



MAS

PALESTINE ECONOMIC POLICY  
RESEARCH INSTITUTE (MAS)

# Palestine Economic Update

April 2024

## Key Developments

- Direct damages to Gaza's infrastructure in the first four months of the war estimated at \$18.5 billion, set to rise as war spreads.
- Debris from the war is estimated at 37 million tons, requiring up to 14 years to remove, exacerbating reconstruction challenges.
- Over half of Gaza's buildings are damaged or destroyed, with 60-70% of homes uninhabitable, triggering widespread displacement and overcrowding.
- Destruction of banking infrastructure intensifies cash scarcity, hindering access to salaries and humanitarian aid and leading to the emergence of exploitive alternatives.
- Mass job losses drive income depletion and economic hardship,
- Unemployment projected to hit 57% in Q1 2024. Ban on Palestinian workers in Israel exacerbates the socioeconomic crisis.
- Listed companies' 2023 profits hit a 15-year low due to war-induced economic challenges.

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## 1. Destruction of Physical Infrastructure

As of 2 April, after six months of continuous bombardment, satellite data shows that over half the buildings (56.6%) in all of the Gaza Strip are likely damaged or destroyed.<sup>1</sup> Thus far, northern Gaza has sustained most of the damage, with over 70% of buildings likely damaged or destroyed, resulting in a widespread dire socioeconomic situation. On 29 March, the World Bank released an interim damage assessment of at least \$18.5bn in direct damages to Gaza's built infrastructure in the first four months of the aggression (October 2023 – January 2024), equivalent to 97% of Palestine's GDP in 2022.<sup>2</sup> These unprecedented costs, which have only increased since reported, eclipsed those incurred in previous rounds of aggression, \$338m in 2021 and \$1.38 billion in 2014.<sup>3</sup>

### 1.1 Devastating Fall-out of Israeli Domicide

On 15 March, UNRWA reported that around 23m tons of debris were produced across the Gaza Strip over five months of the war, a total that has since risen considerably with the Israeli attacks over the past three months on central Gaza cities and refugee camps.<sup>4</sup> On 25 April, a senior UN Mine Action Service (UNMAS) officer updated these estimates to 37m tons of debris, stating that it could take 14 years to clear debris.<sup>5</sup> The 50-day aggression in 2014 produced about 2.5m tons of rubble, and its removal extended over two years after the aggression ended.<sup>6</sup> At this rate, it would take 30 years to remove the latest estimate of rubble from Gaza,

showing urgency for a new approach to reconstruction once the war ends. During the 2014 aggression, donor countries pledged \$5.4 billion for reconstruction, half dedicated to reconstruction, including rubble removal.<sup>7</sup> The question of how and where to dispose of this material fallout of the war further underscores the enormity of the rubble removal challenge and reveals a daunting future for reconstruction. (Table 1 P:7)

### 1.2 Civilian Infrastructure

According to the World Bank, Israeli attacks on Gaza caused tremendous damage to civilian infrastructure, with 72% (\$13.29bn) of the estimated direct damage until January 2024 occurring in residential buildings. This is more than ten-fold the direct damage to housing reported in 2014 and 2021 aggressions combined, for which reconstruction was never completed. Between 60-70% of all homes in the Gaza Strip and up to 84% of homes in the northern Gaza Strip are either fully destroyed or partly damaged, rendering them uninhabitable.<sup>8</sup> Over 1.7-2m or 75% of the Gaza Strip residents, are displaced, with severe overcrowding and inadequate shelter, with only 1 square meter per person.<sup>9</sup> Shelters lack ventilation, and over half (57%) are affected by rain and water infiltration. Since summer weather has set in, the tents have been turned into sweltering hotspots for insect infestation, disease, and even greater human misery and mass trauma. These conditions can only have long-term adverse impacts on human capital development and economic growth.

1 <https://www.conflict-damage.org/>

2 <https://bit.ly/4dgRdU2>

3 An alternative estimate by the "Arab International Organization to Construct Palestine" suggest that Gaza's reconstruction costs could yet reach \$50bn. <https://bit.ly/49Y5I2A>

4 <https://bit.ly/4a7Ewsh>

5 <https://acesse.dev/oCLOy>

6 <https://www.timesofisrael.com/>

7 <https://press.un.org/en/2014/sc11607.doc.htm>  
<https://archive.ph/Kmfr5>

8 <https://www.ohchr.org/en/press-releases/2024/04/gaza-u>

9 <https://www.ochaopt.org/content/hostilities-gaza->

Another 19% of the World Bank's estimated direct damage until January 2024 is the cost of other civilian infrastructure, including water and sanitation, health, power, and roads. More than 57% of WASH infrastructure in Gaza has been damaged, resulting in a direct loss of around \$502.7m. About 40% of water networks had been destroyed, and primary water pumps had been disrupted due to bombardment and fuel shortages.<sup>10</sup> This has reduced the available water supply to only 10-20% of pre-conflict levels, significantly below emergency survival needs.<sup>11</sup> Even before the current aggression, a large portion of the population lacked access to safely managed drinking water, with only 4% having such access. In 2022, the per capita share of water in Gaza was 84.6 litres per day, which was already low according to international standards. This has now dropped to 3-15 litres per person per day, with no access to clean water in northern areas.<sup>12</sup>

Limited access to WASH services in overcrowded shelters over six months led to widespread infectious diseases, including respiratory infections (643,254 cases), diarrhea (345,768 cases), scabies, lice (83,450 cases), skin rashes (47,949 cases), chickenpox (7,293 cases), and acute jaundice syndrome (34,830 cases).<sup>13</sup> Yet, according to the World Bank estimates, 84% of health facilities, costing \$553m, were destroyed in the first four months of the war. With 26 hospitals out of service and only 11 partially functioning, along with 6 field hospitals, over 85 thousand injured Palestinians and tens of thousands of patients rely on overwhelmed health facilities.<sup>14</sup> Hospitals are operating at 359% capacity, with an average bed occupancy of 323%, struggling with shortages of medicine, ambulances, lifesaving treatments, electricity, and water.<sup>15</sup>

10 <https://aliqtisadi.ps/ar/Article/99410>

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

12 <https://www.ochaopt.org/content/hostilities-gaza-strip>

13 <https://www.emro.who.int/images/stories/Sitrep>

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

15 <https://bit.ly/3QkPROu> and <https://bit.ly/3UhtOop>

Furthermore, until January intense bombardment had already destroyed 62% of roads and 92% of primary roads, resulting in \$358m in damages. ICT destruction amounted to \$90m, comprising 7% of total damage, ninefold the costs of the 2014 aggression. Transportation, municipal services, energy, and ICT suffered a combined loss of \$746m, severely affecting basic and relief services for displaced people. The electricity sector alone incurred a \$279m loss, leading to a near-complete blackout in Gaza since the start of the current aggression.

### 1.3 Productive Sectors

The World Bank estimates that damages in productive sectors totalled \$2.29bn between October 2023 and January 2024, with 80% of commercial buildings damaged or destroyed, accounting for \$1.65 billion.<sup>16</sup> This has led to a near-complete halt in productive activities, driving unemployment to unprecedented levels (over 80%) and pushing most of the population below the poverty line.<sup>17</sup> The percentage of damaged agricultural land increased from 25% in November 2023 to 60% in January 2024, with 70% of meat and dairy-producing livestock lost or prematurely slaughtered.<sup>18</sup> This has disrupted critical businesses in the food chain and resulted in an estimated \$629m of direct loss in the agriculture sector in the first four months of the aggression.

### 1.4 Socioeconomic Impacts

Six months of Israeli aggression in Gaza have driven poverty and food insecurity to unprecedented levels, with the majority of the population living in multidimensional poverty. Widespread acute food insecurity affects 95% of the population (IPC Phase 3 and above), with one-third facing

16 <https://www.ochaopt.org/sites/default/files/>

17 <https://unctad.org/news/gaza-unprecedented-destruction->

18 <https://bit.ly/44jypQi>

catastrophic levels and nearly half expected to suffer from it soon (IPC Phase 5).<sup>19</sup> Food availability is minimal, prices have spiked, and necessities like gas and drinking water are scarce. The Consumer Price Index (CPI) in Gaza has surged by 165% in the past six months, further eroding people's purchasing power by 62%.<sup>20</sup> IPC confirms that famine is imminent and will likely occur by May 2024.

Vulnerable groups are grappling with a dreadful and deteriorating situation. Women in Gaza face a staggering unemployment rate of over 90%, with 61% of working women losing their jobs.<sup>21</sup> Over 90% of women have had their homes damaged or destroyed, and 95% lack sufficient funds to meet basic needs.<sup>22</sup> Severe food poverty affects the vast majority of pregnant and breastfeeding women and children under two, with over 600 thousand children suffering from hunger in Rafah alone.<sup>23</sup> Malnutrition and infectious diseases are rampant, with stunting and wasting on the rise among children in shelters. As of April 9, 28 children have died of malnutrition and dehydration.<sup>24</sup> Over 90% of children under five had at least one infectious disease in March 2024.<sup>25</sup>

As Gazans struggle to survive, new "emergency professions" have emerged in the subsistence war economy that reflects desperation and urgent need for income. Local news outlets have reported people holding places in ATMs and aid queues for compensation while others are selling portions of their share of assistance.<sup>26</sup> Emerging jobs include tent-making, building shelter toilets, grave-digging, stitching, and making footwear. These activities underscore the dire and collapsing socioeconomic conditions.

19 <https://11nq.com/xlfcv>

20 [https://www.pcbs.gov.ps/portals/\\_pcbs/PressRelease/](https://www.pcbs.gov.ps/portals/_pcbs/PressRelease/)

21 <https://bit.ly/44i3B29>

22 <https://www.unicef.org/media/154601>

23 <https://bit.ly/3W9ZXp7>

24 <https://www.ochaopt.org/content/hostilities-gaza-strip>

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

26 <https://www.wafa.ps/Pages/Details/92079>

## 2. Liquidity Crunch in Gaza

The continuous bombing of the Gaza Strip has also devastated the banking infrastructure, destroying bank branches and headquarters. On 24 March, the Palestine Monetary Authority (PMA) issued a statement confirming the impossibility of opening the few remaining undestroyed branches for withdrawals and deposits across the Strip.<sup>27</sup> The crisis deepens as most ATMs are destroyed or rendered inoperable due to relentless attacks, harsh conditions, power outages, and security concerns.

Palestinians in Gaza are now grappling with an unprecedented scarcity of cash liquidity, further exacerbating the dire circumstances. Before the conflict, the Gaza Strip hosted 56 bank branches and 91 ATMs. Today, only 5 branches and 7 ATMs remain operational, primarily in the southern city of Rafah. Citizens have reported waiting in line for days to withdraw money, as ATMs often run out of cash before they reach them.<sup>28</sup> Early in the war, during the brief truce, the Bank of Palestine was able to move ILS 180m of cash from bank safes in northern Gaza to more secure branches in the South.<sup>29</sup> Nevertheless, predatory practices by some individuals, merchants, and unlicensed money exchangers have emerged, exploiting the populace's desperate need for cash. The PMA is investigating complaints regarding extortion operations, including exorbitant fees of up to 15% on POS or money transfer withdrawals.

Israeli authorities' refusal to allow cash transfers from the West Bank to the Gaza Strip exacerbates the situation, impeding citizens' access to their salaries. On 31 March, Firas Milhem, PMA governor, noted that "the PNA transferred the salaries of its employees in the Gaza Strip for February, worth ILS 195m, while the available funds

27 <https://bit.ly/3QGZBD1>

28 <https://aliqtisadi.ps/ar/Article/99539>

29 <https://www.ft.com/content/4efde557-1c78-45ad-9982->

in the operating branches do not exceed ILS 14m, which prevented them from being able to withdraw their salaries.”<sup>30</sup> This crisis also affects humanitarian aid, as about 28% of people who received the Multi-Purpose Cash Assistance could not withdraw these funds.<sup>31</sup> The PNA has made appeals to the international community to pressure Israel to facilitate the entry of cash into Gaza. However, the threat of Israeli Finance Minister Bezalel Smotrich to sever banking ties looms large, potentially devastating the Palestinian economy as a whole.<sup>32</sup>

By the end of Q4 2023, customer deposits in the Gaza Strip rose by \$426.4m compared to Q3 2023, bringing the total to \$2.0bn (11.6% of total deposits in Palestine).<sup>33</sup> This happened as displaced traders and individuals scrambled to protect cash held in homes and offices from the Israeli onslaught, as well as the aforementioned difficulties in making withdrawals from banks.<sup>34</sup> The Gaza Strip’s credit portfolio, constituting a modest 8.4% of Palestine’s total, underscores the region’s economic fragility after seventeen years of Israeli blockade. While the Palestinian banking sector is still showing resilience and an ability to absorb the losses incurred in the Gaza Strip, the ongoing cash shortage intensifies the humanitarian crisis, leaving Gazans vulnerable to exploitation and further hardship.

### 3. Impacts of Mass Unemployment

According to a recent ILO report, as of 31 January 2024, 507,000 jobs have been lost across Palestine as a result of the ongoing war on Gaza.<sup>35</sup> In the Gaza Strip, 201 thousand jobs have been lost following a 90% drop in private-sector employment, a

15% decrease in public-sector employment, and a complete loss of jobs for 20,000 Gazans previously employed in Israel. With Israel expected to expand its military operations in the Southern Gaza Strip, job losses are anticipated to increase. In the West Bank, 306 thousand jobs have been lost. Of approximately 171 thousand workers who used to work in the Israeli labour market with permits, only about 10 thousand have retained their jobs. Another 144 thousand jobs were lost in the West Bank’s private sector (25% of pre-war levels) due to suffocating movement restrictions, military raids, and settler attacks; disrupting supply chains, productive capacities, and workers’ access to workplaces. Around 67 thousand workers who commute daily between Palestinian governorates and towns are affected by significant delays due to intensified Israeli restrictions, closure of checkpoints, and installation of roadblocks.

A survey of employers conducted by the ILO in January 2024 indicates that 99% of establishments in the West Bank experienced adverse impacts due to Israeli measures implemented since October 2023, with 97% reporting decreased monthly turnover and nearly half temporarily laid off employees. Over 40% of surveyed SMEs permanently laid off employees amid worsening economic conditions. Given the huge employment losses, and assuming the hostilities continue until June 2024, the ILO forecasts a spike in unemployment to 45.5% in 2024, compared to 29.7% in 2023. On a quarterly basis, the unemployment rate is projected to rise to a staggering 57% in Q1 2024, compared to 24% in Q3 2023, before the war.

MAS had projected early on in the war that suspending the employment of those previously working in Israel for one year would reduce the GDP by around 29%

30 <https://asharq.com/politics/83948/>

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

32 <https://www.bnews.ps/ar/node/23033>

33 Preliminary PMA statistics

34 <https://www.bnews.ps/en/node/22787>

35 <https://www.ilo.org/wcmsp5/groups/public/---arabstates>

compared to 2022, through the effect on aggregate demand alone and in isolation of other war-related factors.<sup>36</sup>

### 3.1 Income Depletion

In tandem with mass job losses, workers across sectors have experienced income depletion. Public workers have not received full salaries since November 2021, given the Palestinian National Authority (PNA) fiscal crisis, mainly due to ongoing and increasing deductions from the taxes Israel collects on behalf of the PNA.<sup>37</sup> Although the PNA usually pays its employees these reduced amounts once resources become available, the situation has worsened since October 2023, and, as of February 2024, the PNA owed its employees 4.3 full monthly salaries. Since January 2024, public sector employees have received only 50-60% of their monthly wages.

Moreover, the ILO estimates indicate that about 40% of private sector workers in the West Bank experienced a 20% reduction in their wages/incomes by January 2024. In the Gaza Strip, 60% of the remaining private sector workers have experienced a 40% reduction in their labour income. According to ILO estimates, the combined effects of job and income losses have led to total daily income losses of \$25.5m. PCBS preliminary estimates show a 29.3% decrease in GDP in Q4 2023 compared to Q3 2023, with a 28.3% drop in GDP per capita.<sup>38</sup>

### 3.2 Workers in Israel

Israel's ban on Palestinian workers has led to severe economic and social consequences.<sup>39</sup> Palestinian workers in Israel were one of the main catalysts of economic activity,

constituting 18.5% of Gross National Income in 2022, an average of \$365m per month. Overnight, around 200 thousand workers (including those without permits) lost their livelihoods, and no resolution is in sight. The situation is exacerbated by a rapidly deteriorating economic situation in the West Bank and a lack of job opportunities. Furthermore, the wages and scale of work in the West Bank are significantly lower than those in Israeli markets, making it challenging for former workers in Israel to adjust. This has pushed them into financial distress due to ongoing obligations tied to their reliance on higher Israeli wages.<sup>40</sup>

Desperate for livelihoods, anecdotal evidence shows a tendency towards selling assets, like gold, for immediate liquidity. Some have turned to street vending for alternative income, which is unsustainable due to high costs and market saturation.<sup>41</sup> Others have considered entering Israel through smuggling routes, risking arrest, financial penalties, future employment bans, and potential physical harm.<sup>42</sup> Formal assistance from authorities or worker associations is lacking amidst the PNA's fiscal crisis and the humanitarian catastrophe in the Strip.

In recent months, Israeli authorities have been contemplating the reintroduction of Palestinian workers into Israel. Recent reports suggest tens of thousands from the West Bank have already been granted exemptions, particularly in sectors facing acute labour shortages like construction and agriculture.<sup>43</sup> The absence of Palestinian workers in key sectors is estimated to result in monthly losses of over \$840m, highlighting their significant contribution to the Israeli

36 [https://mas.ps/cached\\_uploads/download/2023/11/17/](https://mas.ps/cached_uploads/download/2023/11/17/)

37 [https://mas.ps/cached\\_uploads/download/2024/03/28/](https://mas.ps/cached_uploads/download/2024/03/28/)

38 [https://www.pcbs.gov.ps/portals/\\_pcbs/PressRelease/](https://www.pcbs.gov.ps/portals/_pcbs/PressRelease/)

39 <https://11nq.com/Saghr>; <https://acesse.dev/aFqXd;>

40 <https://aliqtisadi.ps/ar/Article/98702/>

41 <https://wafa.ps/Pages/Details/87469> and <https://aliqtisadi.ps/ar/Article/99485>

42 <https://bit.ly/3WjfuTx>

43 <https://www.timesofisrael.com/amid-ostensible-ban-tens-of-thousands-of-palestinians-working-in-israel-report/>

economy.<sup>44</sup> The Israeli construction sector, for instance, faces a severe downturn that is projected to shrink Israel's GDP by 1.5%-2%.<sup>45</sup> Efforts to replace Palestinian labour with workers from abroad have largely failed, leading to tensions between Israeli labour unions and the government.<sup>46</sup> This issue remains a point of contention within the Israeli government.<sup>47</sup>

#### 4. March Trading Activity

Al-Quds index reached 542.7 points on the last day of trading in March 2024, a decrease of 1.5% from the previous month. A total of 2.97m shares with a total value of \$5.39m were traded, marking a 51.9% and 49.4% decrease in the number and value of traded shares, respectively, compared to February 2024.

In 2023, PEX-listed companies saw a significant downturn in net annual profits, totalling \$155m, marking a 60% drop from 2022.<sup>48</sup> Preliminary results indicate that out of 47 listed companies, 36 reported profits, 11 reported losses, and two failed to disclose within the legal timeframe. This represents the weakest performance in over 15 years, with net annual profits even lower than those recorded during the peak of the COVID-19 pandemic in 2020 (\$207m). While the companies performed well in the first nine months of 2023, most losses occurred in the last quarter following the war on Gaza. The investment sector faced the sharpest decline, with profits plunging by approximately 129% to a loss of \$22m. Following suit, the banking sector experienced a 60% decrease in profits to \$55m, while the insurance sector saw a 51% decline, with profits totalling \$11m.

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44 <https://11nq.com/RWHOT>

45 <https://acesse.dev/yEtud>

46 <https://bit.ly/3WeuEJC>

47 <https://bit.ly/3JAbx5f>

48 <https://bit.ly/41fGfYm>

**Table 1: Total Cost of Damage by Year and Percentage of Total Damage**

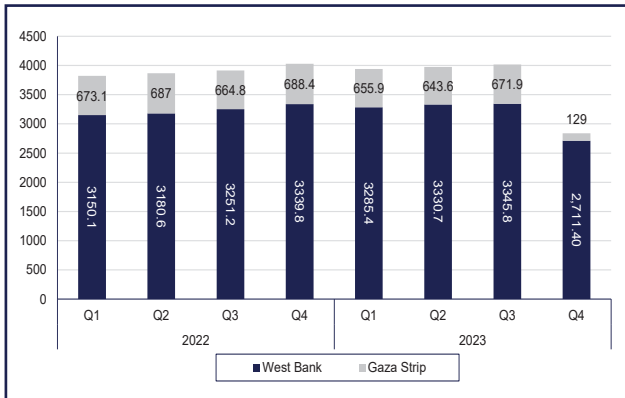
Sector		Damages in USD			Total of 2024 Damages
		2014	2021	2024	
Social Sectors	Housing	789M	144.8M	13.3 B	72%
	Health	24M	12.8M	533.6 M	3%
	Education	35M	3M	342.2M	1.80%
	Cultural Heritage	1.2M	-	319.4M	1.70%
Infrastructure Sectors	Municipal Services	-	24.9M	19.6M	0.10%
	Transport	42M	19.5M	357.9M	1.90%
	Water and Sanitation	33M	13.5M	502.7M	2.70%
	Energy	58M	15M	278.5M	1.50%
	ICT	-	3.5M	90M	0.50%
Productive Sectors	Finance	-	0.450M	8M	0%
	Commerce, Industry, and Services	144M	40M	1.6B	9%
	Agriculture	266M	42M	628.7M	3.40%
Cross-Cutting Sectors	Environment	-	17.5M	411M	2.20%

Source: World Bank, 2024.



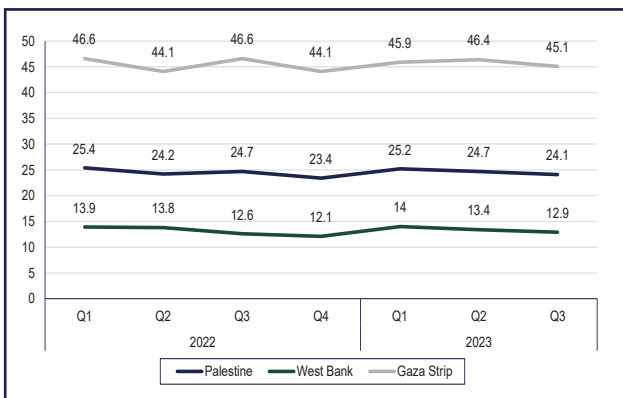
## Gross Domestic Product

**Quarterly Real GDP (million USD in 2015 prices) in Palestine by Region, Q1 2022 - Q4 2023**



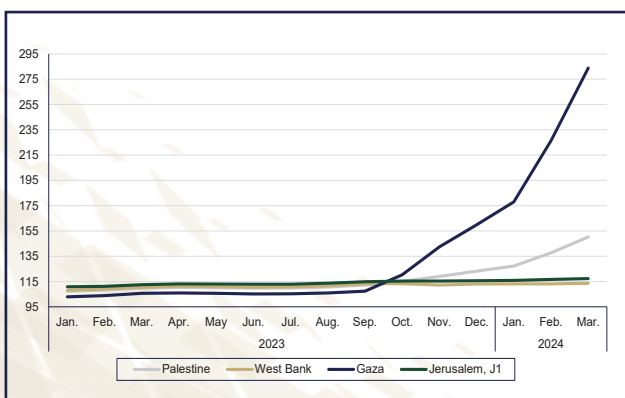
## Unemployment

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



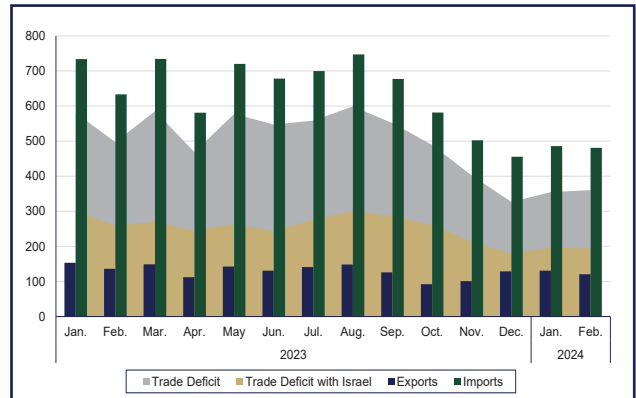
## Inflation

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



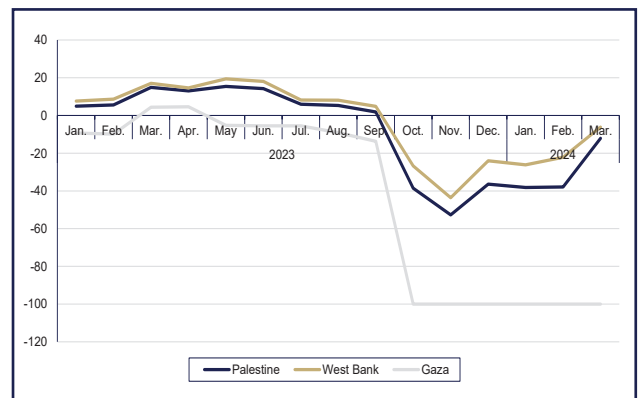
## Trade

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



## PMA Business Cycle Index

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



## Banking

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

