



STATE COMPTROLLER OF ISRAEL

Report on the Economic Sector



June 2026 | **Special Report**

Jerusalem

Foreword

The report before you is a special report on the economic sector, dealing for the most part with matters that have a direct impact on daily life and on the development of the economy. This report serves as a central pillar in public oversight of the management of the state's economic resources. The topics discussed in the report are grouped into several key clusters: **Economic Regulation and Consumerism; Budget and Taxes; Infrastructure and Energy; Housing and Services; Pensions.** The following is an overview of several of the report's chapters:

The Mortgage Market

The mortgage market has a direct impact on every household in Israel, as taking out a mortgage is usually the most significant financial decision to be made. Due to its substantial financial scope and its span across decades, a mortgage is not merely a financing tool for purchasing an apartment, but a factor that directly affects a household's disposable cash flow, standard of living, and the economic resilience of the borrowers over a considerable period of time. The inherent complexity of the loan, alongside the broad, long-term effects of its terms, necessitate high consumer awareness as well as appropriate and up-to-date regulation in accordance with changes in the economy by the relevant regulators—the Bank of Israel and the Capital Market Authority. The sharp and continuous rise in housing prices,

which began in 2008, led to a significant increase in the demand for credit. This trend is clearly reflected in the data for the years 2024–2025. The average mortgage amount crossed the threshold of NIS 1 million, and the average monthly repayment climbed to approximately NIS 5,800, compared to the average repayment in 2019 which amounted to NIS 4,200. As of June 2025, the total outstanding mortgage debt of the Israeli public reached an unprecedented sum of approximately NIS 630 billion. The audit findings indicate a complex system, in which conservative supervisory mechanisms that contribute to the stability of the banking system and risk reduction coexist alongside structural and operational barriers that are liable to harm competition, transparency, and the accessibility of financial services to various sectors of the public. Consequently, gaps between populations are widening, financing practices that increase risks are developing, and weakness is evident in the regulation of intersecting fields, foremost among them mortgage counseling.

A mortgage is not just a banking product, but a vital existential infrastructure for the economic stability of the household in Israel. The Bank of Israel, in cooperation with the Capital Market Authority, must ensure that this market is conducted with transparency, fairness, and under proper supervision, while encouraging competition on the one hand and maintaining the stability of the financial system on the other.

Budgetary Transfers Toward the End of 2024

The state budget is the primary tool through which the government's economic policy is implemented, and therefore it has a decisive influence on the economic and social processes in the country. The budget is designed to give expression to the financial aspect of the government's annual or multi-year work plan and to reflect the government's goals and priorities in allocating the resources available to it. Reporting on budget execution is intended to serve not only as a tool for reflecting financial expenditures but also as a measure for achieving goals and executing actions.

The year 2024 was characterized by an unprecedented volume of additional budget laws that were approved and budget requests that were submitted to the Finance Committee in December of that year. This was due, among other things, to the need to provide a budgetary response to the "Swords of Iron" war and to unexpected expenditures in the security and civilian spheres. In December 2024, 77 budget requests were approved totaling a gross amount of approximately NIS 30.4 billion—an amount approximately 65% larger than the amount approved in December 2017, and totaling NIS 18.4 billion. As part of budget management, requests for the allocation of significant funds submitted toward the end of the fiscal year were reviewed, and this impaired the ability of government

ministries to operate continuously and efficiently, leading to a situation where, in practice, ministries spent funds without an approved budget, contrary to the law. A comparison with previous years shows an emerging trend of increased burden on the Finance Committee, as well as a growth in the number of late transfers and the budget amounts allocated within their framework. These findings raise concerns regarding the bypassing of the Budget Foundations Law, 5745-1985, and the impairment of decision-making processes, the Knesset's oversight capacity, the proper management of public funds, and the efficient implementation of government policy.

It is recommended that the Minister of Finance and the Budget Department act to reduce the scope of budget changes in general, and late budget changes in particular, and that they take measures to bring forward the dates for transferring requests for discussion and approval and strengthen budgetary control and oversight—in order to ensure transparency, efficiency, and continuity in the management of government budgets and compliance with budget laws.

Ensuring the Supply of the Israeli Economy's Natural Gas Needs

Natural gas is a natural resource of supreme national and strategic importance to the State of Israel and its energy independence. It is also vital for the development of the economy and industry and for the prosperity

of Israel's economy. Following the discovery of gas reserves in Israel's economic waters, the country transformed from an importer of fuels for electricity generation into an independent nation regarding the supply of most of its energy needs for electricity generation¹. In 2024, 27.1 BCM of natural gas were produced in Israel; half of this quantity was used for electricity generation, industry, and transportation in the domestic market, and half of it was for export. The natural gas sector currently relies on three main gas reservoirs—Leviathan, Tamar, and Karish-Tanin. Natural gas has additional benefits: it is an important source of income for the state, and its use reduces air pollution and lowers electricity tariffs and the cost of living compared to the use of fuel. However, since natural gas is a depletable resource, it is expected that within two decades the Israeli economy will have to contend with a growing shortage of natural gas. This shortage may manifest, among other things, in a rise in energy prices and the cost of living. Decisions reached at this time regarding the gas sector will affect this sector for many years to come, and they will shape Israel's energy future.

The audit revealed gaps in the response provided for the domestic economy's gas needs, including the scope of the retention obligation required for the domestic economy for a 25-year range, and the response given to the long-term energy security needs of the State of Israel. Furthermore, it was found

that the Dayan Committee based its findings on an electricity demand forecast that is likely biased downward (Israel's proven natural gas reserves as of January 1, 2024, on which the Dayan Committee based its draft recommendations, totaled 850 BCM. In November 2025, their estimated scope was retroactively updated to approximately 870 BCM). It was also found that the committee's recommendations were based on uncertain data regarding the benefit to be derived from exports, without taking into account the additional costs of future imports.

It is the state's role to ensure that natural gas resources are utilized in a way that maximizes their value for the benefit of the public in Israel, from a long-term perspective and strategic planning of the energy sector. The Ministry of Energy, as the public's trustee, in cooperation with the other members of the Dayan Committee, should bring about the full realization of the overall benefits inherent in the gas reserves, which are the central energy source upon which Israel relies. Given the expectation that gas reserves will deplete within approximately 25 years, it is required even now to prepare for this and examine the necessary steps to be taken so that the energy sector will be ready for the day when Israel no longer has natural gas resources. This is to ensure that the supply of energy sources to the economy remains reliable and continuous.

¹ Most of the electricity is generated using natural gas and renewable energy sources; however, in 2024, about 15% of the country's electricity production was based on coal and diesel, which Israel imports.

Follow-up Audits on the Correction of Deficiencies

Audit work does not end with the publication of a report. On the contrary, the publication of the report is the starting point for a vital process of correcting deficiencies and implementing changes, and it is necessary to ensure that audit reports are translated into actual action and systemic change within the audited bodies.

This report includes three follow-up audits on the following topics:

- Air pollution originating from vehicles and the entry of electric vehicles
- Issues in consumer protection
- Management of the civil servants' pension system

This is the final report in the field of infrastructure and economics that I sign as the State Comptroller and Ombudsman. Throughout the years of my term, I viewed auditing in the fields of economy and infrastructure as a primary tool for examining the propriety of the operations of state authorities, locating structural and functional failures, and evaluating the degree of efficiency, transparency, and reasonableness of decision-making on the economic level. Beyond the audit perspective, the report makes a tangible contribution to strengthening the economy and benefiting the public, as its findings can contribute to improving regulatory

mechanisms, promoting the proper management of public funds, increasing public trust in government institutions, and ensuring a more efficient and fair allocation of state resources.

My heartfelt thanks go to the staff of the **Economy and National Infrastructure Division** within the Office of the State Comptroller and Ombudsman, who assisted me during seven years of joint work, and whose professional, thorough, and responsible work laid the foundation for conducting an audit worthy of all praise.

May you continue to succeed in the future!



Matanyahu Englman

State Comptroller
and Ombudsman

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