



Palestine Monetary Authority
(PMA)



Palestinian Central Bureau of Statistics
(PCBS)



Palestine Economic Policy Research Institute
(MAS)

Economic & Social

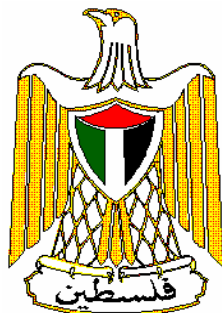
Monitor



Volume (8)
March 2007



**Palestine Monetary Authority
(PMA)**



**Palestinian Central Bureau of
Statistics (PCBS)**



**Palestine Economic Policy
Research Institute (MAS)**

*Quarterly
Economic and Social Monitor*

Volume 8

April 2007

Participated in this issue:

Dr. Fadle Mustafa Naqib (Editor)

Research Team:

From Palestine Economic Policy Research Institute (MAS)

Muhannad Hamid (Coordinator)
Hassan Ladadweh Yousef Adwan Asrar Zahran
Riyad Al-Halees Sara Al-Haj Ali

From the Palestinian Central Bureau of Statistics (PCBS):

Sufian Barghouthi (Coordinator)
Amina Khasib Ahmad Omar Saadi Al-Masri
Abdel Afu Juma' Rania Hassiba Mohammed Qalalwa

From Palestine Monetary Authority

Mohammad Aref (Coordinator)
Majdolen Farhaneh Khalida Omran

Copyright

© 2007 Palestine Economic Policy Research Institute (MAS)
P.O. Box 19111, Jerusalem and P.O. Box 2426, Ramallah
Telephone: +972-2-298-7053/4
Fax: +972-2-298-7055
e-mail: info@pal-econ.org

© 2007 Palestinian Central Bureau of Statistics
P.O. Box 1647, Ramallah
Telephone: +972-2-2406340
Fax: +972-2-2406343
e-mail: diwan@pcbs.gov.ps

© 2007 Palestine Monetary Authority
P.O. Box 452, Ramallah
Telephone: +972-2-2409920
Fax: +972-2-2409922
e-mail: info@pma-palestine.org

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photo copying, or otherwise, without the prior permission of the Palestine Economic Policy Research Institute/MAS, the Palestinian Central Bureau of Statistics and Palestine Monetary Authority.

To Order Copies

Contact the Administration on the above addresses.

This issue of the *Economic & Social Monitor* was funded by Palestine Monetary Authority, German Technical Cooperation (GTZ), and the Core Funding Group (CFG) of the PCBS

March, 2007

FOREWORD

In line with our efforts to upgrade the Monitor and in response to our readers' needs, we incorporated a number of readers' suggestions, which we hope will enhance the Monitor's content. The reader will notice the following enhancements in this particular issue of the Monitor:

- ❖ Data analysis was first conducted on annual basis and then on quarterly basis. In addition, the current period was compared to the period prior to the Intifada (1999). Annual data was illustrated in tables so researchers could use this monitor as a reference, thus eliminating the need to refer to any previous issues of the Monitor.
- ❖ An opening statement was added at the beginning of each section, which describes the overall pattern and major trends, outcomes and outlooks related to every key variable.
- ❖ The vision section was added to describe the overall situation in every quarter. This will enable the reader to review the general features and trends associated with every phase and the underlying factors that influence key variables during each particular phase. The vision includes important highlights of economic, social and political aspects and the steps required to overcome major emerging obstacles. This will facilitate the understanding of detailed analysis inside the Monitor by providing the reader with a simple and clear framework of analysis.
- ❖ National accounts section is presented in a new and extended format. This section now includes new developments in key variables: GDP, employment, inflation, public finance, etc. The section also focuses on economic structural changes through studying the contribution of various economic sectors to GDP.

In addition, this Monitor includes analysis of external trade data (2005), labor market survey and the demographic situation in the Palestinian Territory (2006).

This issue of the Monitor marks the second consecutive year since the publication of the first issue of the Quarterly Monitor. We would like to thank the multilateral research team (MAS-PCBS-PMA) for their dedication and hard work. We also welcome Dr. Fadle Mustafa Naqib who recently joined the team as the general editor of the Monitor. We will continue to welcome readers' comments and suggestions which always enhance the content and presentation of the Monitor.

Dr. Samir Abdullah
Director General
Palestine Economic Policy
Research Institute (MAS)

Luay Shabaneh
President
Palestinian Central Bureau
Of Statistics (PCBS)

Dr. George T. Abed
Governor
Palestine Monetary Authority
(PMA)

Contents

1. The Monitor's Vision	1
2. Economic Activity	1
3. The Labor Market	5
3.1 Labor Force and Labor Force Participation Rate	6
3.2 Unemployment	9
3.3 Wages and Work Hours	11
3.4 Vacancy Announcements in Local Newspapers	12
4. External Trade	13
4.1 Imports	14
4.2 Exports	14
5. Banking Developments in the Palestinian Territory	15
5.1 The Number of Banks and Bank Branches	15
5.2 Bank Assets/Liabilities	15
5.3 Credit Facilities	16
5.4 Debt Provisions	17
5.5 Foreign Investment by Banks	18
5.6 Deposits	18
5.6.1 <i>The Distribution of Clients' Deposits by Geographical Region</i>	19
5.6.2 <i>The Distribution of Deposits According to the Depositing Party</i>	19
5.6.3 <i>The Distribution of Client Deposits According to Deposit Type</i>	19
5.6.4 <i>The Distribution of Deposits by Currency Type</i>	19
5.7 Equity	20
5.8 Selected Bank Performance Indicators	21
5.8.1 <i>Capital Adequacy</i>	21
5.8.2 <i>Bad Credit Provisions to Total Credit Facility</i>	21
5.8.3 <i>Private Sector Credit Facilities to Private Sector Deposits</i>	21
5.8.4 <i>Credit Facilities to Clients' Deposits</i>	21
5.8.5 <i>Foreign Investment to Total Deposits</i>	21
5.9 Clearance Room Activities	21
5.9.1 <i>Checks Presented for Clearing</i>	22
5.9.2 <i>Bounced Checks</i>	22
5.10 Exchange Rate Spread	23
6. The Stock Market	25
7. Prices and Purchasing Power	25
7.1 Prices	26
7.2 Average Prices of Selected Essential Goods	27
7.3 Purchasing Power	28
8. Tourism	29
8.1 Hotel Activity	29

9. Infrastructure	30
9.1 Building Licenses	31
9.2 Cement Imports	31
9.3 Company Registration	31
10. Expectations of Owners and Managers of Industrial Establishments	34
10.1 Industrial Establishments' General Performance	34
10.2 Production	34
10.3 Employment	34
10.4 Financial Position and Borrowing	34
10.5 Sales, Exports and Competition	35
11. The Demographic Reality	35
11.1 Population Size and Distribution in the Palestinian Territory	35
11.2 Age Composition	36
11.3 Population Growth	37
11.4 Average Family Size	37
11.5 Marriage in the Palestinian Territory	38
11.6 Divorces in the Palestinian Territory	38
12. Education	38
12.1 Characteristics of Education in the Palestinian Territory	38
12.2 Schooling	39
13. Health Services	40
13.1 Medical Referrals for Treatment Abroad	40
13.2 Health Centers in the Palestinian Territory	41
14. Housing	42
15. Israeli Measures	43
15.1 Palestinians Killed and Injured	43
15.2 Obstacles to Movement and Transportation	43
15.3 Israeli Aggression against the Education and Health Sectors	43
15.4 Aggression against Properties and House Demolitions	43
15.5 Settlement Activities and Settlers' Aggression	43

List of tables

Table 1:	Economic Growth and Employment	2
Table 2:	Economic Indicators in the West Bank and Gaza Strip	3
Table 3:	The Percentage Contribution of Economic Activities to GDP in the Remaining West Bank and Gaza Strip (Constant prices: base year 1997)	4
Table 4:	The Percentage Contribution of Economic Activities to GDP in the Remaining West Bank and Gaza Strip (in constant prices: base year 1997): Quarterly Comparison for 2005 and 2006	5
Table 5:	Main Indicators in the Labor Market: 1999-2005	6
Table 6:	Labor Force Participation Rate for Individuals Aged 15 Years and Over in the Palestinian Territory According to Region and Sex: 1999-2006	7
Table 7:	Percentage Distribution of Employed in the Palestinian Territory According to Employment Status and Region: 1999-2006	7
Table 8:	The Percentage Contribution of Employment in the Palestinian Territory According to Region and Economic Activity; 1999-2000	8
Table 9:	The Percentage Distribution of Employment in the Palestinian Territory According to Place of Work: 1999-2000	8
Table 10:	Unemployment Rate for individuals Aged 15 Years and Over in the Palestinian Territory According to Sex and Region: 1999-2006	9
Table 11:	Total Number of Unemployed in the Palestinian Territory According to Region: 1999-2006	9
Table 12:	Unemployment Rate in the Palestinian Territory According to Sex and Age Groups: 1999-2006	10
Table 13:	Unemployment Rate in the Palestinian Territory by Sex and Schooling Years: 1999-2000	10
Table 14:	Average Weekly Work Hours, Number of Monthly Work Days and Daily Wage in Shekels for Paid Workers in the Palestinian Territory by Region: 1999-2005	11
Table 15:	The Number of Job Vacancies Advertised in Local Newspapers by Economic Sector for the 4th Quarter of 2006	12
Table 16:	The Number of Vacancy Announcements Advertised in Local Newspapers According to Academic Qualifications during the 4th Quarter, 2006	12
Table 17:	the Number of Vacancies Advertised in Local Newspapers by to Region in the 4th Quarter of 2006	13
Table 18:	The Number of Vacancies Advertised in Local Newspapers by Academic Qualification and Sectoral Distribution in the 4th Quarter of 2006	13
Table 19:	Main Foreign Trade Indicators for the Remaining West Bank and Gaza Strip in Thousands of Dollars (1995-2005)	14
Table 20:	Developments in Number of Banks and Bank-Branches in the Palestinian Territory	15
Table 21:	The Distribution of the Credit Facility Portfolio: Quarterly Analysis 2005 and 2006 (Million \$)	17
Table 22:	The Distribution of Client Deposits by Quarter for 2005 and 2006	20
Table 23:	Main Items in Banks' Consolidated Balance Sheet by Quarter: 2005-2006	20
Table 24:	Bank Performance Indicators by Quarter for 2005 and 2006	21
Table 25:	The Number and Value of Checks Presented for Clearing and the Percentage of Bounced Checks by Quarter 2005 and 2006	22
Table 26:	Dollar Exchange Rate against the Israeli Shekel in December 6, 2006	23
Table 27:	Exchange Rate for the JD against the Israeli Shekel in December 12, 2006	24

Table 28:	Euro Exchange Rate against the Shekel December 6, 2006	24
Table 29:	Changes in CPI in the Palestinian Territory by Region and Food Group in the 2nd and 3rd Quarters of 2006	27
Table 30:	Average Prices for Selected Prices of Vital Goods by Quarters; 2005 and 2006 (NIS)	28
Table 31:	Exchange Rates for the Dollar and the JD against the Shekel up to the 3rd Quarter of 2006	28
Table 32:	Developments in Purchasing Power of the Dollar and the JD in the West Bank, Gaza Strip and Jerusalem up to 3rd Quarter 2006	29
Table 33:	Building Licenses and Licensed Areas Selected Indicators in the Remaining West Bank and Gaza Strip 1999, 2005 and 2006	31
Table 34:	Quantity of Cement Imports into the Palestinian Territory for the 3rd Quarter of 2004-2006 (thousand tons)	31
Table 35:	The Distribution of Capital for New Registered Companies in the West Bank by Legal Classification during the First Three Quarters of 2006 (in JD)	33
Table 36:	The Distribution of Newly Registered Companies' Capital in the Gaza Strip by Legal Status for the First Three Quarters of 2006 (in JD)	33
Table 37:	The Proportional Distribution of the Palestinian Population by Region and Age Group, end of 2006	36
Table 38:	Illiteracy Rate in the Palestinian Territory by Type of Population Cluster, 2006	39
Table 39:	The Number of Students Attending School and Average Annual Increase: 1994/1995-2006/2007	39
Table 40:	The Number of Patients Transferred Abroad for Treatment from the Gaza Strip 2005-2006	41
Table 41:	Health Centers in the Palestinian Territory	41

List of Figures

Figure 1:	Development in Banks' Assets/Liabilities in the Palestinian Territory in 2005 and 2006	16
Figure 2:	General Trends in Credit Facilities in the Palestinian Territory	16
Figure 3:	The Distribution of Debt Provisions in the Palestinian Territory by Quarter: 2005 and 2006	18
Figure 4:	Banks' Foreign Investment by Quarter:2005 and 2006	18
Figure 5:	Trends in Client Deposits by Quarter for 2005 and 2006	19
Figure 6:	Trends in Checks Presented for Clearance by Quarters: 2005 and 2006	22
Figure 7:	Alquds Index during the 3rd and 4th Quarters of 2006	25
Figure 8:	Inflation Rate Calculated in Shekels in Jerusalem, the Remaining West Bank and the Gaza Strip in 2005 and 2006	26
Figure 9:	Developments in Purchasing Power of the JD and Dollar in the Palestinian Territory by Quarter: 2004-2006	29
Figure 10:	the Number of Operating Hotels in the Palestinian Territory during the 3rd Quarter of 2006	30
Figure 11:	The Number of Hotel Guests and Room Occupancy Rates in the Palestinian Territory by Quarters 2004-2006	30
Figure 12:	Total Capital for Newly Registered Companies in the Palestinian Territory in JD for the First Three Quarters of 2006	32
Figure 13:	The Distribution of Newly Registered Companies' Capital in the Palestinian Territory by Economic Activity for the 3rd Quarter of 2006	32
Figure 14:	the Distribution of the Palestinian Population Across the World, End of 2006	35
Figure 15:	The Distribution of Palestinians by Region and Refuges Status, end of 2006	36
Figure 16:	Median Age in the Palestinian Territory by Region 1997-2006	37

EXECUTIVE SUMMARY

Economic Activities

The value of GDP declined between the 2nd quarter and the 3rd quarter of 2006 by 8.9% to reach US\$298.2 million, GDP per capita also declined by 9.6% reaching US\$269.1. This was accompanied with distortions in the overall economic structure as the contribution of productive sectors declined in favor of the service sector.

The Labor Market

Labor force participation rate increased to 41.3% in the 3rd quarter of 2006. Female labor force participation rate also slightly increased to reach 13.9%. Unemployment rate increased notably to 24.2% with the age group 15-24 years experiencing the highest rates of unemployment. Average daily wages (for paid workers) in the West Bank rose to NIS78.2 but it decreased in the Gaza Strip to NIS68.8. Meanwhile, average daily wage for workers in Israel and the settlements increased to NIS133.1, this represents double the increase in the daily average wage level in the West Bank. Moreover, the number of advertised vacancies in local papers declined by 100 to reach 1007 advertised positions.

External Trade

A slight improvement in the volume of goods traded in 2005 was recorded compared to 2004, reaching US\$2,742 million. Trade deficit for goods increased by 4% to reach US\$2140 million. This is mainly attributed to the decline in commercial exports by 4% especially in beverages and tobacco (-37.4%) and a parallel rise in imports by 3%, namely imports of machinery and transportation equipment (22%).

The Banking Sector

The banking sector witnessed a number of positive developments during the 3rd quarter of the year: the number of bank branches increased to 148, total assets/ liabilities rose to US\$278.4 million, outstanding credit facilities rose by (1.4%) to reach US\$1890.9 million and total deposits increased by 5.6%. Nonetheless, the banking sector suffered a number of setbacks including the rise in the amount of debt that is subject to provisions, foreign investments by banks increased by 9.8% reaching US\$2349 million, the ratio of credit facilities to clients' deposits declined from 47.2% to 45.4% between the 2nd and 3rd quarter of 2006 and check processing activities (in terms of the number of checks presented for clearing) also declined.

Exchange Rate Spread

The average exchange rate spread on the US dollar, the Jordanian Dinar and the Euro declined in the Palestinian Territory. In Israel, the exchange spread for the Dinar and Euro declined while the spread on the dollar increased.

The Stock Market (PSE)

The PSE enjoyed slight improvements in its performance as measured by a number of market indicators: trading volume increased roughly by 1%, the number of traded issues rose by 15.7%, market capitalization rose by 8% and the overall market index (AI-Quds) increased by 1%.

Prices and Purchasing Power

The CPI (calculated in Israeli Shekels) increased by 0.72% during the 3rd quarter of 2006. This increase is attributed to the increase in the exchange rates for the dollar (1.64%) and the Dinar

(3.06%). As a result, the purchasing power for the dollar declined (1.36%) as well as the purchasing power for the Dinar (3.78%).

Tourism

Although the number of hotels operating in the Palestinian Territory increased to 78 by the end of the 3rd quarter, the number of hotel guests dropped by 27.2% thus causing room occupancy rates to fall by 6.4% and the number of hotel workers to drop by 5.8%.

Infrastructure

The overall conditions related to the construction sector suffered a number of setbacks during the 3rd quarter of 2006. For instance, the number of building licenses dropped by 45.8% compared to the same quarter in 2005. Moreover, cement imports dropped by 32.3% rendering cement imports at 347.1 thousand tons, and the number of new registered companies dropped by 28.9% tallying 162 at the end of the 3rd quarter.

Expectations of Owners and Managers of Industrial Establishments

Roughly, 29% of establishments' owners/managers were optimistic about the general conditions of their establishments in the short run while 45.3% of them were optimistic about the overall condition of their establishments in the medium term. About 52% of establishment owners were optimistic about improving the productive capacity of their establishments in the medium term.

The Demographic Reality

The total Palestinian population reached 10.1 million at the end of 2006 with 3.95 million living in the West Bank (63%) and Gaza Strip (37%). The natural population growth rate dropped from 3.8% in 1997 to 3.3% in 2006. This rate registered 3% in the West Bank and 3.8% in the Gaza Strip. The Average Palestinian family decreased from 6.4 members in 1997 to 6 members in 2006.

Education

Illiteracy rate for those who are 15 years and older dropped to 6.5% in 2006. However, illiteracy rate for females was notably higher (10.2%) than the rate for males (2.9%). The total number of students attending school during the school year 2006/2007 increased by 3.9% compared to the previous school year.

Health Services

Data shows a shortage in medicine in the West Bank by 23% and by 10% in the Gaza Strip during the 1st half of 2006. During the same period, access to health services deteriorated by 10%. The number of public hospitals is 24 and the number of healthcare centers numbered 654. The number of hospital beds increased by 2% in 2006 compared to the previous year. In addition, the number of physicians and healthcare workers increased respectively by 6.4% and 11.8%.

Housing Statistics

The housing density in the Palestinian Territory registered 1.8% with an average of 3.3 rooms per housing unit. Data also revealed that 47.2% of Palestinian households own a fixed telephone line, 32.8% own a personal computer and 15.9% have access to the Internet.

Israeli Measures

Israeli forces assassinated 6 Palestinian activists during the 3rd quarter of 2006. Moreover, a total of 196 martyrs and 1,010 injured were reported during the same period. Israeli settlement activities continued and 27 settlement activities were reported during the period under review.

1. The Monitor's Vision

During 2006, the growth of the world economy spilled over into Arab economies as a result of hikes in oil prices. Israel also achieved unprecedented growth rates. At the same time, the Palestinians in the West Bank and Gaza Strip endured hard economic conditions that adversely affected their welfare. The deterioration of economic conditions in the Palestinian Territory can be attributed to three factors:

- ✧ The continuation of Israeli practices including assassination and the closure of the Territory which impeded the movement of people and goods and the Israeli withholding of PNA's VAT transfers estimated at US\$600 million. In addition to this over 3,700 Palestinians were killed or injured. Overall, the Israeli measures against the Palestinian people have deprived the Palestinian people of more than 60% of their government's budget.
- ✧ The continuation of the international community's boycott of the elected Palestinian government which prevented Arab and international assistance from reaching the Palestinians.
- ✧ The failure of the Palestinian factions, namely Fatah and Hamas in reaching a political accord in order to set the national political agenda to overcome the current crisis. This, in turn, led to a political vacuum that led to chaos in the Palestinian street and consequently ignited fighting and destruction of property.

The abovementioned factors clearly inflicted their toll on the Palestinian economy as GDP per capita dropped during the 3rd quarter of 2006, reaching US\$1076.4, equivalent to less than 70% of its level in 1999. Similarly, the unemployment rate rose by 5.5% compared to the previous quarter reaching 24.2%. Such setbacks naturally led to increases in poverty; over 60% of the population is regarded poor.

In general, the Palestinian economy during the 3rd quarter of 2006 could best be described as a besieged one that is afflicted by war and disturbances. It suffices to say that the government's failure to pay public employees' salaries and the strikes and protests that came out of this severely disrupted economic development.

It is clear that stopping this overall deterioration in the economic situation will not be realized unless a radical change in the political situation takes place including an end to the occupation and the creation of a Palestinian state according to UN resolutions. Moreover, the Palestinian home front needs to be organized and priorities need to be set, particularly regarding the reaching of a broad consensus on a unified national agenda to end the fighting, the deterioration of the security situation and the international boycott of the Palestinians. This needs to be done in a way that allows the PNA to adopt an economic recovery program that centers on the following priorities:

- ✧ Studying all aspects of the Palestinian experience, particularly that of the PNA from 1994 onwards and drawing lessons that will assist in the forging of a new and realistic national project for development.
- ✧ Combating poverty and unemployment by means of implementing relief projects that are organically tied with the national priorities for development.
- ✧ Openness to the Arab and international markets with the goal of gradually decreasing reliance on the Israeli market.

2. Economic Activity

The years 2001 and 2002 witnessed a large deterioration in economic activity mainly due to Israeli measures that culminated in the re-occupation of the West Bank. However, this deterioration stopped by the end of 2003, and the years 2004 and 2005 registered relatively high growth rates (see table 1). This growth was expected to continue in such a way that allowed for the restoration

of economic activity to its 1999 level. Unfortunately, in 2006, economic activity declined substantially due to the Israeli withholding of Palestinian VAT transfers, an action which prevented the PNA's payment of public employee salaries for several months. Moreover, the international boycott of the Palestinian government prevented banks from processing transfers from Arab and international donors to the Ministry of Finance. This gloomy background caused a substantial reduction in economic activity as GDP per capita declined in 2006 by 8.5% from its level in the previous year, thus reaching 69% of its level in 1999.

Table 1: Economic Growth and Employment

Indicator	1999	2002	2003	2004	2005	2006***
GDP in constant prices (million \$)	5095	4169.3	4010.8	4131.2	4456.4	4221.5
GDP per capita (\$)	1687.3	1203.4	1184.8	1217.8	1268.2	1164.9
Average growth rate (GDP per capita)*	1.4	(8.6)**	(1.6)	2.7	4.1	(8.5)
Unemployment Rate (%)	11.8	31.3	25.6	26.8	23.5	24.2

* Numbers in parentheses are negative.

** Growth rate compared to 2001.

*** GDP and GDP per capita for 2006 are estimated based on average for the three quarters multiplied by 4

As a result, public revenue declined by 14.5% in the 3rd quarter compared to the previous quarter with a concurrent increase in public expenditure by 11.5%. The decline in revenues and increase in expenditure ultimately led to an increase in public deficit by US\$65 million. Alternatively, public deficit increased by 16.3% over the previous quarter with total public deficit amounting to US\$339.8 million during the first three quarters of 2006.

Such a huge deterioration in economic activity produces certain classical features which are found in economies afflicted by wars, conflicts and long term uncertainty. The following are a few such classical features:

- ✧ High unemployment and poverty rates that threaten the social fabric of the country.
- ✧ Distortions in the economic structure towards an increase in the economic activities that cater to basic needs. These economies suffer from structural changes in the industrial base towards the production of low-value low-wage manufacturing.
- ✧ The mobility of many workers from the formal sector into the informal sector.
- ✧ Widening income and consumption gaps in favor of the rich and wealthy accompanied by an increase in the marginalization of the poor.

Table 2: Economic Indicators in the West Bank and Gaza Strip

Indicator	1999	2002	2003	2004	2005	Q1,2006	Q2, 2006	Q3, 2006
GDP in constant prices (Million US\$)	5095	4169.3	4010.8	4131.2	4456.4	1101.1	1077.9	982.3
GDP per capita in constant prices (\$)	1617.2	1203.4	1184.8	1217.8	1268.2	305.5	297.7	269.1
Final Consumption Expenditure	4786.6	4284.8	4128.1					
Aggregate Investment (Million \$)	2162.4	727.2	1126.3					
Government Expenditure (Million \$)	1062.2	1222.9	1127.2					
Net Foreign Trade (Million \$)	-3127.9	-2050.1	-2487.1	-1843				
Total Imports (Million \$)	4081.7	2615.1	2929.9	2292				
Total Exports (Million \$)	953.8	565	442.8	449				
GNI in constant prices (Million \$)	5842.6	4570.7	4372.5					
GNI per capita in constant prices (\$)	1934.8	1319.3	1291.6					
Employment (in thousands)	588.3	487.1	590.7	604	633	621	662	664.3
Total employment in the local economy (in thousands)	453.6	436.9	533.4	550	570.3	560	604	594.5
Total employment in Israel (in thousands)	134.7	50.2	57.3	54	62.6	61	58	69.8
Labor force participation Rate (%)	41.6	38.1	40.4	40.5	40.7	40.0	40.9	41.3
Unemployment rate (ILO definition)	11.8	31.3	25.6	26.8	23.5	25.3	22.9	24.2
Inflation rate (Shekels)	5.54	5.7	4.4	3	3.471	0.95	0.73	0.72
Poverty rate (As a percentage of the population)	21	60	72	61				
Public revenues (Million \$)	1136.2	392.34	676.24	947.3	1271.57	167.4	85.5	54.9
Public expenditure (Million \$)	1215.81	1082.7	1156.86	1511.59	1866.5	403.37	404.03	454.74
Budget Surplus/ deficit before grants (Million \$)	-314.61	-690.63	-480.62	-564.29	-594.9	-236	-318.53	-399.84
Budget Surplus/ deficit after grants (Million \$)	-79.61	-171.66	42.8	-22.01	148.78	14.8	61.69	71.58
Disbursed International Aid (Million \$)	523.9	966.1	1045.5	925	955	-	-	
Public debt (Million \$)	286.62	950.0	987.1	1009.9	1047.6	-	-	
Banks' Deposits (Million \$)	2832	3430.1	3624.39	3957.76	4331.31	4468	4319.1	4560.6
Banks' Credit facilities (Million \$)	1005.46	950.25	1065.70	1420.33	1712	1827.1	1865.32	1890.8

These features have characterized the Palestinian economy since 2001. However, they started to disappear in 2004 and 2005 as the economy rebounded, only to reappear again in 2006. This is particularly true in the 3rd quarter, with the advent of the internal Palestinian conflict between Fatah and Hamas which magnified the already miserable conditions imposed by the occupation.

A quick scanning of table 2 reveals the degree of deterioration in the 3rd quarter compared to the earlier two quarters of the year as reflected in certain economic indicators; the following are the most noticeable:

- ✧ GDP dropped by 1.3% in the 2nd quarter and 8.9% in the 3rd quarter.
- ✧ GDP per capita declined in the 2nd quarter by 1.7% and by 9.6% in the 3rd quarter.
- ✧ Unemployment rate decreased by 9.9% in the 2nd quarter but increased by 5.5% in the 3rd quarter.

The distortions that afflicted the economic structure were exemplified by the decline in the contribution of productive sectors including the manufacturing, agriculture, and construction sectors in favor of the advancement in the service sectors, namely public administration and commercial services (See table 3).

**Table 3: The Percentage Contribution of Economic Activities
to GDP in the Remaining West Bank and Gaza Strip
(Constant prices: base year 1997)**

Economic Activity	1999	2002	2003	2004	2005*
Agriculture and Fishing	10.4	7.6	7.8	7.5	7.0
Manufacturing, water and electricity	14.6	16.3	13.3	13.2	12.7
Manufacturing and Mining	0.8	0.9	0.4	0.4	0.4
Transformational manufacturing	12.6	13.4	11.3	11.2	10.7
Water and Electric supplies	1.2	2.0	1.6	1.6	1.6
Construction	13.7	1.9	2.4	2.4	2.7
Retail and Wholesale	11.9	9.8	8.5	8.5	8.4
Transportation, storage and telecom.	5.1	9.8	9.8	10.5	10.4
Financial intermediation	3.7	4.2	4.0	4.0	4.2
Services	21.8	25.2	25.2	24.6	24
Real estate	9.8	11.0	10.1	10.1	10
Communal and social services	0.6	0.9	1.1	1.0	1.0
Hotels and restaurants	2.8	1.7	1.5	1.5	1.5
education	5.8	8.1	7.9	7.6	7.7
Health and social work	2.8	3.5	4.6	4.4	4.5
Public administration and defense	11.0	16.3	17.4	17.3	17.9
Domestic services	0.2	0.2	0.2	0.2	0.2
Subtract: financial intermediation (with indirect clearing	-2.8	-3.1	-3.0	-2.9	-3.1
Add: Customs duties	4.7	2.2	6.6	6.5	6.5
Add: Net VAT from imports	5.7	9.6	7.8	8.2	8.4
GDP (%)	100	100	100	100	100
GDP (Million \$)	4511.7	3556.4	3995.0	4247.7	4456.4

Source: PCBS, National Accounts.

* 3rd revision.

Table 4 provides a detailed picture of the variations in the contributions by different sectors between 2005 and 2006, in addition to the changes that took place between the first three quarters of 2006.

**Table 4: The Percentage Contribution of Economic Activities to GDP
in the Remaining West Bank and Gaza Strip (in constant prices:
base year 1997): Quarterly Comparison for 2005 and 2006**

Economic Activities	2005				2006		
	Q1	Q2	Q3	Q4	Q1*	Q2**	Q3***
Agriculture and Fishing	6.2	8.1	7.3	6.5	6.1	7.8	7.7
Manufacturing, water and electricity	13.8	13.3	12.4	11.3	10.9	10.6	11.8
Manufacturing and Mining	0.4	0.4	0.4	0.4	0.4	0.4	0.5
Transformational manufacturing	11.7	11.2	10.5	9.5	9.1	8.9	9.8
Water and Electric supplies	1.7	1.7	1.5	1.4	1.4	1.3	1.5
Construction	2.3	3.1	2.8	2.4	2.5	2.5	2.5
Retail and Wholesale	8.0	8.9	8.8	7.9	8.4	8.6	10.4
Transportation, storage and telecom.	11.2	10.8	9.8	9.7	11.3	10.8	11.9
Financial intermediation	4.0	4.3	4.2	4.3	4.4	4.4	4.9
Services	25.4	24.7	24.4	24.2	26.1	28.3	26.9
Real estate	10.5	10.2	10.3	9.1	10.1	10.3	11.4
Communal and social services	1.1	1.0	0.9	0.9	1.0	1.0	1.1
Hotels and restaurants	1.7	1.5	1.4	1.5	1.6	2.2	1.5
education	7.5	7.7	7.8	7.7	8.4	8.9	7.8
Health and social work	4.6	4.3	4.0	5	5.0	5.9	5.1
Public administration and defense	17.0	16.8	18.0	19.5	21.7	22.2	19.5
Domestic services	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Subtract: financial intermediation (with indirect clearing	-3.1	-3.3	-3.1	-3	-3.2	-3.2	-3.5
Add: Customs duties	6.3	6.2	6.5	7.1	5.4	4.1	4.1
Add: Net VAT from imports	8.7	6.9	8.5	9.9	6.2	3.7	3.6
GDP (%)	100	100	100	100	100	100	100
GDP (million \$)	1,045.1	1,065.0	1,160.0	1,186.3	1,092.5	1,077.9	982.3

Source: PCBS, National Accounts.

* Second revision data.

** First revision data.

*** Preliminary estimates.

3. The Labor Market

It is well recognized that the Palestinian labor market suffered extensively from imbalances between supply and demand under the occupation. This was evidenced by the growth in the number of workers which was too large for the absorptive capacity of the local Palestinian economy. In the seventies and eighties, the surplus was usually absorbed by the Israeli market and GCC countries. In the early nineties, the situation changed considerably, especially with the advent of the first Gulf War (1990) which forced many Palestinians to abandon their homes in Kuwait and return to the West Bank and Gaza Strip. To complicate matters even further, Israel started reducing the number of Palestinian workers who were allowed to work in Israel and the settlements.

During the years from 1994 to 2000, there was a limited conditioning attempt in the local market especially in the public sector. Also Israel allowed an increasing number of workers to work in Israel in 1998, 1999 and 2000. However, with the outbreak of the second Intifada, all conditioning

measures designed to absorb more employment were halted. Consequently the imbalance in the labor market was exacerbated because of the relatively large decline in economic activity that stemmed directly from the Israeli closure of the Palestinian Territory and the construction of the separation barrier.

Table 5 illustrates the average growth in Palestinian manpower over the past seven years which was higher than the comparable rate in the labor force. This means that the labor force participation rate (LFPR) declined. The table also reveals that the average increase in the labor force was higher than the average increase in employment, which indicates that unemployment was also increasing (an average annual increase of 11.4%). Moreover, the rate of employment in the public sector was relatively higher than in the private sector.

In this section we will detail conditions of the Palestinian labor market and we will compare the conditions during the early period of the second Intifada (3rd quarter of 2000) with conditions in the 3rd quarter of 2006. In addition, the 3rd quarter will be compared with the 2nd quarter of 2006 in order to assess trends in the labor market in the short and long terms.

Table 5: Main Indicators in the Labor Market: 1999-2005

Indicator	1999	2002	2003	2004	2005
Manpower (15 years and over) (in thousands)	1604.0	1822.0	1881.0	1954.0	2031.0
Labor force (employed and unemployed) (in thousands)	667.0	694.0	750.0	790.0	827.0
◇ Employed	588.0	477.0	564.0	578.0	633.0
◇ Percentage employment in the private sector	59%	66.1%	69.6%	68.8%	67.1%
◇ Percentage employment in the public sector	18%	23.6%	20.7%	22.5%	23.0%
◇ Percentage employment in Israel and the settlements	23%	10.3%	9.7%	8.7%	9.9%
Unemployment rate (%)	11.8%	31.3%	25.6%	26.8%	35%

Source: PCBS, Labor force Survey, various years.

3.1 Labor Force and Labor Force Participation Rate

It is well known that labor force participation rate grew substantially during the early nineties. After registering a rate of 40% in the eighties, the labor force participation rate reached 44% in 1993; however, the local market's inability to absorb high numbers of workers caused many to withdraw from the market and the LFPR decreased in the nineties. After a slight increase in 2000 (to 41.5%), LFPR dropped again during the Intifada period, reaching 38.1% in 2003. LFPR eventually improved again in 2004 and 2005. Regarding quarterly comparisons, data shows that LFPR reached 41.3% during the 3rd quarter of 2006, this is higher than its level in the 2nd quarter of the same year but lower than its level during the early phase of the Intifada (see table 6). Nonetheless, the population increase during the past seven years offset this LFPR increase and therefore it can be observed that the number of employed in the 3rd quarter surpassed the number before the Intifada, with an increase from 597 thousand workers in 2000 to 664 thousand in 2006.

Table 6: Labor Force Participation Rate for Individuals Aged 15 Years and Over in the Palestinian Territory According to Region and Sex: 1999-2006

Region and Sex	1999	2000	2001	2002	2003	2004	2005	Q3/2000	Q2/2006	Q3/2006
Both Sexes										
West Bank	43.4		41.5	40.0	41.8	42.5	42.9	45.3	43.7	44.6
Gaza Strip	38.0	37.5	33.3	34.4	37.5	36.4	36.7	40.1	35.7	35.3
Palestinian Territory		41.5	38.7	38.1	40.3	40.4	40.7	43.5	40.9	41.3
Males										
West Bank	72.4	73.0	70.5	67.1	68.5	68.7	69.5	75.2	69.6	71.6
Gaza Strip	67.4	64.2	59.4	62.2	65.4	63.5	63.9	68.4	63.9	62.3
Palestinian Territory	70.7	70.1	66.8	65.4	67.5	66.9	67.6	72.9	67.6	68.3
Females										
West Bank	14.1	13.8	12.0	12.4	14.7	15.9	15.8	15.0	17.2	17.1
Gaza Strip	8.8	10.6	7.1	6.5	9.2		9.0	11.7	7.2	7.8
Palestinian Territory	12.3	12.7	10.3	10.4	12.8	13.5	13.4	13.8	13.7	13.9

Source: PCBS, Labor force Survey, various years.

The abovementioned changes were associated with the following conditioning dynamics:

- ✧ There has been an important change along gender lines; although LFPR for males in the present time is less than its level prior to the Intifada, female LFPR increased. This is primarily accredited to an increase in the West Bank (actually the rate in Gaza declined) as women were increasingly entering the labor market to compensate for the lost income of their male relatives (see table 6).
- ✧ Another change is related to workers' employment status. Table 7 shows that the percentage of those employed in establishments that they own or part-own and which do not employ any other workers increased substantially. This increase was concurrent with a decrease in the rate of paid workers.
- ✧ Another change in the labor market was associated with the change of employment within economic sectors. A comparison of the contribution of economic sectors prior to the Intifada with that of the current period shows a large contribution by the service sector and a slight increase in the agricultural sector. However, the contribution of the agricultural sector was almost halved compared to the pre-Intifada period. Similarly, the contribution of mining, stone and manufacturing also declined (see table 8).

Table 7: Percentage Distribution of Employed in the Palestinian Territory According to Employment Status and Region: 1999-2006

Region and employment	1999	2000	2001	2002	2003	2004	2005	Q3/2000	Q2/2006	Q3/2006
West Bank										
Establishment owner	6.6	5.1	4.6	4.1	4.1	5.0	5.0	4.6	4.7	5.0
Self-employed	18.6	20.6	25.6	27.8	29.3	28.1	27.6	19.9	28.6	26.7
Paid worker	66.5	64.7	60.1	57.5	55.3	55.1	56.4	66.2	56.0	55.9
Unpaid- family member	8.3	9.6	9.7	10.6	11.3	11.8	11.0	9.3	10.7	12.4
Gaza Strip										
Establishment owner	2.8	3.3	5.0	2.6	2.2	1.9	2.6	4.0	3.0	3.7
Self-employed	19.1	17.2	19.5	24.3	24.5	22.2	22.4	13.6	21.0	19.9
Paid worker	71.1	69.5	67.7	63.6	61.7	66.5	67.1	71.0	69.8	70.6
Unpaid- family member	7.0	10.0	7.8	9.5	11.6	9.4	7.9	11.4	6.2	5.8
Palestinian Territory										
Establishment owner	5.5	4.6	4.7	3.7	3.5	4.1	4.3	4.4	4.3	4.7
Self-employed	18.7	19.6	24.0	26.8	27.8	26.5	26.1	18.1	26.6	25.0
Paid worker	67.8	66.1	62.1	59.2	57.2	58.3	59.5	67.6	59.6	59.6
Unpaid- family member	8.0	9.7	9.2	10.3	11.5	11.1	10.1	9.9	9.5	10.7

Source: PCBS, Labor force Survey, various years.

It is well documented that these changes came about as a direct result of the Israeli closure of the Palestinian Territory, which intensified in the period 2001-2004. These effects, however, started to decline in 2005. It is also noticeable that such effects occurred at a faster pace in the West Bank compared to the Gaza Strip.

Table 8: The Percentage Contribution of Employment in the Palestinian Territory According to Region and Economic Activity; 1999-2000

Economic Activity and region	1999	2000	2001	2002	2003	2004	2005	Q3/2000	Q2/2006	Q3/2006
Palestinian territory										
Agriculture and fishing	12.6	13.7	11.7	14.9	15.7	15.9	14.6	12.7	15.2	13.7
Manufacturing, mining and transformational manufacturing	15.5	14.3	13.9	12.9	12.5	12.7	13.0	15.0	12.3	13.5
Construction	22.1	19.7	14.5	10.9	13.1	11.7	12.9	21.7	11.5	11.4
Services and other	28.1	29.9	34.6	35.7	32.8	34.9	34.4	28.6	36.1	35.1
West Bank										
Agriculture and fishing	11.5	12.5	12.1	14.1	14.9	16.9	15.7	11.7	16.8	15.1
Manufacturing, mining and transformational manufacturing	16.5	15.4	15.5	14.5	14.0	14.0	14.8	16.1	14.7	16.1
Construction	23.9	22.2	18.2	12.7	14.3	13.0	14.4	24.2	13.4	13.7
Services and other	24.7	25.5	28.0	31.1	29.4	29.5	28.5	24.6	29.6	28.2
Gaza Strip										
Agriculture and fishing	15.2	16.5	11.6	16.6	17.4	13.4	11.7	16.2	10.7	9.2
Manufacturing, mining and transformational manufacturing	13.1	11.5	9.7	8.9	9.2	9.1	8.3	12.3	5.7	5.7
Construction	17.8	13.5	4.4	6.3	10.4	8.2	9.3	15.9	6.1	4.6
Services and other	36.5	41.0	53.3	47.6	40.9	49.1	49.4	38.0	54.1	56.3

Source: PCBS, Labor force Survey, various years.

It is only natural that such structural changes would lead to changes in the distribution of workers in the West Bank and Gaza Strip, especially as each region was affected by the Intifada in a different way. Therefore, the conditioning dynamics were different in the West Bank and the Gaza Strip, particularly after Israel unilaterally disengaged from Gaza only to impose a complete closure of the Gaza Strip (land, air and sea). Table 9 shows that the West Bank's share of the total employment in the Palestinian Territory increased by 17% between the 3rd quarter of 2000 and the same quarter of 2006, whilst the increase in the Gaza Strip during the same period was just 5%. Nonetheless, this increase in both regions was not sufficient to compensate for the loss of employment in Israel and therefore the unemployment rate increased in both regions, as will be detailed in the following section.

Table 9: The Percentage Distribution of Employment in the Palestinian Territory According to Place of Work: 1999-2000

Place of Work	1999	2000	2001	2002	2003	2004	2005	Q3/2000	Q2/2006	Q3/2006
West Bank	52.9	56.0	61.4	62.7	60.9	64.1	61.7	54.1	65.1	64.4
Gaza Strip	24.2	24.4	24.8	27.0	29.4		28.4	23.8	26.2	25.1
Israel & Settlements	22.9	19.6	13.8	10.3	9.7	8.7	9.9	22.1	8.7	10.5

Source: PCBS, Labor force Survey, various years.

3.2 Unemployment

The problem of unemployment started to surface in the early nineties, reaching as high as 24% in 1996. The situation deteriorated during the second Intifada as unemployment increased to reach 31.3% in 2002. It then slightly declined by the end of 2003 as a result of improved economic activity, ultimately falling to 25.3% by the end of 2005. Unfortunately, these positive developments in unemployment did not continue in 2006 due to the international boycott of the Palestinian government. A comparison of unemployment in the 3rd quarter of 2006 with the same quarter of 2000 shows that the increase is more than double and that the unemployment rate in the 3rd quarter is higher in comparison to the previous quarter of the same year (see table 10).

Table 10: Unemployment Rate for individuals Aged 15 Years and Over in the Palestinian Territory According to Sex and Region: 1999-2006

Region and Sex	1999	2000	2001	2002	2003	2004	2005	Q3/2000	Q2/2006	Q3/2006
Palestinian Territory										
Males	11.6	14.7	26.9	33.5	26.9	28.1	23.7	9.5	23.7	24.2
Females	13.0	12.3	14.0	17.0	18.5	20.1	22.3	12.6	19.1	24.5
Total	11.8		25.2	31.3	25.6	26.8	23.5	10.0	22.9	24.2
West Bank										
Males	9.2	12.8	23.3	30.9	25.5	24.3	20.8	6.8	18.3	18.5
Females	11.1	9.9	10.9	14.0	15.8	16.6	18.3	10.9	16.9	21.6
Total	9.5	12.1	21.5	28.2	23.8	22.9	20.3	7.5	18.0	19.1
Gaza Strip										
Males	16.6	19.0	35.3	39.1	29.6	35.9	29.6	15.3	34.6	36.3
Females	19.3	18.5	24.2	28.4	26.8	31.6	35.2	17.1	29.0	36.5
Total	16.9	18.7	34.2	38.1	29.2	35.4	30.3	15.5	34.0	36.3

Source: PCBS, Labor force Survey, various years.

Table 11: Total Number of Unemployed in the Palestinian Territory According to Region: 1999-2006

Region	1999	2000	2001	2002	2003	2004	2005	Q3/2000	Q2/2006	Q3/2006
West Bank	44,000	59,364	102,465	135,292	12,2924	124,418	115,417	38,000	107,600	117,200
Gaza Strip	35,000	40,166	67,612	81,757	70,919	87,155	78,606	35,000	89,400	95,200
Palestinian territory	79,000	99,530	170,078	217,049	193,843	211,573	194,023	73,000	197,000	212,400

Source: PCBS, Labor force Survey, various years.

Characteristics of unemployment in the current period:

- ✧ The highest rate of unemployment is found among the youth, particularly the 15-24 age groups (see table 12).
- ✧ There is a fundamental difference between male and female unemployment rates particularly with regard to years of schooling. The unemployment rate for individuals having 13 years or more of schooling was higher for females than males. Actually, this difference has existed in the Palestinian labor market for some time which indicates that female labor force participation is increasing by a higher rate than the average increase in the demand for females in the labor market (see table 13).

**Table 12: Unemployment Rate in the Palestinian Territory
According to Sex and Age Groups: 1999-2006**

Age group & Sex	1999	2000	2001	2002	2003	2004	2005	Q3/2000	Q2/2006	Q3/2006
Both Sexes										
24-15	17.3	20.0	35.6	48.2	38.4	39.8	36.4	14.1	33.7	36.7
34-25	11.4	14.7	24.9	36.6	24.1	25.1	22.0	11.4	22.6	23.5
44-35	9.0	11.0	22.2	37.2	21.6	22.2	18.6	6.5	18.5	19.3
54-45	8.8	9.2	18.7	30.5	19.0	22.2	19.1	6.7	19.4	19.0
+55	5.9	5.9	12.5	27.7	13.2	15.1	12.1	3.6	11.3	10.8
Total	11.8	14.1	25.5	38.0	25.6	26.8	23.5	10.0	22.9	24.2
Males										
24-15	16.9	19.6	36.2	47.0	38.3	38.9	34.8	13.0	33.3	34.1
34-25	10.5	14.3	26.4	37.4	25.1	26.1	21.3	9.9	22.5	22.6
44-35	8.8	12.0	24.7	39.7	23.6	24.4	19.7	6.7	19.7	20.6
54-45	9.6	10.5	21.3	32.2	21.3	25.4	21.9	7.6	22.2	21.7
+55	6.9	7.3	14.7	30.0	15.5	17.8	14.3	4.4	13.1	12.7
Total	11.6	14.4	27.3	39.0	26.9	28.1	23.7	9.5	23.7	24.2
Females										
24-15	20.6	22.9	30.7	59.7	39.1	44.8	46.1	22.1	36.2	52.8
34-25	16.1	17.1	15.4	28.9	19.4	20.6	25.5	19.0	22.7	27.7
44-35	9.8	6.2	7.5	14.1	10.8	11.5	13.2	5.4	12.4	13.3
54-45	5.2	2.4	3.7	10.9	6.5	5.0	4.2	2.5	5.4	5.5
+55	1.8	0.7	0.6	1.5	1.3	1.2	1.9	0.8	2.0	-
Total	13.0	12.3	14.1	28.4	18.6	20.1	22.3	12.6	19.1	24.5

Source: PCBS, Labor force Survey, various years.

**Table 13: Unemployment Rate in the Palestinian Territory by Sex
and Schooling Years: 1999-2000**

Number of school years and Sex	1999	2000	2001	2002	2003	2004	2005	Q3/2000	Q2/2006	Q3/2006
Both Sexes										
0	5.4	5.7	12.2	17.4	12.4	14.1	8.0	3.3	7.4	9.4
6-1	12.2	16.0	31.1	37.9	28.8	31.3	26.2	11.0	25.8	28.1
9-7	11.9	15.3	29.8	37.3	28.9	29.6	24.8	9.5	24.3	25.8
12-10	11.7	14.0	27.4	33.6	26.8	27.8	23.5	8.6	23.1	23.6
+13	12.5	12.8	16.3	18.9	19.9	21.3	21.8	12.8	21.2	22.5
Total	11.8	14.1	25.5	31.3	25.6	26.8	23.5	10.0	22.9	24.2
Males										
0	9.3	11.9	22.4	29.2	22.4	27.3	16.4	6.7	14.3	16.7
6-1	13.4	17.6	33.8	41.3	31.8	35.0	28.8	12.1	28.5	30.5
9-7	12.4	15.9	31.1	38.9	30.6	31.2	26.0	9.8	25.9	27.5
12-10	11.7	14.7	28.9	34.9	28.1	29.4	24.1	8.6	24.2	24.3
+13	8.8	9.3	14.1	17.5	16.3	16.8	16.6	8.5	17.7	16.2
Total	11.6	14.4	27.3	33.5	26.9	28.1	23.7	9.5	23.7	24.2
Females										
0	1.1	0.3	0.7	2.2	2.4	1.8	1.6	0.5	0.8	3.4
6-1	3.2	3.2	5.2	7.6	5.6	6.2	7.8	1.7	7.6	11.0
9-7	6.3	7.8	8.7	12.7	9.8	11.1	11.3	6.3	7.8	9.1
12-10	11.6	8.0	7.7	18.2	14.8	12.6	17.2	8.1	11.6	17.2
+13	21.9	21.9	22.2	22.5	28.3	30.8	32.5	24.0	28.8	36.3
Total	13.0	12.3	14.1	17.1	18.6	20.1	22.3	12.6	19.1	24.5

Source: PCBS, Labor force Survey, various years.

3.3 Wages and Work Hours

The average daily wage increased from NIS76.3 to NIS78.2 for paid workers in the West Bank between the 2nd and 3rd quarters of 2006 while the average daily wage was NIS70.3 during the 3rd quarter of 2000. Meanwhile, the average daily wage decreased in the Gaza Strip during the same period from NIS69.8 to NIS68.8 compared to a wage level of NIS50.4 in the 3rd quarter of 2000. The average daily wage for paid workers in Israel and the settlements increased from NIS132.6 in the 2nd quarter of 2006 to NIS133.1 in the 3rd quarter compared to NIS110.8 in the 3rd quarter of 2000. In total, the average annual increase in daily wages in Israel and settlements increased by 3.5% which represents more than two-fold the comparable rate in the West Bank (see table 14).

Table 14: Average Weekly Work Hours, Number of Monthly Work Days and Daily Wage in Shekels for Paid Workers in the Palestinian Territory by Region: 1999-2005

Place of work	Average Weekly work hours	Average Monthly work days	Average Daily wage (NIS)	Median daily wage (NIS)
1999				
West Bank	44.6	23.5	66.2	60.0
Gaza Strip	43.2	24.0	51.4	46.2
Israel & Settlements	44.4	20.3	105.8	100.0
Total	44.2	22.6	75.5	69.2
2000				
West Bank	43.6	24.4	69.5	61.5
Gaza Strip	41.7	24.5	53.3	50.0
Israel & Settlements	43.6	20.2	110.4	100.0
Total	43.1	23.2	77.3	69.2
2001				
West Bank	43.2	23.6	69.3	60.0
Gaza Strip	40.1	24.6	54.4	50.0
Israel & Settlements	42.6	20.0	107.2	100.0
Total	42.2	23.1	73.0	61.5
2002				
West Bank	40.9	22.8	71.4	60.0
Gaza Strip	40.0	24.1	54.9	50.0
Israel & Settlements	43.9	21.5	117.3	115.4
Total	41.1	23.0	74.0	60.0
2003				
West Bank	42.3	23.7	72.7	60.0
Gaza Strip	40.6	22.6	53.2	50.0
Israel & Settlements	44.9	21.8	125.1	134.6
Total	42.1	23.0	74.0	60.0
2004				
West Bank	43.0	24.0	72.6	61.5
Gaza Strip	41.6	23.2	58.2	52.5
Israel & Settlements	46.3	22.0	126.7	134.6
Total	43.0	23.5	74.9	62.2
2005				
West Bank	42.5	23.6	73.7	65.4
Gaza Strip	41.2	24.0	61.9	57.7
Israel & Settlements	-	-	-	-
Total	42.4	23.4	78.1	69.2

Place of work	Average Weekly work hours	Average Monthly work days	Average Daily wage (NIS)	Median daily wage (NIS)
Q3 2000				
West Bank	46.2	24.3	70.3	63.2
Gaza Strip	42.8	23.7	50.4	46.2
Israel & Settlements	45.0	20.3	110.8	100.0
Total	45.0	22.8	78.9	70.0
Q2 2006				
West Bank	42.7	23.6	76.3	69.2
Gaza Strip	40.4	24.3	69.8	67.3
Israel & Settlements	43.0	21.8	132.6	134.6
Total	42.0	23.7	81.8	73.1
Q3 2006				
West Bank	42.9	23.5	78.2	69.2
Gaza Strip	41.5	24.5	68.8	65.4
Israel & Settlements	46.2	22.1	133.1	134.6
Total	43.1	23.6	85.0	75.9

Source: PCBS, Labor force Survey, various years.

3.4 Vacancy Announcements in Local Newspapers

The number of job vacancies advertised in local papers totaled 1007 during the 4th quarter of 2006. Approximately 68% of these were for the private sector, 22.4% for NGOs and 9.4% for the public sector. Another 58 job vacancy announcements that did not specify the particular type of vacancy were reported during the same quarter.

Table 15: The Number of Job Vacancies Advertised in Local Newspapers by Economic Sector for the 4th Quarter of 2006

	Public sector	Private sector	NGO	Total
October	58	285	59	402
November	16	217	82	315
December	21	185	84	290
Total	95	687	225	1007

Source: compiled by MAS from daily local newspapers (Al-Quds, Alayam and Alhayat aljadida).

Table 16 shows the distribution of jobs according to academic qualifications. The table shows that 61% of vacancies require a bachelor's degree, 16% require a MA degree or higher, 19% require a two-year college diploma and 4% of jobs did not require any sort of qualifications.

Table 16: The Number of Vacancy Announcements Advertised in Local Newspapers According to Academic Qualifications during the 4th Quarter, 2006

	MA or higher	Bachelor degree	College diploma	Less than diploma	Total
October	97	218	73	14	402
November	27	204	66	18	315
December	39	193	54	4	290
Total	163	615	193	36	1007

Source: compiled by MAS from daily local newspapers (Al-Quds, Alayam and Alhayat aljadida).

Table 17 shows that the number of vacancies increased in the northern and southern governorates of the West Bank by 40.5% compared with the 4th quarter of 2005. This may be attributed to the Israeli imposed economic blockade and the restrictions on the movement of people and goods. This, in turn, has forced every governorate to become self-reliant in the provision of basic needs by means of the creation of small projects. In the Gaza Strip, the number of vacancies declined by 9.2% in comparison to the 3rd quarter of 2006.

Table 17: the Number of Vacancies Advertised in Local Newspapers by to Region in the 4th Quarter of 2006

	West Bank			Total advertised job vacancies in the WB	Gaza Strip
	North	Center	South		
October	79	214	25	318	84
November	22	193	78	293	22
December	35	159	50	244	46
Total	136	566	153	855	152
percent	16	66	18	85	15

Source: compiled by MAS from daily local newspapers (Al-Quds, Alayam and Alhayat aljadida).

Table 18: The Number of Vacancies Advertised in Local Newspapers by Academic Qualification and Sectoral Distribution in the 4th Quarter of 2006

	Public Sector	Private Sector	NGOs	Total
MA or higher	6	130	27	163
Bachelor degree	71	373	171	615
College diploma	11	157	25	193
Less than diploma	7	27	2	36
Total	95	687	225	1007

Source: compiled by MAS from daily local newspapers (Al-Quds, Alayam and Alhayat aljadida).

Table 18 which shows the relationship between various sectors and academic qualifications reveals that the bachelor degree is in greatest demand across all sectors. In fact, 54.3% of job vacancies in the private sector, 74.7% in the public sector and 76% in the NGO sector require a bachelor degree. The second most highly demanded degree is the college diploma; 22.8% of advertised vacancies in the private sector, 11.5% in the public sector and 11% of NGOs require a two year diploma. High academic attainment (MA and higher) was required for 18.9% of job vacancies in the private sector, 6.3% in the public sector and 12% in the NGO sector. Regarding the demand for particular specializations, management and accountancy was the most highly demanded (21%), followed by medicine, engineering and technology (19.3%) and social sciences (7.4%).

4. External Trade

Trade volume substantially decreased during the Intifada period reaching nearly half (52%) its level in 1999 and then rebounded in 2003 (see table 19). Preliminary data for external trade¹ for

¹ This is preliminary data compiled from bills of VAT and other sources. In addition, data derived from clearance bills represent 85% of the overall data on the subject and therefore it is expected that the value of these indicators will rise as all clearance bills are fully counted.

the remaining West Bank and Gaza Strip showed a slight increase in trade volume in 2005 compared to the previous year. The trade of goods amounted to US\$2,742 million (equivalent to 81% of its value in 1999), this represents an increase of only 2%. This increase is considered moderate when compared with the growth rate in 2004 (29%). Data also shows that the balance of trade deficit increased by 4% amounting to US\$2,140 million during 2005. This mounting trade deficit is a direct consequence of the decrease in exports (-4%) and an increase in imports (3%) (see table 19).

Table 19: Main Foreign Trade Indicators for the Remaining West Bank and Gaza Strip in Thousands of Dollars (1995-2005)

Year	Total imports	Total exports	Net balance of trade	Real GDP	The ratio of net balance of trade to GDP	Net balance of trade (Israel)	The ratio of net balance of trade to real GDP in Israel
1995	1,658,191	394,177	-1,264,014	3,490,400	-36%	-1,096,348	-31%
1996	2,016,056	339,467	-1,676,589	3,577,000	-47%	-1,423,943	-40%
1997	2,238,561	382,423	-1,856,138	4,011,900	-46%	-1,494,012	-37%
1998	2,375,102	394,846	-1,980,256	4,485,500	-44%	-1,451,608	-32%
1999	3,007,277	372,148	-2,635,129	4,883,400	-54%	-1,493,186	-31%
2000	2,382,807	400,857	-1,981,950	4,619,200	-43%	-1,369,861	-30%
2001	2,033,647	290,349	-1,743,298	4,325,700	-40%	-992,692	-23%
2002	1,515,608	240,867	-1,274,741	4,169,300	-31%	-900,803	-22%
2003	1,800,268	279,680	-1,520,588	4,010,800	-38%	-1,053,661	-26%
2004	373,248	312,688	-2,060,560	4,131,200	-50%	-1,466,701	-36%
2005	2,440,861	300,736	-2,140,125	4,456,400	-48%		

Source: PCBS, Press Release "Preliminary Out comes of External Trade for Goods, 2005.

4.1 Imports

Data shows that the value of goods imported reached US\$2,441 million in 2005, an increase of 3% compared to 2004.² The indirect import of goods from Israel comprised 72% of total imports, a decline of 2.2%. The direct import of goods from countries other than Israel amounted to US\$683.4 million. The share of imports from Arab countries amounted to only 3% of total imports despite the fact that external trade grew by 9% in 2005, an equivalent share to that of 2004. Imports from the European Union amounted to US\$242.8 million, a decrease of 18.4%. It is worth mentioning that the value of imports from the Americas increased by 33% amounting to US\$52.6 million.

Detailed import data (by type of goods) reveals that the increase in imports which took place in 2005 is largely attributed to the increase in imports of raw materials (non-edible/excluding fuel) which increased by 22.8% as well as a 20% increase in chemical imports (10% of imports). Finally, imports of machinery and transportation equipment increased by 22%.

4.2 Exports

Total exports of goods amounted to US\$301 million in 2005, a decline of 4% compared to 2004³. Exports to Asian countries (excluding Arab countries), representing the largest market for Palestinian goods (87.7% in 2005), dropped by 6.9%. Exports to non-Arab African countries and non-EU countries declined, as total exports to those countries did not exceed US\$133 million while exports to other countries increased. Exports of goods decreased especially in the food and livestock (-8.1%) and beverages and tobacco (-37.4%) categories.

² The increase in imports reached 31.8% in 2004 compared to the previous year.

³ Exports increased by 11.8% in 2004 compared to 2003.

5. Banking Developments in the Palestinian Territory

The banking sector developments in the 3rd quarter reflected the general economic situation in the Palestinian Territory which was predominantly characterized by stagnation. It is possible to trace the following three trends in the banking sector:

1. Productive sectors, namely industry and agriculture continued to receive a minor share of total credit.
2. An increase of banks' foreign investment.
3. Continued reliance on the US Dollar at the expense of the Dinar and Shekel.

In the following section, we will provide detailed analysis of banking activities in terms of the number of banks, assets, credit, debt, deposits and bank investment activities.

5.1 The Number of Banks and Bank Branches

The total number of banks operating in the Palestinian Territory during the 3rd quarter of 2006 totaled 22. Meanwhile the number of bank branches increased to 148 as a result of the opening of two branches during the quarter; the Palestinian Islamic Bank inaugurated a new branch in Dier el-Balah and the Housing Bank opened a new branch in Halhoul (see table 20).

Table 20: Developments in Number of Banks and Bank-Branches in the Palestinian Territory

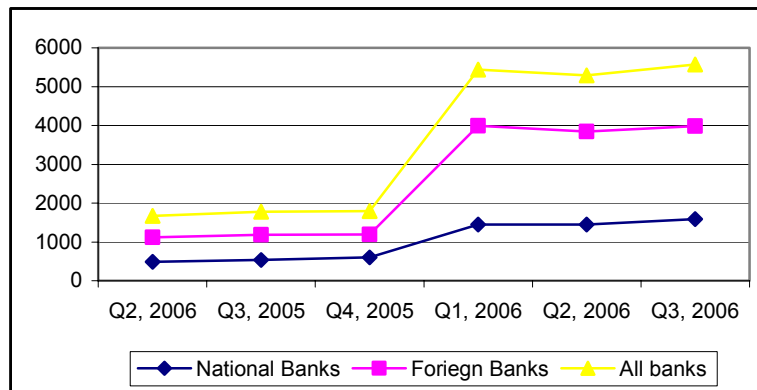
Period	Governorate	Administration			Number of Branches		
		General	Regional	Total	Local Banks	Foreign Banks	Total
Q1,2006	Northern	9	10	19	49	55	104
	Southern	2	1	3	25	15	40
	Total	11	11	22	74	70	144
Q2, 2006	Northern	9	10	19	51	55	106
	Southern	2	1	3	25	15	40
	Total	11	11	22	76	70	146
Q3, 2006	Northern	9	10	19	51	55	106
	Southern	2	1	3	26	16	42
	Total	11	11	22	77	71	148

Source: PMA, Monthly Statistical Bulletin, various issues.

5.2 Bank Assets/Liabilities

Total assets/liabilities for banks operating in the Palestinian Territory increased during the 3rd quarter by US\$278.4 million to a total of US\$5,573.5 million in comparison to the 2nd quarter of the year. National banks' assets increased by US\$140.4 million (9.7%) and there was a parallel increase in foreign banks' assets by US\$138 million (3.6%) (see figure 1).

Figure 1: Development in Banks' Assets/Liabilities in the Palestinian Territory in 2005 and 2006

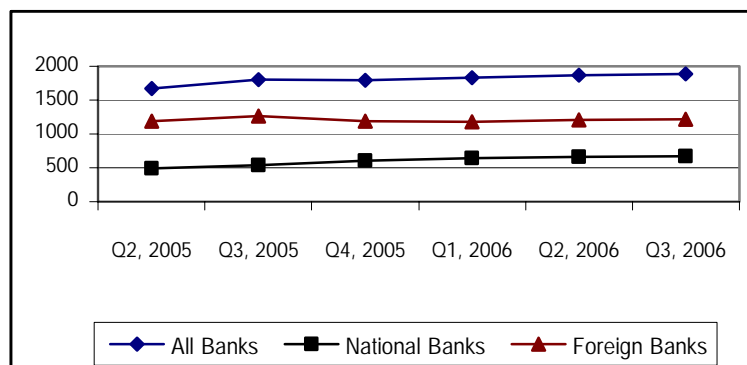


Source: PMA, Monthly Statistical Bulletin, various issues.

5.3 Credit Facilities

The outstanding value of credit facilities during the 3rd quarter of 2006 increased by US\$25.6 million to a total of US\$1,890.9 million compared to US\$1,865 million in the 2nd quarter of 2006. Approximately 35% of the total credit portfolio was provided by national banks and the remaining was extended by foreign banks (see figure 2)

Figure 2: General Trends in Credit Facilities in the Palestinian Territory



Source: PMA, Monthly Statistical Bulletin, various issues.

The distribution of credit facilities according to the *borrowing party* shows that in the 3rd quarter of the year, 25.4% of total credit was extended to the public sector compared to 27.2% in the previous quarter. Credit facilities extended to the private sector amounted to 74.6% of total credit facilities compared to 72.8% in the previous quarter (see table 21).

With regard to the *type of credit facility*, data shows that loans retained their leading position comprising 63.5% of total credit extended in the Palestinian Territory in the 3rd quarter of the year. Overdrafts came in second, comprising 35.9% of total credit followed by leases (.05%) (see table 21).

With regard to the *underlying type of currencies* that denominated credit facilities, data shows that Dollar-denominated currencies overwhelmingly dominate other currencies, comprising 70.8% of total credit facilities compared to 70.6% during in the 2nd quarter of 2006. Shekel-denominated credit facilities ranked second with a share of 16.4% compared to 16.5% in the previous quarter.

JD-denominated credit ranked third with a share of 12% (unchanged from the 2nd quarter) while other credit denominated currencies represented 0.8% of the total (see table 21).

Regarding the distribution of credit facilities by *economic sector*, data reveals that general trade activities represented 18.8% of total credit compared to 20.8% in the 2nd quarter. Total credit granted to the construction, service, transportation, industrial and agricultural sectors comprised respectively 11.3%, 8.6%, 3.7%, 5.9% and 0.85%. The public sector comprised 44.2% of the total compared to 50% in the 2nd quarter.⁴

**Table 21: The Distribution of the Credit Facility Portfolio:
Quarterly Analysis 2005 and 2006 (Million \$)**

	2005			2006		
	Q2	Q3	Q4	Q1	Q2	Q3
Geographical Distribution						
Northern Governorates	1069.4	1125.8	1191.1	1257.2	1333.3	1371.3
Southern Governorates	603.8	672.6	600.7	569.8	532	519.7
Borrowing party						
Public sector	586.8	638.1	592.2	591	506.7	479.5
Private sector (resident)	1044	1100.1	1134.4	1165.4	1267.7	1320.8
Private sector (non-resident)	42.4	60.21	65.2	70.5	90.9	90.6
Credit Facility Type						
Loans	728.2	788.1	1154.3	1178.7	1184.9	1200.5
overdraft	931.4	997.8	623.2	637.9	667.7	679.8
Lease	9	8.7	10.4	10.4	12.6	10.5
Bills and banker's acceptances	4.6	3.8	3.9	0.07	0.07	0.07
Type of Currency						
US Dollar	1200.3	1268	1256.7	1260.6	1309.3	1338.8
Jordanian Dinar	197.8	216	224.3	220.4	236.2	226.5
Israeli Shekel	264.6	303.9	300.3	335.45	308.5	309.8
Other	10.5	10.5	10.5	10.7	11.3	15.7
Total	1673.2	1798.4	1791.8	1827.1	1865.32	1890.8

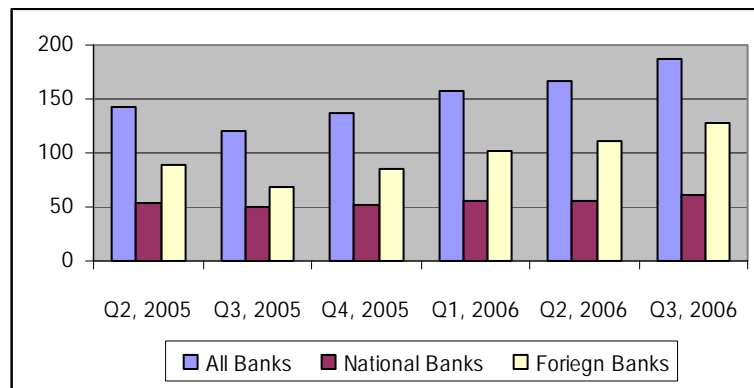
Source: PMA, Monthly Statistical Bulletin, various issues.

5.4 Debt Provisions

Total debt subject to provisions registered an increase of 12.2% totaling US\$187.2 million in the 3rd quarter of 2006 compared to the amount of US\$166.8 million in the previous quarter. Total debt subject to provisions at foreign banks increased by US\$15.5 million to a total of US\$127 million and a concurrent increase in the provisions at national banks by US\$5 million to a total of US\$60.2 million was also observed (see figure 3).

⁴ This sector includes the public sector and other related sub-sectors.

Figure 3: The Distribution of Debt Provisions in the Palestinian Territory by Quarter: 2005 and 2006

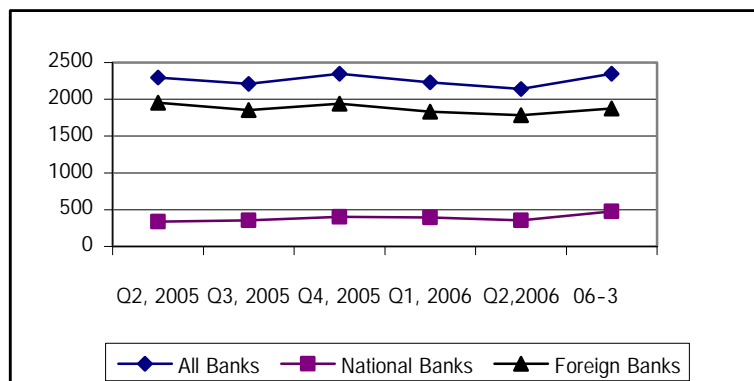


Source: PMA, Monthly Statistical Bulletin, various issues.

5.5 Foreign Investment by Banks

Foreign investment by banks operating in the Palestinian Territory increased at the end of the 3rd quarter to reach US\$2,349 million, an increase of 9.8% compared to the previous quarter. This increase is attributed to an increase in foreign investments by national banks of US\$119.9 million to reach US\$475.8 million. This is in addition to foreign investment by foreign banks of US\$89.8 million, thus totaling US\$1873.2 million compared to the previous quarter (see figure 4).

Figure 4: Banks' Foreign Investment by Quarter: 2005 and 2006



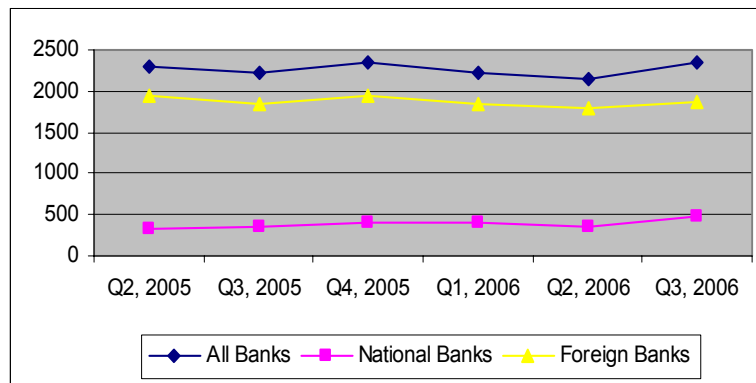
Source: PMA, Monthly Statistical Bulletin, various issues.

5.6 Deposits

Total bank deposits during the 3rd quarter of 2006 increased by 5.6% reaching US\$4,560.6 million compared to US\$4,319.1 million in the 2nd quarter (of which 91.4% were client deposits⁵ and 8.6% bank deposits). The distribution of deposits favored foreign banks which captured 73.7% of total deposits compared to 26.3% for national banks. In the following section, we will analyze bank deposits in terms of the geographical distribution, the depositing party, type of deposit and the underlying currency (see table 22).

⁵ Includes deposits of the private and public sectors.

Figure 5: Trends in Client Deposits by Quarter for 2005 and 2006



Source: PMA, Monthly Statistical Bulletin, various issues.

Data shows an increase in clients' deposits during the 3rd quarter, reaching US\$4,166.5 million, an increase of 4.6% over the earlier quarter. Client deposits were largely captured by foreign banks (74.5%) compared with 25.5% for national banks (see figure 5)

5.6.1 The Distribution of Clients' Deposits by Geographical Region

Clients' deposits increased in the 3rd quarter of the year in the northern governorates by US\$3,232.7 million (4.4%) compared to the 2nd quarter. The southern governorates also enjoyed growth in clients' deposits as they increased by 5.3% to reach US\$933.82 million compared to the previous quarter. Total deposits in the northern governorates comprised 77.6% of the total in the 3rd quarter of 2006 compared with 77.7% in the 2nd quarter of the year.

5.6.2 The Distribution of Deposits According to the Depositing Party

Private sector total deposits during the 3rd quarter of 2006 amounted to US\$3,768.5 million, an increase of 3.2% over the previous quarter. Private sector accounts (residents only) comprised 97.5% of total deposits in the private sector and 90.4% of total client deposits. Public sector deposits increased during the same period by 19.2% reaching US\$398 million compared to US\$334 million over the previous quarter.

5.6.3 The Distribution of Client Deposits According to Deposit Type

Current account deposits rose during the 3rd quarter by 6.9% reaching US\$1,422.9 million compared to US\$1,330.8 million in the 2nd quarter. Savings deposits also slightly increased by 1.8% to a total of US\$904.8 million compared to US\$888.9 million in the 2nd quarter. Time deposits increased by 4.1% to a total of US\$1,838.8 million compared to US\$1,765.2 million in the previous quarter. Time deposits represented the lion's share (44.1%) in terms of its contribution to client's deposits, current deposits ranked second (34.2%) followed by saving deposits (21.7%).

5.6.4 The Distribution of Deposits by Currency Type

Each currency that is transacted in the Palestinian Territory retained its position. The Dollar denominated deposits comprised 54.2% of client deposits, followed by the JD (25.3%), NIS (15.3%) and other currency types (5.2%).

Table 22: The Distribution of Client Deposits by Quarter for 2005 and 2006

	2005			2006		Q3
	Q2	Q3	Q4	Q1	Q2	
By Geographical Distribution (%)						
Northern Governorates	74.0	73.9	73.6	76.6	77.7	77.6
Southern Governorates	26.0	26.1	26.4	23.4	22.3	22.4
By Depositing Party (%)						
Public Sector	13.8	14.3	13.8	9.8	8.4	9.6
Private sector-resident	84.5	83.3	84.2	88.1	89.5	88.2
Private Sector-non-resident	1.7	1.9	2.0	2.1	2.1	2.2
By Type of Deposit (%)						
Current	36.8	35.7	37.0	35.1	33.4	34.2
Saving	19.4	19.1	19.4	21.0	22.3	21.7
Time	43.8	45.2	43.6	43.9	44.3	44.1
By Type of Currency (%)						
US Dollar	56.8	57.0	52.3	53.2	53.7	54.2
Jordanian Dinar	23.9	24.0	24.9	25.1	25.9	25.3
Israeli Shekel	15.2	15.0	17.6	16.7	15.5	15.3
Other	4.1	4.0	5.2	5.0	4.9	5.2

Source: PMA, Monthly Statistical Bulletin, various issues.

5.7 Equity⁶

Banks' equity rose during the 3rd quarter by 5% compared to the 2nd quarter to reach US\$539.2 million. Operating profits rose by US\$6.8 million (16.4%) arriving at US\$48.2 million at the end of the 3rd quarter (see table 23).

Table 23: Main Items in Banks' Consolidated Balance Sheet by Quarter: 2005-2006

Item	2005			2006		
	Q2	Q3	Q4	Q1	Q2	Q3
Cash	4.6	4.2	4.4	3.9	3.9	3.9
Balances with the PMA	10.4	10.2	10.0	9.8	9.5	9.0
Balances with other banks	3.7	3.1	2.4	2.8	2.7	2.8
Balances with other banks abroad	41.8	40.1	41.7	40.5	40.2	41.9
Credit Facilities	30.7	32.8	30.8	33.6	35.2	33.9
Portfolio Investment	3.6	4.4	5.9	4.2	2.9	3.1
Other Assets	5.2	5.2	4.8	5.2	5.6	5.4
Assets =Liabilities	100	100	100	100	100	100
Clients' deposits	75.5	76.5	74.8	74.7	75.2	74.8
PMA deposits	3.1	2.6	3.1	3	2.7	2.9
Deposits of banks operating in Palestine	3.6	3	2.5	2.8	2.2	2.7
Deposits of banks operating outside Palestine	2.4	1.9	1.9	1.6	1.6	1.4
Equity	7.9	8.9	10.2	10	9.7	9.7
Bad-debt allowance	2.3	2.3	2.5	2.6	2.4	2.4
Other liabilities	5.2	4.8	5.0	5.3	6.2	6.1

⁶ Includes paid capital, reserves, profits and underwriting premiums.

5.8 Selected Bank Performance Indicators

Table 24 illustrates the main developments in bank performance indicators. The following section provides more details

5.8.1 Capital Adequacy

Capital adequacy for banks operating in the Palestinian Territory increased to 22.1% compared to 21.4% in the second quarter. This ratio reflects the banks' ability to meet expected and unexpected risks.

5.8.2 Bad Credit Provisions to Total Credit Facility⁷

This ratio also increased to reach 7.2% in the 3rd quarter of 2006 compared to 6.8% in the previous quarter. This indicator measures the amount of provisions that banks have set aside to meet credit risks. This ratio is calculated according to a pre-set PMA ratio.

5.8.3 Private Sector Credit Facilities to Private Sector Deposits

This ratio continued to rise reaching 37.5% in the 3rd quarter compared to 37.2% in the previous quarter. This indicates that banks are expanding their credit to the private sector as well as relaxing their traditionally conservative policies that are aimed at reinforcing their liquidity position.

5.8.4 Credit Facilities to Clients' Deposits

This ratio declined in the 3rd quarter of 2006 to settle at 45.4% compared to 47.2% in the previous quarter. This ratio still falls outside the boundaries set by the PMA (40%).

5.8.5 Foreign Investment to Total Deposits

Data indicates an increase in this ratio to 51.5% during the 3rd quarter compared to 49.5% in the pervious quarter. This ratio rose despite the PMA's efforts to encourage banks to invest the largest part of their funds within the borders of the Palestinian Territory. In fact, the PMA requires that banks' maximum foreign investment does not exceed 65% of their total deposits.

Table 24: Bank Performance Indicators by Quarter for 2005 and 2006

Indicator	2005			2006		
	Q2	Q3	Q4	Q1	Q2	Q3
Capital adequacy	12.9	12.5	11.2	18.9	21.4	22.14
Bad debt provisions to total credit facilities	8	6.7	7.6	7.6	6.8	7.2
Total private Sector credit to Private sector deposits	30.6	30.7	33.2	33.6	37.2	37.5
Credit Facilities to Client deposits	40.7	42.9	42.8	44.91	47.2	45.4
Foreign investment to total deposits	49.4	47.8	50.9	50.0	49.5	51.5

Source: PMA, unpublished data.

5.9 Clearance Room Activities

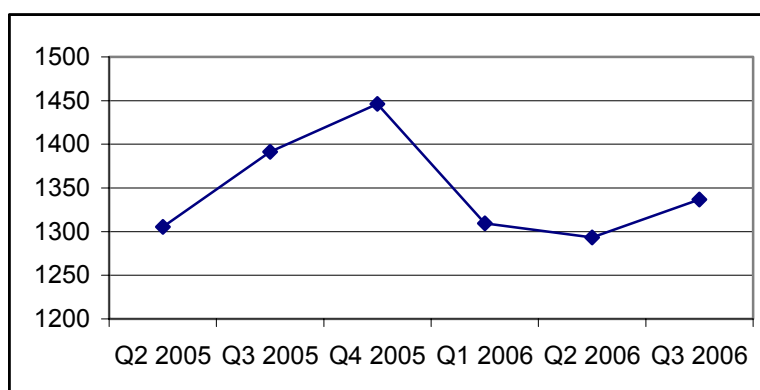
PMA's clearing room witnessed a noticeable decline during the 3rd quarter of 2006 in terms of the number of checks presented for clearance, however, check value increased. This was concurrent with a decline in the number of bounced checks and an increase in their value.

⁷ Provisions are set by banks to meet expected and unexpected risk on credit and are usually 1.25%-1.5% of total profits.

5.9.1 Checks Presented for Clearing

The number of checks presented for clearing declined in Ramallah, Nablus and Gaza across all currencies (US Dollar, JD, NIS, Euro) during the 3rd quarter of 2006 amounting to 583,073 checks compared to 583,983 checks in the previous quarter, a decline by 0.16%.

Figure 6: Trends in Checks Presented for Clearance by Quarters: 2005 and 2006



Source: PMA, Monthly Statistical Bulletin, various issues.

Dollar-denominated checks presented for clearing totaled US\$1,337 million compared to US\$1,293.4 million in the previous quarter, an increase by 3.4% (see figure 6).

5.9.2 Bounced Checks

The number of bounced checks across all currencies dropped in the 3rd quarter by 8.8% arriving at 99,987 compared to 109,581 checks in the previous quarter. Meanwhile, the value of bounced checks increased to exceed their value in the previous quarter by 10.4% (US\$115.5 million) (see table 25). Consequently, the ratio of bounced checks to the total number of checks presented for clearing reached 17% compared to 19% in the earlier quarter. Likewise, the ratio of the value of bounced checks over the total number of checks presented for clearing rose to 8.6% compared to 8.1% in the previous quarter.

Table 25: The Number and Value of Checks Presented for Clearing and the Percentage of Bounced Checks by Quarter 2005 and 2006

period	Checks Presented for Clearing		Bounced Checks		Percent Bounced	
	Number of checks	Value of checks (million \$)	Number of checks	Value of checks (million \$)	Number %	Value %
Q2, '05	541,787	1308.4	68,583	79.7	13	6.1
Q3, '05	601,593	1391.4	80,114	104.6	13	7.5
Q4, '05	642,026	1446.3	91,594	109.2	14	7.6
Q1, '06	592,359	1309.3	97,066	117.5	16	8.9
Q2, '06	583,983	1293.4	109,581	104.6	19	8.1
Q3, '06	583,073	1337	99,987	115.5	17	8.6

Source: PMA, Monthly Statistical Bulletin, various issues.

5.10 Exchange Rate Spread

Table 26 illustrates the exchange rate for the Dollar and the Shekel in banks operating in the Palestinian Territory, banks in Israel, money exchangers and street money exchangers. Upon comparison, data indicates a decline in the Dollar exchange rate against the Shekel in the Palestinian Territory and Israel; the exchange rate for the Dollar against the Shekel was quoted at 4.2 on December 6, 2006 compared to 4.35 on September 3, 2006 in the Palestinian Territory, a decline of 3.4%. In Israel, the Dollar exchange rate against the shekel was quoted at 4.12 compared to 4.33 during the same period, a decline of 5%. The exchange rate spread declined in the Palestinian Territory from 0.87% on September 3, 2006 to 0.58% on December 6, 2006. In Israeli banks the spread increased from 3.58% to 4.86% during the same period.

**Table 26: Dollar Exchange Rate against the Israeli Shekel
in December 6, 2006**

Facility	Buying Price	Selling price	Spread	Difference (%)
Street Money Changers				
Street Money Changer 1	4.19	4.21	0.02	0.48
Street Money Changer 2	4.2	4.21	0.01	0.24
Street Money Changer 3	4.2	4.22	0.02	0.48
Street Money Changer 4	4.20	4.21	0.02	0.40
Exchange Bureaus				
Ramallah	4.21	4.22	0.01	0.24
Nablus	4.22	4.23	0.01	0.24
Bethlehem	4.22	4.23	0.01	0.24
Average	4.22	4.23	0.01	0.24
Palestinian Banks				
Ramallah	4.21	4.22	0.01	0.24
Nablus	4.2	4.25	0.05	1.2
Bethlehem	4.18	4.26	0.08	1.9
Average	4.20	4.24	0.05	1.11
Average in the OPT	4.20	4.23	0.02	0.58
Israeli Banks				
Bank Hapoalim	4.12	4.32	0.2	4.7
Israel Discount Bank	4.12	4.31	0.19	4.5
Bank Leumi	4.11	4.32	0.21	5
Average in Israel	4.12	4.32	0.20	4.73

Source: collected by MAS through a field survey carried out in Ramallah, Nablus, and Bethlehem and telephone calls to Israeli banks.

On the other hand, the JD exchange rate against the Shekel declined in the Palestinian Territory and Israel. The JD exchange rate was quoted at 5.93 in December compared to 6.14 in September, a decline of 3.4%. In Israel the JD/Shekel exchange rate was quoted at 5.91 and 5.76 during the same period, a decline of 2.6%.

The exchange rate spread for the JD against the Shekel declined in Israel and the Palestinian Territory at street money exchangers, money exchanges and banks alike. It reached 0.71% on December compared to 0.94% in September. In Israel, it decreased from 10.31 to 7.51 during the same period.

Table 27: Exchange Rate for the JD against the Israeli Shekel in December 12, 2006

Facility	Buying Price	Selling price	Spread	Difference (%)
Street Money Changers				
Street Money Changer 1	5.93	5.97	0.04	0.67
Street Money Changer 2	5.95	5.98	0.03	0.50
Street Money Changer 3	5.93	5.97	0.04	0.67
Street Money Changer 4	5.94	5.97	0.04	0.61
Exchange Bureaus				
Ramallah	5.95	5.97	0.02	0.34
Nablus	5.95	5.97	0.02	0.34
Bethlehem	5.96	5.98	0.02	0.34
Average	5.95	5.97	0.02	0.34
Palestinian Banks				
Ramallah	5.93	5.95	0.02	0.34
Nablus	5.91	6.01	0.1	1.7
Bethlehem	5.9	6	0.1	1.7
Average	5.91	5.99	0.07	1.3
Average in the OPT	5.93	5.98	0.04	0.75
Israeli Banks				
Bank Hapoalim	5.8	6.19	0.39	6.51
Israel Discount Bank	5.75	6.26	0.51	8.50
Bank Leumi	5.74	6.19	0.45	7.54
Average in Israel	5.76	6.21	0.45	7.52

Source: collected by MAS through a field survey carried out in Ramallah, Nablus, and Bethlehem and telephone calls to Israeli banks.

The Euro exchange rate slightly increased in the Palestinian Territory and Israel (less than 1%). The Euro exchange rate reached 5.55 in December compared to 5.54 in September. Likewise, it increased from 5.47 to 5.48 in Israel during the same period. The exchange rate spread on the Euro declined in the Palestinian Territory falling to 1.25% in December compared to 1.33% in September. This spread decreased in Israel from 6.09% to 4.81% during the same period.

Table 28: Euro Exchange Rate against the Shekel December 6, 2006

Facility	Buying Price	Selling price	Spread	Difference (%)
Street Money Changers				
Street Money Changer 1	5.5	5.56	0.06	1.1
Street Money Changer 2	5.5	5.56	0.06	1.1
Street Money Changer 3	5.62	5.66	0.04	0.71
Street Money Changer 4	5.54	5.59	0.05	0.97
Exchange Bureaus				
Ramallah	5.55	5.6	0.05	0.90
Nablus	5.56	5.59	0.03	0.54
Bethlehem	5.57	5.59	0.02	0.36
Average	5.56	5.59	0.03	0.60
Palestinian Banks				
Ramallah	5.59	5.6	0.01	0.18
Nablus	5.57	5.68	0.11	1.96

Facility	Buying Price	Selling price	Spread	Difference (%)
Bethlehem	5.48	5.77	0.29	5.15
Average	5.55	5.68	0.14	2.43
Average in the OPT	5.55	5.62	0.07	1.33
Israeli Banks				
Bank Hapoalim	5.49	5.76	0.27	4.80
Israel Discount Bank	5.47	5.73	0.26	4.64
Bank Leumi	5.48	5.76	0.28	4.98
Average in Israel	5.48	5.75	0.27	4.81

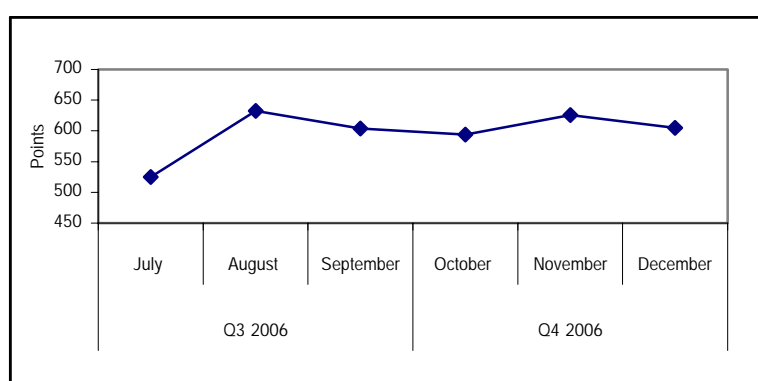
Source: collected by MAS through a field survey carried out in Ramallah, Nablus, and Bethlehem and telephone calls to Israeli banks.

6. The Stock Market

The political instability and the deterioration of security conditions adversely affected investors in the Palestine Securities Exchange (PSE) during the 4th quarter of 2006. Despite new developments in the stock market including enhancements to market operations which included the PSE's implementation of an electronic system for transactions in October of 2006 and joining the Arab Securities exchange Union, the political situation had a negative impact on stock prices and expectations of stock price increases were not realized.

In general, data shows a slight improvement in market indicators at the PSE as trade volumes increased (by less than 1%) during the 4th quarter of 2006 compared to the 3rd quarter to reach US\$186.9 million. The number of traded stocks increased by 15.7% reaching US\$58.9 million and market capitalization reached US\$2.7 billion, an increase of 8%. On the other hand, the number of trade deals decreased from 41,241 to 34,611 between the two quarters, a decrease of 16%. As for the number of trading sessions, market data reveals a decrease of 11 trading sessions, which reached 55 compared to the 3rd quarter of 2006. This decline in the number of trading sessions is attributed to the closure of the market during the holidays. Finally, in December, the Al-Quds index registered 605 points, a slight increase that did not exceed 1% compared to the 3rd quarter of 2006, to reach 603.67 points.

Figure 7: Alquds Index during the 3rd and 4th Quarters of 2006



Source: www.p-s-e.com

7. Prices and Purchasing Power

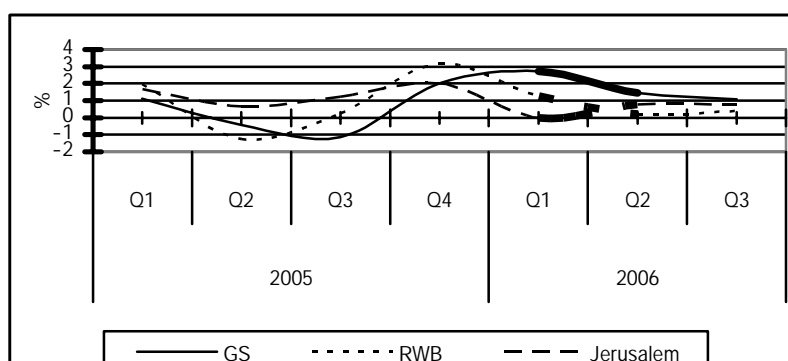
It was expected that inflation would remain stable especially in the current economic conditions that are characterized by low aggregate demand. However the CPI registered a slight increase (less than 1%), mainly due to Israeli measures, the problem associated with transporting goods to some

regions of the country, namely Gaza, in addition to an increase in world prices which pushed up the prices of imports. It is noticeable that the increase mostly affected the prices of basic goods while the prices of non-necessities experienced a decline. Prices of locally produced goods were relatively more affected than prices of imported goods. The degree of price increase was greater in the Gaza Strip, followed by Jerusalem and the West Bank. In the following section we will detail the movement of prices during the 3rd quarter of the year according to categories of goods and geographical region.

7.1 Prices

Price data for 2006 shows an increase in the CPI, calculated in Shekels, in the Palestinian Territory as it reached 0.72% in the 3rd quarter and 0.73% in the previous quarter. The inflation rate increased in the Gaza Strip, the remaining West Bank and Jerusalem. Prices in the Gaza Strip, however, increased by 1.06% compared to an increase of 0.23% in the previous quarter. Similarly, prices in the West Bank registered an increase of 0.40% compared to an increase of 1.44% in the previous quarter. In Jerusalem, prices increased by 0.79% compared to an increase of 0.77% in the previous sector (see figure 8).

Figure 8: Inflation Rate Calculated in Shekels in Jerusalem, the Remaining West Bank and the Gaza Strip in 2005 and 2006



Source: Calculated by MAS Based on PCBS data on Consumer Price Index, various issues.

The food category contributed 79% to the overall price increase during the quarter. This was mainly attributed to increases in the price of fresh fruit and vegetables. This was the highest rate of increase in relation to other groups of goods incorporated in the consumption basket. The transportation and telecommunications group contributed 17% to the overall increase in prices, due to the increase in the price of gasoline and other fuels. Housing, clothing, footwear, educational and entertainment services registered a decline, with some degree of variation in their respective prices.

Regarding the regional distribution and the groups that comprise the consumption basket overall, data reveals that the food group is responsible for 97% of the total price increase in the Gaza Strip. This is accredited to the rise in food prices (5%), which resulted from the huge shortages of such commodities with the advent of the Israeli closure of the borders. In the remaining West Bank the price of food commodities increased by 0.41% (see table 29).

Prices of durable goods (home appliances and entertainment goods) registered an increase of 0.91% in the 3rd quarter compared to the previous quarter. Similarly prices of perishable goods (food commodities, cigarettes, etc.) registered an increase of 0.96% during the period. Semi-durable goods (textile, clothing and footwear) witnessed a decrease of 0.11% compared to the previous quarter.

With regard to commodity prices according to the manufacturing origin (local vs. imports), data shows that the price of locally manufactured goods increased by 0.93% in the 3rd quarter compared to the previous quarter. Prices of imported goods also increased but by a lower rate (0.17%).

Table 29: Changes in CPI in the Palestinian Territory by Region and Food Group in the 2nd and 3rd Quarters of 2006*

Category	Palestinian territory	RWG	GS	Jerusalem
Food	1.39	0.41	2.40	1.64
Beverages and tobacco	0.28	0.90	0.00	0.03
Textiles, clothing and Shoes	(.13)	(0.3)	(0.76)	0.03
Housing	(0.79)	(1.12)	(1.76)	(0.05)
Furniture	0.16	0.32	0.17	0.09
Transportation & Telecom	0.99	1.11	0.99	0.69
Education services	(0.05)	0.23	(0.13)	(0.17)
Healthcare	(0.83)	(1.83)	0.02	0.29
Goods and recreational services	(0.47)	(0.81)	(0.45)	(0.05)
Other	1.65	1.86	2.06	0.81
General Price Index	0.72	0.40	1.06	0.79

Source: PCBS, 2006.

* Figures in brackets indicate a negative value.

7.2 Average Prices of Selected Essential Goods

Table 30 shows that prices of the majority of these goods increased noticeably. This can be attributed to the rise in prices of imported goods as a result of increases in world prices, particularly the prices of sugar and fuel. The following section summarizes price movements at the end of the 3rd quarter of 2006:

Sugar, Flour and Rice

After increasing in the 2nd quarter of 2006, the prices of sugar, flour and rice were stable in the Gaza strip in the 3rd quarter of the year. Flour prices increased in the West Bank by 0.74%, while the prices of sugar and rice increased by 2.47% and 0.57%, respectively.

Fuel Prices

Gasoline prices in the Palestinian Territory continued to rise throughout the 3rd quarter of 2006 due to rising world prices. In fact, the price of one liter of gasoline in the West Bank and Gaza Strip increased by 2.15% compared to the previous quarter and by 19% compared to the same quarter of 2005. Gas prices dropped during the same period with the price of a cylinder of gas falling to NIS36, a reduction of NIS2 compared to the previous quarter.

Baby Milk and Olive Oil

Data shows that the price of baby milk (powdered) increased by 0.08% in the West Bank while the price was unchanged in the Gaza Strip. Olive oil prices increased in the Gaza Strip by 0.25% but decreased in the West Bank by 1.28%. Regarding olive oil prices, data shows that a tangible increase occurred with the price of one liter of olive oil increasing from NIS20 to NIS24 during the 3rd quarter of 2005. The increase in the Gaza Strip was smaller; the price of one liter increased from NIS21.17 to NIS21.72 in the same period.

Tomatoes and Potatoes

Tomato prices registered an increase of 100% in the 3rd quarter of 2006 in the Gaza Strip and 5.12% in the West Bank. Potato prices also increased by 51.08% in the Gaza Strip and 20.57% in the West Bank compared to the previous quarter.

Table 30: Average Prices for Selected Prices of Vital Goods by Quarters; 2005 and 2006 (NIS)

Item	Unit	RW			GS		
		Q1 2006	Q4 2005	Q1 2005	Q1 2006	Q4 2005	Q1 2005
Sugar	50 kg	147.93	148.78	109.24	180.00	180.00	98.00
White Flour	60 kg	109.81	109.00	108.27	110.00	110.00	104.17
Rice	25 kg	85.46	87.62	83.75	85.00	85.00	88.00
Tomatoes	1 kg	2.46	2.34	2.45	2.01	1.01	1.23
Potatoes	1 kg	2.81	2.33	2.33	2.34	1.55	1.76
Gasoline 96 Octane	1 liter	6.01	5.89	5.05	6.01	5.89	5.05
Gas Cylinder	12 kg	36.00	38.33	35.42	36.00	38.33	36.50
Powdered Milk	2.5 kg	84.09	84.03	81.91	80.00	80.00	80.00
Olive Oil	1 kg	23.99	24.30	20.09	21.72	21.67	21.17

Source: PCBS, 2006.

7.3 Purchasing Power

This section is concerned with the purchasing power of the Dollar and the JD. Data shows that the purchasing power of both currencies has declined. The exchange rate for the Dollar against the Shekel declined during the 3rd quarter by 1.64% as well as the JD against the Shekel (3.06%). This means that the purchasing power of the Dollar has declined by 2.36% and 3.78% for the JD (see table 31 and figure 9).

Assessment of the purchasing power on regional basis reveals that the purchasing power of the Dollar and the JD declined in the Gaza Strip by 2.7% and 4.11%, respectively. This was mainly driven by huge price increases in the Gaza Strip compared to price increases in the West Bank and Jerusalem.

Table 31: Exchange Rates for the Dollar and the JD against the Shekel up to the 3rd Quarter of 2006

Year	US\$/NIS	JD/NIS
2004	4.48	6.31
Q1- 2005	4.35	6.15
Q2- 2005	4.40	6.21
Q3- 2005	4.53	6.39
Q4- 2005	4.66	6.55
2005	4.49	6.32
Q1- 2006	4.66	6.61
Q2- 2006	4.46	6.37
Q3- 2006	4.39	6.18

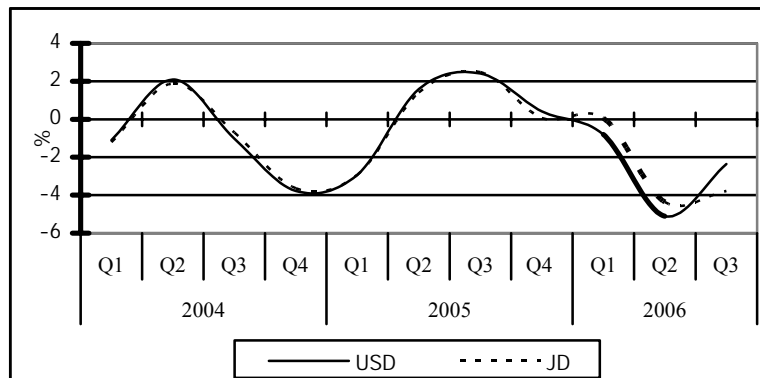
Source: Calculated by MAS on Consumer Price Index released by PCBS, various issues.

Table 32: Developments in Purchasing Power of the Dollar and the JD in the West Bank, Gaza Strip and Jerusalem up to 3rd Quarter 2006

Region	Currency	2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005	2005	Q1 2006	Q2 2006	Q3 2006
Palestinian territory	USD	-1.01	-2.93	1.60	2.42	0.42	-3.31	-0.8	-5.0	-2.36
	JD	-1.07	-2.95	1.4	2.48	0.06	-3.33	0.07	-4.37	-3.77
RWB	USD	-1.21	-3.01	2.39	2.57	-0.36	-2.73	-1.10	-4.59	-2.04
	JD	-1.27	-3.04	2.18	2.63	-0.72	-2.75	-0.24	-3.86	-3.45
Jerusalem	USD	-1.75	-2.74	0.5	1.59	0.81	-5.18	0.16	-5.13	-2.43
	JD	-1.81	-2.76	0.29	1.64	0.45	-5.20	1.02	-4.40	-3.84
GS	USD	-1.37	-2.19	1.57	3.95	0.81	-1.01	-2.56	-5.80	-2.70
	JD	-1.44	-2.21	1.36	4.01	0.45	-1.03	-1.70	-5.07	-4.11

Source: Calculated by MAS based on Consumer Price Index release by PCBS, various issues.

Figure 9: Developments in Purchasing Power of the JD and Dollar in the Palestinian Territory by Quarter: 2004-2006



Source: Calculated by MAS from PCBS data: Consumer Price Index.

8. Tourism

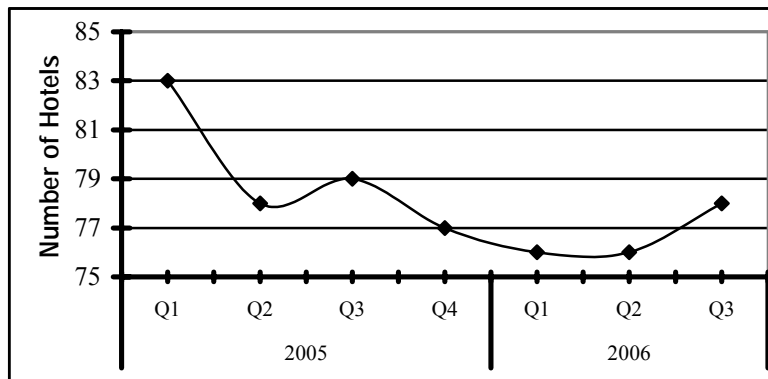
The tourism sector is still suffering from stagnation especially following the deterioration of the security situation in the Territory. It is observed that visitors to the Holy Land visit Jerusalem exclusively and refrain from visiting Bethlehem because of Israeli warnings against going to the West Bank.

8.1 Hotel Activity

There was an increase in the number of hotels to 78 in the 3rd quarter of 2006 (see figure 10). Hotels were distributed in the following fashion: 43 in the West Bank, 23 in Jerusalem and 12 in Gaza. The total number of hotel rooms reached 4,063.

The number of hotel guests in the Palestinian Territory reached 33,388, a decrease of 27.2% compared to the 2nd quarter of 2006. The majority of hotel guests were centered in Jerusalem (61.3%). Hotels in the center of the West Bank accommodated 14.8% of hotel guests in the Palestinian Territory, southern West Bank hotels accommodated 18.6%, northern West Bank hotels accommodated 3.3% and Gaza Strip hotels accommodated 2.1%.

Figure 10: the Number of Operating Hotels in the Palestinian Territory during the 3rd Quarter of 2006

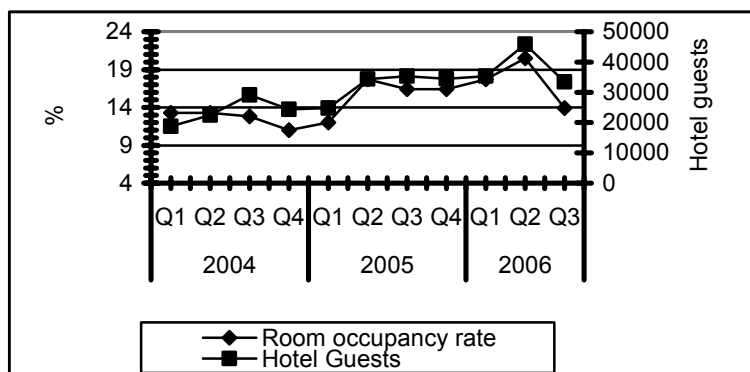


Source: PCBS, Hotel Activities in the Palestinian Territory.

Data shows that the number of hotel guests in Jerusalem declined during the 3rd quarter of 2006 by 5.1% while the number in the center of the West Bank (which includes Ramallah) dropped by 55.4% during the same period. Hotel guests in the south and north of West Bank dropped by 46.1% and 2.1%, respectively. In the Gaza Strip the number of hotel guests actually increased by 14.7% between the two quarters.

Room occupancy rates decreased from 20.5% in the 2nd quarter to 13.9% in the 3rd quarter of 2006. The number of hotel workers also decreased by 5.8%, equivalent to a total of 1,286, of which 170 were females. Hotel workers were distributed in the following fashion: 641 in the West Bank, 369 in Jerusalem and 276 in the Gaza Hotels (see Figure 11).

Figure 11: The Number of Hotel Guests and Room Occupancy Rates in the Palestinian Territory by Quarters 2004-2006



Source: PCBS, Hotel Activities in the Palestinian Territory.

9. Infrastructure

The deteriorating security situation in the Territory has had its toll on the investment climate in the Palestinian Territory. Indeed, investment activity across all sectors witnessed a decline, particularly in the construction section. The decline in the Gaza Strip was higher than that of the West Bank due to frequent Israeli incursions into the Strip on one hand and the deteriorating political environment on the other hand. In the following section we summarize the latest available data on building licenses, cement imports and company registration during the 3rd quarter of 2006.

9.1 Building Licenses

Building license data shows that the number of building licenses issued dropped during the 3rd quarter of 2006 by 35.8% compared to the same quarter of 2005 to reach 1,181. This number is much smaller (57.6%) than the number for the same quarter in 1999. Licenses for new buildings captured 49.2% of the total building licenses issued during the 3rd quarter of 2006. New additions to existing buildings comprised 22% of total building licenses; the remaining percentage was distributed across existing buildings and licenses for building extensions.

The total area of licensed building during the 3rd quarter of 2006 reached 542 thousand square meters, a decrease of 25.7% over the area in the previous quarter. Area of licensed building was distributed between new areas (410m²) and existing areas (101.9 m²). The decline was mainly centered on new areas which dropped by 44.7% compared to the 3rd quarter of 2005. Existing areas represented 8.7% of the total building area during the same period. Residential buildings represented 75.6% of new areas and 85% of total existing area (see table 33).

Table 33: Building Licenses and Licensed Areas Selected Indicators in the Remaining West Bank and Gaza Strip 1999, 2005 and 2006

Indicator	Licensed areas (thousand squared meters)		
	Q3 1999	Q3 2005	Q3 2006
Total Area of licensed building	972.4	866.6	511.9
◇ New areas	827.0	741.2	410.0
Residential buildings	700.4	573.6	310.0
Non-residential buildings	127.1	167.6	100.0
◇ Existing Areas	145.0	125.4	101.9
Residential buildings	126.8	91.5	86.7
Non-residential buildings	18.2	34.0	15.2

Source: Statistics of building licenses, Q3, 2006, PCBS.

9.2 Cement Imports

Data shows a decline in the quantity of cement imports by 32.2% in the Palestinian Territory during the 3rd quarter of 2006 compared to the previous quarter for a total amount of 347.1 thousand tons. The West Bank imported 289.4 thousand tons, registering a decline of 16.7%. The Gaza Strip cement imports did not exceed 57.7 thousand tons, a decline of 65.2% compared to the quantity imported during the same quarter in the previous year (see table 34).

Table 34: Quantity of Cement Imports into the Palestinian Territory for the 3rd Quarter of 2004-2006 (thousand tons)

Period	Palestinian Territory	WB	GS
Q3 2004	422.9	285.8	137.1
Q3 2005	512.9	347.2	165.6
Q3 2006	347.1	289.4	57.7

Source: statistics of imported cement, PCBS, 2006.

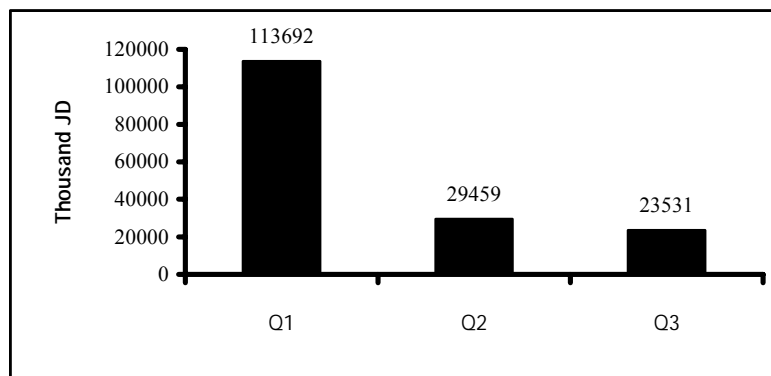
9.3 Company Registration

Company registration is used in many countries as an indicator that reflects the investment climate within those countries and provides a tracing tool to trace the direction taken by investments. When the investment climate improves, either because of the general political environment or the

economic environment (e.g. improvement in the aggregate demand), the demand for company registration increases both for licenses that are used immediately and for those deferred for use at a later time.

Data on company registration indicates that the investment climate in the Palestinian Territory largely deteriorated in the 3rd quarter of 2006 compared to the previous quarter. Indeed, the number of new companies registered declined by 28.9% to reach 162. Similarly, the value of investment capital also dropped by 20.1% to reach JD23.5 million compared to JD29.5 million in the previous quarter (see figure 12). This deterioration in investments is attributed to the deteriorating political and security developments in the Palestinian Territory which discouraged investors from pumping capital in the Palestinian market.

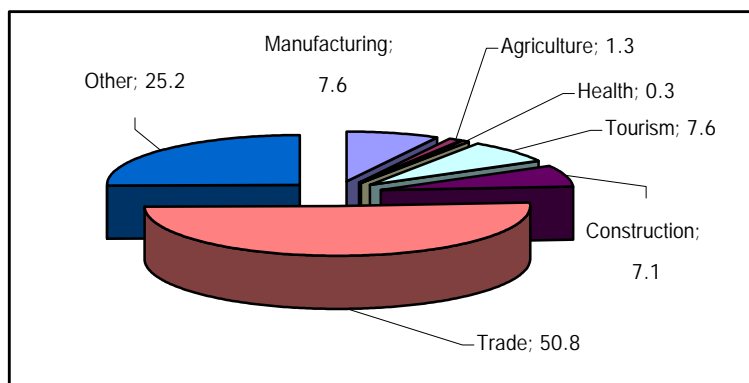
Figure 12 : Total Capital for Newly Registered Companies in the Palestinian Territory in JD for the First Three Quarters of 2006



Source: The Ministry of National Economy, Department of Company Registration, 2006.

Data regarding the West Bank and Gaza Strip shows an overall decline in the number of new companies registered. In the West Bank, the number of company registrations dropped by 12.1% (124 new companies). However, the total capital of new registered companies increased by 2.9% causing an increase in the size of capital per company to JD 128 thousand. In the Gaza Strip company registration also witnessed a sharp drop in terms of their number and capital size. The number of new registered companies totaled 38 compared to 87 in the previous quarter and the value of capital for newly registered companies dropped by 45.4% reaching JD7.6 million. This fall is attributed to the Israeli incursions into the Strip.

Figure 13: The Distribution of Newly Registered Companies' Capital in the Palestinian Territory by Economic Activity for the 3rd Quarter of 2006



Source: The Ministry of National Economy, Department of Company Registration, 2006.

Figure 13 shows that about half of the new companies are concentrated in commerce activities, which is similar to the previous quarter. The ratio of new investments to total investment in the industrial sector increased from 2.9% in the 2nd quarter to 7.6% in the 3rd quarter of 2006. Investments in the health sector declined from 17.3% to 0.3% during the same period, thus attracting the lowest level of investment of all the sectors.

With regard to the legal classification of new registered companies, data shows that in the West Bank companies with the largest capital (56%) were of the limited partnership type, nearly the same rate in the previous quarter. Common companies represented 25% of the total number of registered companies compared to 41% in the previous quarter. Foreign limited partnership companies comprised 18% of the total compared to 5% in the previous quarter (see table 35).

Table 35: The Distribution of Capital for New Registered Companies in the West Bank by Legal Classification during the First Three Quarters of 2006 (in JD)

Period	Legal Form							Total
	Foreign public Ordinary company	Foreign public Shareholding	Publicly traded	Foreign private Shareholding	Foreign ordinary company	Private Share holding	Public Ordinary company	
First Quarter	6,386,000	47,394,920	14,950,691	4,000,000	0	0	0	72,731,611
Second Quarter	6,323,120	8,336,200	0	780,000	0	0	0	15,439,320
Third Quarter	3,971,400	8,859,200	0	2,900,000	0	0	150,000	15,880,600

Source: The Ministry of National Economy, Department of Company Registration, 2006.

The distribution of companies by legal status was different in the Gaza Strip and the West Bank. Table 36 shows that 100% of new companies registered with the Ministry of National Economy were of the limited partnership type, unchanged from the previous quarter's share.

Table 36: The Distribution of Newly Registered Companies' Capital in the Gaza Strip by Legal Status for the First Three Quarters of 2006 (in JD)

Quarter	Legal Form			Total
	Common company*	Publically traded	Limited partnership	
First	20	20,000,000	20,960,000	40,960,020
Second	37	0	14,020,000	14,020,037
Third	13	0	7,650,100	7,650,113

Source: The Ministry of National Economy, Department of Company Registration, 2006.

* According to the Egyptian law it is allowed to register companies with zero capital. This explains why some common companies have a declared capital of JD13.

10. Expectations of Owners and Managers of Industrial Establishments⁸

A survey of the expectations of owners and managers of industrial establishments indicates that there is consensus among them on two issues: first, the belief that the general conditions, especially with regard to sales and production in these establishments have deteriorated compared with the previous quarter. Second, managers seem optimistic that the situation will improve in the future. In the following section, we will summarize the surveys' principle findings.⁹

10.1 Industrial Establishments' General Performance

Data showed that 19.6% of owners and managers of industrial establishments indicated that the general performance of their establishments had deteriorated in December 2006 while 49.1% did not notice any significant change. Approximately 28% of owners and managers expected that the general performance of their establishments would improve in January. Moreover, 45.3% believed that the general performance of their establishments would improve within the next 6 months.

10.2 Production

Forty percent of owners and managers of industrial establishments indicated that production at their establishment had deteriorated in comparison with the last month (November 2006). Moreover, 15.1% indicated that industrial establishments face more difficulties in getting raw materials and inputs of production. This was attributed to increases in prices of raw materials and the current political environment. Transportation costs increased according to 77.8% of Gazan respondents while only 18.8% of West Bank respondents indicated that transportation costs had increased. About 34.4% of respondents believed that the production at their establishments would improve in December 2006, while a larger percentage (52.2%) believed that the production would improve within the next six months.

10.3 Employment

According to 9.5% of respondents, employment at their establishments had deteriorated with 11% indicating that they had laid-off employees during the month while 8.4% had hired new workers during the period. In general, about 80% indicated that there had been no changes in the status of employment at their establishments. Moreover, 10% of owners and managers of establishments believed that the employment situation would improve at the beginning of 2007. Around 15.4% expected that the employment situation at their establishments would improve within the next six months. With regard to employee productivity, 24.8% of respondents indicated that worker productivity had deteriorated at their establishments.

10.4 Financial Position and Borrowing

Approximately 31% of establishment owners and managers voiced the opinion that the financial standing of their establishments had deteriorated in December 2006. Nearly 11.6% indicated that borrowing from banks had become more difficult as evidenced by the 96.4% who indicated not having applied for a bank loan. About 25% of respondents expected that their financial standing would improve within the next month and 33.6% expected their financial standing to improve within the next six months.

⁸ This section relies on results from the survey of Attitudes of Owners and Managers of Industrial Establishments regarding the economic conditions. This survey was conducted in the period extending from 6-23 January 2007.

⁹ The Industrial sample of 2004 was adopted as a framework for preliminary sampling. Moreover the survey was limited to establishments that contribute to 70% of industrial output excluding establishments that employ fewer than 20 workers.

10.5 Sales, Exports and Competition

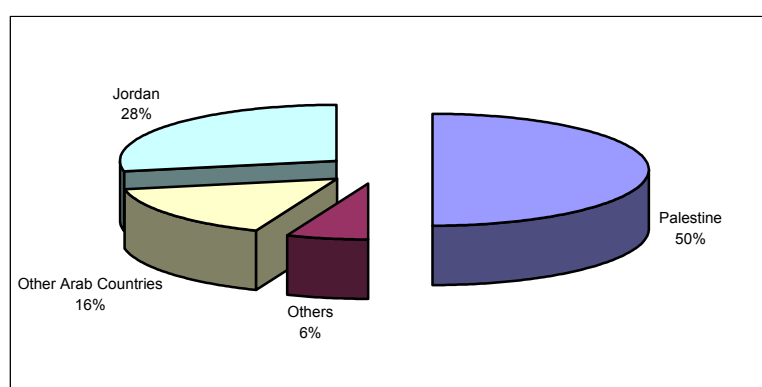
According to 43% of respondents in the Palestinian Territory the decline in sales was due to a decline in purchasing power (43.8%) and 10% blamed Israeli roadblocks and checkpoints. In the Gaza Strip, 63.7% of respondents blamed the decreased sales on the decline in purchasing power, compared to 38.3% of West Bank respondents. An increase in sales volume in the short term was expected by 33.3% of respondents while 51.7% of respondents expected better sales in the medium term.

Regarding exports, all Gazan respondents indicated that the inability of the establishment to meet demanded quantities, on-time delivery and frequent interruptions to the flow of raw materials were the major export obstacles. However, 76.3% of West Bank respondents reported no problems in meeting demanded quantities or meeting delivery schedules, and 55.1% saw no problem in regularly obtaining raw materials. This reflects the differences in border procedures between the West bank and Gaza Strip. With regard to competition, 89.7% of respondents in the West Bank indicated that their main product faced competition in the market and 76% indicated that the competition is mainly in the local market. Respondents in the Gaza Strip believed that their products face more competition as evidenced by the 99% of respondents who indicated facing competition in the market.

11. The Demographic Reality

Estimates by PCBS revealed that the Palestinian population in the world reached 10.1 million at the end of 2006. About half of the population lives within the boundaries of historical Palestine (see figure 14). The total Palestinian population in historical Palestine is estimated at 5.1 million compared to 5.4 million Jewish inhabitants. According to demographic growth rates for the two population groups, the number of Palestinians and Israelis will be equal in the year 2010.

Figure 14: the Distribution of the Palestinian Population Across the World, End of 2006



Source: Palestinians at the end of 2006, PCBS, 2006.

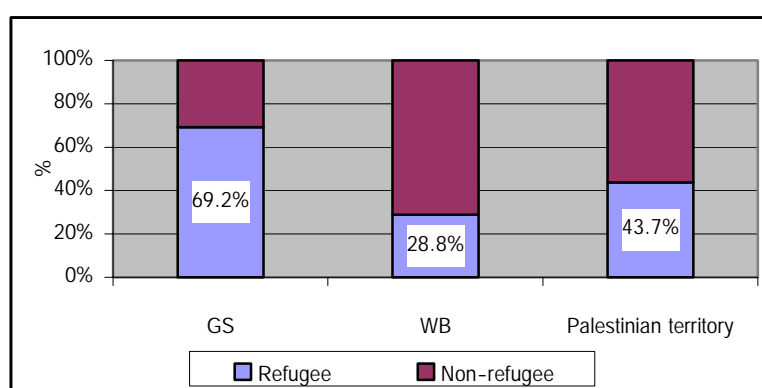
11.1 Population Size and Distribution in the Palestinian Territory

The largest Palestinian population cluster is found in the West Bank (63%) and Gaza Strip (37%), with 3.95 million Palestinians living within the boundaries of the Palestinian Territory, about 40% of the total Palestinian population. The ratio of males to females is 102.8 (about two million males for 1.95 million females)¹⁰.

¹⁰ PCBS, The Demographic, Economic and Social Conditions for the Palestinian People at the end of 2006, Ramallah, Palestine.

Data shows that 44% of Palestinians are refugees and that the proportion of Palestinians classified as refugees varies by region. For instance, the overwhelming majority of Gazans are refugees while the West Bank has fewer refugees (see figure 15). UNRWA data reveals that 26.4% of West Bank registered refugees live in camps while 49% of Gaza registered refugees live in camps. Moreover, refugees comprise a large percentage of the urban (48.1%) and the rural (14.8%) population in the Palestinian Territory.¹¹

Figure 15: The Distribution of Palestinians by Region and Refugees Status, end of 2006



Source: Palestinians at the end of 2006, PCBS, 2006.

11.2 Age Composition

The age composition of the Palestinian population shows that Palestinian society is youthful as evidenced by the wide base of the population pyramid (consisting of those aged 15 or younger). Data also shows a difference in the age composition between the West Bank and Gaza Strip. The median age in the Palestinian Territory is 16.9 years; 17.8 years in the West Bank and 15.5 years in the Gaza Strip. The dependency ratio reaffirms the notion that the Palestinian economy is a relatively young one as dependency rate registered 94.2% in 2006.¹²

Table 37: The Proportional Distribution of the Palestinian Population by Region and Age Group, end of 2006

Age Group	Region		
	WB	GS	Palestinian Territory
14-0	43.9	48.8	45.7
64-15	52.8	48.6	51.3
+65	3.3	2.6	3.0

Source: Palestinians at the end of 2006, PCBS, 2006.

Time series data for the median age group shows that this indicator is on the rise. In other words, the trends are pushing towards an increase in the number of individuals that fall within working age in the West Bank and Gaza Strip (figure 16).

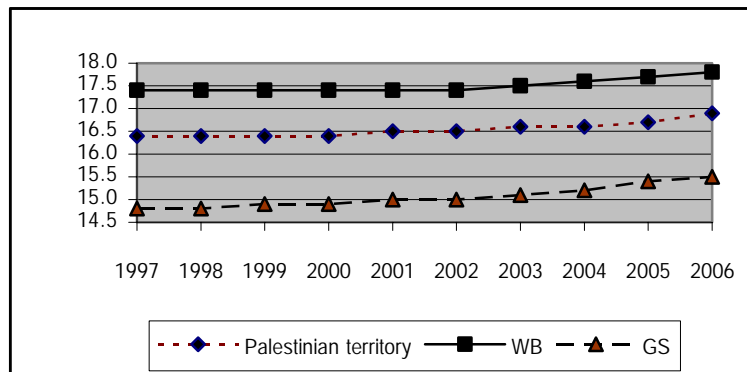
The dependency ratio is also declining as this ratio declined from 101.3 in 1997 to 94.2 in 2006. Time series data shows the same trends in the West Bank and Gaza Strip as the dependency ratio decreased in the West Bank from 94.7 in 1997 to 88.5 in 2006 and in the Gaza Strip it decreased from 114.5 down to 104.7 during the same period.¹³

¹¹ PCBS, Press Release ' the Demographic Characteristics of Refugees in the Palestinian Territory, 2006.

¹² PCBS, 2006, Palestinian sat the end of 2006.

¹³ Ibid.

Figure 16: Median Age in the Palestinian Territory by Region 1997-2006



Source: Palestinians at the end of 2006, PCBS, 2006.

11.3 Population Growth

The natural growth rate in the Palestinian Territory is on the decline. PCBS data showed that the natural population growth rate dropped from 3.8% in 1997 to 3.3% in 2006. Nonetheless, the population growth rate is still relatively high compared to world rates (average world population growth rate is 1.3%). This decline in the growth rate is attributed to the decline in gross fertility rates which dropped significantly from 6 newborns for every woman of reproductive age in 1997 to 4.6 in 2003, a decline of 14.1%. Gross mortality rates declined from 4.9 to 3.9 during the same period, a decrease of 20.4%.¹⁴

In the West Bank, the natural growth rate declined from 3.6% in 1997 to 3% in 2006. Similarly, the gross rate of newborns and mortality rates declined during the same period. Gross newborn rates declined from 41.2 in 1997 to 33.7 in 2006, a decline of 18.2%. Gross mortality rates declined from 5.1 to 4 during the same period, a decline of 21.6%.¹⁵ The natural growth rate in the Gaza Strip is higher than in the West Bank. The growth rate in the Gaza Strip decreased from 4.1% in 1997 to 3.8% in 2006. The gross newborn rate declined from 45.4 to 41.7 during the same period, a decrease of 8.1%. Similarly, gross mortality rate declined from 4.7 to 3.8 during the period, a decline of 19.1%.¹⁶

11.4 Average Family Size

PCBS data shows a slow decrease in the average Palestinian family size. In fact, the average Palestinian family decreased from 6.4 individuals in 1997 to 6 individuals in 2006. Data shows that the average Palestinian family in the Gaza Strip was bigger (6.6 individuals) than that of the West Bank (5.7 individuals) in 2006. Time series data shows that the average family size declined in both regions. In 1997, the average family size was 6.9 individuals in the Gaza strip and 6.1 individuals in the West Bank.¹⁷

The large population growth represents a challenge for development efforts in general and affects the Palestinian economic and social absorption capacity in particular. Moreover, it exerts pressure on basic services such as education and health and on job and housing availability, as well as putting pressure on natural resources and infrastructure. In addition, the age composition in the Palestinian Territory presents policy-makers with immense challenges since it is expected that manpower will increase. This will pump about half a million new job-seekers into the Palestinian

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid.

labor market within the next five years. On the other hand, the transformation in the age composition which is marked by the decline in the young population and the parallel increase of the population within working age will ultimately lead to a decline in the dependency ratio to its lowest levels. This will lead to the so-called demographic blessing which is expected to surface in the middle of next decade. Therefore, in order to benefit from this demographic advantage rather than turning it into a demographic headache, planning and preparation by means of investing in human capital is of the utmost importance.

11.5 Marriage in the Palestinian Territory

The number of registered marriage contracts reached 28,876 in 2005 compared to 27,634 in 2004, an increase of 1,242 contracts. The West Bank registered 16,706 marriage contracts, an increase of 1,115 over its number in 2004. The Gaza Strip registered 12,170 marriage contracts, an increase of 87 contracts over their level in 2004.¹⁸

The average gross marriage rate reflected an increase in the number of Palestinians getting married compared to the previous year. The average gross marriage rate increased from 7.6 to 7.7 contracts per thousand individuals between the two years. This ratio increased in the West Bank from 6.8 to 7 while it declined in the Gaza Strip from 9 contracts to 8.8 contracts per thousand individuals.

Data also showed a rise in the median marriage age for first marriage for both sexes. The median average age for the first marriage in 2005 in the Palestinian Territory registered 24.7 years for males compared to 23 in 1997 and 24.2 years in 2001. The average for females was 19.4 in 2005 compared to 18 years in 1997 and 19 years in 2001. Data also reveals that the average median age for the first time marriage is higher in the West Bank in comparison to the Gaza Strip for both sexes. The age for males in the West Bank was 25.2 years for males and 19.6 years for females compared to 24.1 years and 19.1 years, for males and females in the Gaza Strip, respectively.

11.6 Divorces in the Palestinian Territory

The number of divorces registered in Palestinian courts in 2005 was 4,211, an increase of 250 cases over its level in 2004. In the West Bank, the number of divorces reached 2,466, an increase of 162 cases compared to 2004. In the Gaza Strip, 1,745 divorces were reported in 2005, an increase of 88 cases compared to 2004. Data also shows that the gross divorce rate (number of divorces per 1000 individuals) was stable in the Palestinian Territory at 1.1; one divorce per 1000 individuals between 2004 and 2005. In the Gaza Strip, the rate was slightly higher as it increased from 1.2 to 1.3.¹⁹

12. Education

12.1 Characteristics of Education in the Palestinian Territory

The illiteracy rate among individuals aged 15 years and older continued to decline in the Palestinian Territory reaching 6.5% in 2006. In 1995, the illiteracy rate registered 15.7%, a decrease of 58.6%. This decline occurred across all the different population clusters (see table 38).

Despite the fact that illiteracy declined across both sexes, it is still more widespread among females. Illiteracy rate declined for males from 8.5% in 1995 to 2.9% in 2006, while it declined among females from 65.9% to 23% during the same period.²⁰

¹⁸ PCBS, the Conditions of the Palestinian Population Residing in the Palestinian Territory, 2006.

¹⁹ Ibid.

²⁰ www.pcbs.gov.ps (visited on 8/9/2006).

**Table 38: Illiteracy Rate in the Palestinian Territory
by Type of Population Cluster, 2006**

Type of population Cluster	1995	2006	Percentage Change
Urban	12.8	5.3	58.6
Rural	18.4	8.9	51.6
Camp	15.5	6.4	58.7

Source: www.pcbs.gov.ps (visited on 8/9/2006).

Illiteracy is more widespread among the elderly, in fact, illiteracy rates for individuals aged 64 and older registered 58.2% in 2006 compared to 0.9% for individuals aged 15-24 years. Moreover, illiteracy rates are higher for elderly women. However, data does not show any discrepancy between sexes across young and middle aged groups.²¹ The noticeable decline in illiteracy is attributed to two factors: first, high enrollment in schools for both sexes and second, the death of many illiterate elders. Illiteracy elimination programs have had limited effect, especially on the elderly. On the other hand, 12.5% of Palestinians aged 15 and over had post high school academic attainment in 2005, an increase of 9.8% over the number of 1995. Overall, one third of the Palestinians attend schools at local institutions.²² These figures reflect improvements in the education characteristics of individuals in the Palestinian society as well as enhancements in human resources on one hand. On the other hand, there is a feasibility to develop human capital in such a way that suits the requirements of a knowledge based economy.

12.2 Schooling

The number of students in the Palestinian Territory reached 1,108,416 during the school year 2006/2007, an increase of 3.8% compared to the previous year. Table 39 illustrates the continuous increase in the number of students enrolled in general education; the average number of students increased by 41,800 students annually. The increase during the school year 2005/2006 was 41,000. This increase stems from two factors; first, it is a natural result of the population growth and second, the increase in school enrollment rate.

**Table 39: The Number of Students Attending School
and Average Annual Increase: 1994/1995-2006/2007**

School Year	Number of students	Increase (number of students)	Percentage increase
1994/1995	617,868		
1995/1996	662,627	44,759	7.2
1996/1997	712,820	50,193	7.6
1997/1998	763,467	50,647	7.1
1998/1999	812,722	49,255	6.5
1999/2000	865,540	52,818	6.5
2000/2001	907,128	41,588	4.8
2001/2002	947,299	40,171	4.4
2002/2003	984,108	36,809	3.9
2003/2004	1,017,443	33,335	3.4
2004/2005	1,043,935	26,492	2.6
2005/2006	1,067,489	34,553	3.3
2006/2007	1,108,416	40,927	3.8

Source: www.pcbs.gov.ps (visited on 1/2/2007) and www.mohe.gov.ps (visited on 20/9/2006).

²¹ For more details refer to MAS, 2004, The Social Monitor, Vol. 8.

²² www.pcbs.gov.ps (visited on 8/9/2006) in addition to education statistics.

The student population is distributed across 2,389 schools, of which 53 are new and opened for students in 2006/2007. The majority of schools (76.4%) are public schools while UNRWA schools comprised 11.9% of the total. Private schools represented 11.7% of the total in 2006/2007. Moreover, 174 public schools operate under the two shift system while 1,476 are one shift schools. The majority of the student population (71%) attends public schools and the rest attend UNRWA and private schools.²³

The number of employees working in the education system (schools) reached 54,726, of whom 39,867 (72.8%) work in public schools, 9286 (17%) in UNRWA schools and 5573 (17%) in private schools. Data from the Ministry of Education and Higher Education revealed that 53.8% of public schools have computer labs, an estimated 982 schools in 2006/2007. In addition, 58.1% (1,061) of public schools have science labs and 60.2% have school libraries. Furthermore, 654 social counselors work in public schools and provide social counseling at 1,103 schools; this comprises 60% of public schools.²⁴

13. Health Services

The Health sector in the Palestinian Territory was adversely impacted by the international boycott of the Palestinian government after the formation of the Hamas led government in March 2006. This situation was compounded by the Israeli withholding of Palestinian VAT transfers. As a result, the government failed to pay public sector employees' salaries, which led to a general strike these employees, including the health sector. The strike escalated, paralyzing most health services with the exception of emergency health services. Ultimately, the strike of the public health service sector affected health services negatively.

The public health sector experienced shortages in medical supplies reaching 23% in the West Bank and 10% in the Gaza Strip during the first half of 2006. Access to health services in Palestine also declined. Data showed that more than 10% of individuals who needed health services during the first half of 2006 were not able to receive such services. This indicator is expected to have deteriorated further during the 3rd and 4th quarters of the year.

Two new public hospitals were opened during 2006; one in Beit Hanoon and another in Tel el-Sultan thus increasing the number of hospitals supervised by the Health Ministry to 24. The number of hospital beds increased by 2% in 2006 compared to 2005. The number of physicians in public hospitals and medical centers increased by 6.4% in 2006 compared to the previous year. The increase in the number of physicians in 2005 over 2004 was 7.2%. The number of nursing staff working in public hospitals increased by 11.8% in 2006 compared to 2005. The number of primary care centers remained unchanged in 2006 while the number increased in 2005 compared to 2004 by three centers.²⁵

13.1 Medical Referrals for Treatment Abroad

Reports by the Palestinian Health Ministry showed a continuation of the policy to refer patients abroad for treatment, although recently some type of discretion has been used. According to the Ministry, it prioritized the following:

1. Giving priority to medical referrals to local hospitals, followed by hospitals in neighboring countries and inside the Green Line in cases where patients cannot travel abroad and cases where treatment is only available within the Green line.

²³ www.mohe.gov.ps (visited on 20/9/2006).

²⁴ Ibid.

²⁵ PCBS, the Demographic, Economic and Social Condition of the Palestinian People at the End of 2006.

2. The high medical committee and subcommittees (hospital level committees) are working more efficiently and accurately than before on the referral issues.

The number of patients who were referred for treatment abroad declined in 2006 compared to 2005 and transfers were limited only to cases that have no treatment in local hospitals. The estimated cost of treatment abroad also dropped from NIS42.3 million to NIS20 million, a decrease of 53.5%. This decline reached its lowest point in June-August of 2006 reaching 62% and 63.9%, respectively, compared to the same months of 2005.²⁶

The Al Maydan Center for Human Rights revealed that the number of patients in the Gaza Strip who were transferred abroad for treatment declined after the election of the new Palestinian government in March 2006 (see table 40).

Table 40: The Number of Patients Transferred Abroad for Treatment from the Gaza Strip 2005-2006

Month	Year		
	2005	2006	Percentage Change
January	394	1337	239.3
February	899	1604	78.4
March	936	922	-1.5
April	769	570	-25.9
May	626	539	-13.9
June	1181	490	-58.5
July	1042	318	-69.5
August	1250	503	-59.8
September	1015	447	-56.0
October	937	483	-48.5
November	1141		
December	1629		

Source: Maydan Center for Human Rights, 2006, the reduction of the cost of patients' treatment abroad: between poor financial capacity and bad health services.

PCBS data revealed that the transfer of patients for treatment abroad in the West Bank declined by 47% in 2006, reducing the number of transferred patients to 3,118 compared to 5,869 in 2005. The Ministry of Health expenditure on treatment of patients abroad also declined by 74% in the West Bank compared to 2005.²⁷

13.2 Health Centers in the Palestinian Territory

The number of primary health centers in the Palestinian Territory reached 654 in 2006. This number remained unchanged during the year which means that the rate of population per health center has increased. Primary health care centers that have poor service quality are more common in towns and small population clusters in the West Bank (see table 41).

²⁶ www.mohe.gov.ps

²⁷ PCBS, the Demographic, Economic and Social Condition of the Palestinian People at the End of 2006.

Table 41 shows the diversity of health services provided by health centers including the focus on public medicine and maternity care. However, there is a lack of data regarding the readiness of such centers, especially in the current crisis that has almost paralyzed the entire health sector.

Table 41: Health Centers in the Palestinian Territory

	WB	GS	Palestine
Healthcare centers	525	129	654
The number of individuals per healthcare center*	4,725	11,408	6,043
Classification of Healthcare centers by Level			
First	89	0	89
Second	185	30	215
Third	76	19	95
Fifth	10	7	17
Service Availability at healthcare centers			
General medicine clinics	360	56	416
Maternity clinics	327	26	353
Pediatrician clinics	0	2	2
Family Planning clinics	83	16	99
Specialized clinics	107	70	177
Dentistry clinics	20	30	50
Radiology centers	3	13	16
Labs	88	35	123

Source: www.mohe.gov.ps.

* The number of individuals per healthcare centers was recalculated in accordance with 2006 population estimates.

14. Housing²⁸

The average housing density in the Palestinian Territory is stable at 1.8 individuals per housing unit in 2006 compared to a rate of 1.9 in 2000. The average number of rooms per housing unit is 3.3; 3.3 in the West Bank and 3.4 in the Gaza Strip. Most Palestinians live in dwellings owned by a member of the family; 81.5% of families live in their own homes. Data shows, however, an increase in the percentage of families who live in rented houses. The average monthly rent was reported as JD115 in 2006; however, over one third of residents who rent their homes reported incurring a monthly rental expense in excess of JD150. In the West Bank the average monthly house rent was JD125 compared to JD78 in the Gaza Strip.

According to PCBS statistics, at least 401,867 Palestinian families are in need of new residential units within the next decade. In other words, there is an annual need for 40 thousand units. Moreover, 117,909 families indicated that they do not have the financial resources to construct their own homes.

Data also shows that 47.2% of Palestinian families have fixed phone lines; 51.6% of families in the West Bank and 38.6% of families in the Gaza Strip. In addition, 81% of families have cellular phones and 32.8% own computers (an increase of 24.2% over the number in 2004). An increasing number of Palestinian families have access to the internet in 2006. In fact, the number of Palestinian families who have access to the internet increased from 9.2% in 2004 to 15.9% in

²⁸ Data for this section are taken from www.pcbs.gov.ps unless stated otherwise.

2006. Moreover, 5.5% of respondents indicated that at least one family member has a webpage. Also, 50.9% of individuals aged 10 years and over use computers while internet users represented 18.4% of the total in 2006. The abovementioned indicators reflect an improvement in Palestinian families' utilization of technology in everyday life, despite the erosion in living conditions.

15. Israeli Measures

15.1 Palestinians Killed and Injured

A report by the Palestinian Monitoring Group indicates a decline of 15 cases in the number of targeted killings in comparison with the previous quarter. This leaves the number of Palestinian activists who were assassinated by Israeli forces at 6 during the 3rd quarter. The group also reported that the number of Palestinians killed reached 196 during the period with a total of 280 during the entire 3rd quarter of 2006. Moreover, the number of injured Palestinians (as a result of the conflict with the Israelis) increased in the previous quarter by 331, reaching 1,010 towards the end of the quarter.

15.2 Obstacles to Movement and Transportation

The Palestinian Monitoring Group reported a total of 1,451 flying checkpoints in the West Bank during the 3rd quarter of 2006 compared to 1,345 checkpoints during the second quarter of 2006. The number of full closure times at crossing points with Israel increased from 296 to 417 times during the period. The incidence of curfews, however, declined from 42 to 28.

15.3 Israeli Aggression against the Education and Health Sectors

The number of reported acts of Israeli aggression against the education sector reached 33 during the 3rd quarter of 2006. Such actions included raids on schools and educational centers and placing military posts near schools.

The Monitoring Group reported 33 acts of aggression against the health sector during the 3rd quarter of 2006. These included detaining ambulances, refusal of coordination to treat the injured, firing at paramedics, raiding medical storage houses and detaining patients.

15.4 Aggression against Properties and House Demolitions

During the 3rd quarter 2006, Israel continued to target Palestinian public and private properties leading to the demolition of 83 houses. In addition, Israeli forces took over 150 houses and used them for military purposes. The Palestinian Monitoring Group also documented 450 violations against private property including inflicting damage on pharmacies, banks, currency exchange houses, shops, and cooperatives in the West Bank. In the Gaza Strip, Israeli forces caused great damage to the infrastructure, including bridges, power stations, water and sewage plants, agricultural land, shops and craft workshops.

15.5 Settlement Activities and Settlers' Aggression

Settlement activity continued in the Palestinian Territory as evidenced by 27 different settlement activities documented by the Palestinian Monitoring group in 2006. These activities included confiscation of land for the construction of the separation barrier as well as the building of settlement blocs, expanding settlement roads, advertising tenders to expand settlements in the Palestinian Territory and confiscating land for military purposes.

Settlers' aggression against the Palestinians and their properties also continued with 50 different incidents of settler aggression documented during the 3rd quarter of 2006. These incidents included intentionally running over Palestinians, kidnapping children, assaulting Palestinian citizens, shooting at taxi cabs and razing agricultural land and Palestinian private property.