



## PRESS RELEASE

### **MAS Monitors the Worsening Crisis in the “Economic Monitor”:**

#### **New Perspectives on the Economy and Updates on Quarterly Developments**

**(Q1 and Q2, 2020)**

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Ramallah, Tuesday 17/11/2020: A double issue of the quarterly Economic Monitor published today covers the performance of the economic main sectors in the Palestinian economy during the first and second quarters of 2020. This issue of the Monitor appears amidst difficult economic, social and political circumstances, especially the escalating danger of Israeli settler-colonialism and the continuing spread of the Covid-19 pandemic. Therefore, since the emergence of the current economic crisis and with a view to improving research content, sectoral coverage and analytical methodologies, MAS conducted a consultative process with the Monitor’s institutional partners, the Palestinian Central Bureau of Statistics, the Palestine Monetary Authority, and the Palestinian Capital Markets Authority. This process has taken into account major transformations and developments in the economic and political landscape, since the adoption of the quarterly format for the Monitor in 2005, and its re-design in 2016. In his introduction to this issue of the Monitor, Mr. Raja Khalidi, MAS Director General, comments that “a regular reader of the Monitor will find, in this new issue, updates on all indicators that were previously monitored, with more emphasis on analytical methods and less on narrative methods wherever possible, while keeping entire sections unchanged in their coverage.”

Moreover, Khalidi adds that focus on the Palestinian economy has been reinforced through a new first section, which looks at the real economy from the perspective of the main productive sectors and the most prominent aspects of associated infrastructure (in particular energy and water). A regular section on social development has also been integrated into the Monitor, focusing on poverty, marginalization and the challenges of social transformation under occupation. There is also a new section summarizing some notable publications on the Palestinian and global economies during the covered period. An appendix entitled "Quarterly Economic Highlights" has also been included, documenting the policy context shaping the systematic, monitoring of statistical indicators in different sections of the Monitor.



The most prominent economic developments in the Palestinian economy, during the first and second quarters of 2020, are noted as follows:

- ❖ GDP in Q1 2020: During Q1 2020, GDP (at constant prices) dropped by 4.9% and 3.4% compared with the previous (Q4 2019) and corresponding (Q1 2020) quarters, reaching USD 3.8 billion. This is attributed to a contraction of 4.6% in the West Bank and 6.1% in the Gaza Strip. This fall in GDP and the accompanying increase in the population, translates into a decline in per capita GDP by 5.5% (5.2% in the West Bank and by 6.8% in the Gaza Strip) compared with Q4 2019 reaching USD 802.
- ❖ GDP in Q2 2020: Based on the preliminary sectoral results provided by PCBS, the majority of economic activities declined during Q2 2020 compared to the previous and corresponding quarters, except for the public administration and security, and finance and insurance sectors. The construction sector is one of the productive sectors whose activity was most affected by the pandemic. During Q2 2020, the sector's added value declined by 48.8% compared with the corresponding quarter 2019, followed by the trade sector, declining by 28.5% and 27.1% respectively, then the transportation & storage by 26.8% and 18.6% compared with the previous respectively. The services sector declined by 20.5% and 23.7% compared to the previous and corresponding quarters.
- ❖ Employment and Unemployment: The unemployment rate in Palestine (excluding discouraged workers who left the labour force) rose by 1.6 percentage points between the consecutive quarters Q1 and Q2 2020, reaching 26.6% (14.8% in the West Bank and 49.1% in the Gaza Strip). The average daily wage reached NIS 120.6; around NIS 120.2 for workers in the West Bank, NIS 59.3 for workers in the Gaza Strip, and NIS 254.6 for workers in Israel and its colonies. The percentage of the private sector waged workers who earn wages below the minimum wage was 34% (25.1% for females and 35.4% for males).
- ❖ Public Finance: During Q2 2020, net public revenues and grants dropped by 34% (NIS 2.4 billion), compared with the previous quarter, as a result of the drop in clearance revenues and domestic revenues by 47% and 54% respectively, against the significant rise of external aid by 149% during the same period. On the other hand, public expenditures decreased by 46% reaching NIS 1.6 billion (cash basis). By the



end of the quarter, government arrears reached NIS 2 billion, and public debt rose by about 3% compared with the previous quarter, standing at NIS 10.6 billion.

- ❖ **Banking Sector:** During Q2 2020, credit facilities increased by 4% compared with the previous quarter, reaching USD 9.7 billion, 18% of which were granted to the public sector. Deposits also grew by 3% compared with the previous quarter reaching USD 14.9 billion. Banks' profits reached USD 13.1 million during the quarter, a drop of 66% compared with the previous quarter.
- ❖ **PEX:** By the end of Q2 2020, the market value of traded shares in PEX was USD 3.4 billion, a drop of 4% compared with the previous quarter. Al Quds index closed at 470.8 points, a decrease of 6% compared with the previous quarter.
- ❖ **Inflation and Prices:** During Q2 2020, the Palestinian economy witnessed negative inflation (decrease in prices) of 1.2% compared with the previous quarter. Therefore, the purchasing power for those who receive their salaries and spend them in NIS improved by the same ratio over the consecutive quarters. Similarly, the purchasing power for those who receive their salaries and spend them in USD has increased by 1.70% due to the drop in prices and the rise in the dollar exchange rate against the shekel. Considering that the JOD exchange rate is pegged to that of the USD, the purchasing power of the JOD has seen almost the same developments like that of the USD.

The Monitor is available in printed form at MAS offices, in both Arabic and English. It is also available on the websites of MAS and the three research partners. The 2020 Quarterly Economic Monitor is published with the support of the Arab Fund for Economic and Social Development.

To download a copy of the monitor ([Arabic](#)) - the English version of the Monitor will be published subsequently.