



UNSCO Socio-Economic Report: Overview of the Palestinian Economy in Q1/2015

Economic activity

Real GDP in the occupied Palestinian territory (oPt) in Q1/2015 was slightly lower than in Q4/2014 and Q1/2014. Year-on-year growth was registered only in the West Bank where the economy expanded by 1.8%. In the Gaza Strip, GDP grew by 6.7% compared to the previous quarter, but still remains 8.2% below the level of the same quarter in 2014. In Q1/2015 the Gaza economy constituted only 23% of the overall Palestinian economy, and the Strip's nominal GDP per capita was less than half of the West Bank's.

In the West Bank, between Q1/2014 and Q1/2015 there was an expansion in real value added in financial and insurance activities (15.6%) as well as the transportation and storage sector (14.2%). Decreases in real value added were registered in several sectors, notably in mining, manufacturing, electricity and water (-10%) and construction (-8.1%).

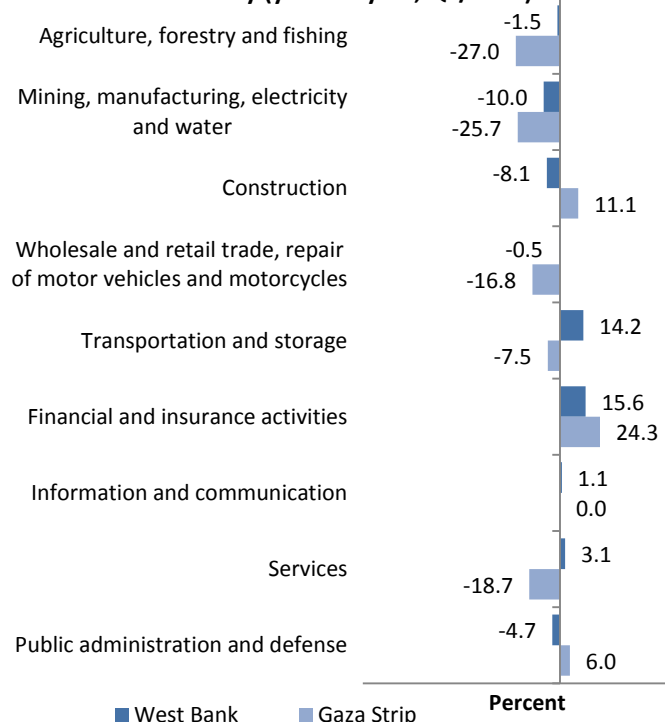
During the same period in the Gaza Strip, significant contractions were registered across the majority of sectors, notably in agriculture, forestry and fishing (-27%), mining, manufacturing, electricity and water (-25.7%) as well as the wholesale and retail trade sector (-16.8%). Three exceptions were financial and insurance activities (24.3%), construction (11.1%) as well as public administration and defence (6%).

Key GDP indicators (Q1/2015)

	West Bank	Gaza Strip	oPt
Real GDP (million \$)	1,428.1	434.9	1,863.0
Rate of change in real GDP (quarter-on-quarter, %)	-2.9	6.7	-0.8
Rate of change in real GDP (year-on-year, %)	1.8	-8.2	-0.8
Nominal GDP per capita (\$)	865.6	391.8	670.9

Note: Base year is 2004. Data for Q1/2015 are flash estimates.

Rate of change of real value added by economic activity (year-on-year, Q1/2015)



Note: Base year is 2004. Data for Q1/2015 are flash estimates.

The wholesale and retail trade sector constituted the largest one in the West Bank economy in Q1/2015, accounting for 19.9% of GDP. This was followed by the services sector (19%) and mining, manufacturing, electricity and water (14.5%).

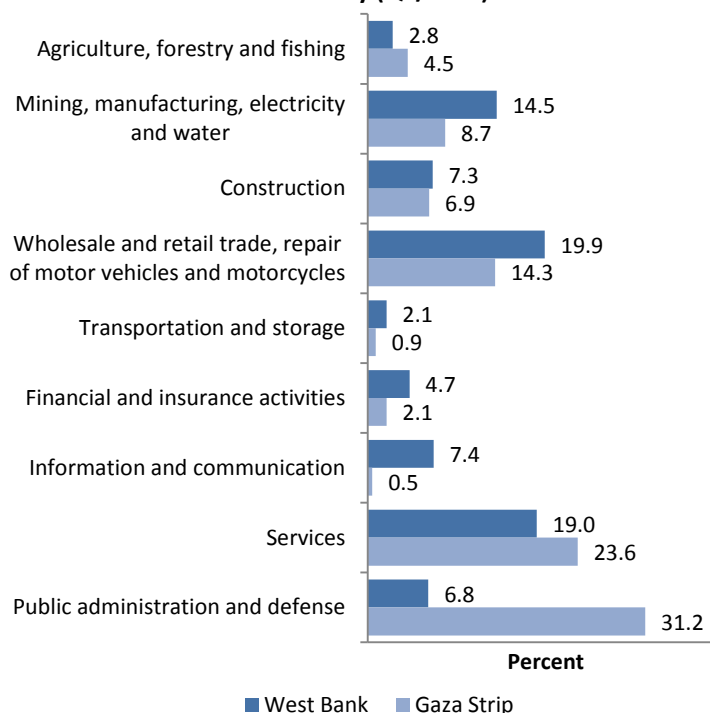
In the case of the Gaza Strip, public administration and defence continued to represent the largest proportion of GDP in Q1/2015, accounting for 31.2% of the total, followed by services (23.6%) and wholesale and retail trade (14.3%).

Final consumption in the West Bank represented 112.1% of GDP in Q1/2015. Of that, household final consumption constituted 86.3% of GDP while government final consumption was 23% of GDP. Gross capital formation came to 27.3% of GDP, most of it gross fixed capital formation which represented 25.2% of GDP. Exports of goods and services from the West Bank made up 27.7% of GDP while imports represented 66%, resulting in a West Bank trade deficit of 36.3% of GDP in the quarter.

In the Gaza Strip, final consumption in Q1/2014 was equivalent to 163.6% of GDP, 97.3% of it household final consumption and 46.9% of it government final consumption. Gross capital formation was negative during the quarter, representing -15.7% of GDP. Gross fixed capital formation only constituted 8% of GDP. Exports from the Gaza Strip only accounted for 2.8% of GDP while imports amounted to 47.1%, resulting in a trade deficit equivalent to 44.2% of GDP in Q1/2015.

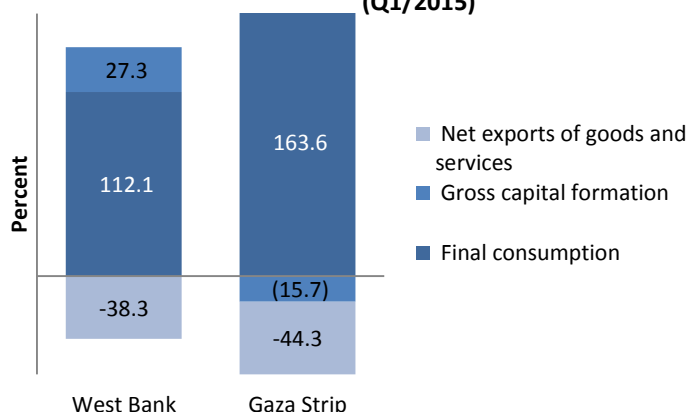
The industrial production index (IPI) increased to 116.21 by February 2015 (base year is 2011) before declining again to 94.86 by the end of the quarter. Activity

Percent contribution to real GDP by economic activity (Q1/2015)



Note: Base year is 2004. Data for Q1/2015 are flash estimates.

Percent distribution of real GDP by expenditure (Q1/2015)



Note: Base year is 2004. Data for Q1/2015 are flash estimates.

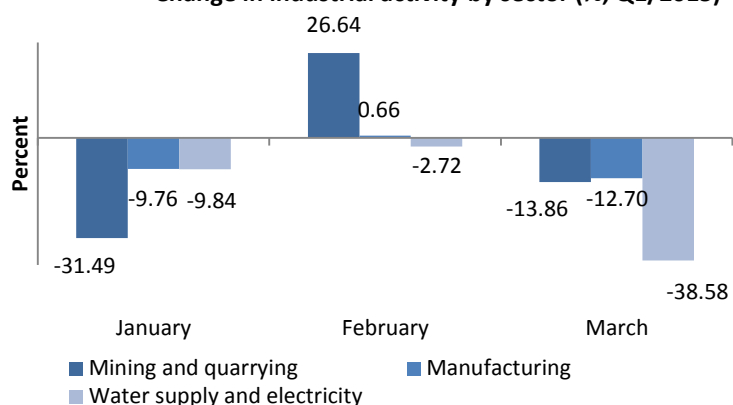
Industrial production index (Q1/2015)

	January	February	March
Index	97.99	116.21	94.86

in manufacturing (with a share of 80.56% in the IPI) declined in January and March and remained stagnant in February. Activity in the water and electricity supply sector (with a share of 14.85% in the IPI) decreased throughout the quarter. Activity in the mining and quarrying sector (with a share of 4.59% in the IPI) decreased in January and March but increased in February.

The business cycle index improved in the West Bank in January and March and declined in February. In the Gaza Strip, the index reflected a contraction throughout the quarter, declining most severely in February (-12.8).

Change in industrial activity by sector (% Q1/2015)



Business Cycle Index (Q1/2015)

	January	February	March
West Bank	4.5	-3.3	16.2
Gaza Strip	-3.0	-12.8	-12.4

Current account and trade

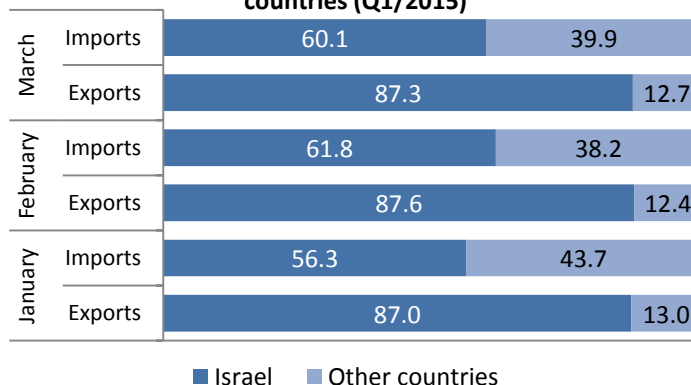
The current account deficit reached \$323.4 million, or 11% of GDP, in Q1/2015 compared to \$194.3 million and 6.4% of GDP in Q4/2014. The elevated goods trade deficit was the main reason behind the high current account deficit. The income and transfer payment accounts both recorded a significant surplus in the quarter while the services trade balance was close to even.

Exports continued to be mainly destined to Israel. Similarly, most imports continued to come from Israel.

Current account (Q1/2015)

Goods trade balance (million \$)	-1,218.6
Services trade balance (million \$)	-2.3
Income balance (million \$)	331.8
Net transfer payments (million \$)	565.7
Current account balance (million \$)	-323.4

Registered trade in goods to and from Israel and other countries (Q1/2015)



Goods exports from the Gaza Strip in Q1/2015 continued to be limited. Only 23 truckloads were exported in the quarter compared to 46 truckloads in the previous quarter and 74 truckloads in Q1/2014.

Commercial transfers saw an increase in in Q1/2015 with 187 truckloads leaving the Gaza Strip for the West Bank compared to 92 in the previous quarter. Products largely consisted of produce, furniture as well as limited amounts of fish and textiles.

The private sector

The total area licensed for new construction in the West Bank in Q1/2015 was 32.7% higher than in Q1/2014. In the Gaza Strip, there was virtually no area licenced for new construction in the quarter.

There was an 18.6% decline in the total number of new company registrations in the West Bank in Q1/2015 compared to the same period a year earlier. In the Gaza Strip the number rose from 89 in Q1/2014 to 206 in Q1/2015, an increase of 131.4%.

The proportion of owners/managers of active industrial enterprises in the West Bank who perceived improvements in terms of the enterprise's performance in general in Q1/2015 compared to Q4/2014 was 12.8%. The proportion who perceived improvements in the ease of obtaining raw materials and inputs or of transporting finished goods to market was much lower at 5.0%. Expectations for improvements in these categories in Q2/2015 followed a similar pattern, but at a higher level with a 38.9% of respondents in the West Bank indicating that they expected an improvement of their enterprise's

Exports from the Gaza Strip, by type (Q1/2015)			
	January	February	March
Strawberry (tons)	3.8	--	--
Tomato (tons)	90.0	30.0	--
Chive (tons)	1.3	1.8	2.19
Green Mint (tons)	2.0	0.9	1.76
Sweet Peppers (tons)	0.1	--	--
Cherry Tomatoes (tons)	0.3	--	--
Furniture (tons)	35.0	--	--
Total trucks	13	5	5

Exit To West Bank from the Gaza Strip, by type (Q1/2015)			
	January	February	March
Cucumber (tons)	142.1	201.6	297.3
Fish (tons)	0.6	2.6	2.0
Tomatoes (tons)	210.0	148.4	35.0
Sweet potatoes (tons)	41.2	--	--
Furniture (tons)	60.0	117.0	103.0
Zucchini (tons)	29.8	67.6	37.9
Chili Pepper (tons)	8.9	8.4	13.6
Strawberries (tons)	66.5	--	--
Clothes (tons)	--	--	34.0
Eggplant (tons)	8.5	19.6	30.2
Cherry Tomatoes (tons)	18.2	27.7	16.6
Carpet & Bed Sheet (tons)	--	--	16.0
Stationery (tons)	--	--	30.0
Total trucks	74	55	58

Private sector indicators (Q1/2015)

	West Bank	Gaza Strip
Area licensed for new construction (sq. meters)	943,981	148
New company registrations	358	206

Proportion of owners/managers of the active industrial enterprises who experienced improvements in previous quarter (% , Q1/2015)

	West Bank	Gaza Strip
Enterprise's performance in general	12.8	9.1
Obtaining needed raw materials and inputs	5.0	9.1
Transporting finished goods to market	6.5	9.1

Performance in general. In the Gaza Strip, less than one in ten respondents indicated that they had experienced improvements in the previous quarter and only about a quarter expected improvements for the coming quarter.

Proportion of owners/managers of the active industrial enterprises who expect improvements in coming quarter (% , Q2/2015)

	West Bank	Gaza Strip
Enterprise's performance in general	38.9	28.0
Obtaining needed raw materials and inputs	20.1	25.0
Transporting finished goods to market	27.6	25.0

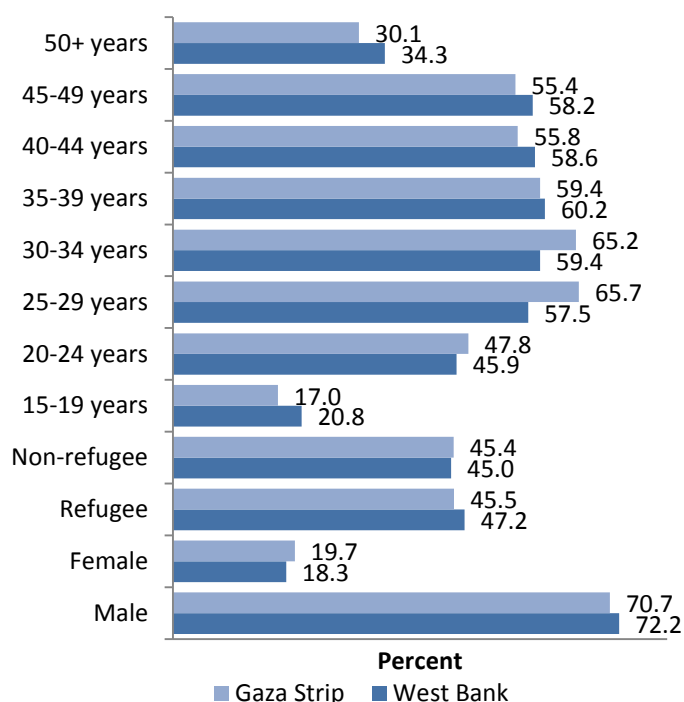
The labour market

The labour force participation rate in Q1/2015 was 45.6% of those aged 15 and above, that is 1,276,000 people. The labour force participation rate was largely the same in the West Bank and Gaza Strip at 45.6% and 45.5% respectively. Participation in the labour force was much higher for men than for women in both regions. The labour force participation rate was relatively low for youth, particularly those aged between 15 and 19 years of age (17% and 20.8% in the Gaza Strip and West Bank respectively).

The unemployment rate for Palestine as a whole was 25.6% in Q1/2015, lower than the 26.5% for Q4/2014, and lower than the 26.2% for Q1/2014. Unemployment affected 16.3% of the labour force in the West Bank, compared to 17.4% in Q4/2014 and 18.2% in Q1/2014. In the Gaza Strip, on the other hand, 41.6% of the labour force was unemployed in Q1/2015, reflecting a decline of 1.3 percentage points compared to Q4/2014 but a rise of 0.8 percentage points compared to Q1/2014.

Women were more affected by unemployment than men in both regions, and despite their low labour force participation rate. In the Gaza Strip, 55.2% of economically active women were unemployed in Q1/2015. Refugees had a higher unemployment rate than non-refugees in both the West Bank and Gaza Strip. Age was also correlated to

Labor force participation rate (% , Q1/2015)



Unemployment rate (% , Q1/2015)

	West Bank	Gaza Strip
Narrow definition	16.3	41.6

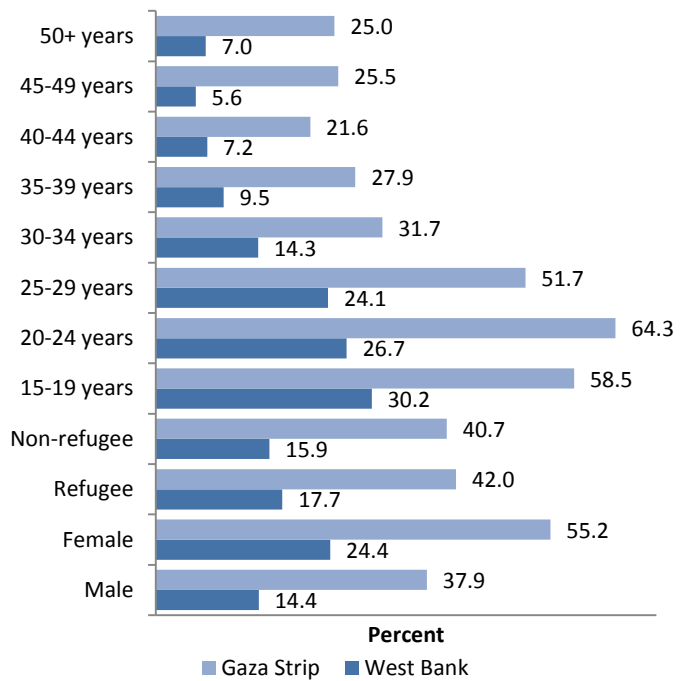
unemployment, with the youth experiencing the highest rates. A total of 64.3% of 20-to-24-year-olds in the Gaza Strip, for example, were jobless – the highest rate of any age group in either region.

The average period of unemployment in Q1/2015 compared to Q4/2014 increased by 1.5 months for men in the West Bank. On the other hand, women were likely to remain unemployed for an additional 4.4 months in the West Bank compared to the same quarter in the previous year, but 2.3 months less in the Gaza Strip compared to the previous quarter. The average period of unemployment remained considerably longer for women than for men in both regions. It was longer in the Gaza Strip than in the West Bank for both sexes, with unemployed women in the Gaza Strip experiencing the longest average period of unemployment (22.6 months).

The number of persons employed in the West Bank increased between Q1/2014 and Q1/2015 by approximately 13,400 persons. In the Gaza Strip, it increased by 10,900. In both the West Bank and the Gaza Strip, employment increased in all sectors except agriculture, fishing and forestry.

There continued to be a significant disparity in average daily net wages between the West Bank and the Gaza Strip in Q1/2015 – NIS 96.2 versus NIS 59.6 for men respectively. Average daily net wages were higher for men than for women in both the West Bank and Gaza. The public sector offered considerably higher average daily wages than the private sector in both regions, although average wages in Israel and Israeli settlements in the West Bank remained the highest at NIS 194.4 per day.

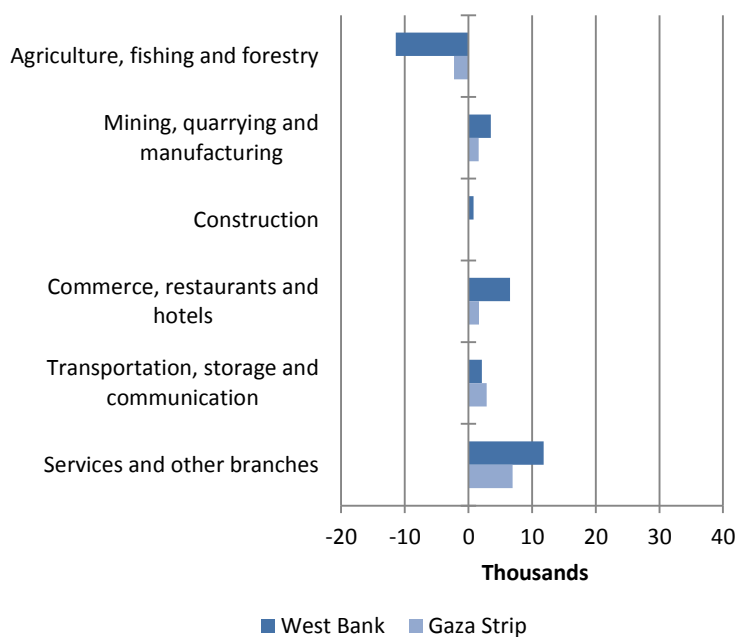
Unemployment rate (% , Q1/2015)



Average duration of unemployment (months, Q1/2015)

	West Bank	Gaza Strip
Male	5.4	17.3
Female	13.4	22.6

Change in number of employed persons by economic activity (thousands, year-on-year, Q1/2015)



Note: Those employed in Israel and Israeli settlements in the West Bank are excluded.

Average daily wage (NIS, Q1/2015)

	West Bank	Gaza Strip
Male	96.2	59.6
Female	86.7	69.7
Private sector	85.7	37.9
Public sector	108.1	82.7
Israel and settlements	194.4	

Note: Data by sex and sector exclude those employed in Israel and Israeli settlements in the West Bank.

Consumer prices

Average prices, as measured through the Consumer Price Index (CPI), fell in Q1/2015 compared to Q4/2014 in East Jerusalem and the rest of the West Bank but rose in Gaza. The same held true compared to Q1/2014.

Change in CPI (% , Q1/2015)

	East Jerusalem	Rest of West Bank	Gaza Strip
Quarter-on-quarter	-0.5	-0.8	1.8
Year-on-year	-0.3	-0.2	2.4

Note: Comparisons are based on prices as the end of quarter.

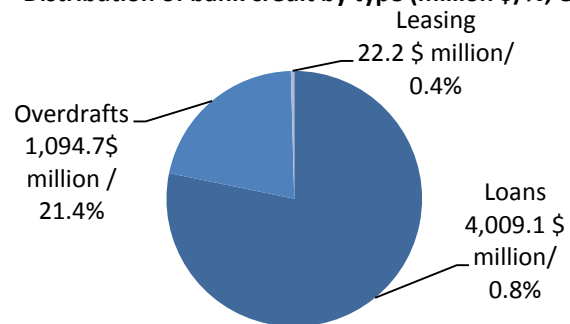
The banking sector

Bank credit in Q1/2015 rose to \$5.1 billion from \$4.9 billion in Q4/2014. The proportion of credit in the form of loans was 78.2%. This was followed by overdrafts (21.4% of the total), while leasing remained at less than one percent of bank credit in the quarter.

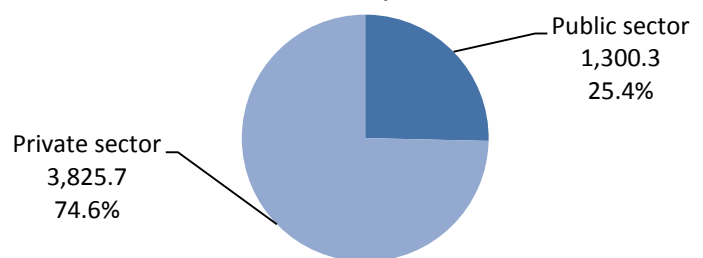
In terms of bank deposits, the main source in Q1/2015 continued to be the private sector with 74.6% of the total.

These figures resulted in a loan-to-deposit ratio of 57.1% in Q1/2015, slightly higher than the 54.8% in Q4/2014.

Distribution of bank credit by type (million \$/%, Q1/2015)



Distribution of bank deposits by sector (million \$/%, Q1/2015)

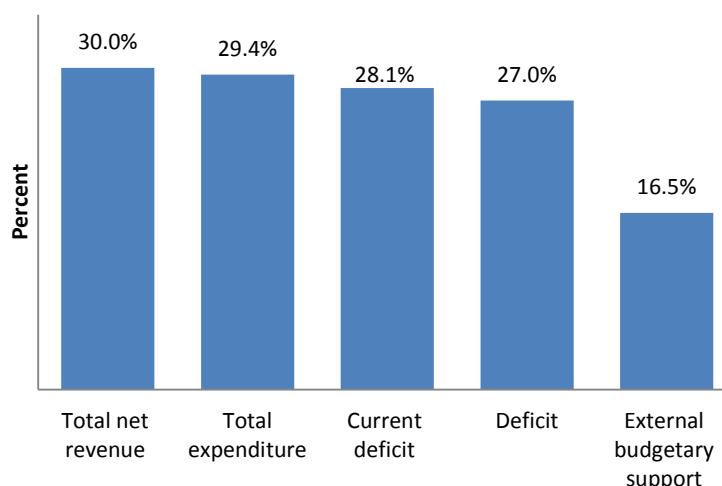


Note: Data do not include deposits of the PMA and commercial banks.

Fiscal operations

Because the 2015 budget has not been approved yet, comparisons are based on the 2014 budget. By the end of Q1/2015, government total net revenue was 30% of the NIS 9.31 billion in the 2014 budget. Total expenditure was 29.7% of the NIS 13.916 billion in the budget for the year. By the end of the first quarter, the current deficit and the overall deficit had reached 28.1% and 27% of the annual projected amount, respectively. External budgetary support by the end of the quarter reached only 16.5% of the amount expected for the year.

Fiscal indicators: actual as a proportion of annual budget (% , Q1/2015)



Note: Data are for fiscal operations on a commitment basis. The information is up-to-date as of 26 April 2015.

Note: The data for the West Bank and Palestine in this report do not include occupied East Jerusalem, unless otherwise specified, due to the unavailability of data.

Sources of data:

- Economic activity: PCBS. Various periods. *Preliminary Estimates of Quarterly National Accounts and The Industrial Production Index*. PMA. Various periods. *Business Cycle Indicator*.
- Current account: PCBS and PMA. Various periods. *Palestinian Balance of Payments*.
- Trade: PCBS. Various periods. *The Palestinian Registered External Trade in Goods*. Palestinian Agricultural Relief Committees and Ministry of National Economy (for Gaza Strip export data).
- Private sector: Engineering Offices and Consulting Firms (for area licensed for new construction); Ministry of National Economy (for new company registrations); and PCBS. Various periods. *Survey of the Perceptions of the Owners / Managers of Active Industrial Enterprises Regarding the Economic Situation*.
- Labour market: PCBS. Various periods. *Labour Force Survey*.
- Consumer prices: PBCS. Various periods. *Monthly Produce Price Index*.
- The banking sector: PMA. Various periods. *Banking Data*.
- Fiscal operations: Ministry of Finance. Various periods. *Fiscal Operations – Revenues, Expenditures and Financing Sources*.

For further information or to be added to the mailing list please contact:

UNSCO West Bank: David Hartstone hartstone@un.org

UNSCO Gaza Strip: Raed Raqeb rageb@un.org

The UNSCO Socio-Economic Report is also accessible on www.unsco.org.