



Direct Costs of War

The direct costs primarily include the substantial expenses of the war and the Defense Ministry. The budget for this ministry is approximately \$24 billion. Last week, the economic consultancy firm "Leader Capital Market," based in Tel Aviv, reported that Israeli regime's cost for military operations in the Gaza Strip is likely to reach \$48 billion. According to this report, Israel will likely bear two-thirds of this cost, with the remaining one-third covered by the United States. It's worth noting that Israel has been receiving \$3.3 billion annually from the US. Additionally, it receives \$500 million for enhancing its missile technology. The regime's army has around 170,000 active-duty personnel, having called up 360,000 reserve forces for the current war. This mobilization has imposed a significant financial burden on its Defense Ministry. The regime's internal estimate is \$1.3 billion per month for these expenses. The costs are so high that Israel has recently borrowed \$6 billion with high-interest rates. Consequently, Israel has decided to cancel the call-up for some of these 360,000 reserve

personnel. Another direct cost is related to evacuating settlements in the southern and northern borders. Approximately 250,000 people have been accommodated in hotels and other places. Each day that adds to the war days increases these costs. Another direct cost involves financial aid promised to families, businesses, and traders affected by the war. However, there is increasing dissatisfaction in this regard, as domestic reports suggest that the Netanyahu cabinet has not acted on its promises. The situation created in the businesses and the regime's market resembles the days of the COVID-19 pandemic, perhaps even worse.

Indirect Costs of War

The indirect costs encompass any damages arising from the war situation. For example, unemployment has increased, reaching 3.8% by the end of 2023 (in one month) and is expected to rise to 4.5% next year, according to the American credit rating organization Standard & Poor's. Currently, at least 47,000 employees have applied for unemployment insurance from the National Insurance Institute, with one-fifth of the regime's workers currently unemployed. Fourteen percent of all employees in Israel work in technology-related fields. The technology sector is a key element of Israel's economy, with global technology companies also contributing to it. For instance, Microsoft, Google, and Apple have research and development centers in Israel. The pressure has escalated to the point where Microsoft warned that if the war persists, the future of technology in Israel will be jeopardized.

Another sector indirectly affected is tourism, experiencing conditions significantly worse than the COVID-19 period since October 7th. Another indirect cost involves the 360,000 reserve forces called up. On one hand, the regime incurs a monthly cost of \$1.3 billion for this call-up, and on the other hand, since these individuals are currently unemployed due to the call-up, having left their other jobs, it imposes a multiplied cost. Consequently, the Israeli cabinet has decided to cancel part of this call-up. If a subtle reference is made to Hezbollah's activities on the northern borders, the relatively limited impact of Hezbollah's operations on the northern borders of Palestine becomes better understood; on the one hand, it leads to an increase in the call-up and additional expenses, and on the other hand, it keeps one-third of Israel's armed forces on the northern border unused against Gaza. The Israeli stock market, which suffered about \$20 billion in damages in the first two days following the events of October 7, is not experiencing good days. If this situation persists, it will be unbearable for the market. Not to mention the threats from the Defense Minister and Netanyahu himself, indicating that the intensity of the war will resume after the 4 to 8-day ceasefire. Although short and lightning wars are part of the military doctrine of this regime, a prolonged war of up to 50 days is considered economic poison for the regime. All that has been said does not mean that Israel is on the verge of economic collapse; no. No matter how much economic pressure the regime faces, a significant portion is compensated by the US from the taxes of the American people. According to reports, the US will provide about \$14 billion to Israel. However, as expenses increase, the budget deficit will grow, putting additional pressure on the economy and increasing domestic dissatisfaction. The worsening economic conditions, alongside the severe security blow of Hamas operation, will undoubtedly impact the migration trend. The more this trend is affected, the more the negative economic effects will intensify within Israel. Israeli leaders have declared the destruction of Hamas as their main goal in this war and, to some extent, returning the captives is also part of their main objectives to justify this war. However, the outcome of the 25-day ground war has shown that facing Israel is a tough and lengthy

path, and its result is by no means guaranteed. Therefore, the prolongation of the war, in the shadow of unfulfilled objectives, already indicates the challenges it will bring to the regime's economy.

Migration and Impact on Tourism

American news publication, Foreign Policy, citing political analysts, reports that the cost of the two previous wars - the 2006 Israel-Lebanon war and the 2014 Gaza war - has been about 0.5% of the gross domestic product and has mostly affected the tourism sector. However, this time, it is estimated that it could be up to 15% in the final quarter of this year. During this period, there is a long list of airlines that have suspended their flights to occupied territories. The cancellation of flights will inflict further damage on the Israeli economy, especially on the tourism industry, which the regime heavily relies on for its revenues. In the 30 days since the start of the Hamas operation, hundreds of thousands of Israelis have fled from settlements near the Gaza Strip, and all signs indicate that they may not return. According to the Israel's Tourism Ministry, hotel rooms are almost entirely occupied not by foreign tourists but by Israeli residents seeking refuge and intending to leave the occupied Palestinian territories. Many have already left Israel by sea; for example, a US ship discharged Israelis from the port of Haifa. More Israelis are planning to leave, and online campaigns emphasize that most Israelis intend to permanently leave settlements near Gaza and other areas. Since Netanyahu returned to power in early January, the migration of intellectuals among Israelis who were previously dissatisfied and angry with their new cabinet has become commonplace. Now, with this backlash against Netanyahu and his cabinet, the migration of eligible Israelis has increased more than ever. With the prolongation of the Gaza war, many Israelis, along with their families, who have either occupied Palestinian territories, traveled outside Israel, or declared their intention to do so. Their main concern is security as the largest war against the Gaza Strip in modern history poses a risk of spreading to borders. According to Alex Zabezinsky, a senior economist at Alex Zabezinsky, "the war against Hamas will cost Israel over 70 billion shekels or about 3.5% of the gross domestic product." He divides the damages into four categories; the direct costs of war, compensation for physical damage, economic aid, and the loss of revenue due to the economic crisis. This estimate is higher than the Bank of Israel and the Finance Ministry, which unofficially estimated that the consequences of the war would reduce the gross domestic product by 2 to 3 percent. Overall, the continuation of the Gaza war could have profound economic consequences for Tel Aviv.

