



UNSCO Socio-Economic Report: Overview of the Palestinian Economy in Q3/2016

Economic activity

Real GDP in the occupied Palestinian territory (oPt) in Q3/2016 was 0.4% less than in Q2/2016, driven by a 2.0% growth in the Gaza Strip and countered by a 1.1% contraction in the West Bank. Compared to Q3 2015, real GDP in the oPt grew by 5.2% driven by a 3.9% growth rate in the West Bank and a 9.7% growth rate in the Gaza strip. In Q3/2016 the Gaza economy constituted about 24% of the overall Palestinian economy, signifying no change from the previous quarter, and the Strip's GDP per capita was 50% of the West Bank's, up from 44% of the West Bank's in the last quarter.

In the West Bank, between Q3/2015 and Q3/2016 there was significant expansion in real value added in the transportation and storage sector (22.3%) and the financial and insurance activities. There was significant contraction in real value added in agriculture, forestry and fishing (13.7%) and construction (4%) sectors.

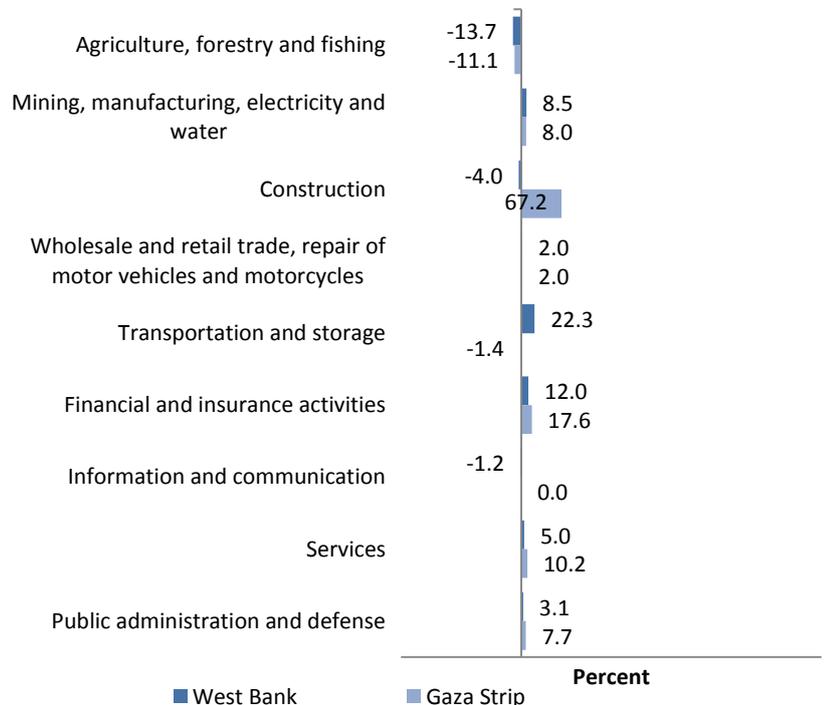
During the same period in the Gaza Strip, the agriculture, forestry and fishing sectors contracted by 11.1%. The construction sector grew by 67.2%, financial and insurance activities by 17.6% and services by 10.2%.

Key GDP indicators (Q3/2016)

	West Bank	Gaza Strip	oPt
Real GDP (million \$)	1533.9	489.2	2023.1
Rate of change in real GDP (quarter-on-quarter, %)	-1.1	2.0	-0.4
Rate of change in real GDP (year-on-year, %)	3.9	9.7	5.2
Nominal GDP per capita (\$)	952.2	470.5	753.0

Note: Base year is 2004. Data for Q3/2016 are flash estimates.

Rate of change of real value added by economic activity (year-on-year, Q3/2016)



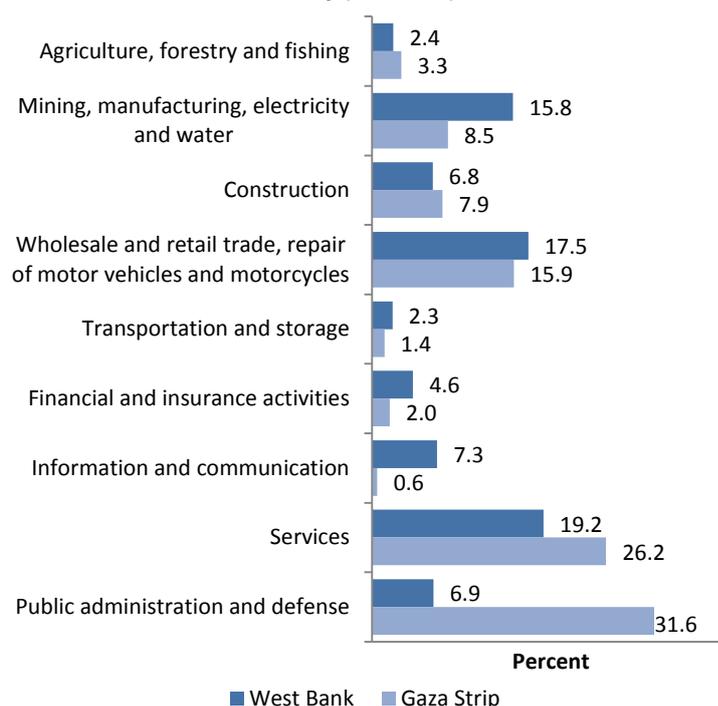
The services sector was the largest one in the West Bank economy in Q3/2016, accounting for 19.2% of GDP. This was followed by the wholesale and retail trade sector (17.5%) and mining, manufacturing, electricity and water (15.8%).

Public administration and defense continued to be the largest employers of people in Gaza, also accounting for the largest proportion of the Gaza Strip's GDP in Q3/2016, accounting for 31.6% of the total, followed by services (26.2%), and wholesale and retail trade (15.9%).

Final consumption in the West Bank was 117.2% of GDP in Q3/2016. Household final consumption constituted 94.5% of GDP while government final consumption was 20.8% of GDP. Gross capital formation accounted for 23.4% of GDP, most of it gross fixed capital formation (21.2% of GDP). Exports of goods and services from the West Bank made up 25.2% of GDP while imports represented 64.8%, resulting in a West Bank trade deficit of 39.6% of GDP in the quarter.

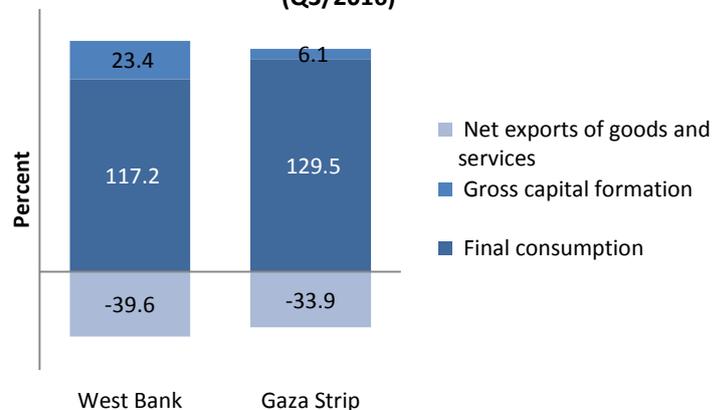
In the Gaza Strip, final consumption in Q3/2016 was 129.5% of GDP, household final consumption was 75.0% of GDP and government final consumption was 42.3% of GDP. Gross capital formation was 6.1% of GDP, and gross fixed capital formation, 18% of GDP. Exports from the Gaza Strip amounted to 3.7% of GDP while imports amounted to 37.6%, resulting in a trade deficit equal to 33.9% of GDP in Q3/2016.

Percent contribution to real GDP by economic activity (Q3/2016)



Note: Base year is 2004. Data for Q3/2016 are flash estimates.

Percent distribution of real GDP by expenditure (Q3/2016)



Note: Base year is 2004. Data for Q3/2016 are flash estimates.

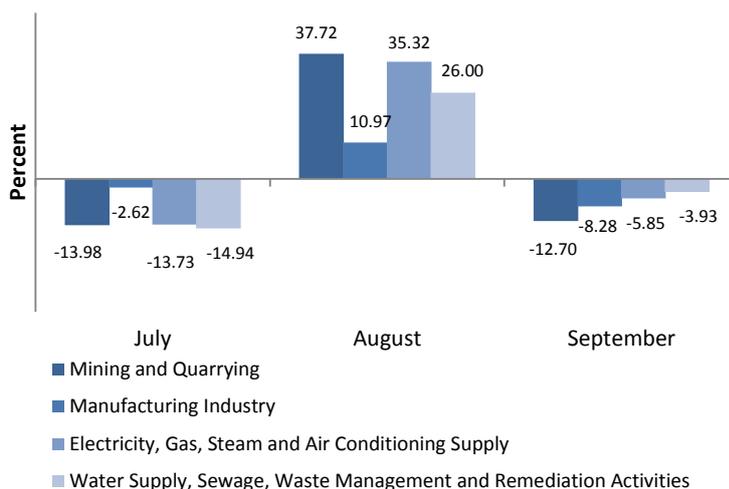
The industrial production index (IPI) increased from 98.5 in July to 103 in September 2016, (base year is 2015).

Industrial production index (Q3/2016)

	July	August	September
Index	98.52	112.32	103.07

Activity in all sectors: mining and quarrying, Manufacturing Industry, Electricity, Gas, Steam and Air Conditioning Supply Water Supply, Sewage, Waste Management and Remediation Activities sector all contracted in July, increased significantly in August and contracted again in September.

Change in industrial activity by sector (% , Q3/2016)



Current account and trade

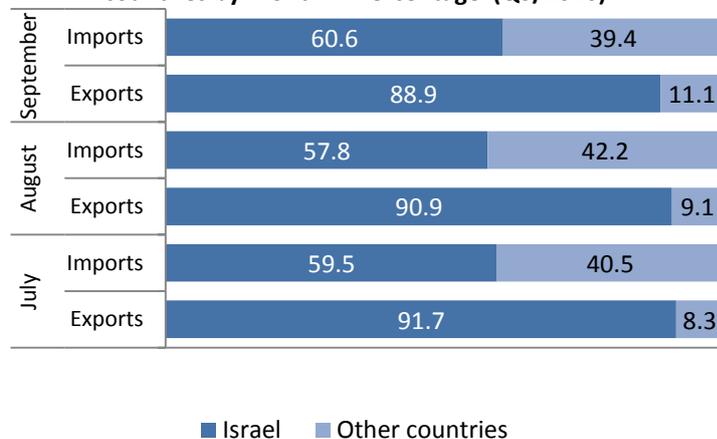
The current account deficit decreased to (-) \$314.4 million or 9.1% of GDP in Q3/2016 from (-)\$391.5 million, or 11.6% of GDP, in Q2/2016. The decrease was driven primarily by the higher goods and services trade deficit. The income and transfer payment accounts both recorded a significant surplus in the quarter.

Current account (Q3/2016)

Goods trade balance (million US\$)	-1066.8
Services trade balance (million US\$)	-221.7
Income balance (million US\$)	401.3
Net transfer payments (million US\$)	572.8
Current account balance (million US\$)	-314.4

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 (Q3/2016)



Goods exports from the Gaza Strip decreased in Q3/2016. Some 20 truckloads were exported compared with 105 truckloads in Q2/2016. Commercial transfers increased slightly in Q3/2016 with 261 truckloads leaving the Gaza Strip for the West Bank compared with 202 truckloads in the previous quarter. Products largely consisted of produce, furniture and stationery.

Exports from the Gaza Strip, by type (Q3/2016)			
	July	August	September
Tomatoes (tons)	15.00	--	--
Potatoes (tons)	--	--	472.00
Chive (tons)	0.40	--	--
Green Mint (tons)	0.16	--	--
Total trucks	2	0	18

Exit To West Bank from the Gaza Strip, by type (Q3/2016)			
	July	August	September
Cucumber (tons)	104.98	210.40	5.00
Fish (tons)	--	--	8.00
Tomatoes (tons)	981.35	282.60	764.00
Sweet potatoes (tons)	242.98	39.80	--
Zucchini (tons)	6.42	0.50	--
Dates (tons)	--	--	37.00
Cabbage (tons)	--	12.50	--
Eggplant (tons)	12.33	12.80	3.00
Sweet Peppers (tons)	5.28	--	20.00
Cherry Tomatoes (tons)	0.70	--	--
Vegetables (tons)	--	--	137.00
Stationery (tons)	47.00	40.00	--
Cows leather (tons)	--	22.00	--
Furniture (tons)	61.00	50.00	25.00
Clothes (tons)	22.00	25.00	23.00
Total trucks	108	58	95

Exit To Israel from the Gaza Strip, by type (Q3/2016)			
	July	August	September
Cucumber (tons)	--	7.60	--
Tomatoes (tons)	375.08	107.30	211.00
Iron scrap (tons)	520.00	729.00	540.00
Aluminum scrap (tons)	149.00	183.00	70.00
Total trucks	47	52	39

The private sector

The total area licensed for new construction in the West Bank in Q3/2016 was 13.5% higher than in Q3/2015. In the Gaza Strip, total area licensed for new construction was 22.5 % lower than in Q3/2015.

There was a 22.7% increase in the total number of new company registrations in the West Bank in Q3/2016 compared to the same period last year. In the Gaza Strip the number was 13.3% higher as compared with Q3/2015.

Private sector indicators (Q3/2016)

	West Bank	Gaza Strip
Area licensed for new construction (sq. meters)	1,225,656	934,925
New company registrations	427	94

The labour market

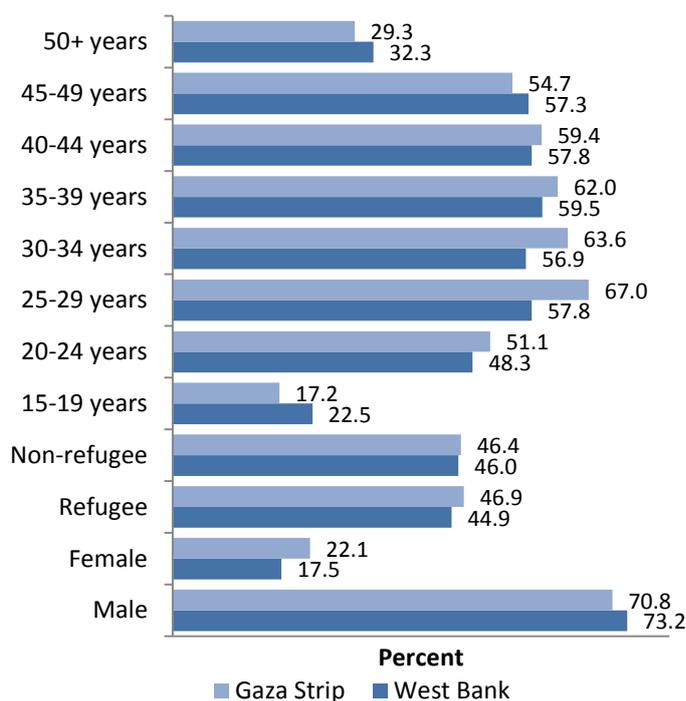
The labour force participation rate in Q3/2016 was 46.1% of those aged 15 and above, that is 1,356,300 people. The labour force participation rate similar in the West Bank (45.7%) and the Gaza Strip (46.7%). Participation in the labour force was much higher for men than for women in both regions. The labour force participation rate was relatively lower for youth, particularly those aged between 15 and 19 years of age (17.2% and 22.5% in the Gaza Strip and West Bank respectively).

The unemployment rate for Palestine increased to 28.4% in Q3/2016 (26.9% in Q2/2016). The unemployment rate in the West Bank was 19.6%, an increase from 18.7% in Q3/2015. In the Gaza Strip, 41.7% of the labour force was unemployed in Q2/2016, marginally higher than a year ago.

Unemployment rates for women were higher than men in both the Gaza Strip (68.6% as compared with 35.4% for men) and West Bank (31.7% as compared with 16.8% 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. Unemployment rates were higher for youth than for those above 30. A total of 64.4% 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 Q3/2016 compared to Q2/2016 decreased by 0.6 month for men and decreased by 1.7 months for women in the West Bank. In Gaza,

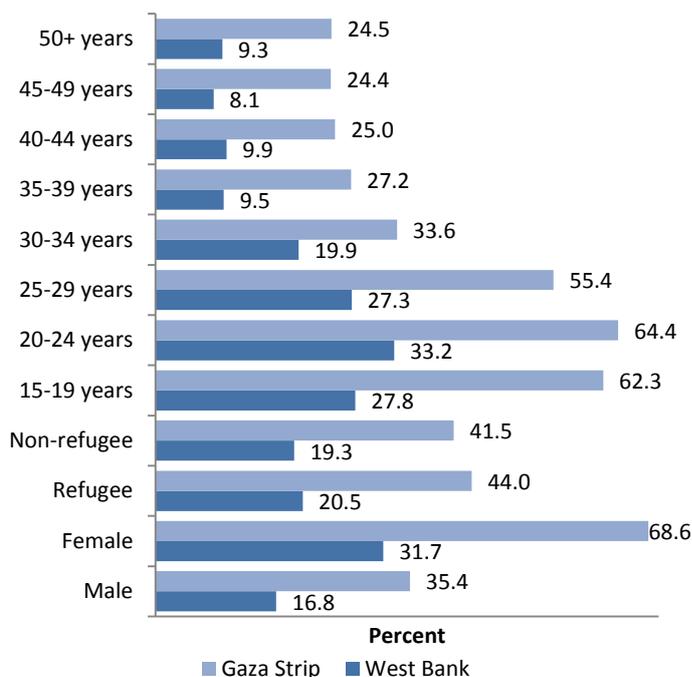
Labor force participation rate (% , Q3/2016)



Unemployment rate (% , Q3/2016)

	West Bank	Gaza Strip
Narrow definition	19.6	43.2

Unemployment rate (% , Q3/2016)



the period decreased by 1.2 months for men and 1.7 months for women. On average women were likely to remain unemployed 6 months longer than men in the West Bank and 8.3 months longer than men in Gaza.

The number of persons employed in the West Bank in Q3/2016 was higher than that in Q2/2016 by approximately 8,400. In the Gaza Strip, it was higher by 16,400. In the West Bank employment was lower in agriculture, fishing and forestry and services sectors in Q3/2016. In the Gaza Strip, employment was higher in all sectors except agriculture, fishing and forestry, and transportation, storage and communication.

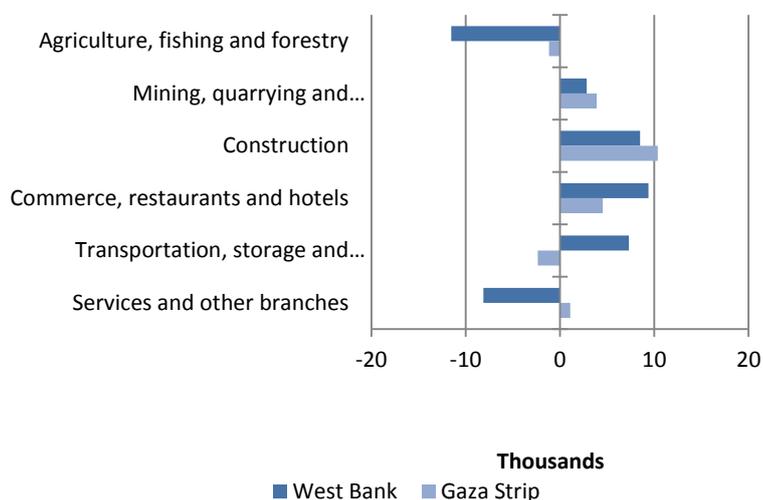
In Q3/2016, there continued to be a significant disparity in average daily net wages between the West Bank and the Gaza Strip. While men in the Gaza Strip received an average daily wage of NIS 57.7 in Q3/2016, they received on average a daily rate of NIS 99.8 in the West Bank. Similarly, while women in the Gaza Strip made a daily wage of NIS 70.3 on average, women in the West Bank made a daily wage rate of NIS 80.7. Further, the average daily net wages 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 222.3 per day.

Average duration of unemployment (months, Q3/2016)

	West Bank	Gaza Strip
Male	3.6	13.0
Female	9.5	21.3

Change in number of employed persons by economic activity (thousands, year-on-year, Q3/2016)



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

Average daily wage (NIS, Q3/2016)

	West Bank	Gaza Strip
Male	99.8	57.7
Female	80.7	70.3
Private sector	89.8	39.9
Public sector	110.4	88.7
Israel and settlements	222.3	

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), increased in Q3/2016 compared to Q2/2016 in the West Bank, including East Jerusalem but fell in Gaza. In comparison with Q3/2015, CPI increased in East Jerusalem but fell in the rest of the West Bank and Gaza.

Change in CPI (% , Q3/2016)

	East Jerusalem	Rest of West Bank	Gaza Strip
Quarter-on-quarter	0.7	1.5	-0.8
Year-on-year	0.3	-0.6	-1.9

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

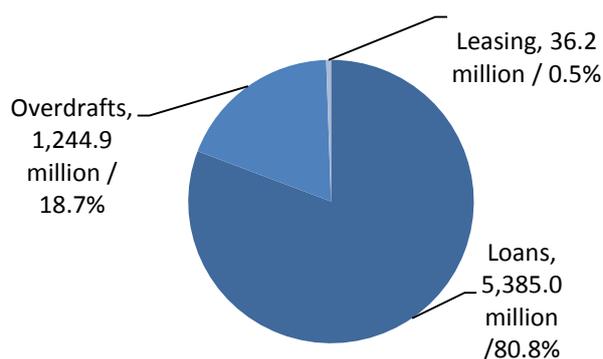
The banking sector

Bank credit in Q3/2016 increased to \$6.67 billion. Loans accounted for 80.8% bank credit, followed by overdrafts (18.7%) and leasing (0.5%).

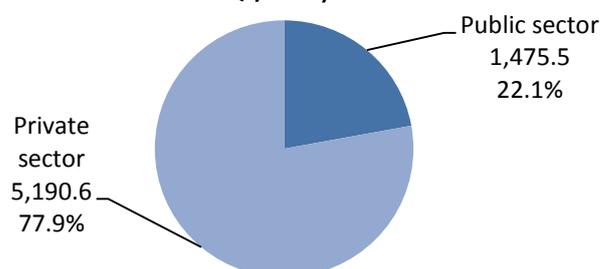
The private sector continued to be the main source of bank deposits in Q3/2016 accounting for 77.9% of the total.

These figures resulted in a loan-to-deposit ratio of 63.9% in Q3/2016, slightly higher than the 62.8% in Q2/2016.

Distribution of bank credit by type (million \$/%, Q3/2016)



Distribution of bank deposits by sector (million \$/%, Q3/2016)

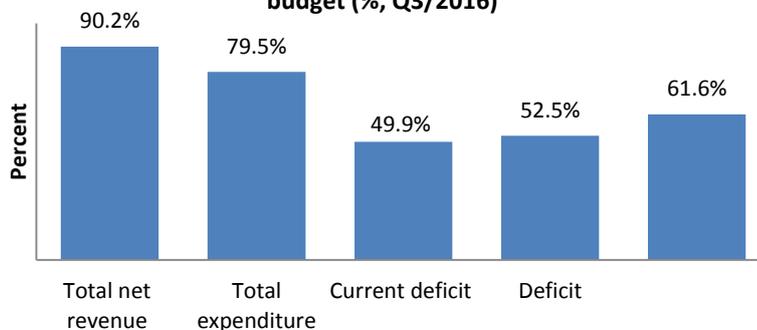


Note: Data do not include deposits of the PMA and commercial banks.

Fiscal operations

On commitment basis, by the end of Q3/2016, government total net revenue was 90.2% of the 11.19 billion NIS in the 2016 budget. Total expenditure was 79.5% of the NIS 15.21 billion in the budget for the year. By the end of the third quarter, the current deficit and the overall deficit had reached 49.9% and 52.5% of the annual projected amounts, respectively. External budgetary support by the end of the quarter reached 61.6% of the amount expected for the year.

Fiscal indicators: actual as a proportion of annual budget (% , Q3/2016)



Note: Data are for fiscal operations on a commitment basis. The information is up-to-date as of 23 November 2016.

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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