

ISRAEL

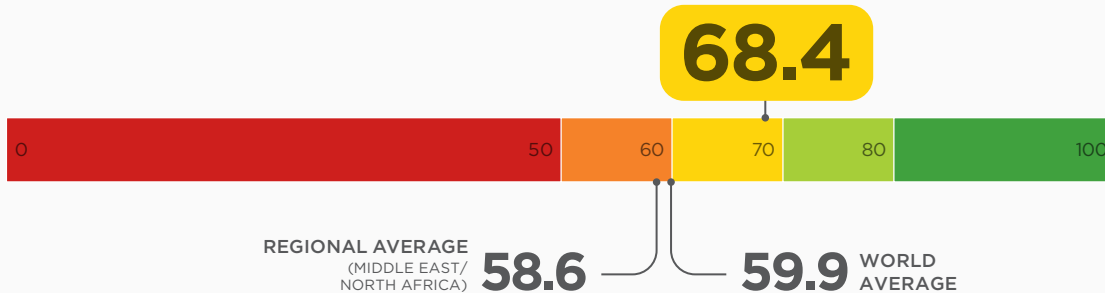
WORLD RANK: **41** | REGIONAL RANK: **4**

ECONOMIC FREEDOM STATUS: **MODERATELY FREE**

Israel's economic freedom score is 68.4, making its economy the 41st freest in the 2026 *Index of Economic Freedom*. Its rating has decreased by 1.5 points from last year, and Israel is ranked 4th out of 14 countries in the Middle East/North Africa region. The country's economic freedom score is higher than the world and regional averages. Israel's economy is considered "moderately free" according to the 2026 *Index*.

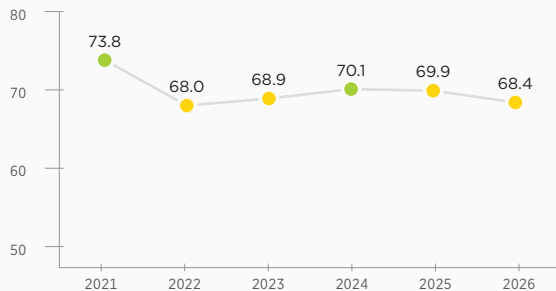
Despite an increasingly challenging security environment, Israel's economic competitiveness is anchored in strong protection of property rights and relatively low levels of corruption. The management of public finance still needs to be improved. Israel's regulatory framework promotes entrepreneurial activity, and its openness to global commerce supports productivity growth. The pace of regulatory reform has lagged slightly behind the pace in other emerging economies. The labor market needs more flexibility to accommodate rapid economic transformation. Despite upward pressures, inflation has been modest.

ECONOMIC FREEDOM SCORE



HISTORICAL INDEX SCORE CHANGE (SINCE 1995): +6.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
9.8 million

GDP (PPP):
\$540.6 billion
2.5% growth in 2025
3-year average growth rate: 1.8%
\$55,766 per capita

UNEMPLOYMENT:
3.2%

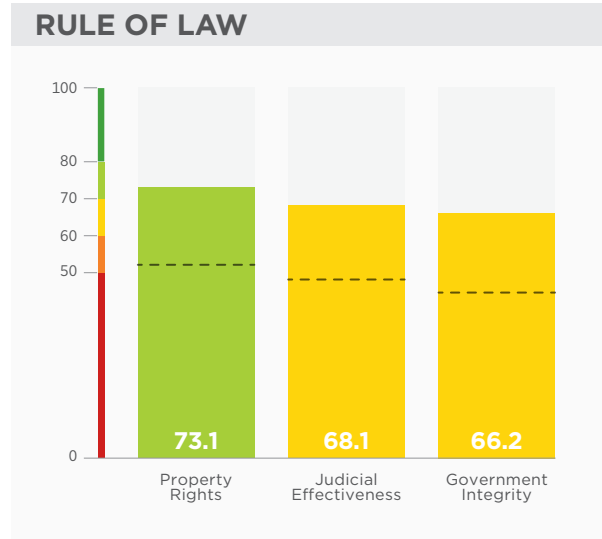
INFLATION (CPI):
3.1%

TRADE AS % OF GDP: 54.5%

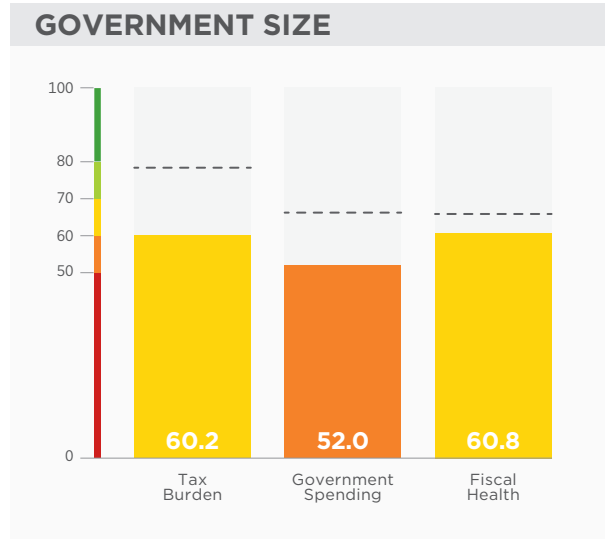
PUBLIC DEBT:
67.6% of GDP

2025 data unless otherwise noted. Data compiled as of January 2026.

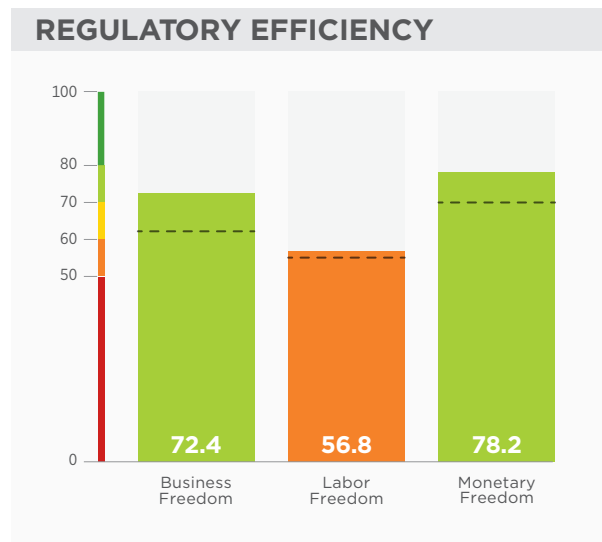
12 ECONOMIC FREEDOMS | ISRAEL



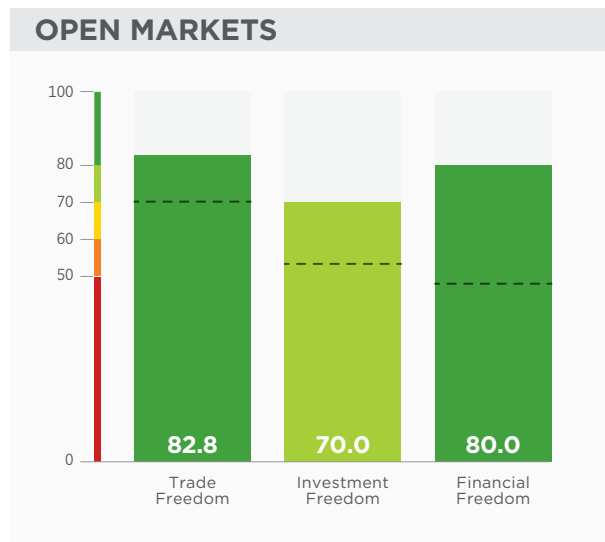
The overall rule of law is relatively well respected in Israel. The country's property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.



The top individual income tax rate is 50 percent, and the top corporate tax rate is 23 percent. The tax burden equals 30.9 percent of GDP. Three-year government spending and budget balance averages are, respectively, 40.0 percent and -4.3 percent of GDP. Public debt amounts to 67.6 percent of GDP.



Israel's overall regulatory environment is relatively well institutionalized but lacks efficiency. The country's business freedom score is far above the world average; its labor freedom score is above the world average; and its monetary freedom score is well above the world average.



The trade-weighted average tariff rate is 3.6 percent, and various nontariff measures are in force. Overall, Israel's openness to foreign investment encourages economic competitiveness and resilience. Banking remains concentrated, but commercial banks offer a range of financial services that support the private sector.