

BANK OF ISRAEL

Office of the Spokesperson and Economic Information

Press release

February 11, 2024

**Response by Bank of Israel Governor Prof. Amir Yaron to the Moody’s ratings decision**

* The Moody’s Ratings Agency announced on Friday February 9 that it is lowering the State of Israel’s credit rating from A1 to A2, as well as a negative ratings outlook.
* The agency noted in its announcement that the reason for lowering the rating is uncertainty regarding the timing and manner of the end of the “Swords of Iron” war, the war’s impact on the availability of the government and the Knesset to deal with core economic and social issues, and the change in the fiscal situation. The reason for the negative ratings outlook is uncertainty with regard to the expansion of the war to a northern front.
* In contrast, the agency emphasized that Israel’s macroconomic and monetary policy frameworks are strong. The agency notes the Israeli economy’s robustness, which is reflected in the rapid recovery from the initial shock of the war. Already in November, there were significant signs of rapid recovery that were reflected in a sharp decline in the unemployment rate and an incraese in the level of economic activity, as reflected, for instance, in an increase in the volume of credit card purchases, and in business sector assessments regarding activity in the coming months. These trends intensified in December and January.
* The robustness of the Israeli economy, and the rapid recovery demonstrated in recent months, were also reflected in the recovery and stability of the financial markets.
* According to assessments by the ratings agency, the public debt to GDP ratio should peak at 67 percent, and it is then expected to decline gradually. It should be noted that the State of Israel has experienced geopolitical crises in the past, when the debt to GDP ratios were much higher, and there was never any delay in repayment of government debt. In this context, it is important to remember the economy’s high potential growth and the structural surplus in the current account.
* In order to strengthen the trust of the markets and of the ratings agencies in the Israeli economy, it is important that the government and the Knesset act to deal with the economic issues raised in the report. The Bank of Israel has already presented a number of ways to act in this spirit, including approval of the 2024 budget by the Knesset, with all the adjustments included in it.
* To conclude, the Israeli economy is rooted on strong and healthy economic fundamentals, and is a world leader in the fields of innovation and technology. We have known how to recover from difficult periods in the past and rapidly return to prosperity, and the Israeli economy has the strength to ensure that this will happen this time as well.