



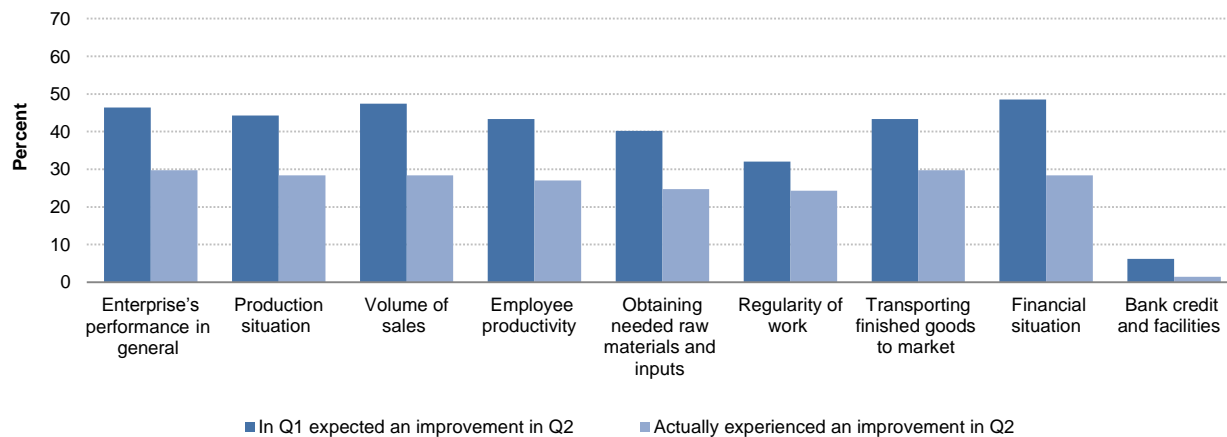
SOCIO-ECONOMIC REPORT - JULY 2011

Supplement: Economic Expectations in the Gaza Strip and the West Bank¹

Owners/managers of active industrial enterprises in the Gaza Strip and the West Bank were fairly optimistic in Q1/2011 about future improvements in their enterprises' performance, the volume of sales, production and the financial situation. As suggested by data collected subsequently on actual performance in Q2/2011, many of these and other expectations for improvement were not fully realized as anticipated.

Almost half of owners/managers of active industrial enterprises in Gaza, for example, expected in Q1/2011 to see improvements in the performance of their enterprises in the following quarter, but only about 30% of owners/managers report actually experiencing such an improvement in Q2/2011. A similar situation (of higher expectations in Q1 than actual improvements in Q2) is observed in all other categories, including improvements in the volume of sales, the production situation and the financial situation.

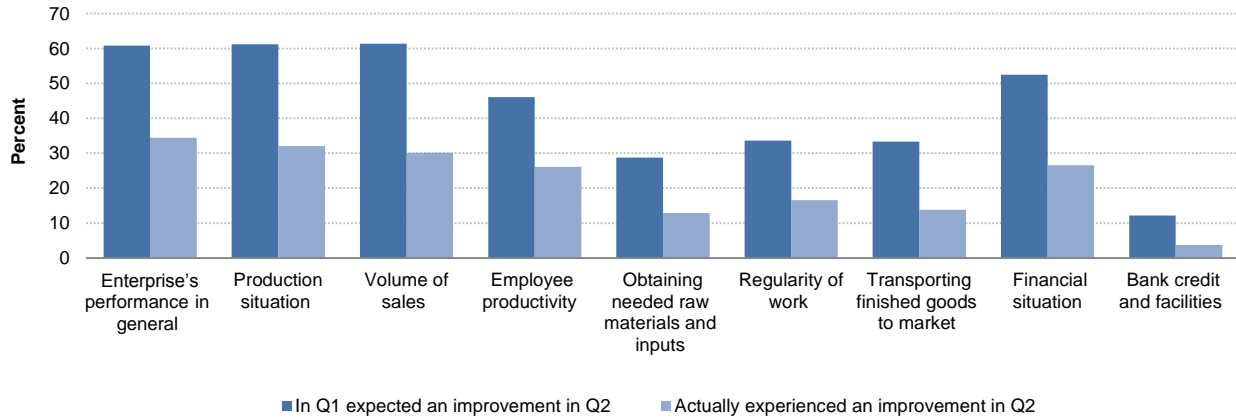
Gaza Strip: Proportion of owners/managers of active industrial enterprises that in Q1/2011 expected an improvement in Q2/2011, and proportion that report actually experiencing an improvement in Q2/2011



In the West Bank, more than 60% of owners/managers of active industrial enterprises expected improvements in the performance of their enterprises in the following quarter, but less than 35% of owners/managers report actually experiencing such an improvement in Q2/2011. A similar situation (of actual improvements in Q2 not matching expectations) is observed in all other categories.

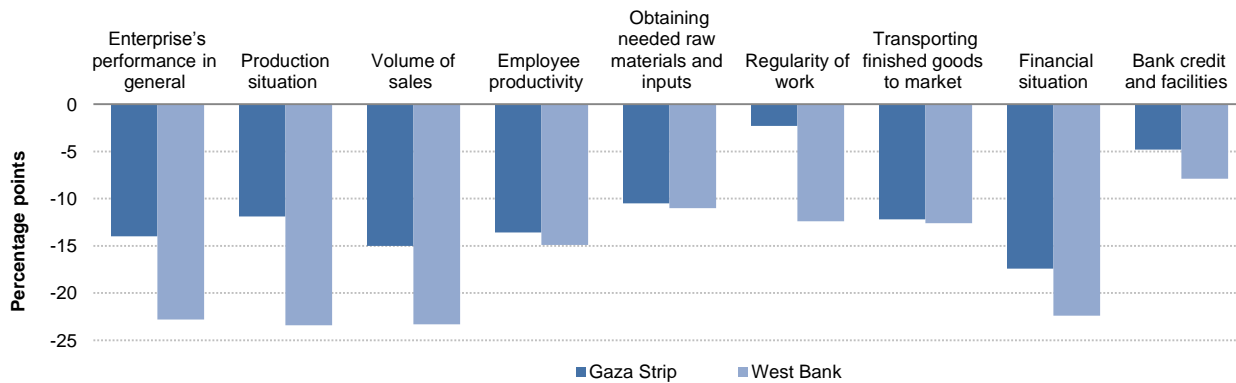
¹ The data used in this supplement are from PCBS's Q1/2011 and Q2/2011 "Survey of the Perceptions of Owners/Managers of Active Industrial Enterprises Regarding the Economic Situation".

West Bank: Proportion of owners/managers of active industrial enterprises that in Q1/2011 expected an improvement in Q2/2011, and proportion that report actually experiencing an improvement in Q2/2011



Following these smaller-than-expected improvements, expectations in Q2/2011 for improvements to come in Q3/2011 were more modest than they were in the previous quarter. Such a downward adjustment of expectations is observed in all categories in both the West Bank and Gaza.

Change between Q1/2011 and Q2/2011 in the proportion of owners/managers of active industrial enterprises who expect and improvement in the following quarter



Enterprise expectations can serve as a proxy for business confidence and are important determinants of expected returns. They can thus influence private investment that can lead to economic growth and job creation.