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Israel
Advanced
Technology
Industries



One Year to the “Swords of Iron” war:

The Israel Advanced Technology Industries (IATI) and RISE Israel Research and Policy Institute present a report on the state of Israeli high-tech – the resilience of the high-tech industry alongside its challenges over the past year

Main finding of the report

1. A decrease in total investment and the number of funding rounds during the year of the war compared to the previous year.
2. A decline of approximately 30% in the number of foreign and Israeli investors during the war year compared to the previous year.
3. A concentration of investments in a decreasing number of companies: While between 2014-2022 the ten largest investments made up less than 20% of all investment, in 2023 they accounted for a quarter of total investment, and in 2024, nearly 50%.
4. The headquarters of 76% of companies that raised significant amounts are located abroad.
5. About half of the companies that raised Seed funding in 2022 are struggling to raise Series A funding.
6. Israel dropped in the Tortoise Media global AI ranking from 7th place to 9th during the war year, after being ranked 5th in 2021.
7. Human Resources Survey: About 45% of companies intend to increase the number of employees outside Israel, while about 50% intend to increase the number of employees in Israel in the coming year.

**The decline in investments is not unique to Israel; similar trends are also seen in Europe and the USA.

**The data in the report covers up to the end of the third quarter of 2024.



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Direct link to the full report:

Karin Mayer Rubinstein, CEO and President of The Israel Advanced Technology Industries

(IATI): "The ongoing war has presented the high-tech industry with many challenges and complexities. However, the industry as a whole has demonstrated stability, creativity, and an impressive ability to adapt to the changing reality, continuing its operations even with a significant absence of workforce due to reserve call-ups. Israel's technological leadership and uncompromising entrepreneurial spirit have enabled Israeli high-tech to withstand the challenges of the past year and maintain its resilience.

This report reviews various aspects and provides the most comprehensive picture of the state of Israeli high-tech since that black Saturday in October. It outlines the challenges the industry has faced and continues to face but also reveals the bright spots, offering hope for the future.

It is important to remember that our industry is strong and resilient. Our people stand bravely for their existence, and I am proud to see how we continue to show resilience and strength even in these challenging days. High-tech was and will continue to be the primary growth engine of the Israeli economy, and therefore decision-makers, as well as ourselves, must continue down this path. Creating certainty for investors, strategic and creative thinking, and determined action are necessary to ensure the prosperity of the industry.

The State of Israel needs a strong and stable high-tech sector, which has a direct and indirect impact on growth and prosperity in various fields, from Israel's security and the economy to education, health, and welfare. The challenges we face in the coming years are very significant – maintaining the national brand, which has been damaged, and the ongoing AI race, as well as the security and economic uncertainty that undermines the stability we strive to maintain.

Achieving the goal of continuing to lead globally will be achieved through strong cooperation among the various players within the industry, with an emphasis on close collaboration between the industry and the government.

I hope that all the captives, soldiers, and evacuees return home safely and soon, and that we will return to days of peace, security, and prosperity."

Uri Gabai, CEO of RISE-Israel Policy Institute: "The "Swords of Iron" war has created a perfect storm that threatens the future of Israeli high-tech. The report we publish today presents, on the one hand, the flexibility shown by the sector, but also warning signs and trends whose implications endanger its future. It is also important to recognize that the resilience of the high-tech sector is critical for funding Israel's security needs, which are expected to grow in the coming years.

Bouncing back from this period of uncertainty will require proactive and goal-oriented measures from decision-makers. The Israeli government must present a vision that offers hope to investors and



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entrepreneurs, outlines responsible economic policies, preserves democratic values, and minimizes international isolation.”

IATI, the Israel Advanced Technology Industries association, and the RISE Israel Research and Policy Institute are releasing a new report marking one year since the "Iron Swords" war, providing a comprehensive analysis of the Israeli high-tech sector during this challenging period. The report, which was based on in-depth interviews with industry leaders – including executives from Israeli and multinational companies, venture capital investors, and more – focuses on seven key areas: investments in Israeli companies, investors in Israeli high-tech, exits, Israeli companies on NASDAQ, wages and employment, the defense high-tech sector, and high-tech in the north and south.

Despite the decline in investments and investor support, the report highlights the stability of the sector alongside the flexibility and adaptability of Israeli high-tech to changes, offering a strategic framework for improvement and growth.

High-Tech Security – Growth Under Pressure:

Global tensions, such as the war between Russia and Ukraine and the growing tension between China and the US, as well as the ongoing Israel– Hamas war, have led to an increased demand for advanced technologies in the defense market. The report emphasizes the contribution of three major Israeli companies—Elbit Systems, Rafael, and Israel Aerospace Industries—which together employ about 40,000 workers and account for about 10% of all high-tech employees. Sales of these companies increased significantly during the war: Elbit and IAI boosted sales by about 11%, and Rafael recorded a 32% rise. However, significant challenges remain, such as the decline in stock values due to investor reluctance to hold shares in these companies.

Additionally, the report outlines opportunities for approximately 150 defense high-tech startups that play an important role in developing new technologies, along with new ventures. Many of these small companies continue to face challenges such as limited access to venture capital investments and long ROI timelines, but the war has created new opportunities for them to contribute to the state's defense needs.

High-Tech in the North and South – Resilience, Challenges, and Opportunities for Recovery:

The border areas in the north and south of Israel have faced direct impacts from security restrictions and the ongoing threat, but technology companies located in these regions have shown impressive resilience. About 150 high-tech companies—less than 2% of all high-tech companies in Israel—operate in the north and south. Many of these companies specialize in fields such as agri-food tech, which constitutes about a quarter of the companies in these areas compared to only 5% of all companies in the country.



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In recent years, there has been a gradual increase in the number of fundraising rounds by companies from the border areas, but the war has hindered this trend. Nevertheless, these companies continue to contribute to the local industry, even if their fundraising rounds are relatively small.

The report emphasizes the **importance of government programs to rehabilitate the region** by strengthening existing fields such as agri-food tech in the north but warns against unsuccessful government efforts to establish large high-tech centers in the periphery, which could lead to wasted resources. The focus should be on existing advantages and developing infrastructure with a realistic vision rather than an overly ambitious one.

Summary and Recommendations:

The report includes a series of recommendations aimed at strengthening Israeli high-tech, addressing the decline in investments, and preventing long-term damage:

1. **Encouraging Foreign Investors:** The war has raised significant concerns among foreign investors, who are hesitant to enter into new investments in the Israeli market. It is therefore important to promote targeted public relations initiatives that highlight the advantages of investing in Israeli high-tech, especially during a crisis, and emphasize the contribution of Israeli high-tech in areas such as life sciences, environmental technologies, and other innovative fields. Additionally, economic initiatives to reduce investment risks and address tax regulations that hinder foreign investments should be promoted.
2. **Encouraging Israeli Investors:** In light of the decline in foreign investments, the report calls on the government to encourage Israeli investors, especially institutional bodies, to invest more in local high-tech. The Innovation Authority has already initiated this effort, but further steps are required to make the program more effective.
3. **A Program to Bring Back Talent to Israel:** Due to the increasing brain drain, the report recommends that the government launch a program to bring Israeli talent living abroad back to the country, both to academia and industry. The program should include incentives such as research grants, tax benefits, and support in accessing advanced infrastructures.
4. **Support for New Companies in Strategic Fields:** The report recommends providing focused support to new companies in important fields such as artificial intelligence, cyber, and clean tech. Government support programs should be re-evaluated and made more efficient in those areas where Israel can lead the global market.



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In conclusion, **the report stresses the importance of a clear economic vision based on responsible management, the preservation of democratic and liberal values, and steps to minimize Israel's international isolation.** The government must take quick and focused actions to ensure that Israeli high-tech can continue to thrive and play a central role in the country's economy.

About The Israel Advanced Technology Industries (IATI):

The Israel Advanced Technology Industries (IATI) is the umbrella organization of high-tech, life sciences, and other advanced industries in Israel. It works to foster business certainty and stability that will promote the tech industries in the country and contribute to inclusive national resilience and economic growth, strengthening Israel's position as a global innovation leader.

Our efforts focus on connecting key players in the industry and voicing their collective perspective to decision-makers in the public sector, leading large-scale and capital-intensive strategic processes with industry leaders, the Israeli government, and the IDF. Our work with the IATI committees and board, composed of heads of the Israeli tech industries, allows us to provide data and insights about the industry to the public sector and various stakeholders through periodic research reports and extensive advocacy activities. IATI serves as a platform for strategic dialogue and works with the extensive network of our members to promote solutions to the most sensitive challenges facing the industry.

The value we generate for our members is further expanded through their active commitment to promoting diversity and inclusion in the tech sector, both geographically and socially, thus advancing social mobility.

About the RISE Israel Research and Policy Institute:

RISE Israel (formerly SNPI) is an independent, non-political research and policy institute that works to promote an innovation-based economy and public sector. The institute is led by its chairman, Professor Eugene Kandell, one of the leading economists in Israel and former head of the National Economic Council, and its CEO, Uri Gabai, an expert in innovation policy and former VP of Strategy at the Innovation Authority and one of its founders. The institute believes that Israel's future lies in harnessing technological progress and innovation to strengthen the economy and society in Israel. It does this by guiding and assisting in the implementation of practical strategies and policy measures for the Israeli economy—leveraging the technological revolution to improve citizens' lives and address national challenges.

Best regards,
Ran Rahav,
Spokesperson
Israel Advanced Technology Industries (IATI)



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