



Press Release

MAS Publishes the 58th issue of the Quarterly Economic Monitor

Sunday, 1 Dec 2019: The 58th issue of the Quarterly Economic Monitor has been published, which covers the economic performance of the main sectors of the Palestinian economy during the 2nd quarter of 2019. The Monitor is a quarterly publication prepared by the Palestine Economic Policy Research Institute (MAS) in cooperation with the Palestinian Central Bureau of Statistics, the Palestine Monetary Authority, and the Palestine Capital Market Authority. The Monitor has long been a regular and trusted reference, distinguished by its full coverage of indicators of the quarterly and yearly performance of the Palestinian economy, in addition to brief, in-depth research on sectoral, policy, and conceptual issues of the economy.

The most prominent economic developments in the Palestinian economy during this 2nd quarter are as follows:

Gross Domestic Product (GDP): In Q2 2019, GDP at constant prices grew by 2.5% compared to the corresponding quarter in 2018, and declined by 2% compared to the previous quarter, reaching about 3.4bn USD. This is reflected in the decline of per capita GDP by 2.6% in Palestine between the two consecutive quarters.

Employment and Unemployment: The rate of unemployment decreased by 0.8% between 2019 Q1 and Q2, and reached 26% overall (15.0% in the West Bank and 46.7% in Gaza). The average daily wage in Palestine was 127.4 NIS, with 116.6

for workers in the West Bank, 62.5 for those in Gaza, and 254.0 for those working in Israel and its *colonies*. The percentage of employees working below the minimum wage reached 27% (29% among females and 27% among males).

Public Finance: Net public revenues and grants fell by 57% in Q2 2019, compared to Q1, to 1.2bn NIS as a result of the halting of clearing revenues. Revenues of local collection fell by 42%, while grants and foreign grants doubled. On the other and, public expenditure fell by 12% to about 2.3bn NIS (cash basis). The government's arrears amounted to 1.4bn NIS, and government public debt rose by 12% compared to the previous quarter, reaching almost 9.4bn NIS.

Banking Sector: Credit facilities increased in Q2 2019 by nearly 4.3% compared to the previous quarter, reaching almost 8.9bn USD, 17% of which are to the public sector. Banks' profits in this quarter reached 36.9m USD, about 23% less than profits in the previous quarter, and 13% less compared to the corresponding quarter.

Cars: The number of new and used cars (registered for the first time) in the West Bank in Q2 2019 amounted to about 6,097. This is 333 vehicles higher than the previous quarter, or 6%.

Inflation and Prices: The Palestinian economy in Q2 2019 witnessed positive inflation (a rise in prices) by 1.54% compared to the previous quarter. Therefore, the purchasing power of the incomes of those who receive and spend their income in NIS, and those who receive their income in USD or JOD, decreased by 1.54% and 2.94% respectively.

Balance of Payments: The current deficit in Q2 2019 reached 403.1m USD (10.8% of GDP), as a result of a 1.5bn USD deficit in the trade balance, against a 631m surplus in balance of income, and a balance of current transfers at 456.3m USD.

Boxes:

The latest issue of the Quarterly Economic Monitor includes six research and economic news boxes, that dealt with a number of important economic issues in the Palestinian and international arena. The first box addresses the need for a digital revolution to increase productivity in Middle Eastern and North African (MENA) countries, based on a World Bank report on reforms needed to solve the imbalances of the balances of payments of those countries. The second box address the phenomenon of illegal trade of work permits in Israel, and shows how a big part of the profit from the trade in work permits is deducted by employers, based on a study of the topic.

The third box presents the paradox of government employment in Palestine, whereby the ratio of government employees (civil servants and security) to the population is clearly low in Palestine compared to other countries, whereas the value of the salary bill to GDP and total budget expenditure in Palestine is among the top in the world. The box also addressed the main characteristics of civil servants in Palestine according to the figures of the General Personnel Bureau.

The fourth box discussed the losses resulting from the increase in commission to transfer money to Palestine compared to other countries, which is estimated at around 80m USD annually. The fifth box addressed mandatory insurance and the role of the Capital Market Authority in raising insurance awareness. The sixth box presented the issue of whether tax allowance and customs exemptions actually lead to an increase in investment, based on international and Palestinian experiences in investment promotion laws. Finally, in the section of Economic Concepts and Definitions, the issue provides an explanation of economic clusters and development strategy of clusters. The Economic Monitor is available in hard copies, which can be

obtained from MAS, and it is also available on the web pages of the 4 partners, in both Arabic and English.

To download a copy of the [monitor](#) (currently available in Arabic only).