

# Economy

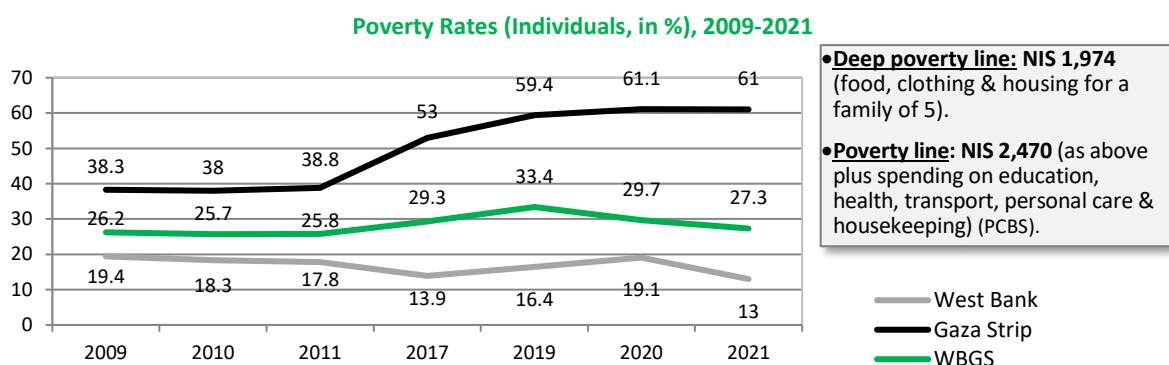
## 1. Background & Overview

Despite slight recovery, the Palestinian economy has not yet reached its pre-pandemic level as it continues to **suffer** from **Israel's restrictive policies** on trade, movement and access to natural and economic resources. **Economic growth** remains **consumption-driven** and lags far behind population growth, the productive capacity is further eroding and private sector potentials remain low, causing heavy **dependency** on external support, which continues to decline. Access to Area C is estimated to boost the economy by a third and increase revenues by 6% of GDP (World Bank, "Coordinated Efforts Are Required to Avoid a Worsening Economic and Fiscal Outlook in the Palestinian Territories," 18 Sept. 2022).

During 2021, the **GDP increased** by 7.1% (WB: 7.8%, GS: 3.4%) and the **per capita GDP** by 4.7% (WB: 5.1%, GS: 0.5%) (PCBS, *Performance of the Palestinian Economy 2021*, May 2022). However, in 2022, **growth is projected** to reach only 3.5% due to the rapid inflation (World Bank, *Economic Monitoring Report to the AHLC*, September 2022). The IMF also expects the Palestinian **economy to decline** to around 4% in 2022 due to lower consumption and investment as price rises lower real incomes (IMF statement, 30 August 2022).

**Inflation** stood at 1.24% in 2021, reflecting weak consumer demand amid the Corona crisis (PCBS, *Performance of the Palestinian Economy 2021*, May 2022) but is expected to significantly increase due to the global rise in energy and food prices. By July 2022, it had reached 3.9% and was expected to rise to 4.9% by the end of 2022 (IMF, *Report to the AHLC*, Sept. 2022).

The **poverty rate** stood at 27.3% in 2021 (WB: 13%; GS: 61%) implying a poor population of about 1.5 million people (World Bank, *Economic Monitoring Report to the AHLC*, May 2022).



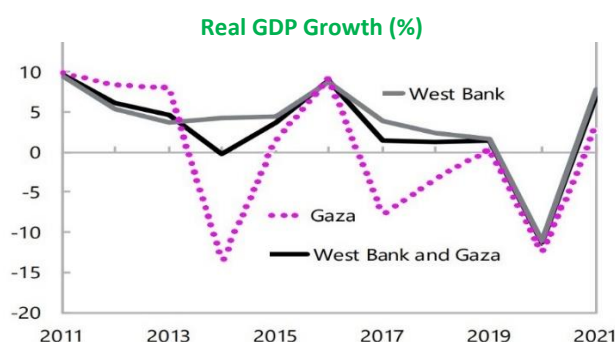
Sources: PCBS; World Bank, *Economic Monitoring Report to the AHLC*, May and September 2022.

### Key Indicators of the Palestinian Economy (excl. Jerusalem, selected years)

	1995	1999	2002	2006	2010	2014	2019	2020	2021 <sup>1</sup>
GDP (\$ million)	3,283	4,271	3,556	5,348	9,682	13,990	17,059	15,532	18,037
GNI (\$ million)	3,723	5,025	3,775	5,771	10,281	15,472	19,171	18,107	23,615
GDP per capita (\$)	1,427	1,553	1,182	1,578	2,559	3,357	3,641	3,234	3,655
GNI per capita (\$)	1,618	1,827	1,255	1,703	2,718	3,713	4,208	3,770	4,344
Real GDP growth	7.1%	8.3%	-12.5%	-1.0%	5.8%	-0.2%	1.4%	-11.3%	7.1%
Real GNI growth per capita	0.7%	4.6%	-16.4%	-2.7%	0.6%	-1.2%	-0.9%	-15.1%	6.6%

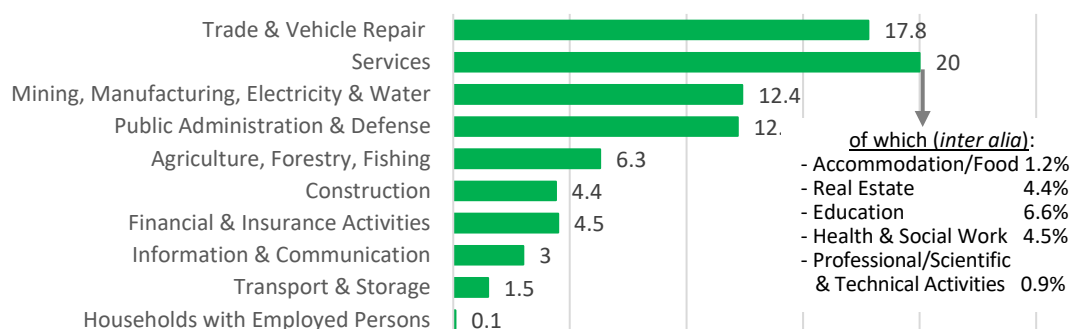
Source: UNCTAD, *Report on UNCTAD's Assistance to the Palestinian People*, 2022. <sup>1</sup> Preliminary estimates.





Source: PCBS.

**Palestinian Economic Structure, mid-2022 (% of GDP)**



Source: PCBS, Quarterly National Accounts, Second Quarter 2022, excluding East Jerusalem.

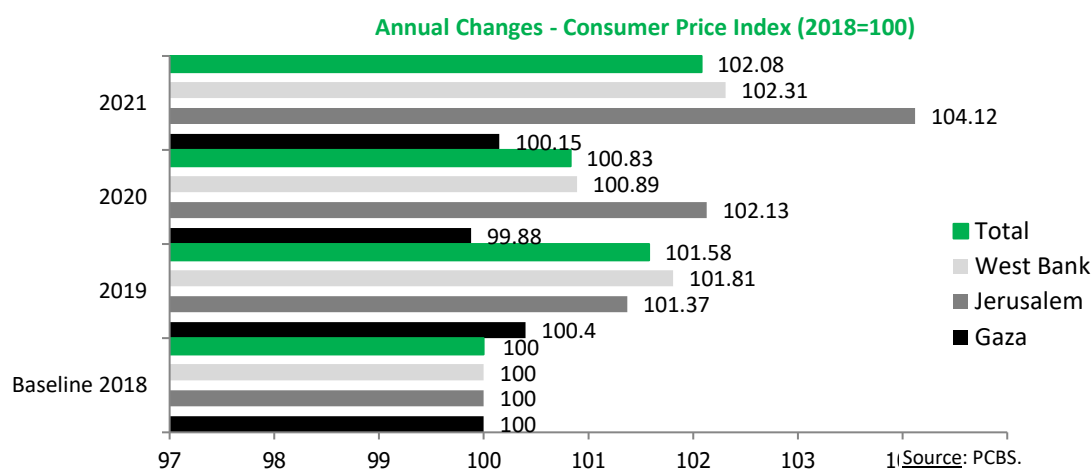
**GDP by Economic Activity and Activity Shares, WBGS, June 2022**

Economic Activity	West Bank	Gaza	Total
<b>Agriculture, Forestry &amp; Fishing</b>	<b>5.2%</b>	<b>10.9%</b>	<b>6.3%</b>
<b>Mining, Manufacturing, Electricity &amp; Water</b>	<b>13.8%</b>	<b>6.8%</b>	<b>12.4%</b>
- Mining and Quarrying	0.4%	0.1%	0.3%
- Manufacturing	12.3%	3.4%	10.7%
- Electricity, Gas, Steam, Water Supply, Sewerage	1.1%	3.3%	1.4%
<b>Construction</b>	<b>4.3%</b>	<b>5.2%</b>	<b>4.4%</b>
<b>Wholesale &amp; Retail Trade, Repair (Vehicles)</b>	<b>18.3%</b>	<b>14.3%</b>	<b>17.8%</b>
<b>Transport &amp; Storage</b>	<b>1.6%</b>	<b>1.4%</b>	<b>1.5%</b>
<b>Financial &amp; Insurance Activities</b>	<b>4.9%</b>	<b>2.8%</b>	<b>4.5%</b>
<b>Information &amp; Communication</b>	<b>3.5%</b>	<b>0.6%</b>	<b>3%</b>
<b>Services</b>	<b>18.2%</b>	<b>28.7%</b>	<b>20%</b>
- Accommodation and Food Services	1.1%	1.6%	1.2%
- Real Estate	3.7%	7.8%	4.4%
- Professional, Scientific & Technical Activities	1.0%	0.6%	0.9%
- Administrative & Support Services	0.8%	0.4%	0.7%
- Education	6.3%	7.8%	6.6%
- Health and Social Work	3.5%	8.7%	4.5%
- Arts, Entertainment & Recreation	0.3%	0.6%	0.3%
<b>Public Administration and Defense</b>	<b>9.9%</b>	<b>22.6%</b>	<b>12.2%</b>
<b>Households with Employed Persons</b>	<b>0.1%</b>	<b>0.1%</b>	<b>0.1%</b>
Minus: FISIM	0%	0%	0%
Plus: Customs Duties	11.2%	2.1%	9.6%
Plus: VAT on Imports (net)	9%	4.5%	8.2%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: PCBS, Quarterly National Accounts, Second Quarter 2022, excluding East Jerusalem.

## ■ Consumer Price Index (Yearly Averages)

The average of consumer prices **increased by 1.24%** in 2021 (WB: 1.41%, GS: 0.27%, J: 1.95%) over 2020, due to price rises in transport (4.39%), housing, water, electricity, gas and other fuels (3.65%), and food and non-alcoholic beverages (0.86%). (PCBS, *Performance of the Palestinian Economy 2021*, May 2022).



## 2. Agriculture

### The Agricultural Sector at a Glance

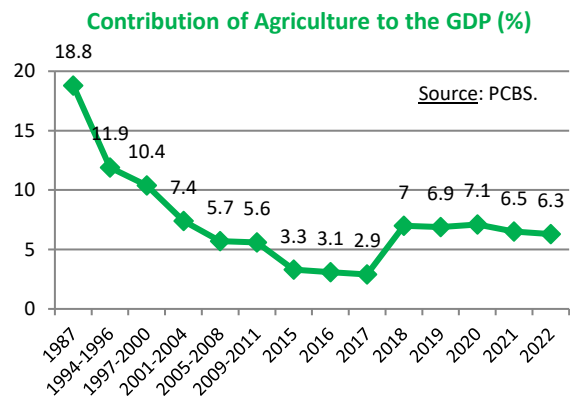
	WBGS	West Bank	Gaza
<b>Agricultural holdings (number)</b>	140,568	115,814	24,754
- of which: - animals	- 19,909 (14.2%)	- 12,278	- 7,631
- plants	- 103,143 (73.4%)	- 89,723	- 13,420
- mixed	- 17,516 (12.4%)	- 13,813	- 3,703
<b>Cultivated Area (dunums)</b>			
<b>Total cultivated area (% of total area)<sup>1</sup></b>	1,138,522 (18.9%)	1,048,833 (18.5%)	89,689 (24.6%)
- of which with trees and crops	1,096,321	979,752	116,569
- of which: - horticulture trees	- 676,828	- 640,860	- 35,968
- vegetables	- 202,286	- 140,794	- 61,492
- field crops	- 217,207	- 198,098	- 19,109
<b>Animals/Livestock (numbers)</b>			
- cattle (cows)	67,760	53,182 (78.5%)	14,578 (21.5%)
- sheep	771,168	713,271 (92.5%)	57,897 (7.5%)
- goats	239,966	231,328 (96.4%)	8,638 (3.6%)
- beehives	64,360	47,595 (74%)	16,765 (26%)
- broilers	71 million	57 million (80.4%)	14 million (19.6%)
- layers	3.65 million	3.08 million (84.5%)	565,358 (15.5%)
<b>Caught fish (kg, 2019)<sup>b</sup></b>	3,943	--	3,943
<b>No. of fishing boats / fishermen<sup>c</sup></b>	1,739 / 4,054	--	1,739 / 4,054

<sup>1</sup> includes meadows, pastures, and land under temporarily fallow, but excludes 70,671 dunums of uncultivated area (i.e., agricultural buildings, forests/wooded land, parks, open spaces) and 82 dunums used for aquaculture.

Sources: <sup>a</sup> PCBS, Agriculture Census, 2021 - Preliminary Results, May 2022; <sup>b</sup> PCBS, *Palestine in Figures 2021*, March 2022; <sup>c</sup> PCBS, Agricultural Statistics, 2019.

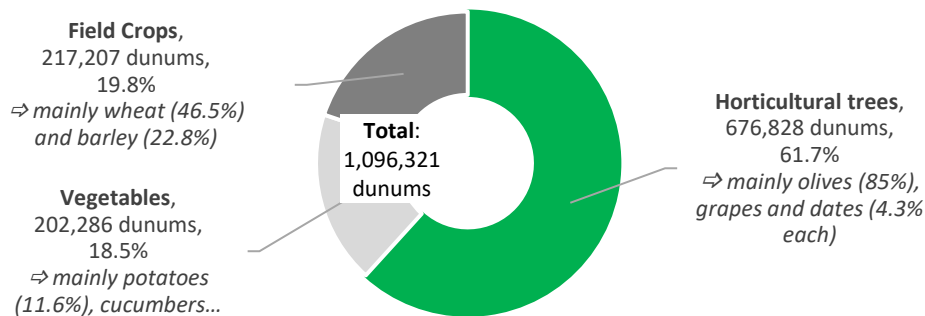


Agriculture, which accounted for over half of the GDP in 1968, is **suffering from occupation-related actions**: closures, restricted access to and confiscation of land (especially Area C) and natural resources (mainly water), damages to agricultural assets and water quality, restrictions on movement, free trading, and import of fertilizers; uprooting of trees, rare permits for infrastructure, etc. Between **1994 and 2021**, the **GDP share** of agriculture and fishing fell from over 12.1% to less than 6.5%. The **separation barrier** traps 10% of West Bank agricultural land in the area between the barrier and the Green Line (UNCTAD, *Report on UNCTAD's Assistance to the Palestinian People*, 2022).



- Agriculture contributed **6.3%** to the GDP (WB: 5.2%, GS: 10.9%) in mid-**2022** (down from 6.5% in 2021 and 7.1% in 2020). Some 6.4% of the workforce was employed in **agriculture, fishing and forestry** by mid-2022 (WB: 6.9%, GS: 6.3%) (PCBS, *Labor Force Survey, Q2-2022*).
- Agricultural holdings **cultivated 1,138.5 million dunums** of land - about 18.9% of the whole area of the OPT. The annual **increase in cultivated land** is expected to reach 7,666 dunums during 2022, through reclamation, rehabilitation and greening projects (PCBS and the Ministry of Agriculture, *Press Release on the Preliminary Results of Agriculture Census, 2021*).
- In June 2022, 6.4% of the **employed persons** in the WBGS were working in agriculture, fishing, and forestry (WB: 6.9%, GS: 6.2%, Israel/settlements: 4.9%), often as unpaid family members (PCBS, *Labor Force Survey, Q2-2022*). In 2021, the **average daily wage** in the agriculture sector was NIS 54.8 (WB: NIS 89.5, GS: NIS 20.9) (PCBS, *Performance of the Palestinian Economy 2021, May 2022*).

#### Distribution of Cultivated Area in Palestine by Type of Crops, 2020/2021



Source: PCBS, *Agriculture Census, 2021 - Preliminary Results, May 2022*

- **Most cultivated** (cultivated area as percent of total area) is Jenin Governorate (49.4%), followed by Qalqilya (35.1%), North Gaza (34.4%) and Tulkarem (34%) (*ibid.*).
- In 2021, the Israeli forces **uprooted, destroyed, and burned** about 19,000 **trees**, and there were 30 incidents of **bulldozing** or **burning land** (PCBS, *Press Release on World Environment Day, 5 June 2022*).
- Most of the structures targeted by Israel for **demolition** in the West Bank are **agriculture-related infrastructure**: since 2009 and as of 3 October 2022, **2,651 agricultural structures** were **demolished**, 228 of them in **2022** (OCHA, *Data on Demolition and Displacement in the West Bank, 3 October 2022*).
- In **Gaza**, Israeli "buffer zones" render over 35% of **agricultural land inaccessible** to Palestinian producers and the sector still suffers from the May 2021 and August 2022 military assaults (UNCTAD, *Report on UNCTAD assistance to the Palestinian people, 2022*).

- In **Area C**, over 96% of all **requests** submitted by Palestinians for **permits** to build for purposes of infrastructure, housing, industry or agriculture between 2010-2020 were **rejected** (*Ibid.*).
- Although the Oslo Accords stipulate a **fishing zone** of 20 **nautical miles (NM)**, the Israeli navy allows Palestinian fishermen to sail in ranges between 3 and 15 NM, with a “usual” limit of 6 NM (OCHA, Gaza Strip access and movement June 2022).



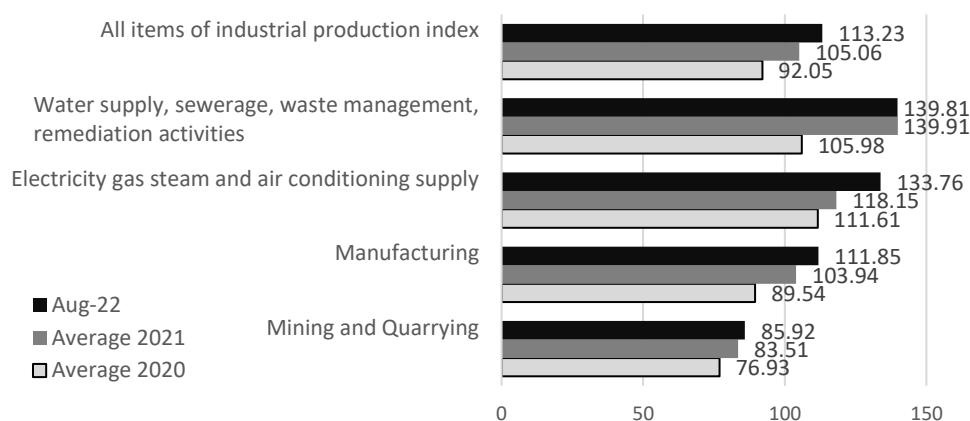
### 3. Industry & Private Sector

Israeli restrictions severely limit private sector activity, discourage **private investment** (which is among the lowest in the world), and keep the **productive capacity** very low, thus increasing aid dependency. **Foreign Direct Investment** is less than 1% of GDP and not expected to grow significantly unless Israel eases restrictions (World Bank, *Economic Monitoring Report to the AHLC*, May 2022).

#### ■ Facts & Figures

- The overall **share of manufacturing** shrank from 20% of GDP in 1995 to 11-12% in recent years (UNCTAD, *Report on UNCTAD's Assistance to the Palestinian People*, 2020). As of **June 2022**, its share was **10.7%** (WB: 12.3%, GS: 3.4%) (PCBS, *Quarterly National Accounts*, Q2-2022).
- In 2019, there were 3,742 operating **industrial enterprises** with 5 or more employees (WB: 80%, GS: 20%), employing a total of 57,776 people. The vast majority (94.8%) were manufacturing enterprises, mainly producing non-metallic mineral products (26.8%), food (19.6%) and furniture (13.3). The remainder worked in mining/quarrying (4%), water (supply, management, sewerage, remediation – (0.9%), and electricity/gas/steam/air-conditioning (0.3%).

#### Industrial Production Index (IPI) by Major Groups



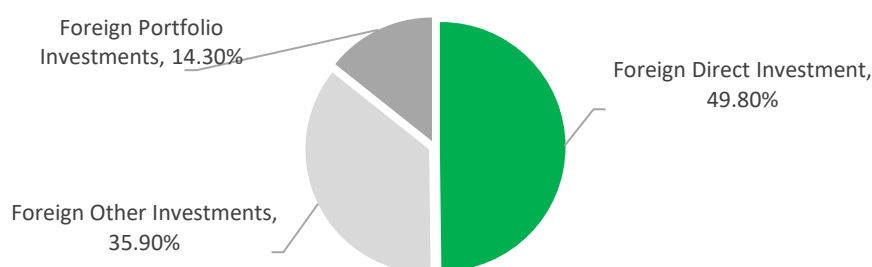
Source: PCBS, *Industrial Production Index*, August 2022.

- Between 2019-2022, 278 **factories** obtained operating **licenses** and 5,300 new **job opportunities** were created. In 2021, **workers in industrial establishments** increased by 5.8% to 116,038 and the **production** by 11.9% to a value of US\$4,989.4 million (Ministry of National Economy data, quoted in *MaanNews*, 1 November 2022).
- During 2021, 165 new **standards** were issued, 79 new **quality certificates** granted, and 2,482 **trademarks** were filed, with the Ministry of Economy, which registered 2,019 new ones (*Ibid.*).



- Most of the operating establishments are **small** in employment size (88.6% of the total have less than 5 employees and only 1.4% have more than 20) and privately **owned** (91.5%) (PCBS, *Development of the Palestinian Establishments 2012, 2017*, August 2020).
- By June 2022, 13.2% of the **employed persons** were working in mining, quarrying and manufacturing (WB: 16.3%, GS: 7.2%, Israel/settlements: 11.8%), 17.7% in construction (WB: 12.1%, GS: 5%, Israel/settlements: 51.5%) (PCBS, *Labor Force Survey, Q2-2022*).
- In 2021, **industry activities** increased by 4.7% compared to 2020 (WB: 4.7%, GS: 4.9%) and **employment** in the sector increased by 7.4%. The average **daily wage** was NIS 88.4 (WB: NIS 101.7., GS: NIS 35.3) (PCBS, *Performance of the Palestinian Economy 2021*, May 2022).
- In 2021, **foreign liabilities** increased by 10% over 2020 to US\$5,696 million, structured as follows:

#### Foreign Investment in Palestine, 2021



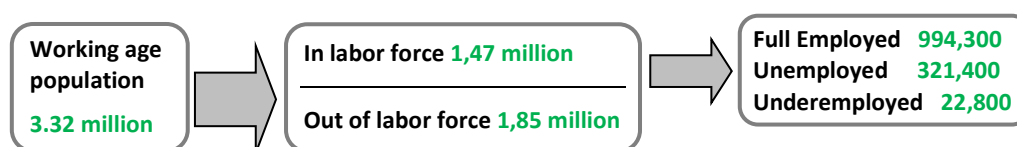
Source: PCBS, *Performance of the Palestinian Economy 2021*, May 2022.

- In the **UNDP's 2021/2022 Human Development Index**, which provides comparative data for 2021 on demography, education, environmental sustainability, gender, health, human security, income, inequality, socioeconomic and labor, Palestine was on rank 106 (up from 115 in 2019) out of 191 countries. With an HDI value of 0.715, it was above the average for medium human development countries (HDI: 0.636) and for Arab states (HDI: 0.708). Israel, in comparison, ranks No. 22 with an HDI of 0.919 (<http://hdr.undp.org/en/content/latest-human-development-index-ranking>).

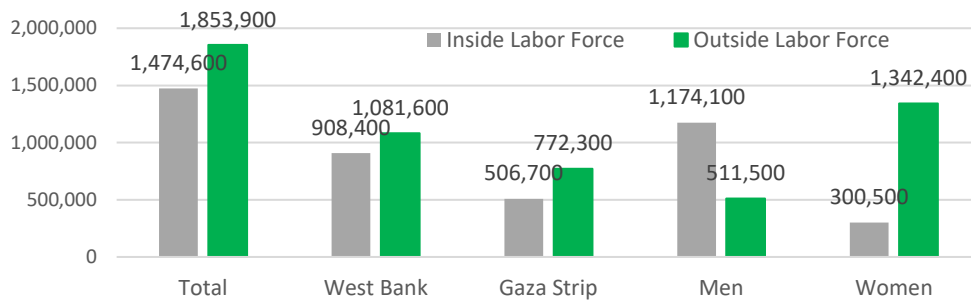
## 4. Labor Market & Employment

### ■ General Development

- As a result of job opportunities expanding at a faster rate than the rate of growth in the working-age population, the **employment-to-population ratio** - a key indicator for monitoring the capacity of an economy to generate jobs - increased from 30.3% in 2020 to 31.9% in 2021 (it was 33.1% in 2019), one of the **lowest rates** in the world (ILO, *The Situation of Workers of the Occupied Arab Territories*, 2022).
- As of June 2022, the **Palestinian labor force** (working age population of 15+ years) was 3,328,500 people strong, of which 1,474,600 (or 44.3% - which is low by international standards) **participated** in the labor force (WB: 47.2%, GS: 39.6%), while 55.7% or 1,853,900 people remained **outside the labor force**. **Male participation** was 69.7% and **female** 18.3% (PCBS, *Labor Force Survey, Q2-2022*).



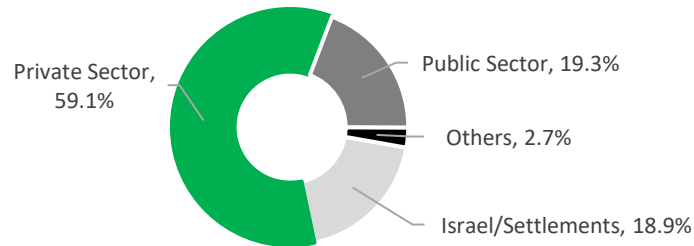
### Labor Force Status, June 2022



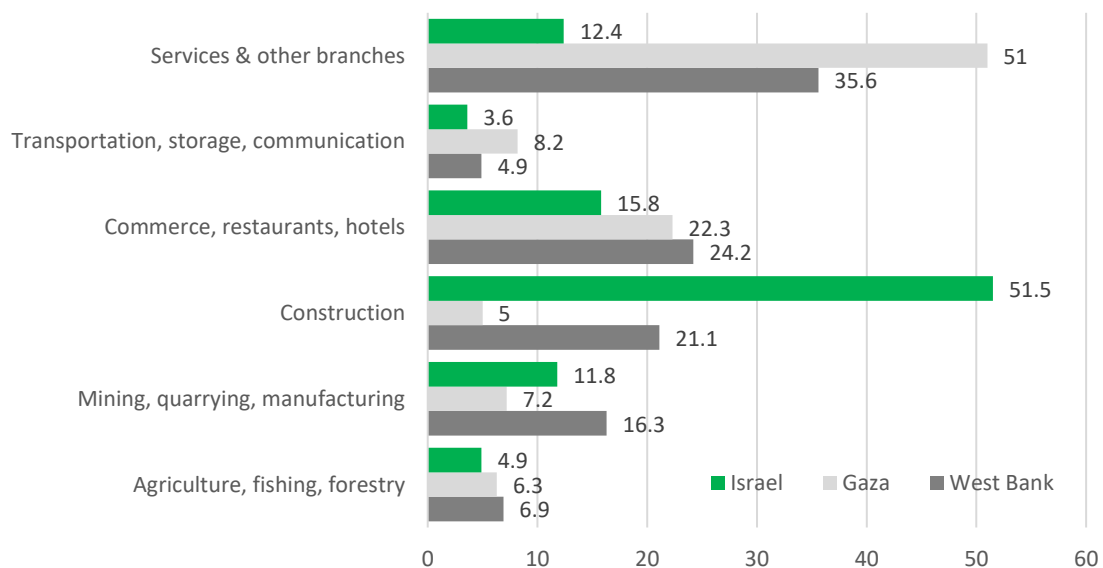
Source: PCBS, Labor Force Survey, Q2-2022.

- The main reasons for being **outside the labor force** for **women** is housekeeping (62.9%), followed by studying/training (24.2%) and for **men** studying/training (45.4%) and old age/illness (34.2%) (*Ibid.*).
- Some 71.3% of employed persons **worked within their governorate** (WB: 67%, GS: 84.1%) (*Ibid.*).
- Of the employed, 59.1% worked in the **private sector** (WB: 58.4%, GS: 61.1%), 19.3% in the **public sector** (WB: 14.9%, GS: 32.4%), 2.7% in **other sectors** (WB: 1.6%, GS: 5.8%) and 18.9% in **Israel**, incl. settlements (WB: 25.1%, GS: 0.7%) (*Ibid.*).

### Labor Force Distribution by Sector (%)



### Labor Force Distribution by Activity (%)

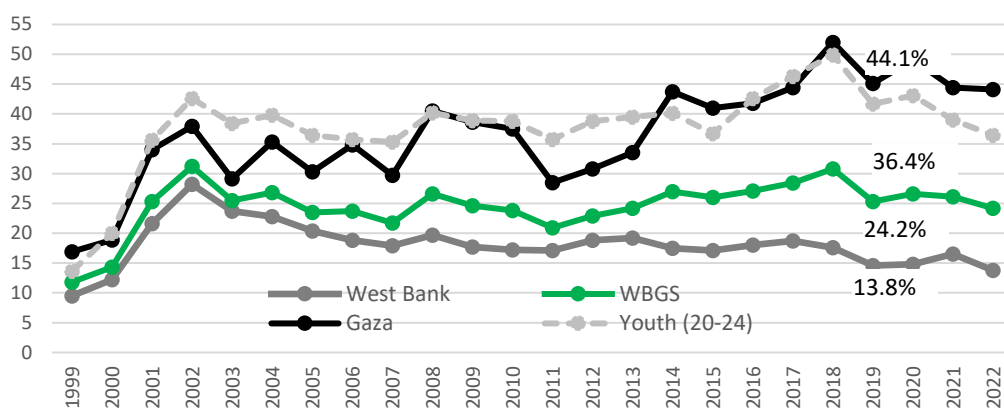


Source: PCBS, Labor Force Survey, Q2-2022.



- As of June 2022, **unemployment** (those able to work and seeking a job) - stood at 24.2% (WB: 13.8%, GS: 44.1%). Unemployment among **refugees** was with 33% considerably higher than among non-refugees (18.6%), and among **women** (37.8%) much higher than among men (20.7%). The highest unemployment was in the 15-19 years and 20-24 years **age** groups, with 34.9% and 36.4% respectively. **Unemployment figures** do neither include **underemployed** workers (18,000 in mid-2022) nor **discouraged workers** who left the labor force (estimated at 74,000), nor those **absent** from work due to illness, work stoppage, etc., but still receiving their pay (PCBS, *Labor Force Survey*, Q2-2022).

### Unemployment in the West Bank and Gaza Strip, 1999-June 2022



NB: from 2019, the revised ILO rate applied.

Source: PCBS, *Labor Statistics*, various years.

### Palestinian Labor Force – Various Features (by ILO Standards)

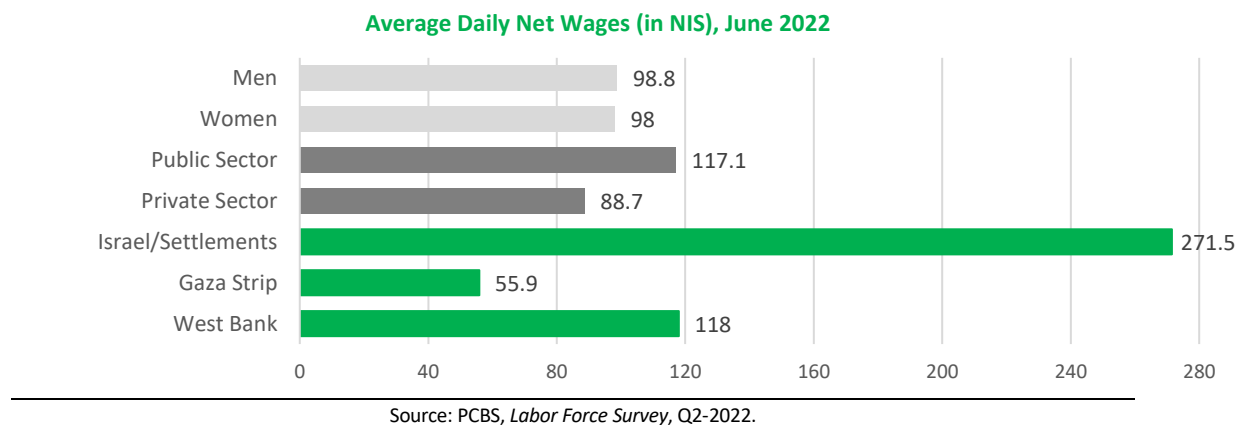
By Employment Status (%)	2022 (June)			1997-99 Average	2005	2010	2016
	WB	GS	Total				
Labor force participation rate	50.9	43.9	48.2	42.85	40.4	41.1	45.7
Full employment	86.6	56	76.0	77.7	69.9	69.2	71.2
Underemployment (time related)	1.3	1.7	1.4	6.7	6.6	7.1	1.9
Unemployment	13.4	44	24.0	15.5	20.4	23.7	26.9
<b>By Labor Status (%):</b>							
Employers	7.4	4.8	6	5.5	4.3	6.4	6.2
Self-employed	19.1	13.8	15.2	20.4	26.1	18.8	19.2
Waged employees	68	79.9	74.8	65.4	59.5	67.6	68.8
Unpaid family members	5.5	1.5	4.0	8.7	10.1	7.2	5.8
<b>By Economic Activity (%)*:</b>							
Agriculture, forestry, fishing	6.3	6.2	6.2	12.8	15.0	11.8	7.4
Mining, quarrying, manufacturing	15.2	7.2	13.2	15.8	12.9	11.4	14.6
Construction	21.9	5.6	17.7	21.2	12.8	13.2	18.0
Commerce, hotels, restaurants	21.6	22	21.7	17.8	19.2	19.3	23.6
Transport, storage, communication	4.6	8	5.5	4.7	5.6	6.0	6.9
Services and other branches	30.4	51	35.7	27.7	34.5	38.3	29.5
<b>Working Time and Wages</b>							
	WB	GS	Israel	WBGS average			
				1997-9	2005	2010	2015
Average weekly working hours	41.7	37.3	42.2	44.3	42.4	41.5	41.4
Average monthly working days	22.5	22.6	21	22.6	23.3	22.2	22.0
Average daily net wage – NIS	118	55.9	271.5	67.8	77.0	91.7	103.9
Median daily net wage - NIS	103.8	35	115.4	53.8	67.0	76.9	84.6

\* Including workers in Israel and settlements; Source: PCBS, *Labor Force Survey*, Q2-2022, previous rounds.





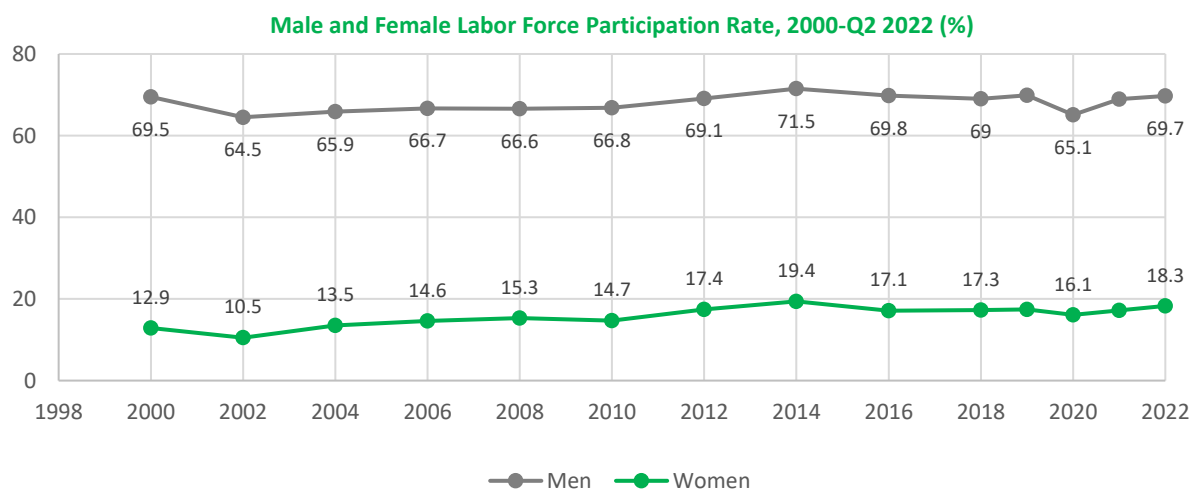
- In June 2022, 18.5% of the employed persons were affiliated to a **workers' vocational union**, far more in Gaza (35.6%) than in the West Bank (10.4%), and more females (25.8%) than men (17.1%) (PCBS, *Labor Force Survey*, Q2-2022).
- Of the private sector employees, 65.3% are hired **without a contract** (WB: 58.5%, GS: 80.3%), only 24.4% contribute to a **pension fund**, 25.5% receive **paid annual leave**, 26.9% **paid sick leave**, and 46.6% of female employees receive paid **maternity leave** (PCBS, *Labor Force Survey*, Q2-2022).
- As of June 2022, the **average daily wage** was NIS 143.2, though with large variations according to sector and region:



- The **highest average daily wage** in Gaza was paid in services (NIS 83.6), and in construction in the **West Bank** (NIS 136.3) and in **Israel** (NIS 307.8). The **average monthly wage** in the WBGs was NIS 3,723 (PCBS, *Labor Force Survey*, Q2-2022).
- Since 2022, the **minimum wage** in the PA is NIS 1,880 per month (up from the previous NIS 1,450 but still beyond the poverty line of NIS 2,470). However, some 28% of private sector employees receive less than this (WB: 20%, GS: 88%) (*Ibid.*). For comparison: since April 2018, Israel's minimum wage is NIS 5,300/month and NIS 28.49-29.12/hour.

### ■ Women in the Labor Force

The **female labor force participation rate** is relatively low, accounting only for 18.3% of the formal labor force (15+ yrs) in mid-2022, compared to a 69.7% among men (PCBS, *Labor Force Survey*, Q2-2022).

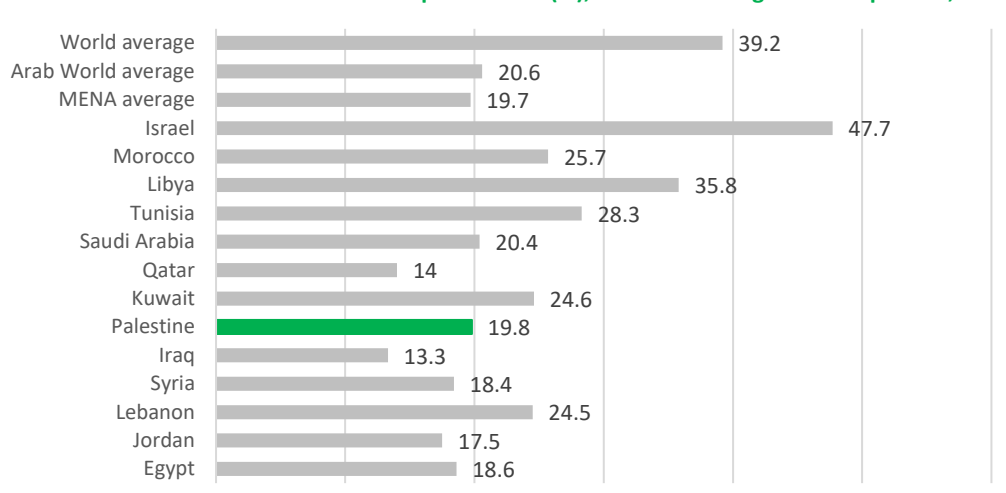


*Sources: PCBS, Labor Force Survey, Annual Report 2021, April 2022 & Labor Force Survey, Q2-2022.*



- World Bank statistics show that the rate of Palestinian women is also low by **regional comparison**:

### Female Labor Force Participation Rate (%), World Bank Regional Comparison, 2021



Source: World Bank, <https://data.worldbank.org/indicator/SL.TLF.TOTL.FE.ZS?end=2021&start=1990&view=chart>.

- In mid-2022, 37.8% of the female labor force was **unemployed** (males: 20.7%). Highest unemployment occurred in the **20-24 years** age group (56.3%) (PCBS, *Labor Force Survey*, Q2-2022).
- Of the working women, 40.6% had **13+ years of schooling**. However, the more years of schooling, the higher the unemployment, reaching 43.6% among those with 13+ years of schooling, while male unemployment is lowest among those with 13+ years (18%) (*Ibid.*).
- Main reasons for female non-participation** in the workforce is housekeeping (62.9%), studying/ training (24.2%), and old age or illness (71%) (*Ibid.*).
- Employment of women** is concentrated in services (71.2%). Most women (76.9%) are **wage employees**, while 12.7% are **self-employed**, 8.7% **unpaid family members**, and 1.7% **employers** (*Ibid.*).
- Women still receive **lower wages than men** in the private sector and only half of them get paid **maternity leave** (ILO, *The Situation of Workers of the Occupied Arab Territories*, 2022).

## Children & Youth

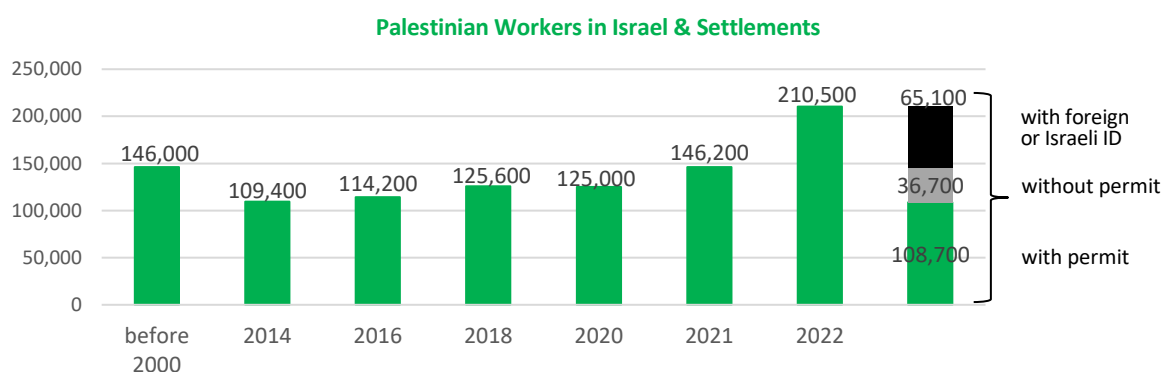
- The Palestinian Labor Law (No. 7 of 2000) **prohibits the employment of children** under 15 years, and hazardous or long hours of work for those 15 and 17 years old. Child labor is rare in Palestine; in mid-2022, 3% of the **children aged 10-17 years** were **working** (WB: 4.4%; GS: 1.2%) (PCBS, *Labor Force Survey*, Q2-2022). Of the working children 96% are **boys** and 0.9% are enrolled in **schools**. 41.6% of the total are **wage employees** and 47.2% **unpaid family members** (PCBS, *Press Release on Palestinian Child Day*, 5 April 2022).
- By June 2022, 38.7% of the **youth aged 15-29 years** participated in the **labor force** (male: 60.2%, female: 16.3%); their **unemployment rate** was 34.8% (WB: 21.3%, GS: 59.1%; m: 29.4%; f: 55.4%) (PCBS, *Labor Force Survey*, Q2-2022).
- In **2021**, there were 41,137 **graduates**, but only about 9,000 **job opportunities** in the local market. On average, it takes graduates 11-21 months before getting their first labor chance (PCBS, *Press Release on Educational fields and labor market among individuals aged (20-29 years) in 2021*, July 2022).
- As of June 2022, the **highest** unemployment rates were for graduates in Arts (42.8%) and Journalism (37.1%), and Welfare (36.3%), the **lowest** in security (2.9%), personal services (15.9%) and Math & statistics (20.8%) (PCBS, *Labor Force Survey*, Q2-2022).

## West Bank and Gaza Laborers in Israel and Settlements

- Before the outbreak of the second Intifada in September 2000, 146,000 Palestinians (116,000 from the West Bank, incl. East Jerusalem, 30,000 from Gaza) **worked in Israel** and settlements (PCBS). Since then, Israeli work **permits** were limited to security-cleared West Bank Palestinians with biometric ID cards, while **Gazans** were unable to obtain permits since April 2006 and until 2019, when Israel began to issue work permits for them. Permits for **Gazan merchants and workers** numbered around 7,000 prior to the COVID-19 pandemic (UNSCO, *Paper to the AHLC*, June 2020) and reached 15,500 (out of a total of 20,000 pledged) by mid-September 2022 (UNSCO, *Report to the AHLC*, September 2022). While Israeli producers benefit from Palestinian workers, it undermines the Palestinian economy's **competitiveness**, as skilled workers go for the higher wages in Israel.



- According to COGAT, approximately 37,000 Palestinians worked in **Israeli settlements**, although the real numbers could be higher as those working on a daily or seasonal basis are not always officially declared as workers by their employers. Most of them work in **construction** (ILO, *The Situation of Workers of the Occupied Arab Territories*, 2022).
- In 2021, 61.4% of those employed in Israel or settlements had **permits**. Almost half of them (47.2%) got their permit from **brokers**, whom they paid an average **monthly fee** of NIS 2,457 (*Ibid.*).
- As of June 2022, **18.9%** of the Palestinian workforce (WB: 25.1%, GS: 0.7%) was employed in Israel or in settlements, mostly in construction (51.5%). Their total number was **210,500**, of which 182,000 worked in Israel and 28,500 in settlements. Of the total, 108,700 had a **permit**, 36,700 worked without a permit, and 65,100 held an Israeli ID card or foreign passport (PCBS, *Labor Force Survey*, Q2-2022).



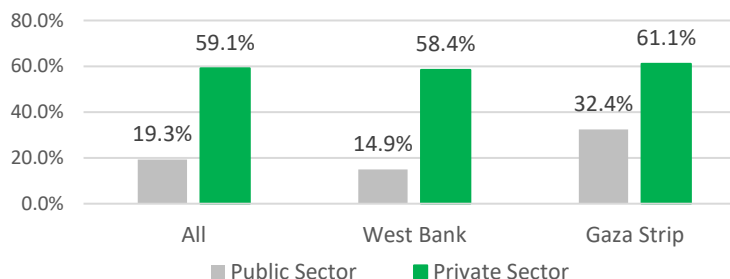
Source: PCBS, *Labor Force Survey*, Q2-2022

- The **average daily wage** of those working in Israel or settlements was NIS 271.5 (more than double the West Bank average of NIS 118) and the **average monthly working days** were 22.1 (PCBS, *Labor Force Survey*, Q2-2022), adding up to an average monthly wage of NIS 6,000. In comparison, the average gross monthly wage for Israelis was NIS 12,522 as of June 2022 (<http://www.cbs.gov.il>).

## Public Sector Employment

- Between 2011 and 2021, **wage bill spending** grew at an average annual rate of 2.3%, in nominal terms (it increased by 87% in the West Bank and declined by 27% in Gaza), mainly due to spending on employee salaries, which increased at an annual average of 2% (World Bank, *Economic Monitoring Report to the AHLC*, September 2022).
- Between 2011 and 2021, **public employment** increased by 32% in the West Bank, reaching 116,458 employees, and declined by 40% to 39,156 employees in Gaza (*Ibid.*).

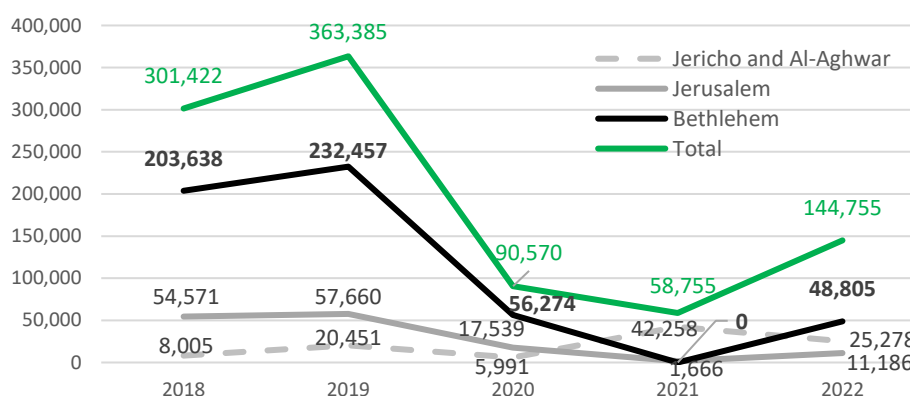
- By June 2022, 19.3% of those employed worked in the **public sector** (WB: 14.9%, GS: 32.4%) as compared to 59.1% in the **private sector** (WB: 58.4%, GS: 61.1%) (PCBS, *Labor Force Survey, Q2-2022*).
- The **average daily wage** in the public sector was NIS 117.1 (WB: 129.4, GS: 90.7) compared to NIS 88.7 in the private sector (*Ibid.*).



## 5. Tourism









The tourism sector has been particularly hard hit by the COVID-19 pandemic, with **losses** estimated at US\$1.021 billion in 2021 alone. The **Bethlehem** region, which used to receive over 60% of the total **number of hotel guests** and visitors in the West Bank, suffered most. In contrast, the **Jericho** region saw a record increase in 2021. In 2022, there were 144,755 guests in the first half of the year (PCBS, *Press Release on World Tourism Day, 27 September 2022*).

**Number of Hotel Guests, first half of the years 2018-2022**

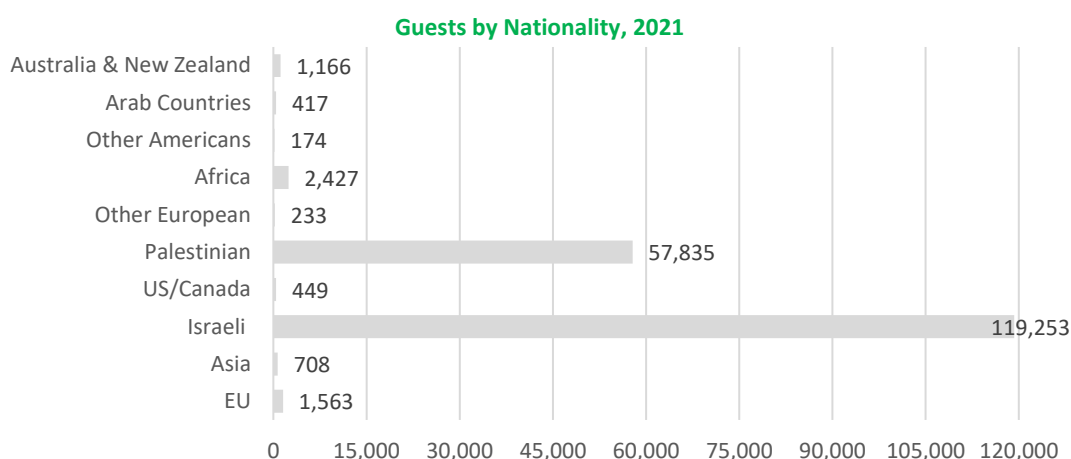


Source: PCBS, *Press Release on World Tourism Day, 27 September 2022, previous*.

### Palestinian Hotel Sector, End of 2021

	No. of hotels: 89		No. of beds: 11,372
	No. of rooms: 5,300		Bed occupancy: 13.6%
	No. of guest: 180,632		No. of employees: 1,898
	Average stay: 1.9 nights		1,495 403

Source: PCBS, *Hotel Activities in the West Bank - Annual Bulletin, 2021, July 2022*.



Source: PCBS, *Hotel Activities in the West Bank - Annual Bulletin, 2021, July 2022*.

- As of June 2022, 22.2% of the **employed persons** in the WBGS were working in commerce, hotels and restaurants (WB: 24.2%, GS: 22.3%, Israel/settlements: 15.8%) (PCBS, *Labor Force Survey, Q2-2022*).
- **Accommodation and food services** contributed 1.2% to the **GDP** in the 2<sup>nd</sup> Quarter of 2022 (excl. East Jerusalem) (PCBS, *Quarterly National Accounts, Q2-2022*).
- By the end of 2021, there were 89 **hotels** in the WBGS (down from 125 by the end of 2019, but up from 47 in 2020) (PCBS, *Hotel Activities in the West Bank - Annual Bulletin, 2021, July 2022*).

## 6. Trade

**Israeli restrictions** on trade – the provisions of the 1994 Paris Protocol, lack of access to natural resources and markets, and a long list of forbidden dual use items – have resulted in a persistent high **trade deficit** (37.3% of GDP in 2022) as non-tradable sectors (services, construction) increase at the expense of the tradable ones (agriculture and industry) (UNCTAD, *Report on UNCTAD's Assistance to the Palestinian People, 2022*). Almost all Palestinian imports and exports transit via ports and crossing points of Israel, at which delays and security measures also increase shipment costs. **Israel's control** of Palestinian trade has reduced the **competitiveness** of Palestinian exports and contributed to a large external trade deficit (World Bank, *Economic Monitoring Report to the AHLC, September 2022*).

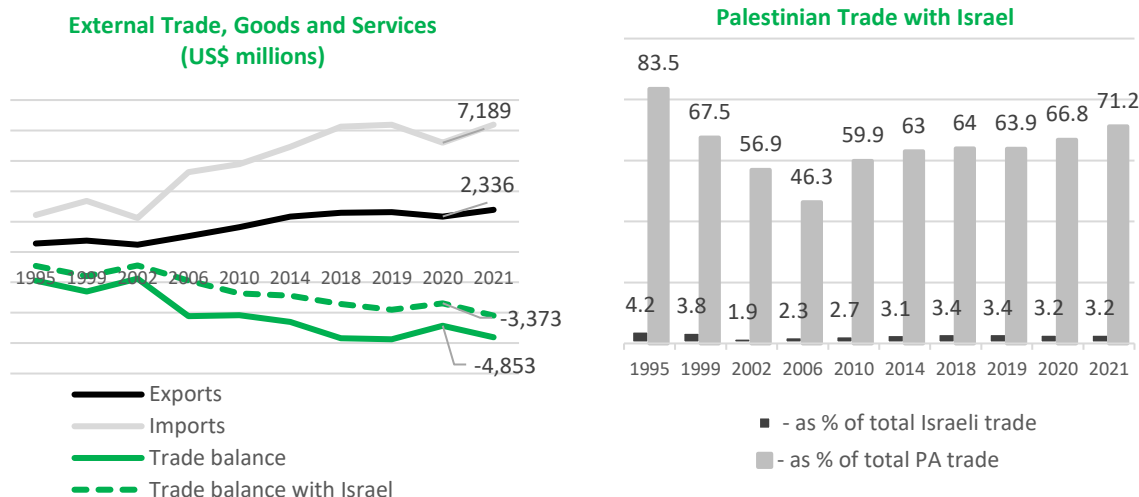
Main **import items** are petroleum oils, electrical energy and industrial supplies (mainly machinery, equipment). Main **export items** are industrial supplies (articles of stone, plaster, asbestos, cement, or similar materials) (for a detailed list of trade items see: <http://www.pcbs.gov.ps/Downloads/book2537.pdf> - table 8).

### External Trade (excl. Jerusalem) - Key Indicators (millions of US\$)

	1995	1999	2002	2006	2010	2014	2019	2021 <sup>1</sup>
Exports of goods and services	562	752	478	1,046	1,639	2,320	2,631	2,775
Imports of goods and services	2,441	3,364	2,234	5,263	5,793	6,929	8,376	8,382
Trade balance (US\$ millions)	-1,879	-2,612	-1,756	-4,218	-4,154	-4,610	-5,746	-5,607
Trade balance (% of GDP)	-57.2	-61.2	-49.4	-78.9	-42.9	-33.0	-36.3	-37.3
Trade balance with Israel (\$ million)	-922	-1,598	-886	-1,887	-2,737	-2,869	-3,788	-4,188
Trade balance with Israel (% of GDP)	-28.1	-37.4	-24.9	-35.3	-28.3	-20.5	-22.2	-23.2
PA trade with Israel –								
- as % of total Israeli trade	4.2	3.8	1.9	2.3	2.7	3.1	3.4	3.2
- as % of total PA trade	83.5	67.5	56.9	46.3	59.9	63.0	63.9	71.2

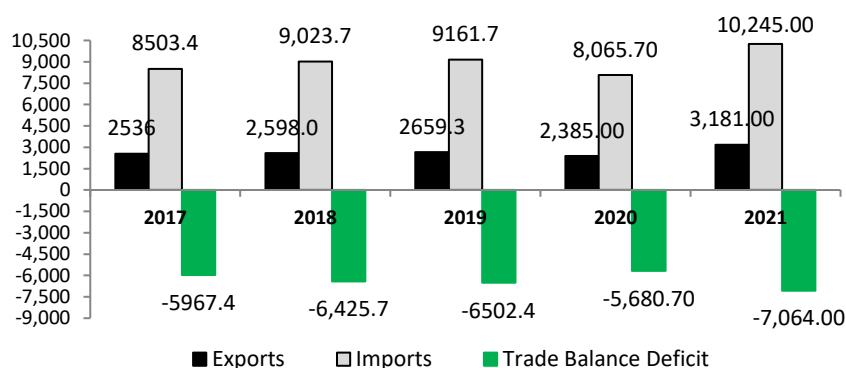
Sources: ICBS, PCBS, PMA, PMoF data quoted in UNCTAD, *Report on UNCTAD's Assistance to the Palestinian People, 2022*. <sup>1</sup> Preliminary estimates.





Source: UNCTAD, Report on UNCTAD's Assistance to the Palestinian People, 2022.

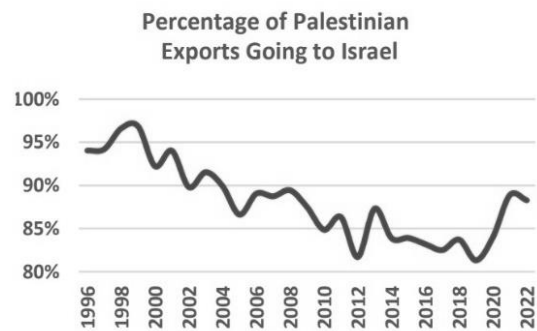
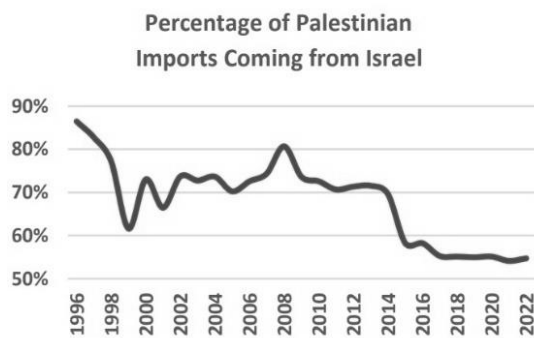
### Trade Balance of Goods and Services in Palestine, 2010-2020 (US\$ millions)



Source: PCBS, Performance of the Palestinian Economy 2021, May 2022.

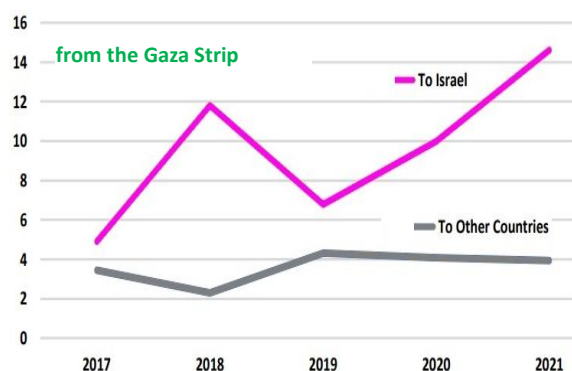
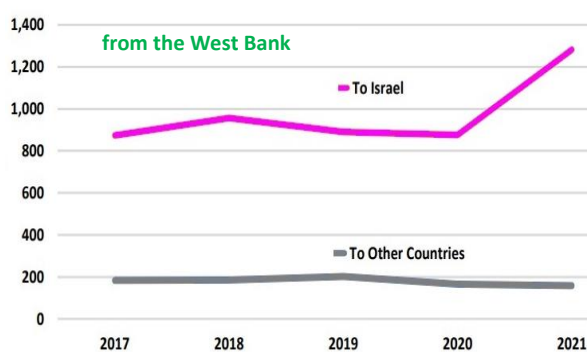
## Facts & Figures

- As of June 2022, **wholesale and retail trade** (including repair) contributed 17.8% to the **GDP** (excl. East Jerusalem) (PCBS, Quarterly National Accounts, Q1-2022).
- In 2021, the **value of exports** increased by 33.4% and the **value of imports** by 27% compared to 2020, resulting in a 24.4% increase in the **trade balance deficit** (or US\$ 7,064 million). The value of imports is over 3 times that of exports (PCBS, Performance of the Palestinian Economy 2021, May 2022).
- The **trade volume between the Palestinians and Israel** has more than doubled between 1996 and 2022, but Palestinians have tried to reduce their trade dependence on Israel by reorienting toward other partners both regionally and globally. Accordingly, as the following figures show, the shares of total imports coming from Israel and of total exports going to Israel have steadily declined over the past 25 years:



Source: UNSCO, Report to the AHLC, May 2022, Data: PCBS.

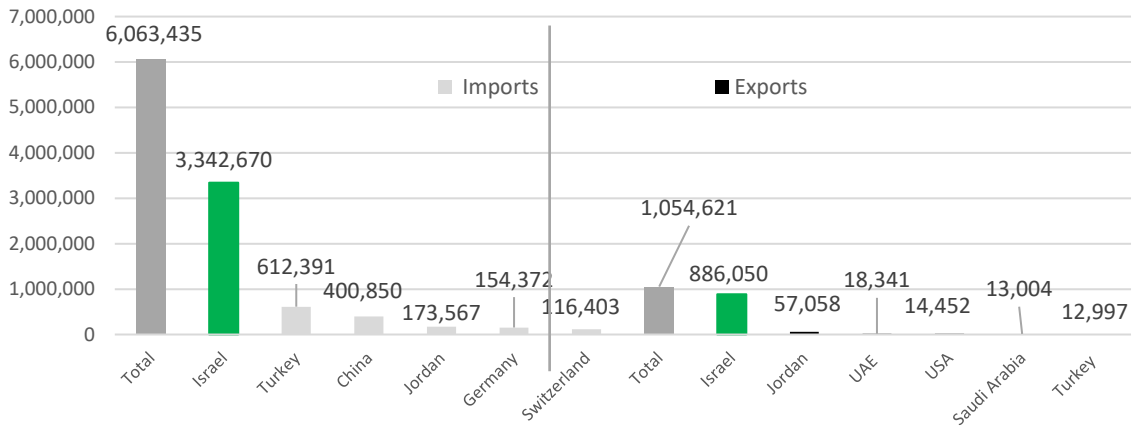
### Registered Palestinian Exports of Goods (in US\$ millions)



Source: UNSCO, Report to the AHLC, May 2022, Data: PCBS.

- Between January and June 2022, **imports** increased by 33% compared to the same period in 2021 (World Bank, *Economic Monitoring Report to the AHLC*, September 2022). **Imports** make up almost **57% of GDP**, over three times the size of **exports** (IMF, *Report to the AHLC*, September 2022).
- In recent years, around 88% of the **value** of all **Palestinian exports** went from the West Bank to Israel, another 11% from the West Bank to other foreign markets, and exports from Gaza to any foreign destination accounted for only 1-2% (UNSCO, *Report to the AHLC*, May 2022).
- In 2021, the total value of **imported goods from Israel** increased by 24% compared to 2020, reaching US\$ 4,157 million (53% of total imported goods 2021) and **exported goods to Israel** increased by 32% totaling US\$ 1,169 million (86% of total exports 2021). This resulted in a **net trade balance in goods** of -US\$6472.1million, up from the US\$ 5000.8 million deficit in 2020. The total value of **imported services from Israel** increased by 13.9% compared to 2020, reaching US\$ 204.8 million and **exported services to Israel** increased by 15% totaling US\$ 235.7 million, resulting in a surplus in the **net trade balance in services** of US\$ 30.9 million compared to US\$ 25.1 million in 2020 (PCBS, *Registered Foreign Trade Statistics, 2021, 2022*).
- Palestine is exposed to rising prices through high **import dependency** ratios in general, and through substantial **food import shares from Ukraine and Russia**. With 34% of total imports it has the second highest food import share in the region (behind only Yemen) and also has among the highest import dependency ratios of wheat (91%) and vegetable oil (95%), a substantial share of which comes from Ukraine and Russia (UNSCO, *Report to the AHLC*, September 2022).

### Main Trade Partners, 2019 (Values in thousand US\$)



Source: PCBS, Registered Foreign Trade Statistics, 2020, December 2021.

- As of September 2022, a monthly average of 5,517 **truckloads of goods** had entered **Gaza** (34.6% of which construction materials), while only 348.5 truckloads had left (74.8% of which to the West Bank) (OCHA, *Protection of Civilians Report* / 23 September 2022).

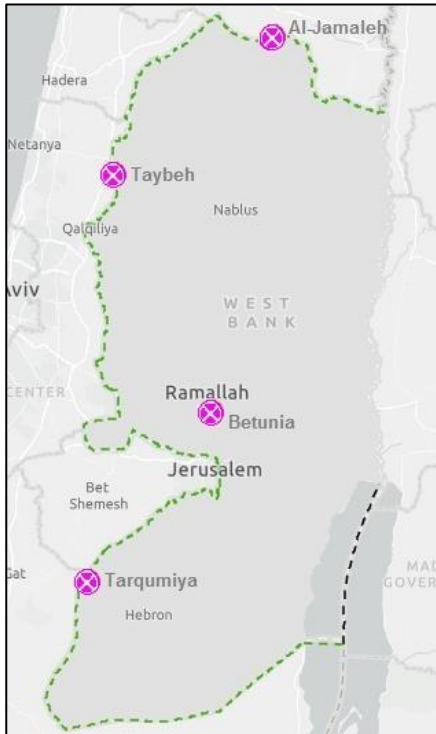
### Commercial Crossing Points in the West Bank & Gaza

#### West Bank:

- Al-Jamaleh north of Jenin
- Taybeh (or Irtah or Sha'ar Ephraim) south of Tulkarm
- Betunia southwest of Ramallah
- Tarqumiya northwest of Hebron.

#### Gaza:

- Beit Hanoun/Erez in north Gaza
- Rafah, at the Egyptian border
- Karem Abu Salem/Kerem Shalom at Gaza's southern end.





## 7. Finances

### Taxation

- Taxes are the PA's main source of income. The 1995 Oslo II Accord established procedures for Israeli collection of clearance revenues (VAT, customs, excise taxes) on the PA's behalf and their subsequent transfer to the PA, amounting to over two-thirds of the PA's total revenues (IMF, *Report to the AHLC*, April and September 2022). Israel's repeated refusal to hand over those revenues and its unjustifiably high **3% collection and processing fees** has affected the PA's finances considerably.
- **Domestic tax revenue** grew strongly by some 0.9% of GDP in 2021, mainly due to COVID-related strict border controls (reducing smuggling), and further efforts to combat tax and customs evasion (IMF, *Report to the AHLC*, April 2022).

#### Taxes in the Palestinian Territories

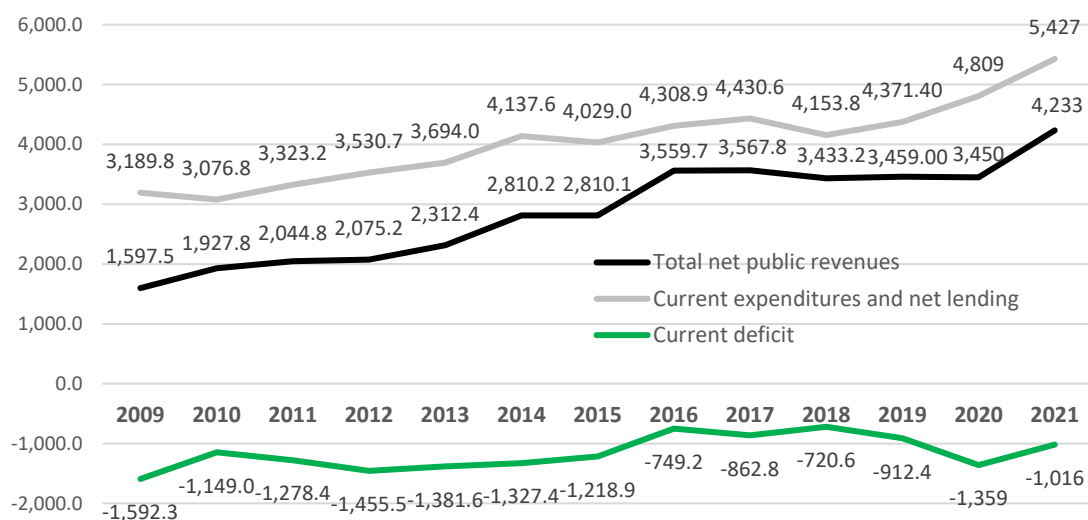
- **Individual Income Tax** (5-20% withheld by employer)
- **Corporate Income Tax** (15-20% for companies)
- **Foreign Dividend Tax** (on dividends distributed to shareholders of a foreign company)
- **Value-Added Tax (VAT)** (16% consumption-based tax imposed on all local goods & services)
- **Tax for Service Contracts** (Income generated or earned from service contracts)
- **Tax on Dividends, Leases & Royalties** (on profit)
- **Purchase Tax** (5-200% payable by manufacturers or importers at the port of entry on certain consumer products)
- **Capital Gains Tax** (15% from a certain threshold of gains)

Sources: [www.pipa.gov.ps](http://www.pipa.gov.ps); [www.doingbusiness.org](http://www.doingbusiness.org).

### Budget and Fiscal Accounts

- The PA's budget **deficit** decreased by 25.3% in **2021** to US\$ 1,015.7 million (compared to US\$ 1,359 million in 2020) mainly due to a 22.7%-increase of total net public revenues and despite a 9.2% increase in current expenditures and net lending. **External budget support** to cover the deficit further decreased to US\$316.6 million (from US\$487 million in 2020) (PCBS, *Performance of the Palestinian Economy 2021*, May 2022).

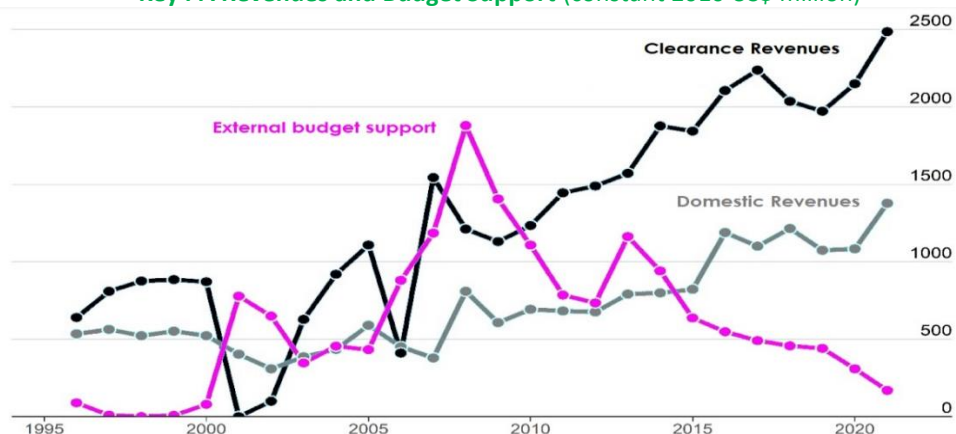
Components of General Budget in Palestine, 2009-2021 (US\$ million)



Source: PCBS, *Performance of the Palestinian Economy, 2021*, May 2022.

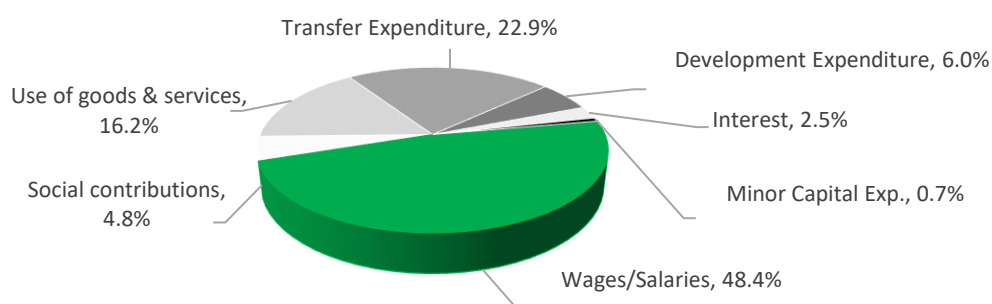
- Due to strong revenue growth and maintained spending, the PA's **fiscal deficit** further declined by 70% in the first half of **2022** compared to the first half of 2021, amounting to 0.4% of GDP (down from 5.2% of GDP in 2021) and **expectations** to reach 3.5% at end-2022 (IMF statement, 30 August 2022; World Bank, "Coordinated Efforts Are Required to Avoid a Worsening Economic and Fiscal Outlook in the Palestinian Territories," 18 Sept. 2022).

### Key PA Revenues and Budget Support (constant 2010 US\$ million)



Source: UNSCO, Report to the AHLC, September 2022, Data: PMA.

### PA Expenditures (%), 2021



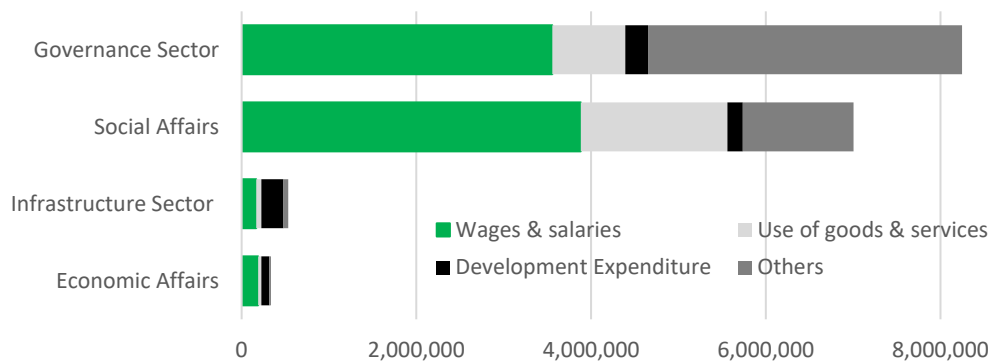
Source: PA Ministry of Finance, Monthly Accounts, December 2021.

### PA Expenditures (in thousand NIS), 2021

PA organization (and two largest budget line items)	Total Expenditure	of which ( <i>inter alia</i> ):		
		Wages & salaries	Use of goods & services	Development Expenditure
<b>Governance Sector</b> <i>of which: Ministry of Interior &amp; Security</i> <i>Retirees Pension Allowances</i>	<b>8,246,120</b> 3,557,207 2,130,391	3,557,958	832,980	260,501
<b>Infrastructure Sector</b> <i>of which: Ministry of Local Government</i> <i>Palestinian Water Authority</i>	<b>534,556</b> 103,725 162,156	166,592	58,306	254,167
<b>Economic Affairs</b> <i>of which: Ministry of Agriculture</i> <i>Ministry of National Economy</i>	<b>335,898</b> 142,575 50,104	189,298	38,066	88,964
<b>Social Affairs</b> <i>of which: Ministry of Education</i> <i>Ministry of Health</i>	<b>7,003,714</b> 3,140,744 2,316,089	3,882,021	1,677,495	176,761
<b>Grand Total</b>	<b>16,120,289</b> (100%)	<b>7,795,870</b> (48.4%)	<b>2,606,848</b> (16.2%)	<b>780,393</b> (4.8%)

Source: Ministry of Finance, <http://www.pmoef.ps/documents/accounts/monthly/2021/Dec.2021.en.pdf>.

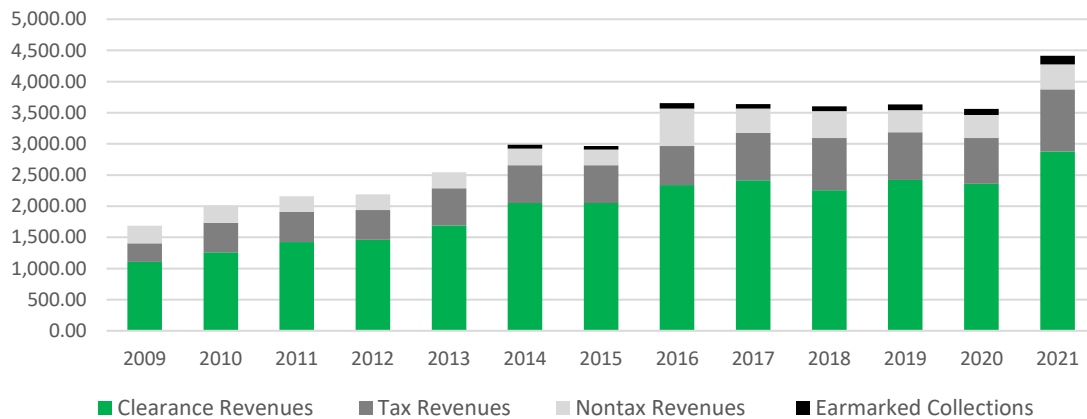
### PA Expenditures by PA Organization, 2021



Source: Ministry of Finance, <http://www.pmf.ps/documents/accounts/monthly/2021/Dec.2021.en.pdf>.

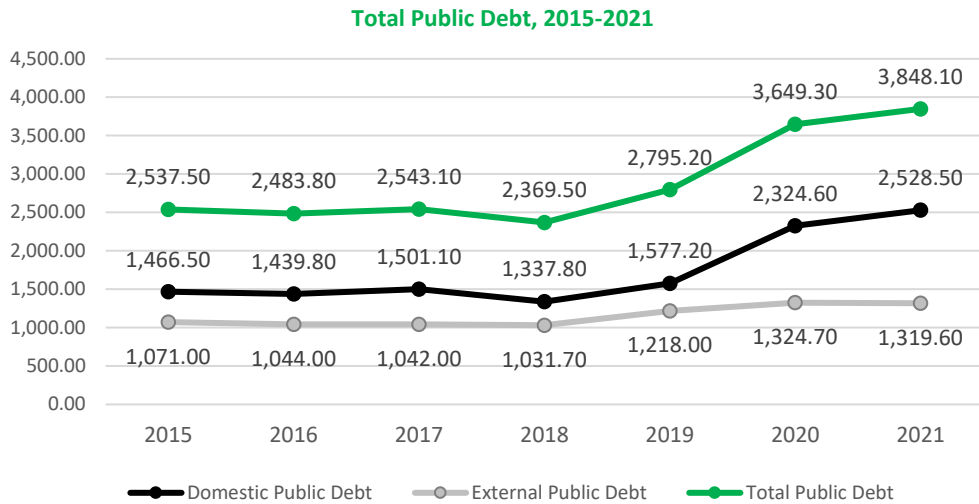
- **Net public revenues** increased by 22.7% in 2021 over 2020, reaching a total of US\$4,233 million. **Clearance revenues** increased by 22.1% to US\$2,879 million, constituting 68% of the gross public revenues, while **gross domestic revenues** increased by 27.6% to US\$1,537 million, constituting 36.3% of the gross public revenues (PCBS, *Performance of the Palestinian Economy, 2021, May 2022*).

### Distribution of Public Revenues by Source in Palestine, 2009-2021



Source: PCBS, *Performance of the Palestinian Economy, 2021, May 2022*.

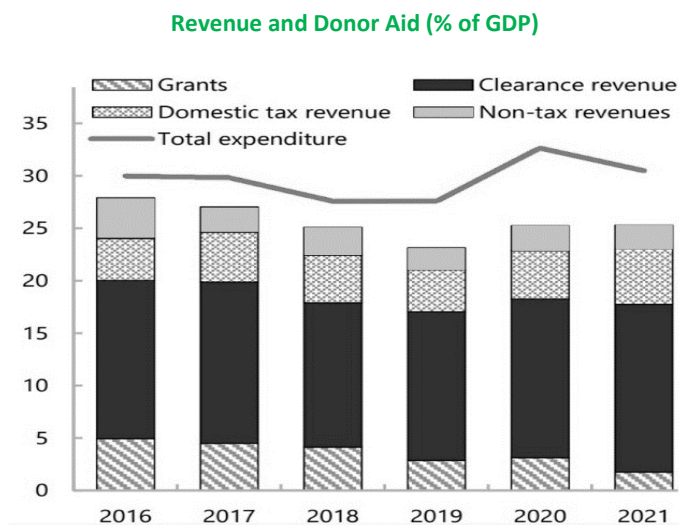
- The **fiscal deficit** declined to 5.2% of GDP in **2021** or at 7% of GDP if grants are excluded. This was due to a 15.9% increase in revenues, well above nominal GDP growth, restraint in recurrent spending, and a cut in development spending to 1.3% of GDP, its lowest level on record (IMF, *Report to the AHLC, September 2022*). In **2022**, the PA's **deficit** is expected to reach US\$770 million, on a commitment basis. Donor financing is projected at US\$315 million: US\$195 million in budget support and US\$120 million in project financing. After accounting for donor financing and Israeli deductions from clearance revenues, the PA's **financing gap** is expected at US\$637 million (World Bank, *Economic Monitoring Report to the AHLC, September 2022*).
- **Public debt** increased by 5.4% in **2021** to US\$3,848 million, constituting 23% of the GDP (up from 16% in 2019). **Domestic public debt** accounted for 65.7% of the total debt and **external public debt** for 34.3% (PCBS, *Performance of the Palestinian Economy, 2021, May 2022*).



\* Preliminary; Source: PCBS, *Performance of the Palestinian Economy, 2021*, May 2022.

## ■ Donor Assistance

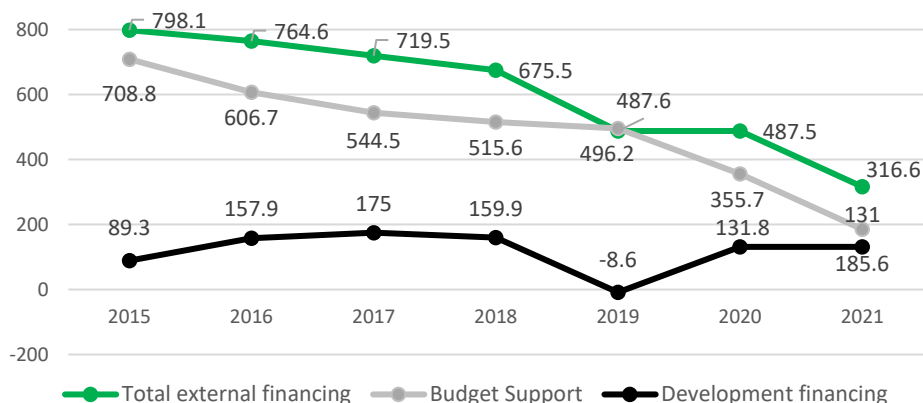
- Since its establishment in 1994, the PA has received over US\$40 billion in **donor aid** to date and is ranked among the world's top recipients of non-military aid per capita. However, IMF, World Bank and others repeatedly stress that aid cannot substitute for **losses** resulting from **Israeli restrictions**, the cumulative **economic cost** of which is estimated at \$58 billion in the period 2000-2019, equivalent to 4.5 times the size of the West Bank economy or 3.5 times the size of the entire Palestinian economy in 2019 (UNCTAD, *The Economic Costs of the Israeli Occupation for the Palestinian People, 2021*).
- In recent years, **donor aid** was mainly used for **budget support**, to finance the PA's deficit, with near total neglect for development. With **2021 grants down 40%** from 2020, **government debt** (including a large stock of arrears to suppliers and the Pension Fund) increased to 48.4% of GDP in 2021, or 20.6% of GDP if arrears are excluded (IMF statement, 30 August 2022).
- In **2021**, aid reached its **lowest level** in two decades, at only 1.8% of GDP (compared to the highest - 27% - in 2008) (The Portland Trust, *Palestinian Economic Bulletin No. 190*, June 2022). In **2022**, **donor financing** is projected at US\$315 million (US\$195 million in **budget support** and US\$120 million in **development financing**) (World Bank, *Economic Monitoring Report to the AHLC*, September 2022).



Source: IMF, *Report to the AHLC*, September 2022.

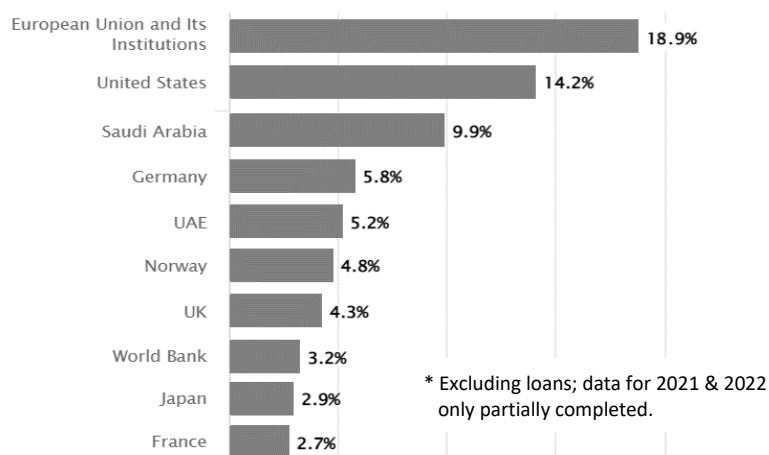
- In 2021, external financing (grants) decreased by 35% to US\$316.6 million:

### External Financing, 2015-2021 (US\$ million)



Source: PCBS, Performance of the Palestinian Economy, 2020, May 2021.

### Top Donors, 1997-2022\*, and Their Share of the Total Contributions



Source: Palestine Economy Portal, <http://www.palestineconomy.ps/donors/>.

### Total External Financing (in million NIS)

	Budget 2010	Budget 2012	Budget 2014	Budget 2016	Budget 2022	Actual Jan.-July 2022
<b>A. Budget Support</b>	<b>1,243</b>	<b>3,811</b>	<b>4,785</b>	<b>2,925</b>	<b>810</b>	<b>263.46</b>
<b>a. Arab Donors</b>						<b>16.33</b>
<b>b. International Donors</b>						<b>247.13</b>
- PEGASE						124.56
- World Bank						122.57
<b>B. Development Financing</b>	<b>670</b>	<b>1,140</b>	<b>1,080</b>	<b>956</b>	<b>972</b>	<b>153.89</b>
<b>Total External Financing</b>	<b>1,913</b>	<b>4,951</b>	<b>5,865</b>	<b>3,881</b>	<b>2,298</b>	<b>417.35</b>

Source: Ministry of Finance, <http://www.pmf.ps/documents/accounts/monthly/2022/July-2022.en.pdf> (Table 6).



## ■ Banking

The sector is governed by the PA's **Banking Law** No. 2 of 2002 with the **Palestine Monetary Authority** (PMA) managing reserves (deposited with commercial banks in Europe), operating as a credit registry and as a deposit insurance scheme. Currently there are 13 **banks** (7 Palestinian banks, including 3 Islamic, and 6 Arab banks) with 378 **branches** or **offices**, and 7,366 **employees**:

### Banks (and Branches) in Palestine

Local Banks (* Islamic)	Bank of Palestine (73)	Foreign Com- mercial Banks	Cairo Amman Bank (22)
	Palestine Investment Bank (21)		Arab Bank (33)
	Al-Quds Bank (39)		Jordan Ahli Bank (10)
	The National Bank (37)		Bank of Jordan (41)
	Arab Islamic Bank* (27)		Egyptian Arab Land (15)
	Palestine Islamic Bank*(45)		The Housing Bank (7)
	Safa Bank* (9)		
Source: PMA, Factsheet, March 2022.			

- There are **240 licensed money changers** and **9 specialized lending institutions** with a total of 95 branches in the WBGS (PMA, Factsheet, March 2022).
- **Total deposits** in the banking sector increased by 9.1% to US\$ 16,518 million in 2021, 70.5% of which were resident individual deposits, 26.68% deposits by others, and 2.8% by the Central Government. **Total credit facilities** increased by 6.6% to US\$ 10,747 million, 23% of which was provided to the public sector and 59.9% to other sectors, while 13.3% were consumption loans, 3.9% finance for vehicles (PCBS, *Performance of the Palestinian Economy, 2021, May 2022*).
- The PA and public sector employees combined still account for almost 40% of total **banking sector credit** - posing destabilization risks (World Bank, "Coordinated Efforts Are Required to Avoid a Worsening Economic and Fiscal Outlook in the Palestinian Territories," 18 Sept. 2022).
- The **Palestine Exchange** (PEX) stock market opened in 1997 and has currently **49 companies** listed with a net profit of \$200 million in the first half of 2022, a 10.5% increase over 2021. The 15 most active companies comprise the **Al-Quds Index** (2022: Arab Islamic Bank, Bank of Palestine, Palestine Islamic Bank, The National Bank, Quds Bank, National Insurance, PADICO, Arab Palestinian Investment, Union Construction and Investment, Palestine Real Estate Investment (PRICO), PALTEL, Palestine Electric, Jerusalem Cigarette, OOREDOO, Jerusalem Pharmaceuticals); in 1997, it started at 139.13 points, had its peak in 2005 with 1128.59 and stood at 625.4 by Oct. 2022 (<https://www.pex.ps/>).

### Recommended Research Sources:

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<http://www.pmf.ps> (Finance Ministry)      <http://www.mas.ps>      <https://unsco.unmissions.org/>  
<http://www.portlandtrust.org>      <http://www.pex.ps> (Stock Market)  
<http://www.imf.org/en/Countries/ResRep/WBG>      <https://polaris.ps/> (mapping of Startups and Enablers)

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