

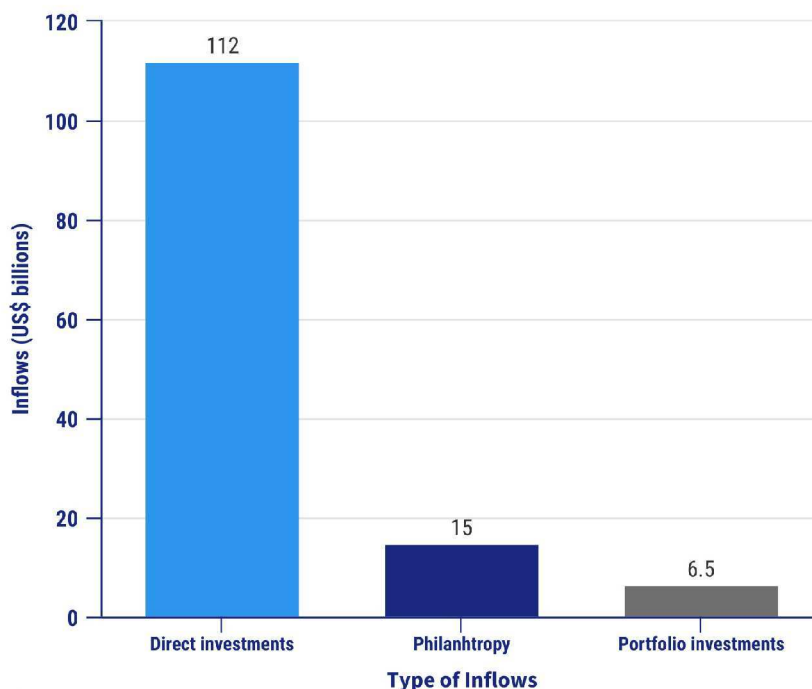
The Potentially Mighty Impact of American Jews on Israel’s Economy

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In our [fourth quarter 2020 newsletter](#), we discussed the beneficial impact of American Jewish philanthropy on Israeli economic development, particularly in the early decades of statehood. We also discussed how foreign corporate investment now dwarfs philanthropic inflows into the country, but that foreign portfolio investment into Israeli stocks and bonds still lags. According to Israeli government Balance of Payments statistics, foreign companies invested \$112 billion directly into Israeli business operations (including startup venture capital) over the past five years, foreign philanthropy inflows were an estimated \$15 billion, but foreign portfolio investors purchased just \$6.5 billion of Israeli publicly traded stocks during the same period, this includes individual and institutional investors all over the world (see **Chart 1**).

Total Foreign Capital Inflows To Israel (2017-2022)



Source: Bank of Israel, Jewish People Policy Institute

Chart 1

Americans express generally favorable attitudes toward Israel as our only democratic ally in the Middle East, and Israel is now a major investment hub for American technology companies, but very few people pay attention to developments in the broader Israeli economy. Despite its importance, the technology sector employs just 10% of the labor force and accounts for 12% of Israeli Gross National Product (GNP). Israel would certainly welcome greater attention from all global portfolio investors, but its most obvious foreign investor base – the American Jewish community – remains shockingly uninvested.

A significant segment of the Jewish population closely follows developments in Israel, so we suspect portfolio inflows into Israel will grow as more American Jews discover the expanding opportunities available in Israel’s dynamic financial markets. Just how big could the investment relationship between American Jews and Israel become? In this letter we will size up the investment potential of the American Jewish community, and why the collective impact for Israel could become quite large.

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Step 1 – How Many Jews are There?

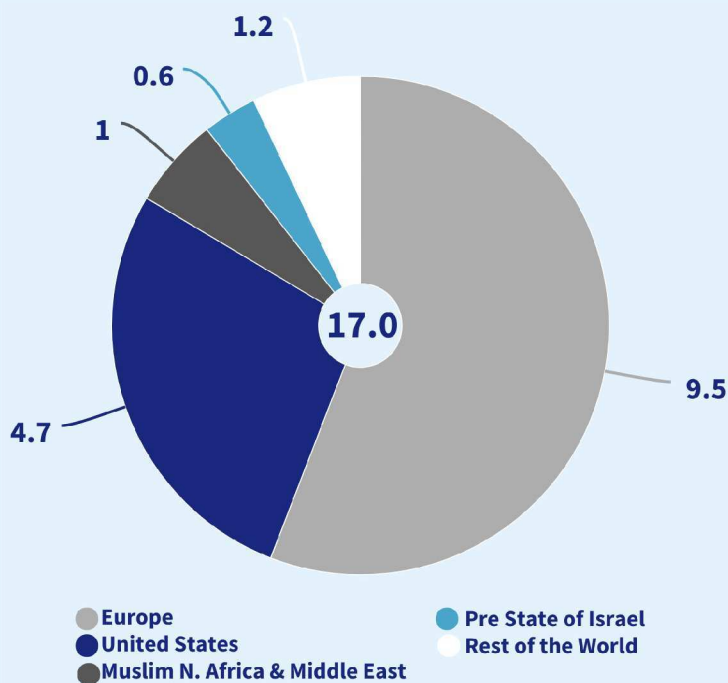
Some people consider Judaism to be a religious faith like Christianity and its various denominations. Jewish identity, however, is a complicated blending of religion, ethnicity and culture. Although referencing the same holy books, Orthodox and Reform Jews for example, express their religiosity in extremely different ways. There are, in addition, many self-identified Jewish atheists. Perhaps more confusingly, the people in these varied groups may vehemently reject the religious ideas of the other groups while readily recognizing each other as Jewish and part of the same “people”. A situation more akin to a nation, whereby Americans, for example, might hold dichotomous religious and political views while accepting their ideological opponents as fellow Americans.

Jews in the United States fully identify as proud Americans, while simultaneously investing in the survival and success of Jewish communities around the world. Global interconnectedness is a unique feature of Jewish identity passed down through millennia of history. Since the Babylonian Empire conquered the Kingdom of Judah and destroyed the First Temple in the 6th century BCE, there have been Jews spread across various lands. Jewish communities always maintained contact and fostered relationships with each other despite geographical separation. With the murder of European Jewry in the Holocaust, Jewish expulsions from Arab and Muslim countries following Israel's independence in 1948, and the exodus of one million Jews from the former Soviet Union in the 1990s, Jewish life is concentrated today in fewer countries than at any previous moment since the Roman destruction of the Second Temple in 70 CE.

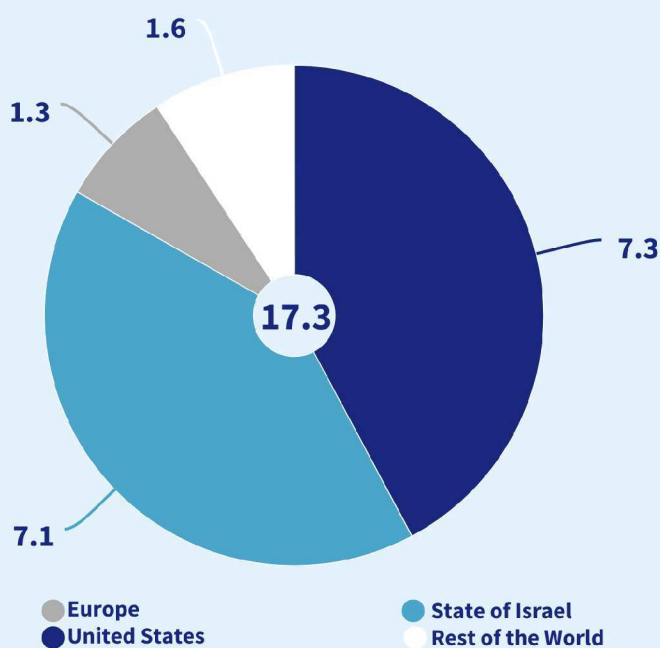
According to the Jewish Virtual Library, on the eve of the Holocaust there were an estimated 17 million Jews in the world. Of these, 9.5 million lived in Europe, 4.7 million in the United States, perhaps 1 million lived in Muslim North Africa and the Middle East excluding an additional 600,000 in Palestine, with the last 1.2 million spread throughout the remainder of the globe. Using the broadest definitions of Jewish identity, the world Jewish population recently returned to pre-Holocaust levels with 7.3 million in the United States, 7.1 million in Israel, 1.3 million in Europe, and 1.6 million elsewhere in the world (see Chart 2). More conservative estimates place the number closer to 15.2 million, with the U.S. Jewish population providing the largest source of variance.

World Jewish Population

On the Eve of the Holocaust (in millions)



Today (in millions)



Sources: Jewish Virtual Library and Pew Research Center

Chart 2





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A recent survey by the Pew Research Center estimates there are 7.5 million self-identified Jews in the United States, while respected Hebrew University demographer Sergio DellaPergola estimates 6 million based on more traditional definitions of Jewish identity. The Pew survey also provides more detailed information on Jewish religious denominations, household income, and attitudes toward Israel. **Chart 3** highlights Pew findings regarding denominational affiliations of Jews in the United States. Interestingly, in the Pew survey 67% of Jews picked a denominational affiliation even though only 35% indicated synagogue membership.

Step 2 – Measuring Affinity Toward Israel

Contrary to popular consternation, **American Jewish affinity toward Israel is strong and relatively stable.** 57% percent of self-identified American Jews said Israel was either an essential or important part of their Jewish identity. Of the 45% of Jewish adults who have visited Israel, 19% visited once and 26% either multiple times or lived there for an extended period. Extrapolating from Pew population estimates, this would

imply roughly 1.43 million American Jewish adults visited Israel once and 1.95 million spent significant time there during their lives. As you can see in **Chart 4** below, most American Jews feel emotionally attached to Israel, but 58% of those who spent significant time there are very attached. **This subset of very attached Jews closely follows developments in Israel and is more likely to have witnessed Israel's economic emergence in recent decades.**

U.S. Jews Emotional Attachment to Israel

Emotional Attachment to Israel	Very %	Somewhat %	Not too / Not at all %	Refused to answer %
All American Jews	25	32	41	1
Orthodox	60	22	15	3
Conservative	39	39	21	1
Reform	23	36	41	1
No particular branch	12	28	59	1
Never been to Israel	10	31	58	1
Been once	25	39	36	<1
Been more than once	58	31	10	1

Note: Figures may not add to 100% due to rounding. "Been to Israel more than once" includes those who say they lived in Israel.

Source: Survey conducted 11/19/19 - 6/3/20, among U.S. adults.

<https://www.pewresearch.org/religion/2021/05/11/jewish-americans-in-2020/>

Jewish Religious Denominations

U.S. Jews who identify as...	%
Orthodox	9
Conservative	17
Reform	37
Other branch	4
No particular branch	32
Don't know/refused	1
	100

Source: Survey conducted 11/19/19 - 6/3/2020, among U.S. adults. "Jewish Americans in 2020" / PEW RESEARCH CENTER

<https://www.pewresearch.org/religion/2021/05/11/jewish-americans-in-2020/>

Chart 3

Step 3 – Estimating Jewish Household Income

Although the U.S. government publishes a wide variety of income and other economic statistics by race and certain ethnic groups, it does not collect separate statistics for American Jews. By extrapolating from the Pew income data and correlating with other U.S. economic statistics, we can estimate that Jewish household income is at least double the national average. This accords with other data such as Jewish educational attainment relative to the broader American population. This implies that the American Jewish community earned about \$1.1 trillion out of \$25.4 trillion of U.S. Gross National Product (GNP) in 2022.

Chart 4

"57% percent of ... American Jews said Israel was either an essential or important part of their Jewish identity."



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Step 4 – Estimating American Jewish Annual Savings

In the years since the financial crisis, the personal savings rate in the United States averaged about 7%. Applying this average to the GNP of the American Jewish community would yield an estimated annual savings of \$77 billion. Using Pew estimates of an average Jewish household size of 2.7 people, there are around 2.8 million Jewish households in the United States. From the Pew survey data, we can surmise that 1.6 million consider support for Israel to be either an essential or important element of their identity, and 700,000 of these are the most engaged with Israel. The portion of aggregate Jewish household savings

Aggregate American Jewish Household Annual Savings

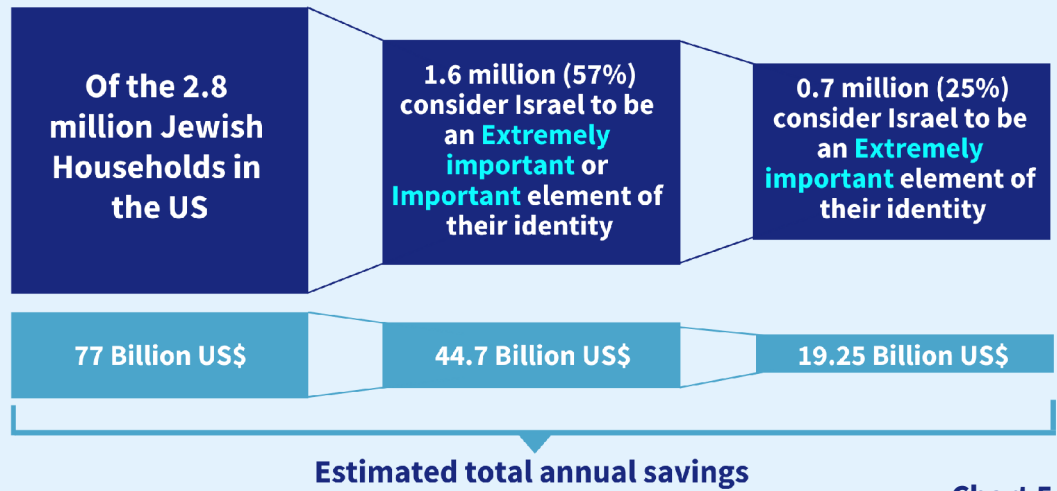


Chart 5

of the broader group is perhaps \$44.70 billion per year and the narrower group around \$19.25 billion (see Chart 5).

Step 5 – The Potential Impact of American Jews on Israeli Investments

American Jews donate \$3 billion per year to Israeli philanthropic causes, amounting to 0.5% of the GNP and 6.7% of the annual personal savings of the 1.6 million Jewish households highly identified with Israel. **A similar allocation by this group toward Israeli investments would more than triple total foreign inflows into the Israeli capital markets.** Even if just the 700,000 most highly engaged households shifted a similar 6.7% allocation of annual savings toward Israeli securities, **this additional \$1.3 billion per year would double foreign portfolio inflows into Israel! This would significantly accelerate Israel's transition from Start-Up Nation to Scale-Up Nation.**

Small but Potentially Mighty

The GNP of the 1.6 million Jewish households highly identified with Israel was approximately \$640 billion in 2022, compared to Israeli GNP of \$532 billion. This combined GNP of \$1.2 trillion would rank 17th in the world, just ahead of the Netherlands. With Israel's substantially faster economic growth, this gap should close within a decade whereby the Israeli and American Jewish economies will be roughly similar in size, approaching a combined \$1.6 trillion.

American Jews and Israel are not a single economy, of course, but opportunities already exist for more significant economic and financial relationships. The total market value of Israeli stocks is about \$325 billion, up from \$182 billion when we first launched the Israel Investment Fund, L.P. in 2010. Despite recent hiccups, we expect the market capitalization of the Israeli stock market will continue to rise in the long-run commensurate with the past.

You might want to watch our short video entitled "[The Four Israels](#)," in which we discuss why American Jewish attitudes lag Israel's current reality. Even the most identified and engaged households often do not recognize that the American Jewish and Israeli economies are near parity these days, with significant and expanding investment opportunities. **Stocks and bonds offer the easiest and most transparent way for American Jews to expand our financial connections while offering potential returns on invested capital.**

In 2022:



Total = \$1.2 trillion
Combined they would place 17th largest economy in the world

*Jewish households highly identified with Israel

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Note: The entire Pew report "Jewish Americans in 2020", can be found in:
<https://www.pewresearch.org/religion/2021/05/11/jewish-americans-in-2020/>



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