Israel Cybersecurity Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Israeli cybersecurity market is estimated to register a CAGR of 12.78% during the forecast period. The market is witnessing new startups, and established players are providing cloud-native and other cybersecurity services. The highly dynamic nature of the market defines the investment perspective of the companies, developing their workforce to overcome the effects of the post-pandemic world and expand product capabilities.

Key Highlights
Different government initiatives have been shaping the cybersecurity market in Israel to streamline the defense capabilities against potential cyber-attacks. In June 2022, the US Department of Homeland Security (DHS) Science and Technology Directorate (S&T) partnered with the Israel National Cyber Directorate (INCD) to initiate the Israel-US Binational Industrial Research and Development (BIRD) Cyber program. It is a joint initiative managed by the BIRD Foundation to enhance the cyber resilience of critical infrastructure in the United States and Israel.
According to the Israel National Cyber Directorate (INCD), in 2021, the Israeli cyber industry raised USD 8.8 billion in more than 100 different deals thrice from the previous year. Also, four Israeli cyber security IPOs occurred, with 11 new Israeli entrances into the prestigious Unicorn club, with a valuation of over USD 1 billion. The data provided by the INCD also indicated that one of every three cyber security unicorns in the world is an Israeli company. This reflects the strong and highly competitive nature of the Israeli cybersecurity industry.
Furthermore, the INCD reported that 40 Israeli companies were acquired in deals totaling USD 3.5 billion, with 40% of private global investments in cyber funding grounds in Israel. Private companies have been actively undertaking strategic acquisitions to strengthen their portfolio. In September 2022, Palo Alto Networks announced a deal to acquire the Israeli cybersecurity startup Apiiro for around USD 600 million.
However, the lack of skilled cybersecurity professionals continues to be a significant challenge to complement the industry's

strong growth. According to the Fortinet 2022 Cybersecurity Skills Gap Global Research Report, 47% of Israeli cybersecurity leaders show concern and believe that skills shortages pose additional risks to their organization, and 80% show significant concerns about talent retention.
The COVID-19 pandemic introduced or expanded companies' work-from-home and hybrid working models, creating a significant demand for cybersecurity for accompanying network vulnerabilities. This also attracted several startups and new businesses to meet the demand, resulting in a considerable inflow of investments in Israeli cybersecurity.

Israel Cybersecurity Market Trends

Cloud Security to Dominate the Market

The shift of workplaces to the cloud as a part of the work-from-home and hybrid working policies after the COVID-19 pandemic increased companies' emphasis on cloud security. The ease of cloud computing requires end-to-end security, creating considerable demand for cloud security solutions in Israel.

Companies opt for strategic moves to strengthen their cloud security portfolio in Israel with the help of local cloud security companies. In January 2022, Google acquired Siemplify, an Israel-based cybersecurity start-up, to include security orchestration, automation, and response (SOAR) in its Google Cloud security portfolio. This helps augment its Chronicle security analytics platform and make its security nearly invisible for the required applications.

Further, the service providers continue to take the required measures to strengthen their headcount to tackle the high cloud security demand. In February 2022, Radware Ltd announced plans to grow its innovation center in India and expand its cloud network footprint, cap, capacity, and services division, including its technology, operations, and headcount. Such measures help the companies maintain a significant headcount at the Israeli and global levels for better cybersecurity services and accuracy.

Similarly, the partnerships shape the market landscape, with companies sharing mutual benefits and a more substantial product portfolio from the strategic alliances. In July 2022, Delinea and Authorize announced a joint strategic partnership to sell their products. The robust solution provides consistent privileged access security across multiple cloud infrastructures and SaaS applications through a Zero Trust approach combined with available integrations.

As several companies like e-commerce platforms provide services through cloud computing, the services make cloud security necessary. The increasing popularity of such PaaS and SaaS solutions in Israel is creating a significant demand for cloud security solutions at a vast scale.

BFSI to Contribute Significantly to Market Growth

The modern BFSI system and digitalization of payments have always been vulnerable to cyber crimes and fraud. Stringent measures by the fintech players in Israel are crucial for fintech and BFSI service providers. The increasing number of fintech players in Israel, with more banks opting for inline services, generates significant demand in Israel for companies to provide payment security solutions in the market.

The government continues to strengthen the strategic bond with partners for the BFSI sector through alliances for mutual support, bolstering the industry's overall growth. In August 2022, the Israeli Ministry of Finance and the US Department of the Treasury signed the first agreement for cyber-financial cooperation. The deal would strengthen the long-standing relationship and collaboration between the two nations. Further, the agreement included sharing cyber financial information, including cybersecurity, threats, and work methodologies to strengthen the solidity of the financial systems.

Also, several new partnerships promote safe banking over the internet and shape the industry, creating demand for specialized applications of cybersecurity solutions. In September 2022, Tata Consultancy Services (TCS) announced that Israel's OFEK Credit Union (OFEK) had selected TCS' Banking Services Bureau (BSB), powered by TCS BaNCS, to achieve its growth and transformation goals. OFEK chose TCS' BSB to quickly launch its operations and offer innovative and contextual digital banking services. TCS BaNCS' market-ready banking and securities solution and diverse set of APIs delivered on a SaaS model would help OFEK connect to and integrate with the market ecosystem, building a vibrant and comprehensive digital financial offering for its customers.

Further, several innovative projects are shaping the market, with active associations trying to simplify banking for different end users. In June 2022, the BIS Innovation Hub, the Bank of Israel, and the Hong Kong Monetary Authority joined forces to test the feasibility of a cyber-secure two-tier retail CBDC. In the proposed model, the arbitrators have no financial exposure resulting from their customers' onboarding, holding, or transferring CBDC, reducing the risk and costs associated with financial intermediation. The Innovation Hub's Hong Kong Centre led the project, which was planned to kick off in the third quarter of 2022 to publish its findings by the end of the year.

Thus, the cybersecurity market in Israel is highly dynamic for BFSI implementations. With the increasing number of users and online transactions, securing electronic banking and trading is necessary for Israel. More service providers are actively introducing services at both general and enterprise levels to facilitate the secure integration of cybersecurity products with their systems, products, and services.

Israel Cybersecurity Market Competitor Analysis

The Israeli cybersecurity market is highly fragmented, with intense competition among service providers. The market comprises several unicorns, multinational players, and start-ups with many new entrants. The strong and highly dynamic market witnesses several strategic moves by these players and secures a substantial market share. The companies partner with others to extend their product and service portfolio and opt for strategic acquisitions for the required benefits.

In October 2022, Radiflow Ltd partnered with Cisco Systems Inc. to integrate Radiflow's Intrusion Detection System (IDS) with Cisco's Network Access Control (NAC) solutions to mitigate attack risks. The partnership resulted from a specific customer request to protect a building management system in a critical financial facility, which addressed the broader security challenges of industrial networks.

In February 2022, Radware Ltd announced a strategic initiative to accelerate the growth of its cloud security services business by acquiring SecurityDAM, its DDoS scrubbing centers provider. Such actions reflect the company's commitment to providing customers with high cyber security services and protection.

Additional Benefits:

- The market estimate (ME) sheet in Excel format
- 3 months of analyst support

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