



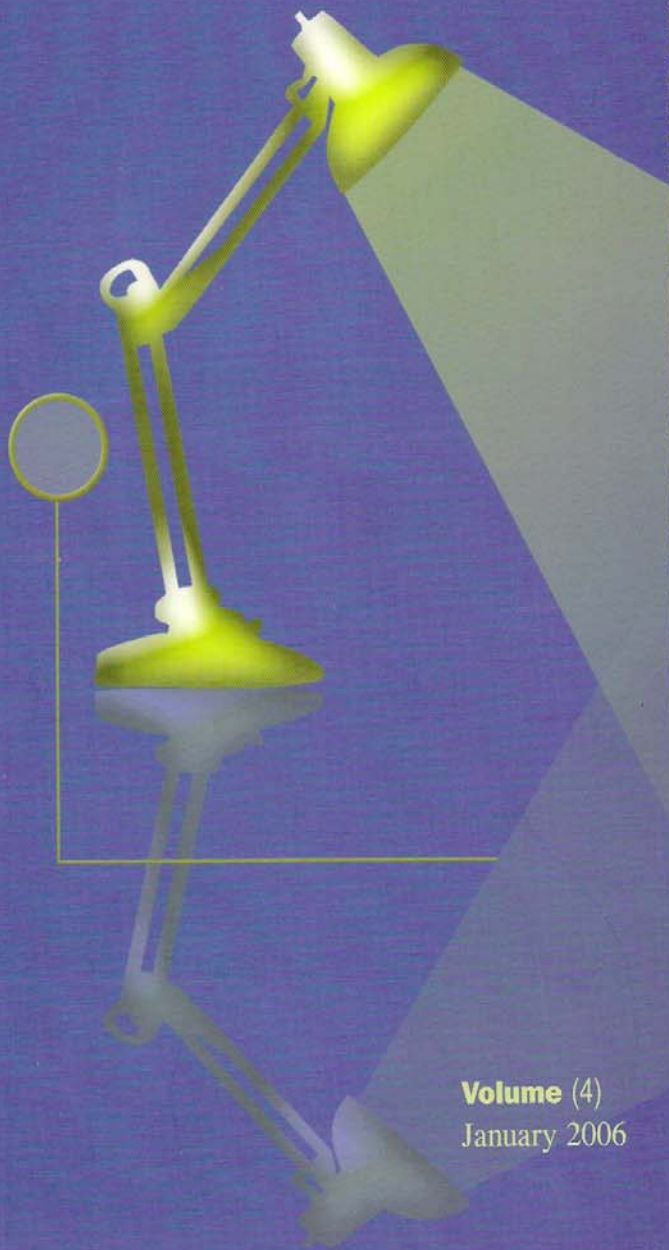
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FOREWORD

The publication of this issue of the Economic and Social Monitor marks a full year that the monitor has been published on a quarterly basis. As regular readers know, the monitor is now the fruit of collaboration between three partners: the Palestine Monetary Authority (PMA), the Palestinian Central Bureau of Statistics (PCBS) and the Palestine Economic Policy Research Institute (MAS). This triangular partnership was founded on common principles of independence and a commitment to produce top quality scientific research and reliable data.

The partnership has proven its ability to coordinate research efforts between the three institutes to provide decision-makers and other interested parties with valuable information and data analysis on the Palestinian situation. We try hard to minimize the time taken from when the data is produced to the time when it is analyzed and passed on to the reader. We also try our best to meet the needs and expectations of our readers, meeting this target does not solely depend on us. It also requires the users of the Monitor to stay in touch with us with their critiques, comments and suggestions, which contribute to the improvement of every new issue.

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EXECUTIVE SUMMARY

National Accounts: Gross Domestic Product reached US\$1,152 million during the third quarter of 2005, an increase of 6.8% from the previous quarter. Service activities remained the highest contributor, representing 37.7% of the total. GDP per capita grew by 5.8% during the third quarter, reaching US\$326.4 per person.

Labour Market: Labour force participation rate increased from 41.2% in the second quarter of 2005 to 41.7% in the third quarter, but unemployment, excluding discouraged workers, increased from 21.2% to 22.7%. The number of job vacancies advertised in the 3 main daily newspapers during the 3-month research period fell to 1,246 – a 13% decrease. The private sector accounted for the majority of advertised vacancies (63%).

Investment Indicators The number of building permits increased by 68.6% during the third quarter of 2005 in comparison to the third quarter of 2004, reaching 2,049. Imports of cement were also up from the same time the previous year, 21.3% higher at 512.9 thousand tons. However, the number of applications to register companies decreased by 36.5% in comparison with the second quarter, numbering 204 new establishments.

Public Finance: Public revenues declined by 17.9% and public spending fell by 6.3% (US\$31.3 million) during the third quarter of 2005 in comparison to the second quarter of the same year.

Banking Sector: The total assets of banks increased by US\$34.02 million during the third quarter, arriving at US\$ 5,483.3 million. The total value of credit facilities increased by 7.5%, reaching US\$1,798.41 million. Bad debts declined by 16% during the third quarter, with the value of debt subject to provisions being US\$120 million. Foreign investment declined by 3.7% and was valued at US\$2,210.3 million at the end of the third quarter.

Dollar Exchange Rate: The exchange rate of the US dollar against the Israeli shekel increased to 4.65 at the end of November 2005 compared to 4.52 at the end of August. At the same time the spread in the exchange rate increased to 1.15% in comparison to 0.88%.

Stock Exchange: Market capitalization increased to US\$820.8 million in the last quarter of 2005, an rise of 73.6% over the third quarter. In December the Jerusalem Index exceeded the one-thousand mark for the first time in the history of the stock exchange, and went on to peak at 1295.08.

Foreign Exchange Rates and Inflation: The Shekel value of both the US Dollar and the Jordanian Dinar rose by 2.9% in the third quarter, which was higher than the rate of inflation. This led to an increase in their purchasing power by 2.6%

Tourism: The number of hotel guests in the Palestinian territories increased by 2.8% during the third quarter, but the number of hotels in operation fell to 76, 2 fewer than the previous quarter.

Popular Perceptions about Socio-economic Conditions: No significant change was noticed in household expectations regarding socioeconomic conditions in the short run. In fact, 31.7% of households were expressed optimism, down from 32.2% in the previous survey. Interestingly, more Gazan households were optimistic (42.8%) than West Bank ones (25.5%).

Perceptions of Owners and Managers of Economic Establishments about Economic Conditions: In general, owners of establishments continued having problems in running their businesses. The proportion who were optimistic about the immediate prospects for their establishments fell from 31.6% to 27.6%.

Population: Palestinians living in the Palestinian territories represented 38% of the worldwide Palestinian population, estimated at 10.1 million. In the occupied territories, 63% of the population lives in the West Bank and 37% in the Gaza Strip.

Education: The number of students enrolled in schools reached 1.08 million for the school year 2005/2006. This represents an increase of 3.3% from the previous year and almost 30% of the Palestinian population in the West Bank and Gaza Strip. The number of schools in the Palestinian territories increased by 84 (3.8%) from the previous year.

Health: In 2004 there were 413 government health centres in the Palestinian territories, 56 of them in the Gaza Strip and 357 in the West Bank. The number of hospitals operating in the Palestinian territories stood at 77. Public health insurance covered 55% of Palestinian families, more in Gaza than in the West Bank.

Israeli Measures: Twenty percent of the total number of Palestinians killed (3,891) by Israelis during the five years from September 28th 2000 to September 27th 2005 were children. Israelis stepped up measures to combat the *Intifada* during the third quarter of 2005; there were 70 people killed, including 22 children.

Palestinian Prisoners in the Israeli Jails: The total number of Palestinian prisoners inside Israeli jails reached 8,500 at the end of the third quarter, of whom 116 were women.

Economic Conditions of Palestinian Households: Economic and social conditions continued to deteriorate in the Palestinian territories during the third quarter of 2005. Almost half (47.4%) of households said that they had lost more than half their income, and the number of households which believed they could cope for more than one year decreased.

Social Assistance: The number of Palestinian households who received assistance decreased in the third quarter of 2005. This decrease was more pronounced in the West Bank than in the Gaza Strip. There was an improvement in the number of households that received assistance in cash, while food assistance declined.