



UNSCO Socio-Economic Report: Overview of the Palestinian Economy in Q4/2018

Economic activity

Table 1: Key GDP indicators (Q4/2018)

	West Bank	Gaza Strip	oPt
Real GDP (million \$)	2,887.6	707.3	3,594.9
Rate of change in real GDP (quarter-on-quarter, %)	3.4	2.1	3.1
Rate of change in real GDP (year-on-year, %)	5.3	-3.5	3.4
Real GDP per capita (\$)	1,085.2	362.0	778.9

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

During the reporting period, Gaza's GDP contracted by 3.5% over Q4/2017 after an 6.5% contraction in the previous quarter. The West Bank's GDP grew by 5.3% over the previous year, resulting in a 3.4% growth in the Palestinian economy (Table 1). This translated into a 6.3% decline in Gaza's per capita GDP and a 2.8% increase in that of the West Bank compared to Q4/2017. In Q4/2018 Gaza's economy accounted for 19.7% of the Palestinian economy, down from 24% a year ago. Gaza's real GDP per capita was 33.4% of the West Bank's in Q4/2018.

Figure 1: Rate of change of real value added by economic activity (year-on-year, Q4/2018)

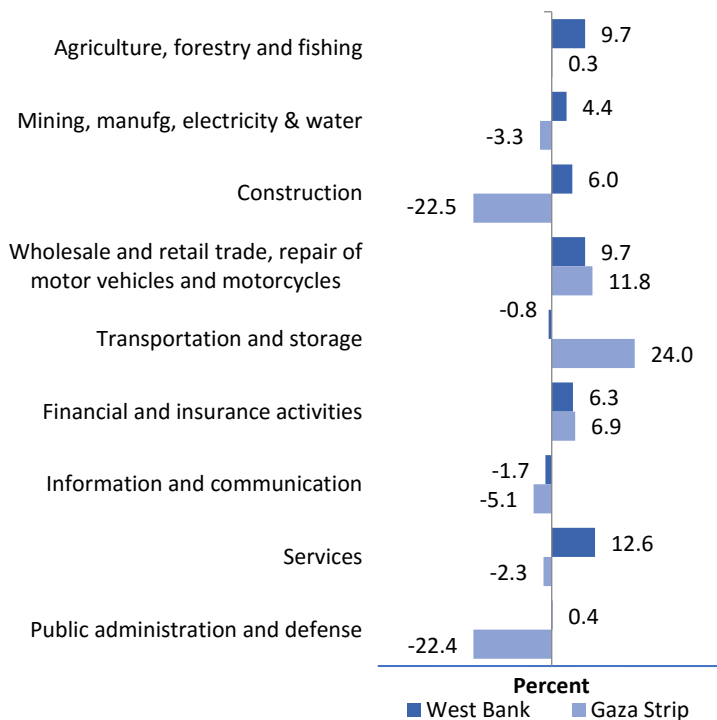
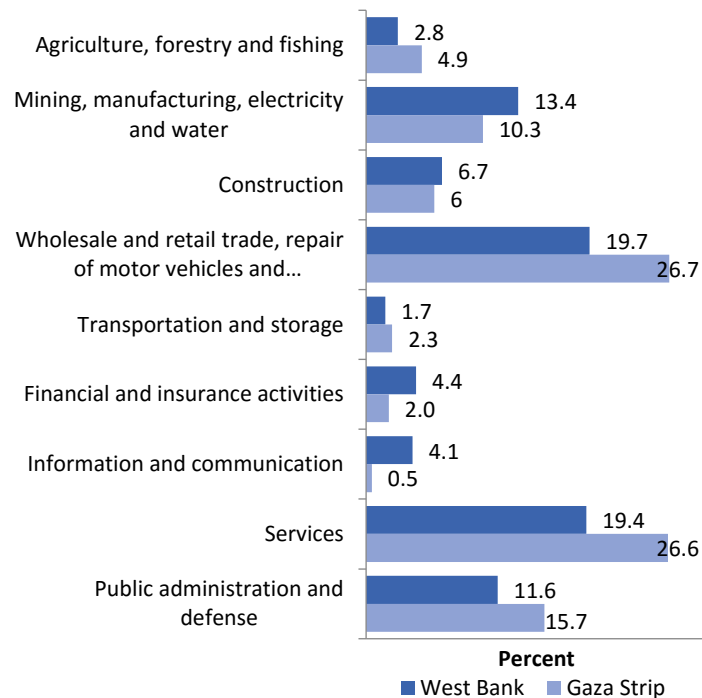


Figure 2: Percent contribution to real GDP by economic activity (Q4/2018)

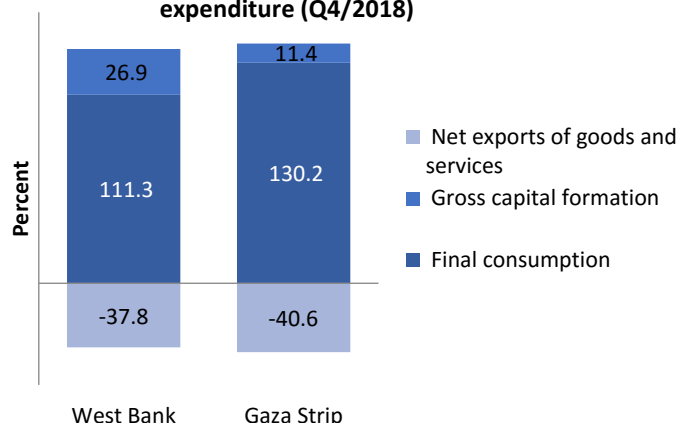


In the West Bank, between Q4/2017 and Q4/2018 there was significant expansion in real value added in services, wholesale and retail trade, repair of motor vehicles and motorcycles and agriculture, forestry and

fishing. 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. Construction, public administration and defense (almost entirely salaries), and Information and communication contracted significantly (Figure 1).

The wholesale and retail trade sector continued to be the largest one in the West Bank economy in Q4/2018 followed by services. The same two sectors continued to account for the largest proportion of the Gaza Strip's GDP (Figure 2).

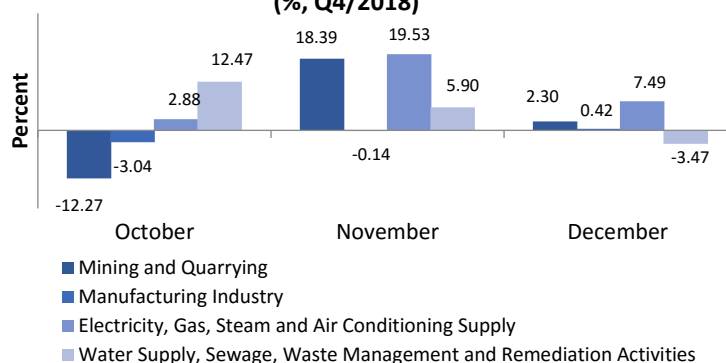
Figure 3: Percent distribution of real GDP by expenditure (Q4/2018)



Final consumption in the West Bank was 111.3% of GDP in Q4/2018, and in Gaza it was 130.2% of GDP. Household final consumption constituted 84.6% of GDP in the West Bank and 86.2% of GDP in Gaza. Government final consumption was 24.8% of GDP in the West Bank and 32.1% of GDP in Gaza (Figure 3).

The industrial production index (IPI) declined in October but recovered in November. The decline was driven primarily by the mining and quarrying, and manufacturing. The recovery in November was driven primarily by the growth of the electricity, gas, steam and air conditioning supply and mining and quarrying. In December water supply, sewage, waste management and remediation activities declined (Figure 4).

Figure 4: Change in industrial activity by sector (% Q4/2018)



Current account and trade

The current account deficit declined marginally to 12% of GDP in Q4/2018 from 12.2% of GDP in the previous quarter (Table 2).

Exports continued to be mainly destined to Israel. Similarly, most of imports continued to come from Israel (Figure 5).

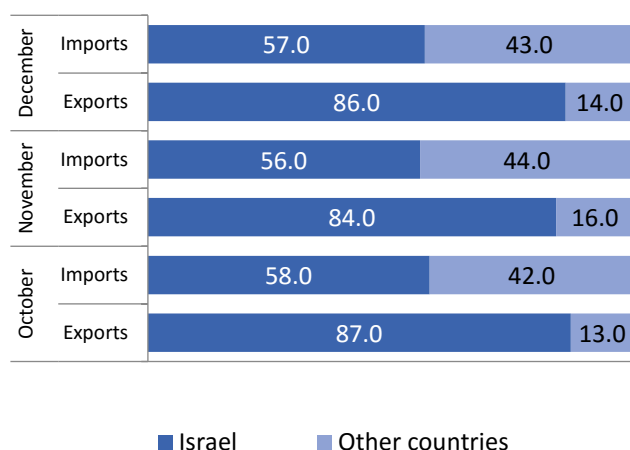
Table 2: Current account (Q4/2018)

Goods trade balance (million US\$)	-1,256.0
Services trade balance (million US\$)	-264
Income balance (million US\$)	612
Net transfer payments (million US\$)	509
Current account balance (million US\$)	-399

Truckloads exported out from the Gaza Strip increased in Q4/2018 after declining in Q3/2018. Some 42 truckloads were exported compared with a total of 3 truckloads in the Q3/2018 (Table 3).

Some 668 truckloads left the Gaza Strip for the West Bank in Q4/2018 compared with 155 truckloads in Q3/2018. Products consisted of produce, fish, clothes, furniture and leather (Table 4).

Figure 5: Trade with Israel and Other Countries



	October	November	December
Strawberries (tons)	--	--	4.24
Sweet peppers (tons)	--	--	9.88
Tomato (tons)	--	535.91	27.00
Potatoes (tons)	--	--	329.55
Cucumber (tons)	--	--	14.00
Sweet potatoes (tons)	--	--	21.63
Pumpkin (tons)	--	--	16.30
Total trucks	0.0	21.0	21.0

	October	November	December
Cucumber (tons)	869.75	729.67	833.12
Tomato (tons)	1818.69	1986.66	2592.16
Sweet potatoes (tons)	13.28	11.45	8.02
Zucchini (tons)	104.86	251.99	147.29
Cabbage (tons)	--	27.56	55.98
Dates (tons)	32.98	145.96	73.04
Chilli pepper (tons)	47.97	95.12	56.38
Strawberries (tons)	--	18.82	527.30
Cauliflower (tons)	--	110.66	69.92
Eggplant (tons)	157.60	245.03	186.70
Sweet peppers (tons)	108.37	237.11	213.34
Fish (tons)	25.50	51.50	51.50
Clothes (Truck)	5.00	7.00	5.00
Furniture (Truck)	6.00	4.00	8.00
Cows leather (Truck)	3.00	2.00	1.00
Total trucks	171.0	198.0	299.0

	October	November	December
Eggplant (tons)	27.20	23.00	77.40
Tomato (tons)	209.46	58.64	282.84
Aluminum scrap (truck)	12.00	3.00	7.00
Furniture (truck)	--	1.00	1.00
Clothes (truck)	4.00	4.00	4.00
Scrap copper (truck)	7.00	7.00	5.00
Total trucks	36.0	22.0	33.0

Some 91 truckloads exited to Israel in Q4/2018 compared with 68 truckloads in Q3/2018 (Table 5).

In Q4/2018 some 29,303 commercial truckloads entered the Gaza Strip through Kerem Shalom. Another 1,491 truckloads of humanitarian supplies and 1,660 truckloads of fuel also entered through Kerem Shalom in Q4/2018.

The private sector

Table 6: Private sector indicators (Q4/2018)

	West Bank	Gaza Strip
Area licensed for new construction (sq. meters)	2,937,449	416,230
New company registrations	474	60

Total area licensed for new construction in the West Bank (Table 6) in Q4/2018 was 17.2% higher than that in Q4/2017. In the Gaza Strip, total area licensed for

new construction was 29.5% lower than in Q4/2017. There was a 6.9% decrease in the total number of new company registrations in the West Bank in Q4/2018 compared to the same period last year. In the Gaza Strip, the number was 39.5% increase as compared with Q4/2017.

The labour market

The labour force (1,416,900 people) participation rate in Q4/2018 was 47.1% of those aged 15 and above. The rate in West Bank (47.2%) was slightly higher than that in the Gaza (46.8%). However, labour force participation of women in Gaza (26.6%) was higher than their West Bank counterparts (18.2%). Labour force participation continued to be much higher for men than for women in both regions (Figure 6).

Figure 6: Labor force participation rate (% , Q4/2018)

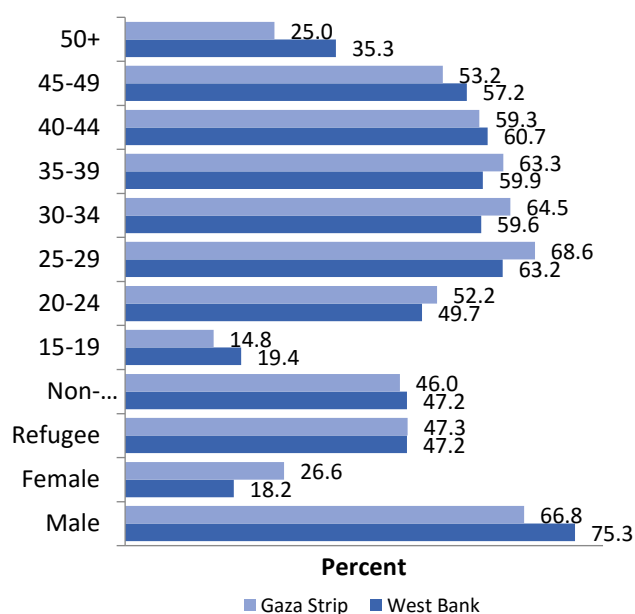
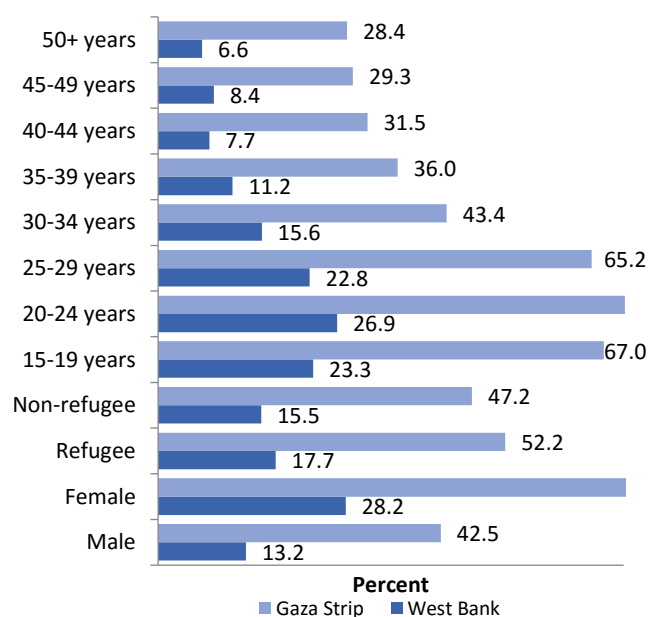


Figure 7: Unemployment rate (% , Q4/2018)



Some 29.1% of the labour force was unemployed compared with 24.5% a year ago, primarily on account of the 50.5% unemployment rate in Gaza (compared with 42.7% in Q4/2017) (Table 7). This amounted to some 13,400 fewer jobs in Q4/2018 as compared with Q4/2017.

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, while construction and services sectors generated additional employment. In the Gaza Strip, job losses were recorded in all sectors, with the most being in services and construction (Figure 8)¹.

¹ Does not include Palestinian workers working in Israel.

Figure 8: Change in number of employed persons by economic activity (thousands, year-on-year, Q4/2018)

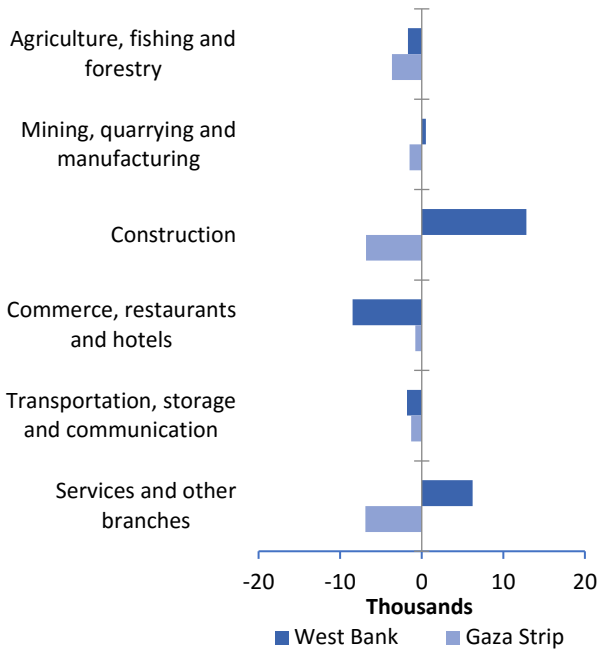


Table 7: Unemployment rate (% , Q4/2018)

	West Bank	Gaza Strip
Narrow definition	16.1	50.5

Table 8: Average daily wage (NIS, Q4/2018)

	West Bank	Gaza Strip
Male	116.1	63.2
Female	98.5	83.1
Private sector	107.3	35.1
Public sector	118.8	97.2
Israel and settlements	237.5	

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

In Q4/2018, significant disparity in average daily net wages between the West Bank and the Gaza Strip, and between the 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 (% , Q4/2018)

	East Jerusalem	Rest of West Bank	Gaza Strip
Quarter-on-quarter	0.2	-0.2	-0.4
Year-on-year	1.7	1.3	-1.0

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

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

The Banking Sector

At the end of Q4/2018, bank deposits (\$12.23 billion) were 2% higher than the end-Q4/2017 levels. Deposits in the West Bank (accounting for over 90% of total deposits) increased by 2.0% while deposits in Gaza increased by 2.6%. Bank credit at the end of Q4/2018 increased by 5.1% to \$8.4 billion. Credit growth was driven by an 11.0% growth in the West Bank. Credit in Gaza contracted by 3.8% relative to Q4/2017. Loans accounted for 83% of bank credit, followed by overdrafts (16.3%) (Figure 9). The private sector continued to be the main recipient of bank credit in Q4/2018 (Figure 10). The loan-to-deposit ratio stood at 69.0 % (55.0% for the West Bank and 82.0% for Gaza). The value of bounced cheques as a percentage of total value of cheques presented declined in both West Bank (from 9.9% to 9.7%) and Gaza (from 12.2% to 9.4%) as compared with end-Q4/2017.

Figure 9: Distribution of bank credit by type (million \$/%, Q4/2018)

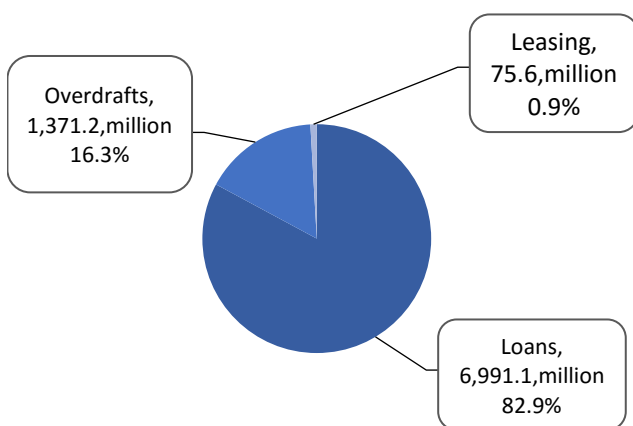
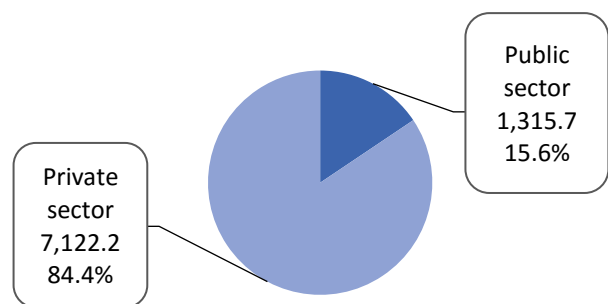
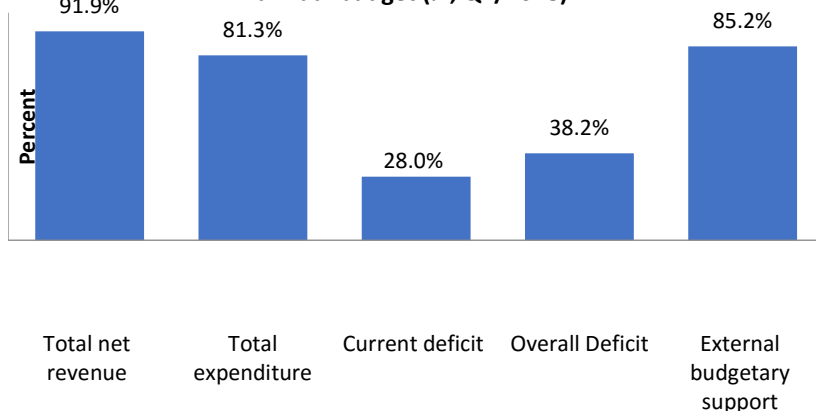


Figure 10 : Distribution of bank credit by sector (million \$/%, Q4/2018)



Fiscal operations

Figure 11: Fiscal indicators: actual as a proportion of annual budget (% , Q4/2018)



By the end of Q4/2018, the Government's total net revenue at NIS 12.4 billion, was 91.9% of the budgeted NIS13.5 billion for 2018 (Figure 11). This was driven by a 9.8% decline in clearance revenues in 2018 over 2017. In Q4/2018 clearance revenues were 33% lower than in Q4/2017. Total expenditure (NIS13.1 billion) at 81.3% of the budget generated, the current deficit of NIS (-748.7) million and an overall deficit of NIS (-1,751.8) million. External budgetary support at NIS1.8 billion came to 85.2% of the budgeted amount.

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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: PCBS. 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*.

For further information or to be added to the mailing list please contact:

UNSCO West Bank: Subhra Bhattacharjee bhattacharjee@un.org

UNSCO Gaza Strip: Raed Raqeb rageb@un.org

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