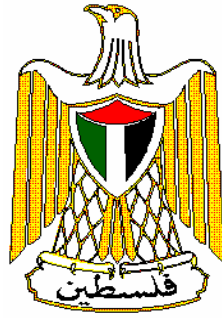




**Palestine Monetary Authority
(PMA)**



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



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

Quarterly
Economic and Social Monitor

Volume 43

January, 2016

This issue is based on contributions from researchers of:

Palestine Economic Policy Research Institute- MAS (General Coordinator: Salam Salah)
The Palestinian Central Bureau of Statistics (Coordinator: Amina Khasib)
Palestine Monetary Authority (Coordinator: Shaker Sarsour)

Editor: Nu'man Kanafani

Copyright

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.

© 2016 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@mas.ps
website: www.mas.ps

© 2016 Palestinian Central Bureau of Statistics
P.O. Box 1647, Ramallah
Telephone: +972-2-2982700
Fax: +972-2-2982710
e-mail: diwan@pcbs.gov.ps
website: www.pcbs.gov.ps

© 2016 Palestine Monetary Authority
P.O. Box 452, Ramallah
Telephone: +972-2-2409920
Fax: +972-2-2409922
e-mail: info@pma.ps
website: www.pma.ps

To Order Copies

Contact the Administration on the above addresses.

This issue of the *Economic & Social Monitor* is partially supported by:



January, 2016

FOREWORD

We are glad to present to the reader the 43rd issue of the Quarterly Economic and Social Monitor (QESM), which covers developments in the Palestinian economy during the 3rd quarter of 2015. In addition to the periodic quarterly data presented in this Monitor, this issue contains five boxes discussing economic and socio-economic issues which were carefully selected to touch upon some of the most topical concerns that have emerged lately both locally and regionally, as reflected in reports, studies, and articles published in the specialized literature.

The QESM has maintained its present form for more than a decade now. In its early history, at the beginnings of MAS over twenty years ago, the Economic Monitor was published annually, and a Social Monitor was issued separately biennially. Obviously, the pattern and form of issuance have changed over time as a result of evaluation and development.

As representatives of the institutions involved in the issuance of the Monitor, we recognize that time has come to make an assessment of the past period, especially the last five years, in order to further improve this publication in a way that better serves the needs of stakeholders, especially in terms of analysis. Therefore, while work on the next issue, covering the last quarter of 2015, proceeds along the established pattern, we will endeavor to conduct in parallel an assessment with the aim of developing the publication. We hope that the results of the evaluation will be reflected in the issues referring to 2016 data, and meanwhile we will be happy and thankful to receive any critical remarks from our readers that would help us in this endeavor.

Nabeel Kassis
Director General
Palestine Economic Policy
Research Institute (MAS)

Ola Awad
President
Palestinian Central Bureau
of Statistics (PCBS)

Azzam Al Shawwa
Governor
Palestine Monetary Authority
(PMA)

Contents

1. GDP	1
1.1 GDP Growth	1
1.2 GDP Structure	1
1.3 GDP Expenditure	2
Box 1: MENA Region Economic Outlook 2016	4
2. The Labor Market	6
2.1 Labor force and participation rate	6
2.2 Unemployment	8
2.3 Unemployment among tertiary graduates	10
2.4 Wages and working hours	11
2.5 Vacancy announcements	12
Box 2: Population growth despite the decline in total fertility rate	14
3. Public Finances	17
3.1 Public revenues and grants	18
3.2 Public Expenditure	19
3.3 Financial surplus/deficit	20
3.4 Net arrears accumulation	20
3.5 Clearance Revenue (commitment basis)	21
3.6 Public Debt	22
Box 3: Prepayment meters: pros and cons	23
4. The Banking Sector	26
4.1 Assets	26
4.2 Liabilities	28
4.3 Banking System Performance Indicators	30
4.4 Average interest rates on deposits and loans	31
4.5 Payments system	31
4.6 Banking Penetration	32
4.7 Specialized lending institutions	32
4.8 Palestine Stock Exchange	33
5. Investment Indicators	35
5.1 Company Registration	35
5.2 Building Permits	36
5.3 Cement Import	37
5.4 Vehicle Registration	37
5.5 Hotel Activity	38
Box 4: Palestinian olive production: middle way between sterile (poor) and diamond (good)	39
6. Prices and Purchasing Power	41
6.1 Consumer Prices	41
6.2 Producer Prices and Wholesale Prices	42
6.2.1 Wholesale Price Index	42
6.2.2 Producer Price Index	42
6.3 Construction and Road Costs Indices	42
6.4 Prices and Purchasing Power	43
7. Foreign Trade	44
7.1 Balance of Trade	44
7.2 Balance of Payments	44

7.3 External Assets, Liabilities and Debt	45
Box 5: Israel's computers and internet-security software exports offset the decline in arms exports	46

Executive Summary

Issue 43 of the *Quarterly Economic and Social Monitor* provides an overview of the key developments in the main economic indicators in the occupied Palestinian territory during the third quarter of 2015. It also includes five boxes that discuss topical issues with direct or indirect relevance to the Palestinian economy.

Overview

GDP

At the end of 2015 Q3, Palestinian GDP totaled around USD 1.9 billion (2004 prices), a decline of 1.9 percent from Q2 (1.7 percent in the West Bank and 2.7 percent in Gaza), but a 9.6 percent increase over the third quarter a year earlier. Per capita GDP, meanwhile, reached USD 433, which is 2.6 percent lower than the figure in the previous quarter but 6.4 percent higher than the figure in the same quarter of 2014. Figures for spending on GDP show an persistent gap between domestic consumption and production, with final consumption expenditure reaching 125 percent of GDP during the quarter.

Labor Market

West Bank and Gaza's workers numbered during the Q3 947 thousand, a drop of 2.5 percent from the previous quarter, but an increase of 7.6 percent over the same quarter a year earlier. By place of work, 59.5 percent of employment was reported to be in the West Bank, 28.5 percent in the Gaza Strip and 12 percent in Israel and its settlements. Public sector employment accounted for 21.5 percent (36.5 percent in Gaza) of all employed. Meanwhile, unemployment rate jumped 2.6 percentage points (3.3 points in the West Bank and 1.2 points in Gaza) from the second quarter of the year to 27.4 percent. On the other hand, while the average daily wage in the West Bank declined by 2.5 percent from 2015 Q 2, it rose by 2.6 percent in Gaza and 0.5 percent for those working in and Israel and its settlements during the same period of comparison.

Public Finance

At the end of the quarter under consideration, public revenues and grants totaled around NIS 4 billion, a drop from the previous quarter due in part to a decline in international aid and grants to levels that were the lowest in years (to less than half a billion shekels or about 12 percent

of the total public revenues and grants). The drop was also a result of the difference in clearance revenues between the third quarter and the second quarter, whereby Israel released clearance revenues that it withheld in the first quarter of the year. This coincided with a reduction in public expenditure (both current and developmental spending) to NIS 3.6 billion. The treasury, thus, had a surplus of around NIS 392 million on a cash basis. The figure, however, turns into a deficit of NIS 516.3 million on a commitment basis when the figure for net arrears accumulation (NIS 546.1 million) is included in the current account. At the quarter close, public debt fell 1 percent to NIS 8.8 billion (or 17.5 percent of GDP).

The banking sector

Total assets of banks during Q3 totaled USD 12.5 billion, a slight growth of 0.3 percent over the previous quarter. The total liabilities and the ratio of non-performing facilities to total facilities both remained unchanged. At the same time, the net profits of banks increased USD 4.2 million over the second quarter of the year to USD 36.4 million. During Q3 the difference between the average lending interest rate and the average deposit interest rate rose for the USD and the JD, but declined a little for the NIS.

Palestine Stock Exchange

The value of shares traded during the third quarter of 2015 reached around USD 61 million, an improvement of 26 percent over the previous quarter. Meanwhile, Al-Quds Index closed the quarter at 484.68 points, 6.31 points higher than the figure in the previous quarter.

Investment Indicators

The number of companies newly registered in the West Bank in 2015 Q3 was 340, down 78 from the previous quarter, but up 29 from the same quarter of 2014. The new companies registered in the quarter had a capital of JD 39 million, down 39 percent from the previous quarter.

Around 2225 building permits for new and existing housing units were issued during the quarter, a 5 percent decline from the figure in the previous quarter. Meanwhile, the amount of

imported cement shrank 8.7 percent compared with the second quarter of the year.

Prices and purchasing power

The 2015 Q3 consumer price index rose 0.04 percent over 2015 Q2 and 0.88 percent over the corresponding quarter of 2014. The change between the second and third quarters basically resulted from increases in the prices of education services (1.2 percent), medical services (0.71 percent) and food & soft drinks (0.67 percent) despite the sharp decline in lodging prices (2.06 percent).

The purchasing power (as measured in the change in NIS prices (inflation) against the change in USD–and JD– exchange rates) during 2015 Q3 dropped 0.85 percent from Q2 of the year but improved 8.45 percent compared to the same quarter a year earlier. The figures for purchasing power are based on the assumption that individuals paid in USD or JD had their entire spending in NIS.

The balance of trade and the balance of payments

The balance of trade (for registered goods) registered a deficit of USD 1,064 million during 2015 Q3. While commodity imports rose 0.5 percent, exports of commodities fell sharply by 11.7 percent. The current account deficit in the balance of payments reached USD 586.3 million, up 61 percent from the previous quarter. A sizable amount (USD 459.6 million) of the current account balance deficit was financed by the capital and financial account.

External Assets, Liabilities and Debt

At the end of 2015 Q3, Palestine's foreign assets totaled USD 5.959 billion, of which only 5.8 percent was in the form of direct investment, while portfolio investment accounted for 18.6 percent. Total external liabilities, on the other hand, reached USD 4.721 billion, of which 52 percent took the form of foreign direct investment. Palestine's external debt, in the meantime, totaled USD 1.595 billion.

Box Topics: This Issue has 5 boxes, each discusses a specific topic:

Box 1: MENA Regional Economic Outlook 2016

The Box summarizes the results of a report released by the IMF in late 2015 on the

prospects for growth and the problems facing the economic growth in the MENA region. The projections the report provides are subject to improvement/decline in economic activity. Uncertainty, resulting from conflicts and deteriorating oil prices, was predominant in the report's outlook. The report found that for oil-importing countries, the drop in oil prices has accelerated growth and helped these countries make economic reforms. For the Euro zone, it drove high economic growth. The IMF projects the MENA oil-importing economies to grow at about 4 percent in 2015 and 2016. However, higher growth rates are still needed to provide sufficient job opportunities and raise living standards as a growth rate of only 5 percent over the medium term will not be adequate to significantly lower the unemployment rate. The report further discussed some issues, particularly the potential changes in the GCC foreign labor transfers to their home countries given the declines in oil prices and the economic cost of civil wars in the region.

Box 2: Population growth despite the decline in total fertility rate

The Box looks into the Palestinian population growth since the early 1990s. The population growth rate is determined by two factors: net reproduction and net migration. The rate of natural increase is the crude birth rate minus the crude death rate. The total fertility rate reflects the general trend of the birth rate. The fertility rate in both the West Bank and the Gaza Strip has steadily fallen over the past decades in parallel with a slight decrease in the mortality rate, suggesting that because of natural growth, the population has increased despite the sharp decline in fertility. As data on Palestinian bilateral migration stock are not available for the Palestinian Central Bureau of Statistics, we used estimates from the World Bank, which indicate that net migration was positive in the period 1991-2000, reaching 105 thousand people. This was reversed in 2000-2015 period, when 324 thousand repatriates arrived in the West Bank and Gaza. According to the estimates by the Palestinian Central Bureau of Statistics, the WBG population doubled between 1991 and 2014, and was growing at a modest annual rate of 3.5 percent.

Box 3: Prepayment meters: pros and cons

The Box examines the impact of prepayment meters (water meters in particular) on the

dilemma of net lending. It has been found that this technology has not yet reduced the net lending bill. The Box presents the views of prepayment meters supporters and opponents and the reasons behind such views. It is found that to date, no concerned body has conducted an assessment of this technology and whether it achieved the envisioned objectives. The National Development Plan 2011-2013 stipulated that water and electricity bills for poor and vulnerable families be supported by the government. The Ministry of Social Affairs has been providing partial support of the electricity bills for many such families, simultaneously with the installation of prepayment meters.

Box 4: Palestinian olive production: middle way between sterile and diamond

The Box reports on the Palestinian olive sector and its socioeconomic implications. In 2004, olive production started to fluctuate before it leveled off in recent years. The sector faces several major challenges. The first are constraints of the occupation (the segregation wall which annexed more than 40 thousand dunums as buffer zones; the huge areas around

the colonial settlements, which the Palestinians are denied access to; let alone the Israeli deliberate actions such as cutting down Palestinian olive trees). Second, the sector suffers production and marketing problems. Furthermore, the sector lacks a neutral international testing of the quality of Palestinian olive oil. An assessment of Palestinian olive oil by the International Olive Oil Council has yet to be conducted.

Box 5: Israel's computers and internet-security software exports offset the decline in arms exports

The Box summarizes an article by the *Economist* on the prosperity of computers and online security technologies in Israel, according to which, in 2014 Israel's security software exports exceeded arms exports. The demand for security products has boomed because businesses and governments have come to realize that they need to protect themselves against information leak and hackers assaults. The article, however, reported some Israeli entrepreneurs voicing concerns that the boom may be turning into a cyber bubble.

1. GDP

1.1 GDP Growth

In the third quarter of 2015, Palestinian GDP in constant prices shrank by 1.9 percent from the second quarter of the year. Since economic activities have a seasonal nature, economists prefer year-on-year calculations of GDP. Based on this, we can see that the GDP figure in Q3 2015 grew 9.6 percent over the same quarter a year earlier. Per capita GDP (roughly equivalent

to GDP growth minus the rate of population growth) was 2.6 percent less than the figure in the previous quarter, but 6.4 percent higher than the figure in the same quarter of 2014. The improvement resulted from 1.3 percent growth in West Bank GDP and 29 percent in Gaza GDP (see Table 1-1).

Table 1-1: Palestine's GDP * (constant prices, base year 2004)

Indicator	2014			2015		
	Q3	Q4	Total	Q1	Q2	Q3
GDP (USD millions)	1,754.1	1,874.8	7,463.4	1,852.0	1,959.3	1,921.9
– West Bank *	1,419.7	1,472.1	5,754.3	1,431.6	1,501.5	1,476.3
– Gaza Strip	334.4	402.7	1,709.1	420.4	457.8	445.6
GDP per capita (USD millions)	406.8	431.6	1,737.4	423.4	444.7	433.0
– West Bank *	558.1	574.8	2,269.3	555.6	578.9	565.5
– Gaza Strip	189.0	225.7	971.1	233.9	252.7	243.8

Source: Palestinian Central Bureau of Statistics 2016, National Accounts Statistics, Ramallah - Palestine.

Data for 2015 are preliminary and thus subject to further revision.

Data for Q3 2015 are also preliminary and thus subject to further revision.

* Data do not include that part of Jerusalem governorate which was forcefully annexed by Israel following its seizure of the West Bank in 1967.

1.2 GDP Structure

Compared to the corresponding quarter a year earlier, 2015 Q3 saw a drop in the shares of manufacturing and services by 1.6 and 0.9 percentage points, respectively. In contrast, the

shares of construction and the financial & insurance sector increased by 0.8 and 0.1 percentage points, respectively (See Table 1-2).

Table 1-2: % Distribution of the shares of economic sectors in Palestinian GDP * (constant prices, base year 2004)

Economic Activity	2014			2015		
	Q3	Q4	Total	Q1	Q2	Q3
Agriculture, forestry and fishing	3.0	4.4	3.8	3.3	3.5	3.0
Mining, manufacturing, water and electricity	15.0	14.1	14.8	13.6	13.4	13.5
-Mining and quarrying	0.6	0.5	0.6	0.5	0.5	0.5
-Manufacturing	12.1	11.4	11.7	10.7	10.6	10.5
-Electricity, gas, steam and air conditioning supplies	1.4	1.5	1.7	1.6	1.6	1.7
-Water supply, sanitation activities and waste management & treatment	0.9	0.7	0.8	0.8	0.7	0.8
Construction	6.8	7.3	7.3	7.0	8.6	7.6
Wholesale & retail and repair of vehicles and motorcycles	16.1	17.0	17.7	18.8	18.0	17.1
Transport and storage	1.5	1.9	1.7	2.0	1.9	1.8
Financial and insurance activities	3.9	3.9	3.6	4.0	3.9	4.0

Economic Activity	2014			2015		
	Q3	Q4	Total	Q1	Q2	Q3
Information and communication	6.2	5.9	5.9	5.9	5.9	6.2
Services	21.2	19.8	20.8	20.0	19.6	20.3
-Accommodation and food services	0.5	1.0	0.9	0.8	1.0	0.9
-Real estate and renting	4.7	4.2	5.1	4.6	4.3	4.5
-Professional, scientific and technical activities	1.2	1.4	1.3	1.4	1.2	1.5
-Administrative services and support services	0.6	0.4	0.5	0.6	0.7	0.7
-Education	7.9	7.0	7.3	7.0	6.7	6.7
-Health and social work	3.8	3.4	3.4	3.3	3.1	3.2
-Arts, recreation and leisure	0.6	0.6	0.5	0.4	0.6	0.6
-Other services	1.9	1.8	1.8	1.9	2.0	2.2
Public administration and defense	14.1	13.2	13.0	12.6	12.6	12.6
Home Services	0.1	0.1	0.1	0.1	0.1	0.1
Financial intermediation services indirectly measured	-2.5	-2.5	-2.3	-2.7	-2.6	-2.7
Customs duties	6.4	6.3	5.8	6.7	7.1	7.8
Net value added tax on imports	8.2	8.6	7.8	8.7	8.0	8.7
Total (%)	100	100	100	100	100	100

Source: Palestinian Central Bureau of Statistics 2016, National Accounts Statistics, Ramallah - Palestine.

Data for 2015 are preliminary and thus subject to further revision.

Data for Q3 2015 are also preliminary and thus subject to further revision.

* Data do not include that part of Jerusalem governorate which was forcefully annexed by Israel following its seizure of the West Bank in 1967.

1.3 GDP Expenditure

The Table below shows spending on major items of GDP in 2015 Q3 and its 2014 corresponding quarter according to the basic equation in the national accounts: Private Consumption + Investment + Government

Consumption + Exports - Imports = GDP (GDP = C + I + G + X - M).

Figures for 2015 Q1 are shown below in billion US dollars.

Billions (USD)	Q3 2014	Q3 2015
Private consumption	1.61	1.89
Investment (gross capital formation)	0.28	0.39
Government consumption	0.58	0.52
Exports	0.33	0.38
Imports (-)	(1.05)	(1.26)
GDP	1.75	1.92

The figures suggest that the growth in GDP between the corresponding quarters (by 9.6 percent) resulted in the first place from increases in private consumption (by 13.3 percent),

investment (by 39.8 percent) and exports (by 14.4 percent) against a 9.6 percent decline in government consumption (see Table 3-1).

Table 1-3: Palestinian GDP and its Expenditure* (constant prices, base year 2004)

Item	2014			2015		
	Q3	Q4	Total	Q1	Q2	Q3
Final consumption expenditure	2,246.30	2,244.60	8,819.60	2,176.70	2,269.60	2,411.20
Household final consumption expenditure	1,590.30	1,648.00	6,462.70	1,602.50	1,636.00	1,793.80
Government final consumption expenditure	580.6	498.3	2,030.70	473.7	535.6	524.6
Final consumption expenditure of not-for-profit organizations that serve households	75.4	98.3	326.2	100.5	98	92.8
Gross capital formation	276.3	355.1	1,415.30	339.5	457.6	386.2
Gross fixed capital formation	365.6	422.5	1,641.80	408.6	516.5	448
- buildings	268.1	320	1,219.30	308.1	405.2	340.7
- non-buildings	97.5	102.5	422.5	100.5	111.3	107.3
Changes in inventories	-89.3	-67.4	-226.5	-69.1	-58.9	-61.8
Net precious assets	0	0	0	0	0	0
Net exports of commodity and services	-709.6	-690	-2,765.0	-697.7	-750.1	-874.6
Exports	338.8	427.4	1,461.10	398.6	456.7	387.5
- commodity	306.7	387.8	1,287.10	361.3	407.4	341.8
- services	32.1	39.6	174	37.3	49.3	45.7
Imports	1,048.40	1,117.40	4,226.10	1,096.30	1,206.80	1,262.10
- commodity	945.5	1,019.00	3,820.20	996.6	1,110.30	1,160.90
- services	102.9	98.4	405.9	99.7	96.5	101.2
Net errors and omissions	-58.9	-34.9	-6.5	33.5	-17.8	-0.9
GDP	1,754.10	1,874.80	7,463.40	1,852.00	1,959.30	1,921.90

Source: Palestinian Central Bureau of Statistics 2016, National Accounts Statistics, Ramallah - Palestine.

Data for 2015 are preliminary and thus subject to further revision.

Data for Q3 2015 are also preliminary and thus subject to further revision.

* Data do not include that part of Jerusalem governorate which was forcefully annexed by Israel following its seizure of the West Bank in 1967.

Several points can be concluded from Table 1-3:

- ✧ The Palestinian final consumption expenditure during 2015 Q3 was 25.5 percent higher than GDP. The gap between them was financed by growth in net imports, which accounted for 39.7 percent of GDP, thus increasing the deficit in the trade balance.
- ✧ This final consumption expenditure was distributed as follows: 74.4 percent on household consumption, 21.8 percent on government expenditure and 3.8 percent on final consumption expenditure of non-profit organizations. While government consumption dropped 9.6 percent, private consumption jumped 13.3 percent during the quarter.
- ✧ In 2015 Q3, gross capital formation advanced 39.8 percent compared to the same quarter of 2014.
- ✧ Despite the significant growth in exports (14.4 percent), the deficit in the balance of trade increased 23.3 percent over the same quarter of the previous year, thus reaching USD 874.6 million.

Box 1: MENA Region Economic Outlook 2016

In its 2015 report on the MENA Region economic outlook, the IMF projected regional GDP growth at 2.3 percent, which is 1 percentage point lower than their projections of May 2015. Economic activity is projected to pick up to 3.8 percent in 2016, supported by improved prospects for Iran, some recovery in oil production and exports, and assumed easing of regional conflicts. However, there is considerable uncertainty about 2016 projections given the conflicts in Iraq, Libya, Syria and Yemen. Perhaps economic prospects for the long term require extensive structural reforms, the report found.

Oil Exporters

The drop of oil prices from about USD 110 a barrel in July 2014 to less than USD 50 end of the year has heavily impacted economic activity in the oil-exporting countries. A slight increase in oil prices is expected in the next four years to reach USD 63 by 2020. The report predicted continued volatility of oil production in conflict-affected countries, while oil export revenue—by USD 360 billion for MENA oil exporters as a whole in 2015—will sharply reduce the region's external surplus, turning it into a deficit. The report expected all MENA oil exporters to run deficits. Inflation in most MENA oil exporting countries is moderating. The report found that the economic effects in the GCC are quite different from those found in other oil exporting countries.

*** GCC**

According to the IMF expectations, the GCC countries will see their current account balance dwindle from a surplus of 15 percent of GDP in 2014 to a deficit of 0.25 percent in 2015 and 2.5 percent in 2016. Over the medium term, as oil prices recover somewhat and fiscal adjustment proceeds, the GCC current account position is expected to return to a surplus of 2 percent of GDP. On the short term, growth in the GCC is expected to slow at just below 4 percent for both 2015 and 2016, a reduction of 1.75 percentage points compared with 2014. On average, non-oil primary balances are expected to improve and inflation is likely to drop slightly to 2.4 percent.

*** Non-GCC**

The non-GCC current account balance is projected to rise to 8.75 percent of GDP in 2015, but in 2016, the deficit is expected to drop to 7.5 percent. Over the medium term, as oil prices recover somewhat and fiscal adjustment proceeds, the current account balance is projected to record a surplus of about 0.25 percent of GDP. In 2015, GDP figures are expected to remain unchanged. If security in the conflict-affected countries is restored and sanctions on Iran are eased, growth can improve in 2016 and accelerate further to reach around 5 percent. Inflation is expected to remain around 15 percent in Iran (declining from 35 percent in 2013) thanks to tightened monetary policy and public finance measures. In Algeria and Yemen, however, inflation is likely to accelerate, the report found.

*** Oil-importing countries**

The economies of these countries saw weak growth over the past five years, and recession has led to high levels of unemployment. Given lower oil prices and improving euro growth, the IMF projected economies in these countries to grow at 4 percent in 2015-2016. However, a stronger rebound is being held back by spillovers from the devastating conflicts in the region. Still, improvements in public finance policies and business environment, as well as easing financial constraints are beginning to improve confidence.

Inflation fell by almost two percentage points to around 8 percent in 2015, due in part to a decline in food prices, which raised households' real disposable incomes. A further, albeit small, decline in inflation for 2016 is projected, in line with continuing—but slower—food price declines.

Even with the improvements reported recently, vulnerabilities remain large and thwart greater confidence. Public debt has recently stabilized but remains high (ranging between 90 percent and 140 percent in Egypt, Jordan and Lebanon).

Much higher growth is needed to create enough jobs and significantly raise living standards. Current medium-term growth projections of 5 percent are insufficient to reduce unemployment. Under the current situation, reducing unemployment to the emerging market and developing country average of 6 percent would require medium-term annual growth of more than 7 percent. Most governments in the region are trying to rein in fiscal deficits—which are set to decline by about two percentage points on average over the coming period—and keep public debt ratios below 65 percent.

Table 1: MENA: Selected Economic Indicators

	2012	2013	2014	2015*	2016*
MENA					
- Real GDP (annual growth)	5.0	2.1	2.6	2.3	3.8
- Current account balance (GDP)	13.0	11.0	6.1	4.0-	4.7-
- Overall fiscal balance (as % to GDP)	3.7	0.8	2.8-	11.8-	10.1-
- Inflation (annual growth)	10.0	10.3	6.7	6.4	5.8
MENA oil exporters **					
- Real GDP (annual growth)	5.9	1.9	2.6	1.8	3.8
- Current account balance (GDP)	17.3	15.2	8.9	3.4-	4.3-
- Overall fiscal balance (as % to GDP)	7.3	4.2	0.8-	12.7-	11.1-
- Inflation (annual growth)	10.4	10.4	5.8	6.0	5.1
MENA oil importers ***					
- Real GDP (annual growth)	2.0	2.8	2.4	3.8	4.0
- Current account balance (GDP)	8.4-	7.3-	5.7-	5.9-	5.9-
- Overall fiscal balance (as % to GDP)	8.6-	10.4-	9.7-	8.6-	6.9-
- Inflation (annual growth)	8.6	10.1	10.0	7.9	7.8

* Projections

** MENA oil exporters: Algeria, Bahrain, Iran, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, United Arab Emirates, and Yemen.

*** MENA oil importers: Djibouti, Egypt, Jordan, Lebanon, Mauritania, Morocco, Somalia, Sudan, Tunisia (Excluding Syria).

The report included a number of boxes on different topics. Below we summarize the contents of some selected boxes.

Estimating the economic costs of conflicts

The report provided estimates of the economic costs of conflicts in the MENA Region. Conflicts adversely impact economies through different ways. They reduce the stock of human and physical capital, destroy infrastructure and factories, disrupt established production methods and trade routes and create uncertainty, thus undermining confidence. The brunt of the burden of conflicts tends to fall on the poor and the most vulnerable groups of the population. Conflicts also weigh negatively on macroeconomic indicators. Countries with conflict during the past five years are estimated to have suffered an average output decline of 2.25 percentage points each year. Even countries with no conflicts tend to have lower GDP growth rates when their neighbors have violent conflicts. In addition, conflicts usually have adverse effects on inflation, which in turn weakens foreign investment.

Trying times for fragile states in the MENA Region

The report highlights the worsening economic conditions in 7 fragile countries (oil exporters and importers), with 4 of these countries experiencing hard times for more than a decade. Libya, Syria and Yemen have recently joined the West Bank and Gaza, a territory with a long-standing conflict. Fragility has multiple causes, but common factors include weak governance and non-inclusive political and economic institutions. Conflicts have a drastic impact on inflation, which is higher than in non-fragile states. Destruction of human capital and physical infrastructure has made economic recovery much more difficult. The IMF urged governments to focus on building political consensus, restoring peace, supporting economic stabilization, and reinforcing capacity and institutional building (including strengthening fiscal institutions, transparency, and accountability).

Oil prices and remittances from the GCC to the Mashreq, Pakistan and Yemen

The Box evaluates the impact of the current decline in oil prices on the remittances from migrants in the GCC to their home countries. The analysis suggests that over the near term, the impact is likely to be modest because real non-oil GDP growth is projected to decline only moderately to about 3.8 percent per year in 2015–16. Over the medium term, the impact will depend on the pace of fiscal adjustment in the GCC in response to the lower oil prices. Faster fiscal adjustment than is currently envisaged, or the introduction of a special tax on remittances, which has been proposed in the GCC, could slow remittance flows further.

Co-edited by MAS team and Salam Salah

2. The Labor Market

2.1 Labor force and participation rate

During 2015 Q3, West Bank and Gaza Strip labor participation rate (i.e. the ratio of employed and the unemployed to the working age population) stood at 45.8 percent, compared with 45 percent in the same quarter a year

earlier (see Table 2-1). The number of WBGS employed workers in 2015 Q3 was 67 thousand higher than in the corresponding quarter of the previous year, but 24 thousand (or 2.5 percent) lower than in Q2 2015 (see Table 2-2).

Table 2-1: WBGS labor force participation rate for individuals 15 years and above– by Region and Sex 2014-2015 (%)

Region & Sex	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2014	Q1 2015	Q2 2015	Q3 2015
Males and females								
West Bank	47.2	46.4	46.3	46.4	46.6	45.6	46.2	46.1
Gaza Strip	44.8	45.2	42.8	44.9	44.4	45.5	44.9	45.3
West Bank & Gaza Strip	46.3	46.0	45.0	45.8	45.8	45.6	45.7	45.8
Males								
West Bank	73.8	73.4	73.6	72.9	73.4	72.2	72.6	72.6
Gaza Strip	68.5	69.0	66.0	69.5	68.2	70.7	68.8	71.2
West Bank & Gaza Strip	71.9	71.8	70.8	71.6	71.5	71.7	71.2	72.1
Females								
West Bank	19.8	19.0	18.3	19.2	19.1	18.3	19.1	18.8
Gaza Strip	20.5	20.8	19.0	19.7	20.0	19.7	20.9	18.8
West Bank & Gaza Strip	20.1	19.7	18.5	19.4	19.4	18.8	19.6	18.8

Source: Palestinian Central Bureau of Statistics 2016, Labor Force Survey, 2014-2015. Ramallah, Palestine.

Table 2-2: Individuals (15 years and above) working in Palestine– by Place of Work, 2014-2015

Place of Work	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2014	Q1 2015	Q2 2015	Q3 2015
Manpower (in thousands)	2,708	2,728	2,754	2,777	2,742	2,801	2,824	2,848
Workforce (in thousands)	1,254	1,254	1,239	1,273	1,255	1,276	1,291	1,304
No. of workers (in thousands)	926	926	880	936	917	950	971	947
- West Bank (%)	59.9	61.1	62.4	61.0	61.1	59.6	60.4	59.5
- Gaza Strip (%)	28.2	27.0	25.7	27.7	27.2	28.7	28.0	28.5
- Israel & the settlements (%)	11.9	11.9	11.9	11.3	11.7	11.7	11.6	12.0

Source: Palestinian Central Bureau of Statistics 2016, Labor Force Survey, 2014-2015. Ramallah, Palestine.

As clearly shown in Table 2-3, the private sector was the main employer of Palestinian labor during 2015 Q3- employing 66.6 percent of the total workers in the West Bank and more than

50 percent in Gaza. The figure for public sector employment in Gaza was much higher than the figure in the West Bank (36.5 percent in Gaza compared to 15.5 percent in the West Bank).

**Table 2-3: Individuals (15 years and above) working in Palestine -
By Region and Sector, 2014-2015 (%)**

Sector	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2014	Q1 2015	Q2 2015	Q3 2015
Palestine								
Public sector	22.9	22.4	23.5	22.9	22.9	23.2	21.5	21.5
Private sector	62.2	62.7	61.5	62.5	62.3	61.6	63.8	63.4
Other sectors	3.0	3.0	3.1	3.3	3.1	3.5	3.1	3.1
Israel & the Settlements	11.9	11.9	11.9	11.3	11.7	11.7	11.6	12.0
Total	100	100	100	100	100	100	100	100
West Bank								
Public sector	15.9	15.6	15.8	16.5	16.0	16.8	15.1	15.5
Private sector	65.7	66.4	66.5	66.3	66.2	65.0	67.4	66.6
Other sectors	1.8	1.7	1.7	1.6	1.7	1.8	1.3	1.1
Israel & the Settlements	16.6	16.3	16.0	15.6	16.1	16.4	16.2	16.8
Total	100	100	100	100	100	100	100	100
Gaza								
Public sector	40.5	40.7	45.7	39.6	41.5	38.9	37.8	36.5
Private sector	53.6	52.8	47.0	52.8	51.7	53.3	54.4	55.4
Other sectors	5.9	6.5	7.3	7.6	6.8	7.8	7.8	8.1
Total	100	100	100	100	100	100	100	100

Source: Palestinian Central Bureau of Statistics 2016, Labor Force Survey, 2014-2015.
Ramallah, Palestine.

As for the employment status of workers, 2015 Q3 data show a 0.7 percentage point increase in the share of wage earners over Q2 of the year (a 1.7 point rise in the West Bank against a 2 point

drop in Gaza). During the same period of comparison, the share of unpaid family members in Gaza grew by 0.6 percentage points (see Table 2-4).

**Table 2-4: Distribution of Palestine's Workers- by Employment Status
and Region, 2014-2015 (%)**

Region and Employment Status	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2014	Q1 2015	Q2 2015	Q3 2015
West Bank								
Employer	6.7	6.5	7.1	7.1	7.4	6.6	7.6	8.1
Self-employed	18.6	19.5	18.8	20.4	19.5	20.6	20.3	19.0
Wage earner	67.6	66.9	66.1	64.2	64.6	64.7	63.8	65.5
Unpaid family member	7.1	7.1	8.0	8.3	8.5	8.1	8.3	7.4
Total	100	100	100	100	100	100	100	100
Gaza Strip								
Employer	7.5	7.6	3.7	3.8	3.9	3.5	3.0	3.8
Self-employed	18.8	20.2	15.9	17.1	17.3	13.7	13.8	14.4
Wage earner	64.8	63.5	77.2	75.2	75.7	77.2	79.3	77.3
Unpaid family member	8.9	8.7	3.2	3.9	3.1	5.6	3.9	4.5
Total	100	100	100	100	100	100	100	100
Palestine								
Employer	4.5	3.5	6.2	6.2	6.4	5.7	6.3	6.9
Self-employed	18.3	17.6	18.1	19.5	18.9	18.6	18.5	17.7
Wage earner	74.6	76.1	69.0	67.3	67.7	68.3	68.2	68.9
Unpaid family member	2.6	2.8	6.7	7.0	7.0	7.4	7.0	6.5
Total	100	100	100	100	100	100	100	100

Source: Palestinian Central Bureau of Statistics 2016, Labor Force Survey, 2014-2015.
Ramallah, Palestine.

Quarter 3 data also signal some change in the distribution of workers by economic activity compared to Q2. While the share of those working in agriculture, fishing and forestry fell by 0.9 percentage points (0.7 points in the West Bank and 1.5 points in the Gaza Strip), the share of those working in construction rose by around

0.5 percentage points. Also, the share of services sector employment increased by 0.5 percentage points (a rise of 0.7 points in the West Bank versus a decline of 0.6 points in Gaza) during the same period of comparison (see Table 2-5).

Table 2-5: Distribution of Palestine's Workers- by Economic Activity and Region 2014-2015 (%)

Economic Activity and Region	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2014	Q1 2015	Q2 2015	Q3 2015
Palestine								
Agriculture, fishing and forestry	10.2	11.2	9.3	10.8	10.4	8.7	9.1	8.2
Quarries and manufacturing	12.4	12.8	12.7	12.4	12.6	12.6	13.3	13.9
Building and construction	14.9	15.0	16.0	15.1	15.3	14.9	15.2	15.7
Trade, restaurants and hotels	21.1	20.2	19.4	20.0	20.2	21.4	20.9	20.2
Transport, storage and communications	5.7	5.1	5.0	5.9	5.4	5.9	5.8	5.8
Services and others	35.7	35.7	37.6	35.8	36.1	36.5	35.7	36.2
Total	100	100	100	100	100	100	100	100
West Bank								
Agriculture, fishing and forestry	10.6	11.7	10.5	11.5	11.1	8.9	10.0	9.3
Quarries and manufacturing	15.3	15.6	15.5	15.3	15.4	15.5	16.5	17.0
Building and construction	19.7	19.8	21.1	20.2	20.2	19.8	19.4	20.5
Trade, restaurants and hotels	21.5	20.5	19.9	20.5	20.6	22.0	21.0	20.0
Transport, storage and communications	5.3	4.8	4.6	5.4	5.0	5.3	5.3	4.7
Services and others	27.6	27.6	28.4	27.1	27.7	28.5	27.8	28.5
Total	100	100	100	100	100	100	100	100
Gaza Strip								
Agriculture, fishing and forestry	9.4	10.0	5.8	9.0	8.6	8.2	6.7	5.2
Quarries and manufacturing	4.9	5.3	4.7	4.8	4.9	5.3	5.2	6.2
Building and construction	2.6	2.2	1.3	1.8	2.0	2.5	4.2	3.8
Trade, restaurants and hotels	20.2	19.5	18.3	18.6	19.2	20.0	20.5	20.7
Transport, storage and communications	6.6	6.0	6.1	7.4	6.6	7.4	7.1	8.4
Services and others	56.3	57.0	63.8	58.4	58.7	56.6	56.3	55.7
Total	100	100	100	100	100	100	100	100

Source: Palestinian Central Bureau of Statistics 2016, Labor Force Survey, 2014-2015. Ramallah, Palestine.

2.2 Unemployment

The unemployment rate in Q3 2015 was 27.4 percent– up 2.6 percentage points from the previous quarter (3.3 points in the West Bank and 1.2 points in Gaza). Compared to the 2014

corresponding quarter, however, the rate fell 1.6 percentage points– resulting from a decline of 0.5 points in the West Bank and a drop of 4.7 points in Gaza (See Table 2-6).

Table 2-6: Unemployment rate among individuals participating in the labor force (15 years and above) in Palestine- by Region and Sex: 2014-2015 (%)

Region and Sex	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2014	Q1 2015	Q2 2015	Q3 2015
Palestine								
Males	23.3	22.6	25.8	23.8	23.9	22.8	21.0	23.7
Females	36.5	39.4	41.5	36.5	38.4	36.2	38.9	41.8
Total	26.2	26.2	29.0	26.5	26.9	25.6	24.8	27.4
West Bank								
Males	15.9	13.2	16.7	15.2	15.2	14.4	12.7	16.0
Females	27.1	26.9	29.6	26.0	27.4	24.4	26.2	29.3
Total	18.2	16.0	19.2	17.4	17.7	16.3	15.4	18.7
Gaza Strip								
Males	37.4	40.1	43.5	39.6	40.1	37.9	36.3	37.4
Females	52.4	59.3	61.5	54.3	56.8	55.2	59.5	63.3
Total	40.8	44.5	47.4	42.8	43.9	41.6	41.5	42.7

Source: Palestinian Central Bureau of Statistics 2016, Labor Force Survey, 2014-2015. Ramallah, Palestine.

Highlights about Palestine's unemployment

- ✧ Unemployment in Palestine is highest among young people. In Q3, it reached 42.9 percent for the age group 15-24 years (63.2

percent for females and 38.8 percent for males), suggesting that a large proportion of the unemployed are new entrants to the labor market (see Table 2-7).

Table 2-7: Unemployment rate among individuals participating in the labor force (15 years and above) in Palestine- by Sex and Age Group, 2014-2015 (%)

Age group	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2014	Q1 2015	Q2 2015	Q3 2015
Males and Females								
15-24	42.1	41.2	46.8	44.5	43.6	41.0	38.7	42.9
25-34	29.4	31.0	32.2	29.8	30.6	29.2	28.9	32.2
35-44	14.9	14.4	16.6	13.5	14.8	14.1	13.5	14.5
45-54	13.9	14.1	17.1	14.8	15.0	12.6	12.8	13.5
55+	12.7	12.0	9.2	8.3	10.6	11.6	12.3	11.8
Total	26.2	26.2	29.0	26.8	26.9	25.6	24.8	27.4
Males								
15-24	38.9	36.8	42.7	41.4	39.9	37.6	33.5	38.8
25-34	21.8	23.0	24.5	22.9	23.0	22.8	21.7	24.4
35-44	13.9	12.6	16.3	12.9	13.9	13.6	11.8	13.1
45-54	15.3	15.6	18.7	16.0	16.4	13.5	13.8	14.5
55+	15.3	13.9	11.0	9.7	12.5	13.4	14.3	13.8
Total	23.3	22.6	25.8	23.8	23.9	22.8	21.0	23.7
Females								
15-24	60.1	64.0	66.4	60.3	62.8	58.0	62.1	63.2
25-34	51.0	54.8	55.8	50.5	53.0	49.0	49.6	55.4
35-44	18.9	20.7	17.8	15.7	18.2	16.2	20.1	20.2
45-54	8.8	8.5	10.1	9.7	9.2	8.6	7.8	9.2
55+	2.9	3.9	0.3	1.7	2.3	1.9	2.9	2.0
Total	36.5	39.4	41.5	36.5	38.4	36.2	38.9	41.8

Source: Palestinian Central Bureau of Statistics 2016, Labor Force Survey, 2014-2015. Ramallah, Palestine.

- ◇ The more the years of schooling, the higher the unemployment rate among both males and females. Reported mainly among females in the past years, this phenomenon has now grown to affect males as well. In 2015 Q3, unemployment among uneducated males was 13 percent compared to 19.8 percent among those with 13 years of schooling or above. The figures for females are even more striking, with the unemployment rate for women with 13 years of schooling or above reaching 52.4 percent in Q3 compared to only 5.8 percent among uneducated females (see Table 2-8).

Table 2-8: Unemployment rate among individuals participating in the labor force (15 years and above) in Palestine- by Sex and Years of Schooling, 2014-2015 (%)

Years of Schooling	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2014	Q1 2015	Q2 2015	Q3 2015
Males and females								
0	15.7	10.0	18.2	18.6	15.3	13.7	17.6	9.8
1-6	25.3	24.8	29.5	23.8	25.8	21.4	26.6	28.1
7-9	23.0	23.0	27.3	25.2	24.6	24.8	22.4	24.6
10-12	23.5	22.8	25.7	24.3	24.1	25.0	20.5	23.7
13+	30.9	32.2	33.2	30.0	31.6	27.8	29.7	32.4
Total	26.2	26.2	29.0	26.5	26.9	25.6	24.8	27.4
Males								
0	27.5	22.8	30.3	32.2	28.1	25.2	25.3	13.0
1-6	29.2	28.4	32.5	26.7	29.2	23.2	29.0	30.7
7-9	24.5	23.7	28.7	26.8	25.9	25.6	23.1	25.2
10-12	24.1	23.0	26.5	24.8	24.6	24.8	20.2	24.0
13+	18.8	18.9	19.7	18.9	19.1	17.8	17.6	19.8
Total	23.3	22.6	25.8	23.8	23.9	22.8	21.0	23.7
Females								
0	6.0	0.0	4.6	4.1	3.6	2.2	8.1	5.8
1-6	5.8	5.1	9.1	6.8	6.5	9.9	10.3	7.9
7-9	9.1	15.0	10.9	9.4	11.1	16.8	14.7	15.2
10-12	17.7	20.7	16.1	19.3	18.6	27.2	23.2	20.9
13+	49.7	52.4	53.3	47.1	50.6	44.0	48.7	52.4
Total	36.5	39.4	41.5	36.5	38.4	36.2	38.9	41.8

Source: Palestinian Central Bureau of Statistics 2016, Labor Force Survey, 2014-2015. Ramallah, Palestine.

2.3 Unemployment among tertiary graduates

Table 2-9 below records the rates of unemployment among individuals with intermediate diploma or higher. In 2015 Q3, the unemployment rate among this group was 35.7 percent, up from 31.4 percent in the previous quarter. Unemployment among those with a

degree in educational sciences and teacher preparation was the highest, at 49.6 percent. Those with degrees in social & behavioral sciences and journalism also reported very high rates (42.9 percent and 42.4 percent, respectively).

Table 2-9: Employed and unemployed graduates (with an intermediate diploma and above) by Major, 2014-2015 (%)

Major	Q3 2014		Q2 2015		Q3 2015	
	Employed	Unemployed	Employed	Unemployed	Employed	Unemployed
Educational sciences & preparation of teachers	49.1	50.9	52.4	47.6	50.4	49.6
Humanities	64.1	35.9	64.4	35.6	61.1	38.9
Social and behavioral sciences	60.7	39.3	64.4	35.6	57.1	42.9
Journalism and media	57.4	42.6	62.6	37.4	57.6	42.4
Business and administration	67.4	32.6	69.6	30.4	68.2	31.8
Law	81.8	18.2	85.7	14.3	-	-
Natural sciences	54.2	45.8	73.1	26.9	60.9	39.1
Math and statistics	63.2	36.8	66	34.0	59.9	40.1
Computer	74.2	25.8	73.2	26.8	67.4	32.6
Engineering and engineering professions	65.5	34.5	75.9	24.1	73.0	27.0
Architecture and construction	72.7	27.3	77	23.0	74.4	25.6
Health	71.9	28.1	81.3	18.7	75.2	24.8
Personal services	56.5	43.5	82.1	17.9	72.0	28.0
Others	76.7	23.3	72.5	27.5	67.4	32.6
Total	64.3	35.7	68.6	31.4	64.3	35.7

Source: Palestinian Central Bureau of Statistics 2016, Labor Force Survey, 2014-2015. Ramallah, Palestine.

2.4 Wages and working hours

In 2013 Q3, the average daily wage in the West Bank and Gaza reached NIS 92.9 and NIS 63.4, respectively. However, the median wage was significantly lower (see Table 2-10). Compared to Q2 2015, the average daily wage for those working in the West Bank during Q3 saw a decline of 2.5 percent against an improvement of 2.6 percent in Gaza. It also improved by 0.5

percent for those working in Israel & the Settlements. Compared to the corresponding quarter a year earlier, the average daily wage for WB workers rose 1.9 percent, while it jumped by 5.8 percent for those working in Israel & the Settlements. The average daily wage for Gaza's workers, however, saw a sharp decline of 9.3 percent during the same period (see Table 2-10).

Table 2-10: Average weekly working hours, monthly working days and daily wages (in NIS) of known-wage workers in Palestine- by Place of work, 2014-2015

Place of work	Average weekly working hours	Average monthly working days	Average daily wage	Median daily wage
Q3 2014				
West Bank	44.3	22.6	91.2	80.0
Gaza Strip	38.1	23.8	69.9	65.4
Israel and the settlements	41.8	20.0	189.2	180.0
Total	42.9	22.3	107.4	90.0
Q4 2014				
West Bank	43.4	22.9	91.4	80.0
Gaza Strip	37.2	24.0	66.1	56.5
Israel and the settlements	41.9	19.8	194.2	192.3
Total	41.6	22.6	101.9	84.6
2014				
West Bank	44.1	22.5	90.9	80.0

Place of work	Average weekly working hours	Average monthly working days	Average daily wage	Median daily wage
Gaza Strip	37.7	23.9	63.9	54.1
Israel and the settlements	42.6	20.0	187.5	180.0
Total	42.4	22.4	101.8	84.6
Q1 2015				
West Bank	43.0	21.9	94.2	83.3
Gaza Strip	37.0	22.6	61.3	46.2
Israel and the settlements	40.9	18.8	196.4	192.3
Total	40.9	21.6	103.0	84.6
Q2 2015				
West Bank	44.2	22.6	95.3	80.0
Gaza Strip	37.1	23.3	61.8	46.2
Israel and the settlements	41.1	19.6	199.1	200.0
Total	41.7	22.2	104.7	84.6
Q3 2015				
West Bank	43.9	22.7	92.9	80.0
Gaza Strip	37.0	23.4	63.4	50.0
Israel and the settlements	38.4	19.1	200.1	200.0
Total	41.0	22.2	105.2	84.6

Source: Palestinian Central Bureau of Statistics 2016, Labor Force Survey, 2014-2015. Ramallah, Palestine.

2.5 Vacancy announcements¹

The number of vacancies posted in Q3 2015 was 621, a drop of 23.6 percent from the previous quarter and 38.6 percent from Q3 a year earlier (see Table 2-11). However, there were 37 announcements with no specific number of vacant posts. Furthermore, the posted vacancies do not necessarily cover all available job opportunities, though all government jobs, as per law, must be posted².

With 270 vacancy announcements, the private sector accounted for the largest share (43.5 percent) of job vacancies advertised in 2015 Q3. The shares of the NGO sector and the public sector were respectively 37 percent (230 posts) and 19.5 percent (121 posts).

By region, the central West Bank reported 44 percent of all vacancies announced during the

quarter. Both Northern West Bank and Southern West Bank reported 14 percent each, while the Gaza Strip's share was 28 percent. By academic qualification, with 78 percent, the BA was the top in-demand degree. The demands for Intermediate Diploma, MA & above and High School and below were respectively 9 percent, 7 percent and 6 percent (see Table 2-11).

By far, the demand for administrative and economic sciences had the largest share of advertised vacancies, with 37 percent. Meanwhile, the demand for applied sciences was 21 percent, ahead of humanities & social sciences (19 percent) and medical & health sciences (11 percent). Other professions (crafts, maintenance technicians, secretarial work, etc) accounted for 12 percent of total demand (see Table 2-12).

¹ This section is based on job advertisements compiled by MAS from Al-Quds daily newspaper as well as from the website www.jobs.ps

² Article 19 of the Civil Service Law No. 4 of 1998 states that the government departments shall announce job vacancies in which appointment is made by the competent authority within two weeks of vacancy in at least two daily newspapers. The announcement shall contain detailed information about the job and conditions to be met.

Table 2-11: Number of vacancies advertised in daily newspapers in Palestine, Q3 2014 and Qs 2 & 3 2015

	Q3 2014	Q2 2015	Q3 2015			
			July	August	September	Total
By Sector						
Private sector	414	264	101	73	96	270
Public sector	137	85	24	28	69	121
NGOs	460	464	56	49	125	230
By Region						
Northern West Bank	96	98	27	9	48	84
Central West Bank	647	417	74	69	131	274
Southern West Bank	171	88	37	12	38	87
Gaza	97	210	43	60	73	176
By Degree						
MA and above	77	88	14	8	20	42
BA	741	584	156	128	201	485
Intermediate Diploma	124	91	6	12	38	56
Below Diploma	69	50	5	2	31	38
Total						
	1,011	813	181	150	290	621

Source: MAS collected job advertisements from Al-Quds daily newspaper as well as from the website www.jobs.ps

Table 2-12: Number of vacancies advertised in daily newspapers in Palestine- by Major, Sector and Region- Q3 2015

Major	West Bank			Gaza Strip			Total
	Public sector	Private sector	Civil sector	Public sector	Private sector	Civil sector	
Medical & health sciences	2	11	27	1	4	20	65
Humanities and social sciences	18	20	33	5	9	32	117
Applied sciences	34	47	11	5	18	16	131
Administrative and economic sciences	39	101	35	5	10	42	232
Other (craftsmen, maintenance, secretarial work, etc.)	10	47	10	2	3	4	76
Total	103	226	116	18	44	114	621

Source: MAS collected job advertisements from Al-Quds daily newspaper as well as from the website www.jobs.ps

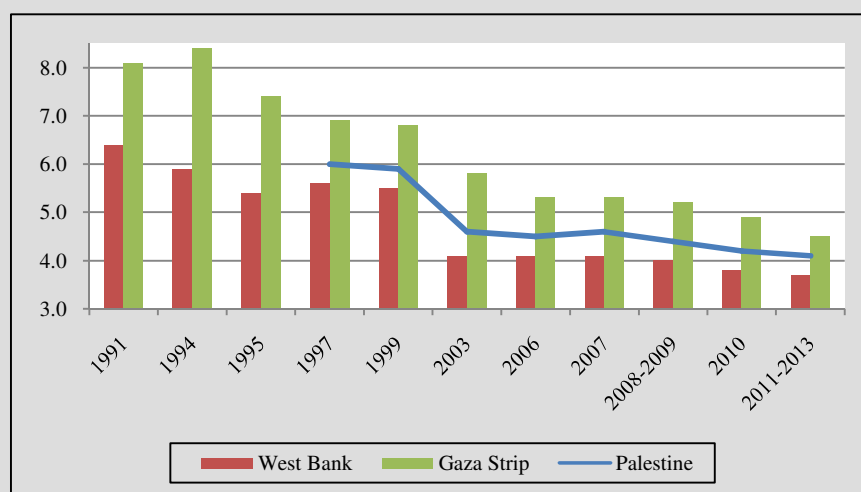
Box 2: Population growth despite the decline in total fertility rate

The population growth rate is determined by two factors: net reproduction and net migration. The rate of natural increase is the crude birth rate minus the crude death rate. Net migration rate is the difference of immigrants and emigrants of an area in a period of time. Both growth rate and net migration rate can be negative. In this Box, we will shed light on population growth in the West Bank and Gaza Strip between the mid 1990s and the present, focusing particularly on the factors behind the reported growth rates as well as the trends in net external migration.

Fertility rate

The natural increase in the population is determined by the rate of fertility in females and mortality rate. The total fertility rate is defined as the average number of live births per woman during her reproductive period. The total fertility rate in the Palestinian territories witnessed a significant drop in the last two decades— declining from 7.4 children per woman in 1979-1992 to 4.1 in 2011-2013. A marked decline was reported in the second intifada (2001-2004), with the rate falling from 5.2 in 2001 to 4.8 in 2004.³ Figure 1 shows that the fertility rate after the intifada has not risen back to its previous levels.

Figure 1: Total fertility rate, selected years



Source: PCBS

Figure 1 also reveals a clear gap between the West Bank and Gaza Strip (ranging from 0.8 points to 2.5 points). In 2011-2013, the rate was 3.7 in the West Bank compared to 4.5 in Gaza.

Though the rate dropped significantly in the oPt, it remained high compared to the rates in comparable countries. In Jordan, the rate was 3.5 in 2014 (Department of Statistics, Jordan, 2015). Early marriage and other socio-cultural factors in the oPt are the main reasons behind high fertility rates.

Decline in younger population and rise in elderly population

The relatively sharp decline in the fertility rate in the Palestinian territories has changed the age structure of the population. The ratio of people below 15 years old to the total population declined from 47.4 percent in 1994 to 39.7 percent in 2014. Such declines usually have positive and negative economic effects: reducing dependency levels in the short term but increasing them in the long term. The drop in the fertility rate has also influenced the Palestinian family size, reducing it from 6.4 people in 1997 to 5.2 people in 2014. Again, there is a gap between the West Bank and Gaza, with the former reporting 4.9 members in a family on average and the latter reporting 5.7 members.

Mortality rate

The crude mortality rate measures the number of deaths per thousand of the population in a given year. According to the Palestinian Central Bureau of Statistics, the rate is declining slowly. It fell from 6.7 in 1994 (6.9 in the West Bank and 6.5 in Gaza Strip) to 3.9 in 2007 (4 in the West Bank and 3.7 in Gaza), and to 3.7 in 2014 (3.9 in the West Bank and 3.6 in Gaza). These figures highlight two facts: the mortality rate in Palestine is

³ As the PCBS has no data available on this indicator for that period, we obtained data from the World Bank.

significantly lower than in neighboring countries (6.1 in Jordan and Egypt in 2014); and the mortality rate in the West Bank is steadily higher, albeit a little, than in the Gaza Strip. Though the West Bank and Gaza have similar health services, the West Bank has higher mortality rates as it is an environment that encourages so called abundance (modern, chronic) diseases.

Rate of natural increase

The greater decline in fertility than the drop in mortality over the past decades resulted in a fall in the rate of natural increase from 3.18 percent in 1998 to 2.94 percent in 2014. The difference in the declines of the fertility rate between the West Bank and Gaza Strip produced a variation in natural increase rates between the two regions (3.44 percent in Gaza compared with only 2.62 percent in the West Bank in 2014). For comparison purposes, the rate of natural increase in Jordan in 2014 was only 2.1 percent in 2014.

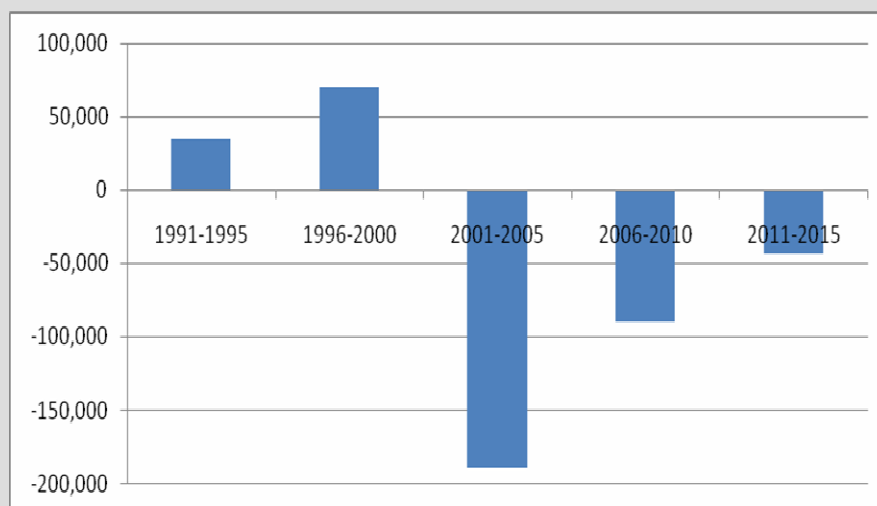
Migration

Net migration is another factor that contributes positively or negatively to population growth. Net migration rate is the difference between immigrants and emigrants of an area in a period of time. Usually, records of arrivals and departures, as well as censuses and statistical surveys, are used to calculate the net migration figures. However, the Palestinian Central Bureau of Statistics does not provide complete data on net migration. A PCBS report cites four reasons behind the lack of data⁴:

1. Israel's control of border crossings and records of movement across borders.
2. The civil registry is not connected via a network to the border crossings, so that data for arrival and departure cannot be easily updated.
3. There are no mandatory laws that compel people to modify residence data when they change their place of residence within or outside the Palestinian territories.
4. Lack of full control on migration owing to the multiplicity of travel documents, as Palestinians can have both Palestinian and Jordanian passports, thus using any of them at any time— apart from the Palestinians who have other passports nationalities.

However, there is still some information provided by the World Bank on migration and immigration. Figure 3 below gives a broad picture of the situation. Net migration to Palestine was reportedly positive during 1991-2000, reaching 105 thousand people. This was reversed in 2000-2015 period, when 324 thousand people are estimated to have left the West Bank and Gaza.

Figure 2: Net migration from / to Palestine 1991-2015



Source: World Bank <http://data.worldbank.org/indicator/SM.POP.NETM>

Population growth

Due to the lack of accurate information on migration, as well as the relatively low absolute values of net migration, the Palestinian Central Bureau of Statistics assumes that the population growth rates match the rate of natural increase which reached 2.94 percent in 2014.

⁴ Palestinian Central Bureau of Statistics, 2009. Internal migrants and returned immigrants in the Palestinian territories, Ramallah, Palestine <http://www.pcbs.gov.ps/Downloads/book1631.pdf>

The population of the Palestinian territories in 2001 was 3.14 million (1.99 million in the West Bank and 1.15 million in Gaza Strip). In 2014, the figure rose to 4.55 million (2.79 million in the West Bank and 1.76 million in Gaza). The variation in the rates of population growth in the two regions has led to a continuous rise in the proportion of the population of the Gaza Strip to the total Palestinian population from 35.8 percent in 1997 to 39.1 percent in 2014. Table 1 below shows that the WBG population nearly doubled between 1991 and 2014, and was growing at a modest annual rate of 3.5 percent.

Table 1: Palestine population growth rates 1991-2015

Period	Population (in thousands)	Growth rate
1991-1995	2,267.22	-
1996-2000	2,851.64	%26
2001-2005	3,318.74	%16
2006-2010	3,828.06	%15
2011-2015	4,423.12	%16

Source: PCBS

Figures for 1991-1996 are based on World Bank estimates.

Co-edited by MAS team and Salam Salah

3. Public Finances

Highlights of Public Finances during 2015 Q3

- ✧ Public revenues and grants declined 18.6 percent to around NIS 4 billion on a sharp fall in clearance revenues and aid (due in part to the increase in clearance revenues following their release by Israel's).
- ✧ Public expenditure dropped (on a cash basis) 10.5 percent to NIS 3.6 billion following reductions in wage and salaries expenditure.
- ✧ The treasury achieved a current account surplus of NIS 30 million on a cash basis and a total account surplus of NIS 392 million after grants and aid.
- ✧ Government unpaid debts increased significantly to NIS 546 million compared to only NIS 68.5 million in Q2 of the year.
- ✧ Public debt during Q3 2015 fell slightly to NIS 8.8 billion (or 17.4 percent of GDP), a 0.9 percent lower than the figure in the previous quarter (see Table 3-1).

Table 3-1: Summary of the financial position of the PNA, Q3 2014- Q3 2015
(NIS millions, cash basis)

Item	2014		2015		
	Q3	Q4	Q1	Q2	Q3
Public revenues and grants (net)	4,247.5	3,254.0	2,419.1	4,952.6	4,029.9
Public revenues (net)	2,726.4	2,023.9	1,572.8	3,981.7	3,542.5
Tax revenues	401.7	429.4	727.3	493.0	666.8
Non-tax revenues	216.8	230.0	226.1	218.3	308.8
Provisional allocations*			111.2	37.1	36.4
Clearance revenues	2,253.8	1,382.2	524.5	3,280.2	2,618.4
Tax rebates	145.9	17.7	16.3	46.9	87.9
External grants and aid	1,521.1	1,230.1	846.3	970.9	487.4
For budget support	1,347.7	1,006.8	788.8	877.8	394.6
To support developmental projects	173.4	223.3	57.5	93.1	92.8
Total public expenditure	3,902.8	2,866.3	2,688.3	4,063.6	3,637.5
Current expenditure, including:	3,806.5	2,631.4	2,468.8	3,919.3	3,512.7
Wages and salaries	2,045.2	1,443.7	949.7	2,389.1	1,945.8
Non-wage expenses	1,475.8	950.3	1,069.2	1,276.2	1,282.7
Provisional payments*			3.5	41.6	35.6
Net lending	285.5	237.4	446.4	212.4	248.6
Development expenditure	96.3	234.9	219.5	144.3	124.8
Treasury-funded	(77.1)	11.6	162.0	51.2	32.0
Donor-funded	173.4	223.3	57.5	93.1	92.8
Current account	(1,080.1)	(607.5)	(896.0)	62.4	29.8
Total account (before grants and aid)	(1,176.4)	(842.4)	(1,115.5)	(81.9)	(95.0)
Total account (after grants and aid)	344.7	387.7	(269.2)	889.0	392.4
Net financing from local banks	(197.5)	22.3	338.3	(535.4)	(198.6)
Remainder	(166.3)	178.5	52.3	(38.3)	37.7
Reminders					
Nominal GDP (NIS millions)	10,917.0	11,479.4	11,567.0	12,421.5	12,331.1
Average exchange rate (NIS/USD)	3.51	3.81	3.94	3.89	3.83

Source: Palestinian Ministry of Finance, monthly financial reports for 2014-2015 (financial operations: income, expenditures and sources of financing).

* These are taxes and revenues allocated to the local government councils, 90 percent of the property tax and 50 percent of the transportation tax.

Figures in brackets indicate negative values.

3.1 Public revenues and grants

Total public revenues

Net public revenues (excluding aid and grants) declined during Q3 to a NIS 3.5 billion from NIS 4 billion in the previous quarter. The significant difference was due in part to abundant clearance revenues the government received in Q2 after Israel withheld them in Q1 of the year.⁵ Clearance revenues in 2015 Q3 declined to NIS 2,618.4 million, down 20.2 percent from Q2 of the year. Compared to the same quarter a year earlier, however, the figure was 16.2 percent higher. The contribution of revenue from clearance to total public revenues during Q3 2015 was 73.9 percent.

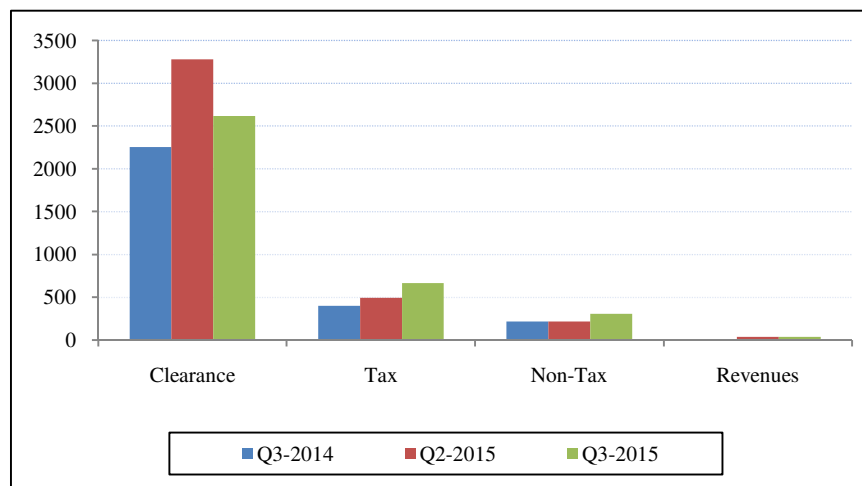
Unlike clearance, tax revenue grew 35.3 percent to NIS 666.8 million thanks to improvements in VAT and customs (representing respectively 53.7 percent and 20.4 percent of total tax

revenue). VAT collection jumped 66.2 percent over the previous quarter (to NIS 357.9 million), while revenues from customs duties edged up by 20.4 percent to NIS 135.7 million during the same period.

Non-tax revenues climbed by 41.5 percent over the second quarter of the year to NIS 308.8 million thanks to improvement in collecting professional practice fees which reached NIS 124.8 million in the quarter. Non-tax revenues are usually made up of fees (particularly, stamps sold for health and court services; land, vehicle registration and education fees; as well as profits of investment portfolios) that are not directly influenced by the performance of economic activities.

Figure 3-1: Structure of domestic revenues

(NIS millions)



Source: Palestinian Ministry of Finance, monthly financial reports for 2014-2015 (financial operations: revenues, expenditures and sources of financing).

Grants and Foreign Aid

Foreign aid during Q3 declined to its lowest quarterly level in years, sinking to NIS 487.4 million, which is 49.8 percent lower than the figure in the previous quarter. While grants from Arab states (exclusively from Saudi Arabia) rose to NIS 228.8 million, up 11.7

percent from the second quarter of the year, aid received via PEGASE and the World Bank fell during the quarter. Around 81 percent of foreign aid was appropriated to support the general budget (see Table 3-2).

⁵ During Q1 2015, Israel withheld NIS 1,367.4 million of clearance revenues. In the second quarter of the year, it released about NIS 1,288.4 million in addition to the monthly dues. In Q3, Israel transferred NIS 570.1 million in arrears in addition to the regular transfers.

Table 3-2: Grants and foreign aid to the Palestinian Government
(NIS millions)

Item	2014		2015		
	Q3	Q4	Q1	Q2	Q3
Budget support	1,347.6	1,006.9	788.8	877.8	394.6
Arab grants	747.3	0.0	617.1	204.8	228.8
International grants	600.3	1,006.9	171.7	673.0	165.8
Developmental funding	173.5	223.2	57.5	93.3	92.8
Total foreign aid	1,521.1	1,230.1	846.3	970.9	487.4

Source: Palestinian Ministry of Finance, monthly financial reports for 2014-2015 (financial operations: income, expenditures and sources of financing).

In short, net public revenues shrank to around NIS 4 billion, thus dropping 18.6 percent from

Q2 and 5.1 percent from the same quarter a year earlier (see Figure 3-3).

Table 3-3: Indicators of public revenues and grants

Item	2014		2015		
	Q3	Q4	Q1	Q2	Q3
Total public revenues (NIS millions)	2726.4	023.9,2	572.8,1	981.7,3	542.5,3
As % to total revenues and grants	64.2	62.2	65.0	80.4	87.9
As % to current expenditure	71.6	76.9	63.7	101.6	100.8
As % to GDP	25.0	17.6	13.6	32.1	28.7
External grants and aid (NIS millions)	521.1,1	230.1,1	846.3	970.9	487.4
As % to total revenues and grants	35.8	37.8	35.0	19.6	12.1
As % to current expenditure	40.0	46.7	34.3	24.8	13.9
As % to GDP	13.9	10.7	7.3	7.8	4.0

Source: Palestinian Ministry of Finance, monthly financial reports for 2014-2015 (financial operations: revenues, expenditures and sources of financing).

3.2 Public Expenditure

Public expenditure in 2015 Q3 dipped to NIS 3.6 billion (to 29.5 percent of nominal GDP), down 10.5 percent from the previous quarter. Current spending accounted for 96.6 percent of total expenditure, leaving an anemic 3.4 percent for development spending.

Current Expenditure

During 2015 Q3, current expenditure totaled NIS 3.5 billion, a decline of 10.4 percent from the previous quarter and 7.7 percent from the same quarter of the previous year. Of total current expenditure, the wage bill and non-wage spending accounted for 55.4 percent and 36.5 percent, respectively, while net lending and provisional allocations constituted respectively 7.1 percent and 1 percent of total current expenditures (see Figure 3-2).

The wage bill contracted 18.6 percent to NIS 1.9 billion. However, the Q2 bill covered wage arrears from Q1, which bloated the bill for Q2.

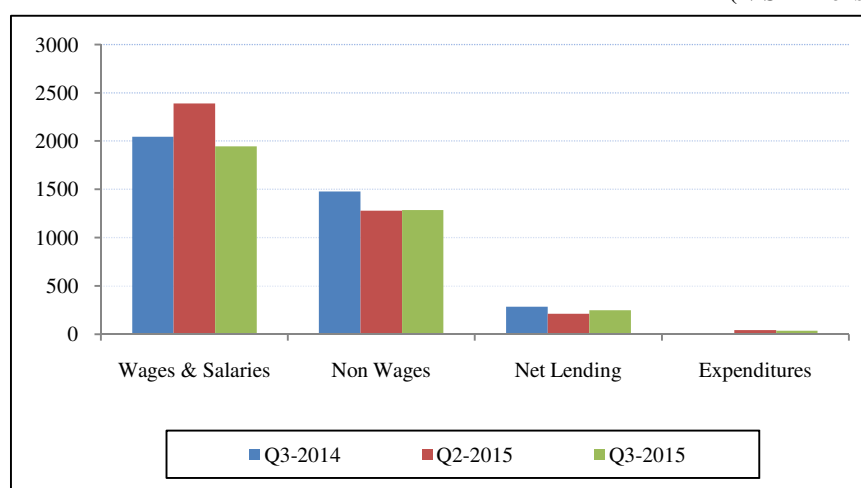
The decline in Q3 thus reflects a return to the natural course.

Non-wage spending during the quarter stood at NIS 1.3 billion, rising by 0.5 percent from 2015 Q2, but declining by 13.1 percent from the figure in the 2014 same quarter. Operational spending (goods and services) and transfers⁶ (including social assistance) were the most important components of the non-wage expenditure, with 26.2 percent for the former and 72.4 percent for the latter, while capital expenditure and interest payments accounted for 0.2 percent and 1.2 percent, respectively.

⁶ During Q3 2015, transfers totaled NIS 892.9 million, appropriated to social subsidies (NIS 293 million), assistance to poor families (NIS 152.4 million), unemployment subsidies (NIS 53.7 million), civil and military pensions social security (NIS 277.6 million), other spending items—support to village councils and municipalities, emergency, education scholarships and payments to non-governmental organizations, and others— (NIS 116.2 million), and social responsibility (NIS 35 million compared to NIS 60 million in Q2).

Figure 3-2: Structure of current expenditure

(NIS millions)



Source: Palestinian Ministry of Finance, monthly financial reports for 2014-2015 (financial operations: revenues, expenditures and sources of financing).

Net lending spending— which largely comprises payments to Israeli utility companies as debts on Palestinian municipalities— grew to about NIS 248.6 million, up 17 percent from the previous quarter, but down 12.9 percent from the figure reported in the 2014 corresponding quarter.

On the other hand, developmental expenditure fell by 13.5 percent from the previous quarter to NIS 124.8 million (see Table 3-4) on lower funding from donors (only NIS 92.8 million).

Table 3-4: Public expenditure indicators

Item	2014		2015		
	Q3	Q4	Q1	Q2	Q3
Current expenditure (NIS millions)	3,806.5	2,631.4	2,468.8	3,919.3	3,512.7
As % to total public expenditure	97.5	91.8	91.8	96.4	96.6
As % to GDP	34.9	22.9	21.3	31.6	28.5
Developmental expenditure (NIS millions)	96.3	234.9	219.5	144.3	124.8
As % to total public expenditure	2.5	8.2	8.2	3.6	3.4
As % to GDP	0.9	2.0	1.9	1.2	1.0

Source: Palestinian Ministry of Finance, monthly financial reports for 2014-2015 (financial operations: income, expenditures and sources of financing).

3.3 Financial surplus/deficit

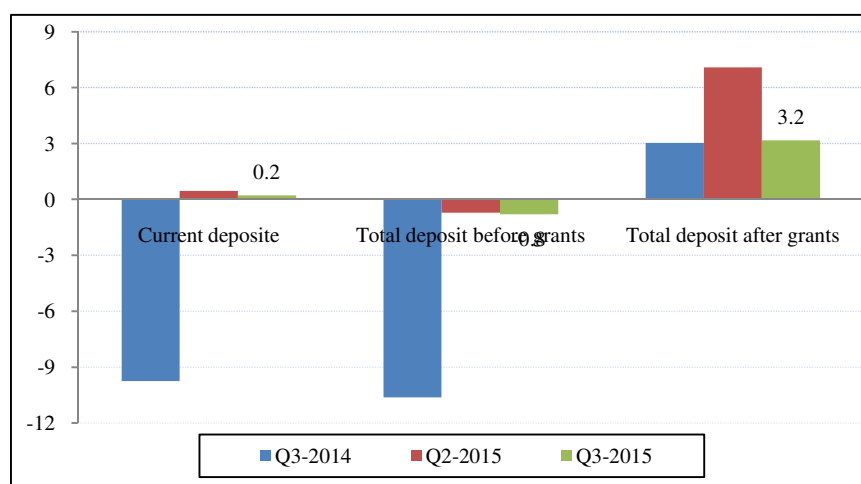
The current account before aid (on a cash basis) recorded a surplus of NIS 29.8 million, down from NIS 62.4 million in the previous quarter. After aid, however, the surplus totaled NIS 392.4 million compared to NIS 889 million in the previous quarter and NIS 344.7 million in the same quarter a year earlier (see Figure 3-3).

547.3 million), tax rebates arrears (NIS 45.3 million), liabilities of developmental expenditure (NIS 48.1 million), and allocated payments in arrears (NIS 0.8 million). The government, however, managed to pay NIS 95.6 million in wage bill arrears.

3.4 Net arrears accumulation

In 2015 Q3, the government's net arrears totaled NIS 546 million (see Table 3-5), constituted by outstanding debt stock to the private sector (NIS

Taken together, the net accumulation of arrears and the current account on a cash basis (a surplus of NIS 29.8 million) produced a total deficit of NIS 516.2 million on a commitment basis.

Figure 3-3: Financial account as % of nominal GDP

Source: Palestinian Ministry of Finance, monthly financial reports for 2014-2015 (financial operations: income, expenditures and sources of financing).

Table 3-5: Net arrears accumulated

(NIS millions)

Item	2014		2015		
	Q3	Q4	Q1	Q2	Q3
Tax rebates	10.2	87.4	142.1	114.2	45.3
Wages and salaries	167.5	433.2	852.2	485.9	95.6
Nonwage expenses	497.2	491.8	307.4	413.7	547.3
Developmental expenditure	99.58	85.1	48.3	49	48.1
Provisional payments			107.7	4.5	0.8
Total expenditure arrears	439.5	1,097.5	1,457.7	86.5	546.0

Source: Palestinian Ministry of Finance, monthly financial reports for 2014-2015 (financial operations: income, expenditures and sources of financing).

3.5 Clearance Revenue (commitment basis)

In Q3 2015, clearance revenues totaled nearly NIS 2,047.7 million, a 2.8 percent lift over the previous quarter and 14.4 percent over the 2014 same quarter. The growth was mainly produced by an increase in fuel revenues, which reached

NIS 708.2 million compared to NIS 687.2 million in the previous quarter and NIS 589.2 million in the same quarter of 2014 (see Table 3-6).

Table 3-6: Clearance revenues on a commitment basis

(NIS millions)

Item	2014		2015		
	Q3	Q4	Q1	Q2	Q3
Clearance revenue	1,789.7	1,873.8	1,891.9	1,991.8	2,047.7
Customs	651.3	671.7	656.3	740.1	766.1
VAT	549.8	573.3	578.3	553.5	570.5
Purchase tax (sales)	(0.6)	1.0	(7.5)	2.6	2.9
Fuel	589.2	619.8	658.2	687.2	708.2
Income tax	0	8.0	6.6	8.4	0

Source: Palestinian Ministry of Finance, monthly financial reports for 2014-2015 (financial operations: income, expenditures and sources of financing).

3.6 Public Debt

In 2015 Q3, the public debt fell 0.9 percent from the second quarter of the year to NIS 8.8 billion or 17.4 percent of GDP. The dollar-denominated debt, however, dropped only 4.6 percent to USD 2,236 million compared to 2,344.9 million in Q2 of the year.

The ratio of government domestic debt to total debt during the quarter was 52.1 percent against 47.9 percent for external debt. The latter involved obligations to Arab financial institutions (57.7 percent), international and regional institutions (31.9 percent) and bilateral

loans (10.3 percent). On the other hand, the largest part of domestic debt was owed to the banking system— with about 17.6 percent of this debt in the form of loans provided to the Petroleum Authority, with the PA government as a guarantor (see Table 3-7).

The debt interest payments, meanwhile, totaled NIS 15.5 million (85 percent owed to domestic creditors), up from NIS 11.2 million in the previous quarter and NIS 45 million in the 2014 corresponding quarter.

Table 3-7: Public Debt - Q3 2015

Item	2014				(NIS millions) 2015		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
a. Domestic debt	4,268.3	4,290.4	4,514.1	4,399.4	5,207.9	4,806.1	4,577.3
Bank loans (long-term)	2,228.8	2,079.0	2,253.1	2,460.9	2,778.9	2,523.6	2,727.8
Bank facilities (short-term)	1,171.1	1,396.2	1,464.9	1,180.5	1,633.7	1,395.5	990.8
Petroleum Authority loans (short-term)	817.6	762.9	743.8	705.7	743.0	834.7	806.4
Other public institutions loans (short-term)	50.8	52.3	52.3	52.3	52.3	52.3	52.3
b. External debt	3,854.7	3,791.6	4,060.3	4,246.7	4,236.0	4,052.8	4,205.0
Arab financial institutions	2,195.7	2,152.5	2,298.7	2,421.6	2,453.3	2,335.9	2,427.7
Al-Aqsa Fund	1,826.9	1,774.7	1,909.2	2,018.0	2,056.8	1,954.9	2,032.5
Arab Fund for Economic and Social Development	202.2	200.2	210.7	221.7	219.8	210.2	218.5
Islamic Development Bank	166.6	177.6	178.8	181.9	176.7	170.8	176.7
International and regional institutions	1,185.2	1,175.8	1,300.1	1,356.4	1,357.0	1,298.7	1,342.6
World Bank	982.3	961.4	1,026.4	1,079.3	1,091.5	1,032.1	1,063.9
European Investment Bank	122.8	135.6	188.9	187.7	174.9	180.2	188.9
International Fund for Agricultural Development	10.6	10.2	10.5	10.6	10.3	9.8	10.1
OPEC	69.5	68.6	74.3	78.8	80.3	76.6	79.7
Bilateral loans	473.8	463.3	461.5	468.7	425.7	418.2	434.7
Total public debt	8,123.0	8,082.0	8,574.4	8,646.1	9,443.9	8,858.9	8,782.3
Paid interest	52.0	58.5	45.0	15.6	24.2	11.2	15.5
Public debt as % to nominal GDP	17.6%	17.4%	19.6%	19.0%	20.4%	17.8%	17.4%

Source: Palestinian Ministry of Finance, monthly financial reports for 2014-2015 (financial operations: revenues, expenditures and sources of financing).

Box 3: Prepayment meters: pros and cons

Domestic water and electricity prepayment meters systems contribute to the achievement of two objectives. First, they cover the costs of managing these services and ensures that consumers pay their dues, which enhances financial sustainability of public and private utility providers. Second, it encourages consumption constraint, which, in turn, helps face potential challenges of environmental degradation and shortages of resources, particularly water, locally and globally.⁷ Around 4 billion people in the world will suffer from water scarcity by 2030. Palestine and the Arab region will definitely be the most vulnerable.

Prepayment systems use technology to measure the amount of water and electricity consumed through a standard meter that determines in advance the amount purchased. This is done via a smartcard that can be topped up when credit is expended.

The system was first introduced in the UK in 1998, and then it was used in many countries such as Brazil, Egypt and most of the African countries and some Far Eastern countries. As the IMF and the World Bank started to promote this financial and administrative policy for public services, the system began to be widely used. In Palestine, the system was used for the first time a decade ago. In 2007, Jenin municipality installed the energy system to improve collection and reduce the municipality debts.

Net lending

Consumers' default over the years has made municipalities and village councils slip into debt with the Palestinian energy suppliers and Palestinian Water Authority, which, in turn, purchase these services from Israel. The debt accumulation produced "net lending" in the PA budget. Net lending comprises the amounts deducted from clearance revenues by the Israeli side to settle the outstanding debts to Israel Electric Corporation and water supplier Mekorot. Net lending has been a burden on the state budget over the past years. In 2003, it was only USD 173 million, and after the Palestinian political divide in 2007 it peaked to USD 535 million in 2007. It then started to decline gradually until 2011 before rising again to USD 287 million in 2014.⁸

A set of factors led to the accumulation of debts: high rates of default (particularly in refugee camps and villages);⁹ power and water theft; and high technical loss due to poor network infrastructure. Some sources estimate the loss at 10 percent in power and 40 percent in water.¹⁰

The pressing financial crisis forced the PA to adopt policy reforms aimed at reducing public spending, particularly net lending. The effort focused on eliminating net lending by improving payment and control system, cutting electricity and water consumption, and building partnerships with the private sector. As net lending in 2007 reached a level beyond the capabilities of the PA (USD 535 million), the idea of introducing a prepayment system started to materialize in the 2008-2010 development plan which envisioned an economy less dependent on public spending through strengthening partnership with the private sector in the services sector, specifically water and electricity. This was further a priority in the 2011-2013 Development Plan, which called for privatizing services and infrastructure sectors in order to strengthen the financial sustainability of public services.¹¹ In parallel, the plan emphasized the right of extremely poor families to electricity and water services through the Ministry of Social Affairs, which shall take all necessary measures to guarantee the vulnerable households' access to such services.

Preparation

In addition to reducing spending, and eventually eliminating net lending, the government provides two additional justifications for introducing the prepayment system. First, municipalities' collection is ineffective—having failed to tackle the problem, the municipalities accumulated around NIS 1 billion in 2014. Second, public-private partnership will provide more effective services to the population and help address the financial, administrative and technical problems.¹²

⁷ M.Al-Fuqaha (2013): Preliminary Assessment of Applying Pre-paid Water-Meters - Selected Cases from Palestine. Faculty of Graduate Studies, An-Najah National University.

⁸ PMA: PA sources of revenues, expenditures and financing [http://www.pma.ps/Portals/1/Users/002/02/2/Time%20Series%20Data%20New/Public Finance/revenues_expenditures_and%20financing_sources_of_pna_fiscal_operations.xls](http://www.pma.ps/Portals/1/Users/002/02/2/Time%20Series%20Data%20New/Public%20Finance/revenues_expenditures_and%20financing_sources_of_pna_fiscal_operations.xls)

⁹ Part of the problem is due to the PA's noncompliance to pay the electricity and water bills for camps and vulnerable households as pledged before, as well as its failure to pay the price difference to the electricity company when it pledged to cut the electricity tariff by 40 percent in Jericho and the Jordan Valley.

¹⁰ The Quarterly Economic and Social Monitor, Issue 30, 2012, Box 7: Crisis of Jerusalem District Electricity Company.

¹¹ Palestinian Development Plan 2011-2013

¹² M.Al-Fuqaha (2013):, [op.cit.](#)

In 2010, the Council of Ministers issued the first decision (Decision No. 51) regarding the installation of prepayment water meters. The decision, which regulates the conditions and technical specifications to be adopted in February 2013, has defined the mechanisms to ensure that the local units pay their bills, with some incentives for municipalities. The Ministry of Local Government, the Water Authority and the West Bank Water Department proposed a mechanism for installing and using pre-payment water meters, and the system was approved by the government in July 2014. Other decisions followed to regulate collection of electricity and exert pressure upon defaulters.¹³

Having recommended it many times before, the International Monetary Fund encouraged the implementation of the new system. To help the PA buy and install meters, the IMF provided USD 20 million (of which an amount of USD 8 million was allocated to the purchase of pre-payment water meters for the municipality of Hebron). The government also received grants from other countries (such as Japan and France), including funds provided to the Palestinian Energy Authority to purchase and install 200 thousand electricity prepayment meters.¹⁴

Supporters and opponents

Opponents were many, including some human and consumer rights organizations. These argued that electricity and water are basic human rights that should be available no matter whether the people can afford paying the bills or not. They believe that it is unreasonable to pay the price of a service in advance or before the end of the month (i.e., when wage-earners receive their monthly pay). The new system does not allow the consumer to choose the time for paying the bill, they argued. Opponents also made the point that basic public services should not become a source of profiteering for the private sector at the expense of the poor and low-income people.¹⁵

Proponents, on the other hand, believe the system provides appropriate and impartial services for all consumers and helps in rationalizing consumption and setting priorities for household spending. The system helps people with limited income avoid debt accumulation and organize payments. The head of the Aljaroushia village council– Tulkarm, is happy with the system. “We have installed 200 water meters. At first, we would hear complaints from the population. However, two months later, people started to feel satisfied, having reduced their debts and cut their monthly consumption from 50 cubic meters per month to 30 cubic meters on average for a family of 5 members, thus lowering the bill from NIS 150 to only NIS 90.¹⁶

Meter installation process is not always smooth, as some villages completely rejected the idea of prepayment and the people there resisted installing meters. In some areas (such as Kharas, west of Hebron), police forces were needed to protect the staff installing the system. The same also occurred in Nablus, with a demonstration against installing 800 prepayment water meters. The protests forced the service supplier to quit the entire process in the city and the members of the municipal council (and Mayor Ghassan Shak’a) had to resign in August 2015.¹⁷ Some have rejected the new system even though it provides an opportunity for the population to schedule the previous debts without interest, over a very long period and with easy installments. The system, however, gives the utility providers the right to cut off electricity and water services to defaulters for three consecutive months.

The spread of prepayment meters

In 2007, electricity distribution companies started to implement their plan of installing prepayment meters in cooperation with the Palestinian Energy Authority. Around 177 thousand meters in the West Bank and 50 thousand meters in the Gaza Strip have been so far installed by the Energy Authority, as well as 100 thousand meters installed in the West Bank by electricity distribution companies.¹⁸

According to the PCBS, nearly all households in Palestine are connected to the public electricity network. Table 1 below shows that 58 percent of households use traditional meters, while the rest use prepayment meters, with the highest rates reported in the Northern West Bank (85 percent). In Gaza, the proportion is a scant 3 percent (PSBS, Household Energy Survey, 2015)

¹³ Council of Ministers decisions on water and water prepayment meters, and Presidential Decree No. 13 of 2009 on General Electricity Law. <http://www.pal-tahrir.info/prepayed-cards>

¹⁴ <http://www.pal-tahrir.info/prepayed-cards>

¹⁵ Consumer Protection Association http://www.alhaya.ps/arch_page.php?nid=235306

¹⁶ An interview with the head of the Aljaroushia village council– November 3, 2015.

¹⁷ An interview with Imad Masri, Nablus Municipality staff member, November 4, 2015.

¹⁸ Hamdan, Ayat, and Khaled, Abbad. (2012). Water and Electricity Prepayment System. A joint study by Beisan Center and NGOs Network.

Table 1: Types of electricity meters used in the Palestinian homes, January 2015 (%)

	Traditional meter	Prepayment meter	Total
Palestine	58.3	41.7	100
West Bank	38.2	61.8	100
–Northern West Bank	14.6	85.4	100
–Central West Bank	69.4	30.6	100
–Southern West Bank	39.1	60.9	100
 Gaza Strip	96.9	3.1	100

Source: Palestinian Central Bureau of Statistics, a press release on Household Energy Survey (July 5, 2015).

Data on the number and distribution of water prepayment meters are not available to date. We could only receive some information from an official in the Ministry of Local Government, who confirmed that about 10,000 meters were installed in 2011 in West Jenin villages (the Joint Services Council).¹⁹ Interest in the system then waned, with only 10,200 meters installed in a number of villages in Ramallah, Jenin and Nablus since early 2012. A project to install 14,000 new meters is currently in the bidding stage.²⁰

Evaluation

Literature on the favorable/unfavorable results of the prepayment system is rare. One university research paper examined only the consumers' perceptions of the system. The paper found that three years into the system launch, about 82 percent of people with prepayment meters are satisfied with the system and support it. The results also suggested that 78 percent of respondents prefer the new system over the traditional billing system. The results also supported the assumption that prepayment meters help rationalize water consumption. On the technical level, the paper found that the new system contributed to solving many of the technical, financial and administrative problems, such as avoiding reading mistakes and saving billing costs and meter readers salaries, as well as other operational costs. In addition to ensuring full collection of dues, the new system allows electricity suppliers to deduct 20 percent of the credit amount to pay arrears each time the consumer tops up the card.²¹

Though a detailed study of the results of the application of the system is not available, we can still highlight two broad observations. First, the system has not yet reduced the bill of net lending, which even worsened in recent years and is expected to reach NIS 800 million in 2015 (the Ministry of Finance budget, 2015). Second, as far as may be ascertained, the Ministry of Social Affairs has not taken any action (as stipulated in the National Development Plan 2011-2013) to help cover the poor/vulnerable households essential needs of water and electricity in conjunction with the installation of prepayment meters.

Apart from these general observations, a study of the economic and social impact of prepayment meters is still needed. Such an evaluation study is necessary and urgent to resolve the inconclusive debate between proponents and opponents.²²

Prepared by MAS team and Mesyef Mesyef

¹⁹ The Council comprises 10 villages: Yamoun, Seilat Al-harthia, Al-taibeh, T'ennek, Zboba, Aneen, Kafr Dan, Hashimiya and Kafr Qoud.

²⁰ An interview with Husein Sabra, a water engineer in the Ministry of Local Government.

²¹ The proportions of deduction vary by local unity (only 10 percent in some units). Deductions are currently for electricity only. See footnote 7.

²² See, for example, the article published in Al Quds Al Arabi, London, December 2, 2015.

4. The Banking Sector

Table 4-1 summarizes the developments of the main items in the consolidated balance sheet for

licensed banks operating in Palestine between Q3 2014 and Q3 2015.

Table 4-1: Consolidated balance sheet for licensed banks operating in Palestine, as of end Q3 2015

Item*	2014		2015		
	Q3	Q4	Q1	Q2	Q3
Total assets	11,895.2	11,815.4	11,925.4	12,420.0	12,462.1
Direct credit facilities	4,843.4	4,895.1	5,126.0	5,419.7	5,420.4
Deposits at PMA & Banks	4,359.2	4,391.1	4,088.5	3,934.1	4,109.9
- Deposits held by PMA	1,131.1	1,041.5	1,061.0	1,057.1	1,174.0
- Deposits held by Banks	441.4	509.8	471.6	386.7	363.5
- Banks' offshore deposits	2,786.7	2,839.8	2,555.9	2,490.4	2,572.4
Securities Portfolio for trading & investment	937.2	985.6	992.8	965.8	965.5
Cash and precious metals	808.8	658.5	721.5	993.6	1,037.3
Investments	147.1	145.1	145.4	147.1	160.3
Bankers' acceptances	4.4	6.0	5.5	6.2	6.0
Other assets	795.0	734.1	845.6	953.5	762.7
Total liabilities	11,895.2	11,815.4	11,925.4	12,420.0	12,462.1
Total deposits of the public (non-bank deposits) **	8,884.0	8,934.5	8,974.1	9,456.4	9,506.5
Proprietorship	1,410.7	1,464.0	1,446.2	1,396.0	1,427.0
Deposits of PMA and Banks (bank deposits)	839.2	728.2	771.7	736.5	901.7
- Deposits held by PMA	279.8	134.6	190.1	206.8	398.4
- Deposits held by Banks	427.0	499.9	461.6	376.3	353.0
- Banks' offshore deposits	132.4	93.7	120.0	153.4	150.3
Other liabilities	260.1	258.9	317.7	391.7	177.5
Allocations and depreciation	501.2	429.7	415.6	439.5	449.4

Source: PMA – The Consolidated Balance Sheet for Banks, September 2015.

* The items listed in the table above are aggregate (including allocations).

** Public deposits comprise the deposits of both the private and public sectors (non-bank deposits).

4.1 Assets

The total assets of licensed banks operating in Palestine grew in 2015 Q3 to USD 12.5 billion, up 0.3 percent from the previous quarter and 4.8 percent from the same quarter of 2014. Specific developments are detailed below.

✧ Direct Credit Facilities

Compared to Q2 2015, direct credit facilities at the end of Q3 remained unchanged at USD 5.4 billion, yet they increased 11.9 percent compared to the same quarter a year earlier. While the facilities granted to the private sector grew 2.6 percent over Q2, those granted to the

public sector declined 8.3 percent as the government reduced its borrowing from banks. The public sector's share of direct credit facilities was only 21.4 percent during Q3.

The decline in facilities granted to the government lowered overdraft to 18.8 percent of total direct credit facilities, while loans' share rose by 2.7 percentage points to 80.8 percent of the total credit. Of total credit granted to the resident private sector, the West Bank received around 84.4 percent, 59.9 percent of which was reported in Ramallah.

By currency, the USD continued to hold the highest share of credit facilities (54.5 percent), ahead of the Israeli shekel (30.8 percent) and the Jordanian dinar (14 percent) – see Table 4-2.

**Table 4-2: Distribution of direct credit facilities portfolio–
by Recipient, Type and Currency**

	2014		2015		
	Q3	Q4	Q1	Q2	Q3
(USD millions)					
By Recipient					
Public sector	1,333.3	1,239.8	1,300.3	1,264.0	1,158.7
Resident private sector	3,484.4	3,631.2	3,800.3	4,133.6	4,245.6
- West Bank	2,973.4	3,056.6	3,165.9	3,479.1	3,581.8
- Gaza Strip	510.9	574.6	634.4	654.5	663.8
Non-Resident private sector	25.7	24.1	25.4	22.1	16.1
By Type					
Loans	3,714.2	3,853.8	4,009.2	4,232.6	4,377.6
Overdraft	1,112.6	1,021.0	1,094.7	1,163.0	1,017.5
Lease financing	16.6	20.3	22.2	24.1	25.4
By Currency					
USD	2,789.8	2,838.7	2,929.7	2,947.9	2,953.5
JD	544.9	582.7	629.6	711.1	756.4
NIS	1,478.0	1,443.6	1,537.1	1,720.7	1,667.7
Other currencies	30.7	30.2	29.6	40.0	42.8
Total	4,843.4	4,895.1	5,126.0	5,419.7	5,420.4

Source: PMA – The Consolidated Balance Sheet for Banks, September 2015.

By economic activity, consumer loans continued to hold the largest share of credit granted to the private sector though its share fell 1.2 percentage points from Q2 of the year (see Table 4-3).

Table 4-3: Shares of various economic sectors of the facilities granted to the private sector (%)

Economic activity	2014		2015		
	Q3	Q4	Q1	Q2	Q3
Real estate and construction	21.8	21.6	21.4	21.5	22.1
Land development	1.1	1.1	2.8	2.7	2.5
Mining and manufacturing	7.0	7.0	6.8	6.4	6.2
Internal and external trade	20.4	20.4	19.2	20.1	20.7
Agriculture and livestock	1.2	1.3	1.6	1.4	1.6
Tourism, hotels and restaurants	1.7	1.6	1.5	1.6	1.5
Transport and communications	0.6	0.8	0.6	0.7	0.5
Services	10.5	10.2	10.1	10.4	11.4
Financing investment in equity and financial instruments	0.8	0.8	0.8	0.9	0.5
Financing car purchase	4.5	4.5	4.2	4.3	4.4
Financing consumer commodities	25.8	25.2	25.6	24.3	23.1
Others in the private sector	4.5	5.4	5.5	5.8	5.5
Total Facilities (USD millions)	3,505.6	3,656.1	3,825.7	4,155.7	4,261.7

Source: PMA– Monthly Statistical Bulletin, September 2015.

❖ **Banks and PMA deposits**

Deposits at PMA and banks end of Q3 2015 reached USD 4,109.9 million, an increase of 4.5 percent over Q2 of the year. The growth was due to a 3.3 percent improvement in overseas deposits and an 11.1 percent rise in deposits at the PMA against a 6 percent decline in bank deposits.²³

❖ **Cash and precious metals**

Data for Q3 2015 show a growth of 4.4 percent in cash and precious metals over the previous quarter to USD 1,037.3 million on increases in cash at banks operating in the West Bank (by 5.7 percent) and Gaza (by 1.1 percent) though during the quarter banks operating in the West Bank transferred to Israel NIS 2,309.9 million, including NIS 1,500 million transferred to the Bank of Israel via Bank of Palestine and NIS 809.9 million transferred directly by the Jordanian banks operating in Palestine to the Israeli corresponding banks.

❖ **Other assets**

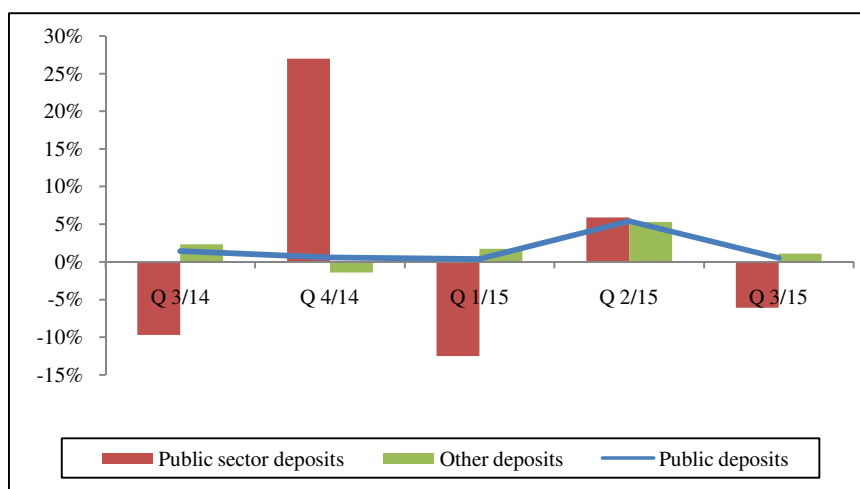
At the end of 2015 Q3, other assets totaled USD 762.7 million, down 20 percent from the previous quarter on declines in outstanding debts and interbank operations.

4.2 Liabilities

Public non-bank deposits end of 2015 Q3 reached USD 9,506.5 million, a 0.5 percent growth over the previous quarter and 7 percent over the same quarter a year earlier. Figure 4-1 below shows quarterly growth in public deposits from Q3 2014 to the end of Q3 2015.

Deposits of the public comprised the public sector deposits (including the government, local authorities and public agencies) with a share of 7.2 percent and deposits of the private sector with a share of 92.8 percent. Of the total private sector deposits, residents held 96.3 percent, while the share of non-residents was 3.7 percent (see Table 4-4).

Figure 4-1: Growth in public deposits

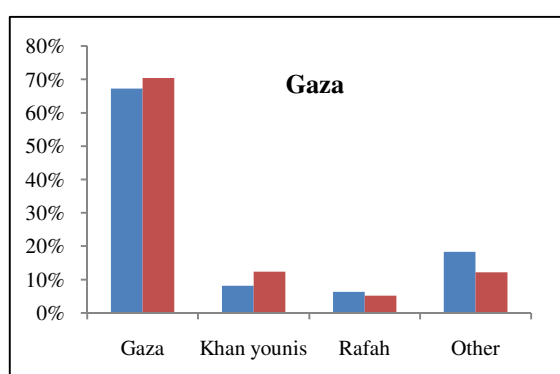


Source: PMA – The Consolidated Balance Sheet for Banks

By region, deposits of both Gaza and the West Bank remained unchanged compared to the previous quarter (10.7 percent for Gaza and 89.3 percent for the West Bank). Figure 4-2 shows WBG public deposits and credit end of Q3 2015.

By type, current deposits during 2015 Q3 accounted for 40 percent of total public deposits, a growth of 1.4 percent over Q2 of the year. Savings deposits remained unchanged at 32 percent, while time deposits fell slightly to 28 percent (see Table 4-4).

²³ The PMA deposits comprise mandatory reserves (72 percent), current deposits (19 percent) and other deposits (9 percent).

Figure 4-2: Deposits and Credit– By Governorate, as of end Q3 2015

Source: PMA - The Consolidated Balance Sheet for Banks

By currency of deposits, the USD continued to hold the largest share (36.4 percent), ahead of

the Israeli shekel at 34.4 percent and the Jordanian dinar at 25.5 percent (see Table 4-4).²⁴

Table 4-4: Distribution of Public Deposits by Depositor, Type of Deposit and Currency

	2014		2015		
	Q3	Q4	Q1	Q2	Q3
(USD millions)					
By depositor					
Public sector	618.2	785.2	687.0	727.5	683.4
Resident private sector	7,946.2	7,840.6	7,962.4	8,399.7	8,500.7
Non-resident private sector	319.6	308.7	324.7	329.1	322.4
By type of deposit					
Current deposit	3,607.6	3,505.7	3,609.4	3,770.5	3,822.0
Time deposit	2,462.8	2,591.5	2,502.3	2,663.4	2,663.6
Saving deposit	2,813.6	2,837.3	2,862.5	3,022.4	3,021.0
By currency					
USD	3,481.6	3,550.4	3,347.1	3,555.2	3,462.1
JD	2,337.0	2,299.4	2,270.8	2,375.9	2,428.1
NIS	2,716.6	2,750.5	2,940.6	3,122.0	3,274.9
Other currencies	348.8	334.2	415.6	403.2	341.4
Total	8,884.0	8,934.5	8,974.1	9,456.3	9,506.5

Source: PMA – The Consolidated Balance Sheet for Banks, September 2015.

In Q3, PMA and banks deposits climbed 22.4 percent from the previous quarter on a 92.6 percent growth in PMA deposits against a 2 percent decline in banks offshore deposits and a 6 percent drop in domestic banks deposits. The total deposits, however, dipped 7.4 percent compared to the same quarter of the previous year.

Licensed banks' equity totaled USD 1,472 million, up 2.2 percent from Q2 of the year. The growth resulted from 53 percent increase in profits and 1.3 percent rise in banking operations. Other liabilities, meanwhile, dropped to USD 177.5 million, down from USD 391.7 million in Q2.

²⁴ When considering the changes in public deposits by currency, the USD/NIS should be taken into account, as the weight of each currency is calculated based on the value of all deposits denominated in the dollar.

4.3 Banking System Performance Indicators²⁵

The ratio of credit facilities to total public deposits during the quarter fell 0.3 percentage points to 57 percent as the growth in public deposits was higher than the increase in credit

facilities during the quarter. By contrast, the ratio of the private sector facilities to the private sector deposits rose 0.4 percentage points to 48.3 percent.

Table 4-5: Banking System Performance Indicators (%)

Indicator	2014		2015		
	Q3	Q4	Q1	Q2	Q3
Equity / total assets	11.9	12.4	12.1	11.2	11.5
Interest income / total revenue	74.3	68.0	72.2	71.1	74.7
Credit facilities/ public deposits	54.5	54.8	57.1	57.3	57.0
Credit facilities of the private sector / private sector deposits	42.5	44.9	46.2	47.9	48.3
Foreign investments / total deposits*	38.3	39.4	36.4	33.9	33.9
Nonperforming credit facilities/ total facilities	2.7	2.5	2.6	2.5	2.5

Source: PMA – The Consolidated Balance Sheet for Banks, September 2015.

* Total deposits = public deposits + bank deposits (PMA deposits + bank deposits).

❖ Profits of formal banks operating in Palestine

The net profits of banks operating in Palestine end of 2015 Q3 totaled about USD 36.4 million, up from USD 32.2 million in the previous quarter and USD 31.3 million in the 2014 corresponding quarter. The cumulative bank profits from January to September 2015 reached USD 104.7 million. Table 4-6 shows the year-

over-year sources of revenue, expenses and net profits of banks. Around 74.4 percent of revenue came from interest, suggesting that banks still heavily rely on financial intermediation between different sectors to generate income.

Table 4-6: Sources of revenue, expenses and net income of formal banks, 2014-2015

	(USD millions)				
	2014		2015		
	Q3	Q4	Q1	Q2	Q3
Net revenues	122.7	129.8	123.0	130.1	128.3
Interest	91.0	88.3	88.8	92.5	95.5
Commissions	21.7	24.0	22.6	22.8	23.0
Debt securities & investment	0.5	0.6	1.7	4.8	0.3
Operations of evaluating and exchanging foreign currency	7.2	7.3	8.2	8.9	7.9
Hedging and trading	1.0	0.5	0.1	0.1	0.1
Other operating revenues	1.3	8.5	1.6	1.0	1.5
Expenses	91.4	89.8	86.9	97.9	91.9
Operating expenses	77.2	78.3	73.6	79.5	81.6
Allocations	0.03	-0.05	3.3	5.4	-0.4
Tax	14.2	11.5	10.0	13.0	10.7
Net income*	31.3	39.4	36.1	32.2	36.4

Source: PMA: profit and loss statement, September 2015 (unpublished data).

* Net profit = gross revenue – expenses

²⁵ For more information, see the PMA's financial stability report.

4.4 Average interest rates on deposits and loans

Compared to the previous quarter, 2015 Q3 interest rates on USD, NIS and JD deposits saw some declines. For the JD, the interest rate fell 0.01 percentage points to 2.21 percent. The USD deposit interest rate declined 0.08 percentage points to 0.89 percent, while for the NIS the rate dropped 0.13 percentage points to 1.37 percent. Interest rates on loans, by contrast, increased for the JD and the USD to 9.49 percent and 6.65 percent, respectively, while for

the NIS the rate fell to 10.15 percent (see Table 4-7)

The real interest rate that is adjusted to remove the effects of inflation (which at the end of 2015 Q3 reached 0.88 percent on an annual basis) was 8.61 percent for the JD, 5.77 percent for the USD and 9.27 percent for the NIS. The real interest rates for the JD, the USD and the NIS deposits were respectively 1.23 percent, 0.01 percent and 0.49 percent.

Table 4-7: Weighted average interest rates for deposits and loans (%)

Period	JD		USD		NIS		
	Deposits	Loans	Deposits	Loans	Deposits	Loans	
2014	Q3	2.13	9.35	0.76	6.57	1.46	10.61
	Q4	2.14	8.69	0.92	6.88	1.59	10.82
	Average	2.15	9.03	0.82	6.41	1.46	10.96
2015	Q1	2.15	8.79	0.86	6.88	2.03	10.32
	Q2	2.22	9.18	0.97	6.46	1.50	10.34
	Q3	2.21	9.49	0.89	6.65	1.37	10.15

Source: PMA– Monthly Statistical Bulletin, September 2015.

4.5 Payments system

Check Clearing

Checks presented for clearing in 2015 Q3 rose 2.7 percent from the previous quarter to 1,263,542 with a value of USD 2.778 billion. NIS checks accounted for a massive 93.3 percent of the total value of checks presented for clearing, followed directly by the USD checks.

Returned checks compared to the second quarter of the year rose in number by 3.7 percent, and in value by 7.6 percent (see Table 4-8).

Table 4-8: Number and value of checks presented for clearing & number and value of checks returned

Period	Checks presented for clearing		Checks returned		
	No. (checks)	Value (USD millions)	No. (checks)	Value (USD millions)	
2014	Q1	1,093,504	2,779.3	110,488	168.4
	Q2	1,140,775	2,802.0	107,158	154.0
	Q3	1,143,268	2,724.5	124,461	179.4
	Q4	1,260,225	2,795.6	125,329	162.0
Total	4,637,772	11,101.4	467,436	663.8	
2015	Q1	1,191,145	2,588	143,401	162.0
	Q2	1,230,763	2,775.3	120,213	150.1
	Q3	1,263,542	2,778.0	124,673	161.5

Source: PMA– Monthly Statistical Bulletin, September 2015.

4.6 Banking Penetration

During Q3, one bank opened a new branch, which brought the number of banks branches and offices to 274, including 223 in the West Bank and 51 in Gaza (see Table 9-4).

Table 4-9: Banking Penetration in Palestine- as of September 30, 2015

	Local banks		Foreign banks		Total	
	West Bank	Gaza	West Bank	Gaza	West Bank	Gaza
Number of bank branches and offices	122	34	101	17	223	51
Number of ATMs	273	58	231	16	504	74
Number of ATM cards	126,716	40,373	11,107	1,209	137,832	41,582
Number of credit cards	17,110	20,281	42,121	528	59,231	20,809
Number of debit cards	119,214	66,649	250,842	18,732	370,056	85,381
POS terminals	4,703	1,286	73	0	4,776	1,286

Source: PMA, Supervision and Inspection Department, September 2015.

4.7 Specialized lending institutions

Specialized lending institutions operate in the West Bank and Gaza through a network of branches and offices that totaled 66 end of 2015 Q3, with 476 employees providing services to a clientele of 50,951 (68.9 percent in the West Bank and 31.1 percent in Gaza).

Table 4-10: Specialized lending institutions data, Q1-Q3 2015

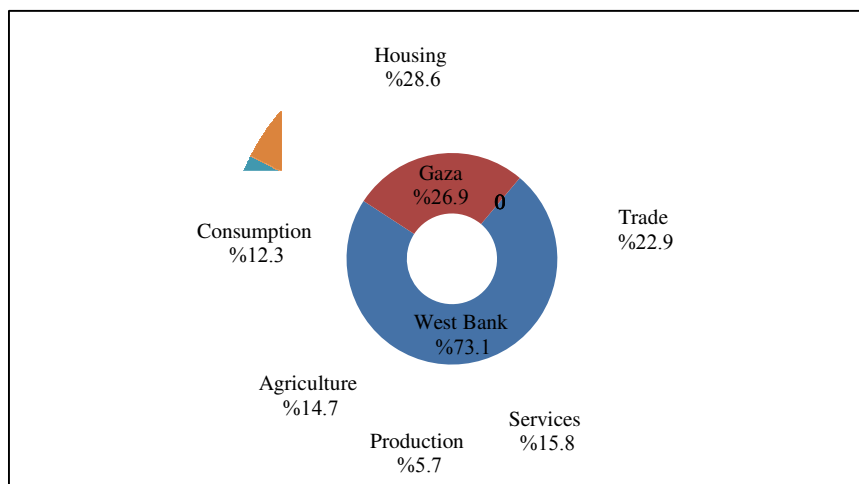
	Q1	Q2	Q3
Formal specialized lending institutions²⁶	6	6	6
Branches	59	60	66
Employees	408	420	476
Clientele	46,925	48,109	50,951
– West Bank	30,942	32,611	35,121
– Gaza Strip	15,983	5,498	15,830
Loan portfolio (USD)	103,556,832	112,755,070	124,735,707
– West Bank	75,976,122	83,204,995	91,227,913
– Gaza Strip	27,580,710	29,550,075	33,507,794

Source: PMA database

The SLIs loan portfolio totaled USD 124.7 million at the end of 2015 Q3 (USD 91.2 million in the West Bank and USD 33.5 million in Gaza). By recipient, the housing sector had the biggest share (28.6 percent), ahead of the

commercial sector (22.9 percent), services (15.8 percent), agriculture (14.7 percent), consumer sector (12.3 percent) and production (5.7 percent).

²⁶ These are the formal SLIs: ASALA, Vitas Palestine for Micro Credit, ACAD, REEF, Alibdaa and FATEN.

Figure 4-3: Regional and sectoral distribution of SLI facilities

4.8 Palestine Stock Exchange

Three groups of financial indicators of the Palestine Stock Exchange are reviewed below.

❖ Financial market indicators:

- Market capitalization:²⁷ In 2014, market cap on the Palestine Stock Exchange advanced to 25 percent from 24 percent a year earlier.
- Number of listed companies: At the end of 2015 Q3, 49 companies were listed on the Palestine Stock Exchange (8 companies working in banking and financial services; 13 manufacturing companies; 7 insurance companies; 9 investment companies; and 12 companies working in the services sector).

❖ Liquidity Indicators

- Ratio of traded shares to GDP: At the end of Q3 2015, this ratio was 1.9 percent, down from 1.5 percent at the end of Q2.
- Turnover:²⁸ The reading of this indicator was 2 percent in 2015 Q3, up from 1.6 percent in the previous quarter. The turnover for different sectors was as follows: the banking and financial services sector 2.8 percent; services 2

percent; insurance 1.4 percent; investment 1.4 percent; and manufacturing 0.8 percent.

- Degree of Concentration:²⁹ During the quarter, around 85 percent of the total value of shares traded on the Palestine Stock Exchange was held by the largest five companies, namely the Palestinian Telecommunications Group (41 percent); Bank of Palestine (19 percent); Al-Quds Bank (15 percent); the Arab Palestinian Investment Company– APIC (6 percent); and Palestine Development and Investment– PADICO (4 percent).

The market value of shares traded on the Palestine Stock Exchange during Q3 2015 remained virtually unchanged compared to the previous quarter (USD 3 billion). Services continued to hold the largest share of the total market value (43 percent). The banking and financial services sector came second, with 29 percent (see Figure 4-4).

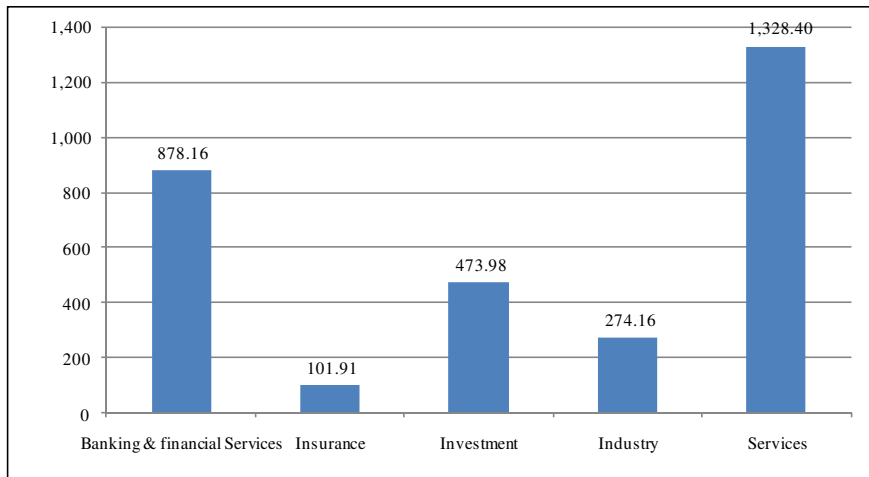
The number of shares traded on the Palestine Stock Exchange during Q3 2015 was 30.9 million, declining 0.8 percent from Q2 2015. The value of shares traded during the quarter was USD 61 million, a significant lift of 26 percent from the figure in the previous quarter (see Figure 4-5).

²⁷ This indicator is used to measure the importance and role of the financial market in an economy. It is calculated by dividing the market value of shares listed on the market to the GDP at current prices. This indicator is calculated for the full year rather than individual quarters.

²⁸ This indicator calculates the volume or value of shares traded on a stock exchange during a day, month or year.

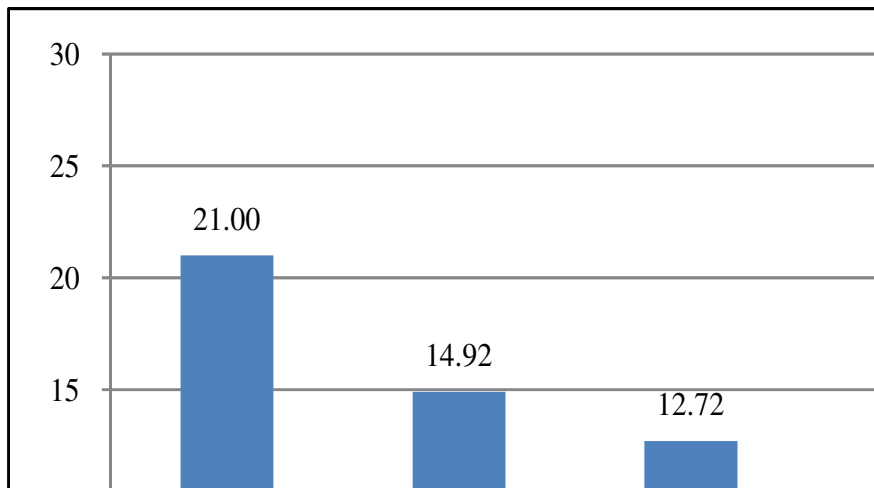
²⁹ This indicator measures the influence of some large companies on changes in stock prices. The influence is measured by calculating the contribution of the top five or ten companies to the value of shares traded on the stock market.

Figure 4-4: Value of shares listed on PSE, By Sector– Q3 2015
(USD millions)



Source: Palestine Stock Exchange www.pex.ps

Figure 4-5: Value of shares traded on PSE– Qs 2 & 3 2015
(USD millions)

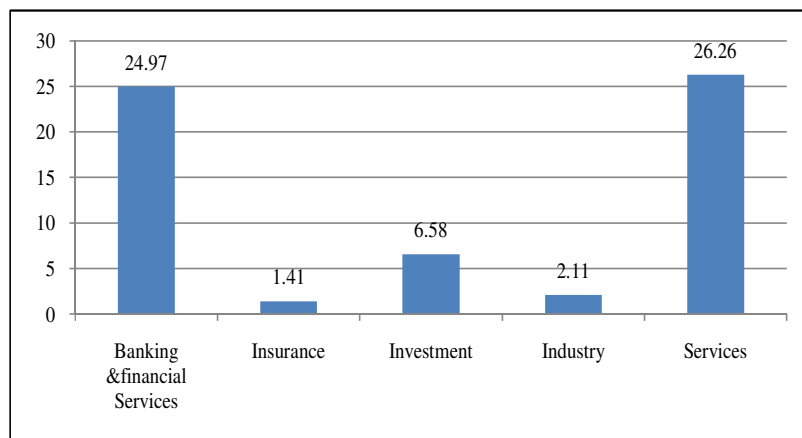


Source: Palestine Stock Exchange www.pex.ps

Of the total value of stocks traded during the quarter, the services sector acquired the largest share (23.9 percent). The banking and financial

services sector and investment sector followed, with 22.7 percent and 6 percent, respectively (see Figure 4-6).

Figure 4-6: Value of shares traded on PSE by Sector– Q3 2015
(USD millions)

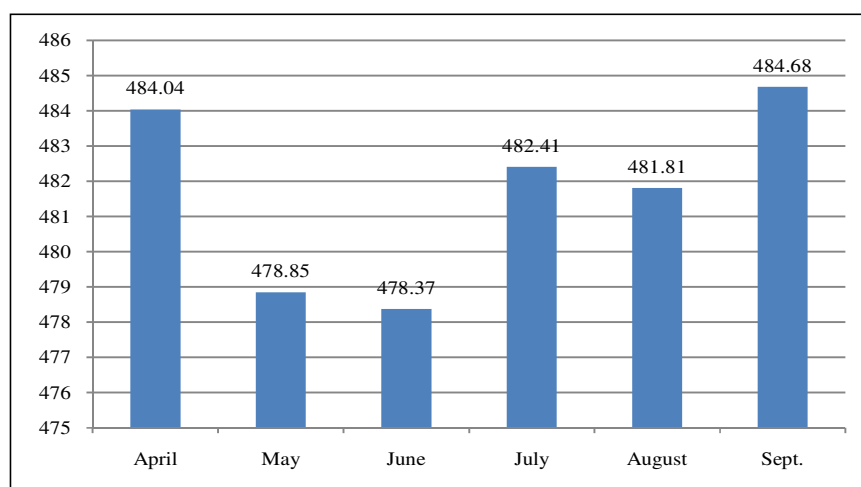


Source: Palestine Stock Exchange www.pex.ps

Al-Quds Index

Al Quds Index closed Q3 2015 at 484.68 points—advancing 6.31 points from the figure at the end of the previous quarter (see Figure 4-7).

Figure 4-7: Al-Quds Index, Qs 2 & 3 2015



Source: Palestine Stock Exchange www.pex.ps

5. Investment Indicators

5.1 Company Registration

The Ministry of National Economy registers companies in Palestine under two different laws in effect in the West Bank and the Gaza Strip.³⁰ Below, we provide a review of the new companies registered in Q3 2015 in the West Bank only because data on the registration of companies in the Gaza Strip are not available to the Ministry of Economy in Ramallah.

The number of registered companies in the West Bank in Q3 2015 reached 340, which is 78 (or 18.7 percent) lower than the figure in the previous quarter, but 29 (or 9.3 percent) higher than the number of companies registered in the same quarter of the previous year (see Table 5-1).

Table 5-1: Companies registered in the West Bank (2010-2015)

Quarter	2010	2011	2012	2013	2014	2015
1	334	389	319	272	440	358
2	428	373	278	317	367	418
3	164	287	228	302	311	340
4	290	337	245	281	372	
Total	1,216	1,386	1,070	1,172	1,490	

Source: Ministry of National Economy- Ramallah, Department of Company Registration, 2015.

The new companies registered in the quarter had a capital of JD 39 million³¹, down 39

percent from the previous quarter. By sector, with a share of 32 percent (JD 12.4 million),

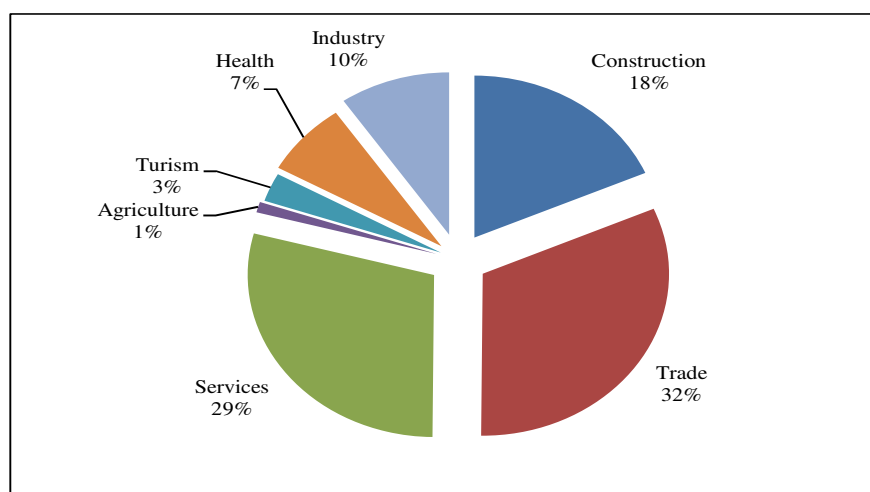
³⁰ Jordanian Companies Law No. 12 of 1964 is effective in the West Bank, while the Companies Law No. 18 of 1929 is effective in the Gaza Strip.

³¹ In Q3 2015 companies were registered in the Jordanian Dinar, the U.S. Dollar and the Euro. The exchange rate was calculated according to the quarterly rate of the Jordanian dinar exchange rates against the U.S dollar (0.7076) and the Euro (0.7632).

trade held the largest share of the capital of newly-registered companies in the quarter. The services followed with a share of 29 percent (JD 11.4 million). The construction and

manufacturing sectors came third and fourth, with 18.5 percent (JD 7.3 million) and 9.6 percent (JD 3.8 million), respectively (see Figure 5-1).

Figure 5-1: % Distribution of the capital of new companies registered in the West Bank- by Economic Activity, Q3 2015



Source: Ministry of National Economy- Ramallah, Department of Company Registration, 2015

The companies registered in 2015 Q3 had different legal forms: 125 public ordinary companies, 211 private joint stock companies and 4 foreign joint stock private companies. The private joint stock companies' share of total

capital of newly-registered companies was 58.4 percent, while the shares of public ordinary companies and foreign joint stock companies were respectively 29.8 percent and 11.8 percent (see Table 5-2).

Table 5-2: Distribution of the capital of companies registered in the West Bank- by Legal Form, 2014-2015

(JD millions)

Quarter/year	Legal form				Total
	Public ordinary	Private Joint stock	Public joint stock	Foreign private joint stock	
Q32014	13.010	34.651	0	0	47.662
Q42014	14.850	44.887	0	0	59.736
2014	65.485	147.367	0	12.017	224.269
Q12015	12.694	23.414	0	1.277	37.385
Q22015	13.949	49.325	0	0.831	64.105
Q32015	11.742	22.990	0	4.627	39.359

Source: Ministry of National Economy- Ramallah, Department of Company Registration, 2015

5.2 Building Permits

The number of building permits issued during a given period may be taken as a significant indicator of investment activity in general and investment in the housing sector, in particular. The number of building permits changes seasonally- increasing in the second and third quarters (during summer), while declining in the

first and fourth quarters (during winter). In general, the number of permits issued in Palestine does not include all building activities in the construction sector, as a relatively large part of the construction activities, especially in rural areas, is not registered or licensed.

Building permit data for 2015 Q3 show a decrease of 5.1 percent in the number of permits issued compared to the previous quarter (from 2345 to 2225). Compared to the previous year's same quarter, however, the number in Q3 was

9.1 percent higher. Licensed building area declined 10 percent from the second quarter of the year, but rose 0.3 percent compared to the 2014 corresponding quarter (see Table 5-3).

Table 5-3: Building permits issued in Palestine: 2014-2015
(area in 1000 m²)

Indicator	2014			2015		
	Q3	Q4	Total	Q1	Q2	Q3
Total permits issued	2,039	2,144	9,075	1,970	2,345	2,225
Residential buildings	1,866	1,950	8,312	1,795	2,153	2,050
Non-residential buildings	173	194	763	175	192	175
Total licensed areas	917.6	978.0	4,077	895.7	1,021.8	920.0
No. of new units	2,929	3,452	13,777	3,226	3,838	3,405
Area of new units	600.2	618.7	2,546.1	595.3	691.9	596.0
No. of existing units	642	664	3,053	452	665	746
Area of existing units	105.3	104.0	500.7	75.3	108.5	124.0

Source: Palestinian Central Bureau of Statistics (2015): Building Licenses Statistics, Ramallah - Palestine.

5.3 Cement Import

Cement import fell in Q3 2015 by 8.7 percent from the previous quarter on account of a 12.8 percent drop in the quantities imported into the West Bank against an 11.6 percent increase in

Gaza import. Compared to the previous year's same quarter, the cement import was 34.5 percent higher (see Table 5-4).

Table 5-4: West Bank and Gaza Imports of Cement: 2014-2015 (in thousand tons)

Region	2014			2015		
	Q3	Q4	Total	Q1	Q2	Q3
West Bank	339.1	382.5	1,491.4	336.6	418.1	364.7
Gaza	2.3	22.6	39.7	55.8	84.7	94.5
Palestine	341.4	405.0	1,531.1	392.4	502.8	459.2

Source: Palestinian Central Bureau of Statistics: Administrative Records, 2015, Ramallah, Palestine.

5-4 Vehicle Registration

This section records the number of new and used vehicles registered for the first time in the West Bank and imported from Israel and abroad. Vehicle registration indicator can mirror the economic situation of the population, on the one hand, and the degree of reliability and optimism about the future economic conditions, on the other. Since vehicles are expensive and because they are often purchased through borrowing from banks, improvement in this indicator reflects the confidence of both people

and banks in the sustainability of employment and the ability of debtors to pay obligations.

During Q3, about 7,192 new and used vehicles were registered in the West Bank, up 12 percent from the previous quarter and 80 percent from the same quarter a year earlier. Around 70 percent of these vehicles were second-hand imported from abroad, while 23 percent were new cars imported from abroad, and only 8 percent were used vehicles purchased from the Israeli market (see Table 5-5).

Table 5-5: New and used vehicles newly registered in the West Bank

	Vehicles from international market (new)	Vehicles from international market (used)	Vehicles from the Israeli market (used)	Total
2014 Q3	1,482	2,053	465	4,000
2015 Q1	1,212	3,315	902	5,429
2015 Q2	1,807	4,030	603	6,440
July	560	1,250	161	1,971
August	609	1,893	267	2,769
September	477	1,860	115	2,452
2015 Q3	1,646	5,003	543	7,192

Source: Department of Customs and Excise, unpublished data

5.5 Hotel Activity

The total number of hotels in the West Bank end of Q3 2015 dropped to 107 from 110 end of the previous quarter. The hotel guests numbered 123,531 (a 13.5 percent decrease from the previous quarter, but a 23.8 percent lift over the corresponding quarter of 2014). These guests

lodged 336,822 nights. By area, the guests were distributed as follows: 48 percent in the Southern West Bank hotels, 21.7 percent in Jerusalem hotels, 18.4 percent in Central West Bank hotels and 11.9 percent in Northern West Bank hotels.

Table 5-6: Key Hotel Indicators in the West Bank, 2014-2015

Indicator	2014			2015		
	Q3	Q4	Year 2014	Q1	Q2	Q3
No. of operating hotels	109	109	109	111	110	107
Average no. of employees	2,927	2,970	2,995	3,075	3,030	2,902
No. of guests	99,811	152,531	610,347	99,689	142,795	123,531
No. of nights stayed	272,567	406,394	1,537,311	291,917	417,847	336,822
Average room occupancy	1,499.3	1,650.5	1,681.9	1,359.6	1,718.6	1,545.9
Average bed occupancy	2,962.7	4,417.3	4,211.8	3,243.5	4,591.7	3,661.1
Room occupancy %	22.7	24.5	25.2	19.8	25.3	22.9
Bed occupancy %	20.3	29.6	28.5	21.2	30.3	24.6

Source: PCBS, 2015: Hotel Activity in the West Bank

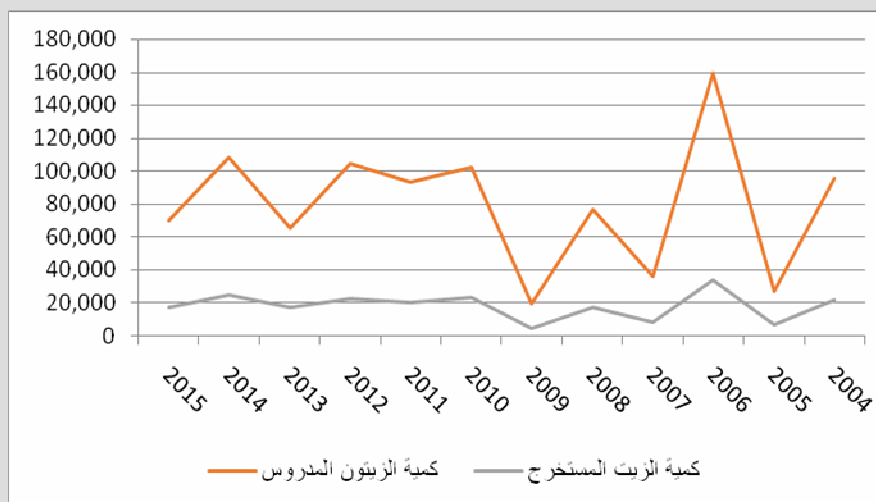
Box 4: Palestinian olive production: middle way between sterile (poor) and diamond (good)

Olives have for decades been economically and socially very important for the Palestinians. Olives are the biggest crop in Palestine: about 11 million olive trees covering 45 percent of the agricultural land and 85 percent of cultivated land. Olives also contribute as much as 25 percent of agriculture output, which, in turn, contributes 4.6 percent to GDP.³² The economic weight of olives can be seen in three aspects. First, 14 percent of Palestinian families (100 thousand families) directly and indirectly depend on the olive harvest.³³ Second, about 1,200 people work in olive presses during the harvest season, in addition to more than 700 thousand people who harvest the crop. Usually the harvest is done by families or cooperatively, which saves wages totaling 40 percent of the value of production.³⁴ Third, the sector added new investments, especially in modern olive oil presses whose number increased from 242 in 2004 to 265 in 2014, of which 22 presses are in the Gaza Strip. Investments in the sector rose from USD 10.8 million in 2004 to USD 29 million in 2014.³⁵

Yield

Olive annual production is extremely volatile (see the Figure below), with three yield levels: poor season (e.g. 2009, when olive oil production was only 4800 tons), good season and average season

Figure 1: Change in amount of whole olives pressed and oil extracted in Palestine 2004–2015 (in tons)



Source: Palestinian Central Bureau of Statistics, Olive Presses Survey, 2004-2014, Palestine Ramallah.

Data for 2015 are based on the Ministry of Agriculture annual estimate of olive production.

The data in the Table below suggest stability in production in an average season (an average of 90 thousand tons of olives in the last six years). The last six years have never seen a good season (which usually comes every two or three years) in which the yield can reach more than 150 thousand tons. Climactic fluctuations in the amount of rainfall and temperature distribution, diseases and aging (more than 70 percent of the trees are old age) are the main reasons behind such constancy.³⁶

Preliminary estimates of the Ministry of Agriculture indicate that olive production in 2015 amounted to approximately 78 thousand tons, of which 13 thousand tons came from the Gaza Strip. Around 8-10 thousand tons are used for pickling, with the remainder being used to produce olive oil. The 78 thousand tons of olives usually produce about 17,500 tons of olive oil, a little higher than local consumption (about 15,000 tons per year), suggesting that the amount available for export this season will be 2.5 thousand tons. This quantity is

³² The Palestinian Ministry of Agriculture: Production Report 2015, an internal unpublished report. See also Basim Khoury (2005): Olive oil industry in Palestine.

³³ Including food dealers, land reclamation agents, press owners, exporters, and olive manufacturing associations. Around 23 thousand people worked in these activities. See footnote 1.

³⁴ The European Commission, 2012– Food security and agriculture, the final report by the HTSPE Union.

³⁵ Palestinian Central Bureau of Statistics, 2015– Olive Presses Survey, 2014.

³⁶ Ministry of Agriculture - footnote 1, The national strategy for the olive sector 2014-2019

small, but it is double the levels of 2007-2014, with an average annual export of 1.8 thousand tons (USD 13 million) in those years.³⁷

Table 1: Whole olives pressed and oil extracted in Palestine 2004–2015 (in tons)

Year	Amount of whole olives pressed	Oil extracted
2015*	70,000.00	17,500.00
2014	108,379.10	24,758.50
2013	65,829.40	17,641.90
2012	104,762.60	22,951.10
2011	93,565.70	20,754.00
2010	102,161.90	23,754.00
2009	19,860.40	4,771.30
2008	76,387.80	17,583.90
2007	36,032.70	8,869.70
2006	159,059.00	34,002.00
2005	27,310.00	6,790.00
2004	95,765.00	22,106.00

Source: Palestinian Central Bureau of Statistics, Olive Presses Survey, 2004-2014, Palestine Ramallah.

* Data for 2015 are based on the Ministry of Agriculture annual estimate of olive production.

Pressed olives produce 19-23 percent of their weight in virgin oil. This ratio of olives-oil depends on how modern and efficient the presses are– the more modern the press, the lower the loss in the pressing process.³⁸ Globally, loss is around 6 percent (or even 3 percent in ultra-modern presses), while in Palestine, it reaches as high as 12 percent as some presses are old and due to other technical reasons, which reduces output. Improving productivity thus requires replacing old presses with modern ones. Besides, while waiting to be pressed, olives must be properly stored. Farmers will have to comply with expert guidance and instructions, and find solutions to irrigation, fertilizing and harvesting problems.

Problems facing production

The olive sector faces a multitude of challenges in addition to the Israeli various constraints (the Apartheid Wall has separated more than 40 thousand dunums as buffer zones; the farmers cannot access the fields located next to the colonial settlements, with the settlers cutting off Palestinian olive trees and disturbing harvest)³⁹. Despite the numerous technical studies so far made and the development of different strategies, the olive sector still faces many technical, marketing and agricultural problems, the most serious being the high costs of production, farmers' failing to follow the proper post-harvest procedures, low productivity and high loss rate (more than 10 percent).⁴⁰ Other challenges include marketing problems, poor management and packaging. The lack of a neutral international testing of the quality of Palestinian olive oil weakens marketing. So far, an assessment of the Palestinian olive oil by the International Olive Oil Council has yet to be conducted. Making the Council recognize the high quality of the Palestinian olive oil requires strenuous, painstaking efforts by the Palestinian Standards Institution and the Palestinian Olive Oil Council, as well as improving the quality of production. As long as olive oil is not given a brand by an international competent organization, its marketing will remain a big challenge.

Co-edited by MAS team and Mesyef Mesyef

³⁷ The estimate of USD 13 million is based on the assumption that the export value of 1 kilogram of oil is NIS 27 (USD 7.1), according to a statement made by the manager of Tulkarm Agriculture Department, Hayat and Souq Newspaper– Issue 225, December 6, 2015. See also PCBS– Data of foreign trade.

³⁸ Around 40 percent of presses are old– The national strategy for the olive sector 2014-2019.

³⁹ <http://thisweekinPalestine.com/details.php?id=3101&ed=182&edid=182>.

⁴⁰ The cost of oil production in Palestine is 30 percent higher than in Jordan (World Bank, 2006). As the Jordanian oil and Palestinian oil are similar in quality and composition, the difference in production cost means that the Palestinian oil has a strong competitor in Jordan and in the Arab market in Israel.

6. Prices and Purchasing Power

6.1 Consumer Prices

Consumer price index in Q3 2015 rose 0.04 percent over 2014 Q2 and 0.88 percent over the same quarter of 2014. The strongest influence on indices came from educational services whose prices picked up 1.2 percent from the previous quarter and 6.31 percent from the same

quarter a year earlier. By contrast, prices of lodging and related supplies group slipped 2.06 percent from the previous quarter and a remarkable 7.16 percent from the 2014 same quarter (Table 6-1).

Table 6-1: Average CPI Quarterly Change in Palestine, by Consumer Commodity Group

Commodity group	% Change in Q3 2015 over Q2 2015	% Change in Q3 2015 over Q3 2014
Food stuff and soft drinks	0.67	0.74
Alcohol beverages and tobacco	(2.75)	7.69
Textiles, apparels, and footwear	0.78	5.87
Lodging and related supplies	(2.06)	(7.16)
Furniture & home appliances	0.23	3.00
Medical care	0.71	0.72
Transportation & travel	0.34	(0.44)
Telecommunications	(0.31)	(2.17)
Recreational & cultural goods & services	0.75	2.46
Educational Services	1.20	6.31
Restaurant, cafe, and hotel services	0.32	2.02
Miscellaneous goods and services	(0.21)	1.18
General CPI	0.04	0.88

Source: PCBS

* Figures in brackets indicate negative values (decline in prices).

Table 6-2 records the movement of prices of selected commodity groups in Palestine during 2015 Q3 compared to the previous quarter. Looking at some representative commodity groups in details, fresh meat prices notched an increase of 9.15 percent. For example, the price

of local mutton reached NIS 79.43/1 kg in September. Likewise, the price of poultry was up 1.36 percent (the price of local fresh skinned chicken settled up to NIS 17.34 / 1 kg in August).

Table 6-2: Price movement of selected commodity groups in Palestine– Q3 2015

Commodity group	% Change in Q3 2015 over Q2 2015
Automobiles fuel	(3.61)
Domestic fuel	(3.09)
Fresh Vegetables	(1.23)
Fresh Meat	9.15
Sugar	(1.67)
Rice	0.23
Fresh Chicken	1.36
Flour	(0.99)
Dairy Products & eggs	(2.00)
Fresh Fruit	(6.16)

Source: PCBS

* Figures in brackets indicate negative values (decline in prices).

By contrast, the prices of fresh fruit were 6.16 percent lower than Q2 prices. Likewise, liquid car fuel went down in price by 3.61 percent (e.g. the price of unleaded gasoline 95 octane fell to NIS 5.94/ 1 liter, and the price of diesel dipped to NIS 5.43/ 1 liter in September). Similarly, liquid domestic fuel dropped 3.09 percent. In particular, gas price dipped 10.75 percent, which brought the price of a 12 kg locally filled gas cylinder down to NIS 56.75 in September. Dairy and eggs also fell in price by 2 percent. Particularly, eggs price fell 12.09 percent (the price of local fresh eggs was NIS 13.29 / 2 kg carton in August).

6.2 Producer Prices and Wholesale Prices

6.2.1 Wholesale Price Index

In Q3 2015, the Wholesale Price Index (the sale price to industry and commerce retailers or producers, including VAT and freight/shipping costs) saw an increase of 2.35 percent over 2015 Q2 and 2.65 percent over the same quarter a year earlier. This in the first place resulted from a 7.83 percent rise in the prices of agricultural commodities (which constitute 29 percent of the wholesale price index value), a 4.03 percent hike in the prices of the fishing group, and a 0.9 percent rise in the prices of mining and quarrying. These increases came against a 0.04 percent fall in the prices of manufactured goods (which represent 70 percent of the wholesale price index value).

The increase in the WPI resulted from a rise in the prices of local and imported goods by respectively 4.69 percent and 0.03 percent.

6.2.2 Producer Price Index

In 2015 Q3, the Producer Price Index (prices received by domestic producers for their output

after all taxes are deducted, including VAT and freight/shipping costs) picked up 1.78 percent from the previous quarter and 1.44 percent from Q3 a year earlier. The lift between the successive quarters resulted from a 5.18 percent hike in the prices of agricultural products (which represent 36 percent of the producer price basket) and a 0.12 percent rise in prices of mining & quarrying. Fish group, by contrast, went down in price by 5.97 percent and prices of manufacturing (which constitutes 61.66 percent of the producer price basket) fell by 0.21 percent.

The change in the PPI resulted from a 1.92 percent rise in locally-produced-and consumed goods and a 0.29 percent rise in export-oriented goods.

6.3 Construction and Road Costs Indices

Construction Cost Index

The Construction Cost Index measures the changes that occur in the prices of construction materials and services. During Q3 2015, the West Bank Construction Cost Index for residential units saw a 0.18 percent decline from the previous quarter, while that for non-residential units dropped by 0.09 percent, and the Construction Cost Index for frame structures fell 1.02 percent from the previous quarter.

Road Cost Index

The Road Cost Index (which detects changes in the prices of materials and services used in the construction of roads in the West Bank) as well fell 1.54 percent from the previous quarter (see Table 6-3).

Table 6-3: Changes in WB Construction and Road Costs Indices

Period	Index				Monthly/Quarterly change			
	Construction costs for residential buildings	Construction costs for nonresidential buildings	Construction costs for frame structures	Cost of road construction	Construction costs for residential buildings	Construction costs for nonresidential buildings	Construction costs for frame structures	Cost of road construction
	Base year 2013=100	Base year 2013=100	Base year 2013=100	Base month December 2008=100				
April 2015	100.62	100.75	99.12	112.75	0.08	0.11	(0.19)	(0.24)
May 2015	100.64	100.81	98.93	112.90	0.02	0.05	(0.19)	0.13
June 2015	100.89	101.13	98.86	112.74	0.26	0.32	(0.08)	(0.14)
Q2 2015	100.72	100.90	98.97	112.80	(0.06)	0.00	(0.59)	(0.28)

Period	Index				Monthly/Quarterly change			
	Construction costs for residential buildings	Construction costs for nonresidential buildings	Construction costs for frame structures	Cost of road construction	Construction costs for residential buildings	Construction costs for nonresidential buildings	Construction costs for frame structures	Cost of road construction
	Base year 2013=100	Base year 2013=100	Base year 2013=100	Base month December 2008=100				
July 2015	100.92	101.19	98.80	112.49	0.03	0.05	(0.06)	(0.22)
August 2015	100.35	100.64	97.49	111.00	(0.57)	(0.54)	(1.32)	(1.33)
Sept. 2015	100.34	100.59	97.59	109.69	(0.01)	(0.05)	0.10	(1.18)
Q32015	100.54	100.81	97.96	111.06	(0.18)	(0.09)	(1.02)	(1.54)

Source: PCBS

* Figures in brackets indicate negative values

6.4 Prices and Purchasing Power⁴¹

Compared to the previous quarter, the consumer price index in Q3 2015 saw a little increase of 0.04 percent to 111.06. The exchange rate of the USD against the NIS fell 0.83 percent to 3.84 (according to the PMA). This also applies to the JD, a currency pegged to the dollar. Compared to the same quarter of the previous year, however (taking into account that the prices picked up by 0.88 percent and the USD/NIS

exchange rate improved 9.33 percent), the purchasing power of both the dollar and the dinar increased by about 8.45 percent (see Table 6-4). The figures for the purchasing power are based on two assumptions: first, that the individuals paid in USD or JD had their entire spending in NIS and second that the nominal value of salaries remained unchanged.

Table 6-4: Change in Purchasing Power and Exchange Rates of USD and JD against NIS

Period	Consumer Price Index	Inflation rate*	USD / NIS			JD / NIS			
			Average exchange rate	Change in exchange rate (%)	Change in the purchasing power (%)	Average exchange rate	Change in exchange rate (%)	Change in the purchasing power (%)	
2014	Q3	110.100	1.921	3.516	1.461	(0.461)	4.960	1.422	(0.499)
	Q4	110.116	0.015	3.830	8.933	8.919	5.400	8.873	8.859
2015	Q1	110.085	(0.028)	3.939	2.830	2.858	5.567	3.085	3.113
	Q2	111.024	0.853	3.876	(1.600)	(2.453)	5.469	(1.769)	(2.621)
	Q3	111.067	0.039	3.844	(0.810)	(0.848)	5.425	(0.794)	(0.833)
	July	110.434	(0.414)	3.788	(1.008)	(0.591)	5.343	(1.006)	(0.588)
	August	110.698	0.239	3.834	1.229	0.987	5.417	1.403	1.160
September	112.070	1.239	3.910	1.982	0.742	5.515	1.804	0.565	

Source: Calculations are based on data obtained from the PMA and the PCBS.

* Inflation rate measures the change in the NIS purchasing power.

⁴¹ Purchasing power is defined as the value of a currency expressed in terms of the amount of goods or services that one unit of money can buy. It is directly dependent on the income of the consumer and the change in prices and currency exchange rate. The change in the purchasing power (assuming constant income) can be measured as: (rate of change in the exchange rate of the currency against the shekel) minus (the rate of inflation).

7. Foreign Trade

7.1 Balance of Trade

The trade balance is the difference between Palestinian exports and imports of goods and services. The value of registered commodity imports during Q3 2015 totaled about USD 1,282.6 million, rising by 0.5 percent from the previous quarter, but declining by 9.1 percent from the corresponding quarter of 2014 (see Table 7-1).⁴² The value of commodity exports reached about USD 218.3 million, down 11.7 percent from the previous quarter and 2.7 percent from the 2014 same quarter. This brought the deficit of the commodity trade balance up to USD 1,064.3 million, a 3.4 percent increase over the previous quarter, but a 10.3 percent decline from the same quarter a year earlier.

On the other hand, the recorded service imports from Israel totaled USD 37.1 million, a 3.6 percent rise over Q2 of the year but a 2.1 percent decline from the 2014 same quarter. Service exports to Israel totaled USD 38.8 million, a 9.3 percent drop from the figure in the previous quarter and 17.6 percent from the figure in the 2014 same quarter. The service trade with Israel thus resulted in a USD 1.7 million surplus in the quarter⁴³.

These changes in commodity/service trade increased the trade deficit by 4 percent compared to the previous quarter, but lowered it by 9.8 percent as compared to the corresponding quarter a year earlier.

Table 7-1: Imports and Exports of Registered Goods and Services, 2014-2015
(USD millions)

Indicator	Q3 2014	Q4 2014	Total 2014	Q1 2015**	Q2 2015**	Q3 2015**
Commodity imports	1411.3	1433.5	5,683.2	1,123.9	1276.0	1,282.6
Service imports*	37.9	42.0	150.2	33.3	35.8	37.1
Commodity exports	224.4	253.0	943.7	211.2	247.1	218.3
Service exports*	47.1	47.6	190.7	36.9	42.8	38.8

Source: PCBS, Registered Foreign Trade Statistics (2015).

* Exports and imports of goods and services to and from Israel only.

** Data for 2015 are preliminary and subject to modification.

7.2 Balance of Payments⁴⁴

The current account deficit (the balance of trade plus income generated from trade with international markets and offshore current transfers) totaled USD 568.3 million in Q3 2015 (or 18.2 percent of GDP at current prices in the same period), a massive increase of 61.3 percent over the previous quarter (see Table 7-2). The rise in the current account deficit resulted from a commodity trade balance deficit of USD 1,349.4 million against a surplus of USD 357.4 million in the income balance (generated mainly

from Palestinian workers abroad) and a surplus of USD 475.1 million in the current transfers (the majority came from international aid).

The current account deficit was financed by the capital and financial account by an amount of USD 459.6 million. It should be noted that this item (the capital and financial account) is effectively a debt on the national economy as long as it has a positive value. In theory, there should be a perfect balance between the current

⁴² Registered imports and exports are those recorded in the clearance accounts of trade between Palestine and Israel, as well as those recorded by customs statement for trade with overseas markets. They also involve trade in agricultural products that are registered at the Ministry of Agriculture. The actual figures for trade with Israel and overseas markets are likely to be significantly higher than the figures for registered exports and imports. In addition, figures for exports and imports of commodities and services in the balance of trade differ from the figures in the national accounts because the former records only exports and imports that are registered (i.e. recorded in the clearance accounts and billing), while the national accounts record the total expectations of import and export. Besides, the balance of trade records import and export of services only from Israel, while the national accounts record trade in services from different sources.

⁴³ For further information, see MAS: The Quarterly Economic and Social Monitor, Issue 36, May 2014.

⁴⁴ The balance of payments comprises two main items: the current account (which involves three sub-items) and capital and financial account, while the net errors and omissions account balances the two items.

account deficit, on the one hand, and the surplus of capital and financial account, on the other. In other words, the net value of these two items must be zero. However, there is often a gap

between them, usually recorded under 'errors and omissions', the value of which reached USD 123.9 million in 2015 Q3.

Table 7-2: Palestinian Balance of Payments*, 2014-2015

	(USD millions)							
	Q1 2014	Q2 2014	Q3 2014	Q4 2014	2014	Q1 2015	Q2 2015	Q3 2015
1. Trade balance of goods and services***	-1,187.0	- 1,371.3	1,297.2-	- 1,181.2	- 5,036.7	-1,164.5	-1,280.7	1,418.8-
- Net goods	-1,141.1	- 1,305.3	- 1,232.8	- 1,151.0	-4,830.2	-1,123.5	-1,244.6	-1,349.4
- Net services	- 45.9	- 66.0	- 64.4	- 30.2	- 206.5	- 41.0	- 36.1	-69.4
2. Income balance	369.0	385.1	370.6	357.7	1,482.4	331.8	344.9	357.4
- Workers' remunerations received from abroad	366.9	384.4	356.2	341.9	1449.4	307.8	335.9	335.1
- Investment income received from abroad	35.4	31.2	48.8	53.6	169.0	29.1	30.6	46.5
- Income paid abroad	33.3	30.5	34.4	37.8	136.0	5.1	21.6	24.2
3. Balance of current transfers	297.1	310.2	416.0	382.0	1405.3	519.3	572.4	475.1
- Net transfers to the government (from abroad)	106.2	116.6	212.7	179.1	614.6	206.0	232.0	107.0
- Net transfers to other sectors (from abroad)	340.1	347.3	354.4	356.8	1,398.6	438.4	480.2	508.3
-Transfers paid abroad	149.2	153.7	151.1	153.9	607.9	125.1	139.8	140.2
4. Balance of current account (1 +2 +3)	- 520.9	- 676.0	- 510.6	- 441.5	- 2,149.0	- 313.4	- 363.4	-586.3
5. Net capital and financial account	513.8	540.5	409.9	301.2	1765.4	176.0	343.4	459.6
- Net capital transfers	157.9	159.0	163.6	210.4	690.9	99.1	103.4	101.0
- Net financial account	355.9	381.5	246.3	90.8	1,074.5	76.9	240.0	358.6
- Net direct foreign investment	0.9	- 35.0	1.8	4.4	- 27.9	-27.8	- 187.4	100.2
- Net portfolio investment	71.0	- 123.0	- 99.0	- 28.1	- 179.1	-36.0	62.8	6.3
- Other investments (net)	188.1	501.1	421.1	158.4	1268.7	124.4	338.7	170.5
- Change in reserve assets (– = rising)	95.9	38.4	-77.6	-43.9	12.8	16.3	25.9	81.6
6. Net errors and omissions	7.1	135.5	100.7	140.3	383.6	134.7	18.4	123.9

Source: PCBS and the PMA, 2015: Preliminary results of the Palestinian Balance of Payments, Q3 2015.

* Data do not include that part of Jerusalem governorate which was forcefully annexed by Israel following its seizure of the West Bank in 1967.

** Figures for exports and imports of commodities and services in the balance of payments differ from the figures in the trade balance because the latter records only exports and imports that are registered (i.e. recorded in the clearance accounts and billing), while the balance of payments records the total expectations of import and export. In addition, the balance of trade records import and export of services only from Israel, while the balance of payments records services from different sources.

Note: Data for balance of payments quarters were updated based on national accounts data and balance of payments annual data for 2014.

7.3 External Assets, Liabilities and Debt

At the end of Q3 2015, Palestine's foreign assets totaled USD 5.959 billion. The assets took different forms: 5.8 percent as direct investment abroad, 18.6 percent as portfolio investment, 66.4 percent as other investments (mainly currency and deposits) and 9.2 percent as reserve assets (see Table 7-3). At the sectoral level, foreign investment of banks accounted for 75.9 percent of total foreign assets

The total external liabilities (domestic investments and assets held by foreigners) reached USD 4.721 billion (52 percent as foreign direct investment, 14.2 percent as foreign portfolio investment, and 33.8 percent for other foreign investments, particularly loans and deposits). At the sectoral level, external investments in the banking sector accounted for 32.5 percent of total external liabilities.

These figures suggest that overseas investments by Palestinians were USD 1,238 million higher than total external liabilities. This difference, however, should be considered with caution, as the majority of overseas investment by Palestinians takes the form of deposits by Palestinian banks abroad. In fact, foreign direct investment in Palestine in 2015 Q3 outweighed

actual Palestinian investment abroad by around USD 2,109 million.

Palestine's external debt, in the meantime, totaled USD 1,595 million end of 2015 Q3, with the public debt and the banking sector owing the majority of the debt (67.3 percent for the former and 29.6 percent for the latter).

Table 7-3: Net international investment position, Qs 2 & 3 2015

Item	(USD millions)	
	Deposit as of end Q2 2015	Deposit as of end Q3 2015
Total assets	5,917	5,959
Direct foreign investment abroad	348	345
Foreign portfolio investment abroad	1,120	1,109
Other foreign investments abroad, including	3,819	3,957
– Currency & deposits	3,793	3,937
Reserve assets	630	548
Total liabilities	4,672	4,721
Direct foreign investment in Palestine	2,388	2,454
Foreign portfolio investment in Palestine	679	672
Other foreign investments in Palestine	1,605	1,595
Net assets	1,245	1,238

Source: PCBS and PMA, 2015.

Box 5: Israel's computers and internet-security software exports offset the decline in arms exports

The Box summarizes a recent article by the Economist on the prosperity of computers and online security technologies in Israel. In 2014 Israel's security software exports exceeded arms exports for the first time⁴⁵. Israel's arms exports fell in 2014 by USD 1 billion to USD 5.7 billion. Another industry came to offset lower arms sales. In 2014 Israel sold around USD 6 billion of internet-security software, equivalent to about a tenth of the entire worldwide sales of such stuff. The Economist mentions that a big chunk of those exports came from one company, Check Point, whose revenues last year reached USD 1.5 billion.

The demand for Israeli cyber security products has boomed because businesses and governments have come to realize that they need to protect themselves against information leak and hackers assaults. The number of Israeli cyber-security companies has doubled over the past five years to 300. Israeli computer companies are known for good supply of security. Around 280 multinational high-tech development companies opened R&D centers in Israel. Israeli high-tech companies receive government support, particularly free software training engineers receive during their mandatory service in the Israeli army, particularly in the Israeli forces electronic-intelligence operation (Unit 8200), a team specialized in electronic surveillance and warfare.

The article, however, reported some Israeli entrepreneurs having concerns that the boom may be turning into a cyber bubble. "Every kid who leaves Unit 8200 thinks he's going to be a cyber-millionaire, and then some of the startups are immediately evaluated at USD 5 million without having done anything." Others believe that the roots for such a boom are well-established as last year eight of internet security companies were sold to foreign investors for a total of USD 700 million.

⁴⁵ The Economist: "Israel's computer-security firms: cyber boom or cyber bubble?" August 1, 2015 <http://www.economist.com/node/21660112>

Key Economic Indicators in the West Bank and the Gaza Strip for the years 2000-2014

Indicator	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 ^d
Population at mid year(thousands)															
Palestinian Territory	3,053.3	3,138.5	3,225.2	3,314.5	3,407.4	3,508.1	3,612.0	3,719.2	3,825.5	3,935.25	4,048.40	4,169	4,293	4,421	4,550
- West Bank	1,943.7	1,992.6	2,042.3	2,093.4	2,146.4	2,203.7	2,262.7	2,323.5	2,385.2	2,448.4	2,513.3	2,580	2,649	2,719	2,790
- Gaza Strip	1,109.7	1,145.9	1,182.9	1,221.1	1,261.0	1,304.4	1,349.3	1,395.7	1,440.3	1,486.8	1,535.12	1,589	1,644	1,702	1,760
Labor Market															
Employment (thousands)	600	505	477	564	578	603	636	690	667	718	745	837	858	885	917
Participation Ratio (%)	41.5	38.7	38.1	40.3	40.4	40.4	41	41.7	41.2	41.6	41.1	43	43.4	43.6	45.8
Unemployment (%)	14.1	25.2	31.3	25.6	26.8	23.5	23.7	21.7	26.6	24.5	23.7	20.9	23	23.4	26.9
- West Bank	12.2	21.6	28.2	23.7	22.8	20.4	18.8	17.9	19.7	17.8	17.2	17.3	19.0	18.6	17.7
- Gaza Strip	18.9	34.0	37.9	29.1	35.3	30.3	34.8	29.7	40.6	38.6	37.8	28.7	31.0	32.6	43.9
National Accounts															
GDP (Mill. USD)	4,313.6	4,003.7	3,555.8	3,968.0	4,329.2	4,831.8	4,910.1	5,505.8	6,673.5	7,268.2	8,913.1	10,465.4	11,279.4	12,476.0	12,765.8
Private Consumption	3,713.0	3,594.6	3,217.7	3,736.3	4,270.3	4,891.7	5,111.7	5,595.3	6,575.8	6,822.8	7,976.0	9,199.0	9,693.6	10,522.5	11,599.0
Public Consumption	1,098.9	1,116.4	985.8	906.0	1,227.0	1,363.3	1,374.5	1,603.2	1,832.8	2,342.7	2,500.8	2,892.3	3,126.9	3,381.7	3,578.3
Final consumption of NGOs	153.8	170.8	180.2	195.8	174.9	194.6	208.5	251.9	339.9	351.4	378.7	403.4	464.9	477.6	674.8
Gross Capital Formation	1,358.9	1,184.2	930.5	1,143.0	1,151.5	1,241.3	1,155.1	1,204.9	1,371.9	1,504.8	1,921.5	1,863.8	2,378.5	2,707.3	2,375.1
GDP per capita (USD)															
In Current prices	1,518.9	1,369.4	1,181.8	1,281.4	1,358.1	1,470.1	1,448.8	1,575.6	1,855.5	1,963.2	2,338.7	2,664.9	2,787.2	2,992.2	2,973.4
In Constant 2004 prices	1,526.7	1,345.0	1,143.7	1,267.0	1,358.1	1,459.4	1,360.1	1,406.0	1,449.1	1,529.8	1,606.4	1,752.5	1,807.5	1,793.3	1,734.6
Foreign Trade^b(Mill. USD)															
Commodity Exports		339	282	318	348	378	378	562	569	631	666	1,525	1,250	1,756.1	2,018.7
Commodity Imports		1,980	1,507	1,782	2,300	2,613	2,738	3,280	3,511	4,136	4,319	6,188	6,134	6,053.0	7,071.0
Trade Balance (Goods)		(1,641)	(1,224)	(1,464)	(1,952)	(2,236)	(2,352)	(2,718)	(2,942)	(3,504)	(3,653)	(4,663)	(4,884)	(4,296.9)	(5,052.3)
Services Exports		117	103	154	192	202	179	252	357	579	831	686	649	315.7	279.3
Services Imports		603	600	475	519	451	455	634	698	931	1,143	948	1,032	751.0	710.1
Trade Balance (Services)		(486)	(497)	(320)	(327)	(249)	(275)	(382)	(342)	(352)	(312)	(262)	(353)	(435.3)	(430.8)
Current Account of BoP		(875)	(452)	(854)	(1,334)	(1,020)	(944)	(467)	530	(713)	(691)	(2,430)	(2,815)	(1,317)	(1,387)

Indicator	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 ^d
Exchange Rates and Inflation															
Average USD/NIS	4.086	4.208	4.742	4.550	4.477	4.482	4.454	4.110	3.587	3.929	3.739	3.578	3.85	3.611	3.577
Average JOD/NIS	5.811	5.928	6.674	6.417	6.307	6.317	6.292	5.812	5.061	5.542	5.275	5.050	5.43	5.093	5.046
Inflation Rate (%) ^c	2.8	1.2	5.7	4.4	3.0	4.1	3.8	1.9	9.9	2.75	3.75	2.88	2.78	1.725	1.733
Public Finance on Cash Basis, mill. USD															
Net Domestic Revenues (incl. Clearance)	939	273	290	747	1,050	1,370	722	1,616	1,780	1,548.4	1,900.4	2,176	2,240	2,320	2,787
Recurent Expenditure	1,199	1,095	994	1,240	1,528	1,994	1,426	2,567	3,273	2,920	2,983	2,952	3,047	3,250	3,438
Development Expendt.	469	340	252	395	0	287	281	310	-	46.8	275.1	296	211	168	164
Deficit (before Grants)	(260)	(822)	(704)	(493)	(478)	(624)	(704)	(951)	(1,493)	(1,342)	(1,083)	(776)	(807)	(931)	(651)
Foreign Grants	510	849	697	620	353	636	1,019	1,322	1,763	1,402	1,277	978	932	1,358	1,233
Surplus/deficit (after Grants)	(219)	(313)	(259)	(268)	(125)	(275)	34	61	270.2	(144)	(81)	(94)	(86)	259	418
Public Debt	795	1,191	1,090	1,236	1,422	1,602	1,494	1,439	1,406	1,736	1,883	2,213	2,483	2,376	2,422
Banking Sector (Million Dollars)															
Assets/Liabilities	4,593	4,430	4,278	4,728	5,101	5,604	5,772	7,004	5,645	7,893	8590	9,110	9,799	11,191	11,822
Equity	242	206	187	217	315	552	597	702	857	910	1,096	1,182	1,258	1,360	1,467
Deposits	3,508	3,398	3,432	3,625	3,946	4,190	4,216	5,118	5,847	6,111	6,802	6,973	7,484	8,304	8,935
Credit	1,280	1,186	942	1,061	1,417	1,788	1,843	1,705	1,829	2,109	2,825	3,483	4,122	4,480	4,896

Source: Palestinian Central Bureau of Statistics, the Palestinian Monetary Authority.

All data exclude the part of Jerusalem governorate which was annexed illegally by Israel (with the exception of the data on unemployment and population). Figures in brackets are negative.

- a. The national accounts are in current prices, taken from the revised series of GDP values issued by PCBS in 2015. (for more information on the revised series, see the text box No. 2 in the Monitor No. 38)
- b. Foreign trade figures are taken from the balance of payments prepared by the Palestinian Central Bureau of Statistics in collaboration with PMA.
- c. The inflation rate is based on the comparison of average indices of consumer prices for the comparison year with its average in the previous year.
- d. Data for 2014 are Preliminary and subject to revision and amendments.