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INVEST

FOREIGN DIRECT INVESTMENT

Israel has a liberal investment system and most activities are open to both private national and foreign investors, ranking the country 15th among FDI-receiving nations worldwide. According to UNCTAD's [World Investment Report 2023](#), Israel's investment flow increased by 29.2% in 2022, reaching USD 27.7 billion. In the same year, the stock of FDI stood at USD 235.1 billion, around 45% of the country's GDP. Most of the FDI to Israel is directed towards manufacturing (especially for electronics equipment, like computers), information and communication, professional, scientific and technical activities, and financial and insurance activities. In terms of countries, the United States and the Netherlands are the main partners (U.S. firms account for nearly two-thirds of the more than 300 research and development centres established by multinational companies in the country). Furthermore, Chinese investment in Israel has grown rapidly in recent years, particularly in software, IT services and consumer electronics. According to OECD data, FDI flows to Israel amounted to USD 6.7 billion in the first half of 2023, down by 24% from the level recorded in the same period one year earlier (USD 8.8 billion).

Israel has a number of assets appealing to foreign investors, including a high-skilled and multilingual workforce and a strong R&D sector (at 5.6% of GDP, it has the world's highest R&D intensity, almost twice the OECD average of 3.01% - World Bank), advanced procedures and industrial technologies, governmental incentives and grants to foreign investors, a lean bureaucracy and a diversified economy. The hi-tech sector, especially start-ups, has attracted a great deal of foreign investment. However, the country's geopolitical environment is particularly unstable because of tensions with the Palestinian territories and support for American policy by Israel (albeit improvements have been achieved in diplomatic and commercial relations with Arab countries such as the UAE, Morocco, and – to a lesser extent – Saudi Arabia). The instability worsened in 2023 following the escalation of the conflict with Hamas. Moreover, trade barriers and monopolies have contributed significantly to the high cost of living and the lack of competition in key sectors (where an entity supplies more than 50% of the market, the government controls prices). Israel ranks 14th among the 132 economies on the [Global Innovation Index 2023](#) and 26th out of 184 countries on the [2023 Index of Economic Freedom](#).

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow <i>(million USD)</i>	23,109	21,486	27,760
FDI Stock <i>(million USD)</i>	184,312	226,590	235,151
Number of Greenfield Investments*	47	79	76
Value of Greenfield Investments (million USD)	1,524	2,816	1,706

Source: UNCTAD - Latest available data.

Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	Israel	Middle East & North Africa	United States	Germany
Index of Transaction Transparency*	7.0	6.4	7.0	5.0
Index of Manager's Responsibility**	9.0	4.8	9.0	5.0
Index of Shareholders' Power***	9.0	4.7	9.0	5.0

Source: Doing Business - Latest available data.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

WHAT TO CONSIDER IF YOU INVEST IN ISRAEL

Strong Points

Israel has many strong advantages for FDI:

- Israel is the country that invests the most in research and development in the world (5.4% of GDP in 2020, CBS)
- Highly skilled workforce, particularly in engineering and high technology
- Strong and stable private consumption
- Rising real wages
- Strong political stability due, on the one hand, to its stable democratic system and on the other hand to the political and financial support of the United States
- Israel discovered significant offshore reserves of natural gas, which would enable the country to reduce its energy dependence and create new development opportunities

Weak Points

Main obstacles to the country's economic development:

- Chronic instability linked to the regional political context. In particular, peace negotiations between Israel and the Palestinians are at a standstill
- The Israeli state has a very large public debt
- Labour costs are higher than the region's standards and a relatively high corporate tax are obstacles to investment in Israel
- Relatively small internal market

Government Measures to Motivate or Restrict FDI

Foreign investment is encouraged in Israel by the recently revised Investment Promotion Act. The recent amendment to this law adds a tax incentive program.

The government in place is also seeking to provide the necessary support to entrepreneurs and the entrepreneurial ecosystem: many start-ups are emerging in Israel, particularly in information and communication technologies (ICT).

The Law for the Encouragement of Capital Investments provides assistance in the form of grants and tax breaks to companies classified as "Priority Enterprise"

For further information consult the [Invest in Israel](#) website, which provides guidance on Israeli laws, regulation, taxes, incentives, and costs, and facilitation of business connections.

INVESTMENT OPPORTUNITIES

The Key Sectors of the National Economy

Value added sectors: high-tech, aeronautics, electronics, telecommunications, information, biotechnologies, etc. Security: biometry, surveillance and protection. Resources: treatment of raw water and desalination of water. Furthermore, Israel is ranked 1st for medical device patents and 2nd for medical device solutions per capita.

High Potential Sectors

Chemical industry, agro-technologies, semi-conductor industry, communication, environment, biotechnologies, security, natural gas.

Privatization Programmes

The [Government Companies Authority \(GCA\)](#) is the administrative agency for state-owned companies in charge of supervision, privatization, and implementation of structural changes. After several years of stalled progress, the privatization program has been revived since 2020. Among the sectors concerned are defence (Israel Aerospace Industries), transport (Port of Haifa) and postal service (Israel Post).

Tenders, Projects and Public Procurement

[Ministry of Economy and Industry](#), Mandatory Tenders Regulations

[Tenders Info](#), Tenders in Israel

[DgMarket](#), Tenders Worldwide

Sectors Where Investment Opportunities Are Fewer

Monopolistic Sectors

Electricity.

In the case of designated monopolies, defined as entities that supply more than 50% of the market, the government controls prices. For further information consult the website of the [Israel Competition Authority](#).

Sectors in Decline

Agriculture

Finding Assistance For Further Information

Investment Aid Agency

[Ministry of Economy and Industry](#)

[Israel's Investment Promotion Centre](#)

Other Useful Resources

[Doing Business with Israel - Ministry of Foreign Affairs](#)

Doing Business Guides

[Doing Business in Israel \(Thomson Reuters\)](#)

[Doing Business in Israel - World Bank](#)

[Doing Business in Israel - UHY](#)