



PALESTINE ECONOMIC POLICY  
RESEARCH INSTITUTE (MAS)

# Palestine Economic Update

## March 2024

### Key Developments

- Private-sector production losses during the war amounted to \$2.3 billion, with a 35% loss in capacity, showing the severe impact on the economy. Gaza's GDP plummeted by over 80% in Q4 2023 alone.
- The majority of Gaza's population faces acute food insecurity, with malnutrition rates reaching unprecedented levels. Israeli actions, including attacks on civilians awaiting aid and blocking aid from entering Gaza, exacerbate the humanitarian crisis.
- International donors have pledged additional humanitarian assistance to address the crisis, but its severity undermines efforts. The situation will continue to deteriorate without an immediate ceasefire.
- After months of negotiations, the Norwegian Ministry of Foreign Affairs announced the transfer of NIS 407m in clearance revenue to the PNA, facilitated by a temporary escrow deposit arrangement.

This publication is funded by:  
Palestine for Development

فلسطين للتنمية  
Palestine For Development   
PIF Social Investment Subsidiary

## 1. A Ravaged Economy in Gaza

On 11 March, the Palestine Central Bureau of Statistics (PCBS) released its estimates of the Gaza Strip and West Bank private-sector production losses in the first four months of the war on Gaza (through January 2024).<sup>1</sup> These totaled \$2.3bn or a 35% loss in capacity, equivalent to \$19m in daily losses (excluding losses in property and fixed assets). The ongoing aggression virtually annihilated the Gaza Strip's already constrained production capacity. It currently stands at 14% of its pre-war level (reflecting \$810m in lost domestic product), essentially produced by the struggling health and food systems.

The West Bank private economy operates at 73% of its pre-war production capacity (\$1.5bn in lost production) due to mounting Israeli restrictions on movement and access, withholding of clearance revenues, and terminating employment in Israel. Construction activity witnessed a 32% drop in the West Bank. Production in industrial activities decreased by 97% in the Gaza Strip and 29% in the West Bank. The services sector saw an 82% drop in production in the Gaza Strip and a 26% decrease in the West Bank. The extent of these losses demonstrates the precipitous deterioration of all aspects of life in the Strip, and in tandem, in the West Bank, in less than four months.

In Q4 2023 alone, Gaza's GDP plummeted by more than 80% compared to the previous quarter, to \$90m.<sup>2</sup> If the current conditions persist through 2024, the Gaza Strip will register the lowest GDP per capita in the world, estimated at around \$160 compared to \$1250 in 2022. Before the war, in Q3 2023, 45.1% of Gaza's labour force of 531,400 were unemployed.<sup>3</sup> Three-fifths

of those employed (roughly 173 thousand individuals) were in the private sector. PCBS estimates indicate that only 20 thousand people of those who were employed in the private sector retained jobs, mainly in the health and humanitarian relief sectors.<sup>4</sup> Inflated prices further aggravate the situation, with the monthly consumer price index increasing by 27% in February 2024 following a sharp increase in the prices of essential commodities.<sup>5</sup> Year-on-year, inflation reached 118% in the Gaza Strip.

Any conventional conception of a functioning economy in Gaza has become irrelevant, and virtually all Gazans have fallen into poverty.<sup>6</sup> The extent of the current devastation is unimaginable. Economic activity such as it is has become reduced to a subsistence level where price distortions, barter, and pre-industrial revolution technologies and services dominate formal economic transactions.<sup>7</sup> Before the war, nearly 80% of Gaza's population relied on aid, which constituted nearly half the income for those below the poverty line.<sup>8</sup> In 2022, over 50% of households identified aid as their primary income source.<sup>9</sup> Today, that ratio is effectively 100%.

## 2. A Looming Famine and Constrained Humanitarian Response

On 18 March, the Integrated Food Security Phase Classification (IPC) partnership sounded the alarm on a looming famine in the northern Gaza Strip, soon extending

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

2 <https://bit.ly/3IS85m8>

3 [https://pcbs.gov.ps/portals/\\_pcbs/PressRelease/Press](https://pcbs.gov.ps/portals/_pcbs/PressRelease/Press)

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

5 <https://www.pcbs.gov.ps/postar>.

6 <https://bit.ly/3IS85m8>

7 <https://bnews.ps/ar/node/23044>

8 <https://unctad.org/news/report-unctads-assistance>

9 <https://bit.ly/3IS85m8>

to the south.<sup>10</sup> Between 15 February and 15 March, about 95% of the Gaza Strip's population (2.13m people) faced high levels of acute food insecurity classified in IPC Phase 3 or above (Crisis or worse), including nearly 677,000 experiencing catastrophic food insecurity (IPC Phase 5). Over 1.1m people in Gaza will likely be classified in IPC Phase 5 (Catastrophe) by July 2024. Antonio Guterres, UN Secretary-General, noted that "this is the highest number of people facing catastrophic hunger ever recorded by the IPC system, anywhere, anytime. This is an entirely man-made disaster."<sup>11</sup>

Acute malnutrition among children under five has reached an unprecedented level of 16.5% in northern Gaza. It is affecting 1 in 3 children under two years old and is rapidly spreading throughout the Strip.<sup>12</sup> About 90% of children under two face severe food poverty in the Gaza Strip and are consuming food with low nutritional value. Child wasting, which increases the risk of death, is likely to increase by 30% in the coming months to affect more than 10 thousand children.<sup>13</sup> According to WHO, severe food poverty is also affecting 95% of pregnant and breastfeeding women in Gaza.<sup>14</sup> Daily meal skipping has become the norm, especially among adults, so children receive rations. Palestinians in Gaza are resorting to eating animal feed to compensate for the lack of food, which is also becoming scarce and insufficient.<sup>15</sup> As of 14 March, the creeping spectre of famine had already claimed 27 lives, including 23 children.<sup>16</sup> Such pervasive malnutrition jeopardizes the health of the entire populace for generations to come.

While initiatives aiming to deliver food through trucks or airdrops provide some relief, they are insufficient to end the crisis, and a massive scale-up in the entry of humanitarian aid is required. On 16 and 17 March, 27 aid trucks from the south arrived in the north of the Gaza Strip without incident.<sup>17</sup> Among them, 15 trucks entered Jabalya City for the first time in four months. Israel has been denying entry to food deliveries into the north since January 23, leaving thousands to starve.<sup>18</sup> UNRWA reported a 50% drop in aid entering the Gaza Strip in February compared to January 2024.<sup>19</sup> The enormity of the crisis becomes apparent in the reporting of famine in the Gaza Strip despite the Food Security Cluster in the UN Flash Appeal 2023-2024 receiving an extra \$34m over and above what was required by the funding plan (\$148m).<sup>20</sup>

## 2.1 Gaza's 'Flour Massacres' and Tragic Airdrops

On 29 February, Israeli forces opened fire on hundreds of Palestinians while waiting for aid in Gaza City, killing 118 Palestinians.<sup>21</sup> This was the first of four similar incidents targeting civilians awaiting aid in what would be referred to as the 'Flour Massacres', killing a total of 400 Palestinians and injuring 1300.<sup>22</sup> Five Palestinians were also killed by an Israeli airstrike that targeted a UNRWA food distribution centre.<sup>23</sup>

On 8 March, tragedy struck as a parachute landing humanitarian airdrop failed to open, killing five people and injuring many more.<sup>24</sup> The United States, Jordan, Egypt, UAE, France, Belgium, and others have launched airdrops of food into the region. As of 19

10 <https://www.ipcinfo.org/ipcinfo-website/alerts-archive/>

11 <https://www.washingtonpost.com/world/2024/03/19/>

12 <https://x.com/UNRWA/status/>

13 <https://bit.ly/43uwUOQ>

14 <https://news.un.org/en/story/2024/03/1147227>

15 <https://aliqtisadi.ps/ar/Article/99126/>

16 <https://bit.ly/3PqDZK7>

17 <https://www.ochaopt.org/content>

18 <https://www.aljazeera.com/news/2024/3/14/>

19 <https://aliqtisadi.ps/ar/Article/99126/>

20 <https://fts.unocha.org/plans/1156/summary>

21 <https://t.me/s/MOHMediaGaza?q=>

22 <https://bit.ly/3TI7GJq>

23 <https://www.unrwa.org/newsroom/official->

24 <https://www.aljazeera.com/news/2024/3/8/>

March, nine airdrops were carried out into the Gaza Strip, with the last carried out by Egypt and the UAE carrying 33 tons of food and medical aid.<sup>25</sup> Meanwhile, some humanitarian airdrops landed in the sea, forcing starved residents in the northern Gaza Strip to watch as they drift away from shore.<sup>26</sup> Aid agencies have criticized airdrops as a costly and ineffective way of delivering humanitarian aid when there are five land passages that are being blocked by Israel.<sup>27</sup> Israeli declarations that it will no longer recognize UNRWA or cooperate with its vast aid distribution capacity inject yet further constraints into an already disastrous scene. A failed 14-truck convoy in early March would have brought 200 tonnes of food to people, which is several folds the amount of aid delivered by all the airdrops combined.

## 2.2 Blue Beach Plan

On 15 March, the ‘Open Arms’ initiative and World Central Kitchen inaugurated the US-led initiative for a maritime corridor and floating pier on the Gaza coastline.<sup>28</sup> This initiative, preceded by a similar proposal by Cyprus in November 2023, aims to “enable a massive increase in the amount of humanitarian assistance getting into Gaza.”<sup>29</sup> The US will run the process of building the floating pier, which will likely take two months and cost over \$60m, using private security and humanitarian aid contractors and supposedly without US “boots on the ground”.<sup>30</sup> In the corridor pilot operation, 200 tons of relief supplies were sent by barge and were offloaded to a makeshift temporary pier. Another 500 tons of aid is ready in Cyprus to be loaded and shipped in the future.<sup>31</sup>

25 <https://www.middleeastmonitor.com/20240317>

26 <https://bit.ly/3TI7GJq>

27 <https://www.aljazeera.com/news/2024/3/8>

28 [https://x.com/openarms\\_fund/status/](https://x.com/openarms_fund/status/)

29 <https://www.theguardian.com/world/2024/mar/07/>

30 <https://edition.cnn.com/2024/03/08/>

31 <https://edition.cnn.com/2024/03/15/>

This endeavour strives towards guaranteeing a streamlined food distribution, potentially providing one daily meal for each of the Strips’ 2.2m people. However, reservations have been expressed by UN Humanitarian and Reconstruction Coordinator Sigrid Kaag who revealed that while it is important to diversify supply routes for aid, by air or sea, these do not substitute land as the optimal supply route solution for aid.<sup>32</sup> Furthermore, the immense logistical challenge of not only building the temporary facility but also distributing such amounts of aid portends a long-term Israeli security presence in the Strip.<sup>33</sup> Other agencies such as WFP or private entrepreneurs may be able to fill the gap created by the Israeli ban on UNRWA, but the legal, political, and humanitarian implications of such a new reality remain valid concerns for Palestinian and humanitarian players.

## 3. 2024 Foreign Aid Recap

On 27 February, USAID announced an additional \$53m in humanitarian assistance to several UN agencies and international NGOs working in the Gaza Strip, raising the total amount of funding announced by the U.S. government since October 7 to more than \$180m.<sup>34</sup> This funding is for projects targeting severe water shortages, infectious disease outbreaks, shelter overcrowding, urgent food assistance, provision of shelter materials, and sustaining a field hospital. Similarly, on 27 February, Japan extended an additional Emergency Grant Aid of \$32m for humanitarian assistance in food, health, and children protection.<sup>35</sup> On 18 March, the UK Government announced £10m in aid to Palestine, raising its total annual support to date to £100m.<sup>36</sup> It has extended its assistance by providing UNICEF with 150

32 <https://news.un.org/en/story/2024/03/1147342>

33 <https://www.wionews.com/world/>

34 <https://www.usaid.gov/news-information/press-releases/>

35 <https://bit.ly/4a3isj9>

36 <https://www.gov.uk/government/news/>

tons of essential relief supplies. Among the provisions are 840 family tents, 13,440 blankets, nearly 3,000 shelter kits and shelter-fixing kits, 6,000 sleeping mats, and more than 3,000 dignity kits tailored to support women and girls.

The EU has previously allocated €125m of humanitarian assistance to Palestinians for the year 2024 and has announced an additional €68m on 1 March, which will be provided to support Palestinians through projects implemented by various partners like the IFRC.<sup>37</sup> To support Palestinians' resilience in Area C of the West Bank, the EU has provided €10m for improving socioeconomic conditions, health, and property rights projects.<sup>38</sup> The World Bank has also announced a \$30m grant to support the education process in the West Bank. The grant is directed towards salary payments for public school teachers to 'ensure the continuity of crucial education for children.'<sup>39</sup>

### 3.1 UNRWA's Restored Funds

Following the initial wave of UNRWA defunding in late January, several countries committed to reinstating their aid after the EU confirmed that there was no substantiated evidence to support Israel's allegations regarding the involvement of UNRWA staff in the attack on October 7.<sup>40</sup> On March 1, the EU declared the disbursement of €50m to UNRWA from the pledged €82m for 2024.<sup>41</sup> The remaining amount will be disbursed following a comprehensive review of the Agency's control system, conducted by experts appointed by the EU. On 9 March, Sweden declared its allocation of an initial payment of approximately \$19.1m, with a commitment to provide the same amount later in the year

contingent upon advancement in UNRWA's supervision and control measures.<sup>42</sup> Other countries, such as Australia, Finland, and Canada, followed suit.<sup>43</sup>

Meanwhile, Ireland, Spain, and Portugal, some of the few countries that held firm against the previous wave of defunding, citing UNRWA's significant humanitarian endeavors in aiding those in Gaza, announced additional support in February alongside their regular contributions.<sup>44</sup> In an ominous development, the US House of Representatives has passed a budget amendment that would see US funding of UNRWA suspended into 2025.<sup>45</sup> If approved by the Senate and the President, this measure would be a critical blow to UNRWA at a moment it is facing an Israeli delegitimization campaign and would further undermine US credibility in the region arising from its unconstrained, ongoing support for Israel.

## 4. Emergency Basic Income

On 21 March, the Palestine Economic Policy Research Institute (MAS) launched discussions on the feasibility of introducing an Emergency Basic Income (EBI) as a critical component in Gaza's reconstruction and potentially the West Bank's economic stimulation.<sup>46</sup> The EBI, conceived as a universal, non-discriminatory financial support, promises a stable monthly income to all eligible individuals, aiming to stimulate local economies and foster communal production and resilience. Emphasizing the human dimension, such an initiative would address the profound human suffering in the Gaza Strip, disproportionate even in recent global calamities.<sup>47</sup> Global precedents validate

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

38 <https://www.bnews.ps/ar/node/22617>

39 <https://www.worldbank.org/en/news/press>

40 <https://bit.ly/4a5Vms3>

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

42 <https://www.government.se/press-releases/2024/03/>

43 <https://www.abc.net.au/news/2024-03-18/> and

<https://apnews.com/article/canada-unrwa-gaza-israel>

44 <https://bit.ly/3Vpo2rE>

45 <https://www.reuters.com/world/us/us-congress->

[https://mas.ps/cached\\_uploads/download/2024/02/27/rt-](https://mas.ps/cached_uploads/download/2024/02/27/rt-)

47 <https://www.oxfam.org/en/press-releases/daily> and

<https://foreignpolicy.com/2024/03/11/>

the EBI's potential to bolster employment and elevate living standards, countering misconceptions about welfare dependency.

The discussions acknowledged the need for special considerations in the implementation of the concept in Palestine, distinct in being a war-ravaged and occupied area. Participants also called for collaboration with international donors to secure funding for such an expansive program, with projected costs estimated at \$3.5bn annually for the Gaza Strip or \$8bn for the entirety of Palestine. The discussions stressed the need to pilot the EBI initiative to gain crucial insights into its socio-economic impact. However, since this is not possible in Gaza right now, proposals were made to implement it in socio-economically challenged areas in the West Bank.

## 5. Clearance Revenue Transfer

On 29 February, the Norwegian Ministry of Foreign Affairs announced the long-awaited clearance revenue transfer of NIS 407m to the PNA in first installments.<sup>48</sup> This issue has been going back and forth for months, given Israel's refusal to transfer Gaza's deducted amount and the PNA's refusal to receive the revenues without it. Over the past weeks, Norway negotiated a temporary technical arrangement by providing an escrow deposit facility for those amounts of due clearance revenues that Israel has withheld since 7 October. The additional withheld deductions totaled NIS 956m (around \$262m) in Q4 2023, according to the Palestinian Minister of Finance, Shukri Bishara.<sup>49</sup> In the first nine months of 2023, the PNA monthly clearance revenues after other Israeli deductions of around NIS 252m monthly, which have been imposed for several years (and not including the amounts withheld for Gaza), averaged

around NIS 730m.<sup>50</sup> This reflects the significance of the newly withheld amounts in just three months.

The PNA was already grappling with continuous fiscal deterioration due to increased Israeli deductions, which had doubled in early 2023. Since October 2023, the monthly deductions increased from around NIS 250m to over NIS 550m, from a total PNA clearance revenue entitlement of around NIS 980m.<sup>51</sup> Israel's deductions from clearance revenues represent over a 50% decrease in clearance transfers post-war and a 10% contraction in total 2023 revenues.<sup>52</sup> As reported in previous issues, this shortfall has forced the reduction and postponement of public salary payments,<sup>53</sup> bringing the fiscal deficit to US\$794m, or 4.5% of GDP.<sup>54</sup> However, this does not seem to be the end of it. A forecasted additional crisis may converge as Israeli Finance Minister Smotrich called for a recalculation of amounts deducted, arguing that "the amount should be much higher than what it currently is."<sup>55</sup> Recent reports reveal that Smotrich is planning to pirate about \$825m of the PNA's previously withheld funds in his quest to increase Israel's public revenue by about \$6.5bn.<sup>56</sup>

## 6. February Trading Activity

The Al-Quds index reached 551.2 points on the last day of trading in February 2024, a decrease of 1.1% from the previous month.<sup>57</sup> During the month, 6.2m shares with a total value of \$10.7m were traded, marking an 89.7% and 79.2% increase in the number and value of traded shares, respectively, compared to January 2024.

50 <https://www.pmf.ps/documents/accounts/monthly/2023/>

51 Ibid

52 <https://bit.ly/3IS85m8>

53 [https://mas.ps/cached\\_uploads/download/2024/02/01/](https://mas.ps/cached_uploads/download/2024/02/01/)

54 <https://bit.ly/3IS85m8>

55 <https://www.bnews.ps/ar/node/22740>

56 <https://www.alquds.com/en/posts/112716>

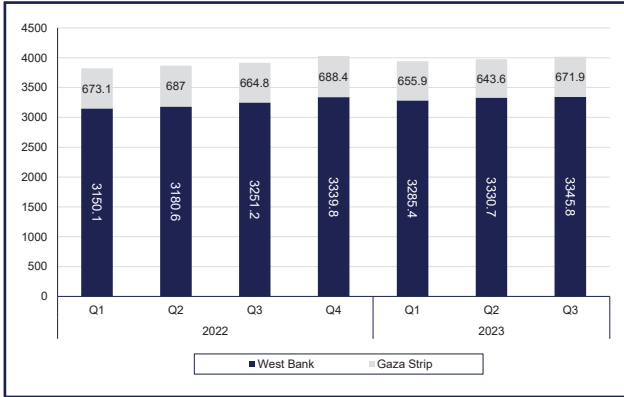
57 <https://bit.ly/3OP1xY1>

48 [The Palestinian Authority has received crucial financial transfers from Israel - regjeringen.no](https://www.pmf.ps/documents/accounts/monthly/2023/)

49 <https://www.alquds.com/ar/posts/110969>

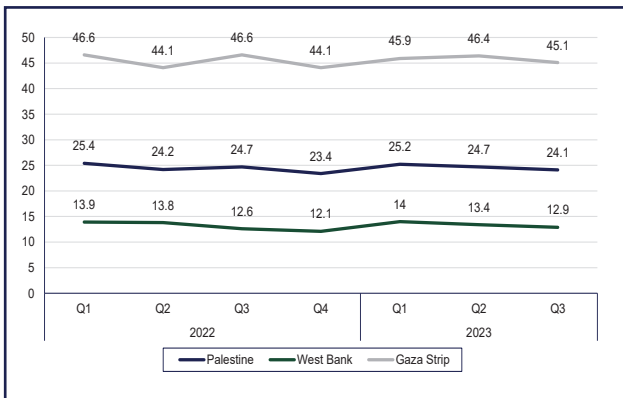
### Gross Domestic Product

**Quarterly Real GDP (million USD in 2015 prices) in Palestine by Region, Q1 2022 - Q3 2023**



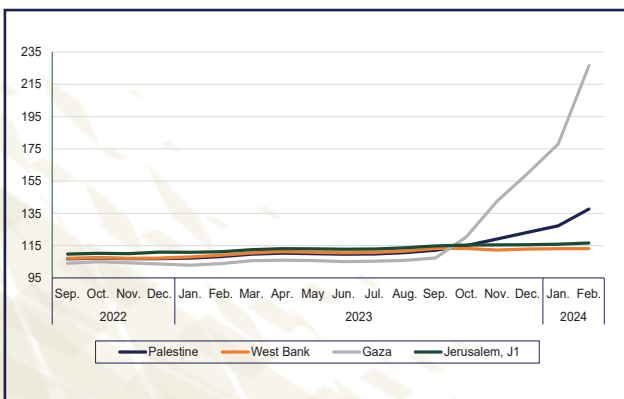
### Unemployment

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



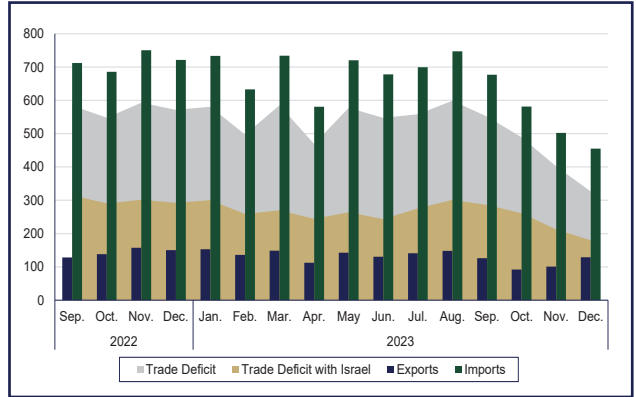
### Inflation

**Monthly Consumer Price Index (Base year = 2018) in Palestine by Region, September 2022 - January 2024**



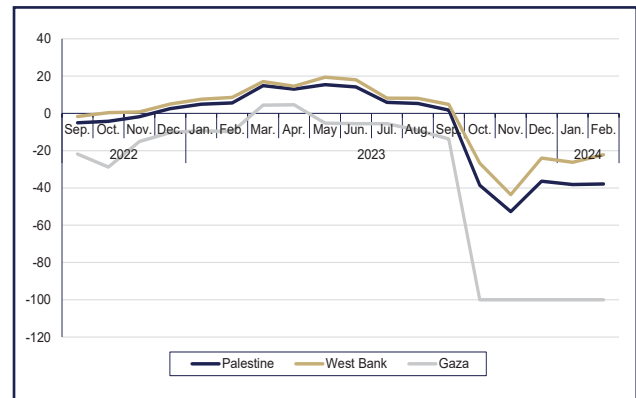
### Trade

**Monthly Export, Imports, Trade Deficit and Trade Deficit with Israel in Palestine, September 2022 - December 2023**



### PMA Business Cycle Index

**Monthly Palestine Monetary Authority Business Cycle Index, September 2022 - January 2024**



### Stock Market Index

**Al-Quds Index Monthly Closing, September 2022 - January 2024**

