



## UNSCO Socio-Economic Report: Overview of the Palestinian Economy in Q3/2015

### Economic activity

Real GDP in the occupied Palestinian territory (oPt) in Q3/2015 was 2% lower than in Q2/2015, driven by a 1.7% contraction in the West Bank and a 2.7% contraction in Gaza. Year-on-year growth rate accelerated in the West Bank where the economy expanded by 4.0% as compared with 3.3% in the previous quarter. In the Gaza Strip, year on year GDP growth turned positive to 33.3% as compared with (-)1.5% in the previous quarter. In Q3/2015 the Gaza economy constituted 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 Q3/2014 and Q3/2015 there was significant expansion in real value added in financial and insurance activities (12.6%), the transportation and storage sector (9.1%), as well as information and communication services (9.0). Decreases in real value added were registered in several sectors, notably in mining, manufacturing, electricity and water (-7.9%), public administration and defense (-7.8%), agriculture, forestry and fishing (-6.5%), and construction (-5.3%).

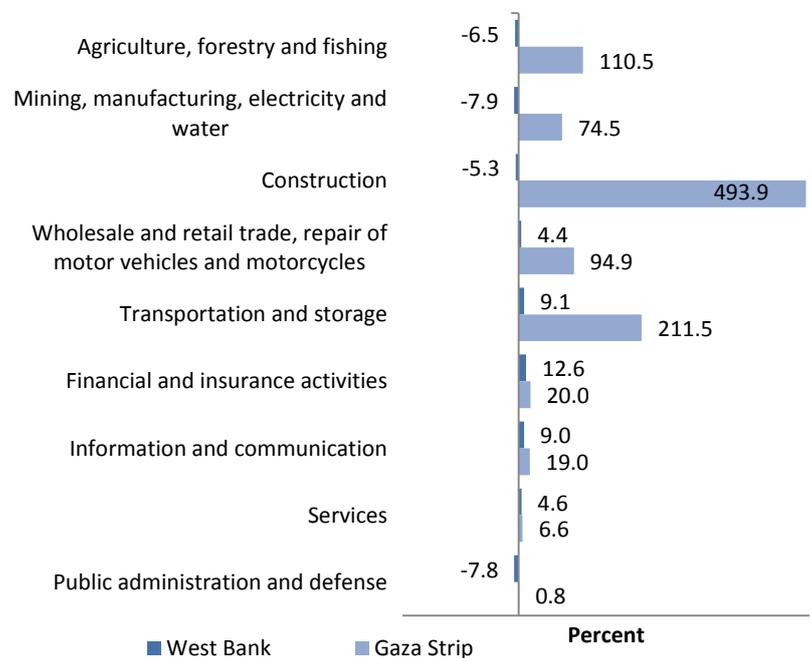
During the same period in the Gaza Strip, growth rates turned positive in the majority of sectors, with significant growth in construction (494%), transportation and storage (211.5%), agriculture, forestry and

### Key GDP indicators (Q3/2015)

	West Bank	Gaza Strip	oPt
Real GDP (million \$)	1,476.3	445.6	1,921.9
Rate of change in real GDP (quarter-on-quarter, %)	-1.7	-2.7	-1.9
Rate of change in real GDP (year-on-year, %)	4.0	33.3	9.6
Nominal GDP per capita (\$)	937.3	422.7	725.4

*Note: Base year is 2004. Data for Q3/2015 are flash estimates.*

### Rate of change of real value added by economic activity (year-on-year, Q3/2015)



*Note: Base year is 2004. Data for Q3/2015 are flash estimates.*

fishing (110.5%), wholesale and retail trade (95%), and mining, manufacturing, electricity and water (74.5%).

The services sector was the largest one in the West Bank economy in Q3/2015, accounting for 19.2% of GDP. This was followed by the wholesale and retail trade sector (17.3%) and mining, manufacturing, electricity and water (15.0%).

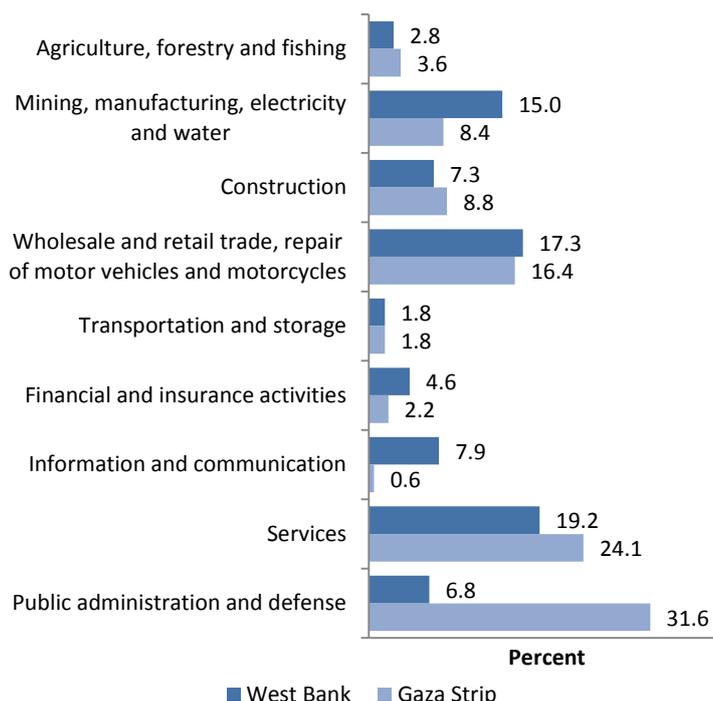
Public administration and defence continued to account for the largest proportion of the Gaza Strip's GDP in Q3/2015, accounting for 31.6% of the total, followed by services (24.1%) and wholesale and retail trade (16.4%).

Final consumption in the West Bank was 120.1% of GDP in Q3/2015. Household final consumption constituted 97.5% of GDP while government final consumption was 20.9% of GDP. Gross capital formation came to 28.0% of GDP, most of it gross fixed capital formation (25.8% of GDP). Exports of goods and services from the West Bank made up 25.3% of GDP while imports represented 73.7%, resulting in a West Bank trade deficit of 48.4% of GDP in the quarter.

In the Gaza Strip, final consumption in Q3/2015 was 143.1% of GDP, household final consumption was 79.6% of GDP and government final consumption was 48.4% of GDP. Gross capital formation was negative to the tune of 6.0% of GDP during the quarter, though gross fixed capital formation was positive (15.2% of GDP). Exports from the Gaza Strip amounted to 3.3% of GDP while imports amounted to 39.1%, resulting in a trade deficit equal to 35.9% of GDP in Q3/2015.

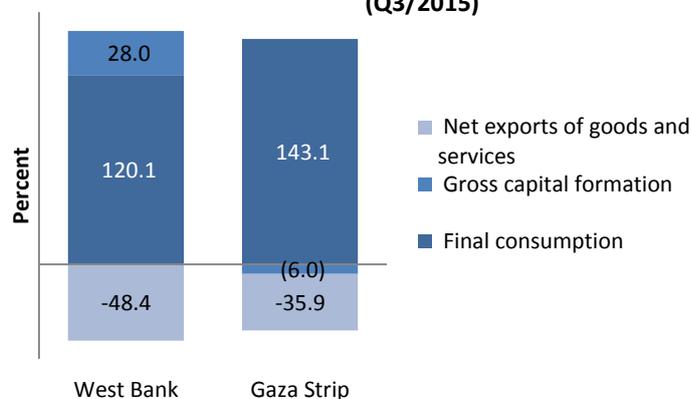
The industrial production index (IPI) increased from 104.48 in July to 114.82 in August 2015, but then fell to 101.97 in September (base year is 2011). Activity in

**Percent contribution to real GDP by economic activity (Q3/2015)**



Note: Base year is 2004. Data for Q3/2015 are flash estimates.

**Percent distribution of real GDP by expenditure (Q3/2015)**



Note: Base year is 2004. Data for Q3/2015 are flash estimates.

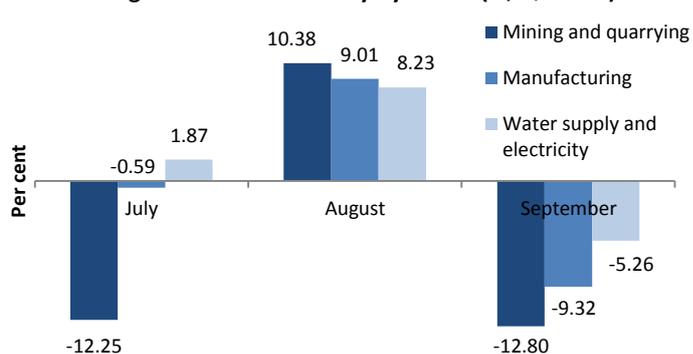
**Industrial production index (Q3/2015)**

	July	August	September
Index	104.48	114.82	101.97

both manufacturing (with a share of 80.56% in the IPI) and mining and quarrying (with a share of 4.59% in the IPI) contracted slightly in July, grew robustly in August and then contracted substantially again in September. Activity in the water and electricity supply sector (with a share of 14.85% in the IPI) grew in July and August but declined in September.

The business cycle index for the West Bank improved through the quarter. In the Gaza Strip, the index reflected a contraction throughout the quarter.

**Change in industrial activity by sector (% Q3 2015)**



**Business Cycle Index (Q3/2015)**

	July	August	September
West Bank	12.0	13.2	17.2
Gaza Strip	-9.3	-15.3	-2.1

### Current account and trade

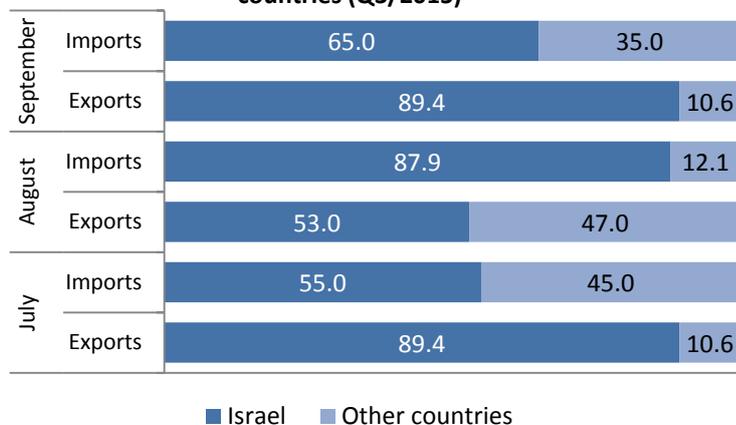
The current account deficit reached \$586.3 million, or 18.2% of GDP, in Q3/2015 from \$372.7 million (11.6% of GDP) in Q2/2015. The increase was driven primarily by the elevated goods trade deficit. The income and transfer payment accounts both recorded a significant surplus in the quarter while the services trade balance recorded a deficit.

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

**Current account (Q3/2015)**

Goods trade balance (million US\$)	-1349.4
Services trade balance (million US\$)	-69.4
Income balance (million US\$)	357.4
Net transfer payments (million US\$)	475.1
<b>Current account balance (million US\$)</b>	<b>-586.3</b>

**Registered trade in goods to and from Israel and other countries (Q3/2015)**



Goods exports from the Gaza Strip continued to improve in Q3/2015. Some 110 truckloads were exported in the quarter compared to 74 truckloads in the previous quarter.

#### Exports from the Gaza Strip, by type (Q3/2015)

	July	August	September
Tomato (tons)	359.00	255.40	162.92
Potatoes (tons)	--	--	829.48
Sweet potatoes (tons)	--	227.16	61.80
Chive (tons)	0.68	1.06	0.40
Green Mint (tons)	0.36	0.38	0.10
Total trucks	26	28	56

Commercial transfers saw a slight decrease in Q3/2015 with 121 truckloads leaving the Gaza Strip for the West Bank compared to 128 in the previous quarter. Products largely consisted of produce, stationery, furniture and clothes.

#### Exit To West Bank from the Gaza Strip, by type (Q3/2015)

	July	August	September
Cucumber (tons)	9.56	39.42	91.98
Fish (tons)	1.20	2.70	1.70
Tomatoes (tons)	100.70	14.48	89.06
Sweet potatoes (tons)	138.17	190.56	199.58
Potatoes (tons)	--	--	23.52
Chilli Pepper (tons)	4.69	--	--
Eggplant (tons)	3.20	26.69	15.77
Sweet Peppers (tons)	--	1.00	--
Stationery (tons)	142.00	103.00	--
Mats (tons)	--	2.00	--
Furniture (tons)	78.00	64.00	116.00
Clothes (tons)	19.00	24.00	22.00
Total trucks	34	45	42

#### Exit To Israel from the Gaza Strip, by type (Q3/2015)

	July	August	September
Tomatoes (tons)	486.80	350.36	211.00
Eggplant (tons)	64.70	27.30	77.44
Total trucks	39	29	22

## The private sector

The total area licensed for new construction in the West Bank in Q3/2015 was 5.5% lower than in Q3/2014. In the Gaza Strip, total area licensed for new construction was 609.9% higher than in Q3/2014.

There was a 5.2% decline in the total number of new company registrations in the West Bank in Q3/2015 compared to the same period last year. In the Gaza Strip the number was 3.75% higher as compared with Q3/2014.

The proportion of owners/managers of active industrial enterprises in the West Bank who perceived improvements in

#### Private sector indicators (Q3/2015)

	West Bank	Gaza Strip
Area licensed for new construction (sq. meters)	1,080,247	1,205,760
New company registrations	348	83

#### Proportion of owners/managers of the active industrial enterprises who experienced improvements in previous quarter (% , Q3/2015)

	West Bank	Gaza Strip
Enterprise's performance in general	18.7	6.5
Obtaining needed raw materials and inputs	10.9	6.5
Transporting finished goods to market	11.2	6.5

terms of the enterprise's performance in general in Q3/2015 compared to Q2/2015 was 18.7%. The proportion which perceived improvements in the ease of obtaining raw materials and inputs or of transporting finished goods to market was lower at 10.9%. Expectations for improvements in these categories in Q4/2015 followed a similar pattern, with 14.3% of respondents in the West Bank indicating that they expected an improvement of their enterprise's performance in general. In the Gaza Strip, 6.5% of respondents indicated that they had experienced improvements in the previous quarter and 10.9% expected improvements for the coming quarter.

**Proportion of owners/managers of the active industrial enterprises who expect improvements in coming quarter (% , Q4/2015)**

	West Bank	Gaza Strip
Enterprise's performance in general	14.3	10.9
Obtaining needed raw materials and inputs	9.7	10.9
Transporting finished goods to market	11.2	10.9

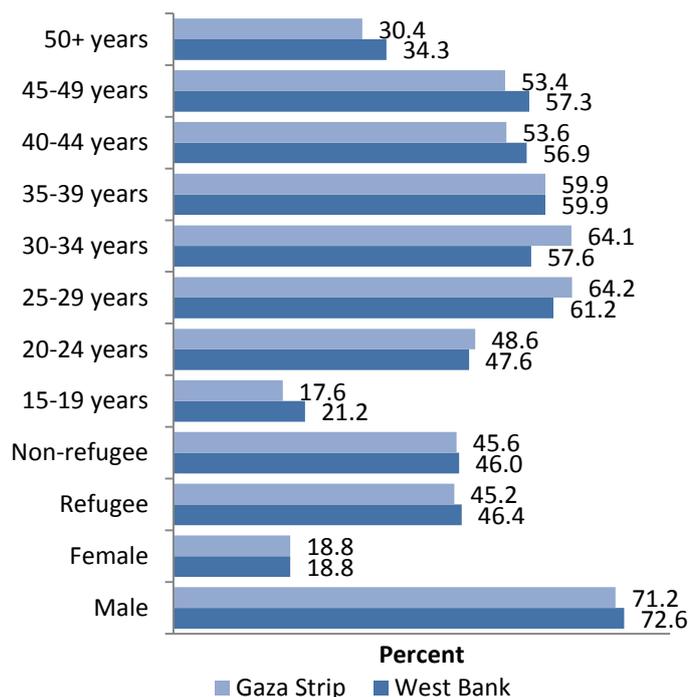
## The labour market

The labour force participation rate in Q3/2015 was 45.8% of those aged 15 and above, that is 1,303,900 people. The labour force participation rate was slightly higher in the West Bank (46.1%) than in the Gaza Strip (45.3%). 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 (17.6% and 21.2% in the Gaza Strip and West Bank respectively).

The unemployment rate for Palestine was 27.4% in Q3/2015. Unemployment rate in the West Bank was 18.7%, slightly lower than the 19.2% in Q3/2014. In the Gaza Strip, 42.7% of the labour force was unemployed in Q3/2015 as compared with 47.4% a year ago.

Unemployment rates for women were higher than men in both the Gaza Strip (63.3% as compared with 37.4% for men) and West Bank (29.3% as compared with 16.0% for men) despite their low labour

**Labor force participation rate (% , Q3/2015)**



**Unemployment rate (% , Q3/2015)**

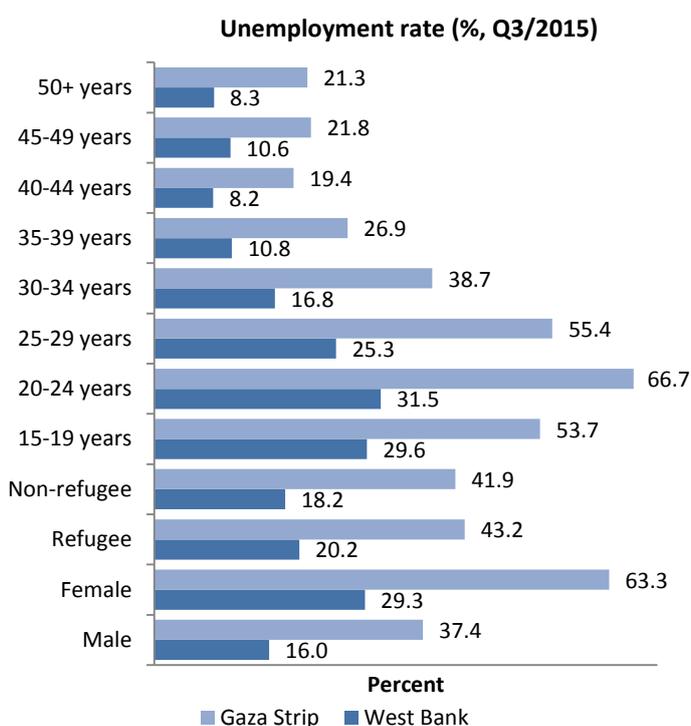
	West Bank	Gaza Strip
Narrow definition	18.7	42.7

force participation rate. Refugees had a marginally higher unemployment rate than non-refugees in both the West Bank and Gaza Strip. Age was also correlated to unemployment, with the youth experiencing the highest rates. A total of 66.7% 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 Q3/2015 compared to Q2/2015 decreased by 0.5 months for men and by 0.6 months for women in the West Bank. In Gaza, the period decreased by 0.9 months for men and 1.1 months for women. However, on average women were still likely to remain unemployed 4.7 months longer than men in the West Bank and 5.5 months in Gaza..

The number of persons employed in the West Bank increased between Q3/2014 and Q3/2015 by approximately 22,000. In the Gaza Strip, it increased by 44,700. In the West Bank employment increased in all sectors except agriculture, fishing and forestry, and construction. In the Gaza Strip, employment increased in all sectors.

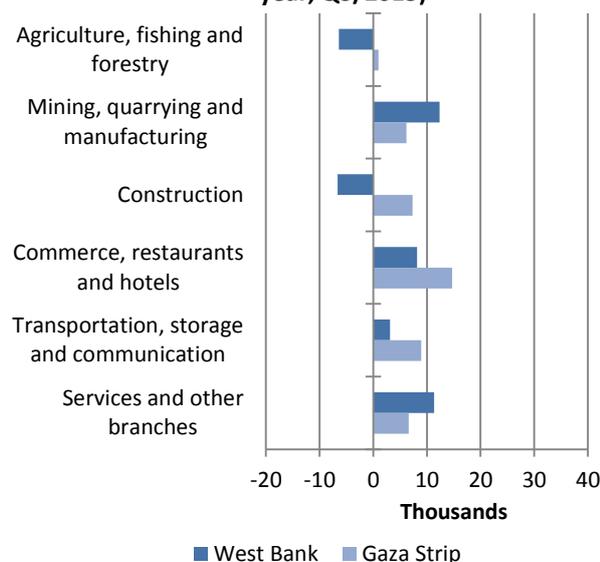
There continued to be a significant disparity in average daily net wages between the West Bank and the Gaza Strip in Q3/2015 – NIS 95.5 versus NIS 60.3 for men. Average daily net wages were higher for men than for women in the West Bank but in Gaza women had significantly higher daily wage rates. The 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 200.1 per day.



**Average duration of unemployment (months, Q3/2015)**

	West Bank	Gaza Strip
Male	3.9	15.1
Female	8.6	20.6

**Change in number of employed persons by economic activity (thousands, year-on-year, Q3/2015)**



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

### Average daily wage (NIS, Q3/2015)

	West Bank	Gaza Strip
Male	95.5	60.3
Female	80.9	84.3
Private sector	85.9	40.7
Public sector	108.2	87.6
Israel and settlements	200.1	

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 Q3/2015 compared to Q2/2015 in East Jerusalem but rose in and the rest of the West Bank and Gaza. The CPI rose across the board in comparison with Q3/2014.

### Change in CPI (% , Q3/2015)

	East Jerusalem	Rest of West Bank	Gaza Strip
Quarter-on-quarter	-0.8	0.9	1.8
Year-on-year	0.2	2.4	1.1

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

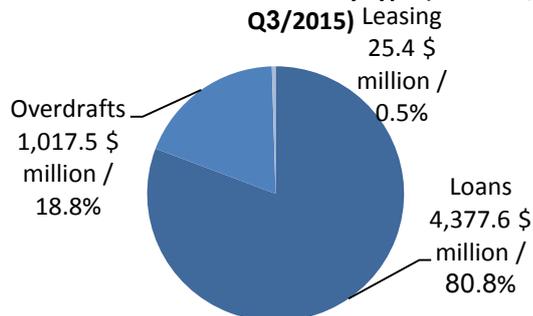
### The banking sector

Bank credit in Q3/2015 remained steady at \$5.4 billion. Loans accounted for 80.8% bank credit, followed by overdrafts (18.8%) and leasing (0.5%).

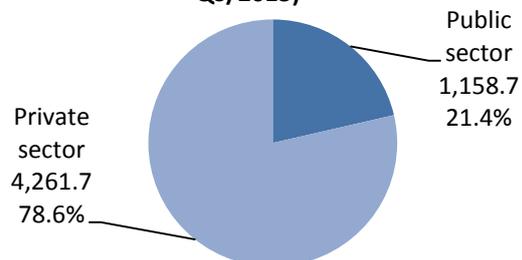
The private sector continued to be the main source of bank deposits in Q3/2015 accounting for 78.6% of the total.

These figures resulted in a loan-to-deposit ratio of 57.3% in Q3/2015 identical to that in Q2/2015

### Distribution of bank credit by type (million \$/%, Q3/2015)



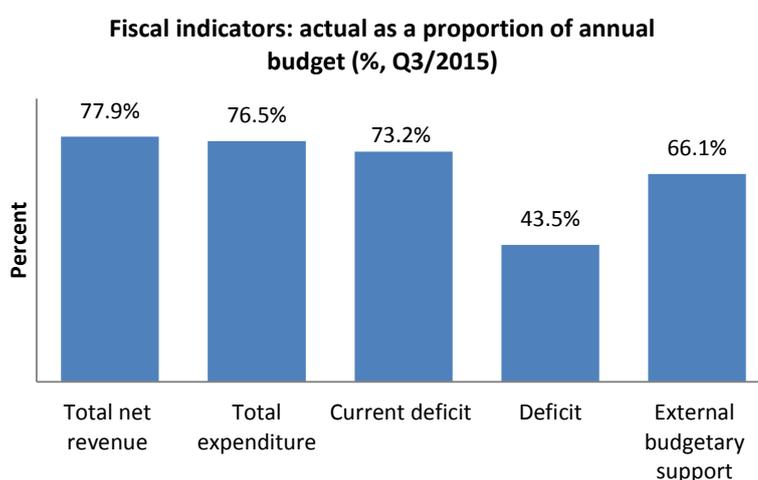
### Distribution of bank deposits by sector (million \$/%, Q3/2015)



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

## Fiscal operations

On commitment basis, by the end of Q3/2015, government total net revenue was 77.9% of the NIS 10.66 billion in the 2015 budget. Total expenditure was 76.5% of the NIS 15.09 billion in the budget for the year. By the end of the third quarter, the current deficit and the overall deficit had reached 73.2% and 43.5% of the annual projected amount, respectively. External budgetary support by the end of the quarter reached only 66.1% of the amount expected for the year.



*Note: Data are for fiscal operations on a commitment basis. The information is up-to-date as of 18 November 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*.

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