



## UNSCO Socio-Economic Report: Overview of the Palestinian Economy in Q2/2018

### Economic activity

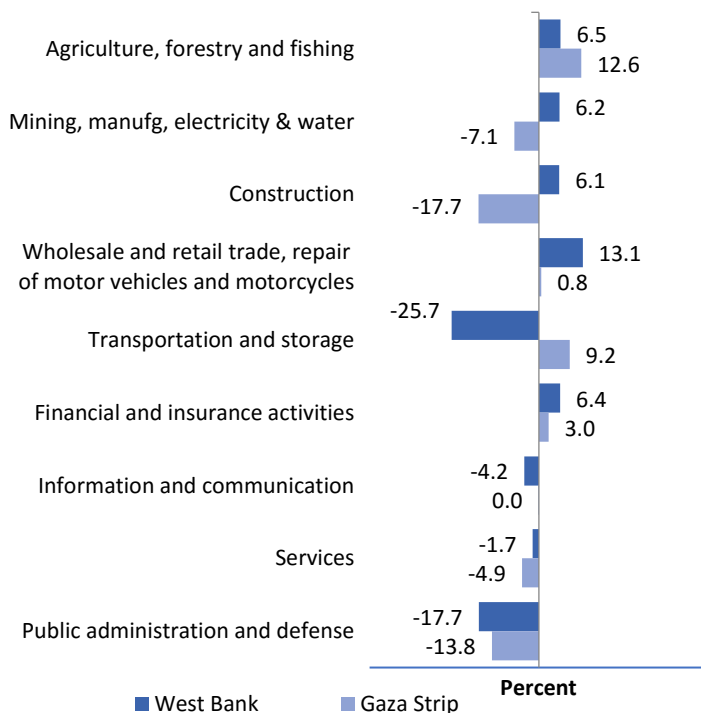
**Table 1: Key GDP indicators (Q2/2018)**

	West Bank	Gaza Strip	oPt
Real GDP (million \$)	2,560.9	790.4	3,351.3
Rate of change in real GDP (quarter-on-quarter, %)	-0.1	-2.8	-0.8
Rate of change in real GDP (year-on-year, %)	0.2	-6.1	-1.3
Real GDP per capita (\$)	974.1	410.4	735.8

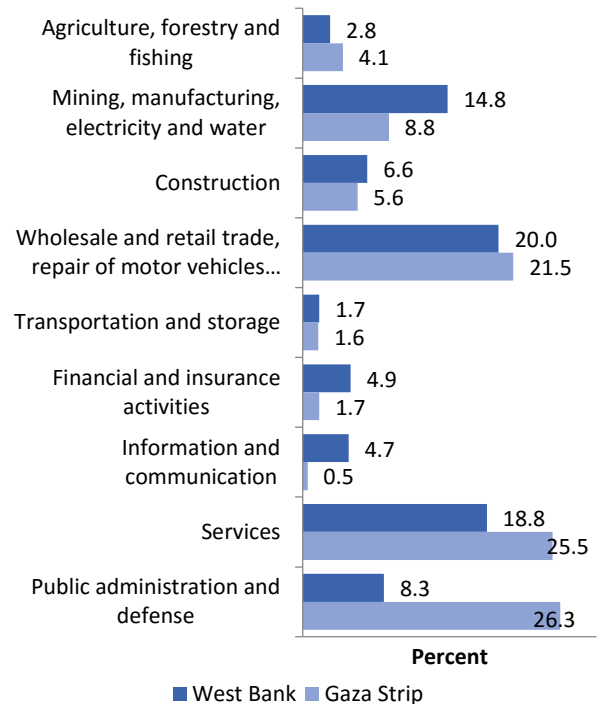
Note: Base year is 2015. Data for Q2/2018 are flash estimates.

During the reporting period, Gaza's GDP contracted by 6% over Q2/2017 after a 6% contraction in the previous quarter. The West Bank's GDP grew by 0.2% over the previous year, resulting in a 1.3% contraction in the Palestinian economy (Table 1). This translated into an 8.9% decline in Gaza's per capita GDP and a 2.0% decline in that of the West Bank compared to Q2/2017. In Q2/2018 Gaza's economy accounted for 23.6% of the Palestinian economy, down from 24.8% a year ago. Gaza's real GDP per capita was 42.1% of the West Bank's in Q2/2018.

**Figure 1: Rate of change of real value added by economic activity (year-on-year, Q2/2018)**



**Figure 2: Percent contribution to real GDP by economic activity (Q2/2018)**

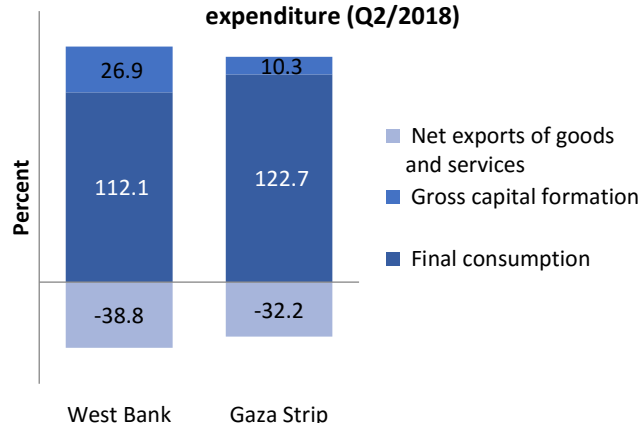


In the West Bank, between Q2/2017 and Q2/2018 there was significant expansion in real value added in wholesale and retail trade etc., agriculture, and financial and insurance activities. The transportation and

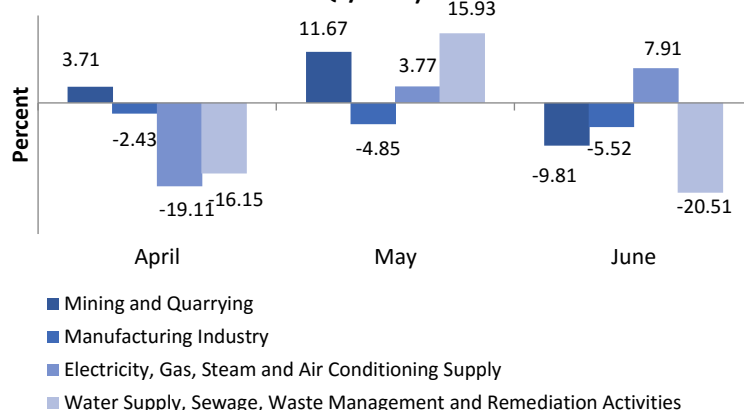
storage sector and the public sector contracted significantly. During the same period in the Gaza Strip, significant expansion was recorded in agriculture, forestry and fishing, and transport and storage, while manufacturing, construction and the public sector contracted (Figure 1).

The wholesale and retail trade sector continued to be the largest one in the West Bank economy in Q2/2018 followed by services. 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 (Q2/2018)**



**Figure 4: Change in industrial activity by sector (% Q2/2018)**



Final consumption in the West Bank was 112.1% of GDP in Q2/2018, and in Gaza it was 122.7% of GDP. Household final consumption constituted 89.8% of GDP in the West Bank and 72.6% of GDP in Gaza. Government final consumption was 20.4% of GDP in the West Bank and 40.0% of GDP in Gaza (Figure 3).

The industrial production index (IPI) declined in April-June. The decline was driven primarily by the manufacturing sector.

## Current account and trade

The current account deficit fell to 10.5% of GDP from 12% of GDP in Q1/2018, despite a decline in the GDP from Q1/2018 to Q2/2018. The increase was driven by a 29% increase in net transfer payments (Table 2).

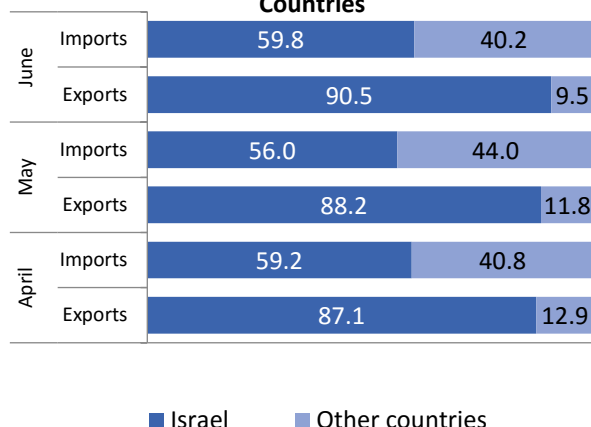
Exports continued to be mainly destined to Israel. Similarly, the majority of imports continued to come from Israel (Figure 5). Truckloads exported out from the Gaza Strip fell further in Q2/2018 (23 truckloads) after falling sharply in Q1/2018 (to 69 truckloads from 188 truckloads in the previous quarter) (Table 3).

Some 425 truckloads left the Gaza Strip for the West Bank in Q2/2018 compared with 667 truckloads in Q1/2018. Products largely consisted of produce, fish, clothes, furniture and leather (Table 4).

**Table 2: Current account (Q2/2018)**

Goods trade balance (million US\$)	-1,178.9
Services trade balance (million US\$)	-248.3
Income balance (million US\$)	603.7
Net transfer payments (million US\$)	450.2
<b>Current account balance (million US\$)</b>	<b>-373.3</b>

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



**Table 3: Exports from the Gaza Strip, by type (Q2/2018)**

	April	May	June
Strawberries (tons)	--	18.50	--
Cherry Tomatoes (tons)	--	2.50	--
Tomato (tons)	144.00	113.48	--
Chilli Pepper (tons)	--	4.52	--
Cucumber (tons)	40.50	30.00	10.00
Sweet potatoes (tons)	--	1.30	--
Lemon (tons)	30.72	--	--
Grapes (tons)	--	3.06	--
Zucchini (tons)	--	17.00	--
Total trucks	11.0	11.0	1.0

**Table 4: Exit to West Bank from the Gaza Strip, by type (Q2/2018)**

	April	May	June
Cucumber (tons)	551.27	211.42	130.04
Tomato (tons)	2189.30	1413.36	924.06
Zucchini (tons)	307.46	173.24	42.38
Cabbage (tons)	15.20	26.44	8.80
Chilli pepper (tons)	172.74	97.22	59.99
Cauliflower (tons)	141.38	3.50	10.00
Eggplant (tons)	286.50	247.98	124.30
Cherry tomatoes (tons)	--	0.64	0.64
Sweet peppers (tons)	126.30	131.40	46.98
Fish (tons)	19.00	16.50	20.50
Glass masterpiece (Truck)	1.00	--	--
Furniture (Truck)	1.00	3.00	5.00
Clothes (Truck)	5.00	8.00	4.00
Cows leather (Truck)	3.00	2.00	3.00
Total trucks	195.0	134.0	96.0

**Table 5: Exit to Israel from the Gaza Strip, by type (Q2/2018)**

	April	May	June
Eggplant (tons)	118.00	47.00	39.20
Tomatoes (tons)	401.24	514.46	375.20
Aluminum scrap (truck)	13.0	10.0	11.0
Furniture (truck)	2.0	--	1.0
Clothes (truck)	8.0	5.0	3.0
Palm Fronds (truck)	--	--	1.0
copper scrap (truck)	34.0	30.0	16.0
Total trucks	77.0	70.0	53.0

Some 200 truckloads exited to Israel in Q2/2018 compared with 197 truckloads in Q1/2018 (Table 5). In Q2/2018 some 21,983 commercial truckloads entered the Gaza Strip through Kerem Shalom and another 98 truckloads through the Rafah crossing. In addition, 1,456 truckloads of humanitarian supplies and 1,713 truckloads of fuel entered through Kerem Shalom in Q2/2018.

## The private sector

**Table 6: Private sector indicators (Q2/2018)**

	West Bank	Gaza Strip
Area licensed for new construction (sq. meters)	1,330,489	355,850
New company registrations	375	33

Total area licensed for new construction in the West Bank (Table 6) in Q2/2018 was 3.7% lower than that in Q2/2017. In the Gaza Strip, total area licensed for new construction was 60.7% lower than in

Q2/2017. The number of new company registrations in the West Bank and Gaza were also lower by 14.0% in the West Bank and 25.0% in Gaza compared to the same period last year.

## The labour market

The labour force (1,364,200 people) participation rate in Q2/2018 was 45.9% of those aged 15 and above.

The rate in Gaza (46.6%) was slightly higher than that in the West Bank (45.4%) 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).

Some 32.4% of the labour force was unemployed compared with 29.0% a year ago, primarily on account of the 53.7% unemployment rate in Gaza (compared with 44.0% in Q2/2017) (Table 7). This amounted to some 49,800 fewer jobs in Q2/2018 as compared with Q2/2017. 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 in mining and manufacturing, and transportation. In the Gaza Strip, job losses were recorded in all sectors, with the most being in services and other branches (Figure 8)<sup>1</sup>.

Figure 6: Labor force participation rate, Q2/2018

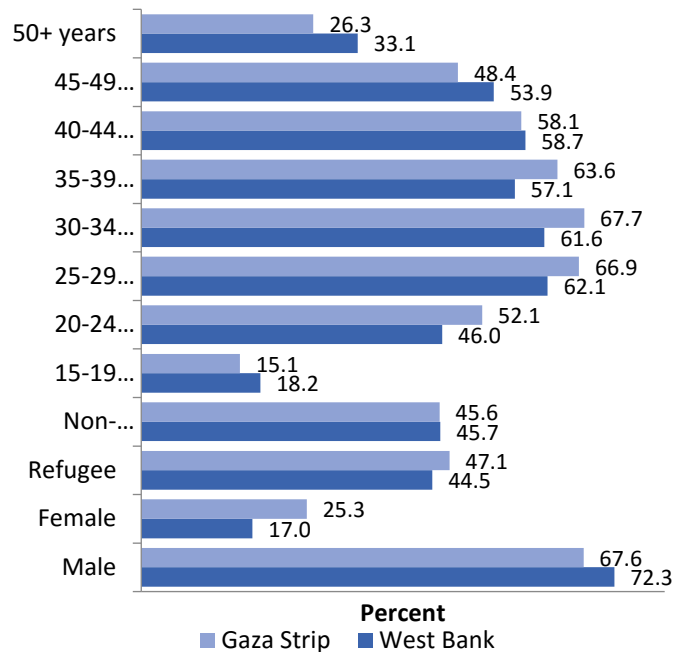


Figure 8: Change in number of employed persons by economic activity (thousands, year-on-year, Q2/2018)

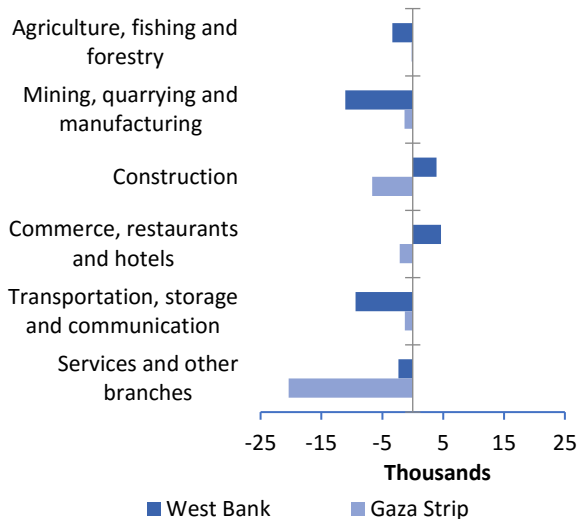


Table 7: Unemployment rate (% , Q2/2018)

	West Bank	Gaza Strip
Narrow definition	19.1	53.7

Table 8: Average daily wage (NIS, Q2/2018)

	West Bank	Gaza Strip
Male	111.9	59.3
Female	92.8	82.2
Private sector	104.5	34.8
Public sector	113.9	90.5
Israel and settlements	247.9	

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

In Q2/2018, 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 continued to be particularly stark in Gaza (Table 8).

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

## Consumer prices

**Table 9: Change in CPI (% , Q2/2018)**

	East Jerusalem	Rest of West Bank	Gaza Strip
<b>Quarter-on-quarter</b>	1.6	1.8	-0.7
<b>Year-on-year</b>	1.6	2.3	-0.8

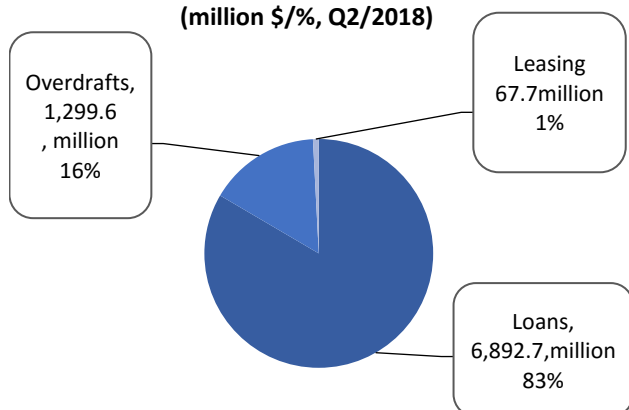
*Note: Comparisons are based on prices as the end of quarter.*

The West Bank including East Jerusalem experienced inflation rate around 2% while Gaza experienced deflation for the second consecutive quarter in 2018 (Table 9).

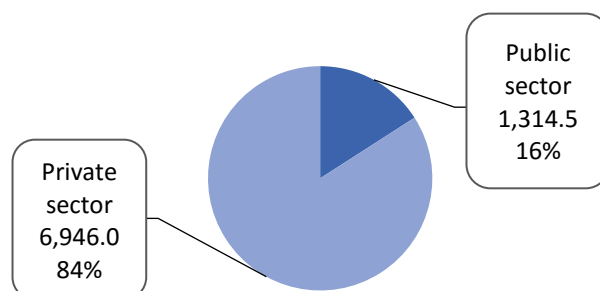
## The Banking Sector

At the end of Q2/2018, bank deposits (\$12.0 billion) were 5.4% higher than the Q2/2017 levels driven by a 6.1% growth in deposits in the West Bank and a 0.8% contraction in Gaza. Bank credit in Q2/2018 increased by 16.6% to \$8.2 billion. Credit growth was driven by an 18.2% growth in the West Bank. Credit in Gaza contracted in 2.5% relative to Q2/2017. Loans accounted for 83% of bank credit, followed by overdrafts (16.0%) (Figure 9). The private sector continued to be the main recipient of bank credit in Q2/2018 (Figure 10). The loan-to-deposit ratio stood at 68.9% (54.3% for the West Bank and 85.8% for Gaza). The value of bounced cheques as a percentage of total value of cheques presented went up in the West Bank (from 7.8% to 9.8%) but remained stable in Gaza (at around 9.5%) as compared with Q2/2017.

**Figure 9: Distribution of bank credit by type (million \$/%, Q2/2018)**

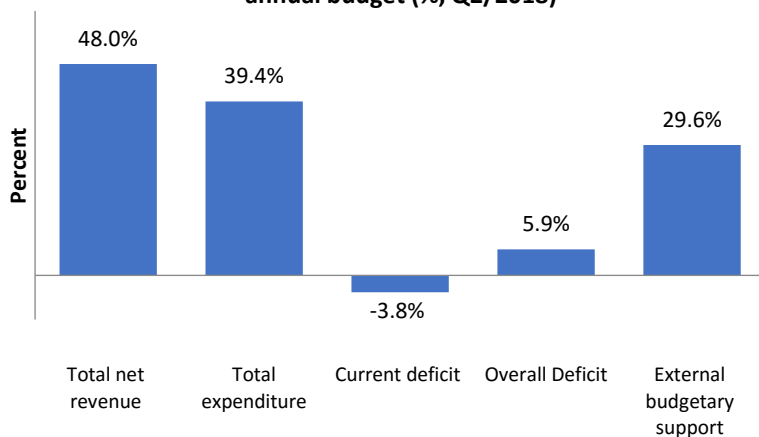


**Figure 10 : Distribution of bank credit by sector (million \$/%, Q2/2018)**



## Fiscal operations

**Figure 11: Fiscal indicators: actual as a proportion of annual budget (% , Q2/2018)**



By the end of Q2/2018, the Government's total net revenue was 48.0% of the budgeted NIS13.5 billion for 2018 (Figure 11). This was despite a 28% decline in clearance revenues over Q2/2017. Total expenditure (NIS3.2 billion) at 39.4% of the budget left a current deficit of NIS88.6 million and an overall deficit of only NIS300 million.

**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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