3. Economic activity vis-à-vis abroad

In the course of 2025, net nonresident investments[1] and residents' external investments increased considerably relative to 2024. Net external liabilities[2] grew by USD 97 billion, far exceeding the annual average in the past ten years (USD 30 billion).

The upturn in nonresident investments was evident in 2025 in both direct and portfolio investments—mainly in bonds. The increase in securities prices in Israel and abroad also had a strong impact on the upturn in the balance of investments.

Concurrently, net external assets[3] increased by USD 100 billion, surpassing the annual average in the past ten years (USD 47 billion), with conspicuous growth of household investments (including mutual funds) for the portfolio.

The stronger upturn in balance of assets than of increase in value of net liabilities contributed to an increase in Israel's asset surplus.

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

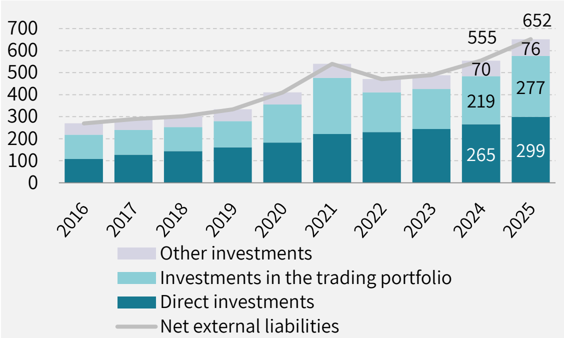
Net external liabilities increased in 2025, reflecting strong growth of nonresident investments and an upturn in Israeli equity prices at home and abroad.

Net external liabilities grew in 2025 by USD 97 billion (18 percent) to USD 652 billion at year's end, following milder growth in 2024.

*For segmentation by components of the change of balance in each investment category, seen the Stock of External Assets and Liabilities table at the end of this chapter.

Figure 3.1: Net external liabilities, by type of investment

USD billion



SOURCE: Bank of Israel.

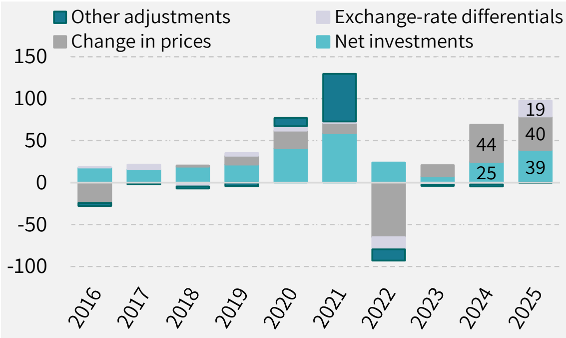
Most of the change in net liabilities originates in net nonresident investment and increases in prices of domestic securities held by nonresidents.

The year saw USD 39 billion (7 percent) in net investment, far exceeding net investment in 2024 (USD 25 billion).

Increases in prices of Israel securities held by nonresidents, particularly those traded on the Tel Aviv Stock Exchange, contributed USD 40 billion (7 percent) to the upturn in net liabilities.

Figure 3.2: Determinants of change in net external liabilities

USD billion



SOURCE: Bank of Israel.

[1] For definitions of various terms used in this chapter, see the glossary at the end of the chapter.

[2] Nonresident investments in Israel.

[3] Resident investments abroad.

The increase in net nonresident investments traces mainly to an upturn in net direct investments.

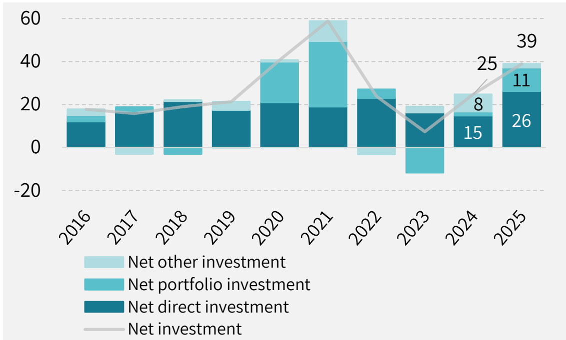
Nonresidents invested USD 39 billion (net) in Israel this year, most of it direct.

They also invested USD 11 billion in securities for the portfolio, after investing USD 2 billion (net) in this manner in 2024.

Other investments also grew by USD 2 billion (net).

Figure 3.3: Net nonresident investments in Israel, by type of investment

USD billion



SOURCE: Bank of Israel.

Most of the increase in direct investments occurred in earnings accrued for reinvestment, which grew considerably this year.

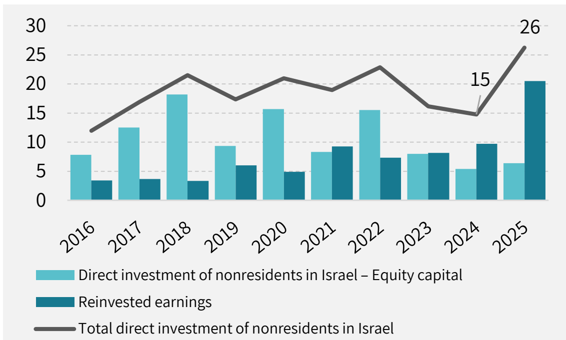
Nonresidents made USD 26 billion in direct investments in Israel this year, mostly in earnings accrued for reinvestment.

The extent of earnings accrued for reinvestment was USD 20 billion, far above the annual average in the past ten years (USD 6 billion). Most of these earnings were in from high-tech companies[4].

The volume of new capital investment this year amounted to about $6 billion, slightly higher than in the previous year.

Figure 3.4: Nonresident direct capital investments in Israeli companies, by type of investment

USD billion



SOURCE: Bank of Israel.

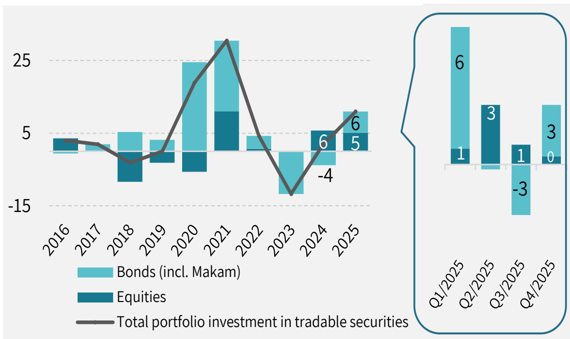
Nonresident portfolio investment in Israeli securities, foremost bonds, also increased significantly.

During the year, nonresidents invested USD 5 billion (net) in equities, approximating the previous year's performance.

Concurrently, they invested USD 6 billion (net) in bonds, in contrast to net realizations in 2024.

Figure 3.5: Nonresident portfolio investment in Israel, by investment vehicle

USD billion



SOURCE: Bank of Israel.

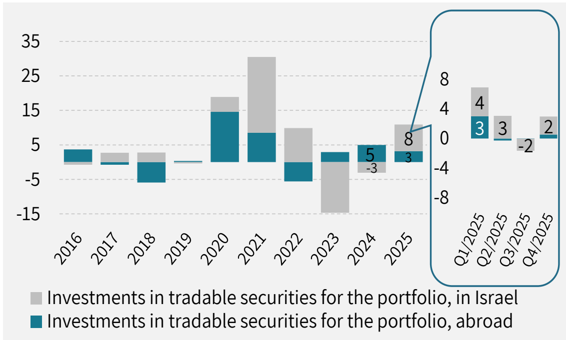
[4] For expanded treatment, see "Zoom-In" at the end of this chapter.

Nonresidents invested more (net) in portfolio securities in Israel in 2025 than in Israeli securities traded abroad.

In the first half of the year, nonresidents made net investments in securities traded in Israel and traded abroad.

In the second half, in contrast, investments in securities traded in Israel were almost totally offset by realizations of Israeli securities traded abroad.

Figure 3.6: Nonresident portfolio investments, by place of tradability
USD billion



SOURCE: Bank of Israel.

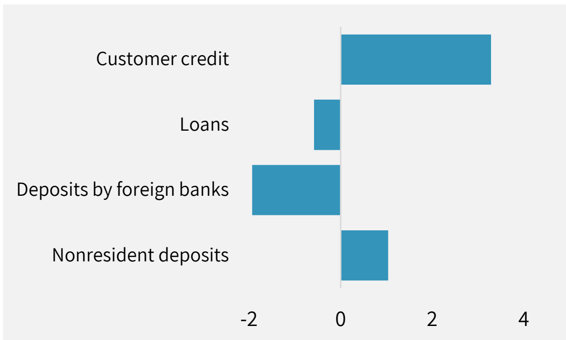
An upturn in customer credit was the main determinant of the increase in other nonresident investments in Israel.

Customer credit increased by USD 3 billion in 2025.

Concurrently, nonresidents (including foreign banks) withdrew USD 1 billion (net) from their deposits in Israel.

Payback of nonresidents' loans also occurred, in negligible sums.

Figure 3.7: Other nonresident investments in Israel, by instrument
USD billion, 2025



SOURCE: Bank of Israel.

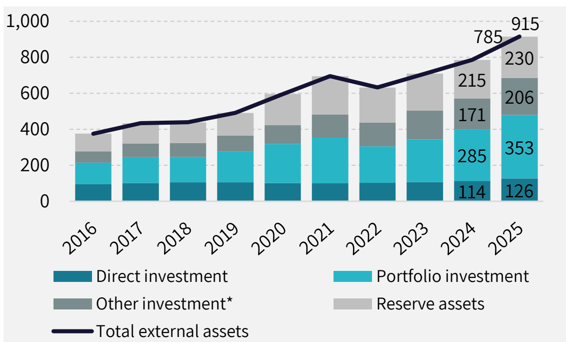
2. Israeli assets abroad—resident investments

Net external assets increased in 2025, pursuant to growth in 2024, and centered on net investments in tradable securities.

Net external assets ended the year at USD 915 billion, up USD 130 billion (17 percent). The upturn traced largely to increases of USD 68 billion (24 percent) in net portfolio investment, USD 35 billion in other investments (17 percent), and USD 15 billion in net reserve assets (7 percent).

*For segmentation of the balance in each investment category by components, consult the table of Israeli assets and liabilities vis-à-vis abroad at the end of this chapter.

Figure 3.8: Balance of Israeli assets abroad
USD billion



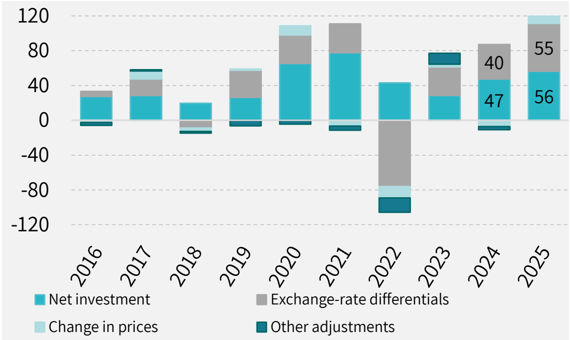
SOURCE: Bank of Israel.
*Other assets include the balance of derivative instruments.

The increase in net assets was abetted by net resident investment abroad and an increase in the prices of tradable securities held by residents.

The year saw USD 56 billion in net investment (up 7 percent), exceeding the increase in 2024.

Also, rising prices of foreign securities held by residents contributed to USD 55 billion (7 percent) growth in net assets.

Figure 3.9: Determinants of change in the Israeli asset balance abroad
USD billion



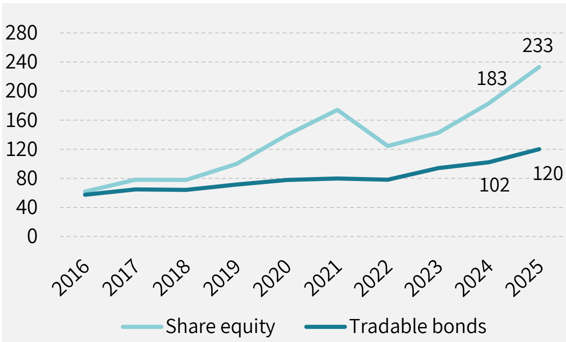
SOURCE: Bank of Israel.

Most of the increase in resident investment is explained by an upturn in value of the external investment portfolio, reflecting a combination of net investment and rising equity prices in foreign capital markets.

Net resident holdings of foreign equities increased by USD 50 billion (27 percent) during the year , due largely to rising equity prices (USD 32 billion, up 17 percent) and net investment (USD 16 billion, up 9 percent).

Concurrently, resident holdings of foreign bonds increased by USD 18 billion (up 17 percent), largely due to an upturn in holdings (USD 8 billion, up 8 percent) and rising prices of tradable bonds (USD 7 billion, up 7 percent).

Figure 3.10: Resident investment in foreign portfolio investments, by instrument
USD billion



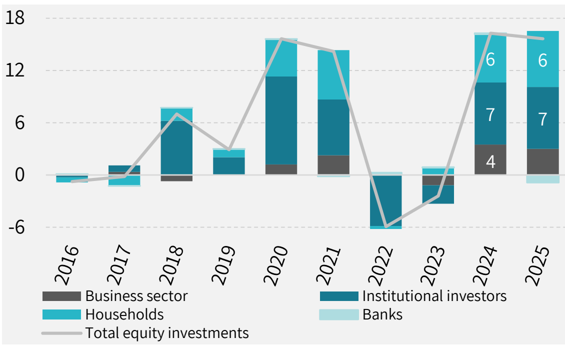
SOURCE: Bank of Israel.

Net resident investment in foreign equities continued on the heels of growth in 2024.

Large net investment in foreign equities was recorded in 2025, much as in 2024, and most of it was made by institutional investors and households (USD 7 billion and USD 6 billion), much as in 2024.

Institutional investors made net investments of about $7 billion, while households made net investments totaling about $6 billion.

Figure 3.11: Resident investment in foreign equities for the portfolio, by sector
USD billion



SOURCE: Bank of Israel.

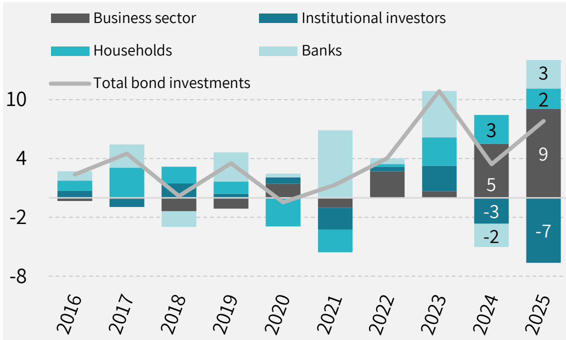
Net resident investments in foreign bonds showed stronger growth in 2025 than in 2024.

Most investment in foreign bonds was made by the business sector, (USD 9 billion, net) and by banks (USD 3 billion, net).

In addition, households invested USD 2 billion, net.

These investments were partly offset USD 7 billion in net realizations by institutional investors.

Figure 3.12: Resident investments in foreign bonds for the portfolio, by sector
USD billion



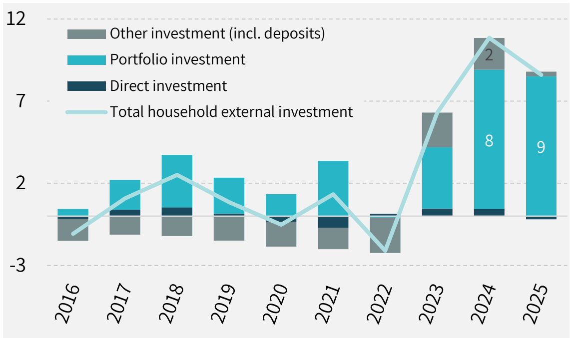
SOURCE: Bank of Israel.

Households showed conspicuous growth in net portfolio investments and increased their activity significantly in the past two years.

Households' net investment (including mutual funds) increased in all investment types, foremost securities for the portfolio at USD 9 billion, reflecting strong growth relative to the annual average in portfolio investment in the past ten years (USD 2.7 billion).

Further details on households' activity abroad can be found in the paper "Characteristics of Household Activity in Foreign Securities" in the papers section of the Statistical Bulletin 2025.

Figure 3.13: Households'* activity vis-à-vis abroad
USD billion



SOURCE: Bank of Israel.
*Including mutual funds

Net other investments grew, largely due to net deposits abroad.

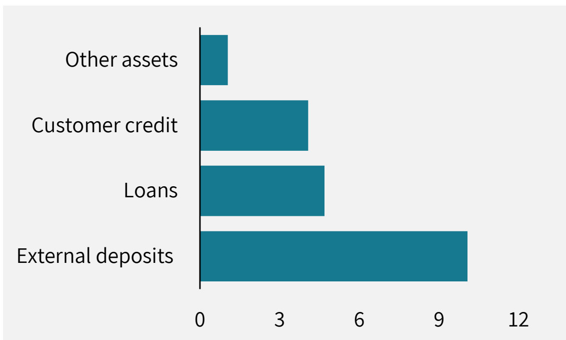
Residents' other investments increased by USD 20 billion in 2025.

Most investment was made in resident deposits (USD 10 billion); most net deposits were made by government and banks.

Residents also gave USD 5 billion (net) in loans to nonresidents.

Concurrently, customer credit increased by USD 4 billion.

Figure 3.14: Net other investments of Israeli residents abroad, by instrument
USD billion, 2025



SOURCE: Bank of Israel.

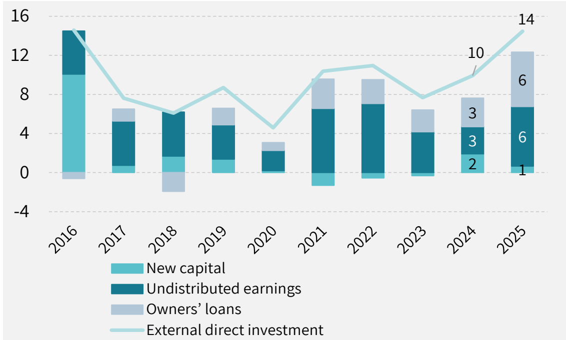
Residents' direct external investments in 2025 grew in 2025 relative to 2024.

Residents made USD 14 billion in' direct external investments, up NIS 4 billion from the previous year.

USD 6 billion in owners' loans were given, as against USD 3 billion in 2024.

Earnings accrued for reinvestment came to USD 6 billion, surpassing the 2024 level.

Figure 3.15: Residents' direct equity investments, by investment type
USD billion,2024



SOURCE: Bank of Israel.

Net foreign-exchange reserves ended the year at USD 230 billion, up USD 15 billion (7 percent).

The increase in Israel's foreign-exchange reserves traces to a USD 9 billion (4 percent) increase powered by rising foreign equity indices.

In addition, USD depreciation against other currencies contributed to a USD 8 billion (4 percent) increase.

Figure 3.16: Residents' direct equity investments, by investment type
USD billion

SOURCE: Bank of Israel.

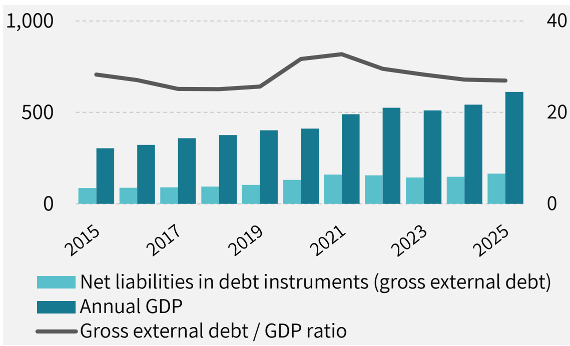
Gross external debt

The ratio of gross external debt to GDP[5] declined in 2025 because GDP increased more vigorously than did gross external debt.

The net gross external debt increased by USD 18 billion (12 percent) and GDP, in USD terms, grew by 12.7 percent.

These developments abetted a 0.2 percentage-point decrease in the gross external debt / GDP ratio to 27 percent at year's end.

Figure 3.17: Gross balance of external debt and ratio of external debt to GDP
USD billion



SOURCE: Bank of Israel.

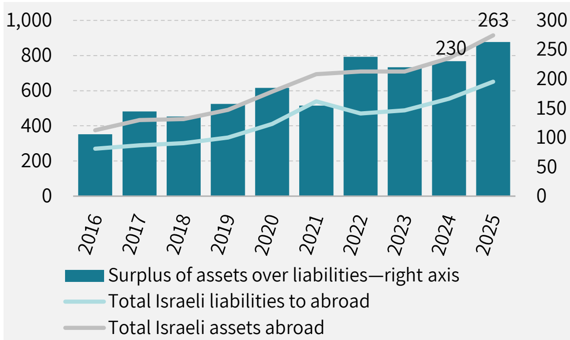
[5] Net liabilities in debt instruments only. For further details on definitions, explanations, and calculations relating to the external debt, see "Main Terms" at the end of this chapter.

3. Surplus of assets over liabilities

Israel's surplus of assets over liabilities vis-à-vis abroad continued to widen during 2025.

The stronger increase in net external assets (USD 130 billion) than in that of net liabilities (USD 97 billion) helped Israel's IIP to grow by USD 33 billion (14 percent), to USD 263 billion.

Figure 3.18: Israel's surplus of assets (+) over liabilities vis-à-vis abroad
USD billion



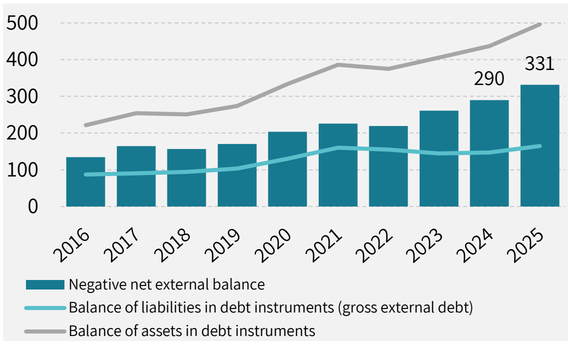
SOURCE: Bank of Israel.

Net external debt

Israel's net asset surplus in debt instruments (negative external debt[6]) increased in 2025.

Net assets in debt instruments increased by USD 59 billion (14 percent) in 2025 while net liabilities in debt instruments rose by USD 18 billion (12 percent). Accordingly, the International Investment Position in debt instruments only (negative external debt) increased by USD 14 billion; Israel has lent USD 331 billion to the rest of the world.

Figure 3.19: Surplus of assets over liabilities in debt instruments alone (net negative external debt)
USD billion



SOURCE: Bank of Israel.

[6] Israel has a positive International Investment Position, i.e., a net negative external debt. See explanation in "Sources of Data and Main Terms" at the end of this chapter.

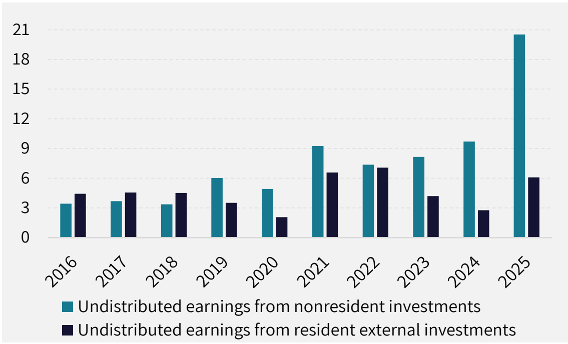
ZOOM IN

Nonresident Undistributed Profits from Nonresident Investments in Israel and Resident Investments Abroad

Undistributed earnings (net of subtraction of declared dividends) are earnings accrued from direct capital investments (direct investor's share in corporation's' accrued earnings, commensurate with their investments in the corporation's' capital) that have not yet been distributed to investors and are, retained by the corporation. According to the international definitions, accrued earnings are recorded as a withdrawal by investors that is reinvested in the corporation; therefore, they are included in direct capital investments. Accrued earnings are calculated only on direct investments in capital instruments and investment funds (and not on portfolio investments).

Undistributed earnings on nonresidents' direct investments in Israel have been growing in recent years. In contrast, undistributed earnings on resident external direct investments have been stable over the years.

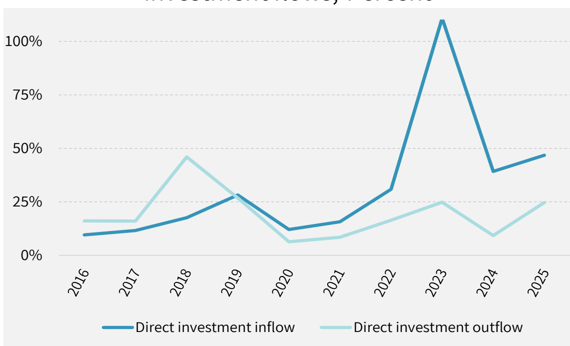
Figure 3.20: Undistributed earnings of residents abroad and of nonresidents in Israel, USD billion



SOURCE: Bank of Israel

The share of undistributed earnings in total nonresident investment inflows has been growing perceptibly and .came to 50 percent in 2025

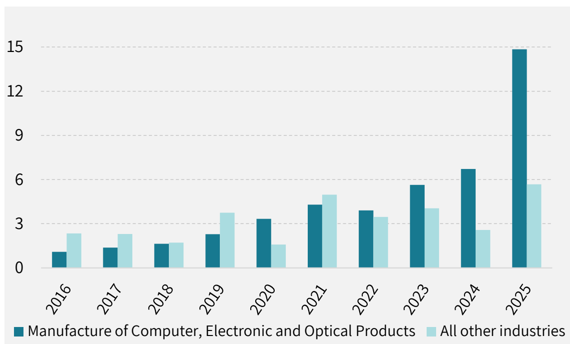
.Figure 3.21: Share of undistributed earnings in total investment flows, Percent



SOURCE: Bank of Israel

The past ten years have seen growth in undistributed earnings in the Manufacture of Computer, Electronic and Optical Products economic activity. This economic activity accounts for a large share of nonresidents' total undistributed earnings in Israel.

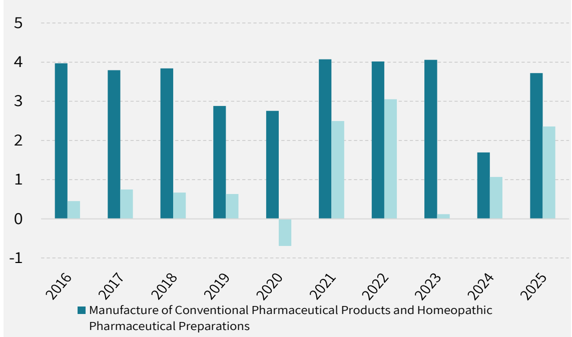
Figure 3.22: Undistributed earnings from nonresidents' direct investments in Israel, by economic activities , USD billion



SOURCE: Bank of Israel

Undistributed earnings from direct resident investments abroad have been stable for the past ten years, except for a dip in 2024. Even though earnings from Manufacture of Conventional Pharmaceutical Products declined in 2024, .this remained the dominant economic activity

Figure 3.23: Undistributed earnings from direct resident investments abroad, by economic activities, USD billion



SOURCE: Bank of Israel

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

$ million		Balance to the end of 2024	Transactions	Price changes	Exchange rate differentials and other adjustments	Balance to the end of 2025
Israel's Assets		**785,075**	**56,420**	**54,934**	**18,469**	**914,894**
of which:	Debt instruments*	436,844	29,978	15,862	13,584	496,267
Direct investments abroad		**113,695**	**14,468**	**253**	**-2,048**	**126,365**
of which:	Share capital and land	89,097	8,890	253	-2,048	96,189
	Owners' loans	24,598	5,578	0	0	30,176
Financial investments		**285,396**	**23,469**	**38,240**	**6,270**	**353,376**
of which:	Share capital	183,188	15,637	31,677	2,797	233,297
	Bonds	102,208	7,833	6,563	3,474	120,079
Other investments abroad		**173,748**	**19,884**	**7,561**	**2,881**	**204,071**
of which:	Deposits by Israelis (including banks)	31,041	10,070	-264	213	41,058
	Loans	37,834	4,693	683	1,247	44,458
	Customer credit	26,592	4,074	0	323	30,988
	Other assets	78,280	1,047	7,142	1,098	87,567
Reserve assets		**214,570**	**-2,269**	**8,880**	**8,327**	**229,508**
Derivative instruments		**-2,333**	**868**	**0**	**3,040**	**1,574**
Israel's Liabilities		**554,601**	**38,979**	**39,773**	**18,307**	**651,659**
of which:	Debt instruments	147,289	6,933	0	10,760	164,981
Direct investments		**265,340**	**26,223**	**7,199**	**-108**	**298,654**
of which:	Share capital and land	254,153	26,912	7,199	-60	288,204
	Owners' loans	11,187	-690	0	-48	10,450
Financial investments		**219,049**	**10,936**	**32,574**	**14,266**	**276,824**
of which:	Share capital	153,158	5,134	32,574	7,607	198,473
	Bonds	65,890	5,802	0	6,659	78,350
Other investments		**70,212**	**1,820**	**0**	**4,149**	**76,181**
of which:	Depsits by nonresidents and foreign banks	26,552	-890	0	3,835	29,498
	Loans	20,901	-578	0	487	20,810
	Suppliers' credit	22,759	3,288	0	-173	25,873
Net Liabilities**		**-230,475**	**-17,441**	**-15,161**	**-163**	**-263,236**
of which:	Net debt instruments	**-289,554**	**-23,045**	**-15,862**	**-2,824**	**-331,285**

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[7] 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[8]

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.

[7] 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).

[8] 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 right

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.