

## Tamir Rent a Car newsletter

What a surprise. Elections again are right around the corner. I'm actually surprised it took this long for the Bennet-Lapid government to collapse given its bizarre makeup and the loose strings it was being held together by. However, unlike past elections where the main issues were Iran, Covid-19, internal security, and just how far Israel was willing to bend with the Palestinians, this election might revolve almost completely around the economy and more specifically how to stop the raging hyperinflation which not only threatens to bury the poor but nudges the middle class closer than ever to Israel's poverty line. And that is a problem for any government.

Over the last couple of decades Israel has seen the middle class slowly shrink as the gap between the haves and have nots has been noticeably expanding. Now the middle class is drifting towards the lower echelons of Israeli society with no end in sight. Allow me to reveal to you some of the alarming numbers.

The engines that make the economy go are electricity and gasoline. Both of those economic indicators are spiking and are providing a trickle down effect to the roots of the Israeli economy.

My friends in the US who are mourning over paying on average \$5 per gallon would be aghast at paying almost double that here in Israel. Many of the poor in Israel don't own a car but they will eventually feel the pinch when they take public transportation. The middle class have been feeling the hurt for months now enduring a slow but steady climb at the pumps. The other half of the economic engine for Israelis will be felt on their next electricity bill as electricity is set to rise another 10% and that is on the heels of a 5% rise which went into effect just over six months ago. Gas and electricity are pivotal to an overall healthy economy. Everything begins and ends with those two economic indicators, but that's not where the pain ends.

Let me take you into the kitchen. Traditionally, the number one staple item in the food chain, especially for the poor and downtrodden, is bread. Here in Israel, bread comes in many shapes, forms, and grades. The most basic bread, and one that the poor are completely reliant on, is called Achid bread or "Lechem Achid". Lechem Achid is a black sandwich bread and the most popular bread in Israel. It is made with basic ingredients and sold whole or sliced. The price of this Israeli kitchen staple was set to go up 8% with Challah bread set to rise 21% effective immediately. Only the personal intervention of Prime Minister Yair Lapid postponed those price rises to 5% and 8% respectfully. Come December those price rises will be fully realized and to make matters worse in 2023 governmental control on bread prices as well as other staple items will end and then all bets will be off with regards to pricing.

I don't want to bore you with more numbers but suffice to say the price of eggs, milk and milk products, water, disposable diapers, and countless items imported into the country that are indispensable to Israelis are also headed north. The Israeli media has accurately described the price rises as a "tsunami" that will send shudders throughout the economy and as I mentioned before, plunge the middle class into poverty and the poor into an abyss that have Israeli officials extremely worried.

Last week the leading Israeli newspaper "Israel Hayom" displayed screaming headlines describing the "new poor" in Israel and brought stories of hard working and highly educated people who are now joining the Israel's traditional poor on food lines and having to choose between meat/chicken and paying their electricity bill. It's a sad situation right now and the situation has many Israeli pundits frightened.



So where do we go from here? My guess is that some way and some how the middle class will struggle but will persevere in the end. A small segment of the middle class will be pushed over the edge and fall into the cycle of poverty and join close to thirty percent of the population that is already there. The potential catastrophe lies within the poorer echelons of society. The people who depend on organizations like Yad Ezra V'Shulamit, Colel Chabad, Meir Panim and countless others that support the poor and downtrodden of society. Yad Ezra already delivers 10,000 food baskets per week in over 85 cities in Israel and they are just one of many chesed organizations that do this kind of work. No doubt their waiting list will grow but their ability, like most of the organizations mentioned above, to meet the growing demand will depend on donations from within and outside of Israel. The government is already stretched thin from pouring most of its revenue into security and defense so their ability to help is somewhat limited.

The next government, which will hopefully take office in November after the next election, will also have to deal with the escalating amount of poor people needing assistance. This may turn out to be the number one issue when Israelis go to the polls on November 1. Already the workers union in Israel (Histadrut) has called for boycotting the major importers in an effort to keep prices where they are and of course the current government is pressuring the food conglomerates in Israel to refrain from raising prices until at least after the high holidays.

Either way this will be a hot election issue over the next few months but in the meantime the poor in Israel will be paying the highest price literally and figuratively.



Sincerely,

Saar Yaakov Tauber, Tamir CEO

*PS- Just before this newsletter went to bed, the price of gas sunk almost 1.50 NIS per liter (almost 20%) and the various supermarket chains have not accepted the new elevated prices from the importers set to be implemented August 1. These two moves will bring a certain amount of relief to the consumers but how long will it last is the question.*

