



UNSCO Socio-Economic Report: Overview of the Palestinian Economy in Q4/2015

Economic activity

Real GDP in the occupied Palestinian territory (oPt) in Q4/2015 was 1.5% higher than in Q3/2015, driven by a 9.7% growth in Gaza, countered by a 1% contraction in the West Bank. Year-on-year growth rate accelerated in the West Bank where the economy expanded by 4.7% as compared with 4.0% in the previous quarter. In the Gaza Strip too, year on year GDP growth accelerated to 50.1% as compared with 33.3% in the previous quarter. In Q4/2015 the Gaza economy constituted 25% of the overall Palestinian economy, and the Strip's GDP per capita was about half of the West Bank's.

In the West Bank, between Q3/2014 and Q4/2015 there was significant expansion in real value added in financial and insurance activities (10.0%), the transportation and storage sector (8.7%). Contraction in real GDP was driven by significant contractions in agriculture forestry and fishing (-23.9%), mining, manufacturing, electricity and water (-5.0%), and public administration and defense (-2.8).

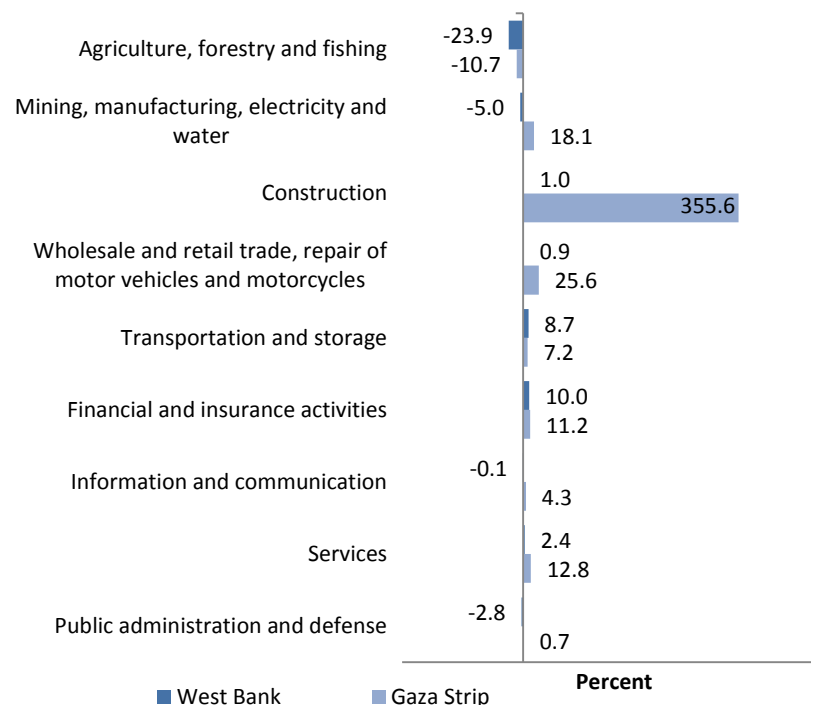
During the same period in the Gaza Strip, growth rate of the construction sector (355.6%) far outstripped others. Significant growth was recorded in wholesale and retail trade, repair of motor vehicles and motorcycles (25.6%), mining, manufacturing, electricity and water (18.1%), services (12.8%), and financial

Key GDP indicators (Q4/2015)

	West Bank	Gaza Strip	oPt
Real GDP (million \$)	1,486.4	502.1	1,988.5
Rate of change in real GDP (quarter-on-quarter, %)	-1.0	9.7	1.5
Rate of change in real GDP (year-on-year, %)	4.7	50.1	13.4
Nominal GDP per capita (\$)	936.9	471.7	745.1

Note: Base year is 2004. Data for Q4/2015 are flash estimates.

Rate of change of real value added by economic activity (year-on-year, Q4/2015)



and insurance activities (11.2%) as well. Agriculture, forestry and fishing recorded a 10.7% contraction.

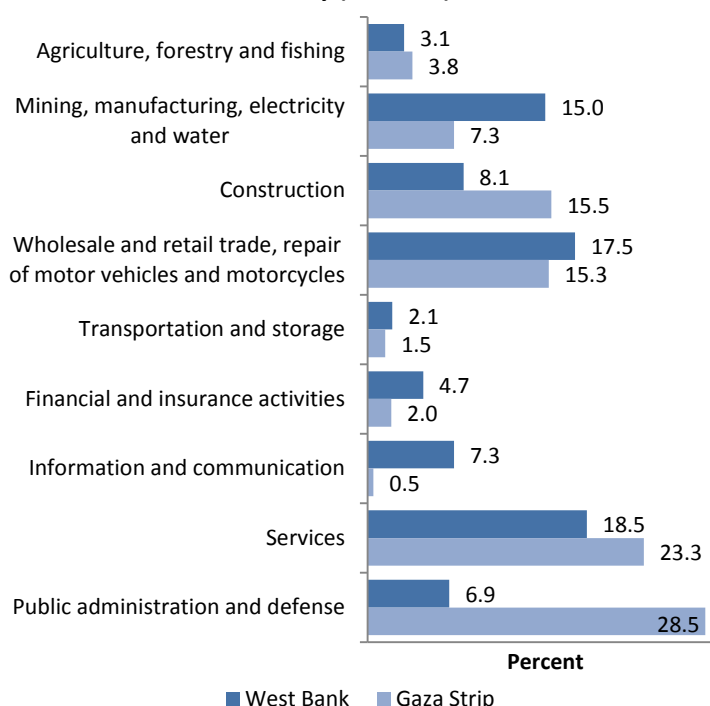
The services sector was the largest one in the West Bank economy in Q4/2015, accounting for 18.5% of GDP. This was followed by the wholesale and retail trade sector (17.5%) and mining, manufacturing, electricity and water (15.0%).

Public administration and defence continued to account for the largest proportion of the Gaza Strip's GDP in Q4/2015, accounting for 28.5% of the total, followed by services (23.3%), construction (15.5%), wholesale and retail trade (15.3%), and mining, manufacturing, electricity and water (15.0%).

Final consumption in the West Bank was 115.2% of GDP in Q4/2015. Household final consumption constituted 90.7% of GDP while government final consumption was 22.7% of GDP. Gross capital formation came to 30.1% of GDP, most of it gross fixed capital formation (27.9% of GDP). Exports of goods and services from the West Bank made up 27.1% of GDP while imports represented 71.6%, resulting in a West Bank trade deficit of 44.5% of GDP in the quarter.

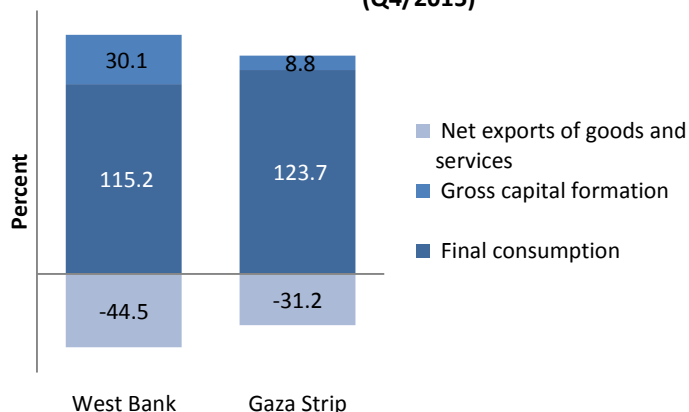
In the Gaza Strip, final consumption in Q4/2015 was 123.7% of GDP, household final consumption was 66.4% of GDP and government final consumption was 43.6% of GDP. Gross capital formation was 8.8% of GDP during the quarter, and gross fixed capital formation, 25.3% of GDP. Exports from the Gaza Strip amounted to 3.1% of GDP while imports amounted to 34.3%, resulting in a trade deficit equal to 31.2% of GDP in Q4/2015.

Percent contribution to real GDP by economic activity (Q4/2015)



Note: Base year is 2004. Data for Q4/2015 are flash estimates.

Percent distribution of real GDP by expenditure (Q4/2015)



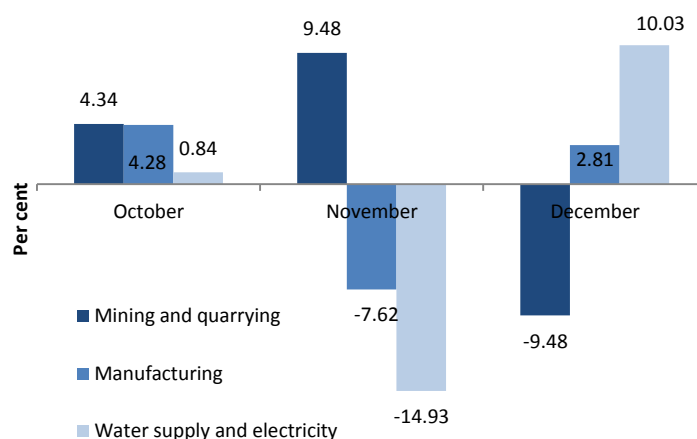
Note: Base year is 2004. Data for Q4/2015 are flash estimates.

Industrial production index (Q4/2015)

	October	November	December
Index	105.67	109.67	103.34

The industrial production index (IPI) increased from 105.67 in October to 109.67 in November 2015, but then fell to 103.34 in December (base year is 2011). Activity in mining and quarrying (with a share of 4.59% in the IPI) grew significantly in October and November but then contracted in December. Manufacturing (with a share of 80.56% in the IPI) grew in October, but contracted in November before recovering in December. Activity in the water and electricity supply sector (with a share of 14.85% in the IPI) grew marginally in October, contracted strongly in November and recovered in December.

Change in industrial activity by sector (% , Q4 2015)



Current account and trade

The current account deficit declined to (-)\$449.8 million, or 13.5% of GDP, in Q4/2015 from (-)\$586.3 million (18.2% of GDP) in Q3/2015. The decrease was driven primarily by the lower goods and services trade deficit. The income and transfer payment accounts both recorded a significant surplus in the quarter.

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

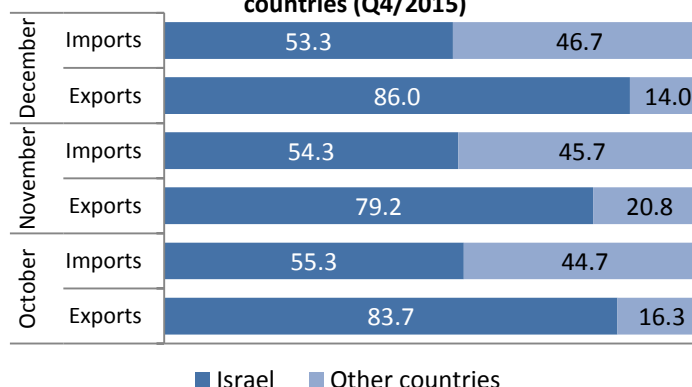
Current account (Q4/2015)

Goods trade balance (million US\$)	-1,268.9
Services trade balance (million US\$)	-45.8
Income balance (million US\$)	347.5
Net transfer payments (million US\$)	517.4

Current account balance (million US\$)

-449.8

Registered trade in goods to and from Israel and other countries (Q4/2015)



Goods exports from the Gaza Strip declined in Q4/2015. Some 94 truckloads were exported compared to 110 truckloads in the previous quarter.

Exports from the Gaza Strip, by type (Q4/2015)

	October	November	December
Potatoes (tons)	476.52	317.00	--
Sweet potatoes (tons)	--	--	49.88
Strawberries (tons)	--	--	56.60
Basil (tons)	--	0.72	--
Chive (tons)	0.57	1.25	1.75
Green Mint (tons)	0.36	0.20	1.44
Dates (tons)	--	20.00	--
Total trucks	32	24	38

Commercial transfers saw a sharp increase in Q4/2015 with 294 truckloads leaving the Gaza Strip for the West Bank compared to 121 in the previous quarter. Products largely consisted of produce, furniture and clothes.

Exit To West Bank from the Gaza Strip, by type (Q4/2015)			
	October	November	December
Cucumber (tons)	182.20	264.40	231.18
Fish (tons)	--	--	2.60
Tomatoes (tons)	--	--	172.00
Sweet potatoes (tons)	398.56	13.30	74.76
Zucchini (tons)	51.10	88.71	49.00
Cabbage (tons)	--	34.10	118.96
Dates (tons)	78.10	105.10	82.18
Chilli Pepper (tons)	46.30	83.80	51.23
Cauliflower (tons)	--	0.24	6.50
Eggplant (tons)	30.05	72.80	74.11
Cherry Tomatoes (tons)	--	2.90	24.69
Sweet Peppers (tons)	--	61.00	98.51
Mats (tons)	10.00	--	--
Stationery (tons)	--	--	89.00
Furniture (tons)	88.00	82.00	16.00
Clothes (tons)	23.00	23.00	25.00
Total trucks	81	92	121

Exit To Israel from the Gaza Strip, by type (Q4/2015)			
	October	November	December
Eggplant (tons)	115.50	94.00	87.84
Tomatoes (tons)	--	--	133.50
Iron scrap (tons)	360.00	780.00	1280.00
Total trucks	24	34	55

The private sector

The total area licensed for new construction in the West Bank in Q4/2015 was 10.9% lower than in Q4/2014. In the Gaza Strip, total area licensed for new construction was 439.1% higher than in Q4/2014.

There was a 9.7% increase in the total number of new company registrations in the West Bank in Q4/2015 compared to the same period last year. In the Gaza Strip the number was 22.3% lower as compared with Q4/2014.

Private sector indicators (Q4/2015)

	West Bank	Gaza Strip
Area licensed for new construction (sq. meters)	1,858,116	1,040,560
New company registrations	408	87

The labour market

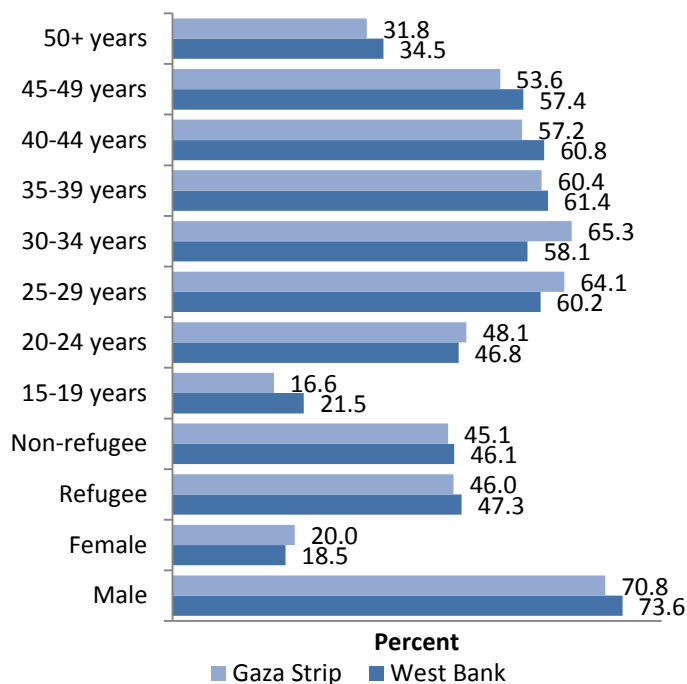
The labour force participation rate in Q4/2015 was 46.2% of those aged 15 and above, that is 1,325,000 people. The labour force participation rate was slightly higher in the West Bank (46.4%) than in the Gaza Strip (45.7%). Participation in the labour force was much higher for men than for women in both regions. The labour force participation rate was relatively lower for youth, particularly those aged between 15 and 19 years of age (16.6% and 21.5% in the Gaza Strip and West Bank respectively).

The unemployment rate for Palestine fell to 25.8% in Q4/2015 (27.4% in Q3/2015). Unemployment rate in the West Bank was 18.7%, 103 basis points higher than the 17.4% in Q4/2014. In the Gaza Strip, 38.4% of the labour force was unemployed in Q4/2015 as compared with 42.8% a year ago.

Unemployment rates for women were higher than men in both the Gaza Strip (60.5% as compared with 32.3% for men) and West Bank (26.7% as compared with 16.7% 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 58.6% 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 Q4/2015 compared to Q3/2015 decreased by 0.2 months for men but increased by 0.9 months for women in the West Bank. In Gaza, the period decreased by 0.3 months for men but increased by 3.8 months for women.

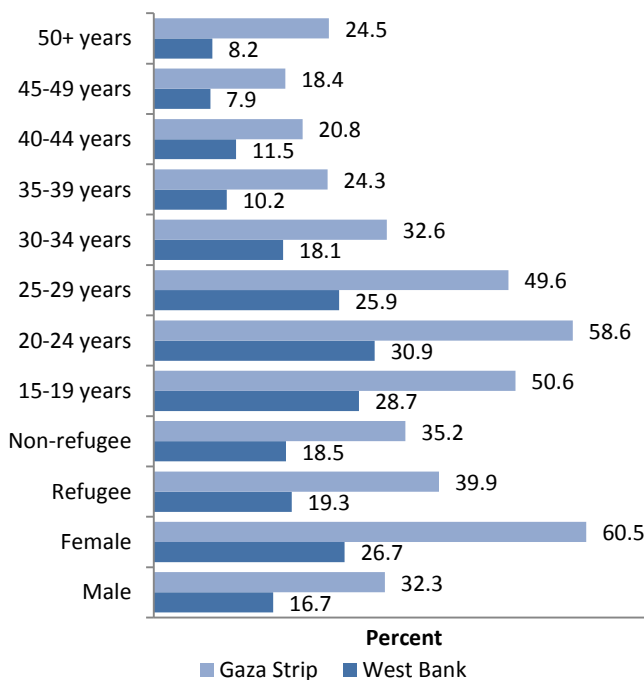
Labor force participation rate (% , Q4/2015)



Unemployment rate (% , Q4/2015)

	West Bank	Gaza Strip
Narrow definition	18.7	38.4

Unemployment rate (% , Q4/2015)



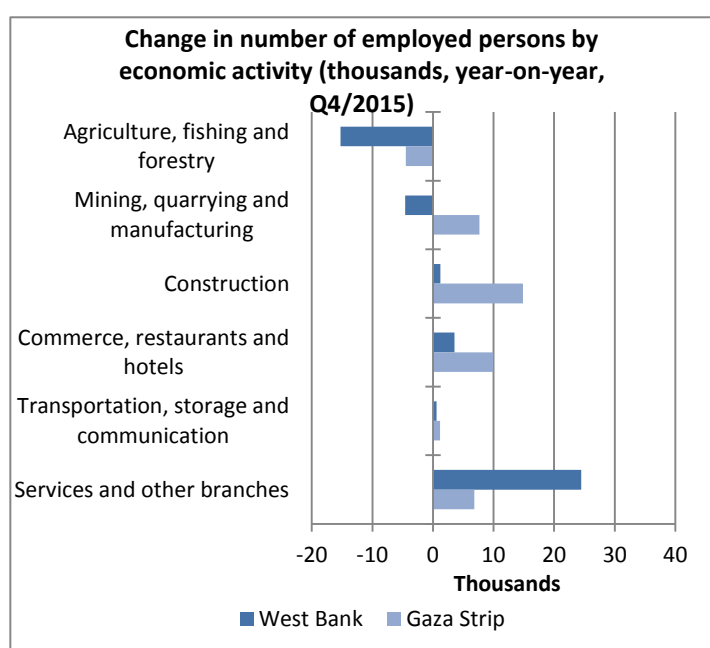
months for women. On average women were likely to remain unemployed 5.8 months longer than men in the West Bank and 9.6 months longer than men in Gaza.

The number of persons employed in the West Bank in Q4/2015 was higher than that in Q4/2014 by approximately 10,600. In the Gaza Strip, it was higher by 36,000. In the West Bank employment was higher in all sectors except agriculture, fishing and forestry, and mining, quarrying and manufacturing. In the Gaza Strip, employment was higher in all sectors except agriculture, fishing and forestry.

There continued to be a significant disparity in average daily net wages between the West Bank and the Gaza Strip in Q4/2015 – NIS 96.1 versus NIS 58.9 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 200.6 per day.

Average duration of unemployment (months, Q4/2015)

	West Bank	Gaza Strip
Male	3.7	14.8
Female	9.5	24.4



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

Average daily wage (NIS, Q4/2015)

	West Bank	Gaza Strip
Male	96.1	58.9
Female	84.2	74.6
Private sector	84.7	41.2
Public sector	107.3	84.0
Israel and settlements	200.6	

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 Q4/2015 compared to Q3/2015 in all of Palestine. In comparison with Q4/2014, CPI fell in East Jerusalem but rose in the rest of the West Bank and Gaza.

Change in CPI (% , Q4/2015)

	East Jerusalem	Rest of West Bank	Gaza Strip
Quarter-on-quarter	-0.2	-0.3	-0.7
Year-on-year	-0.6	1.6	1.4

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

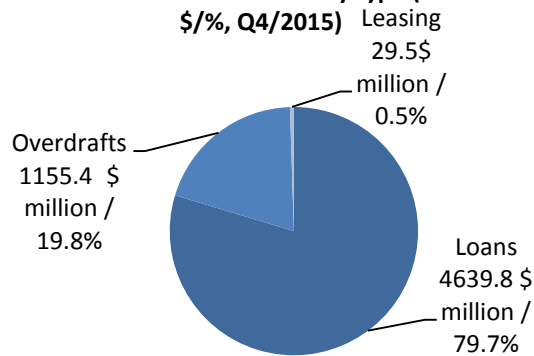
The banking sector

Bank credit in Q4/2015 increased to \$5.8 billion. Loans accounted for 79.7% bank credit, followed by overdrafts (19.8%) and leasing (0.5%).

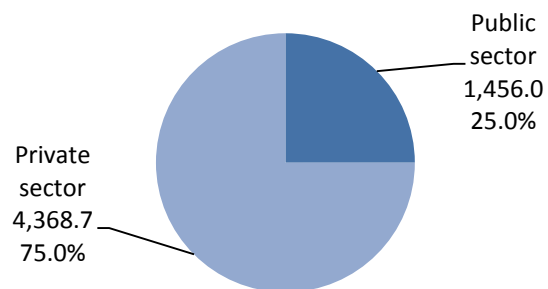
The private sector continued to be the main source of bank deposits in Q4/2015 accounting for 75.0% of the total.

These figures resulted in a loan-to-deposit ratio of 60.3% in Q4/2015, higher than the 57.3% in Q3/2015.

Distribution of bank credit by type (million \$/%, Q4/2015)



Distribution of bank deposits by sector (million \$/%, Q4/2015)

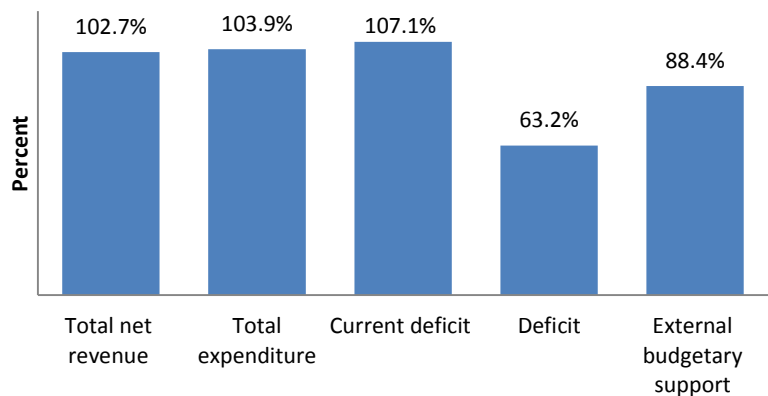


Note: Data do not include deposits of the PMA and commercial banks.

Fiscal operations

On commitment basis, by the end of Q4/2015, government total net revenue was 102.7% of the NIS 10.66 billion in the 2015 budget. Total expenditure was 103.9% of the NIS 15.09 billion in the budget for the year. By the end of the fourth quarter, the current deficit and the overall deficit had reached 107.1% and 63.2% of the annual projected amount, respectively. External budgetary support by the end of the quarter reached 88.4% of the amount expected for the year.

Fiscal indicators: actual as a proportion of annual budget (% , Q4/2015)



Note: Data are for fiscal operations on a commitment basis. The information is up-to-date as of 25 January 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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