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PALESTINE ECONOMIC POLICY
RESEARCH INSTITUTE (MAS)

Palestine Economic Update

December 2024

Key Messages :

- A decrease of about 55% in the local production of the private and civil society sectors, combined with an unprecedented fall in employment across all economic sectors during 2024.
- In the Gaza Strip, 54% of industrial establishments have been destroyed. 67.6% of agricultural lands have been damaged, with huge financial losses and long-term environmental degradation threatening livelihoods and possibilities for recovery in the Gaza Strip.
- The Gaza Strip suffers from catastrophic humanitarian conditions as citizens endure yet another winter amidst severe shortage of basic life necessities and continued Israeli restrictions on the entry of goods and aid.
- Accumulation of arrears and a rise in government debt due to a sharp decline in public revenues and Israeli seizures and deductions from clearance revenues

This publication is published with support of
Arab Palestinian Investment Company



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1. The War's Repercussions on the Private Sector

On November 28, the Palestinian Central Bureau of Statistics (PCBS) issued a press release reviewing the repercussions of the war on institutions in the private and civil society sectors in Palestine.¹ PCBS estimated the losses of the Palestinian private sector (resulting from the cessation or decline of production) to be approximately USD 8 billion. It is worth noting that this estimate does not include losses resulting from the destruction of assets, property and infrastructure.

During the first three quarters of 2024, the local production of private sector establishments in Palestine declined by approximately 55%, reaching 51% in the West Bank and 84% in the Gaza Strip. The construction sector was the most affected, with its production declining by approximately 60%, representing a decline of 56% in the West Bank and a complete halt in the Gaza Strip. The industrial sector is the second most affected, with production declining by approximately 56% (52% in the West Bank and 86% in the Gaza Strip), followed by the 'internal trade and other services' sector which declined by 54% (51% in the West Bank and 78% in the Gaza Strip).

With production declining and given the difficult economic conditions in the West Bank and widespread destruction and displacement in the Gaza Strip, organizations in the private and civil society sectors resorted to reducing their number of workers and working hours or ceasing recruitment. PCBS data shows a decline in the number of workers in these two sectors of about 24% (20% in the West Bank and 82% in the Gaza Strip). The largest decline in the number of workers was in the construction sector, reaching 29%, with a decline of about 21%

in the West Bank and a complete halt in the Gaza Strip. This is followed by the industrial sector with a decline of 28% (22% in the West Bank and 83% in the Gaza Strip), and the 'internal trade and other services' sector with a decline of 21% (15% in the West Bank and 75% in the Gaza Strip).

1.1 The Industrial Sector in Gaza

A survey conducted by the Palestinian Federation of Industries (PFI) in mid-2024 showed that about 54% of the 896 industrial establishments surveyed in the Gaza Strip have been destroyed, while 30% sustained severe damage.² According to initial estimates, the direct damages to industrial facilities amounted to about USD 786.5 million, distributed across the destruction of raw materials and industrial products (34%), damage to equipment and production lines (32%), damage to industrial buildings (25%), and the destruction of transport trucks and commercial vehicles (9%).

The survey also showed that only 15% of industrial establishments are still operating, while the rest have stopped production. Of all operating establishments, 63% are operating at less than 30% of their production capacity, while only 12% are operating at more than 50%. The decline in productivity was accompanied by a sharp drop in employment. The survey showed that active establishments reduced their number of workers by about 90%.

About 50% of industrial establishments included in the survey reported that they are able to resume their operations once the aggression stops. The survey also showed that 30% of industrial establishments are able to resume work in their original location,

¹ <https://www.pcbs.gov.ps/postar.aspx?lang=ar&ItemID=5879>

² <https://www.undp.org/sites/g/files/zskgke326/files/2024-10/>

while 57.5% of establishments still had reliable equipment and machinery. These results indicate a limited capacity for recovery, underlining the urgent need for support to industrial establishments to ensure they are able to resume work after the war's end.

1.2 The Agricultural Sector in Gaza

A report by the UN Food and Agriculture Organization (FAO) and the UN Satellite Center (UNOSAT) shows a marked escalation in damage to agricultural lands and infrastructure since the beginning of the Gaza war.³ According to the latest assessments based on satellite data (as of September 1, 2024), about 67.6% of agricultural lands in the Gaza Strip, equivalent to 100,200 dunums, have been damaged. This constitutes a steady increase from 57.3% in May 2024, 42.6% in February 2024 and 27% in December 2023.

According to the report, about 71.2% of lands planted with orchard trees, 67.1% of lands planted with field crops, and 58.5% of lands planted with vegetables were damaged. In addition, satellite images indicate significant damage to agricultural infrastructure, with about 1,188 agricultural wells directly damaged (52.5% of the total) and 5,779 dunums of greenhouses damaged (44.3% of the total area covered by greenhouses). The damage also includes 606 home barns, 538 broiler farms, 427 sheep farms, 292 agricultural warehouses, and other infrastructure vital for agricultural activity.

With the ongoing war in Gaza, the olive season has been disrupted for the second year in a row, forcing many families to lose a major source of income. Before the war, the areas planted with olive trees represented about 62.9% of the total area planted with horticultural trees in the Gaza Strip, equivalent to 22,633 dunums.⁴

According to Mohammed Abu Odeh, spokesperson for the Ministry of Agriculture (MoA) in Gaza, this year's olive production did not exceed 7,500 tons, while normally it is expected to reach about 40,000 tons. This is due to the destruction of agricultural lands, Israeli restrictions on land access, and the deliberate targeting of farmers by Israeli forces in Gaza⁵. According to MoA estimates, the agricultural sector losses amount to about USD 1.05 billion.

In addition to the widespread destruction of the agricultural sector, soil erosion, and degradation have resulted from intensive airstrikes and military operations, causing significant structural damage to soil quality and vegetation cover.⁶ These operations have damaged the soil structure, contaminating it with heavy metals and chemicals, destroying the topsoil rich in organic matter and nutrients, turning large agricultural lands into barren areas dangerous for agricultural use. This indicates long-term repercussions for the agricultural sector in Gaza that go beyond damage to agricultural assets and material losses.

1.3 Government Projects to Support the Agricultural Sector

On November 25, the Minister of Agriculture, Rizik Salimiya, announced the launch of a package of projects to further support the agricultural sector in the West Bank, worth NIS 5.⁷ The projects include distributing 1,000 tons of fodder to support livestock breeders (targeting 35,000 sheep and cows) and 160 tons of fodder seeds (barley and vetch) to cultivate 8,000 dunums, benefiting 500 farmers. The goal is to improve the availability of fodder and overcome the decline in grazing areas caused by Israeli restrictions on land access and settler attacks. Additional projects

³ <https://tinyurl.com/3xy7f32d>

⁴ <https://www.pcbs.gov.ps/Downloads/book2606.pdf>

⁵ <https://www.aliqtisadi.ps/ar/Article/102123>

⁶ <https://www.aliqtisadi.ps/ar/Article/101044>

⁷ <https://www.moa.pna.ps/news/528>

include rehabilitating 320 livestock pens and providing supplies such as tarpaulins, alternative milk, drinkers, feeders, veterinary bags, and dairy and cheese manufacturing equipment to 400 farmers. The MoA aims to rehabilitate greenhouses for 250 farmers and distribute potato seeds and irrigation networks to 50 farmers. Additional projects include paving roads, implementing water-harvesting projects, constructing water collection infrastructure and distributing mobile water tanks (targeting about 200 farmers).

2. Scarcity of Basic Goods in the Gaza Strip

According to a report issued by the Euro-Mediterranean Human Rights Monitor on November 26, Israel has routinely prevented the entry of blankets, clothes, and shoes into the Gaza Strip for more than a year, including children's essentials.⁸ This crisis is exacerbated with the arrival of winter for the second time since the start of the war, amid catastrophic humanitarian conditions and the absence of most necessities. The report indicates that the total amount of goods allowed into the Strip does not exceed 6% of the population's daily needs, the vast majority of which are food and medical supplies. Clothes and shoes constitute only 0.001% of goods entering the Strip. This situation has exacerbated the suffering of the population and contributed to the spread of disease, especially among Gaza's displaced population. The vast majority of Gazans have lost their possessions and are living without proper shelter or heating to protect them from the bitter cold.

The suffering is compounded by the acute shortage of essential medicines to treat common colds and related illnesses, on top of food scarcity and catastrophic food insecurity that threatens famine. The Euro-

Mediterranean Human Rights Monitor stressed that there is no justification or military necessity under international law to prevent the entry of basic needs to the civilian population.

2.1 Food Insecurity and the Threat of Famine

Between September and October 2024, the entire Gaza Strip was classified as IPC Phase 4 (Emergency),⁹ highlighting acute food insecurity. About 1.84 million people (out of 2.2 million in Gaza) are acutely food insecure, classified as IPC Phase 3 (Crisis) or above. This includes 664,000 people in IPC Phase 4 (Emergency) and 133,000 people in IPC Phase 5 (Catastrophe).

According to the UN World Food Programme (WFP), the Gaza Strip is experiencing a severe lack of diversity in its food basket, with food items mostly limited to bread and legumes and almost no consumption of dairy, fruits, vegetables, meat, eggs, and other basic foods.¹⁰ In November 2024, dairy consumption almost ceased (zero days per week), compared to an average of four days/week before the war. Similarly, vegetable and meat consumption decreased from six days per week and three days per week before the war to almost zero. This data reflects the severe deterioration in the quality and diversity of food, posing serious risks to public health.

Given the scarcity of food, the Gaza Strip has seen astronomical price increases. According to a WFP report issued in November 2024, the prices of several basic food items increased by more than 1,000% compared to the pre-war period. In northern Gaza, prices of some basic commodities such as eggs, vegetables, and sugar increased by more than 2,000%. PCBS

⁸ <https://tinyurl.com/5bfs5usj>

⁹ <https://tinyurl.com/3bbjhp52>

¹⁰ <https://tinyurl.com/3v32mz7f>

data indicates that the Consumer Price Index (CPI) in the Gaza Strip increased by about 344.9% in November 2024 compared to the corresponding month in 2023, with an increase of about 433.4% in the food basket.¹¹

The risk of famine in the Gaza Strip remains as long as the war continues and humanitarian access remains restricted.¹² The severe overcrowding of people in increasingly limited spaces, compounded by makeshift shelters and sporadic access to essential supplies and basic needs, significantly heightens the risk of epidemics and escalates the potential for an unprecedented humanitarian catastrophe. The ongoing attacks by the occupation on tents and shelters, along with renewed evacuation orders in northern Gaza, further complicate the already catastrophic humanitarian situation.

2.2 Trade and Supply Chains

Severe food insecurity and malnutrition in Gaza can be attributed to the intense restrictions imposed by Israel on the movement of goods, humanitarian aid, and people. According to the WFP, commercial and humanitarian trucks entering the Gaza Strip in November 2024 were only 18% of their pre-war levels.¹³ According to the PCBS, food and health supplies entering the Strip do not exceed 5% of actual needs.¹⁴ War and its disruption of supply chains led to a decline in external trade in the Gaza Strip to reach 4% of total Palestinian trade. By way of comparison, it constituted 14% in 2022 (before the war) and 23% in 2006 (before political division and blockade).

According to the Federation of Palestinian Chambers of Commerce, Industry and

Agriculture (FPCCIA), based on data collected in July 2024, Israel allowed about 100 merchants to import specific food items through the Kerem Shalom crossing after it took control of—and then closed—the Rafah crossing in May 2024.¹⁵ According to the Federation, only a small number of traders import about 80% of the goods entering the Gaza Strip, without coordination with official Palestinian authorities and with a very slow response from Israeli authorities. It is noteworthy that coordination was carried out via WhatsApp. In addition, commercial food imports are limited to specific items, with a ban on many basic goods such as medicines, clothing, cleaning materials, health protection materials, packaging, plastics, and kitchen utensils. Traders face difficulties importing frozen or cold food products, due to the difficulty of preserving them in light of the lack of electricity and refrigeration capacity, and extremely difficult conditions for importing goods. Goods necessary for agricultural and industrial production such as raw materials, equipment, machinery, spare parts, feeds, seedlings, and veterinary medications are also prohibited.

According to data obtained from the Coordinator of Government Activities in the Territories (COGAT), a unit in the Israeli Ministry of Defense, humanitarian aid to the Gaza Strip has fluctuated significantly since the beginning of the war. The number of trucks entering the Strip dropped from 6,773 trucks (136,000 tons) in April 2024, their highest level since the beginning of the war and just before the closure of the Rafah crossing, to 1,789 trucks (36,500 tons) in October 2024, with a continuous decline over previous months.¹⁶ Despite an increase in November to 2,670 trucks (55,300 tons) and in December to 3,305 trucks (71,300 tons), these quantities remained significantly lower

11 <https://www.pcbs.gov.ps/statisticsIndicatorsTables>.

12 <https://tinyurl.com/3bbjhp52>

13 <https://tinyurl.com/3v32mz7f>

14 <https://www.pcbs.gov.ps/postar.aspx?lang=ar&ItemID=5845>

15 <https://www.undp.org/sites/g/files/zskgke326/files/2024-10/>

16 <https://lookerstudio.google.com/reporting/0841ef22-d1f5->

than before the war, already low at that stage due to the blockade.¹⁷ In November and December 2022, 10,790 and 10,210 trucks entered the Strip respectively, most of which were loaded with commercial goods (97%).¹⁸

In addition to the fact that humanitarian aid entering the Gaza Strip is insufficient to meet the needs of the population, the situation has been exacerbated by armed groups hijacking commercial trucks, seizing the goods they bring in, and selling these at exorbitant prices. This has further complicated the delivery of aid to the population.¹⁹ As a result, the UN Relief and Work Agency (UNRWA) announced in early December the suspension of aid deliveries through the Kerem Shalom crossing, after armed groups attacked a humanitarian convoy carrying food supplies.²⁰ In an unprecedented hijacking in mid-November, 99 of 109 trucks in an aid convoy were looted.²¹

3. Public Finance Crisis

Since the start of the war on Gaza, the pace of Israeli financial threats and sanctions (especially questionable deductions and seizures) has escalated, increasing pressure on the Palestinian treasury. The public finance figures issued by the Ministry of Finance for October 2024 reveal the severity of the fiscal situation and its negative impact on the stability and sustainability of the Palestinian government.

Total cumulative public revenues from the beginning of 2024 until October amounted to approximately NIS 9.7 billion, recording a decline of about 32.9% compared to the

corresponding period in 2023.²² This decrease can be attributed to a decline in clearance revenues by approximately 37.4%, reaching approximately NIS 5.7 billion, equivalent to 59% of total public revenues during the first ten months of 2024 (compared to 63% in the corresponding period of the previous year). Clearance revenues were affected by a decline in imports, driven by the decline in private consumer spending. Palestinian imports decreased by approximately 23.7% during the first ten months of 2024 compared to the same period in 2023, reaching USD 4.7 billion.²³ Local collection revenues decreased by approximately 25% during the same period, reaching approximately NIS 4 billion.

This decrease comes in conjunction with Israel's continued withholding of clearance funds, amounting to NIS 3.4 billion since the start of the war, including the Gaza Strip's share of the PA budget and transfers to the families of those killed or imprisoned by Israel. There are growing concerns about imposing additional deductions on clearance funds after the recent Israeli Supreme Court's decision to freeze NIS 410 million under lawsuits filed by Israeli families against the Palestinian Authority (PA) and Hamas following October 7.²⁴ These lawsuits demand compensation totaling NIS 2 billion.

As for grants and foreign aid, their volume doubled during the first ten months of 2024 compared to the corresponding period of the previous year, reaching NIS 2.2 billion, including NIS 538 million from Arab countries (NIS 390.4 million from Algeria, NIS 74.9 million from Saudi Arabia and NIS 72.7 million from Kuwait). In September, Saudi Arabia announced a monthly budget support to the PA and help address the humanitarian situation in the Gaza Strip.²⁵

17 These values are higher than those recorded by the UN Office for the Coordination of Humanitarian Affairs (OCHA), which shows aid collected and sent within the Gaza Strip only. This amounted to 2,280 trucks in November and 1,830 trucks in December, at the time the data was last accessed.

18 <https://www.ochaopt.org/data/crossings>

19 <https://www.bbc.com/arabic/articles/cr5mpmqnqlyo>

20 <https://tinyurl.com/h5smk3tb>

21 <https://www.reuters.com/world/middle-east/large-gaza-food>

22 <https://www.pmf.ps/internal.php?var=11&tab=01>

23 <https://www.pcbs.gov.ps/statisticsIndicatorsTables>.

24 <https://bnews.ps/ar/node/24082>

25 <https://tinyurl.com/4nxd94mw>

As of mid-November 2024, the Palestinian government received approximately USD 30 million from the Saudi grant, in three installments.²⁶ On November 18, 2024, the European Union (EU) transferred the third installment of short-term, emergency budget support to the PA, to the tune of EUR 110 million (through the PEGASE mechanism).²⁷ The first tranche of this emergency package (EUR 150 million) was disbursed on July 31, 2024, and the second (EUR 122.5 million) at the beginning of September 2024.²⁸

Concerning expenditure, actual spending during the first ten months of 2024 decreased by about 12.2% compared to the corresponding period of the previous year, reaching about NIS 11.2 billion. The wages and salaries' bill decreased by about 16.2% during the same period, reaching about NIS 4.9 billion, while non-wage expenditures decreased by about 12.3%, reaching about NIS 4.3 billion. On December 9, the Ministry of Finance announced paying 70% of the PA employees' October salaries, with a minimum payment of NIS 3,500.²⁹ The PA has increasingly relied on deferred payments and partial salaries to navigate its ongoing financial crisis, a situation exacerbated by the current war in Gaza and the intensification of Israeli deductions from clearance revenues.

Actual public expenditure constituted approximately 72% of total accrued expenditures, amounting to approximately NIS 15.7 billion during the analysis period. Accordingly, the balance for cumulative net arrears rose from NIS 13.8 billion at the end of 2023 to NIS 16.6 billion by the end of October 2024. The overall budget balance (before grants and foreign aid) recorded a

cash deficit of approximately NIS 1.5 billion. Public debt increased by approximately 14.6% during the analysis period, reaching approximately NIS 15.2 billion. Internal debt constituted approximately 67.5% of total debt.

Table 1: Revenues and Expenditures for January to October 2024 and January to October 2023 (Cash Basis) (NIS Million)

Item	Jan-Oct 2023	Jan-Oct 2024
Total Revenue	14,514.3	9,732.4
Clearance Revenue	9,159.3	5,735.8
Tax Revenue	3,551.9	2,637.0
Non-Tax Revenue	1,419.9	1,087.6
Earmarked Receipts	423.6	318.9
Tax Refunds (-)	40.4	46.8
Total Expenditure	12,802.1	11,236.0
Wages and Salaries	5,843.4	4,896.2
Non-Wage Expenditures	4,876.0	4,276.4
Net Lending	1,079.5	1,311.5
Earmarked Payments	460.0	314.1
Development Spending	543.2	437.7
Balance Before Grants and Aid	1,712.2	(1,503.6)

4. November Trading Activity

The Al-Quds Index decreased by 1.3% during November 2024 relative to October 2024 and by about 13% compared to October 2023, closing at 475.3 points on the last day of trading.³⁰ The number of shares traded during the month amounted to about 9 million shares worth USD 12 million, recording decreases of about 4.6% and 14.1% in the number and value of shares traded respectively, relative to October 2024.

²⁶ <https://www.wafa.ps/pages/details/107886>

²⁷ <https://tinyurl.com/y675r6h9>

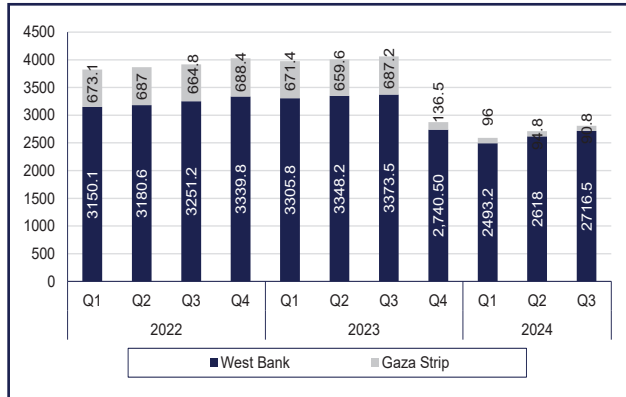
²⁸ See the September Economic Update for more information: <https://mas.ps/publications/10717.html>

²⁹ www.aliqtisadi.ps/ar/Article/102208

³⁰ <https://tinyurl.com/2s3u46ec>

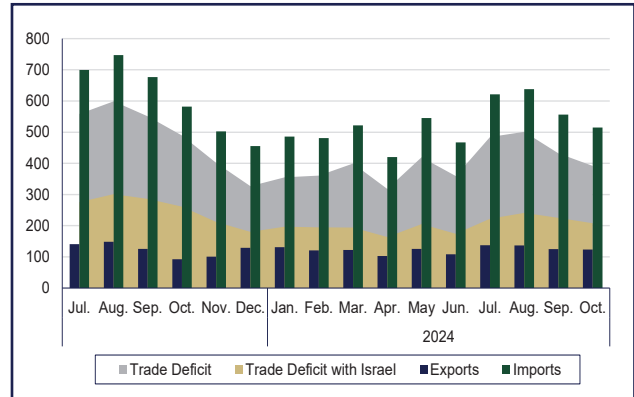
Gross Domestic Product

Quarterly Real GDP
(million USD in 2015 prices) in Palestine
by Region, Q1 2022 - Q3 2024



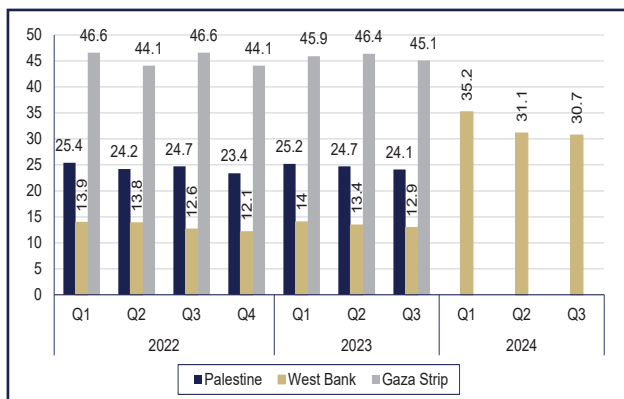
Trade

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



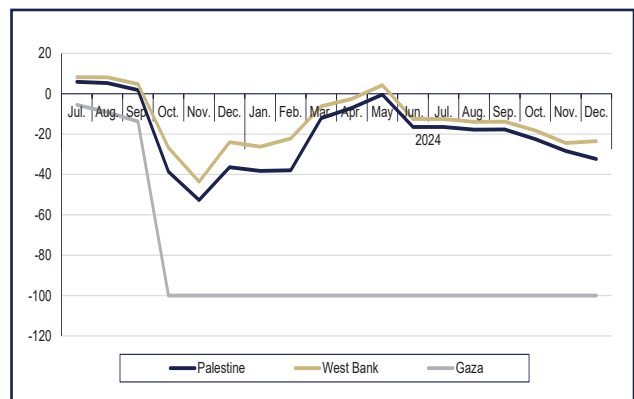
Unemployment

Quarterly Unemployment (%) in Palestine
by Region, Q1 2022 - Q3 2024



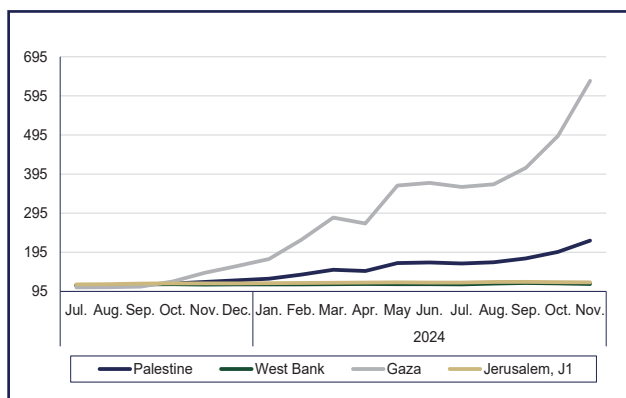
PMA Business Cycle Index

Monthly Palestine Monetary Authority Business Cycle Index
July 2023 - December 2024



Inflation

Monthly Consumer Price Index
(Base year = 2018) in Palestine by Region
July 2023 - November 2024



Banking

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

