



## UNSCO Socio-Economic Report: Overview of the Palestinian Economy in Q1/2017

### Economic activity

Real GDP in the occupied Palestinian territory (oPt) in Q1/2017 remained virtually unchanged from the previous quarter because of no growth in West Bank and a 0.3% growth in the Gaza Strip. Compared to Q1 2016, real GDP in the oPt grew by 0.7% driven by a 0.8% growth rate in the West Bank and a 0.4% growth rate in the Gaza Strip. In Q1/2017 the Gaza economy constituted about 24.7% of the overall Palestinian economy, signifying no significant change from the previous quarter, and the Strip's real GDP per capita was 46% of the West Bank's.

In the West Bank, between Q1/2016 and Q1/2017 there was significant expansion in real value added in the transportation and storage sector (8.4%) and the financial and insurance activities (11.4%). There was significant contraction in real value added in agriculture, forestry and fishing (-15.9%), construction (-19.9%) and wholesale and retail trade (-8.7%).

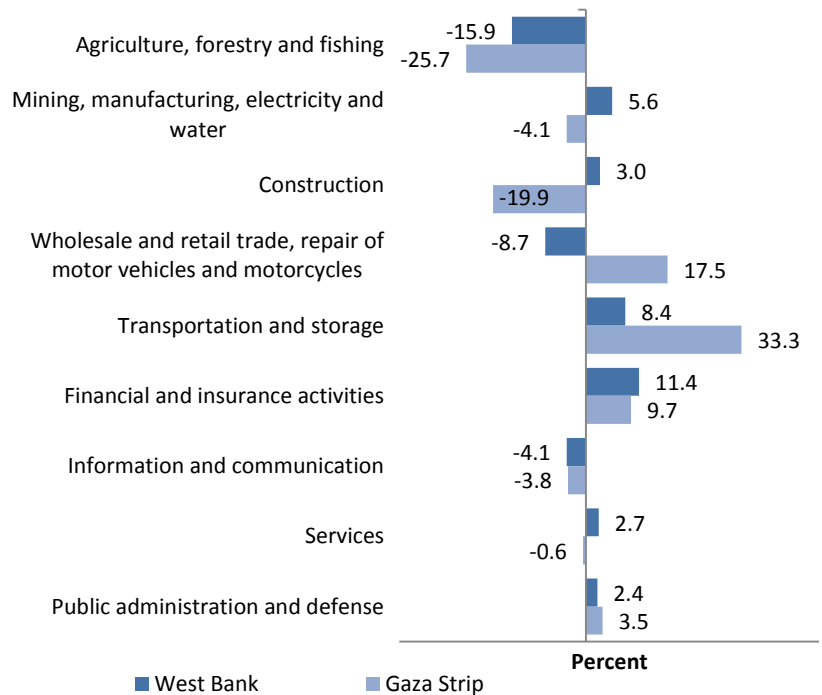
During the same period in the Gaza Strip, the transportation and storage sector grew by 33.3%, wholesale and retail trade, repair of motor vehicles and motorcycles by 17.5%, and financial and insurance activities by 9.7%. Significant contraction was observed in agriculture, forestry and fishing (-25.7%), and construction (-19.9%).

### Key GDP indicators (Q1/2017)

	West Bank	Gaza Strip	oPt
Real GDP (million \$)	1,505.8	493.4	1,999.2
Rate of change in real GDP (quarter-on-quarter, %)	0.0	0.3	0.1
Rate of change in real GDP (year-on-year, %)	0.8	0.4	0.7
Real GDP per capita (\$)	555.2	257.0	431.6

*Note: Base year is 2004. Data for Q1/2017 are flash estimates.*

### Rate of change of real value added by economic activity (year-on-year, Q1/2017)



The services sector was the largest one in the West Bank economy in Q1/2017, accounting for 19.1% of GDP. This was followed by the wholesale and retail trade sector (17.0%) and mining, manufacturing, electricity and water (16.1%).

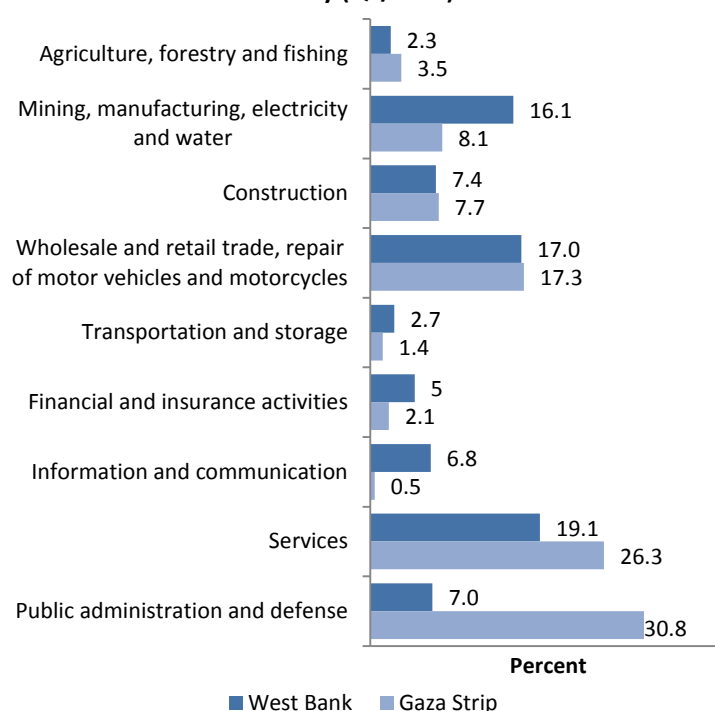
Public administration and defense continued accounting for the largest proportion (30.8%) of the Gaza Strip's GDP in Q1/2017, followed by services (26.3%), and wholesale and retail trade (17.3%).

Final consumption in the West Bank was 110.6% of GDP in Q1/2017. Household final consumption constituted 88.3% of GDP while government final consumption was 20.5% of GDP. Gross capital formation accounted for 26.3% of GDP, most of it gross fixed capital formation (23.8% of GDP). Exports of goods and services from the West Bank made up 27.0% of GDP while imports represented 64.6%, resulting in a West Bank trade deficit of 37.6% of GDP in the quarter.

In the Gaza Strip, final consumption in Q1/2017 was 127.8% of GDP, household final consumption was 76.1% of GDP and government final consumption was 39.4% of GDP. Gross capital formation was 7.6% of GDP, and gross fixed capital formation, 15.8% of GDP. A significant drawdown of inventories countered explains why gross fixed capital formation was higher than gross capital formation. Exports from the Gaza Strip amounted to 4.1% of GDP while imports amounted to 37.1%, resulting in a trade deficit equal to 33.1% of GDP in Q1/2017.

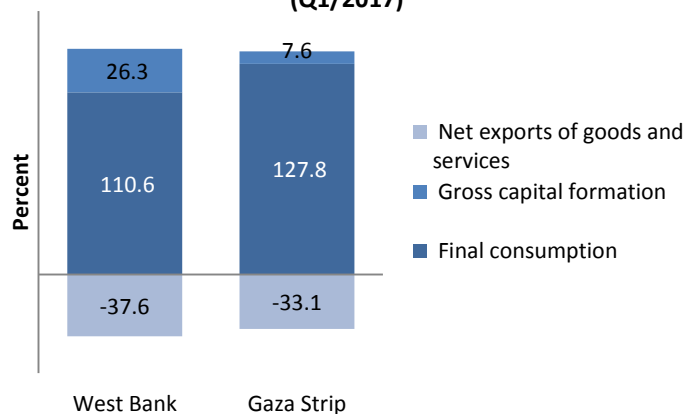
The industrial production index (IPI) declined from 110.0 in January to 103.2 in February and recovered to 111.6 in March 2017, (base year is 2015).

**Percent contribution to real GDP by economic activity (Q1/2017)**



Note: Base year is 2004. Data for Q1/2017 are flash estimates.

**Percent distribution of real GDP by expenditure (Q1/2017)**



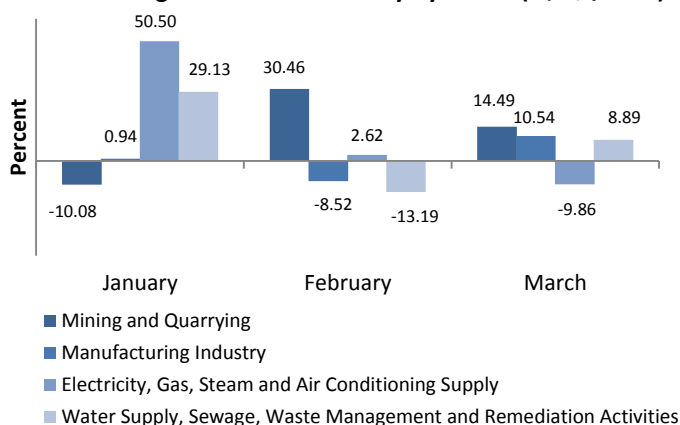
Note: Base year is 2004. Data for Q1/2017 are flash estimates.

**Industrial production index (Q1/2017)**

	January	February	March
Index	109.95	103.23	111.58

Activity in mining and quarrying declined in January and recovered thereafter. Electricity, gas, steam and air conditioning grew robustly in January but then contracted in February and March. Activity in water supply, sewage, waste management and remediation fluctuated during the quarter, with significant decline in February.

**Change in industrial activity by sector (% , Q1/2017)**



### Current account and trade

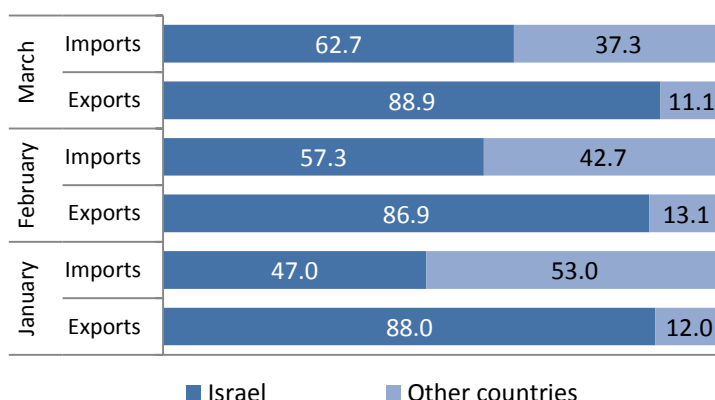
The current account deficit decreased to (-) \$302.8 million in Q1/2017 from \$365.1 million (11% of GDP) in Q4/2016. The improvement was driven by improved trade balance (goods and services) as well as increases in the income balance, countered by a decline in net transfers.

#### Current account (Q1/2017)

Goods trade balance (million US\$)	-1034.3
Services trade balance (million US\$)	-211.2
Income balance (million US\$)	470.3
Net transfer payments (million US\$)	472.4
<b>Current account balance (million US\$)</b>	<b>-302.8</b>

Exports continued to be mainly destined to Israel. Similarly, the majority of imports continued to come from Israel.

**Registered trade in goods to and from Israel and other countries by Month in Percentage (Q1/2017)**



Truckloads exported out from the Gaza Strip declined in Q1/2017 after recovering somewhat in Q4/2016. Only 24 truckloads were exported compared with 69 truckloads in Q4/2016. Commercial transfers to the West Bank nearly doubled in Q1/2017 with 803 truckloads leaving the Gaza Strip for the West Bank compared with 409 truckloads in the previous quarter. Products largely consisted of produce.

#### Exports from the Gaza Strip, by type (Q1/2017)

	January	February	March
Lemon (tons)	--	80.70	124.38
Chive (tons)	0.19	0.73	1.36
Onion (tons)	0.23	1.01	0.64
<b>Total trucks</b>	<b>1</b>	<b>10</b>	<b>13</b>

Some 167 truckloads existed to Israel in Q1/2017 compared with 187 truckloads in the previous quarter.

<b>Exit To West Bank from the Gaza Strip, by type (Q1/2017)</b>			
	January	February	March
Cucumber (tons)	586.84	600.09	727.07
Fish (tons)	1.70	1.60	2.60
Tomatoes (tons)	568.56	1171.96	1760.06
Sweet potatoes (tons)	4.98	--	--
Zucchini (tons)	134.59	237.19	255.01
Dates (tons)	42.03	--	--
Cabbage (tons)	14.60	38.06	40.60
Eggplant (tons)	190.68	201.70	188.90
Sweet Peppers (tons)	167.78	146.35	57.37
Chilli Pepper (tons)	74.87	21.14	122.05
Vegetables (tons)	--	150.00	--
Strawberries (tons)	302.18	263.48	82.27
Cauliflower (tons)	66.00	--	28.06
Cherry Tomatoes (tons)	15.43	9.34	20.51
Furniture (tons)	18.00	28.00	13.00
Clothes (tons)	14.50	10.00	20.00
Stationery (tons)	13.00	--	--
<b>Total trucks</b>	<b>212</b>	<b>274</b>	<b>317</b>

<b>Exit To Israel from the Gaza Strip, by type (Q1/2017)</b>			
	January	February	March
Eggplant (tons)	92.76	80.26	49.30
Tomatoes (tons)	346.94	415.98	209.76
Iron scrap (tons)	420.00	--	--
Aluminum scrap (tons)	205.00	333.00	235.00
<b>Total trucks</b>	<b>68</b>	<b>57</b>	<b>42</b>

## The private sector

The total area licensed for new construction in the West Bank in Q1/2017 was 9.4% lower than in Q1/2016. In the Gaza Strip, total area licensed for new construction was 8.4% lower than in Q1/2016.

There was an 4.4% increase in the total number of new company registrations in the West Bank in Q1/2017 compared to the same period last year. In the Gaza Strip the number was 50.4% lower as compared with Q1/2016.

## Private sector indicators (Q1/2017)

	West Bank	Gaza Strip
Area licensed for new construction (sq. meters)	1,084,515	977,930
New company registrations	497	60

## The labour market

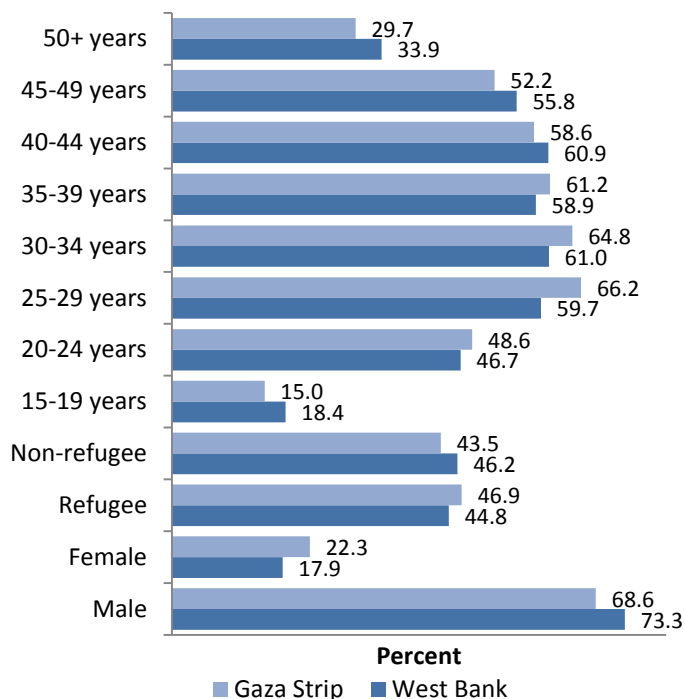
The labour force participation rate in Q1/2017 was 45.8% of those aged 15 and above. Thus the labour force consisted of 1,368,900 people. The labour force participation rate was similar in the West Bank (45.8%) and the Gaza Strip (45.7%). Participation in the labour force was much higher for men than for women in both regions. The labour force participation rate was relatively lower for youth, particularly those aged between 15 and 19 years of age (18.4% and 15.0% in the Gaza Strip and West Bank respectively).

The unemployment rate for Palestine increased marginally to 27.0% in Q1/2017 from 26.6% in Q1/2016. The unemployment rate in the West Bank was 18.8%, a marginal increase from 18.0% in Q1/2016. In the Gaza Strip, 41.1% of the labour force was unemployed in Q1/2017, similar to a year ago.

Unemployment rates for women were higher than men in both the Gaza Strip (67.4% as compared with 32.7% for men) and West Bank (31.2% as compared with 15.9% for men) despite their low labour force participation rate. Refugees had a higher unemployment rate than non-refugees in both the West Bank and Gaza Strip, though the difference was more stark in the Gaza Strip. Unemployment rates were higher for youth than for those above 30. Some 61.7% 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 Q1/2017 compared to Q4/2016 increased by 0.3 month for men and decreased by 1.0 months for women in the West Bank. In Gaza, the period increased by 1.5 months for men and 6.2 months for women. On average

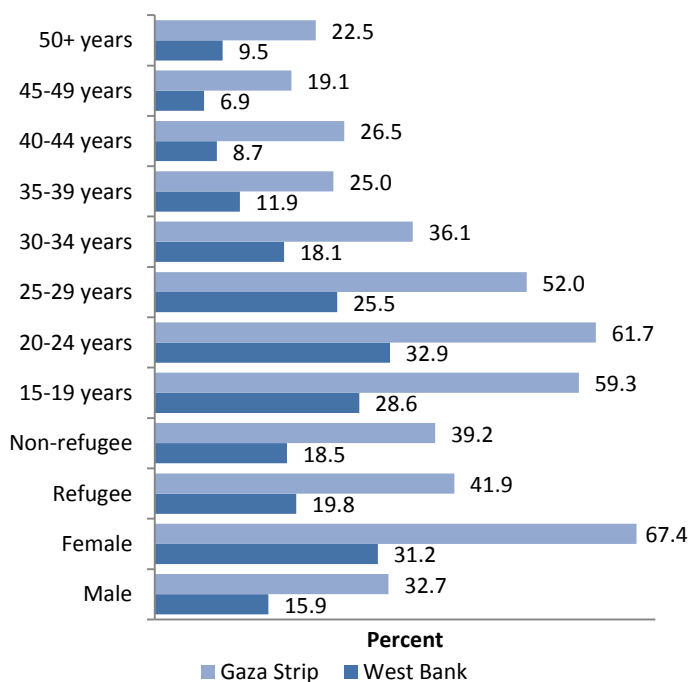
**Labor force participation rate (% , Q1/2017)**



**Unemployment rate (% , Q1/2017)**

	West Bank	Gaza Strip
Narrow definition	18.8	41.1

**Unemployment rate (% , Q1/2017)**



women were likely to remain unemployed 6.9 months longer than men in the West Bank and 15.3 months longer than men in Gaza.

The number of persons employed in the West Bank in Q1/2017 was higher than that in Q1/2016 by approximately 18,100. In the Gaza Strip, it was higher by 7,100. In the West Bank job losses were recorded in agriculture, fishing and forestry and commerce restaurants and hotels. Mining, quarrying, manufacturing and construction sectors saw significant job growth. In the Gaza Strip, job losses were concentrated in agriculture forestry and fishing, while transportation, storage, communication, commerce, restaurants and hotels saw some job growth.

In Q1/2017, there continued to be a significant disparity in average daily net wages between the West Bank and the Gaza Strip. While men in the Gaza Strip received an average daily wage of NIS 56.7 in Q1/2017, they received on average a daily rate of NIS 103.6 in the West Bank. Similarly, while women in the Gaza Strip made a daily wage of NIS 71.0 on average, women in the West Bank made a daily wage rate of NIS 94.4. Further, the average daily net wage rate was higher for men than for women in the West Bank unlike in Gaza where women had significantly higher daily wage rates.

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 219.5 per day.

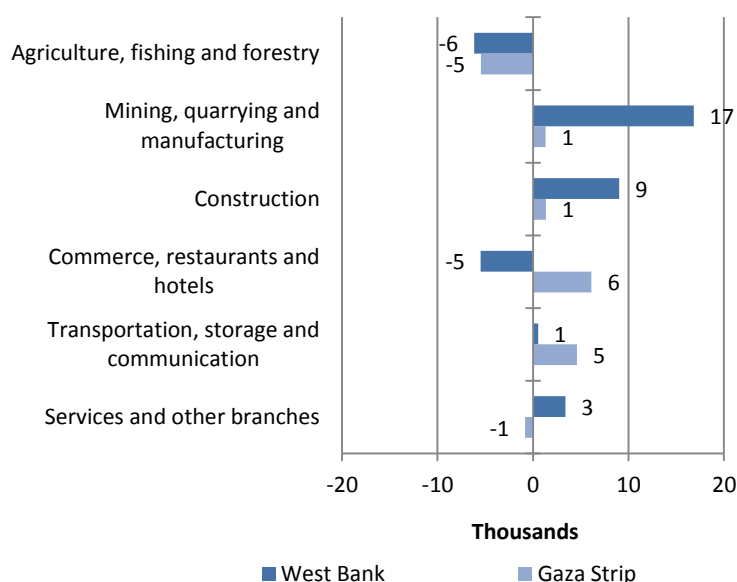
## Consumer prices

Average prices, as measured through the Consumer Price Index (CPI), increased moderately across Palestine in Q1/2017 compared to both Q4/2016 and Q1/2016.

### Average duration of unemployment (months, Q1/2017)

	West Bank	Gaza Strip
Male	3.5	13.4
Female	10.4	28.7

### Change in number of employed persons by economic activity (thousands, year-on-year, Q1/2017)



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

### Average daily wage (NIS, Q1/2017)

	West Bank	Gaza Strip
Male	103.6	56.7
Female	94.4	71.0
Private sector	95.8	36.5
Public sector	112.3	92.7
Israel and settlements	219.5	

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

### Change in CPI (% , Q1/2017)

	East Jerusalem	Rest of West Bank	Gaza Strip
Quarter-on-quarter	0.7	1.0	3.1
Year-on-year	2.4	1.6	2.0

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

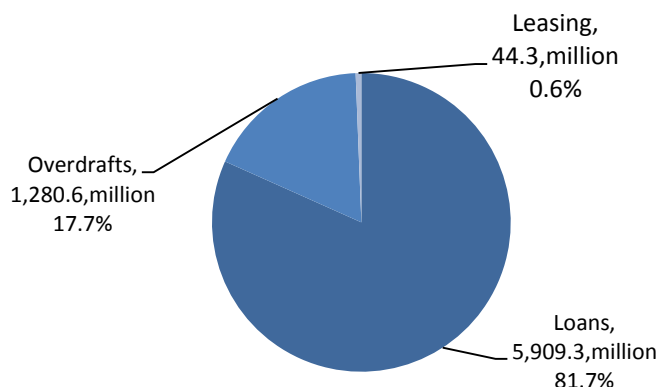
## The banking sector

Bank credit in Q1/2017 increased to \$7.2 billion. Loans accounted for 81.7% of bank credit, followed by overdrafts (17.7%) and leasing (0.6%).

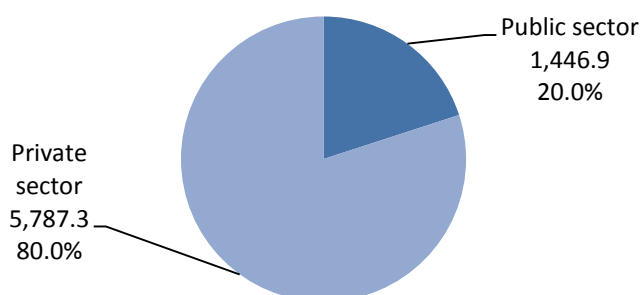
The private sector continued to be the main source of bank deposits in Q1/2017 accounting for 80.0% of the total.

The credit-to-deposit ratio at 65.0% was marginally higher than that Q4/2016 (64.8%).

**Distribution of bank credit by type (million \$/%, Q1/2017)**



**Distribution of bank deposits by sector (million \$/%, Q1/2017)**

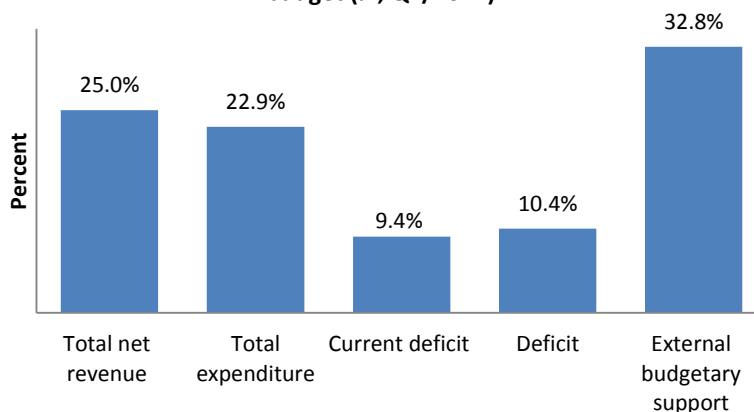


*Note: Data do not include deposits of the PMA and commercial banks.*

## Fiscal operations

On commitment basis, by the end of Q1/2017, government total net revenue was 25.0% of the budgeted NIS 13.8 billion for 2017. Total expenditure was 22.9% of the NIS 16.1 billion in the budget for the year. At the end of the first quarter, the current deficit and the overall deficit had reached 9.4% and 10.4% of the annual projected amounts, respectively. External budgetary support by the end of the quarter reached 32.8% of the amount expected for the year.

**Fiscal indicators: actual as a proportion of annual budget (% , Q1/2017)**



*Note: Data are for fiscal operations on a commitment basis. The information is up-to-date as of 28 May 2017.*

**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).
- 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*.

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