

The end of the third quarter of 2024 also marks one year since the outbreak of the "Swords of Iron" war. During this year, almost all indicators of Israeli high-tech—investment, number of active investors, employment, salaries, exits, etc.—showed stagnation or decline.

This period coincided with a global economic slowdown and the rise of AI, which boosted giant corporations but simultaneously made it harder for other tech companies worldwide to compete. Consequently, the decline in startup investments is not unique to Israel, making it challenging to isolate the local impact from global influences.

Nevertheless, it is clear that the prolonged war is hurting the Israeli high-tech industry: many tech employees have been called up for reserve duty, numerous foreign investors are hesitant to invest in Israeli companies or funds, Israel’s credit rating has been downgraded, companies in border areas are struggling to operate, and Israel’s brand image has taken a hit.

On the other hand, the report also highlights some encouraging signs: Israeli companies continued to meet most of their obligations to customers or international parent companies, a number of companies managed to raise substantial funds, the performance of Israeli companies on NASDAQ was generally in line with the overall index (excluding big tech), and almost all multinational companies have maintained their operations in Israel.

The following table presents the key figures from the "war year":

Metric	War Year	Previous Year
<b>Total Investment in Startups</b>	8.8	9.4
<b>Number of Investment Rounds</b>	1,067	1,207
<b>% of 10 Biggest Investments</b> (as % Total Investment)	40%	21%
<b>Number of Acquisitions</b>	90	106

In addition, the report points to several key trends:

1. **Increased concentration of startups** – Over the past year, a small number of successful startups were responsible for most of the investments. Other startups struggled to raise funds, a difficulty especially pronounced among companies that raised Seed rounds in the past two years. In terms of sectors within high-tech, software startups accounted for 76% of total investments in 2024, indicating growing concentration within this segment.

2. **Partial relocation of startups out of Israel** – About half of the new startups incorporated abroad, and the headquarters of approximately 75% of companies that raised significant funds (\$25 million or more) are located overseas.

3. **Stagnation in the high-tech labor market** – The stagnation in the number of employees in high-tech, which began in 2023, continued but did not worsen during the war period. However, real wages in high-tech are on an upward trend.

Given the significant challenges and the critical importance of the high-tech sector to Israel’s economy, it is imperative that the Israeli government presents a vision and strategy that will enhance certainty and provide hope for the return of Israeli high-tech to the global forefront.