



UNSCO Socio-Economic Report: Overview of the Palestinian Economy in Q2/2016

Economic activity

Real GDP in the occupied Palestinian territory (oPt) in Q2/2016 was 1.7% higher than in Q1/2016, driven by a 4.0% growth in the West Bank. Real GDP in Gaza contracted by 4.8% during the same period. Compared to Q2 2015, real GDP in the oPt grew by 3.9% driven by a 3.3% growth rate in the West Bank and a 5.8% growth rate in the Gaza Strip. In Q2/2016 the Gaza economy constituted about 24% of the overall Palestinian economy, down from about a third in the previous quarter, and the Strip's GDP per capita was 44% of the West Bank's, compared with about half of the West Bank's in the last quarter.

In the West Bank, between Q2/2015 and Q2/2016 there was significant expansion in real value added in financial and insurance activities (13.1%) and the transportation and storage sector (15.7%). There was significant contraction in real value added in agriculture, forestry and fishing (11.3%), construction (7.9%), and wholesale and retail trade (4.9%).

During the same period in the Gaza Strip, agriculture, forestry and fishing contracted by 25.6%, the construction sector by 11.0%, and the transportation and storage sector by 7.0%. The services sector grew by 17.4% and financial and insurance activities by 17.0%.

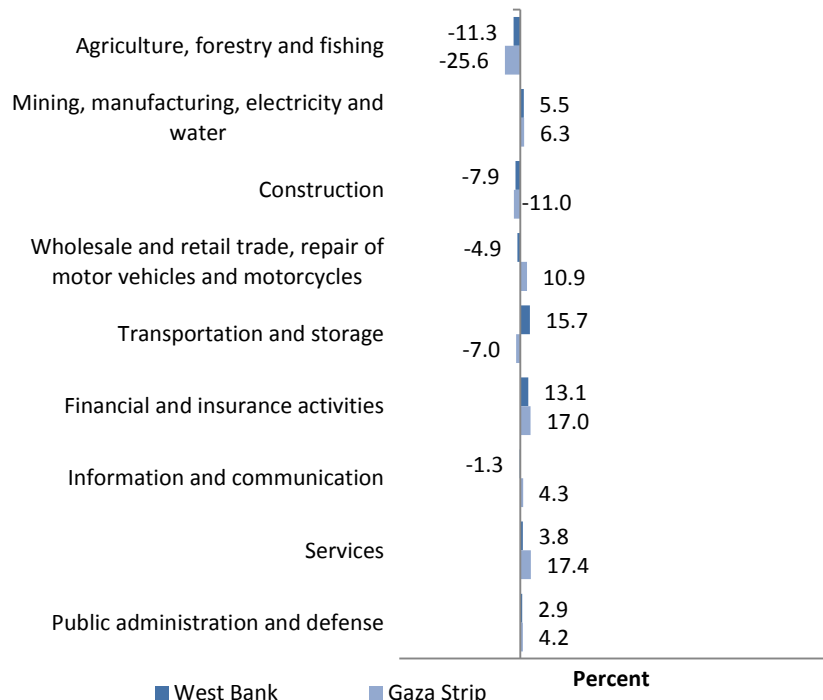
The services sector was the largest one in the West Bank economy in Q2/2016, accounting for 18.7% of GDP. This was followed by the wholesale and retail trade sector (17.1%) and

Key GDP indicators (Q2/2016)

	West Bank	Gaza Strip	oPt
Real GDP (million \$)	1550.8	484.4	2035.2
Rate of change in real GDP (quarter-on-quarter, %)	4.0	-4.8	1.7
Rate of change in real GDP (year-on-year, %)	3.3	5.8	3.9
Nominal GDP per capita (\$)	950.9	453.6	745.5

Note: Base year is 2004. Data for Q2/2016 are flash estimates.

Rate of change of real value added by economic activity (year-on-year, Q2/2016)



mining, manufacturing, electricity and water (15.3%).

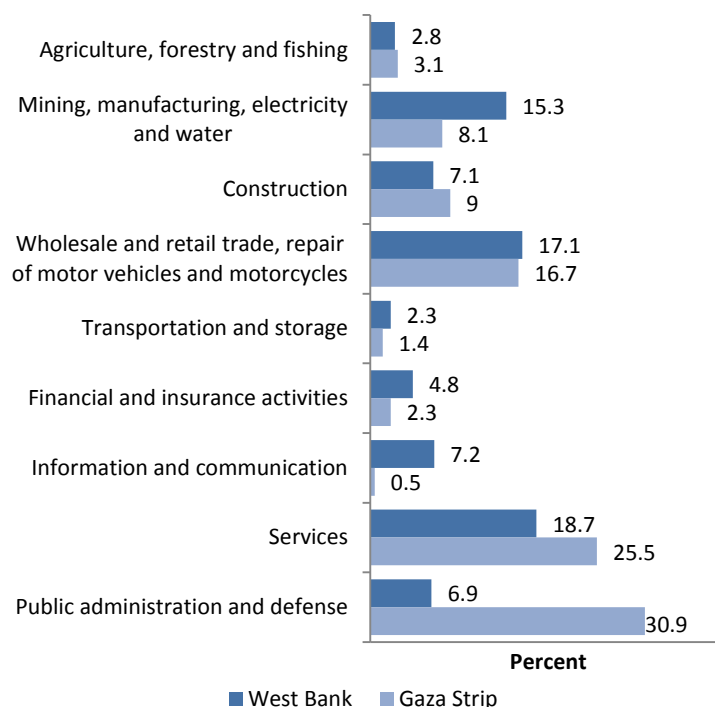
Public administration and defense continued to be the largest employers of people in Gaza, also accounting for the largest proportion of the Gaza Strip's GDP in Q2/2016, accounting for 30.9% of the total, followed by services (25.5%), and wholesale and retail trade (16.7%).

Final consumption in the West Bank was 114.5% of GDP in Q2/2016. Household final consumption constituted 91.9% of GDP while government final consumption was 21.0% of GDP. Gross capital formation accounted for 27.9% of GDP, most of it gross fixed capital formation (25.9% of GDP). Exports of goods and services from the West Bank made up 24.5% of GDP while imports represented 64.4%, resulting in a West Bank trade deficit of 39.9% of GDP in the quarter.

In the Gaza Strip, final consumption in Q2/2016 was 132.6% of GDP, household final consumption was 75.0% of GDP and government final consumption was 43.7% of GDP. Gross capital formation was 2.6% of GDP, and gross fixed capital formation, 16.1% of GDP. Exports from the Gaza Strip amounted to 3.2% of GDP while imports amounted to 35.3%, resulting in a trade deficit equal to 32.1% of GDP in Q2/2016.

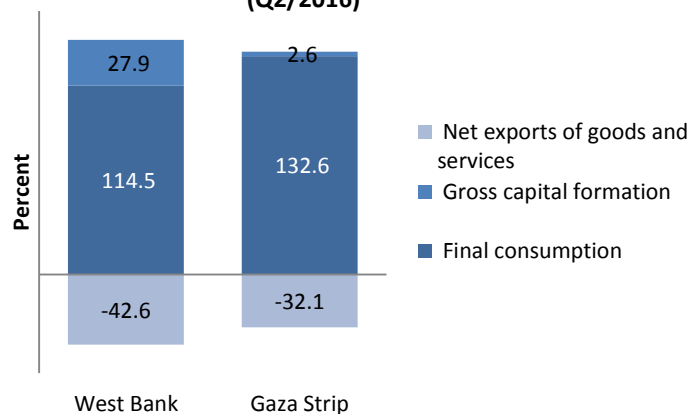
The industrial production index (IPI) increased from 101.75 in April to 107.94 in May 2016, but then fell to 102.82 in June (base year is 2015). Activity in mining and quarrying (with a share of 4.06% in the IPI) grew significantly in May and June but then contracted in July. The manufacturing Industry (with a share of 83.19% in the IPI) grew in April and May, but then contracted in June. Activity in the Water Supply, sewage, Waste Management and Remediation Activities sector (with a share of 0.78% in the IPI) contracted in April but recovered strongly in May. Activity in the

Percent contribution to real GDP by economic activity (Q2/2016)



Note: Base year is 2004. Data for Q2/2016 are flash estimates.

Percent distribution of real GDP by expenditure (Q2/2016)



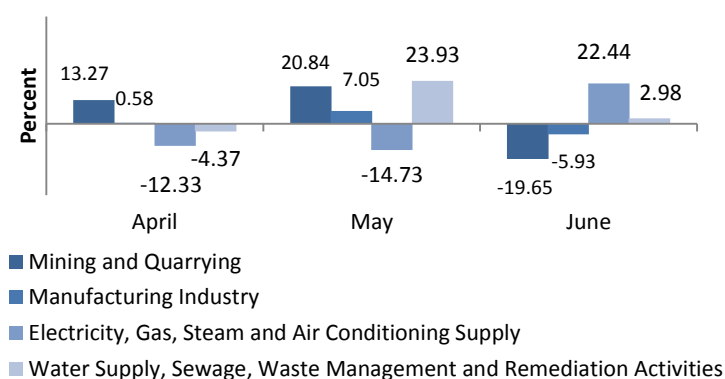
Note: Base year is 2004. Data for Q2/2016 are flash estimates.

Industrial production index (Q2/2016)

	April	May	June
Index	101.75	107.94	102.82

Electricity, Gas, Steam and Air Conditioning Supply sector (with a share of 11.98% in the IPI) decreased in April and May but grew strongly in June 2016.

Change in industrial activity by sector (% , Q2/2016)



Current account and trade

The current account deficit increased to (-) \$391.5 million or 11.6% of GDP in Q2/2016 from (-)\$277.8 million, or 8.4% of GDP, in Q1/2016. The decrease was driven primarily by the higher 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.

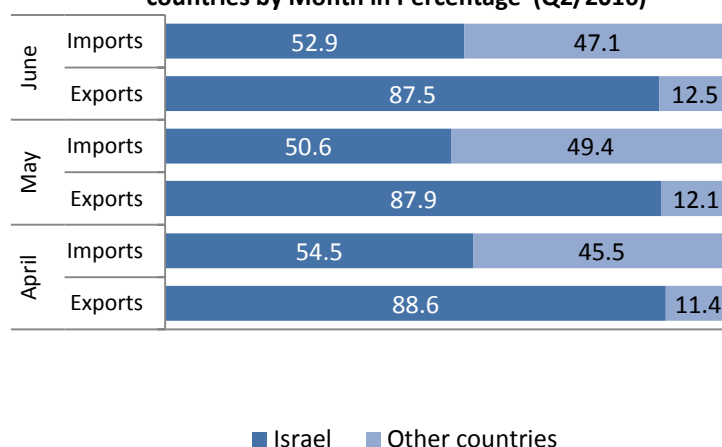
Goods exports from the Gaza Strip increased in Q2/2016. Some 105 truckloads were exported compared with 64 truckloads in Q1/2016.

Commercial transfers declined in Q2/2016 with 202 truckloads leaving the Gaza Strip for the West Bank compared with 423 truckloads in the previous quarter. Products largely consisted of produce, furniture and stationery.

Current account (Q2/2016)

Goods trade balance (million US\$)	-1300.4
Services trade balance (million US\$)	-44.6
Income balance (million US\$)	404.3
Net transfer payments (million US\$)	549.2
Current account balance (million US\$)	-391.5

Registered trade in goods to and from Israel and other countries by Month in Percentage (Q2/2016)



Exports from the Gaza Strip, by type (Q2/2016)			
	April	May	June
Sweet Peppers (tons)	1.89	--	--
Sweet potatoes (tons)	--	98.00	203.50
Chilli Pepper (tons)	1.17	--	--
Chive (tons)	0.49	1.92	1.05
Green Mint (tons)	0.98	1.20	1.15
Chervil (tons)	0.10	--	--
Tarragon (tons)	0.10	--	0.30
Lemon (tons)	374.26	435.63	45.79
Valencia orange (tons)	133.89	68.68	--
Total trucks	39	45	21

Exit To West Bank from the Gaza Strip, by type (Q2/2016)			
	April	May	June
Cucumber (tons)	91.00	59.34	14.96
Fish (tons)	1.10	--	0.60
Tomatoes (tons)	620.68	371.15	475.89
Sweet potatoes (tons)	--	7.28	90.61
Zucchini (tons)	4.20	--	1.83
Dates (tons)	--	--	1.85
Chilli Pepper (tons)	46.06	46.82	6.50
Eggplant (tons)	89.12	6.73	10.00
Sweet Peppers (tons)	16.21	91.30	6.99
Stationery (tons)	21.00	66.00	20.00
Cows leather (tons)	--	60.00	35.00
Furniture (tons)	77.00	38.00	59.00
Clothes (tons)	23.00	23.00	36.00
Total trucks	78	62	62

Exit To Israel from the Gaza Strip, by type (Q2/2016)			
	April	May	June
Eggplant (tons)	56.06	3.50	--
Tomatoes (tons)	353.44	359.16	251.63
Iron scrap (tons)	105.00	1123.00	1240.00
Aluminum scrap (tons)	--	35.00	98.00
Furniture (tons)	--	14.00	--
Total trucks	29	59	58

The private sector

The total area licensed for new construction in the West Bank in Q2/2016 was 8.6% higher than in Q2/2015. In the Gaza Strip, total area licensed for new construction was 39.3% higher than in Q2/2015.

There was a 5% increase in the total number of new company registrations in the West Bank in Q2/2016 compared to the same period last year. In the Gaza Strip the number was 10.7% lower as compared with Q2/2015.

Private sector indicators (Q2/2016)

	West Bank	Gaza Strip
Area licensed for new construction (sq. meters)	1,452,590	852,310
New company registrations	439	109

The labour market

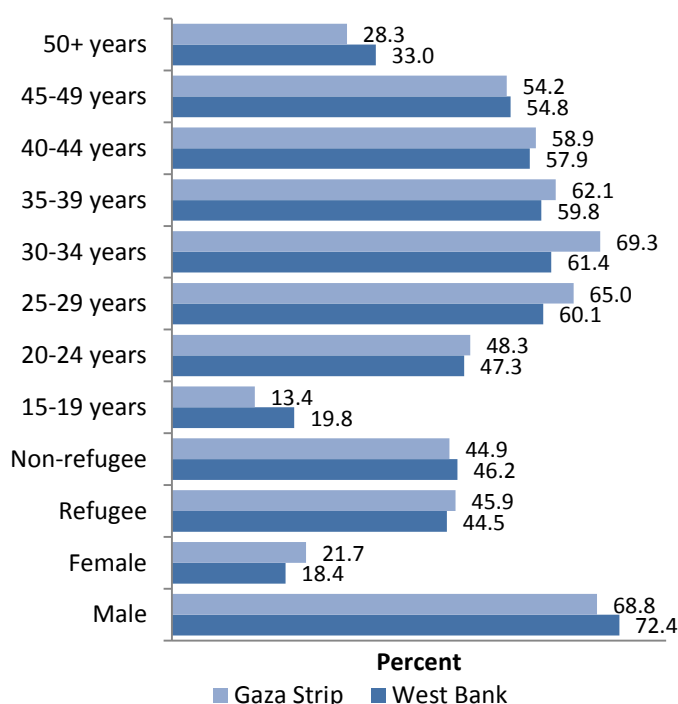
The labour force participation rate in Q2/2016 was 45.7% of those aged 15 and above, that is 1,333,800 people. The labour force participation rate similar in the West Bank (45.8%) and the Gaza Strip (45.5%). Participation in the labour force was much higher for men than for women in both regions. The labour force participation rate was relatively lower for youth, particularly those aged between 15 and 19 years of age (13.4% and 19.8% in the Gaza Strip and West Bank respectively).

The unemployment rate for Palestine increased marginally to 26.9% in Q2/2016 (26.6% in Q1/2016). The unemployment rate in the West Bank was 18.3%, 299 basis points higher than in Q2/2015. In the Gaza Strip, 41.7% of the labour force was unemployed in Q2/2016, marginally higher than a year ago.

Unemployment rates for women were higher than men in both the Gaza Strip (65.3% as compared with 34.4% for men) and West Bank (30.5% as compared with 15.3% 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 61.9% 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 Q2/2016 compared to Q1/2016 increased by 0.3 months for men but increased by 0.4 months for women in the West Bank. In Gaza, the period increased by 0.4 months for men and 0.1 month for women. On average women were likely to remain unemployed 7 months longer than men in the West Bank and 8.8 months longer than men in Gaza.

Labor force participation rate (% , Q2/2016)



Unemployment rate (% , Q2/2016)

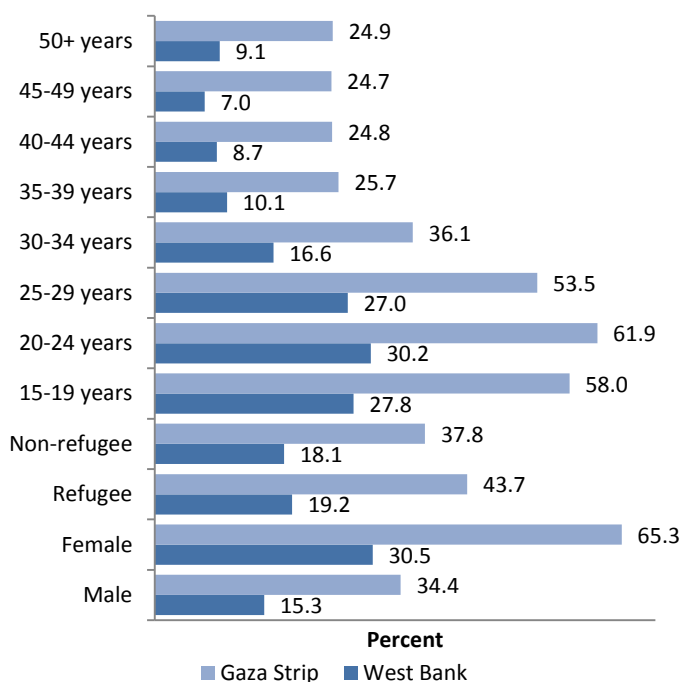
	West Bank	Gaza Strip
Narrow definition	18.3	41.7

The number of persons employed in the West Bank in Q2/2016 was lower than that in Q1/2016 by approximately 9,200. In the Gaza Strip, it was higher by 4,200. In the West Bank employment was lower in all sectors except mining, quarrying and manufacturing, and transportation, storage and communication in Q2/2016. In the Gaza Strip, employment was higher in all sectors except agriculture, fishing and forestry, and transportation, storage and communication.

In Q1 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 NIS 59.2 in Q2/2016, they received on average a daily rate of NIS 100.6 in the West Bank. Similarly, while women in the Gaza Strip made a daily wage of NIS 75.7 on average, women in the West Bank made a daily wage rate of NIS 89.5. 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 NIS 222.0 per day.

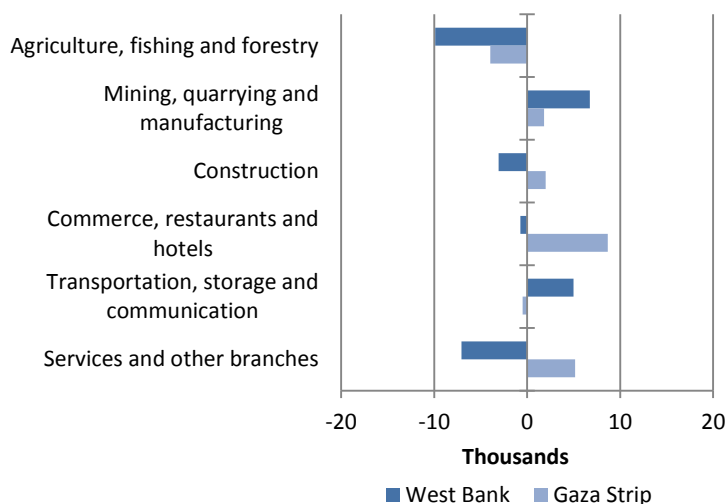
Unemployment rate (% , Q2/2016)



Average duration of unemployment (months, Q2/2016)

	West Bank	Gaza Strip
Male	4.2	14.2
Female	11.2	23.0

Change in number of employed persons by economic activity (thousands, year-on-year, Q2/2016)



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

Average daily wage (NIS, Q2/2016)

	West Bank	Gaza Strip
Male	100.6	59.2
Female	89.5	75.7
Private sector	93.2	36.6
Public sector	109.9	91.6
Israel and settlements	222.0	

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), increased in Q2/2016 compared to Q1/2016 in Gaza and East Jerusalem, but fell in the rest of the West Bank. In comparison with Q2/2015, CPI fell in the West Bank including East Jerusalem but rose in Gaza.

Change in CPI (% , Q2/2016)

	East Jerusalem	Rest of West Bank	Gaza Strip
Quarter-on-quarter	1.1	-0.4	0.6
Year-on-year	-1.2	-1.1	0.7

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

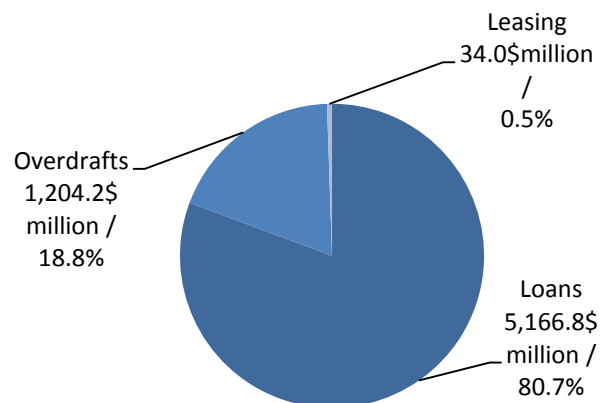
The banking sector

Bank credit in Q2/2016 increased to \$6.4 billion. Loans accounted for 80.7% bank credit, followed by overdrafts (18.8%) and leasing (0.5%).

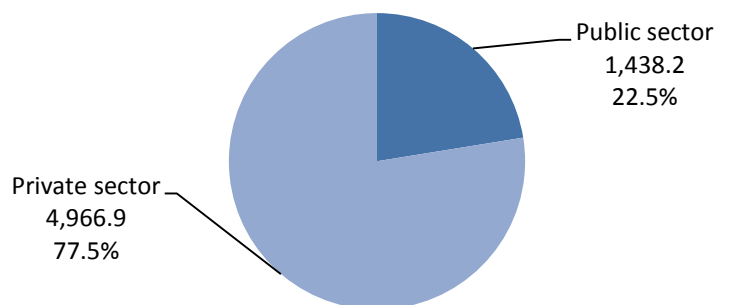
The private sector continued to be the main source of bank deposits in Q2/2016 accounting for 77.5% of the total.

These figures resulted in a loan-to-deposit ratio of 62.8% in Q2/2016, slightly higher than the 61.0% in Q1/2016.

Distribution of bank credit by type (million \$/% , Q2/2016)



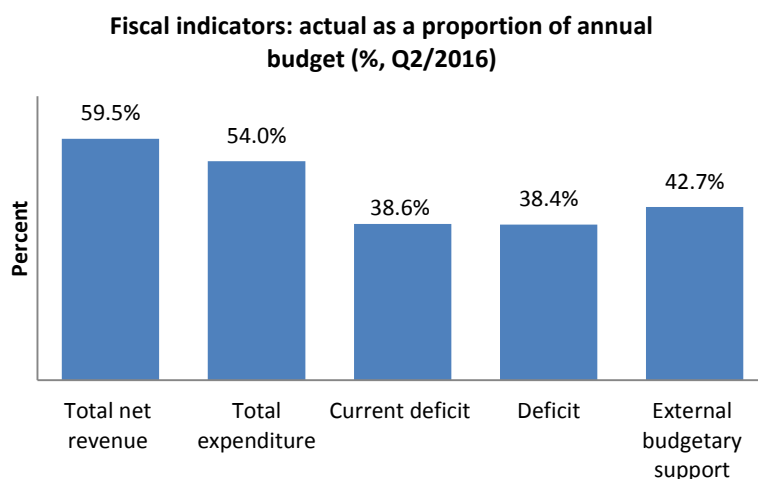
Distribution of bank deposits by sector (million \$/% , Q2/2016)



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

Fiscal operations

On commitment basis, by the end of Q2/2016, government total net revenue was 59.5% of the 11.19 billion NIS in the 2016 budget. Total expenditure was 54.0% of the NIS 15.21 billion in the budget for the year. By the end of the second quarter, the current deficit and the overall deficit had reached 38.6% and 38.4% of the annual projected amounts, respectively. External budgetary support by the end of the quarter reached 42.7% of the amount expected for the year.



Note: Data are for fiscal operations on a commitment basis. The information is up-to-date as of 29 August 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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