



UNSCO Socio-Economic Report: Overview of the Palestinian Economy in Q4/2016

Economic activity

Real GDP in the occupied Palestinian territory (oPt) in Q4/2016 was 1.3% less than that in Q3/2016, driven 1.9% contraction in the West Bank, countered by a 0.6% growth in the Gaza Strip. Compared to Q4 2015, real GDP in the oPt grew by 1.3% driven by a 1.1% growth rate in the West Bank and a 1.7% growth rate in the Gaza Strip. In Q4/2016 the Gaza economy constituted about 24.6% of the overall Palestinian economy, signifying no significant change from the previous quarter, and the Strip's GDP per capita was 46% of the West Bank's, down from 50% of the West Bank's in the last quarter.

In the West Bank, between Q4/2015 and Q4/2016 there was significant expansion in real value added in the transportation and storage sector (19.2%) and the financial and insurance activities (12.1%). There was significant contraction in real value added in agriculture, forestry and fishing (-24.8%) and wholesale and retail trade (-8.2%).

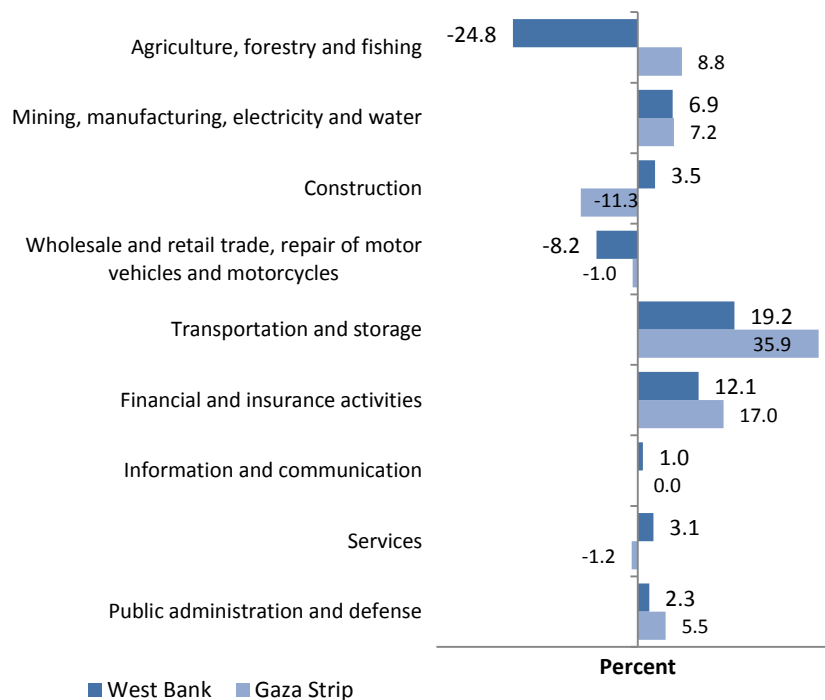
During the same period in the Gaza Strip, the transportation and storage sector grew by 35.9%, financial and insurance activities by 17.0% and agriculture, forestry and fishing by 8.8%. The construction sector contracted by 11.3%.

Key GDP indicators (Q4/2016)

	West Bank	Gaza Strip	oPt
Real GDP (million \$)	1,505.3	492	1,997.3
Rate of change in real GDP (quarter-on-quarter, %)	-1.9	0.6	-1.3
Rate of change in real GDP (year-on-year, %)	1.1	1.7	1.3
Nominal GDP per capita (\$)	909.3	460.1	723.3

Note: Base year is 2004. Data for Q4/2016 are flash estimates.

Rate of change of real value added by economic activity (year-on-year, Q4/2016)



The services sector was the largest one in the West Bank economy in Q4/2016, accounting for 18.6% of GDP. This was followed by the wholesale and retail trade sector (16.3%) and mining, manufacturing, electricity and water (15.9%).

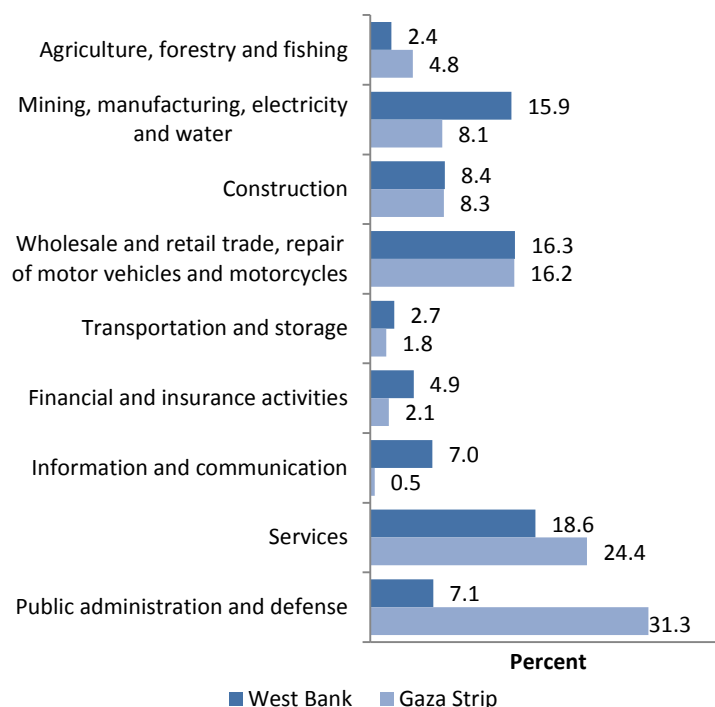
Public administration and defense continued accounting for the largest proportion (31.3%) of the Gaza Strip's GDP in Q4/2016, followed by services (24.4%), and wholesale and retail trade (16.2%).

Final consumption in the West Bank was 116.7% of GDP in Q4/2016. Household final consumption constituted 91.3% of GDP while government final consumption was 23.4% of GDP. Gross capital formation accounted for 27.4% of GDP, most of it gross fixed capital formation (25.2% of GDP). Exports of goods and services from the West Bank made up 28.4% of GDP while imports represented 70.9%, resulting in a West Bank trade deficit of 42.5% of GDP in the quarter.

In the Gaza Strip, final consumption in Q4/2016 was 130.7% of GDP, household final consumption was 70.8% of GDP and government final consumption was 47.4% of GDP. Gross capital formation was 6.2% of GDP, and gross fixed capital formation, 18% of GDP. A significant drawdown of inventories countered explains why gross fixed capital formation was higher than gross capital formation. Exports from the Gaza Strip amounted to 3.8% of GDP while imports amounted to 38.5%, resulting in a trade deficit equal to 34.8% of GDP in Q4/2016.

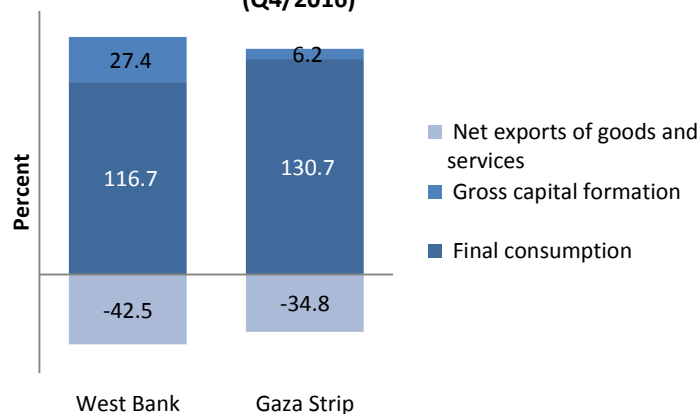
The industrial production index (IPI) declined from 105.5 in October to 104.3 in November and recovered marginally to 104.9 in December 2016, (base year is 2015).

Percent contribution to real GDP by economic activity (Q4/2016)



Note: Base year is 2004. Data for Q4/2016 are flash estimates.

Percent distribution of real GDP by expenditure (Q4/2016)



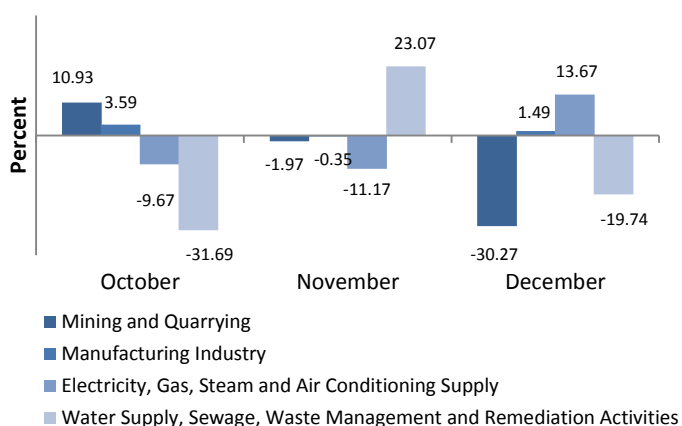
Note: Base year is 2004. Data for Q4/2016 are flash estimates.

Industrial production index (Q4/2016)

	October	November	December
Index	105.49	104.29	104.92

Activity in mining and quarrying declined in November and December as did electricity, gas, steam and air conditioning in October and November before recovering in December. Activity in water supply, sewage, waste management and remediation fluctuated during the quarter, with significant declines in October and December.

Change in industrial activity by sector (% , Q4/2016)



Current account and trade

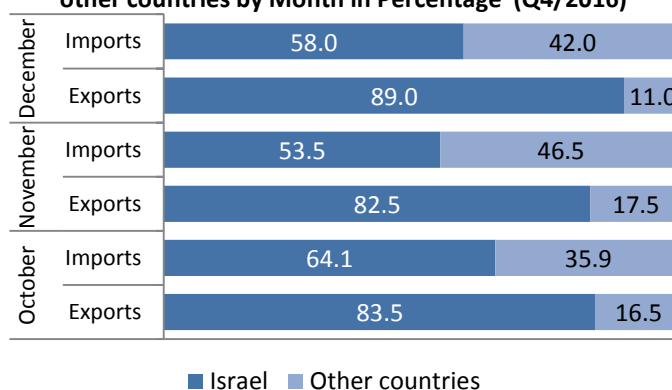
The current account deficit increased to (-) \$365.1 million (11% of GDP) in Q4/2016 from (-)\$314.4 million (9.1% of GDP) in Q3/2016. The increase was driven by worsening trade balance (goods and services) countered by minor increases in the income balance and net transfers.

Current account (Q4/2016)

Goods trade balance (million US\$)	-1126.6
Services trade balance (million US\$)	-232.5
Income balance (million US\$)	408.6
Net transfer payments (million US\$)	585.4
Current account balance (million US\$)	-365.1

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 (Q4/2016)



Truckloads moving out from the Gaza Strip recovered somewhat in Q4/2016. Some 69 truckloads were exported compared with 20 truckloads in Q3/2016. Commercial transfers to the West Bank increased significantly in Q3/2016 with 409 truckloads leaving the Gaza Strip for the West Bank compared with 261 truckloads in the previous quarter. Products largely consisted of produce and furniture.

Exports from the Gaza Strip, by type (Q4/2016)			
	October	November	December
Strawberries (tons)	--	--	46.31
Potatoes (tons)	123.00	123.50	--
Chive (tons)	--	--	0.53
Onion (tons)	11.00	390.40	--
Total trucks	12	45	12

Exit To West Bank from the Gaza Strip, by type (Q4/2016)			
	October	November	December
Cucumber (tons)	181.00	202.21	402.72
Fish (tons)	--	0.60	0.50
Tomatoes (tons)	219.00	624.71	1146.72
Sweet potatoes (tons)	--	13.28	30.90
Zucchini (tons)	3.00	19.60	60.29
Dates (tons)	41.60	130.67	95.15
Cabbage (tons)	--	12.50	9.50
Eggplant (tons)	36.20	29.58	130.97
Sweet Peppers (tons)	98.10	67.92	92.53
Chilli Pepper (tons)	--	26.58	34.86
Vegetables (tons)	137.70	--	--
Strawberries (tons)	--	--	100.70
Cauliflower (tons)	--	--	33.50
Cherry Tomatoes (tons)	--	--	0.58
Furniture (tons)	43.00	36.00	58.00
Clothes (tons)	20.00	22.00	14.50
Cows leather (piece)	1850.00	2400.00	1550.00
Total trucks	65	124	220

Exit To Israel from the Gaza Strip, by type (Q4/2016)			
	October	November	December
Eggplant (tons)	7.00	1.20	40.40
Tomatoes (tons)	118.30	344.34	211.25
Iron scrap (tons)	515.00	955.00	862.00
Aluminum scrap (tons)	110.00	169.00	109.00
Total trucks	37	81	69

The private sector

The total area licensed for new construction in the West Bank in Q4/2016 was 25.1% higher than in Q4/2015. In the Gaza Strip, total area licensed for new construction was 11.9 % lower than in Q4/2015.

There was an 8.3% increase in the total number of new company registrations in the West Bank in Q4/2016 compared to the same period last year. In the Gaza Strip the number was 16.1% higher as compared with Q4/2015.

Private sector indicators (Q4/2016)

	West Bank	Gaza Strip
Area licensed for new construction (sq. meters)	2,325,429	916,325
New company registrations	442	101

The labour market

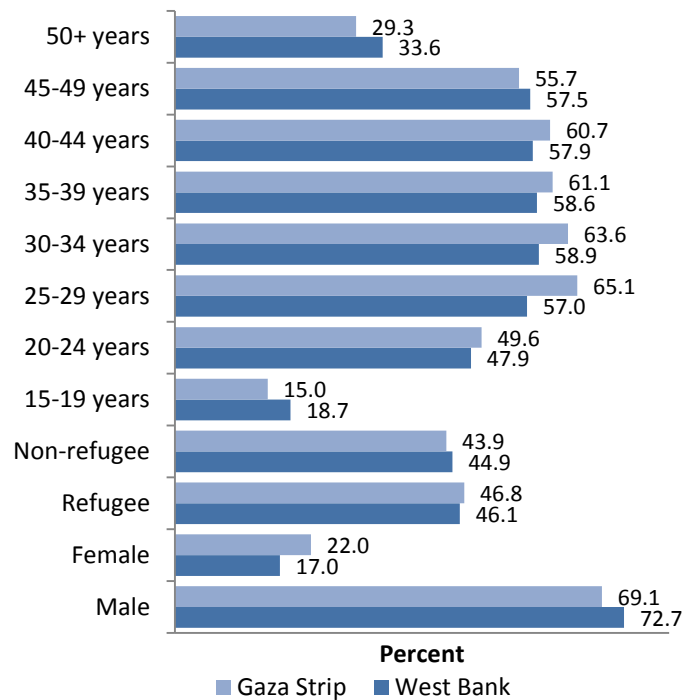
The labour force participation rate in Q4/2016 was 45.5% of those aged 15 and above. Thus the labour force consisted of 1,348,000 people. The labour force participation rate was similar in the West Bank (45.2%) and the Gaza Strip (45.8%). Participation in the labour force was much higher for men than 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 (18.7% and 15.0% in the Gaza Strip and West Bank respectively).

The unemployment rate for Palestine declined marginally to 25.7% in Q4/2016 from 25.8% in Q4/2015. The unemployment rate in the West Bank was 16.9%, a decrease from 18.7% in Q4/2015. In the Gaza Strip, 40.6% of the labour force was unemployed in Q4/2016, higher than the 38.4% a year ago.

Unemployment rates for women were higher than men in both the Gaza Strip (64.4% as compared with 33.2% for men) and West Bank (28.5% as compared with 14.2% 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. Some 60.3% 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 Q4/2016 compared to Q3/2016 decreased by 0.4 month for men and increased by 1.9 months for women in the West Bank. In Gaza,

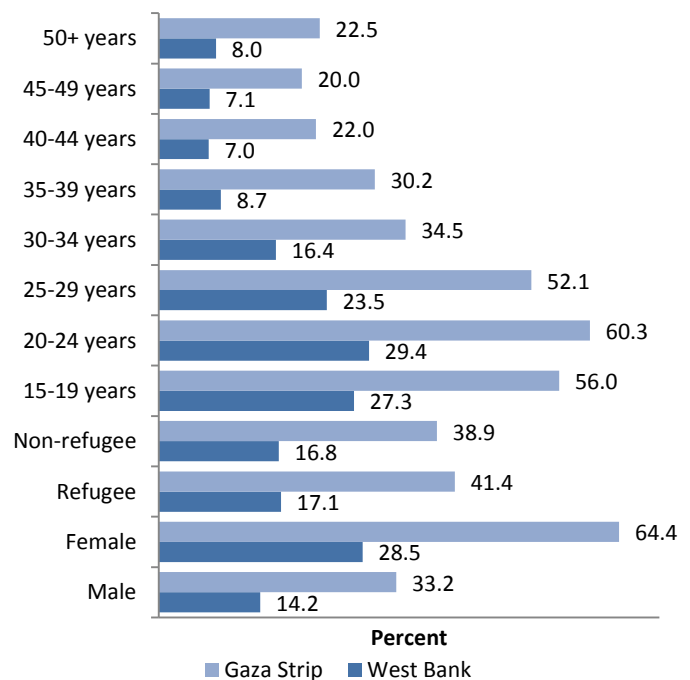
Labor force participation rate (% , Q4/2016)



Unemployment rate (% , Q4/2016)

	West Bank	Gaza Strip
Narrow definition	16.9	40.6

Unemployment rate (% , Q4/2016)



the period decreased by 1.1 months for men and increased 1.2 months for women. On average women were likely to remain unemployed 8.2 months longer than men in the West Bank and 10.6 months longer than men in Gaza.

The number of persons employed in the West Bank in Q4/2016 was higher than that in Q4/2015 by approximately 18,200. In the Gaza Strip, it was higher by 1,000. In the West Bank job losses were recorded in agriculture, fishing and forestry and commerce restaurants and hotels. Mining, quarrying, manufacturing and construction sectors saw significant job growth. In the Gaza Strip, job losses were concentrated in the services and agriculture sectors, while transportation, storage, communication, commerce, restaurants and hotels saw some job growth.

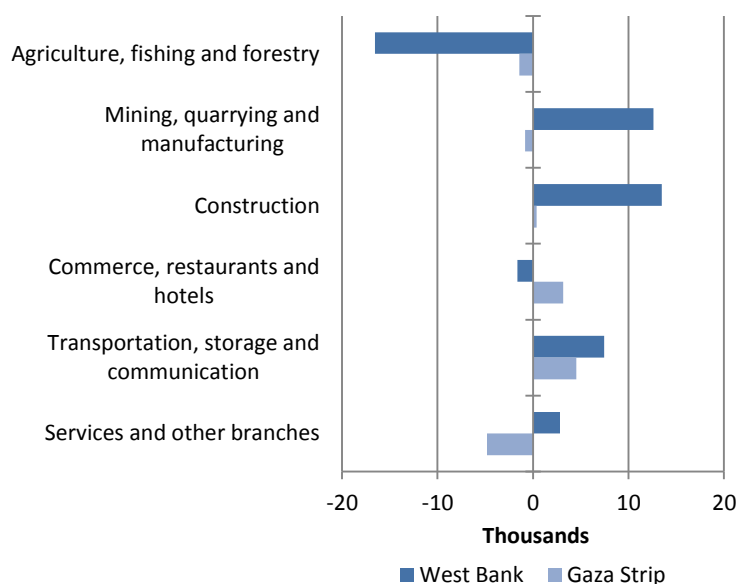
In Q4/2016, there continued to be a significant disparity in average daily net wages between the West Bank and the Gaza Strip. While men in the Gaza Strip received an average daily wage of NIS61.7 in Q4/2016, they received on average a daily rate of NIS101.6 in the West Bank. Similarly, while women in the Gaza Strip made a daily wage of NIS75.3 on average, women in the West Bank made a daily wage rate of NIS83.3. 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 NIS215.7 per day.

Average duration of unemployment (months, Q4/2016)

	West Bank	Gaza Strip
Male	3.2	11.9
Female	11.4	22.5

Change in number of employed persons by economic activity (thousands, year-on-year, Q4/2016)



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

Average daily wage (NIS, Q4/2016)

	West Bank	Gaza Strip
Male	101.6	61.7
Female	83.3	75.3
Private sector	90.0	41.6
Public sector	108.7	92.5
Israel and settlements	215.7	

Note: Data by gender 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), decreased across Palestine in Q4/2016 compared to Q3/2016. Both the Gaza Strip and parts of the West Bank other than East Jerusalem saw a deflation in comparison with Q4/2015 as well, while East Jerusalem experienced marginally positive inflation.

Change in CPI (% , Q4/2016)

	East Jerusalem	Rest of West Bank	Gaza Strip
Quarter-on-quarter	-0.1	-0.5	-0.8
Year-on-year	0.4	-0.7	-2.0

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

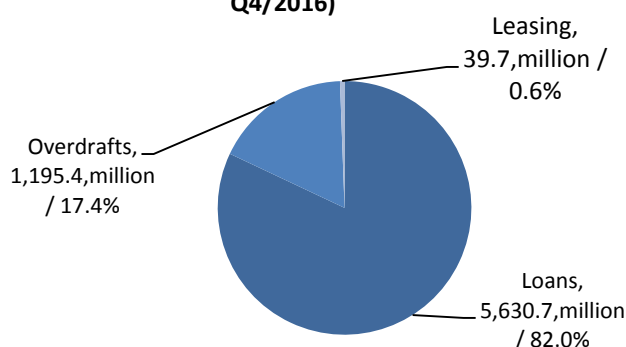
The banking sector

Bank credit in Q4/2016 increased to \$6.9 billion. Loans accounted for 82.0% of bank credit, followed by overdrafts (17.4%) and leasing (0.6%).

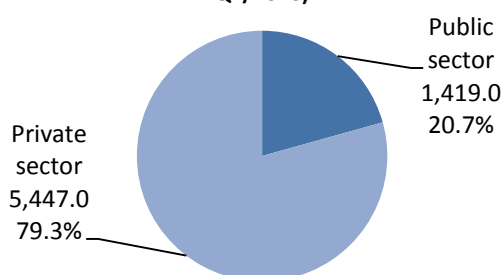
The private sector continued to be the main source of bank deposits in Q4/2016 accounting for 79.3% of the total.

The credit-to-deposit ratio at 64.8% in Q4/2016 was slightly higher than the 63.9% in Q3/2016.

Distribution of bank credit by type (million \$/%, Q4/2016)



Distribution of bank deposits by sector (million \$/%, Q4/2016)

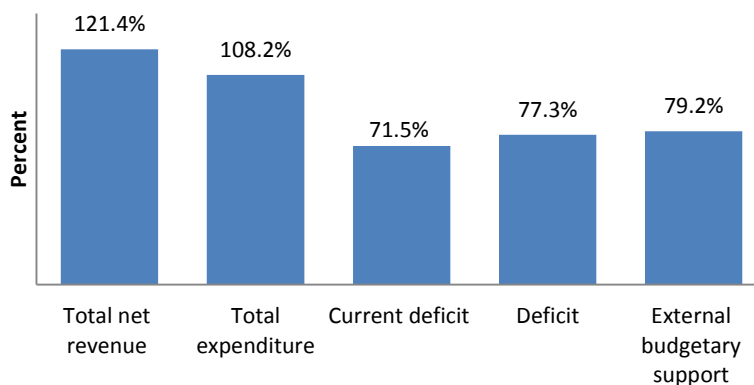


Note: Data do not include deposits of the PMA and commercial banks.

Fiscal operations

On commitment basis, by the end of Q4/2016, government total net revenue was 121.4% of the NIS11.19 billion in the 2016 budget. Total expenditure was 108.2% of the NIS15.21 billion in the budget for the year. By the end of the year, the current deficit and the overall deficit had reached 71.5% and 77.3% of the annual projected amounts, respectively. External budgetary support by the end of the quarter reached 79.2% of the amount expected for the year.

Fiscal indicators: actual as a proportion of annual budget (% , Q4/2016)



Note: Data are for fiscal operations on a commitment basis. The information is up-to-date as of 24 January 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.

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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