

Economic note on Gaza: crossings update and impact of COVID-19
UNSCO/CU – 16 April 2020

- The economy in Gaza has been negatively impacted by the COVID-19 pandemic and the necessary public health response. Productivity and employment are both down across sectors.
- Over 109,000 laborers in 41,000 businesses from different economic sectors have been either fully or partially affected by the COVID-19 pandemic.
- At least 13,000 workers in the industrial sector have lost their jobs due to the pandemic, and others have moved to part-time.
- Approximately 3,000 workers holding Israeli permits have lost jobs in Israel and the West Bank.
- Approximately 6,000 workers in 64 information, communication and technology companies have lost their jobs due to the week purchasing power following the detection of COVID-19 cases in Gaza, while 1,000 are working part time.
- Over 10,250 workers in the restaurant, hotel, and tourism sectors lost their jobs due to the closure of 95% of these businesses.
- In the past few months, the Salah ad-Din crossing has become increasingly important to the goods trade and the primary channel for certain types of fuel and cement to enter Gaza.

Introduction

Gaza's economy has been badly affected by the COVID-19 pandemic. Businesses have been disrupted by the movement restrictions, quarantines, and other safety measures imposed across Gaza, Israel, and the West Bank. Many families have lost their income and many others are only collecting part-time wages. According to the de facto Ministry of Labor, over 109,000 laborers in 41,000 businesses from different economic sectors have been either fully or partially affected by the COVID-19 pandemic.

The COVID-19 pandemic arrived with the Gaza economy already in collapse, with unemployment at almost 43 per cent in the last quarter of 2019, youth unemployment at 64 per cent, and some 53 per cent of the population living below the US\$4.6 poverty line.

Since opening in February 2018, the Salah ad-Din crossing has become increasingly important to the goods trade in Gaza. This trend has increased in the past few months, with the crossing becoming the primary channel for cement and fuel to enter Gaza, instead of Kerem Shalom.

This note assesses the economic impact of the pandemic as of early April 2020; it is based on information from de facto authorities and private sector sources and the results of surveys conducted by industrial unions.

COVID-19: impact on industry

A recent survey from the Palestinian Federation of Industries concluded that ten of twelve industrial sectors in Gaza have been negatively impacted by COVID-19. This downturn is attributed to low demand in Gaza, West Bank, and Israeli markets due to movement restrictions, quarantine measures, and other safety directives made by the Palestinian and Israeli governments. Industrial firms have responded by halting operations or reducing production. According to information collected from specialized unions and the Palestinian Federation of Industries 954 out of 2,609 businesses from different sectors have stopped operation, while the remainder operate at reduced capacity. As a result, around 13,000 industrial workers have temporarily lost their jobs.

Two sectors report increases in production: food processing and chemical industries; however, these sectors also report reductions in their utilization of labor.

Some industrial producers have adapted to the emergency. The majority of 103 textile factories that work for West bank (24) markets or as subcontractors with Israeli companies (79) resumed their operation in the last week of March following receipt of requests to produce COVID-10 protective clothing and masks. Those factories almost halted their work due to the suspension of lack of shipments from Israel, and closure of markets in both Israel and the West Bank. Five trucks of protective clothing and masks were exported/ transferred between 26 March and 6 April. However, these factories have not been able to collect NIS3.5 million in dues for work done in March for Israeli campiness due to the lack of dealings between the Israeli and Gaza banks¹ as well as NIS2 million and NIS10 million from West Bank Gaza markets respectively from previous sales that were due in March leaving them with a liquidity problem. Additionally, 50 factories working only for the local market have halted their operations.

The below table provides details on the status of Gaza’s industrial businesses before and during COVID-19, according to the survey conducted by the Palestinian Federation of Industries.

Sector	Number of operational factories		Production capacity of currently operational factories		Number of employees	
	Before COVID-19	Present	Before COVID-19	Present	Before COVID-19	Present
Construction	819	634	27%	11%	5,640	2,679
Metal and Engineering	250	190	18%	10%	1,500	750
Aluminum	220	105	60%	35%	2,100	550
Textile and Garment	135	103	70%	40%	5,500	3000
Food Processing	82	45	32%	38%	1,770	730
Plastic Industries	65	45	27%	17%	800	600
Paper Industries	45	28	55%	40%	680	280
Wood	800	450	30%	15%	6,000	2,800
Chemical Industries	43	20	14%	20%	310	170
Leather	120	12	12%	5%	120	40
Solar Energy	20	16	35%	10%	150	70
Traditional Industries	10	7	15%	5%	80	45
Total	2,609	1,655			24,650	11,714

COVID-19: Impact on hospitality and tourism

According to the Palestinian Committee for Restaurants, Hotels, and Tourism, 95% of the 500 registered businesses in the sector stopped working, resulting in the release of over 10,250 workers. The remaining restaurants are working at reduced capacity and are restricted to takeout and home delivery. The committee estimates losses since the beginning of March of USD 15 million.

COVID-19: Impact on the ICT sector

A survey conducted by the Palestinian Information Technology Association of Companies (PITA) that targeted 64 companies found that 3,000 of their 6,000 employees in the sector have so far been released, while an another 1,000 are working part time because of the COVID-19 crisis. All other workers are working full-time but receive only 50% of their salaries. The survey also found that the sector’s sales have decreased from USD 7,450,000 in February to USD 2,700,000 in March; which directed the companies’ ability to pay among other things their operation cost.

¹ Gaza merchants collect their money from Israeli companies in cash or through financial settlement with West Bank merchants.

COVID-19: Impact Transportation sector

Public health restrictions have reduced demand for public transport. A rapid assessment of the economic impact of COVID-19 showed that daily income of taxi drivers has dropped from NIS50/day to NIS20-30/day. Owners of private taxi companies indicated that their revenues have declined by 80% with their daily taxi orders they receive declining from an average 500 orders per day to 100 orders per day following the detection of first two COVID-19 cases in Gaza.

Gaza crossings update: first quarter of 2020²

Salah ad-Din crossing has become increasingly important for the goods trade into Gaza since it opened in February 2018. This trend has accelerated in recent months. (See accompanying charts.)

According to figures shared with us by the Ministry of National Economy, the number of trucks entering Gaza through Salah ad-Din reached a record high in the first quarter of 2020. At the same time, the number of trucks entering through Kerem Shalom crossing has remained relatively constant over the past two years.

During the first quarter of 2020, Salah ad-Din gate was open on 38 days with a total of 4,930 trucks entering Gaza according to the Ministry of National Economy (5,474 according to UNRWA), while over the same period Kerem Shalom was open 61 days with a total of 25,039 trucks entering Gaza.

Most of the cement entering Gaza now enters through Salah ad-Din, which accounted for an increasing share of the monthly cement trade over 2019 and 2020. From 1 February 2020 to 15 March 2020, Salah ad-Din handled all cement shipments, because Israel temporarily halted the entry of cement through Kerem Shalom.³

Unlike the cement trade, Salah ad-Din accounts for relatively insignificant shares of other construction materials entering Gaza. Aggregate, rebar, and base course enter Gaza almost exclusively through Kerem Shalom, though there are fluctuations on a month-to-month basis.

The number of fuel trucks entering Gaza through Salah ad-Din reached a record high in the fourth quarter of 2019, and these numbers are down only slightly in the first quarter of 2020.

An increasing share of fuel trucks enter through Salah ad-Din compared to Kerem Shalom. Most benzine and most cooking fuel enter Gaza via Salah ad-Din. Twice as much diesel fuel enters through Salah ad-Din as through Kerem Shalom, if one excludes the Qatari-funded fuel shipments, which enter only through Kerem Shalom.

Both Kerem Shalom and Salah ad-Din saw an increase in food imports during the first quarter of 2020, possibly due to COVID-19. A total of 1,052 food trucks entered via Salah ad-Din in the first quarter of 2020; 6,416 food trucks entered through Kerem Shalom.

The number of trucks carrying medicine, chemicals, and non-food items⁴ through Salah ad-Din has been relatively constant in recent months. Kerem Shalom continues to account for the vast majority of shipments into Gaza of medicine and non-food items.

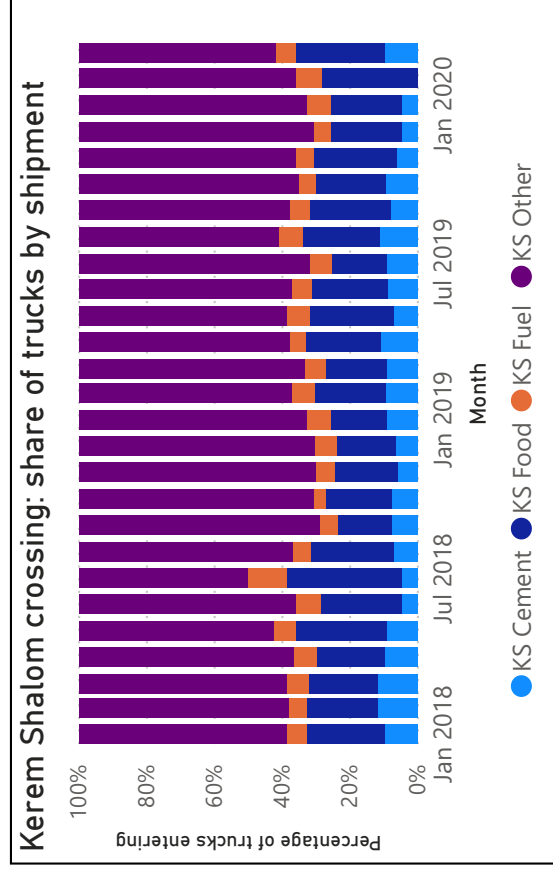
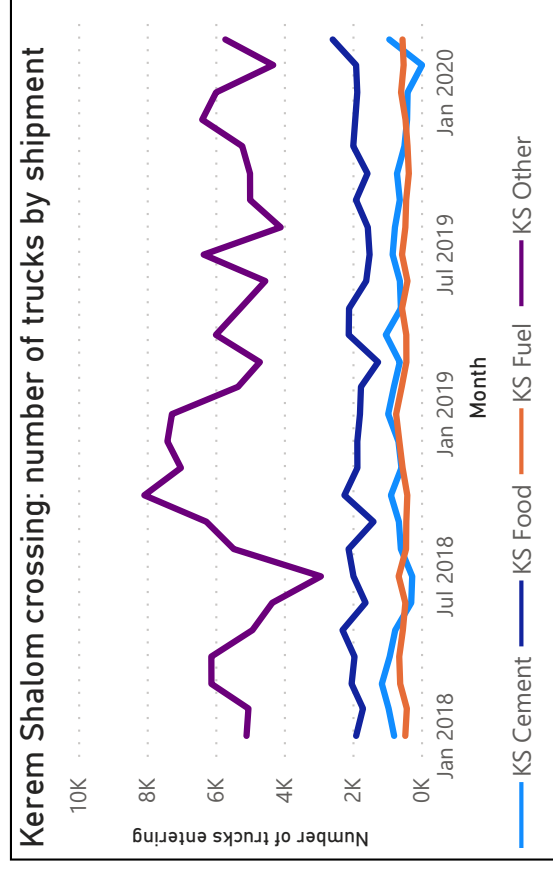
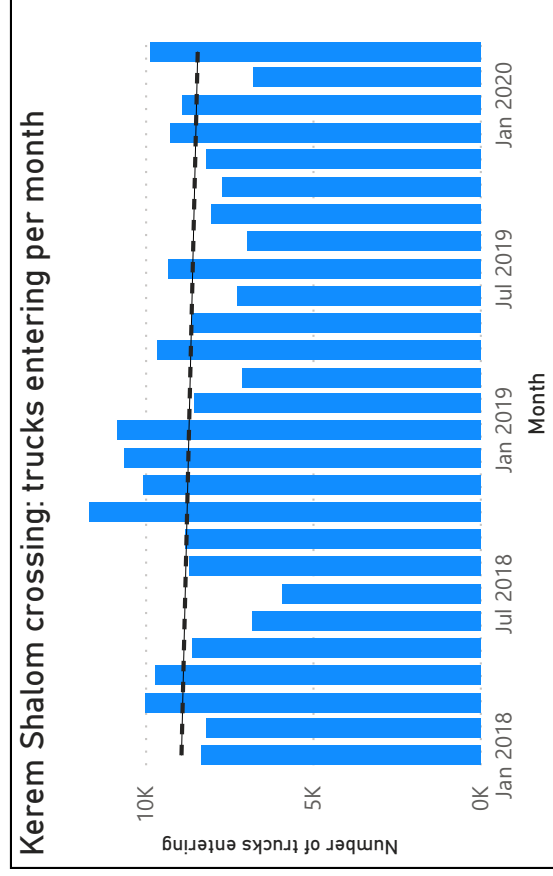
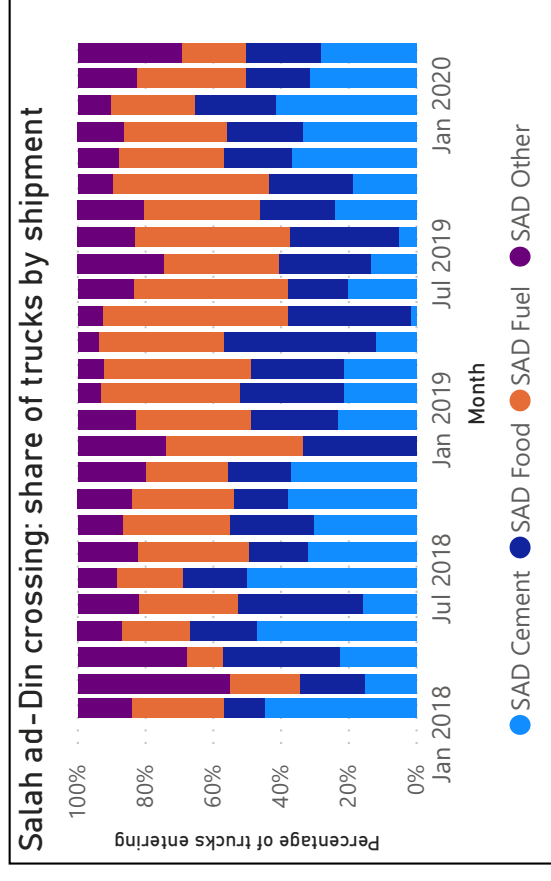
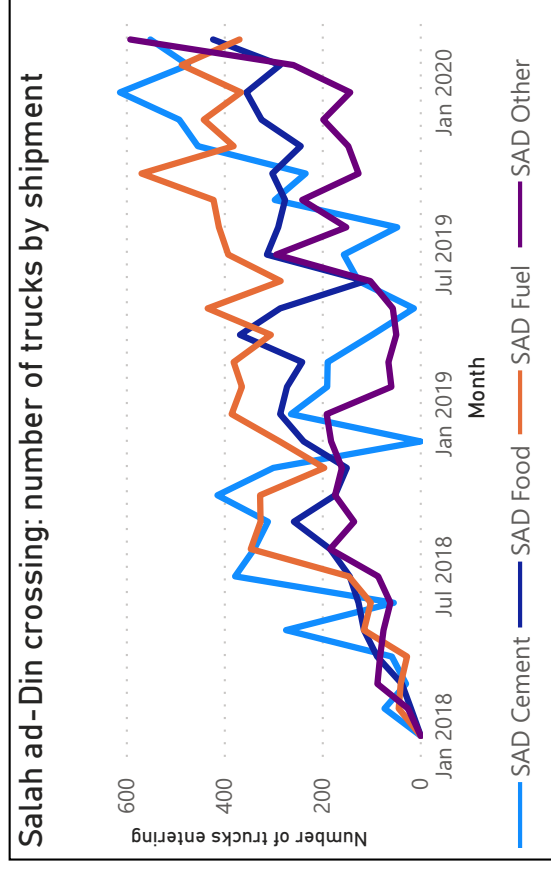
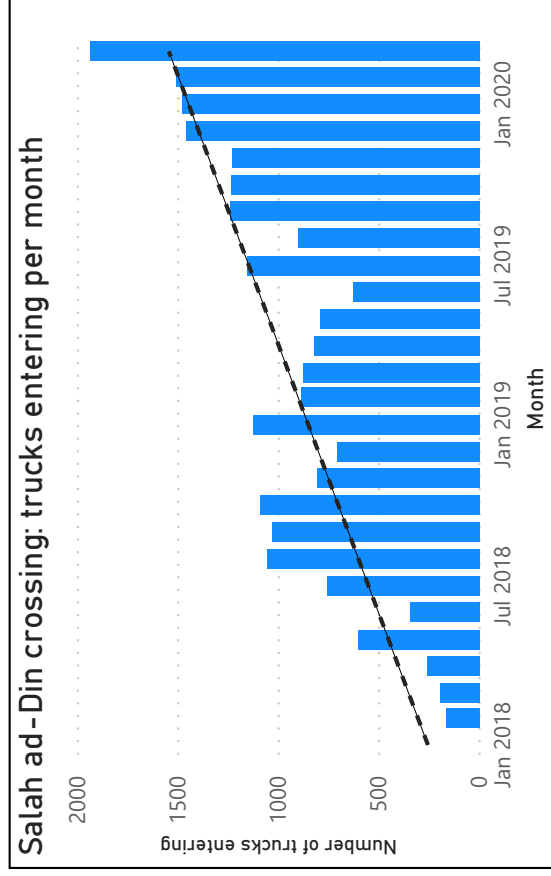
² Except where noted, all data are from the de facto Ministry of National Economy.

³ According to the Construction Union, the volume of cement entering Gaza is higher than the amount reported by the Ministry of National Economy.

⁴ Non-food items generally encompasses many items for intended for sale, such as batteries, cleaning supplies, animals and feed, mobile phones, tobacco, and paper products. Occasionally it also includes industrial items like machines, pumps, tires, and hoses.

COVID-19 Economic Impact

occupied Palestinian territory



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