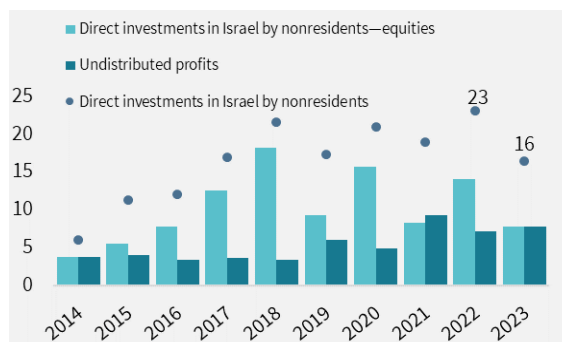
In 2023, nonresidents made direct investments in Israel of about USD 16 billion, net, with the vast majority in equities.

This year, new capital investments totaled about USD 8 billion, markedly lower than the average in the preceding three years (USD 13 billion). The remaining net investments originated from reinvestment of undistributed earnings.

New direct capital investments in the high-tech sector totaled about USD 6 billion this year, which is 55 percent lower than the average in the preceding three years.

**Figure 3.4: Direct investments in capital by nonresidents in Israeli companies, by investment type**

\$ billion



SOURCE: Bank of Israel

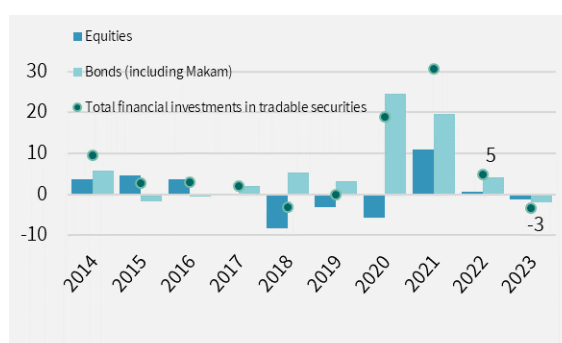
**Nonresidents' net sales of tradable Israeli securities totaled about USD 3 billion, mainly sales of bonds.**

In 2023, sales of Israeli bonds by nonresidents totaled about USD 2 billion, mainly Makam.

At the same time, nonresidents' net sales of equities totaled about USD 1 billion, mainly tradable Israeli equities abroad.

**Figure 3.5: Change in the Balance of Israelis' Other Investments Abroad, by Instrument**

\$ billion



SOURCE: Bank of Israel

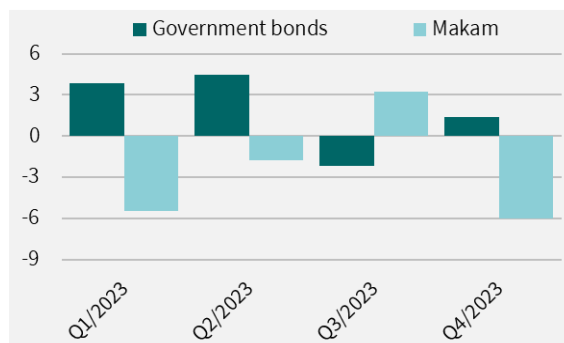
**In 2023, nonresidents sold Makam and invested in Israeli government bonds.**

In 2023, nonresidents sold about USD 10 billion in Makam, mainly in the first and fourth quarters of the year.

In addition, nonresidents purchased a total of about USD 8 billion in Israeli government bonds this year, mainly in the first half of the year.

**Figure 3.6: Nonresidents' investments in government bonds and Makam**

Q4/2023-Q1/2023, \$ billion



SOURCE: Bank of Israel.

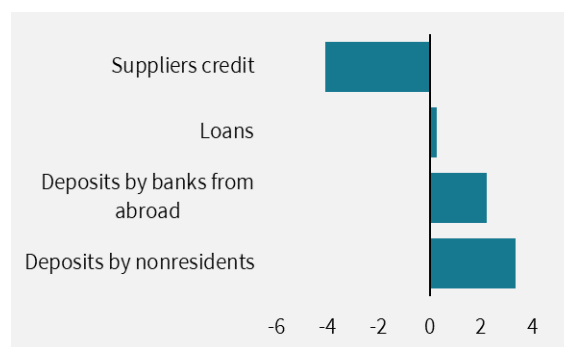
**Other investments in Israel of nonresidents were mainly net deposits in bank deposits in Israel.**

In 2023, nonresidents' other net investments totaled about USD 2 billion

Nonresidents (including foreign banks) made net deposits in Israel of about USD 6 billion, which was partially offset by a decline in suppliers' credit in the amount of about USD 4 billion.

**Figure 3.7: Israelis' Direct Investments Abroad, by Investment Type**

\$ billion, 2023



SOURCE: Bank of Israel

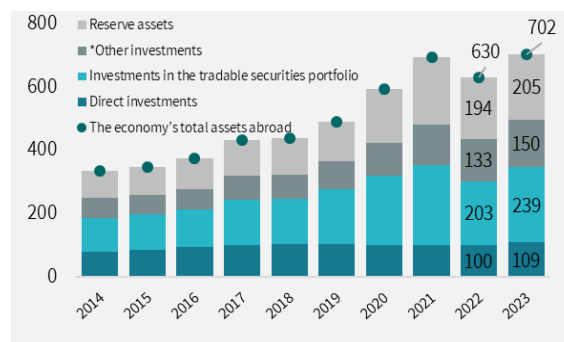
**2. Assets abroad – Israeli residents' investments abroad**

**The balance of Israel's assets abroad increased in 2023, in contrast to the previous year yet in line with the long-term trend. The increase was mainly in the balance of the tradable securities investment portfolio.**

The balance of Israel's assets abroad rose by about USD 72 billion (12 percent), reaching USD 702 billion at the end of November. The rise in the balance of assets stemmed mainly from an increase of about USD 36 billion (18 percent) in the balance of the tradable securities investment portfolio and from an increase of about USD 11 billion (8 percent) in the balance of other investments.

**Figure 3.8: Economy's balance of assets abroad**

\$ billion



SOURCE: Bank of Israel

\*Other assets include the balance of derivative instruments.

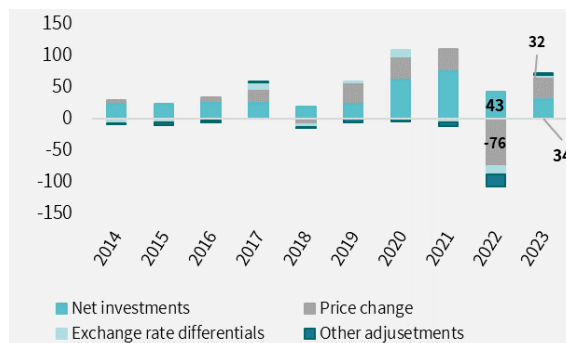
\*See the table on Israel's assets and liabilities vis-à-vis abroad at the end of this chapter for a breakdown of the changes in each investment category by component

**Israeli residents' net investments in tradable securities abroad, as well as the increase in their prices, contributed to the increase in the balance of assets**

In 2023, net investments totaled about USD 34 billion (5 percent).

In addition, the rising prices of the foreign securities held by Israeli residents contributed to an increase of about USD 32 billion (5 percent) in the balance of assets

**Figure 3.9: Factors in a change in the economy's asset balance abroad**  
\$ billion



SOURCE: Bank of Israel

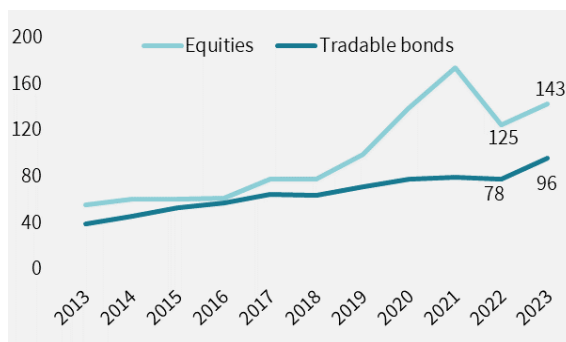
**Net investments in bonds abroad and rising equity prices in global capital markets worldwide contributed to the increase in the balance Israeli residents' investments in the portfolio of tradable securities abroad.**

The balance of investments in Israeli residents' tradable securities portfolio abroad increased in 2023 by USD 36 billion (18 percent), and reached USD 239 billion in December

The balance of holdings in equities increased this year by about USD 18 billion (15 percent), against a backdrop of rising prices in the equities markets.

At the same time, the balance of holdings in bonds recorded an increase of about USD 18 billion (23 percent), mainly as a result of net investments.

**Figure 3.10: Balance of investments in the tradable securities portfolio of Israeli residents abroad, by instruments**  
\$ billion



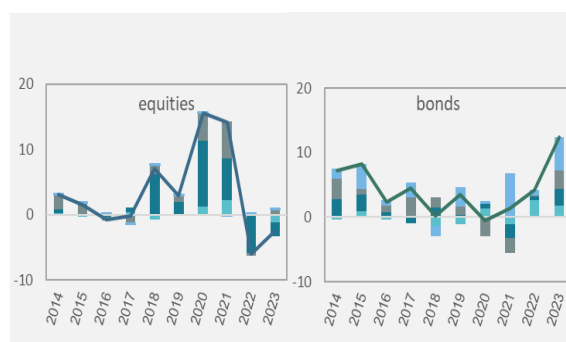
SOURCE: Bank of Israel

**In 2023, the banks were the main investors in foreign bonds; The institutional investors were the main sellers of foreign equities.**

This year, Israeli residents, purchased foreign bonds in the amount of about USD 12 billion, mainly the banks (USD 5 billion). In addition, institutional investors invested about USD 3 billion, similarly to investments by households

At the same time, net sales of foreign equities by Israeli residents, mainly by the institutional investors, totaled about USD 2 billion.

**Figure 3.11: Investments in the tradable securities portfolio of Israeli residents abroad, by instrument and by sector**  
\$ billion



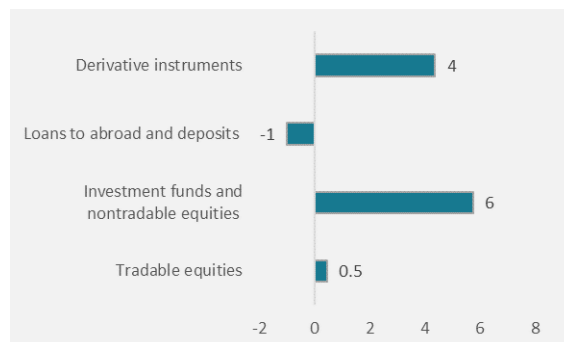
SOURCE: Bank of Israel.

**The institutional investors made net investments in foreign financial assets in 2023, mainly in nontradable investment funds and derivative instruments.**

Despite their negligible activity in tradable securities, the institutional investors made net investments in foreign financial assets totaling about USD 10 billion.

About USD 6 billion of their investments was recorded in nontradable foreign investment funds, and the remainder was recorded in foreign derivatives.

**Figure 3.12: Institutional investors' activity vis-à-vis abroad**  
\$ billion, 2023



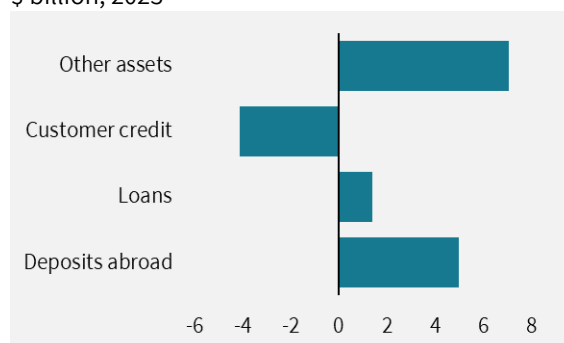
SOURCE: Bank of Israel

**Other investments<sup>4</sup> abroad of Israeli residents were mainly in foreign investment funds. .**

In 2023, Israeli residents invested about USD 9 billion in other investments. The major part of these investments (about USD 7 billion) was made in nontradable investment funds and in deposits abroad (about USD 5 billion).

At the same time, customer credit declined by about USD 4 billion (3 percent).

**Figure 3.13: Net other investments of Israeli residents abroad, by instrument**  
\$ billion, 2023

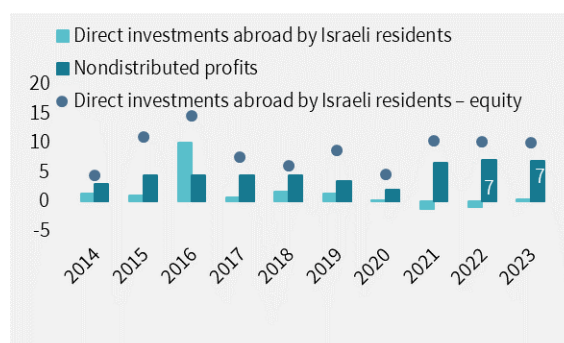


SOURCE: Bank of Israel

**In 2023, Israeli residents' direct investments abroad was in an amount similar to the amount of direct investments in the preceding two years, and these investments originated mainly from undistributed earnings. .**

This year, Israeli residents' direct investments abroad totaled about USD 7 billion, and were mainly reinvestment of undistributed earnings. New capital investments this year totaled about USD 0.4 billion, in contrast to the preceding two years, when low net sales were recorded (USD 0.9 and 1.3 billion, respectively).

**Figure 3.14 Direct investments in equity of Israeli residents abroad, by investment type**  
\$ billion



SOURCE: Bank of Israel

<sup>4</sup> Not including derivative instruments.

**The balance of Israel's forex reserves rose in 2023 by about USD 10 billion (5 percent) and reached about USD 205 billion in December**

The rise in forex reserves stems from the global rise in securities prices.

In October, in view of the security situation and forex purchases at an accelerated rate, the Bank of Israel sold about USD 8.2 billion in foreign exchange on the market. These sales were fully offset by transfers by the government and the private sector over the year

**Figure 3.15: The economy's balance of foreign exchange reserves**  
\$ billion



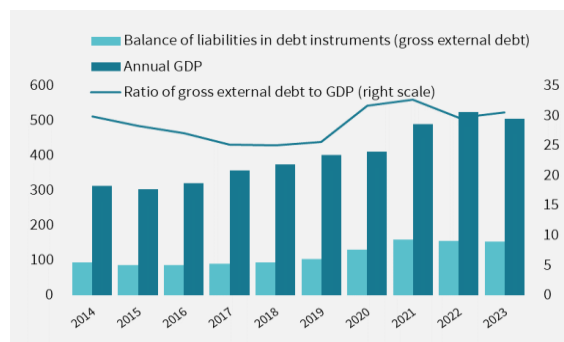
SOURCE: Bank of Israel

**Gross external debt**

**The ratio of gross external debt<sup>5</sup> to GDP increased in 2023, due to a larger decline in the GDP than in Israel's gross external debt.**

In 2023, the gross external debt declined by about USD 1.2 billion (0.8 percent), and at the same time the GDP declined by about 3.5 percent in dollar terms. These developments contributed to a moderate increase in the gross external debt to GDP ratio (about 0.85 percentage points), which was about 30.5 percent at the end of the year.

**Figure 3.16: Gross balance of external debt and ratio of external debt to GDP**  
\$ billion



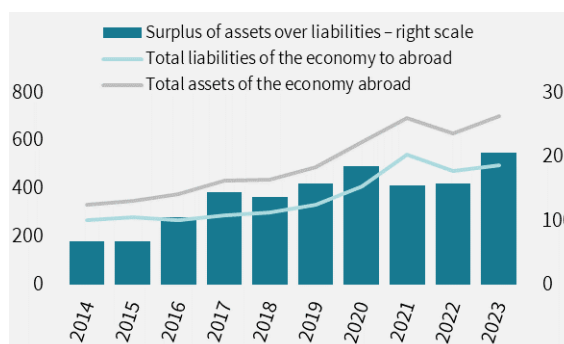
SOURCE: Bank of Israel

**3. The surplus of assets over liabilities**

**In 2023, Israel's surplus of assets over liabilities vis-à-vis abroad increased.**

The rise in the value of Israel's asset portfolio (USD 72 billion) was greater than the decline in the value of its liabilities (USD 25 billion), contributing to an increase of about USD 47 billion (30 percent) in the surplus of assets over liabilities vis-à-vis abroad. The surplus was about USD 205 billion at the end of December.

**Figure 3.17: Israel's Surplus Assets (+) Over Liabilities vis-à-vis Abroad**  
\$ billion



SOURCE: Bank of Israel.

<sup>5</sup> The balance of liabilities in debt instruments alone. For more details on the definitions, explanations, and calculations of external debt, see "Data Sources and Main Terms" at the end of this section.

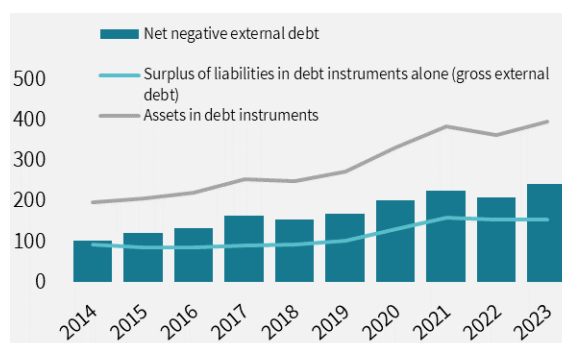
## NET external debt

**In 2023, the surplus of assets over liabilities in debt instruments (negative net external debt<sup>6</sup>) increased.**

The balance of assets in debt instruments increased in 2023 by USD 32 billion (about 9 percent) and at the same time the balance of liabilities in debt instruments declined by about USD 1.2 billion (0.8 percent). Therefore, Israel's surplus of assets over liabilities vis-à-vis abroad in debt instruments alone (negative net external debt) increased by about USD 33 billion (16 percent), to about USD 242 billion at the end of December.

**Figure 3.18 Surplus of assets over liabilities in debt instruments alone (net negative external debt)**

\$ billion



SOURCE: Bank of Israel.

<sup>6</sup> Israel has a surplus of assets over liabilities, which means a negative net external debt. For an explanation, see Data Sources and Main Terms at the end of this chapter.

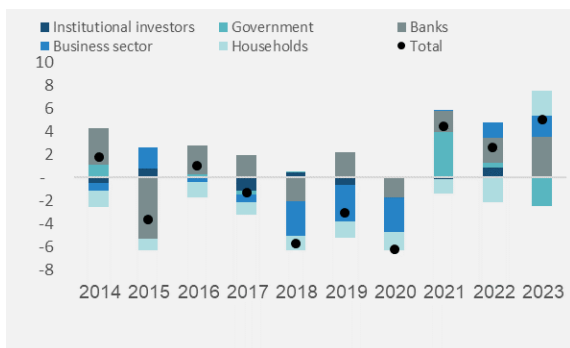
# ZOOM-IN

## Israeli residents' activities in deposits abroad and nonresidents' activities in deposits

According to data on transfers of deposits from Israel to abroad by nonresidents and Israeli residents, Israeli residents invested in net deposits abroad since 2021, in contrast to the long-term trend of net deposits in Israel. In 2023, the deposits were primarily deposits by households and the business sector, in equal amounts, about USD 2 billion each. Net transfers of households from their accounts in Israel to accounts abroad were recorded in all quarters of 2023. In contrast, in recent years, nonresidents increased their investment in deposits in Israel. Notably, the volume of the deposits made both by Israeli residents and by nonresidents was moderate.

**In 2023, Israeli residents deposited \$5 billion in deposits abroad. Approximately 40 percent of total deposits were by households.**

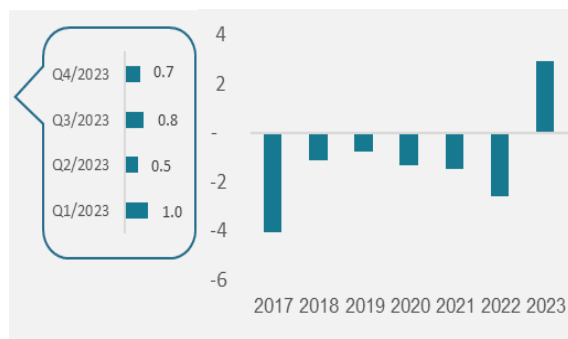
Figure 3.19 Net deposits by Israeli residents in deposits abroad, by sector, \$ billion.



SOURCE: Bank of Israel

**There were net transfers by households from accounts in Israel to accounts abroad in all quarters of the year.**

Figure 3.20 Net\* transfers by households from accounts in Israel to accounts abroad\*\* \$ billion



SOURCE: Bank of Israel

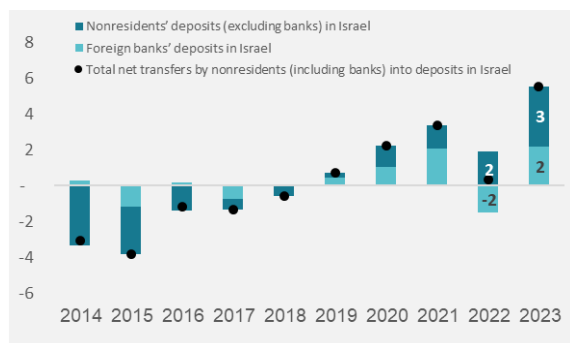
\* (+) Net transfers from accounts in Israel to accounts abroad

\*\* (-) Net transfers from accounts abroad to accounts in Israel

\*\* Estimate based on Israeli banks' reports on Israeli residents' transfers in foreign currency via Israeli banks from their accounts in Israel to accounts abroad and vice versa. It does not include reports by companies and households on all their activity in deposits abroad.

**In 2023, nonresidents' deposits in Israeli deposits totaled \$6 billion.**

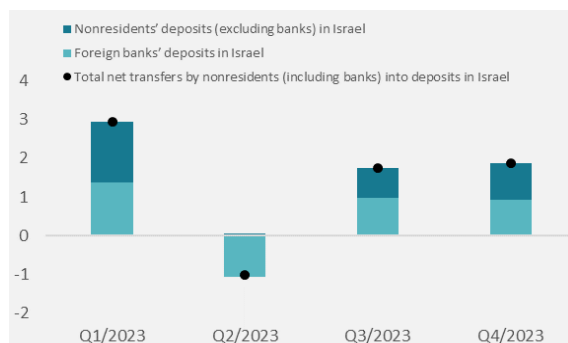
Figure 3.21 Net deposits by nonresidents in deposits in Israel, \$ billion



SOURCE: Bank of Israel

**In 2023, the activity of nonresidents in deposits in Israel was uniform across all the quarters except for net withdrawals from deposits in the second quarter in contrast to net deposits in the other quarters**

Figure 3.22 Net deposits by nonresidents in deposits in Israel, 2023:Q1-Q4, \$ billion



SOURCE: Bank of Israel



# Israel's Assets and Liabilities vis-à-vis Abroad



\$ million		Balance to the end of 2022	Transactions	Price changes	Exchange rate differentials and other adjustments	Balance to the end of 2023
<b>Israel's Assets</b>		<b>629,734</b>	<b>33,649</b>	<b>32,439</b>	<b>6,549</b>	<b>702,367</b>
of which:	Debt instruments*	365,128	15,567	13,079	3,172	396,948
<b>Direct investments abroad</b>		<b>99,842</b>	<b>9,970</b>	<b>275</b>	<b>-1,402</b>	<b>108,680</b>
of which:	Share capital and land	79,184	8,945	275	-1,402	86,997
	Owners' loans	20,658	1,025	0	0	21,683
<b>Financial investments</b>		<b>202,725</b>	<b>10,094</b>	<b>24,133</b>	<b>1,600</b>	<b>238,550</b>
of which:	Share capital	124,566	-2,382	20,954	-382	142,755
	Bonds	78,158	12,476	3,179	1,982	95,795
<b>Other investments abroad</b>		<b>136,277</b>	<b>9,374</b>	<b>2,329</b>	<b>-512</b>	<b>147,469</b>
of which:	Deposits by Israelis (including banks)	10,272	5,004	-277	-538	14,461
	Loans	31,832	1,413	852	61	34,158
	Customer credit	29,990	-4,128	0	294	26,157
	Other assets	64,183	7,085	1,754	-329	72,693
<b>Reserve assets</b>		<b>194,218</b>	<b>-223</b>	<b>9,326</b>	<b>1,373</b>	<b>204,694</b>
<b>Derivative instruments</b>		<b>-3,328</b>	<b>4,434</b>	<b>-3,623</b>	<b>5,490</b>	<b>2,974</b>
<b>Israel's Liabilities</b>		<b>471,931</b>	<b>14,793</b>	<b>13,737</b>	<b>-3,486</b>	<b>496,971</b>
of which:	Debt instruments	155,901	-311	0	-896	154,690
<b>Direct investments</b>		<b>229,879</b>	<b>16,422</b>	<b>3,063</b>	<b>-4,893</b>	<b>244,472</b>
of which:	Share capital and land	217,440	16,368	3,063	-4,893	231,978
	Owners' loans	12,439	54	0	0	12,494
<b>Financial investments</b>		<b>182,049</b>	<b>-3,339</b>	<b>10,674</b>	<b>1,435</b>	<b>190,819</b>
of which:	Share capital	98,590	-1,265	10,674	2,304	110,302
	Bonds	83,459	-2,074	0	-869	80,517
<b>Other investments</b>		<b>60,003</b>	<b>1,710</b>	<b>0</b>	<b>-28</b>	<b>61,680</b>
of which:	Deposits by nonresidents and foreign banks	19,397	5,552	0	-150	24,798
	Loans	18,061	262	0	295	18,618
	Suppliers' credit	22,545	-4,104	0	-173	18,264
<b>Net Liabilities**</b>		<b>-157,802</b>	<b>-18,856</b>	<b>-18,702</b>	<b>-10,034</b>	<b>-205,396</b>
of which:	Net debt instruments	-209,227	-15,878	-13,079	6,549	702,367

\*Debt instruments: Owners' loans, bonds, deposits, loans, commercial credit, and reserve assets.

\*\*Net liabilities: Liabilities minus assets. SOURCE: Bank of Israel calculations. SOURCE: Bank of Israel

## DATA SOURCES AND MAIN TERMS



The Bank of Israel Information and Statistics Department manages a database of economic activity vis-à-vis abroad. The Department gathers data and information from various sources. Most of the data are obtained from direct reports<sup>7</sup> by companies and individuals to the Bank of Israel pursuant to the Bank of Israel Order (see “Information on the Development of the Foreign Exchange Market in Israel”, 5770–2010). Those required to report are any Israeli resident with a balance of direct investments in foreign companies totaling \$20 million or more, and any Israeli company in which foreign parties at interest hold \$40 million or more in direct investment. In addition, companies and individuals with financial assets abroad totaling \$20 million or more also report. Additional data used to measure economic activity vis-à-vis abroad are obtained from reports by the Bank of Israel Accounting Division, the Israel Securities Authority, the Ministry of Finance, the institutional investors, and domestic banks. The Information and Statistics Department processes the data obtained from the various sources.

### Direct investment<sup>8</sup>

Direct investment includes investments in capital and owners’ loans. Direct investment in capital is investment by nonresidents in Israeli companies or investment by Israelis in foreign companies, when it involves holdings of more than 10 percent of the company’s paid up capital (tradable and nontradable). Direct investment in capital includes stock purchases, accumulated profits (undistributed profits), and investment in real estate.

Accumulated profits (minus declared dividends) are profits accumulated from direct investments in capital (the direct investor’s share of accumulated profits in the company, as per the percentage of his investments in the company’s capital), that have not yet been distributed to shareholders and remain with the company. Accumulated profits are considered as if they have been withdrawn by the investors and reinvested in the company, and are therefore included in direct investments in capital. Accumulated profits are calculated only on direct investments in capital instruments and investment funds (and not on financial investments).

Owners’ loans are credit issued to the company by a party at interest in the company.

### Financial investment (tradable securities portfolio)

Transactions between Israelis and nonresidents, involving debt instruments (including government bonds) or company stock where holdings are of less than 10 percent of the company’s capital, excluding investment that is included in reserve assets and that is negotiable. This category reflects activity in the Israeli stock market or foreign stock markets.

Direct and financial investments are part of capital flows between Israel and the rest of the world, which are recorded in the financial account of Israel’s balance of payments. The distinction between direct investment and financial investment reflects the difference in the investor’s motive and purpose. Direct investment generally reflects globalization of real economic activity, meaning the geographic diversification of development, production, and marketing of goods and services and the establishment of multinational corporations. In contrast, financial investment generally reflects globalization of financial activity—management of the securities portfolio with geographic diversification, in an attempt to improve the yield to risk ratio of the portfolio as a whole.

The flows of direct and financial investment by foreign residents in the Israeli economy create a liability of the economy toward abroad, while the flows of direct and financial investments abroad by Israelis create Israeli assets vis-à-vis abroad.

<sup>7</sup> For more information on forms for reporting to the Bank of Israel, see <http://www.boi.org.il/he/DataAndStatistics/Pages/ReportingForms.aspx> (in Hebrew).

<sup>8</sup> For further details on definitions, explanations and calculations, see Bank of Israel, “Measuring direct investment as a part of the International Investment Position”, Statistical Bulletin 2016, Part 2.

## ■ Other investments

Investments abroad by Israelis or investments in Israel by nonresidents in other instruments: deposits, financial loans (that are not owners' loans or bonds), and commercial credit. Other investments abroad by Israelis also include investments in other assets (financial investments in nontradable equities [below 10 percent of the invested company's share capital], mutual funds, and so forth).

## ■ Reserve assets

Foreign exchange balances of the central bank, the State's gold reserves, reserves at international organizations such as the International Monetary Fund, and Special Drawing Rights (SDRs). Sources of foreign exchange could be foreign exchange purchases, foreign exchange swaps, government transfers (government deposits in foreign exchange at the Bank of Israel), or transfers by commercial banks (banks' deposits in foreign exchange at the Bank of Israel).

## ■ Other adjustments

Changes in balances that are not due to net transactions, price changes, or exchange rate differentials. These include revaluations of nontradable companies, changes of residence, tradability changes, and unexplained statistical differences.

- **Capital instruments** Direct and financial investments in equities, including drawing rights
- **Debt instruments** Contractual liabilities for payment of principal or interest in the future, including: owners' loans, financial loans and credit, bonds, deposits, commercial credit, and reserve assets.
- **Gross external debt** The economy's total liabilities to abroad in debt instruments in foreign exchange and Israeli currency.
- **Net external debt** The surplus of liabilities over assets in debt instruments only. Net external debt is calculated as gross external debt minus Israelis' assets abroad in debt instruments.
- **Ratio of gross external debt to GDP** Calculated as external debt divided by GDP in dollar terms. GDP in dollar terms is calculated by dividing GDP in shekel terms by the average exchange rate during the period.