

# Investment views



## Israeli diaries

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As investors, we take a long-term perspective on the preservation of wealth. To do this, we must keep our gaze fixed on today and the future. As the global economy searches for an exit strategy to the pandemic, we take a closer look at how Israel has become the world's leading nation in the COVID-19 vaccination programme. In the following conversation with Yoram Tietz sitting in Tel Aviv, we explore how societies can unlock their economies and what lessons we can learn from Israel as its businesses reopen and consumers start to spend.

Interviewed by:



**Marc Lauer**  
Market Head for Israel

### What are the key factors behind Israel's success in deploying the COVID-19 vaccine?

Israel has been fortunate in many ways, although I would argue its current position in the vaccination race is no accident. Its federal health system, concentrated geography, advanced data-sharing systems and leading research facilities mean it is an attractive candidate for vaccine providers like Pfizer and Moderna to partner with.



**William Haggard**  
Head of Investment Insights

It's important to understand that Israelis have access to their healthcare system via just four health insurance providers (HMOs), offering services through a network of highly localised primary care hubs. The limited number of HMOs with a high number of localised logistics facilities, coupled with an advanced military medical unit ready to help with distribution and administration of vaccines, have all contributed to getting Israel to the front of the vaccination race.

For the last 15 years, Israel's health system has also been managed digitally – allowing patient records to be uploaded and shared so as to build a national picture of infection and hospitalization rates at high speed. This has proved to be a critical piece of health-tech infrastructure during the pandemic and has led to the creation of a state-of-the-art [Israeli Covid-19 dashboard](#), which you can view online and provides readers with the latest vaccination statistics.

### Promising prospects

A [study](#) carried out during Israel's third and largest wave of infections between 20 December 2020 and 1 February 2021 by its biggest healthcare provider compared 596,618 people who were newly vaccinated and matched them to unvaccinated controls. The study concluded that two doses of the Pfizer/BioNTech vaccine reduced symptomatic cases by 94%, hospitalization by 87%, and severe COVID-19 by 92%.

### What is the significance of Israel's vaccination data for the rest of the world?

The importance of COVID-19 data from Israel cannot be overstated and sharing this data has been of paramount importance, not just to the world's vaccination producers, but also for other governments looking to organize their vaccination programmes. For example, findings from the Sheba Medical Centre as to the efficacy of vaccine immunization against COVID-19 published in [The Lancet](#) in February 2021 generated world headlines, and helped governments assess the timeframes for administering first and second doses of vaccines.

# “The picture that is now emerging from Israel is the near elimination of hospitalizations for those who have received both rounds of the mRNA vaccines.”

Yoram Tietz | Managing Partner, Ernst & Young

By analyzing the data of 9,109 healthcare workers eligible for vaccines at the Sheba Medical Centre between 19 December 2020 and 24 January 2021, Israel was able to give vital and timely evidence to national health authorities around the world on how to stagger the administration of COVID-19 vaccines in the face of vaccine shortages.

Most importantly, the picture that is now emerging from Israel is the near-elimination of hospitalizations from COVID-19 for those who have received both rounds of mRNA vaccines (see ‘Promising prospects’ on page 1).

The findings published in early 2021 were better than what we expected and have boosted public confidence at a time when governments need the trust of citizens for their respective vaccine programmes.

## How is Israel looking to unlock its society?

Israeli citizens are downloading a green ‘vaccine’ passport once vaccinated, certifying that they have had the vaccine. For now, this green passport is valid for six months. As Israeli society starts to reopen, more venues, offices and shopping malls are requiring citizens to show their green passport or provide proof of a negative PCR test which is less than 48 hours old. Given the inconvenience of re-testing, citizens have been quick to opt for the vaccine. The big question which we need clarity on is how long vaccination immunity will last (see ‘Talking with pharma’). In addition – even with the South Africa and UK or Brazil variants under scrutiny – we don’t know for how long the current crop of vaccines will remain effective against mutations. Israel is therefore preparing through the distribution channels it has built in the last six months to administer upgraded vaccines or booster shots to citizens if new variants force us to move quickly.

Finally, a key element of re-opening society is ensuring the proper screening and controlled entry of people into the country. Maintaining a limited number of controlled entry points into Israel, alongside opening COVID-safe travel corridors with third countries, is needed in order to get society moving again.

## What challenges has Israel faced in the uptake of vaccines across its communities and what lessons can other countries learn?

Anti-vaccine sentiment existed long before the pandemic. Digital channels and social media create echo chambers within certain communities, raising challenges for the even uptake of vaccines across society. Ultimately, countries have to strike a balance between allowing individuals not to take the vaccine with preserving the rights of a majority of citizens who wish to be protected from the virus. However, the argument is increasingly academic in Israel – with vaccination levels above 90% as of early March for Israelis who are 50 years old or over, herd immunity for the more vulnerable age groups is within reach.

## Talking with pharma

In our latest discussions with US and Swiss pharmaceutical giants Roche and Pfizer, we find out more about the science behind testing and vaccinating and how economies can adapt to living with COVID-19 mutations.



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Yoram Tietz | Managing Partner, Ernst & Young

## From a business perspective, how are Israeli companies positioned for a societal re-opening?

Israel has gone through three lockdowns in the space of a year, each lasting around four weeks. The impact, however, has been relatively muted compared with other countries (see ‘An economic snapshot’).

With Israel’s society now reopening, a new normal is establishing itself in which digital transformation during the pandemic has left its mark. Restaurants split their business between deliveries and on-site eating. Smaller businesses have shifted to digital delivery, cutting out intermediary vendors and bringing them closer to end customers. One of the big questions for consumer patterns will be – will we stick to ecommerce or will we go back to the mall? If there are two things we have learnt from COVID-19, it is that we have a stronger sense of what we really value in our lives and it has taught us the value of human interaction. I expect the latter to flourish in Israel’s new normal.

*Yoram Tietz is Managing Partner at Ernst & Young in Tel Aviv and Chairman of the friends of Sheba Medical Centre, Israel’s largest hospital, which was rated one of the [top 10 hospitals](#) in the world in 2020. Please note that the views expressed in this article are personal and not made on behalf of Ernst & Young, Rothschild & Co or the Sheba Medical Centre.*

*For any questions, please contact your client adviser.*

## An economic snapshot

In 2020, Israel saw a decline in its gross domestic product of around 2.5%. This was less than forecast, offset in part by a relatively robust year for the Israeli tech market, with its strong presence in healthcare and online financial services. The effects of switching on large natural gas reserves in the Eastern Mediterranean (Leviathan gas field), as well as minimal dependency on tourism, also helped to shield the economy during the 2020 global economic slump. That said, disruption brought on by waves of lockdowns clearly hit small and medium-sized enterprises as well as retail and hospitality sectors hard. We should also not ignore the socioeconomic as well as mental health impact that multiple lockdowns have had on society.

+ Sheba Medical Centre

\* Leviathan gas field



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