



## SOCIO-ECONOMIC REPORT – JUNE 2007

Since 1996 UNSCO has continually monitored and reported on socio-economic conditions in the occupied Palestinian territory and in the process established an extensive socio-economic database.

UNSCO does not create raw data but rather uses available data which, in the occupied Palestinian territory is relatively abundant. However, the data that is available tends to remain dispersed and is not always automatically shared between institutions. The objective of the database is to bring together in one place a wide variety of data on socio-economic conditions and by doing so present a broader, more detailed perspective on socio-economic conditions. The purpose of this report is to: 1) broaden the access to this database through publication of the most recent data gathered; and 2) provide readers with up to date information on socio-economic conditions in the occupied Palestinian territory.

The report is divided into three sections:

Section 1 consists of a one-page fact sheet which provides a snapshot view of the socio-economic situation of the current and previous reporting period and for reference purposes provides base line figures for the period just prior to the outbreak of the second *Intifada*.

Section 2 and 3 report on the Macro-economic and the Private sector and banking modules of the UNSCO database. They provide data on the last six reporting periods for each indicator as well as base line data. In addition, some initial analysis on observed trends is given below each table.



**SOCIO-ECONOMIC FACT SHEET – JUNE 2007**

A. GENERAL				B. FISCAL SITUATION		Baseline	Previous period	Current period	
Indicator	2006			Indicator (US\$ millions)	Q4-1999	Q3-2006	Q4-2006		
1. GDP (\$US)	4,150,600,000			1. Revenue	235	152	104		
2. GDP per capita (\$US)	1,067.5			2. Expenditure	235	327	220		
3. GDP growth rate	- 6.6 %			3. Net lending	0	154	68		
4. GNI	4,521,500,000			4. Balance	0	-330	-184		
				5. External Budget support (including TIM)	0	305	178		
Source: World Bank				Source: IMF					
C. MACRO-ECONOMIC		Baseline	Previous period	Current period	D. PRIVATE SECTOR		Baseline	Previous period	Current period
Indicator <sup>1</sup>	Aug-2000	Apr-2007	May-2007	Indicator	Q2-2000	Q4-2006	Q1-2007		
1. Consumer Price Index <sup>2</sup>				1. New Company Registrations					
Total	121.95	152.71	152.97	Total	568	No data	388		
West Bank	122.44	155.28	155.60	West Bank	288	No data	294		
Gaza Strip	121.35	141.35	141.65	Gaza Strip	280	48	94		
2. Truck movement <sup>3</sup>				2. Area Licensed for new Construction (dunums)					
<u>Imports</u>	<b>Aug-2000</b>	<b>Apr -2007</b>	<b>May-2007</b>	Total	739.7	364.9	404.7		
Karni	4,373	3,955	2,590	West Bank	665.3	345.6	364.6		
Sufa	4,384	430	1,711	Gaza Strip	74.4	19.3	40.1		
Rafah	953	0	0	3. Banking (US\$ thousands)	<b>Q2-2000</b>	<b>Q1-2007</b>	<b>Q2-2007</b>		
Nahal Oz	904	556	586	Loans	1,234	1,916	1,902		
<u>Exports</u>				Deposits	3,328	4,877	4,997		
Karni	2,460	1,065	453	Loans/Deposits Ratio	37.1 %	39.3 %	38.06 %		
Source: PCBS (1), Ministry of National Economy (2)				Source: Ministry of National Economy (1), Engineering Offices and Consulting Firms (2), Palestine Monetary Authority (3)					
E. LABOUR FLOWS		Baseline	Previous period	Current period	F. CLOSURE		Baseline	Previous period	Current period
Indicator	Q2-2000	Q1-2007	Q2-2007	Indicator	Aug-2000	May-2007	June-2007		
1. Labour Force size				1. Effective closure days <sup>5</sup>					
Total	706,174	890,400	926,300	Karni (goods)	0 %	29 %	71%		
West Bank	483,796	599,500	634,600	Erez (workers)	0 %	100 %	100%		
Gaza Strip	222,378	290,900	291,700	Sufa (aggregates)	0 %	65 %	100%		
2. Unemployment	8.8 %	21.6%	19.2%	Rafah (passenger)	0 %	74 %	84%		
3. Adjusted Unemployment <sup>4</sup>	18.5 %	27.9 %	25.8 %	Rafah (commercial)	0 %	100 %	100%		
				Nahal Oz (fuel)	0 %	0 %	20%		
Source: PCBS				Source: UNSCO					

<sup>1</sup> For a more detailed report on sections C (Macro-economy) and D (Private sector), see the attached UNSCO reports

<sup>2</sup> CPI Base year 1996 = 100

<sup>3</sup> Number of truckloads. MoNE data does not include aggregates or aid flows.

<sup>4</sup> Adjusted unemployment is calculated by adding discouraged workers (i.e. unemployed but no longer seeking work) to the ILO standard.

<sup>5</sup> Effective closure days are calculated by adding all days when a crossing was fully or partially closed minus weekend and holidays.



## MACRO-ECONOMIC UPDATE – JUNE 2007

- Exchange rate
- Consumer Index by region and expenditure group
- Truck Movement
- Palestinian Imports and Exports
- Volume of registered fuel sales
- Palestinian Trade with Israel

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Indicator	Baseline Aug-00	Jan-07	Feb-07	Mar-07	Apr-07	May-07	June-07
<b>Exchange Rate</b>							
Exchange Rate	4.05	4.22	4.21	4.20	4.10	4.00	4.17

Source: PCBS

In June 2007, the value of the \$US increased against the NIS for the first time since the start of 2007. The increase of 4.3 percent means that high-end imports will become more expensive to Palestinians.

Indicator	Baseline Aug-00	Jan-07	Feb-07	Mar-07	Apr-07	May-07	June-07
<b>Volume of Registered Fuel sales in the Gaza Strip (x 1000 liters/ton)</b>							
<b>volume of registered fuel sales in the Gaza Strip</b>							
Benzene 95 (Liter)	878.3	1,125.1	1,198.5	1,326.7	1,092.4	1,347.0	963.0
Benzene 96 (Liter)	2,310.6	397.2	505.7	403.5	368.0	381.7	263.5
Gasoline (Liter)	11,342.6	6,628.4	9,168.0	8,481.1	7,430.6	7,932.1	8,672.6
Gas (Ton)	1.9	5.2	6.5	4.7	7.4	7.9	3.4
White Gasoline (Liter)	243.1	341.4	0	0	0.0	168.8	43.0

Source: General Petroleum Corporation and Ministry of Finance

All fuel categories, with the exception of gasoline, experienced a drop in registered sales during June 2007. A drop-off in fuel sales generally indicates a slow-down in economic activity.

Indicator	Baseline Aug-00	Jan-07	Feb-07	Mar-07	Apr-07	May-07	June-07
<b>Palestinian Consumer Price Index (by region and expenditure group)</b>							
<b>Major Groups of Expenditure (Occupied Palestinian Territory – excluding Jerusalem )</b>							
Food	118.92	148.11	147.18	145.72	145.43	145.84	145.9
Beverages and Tobacco	129.14	168.66	168.68	169.49	169.53	169.64	169.67
Textiles, clothing and footwear	124.93	130.15	130.12	129.96	129.58	128.42	128.42
Housing	125.78	161.96	161.66	161.96	159.92	159.90	162.17
Furniture, household goods & services	123.70	131.12	131.21	131.67	131.47	130.80	130.83
Transport and communications	123.45	199.62	197.81	199.87	198.88	200.91	201.74
Education	114.63	137.12	137.12	137.6	137.88	137.75	137.97
Medical care	125.78	150.65	150.61	149.29	148.99	149.17	150.22
Recreational, cultural goods & services	93.86	92.43	92.41	92.35	91.12	91.25	91.21
Miscellaneous goods and services	129.21	168.73	168.90	169.26	169.52	169.21	169.87
All-Items consumer price index	<b>121.95</b>	<b>154.03</b>	<b>153.42</b>	<b>153.16</b>	<b>152.71</b>	<b>152.97</b>	<b>153.36</b>
<b>Major Groups of Expenditure (Jerusalem)</b>							
Food	122.63	153.22	154.17	153.39	153.12	153.31	153.33
Beverages and Tobacco	130.91	168.48	168.48	169.08	169.06	169.4	169.4
Textiles, clothing and footwear	119.18	144.55	144.55	144.68	144.2	143.09	143.09
Housing	112.88	138.54	138.34	138.68	134.39	134.32	135.46
Furniture, household goods & services	136.10	156.21	156.13	156.43	155.9	155.77	155.79
Transport and communications	131.63	175.46	173.33	175.5	177.54	179.22	179.92
Education	108.70	136.53	136.53	138.36	138.83	138.49	138.65
Medical care	114.91	151.35	151.14	148.37	147.81	147.93	148.33
Recreational, cultural goods & services	88.54	105.78	105.51	104.55	103.09	103.3	103.3
Miscellaneous goods and services	126.54	156.29	156.09	156.97	156.46	156.77	157.29
All-Items consumer price index	<b>122.76</b>	<b>154.03</b>	<b>154.02</b>	<b>154.14</b>	<b>153.87</b>	<b>154.11</b>	<b>154.37</b>
<b>Major Groups of Expenditure (Rest of the West Bank)</b>							
Food	118.25	147.28	146.05	144.22	142.48	143.9	144.67
Beverages and Tobacco	127.26	170.78	170.79	172.31	171.96	172	172.11
Textiles, clothing and footwear	123.53	129.31	129.09	128.74	127.49	125.29	125.24
Housing	127.28	165.40	164.88	165.27	163.64	163.65	166.28
Furniture, household goods & services	119.19	125.81	125.83	127.17	126.94	124.97	125.11
Transport and communications	127.03	221.10	219.19	221.53	219.2	220.81	221.78
Education	120.62	149.13	149.14	147.76	147.63	147.5	147.6
Medical care	138.73	158.14	158.17	158.35	158	158.27	160.68
Recreational, cultural goods & services	98.11	83.01	83.12	83.93	83.16	82.63	82.58
Miscellaneous goods and services	125.54	175.46	176.42	175.35	176.23	174.63	174.94
All-Items consumer price index	<b>122.44</b>	<b>157.59</b>	<b>156.86</b>	<b>156.52</b>	<b>155.28</b>	<b>155.60</b>	<b>156.36</b>
<b>Major Groups of Expenditure (Gaza Strip)</b>							
Food	116.38	145.79	145.91	146.19	144.76	145.05	146.54
Beverages and Tobacco	130.23	165.70	165.74	165.74	166.07	166.07	166.09
Textiles, clothing and footwear	135.87	119.32	119.32	119.27	119.34	119.33	119.35
Housing	129.45	144.44	144.31	144.36	143.76	143.52	147.22
Furniture, household goods & services	115.49	111.89	112.13	112.08	112.43	111.24	112.73
Transport and communications	115.61	153.03	151.77	153.11	150.97	153.15	153.8
Education	118.84	136.99	136.99	136.99	137.65	137.99	138.49
Medical care	133.83	156.32	155.56	156.37	157.22	157.22	157.21
Recreational, cultural goods & services	101.78	89.53	89.53	89.19	88.14	88.47	88.41
Miscellaneous goods and services	131.43	147.53	146.05	145.26	147.07	147.57	148.77
All-Items consumer price index	<b>121.35</b>	<b>142.00</b>	<b>141.81</b>	<b>142.07</b>	<b>141.35</b>	<b>141.65</b>	<b>142.85</b>
Source: PCBS							

Overall, the Palestinian Consumer Price Index (CPI) increased by 0.25 percent in June 2007. This increase is primarily due to the increase in Gaza (0.84 percent) which most likely reflects an anticipation of shortages as border crossings closed after the inter-factional fighting in June.

Indicator	Baseline Aug-00	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	* May-07
<b>Truck Movement</b>							
<b>Karni commercial crossing</b>							
Truck Loads Exports Israel	428	688	711	661	668	609	284
Truck Loads Imports From Israel	2,466	2,537	2,943	2,649	2,711	2,746	1,702
Truck Loads Exports (WB)	564	133	204	185	144	219	147
Total Truck Loads Imports (WB)	457	336	453	514	536	656	400
Truck Loads Exports (Abroad)	n.a	175	189	282	253	191	22
Total Truck Loads Imports (Abroad)	n.a	432	647	550	511	553	488
Total Truck Loads Exports	992	996	1,104	1,128	1,065	1,019	453
Total Truck Loads Imports	2,923	3,305	4,043	3,713	3,758	3,955	2,590
Total Truck Loads Exports and Imports	3,915	4,301	5,147	4,841	4,823	4,974	3,043
<b>Sufa commercial crossing (gravel only)</b>							
Total Truck Loads Imports	4,384	2,423	3,455	3,258	1,034	430	1,711
Gravel Tons	175,342	96,930	138,204	130,314	41,352	17,212	68,432
<b>Nahel Oz commercial crossing (fuel)</b>							
Total Truck Loads Imports	904	532	539	714	693	556	586
Source: Ministry of National Economy							
* Because of the recent events in Gaza, data for Karni is not available from the PA Ministry of National Economy for the 25th-31 <sup>st</sup> of May. Data included in this table excludes the last 6 days of May. If data will be available for the next monthly report, numbers will be adjusted to include the missing days of May.							

Overall truck movement across the Karni crossing decreased substantially during May 2007. Paltrade reports that the daily average export figure for May stands at 23 which is only 5.8 percent of the agreed upon target in the AMA.

Indicator	Baseline Aug-00	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07
<b>Imports and Exports (x 1000 US\$)</b>							
<b>Imports through:</b>							
<b>Karni</b>							
Originating from the West Bank	Data not available	5,536.4	8,766.9	4,799.1	8,889.0	7,940.1	4,434.8
Originating from Israel		21,495.7	25,371.5	34,013.9	25,471.8	20,352.7	14,160.5
Originating from abroad		7,851.6	10,887.0	11,929.1	7,343.3	9,734.6	7,180.6
Sub total (Karni)		<b>34,883.7</b>	<b>45,025.4</b>	<b>50,742.1</b>	<b>41,704.1</b>	<b>38,027.4</b>	<b>25,775.9</b>
<b>Rafah</b>		0	0	0	0	0	0
<b>Erez</b>							
Originating from the West Bank		15.4	164.3	8.5	177.6	89.8	528.3
Originating from Israel		1,048.3	453.6	548.1	708.7	335.3	702.9
Originating from abroad		844.3	673.1	754.8	747.6	1,135.4	1,555.6
Sub total (Erez)		<b>1,908.0</b>	<b>1,291.0</b>	<b>1,311.4</b>	<b>1,633.9</b>	<b>1,560.5</b>	<b>2,786.8</b>
<b>Total import</b>		<b>36,791.7</b>	<b>46,316.4</b>	<b>52,053.5</b>	<b>43,338.0</b>	<b>39,587.9</b>	<b>28,562,721</b>
<b>Exports through:</b>							
<b>Karni</b>							
Going to the West Bank		853.2	1,025.0	1,032.0	942.8	1,290.9	988.9
Going to Israel		3,534.5	4,212.5	4,890.9	5,732.1	4,705.3	2,589.4
Going abroad		1,041.0	1,168.9	2,678.6	3,268.3	1,861.7	191.9
<b>Total Export</b>		<b>5,428.7</b>	<b>6,406.3</b>	<b>8,601.5</b>	<b>9,943.3</b>	<b>7,857.9</b>	<b>3,770.1</b>
Source: UNSCO Calculations based on data from the Ministry of National Economy. No baseline data is available as the Ministry did not provide monetary data on imports and exports before March 2003.							

In US dollar terms, exports through Karni decreased by 52 percent in May 2007 (compared with April 2007). The downturn in exports is particularly noticeable in terms of exports abroad through the Ashdod port which decreased by 89 percent in May 2007.

Indicator	Baseline Q2-00	Q4-2005	Q1-2006	Q2-2006	Q3-2006	Q4-2006	Q1-2007
<b>Palestinian Trade with Israel (in million US \$)</b>							
<b>Trade in goods</b>							
Exports	85	65	60	68	65	65	79
Imports	418	506	513	507	484	497	488
Balance	-333	-441	-453	-439	-419	-432	-409
<b>Trade in Services</b>							
Exports	45	31	26	29	30	32	30
Imports	91	69	71	65	60	67	76
Balance	-46	-38	-45	-36	-30	-36	-45
<b>Total</b>							
Exports	130	96	86	97	95	97	109
Imports	509	575	584	572	544	564	564
Balance	-379	-479	-498	-475	-449	-468	-454
Source: Israeli Central Bureau of statistics							

The Palestinian negative balance of payment in terms of its trade with Israel saw some improvement in the first quarter of 2007. The fact that this improvement was primarily caused through an increase of goods exports to Israel would suggest that this positive development reflects the improved performance of Karni during the first quarter of 2007.



**PRIVATE SECTOR AND BANKING UPDATE – JUNE 2007**

- Number of Company Registrations by region and legal status
- Area licensed for Construction
- Bank Credit
- Value of loans and deposits

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Indicator	Baseline Q2-2000	Jan-07	Feb-07	Mar-07	Apr-07	May-07	June-07
<b>Number of new Company Registrations (by region and legal status)</b>							
<b>Gaza Strip</b>							
Private	162	13	20	13	17	13	8
Private Limited	46	16	18	14	24	5	12
Public Limited	1	0	0	0	0	0	0
Foreign	3	0	0	0	0	0	0
<b>Total</b>	<b>212</b>	<b>29</b>	<b>38</b>	<b>27</b>	<b>41</b>	<b>18</b>	<b>20</b>
<b>West Bank</b>							
Private	66	37	38	34	29	28	21
Private Limited	163	53	81	46	49	27	41
Public Limited	0	1	0	0	0	1	0
Foreign	0	2	1	1	0	1	0
<b>Total</b>	<b>229</b>	<b>93</b>	<b>120</b>	<b>81</b>	<b>78</b>	<b>57</b>	<b>62</b>
Source: Ministry of Economy							

The number of new company registrations is used as a proxy indicator for the vitality of the local economy as well as the ability of the local economy to create new employment. The clear downward trend observed during the past months was halted in June 2007 which shows a slight increase in new company registrations in both Gaza (11 percent) and the West Bank (9 percent). For the whole of the oPt, new company registrations are down by 81 percent if compared to the pre-*Intifada* period.

Indicator	Baseline Aug-00	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07
<b>Area licensed for new construction (Gaza Strip, dunums)</b>							
Northern District	27,902	8,300	5,700	6,570	16,150	16,050	9,460
Gaza	50,116	39,635	9,790	13,355	17,580	9,770	19,750
Al Wastah	15,984	2,940	5,210	3,285	1,755	11,345	4,530
Khan Younis	51,146	11,400	4,120	7,255	15,100	5,240	4,540
Rafah	39,429	4,700	3,130	5,210	6,575	3,890	5,070
<b>Gaza Strip Total</b>	<b>184,577</b>	<b>66,975</b>	<b>27,950</b>	<b>35,675</b>	<b>57,160</b>	<b>46,295</b>	<b>43,350</b>
Source: Engineering Offices and Consulting Firms							

Indicator	Baseline Aug-00	Jan-07	Feb-07	Mar-07	Apr-07	May-07	June-07
<b>Area licensed for new construction (West Bank, dunums)</b>							
Ramallah & Al- Bireh & Jerusalem		4,643	19,274	42,043	64,358	49,852	56,083
Nablus		2,209	26,508	19,991	30,321	45,875	29,736
Tulkarm		0	9,887	14,080	20,504	28,597	27,456
Hebron		2,359	15,523	23,684	40,578	37,677	56,353
Bethlehem		1,015	3,669	9,614	18,318	15,192	22,172
Jenin		582	8,272	7,914	11,603	9,988	12,941
Qalqilya		2,805	3,697	5,526	7,981	4,605	6,596
Salfit		0	0	0	0	0	0
<b>Total</b>	<b>345,685</b>	<b>13,613</b>	<b>86,830</b>	<b>122,852</b>	<b>193,663</b>	<b>191,786</b>	<b>211,337</b>
Source: Engineering Offices and Consulting Firms							

Similarly to new company registrations, the area licensed for new construction is used as a proxy indicator for economic vitality. Data for the West Bank for June 2007 shows that the slow recovery of the construction sector is continuing with a 10 percent increase in June 2007. Given the developments in the Gaza Strip no new data is available at this time from Gaza

Indicator	Baseline Q2-00	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06	Q1-2007
<b>Area licensed for new construction (by region and by type, x 1000 m<sup>2</sup>)</b>							
<b>Non-residential</b>							
West Bank	122.0	111.7	130.1	132.0	113.1	59.5	95.2
Gaza Strip	5.5	10.5	9.8	17.6	2.0	2.9	12.2
Total Palestinian territory	127.5	122.2	139.9	149.6	115.1	62.4	107.4
<b>Residential</b>							
West Bank	543.3	358.5	589.4	491.9	356.6	286.1	269.4
Gaza Strip	68.9	50.8	50.4	48.6	40.0	16.4	27.9
Total Palestinian territory	612.2	409.3	639.8	540.5	396.6	302.5	297.3
Source: PCBS							

If disaggregated by type, it becomes apparent that the construction upswing is entirely due to an increase in non-residential construction as residential new construction is actually decreasing. Also noteworthy is the large difference in terms of new construction between the Gaza Strip and the West Bank. The PCBS data on new construction would suggest a ratio of 1 to 10 between Gaza and the West Bank.



Indicator	Baseline Jun-00	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun -07
<b>Bank Credit</b>							
<b>Bank Credit by economic activity (x million US\$)</b>							
Agriculture	20	14	23	16	15	18	19
Manufacturing & Mining	123	109	111	111	117	113	111
Construction	145	192	208	213	209	218	226
General Trade	<b>349</b>	<b>364</b>	<b>387</b>	<b>355</b>	<b>365</b>	<b>365</b>	<b>379</b>
<i>Internal Trade</i>	235	242	262	234	233	240	254
<i>External Trade</i>	114	122	125	121	132	125	125
<i>Exports</i>	8	17	18	18	20	20	20
<i>Imports</i>	106	105	107	104	112	105	105
Transportation	45	53	53	69	46	54	54
Tourism, Hotels & Restaurants	33	23	25	24	24	26	26
Public Services	52	144	152	162	164	167	166
Financial Services	28	93	96	102	104	111	109
Purchase of Securities	10	3	3	3	3	3	2
Miscellaneous	429	831	807	835	856	842	809
<b>GRAND TOTAL</b>	<b>1,234</b>	<b>1,827</b>	<b>1,865</b>	<b>1,891</b>	<b>1,903</b>	<b>1,916</b>	<b>1,902</b>
TOTAL excluding miscellaneous and public services	<b>752</b>	<b>851</b>	<b>906</b>	<b>893</b>	<b>883</b>	<b>907</b>	<b>927</b>
<b>Bank Credit by economic activity (as percentage of total)</b>							
Agriculture	2%	1%	1%	1%	1%	1%	1%
Manufacturing & Mining	10%	6%	6%	6%	6%	6%	6%
Construction	12%	11%	11%	11%	11%	11%	12%
General Trade	28%	20%	21%	19%	19%	19%	20%
Transportation	4%	3%	3%	4%	2%	3%	3%
Tourism, Hotels & Restaurants	3%	1%	1%	1%	1%	1%	1%
Public Services	4%	8%	8%	9%	9%	9%	9%
Financial Services	2%	5%	5%	5%	5%	6%	6%
Purchase of Securities	1%	0%	0%	0%	0%	0%	0%
Miscellaneous	35%	46%	43%	44%	45%	44%	43%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Bank Credit by economic activity excluding miscellaneous and public services(as percentage of total)</b>							
Agriculture	3%	3%	2%	2%	2%	2%	2%
Manufacturing and Mining	16%	12%	12%	13%	12%	12%	12%
Construction	19%	23%	24%	24%	24%	24%	24%
General Trade	46%	43%	40%	41%	40%	40%	41%
<i>Internal Trade</i>	31%	29%	26%	26%	26%	26%	27%
<i>External Trade</i>	15%	14%	14%	15%	14%	14%	14%
<i>Exports</i>	1%	2%	2%	2%	2%	2%	2%
<i>Imports</i>	14%	12%	12%	13%	12%	12%	11%
Transportation	6%	6%	8%	5%	6%	6%	6%
Tourism, Hotels & Restaurants	4%	3%	3%	3%	3%	3%	3%
Financial Services	4%	11%	11%	12%	12%	12%	12%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Source: PMA							

Data on bank credit indicates that intra-sectoral trends have not changed much over the past six periods (the Palestine Monetary Authority provides adjusted monthly data once per every three months). In relative terms, both the general trade and construction sectors show a slight increase in its use of credit providing a first tentative signal of recovery after months of decline. Bank credit to the public sector has more than tripled if compared with the pre-*Intifada* period while the miscellaneous category (primarily encompassing credit to consumers) has doubled over the same period. If compared with the pre-*Intifada* period total bank credit has increased by 54 percent (the increase is only 23 percent if we exclude the public services and miscellaneous categories).

Indicator	Baseline Jun-00	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun -07
<b>Bank Credit</b>							
<b>Bank Credit by type (x million US\$)</b>							
Loans	512	1,179	1,187	1,201	1,191	1,198	1,207
Overdrafts	653	638	668	680	702	705	681
Leasing	0	10	11	11	10	11	11
BA & Discounted Bills	69	0.07	0.07	0.07	0.01	2	3.56
<b>Total</b>	<b>1,234</b>	<b>1,827</b>	<b>1,865</b>	<b>1,891</b>	<b>1,903</b>	<b>1,916</b>	<b>1,902</b>
<b>Bank Credit by type (as percentage of total)</b>							
Loans	41%	65%	64%	63%	63%	63%	63%
Overdrafts	53%	35%	36%	36%	37%	37%	36%
Leasing	0%	1%	1%	1%	1%	1%	1%
BA & Discounted Bills	6%	0%	0%	0%	0%	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Source: PMA							

Disaggregating bank credit by the type of credit, confirms the relative stability of the banking sector. The trend of overdrafts replacing formal loans has continued in the second quarter of 2007. Loans currently represent 63 percent of all credit extended compared to only 41 percent in the pre-Intifada period.

Indicator	Baseline Jun-00	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun -07
<b>Bank Credit</b>							
<b>Bank Credit by borrowing entity (x million US\$)</b>							
Businesses	752	851	906	893	883	907	927
Consumers	429	831	807	835	856	842	809
Public Agencies	52	144	152	162	164	167	166
<b>Total</b>	<b>1,234</b>	<b>1,827</b>	<b>1,865</b>	<b>1,891</b>	<b>1,903</b>	<b>1,916</b>	<b>1,902</b>
<b>Bank Credit by borrowing entity (as percentage of total)</b>							
Businesses	61%	47%	49%	47%	46%	47%	49%
Consumers	35%	46%	43%	44%	45%	44%	43%
Public Agencies	4%	8%	8%	9%	9%	9%	9%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Source: PMA							

Disaggregating bank credit by the borrowing entity indicates that consumer borrowing has not significantly changed during the past 18 month period. Even though one would have expected some increase following the difficulties experienced by the PA in paying salaries such an increase in demand is not necessarily accompanied by an increase in credit supply. Compared to pre-Intifada levels, consumer borrowing has almost doubled indicating that increased economic hardship has resulted in increased use of credit facilities for consumption purposes.

Indicator	Baseline Aug-00	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Jun -07
<b>Bank Deposits (excluding deposits of the PMA and commercial banks)</b>							
<b>Distribution of Public sector deposits by depositor and type (x million US\$)</b>							
<b>Public Institutions and Local Auth.</b>							
Current Accounts	23.9	57.8	58.8	63.1	65.0	63.5	61.8
Time Deposits	49.7	43.2	42.1	44.2	47.9	48.8	56.5
Sub-total	73.6	101.0	100.9	107.3	112.9	112.3	118.3
<b>Government</b>							
Current Accounts	39.8	88.8	96.8	154.9	121.7	113.2	255.9
Time Deposits	74.8	183.6	178.8	177.9	173.8	187.1	86.1
Sub-total	114.6	272.5	275.5	332.8	295.6	300.3	342.0
<b>Total Public sector deposits</b>	<b>188.2</b>	<b>373.5</b>	<b>376.4</b>	<b>440.1</b>	<b>408.5</b>	<b>412.6</b>	<b>460.3</b>
<b>Distribution of Private sector deposits by residency and type (x million US\$)</b>							
<b>Residents</b>							
Current Accounts	865.3	1,234.6	1,219.4	1,238.7	1,255.4	1,244.7	1,283.8
Savings Accounts	454.3	904.7	914.6	918.3	932.3	943.2	966.1
Time Deposits	2,084.3	1,605.8	1,601.9	1,636.0	1,678.7	1,712.1	1,703.1
Sub-total	3,403.9	3,745.1	3,735.9	3,793.0	3,866.5	3,900.0	3,953.0
<b>Non-Residents</b>							
Current Accounts	9.5	99.3	28.9	29.6	29.8	27.4	30.0
Savings Accounts	3.6	13.0	12.8	12.7	12.9	13.0	14.0
Time Deposits	22.8	47.6	48.5	48.1	48.6	49.4	50.9
Sub-total	35.9	159.9	90.2	90.4	91.3	89.8	94.9
<b>Total Private sector deposits</b>	<b>3,439.8</b>	<b>3,904.9</b>	<b>3,826.1</b>	<b>3,883.4</b>	<b>3,957.8</b>	<b>3,989.8</b>	<b>4,047.9</b>
<b>Total Deposits (public and private)</b>	<b>3,628.0</b>	<b>4,278.4</b>	<b>4,202.6</b>	<b>4,323.5</b>	<b>4,366.2</b>	<b>4,402.4</b>	<b>4,508.2</b>
Source: PMA							

Similar to bank credits, bank deposits data indicates that the banking sector is relatively stable with deposits increasing slowly but steadily.

Indicator	Baseline Jun-00	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07	Jun -07
<b>Value of Loans and Deposits (x million US\$)</b>							
Total Loans	1,234	1,827	1,865	1,891	1,903	1,916	1,902
Total Deposits	3,328	4,512	4,390	4,514	4,657	4,876.6	4,997
Loans/Deposits (ratio)	<b>37.06%</b>	<b>40.49%</b>	<b>42.49%</b>	<b>41.89%</b>	<b>40.87%</b>	<b>39.29%</b>	<b>38.06%</b>
Source: PMA							

In a normal functioning economy an increase in the loans versus deposits ratio would be a good sign as monies are not saved but invested or consumed, each of which is a stimulant for the economy. Over the past year, this ratio has steadily declined (by 11 percent) in the oPt signaling little optimism concerning the Palestinian economy which limits appetite for domestic investment and thus increases deposits. The fact that banks stopped issuing loans to PA employees and instead attempted to limit their risk by withholding part of the TIM and partial salary payments to service existing loans in the later half of 2006 and first half of 2007 further explains the continued decline in the ratio over this period.