



STATE OF ISRAEL
MINISTRY OF FINANCE

SPOKESPERSON OFFICE

INTERNATIONAL AFFAIRS
DEPARTMENT

August 27, 2009
2009-1731

Press Release

**International Rating Agency Moody's
Maintains Israel's A1 Credit Rating with Stable Outlook**

**Minister of Finance Dr. Yuval Steinitz: "The credit-rating agency supports
Israel's economy and the government's economic and fiscal policies"**

**Accountant-General Shuky Oren: "The report constitutes further evidence of
the resilience of the Israeli economy"**

Moody's, The international credit-rating agency, published its annual report on Israel's credit rating today. The rating remains at A1 with Stable outlook. This refers to Israel's long-term foreign-currency credit rating, the key rating assigned by the agency. The report was issued following the agency's representatives' annual visit to Israel about two months ago, during which they met with the Minister of Finance, Bank of Israel Governor, and other key figures in the public sector as well as in the business sector.

Minister of Finance Dr. Yuval Steinitz said: "This serves as further support from a major credit-rating agency for the Israeli economy, the budget, and the government's economic policy. The agency's report was issued about a month after the approval of the two-year budget by Knesset. We see this as evidence that the Israeli economy is navigating the global economic crisis with impressive success, whereas many countries have sustained substantial rating downgrades recently. The Ministry of Finance will continue to lead the implementation of the economic plan and the two-year budget, in order to complete stabilizing the economy in anticipation for our emergence into the rapid growth that lies ahead."

The announcement by the agency's representatives states that Israel's credit rating is underpinned by the country's high levels of economic, institutional, and financial strength, but constrained by the geopolitical situation.

The agency's representatives added that the short-term economic outlook in Israel is relatively good, with only a modest fall in GDP growth this year, reflecting the fact that the Israeli economy has not been exposed to the original triggers of the global crisis: toxic bank assets or a real-estate bubble. The report further notes that GDP in the Israeli economy rose by 1% on an annualized basis in the second quarter of 2009, following a 3.2% decline in the first quarter.



STATE OF ISRAEL
MINISTRY OF FINANCE

SPOKESPERSON OFFICE

INTERNATIONAL AFFAIRS
DEPARTMENT

“The modest contraction and signs of an incipient recovery are also evidence of the economy’s underlying flexibility and exceptional resilience in the face of various shocks,” explains Anthony Thomas, a Moody’s representative. “Indeed, against a backdrop of numerous challenges over the past decade, the global financial crisis could almost be categorized as ‘more of the same.’”

The agency's representatives note that although the recession now appears to be over for Israel, Moody’s believes a more robust recovery will have to come from global rather than domestic developments, given that Israel is a small, open economy. In the longer term, the agency said the country’s growth model appears to be intact.

While Moody’s considers economic and financial risk to be low in Israel, political risk – namely the security situation – is more serious. The representatives pointed out that Israel has the highest military expenditure in the world, which has contributed to its government debt over time. They further noted that the new U.S administration has shown heightened interest in the peace process with Palestine, but Israeli-Palestinian tensions are unlikely to ease enough to reduce defense spending meaningfully.

Aside from the situation with Palestine, Moody’s notes that Israel’s moderate susceptibility to event risk also takes into account its strained relations with Syria and Iran.

The issuance of the credit report by Moody’s is an annual update to the markets and is not a formal action to alter the credit rating of the issuer.

Israel's current ratings by the international rating agencies:

S&P	A, Stable
Fitch	A, Stable
Moody's	A1, Stable

For details, please contact:

Shlomi Shefer

+972-50-620-8000

Shlomis@mof.gov.il