



Israel's economy is paying a high price for its widening war

Analysis by [Hanna Ziady](#), CNN / Published: Fri October 4, 2024

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In late September, as Israel's nearly year-long war widened and its credit rating was downgraded yet again, the country's finance minister, Bezalel Smotrich, said that, while Israel's economy was under strain, it was resilient.

[...]

Israel's economy could shrink even more than that, based on a worst-case estimate by the **Institute for National Security Studies at Tel Aviv University**.

Even in a more benign scenario, its researchers also [see](#) Israel's gross domestic product per head — which in recent years overtook the United Kingdom's — falling this year, as Israel's population grows faster than the economy and living standards decline.

[...]

Researchers at the Institute for National Security Studies are similarly downbeat.

Even a withdrawal from Gaza and calm on the border with Lebanon would leave Israel's economy in a weaker position than before the war, they said in a [report](#) in August. "Israel is expected to suffer long-term economic damage regardless of the outcome," they wrote.

"The anticipated decline in growth rates in all scenarios compared to pre-war economic forecasts and the increase in defense expenditures could exacerbate the risk of a recession reminiscent of the lost decade following the Yom Kippur War."

[...]

In late August — a month before Israel [carried out strikes](#) on Lebanon's capital and the ground incursion against Hezbollah in the country's south — the Institute for National Security Studies estimated that just one month of "high-intensity warfare" in Lebanon against the militant group, with "intensive attacks" in the opposite direction that damage Israeli infrastructure, could cause Israel's budget deficit to soar to 15% and its GDP to contract by up to 10% this year.

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