

The Effects of COVID-19 on the Economic Sectors in the Gaza Strip



Illustrative image

Pal-Think for Strategic Studies - Gaza

Gaza in the Eyes of COVID-19

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Introduction:

The economy of Palestine is led to a recession and has had serious ramifications—mostly in a time of COVID-19 as a result of the strict adherence and concrete actions instituted by the government to help avert the disease from spreading in the enclave. However, the consequences of COVID extend to correlate the future of Palestine, not by affecting its individuals and governments only, but also all its sectors due to the loss of income for thousands of citizens. According to World Bank studies, in comparing with 2019, which witnessed difficult economic conditions for several reasons, including the Palestinian fiscal revenue leakage and the suspension of American aid, the economy might get down this year by 7.6% if Palestine returns gradually to normal and by 11% if the tough restrictions continue to be imposed.

The economic conditions in the Gaza Strip before the COVID-19 pandemic were a raging fire, and then its arrival worsened the economy resources. Notwithstanding the ramifications of Israel by controlling the crossings of Palestine and the natural resources, the Palestinian reconciliation effects, and the Gaza density which is the highest rate around the globe with 6000 people/km.

This paper examines the impact of the COVID crisis on the economic sectors in the Gaza Strip, for the purpose of highlighting the best possible economic policies and interventions to mitigate these effects and to help develop and sustain the economic sectors that have benefited from the crisis.

The impact of the Corona crisis on the economic sectors in the Gaza Strip

1. Sectors negatively affected:

- Tourism Sector:

Tourism sector is considered the most affected sector in the region because of the entire closure of its services. Estimations indicate that its losses amounted approximately \$ 90 million in the

last six months. A reason of financial losses in touristic facilities was as a result of the food ruined during the lockdown. Estimation of this loss is five million dollars. About 2,700 workers who support more than 13,000 of their dependents stopped working. Since March 2020, workers as taxi drivers and street vendors in markets found indirectly affected with losses estimated 50 million USD.

- Industrial Sector:

The industrial sector witnessed a remarkable decline in the number of factories, workers, and production capacity in all facilities resulted from health measures imposed by the government to contain the virus. During the crisis, more than 10 thousand workers lost their jobs, and the number of operating factories decreased from 1865 to 1224 factories as well as the number of workers in factories decreased from 21,610 to 9,055 workers. In addition, the production capacity of the factories operating during the Corona crisis decreased from 33% to 20%.

The construction, paper, engineering, metallic, wood and aluminum sectors were the most affected as a result of their 100% slowdown during the lockdown. On the other hand, food sectors did not stop working, but it was also affected by the decrease of workers, production capacity and working hours. There were more obstacles facing these sectors during the crisis, for instances access to workplaces due to curfew, separating governorates and barriers, closing markets and shops, and identifying specific points for market.

- The agricultural sector:

The Israeli blockade, the weak implementation of local policies, and the closure of borders and markets led to a halt in exports and a sharp drop in the prices in the local markets. As a result, the agricultural sector incurred huge losses, which were estimated by 337 million dollars including its three sub-sectors.

- Construction Sector:

The construction sector stopped almost entirely due to the lack of materials inside workplaces after the transmission of corona virus in the community of the Gaza Strip. The total losses incurred by this sector are estimated by 4.560 million dollars a month, of which direct 1.560 million dollars monthly losses and indirect 3 million dollars monthly losses.

- Transport and Communications Sector:

80% of the transport sector in Gaza has stopped due to the suspension of the educational process and the limited movement of citizens. The number of taxi drivers who have stopped working has reached nearly 20,000. According to the statistics of the Ministry of Transport and Communications in Gaza for the year 2019, there are 74,375 vehicles in the Gaza Strip, of which 31,416 are commercial vehicles, and 18,921 licensed buses.

- Commercial sector

Unlike the external commercial sector which continued operating its work, the internal commercial sector was affected by the pandemic. This vulnerability was the result of the closure of popular markets, the separation of the provinces, and restructuring the process of internal trade.

- Information technology sector:

The information technology sector has dramatically slowed down owing to the declining purchasing capacity and lockdown. Consequently, more than 3000 workers who work in computer and mobile companies, software, internet providers, training and consulting services have been affected.

2. Sectors positively affected

- Clothing and Textiles Industries

Clothing and textiles industries are considered two sectors that are not negatively affected by the crisis. These industries operated even before the virus unfolded because there had been a decline in the Gaza Strip imported clothes especially from China and Turkey. About 3000 workers returned to their work, bringing the total workers in the sector of clothing and textile factories up to 8000 workers. About 210 clothing and textiles factories operated, taking into consideration that about 150 factories were operating before the Corona crisis.

- Food Industries:

The state of fear among citizens during the pandemic has changed the pattern of consumption and increased the demand for basic commodities. This has led to the benefit of some industries in this sector, such as flour and wheat factories, canning industries, and dairy products. This benefit was represented in increasing the production capacity and reducing the number of workers in factories, whether in compliance with committing to the lockdown procedures or because of the difficulty for workers to reach workplaces due to the lockdown and the separation of the provinces.

The number of workers in this sector decreased from 1,800 workers to 730 workers, in contrast, production capacity increased from 32% to 38% during the Corona crisis. According to the Federation of Food Industries, the flour factories and mills worked during the Corona crisis with the same production capacity and were not much negatively affected; with a production capacity of 30% of its total capacity. The canning factories production capacity increased to 85%. It was operating at a production capacity of no more than 30% before the crisis as well as cheese and dairy factories recorded an increase in production capacity estimated at about 10%.

- The Chemical and Pharmaceutical industries sector:

Chemical and pharmaceutical industries that include detergents and sterilizers have doubled their market share due to the increased demand of citizens to buy these products to limit transmitting infection, and their increased awareness of the importance of following health precaution measures. The demand for these products has reflected positively on the production capacity of the factories operating in this sector. Its production capacity increased from 14% to 20% during the Corona crisis. The retail and wholesale sectors operating in these industries' sales increased during the crisis due.

These sectors and economic activities achieved economic prosperity and took advantage of the crisis. In particular, the production capacity has surged. This surge has necessitated creating new job opportunities in the labor market. However, it is undeniable that the number of workers who have lost their jobs during the crisis is larger than the number of those who have got new jobs.

Recommendations:

- 1- There must be checks and balances between the health and economy sectors to encounter the current tension ideally and enter the economy activities gradually.
- 2- Develop and implement policies aimed at ensuring that all persons have adequate economic and social protection.
- 3- Upgrade the economic sectors and achieve sustainable development components through planning governmental schemes to mitigate the negative ripple effects of the crisis.