

Israel-Hamas war

Israel's economy shrank at 20% rate after outbreak of war

GDP plummeted in annualised terms in last three months of 2023 amid conflict with Hamas



Israeli soldiers in Gaza. The sharp economic contraction was caused in part by the call-up of 300,000 reservists after Hamas's attack © Israel Defense Forces/Handout/Reuters

Polina Ivanova in Jerusalem and **Neri Zilber** in Tel Aviv YESTERDAY

Israel's economy shrank almost 20 per cent in annualised terms in the final quarter of 2023, official data showed, as it poured resources into its conflict against Hamas in Gaza.

The sharp drop in gross domestic product, which was far steeper than analysts had forecast, came as hundreds of thousands of Israeli reservists were mobilised to fight in the aftermath of Hamas's attack on October 7.

GDP declined by an annualised 19.4 per cent compared with the third quarter. On a pure quarter-by-quarter basis, the economy contracted 5.2 per cent compared with the previous three months.

The sharp drop was caused in part by the call-up of 300,000 reservists, who had to leave behind their workplaces and businesses to embark on months of army service, the Central Bureau of Statistics said.

Other factors to hit the economy included the government's sponsorship of housing for more than 120,000 Israelis evacuated from the northern and southern border areas of the country.

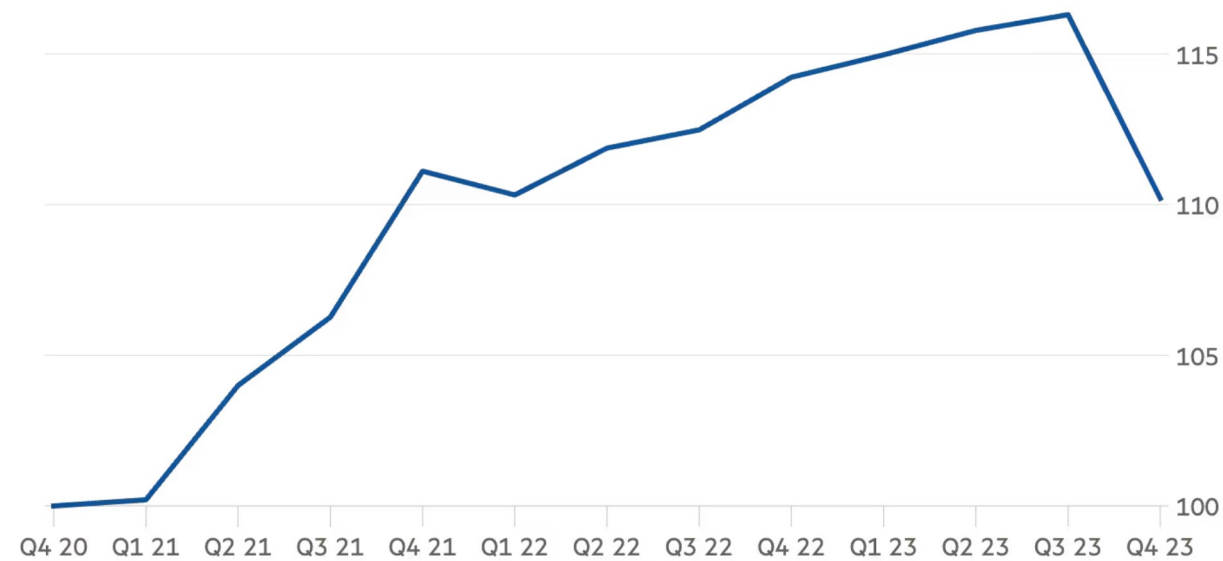
Following the October 7 attack. Israel also imposed tough restrictions on the

movement of Palestinian workers from the West Bank into the country. The move hit the construction sector, causing labour shortages that became an additional drag on economic growth, the bureau said.

Overall, [Israel](#) still closed the year with a growing economy, with GDP up 2 per cent in 2023 from 2022. But that compared with an increase of 6.5 per cent a year earlier.

The Israeli economy was significantly hit by the war in the final quarter of last year

Real GDP, Q4 2020 = 100



Source: Central Bureau of Statistics

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The [war](#) has triggered a steep increase in government spending, which rose 88 per cent in the three months after the outbreak of war compared with the preceding quarter. Consumers, meanwhile, were spending 27 per cent less.

Imports of goods and services fell 42 per cent, the report said, while exports dropped 18 per cent.

Earlier this month, the rating agency Moody's lowered Israel's sovereign rating from A1 to A2 because of concerns about the war in Gaza, in particular over how long the conflict could last and its broader impact on the country's economy.

The agency also lowered Israel's debt outlook to negative because of the risk of the war spreading to Israel's northern front against the Lebanon-based Hizbollah militant group.

Israeli leaders have lashed out at the report, with Prime Minister Benjamin

Netanyahu stating: “The rating downgrade is not connected to the economy. It is entirely due to the fact that we are in a war. The rating will go back up the moment we win the war — and we will win the war.”

The long-serving Israeli leader has publicly vowed to continue fighting until “total victory” against Hamas is secured. Earlier this month he said this would take several more months at least.

Israel’s per capita GDP, traditionally strong in the technologically advanced economy and higher than that of the UK and France, fell 0.1 per cent in 2023, the report said, as the population grew 2.2 per cent.

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