



Location Spotlight – Israel

Locations Insider™ (LI)

Market Report – October 2019: Complimentary Abstract / Table of Contents

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Membership information

- This report is included in the following research program(s)
 - **Locations Insider™**
- If you want to learn whether your organization has a membership agreement or request information on pricing and membership options, please contact us at info@everestgrp.com, unitedkingdom@everestgrp.com, or india@everestgrp.com

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- Accelerators™
- Analyst access
- Data cuts
- Pinnacle Model™ reports
- PriceBook
- Virtual Roundtables
- Workshops

Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

This report provides perspectives on key aspects of the global sourcing market in Romania


Israel | Quick snapshot




Israel

Mature location leveraged for delivery of advanced IT and R&D services, primarily to support the US and Europe

KEY FACTOIDS



72,000-77,000 annual tertiary graduates



Annual operating cost per FTE off 24-29% savings over the US

Current overview

- The global services market of Israel is large with the majority of FTEs located in Tel Aviv, Jerusalem, and Haifa, Israel
- Primarily leveraged for IT and digital services
 - Within IT services, companies typically support application development and maintenance (ADM), Research & Development (R&D)
 - Digital services include the delivery of services such as the Internet of Things (IoT), Machine Learning (ML), and Artificial Intelligence (AI)
 - Multiple instances of companies establishing their R&D and IT Center of Excellence (CoE) in Israel











Key drivers


- High-quality, experienced talent pool, with good multi-lingual ability to support languages such as Hebrew, English, Russian, and French and strong domain skills
- Well-developed infrastructure with high ease of doing business, highly innovative environment supporting complex technology and industry-specific services
- The highly favorable business environment with lower taxes and multiple government incentives

Key challenges

- Significant competition for technology talent in the hi-tech sector. Due to faster growth of hi-tech sector supply of local talent has not been able to keep up with growing demand
- Risks arising from the ongoing conflict with Palestine, and hostile relations with neighboring Arab countries; however, this has had limited impact on business operations in the past

KEY PLAYERS:





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Israel | Risk profile (page 1 of 2)

Strong infrastructure makes Israel an attractive destination for global services delivery

Parameter

Everest Group rating


Comments

Highly favorable

Favorable, some concerns


Least favorable

Geopolitical




- The government in Israel is fairly stable, but the frequency of elections in Israel has been a matter of concern. Elections in Israel have been held on an average in every 3.3 years since 1995 (instead of every 4 years)
- Israel has an average value of -0.88 point on the political stability index provided by World Bank, where -2.5 indicates weak political stability and 2.5 indicates strong stability
- Israel provides a favorable environment with increasing Foreign Direct Investment (FDI)
- Israel holds the 30th rank among 167 countries in the Democracy Index 2018 compiled by the Economist Intelligence Unit (EIU)
- Conflict with Palestine and hostile relations with the neighboring Arab countries threaten geopolitical stability in Israel

Macroeconomic



- GDP growth has remained consistent during 2013-2018 and is expected to grow at a modest approximate 3% during 2019-2020
- S&P has upgraded Israel's rating to AA- from A+, owing to low probability of fiscal slippage occurring in the upcoming months
- Israel holds the 25th rank among 29 advanced economies in Inclusive Development Index¹ report
 - It benefits from a high health life expectancy and has a high percentage of employment
 - Its unemployment is 4% of labor force which is very low as compared to many other Organization for Economic Co-operation and Development (OECD) countries


Infrastructure



- Global Competitiveness Index 2018 (World Economic Forum) ranks Israel at the 20th position out of 138 countries for the quality of its infrastructure
 - Israel has a score of 4.9 in the quality of overall infrastructure where 1 indicates extremely underdeveloped infrastructure and 7 indicates extensive and efficient infrastructure by international standards
- Offers good public transportation system (through extensive road, rail, and air network) and even better electricity and water infrastructure

¹ Inclusive Development Index measures how nations perform across a variety of categories of economic progress (GDP, GDP per capita, labor productivity, etc.)


Source: Everest Group (2019); EIU; World Bank; Moody's; interviews with market participants



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Research calendar – Locations Insider™

Published
 Planned
 Current release

Flagship Locations Insider reports

Release date

Location Spotlight – Guadalajara, Mexico	May 2019
Location Spotlight – Hyderabad, India	May 2019
Location Spotlight – San Jose, Costa Rica	May 2019
Location Spotlight – India	June 2019
Location Spotlight – Chennai	June 2019
Global Locations Annual Report 2019	September 2019
Location Spotlight – Egypt	September 2019
Location Spotlight – Czech Republic	September 2019
Location Spotlight – Morocco	October 2019
Location Spotlight – Romania	October 2019
Location Spotlight – Israel	October 2019
Location Spotlight – Trivandrum, India	Q4 2019

Thematic Locations Insider reports

Global Hotspots – Analytics in BFSI	May 2019
European Digital Services Talent Handbook: Prepare for Digital Disruption	June 2019
Global Handbook – Focus on Language Skills Availability Across the World	Q4 2019
Global Handbook – Focus on Cloud Skills Across the World	Q4 2019

Note: For a list of all of our published Locations Insider™ reports, please refer to our [website page](#).

Additional research references

The following documents are recommended for additional insight into the topic covered in this report. The recommended documents either provide additional details or complementary content that may be of interest:

1. **Global Locations Annual Report 2018: Service Delivery Portfolios in a Disrupted World** ([EGR-2018-37-R-2646](#)); 2018. The Global Locations Annual Report 2018 is a unique and comprehensive guide to understand the nuances of the global services locations' landscape and interpreting locations-related developments and trends to frame locations strategy. This report has three tenets – key trends shaping the landscape, risk watch, and locations PEAK Matrix. It presents insights into the size and growth of the global services market, update of locations activity, changes in risk profiles of locations, and an analysis of the relative maturity, arbitrage, and potential of locations for multiple functions
2. **Europe: Global Services Trends in Q2 2018** ([EGR-2018-35-R-2672](#)); 2018. Everest Group's Buyer Geography Trends report provides data, developments, and insights on outsourcing and offshoring trends for a particular buyer geography/region. These reports provide the research and analysis that enable users to navigate through complexity and make clear, effective decisions suited to their focus region
3. **Next-wave Location Profile – Morocco** ([EGR-2016-2-LP-1925](#)); 2016. This report analyzes Morocco and offers perspectives on global sourcing profile of the country, key opportunities, drivers, and challenges, along with an overview of talent availability, operating costs, and environment risks

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