

COUNTRY PROFILE



Israel

GLOBAL RANK: 19th of 104

Israel ranks 19th overall. It ranks 8th on Economic Competitiveness, driven by good competitiveness and innovation scores and it ranks 21st on Comparative Liveability.

● BACKGROUND

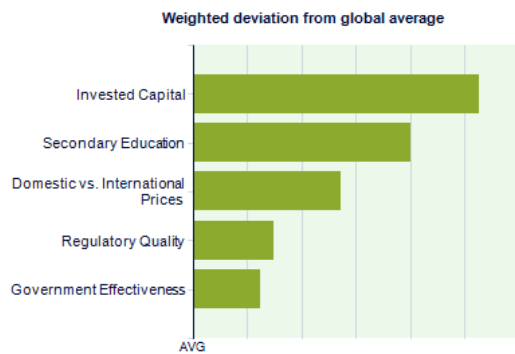
Since independence in 1948, this predominantly Jewish state of 7.1 million people has faced numerous disputes and armed conflicts with its Middle Eastern neighbours. Current challenges include heightened nuclear tensions with Iran and the ongoing economic and social costs of Israel's presence in the occupied Palestinian territories. Despite this, Israel achieved economic growth of 5.4% in 2007, driven by a flourishing tourism industry and strong levels of foreign investment, particularly in high-tech industries. Israel has a robust democracy and one of the most highly-educated workforces in the region. Nevertheless, poverty rates are still relatively high, particularly among highly-Orthodox Jews and the 19% Arab minority.

FAST FACTS

Population:	7.1 million (2008 est.)	FDI (net inflow):	3.54% (2006 est.)
Life Today	7 (2007 est.)	Exports	32.89% (2006 est.)
GDP (PPP)	\$185.9 billion (2007 est.)	Imports	35.38% (2006 est.)
GDP (Growth)	5.3% (2007 est.)	Unemployment:	7.3% (2007 est.)
GDP (per Capita)	\$25,800 (2007 est.)	Life Expectancy	80.61 years (2008 est.)
Political System:	Parliamentary Democracy		
Foreign Aid:	0.36% (2004 est.)		

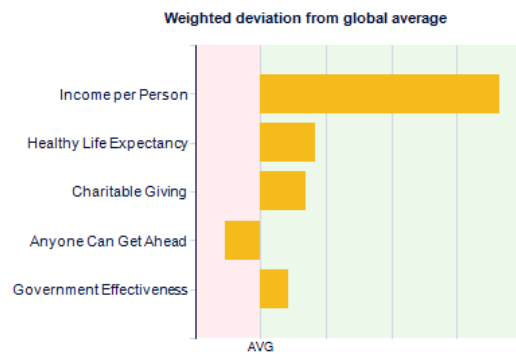
● KEY SCORE DRIVERS

ECONOMIC COMPETITIVENESS



Israel's high performance in Economic Competitiveness is driven by the fundamentals: rapid growth in physical and human capital. Levels of invested capital per worker are high, and an effective mass education means that the average Israeli worker possesses more than 4 years of secondary education. The country has built on these basics with a well-known strength in high technology goods, notably software. The number of patents filed is close to the figure for Singapore, and high-tech exports are a sizeable 3.9% of GDP, suggesting the Israel has reaped the benefits of commercialising innovation.

COMPARATIVE LIVEABILITY



The leading score driver is the high average incomes enjoyed by Israelis. At roughly \$26,000 per person, the country reaches Western European standards of living. Health adjusted life expectancy is also at European levels. Still, with approximately 20% of the Israelis below the nationally-defined poverty line of about \$7 per day, the population in poverty is higher than the top countries in the Index.

In other areas, Israel falls below the top countries in the Index, resulting in the country's slightly lower rank for Comparative Liveability. Government effectiveness is at the level of the new EU

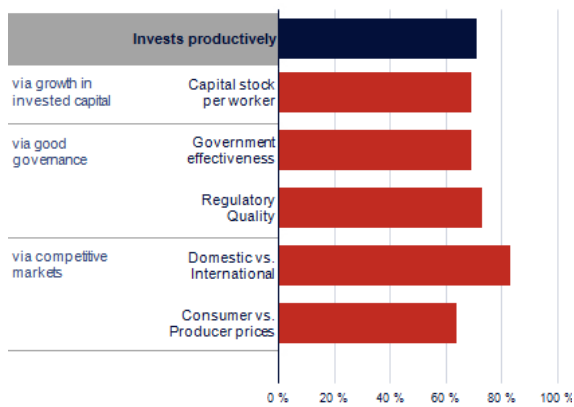
Despite receiving large sums of foreign aid, Israel avoids aid dependence, and instead has engaged with the global economy. Movements in relative price levels suggest extremely high levels of competitiveness, both in domestic markets and internationally. Governance is also strong, although in terms of regulatory quality, despite its reputation for open markets, Israel trails the global leaders, achieving a score on par with several of the fact-growing countries in Eastern Europe.

members, but not Western European levels, likewise for political and civil liberties and control of corruption.

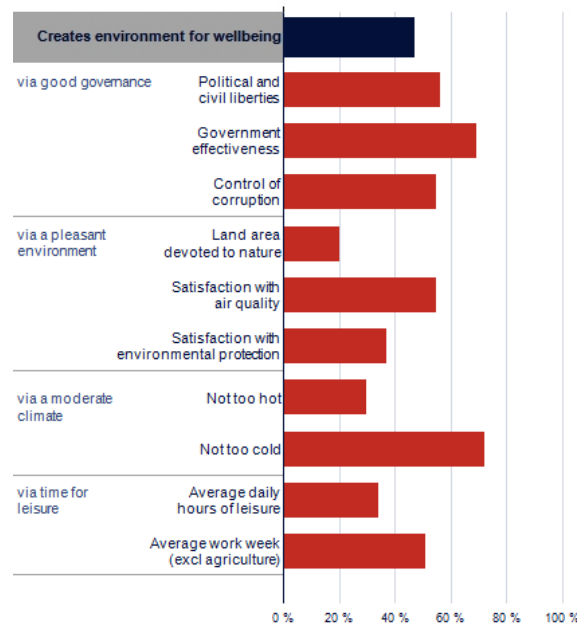
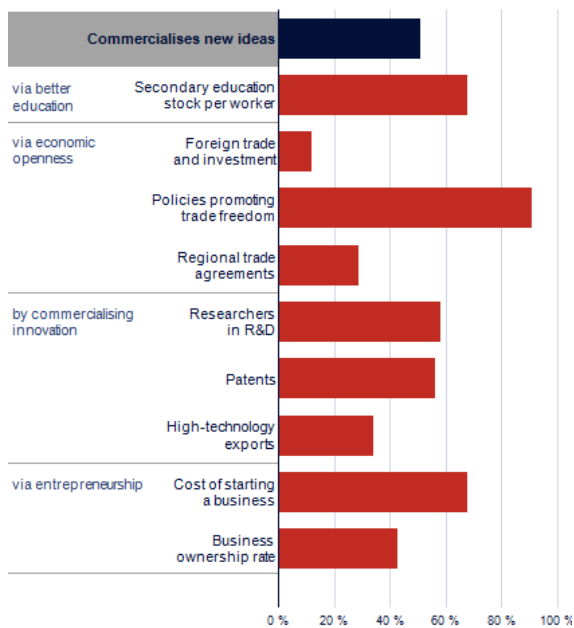
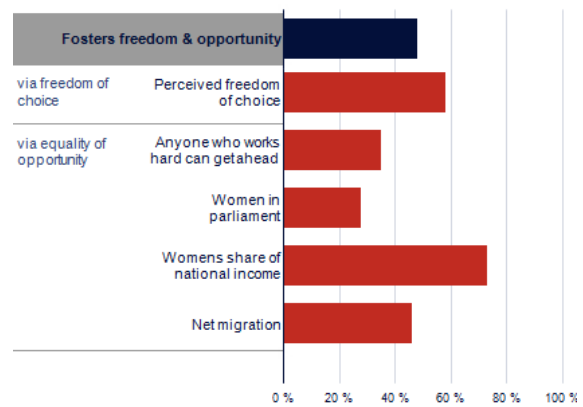
There is also a sense of pessimism apparent in the subjective indicators. Only about 60%⁹ of Israelis believe that anyone can get ahead through hard work, and only about 75%⁹ are satisfied with their freedom of choice to determine the course of their lives, according to the Gallup World Poll. These are very low numbers for such a wealthy country, on par with Kuwait, Estonia, Poland or Singapore, and may perhaps be impacted by the security situation in Israel.

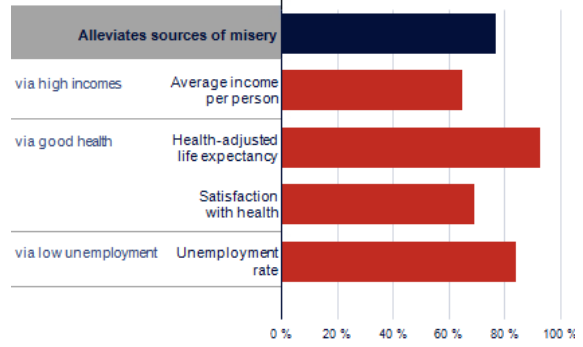
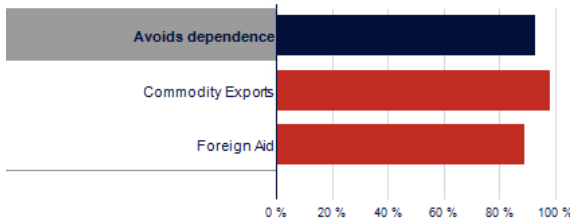
Israel performs well on some indicators of community life -- notably charitable giving. However, levels of social trust are low, according to the World Values Survey, and on environmental indicators, Israelis also express dissatisfaction. With little land area devoted to nature, they are happy with neither the air quality nor current efforts to protect the environment.

ECONOMIC COMPETITIVENESS: SCORECARD

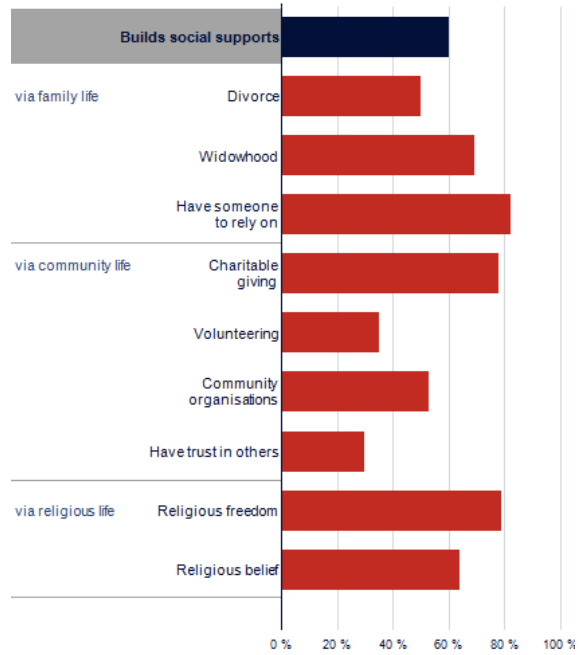


COMPARATIVE LIVEABILITY: SCORECARD





All subindicator scores in the Index are shown unweighted, expressed as a percentage of the score for the best-performing country in the Index. Indicator scores (in dark blue) are derived from the weighted average of relevant subindicators. For more information on how the subindicator scores are weighted to produce indicator scores and an overall Index score and ranking, see Chapter Two of this report.



References:

^{9, w} See www.prosperity.com/references.aspx for further details including date of survey, sample size, and margin of error.