



## UNSCO Socio-Economic Report: Overview of the Palestinian Economy in Q1/2018

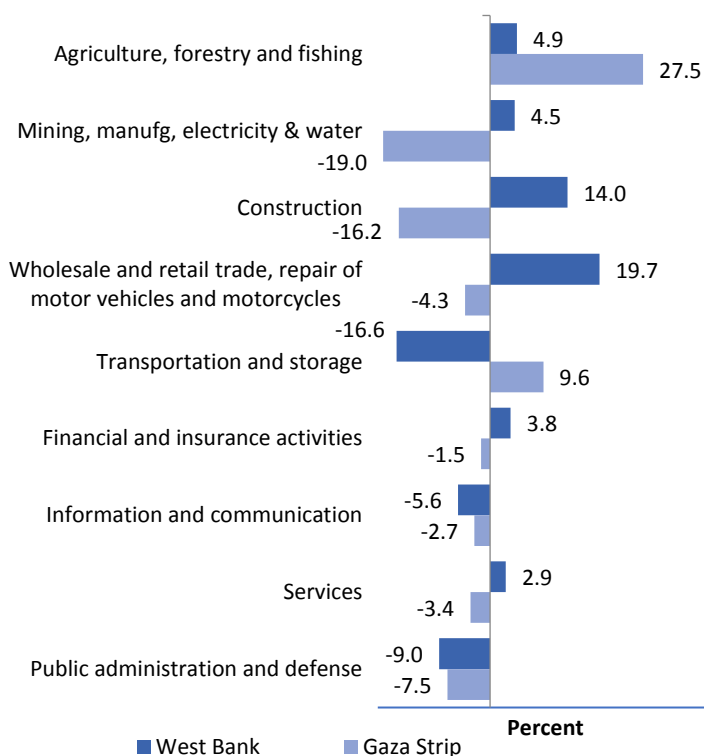
### Economic activity

	West Bank	Gaza Strip	oPt
Real GDP (million \$)	2,564.1	813.5	3,377.6
Rate of change in real GDP (quarter-on-quarter, %)	-3.0	-2.4	-2.8
Rate of change in real GDP (year-on-year, %)	4.8	-6.0	2.0
Real GDP per capita (\$)	980.9	425.3	746.2

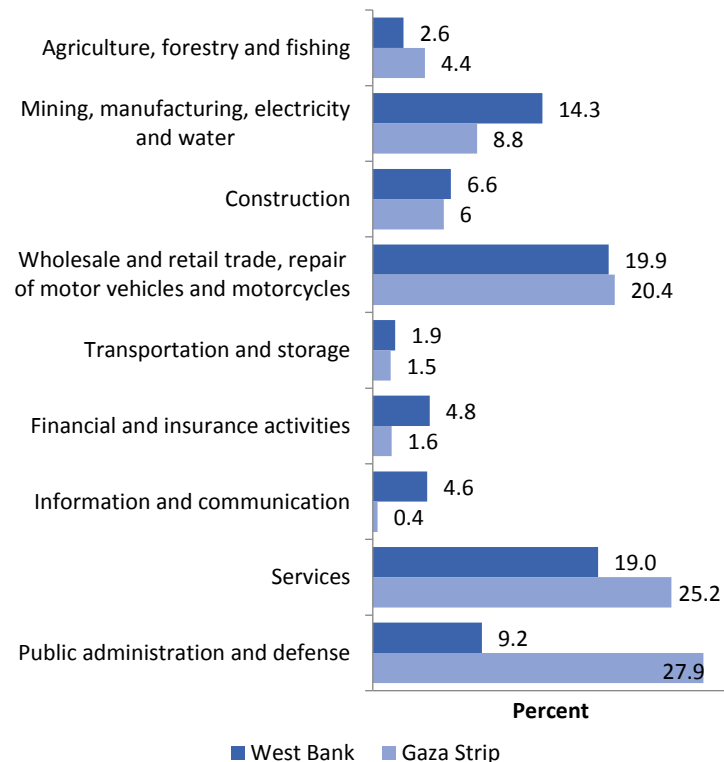
*Note: Base year is 2015. Data for Q1/2018 are flash estimates.*

During the reporting period, Gaza's economy continued to contract with GDP falling by 6% over Q1/2017 while the West Bank economy grew over the previous year by 4.8% (Table 1). In Q1/2018 Gaza's economy accounted for 24.1% of the overall Palestinian economy, signifying a decrease from 26.1% a year ago. Real GDP per capita of the West Bank increased by 2.4% year on year while that of Gaza decreased by (-)8.9%. Gaza's real GDP per capita was 43.3% of the West Bank's in Q1/2018.

**Figure 1: Rate of change of real value added by economic activity (year-on-year, Q1/2018)**



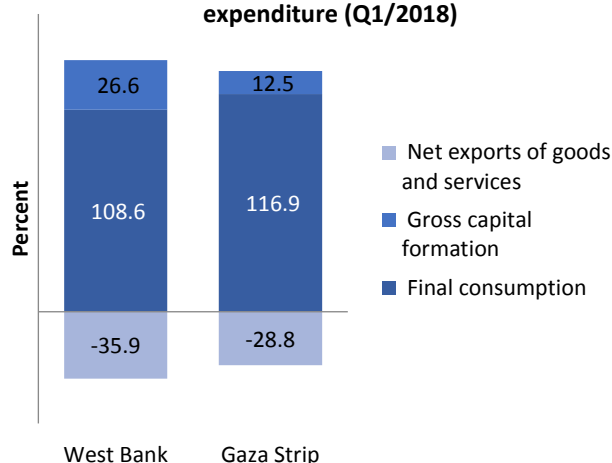
**Figure 2: Percent contribution to real GDP by economic activity (Q1/2018)**



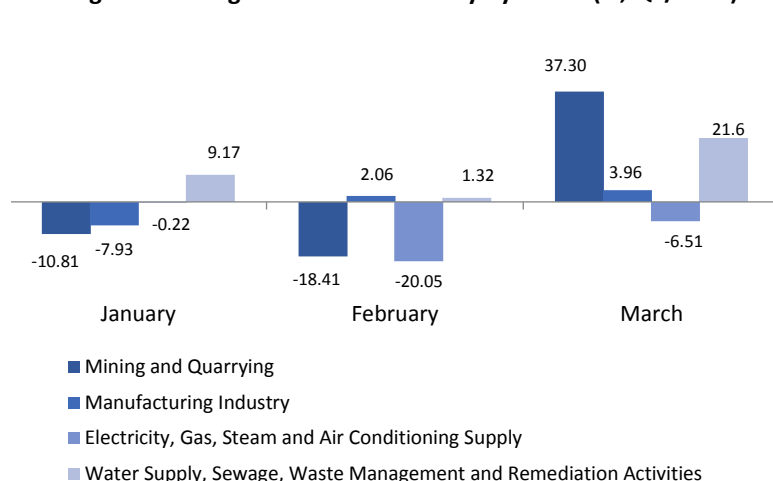
In the West Bank, between Q1/2017 and Q1/2018 there was significant expansion in real value added in wholesale and retail trade etc., and construction, while the transportation and storage sector contracted significantly. During the same period in the Gaza Strip, significant expansion was recorded in agriculture, forestry and fishing, and transport and storage, while manufacturing and construction sectors contracted. The public sector contracted in both Gaza and the West Bank (Figure 1).

The wholesale and retail trade sector continued to be the largest one in the West Bank economy in Q1/2018. Public administration and defense (almost entirely salaries) continued accounting for the largest proportion of the Gaza Strip's GDP, followed by services (Figure 2).

**Figure 3: Percent distribution of real GDP by expenditure (Q1/2018)**



**Figure 4: Change in industrial activity by sector (% , Q1/2018)**



Final consumption in the West Bank was 108.6% of GDP in Q1/2018, and in Gaza it was 116.9% of GDP. Household final consumption constituted 84.7% of GDP in the West Bank and 67.1% of GDP in Gaza. Government final consumption was 21.8% of GDP in the West Bank and 39.2% of GDP in Gaza (Figure 3).

The industrial production index (IPI) improved slightly in January and March after remaining relatively steady in Q4/2017. Gains in March 2018 came mainly from gains in mining and quarrying, water supply, sewage, waste management and remediation activities.

## Current account and trade

The current account deficit increased to 12% of GDP in Q1/2018 from 8.1% of GDP in the previous quarter. The increase was driven largely by lower net transfer payments (Table 2).

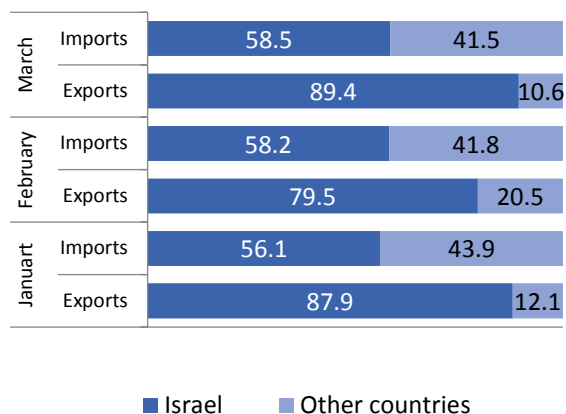
Exports continued to be mainly destined to Israel. Similarly, the majority of imports continued to come from Israel (Figure 5). Truckloads exported out from the Gaza Strip fell back sharply in Q1/2018 (to 69 truckloads) after its recovery in Q4/2017 (188 truckloads) following steady decline in the first three consecutive quarters of 2017 (Table 3).

Commercial transfers to the West Bank continued to recover sharply with 667 truckloads leaving Gaza Strip for the West Bank in Q1/2018 compared with 483 truckloads in Q4/2017. Products largely consisted of produce, clothes, furniture and leather (Table 4).

**Table 2: Current account (Q1/2018)**

Goods trade balance (million US\$)	-1,123.6
Services trade balance (million US\$)	-235.7
Income balance (million US\$)	568.9
Net transfer payments (million US\$)	348.3
<b>Current account balance (million US\$)</b>	<b>-442.1</b>

**Figure 5: Trade with Israel and Other Countries**



**Table 3: Exports from the Gaza Strip, by type (Q1/2018)**

	January	February	March
Strawberries (tons)	23.75	27.73	--
Sweet peppers (tons)	9.50	3.00	--
Tomatoes (tons)	4.75	0.50	--
Cherry Tomatoes (tons)	38.83	61.10	--
Chilli Pepper (tons)	10.06	--	--
Potatoes (tons)	723.18	--	--
Cucumber (tons)	24.40	21.28	17.00
Lemon (tons)	--	--	198.98
Zucchini (tons)	2.80	3.50	--
Cauliflower (tons)	1.50	--	--
Total trucks	42.0	12.00	15.00

**Table 4: Exit to West Bank from the Gaza Strip, by type (Q1/2018)**

	January	February	March
Cucumber (tons)	777.340	1403.610	1138.380
Tomatoes (tons)	2129.930	1948.860	1201.940
Sweet potatoes (tons)	2.360	--	--
Zucchini (tons)	404.530	558.850	231.160
Cabbage (tons)	32.200	3.100	0.800
Dates (tons)	93.940	59.180	3.900
Chilli pepper (tons)	68.070	58.160	47.350
Strawberries (tons)	432.081	355.302	25.599
Cauliflower (tons)	12.700	--	--
Eggplant (tons)	89.260	277.720	139.820
Cherry tomatoes (tons)	3.820	--	--
Sweet peppers (tons)	157.520	200.530	81.890
Fish (tons)	10.400	12.800	10.700
Glass masterpiece (Truck)	2.000	--	--
Furniture (Truck)	2.000	4.000	3.000
Clothes (Truck)	3.000	2.000	5.000
Cows leather (Truck)	2.000	2.000	3.000
Total trucks	261.0	258.0	148.0

**Table 5: Exit to Israel from the Gaza Strip, by type (Q1/2018)**

	January	February	March
Eggplant (tons)	28.36	38.45	90.60
Tomatoes (tons)	377.34	426.62	357.22
Aluminum scrap (truck)	10.00	9.00	7.00
copper scrap (truck)	13.00	36.00	40.00
Furniture (truck)	1.00	--	1.00
Clothes (truck)	2.00	5.00	5.00
Total trucks	47.0	71.0	79.0

Some 197 truckloads exited to Israel in Q1/2018 compared with 76 truckloads in Q4/2017 (Table 5). In Q1/2018 some 24,107 commercial truckloads entered the Gaza Strip through Kerem Shalom and another 457 truckloads through the Rafah crossing. In addition, 879 truckloads of humanitarian supplies and 1,549 truckloads of fuel entered through Kerem Shalom in Q1/2018.

## The private sector

**Table 6: Private sector indicators (Q1/2018)**

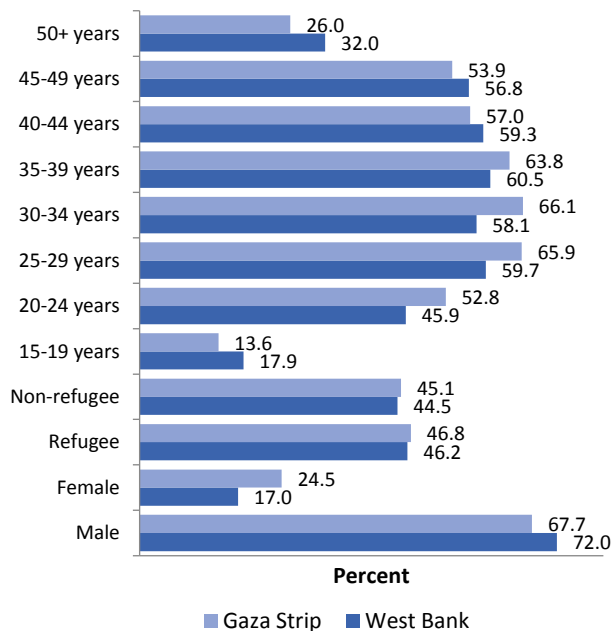
	West Bank	Gaza Strip
Area licensed for new construction (sq. meters)	1,077,947	376,277
New company registrations	486	44

Q1/2017. The number of new company registrations in the West Bank and Gaza were also lower by 2.2% in the West Bank and 26.7% in Gaza compared to the same period last year.

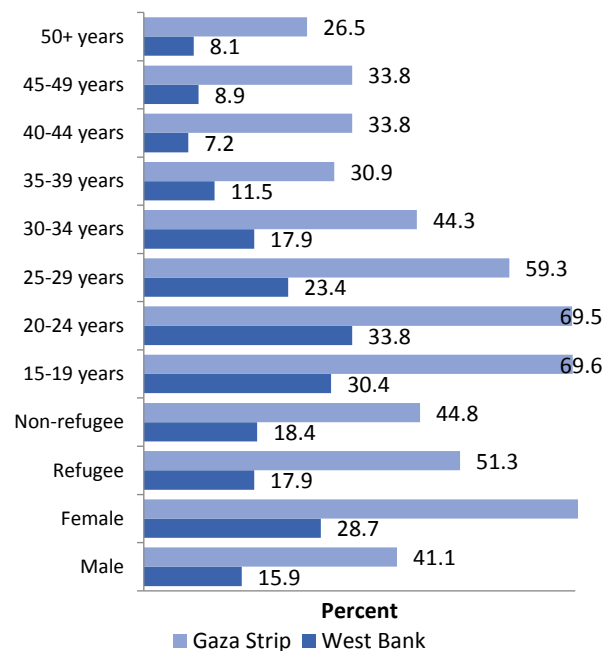
## The labour market

The labour force (1,340,200 people) participation rate in Q1/2018 was 45.4% of those aged 15 and above. The rate in Gaza (46.2%) was slightly higher than that in the West Bank (44.9%), primarily because of the significantly higher labour force participation of women in Gaza (24.5%) vis-à-vis their West Bank counterparts (17.0%). Labour force participation continued to be much higher for men than for women in both regions (Figure 6).

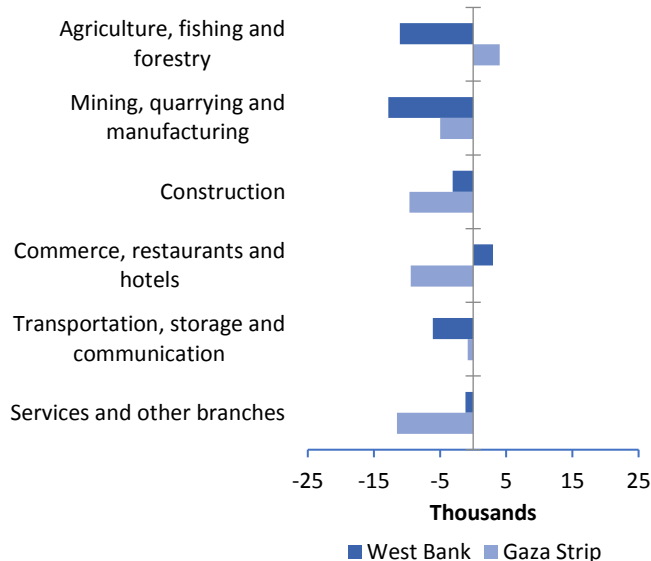
**Figure 6: Labor force participation rate (% , Q1/2018)**



**Figure 7: Unemployment rate (% , Q1/2018)**



**Figure 8: Change in number of employed persons by economic activity (thousands, year-on-year, Q1/2018)**



**Table 7: Unemployment rate (% , Q1/2018)**

	West Bank	Gaza Strip
Narrow definition	18.3	49.1

**Table 8: Average daily wage (NIS, Q1/2018)**

	West Bank	Gaza Strip
Male	110.5	59.3
Female	92.1	76.8
Private sector	98.7	34.5
Public sector	120.8	94.2
Israel and settlements	242.5	

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

Some 30.2% of the labour force was unemployed compared with 27% a year ago, primarily on account of the 49.1% unemployment rate in Gaza (compared with 41.1% in Q1/2017) (Table 7). This amounted to some 63,700 fewer jobs in Q1/2018 as compared with Q1/2017. Unemployment rates for youth and women continued to be significantly higher than the rest of the population in both Gaza and West Bank (Figure 7).

In the West Bank, job losses were concentrated primarily in agriculture, forestry and fishing, mining and manufacturing, and transportation. In the Gaza Strip, job losses were recorded in all but the agriculture, fishing and forestry sector with services and other branches shedding the most jobs (Figure 8)<sup>1</sup>.

In Q1/2018, significant disparity in average daily net wages between the West Bank and the Gaza Strip, between private and public sectors continued. However, the difference between public and private sector wages became particularly stark in Gaza (Table 8).

## Consumer prices

**Table 9: Change in CPI (% , Q1/2018)**

	East Jerusalem	Rest of West Bank	Gaza Strip
<b>Quarter-on-quarter</b>	-0.6	0.1	-0.4
<b>Year-on-year</b>	0.2	-1.9	-3.1

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

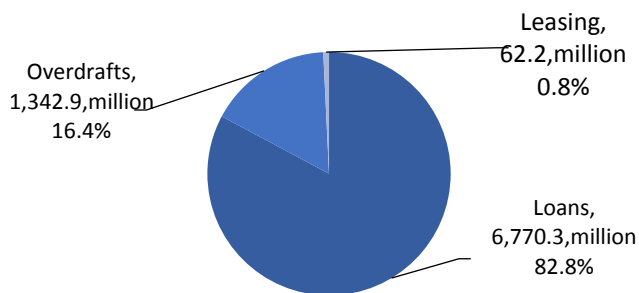
Year on year inflation rate in East Jerusalem stayed close to zero, but the rest of the West Bank and Gaza experienced significant deflation in Q1/2018 (Table 9).

<sup>1</sup> Does not include Palestinian workers working in Israel.

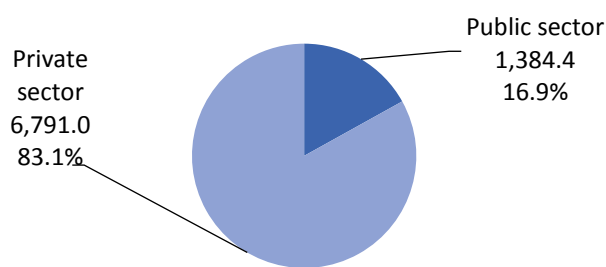
## The banking sector

At the end of Q1/2018, bank deposits (\$12 billion) were 7.8% higher than the Q1/2017 levels driven by an 8.6% growth in deposits in the West Bank and a 0.9% growth in Gaza. Bank credit in Q1/2018 increased 13% to \$8.2 billion. Credit growth too was concentrated in the West Bank (20.3%). Loans accounted for 82.8% of bank credit, followed by overdrafts (16.4%) (Figure 9). The private sector continued to be the main source of bank deposits in Q1/2018 (Figure 10). The loan-to-deposit ratio stood at 68.1% (52.6% for the West Bank and 88.3% for Gaza). The value of bounced cheques as a percentage of total value of cheques presented went up in both West Bank (from 7.5% to 10.5%) and Gaza (from 6.9% to 12.7%) as compared with Q1/2017.

**Figure 9: Distribution of bank credit by type (million \$/%, Q1/2018)**

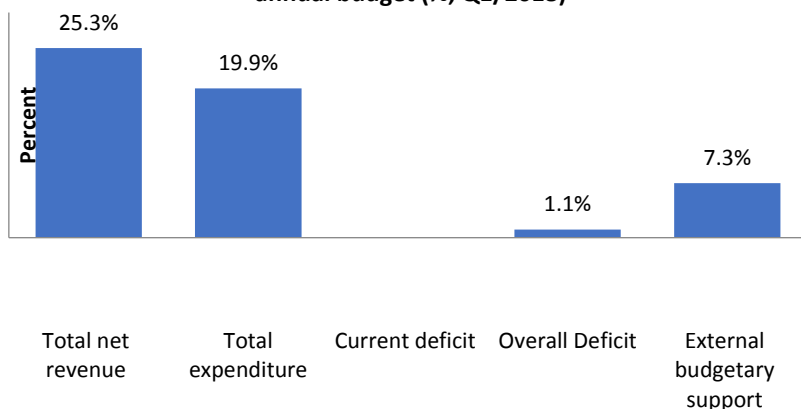


**Figure 10 : Distribution of bank deposits by sector (million \$/%, Q1/2018)**



## Fiscal operations

**Figure 11: Fiscal indicators: actual as a proportion of annual budget (% , Q1/2018)**



By the end of Q1/2018, the Government's total net revenue was 24.5% of the budgeted NIS13.5 billion for 2018 (Figure 11). This was despite a 3.3% decline in clearance revenues (NIS2.1 billion) over Q1/2017. Total expenditure (NIS3.2 billion) at 19.9% of budget left a **current surplus** of NIS191 million and an overall deficit of only NIS30.2 billion.

**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. Data on national income accounts are published by PCBS in conformity with System of National Accounts 2008.**

**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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