Chapter 2

Growth and Aggregate Activity

- The war continued to weigh on economic activity in Israel this year, mainly through its adverse effect on labor supply. GDP grew by 2.9 percent—below its long-term growth trend. Business sector output also grew below its prewar trend. The cumulative loss of output from the beginning of the war through the end of 2025 totaled 8.6 percent of annual GDP (about NIS 177 billion).
- The labor market remained tight in 2025. Unemployment was low and labor supply remained constrained due to reserve mobilization, a decline in the number of non-Israeli workers, and a lower labor force participation rate. Demand for workers remained high.
- Investment increased rapidly, but by the end of 2025 it was still 1.7 percent below its prewar level—particularly due to low investment in construction. The rapid increase in investment in machinery and equipment came mainly from defense-related investment, and its contribution to expanding productive capacity in the business sector was therefore limited.
- Public consumption—both defense and civilian—remained high.
- The fiscal impulse moderated this year due to higher taxation, but remained stronger than before the war. The impulse was mainly due to wage payments to reservists and domestic defense procurement. Signs of crowding out of civilian business activity are evident.
- In 2025, both goods exports and services exports increased rapidly. This increase was concentrated mainly toward the end of the year, whereas until then exports grew moderately. An examination of Israeli exports to the European Union points to a relative decline in exports to countries that are critical of Israel.
- Throughout the year, imports increased at a high rate and provided sources for demand, in view of domestic supply constraints.
- The impact on annual growth resulting from Operation "Rising Lion" was about 0.3 percent of GDP, including the offsetting recovery in subsequent quarters. That is, even excluding the effect of Operation "Rising Lion", annual growth in 2025 still remained slightly below the economy's previous growth trend.

GDP growth was below the pre-COVID trend

Imports grew ,rapidly responding to supply constraints

Loss of GDP during the war

Investment expanded, but remained **lower** than before the war

1. MAIN DEVELOPMENTS

GDP grew by 2.9 percent in 2025. The growth rate and level of GDP remained below the pre-COVID-19 trends.

In 2025, GDP grew by 2.9 percent, and its level remained below the long-term growth trend that had characterized the economy prior to the COVID-19 crisis and the war. The main events affecting economic activity during the year were security-related: the continuation of the war at varying intensity throughout the year, Operation "Rising Lion" in June, and the ceasefire agreement in October. These events constrained labor supply to the business sector. Business sector output grew at a slightly faster rate than total GDP, but this rate was also below the trend that had characterized the business sector prior to the war.

Throughout 2025, the labor market remained tight. On average, about 30,000 workers were absent from their jobs due to reserve duty. The labor force participation rate declined, partly due to war-related effects, such as reservists being outside the labor market and war casualties. In addition, although the number of non-Israeli workers increased gradually, it remained below its prewar level. All these factors constrained labor supply, such that the unemployment rate remained low. Demand for workers was even stronger, as reflected in the high level of job vacancies and rising wages in the business sector. This situation indicates that the constraint on economic activity in 2025 was primarily the result of supply-side limitations. (For further details on the labor market, see Chapter 5 of this Report.)

Government demand increased during the war and crowded out civilian demand.

During the war, the public sector's contribution to demand increased. Defense wage expenditures rose sharply in order to finance wages and grants for the many reservists who were mobilized. At the same time, defense purchases of equipment, logistics services, and supplies from domestic producers and from imports increased. This expansion in government defense activity crowded out civilian demand for the same workers and factors of production. This was reflected, for example, in private consumption, which grew in 2025 and throughout the war at a more moderate pace than previously.

Fixed capital formation increased rapidly in 2025, but remained below its prewar level due to the low investment in construction, which was a result of the ban on the entry of Palestinian workers into Israel since the beginning of the war. The ban continues to constrain activity in the sector even now, despite partial replacement through foreign workers and increased employment of Israeli workers in the sector. Nevertheless, the number of housing starts increased rapidly this year, partly due to the reallocation of production factors away from nonresidential construction. (For details, see Chapter 8 of this Report.)

As a result of these supply constraints, and in response to increased demand, the economy turned to imports. After the initial decline in imports and exports at the beginning of the war, the export surplus began to narrow from mid-2024 onward, due to a rapid increase in imports. At the end of 2025, the export surplus increased due to a surge in exports in that quarter.

2. AGGREGATE ACTIVITY

a. GDP

The cumulative loss of GDP during the war was 8.6 percent of annual GDP.

In 2025, GDP increased by 2.9 percent—below the average growth rate in the past (Table 2.1). Even excluding the effects of Operation "Rising Lion", GDP grew by only 3.2 percent (see Box 2.3 in this chapter). Accordingly, during the war a gap opened up between actual GDP and the trend that had characterized the years preceding the COVID-19 pandemic and the war.[1] This deviation from trend reflects damage to the economy's productive capacity, in particular a contraction in labor supply due to extensive reserve mobilization and prolonged absences, alongside disruptions to activity in various industries. To estimate the loss of output resulting from the war, we compared actual output during the war period with the trend (Figure 2.1).[2] According to this estimate, the cumulative loss of output from 2023:Q4 through 2025:Q4 totaled 8.6 percent of annual GDP, and the loss of business sector output totaled about 11 percent of business sector output.[3] A return of GDP to its trend would signal the end of the war's impact, but would not compensate for the accumulated loss. Such compensation would occur only if GDP were to rise above the trend for a prolonged period—something not anticipated in the prevailing forecasts at this time.

[1] The economy's productive capacity under "normal" circumstances is represented by the GDP growth trend. This trend is calculated on the basis of GDP in 2014–2019, years in which average growth was about 3.8 percent.

[2] The loss of output represents an estimate of the value (at 2025 prices) of domestic production (goods and services) that did not take place during the war period. It focuses on the utilization of productive capacity rather than on the welfare of Israeli citizens (as reflected in the estimate in Chapter 1) or on the share financed by the public sector (as reflected in Chapter 6).

[3] Business sector output is the output of the entire economy excluding the output of the government sector, nonprofit institutions serving households, and owner-occupied housing services. The loss of business sector output, measured in percentage terms, is larger because total output includes government sector output, which increased during the war as defense expenditures rose, thereby partially moderating the loss in total output.

Table 2.1 | Selected indices of economic activity, 2009–2025

annual rates of change, percent

	2009–2022[a]	2022	2023	2024	2025	Change during the war[b]
Gross domestic product	4.1	6.4	2.1	1.0	2.9	1.7
Per capita GDP	2.2	4.4	0.1	-0.3	1.6	0.4
Business sector output	4.7	7.6	1.1	-0.4	3.2	1.2
Exports (excluding diamonds and startups)	5.5	10.2	0.0	-3.7	5.9	2.1
Domestic uses (excl. inventory)	4.1	6.7	0.7	2.8	3.7	2.5
Unemployment rate (ages 25–64, avg. level)	4.9	3.3	3.0	2.8	2.8	0.1
Real wages per employee post	1.8	-1.5	2.0	2.5	0.1	2.1
Current account surplus (percent of GDP)	2.7	2.7	3.1	2.9	1.5	-0.5
Real effective exchange rate[c]	-1.7	0.1	9.2	-0.5	-5.6	-5.0

[a] Average annual rate of change or average annual level, as relevant.

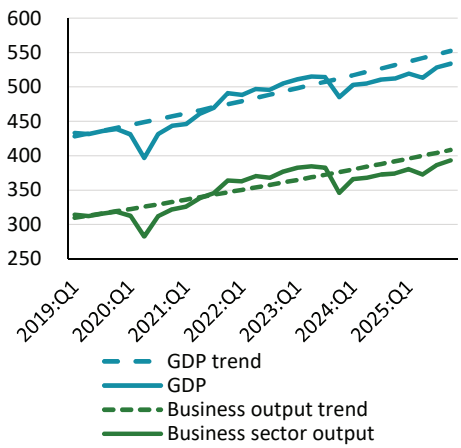
[b] Average annual rate of change between 2023:Q3 and the most recent quarterly figure, or the difference in levels between the most recent quarter and 2023:Q3, as relevant.

[c] An increase means depreciation.

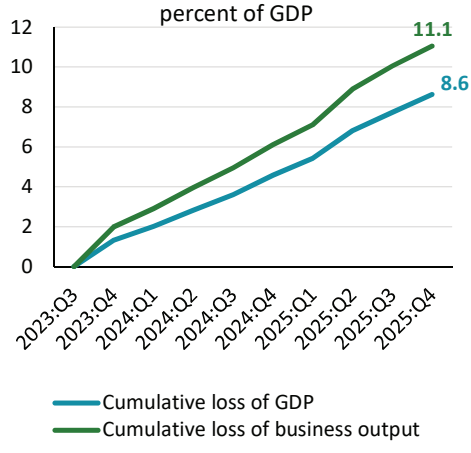
SOURCE: Based on Central Bureau of Statistics.

Figure 2.1 | The War's Impact on Overall GDP and Business Sector Output

a. GDP: Actual and Trend Line, 2019–2025
seasonally adjusted, fixed 2025 prices, NIS billion



b. Cumulative loss of GDP during the war, 2023:Q3–2025
seasonally adjusted, fixed prices, percent of GDP



In 2014–2019, the GDP trend was 3.8 percent and the business output trend was 4.2 percent. The loss is measured from 2023:Q4 against those trends, andis shown as a percentage of GDP (overall and business output) in 2023:Q3 in annual terms.

SOURCE: Based on Central Bureau of Statistics.

Table 2.2 | Sources and uses, 2009–2025

annual rates of change, percent

	2009–2022[a]	2022	2023	2024	2025	Change during the war[b]
GDP	4.1	6.4	2.1	1.0	2.9	1.7
Imports (excluding ships, aircraft, diamonds, and defense imports)	6.1	12.4	-6.9	-2.2	8.8	3.4
Domestic uses (excl. inventory)	4.1	6.7	0.7	2.8	3.7	2.5
of which : Private consumption	3.8	7.3	-0.6	3.9	2.6	2.6
Fixed capital formation (excluding ships and aircraft)	5.6	11.5	-2.6	-5.5	8.5	-1.4
Investment in inventory (excluding diamonds and startups, percent of GDP)	0.2	0.2	0.2	0.0	-0.1	
Public consumption (excluding defense imports)	3.2	1.1	7.5	9.4	2.0	7.4
Startup companies output	12.2	22.3	-23.3	-48.1	-0.1	-24.2
Exports (excluding diamonds and startups)	5.5	10.2	0.0	-3.7	5.9	2.1

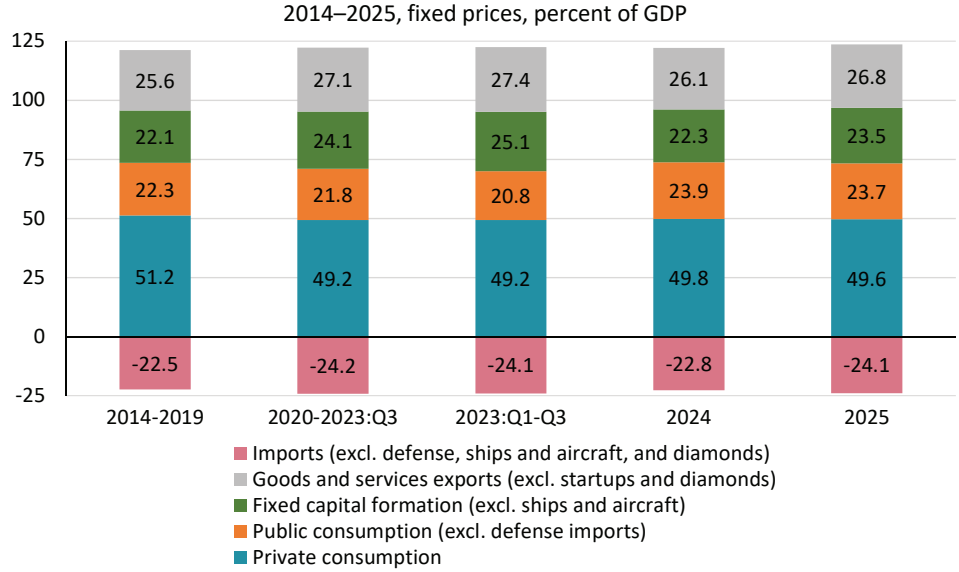
[a] Average annual rate of change or average annual level, as relevant.
[b] Average annual rate of change between 2023:Q3 and the most recent quarterly figure, or the difference in levels between the most recent quarter and 2023:Q3, as relevant.
SOURCE: Based on Central Bureau of Statistics.

b. Uses

Domestic uses grew faster than GDP this year, reflecting supply constraints.

In 2025, domestic uses (excluding inventories) grew faster than GDP—an expression of the economy's constrained productive capacity (Table 2.2). All the main components increased.[4] Figure 2.2 presents the changes in the composition of GDP from the pre-COVID period through 2025. At the beginning of the decade, exports and investment grew faster than private and public consumption, and their share in uses increased. Since the beginning of the war, this pattern has partially reversed due to the surge in public consumption, the decline in activity in the construction industry (investment), and the relative resilience of private consumption.

Figure 2.2 | Composition of GDP from Before COVID-19 Until the End of the War
2014–2025, fixed prices, percent of GDP



During the war: quarterly average, 2023:Q4–2025:Q4.
SOURCE: Based on Central Bureau of Statistics.

[4] Startup output remained about 0.8 percent of GDP, similar to its level in 2024 and about half its prewar size.

c. Private Consumption

Total private consumption grew moderately, but consumption excluding durables grew faster than GDP.

In 2025, private consumption grew at a moderate pace due to a decline in purchases of durable goods, the consumption of which is volatile, while consumption excluding durables increased at a rate slightly higher than GDP (Table 2.3). Over the war period as a whole, private consumption grew more moderately than in the past, but still faster than GDP, and its share in GDP therefore increased (Figure 2.2). The increase in private consumption was supported by the sharp rise in the value of households' net financial asset portfolios and by the expansion of consumer credit.[5] Although private disposable income declined, the decline was apparently influenced by a reduction in the operating surplus of the business sector, while net wages increased and supported higher consumption.[6] The rise in real interest rates moderated private consumption (Table 2.3).

Table 2.3 | Domestic demand: Background conditions and main indicators of its development, 2009–2025

annual rate of change, percent

	2009–2022[a]	2022	2023	2024	2025	Change during the war[b]
Private consumption	3.8	7.3	-0.6	3.9	2.6	2.6
of which : Consumption excl. durables	3.4	7.1	0.2	3.4	3.6	3.3
Durable goods consumption	7.1	8.9	-9.1	9.3	-8.6	-0.5
Gross private disposable income from all sources	4.3	3.9	4.8	2.1	-1.5	1.6
Net wages+ transfer payments[c]	4.4	4.1	3.1	4.5	2.2	
Business sector's operating surplus[d]	5.3	3.4	4.4	1.0	-0.8	
Credit to households	7.2	14.9	5.5	3.9	7.0	5.8
of which : Nonhousing credit	5.3	12.1	0.8	0.4	4.9	3.7
Real 1-year yield (government bonds, average level)	-0.4	-1.4	1.6	1.3	2.3	0.4
Value of the public's financial assets portfolio	7.0	5.4	2.8	10.8	13.4	12.8
Fixed capital formation (excluding ships and aircraft)	5.6	11.5	-2.6	-5.5	8.5	-1.4
Credit to the business sector	4.0	14.6	8.9	4.7	8.3	7.0
Real 10-year yield (government bonds, average level)	0.9	0.1	1.2	2.0	2.0	0.6
Public consumption excluding defense imports	3.2	1.1	7.5	9.4	2.0	7.4
Defense consumption excluding imports	1.7	-2.0	20.9	27.2	-0.6	19.4
Total taxes	29.1	32.6	29.4	30.4	32.9	
General government budget deficit[e]	4.3	1.9	7.1	9.0	6.4	

[a] Average annual rate of change or average annual level, as relevant.

[b] Average annual rate of change between 2023:Q3 and the most recent quarterly figure, or the difference in levels between the most recent quarter and 2023:Q3, as relevant.

[c] GDP labor share (including imputation to self-employed) plus current transfer payments from the government to the public, minus income tax, National Insurance, and health tax payments.

[d] Total profits of business sector firms after current expenses and before interest and tax payments.

[e] As a percentage of GDP.

SOURCE: Based on Central Bureau of Statistics.

[5] For a discussion of the factors affecting the growth of private consumption in Israel, see: Arnon Barak (2017), "The Private Consumption Function in Israel", Discussion Paper 2017.04, Bank of Israel. According to this model, the sharp increase in the value of the public's net asset portfolio in 2025 increased private consumption by 1.7 percentage points.

[6] For a discussion of disposable income and consumption, see the section on savings later in this chapter.

At the beginning of the war, outbound tourism declined, partly due to constraints on flight supply by foreign airlines, but within a short time it resumed rising and strengthened further after the ceasefire in the north in 2024. By the end of 2025, the number of Israelis traveling abroad had reached a new peak, and Israelis' consumption abroad exceeded its prewar level (Figure 2.3). This is evidence of underlying household demand for private expenditure.

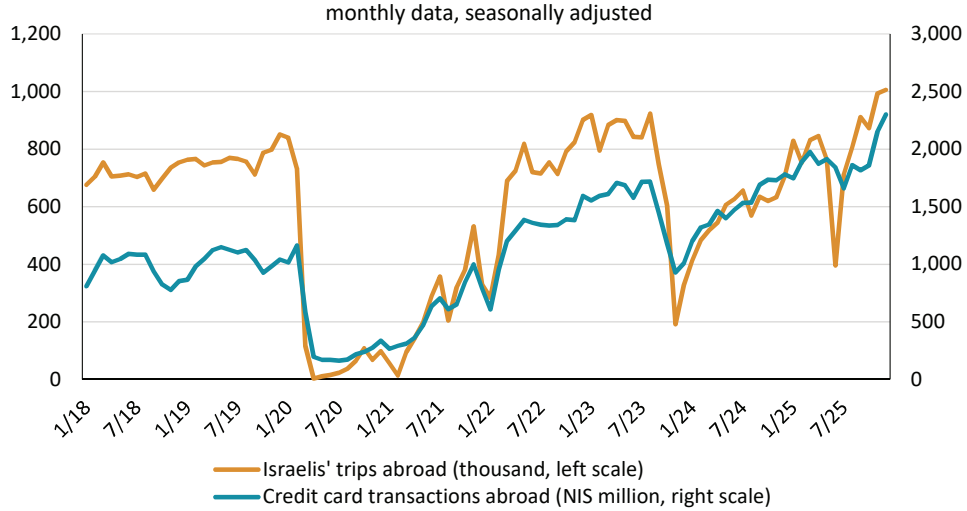
d. Public Consumption

The government's share of GDP increased greatly during the war, due to increased defense consumption.

During the war, the government's share in GDP increased significantly. Expenditure on public consumption (excluding defense imports) rose from 21.8 percent of GDP in 2023 before the war to 26 percent of GDP with the outbreak of the war in the fourth quarter of 2023. As the war continued, the share of public expenditure declined, but it remained high relative to the prewar period (Table 2.3).[7] A 50 percent increase in defense consumption (excluding defense imports) was the main reason for this higher level. This increase in government activity increased aggregate demand, exerting a positive fiscal impulse on the economy (see Box 2.1 in this chapter). At the beginning of the war, this impulse increased total uses. As the war continued, however, the high level of government demand likely crowded out business activity. This can be seen in the high rate of job vacancies during the war period, when tens of thousands of reservists were mobilized. (Another example appears in the investment section of this chapter.)

Figure 2.3 | Israelis' Trips Abroad and Card-Present Credit Card Transactions Abroad, 2018–2025

monthly data, seasonally adjusted



Credit card transactions are at 2020 fixed prices.
SOURCE: Based on Central Bureau of Statistics and SHVA.

[7] Public consumption does not include transfer payments and compensation, since these are used by recipients for private consumption. These payments are, however, included in government expenditure (see Chapter 6 of this Report).

During the war, the extensive reserve mobilization led to an average increase of 52 percent (1.0 percent of GDP) in defense wage expenditures, and demand for military and logistical equipment led to a 90 percent (0.8 percent of GDP) increase in domestic defense procurement. This was in addition to the even sharper increase in defense imports during the same period. During this period, civilian public consumption also increased by about 6 percent, partly due to war-related expenditures.

BOX 2.1. THE FISCAL IMPULSE DURING THE WAR

- With the outbreak of the war, the sharp increase in domestic defense consumption led to a marked rise in the fiscal impulse, reflecting a positive effect of fiscal policy on aggregate demand.
- In 2025, the impulse moderated relative to its level at the beginning of the war, mainly due to the tax increases decided on by the government, but it remained positive relative to its level prior to the war.

a. Background

The term "fiscal impulse" reflects the direction and intensity of the effect of fiscal policy on aggregate demand. This box uses the Brookings Institution's Fiscal Impact Measure (FIM) (Sheiner et al., 2021), which makes it possible to assess how changes in public consumption, transfer payments, government investment, and taxes affect changes in aggregate demand. The analysis focuses on the recent crises—the COVID-19 pandemic and the war that began on October 7, 2023—during which the government implemented fiscal adjustments in line with the unique geopolitical and macroeconomic circumstances.

b. Methodology

The FIM calculates the contribution of fiscal policy to aggregate demand relative to a "neutral" policy—namely, a situation in which expenditure and taxes change at the same rate as potential GDP growth. Any increase in expenditure or reduction in taxes beyond the neutral path represents fiscal expansion, whereas any reduction in expenditure or tax increase is considered fiscal restraint. The FIM focuses only on the initial effect of fiscal measures on aggregate demand and does not take into account fiscal multipliers or other indirect effects. In addition, the FIM reflects not only active government policy, but also the operation of the automatic stabilizers when output grows below or above potential. The overall FIM is calculated as the sum of the contributions of public consumption, transfer payments, taxes, and government investment.

In the case of public consumption, the measure compares the actual level of real public consumption with the level that would have prevailed had public consumption grown at the rate of potential GDP growth. A positive gap represents fiscal expansion, whereas a negative gap represents restraint. The

gap is expressed as a percentage of GDP in the previous quarter.[1] The public investment component is calculated similarly.

Likewise, for taxes and transfer payments, the measure assesses how changes in these items affect private demand. For each component, a neutral revenue level is defined—that is, the level that would have prevailed had it changed in line with the rate of potential GDP growth. The gap between the actual level and the neutral level is then measured, taking into account that each component affects private consumption over several quarters in accordance with its characteristic marginal propensity to consume.[2] Taxes lower than the neutral value, or transfer payments higher than the neutral value, increase demand and constitute expansion, and vice-versa. The total contribution of taxes and transfer payments is expressed as a percentage of GDP in the previous quarter, similar to the calculation for public consumption.[3] Summing all the contributions yields the overall FIM, which provides a comprehensive presentation of the effect of all fiscal measures on aggregate demand relative to a neutral policy.[4]

c. Results

Figure 1 presents the level of the fiscal impulse relative to the period prior to the COVID-19 pandemic, and Figure 2 presents the level of the fiscal impulse relative to the period prior to the war. In these years, fiscal expansion was high relative to earlier years. This was made possible partly by the "fiscal buffers" accumulated before the crises, which gave the government room to maneuver (International Monetary Fund, 2026). Whereas during the COVID-19 pandemic (Figure 1) the impulse was driven mainly by transfer payments and faded rapidly with the termination of the assistance packages, during the war period (Figure 2) it rested on public consumption, mainly defense-related, which is characterized by a high multiplier but also by considerable volatility. In 2025, the fiscal impulse moderated, mainly due to the implementation of adjustment measures on the revenue side, particularly tax increases.

[1] Equation for the public consumption component: $FIM_t^G = \frac{G_t-(1+\mu)\times G_{t-1}}{Y_{t-1}}$ where G_t is real public consumption excluding defense imports, seasonally adjusted, in quarter *t*; μ is the growth rate of real potential output; and Y_t is seasonally adjusted GDP in quarter *t*. A different growth rate is used for each period: for 2020:Q1–2023:Q3, an annual growth rate of 3.9 percent; for 2023:Q4–2025:Q4, an annual growth rate of 3.5 percent, in line with the assessments of the Bank of Israel Research Department.

[2] We use the multipliers and marginal propensities to consume appearing in the Brookings Institution paper: 0.9 for transfer payments, with full effect within one year; -0.6 for income tax (excluding corporate tax) and indirect taxes, with full effect within two years; and -0.4 for corporate tax, with full effect within three years. For public consumption and investment, we assume a multiplier of 1. The literature presents a wide range of multipliers and marginal propensities to consume, and we use values that lie within that range. It should be noted that this is an assumption, and the results may vary depending on the multipliers used. However, sensitivity tests show that although the levels themselves change, the dynamics across periods remain similar.

[3] Equations for the tax and transfer payment components: Neutral level: $\tilde{T}_{j,t} = T_{j,t-1}(1+\mu)$. Overall effect of taxes and transfer payments: $T_t^C = \sum_{j=1}^{3}\sum_{i=0}^{n} MPC_{j,t-i} * (T_{j,t-i} - \tilde{T}_{j,t-i})$. Contribution of taxes and transfer payments relative to GDP in the previous quarter: $FIM_t^T = \frac{T_t^C}{Y_{t-1}}$. where: *j* is the type of tax/transfer payment. Taxes are divided as follows: (1) income tax excluding corporate tax, together with indirect taxes; (2) corporate tax; (3) transfer payments also include National Insurance transfers and subsidies for domestic production. The data are in real terms and seasonally adjusted. i is the number of quarters backward, and $MPC_{j,t-i}$ is the marginal propensity to consume, specific to component j and time $t-i$.

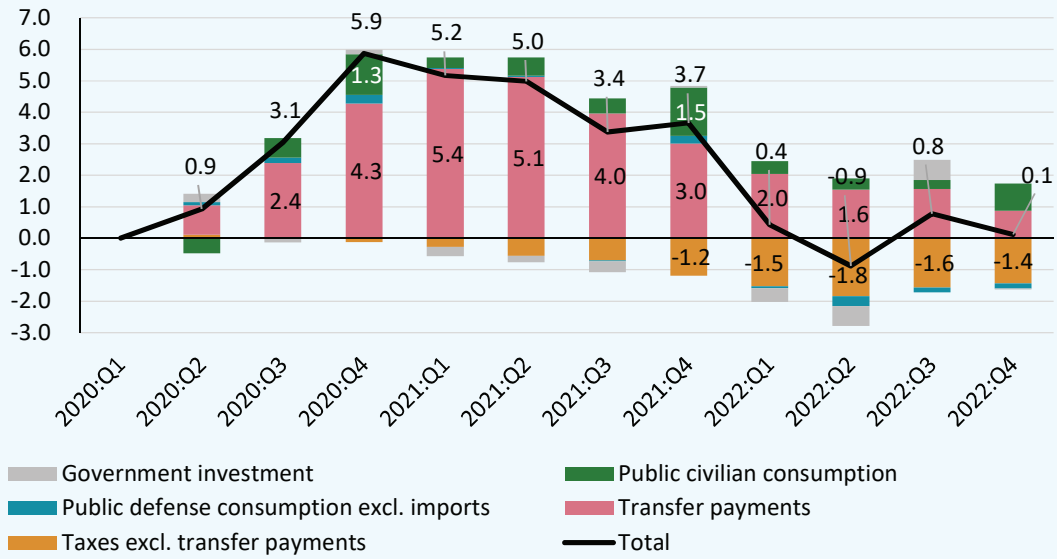
[4] Equation for the overall measure: $FIM_t = FIM_t^G + FIM_t^I + FIM_t^T$.

The high fiscal impulse in recent years may have helped narrow the gap between actual GDP and the trend line, although the strength of the effect is not unequivocal and depends to a considerable extent on the cyclical position of the economy. To the extent that the economy is in an environment of full employment or under supply constraints—as was the case during the war period—the fiscal impulse may be reflected in changes in the composition of demand, price increases, or an increase in imports.

Moreover, a large share of the fiscal impulse during the war period was due to expenditure on reserve service. This component is similar to other government expenditures in terms of generating demand, but differs from it in the manner in which demand is created: It does not rely on market mechanisms (recruiting workers by offering wages), but rather on a binding order. The employer of a reservist is required to preserve the employee's position, which increases the tendency to crowd out other business activity and to reduce supply in the business sector.

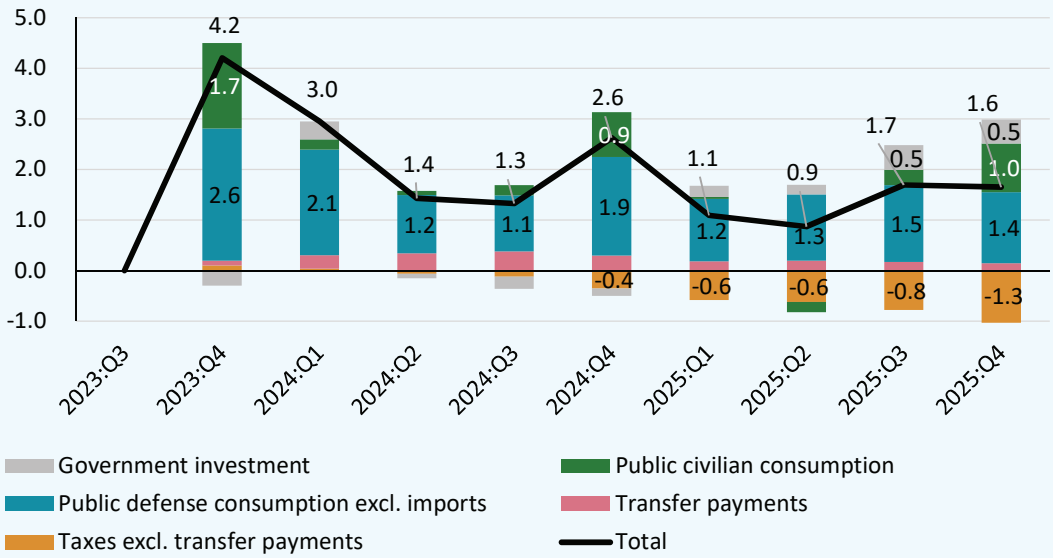
Figure 1 | COVID-19 Fiscal Impact Measure, 2020:Q1–2022:Q4

relative to 2020:Q1, seasonally adjusted, percent of GDP



SOURCE: Based on Central Bureau of Statistics, Ministry of Finance, and Israel Tax Authority.

Figure 2 | Wartime Fiscal Impact Measure, 2023:Q3–2025:Q4
relative to 2023:Q3, seasonally adjusted, percent of GDP



SOURCE: Based on Central Bureau of Statistics, Ministry of Finance, and Israel Tax Authority.

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e. Investment

Investment grew rapidly this year, but its level remains lower than before the war.

In 2025, fixed capital formation (excluding ships and aircraft) increased by 8.5 percent, but due to its decline in previous years, its level at the end of 2025 remained lower than in 2023 before the war. The components of investment can be divided into two groups that developed differently: investment in construction and investment in machinery and equipment (Figure 2.4).

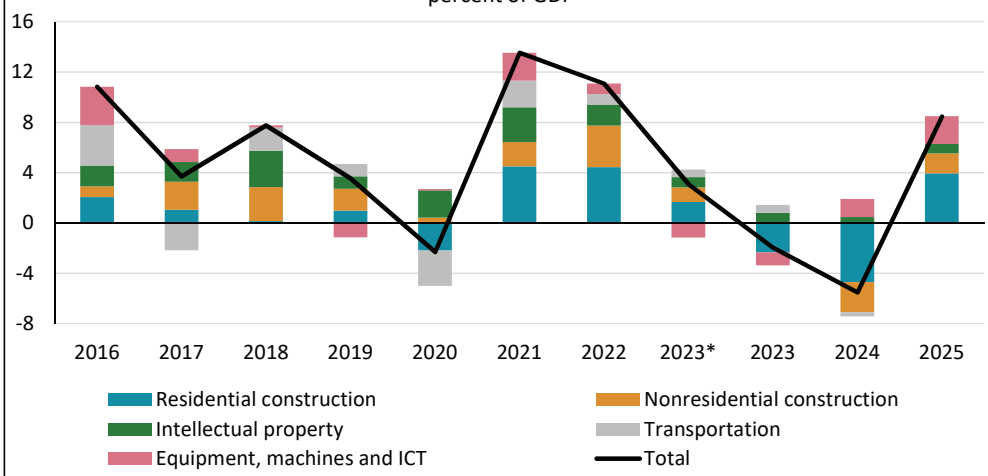
Construction investment was the component of aggregate uses most severely affected by the war.

Investment in construction (both residential and nonresidential) increased by 11.6 percent in 2025, but this followed two years of sharp declines, and by the end of 2025 it still remained 13.8 percent below its prewar level. The cumulative loss in construction investment during the war period amounted to about NIS 141 billion (at

2025 prices)[8]—a substantial share of the output loss described above. Construction investment was the component of aggregate uses most severely affected by the war. This is because, on the eve of the war, about 30 percent of the workforce in the construction industry consisted of Palestinian workers, and from the beginning of the war almost all of these workers were barred from working in Israel. As a result, in 2024 the number of employed persons in the industry averaged only about 82 percent of its prewar level. Since then, employment in the industry has increased, and by the end of 2025 it had returned to approximately its prewar level.[9] Nevertheless, the increase in housing starts points to a stronger recovery in this segment, partly at the expense of nonresidential construction, but the labor shortage led to a lengthening of construction times (see Chapter 8 of this Report).

Figure 2.4 | Fixed Capital Formation, Quantitative Rate of Change and Contribution of Investment Components to These Changes, 2016–2025

percent of GDP



* Before the effect of the war, based on the average of the first three quarters of the year.

SOURCE: Based on Central Bureau of Statistics.

[8] This loss is measured relative to a scenario in which investment in the industry would have grown from 2023:Q4 onward in line with its trend in 2014–2019 (5.6 percent per year). This is a macroeconomic loss because it is not the result of workers moving to other industries, but is rather due to a contraction in the labor force in Israel. Had workers moved to other industries—whether more profitable or better suited to them—this shift would have been reflected in increased activity in those industries, offsetting the decline in construction investment.

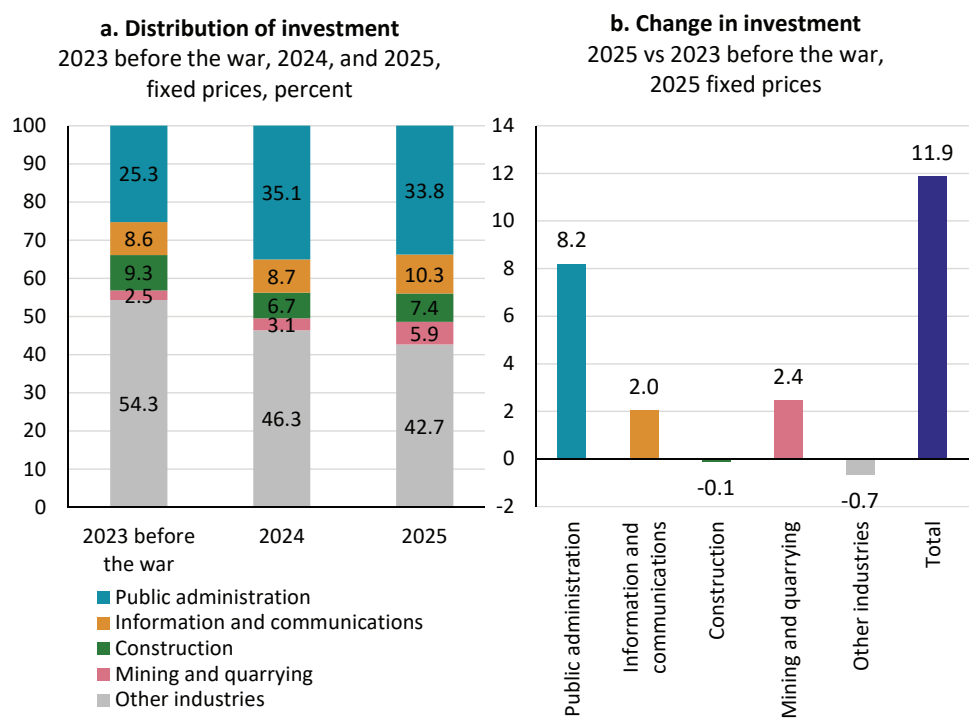
[9] There are discrepancies between employment data for the construction industry according to the Labor Force Survey and the data based on employee post reports to the National Insurance Institute, which point to only a more partial recovery. (See Chapter 5 of this Report for a discussion of this discrepancy.) During the war period, the Central Bureau of Statistics shifted from estimating construction investment on the basis of housing starts to an estimate combining employment data in the industry with employee post data in the industry.

The increase in investment in machinery and equipment was mainly defense-related as a result of the war and not due to increased investment by the business sector.

In contrast to construction, investment in machinery and equipment continued to increase throughout the war. These investments are divided between imports (70 percent) and domestic production (30 percent), both of which increased at similar rates. In 2024–2025, the overwhelming majority of the increase in investment in machinery and equipment was due to imports by local and public administration, which includes the security forces (Figure 2.5). Investment by the information and communications industry also increased, but investment by the other industries did not change. In addition, from prewar 2023 through 2025, imports of defense investment goods increased by 50 percent (without a breakdown by type of investment). Taken together, this indicates that the increase in investment in machinery and equipment in the economy was mainly defense-related as a result of the war, and that most of it was not due to increased investment by the business sector. Accordingly, the data do not support the claim that the increase in investment in imported machinery and equipment served the business sector as a substitute for missing workers.

Even in the construction industry, which experienced a large decline in manpower, investment in imported machinery and equipment declined in 2024–2025 (Figure 2.5).

Figure 2.5 | Investment in Imported Equipment and Machinery by Industry



In 2025, investment in imported equipment and machinery totaled about NIS 63 billion in 2025 prices. This investment averaged about 70 percent of total investment in equipment and machinery. The change in investment converts the figure for the first three quarters of 2023 into the annual figure.

SOURCE: Based on Central Bureau of Statistics.

BOX 2.2: ISRAELI EXPORTS TO THE EUROPEAN UNION AS A CASE STUDY OF THE ECONOMIC IMPACT OF POLITICAL CRITICISM ON THE ISRAELI ECONOMY

- During 2024–25, political and public pressures intensified in some European Union member states to scale back trade relations with Israel, against the background of the protracted war in Gaza.
- Total exports to moderate countries, which account for the lion's share of exports to the European Union continued to increase during the war period (from late 2023 to 2025), but exports to the more critical EU countries declined moderately. This pattern may indicate that political positions affected the value of exports to those countries.

In 2025, Israel's civilian goods exports to the European Union (excluding diamonds and chips)[1] increased by about 3 percent relative to 2024, reaching approximately $14 billion. During this period, political tensions between Israel and some EU member states increased. The link between exports and political tensions is also reflected in a survey according to which about 84 percent of Israeli industrialists reported the cancellation of transactions with companies in the European Union, mostly for "political reasons" (Manufacturers Association of Israel, 2025).

As political tensions intensified, countries and institutions in the European Union took steps toward suspending the free trade agreement with Israel, although this move was put on hold following the ceasefire (October 2025). Formally, only Turkey and Colombia—neither of which are EU member states—imposed an embargo on civilian trade with Israel (Bank of Israel, 2025).[2]

The analysis in this box examines the relationship between the political positions of EU member states toward Israel and the value of Israeli civilian goods exports to EU countries, which account for about 29 percent of total goods exports.[3] Exports to EU countries provide a convenient case study for examining the relationship between political positions and foreign trade. This is due to the variation in the political positions of different member states alongside the uniformity of EU trade agreements, as well as the fact that most EU member states use the euro.

For the purposes of the analysis, we classified European countries according to the degree of criticism toward Israel, based on official recognition of a "Palestinian state" in recent years. The critical group includes eight European countries—including Ireland, Belgium, Spain, and France—that recognized "Palestine" in 2024–25, as well as Sweden, which recognized "Palestine" in 2014. The moderate group includes countries that have not recognized the "State of Palestine", including major export destinations such as Germany, the Netherlands, and Italy. In addition, the moderate group includes countries in Eastern and Southern Europe that recognized "Palestine" back in the 1980s and 1990s, but most of

[1] Israel's chip exports to the European Union declined sharply in 2025, mainly due to a shift from chip exports to the United States routed through Ireland to direct exports to the United States. This reflected changes in the global semiconductor market that were unrelated to Israel's political standing. Accordingly, the analysis in this box examines exports to the European Union excluding chips and diamonds. The analysis is based on foreign trade data reflecting goods that passed through customs, rather than on national accounts data, which are adjusted to conform to balance of payments definitions.

[2] Several countries imposed restrictions on trade with Israel in defense goods and dual-use products.

[3] Civilian exports (excluding diamonds) to the European Union exceed the corresponding exports to the United States, which accounted for about 26 percent of total exports (excluding diamonds) in 2025.

which have moderated their critical stance toward Israel in recent decades, including Hungary, Greece, Poland, and Cyprus, and some maintain close relations with Israel.[4] The difference in political positions between the two groups of EU countries is also reflected, to some extent, in voting patterns in the UN General Assembly (Table 1, Panel A).

Table 1 | Policy Stances of EU Countries, and Israeli Exports to the EU, 2021–2025

	2021	2022	2023	2024	2025
a. Support for UN decisions critical of Israel (percent)[a]					
Countries critical of Israel[b]	73	69	66	73	80
Countries moderate toward Israel	68	65	66	64	71
Difference	5	5	0	10	9
b. Goods exports to EU, excluding diamonds and chips ($ billion or percent)					
Total exports	11.8	14.1	13.0	13.6	14.0
of which : To critical countries	4.5	5.4	4.7	4.4	4.2
To moderate countries	7.3	8.7	8.3	9.2	9.8
Share of exports to critical countries (%)	38	38	36	32	30
Share of exports to moderate countries (%)	62	62	64	68	70
of which : To Germany	15	13	16	17	21
To other countries	47	49	49	51	49

[a] Support of UN General Assembly resolutions critical of Israel is defined as a vote similar to Iran and different from the US on resolutions regarding Israel. The votes of each country were weighted by the volume of Israeli exports to it in 2023.

[b] Countries critical of Israel are countries that recognized a "Palestinian state" in 2024-2025 and Sweden, which recognized such a state in 2014.

SOURCE: Based on Central Bureau of Statistics and United Nations.

In the years preceding the war (between 2021 and late 2023), Israel's exports (see Footnote 1) to the critical countries and to the moderate countries grew at a similar pace, such that exports to the critical countries maintained their share—about 38 percent—of total exports to the EU. During the war period (between late 2023 and 2025), however, exports to the critical countries declined moderately, while exports to the moderate countries continued to increase. As a result, the moderate countries' share in exports to the EU rose gradually—from about 62 percent in 2021–22 to about 70 percent in 2025. This was due mainly to an increase in exports to Germany, while exports to the other moderate countries maintained their share of total exports to the European Union (Table 1, Panel B, and Figure 1).

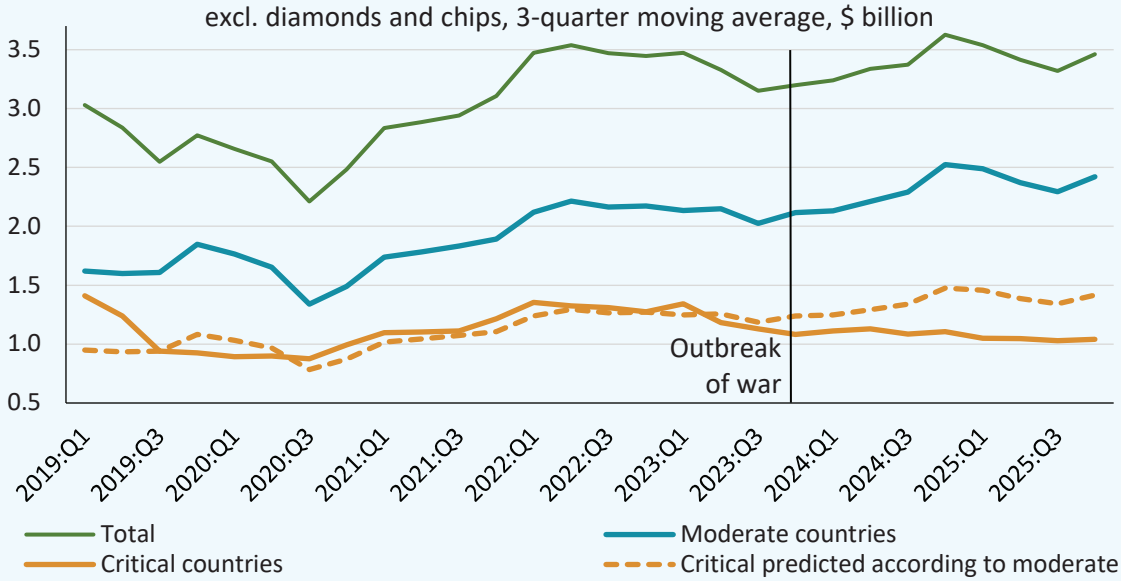
The cumulative gap between actual exports excluding diamonds and chips to the critical countries and the exports projected to those countries on the basis of exports to the moderate countries amounted to about $1 billion in 2024 and about $1.5 billion in 2025, equivalent to about 2.7 percent of goods

[4] The critical countries are Ireland, Belgium, Luxembourg, Malta, Slovenia, Spain, Portugal, France, and Sweden. The moderate countries in this context are Austria, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, Germany, Greece, Hungary, Italy, Latvia, Lithuania, the Netherlands, Poland, Romania, and Slovakia.

exports excluding diamonds in 2025. This estimate does not take into account a possible effect of the deterioration in Israel's political standing on exports to the moderate countries or to countries outside the European Union, and may therefore understate the damage to exports. On the other hand, to the extent that export volumes were diverted from the critical EU countries to moderate EU countries or to other countries outside the EU, the actual damage to Israeli exports would be smaller than implied by this estimate.

Figure 1 | Israeli Goods Exports to EU Countries, by Critical Stance Toward Israel, 2014–2025

excl. diamonds and chips, 3-quarter moving average, $ billion



Critical countries are countries that recognized a "Palestinian state" between 2014 and 2025.

SOURCE: Based on Central Bureau of Statistics.

References

Bank of Israel (2025), "The Impact of the Turkish Embargo on Israel's Economy," *Bank of Israel Annual Report 2024*, pp. 47–50.

Manufacturers Association of Israel (September 2025), "Interim Findings of a Survey on the Impact of the War on International Trade."

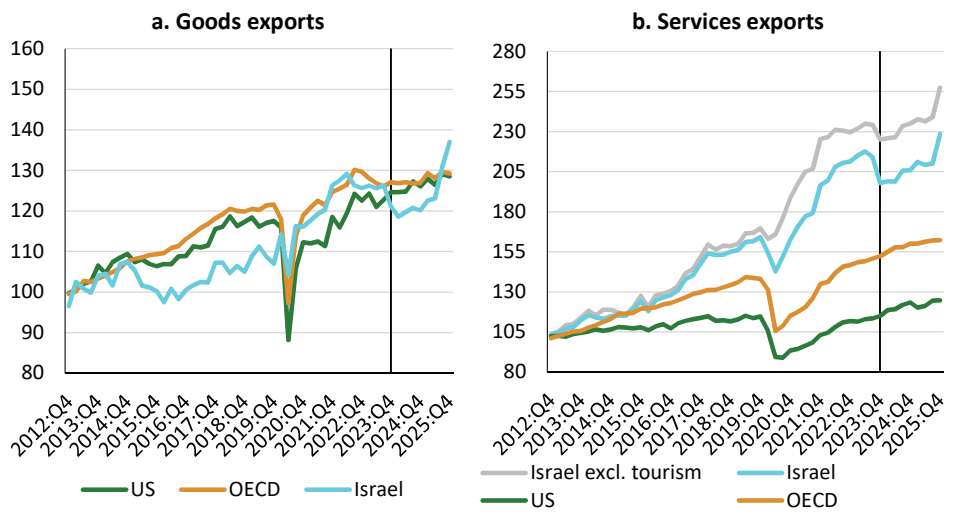
f. Exports

Goods and services exports increased rapidly, particularly in the second half of the year, due to a surge in the high-tech field.

Following weak growth during most of the war period, including a decline in 2024, goods and services exports increased rapidly in the second half of 2025. The strength of exports at the end of the year was due to a surge in the high-tech field (Figure 2.6). This surge was largely due to production abroad by several Israeli companies.

The slow growth of exports during most of the war period (until the second half of 2025) differs markedly from their development during the COVID-19 period, when Israeli exports—and particularly exports of high-tech services—grew rapidly. Several factors may explain the difference during the war period. First, the labor supply constraint created by the extensive reserve mobilization reduced the available workforce. Second, during the COVID-19 period there was a jump in global demand for high-tech services due to the desire to reduce physical activity in proximity to others. At the same time, workers in high-tech services were able to work remotely to a greater extent than workers in most other industries. Both of these factors are less relevant during the war. Third, it is possible that negative sentiment toward Israel that emerged in some of its export markets due to the war adversely affected demand for Israeli goods and services. Box 2.2 in this chapter presents evidence of this phenomenon in Israel's goods exports to Europe, raising the possibility of a similar tendency in other export markets as well.

Figure 2.6 | Goods and Services Exports of Israel, the US, and the OECD, 2012–2025
fixed prices, index: 2012 average=100



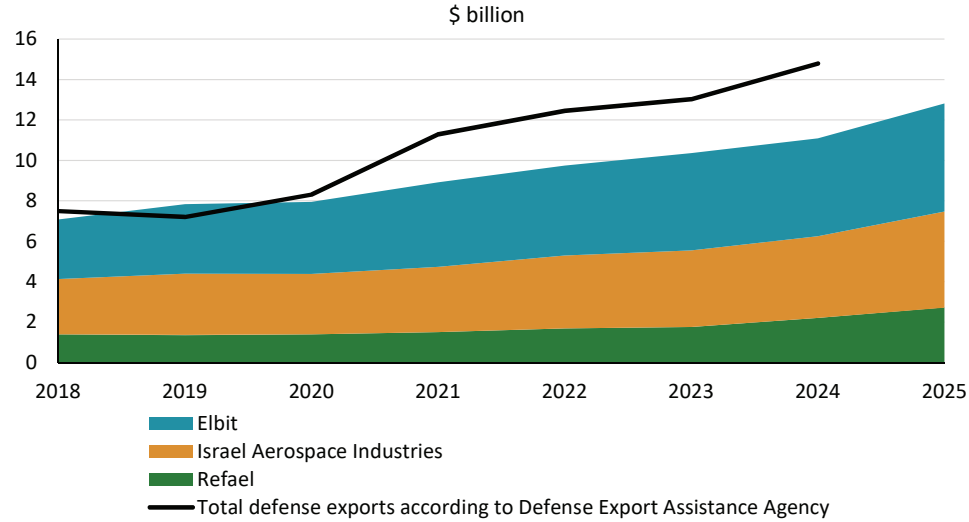
Israel's goods exports excl. diamonds and services exports excl. startup companies. The basis of the index is 2012 because the growth rates of Israeli, OECD, and US exports in that year were similar.

SOURCE: Based on Central Bureau of Statistics.

Between 2019 and 2024, Israel's defense exports doubled. They continued to grow rapidly this year as well.

Between 2019 and 2024, Israel's defense exports doubled from $7.2 billion to $14.8 billion[10], accounting for about 10 percent of Israel's goods and services exports. Publicly available data indicate that the total exports of Israel's three largest exporters of defense products and services increased by 41 percent during those years (Figure 2.7), and in 2025 they increased by a further 15.6 percent—far more rapidly than any other export component. The increase in defense exports over these years reflected the global rise in defense procurement against the background of the Russia–Ukraine war, and may also have been supported by the performance of Israeli defense equipment in the war here.

Figure 2.7 | Israel Defense Exports, 2018–2025



The 2025 figure is based on reports from Rafael for the first half of the year and from Elbit and Israel Aerospace for the first three quarters of the year.

SOURCE: Based on Central Bureau of Statistics.

In April 2025, the US administration announced the imposition of a broad tariff of 10 percent on imports of goods into the United States, as well as higher tariffs on imports from countries with which the United States runs a goods trade deficit, including Israel. However, a broad list of industry exemptions was established, while noting the possibility that these exemptions would be reexamined in the future. In the initial announcement, a tariff of 17 percent was set for imports from Israel, but following negotiations between the countries, the tariff was set at 15 percent on August 7, 2025.

The direct effect of US tariffs on Israeli exports appears limited so far.

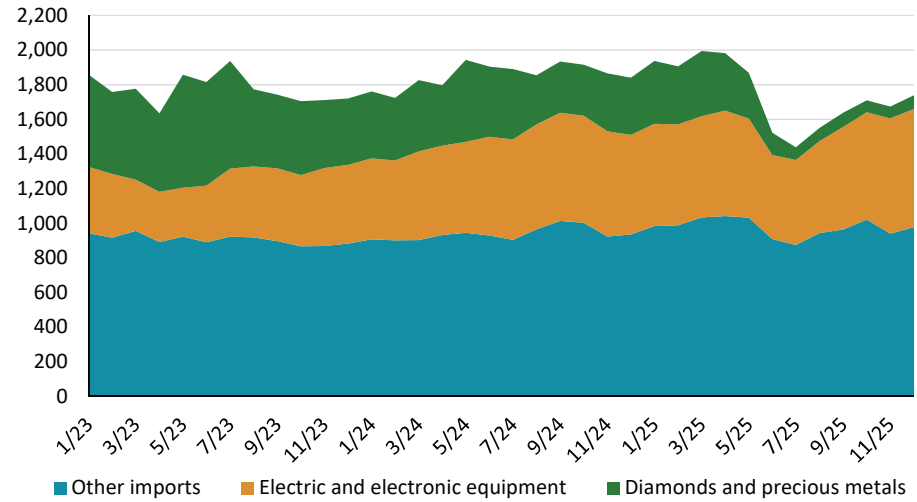
So far, the direct effect of the tariffs on Israeli exports appears limited, mainly due to the weight of the exemptions (Figure 2.8). The exemption list includes electronic components and pharmaceuticals, which are among Israel's main export products to the United States. The main export industry affected is the diamond industry, which

[10] Press releases of the Defense Export Assistance Agency in the Ministry of Defense (SIBAT).

is not included in the exemption list. Diamond exports began to decline sharply in May, such that in the second half of 2025 they stood at only 30 percent of their level in the first half of the year. The effect of this decline on GDP is limited because the domestic value added of Israel's diamond industry is very low (about 4.5 percent on average in 2021–2025, according to national accounts data).

The direct and indirect effects of the US tariffs on Israel have not yet been fully clarified. The direct effects are due to the higher cost of purchasing from Israel for a US importer required to pay the tariff. The indirect effects may arise from a general decline in world trade, as various institutions have estimated would occur in view of the tariff increases. In their assessment, this increase would weaken demand for Israeli exports regardless of the specific trade destination. In addition, the US government is reviewing the exemption list, and changes to it could harm other major Israeli export industries.

Figure 2.8 | Goods Imports to the US from Israel, 2023–2025
monthly, 3-month moving average, $ million



Most of the "diamonds and precious metals" item is diamonds.
SOURCE: Based on UN Comtrade.

3. COMPOSITION OF SOURCES: OUTPUT, IMPORTS, AND INVENTORIES

a. Output

Supply constraints in the labor market were the key factor shaping output developments in 2025 and throughout the war period. These constraints came from numerous sources. Reserve mobilization shifted many individuals from civilian life to military service and likely delayed young people's entry into the labor market. The

Supply constraints in the labor market were the key factor shaping output developments in 2025 and throughout the war period.

ban on the entry of Palestinian workers into Israel sharply reduced the number of workers, particularly in the construction industry, while the increase in the number of foreign workers in their place was gradual. The evacuation of communities in the south and the north at the beginning of the war distanced people from their homes and workplaces. The large number of war casualties, both physical and psychological, had limited ability to return to the labor market; and emigration from Israel increased. These issues are discussed in detail in Chapter 5 of this Report.

The production of output requires a combination of labor, capital, and productivity (technology). Constraints on the labor supply increase the return on capital that substitutes for workers, while reducing the return on capital that is complementary to workers, and encourage the search for technological improvements that raise productivity. In 2025, the capital stock continued to increase, but at a pace that moderated for the second consecutive year (Table 2.4). During the war, investment in machinery and equipment increased rapidly, but the overwhelming majority of this increase was apparently defense imports that do not contribute directly to production in the business sector (see the investment section in this chapter).

Before the war, output deviated positively from the trend (Figure 2.1). With the outbreak of the war, this positive gap closed and turned negative due to the labor supply constraints noted above. The same labor shortage also led to a decline in capital utilization, as reflected, for example, in reports by manufacturing firms in the Business Tendency Survey. The decline in the available labor force should also be viewed as a decline in potential output, which reflects the economy's immediate productive capacity. Accordingly, a situation emerged in which output declined while excess demand and a tight labor market persisted, as reflected in a low unemployment rate and a high level of job vacancies, which slowed the convergence of inflation to the target.

Table 2.2 | Sources and uses, 2009–2025

annual rates of change, percent

	2009–2022[a]	2022	2023	2024	2025	Change during the war[b]
GDP	4.1	6.4	2.1	1.0	2.9	1.7
Imports (excluding ships, aircraft, diamonds, and defense imports)	6.1	12.4	-6.9	-2.2	8.8	3.4
Domestic uses (excl. inventory)	4.1	6.7	0.7	2.8	3.7	2.5
of which : Private consumption	3.8	7.3	-0.6	3.9	2.6	2.6
Fixed capital formation (excluding ships and aircraft)	5.6	11.5	-2.6	-5.5	8.5	-1.4
Investment in inventory (excluding diamonds and startups, percent of GDP)	0.2	0.2	0.2	0.0	-0.1	
Public consumption (excluding defense imports)	3.2	1.1	7.5	9.4	2.0	7.4
Startup companies output	12.2	22.3	-23.3	-48.1	-0.1	-24.2
Exports (excluding diamonds and startups)	5.5	10.2	0.0	-3.7	5.9	2.1

[a] Average annual rate of change or average annual level, as relevant.
[b] Average annual rate of change between 2023:Q3 and the most recent quarterly figure, or the difference in levels between the most recent quarter and 2023:Q3, as relevant.
SOURCE: Based on Central Bureau of Statistics.

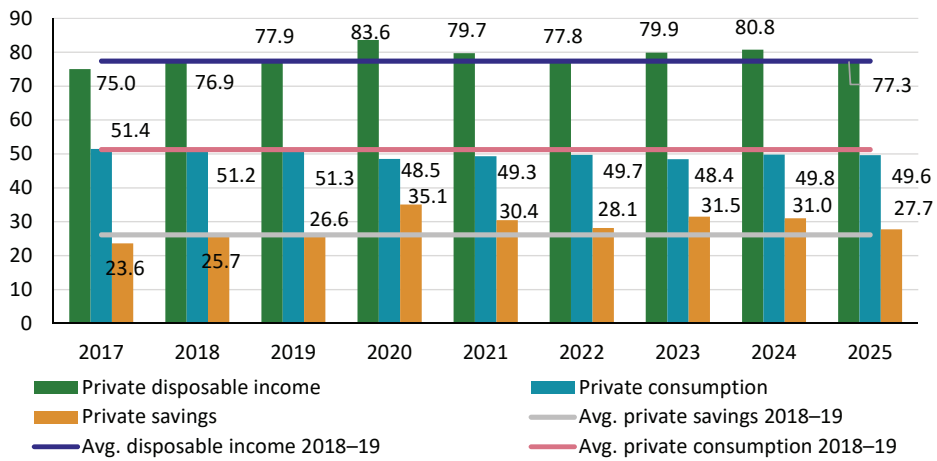
b. Imports

The rapid increase in imports this year provided the sources for the growing demand due to supply constraints.

In 2025, goods and services imports (excluding ships, aircraft, and defense imports) increased rapidly, by 8.8 percent. This followed a decline in 2024 due to the war's adverse effect on domestic demand. During the war period, imports increased at an annual rate of 3.4 percent—twice the rate of GDP growth—and their share in the economy's sources increased. This increase provided the sources for the growing demand in 2025, which had difficulty being met domestically due to supply constraints. The increase encompassed all components of goods imports: investment goods, consumption goods, and raw materials alike. However, a substantial portion of the increase in imports of investment goods was apparently defense-related, while imports of investment goods for the business sector increased less (see the investment section above). In 2025, services imports (even excluding tourism services imports[11]) also increased sharply, following a decline in 2024. It is likely that the sharp appreciation of the shekel in 2025 contributed to demand for imports. According to Barak and Brand (2022), the negative effect of appreciation on the sales of domestic manufacturing (which is exposed to competing imports) is immediate, whereas in exports the effect of the exchange rate is smaller and occurs with a lag of about two years.[12]

Figure 2.9 | Private Savings, Private Consumption, and Disposable Income, 2017–2025

percent of GDP



Disposable income is gross disposable private income from all sources (= private consumption+private savings). Average savings is 26.1 percent; average consumption is 51.3 percent; and average disposable income is 77.4 percent.

SOURCE: Based on Central Bureau of Statistics.

[11] For a discussion of tourism imports, i.e., Israelis' consumption abroad, see the section on private consumption.

[12] Arnon Barak and Gilad Brand (2022), "The Heterogeneous Effect of the Exchange Rate on Firms in Israel's Manufacturing Industries", Discussion Paper 2022.12, Bank of Israel Research Department.

4. SAVING, INVESTMENT, AND THE CURRENT ACCOUNT

In 2025, the private saving rate declined by about 3.3 percent of GDP, alongside a decline in the rate of disposable income.

In 2025, the private saving rate stood at 27.7 percent of GDP (Table 2.5). This rate was about 3.3 percent of GDP lower than in 2024 (Figure 2.9). This decline was accompanied by a decline in disposable income as a share of GDP, while private consumption's share declined only slightly. In view of the tendency toward consumption smoothing, private saving—the excess of current income over current consumption—tends to be sensitive to income shocks, and accordingly, sharp fluctuations in its rate have been observed in recent years.

Table 2.5 presents the correlation coefficients between the uses of disposable income—saving and consumption—and the main sources of that income—net wages and transfer payments, and firms' operating surplus.[13] The data indicate that private consumption is positively correlated with changes in households' current income (from net wages and transfer payments), but only weakly, if at all, with total disposable income or business sector profits. Private saving, by contrast, generally moves together with changes in disposable income and in the operating surplus of the business sector. On the basis of these correlations, the sharp decline in saving alongside only a slight decline in consumption in the past year can be explained by the declines in the business sector's operating surplus and in disposable income, together with the simultaneous increase in net wages (see Table 2.3).

a. The Current Account

In 2025, the current account surplus amounted to 1.5 percent of national income—a decline of 1.4 percentage points, or about $7 billion, relative to 2024 (Table 2.6 and Figure 2.10). The main reason for this decline is that a substantial portion of the increase in exports in 2025 was generated by Israeli companies under foreign ownership (abroad). The profits of these companies are recorded as primary income of nonresidents and are therefore deducted from the economy's income and from the current account surplus. At the same time, insofar as the owners of these companies do not actually withdraw those profits, they are recorded as direct investment in Israel in the financial account.[14] This year, the economy's net primary income declined by approximately $5.4 billion (0.9 percent of national income).[15]

[13] Israel does not compile separate sectoral accounts for households and firms, so disposable income cannot be fully decomposed into its components. However, total wages net of income tax, National Insurance and health contributions, current government transfer payments to the public, and the business sector's operating surplus is the main component, accounting for 90–95 percent of private disposable income. Other components include net transfers from abroad, interest on domestic government debt, and capital income.

[14] This year, net direct investment in Israel increased by $6.9 billion.

[15] This year, the income of Israeli residents from investments abroad increased by approximately $6.5 billion, while the income of nonresidents from investments in Israel increased by approximately $11.8 billion.

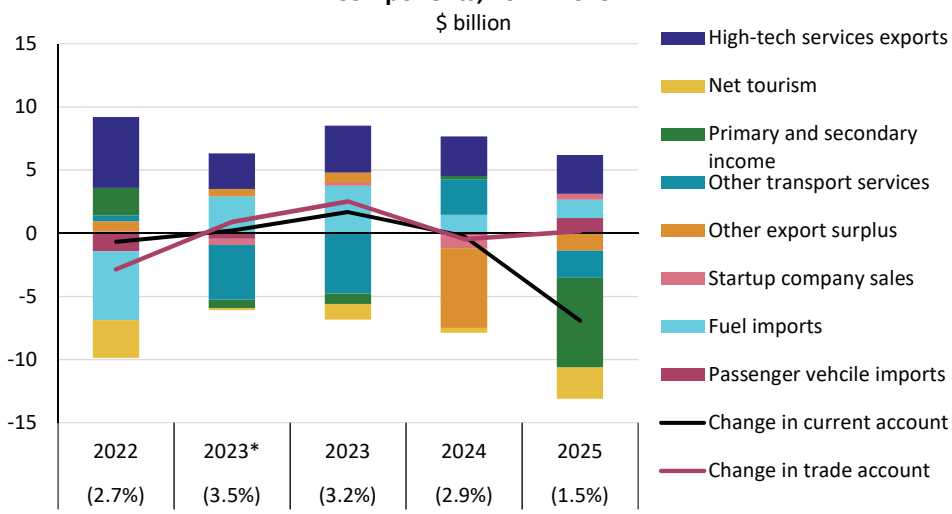
Table 2.5 | Correlation between changes in private savings, consumption, and income aggregates in the short and medium term

correlation coefficients between -1 and 1

2020–2025	Business sector operating surplus[a]	Net wages+ transfer payments[b]	Private consumption	Private savings	Disposable income[c]
Disposable private income	0.72	0.12	-0.19	0.65	1.00
Private savings	0.49	-0.42	-0.86	1.00	
Private consumption	-0.11	0.58	1.00		
Net wages+transfer payments	-0.32	1.00			
Business sector operating surplus	1.00				
2005–2025	**Business sector operating surplus[a]**	**Net wages+ transfer payments[b]**	**Private consumption**	**Private savings**	**Disposable income[c]**
Disposable private income	0.50	0.19	0.01	0.65	1.00
Private savings	0.48	-0.28	-0.75	1.00	
Private consumption	-0.12	0.44	1.00		
Net wages+transfer payments	-0.28	1.00			
Business sector operating surplus	1.00				

[a] Total profits of business sector firms after current expenses and before interest and tax payments.
[b] GDP labor share (including imputation to self-employed) plus current transfer payments from the government to the public, minus income tax, National Insurance, and health tax payments.
[c] Gross disposable private income from all sources = private consumption + private savings.
SOURCE: Based on Central Bureau of Statistics.

Figure 2.10 | Change in the Current Account Surplus and Contribution of Main Components, 2022–2025



The current account surplus as a percentage of GDP appears in the vertical axis for each year. The figure for 2023 is the change before the war, relative to the first three quarters of 2022. Other export surplus is the current account surplus minus the components listed separately.
SOURCE: Based on Central Bureau of Statistics.

The surplus in the goods and services account did not change in dollar terms relative to 2024.[16] The main factors contributing to this were high-tech services exports (excluding startups), which increased by $3.1 billion, and net tourism exports, which declined by $2.5 billion due to the increase in outbound tourism.

Table 2.6 | Savings, investment, and the current account, 2009–2015

percentage of national income

	2009–2022[a]	2022	2023	2024	2025
Gross national savings	26.0	30.2	29.4	26.6	26.0
Public	0.0	2.5	-1.9	-3.5	-1.3
Private	26.0	27.7	31.3	30.1	27.3
Gross investment	23.4	27.5	26.3	23.7	24.5
In nonhousing fixed assets	16.1	17.8	18.0	17.6	17.8
of which : General government's investments[b]	2.8	2.8	3.0	3.0	3.3
In housing	6.4	7.3	6.5	5.4	6.2
In inventory	0.8	2.4	1.7	0.7	0.5
Net current account[c]	2.7	2.7	3.2	2.9	1.5
of which : Balance of goods and services	1.5	2.1	2.7	2.4	2.1
Net income account	-0.2	-0.1	-0.5	-0.5	-1.4
Net current transfers	1.4	0.8	1.0	1.1	0.7
Terms of trade[c]	0.7	-1.4	-4.1	3.9	1.5
Real effective exchange rate[c,d]	-1.7	0.1	9.2	-0.5	-5.6

[a] Average annual rate of change or average annual level, as relevant.

[b] Including investment grants.

[c] Annual rate of change, percent.

[d] An increase means depreciation.

SOURCE: Based on Central Bureau of Statistics.

[16] This surplus declined by 0.3 percent of national income due to the increase in national income and the appreciation of the shekel.

BOX 2.3: THE EFFECTS OF OPERATION "RISING LION" ON THE ECONOMY

On June 13, 2025, Operation "Rising Lion"—Israel's military campaign against Iran—commenced. The campaign lasted 12 days, until a ceasefire was reached. During that time, Iran launched hundreds of missiles toward Israel, some of which struck populated areas, destroying buildings, causing property damage, and resulting in casualties.

During the campaign, the Home Front Command instructed the public to remain near shelters and protected spaces and to avoid travel, while educational institutions remained closed. These directives led to a marked contraction in economic activity. Many businesses were closed or operated on a reduced basis. Air traffic at Ben Gurion Airport was suspended for most of the campaign, effectively halting Israel's airborne foreign trade, which on the export side consists largely of relatively high-value high-tech products. About 25 percent of Israel's exports and 21 percent of its imports (goods and services, by value) are transported by air.

Many workers were absent from their workplaces, while the furlough mechanism was activated retroactively under eased conditions. As a result, the broad unemployment rate jumped to 9.2 percent in June, and the participation and employment rates declined slightly.

Immediately after the campaign ended, economic activity began to recover. Businesses resumed normal operations, and activity in the public sphere returned to its precampaign level. By July, the unemployment, employment, and participation rates had already returned to their May levels. Credit card expenditures, which had fallen sharply during the campaign, rebounded rapidly and within less than a month exceeded their precampaign levels. Reporting in the Central Bureau of Statistics Business Tendency Survey indicated that business activity returned quickly to normal and that the campaign did not lead to a decline in export orders.

The sharp decline in activity for nearly two weeks led to a marked decline in GDP and in all uses in the second quarter of 2025, and moderated import growth during that period. By contrast, the national accounts data for the third quarter of 2025 showed a very sharp increase in GDP and in uses during that quarter. Ultimately, growth between the first and third quarters of 2025 stood at 3.8 percent (in annual terms), slightly above the average growth rate since the beginning of 2024. Credit card purchases also remained slightly above the precampaign trend in the months following the campaign. These developments indicate that there was some compensatory activity after the campaign (in the third quarter of 2025).

Based on a growth model and estimates of the damage from previous events, we assess that the impact of Operation "Rising Lion" on annual growth was about 0.3 percent of GDP[1], including the offset in subsequent quarters, estimated at 0.1 percent of GDP. That is, excluding the 12 days of Operation "Rising Lion," annual growth in 2025 would have been about 3.4 percent—still slightly below the economy's previous growth trend.

[1] An alternative estimate, which assumes that all fluctuations in GDP between the first and third quarters reflect the effects of the campaign, generates a slightly higher result—0.45 percent of GDP.