

ISRAEL AT WAR: UNDERSTANDING THE INTERNAL IMPACT ON ISRAEL



KEY POINTS:

HUNDREDS OF THOUSANDS OF ISRAELI CIVILIANS HAVE BEEN EVACUATED FROM THEIR HOMES NEAR THE GAZA AND LEBANON BORDERS AND LIVE IN INTERIM HOUSING ARRANGEMENTS FUNDED BY THE STATE.

THE ECONOMY HAS SHRUNK BY 20 PERCENT IN ANNUALISED TERMS AND THE COUNTRY'S CREDIT RATING HAS BEEN DOWNGRADED.

CIVIL SOCIETY HAS RESPONDED IN DIFFERENT WAYS RANGING FROM ORGANISING ASSISTANCE TO COMMUNITIES AND SECTORS IMMEDIATELY AFFECTED, TO SUPPORTING HOSTAGE FAMILIES OR PROTESTING AGAINST THE GOVERNMENT.

Further Resources:

- Israel's economy shrank at 20% rate after outbreak of war – [Financial Times](#)
- Moody's lowers Israel's credit rating – [Times of Israel](#)
- Hamas war most expensive ever – [The Jewish Chronicle](#)



The Political Level: The War Cabinet

On October 11th, a national emergency government was created when the National Unity Party, headed by Benny Gantz, joined the existing coalition. Gantz demanded that a narrower war cabinet be established. It comprises three members: PM Netanyahu (Chair), Defense Minister Gallant and Minister without portfolio Gantz, as well as three observers. **The war cabinet is intended to formulate the strategic goals of the war, instruct the military accordingly, review the ongoing operation and point to complementary efforts that the political level should carry out in order to bring about a successful operation.** The war cabinet is regularly criticised by opposition leader Yair Lapid or ministers in the security cabinet who feel they have been made redundant, as well as by others inside and outside the coalition.

The Civilian Population: Mass Evacuation of Israelis from their Homes

For humanitarian and safety reasons, hundreds of thousands of Israeli civilians were evacuated from southern and northern parts of the country (near the Gaza and Lebanon borders respectively). By the end of October, about **330,000 Israeli civilians had been evacuated from their homes and moved to interim state-sponsored housing and hotels in other parts of the country.** These civilians left behind their homes, educational facilities, employment and community infrastructures. In late January 2024, about 105,000 Israeli evacuees were still living in hotels, flats or other locations. Another 10,000 Israeli civilians chose to rent accommodation at their own expense in the vicinity of their home communities.

The Economy

According to the [Central Bureau of Statistic](#), **Israel's economy shrank nearly 20 percent** in annualised terms during the final quarter of 2023 as a result of the cost of the war against Hamas. The GDP dropped sharply, partly due to the months-long mobilization of 300,000 Israeli reservists, who form part of the workforce and run businesses.

The government's sponsorship of housing for Israeli evacuees also strained the economy, while the new restrictions on the entry of Palestinian workers from the West Bank hit the construction sector.

The US rating agency, Moody's, downgraded Israel's credit rating in February 2024 because of the impact of the war. In reaching its decision, Moody's assessed the political risks and the weakened executive and legislative institutions as well as the country's fiscal strength. Based on the potential of military escalation with Hezbollah, Moody's also lowered its outlook for Israel's debt as "negative".

The current Israel-Hamas war has been defined as the most expensive war in the country's history: by early January 2024, it had cost about 217 billion shekels (ca. 47 billion pounds), which includes military operations, financial assistance to the economy (compensation to businesses, paying for property damage, support of evacuees etc).

Civil Society: Hands-on Engagement and Protest

The events of October 7th and its aftermath led to a plethora of civil society initiatives and the establishment of war rooms throughout the country. **Old and new organisations immediately took action to assist victims' families and evacuees with material, practical and therapeutic services.** In parallel, donations to NGOs and new initiatives in Israel rose greatly. Some donation platforms such as JGive reported that they had channeled towards NGOs in Israel in five weeks after October 7th nearly as much as during the whole year 2022.

Civil society groups felt they needed to compensate for the failure of state institutions to respond adequately to the situation on the home front. This also led to the renewal of the protest movement against the government which, prior to October 7th, had mobilised against the planned judicial reforms. Protests have also been organised by other core groups affected by the war such as the [Hostages and Missing Families Forum](#), which offers families professional advice, holistic medical and emotional support.