

PALESTINIAN ECONOMIC BULLETIN

Bulletin 191
August 2022

Main reports

On 16 June, the Palestinian Central Bureau of Statistics and the Ministry of Agriculture published the preliminary findings of the 2021 Agricultural Census, conducted every decade and providing vitally important official data for future planning and investment

On 28 July, PalPay signed an agreement with the Ministry of Social Development to provide its services to those served by the Ministry, including the 115,000 low-income and marginalised households that benefit from the cash transfer programme

On 27 July, the Palestine Economic Policy Research Institute (MAS) held a round-table to discuss one of its latest reports, entitled: "The future of Palestinian labour in the Israeli labour market in light of economic and political realities"

Al-Quds index closed at 634.5 points on the last day of trading in July 2022, a decrease of 4.8% from the previous month

Investing in Agricultural Production and Marketing Capacity in Palestine

The agricultural sector has a strategic role in achieving food security and generating employment in most developing economies, yet it remains one of the least advanced sectors in Palestine, with a continually declining productive capacity. Although the sector's contribution to employment has remained stable to some extent, hovering around 6.7% in recent years, the value added of the agricultural sector declined by 2.3% in 2021, following an even bigger drop (by 9.1%) in the pandemic conditions of 2020. Palestinian agricultural imports (\$956.3m) far exceed agricultural exports (\$165.6m), leaving the sector with high exposure to trade shocks.¹

Despite sharing a similar natural environment, Palestine's crop yield per dunum is, on average, half of that in Jordan and only 43% of that in Israel.² While a variety of factors contribute to low productivity levels, Israeli-imposed restrictions remain the main obstacle. For example, UNCTAD estimates a 20-33% decline in agricultural productivity since Israel enforced restrictions on the importation of fertilisers under the dual-use list. Other restrictions imposed by Israel, such as those related to access to agricultural land, water resources, seedlings and livestock imports, in addition to stringent inspection processes, have also had a detrimental impact on Palestinian agriculture.³ Other impediments, such as the limited budget allocation by the Palestinian National Authority (PNA) and the lack of a dynamic vision on how to develop the sector in line with strategic food security goals, are further reasons for the shrinking of the agricultural sector.

As a result of these obstructions, Palestine is highly dependent on food imports, with at least \$4.6 billion (32.4%) of Palestinians' annual expenditure going to imported food products. This poses a significant risk to food security, particularly in periods of rising commodity prices globally. According to the World Food Program (WFP), 31.2% of the Palestinian population is food insecure. The situation is much worse in Gaza, where 64.4% are food insecure.⁴

The aftermath of the global pandemic and the Russian invasion of Ukraine, with market closures and supply chain disruptions, has reaffirmed the need for major investment in this strategic sector, and its importance for self-sufficiency and economic resilience.

The Jordanian Palestinian Agricultural Marketing Company (JPACO)

On 3 August, the Jordanian Palestinian Agricultural Marketing Company (JPACO) opened its Palestinian branch in the Jericho Agro-Industrial Park (JAIP).⁵ This follows the inauguration of the company's Jordanian branch in Amman back in April of this year.⁶

JPACO was founded in December 2021 to boost the agriculture sectors in both countries by expanding agricultural production, improving quality and price competitiveness of products, and maximising supply to local and global markets. On 25 July 2022, JPACO had reached an agreement to export 500 tonnes of Palestinian-produced peppers worth \$1 million through a number of international intermediary companies.⁷ This unique public-private, Jordanian-Palestinian joint venture suggests a feasible way forward to relieve some of the bottlenecks faced in marketing, while drawing on the best practices of

¹ www.pcbs.gov.ps/Downloads/book2537.pdf

² unctad.org/en/PublicationsLibrary/gdsapp2015d1_en.pdf

³ bit.ly/3C3a9pp

⁴ bit.ly/3djVKEq

⁵ www.maannnews.net/news/2073427.html

⁶ See B188 for more details about JPACO

⁷ www.jordantimes.com/news/local/jpaco-signs-agreement-export-500-tonnes-hungarian-pepper

agricultural marketing boards, which were a key to success for many developing countries.

Al-Rabia Feed and Grain Factory

On 29 June, Dr. Mohammed Mustafa, Chairman of the Palestine Investment Fund's (PIF) Board of Directors, highlighted developments in launching the Al-Rabia Feed and Grain Factory in the west Hebron area and confirmed the operational plans for the year 2023.⁸

The construction of the \$20m project started in 2020, with a planned production capacity of 40,000 tons per year in the first phase, and 80,000 tons per year in later phases. The project also includes much-needed grain silos with a storage capacity of about 20,000 tons, which was a long-standing demand of farmers and agro-business in Palestine. The project is strategically located in the Hebron governorate, which holds 38.7% and 28.1% of the West Bank cow and lamb population, respectively.⁹

This project is of great significance for the agricultural sector and the Palestinian economy more generally, as it addresses an acute gap in the local production and storage of animal feed. Currently, local production of animal feed is far from meeting demand. In the West Bank alone, animal feed imports amount to around 550,000 tons annually, while local production does not exceed 250,000 tons or 31.3% of market demand. In 2019, Palestine imported \$289.1m worth of animal feed, in addition to \$86.1m worth of wheat, barely, maize and soybeans (main inputs used in the production of animal feed).¹⁰ Palestine also lacks adequate grain-storing capacity, as it depends on the private sector's stockpiles and Israel's storage facilities to meet its population's immediate consumption needs.¹¹ Furthermore, due to the conflict in Ukraine, the cost of animal feed, and particularly wheat bran, has risen by 60% in the West Bank, exacerbating the existing burden on Palestinian herders.

Agricultural Census

On 16 June, the Palestinian Central Bureau of Statistics (PCBS) and the Ministry of Agriculture published the preliminary findings of the 2021 Agricultural Census, conducted every decade and providing vitally important official data for future planning and investment. The Census indicates that 18.5% of the West Bank total area and 24.6% of the Gaza total area are cultivated.

The area of agricultural land increased by 20.3% between 2010 (912 thousand dunum) and 2021 (1.1m dunum). As of 2021, 61.7% of agricultural land is planted with horticultural trees (mainly olives), followed by field crops (19.8%) and vegetables (18.5%).¹² The census also shows that there were 140,500 agricultural holdings in Palestine in 2021, of which 73.4% are plant holdings, 14.2% are livestock holdings, and 12.5% are mixed holdings. The number of agricultural holdings increased by 26.3% between 2010 and 2021. Historically, the division of agricultural land due to inheritance was among the main causes for the increase in agricultural holdings.¹³ The average area of agricultural holdings was 8.6 dunum in 2021 compared to 10.8 dunum in 2010.

⁸ <https://bit.ly/3JU6vQs>

⁹ <https://pcbs.gov.ps/Downloads/book2606.pdf>

¹⁰ <https://pcbs.gov.ps/Downloads/book2537.pdf>

¹¹ <https://bit.ly/3AjPJHg>

¹² www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_Ar_AgriCensus2021A.pdf

¹³ <https://bit.ly/3QR0Gwe>

Table 1: Area of agricultural land for selected types of crops, 2021

Crop	Area (dunum)	Percentage of Total Agricultural Land
Olives	575,167	52.5%
Grapes	29,117	2.7%
Dates	28,943	2.6%
Citrus fruits	13,953	1.3%
Potatos	23,543	2.1%
Cucumbers	21,517	2.0%
Courgettes	20,564	1.9%
Tomatoes	15,456	1.4%
Wheat	100,966	9.2%
Barley	49,463	4.5%

Source: PCBS Agricultural Census 2022

The agricultural census also shows a larger increase in layer and broiler chickens between 2010 and 2021 (236% and 228%, respectively) compared to other types of livestock. Possible reasons include the introduction of incorporated large-scale poultry farms and the Israeli restrictions imposed on cow, sheep, and goat imports.¹⁴

Table 2: population of selected types of livestock, 2010 and 2021

Type of livestock	2021	2010	Annual Compound % Change
Cows	67,760	33,925	6.5%
Sheep	771,168	567,236	2.8%
Goats	239,966	219,364	0.8%
Layer chickens	3,646,485	1,545,016	8.1%
Broiler chickens	71,019,022	31,111,411	7.8%

Source: PCBS Agricultural Census 2022

Digital-financial transformation of government services

The digitisation of governmental services could play a significant part in reinforcing trust in digital payments, as well as in public services, through increased transparency and efficiency. It can also contribute to digital financial inclusion. For this reason, the Government has been playing a leading role in policy initiatives relating to digital transformation.

e-Payments for government services

On 28 July, PalPay, a Palestinian electronic payment company, signed an agreement with the Ministry of Social Development (MoSD) to provide its services to those served by the Ministry, including the 115,000 low-income and marginalised households that benefit from the cash transfer programme.¹⁵ This will help facilitate the distribution of financial support by MoSD and its local and international partners to the most vulnerable families and make the process easier for the beneficiaries, particularly those in areas where formal financial services are not available.

On 13 July, PalPay also signed an agreement with the Al-Bireh Municipality to make its mobile and electronic payment methods available to residents wishing to pay municipal service fees, including unbanked residents.¹⁶ Other Palestinian e-payment companies, such as Maalchat and JawwalPay, are also expanding their reach and offering new innovative services. Maalchat has previously signed similar agreements with the Municipalities of Ramallah, Al-Bireh and Nablus.¹⁷

¹⁴ <https://bit.ly/3QRbILj>

¹⁵ www.alquds.com/ar/posts/0ccaced6-3ad6-4950-9f8c-6a3fb2224e6b

¹⁶ <https://bnews.ps/ar/node/19372>

¹⁷ www.maalchat.ps/media/news

My Government platform

On 14 July, the Ministry of Telecommunications and Information Technology (MTIT) announced that a ministerial committee is studying the electronic payment tender for the launch of the Unified Portal for electronic government services, otherwise known as "My Government".¹⁸ The platform will enable citizens to enquire about and pay for government services and official documents using debit and credit cards, and via e-payment platforms.

Once operational, the portal will at first provide services to resident citizens, and later expand to include those residing abroad. In a limited first phase, the portal will offer 17 out of 1,400 services currently provided by the government, 9 of which are paid services such as renewing driving licenses, renewing health insurance, or requesting certificates (e.g. birth certificates...etc).

Palestinian workers in Israel

On 27 July, the Palestine Economic Policy Research Institute (MAS) held a round-table to discuss one of its latest reports, entitled: "The future of Palestinian labour in the Israeli labour market in light of economic and political realities".¹⁹ More than fifty experts and representatives from local and international institutions participated in the event. The discussion was focused on the political and economic factors behind the large increase in the number of Palestinian workers in Israel and Israeli settlements, and what it bodes for the future of the Palestinian economy.

Rapid acceleration of work in Israel

The past decade witnessed a significant increase in the number of Palestinian workers in Israel and Israeli settlements. By Q2 2022, around 210,500 Palestinians were working in Israel and Israeli settlements compared to only 78,225 in 2010, with an accelerated increase over the past five years.²⁰ Their contribution to employment and GNI has thus increased over the same period, from 10.5% to 14.1%, and from 7.2% to 14.9%, respectively.²¹ However, these figures are higher when excluding the Gaza Strip (whose workers were barred from Israel for 15 years, culminating in 2021). Around a quarter of the West Bank workforce today is dependent on jobs in Israel.

Employment in Israel has also been a main driver of private consumption over the past two years, helping the economy recover from the COVID-19 pandemic when there were very limited growth-inducing factors. In Q1 2022, as the Palestinian economy contracted by 3.1% due to a 5% drop in investment and a 19.7% drop in government spending, private consumption contributed 7.7% to growth.²² It is worth noting that at least 23% of Palestinian private consumption expenditure is on goods imported from Israel.²³

Israeli policy

The increase in the number of Palestinian workers in Israel reflects a shift in Israeli policies, particularly after the Government of Israel (GoI) issued Government Resolution 2174 in 2016, which laid the groundwork for streamlining the permit issuance process and terms of contracting to increase the number of workers in target sectors (mainly construction, agriculture and industry).²⁴ The GoI also later introduced quotas for new target sectors where there is a shortage of workers, such as

construction, agriculture and industry. In a policy shift, these sectors lately have also included high-tech, health and tourism, and starting in 2021, Israel has allowed a limited number of workers from Gaza to enter Israel.²⁵

Additionally, from August 2022, starting on a trial basis, 7,000 Palestinian workers in Israel will receive their salaries through bank transfers, and permits will no longer be issued for those who receive their salaries in cash.²⁶ Firas Milhem, Governor of the Palestinian Monetary Authority (PMA), noted that once expanded, this would help shrink the recurring problem of accumulated ILS cash notes in the Palestinian market. On an annual basis, total cash inflow amounts to around ILS 20 billion, of which ILS 12-15 billion are transported directly by Palestinian workers in Israel. Historically, Israel has imposed ceilings on the amount of shekels that its central bank is willing to accept and exchange for hard currency (currently set by the Bank of Israel at around ILS 16 billion annually).²⁷ Excess shekel amounts have presented a huge burden, as the Palestinian banking sector continues to incur the costs of storing, insuring, and guarding large amounts of cash in its vaults.²⁸

Labour market disruptions

Despite its benefit in generating much-needed income, employment in Israel has also long caused a distortion in wage levels in the Palestinian labour market. Unskilled labourers in Israel earn higher salaries there compared to skilled labourers in the local market.²⁹ As a result, domestic productive sectors such as construction, agriculture and industry are unable to attract or retain enough employees to grow and compete, as they do not have the capacity to pay higher wages. In Q1 2022, the average daily wage for Palestinian workers in Israel and Israeli settlements was ILS 271.5, compared to ILS 118 in the West Bank and ILS 55.9 in Gaza.

Higher wages in Israel cause a shortage of labour in some local sectors, particularly those that require unskilled labour. This was confirmed by the results of interviews and focus groups carried out by MAS over the past two years, which included employers, representatives of the private sector, the Palestinian Ministry of Labor, and trade unions.³⁰

July Trading

Al-Quds index closed at 634.5 points on the last day of trading in July 2022, a decrease of 4.8% from the previous month.³¹ During the month, a total of 15.6m shares with a total value of \$34.3m were traded, marking a 51% decrease in the number and 43.2% drop in the value of traded shares compared to June 2022.

On 18 July, Safa Bank (SAFABANK) was listed on the Palestine Exchange (PEX).³² This is the third Islamic bank to be listed on PEX, and the second listing this year following the listing of ARKAAN last month. Safa Bank was established in 2016 with a total capital of \$75m, and it offers a range of Islamic banking products and services.³³ Currently, the bank has eight branches, nine ATMs and one services office in the West Bank.

18 www.wafa.ps/Pages/Details/51467

19 <https://mas.ps/news/6338.html>

20 www.pcbs.gov.ps/portals/_pcbs/PressRelease/Press_En_LFSQ022022E.pdf

21 PCBS national accounts and balance of payments data: <https://bit.ly/3zTq8DL> & <https://bit.ly/3K1qwVu>

22 www.pcbs.gov.ps/site/lang_en/741/default.aspx

23 www.pcbs.gov.ps/statisticsIndicatorsTables.aspx?lang=en&table_id=1428

24 www.gov.il/he/departments/policies/2016_dec2174

25 <https://bit.ly/3Sjpwcx> and <https://bit.ly/3ALK5hz>

26 www.gov.il/ar/service/apply_for_monetary_payment_using_file - In 2021, Israel enforced a ban on personal cash transactions over \$4,400 between its private citizens, and a limit of \$1,700 on businesses transaction, in an attempt to reduce the use of cash in the Israeli economy

27 <https://english.wafa.ps/Pages/Details/128502>

28 See B181 for more details on this issue

29 <https://bit.ly/3C91tO8>

30 <https://mas.ps/publications/6330.html>

31 <https://web.pex.ps/>

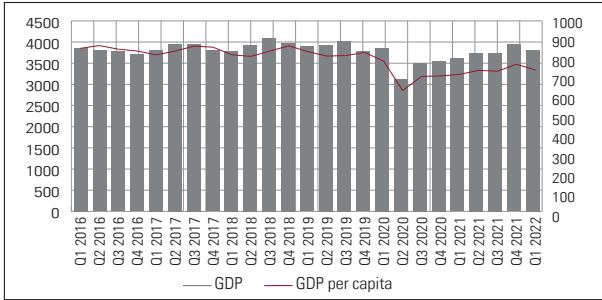
32 <https://bit.ly/3zYRIEY>

33 <https://www.safabank.ps/ar/page/brief>

Palestine Economic Dashboard

Growth

GDP (in million USD) and GDP Per Capita (in USD) in Palestine, Q1 2016 – Q1 2022

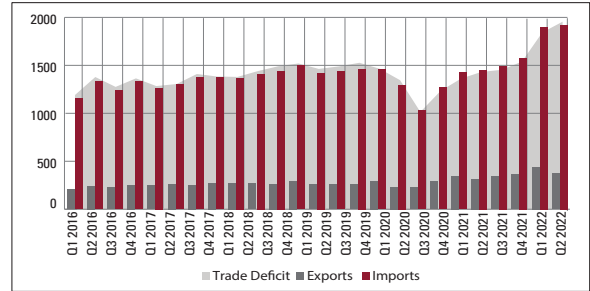


GDP (Q1 2022): \$3,817m
Source: PCBS

GDP per capita (Q1 2022): \$761.8

Trade

Exports, Imports and Trade Deficit in Palestine ('000 USD), Q1 2016 – Q2 2022

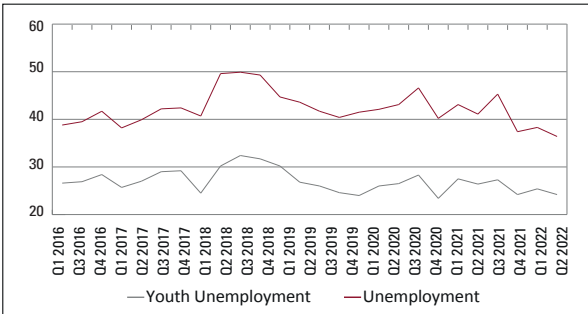


Imports (Q2 2022): \$1,991.3m
Trade deficit (Q2 2022): \$1,630.9m

Exports (Q2 2022): \$360.4m
Source: PCBS

Unemployment

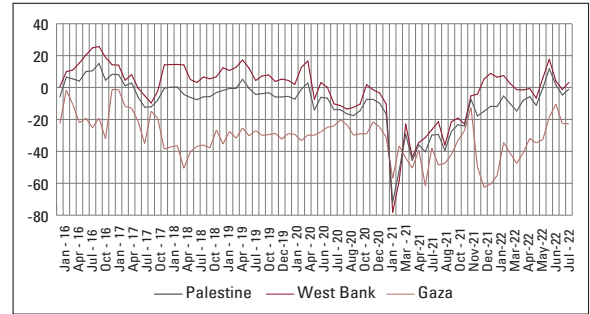
Unemployment and Youth Unemployment in Palestine, Q1 2016 – Q2 2022



Unemployment rate (Q2 2022): 36.40% Youth Unemployment rate (Q2 2022): 24.20%
Source: PCBS

Business Cycle Index

Palestine Monetary Authority Business Cycle Index, January 2016 – July 2022

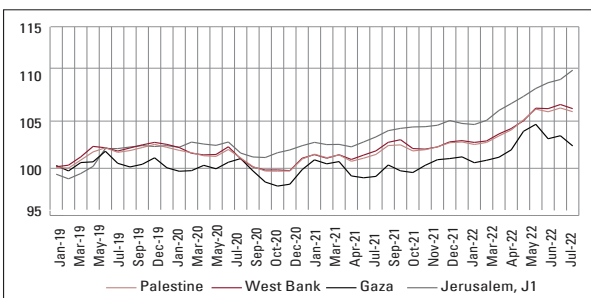


Palestine (July 2022): -1.0
Gaza (July 2022): -22.6

West Bank (July 2022): 3.2
Source: PMA

Inflation

Consumer Price Index (Base year = 2018), January 2019 – July 2022

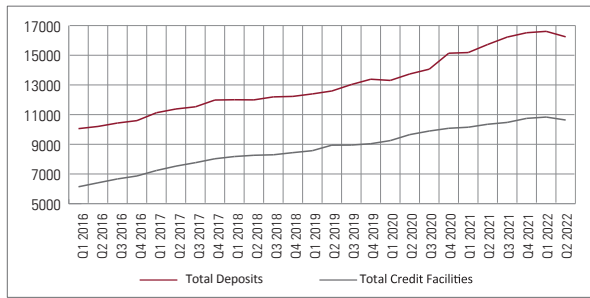


Palestine (July 2022): 106
Gaza (July 2022): 102.37

West Bank (July 2022): 106.32
Source: PCBS

Banking Sector

Total Credit Facilities and Total Deposits in Palestine ('000 USD), Q1 2016 – Q2 2022



Total Credit (Q2 2022): \$10,635.18m
Source: PMA

Total Deposits (Q2 2022): \$16,242.19m

The Portland Trust



The Palestinian Economic Bulletin is prepared by the Palestine Economic Policy Research Institute (MAS) and edited by The Portland Trust. Please send any comments, suggestions, or complaints to feedback@portlandtrust.org

Printed for The Portland Trust in Ramallah by Al Nasher Advertising and PR. © 2022 The Portland Trust