



STATE OF ISRAEL
MINISTRY OF FINANCE

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DEPARTMENT

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Press Release

Israel Maintains Fitch's Credit Rating—Remains at A with Stable Outlook

Fitch joins S&P and Moody's, which recently re-affirmed the country's rating; Fitch expects Israel to be among the only 4 A-rated countries to exit the recession as early as 2009

Fitch Ratings re-affirmed Israel's credit rating today. The rating was left at A with Stable Outlook. This is a Long-term Foreign Currency Rating, which is the principal sovereign rating. The report is issued following the annual visit to Israel three months ago by the international rating company's representatives, during which they met with the Minister of Finance, the Governor of the Bank of Israel, and other senior officials in the public and business sector.

According to Finance Minister Dr. Yuval Steinitz: "The Fitch announcement shows that the fiscal measures which we have taken, together with the Bank of Israel's monetary measures, have proved their worth; the rebound in the Israeli economy is among the most rapid in the world. Israel is one of the few countries whose credit rating has been left unchanged. This is at a time when most western countries' ratings have been reduced as a result of the deficits which they have accrued. However, we must maintain a responsible budgetary policy and fiscal discipline, especially when exiting the recession. If we persist in doing so, we will be able to increase Israel's credit rating in the future".

According to the Accountant-General Shuki Oren: "The Fitch announcement complements recent months' announcements by S&P and Moody's, which also re-affirmed Israel's credit rating. The government's action during the recession and the cooperation between the Ministry of Finance and the Bank of Israel proved to be the right expedient, although the path to complete recovery and the resumption of rapid growth is still long.

Fitch representatives noted in their announcement that Israel fared better than many similar economies during the recession, suffering only a mild recession compared to peer countries in Europe and Asia.



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The company's representatives added that a sound economic policy and structural reforms since the last recession in 2001-2002 laid the foundations for strong growth in 2004-2008, which made the economy more resilient to shocks. Apart from Bahrain, China and Poland, Fitch expects Israel to be the only country among the A-rated countries to exit the recession as early as 2009. The company's representatives note that the Israeli economy's good performance largely derived from aggressive monetary policy and exchange rate policy as well as from a stable and trouble-free banking system, and from the fact that no asset bubbles developed in the economy. The representatives stated that the high-tech and services sectors displayed stability in the face of declining global demand resulting from the economic recession, with their exports leading to an unprecedented current account surplus in 2009.

The Fitch representatives added that the high debt-GDP ratio remains the principal constraint on Israel's sovereign rating, although rules-based fiscal policy in the form of an expenditure limit and a ceiling on the budget deficit adopted by the country served it well in recent years, and led to large drop in the debt-GDP ratio from 100% in 2003 to 78% at the end of 2008. Despite the high level of this ratio relative to the peer group median, it is not the highest among those countries. The representatives stated that the main impact of the global recession is on the tax revenue side.

The company's representatives noted the sound position of Israel's external accounts, the fact that it became a net lender to the rest of the world in 2008, and the growth in the foreign exchange reserves and the current account surplus.

Set out below is Israel's current rating by the international rating companies:

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