



Fear of all-out war throws Israel's economy into whirlwind of uncertainty

The assassinations in Beirut and Tehran, along with the expected retaliation from several fronts, could lead to a significant security deterioration and substantial damage to Israel's economic activity. After 10 months of continuous war and government mismanagement, the price may be too heavy to bear.

Yuval Sade, Shlomo Teitelbaum / August 1, 2024

[...]

At the start of the week, the Institute for National Security Studies published a document titled "Consequences of Continued War on Israel's Economy: Three Scenarios." The document, authored by researchers Tomer Fadlon, Esteban Klor, and Ofer Shelah, examines the potential impacts on Israel's economy if the current situation persists, if there is a comprehensive arrangement and deal for the release of abductees, or if there is an escalation in the northern arena. Regarding a northern scenario, the researchers write that "it is difficult to predict where such an escalation, initiated by Israel, could lead. In a severe but plausible scenario, it could develop into an all-out war on the northern front, with open multi-faceted involvement from Iran and other axis affiliates. However, for the purpose of this analysis, we are assuming a limited Israeli move in the north, leading to a high-intensity campaign lasting about a month against Hezbollah only."

According to the institute's researchers, in the event of a month-long war in northern Israel, the country could face negative growth of between 2% and 10% in 2024, with the deficit reaching up to 15% and the debt-to-GDP ratio climbing to 80% to 85%. In 2025, growth is expected to be between 5% and 7% (it is important to note that this growth follows a significant contraction of the economy), the deficit is projected to be 10%, and the debt-to-GDP ratio is expected to remain above 85%.

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