



## UNSCO Socio-Economic Report: Overview of the Palestinian Economy in Q3/2017

### Economic activity

During the reporting period, the impact of the continued electricity crisis showed strongly in Gaza's GDP and employment data even as the West Bank economy grew robustly. Real GDP in the occupied Palestinian territory (oPt) in Q3/2017 grew by 3.1% over the previous quarter because of a 4.1% growth in the West Bank and a 0.2% growth in the Gaza Strip. Compared to Q3/2016, real GDP in the oPt grew by 5.0% driven by a 6.9% growth rate in the West Bank and a (-)0.6% contraction in the Gaza Strip. In Q3/2017 Gaza's economy accounted for 24.1% of the overall Palestinian economy, signifying a decrease from 25.5% a year ago. Real GDP per capita of the West Bank increased by 4.6% year on year while that of Gaza decreased by (-)4.7%. Gaza's real GDP per capita was 44.7% of the West Bank's in Q3/2017.

In the West Bank, between Q3/2016 and Q3/2017 there was significant expansion in real value added in construction (23.8%), wholesale and retail trade etc. (19.0%), financial and insurance activities (9.7%), mining, manufacturing, electricity and water (8.6%), and transportation and storage (6.3%). There was noticeable contraction in real value added in agriculture, forestry and fishing (-3.4%), information and communication (-6.1%), and public administration and defense (-2.5%).

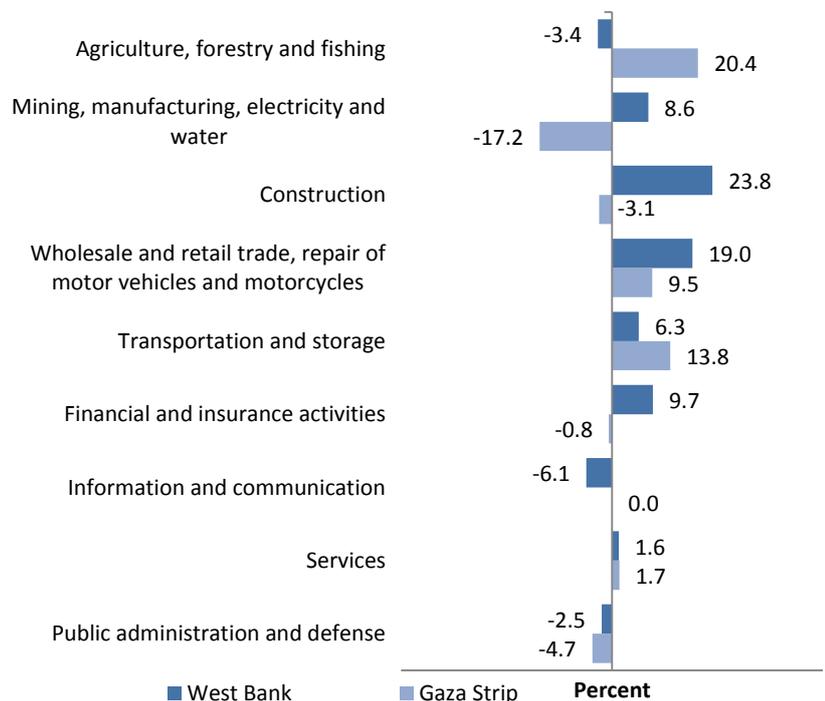
During the same period in the Gaza Strip, significant growth was recorded in agriculture, forestry and fishing (20.4%), transport and storage (13.8%) and wholesale

### Key GDP indicators (Q3/2017)

	West Bank	Gaza Strip	oPt
Real GDP (million \$)	2,658.5	843.8	3,502.3
Rate of change in real GDP (quarter-on-quarter, %)	4.1	0.2	3.1
Rate of change in real GDP (year-on-year, %)	6.9	-0.6	5.0
Real GDP per capita (\$)	968.1	432.4	745.6

*Note: Base year is 2015. Data for Q3/2017 are flash estimates.*

### Rate of change of real value added by economic activity (year-on-year, Q3/2017)



and retail trade etc. (9.5%). The sectors recording notable contraction were mining, manufacturing, electricity and water (-17.2%), public administration and defense (-4.7%) and construction (-3.1%).

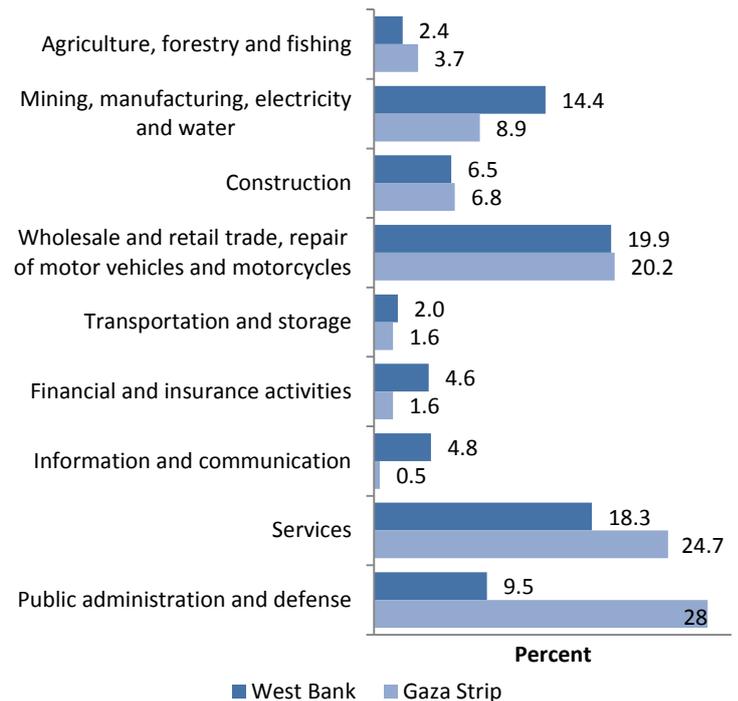
The wholesale and retail trade sector overtook the services sector as the largest one in the West Bank economy in Q3/2017, accounting for 19.9% of GDP. The services sector accounting for 18.3% of GDP and mining, manufacturing, electricity and water accounting for 14.4% of GDP were the second and third largest sectors.

Public administration and defense continued accounting for the largest proportion (28%) of the Gaza Strip's GDP, followed by services (24.7%), and wholesale and retail trade (20.2%).

Final consumption in the West Bank was 111.6% of GDP in Q3/2017. Household final consumption constituted 90.0% of GDP while government final consumption was 19.7% of GDP. Gross capital formation accounted for 25.9% of GDP, most of it gross fixed capital formation (23.7% of GDP). Exports of goods and services from the West Bank made up 23.5% of GDP while imports represented 61.3%, resulting in a West Bank trade deficit of 37.8% of GDP in the quarter.

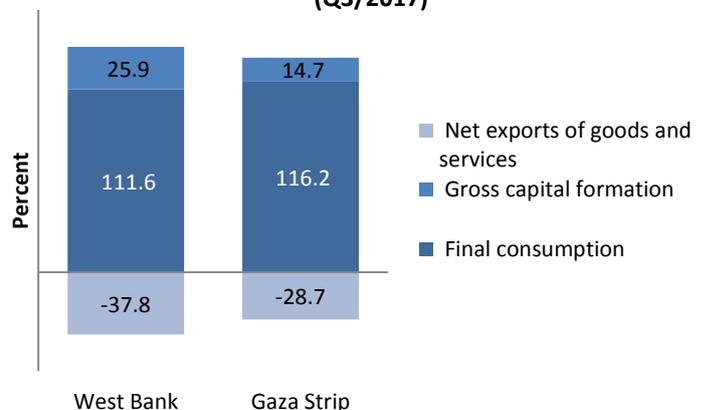
In the Gaza Strip, final consumption in Q3/2017 was 116.2% of GDP, household final consumption was 70.6% of GDP and government final consumption was 35.6% of GDP. Gross capital formation was 14.7% of GDP, and gross fixed capital formation 17.4% of GDP. Exports from the Gaza Strip amounted to 4.1% of GDP while imports amounted to 32.8%, resulting in a trade deficit equal to 28.7% of GDP in Q3/2017.

**Percent contribution to real GDP by economic activity (Q3/2017)**



Note: Base year is 2015. Data for Q3/2017 are flash estimates.

**Percent distribution of real GDP by expenditure (Q3/2017)**



Note: Base year is 2015. Data for Q3/2017 are flash estimates.

The industrial production index (IPI) recovered in Q3/2017 after declining from April to July. The IPI peaked in August at 124 before falling back to 109 in September (base year is 2015).

Activity in all sectors grew in August. Mining and quarrying declined in July and September with a significant increase in August. Manufacturing grew in July and August before contracting in September.

### Current account and trade

The current account deficit decreased to \$ (-) 443.7 million (11.9% of GDP) in Q3/2017 from (-) \$467.4 million in Q2/2017. The decrease was driven entirely by improved trade balance (goods and services), while income balance and net transfer payments declined.

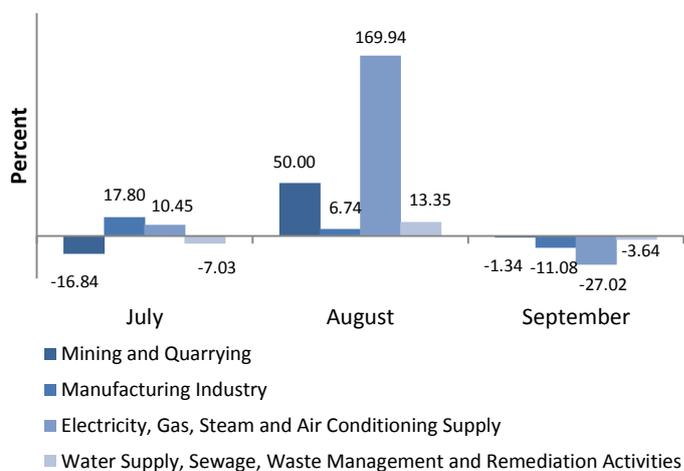
Exports continued to be mainly destined to Israel. Similarly, the majority of imports continued to come from Israel.

Truckloads exported out from the Gaza Strip declined for the third consecutive quarter in Q3/2017. Only 9 truckloads were exported compared with 19 truckloads in Q2/2017 and 24 truckloads in Q1/2017. Commercial transfers to the West Bank declined in Q3/2017 with 185 truckloads leaving the

### Industrial production index (Q3/2017)

	July	August	September
Index	106.37	124.42	108.94

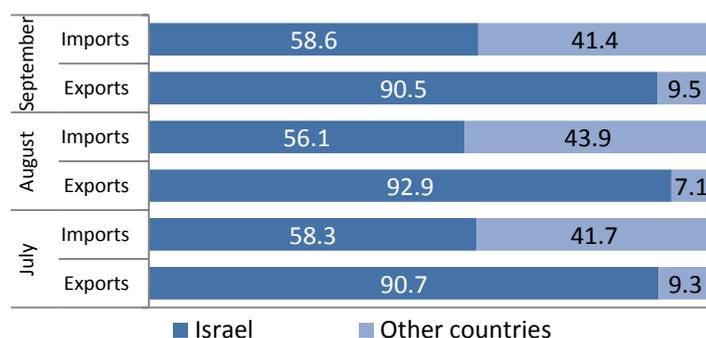
### Change in industrial activity by sector (% Q3/2017)



### Current account (Q3/2017)

Goods trade balance (million US\$)	-1,171.4
Services trade balance (million US\$)	-247.9
Income balance (million US\$)	558.6
Net transfer payments (million US\$)	417
<b>Current account balance (million US\$)</b>	<b>-443.7</b>

### Registered trade in goods to and from Israel and other countries by Month in Percentage (Q3/2017)



### Exports from the Gaza Strip, by type (Q3/2017)

	July	August	September
Tomatoes (tons)	92.000	--	--
Chive (tons)	0.550	--	--
Green Mint (tons)	0.357	--	--
Sweet potatoes (tons)	7.100	--	--
Total trucks	9.00	0.00	0.00

Gaza Strip for the West Bank compared with 499 truckloads in Q2/2017 and 803 truckloads in Q1/2017. Products largely consisted of produce, clothes, furniture and leather.

Some 49 truckloads exited to Israel in Q3/2017 compared with 118 in Q2/2017 and 167 truckloads in Q1/2017.

<b>Exit To West Bank from the Gaza Strip, by type (Q3/2017)</b>			
	July	August	September
Cucumber (tons)	249.50	15.34	147.10
Fish (tons)	5.60	4.60	0.60
Tomatoes (tons)	185.40	246.88	514.30
Sweet potatoes (tons)	42.58	45.24	17.00
Zucchini (tons)	5.06	3.80	--
Cabbage (tons)	--	5.60	5.80
Chilli Pepper (tons)	4.60	3.00	--
Cauliflower (tons)	--	--	0.50
Eggplant (tons)	18.80	33.20	14.80
Sweet Peppers (tons)	79.50	6.64	37.00
Stationery (tons)	--	20.00	--
Clothes (tons)	45.00	39.00	58.00
Furniture (tons)	25.00	52.00	20.00
Cows leather ( Piece)	1710 Piece	--	--
<b>Total trucks</b>	<b>67.00</b>	<b>50.00</b>	<b>68.00</b>

<b>Exit To Israel from the Gaza Strip, by type (Q3/2017)</b>			
	July	August	September
Eggplant (tons)	6.00	--	--
Tomatoes (tons)	36.50	64.20	147.00
Aluminum scrap (tons)	135.00	59.00	40.00
Clothes (tons)	--	--	8.00
Palm Fronds (tons)	--	--	12.00
<b>Total trucks</b>	<b>16.00</b>	<b>12.00</b>	<b>21.00</b>

## The private sector

The total area licensed for new construction in the West Bank in Q3/2017 was 12.9% higher than in Q3/2016. In the Gaza Strip, total area licensed for new construction was 13.3% lower than in Q3/2016.

There was a 4.9% increase in the total number of new company registrations in the West Bank in Q3/2017 compared to the same period last year. In the Gaza Strip, the number was 60.6% lower as compared with Q3/2016.

## Private sector indicators (Q3/2017)

	West Bank	Gaza Strip
Area licensed for new construction (sq. meters)	1,383,200	810,800
New company registrations	448	37

## The labour market

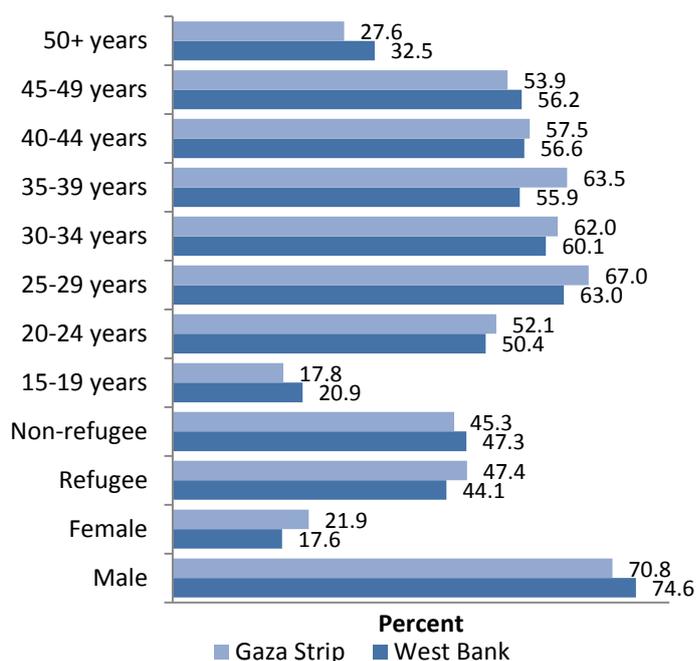
The labour force participation rate in Q3/2017 was 46.5% of those aged 15 and above. Thus the labour force consisted of 1,413,000 people. The labour force participation rates were similar in the West Bank (46.5%) and in the Gaza Strip (46.7%). Participation in the labour force continued to be much higher for men than for women in both regions.

The unemployment rate for Palestine increased to 29.2% in Q3/2017 from 28.4% in Q3/2016. The unemployment rate in the West Bank was 19.0% compared with 19.6% in Q3/2016. In the Gaza Strip, 46.6% of the labour force was unemployed in Q3/2017 compared with 43.2% a year ago.

Unemployment rates for women were higher than men in both the Gaza Strip (71.0% as compared with 39.3% for men) and West Bank (34.6% as compared with 15.4% 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 – 67.8% of 20-to-24-year-olds in the Gaza Strip and 33.2% the same group in the West Bank, for example, were jobless.

In the West Bank, the average period of unemployment in Q3/2017 increased by 0.2 months for men and decreased by 0.6 months for women compared with Q3/2016. In Gaza, the period increased by 1.0 month for men and 18.5 months for women. At this point, women in Gaza have to wait on average for close to 40 months, thus over three years, for employment. Women in both the West Bank and Gaza have to wait significantly longer than their male counterparts for work.

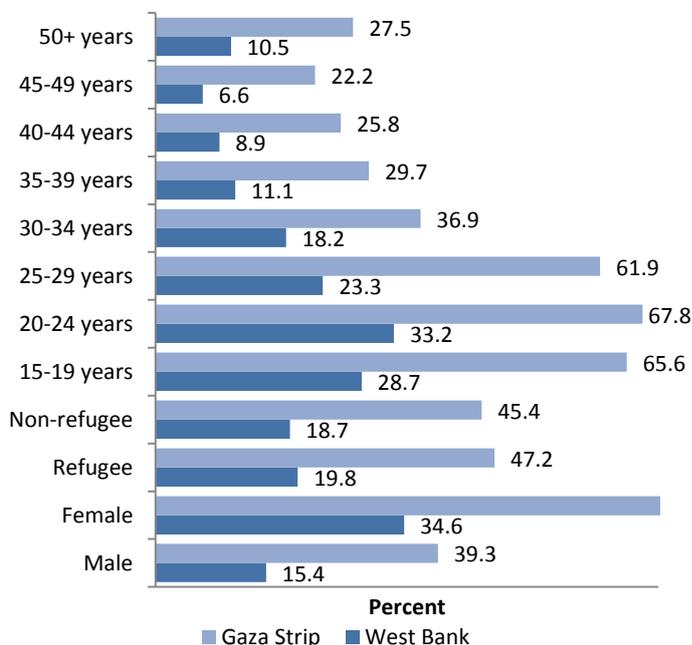
Labor force participation rate (% , Q3/2017)



Unemployment rate (% , Q3/2017)

	West Bank	Gaza Strip
Narrow definition	19.0	46.6

Unemployment rate (% , Q3/2017)



Average duration of unemployment (months, Q3/2017)

	West Bank	Gaza Strip
Male	3.8	14.0
Female	8.9	39.8

The number of persons employed in the West Bank in Q3/2017 was higher than that in Q3/2016 by approximately 36,800. In the Gaza Strip, it was lower by 8,000. In the West Bank, significant job losses were recorded in agriculture, fishing and forestry, and mining, quarrying and manufacturing. Construction, services, and transportation, storage and communications sectors recorded job growth. In the Gaza Strip, job losses were concentrated in mining, quarrying, and manufacturing, services and construction. Agriculture, fishing and forestry, and transportation, storage and communication, saw some job growth.

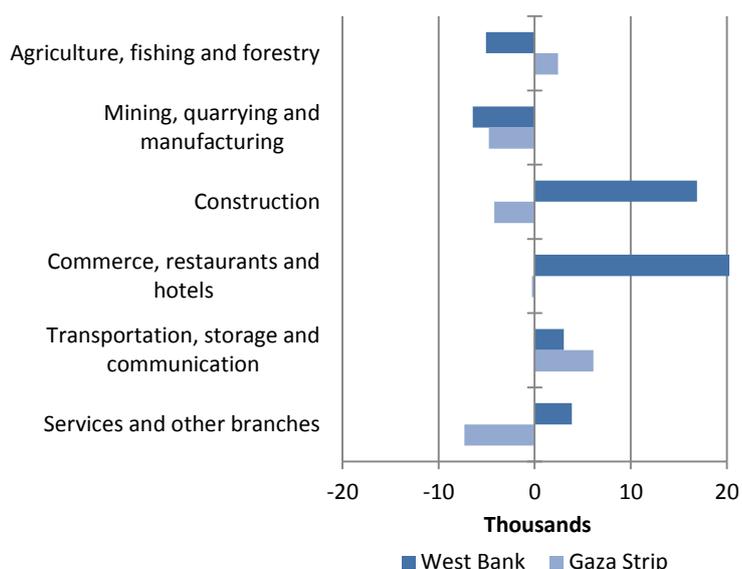
In Q3/2017, there continued to be a significant disparity in average daily net wages between the West Bank and the Gaza Strip. While men in the Gaza Strip received an average daily wage of NIS56.1 in Q3/2017, they received on average a daily rate of NIS102.0 in the West Bank. Similarly, while women in the Gaza Strip made a daily wage of NIS61.8 on average, women in the West Bank made a daily wage rate of NIS83.3. 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 233.3 per day.

## Consumer prices

Average prices, as measured through the Consumer Price Index (CPI), increased moderately across the oPt in Q3/2017 compared to Q2/2017. Compared to Q3/2016, Gaza and East Jerusalem experienced mild inflation while the rest of the West Bank saw a small deflation.

## Change in number of employed persons by economic activity (thousands, year-on-year, Q3/2017)



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

## Average daily wage (NIS, Q3/2017)

	West Bank	Gaza Strip
Male	102.0	56.1
Female	83.3	61.8
Private sector	91.0	36.1
Public sector	114.9	90.6
Israel and settlements	233.3	

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

## Change in CPI (% , Q3/2017)

	East Jerusalem	Rest of West Bank	Gaza Strip
Quarter-on-quarter	0.6	1.1	1.1
Year-on-year	1.3	-0.8	0.3

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

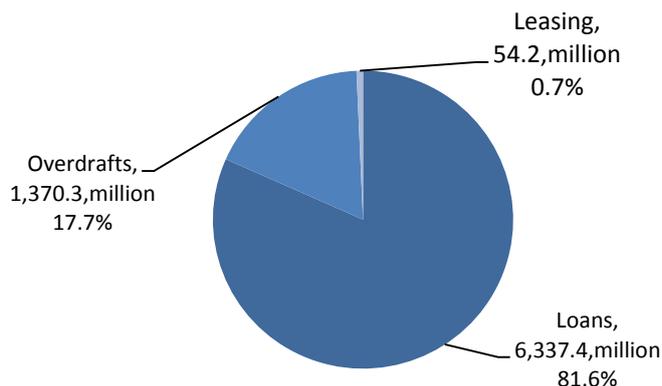
## The banking sector

Bank credit in Q3/2017 increased to \$7.8 billion. Loans accounted for 81.6% of bank credit, followed by overdrafts (17.7%) and leasing (0.7%).

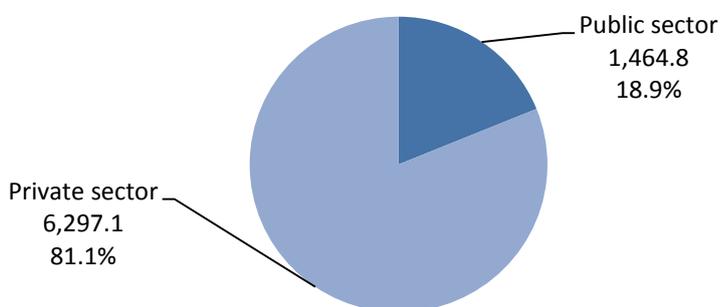
The private sector continued to be the main source of bank deposits in Q3/2017 accounting for 80.5% of the total.

The loan-to-deposit ratio at 67.3% was higher than that in Q2/2017 (66.2%) but remained moderate compared to regional and global standards.

Distribution of bank credit by type (million \$/%, Q3/2017)



Distribution of bank deposits by sector (million \$/%, Q3/2017)

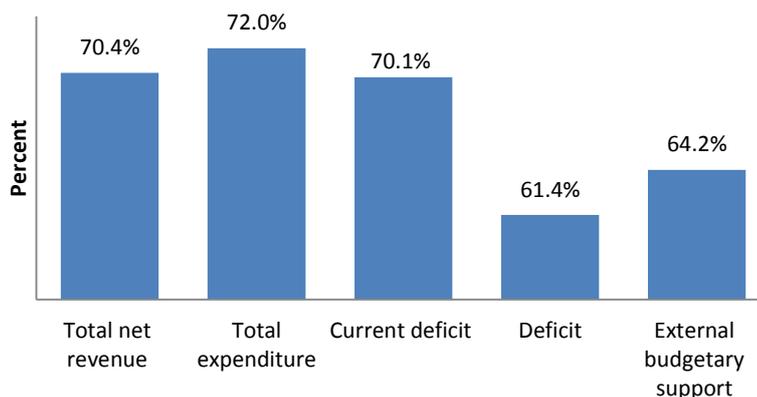


Note: Data do not include deposits of the PMA and commercial banks.

## Fiscal operations

On commitment basis, by the end of Q3/2017, government total net revenue was 70.4% of the budgeted NIS13.8 billion for 2017. Total expenditure was 72.0% of the NIS16.1 billion in the budget for the year. At the end of Q3/2017, the current deficit and the overall deficit had reached 70.1% and 61.4% of the annual projected amounts, respectively. External budgetary support by the end of the quarter reached 64.2% of the amount expected for the year.

Fiscal indicators: actual as a proportion of annual budget (% , Q3/2017)



Note: Data are for fiscal operations on a commitment basis. The information is up-to-date as of 21 Nov 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. 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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The UNSCO Socio-Economic Report is also accessible on [www.unsco.org](http://www.unsco.org).