



## Recession hitting Israel's exports hard compared to G7

*Small countries like Israel are particularly dependent on business with other nations, so large downturns in trade can be expected to have an especially potent impact on the economy.*

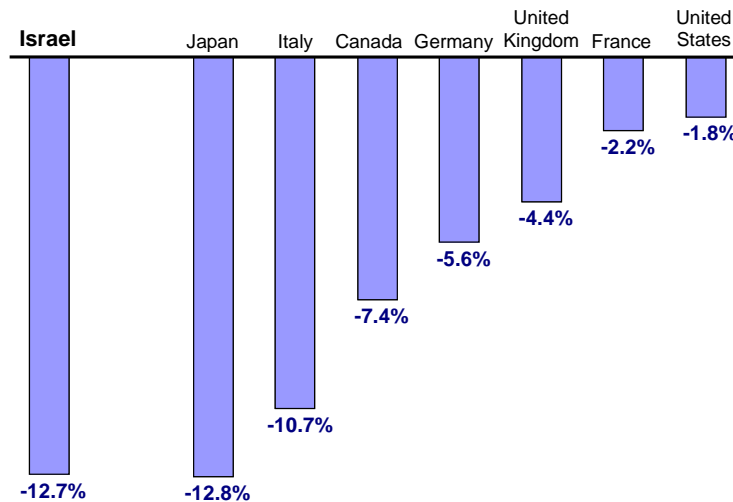
In a large country like the United States, there are enough potential buyers to make the production of most goods and services a profitable undertaking. For smaller countries however, there is a much greater dependency on foreign buyers to make ends meet.

This is why in the fourth quarter of 2007, the United States exported just 13% of its output, while Japan exported 18%, France exported 26% and the United Kingdom exported 27% of their respective outputs. Israel, on the other hand, exported a full 46% of what it produced.

When the recession hit the industrialized world in the fourth quarter of 2008, exports fell in all of the G7 countries. However, Israel's exports were affected particularly hard, falling precipitously in comparison with the G7 countries .

### Real Changes in Exports

Exports of goods and services in fourth quarter of 2008  
relative to fourth quarter of 2007\*



\* seasonally adjusted.

source: Taub Center for Social Policy Studies in Israel  
data from the Israel Central Bureau of Statistics and OECD.



While the primary sources of the current global downturn lie outside Israel's shores, what transpired abroad has problematic implications for the country when the sharp decline in Israel's sales to other countries merges with its high dependency on exporting to the industrialized West.

Unless there is a quick and substantial rebound in Israel's exports, a sizable portion of Israel's companies will face a severe decline in demand for their goods and services – with all that this implies with regard to the subsequent demands of these companies for Israeli workers.

The Taub Center for Social Policy Studies in Israel, an independent socioeconomic research institute based in Jerusalem, is headed by Professor Dan Ben-David. The Center's Policy Programs include prominent academic researchers, leading experts from the policy realm, and the Taub Center's own professionals, who analyze and develop policy recommendations that are shared with Israel's top policy makers.