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OFFICE OF THE UNITED NATIONS SPECIAL CO-ORDINATOR

SOCIO-ECONOMIC REPORT – MAY 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 – MAY 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 ¹	Aug-2000	Apr-2007	May-2007	Indicator	Q2-2000	Q4-2006	Q1-2007		
1. Consumer Price Index ²				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 ³				2. Area Licensed for new Construction (dunums)					
<u>Imports</u>	Aug-2000	Mar-2007	Apr-2007	Total	739.7	364.9	404.7		
Karni	4,373	3,758	3,955	West Bank	665.3	345.6	364.6		
Sufa	4,384	1,034	430	Gaza Strip	74.4	19.3	40.1		
Rafah	953	0	0	3. Banking (US\$ thousands)					
Nahal Oz	904	693	556	Loans	1,234	1,903	1,916		
<u>Exports</u>				Deposits	3,328	4,657	4,877		
Karni	2,460	1,065	1,019	Loans/Deposits Ratio	37.1 %	40.9 %	39.3 %		
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	Q4-2006	Q1-2007	Indicator	Aug-2000	Apr -2007	May-2007		
1. Labour Force size				1. Effective closure days ⁶					
Total	706,174	920,500	890,400 ⁵	Karni (goods)	0 %	4 %	29 %		
West Bank	483,796	635,100	599,500	Erez (workers)	0 %	100 %	100 %		
Gaza Strip	222,378	285,400	290,900	Sufa (aggregates)	0 %	86 %	65 %		
2. Unemployment	8.8 %	22.0 %	21.6 %	Rafah (passenger)	0 %	63 %	74 %		
3. Adjusted Unemployment ⁴	18.5 %	28.4 %	27.9 %	Rafah (commercial)	0 %	100 %	100 %		
Source: PCBS				Source: UNSCO					

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

² CPI Base year 1996 = 100

³ Number of truckloads. MoNE data does not include aggregates or aid flows.

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

⁵ The significant drop in labour force participation is explained by the fact that the 4th Quarter of each year traditionally sees a large influx of seasonal labour, particularly in the agricultural field (e.g. the olive harvest). These seasonal labourers, mostly unpaid family labour is no longer counted in the 1st Quarter as they are no longer seeking employment and are thus not counted as part of the labour force as per ILO definitions.

⁶ Effective closure days are calculated by adding all days when a crossing was fully or partially closed minus weekend and holidays.



OFFICE OF THE UNITED NATIONS SPECIAL CO-ORDINATOR

MACRO-ECONOMIC UPDATE – MAY 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

For further information please contact:

 Ramallah: *Bushra Mukbil*
mukbil@un.org

 Gaza Strip: *Raed Raqeb*
raqeb@un.org

Indicator	Baseline Aug-00	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07
Exchange Rate							
Exchange Rate	4.05	4.21	4.22	4.21	4.20	4.10	4.00
Source: PCBS							

The value of the US\$ continued to drop against the NIS in April and May 2007. Since the beginning of 2007 the exchange rate has dropped over 5 percent. In May 2007 the exchange rate dropped below the level that existed prior to the *Intifada*.

Indicator	Baseline Aug-00	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07
Volume of Registered Fuel sales in the Gaza Strip (x 1000 liters/ton)							
volume of registered fuel sales in the Gaza Strip							
Benzene 95 (Liter)	878.3	1,206.1	1,125.1	1,198.5	1,326.7	1,092.4	1,347.0
Benzene 96 (Liter)	2,310.6	401.6	397.2	505.7	403.5	368.0	381.7
Gasoline (Liter)	11,342.6	8,030.3	6,628.4	9,168.0	8,481.1	7,430.6	7,932.1
Gas (Ton)	1.9	4.3	5.2	6.5	4.7	7.4	7.9
White Gasoline (Liter)	243.1	99.0	341.4	0	0	0.0	168.8
Source: General Petroleum Corporation and Ministry of Finance							

All fuel categories experienced a drop in registered sales during April 2007 followed by a slight increase in May 2007. A drop-off in fuel sales generally indicates a slow-down in economic activity. However, fuel sales in Gaza are still well below its pre-*Intifada* levels

Indicator	Baseline Aug-00	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07
Palestinian Consumer Price Index (by region and expenditure group)							
Major Groups of Expenditure (Occupied Palestinian Territory – excluding Jerusalem)							
Food	118.92	146.75	148.11	147.18	145.72	145.43	145.84
Beverages and Tobacco	129.14	168.58	168.66	168.68	169.49	169.53	169.64
Textiles, clothing and footwear	124.93	130.16	130.15	130.12	129.96	129.58	128.42
Housing	125.78	161.97	161.96	161.66	161.96	159.92	159.90
Furniture, household goods & services	123.70	131.03	131.12	131.21	131.67	131.47	130.80
Transport and communications	123.45	199.60	199.62	197.81	199.87	198.88	200.91
Education	114.63	137.15	137.12	137.12	137.6	137.88	137.75
Medical care	125.78	150.38	150.65	150.61	149.29	148.99	149.17
Recreational, cultural goods & services	93.86	92.83	92.43	92.41	92.35	91.12	91.25
Miscellaneous goods and services	129.21	169.30	168.73	168.90	169.26	169.52	169.21
All-Items consumer price index	121.95	153.49	154.03	153.42	153.16	152.71	152.97
Major Groups of Expenditure (Jerusalem)							
Food	122.63	154.06	153.22	154.17	153.39	153.12	153.31
Beverages and Tobacco	130.91	168.48	168.48	168.48	169.08	169.06	169.4
Textiles, clothing and footwear	119.18	144.55	144.55	144.55	144.68	144.2	143.09
Housing	112.88	138.49	138.54	138.34	138.68	134.39	134.32
Furniture, household goods & services	136.10	156.21	156.21	156.13	156.43	155.9	155.77
Transport and communications	131.63	175.46	175.46	173.33	175.5	177.54	179.22
Education	108.70	136.45	136.53	136.53	138.36	138.83	138.49
Medical care	114.91	151.35	151.35	151.14	148.37	147.81	147.93
Recreational, cultural goods & services	88.54	105.78	105.78	105.51	104.55	103.09	103.3
Miscellaneous goods and services	126.54	156.38	156.29	156.09	156.97	156.46	156.77
All-Items consumer price index	122.76	154.34	154.03	154.02	154.14	153.87	154.11
Major Groups of Expenditure (Rest of the West Bank)							
Food	118.25	144.82	147.28	146.05	144.22	142.48	143.9
Beverages and Tobacco	127.26	170.51	170.78	170.79	172.31	171.96	172
Textiles, clothing and footwear	123.53	129.33	129.31	129.09	128.74	127.49	125.29
Housing	127.28	165.37	165.40	164.88	165.27	163.64	163.65
Furniture, household goods & services	119.19	125.87	125.81	125.83	127.17	126.94	124.97
Transport and communications	127.03	221.10	221.10	219.19	221.53	219.2	220.81
Education	120.62	149.34	149.13	149.14	147.76	147.63	147.5
Medical care	138.73	157.99	158.14	158.17	158.35	158	158.27
Recreational, cultural goods & services	98.11	83.80	83.01	83.12	83.93	83.16	82.63
Miscellaneous goods and services	125.54	176.68	175.46	176.42	175.35	176.23	174.63
All-Items consumer price index	122.44	156.68	157.59	156.86	156.52	155.28	155.60
Major Groups of Expenditure (Gaza Strip)							
Food	116.38	143.83	145.79	145.91	146.19	144.76	145.05
Beverages and Tobacco	130.23	165.70	165.70	165.74	165.74	166.07	166.07
Textiles, clothing and footwear	135.87	119.33	119.32	119.32	119.27	119.34	119.33
Housing	129.45	144.49	144.44	144.31	144.36	143.76	143.52
Furniture, household goods & services	115.49	111.18	111.89	112.13	112.08	112.43	111.24
Transport and communications	115.61	152.95	153.03	151.77	153.11	150.97	153.15
Education	118.84	136.99	136.99	136.99	136.99	137.65	137.99
Medical care	133.83	155.62	156.32	155.56	156.37	157.22	157.22
Recreational, cultural goods & services	101.78	89.67	89.53	89.53	89.19	88.14	88.47
Miscellaneous goods and services	131.43	147.65	147.53	146.05	145.26	147.07	147.57
All-Items consumer price index	121.35	141.07	142.00	141.81	142.07	141.35	141.65
Source: PCBS							

Overall, the Palestinian Consumer Price Index (CPI) declined by 0.3 percent in April 2007 followed by a 0.17 percent increase in May 2007. A declining CPI is normally indicative of a slow-down in demand which in turn is indicative of declining economic activity. As such, the 0.7 percent decline of the Palestinian CPI since the beginning of this year confirms other indicators that signal a continuing economic decline.

Indicator	Baseline Aug-00	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07
Truck Movement							
Karni commercial crossing							
Truck Loads Exports Israel	428	655	688	711	661	668	609
Truck Loads Imports From Israel	2,466	2,603	2,537	2,943	2,649	2,711	2,746
Truck Loads Exports (WB)	564	142	133	204	185	144	219
Total Truck Loads Imports (WB)	457	448	336	453	514	536	656
Truck Loads Exports (Abroad)	n.a	27	175	189	282	253	191
Total Truck Loads Imports (Abroad)	n.a	541	432	647	550	511	553
Total Truck Loads Exports	992	824	996	1,104	1,128	1,065	1,019
Total Truck Loads Imports	2,923	3,592	3,305	4,043	3,713	3,758	3,955
Total Truck Loads Exports and Imports	3,915	4,416	4,301	5,147	4,841	4,823	4,974
Sufa commercial crossing (gravel only)							
Total Truck Loads Imports Gravel Tons	4,384	1,652	2,423	3,455	3,258	1,034	430
	175,342	66,088	96,930	138,204	130,314	41,352	17,212
Nahel Oz commercial crossing (fuel)							
Total Truck Loads Imports	904	548	532	539	714	693	556
Source: Ministry of National Economy							

Overall truck movement across the Karni crossing increased by 3.1 percent in April 2007 (if compared to March) However, this increase was entirely due to an increase in imports (5.2 percent) while exports from the Gaza Strip declined by 4.3 percent. The Gaza import-export ratio reached 3.88 in April 2007 (i.e. for each truck exported through Karni, the Gaza economy imports 3.88 truck loads) compared to 3.29 in February 2007 and 2.95 in August 2000.

Indicator	Baseline Aug-00	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07
Imports and Exports (x 1000 US\$)							
Imports through:							
Karni							
Originating from the West Bank	Data not available	6,547.3	5,536.4	8,766.9	4,799.1	8,889.0	7,940.1
Originating from Israel		23,261.7	21,495.7	25,371.5	34,013.9	25,471.8	20,352.7
Originating from abroad		7,940.9	7,851.6	10,887.0	11,929.1	7,343.3	9,734.6
Sub total (Karni)		37,749.9	34,883.7	45,025.4	50,742.1	41,704.1	38,027.4
Rafah		0	0	0	0	0	0
Erez							
Originating from the West Bank		134.4	15.4	164.3	8.5	177.6	89.8
Originating from Israel		1,152.9	1,048.3	453.6	548.1	708.7	335.3
Originating from abroad		1,417.9	844.3	673.1	754.8	747.6	1,135.4
Sub total (Erez)		2,705.2	1,908.0	1,291.0	1,311.4	1,633.9	1,560.5
Total import		40,455.0	36,791.7	46,316.4	52,053.5	43,338.0	39,587.9
Exports through:							
Karni							
Going to the West Bank		1,001.5	853.2	1,025.0	1,032.0	942.8	1,290.9
Going to Israel		3,829.4	3,534.5	4,212.5	4,890.9	5,732.1	4,705.3
Going abroad		115.4	1,041.0	1,168.9	2,678.6	3,268.3	1,861.7
Total Export		4,946.3	5,428.7	6,406.3	8,601.5	9,943.3	7,857.9
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 21 percent in April 2007 (compared with March 2007) echoing the corresponding decrease in exported truckloads. Imports through Karni declined by 8.8 percent in monetary terms in April 2007 even though the number of truckloads imported through Karni increased by 5.2 percent. An increase in import truckloads while imports decrease in monetary terms can be explained by the fact that the monetary value per truckload is not standard, i.e. in April 2007 Gaza imported an increased amount of low-value products.

Indicator	Baseline Q2-00	Q4-2005	Q1-2006	Q2-2006	Q3-2006	Q4-2006	Q1-2007
Palestinian Trade with Israel (in million US \$)							
Trade in goods							
Exports	85	65	60	68	65	65	79
Imports	418	506	513	507	484	497	488
Balance	-333	-441	-453	-439	-419	-432	-409
Trade in Services							
Exports	45	31	26	29	30	32	30
Imports	91	69	71	65	60	67	76
Balance	-46	-38	-45	-36	-30	-36	-45
Total							
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 – MAY 2007

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

For further information please contact:

Ramallah: *Bushra Mukbil*

mukbil@un.org

Gaza Strip: *Raed Raqeb*

raqeb@un.org

Indicator	Baseline Q2-2000	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07
Number of new Company Registrations (by region and legal status)							
Gaza Strip							
Private	162	5	13	20	13	17	13
Private Limited	46	13	16	18	14	24	5
Public Limited	1	0	0	0	0	0	0
Foreign	3	0	0	0	0	0	0
Total	212	18	29	38	27	41	18
West Bank							
Private	66		37	38	34	29	28
Private Limited	163	Data	53	81	46	49	27
Public Limited	0	Not	1	0	0	0	1
Foreign	0	available	2	1	1	0	1
Total	229		93	120	81	78	57
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. While the first quarter of 2007 showed some improvement over the fourth quarter of 2006, a clear downward trend can be observed in both the West Bank and Gaza Strip. In May 2007, new company registrations in Gaza were down by 56 percent compared to April while they were down 27 percent in the West Bank. For the whole of the oPt, new company registrations are down by 83 percent if compared to the pre-*Intifada* period.

Indicator	Baseline Aug-00	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07
Area licensed for new construction (Gaza Strip, dunums)							
Northern District	27,902	6,380	8,300	5,700	6,570	16,150	16,050
Gaza	50,116	8,760	39,635	9,790	13,355	17,580	9,770
Al Wastah	15,984	3,220	2,940	5,210	3,285	1,755	11,345
Khan Younis	51,146	10,720	11,400	4,120	7,255	15,100	5,240
Rafah	39,429	3,555	4,700	3,130	5,210	6,575	3,890
Gaza Strip Total	184,577	32,635	66,975	27,950	35,675	57,160	46,295
Source: Engineering Offices and Consulting Firms							

Indicator	Baseline Aug-00	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07
Area licensed for new construction (West Bank, dunums)							
Ramallah & Al- Bireh & Jerusalem		271,337	4,643	19,274	42,043	64,358	49,852
Nablus		73,885	2,209	26,508	19,991	30,321	45,875
Tulkarm		31,047	0	9,887	14,080	20,504	28,597
Hebron		94,909	2,359	15,523	23,684	40,578	37,677
Bethlehem		33,148	1,015	3,669	9,614	18,318	15,192
Jenin		27,815	582	8,272	7,914	11,603	9,988
Qalqilya		4,569	2,805	3,697	5,526	7,981	4,605
Salfit		0	0	0	0	0	0
Total	345,685	536,710	13,613	86,830	122,852	193,663	191,786
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 this indicator shows a slight improvement at the end of the first quarter and beginning of the second quarter even though the resurgence of construction appears to have peaked in both the West Bank and Gaza Strip. If compared with pre-*Intifada* levels, construction has declined in Gaza by 75 percent and in the West Bank by 45 percent.

Indicator	Baseline Q2-00	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06	Q1-2007
Area licensed for new construction (by region and by type, x 1000 m²)							
Non-residential							
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
Residential							
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, we note that the slight upswing in construction during the first quarter of 2007 is almost entirely due to an increase in non-residential construction (using data from the PCBS).

Indicator	Baseline Jun-00	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07
Bank Credit							
Bank Credit by economic activity (x million US\$)							
Agriculture	20	15	14	23	16	15	18
Manufacturing & Mining	123	105	109	111	111	117	113
Construction	145	189	192	208	213	209	218
General Trade	349	366	364	387	355	365	365
<i>Internal Trade</i>	235	241	242	262	234	233	240
<i>External Trade</i>	114	125	122	125	121	132	125
<i>Exports</i>	8	18	17	18	18	20	20
<i>Imports</i>	106	107	105	107	104	112	105
Transportation	45	72	53	53	69	46	54
Tourism, Hotels & Restaurants	33	23	23	25	24	24	26
Public Services	52	146	144	152	162	164	167
Financial Services	28	60	93	96	102	104	111
Purchase of Securities	10	3	3	3	3	3	3
Miscellaneous	429	812	831	807	835	856	842
GRAND TOTAL	1,234	1,791	1,827	1,865	1,891	1,903	1,916
TOTAL excluding miscellaneous and public services	752	833	851	906	893	883	907
Bank Credit by economic activity (as percentage of total)							
Agriculture	2%	1%	1%	1%	1%	1%	1%
Industry & Mining	10%	6%	6%	6%	6%	6%	6%
Construction	12%	11%	11%	11%	11%	11%	11%
General Trade	28%	20%	20%	21%	19%	19%	19%
Transportation	4%	4%	3%	3%	4%	2%	3%
Tourism, Hotels & Restaurants	3%	1%	1%	1%	1%	1%	1%
Public Services	4%	8%	8%	8%	9%	9%	9%
Financial Services	2%	3%	5%	5%	5%	5%	6%
Purchase of Securities	1%	0%	0%	0%	0%	0%	0%
Miscellaneous	35%	45%	46%	43%	44%	45%	44%
Total	100%	100%	100%	100%	100%	100%	100%
Bank Credit by economic activity excluding miscellaneous and public services(as percentage of total)							
Agriculture	3%	2%	2%	3%	2%	2%	2%
Manufacturing and Mining	16%	13%	13%	12%	12%	13%	12%
Construction	19%	23%	23%	23%	24%	24%	24%
General Trade	46%	44%	43%	43%	40%	41%	40%
<i>Internal Trade</i>	31%	29%	28%	29%	26%	26%	26%
<i>External Trade</i>	15%	15%	14%	14%	14%	15%	14%
<i>Exports</i>	1%	2%	2%	2%	2%	2%	2%
<i>Imports</i>	14%	13%	12%	12%	12%	13%	12%
Transportation	6%	9%	6%	6%	8%	5%	6%
Tourism, Hotels & Restaurants	4%	3%	3%	3%	3%	3%	3%
Financial Services	4%	7%	11%	11%	11%	12%	12%
Total	100%	100%	100%	100%	100%	100%	100%
Source: PMA							

Data on bank credit excluding the miscellaneous and public services sector 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, only the general trade sector shows a slight decrease in its use of credit while the financial services sector shows the opposite. 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 55 percent (the increase is only 21 percent if we exclude the public services and miscellaneous categories).

Indicator	Baseline Jun-00	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07
Bank Credit							
Bank Credit by type (x million US\$)							
Loans	512	1,154	1,179	1,187	1,201	1,191	1,198
Overdrafts	653	624	638	668	680	702	705
Leasing	0	9	10	11	11	10	11
BA & Discounted Bills	69	4	0.07	0.07	0.07	0.01	2
Total	1,234	1,791	1,827	1,865	1,891	1,903	1,916
Bank Credit by type (as percentage of total)							
Loans	41%	64%	65%	64%	63%	63%	63%
Overdrafts	53%	35%	35%	36%	36%	37%	37%
Leasing	0%	1%	1%	1%	1%	1%	1%
BA & Discounted Bills	6%	0%	0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%	100%	100%
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 first 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	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07
Bank Credit							
Bank Credit by borrowing entity (x million US\$)							
Businesses	752	833	851	906	893	883	907
Consumers	429	812	831	807	835	856	842
Public Agencies	52	146	144	152	162	164	167
Total	1,234	1,791	1,827	1,865	1,891	1,903	1,916
Bank Credit by borrowing entity (as percentage of total)							
Businesses	61%	47%	47%	49%	47%	46%	47%
Consumers	35%	45%	46%	43%	44%	45%	44%
Public Agencies	4%	8%	8%	8%	9%	9%	9%
Total	100%	100%	100%	100%	100%	100%	100%
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	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07
Bank Deposits (excluding deposits of the PMA and commercial banks)							
Distribution of Public sector deposits by depositor and type (x million US\$)							
Public Institutions and Local Auth.							
Current Accounts	23.9	56.6	57.8	58.8	63.1	65.0	63.5
Time Deposits	49.7	44.8	43.2	42.1	44.2	47.9	48.8
Sub-total	73.6	101.4	101.0	100.9	107.3	112.9	112.3
Government							
Current Accounts	39.8	95.0	88.8	96.8	154.9	121.7	113.2
Time Deposits	74.8	163.5	183.6	178.8	177.9	173.8	187.1
Sub-total	114.6	258.5	272.5	275.5	332.8	295.6	300.3
Total Public sector deposits	188.2	359.9	373.5	376.4	440.1	408.5	412.6
Distribution of Private sector deposits by residency and type (x million US\$)							
Residents							
Current Accounts	865.3	1,232.0	1,234.6	1,219.4	1,238.7	1,255.4	1,244.7
Savings Accounts	454.3	897.6	904.7	914.6	918.3	932.3	943.2
Time Deposits	2,084.3	1,596.7	1,605.8	1,601.9	1,636.0	1,678.7	1,712.1
Sub-total	3,403.9	3,726.3	3,745.1	3,735.9	3,793.0	3,866.5	3,900.0
Non-Residents							
Current Accounts	9.5	33.8	99.3	28.9	29.6	29.8	27.4
Savings Accounts	3.6	13.1	13.0	12.8	12.7	12.9	13.0
Time Deposits	22.8	46.3	47.6	48.5	48.1	48.6	49.4
Sub-total	35.9	93.2	159.9	90.2	90.4	91.3	89.8
Total Private sector deposits	3,439.8	3,819.5	3,904.9	3,826.1	3,883.4	3,957.8	3,989.8
Total Deposits (public and private)	3,628.0	4,179.5	4,278.4	4,202.6	4,323.5	4,366.2	4,402.4
Source: PMA							

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

Indicator	Baseline Jun-00	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07
Value of Loans and Deposits (x million US\$)							
Total Loans	1,234	1,791	1,827	1,865	1,891	1,903	1,916
Total Deposits	3,328	4,607	4,512	4,390	4,514	4,657	4,876.6
Loans/Deposits (ratio)	37.06%	38.88%	40.49%	42.49%	41.89%	40.87%	39.29%
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. 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 early part of 2007 explains the continued decline in the ratio over this period.