



MAS

PALESTINE ECONOMIC POLICY
RESEARCH INSTITUTE - MAS

Palestine Economic Update

January 2024

Key Developments

- In Q4 2023, Palestine's GDP plunged by 33%, with the Gaza Strip and West Bank contracting by 80% and 22%, respectively. Unemployment surged to 46%, 74% in the Gaza Strip and 29% in the West Bank.
- Forecasts predict at least 4.6-5% GDP contraction in 2024, following a challenging 6.2% decline in 2023.
- The private sector faced significant setbacks, with an estimated \$1.5bn production loss in October and November 2023.
- Gaza grapples with severe food scarcity, with 59% facing emergency or famine conditions, expected to rise to 79% by February 2024. Agricultural value added plummeted by 93% in Q4 2023.
- The tourism sector suffers \$2.5M in daily losses, with widespread hotel closures and extensive booking cancellations until December 2024.
- Israel's approval to channel deducted PNA tax funds to Norway carries restrictions on fund disbursement.

Note from the Publisher

Since the beginning of the 7 October war, MAS has closely followed its unprecedented economic and social impacts and implications. MAS published ten [Briefs](#) on those issues as Israeli attacks and restrictions have encompassed all of the occupied Palestinian territory with devastating human, material and economic costs. Since November, MAS also began to issue its [monthly economic news bulletin](#) under the rubric of Palestine Economy Update to fill a gap at a critical moment in the regular and reliable documentation of key developments in the Palestinian economy.

We are pleased to launch the Update with this January 2024 Issue, which we hope to continue making available throughout the year. We are dedicated to ensuring that credible information on the Palestinian economy, verified and analyzed by independent Palestinian scientific research, is available to the global research, media and concerned public. Unlike other MAS research, the Update does not aim to provide policy analysis or recommendations, but to serve as a trusted source for the range of its readership. For the moment the Update will only be published in English, though resources permitting we hope to make it available later this year in Arabic or other languages.

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1. Economic Outcomes in 2023 and Forecasts for 2024

On 30 December 2023, the Palestine Central Bureau of Statistics (PCBS) and Palestine Monetary Authority (PMA) unveiled their 2023 annual estimates and forecasts, revealing severe economic and social repercussions from Israel's offensive on the Gaza Strip.¹ The Gaza Strip economy experienced an 80% GDP plunge between the third and fourth quarters of 2023, while the West Bank GDP contracted by 22%. Overall, Palestine saw a 33% quarterly GDP decline in Q4 2023, accompanied by significant drops in public consumption (33.4%), private consumption (33%), and gross investment (30%). Unemployment rates rose steeply, reaching 74% in Q4 2023 in the Gaza Strip (up from 45% in Q3) and 29% in the West Bank (up from 13% in Q3), resulting in a 46% overall unemployment rate for Palestine in Q4 2023 (compared to 24% in the previous quarter). The dire circumstances were further aggravated by a more than 30% surge in prices during the Israeli aggression on the Gaza Strip.

PCBS preliminary estimates indicate a 6.2% annual GDP contraction for 2023, entailing an 8% drop in GDP per capita and public consumption, a 5% decline in gross investment, and a 3% contraction in private consumption. The 2023 unemployment rate reached 30.7%, and inflation stood at 5.9%, exacerbating existing vulnerabilities and contributing to the fragility of a weakened economy.² Despite baseline forecasts predicting a moderate 2.1% growth at the beginning of 2023, the situation was already dire due to a slow recovery from the COVID-19 pandemic, a deepening fiscal crisis, declining public consumption, eroded purchasing power, and escalating political and security tensions before the onset of the war.³

1 <https://www.pcbs.gov.ps/postar.aspx?lang=ar&ItemID=4673>

2 Ibid.

3 <https://www.pcbs.gov.ps/postar.aspx>

Table 1: Estimated Indicators of Economic Performance in 2023 Compared to Previous Forecasts

Projections Source	Baseline Forecasts at Year Beginning		Provisional Estimates at Year-End	
	PCBS	PMA	PCBS	PMA
Real Gross Domestic Product (\$M)	15905.5	15945	14665.63	14810
Real GDP Growth (%)	2.1	2.5	-6.2	-5.3
Per Capita GDP (\$) - 2015 prices)	3081.4	3083	2839.12	2876
Change in Gross Consumption (%)	1.6	2	-	-5.3
Change in Gross Investment (%)	3.3	2.8	-5	-8.9
Unemployment Rate (%)	25.5	24.5	30.7	31
Change in Trade Deficit (%)	1.6	1.5	-	-4.7
Change in Imports (%)	1.3	1.4	-	-7
Change in Exports (%)	0.5	1.3	-	-5.3

1.1 Forecasts for 2024

PCBS and PMA's 2024 economic forecasts under the baseline scenario project a 4.6% to 5% GDP contraction, assuming the continuation of current economic and political conditions.⁴ Gross consumption is expected to drop by 4.2% to 6.1%, gross investment by 4.2%, and the trade deficit by 10.6% (an 11.8% decrease in imports and an 11.7% drop in exports). Unemployment is foreseen between 29% and 35.1%.

The other scenarios that reflect different perspectives on potential developments in Palestine's economic and political landscape by the end of 2024 include:

4 <https://www.pcbs.gov.ps/postar.aspx>

1. **Optimistic Scenario - Recovery and Reconstruction Start:** anticipates political and economic improvement, envisioning a cessation of Israeli aggressions, eased restrictions, a gradual return of Palestinian workers to Israel, resumption of clearance revenues funds transfer, and increased foreign aid, specifically for Gaza's reconstruction.
2. **Pessimistic Scenario - Continuation of Aggression Scenario:** foresees an even deepening crisis with worsened political and economic conditions, including a lasting decrease in Palestinian workers in Israeli markets, reduced local tax revenue, increased Israeli deductions from clearance revenues, a significant cut in foreign aid, and higher prices due to disruptions in manufacturing and supply chains.

Table 2: PCBS and PMA Economic Forecasts for 2024

Scenario Source	Baseline		Optimistic		Pessimistic	
	PCBS	PMA	PCBS	PMA	PCBS	PMA
Real Gross Domestic Product (\$M)	-	14125	-	14881	-	13399
Real GDP Growth (%)	-5	-4.6	0.5	0.5	-10	-9.5
Per Capita GDP (\$ - 2015 prices)	-6.8	2676	-1.8	2819	-12	2538
Change in Gross Consumption (%)	-4.2	-6.1	1.4	6.2	-7.9	-12.4
Change in Gross Investment (%)	-	-6.4	-	10.1	-	-23.5
Unemployment Rate (%)	35.1	29	30	31	42	37
Change in Trade Deficit (%)	-	-10.6	-	23.4	-	-37.4
Change in Imports (%)	-	-11.8	-	3.5	-	-27.6
Change in Exports (%)	-	-11.7	-	17.6	-	-27.6

2. A Compromise Over the Fiscal Impasse

On January 21, 2024, Israel's security cabinet approved a plan agreed with the USA to channel part of the Palestinian National Authority's (PNA) trade tax revenues through Norway.⁵ Since November, the PNA has rejected a partial transfer of clearance revenue collected by Israel on its behalf. This refusal stems from the Israeli government's decision to deduct an amount equivalent to that paid by the PNA for services, social transfers, and salaries for personnel in the Gaza

Strip, amounting to ILS 275M per month.⁶ These were over and above the ILS 103M that Israel already unilaterally deducts from the PNA revenues on a monthly basis, equivalent to the transfers the PNA makes to the families of those killed or imprisoned by Israeli forces, which will continue.

Under the new Israeli cabinet decision, the ILS 275M monthly deduction will be transferred to an escrow account held in trust by Norway. Norway is restricted

⁵ <https://bit.ly/3w00ltj>

⁶ <https://www.timesofisrael.com/ministers-approve/>

from disbursing the funds without explicit permission from the far-right Israeli Minister of Finance. Additionally, Norway cannot employ the funds for extension of loans or guarantees. By the end of January, it was still not confirmed whether the PNA had acquiesced to this arrangement or whether it might have access to other financial resources to offset the Israeli deduction. Palestinian Prime Minister Mohammad Shtayyeh has affirmed that there will be no reduction in PNA payments to Gaza Strip personnel to the extent that the government is able to continue to pay its monthly wage bill of around ILS 680M.⁷

Meanwhile, to stave off mounting financial pressures, the PNA secured a consolidated loan of ILS 1.4bn (\$388M) from banks operating in Palestine on December 28, increasing the public debt to \$2.5bn.⁸ The loan, with a grace period of up to seven months and a maturity of seven years, aims to refinance existing debt to local banks, enabling the PNA to restructure and reduce monthly payments from ILS 200–240M to about ILS 110M. Approximately 64% of the loan will serve this purpose, while the remaining funds will be allocated to partial salaries for public servants and settling accrued arrears with the private sector. The Palestinian Ministry of Finance highlighted a more than 50% decline in local revenue since the onset of Israeli aggression on Gaza, attributed largely to a sharp economic downturn.

In 2022, according to the IMF, public debt comprised 49% of GDP, with domestic debt constituting 85% of the total.⁹ The largest component of domestic debt (67%) is arrears, owed mainly to the pension fund in the form of unpaid government and employee contributions, as well as

to PA suppliers, contractors, and public sector employees receiving partial salaries since November 2021. Other elements of domestic debt include loans and overdrafts from commercial banks to the PNA and promissory notes held by the private sector. External debts are mainly held by the Al Aqsa Fund, followed by the World Bank and the Qatar National Bank, with bilateral creditors (Italy and Spain) contributing a smaller share (11.5% of external debt).

3. Losses Incurred by the Private sector

On December 27, 2023, PCBS released a report detailing the losses suffered by the Palestinian private sector during Israel's ongoing war on the Gaza Strip.¹⁰ In October and November 2023, the war resulted in an estimated production loss of \$1.5bn among private sector establishments, equivalent to a daily loss of approximately \$25M. These figures exclude direct losses in property and assets. The decline in internal trade (domestic trade among Palestinian businesses in the West Bank), manufacturing, and service sectors were identified as the primary contributors to these losses.

3.1 Economic Setbacks

About 45.4% of Palestinian economic establishments (80,000 out of 176,000) have experienced either complete halting or significant declines in production in October and November 2023. In the West Bank, 29% (35,000 out of 120,000) of establishments reduced or completely halted production, resulting in a 40% (\$1.1bn) drop in production compared to historical averages. This decline is attributed to the ripple effects of Israel's offensive on Gaza, including heightened mobility restrictions, closures, increased violence by the Israeli military and settlers,

⁷ <https://www.wafa.ps/Pages/Details/88590> and <https://bit.ly/47SUeWQ>

⁸ <https://www.bnews.ps/ar/node/22570>

⁹ <https://bit.ly/3GVTeGt>

¹⁰ <https://www.pcbs.gov.ps/postar.aspx?lang=ar&ItemID=4666>

and tens of thousands of cancelled work permits for Palestinians in the Israeli labour market.¹¹ Intensified mobility restrictions have raised operating costs, particularly the time, cost, and risk of transportation. It also limited the economic activity of Palestinians with Israeli citizenship in the West Bank.

In the Gaza Strip, about 80% of establishments (45,000 out of 56,000) were partially or totally destroyed, resulting in an almost complete cessation of economic activity and \$407M in lost production in October and November 2023. Considering only the remaining viable sectors like healthcare, bakeries, and humanitarian relief facilities, the PCBS estimates a 14% production capacity for the same period.

3.2 Drop in e-commerce

On December 14, 2023, the MoNE expressed concern over a significant decline in e-commerce activity in the West Bank amid Israel's ongoing military aggression on Gaza.¹² Intensified mobility restrictions have doubled transportation costs, negatively impacting commercial activity. International e-commerce websites, citing shipping risks, have also imposed additional charges on transporting goods, prompting local sellers to raise prices. The combination of added transportation and import costs, delivery inconsistencies, drop in income, rising prices, and reduced demand has resulted in a substantial drop in e-commerce activity. This decline disproportionately affects women-owned small businesses, heavily reliant on online orders and delivery services for distribution across the West Bank.

4. Destruction of Agricultural Capacity

As of December 7, IPC Global analysis revealed that 59% of the Gaza population was in emergency or famine conditions regarding food security, expected to rise to 79% by February 2024 due to severe food scarcity from minimal or absent production and market collapse.¹³ The risk of famine is heightened by restricted humanitarian aid entry and the destruction of local agriculture. Satellite imagery indicates systematic destruction of orchards, greenhouses, and farmlands in northern Gaza post-Israeli ground invasion¹⁴, with PCBS reporting extensive damage to crops, reaching 18% of agricultural lands and over 39% in North Gaza.¹⁵ Crop health and density are at their lowest in six seasons, particularly affecting vegetables, with 21% of harvested lands destroyed. This damage compounds the pre-existing and worsening food insecurity concerns as 2023 production is insufficient for household consumption needs.¹⁶

Further exacerbating the crisis, water and electricity shortages, crucial for agricultural production, have significantly reduced overall productivity.¹⁷ PCBS estimates daily losses in agricultural production at \$2M¹⁸, with the market operating at approximately 25% of historical production levels.¹⁹ This is in addition to \$180M in damages to agricultural areas and holdings during the first month of aggression. Preliminary estimates indicate a staggering 93% decline in agricultural value added in Gaza in Q4 2023 compared to Q3 2023.²⁰ Consequently, Palestine's overall agricultural value added has fallen by 38% in Q4 2024 compared to the previous

11 <https://www.theguardian.com/global-development/>

12 <https://www.mne.gov.ps/newsdetails.aspx?NewsId=6597>

13 <https://bit.ly/47Nel8R>

14 <https://twitter.com/hrw/status/1731689503746568334>

15 <https://www.pcbs.gov.ps/postar.aspx?lang=ar&ItemID=4660>

16 https://www.pcbs.gov.ps/portals/_pcbs/PressRelease/

17 <https://www.pcbs.gov.ps/site/512/>

18 https://www.pcbs.gov.ps/portals/_pcbs/PressRelease/

19 <https://bit.ly/3OkPUZz>

20 https://www.pcbs.gov.ps/portals/_pcbs/PressRelease/

quarter (after factoring in the 12% decline in the West Bank). In 2023, agriculture value added declined by 8%, extending the downtrend observed since 2019.

4.1 Lost Olive Season

The 2023 olive season faced significant challenges, with 50-55% of farmers unable to harvest due to settler attacks and movement restrictions.²¹ Prior to Israel's aggression on Gaza, the Palestinian Ministry of Agriculture estimated a production of less than 12 thousand tons of olive oil, already well below the 20-22 thousand tons yearly average of the past 20 years.²² Post-aggression, only 9.7 tons were produced, making 2023 the worst since 2009, when only 4771 tons were produced.²³ In 2021, Palestine produced around 17,500 tons of olive oil, with \$38.4M exported, contributing to 2.8% of total exports.²⁴ This setback not only impacts farmers' livelihoods but is also insufficient to meet local demand for approximately 18,000 tons of olive oil annually.²⁵ Olives, a major West Bank agricultural product, contribute about 25% to agricultural income and were expected to provide \$70M in earnings to Palestinian farmers based on pre-aggression estimates.²⁶

By mid-November, 87 settler attacks on agricultural lands were recorded in the West Bank, with 90% targeting olive trees, and over 8,800 olive trees uprooted by settlers and Israeli forces.²⁷ This resulted in approximately \$5M in losses for olive oil

and an additional \$11.5M due to mobility restrictions to reach olive trees.²⁸ Around 15.3% of olive trees are cultivated in the "Seam Zone," where 50-60% of landowners are permitted to harvest during the olive season.²⁹ Approximately 90 Palestinian communities with land near settlements struggle to access their lands, making them vulnerable to settler assaults.

Israeli restrictions on access to land, water, and natural resources, coupled with continuous attacks by Israeli forces and settlers, as well as the construction of the Separation Wall, hinder Palestinian agricultural production, limiting the sector's capacity to accommodate the expanding labor force and contribute to livelihoods and food security.

5. A Devastated Tourism Sector

Amidst suffering and devastation, holiday season celebrations were cancelled in Palestine. The tourism sector, already struggling to recover from the COVID-19 pandemic, faces setbacks with mass booking cancellations until December 2024, resulting in a near-zero decline in tourist numbers.³⁰ This compounds challenges for the industry, leading to another recession driven by the halt in inbound and outbound tourism. Approximately 2.3M tourists visited Palestine in the first nine months of 2023, with 1.9M overnight stays.

On December 13, Tourism Minister, Rula Maayah, revealed a significant daily loss of \$2.5M for the tourism sector in the aftermath of the aggression.³¹ In Q4 2023, the sector

21 <https://bit.ly/3vQMzuT> and <https://bit.ly/3SzbWKP>
22 https://mas.ps/cached_uploads/download/2023/10/29
and <https://www.aliqtisadi.ps/ar/Article/98099/>
and <https://www.aliqtisadi.ps/ar/Article/97143/>

23 <https://www.aliqtisadi.ps/ar/Article/98099/>
and <https://www.aliqtisadi.ps/ar/article/90208/> - this figure includes the harvest before October 7.

24 https://www.trademap.org/Product_SelCountry_TS.aspx and <https://www.aliqtisadi.ps/ar/article/90208/>

25 <https://www.arij.org/ar/latest-ar/olive-oil-2023/>

26 https://www.ochaopt.org/ar/content/2015-23#_edn1

27 <https://www.arij.org/ar/latest-ar/olive-ocu-2023/>
and <http://poica.org/2023/11/>

28 <https://www.aliqtisadi.ps/ar/Article/98099/>

29 <http://poica.org/2023/11/olive-tree-production-in-occupied-palestine-amidst-israeli-occupation-and-climate-change/>

30 <https://www.jerusalemstory.com/en/blog/east-jerusalem-tourism-industry-casualty-israels-war-gaza>
and <https://www.alquds.com/ar/posts/104037>
and <https://www.mne.gov.ps/newsdetails.aspx?NewsId=6592>

31 <https://www.wafa.ps/Pages/Details/86308>

is estimated to have suffered a staggering loss of around \$200M, attributed to a decline in tourists and overnight stays. The holiday season, particularly in Bethlehem, traditionally sees over 3M visitors. However, Bethlehem's tourism sector is facing a daily loss of around \$1.5M.³² Bethlehem's tourism offices report an 80% decline in bookings, 90 antique shops and 450 craft workshops are shut, and hotel-room occupancy is close to zero, pushing hotels and restaurants to almost closure.³³

In Jerusalem, 24 Palestinian hotels are completely vacant, with zero occupancy rates for 1200 rooms, leading to 2000 tour guides applying for unemployment insurance due to halted tourism.³⁴ In Jericho, the halt in tourism and shopping activities resulted in a 60% drop in commercial activities.³⁵ The service sector reports the largest decrease in the workforce, with approximately 7,800 workers in Bethlehem and 2,000 workers in Jericho likely experiencing income loss due to the sector's halt.³⁶ The Palestinian Ministry of National Economy notes a substantial 75% revenue decline for service establishments, including restaurants, hotels, travel, tourism, and transportation.³⁷

6. Stock Market Performance

The Al-Quds index increased by 1.4% in December 2023, reaching 588.7 points on the last day of trading.³⁸ A total of 19.3M shares were traded during the month, worth \$23.6M, marking a decrease of 60.7% in the volume and 38.9% in the value of traded shares compared to the previous month.

On an annual basis, the Al-Quds index decreased by 8.0% compared to the last day of trading in 2022. A total of 159.8M shares were traded on the Palestine Exchange (PEX) in 2023, with an overall value of \$330.9M. This marks a 34.4% decrease in the volume and a 30.0% decrease in the value of traded shares compared to 2022.

32 <https://www.wafa.ps/Pages/Details/86308>

33 <https://aliqtisadi.ps/ar/Article/97565>

and <https://bit.ly/3ScVyva>

and <https://www.wattan.net/ar/tv/422393.html>

34 <https://www.alquds.com/ar/posts/104037>

35 <https://www.mne.gov.ps/newsdetails.aspx?NewsId=6588>

36 <https://pnn.ps/news/684380>

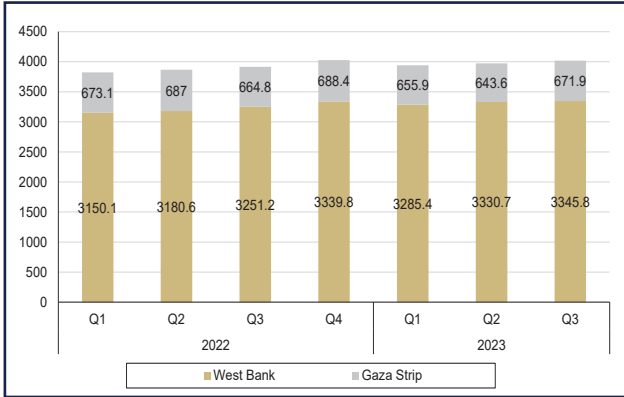
and <https://aliqtisadi.ps/ar/Article/97704>

37 <https://aliqtisadi.ps/ar/Article/97565>

38 <https://www.pex.ps/>

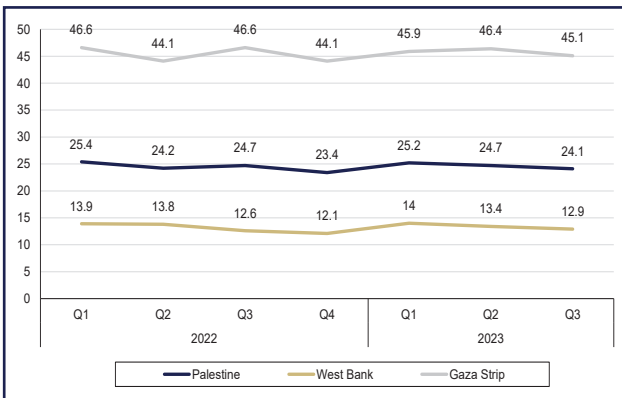
Gross Domestic Product

Quarterly Real GDP (\$M in 2015 prices) in Palestine by Region, Q1 2022 - Q3 2023



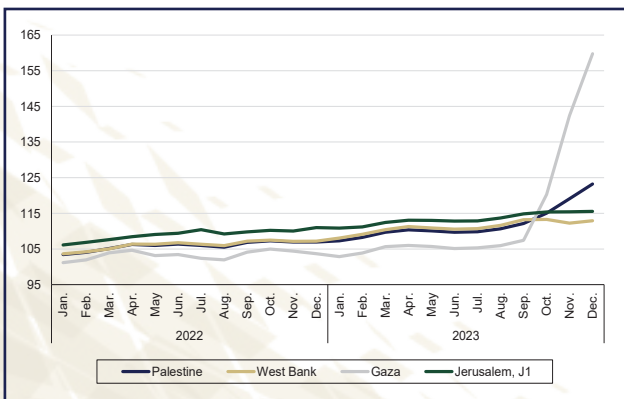
Unemployment

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



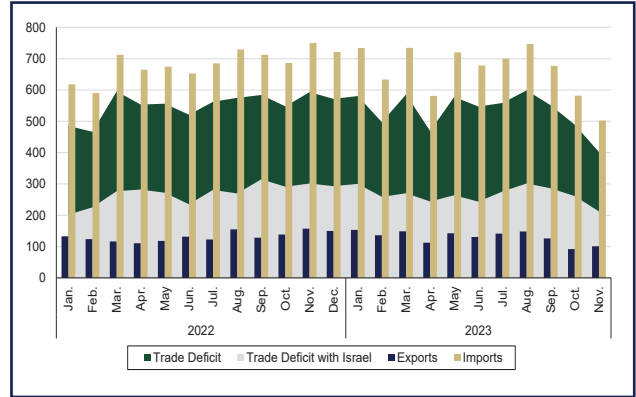
Inflation

Monthly Consumer Price Index (Base year = 2018) in Palestine by Region, January 2022 – December 2023



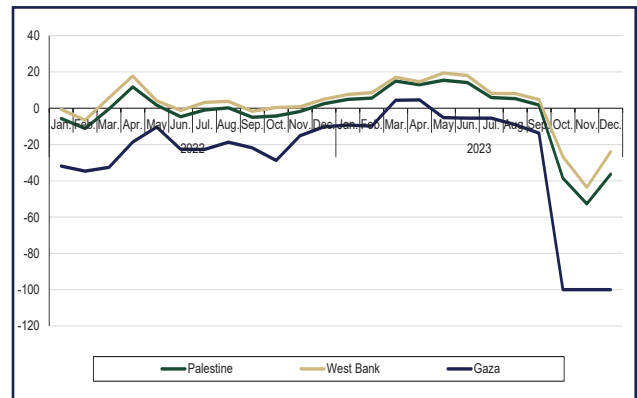
Trade

Monthly Export, Imports, Trade Deficit and Trade Deficit with Israel in Palestine (\$M), January 2022 - November 2023



PMA Business Cycle Index

Monthly Palestine Monetary Authority Business Cycle Index, January 2022 - December 2023



Bounced Cheques

Monthly Value of Circulated Cheques (\$M) and Bounced Cheques as a Percentage of Circulated Cheques by Number and Value in Palestine, January 2022 - December 2023

