רשות החדשנות
Israel Innovation Authority

Annual Report: The State of High-Tech | 2026

Preface

2025 will be remembered as a year in which Israeli high-tech once again demonstrated its unique strength to not only withstand external shocks with rare resilience, but also to flourish in times of uncertainty. Against the backdrop of two years of prolonged war on multiple fronts, geopolitical turbulence, and structural changes in global capital markets, Israeli high-tech has attained impressive peaks. Venture capital investments surged by 30% compared to 2024; exit value reached a record of approximately USD 84 billion; and Israel is now ranked as the fourth-largest hub in the world for fundraising, the first outside the United States. Additionally, after a decade of decline in the number of new companies, a rise in entrepreneurial activity was recorded in 2025, with approximately 775 new startups established in Israel.

Alongside these achievements, the importance of high-tech to the Israeli economy is becoming even clearer. This year, high-tech contributed to approximately half of the economy's growth, and its share of GDP reached a record high of 18.3%. In other words, high-tech is no longer merely a leading sector, but a pillar of the Israeli economy.

The data in the report presents a broader picture of the sector's maturation in recent years. In 2025, fundraising amounts increased alongside a decline in the number of funding rounds, indicating that most activity was concentrated in large-scale rounds for growth-stage companies. There was also a parallel increase in the value of IPOs and exits, as well as an expansion in the activities of Israeli technology companies, including growth in the number of acquisitions by Israeli companies and in multinational activity in Israel.

At the same time, Israeli high-tech is positioning itself as a leading player in two major technological revolutions: the artificial intelligence and deep tech revolutions. The report's data indicates that a significant portion of high-tech investment is directed to artificial intelligence, with approximately 32.5% of all investments in 2025 being allocated to Core AI companies. The deep tech field also continues to strengthen and was among the main drivers of growth in high-tech output, particularly in hardware, computing, and electronic equipment.

However, the strength of a mature industry also gives rise to phenomena that warrant examination. As Israeli companies expand and operate in global markets, the tendency to relocate part of their activity outside Israel may also increase. The data points to a decline in the share of employees and managers based in Israel and an increase in the number of relocations. These developments highlight that the challenge is not only to continue creating innovation, but also to ensure that this innovation continues to generate value and growth within Israel.

This is compounded by a macroeconomic factor with broad implications across the entire industry: the decline in the USD-NIS exchange rate. The ongoing erosion of the exchange rate directly affects the profitability of companies whose revenues are dollar-based while their expenses are denominated in shekels, shortens the runway of startups, and effectively increases employment costs in Israel relative to alternatives abroad. Since a central part of high-tech activity is export-based, this is a factor that directly affects the sector's performance and competitiveness.

Israeli high-tech operates within a complex geopolitical reality, characterized by a global race for technological superiority in artificial intelligence, quantum computing, synthetic biology, and other fields, as well as for control of supply chains for semiconductors, critical minerals, and more. Countries around the world have significantly increased their investments in R&D and in building international partnerships. For Israel, the ability to join the right alliances, create and deepen broad international collaborations, and maintain its position as a significant partner is a prerequisite for the continued leadership of Israeli high-tech.

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The Israel Innovation Authority continues to strive to strengthen Israel's position as an innovation powerhouse and to ensure its continued global leadership amid rapid changes in the technological, financial, and geopolitical environment. To this end, via its Startup Fund, the Authority invests in companies with high-risk, breakthrough innovation in the early stages of their activity; in venture capital funds via the Yozma Fund; and, through the Applied Research Fund and the R&D Infrastructure Fund, the Authority's investment focuses on preparing the ecosystem for emerging technologies. These measures, together with Israel's clear advantages, including leadership in R&D, a strong entrepreneurial ecosystem, a sophisticated investor and funding community, and proven technological capabilities, enable Israel not only to maintain its position but also to prepare for and lead the next wave of innovation.

At the center of this effort is the Startup Fund, launched in 2024. Its purpose is to provide a precise response to the financing needs of early-stage technology companies, particularly in deep-tech fields where the availability of private capital is insufficient. The fund operates by participating in funding rounds alongside the private market, aiming to enable companies to reach their next funding milestones while reducing risk. In line with this policy, the Authority is currently working to update the sums invested by the fund in order to reflect the increasing scale of funding rounds and enable optimal funding for companies while reducing risk for private investors.

At the same time, and following the investments made in recent years in R&D infrastructure for artificial intelligence, the Authority is advancing the AI strategy for Israeli high-tech. This strategy was published for industry feedback a few weeks ago. The underlying premise of this strategy is that excellence outweighs scale. Israel cannot compete with global powers in a race of scale, but it can and must lead globally in areas where innovation, specialization, and speed matter more than size. It is our belief that Israeli leadership should be maintained through action along four complementary axes: vertical AI applications in sectors where Israeli high-tech has a relative advantage; strengthening the AI Enablers layer, including semiconductors, communications, data centers, cyber, and others, where Israel has significant technological depth; creating leadership at the front line of technology, with an emphasis on Physical AI, where Israel has many advantages and an open window of opportunity for leadership; and geopolitical positioning that will ensure Israeli access to semiconductors, computing power, and international collaborations.

The report's findings reiterate that Israeli high-tech is built on strong foundations: high-quality human capital, breakthrough entrepreneurship, and a deep integration into global markets. The strength of Israeli high-tech over the next decade also depends on decisive government action. Consistent and large-scale public investments in Israeli high-tech, alongside the creation of an environment that enables innovation to flourish specifically from Israel, are the central strategic investments capable of ensuring Israel's continued economic growth.

Dr. Alon Stopel

Chairman of the Israel
Innovation Authority

Dror Bin

CEO of the Israel
Innovation Authority

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Overview: Israeli High-Tech in 2025

After two years of slowdown in Israeli high-tech, the data presented in this report reflects **recovery and return to a growth trajectory in the sector.** Despite a complex security and economic environment, the sector demonstrated exceptional resilience and once again proved its strength as the primary "growth engine" of the Israeli economy. High-tech output recorded an impressive growth rate of approximately 8.2%, reached a record share of 58% of total exports, and contributed to around 50% of the overall growth of the economy.

These indicators were accompanied by an increase of 30% in fundraising by Israeli high-tech companies in 2025, compared with 2024; a growth in the number of new high-tech companies to 775; and a record year for exits, with a total value of USD 84 billion in mergers, acquisitions, and IPOs. At the same time, the local high-tech ecosystem continued to establish itself and grow, with additional multinational companies entering the Israeli market and a continued increase in the number of foreign companies acquired by growing Israeli high-tech companies, reaching 81 acquisitions in 2025.

The picture emerging from the current report is not only one of quantitative recovery, but also of **a shift in the growth engines of Israeli high-tech**. While in the peak years of high-tech (2021-2022), the software development and high-tech services segment led the sector's growth, 2025 was characterized by renewed growth in the hardware segment ("high-tech industry"). After two years of slowdown in the growth of total high-tech output in 2023-2024, growth in the past year was led by hardware companies, whose output grew by NIS 16 billion (20.7%), a dramatic surge compared with previous years. This trend is also reflected in the composition of high-tech employment, with 8.9% growth in the number of employees in the hardware segments, while software services employment stabilized. It is still too early to assess whether this is a broad structural shift that will continue to affect high-tech output in the coming years.

The impact of artificial intelligence on the future trajectory of Israeli high-tech remains an open question. We are identifying early signs of AI's impact on labor productivity and on the structure of software companies: a significant increase in output per employee, reaching an average of NIS 793,000 per year, alongside stagnation in employee growth, particularly in the number of developers. In addition, AI has the potential to erode the competitive "moat" of existing software companies while lowering barriers to entry for new companies. This phenomenon may partly explain the increase in the number of new startups established this year (775 companies), following a decade of decline, alongside the continued dominance of the enterprise software segment among newly established companies.

The effects of artificial intelligence are not limited solely to enterprise software companies. Growth can also be seen in investments in companies across all fields that are developing solutions at the core of AI, from vertical models (Vertical AI) to enabling infrastructure in the worlds of chips and energy. The surge in demand for computing and chip infrastructures, which enable the AI revolution, may also explain part of the renewed growth in the hardware segment.

In terms of human capital, high-tech employs more than 400,000 people, with 2.5% employment growth in the sector, but the sector's share of total employment in the economy remained almost unchanged. The number of R&D employees declined for the first time, while product roles grew significantly. This trend correlates with greater efficiency in development work supported by AI tools and the expansion of Israeli companies' R&D departments outside Israel.

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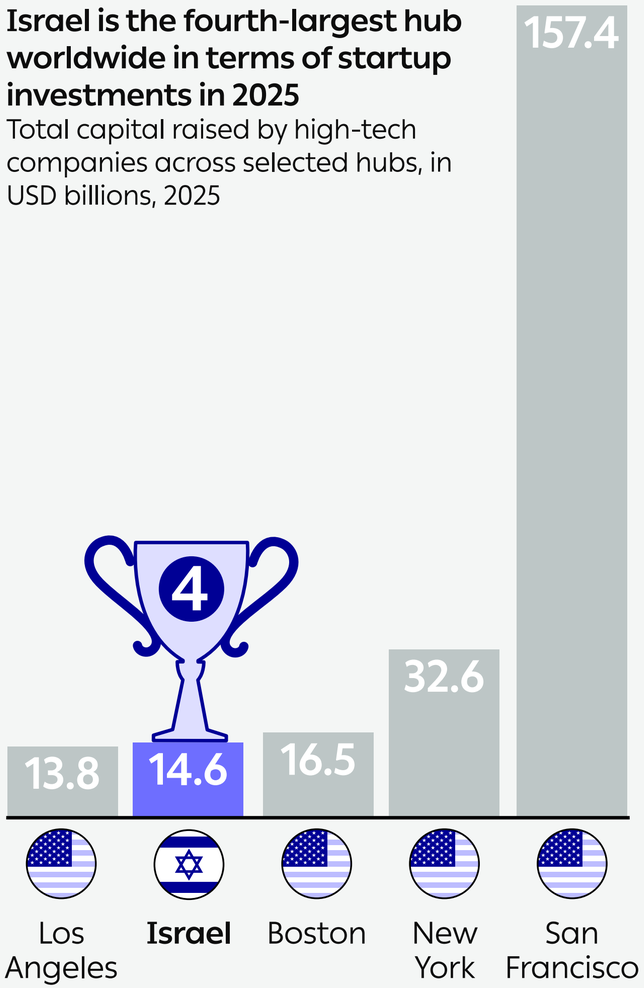
Alongside the strengths reflected in the report, several **significant challenges for the future are also highlighted:**

- **Exposure to exchange rate fluctuations:** The sector's dependence on exports (about 80% of high-tech output), and on investments denominated in US dollars creates extreme high-tech sensitivity to fluctuations in the USD-NIS exchange rate. The decline in this exchange rate in 2025, and even more so in 2026, eroded companies' profitability, as revenues remained dollar-based while salary and operating expenses remained shekel-denominated. This trend shortened the financial runway of many startups and led to a real increase in employment costs in Israel compared with alternatives abroad.
- **Concentration of Fundraising:** Fundraising amounts that were previously distributed among more than 900 companies are now concentrated in only about 500 funding rounds. This concentration has reduced the number of companies able to secure financing through equity investment. The impact is also reflected in the reduction in capital available to early-stage companies, as well as in the capital available to companies outside the cyber and enterprise software segments, where 55% of investments are concentrated.
- **Expansion of operations abroad:** Analysis of the six years examined (since 2019) reveals a consistent trend of Israeli companies expanding employment abroad. Beyond the expected growth in marketing, sales, and technical support departments, consistent growth was also recorded in core R&D roles and in the appointment of senior executive (C-Level) positions, primarily in the United States. This figure comes against the complex backdrop of 2023-2024, during which the number of high-tech professionals who left Israel for extended periods increased by more than 40% compared with 2022.
- **The gap from the long-term trend:** Despite growth in 2025, a gap of approximately NIS 19 billion still exists between current high-tech output and the expected growth trajectory had the pre-2023 trend continued uninterrupted.

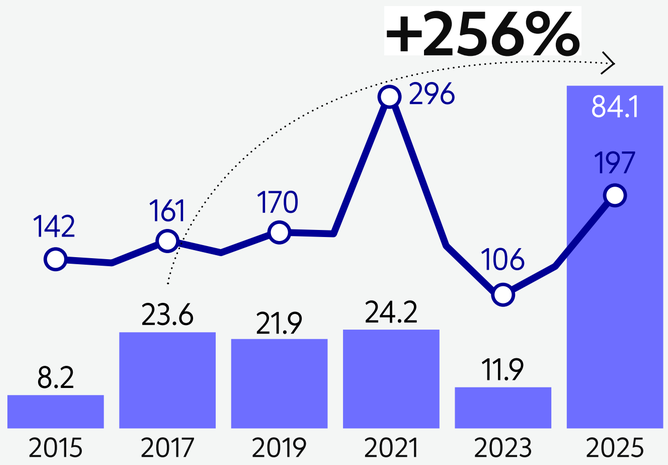
In the coming years, the most critical questions for Israeli high-tech will focus on preserving the attractiveness of economic activity in Israel and on the sector's ability to adapt to the rapid pace of change driven by the AI era and geopolitical developments. In this context, it will be necessary to assess whether the trends of expansion and relocation of activity abroad indicate a healthy process of maturation and globalization, or whether they constitute a warning sign that reflects a deliberate reduction of activity in Israel, and how these processes will affect the future of employment and ecosystem development in Israel. Ultimately, the major test will be whether Israeli high-tech can once again demonstrate the rapid structural agility that characterized it in the past, leading in the critical axes of technological value creation and rebuilding the "moat" of Israeli high-tech in the face of intense global competition.

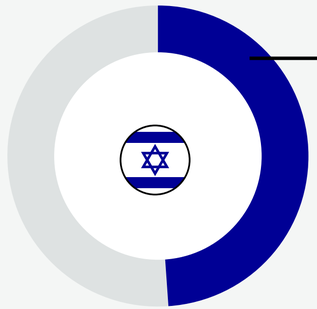
Key Trends in Israeli High-Tech

Israel is the fourth-largest hub worldwide in terms of startup investments in 2025
Total capital raised by high-tech companies across selected hubs, in USD billions, 2025



2025 was a record year for exits
Number of exits and deal value, in USD billions



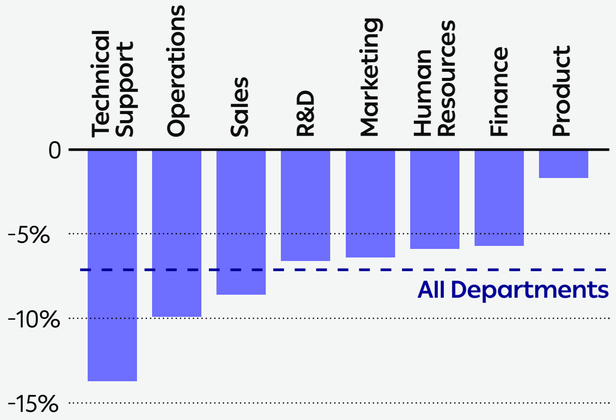


49% of Israeli high-tech companies sold in 2025 were acquired by other Israeli high-tech companies

Growth in Israel Alongside Global Expansion

More than 500 multinational companies have begun operating in Israel since 2000, **including 35 companies in 2025 alone**

Over the past six years, high-tech companies have expanded their activity abroad, mainly in the U.S
Change in the share of employees in Israel out of all employees in Israeli high-tech companies, by department, (in percentage points), March 2026 vs. January 2019



Potential Impacts of Artificial Intelligence

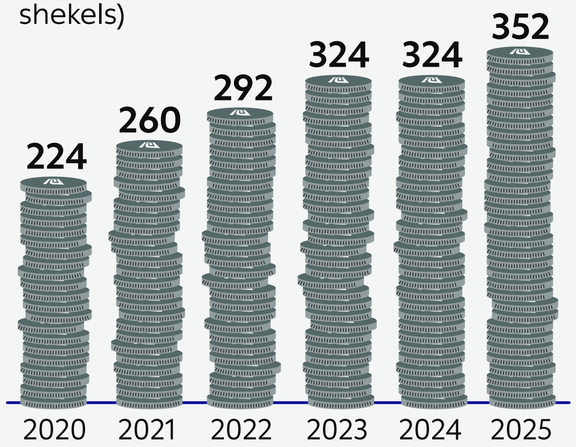
In 2025, high-tech employees were:

11.3%
of all employees in the economy

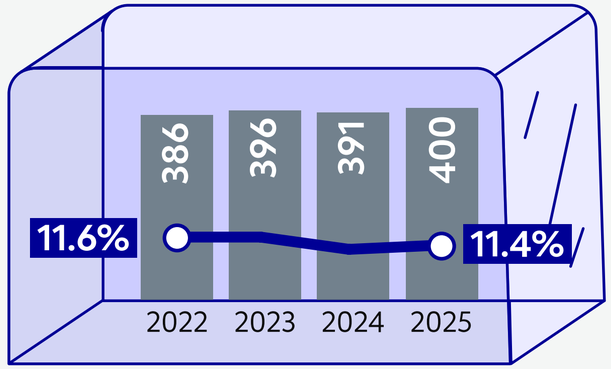
contributing to

50%
of economic growth

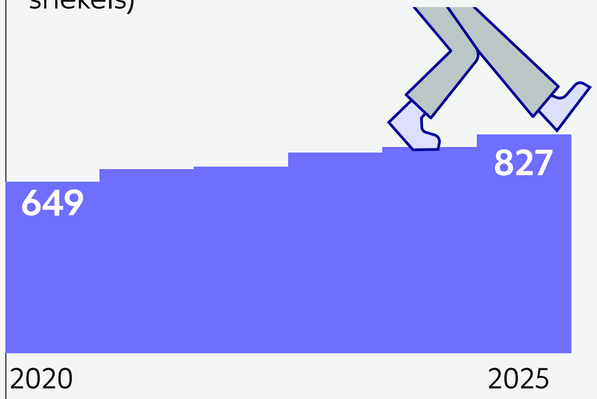
8.2% Real Growth In High-Tech Output
High-tech output per year (Billions of shekels)



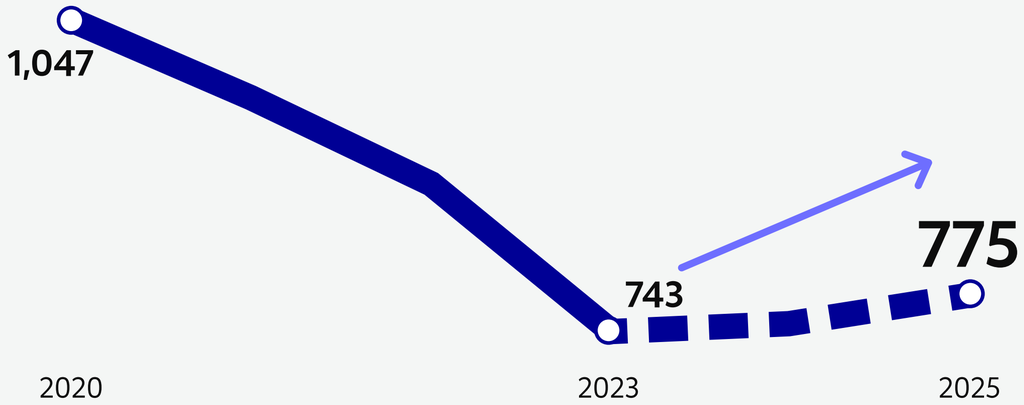
Stagnation In The Share Of High-Tech Employees Out Of All Employees In The Economy
Number (Thousands) and share of high-tech employees



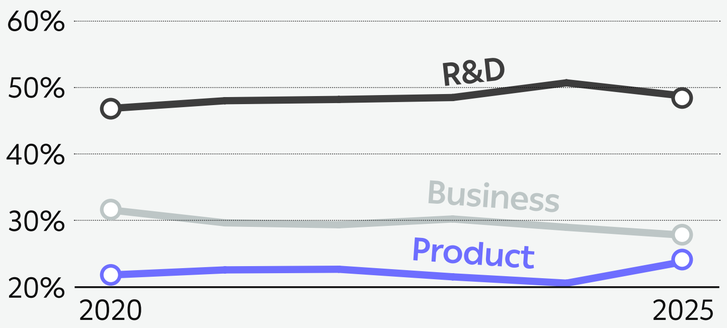
Increase In Average Output Per Employee
Average annual output per employee in high-tech segments (thousands of shekels)



Change In The Composition Of High-Tech Employees - For the first time, a decline in R&D jobs and an increase in product jobs
Share of high-tech employees by role out of all high-tech employees



Increase In The Number Of New Companies - 775 companies in 2025
Number of technology companies founded annually in Israel



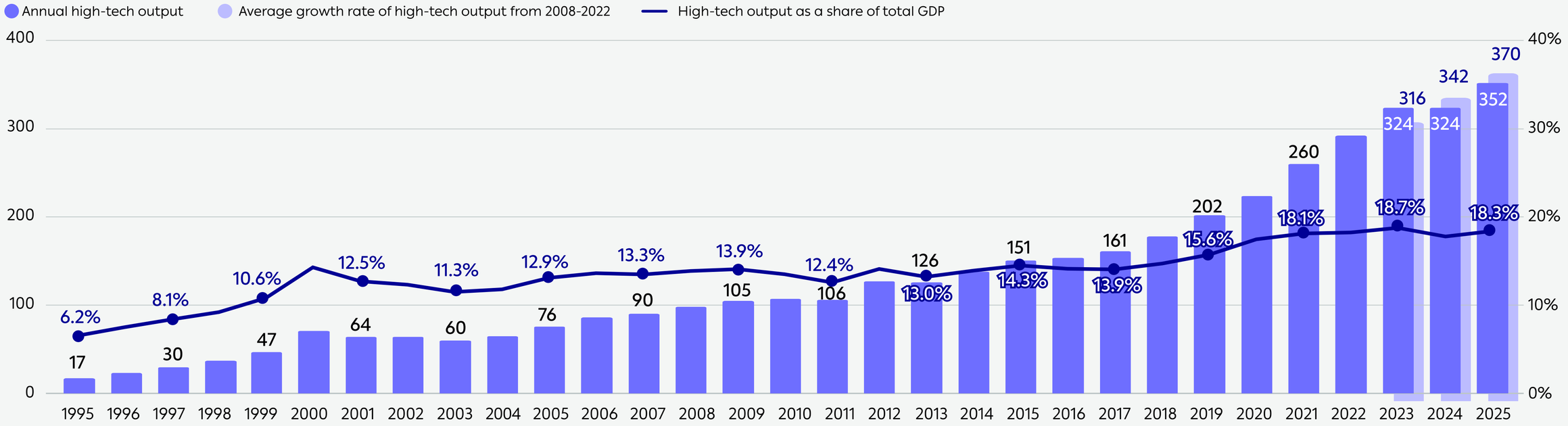
A decline of
↓3,500
R&D employees
in Israel and an increase of
↑15,000
product employees
in 2025

In 2025, High-Tech Output Grew in Real Terms By 8.2% And Contributed 50% To Economic Growth

In 2025, high-tech output totaled NIS 352 billion, up in real terms 8.2% from 2024 (NIS 324 billion). High-tech output also increased as a share of GDP. **In 2025, high-tech accounted for 18.3% of GDP,[1] 0.6 percentage points higher** than in 2024 (17.7%). In addition, **high-tech output contributed to 50% of the total growth in Israel's GDP** (1.44% out of a total of 2.9%). This compares to a negative contribution to GDP growth in 2024 (-0.1%).

Real annual growth in high-tech output averaged approximately 6.5% between 2008-2022, however this rate declined to an average of 1.9% during 2023-2025. Consequently, despite the recovery in the growth rate of high-tech output over the past year, a gap of NIS 19 billion remains between current output and the expected level had the historical growth rate been maintained.

Annual Israeli High-Tech Output (billions of shekels, current prices) and its Share of Israeli GDP



Source: Innovation Authority adaptation of CBS data
Including startups; excluding communications (sector 61) and public R&D (sectors 720 and 721)

1 The calculation of high-tech's share of GDP is based on CBS estimates, which may be revised retrospectively up to four years each year. As a result, high-tech's share of GDP in recent years is slightly lower than the preliminary estimates published for 2023 and 2024.

Most of the Growth in High-Tech Output in 2025 Came from Hardware

The increase in high-tech output in 2025 compared to 2024 was driven primarily by hardware manufacturing (computers, electronic and optical equipment). This segment's output increased by NIS 16 billion in 2025, in contrast to the years 2022-2024, during which this figure increased by no more than NIS 1.5 billion annually.

Even so, high-tech industry – including the hardware segment – accounts for only 31% of total high-tech output whereas high-tech services, that includes software development (computer programming, computer consulting, and related services), account for 69% – more than twice the share of hardware.

Alongside the growth in most high-tech segments, a decline of more than 10% was registered in the output of the pharma and drug manufacturing sector in 2025 (a decline of NIS 733 million compared to 2024).

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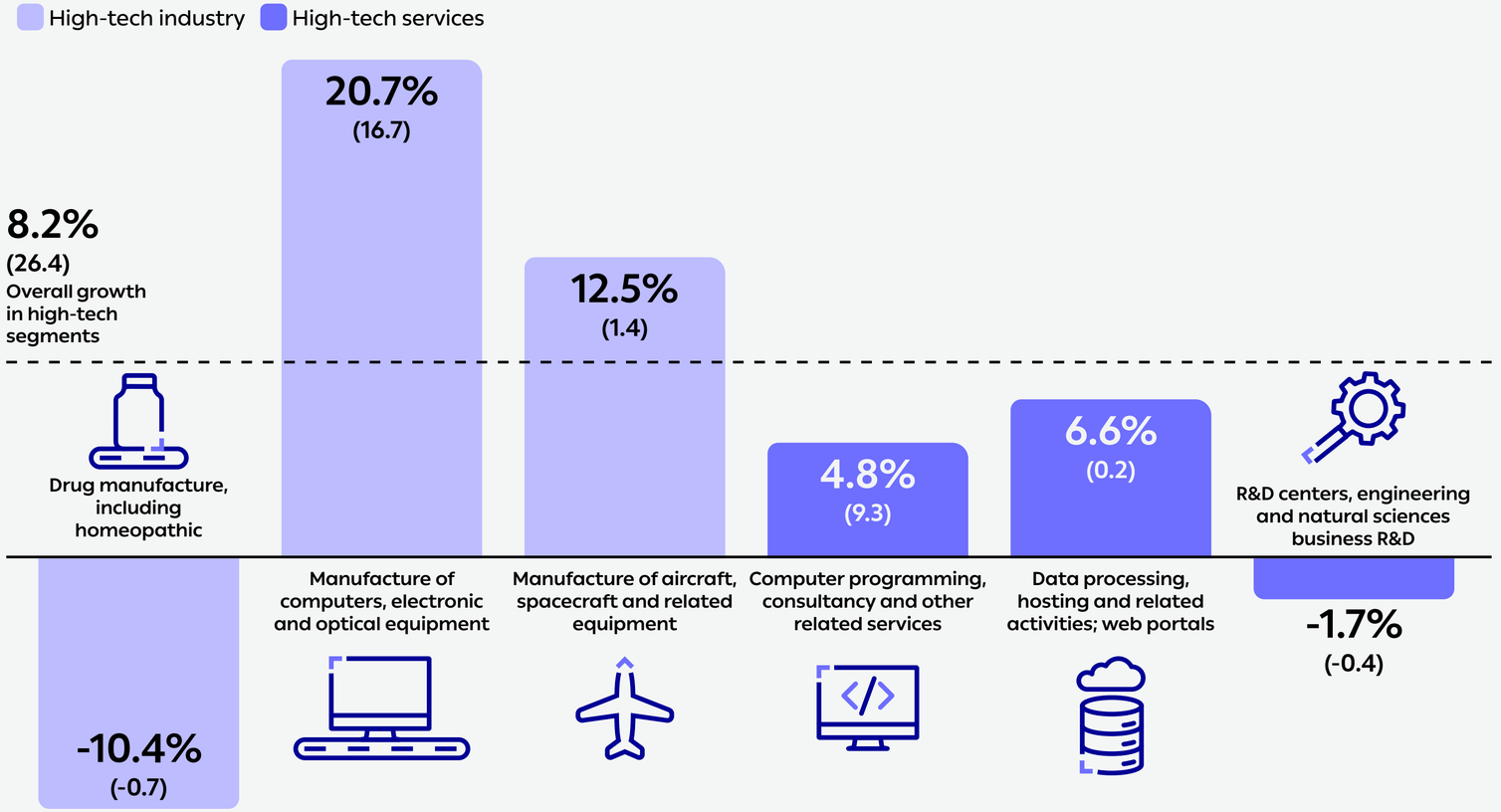
Change in Output of High-Tech Segments by Economic Sector in 2025 (%, and billions of shekels), Compared to 2024



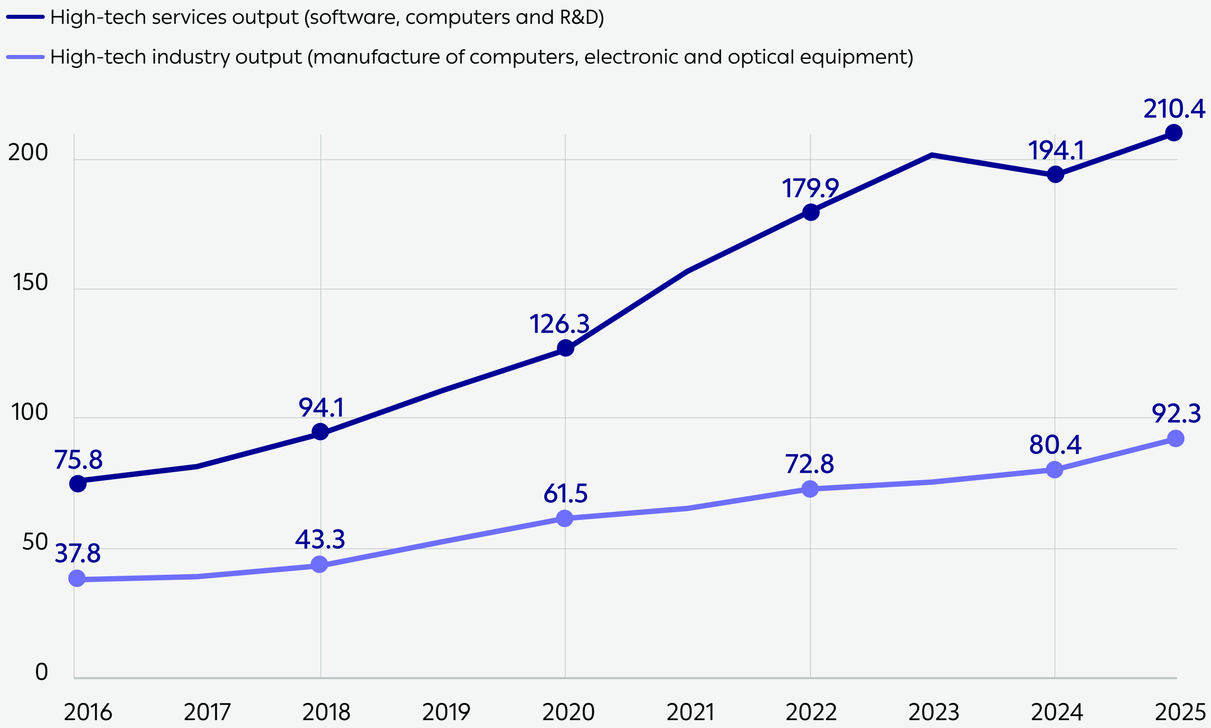
Source: Innovation Authority adaptation of CBS data

Most of the Growth in High-Tech Output in 2025 Came from Hardware

Alongside the growth in high-tech industry's output, a marked increase of NIS 9 billion was recorded in the output of high-tech services (computer programming, consulting, and related services), following a decline of NIS 18.4 billion in this segment in 2024.

Between 2012-2022, the Israeli economy enjoyed significant growth in high-tech software. During the decade preceding 2023, this segment grew at an average annual rate of 11%. A decline in growth rates can be detected from 2023, starting with a growth rate of just 3.22% in 2023, followed by negative growth of -9% in 2024, and growth of 4.8% in 2025.

Change in High-Tech Output and its Main Segments (billions of shekels, current prices)

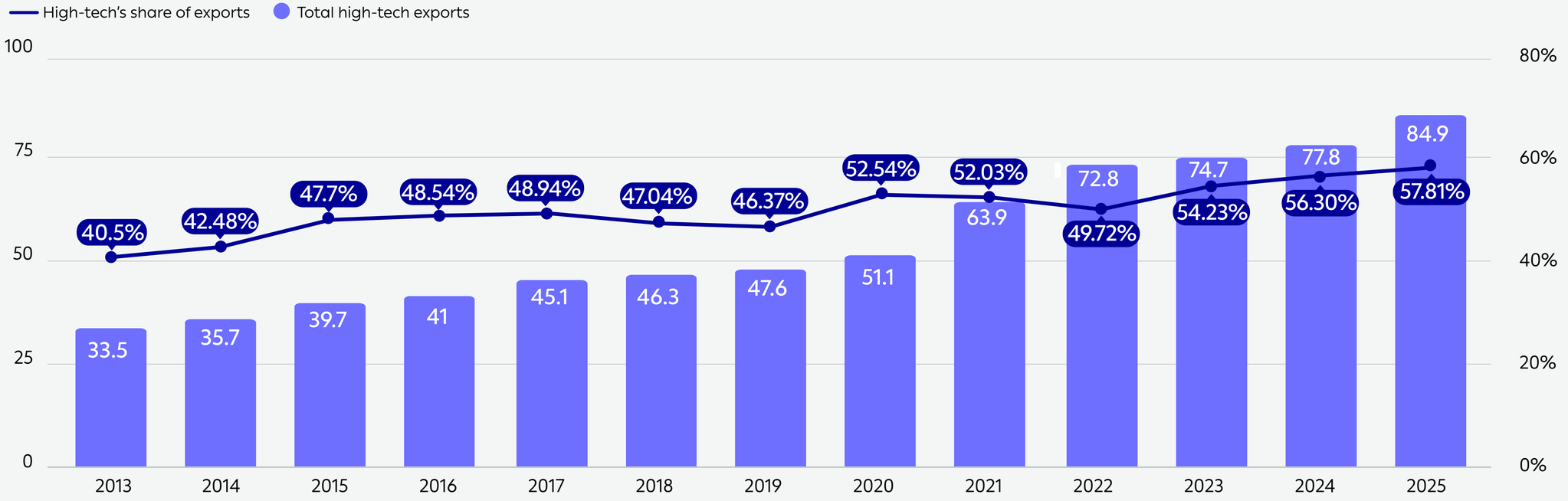


High-Tech's Share of Exports Continues to Grow, Reaching 58%

Israeli high-tech exports have increased over the past decade, reinforcing the sector's position as the central component of Israel's foreign trade. Data for 2025 reflects exports totaling USD 85 billion, approximately 58% of the economy's total exports. **This trend is driven primarily by the expansion of high-tech services exports, including software, data processing, storage, and related services.**

Exports of high-tech services have increased by USD 42 billion over the past decade, becoming the dominant component (74%) of total exports in the sector. By comparison, exports of high-tech goods (hardware, pharmaceuticals, and aircraft) increased by only USD 1 billion during this period.

High-Tech Exports (billions of dollars) and Their Share of Total Israeli Exports



Source: Innovation Authority adaptation of CBS data

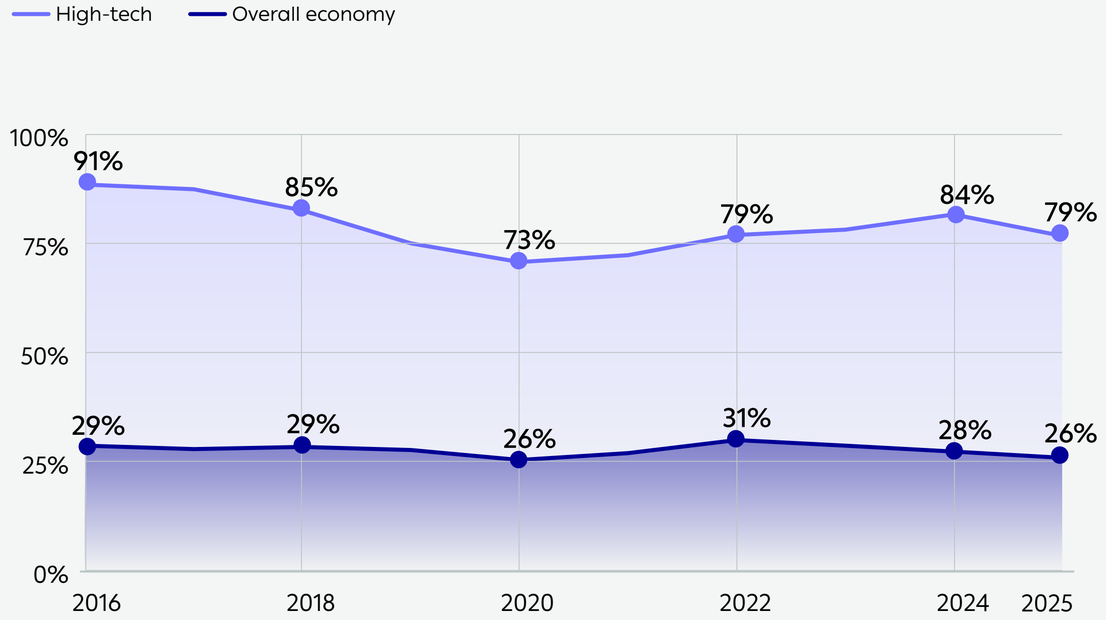
Exports Account for 79% of High-Tech Output

High-tech output relies heavily on exports. While exports account for only 26% of GDP across all sectors of the economy (including high-tech), high-tech exports account for nearly 79% of the sector's output. This figure demonstrates **the sector's dependence on Israel's international ties and its exposure to exchange-rate fluctuations.**

For example, a change in the USD/NIS exchange rate from an average of NIS 3.7 in 2024 to an average of NIS 3.45 in 2025 resulted in a decline of NIS 21 billion in high-tech output in 2025 (equivalent to 1.1% of GDP). This exposure is concerning due to the continued decline in the exchange rate to NIS 2.9.[2]

The sector's dependence on international activity was also reflected in the Innovation Authority survey distributed to companies during Operation 'Roaring Lion'. According to the survey, 35% of companies reported significant disruption to continued operations due to restrictions on international flights, which prevented meetings with customers and investors.

Exports as a Share of GDP: The High-Tech Sector and the Overall Economy



Source: Innovation Authority adaptation of CBS data

2 This calculation is solely for illustration and does not take into account other influences of USD depreciation including: cheaper import of goods and services for high-tech - which somewhat mitigates the phenomenon described here - and increased prices of Israeli products globally, that may reduce consumption of high-tech goods and services from Israel, thereby increasing the impact of the lower exchange rate on reduced output.

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Israel Innovation Authority

Part 1

High-Tech Employment

More than 400,000 Employees in Israeli High-Tech in 2025: An Increase of 2.3% Compared to 2024

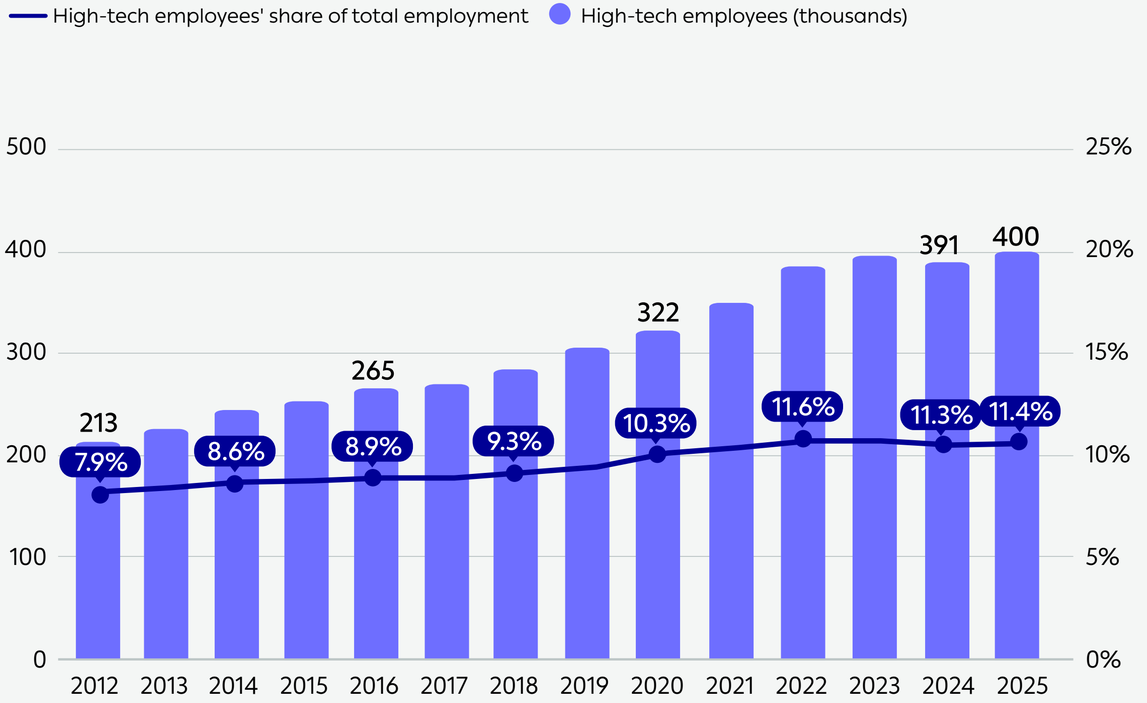
The number of employees in Israel's high-tech sector increased from **210,000 in 2012 to 400,000 in 2025**. This followed a slight decline in 2024, when the number of high-tech employees stood at **391,000**.

Alongside the increase in employment, this is the third consecutive year with a downturn **in the growth rate of high-tech employment**, following a decade of average annual growth of 6% between 2013-2022. Over the past three years, **the average growth rate declined to 1.3% per year, a figure lower than the average annual growth rate of all employees in Israel (aged 25-64), which stood at 1.8% during this period**. In other words, after several years in which high-tech employment grew rapidly, recent years have seen a slower growth rate than in the rest of the economy.

The share of high-tech employees out of all employees in Israel increased from 7.9% in 2012 to a peak of 11.6% in 2022-2023. It then stabilized at around 11.3% in 2024 and 11.4% in 2025.

The downturn in the sector's employment growth rate, first recorded in 2023, comes amid global trends of declining investment in high-tech and an ongoing security reality that impairs the sector's activity. Furthermore, the past year may have demonstrated the initial impact of Artificial Intelligence, although it is still too early to determine whether this is a structural and permanent change or one driven by other temporary factors.

No. of High-Tech Sector Employees and Their Share of Total Employment in Israel



Source: Innovation Authority adaptation of CBS data
The data refers to employees in the prime working ages of 25-64

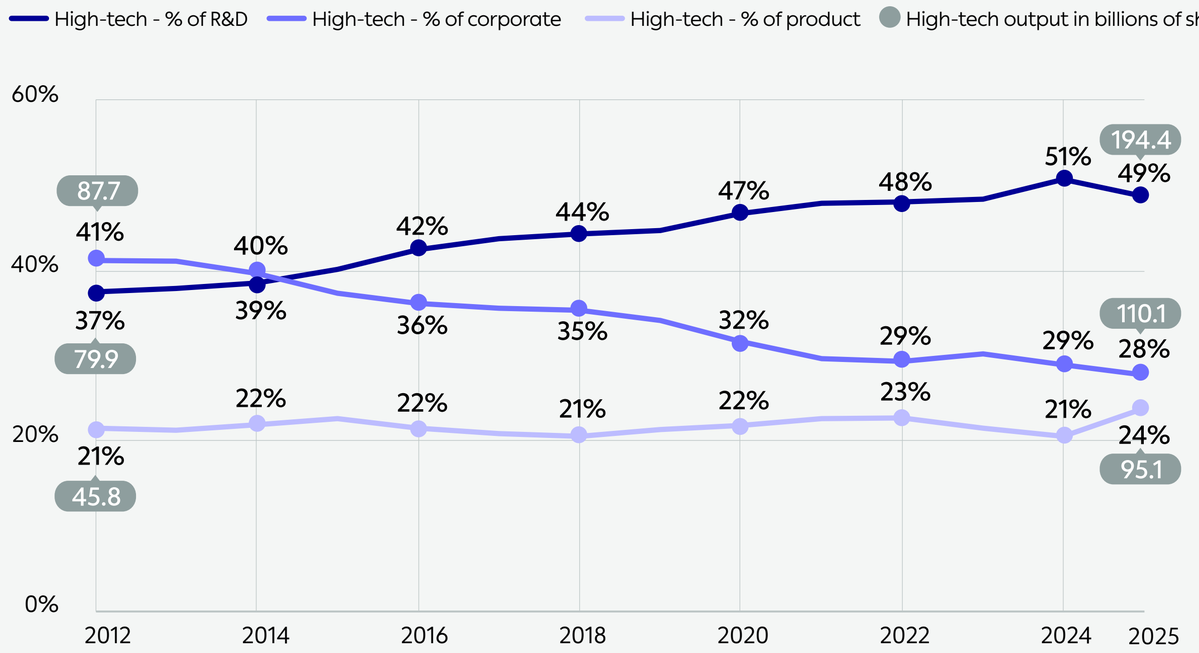
For the First Time in a Decade: A Decline in the Number of High-Tech R&D Employees

While the share of high-tech employees of all employees in Israel remained almost unchanged, there was a slight shift **in the mix of roles within the sector in 2025. R&D roles remained dominant,** accounting for 49% of high-tech employees (about 194,000 R&D employees). However, **there was a moderate decline in both the number and share of employees in these roles:** approximately 3,500 fewer employees than the previous year, and a decline of 2 percentage points in their share of the sector, **from 51% of high-tech employees in 2024 to 49% in 2025.**

At the same time, **employment in product roles increased** by 15,000 in 2025. The relative share of these roles rose to 24% of all high-tech employees, compared to 21% in 2024. By contrast, the moderate downward trend in corporate roles continued, both in the number of employees and in their relative share, totaling 110,000 employees, who accounted for 28% of high-tech employees.

The change in the ratio of R&D to product employees **may be a one-time event or signal a gradual shift in the mix** of employees required in the sector. Although this cannot be determined based on a single year's data, the introduction of Artificial Intelligence tools that streamline development work may explain part of the change.

Share of High-Tech Employees and High-Tech Output, by Job Type



Source: Innovation Authority and Aaron Institute adaptation of CBS data
The data refers to employees in the prime working ages of 25-64

R&D roles: ICT service managers, electrical and electronics engineers, software developers and applications analysts.

Product roles: Product manager, user experience specialist; Design sub-cluster - designers in various specializations, business analyst.

Business / corporate roles: Marketing, sales, customer success, human resources (HR), legal, finance, management and operations.

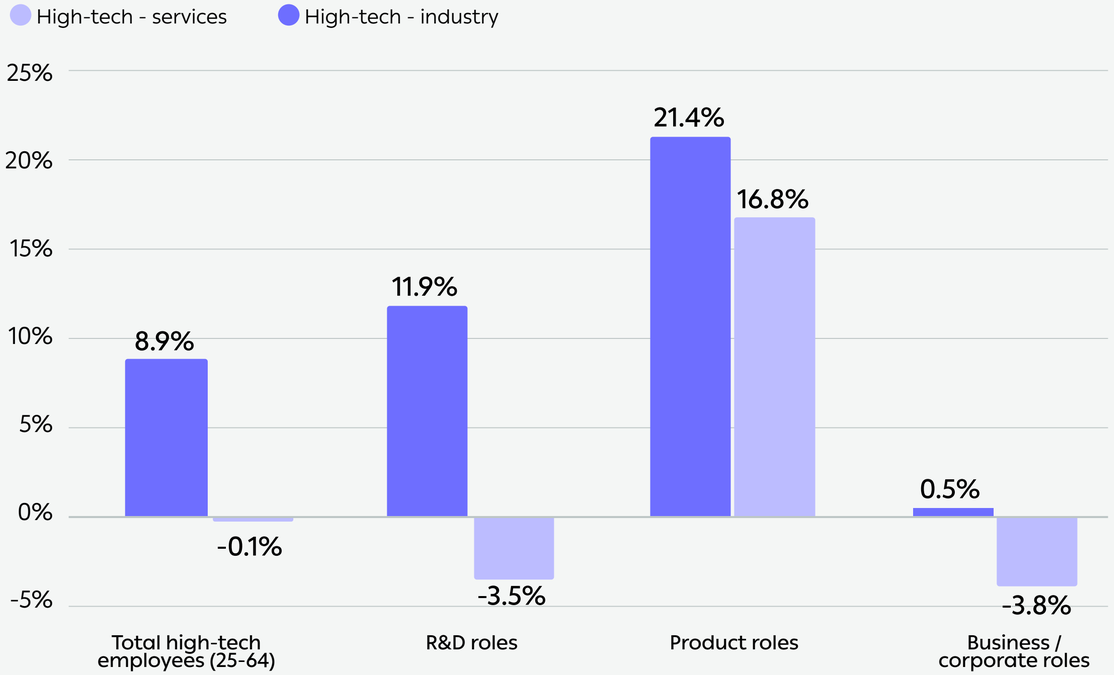
Increased Employment of R&D Personnel in High-Tech Manufacturing Companies

Israeli high-tech is software oriented. Approximately 70% of high-tech employees are employed in the high-tech services segment, which includes software companies. Nevertheless, most of the growth in high-tech jobs in 2025 was driven by increased employment in high-tech industry (hardware). This reflected an increase of 8.9% to 119,000 employees in 2025, alongside an 0.1% decline in high-tech services employees (software) to 280,000.

The gap is particularly evident in **R&D** roles which rose by **11.9%** in high-tech industry to reach **25,000 employees**, while declining by **3.5%** in high-tech services to **169,000 employees**. Product roles increased in both segments, but at a higher rate in high-tech industry: about **21.4%** annual growth compared to about 16.8% in high-tech services.

These trends also align with the growth in high-tech industry output in 2025.

Change in Employment in High-Tech Sectors by Role, Service Sectors and Industrial Sectors, 2025



Source: Innovation Authority and Aaron Institute adaptation of CBS data

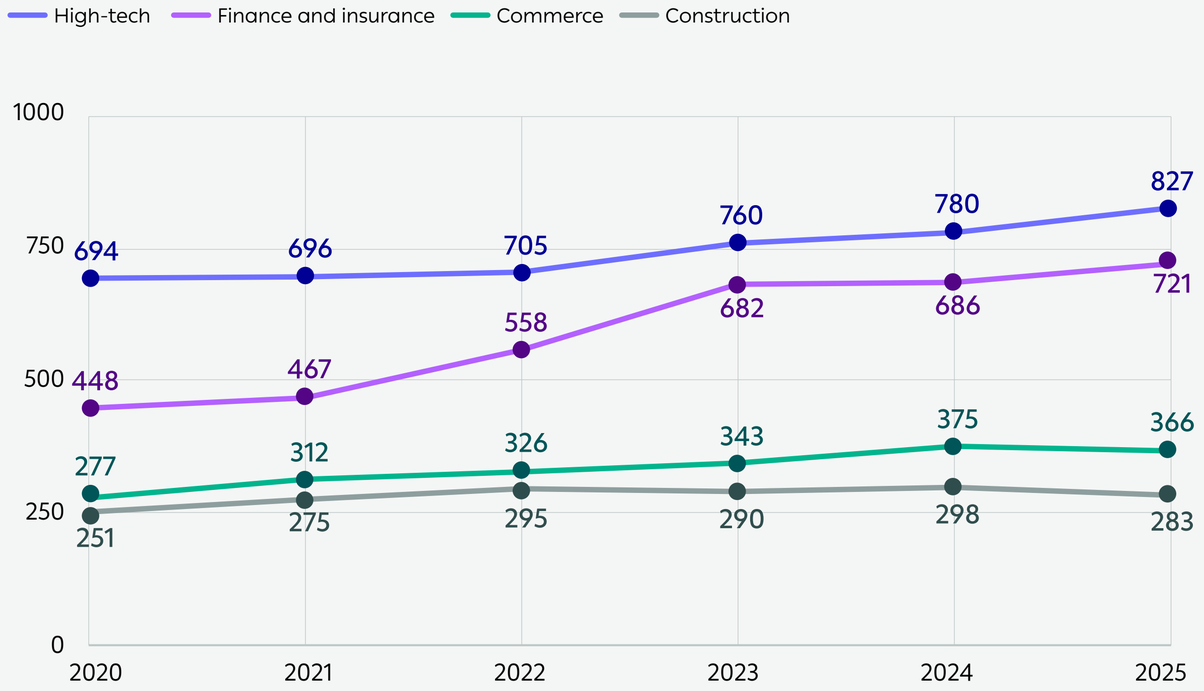
Output Per High-Tech Employee Continues to Grow and Exceeds Every Other Sector of the Economy

Over the past decade, employee output has increased across all sectors of the economy, but the high-tech sector continues to dominate in relation to all other sectors. In 2025, annual output per high-tech employee stood at **NIS 827,000**, compared to **NIS 721,000 in financial services** sectors, and only **NIS 366,000 and NIS 283,000 respectively, in the commerce and construction sectors**.

This data illustrates the **structural productivity advantage of the high-tech sector** which stems, among other factors, from characteristics such as **high knowledge levels, technological innovation, and scalability,** all enabling higher added value per employee.

At the same time, an upward trend is evident in other sectors, particularly the financial sectors, which grew faster than high-tech in 2021-2023. Over the past three years, however, output per employee in finance and high-tech has grown at a similar pace, with output per employee remaining higher in high-tech than in other sectors.

Annual Employee Output by Sector (thousands of shekels)



Source: Innovation Authority adaptation of CBS data

The comparison is based on central sectors of the economy that represent different levels of labor productivity.

Calculation of output per employee in the high-tech sector excludes communications (sector 61) and public R&D (sectors 720 and 721).

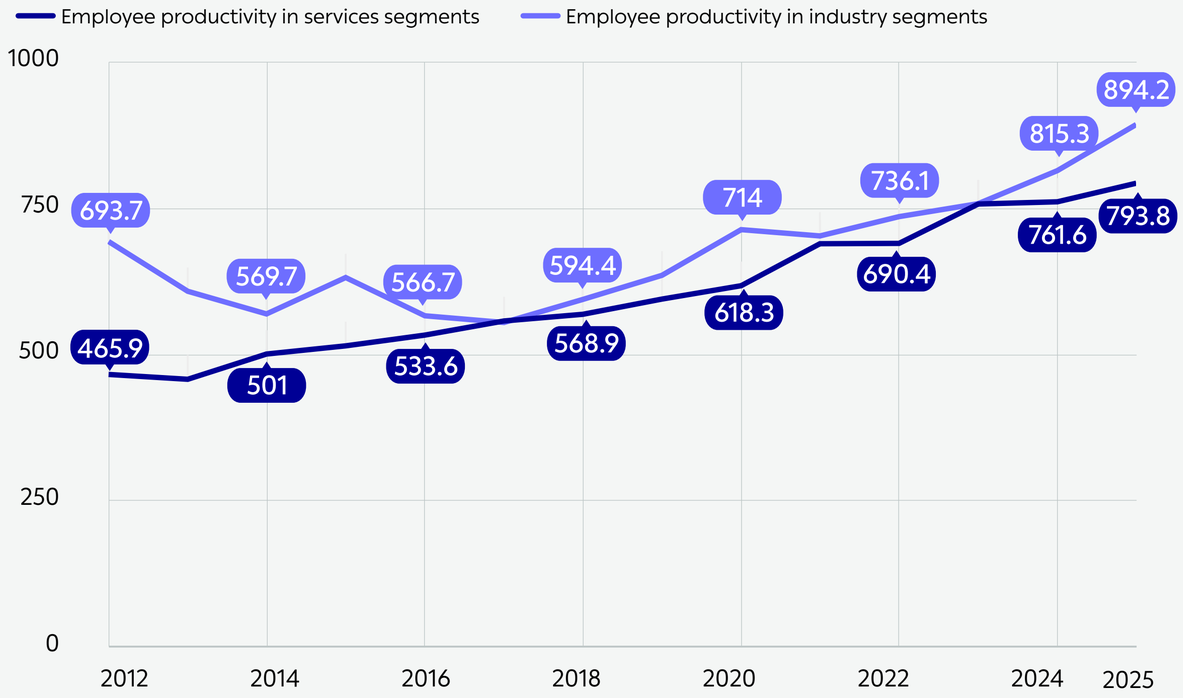
Annual Output Per Employee in Hardware Is NIS 100,000 Higher Than in Software

Over the past decade, output per employee in high-tech sectors has increased significantly across both industry and services segments. In 2025, annual output per employee in high-tech industry stood at NIS 894,000, compared to NIS 794,000 in high-tech services.

At the same time, productivity gaps between the services and industry segments narrowed over the same period. At the beginning of the decade, there was a significant gap in favor of the industry segments, which consistently demonstrated higher output per employee. However, over the years, output per employee in the services sector grew relatively quickly, gradually narrowing the gap.

In recent years, high-tech industry segments have continued to demonstrate higher output per employee. In 2025, the gap stood at approximately NIS 100,000 per employee per year, in favor of employees in high-tech industry.

Annual High-Tech Employee Productivity by Segment (thousands of shekels)



Source: Innovation Authority adaptation of CBS data

High-tech industry includes manufacturing of pharmaceuticals, computing, electronics and optics, as well as the manufacture of aircraft, spacecraft and related equipment.

High-tech services include software services, programming, computer consulting and related services, data processing and R&D centers.

The calculation excludes communications (sector 61) and public R&D (sectors 720 and 721).

A 12% Increase in High-Tech Job Openings in 2025

The number of job openings in the high-tech sector increased by **12.1%** (1,979 jobs), **from 16,361 in December 2024 to 18,340 in December 2025**. This increase indicates growing demand for employees in the sector.

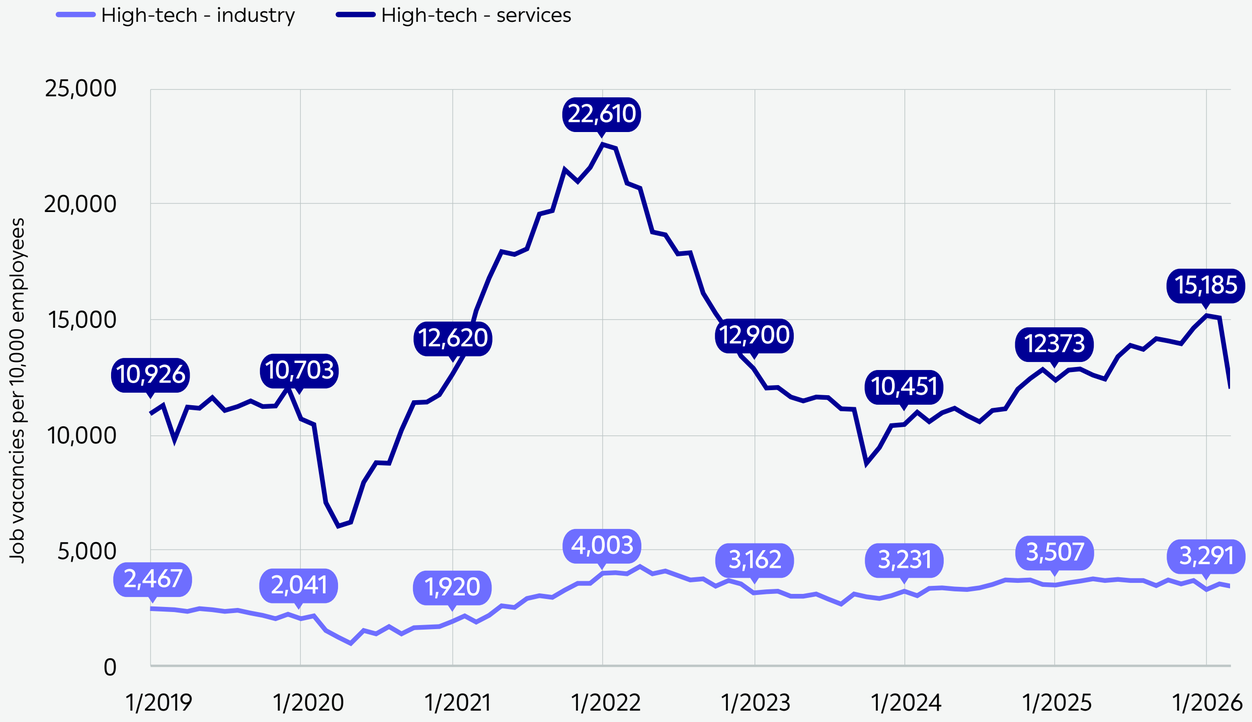
Most of the increase in demand for employees was concentrated in high-tech services (primarily software companies), where the number of job openings rose by 14% (an addition of 1,814 jobs) in 2025.

Between October 2023 and February 2026, a significant increase was recorded in the number of high-tech job openings, particularly in **high-tech services, where the number increased by 72%,** from 8,800 to 15,100. **The industry segment recorded more moderate growth of 19%**, from 3,000 to 3,600 jobs.

At the same time, the number of job openings in high-tech services declined in March 2026. It is possible that this decline occurred against the backdrop of Operation 'Roaring Lion' that broke out during that month, although it is still too early to determine whether this represents a change in trend.

The increase in demand for employees in high-tech services stands out amid the lack of employment growth in this field. This reality may indicate a need among employers to adjust the mix of employees or increased mobility between workplaces. This trend is also consistent with findings in the survey on the impact of Artificial Intelligence on employment in high-tech, published in January 2026. According to the survey, a 1.2% increase in recruitment during the second half of 2025 was explained, among other factors, by a 1.1% increase in employee layoffs.

Estimated Monthly Job Vacancies per 10,000 Employees



Source: Innovation Authority adaptation of CBS data

Job Vacancy Survey (Classification of Economic Sectors and Occupations 2011) - expanded estimate, January 2019 - February 2026.

Private Israeli High-Tech Companies Are Expanding Employment Abroad

As presented above, the growth rate of high-tech employment in Israel has slowed in recent years (from an average annual growth rate of 6% to 1.2% during 2023-2025). Various factors may explain this downturn, including companies' management decisions to expand or shift operations abroad.

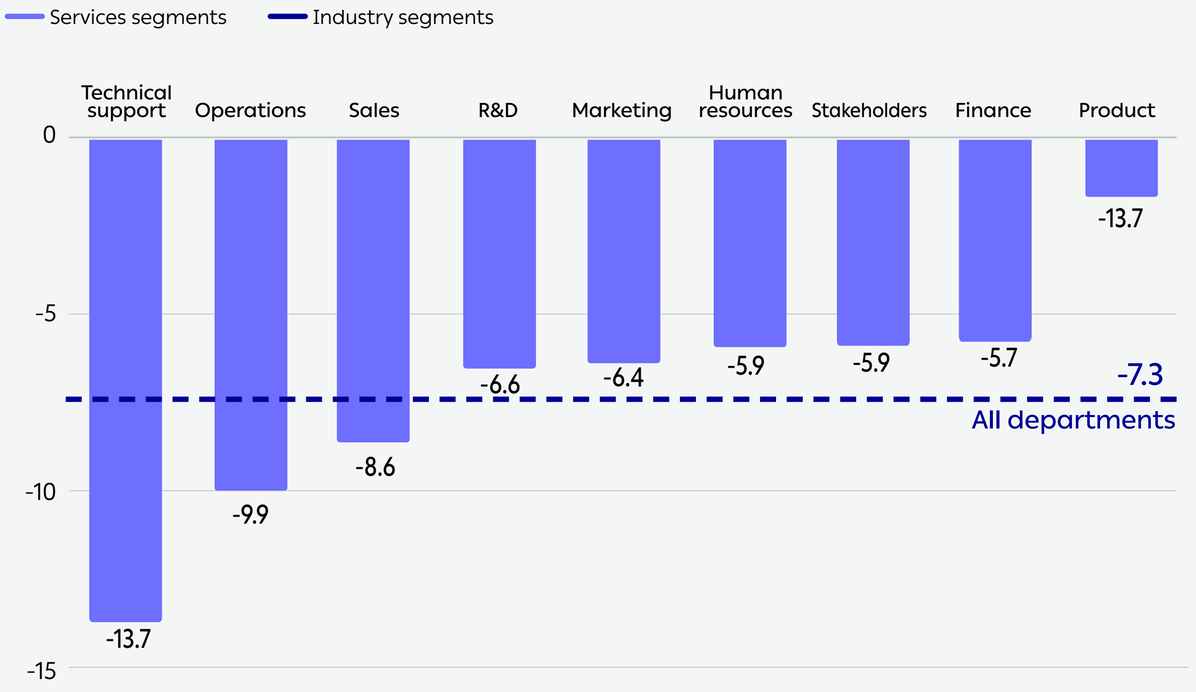
Analysis of employment data for private Israeli high-tech companies indicates that, alongside growth in the number of employees working in Israel over the past six years, there has also been an increase in the number of employees working abroad. The share of employees in Israel declined by 7 percentage points from 69% in 2019 to 62% in 2026.

The data analysis was conducted from 2019, before the COVID-19 pandemic, through to the end of the first quarter of 2026 (the most recent data available). It indicates **a slow but consistent increase in the number of employees working abroad throughout the entire period.**

The analysis does not include information on Israeli companies acquired or on Israeli branches of multinational companies. Trends in this data may differ, since such companies inherently include higher rates of overseas employment (for additional details, see the methodological note on the following page).

Continued ›

Change in the Share of Employees in Israel, out of All Employees in Israeli High-Tech Companies, by Department (%), March 2026 vs. January 2019



Source: Innovation Authority analysis of Dealigence data (see explanation of sampling methodology on the following page)

Private Israeli High-Tech Companies Are Expanding Employment Abroad

Changes over time in the share of employees working in Israel **may reflect the maturation of companies and the need to expand departments** in close proximity to customers, such as support, operations, marketing, and sales departments, as shown in the chart data.

The most significant decline in the share of Israeli employees occurred in technical support departments, where the share of employees in Israel declined by 13.7 percentage points, followed by operations (9.9 percentage points) and sales (8.6 percentage points).

At the same time, the decline in the share of employees located in Israel also occurred in core departments such as R&D (a decline of 6.6 percentage points) and product (a decline of 1.6 percentage points), as well as in corporate functions such as human resources (a decline of 5.9 percentage points) and finance (a decline of 5.7 percentage points).

Methodology for Sampling and Analysis of Dealigence Data

The analysis is based on cross-referencing Israeli high-tech companies from the IVC database with the Dealigence database, which includes historical information on companies employing workers in Israel and on the global distribution of their employees. The information in the Dealigence database relies on LinkedIn accounts of company employees.

A total of 10,603 active high-tech companies in Israel during 2019-2026 were examined. Some companies ceased operations during the period and were removed from the analysis in those years, while others were added over time following their establishment.

- The analysis was conducted monthly, from January 2019-March 2026.
- The sample does not include companies identified as non-Israeli multinational corporations. Furthermore, companies with fewer than 10% of employees in Israel and whose headquarters are not located in Israel were excluded from the sample.
- Companies that became public were included only until the date of their IPO.
- Companies that were acquired were included only until the date of acquisition, unless the acquiring company itself was identified as an Israeli company.

After applying these filters, 8,079 companies employing approximately 200,000 employees contributed to the analysis, during at least part of the period examined. Some companies were included only until a certain point in time, such as until an IPO or acquisition, and therefore, the sample size changed over time.

This analysis focuses on changing trends and does not relate to absolute numbers, due to known differences of data coverage quality between countries resulting from varying levels of LinkedIn usage. While coverage in Israel, the United States, Europe, and parts of Asia is almost complete, the actual share of employees in developing countries may be higher than that reflected in the data presented here.

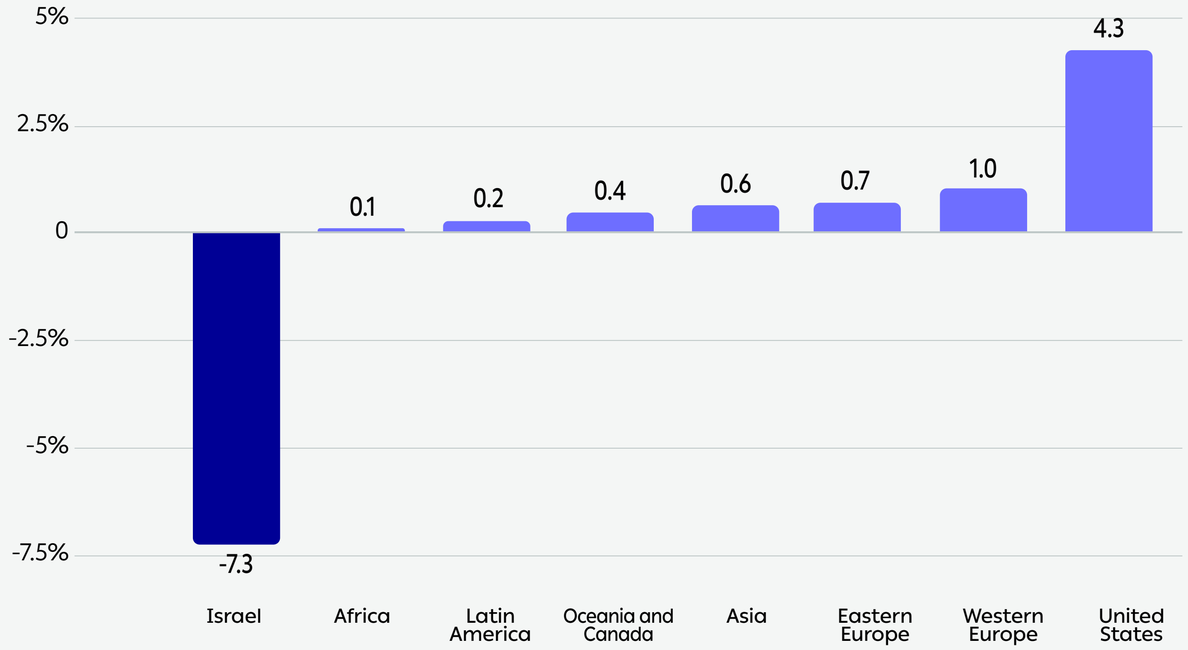
Most of the Growth in Overseas Employment by Private Israeli High-Tech Companies Took Place in the United States

Analysis of the geographic regions in which private Israeli high-tech companies expanded employment indicates that the United States ranked first, with **an increase of 4.3 percentage points in the share of Israeli high-tech employees working there.** The United States was followed by **Western Europe (1 percentage point) and Eastern Europe (0.7 percentage points).**

Although most of the increase occurred in the United States, this reflects a change of only a few percentage points over more than six years (Q1 2019-Q1 2026).

The expansion in the US is consistent with the tendency to expand operations close to the target market, primarily through marketing, sales, and technical support units – the departments that recorded the highest growth rates outside Israel.

Change in the Share of Employees in Private Israeli Companies, by Employment Location (%), March 2026 vs. January 2019



Source: Innovation Authority analysis of Dealigence data

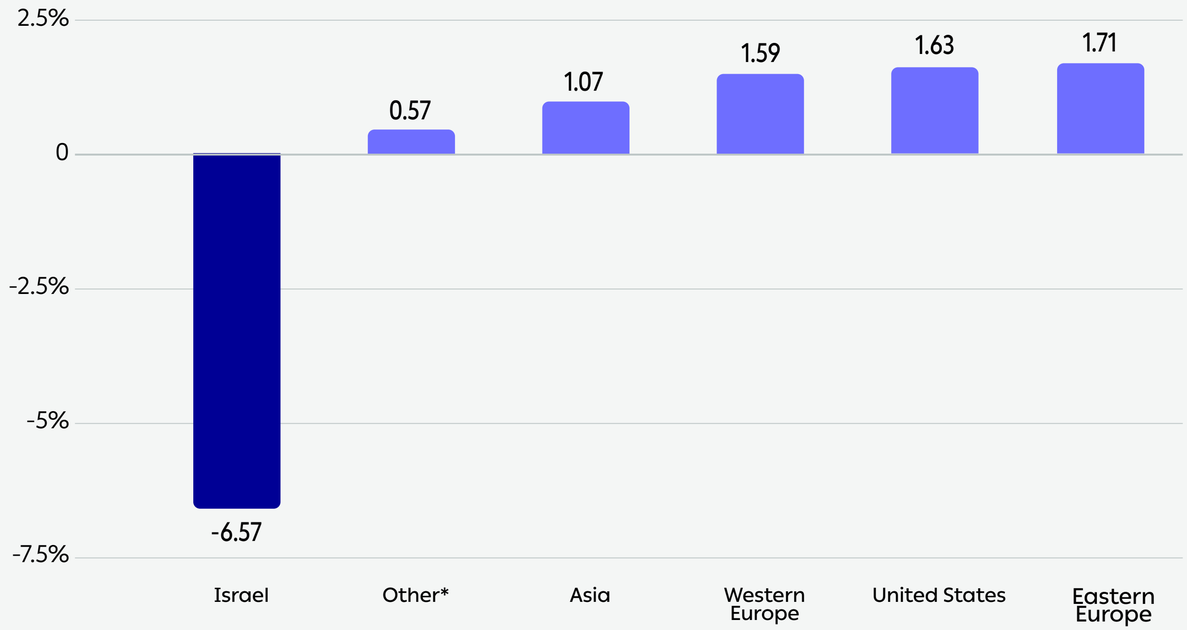
Growth in R&D Departments Outside Israel: Mainly in Eastern Europe and the United States

Most of the growth in R&D activity by private Israeli high-tech companies outside Israel occurred in Eastern Europe and the United States. Between January 2019-March 2026, **the share of R&D employees located in Israel declined by 6.57 percentage points.** The share of R&D employees in Eastern Europe increased by 1.7 percentage points (from 4% to 5.7% of all R&D employees), while in the United States, the share increased by 1.6 percentage points (from 7.5% to 9.1% of all R&D employees).

The concentration of growth in R&D positions in Eastern Europe throughout the entire period examined (2019-2026) suggests decisions driven by labor-cost considerations and the selection of destinations with lower average developer salaries than in Israel.

At the same time, the increase in the United States, which was also consistent throughout the entire period, cannot be explained by labor costs and may indicate decisions to shift centers of activity outside Israel.

Change in the Share of R&D Employees in Private Israeli High-Tech Companies, by Employment Location (%), March 2026 vs. January 2019



Source: Innovation Authority analysis of Dealigence data
The regions in the "Other" category include Canada, Oceania, Africa and Latin America.

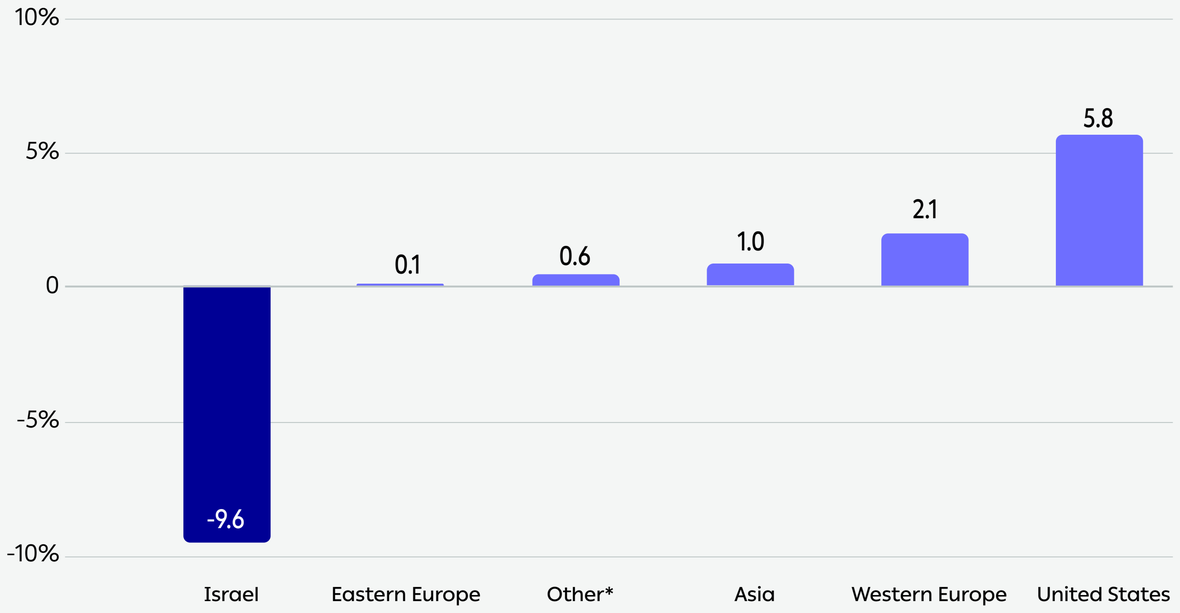
Employment in Private Israeli High-Tech Companies: A Decline of 9.6 Percentage Points in the Share of Senior Executives[3] Employed in Israel

One of the most prominent changes in the share of employees working in Israel in private Israeli high-tech companies occurred **in senior executive (C-level) positions. In this group, the share of employees located in Israel declined by 9.6 percentage points**, compared with a 7.3 percentage-point decline across all positions combined since January 2019.

Most of the increase in senior positions outside Israel occurred in the United States, where this figure rose by 5.8 percentage points. Throughout the entire period examined, the US remained the largest center of senior executives in Israeli companies outside Israel with 23% of senior executives in private Israeli high-tech companies as of March 2026. During the same period, 65% of senior executives in Israeli companies were employed in Israel, 6% in Western Europe, and the remainder across a broad geographic distribution.

This trend may indicate the relocation of decision-making and management centers of Israeli companies outside Israel. The phenomenon reflects the maturation of Israeli high-tech but may also have implications for the future development of companies and their employees in Israel.

Change in the Share of Senior Employees in Israeli High-Tech Companies, by Employment Location (%), March 2026 vs. January 2019



Source: Dealigence data analysis
The regions in the "Other" category include Canada and Oceania.

3 Senior executives: employees in senior management positions (C-level and above) across all organizational departments, according to Dealigence classification.

35% of High-Tech Companies Reported an Increase in Employee Requests for Relocation During the Second Half of 2025

The growth of Israeli companies abroad may create opportunities for employees to relocate overseas.

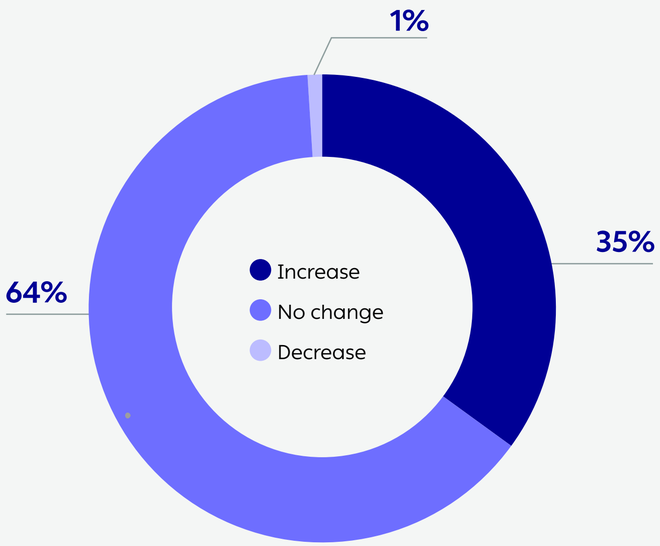
A survey conducted by Zviran in conjunction with the Innovation Authority found that 35% of Israeli high-tech companies reported an increase in the number of employees requesting relocation during the second half of 2025. In addition, 19% of companies reported an increase in the number of employees who actually relocated.

About the Survey: The survey was distributed to 500 employers during the last two weeks of December 2025 as part of Zviran's semiannual survey.

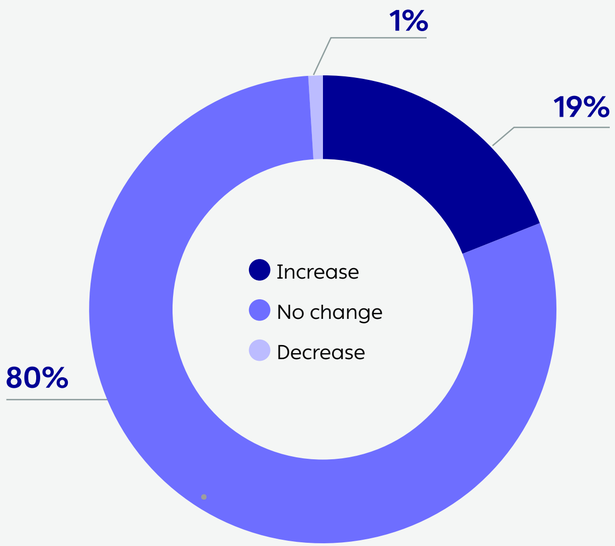
A total of 263 employers responded to the survey, 70% of whom (192) were from the high-tech sector, collectively employing approximately 112,000 workers – about 28% of all high-tech employees in Israel.

- Most companies in the sample (89%) employ more than 50 employees.
- The sample represents employers of 80% of employees in the sector.
- Due to the nature of the sample, the trends presented may not reflect the situation among very small employers.
- The responses presented here only reflect high-tech employers.

Was There a Change in the Number of Employee Requests to Move Abroad?



Was There a Change in the Number of Employees Sent on Relocation?



Source: Zviran analysis for the Innovation Authority

A Further 14% Increase in the Number of High-Tech Employees Leaving Israel Long-Term During the Summer of 2024, after a 42% Increase in 2023

Analysis of departure data from Israel indicates an increase in the number of high-tech employees leaving Israel for the long-term.

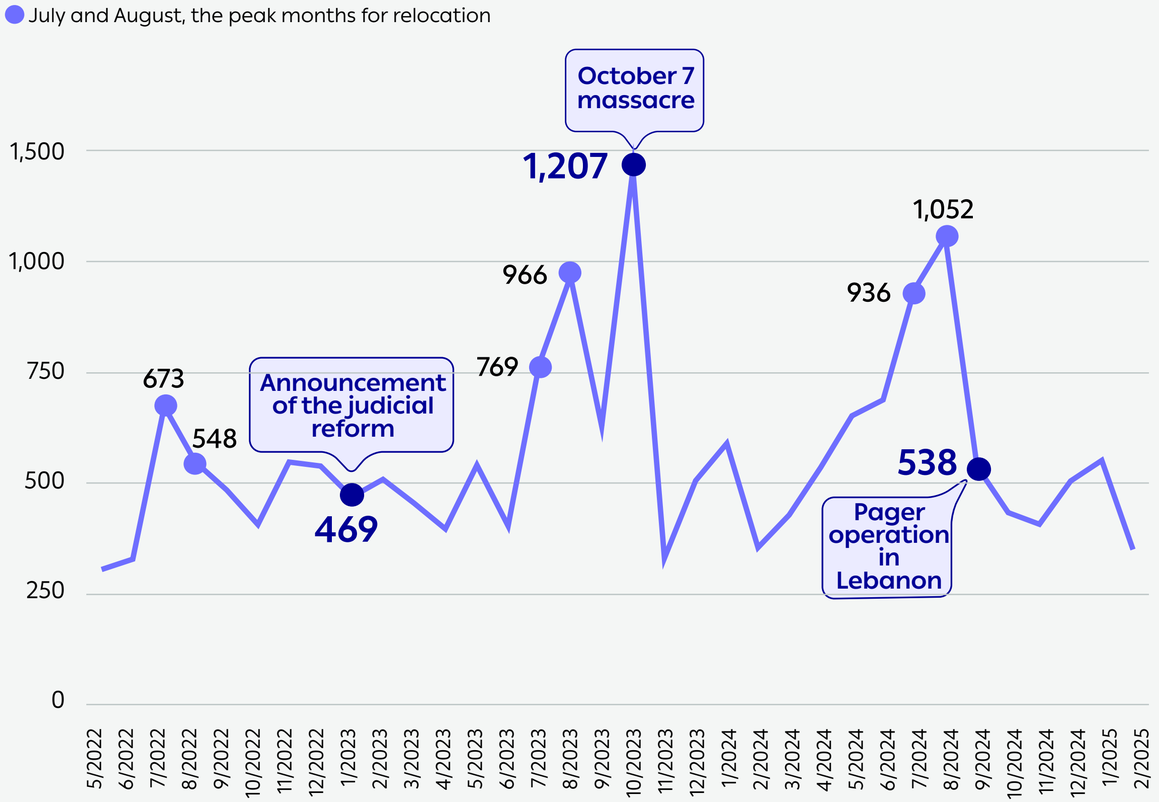
The trend is particularly evident in the analysis of average departures during the summer months (July-August), when most long-term departures occur, likely in line with the school vacation period and the tendency to relocate before the start of the academic year. In 2022, the average number of departures during the summer months stood at 610 high-tech employees per month. **In the summer of 2023, following the announcement of the judicial reform, the average number of departures reached 867 high-tech employees per month – a 42% increase.**

In 2024, following the events of October 7, the average number of departures during the summer increased further to 944 per month – an additional 14% increase. The increase in the number of employees leaving for extended periods during these years significantly exceeds the growth in high-tech employment. It does **not therefore reflect demographic growth, but rather a behavioral change.**

During non-summer months, no clear trend is evident, apart from a sharp, one-time increase in long-term departures in October 2023, apparently in response to the events of October 7. **In October 2023 alone, 1,207 high-tech employees left Israel for extended periods, nearly three times the number recorded in October in the previous two years** (407 departures in October 2022 and 434 in October 2024).

Continued ❯

Number of High-Tech Employees Who Left Israel for the Long Term, by Month

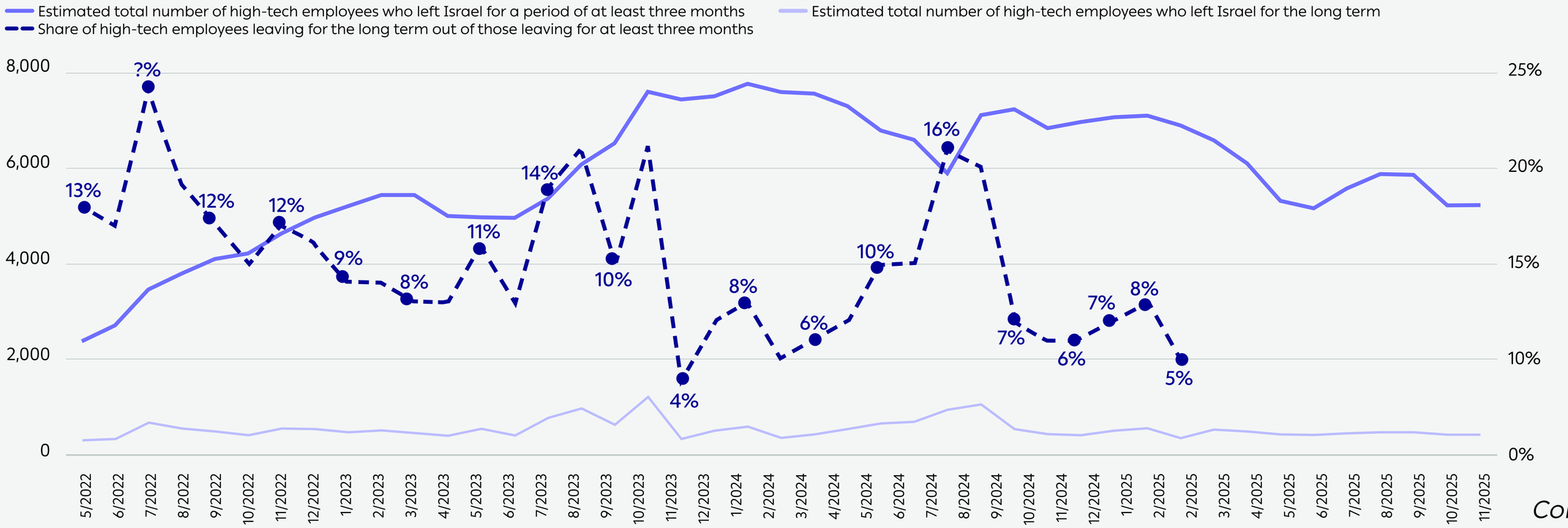


A Further 14% Increase in the Number of High-Tech Employees Leaving Israel Long-Term During the Summer of 2024, after a 42% Increase in 2023

Long-departure from Israel is defined as a period of at least a year. The most updated data on long-term departures therefore relates to people leaving Israel in 2024. An indication of those leaving long-term in 2025 can be gained by examining trends in those leaving for more than 3 months and the ratio of this group to the overall group of those leaving for extended periods.

The data shows that after a constant increase in the number of high-tech employees leaving Israel for periods of 3 months or longer since 2022, January 2024 marked the beginning of a downward trend from a peak of 7,772 leaving during January 2024 to a level of 5,232 leaving for at least 3 months in November 2025 (with isolated increases around the summer months of July-August).

High-Tech Employees Leaving Israel for 3 Months and for the Long Term



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A Further 14% Increase in the Number of High-Tech Employees Leaving Israel Long-Term During the Summer of 2024, after a 42% Increase in 2023

The graph shows that the ratio between those leaving for 3 months and those leaving long-term varies over time with a seasonable upturn during the summer and surrounding months. The average annual ratio in 2024 stood at 8%. On the assumption that no significant change is expected in this respect, it can be estimated that there was a decline in the number of high-tech employees leaving Israel long-term in 2025 compared to 2024, although the level is still higher than that recorded before the war.

Methodological Limitations and Data Analysis

High-Tech relocation data analysis is based on identifying high-tech employees by occupation in the 2022 Population Census and which is therefore available from May 2022. Some of those leaving Israel for extended periods may have entered high-tech employment after 2022 but were not counted as high-tech employees. As a result, the figures reflect a conservative estimation of the level of high-tech employees leaving Israel.

Long-term departure is defined as absence of at least 9 months per year. The departure date was determined as the beginning an absence from Israel of at least 3 months. For example, a high-tech employee leaving Israel on 1.1.2023 will be considered as having left long-term only if they do not return to Israel before 1.4.2023 and if residing abroad for at least 9 months during the year until 1.1.2024 (not necessarily consecutively, except for the first 3 months).

Some employees counted as leaving long-term may have returned to Israel immediately at the end of a year, while others continued to reside abroad and not returning at all. Data on trends of those returning to Israel during this period was not taken into consideration as part of this analysis.

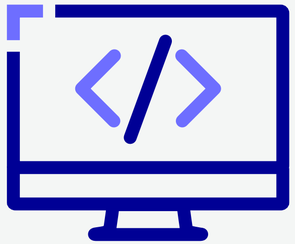
רשות החדשנות
Israel Innovation Authority

Part 2

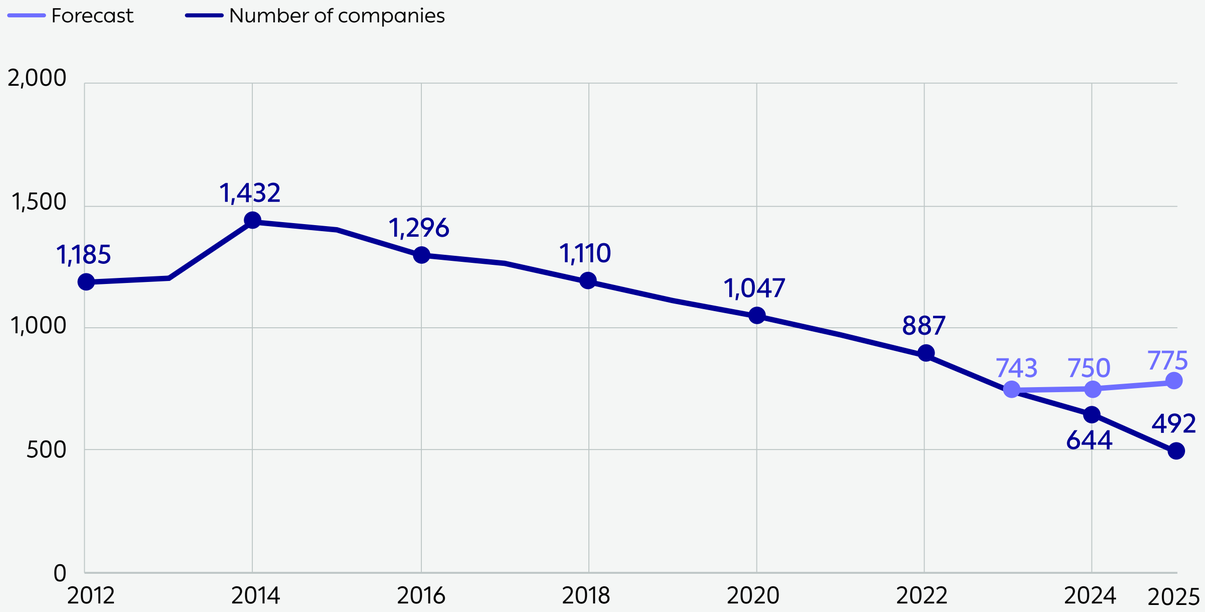
Companies

An Increase in the Number of New Startups Established in the Past Two Years

Since 2014, a persistent global decline has been recorded in the number of startups established each year, a trend also evident in Israel. During the past 2 years, we see for the first time, an increase in the number of startups established in Israel. Based on experience of retrospective data coming to light, the number of new companies is expected to stand at **775 companies, compared to 750 in 2024 and 743 in 2023.**[4]



Number of New Technology Companies Founded in Israel Each Year



Source: Innovation Authority adaptation of IVC data

The data for 2024-2025 is presented as a forecast due to delayed data on companies founded in these years.

Information on early-stage companies is sometimes revealed only 12-24 months after formation or during a fundraising round

All analyses concerning Israeli companies refer to companies included in the IVC database, unless stated otherwise.

4 The forecast is based on the ratio between the number of companies identified at the end of each year and the number of companies for which data on their establishment that year was only revealed retrospectively.

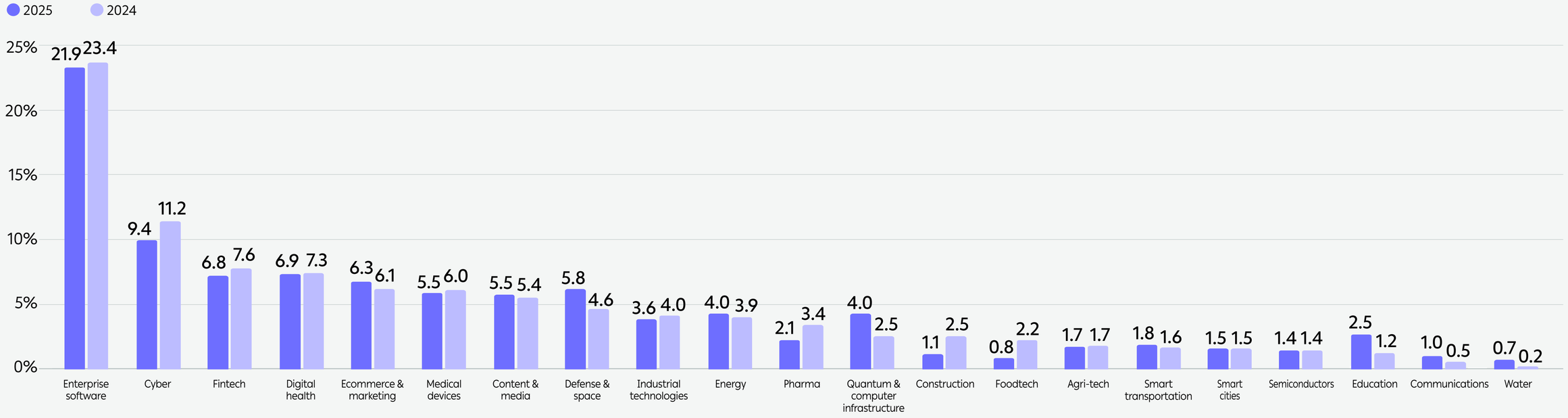
Enterprise Software and Cybersecurity Continue to Lead in Establishment of New Companies

Newly established companies' areas of activity remained highly concentrated in 2024-2025. Enterprise software remained the leading segment in the establishment of new high-tech companies although its share declined from 23.4% in 2024 to 21.9% in 2025. Cybersecurity also maintained a prominent position, though its share declined from 11.2% to 9.4%.

Alongside the relative decline in the leading segments' share, several others strengthened in 2025: The **Defense and Space segments increased from 4.6% to 5.8%, while Quantum and Infrastructure rose from 2.5% to 4%**. Medical Devices and Energy also maintained a relatively significant share among newly established companies.

Overall, the data indicates the continued dominance of the software and cybersecurity segments, alongside signs of **increasing diversification in the sectoral composition of companies established in 2025, particularly toward hardware-oriented companies.**

Distribution of New Company Formation by Segment out of All Companies Founded Each Year, 2025 vs. 2024



Source: Innovation Authority adaptation of IVC data
43 new companies without classification were founded in 2025.
13 new companies without classification were founded in 2024.

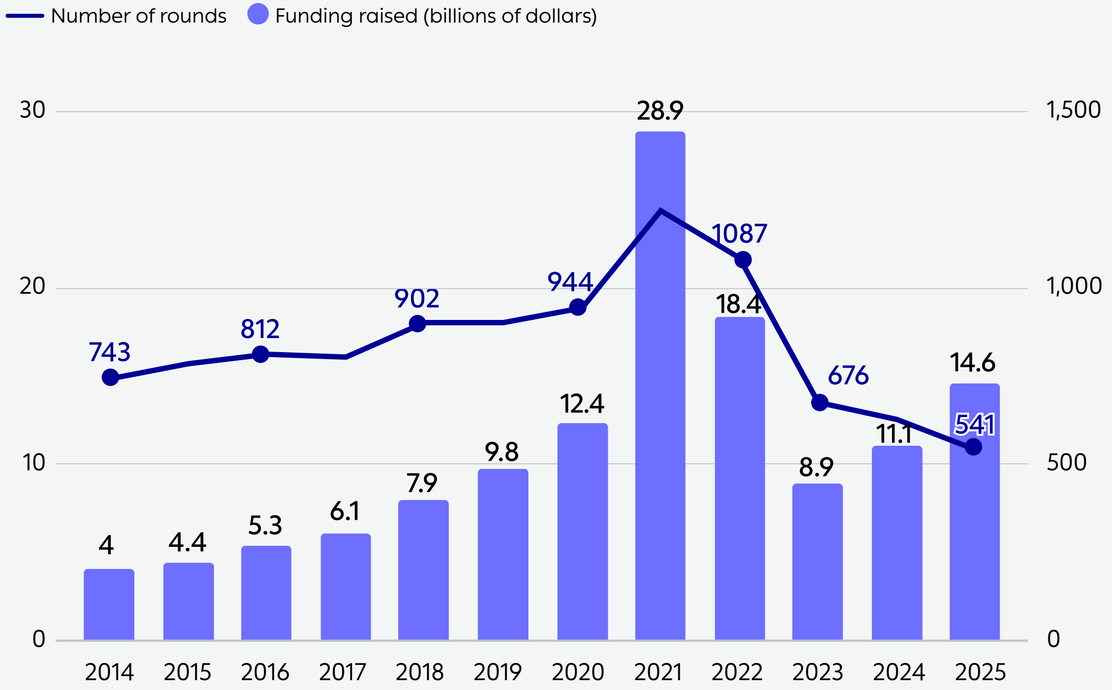
Increase in Total Fundraising by Israeli High-Tech Companies Alongside a Decline in the Number of Funding Rounds

In 2025, the total capital raised by Israeli technology companies increased to **USD 14.6 billion**, up from the previous two years. This reflects a growth of approximately 30% compared to 2024 and was the highest annual figure recorded since the peak years of 2021-2022.

At the same time, a downward trend in the number of funding rounds has been observed since 2023. The number of funding rounds in **2023-2025** was lower than the average recorded between 2014-2022, even excluding the peak years of **2020-2022**.

This development indicates a shift in investment composition, reflected in an increase in the share of large funding rounds and in the concentration of capital among fewer companies.

Number and Scope of Funding Rounds (billions of dollars)



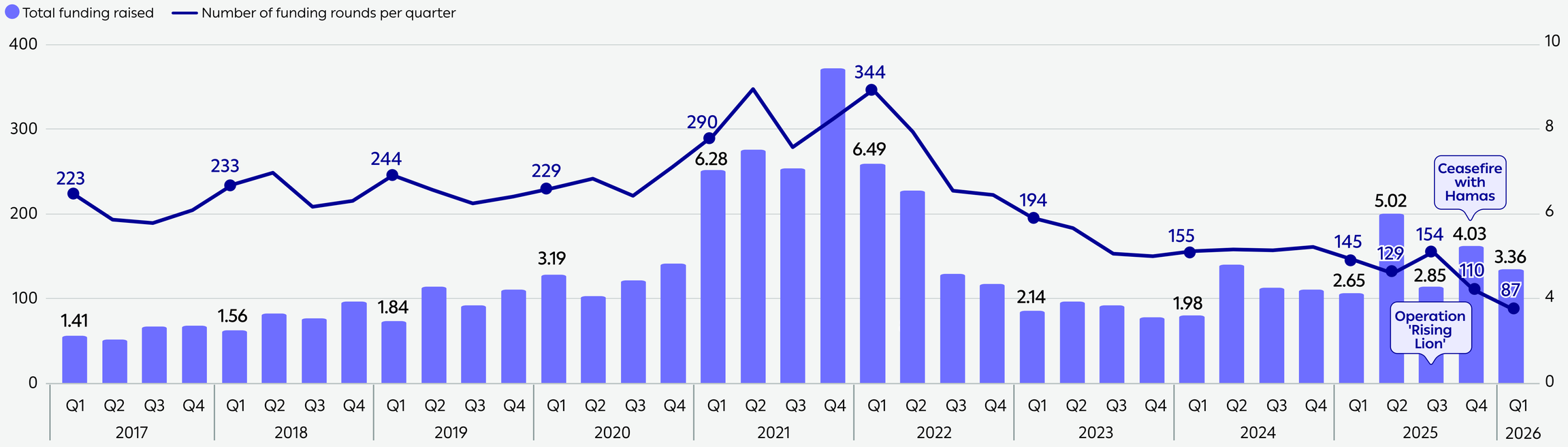
Source: Innovation Authority adaptation of IVC data
The number of rounds shown in the graph only includes rounds with reported capital raised
The actual number of rounds each year is higher

Stability in Startups' Fundraising Continues into Early 2026

After the first quarter of 2025 was characterized by fundraising levels similar to those recorded during the second half of 2024, an increase was recorded in the second quarter, reaching a peak of USD 5 billion (including an exceptional USD 2 billion funding round raised by a single company). In the third quarter, alongside Operation **'Rising Lion'**, total capital raised declined to USD 2.8 billion. Toward the end of the year, total fundraising increased again to USD 4 billion, following the signing of the ceasefire agreement during the fourth quarter. This data indicates that the market maintained its resilience despite the dynamic security environment.

First-quarter 2026 figures also appear relatively high. It is important to emphasize that due to delays in the reporting of fundraising data, quarterly figures are expected to be revised upward – potentially significantly. This indicates continued stability of the local market at the beginning of 2026.

Number and Scope of Funding Rounds (billions of dollars) by Israeli Technology Companies per Quarter



Source: Innovation Authority adaptation of IVC data

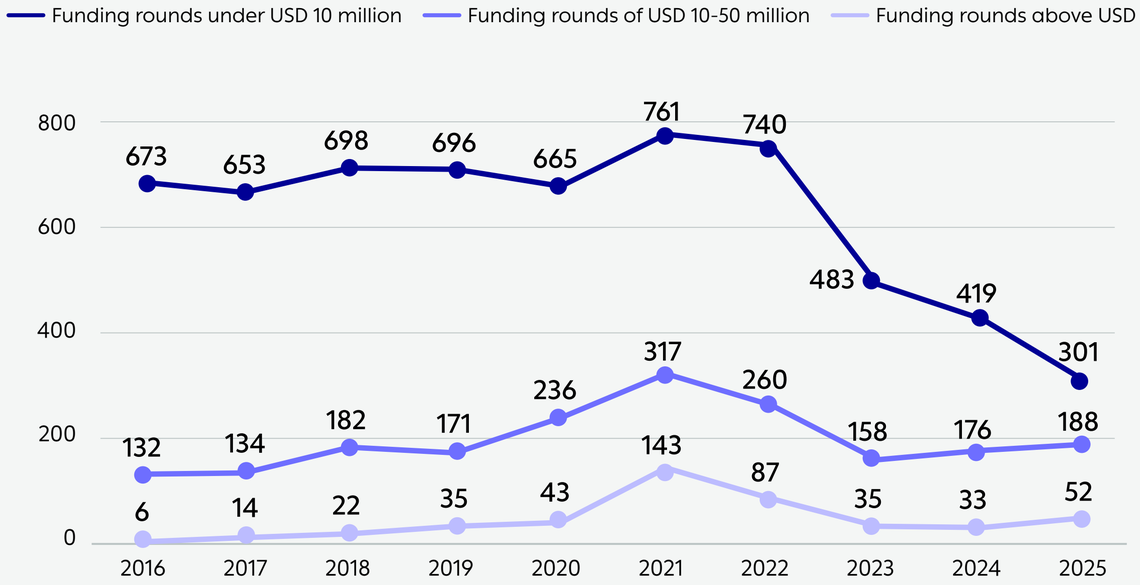
Continued Decline in the Number of Small Funding Rounds Alongside Growth in Large Funding Rounds

The distribution of funding rounds in 2025 indicates significant polarization in the Israeli fundraising market. While the number of small funding rounds – up to USD 10 million – declined sharply and reached its lowest level in the past decade with only 301 rounds, the number of large funding rounds totaled 52, compared to 33 rounds in the previous year.

This trend reveals that the rise in the scope of investments this year was driven primarily by growth-stage companies, while early-stage companies faced increasing difficulty accessing capital.

Continued ❯

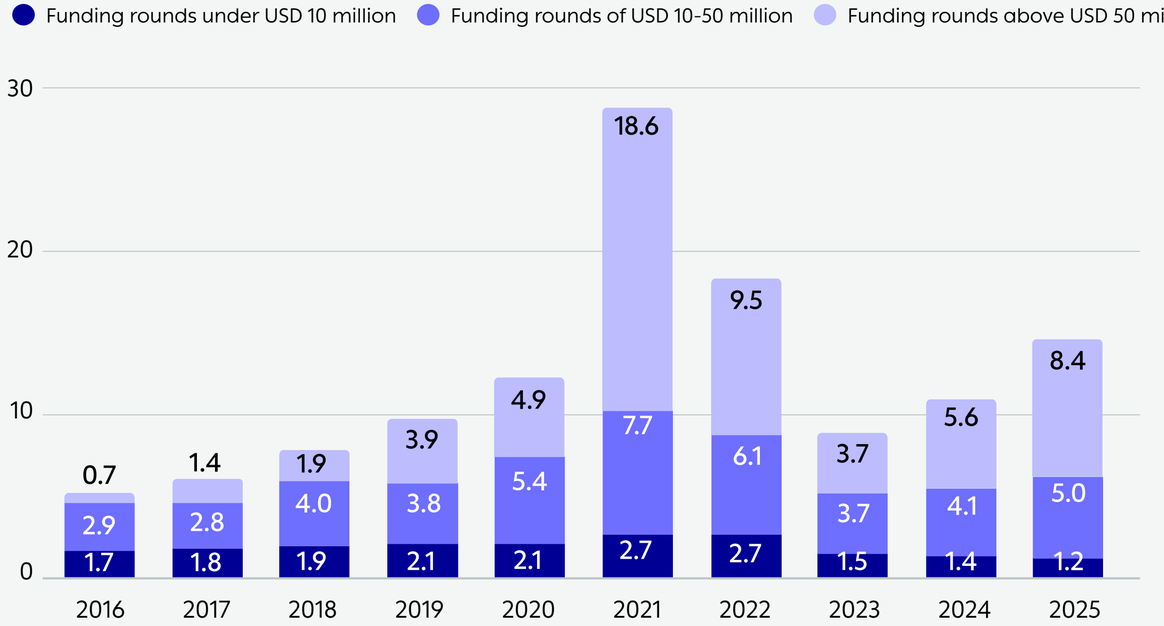
Number of Funding Rounds of Technology Companies in Israel per Year, by Round Size



Continued Decline in the Number of Small Funding Rounds Alongside Growth in Large Funding Rounds

The increase in the number of large funding rounds exceeding USD 50 million was also reflected in their share of total capital raised. The total capital raised in large funding rounds increased by USD 2.8 billion, rising from USD 5.6 billion in 2024 to USD 8.4 billion in 2025.

Total Fundraising by Technology Companies in Israel per Year, by Funding Round Size (billions of dollars)



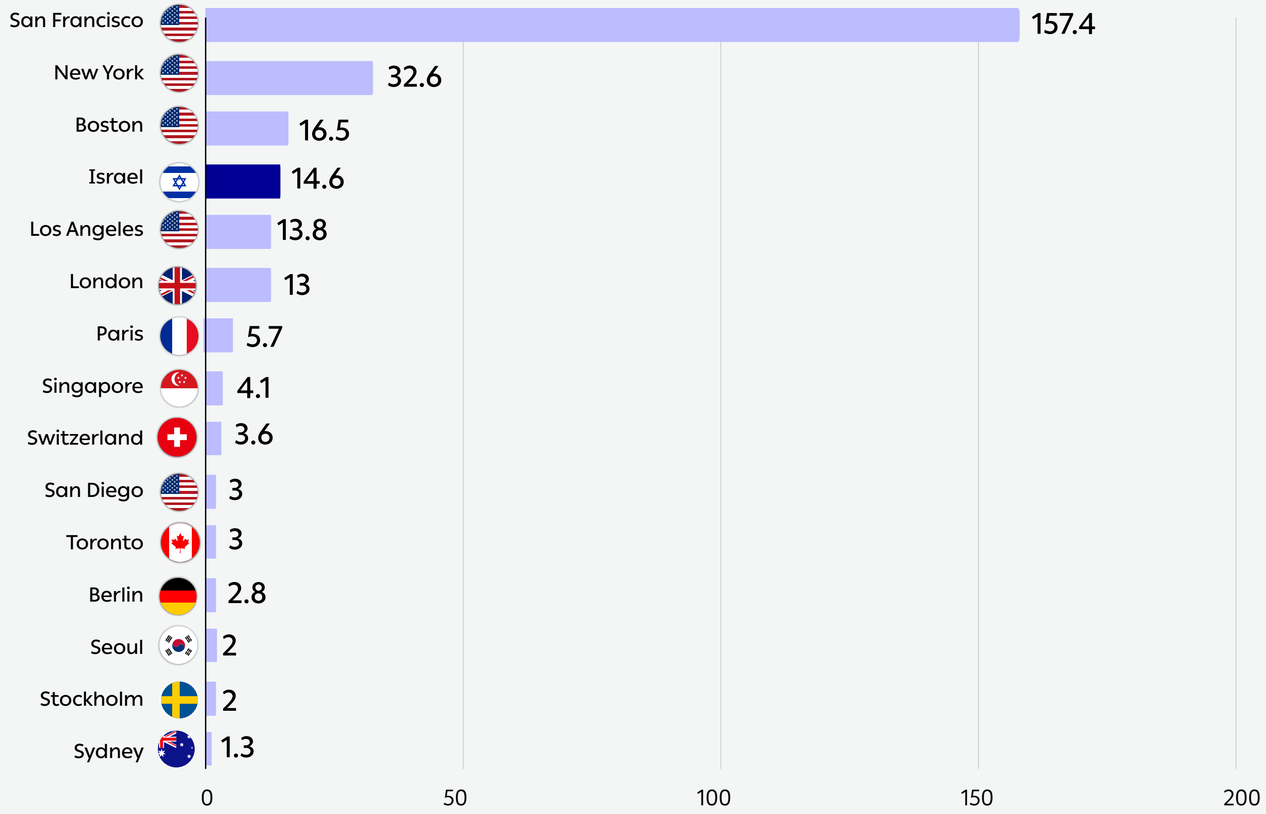
Source: Innovation Authority adaptation of IVC data

Israel is the Fourth-Largest Global Hub in Startup Fundraising

The decline in investments during 2023-2024, alongside the recovery recorded in 2025, was not unique to Israel. Throughout this period, Israel consistently ranked between fourth and sixth place globally in total capital raised by technology companies. In 2025, Israel ranked as the fourth-largest fundraising hub worldwide and the leading hub outside the United States (surpassing even Los Angeles).

The hubs selected for comparison are leading countries or global technology innovation metropolitans, that are comparable to Israel in macroeconomic indicators and that represent a broad geographic distribution.

Total Capital Raised by High-Tech Companies in Different Hubs (billions of dollars), 2025

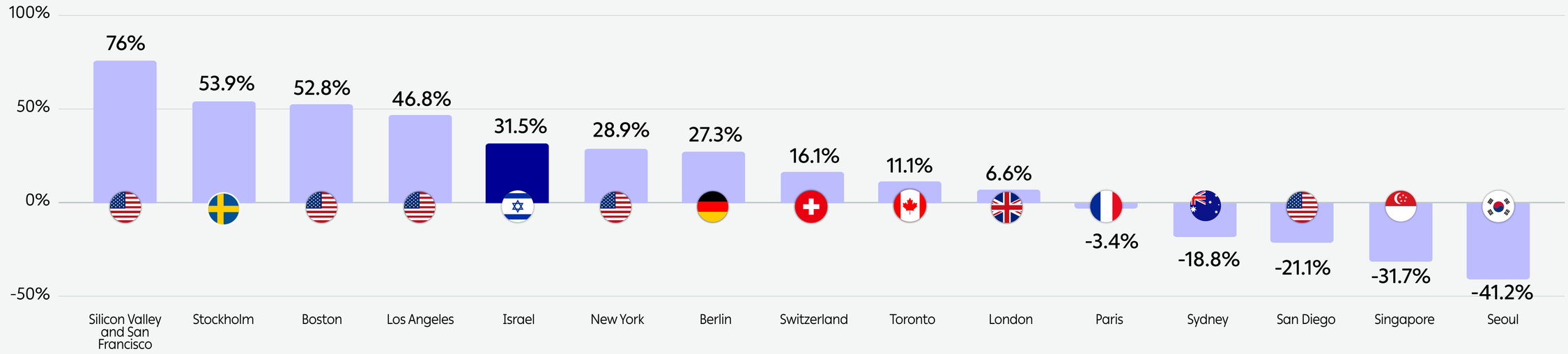


Source: Innovation Authority adaptation of Crunchbase and IVC data

Israel Ranked Fifth in the Growth Rate of High-Tech Fundraising in 2025 Compared to Other Leading Tech Hubs

In terms of the investment volume growth rate, Israel ranked as the fifth-largest hub with a 33% increase in capital raised by technology companies compared to 2024. At the same time, **Silicon Valley, which has consistently led global investment volumes, continues to increase its advantage over other hubs, primarily due to massive investments in Artificial Intelligence companies based there.**
In recent years, Israel's fundraising volumes were similar to those recorded in London, however, the growth rate in Israel in 2025 led to higher fundraising volumes.

Rate of Change in High-Tech Company Fundraising in 2025 vs. 2024 by Technology Hub



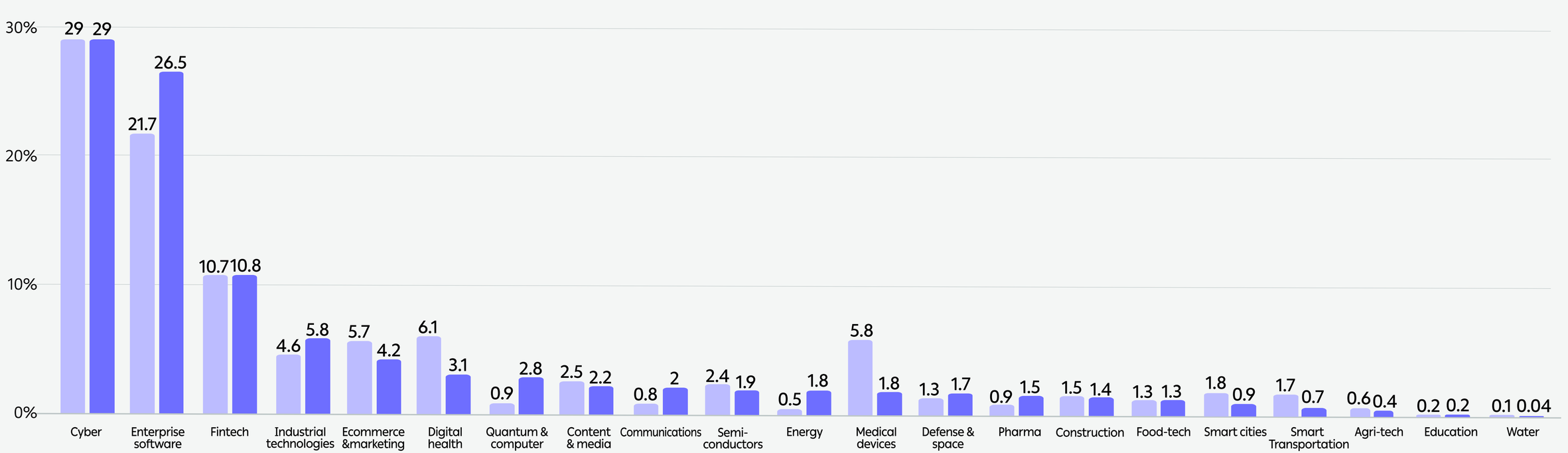
Source: Innovation Authority adaptation of Crunchbase and IVC data

More Than Half the High-Tech Investments in Israel in 2025 Were Concentrated in Cyber, Enterprise Software, and Fintech

Investments in the cyber, enterprise software, and fintech segments remained the most dominant, accounting for more than 60% of the capital raised by Israeli high-tech companies in 2025. The enterprise software segment increased its share from 21% of capital raised in 2024 to 26.5%, due to the exceptional USD 2 billion funding round raised by Safe Superintelligence (SSI). Without this round, the segment's share would have declined to 16%, while cyber would have increased to 30%.

Further growth was recorded in the quantum segment, which tripled its share of total fundraising from 0.9% in 2024 to 2.8% in 2025.
By contrast, the shares of digital health and medical devices sectors in total capital raised declined in 2025 by 3 and 4 percentage points, respectively, compared to 2024. This reflects a 50% decline in the share of the digital health segment and a 70% decline in the share of the medical device segment in the capital raised by Israeli high-tech companies.

Distribution of Fundraising by Technology Companies in Israel by Segment (%)



Source: Innovation Authority adaptation of IVC data

Fundraising by companies attributed to multiple segments is included in each of the relevant segments; therefore, some funding is counted more than once.

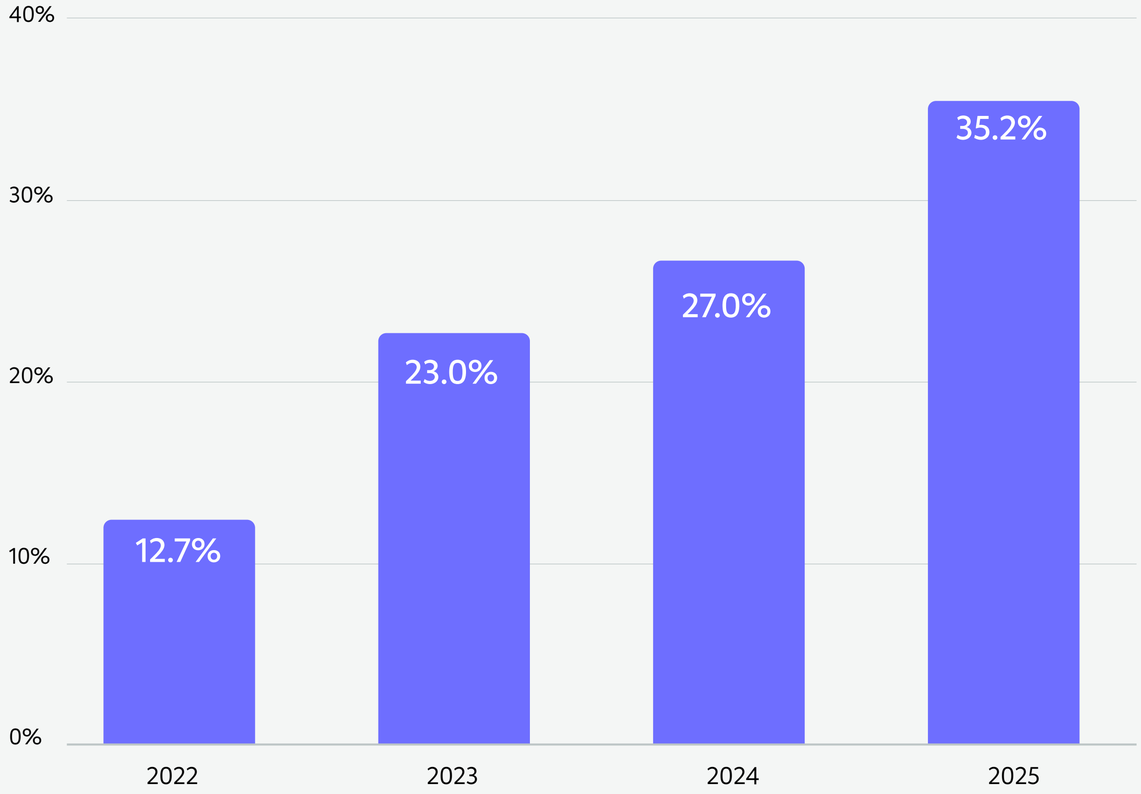
35% of Fundraising in 2025 Was Conducted by AI Companies

The use of Artificial Intelligence technology is not limited to a specific segment and can serve as a component of technological solutions across a wide range of fields. The analysis in this chart presents the share of investments in companies developing foundational AI capabilities – core AI companies (language models, infrastructure, or enabling technologies in the field, such as computing infrastructure and chips), rather than companies that merely incorporate AI tool capabilities in their products.

The significant increase in fundraising by Israeli AI companies over the past four years reflects the development of capabilities in this field within the Israeli ecosystem and the confidence investors are placing in these companies.

If fundraising by core AI companies was included in a comparison of fundraising in 2025, it would have been the largest segment in terms of fundraising.

Investments in Core AI Companies as a Share of Total Annual Investments



Source: Innovation Authority adaptation of IVC data

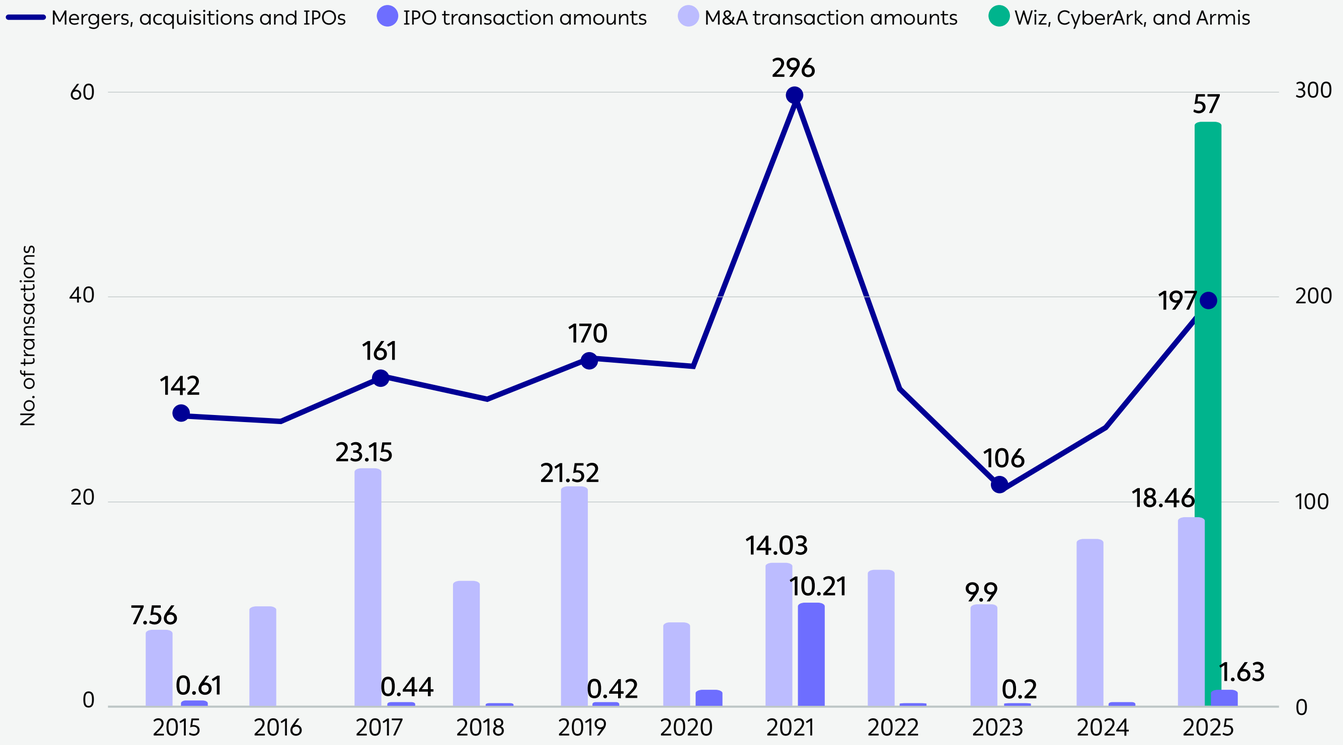
Record Year for Exits in 2025: Approximately USD 84 Billion in Mergers, Acquisitions, and IPO Value

2025 data indicates **an increase in both the number of exits and the acquisition value of Israeli companies. 198 exits** were recorded during the year, including 189 mergers and acquisitions totaling **USD 18.5 billion – a 12% increase** in acquisition value compared to 2024. At the same time, IPO value surged by 319%, rising from USD 0.39 billion (across 6 IPOs) in 2024 to USD 1.6 billion (across 8 IPOs) in 2025.

When taking into account the Wiz, CyberArk, and Armis deals announced during 2025 (and approved only in 2026), the total value of exits in 2025 reaches approximately USD 84 billion.

This data indicates the resilience of Israeli high-tech even under conditions of high uncertainty.

Number and Value of Exits (billions of dollars)



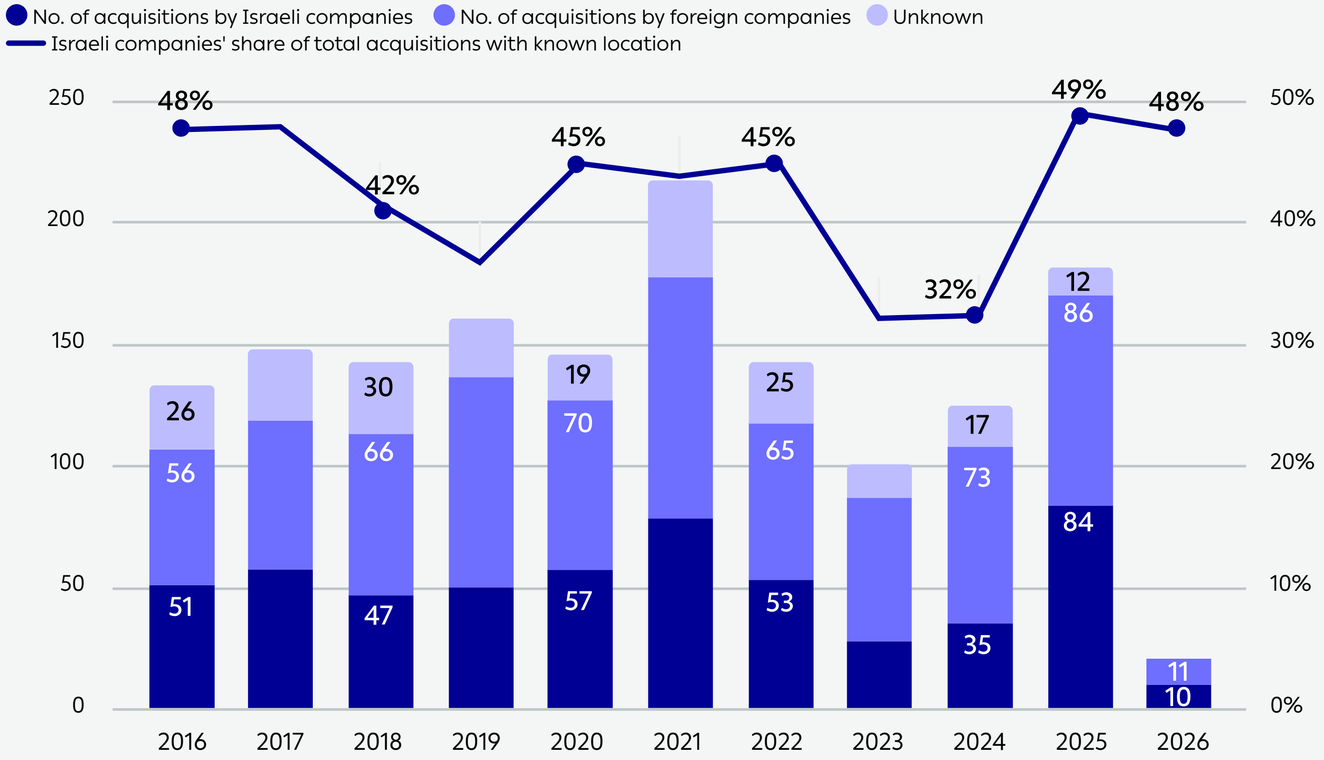
Source: Innovation Authority adaptation of IVC data

49% of Israeli High-Tech Companies Sold in 2025 Were Acquired By Other Israeli Companies

Between 2016-2022, an average of 43% of Israeli high-tech companies sold were acquired by other Israeli companies, while the remainder were acquired by foreign companies. This figure reflects the maturity of the local industry, as measured by the number of growth companies capable of expanding their operations through acquisitions, alongside the attractiveness of the Israeli market.

In 2023-2024, this share declined to 32%, possibly due to geopolitical instability and a decline in the capital available to Israeli high-tech. In 2025, this share increased again, to 49% of companies sold, aligning with other indicators that point to a recovery in the local industry.

Mergers and Acquisitions of Israeli Companies, by Location of the Acquiring Company



Source: Innovation Authority adaptation of IVC and Crunchbase data

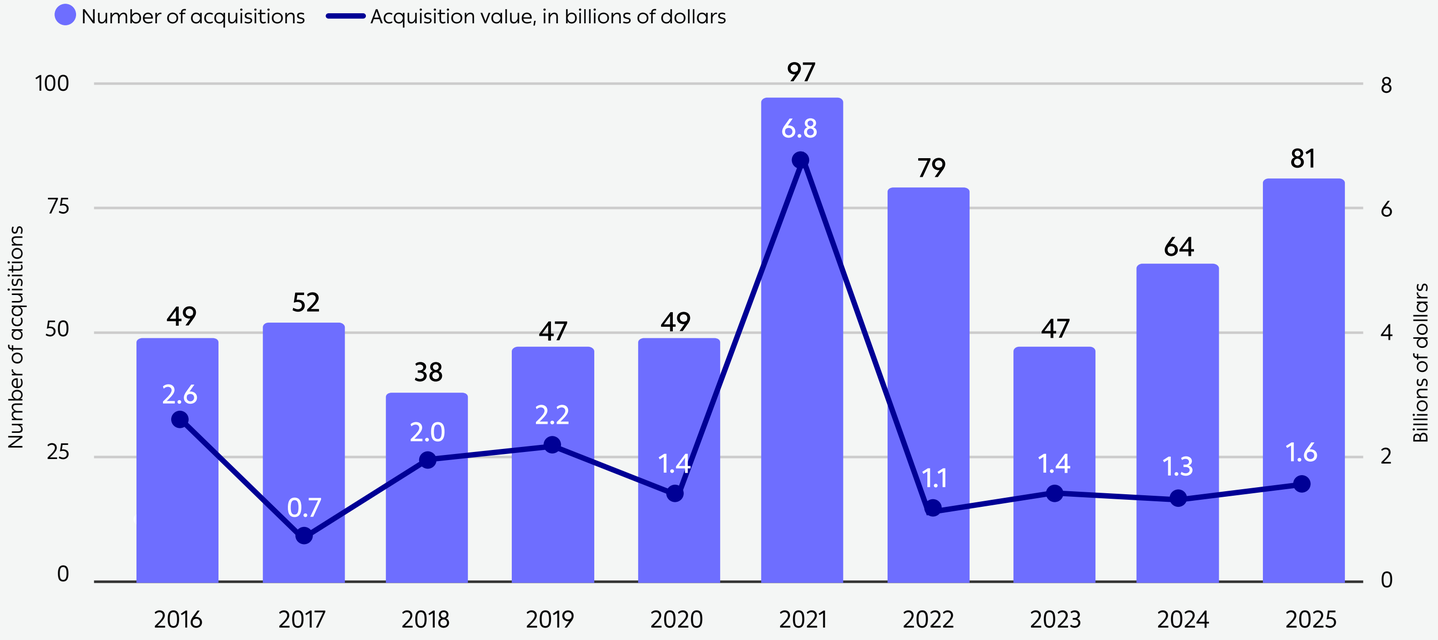
In 2025, Israeli Companies Acquired 81 Foreign Companies at a Total Value of USD 1.6 Billion

As the Israeli high-tech ecosystem matures, recent years have seen an increase in the number of acquisitions carried out by Israeli high-tech companies. This trend has been particularly noticeable since 2021, indicating that companies are growing not only organically, but also through acquisitions of additional operations both in Israel and abroad.

In particular, the increasing trend of Israeli companies acquiring foreign high-tech companies reached a peak in 2021, with 97 such deals totaling USD 6.8 billion. Following a sharp decline in both the number and value of acquisitions in 2023, a recovery in the number of transactions was recorded during 2024–2025, though without a parallel increase in their total value. 64 foreign companies were acquired in 2024 in deals totaling USD 1.3 billion; in 2025, the number of acquired companies rose to 81, however the total value of these deals stood at only USD 1.6 billion.

This gap, between the consistent increase in the number of acquisitions and their relatively low value indicates a change in the composition of transactions, with a growing focus on the acquisition of smaller companies on average.

Acquisitions of foreign companies by Israeli companies, by year



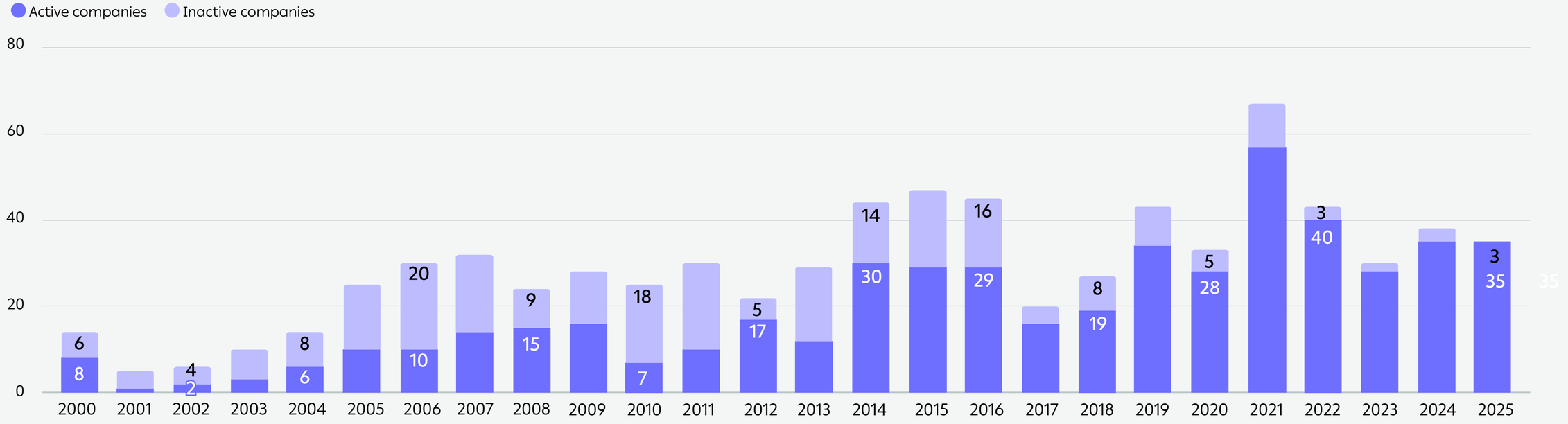
Source: Israel Innovation Authority analysis of IVC and Crunchbase data

Since 2000, More Than 500 Multinational Companies Have Begun Operating in Israel

In 2025, an additional 35 multinational companies joined Israel's high-tech ecosystem - **bringing the total number of multinational companies operating in Israel since 2000 up to 511.**

The data points to **a consistent increase in the activity of multinational companies over the past two decades**, with an average rate of approximately 32 new companies joining each year. 2021 was a record year for the high-tech sector, during which 67 new multinational companies began operating in Israel.

Number of Multinational Companies That Began Operating in Israel Each Year, by Activity Status, as of May 2026



Source: Innovation Authority adaptation of IVC data

רשות החדשנות
Israel Innovation Authority

Part 3

Investors

47% of R&D in Israel in 2023 Was Funded by Foreign Investors

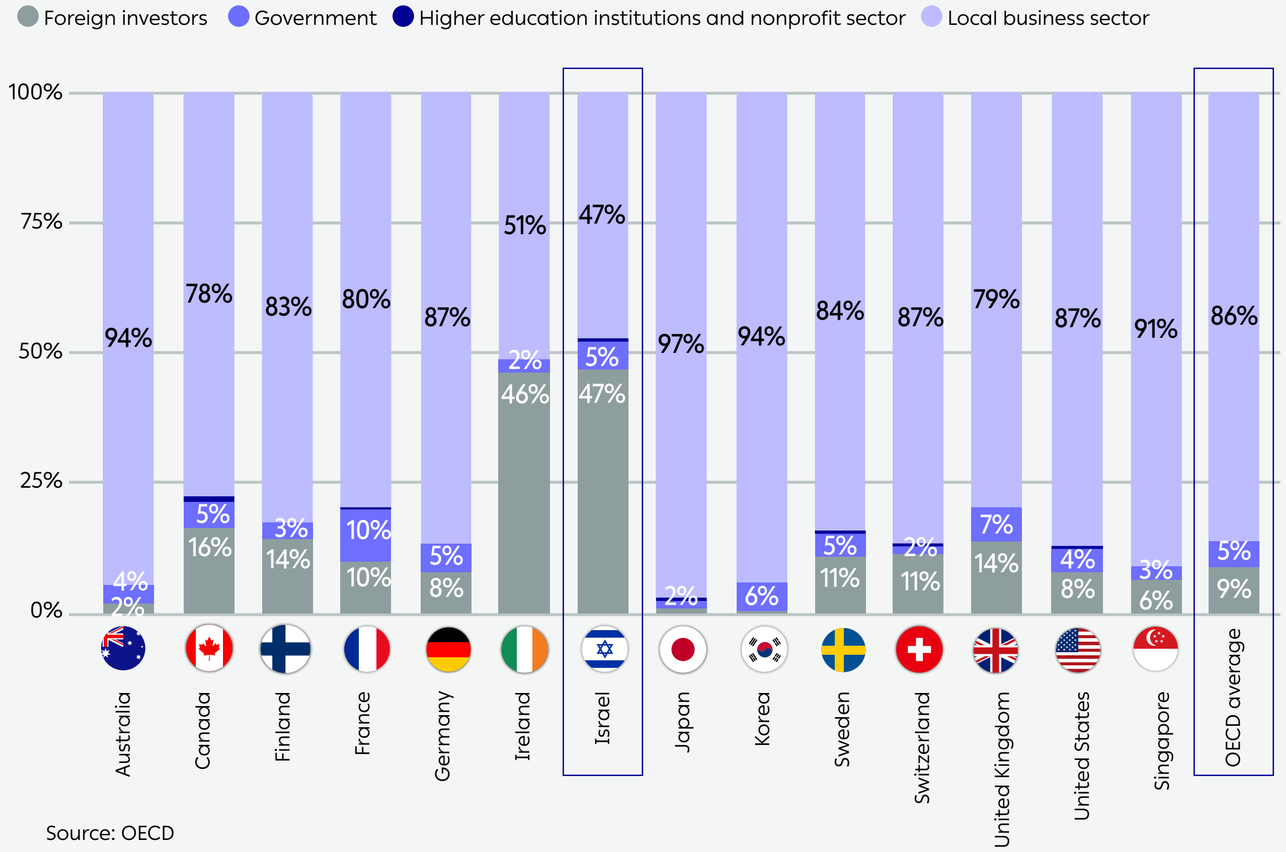
The chart here presents the distribution of expenditure on research and development (R&D) in the business sector by funding source.

Total expenditure in each country represents 100% of investment in business-sector R&D, divided into four main sources: the local business sector, foreign funding, state funding, and higher education institutions and the nonprofit sector.

Foreign funding includes investments originating outside Israel, such as international venture capital funds, foreign corporations, foreign institutional investors, and overseas public entities. It is important to note that investments by Israeli venture capital funds are, to a relatively large extent, funded by foreign investors.

The data shows that in Israel, **the share of foreign funding in business-sector R&D is particularly high, standing at 47% of all business-sector R&D funding, compared with the OECD average of 9%.** This figure indicates a high dependence on foreign investment as a key source of funding for Israeli companies' innovation activity.

Distribution of National Expenditure on R&D in 2023, by funding source



Source: OECD

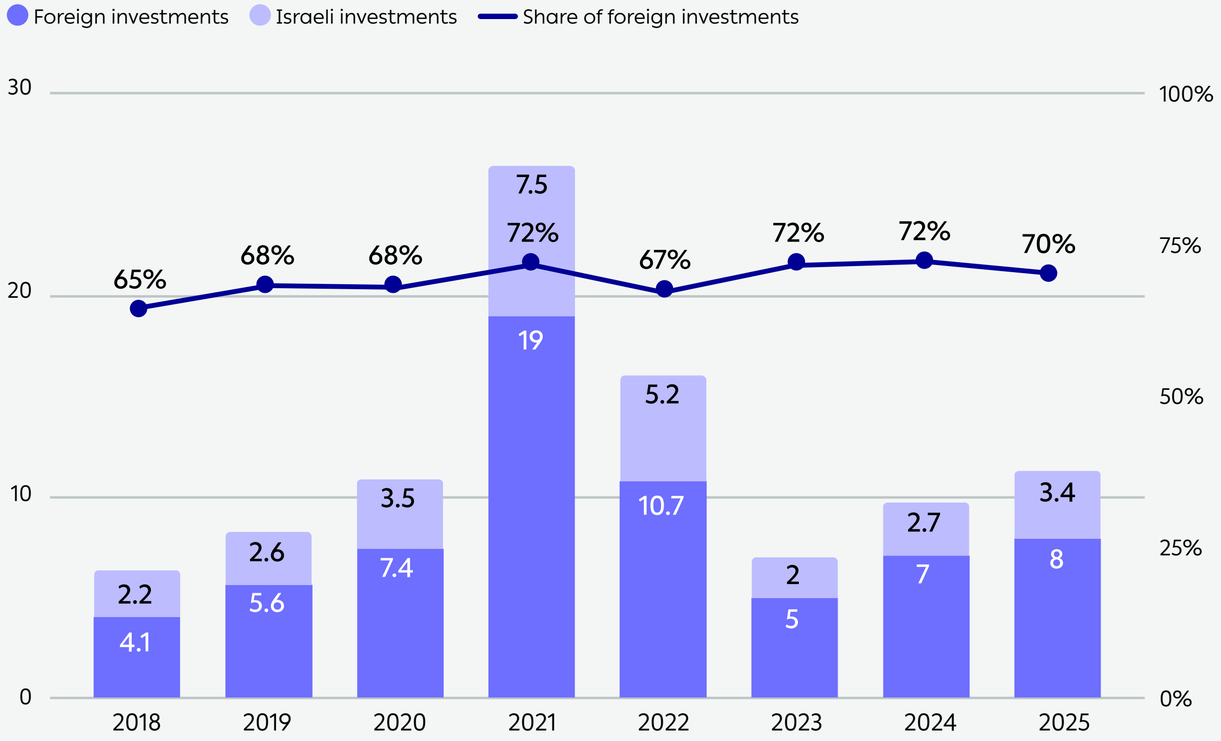
70% of Venture Capital Investments in Israel in 2025 Were Conducted by as Foreign Investors

When focusing solely on venture capital investments in high-tech companies, **the share of foreign investments rises to 70% of total invested capital** and has remained at an almost identical rate over the past seven years. In this analysis, investments were classified as foreign when the investing entity's headquarters address was outside Israel. This does not, for example, refer to investments by foreign LPs in Israeli VC funds.

The dominance of foreign investors reflects, on the one hand, the relative advantage and attractiveness of Israeli high-tech, and, on the other hand, a certain risk stemming from its heavy dependence on foreign funding.

However, the data shows that during periods of instability, specifically in 2023-2024, the share of foreign investors increased. Moreover, the decline in the scope of investments by Israelis in Israeli high-tech was also sharper than the decline in foreign investments: foreign investments decreased by 53% in 2023 compared with 2022, while Israeli investments decreased by 62% during the same period.

Total Annual Fundraising by Technology Companies in Israel (billions of dollars)



Source: IVC Q4 2025 Report

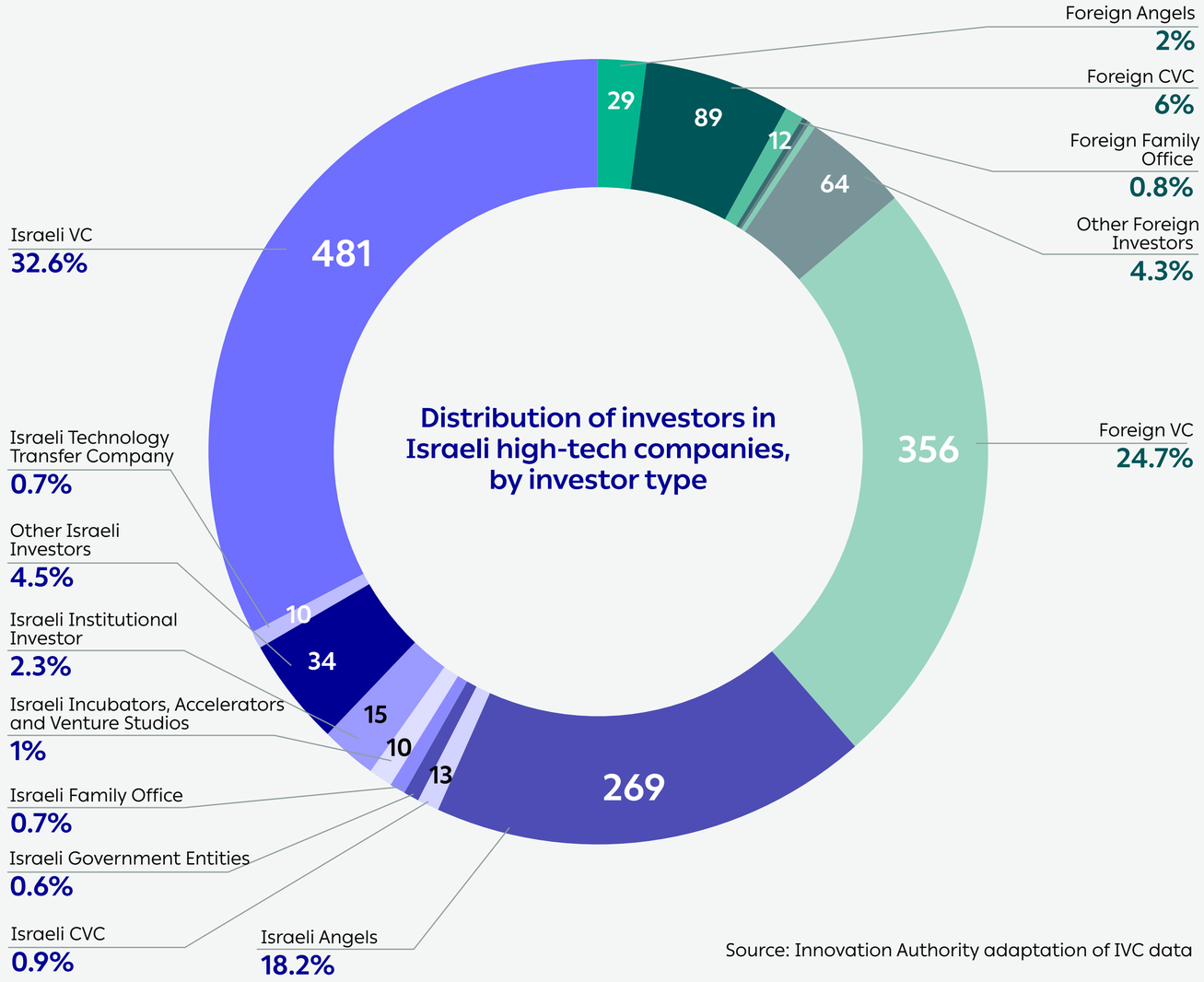
61% of Active Investors in Israel in 2025 Were Israeli, Most of Them Venture Capital Funds

Although most of the capital invested in high-tech in Israel comes from foreign investors, most investors in Israeli high-tech are Israeli.

In total, 481 Israeli venture capital funds were active in 2025, alongside 269 Israeli angels.

The chart shows the number of each type of investor involved in at least one investment during 2025. It should be emphasized that the number of investors of each type does not reflect the share of total investments or the number of rounds in which they were involved, but only their share of investors that were involved at least once in high-tech investments in Israel.

The number of venture capital funds refers to funds i.e., a specific fund of a venture capital firm, and not the number of active VC firms. On average, among Israeli VC firms, the ratio is about two funds per VC firm.



Source: Innovation Authority adaptation of IVC data

Continued ›

61% of Active Investors in Israel in 2025 Were Israeli, Most of Them Venture Capital Funds

Foreign venture capital funds are the second-most dominant investor group in Israel, accounting for about 25% of active investors in 2025. The share of foreign angels, by contrast, is much lower than the share of Israeli angels, standing at only 2%.

In addition, 6% of active investors are corporate venture capital (CVC) funds of foreign companies, totaling 89 CVCs. Alongside them are 13 Israeli CVC funds, which account for 0.9% of all investors.

Definitions

Incubators, Accelerators, and Venture Studios - including: General Accelerators, Incubators, Venture Studio

VC – including: Venture Capital Fund, Venture Lending Fund, Venture Capital Management Company

Institutional Investor – including: Institutional Investor, Bank, Investment Arm or Nostro

Government – including: Bi-National Fund, Government Agency, Government Fund, R&D Support Program, Bi-Lateral R&DProgram

CVC – including: Corporate VC only

Angel – including: Angel Club or Group, Angel Syndicate, Angel, Private Investor

Family Office – including: Family Office only

Other Investors – including: Private Equity Fund, Secondary Fund, Hedge Fund, Fund of Funds, Debt Fund, Endowment Fund, Academy Fund, Buyout Fund, Investment Company, Holding Company, Private Equity Management Company, Endowment and Foundation, Investment Management Company, Offset Company, Financial Services Company

Technology Transfer Company – including: Technology Transfer Company

Increase in Fundraising by Israeli Venture Capital Funds in 2025, Alongside a Further Decline in Average Fund Size

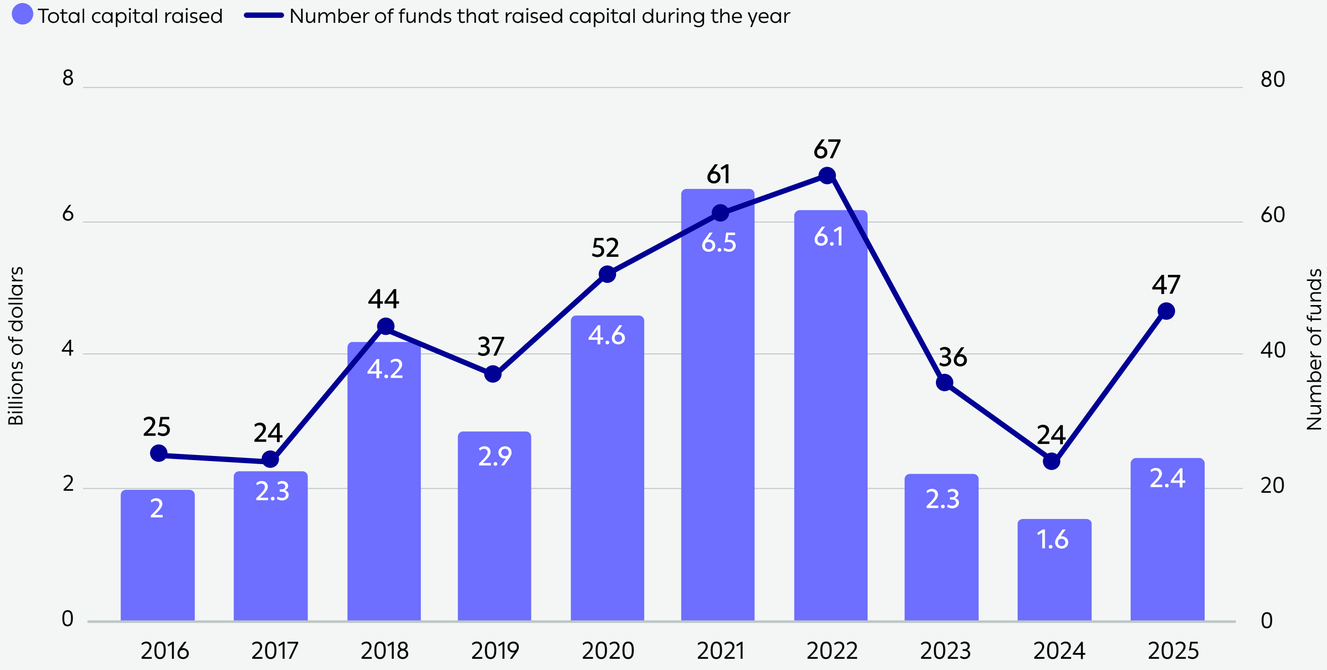
After two years of decline in fundraising by Israeli venture capital funds during 2023-2024, the **total capital raised by Israeli funds increased in 2025 to a total of USD 2.4 billion**. Nevertheless, this amount remains lower than the total fundraising by Israeli venture capital funds in the years preceding the peak fundraising period. Alongside the increase in total capital raised (a 57% increase in 2025 compared with 2024), the number of Israeli venture capital funds that raised capital almost doubled in 2025 compared to the previous year.

These trends affect the average fund size. While the average fund size in 2016-2022 was about USD 90 million, **this figure declined by a third in 2023-2025 to about USD 60 million.**

The decline in fund size impacts the scope of capital that can be invested, the opportunities funds have for follow-on investments, and their willingness to take risks.

Since venture capital funds remain the most dominant player in the Israeli ecosystem, a decline in total capital and in fund size among Israeli venture capital funds affects capital availability across the entire industry.

Total Capital Raised by Israeli Venture Capital Funds (billions of dollars), and Number of Funds That Raised Capital Each Year



Source: Innovation Authority adaptation of IVC data

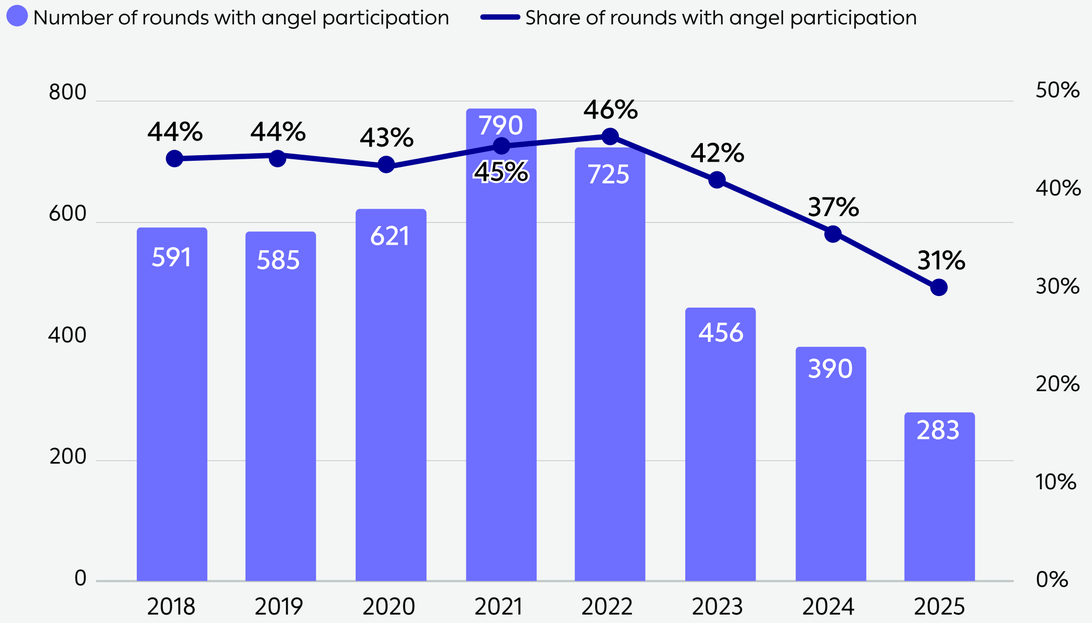
Decline in Israeli Angels' Participation in Funding Rounds of Israeli Technology Companies Since 2022

In 2025, about 270 Israeli angels (private investors) participated in 280 investment rounds in Israeli high-tech companies.[4] In many of the rounds, more than one angel investor participated in a single round, and some angels were involved in multiple funding rounds throughout the year.

Between 2018-2023, the share of funding rounds that included Israeli angels remained relatively stable at 40%-50%, however, a subsequent decline was evident in 2023-2025 to a level of 30%-40% of all funding rounds.

The surge in angel investor involvement in 2021 is correlated with the high-tech boom, against the backdrop of the low-interest-rate environment of that period. In the fourth quarter of 2023, there was a decline in both the share and number of rounds that included angel investors, indicating sensitivity to the geopolitical situation and periods of uncertainty. It is very possible, however, that the data for the final months of 2025 will be revised upward due to the late publication of information about fundraising rounds, particularly in small and early-stage investments.

Funding Rounds of Israeli Technology Companies with Angel Participation and Their Share of all Funding Rounds Each Year



Source: Innovation Authority adaptation of CBS data

[4] Analysis of the involvement of angels and other investors in company fundraising focuses on the number of rounds in which they participated and their share. The analysis does not address investment amounts due to the lack of available information on each investor's share in the round.

85% of Angel-Backed Funding Rounds are Early-Stage Rounds

Angels usually invest the initial capital in startups and participate in early-stage funding rounds. In 2025, about 85% of investment rounds in which angels participated were in early-stage companies, Pre-Seed, Seed or Series A rounds, totaling 217 investment rounds. At the same time, 15% of angel-backed investment rounds in 2025 focused on later-stage companies, amounting to 37 investment rounds.

Angels' increased tendency to invest in early stages began in 2022, a year in which the share of early-stage rounds increased from an average of 76% of angel investments in 2018-2021 to an average of 83% in 2022-2025.

The decline in angel participation in investment rounds adds to the challenging funding environment faced by early-stage startups.

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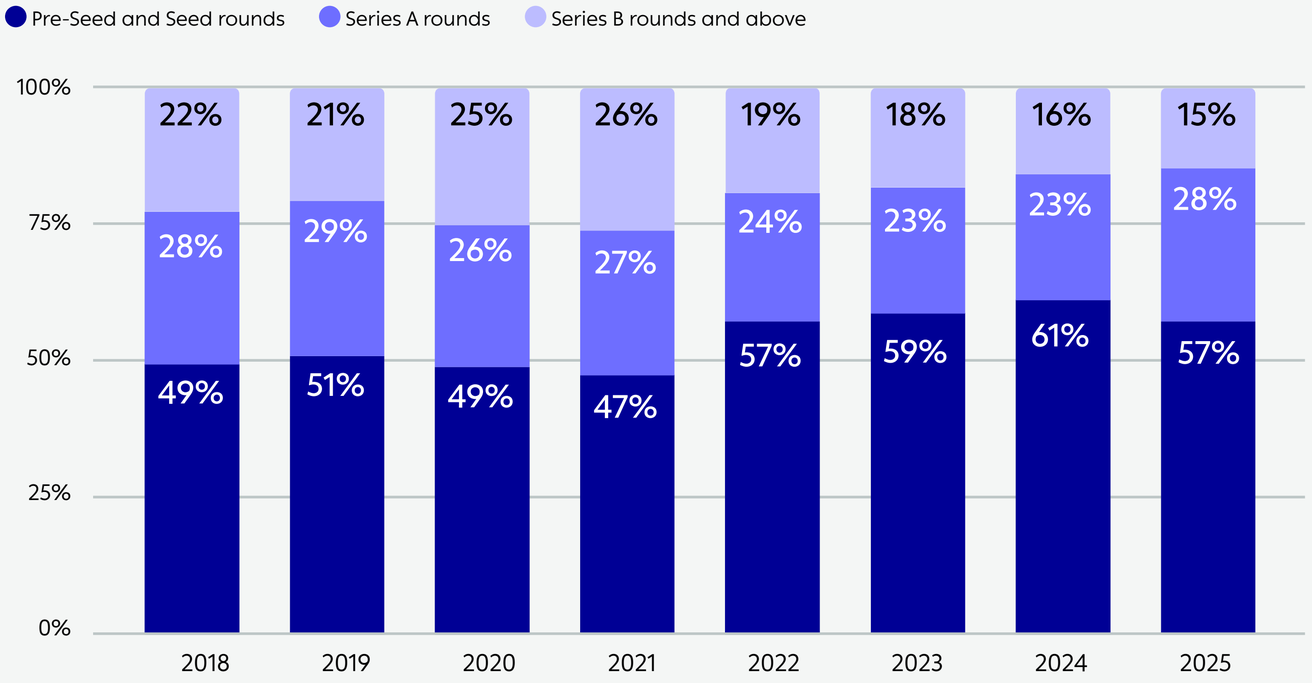
Share of Israeli High-tech Companies' Funding Rounds With Angel Participation, by round type

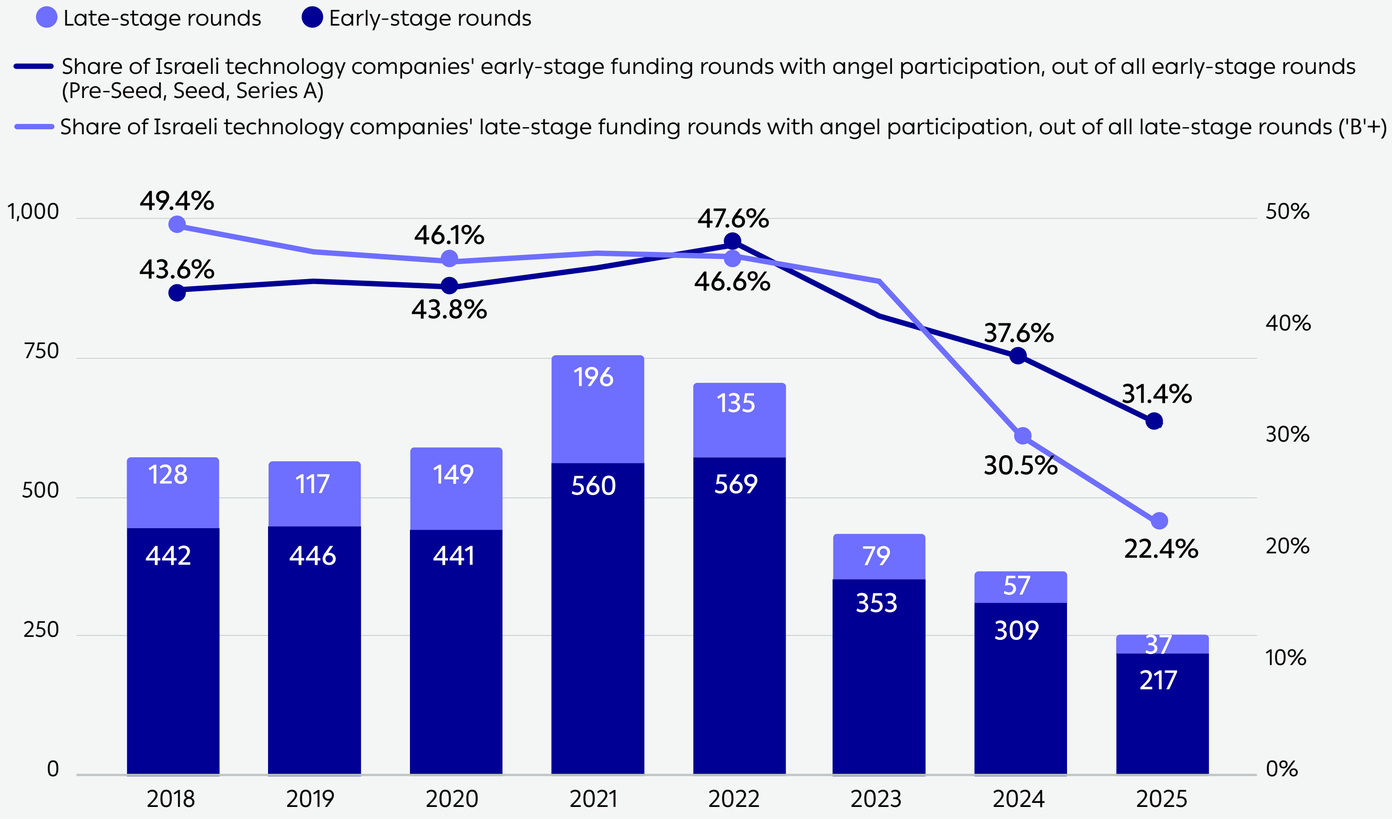


Source: Innovation Authority adaptation of IVC data

85% of Angel-Backed Funding Rounds are Early-Stage Rounds

The decline in angel participation in funding rounds intensified in 2023-2025, particularly in later-stage rounds. In 2025, angels participated in only 22% of later-stage rounds (Series 'B' and above), down from more than 40% through 2023. This change can be attributed to the increase in the average round size and to the high-interest-rate environment, which made it harder for individual investors who tend to invest lower amounts on average, to participate in these rounds.

Number of Israeli Technology Companies' Funding Rounds With Angel Participation and Their Share of All Rounds, by Round Type



Source: Innovation Authority adaptation of IVC data

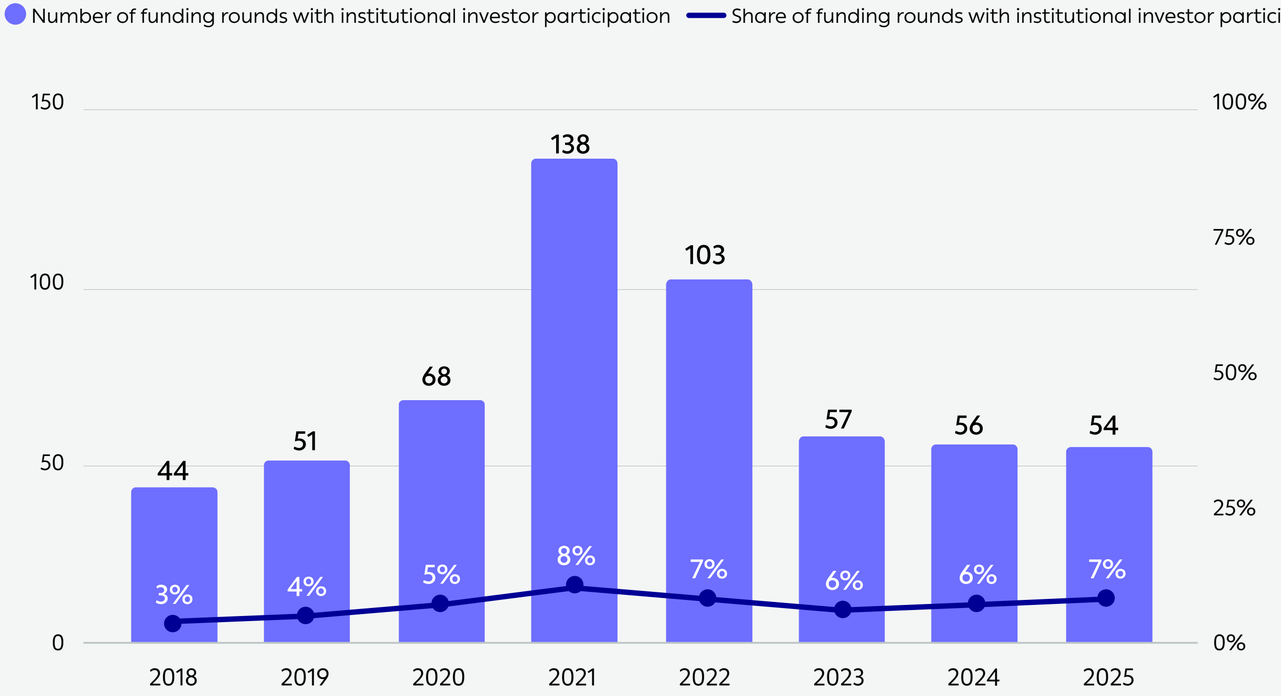
Israeli Institutional Investors Participate Directly in 7% of Israeli High-Tech Companies' Funding Rounds

Institutional investors invested directly in Israeli startups across 54 funding rounds in 2025, accounting for 7% of all funding rounds that year.[5]

The impact of the decline in interest rates and the high-tech market boom in 2020-2022 is also evident in the volume of institutional investments in high-tech companies. **The share of funding rounds with institutional investor participation rose from 3% in 2018 to 10% in 2021, then declined to 6% in 2023**, rising again to 7% in 2025.

The total exposure of institutional investors to high-tech is higher than that reflected in the data here because, in addition to direct investments in companies, institutional investors' capital is also invested indirectly through venture capital funds.

Number of Israeli High-Tech Companies' Funding Rounds with Institutional Investor Participation, and Their Share of all Funding Rounds Each Year



Source: Innovation Authority adaptation of IVC data

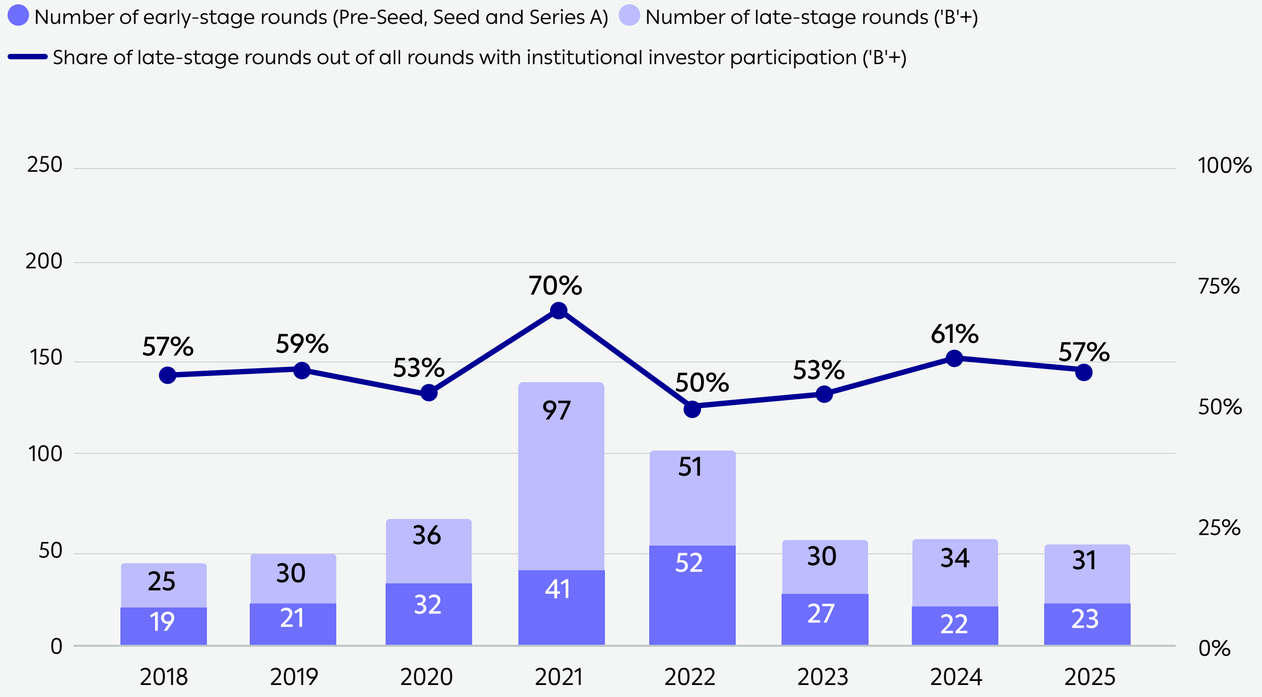
[5] Including rounds in which the amount raised is unknown.

60% of Funding Rounds Involving Institutional Investors Were in Late-Stage High-Tech Companies

Institutional investors tend to seek relatively large investments due to the size of the investment portfolios under their management. Consequently, their investments are primarily focused on later-stage funding rounds (57% of investments in 2025) and on growth-stage companies.

The average round size in which institutional investors participated in 2025 was USD 51 million, compared to an overall average of about USD 28 million per round.

Number of Rounds with Institutional Investor Participation and Their Share of all Rounds, by Round Stage (early and late)



Source: Innovation Authority adaptation of IVC data

רשות החדשנות
Israel Innovation Authority

Part 4
Appendices

Appendix 1: Innovation Authority Activity in 2025

The Israel Innovation Authority endeavors to provide a solution to the different challenges facing the Israeli innovation hub via three operative units that engage in investment and removal of barriers, called "divisions". Each division is mission-oriented and offers a unique toolbox that is adapted to the various challenges in the technological lifecycle.

The Innovation Authority's divisions undertook a variety of initiatives during 2025 with the aim of advancing the competitiveness and growth of the Israeli innovation hub. The table below details the different divisions' activity last year, according to the funds/programs they operate:[1]

Division	Area of Activity	Program	No. of Requests Submitted in 2025[2]	No. of Approvals Given in 2025[2]	No. of New Companies Approved[3]	Total Grants Approved (millions of shekels)
Growth	High-Tech Industry	Startup Fund	211	79	32	448.11
		Yozma Fund – Deeptech Funds	33	9	9	292.46
		Yozma Fund – Institutional Entities[4]				74.84
		Pilots Fund	92	31	14	45.20
		Beta Sites - R&D Infrastructures Fund	12	5	3	20.17
		International Collaboration	42	26	4	22.93
		R&D Fund[5]	46	37	0	78.93
		Total	**436**	**187**		**982.62**
	Manufacturing-Oriented Industry	R&D in Industry (MOFET)	116	54	10	80.09
		R&D in Industry (MOFET) - Innovation Accelerators Fund	16	6	6	12.00
		Total	**132**	**60**		**92.09**

1 Descriptions of the different funds and programs appear on the Innovation Authority website and in previous reports published by the Authority.

2 In most cases, 8-12 weeks elapse between the time a request is submitted and the time it is brought to the committee for approval. Accordingly, the figures for approvals in 2025 also include requests submitted at the end of 2024, and some of the submissions for 2025 (those submitted at the end of the year) were discussed by committees in 2026.

3 The requests and approvals are presented according to the files submitted. Some companies have several submissions and even several approvals in the same program or in several programs. Accordingly, companies that first received investments from the Authority in 2025 and which received more than one investment in the same program, are counted once under the definition "new companies in the same program". Companies that first received investments from the Authority in 2025 in two different programs, are counted in each of the programs as "new companies". Accordingly, a total of 290 new companies were approved in 2025.

4 As part of the Yozma 2.0 Fund, the Authority provides 23% of the total investment framework in Israeli venture capital funds by the institutional investors who applied to the program. The initial approval for the institutional investors' requests was granted in 2024. The investment framework of each institutional investor was approved in USD at an exchange rate of NIS 3.766 (which was the exchange rate at the time the original requests were approved). In 2025, increases were approved to the Authority's participation framework in the institutional investors' investments of a total of approximately USD 19.63 million (NIS 73.92 million). Accordingly, the Authority's total investment framework stands at approximately USD 140.37 million (NIS 528.66 million). An additional NIS 0.92 million was approved to enhance institutional entities' capabilities of identifying and analyzing investments in Israeli high-tech companies.

5 2025 was the R&D Fund's final year of operation.

Appendix 1: Innovation Authority Activity in 2025

Division	Area of Activity	Program	No. of Requests Submitted in 2025[2]	No. of Approvals Given in 2025[2]	No. of New Companies Approved[3]	Total Grants Approved (millions of shekels)
Startup	High-Tech Industry	Technological Incubators Fund	78	68	19	139.67
		Startup Fund	885	167	135	92.90
		Ideation and Entrepreneurship Initiatives - Innovation Accelerators Fund	57	50	3	98.36
		Total	**1,020**	**285**		**330.93**
	Human Capital	Human Capital for High-Tech Fund	78	25	6	22.15
		Total	**78**	**25**		**22.15**
Innovation Infrastructures	Research	Applied Research Fund[7]	513	396	22	386.68
		Consortiums within the Framework of the Horizon Europe Program	43	11	0	22.89
		Commercialization Accelerators	15	3	2	2.25
		Total	**571**	**410**		**411.82**
	Infrastructures	R&D Infrastructures Fund	50	20	7	257.19
		Total	**50**	**20**		**257.19**

[6] In some of the programs for ideation, entrepreneurship, and investment initiatives, there are initiatives in which a franchisee is chosen to run the initiative for several years. During each year of the franchise, the franchisee is required to submit a yearly work plan before investment approval.

[7] The Applied Research Fund includes the following programs – MAGNET consortiums, Applied Research in Industry, and Applied Research in Academia.

Appendix 1: Innovation Authority Activity in 2025

Division	Area of Activity	Program	No. of Requests Submitted in 2025[2]	No. of Approvals Given in 2025[2]	No. of New Companies Approved[3]	Total Grants Approved (millions of shekels)
International		International Funds	77	16	3	44.01
		Horizon Europe Assistance Fund	67	60	20	2.77
		Total	**144**	**76**		**46.78**
TOTAL - Direct Authority Funding			**2,431**	**1,063**		**2,143.57**
Horizon Europe - The EU's R&D&I Program			The Authority's share of the annual payment to the EU, that is attributed to funding the local industry[8]			449.07
TOTAL - Including the EU's R&D&I Program and the Yozma Fund for Investors						**2,592.64**

[8] The Authority pools resources from the participating government entities – the Committee for Budget and Planning, the Ministry of Innovation, Science and Technology, and the Innovation Authority – and transfers Israel's annual participation payment to the EU. The total participation payment in 2025 was NIS 1,123 million, approximately EUR 282.5 million.

Appendix 2: Authority Investments Are Focused on Fields With Low Availability of Private Capital

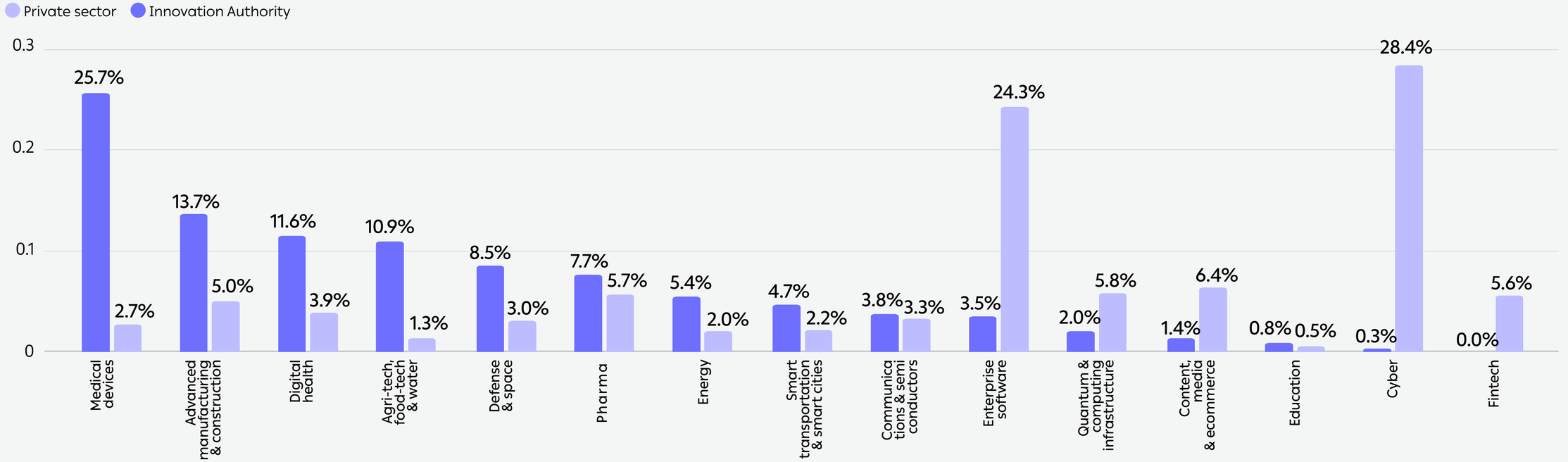
The Innovation Authority's investments in Israeli technology companies focus on fields with a higher likelihood of market failure and with funding gaps in early growth stages. The distribution of investments by field reflects the Authority's policy of operating in areas with relatively low availability of private capital.

The fields of **medical devices, advanced manufacturing, and digital health** account for approximately 51% of all Innovation Authority early-stage investments, while their share of private capital investments is only about **12%.** The fields of **agri-tech, food-tech and water** also account for about 11% of the Authority's investments, compared with only about 1% of private capital investments.

By contrast, in fields where private capital is more readily available, such as cyber, enterprise software and fintech, the Israel Innovation Authority's share is relatively low. For example, cyber accounts for about 28% of private capital investments in early stages, while its share of Innovation Authority investments is less than 1%.

This distribution reflects the Israel Innovation Authority's policy of focusing on and investing in fields with high technological risk, long development times and significant commercialization challenges, where raising capital in early stages is relatively more difficult. This is intended to reduce risk for private investors and encourage their activity in these fields as well.

Distribution of Innovation Authority and Private Sector Investments in Early Stages, by field, 2025 (%)



Source: Innovation Authority adaptation of IVC data and Authority data

The data refers only to investments that can be classified. A given investment may be classified under more than one field. This analysis includes Authority programs that invest directly in companies in early stages - the Startup Fund, the R&D Fund, the Incubators Fund, the Pilots Fund and Disruptive Ventures, From Development to Production Program, and the International Collaborations Program.

Appendix 3: Status of 2025 Work Plan

Division / Program	Goal / Achievement	Met (Fully / Partially)
Infrastructures Division	Launching the new Research Fund	**Fully met**
	Increasing commercialization of academic knowledge in Israel	**Fully met**
	Establishing infrastructure for training large (supercomputer) models and for scientific computation	**Fully met**
	Transfer of knowledge from abroad	**Fully met**
	Encouraging the use of established R&D laboratories and monitoring their performance	**Mostly met**
	Identifying and incentivizing emerging technologies	**Fully met**
Startup Division	Successful deployment of the new incubators model	**Fully met**
	Improving Startup Fund effectiveness (pre-seed stage)	**Mostly met**
	Increasing the geographic and demographic diversity of Israeli high-tech	**Fully met**
	Deploying the Authority's tools to support post-war rehabilitation	**Fully met**
	Expanding the capital supply for early-stage startups	**Fully met**

Appendix 3: Status of 2025 Work Plan

Division / Program	Goal / Achievement	Met (Fully / Partially)
Growth Division	Improving t Startup Fund effectiveness (Seed and 'A' stages)	**Mostly met**
	Expanding funding for Israeli high-tech	**Fully met**
	Expanding the scope of foreign investors' activity in Israel, with an emphasis on deep-tech companies	**Mostly met**
	Developing and implementing the methodology for the new Pilots Program	**Fully met**
	Optimal implementation of the Yozma 2.0 Fund	**Fully met**
	Mapping segmental growth barriers, in collaboration with industry	**Fully met**
	Establishing a joint team with the Ministry of Finance's Budget Department to develop a plan for improving the high-tech business environment	**Fully met**
	Driving breakthrough innovation in mature companies	**Mostly met**
	Creating a mechanism for allocating compute resources for large model (supercomputer) training infrastructure	**Fully met**
Policy Division	Improving the business environment - identifying segmental barriers, enabling regulation, and enhancing the competitiveness of the tax environment	**Fully met**
	Mapping tax barriers and assessing tax competitiveness in the Pillar 2 framework for Israeli high-tech, including an implementation outline	**Fully met**
	Measuring the Authority's effectiveness and monitoring high-tech sector's activity	**Fully met**
	Creating a uniform metric for assessing effectiveness of all the Authority's programs	**Partially met**
International Division	Optimal utilization of the Horizon Europe Program	**Mostly met**
	Global business development to promote the Authority's objectives	**Fully met**
Artificial Intelligence Program	Completing the first phase and assessing outcomes	**Fully met**
	Accelerating the activity of additional 'Telem' entities and partners as part of the second phase	**Partially met**
	Accelerating the activities of the Authority's divisions as part of the second phase	**Fully met**
	Promoting the semiconductor industry in Israel	**Mostly met**

Appendix 3: Status of 2025 Work Plan

Division / Program	Goal / Achievement	Met (Fully / Partially)
Bio-Convergence Program	Advancing the national program as part of the 'Telem' Forum	**Fully met**
	Incentivizing research activity (infrastructure and research), incubation (ventures and human capital), growth (R&D, pilots, coordinated ventures), and international activity integrating bio-convergence	**Fully met**
Climate Program	Encouraging establishment of new Climate-Tech ventures and ensuring company inception and growth in Israel	**Fully met**
	Developing a climate-tech ecosystem and ensuring Israel's economic development in climate clusters	**Mostly met**
	Removing growth barriers in climate clusters	**Mostly met**
Technology Division	Improving the quality of the evaluation process and satisfaction with its professionalism	**Fully met**
	Enhancing the evaluation process for insights accumulated in the Startup Fund	**Fully met**
	Improving the performance of the Authority's divisions and their franchisees	**Fully met**
Operations	Increasing the Authority's revenues	**Fully met**
	Improving customer service	**Fully met**
	Evaluating a performance-based payment pilot	**Fully met**
Organizational Development Division	Strengthening the Authority's preparedness for cyberattacks	**Fully met**
	Leveraging the Authority's data infrastructure to improve effectiveness	**Mostly met**
	Recruiting and retaining employees	**Fully met**
	Developing and maintaining competency of program managers	**Fully met**
	Upgrading CRM-based management capabilities within the Authority	**Fully met**
Marketing and Customers	Improving customer satisfaction	**Fully met**
	Strengthening the branding of the Israeli innovation hub	**Fully met**

Appendix 4: Work Plans in 2026

Division / Program	Goal
Startup Division	Accelerating incubation from industry
	Accelerating incubation from academia
	Improving the effectiveness of the Startup Fund/Ideation (Tnufa and Pre-Seed)
	Expanding the supply of capital for early-stage startups
	Increasing geographic and demographic diversity in high-tech and entrepreneurship
	Closing human capital gaps for high-tech
	Building a methodology for managing franchisees and programs
Growth Division	Expanding the supply of capital for startup and growth companies
	Incubating new ventures and ensuring growth – reality-changing ventures
	Incubating new ventures and ensuring growth – sandboxes and pilots in Israel and abroad
	Incubating new ventures and ensuring growth – the Climate-Tech Program
	Incubating new ventures and ensuring growth – Defense-Tech and Dual Use
	Improving the effectiveness of the Startup Fund (Seed and 'A')
	Aligning the size of Startup Fund grants with industry needs
	Mapping decision junctions for securing growth companies
	Driving innovation in mature companies

Appendix 4: Work Plans in 2026

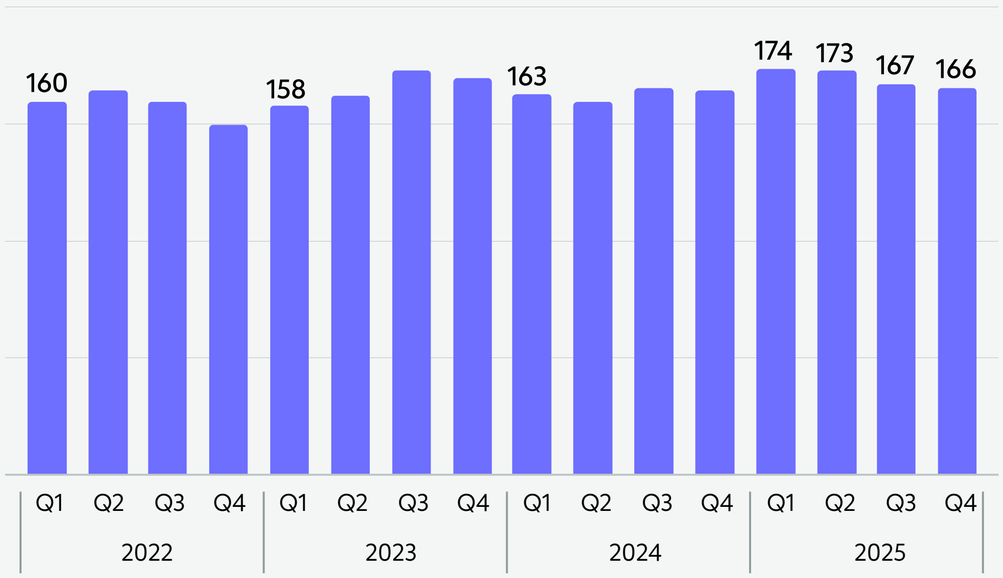
Division / Program	Goal
Infrastructures Division	Accelerating the commercialization of applied research from academia to industry
	Initiating the establishment of R&D infrastructures and making them accessible
	Incentivizing applied research in industry
	Executing the R&D Infrastructures Program for Artificial Intelligence
	Promoting the transfer of knowledge from abroad to Israel and access to international R&D infrastructures for Israeli companies
	Identifying and incentivizing emerging technologies
Policy Division	Formulating an operating concept to promote regulatory experimentation through an inter-ministerial team
	Improving the business environment
	Improving tax policy
	Formulating a strategy and action plan for human capital
	Formulating a methodology and broad-based metrics to measure the effectiveness of the Authority's investments in creating marginal investment efficacy
	Examining the effectiveness of the Authority's investments
International Division	Optimal utilization of the Horizon Europe Program
	Global business development to promote the Authority's objectives
Artificial Intelligence Program	Completing the second phase of the Telem Program
	Promoting the partnership with the Artificial Intelligence Headquarters
	Maintaining the global competitiveness of Israel's semiconductor sector

Appendix 4: Work Plans in 2026

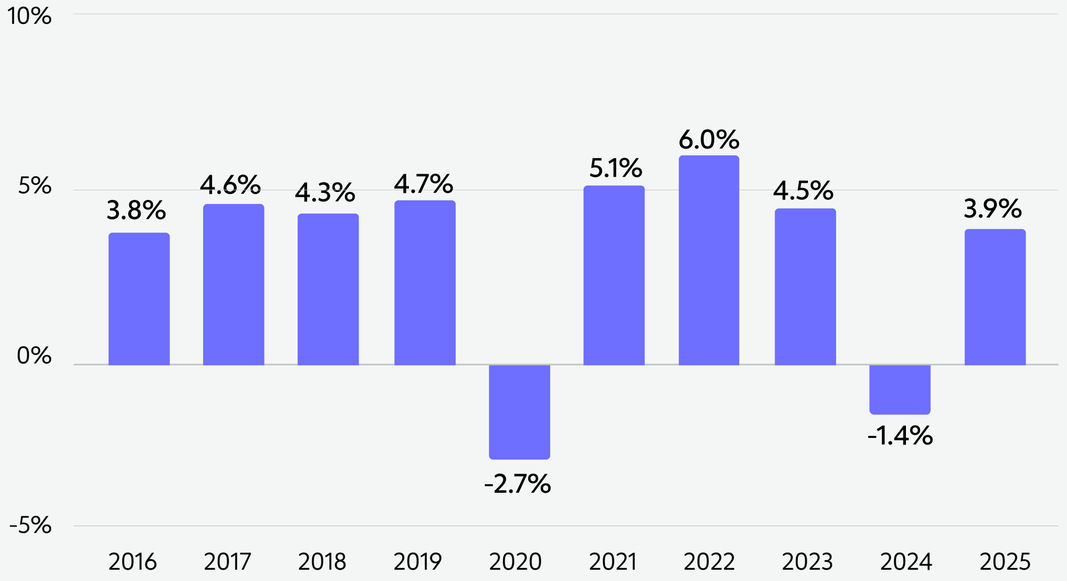
Division / Program	Goal
Bio-Convergence Program	Advancing the national program as part of the 'Telem' Forum
	Incentivizing research activity (infrastructures and research), incubation (ventures and human capital), growth (R&D, pilots, coordinated ventures), and international activity integrating bio-convergence
Technology Division	Improving the evaluation process
	Improving the performance of the Authority's divisions and franchisees
Marketing and Customers	Improving customer experience when applying to the Authority's main funds
	Improving customer satisfaction
Operations	Implementing new tax incentives in the form of an R&D tax credit as a result of Pillar 2 legislation
	Increasing the Authority's revenues
	Improving customer service
	Examining a performance-based payment pilot
Organizational Development Division	Leveraging data infrastructures
	Continuing the Authority's digital transformation
	Strengthening the Authority's cyber protection
	Maintaining a high standard in the quality of recruitment and employee retention processes

Appendix 5: Employment in Tech Jobs Across the Economy

Number of employees in tech jobs across the economy (excluding the high-tech sector), in thousands



Annual rate of change in the number of tech jobs (excluding the high-tech sector)



Source: Innovation Authority and Aaron Institute adaptation of CBS data
The data refers to the entire population in the prime working ages of 25-64

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Thank you