

# Israel Delivers No Matter What

# The Resilience of Israel's Economy and Its People



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## Israel is enduring an unprecedented crisis.

Jefferies remains optimistic about Israel's future in large part because of the unique structure of the Israeli economy, its macro performance during and after past military conflicts, and a trait deeply ingrained in the Israeli character: resilience in the face of adversity. At this critical point in Israel's evolution, all indicators point to the perseverance of Israel's agile workforce and robust economy that will continue to thrive in the years ahead.

The October 7th attacks took place amidst a backdrop of increasing economic strength in Israel and growing regional integration with the advancement of the Abraham Accords. Israel has rapidly developed from an emerging market to a leading western economy with strong fundamentals: low unemployment rate, high GDP growth, high labor productivity, a strong credit rating and robust tech exports. This, along with a young and growing entrepreneurial population, positions Israel as an influential global player. This past September, Jefferies hosted our annual Tech Trek institutional investor conference in Tel Aviv, which attracted over 1,000 participants including 300+ global investors from 25 countries, representing \$19 trillion in AUM and Israel's top private and public companies.

Although October 7th and its aftermath have shaken Israeli society to the core, all of the country's foundational strengths remain and in some cases, have been further reinforced.

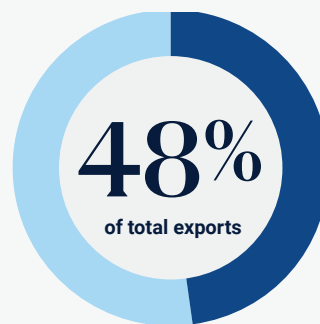
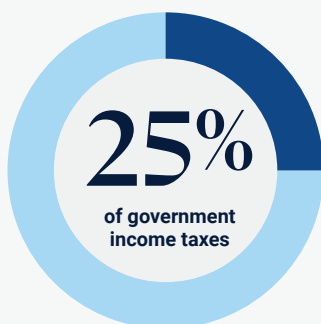
Sadly, the Israeli government has experience navigating the economy during military conflicts.

Israeli wars of 2006, 2008 and 2014 had minimal impacts on the Israeli economy, stock market and capital markets. Typically, the stock market saw a quick drop and then a sharp recovery in the months following these conflicts.

A prime example of Israel's resilience during military conflicts is the Gaza War of 2014, when Israel carried out Operation Protective Edge. The Israeli tech sector – which today accounts for 17% of the country's GDP, 25% of government income taxes, and 48% of total exports – not only persevered during the war but continued to grow afterwards. During the quarter of 2014 conflict, investors were particularly hesitant to deploy capital and only the best companies were able to raise. Nearly 30% of those companies subsequently had successful exits through M&A or IPOs which is an incredible statistic by any measure. Additionally, 177 new startups were established during the third quarter of 2014, an increase of 15% over the previous quarter. This tech sector resilience mirrors the second Lebanon war in 2006, in which leading Israeli companies, such as Wix and SolarEdge, were founded immediately following the war. Investors that supported the tech ecosystem during these volatile periods, in many cases, ended up achieving outsized returns.



### The Israeli Tech Sector Today



In the first two weeks after October 7th, the Shekel and the Tel Aviv Stock Exchange 125 Index declined by 5% and 7%, respectively. Both have since rebounded, with the TA125 at its pre-conflict level and the shekel already stronger than it was on October 7th. The Bank of Israel has a strong track record of stabilizing the shekel during crises, and shortly after October 7th, it announced a program to support the currency in the foreign exchange markets. Fortunately, it has only needed to utilize a small part of the program. On November 27th, the Bank of Israel updated forecasts for the Israeli economy, with 2024 GDP growth expected to be 2% (revised lower from 2.8%). With this, the OCED projects a strong comeback in 2025 with 4.5% GDP growth expectations.

## Global investors are seeing the proof of Israel's resilience.

Many questioned whether the Israeli tech ecosystem would be materially impacted with 15% to 20% of Israeli tech sector employees mobilized into reserves at the peak of the war efforts. Many, if not most, of those called in to reserves have now returned to the work force. Furthermore, the Israeli tech ecosystem is exhibiting the same kind of resilience we see across Israeli society. In fact, the Israel Innovation Authority – which provides funding to technology companies and many of the Venture Capital firms in Israel – has embraced a new promotional slogan that embodies this spirit: “Israeli tech delivers. No matter what.” Plenty of recent data suggests the sector is indeed delivering:

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- Since the beginning of the conflict, 120 Israeli companies have raised an aggregate of over \$1.7 billion in private funding from local and global VCs, including Next Insurance's \$265 million, AI21 Labs \$208 million, VAST Data's \$118 million, Silverfort's \$116 million, and Island Security's \$100m mega funding rounds.
- Palo Alto recently announced its intent to acquire two Israeli companies, Talon and Dig Security, for a combined \$1 billion. Israeli companies remain acquisitive with Minute Media's \$150 million acquisition of STN Video and Perion's \$125 million acquisition of Hivestac.
- A flash survey conducted by the Israeli Central Bureau of Statistics in late December showed an overall improvement in employment and revenues continued through the months of November and December.

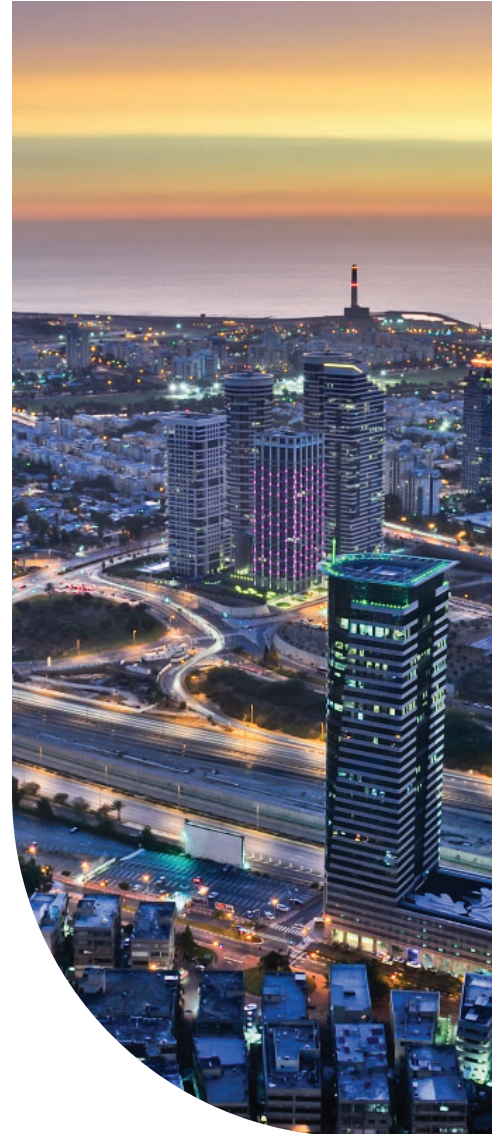
Additionally, Israeli tech companies index globally, with the vast majority of their revenues coming from outside of Israel. This makes them significantly less impacted by domestic volatility than companies in other countries, especially when you consider that Israel's private capital markets also mirror global fluctuations more closely than local disturbances.



This is the kind of data that has already given global institutional investors the confidence to invest in the Israeli economy, with a prime example being the Tel Aviv Stock's Exchanges' January 24th announcement of a \$94 million secondary offering, led by Jefferies as Global Coordinator. The Tel Aviv Stock Exchange (TASE) is the only securities and derivatives exchange in Israel, playing a central role in the Israeli economy and operating a market infrastructure that is important for its growth. Notably, the January 24th offering drew significant interest from investors across Israel, the United States, Europe, and Australia, reflecting a strong vote of confidence in both the Tel Aviv Stock Exchange and the Israeli economy at large. The demand for shares was so strong that it priced at a slight 1.9% discount to the previous close – the tightest discount of a secondary offering across EMEA thus far this year. Among the prominent buyers were Neri Oxman and Bill Ackman, who have agreed to purchase an approximately 4.9% equity stake in TASE.

Although Israel's economy and society will continue to be challenged by the current conflict, the country continues to exhibit remarkable resilience amid adversity. Israel's strengths are longstanding, they are durable, and we have no doubt they will propel the Israeli economy to even greater heights in the years ahead.

If you would like to discuss Israel further or have any questions, please email [Israel.IB@jefferies.com](mailto:Israel.IB@jefferies.com)



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## About the Author

Natti Ginor is a Managing Director and Jefferies' Head of Israel Investment Banking. He joined Jefferies in 2011, bringing his vast experience financial services across research, sales, and trading businesses across sectors. In his current role, he is responsible for devising and implementing the firm's strategy in Israel across all products. Born in Israel and fluent in Hebrew, he holds dual Israeli and U.S. citizenship. Natti is steadfast in his dedication to supporting Israeli companies and investors and on drawing global capital into Israel. Natti graduated from Benjamin Cardozo School of Law with a focus on International Business Law.