UNITED NATIONS **NATIONS UNIES**

OFFICE OF THE UNITED NATIONS SPECIAL CO-ORDINATOR

SOCIO-ECONOMIC REPORT – APRIL 2007

Since1996 UNSCO has continually monitored and reported on socio-economic conditions in the occupied Palestinian territory and in the process established an extensive socio-economic database.

UNSCO does not create raw data but rather uses available data which, in the occupied Palestinian territory is relatively abundant. However, the data that is available tends to remain dispersed and is not always automatically shared between institutions. The objective of the database is to bring together in one place a wide variety of data on socio-economic conditions and by doing so present a broader, more detailed perspective on socio-economic conditions. The purpose of this report is to: 1) broaden the access to this database through publication of the most recent data gathered; and 2) provide readers with up to date information on socio-economic conditions in the occupied Palestinian territory.

The report is divided into three sections:

Section 1 consists of a one-page fact sheet which provides a snapshot view of the socio-economic situation of the current and previous reporting period and for reference purposes provides base line figures for the period just prior to the outbreak of the second Intifada.

Section 2 and 3 report on the Macro-economic and the Private sector and banking modules of the UNSCO database. They provide data on the last six reporting periods for each indicator as well as base line data. In addition, some initial analysis on observed trends is given below each table.

UNITED NATIONS **NATIONS UNIES**

OFFICE OF THE UNITED NATIONS SPECIAL CO-ORDINATOR

SOCIO-ECONOMIC FACT SHEET – APRIL 2007

A. GENERAL

Indicator	2006
1. GDP ($US)	4,150,600,000
2. GDP per capita ($US)	1,067.5
3. GDP growth rate	- 6.6 %
4. GNI	4,521,500,000

Source: World Bank

B. FISCAL SITUATION

Indicator (US$ millions)	Baseline Q4-1999	Previous period Q3-2006	Current period Q4-2006
1. Revenue	235	152	104
2. Expenditure	235	327	220
3. Net lending	0	154	68
4. Balance	0	-330	-184
5. External Budget support (including TIM)	0	305	178

Source: IMF

C. MACRO-ECONOMIC

Indicator[1]	Baseline Aug-2000	Previous period Feb-2007	Current period Mar-2007
1. Consumer Price Index[2]			
Total	121.95	153.42	153.16
West Bank	122.44	156.86	156.52
Gaza Strip	121.35	141.81	142.07
2. Truck movement[3]			
Imports			
Karni	4,373	3,713	3,758
Sufa	4,384	3,258	1,034
Rafah	953	0	0
Nahal Oz	904	714	693
Exports			
Karni	2,460	1,128	1,065

Source: PCBS (1), Ministry of National Economy (2)

D. PRIVATE SECTOR

Indicator	Baseline	Previous period	Current period
1. New Company Registrations	Q2-2000	Q4-2006	Q1-2007
Total	568	No data	No data
West Bank	288	No data	No data
Gaza Strip	280	48	94
2. Area Licensed for new Construction (dunums)	1999	2005	2006
Total	5,047,443	3,545,360	3,100,631
West Bank	3,208,134	2,807,000	2,492,501
Gaza Strip	1,839,309	738,360	608,130
3. Banking (US$ thousands)	Q2-2000	Q3-2006	Q4-2006
Loans	1,234	1,891	1,911
Deposits	3,328	4,514	4,657
Loans/Deposits Ratio	37.1 %	41.9 %	41.0 %

Source: Ministry of National Economy (1), Engineering Offices and Consulting Firms (2), Palestine Monetary Authority (3)

E. LABOUR FLOWS

Indicator	Baseline Q2-2000	Previous period Q4-2006	Current period Q1-2007
1. Labour Force size			
Total	706,174	920,500	890,400[5]
West Bank	483,796	635,100	599,500
Gaza Strip	222,378	285,400	290,900
2. Unemployment	8.8 %	22.0 %	21.6%
3. Adjusted Unemployment[4]	18.5 %	28.4 %	27.9 %

Source: PCBS

F. CLOSURE

Indicator	Baseline Aug-2000	Previous period Mar-2007	Current period Apr-2007
1. Effective closure days[6]			
Karni (goods)	0 %	9 %	4 %
Erez (workers)	0 %	100 %	100 %
Sufa (aggregates)	0 %	76 %	86 %
Rafah (passenger)	0 %	55 %	63 %
Rafah (commercial)	0 %	100 %	100 %
Nahal Oz (fuel)	0 %	9 %	8 %

Source: UNSCO

---

[1] For a more detailed report on sections C (Macro-economy) and D (Private sector), see the attached UNSCO reports
[2] CPI Base year 1996 = 100
[3] Number of truckloads
[4] Adjusted unemployment is calculated by adding discouraged workers (i.e. unemployed but no longer seeking work) to the ILO standard.
[5] The significant drop in labour force participation is explained by the fact that the 4th Quarter of each year traditionally sees a large influx of seasonal labour, particularly in the agricultural field (e.g. the olive harvest). These seasonal labourers, mostly upaid family labour is no longer counted in the 1st Quarter as they are no longer seeking employment and are thus not counted as part of the labour force as per ILO definitions.
[6] Effective closure days are calculated by adding all days when a crossing was fully or partially closed minus weekend and holidays.

UNITED NATIONS **NATIONS UNIES**

OFFICE OF THE UNITED NATIONS SPECIAL CO-ORDINATOR

MACRO-ECONOMIC UPDATE – APRIL 2007

- Exchange rate
- Consumer Index by region and expenditure group
- Truck Movement
- Palestinian Imports and Exports
- Volume of registered fuel sales
- Palestinian Trade with Israel

For further information please contact:

Ramallah: *Bushra Mukbil* mukbil@un.org

Gaza Strip: *Raed Raqeb* raqeb@un.org

Indicator	Baseline Aug-00	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07
Exchange Rate							
Exchange Rate	4.05	4.27	4.30	4.21	4.22	4.21	4.20
Source: PCBS							

The value of the US$ continued to drop against the NIS in March 2007. Since November 2006 the exchange rate has decreased by 2.3 percent. With the Palestinian territory continuing to have a negative balance of payments (i.e. Palestinians import more than they export), the economic effect of a weakening US dollar is positive as imports from abroad become cheaper.

Indicator	Baseline Aug-00	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07
Palestinian Consumer Price Index (by region and expenditure group)							
Major Groups of Expenditure (Occupied Palestinian Territory – excluding Jerusalem)							
Food	118.92	143.67	146.54	146.75	148.11	147.18	145.72
Beverages and Tobacco	129.14	168.53	168.83	168.58	168.66	168.68	169.49
Textiles, clothing and footwear	124.93	130.00	130.16	130.16	130.15	130.12	129.96
Housing	125.78	162.17	161.99	161.97	161.96	161.66	161.96
Furniture, household goods & services	123.70	131.03	131.06	131.03	131.12	131.21	131.67
Transport and communications	123.45	198.98	199.01	199.60	199.62	197.81	199.87
Education	114.63	137.65	137.69	137.15	137.12	137.12	137.6
Medical care	125.78	150.31	150.20	150.38	150.65	150.61	149.29
Recreational, cultural goods & services	93.86	92.82	92.83	92.83	92.43	92.41	92.35
Miscellaneous goods and services	129.21	168.29	168.73	169.30	168.73	168.90	169.26

All-Items consumer price index	**121.95**	**152.12**	**153.32**	**153.49**	**154.03**	**153.42**	**153.16**
Major Groups of Expenditure (Jerusalem)							
Food	122.63	152.52	153.99	154.06	153.22	154.17	153.39
Beverages and Tobacco	130.91	168.78	168.48	168.48	168.48	168.48	169.08
Textiles, clothing and footwear	119.18	144.55	144.55	144.55	144.55	144.55	144.68
Housing	112.88	138.7	138.42	138.49	138.54	138.34	138.68
Furniture, household goods & services	136.10	156.16	156.19	156.21	156.21	156.13	156.43
Transport and communications	131.63	175.13	175.11	175.46	175.46	173.33	175.5
Education	108.70	136.45	136.47	136.45	136.53	136.53	138.36
Medical care	114.91	151.53	151.43	151.35	151.35	151.14	148.37
Recreational, cultural goods & services	88.54	105.78	105.78	105.78	105.78	105.51	104.55
Miscellaneous goods and services	126.54	155.71	155.88	156.38	156.29	156.09	156.97
All-Items consumer price index	**122.76**	**153.71**	**154.23**	**154.34**	**154.03**	**154.02**	**154.14**
Major Groups of Expenditure (Rest of the West Bank)							
Food	118.25	141.34	144.78	144.82	147.28	146.05	144.22
Beverages and Tobacco	127.26	169.89	170.66	170.51	170.78	170.79	172.31
Textiles, clothing and footwear	123.53	128.88	129.33	129.33	129.31	129.09	128.74
Housing	127.28	165.48	165.30	165.37	165.40	164.88	165.27
Furniture, household goods & services	119.19	125.75	125.80	125.87	125.81	125.83	127.17
Transport and communications	127.03	220.4	220.33	221.10	221.10	219.19	221.53
Education	120.62	150.71	150.73	149.34	149.13	149.14	147.76
Medical care	138.73	160.05	159.87	157.99	158.14	158.17	158.35
Recreational, cultural goods & services	98.11	83.81	83.81	83.80	83.01	83.12	83.93
Miscellaneous goods and services	125.54	174.79	175.47	176.68	175.46	176.42	175.35
All-Items consumer price index	**122.44**	**155.14**	**156.64**	**156.68**	**157.59**	**156.86**	**156.52**
Major Groups of Expenditure (Gaza Strip)							
Food	116.38	143.07	142.41	143.83	145.79	145.91	146.19
Beverages and Tobacco	130.23	165.68	165.70	165.70	165.70	165.74	165.74
Textiles, clothing and footwear	135.87	119.33	119.33	119.33	119.32	119.32	119.27
Housing	129.45	144.83	144.67	144.49	144.44	144.31	144.36
Furniture, household goods & services	115.49	111.38	111.38	111.18	111.89	112.13	112.08
Transport and communications	115.61	152.29	152.36	152.95	153.03	151.77	153.11
Education	118.84	137.19	137.23	136.99	136.99	136.99	136.99
Medical care	133.83	155.47	155.43	155.62	156.32	155.56	156.37
Recreational, cultural goods & services	101.78	89.64	89.63	89.67	89.53	89.53	89.19
Miscellaneous goods and services	131.43	147.39	147.61	147.65	147.53	146.05	145.26
All-Items consumer price index	**121.35**	**140.70**	**140.42**	**141.07**	**142.00**	**141.81**	**142.07**
Source: PCBS							

Overall, the Palestinian Consumer Price Index (CPI) declined by 0.17 percent in March 2007 if compared with February 2007. However, a closer look at the figures shows that tightened closures and the withholding of clearance revenues is having an effect with the CPI increasing by almost 1 full percent in the West Bank and Gaza Strip while it increases by less than 3 tenths of a percent in Jerusalem. While food prices in the Palestinian Territory continue to drop in March compared to January 2007, the average price index for food in 2007 remains 2.12 percent higher than in 2006 (average).

Indicator	**Baseline Aug-00**	**Oct-06**	**Nov-06**	**Dec-06**	**Jan-07**	**Feb-07**	**Mar-07**
Truck Movement							
Karni commercial crossing							
Truck Loads Exports Israel	428	363	655	688	711	661	668
Truck Loads Imports From Israel	2,466	2,232	2,603	2,537	2,943	2,649	2,711
Truck Loads Exports (WB)	564	104	142	133	204	185	144
Total Truck Loads Imports (WB)	457	337	448	336	453	514	536
Truck Loads Exports (Abroad)	n.a	0	27	175	189	282	253
Total Truck Loads Imports (Abroad)	n.a	482	541	432	647	550	511
Total Truck Loads Exports	992	467	824	996	1,104	1,128	1,065
Total Truck Loads Imports	2,923	3,051	3,592	3,305	4,043	3,713	3,758

Total Truck Loads Exports and Imports	3,915	3,518	4,416	4,301	5,147	4,841	4,823
Sufa commercial crossing (gravel only)							
Total Truck Loads Imports Gravel Tons	4,384 175,342	2,178 87,132	1,652 66,088	2,423 96,930	3,455 138,204	3,258 130,314	1,034 41,352
Nahel Oz commercial crossing (fuel)							
Total Truck Loads Imports	904	493	548	532	539	714	693
Source: Ministry of National Economy							

While overall truck movement across the Karni crossing saw an almost 50 percent increase between the months of October 2006 and January 2007, since then total volume of trade at Karni has been decreasing. Between January and March 2007 we observe a 6.3 percent drop off in truck movement. The drop-off in volume appears more pronounced in Gaza exports than imports with the import-export ratio reaching 3.53 in March 2007 (i.e. for each truck exported through Karni, the Gaza economy imports 3.53 truck loads) compared to 3.29 in February 2007.

Indicator	Baseline Aug-00	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07
Imports and Exports (x 1000 US$)							
Imports through:							
Karni							
Originating from the West Bank	Data not available	6,101.3	6,547.3	5,536.4	8,766.9	4,799.1	8,889.0
Originating from Israel		17,780.5	23,261.7	21,495.7	25,371.5	34,013.9	25,471.8
Originating from abroad		8,595.3	7,940.9	7,851.6	10,887.0	11,929.1	7,343.3
Sub total (Karni)		**32,477.1**	**37,749.9**	**34,883.7**	**45,025.4**	**50,742.1**	**41,704.1**
Rafah		0	0	0	0	0	0
Erez							
Originating from the West Bank		15.5	134.4	15.4	164.3	8.5	177.6
Originating from Israel		47.2	1,152.9	1,048.3	453.6	548.1	708.7
Originating from abroad		0	1,417.9	844.3	673.1	754.8	747.6
Sub total (Erez)		**62.7**	**2,705.2**	**1,908.0**	**1,291.0**	**1,311.4**	**1,633.9**
Total import		**32,539.8**	**40,455.0**	**36,791.7**	**46,316.4**	**52,053.5**	**43,338.0**
Exports through:							
Karni							
Going to the West Bank		787.9	1,001.5	853.2	1,025.0	1,032.0	942.8
Going to Israel		2,596.3	3,829.4	3,534.5	4,212.5	4,890.9	5,732.1
Going abroad		0	115.4	1,041.0	1,168.9	2,678.6	3,268.3
Total Export		**3,384.3**	**4,946.3**	**5,428.7**	**6,406.3**	**8,601.5**	**9,943.3**
Source: UNSCO Calculations based on data from the Ministry of National Economy. No baseline data is available as the Ministry did not provide monetary data on imports and exports before March 2003.							

In US dollar terms, exports through Karni increased by 15.6 percent in March 2007 (compared with February 2007) despite the fact that the number of trucks exported through Karni decreased in the same time period. In contrast, imports through Karni declined by 17.8 percent in monetary terms in March 2007 while the number of truckloads imported through Karni increased by 1.2 percent. An increase in exports in monetary terms while the number of truckloads decreases can be explained by the fact that the monetary value per truckload is not standard, i.e. a truckload of scrap iron will be worth much less than a truckload full of washing machines. Therefore, even though the number of exported truckloads decreased in March 2007, the exported goods had a higher value resulting in an overall increase in exports if expressed in monetary value.

Indicator	Baseline Aug-00	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar -07
Volume of Registered Fuel sales in the Gaza Strip (x 1000 liters/ton)							
volume of registered fuel sales in the Gaza Strip							
Benzene 95 (Liter)	878.3	1,724.6	1,302.3	1,206.1	1,125.1	1,198.5	1,326.7
Benzene 96 (Liter)	2,310.6	148.0	441.4	401.6	397.2	505.7	403.5
Gasoline (Liter)	11,342.6	8,425.6	8,835.8	8,030.3	6,628.4	9,168.0	8,481.1
Gas (Ton)	1.9	3.0	3.8	4.3	5.2	6.5	4.7
White Gasoline (Liter)	243.1	10.0	49.0	99.0	341.4	0	0
Source: General Petroleum Corporation and Ministry of Finance							

With the exception of Benzene 95 all fuel categories experienced a drop in registered sales during March 2007 if compared with February 2007. A drop-off in fuel sales generally indicates a slow-down in economic activity.

Indicator	Baseline Q2-00	Q3-2005	Q4-2005	Q1-2006	Q2-2006	Q3-2006	Q4-2006
Palestinian Trade with Israel (in million US $)							
Trade in goods							
Exports	85.2	66.9	65	60	67.5	62.9	75.4
Imports	427.4	527.1	504.2	500.2	503.5	539.5	568.3
Balance	-342.2	-460.2	-439.2	-440.2	-436	-476.6	-492.9
Trade in Services							
Exports	44.7	31.8	31.4	25.2	29.3	32.6	33.1
Imports	97.2	74.5	65.2	66.1	68.1	60.9	78.6
Balance	-52.5	-42.7	-33.8	-40.9	-38.8	-28.3	-45.5
Total							
Exports	129.9	98.7	96.4	85.2	96.8	95.5	108.5
Imports	524.6	601.6	569.4	566.3	571.6	600.4	646.9
Balance	-394.7	-502.9	-473	-481.1	-474.8	-504.9	-538.4
Source: Israeli Central Bureau of statistics							

The Palestinian negative balance of payment in terms of its trade with Israel continued to grow during the fourth quarter of 2006. If compared to the fourth quarter of 2005 the negative balance of payments increased by 13.8 percent. In absolute terms, Israel's balance of payments with the Palestinian territory has reached a total of US$ 2 billion in 2006.

UNITED NATIONS **NATIONS UNIES**

OFFICE OF THE UNITED NATIONS SPECIAL CO-ORDINATOR

PRIVATE SECTOR AND BANKING UPDATE – APRIL 2007

- Number of Company Registrations by region and legal status
- Area licensed for Construction
- Bank Credit
- Value of loans and deposits

For further information please contact:
Ramallah: *Bushra Mukbil* mukbil@un.org
Gaza Strip: *Raed Raqeb* raqeb@un.org

Indicator	Baseline Q2-2000	Q4-2005	Q1-2006	Q2-2006	Q3-2006	Q4-2006	Q1-2007
Number of new Company Registrations (by region and legal status)							
Gaza Strip							
Private	162	25		35	11	17	46
Private Limited	46	63		54	34	31	48
Public Limited	1	1		0	0	0	0
Foreign	3	0		1	0	0	0
Total	**212**	**89**		**90**	**45**	**48**	**94**
West Bank							
Private	66						
Private Limited	163						
Public Limited	0		Data	not	(yet)	available	
Foreign	0						
Total	**229**						
Source: Ministry of Economy							

The number of new company registrations is used as a proxy indicator for the vitality of the local economy as well as the ability of the local economy to create new employment. The first quarter of 2007 figures would suggest that the slump of the second half of 2006 has been overcome with new company registrations per quarter back up to 94 (almost a 100 percent increase over the last quarter of 2006). At the same time, compared to the baseline data, new company registrations remains approximately 57 percent below pre-Intifada levels. Due to the ongoing strike in the public sector, no data was available for the West Bank.

Indicator	Baseline Aug-00	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06
Area licensed for new construction (Gaza Strip, dunums)							
Northern District	27,902	3,580	4,500	8,430	7,850	6,380	8,300
Gaza	50,116	25,605	21,335	7,245	13,120	8,760	39,635
Al Wastah	15,984	1,995	1,950	2,280	2,380	3,220	2,940
Khan Younis	51,146	4,345	5,395	4,930	5,100	10,720	11,400
Rafah	39,429	2,625	2,945	2,435	5,010	3,555	4,700
Gaza Strip Total	**184,577**	**38,150**	**36,125**	**25,320**	**33,460**	**32,635**	**66,975**
Source: Engineering Offices and Consulting Firms							

Indicator	Baseline Aug-00	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07
Area licensed for new construction (West Bank, dunums)							
Ramallah & Al- Bireh & Jerusalem		54,858	23,022	271,337	4,643	19,274	42,043
Nablus		136,504	48,854	73,885	2,209	26,508	19,991
Tulkarm		8,160	10,567	31,047	0	9,887	14,080
Hebron		15,012	16,514	94,909	2,359	15,523	23,684
Bethlehem		9,054	10,251	33,148	1,015	3,669	9,614
Jenin		4,160	9,657	27,815	582	8,272	7,914
Qalqilya		2,083	2,210	4,569	2,805	3,697	5,526
Salfit		0	0	0	4,643	19,274	42,043
Total	**345,685**	**229,831**	**121,075**	**536,710**	**13,613**	**86,830**	**122,852**
Source: Engineering Offices and Consulting Firms							

Similarly to new company registrations, the area licensed for new construction is used as a proxy indicator for economic vitality. With most economic indicators indicating an economic downturn in the occupied Palestinian territory, this indicator confirms this trend with a 46 percent decrease of the number of dunums on which new construction is licensed over the past six months in the West Bank. If compared with pre-Intifada data, both the Gaza Strip and the West Bank show a 65 percent reduction in new construction licenses.

Indicator	Baseline Q2-00	Q3-05	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06
Area licensed for new construction (by region and by type, x 1000 m^2)							
Non-residential							
West Bank	122.0	170.1	111.7	130.1	132.0	113.1	59.5
Gaza Strip	5.5	31.1	10.5	9.8	17.6	2.0	2.9
Total Palestinian territory	127.5	201.2	122.2	139.9	149.6	115.1	62.4
Residential							
West Bank	543.3	410.4	358.5	589.4	491.9	356.6	286.1
Gaza Strip	68.9	110.3	50.8	50.4	48.6	40.0	16.4
Total Palestinian territory	612.2	520.7	409.3	639.8	540.5	396.6	302.5
Source: PCBS							

If disaggregated by type, we note that the retrenchment of the construction sector in comparison with the pre-Intifada period (using data from the PCBS), is roughly equal for residential and non-residential construction.

Indicator	Baseline Jun-00	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06	Mar-07
Bank Credit							
Bank Credit by economic activity (x million US$)							
Agriculture	20	15	14	23	16	15	18
Manufacturing & Mining	123	105	109	111	111	117	113
Construction	145	189	192	208	213	209	219
General Trade	**349**	**366**	**364**	**387**	**355**	**365**	**365**
Internal Trade	*235*	*241*	*242*	*262*	*234*	*233*	*240*
External Trade	*114*	*125*	*122*	*125*	*121*	*132*	*125*
Exports	*8*	*18*	*17*	*18*	*18*	*20*	*20*
Imports	*106*	*107*	*105*	*107*	*104*	*112*	*105*
Transportation	45	72	53	53	69	46	54
Tourism, Hotels & Restaurants	33	23	23	25	24	24	26
Public Services	52	146	144	152	162	164	167
Financial Services	28	60	93	96	102	104	110
Purchase of Securities	10	3	3	3	3	3	3
Miscellaneous	429	812	831	807	835	856	842
GRAND TOTAL	**1,234**	**1,791**	**1,827**	**1,865**	**1,891**	**1,903**	**1919**
TOTAL excluding miscellaneous and public services	**752**	**833**	**851**	**906**	**893**	**883**	**910**
Bank Credit by economic activity (as percentage of total)							
Agriculture	2%	1%	1%	1%	1%	1%	1%
Industry & Mining	10%	6%	6%	6%	6%	6%	6%
Construction	12%	11%	11%	11%	11%	11%	11%
General Trade	28%	20%	20%	21%	19%	19%	19%
Transportation	4%	4%	3%	3%	4%	2%	3%
Tourism, Hotels & Restaurants	3%	1%	1%	1%	1%	1%	1%
Public Services	4%	8%	8%	8%	9%	9%	9%
Financial Services	2%	3%	5%	5%	5%	5%	6%
Purchase of Securities	1%	0%	0%	0%	0%	0%	0%
Miscellaneous	35%	45%	46%	43%	44%	45%	44%
Total	100%	100%	100%	100%	100%	100%	100%
Bank Credit by economic activity excluding miscellaneous and public services (as percentage of total)							
Agriculture	3%	2%	2%	3%	2%	2%	2%
Manufacturing and Mining	16%	13%	13%	12%	12%	13%	12%
Construction	19%	23%	23%	23%	24%	24%	24%
General Trade	46%	44%	43%	43%	40%	41%	40%
Internal Trade	*31%*	*29%*	*28%*	*29%*	*26%*	*26%*	*26%*
External Trade	*15%*	*15%*	*14%*	*14%*	*14%*	*15%*	*14%*
Exports	*1%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*
Imports	*14%*	*13%*	*12%*	*12%*	*12%*	*13%*	*12%*
Transportation	6%	9%	6%	6%	8%	5%	6%
Tourism, Hotels & Restaurants	4%	3%	3%	3%	3%	3%	3%
Financial Services	4%	7%	11%	11%	11%	12%	12%
Total	100%	100%	100%	100%	100%	100%	100%
Source: PMA							

Data on bank credit excluding the miscellaneous and public services sector indicates that intra-sectoral trends have not changed much over the past six periods (the Palestine Monetary Authority provides adjusted monthly data once per every three months). In relative terms, only the general trade sector shows a slight decrease in its use of credit while the financial services sector shows the opposite. Bank credit to the public sector has more than tripled if compared with the pre-Intifada period while the miscellaneous category (primarily encompassing credit to consumers) has doubled over the same period. If compared with the pre-Intifada period total bank credit has increased by 55 percent (the increase is only 21 percent if we exclude the public services and miscellaneous categories.

Indicator	Baseline Jun-00	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06
Bank Credit							
Bank Credit by type (x million US$)							
Loans	512	788	1,154	1,179	1,187	1,201	1,191
Overdrafts	653	998	624	638	668	680	702
Leasing	0	9	9	10	11	11	10
BA & Discounted Bills	69	4	4	0.07	0.07	0.07	0.01
Total	**1,234**	**1,798**	**1,791**	**1,827**	**1,865**	**1,891**	**1,903**
Bank Credit by type (as percentage of total)							
Loans	41%	44%	64%	65%	64%	63%	63%
Overdrafts	53%	55%	35%	35%	36%	36%	37%
Leasing	0%	0%	1%	1%	1%	1%	1%
BA & Discounted Bills	6%	0%	0%	0%	0%	0%	0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Source: PMA							

Disaggregating bank credit by the type of credit, the data shows an increasing percentage of loans as opposed to bank overdrafts with a major shift from overdrafts to loans occurring in the last quarter of 2005. Loans currently represent 63 percent of all credit extended compared to only 41 percent in the pre-Intifada period.

Indicator	Baseline Jun-00	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06
Bank Credit							
Bank Credit by borrowing entity (x million US$)							
Businesses	752	781	833	851	906	893	883
Consumers	429	874	812	831	807	835	856
Public Agencies	52	144	146	144	152	162	164
Total	**1,234**	**1,798**	**1,791**	**1,827**	**1,865**	**1,891**	**1,903**
Bank Credit by borrowing entity (as percentage of total)							
Businesses	61%	43%	47%	47%	49%	47%	46%
Consumers	35%	49%	45%	46%	43%	44%	45%
Public Agencies	4%	8%	8%	8%	8%	9%	9%
Total	100%	100%	100%	100%	100%	100%	100%
Source: PMA							

Disaggregating bank credit by the borrowing entity indicates that consumer borrowing has not significantly increased over the past 15 month period. Of specific interest here is the fact that no real increase in borrowing is registered in the months immediately following the parliamentary elections and the subsequent withholding of VAT clearance revenues by Israel resulting in the PA being unable to provide salaries. Even though one would expect a significant increase in the use of credit, particularly by consumers, this is not necessarily the case as the increase in demand for credit is not automatically followed by an increase in supply.

Indicator	Baseline Jun-00	Sep-05	Dec-05	Mar-06	Jun-06	Sep-06	Dec-06
Value of Loans and Deposits (x million US$)							
Total Loans	1,234	1,798	1,791	1,827	1,865	1,891	1,903
Total Deposits	3,328	4,638	4,607	4,512	4,390	4,514	4,657
Loans/Deposits (ratio)	**37.06%**	**38.78%**	**38.88%**	**40.49%**	**42.49%**	**41.89%**	**40.87%**
Source: PMA							

In a normal functioning economy an increase in the loans versus deposits ratio would be a good sign as monies are not saved but invested or consumed, each of which is a stimulant for the economy. In the case of Palestine, an increasing loans versus deposits ratio is more likely to signal that less monies are available for deposit while more people are relying on credit to make ends meet. The fact that banks stopped issuing loans to PA employees and instead attempted to limit their risk by withholding part of the TIM and partial salary payments to service existing loans in the later half of 2006 explains the decline in the ratio over this period.