

## **FOREWORD**

The Palestine Economic Policy Research Institute (MAS) and the Palestinian Central Bureau of Statistics (PCBS) are pleased to introduce the first quarterly issue of the combined Economic & Social Monitor. Since 1997 the two organisations have worked in partnership to assemble and analyse key socio-economic data for the benefit of policy makers, researchers and other interested parties. The Economic and Social Monitors have become a trusted reference guide for decision makers throughout Palestine, as they strive to formulate appropriate economic and social policies under changing and often difficult circumstances.

The ever-changing nature of the economic and social environment, and an improvement in capacity in data gathering and analysis, made the introduction of the quarterly monitors not only possible but necessary. As needs shift, trends develop, situations deteriorate or opportunities present themselves, it is vital that the public, private and NGO sectors are presented with the most up-to-date appraisal of events. As usual, this involves not only the collation of accurate statistics but their digestion and analysis by our team of experts. It is our intention not only to inform but to illuminate.

We hope this new Monitor succeeds in its mission, and we very much welcome any comments, suggestions or criticisms from its readers. We extend our appreciation to all those who have worked so hard to put it together, particularly the researchers from our two organisations for their cooperation and dedication. Finally, our sincere thanks go to the Ford Foundation and the Core Funding Group whose support of MAS and the PCBS (respectively) has made this issue possible.

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## EXECUTIVE SUMMARY

The population of the West Bank and Gaza Strip increased in 2004 by 3.4%, reaching an estimated 3.7 million people by the end of the year. The data shows that the fertility rate is still high, and Palestinian society is still extremely young.

The number of building licenses issued in the fourth quarter of 2004 reached 1,306, an increase of 7.5% over the previous quarter. These licensed 552,000 m<sup>2</sup> of new buildings. However, the amount of cement imported to the Palestinian territory decreased by 20% to 388,000 tons. 61% of the imported cement was for the West Bank and 39% was for the Gaza Strip.

Despite slight improvements in some economic indicators the fourth quarter of 2004, poverty was widespread and is likely to remain so. 61% of households in the West Bank and Gaza Strip were below the poverty line, and half reported they had lost more than half their pre-*Intifada* income. 22% of Palestinian households received emergency assistance during the fourth quarter of 2004, mostly in the form of food.

The overall labour-force participation rate in the Palestinian territory increased in the fourth quarter to 41.0%, with female participation up to 14.6% from 12.9% in the previous quarter. The unemployment rate declined to reach 25.6% from 26.8% in the previous quarter, despite a decrease in the number of workers in Israel from 58,000 to 49,000. The number of paid employees in economic establishments decreased, showing a growth in the family character of these establishments. Employment in the agricultural sector increased because of the good olive season of 2004.

28% of the whole population are in schools, most of them run by the government.

The data show that 76% of the Palestinians have health insurance, and household expenditure accounts for 80% of the total spent on health.

73% of Palestinian households have access to the public water network, but only around half are connected to the sewerage system. The quality of water is worsening in Gaza, with salinity levels rising. One third of families there rely on purchasing water from tankers for drinking.

Gross Domestic Product was estimated to have increased in the West Bank and Gaza Strip by 1.5% in the fourth quarter of 2004. Services contributed 45% of GDP, Industry 14% and Agriculture and Fishing 9%. GDP per capita increased by 0.6% in the same period.

The inflation rate in the Palestinian territory was 1.5%, 66% of this increase accounted for by food prices. Both the Jordanian Dinar and the US Dollar depreciated against the Israeli Shekel, reaching 6.2 and 4.4 NIS respectively. The purchasing power of the Dinar declined by 3.4% and the Dollar by 3.6%.

Government revenues increased by 3.3% in the fourth quarter compared with the budget, due to a 28% increase in domestic revenues. Current and capital expenditure reached \$431 million, an increase of 19.5% compared with the estimated value in the budget. Israel transferred \$90 million of clearance revenues, some of which was owed from previous years. However, donor assistance amounted to 58% less than what was expected.

The number of operating hotels in the Palestinian territory increased to reach 80, with 1,249 workers, 3644 available rooms and 24,365 guests.

There were 22 banks operating in the Palestinian market with 135 branches. Total deposits increased by 7.3% to reach US\$3,876 million, 58% of it in US Dollars, 15% in Israeli Shekels and 24% in Jordanian Dinars. Credit facilities increased by 33% to reach \$1,394.4 million.

The market value of registered companies on the Palestine stock exchange increased by 69% in the fourth quarter of 2004 compared with the same quarter of 2003. The number of deals increased by 383% and the price of stocks increased by 54%.

11% of Palestinian households in the West Bank and Gaza Strip were victims of crime during the fourth quarter of 2004.

17 economic and financial laws were published during 2004 and 11 laws are in progress in the Palestinian Legislative Council.

Israeli policies and actions caused major humanitarian losses and much damage to infrastructure. 274 people were killed in the fourth quarter of 2004, 1,180 houses were destroyed by Israeli military forces and 1163 establishments were damaged. Israeli military machines felled 118,500 trees and destroyed 4,566,000 m<sup>2</sup> of land in the same period.

The annexation and expansion wall continued to have negative effects on the Palestinian people. 16% of those near its path moved homes because of the wall and half of households had difficulty reaching health services. Many students were prevented from reaching school and had to find alternative ways to reach their educational institutions.



