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Q1

2024

Economic Monitor

سلطة النقد الفلسطينية
PALESTINE MONETARY AUTHORITY

هيئة سوق رأس المال
Capital Market Authority

Palestinian Central
Bureau of Statistics

MAS
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Economic Monitor

Issue 77 / 2024

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This issue was sponsored by:

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September 2024

Foreword

Another Chapter in a History of Catastrophes: Subsistence Precedes Economic Recovery

Yet tragedies and misfortunes for the occupied Palestinian territory defined the political, economic and social landscape by the end of 2023, the human economic and financial destruction in the Gaza Strip has gone beyond counting; the noose tightening over the West Bank shackles the economic activity, deepens structural imbalances and causes more loss of income. Whereas the economy of occupied East Jerusalem suffers systematic repression, exclusion and denial of rights, deepening dependency on the Israeli economy.

Issue 76 of the Economic Monitor was prepared amidst the Israeli war continuing unabated against the occupied Palestinian territories. So, it was not easy to apply the usual criteria or quarterly economic performance to a scenario that is difficult to analyze through standard economic instruments and mechanisms. How can observers measure and analyze an economy that has been exposed to what experts describe through new concepts that are suitable to comprehend the meaning of destruction on various scales: genocide, domicide, spatiocide, sociocide, scholasticide; now we face the threat of econocide.

The first section of the Monitor tracks economic developments in Q4 2023 and 2023 as a whole. Quarterly data indicate a sharp decline in economic growth, accompanied by an increase in unemployment and inflation rates. Meanwhile, annual developments highlight the already wide gap between the West Bank and the Gaza Strip in their contributions to the Palestinian economy, along with imbalances in various economic, financial, and social indicators.

We indicated in the previous monitor issued after the outbreak of the war that the section “Economic Updates” would be temporarily suspended, given the negative repercussions of the war. Instead, it has been replaced in this issue by “Economic and Social Reports”, a section summarizing the key economic and social reports issued by various international entities, covering reports issued between November 2023 and April 2024. The aim of this section is to go beyond the traditional narrative of macroeconomic indicators and provide preliminary and comprehensive estimates of the human, economic, and social losses in the Palestinian economy in general, and the Gaza Strip in particular since the last quarter of 2023. Additionally, it offers a preliminary outlook on expected changes in key economic and social indicators for 2024.

On behalf of the partners, we extend our sincere appreciation to the joint research team for their scientific contributions and their meticulous follow-up of the Palestinian economy and its most recent developments.

Raja Khalidi
Director General

Contents

Section 1: Palestinian Economy in the First Quarter of 2023

Section 2: Economic and Social Reports

سلطة النقد الفلسطينية
PALESTINE MONETARY AUTHORITY
هيئة سوق رأس المال
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1. Gross Domestic Product (GDP)

1.1 Q4 Developments

The Israeli war on the Gaza Strip with its widespread destruction, along with tightened Israeli restrictions in the West Bank, had profound negative impacts on the Palestinian economy. In Q4 2023, the economy contracted by 29.3% compared to the previous quarter and by 29.5% compared to the corresponding quarter, bringing GDP to USD 2,840.4mn at constant prices. This is the largest contraction that the Palestinian economy has experienced since the beginning of the millennium, with sharp fluctuations in the quarterly economic growth rates, mainly due to the external and volatile factors affecting economic performance in Palestine (such as clearance transfers, aid, and remittances of Palestinian workers in Israel). These three elements saw a sharp decline during the last quarter of 2023.

At the regional level, in the Gaza Strip, the widespread destruction led to a sharp decline in the GDP value of 81% in Q4 2023 compared to both the previous and corresponding quarters. In the West Bank, GDP during Q4 2023 saw a notable decline of 19% compared to the previous and corresponding quarters. The sharp GDP decline in the Gaza Strip resulted in shrinking its contribution to the Palestinian GDP for the first time to below 5%. This is also reflected on the per capita GDP, which amounted to USD 910.1 in the West Bank (USD 1,129.1 in the previous quarter) compared to USD 55.8 in the Gaza Strip (USD 300.7 in the previous quarter). The contraction experienced by the Palestinian economy in Q4 resulted from a sharp downturn in both demand and production.

In terms of expenditure on GDP, private consumption saw a significant decline of 32.1% in Q4 2023 compared to the corresponding quarter due to a substantial decrease in workers' compensations from Israel (a decline of 92%). Public expenditure also declined by 34.2% due to Israel's continued deductions from the clearance revenues. Both investment and exports saw declines of 27.9% and 24.4%, respectively, during the same comparison period. This decline in private and public consumption was reflected in a substantial decrease in imports by 30.3%. The sharp decline in demand helped reduce the historical gap in the Palestinian economy between what is used for consumption and investment purposes and what the economy produces locally. During Q4 2023, local demand was 44% higher than what the economy produced locally (67% when adding exports), compared to 49% in the corresponding quarter of 2022. The disposable income in Palestine during the fourth quarter of 2023 was 11.6% higher than the GDP (30.5% in the corresponding quarter). It is also noted that the income of Palestinians working in Israel and the settlements amounted to about 2.1% of the total disposable income compared to 16.0% in the corresponding quarter of 2022.

1.2 Annual Performance

The decline in the Palestinian economy during the fourth quarter of 2023 cast a shadow on the annual economic performance. The economy contracted by 5.5%, reaching USD 14,773.7mn for the year. The decline in Palestinian GDP resulted from a 1.9% decrease in the West Bank and a sharp 22.6% decrease in the Gaza Strip.

Gaza's contribution to Palestinian GDP decreased from about 38% in 1994 to around 14% by the end of 2023. This decline trend is attributed to the slowdown and volatility in Gaza's economic growth rate, especially after the severe Israeli blockade imposed since 2006. Additionally, the GDP per capita share in Gaza decreased by 59% between 1994 and 2023. The widening gap between the West Bank and Gaza in terms of contribution to the overall economy has reflected in the increased gap in GDP per capita between the West Bank and Gaza Strip, reaching 22% in 2023, compared to a minimal gap recorded nearly three decades ago.

The investment rate reached 27.6% of GDP in 2023. This rate has fluctuated around 24-28% in most past years, significantly lower than the average rate in middle-income countries (34%), but higher than in low-income countries (21%). Most investments in Palestine go to non-tradable sectors, which is partly due to widespread uncertainty about the future and various restrictions on movement and foreign trade imposed by the occupation. The concentration of investment in the service and housing sectors leads to low investment effectiveness and productivity.

The service sectors have always been the highest contributors to the Palestinian economy, with their share reaching about 61% of GDP in 2023. On the other hand, the productive sectors have seen a significant decline in their contribution over the past three decades, continuing to shrink in favor of the service sectors, customs duties, and net taxes on imports driven by increased imports during the same period. It is important to note that the share of industry and agriculture in the Palestinian GDP dropped from 22.2% and 12.1%, respectively, in 1994 to 11.8% and 5.6% by the end of 2023.

The decline in the contribution of GDP components between 2022 and 2023 was as follows: final consumption expenditure, investment, and imports contributed to a GDP decrease of about 8.0%, while exports led to an increase in GDP by about 1.1%, resulting in a net total of approximately 5.5%, which represents the GDP decline between the two years as mentioned earlier.

The gap between locally generated income (GDP) and disposable income, which accounts for transfers and grants from abroad to Palestine, has narrowed. Disposable income was 32% higher than GDP in 2022, but this percentage dropped to 28% in 2023. This is mainly due to a decrease in workers' compensation from abroad in 2023 (a decline of 30%), 98% of which are compensations for Palestinian workers in Israel.

Figure 1: Real GDP Growth Rates (Q4 growth compared to the previous quarter %)

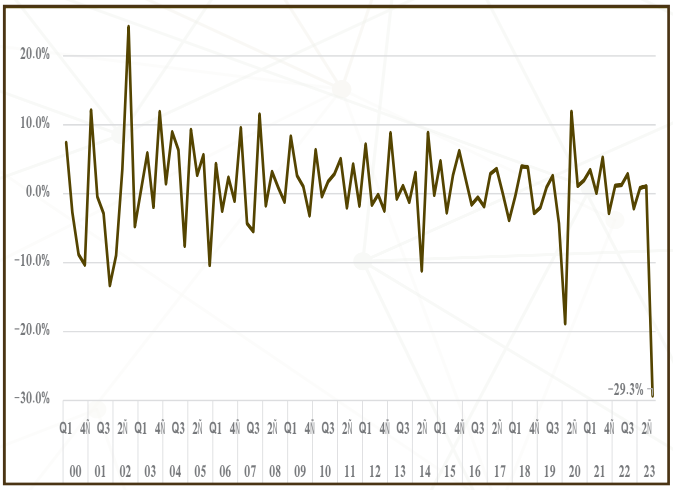


Figure 2: Gaza Strip's Contribution to Palestinian GDP from 2000-2023 (Percentage)

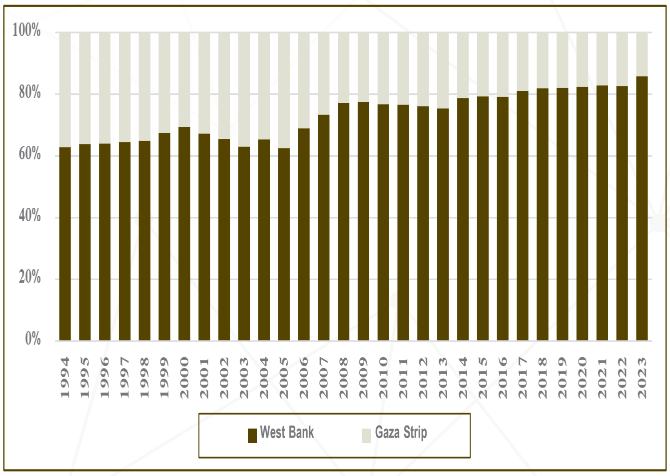


Figure 3: Ratio of Per Capita GDP in the Gaza Strip to Per Capita GDP in the West Bank from 2000-2023

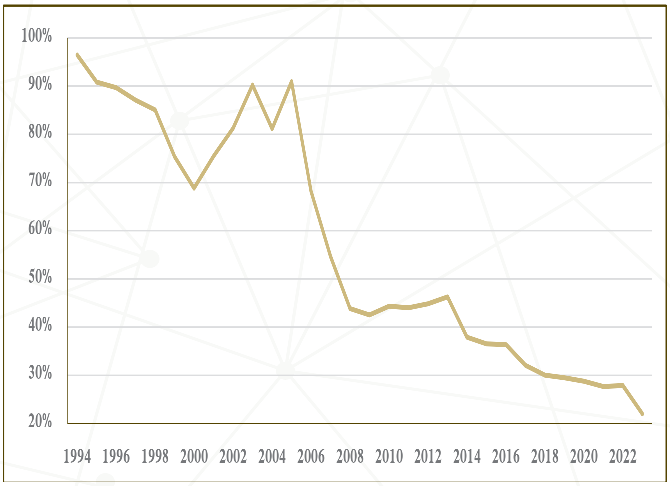


Figure 4: Value Added in Palestine by Economic Sector (at constant prices, percentage)

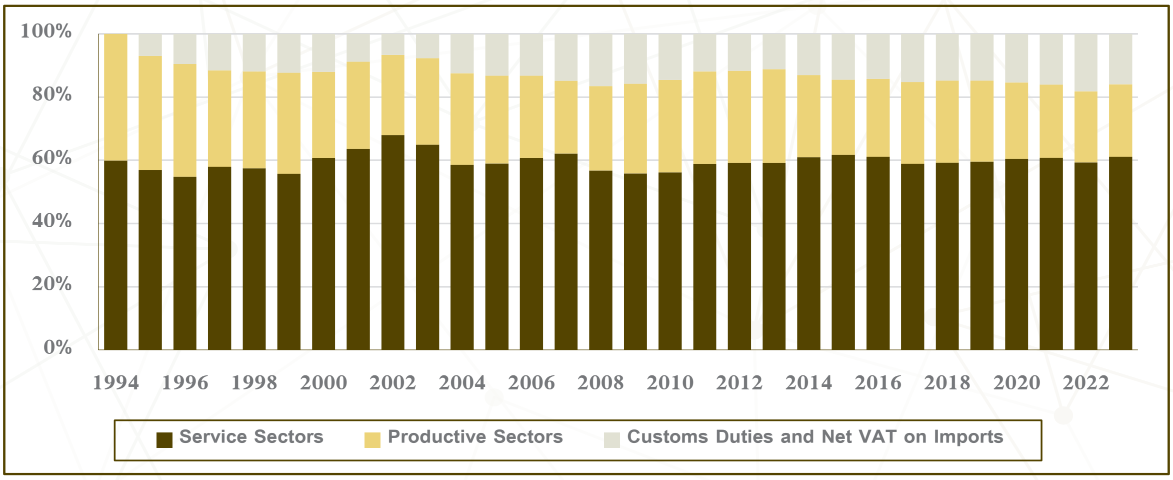


Table 1: Disposable National Income Quarterly (At Constant Prices, USD mn)

Variable	2022		2023				
	Q4	Total	Q1	Q2	Q3	Q4	Total
Gross Domestic Product	4,028.2	15,645.0	3,941.3	3,974.3	4,017.7	2,840.4	14,773.7
Net income from abroad	789.1	3,226.0	722.3	688.6	820.9	69.3	2,301.1
Net workers compensation	737.2	3,105.5	694.7	657.1	748.2	76.7	2,176.7
Net income from property	51.9	120.5	27.6	31.5	72.7	-7.4	124.4
Gross National Income	4,817.3	18,861.0	4,663.6	4,662.9	4,838.6	2,909.7	17,074.8
Net current transfers from abroad	439.2	1,785.7	484.2	516.4	531.8	258.8	1,791.2
Gross national disposable income	5,256.5	20,646.7	5,147.8	5,179.3	5,370.4	3,168.5	18,866.0

Table 2: Changes in GDP Expenditure and Demand Components Contribution to Growth 2022 - 2023 (%)

Change in final consumption expenditure	Growth (%)	Contribution to growth
Change in private consumption	(3.8)	(3.8)
(+) change in government consumption	(7.1)	(1.5)
(+) change in investment	(3.1)	(0.8)
(+) change in exports	5.7	1.1
(-) change in imports	3.0	1.9
(+) Change in net errors and omissions	(63.2)	1.4
Gross Domestic Product (GDP)	**5.5**	**5.5**

*Note: The numbers and percentages within parentheses are negative values.

2. Labor Market

Israeli war on Gaza Strip and its widespread destruction have had a devastating negative influence on hiring and working conditions. The Palestinian Central Bureau of Statistics (PCBS) indicated that the concepts and terms related to measuring workforce characteristics are no longer realistic or applicable to Gaza. Quarterly estimates show that the unemployment rate in the sector jumped by 29% in Q4 of 2023 compared to the previous quarter, reaching 75%. The PCBS focused only on monitoring labor market characteristics in the West Bank, which have been negatively influenced by restrictions and a blockade on West Bank governorates, preventing Palestinian workers from accessing their workplaces in Israel after the Israeli government banned Palestinian labor from entering the Israeli labor market.

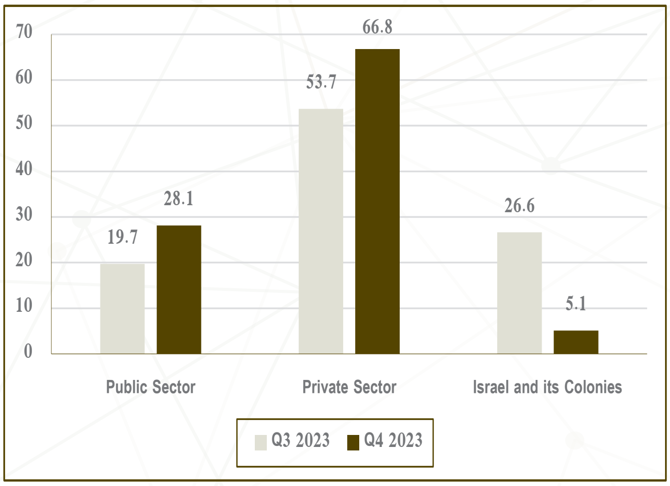
Below is an overview of the main labor market features of the West Bank:

- Participation Rate: The participation rate is generally low in Palestine and Arab countries due to the low participation of women in the labor market. According to estimates by PCBS, the labor force participation rate in Palestine in Q4 of 2023 was about 46.9%, with a decrease of 1.5% from 2022 (see Table 1)
- Number of employed: the total number of workers in the West Bank decreased by 23% in Q4 of 2023 and the previous quarter to reach 665 thousand, distributed as follows: 66.8% in the private sector, 28.1% in the government sector, and 5.1% in Israel and settlements. This means that 203 thousand workers lost their jobs due to a decrease in the number of workers in the local market (West Bank) by 8% and a sharp decline in the number of workers in Israel and settlements by 86%. For the entirety of 2023, estimates from the PCBS indicate a 3.4% decrease in the number of workers from the West Bank compared to 2022, amounting to 754,600 workers.
- Labor in Israel and its settlements: West Bank workers in Israel decreased from 171 thousand workers in the third quarter 2023 to about only 24 thousand workers in Q4 of 2023. This decline is reflected in the decrease of the proportion of workers in Israel and settlements to the total number of employed in the West Bank, dropping from about 26.6% to 5.1% between the two consecutive quarters.
- Unemployment: the unemployment rate in the West Bank reached 32% in the fourth quarter 2023, with an increase of 19% from the previous quarter, and 19.9% from the corresponding quarter of 2022. There was a variation in the unemployment rate by gender in the West Bank during Q4 of 2023, with a rate of 33.9% for males compared to 24.6% for females. On an annual basis, estimates from the PCBS indicate that the unemployment rate in the West Bank increased by 3.9% by the end of 2023 compared to 2022, reaching 17.9%.
- Wages: The average real daily wage for workers in the private sector within the West Bank reached NIS127.0 in Q4 2023 (at 2018 prices). This represents an increase of NIS1.5 compared to the average real daily wage in the previous quarter. The average wage varies, with construction and building workers earning around NIS 153 per day and agricultural workers earning around NIS86 per day.
- Minimum Wage: The official minimum wage in Palestine is NIS1,880 per month. However, the percentage of employees earning less than the minimum wage in the private sector in the West Bank was about 15% (40 thousand workers), compared to 12% in the previous quarter (36 thousand workers). The average monthly wage was about NIS 1,387 in Q4 2023, compared to NIS1,432 in the preceding quarter.
-

Table 1: Labor Market Indicators for Individuals +15 in the West Bank 2019-2023

Statement	2019	2020	2021	2022	2023
Labor forces (1000)	813.8	793.1	848.4	908.8	919.1
Workers (1000)	689.6	659.6	708.2	781.3	754.6
Participation rate (%)	47.4	45.4	46.9	48.4	46.9
Unemployment rate (%)	15.3	16.8	16.5	14	17.9

Figure 1: Distribution of Workers from the West Bank by Sector (%)



3. Public Finance

3.1 Q4 Developments

- Public revenues: clearance revenues decreased by 32.6% in Q4 2023 compared to the corresponding quarter to reach NIS2 bn, constituting about 66.8% of total public revenues in this quarter. Deductions and withholdings imposed by Israel deplete a substantial portion of the accrued clearance revenues; the latest of these is the deduction of Gaza sector allocations, which has caused a difficult and complex financial crisis for the government. On the other hand, local tax revenues decreased by 27.6% compared to the corresponding quarter, amounting to about NIS1 bn. External grants and aid reached about NIS474.3mn during Q4 2023, compared to around NIS195.1mn during the corresponding quarter of 2022. In total, net general revenues and received grants during Q4 of 2023 amounted to about NIS3.4bn, compared to about NIS4.3bn during the corresponding quarter, constituting about 65.8% of the government's eligible public expenditure for this quarter (commitment basis).
- Public Expenditures: Actual public expenditure decreased by 6.6% during Q4 2023 compared to the corresponding quarter, amounting to about NIS4.1bn. In the same context, the wage and salary bill decreased by 5.7% on cash basis compared to the corresponding quarter, totaling around NIS1.7bn, and non-wage expenditures decreased by 15.1% during the same comparison period, amounting to about NIS1.6bn. Meanwhile, net lending amounted to about NIS358.5mn during Q4 of 2023, compared to about NIS320.2mn during the corresponding quarter. Actual developmental expenditure reached about NIS303.5mn, compared to around NIS219.2mn during the corresponding quarter.
- Financial Surplus/Deficit: Developments in both revenue and public expenditure (cash basis) resulted in a deficit in the overall balance after external grants and aid of about NIS0.6bn in Q4 2023. However, this balance does not reflect the true financial situation of the government, as indicated by the total balance on a commitment basis, which showed a deficit of about NIS0.7bn.
- Public Debt: public debt denominated in USD increased by 11.4% at the end of Q4 2023, and by 6.8% compared to both the previous and the corresponding quarters, respectively, amounting to about USD3.8bn (equivalent to around NIS13.6 bn). The share of domestic debt in this total was about 65.1%, compared to 34.9% for external public debt.

Figure 1: External Grants and Aid in Q4 2022 and 2023 (NIS mn)

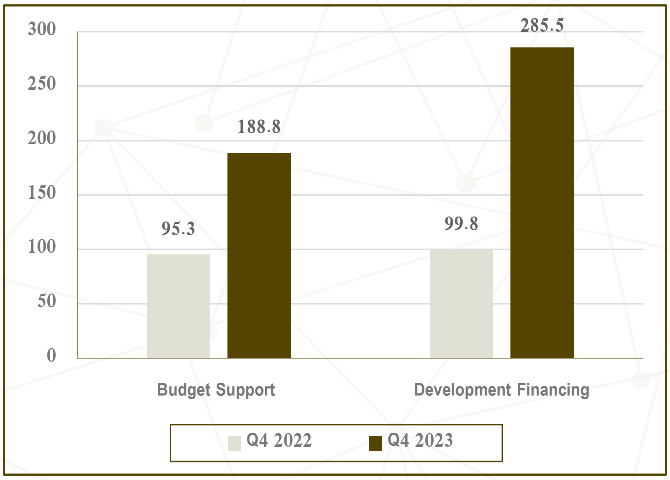
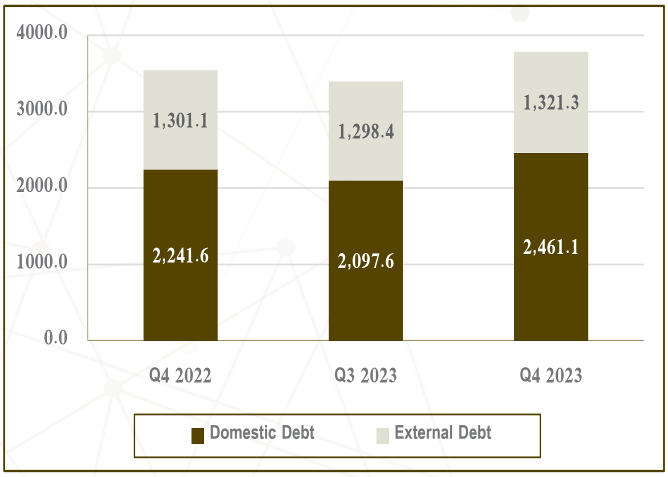


Table 1: Revenues and Expenditures (Cash Basis) NIS mn

Item	2022		2023				
	Q4	Overall Total	Q1	Q2	Q3	Q4	Overall Total
Total Revenues	4,106.3	15,715.7	4,669.1	3,679.9	4,685.2	2,946.7	15,980.9
Clearance Revenues	2,923.5	10,571.3	2,685.0	2,410.5	2,969.0	1,970.9	10,035.4
Tax Revenues	898.2	3,840.2	1,419.0	866.0	1,028.9	605.6	3,919.5
Non-Tax Revenues	353.1	1,537.9	396.4	329.3	570.5	294.9	1,591.1
Dedicated Receipts	101.4	562.0	178.9	87.5	132.3	79.0	477.7
Tax Refunds (-)	169.9	795.7	10.3	13.4	15.3	3.7	42.7
Total Expenditures	**4,346.7**	**14,609.4**	**3,479.9**	**4,793.1**	**3,214.0**	**4,058.3**	**15,545.3**
Wages and Salaries	1,788.8	6,872.6	1,690.1	2,330.4	1,220.9	1,687.3	6,928.7
Non-Wage Expenditures	1,842.9	5,458.0	1,211.6	1,848.7	1,291.5	1,564.8	5,916.6
Net Loaning	320.2	1,224.6	324.5	330.5	328.6	358.5	1,342.1
Dedicated Payments	175.6	448.3	133.2	141.5	146.4	144.2	565.3
Development Expenditure	219.2	605.9	120.5	142.0	226.6	303.5	792.6
Balance Before Grants and Aid	**240.4**	**1,106.3**	**1,189.2**	**1,113.2**	**1,471.2**	**1,111.6**	**435.6**

Figure 2: Public Debt Distributed between External and Domestic (USD mn)



3.2 Annual Performance

- Public Revenues: Clearance revenues declined by 5.1% to reach around NIS10bn during 2023, while local tax revenues remained stable at around NIS6bn (a slight increase of 0.8%). As a result, total general revenues (including local tax and clearance revenues) decreased by 3% to about NIS16bn.
- Public Expenditures: actual public expenditures increased by 6.4%, reaching around NIS15.5bn in 2023. Similarly, wages and salaries remained stable throughout the year at nearly NIS6.9bn. In contrast, non-wage expenditures rose by 8.4% to about NIS5.9bn.
- Financial Surplus/Deficit: Developments in both revenue and public expenditures (cash basis) during 2023 resulted in a surplus in the overall balance after grants and aid of about NIS1.8bn. However, this balance does not reflect the true financial situation of the government, as indicated by the total balance on a commitment basis, which showed a deficit of about NIS0.6 bn.
- Government Arrears: The total government arrears accrued during 2023 amounted to about NIS4.3 bn. These arrears were distributed as follows: non-wage expenditure arrears were about NIS2.2 bn, wages and salaries arrears amounted to about NIS1.4 bn, developmental expenditure arrears were around NIS0.554 bn, and tax refund arrears totaled about NIS113.3mn. During the same period, the government managed to settle around NIS139.6mn of arrears from previous years.

Table 2: Government Arrears Accrued in 2022 and 2023 (NIS mn)

Statement	2022	2023
Tax Refunds	83.9	113.3
Wages and Salaries	1,241.5	1,427.9
Non-wage Expenditures	1,718.9	2,166.5
Developmental Expenditures	300.9	554.8
Total Arrears	**3,458.9**	**4,262.5**

4. Banking Sector

- Total Assets: the assets of authorized banks in Palestine reached USD22.8 bn by the end of Q4 2023, with 6.7% increase compared to end of 2022. Local banks (seven banks) accounted for about 61% of the total authorized bank assets, with an increase by 7.7% to reach USD13.8 bn. Islamic banks (all local) accounted for about 29% of the total assets, amounting to USD4.0 bn. Foreign banks (six banks) had total assets of USD 9.0 bn (39% of total bank assets), which increased by 5.1% compared to the corresponding period of the previous year.
- Credit Facilities: the credit facilities portfolio increased by 8.5% at the end of 2023 compared to the end of 2022 to reach USD12 bn, accounting for about 52.5% of the total banking sector assets and 68.1% of customer deposits. Credit facilities granted to the private sector increased by 7.9% to exceed USD9.5 bn. Additionally, credit facilities extended to the public sector, including loans to the government, local authorities, and non-financial public sector entities, increased by 10.9% to reach USD2.4 bn. By currency, credit facilities increased in all currencies except for those granted in the Jordanian dinar, which have been declining for about two years. Credit facilities were distributed with about 48% in Shekels, 40% in US Dollars, around 10% in Jordanian Dinars, and 2% in other currencies. Geographically, credit facilities granted by branches of banks in the West Bank governorates increased by 9.0% compared to the corresponding period, reaching a total of USD11.0 bn, and increased in Gaza Strip governorates by about 2.9% compared to the previous year, totaling USD1bn.
- Customer Deposits: customer deposits grew by 6.8% compared to the corresponding quarter, reaching USD17.6 bn by the end of 2023, constituting about 77% of total bank liabilities. This annual increase was driven primarily by a rise in deposits in Shekels, which increased by 18.7% compared to the previous year, representing the largest portion of customer deposits (about 46% of total deposits). Deposits in US Dollars also increased by 3.3%, accounting for about a third of total customer deposits. By contrast, deposits in Jordanian Dinars continued to decline during the same period, contracting by 9.2% and reducing their relative share of total deposits to 17%.
- Non-Performing Loans: The value of non-performing loans in Palestine's operating banks reached USD537.7mn by the end of 2023, with an increase of 13.4% compared to the corresponding quarter, constituting about 4.49% of the total loan portfolio. According to the non-performance data of the economic sector, the tourism sector, agriculture, and livestock were the most affected, with non-performance rates reaching around 17.6% Total financing provided to these sectors by banks does not exceed 2.5% of bank facilities. Following closely were the transportation and communications sector, and the general trade sector, with non-performance rates exceeding 7.5%. These sectors notably bore the brunt of the Israeli aggression and its repercussions on the West Bank. On the other hand, sectors such as services, car financing, and real estate recorded low non-performance rates, not exceeding 3%.
- Bank Profits: Operating banks in Palestine achieved profits (net income) amounting to USD192.0mn, representing 16% decrease compared to the net income of the previous year. Despite a 26% increase in banks net interest income to USD837.4mn by the end of 2023, bank expenses also raised by about 29% during the same period, reaching USD846.9mn. This increase was influenced by additional provisions set aside to cover potential credit risks associated with the Israeli war on Gaza.
- Interest Rates: The data indicates an increase in the weighted average interest rates on deposits during Q4 2023 compared to the previous quarters and the corresponding period. The average interest rate on NIS deposits rose to 2.87%, while it increased to 2.68% for USD deposits, and to 2.26% for JD deposits.

Similarly, the weighted average interest rates on loans in USD and JD witnessed an increase compared to both previous and corresponding quarters, reaching 6.40% for loans in JD and about 6.30% for loans in USD. Meanwhile, the weighted average interest rate on loans in NIS increased by 23 basis points compared to the previous quarter but remained stable compared to the corresponding quarter of 2022, standing at about 7.17% at the end of Q4.

Table 1: Sectoral Distribution of Credit Facilities (USD mn)

Statement	2022	2023			
	Q4	Q1	Q2	Q3	Q4
Government sector	2,193.6	2,138.9	2,378.6	2040.8	2,433.3
Real Estate and Construction	2,273.3	2,312.0	2,366.3	2,360.1	2,377.1
Mining and Industry	609.7	661.6	668.4	683.8	688.4
Trade	1,825.7	1,896.7	1,961.1	1996.6	2,046.1
Services	1,055.3	1,132.3	1,136.6	1,075.7	1,073.6
Vehicle Financing	423.7	432.9	451.2	491.9	511.4
Costumer goods financing	1,436.9	1,417.1	1,357.0	1,302.3	1,303.8
Other in the private sector	1,226.8	1,244.3	1,369.1	1,438.4	1549.3
Total	**11,045.0**	**11,235.8**	**11,688.3**	**11,389.5**	**11,982.9**

*The “Other in the private sector” category includes facilities granted for land development, agriculture and livestock, tourism, hotels, and restaurants, transportation and logistics sector, as well as financing for equity investments and other uncategorized facilities.

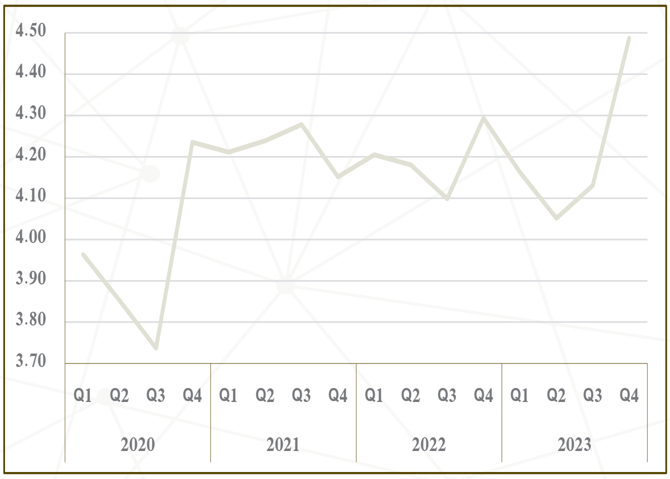
Table 2: Distribution of Public Deposits

		Q4-22	Q3-23	Q4-23
Depositor	Private sector	621.0	554.1	630.1
	Government sector	15,847.2	16,220.1	16,958.9
Region	West Bank	14,929.8	15,160.7	15,549.0
	Gaza Strip	1,538.3	1,613.6	2,040.0
Type of Deposit	Current Deposits	6,242.0	6,428.3	6,992.9
	Saving Deposits	5714.36	5,753.04	5901.51
	Time Deposits	4511.77	4,592.93	4694.62
Currency	USD	5910.0	5483.1	6103.4
	NIS	6782.7	7,875.57	8,052.95
	JD	3334.3	3,065.59	3,029.22
	Other Currencies	441.1	350.0	403.4
Total Customer Deposits		**16,468.2**	**16,774.3**	**17,589.0**

Table 3: Interest Rates on Deposits and Loans (%)

	Period	NIS	JD	USD
Loan Interest	Q4-22	7.17	6.19	6.16
	Q3-23	6.94	6.05	6.16
	Q4-23	7.17	6.40	6.30
Deposit Interest	Q4-22	2.05	1.86	2.03
	Q3-23	2.34	2.20	2.46
	Q4-23	2.87	2.26	2.68

Figure 1: Non-performing Loans Rate (%)



5. Non-Banking Financial Sector

Securities: the "Jerusalem Index" on the Palestine Stock Exchange closed at 588.7 points at the end of 2023, by a decrease of 8% from 2022. On the other hand, market capitalization witnessed a 6% decrease by the end of 2023 compared to the end of 2022, reaching USD4.6 bn, equivalent to 26.6% of Palestine's GDP at current prices. Total trading volumes and values decreased by 34% and 30% respectively by the end of 2023 compared to the end of 2022. The significant decline in financial market indicators at the end of 2023 compared to the previous year is attributed to reduced demand for securities due to investor reluctance stemming from the war on Gaza Strip. The largest deal in the history of the Palestine Stock Exchange (42.2 mn shares valued at USD51 mn) occurred in 2022, affecting the growth rate compared to 2023. On another note, the total number of traders on the Palestine Stock Exchange reached 69,570 in 2023, with 7% foreign traders, mostly from Jordan. The share of companies in the market capitalization of transactions on the exchange was about 46%, compared to individuals whose share was around 25%.

Table 1: Some Quarterly Indicators on Trading Activity in the Palestine Stock Exchange

Statement	Q4 2022	Q3 2023	Q4 2023
Number of shares traded (mn shares)	36.6	44.7	44.7
Value of shares traded (USD mn)	73.4	114.8	67.9
Market capitalization of shares (USD mn)	4,896.1	4,889.5	4,625.1
Number of transactions	6,392	6,561	6,028
Number of trading sessions	63	63	61
Market capitalization as a percentage of GDP (current prices)	25.5%	28.1%	26.6%

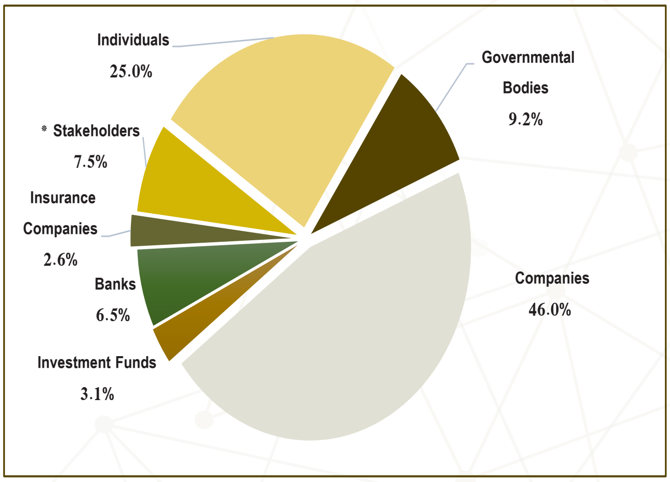
*GDP at current prices was used because the market capitalization of traded shares is at current prices.

Table 2: Some Annual Indicators on Trading Activity in the Palestine Stock Exchange

Statement	2022	2023
Number of shares traded (shares mn)	243.5	159.8
Value of shares traded (USD mn)	472.8	330.9
Market capitalization (USD mn)	4,896.1	4,625.1
Number of transactions	34,949	27,185
Number of trading sessions	247	244
Market capitalization as a percentage of GDP (current prices) *	25.5%	24.1%

* GDP at current prices was used because the market capitalization of traded shares is at current prices

Figure 1: Distribution of Stock Market Capitalization According to Investor Type as of the End of 2023 (USD mn)



*Individuals with direct or indirect affiliation with the company by virtue of position or relationship.

Leasing Sector: There are 8 leasing companies licensed by the Palestine Capital Market Authority (PCMA) as of 2023. Their performance witnessed a significant decline by the end of 2023, with 2,431 contracts, amounting to about USD 122 mn in total investment. This represents a decrease of around 13% and 15% in the number and value of contracts respectively compared to 2022. This decline is attributed to the Israeli aggression on Gaza Strip and the subsequent negative economic impacts on the West Bank.

It is noteworthy that vehicles, for personal and commercial use, still constitute the largest share (about 93%) of the financial leasing portfolio in Palestine as of the end of 2023. On the other hand, there remains a high concentration in the number of financial leasing contracts in Ramallah, accounting for 33%, followed by Nablus and Hebron with about 14% and 13% respectively. It is observed that there is stability in the distribution of these percentages over the previous years due to factors related to economic structure and business concentration in certain governorates.

Figure 2: Geographic Distribution of Financial Leasing Contracts - End of 2023

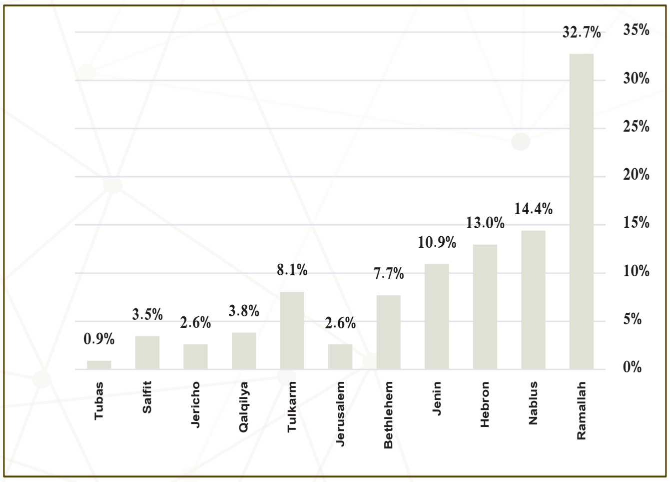
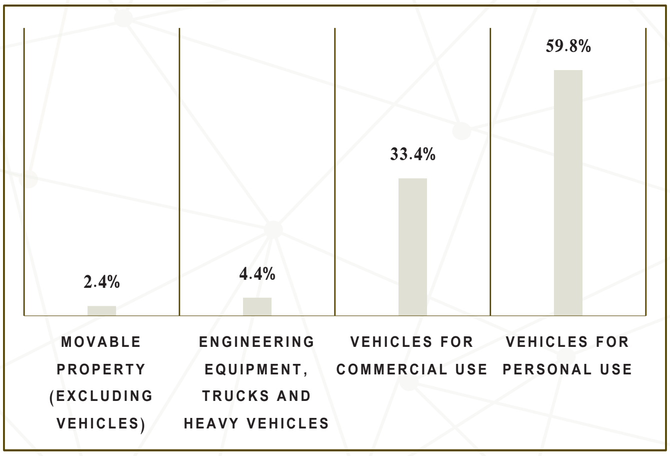


Figure 3: Distribution of Components of the Financial Leasing Portfolio by Lessee Type - End of 2023



Insurance Sector: There were 12 insurance companies licensed by the authority. Total insurance premiums written amounted to about USD 395mn, showing a slight decrease (0.2%) compared to the end of 2022. Total insurance contract revenues reached around USD 385mn, also experiencing a slight increase (0.4%) from the previous year. Total investments by insurance companies reached about USD 299mn, an increase of 3% compared to the end of the previous year.

The “insurance penetration ratio” (= total insurance portfolio / GDP at current prices), stood at 2.3% by the end of 2023. Insurance density, indicating the per capita share of the total insurance portfolio, was about USD 71.

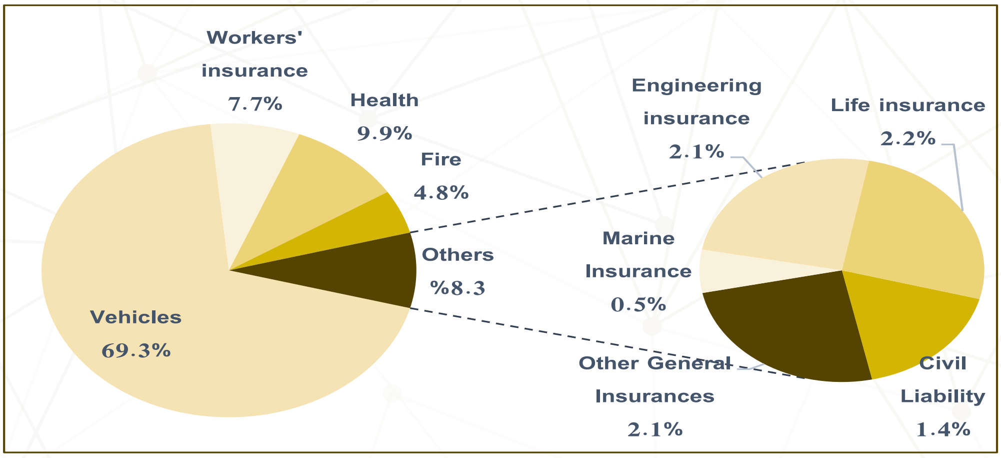
Table 3: Some Financial Indicators of the Insurance Sector in Palestine (USD mn)

Statement	2022	2023
Total insurance premiums written	396.0	395.2
Total insurance contract revenues	383.5	385.2
Total insurance contract expenses	341.3	351.0
Total investments by insurance companies	290.6	299.4
Insurance penetration ratio (%)	2.1%	2.3%
Insurance density (USD)	USD73.1	USD71.2

* The data does not include the American Life Insurance Company (ALICO) and Al Baraka Islamic Insurance Company

Insurance contract revenues show a significant concentration in favor of vehicle insurance, which accounted for approximately 69% of total revenues by the end of 2023, followed by health insurance at 10%.

Figure 4: Distribution of Insurance Contract Revenues by Insurance Products as End of 2023



6. Prices and Inflation

The level of price developments in Palestine is affected by three factors: changes in prices among trading partners (import prices, especially from Israel), shifts in local demand in the Palestinian economy, and changes in the shekel exchange rate against the dollar.

The inflation rate in Palestine in Q4 2023 and the corresponding quarter of 2022 (i.e., on an annual basis) was 11.3%, distributed as 5.2% in the West Bank and 34.9% in the Gaza Strip. This represents an increase from the inflation rate in the previous quarter compared to the corresponding quarter in 2022, which was 4.5%. The relatively significant increase in the inflation rate was due to the sharp rise in Gaza due to the Israeli war and the accompanying prevention of the flow of essential goods (food and energy), the destruction of infrastructure and crops, and the disruption of supply chains. The Palestinian Monetary Authority (PMA) expects local price levels to continue to rise in Q1 2024 but at a slower pace, reaching about 10.2% (on an annual basis).

The PMA "Inflation Report" documents the increase in prices of essential goods in Gaza in Q4 2023, which has led to a decline in individuals' purchasing power and an increase in the poverty rate. Prices of goods and foodstuffs in the Gaza Strip rose after store stocks were depleted and aids was not allowed in. The price of a kilogram of salt increased by 1200%, reaching NIS19.5. The price of a carton of chicken eggs (2 kg) rose by about 354%, reaching NIS60. The price of a kilogram of lentils increased by 300%, reaching NIS20, and the price of powdered baby milk rose by about 40%, reaching NIS50. Additionally, the price of flour in Gaza rose by about 743% during the quarter, reaching NIS825 for 50 kg.

Energy prices: the report records a sharp increase in Gaza Strip from the start of the aggression until the end of 2023 as follows: The price of a liter of gasoline (95 octanes) increased by about 563%, reaching NIS45 per liter. The price of a liter of diesel rose by 440%, reaching NIS35 per liter. The price of a gas cylinder (12 kg) increased by about 230%, reaching NIS235.

The increase of the value of USD against NIS by 9.32% between Q4 2023 and the corresponding quarter of 2022 contributed to the rise in prices of imports denominated in USD. The report indicates that the most significant factor behind the inflation witnessed in the West Bank was the increase in import costs, which rose by 5% in Q4 2023 compared to the corresponding quarter.

Inflation in the West Bank resulted from the rise in prices of most commodity groups in the consumption basket (excluding communications), with transportation and communications at the forefront (9.8%), personal care services (8.2%), insurance and financial services (7.4%), recreational and cultural goods and services (6.8%), and food and non-alcoholic beverages (5.6%). Similarly, in Gaza, inflation resulted from the increase in prices of most commodity groups in the consumption basket. The highest increases were seen in transportation (144.9%), housing and related expenses (51.5%), and food and non-alcoholic beverages (38.7%).

The 11.3% rise in the Consumer Price Index (inflation) between Q4 2023 and the corresponding quarter of 2022 led to an equivalent decrease in the purchasing power of the shekel in the Palestinian territories. With the rise of the dollar exchange rate against the shekel by 9.32% between the corresponding quarters, the purchasing power of those who receive their salaries in dollars and spend in shekels would have decreased by 1.94% (9.32% - 11.26%). This also roughly equates to the change in the purchasing power of the Jordanian dinar, given the dinar's fixed exchange rate with the dollar.

The 5.9% increase in the inflation rate in 2023 compared to 2022 led to an equivalent decrease in the purchasing power of the shekel in the Palestinian territories. With the rise of the dollar exchange rate by 9.74% against the shekel between the two years, the purchasing power of those who receive their salaries in dollars and spend in shekels would have increased by 3.87% (9.74% - 5.87%). This also roughly equates to the change in the purchasing power of the Jordanian dinar.

Figure 1: Evolution of the Consumer Price Index and Quarterly Inflation Rates (Annual Basis) % (Base Year 2018)

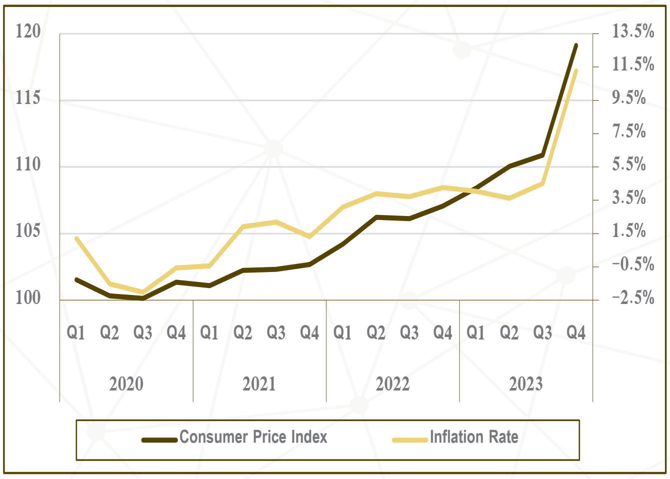


Table 1: Inflation Rate in Q4 2023 by Main Spending Groups and Region (Annual Basis%)

Main Spending Group	West Bank	Gaza Strip	Palestine
Food and Non-Alcoholic Beverages	5.6	38.7	13.7
Alcoholic Beverages and Tobacco	4.3	77.6	16.0
Fabrics, Clothing, and Footwear	1.0	3.0	1.4
Housing and Related Expenses	0.8	51.5	12.8
Furniture, Furnishings, and Household Goods	0.5	4.8	1.6
Medical Services	1.2	9.4	2.9
Transportation	9.8	144.9	24.2
Communications	-1.5	-1.0	-0.5
Recreational and Cultural Goods and Services	6.8	7.8	7.0
Education Services	4.6	3.8	3.9
Restaurant, Café, and Hotel Services	1.4	4.2	2.1
Insurance and Financial Services	7.4	1.0	4.5
Personal Care, Social Protection, and Miscellaneous Goods and Services	8.2	10.3	8.6
Inflation Rate	5.2	34.9	11.3

Table 2: Evolution of Purchasing Power of Different Currencies n Q4 2023 (Annual Basis, %)

Currency	Change in Purchasing Power
NIS	(11.3)
USD	(1.94)
JD	(1.95)

*Source: The numbers are calculated based on data from the PMA and the PCBS.
**The numbers in parentheses are negative.

7. Foreign Trade

In Q4 2023, "registered" merchandise imports recorded a high decrease by (28.7%) in Q4 in 2023, reaching about USD1, 539.5mn. Import activity in the Palestinian territories has been affected by a decline in private consumption spending, due to a significant reduction in income sources, particularly the compensations of workers employed in Israel, and the failure of government employees to receive their full salaries due to the continued withholding of clearance funds. Merchandise imports in Q4 2023 declined significantly by 27.8% compared to the corresponding quarter in 2022, reaching USD321.8mn.

The ratio of exports to imports remained stable at the same level as the corresponding quarter, about 20.9% About 58% of imports in Q4 came from Israel, while 74% of Palestinian exports went to Israel.

The difference between exports and imports represents the trade deficit, which amounted to USD1, 217.7mn in Q4, equivalent to 37% of GDP. The surplus in the service balance with Israel contributed to a slight improvement in the overall trade balance.

The value of registered merchandise imports in 2023 as a whole was about USD 7,744.5mn (57% from Israel), representing a decrease of 5.5% compared to 2022. The value of registered merchandise exports was around USD 1,516.1mn (86% to Israel), marking a decrease of 1.5% compared to the previous year. The value of exports constituted about 20.2% of the value of imports for the year, a nearly identical percentage to 2022. The trade deficit in merchandise trade for 2023 was about USD 6,183.4mn. a slight improvement was noted in the deficit over the year due to the surplus in the services balance with Israel.

Figure 1: Registered Merchandise Imports (UDS mn)

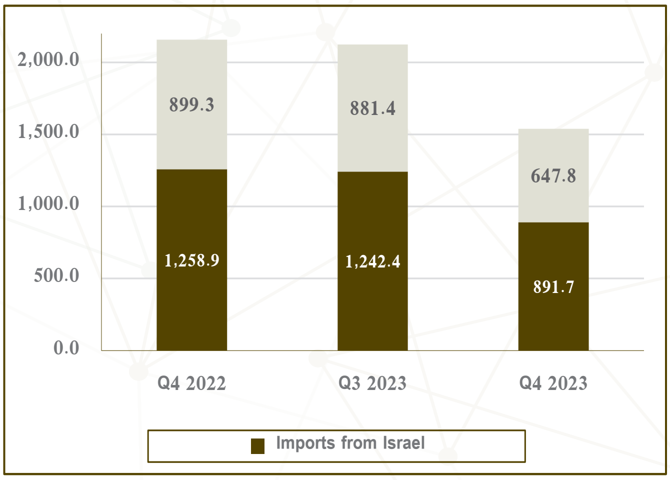
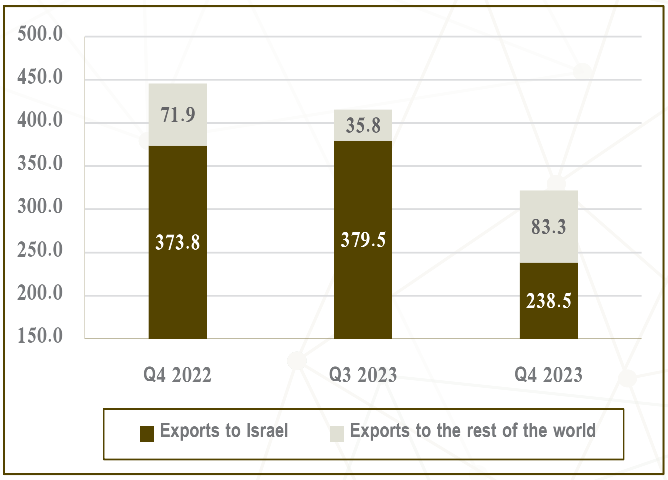


Figure 2: Registered Merchandise Exports (UDS mn)



Section II: Economic and Social Reports

This section of the QEM aims to provide summaries of international reports issued since the outbreak of the Israeli war on the Gaza Strip on October 7, 2023. These sought to estimate the human, economic, and social losses to Palestine in general, and Gaza in particular. The file includes an overview of six reports published between early November 2023 and mid-February 2024.

1.ESCWA and UNDP Report of November 5, 2023

The report of the Economic and Social Commission for Western Asia (ESCWA) was the first international report that tried to estimate the economic and social effects a month after the outbreak of the war on the Gaza Strip. The report outlines features of the Gaza Strip at the beginning of the aggression: a population density of 6,300 (reaching 30,000 people in the north of the Strip). 40% of the population are children under the age of 15. There is a meager per capita income with heavy reliance on external aid, high unemployment, and the devastating effects of a comprehensive blockade since 2007.

- Number of Deaths: 4 weeks after the Gaza Strip was under the Israeli attack, the death toll had reached 9,770 people (4,000 children and 2,500 women). The death toll in the West Bank reached 141 people, including 43 children, and the number of detainees was 2,322.
- Health Institutions: The World Health Organization recorded 102 Israeli attacks on health institutions in Gaza during the first month of the war, and 13 hospitals received evacuation orders. The report indicates that at the onset of the war, 50,000 pregnant women became at risk of health complications.
- Housing and Infrastructure Destruction: About 45% of the homes in Gaza were either destroyed or damaged (40,000 houses destroyed and 220,000 partially damaged). Five water refining plants ceased operations due to fuel shortages. Based on satellite image analysis on November 3, it was found that between 4.2% and 6.6% of all buildings in the five northern governorates of Gaza were destroyed. Satellite images only capture the extent of damage to building rooftops, not the sides. Additionally, there was extensive damage to agricultural lands and properties (wells, greenhouses, etc.), roads, electricity, water, and sewage networks. This destruction will have long-term effects. For instance, a year after Israel's 2021 attack on Gaza, only 200 out of the 1,700 housing units that were destroyed had been rebuilt.
- Impact on the Human Development Index (HDI): in 2021, the HDI value reached 0.715 in the Palestinian Territories (0.645 in the Gaza Strip and 0.718 in the West Bank). The report expects that the HDI will witness a decline to 0.700, affected by its 3 components: (education, life expectancy, and income). With the war continuing for three months, the decline of the HDI would equal 11-16 development years decline.
- Impact on Economy, Poverty, and Employment: The report applied a Computable General Equilibrium (CGE) model to the Palestinian economy (West Bank and Gaza Strip together, excluding Jerusalem) to estimate the effects of the war on key economic variables. The report used three scenarios: continuation of the war for one month, two months, or three months. The following table presents the main findings from the model analysis.

Numbers as presented in the table expect that the poverty rate in Palestine will increase from 26.7% in 2023 to 58.4% after only 3 months of war (adding 1.74 mn more people to the ranks of the poor).

Table 1: Expected Effects of the War on the Palestinian Economy in 2023 Compared to Pre-War Projections, in Three Scenarios (Rate of Change %)

Scenario	Poverty Rate	Private Consumption	GDP
War Continuation for 1 m	+19.5	-9.7	-4.2
War Continuation for 2 m	+34.1	-13.6	-8.4
War Continuation for 3 m	+45.3	-18.3	-12.2

2.UNCTAD Report of January 2024

The UN Trade and Development (UNCTAD) report aimed to estimate the losses incurred by the Gaza Strip 3 months after the outbreak of the war. The report recalled the general situation in the Gaza Strip: population of 2.3mn people, an area of 365 square km, and sustaining seven Israeli aggressions from 2008-2023. The Gaza Strip's standard of living in 1994 was equivalent to the West Bank. However, income level equaled only 28% of its level in the West Bank by 2022. The report highlighted that the current aggression resulted in unprecedented killing and destruction. By late January 2023, the death toll had reached around 26,000, with 65,000 injured. Additionally, the first three months of the war had displaced 85% of the Gaza Strip's population and destroyed 18% of its buildings.

The report sought to estimate the losses incurred by the Gaza Strip on two levels: estimating losses of the GDP and employment and measuring the impact on the economic sectors. The report also projected the time needed for the process of rebuilding what the war had destroyed.

Income and Employment Losses: the report estimated that the economy of the Gaza Strip contracted by 24% in 2023, equal to USD 655mn (2015 constant prices). The unemployment rate increased from 45.1% at the end of Q3 2023 (before the latest war) to 79.3% by the end of 2023. The report cited data from the International Labor Organization indicating that 61% of the workforce lost their jobs in the Gaza Strip (resulting in a loss of 182,000 jobs). The study estimated that by the end of 2023, the war-related losses in the Gaza Strip amounted to the equivalent of the total losses from 17 years of blockade, in addition to the full extent of damages caused by Israeli attacks in previous years.

Losses in Economic Activity: the UNCTAD report used the “Nighttime Light” measurement approach (NTL) to estimate the war's impact on the economic activity in the Gaza Strip. The measurement found that the first round of bombings between October 7 and November 22 reduced NTL by about 16.3% to 19.6%. The temporary ceasefire resulted in a slight recovery in lighting, with an increase of 4-5%. The cumulative impact of the Israeli operations from October 7 to December 28 resulted in a decrease in NTL by about 31.1% to 36.5%. Based on a previous assessment by UNCTAD, the elasticity of total household expenditure relative to NTL is 1.18. This means that the previously mentioned reductions in lighting led to a decrease in household expenditure by about 36.6% (= 1.18 × 31.1) to 43.1% (= 1.18 × 36.5). UNCTAD had previously estimated that each 1% increase in the intensity of bombing (measured by destruction effectiveness) is associated with a 6.2% decrease in per capita expenditure and a 6.3% increase in the poverty rate. Based on previous coefficients, the report concluded that by November 25, the destruction in the Gaza Strip had reached 37,369 structures or about 18% of its total buildings. The study provided detailed maps of the cells/areas of destruction and the percentages of damage to buildings and facilities in the Gaza Strip during the first two months of the war.

The Outlook Necessary for Reconstruction: the UNCTAD report estimated that with the losses suffered in only the first four months of the war, the per capita income in the Gaza Strip will regain its 2022 level by 2028, and its 1994 level by 2037. This does not compensate for the wealth destroyed, which will require decades to return to the pre-war level of welfare. In reality, when applying the actual historical growth rate in the Gaza Strip during 2007-2022, the Strip would need 70 years to return to the per capita income level of 2022.

3. FAO report of February 15, 2024

The Food and Agriculture Organization of the United Nations (FAO) report contains the earliest estimates for the losses in the agricultural sector in the Gaza Strip due to the war. The introduction provided an analysis and general information about the most important crops in the Gaza Strip (flowers, vegetables, almonds, dates, and guava), population density, high unemployment rates, and the foreign trade in agricultural materials, both imports and exports. It also included information about the restrictions imposed by the Israeli occupation authorities on movement, the economic blockade, and the restrictions on the use of agricultural land; Israel had imposed a ban on the use and movement of about 18% of agricultural land in the sector before the war.

The report provides detailed information on the methodology used to estimate the losses in the agricultural sector, relying on high-quality satellite images for this purpose. Destruction was estimated during two periods: from October 7 to December 1, and from October 7 to December 31. The report compared two images of each site: an image before the destruction with an image taken after the destruction. For example, in estimating the destruction during the first period, satellite images from November 2022 and September 2023 were compared with satellite images from November 2023. Established methodologies were applied to estimate the destruction for each type of agricultural asset, such as greenhouses, wells, barns, farmland, etc.

The following table presents the main findings of the FAO report.

Table 2: Number of Agricultural Facilities and Assets Damaged in the Gaza Strip by the End of 2023

Statement	Total Number	Number of Destroyed Assets
Dairy Farms	112	20
Sheep Farms	793	149
Household Barns	1,043	206
Agricultural Storage	547	76
Broiler Chicken Farms	1,117	172
Cattle Farms	34	5
Wells	2,261	488
-North Gaza Governorate	614	184
-Gaza Governorate	609	178
Greenhouses (Hectares)	1,276.6	261.8
-North Gaza Governorate	100.9	38.0
-Rafah Governorate	558.6	87.3
Agricultural Land (Hectares)	15,697	4,319.4
-Irrigated Land	2,155.2	676.0
-In Khan Yunis Governorate	4,473.7	714.7
-North Gaza Governorate	3,098.5	1,230.5

Source: FAO.(2024). A rapid geospatial damage assessment of the 2023 conflict in the Gaza Strip on agricultural land and infrastructure.

4. World Bank Report of February 24, 2024

The World Bank report issued in late February 2024 carries a curious title: “Impact of the Conflict in the Middle East on the Palestinian Economy”. This title recalls old labels about the “Middle East conflict” instead of the Israeli-Palestinian struggle, and it does not clearly state that the goal of issuing the report is to estimate the extent of the destruction inflicted on the Gaza Strip in particular as a result of Israel’s war.

The report mainly depends on information and estimates provided by other institutions about the economic losses of the war. One of the most important resources is the PCBS and the International Labour Organization (ILO). Below are the most important information and numbers noted in the report on the impact of the war two months after its outbreak.

- Demand and Income: 170,000 workers in Israel from the West Bank losing their jobs (20% of the total workforce in the West Bank) have led to a negative impact on overall demand by one-third. Additionally, the decline in commercial activity within the private sector has further deteriorated income due to local job losses and wage reductions. This resulted in a 22% decrease in the GDP of the West Bank in Q4 2023 and a 2.5% decrease for the entire year, while the GDP of the Gaza Strip fell by 80% in Q4 2023 and by 24% for the year. Although the World Bank previously projected that the Palestinian economy would grow by 3.2% (real growth) in 2023, the current estimate is that it declined in 2023 by 6.4% (equivalent to a loss of about $2.5 bn).
- Employment and Unemployment: The estimated daily loss of compensation for Palestinian workers is about $20.5 mn. Additionally, 80% of the workforce in the Gaza Strip lost their jobs within two months of the outbreak of the war. The unemployment rate in the Gaza Strip was 45.1% (59.5% among young men and women) before the war. The unemployment rate in Palestine increased from 24% in Q4 2022 to 29% in Q4 2023. The report also notes that 67,000 people in the West Bank who work in Governorates where they do not reside lost their jobs due to movement restrictions imposed by Israel.
- Destruction of Fixed Assets: 1.2 million people in the Gaza Strip became without shelter and 1.7 million people (75% of the Gaza Strip population) internally displaced by the end of 2023. The report also focused on the massive losses suffered by the agricultural sector and agricultural infrastructure. About 62% of all residential buildings have been completely or partially destroyed, and the infrastructure has suffered great damage: 62% of roads, 84% of healthcare facilities, 62% of electricity and water supply lines, as well as sewage and treatment networks, and 70% of educational facilities destroyed or damaged, recalling that the number of students in the Gaza Strip was 625,000 before the war.
- Losses in the Private Sector: The estimated production losses for the Palestinian private sector after two months of the war amount to $1.5 bn, or about $25 mn per day. By January 26, 2024, about 82% of private sector institutions in the Gaza Strip had been destroyed, including 83% of commercial establishments such as shops and supermarkets. Although private sector institutions in the West Bank were not physically destroyed, 85% of industrial establishments in the West Bank reduced their production capacity due to tightened Israeli restrictions and decreased income. Similarly, commercial and service establishments reduced operations due to declining sales.
- Prices and Inflation: prices increased in the Gaza Strip by 33% in Q4 2023 compared to the previous quarter. This increase came as a result to the damage the war caused in the supply chains. The absence of basic materials has restricted the purchasing power of hundreds of thousands of residents, regardless of their financial capabilities. The complete halt in the import of fuel and gas led to a 143% increase in transportation costs in the Gaza Strip in Q4 2023. In contrast, the consumer price index in the West Bank increased by only 0.9% in Q4 2023 compared to the same quarter in 2022.
- Poverty: the Gaza Strip suffered widespread poverty even before the outbreak of the war; 79% of its families were dependent on aid from the government and the NGOs. Moreover, it was estimated in 2017 that half the income of families below the poverty line came from aid and donations. It can be assumed that the entire population of the Gaza Strip has become impoverished, suffering from food insecurity, and in need of external assistance. Undoubtedly, the majority of them will not be able to return to their homes in the near

future. The report adds that the impact of the war is not limited to the Gaza Strip but also extends to the West Bank, which has seen a 6.4% decrease in GDP, meaning that all the progress made in the Palestinian territories since the end of the pandemic has been lost.

- Budget and Banking Sector: Israel has increased the monthly deductions from clearance transfer funds from NIS 200mn, before the war, to NIS 500-600mn. This led to a 10% decrease in the revenues of the PA, which means that its financial crisis has intensified, forcing it to take action of reducing employees' salaries. Therefore, the Palestinian Authority's financial crisis multiplied by 5 times compared to its situation before the war, and the fiscal gap reached $516mn (3% of the GDP) instead of a budgeted $106mn. The debts of the PA to the banks increased their exposure to government loans, reaching $2.4 bn (end of Q4 2023).
- The World Bank report concludes that future economic prospects in Palestine depend on whether the war will extend beyond the first months of 2024, whether the restrictions imposed by Israel on movement and trade will continue or decrease, and whether the deductions from clearance transfers to the PA will persist. The report makes five recommendations, calling for an end to the war, a reversal of the decision to increase deductions from clearance transfers, easing of movement and trade restrictions, and an increase in international aid to the PA. In any case, the war will leave lasting impacts on the populations in Israel, the Gaza Strip, and the West Bank that extend far beyond economic assessment.
- The future economic prospects for the Gaza Strip, in particular, are not only tied to physical destruction but also to psychological and neurological effects. A pre-war World Bank study indicated that 58% of adults in Palestine suffer from symptoms of depression (50% in the West Bank and 71% in the Gaza Strip). This will have huge implications on labor force participation rates and on social and humanitarian indicators for a long time.

5. ILO Report of March 2024

This was the third report issued by the International Labour Organization (IOL), in collaboration with the PCBS, aiming to measure the impact of the war in the Gaza Strip on the labor market and living conditions in the occupied Palestinian territories. The report includes three sections: an overview of the economic repercussions of the war on the Palestinian economy, an assessment of the war's impact on employment and the labor market, and projections for the development of the Palestinian labor market during Q1 2024. Some key findings include:

- The war and extensive destruction in the Gaza Strip, along with restrictions in the West Bank, have had enormous negative effects on employment and living conditions in the Palestinian territories. A survey conducted by the ILO in the West Bank in January 2024 found that 99% of companies participating in the survey suffered from the measures and restrictions imposed by Israel since the outbreak of the war in Gaza: 97% of companies experienced a decline in working capital, and nearly half of the companies reduced employment. The ILO estimated that the Gaza Strip lost 201,000 jobs by January, and unemployment affected 90% of private sector employment. The unemployment rate is 15% for public sector employees. Additionally, 20,000 workers in the Gaza Strip lost their jobs in Israel. Furthermore, most of the 170,000 workers from the West Bank lost their jobs in Israel. According to the Palestinian Ministry of Labor, only about 10,000 Palestinian workers were still employed in Israel in January 2024.
- With increasing unrest and tightening in the West Bank, the number of people who lost their jobs rose to 144,000 since the previous estimate, bringing the total number of job losses to 306,000 in the West Bank. When adding the job losses in Gaza (201,000), the total number of job losses reached

507,000 by the end of January. Parallel to job losses, there are losses in labor income, and the report estimates that the total loss in labor income for those who lost their jobs completely reached $21.6mn per day by the end of January. Finally, the report mentions, in February 2024, that public sector employees are owed 4.3 times their monthly salaries by the government, amounting to $48.4mn for employees in the Gaza Strip and $102.7mn for employees in the West Bank.

- The ILO report used the macroeconomic model of the PCBS to forecast the state of the Palestinian labor market in 2024. This model provides unified predictions for the entire Palestinian economy. The model was applied in two scenarios: the first assumes the continuation of the war until the end of March 2024, and the second until the end of June 2024.

Table 3: Projections of the Macroeconomic Model for Key Variables in 2024

Indicator	2023	Scenario 1 (end of March)	Scenario 2 (end of June)
Participation Rate (%)			
Males	68.5	65.5	64.9
Females	19.0	18.4	17.8
Unemployment Rate			
Percentage	30.7	42.7	45.5
Number	445,680	616,900	647,810
Daily wage (USD)	23.4	21.8	21.4

6. ESCWA and UNDP Reports April 24, 2024

This update report covers the economic and social losses in the Gaza Strip after 7 months of the war until April 2024. The report addresses the following areas:

- Human Losses: About 5% of the Gaza Strip's population has been killed or severely injured during this period; no other war in the 21st century has had such a deadly impact on the population. Additionally, 1.7mn people have been displaced from their homes (75% of the population), with most having been displaced more than once.
- Physical and Financial Destruction and Its Impact on the Provision of Goods and Public Services: The value of losses in the Gaza Strip's infrastructure reached $18.5 bn by the end of January, equivalent to 97% of Palestine's GDP for 2022 (at current prices). The total destruction value was distributed with 72% attributed to residential buildings, 9% to industrial, commercial, and service buildings, and 19% to schools, water treatment plants, and health institutions. The losses of educational institutions alone are estimated at $341mn. The report concludes that the best scenario is that it will take until 2040 to restore the level of construction in the Gaza Strip to what it was before the outbreak of this war.
- Labor Market and Human Capital Losses: The ILO estimated that 160,000 workers from the West Bank lost their jobs in Israel and the settlements, with only 8,000 work permits issued in Israel since the outbreak of the war. By the end of January, the total number of lost job opportunities reached 507,000, including 201,000 jobs in the Gaza Strip. The estimated daily loss in labor income is about NIS 12.3mn.
- The impact on prices: The Consumer Price Index in the Gaza Strip increased by 33% in Q4 2023 compared to Q3, primarily due to the disruption of food supply chains. Food prices rose by 39%. Additionally, the halt in oil and gas imports led to a 143% increase in prices during the same period.
- Future Projections: The report presents the results of applying the Computable General Equilibrium (CGE) model for the Palestinian economy developed by ESCWA. This model was run based on several assumptions, including:
  - Productivity: Productivity will continue to deteriorate at the same level during the war in Q4, but after the war, productivity will return to the level it was before the war in the West Bank, although it will remain low in the Gaza Strip.

- Destruction of Productive Capital in the Sector: The model assumed that 60% of the productive capital in the Gaza Strip was destroyed, with the assumption that the Gaza Strip's share of total productive capital in Palestine is 7%, and that each additional month of war (after 3 months) results in a 1.6% loss of the remaining productive capital.
- Clearance Transfers: The model assumed that the PA would receive only 50% of the amounts due from clearance transfers.
- Partial Return of Palestinian Workers: A partial return of Palestinian workers to jobs inside Israel and the settlements after the war.

The model reached the following results according to the main economic variables:

1. Impact on GDP: assuming war in progress for 6 months, income losses in the Palestinian economy will reach 8.7% in 2023 and 25.8% in 2024, compared to the base year unless huge international aid were provided by the end of the war. This amounts to a loss of USD 6.9 bn. If the war continues for a longer period, each additional month will cost the Palestinian economy a 1% loss of GDP, or USD 0.2 bn. For example, if the war lasts 7 months, the total economic loss for the Palestinian economy in 2023 and 2024 will equal 26.9% of GDP, 27.9% after 8 months, and 29% after 9 months (USD 7.6 bn).
2. Sectoral Impact: The construction sector will experience the greatest decline, potentially reaching up to 74.8%. If the war continues for 9 months, the decline in this sector could reach 75.2%. Additionally, the agriculture and industry sectors will also suffer substantial declines.
3. Impact on Consumption: Middle-class families will be the most affected in terms of consumption loss, with their consumption expected to decrease by 35.6% after 6 months of war, and by 38.6% after 9 months of war.
4. Impact on the Labor Market: After 6 months of war, the unemployment rate in Palestine will reach 46.1%. This rate will increase by 0.5 percentage points for each additional month of war, reaching 47.8% after 9 months of war.
5. Potential Impact on the Human Development Index (HDI): This index considers three sub-indicators (Gross National Income per capita, life expectancy, and average years of education). The model predicts that the HDI value in Palestine, after 6 months of war, will return to its level in 2007. This would mean a decline in the index value by 13 years in the West Bank and 20 years in the Gaza Strip.

Impact on the National Poverty Rate: The national poverty rate in Palestine was 29.1% before the outbreak of the war. However, after 3 months of war, this rate will rise to 35.9%, meaning that an additional 362,000 people will be classified as poor. After 6 months of war, the rate will increase to 53.0% (an additional 1.34mn people), and after 9 months of war, the rate will reach 56.2% (an additional 1.52mn people).