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The Effect of Income and Geopolitical Factors on Demand for Cars: Evidence from the West Bank

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Demand for cars in the last couple of years in the West bank was significantly increasing especially in the last three years. Cars are demanded more despite the unique geopolitical situation of the West bank. For individuals living in the West Bank to demand cars, some factors affect this demand and this research will approach these factors to clarify to what extent is the demand for cars affected in the market of the West bank. In this research, data will be collected from official bodies and there will be an empirical study based on a survey distributed randomly to Palestinians living in the West Bank to explain this phenomenon. Based on the results of the empirical study and the secondary data, recommendations will be given.

The analysis shows that income is a significant factor that predicts the demand for cars by approximately 20%. However, introducing geopolitical factor to the estimation model reduces the size of the co-efficient by approximately 50%. Furthermore, geopolitical factor contributes to explaining the demand for cars in the West Bank. This study recommends lowering both the prices of customs and gasoline fixed by the PA, offering more transportation facilities especially for the areas which lack transportation, and finally giving custom exemptions for Hybrid and full-electric cars which are imported to the West Bank.