

PRESS RELEASE

Gaza Economy on the Verge of Collapse, Youth Unemployment Highest in the Region at 60 Percent

[%اقتصاد غزة على حافة الانهيار والبطالة بين الشباب الأعلى في المنطقة بنسبة 60](#)

JERUSALEM, May 21, 2015 - Blockades, war and poor governance have strangled Gaza's economy and the unemployment rate is now the highest in the world according to the latest World Bank economic update. The [report](#) will be presented to the Ad Hoc Liaison Committee (AHLIC), a forum of donors to the Palestinian Authority, at the bi-annual meeting in Brussels on May 27, 2015.

The report estimates that Gaza's GDP would have been about four times higher than it currently is if it weren't for the conflicts and the multiple restrictions. It also states that the blockade in place since 2007 has shaved around 50 percent off Gaza's GDP. Unemployment in Gaza is the highest in the world at 43 percent. Even more alarming is the situation of youth unemployment which soared to more than 60 percent by the end of 2014.

"Gaza's unemployment and poverty figures are very troubling and the economic outlook is worrying. The current market in Gaza is not able to offer jobs leaving a large population in despair particularly the youth," said Steen Lau Jorgensen, World Bank Country Director for West Bank and Gaza. "The ongoing blockade and the 2014 war have taken a toll on Gaza's economy and people's livelihoods. Gaza's exports virtually disappeared and the manufacturing sector has shrunk by as much as 60 percent. The economy cannot survive without being connected to the outside world."

Gaza's real GDP is only a couple of percentage points higher now than it was 20 years ago in 1994, while the population growth is estimated to have increased by about 230 percent over the same period. Consequently, real per capita income in Gaza is 31 percent lower now than in 1994. The 2014 war has reduced Gaza's GDP by about US\$460 million.

Construction, agriculture, manufacturing, and electricity sectors were hit the most with output reductions of 83 percent in the construction sector in the second half of 2014 and roughly 50 percent in these other sectors. Gaza became a major source of deficit and the fiscal burden on the Palestinian Authority's finances amplified by the internal divide. While about 43 percent of PA's expenditures are spent in Gaza, only 13 percent of its revenues come from Gaza.

Gaza's population suffers from poor access and quality of basic public services such as electricity, water, and sewerage. Nearly 80 percent of Gaza's population receives some kind of social assistance, and nearly 40 percent of them still fall below the poverty line. While shocking, these numbers fail to fully convey the difficult living conditions that nearly all Gaza's residents have been experiencing.

"Even more shocking is the reality that most of Gaza's 1.8 million residents are confined to an area of 160 km2 and are not able to travel beyond this area without permits."

According to the Washington-based Center for Mind-Body-Medicine, as many as one third of Gaza's children showed signs of post-traumatic stress disorder even before the 2014 armed conflict, now even more," said Jorgensen.

The status quo in Gaza is unsustainable. Recovery is conditional upon easing of the blockade to allow reconstruction materials to enter in sufficient quantities and to lift the exports out, as well as donor financing for reconstruction. The World Bank has been monitoring the disbursement rate of donor pledges and currently it is at 27.5 percent. Effective governance systems and institutional strengthening under the PA's leadership are also a necessary precondition for sustained economic recovery of Gaza.

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