

## **Ministry of National Economy (MONE) and Palestinian Central Bureau of Statistics (PCBS) issue a joint press release on the impact of Coronavirus (COVID-19) pandemic on economic/business establishments during (5/3/2020 – 31/5/2020)**

Ministry of National Economy (MONE) and Palestinian Central Bureau of Statistics (PCBS), with a financial support by the World Bank, conducted a survey on the impact of COVID-19 on business establishments. The preliminary results of the sample (2600 establishments) indicated that the Coronavirus pandemic made business establishments suffer from demand and supply shocks and financial shocks which, in return, made establishments turn to take financial and administrative measures as well as digital solutions to face the impacts of the pandemic.

The results of the survey are one of the MONE initiatives to empower the private sector in Palestine, through adopting different policies in this sector. Thus, the ministry took the initiative to evaluate the impact of COVID-19 pandemic on the private sector through a project for supporting the innovations of the private sector. This project is funded by the World Bank for the benefit of MONE, and is being conducted by Development Alternatives Incorporated (DAI) in cooperation with PCBS.

The importance of this survey lies in identifying the needs of business establishments that emerged due to the outbreak of COVID-19 pandemic. The survey also aims to help MONE, in cooperation with partners, to design programs that are responsive to the needs of the effected business establishments to ensure their recovery and return to market or to continue their businesses, according to results and outcomes of the surveys.

Ministry of National Economy (MONE) also presented the previous and the mutual efforts made with cooperation with Ministry of Finance for supporting more than 70 establishments negatively affected by the pandemic, within the COVID-19 Rapid Response Programme funded by the World Bank and implemented by Development Alternatives Incorporated (DAI) at a value of USD 800 thousand.

**More than two thirds of the establishments were closed for about one month and a half during lockdown period (5/3/2020 – 31/5/2020), where closure centered in the sector of services in Bethlehem Governorate; thus, 63% of establishments suffered from stoppage in supplies related to production inputs such as raw materials and production requirements. In addition, there was a decline of about the half in the production level or the size of sales, where 14% of Palestinian establishments had to let part of their employees go, in order to face this crisis.**

### **71% of the establishments were closed for various periods**

Final results indicated that 71% of establishments (92% in the West Bank and 27% in Gaza Strip) were closed for many days due to the restriction measures taken by the government enforcing the necessity of closure as a preventative measure for fighting the Coronavirus outbreak.

The percentage of the closure days during the lockdown period (5/3/2020 – 31/5/2020) was (51%) concentrated in services activity, where the percentage of closure days for this activity reached (68%) and it reached (54%) for the industry activity. While the percentage of closure days for the activities of transport and trade reached (56%) and (42%), respectively. Also, the biggest percentage of closure was centered in Bethlehem Governorate for a period of more than two months.

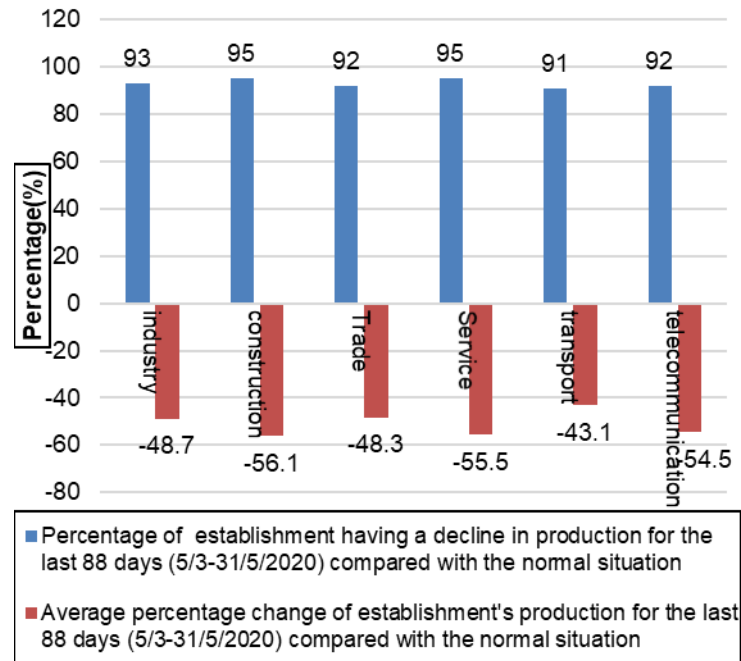
### **Demand Shocks: (An average sales/production decline by 50% compared with normal situation)**

Most of the establishments reported that sales/production size has decreased during the three months of the lockdown by (93%), with a decline in the average sales/production by 50% compared with normal situation, where establishments operating in construction sector recorded the highest decline of the average sales/production by (56%), followed by establishments operating in the services sector with a decline of (56%).

Ministry of National Economy explained that the main reason behind such decline in the production and sales size at the establishments is linked to the decline of consumption in general, where consumption recorded a decline of more than 5% during the lockdown period. Also, the decline in the production of the construction sector is due to the fact that sectors with high priority needed to secure health and food security for citizens to face the health pandemic during the times of lockdown were operated only.

Moreover, food and pharmaceutical industries, including preventative and medical requirements were operated as well as supply chain industries such as plastic and paper industries, in addition to ensuring the flow of food subsidies/goods movement and facilitating domestic and export trade movement.

Furthermore, the pandemic negatively impacted several industries, causing them to stop working, especially tourism and crafts, which were stopped completely, while shoe, leather, clothing/garment businesses were stopped partially.



**Supply Shocks: (63% of establishments reported having difficulties in the supply of inputs and raw materials)**

63% of the establishments reported having difficulties in the supply of inputs, raw materials or finished goods and purchased materials (69% in the West Bank and 49% in Gaza Strip). Hence, economic activities suffering the most from this difficulty were construction sector with a percentage of (73%), trade sector at (71%) and industry sector at (69%).

MONE indicated that the closure of world markets and the confusion and slowdown resulted from such global closure in the supply chain at the world level was one of the main reasons that led to the difficulty of providing production inputs of raw materials. In addition to the countries inability to export basic material because they were suffering from the same pandemic and the economies of countries were also impacted.

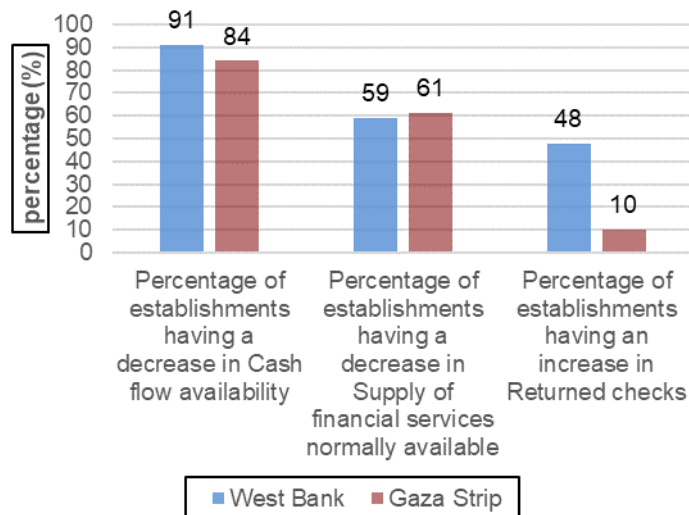
Nonetheless, the great efforts made by MONE to provide the necessary raw materials in an exceptional manner, especially those raw materials that are essential for the industry/production of sanitizers and masks, are worth mentioning. In addition to its efforts in facilitating operating and turning some vital industries, such as garment and cosmetics

industries to producing necessary medical supplies and requirements, most importantly, sanitizers and masks. It is also worth mentioning that, during the times of the pandemic, about 53 industrial establishments were established and operated that work on the production line of preventative and medical requirements.

**Financial shocks: (89% of the establishments are facing a decline in the availability of cash flow)**

89% of the establishments are facing a decline in the availability of cash flow, which affected the percentage of returned checks that increased to reach 36% (48% in the West Bank and 10% in Gaza Strip). Also, 59% of the establishments reported having a difficulty in the provision of financial services that are usually available in the normal situation.

Accordingly, the government, with guidance from the Palestinian leadership, took several steps and measures to face the unavailability of cash flow during the lockdown period, in terms of shifting the financial support provided from projects funded by donors to face the health pandemic and to provide cash flow for establishments and individuals to ensure the continuity of their businesses. Additionally, some facilitations were made for companies to hold the meetings of the general bodies in accordance to the health measures requirements, in order to distribute profits on stakeholders, where the total of distributed profits reached USD 130 million, and the number of beneficiaries reached 46 thousand, as well as accelerating the authentication/accreditation of funding non-profit organizations in order to pump cash into the Palestinian market at a value of USD 25 million, as most of it was concentrated in the southern governorates.



**Financial Adjustment Mechanism:** (37% of the establishments had to have delay payments to suppliers and employees to face shortage in cash flow)

37% of establishments had to have delay payments to suppliers and employees, whereas 36% of them had to get loans from friends, family, relatives to cover the shortage in cash flow.

**Impact on employment:** (14% of establishments had to let their employees go in order to face the financial crisis)

As a response to COVID-19 pandemic, 14% of the establishments had to dismiss and let go their employees to face the financial crisis resulted from the Coronavirus pandemic.

Whereas 9% of the establishments reduced the salaries and wages of their employees, and 11% of them gave their employees unpaid leave while 9% of them gave their employees a paid leave.

**Use of Digital Solutions:** (12% of the establishments started using or have increased the use of digital solutions as a response to COVID-19 outbreak)

12% of the establishments started using or have increased the use of internet, online social media networks, specialized apps or digital platforms in response to COVID-19 outbreak; whereas the main use of such digital solutions was for marketing with a percentage of 67%,

54% for business administration and 44% for sale. According to the results of the survey, there is a direction by the government to turn into digital economy, where MONE managed to make its services available online to ensure the fulfillment of transactions, especially import and export operations. Moreover, there are relentless efforts made by MONE to provide technical support for establishments for training them on the requirements of shifting to online services and qualify staffs to face the emerging needs.

During the last three months (88 days) starting from March 5<sup>th</sup> until May 31<sup>st</sup>, 2020), establishments reported that the percentage of employees who are currently working remotely from home was 5% of the total number of employees; mainly in the telecommunication sector (17% of the total number of employees) and construction sector (12% of the total number of employees). The main results also showed that the highest percentage of employees who were working remotely from home was among large establishments with a percentage of (14%).

**Needed policies: (72% of establishments chose utility subsidies as the most needed policies to support their businesses)**

72% of the establishments chose utility subsidies such as electricity, water, wastewater, internet services, and others, as the most needed policies to support their businesses over COVID-19 crisis. While 53% of the establishments chose exemptions or tax deductions, followed by salary subsidies with 53% and 51% for rental deferral.

Furthermore, (MONE) considered that those priorities might identify the interventions that are to be designed with donor partners in order to face the effects of the health pandemic. The ministry confirmed the readiness and willingness of the World Bank to increase its support of USD 9 million, including programs for supporting establishments negatively impacted by the health pandemic of COVID 19.

**Future vision: (47% of the establishments expect a decline in production for the next 3 months compared to the same period last year)**

The expected percentage change in production for the next three months\* that establishments anticipated to be was a decline by 47% compared to the same period last year. As for the number of employees, they expected that it will decline by 24%.

**Note:**

**\* The next three months are the months following the lockdown period after 31/5/2020.**