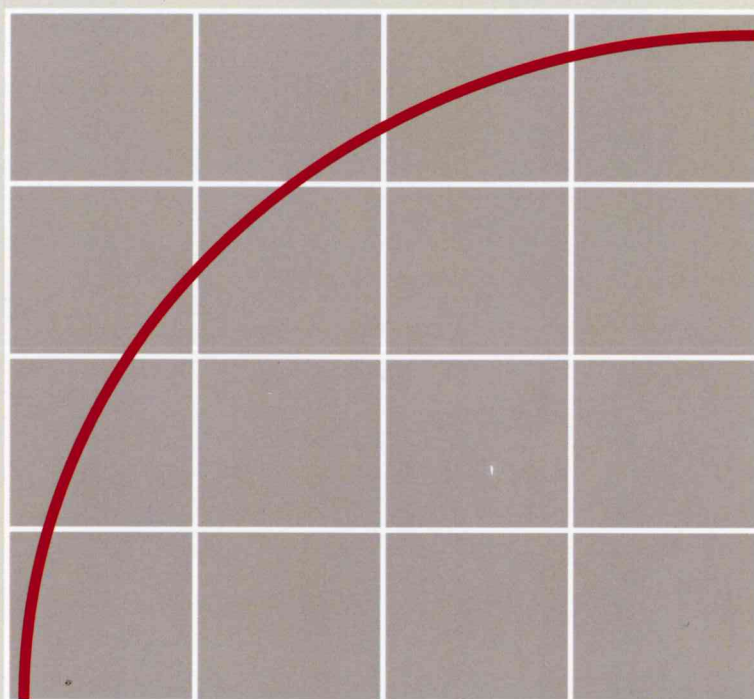


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**Palestine Economic Policy Research Institute (MAS)
Palestinian Central Bureau of Statistics (PCBS)
Palestine Monetary Authority (PMA)**

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May, 2009

FOREWORD

This volume of the Economic and Social Monitor outlines the main economic and social developments in the West Bank and Gaza Strip during the fourth quarter of 2008. It also exposes the disastrous consequences of the Israeli war on the Gaza Strip (27 December 2008 to 18 January 2009) and its impact on the economic situation. In addition, this issue describes the efforts of the Palestinian National Authority and the international community to alleviate the consequences of this war and to reconstruct the Gaza Strip.

A new box, which will appear in subsequent volumes, is included here. The box, entitled *Economic Focus*, seeks to explain the meaning of certain economic concepts, or discuss economic theories or WBSGS establishments that are of economic importance. We hope that this will inform our readers about certain theoretical or institutional issues affecting the current economic situation in Palestine. It will also enable us to analyse basic economic concepts in the context of a comprehensive review of the economic thought imposed by the current global economic crisis.

In this issue, the concept of *Economic Growth* is introduced and its history explored. In later volumes, we will discuss the determinants of growth in more depth. We will also identify key factors that enabled some countries, within one or two generations, to emerge out of a state of poverty and realise high levels of economic growth, whilst other countries have not achieved economic prosperity nor decreased poverty levels.

Topics relating to Palestinian women are addressed in this Monitor, particularly: female education, employment and consequences of the repressive practices of the Israeli occupation. There are also two focus boxes relating to the Israeli war on the Gaza Strip. The first of these provides detailed information on the human casualties and financial losses, and a thorough overview of the reconstruction efforts. The second box discusses the international food crisis, which occurred over the past two years.

Finally, we would like to reiterate our commitment to our readers and warmly welcome any feedback. We also wish to thank the teams in the three organizations that prepared and edited this monitor.

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Executive Summary

Economic activity: Palestinian GDP witnessed an overall decrease of 3% in the fourth quarter of 2008 compared with the third quarter of 2008. Consequently, GDP per capita also decreased, by 3.7% for the same period. GDP in 2008 increased by 2.3% in comparison to the previous year. GDP per capita remained relatively constant during 2008 but formed just 80% of GDP per capita in the year 1999.

Labor market: Participation in the labor force decreased by 0.5% in the fourth quarter of 2008 when compared with the third quarter of the same year. Unemployment has continued to increase, reaching 27.9% in the fourth quarter of 2008, (an increase of 1.6% since the previous quarter). Unemployment substantially increased during 2008, by 21% in comparison to 2007. Average daily wages increased by 2% in the fourth quarter of 2008. Vacancies advertised in newspapers increased by 25% when compared to the previous quarter.

Public Finance: Government revenues totaled \$302.9 million in the fourth quarter of 2008, 40.3% of which were domestic revenues. Current expenditure decreased to \$618 million, with 42.4% on wages and salaries. Total public expenditure in 2008 made up 115% of the yearly expenditure budget, exceeding the planned figure.

Banking developments: Foreign investments formed 56.1% of total bank deposits during the fourth quarter of 2008. In comparison with the third quarter of 2008, banks' assets remained relatively constant in the fourth quarter, reaching around \$7.6 billion. The value of credit facilities represented 24% of total assets, while private sector deposits represented 68.7% of total liabilities in the fourth quarter.

Palestine Securities Exchange: The Al Quds (Jerusalem) index witnessed a sharp decline of 32% in the fourth quarter of 2008 compared to the previous quarter. All the PSE's indicators fell during the fourth quarter. 51.1 million shares were traded, with

a value of \$136.4 million. The market value of listed companies declined, by 27.6% compared to the third quarter of the same year.

Prices and purchasing power: The Consumer price index (CPI) increased by 0.2% compared to the third quarter and rose by 8.1% compared to the fourth quarter of 2007. Prices in the fourth quarter of 2008 decreased in the WB by 1.58% in comparison to the previous quarter but increased in the GS by 2.28%. The US dollar exchange rate increased against the New Israeli Shekel (NIS) by 8.11% during the fourth quarter of 2008, improving the US dollar's purchasing power by 6.53%.

Tourism: At the end of the fourth quarter of 2008, 83 hotels were operating in the Palestinian Territory. There were 117,545 visitors during quarter four of 2008, 50.6% of who spent a night in Jerusalem. The number employees in the hotel sector decreased by 2.7% during the fourth quarter of 2008 compared with the previous quarter.

Company Registration: The number of companies registered in the fourth quarter of 2008 fell by 8.9%, with 287 companies newly registered in the West Bank. Since November 2007, no companies have been registered in the Gaza Strip. On another level, trade and services companies claimed the highest share of capital for newly registered companies, representing 53.2% and 38% respectively.

Industry Expectations: 17.4% of owners and managers of industrial firms in the West Bank believed that their companies' overall performance improved during December 2008 compared to the previous month. No companies in the Gaza Strip noted an improvement. 46.7% of owners and managers of industrial firms in the West Bank and the Gaza Strip said that production levels had declined. According to 17% of the owners and managers of industrial firms in the West Bank and Gaza Strip, employment improved during December.

State of the Palestinian females

Females make up 49.2% of the total Palestinian population. 2008 statistics show an improvement in female education. The percentage of women with 12th grade education and below decreased from 93.6% in 1998 to 87% in 2008 where the percentage of women with a Diploma degree or higher level degree increased from 6.4% in 1998 to 13% in 2008. There are 19 Palestinian female prisoners in Israeli jails who suffer from a number of threats, including: rape, sexual harassment, lack of food and lack of sheet covers and clothing.

Education

Since 2001, when the student loan fund was launched by the Ministry of Education and Higher Education, up until the end of the second academic semester in 2008, there have been 511,836 student beneficiaries. Both male and female, these students have benefited from loans that have a total value of \$123.8 million.

War on Gaza Strip

Palestinian academic institutions were also targeted by Israel in the recent Israeli aggression on the GS. 158 public school buildings have been damaged and sabotaged.

Also, 164 students were martyred and 454 students wounded. 12 teachers were martyred and 5 teachers wounded. Also, 12 private schools and 35 day care centers were partially or totally destroyed. Palestinian universities in the GS were also severely damaged.

Security and Justice

In 2008, 7.5% of Palestinian families suffered from criminal acts in the Palestinian territory. 2% of families were victims of theft (excluding car theft) and 2.4% of Palestinian families suffered assaults and harassment from the Israeli forces and Israeli settlers.

Israeli Measures: During the first quarter of 2009, 3 Palestinian activists were assassinated and 1194 were martyred. In the same period, crossing points between the Palestinian Territories and Israel were fully closed 417 times and the number of temporary military checkpoints in the West Bank reached 1,130. There were 17 attacks on the education sector and 14 on the health sector. Israeli forces destroyed 290 houses and occupied another 184. There were 20 settlement activities and 190 Israeli settler attacks during the first quarter of 2009.