



MAS

PALESTINE ECONOMIC POLICY  
RESEARCH INSTITUTE (MAS)

# Palestine Economic Update

## September 2024

### Key Messages :

- Humanitarian aid entering the Gaza Strip has sharply declined since Israel invaded the Rafah crossing and border corridor in May 2024, while commercial food imports through Israeli-controlled crossings have surged. The population in the Strip is still facing severe financial and physical barriers to food access.
- The war has resulted in a vast and severe destruction of social infrastructure in Gaza. All schools remain closed for a second academic year, 85% of school buildings are damaged, most houses are destroyed or damaged, and less than half of hospitals are partially operational.
- Israeli forces conducted a ten-day military operation in the northern West Bank, killing 51 Palestinians and causing extensive damage to infrastructure, homes, and businesses, with destruction costs exceeding \$63mn.
- The EU disbursed the second payment of a €400mn short-term emergency assistance to the PA, conditioned on progress in governance reforms.
- The Palestine Stock Exchange reported a 62% drop in listed companies' net profits for the first half of 2024, down to \$75mn.

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## 1. Gaza War Socio-economic Impacts

As the Israeli war on Gaza reaches the one-year mark, the destruction continues to take a devastating toll. Between 7 October 2023 and 18 September 2024, Israeli forces killed at least 41,252 Palestinians in Gaza, 68% of whom were children and women, and injured 95,497.<sup>1</sup> In the West Bank, Israeli forces and settlers killed 705 people over the same period, 152 of whom were children.<sup>2</sup>

### 1.1 Displacement

In August 2024, the Israeli occupation reduced the safe humanitarian zone to just 35 km<sup>2</sup>, about 10-11% of the Gaza Strip's total area. Israeli forces issued 16 evacuation orders in August alone, including the UN aid centre in Deir al-Balah, disrupting aid distribution and re-displacing around 250,000 people.<sup>3</sup> By 16 September, 55 evacuation orders were still in effect, with new ones still being issued.<sup>4</sup> About 85% of Gaza's population is now confined within evacuation zones, and 90% of Gaza's 2.1 million residents have been displaced at some point during the war.<sup>5</sup> The average space per person in Internally Displaced People (IDP) shelters is 1.5 m<sup>2</sup>, less than half the minimum emergency indicators of 3.5 m<sup>2</sup> per person.

### 1.2 Entry of Aid

On 31 August, the Famine Early Warning Systems Network (FEWS NET) issued a report highlighting the decline in humanitarian food assistance entering Gaza. In August 2024, 7,355–8,129 metric tons of food humanitarian aid entered Gaza, compared to 8,294–9,167 metric tons in

July. This decline has been ongoing since April 2024, when Israel took control of the Rafah land crossing, halting aid deliveries through Rafah and stopping all airdrops. Data published by OCHA shows that 2018 humanitarian truckloads entered Gaza in August, compared to 2445 truckloads in July.<sup>6</sup> This is less than half the 4952 humanitarian truckloads that entered Gaza in April before Israel invaded the Rafah crossing.

In August, 48,583–53,697 metric tons of commercial food entered Gaza through the southern Kerem Shalom/Karam Abu Salem crossing.<sup>7</sup> While data for commercial supplies via the northern Erez crossing are unavailable, the FEWS NET report notes that COGAT-approved commercial food imports surged in May and have remained high. However, with ongoing financial and physical barriers to market access and persistent food availability challenges, increased commercial imports have not translated into improved food access for the population.<sup>8</sup> According to the Integrated Food Security Phase Classification (IPC), about 96% of the population in the Gaza Strip (2.15 million people) face high levels of acute food insecurity through September 2024, with 22% facing catastrophic levels of acute food insecurity (IPC Phase 5, also known as Famine).<sup>9</sup>

### 1.3 Destruction of Social Infrastructure

Israel's assault on Gaza has completely disrupted education, putting at risk an entire generation's access to schooling. Since the start of the ongoing conflict, all schools, universities, and training centers have remained closed.<sup>10</sup> Over 625,000

1 <https://www.ochaopt.org/content/humanitarian-situation>

2 [https://www.pcbs.gov.ps/site/lang\\_en/1405/default](https://www.pcbs.gov.ps/site/lang_en/1405/default)

3 <https://www.washingtonpost.com/world/2024/08/27/h/>

4 <https://news.un.org/ar/story/2024/09/1134546>

5 <https://www.ochaopt.org/content/reported>

6 Ibid

7 <https://reliefweb.int/report/occupied-palestinian-territory/>

8 Ibid

9 <https://www.ipcinfo.org/ipcinfo-website/>

10 <https://tinyurl.com/58nufamt>

school-aged children and 88,000 university students will miss a second academic year with no prospect of resumption. By the end of August, at least 10,490 school and university students and over 500 schoolteachers and university professors had been killed.<sup>11</sup> By 6 July, about 85% of school buildings (477 out of 564) were directly hit or damaged. These damaged buildings require either full reconstruction or significant rehabilitation, while those still standing serve as shelters for displaced families.<sup>12</sup> Additionally, Israeli forces have destroyed more than 80% of the buildings housing higher education institutions.<sup>13</sup> The reconstruction and rehabilitation of the education sector in Gaza will take years once the war ends, hampering the personal and academic development of students at all levels. With almost an entire population in poverty, this will likely increase dropout rates, child labour and early marriage.<sup>14</sup>

The health sector remains in crisis. Of Gaza's 36 hospitals, 32 have been damaged, and only 17 are partially operational. Only 57 of Gaza's 132 primary healthcare centers are functional, and only 6 of the 11 field hospitals are fully functional. As of 7 July, there were 995,000 acute respiratory infections, 577,000 acute watery diarrhoea, and 107,000 cases of acute jaundice syndrome. In mid-August, the first case of polio in Gaza in 25 years was confirmed in a 10-month-old unvaccinated child. Between 1 and 12 September, around 559,000 children under ten years old were vaccinated against polio during the first round of an emergency vaccination campaign.<sup>15</sup>

The war has also destroyed vital agriculture and housing infrastructure. Between 60% and 70% of meat and dairy-producing

livestock have been killed or slaughtered prematurely.<sup>16</sup> 68% of cropland and 33% of greenhouse areas are damaged.<sup>17</sup> 70% of Gaza's fishing fleet has been destroyed. Over 60% of residential buildings and 68% of the total road network have been destroyed.<sup>18</sup>

## 2. Heavy Infrastructure Losses in the West Bank

On 28 August, the Israeli forces launched a large-scale military operation in the northern West Bank governorates of Jenin, Tulkarm, and Tubas. The brunt of the operation was concentrated on refugee camps, lasting ten days and killing 51 Palestinians, including eight children.<sup>19</sup> The offensive left widespread destruction, severely damaging infrastructure, businesses, and homes. This was the most intensive and lethal raid in the West Bank since the Second Intifada and one of many since the start of Israel's war on Gaza.

The most severe offensive was in Jenin, resulting in massive water, sewage, communication, and electricity network damage. Officials at Jenin Municipality noted that the operation destroyed 70% of the Jenin road network, about 20 kilometers of roads, and all the utility networks beneath it.<sup>20</sup> About 80% of Jenin residents suffered from water cuts, and none of Jenin refugee camp residents could access food, water or electricity during the offensive.<sup>21</sup> Hundreds of buildings, homes, vehicles, and businesses were damaged or destroyed. Jenin's central market was left in ruins. Mansour al-Saadi, Jenin's Deputy Governor, noted that preliminary estimates of the direct cost of destruction

11 <https://x.com/PalestineMoE/status/1828356845863383403>

12 <https://www.ochaopt.org/content/reported>

13 <https://tinyurl.com/2kywf7dz>

14 <https://tinyurl.com/58nufamt>

15 <https://tinyurl.com/3233sjdc>

16 <https://www.ochaopt.org/content/reported>

17 <https://tinyurl.com/3pmewj6>

18 <https://tinyurl.com/329rda68>  
<https://unosat.org/products/3904>

19 <https://tinyurl.com/52mn75uz>

20 <https://wafa.ps/Pages/Details/102590>

21 <https://tinyurl.com/55rw6y52>



exceed ILS 100mn (\$28 mn).<sup>22</sup> This is on top of lost production and a complete halt of economic activity.

Tulkarm, particularly its camps, also suffered unprecedented destruction. In Tulkarm camp, Israeli forces burned eight houses, vandalized the camp streets, and severely damaged the water and sewage networks.<sup>23</sup> In Tulkarm's Nour Shams camp, the Israeli forces destroyed most of the infrastructure and damaged or destroyed tens of houses and businesses.<sup>24</sup> This follows over 30 Israeli raids on Tulkarm camps since the onset of the war on Gaza, causing over ILS 125mn (\$ 35mn) in damage, according to Tulkarm's governor.<sup>25</sup>

### 3. EU Transfers Second Package of Emergency Assistance

On 5 September, the European Union (EU) disbursed €122.5mn in short-term emergency financial assistance to the Palestinian National Authority (PA).<sup>26</sup> About €38.5mn was earmarked through the PEGASE donor mechanism,<sup>27</sup> to civil service employee salaries and keeping essential services running in the West Bank, thus partially alleviating the PA's severe liquidity crisis. The remaining €84mn was allocated to credit facilities for the Palestinian Monetary Authority (PMA), provided by the European Investment Bank (EIB) to support financial sector stability and economic recovery initiatives.

This was the second payment of a €400mn short-term emergency financial support package, in grants and loans, announced in July. The package aims to alleviate the PA budget deficit and support its reform agenda.<sup>28</sup> The first tranche of €150mn was

disbursed in July 2024, and the third and final payment is scheduled for the end of September, contingent upon progress in PA reforms and reaching an agreement on the 'Comprehensive Programme for Palestinian Recovery and Resilience.'

#### 3.1 Conditional Support

The disbursement of funds in early September followed the signing of a Letter of Intent (LoI) between the European Commission (EC) and the PA, outlining a strategy to address the PA's critical fiscal situation.<sup>29</sup> Disbursements were contingent upon the PA's progress towards the agreed-upon reform milestones, including:

1. Reducing recurrent expenditures by 5% in the 2024 budget compared to 2023.
2. Limiting medical transfers outside the West Bank.
3. Enforcing age limits for public officials: 60 for general staff, 65 for ambassadors, and 70 for judges.
4. Reforming social protection systems and publishing a new Social Protection Law.
5. Developing a plan for education reform, including curriculum modernization.
6. Publishing the National Budget in a "Citizen Budget" format.
7. Cabinet approval of the E-payment draft law.
8. Activating citizen complaints mechanisms across government entities with regular reporting to the Cabinet.

The short-term financial support package paves the way for a more extensive, multi-year package called the 'Comprehensive Programme for Palestinian Recovery and Resilience (CPPRR)', aimed at fostering economic and political stability.<sup>30</sup> The EC expects this two-year program to allow the

<sup>22</sup> <https://tinyurl.com/yckbwy5d>

<sup>23</sup> Ibid

<sup>24</sup> <https://english.wafa.ps/Pages/Details/148644>

<sup>25</sup> <https://tinyurl.com/yckbwy5d>

<sup>26</sup> <https://tinyurl.com/mvwwaxyc>

<sup>27</sup> <https://tinyurl.com/3ws3bn8n>

<sup>28</sup> <https://ec.europa.eu/commission/presscorner/detail/en/>

<sup>29</sup> <https://tinyurl.com/2p94bnax>

<sup>30</sup> <https://tinyurl.com/mtzx9wjf>

PA to achieve budgetary equilibrium by 2026 and ensure long-term financial sustainability. Additionally, the program seeks to improve economic and financial relations between Israel and the PA, ensuring regular payments of clearance tax revenues to the PA and removing restrictions on Palestinian workers' access to Israeli labour markets. While the program focuses on long-term economic stabilization, it does not cover Gaza's reconstruction, which EC says requires separate funding in cooperation with the international community.

The EC conditions the success of the CPPRR on the PA's commitment to its reform agenda, which focuses on budget sustainability, modernizing governance, combatting corruption, promoting transparency and the rule of law, and reforming social security and education systems. It also aims to improve the business environment and lay the foundation for a market-based economy. Disbursements will be tied to the PA's progress in meeting key reform milestones.

#### 4. Liquidity Support for SMEs

On 11 September, the Bank of Palestine (BoP) signed a \$65mn financing agreement with a consortium of international financial institutions, including the International Finance Corporation (IFC), PROPARCO (the investment arm of the French Development Agency), and the SANAD Fund.<sup>31</sup> IFC's contribution amounts to \$35mn, including co-financing from its Global Financing for SMEs and MENA Private Sector Development Program, while PROPARCO will provide \$20mn and SANAD \$10mn. The agreement is designed to provide urgently needed liquidity to Palestinian SMEs and support their long-term recovery.

<sup>31</sup> <https://bop.ps/about/news/761>

This deal comes as the Palestinian economy grapples with a deepening recession and mounting economic losses, driven by the ongoing Israeli war on Gaza and heavy restrictions on the West Bank. The small and medium enterprises (SME) sector, which constitutes the majority of economic activity in Palestine, is especially vulnerable to the economic challenges exacerbated by the war.

#### 4.1 Strengthening BoP Capital Base

This latest financing agreement builds on a broader strategy to strengthen BoP's capital base and support economic recovery. On 27 August, the IFC and the European Bank for Reconstruction and Development (EBRD) formed a strategic alliance to acquire an 8.92% stake in BoP.<sup>32</sup> This move, which saw IFC purchase 5% of the shares and EBRD 3.92%, was part of a private stock issuance to enhance BoP's capital adequacy, support its regional expansion plans and continue its financial inclusion efforts in Palestine.<sup>33</sup> The move increased BoP's paid-in capital to \$253mn, supporting its ability to navigate current challenges and expand its reach. In addition to providing capital, the partnership brings advisory and technical support to boost financial inclusion and drive sustainable economic development in a market plagued by severe challenges.

Earlier in March, EBRD also provided BoP with a financing package of \$30mn to support Palestinian MSMEs.<sup>34</sup> The aim is to lend to eligible MSMEs based in the West Bank to address their liquidity needs, enabling them to maintain their operations and contribute to the resilience of the local private sector.

<sup>32</sup> <https://bop.ps/about/news/760>

<sup>33</sup> <https://www.ebrd.com/news/2024/ebrd-makes-equity>

<sup>34</sup> <https://tinyurl.com/4mmz9ky8>

## 5. August Trading Activity

Al-Quds Index decreased by 1.9% in August 2024 compared to July 2024 and 22.5% compared to August 2023, reaching 598.8 points on the last trading day.<sup>35</sup> About 6.9mn shares worth \$11.1mn were traded during the month, marking a 35.2% decrease in the number and a 37.3% decrease in the value of traded shares compared to July 2024.

On 16 September, the Palestine Stock Exchange (PSE) announced that the net profits of listed companies reached \$75mn in the first half of 2024, revealing a sharp 62% decline compared to the corresponding period of 2023.<sup>36</sup> Preliminary results show that 34 of the 49 listed companies reported profits, 13 reported losses, and two failed to disclose their results within the legal period. The insurance sector was the only one to improve, with a 12% profit increase to \$6mn. This was mainly due to changes in financial statement reporting standards. The banking sector saw the most significant decline, with profits plummeting from \$84mn to \$10mn, an 89% drop. This follows rising loss provisions caused by the war on Gaza.

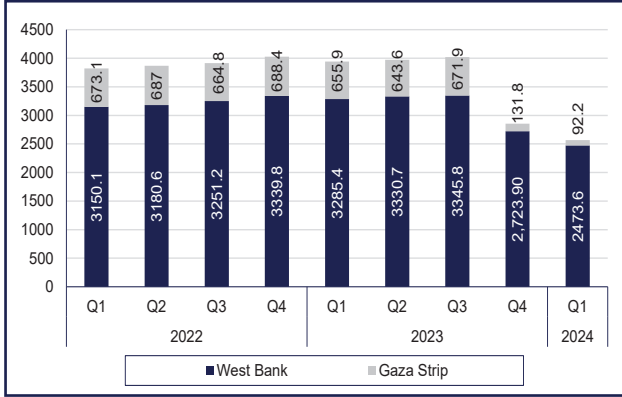
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<sup>35</sup> <https://tinyurl.com/yc7z64ut>

<sup>36</sup> <https://tinyurl.com/bdfarnjr>

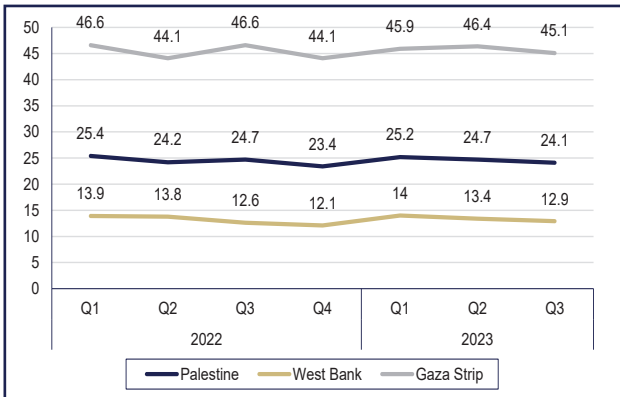
### Gross Domestic Product

Quarterly Real GDP (million USD in 2015 prices) in Palestine by Region, Q1 2022 - Q1 2024



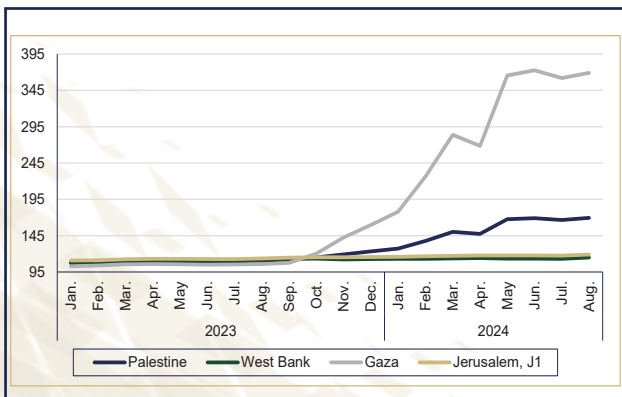
### Unemployment

Quarterly Unemployment (%) in Palestine by Region, Q1 2022 - Q3 2023



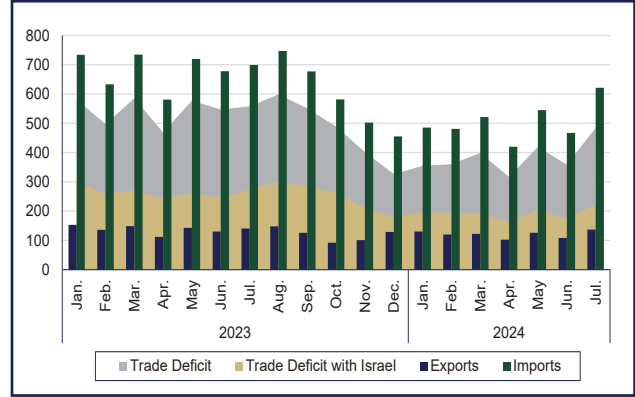
### Inflation

Monthly Consumer Price Index (Base year = 2018) in Palestine by Region, January 2023 - August 2024



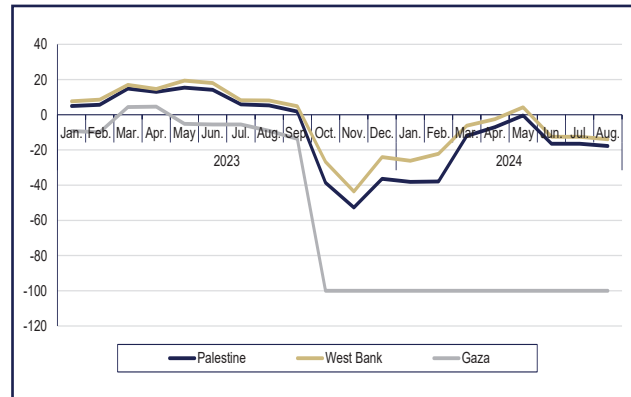
### Trade

Monthly Export, Imports, Trade Deficit and Trade Deficit with Israel (million USD) in Palestine, January 2023 - July 2024



### PMA Business Cycle Index

Monthly Palestine Monetary Authority Business Cycle Index, January 2023 - August 2024



### Banking

Monthly Customer Deposits and Credit Facilities (million USD) in Palestine, January 2023 - July 2024

