



## UNSCO Socio-Economic Report: Overview of the Palestinian Economy in Q3/2018

### Economic activity

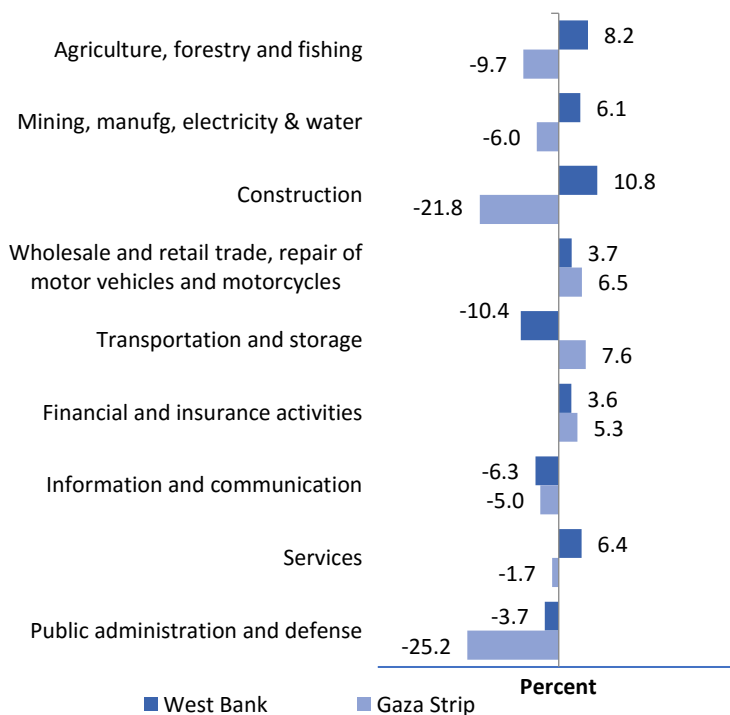
**Table 1: Key GDP indicators (Q3/2018)**

	West Bank	Gaza Strip	oPt
Real GDP (million \$)	2,793.7	692.8	3,486.5
Rate of change in real GDP (quarter-on-quarter, %)	4.4	2.5	4.0
Rate of change in real GDP (year-on-year, %)	1.2	-6.5	-0.5
Real GDP per capita (\$)	1,056.5	357.1	760.5

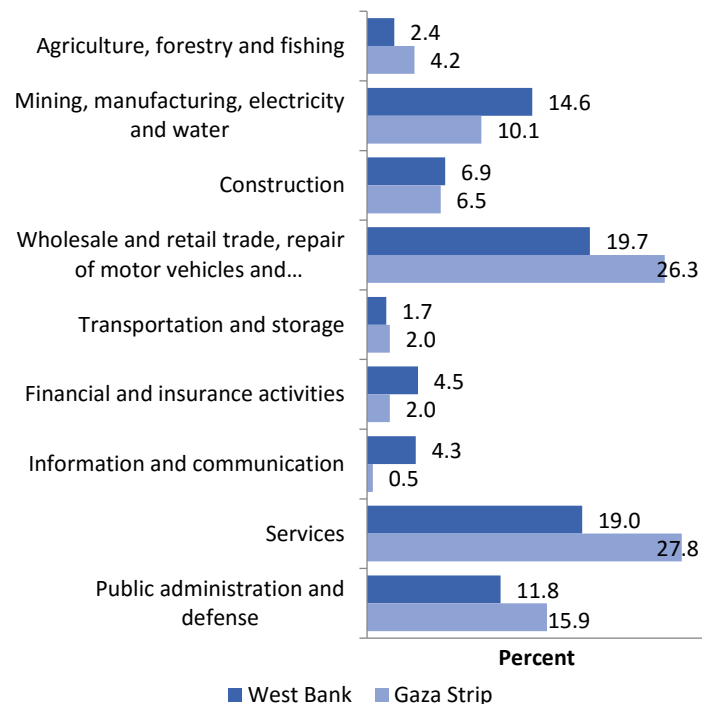
*Note: Base year is 2015. Data for Q3/2018 are flash estimates.*

During the reporting period, Gaza's GDP contracted by 6.5% over Q3/2017 after an 8.5% contraction in the previous quarter. The West Bank's GDP grew by 1.2% over the previous year, resulting in a 0.5% contraction in the Palestinian economy (Table 1). Thus, the Palestinian economy contracted for the second consecutive quarter in 2018. This translated into an 9.3% decline in Gaza's per capita GDP and a 1.1% decline in that of the West Bank compared to Q3/2017. In Q3/2018 Gaza's economy accounted for 19.9% of the Palestinian economy, down from 21.2% a year ago. Gaza's real GDP per capita was 33.8% of the West Bank's in Q3/2018.

**Figure 1: Rate of change of real value added by economic activity (year-on-year, Q3/2018)**



**Figure 2: Percent contribution to real GDP by economic activity (Q3/2018)**

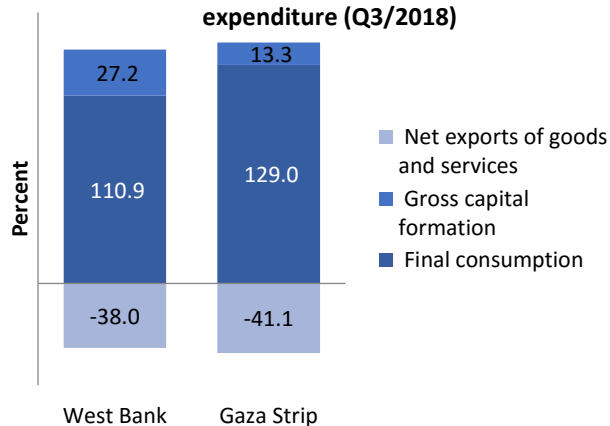


In the West Bank, between Q3/2017 and Q3/2018 there was significant expansion in real value added in

construction, agriculture and services. The information and communication technology sector saw the biggest contraction. During the same period in the Gaza Strip, significant expansion was recorded in transportation and storage, and wholesale and retail trade, repair of motor vehicles and motorcycles. While public administration and defense (almost entirely salaries), construction and agriculture, forestry and fishing contracted significantly (Figure 1).

The wholesale and retail trade sector continued to be the largest one in the West Bank economy in Q3/2018 followed by services. The same two sectors continued to account for the largest proportion of the Gaza Strip's GDP (Figure 2).

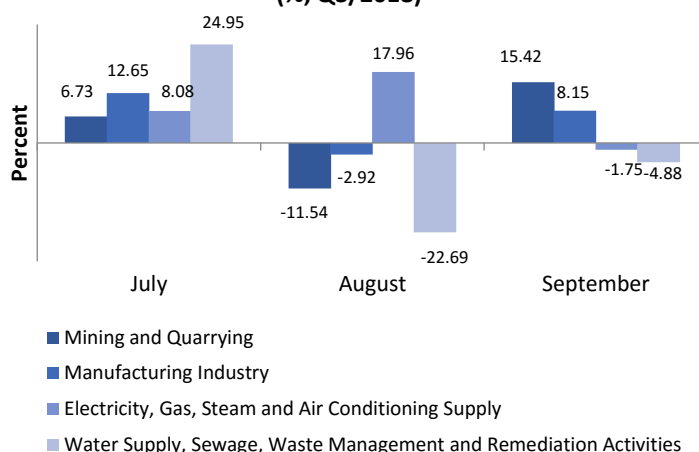
**Figure 3: Percent distribution of real GDP by expenditure (Q3/2018)**



Final consumption in the West Bank was 110.9% of GDP in Q3/2018, and in Gaza it was 129% of GDP. Household final consumption constituted 84.8% of GDP in the West Bank and 85.8% of GDP in Gaza. Government final consumption was 24.2% of GDP in the West Bank and 31.5% of GDP in Gaza (Figure 3).

The industrial production index (IPI) declined in August but recovered in September. The decline was driven primarily by the Water Supply, Sewage, Waste Management and Remediation Activities, and mining and quarrying. The recovery in September was driven primarily by the growth of the mining, quarrying and manufacturing industries. (Figure 4).

**Figure 4: Change in industrial activity by sector (% Q3/2018)**



## Current account and trade

The current account deficit increased to 12.2% of GDP in Q3/2018 from 10.5% of GDP in the previous quarter. The increase was driven by a 6.4% decline in trade balance in goods (Table 2).

Exports continued to be mainly destined to Israel. Similarly, most of imports continued to come from Israel (Figure 5). Truckloads exported to other countries from the Gaza Strip fell further in Q3/2018 (3 truckloads) after falling sharply in Q2/2018 (to 23 truckloads from 69 truckloads in the Q1/2018) (Table 3).

Some 155 truckloads left the Gaza Strip for the West Bank in Q3/2018 compared with 425 truckloads in Q2/2018. Products consisted of produce, fish, clothes, furniture and leather (Table 4).

**Table 2: Current account (Q3/2018)**

Goods trade balance (million US\$)	-1,254.7
Services trade balance (million US\$)	-265.9
Income balance (million US\$)	608.8
Net transfer payments (million US\$)	467.1
<b>Current account balance (million US\$)</b>	<b>-444.7</b>



**Table 3: Exports from the Gaza Strip, by type (Q3/2018)**

	July	August	September
Chilli Pepper (tons)	2.0	--	--
Tomato (tons)	--	24.99	--
Sweet potatoes (tons)	26.0	--	--
Total trucks	1.0	2.0	0.0

**Table 4: Exit to West Bank from the Gaza Strip, by type (Q3/2018)**

	July	August	September
Cucumber (tons)	55.56	9.00	31.56
Tomatoes (tons)	212.40	454.28	861.46
Sweet potatoes (tons)	--	45.36	8.28
Zucchini (tons)	2.66	--	0.84
Cabbage (tons)	3.00	--	--
Dates (tons)	--	--	12.56
Chilli pepper (tons)	7.40	--	2.80
Cauliflower (tons)	6.00	--	--
Eggplant (tons)	23.50	6.20	11.94
Sweet peppers (tons)	25.00	4.00	8.50
Vegetables (tons)	110.00	--	--
Fish (tons)	7.00	6.20	15.70
Clothes (Truck)	2.00	6.00	4.00
Furniture (Truck)	4.00	3.00	22.00
Cows leather (Truck)	--	4.00	3.00
Total trucks	29.0	43.0	83.0

**Table 5: Exit to Israel from the Gaza Strip, by type (Q3/2018)**

	July	August	September
Eggplant (tons)	11.00	--	--
Tomatoes (tons)	31.70	72.02	8.90
Sweet potatoes (tons)	--	10.24	--
Vegetables (tons)	37.00	--	--
Aluminum scrap (truck)	1.00	8.00	13.00
Furniture (truck)	--	1.00	3.00
Clothes (truck)	2.00	2.00	5.00
Scrap copper (truck)	--	--	1.00
copper scrap (truck)	8.00	5.00	6.00
Total trucks	17.0	22.0	29.0

Some 68 truckloads exited to Israel in Q3/2018 compared with 200 truckloads in Q2/2018 (Table 5).

In Q3/2018 some 20,481 commercial truckloads entered the Gaza Strip through Kerem Shalom. Another 1,391 truckloads of humanitarian supplies and 1,609 truckloads of fuel also entered through Kerem Shalom in Q3/2018.

## The private sector

**Table 6: Private sector indicators (Q3/2018)**

	West Bank	Gaza Strip
Area licensed for new construction (sq. meters)	1,555,038	329,090
New company registrations	463	61

Total area licensed for new construction in the West Bank (Table 6) in Q3/2018 was 12.4% higher than that in Q3/2017. In the Gaza Strip, total area licensed for new construction was 59.4% lower than in Q3/2017. The number of new company registrations were higher by 3.3% in the West Bank and 64.9% in

Gaza compared to the same period last year.

### The labour market

The labour force (1,406,500 people) participation rate in Q3/2018 was 46.9% of those aged 15 and above. The rate in Gaza (47.2%) was slightly higher than that in the West Bank (46.8%) primarily because of the significantly higher labour force participation of women in Gaza (25.8%) vis-à-vis their West Bank counterparts (17.6%). Labour force participation continued to be much higher for men than for women in both regions (Figure 6).

Figure 6: Labor force participation rate (% , Q3/2018)

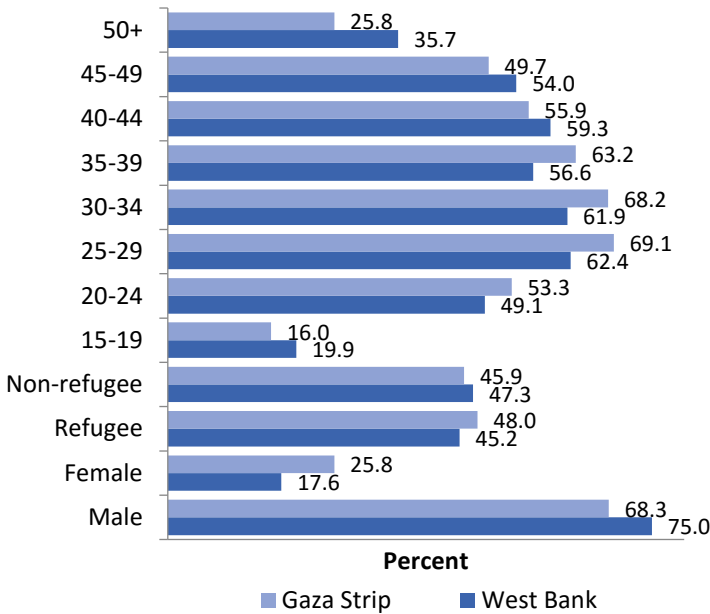
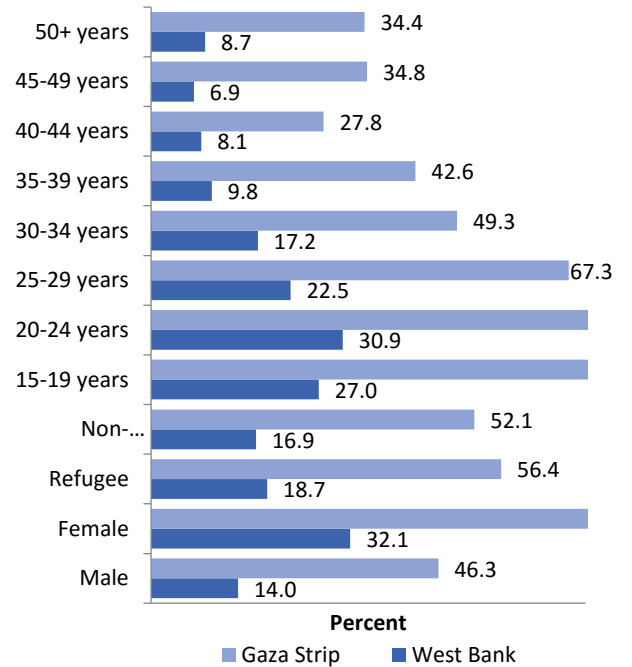


Figure 7: Unemployment rate (% , Q3/2018)

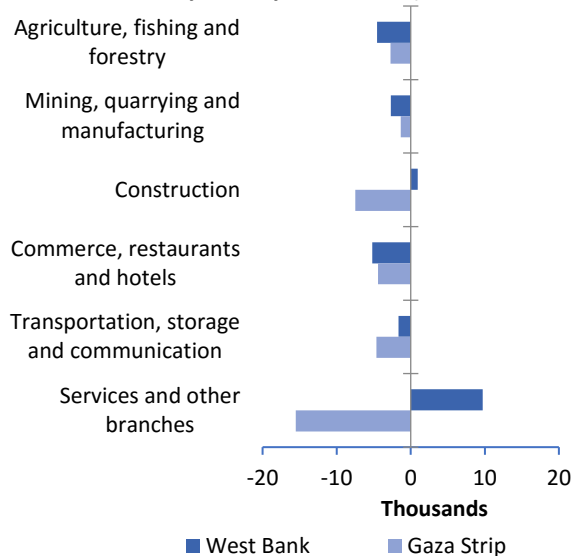


Some 31.7% of the labour force was unemployed compared with 29.2% a year ago, primarily on account of the 54.9% unemployment rate in Gaza (compared with 46.6% in Q3/2017) (Table 7). This amounted to some 39,500 fewer jobs in Q3/2018 as compared with Q3/2017.

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 commerce, restaurants and hotels, agriculture, fishing and forestry and mining, quarrying and manufacturing. 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>.

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

**Figure 8: Change in number of employed persons by economic activity (thousands, year-on-year, Q3/2018)**



**Table 7: Unemployment rate (% , Q3/2018)**

	West Bank	Gaza Strip
Narrow definition	17.3	54.9

**Table 8: Average daily wage (NIS, Q3/2018)**

	West Bank	Gaza Strip
Male	112.5	58.2
Female	100.7	78.0
Private sector	107.7	33.8
Public sector	114.2	95.3
Israel and settlements	243.7	

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

In Q3/2018, 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).

## Consumer prices

**Table 9: Change in CPI (% , Q3/2018)**

	East Jerusalem	Rest of West Bank	Gaza Strip
<b>Quarter-on-quarter</b>	0.5	-0.4	0.5
<b>Year-on-year</b>	1.4	0.8	-1.4

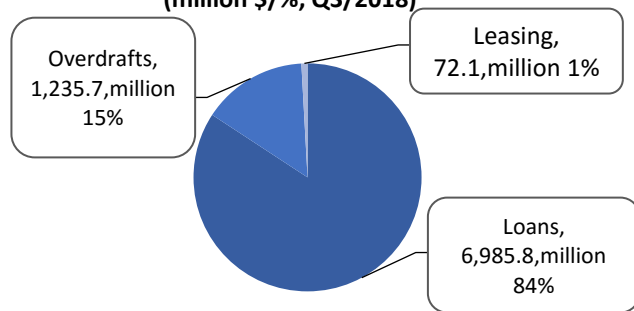
*Note: Comparisons are based on prices as the end of quarter.*

The West Bank including East Jerusalem experienced inflation rate around 1% while Gaza experienced deflation for the third consecutive quarter in 2018 (Table 9).

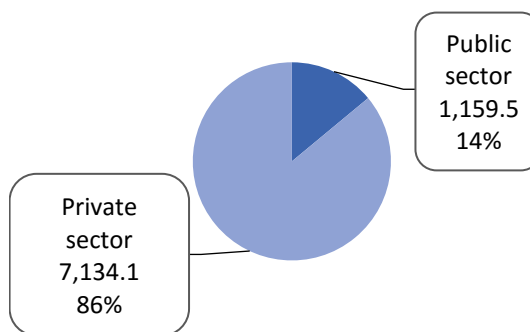
## The Banking Sector

At the end of Q3/2018, bank deposits (\$12.2 billion) were 5.8% higher than the end-Q3/2017 levels driven by a 6.1% growth in deposits in the West Bank and a 3.4% increase in Gaza. Bank credit at the end of Q3/2018 increased by 6.9% to \$8.3 billion. Credit growth was driven by an 16.3% growth in the West Bank. Credit in Gaza contracted in 2.3% relative to Q3/2017. Loans accounted for 84.2% of bank credit, followed by overdrafts (14.9%) (Figure 9). The private sector continued to be the main recipient of bank credit in Q3/2018 (Figure 10). The loan-to-deposit ratio stood at 68.0 % (55.1% for the West Bank and 83.2% for Gaza). The value of bounced cheques as a percentage of total value of cheques presented went up in the West Bank (from 8.4% to 9.2%) but declined in Gaza (from 12.0% to 11.1%) as compared with end-Q3/2017. The proportion was lower compared to end-Q2/2018 for the West Bank and higher for Gaza.

**Figure 9: Distribution of bank credit by type (million \$/%, Q3/2018)**

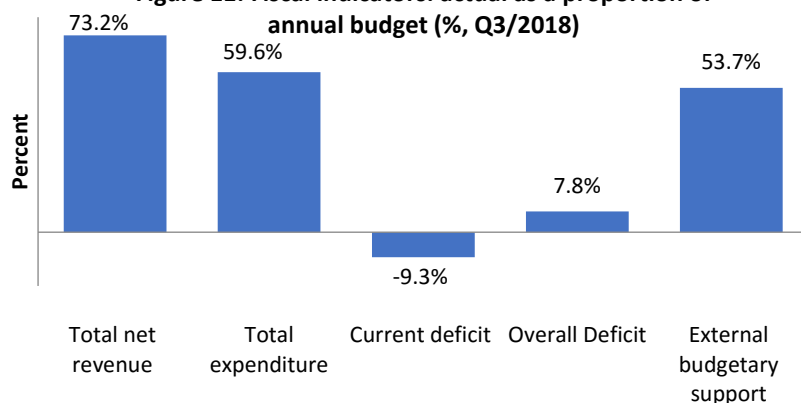


**Figure 10 : Distribution of bank credit by sector (million \$/%, Q3/2018)**



## Fiscal operations

**Figure 11: Fiscal indicators: actual as a proportion of annual budget (% , Q3/2018)**



By the end of Q3/2018, the Government's total net revenue was 73.2.0% of the budgeted NIS13.5 billion for 2018 (Figure 11). This was driven by a 47% decline in clearance revenues over Q3/2017. Total expenditure (NIS9.6 billion) at 59.6% of the budget generated a current surplus of NIS249.3 million and an overall deficit of only NIS355.4 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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