PRESS RELEASE

SRM releases the 2017 Report "Italian Business in Israel"

Israel: a strategic market in the Mediterranean area for Research&Innovation investments, agritech business and port logistics

- **There are around 4,000 Tech Startups and almost 300 Multinationals R&D Centers based in Israel.**
- **Israel has become a world leader in agricultural technologies. The export turnover of the Israeli agritech sector is estimated at $4bn a year. 230 agritech companies are active in Israel.**
- **Transport and logistics sector has an incidence of almost 12% on the economy of the Country, higher than the Italian figure (9.2%).**
- **99% by volume and 80% by value of imports/exports of the country is seaborne. Maritime transport is worth $157bn**
- **During the last 15 years, FDI stock in Israel has quintupled, crossing $100bn.**
- **According to SRM's estimates, FDI stock in Israel is set to reach almost $125bn by 2018.**
- **The Country has a high international openness (the incidence of exports+imports on GDP is 43.9%), although lower than the Italian one (48.1%).**
- **Total trade (imports + exports) between Italy and Israel accounts for $3.7bn; about 73% of Italy's trade with Israel is made by exports from Italy to Israel.**
- **Over the last 15 years, Italy's trade with Israel has grown by 55.3%.**

Naples, 4th July 2017 - SRM (an Economic Study Centre, based in Naples – Italy - and connected to the Intesa Sanpaolo Group) has released a new report titled "The Italian Business in **Israel**;" the report is part of SRM "Business Project," the main research programme (initiated in 2012) carried out by *SRM's Observatory on the economic relations between Italy and the Mediterranean*

Intesa Sanpaolo
Media Relations
Mobile: 3357438262
giovanni.labarbera@intesasanpaolo.com

SRM
Press Office
Phone: 081 7913758
a.panaro@sr-m.it - m.ripoli@sr-m.it

Countries. This series of studies has already published reports on Turkey, Tunisia, Morocco, Egypt and United Arab Emirates.

The Report, developed in collaboration with Intesa Sanpaolo, takes an innovative approach in the content of the analysis and the method by which this analysis has been carried out. It is based on three fundamental pillars that also represent the main parts of the study: 1) import-export relations between Italy and Israel; 2) the Agritech sector; 3) the shipping and port logistics sector. The latter two sectors are very strategic for Israeli economy.

Israel is a very interesting market, with a lot of opportunities to offer: its **per capita GDP** is higher than the one of Italy; there is **a huge portion of young people** (the weight of under 15s on the total population is double compared to Italy) and the fertility rate is very high. All this makes Israel a very dynamic country with interesting growth prospects, which **attracts capital and investment** from all around the world: the stock of **Foreign Direct Investment** in Israel is over $100bn and accounts for more than 36% of its GDP.

The main feature of the Country is its strong investment in research and innovation, two aspects that have become part of its "DNA." Investment in Research and Development in Israel is over 4% of its GDP – the highest percentage in the world - and the incidence of graduates on the 25-64 population is nearly 50%. There are also about 4,000 technology startups and nearly 300 Multinational Research Centers.

Israel is one of the world leaders in **agricultural technology**. The export turnover of the sector is estimated at about $4bn a year. Over the past few years, an annual amount of around $90m-100m has been invested on average in Research and Development activities, making Israel a world leader in allocating funds to this particular sector.

Particularly important **is the transport and logistics sector**, which is a key asset for the Country; it's worth mentioning that 80% of Israel's exports (in value) is shipped by sea. The sector accounts for about 12% of GDP (€157bn), a greater percentage than Italy. Moreover, it features three ports of strategic importance, two of which (Haifa and Ashdod) are highly affected by the Chinese strategic initiative, **Maritime Silk Road**, and, consequently, are a destination of Important **Chinese investment in infrastructure**.

The general manager of SRM, Massimo Deandreis, *states that "Israel is a Country that is progressively establishing itself as an economic power in the Mediterranean and in the global economic scenario. The value of foreign direct investment, which exceeds $100bn, China's interest in Israeli major ports and the high degree of innovation in the agri-food sector are the factors that make Israel a land of opportunity for those who want to increase their Business relations with this country. SRM, with this Report, wants to provide a useful analytical tool for anyone who wants to understand what Israel's main assets are, its economic relationship with Italy and how the Country is setting up its development strategies."*

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Key Points of the Report

Israel: a growing Country with a young population

- ✓ Israel is a small-sized Country – slightly more than 8 million inhabitants but with a young population (the under 15 account for more than 28% of the total population) and a high fertility rate (3.1 children per woman).
- ✓ The per-capita GDP of Israel (around $36,500) is higher than the Italian one and GDP growth has been 2.8% in 2016.

Research and innovation are two basic elements and two distinguishing features of the Israeli economic system

- ✓ **The investment in R&D** has an incidence of over 4% on Israel's GDP, compared to just 1.3% of Italy.
- ✓ The incidence of graduates on the population aged 25-64 is 48.8%, compared to 17.5% in Italy.
- ✓ In Israel there are 17.4 researchers each one thousand inhabitants, versus 4.9 in Italy.
- ✓ The incidence of ICT products on the overall goods export in Israel is 11.2%, while in Italy it is just 1.7%.

International Openness and Exports growth

- ✓ The Country has a **high international openness** (the incidence of exports + imports on GDP is 43.9%), although it is lower than the Italian one (48.1%).
- ✓ The average growth rate of export in the last twenty years has been higher in Israel (+6.8%) than in Italy (+4.1%).

Trade exchange between Israel and Italy

- ✓ Total trade (imports + exports) between Italy and Israel accounts for $**3.7bn**; about 73% of Italy's trade with Israel is made by exports from Italy to Israel ($2.7bn).
- ✓ The long-term trend is good: over the last 15 years (between 2001 and 2016), Italy's trade with Israel has **grown by 55.3%,**
- ✓ The international demand (imports) of manufactured goods from Israel is consistent (almost $50bn) and is on the rise.
- ✓ **Italy's manufacturing** still plays an important role in satisfying Israel's demand of goods (Italy's exports account for 5.3% of Israeli manufacturing imports). Among the examined European competitor Countries, only Germany has a better ranking, with a share of 7.6%. Over the decade, China has doubled its market share (from 7% to 16.1%).
- ✓ Italy has **a good position in the mechanical**, with a 7% market share. Italy's exports make up 6% of Israeli imports both for metals and intermediate goods. During the last 5 years, Israel registered an annual average growth rate for imports of 3.2%. During the next two years (2017-2018), the growth pace of imports in the area should stabilize at 2.5%.
- ✓ The value of exports of Italian manufactured goods in Israel is to increase by 12.4%, reaching almost $3bn in 2018.

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Foreign Direct Investment in Israel

- ✓ Israel encourages investments in the country by promoting economic growth and offering incentives to potential local and foreign investors. Investment incentives are outlined in the *Law for the Encouragement of Capital Investment* which was recently revised.
- ✓ During the last 15 years, FDI stock in Israel has quintupled, crossing **$100bn**, a similar value to that recorded by some important Countries of Middle East and North Africa, as Egypt ($94bn) and United Arab Emirates ($111bn). According to SRM's estimates, FDI stock in Israel is set to reach almost $125bn by 2018.
- ✓ Although Italy is not among the biggest investors in Israel, Italian investments have steadily grown over the last decade. Their stock now accounts for about **$600m** and is going to overcome $700m by 2018. German FDI stock in Israel is bigger than the Italian one: it now accounts for about $1.5bn.

Israel: a Startup Nation

- ✓ There are around 4,000 Tech Startups and almost 300 Multinationals R&D Centers based in Israel.
- ✓ Tal Aviv ranks 3rd in the world for availability of Tech talent, behind Silicon Valley and New York.
- ✓ Almost 50% of Startup investors is of foreign origin.
- ✓ High-Tech exits were valued at over $10bn in 2016, with more than 100 takeovers.
- ✓ Italy-Israel intergovernmental agreement of industrial, scientific and technological cooperation has stimulated about €22m investment since 2002, co-funding over 110 projects of joint industrial research.

Israeli agritech

- ✓ Israel has become a world leader in agricultural technologies. **The export turnover of the Israeli agritech sector is estimated at $4bn a year**. Approximately $90m/$100m has been invested annually on average over the past few years in R&D, making Israel a world leader in allocation of funds for R&D in the agritech sector.
- ✓ Dairy Farming. The annual cow-milk production is considered the highest in the world. The export revenues of the Israeli dairy sector are valued at $100m per year.
- ✓ Greenhouses. Israeli farmers grow an average of 300 tons of tomatoes per hectare per season in greenhouses, which is 4 times more than those grown in open fields.
- ✓ Water and Irrigation. Israel has constantly increased the use of treated water. Israeli irrigation industry production represents 30% of global drip irrigation market. Israel's desalination plants provide about 50% of the country's drinking water.
- ✓ Post-Harvest. Israeli technology allows savings of over $70m per year for Israeli exporters.
- ✓ Poultry Farming. The egg and poultry sector accounts for almost one-fifth of Israel's entire agriculture production.
- ✓ Seeds. Some 40% of European tomato greenhouses use seeds of a long shelf-life hybrid that was developed and first produced in Israel.
- ✓ Fertilizers and Crop Protection. The Israeli Company ADAMA Agricultural Solutions is one of the world's leaders in sales of crop protection products (pesticides).
- ✓ Aquaculture. Israel's semi-arid climate has encouraged intensive aquaculture. In 2015 the total aquaculture production in Israel account for almost 21,000 tonnes (+83% compared to 1980).

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Ecosystem of Agritech In Israel

- ✓ As of 2016, **230 agritech companies** were active in Israel.
- ✓ Research in agriculture. Volcani Center (Ministry of Agriculture and Rural Development), the Hebrew University - Faculty of Agriculture, the University of Tel Aviv, Ben Gurion University and Weizmann Institute are the main research centres for the sector.
- ✓ The investments in Israeli agritech companies have increased rapidly during the past few years, reaching $100m in 2015.
- ✓ Government. The expenditure of the Ministry of Agriculture and Rural Development on R&D in 2015 amounted to 13% of the total R&D expenditure by government ministries.

Port system and Maritime transport

- ✓ Transport and logistics sector has an incidence of almost 12% on the economy of the Country, higher than the Italian figure (9.2%).
- ✓ **99% by volume and 80% by value of imports/exports of the country is seaborne.**
- ✓ Maritime transport is worth **$157bn.**
- ✓ Goods traffic of Israeli ports amounts to 57 million tonnes. Average annual growth over the last 25 years: +4%.
- ✓ Container traffic amounts to 2.7 million TEU. Average annual growth over the last 25 years: **+6.6%**.
- ✓ Total investments planned for Haifa Bayport and Ashdod Southport: $4bn.
- ✓ Vehicles imported each year: about 300,000.
- ✓ ZIM: 16th carrier in the world by fleet capacity.

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