

# Israeli High-Tech Grows in GDP, Exits and Exports Despite First Decline in R&D Employees and Expansion Abroad

*Israeli high-tech generated \$85B in exports, \$84B in exits, and nearly \$15B in fundraising, despite continued expansion of R&D and employment abroad.*

JERUSALEM, ISRAEL, June 2, 2026 /EINPresswire.com/ -- [The Israel Innovation Authority](#) today published its 2026 High-Tech Status Report, highlighting significant growth across Israel's high-tech sector in 2025, while also pointing to several structural challenges emerging across the industry.

According to the report, Israeli high-tech output increased by 8.2%, a 30% increase in capital raising, record levels of exits, and a record share of high-tech in Israeli exports. Israel also maintained its standing as one of the world's leading technology hubs, recording \$85 billion in exports, \$84 billion in exits, and nearly \$15 billion in capital raised throughout the year.

However, the report also marks several concerning developments within the sector, including the first decline in a decade in the number of R&D employees in Israel, rising relocation requests, and the continued expansion of Israeli companies' operations, management, and R&D activity outside Israel.

Gila Gamliel, Minister of Innovation, Science and Technology, said: "In a period highlighted by security, economic, and social challenges, Israel's high-tech industry continues to demonstrate its strength and strategic contribution to Israel. The report's findings illustrate that Israeli innovation is not only an economic growth engine, but also a national asset with deep significance for the



Dr. Alon Stopel Chairman Israel Innovation Authority

country's future, resilience, and international standing. Our responsibility is to continue creating the conditions that will ensure Israel's technological advantage for decades to come."

Dr. Alon Stopel, Chairman of the Israel Innovation Authority, said: "Israel's greatest advantage has never been the size of its market or its natural resources, but rather its ability to think differently, take risks, and turn breakthrough technologies into reality. The report demonstrates that the Israeli entrepreneurial spirit remains strong despite the significant macroeconomic challenges we face, from exchange-rate volatility, through maintaining profitability and employment, to the need to lead in the



Dror Bin, CEO of The Israel Innovation Authority

global AI race. Our mission now is to ensure that this advantage does not erode in a world where competition over technology, capital, and talent becomes more aggressive each year. We must continue striving to encourage economic growth through substantial investment in R&D, expanding international collaborations, and strategically focusing on building large, established Israeli High-Tech companies. As the economy's primary growth engine, the State of Israel must continue placing innovation at the top of its national priorities, not only for the economy, but for the resilience and future of the country as a whole."

Dror Bin, CEO of the Israel Innovation Authority, added: "The report's findings show that Israeli high-tech continues to demonstrate exceptional strength and resilience, while also reflecting the sector's real challenges. Israeli high-tech is currently at a crossroads. On the one hand, while many countries around the world slowed down, Israel continues to build breakthrough companies, attract investment, and lead at the forefront of global technology. On the other, part of the activity, workforce, and capital is moving outside Israel. This may not be a trend felt overnight, but over time it could erode the relative advantage upon which the Startup Nation was built. Our main challenge now is not only to continue generating innovation, but to ensure that this innovation continues creating value, jobs, and growth here in Israel."

### Main Findings of the Report

First-quarter 2026 data indicate continued strong momentum in capital raising for Israeli High-Tech: despite the complex security environment, early 2026 data shows that the Israeli

technology investment market remains highly active, with approximately \$3.36 billion raised. In 2025, Israeli High-Tech GDP totaled NIS 352 billion, representing an 8.2% increase compared to 2024. The increase was driven primarily by approximately NIS 47,000 growth in annual GDP per employee (an increase of around 6%) with output per employee in High-Tech reaching approximately NIS 827,000, the highest in the economy.

High-Tech exports rose to approximately \$85 billion, accounting for 58% of total Israeli exports. At the same time, the number of employees in the sector rose to approximately 400,000 workers, representing 11.4% of total employment in Israel, while the number of new startup companies established in Israel increased to approximately 775 in 2025.

Israel continues to maintain its status as one of the world's leading technology hubs, ranking in 2025 as the fourth-largest hub globally for capital raising and the leading hub outside the United States, with nearly \$15 billion raised. During the year, exits totaled approximately \$84 billion, alongside an increase in the number of multinational companies operating in Israel to 511.

Strengthening of Israeli High-Tech's transition toward Deep Tech and artificial intelligence in 2025: the report highlights growing activity in Defense Tech, space, quantum technologies, and AI infrastructure among newly established companies and investments across the industry.

In 2026, the expansion of Israeli High-Tech companies' activity outside Israel continued: by March 2026, only 62% of employees at private Israeli companies were employed in Israel, compared to 69% in 2019, indicating a continued decline in the share of activity taking place in Israel.

The United States continues to grow as the Center of operation of Israeli High-Tech companies, with most of the growth in overseas employment concentrated in sales, support, management, and R&D roles.

In 2026, a further decline was recorded in the share of senior High-Tech executives employed in Israel: by March 2026, the share of senior employees based in Israel had declined by approximately 9.6%, alongside growth in the number of senior executives employed in the United States, a trend that may indicate that management and decision-making centers are gradually shifting away from Israel.

Israeli High-Tech companies continue transferring R&D activity outside Israel: most of the growth in R&D operations was recorded in Eastern Europe and the United States, while Israel's share of development activity continues to erode.

For the first time in over a decade, a decline was recorded in the number of R&D employees in Israeli High-Tech: alongside the decline in development roles, there was an increase in product positions, potentially indicating a shift in workforce composition in the AI era.

Israeli High-Tech Returned to Growth and Drove Half of Israel's Economic Expansion

In 2025, Israeli High-Tech GDP totaled NIS 352 billion, representing real growth of 8.2% compared to 2024, while High-Tech's share of Israel's GDP increased to 18.3%, up from 17.7% the previous year. Output per employee in the sector also remained significantly higher than the national average, reaching approximately NIS 827,000 per employee annually — an increase of more than NIS 47,000 compared to 2024. Even stronger growth was recorded in the High-Tech industries (hardware sectors), where output per employee in 2025 was approximately NIS 100,000 higher per employee annually than in High-Tech services sectors.

Analysis of macroeconomic data indicates that growth in High-Tech outputs accounted for approximately 50% of Israel's total economic growth this year, contributing 1.44 percentage points out of Israel's total GDP growth of 2.9%. Most of this growth stemmed from increased output per employee rather than from growth in the number of High-Tech employees. At the same time, the Israel Innovation Authority emphasizes that despite the recovery in growth over the past year, there remains a gap of approximately NIS 19 billion between current High-Tech GDP and the projected GDP level that would have been reached had the average annual growth rate recorded between 2008–2022 (6.5%) continued uninterrupted. In addition, most of the increase in GDP was driven by hardware manufacturing (computers, electronic equipment, and optical devices), which added approximately NIS 16 billion.

At the same time, High-Tech exports reached a record \$85 billion, accounting for 58% of total Israeli exports. Exports constitute 79% of Israeli High-Tech GDP, compared to only 26% in the rest of the economy. This dominance underscores the industry's dependence on international markets and exchange-rate fluctuations. By way of illustration, the report presents a simulation according to which a decline in the dollar exchange rate from an average of NIS 3.7 in 2024 to an average of NIS 3.45 in 2025 translates into a NIS 21 billion reduction in High-Tech GDP (approximately 1.1% of Israel's GDP).

#### High-Tech Employment Resumed Growth Alongside a Decline in R&D Roles and Increased Relocation Trends

The number of employees in Israeli high-tech reached approximately 400,000 in 2025, reflecting growth of 2.5% compared to 2024, versus an annual average growth rate of approximately 6% over the previous decade. For the first time in a decade, the number of R&D employees in Israel declined, with approximately 3,500 fewer employees and a drop in their share of total industry employment from 51% to 49%.

The number of open positions rose by 12.1%, reaching 18,340 positions, primarily across high-tech services and software companies. Within the high-tech industry (hardware sectors), R&D positions increased by 11.9%, alongside an 8.9% increase in total employment.

Meanwhile, high-tech services (software sectors) recorded a 3.5% decline in R&D positions and a 0.1% decrease in overall employment. According to the report, Summer of 2024 saw an additional 14% increase in the number of high-tech employees leaving Israel for extended periods, following a 42% increase during summer 2023.

The Israel Innovation Authority noted that the structural shift in the composition of roles, including a moderate decline in the share of R&D employees to 49% of the industry, alongside a rise in product roles to 24%, may be partly attributed to the growing adoption of artificial intelligence tools that streamline and accelerate development work. Despite these employment fluctuations, the structural productivity advantage of high-tech compared to the broader economy remained exceptional and continued to strengthen. In 2025, annual output per high-tech employee reached approximately NIS 827,000. This figure remains significantly higher than in other leading segments, including financial and insurance services (approximately NIS 721,000 per employee), commerce (approximately NIS 283,000 per employee), and construction (approximately NIS 166,000 per employee).

#### More Activity Outside Israel, More Hardware, and Less Focus on Software

The share of employees based in Israel within private high-tech companies declined from 69% in January 2019 to 62% in March 2026. Most of the growth in employment outside Israel was recorded in the United States, both in R&D positions and senior management roles.

Most of the growth in high-tech output during 2025 came from hardware manufacturing, including computers and electronic and optical equipment. The hardware industry added approximately NIS 16 billion to Israel's output in a single year, following annual increases of no more than NIS 1.5 billion between 2022–2024. Despite this shift, software services still account for 69% of Israeli high-tech output.

Following a decade-long decline in the number of newly established companies, approximately 775 new startups were founded in Israel in 2025, compared to approximately 750 in 2024 and 743 in 2023, though still significantly below the peak of more than 1,400 new companies established in 2014.

#### Fundraising Recovered, but the Market Became More Concentrated

Israeli technology companies raised approximately \$14.6 billion in 2025, representing a 30% increase compared to 2024, although the number of funding rounds continued to decline. The number of funding rounds under \$10 million fell to its lowest level in a decade, while most of the increase in fundraising volume was driven by mega-rounds raised by growth-stage companies.

In 2025, Israel ranked as the world's fourth-largest hub for startup fundraising, behind San Francisco, New York, and Boston, and ahead of London, Paris, and Singapore. Israel also ranked fifth globally in fundraising growth rates, recording a 33% increase.

Artificial intelligence continued expanding its share of Israeli high-tech, with 35% of all investments directed toward Core AI companies. Cybersecurity, enterprise software, and fintech segments accounted for more than 60% of total capital raised, while the share of digital health and medical device segments in fundraising declined significantly.

## Recovery in Exits, Growth in Acquisitions, and the Maturation of Israeli Companies

In 2025, 198 exits involving Israeli companies were recorded, including 189 mergers and acquisitions totalling approximately \$18.5 billion. When including the Wiz, CyberArk, and Armis transactions signed in 2025 and approved in 2026, total exit value rises to approximately \$84 billion.

IPO valuations increased by 319%, climbing from \$390 million in 2024 to \$1.6 billion in 2025. At the same time, Israeli companies acquired 81 foreign companies, while 49% of Israeli companies sold were acquired by other Israeli companies.

More than 500 multinational companies have begun operating in Israel since 2000, including 35 new multinational companies added during 2025 alone.

## Israeli High-Tech Continues to Rely on Foreign Capital

According to the report, 47% of business-sector R&D funding in Israel originates from foreign sources, compared to an OECD average of only 9%. 70% of venture capital investments in Israel during 2025 were classified as foreign investments.

In parallel, 61% of active investors in Israel are Israeli, primarily local venture capital funds and angel investors, while foreign venture capital funds account for approximately 25% of active investors in Israel.

89 foreign corporate venture capital (CVC) funds operated in Israel alongside 13 Israeli CVC funds. Israeli venture capital funds raised approximately \$2.4 billion during the year, a 57% increase compared to the previous year, although the average size of Israeli funds declined from approximately \$90 million during 2016–2022 to only approximately \$60 million in recent years.

Institutional investors also invested directly in Israeli startups across 54 funding rounds during 2025, representing approximately 7% of all funding rounds.

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